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Planning Department
Havant Borough Council
Public Service Plaza
Civic Centre Road
Havant
PO9 2AX
UK

Our ref: JM/25-00209
Your ref: APP/24/00968
Date: 22 October 2025

Dear Lesley,

Re: Beachlands, Beach Road, Hayling Island, Hampshire, PO11 0JG

We have been provided with a copy of the ‘Review of Applicant Submitted Viability Position’ report provided by Dixon Searle Partnership (DSP) which is dated October 2025 (Ref: DSP25403AD).

While there are some differences of opinion between the two viability consultants, we strongly disagree with the approach taken to reviewing the build costs within the DSP report. DSP have not reviewed the cost information submitted as part of the initial FVA report nor have they taken into account the site specific costs that will be incurred during the build out of the proposed development and adopted high-level BCIS data. This fundamentally does not take into account the expected costs of the proposed development which we expand upon further below.

I set out below a summary of our Initial FVA report’s conclusions below:

Scheme	100% Private (Cost Plan Costs)	100% Private (BCIS Build Costs)	30% AH (Cost Plan Costs)
Residual Land Value	-£5,379,858 (Neg)	+£178,231	-£6,132,106 (Neg)
Benchmark Land Value	£536,000	£536,000	£536,000
Surplus / Deficit	-£5,915,858	-£357,769	-£6,668,106
Viable / Not Viable	Not Viable	Not Viable	Not Viable

Our conclusions based on the assumptions included within our report are that the scheme is unable to provide any affordable housing as the scheme including 100% Private tenure produces a deficit of -£5.9m. Our assumptions are based on a detailed evidence base which was summarised within our initial FVA report.

We have reviewed the DSP report and summarise their conclusion in the table below:

Scheme	100% Private (BCIS Build Costs)	30% AH (BCIS Build Costs)
Residual Land Value	£1,024,183	£487,542
Benchmark Land Value	£536,000	£536,000
Surplus / Deficit	+£488,183	-£48,458
Viable / Not Viable	Viable	Not Viable

DSP therefore conclude that the scheme is unable to provide the full policy compliant provision of affordable housing as the 30% AH appraisal creates a deficit of c. £48k. However, they assess the scheme at 100% Private as being viable with a surplus of c. £488k.

There are a number of areas which the two viability consultants differ in their opinion of appropriate assumptions which are summarised below:

- **Commercial GDV** – DSP have stated that Rapleys have understated these values.
- **Construction Costs** – DSP have adopted BCIS information as opposed to reviewing the HSP cost plan.
- **Contingency** – DSP have concerns there is double counting in this assumption.
- **CIL & S106** – DSP have adopted slightly different assumptions on these points which need to be resolved.

Whilst the changes to Commercial GDV, Contingency and CIL / S106 assumptions have an effect on the viability conclusions, the main input change that is leading to this significant difference between the two parties is the Construction Costs.

In our initial FVA report, Rapleys put forward a construction cost estimate based on the cost plan which was instructed by the Applicant. Holloway Squire Partnership (HSP) have created a bespoke cost plan based on the architectural drawings prepared for submission as part of the planning application. HSP have confirmed that their opinion of cost for the scheme at £15,100,852.92, equivalent to £3,605.74 per sqm / £325.78 per sq ft (including professional fees and contingency). We removed the professional fees and contingency assumptions from the costs and included them in separate lines within the appraisal. The base construction costs was adopted at £13,356,925.92, equating to £3,189 per sq m / £296.30 per sq ft.

At this stage of design, HSP has had to make a number of assumptions within their assessment of cost as is common for a project of this nature. Not all the details of design have been finalised, and, at this stage, it is an industry standard to make assumptions to ensure that any information that is unknown is included within the estimates.

Rapleys included a sensitivity test within the FVA report to assess the scheme on the basis of BCIS cost data. This information would assess the scheme based on market facing costs but removing any site specific costs associated with bringing the site forward for development. As noted within our report, it is important to note that BCIS cost data does not allow for external works (including site preparation costs, drainage works, earthworks, utilities upgrades, hard-scaping and soft-scaping) and preliminaries. This exercise was purely a demonstration that by removing the site specific abnormals the costs of the scheme are reduced considerably, and the

viability position is improved. However, as we confirmed in our conclusions this still does not present a viable position.

From our understanding of the DSP report and conclusions, they have not assessed the viability position based on the cost plan as submitted. They appear to have noted a caveat within the cost plan which states that the cost plan *"should be used to promote further discussion and as a cost yardstick to rationalise design criteria to the proposed budget. There may also be options to reduce the costs through design review and development"* and that *"possible savings may be made in specification to the scheme and by further detail work being undertaken"*. As mentioned previously, it is commonplace for a cost plan at this early stage to include caveats and assumptions that are required in order to provide a cost estimate when all the information for a scheme has not been confirmed. Therefore, there is always an option for costs to be reduced (as well as increase) as further design works is carried out, and more information is known.

DSP do not appear to have assessed whether the costs that have been submitted are reasonable other than to compare them to BCIS data and disregard them. These costs should have been reviewed, as is normal practice in viability negotiations, on a line by line basis to assess whether the correct measurements and rates have been utilised within the submitted cost plan.

DSP have therefore utilised a base construction cost of £8.527m (excluding professional fees and contingency) based on the BCIS data. This is c. £4.83m lower than the cost plan estimate by HSP. This is equivalent to a c. 36% reduction in construction costs. It is prudent to assess that the base build costs of both the BCIS estimate and the "Plot Build" costs are fairly similar (£8.57m / £7.83m), however, it is the additional costs of abnormals / site specific costs that are increasing the costs above and beyond the BCIS data.

These site specific costs must be included within the viability appraisal to accurately reflect the scheme as proposed. The location of the scheme, together with the bespoke nature of the build require costs to be assessed above the BCIS rates.

We would recommend that DSP progress the viability discussions in one of the two following routes:

- DSP include the additional costs as detailed within the HSP cost plan in their development appraisals and re-submit their conclusions based on the current estimate for costs.
- DSP provide a line-by-line review of the cost plan to establish which measurements / rates are not appropriate and provide an updated cost estimate which can be included within their development appraisals and re-submit their conclusions based on this new estimate.

The current surplus which is concluded by DSP is c. £488k, the total cost that have been removed from the cost plan is c. £4.83m. Even the inclusion of c. 10% of these costs would reduce the surplus to zero (not accounting for any other appraisal input changes). We therefore conclude that the additional abnormal costs that should be included within the development appraisal will remove any surplus and the initial position of the FVA report is confirmed and no affordable housing can be provided by the proposed scheme.

There is limited time to confirm this amended assessment and so it is imperative that a route forward is confirmed as quickly as possible.

We trust the contents of this letter are clear, but should you have any further questions, please do not hesitate to contact us.

Yours sincerely,

Jamie Miller

Jamie Miller (Oct 24, 2025 12:21:55 GMT+1)

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