

Provision of Viability Consultancy Advice to the Planning Service – Appendix Two

High Level Business Case for Self-Delivery Option

The outline high level business case has been produced in order to ascertain if it would be a sustainable option to explore further.

Income Assessment - BHCC

The total fees and number of cases commissioned from the current provider (District Valuer Service) over the last 3.5 years is shown below:

	2016/17	2017/18	2018/19	2019/20	Total	Average
Total Fees	£73,228.38	£72,666.10	£119,920.22	£33,363.75	£299,178.45	£85,479.56
Commissions	16	16	29	13	74	21
Average Fee	£4,576.77	£4,541.63	£4,135.18	£2,566.44	£4,042.95	

There may be some limited scope to increase charges to developers (say 7.5%) which would give an **annual income** from 21 cases of **circa £91,250**.

Income Profile - BHCC

The total fees per quarter have also been assessed to examine the potential issues of peaks and troughs in workload for a small niche team, as shown below:

Fee Profile	2016/17	2017/18	2018/19	2019/20	Quarterly Average	Total Fees 3.5 Years	Quarterly Percentage	Forecast Profile
Qtr 1	0	£3,458.00	£2,797.00	£19,025.60	£ 6,320	£ 25,281	8.5%	£7,711
Qtr 2	0	£8,321.50	£20,473.57	£14,338.15	£ 10,783	£ 43,133	14.4%	£13,156
Qtr 3	£25,310.10	£38,126.40	£44,454.20		£ 35,964	£ 107,891	36.1%	£32,907
Qtr4	£47,918.28	£22,760.20	£52,195.45		£ 40,958	£ 122,874	41.1%	£37,477
Total	£73,228.38	£72,666.10	£119,920.22	£33,363.75		£ 299,178	100%	£91,250.00

This shows that the likely profile of work (77% of the annual workload will be required in the last 2 quarters of the year) does not match the minimum required resource (2 FTE.)

Third Party Income

A questionnaire was sent to all 12 districts and borough councils seeking data on their volume and value of viability work, how they currently source it and potential interest in joining a Sussex wide viability service. Whilst there was interest in participating in a procurement exercise to establish a framework of viability consultants, there was little interest in participating in a council delivered service. It is therefore not considered prudent to assume third party income could be generated for the service.

Resources

In order to provide a responsive, timely service, the following minimum resources would be required:

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Role	FTE	Mid Point Salary	Total Employment Cost
Senior Estates Surveyor	1.0	£ 41,675	£ 57,927
Estates Surveyor	1.0	£ 33,799	£ 47,249
TOTAL COST TO EMPLOY			£ 105,176

There would also be the need to secure third party cost advice on most schemes from an external quantity surveying practice. This could not be provided in house due to the workload volume, profile and need to maintain current experience of the construction market rather than just relying on the building cost construction index. This is estimated to cost circa £26,250 per annum (based on 21 assessments.)

This also assumes that the team would use an existing standard model to evaluate viability. If it was decided to develop a local model, these additional development and maintenance costs (circa £20,000) would have to be recovered through additional charges to developers.

High Level Financial Plan

The forecast plan for a self-delivered service is shown below:

	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Total
Income	£7,711	£13,156	£32,907	£37,477	£91,250
Less:					
Staff Costs	£ 26,294	£ 26,294	£ 26,294	£ 26,294	£105,176
QS Fees	£ 2,218	£ 3,785	£ 9,466	£ 10,781	£26,250
Total Costs	£ 28,512	£ 30,079	£ 35,760	£ 37,075	£131,426
Surplus/Deficit	-£20,801	-£16,923	-£2,853	£402	-£40,176

Conclusion

The provision of a self-delivered viability service is unlikely to be sustainable for the council. In order to close the £40k forecast deficit, fee charges to developers would need to increase by approximately 55% over the current rates levied by the DVS, which will be challenged by the industry

This will especially be the case as, in order to flatten out the workload peaks, the team would need to extend the timescales to deliver studies received in the second half of the year. The council would therefore be directly contributing to further slowing down development, with the knock on impact of achieving housing targets and associated reputational damage.

The alternative strategy (to engage additional agency staff resources in the Autumn/Winter) would add circa £48k to the annual costs and require a total increase in fees of 110% over the current DVS rates to be viable. This level of charge would put the fee costs at around the same level as charged by private practice and we could therefore be challenged by developers to use this route, which would negatively impact on the viability of the service.

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Self Delivery Option SWOT Analysis

Strengths	Weaknesses
<ul style="list-style-type: none"> • More quickly update own viability tool to reflect changes to local housing market (incl rents) • Provides planners and councillors with access to subject matter expertise for reports and committee using a single, consistent model • Improved resilience compared to reliance on current single supplier arrangement • Develops over time better understanding of local housing market and issues affecting development 	<ul style="list-style-type: none"> • Small niche team that could become quickly overloaded with work and lack of ability to easily increase capacity (without supporting frameworks for viability & cost consultancy advice) • Difficult to reduce capacity if workload reduces due to economic climate (with consequent burden on general fund) • Need to fund set up costs & any income shortfall on fixed costs (model, BCIS & RICS subscriptions) competing with other council investment bids/priorities • Viability is a non-statutory duty for an authority to provide • BHCC reputation potentially diminished if work backlogs occur & council able to be blamed directly for delays to planning permissions by developers
Opportunities	Threats
<ul style="list-style-type: none"> • Potential to trade service with other Sussex districts & boroughs • Option to expand fee paying Planning Performance Agreement to include viability appraisal • Publicise model to developers to encourage them to consider viability prior to overpaying for site • May provide some additional estates surveying capacity within Property & Design team & possible wider staff progression options • Possible capacity to support other policy work currently commissioned from consultants 	<ul style="list-style-type: none"> • Pay and reward structure may make it difficult to recruit/retain suitably qualified and experienced resources • Developers are more likely to challenge refusals on viability grounds where the council has provided its' own advice • Sub-consultancy models leave future workload level risk with suppliers rather than the council • Service vulnerable to central government changes to NPPF and viability requirements/thresholds • Challenge to fee levels from developers (which would be set by BHCC) if higher than charges levied by DVS • May deter some developers from working in the city due to perceived introduction of another unknown variable in the process

