

For: Mid Sussex District Council

Review of Applicant Submitted Viability Position

**Maxwelton House
41 – 43 Boltro Road,
Haywards Heath,
West Sussex**

**May 2026
(DSP25521AM)**



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1. Practice and Limitations

- 1.1.1. This review and its findings are intended purely for the purpose of providing Mid Sussex District Council (MSDC) with an independent check of, and opinion on, the planning applicant's viability information and stated position in this case.
- 1.1.2. In the preparation of this review Dixon Searle Partnership has acted with objectivity, impartiality, without interference and with reference to appropriate available sources of information.
- 1.1.3. This report and any associated work does not provide or amount to formal valuation advice.
- 1.1.4. The information supplied to DSP to inform and support this review process has been provided on a confidential basis. Potentially some of the information included may be regarded as commercially sensitive. Therefore, we suggest that the Council and prospective / current or subsequent planning applicant may wish to consider this aspect together. DSP confirms that we are content for our review information, as contained within this report, to be used as may be considered appropriate by the Council (we assume with the applicant's agreement if necessary). In looking at 'Accountability', since July 2018 (para. 022 revised in December 2025), the published national Planning Practice Guidance (PPG) on viability says on this; *'Any viability assessment should be prepared on the basis that it will be made publicly available other than in exceptional circumstances.'*
- 1.1.5. Dixon Searle Partnership conducts its work only for Local Authorities and selected other public organisations. We do not act on behalf of any development interests. We have been and are involved in the review of other planning stage proposals within the MSDC area and have previously been involved in strategic level (development plan/planning policy) projects.
- 1.1.6. In any event we can confirm that no conflict of interests exists, nor is likely to arise given our approach and client base. This is kept under review. Our fees are all quoted in advance and agreed with clients on a fixed or capped basis, with no element whatsoever of contingent/incentive/performance related payment.

- 1.1.7. We have undertaken this as a desk-top exercise as is appropriate for this stage and level of review. For general familiarisation we have considered the site context from the information supplied by the Council and using available web-based material.
- 1.1.8. This document has been prepared for this specific reason and should not be used for any other purpose without the prior written authority of Dixon Searle Partnership (DSP); we accept no responsibility or liability for the consequences of this document being used for a purpose other than for which it was commissioned. To the extent that the document is based on information supplied by others, Dixon Searle Partnership accepts no liability for any loss or damage suffered by the client.

2. Introduction

- 2.1.1. Dixon Searle Partnership (DSP) has been commissioned by Mid Sussex District Council (MSDC) to carry out an independent review of the 'Financial Viability Assessment' (FVA) dated March 2026 and supplied to the Council on behalf of the applicant, by Alder King (AK). This is in relation to the proposed development at Maxwellton House, 41-43 Boltro Road, Haywards Heath, West Sussex.
- 2.1.2. The FVA has been submitted in support of an application (reference DM/26/0679) seeking a deed of variation to a S106 agreement and proposes that agreed affordable housing contributions be removed. This is in relation to an approved scheme reference DM/22/2218 for *'Redevelopment of site to provide a development of 50 retirement living apartments, associated parking, landscaping and amenity provision. AMENDED PLANS received 13/12/2022 removing top floor of communal facilities and rooftop terrace and also submission of a Construction Management Plan and Surface Water Management Plan During construction'*. Planning approval was granted on 25th July 2023 subject to a Section 106 Agreement dated 21st July 2023, which requires a contribution of £913,000 towards affordable housing.
- 2.1.3. As far as we are aware, viability has not been previously assessed.
- 2.1.4. In presenting their viability position, the applicant has supplied to the Council the aforementioned 'Financial Viability Assessment' (FVA) together with Appendices including plans, the S106 Agreement and a PDF version of the submitted appraisal, carried out using Argus Developer software. We have also been provided with the 'live' working version of the appraisal.
- 2.1.5. For context, DSP has also had sight of the documents contained within the Council's online planning application file.
- 2.1.6. We have considered the assumptions individually listed within the FVA and provided our commentary based on those whilst also testing alternative assumptions where opinion differs from that of the applicant's agent.

- 2.1.7. This report does not consider planning policy or the wider aspects in the background to or associated with the Council's consideration of this scenario. DSP's focus is on the submitted viability assumptions and therefore the outcomes (scope to generate land value and profit while also supporting the development costs and planning policies) associated with that aspect of the overall proposals.
- 2.1.8. For general background, a viable development could be regarded as the ability of a development project to meet its costs including the cost of planning obligations, while ensuring an appropriate site value (i.e. existing use value plus a reasonable premium) for the landowner and a market risk adjusted return to the developer in delivering that project. The Government's Planning Practice Guidance (PPG) on Viability sets out the main principles for carrying out a viability assessment. It states:

'Viability assessment is a process of assessing whether a site is financially viable, by looking at whether the value generated by a development is more than the cost of developing it. This includes looking at the key elements of gross development value, costs, land value, landowner premium, and developer return...Any viability assessment should follow the government's recommended approach to assessing viability as set out in this National Planning Guidance and be proportionate, simple, transparent and publicly available. Improving transparency of data associated with viability assessment will, over time, improve the data available for future assessment as well as provide more accountability regarding how viability informs decision making...In plan making and decision making viability helps to strike a balance between the aspirations of developers and landowners, in terms of returns against risk, and the aims of the planning system to secure maximum benefits in the public interest through the granting of planning permission'.¹

- 2.1.9. The submitted development appraisals have been run in a way which take account of the benchmark land value (BLV) of the site (assumed at £2,610,000) and assesses the level of residual available after also allowing for a fixed profit allowance of 20% GDV on market housing. Therefore, an approach has been taken that sets out to consider, in the applicant's view, the maximum supportable level of affordable housing.

¹ Paragraph: 010 Reference ID: 10-010-20180724

- 2.1.10. The submitted appraisal, based on including the full S106 requirements, produces a residual land value of £486,441 and a deficit of -£2,123,559 against the assumed BLV.
- 2.1.11. The FVA provides sensitivity testing to demonstrate the impact on the proposed scheme of removing the agreed affordable housing contribution. When reducing the S106 requirements the scheme produces a residual land value of £1,285,441 and a deficit of -£1,324,559 against the assumed BLV (table of results extracted below).

Appraisal Conclusion	50 Units Full S.106	50 Units Reduced S.106
Residual Land Value	£486,441	£1,285,441
Benchmark Land Value	£2,610,000	£2,610,000
Surplus/Deficit	(£2,123,559)	(£1,324,559)
Actual Developer Return (% GDV)	10.19%	13.88%

- 2.1.12. The FVA concludes: *‘The Residual Land Value for the scheme with the provision of the full s.106 obligations as included within the existing s.106 agreement equates to £486,441. After allowing for the BLV of £2,610,000 this produces a deficit of (£2,123,559) and an actual developer return of 10.19% against the target position of 20% GDV, as per Viability PPG profit guidance.*

When the relevant Affordable Housing Contribution (£913,000) is removed but all other appraisal inputs remain consistent, the RLV of the scheme is increased to £1,285,441. After allowing for the BLV, this produces a deficit of (£1,324,559) and an actual developer return of 13.88%.

Whilst this profit margin continues to fall below the target developer profit position of 20% of GDV, we are advised that the Applicant is prepared to consider the completion of this particular scheme on this basis.’

- 2.1.13. This review does not seek to pre-determine any Council positions and merely sets out our opinion on the submitted viability assumptions and outcomes in order to inform the Council’s discussions with the applicant and its decision making; it deals only with viability matters, in accordance with our instructions.

- 2.1.14. DSP's remit is to review the submitted information to assess whether the stated viability scope available to support planning obligations (for affordable housing and/or other matters) is the most that can reasonably be expected at the time of the assessment. Our brief does not go as far as confirming what should be the outcome where schemes are stated or verified as being non-viable per se, based on a viability submission or any subsequent review. It is for the applicant to decide whether there is sufficient justification to pursue a scheme, financially. While an absence of (or insufficient level of) planning obligations will be a material consideration, we are not aware that proof of positive viability is in itself a criterion for acceptable development under current national policy. The Council may wish to consider these matters further, however.
- 2.1.15. In this context, MSDC requires our opinion as to whether the viability figures and position put forward by the applicant are reasonable. We have therefore considered the information submitted. Following our review of the key assumptions areas, this report provides our views – information all provided below.
- 2.1.16. We have based our review on the submitted FVA on the premise that the viability of the scheme should be considered based on the assumption of current costs and values. We then discuss any variation in terms of any deficit (or surplus) created from that base position by altering appraisal assumptions (where there is disagreement if any) utilising in this case the supplied appraisal basis as a starting point.
- 2.1.17. This assessment has been carried out by Dixon Searle Partnership, a consultancy which has many years combined experience in the development industry working for Local Authorities, developers, Housing Associations and in consultancy. As consultants, we have a considerable track record of assessing the viability of schemes and the scope for Local Authority planning obligation requirements. This expertise includes viability-related work carried out for many Local Authorities nationwide over more than 20 years.
- 2.1.18. The purpose of this report is to provide our overview comments with regard to this individual scheme, on behalf of MSDC - taking into account the details as presented. It will then be for the Councils to consider this information in the context of the wider planning objectives in accordance with its policy positions and strategies.

- 2.1.19. In carrying out this type of review a key theme for us is to identify whether, in our opinion, any key revenue assumptions have been under-assessed (e.g., sales value estimates) or any key cost estimates (e.g., build costs, fees, etc.) over-assessed – since both of these effects can reduce the stated viability outcome.

3. Review of Submitted Viability Assumptions

3.1 Overview of Approach

- 3.1.1 The following commentary reviews the applicant's submitted viability assumptions as explained within the FVA and the accompanying development appraisals.
- 3.1.2 Primarily the review process takes into account the fact that the collective impact of the various elements of the cost and value assumptions is of greatest importance, rather than necessarily the individual detailed inputs in isolation. We have considered those figures provided, as below, and reviewed the impact of trial changes to particular submitted assumptions.
- 3.1.3 This type of audit / check is carried out so that we can give the Council a feel for whether or not the result is approximately as expected – i.e., informed by a reasonable set of assumptions and appraisal approach.
- 3.1.4 Should there be changes to the scheme proposals relative to the details now under review, this would obviously impact on the appraisal outputs.

3.2 Benchmark Land Value

- 3.2.1 In all appraisals of this type, the base value (value of the site or premises – e.g., in existing use) is one of the key ingredients of scheme viability. A view needs to be taken on land value so that it is sufficient to secure the release of the site for the scheme (sale by the landowner) but is not assumed at such a level that restricts the financial capacity of the scheme to deliver suitable profits (for risk reward), cover all development costs (including any abnormals) and provide for planning obligations as a part of creating sustainable development. This can be a difficult balance to reach, both in terms of developers' dealings with landowners, and Councils' assessments of what a scheme has the capacity to bear.
- 3.2.2 The RICS (Royal Institution of Chartered Surveyors) Professional Standard: 'Assessing viability in planning under the national Planning Policy Framework 2019 for England' (reissued April 2023) took effect from 1st July 2021 when it was previously published as a guidance note. Its emphasis reflects the Planning Practice Guidance (PPG) on Viability

as noted below, and the PPG will remain the primary source of guidance in this field – viability in planning.

- 3.2.3 The RICS Professional Standard states that: *‘The BLV should not be expected to equate to market value. [...] The BLV is not a price to be paid in the marketplace; it is a mechanism by which the viability of the site to provide developers’ contributions can be assessed. It should be set at a level that provides the minimum return at which a reasonable landowner would be willing to sell.’*
- 3.2.4 It goes on to state: *‘The BLV is a benchmark value against which the developer contributions can be assessed. Once those contributions have been set, land markets should take the level of policy requirements into account, just as all markets should take all relevant factors that affect value into account. PPG paragraph 013 states that ‘Landowners and site purchasers should consider policy requirements when agreeing land transactions. This means that the actual price paid for a site cannot be used to reduce developer contributions.’*
- 3.2.5 The latest PPG on viability (most recently updated in December 2025) and the NPPF (most recently updated in December 2024 and now subject to consultation – December 2025) very clearly advise that land value should be based on the value of the existing use plus an appropriate level of premium or uplift to incentivise release of the land for development from its existing use. With regard to how land value should be defined for the purpose of viability assessment it states: *‘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.’*
- 3.2.6 The guidance defines existing use value as: *‘the first component of calculating benchmark land value. EUV is the value of the land in its existing use together with the right to implement any development for which there are policy compliant extant planning consents, including realistic deemed consents, but without regard to alternative uses. 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. 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.'

3.2.7 It states that a Benchmark Land Value should:

- *'be based upon existing use value*
- *allow for a premium to landowners (including equity resulting from those building their own homes)*
- *reflect the implications of abnormal costs; site-specific infrastructure costs; and professional site fees and*
- *be informed by market evidence including current uses, costs and values wherever possible. Where recent market evidence is used to inform assessment of benchmark land value this evidence should be based on developments which are compliant with policies, including for affordable housing. 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.'*

3.2.8 The guidance further states that: *'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.'* It goes on to state: *'Policy compliance means that the development complies fully with up to date plan policies including any policy requirements for contributions towards affordable housing requirements at the relevant levels set out in the plan. A decision maker can give appropriate weight to emerging policies. Local authorities can request data on the price paid for land (or the price expected to be paid through an option or promotion agreement).'*

3.2.9 With regard to assuming an alternative use value to determine BLV the guidance states: *'For the purpose of viability assessment alternative use value (AUV) refers to the value of land for uses other than its current permitted use, and other than other potential development that requires planning consent, technical consent or unrealistic permitted development with different associated values. AUV of the land may be informative in establishing benchmark land value. If applying alternative uses when establishing*

benchmark land value these should be limited to those uses which have an existing implementable permission for that use. Where there is no existing implementable permission, plan makers can set out in which circumstances alternative uses can be used. This might include if there is evidence that the alternative use would fully comply with development plan policies, if it can be demonstrated that the alternative use could be implemented on the site in question, if it can be demonstrated there is market demand for that use, and if there is an explanation as to why the alternative use has not been pursued. Where AUV is used this should be supported by evidence of the costs and values of the alternative use to justify the land value. Valuation based on AUV includes the premium to the landowner. If evidence of AUV is being considered the premium to the landowner must not be double counted.'

- 3.2.10 It is therefore clear that the only acceptable approach to defining a benchmark land value for the purposes of a viability assessment, is the EUV+; or, exceptionally, AUV.
- 3.2.11 The application site is stated to be 0.6 hectares in size and contains a cleared site with the benefit of an extant planning permission (reference DM/22/2218) which grants permission for 50 retirement apartments.
- 3.2.12 The FVA notes that prior to the granting of the above permission, the application site benefitted from a permission (reference RM/20/3516) for '*Demolition of existing office building and provision of 54 apartments with associated parking and landscaping [including 17no. affordable homes]. AMENDED PLANS received 22nd February 2021 reducing the number of flats to 54, addressing comments from the Design Review Panel including revising the scale of the building and the parking layout, the submission of a Daylight/Sunlight Report and a revised Sustainability Report.*'
- 3.2.13 The FVA therefore considers that the EUV of the application site should be calculated by reference to residential development land values. Referring to the Local Plan Viability Study May 2022 prepared by HDH Planning and Development, the FVA notes that the average price paid for consented development land is £4.54m/ha with a median of £2.68m/ha (equivalent to £70,500 per unit). The FVA therefore applies a value of £70,500 per unit to the consented scheme to arrive at a BLV of £2,610,000 (rounded). The FVA does not seek to apply a landowner premium, which is considered to be included in the price paid values used for reference.

- 3.2.14 The Local Plan Viability Study referred to in the FVA assumed an EUV+ of £2,500,000 per hectare plus a landowner's premium of 20% for Previously Developed Land. Applied to the application site, this would equate to a maximum value of £1.8m. However, we understand that the application site included a vacant office building with little demand, which in our opinion would not achieve an upper end PDL value.
- 3.2.15 In addition, we note that Land Registry records indicate that the applicant was purchased by the applicant for £2 million on 7 March 2022.
- 3.2.16 Given that the site is cleared and that the previous buildings would have had low demand and therefore low value, a suitable BLV should be based on an AUV appraisal of the scheme permitted under reference RM/20/3516 including 17no. affordable homes. However, the applicant has not considered this approach. This is likely to be because the scheme would produce a relatively low residual land value although as no appraisal has been undertaken or provided by the applicant, we are unable to comment.
- 3.2.17 Overall, therefore, we consider that the BLV is overstated. The policy requirement for affordable housing would have been known when signing the S106 agreement, therefore a key question is whether the viability position has changed significantly since the scheme was granted approval. In addition, the landowner and developer will have to/would have had to take the policy requirement into account when agreeing a purchase price for the land. We will come back to this in our summing up in Section 4 below.

3.3 Land acquisition costs

- 3.3.1 The development appraisal includes acquisition costs consisting of 1% for agent's fees, 0.5% for legal fees (stated as 0.75% in the FVA) and SDLT at the prevailing rate, applied to the residual land value.
- 3.3.2 We consider these assumptions to be broadly appropriate, and we have not adjusted these in our appraisal (we have maintained the 0.5% legal fee assumption).

3.4 Gross Development Value – Market Housing

- 3.4.1 The consented scheme includes 22no. 1-bedroom and 28no. 2-bedroom Retirement Living apartments. The net saleable area of the 50no. Retirement Living apartments is 3,126 sq. metres.

- 3.4.2 The scheme is currently being advertised by the applicant (Greenstead) with pricing currently listed as £360,000 per 1-bedroom and £490,000 per 2-bedroom. The FVA adopts these values for the purposes of this viability exercise, and the submitted appraisals include a total GDV of £21,640,000, equivalent to an average value of £6,923 per sq. metre.
- 3.4.3 We have undertaken our own research into retirement values locally, considering other schemes currently being advertised by the applicant. Our research is summarised below.

Scheme	Average Guide Price £per sq. metre
Chichester, Twelve Acres Park	£5,953
Eastbourne, Harbourside House	£5,152
Angmering, Oakleaf Place	£6,023

- 3.4.4 Based on our research, we consider the assumed values to be suitable at this time.
- 3.4.5 It is also worth noting that any improvement in the sales value assumptions (compared with a level set at the point of the appraisal) would most likely be reflected in an improvement in scheme viability. Whilst the opposite could also occur (the sales values could fall relative to the assumptions made), that is the developer's (applicant's) risk, and such factors need to be kept in mind in making an overall assessment of the applicant's position.
- 3.4.6 The FVA refers to Land Registry House Price Index for Mid-Sussex and states that:
'anticipated revenue growth during the construction period would have been a material consideration when opting to sign the s. 106 agreement and proceed with the scheme although as demonstrated from the available data, any revenue growth over this period has been limited.'
- 3.4.7 It goes on to say that: *'The limited revenue growth since the granting of planning permission and commencement with the scheme needs to be considered in the context of construction cost and development finance cost inflation, which are all ultimately factors impacting on the viability of the extant scheme.'*

3.5 Cost Assumptions – Build Costs & Fees

- 3.5.1 The gross floor area of the retirement apartments is 4,526 sq. metres. The net:gross ratio is 69% meaning that approximately 31% of the overall built floorspace is in the form of communal, non-saleable floorspace, which is within the typical range for the development type.
- 3.5.2 The submitted construction costs are stated to be derived from the applicant's current expenditure and anticipated costs for the remainder of the scheme. Current expenditure is stated to be £667,466 and total construction expenditure is anticipated to equate to £11,654,835 inclusive of contingency. Works undertaken to implement the planning permission are stated to include demolition, remediation and limited ground works.
- 3.5.3 Based on the gross floor area, the build cost equates to £2,575 per sq. metre. For retirement housing similar to the consented scheme, in our experience, national retirement housebuilders typically adopt BCIS median costs in viability assessments. The current BCIS median rate for 'Supported housing – 3 storey' is £1,909 per sq. metre excluding external works and contingency. It is not clear why the BCIS median costs have not been adopted in this case.
- 3.5.4 At this stage, we do not consider the submitted costs to be fully justified. However, pending further evidence from the applicant, we have tested the scheme with the submitted construction costs.
- 3.5.5 The FVA states that: *'With regards to demonstrating material changes since the date planning permission was granted to the present, it is widely accepted that construction cost inflation has continued to outstrip revenue growth and will continue to do so for some time. In support of this, we refer to the Build Cost Information Service (BCIS) All-in Tender Price Index. On a national level, the increase from July 2023 to March 2026 equates to 6.48%. When considered from the date of the submission of the planning application (July 2022) to the present, the construction cost increase equated to 10.78%.'*

3.6 Professional fees

- 3.6.1 In addition to the above build costs, an allowance of £1,110,620 has been included for professional fees, which equates to c. 10% of the total construction costs. For the purposes of our appraisal testing, consistent with MSDC's typical approach on this

assumption, we have applied a lower assumption of 8%, which we understand has been possible to agree on the majority of reviews where viability has been considered at MSDC.

3.7 CIL / Planning Obligations

3.7.1 MSDC does not currently charge CIL on new development.

3.7.2 We understand that the scheme is required to provide total S106 contributions of £1,135,582 (including monitoring fee) as follows:

Affordable Housing Contribution - £913,0000
Community Buildings Contribution - £25,522
Formal Sport Contribution - £28,941
Health Contribution - £58,573
Library Contributions - £14,547
Local Community Infrastructure Contribution – £28,964
Total Access Demand - £63,335

3.7.3 The applicant is seeking the removal of the affordable housing contribution (£913,000). Two appraisals have been provided – one including the AH contribution and the other removing the contribution. The remaining S106 contributions (£222,582) are included in both appraisals.

3.7.4 We have carried out the appraisal including the affordable housing contribution. We assume that all requirements that are necessary to make a scheme acceptable in planning terms will have to be included regardless of viability.

3.8 Development Timings

3.8.1 The development timings set out in the FVA assume a 3-month pre-commencement period, with construction taking place over a further 18 months.

3.8.2 The FVA assumes a 42-month sales period. It is assumed that 25% of the units (13 units) will be sold in month 1, with a further 30% of the units (15 units) assumed to sell by the end of year 1. A further 20% of units (10 units) are assumed to be sold during year 2, 15% (8 units) during year 3 and the remaining 10% of the units (4 units) are assumed to sell within months 37 - 42.

- 3.8.3 The submitted timings align with those seen on similar schemes around the country over the past few years; while it is possible that more units could be sold in the early stages of the sales period, we do not consider the assumptions to be unreasonable, and we have not made any adjustments in our trial appraisal.

3.9 Development Finance

- 3.9.1 Typically, in the recent period we would expect to see finance rates of 6.0 – 8.0% depending on circumstances and with those assumptions representing the costs inclusive of all fees.
- 3.9.2 Finance costs have been included using a 7.25% debit interest rate and a 0.5% credit rate. This assumption is considered suitable, and we have not made any adjustments in our trial appraisal, therefore.

3.10 Agent's, Marketing & Legal costs

- 3.10.1 Sales marketing fees and agent's fees have been assumed at a total of 5%. This cost is higher than the rate applied to standard market housing, however, we accept the principle of there being great marketing costs due to the nature of retirement housing. We have not made any adjustments in our trial appraisal.
- 3.10.2 Legal fees on residential sales have also been included at £850 per unit. The assumption is broadly appropriate in our view.

3.11 Empty Property Costs

- 3.11.1 Empty property costs reflect the cost of running the building over the sales period (including council tax and service charge costs). These have been included based on the sales timings noted in 3.8 above. The costs have been calculated at £308,791.
- 3.11.2 As noted above, we consider the sales timings to be not unreasonable, and we have tested the empty property costs on this basis. However, we have not been able to check the basis of the assumption, which is stated to be included at Appendix 5 of the FVA (not provided).

3.12 Developer's Risk Reward – Profit

- 3.12.1 The Planning Practice Guidance (PPG) on Viability states: *'Potential risk is accounted for in the assumed return for developers at the plan making stage. It is the role of*

developers, not plan makers or decision makers, to mitigate these risks. The cost of fully complying with policy requirements should be accounted for in benchmark land value. Under no circumstances will the price paid for land be relevant justification for failing to accord with relevant policies in the plan'. It goes on to state: 'For the purpose of plan making an assumption of 15-20% of gross development value (GDV) may be considered a suitable return to developers in order to establish the viability of plan policies. Plan makers may choose to apply alternative figures where there is evidence to support this according to the type, scale and risk profile of planned development. A lower figure may be more appropriate in consideration of delivery of affordable housing in circumstances where this guarantees an end sale at a known value and reduces risk. Alternative figures may also be appropriate for different development types'.

- 3.12.2 The PPG, as above, although silent in terms of decision making, does set out a range of between 15% and 20% on GDV for market housing; lower for affordable housing in relation to plan making. Given that the NPPF and PPG expect planning applications to be consistent with the plan making stage, it is therefore also appropriate to assume that the range 15% - 20% on GDV (lower for affordable housing) may be considered at the decision taking stage.
- 3.12.3 In this case, the level of profit has been included as a fixed input at 20.0% of gross development (GDV) for the proposed retirement scheme (based on 100% market units). The submitted appraisals, as presented, allow for 20% GDV i.e. £4,328,000 and indicate deficits against the submitted BLV. Therefore the 'actual profit' taking into account the deficits is shown as follows:

Appraisal Conclusion	50 Units Full S.106	50 Units Reduced S.106
Residual Land Value	£486,441	£1,285,441
Benchmark Land Value	£2,610,000	£2,610,000
Surplus/Deficit	(£2,123,559)	(£1,324,559)
Actual Developer Return (% GDV)	10.19%	13.88%

- 3.12.4 Although we do not necessarily agree that an upper-end 20% profit assumption as submitted here, and regularly submitted in such cases, should apply to retirement housing where a policy concession is being sought, acknowledging the likely sales profile and scheme risk, we have tested the scheme viability with the submitted profit level



alongside providing sensitivity testing on a profit level of 17.5% GDV given the presented outcomes.

4. Findings Summary

- 4.1.1. The submitted overall approach to assessing the viability of the development is considered to be broadly appropriate in terms of general principles and approach to development appraisal. It should be noted however that the application is to vary a S106 agreement that was signed in July 2023 and which includes an affordable housing contribution of £913,000.
- 4.1.2. Whilst we consider the majority of the submitted assumptions to be fair, there are areas where we have a difference of opinion or consider that the submitted assumptions are not fully justified, based on the discussion in Section 3, above. In summary, these are:
- Benchmark Land Value (paragraph 3.2) – we consider the submitted BLV of £2,610,000 to be overstated.
 - Build costs (paragraph 3.5) – we have not been able to fully interrogate these because the costs have been grouped together in a lump sum amount rather than itemised. Therefore, without further information we do not consider that the submitted scheme build cost can be accepted. As noted above, for similar retirement schemes the use of BCIS median costs is commonly adopted and accepted, and no explanation has been offered for the different approach in this case.
 - Professional fees (paragraph 3.6) – we have made a downward adjustment within our trialling, from 10% to 8%.
 - Developer's Profit (paragraph 3.12) – the applicant has assumed a 20% profit on GDV. We have provided sensitivity testing based on a lower profit of 17.5% on GDV.
- 4.1.3. The submitted appraisals as presented indicate the following profit outcomes:

Appraisal Conclusion	50 Units Full S.106	50 Units Reduced S.106
Residual Land Value	£486,441	£1,285,441
Benchmark Land Value	£2,610,000	£2,610,000
Surplus/Deficit	(£2,123,559)	(£1,324,559)
Actual Developer Return (% GDV)	10.19%	13.88%

- 4.1.4. When making our suggested amendments to the development appraisal, as summarised in paragraph 4.1.2 above, when including the affordable housing contribution of £913,000, the proposed scheme produces the following results:

Profit % on GDV	Residual Land Value
20.0%	£584,013
17.5%	£964,091

- 4.1.5. Given the profit outcomes presented by the applicant, in our view, a profit target of 17.5% GDV should be regarded as being at a positive, acceptable level and there is no evidence currently that the resultant RLV of c. £1m could not form a suitable level of land value.
- 4.1.6. Therefore, at this stage we are unable to agree with the stated position that the scheme will not support contributions to S106 and affordable housing. We do not consider the BLV or the submitted costs to be fully justified.
- 4.1.7. Aside from the viability position based on a development appraisal, the Council will also need to consider the wider question of whether it is appropriate to consider viability at this stage, and how much weight to give to viability assessment; i.e to what extent the current viability position is the realisation of risk for the developer, what land value/profit is acceptable in the circumstances, and the benefits of housing delivery generally versus community benefits such as affordable housing. These matters go beyond the viability inputs being considered here.
- 4.1.8. The FVA refers to limited revenue growth in the backdrop of construction and finance rate inflation. It is worth noting that the Bank of England base rate has reduced since July 2023 from 5% to 3.75%. Again, it will be for the Council to consider to what extent this is the realisation of risk for the developer.
- 4.1.9. The RICS Professional Standard notes that ‘Development risk’ reflects: *‘The risk associated with carrying out, implementing and completing a development, including site assembly, planning, construction, post-construction letting and sales’* and that *‘The return for the risk is included in the developer return and the PPG makes it clear that it is the developer’s job to mitigate this risk, not plan makers and decision takers.’* This is all part of the usual development process. Furthermore, in reflecting the PPG the RICS

Professional Standard notes: *‘PPG paragraphs 007 and 009 reflect on the impact of market cyclicity during the life of the plan. Paragraph 007 gives market downturns as one example of the justification for a site-specific VR, but it is restricted to “a recession or similar significant economic change”. This implies the exclusion of normal market cyclicity, which is embedded in the level of developer return.’*

- 4.1.10. We need to be clear that our review is based on current day costs and values assumptions as described within our review based on the current scheme(s) as submitted. A different scheme may of course be more or less viable – we are only able to review the information provided.
- 4.1.11. Of course, no viability report or assessment can accurately reflect costs and values until a scheme is built and sold – this is the nature of the viability process and the reason for local authorities needing to also consider later stage review mechanisms when developments fall short of policy provision. In this sense, the applicant and their agents are in a similar position to us in estimating positions at this stage – it is not an exact science by any means, and we find that opinions can vary. It may also be the case that the Council will consider what weight to place upon viability in any ongoing wider discussion on this scenario.
- 4.1.12. As regards the wider context including the current economic situation, in accordance with the relevant viability guidance our review is based on current day costs and values – a current view is appropriate for this purpose.
- 4.1.13. DSP will be happy to advise further if required by MSDC.

Review report ends
May 2026

Appendix I – DSP version of the applicant’s submitted appraisal

HAYWARDS HEATH - March 2026 (No AH)
50 RL Apartments

HAYWARDS HEATH - March 2026 (No AH)

50 RL Apartments

Appraisal Summary for Phase 1

Currency in £

REVENUE

Sales Valuation	Units	m ²	Sales Rate m ²	Unit Price	Gross Sales
1B RL Apartment	22	1,142.94	6,929.48	360,000	7,920,000
2B RL Apartment	<u>28</u>	<u>1,983.00</u>	6,918.81	490,000	<u>13,720,000</u>
Totals	50	3,125.94			21,640,000

NET REALISATION **21,640,000**

OUTLAY

ACQUISITION COSTS

Residualised Price			964,091		
				964,091	
Stamp Duty			37,705		
Effective Stamp Duty Rate		3.91%			
Agent Fee		1.00%	9,641		
Legal Fee		0.50%	4,820		
				52,166	

CONSTRUCTION COSTS

Construction	m ²	Build Rate m ²	Cost		
1B RL Apartment	1,655.00	3,098.57	5,128,134		
2B RL Apartment	<u>2,871.00</u>	<u>2,273.32</u>	<u>6,526,716</u>		
Totals	4,526.00 m²		11,654,850		
				11,654,850	

Other Construction Costs

EPC			308,791		
				308,791	

Section 106 Costs

Section 106 Costs			1,135,582		
				1,135,582	

PROFESSIONAL FEES

Other Professional Fees		8.00%	932,388		
				932,388	

MARKETING & LETTING

Marketing		5.00%	1,082,000		
				1,082,000	

DISPOSAL FEES

Sales Legal Fee	50.00 un	850.00 /un	42,500		
				42,500	

TOTAL COSTS BEFORE FINANCE **16,172,368**

FINANCE

Debit Rate 7.25%, Credit Rate 0.50% (Nominal)					
Land			129,326		
Construction			770,837		
Other			780,470		
Total Finance Cost				1,680,633	

TOTAL COSTS **17,853,001**

PROFIT

3,786,999

Performance Measures

Profit on Cost%	21.21%
Profit on GDV%	17.50%
IRR% (without Interest)	17.51%