Places for People – Village 1 to 6 Gilston Garden Town Independent Viability Assessment

September 2023

Inspiring Built Environments

Viability in Planning
Development Management
Regeneration
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Contents

Executive Summary

Continuum have been instructed by the owner of Hunsdon House to undertake an Independent Viability Assessment (IVA) and to provide advice on the viability case put forward by Places for People (PfP / Applicant) in respect of the Land at Villages 1 to 6 Gilston Garden Town (ref: 3/19/1045/OUT).

From a detailed review of the viability case made by Turner Morum (TM) on behalf of PfP, Continuum believe the viability of the scheme could be improved considerably as highlighted by the table below:

Inputs	Est. Viability Impact	Reason
Housebuilder Standard Build Costs (incl. garages)	£244.3m (garages as a proportion is circa. £35m) Cost saving	Based on appeal decisions and local plan viability assessments which highlights the weakness in using BCIS for housebuilder base build costs and that Lower Quartile (LQ) BCIS with deductions should be used. Garages are already accounted for in the external works percentage. Cost have been compared with estimated standard build costs with a South East housebuilder scheme which supports Continuum's assessment of cost.
Sales Disposal Fees	£41.1m (based on TM's December 2022 values) Cost saving	Based on recent appeals and FVAs that support 2.5% on GDV sales & marketing and £650 per unit legal fees. TM have assumed 3% sales & marketing, 0.5% market legal fees and 0.5% affordable housing disposal fees.
Housebuilder Professional Fees	£48.7m Cost saving	Based on recent appeals and FVAs that support 5% professional fee allowance on standard build costs for volume housebuilders. TM adopted an allowance of 8%.
Housebuilder Market Profit Margin	£75.5m Cost saving (profit treated as a cost)	Based on recent appeal decisions and risk adjusted return assessment. Continuum believe due to the de-risking of the serviced land by the master developer the profit margin adopted should be 15% on GDV. This was the case made by BPS in their first review in August 2022. TM argued 17.5% on GDV.
Housebuilder Finance Cost	TM to prepare detailed cash flow assessment as is the standard	TM estimate the finance costs as a percentage (2.5%) of GDV. For a scheme of this scale with the consequential impacts in relation to the ability to fund planning contributions Continuum regarded it as essential that a proper cash flow assessment is undertaken by the Applicant. This was the case made by BPS in their first review in August 2022.
Market Sale Values	£17.9m (when accounting for profit and sales and marketing fees.) Value increase TM to run a sensitivity analysis (as required by the RICS) reflecting place making premium	When basing the market sale values on CBRE's Village 7 assessment for Taylor Wimpey (and nearby comparables), the market sales values should be higher. This increase and assessment of value does not take into account *'place making premiums'.* A sensitivity analysis should be undertaken on place making premium's that have been estimated at 15% (increase in sale values when compared against standard market housing schemes). This is supported by the RICS Guidance section 4 and was proposed by TM in their first July 2022 report.

Affordable Sale Values	TM to update their model based on optimum affordable housing mix	Continuum would argue that the calculation behind the affordable housing values has some flaws, which if addressed, would lead to higher affordable housing values. This includes: • affordable rent values (est. at 57.35% of Marker Rent) being less than LHA and 80% of market Rent; • Lower than expected discount rates in DCF model; • Lower value intermediate tenures being assumed such as intermediate rent; and • Lower initial equity share for shared ownership units.
Employment Serviced Land Value	£21.5 to £28.9m Serviced land value increase	The master developer would not deliver B1 land which makes a loss (this is the suggested position by TM), especially when planning policy does not require B1 land. Knight Frank estimate prime Harlow industrial / logistics land at £2m per acre.
Infrastructure, Abnormals & S106	Lack of evidence or justification for an increase of 78% when compared to the HDH assessment.	Total Infrastructure / S106 outlined in the Infrastructure Delivery Plan (estimated by ARUP in 2019) should have increased in line with inflation (the outputs appear not to have changed). The result being that the substantial increase in cost is down to abnormals (or standard infrastructure / external works). TM and Aecom do not separately itemise the abnormal costs in their assessment but from a detailed review of the Aecom cost plan, most items would be considered as standard (not abnormal) for a major development. We therefore deduce that double counting has occurred in the TM assessment, either with the BLV which should reflect abnormal costs (and infrastructure costs) or with standard external works as assessed by HDH.
Promotional Costs	£15m Cost Saving	PfP and TM have not provided any justification or evidence base to support this cost. Until such evidence is provided, Continuum would argue that the cost should be stripped out.
DM Fee & Profit Margin (Gross Profit Margin)	Circa. £6.6m (DM fee saving) based on the hypothetical land value (BLV)	Standard master developer approach would be to identify a gross profit from serviced land sales to house builders. Adding a development management (DM) fee for the Master Developer in addition to the Gross Profit would not be regarded as standard market practice. The methodology utilised by TM to generate a master developer return has assumed a hypothetical land value. Should the actual costs incurred in securing land be inputted into the TM appraisal, then the profit outturn would be over 60% higher than argued as being required. Even if their BLV was the actual land value, then we would strongly argue a total gross profit margin of circa. 15% on costs (incl. DM fee) is more than acceptable for the master developer function.

HIG / STC Repayment	It is unclear why the level of grant received is not replicated in the S106 payments as it is understood that this is a contractual requirement of the Grant	The FVA produced by TM makes specific reference to the Grant. Without having sight of the agreements that have been entered into it is difficult for us to comment on the validity the approach set out.
BLV	Circa. £76m Cost saving when comparing hypothetical BLV and actual purchase cost	TM have not provided their own assessment of BLV, EUV and premium which is required by both the PPG and RICS guidance / professional statement. They have relied on the area wide viability assessment by HDH (2019). TM have also not explained how their approach to BLV takes into account infrastructure and abnormal costs, especially due to the estimated infrastructure and abnormal costs being significantly higher than what was assumed by HDH in the area wide viability assessment. It appears PfP purchased the subject site for circa. £36m (2007 and 2013 separate lots). The BLV is stated as £107m by TM.
Master Developer Finance Costs	The cost saving is difficult to quantify without all relevant information which sits with the applicant.	Usually finance costs would have a major impact on the outcome of the findings, however, due to large viability savings found elsewhere in the appraisal, we believe the cost savings would be minimal in the context of a project with an estimated GDV of £3.5bn. The information presented by both TM and BPS cannot be assessed without the technical data that sits behind the percentage ungeared IRR figures that have been estimated. The range of suggested outcomes for the master developer finance cost of the project have been reported as follows: • TM's July 2022 circa. £22m • BPS's Augst 2022 circa. £8.5m • TM's December 2022 circa. £47m • The finance percentage rate (6%) has remained the same in all three assessments
Total	Total of viability savings estimated = circa £500m +	

Continuum undertook a residual appraisal assessment of a 300-unit residential tranche with 40% affordable housing (84:16 affordable rent to shared ownership tenure split). What this residential service land appraisal showed, was that when using Continuum's assessment of cost, profit and market value and TM's of affordable value, the appraisal generated a Residual Land Value of £142,646 per unit. If this was multiplied by the total number of residential units for the whole scheme, the output serviced land value would be circa. £108.2m higher than TM's 23% affordable housing land value. Based on this, Continuum would argue that the scheme could support its full affordable housing contributions at the LPAs required tenure mix (84:16 affordable to shared ownership). Continuum reserve the right to undertake a full detailed cash flow assessment of all villages.
The area wide viability assessment prepared by HDH in 2019 has been updated by HDH and a report prepared in May 2022. The conclusion from this assessment is as follows:

"45. The above data shows that the average values of newbuild property have increased by about 20% and build costs by about 12%. The Residual Value will have increased, indicating that viability will therefore have improved. Further, the costs of providing the infrastructure have been reduced, suggesting that viability will have improved, noting however that some of the reduction is likely to be due to changes in the approach taken within the IDP.

46. The additional costs of national policy will add to the costs of development, but this, even when taken together, is going to be substantially less than the increase in average newbuild values.

47. The HGGT Partnership can continue to rely of the Harlow and Gilston Garden Town Strategic Viability Assessment (HDH, April 2019), although the report is now likely to understate the Residual Values somewhat."

East Herts own evidence base in May 2022 points to the viability of the Garden Town developments improving considerably. TM's assertion made at the same time as the HDH updated is the reverse. Continuum have not seen a commentary from East Herts addressing this issue.

From Continuum's assessment of the reports produced by BPS, there is a clear change in the approach taken in summer 2022 to February 2023. Many of the outstanding questions and *"disagreements"* following BPS's initial reviews were not dealt with by TM in their December 2022 update. For reasons that are unclear, BPS in February 2023 accept the TM position / conclusion without fully agreeing all of the inputs. The way that they justify their change in position is by relying on a review mechanism to provide the answer. How this review mechanism would work is not commented on by BPS. As the approach that they have taken is to put a substantial onus on the review mechanism process to generate the viability answer, Continuum find it surprising that BPS do not commit substantial section in their reports to review mechanisms. Indeed, Continuum would have expected a bespoke mechanism to have been produced by BP, specifically for this application.

1. Introduction

Continuum have been instructed by the owner of Hunsdon House to undertake an Independent Viability Assessment (IVA) and to provide advice on the viability case put forward by Places for People (PfP / Applicant) in respect of the Land at Village 1 to 6 Gilston Garden Town (ref: 3/19/1045/OUT).

This IVA has three tasks:

1. Assess in terms of policy and professional practice guidelines whether the Applicant has made a compelling case for the identified aspirational return to the developers and landowners in their viability proposition, and the values and costs used in their appraisal are fair and evidenced.
2. To establish what further information/evidence is required from the Applicant in the event that further justification for the viability case made is required.
3. To advise the Client, following evaluation, if there is the potential for contributions to be made by the Applicant, once evidence based aspirational returns to the developers and landowner are achieved.

The IVA provides an overview analysis of the FVAs produced by Turner Morum (TM) between July to December 2022 and will focus on key areas where Continuum would challenge the approach and assumptions made by TM.

Continuum have also been instructed to undertake an independent assessment of the BPS viability reviews that were produced for the Council (East Herts). The review will focus on the inputs assumed and methodologies used to determine whether BPS's advice provides a robust justification for why they have concluded that the scheme cannot comply with adopted planning policy.

This IVA has been prepared in compliance with national planning policy, namely:

- National Planning Policy Framework (updated 2023).
- National Planning Practice Guidance on Viability (updated 2019).

The PPG (2019) sets out a standard approach to assessing viability at both the plan and decision-making stage. It seeks to *"strike a balance"* between the aspirations of developer returns, landowner returns and benefits in the public interest through policy compliance.

The emphasis has changed regarding the assessment of viability in the most recent iteration of the PPG (2019). Weight to be given to the viability assessment is now a matter for the decision maker and should be based upon the recency of the development plan and the supporting viability evidence, alongside the transparency and justification of the evidence submitted as the basis of the viability assessment.

Guidance prepared by Royal Institution of Chartered Surveyors (RICS) has been taken in account in the preparation of this report with particular reference to the following documents:

- RICS Professional Statement: Financial Viability in Planning – Conduct and Reporting (2019).
- RICS Guidance Note: Assessing viability in planning under the NPPF (2019) for England (1st Ed) (March 2021).

The RICS professional statement (2019) sets out mandatory requirements to be followed by RICS professionals regarding to conduct and reporting in relation to FVAs for planning in England. **Appendix 1** confirms that this review is in accordance with the requirements set out within the Professional Statement. The RICS Guidance Note (2021) sets out best practise on viability in planning to be followed by RICS members.

This IVA does not constitute a formal valuation, as such, the guidance included in this report is exempt from regulations set out in the RICS Valuation Professional Standards (the Red Book) (2019).

Continuum reserves the right to update, amend or vary our advice should the matter progress to a planning Appeal Hearing, Inquiry or Judicial Review; or be called in by the Secretary of State.

2. Confidentiality

This IVA report is confidential to the Client, and their advisors. It has been prepared in accordance with Continuum's terms of engagement.

This IVA has been prepared on the basis that it will be made publicly available should our Client, require it to be as under our terms of engagement.

No party other than the Client is entitled to rely on this report for any purpose whatsoever and we accept no responsibility or liability to any other party other than the client in respect of the contents of this report. This report must not, save as expressly provided for in our terms of engagement, be recited or referred to in any document, or copied or made available (in whole or in part) to any other person without our express prior written consent.

This IVA should not be disclosed to any third parties under either the Freedom of Information Act 2000 (sections 41 and 43 (2)) or under the Environmental Information Regulations.

3. Background and Documents Supplied

Gilston Garden Town is located to the north of Harlow and is allocated for 10,000 homes in the East Hertfordshire District Plan (2018). The Gilston Garden Town is part of the wider Harlow and Gilston Garden Town which is allocated to deliver 23,000 (in total) new homes across new neighbourhoods to the east, west, and south of Harlow, and the Gilston Area to the north. The Harlow and Gilston Garden Town was successful in receiving £172 million of HIF funding which is primarily being used to fund two new crossings over the river Stort, which separates Gilston from Harlow.

Gilston Garden Town is split into 7 villages, with the sites at Village 1 to 6 owned by PfP and the site at Village 7 owned by Taylor Wimpey who have submitted a separate outline application (ref: 3/19/2124/OUT). The two applications at Gilston Garden Town are as follows:

Planning Ref:	Applicant	Housing Numbers	Viability Consultant
3/19/1045/OUT	Places for People	8,500	Turner Morum
3/19/2124/OUT	Taylor Wimpey	1,500	CBRE

It has been suggested to Continuum that the Applicants have argued that the bridge construction costs have increased since being awarded HIF funding, whereas the grant amount has remained the same and therefore this is one of the reasons why they cannot provide a fully policy compliant scheme in terms of affordable housing. From a review of the cases made by both PfP & Taylor Wimpey, neither FVA makes reference to rising costs as a reason for both schemes being non-compliant.

The Applicants are proposing through a viability challenge to only deliver 23% affordable houses which is significantly lower than the 40% required by policy (2018).

East Hertfordshire District Council instructed BPS to review the viability cases made by the Applicants and BPS conclude that the two applications could only support 23% affordable housing. Both applications have since been given a recommendation for approval by Planning Committee subject to signing of a S106 Agreement and finalising conditions.

The following documents have been provided to support the financial viability case being made by the Applicant:

- Viability Submission, Gilston Park Estate, July 2022, prepared by TM (includes cost plan and other advice in appendices).
- Updated Viability Report, Gilston Park Estate, December 2022, prepared by TM.

4. Assessment of the Scheme from a Development Manager (DM) Perspective

Continuum and its employees have experience in acting as DM's on all types of schemes, such as:

- Godley Green – garden village of 2,150 homes that was awarded £10m of HIF funding
- Wokingham Town Centre – Comprehensive redevelopment of town centre, leisure and mixed-use housing and commercial sites.
- Stanton – 450 acre former industrial site to be redeveloped into 2,000 homes and 22 hectares of employment use.
- Leyland Town Centre – town centre scheme that has be awarded circa. £25m of Town Deal funding.

Continuum use their knowledge of being DMs to assess the credibility of viability in planning cases being run by Applicants on major schemes. For example, during the Warburton Lane appeal (APP/Q4245/W/19/3243720) (Continuum acted for Trafford Council as Viabiltiy Expert Witness), the Applicant's consultant argued that viability in planning is hypothetical (in essence an academic exercise), whereas Continuum believe (supported by updated RICS Guidance) that the assessments should be based on actuals and reality as close as possible (though recognise inputs should be market specific). This is because the effects of viability in planning have real word outcomes through the reduction in affordable housing and other S106 contributions if successful. This was an argument that was supported by the Inspector at Warburton Lane.

When assessing the scheme from the perspective of a DM and applying logic and development economics, Continuum would make the following commentary:

From review of titles, it is known that Village 7 was re-sold in 2021 to Taylor Wimpey for an allocated site without planning for £62,323,760 on a greenfield basis. Village 7 was allocated for 1,500 units (plus non-residential land). On a residential plot basis, the purchased price equated to £41,549 per plot. Applying this per plot value to the PfP site would equates to a land value of circa. £353m. If a valuer was asked to value the PfP site, they would base the value on the Village 7 adjacent comparable and most likely estimate the value at circa. £353m (discount for quantum and different site characteristics may apply).

From looking at the titles of Village 1 to 6, it appears PfP bought the site for circa. £27m in 2013. BPS also reference this in their August 2022 review. (Continuum would caveat that further work is required to fully understand the titles and exact price of Village 1 to 6 due to the complexities of assessing titles for a large area).

Based on the Taylor Wimpey Village 7 purchase price, you would question why PfP, who do not have any significant master developer experience (there are not many companies in the UK who have the expertise and financial backing to deliver infrastructure costs at almost £1bn), would undertake the master developer role. This is because if PfP sold the site with planning (or now with an allocation), they would make more money as shown in the table below (even if they received half the Taylor Wimpey plot value this would still show a return greater than TM's master developer assessment):

Item	**£**
Village 1 to 6 Value based on Taylor Wimpey Village 7 Site	**£353m**
PfP's Purchase Price	£27m
Acquisition Costs (6.5%)	£1.8m
PfP's Argued Promotional Costs (not sure what this includes)	£18m
PfP's Planning & Survey Costs (Aecom Cost Plan)	£5.5m
Site Disposal Fees (0.75%)	£2.7m
Total Costs to Get to Planning & Sell Site	**£55m**
Total Profit if Sold the Site with Planning	**£303m**
Master Developer Profit in December 2022 Appraisal	**£132m**

PfP would therefore make more profit selling the with planning and selling the site at this point in time would mean taking on significantly less risk.

Continuum would add that Taylor Wimpey most likely purchased the Village 7 site with a deduction for planning risk, which is the standard valuation and market approach. This deduction is usually around 15% for scheme of this type with an allocation and could mean the value of Village 7 with planning would be around £73m and therefore the value of PfP's site would be higher than £353m.

From assessing the PfP scheme based on this perspective and reviewing the viability case put forward on behalf of PfP, there appears to be a disconnect from reality and this calls into question the credibility of the viability case put forward, especially in relation to the recent purchase price of Village 7.

From the above, the viability case and approach put forward by PfP raises questions. Why would PfP go to the expense and risk of undertaking all of the infrastructure in order to generate a lower return than what would be created from selling consented greenfield land?

From reviewing both viability cases made (PfP & Taylor Wimpey) we conclude that there is a contradiction at the heart of the process. PfP are arguing that the percentage of affordable housing to be delivered, based on a viability assessment, is the same as for the adjacent Taylor Wimpey site. Continuum known that the price paid for the Taylor Wimpey site (2021) is substantially greater than the price paid for the PfP site (2013) on a pro-rata basis. How is it possible that the viability arguments run on both sites can reach the same conclusion?

5. Continuum's Independent Assessment of the Viability Case Made

The section below assesses the inputs assumed by TM especially in relation to their final December 2022 appraisal. Continuum have assessed the inputs based on appeal decisions, their market knowledge, comparable evidence and other FVAs.

TM have approached the viability of the scheme based on a master developer basis. They argue this is the approach to be adopted by PfP. The master developer approach is based on PfP servicing the land, incurring all infrastructure, abnormals and S106 costs and then selling serviced land to housebuilders. The master developer therefore makes their profit from serviced plot land sales.

TM have referred back to the Area Wide Viabiltiy Assessment undertaken by HDH in 2019 for the Gilston & Harlow Garden Town on behalf of East Hertfordshire Council, Harlow Council, Epping Forest Council, Essex County Council and Hertfordshire Country Council. The assessment also included cost consultant advice from ARUP in relation to the infrastructure and abnormal costs. TM throughout their FVA assume many of the same inputs as HDH.

5.1 Housebuilder Residential Service Land Value Inputs

5.1.1 Standard Build Costs

Continuum agree with TM's assumptions for the gross to net allowance of 10% for apartments, external works allowance of 15% and contingency of 2.5%. TM state these are the same assumptions used by HDH in their area wide viability assessment (2019) apart from the gross to net allowance.

Based on TM's assumption of 10% gross to net allowance for apartments, Continuum have estimated the GIA of the scheme as follows:

Type	NSA	Gross to Net	GIA	Type % of GIA
Houses	7,279,347	100%	7,279,347	88%
Flats	861,744	90%	957,494	12%
Total	**8,141,091**	99%	**8,236,840**	**100%**

The main issue Continuum have with TM's assessment of standard build cost is the base build cost which has been estimated using median BCIS figure rebased to Harlow (15-year position). TM have adopted the *'estate housing generally'* figure for the houses and *'flats generally'* figure for the apartments. TM argue that the adopted median BCIS figure is supported by HDH who also adopted the median BCIS figure in their assessment.

Recent assessments of housebuilders costs during Local Plan Viability Assessments have highlighted the weakness of using BCIS average price study costs to estimate estate housing costs for housebuilders. For example, the QS in the Rossendale Local Plan Viability Assessment states:

"Our experience over many years is that the majority of BCIS data is received from development contracts generally administered on behalf of providers of affordable housing, registered providers or the like. BCIS have informed us that they do receive some cost data from private open market developers however this is when they are in partnership with registered providers. They receive little data from private developers, particularly local, regional and national housebuilders in respect of market developments such as those that need to be assessed in a Local Plan EVA." (QS report, para. 2.2).

They go on to outline more issues they have with BCIS costs which are:

- BCIS costs included additional costs for abnormal works within substructure or superstructures, such as costly abnormal foundations. The published data is not sufficiently transparent to enable the element of abnormal costs to be identified or stripped out.
- BCIS costs include for profit and overheads for a building contractor whereas the majority of housebuilders act as Main Contractor.
- Keppie Massie (KM) and WYG Quantity Surveyors analysis of BCIS published data in 2017, found that since 2011, of the 160 suitable housing schemes, the average number of dwelling per scheme was only 18. KM undertook further analysis from 2017 to 2019 and found a limited number of new schemes (20) were published and the average number of dwellings was only 10. KM argue that BCIS are using fewer schemes as a basis for their cost data and that the schemes they use are very small developments. KM concluded that BCIS was not *'appropriate data'* when assessing scheme typologies of 45 to 400 dwellings.

Due to the limitations of BCIS, Keppie Massie's QS then estimated their base build costs on their own construction database which included data submitted by housebuilders relating to actual costs. They state that their database included 230 schemes in the North West and their adopted base build cost was around 18% below the BCIS LQ estate housing 2 storey figure (5-year position) for schemes of around 45 to 400 dwellings. The Inspector at Examination agreed with the approach and methodology.

The above was also adopted by the same consultant during the Hambleton District Council Local Plan Viability Assessment. Again, this approach was accepted to be appropriate by the Inspector at Examination.

The above is further supported by the approach taken by both QS's at the Warburton Lane (APP/Q4245/W/19/3243720) and Eaves Green (APP/D2320/W/20/3265785) appeals where it was agreed that when using BCIS to benchmark housebuilder costs, deductions should be applied due to embedded overheads and profit (OH&P) and economies of scale savings. During these appeals, it was agreed that the LQ BCIS figure rather than the median figure should be utilised, and this figure should have further deductions applied (circa. 20% to 30%). This approach was agreed between the Councils and housebuilders (Redrow & TW) QS's.

Two older appeals (pre-PPG update) that support this approach are first Flaxley Road, Selby (APP/N2739/S/16/3149425), where the Inspector ruled that the lower quartile (LQ) BCIS was not appropriate when a scheme was (i) likely to be delivered by a volume house builder and (ii) other information / data was available. A figure below the LQ was accepted.

The second was Lowfield Road, Barnsley (PP/R4408/W/17/3170851) where a cost significantly lower than BCIS LQ was accepted on the basis the scheme was likely to be delivered by a *'low cost'* developer.

Continuum have followed the approach to base build costs as adopted by Warburton Lane and Eaves Greens appeals, which is to base the housebuilder costs on LQ BCIS with deductions for OH&P and housebuilder efficiencies. Continuum would highlight that Eaves Green was a scheme promoted by TW / the Applicant. Continuum have assessed the costs at Q4 2022, which is the date of CBRE's appraisals.

The reason LQ BCIS is used over Median BCIS (before deductions) is due to Keppie Massie's analysis finding that in reality, the BCIS estate housing dataset mainly consists of very small schemes (less than 20 units), which when combined with the organisation that are delivering these schemes (Local Authorities and RPs) does not create a comparison metric that can be used for volume housebuilders. In our opinion it appears the difference between LQ and Median is largely affected by quantum and not quality.

Continuum have utilised the BCIS figure based on a *"maximum age of project"* of 5 years as opposed to the default position of 15 years. The reason why this figure is more appropriate is that the 5-year position is more reflective of the current market and reflects more recent projects and specifications compared to the 15-year position. This approach is supported by the Inspector at the Land North Of School Lane, New Forest appeal (APP/B1740/W/18/3209706) and adopted by cost consultants during the Warburton Lane and Eaves Green appeals. CBRE also adopt the 5-year position BCIS data in their assessment of base build cost.

Continuum have then benchmarked the base build costs with the following LQ BCIS figures rebased to Harlow (Q4 2022) for the following property types:

House Type	BCIS Figure	Age of Results	Sample	LQ £/ sq ft
Houses*	Estate Housing 2-Storey Figure	5-year	171	£115.94
Apartments	Avg. of 1-2 and 3-5 Storey Flat Figure	5-year	34 132	£131.27 £136.10 Avg: £133.69

**Continuum would add that 2.5 storey properties would have a lower build rate than a 2-storey property, though this has not been considered in this assessment of cost.*

Continuum have then stripped out the embedded OH&P from the BCIS data at an estimated 7.5% based on their experience of current OH&P levels and at a similar level to that adopted at the Warburton Lane appeal. Continuum would usually then apply a further reduction for housebuilders costs due to supply chain efficiencies compared with the BCIS data. This further reduction can range from 5% to 20% depending on the housebuilder and scale of scheme. For example, at the Warburton Lane Appeal, for a national housebuilder this deduction was clarified at circa. 20% by the QS (Expert Witness) acting for the Appellant (Redrow).

However, Continuum have not undertaken this further reduction. This is because of the Garden Town principles of the scheme, with the expected design codes ensuring a high-quality build and place making aspirations (though most of the placemaking cost is accounted for in the PfP's master developer costs and would not increase the base build cost). This means the base build costs are higher than what a standard estate housing scheme would be.

The table below outlines Continuum's estimated standard build costs:

Type	GIA (sq ft)	LQ BCIS	Strip OH&P @ 7.5%	Plus Ext @ 15%	Plus Contingency @ 2.5%	Total Cost
Houses	7,279,347	£115.94	£107.85	£124.03	£127.13	£925,436,311
Flats	957,494	£133.69	£124.36	£143.01	£146.59	£140,357,721
Total/Avg.	**8,236,840**	**£118.00**	**£109.77**	**£126.24**	**£129.39**	**£1,065,794,033**

The average blended standard build cost with contingency estimated for the scheme equates to £129.39 per sq ft. TM's estimated standard build cost was £1,274,830,918 and means there is a cost saving of **£209,036,885**.

TM in their first appraisal state:

"I have not included any additional costs for garages within my viability assessment – but I believe these costs should be justified (the BCIS guidance identifies that garages costs should be included separately). It is noted that HDH did not make any separate Garage costs allowances within their assessment." (para. 5.16).

However, TM in their updated December 2022 assessment have included garage costs at £10,000 per single garage and £15,000 per double garage and state they have assumed single garages for 50% of the 3-bed, 4-bed and 5-bed market houses (2,234.5) and double garages assumed for the remaining 4 and 5-bed market houses (862.5). The new additional garage cost equates to £35,282,500 which was not in their original July 2022 FVA.

Continuum would argue that the 15% external works percentage applied to the base build cost accounts for garage costs. HDH did not make a separate allowance of garage costs in their area wide assessment, but Continuum believe this is because it was accounted for in their external works costs figure based on Continuum's experience with dealing with HDH. Continuum have therefore not included a separate line for garage costs (they are included in the external works figure).

Continuum have compared the estimated standard build cost with a Q4 2022 cost Continuum received from a national housebuilder during negotiations on a land sale for a Local Authority site located in the Thames Valley. The scheme had planning and was designed to a high building specification by the Local Authority. The total standard build costs for a serviced site (including Part L, garages and contingency) were estimated at £135 per sq ft by the national housebuilder for a 130-unit scheme which included circa. 14% apartments. When stripping out the Part L cost of £4.13 per sq ft assumed by TM in their assessment, the comparable standard build cost (including contingency) equates to £130.87 per sq ft. The comparable site is also located in an area with a location index of 112. Adjusting for this would equate to a standard build cost of £120.36 per sq ft and allow for direct comparison with the assessment of standard build costs above and shows that the costs assumed are appropriate and higher than this Thames Valley cost comparable adjusted cost (full names have been redacted due to commercially sensitive information).

Overall, taking into account garages and base build cost reductions, Continuum believe the costs could be reduced by **£244,319,385**.

5.1.2 Part L Uplift Cost

TM adopt a Part L uplift cost of £4,000 per unit (£4.13 per sq ft of GIA). Continuum agree with this cost which is consistent with research undertaken by DLUHC.

TM argue that they have not included an allowance for meeting Part F (Future Homes) which is mandatory from 2025. Continuum agree with excluding this cost, as FVAs should be based on a present value assessment (see RICS Guidance section 4). This is consistent with the approach taken during appeals and FVAs for schemes that received planning before Part L building regulations came into force but would be subject to Part L for later phases of the scheme.

5.1.3 Sale Disposal Fees

TM have assumed sale disposal fees at 3.5% of market housing GDV. They argue that this is consistent with the assumption adopted by HDH during the Area Wide Viability Assessment in 2019.

They explain the breakdown is 3% for sales and marketing and 0.5% for sale legal fees.

For TM's updated appraisal (December 2022), the 3% sales and marketing equates to £13,656 per market unit and the 0.5% legal fees equates to £2,276 per market unit.

Continuum would challenge the assumptions for sale disposal fees, especially when comparing with recent appeal decisions and other FVAs nationally.

To start with, Continuum would expect housebuilders legal fees to be around £500 to £750 per unit, due to the economies of scale they achieve. Volume housebuilders usually have a contract with a solicitors / conveyancing firm to undertake all of their conveying nationally and would have standardised templates for all agreements. The following appeals support the £500 to £750 per unit sale legal fees:

- Old Crofts Bank, Trafford (APP/Q4245/W/21/3279610) – £650 per unit
- Former B&Q, Trafford (APP/Q5245/W/20/3258552) – £650 per unit
- Eaves Green, Chorley (APP/D2320/W/20/3265785) – £650 per unit
- Hempshill Hall, Broxtowe (APP/J3015/S/15/3019494) – £500 per unit
- Reading Road, Wokingham (APP/X0360/W/22/3300991) – £750 per unit

Continuum believe a sale legal fee of £650 per market unit should be adopted in the assessment of the scheme and this equates to a cost saving of **£10,639,134** (£14,892,084 minus £4,252,950).

In terms of the sales and marketing fee, housebuilders usually undertake many of these elements inhouse which enables cost efficiency savings. Housebuilders also include a wider marketing budget which would be accounted for in their overheads (gross profit margin) which would reflect brand marketing and more national marketing campaigns. The marketing element should therefore only reflect direct marketing costs related to the development and not their wider national / branding marketing. Continuum in recent appeals agreed with consultants that a sales and marketing figure of around 2.5% on GDV would be appropriate for housing developments, these appeals include:

- Former B&Q, Trafford (APP/Q5245/W/20/3258552) – 2.5% on GDV
- Old Crofts Bank, Trafford (A PP/Q4245/W/21/3279610) – 2% on GDV
- Reading Road, Wokingham (APP/X0360/W/22/3300991) – 2.6% on GDV

Continuum would add that although the above are apartment schemes and not estate housing schemes, in Continuum's experience, apartment schemes such as at Former B&Q have a significant sale and marketing budget to attract overseas purchasers from South East Asia.

Continuum would highlight some estate housing scheme FVAs where a sales and marketing fee of around 2.5% has been agreed with Continuum and other consultants:

Name	Local Authority	Units	Viability Consultant	Sales & Marketing %
Bradley Lane	Teignbridge	90	Savills	2.2% on GDV
Houghton Barton	Teignbridge	885	BNP Paribas	2.25% on GDV
Slackgate Farm	Rossendale	40	Aspinall Verdi	2.5% on GDV
Penwortham Mills	South Ribble	317	CBRE	2.5% on GDV

The above FVAs show a range of scheme sizes, from small to very large that have all adopted a sales and marketing fee around 2.5% on GDV.

Continuum would also argue that the proposed Gilston Garden Town has received a lot of free marketing through being allocated Housing Infrastructure Funding, the work undertaken by the Neighbourhood Planning Group and the PR this has created around the scheme. This has meant the development has significant brand awareness in the local market, even before construction has started.

Continuum believe the sales and marketing fees adopted in the appraisal should be 2.5% on GDV and this equates to a cost saving of **£29,784,167** based on the marketing housing GDV in the December 2022 updated appraisal.

TM have adopted an affordable housing disposal fee of 0.5% of affordable GDV which equates to £993 per unit. They argue that this reflects the transaction cost associated with the affordable disposal to a RP. TM argue that their assumption is more conservative than HDH in the area wide assessment who adopted the 3.5% sale disposal fee to the affordable houses.

The affordable housing disposal fee for normal market estate housing schemes would usually only relate to the legal fee associated with selling the affordable units to a RP. In Continuum's experience, this fee is usually around £500 to £650 per unit and for large affordable unit transactions can be lower as the fee is usually capped, due to it being one legal agreement in relation to all of the affordable units being transacted. The following appeals and FVAs support this approach:

- Former B&Q, Trafford (APP/Q5245/W/20/3258552) – £650 per unit
- Eaves Green, Chorley (APP/D2320/W/20/3265785) – £650 per unit
- Hempshill Hall, Broxtowe (APP/J3015/S/15/3019494) – £500 per unit
- Penwortham Mills, South Ribble (FVA) – £650 per unit

Considering the above evidence, Continuum have adopted an affordable sale disposal fee of £650 per unit. This equates to a cost saving of **£671,338**.

Overall, the total sale disposal cost savings based on TM's December 2022 updated appraisal is **£41,094,639**.

5.1.4 Professional Fees

TM have adopted a professional fee allowance of 8% of total housebuilder costs (standard build, Part L costs plus contingency). They argue that this allowance covers:

- Architects
- QS
- Engineers
- PM
- Other technical / professional consultancy input
- Fees associated with securing detailed reserve matters approvals

TM argue that this allowance is consistent with that adopted by HDH in the area wide viability assessment.

Continuum would argue that the professional fee allowance adopted by TM is considerably higher than what they would expect for a housebuilder scheme. Continuum would argue that a 5% professional fee allowance should be adopted. This is because of the economies of scale that will be achieved by the volume housebuilder through the inhouse professional team housebuilders have and the standardised approach to house types and designs. This estimated professional fee allowance is supported by the following appeals and FVAs:

- Warburton Lane, Trafford (APP/Q4245/W/19/3243720) – 5% for standard build and 6% for abnormals (excl. contingency)
- Eaves Green, Chorley (APP/D2320/W/20/3265785) – 5% for standard build and 6% for abnormals (excl. contingency)
- Houghton Barton (FVA) – 4% for standard build (incl. contingency)

For clarity, the professional fees percentage identified above, is specifically for the volume housebuilder. The professional fees related to delivery of site wide infrastructure (including outline planning costs) are dealt with elsewhere in the appraisal.

Continuum believe a 5% of standard build and Part L costs only should be adopted based on the two appeals above. Continuum would add that this could be seen as a full allowance.

When applying the 5% professional fee to Continuum's lower standard build costs (including Part L), the professional fee saving (residential only) equates to **£48,696,772**.

Item	£
Continuum's Residential Standard Build	£1,065,794,033
Continuum's Professional Fees @ 5%	£53,289,702
TM's Residential Standard Build	£1,274,830,918
TM's Professional Fees @ 8%	£101,986,473
Professional Fees Difference	**£48,696,772**

5.1.5 Housebuilder's Profit Margin

Continuum agree with the 6% on GDV profit margin for affordable housing which is supported by numerous appeals decisions.

TM have argued that the market housing profit margin for serviced land with planning should be 17.5% on GDV based on the residential parcel being *"de-risked"* by the master developer. TM then compare their assessment to HDH, which assumed 20% on GDV profit margin and TM argue:

"I believe the higher profit requirement on the market housing adopted by HDH could be explained by HDH not modelling a master-developer scheme." (para. 5.21).

TM have provided little evidence to support their assertions other than the HDH assessment and Otterpool scheme where 17.5% on GDV blended profit margin was assumed.

Continuum have sought to assess the appropriate profit margin for the market housing scheme by assessing appeal decisions and undertaking a risk adjusted return assessment. The table below lists a number of recent appeal decisions and the market profit margins assumed:

Appeals	Reference	Profit (% on GDV)	Date
South Down National Park Authority	APP/Y9507/W/23/2214274	18.50%	Jun-23
East Northamptonshire Council	APP/G2815/W/22/3295009	17.50%	Jan-23
Mole Valley District Council	APP/C3620/W/21/3268657	17.50%*	Aug-22
Old Crofts Bank, Trafford	APP/Q4245/W/21/3279610	17.50%	May-22
Former B&Q, Trafford	APP/Q4245/W/20/3258552	17.50%	May-22
Warburton Lane, Trafford	APP/Q4245/W/19/3243720	18.00%	Jan-21
Luton Council	APP/B0230/W/3235438	15.00%	Jan-20
Barnsley Council	APP/R4408/W/17/3170851	17.50%	Oct-17
Redbridge Council	APP/W5780/W/18/3200299	17.50%	Jan-19
Kensighton & Chelsea	APP/K5600/W/20/3253655	17.50%	Apr-21
Bromley Council	APP/G5180/W/20/3257010	17.50%	Mar-21
Crawley Council	APP/Q3820/W/21/3267296	17.50%	Sep-21

Elmbridge Council	APP/K3605/W/20/3248698	17.50%	Mar-21
Lewisham Council	APP/C5690/W/19/3242037	17.25%	Feb-21
Reading Council	APP/E0345/W/20/3250572	17.00%	Jan-21
Chorley Council	APP/D2320/W/20/3265785	18.00%	Jun-21

**the Inspector concluded profit margin should lie somewhere between 15% to 20%.*

The above appeals show a baseline market profit margin of around 17.5% on GDV for schemes ranging in size, type and location. A number of the appeals occurred during uncertain periods, such as during the start of COVID, Liz Truss's Autumn budget and Ukraine war.

Continuum have then undertaken a risk assessment to a housebuilder of buying serviced plots with planning from the master developer. Continuum believe that the risk level to the housebuilder is significantly reduced from the standard baseline due to the development / land being significantly de-risked because the site has outline planning consent and is serviced. In effect, the site has little to no planning risk and has no risk in relation to the large infrastructure, abnormals and S106 costs assumed.

TM have estimated that this de-risk element equates to 2.5% on GDV but have assumed a higher baseline profit margin of 20% on GDV based on HDH's assumption. Continuum would argue that based on the appeal decisions the baseline profit margin level should be 17.5% and agree that the de-risking of the scheme equates to 2.5% on GDV. Based on this, Continuum believe the market profit margin should be 15% on GDV.

Continuum have also assessed all of the profit margins generated from the scheme (December 2022 appraisal), which includes:

- Master developer return – £132,246,396
- Market Housing return – £521,222,923 (17.5% on GDV)
- Affordable Housing return – £23,320,661 (6% on GDV)
- Commercial Return – £22,019,335 (15% on GDV)

The total profit margin generated from the scheme equates to £698,809,316 which is 19.89% on GDV. By estimating the total profit margin generated by the scheme, it allows Continuum to compare the profit margin on a like-for-like basis with a standard housebuilder scheme such as many of the appeals presented above and HDH's area wide assessment.

When maintaining the commercial (15%) and affordable (6%) at their assumed profit levels (similar level to the above appeals), the master developer return profit margins would increase the market housing return only and would mean the scheme has a total market housing profit margin of £653,496,319 which equates to circa. 22% on market GDV (circa. 4.5% basis point increase). This means when comparing the profit margin assessment on a like-for-like basis with a normal housebuilder scheme, TM are arguing that the proposed scheme should have a higher profit margin than HDH's assessment and the appeals shown above.

Continuum would highlight that BPS believe the market profit margin should be 15% on GDV in their initial July and August 2022 assessments.

Overall, Continuum believe due to the de-risking of the serviced land by the master developer, the profit margin adopted should be 15% on GDV which equates to £446,762,506 based on TM's December 2022 assessment of value and is a profit margin saving of **£74,460,418**.

5.1.6 Finance Cost

TM have assumed the finance cost in their housebuilder assessment at 2.5% of the residential GDV. This is not the industry standard approach to calculate finance costs which is based on a finance rate and 100% debt finance. This is also not how developers or lenders would calculate finance costs.

Continuum have assessed the finance costs based on a detailed cash flow assessment of a single tranche sale and adopted a finance rate of 6% which is the same finance rate adopted by TM for the master developer. Continuum have assumed the following development timings per a circa. 300-unit tranche:

300 Unit Tranche (40% Affordable)	Months
Purchase	Month 1 and Month 13 (standard 12 month deferred payment)
Pre-Construction	Month 1 to 6 (6 months)
Construction	Month 7 to 47 (41 months)
Market Sale Period	Month 13 to 48 (36 months) 5 units a month due to two outlets
Affordable Sale Period	Month 6 to 48 (36 months) Based on industry standard gold brick/development contract with RP with 25% of value at start on site, 50% over build and 25% at completion month 48

In this assessment Continuum have used their estimation of housebuilder costs, profit and market sale values. Continuum however have maintained TM's assessment of affordable values, though would argue that this should be higher.

The 300-unit tranche scheme (Village 2-6) with 40% affordable housing, based on Continuum's estimation of housebuilder cost inputs (and TM's estimation of value) outputs a finance cost of £4,160,260 which is £13,868 per unit. This finance cost is higher than that estimated by TM due to the significantly higher serviced land value (due to Continuum's substantially reduced costs and higher market values) which equates to £142,646 per unit compared to TM's at £129,916 per unit.

What the appraisal does show is that if the £142,646 per plot land value outputted from Continuum's appraisal was multiplied by 8,500 (total units), the 40% affordable housing residential serviced land would have a value of circa. £1,212m which is circa. £108.2m higher than TM's estimated 23% affordable housing serviced residential land. Based on this, Continuum would argue that the scheme could support its full affordable housing contributions at the LPAs required tenure mix (84:16 affordable to shared ownership).

Continuum's detailed appraisal can be found at **Appendix 2**.

Continuum reserve the right to undertake a full detailed cash flow assessment of all villages.

5.1.7 SDLT & Legals

Continuum agree with TM's approach to SDLT & Legals at 6%.

5.1.8 Market Sale Values

TM state that sale values have been estimated based on advice from McClaren Clark Consultancy (MCC). MCC have undertaken a comparable and market assessment in order to estimate the potential housing mix and unit

values. However, the sale values adopted by TM in their July 2022 assessment are on average 3% higher than that assumed by MCC in their report. This could be due to the MCC's report being produced in March 2022 and TM's in July 2022. For example Land Registry House Price Index (second hand and new build) showed a 3.5% increase over this period in East Herts and the new build Land Registry Index showed a circa. 1.7% increase.
TM in their latest December 2022 assessment update their sale values and increased them based on agreeing the higher sale values estimated by the Council's reviewer BPS in August 2022. The December 2022 values are on average circa. 5% higher than the MCC report's estimated values and circa. 2% higher than TM's July 2022 values.

Place Making Premium

In TM's original July 2022 FVA at para. 4.5 to 4.7 they state that the assessment of value does not allow for a *'place making premium'* and argue that this premium instead can be considered part of the sensitivity appraisal testing. They argue that with other Garden Village schemes a 15% place making premium would be the baseline and estimate this would be realised between year 7 and *'building up'* to 15% from year 10 onwards. They provide research in 2020 undertaken by Knight Frank (KF) which examined design codes and the affect this had on sale values estimating a 15% premium based on case studies researched.

TM argue that *'place making premiums'* are not guaranteed and reference the Newhall, Harlow scheme case study KF analyse. However, from detailed review of the KF report, the reasons this scheme was not successful was due to the design code not being fully implemented (value engineering by many housebuilders), many of the placemaking aspects of the masterplan were slow in coming forward and the comparison with a nearby new build scheme was not on a like for like comparison basis in terms of dwelling size. The KF report says recent phases (2020 onwards) are now based on a long-term partnership with a housebuilder which KF state has the potential for a premium more likely be achieved with the master developer and housebuilders goals aligning. Continuum would add that the Newhall scheme is not providing the same level of green infrastructure and neighbourhood centres as Gilston and you would therefore expect an amenity premium being achieved at Gilston compared to Newhall.

TM state that their sensitivity testing of *'place making premiums'* should only consider what might happen with the scheme if they are released and are there for an illustrative purpose. They argue it would not be appropriate to assume that the premium is guaranteed or that it would be realised *'from the off'*. They conclude:

"I think it is uncertain whether place making premiums will be achieved at all within this scheme. For example, Village 2 is unlikely to achieve a (considerably) place making premiums as a result of the additional cost expenditure incurred within Village 1; for all intents and purposes these Villages are separate schemes – which will be some way apart.

A fundamental principle of valuation and viability analysis is that one should adopt present-day values and costs – whereas place making is essentially 'forecasting'. If place making premiums are realised in the future, the additional revenues (and cost) will be picked-up within the proposed viability review mechanism."

Continuum would add that MCC state that:

"*with Gilston Park Estate's garden city principles, an East Herts address and true placemaking credentials I would expect a significant premium over Harlow, albeit this may take time to achieve*." (para. 4.6).

It appears MCC therefore believe that the scheme is likely to achieve such premium, though this may not be achieved at *'day one'*.

The RICS guidance states:

4.1.5 While the prospect of future value and cost change may be reflected in current market pricing, there is always some uncertainty and therefore market prices cannot be analysed or interpreted in a static environment. Simply using current costs and values, and ignoring changes over the life of a development, can distort the analysis in all but the simplest of cases. For example, where residual development values are positive, equal growth in both values and costs will always increase current residual land values, and the use of current values and costs in FVAs in a rising market has been shown in peer-reviewed academic research (e.g. Town Planning Review, (2019), 90, (4), 407–428) to have been instrumental in reducing the level of developer contributions over time.

4.1.6 It is recommended that, where assessors consider that the impacts of value and cost change are a significant factor in the market, these changes are identified and taken into account in the FVA, and sensitivity testing of these projections is undertaken in accordance with Valuation of development property, RICS guidance note. Any assumptions made concerning projections of costs and values in FVAs must be stated, and the evidence used to underpin projections explained.

It is clear from the RICS guidance, that sensitivity analysis is very important for a scheme of this significant scale and due to the scheme having a very high potential of achieving a *'place making premium'.* To ignore any sensitivity analysis would be a flaw for any FVA on this scheme and would not meet best practice as per the RICS guidance.

TM do not provide a sensitivity analysis assessment of the scheme and have not explored the effects of the scheme achieving a *'place making premium'.* This means the assessment does not meet the requirements of the RICS Professional Statement.

Continuum's Comparable Assessment Cross Check

Continuum have cross checked the December 2022 appraisal values with recent achieved 2022 to Q1 2023 comparables of nearby large strategic housebuilder comparable schemes. Continuum have assessed the following nearby schemes:

- Gilden Park, Harlow – 1,100 units with three housebuilders delivering units (Taylor Wimpey, Persimmon & Barratts)
- Base, Newhall, Harlow – 700 units being delivered by Countryside
- Sawbridge Park, Sawbridgeworth – 200 units being delivered by David Wilson Homes

Continuum have included comparable sales up to March 2023 due to the lag between completion and sale price agreed being usually around 3 months (though can be even longer when units are sold off plan). This therefore allows Continuum to gauge what the December 2022 sale values for the scheme are.

Appendix 3 outlines the comparable analysis undertaken by Continuum.

Continuum have also cross-checked the estimated values with those estimated by CBRE for Taylor Wimpey's Village 7 scheme. The table below outlines CBRE's estimated values:

Type	Beds	NSA (sq ft)	Unit £	£/ sq ft
Flat 1	1	538	£240,000	£445.93
Flat 2	2	753	£320,000	£424.70
House 2	2	850	£400,000	£470.39
House 3	3	1,098	£500,000	£455.40

House 4	4	1,238	£575,000	£464.51
House 5	5	1,378	£645,000	£468.14

From review of the comparables provided by MCC, CBRE for Village 7, Continuum's shown in Appendix 3 and CBRE's Village 7 estimated values, Continuum believe the estimated market sale values could be higher. Continuum have therefore estimated the village 2 to 6 sale values as follows based on this evidence:

Type	Height	Unit sq ft	Unit £	£/ sq ft	Total £	Reason
1 bed Flat			£240,000	£444.44	£30,720,000	based on CBRE's £240k value
2 bed Flat			£290,000	£439.39	£37,120,000	increased based on CBRE's apartment value assessment
2 bed Flat			£320,000	£423.84	£40,960,000	based on CBRE's £320k value
2 bed House	2		£393,000	£520.53	£201,609,000	based on Gilden Park Comparables
2 bed House	2	540	£400,000	£470.59	£204,800,000	based on CBRE and TM
3 bed House	2	660	£445,000	£491.71	£400,055,000	based on TM's though rounded up to nearest £1,000
3 bed House	2	755	£475,000	£472.64	£365,275,000	based on TM's though rounded up to nearest £1,000
3 bed House	3	755	£500,000	£425.53	£255,500,000	based on TM's though rounded down to nearest £1,000
4 bed House	2	850	£518,000	£470.91	£265,734,000	based on CBRE's 4 bed house value at circa. £464.46 per sq ft and then applying an uplift due to it being a small unit than CBRE's 4 bed dwelling. Same circa. £40k discount as TM between this unit and the 1,200 sq ft unit.
4 bed House	2	905	£558,000	£465.00	£214,830,000	based on CBRE's 4 bed house value at circa. £464.46 per sq ft
4 bed House	3	1,005	£558,000	£427.59	£143,964,000	based on CBRE's 4 bed house value and then applying the same approach as TM with this unit being the same value as the 1,200 sq ft unit due to its being a 2.5 / 3 storey unit.
4 bed House	2	1,175	£608,000	£434.29	£124,640,000	based on TM's though rounded up to nearest £1,000
5 bed House	2	1,100	£685,000	£428.13	£70,555,000	based on TM's though rounded up to nearest £1,000

5 bed House	2	1,200	£740,000	£422.86	£56,980,000	based on TM's though rounded down to nearest £1,000
Total V2-6					**£2,412,742,000**	

By mainly basing the market sale values on CBRE's Village 7 estimation, the GDV is £16,465,141 higher which equates to a 0.69% increase.

For Village 1, due to its location and being a higher density village, TM have estimated the market sale values at a 0.37% reduction to the Village 2 to 6 sale values. Continuum have applied the same percentage deduction on their higher estimation of value and estimate Village 1 values as follows:

Type	Height	Unit sq ft	Unit £	£/ sq ft	Total £
1 bed Flat		540	£239,000	£442.59	£16,969,000
2 bed Flat		660	£289,000	£437.88	£28,611,000
2 bed Flat		755	£319,000	£422.52	£67,628,000
2 bed House	2	755	£392,000	£519.21	£27,832,000
2 bed House	2	850	£399,000	£469.41	£84,588,000
3 bed House	2	905	£443,000	£489.50	£125,369,000
3 bed House	2	1,005	£473,000	£470.65	£66,693,000
3 bed House	3	1,175	£498,000	£423.83	£70,218,000
4 bed House	2	1,100	£516,000	£469.09	£36,636,000
4 bed House	2	1,200	£556,000	£463.33	£39,476,000
4 bed House	3	1,305	£556,000	£426.05	£23,352,000
Total					**£587,372,000**

Again, by mainly basing the values on CBRE's Village 7 and applying TM's circa. 0.37% deduction, the Village 1 GDV is £5,232,156 higher (0.90% increase).

Overall, when assessing the market values based on CBRE's Village 7 assessment, Continuum would argue that the market GDV would increase by £21,697,297. When adjusting for sales and marketing fees (2.5%) and profit margin (15%), the viability value impact would be **£17,900,270**.

The above assessment of value does not take into account *'place making premiums'*.

5.1.9 Affordable Sale Values

Affordable sale values have been estimated by Quod (May 2022). Quod have estimated the affordable values based on a discount cash flow assessment of the income generated from affordable housing units using Podplan software.

Affordable Rent Tenure

Quod assumed the following inputs in their assessment for the affordable rent tenure:

Input Name	Figure
Market Rent	1 bed flat - £219.23 per week 2 bed flat - £311.54 per week 2 bed house - £323.08 per week 3 bed house - £369.29 per week 4 bed house - £461.54 per week
Affordable Rent	70 to 80% of Market Rent – though in their breakdown it appears they actually assume 50 to 65% of Market Rent
Rent Inflation	3% up to 31/03/2025 then 2.5% thereafter
Cost Inflation	2.5%
Cashflow period	45 years
Discount Rate	5.5%
Management Costs	£450 per unit
Maintenance Costs	£600 per unit
Major Repairs	0.8% of rebuild cost stating in year 6
Voids and Debts	Voids - 1% Bad Debts - 2%
Administrations & Development Allowance	2.5% (Continuum assume of value)

Quod do not provide any evidence to support their assertions above.

Continuum have compared the inputs assumed by Quod against Continuum's internal affordable housing input database. From this assessment, the majority of the inputs are appropriate and the market rents are reflective of what was assumed by CMM. However, Continuum have two main issues with Quod's affordable rent assessment, these are:

- Affordable rent assumed at 50% to 65% of Market Rent in breakdown (avg. at 57.34%); and
- Discount Rate at 5.5%.

In terms of the affordable rent, Continuum are confused why such a low rental assumption has been assumed when most RPs seek to rent out affordable units at 80% of market rent. Continuum have also compared the Local Housing Allowance for the area (Harlow & Stortford BRMA) against the estimated market rents:

Type	LHA (per week)	% of Market Rent
1 bed Flat	£165.70	76%
2 bed Flat	£207.12	66%
2 bed House	£207.12	64%
3 bed House	£258.90	70%
4 bed House	£299.18	65%

The above LHA is higher than the average affordable rent assumed by Quod at 57.35%. Continuum would add that CBRE in their assessment of the affordable rent for Taylor Wimpey at Village 7 assumed the rental value at the LHA level.

In terms of the discount rate, Quod have provided zero evidence or justification to support their assertion. The discount rate is one of the key inputs in a discounted cash flow. Continuum have experience with a number of RPs who have adopted lower discount rates when purchasing affordable rent units, with Continuum having two recent offers based on a 4% discount rate.

The discount rate is representative of both the long-term cost of borrowing for an RP and the risk associated with the property portfolio concerned. In assessing an appropriate discount rate, the long-term interest rates and overall cost of funds needs to be assessed. In addition, an allowance for risk would need to be included in the discount rate.

In December 2022, the yield on 40-year Gilts was circa. 3.5%. This is the risk-free discount rate. Recent activity (June 2023) in the bond market has seen PfP bond coupon rate at 4.25% with a running yield at 4.323%.

Overall, Continuum believe a discount rate of 4.25% would be appropriate for the affordable rent units based on PfP bond market rates and other discount rates being assumed by RPs in 2022. The rate reflects the high-quality new build stock.

Intermediate Tenure

In terms of intermediate tenures, Quod have assumed this would include shared ownership, intermediate rent and First Homes. However, TM in their report state that the intermediate units are shared ownership tenure only and that the scheme does not include any First Homes. BPS in their review also believe the intermediate units are shared ownership tenure only with no First Homes and comments from East Hertfordshire Housing Officer also mention them being shared ownership tenure only and there being no First Homes.

In terms of shared ownership vs intermediate rent, Continuum's experience is that most schemes only deliver shared ownership tenure due to them usually having a higher value. It is therefore unusual for intermediate rent tenure to be sought, unless requested by the Local Authority, which does not appear to be the case for the proposed scheme.

In terms of the First Homes, Quod have assessed the units at a 30 to 50% discount which is unusual. The PPG on First Homes states that the discount should be 30% of Market Value unless the Local Authority has a policy and evidence base in place for a lower discount. East Hertfordshire does not have such policy. Quod's average First Homes value is circa. 56% of their assessment of market value which is significantly below the PPG's standard 70% of market value.

Based on the above, the comments from the housing officer, TM and BPS, Continuum have only assessed the intermediate units as shared ownership tenure as it appears this is the tenure East Hertfordshire are seeking. This is also supported by the Taylor Wimpey Village 7 application which has only assumed shared ownership tenure for the intermediate units.

Quod have assumed the following inputs for the shared ownership tenure:

Input Name	Figure
Market Value	£454 per sq ft
Initial Equity Share	10 to 25% - though in breakdown only adopt 10% equity share
Rent on unsold equity	2.75%
Cost Inflation	2.5%
House Price Inflation	3%
Cashflow period	45 years
Discount Rate	5.5%
Management Costs	£100 per unit
Maintenance Costs	£500 per unit (10-year period)
Voids and Debts	Voids - 0%

	Bad Debts – 0.5%
Administrations & Development Allowance	2.5% (Continuum assume of value)

Quod do not provide any evidence to support their assertions above.

Continuum have compared the inputs assumed by Quod against Continuum's internal affordable housing input database. From this assessment, the majority of the inputs are appropriate. However, Continuum have three main issues with Quod's shared ownership assessment, these are:

- Quod's assessment was never updated to reflect the higher values in December 2022 which equated to a blended market value of £464.73 per sq ft based on the shared ownership mix provided by Quod.
- Initial Equity share at 10%
- Discount rate at 5.5%

Continuum would argue that the initial equity share at 10% is significantly below what they see in the market place and what has been assumed by other RPs. For example, a recent scheme Continuum were involved in, the RP stated their average initial equity share was around 35%. Some nearby shared ownership units to the site have the following minimum share:

- Flora Gardens, CM20 1QR by Home Reach have a minimum share percentage of 50%
- Freight House in Bishop's Stortford also has a minimum share percentage of 50%
- Allerthorp Road, Bishop's Stortford again has a minimum shared percentage of 50%
- Ravensdale Way, Hertford has a minimum share of 40%.

Quod's 10% assumption appears to come from the changes in the Affordable Homes Programme 2021 to 2026 which changed the minimum share from 25% to 10%. However, the S106 shared ownership units are not delivered through this programme as they are not eligible for grant. Continuum believe the conservative 35% initial equity share is appropriate and could argue a higher share of 40% to 50%.

Continuum would add that many shared ownership units will be staircased out over the 45-year hold period. RPs do not usually include assumptions around staircasing in their assessment of shared ownership. When this is the case, this should be reflected in a lower discount rate due to the lower risk assumption.

In terms of the discount rate, Quod have provided zero evidence or justification to support their assertion. The discount rate is one of the key inputs in a discounted cash flow. Continuum have experience with a number of RPs who have adopted lower discount rates when purchasing shared ownership units, with Continuum having a recent offer based on a 4.25% discount rate.

Continuum believe the discount rate for the shared ownership units should be 4.5% which is 2.5% higher than the affordable rented units to reflect the selling risk of the unit.

Summary

Overall, Continuum would argue that the calculation behind the affordable housing values has some flaws, which if addressed, would lead to a higher affordable housing value. Quantifying this is a major task in its own right due to the multiple discounted cash flow models that are required to be run. Continuum would highlight that in TM's December 2022 appraisal with 23% affordable housing, a small shift of 1% in affordable value would equate to £3.9m. It is likely that the shift will be will in excess of 1%.

5.2 Commercial Serviced Land Inputs

Policy GA1 requires employment areas of around 5 ha (12.35 acre). The committee report at para. 13.4.3 states that an assessment undertaken by the HGGT team refined the 5 ha land area into employment floor space and identified a need of 34,000 sq m across the Gilston Area as a whole with 20,000 sq m to be delivered within the Plan period (up to 2033). This was broken down as 29,200 sq m of space for Villages 1 to 6 (this application) and 4,800 sq m for Village 7 (TW Application). The breakdown of employment space per PfP village is as follows:

- Village 1: 7,000 sq m
- Village 2: 8,000 sq m
- Village 3: 1,050 sq m
- Village 4: 4,500 sq m
- Village 5: 500 sq m
- Village 6: 7,950 sq m
- Total = 20,000 sq m

Policy GA1 does not state what type of employment uses the site would need to accommodate and could include former B1a, B1c/B2 and B8.

The Committee report at para. 13.4.6 states that the quantum and distribution of employment floorspace will be determined following the completion of a market demand assessment to verify commercial market demand. Also, at para. 13.4.7 the report states that the S.106 Agreement should secure a minimum of 10,000 sq m of employment floorspace across the six villages. Each village masterplan will be required to demonstrate that a market demand assessment has been undertaken to inform the type and location of employment land to be provided or safeguarded in the village.

Policy GA1 also states that the scheme should include neighbourhood centres in accessible locations, providing local retail and community uses (including healthcare facilities) to meet the day-to-day retail and health needs of new residents.

Overall, from review of the policy, it is clear that GA1 requires circa. 29,000 sq m of employment space at the subject site and this can include any of the following uses, former B1a, B1c/B2 and B8. The policy and planning application does not require a certain quantum or distribution of employment floor space per use and there would be nothing stopping the Applicant delivering only industrial / logistic space for example. The S106 agreement for the site will include securing a minimum of 10,000 sq m of employment floor space and that a market demand assessment will be undertaken to inform the type and location.

TM's assessment of the employment, retail, leisure and community land values are based on advice from Knight Frank (KF) in April 2022.

The commercial serviced land values have been estimated based on a hypothetical residual land value assessment, with KF report providing market overview / activity, rents, yields, costs and land values for office, industrial / logistics and retail.

KF do not provide any advice on former D2 (community centre, primary health care, blue lights) use that is included in TM's appraisal. It is unclear what evidence base TM used to assume the inputs for this use.

The total employment floor space assumed in the appraisal is:

- 35,605 sq m / 383,248 sq ft Employment
    - 18,525 sq m / 199,401 sq ft B1 Employment
    - 17,080 sq m / 183,847 sq ft B8 Employment
- 56,603 sq m / 609,271 sq ft Retail and Related (former A1 to A5)
- 2,500 sq m / 26,909 sq ft Leisure (former D1)
- 3,500 sq m / 37,673 sq ft community, primary health care, blue lights (former D2)

The assumed floor space for the employment is 35,605 sq m and is higher than the policy requirement of 29,200 sq m.

Continuum would add that the site will also deliver a leisure centre, health centres and community areas through the S106 agreement which Continuum believe are not accounted for under the D1 and D2 use. If they are, then double counting of cost would have occurred.

5.2.1 Employment Land

TM have estimated the serviced employment land value based on it being either land for former B1 use or land for B8 use. The main issue Continuum have with the way TM have estimated the serviced employment land, is that they have assumed the Applicant would sell a large proportion of the employment land for a loss based on B1 use. The loss is -£2,711,206 for 7.74 acres / 3.13 ha of land (in effect TM assume the master developer will pay someone to take the serviced B1 land).

In reality, based on the policy and the wording of the S106 Agreement, the Applicant would not seek to give away the employment land at a loss based on the B1 use. The policy allows the Applicant to sell the land for any type of employment use, whether that's B1a, B1c/B2 and B8. It is clear from the assessment by TM and the report by KF that there is little demand for B1 land in the area and no normal developer would therefore sell this land for this use due to it having a negative land value. KF state:

"*Moreover, as asserted in section 5 above, we doubt meaningful demand would exist for office land sales given the risks of speculative development and the highly unlikely eventuality of prelets/forward sales. This by definition suggests a land pricing for office purposes only, would be nominal."* (pg. 22)

The RICS guidance is clear that when assessing sites, the FVA should be based on the most optimal use of the site and a less-optimal development should not be used to reduce developer contributions:

"The normal approach to the valuation of development property is to assume the optimal use of the asset, and if individual owners, developers and asset managers want to proceed with a significantly less-than-optimum investment or development, that should not affect price in a competitive environment. But in the case of an FVA, a less-optimal development should not be used to reduce developer contributions. In FVAs undertaken at the decision-taking stage, it is normal to start by reference to the FVA undertaken at the plan-making stage, which, other than for key strategic sites, will have been most likely undertaken on a typology basis. Even in an application-specific FVA where the actual scheme is assessed, assessors need to be aware of schemes that are not optimal and make any necessary adjustments." (4.2.6).

It is clear that TM's assessment therefore does not follow RICS guidance.

Based on Continuum's market experience and the report by KF, it is clear that all of the employment land area would be suitable for flexible industrial units which could be used as former B1, B2 and B8. This is a very common type of development being delivered across the country. KF assessment of the industrial / logistics market shows that there is demand and shortage of supply for this use and the market has been resilient.

TM's FVA assumed 7.07 acres / 2.86 ha of industrial / logistics serviced land which has a value of £3,397,909 which equates to £480,609 per acre. This has been estimated based on a residual land value assessment using inputs from KF. One key input that is different than that assumed by KF is the profit margin. KF recommend a profit margin of 15% on costs (circa. 12.5% on GDV) which is lower than the 15% on GDV assumed by TM.

TM's assessment of land value at £480,609 per acre is considerably lower than what KF have stated industrial / logistics land could command in the Harlow area with them stating:

"We have indicated that prime Harlow industrial/logistics land could command up to £2m per acre, however in the subject location this figure would be far lower and market evidence to underpin a figure is not available due to lack of transactions." (pg. 22).

Continuum believe the industrial land at Gilston would command a similar value to prime Harlow land, considering the lower south part of the subject site is only located less than 1 mile from one of the main industrial / logistic parks in Harlow and would benefit from significant new road infrastructure. Overall, the KF evidence shows that the industrial / logistic land could command a value of up to £2m per acre which is significantly higher than the £480,609 per acre assumed by TM.

Overall, Continuum believe the 14.81 acres / 5.99 ha of serviced employment land is undervalued in TM's appraisal assessment, where they value the total serviced employment land at £686,703. If KF's prime industrial land value of £2m per acre was applied the total serviced employment land value would be £29,620,000. If Continuum agreed with KF that the subject site would have a lower value due to it being a new location compared to more established logistics parks (however, this position is not agreed), a lower value of £1.5m per acre would equate £22,215,000. Overall, Continuum believe the employment land value could be circa. **£21.5m to £28.9m** higher.

5.2.2 Retail, D1 & D2 Serviced Land Value

Continuum would not challenge the land values estimated for the retail, D1 and D2 uses which are as follows:

Type	Total Land Value	Acre	£/ per acre
Retail & Related (A1-A5)	£25,020,378	4.77	£5,245,362
D1 - Leisure incl. cinema, health club/spa	£3,064,994	0.99	£3,095,954
D2 - incl. community centre, primary health care, blue lights	£1,218,296	0.86	£1,416,623

The inputs assumed to calculate the above land values from KF appear appropriate, though TM have not provided any evidence base to support the inputs used to assume the D2 inputs.

5.3 Master Developer Inputs

5.3.1 Service Plot Disposal Fees

Continuum would not disagree with the service plot disposal fees assumed by TM and believe the 0.75% of serviced land value is appropriate.

5.3.2 Infrastructure, Abnormals & S106 Costs

The original FVA in July 2022 had an estimated total infrastructure, abnormals & S106 cost of £809m based on a cost plan exercise produced by Aecom in June 2022. The cost plan has a total estimated cost of £856.9m and then deducts Village 7 (Taylor Wimpey's) rebates costs. TM also provide an LPA position assessment of costs which equates to £911.3m in total and £857.1m once Village 7 rebate costs have been deducted.

The Aecom estimation of costs is broken down as follows (July 2022 offer costs):

Description	Costs
Village 1	£51,253,100
Village 2	£56,231,400
Village 3	£36,190,000
Village 4	£67,502,800
Village 5	£43,577,600
Village 6	£54,630,700
On Site Strategic Landscape	£70,597,500
Off Site Infrastructure	£212,673,800
Off Site Utilities	£20,467,500
S106 Measured Works	£50,710,500
S106 Contributions	£193,093,400
Total Gross Cost	**£856,928,300**
Village 7 Rebate	-£47,896,500
Total PfP Costs	**£809,031,800**
Amount of HIG Funded Works incl. Above	£238,219,117
Amount of HIG Funding	-£110,943,799
Total Net Costs after Funding	**£698,088,001**

The village 1 to 6 costs are broken down as follows:

Description	Costs
Enabling Works & Demolition	£11,094,300
Strategic Earth Works	£14,118,500
Roads	£120,433,400
Drainage	£62,283,000
Utilities	£61,635,500
Landscaping	£34,299,100
Master Developer Planning & Survey Costs	£5,521,800
Total (incl. prof fees & contingency)	**£309,385,600**

Aecom in their assessment assume professional and survey costs as follows:

- Site Preparation – 9.25%
- Transport – 9.25%
- Utilities – 9.25%
- Landscaping – 9%
- Social Infrastructure – 12%

However, the master developer planning & survey costs includes a large proportion of survey costs (over £4.3m) which could already be accounted for in the professional fee allowance.

From review of the village 7 rebate, the July 2022 assessment proposed the following S106 contributions by PfP:

- S106 Onsite Measured (delivered by Master Developer) – £44,172,770
- S106 Contributions – £172,244,900
- Total – £216,417,600

From review of the BPS assessment, it appears the HIG & STC repayment would be captured through a S106 agreement and would therefore increase the total S106 package by circa. £95m based on the December 2022 appraisal.

In the December 2022 appraisal the total infrastructure, abnormal and S106 contributions to be spent by PfP (after rebate) increased to £854,310,586 which is a £45,278,786 (5.60%) increase. Aecom have not provided a full updated cost plan to support the cost increase (only a summary page) and TM in their December 2022 report state that the increase in costs was due to discussions with the LPA with the following items to be included:

- SEN payment – £4,861,728
- Increase in Stort Valley Contribution – £1,800,000
- Contribution towards local athletics facilities – £100,000
- Contribution to local rugby facilities – £1,690,000
- **Total equates to £8,451,728**

The total increase in costs also includes £15,000,000 of promotional costs spent to date that TM argue PfP have incurred (though TM argue the actual figure is £18,000,000). TM have included this cost at day 1 in the appraisal. TM have not provided any evidence or breakdown to support this figure. In Continuum's experience, promotional costs (they are not in any way defined) for a scheme of this scale would not equate to £15m to £18m. Planning promotional costs to get the scheme allocated would be less than £1m and most likely a few hundred thousand pounds. Continuum would highlight the cost plan already includes the planning & surveying costs incurred by PfP. Without any justification for the £15m costs, Continuum would argue that they should be stripped out.

The last additional cost is a development management (DM) fee that has been assumed at 4% of all costs apart from S106 contributions and promotional costs. No evidence has been provided to support the level of the DM fee. The DM fee has been included due to TM reducing the master developer profit margin IRR to what they argue is a net IRR. The DM fee assumed in the scheme is higher than what Continuum would usually expect, with DM fees usually ranging from 1.5% to 3% depending on scheme complexity and scale. Continuum believe a 3% DM fee would be more appropriate.

The RICS guidance states that Applicants should provide costs that include value engineering, and the Applicant should be requested to explain if any has been undertaken.

Overall, the estimated infrastructure, abnormal and S106 measured onsite works need to be fully independently assessed by a cost consultant. Continuum would point out that small changes in the costs of a few percent can lead to tens of millions of pounds of cost savings.

Continuum would currently reduce the total costs by **£15m** to strip out the unsubstantiated promotional costs and circa. **£6.6m** due to reducing the DM fee to 3%. There could be the potential of further cost savings once a full cost consultant review is undertaken.

Comparison with HDH's Area Wide Viability Assessment

Continuum have assessed the infrastructure, abnormals & S106 costs against the area wide viability assessment undertaken by HDH. In this assessment Arup undertook a detail cost assessment of the strategic infrastructure and mitigation costs for Village 1-6 which was used to inform the Infrastructure Delivery Plan (IDP) in relation to Harlow & Gilston Garden Town. The assessment included S106 contributions and strategic infrastructure and was estimated at £460,951,808. This cost assessment was then reduced by HDH due to them arguing that open space costs are normal site costs covered within the normal landscaping and site preparation assumptions (the exceptions are the £5m costs related to River Stort green infrastructure) as well as removing the land cost allowance due to land usually being provided for infrastructure at no costs. The reduced cost in HDH's report (Table 7.4) equated to £445,525,028. The table below breaks down the Arup / HDH assessment of cost:

Item	£
Transport	£218,801,519
Education	£162,327,690
Healthcare	£25,950,334
Emergency Services	£9,198,278
Community Facilities	£11,215,905
Open Space	£5,100,000
Sports & Leisure	£11,235,994
Utilities	£1,695,308
Flood Defence	£0
Total	**£445,525,028**

However, HDH adopt a higher strategic infrastructure and S106 figure in their appraisal assessment of the scheme, though it is unclear why they adopted this higher figure and what the additional cost relates to. The higher figure adopted equated to £457,726,785 which was £12,201,757 higher.

The total Aecom infrastructure, abnormal and S106 costs (excl. DM fee and promotional costs) equates to £812,750,000 and is circa. 78% higher (circa. £355m) than the HDH / Arup strategic infrastructure and S106 costs used in the area wide viability assessment.

From review of HDH's / Arup's strategic infrastructure and S106 costs and the IDP, Continuum would argue that the strategic infrastructure and S106 costs would relate to the following Aecom costs:

Item	£
On Site Strategic Landscape	£70,597,500
Off Site Infrastructure	£212,673,800
S106 Measured Works	£50,983,800
S106 Contributions	£200,145,600
Village 7 Rebate	-£51,503,800
Total	**£482,896,900**

From the above review, it appears the strategic infrastructure and S106 costs estimated by Aecom are circa. 5.50% higher than HDH's / Arup's 2019 costs. This means the total cost has risen below inflation.

Continuum would add that HDH's assessment did not include open space stewardship cost which is one reason why this cost is significantly higher in the Aecom assessment. HDH's assessment also stripped out circa. £15m of open space costs as they argued that this costs was covered within the normal landscaping and site preparation assumptions (standard external works).

From the above assessment, it is clear that one of the main differences in costs between HDH's 2019 assessment and TM's is the inclusion of abnormal costs, some of which Continuum would argue are standard infrastructure costs for large strategic sites. These new additional costs from the previous HDH / Arup 2019 assessment are the following:

Description	Costs
Enabling Works & Demolition	£11,094,300
Strategic Earth Works	£14,118,500
Roads	£120,433,400
Drainage	£62,283,000
Utilities	£61,635,500
Landscaping	£34,299,100
Master Developer Planning & Survey Costs	£5,521,800
Off Site Utilities	£20,467,500
Total (incl. prof fees & contingency)	**£329,853,100**

From reviewing the above costs elements, Continuum would argue that a large proportion of the costs could be standard / external works costs for large strategic sites. For example, the majority of the roads, drainage and onsite utilities and landscaping costs. In the HDH assessment, these costs have been accounted for through their standard build costs based on median BCIS with 15% uplift for external works. For example, HDH argue that the majority of open space costs are accounted for in their external works / standard build costs. HDH also argue their external works includes all *"internal roads and the like"* (para. 7.19).

Continuum would argue that the other costs items are abnormal costs. For example, the enabling works & demolition, strategic earth works and off-site utilities. HDH in their 2019 assessment did not include any abnormal costs. HDH explain that any abnormal cost allowance included at the site-specific stage will be reflected in the land value which has the:

"result of balancing the abnormal costs on both elements of the appraisal." (HDH, 2019: para. 7.22).

The approach to Benchmark Land Value (BLV) and reduction of land value to reflect abnormal costs has not been undertaken by TM, with TM adopting the exact same BLV per acre figure as HDH, even though their assessment of cost includes abnormals. This is fundamentally wrong and does not follow the requirements of the PPG or RICS guidance (see **Section 5.3.5**).

Continuum would therefore argue that as TM have adopted the same standard build cost methodology as HDH, there has been the unintentional consequence of double counting with the Aecom cost plan assessment as Aecom have not undertake their own assessment of standard build cost. This double counting between cost consultants' cost plans and viability consultants' assessment of standard build costs does commonly unintentionally occur when Continuum review schemes across the country.

Overall, if TM insist on using HDH's standard build costs methodology / assumptions then the standard infrastructure / external work costs in the Aecom cost plan needs to be stripped out in order for a like for like comparison and to remove double counting. Also, as TM's appraisal includes abnormal costs, whereas HDH's did not, TM cannot use the same BLV per acre as HDH as they need to take into account the abnormal costs in their BLV assessment.

5.3.3 Housing Infrastructure Grant Repayment

The appraisals produced by TM include a cost line for Housing Infrastructure Grant (HIG) repayments. They state that this cost is included as PfP are to receive HIG monies in order to deliver a number of key strategic infrastructure works and that they are responsible for repaying some of this money back. The HIG grant paid to PfP is £110,943,799 and in July 2022 PfP estimate the HIG repayment to be £87,864,934 (PfP offer). This however has reduced in the December 2022 appraisal to £58,995,822. It is unclear why this amount reduced but it may due to the inclusion of the STC repayment which appear to be related to the HIG.

Continuum require a full detail understanding from PfP and require to the HIG contract to fully understand the requirements from Homes England. Continuum also require a full breakdown of how the HIG repayments have been calculated.

5.3.4 STC Repayment

In the December 2022 appraisal, TM include a new cost item called STC repayment that equates to £37,500,000. In the December report they state that:

"Significant acceleration of the £35.7m offsite STC contribution starting at 2,000 homes in Gilston Park Estate instead of 4,500 homes."

Continuum require further information in relation to this new cost, as the explanation in the December 2022 report appears to be stating that it is an acceleration of a cost already in the July 2022 appraisal and not a new cost.

Continuum believe the STC repayment of £37.5m is in relation to the HIG grant repayments but need further clarification from the Applicant and East Herts.

5.3.5 Benchmark Land Value

TM have estimated the Benchmark Land Value (BLV) based on applying HDH's 2019 BLV assumption of £322,500 per ha / £130,567 per gross acre. This equates to a total BLV of £107,179,676.

TM have not provided an EUV and premium assessment of the BLV which is required by both the PPG and RICS guidance / professional statement. TM have also not explained how their approach to BLV takes into account infrastructure and abnormal costs, especially due to the estimated infrastructure and abnormal costs being significantly higher than what was assumed by HDH. It is clear that due to increases in abnormal costs, the BLV assumed should have reduced from HDH's estimation. This is clearly stated by HDH in 2019:

"By way of example, there are several very significant specific abnormal costs. To deliver the Gilston sites a new electricity substation is needed. The estimated cost is over £25,000,000 (this is to be confirmed). This has not been included in the appraisals. Whilst it is a cost, that cost would be offset by an equal reduction in the BLV." (para. 7.25).

A guidance note on assessing decision making viability was produced by BPS and HDH for HGGT. The HGGT guidance note, A Harlow & Gilston Garden Town 'How To' Guide for …Planning Obligations, Land Value Capture and Development Viability (2019) states that FVAs should:

"V. List of Abnormal Costs that the applicant has identified which have been taken into account when defining the Benchmark Land Value;" (pg. 9).

Based on this, it is clear that the adopted BLV is too high and not consistent with HDH's area wider viability assessment (2019), the HGGT guidance note (2019), PPG and RICS guidance and should reduce to reflect the substantial infrastructure and abnormal costs assumed by TM / Aecom.

Continuum have assessed what the purchase price of the subject site is by analysing Land Registry titles. It appears from the titles, that PfP purchased an initial part of the site for £9m in 2007 (HD332654) and the rest of the site for circa. £27m in 2013 (HD127528, HD127529, HD136879, HD335389 and HD320016). This is a total purchase price of £36m. The £27m purchase price is clarified in the August 2022 BPS report but never mentioned by TM.

Continuum would add that title HD335389 is excluded from the red line boundary of the planning application and is a small parcel of land known as High Tree Cottage. The purchase price of the site should not reflect this title, but for ease, Continuum have included it in their analysis. Also, title HD320016 no longer exists, and it is unclear what land area this title covered. Finally, title EX686164 is within the red line boundary but is the land of the A414 between the River Stort and Eastwick Road owned by the Homes and Communities Agency (now Homes England) so can be disregarded.

Based on the above, the BLV is significantly higher than the actual price paid. The PPG is clear that the BLV should be the minimum price required to incentivise the landowner to sell their land for development. This means the BLV cannot be higher than the purchase price. The clear difference in BLV and purchase price would drop to the profit margin being achieved by PfP at the expense of affordable housing.

Continuum would add that the greenfield land buffer that is part of the redline boundary has been excluded from any assessment of BLV and Continuum would agree with this approach, as this land would not need to be purchased by the master developer of the site and would remain in its existing use.

Overall, when accounting for site acquisition costs (SDLT & site disposal fees), Continuum believe the BLV could be circa. **£76m** lower. Continuum would also state that TM's approach to BLV does not follow PPG or RICS guidance or the requirements of the HGGT guidance note (2019).

5.3.6 Finance Costs

Continuum agree with the finance rate assumed at 6%, however the most important element in relation to the finance costs is the cash flow and timing of costs and values. The finance costs have changed considerably between the July 2022 and December 2022 appraisals from circa. £22m to £47m (111% increase).

Continuum require input from a cost consultant in order to fully understand when the timings of the infrastructure and abnormal costs would be, before Continuum are able to undertake their own detailed cash flow assessment of the scheme.

It should be noted that BPS's August 2022 review estimated the finance costs at circa. £8.5m. This is significantly less than what was estimated by TM and shows the potential for significant cost savings based on a different approach to the cash flow.

The cash flow also has a major impact on the output IRR and therefore need to be scrutinised in detail and small changes in timings will have a large impact on the viability of the scheme.

5.3.7 Master Developer Profit

TM have estimated the master developer profit based on an geared IRR assessment in their original analysis. In July 2022 the geared IRR profit margin was 15% but this was reduced to 12.5% ungeared IRR in December 2022 based on comments from BPS (argued 11% ungeared IRR should be adopted). TM do not provide any evidence to support their IRR profit margin.

TM argued that the master developer would deliver the scheme for a return of 12.5% ungeared IRR. They also argued that a DM fee of 4% on infrastructure etc. cost would be required. This was a change from their original position in July 2022.

One similar master developer scheme that has been to Appeal is Hulton Park, Bolton (APP/N4205/V/18/3208426). In this scheme, the Applicant's consultant (Cushman & Wakefield) argued that the master developers profit margin should be 15% of residential infrastructure costs and 5% of commercial infrastructure costs. This was a gross profit margin that included the master developers DM fee, as there was no separate allowance in the appraisal.

Continuum assert that the master developer return should be based on 15% on master developer costs which was the approach argued by BPS in August 2022. This assessment excludes an additional DM fee which is accounted for in the gross master developer profit margin.

5.4 Continuum's Viabiltiy Shift

From a detailed review of the viability case made by TM on behalf of PfP, Continuum believe the viability of the scheme could be improved considerably as highlighted by the table below:

Inputs	Est. Viability Impact	Reason
Housebuilder Standard Build Costs (incl. garages)	£244.3m (garages as a proportion is circa. £35m) Cost saving	Based on appeal decisions and local plan viability assessments which highlights the weakness in using BCIS for housebuilder base build costs and that Lower Quartile (LQ) BCIS with deductions should be used. Garages are already accounted for in the external works percentage. Cost have been compared with estimated standard build costs with a South East housebuilder scheme which supports Continuum's assessment of cost.
Sales Disposal Fees	£41.1m (based on TM's December 2022 values) Cost saving	Based on recent appeals and FVAs that support 2.5% on GDV sales & marketing and £650 per unit legal fees. TM have assumed 3% sales & marketing, 0.5% market legal fees and 0.5% affordable housing disposal fees.
Housebuilder Professional Fees	£48.7m Cost saving	Based on recent appeals and FVAs that support 5% professional fee allowance on standard build costs for volume housebuilders. TM adopted an allowance of 8%.
Housebuilder Market Profit Margin	£75.5m Cost saving (profit treated as a cost)	Based on recent appeal decisions and risk adjusted return assessment. Continuum believe due to the de-risking of the serviced land by the master developer the profit margin adopted should be 15% on GDV. This was the case made by BPS in their first review in August 2022. TM argued 17.5% on GDV.

Housebuilder Finance Cost	TM to prepare detailed cash flow assessment as is the standard	TM estimate the finance costs as a percentage (2.5%) of GDV. For a scheme of this scale with the consequential impacts in relation to the ability to fund planning contributions Continuum regarded it as essential that a proper cash flow assessment is undertaken by the Applicant. This was the case made by BPS in their first review in August 2022.
Market Sale Values	£17.9m (when accounting for profit and sales and marketing fees.) Value increase TM to run a sensitivity analysis (as required by the RICS) reflecting place making premium	When basing the market sale values on CBRE's Village 7 assessment for Taylor Wimpey (and nearby comparables), the market sales values should be higher. This increase and assessment of value does not take into account *'place making premiums'.* A sensitivity analysis should be undertaken on place making premium's that have been estimated at 15% (increase in sale values when compared against standard market housing schemes). This is supported by the RICS Guidance section 4 and was proposed by TM in their first July 2022 report.
Affordable Sale Values	TM to update their model based on optimum affordable housing mix	Continuum would argue that the calculation behind the affordable housing values has some flaws, which if addressed, would lead to higher affordable housing values. This includes: • affordable rent values (est. at 57.35% of Marker Rent) being less than LHA and 80% of market Rent; • Lower than expected discount rates in DCF model; • Lower value intermediate tenures being assumed such as intermediate rent; and • Lower initial equity share for shared ownership units.
Employment Serviced Land Value	£21.5 to £28.9m Serviced land value increase	The master developer would not deliver B1 land which makes a loss (this is the suggested position by TM), especially when planning policy does not require B1 land. Knight Frank estimate prime Harlow industrial / logistics land at £2m per acre.
Infrastructure, Abnormals & S106	Lack of evidence or justification for an increase of 78% when compared to the HDH assessment.	Total Infrastructure / S106 outlined in the Infrastructure Delivery Plan (estimated by ARUP in 2019) should have increased in line with inflation (the outputs appear not to have changed). The result being that the substantial increase in cost is down to abnormals (or standard infrastructure / external works). TM and Aecom do not separately itemise the abnormal costs in their assessment but from a detailed review of the Aecom cost plan, most items would be considered as standard (not abnormal) for a major development. We therefore deduce that double counting has occurred in the TM assessment, either with the BLV which should reflect abnormal costs (and infrastructure costs) or with standard external works as assessed by HDH.
Promotional Costs	£15m Cost Saving	PfP and TM have not provided any justification or evidence base to support this cost. Until such evidence is provided, Continuum would argue that the cost should be stripped out.

DM Fee & Profit Margin (Gross Profit Margin)	Circa. £6.6m (DM fee saving) based on the hypothetical land value (BLV)	Standard master developer approach would be to identify a gross profit from serviced land sales to house builders. Adding a development management (DM) fee for the Master Developer in addition to the Gross Profit would not be regarded as standard market practice. The methodology utilised by TM to generate a master developer return has assumed a hypothetical land value. Should the actual costs incurred in securing land be inputted into the TM appraisal, then the profit outturn would be over 60% higher than argued as being required. Even if their BLV was the actual land value, then we would strongly argue a total gross profit margin of circa. 15% on costs (incl. DM fee) is more than acceptable for the master developer function.
HIG / STC Repayment	It is unclear why the level of grant received is not replicated in the S106 payments as it is understood that this is a contractual requirement of the Grant	The FVA produced by TM makes specific reference to the Grant. Without having sight of the agreements that have been entered into it is difficult for us to comment on the validity the approach set out.
BLV	Circa. £76m Cost saving when comparing hypothetical BLV and actual purchase cost	TM have not provided their own assessment of BLV, EUV and premium which is required by both the PPG and RICS guidance / professional statement. They have relied on the area wide viability assessment by HDH (2019). TM have also not explained how their approach to BLV takes into account infrastructure and abnormal costs, especially due to the estimated infrastructure and abnormal costs being significantly higher than what was assumed by HDH in the area wide viability assessment. It appears PfP purchased the subject site for circa. £36m (2007 and 2013 separate lots). The BLV is stated as £107m by TM.

Master Developer Finance Costs	The cost saving is difficult to quantify without all relevant information which sits with the applicant.	Usually finance costs would have a major impact on the outcome of the findings, however, due to large viability savings found elsewhere in the appraisal, we believe the cost savings would be minimal in the context of a project with an estimated GDV of £3.5bn. The information presented by both TM and BPS cannot be assessed without the technical data that sits behind the percentage ungeared IRR figures that have been estimated. The range of suggested outcomes for the master developer finance cost of the project have been reported as follows: • TM's July 2022 circa. £22m • BPS's Augst 2022 circa. £8.5m • TM's December 2022 circa. £47m • The finance percentage rate (6%) has remained the same in all three assessments
Total	Total of viability savings estimated = circa £500m +	

Continuum have estimated the impact of affordable housing on the TM December 2022 appraisal which equates to circa. £170k per affordable unit based on TM's December 2022 values, tenure split, the difference between market and affordable GDV and taking into account the reduced sale disposal fees and profit margins for affordable houses. Continuum estimate that to achieve policy compliance (on TM's tenure split), the appraisal would need to see viability savings of circa. **£245.3m** (based on 1,443 affordable unit time £170k). As a result, our assessment of a potential saving of over £500m should mean that the scheme is more than capable of delivering full policy compliance.

6. Continuum's Independent Assessment of BPS's Reviews of the Viability Case Made

BPS were instructed by East Herts to review the FVA produced by TM. Over the review period between July 2022 to February 2023, BPS produced three reports, these are:

- Briefing note of TM's informally submitted April 2022 FVA (not a public document) dated July 2022
- Initial full review of TM's July 2022 FVA dated August 2022
- Final Review of TM's December 2022 updated FVA dated February 2023

Continuum have reviewed the assessments undertaken by BPS.

6.1 Summary of BPS's Reviews

BPS's Briefing Note (July 2022) is a short document that highlights some of the initial issues they have with the informally submitted FVA produced by TM in April 2022. The TM April 2022 FVA is not a public document but BPS state the FVA:

"includes provision of 9 affordable units and models a range of potential scenarios each of which could potentially deliver differing levels of affordable housing ranging from a Nil provision through to 18.6%." (Briefing Note: para. 1.2).

BPS then state that they understand the original April FVA has since been updated by TM and now includes a proposal to deliver a higher percentage of affordable housing than that concluded in April 2022. BPS appear unclear on the basis for how TM arrive at this revised proposal.

BPS's Briefing Note focused on the April 2022 *'nil affordable housing scenario'* and highlights some key areas of potential disagreements where there is scope for negotiation to improve the affordable housing outputs. The table below summarises BPS's Briefing Note review:

Input	BPS's Position
BLV	BPS recommend that the Council seek further evidence and justification for the BLV approach utilised in the appraisal which was to adopt the same BLV per acre figure as HDH in the area wide local plan viability assessment.
Residential Values	BPS state from initial review they broadly support the values. They then argue that they are surprised no growth or placemaking premiums have been included by TM in their appraisal and that this should be explored.
Non-Residential Values	BPS state that the non-residential elements of the development are relatively minor in scale and do not have as material an impact on viability as the residential elements. BPS adopted the TM values at this stage but reserved the right to review them further with the July 2022 TM submission.
Affordable Values	BPS state the affordable element is minimal and any changes in value would have a negligible effect on viability and BPS have adopted the values presented by TM at this stage. BPS recommend requesting confirmation as to whether the applicant will deliver or take first option on affordable homes across the site, and how (if at all) grant has been factored into the current FVA.
Build & Infrastructure Costs	BPS state that their cost consultant has reviewed the build and infrastructure costs and at this stage is largely satisfied with the overall cost estimates provided. They argue that actual costs of the development will need to be verified and supported by appropriate evidence as part of future viability reviews.

	BPS request the following information from TM and the Applicant in relation to the phasing of infrastructure delivery: • Itemised programme • Summary of any other factors considered to be of relevance such as HIG trigger points and the programme of repayments to the Rolling Infrastructure Fund • Identification of any anticipated 3rd party funding • Crossing Infrastructure delivery targets • BPS highlight the phasing of infrastructure delivery is important as it effects land value capture and affordable housing delivery
Professional Fees	BPS agree with the 8% professional fees adopted for the housebuilder and non-residential (commercial) elements.
Sale Disposal Fees	BPS agree with the marketing, agent and legal fees at 3.5%. They state that the allowance is full for a conventional scale development but argue there is no allowance for larger marketing of the location. They go on to argue that PfP would be the obvious party to undertake some significant promotion of the Gilston Area and BPS require an understanding of the approach to the scheme wide promotion.
Sale Plot Disposal Fees	BPS agree with the 0.75% of plot value figure.
Site Acquisition Fees	BPS state that service land SDLT has been charged within each village appraisal at 6% but taken as a factor of non-residential values and build costs. BPS have removed this cost as they are unclear why SDLT has been included on build costs. BPS agree with the 6.5% site acquisition fee applied to the BLV.
Service Plot Finance	BPS disagree with the approach to serviced plots finance costs which is based on 2.5% of GDV instead of a cash flow assessment. BPS have assessed finance costs at a 6.5% rate and based on a cash flow assessment.
Master Developer Finance	BPS accept the 6% finance rate, though highlight that the Applicant may be able to borrow at a lower level than a traditional developer.
Serviced Plot Profit Margins	BPS argue that due to the de-risking of the site, a lower than standard profit margin should be included, and the market profit margin should be 15% on GDV instead of 17.5%. BPS agree with the affordable and non-residential profit margins at 6% and 15% on GDV respectively.
Master Developer Profit Margin	BPS state that IRR is not the standardised approach to assessing profit margin and that the profit should be reconciled with GDV. BPS state the master developer would be building the infrastructure and selling off-serviced plots rather than acting as a housebuilder themselves and this significantly reduces its sales risks (few large-scale disposals to commercial organisations and established developers rather than sales of 1000s of individual units to homeowners). BPS also state that there is the potential to sell some of the future villages to other master developers which would reduce the risk further. BPS conclude that the master developer profit margin should be tested against 15% of costs with a cross check against 10% IRR.
HIG	BPS request the information concerning the timing and payback requirements of the HIG. BPS state:

	"It is understood that repayment of HIG to Homes England is not required, and it will instead be recovered on an indexed basis via the section 106 agreement essentially as part of the planning policy / infrastructure requirements of the scheme (which the developer would ordinarily be expected to incur)." (para. 1.44).

BPS state that the affordable housing levels are *"untenably"* low (9 units) and if the final FVA adopts this level, then it will necessarily come under significant scrutiny and the required assessment is unlikely to be a quick process. BPS also state that PfP had given East Herts previous assurances of a policy compliant development and PfP will be required to explain what has changed since then.

BPS's conclusion in July 2022 is that the scheme can deliver more than 9 affordable units being proposed based on a master developer profit expectations of 15% on costs or minimum IRR of 10%.

After the Briefing Note, TM submitted their FVA (July 2022) that was made public. BPS then provided their first full assessment in August 2022, which reviewed TM's July 2022 FVA. The assessment does not fully agree with the findings of TM's July 2022 FVA and highlights a number of areas of differences or areas where further information / clarity is required. Much of this is the same as what was highlighted in the July 2022 Briefing Note. The main areas of disagreement or further clarification in the August 2022 review are as follows:

Input	BPS's Position
Private Sale Values	BPS believe this should be circa. £61.5m higher (2% increase) due to the 2b4p flat and 4 bed houses values being understated. BPS believe growth modelling should have been undertaken in sensitivity scenarios based on *'placemaking premiums'*. However, BPS have not allowed for a premium and there is requirement for regular phased review mechanism to capture the premium.
Market Sale Disposal Fees	BPS agree with the 3.5% figure but believe it is a full allowance and accept it for the purpose of this assessment.
Service Land Finance	BPS disagree with the way the finance costs is calculated based on a percentage of GDV, rather than based on a finance rate (6.5%) applied in a cash flow.
Market Profit Margin	BPS disagree with the 17.5% on GDV profit and believe 15% on GDV is more appropriate for serviced greenfield plots benefiting from outline planning consent (de-risked).
HIG	BPS state they require further clarification about the HIG and differences between scenarios.
HIG Repayment (RIF)	BPS state they require further understanding about the repayments and how this has been calculated.
Master Developer Finance	BPS agree with the finance rate of 6% but state they require further clarification in regards to the cash flowing and timing of certain elements such as HIG, infrastructure, abnormals, S106 onsite works and S106 contributions. BPS's own appraisal assessment assumes a significantly lower finance costs of circa. £8.5m compared to TM's at circa. £22m.
Master Developer Profit Margin	BPS disagree with TM's profit margin assumption and believe the profit margin assumed is overstated in comparison to the level of risk involved. BPS

	argue that the profit margin should be based on 15% on cost and this should then be cross referenced to the IRR at a minimum level of 11%.
BLV	BPS state that this is under consideration and they require further justification for this figure.

BPS's own appraisal assessment of the scheme with circa. 21% affordable housing (though includes a number of inputs they require further clarification on) outputs a profit on cost of 25.46% which is higher than their benchmark profit margin of 15% on cost. Based on this, BPS conclude that the scheme can contribute more affordable housing than TM's suggested circa. 21%. However, BPS do not state how many affordable houses the surplus profit (circa. £109.5m) would be able to generate. Continuum believe this surplus profit would generate significantly more than a further 2% affordable houses that TM argue in December 2022 and is agreed with by BPS in February 2023.

BPS in their August 2022 report highlight that HDH have reviewed their initial 2019 area wide viability assessment and conclude in May 2022 that:

"45. The above data shows that the average values of newbuild property have increased by about 20% and build costs by about 12%. The Residual Value will have increased, indicating that viability will therefore have improved. Further, the costs of providing the infrastructure have been reduced, suggesting that viability will have improved, noting however that some of the reduction is likely to be due to changes in the approach taken within the IDP.

46. The additional costs of national policy will add to the costs of development, but this, even when taken together, is going to be substantially less than the increase in average newbuild values.

47. The HGGT Partnership can continue to rely of the Harlow and Gilston Garden Town Strategic Viability Assessment (HDH, April 2019), although the report is now likely to understate the Residual Values somewhat."

BPS in the August 2022 report at para. 1.8 state that they have undertaken a Land Registry search of the site and conclude that a large proportion of the site was purchased by the Applicant in 2013 for £27m (title numbers: HD127528, HD136879, HD335389 and H320016). BPS state that they are unclear whether the £27m reflects the whole site. BPS request PfP confirm that £27m is the purchase price for the site, with title evidence to support their assertion. BPS however do not state that the BLV should be based on this lower purchase price figure.

TM following BPS's review, update their FVA in December 2022. The FVA ignores many of the issues highlighted by BPS. The TM December 2022 FVA concludes the same amount of affordable housing is viable, circa. 21%, but states that PfP are willing to offer 23%.

BPS then provide a final review of the scheme which analyses the December 2022 FVA. This final review is a very short document (6 pages of text). BPS argue that the following inputs *"remain potentially contested"* in reference to their previous report:

- Approach to finance costs
- Housebuilder market profit margin
- Master developer profit
- Development management (DM) fee
- Promotion costs

Even though BPS have not received further information on TM's approach to BLV or HIG (and repayments) in TM's December 2022 report, BPS do not highlight these areas as still having an issue.

BPS state at para. 1.11 of their February 2023 report that there have been a number of amendments to TM's modelling of the scheme which has been a product of recent discussions between (Continuum assume) BPS and TM. BPS summarise the final TM December 2022 position as follows:

- Site promotion costs reduced from £19.4m to £15m
- Affordable housing at 23% with tenure split 60:40 affordable rent / intermediate housing
- Increased floor area for 30% of 2 bed apartments and affordable properties (2b4p units)
- Self-build units counted as market values
- BLV unchanged value but spread over development
- Cost of garages now included and reduced from circa. £40.4m to £35.7m
- Model based on Q1 2022 (pre-inflation)
- Part L costs added (though was in TM's July 2022 assessment)
- Part F costs excluded (circa. £50m) (approach in TM's July 2022 assessment)

BPS's conclusion on the five *"potentially contested areas"* can be summarised as follows:

Input	BPS's Position
Approach to Finance Costs	BPS argue that the approach to housebuilder finance costs as a percentage of GDV is incorrect and risks being *"entirely divorced"* from the actual costs incurred and furthermore runs contrary to standard practice. BPS state that the issue of finance has been overcome through the adoption of an ungeared IRR which includes the finance costs in the profit margin assessment (Continuum would highlight this point is only in relation to the master developer finance costs).
Housebuilder Market Profit Margin	BPS state that the 17.5% on GDV market profit margin is an *"overly pessimistic assumption for greenfield development"*. BPS however argue that sales risk increases where there is an assumption of high levels of land release and sales competition and that the optimistic sales rates could increase the residential developer risk. BPS then conclude that based on the optimistic sale rate assumption they accept the increased 17.5% on GDV profit margin but only for the 1st village. The reason they are able to support the TM percentage of 17.5% is that the performance of the scheme can be reviewed over time through an *"open book process".* This is not an approach Continuum have seen elsewhere and subverts the purpose of a viability assessment.
Master Developer Profit, DM Fee & Promotional Costs	BPS state the three inputs are *"integrally linked*". They state that TM has reduced their initial master developer return from 15% geared IRR (18.24% ungeared) to now 12.5% ungeared IRR which is 1.5% above BPS's recommend profit margin level. BPS state the reduced profit margin has been accepted by TM on the basis of including additional costs, such as a DM fee and allowing for historic site promotion costs. BPS explain that it has been agreed with the Council to include some element of the historic costs incurred to date but BPS state they have not audited these costs. BPS conclude that they accept the three inputs, with the profit margin assumed being very close to their recommend level in August 2022 and state

	that there has been enhanced volatility and increases in cost of finance since the initial assessments by them.

The conclusions from the reviews by BPS appears to state that even if they do not agree with all of the inputs, a review mechanism will allow the viability of the scheme to be reassessed. In other words, *'kicking the can down the road'* on fully assessing the viability of the scheme.

6.2 Continuum's Assessment of BPS's Reviews

6.2.1 BLV & Purchase Price

In the August 2022 BPS review, they explain that from reviewing titles it appears PfP purchased the site for £27m in 2013, though they state they are unclear whether the £27m reflects the whole site (from Continuum's analysis it does not and it is £36m in total).

BPS in relation to this state:

"NPPG is clear that price paid for land is not a relevant justification for failing to accord with relevant policies in the plan however it also states that Local Authorities can request data on the price paid for land or the price expected to be paid through option or promotion agreements. We request that a title plan for the site is provided including the purchase price for each element in order that we can confirm the actual land assembly costs." (August 2022: para. 1.8).

TM in their December 2022 assessment ignore this point and it does not appear that PfP ever addresses the issue around the purchase price of the site. BPS also do not address this issue again in their final February 2023 review.

Continuum take issue with BPS not exploring this point further in their February 2023 final report. TM's adopted BLV is circa. £76m higher than the purchase price including site acquisition costs. This means the appraisal assessments undertaken by TM and BPS are based on a hypothetical land value which is significantly higher than what appears to be the actual and this circa. £76m in additional hypothetical land value would drop to the master developer profit margin instead of funding affordable housing.

The PPG does not state that an assessor cannot use the purchase price as the BLV. It only states that the purchase price cannot be used as the BLV in order to negotiate away planning obligations. This was the whole premise of the Parkhurst high court case (Parkhurst Road Ltd v Secretary of State for Communities and Local Government and London Borough of Islington, 2018). The PPG is clear that the BLV should be the minimum price required to incentivise the landowner to sell their land for development. This means the BLV cannot be higher than the purchase price. Continuum are therefore confused why BPS did not raise the purchase price point further in their February 2023 final assessment.

BPS throughout their July and August 2022 report state that they required further justification and evidence in regard to TM's BLV and approach utilised to estimate it. TM have never provided further justification or evidence in either their July 2022 or December 2022 FVAs and have maintained the BLV at circa. £107m. BPS in February 2023 do not raise this issue again, even though TM have never provided a strong evidence base or proper EUV+ assessment to support their BLV, especially in relation to the higher infrastructure and abnormal costs when compared to the HDH 2019 assessment.

BPS assessment of TM's BLV is therefore fundamentally flawed, as they appear to agree with the circa. £107m BLV which is based on HDH's assessment without abnormal costs. This is even though HDH and the PPG are clear that any increase in infrastructure and abnormal costs should be reflected through a reduction in BLV. The HGGT guidance note on viability (2019) also states that abnormals should be reflected in the BLV (BPS were an author of this document with HDH). Continuum are confused why BPS appear to have conceded on the BLV. Continuum would also argue that if this non- PPG compliant BLV is included in the review mechanism, then the review mechanism is flawed and not compliant with the PPG.

BPS in their August 2022 report incorrectly state:

"Under NPPG applicants are urged to adopt identical inputs to those set out in the Local Plan unless good reason can be found to show these inputs are out of date." (para. 5.14).

This is a misrepresentation of the PPG which states:

"Where a viability assessment is submitted to accompany a planning application this should be based upon and refer back to the viability assessment that informed the plan;" (para. 8).

The PPG does not state that inputs should be identical to the Local Plan, only that at the decision-making stage assessments should refer back to the Local Plan viability assessment. This is supported further by appeal decisions, where Inspectors have concluded that Local Plan inputs are sometime more cautious and include viability buffers, for example the Footzie Social Club, Bromley Appeal (APP/G5180/W/20/3257010).

BPS's final conclusion on the BLV in their August 2022 report is as follows:

"It is therefore perfectly reasonable that in this context further justification should be provided to support the very significant increase in land value which would accrue from the grant of consent, if only to provide assurance to decision makers that the land value capture envisaged in the passage quoted above is not simply captured for the benefit of the land owner." (para. 5.15).

It is clear from all the information Continuum have in relation to the viability at the subject site, that PfP has not provided any *"assurance"* that the land value capture will not simply benefit the landowner, as PfP are benefitting from over £76m of additional BLV land value when compared to what is believed to be the purchase price. Again, BPS do not provide any narrative on this point in their final February 2023 report.

6.2.2 Non-Residential Land

BPS in their report do not highlight that TM's assessment is based on PfP selling B1 employment land at a loss (-£2,711,206), when in reality this would never occur. Continuum find it unusual a review would not have picked up on this point, or the point that KF estimate industrial land values at circa. £2m per acre in Harlow, which is significantly higher than the £480,609 per acre assumed by TM in their appraisals.

6.2.3 Infrastructure, Abnormals & Measured S106 Costs

BPS retain a cost consultant, Neil Powling, who assess all build costs for them. Mr Powling has reviewed the infrastructure, abnormal & measured S106 costs and produced a very short report (Appendix 1 of the August 2022 review) what includes 6 small paragraphs on these cost elements (para. 1.5, para. 3.3 to 3.7 and 3.16). Mr Powling's main analysis of these cost elements is that they have been calculated in reasonable detail from reasonable information and therefore he has:

"no reason to doubt the estimate." (para. 3.16).

From the report, it appears Mr Powling has agreed with the costs because they have been produced by a cost consultant through a detailed cost plan. It does not appear Mr Powling has undertaken a detailed cost review assessment of the costs, which based on Continuum's experience, would lead to a detailed document being produced by the reviewer that explains all cost assumptions on a line-by-line basis. Continuum would argue that the assessment is *'extremely light touch'* and does not appear to have analysed the costs in detail that is required for a scheme with infrastructure, abnornmals and measured S106 costs of this scale.

For example, the total infrastructure, abnormals and measured S106 costs is circa. £637m. A small difference in these costs by a cost consultant of 1% equates to £6.37m of cost saving which Continuum estimate could equate to around 40 affordable houses.

Mr Powling does not appear to have asked or explored whether value engineering has been considered by Aecom, which Continuum again find unusual for a cost consultant assessing a scheme and is a key question the RICS guidance seeks clarification on.

In Continuum's opinion working for Local Authorities across the country and instructing cost consultants to review infrastructure and abnormal costs provided by Applicants during viability in planning negotiations, the assessment of Mr Powling does not meet the required standard a viability assessor or Council would need in order to be satisfied that full due diligence has been undertaken.

BPS and Mr Powling have also not sought to explore the difference between the HDH / Arup assessment of costs and the TM / Aecom assessment and why there has been a substantial change (e.g. 78% shift in strategic infrastructure, abnormal and S106 costs). They do not seek to understand what costs would be abnormal and whether there is any double counting with standard external works and BLV.

6.2.4 Standard Build Costs

Mr Powling assessed the standard build costs and agreed that the median BCIS figure was acceptable for large regional and national housebuilders base build costs (most likely type of housebuilder to deliver units at the site due to the scale).

Mr Powling argues throughout his very short cost review report that the BCIS costs for benchmarking is better than other companies using their own data. He argues:

"Many companies [cost consultants] prefer to benchmark against their own data which they often treat as confidential. Whilst this is understandable as an internal exercise, in our view it is insufficiently robust as a tool for assessing viability compared to benchmarking against BCIS. A key characteristic of benchmarking is to measure performance against external data. Whilst a company may prefer to use their own internal database, the danger is that it measures the company's own projects against others of its projects with no external test. Any inherent discrepancies will not be identified without some independent scrutiny." (para. 2.1).

Continuum would argue that BCIS data is inappropriate when trying to use it to assess housebuilder estate housing schemes. This is because many QS's (Warburton Lane Appeal & Keppie Massie during Local Plan Viability Assessments) have stated that regional and national housebuilder do not provide data to BCIS. Keppie Massie and WYG's own analysis has also shown that most schemes that are included in the BCIS estate housing data base are small schemes with Keppie Massie finding that in 2017 to 2019, the BCIS published data's average number of dwellings was only 10. Based on this, Continuum would argue that basing the base build costs on median BCIS is inherently flawed.

Mr Powling states at para. 2.7 of his report that they require a cost plan prepared by the Applicant in order to undertake their benchmarking of costs. He also states at para. 3.12 that they would have expected an approximate quantities measurement for the external works, though accept the external works percentage allowance. It appears Mr Powling believe a full cost plan assessment of housebuilder costs should have really been provided by TM and PfP, though Mr Powling and BPS did not request this further information.

Continuum would also add that when TM in their December 2022 report decide to include an additional allowance for garage costs, BPS or Mr Powling do not appear to question or challenge this inclusion of circa. £35m of additional cost that was not in TM's previous appraisals or HDH's 2019 assessment which appeared to include garage costs in the external works percentage allowance.

6.2.5 Affordable Housing Values

Continuum would argue that BPS have not undertaken a full review of the affordable housing value assessment undertaken by Quod which is provided in TM's July 2022 FVA.

BPS's assessment of the affordable housing values is summarised as follows:

"The Quod report appears to be in a good level of detail and overall the cashflow inputs provided appear to be broadly reasonable." (August 2022: para. 6.36).

If BPS had fully assessed the affordable housing values, they would realise that the intermediate housing assessment included First Homes values at less than 70% of OMV and intermediate rent product. They would also realise that the affordable rent has an assumed rental value of circa. 57.35% of market rent which is lower than the 80% of market rent RPs could charge and the LHA in the area. These points are against the industry standard norm and would have an impact on the affordable housing values assumed.

6.2.6 Sale Values

Continuum are confused why BPS did not highlight that for Village 7 (TW scheme), CBRE have estimated higher sale values than TM. Continuum would expect BPS to raise this point and adopt CBRE's higher sale values for the proposed scheme which are based on a detailed comparable assessment by CBRE.

6.2.7 Sale Disposal Fees

BPS agree with the 3.5% figure but believe it is a full allowance and higher than what they would expect.

BPS then try to justify adopting the higher 3.5% housebuilder sale disposal fee by arguing that the wider marketing for the Gilston area as whole inputted by TM is below their expectations. This is the 0.75% plot sale fees, which BPS argue is low when compared to the assumed sale rate. They provide no evidence to support this assertion.

BPS in the August 2022 report state:

"We note that TM state that PFP have already spent £18m of promotion costs but these have not been included in TM's appraisal. It is unclear why these costs have not been included, although stated to be "with a view to reaching a swift agreement on these viability discussions." No evidence has been provided for these costs." (para. 7.33).

Effectively, in August 2022, BPS argue that the total disposal fees should be increased for the housebuilder because of the low master developer sale disposal fee.

TM in their December 2022 report include PfP promotion costs at £15m. BPS however do not reassess the housebuilder sale disposal fees to reflect this increase in promotion costs by the master developer. Continuum would question based on BPS's logic in July and August 2022 why this was not the case and therefore there would appear to be double counting of site marketing based on BPS's own assumptions in July and August 2022.

Continuum would highlight that a small shift in housebuilder sale disposal fees makes a huge cost saving. For example, a 0.5% percentage point decrease in the cost would equate to circa. £14.9m savings (based on TM's December 2022 market GDV). Therefore, if BPS had reduced this allowance based on their experience of other large schemes, the amount of affordable housing the development could contribute would have increased by a significant amount.

6.2.8 Housebuilder Professional Fees

Continuum find it unusual that BPS did not challenge the 8% professional fee allowance adopted for TM in relation to the housebuilder professional fees. This is because this fee is only related to professional fee costs in relation to a housebuilder purchasing a serviced plot with outline planning consent, which would significantly reduce the professional fee cost to the housebuilder. BPS also do not highlight how large housebuilders achieve significant professional fee cost savings due undertaking most elements in-house. Small shifts in the professional fee allowance have a huge impact on the appraisal, for example a 1% shift in fees would equate to a cost saving of circa. £14.3m (based on TM's December 2022 appraisal).

6.2.9 Housebuilder Market Profit Margin

BPS in their July and August 2022 assessment argue that the 17.5% on GDV market profit margin is too high and that 15% on GDV is more appropriate for serviced greenfield plots benefiting from outline planning consent (de-risked).

TM however in their December 2022 final FVA still disagree with this point and maintain their 17.5% on GDV profit margin.

BPS then in their final February 2023 review decide to not challenge the 17.5% on GDV market profit margin even though they state that it is an *"overly pessimistic"* assumption for a greenfield development.

BPS argue that:

"We do note however that sales risk increases where there is an assumption of high levels of land release and sales competition. The current modelling for this scheme and for Village 7 show optimistic sales rates which in our view could have the effect of increasing the residential developer risk. In consequence these factors influence the actual developer margin which will be driven by the land sales process and the rate of new housing sales absorption. It is fair to say that these factors must be considered uncertain when measured against the requirement to front load infrastructure development." (February 2023: para. 2.8).

BPS conclude that they accept the higher profit margin based on the above reasoning and argue that the review mechanism will pick up the expectations of a lower profit margin if they are materialised.

Continuum find it peculiar that BPS have decided to concede on this profit margin point in February 2023, even though it appears from this report that they still believe 15% on GDV is more appropriate. The effects of the 2.5%

on GDV shift in market profit margin is substantial at circa. £74m based on TM's December 2022 GDV. Continuum estimate this profit margin saving could equate to around 435 affordable units which is an additional 5% affordable houses.

BPS again appear to support their final conclusion on this point by arguing a review mechanism will pick up the actual, effectively *'kicking the can down the road'* in terms of assessing the viability of the scheme.

6.2.10 Service Plot Finance

BPS throughout their reviews of TM's FVAs have correctly stated that their approach to finance costs is incorrect and should be based on a finance rate applied in a cash flow assessment as:

"A sales revenue based approach runs a significant risk of finance costs being entirely divorced from the actual costs incurred and furthermore runs contrary to standard practice." (February 2023: para. 2.2).

BPS however in February 2023 also state that while they disagree with TM's approach:

"This issue has however been overcome through the adoption of an ungeared IRR. In effect the return over time is measured without finance costs being taken into consideration. In light of which the method of computation becomes largely irrelevant when looking at infrastructure delivery.

Similarly, as land sales evidence is generated for the serviced plots this will inform estimates of value for future plot sales thus balancing the relevance of residual appraisals in this process." (February 2023: para. 2.3 to 2.4).

BPS effectively are arguing that even though the service plot finance costs is calculated incorrectly, this does not matter, as a review mechanism will pick up the actuals through actual plot sales. Again, BPS are *'kicking the can down the road'* in terms of assessing the viability of the scheme, even when there are inputs they do not agree with and could have negotiated now.

6.2.11 Master Developer Finance

BPS accepted TM's finance rate of 6% which Continuum would agree is appropriate.

One of the most important parts when it comes to calculating finance costs is the cash flow timings of costs and revenue received.

BPS in their August 2022 assessment undertake a different approach to cash flowing and development timing than TM's July 2022 FVA. The result of this, is that BPS's master developer finance cost equates to circa. £8.5m compared to TM's July 2022 assessment at circa. £22m.

TM in their final December 2022 FVA have increased finance costs through a different approach to the cash flow and the cost is estimated at circa. £47m, which is substantially higher than BPS's £8.5m figure estimated in August 2022.

BPS however in their February 2023 report do not challenge TM's finance cost and how it is calculated as they argue:

"This issue has however been overcome through the adoption of an ungeared IRR. In effect the return over time is measured without finance costs being taken into consideration. In light of which the method of computation becomes largely irrelevant when looking at infrastructure delivery." (para. 2.3).

Continuum's issue with the above, is that although the ungeared IRR is an assessment of profit margin without finance costs, the IRR is sensitive to small changes in the cash flow. This is because it is a calculation of the discount rate at which the net cash flow arising from the development would generate a net present value of zero. In effect, the IRR is fully reliant on the approach to cash flow, as is the calculation of the master developer finance costs. BPS in their August 2022 assessment take issue with TM's cash flow and their own assessment produces a more viable cash flow. However, BPS in February 2023 do not appear to approach the cash flow in the same way as August 2022 and instead agree with TM's December 2022 cash flow which is less viable than BPS's August 2022 and TM's July 2022 cash flows. This therefore increase the finance cost of the project considerably and reduces the ungeared IRR outputted from the scheme.

Overall, Continuum are confused why BPS did not attempt to fully analyse and assess TM's December 2022 cash flow, especially in relation to it doubling the finance costs and the effects it would have on the ungeared IRR (by reducing it).

6.2.12 HIG & HIG Repayment

BPS in their July and August 2022 assessments state that they require further clarification about the HIG and a further understanding about the HIG repayments and how this has been calculated.

TM in their December 2022 assessment do not provide any further clarification on HIG or show how the HIG repayments have been calculated.

However, BPS in their February 2023 report do not bring up this issue that TM has not provided any further evidence or clarification in relation to the HIG and its repayment. They appear to ignore this issue and it is therefore unclear whether PfP or TM have provided a satisfactory justification towards their approach to HIG and its repayment.

6.2.13 Master Developer Profit & DM Fee

BPS in their July and August 2022 assessment highlight that they take issue with TM's approach to developer profit margin and that the profit margin should be based on 15% on cost and this should then be cross referenced to the IRR at a minimum level of 11% (though state this at 10% IRR in July 2022 report).

TM in December 2022 reduce their master developer profit margin to 12.5% ungeared IRR and include a 4% DM fee (and include historic promotional costs of £15m).

BPS in their final February 2023 report conclude:

"Overall the targeted return is very close to our initially recommended level and on the recommended ungeared basis, as such we consider this a reasonable basis for proceeding noting the enhanced volatility and cost of finance from the point when we first reported which is embedded as developer risk."

TM's output December 2022 master developer profit of 11.3% ungeared IRR equates to 11.82% on cost, though this increase to circa. 16% on cost when including the DM fee and promotional costs. Again, BPS's conclusion that the return is very close to their original recommendation is true. However, a 12.5% ungeared IRR would increase the master developer percentage on cost profit margin further and would be substantially higher than BPS's original 15% on cost target.

Continuum therefore question why BPS did not conclude that the scheme's output profit margin should not be based on 12.5% ungeared IRR, especially as it appears the review mechanism will be based on this higher profit margin than the 15% on cost originally argued by BPS.

6.2.14 Promotional Costs

Continuum find it unusual that BPS would accept the additional promotion costs of £15m that TM include in their December 2022 report when BPS have stated that they have not audited these costs and are unclear what is included in the cost.

In Continuum's experience as an assessor, Continuum would only accept costs that have been fully justified and evidenced, especially when the promotional costs appear to be substantial based on Continuum's experience of large-scale developments of this type.

7. Conclusion

From a detailed review of the viability case made by TM on behalf of PfP, Continuum believe the viability of the scheme could be improved considerably as highlighted by the table below:

Inputs	Est. Viability Impact	Reason
Housebuilder Standard Build Costs (incl. garages)	£244.3m (garages as a proportion is circa. £35m) Cost saving	Based on appeal decisions and local plan viability assessments which highlights the weakness in using BCIS for housebuilder base build costs and that Lower Quartile (LQ) BCIS with deductions should be used. Garages are already accounted for in the external works percentage. Cost have been compared with estimated standard build costs with a South East housebuilder scheme which supports Continuum's assessment of cost.
Sales Disposal Fees	£41.1m (based on TM's December 2022 values) Cost saving	Based on recent appeals and FVAs that support 2.5% on GDV sales & marketing and £650 per unit legal fees. TM have assumed 3% sales & marketing, 0.5% market legal fees and 0.5% affordable housing disposal fees.
Housebuilder Professional Fees	£48.7m Cost saving	Based on recent appeals and FVAs that support 5% professional fee allowance on standard build costs for volume housebuilders. TM adopted an allowance of 8%.
Housebuilder Market Profit Margin	£75.5m Cost saving (profit treated as a cost)	Based on recent appeal decisions and risk adjusted return assessment. Continuum believe due to the de-risking of the serviced land by the master developer the profit margin adopted should be 15% on GDV. This was the case made by BPS in their first review in August 2022. TM argued 17.5% on GDV.
Housebuilder Finance Cost	TM to prepare detailed cash flow assessment as is the standard	TM estimate the finance costs as a percentage (2.5%) of GDV. For a scheme of this scale with the consequential impacts in relation to the ability to fund planning contributions Continuum regarded it as essential that a proper cash flow assessment is undertaken by the Applicant. This was the case made by BPS in their first review in August 2022.
Market Sale Values	£17.9m (when accounting for profit and sales and marketing fees.) Value increase TM to run a sensitivity analysis (as required by the RICS) reflecting place making premium	When basing the market sale values on CBRE's Village 7 assessment for Taylor Wimpey (and nearby comparables), the market sales values should be higher. This increase and assessment of value does not take into account *'place making premiums'.* A sensitivity analysis should be undertaken on place making premium's that have been estimated at 15% (increase in sale values when compared against standard market housing schemes). This is supported by the RICS Guidance section 4 and was proposed by TM in their first July 2022 report.

Affordable Sale Values	TM to update their model based on optimum affordable housing mix	Continuum would argue that the calculation behind the affordable housing values has some flaws, which if addressed, would lead to higher affordable housing values. This includes: • affordable rent values (est. at 57.35% of Marker Rent) being less than LHA and 80% of market Rent; • Lower than expected discount rates in DCF model; • Lower value intermediate tenures being assumed such as intermediate rent; and • Lower initial equity share for shared ownership units.
Employment Serviced Land Value	£21.5 to £28.9m Serviced land value increase	The master developer would not deliver B1 land which makes a loss (this is the suggested position by TM), especially when planning policy does not require B1 land. Knight Frank estimate prime Harlow industrial / logistics land at £2m per acre.
Infrastructure, Abnormals & S106	Lack of evidence or justification for an increase of 78% when compared to the HDH assessment.	Total Infrastructure / S106 outlined in the Infrastructure Delivery Plan (estimated by ARUP in 2019) should have increased in line with inflation (the outputs appear not to have changed). The result being that the substantial increase in cost is down to abnormals (or standard infrastructure / external works). TM and Aecom do not separately itemise the abnormal costs in their assessment but from a detailed review of the Aecom cost plan, most items would be considered as standard (not abnormal) for a major development. We therefore deduce that double counting has occurred in the TM assessment, either with the BLV which should reflect abnormal costs (and infrastructure costs) or with standard external works as assessed by HDH.
Promotional Costs	£15m Cost Saving	PfP and TM have not provided any justification or evidence base to support this cost. Until such evidence is provided, Continuum would argue that the cost should be stripped out.
DM Fee & Profit Margin (Gross Profit Margin)	Circa. £6.6m (DM fee saving) based on the hypothetical land value (BLV)	Standard master developer approach would be to identify a gross profit from serviced land sales to house builders. Adding a development management (DM) fee for the Master Developer in addition to the Gross Profit would not be regarded as standard market practice. The methodology utilised by TM to generate a master developer return has assumed a hypothetical land value. Should the actual costs incurred in securing land be inputted into the TM appraisal, then the profit outturn would be over 60% higher than argued as being required. Even if their BLV was the actual land value, then we would strongly argue a total gross profit margin of circa. 15% on costs (incl. DM fee) is more than acceptable for the master developer function.

HIG / STC Repayment	It is unclear why the level of grant received is not replicated in the S106 payments as it is understood that this is a contractual requirement of the Grant	The FVA produced by TM makes specific reference to the Grant. Without having sight of the agreements that have been entered into it is difficult for us to comment on the validity the approach set out.
BLV	Circa. £76m Cost saving when comparing hypothetical BLV and actual purchase cost	TM have not provided their own assessment of BLV, EUV and premium which is required by both the PPG and RICS guidance / professional statement. They have relied on the area wide viability assessment by HDH (2019). TM have also not explained how their approach to BLV takes into account infrastructure and abnormal costs, especially due to the estimated infrastructure and abnormal costs being significantly higher than what was assumed by HDH in the area wide viability assessment. It appears PfP purchased the subject site for circa. £36m (2007 and 2013 separate lots). The BLV is stated as £107m by TM.
Master Developer Finance Costs	The cost saving is difficult to quantify without all relevant information which sits with the applicant.	Usually finance costs would have a major impact on the outcome of the findings, however, due to large viability savings found elsewhere in the appraisal, we believe the cost savings would be minimal in the context of a project with an estimated GDV of £3.5bn. The information presented by both TM and BPS cannot be assessed without the technical data that sits behind the percentage ungeared IRR figures that have been estimated. The range of suggested outcomes for the master developer finance cost of the project have been reported as follows: • TM's July 2022 circa. £22m • BPS's Augst 2022 circa. £8.5m • TM's December 2022 circa. £47m • The finance percentage rate (6%) has remained the same in all three assessments
Total	Total of viability savings estimated = circa £500m +	

Continuum undertook a residual appraisal assessment of a 300-unit residential tranche with 40% affordable housing (84:16 affordable rent to shared ownership tenure split). What this residential service land appraisal showed, was that when using Continuum's assessment of cost, profit and market value and TM's of affordable value, the appraisal generated a Residual Land Value of £142,646 per unit. If this was multiplied by the total number of residential units for the whole scheme, the output serviced land value would be circa. £108.2m higher than TM's 23% affordable housing land value. Based on this, Continuum would argue that the scheme could support its full affordable housing contributions at the LPAs required tenure mix (84:16 affordable to shared ownership). Continuum reserve the right to undertake a full detailed cash flow assessment of all villages.

From Continuum's assessment of the reports produced by BPS, there is a clear change in the approach taken in summer 2022 to February 2023. Many of the outstand questions and *"disagreements"* following BPS's initial reviews were not dealt with by TM in their December 2022 update. For reasons that are unclear, BPS in February 2023 accept the TM position / conclusion without fully agreeing all of the inputs. The way that they justify their change in position, is by relying on a review mechanism to provide the answer. How this review mechanism would work is not commented on by BPS. As the approach that they have taken is to put a substantial onus on the review mechanism process to generate the viability answer, Continuum find it surprising that BPS do not commit substantial section in their reports to review mechanisms. Indeed, Continuum would have expected a bespoke mechanism to have been produced by BP, specifically for this application.

This report follows the mandatory requirements of the RICS Conduction and Report (2019) and this report has been produced by Murray Lloyd and Chris Gardner MRICS on the 15th September 2023.

Appendix 1: RICS Professional Statement

This report has been prepared in accordance with the RICS Professional Statement: Financial viability in planning: conduct and reporting, 1st Edition published May 2019. The aim of the RICS Professional Statement (section 1.2) is to:

- Set out mandatory requirements on conduct and reporting in relation to FVAs for planning in England;
- Recognises the importance of impartiality, objectivity and transparency when reporting on such matters;
- Support and complement the government's reforms to the planning process announced in July 2018 and subsequent updates, which include an overhaul of the NPPF and PPG on viability and related matters.

The RICS Professional Statement explains that:

> *"The primary policy and guidance on assessing viability in a planning context is provided in the NPPF 2019 and the PPG 2019. These have sought to change the emphasis on how viability should be approached in the planning system and the weight that should be given to viability assessments at the plan-making and development management stages."* (section 1.4).

This report has been set out in accordance with the government guidance on assessing viability in a planning which is provided in the NPPF (2023) and PPG (2019).

Sections 2.1 to 2.14 of the RICS Professional Statement set out the fourteen mandatory reporting and process requirements for all FVAs prepared on behalf of, or by applicants, reviewers, decisionmakers and plan-makers. Continuum confirm that this Independent Viability Assessment has been carried out in accordance with sections 2.1 to 2.14. The mandatory reporting requirements are set out under the headings below and expanded on where relevant in this Independent Viability Assessment report.

Section 2.1: Objectivity, Impartiality and Reasonableness Statement

Continuum confirm that this Independent Viability Assessment (IVA) has been carried out by a suitably qualified practitioner who has acted with:

- with objectivity;
- impartially;
- without interference and;
- with reference to all appropriate available sources of information.

Section 2.2: Confirmation of Instructions and Absence of Conflicts of Interest

Continuum have been instructed by the owner of Hunsdon House to undertake an Independent Viability Assessment (IVA) and to provide advice on the viability case put forward by Places for People (PfP / Applicant) in respect of the Land at Village 1 to 6 Gilston Garden Town (ref: 3/19/1045/OUT).

Continuum can confirm that there is an absence of conflict of interest.

Section 2.3: A No Contingent Fee Statement

Continuum can confirm that they have no performance-related or contingent fees agreed with the Client.

Section 2.4: Transparency of Information

The PPG (2019) states that

> *"Any viability assessment should be prepared on the basis that it will be made publicly available other than in exceptional circumstances."* (para. 21).

Continuum can confirm that this viability assessment has been prepared on the basis that it will be made publicly available should our Client require it to be as under our terms of engagement.

Section 2.5: Confirmation Where the Practitioner is Acting on Area-Wide and Scheme-Specific FVAs

Continuum are currently working for a number of Local Planning Authorities in the North West, South East, Midlands and South West on site-specific FVAs, which Continuum do not consider is a conflict of interest.

Section 2.6: Justification of Evidence

In this IVA, Continuum have provided a detail response to the viability case set out by the Applicant and have outlined areas where the Applicant is requested to provide more detail, evidence, justification and explanation. Continuum also highlighted areas where they believed the Applicant has deviated from the government national guidance PPG on Viability (2019) as well as the RICS Guidance, Financial Viability in Planning: Conduct and Reporting (2019). Each of the queries in this IVA are clearly set out and supported by justifications as to why more detail of these inputs are needed.

Section 2.7 Benchmark Land Value

Continuum have assessed the Applicant's Benchmark Land Value in accordance with the requirements of section 2.7 of the RICS Professional Statement. The RICS Professional Statement is clear that when estimating the Benchmark Land Value, practitioners must follow the PPG on Viability (2019). The PPG defines Benchmark Land Value as:

> *To define land value for any viability assessment, a benchmark land value should be established on the basis of the existing use value (EUV) of the land, plus a premium for the landowner. The premium for the landowner should reflect the minimum return at which it is considered a reasonable landowner would be willing to sell their land. The premium should provide a reasonable incentive, in comparison with other options available, for the landowner to sell land for development while allowing a sufficient contribution to fully comply with policy requirements. Landowners and site purchasers should consider policy requirements when agreeing land transactions. This approach is often called 'existing use value plus' (EUV+).* (para. 13).

And;

Benchmark land value should:

- *"be based upon existing use value*
- *allow for a premium to landowners (including equity resulting from those building their own homes)*
- *reflect the implications of abnormal costs; site-specific infrastructure costs; and professional site fees…*
- *This evidence should be based on developments which are fully compliant with emerging or up to date plan policies, including affordable housing requirements at the relevant levels set out in the plan."* (para. 14).

Where Continuum believe the Applicant has not followed the PPG (2019) and RICS Professional Statement when assessing the Benchmark Land Value, they have clearly explained and justified why.

Section 2.8: FVA Origination, Reviews and Negotiations

This document is an independent review of an FVA. It is clear from the RICS Professional Statement (2019) that negotiations occur subsequent to the production of a viability case review. If the reviewer/assessor is unable to form an opinion due to limited information being provided by the Applicant, then it is not possible to get to the negotiation phase. If the requirements of the PPG (and thus the RICS Professional Statement) have not been followed, then the viability case does not meet the required criteria.

Section 2.9: Sensitivity Analysis

As this is an IVA and initial review, Continuum have not produced their own viability appraisal for the subject scheme. Continuum have identified areas where viability can be improved which should be analysed further by the Applicant through sensitivity analysis.

Section 2.10: Engagement

Continuum can confirm that they advocated, and will advocate reasonable, transparent, and appropriate engagement between the parties at all stages of the viability process.

Section 2.11: Non-technical Summaries

The executive summary of this report has been provided as a non-technical summary, which outlines the key figures and issues that support the conclusion of the IVA.

Section 2.12: Author(s) Sign-off

This report has been produced by Murray Lloyd and Chris Gardner MRICS on the 15th September 2023.

Murray Lloyd and Chris Gardner MRICS has extensive experience undertaken Independent Viability Assessments on behalf of LPAs and currently work with 11 LPAs on their viability cases.

Section 2.13: Inputs to Reports Supplied by Other Contributors

Continuum can confirm that all contributions to this report relating to assessments of viability comply with the mandatory requirements as set out in the RICS Professional Statement.

Section 2.14: Timeframes for Carrying out Assessments

Continuum can confirm that adequate time has been allowed to produce this Independent Viability Assessment having regards to the scale and complexities of this particular project.

Appendix 2: Continuum's 300 Unit Tranche Serviced Residential Land Appraisal

Gilston - PfP
300 Unit Tranche Finace Cost Calculation
40% AH (84:16 AR:SO)

Continuum's Costs, Profit & Cash Flow Assumptions
TM's Value Assumptions

APPRAISAL SUMMARY — CONTINUUM

Gilston - PfP
300 Unit Tranche Finace Cost Calculation
40% AH (84:16 AR:SO)

Appraisal Summary for Phase 1

Currency in £

REVENUE					
Sales Valuation	**Units**	**ft²**	**Sales Rate ft²**	**Unit Price**	**Gross Sales**
Market Houses & Flats	180	182,540	463.53	470,072	84,613,000
AH Houses & Flats	120	100,792	212.76	178,708	21,444,918
Totals	**300**	**283,332**			**106,057,918**
NET REALISATION				**106,057,918**	
OUTLAY					
ACQUISITION COSTS					
Residualised Price			42,793,695		
				42,793,695	
Stamp Duty		5.00%	2,139,685		
Legal Fee		1.00%	427,937		
				2,567,622	
CONSTRUCTION COSTS					
Construction	**ft²**	**Build Rate ft²**	**Cost**		
Market Houses & Flats	183,469	128.12	23,505,460		
AH Houses & Flats	103,315	131.88	13,625,573		
Totals	**286,784 ft²**		**37,131,033**		
Part L Uplift	300 un	4,000.00 /un	1,200,000		
				38,331,033	
PROFESSIONAL FEES					
Professional Fees		5.00%	1,916,552		
				1,916,552	
DISPOSAL FEES					
Sales & Marketing		2.50%	2,115,325		
Market Sales Legal Fee	180 un	650.00 /un	117,000		
AH Sales Legal Fee	120 un	650.00 /un	78,000		
				2,310,325	
FINANCE					
Debit Rate 6.000%, Credit Rate 0.000% (Nominal)					
Land			4,160,260		
Total Finance Cost				4,160,260	
TOTAL COSTS				**92,079,486**	
PROFIT					
				13,978,432	
Performance Measures					
Profit on Cost%		15.18%			
Profit on GDV%		13.18%			
Profit on NDV%		13.18%			
IRR% (without Interest)		19.02%			
Profit Erosion (finance rate 6.000)		2 yrs 4 mths			

DETAILED CASH FLOW — CONTINUUM

Gilston - PfP
300 Unit Tranche Finace Cost Calculation
40% AH (84:16 AR:SO)

Detailed Cash flow Phase 1 — **Page A 1**

	001:Dec 2022	002:Jan 2023	003:Feb 2023	004:Mar 2023	005:Apr 2023	006:May 2023	007:Jun 2023	008:Jul 2023	009:Aug 2023	010:Sep 2023
Monthly B/F	0	(23,964,469)	(24,084,292)	(24,204,114)	(24,325,135)	(24,446,155)	(24,567,176)	(19,229,365)	(19,289,491)	(19,458,976)
Revenue										
Sale - Market Houses & Flats	0	0	0	0	0	0	0	0	0	0
Sale - AH Houses & Flats	0	0	0	0	0	0	5,629,291	268,061	268,061	268,061
Disposal Costs										
Sales & Marketing	0	0	0	0	0	0	0	0	0	0
Market Sales Legal Fee	0	0	0	0	0	0	0	0	0	0
AH Sales Legal Fee	0	0	0	0	0	0	(78,000)	0	0	0
Acquisition Costs										
Residualised Price	(21,396,848)	0	0	0	0	0	0	0	0	0
Stamp Duty	(2,139,685)	0	0	0	0	0	0	0	0	0
Legal Fee	(427,937)	0	0	0	0	0	0	0	0	0
Construction Costs										
Part L Uplift	0	0	0	0	0	0	(3,542)	(6,972)	(10,238)	(13,339)
Con. - Market Houses & Flats	0	0	0	0	0	0	(69,377)	(136,576)	(200,544)	(261,281)
Con. - AH Houses & Flats	0	0	0	0	0	0	(40,216)	(79,170)	(116,251)	(151,459)
Professional Fees										
Professional Fees	0	0	0	0	0	0	(5,657)	(11,136)	(16,352)	(21,304)
Net Cash Flow Before Finance	**(23,964,469)**	**0**	**0**	**0**	**0**	**0**	**5,432,500**	**34,207**	**(75,323)**	**(179,322)**
Debit Rate 6.000%	6.000%	6.000%	6.000%	6.000%	6.000%	6.000%	6.000%	6.000%	6.000%	6.000%
Credit Rate 0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
Finance Costs (All Sets)	0	(119,822)	(119,822)	(121,021)	(121,021)	(121,021)	(94,689)	(94,333)	(94,162)	(95,955)
Net Cash Flow After Finance	**(23,964,469)**	**(119,822)**	**(119,822)**	**(121,021)**	**(121,021)**	**(121,021)**	**5,337,810**	**(60,126)**	**(169,485)**	**(275,276)**
Cumulative Net Cash Flow Monthly	(23,964,469)	(24,084,292)	(24,204,114)	(24,325,135)	(24,446,155)	(24,567,176)	(19,229,365)	(19,289,491)	(19,458,976)	(19,734,253)

DETAILED CASH FLOW CONTINUUM

Gilston - PfP
300 Unit Tranche Finace Cost Calculation
40% AH (84:16 AR:SO)

Detailed Cash flow Phase 1 **Page A 2**

011:Oct 2023	012:Nov 2023	013:Dec 2023	014:Jan 2024	015:Feb 2024	016:Mar 2024	017:Apr 2024	018:May 2024	019:Jun 2024	020:Jul 2024	021:Aug 2024	022:Sep 2024
(19,734,253)	(20,108,892)	(20,577,853)	(40,234,269)	(38,673,539)	(37,180,404)	(35,751,995)	(34,380,852)	(33,061,769)	(31,791,987)	(30,563,769)	(29,371,828)
0	0	2,350,361	2,350,361	2,350,361	2,350,361	2,350,361	2,350,361	2,350,361	2,350,361	2,350,361	2,350,361
268,061	268,061	268,061	268,061	268,061	268,061	268,061	268,061	268,061	268,061	268,061	268,061
0	0	(58,759)	(58,759)	(58,759)	(58,759)	(58,759)	(58,759)	(58,759)	(58,759)	(58,759)	(58,759)
0	0	(3,250)	(3,250)	(3,250)	(3,250)	(3,250)	(3,250)	(3,250)	(3,250)	(3,250)	(3,250)
0	0	0	0	0	0	0	0	0	0	0	0
0	0	(21,396,848)	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0	0
(16,275)	(19,046)	(21,652)	(24,092)	(26,368)	(28,480)	(30,426)	(32,207)	(33,823)	(35,274)	(36,561)	(37,682)
(318,788)	(373,063)	(424,107)	(471,921)	(516,503)	(557,854)	(595,975)	(630,864)	(662,522)	(690,950)	(716,146)	(738,111)
(184,794)	(216,256)	(245,845)	(273,562)	(299,405)	(323,375)	(345,473)	(365,697)	(384,049)	(400,528)	(415,133)	(427,866)
(25,993)	(30,418)	(34,580)	(38,479)	(42,114)	(45,485)	(48,594)	(51,438)	(54,020)	(56,338)	(58,392)	(60,183)
(277,788)	**(370,722)**	**(19,566,618)**	**1,748,360**	**1,672,023**	**1,601,219**	**1,535,947**	**1,476,207**	**1,421,999**	**1,373,324**	**1,330,181**	**1,292,571**
6.000%	6.000%	6.000%	6.000%	6.000%	6.000%	6.000%	6.000%	6.000%	6.000%	6.000%	6.000%
0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
(96,851)	(98,240)	(89,797)	(187,630)	(178,888)	(172,810)	(164,804)	(157,124)	(152,217)	(145,107)	(138,240)	(133,767)
(374,639)	**(468,962)**	**(19,656,416)**	**1,560,730**	**1,493,135**	**1,428,409**	**1,371,143**	**1,319,083**	**1,269,783**	**1,228,217**	**1,191,941**	**1,158,804**
(20,108,892)	(20,577,853)	(40,234,269)	(38,673,539)	(37,180,404)	(35,751,995)	(34,380,852)	(33,061,769)	(31,791,987)	(30,563,769)	(29,371,828)	(28,213,024)

DETAILED CASH FLOW — CONTINUUM

Gilston - PfP
300 Unit Tranche Finace Cost Calculation
40% AH (84:16 AR:SO)

Detailed Cash flow Phase 1 **Page A 3**

	023:Oct 2024	024:Nov 2024	025:Dec 2024	026:Jan 2025	027:Feb 2025	028:Mar 2025	029:Apr 2025	030:May 2025	031:Jun 2025	032:Jul 2025	033:Aug 2025	034:Sep 2025
	(28,213,024)	(27,079,836)	(25,966,891)	(24,870,700)	(23,783,926)	(22,701,114)	(21,618,441)	(20,528,737)	(19,426,464)	(18,307,474)	(17,164,756)	(15,992,690)
	2,350,361	2,350,361	2,350,361	2,350,361	2,350,361	2,350,361	2,350,361	2,350,361	2,350,361	2,350,361	2,350,361	2,350,361
	268,061	268,061	268,061	268,061	268,061	268,061	268,061	268,061	268,061	268,061	268,061	268,061
	(58,759)	(58,759)	(58,759)	(58,759)	(58,759)	(58,759)	(58,759)	(58,759)	(58,759)	(58,759)	(58,759)	(58,759)
	(3,250)	(3,250)	(3,250)	(3,250)	(3,250)	(3,250)	(3,250)	(3,250)	(3,250)	(3,250)	(3,250)	(3,250)
	0	0	0	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0	0	0	0
	(38,638)	(39,430)	(40,056)	(40,518)	(40,815)	(40,946)	(40,913)	(40,715)	(40,352)	(39,824)	(39,131)	(38,273)
	(756,846)	(772,349)	(784,622)	(793,663)	(799,473)	(802,053)	(801,401)	(797,519)	(790,405)	(780,061)	(766,485)	(749,678)
	(438,726)	(447,713)	(454,827)	(460,068)	(463,436)	(464,932)	(464,554)	(462,303)	(458,180)	(452,183)	(444,314)	(434,571)
	(61,711)	(62,975)	(63,975)	(64,712)	(65,186)	(65,397)	(65,343)	(65,027)	(64,447)	(63,603)	(62,496)	(61,126)
	1,260,493	**1,233,947**	**1,212,933**	**1,197,452**	**1,187,503**	**1,183,086**	**1,184,202**	**1,190,850**	**1,203,030**	**1,220,743**	**1,243,988**	**1,272,765**
	6.000%	6.000%	6.000%	6.000%	6.000%	6.000%	6.000%	6.000%	6.000%	6.000%	6.000%	6.000%
	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
	(127,304)	(121,002)	(116,742)	(110,678)	(104,690)	(100,413)	(94,498)	(88,577)	(84,040)	(78,025)	(71,921)	(66,871)
	1,133,188	**1,112,945**	**1,096,191**	**1,086,774**	**1,082,812**	**1,082,673**	**1,089,704**	**1,102,273**	**1,118,990**	**1,142,718**	**1,172,067**	**1,205,894**
	(27,079,836)	(25,966,891)	(24,870,700)	(23,783,926)	(22,701,114)	(21,618,441)	(20,528,737)	(19,426,464)	(18,307,474)	(17,164,756)	(15,992,690)	(14,786,796)

DETAILED CASH FLOW CONTINUUM

Gilston - PfP
300 Unit Tranche Finace Cost Calculation
40% AH (84:16 AR:SO)

Detailed Cash flow Phase 1 **Page A 4**

035:Oct 2025	036:Nov 2025	037:Dec 2025	038:Jan 2026	039:Feb 2026	040:Mar 2026	041:Apr 2026	042:May 2026	043:Jun 2026	044:Jul 2026	045:Aug 2026	046:Sep 2026
(14,786,796)	(13,540,229)	(12,247,284)	(10,903,138)	(9,501,123)	(8,035,454)	(6,500,931)	(4,891,097)	(3,200,082)	(1,422,276)	442,540	2,396,988
2,350,361	2,350,361	2,350,361	2,350,361	2,350,361	2,350,361	2,350,361	2,350,361	2,350,361	2,350,361	2,350,361	2,350,361
268,061	268,061	268,061	268,061	268,061	268,061	268,061	268,061	268,061	268,061	268,061	268,061
(58,759)	(58,759)	(58,759)	(58,759)	(58,759)	(58,759)	(58,759)	(58,759)	(58,759)	(58,759)	(58,759)	(58,759)
(3,250)	(3,250)	(3,250)	(3,250)	(3,250)	(3,250)	(3,250)	(3,250)	(3,250)	(3,250)	(3,250)	(3,250)
0	0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0	0
(37,250)	(36,062)	(34,709)	(33,191)	(31,508)	(29,661)	(27,648)	(25,470)	(23,128)	(20,620)	(17,948)	(15,110)
(729,641)	(706,372)	(679,873)	(650,142)	(617,181)	(580,988)	(541,565)	(498,910)	(453,025)	(403,908)	(351,561)	(295,982)
(422,956)	(409,468)	(394,107)	(376,873)	(357,765)	(336,786)	(313,933)	(289,207)	(262,608)	(234,136)	(203,792)	(171,574)
(59,492)	(57,595)	(55,434)	(53,010)	(50,323)	(47,372)	(44,157)	(40,679)	(36,938)	(32,933)	(28,665)	(24,133)
1,307,075	**1,346,917**	**1,392,291**	**1,443,197**	**1,499,636**	**1,561,607**	**1,629,111**	**1,702,147**	**1,780,715**	**1,864,815**	**1,954,448**	**2,049,613**
6.000%	6.000%	6.000%	6.000%	6.000%	6.000%	6.000%	6.000%	6.000%	6.000%	6.000%	6.000%
0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
(60,508)	(53,972)	(48,144)	(41,183)	(33,967)	(27,085)	(19,277)	(11,132)	(2,908)	0	0	0
1,246,567	**1,292,944**	**1,344,147**	**1,402,015**	**1,465,669**	**1,534,522**	**1,609,834**	**1,691,015**	**1,777,807**	**1,864,815**	**1,954,448**	**2,049,613**
(13,540,229)	(12,247,284)	(10,903,138)	(9,501,123)	(8,035,454)	(6,500,931)	(4,891,097)	(3,200,082)	(1,422,276)	442,540	2,396,988	4,446,601

Continuum

DETAILED CASH FLOW — CONTINUUM

Gilston - PfP
300 Unit Tranche Finace Cost Calculation
40% AH (84:16 AR:SO)

Detailed Cash flow Phase 1 — **Page A 5**

047:Oct 2026	048:Nov 2026
4,446,601	11,690,080
2,350,361	2,350,361
5,361,230	0
(58,759)	(58,759)
(3,250)	(3,250)
0	0
0	0
0	0
0	0
(12,108)	0
(237,173)	0
(137,484)	0
(19,338)	0
7,243,479	**2,288,352**
6.000%	6.000%
0.000%	0.000%
0	0
7,243,479	**2,288,352**
11,690,080	13,978,432

Appendix 3: Comparables

Gilden Park

No.	Address	PC	Type	Unit £	Date	NSA sq ft	£/ sq ft
104	OLD OAK WAY	CM17 0GD	D	£500,000	23/12/2022	1,216	£411.07
1	HAWFINCH CRESCENT	CM17 0GP	D	£407,400	14/03/2022	947	£430.10
2	HAWFINCH CRESCENT	CM17 0GP	D	£407,400	24/03/2022	1,055	£386.21
3	HAWFINCH CRESCENT	CM17 0GP	S	£400,000	31/01/2022	872	£458.78
4	HAWFINCH CRESCENT	CM17 0GP	D	£407,400	24/03/2022	1,055	£386.21
5	HAWFINCH CRESCENT	CM17 0GP	S	£400,000	25/02/2022	872	£458.78
6	HAWFINCH CRESCENT	CM17 0GP	D	£407,400	25/03/2022	1,055	£386.21
7	HAWFINCH CRESCENT	CM17 0GP	S	£400,000	31/03/2022	861	£464.51
8	HAWFINCH CRESCENT	CM17 0GP	D	£407,400	25/03/2022	1,055	£386.21
9	HAWFINCH CRESCENT	CM17 0GP	S	£400,000	31/03/2022	861	£464.51
10	HAWFINCH CRESCENT	CM17 0GP	S	£390,000	28/03/2022	753	£517.60
12	HAWFINCH CRESCENT	CM17 0GP	S	£390,000	25/03/2022	753	£517.60
13	HAWFINCH CRESCENT	CM17 0GP	S	£395,000	27/05/2022	753	£524.23
14	HAWFINCH CRESCENT	CM17 0GP	D	£485,000	30/05/2022	1,216	£398.74
15	HAWFINCH CRESCENT	CM17 0GP	S	£407,400	30/06/2022	753	£540.69
16	HAWFINCH CRESCENT	CM17 0GP	D	£435,000	27/05/2022	980	£444.09
17	HAWFINCH CRESCENT	CM17 0GP	S	£410,000	30/06/2022	753	£544.14
19	HAWFINCH CRESCENT	CM17 0GP	S	£337,500	29/03/2022	624	£540.60
21	HAWFINCH CRESCENT	CM17 0GP	S	£337,500	29/03/2022	624	£540.60
23	HAWFINCH CRESCENT	CM17 0GP	S	£340,000	30/03/2022	624	£544.60
25	HAWFINCH CRESCENT	CM17 0GP	S	£340,000	30/03/2022	624	£544.60
27	HAWFINCH CRESCENT	CM17 0GP	D	£435,000	31/08/2022	1,055	£412.37
29	HAWFINCH CRESCENT	CM17 0GP	D	£435,000	31/08/2022	1,055	£412.37
1	LINNET GROVE	CM17 0GW	D	£420,000	31/03/2022	947	£443.40
3	LINNET GROVE	CM17 0GW	D	£470,000	30/05/2022	1,216	£386.41
4	LINNET GROVE	CM17 0GW	D	£485,000	27/05/2022	1,216	£398.74
5	LINNET GROVE	CM17 0GW	D	£485,000	30/05/2022	1,216	£398.74
6	LINNET GROVE	CM17 0GW	S	£407,400	30/06/2022	915	£445.28
7	LINNET GROVE	CM17 0GW	S	£407,400	30/06/2022	915	£445.28

8	LINNET GROVE	CM17 0GW	S	£460,000	31/08/2022	1,141	£403.16
10	LINNET GROVE	CM17 0GW	S	£407,400	26/08/2022	915	£445.28
11	LINNET GROVE	CM17 0GW	S	£407,400	30/08/2022	915	£445.28
12	LINNET GROVE	CM17 0GW	D	£470,000	31/08/2022	1,216	£386.41
14	LINNET GROVE	CM17 0GW	S	£407,400	31/10/2022	915	£445.28
15	LINNET GROVE	CM17 0GW	S	£425,000	31/10/2022	915	£464.51
29	WAGTAIL CRESCENT	CM17 0SR	S	£460,000	25/05/2022	1,141	£403.16
3	WREN STREET	CM17 0SU	S	£470,000	29/09/2022	1,141	£411.93
31	WREN STREET	CM17 0SU	D	£485,000	28/03/2022	1,216	£398.74

Newall

No.	Address	PC	Type	Unit £	Date	NSA sq ft	£/ sq ft
40	NEW POND STREET	CM17 9FG	D	£443,000	27/01/2022	904	£489.95
52	NEW POND STREET	CM17 9FG	D	£520,000	19/08/2022	1,206	£431.33

Sawbridge

No.	Address	PC	Type	Unit £	Date	NSA sq ft	£/ sq ft
8	GIFFIN WAY	CM21 0DW	S	£505,000	25/02/2022	1,141	£442.60
10	GIFFIN WAY	CM21 0DW	S	£507,500	25/02/2022	1,141	£444.79
56	GIFFIN WAY	CM21 0DW	S	£515,000	25/02/2022	1,195	£431.03
58	GIFFIN WAY	CM21 0DW	S	£505,000	28/01/2022	1,141	£442.60
60	GIFFIN WAY	CM21 0DW	S	£505,000	27/01/2022	1,141	£442.60
1	ROCHESTER AVENUE	CM21 0FN	S	£440,000	10/06/2022	1,001	£439.54
2	SLATER LANE	CM21 0FP	D	£550,000	20/06/2022	1,367	£402.33
1	TRUSWELL CRESCENT	CM21 0FR	D	£600,000	13/05/2022	1,572	£381.79
2	TRUSWELL CRESCENT	CM21 0FR	D	£700,000	13/05/2022	1,841	£380.30
5	TRUSWELL CRESCENT	CM21 0FR	S	£460,000	25/05/2022	1,109	£414.90
8	GIFFIN WAY	CM21 0DW	S	£505,000	25/02/2022	1,141	£442.60