Viability Assessment Guidance

Where a variation to the affordable housing requirements is sought, a viability assessment must be submitted to the Council alongside any planning application.

To allow the Council to assess the viability information submitted and give a fair and unbiased interpretation of the viability assessment, the appraisal will be sent to an independent valuation advisor. The cost of the assessment by an independent valuation advisor will be met by the developer, and should be paid in advance alongside the submission of the planning application.

Viability Assessment Guidance Notes

The following notes are intended to help the applicant provide a Viability Assessment together with necessary supporting evidence to ensure that the application can be considered.

Where an applicant wishes to demonstrate that a site is not viable at the level of affordable housing required by the Council, they must provide a suitably detailed Viability Assessment to support this claim. Within the Viability Assessment, the applicant will be expected to provide, where necessary, information from a professionally qualified source and to demonstrate that the Viability Assessment is based on reasonable and realistic assumptions.

The Council will expect to see calculations for important factors set out in enough detail for viability to be properly assessed, audited and tested.

Method of Valuation

Viability Assessments should be presented on a residual land value basis. The Viability Assessment should provide the following information (where appropriate).

Development Proposal

A brief description of the scheme and a full explanation of why the applicant considers there is an economic case for lower levels of affordable housing than that required by the Council.

Site Size

To be provided in hectares.

Proposed Development

The total number of units; the size of each unit (gross sqm); for residential elements, the number of bedrooms and tenure mix, car parking provision and number of storeys (if applicable).

Sales Prices

Valuation evidence should be supplied. Ideally this should be in the form of certified valuations from local RICS qualified surveyors and include evidence for comparable sites near to the development site.

Other Funding
Details of any other funding, for example through a Registered Provider contributing funds from their own reserves or local authority commuted sums should be recorded.

Build Costs
Build costs should not exceed current rates published by the BCIS for new build units in the appropriate categories and adjusted for location factor. If building costs for a development do exceed BCIS rates then written evidence should be provided to justify the increased costs.

Rates should be based on Gross Internal Floor Area (RICS definition) and exclude external works and contingencies which should be costed and added separately within the assessment.

Other Costs
Written evidence will be required to support site infrastructure costs/external works such as roads, sewers, services, landscaping.

Legal Fees
These should reflect the charging rates of local solicitors and conveyancers. Fees are typically around £600 per open market dwelling.

Sales Fees
These should reflect the charging rates of local agents, although it is recognised that large house builders may provide this service in-house. Fees are typically around 3%.

Professional Fees
Where relevant, these may include architect, quantity surveyor, structural engineer, mechanical and/or electrical engineer, project manager, and other necessary consultants. Evidence should be provided. These are typically around 10% of build costs.

Finance Costs
For most developments, a rate of 3-5% above Bank of England Base Rate is expected, but developers unable to borrow at this level should provide evidence of the actual rate applicable.

Development Period
A reasonable and realistic estimate of development timescales should be provided.

Contingency
The more complex the project, the more likely it is that there will be difficulties or delays. Therefore contingencies should be calculated between 2% and 5% of total costs (build costs, ancillaries and professional fees) depending on the complexity of the development, on the basis that other abnormal costs will be separately identified and reflected elsewhere in the appraisal.

Developer Profit

A typical margin is in the region of 15% gross profit on the sales revenue of market housing and 6% on the revenue for affordable housing. However higher/lower profit levels may be appropriate depending on the project.

Site Acquisition Costs
This should include planning and survey costs, agent and legal fees, stamp duty etc. Fee levels should reflect local rates where appropriate.

Abnormal Costs
The costs incurred in delivering a workable, high quality development are to be expected and should be reflected in the price paid for the land.

Standard development costs that will not be considered as exceptional include (but are not limited to) demolition and clearance, landscaping, good quality design measures, surveys, ground conditions, noise and any other environmental attenuation and flood mitigation measures.

In the event that a developer considers that abnormal development costs have been incurred, it will be the responsibility of the applicant to demonstrate how the costs have been derived.

Infrastructure and/or CIL/Section 106 contributions
Anticipated or agreed costs of contributions to infrastructure should be included.

Site Value
The assessment should include a valuation of the site in its existing, or in the case of a vacant or derelict site, its last use.

The Council will also seek confirmation of the applicant's interest in the land i.e. is it owned (and if so when it was bought), under a conditional contract or under some alternative purchase arrangement, such as an option.