1.1 I do not consider the Viability Studies on which SSDC has relied in formulating its Draft Charging Schedule to be either robust or up to date. Indeed, it is not entirely clear whether SSDC relies on the Study carried out by BNP Paribas in 2013 and updated in 2015; or on the single appraisal dated 30th March 2016, of unspecified authorship, which appeared on SSDC's website after the consultation period on the Draft Charging Schedule had expired, and only shortly before the District Executive met on 12th May to endorse its Planning Officers' recommendation to submit the Draft Charging Schedule for independent examination, with some modifications. I assume it is a combination of all three documents that SSDC is relying on, although the 2016 appraisal is not accompanied by any explanatory text to aid the reader's understanding of its content.

1.2 Since my appointment by Mudford and (more recently) East Coker Parish Councils, I have been keen to discuss the various Viability Studies and the evidence produced by SSDC's advisers, with SSDC. The Harman Report recommends transparency and collaboration in viability work.

1.3 In May, I sent SSDC a table (please see Appendix A) comparing SSDC's 4 financial appraisals for a generic SUE at Yeovil in 2012, 2013, 2015 and 2016. Within that table I have highlighted (with a yellow background) various figures that appear incongruous and/or show some inconsistency. To date, I have had no response from SSDC on this.

1.4 Although the Viability Study carried out in 2013, and updated in 2015, by BNP Paribas referred to an SUE of 2,500 homes, both financial appraisals are in fact based on a total of 3,000 homes (2,125 open market and 875 affordable dwellings) – as indeed the 2012 Study by Roger Tym & Partners had been. The origin of this is an earlier Local Plan proposal for a single SUE of 2,500 new homes to the south and west of Yeovil, which failed to pass examination in 2013; and which was replaced by the current proposal for two smaller SUEs at Keyford and Up Mudford of approximately 800 and 765 new homes respectively. The Local Plan Examiner's report, which supported the proposal for two smaller SUEs, was issued in January 2015.

1.5 It is strange that BNP Paribas's Update Addendum Report in July 2015 did not recognise and address this change, as there are significant differences between a development of 2,500 new homes and one of 800 new homes, which have a bearing on viability. It is presumably that deficiency in the evidence base which prompted SSDC to publish (albeit belatedly) the 2016 Appraisal of an 800-home scheme.

1.6 Concentrating mainly on the 2 most recent appraisals (2015 and 2016), there are the following anomalies:

a) total acquisition costs in the 2015 Appraisal appear to bear no relation to the residual land price, and actually exceed the land price shown;

b) the proportion of affordable housing in the 2015 Appraisal (29.2%) is not in line with local plan policy HG3 aimed at 35% affordable – which is reflected in the 2012 and 2016 Appraisals – although I acknowledge that a reduced/minimum requirement of 30% affordable homes is also raised in paragraphs 6.26 and 6.35 of the local plan;

c) there is no obvious justification in BNP Paribas' 2013 Report (paragraphs 4.25 to 4.28) or in the 2015 Update Addendum (in which Developer's Profit is not mentioned) for the high rate of return – in excess of 21% on total (not just open market) GDV – that has been assumed in both the 2013 and 2015 Appraisals;

d) in spite of commenting on page 7 of the Update Addendum Report that an addition to BCIS build costs for the old Code for Sustainable Homes, and/or to reflect other future energy-saving

requirements, is no longer appropriate, an addition of 4% is still assumed in both the 2015 and 2016 Appraisals;

e) the 2016 Appraisal appears to translate the same assumptions made concerning house prices and build costs, from the 2015 Appraisal, into a generic scheme for 800 new homes at the same density (40 dwellings per net hectare) and on the same assumption concerning average dwelling size. The proportion of affordable homes, however, has been increased to 35%. But for some reason the allowance for sale and marketing costs has not been adjusted to reflect the greatly reduced GDV for open market homes, and therefore amounts to 13.5% of GDV (rather than 3.5%). Thus those costs are about £10 million higher than they should be.

f) conversely, the author of the 2016 Appraisal has adopted a more reasonable/appropriate margin for developer's profit (a blended return of 16.08% on total GDV, from both open market and affordable homes); but has failed to include any allowance for Finance Costs. In my opinion these anomalies/errors make the 2016 Appraisal unreliable as evidence on viability.

g) the 2015 Appraisal is out of date, as I will demonstrate in my evidence under Issue 2 and might also be considered to lack appropriate proportionality, given that it fails to address the change to two smaller SUEs that I have described in paragraph 1.3 above.

1.7 Logically, one would infer from the 2015 Viability Study and the 2016 Appraisal that it is not viable for the Yeovil SUEs to provide 15% affordable housing, or support a CIL charge. It is not clear from SSDC's evidence what level of affordable housing and necessary infrastructure could be supported on these sites. If this conclusion were correct, it would surely call into question the ability of these sites to bring forward genuinely "sustainable" developments fulfilling the requirements of (for example) paragraphs 7 and 8 of the National Planning Policy Framework. The implications of that would be highly significant for a local authority that cannot currently demonstrate a 5-year forward land supply for housing.

1.8 The RICS Guidance note (GN 94/2012) on Financial Viability in Planning, in section 3.6.6 and in its Executive Summary, strongly recommends that financial appraisals are sensitivity tested, and that more complex schemes should be subject to additional scenario/simulation analysis. SSDC's 2016 Appraisal does not appear to have been subject to any form of sensitivity testing, and only one scenario is put forward, based on 35% affordable housing. As this generates a negative land value, one would have expected other scenarios involving a lower proportion of affordable housing to be tested.

1.9 By contrast, the appraisals I have carried out, and on which I elaborate under Issue 2, include sensitivity tables; albeit that I have assessed only one scenario (based on 35% affordable housing) because this shows a positive land/site value for the development, as a well as a profit margin for the developer, that both meet the normally accepted criteria for competitive return.

1.10 In conclusion, I do not consider the evidence used in support of the Draft Charging Schedule to be robust, for the reasons I have outlined above. The Appraisals carried out prior to 2016 are no longer appropriate or proportionate to the local plan proposals for two SUEs at Yeovil, even though (prior to that change) the content of the Viability Studies might have passed these latter tests in the context of the CIL Regulations and Planning Practice Guidance.