

**Summary Report of the Due Diligence Assessment of a Financial Viability Assessment (FVA)
On behalf of South Cambridgeshire District Council
Site: Waterbeach Barracks, Cambridge
Planning Reference S/0559/17/OL
Applicant: Urban and Civic**

Introduction

1. Gerald Eve LLP has been instructed by South Cambridgeshire District Council (“SCDC”), to undertake a due diligence assessment of a Financial Viability Assessment (“FVA”) and associated information in connection with a planning application (reference S/0559/17/OL) for the proposed development (“the Scheme”) of Waterbeach Barracks & Airfield (“the Site”), submitted on behalf of Urban and Civic (“the Applicant”).
2. Our instructions are to review the information provided and verify whether the proposed scheme offers the maximum reasonable level of affordable housing on site. It is also to identify what the site can support in terms of Section 106 (“S106”) requirements.
3. The outline planning application (reference S/0559/17/OL) made to South Cambridgeshire District Council (“SCDC”), made on 17th February 2017 for;
 - *“Outline Planning Application for up to 6,500 dwellings (including up to 600 residential institutional units), business, retail, community, leisure and sports uses; a hotel; new primary and secondary schools; green open spaces including parks, ecological areas and woodlands; principal new accesses from the A10 and other points of access; associated infrastructure, groundworks and demolition; with all matters reserved except for the first primary junction from the A10.”*
4. GVA prepared a FVA dated 26th June 2018 on behalf of the Applicant. Since the submission of the FVA further discussions have taken place with the Applicant including a revised offer in terms of Affordable Housing and Section 106. This report summarises the findings of the due diligence assessment and confirms Gerald Eve’s recommendation to SCDC to accept the revised offer with a Viability Review Mechanism (VRM).
5. We understand that the Council’s Affordable Housing Policy is to provide 40% Affordable Housing on site with a tenure split of 30% Intermediate/ 70% Social Rented subject to viability. The Applicant is offering 27.5% Affordable Housing units on site with an amended tenure mix of
 - 30% Affordable Rent
 - 30% Shared Ownership
 - 20% Rent to Buy (at assumed 35% discount to open market value)
 - 20% Discounted Market Sale (at assumed 20% discount to open market value)And a Section 106 contribution of £141.1 million broken out within Table 1.

Table 1 S106 Contributions

Item	Sum (£million)
Education contributions	£104.30
Transport	£23.70
Community facilities	£10.50
Other	£2.90
Total	£141.1

Source: SCDC

Policy and Guidance

- In undertaking this review, GE has had particular regard to guidance and policy including the following:
 - National Planning Policy Framework (NPPF) February 2019;
 - The Royal Institution of Chartered of Surveyors (RICS) Guidance Note 'Financial Viability in Planning' published August 2012 (the RICS GN);
 - RICS Valuation Information Paper 12 'Valuation of Development Land'
 - National Planning Practice Guidance; and
 - Other relevant best practice guidance.

Approach and Methodology

- Based on the scale of the subject site it has been assumed that the Applicant is acting as a development manager, who will obtain planning consent, install the required infrastructure, deal with many/most of the S106 obligations, and make its return by selling serviced land parcels to house builders and commercial developers, who will build, for a profit, the housing and other uses. The development manager may also undertake an element of direct development itself, but would still require a return on its investment in the original purchase of the land, and the costs and time required to gain consent and to service the site. The appraisal provided by Applicant reflects this approach.
- The Applicant has provided a base offer of 27.5% Affordable Housing and three further options to provide additional affordable these are noted in Table 2, all options include the use of a Viability Review Mechanism ('VRM').
- Table 2 – Options Breakdown**

Option	Detail	Overall AH Provision
1 – Base Offer	27.5% Affordable Housing on the following tenure mix <ul style="list-style-type: none"> 30% Affordable Rent 30% Shared Ownership 20% Rent to Buy 20% Discounted Market Sale 	27.5%

2	Provision of first 300 units on site with 0% AH with remaining phases providing 31.5% AH	30%
3	Reduction in the affordable rent tenure from 30% to 20% and increasing discounted market sales or rent to buy: <ul style="list-style-type: none"> • 20% Affordable Rent • 30% Shared Ownership • 30% Rent to Buy • 20% Discounted Market Sale • 	30%
4	Combining Option 2 and 3	32.5%

Source: Applicant

Summary of Appraisal Inputs Option 1

5. We have summarised the Applicants development appraisal outputs, noted in Table 3. Given the 27 year timeframe for this development, the Applicant has applied an indexation of 3.5% per annum in addition to the current values and 3% for costs shown within their appraisal over the lifetime of the scheme.

Table 3 – Summary of Appraisal Inputs – Option 1

	Current Values & Costs
Residential Land Sale Receipts – 6,500 dwellings	£690.4m
Other Land Sale Receipts (including Papworth)	£23.8
Costs	
Base Land Value incl SDLT & Fees	£49.5m
Infrastructure Costs	£184m
S106	£141.1m
IRR Post Finance	20%

Source: FVA/GE

6. GE has benchmarked these outputs against other schemes and has had regard to a review of costs by suitably qualified cost consultants. With reference to this we are of the opinion the outputs are reasonable and have been calculated in line with the RICS GN.
7. As previously stated the Applicant has agreed to a VRM. As a result of this at the end of each key phase (1,600 units) a review will be completed in which if the re-forecasted position exceeds the 20% target developer return the excess will be shared on a 50:50 basis with SCDC. This share will be used for additional Affordable Housing, capped at the policy level (40%).