site evolution limited

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Our ref: ARJP/02.001.01(1)

17th March 2025

Cumberland Council
The Market Hall
Market Place
Whitehaven
CA28 7JG

Dear Sirs

Harras Dyke Farm, Whitehaven – Project Viability Analysis and Comparison to support an Application to omit condition 14 of Application reference 4/24/2195/0B1.

At the request of Thomas Armstrong Ltd ("TAL"), Site Evolution Limited has prepared a series of viability scenarios for their proposed development at Harras Dyke Farm, Whitehaven using Cumberland Council's preferred project viability template. These viabilities scenarios are appended to this commentary and are explained as follows:

> *Viability at Purchase, with 9 No. Affordable Dwellings – (Scenario 0)*
> This demonstrates site viability using information available at the date of site acquisition (but not information that has come to light in the period since). For appropriate comparison against other viability scenarios, this viability has been brought up to date using current anticipated Sales Values and Development Costs. For clarity, this viability includes provision of 9 No Discounted Sale Affordable Dwellings (discount of 20% off OMV) as was discussed and agreed by TAL at the time with Planning Officers, reflecting the affordable housing requirement to be pursued by Copeland Borough Council within their emerging Local Plan. This level of affordable provision was subsequently identified in plans approved within Application 4/24/2035/0B1.
>
> *Current Viability, with 9 No. Affordable Dwellings – (Scenario 1)*
> This viability is based on Scenario 0 but is updated to include additional costs that have become evident in the period since site acquisition (see explanation of these costs below).
>
> *Current Viability, excluding Affordable Dwellings – (Scenario 2)*
> This viability is the same as Scenario 1 excluding Affordable Dwellings.

These viability scenarios demonstrate the impact of unexpected development costs upon project viability and support a planning application by TAL to remove condition 14 of Approval ref 4/24/2195/0B1 ("the planning condition"), thereby seeking to omit provision of Affordable Dwellings on this site.

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Background

This site has the benefit of the following planning approvals, which have both commenced:

1. Outline planning permission approval reference 4/16/2416/0O1 and Reserved Matters Application approval ref 4/24/2036/0B1 is for 5 dwellings.
2. Outline planning permission approval reference 4/24/2195/0B1 and Reserved Matters Application approval ref 4/24/2035/0B1 is for 85 dwellings.

The planning condition applies only to Approval reference 4/24/2195/0B1 but it is noted that the site can only be delivered by implementing both planning approvals. For this reason, we have considered viability on the project as a whole (i.e. both planning approvals) as this was also the basis of site acquisition. This approach to viability is also more equitable and robust in that viability 'subsidy' from Approval references 4/16/2416/0O1 and 4/24/2036/0B1 (which have little infrastructure and no requirement for Affordable Housing) contributes towards delivery of the whole project.

The site has a number of existing development constraints, including:

- Site remediation following historic open cast coal mining activity across a substantial proportion of the site
- A deep mineshaft, that is capped.
- An extensive surface water drainage system taking upstream flows.
- Several high-pressure large diameter adopted water mains.
- A Public Right of Way (Footpath).
- Overhead electricity cables and a electricity pylon.

Additionally, several off-site constraints affect development of the site:

- A requirement to repair an existing off-site surface water drain.
- Off-site foul sewer connection works.
- Off-site utility connection works.

At the point of site acquisition, the majority of constraints noted above were known to TAL and were accounted for within their site viability; consequently, the price paid by TAL for the site was adjusted accordingly. However, the financial impact of three specific issues has changed considerably in the period since site acquisition, namely:

- Additional Ground Remediation and Improvement
- Additional Off-site FW sewer connections (Red Lonning)
- Additional Off-site Utility connection works

The combined additional and unexpected cost of these three issues has a significant impact on viability of the development. This is demonstrated by comparing Viability Scenario 0 against Scenario 1, as shown below in Table 1.

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Table 1 – comparison of Scenario 0 against Scenario 1

	Scenario 0	Scenario 1
GDV	£ 26,642,500	£ 26,642,500
DEVELOPMENT COSTS		
Acquisition Costs	£ 2,392,775	£ 2,392,775
Construction Costs		
Basic:	£ 15,040,368	£ 15,040,368
Abnormal - Infra	£ 584,060	£ 584,060
Abnormal - Plot	£ 880,000	£ 880,000
Abnormal - Additional Infra	£ -	£ 1,149,797
Contingency	£ 825,221	£ 882,711
Other costs:		
Professional Fees	£ 1,039,779	£ 1,112,216
Cost of finance	£ 617,659	£ 790,977
Cost of disposal (market units)	£ 630,063	£ 630,063
Cost of disposal (disc sale units)	£ 14,400	£ 14,400
TOTAL DEVELOPMENT COSTS	£ 22,024,325	£ 23,477,367
DEVELOPER PROFIT (£)	£ 4,618,175	£ 3,165,133
DEVELOPER PROFIT (%)	17.33%	11.88%

As noted, "Abnormal – Additional Infra" costs are £1,149,797 and explained as follows:

- Additional Ground Remediation and Improvement – a significant proportion of the site is affected by former open-cast coal mining and those areas of the site where undisturbed ground is located are, in the majority, constrained by existing infrastructure (water pipes in particular). A simple approach to ground remediation was followed at Outline Planning stage requiring the placement of significant over burden (additional weight) upon disturbed ground to compact and consolidate the land for development use. Such an approach is logical and theoretically deliverable however, following post-acquisition discussion with engineers and warranty providers (NHBC/LABC) the extent of remediation works to be undertaken so that dwellings can be sold with Building Regulations Approval and with a new home warranty is exponentially greater, requiring further site investigation work (on-going) and in-situ ground improvement techniques in addition to placement of overburden.
- Additional Off-site FW sewer connections (Red Lonning) – a foul sewer connection exists within Harras Road and is being utilised for a proportion of the development. However, part of the site has now been confirmed as being too low to drain by gravity to the foul connection point in Harras Road and a second connection point has been identified within Red Lonning Industrial Estate, approx. 140m from site. This connection is within the public highway and works will be at significant depth.
- Additional Off-site Utility connection works – utilities are located in Harras Road however the electricity Point of Connection is identified within the Highlands development and the route to site is long and convoluted.

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Proposal

TAL have sought to minimise development costs and maximise sales value to retain project viability. Nonetheless, calculated viability is significantly below original expectations and threatens project delivery. As the site has already been acquired, there is a certain degree of commitment by TAL to delivery of this site however underlying global, national and regional economic conditions mean that construction costs are unpredictable and the sales environment remains weak, despite underlying demand. TAL are only able to proceed with development of this site if viability allows it to proceed, and viability is now significantly less than expected.

To improve project viability, the only remaining variable available to TAL is replacement of affordable dwellings with open market dwellings. While this would not fully restore project viability to levels expected at site acquisition, it would go some way towards this, as demonstrated below in Table 2:

Table 2 – comparison of Scenarios 0, 1 & 2

	Scenario 0	Scenario 1	Scenario 2
GDV	£ 26,642,500	£ 26,642,500	£ 27,002,500
DEVELOPMENT COSTS			
Acquisition Costs	£ 2,392,775	£ 2,392,775	£ 2,392,775
Construction Costs			
Basic:	£ 15,040,368	£ 15,040,368	£ 15,040,368
Abnormal - Infra	£ 584,060	£ 584,060	£ 584,060
Abnormal - Plot	£ 880,000	£ 880,000	£ 880,000
Abnormal - Additional Infra	£ -	£ 1,149,797	£ 1,149,797
Contingency	£ 825,221	£ 882,711	£ 882,711
Other costs:			
Professional Fees	£ 1,039,779	£ 1,112,216	£ 1,112,216
Cost of finance	£ 617,659	£ 790,977	£ 759,127
Cost of disposal (market units)	£ 630,063	£ 630,063	£ 675,063
Cost of disposal (disc sale units)	£ 14,400	£ 14,400	£ -
TOTAL DEVELOPMENT COSTS	£ 22,024,325	£ 23,477,367	£ 23,476,117
DEVELOPER PROFIT (£)	£ 4,618,175	£ 3,165,133	£ 3,526,383
DEVELOPER PROFIT (%)	17.33%	11.88%	13.06%

Removal of the planning condition is a pre-requisite to delivery of current development proposals by TAL in the near future.

Yours sincerely

Ian Storey
Director