North Essex Authorities (NEAs) Section One Shared Strategic Plan

Matter 7: Viability

Further Hearing Statement

December 2019

North Essex Authorities Hearing Statement

Matter 7 Viability

Introduction

This Hearing Statement has been prepared by the North Essex Authorities to address the Issues and Matters relating to viability.

It provides responses to each of the questions and considers material submitted through the representations on the Further Work.

The responses are thorough and the NEAs would summarise the following important points which are of relevance to the consideration of each question and to the overall judgement of viability:

- The NEAs evidence on viability as set out in the Viability Assessment Update and associated reports provides a general view of viability of the Garden Communities. Whilst certain questions and responses relate to detailed assumptions, a general rounded view is required on the overall combination of all potential influences.
- In line with established policy, guidance and current practice, the approach is proportionate and pragmatic in its approach.
- In light of the range of influences, a number of scenarios have been tested which enable consideration to be taken as to whether the proposals can be considered viable and deliverable, and that they would generate competitive returns to landowners and developers.
- All costs, values and other assumptions are considered by the NEAs to be well evidenced and forms a reasonable and credible basis for viability testing.
- A considerable level of detail has been provided as background evidence base. This is materially greater than that which is generally available or required to consider and demonstrate viability at this stage in the plan making process. Whilst this enables full and open scrutiny, it is the overall feasibility and viability of the proposals as a whole that is being tested through the examination, rather than a detailed discussion of specific inputs and assumptions, which will inevitably be the subject of different opinions and be subject to change.
- The viability approach, to consider residual land values by comparing scheme costs and values is well understood and used to support viability testing at plan making stage. It is the same approach as has been deployed, tested and found sound through numerous other Local Plan examinations including those that contain large scale proposals such as East Hertfordshire, South Cambridgeshire, Milton Keynes, Fareham and many others.
- A considerable amount of information has been provided by the promoters of the Garden Communities. Whilst differing in assumptions and approach, all the evidence submitted from them demonstrates that the proposals are both viable and deliverable. They are continuing to support the inclusion of the proposed Garden Communities in the Shared Section 1 Local Plans.

1 (a) Is the viability of the proposed West of Braintree GC dependent on it being delivered as a cross-boundary development of 12,500 dwellings jointly with the area within Uttlesford District?

7.1a.1 No, the viability is not dependent on the West of Braintree GC being delivered as a cross boundary development.

7.1a.2 Evidence set out in the Viability Assessment Update (VAU, Examination document EB/086) considers the viability of the full cross boundary site including development in both Braintree and Uttlesford Districts. This was undertaken in light of progress with the Uttlesford Local Plan since the previous Hearing Sessions, with part of the West of Braintree now included in the Uttlesford Local Plan and being considered during that plan's Hearing Sessions in Summer 2019. Supporting work within the AECOM Infrastructure Planning, Phasing and Delivery Report (EB/088) and the Gleeds Infrastructure Order of Costs Estimate Report (EB/087) has assessed the site's overall land use breakdown and infrastructure requirements. Assessing the viability of the overall site is considered appropriate to ensure that the potential cumulative implications are well understood and assessed.

7.1a.3 The NEAs recognise however that until the Uttlesford Local Plan is found sound and adopted, the element of development within Uttlesford District cannot be confirmed. Hence in response to the request from the Inspector following the publication of the VAU, additional viability assessment work has been prepared to consider the viability of development solely within Braintree District. This is contained in the Supplementary Information to the VAU as published in document EXD/058.

7.1a.4 This supplementary work includes a number of assumptions in terms of land use and infrastructure as explained in Paragraphs 2.1-2.3 and Appendix 1 of EXD/058. In summary the approach reverts back to the scheme as set out in the West of Braintree Concept Framework (document EB/012), with adjustments to the more up to date infrastructure analysis as set out in the AECOM Infrastructure Planning, Phasing and Delivery Report (EB/088) and the Gleeds Infrastructure Order of Costs Estimate Report (EB/087). This provides a sufficiently robust basis for testing the viability of a 10,000 scheme solely located within Braintree District.

7.1a.5 The analysis set out in EXD/058 indicates at Figure 2.2 and paragraphs 2.5-2.6 that the calculated Residual Land Values for a scheme solely in Braintree District are higher under the reference case scenarios (therefore viability is improved), but slightly lower under the inflation scenarios when compared to the testing of the larger cross boundary scheme in the VAU. Similar conclusions can be drawn in terms of the overall viability of a scheme solely within Braintree District in that this provides a sufficient return (premium) to landowners and is considered viable in planning terms.

7.1a.6 Furthermore, it is not considered that any insurmountable issues are relevant to development solely within Braintree District through a reconfigured approach to land use, site access and infrastructure provision.

This is supported by not only the work set out in the Concept Framework, but also by the separate 'Development Vision' document produced and submitted by GL Hearn on behalf of the Andrewsfield New Settlement Consortium and Countryside Properties as part of their representations. This illustrates a similar approach to delivering a Garden Community solely within Braintree District, but with the ability to integrate with adjoining development in Uttlesford District.

7.1a.7 In addition, GL Hearn have produced a "West of Braintree Garden Community – Review of Hyas Viability Assessment on behalf of the Andrewsfield New Settlement Consortium & Countryside Properties" as part of their representation. Whilst there are differences in the approach to certain assumptions, their own analysis concludes that the proposal in Braintree District is both viable and deliverable.

(b) If so, how can delivery of the Uttlesford part of the GC be secured through the Section 1 Plan?

7.1b.1 As above, viability is not dependent on the scheme being delivered as a cross boundary development. Subject to how the sites are considered through the separate Local Plan examinations, a site wide Development Plan Document is proposed to be prepared which will set out a more detailed approach to the comprehensive development of the site.

2 Is adequate provision made for the costs of infrastructure at the GCs in the Hyas VAU

7.2.1 The North Essex Authorities fully recognise that the creation of the new Garden Communities will need to be accompanied by significant investment across a broad range of infrastructure to provide all the necessary social and community facilities alongside transport improvements.

7.2.2 Infrastructure requirements are unique to each site and have been drawn from a broad range of sources and assumptions. They have also been programmed in at appropriate points in the scheme assessments to reflect the need to ensure that all infrastructure is provided in an effective and timely manner in accordance with the phasing of development and the Garden City principles.

7.2.3 Further to the initial Hearings in 2018 and receipt of the correspondence from the Inspector dated 8th June 2018, the North Essex Authorities have assembled additional evidence to provide an up to date position across a number of infrastructure assumptions. Key additional information of relevance includes:

- Infrastructure Planning Phasing & Delivery Study prepared by AECOM (EB/088). This study has provided an indicative view of scheme phasing and informed consideration of strategic infrastructure provision and its timing. The conceptual design work has been updated to align with changes to infrastructure alignments and spatial considerations since the original site-specific Concept Frameworks.

- North Essex Garden Communities Infrastructure Order of Cost Estimate prepared by Gleeds (EB/087). This study provides an updated position on infrastructure costs relating to the delivery of the Garden Communities.

- Rapid Transit System for North Essex From Vision to Plan prepared by ECC/Jacobs (EB/079). This sets out a phased approach to the implementation of rapid transit, including costings for routes associated with each Garden Community.

7.2.4 The additional information is detailed and based upon considerations by expert technical and cost consultants with vast experience of such matters. The work has been advanced to a level of detail in excess of what would generally be expected or available as part of Local Plan viability testing. The detail has been published in full to enable review and scrutiny.

7.2.5 Several views have been expressed on the scale and nature of infrastructure costs and relate to the question as to whether adequate provision has been made.

7.2.6 A number of individual representations identify specific costs and question assumptions and approaches. Given the level of detail set out in the Gleeds work, it is expected that certain individual items will attract differences of opinion. The cost items of most significance flagged in representations relate to transport items and in particular relationships between the cost and provision of the Rapid Transit System. Such matters will be addressed through discussions relating to Matter 6 which has specific questions on these issues.

7.2.7 The latest evidence from CAUSE does not repeat their original concerns on the general adequacy of the overall infrastructure provision. CAUSE make specific reference to certain components such as healthcare provision (CAUSE Paper 11 Healthcare). This appears to be focussed on Colchester Braintree Borders and references that there would be no health-related facilities within the plan period, with none materialising until 2044. Healthcare provision is included in the cost assumptions and VAU, based upon a sequence of capital payments for new facilities under a general theme of "Community, Health & Well-being". The general working assumption is to combine traditional GP/dentist provision with wider community, social and sports facilities. This flexible approach will allow for future changes in the provision of health services and align with a future approach to adopt more holistic view of healthy living. The VAU includes an initial capital payment for the provision of "Community, Health & Wellbeing facilities" on Colchester Braintree Borders Garden Community in 2029/30 which is in the second year of housing delivery. Similar approaches are applied to the West of Braintree and Tendring Colchester Borders assessments. The NEAs therefore do not accept that the approach is inadequate.

7.2.8 A number of representations have been made that indicate the costs of infrastructure are too high, and therefore place an unnecessary drag on the overall viability conclusions. If correct this suggests that the NEA approach is conservative and prudent. Examples of such representations include:

- References in the main West Tey Representation submitted by Carter Jonas on behalf of L&Q, Cirrus and Gateway 120, which quotes: “we maintain that the Council’s evidence includes unnecessarily burdensome assumptions that paint a less viable position than is the reality of what would be delivered.” (last bullet, para 1.10); and “the phasing of infrastructure delivery places an unjustified and unnecessary burden on CBBGC” (para 4.7).

- Infrastructure costing work as set out in the Viability Analysis Report produced by Savills for L&Q, Cirrus & Gateway 120 (EXD/061) which includes detailed infrastructure costing analysis from Create Consulting Engineers. This concludes that an equivalent strategic infrastructure cost (per unit excluding fees & contingency, for a 17,000 unit scheme on Colchester Braintree Borders) would be close to £40,000 per unit as opposed to the NEA analysis of £52,000;

- References in the GL Hearn review of the viability assessment such as “*the per site contributions modelled are higher than our previous estimates reflecting significant transport and utilities requirements”* (paragraph 3.23). This also refers to strategic infrastructure being anticipated to be funded through a variety of means (paragraphs 3.24-3.26), and therefore not all be costs would be paid for in full by the individual schemes.

- References in the Gerald Eve review of the VAU which refer to the costs for West of Braintree being higher than the costs assumed by Troy Planning & 3 Dragons in the viability work undertaken for Uttlesford District Council (as per paragraphs 1.23-1.24, quoting infrastructure costs of used by Troy Planning of £40,000 per unit with a sensitivity test of £50,000 per unit compared to £53,000 in the Gleeds work for the NEA). Gerald Eve adopt a figure of £51,000 per unit for their analysis, as being “*based on our experience and detailed discussions with Rider Levett Bucknall (‘RLB’) Cost Consultants”* (paragraph 1.26).

- References in the representation from Indigo Planning on behalf of Ptarmigan Land such as “*the overall cost of utilities for each site amounts to approximately £22,000 per unit (breakdown below) - which is substantially higher than average for strategic scale development*” (para 2.8).

- References in the representation from Gladman which refers to the strategic infrastructure costs per unit as set out in the Gleeds work stating that “these are excessively high per unit costs for any development scheme and they are, at best, a professional estimate of the likely costs of infrastructure which could change significantly as schemes progress" (paragraph 3.4.3).

7.2.9 The Garden Communities are still in early stages of their design, and more detailed proposals will evolve through further processes. The evidence presents a "general consideration of viability", fully recognising that scheme costs, income and overall viabilities would need to be subject to constant review. This will occur through the forthcoming Development Plan Document process and beyond into subsequent planning and delivery stages.

7.2.10 The NEAs consider that a thorough and robust approach has been taken to assessing infrastructure costs, as set out in the work prepared by AECOM and Gleeds which has fed in to the VAU. The VAU has been based upon the best available evidence across a range of data sources and assumptions including discussions with key stakeholders and service providers such as Essex County Council.

7.2.11 Given the clear existence of uncertainty when planning so far into the future, the approach has been to examine the viability of initial concepts, together with sensitivity and scenario testing to provide a broad overview of viability under alternative circumstances. There are many important assumptions, and the potential scope of scenarios is limitless. The approach has been based upon a detailed review of costs as advised by professional experts. The additional consideration of contingencies provides additional resilience, as these are explicitly included to provide an additional buffer for unknown costs or inaccuracies.

7.2.12 Similar to the approach to the consideration of issues such as specific RTS route options, it is not appropriate to be drawn into detailed discussion of specific requirements. Instead the examination should focus on the overall feasibility and viability of the proposals as a whole, recognising that costs and values across individual items may well change over time (with both positive and negative impacts on viability). It is less important to itemise and evaluate each and every assumption, and a balanced rounded view will need to be taken on the adequacy of the overall costs allowed for in the VAU and associated evidence base.

7.2.13 The NEAs consider that the costs are detailed, well evidenced and more than adequate as the basis for viability testing in the VAU.

3 Apart from housing delivery rates and infrastructure costs (to be discussed under Matters 5 & 6), a number of other changes have been made to the inputs to the 2019 Hyas VAU compared with the 2017 Hyas VA [EB/013], including:

a) land-use and development breakdown

b) infrastructure costs

c) build costs

d) specific inclusion of flats in the development mix

e) plot external costs

f) sales values

g) plot developer profit rate

h) contingencies

i) proportions of affordable rented and intermediate housing

j) use of inflation rates

Are those changes justified?

a) land-use and development breakdown

7.3a.1 Further work has been undertaken to consider the overall scale of development, phasing and infrastructure needs to reflect changes since the preparation of the original site-specific Concept Frameworks (which informed the previous approach to assessing viability). This is justified to ensure that the schemes considered by the VAU are based upon the most up to date information available.

7.3a.2 The VAU has been prepared in accordance with the current illustrative land use and development capacity figures as per the ‘Infrastructure Planning, Phasing & Delivery Study’ (EB/088). This sets out a context to the changes for each site at Section 2.2 (West of Braintree), 3.2 (Tendring Colchester Borders) and 4.2 (Colchester Braintree Borders).

7.3a.3 It is important to note that any approach will be subject to further masterplanning, and hence the VAU can only test the viability of illustrative concepts. It is not the intent of the VAU to define a finite scale of each Garden Community, and the provision of ranges of development as part of policies SP7-10 is intended to provide flexibility to respond to changes in land uses and site capacities going forward.

b) infrastructure costs

7.3b.1 The NEA position on the adequacy of the infrastructure costs has been considered in the response to the previous Question 2.

c) build costs

7.3c.1 As set out in the VAU paragraphs 4.10-4.11 (EB/086/01) and Appendix 1 of the VAU Technical Appendices (EB/086/2), residential build cost assumptions are based on location-adjusted figures from the Build Cost Information Service (BCIS). This is an authoritative, detailed and standard source of data on build costs for viability studies. For the original viability work, build cost values were based upon BCIS values as reported for Quarter 2 2016. For the VAU, the figures as available for December 2018 have been applied.

7.3c.2 The use of BCIS is recognised by multiple representations as a suitable data source. It is referred to and used in the modelling by Avison Young (for NEGC Ltd), Gerald Eve (for Galliard), GL Hearn (for Andrewsfield Consortium), Savills (for L&Q, Cirrus and Gateway 120), and Turley (for Parker Strategic Land). It was also referenced as an appropriate data source in the original Concept Feasibility work (Volume 3 Options & Evaluation EB/088/4/4) prepared by AECOM with Cushman & Wakefield.

7.3c.3 The representation from WSP Indigo on behalf of Ptarmigan land refers (at paragraph 2.11) that a rate of £135 per sq.ft. should be applied as opposed to a value of £120 per sq. ft in the VAU. No evidence or source is provided to justify the higher figure (except for it being “based on recent industry experience”).

7.3c.4 The representation by Andrew Martin Planning on behalf of Crest Nicholson. RF West Ltd, Livelands and David G Sherwood refers (at paragraph 9) to “it is felt that the average standard construction costs of £120 per ft2 appear too low”. No evidence or source is provided to justify the comment and no alternative figure is suggested. The representation goes on to flag an issue with the approach to flats, which relates to a need to consider build costs and sales values over different floor areas, with the build costs needing to be higher to account for common part areas that do not attract an equivalent sales value. It is difficult to accurately predict the design of structures and define a suitable net:gross ratio at this early stage of scheme design. Future more detailed viability assessments should consider this further and apply an evidence-based net:gross ratio at an appropriate time as the type of properties becomes clear. The representation indicates that incorporating an adjustment now would alter build cost from £120.20 per square foot to £124.21 per square foot. This is considered to be within a reasonable margin of difference when considering the stage of the process and overall scale, nature of scheme costs and wider range of assumptions.

7.3c.5 Savills (for L&Q, Cirrus and G120) apply the lower quartile rates for new build housing in their Viability Analysis Report which are lower (£109.90 per sq.ft) than the rates applied in the VAU (£120 per sq.ft.). Gerald Eve (for Galliard) apply slightly higher rates (£125.50 per sq.ft for houses) based upon the same typologies as applied by the NEA but more recent data from BCIS (May 2019).

7.3c.6 Overall the NEAs consider that the updated BCIS costs provide an appropriate basis for viability testing in the VAU.

d) specific inclusion of flats in the development mix

7.3d.1 It is anticipated that there will be a proportion of flats as part of the overall housing mix of the Garden Communities. This will support the creation of mixed and balanced communities and promotion of multiple tenures to support future delivery rates. Build costs for flats are generally higher than for housing as evidenced by the BCIS data. The VAU now includes build costs relevant to both houses and flats. This adds additional detail and robustness to the viability calculations, with build costs being more reflective of the anticipated type of development.

e) plot external costs

7.3e.1 The site enabling and preparation costs are supplementary to the core build costs to account for wider site works beyond the curtilage of individual buildings, including earthworks, drainage, landscaping, highways (estate roads), utilities and others. Previously these were assessed at 15% additional to the build costs as defined by BCIS (referred to in response to Question 2(c) above). They are now 10% in the VAU.

7.3e.2 The change has arisen primarily through the more detailed review of all scheme costs as set out within the North Essex Authorities Infrastructure Order of Costs Estimate (EB/087). Certain enabling and site preparation works have now been calculated based upon the full site area (hectares) of each Garden Community, together with an additional extra allowance of +10%. These are set out and itemised for each site under category 4 “Utilities - Scheme-Wide Enabling Works” (within the main tables under Sections 2, 3 and 4) in EB/087. This updated approach and the new cost information now picks up some of the enabling works costs which had previously considered to be within the original 15% allowance for on plot externals. It does not however fully replace or cover all related costs such as the provision of gardens, garages and infrastructure such as estate roads and incidental open spaces. The detail of these cannot be known at this early stage of scheme design and masterplanning and will evolve further through more detailed work to accompany preparation of the DPDs. Overall it has been considered that an adjustment from 15% to 10% for the plot based enabling costs is reasonable to avoid double-counting, to better reflect the more detailed understanding and analysis provided in EB/087 and to provide a more appropriate, balanced view of site wide and plot based costs.

7.3e.3 The representation from Gerald Eve for Galliards have applied allowances for externals at 15% for houses and 8% for flats. GL Hearn for the Andrewsfield Consortium refer to 10% for plot externals going on to reference that this “ is within an acceptable range for modelling based on current market activity” (paragraph 3.19), albeit qualified by the potential need to address specific design and quality standards.

7.3e.4 Savills (for L&Q, Cirrus and G120) apply a 10% rate for externals in their Viability Analysis report.

7.3e.5 Turley (for Parker Strategic Land) have referenced the 10% rate for externals in their representations noting concern that there was no justification for the change (paragraphs 2.67-2.74 of their representation relating to viability). They go on to refer to a particular concern around the provision of garages, suggesting that 50% of the dwellings should incorporate a garage at an additional average cost of between £7,500-£15,000 per single/double garage. In their separate viability work relating to the Kings Dene site, they adopt the 10% figure and only consider an additional allowance for garages as a sensitivity test.

7.3e.6 The NEA consider the 10% externals figure is a reasonable overall allowance to incorporate the provision of garages, and the reduction (from 15%) is related to other costs (such as utilities and site preparation works) being more appropriately addressed through the latest Gleeds work. In any event it is too early in the scheme design process to be explicit about the provision of garages or other specific external construction which is a detailed matter to be considered at future stages.

f) sales values

7.3f.1 As set out in the VAU (paragraphs 4.13-4.14), residential sales values have been updated in accordance with the rate of house price value change as recorded by the UK House Price Index, compiled and published by the Office of National Statistics (ONS). Previous house price assumptions were based upon advice from Cushman & Wakefield from December 2016. For the purposes of this assessment, such values have been adjusted in accordance with changes to the House Price Index relating to new build properties within the respective Council areas from December 2016 to December 2018. The calculations and rates of house price change are included in Appendix 2 of the VAU Technical Appendices (EB/086/2/2).

7.3f.2 Viability modelling from other parties indicate a range of additional evidence on potential sales values, backed up by specific research and valuation advice from a range of professional property advisors. These are consistent and generally higher than the values assumed by the NEAs as set out below.

Site	Value	Author/Source
West of Braintree	£3,950 psm (£367 psf)	NEA. Previous values updated in line with changes to the ONS House Price Index
Colchester Braintree Borders	£3,598 psm (£334 psf)	NEA. Previous values updated in line with changes to the ONS House Price Index
Tendring Colchester Borders	£3,568 psm (£332 psf)	NEA. Previous values updated in line with changes to the ONS House Price Index
All Garden Communities	As per NEA analysis	Avison Young adopt the same values.
West of Braintree	£4,353 psm (£404.44 psf)	Gerald Eve for Galliard. Values (for houses) based upon Gerald Eve research.
West of Braintree	£3,875-£4,300 psm (£360-400 psf)	GL Hearn for Andrewsfield Consortium & Countryside. Values (for houses) based upon GL Hearn research.
Colchester Braintree Borders	£3,595 psm (£334 psf)	Savills for L&Q, Cirrus & Gateway 120. Values based upon local market research.

Kings Dene, Kelvedon (omission site)	£3,950 psm (£367 psf)	Turley for Parker Strategic. Consistent with NEA

7.3f.3 The representation from Ptarmigan Land (at paragraph 2.12) refers to the VAU assumption of sales values of £367 per sq.ft. that "this value is higher than the average historically achieved in this area and appears to have been derived from a blended approach across entire local authority areas". No additional information or evidence is included to relate to the comment, and no alternative value is suggested.

7.3f.4 Overall there is little dispute to the values adopted by the NEA. Which are considered appropriate to form the basis of viability testing as set out in the VAU and are similar or lower values to those proposed by other consultees.

g) plot developer profit rate

7.3g.1 It is considered appropriate to continue the approach as set out in the VAU (paragraphs 4.23-4.27) to include separate profit components for the respective body/bodies implementing strategic works, separate and additional to those who may be ultimately delivering the direct development (although the two could be the same body). Under any scenario of delivery the latter would be benefitting from the delivery of such strategic infrastructure by another party, the provision of which is creating the conditions to achieve the gross development value, at the same time as introducing lower risk to developers involved on site. It is therefore considered appropriate to reduce the allowance for developer (on plot) profit to better account for such de-risking and to avoid double counting elements of profit.

7.3g.2 The previous approach included a 20% profit rate across the 'Gross Development Value' of private sales housing, 6% on affordable housing and 20% on commercial development. The Gross Development Value of a scheme is generated through the creation of the asset, which will be a combination of direct (housing) construction costs together with investment in all associated infrastructure and place-making. In a standard approach to viability assessments, the developer profit would be the only element of profit considered calculated on gross development value, and there would not be an itemised separate profit allowance for a 'master developer'.

7.3g.3 The profit rate for the master-developer has been retained at 15% and continues to be applied over the strategic infrastructure costs. The plot developer profit for private sale housing has been adjusted to 15% to better reflect the overall total profit being extracted via the full delivery process. The resulting combination of both master-developer and plot-developer profits provides the 'full' profit, which when considered against the overall gross development value is the equivalent of circa 17.5%. This sits as a mid-point in an industry standard range of 15-20% as referred to within the Ministry of Housing Communities & Local Government Planning Practice Guidance (Paragraph: 018 Reference ID: 10-018-20190509).

7.3g.4 GL Hearn (for Andrewsfield consortium) in their representation on the further work state (at paragraph 3.33) that "In combination with the contingencies applied elsewhere the allowances made for risk are considered reasonable at this stage of assessment", albeit they apply a straight 20% on gross development value in their own modelling.

7.3g.5 Gerald Eve (for Galliard) state in their representation (at paragraph 1.30) that a the combined rate of 17.5% applied in the VAU is considered "to be within the anticipated range of acceptable returns for viability assessments, which is between 15% to 20% Profit on GDV".

7.3g.6 Avison Young (for NEGC Ltd) apply rates of 17.5% on Market Housing and 6% on affordable housing.

7.3g.7 Andrew Martin Planning (for Crest Nicholson) state in their representation (at paragraphs 12-13) that the assumption in the VAU "is well below standard housebuilder expectations" and that "a minimum blended margin of 18% on GDV would be required – which would be based on profit allowances of 20% and 6%".

7.3g.8 Mr O'Connell in his representation considers that "17.5% of GDV is significantly too low given the complexity of the project and the associated risk" and refers to a report from Savills (Residential Development Margin: Competitive Return to a Willing Developer, March 2017) which includes guidelines on rates and examples and are higher than those in the VAU. The Savills paper is intended to provide a broad view and sets out factors which influence the profit expectations of housebuilders (the study was prepared for the Home Builders Federation). The VAU is applying profit allowances to the purchasers of clean, serviced development plots, therefore minimising risks or capital intensive requirements which are factors which would generally support higher expectations.

7.3g.9 Turley (for Parker Strategic) consider the issue of profit in their representation (at paragraphs 2.76-2.79) and conclude that "the plot developer margin should be increased to the mid-point of 17.5% in the range cited of 15-20% of GDV on open market (private) sales units". In their viability work relating to the Kings Dene omission site they apply a 15% masterdeveloper profit rate, 15% profit rate on market sale housing, and 6% on affordable (as per the VAU assumptions), therefore mirror the approach of the VAU in their own proposals.

7.3g.10 Savills (on behalf of L&Q, Cirrus and G120) state in their viability model that "Typically PLC housebuilders seek a 18-20% operating margin (after overhead costs) at a corporate level, therefore their assets need to make a c. 20 - 23% margin on GDV". This is explained as being due to "*the increased delivery risk of large scale projects and the capital intensive nature*". As set out above, housebuilders would be protected from the wider delivery risks or capital requirements as the masterdeveloper will be providing them with a regular supply of clean serviced land.

7.3g.11 The approach in the VAU has been to clearly distinguish between the capital-intensive delivery of infrastructure which would be undertaken by a masterdeveloper, leaving housebuilders and other developers to undertake direct development, turn investment quickly and carry very little risk beyond the short term (other than sales risk). The NEAs therefore do not consider it appropriate to include higher profit rates, to the contrary the approach supports lower rates, as risks are far lower and developers can focus on their core business.

h) contingencies

7.3h.1 This is addressed in the response to Question 4.

i) proportions of affordable rented and intermediate housing

7.3i.1 As set out in Figure 4.9 in the VAU the change has been made to reflect paragraph 64 of the National Planning Policy Framework and the national policy expectation that 10% of large sites should be low cost home ownership products. Providing 40% of the 30% affordable housing as shared ownership/intermediate tenures equates to 12% of all housing, whereas only 20% of the 30% would have been 6% and been contrary to national policy. Whilst it is recognised that the Section 1 Local Plans are not being considered against the current NPPF, the approach looks forward to the preparation of site-specific Development Plan Documents which would need to apply this requirement.

7.3i.2 There is no defined policy basis for an explicit 80:20 tenure split (between affordable rent and intermediate). Specific policies will be set out in the DPD's for the sites which will reflect the current NPPF which wants to encourage low cost home ownership as well as the calculation of local need.

7.3i.3 The proposed shared Section 1 Local Plans do not define a specific tenure split within the 30% overall affordable housing requirement for the Garden Communities thus providing flexibility going forward. This is in part because the definition of 'affordable' may well change in the future. The actual split and tenure mix will be determined as the proposals become more advanced and the approach will be dependent on national policy, local policy and economic factors at the time each land parcel is brought forward. It is too early in the process to require a fixed tenure split for the Garden Communities at this point in time. The matter will need to considered further through the preparation of site specific Development Plan Documents.

7.3i.4 The NEAs believe that a reasonable position has been taken to establish a tenure split for viability testing purposes as set out in the VAU.

j) use of inflation rates

7.3j.1 The VAU considers the application of inflation (paragraphs 4.18-4.21) with further information provided on the indices applied in Appendix 2 and Appendix 3 of the supporting Technical Appendices.

7.3j.2 Value inflation has been considered against trend-based data from the House Price Index (Office for National Statistics). Cost inflation has been considered against trend-based data from the Build Cost Information Service (BCIS). Both are reputable and authoritative data sources. The BCIS data includes two relevant indices, one which considers cost trends for civil engineering projects (and is therefore aligned to the delivery of site wide strategic infrastructure) and one for more standard build construction costs (applied to residential build costs).

7.3j.3 The previous viability work did not include inflation as part of scenario testing. The previous NEA Hearing Statement (Matter 6 paragraphs 6.8g.1-6.8g.6) was clear that inflation would occur and alter the analysis, and that based upon historical trends it would be likely to have a significant beneficial impact on viability. The NEAs considered at that time that sufficient information had been presented to prove scheme viability and that the inclusion of additional inflation based scenarios would introduce additional complexity.

7.3j.4 The Inspector considered the issue and set out in the correspondence to the NEAs of 8th June 2018 that considering inflation "would not be helpful" (paragraph 81), and went on to say that "predicting movements in house prices in particular would be difficult over such a long period, and allowing for cost inflation would be meaningless without a corresponding adjustment for development value".

7.3j.5 The potential impact of inflation was not fully appraised or considered previously. There has been continued emphasis on needing to understand scheme viability. There has also been greater emphasis on needing to understand the time value of money. Inflation is a highly relevant part of this longer-term consideration. As a full rounded consideration of scheme viability has not concluded, the NEAs consider it appropriate to include some analysis of the potential role of inflation as part of scenario testing.

7.3j.6 Development across each of the proposed Garden Communities is not due to commence for several years and will continue for many years into the future spanning several economic cycles. It must therefore be expected that costs and values will change over time to accord with inflation and value growth. However, as set out in the original viability assessment, there are difficulties inherent in forecasting, especially over such long-time frames.

7.3j.7 Historically property value growth has outpaced cost inflation by a considerable margin. Whilst this will inevitably be influenced by the specific timing and length of market cycles, such trends are evident both over the long term (20 years or more) and short term (as per the period between the previous viability assessment and this study).

7.3j.8 Andrew Martin Planning (for Crest Nicholson) indicate in their representation (at paragraph 7) that "*it appears that Hyas have reflected revenue inflation that is actually higher than overall cost inflation*", and goes on to refer to the application of 5% to infrastructure works and 4% to revenues and other build costs. The representation appears to incorrectly reference the values that are set out in Figure 4.8 of the VAU. It may be that the representation meant to refer to the 3.5% cost inflation rate for the engineering works. If so, the NEA would consider the engineering index to be a relevant and appropriate index to apply to the strategic infrastructure costs.

7.3j.9 In their original representation prior to the Hearing Sessions in 2018, CAUSE considered that "failure to consider inflation sensitivities is a significant shortcoming" of the NEA approach (CAUSE Part 1 Consultation Response page 68) and refer to possible assumptions of cost inflation at 2.5% per year and price inflation at 1.125%. Such values are not repeated in the latest CAUSE representation on the VAU, although this indicates that inflation assumptions should be based on Government policy and refers to the 2% inflation target set by the Bank of England as an example. A fuller response to the views of CAUSE on inflation is provided later in this Hearing Statement (Question 9).

7.3j.10 Mr O'Connell sets out concern over the application of inflation. His view is that any stakeholder "*sees inflation over the long term solely as an economic risk" and that "the idea that inflation can in any reliable fashion create value or help to justify the soundness of a large-scale project is absurd*". This view is contrary to how the property market has actually operated as evidenced by historic trends in value growth.

7.3j.11 Alder King (for Lightwood) comment in their representation on the approach to inflation testing (paragraphs 21-27). Here they refer to RICS guidance which recognises that it "is appropriate to consider projection modelling (rather than current day appraisals)" and that "some form of trend forecasting of values and costs is desirable, plus allowance for an increase up to, or decrease down to, trend levels". Alder King do not however believe the application of the inflation rates in the VAU are reflective of market or economic cycles. The NEAs would respond that data sources applied in the VAU are based upon sufficiently extensive periods of time to cover market cycles, therefore are averages incorporating market cycles, peaks and troughs. It would not be possible to accurately profile out the specific timing of future peaks and troughs and therefore applying average rates is considered appropriate.

7.3j.12 Turley (for Parker Strategic) consider inflation over paragraphs 2.44-2.49 of their representation (review of viability). This refers to Planning Practice Guidance which refers to the use of current costs and values and not to project expectations of future rises in values for at least 5 years of the plan period. The Guidance is focussed on testing the 'deliverability' of sites within the first five years of a plan and avoiding complication in their assessment. The Garden Communities are of such a scale and timescale for delivery that the consideration of the first five years of the plan period is considerably less relevant. The inflation models in the VAU apply inflation year on year. To defer initial inflation to after the first 5 years merely to fit with this specific reference in Planning Practice Guidance is considered inappropriate and misaligned to trend-based data.

7.3j.13 Avison Young (for NEGC Ltd) refer in their representation (paragraph 12) that for large sites with extended delivery period "It is common to see appraisals also apply both current costs and values and forecast/inflated costs and values". Avison Young also refer (paragraph 35) to several schemes where inflated costs and values have been considered as part of the planning consideration. They have run tests by applying inflation rates of 0.5% and 1% on land values.

7.3j.14 Savills (for L&Q, Cirrus and G120) refer to the potential impact of inflation as well as 'place-making' uplift and include the document "Spotlight on Development: The Value of Placemaking" as part of their representation. They refer to indices they have on land value inflation, albeit acknowledge that this is based upon expert valuations as opposed to actual transactions. It appears from the extracts of the financial model as part of the Savills paper that inflation has been applied at 3% on values and 2.75% on costs.

7.3j.15 Given the unpredictable nature of inflation forecasting, the VAU has considered inflation as a separate additional scenario based upon broad average changes in costs and values over a historical period as indexed by reputable sources. The indices applied are over extended timescales that include a number of property cycles and a range of macro-economic conditions, including what was the deepest UK recession since the Second World War (late 2000's financial crisis). Whilst annual sales value growth over the same period has been greater, it is considered prudent to merely forecast value inflation keeping pace with build cost inflation. This is lower than actual trend-based data and historic evidence.

7.3j.16 No additional or separate allowance has been made in the VAU for any form of placemaking premium, despite evidence suggesting this will be relevant.

7.3j.17 As set out in the VAU the inflation scenarios are presented merely to provide an illustration of the importance of inflation to viability. Given the timescale of delivery of the Garden Communities it would be erroneous to ignore inflation completely.

7.3j.18 Many stakeholders recognise the need to consider inflation, in line with guidance and current practice for long term schemes. It is not possible to be definitive on the specific rates that ought to be applied and reasonable assumptions are required. There are other scenarios presented in the VAU which set out the viability findings under alternative assumptions, including without inflation. Therefore the assessment is not predicated on inflation occurring, or at the rates suggested.

4 Are sufficient contingency allowances built into the 2019 Hyas VAU?

7.4.1 The North Essex Authorities recognise that reasonable allowances should be made for cost unknowns, especially for projects that are at early stages in their design evolution.

7.4.2 The Concept Feasibility study (Volume 3: Options & Evaluation) prepared by AECOM with Cushman & Wakefield (EB/088/4/4) had indicated that a contingency figure of 10% was appropriate. The approach to test contingencies at up to a maximum of 10% was included in the original viability scenarios and considered to be reasonable.

7.4.3 The matter was considered at the Examination in Public and the Inspector in his correspondence dated 8th June 2018 indicated that “sensitivity appraisals are carried out based on additional contingency allowances of 20% and 40% on relevant infrastructure schemes for each GC, such as road improvements, park-and-ride and rapid transit” (paragraph 78).

7.4.4 The North Essex Garden Communities Infrastructure Order of Cost Estimate prepared by Gleeds (EB/087) sets out an allowance for project risk of 10% which is considered in that report to be “a reasonable starting point”, but subject to ongoing review.

7.4.5 The VAU has run sensitivity tests across all sites and scenarios to consider the impact of 10%, 20% and 40% contingencies across specific infrastructure items as set out in the ‘Scheme Wide Other Itemised Infrastructure’ category. This category includes a range of site-specific infrastructure components which would be most relevant to potential cost unknowns. This includes defined transport works, sustainable transport measures and utilities upgrades. These accord with the types of infrastructure referred to by the Inspector (as “relevant infrastructure”). Other items of infrastructure (for example the provisions of schools and community facilities) are considered as common items and have a fixed level of 10% contingency applied across all sites and scenarios.

7.4.6 When setting an appropriate contingency level, it is important to remember that such costs are as yet unconfirmed. For the purposes of viability assessment and residual land value calculations, the contingencies are incorporated into the calculations, and are therefore assumed to be realised and spent in full. This may not be the case in practice, and should they not be realised in full would uplift residual land values higher than those calculated in the VAU. Their inclusion builds in additional robustness to the models. To define artificially high levels for contingency would add unconfirmed costs to a scheme to such an extent that this may then present a misleading position on viability. It would generally not be acceptable to incorporate an unreasonably high level of contingencies which is then used as a reason to limit developer contributions to necessary planning obligations such as the provision of necessary infrastructure and affordable housing. Care is needed in the approach to strike an appropriate balance. The North Essex Authorities believe they have done so.

7.4.7 Allowances for contingency have been considered by the relevant stakeholder and/or professional consultant considering those specific aspects based upon their expert knowledge and extensive experience of such large scale, complex projects. For example, education costs have been directly supplied from Essex County Council and are based upon their knowledge and approach to new school construction.

7.4.8 The NEAs continue to be unaware of any viability assessment relating to an adopted Local Plan (or equivalent) that has considered contingency rates higher than 10%. For example as part of viability appraisals for strategic sites such as Lincolnshire Lakes, Scunthorpe at 2% (adopted Area Action Plan); Gilston, Harlow at 5% (on build costs only – adopted Local Plan); Welborne, Fareham at 5% (adopted Core Strategy and site specific Development Plan Document); strategic sites across South Cambridgeshire at 10% (on build costs only, adopted Local Plan); and strategic sites in Milton Keynes at 2.5% (adopted Local Plan). The only Local Plan which has considered rates higher than 10% is the Uttlesford Local Plan, which has done so purely in response to the matters raised in the correspondence between the Inspector and the NEAs dated 8th June.

7.4.9 In terms of representations GL Hearn (for the Andrewsfield Consortium) also adopt a 10% contingency value although also state that "We note the sensitivity analysis carried out at up to 40% of infrastructure costs on the transport and utilities items. It should be possible to reduce the risk on the infrastructure package as the scheme progresses." (paragraph 3.29) and also that "In combination with the contingencies applied elsewhere the allowances made for risk are considered reasonable at this stage of assessment" (paragraph 3.33). Gerald Eve (for Galliard) assume 5%. Savills for (L&Q, Cirrus and G120) apply 10% on strategic infrastructure and 5% on residential development. Avison Young (for NEGC Ltd) apply 10% overall with additional optimism bias for certain defined abnormal items. Turley (for Parker Strategic) do not question the rates and apply the 10% level in their viability approach to the assessment of the Kings Dene omission site.

7.4.10 The representation from Mr O'Connell considers the approach in the VAU to only test higher contingencies against certain transport and utilities to be inadequate and that the approach should instead reflect "the true risks to the project" (page 14). Likewise, the representation from CAUSE quotes "*we still believe that a 40% contingency over all project expenditure is the very minimum required on all infrastructure costs at this early stage of project definition". CAUSE also refer to the need to re-run models to include "internationally accepted levels of contingency for major projects at an early stage of definition".*

7.4.11 Whilst the project can be considered to be at an early stage in definition, the majority of infrastructure (for example schools, community facilities, open space, etc) are standard items (whenever they are to be delivered) and the relevant stakeholders (Essex County Council for example in relation to school planning and funding) have vast experience of delivery and costing. Neither Mr O'Connell or CAUSE define what specific or additional risks apply to each item of infrastructure to justify higher rates across everything, or what international standards exist (of direct relevance to the specific proposals) that clarify or justify rates for contingencies beyond those tested in the VAU.

7.4.12 An additional point in relation to contingencies was raised by Andrew Martin Planning (on behalf of Crest Nicholson). Their representation refers to "*It is also considered that the Hyas analysis make zero allowance for standard build costs contingency – which would be expected at a minimum of 2.5%."* (paragraph 11). This is incorrect as in addition to the contingency on strategic infrastructure, the VAU modelling also incorporates a 3% contingency allowance on build costs when calculating the serviced land (plot developer) values. This is identified in the ‘Worksheet 2’ extract under appendices 4, 5 and 6 in the Technical Appendices to the VAU (EB/086/2),

7.4.13 Overall, the North Essex Authorities consider that the approach as set out in the VAU provides a reasonable and proportionate approach, with contingencies assessed at rates no lower than 10%. This is higher than comparable assessments undertaken for other large scale, long term schemes and is still considered the most appropriate basis to judge viability.

5 Is 6%, as employed in the 2019 Hyas VAU, an appropriate rate for the cost of capital?

7.5.1 The assessments assume that all scheme options costs are 100% debt funded at a flat finance rate.

7.5.2 In reality it is recognised that such schemes will have bespoke and intricate funding arrangements. It is not possible to pre-judge the funding approach at this early stage and it is not necessary or proportionate (in terms of evidence gathering) to undertake detailed funding market analysis such as to consider potential funding approaches, including for example the potential balance between debt and equity. The NEAs are not aware of any viability evidence relating to Local Plan examinations that have considered such matters or been scrutinised accordingly. The standard approach is to assume 100% debt financing at a set finance rate.

7.5.3 In terms of representations on the further work, Gerald Eve (for Galliard) note in their representation (at paragraph 1.27) that “We consider the Hyas finance rate to be an appropriate finance rate for a viability assessment based on our experience of undertaking and reviewing viability assessments on other schemes” but also refer to this being at the lower end of an acceptable range.

7.5.4 Savills (for L&Q, Cirrus and G120) in their viability work (EXD061) set out that “We believe a minimum finance rate obtainable for a project with this risk profile is 6.00%. This is 5.25% above the current Bank of England Base Rate. We have assumed the project is 100% debt funded. Whilst the cost of arranging finance will be heavily dependent on market conditions, we consider this is in line with market expectations”.

7.5.5 Avison Young (for NEGC Ltd) refer to alternative rates of finance which could be applied to a development corporation approach. They quote “The finance rates adopted by Grant Thornton are in line with the rates that are used for projects to be carried out by state enterprises such as a LLDC. The rates are 2.50% for land, 5.00% for the costs of the LLDC until refinanced through the Infrastructure loan at 3.50%” (paragraph 33).

7.5.6 Turley (for Parker Strategic) at paragraph 2.82 of their representation note that the use of 6.0% has not been justified. They do not explain why it is inappropriate or refer to any alternative value that ought to be applied. They adopt a 6.0% finance rate in their viability work relating to the Kings Dene omission site.

7.5.7 CAUSE set out that the approach to capital should reflect a balanced view of the cost of debt and equity and deploy a 'Weighted Average Cost of Capital (WACC) approach. Examples are provided in the CAUSE representation based upon an assumed split of 50% debt and 50% equity with different prices for both in real (i.e. without inflation, at a weighted value of 8%) and nominal terms (with inflation, at a weighted value of 12%).

7.5.8 Mr O'Connell sets out in his representation (pages 10-11) a number of concerns relating to the finance cost, generally that this considered to be too low and additional sensitivity tests should be undertaken. The separate paper prepared by Mr O'Connell on State Aid discusses the matters in more detail and indicates that interest rates should be more in the range of 8-12% (real) or 12-14% (nominal – i.e. representative of a world with inflation).

7.5.9 The NEA recognise that the approach to scheme financing would indeed be subject to a number of influences and considerations. The VAU, in line with all other comparable approaches to the viability testing of proposals as part of plan making evidence, adopts an intentionally simplistic approach by assessing finance costs on the basis of 100% debt financing at a defined rate (6%) on negative cash balances.

7.5.10 Landowners and promoters of the Garden Communities continue to bring forward the schemes and there is no evidence or implication from them that the schemes cannot be funded. To the contrary, their ongoing promotion brings confidence to the overall judgement that funding will be available and forthcoming, and the schemes are viable and deliverable.

7.5.11 The NEA fully acknowledge and understand that in practice it is likely that the scheme would be funded in a way responsive to the funding market at that time, the type of funders involved and the outcomes of commercial negotiations that would occur between the key parties concerned (masterdeveloper/s, funders and landowners). It is not possible at this stage in the process to be precise about such influences or the outcomes of any commercial negotiations. The NEA take the view that to model additional scenarios would require an additional layer of assumptions to be adopted which would be highly variable and add complexity to what is already a complex and comprehensive set of scenario tests. The suitability of the rate has been considered as part of the response to Matter 5 on State aid. The rate selected is considered appropriate for viability testing at this stage in the process and aligns with the views of multiple bodies directly involved in the delivery of such projects (as set out in representations by site promoters, professional advisors and other bodies such as Homes England).

6. Accepting the assumption that land will be purchased two years before it is required for development, does the 2019 Hyas VAU correctly calculate interest on land purchase?

7.6.1 The scheme cashflows apply finance costs at the rate specified on all negative cash balances. The scheme cashflows are based upon an annual consideration of all scheme costs which now include land purchase payments. These are calculated annually and cumulatively. Where the annual and cumulative cashflow balances are negative, finance costs are applied. Once the scheme cashflow turns positive, finance costs are no longer applied. Land purchase costs are therefore considered alongside all other development/related costs set against returns on a composite and rolling basis.

7. Is the assumption that land will be purchased two years before it is required for development a sound one to make?

7.7.1 The original viability assessment had set out an overall residual to cover land purchase costs which would also need to accommodate associated finance costs depending upon the timing and scale of payments to landowners. It had not defined when precisely land would be purchased. The matter was considered as part of the Hearings in 2018.

7.7.2 The approach to land purchase assumptions is set out in the VAU (paragraphs 4.31-4.34). The VAU has applied the working assumption as set out in the Concept Feasibility Study (Volume 3, Options & Evaluation) prepared by AECOM with Cushman & Wakefield (EB/008/4/4) which was also referred to by the Inspector in paragraph 72 in the correspondence to the NEAs on 8th June 2018.

7.7.3 In terms of representations on the further work, Gerald Eve (for Galliard) state at paragraph 1.34 of their representation that “The wider site will not be purchased all at once, but instead in stages over the course of the development. In terms of the site purchase timescales within our appraisal cashflow, we have assumed that the site will be purchased in annual tranches over the development programme from pre-construction to the end of construction”. This aligns with the approach adopted in the VAU.

7.7.4 Andrew Martin Planning (for Crest Nicholson) set out at paragraph 15 of their representations on the annualised purchase assumption that “*strategic sites of this nature are not structured in this way, because significant proportions are required to be paid up-front*”. There is no evidence provided in the representation either to demonstrate this approach in practice or to clarify whether they are referring to suitable comparables (‘strategic sites of this nature’). The representation also refers to “*you sometimes find that volume sites are acquired on a tranche-by-tranche basis*”. A general view is given that “the land cost would be significantly more front-loaded than currently reflected” and that tax implications would be a major factor. The representation illustrates the point around a variety of factors being likely to influence the timing and scale of land transactions, tax implications being one. It is not possible to fully understand the tax or personal factors influencing such behaviour and as such the VAU adopts a reasonable and pragmatic approach to the phasing of land purchases which then enables consideration of associated finance costs.

7.7.5 CAUSE continue to consider that land would need to be controlled at the start of the process and suggest that the modelling should be redone on the basis of all land being bought upfront. The matters are set out in the 'Land Acquisition Strategy paper'. This has been prepared with a focus on how the NEAs would need to control the process, with a conclusion (on page 9) that "The NEAs need to own the land on day one". The VAU is delivery model blind and therefore matters purely focussed on a public sector led approach are not core considerations for the examination. The associated financial viability models prepared by CAUSE for Colchester Braintree Borders go further and assume (for Net Present Value purposes) that land is purchased in cash in 2020, well in advance of delivery which is not forecast until 2028/29. This presents an unrealistic view of the timing of expenditure and impact of discounting.

7.7.6 Turley (for Parker Strategic) do not comment on the timing of land purchase assumption in their representation but refer (in Table 2.2) to the issue being resolved. They deploy the same approach in their viability modelling for the Kings Dene omission site.

7.7.7 Savills (for L&Q, Cirrus and G120) set out two delivery scenarios, a Baseline model which appears to be based upon full purchase of land upfront, and a master developer model which appears to be based upon a profile of land payments across the development timeline. The NEA consider that a master developer will in any event be required to layout strategic infrastructure and that a phased approach to land purchases would be the most appropriate assumption.

7.7.8 Avison Young (for NEGC Ltd) apply a different delivery approach with land costs more upfront through a public sector led model with the potential use of compulsory purchase powers. As the Shared Section 1 is delivery model blind, the NEAs consider that for viability testing purposes it is more appropriate to apply land purchases on an annual basis as per the VAU.

7.7.9 The NEAs continue to note the difficulty in attempting to define the timing of such payments for the same reasons as were set out in the original NEA Hearing Statement. The specific components of any land agreement are highly variable. For example, some landowners may be comfortable with small upfront payments and staged draw-down of subsequent payments as the development is implemented, others may have certain tax or personal reasons influencing when and what they would need to achieve, whilst others may wish an upfront payment to sell up and move on. There would be a relationship between the timing of land purchases and the price that would be considered reasonable to pay for such land, with earlier acquisition generally being at lower cost. Overall the NEA consider that a reasonable and pragmatic approach has been applied to the phasing of land purchases in the VAU.

8 In the 2019 Hyas VAU Grant scenarios:

(a) Is the value of the HIF funding accurately reflected in the adjustments made to the infrastructure costs, compared with the Reference scenarios?

7.8a.1 During the bid preparation process there was active joint working between the NEAs and ECC. Information was still being gathered and appraised by the NEAs. The HIF bids were evolved based upon the evidence available to the 2018 Hearings, together with other emerging information as it became available.

7.8a.2 The approach to bidding for HIF has involved separate processes to prepare Outline Business Case material for submission and assessment by Homes England. This process included certain specific requirements in terms of economic and financial model parameters and inputs. The approach included a stage of bid co-development with ECC working with Homes England and their advisors to approach certain aspects. The bids were subject to due diligence and assessment by consultants as appointed by Homes England. This involved review and reconsideration of certain assumptions. As a result, the data and assessment process that evolved via the HIF process is not directly comparable to the approach and assessment as set out in the VAU. Separate processes have been deployed and alternative assumptions taken for example on aspects such as land costs, fees, inflation and risk allowances.

7.8a.3 In order to reflect the potential award of grant funding via HIF, the approach to the VAU Grant scenarios has been to simply identify and exclude the capital costs of the specific items that have been bid for and would be paid for out of the receipt of HIF funding. By doing so this also removes the additional costs (that would be automatically calculated within the VAU modelling) related to professional fees and contingencies.

7.8a.4 The approach and items were set out in the response to Question 17 of the Inspectors Clarifications on the Further work (EXD/049), with an illustration of the overall costs for comparison of the specific infrastructure works when applying the full set of assumptions as per the VAU (including fees and contingencies) presented at Appendix A of that document.

7.8a.5 This analysis does reveal some differences when comparing headline values. For Colchester Braintree Borders this is less of an issue as the HIF bid value is comfortably in excess of equivalent costs in the VAU. For Tendring Colchester Borders the overall estimated costs for the RTS system were advanced by the NEAs after submission of the HIF bid, with costs in the Rapid Transit System for North Essex From Vision to Plan prepared by ECC/Jacobs (EB/079) being in excess of what was originally bid for through the HIF bid. This implies a potential shortfall and a need to address a funding gap. ECC are currently evolving more detailed assessment as to how far the HIF bid can cover the costs of both the Link Road and provision of RTS. Should any gap continue to exist this could either be addressed by the application of recovery and recycling mechanism (as per the response to Question 8(c)), a future strategic infrastructure tariff (or equivalent), planning contributions from other developments across Colchester, or the future award of additional grant funding.

(b) Is it safe to assume that the HIF funding will not have to be repaid to the Govt?

7.8b.1 The Housing Infrastructure Fund is a Government capital grant programme. Eligible bids were required to demonstrate that grant funding was required to deliver physical infrastructure. Homes England and the Ministry of Housing, Communities & Local Government do not require any repayment of HIF funding from local authorities.

7.8b.2 The programme does however seek to obtain maximum value for money and where possible, promotes the recovery and recycling of monies locally to support housing delivery.

7.8b.3 ECC as bid recipients will seek to secure recovery where this is viable and appropriate, in line with the approach set out in response to Question 8(c). Any precise mechanism will need to be defined and agreed between the relevant local authorities, landowners and developers. All or part of the HIF funding may be repaid, subject to the mechanism that is agreed and implemented. This will not be to 'Government', but to ECC and could be used to support the delivery of wider infrastructure or enhancements to the scheme.

(c) What are the implications for the 2019 Hyas VAU of the reference to "recovery and recycling" of the HIF funding in the Business Case - HIF/FF/000365/BC/01 - Tendring Colchester Borders Garden Community [EXD/054], pp152-155?

7.8c.1 As per the response to Question 8(b), HIF is a capital grant programme. In order to ensure the full consideration of value for money, the preparation of the Outline Business Case made explicit reference to the need to consider the potential recovery of funds secured via the HIF programme.

7.8c.2 Financial modelling undertaken by ECC as part of the preparation of the Outline Business Case indicated that the ability of the scheme to recover funding under present day circumstances would be challenging but could potentially be secured through improvements in scheme viability over time.

7.8c.3 The approach aims to provide flexibility to the recovery of HIF money so that it does not hinder scheme viability and delivery but is contingent on improvements in scheme viability over time. The approach is anticipated to be linked to specific requirements to carry out viability assessments at specified trigger points. If recovery is not considered viable at the time of any re-assessment, then it would be deferred until such time as viability improves.

7.8c.4 The implications of any recovery are therefore relevant to the inflation-based scenarios whereby part of any estimated land value residuals would be captured and repaid for HIF. This is consistent with the stated position that under the inflation scenarios there would be a sharing of uplift between landowners, developed and funders (to include ECC as funders of the HIF related infrastructure).

7.8c.5 In addition the VAU indicates potential residual land values under the Grant Scenarios for Tendring Colchester Borders that are well in excess of opinions on benchmark land values (as expressed by others) that may imply it is reasonable to expect recovery without relying on inflation. This issue is referred to in the representation from Alder King (on behalf of Lightwood) that questions the high return to landowners on Tendring Colchester Borders through the grant scenarios which has the impact of inflating returns and stoking high expectations. Negotiations will occur with landowners and developers in the future on this point to agree a reasonable position.

9 Is CAUSE's critique of the 2019 Hyas VAU Inflation scenarios valid? (Section 10.0, pages 22-25 of CAUSE's Consultation Response on EB086 Viability Assessment.)

7.9.1 There can be no dispute that given their lengthy delivery timescales, the projects will be subject to inflationary impacts. This is well evidenced by historical data. The NEA have been clear both within the VAU and the response to Question 3(j) that it is difficult to predict the impact of inflation, but given the potential significance of impact, its total exclusion from the consideration would be both inappropriate and misleading.

7.9.2 The VAU has included scenario tests to illustrate the potential scale of significance based upon a set of inflation assumptions that are considered reasonable and relate to existing evidence and data. The NEA would readily accept that no stakeholder can set out with certainty what rates of future inflation will apply and how they would affect the wide range of assumptions on individual costs and values as set out in the VAU. Before considering the validity of the material prepared by CAUSE it is important to recognise that such matters fall under the realm of judgement as opposed to any form of technical or scientific position on what will or won't happen in the future.

7.9.3 There are various dimensions to the material prepared by CAUSE, and the NEA would make the following comments in relation to the aspects raised:

CAUSE Issue/comment	NEA response
Flawed assumption that land prices remain fixed during the full period whilst cost and value inflation are applied.	The nature of the viability model calculates a maximum residual land value converted back to an equivalent per hectare/acre. On that basis it generates a single value per acre/hectare which is a constant throughout the full project period. There are no suitable or reliable indices of historic comparable land transaction data against which land value increases could be extrapolated. The modelling could have attempted to calculate an initial payment and then apply some form of indexation, but to do so would

	add additional assumptions and formulae further complicating the modelling and its transparency. The outcome residual land values from the inflation-based scenarios are very high. The values set out in the VAU in Tables 5.1, 5.2 and 5.3, are all qualified by specific reference to the fact that such returns would be expected to be shared between master-developer, investor/s and land owner/s, and are sizeable enough to enable significantly enhanced returns for all key parties involved in scheme delivery. The values could be profiled out differently to reflect lower values earlier and higher later during the full project period to better reflect growth over time (in fact the application of lower land values earlier would improve viability by reducing the need for associated finance costs). In conclusion the NEAs acknowledge the point being made in that the model generates a constant land value, but do not accept that this is itself is detrimental to the overall conclusions on viability. The residual land values generated overall are capable of accommodating changes in land costs over time and would need to be determined through detailed commercial negotiations between masterdevelopers, landowners and funders.
Flawed assumption to extrapolate trends over 80 years.	As set out above, the NEA recognise that no stakeholder will be able to set out a definitive view on future trends in inflation. The NEA have set out an evidence-based approach related to reputable data and facts. The NEA have acted prudently and taken the view that it would not be appropriate to directly apply such trend-based data to sales values, despite the data indicating this to have occurred over long periods which span multiple property cycles. Instead a view has been taken to merely match the rate of sales value inflation with build cost inflation, and to run this constantly into the future. Sales value inflation is therefore applied at a lower rate than trend-based data. Clearly there will be future property cycles but it is not possible to judge when or for how long future booms and busts may occur. The data incorporates historic property and economic cycles and therefore evens out such fluctuations. CAUSE indicate that the inflation rate should be based upon inflation targets set by the Bank of England. This is one of a myriad of potential approaches that could be applied, and which has no stronger basis in fact than the approach adopted by the NEA. In any event any such

	rates would be extrapolated into the future on the same basis as the VAU. It is not considered any further sophistication could be applied with any robustness other than to run multiple additional scenario tests across alternative combinations of cost and value inflation rate assumptions.
Flawed assumption with respect to differences in cost inflation for civil engineering and build costs.	As per the response to Question 3(j) the rates apply to different elements of costs and are based upon specific cost indices as prepared by BCIS. The distinction between the cost components and their most relevant indices is reasonable and appropriate. No justification is given as to why cost inflation indices pertaining to certain cost components (for example the build cost index) should be applied to a different cost component (for example to engineering items), when both have separate data sources.
Flawed assumption by comparing present values to future values.	This is part of the separate critique in relation to the methodology and approach to discounting and will be covered in more detail as part of the Viability Technical Seminar and consideration of discounted cashflow methodologies.
Flawed assumption with respect to the discount rate being applied.	As above the question of appropriate discount rate will be covered in more detail as part of the Viability Technical Seminar and consideration of discounted cashflow methodologies.
Flawed assumption that "inflation eliminates the need for grant funding" & that "inflation does not generate value".	It is correct that the inflation scenarios in the VAU have been run without HIF funding. Were HIF funding to be included, residual land values would increase. The VAU makes no specific comment on the relationship to the need for grant funding, and the NEA would not agree that this necessarily eliminates the need for funding. As set out in the response to Question 8(c), the potential for recovery and recycling of any public sector investment in infrastructure (such as through the HIF monies) would be related to sales value inflation to improve viability which then enables payback. Such an approach would be fully consistent with the HIF funding programme which is aligned with the forward-funding of strategic infrastructure to address cashflow challenges.

7.9.4 Overall the NEAs have always presented the outcomes after inflation merely as scenarios to illustrate the potential significance. It is also clearly set out in the VAU and has been referred to in briefings to Councillors that in reality the figures would be adjusted to reflect commercial agreements between key stakeholders in respect of the sharing of risk and reward.

7.9.5 Furthermore the NEA acknowledge that alternative assumptions could be deployed across a range of relevant values including the rates of cost and value inflation, but would reiterate that the approach taken by the NEA has been to base the approach on tangible data and evidence, together with an application of prudence in terms of future forecasting of value growth.

7.9.6. Other representations acknowledge that inflation is a valid consideration and illustrate the range of views and positions that could be taken. A more prevalent view expressed would be to apply value inflation at a greater rate than cost inflation. Doing so would have a considerable impact on viability over time, greater than that deployed by the NEA. This further demonstrates that the NEA have taken a conservative and sensible approach.

10 (a) Should the 2019 Hyas VAU have applied a benchmark land value to each of the GCs?

7.10a.1 The NEAs recognise that a development is typically deemed to be viable if calculated Residual Land Values are sufficient to achieve a 'competitive return' to landowners.

7.10a.2 Neither the National Planning Policy Framework (NPPF) nor Planning Practice Guidance (PPG) direct that a benchmark must be explicitly identified or defined to enable viability testing to occur, as long as such 'competitive returns' can be demonstrated.

7.10a.3 It has been common practice when preparing viability studies associated with Local Plans to define a threshold or benchmark against which residuals can then be tested. This provides a relatively simple measurement and is an approach most consultants and local authorities are familiar.

7.10a.4 Benchmarks and thresholds tend to be set out in viability assessments based purely upon the judgement of the practitioner involved. For smaller sites and typologies there may well be robust available local evidence on transactions to inform such thresholds. For larger bespoke sites with particular policy needs and infrastructure requirements there will not be suitable comparables upon which to base assumptions. The issue is particularly difficult for greenfield sites in agricultural use where existing use values are low and what is a reasonable uplift is debatable. Thresholds and benchmarks are often merely an expression of what is 'expected' as opposed to being what may have been evidenced, tested and/or proven to be reasonable. Practice has tended to replicate thresholds used in other studies elsewhere with little or no scrutiny as to their suitability.

7.10a.5 There has been a growing body of evidence which reveals flaws in the application of using unevidenced expectations and this continues to prompt stakeholders (including Government) to consider how best to implement a fair and reasonable system to share uplifts. Research published by RICS (RICS Financial Viability Appraisal in Planning Decisions: Theory and Practice, April 2015) is quoted in the Affordable Housing & Viability Supplementary Planning Guidance (published by the GLA in 2017) which explains that 'if market value is based on comparable evidence without proper adjustment to reflect policy compliant planning obligations, this introduces a circularity, which encourages developers to overpay for sites and try to recover some or all of this overpayment via reductions in planning obligations' . This is inconsistent with the requirements of the National Planning Practice Guidance and creates a scenario where it becomes almost inevitable that policy requirements are found to make a development unviable.

7.10a.6 Land transactions reflect the specific circumstances of the developer and landowner whereas planning viability appraisals are typically undertaken on a standardised basis. Reliance on land transactions for sites that are not genuinely comparable or that are based on assumptions of low affordable housing delivery, excess densities or lower infrastructure costs, can lead to inflated site values. This can undermine the implementation of Development Plan policies and the ability of planning authorities to deliver sustainable development.

7.10a.7 The Garden Communities as being proposed are generally located on greenfield agricultural land beyond the current boundaries of existing towns & settlements. Such agricultural land will be worth circa £10-15,000 per acre for agricultural purposes, with additional value for buildings and other structures that relate to the farm holdings.

7.10a.8 The VAU approach does not attempt to define a theoretical benchmark beyond the recognition that residual land values need to be sufficiently above current (agricultural) use values to constitute competitive returns and achieve a suitable premium that would incentivise owners to bring land to market.

7.10a.9 As set out in the VAU, the test of viability should therefore focus upon comparison to existing use or alternative uses for the sites that may be considered feasible with a reasonable uplift. It does not need a fixed arbitrary value ascribing to act as a threshold or benchmark. The overall consideration of viability is a matter of judgement as to the prospect of securing values in excess of existing/current values or any realistic alternatives, and the reasonableness of such values to balance the expectations of landowners with the requirements to bring forward the land for new more valuable uses. The Viability Assessment Update has considered the various scenarios and shown under what combination of conditions and circumstances certain scales of uplift can be achieved. The ultimate position cannot be fully predicated at this stage of the process, and ongoing viability review will be needed to test proposals going forward.

7.10a.10 When considering 'competitive returns' it is important to recognise that the land is only coming forward through the shared Section 1 Local Plans on the basis of the Garden Communities policies set out over SP7 to SP10 which define the necessary infrastructure and policy requirements. There is no legitimate acceptable alternative that could secure high value residential or commercial development across the sites in question that could otherwise be considered to offer something ‘competitive’ to the current landowners. In the absence of the Garden Community policies the sites would revert to their current status and value.

7.10a.11 The Concept Feasibility Study based upon advice from Cushman & Wakefield indicated that a land value in the order of £100,000 per gross acre could form an indicative assumption for testing. The report went on to reference that “*In reality, land values are negotiated on a case by case basis reflecting various matters including local property market contexts as well as infrastructure and policy requirements*”. The Study included no direct evidence to demonstrate this figure was relevant or appropriate to the circumstances of the Garden Communities. It was a value stated prior to having sufficient understanding of infrastructure and policy needs which underpin the rationale for their existence in the Shared Section 1 Local Plans.

7.10a.12 In their representation , CAUSE continue to consider that the viability assessment should be based upon at least £107,500 per acre in that this *“allows enough uplift to incentivise some landowners to engage in the risky and expensive business of promoting their land through a complex planning system*.” (Viability representation, page 32). No further justification or evidence is presented as to the basis of the figure, other than referring to the fact that it is quoted in the Concept Feasibility Study (Volume 3, Options & Evaluation. EBB/088/4/4). As set out above this figure was not supported by any evidence as to its appropriateness.

7.10a.13 GL Hearn (for Andrewsfield) state in their representation (at paragraph 3.34) that “*We remain of the view that a benchmark land value of a minimum of £100,000 gross acre provides incentive for landowners to release land for development*”. No further justification or evidence is presented beyond this statement.

7.10a.14 Gerald Eve (for Galliard) state in their representation (at paragraph 1.32) that “we have assumed a Benchmark Land Value of £100,000 to £150,000 per gross acre, which we consider to be a reasonable minimum threshold that can reasonably be expected for a Landowner to release their land for development in the current market.”. No further justification or evidence is presented beyond this statement, apart from referring to this being “in line with the Hyas assumption as well as the Troy EVS for UDC, which adopts £250,000 to £315,000 per gross hectare” and that the values “reflect the policy of the new NPG [National Practice Guidance] 2019”. Such values are not in line with work in the VAU. The Troy Planning work for UDC does indeed include these values, but they are not justified or evidenced as to why they are suitable. The guidance set out in the 2019 National Planning Guidance is covered at length in the VAU (paragraphs 3.21-3.29) and it is not clear how the benchmark identified by Gerald Eve is reflective of this.

7.10a.15 Andrew Martin Planning (for Crest Nicholson) refer to the issue at paragraph 8 of their representation. This starts by referring to £100,000 per gross acre "*appears to be accepted by Hyas*". This is not a conclusion that can be drawn form the VAU either previously or currently. The text goes on to consider that any benchmark below £100,000 would be considered to be "at the margins of viability" and that the Inspector through the reference of needing to demonstrate "reasonable expectation" supported an assumption "*of at least £100k per gross acre*". The Inspector was however clear in the correspondence dated 8th June 2018 (paragraph 84) that any expectations "does not necessarily mean that a price of £100k per acre would need to be paid". The text in the representation also refers to a DCLG paper from 2011 (Cumulative Impact of Policy Requirements) and quotes from the Colchester Economic Viability Study, June 2017 (CBC/0001). This makes reference to figures of between £240,000 to £480,000 per gross hectare as a benchmark, but with commentary (at paragraph 2.7 of that study) that stated "On very large sites, such as the Garden Communities (which are not considered in this study) land will clearly transact towards the lower end". The representation suggests that a minimum of £97,000 per gross acre would be appropriate. It is clear that the Colchester Economic Study was not testing the viability of the Garden Communities and any referenced ranges are not justified or evidenced as being appropriate in any way.

7.10a.16 Alder King (for Lightwood) in their representation (paragraph 11) state that "*HYAS have not explicitly stated what they consider to be an appropriate benchmark/uplift. HYAS state that due to the specific nature of the schemes there are no comparable sales to benchmark. We dispute this*". The representation then refers to the reference to £100,000 being within the Concept Feasibility Study (Volume 3: Options & Evaluation, EB/088/4/4). The representation does not refer to the existence of any comparable sales information that can inform the benchmark. It appears to rely on a reference in a document which itself was not backed up by any evidence or justification as to its appropriateness.

7.10a.17 Mr O'Connell in his representation (page 8) states that "*previously Hyas had assumed a £100k/acre benchmark cost and we note that both Troy / Three Dragons reports (for BDC and UDC), as well as Gerald Eve's evidence (for Galliard) to UDC (and now also to NEAs for this consultation) on viability all cited, variously, values within a £100-150k/acre range"*. Hyas had previously not assumed such a benchmark. The text goes on to consider various aspects on the need to show a sufficient premium and refers to "£100k may not be the right benchmark number, but equally *"£10k plus a little bit" is certainly also not".* The VAU sets out the residual land values to enable judgement as to how far in excess they are under various scenarios to provide such premium.

7.10a.18 Turley (for Parker Strategic) set out a detailed commentary on the issue over paragraphs 2.23-2.43 of their representation. This also refers to the 2011 DCLG paper 'Cumulative impacts of regulations on house builders and landowners Research paper' which made reference to thresholds of £100,000 to £150,000 per gross acre, and that such work "remain credible and representative of landowner's minimum expectations for minimum prices". The representation at 2.32 implies that the VAU sets out a 'lowest possible benchmark' of current agricultural values and goes on at paragraph 2.33 to state that this approach is contrary to demonstrating 'competitive returns' as per the NPPF. The quote is selective as the reference to 'lowest possible benchmark' appears in paragraph 21 of the VAU which immediately goes on to explain that landowners would need to be incentivised beyond such values to bring land to the market. The NEAs agree that such 'competitive returns' are necessary and demonstrate through the VAU how far in excess such residuals are under the alternative scenarios.

7.10a.19 Turley go on to suggest that full site valuations would be necessary to determine Existing Use Value and that in the absence of directly comparable sites additional calculations would be needed to 'reweight' any existing data from other sites to make up for differences. There is little explanation as to how such a process ought to be undertaken or its suitability. The VAU sets out a standard approach well recognised in testing viability at the plan making stage. There is no need to undertake additional detailed work either on property valuation or on attempting to somehow translate and use incomparable data. The viability modelling prepared by Turley for the Kings Dene omission site makes no attempt to evaluate existing use values in more detail or to re-weight data for use in establishing a suitable benchmark.

7.10a.20 Savills (for L&Q, Cirrus and G120) in their Viability Analysis apply a benchmark or £100,000 per gross area "*based on experiences for large scale greenfield development sites across the country*" (paragraph 2.2.4). This is stated as being based upon a ten times multiplier and as being "recognised and proven to provide competitive returns to a willing landowner to enable the development to be deliverable, in line with national policy". No relevant examples or comparables are included to demonstrate what experience this has been based on.

7.10a.21 The Garden Communities as being proposed are generally located on greenfield agricultural land beyond the current boundaries of existing towns & settlements. Such agricultural land will be worth circa £10,000 per (gross) acre for agricultural purposes. In the absence of the proposals set out in the Shared Section 1 there are no competing uses for the land. Any consideration of land value must reflect all associated infrastructure and policy requirements. In terms of achieving some form of 'competitive return' this should be compared to the existing (no scheme world) situation, recognising that there should be some uplift to provide an incentive to landowners to bring their land to the market. The NEAs are not required to define any specific benchmark by national policy or guidance. The VAU includes sufficient information to show a range of residual land values that enable a judgement to be made as to whether the proposals demonstrate 'competitive returns'. Depending on the scenarios and assumptions, these show returns for each site well in excess of the existing situation. Likewise modelling by the promoters of the GC sites all demonstrate the ability to achieve competitive land values.

(b) If so, what should the benchmark land value(s) be?

7.10b.1 In light of the NEA response to Question 10(a) it is not considered necessary or appropriate to define a specific benchmark land value. To do so would be arbitrary, not backed by credible evidence and could not be reflective of the full range of factors that would influence the definition of any specific value.

11 (a) Does any of the other viability appraisals submitted to the examination provide a more reliable assessment of the GCs' viability than the 2019 Hyas VAU?

7.11a.1 The range of material now submitted via the representations and available to the Examination illustrates the scope of approaches. The appraisals generally all contain the same basic approach of comparing scheme costs and values year on year. The nature or format of the appraisal is not overly important. The models would deliver broadly similar outcomes should they be based upon similar assumptions. This can be demonstrated by the fact that the spreadsheet model (GCLS) adopted by the NEAs also forms the basis of the work undertaken by CAUSE and by Turley (for Parker Strategic) for the Kings Dene omission site.

7.11a.2 As would be expected there are a range of opinions across the various viability appraisals in relation to alternative assumptions. The main difference between the various appraisals is the nature of assumptions that are included in the modelling.

7.11a.3 The amount of information available to this Examination is more detailed and comprehensive than as has been made available to any other Local Plan examination to date, including Plans that have recently been examined, found sound and adopted with schemes of comparable scale and timescales (such as with respect to Gilston in East Hertfordshire, and several strategic sites in South Cambridgeshire).

7.11a.4 It is also recognised by the NEAs that viability testing will need to be an ongoing process to be reviewed and evolved to accompany the preparation of site specific development Plan Documents, and on into the consideration of planning applications. All assumptions will need to be monitored and adjusted as further more detailed information comes to light over time.

7.11a.5 In light of the range of material available, the NEAs suggest that a balanced judgement is needed that will need reflect on the full range of material made available and all relevant wider influences. This will need to not only consider the specific areas subject to scrutiny and challenge which have arisen out of the material that is being relied upon, but also appreciate other matters which may not be subject to such intense scrutiny but provide resilience and robustness to an overall assessment. The VAU references (at paragraph 26) several aspects which will be of overall influence on viability, not all of which is being presented, challenged and fully debated via the Examination.

7.11a.6 The NEAs would conclude that the work undertaken by Hyas Associates in the VAU has been based upon detailed and credible assumptions, backed by evidence and advice from a broad range of technical experts and inputs.

Viability evidence presented by the promoters of each of the proposed Garden Communities is also significant as it demonstrates their confidence and understanding of the position as owners of the assets looking forward towards delivery. None of these parties are disputing the overall viability of the proposals.

11 (b) If so, what are the key differences in the method(s) and inputs employed in that other appraisal which make it more reliable?

7.11b.1 This has been addressed by the response to Question 11 (b).