DVS Property Specialists for the Public Sector

Valuation Office Agency

DVS Property Specialists for the Public Sector

Viability Report: Ashton Park Trowbridge Wiltshire

Report for:

Andrew Guest
Major Projects & Performance Manager

Mark Hunnybun BSc (Hons) MRICS CEMdipFM
Strategic Projects and Development Manager

Wiltshire Council

Prepared by:
[redacted] BSc MRICS
Principal Surveyor
RICS Registered Valuer
DVS

Tel: [redacted]

[redacted]@voa.gov.uk

Case Number: 1751236

Client Reference: 15/04736/OUT

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1. Executive Summary

Proposed Development Details:

This final report provides an Independent Review of a Financial Viability Appraisal in connection with:

Proposed Development:	Outline planning application for mixed use development comprising: residential (up to 2,500 dwellings - Classes C3 & C2); employment (Class B1, B2, and B8); two local centres (Classes A1 - A5, D1, C2, and C3); two primary schools, one secondary school, ecological visitor facility, public open space, landscaping and associated highway works including for the 'Yarnbrook / West Ashton Relief Road' and the access junctions.
Subject of Assessment:	Land at Ashton Park, Trowbridge, Wiltshire
Planning Ref:	15/04736/OUT
Applicant:	Ashton Park Trowbridge Ltd & Persimmon Homes Ltd
Applicant's Viability Advisor:	Messrs Turner Morum

Non-Technical Summary of Viability Assessment Inputs

Policy Compliant Inputs	Agent	DVS Viability Review	Agreed (Y/N)
Assessment Date	1 July 2021	2 July 2021	
Scheme, Gross Internal Area, Site Area	Site 170.52 hectares, Residential GIA 201,806 m²	Site 175.35 hectares, Residential GIA 203,268 m²	**N**
Development Period	11 to 14 Years	11 to 14 years	**Y**
Gross Development Value	£540,682,966	£551,804,400	**N**
S.106 financial contributions and CIL Total	£31,304,974	£33,598,749	**N**

Construction Cost inc. External Works and infrastructure Total	£357,763,201	£344,260,196	**N**
Build contingency	2.5% (included in above)	2.5%	**Y**
Professional Fees	6%	6%	**Y**
Finance Interest and Sum	6% debit, 0% credit	6% debit, 1% credit	**N**
Other Fees			
Marketing/Agency Sales Fees	**2.75%**	**2.5%**	**N**
Legal Fees	**Inc in above**	**£600/unit**	**N**
Profit Target %	**20% on Market residential GDV, 6% on affordable and 15% on commercial land**	**20% on Market residential GDV, 6% on affordable and 15% on commercial land**	**Y**
EUV	**Not stated**	**£4,200,000**	**N**
Benchmark Land Value	**£44,762,084**	**£28,395,000**	**N**
Viability Conclusion Planning Compliant Scheme	**Not viable**	**Not viable**	**Y**
Deliverable Scheme	**Yes**	**Yes**	**Y**

2. Introduction

2.1 I refer to your instructions dated 5 October 2020, my Terms of Engagement dated 27th August 2020, and my initial stage reports of findings dated 15th February 2021 and 26 March 2021.

2.2 The opinion of the development viability of the proposed development scheme assessed is based on a review of the planning applicants/agents report dated 30 April 2020, which was reviewed on 11 August 2020, 1 October 2020, and further reviewed on 1 July 2021.

2.3 Following a final report from your Authorities Quantity Surveyor, consideration of a recent planning appeal decision, and the representations of the applicant (with further documentary support); I have revised my initial viability assessment and I am pleased to report to you as follows.

2.4 A copy of my Terms of Engagement dated 27th August 2020 are attached.

2.5 <u>Identification of Client</u>

Wiltshire Council.

2.6 <u>Purpose of Assessment</u>

It is understood that Wiltshire Council require an independent opinion on the viability information provided by Messrs Turner Morum on behalf of the applicants in terms of the extent to which their financial viability assessment is fair and reasonable, and whether the assumptions made are acceptable and can be relied upon to determine the viability of the scheme.

2.7 Subject of the Assessment

Land at Ashton Park, Trowbridge, Wiltshire

3. Date of Assessment / Date of Report

The date of viability assessment is 2 July 2021.

Please note that values change over time and that a viability assessment provided on a particular date may not be valid at a later date.

4. Viability Methodology / Professional Guidance

4.1 The review of the applicant's viability assessment has been prepared in accordance with the recommended practice set out in the National Planning Policy Framework; the NPPG on Viability (July 2018, updated May 2019, September 2019) and the Royal Institution of Chartered Surveyors (RICS) Professional Statement, Financial Viability in Planning (**FVIP: Conduct and Reporting**) (effective from 1st September 2019) and the RICS (**FVIP**) Guidance Note (1st Edition) (GN 94/2012), where applicable.

4.2 The Residual appraisal methodology is established practice for viability assessments. In simple terms the residual appraisal formula is:

Gross Development Value less Total Development Cost (inclusive of S106 obligations, abnormal development costs and finance) less Profit, equals the Residual Land Value.

4.3 The Residual Land Value is then compared to the Benchmark Land Value as defined in the Planning Practice Guidance on Viability. Where the Residual Land Value produced from an appraisal of a policy compliant scheme is in excess of the Benchmark Land Value the scheme is financially viable, and vice versa:

Residual Land Value > Benchmark Land Value = Viable
Residual Land Value < Benchmark Land Value = Not Viable

4.4 The appraisal can be rearranged to judge the viability of a scheme in terms of the residual profit, which is compared to the target profit:

Residual Profit > Target Profit = Viable
Residual Profit < Target Profit = Not Viable

4.5 For this case the DVS appraisal produces a Residual Land Value which is then compared to the Benchmark Land Value as defined in the Planning Practice Guidance on Viability.

5. RICS Financial Viability in Planning Conduct and Reporting

In accordance with the above professional standard it is confirmed that:

5.1 In carrying out this viability assessment review the valuer has acted with objectivity impartiality, without interference and with reference to all appropriate sources of information.

5.2 The professional fee for this report is not performance related and contingent fees are not applicable.

5.3 DVS are not currently engaged in advising this local planning authority in relation to area wide viability assessments in connection with the formulation of future policy.

5.4 The appointed valuer, [redacted] BSc MRICS is not currently engaged in advising this local planning authority in relation to area wide viability assessments in connection with the formulation of future policy.

5.5 Neither the appointed valuer, nor DVS advised this local planning authority in connection with the area wide viability assessments which supports the existing planning policy.

5.6 DVS are employed to independently review the applicant's financial viability assessment, and can provide assurance that the review has been carried out with due diligence and in accordance with section 4 of the professional standard. It is also confirmed that all other contributors to this report, as referred to herein, have complied with the above RICS requirements.

6 Restrictions on Disclosure / Publication

6.1 The report has been produced for Wiltshire Council only. DVS permit that this report may be shared with the applicants and their advisors as listed above, as named third parties.

6.2 The report should only be used for the stated purpose and for the sole use of your organisation and your professional advisers and solely for the purposes of the instruction to which it relates. Our report may not, without our specific written consent, be used or relied upon by any third party, permitted or otherwise, even if that third party pays all or part of our fees, directly or indirectly, or is permitted to see a copy of our report. No responsibility whatsoever is accepted to any third party who may seek to rely on the content of the report.

6.3 Planning Practice Guidance for viability promotes increased transparency and accountability, and for the publication of viability reports. However, it is has been agreed that your authority, the applicant and their advisors will neither publish nor reproduce the whole or any part of this report, nor make reference to it, in any way in any publication. It is intended that a final report will later be prepared, detailing the agreed viability position or alternatively where the stage one report is accepted a redacted version will be produced, void of personal and confidential data, and that this approved document will be available for public consumption.

6.4 None of the VOA employees individually has a contract with you or owes you a duty of care or personal responsibility. It is agreed that you will not bring any claim against any such individuals personally in connection with our services.

6.5 This report is considered Exempt Information within the terms of paragraph 9 of Schedule 12A to the Local Government Act 1972 (section 1 and Part 1 of Schedule 1 to the Local Government (Access to Information Act 1985) as amended by the Local Government (access to Information) (Variation) Order 2006 and your council is expected to treat it accordingly.

7. Validity

This report remains valid for three months from the date hereof unless market circumstances change or further or better information comes to light which would cause me to revise my opinion.

8. Limits or Exclusions of Liability

Our viability assessment is provided for your benefit alone and solely for the purposes of the instruction to which it relates. Our viability assessment may not, without our specific written consent, be used or relied upon by any third party, even if that third party pays all or part of our fees, directly or indirectly, or is permitted to see a copy of our viability report. If we do provide written consent to a third party relying on our viability assessment, any such third party is deemed to have accepted the terms of our engagement.

None of our employees individually has a contract with you or owes you a duty of care or personal responsibility. You agree that you will not bring any claim against any such individuals personally in connection with our services.

9. Confirmation of Standards

9.1 The viability assessment review has been prepared in accordance with paragraph 57 of the National Planning Policy Framework, which states that all viability assessments should reflect the recommended approach in the National Planning Practice Guidance on Viability, (July 2018, updated May 2019 and September 2019).

9.2 The viability assessment review report has been prepared in accordance with the Professional Statement Financial Viability in Planning: Conduct and Reporting (effective from 1st September 2019). Regard has been made to the RICS Guidance Note “Financial Viability in Planning” 1st Edition (GN 94/2012), where applicable.

9.3 Valuation advice (where applicable) has been prepared in accordance with the professional standards of the Royal Institution of Chartered Surveyors: RICS Valuation – Global Standards 2020 and RICS UK National Supplement, commonly known together as the Red Book. Compliance with the RICS professional standards and valuation practice statements gives assurance also of compliance with the International Valuations Standards (IVS).

9.4 Whilst professional opinions may be expressed in relation to the appraisal inputs adopted, this consultancy advice is to assist you with your internal decision making and for planning purposes, and is not formal valuation advice such as for acquisition or disposal purposes. It is, however, understood that our assessment and conclusion may be used by you as part of a negotiation, therefore RICS Red Book professional standards PS1 and PS2 are applicable to our undertaking of your case instruction, compliance with the technical and performance standards at VPS1 to VPS 5 is not mandatory (PS 1 para 5.4) but remains best practice and they will be applied to the extent not precluded by your specific requirement.

9.5 Where relevant measurements stated will in accordance with the RICS Professional Statement 'RICS Property Measurement' (2^{nd} Edition) and, the RICS Code of Measuring Practice (6^{th} Edition).

9.6 The viability assessment has been prepared in accordance with the professional standards of the Royal Institution of Chartered Surveyors: RICS Valuation – Global Standards and RICS UK National Supplement, commonly known together as the Red Book.

9.7 Compliance with the RICS professional standards and valuation practice statements gives assurance also of compliance with the International Valuations Standards (IVS).

9.8 As specifically requested by you, any residential property present has been reported upon using a measurement standard other than IPMS, and specifically Gross Internal Area has been used. Such a measurement is an agreed departure from 'RICS Property Measurement (2^{nd} Edition)'. I understand that you requested this variation because this measurement standard is how the applicant has presented their data, is common and accepted practice in the construction/ residential industry, and it has been both necessary and expedient to analyse the comparable data on a like for like basis.

10. Conflict of Interest

10.1 In accordance with the requirements of RICS Professional Standards, DVS as part of the VOA has checked that no conflict of interest arises before accepting this instruction. It is confirmed that DVS are unaware of any previous conflicting material involvement and is satisfied that no conflict of interest exists.

10.2 It is confirmed that the valuer appointed has no personal or prejudicial conflict in undertaking this instruction. It is confirmed that all other valuers involved in the production of this report have also declared they have no conflict assisting with this instruction. Should any conflict or difficulty subsequently be identified, you will be advised at once and your agreement sought as to how this should be managed.

11. Engagement

11.1 With your Authorities knowledge and consent, we have engaged in discussions with the applicant's advisors in connection with the proposed scheme, and considered representations together with further documentary evidence.

12. Status of Valuer

12.1 It is confirmed that the viability assessment has been carried out by [redacted] BSc MRICS, Registered Valuer, acting in the capacity of an external valuer, who has the appropriate knowledge, skills and understanding necessary to undertake the viability assessment competently and is in a position to provide an objective and unbiased review.

12.2 As part of the DVS Quality Control procedure, this report and the appraisal has been peer reviewed by [redacted] MRICS, Registered Valuer, who has the appropriate knowledge, skills and understanding necessary to complete this task.

13. Assessment Details

13.1 Location / Situation

The subject proposed development site is located to the South East of the town of Trowbridge Wiltshire, and East of the White Horse Business Park. The site surrounds Biss Farm, and is bisected by the made up and adopted West Ashton Road. It is bounded on the West by an operational Network Rail line.

13.2 Description

The site currently comprises agricultural land.

13.3 Site Area

The gross site area was initially based on the land use schedule provided by Messrs Turner Morum (TM) (appendix 2 to their report), which indicated 155.04 hectares (383.1 acres) or thereabouts. The overall site area was however also separately stated by TM in their report to extend to 168.7 hectares (416.86 acres). In their most recent update, they have assumed a gross site area of 170.52 hectares (421.35 acres). The most recently supplied evidence (including a 'draft parcelisation plan (002') however indicates that the total gross area of the scheme actually extends to 175.35 hectares (433.28 acres) or thereabouts.

14. Date of Inspection

As agreed with Wiltshire Council, the property has not been inspected.

15. Planning Policy / Background

It is understood that the subject property is a designated strategic allocation in the Wiltshire Core Strategy 2015, and benefits from a resolution to grant outline consent for the proposed scheme, subject to section 106 and reserved matters.

It is contended that the proposed scheme is not financially viable in current market circumstances when providing current planning policy required contributions.

16. Local Plan Policy Scheme Requirements / S106 Costs

It is understood that the current local plan policy requires 30% of the residential development in this location to be provided as affordable housing, with 60% of that to comprise affordable rent tenure, and 40% shared ownership. On the basis of a 30% on-site affordable housing provision, it is further understood that a Community Infrastructure Levy will amount to £6,391,962, and further section 106 requirements amount to £27,206,787. These requirements are further detailed in this report.

17. Development Scheme / Special Assumptions

17.1 The following assumptions and special assumptions have been agreed with the Council and applied:

- that your council's planning policy, or emerging policy, for affordable housing is up to date

- There are no abnormal development costs in addition to those which the applicant has identified, and the applicant's abnormal costs, where supported, are to be relied upon to determine the viability of the scheme, unless otherwise stated in our report.

17.2 Scheme Floor Areas

Measurements stated are in accordance with the RICS Professional Statement **'RICS Property Measurement' (2nd Edition)**, and where relevant, the **RICS Code of Measuring Practice (6th Edition)**.

The residential development scheme assessed has been reported upon using a measurement standard other than IPMS, and specifically Gross Internal Area has been used. Such a measurement is an agreed departure from 'RICS Property Measurement (2nd Edition)'. This variation has been agreed because this measurement standard is how the applicant has presented their data, is common and accepted practice in the construction/ residential industry, and it has been both necessary and expedient to analyse the comparable data on a like for like basis.

The proposed schedule of residential accommodation is as follows:

Property type	*Number*	*GIA Sq.m./unit*	*Total Sq.m. GIA*
2 bed house	268	59.24	15876.98
3 bed house	266	70.66	18796.58
3 bed house	77	85.24	6563.66
3 bed house	154	89.98	13856.61
3 bed house	214	92.76	19851.43
3 bed house	154	88.31	13599.21
4 bed house	154	101.77	15672.70
4 bed house	163	113.47	18495.72
4 bed house	79	130.09	10277.27
4 bed house	77	140.49	10817.88
5 bed house	77	164.08	12633.97

5 bed house	77	150.71	11604.38
5 bed house	5	130.00	650.00
2 bed Bungalow	13	65.00	844.99
4 bed house	13	111.43	1448.56
3 bed house	65	92.86	6035.68
1 bed flat	66	46.43	3064.27
2 bed house	92	74.29	6834.24
2 bed house	8	55.71	445.71
2 bed house	118	74.29	8765.66
3 bed house	60	92.86	5571.39

The overall GIA varies according to the proportion of differentially sized affordable housing proposed.

17.3 Mineral Stability

The property is not in an underground mining area and a Mining Subsidence Report has not been obtained.

17.4 Environmental Factors Observed or Identified

No ground investigations have been commissioned or carried out in connection with this report. We are not aware that this land falls within an area at risk of subsidence caused by old mining activities and this report is made upon the assumption that none exist at the above site. We have not been informed, nor arranged for any investigations to be carried out to determine, whether or not any other deleterious or hazardous material exists on or under the site, nor been informed of any contamination affecting the site, and it is assumed that no other abnormal ground conditions (including radon gas) or contamination exists.

The majority of the site proposed to be developed is not shown on the Environment Agency Flood risk map as being liable to flooding. Areas surrounding the River Biss and its tributary are designated as flood zone 3.

17.5 Tenure

Assumed freehold with vacant possession.

17.6 Easements and Restrictions

I have not been made aware of any specific easements or restrictions that affect the site.

17.7 Services

It is assumed for the purposes of this assessment that all mains services will be available to the site.

17.8 Access and Highways

It is understood access will principally be available from the made up and adopted West Ashton Road.

18. Development Scheme information

18.1 Gross Development Value (GDV)

Market Housing:

The applicants have calculated an open market value of completed private housing comprising of the following unit values:

Type		GIA m²	Unit Value
'Alnwick'	2 bed house	59.2722	£200,000
'Hanbury'	3 bed house	70.69928	£225,000
'Chatsworth'	3 bed house	85.28507	£270,000
'Hatfield'	3 bed house	90.02313	£280,000
'Clayton'	3 bed house	92.81023	£290,000
'Souter'	3 bed house	88.35088	£225,000
'Roseberry'	4 bed house	101.8218	£305,000
'Chedworth'	4 bed house	113.5276	£320,000
'Mayfair'	4 bed house	130.1573	£360,000
'Marlborough'	4 bed house	140.5624	£390,000
'Fenchurch'	5 bed house	164.1598	£450,000
'Marylebone'	5 bed house	150.7818	£415,000

I have considered available recent evidence of the sales of both new properties and of re-sales of existing stock in the area of the proposed scheme, and conclude that the applicant's assessment is fair and reasonable. I have therefore adopted the same in my appraisal.

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18.2 **Affordable Housing:**

The applicants have assessed the value of the affordable housing element of the scheme on the basis of a rate per square metre of £1,743.75 per m² GIA, and shared ownership at £1,765.28 per m² GIA on the basis of a comparable offer in nearby Hilperton.

On the basis of the scheme providing 30% affordable housing, the applicants assess the gross development value of the market residential element as **£448,900,000**. In my assessment, the comparable sum amounts to **£448,340,000**, or some 0.1% lower. The very marginal difference is considered to be accounted for in rounding.

Whilst I consider the affordable housing value to be marginally high in comparison with my recent experience in other schemes, the shared ownership value appears low. On a blended basis however, assuming a split of 60% affordable rented and 40% shared ownership, the overall result is similar to my experience in other recent cases in the region, and I have therefore adopted the same in my appraisals.

Again on the basis of the scheme providing 30% affordable housing, the applicants assess the gross development value of the affordable housing element as **£86,099,206**. In my assessment, the comparable sum amounts to **£88,997,400**, or some 3.4% higher. The difference is relatively small in the context of the overall sums, and is accounted for in the type of units assumed in our respective appraisals.

It is apparent that the applicant has assumed a baseline scheme comprising of 20% affordable units, and has increased the number of affordable units by converting market unit types. The affordable housing types have a marginally larger GIA compared to market types. In my experience, affordable unit types are designed into a scheme according to the proportion of the affordable element, rather than converting existing market types to affordable. On this basis, I have assumed that affordable types will be substituted for the nearest comparable market types in the final scheme design. This approach best reflects market practise in our view. It does however lead to a marginally different overall scheme GIA depending upon the proportion of affordable units included within it.

18.3 **Local centre land values:**

The proposed scheme includes 2 no. areas of land designated as local centres. The first is indicated as extending to 1 hectare (2.47 acres), and according to the design and access statement, '*includes allowance for convenience store, day nursery, small shops, doctors surgery, public house and an element of residential'.* The second area is indicated as extending to 0.2 hectares (0.49 acres) and '*includes allowance for convenience shops, community facilities/village hall and apartments'.*

TM have included a land value based on ££1,235,500 per hectare (£500,000 per acre) in their assessment. I have considered this allowance in the light of available evidence, and my experience in other recent cases in the region. I consider this allowance to be fair and reasonable, and I have adopted the same in my appraisals.

18.4 **Employment land value:**

The proposed scheme includes a substantial 13.6 hectares (33.6 acres) of employment land. TM has assessed the value of this land at £308,875 per hectare (£125,000 per acre) in their assessment.

I have considered sales of serviced employment land in the County and wider region (particularly in Warminster and Calne), as well as considering asking prices for plots currently on the market, and allowances made in another recent viability case in the County. This evidence indicates a range from £617,750 per hectare (£250,000 per acre) up to £988,400 per hectare (£400,000 per acre). Whilst the higher prices are in respect of relatively smaller scale plots of approximately 0.4 hectares, in a recent proposed mixed use development scheme viability assessment in the county, £864,850 per hectare (£350,000 per acre) was agreed in respect of circa 3.5 hectares.

Following the most recent representations, it is has been confirmed by Quantity Surveyor advice that the land will not be serviced (by access road, services, plot boundary treatments etc.) as first assumed. In addition, a plot plan has recently been provided indicating a net employment site area of circa 8.25 hectares (20.38 acres). In the light of this information, I have considered evidence of the sales of bulk un-serviced employment land in the District, as well as carrying out an analysis of serviced plot values, net of servicing costs. In the light of this reconsideration, I accept that the TM assessment reasonably assesses the value of the proposed employment land. Given the assumption of the sale of an un-serviced gross site, I have assumed that this will be transferred in one block some 18 months after the scheme commences.

The TM assessment includes a total sum of **£4,201,040** in respect of the employment land, and my revised assessment includes the rounded sum of **£4,200,000**.

18.5 **Other land uses:**

The proposed development includes 2 no. school sites, allotment land, sports pitches, public open space and a country park. TM has not included any value for these elements. I have assumed for the purposes of my assessment that this land will be transferred at £nil consideration, and I have also not accounted for any potential receipts in my assessments. Should any consideration be payable in regard to any of these elements, I would need to revise my appraisals accordingly.

18.6 **Loan funding:**

It is understood that a Housing Infrastructure Fund (HIF) loan will be made available in the sum of £8,784,000 at the outset of the scheme. This will be re-paid on the basis of £500,000 on completion of 100 market dwellings, and further tranches of £1,000,000 on completion of each further 100 market dwellings. I am informed that this loan will likely not be charged interest, and I have made that assumption in my appraisals. If the loan sum is changed, and/or interest charged, I will need to revise my assessment accordingly.

18.7 **Development Costs:**

18.8 **Construction costs:**

In the absence of any direct evidence, the applicants have based their assessment of plot build costs on Royal Institution of Chartered Surveyors Build Cost Information Service (BCIS) data. They have adopted a lower quartile rate, adjusted for a Wiltshire location, added a contingency allowance of 2.5%, and an external works allowance of 10%. Based on this analysis, and assuming a scheme including 30% affordable housing, they have adopted an overall plot build cost of **£248,282,749**.

I consider this approach to be reasonable in my experience of larger scale schemes, and I too have used BCIS data, also adopting lower quartile rates, however adjusted to a West Wiltshire location. Like TM, I have also allowed a contingency allowance at 2.5%, and plot external works at 10%. On the basis of a scheme providing 30% affordable housing, the total build cost in my assessment amounts to the sum of **£250,774,470**.

My build cost assessment is marginally higher than the that of TM, and this is considered likely due to the different BCIS data points, and a reflection of the assumption as to affordable and market unit types in a 30% affordable scheme.

18.9 **Garage construction cost**:

The applicant has adopted a build cost of £9,000 per single garage space, with a varying number based on the number of ‘Hatfield’, ‘Clayton’, ‘Chedworth’, ‘Mayfair’, 'Marlborough', and 'Marylebone' market house types. This indicated cost is considered high in my recent experience, and I have rather adopted an equivalent rate of £8,000 per single garage space in my assessment.

18.10 **Infrastructure and 'abnormal' costs:**

A submitted order of costs has been assessed by your Authorities independent quantity surveyor consultant, and the adjusted anticipated costs under various heads are summarised as follows:

Description	**Cost**
Plot Abnormals	£6,761,311
Fees	£614,920
Off-site Highways and Access Works	£2,832,384
Internal Primary Infrastructure Roads	£15,364,225
Foul Water Drainage	£3,104,101
Surface Water Drainage	£3,739,651
Utilities / New Supplies	£6,602,645
Archaeology	£1,192,856
Ecology	£519,670
Landscaping and play areas	£8,701,336
Other Infrastructure costs	£1,114,450
Earthworks/ ground remodelling	£3,014,363
Project management costs	£260,334
Contingency	£2,706,185
Total:	**£56,528,431**

This marginally lower overall costing has been included in the applicant's and my appraisals.

The applicants discussed but did not include any liability in their original assessment for costs associated with Future Homes Standards planned changes to parts L (conservation of fuel and power) and part F (ventilation). In their most recent submission, TM for the applicant is suggesting that it would be reasonable now to include such anticipated costs given the planned regulatory change, currently anticipated for later 2021, with implementation from 2022.

It is recognised that the proposed imposition of such standards will increase build costs, however at the date of this report, it has not been implemented. I have excluded the projected costs in my assessments on the basis that:

1. The adopted BCIS build cost figure is as I understand based on limited data, comprising in the main of schemes of up to 50 units. This scheme is of scale that would attract a national volume housebuilder such as the applicant, and they should have ready access to detailed unit build cost data. This has not been shared, and BCIS data has rather been relied upon. If it is contended that the projected additional standards costs will exceed the BCIS figures, I would invite detailed plot build cost evidence from the applicant.
2. As the Future Homes Standards are not yet a regulatory requirement, any projected liabilities could be argued to be covered in the contingency risk allowance, and the developers target return which is at the upper end of the recommended range.
3. As these standards are yet to be enforced, the impact on achievable prices is also not known. The consequent anticipated lower house running costs could translate into a purchase price premium that may off-set the projected costs.
4. The projected plot build costs more generally could well be lower in the future as a consequence of modern methods of construction and off-site fabrication.
5. The roll out of the standards could lead to lower additional costs than currently projected due to economise of scale, and technological advancement.

18.11 **Yarnbrook and West Ashton Relief Road:**

The cost of the Yarnbrook and West Ashton Relief Road is indicated as being £31,021,295, and will require to be completed by the sooner of 5 years or 1,000 residential occupations. I have included this sum in my appraisals.

18.12 **Professional fees:**

The applicants have adopted a rate of 6% on build costs in respect of professional fees. This overall rate is reasonable in my view, and in comparison to other recently assessed schemes of a similar scale. I have therefore included the same in my assessment.

18.13 **Section 106 costs:**

On the basis of a scheme including 30% affordable housing, TM has included £6,226,395 in their assessment in respect of Community infrastructure Levy (CIL), and £25,078,579 in respect of other section 106 financial contributions in their assessment.

Following advice from your Authority, I understand that the relevant current CIL rate is £38.42 per m² market unit GIA inclusive of garages, which in the case of a scheme including 30% affordable housing, I calculate to be the sum of £6,391,962.

Your Authority has also advised that the following schedule of other section 106 financial contributions will be required:

Education: early years	£3,977,494
Education: Primary 1	£7,878,360
Education: Primary 2	£2,288,476
Education: Secondary	£8,327,220
Transport / Highways / PROWs	£1,676,675
Open Space / Play Space	£1,035,000
Ecology	£334,045
Other	£1,434,902
Local Authority Fees	£254,615
Total:	**£27,206,787**

In the absence of any information to the contrary at this stage, I have assumed that these figures accurately reflect the current requirement, and I have included them in my appraisals. The assessment of CIL varies according to the proportion of affordable housing included in the scheme. If the sums are inaccurate or are likely to change, my assessment will need to be updated.

18.14 **Sales costs:**

The applicants have included combined marketing and agency costs of 2.75% of market unit gross development value, apparently inclusive of legal costs on sales. In addition, they have included legal costs of transfer to a Registered Provider based on 0.5% of value.

Following my recent experience of larger scale schemes, I have included marketing costs at 1.5% of market gross development value, 1% in respect of agency, £600 per dwelling in respect of market unit legal transfer costs, and £400 per unit in respect of affordable unit legal transfer costs.

18.15 **Development programme:**

The applicants have assumed commencement of construction in year 1, and sales starting from year 2 at a rate of 156 market unit sales per annum from 3 outlets. It is stated that this results in a total development length of between 11 and 14 years, depending upon the ratio of market to affordable units in the scheme.

There appears to be no reference to or account made of the commercial aspects of the scheme in terms of sales.

In my assessment, I have assumed:

Planning and pre-construction	- 4 to 6 months
Infrastructure	- from 4 months
Residential construction	- from 6 months (build and sell)

Residential sales - from 15 months
Affordable sales - 6 tranches from 12 to 127 months
Commercial land - 18 to 72 months

Following representations in regard to site specific land ownership profile, I have assumed a land purchase at the outset of the scheme.

I have assumed a build geared to a market residential sales rate of 13 units per month as reasonable, and as assumed by the applicants. In common with the applicants therefore, the total scheme length varies according to the proportion of affordable housing in the scheme.

18.16 **Finance rate:**

The applicants have included a finance debt rate of 6% in their appraisal. I am of the view that this rate reasonably reflects current market trends as applied to a proposed development of this nature, and have therefore adopted the same in my assessment. A credit rate on positive balances of 1% has also been included in my appraisals in considering the opportunity cost of money in the context of a defined scheme.

The applicants have adopted an annual cash flow model, whereas I have assessed finance costs on the basis of a monthly cash flow. The applicants total finance cost is indicated as £22,381,143 in the 30% affordable housing scenario, whereas mine on a comparable basis amounts to a sum in the region of £15,775,153. The difference is significant and is likely due to the differing methods of calculation (yearly against monthly), as well as income and expenditure profiling differences.

18.17 **Developers profit:**

In the current market a range of 15% to 20% of GDV for private residential, and 6% of GDV for affordable is considered reasonable.

In their appraisal, the applicants have adopted a target profit level at the upper end of the range at 20% in respect of market residential sales, 6% in respect of affordable sales, and 15% in respect of commercial land sales. Given the master plan stage of the proposal, the scale and longevity of the scheme and risks associated with Future Homes Standards, I am of the opinion that the risk profile justifies a higher than normal target return. I have therefore adopted the same target returns as the applicant in my appraisals.

18.18 **Land acquisition costs:**

I have assumed current SDLT rates, and 1.25% of the land value in respect of acquisition costs in my assessment, and the applicants have adopted the same.

19. Benchmark Land Value (BLV)

19.1. Following various appeal cases it is well established that viability assessments are carried out in order to calculate the residual land value that the scheme can afford which is then compared to the Benchmark Land Value (BLV) of the site taking account of the National Planning Policy Framework (NPPF) and The RICS Guidance note, Financial Viability in Planning, 1st edition.

The most up to date viability guidance published by the Ministry of Housing, Communities & Local Government (MHCLG) in Sep 2019 states that:

"To define land value for any viability assessment, a benchmark land value should be established on the basis of the existing use value (EUV) of the land, plus a premium for the landowner. The premium for the landowner should reflect the minimum return at which it is considered a reasonable landowner would be willing to sell their land. The premium should provide a reasonable incentive, in comparison with other options available, for the landowner to sell land for development while allowing a sufficient contribution to fully comply with policy requirements."

The applicants have adopted a Benchmark Land Value of **£41,676,000**, and this has been determined through experience of agreements in other green field schemes at between £100,000 and £150,000 per acre. The lower end of this range has been adopted in this case.

19.2 Existing Use Value (EUV)

The Applicant's EUV is not assessed or stated.

19.3 Premium (EUV)

No premium is assessed or stated in the applicants report.

19.4. Market Transactions

There is no reference to any comparable site sales. Whilst reference to such sales can be used as a check, due to the heterogeneity of development sites and consequent difficulty in direct comparison as recognised by the RICS, often little weight can be attached to it.

19.5 Alternative Use Value (AUV)

No immediately available AUV applies in this case.

19.6 Benchmark Land Value Conclusion

The most recent National Planning Policy Framework (NPPF) guidance suggests that benchmark land value (BLV) should be the minimum amount sufficient to incentivise an owner to release the land for development, and it is stressed that this should be Existing Use Value (EUV) plus, if appropriate in the circumstances, a premium. This site is in agricultural use, and I assess that it has an EUV in the region of £4,200,000.

In terms of the required premium, this is often expressed in a range of 10% to 30%, however most usually in cases where there is an appreciable EUV. In the case of agricultural land, the EUV is relatively low, and available evidence suggests that a substantial premium is required to incentivise release of otherwise agricultural land for development. This has been referred to in common parlance as a 'life changing sum'. The suggested premium in such cases has been indicated by evidence and Homes and Community Agency Development Appraisal Tool guidance to be a circa 10 to 20 multiplier over basic agricultural value.

I have considered a benchmark land value (BLV) in my assessment as a minimum threshold over which the scheme should pass to indicate financial viability. As discussed above, if the Existing Use Value is based on bare agricultural land value in the region of £24,710 per hectare (£10,000 per acre) a premium of 10 times EUV would give a BLV of £247,100 per gross hectare (£100,000 per gross acre).

Since the issue of my 'stage 1 report' on 15th February 2021, I have had the benefit of considering a recently reported Planning Appeal case APP/Q4245/W/19/3243720, Land at Warburton Lane, Trafford, where the Inspector confirmed the approach of a multiplier of 10x agricultural value, however this was confined to the net developable area, with an appreciable area of other undeveloped land included at EUV. Paragraph 119 of the decision, and its associated footnote, are reproduced as follows:

119. 'The Appellant's assessment is on the basis of an uplift of 15 whereas the Council prefers an uplift of 10. It is relevant to note in this case that one of the two landowners has agreed in the option agreement to sell the land for whatever is left after a standard residual assessment. On the basis of the Appellant's assessment with no affordable housing the RLV is £2.8m. However, if costs or values change this would of course be a different figure. For example, on the Appellant's assessment with 45% affordable housing the residual becomes negative. In such circumstances the landowner obviously would not sell. I consider that an uplift of 10 would not be unreasonable here and this would result in a BLV of about £2.9m [13]. Whilst this is below the sum advocated by the Appellant of some £5.3m it reflects the development costs as well as the fact that the developable area comprises only about half of the site. It was not satisfactorily explained why, in this case, it would not offer a reasonable premium or reflect the approach advocated by the Planning Practice Guidance.'

Footnote 13: 'Net developable site area of 33.75 acres x £80,000 = £2.7m. Remainder of 27.95 acres x £8,000 = 223,600. Total BLV = £2.9m (approx.).'

In this case, there is a substantial area of land (44.4 ha, or 109.7 acres) that will remain undeveloped (much of it in the floodplain of the river Biss), and following the principle outlined in the Warburton case, I am of the revised view that this should be included at EUV.

In addition, the area of land required for the Yarnbrook and West Ashton Relief Road (YWARR) extends to 18.47 hectares, and the provision of this is I believe a planning requirement in order to facilitate the development overall. This road construction will be in lieu of Local Authority works, and therefore under the shadow of compulsory purchase powers. Under the Compensation Code, compensation for land would be confined to market value under rule 2, plus a loss payment, disturbance and fees. I assume that severance/injurious affection would not be payable on a 'net injury' (betterment) basis, as the construction frees other land for development. On this basis, allowing a value for agricultural land (with no significant uplift for hope of 'ransom value' as there are a number of alternatives), a basic and occupiers loss payment, disturbance, and fees, I estimate that the total compensation payment would amount to the region of £37,065 per ha (£15,000 per acre). I therefore believe it is fair and reasonable to include this land at that rate in the BLV calculation.

The net result of this revised assessment is tabulated as follows:

Land	Area ha	£/ha	total
Gross developable site	107.70	£247,100	£26,612,670
Biss wood	44.40	£24,710	£1,097,124
YWARR	18.47	£37,065	£684,591
Existing public highways	4.82	£0	£0
Total:	**175.39**		**£28,394,385**

Overall, the indicated BLV amounts to say **£28,395,000** for the entirety, or circa £162,000 per hectare (£65,500 per acre) overall. This sum represents a premium over EUV of a multiple of 6.5 averaged across all the land in the scheme. It is noted that in the Warburton case, based on the footnote 13 area analysis, the Inspector confirmed that a sum in the region of £116,000 per hectare (£47,000 per acre) overall represented a sufficient premium to incentivise the land owner in that case.

The level of value adopted in respect of the gross developable area accords with that suggested by the applicant. The overall assessment also accords with the recent Planning Appeal decision, and most recent planning guidance in that in my view, it represents a fair EUV plus premium as a minimum sufficient to incentivise release of the land for development.

I have therefore adopted a revised BLV in my assessment in the region of £28,395,000 against which to test financial viability.

20. Viability Assessment

The current accepted methodology in development viability assessments is on the basis of current costs and values. Following professional guidance and best practise, I have undertaken an assessment of the proposed scheme having reviewed all the values and costs as set out above.

I have, like the applicants, initially assessed the proposed scheme reflecting planning policy required section 106 contributions as a starting point. My appraisal summary sheet in this regard is attached at appendix A to this report. It shows that with the assumptions as stated above, the scheme generates a residual land value (RLV) in the region of £24,438,000. This result is some £3,957,000 lower than target benchmark land value (BLV), and therefore indicates a lack of financial viability.

In the light of this finding, I have sought to test the level of affordable housing and other s106 that could be supported by the proposed scheme. My appraisal summary sheet in this regard is attached at appendix B to this report. It shows that reducing the on-site affordable housing provision to circa 26% (572 units) together with other assumptions as stated above, the scheme generates a residual land value (RLV) in the region of £28,459,000, or very close to target BLV.

21. Conclusions

Following a response to my initial ‘stage reports’ dated 15th February 2021 and 26 March 2021, I have carried out a detailed revised analysis as set out in this report. A good deal of the inputs into the financial viability modelling are agreed and have been adopted in my assessment. The principle areas of divergence remain in regard to BLV, and finance calculation (including expenditure and income profiling).

As detailed in the viability assessment results outlined above, I am of the opinion that the scheme is not financially viable when contributing fully to planning policy required s106, including 30% on-site affordable housing, comprising 395 units for affordable rent, and 267 units as shared ownership. My analysis of a planning policy compliant scheme yields a residual land value in the region of £24,438,000, and therefore a significant deficit of circa £3,957,000 against a target BLV of £28,395,000.

In the light of this finding, I have sought to ascertain the level of s106 that could in my opinion be supported by the proposed scheme. My conclusions are detailed in my appraisal summary attached at appendix B to this report. In my opinion, the scheme achieves a financial balance when contributing fully to financial s106 contributions, however with a lower on-site affordable housing contribution of 572 units, split as 340 for affordable rent, and 232 for shared ownership. This assessment assumes maintenance of your Authority's target split of unit types as far as possible and amounts to a 26% proportion of the total housing provision in the scheme against a planning policy requirement of 30%.

22. Sensitivity Analysis and Testing

As set out in the RICS Professional Standard 'Financial viability in planning: conduct and reporting' (effective from 1st September 2019), I have carried out sensitivity tests to test the robustness of the draft viability conclusion described above.

I have varied a number of the most sensitive inputs of the development appraisal relating to sales revenue, and base construction costs. I have adjusted these in upward and downward steps of 2.5% from the baseline viable appraisal conclusion which is shown as a scheme surplus/deficit in bold at the centre of the results table below:

		Sales revenue				
		-5%	**-2.5%**	**0%**	**2.5%**	**5%**
Build:	**5%**	-£41,240,031	-£27,097,816	-£12,955,601	£1,186,614	£15,328,829
Rate	**2.50%**	-£34,762,230	-£20,620,015	-£6,477,800	£7,664,415	£21,806,630
per m^2	**0%**	-£28,284,430	-£14,142,215	**£0**	£14,142,215	£28,284,430
	-2.5%	-£21,806,630	-£7,664,415	£6,477,800	£20,620,015	£34,762,230
	-5%	-£15,328,829	-£1,186,614	£12,955,601	£27,097,816	£41,240,031

It can be seen that either a relatively marginal 2.5% increase in GDV, or an independent decrease of 2.5% in build costs would result in a significant amelioration of financial viability.

In addition, I have tested scheme viability should the HIF grant be excluded. The net effect of its removal, and the consequent effect on the scheme finance calculation is material, and results in an additional net cost burden on the scheme of circa £2,800,000, which by calculation would necessitate a further reduction in on-site affordable housing provision to circa 24.5% in order to render the scheme financially viable based on current costs and values.

23. Comments and Recommendations

23.1 I have concluded that the applicant's contention that the scheme as proposed cannot viably provide the required section 106 contributions is correct in my view.

I am of the opinion that based on the information available, and in the light of most recent guidance, current costs and values, the scheme cannot viably provide all currently required section 106 financial contributions, including 30% on-site affordable housing.

I rather conclude that in order for the scheme to reach a point of financial viability based on current costs, values, and standard industry measures, with other section 106 financial contributions remaining the same, the on-site affordable housing provision would need to be revised to 26%, comprising of 572 dwellings, split as 340 for affordable rent, and 232 for shared ownership.

The applicants also maintain that the scheme cannot viably provide planning policy required s106 contributions, however their conclusion is that the affordable housing element would need to be reduced to circa 11.1%.

Given the financial viability conclusions as detailed in this report; should your Authority be minded to grant permission on the basis of a reduced s106 contribution, we would recommend that a review clause is inserted into any agreement to allow for staged reviews of viability during the life of the scheme. This would potentially allow further contributions up to a maximum of planning policy compliance should market conditions improve, and/or costs are mitigated.

23.2 Market Uncertainty

The outbreak of COVID-19, declared by the World Health Organisation as a "Global Pandemic" on the 11th March 2020, has and continues to impact many aspects of daily life and the global economy – with some real estate markets having experienced lower levels of transactional activity and liquidity. Travel, movement and operational restrictions have been implemented by many countries. In some cases, "lockdowns" have been applied to varying degrees and to reflect further "waves" of COVID-19; although these may imply a new stage of the crisis, they are not unprecedented in the same way as the initial impact.

The pandemic and the measures taken to tackle COVID-19 continue to affect economies and real estate markets globally. Nevertheless, as at the valuation date some property markets have started to function again, with transaction volumes and other relevant evidence returning to levels where an adequate quantum of market evidence exists upon which to base opinions of value. Accordingly, and for the avoidance of doubt, our valuation is not reported as being subject to 'material valuation uncertainty' as defined by VPS 3 and VPGA 10 of the RICS Valuation – Global Standards.

For the avoidance of doubt, this explanatory note has been included to ensure transparency and to provide further insight as to the market context under which the valuation opinion was prepared. In recognition of the potential for market conditions to move rapidly in response to changes in the control or future spread of COVID-19 we highlight the importance of the valuation date.

I trust that the above report is satisfactory for your purposes. However, should you require clarification of any point do not hesitate to contact me further.

Yours sincerely

[redacted] BSc MRICS
Principal Surveyor
RICS Registered Valuer
DVS

Reviewed by:

[redacted] MRICS
Technical Head (Viability)
RICS Registered Valuer
DVS

24. Appendices

A Development Appraisal summary: planning required contributions

B Development Appraisal summary: potentially viable scheme

C Terms of Engagement

A Development Appraisal summary: planning required contributions

DVS Property Specialists for the Public Sector

Property **Proposed Persimmon development Ashton Park, Trowbridge**

Ref: **DVS 1751236**

Client **Wiltshire Council**

WITHOUT PREJUDICE COMMERCIL IN CONFIDENCE

Appraisal **Appendix A: planning policy compliant schme**

Date **28 May 2021**

Appraisal by DVS Property Specialists for the Public Sector

Receipts:

			No. Units 2,200	Total GIA m2			
Private Residential		70%	1538	152,497	£448,340,000	**£448,340,000**	
Affordable Housing		30%					
	affordable rent		395	29,199	£50,916,600		
	shared ownership		267	21,572	£38,080,800		
			662	50772	£88,997,400	**£88,997,400**	
Local Centres		1			£1,236,000		
		2			£247,000	**£1,483,000**	
Employment Land					£4,200,000	**£4,200,000**	
School, sports pitches, play, and allotment land						**£0**	
Country Park						**£0**	
HIF loan						**£8,784,000**	
TOTAL DEVELOPMENT VALUE							**£551,804,400**

Development Costs

Acquistion Costs								
Benchmark Land Value		175.35 gross hectares	£139,367 per gross ha		£24,437,740			
		433.28 acres	£56,401 per gross acre					
		266.01 net acres	£91,868 per net acre					
Stamp Duty			nil, 2% and 5% tranches		£1,211,387			
Agents and Legal Fees			1.25%		£305,472			
							£25,954,599	
Construction Costs:								
		GIA	rate £/m					
Market house build		152,497	1,088		£165,916,386			
Affordable house build		44,203	1,088		£48,093,200			
Affordable bungalow build		1,301	1,208		£1,571,178			
affordable flat build	(plus 15% circulation area)	6,058	1,210		£7,329,876			
Garages		742 each	£8,000		£5,936,000			
Plot external works		10%			£22,291,064			
Contingency		build 2.5%			£5,572,766	£256,710,470	**£256,710,470**	
Infrastructure	Plot Abnormals				£6,761,311			
	Fees				£614,920			
	Off-site Highways and Access Works				£2,832,384			
	Internal Primary Infrastructure Roads				£15,364,225			
	Foul Water Drainage				£3,104,101			
	Surface Water Drainage				£3,739,651			
	Utilities / New Supplies				£6,602,645			
	Archaeology				£1,192,856			
	Ecology				£519,670			
	Landscaping and play areas				£8,701,336			
	Other Infrastructure costs				£1,114,450			
	Earthworks/ ground remodelling				£3,014,363			
	Project management costs				£260,334			
	Contingency				£2,706,185	£56,528,431	**£56,528,431**	
West Ashton Relief Road	(completed by 5 years or 1000 occupations)				£31,021,295		**£31,021,295**	
HIF loan repayment:	£500,000 on 100 Market completions, and £1,000,000 on each 100 thereafter				£8,784,000			
	plus interest at annual debit rate	0%			£0		**£8,784,000**	
Professional Fees:				6.00%	£15,402,628		**£15,402,628**	
Planning Contributions								
	CIL	£38.54 on market unit GIA (inc. garages)			£6,391,962			
	Education: early years				£3,977,494			
	Education: Primary 1				£7,878,360			
	Education: Primary 2				£2,288,476			
	Education: Secondary				£8,327,220			
	Transport / Highways / PROWs				£1,676,675			
	Open Space / Play Space				£1,035,000			
	Ecology				£334,045			
	Other				£1,434,902			
	Local Authority Fees				£254,615	£33,598,749	**£33,598,749**	
Disposal costs:	Marketing			1.50%	£6,725,100			
	Agency			1.00%	£4,540,230			
	legal costs market unit sales	0.21%	£600 per unit		£922,800			
	legal sales fee affordable	0.30%	£400 per unit		£264,800	£12,452,930	**£12,452,930**	
Finance:	Interest	credit rate 1.00%	debit rate 6.00%			£15,775,153	**£15,775,153**	
Profit:	market residential	on GDV		20.00%		£89,668,000		
	affordable	on GDV		6.00%		£5,339,844		
	Comercial	on GDV		10.00%		£568,300	**£95,576,144**	
TOTAL DEVELOPMENT COSTS								**£551,804,400**

PROFIT	
Surplus/Deficit	**£0**

B Development Appraisal summary: potentially viable scheme

DVS Property Specialists for the Public Sector

Property	**Proposed Persimmon development Ashton Park, Trowbridge**		
Ref:	**DVS 1751236**		
Client	**Wiltshire Council**	Appraisal	**Appendix B: potentially viable scheme**
	WITHOUT PREJUDICE COMMERCIL IN CONFIDENCE	Date	**28 May 2021**
Appraisal by			

Receipts:

			No. Units 2,200	Total GIA m2			
Private Residential		74%	1628	161,353	£474,435,000	**£474,435,000**	
Affordable Housing		26%					
	affordable rent		340	25,056	£43,691,400		
	shared ownership		232	18,748	£33,095,200		
			572	43804	£76,786,600	**£76,786,600**	
Local Centres		1			£1,236,000		
		2			£247,000	**£1,483,000**	
Employment Land					£4,200,000	**£4,200,000**	
School, sports pitches, play, and allotment land						**£0**	
Country Park						**£0**	
HIF loan						**£8,784,000**	
TOTAL DEVELOPMENT VALUE							**£565,688,600**

Development Costs

Acquistion Costs

Benchmark Land Value	175.39 gross hectares	£162,261 per gross ha	£28,459,012			
	433.39 acres	£65,666 per gross acre				
	266.01 net acres	£106,985 per net acre				
Stamp Duty		nil, 2% and 5% tranches	£1,412,451			
Agents and Legal Fees		1.25%	£355,738			
					£30,227,201	

Construction Costs:

			GIA	rate £/m				
Market house build			161,353	1,088	£175,552,513			
Affordable house build			38,146	1,088	£41,502,875			
Affordable bungalow build			1,106	1,208	£1,335,501			
affordable flat build	(plus 15% circulation area)		5,235	1,210	£6,334,461			
Garages		787 each		£8,000	£6,296,000			
Plot external works		10%			£22,472,535			
Contingency		build 2.5%			£5,618,134	£259,112,019	**£259,112,019**	

Infrastructure	Plot Abnormals	£6,761,311			
	Fees	£614,920			
	Off-site Highways and Access Works	£2,832,384			
	Internal Primary Infrastructure Roads	£15,364,225			
	Foul Water Drainage	£3,104,101			
	Surface Water Drainage	£3,739,651			
	Utilities / New Supplies	£6,602,645			
	Archaeology	£1,192,856			
	Ecology	£519,670			
	Landscaping and play areas	£8,701,336			
	Other Infrastructure costs	£1,114,450			
	Earthworks/ ground remodelling	£3,014,363			
	Project management costs	£260,334			
	Contingency	£2,706,185	£56,528,431	**£56,528,431**	
West Ashton Relief Road	(completed by 5 years or 1000 occupations)	£31,021,295		**£31,021,295**	

HIF loan repayment:	£500,000 on 100 Market completions, and £1,000,000 on each 100 thereafter		£8,784,000			
	plus interest at annual debit rate	0%	£0		**£8,784,000**	
Professional Fees:		6.00%	£15,546,721		**£15,546,721**	

Planning Contributions

CIL	£38.54 on market unit GIA (inc. garages)	£6,764,518			
Education: early years		£3,977,494			
Education: Primary 1		£7,878,360			
Education: Primary 2		£2,288,476			
Education: Secondary		£8,327,220			
Transport / Highways / PROWs		£1,676,675			
Open Space / Play Space		£1,035,000			
Ecology		£334,045			
Other		£1,434,902			
Local Authority Fees		£254,615	£33,971,305	**£33,971,305**	

Disposal costs:	Marketing			1.50%	£7,116,525			
	Agency			1.00%	£4,801,180			
	legal costs market unit sales	0.21%	£600 per unit		£976,800			
	legal sales fee affordable	0.30%	£400 per unit		£228,800	£13,123,305	**£13,123,305**	
Finance:	Interest	credit rate 1.00%	debit rate 6.00%			£17,311,827	**£17,311,827**	
Profit:	market residential	on GDV		20.00%		£94,887,000		
	affordable	on GDV		6.00%		£4,607,196		
	Comercial	on GDV		10.00%		£568,300	**£100,062,496**	
TOTAL DEVELOPMENT COSTS								**£565,688,600**

PROFIT	
Surplus/Deficit	**£0**

C Terms of Engagement

Bristol Valuation Office
Temple Quay House
2 The Square
Temple Quay
Bristol BS1 6PN

Mobile [redacted]
e-mail. [redacted]@voa.gsi.gov.uk

Mark Hunnybun BSc (Hons) MRICS CEMdipFM
Strategic Projects and Development Manager
Wiltshire Council

By email

Your Reference : 15/04736/OUT
Our Reference : [redacted]
Please ask for : [redacted]
Date : 27 August 2020

COMMERCIAL IN CONFIDENCE

Dear Mark

Review of Development Viability Appraisal
Address: Ashton Park, Trowbridge, Wiltshire

I refer to your invitation to tender dated 22 August 2020, and am pleased to confirm my Terms of Engagement should your Authority instruct the VOA to undertake this commission.

This document contains important information about the scope of the work to be commissioned and confirms the terms and conditions under which DVS proposes to undertake the instruction.

It is important that you read this document carefully and if you have any questions, please do not hesitate to ask the signatory whose details are supplied above. Please contact them immediately if you consider the terms to be incorrect in any respect.

Please note that this terms of engagement document is confidential between our client, Wiltshire Council, and the VOA. As it contains commercially sensitive and data sensitive information, it should not be provided to the applicant or their advisor without the explicit consent of the VOA.

1. Client

This instruction will be undertaken for Wiltshire Council and the appointing Officer will be Mark Hunnybun.

2. Subject Property and proposed development

It is understood that you require a viability assessment review of planning application ref: 15/04736/OUT.

The proposed development site subject to the review is known as Ashton Park, to the South East of Trowbridge, Wiltshire. .

It is understood that the development has:

- a gross site area of 168.7 hectares
- a total proposed residential GIA of 201,706.9 sq m plus 2 no. local centres, 13.76 hectares of employment land, school sites, ecological visitor facility, public open space, landscaping and associated highway works
- the proposed schedule of residential accommodation is as follows:

Property type	*Number*	*GIA Sq.m./unit*	*Total Sq.m. GIA*
2 bed house	268	59.24	15876.98
3 bed house	266	70.66	18796.58
3 bed house	77	85.24	6563.66
3 bed house	154	89.98	13856.61
3 bed house	214	92.76	19851.43
3 bed house	154	88.31	13599.21
4 bed house	154	101.77	15672.70
4 bed house	163	113.47	18495.72
4 bed house	79	130.09	10277.27
4 bed house	77	140.49	10817.88
5 bed house	77	164.08	12633.97
5 bed house	77	150.71	11604.38
5 bed house	5	130.00	650.00
2 bed Bungalow	13	65.00	844.99
4 bed house	13	111.43	1448.56
3 bed house	65	92.86	6035.68
1 bed flat	66	46.43	3064.27
2 bed house	92	74.29	6834.24
2 bed house	8	55.71	445.71
2 bed house	118	74.29	8765.66
3 bed house	60	92.86	5571.39

3. Purpose and Scope

To complete this assessment DVS will:

a) Assess the Financial Viability Appraisal (FVA) submitted by / on behalf of the planning applicant / developer, taking in to account the planning proposals as supplied by you or available from your authorities planning website.

b) Advise you on those areas of the appraisal which are agreed and those which are considered unsupported or incorrect, including stating the basis for this opinion.

c) If DVS considers that the applicant's appraisal input and viability conclusion is incorrect, we will advise on the cumulative viability impact of the changes and in particular whether any additional affordable housing and / or s106 contributions might be provided without adversely affecting the overall viability of the development. This will take the form of sensitivity tests.

3.1 My report to you will constitute my final report if my findings conclude that the planning applicant / developer cannot provide more affordable housing and s106 payments than have been proposed.

3.2 **However,** if having completed my assessment I conclude that the planning applicant / developer may be able to provide more affordable housing and s106 payments than have been proposed, I understand that my findings report may only constitute stage 1 of the process as the report will enable all parties to then consider any areas of disagreement and potential revisions to the proposal.

3.3 In such circumstances, I will where instructed by you be prepared to enter into discussions on potential revisions to the applicant's proposals, and / or consider any new supporting information. Upon concluding such discussions, I will submit a new report capturing my subsequent determination findings on the potentially revised application; for convenience and to distinguish it, this report on a second stage assessment may be referred to as my Stage 2 report.

4. Date of Assessment

The date of the assessment is required to be the date on which the report is signed, which date will be specified in the report in due course.

5. Confirmation of Standards to be applied

The viability assessment will be prepared in accordance with paragraph 57 of the National Planning Policy Framework, which states that all viability assessments should reflect the recommended approach in the National Planning Practice Guidance on Viability, this document was revised in May 2019.

The viability assessment review report will be prepared in accordance with the professional statement Financial Viability in Planning: Conduct and reporting (effective from 1st September 2019).

Regard will be made to the RICS Guidance Note "Financial viability in planning" 1st Edition (GN 94/2012), where applicable.

Valuation advice (where applicable) will be prepared in accordance with the professional standards of the Royal Institution of Chartered Surveyors: RICS Valuation – Global Standards and RICS UK National Supplement, commonly known together as the Red Book. Compliance with the RICS professional standards and valuation practice statements gives assurance also of compliance with the International Valuations Standards (IVS).

Measurements stated are in accordance with the RICS Professional Statement **'RICS Property Measurement' (2nd Edition)** and, where relevant, the **RICS Code of Measuring Practice (6th Edition)**.

6. Agreed Departures from the RICS Professional Standards

RICS Red Book professional standards PS1 and PS2 are applicable to our undertaking of your case instruction but as our assessment may be used by you as part of a negotiation, compliance with the technical and performance standards at VPS1 to VPS 5 is not mandatory (PS 1 para 5.4) and they will only be applied to the extent not precluded by your specific requirement.

7. Basis of Value

7.1 Benchmark Land Value. Paragraph 014 of the NPPG (May 2019) states that Benchmark land value should:

1. be based upon existing use value

2. allow for a premium to landowners (including equity resulting from those building their own homes)

3. reflect the implications of abnormal costs; site-specific infrastructure costs; and professional site fees

Viability assessments should be undertaken using benchmark land values derived in accordance with this guidance. Existing use value should be informed by market evidence of current uses, costs and values. Market evidence can also be used as a cross-check of benchmark land value but should not be used in place of benchmark land value. There may be a divergence between benchmark land values and market evidence; and plan makers should be aware that this could be due to different assumptions and methodologies used by individual developers, site promoters and landowners.

This evidence should be based on developments which are fully compliant with emerging or up to date plan policies, including affordable housing requirements at the relevant levels set out in the plan. Where this evidence is not available plan makers and applicants should identify and evidence any adjustments to reflect the cost of policy compliance. This is so that historic benchmark land values of non-policy compliant developments are not used to inflate values over time.

In plan making, the landowner premium should be tested and balanced against emerging policies. In decision making, the cost implications of all relevant policy requirements, including planning obligations and, where relevant, any Community Infrastructure Levy (CIL) charge should be taken into account.

Where viability assessment is used to inform decision making under no circumstances will the price paid for land be a relevant justification for failing to accord with relevant policies in the plan. Local authorities can request data on the price paid for land (or the price expected to be paid through an option or promotion agreement).

See related policy: National Planning Policy Framework paragraph 57
Paragraph: 014 Reference ID: 10-014-20190509
Revision date: 09 05 2019

7.2 Existing Use Value: the NPPG (May 2019) explains Existing Use Value at para 15 as follows:

Existing use value (EUV) is the first component of calculating benchmark land value. EUV is the value of the land in its existing use. Existing use value is not the price paid and should disregard hope value. Existing use values will vary depending on the type of site and development types. EUV can be established in collaboration between plan makers, developers and landowners by assessing the value of the specific site or type of site using published sources of information such as agricultural or industrial land values, or if appropriate capitalised rental levels at an appropriate yield (excluding any hope value for development).

Sources of data can include (but are not limited to): land registry records of transactions; real estate licensed software packages; real estate market reports; real estate research; estate agent websites; property auction results; valuation office agency data; public sector estate/property teams' locally held evidence.

See related policy: National Planning Policy Framework paragraph 57
Paragraph: 015 Reference ID: 10-015-20190509.
Revision date: 09 05 2019.

7.3 Gross Development Value (GDV)

GDV is the cumulative total of the market values of the entire development, as detailed in the schedule of accommodation.

Market Value (MV) RICS VPS 4, para 4 defines MV as:

"The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."

On occasion, it may be agreed that a basis of value requires to be modified and a Special Assumption added, for example where there is the possibility of Special Value attaching to a property from its physical, functional, legal or economic association with some other property.

Any Special Assumptions agreed with you have been captured below under the heading Special Assumptions, in accordance with VPS 4, para 9 of the professional standards of the Royal Institution of Chartered Surveyors: RICS Valuation – Global Standards and RICS UK National Supplement, and will be restated in my report.

8. Special Assumptions

The following special assumptions have been agreed and will be applied:

- that your council's planning policy, or emerging policy, for affordable housing is up to date

- There are no abnormal development costs in addition to those which the applicant has identified, and the applicant's abnormal costs, will be independently assessed by a Quantity Surveyor to be appointed by your Authority. This assessment will be relied upon to determine the viability of the scheme, unless otherwise stated in our report.

9. Extent of Valuer's Investigations, Restrictions and Assumptions

An assumption in this context is a limitation on the extent of the investigations or enquiries that will be undertaken by the assessor.

The following agreed assumptions will apply to your instruction and be stated in my report, reflecting restrictions to the extent of our investigations.

- Such inspection of the property and investigations as the Valuer decides is professionally adequate and possible in the particular circumstance will be undertaken.

- No detailed site survey, building survey or inspection of covered, unexposed or inaccessible parts of the property will be undertaken. The Valuer will have regard to the apparent state of repair and condition, and will assume that inspection of those parts that are not inspected would neither reveal defects nor cause material alteration to the valuation, unless the Valuer becomes aware of indication to the contrary. The building services will not be tested and it will be assumed that they are in working order and free from defect. No responsibility can therefore be accepted for identification or notification of property or services' defects that would only be apparent following such a detailed survey, testing or inspection. If the Valuer decides further investigation to be necessary, separate instructions will be sought from you.

- It will be assumed that good title can be shown and that the property is not subject to any unusual or onerous restrictions, encumbrances or outgoings.

- It will be assumed that the property and its value are unaffected by any statutory notice or proposal or by any matters that would be revealed by a local search and replies to the usual enquiries, and that neither the construction of the property nor its condition, use or intended use was, is or will be unlawful or in breach of any covenant.

- It will be assumed that all factual information provided by you or the applicant or their agent with regard to the purpose of this request and details of tenure, tenancies, planning consents and all other relevant information is correct. The advice will therefore be dependent on the accuracy of this information and should it prove to be incorrect or inadequate the basis or the accuracy of any assessment may be affected.

- Valuations will include that plant that is usually considered to be an integral part of the building or structure and essential for its effective use (for example building services installations), but will exclude all machinery and business assets that comprise process plant, machinery and equipment unless otherwise stated and required.

- No access audit will be undertaken to ascertain compliance with the Equality Act 2010 and it will be assumed that the premises are compliant unless otherwise stated by the applicant

- No allowances have been made for any rights obligations or liabilities arising from the Defective Premises Act 1972 unless identified as pertinent by the applicant.

10. Nature and Source of Information to be relied upon by Valuer

10.1 From the client

Information that will be provided to the VOA by the client comprises the following material, which will be relied upon by the viability assessor without further verification.

a) The Planning application details.

b) Confirmation of S106 / S278 planning obligations triggered by the scheme. In particular whether the applicant's assumptions on these matters are correct, if they are incorrect then please provide the correct details.

c) A copy of, or a link to, the relevant planning policy applicable to the site, including current designation (and emerging designation if applicable).

d) Details of any extant or elapsed consents relating to permitted Alternative Use.

e) A copy of the applicant's financial viability appraisal prepared by Messrs Turner Morum LLP dated 30 April 2020 (and updated 11 August 2020).

10.2 Information from the applicant

Site access

It is understood that the site is accessible and no appointment to inspect is required. In particular it is understood there are no extraordinary health and safety issues to be aware of. If this is incorrect, please provide details of access arrangements and any PPE requirements.

Viability assessment

With regards to the applicant's financial viability appraisal the applicant should provide sufficient detail to enable DVS to assess the applicant's contention that the scheme would not be viable if the requirements for affordable housing and other public realm contributions were met as stated in the Local Plan.

To support the contention, the applicant's FVA should include a report with the following details:

a) A planning policy compliant viability assessment, if completed by a member the RICS this should be prepared in accordance with the Financial Viability in planning: conduct and reporting Professional Statement (effective from 1 September 2019). The follow details are required:

b) Site area -and schedule of accommodation the gross developable area and net developable area should be stated together with an illustrative plan showing the respective boundaries (or reference to the appropriate planning document with this information)

c) Development programme assumptions, to detail the anticipated period involved in development, including pre- build, build period and marketing period.

d) Gross Development Value:

(i) Market evidence in support of the sales values adopted

(ii) Tenure assumptions and Values for affordable housing

e) Land Value

(i) The Benchmark Land Value should be clearly stated with reference to:
   i. EUV (as defined in the Viability PPG para 015)
   ii. Premium (see PPG para 016)
   iii. Market evidence (suitably adjusted in accordance with PPG para 016)

(ii) Alternative use value for the site such be provided, where it exists. (see para 17 of the PPG).

(iii) The Purchase Price (or expected price as agreed through a conditional or optional agreement) should be reported for transparency. Where this is below the assessment of BLV a brief explanation of the reasoning should be provided.

f) Gross Development Costs

(i) Build Cost assessment - the evidence should include a full build cost estimate, showing how the costs have been estimated.

(ii) Abnormal Costs total - Supporting reports for site abnormals should be provided, together with the calculation adopted

g) Cash flow. Either in the form of an accessible viability toolkit (Argus developer or HCA DAT) or as a Microsoft Excel unprotected document.

10.3 DVS Information

DVS will make use of VOA held records and information. The sources of any other information used that is not taken from our records will be identified in the review report.

10.4 Information Outstanding

We have reviewed the viability information already supplied and can confirm that we have most of the information to complete this case with the exception of the following

From your council:

Detailed QS assessment of submitted infrastructure and ‘abnormal’ site costs

and

From the applicant:

Digital version of the development appraisal.

DVS will contact the applicant's viability advisor directly for this information.

The report delivery date will be dependent upon timely receipt of this information.

11. Identity of Responsible Valuer and their Status

It is confirmed that the valuation will be carried out by a RICS Registered Valuer, acting as an external valuer, who has the appropriate knowledge and skills and understanding necessary to undertake the assessment competently.

The valuer responsible will be [redacted], and their contact details are as stated above in the letterhead.

Any other valuer involvement will be detailed in the report.

12. Disclosure of any Material Involvement or Conflict of Interest

In accordance with the requirements of the RICS standards, the VOA has checked that no conflict of interest arises before accepting this instruction.

It is confirmed that DVS are unaware of any previous conflicting material involvement and am satisfied that no conflict of interest exists. Should any such difficulty subsequently be identified, you will be advised at once and your agreement sought as to how this should be managed.

It is confirmed that the valuer appointed has no personal conflict undertaking this instruction.

13. Description of Report

A side headed written report as approved by you for this purpose will be supplied and any differences of opinion will be clearly set out with supporting justification, where inputs are agreed this will be stated also.

Further to the requirements of the RICS a non-technical summary will be included in the report, together with sensitivity tests to support the viability conclusion.

14. Report Date

It is my intention to submit the report of my findings within 15 working days of instruction and receipt of requested information, including a Quantity Surveyors report.

If unforeseen problems arise that may delay my report, you will be contacted before this date with an explanation and to discuss the position.

15. Validity Period

The report will remain valid for 3 (three) months unless circumstances alter or further material information becomes available. Reliance should not be placed on the viability conclusion beyond this period without reference back to the VOA for an updated valuation.

16. Restrictions on Disclosure and Publication

The client will neither make available to any third party or reproduce the whole or any part of the report, nor make reference to it, in any publication without our prior written approval of the form and context in which such disclosure may be made.

17. Limits or Exclusions of Liability

Our viability advice is provided for your benefit alone and solely for the purposes of the instruction to which it relates. Our advice may not, without our specific written consent, be used or relied upon by any third party, even if that third party pays all or part of our fees, directly or indirectly, or is permitted to see a copy of our valuation report.

If we do provide written consent to a third party relying on our valuation, any such third party is deemed to have accepted the terms of our engagement.

None of our employees individually has a contract with you or owes you a duty of care or personal responsibility. You agree that you will not bring any claim against any such individuals personally in connection with our services.

18. Fee Basis

18.1 You have asked for a fixed fee quote for an initial viability appraisal. Having considered the initial details of this application, we have assessed a fixed fee basis of [redacted] plus VAT in order to complete the work set out above.

The personnel involved in this assessment will be as follows:

Personnel:	**Role**	**Task**
[redacted]	Development Consultant	Report and Viability
	VOA Technical Lead (Viability)	Report and Viability review

18.2 This fixed fee proposal is for the provision of a report stating my findings on the development viability appraisal as initially provided by the planning applicant / developer. It will include consultation with you to deal with initial issues. It may require revision if the information supplied by you or the applicant is not quickly forthcoming at our request or if the initial task is varied by you and in both cases we would revert to you for advice on the way forward. Abortive fees would be based on work already carried out.

18.3 You have requested a quote for the cost of 25 hours additional time to discuss, if required, issues with the planning applicant / developer or you, including the consideration of potential revised proposals, or to attend meetings. This will constitute a second stage requiring a Stage 2 report. 25 hours of time would amount to the sum of £[redacted] plus VAT, however we would charge on a time spent basis as an additional cost at an hourly rate of £[redacted] plus VAT for this Stage 2 work. I will contact your Authority in good time if it becomes apparent that more than 25 hours work will be required, and seek your further instructions.

18.4 **Payer of fees**: With regard to the payment of fees, the former Homes and Communities Agency issued a Good Practice Note: “Investment and Planning obligations - Responding to the downturn”. In this GPN is a comment that it is common practice for developers to fund the cost of independent validation. The reasoning for this is that you have a planning policy which the applicant is seeking to vary. In order to assess the applicant appraisal you need advice which it is reasonable for the applicant to bear in these circumstances. I understand that the planning applicant / developer has agreed to reimburse your reasonable costs incurred in this review.

Please note that you will be our named Client. As such, our contractual obligation is to you and not to the applicant and your authority will be responsible for payment of our fees. Any arrangement between your authority and the Applicant relating to payment of the fees would be a matter between yourselves.

Please note that that my minimum fee is £200 unless agreed otherwise as part of a contract or SLA.

19. Currency

All prices or values are stated in pounds sterling.

20. Fee Payment and Interim Billing

Our fees are payable by our client within 30 days from the receipt of our invoice whether or not the amount is disputed or is being passed on to a third party for reimbursement.

The VOA reserves the right, subject to prior notification of details of time spent, to invoice at suitable points during the financial year for work in progress undertaken but not yet formally reported. In order to ensure timely cash flows within the public sector, such interim bills may be issued at either monthly or two monthly intervals. You will be advised beforehand that any such bill is imminent.

Where a case is cancelled before completion, our fees will be calculated on a ‘work done’ basis with added reasonable disbursements unless alternative arrangements have been prior agreed.

Please note under HM Treasury Managing Public Money we are required to review our charging on a regular basis. The VOA reserves the right to undertake an annual review of our rates going forward.

21. Purchase Order Numbers

If your organisation uses Purchase Order Numbers, I should be glad if you will please supply this number on instruction as I cannot proceed without this information.

22. Complaints

The VOA operates a rigorous Quality Assurance/Quality Control system. This includes the inspection by Team Leaders of a sample of work carried out during the life of the instruction together with an audit process carried out by experienced Chartered Surveyors upon completion of casework. It also includes a feedback cycle to ensure continuous improvement.

The VOA has a comprehensive complaints handling procedure if you are not getting the service you expect. If you have a query or complaint it may be best to speak first to the person you have been dealing with or their manager. If you remain dissatisfied you should be offered a copy of our brochure "Our Code of Practice on Complaints". If it is not offered to you, please request a copy or access it on our website www.voa.gov.uk.

23. Freedom of Information

We will do all that we can to keep any information gathered or produced during this assignment confidential. The Freedom of Information Act 2000 or Environmental Information Regulations 2004, and subordinate legislation, may apply to some or all of the information exchanged between yourself and the VOA under this engagement. Therefore the VOA's duty to comply with the Freedom of Information Act may necessitate, upon request, the disclosure of information provided by you unless an exemption applies.

The VOA undertakes to make reasonable endeavours to discuss the appropriateness of disclosure, or the applicability of any exemptions allowed by the Act, with you prior to responding to any third party requests. However, the VOA reserves the right to comply with its statutory obligations under the Act in such manner as it deems appropriate.

The VOA requires you to make all reasonable endeavours to discuss with us the appropriateness of disclosure, or the applicability of any exemptions allowed by the Act, prior to your responding to any third party requests for information provided to you by the VOA.

24. Monitoring Compliance by RICS

It is possible that the RICS may at some stage ask to see the valuation for the purposes of their monitoring of professional standards under their conduct and disciplinary regulations.

25. Revisions to these Terms

Where, after investigation, there is in my judgement a need to propose a variation in these terms of engagement, you will be contacted without delay prior to the issue of the report.

For example, should it become apparent that the involvement of specialist colleagues would be beneficial, your consent will be sought before their involvement and we shall, if not included in the original fee estimate, provide an estimate of their costs.

I should be glad to receive at your earliest convenience brief written confirmation of instructions by email or letter that these terms and conditions are accepted and approved by you. If you have any queries please do not hesitate to me.

Yours sincerely,

[redacted] BSc MRICS
Principal Surveyor

RICS Registered Valuer
DVS