

Sue Thomas

From: Jean Watkins
Sent: 16 April 2021 10:31
To: Planning
Subject: 60823: Yelland Quay - Viability Assessment and Construction Cost

Please link as COR

From: McCarthy, Joe <Joe.McCarthy@plymouth.gov.uk>
Sent: 16 April 2021 09:52
To: Jean Watkins <Jean.Watkins@northdevon.gov.uk>
Subject: RE: Yelland Quay - Viability Assessment and Construction Cost

OFFICIAL

Hi Jean,

I'm not an expert but I believe it works like this. Lets say the site is going to make £10m profit and we agreed this figure for the basis of viability. From that has to be deducted all the developers internal overheads, interest costs, staff wages, rent, insurance etc before you know what taxable profit they make. What's more complicated is that you would need to do this for every site they have going on each year. As an example of the range and how developer specific it is, Persimmon made 25% profit before tax, Taylor Wimpey 10% and Galliford Try (Linden) made 5%.

For simplicity though lets assume they only deliver one site at a time. Let's say that the final, taxable profit on this site following all their overhead deductions is half the headline figure so £5m (10% overall, like Taylor Wimpey). They would then pay 19% corporation tax on that amount so £950,000 of tax. In a best case scenario they get a credit for this full amount due to the tax relief.

So bearing in mind all those quite substantial assumptions, the Relief could result in effectively 10% more profit than is shown in the viability appraisal. In this case we were anticipating a profit of around 15.6% so you could make an argument that the effective profit would in fact be 17.2%.

We would not normally take in to account this Relief because it occurs at the Company level rather than the Application Site level albeit the activity that generates the relief occurs at the Site level. The amount of benefit any applicant receives from the Relief will be very specific to that applicant. For example an applicant that makes no profit across their business will receive much less benefit than an applicant who makes lots of profit across their business in a year. All guidance on viability in planning points to assessing the Site as opposed to the Applicant so even if we could make a reasonable judgement about what corporation tax an applicant would make in any given year, we're not really supposed to.

The other thing I would say is that this is a central government policy aimed at incentivising developers and housebuilders, at a strategic level, to target contaminated brownfield land rather than greenfield land for their development pipelines. I would argue that if you then tried to take away that incentive at a local level it would be problematic.

So to summarise:

- I've not seen it taken in to account in viability in planning before.
- Its benefit would be Applicant specific rather than Site specific.

- It can be very difficult to calculate.
- On this site it would be unlikely to move the bar sufficiently to change the overall opinion.
- Seeking to capture the benefit of the Relief locally could undermine the purpose of the incentive.

We could explore this further but I think I may need the assistance of a tax accountant.

Regards to grant. We have had a number of contaminated sites that have achieved various grants over the years, from lots of different sources. Any site that achieves grant though can no longer claim Land Remediation Relief.

Hope that helps? Its a complicated area but as I say, happy to explore further if its a priority but may need specialist assistance.

Joe McCarthy

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From: Matt Steart <matt@woodward-smith.co.uk>

Sent: 15 April 2021 16:49

To: Jean Watkins <Jean.Watkins@northdevon.gov.uk>

Subject: Fwd: Yelland Quay - Viability Assessment and Construction Cost

Hi Jean,

We gained a response from the applicants accountant regarding land remediation relief and the relevance of this against corporation tax.

It is not a grant that one can apply for but as corporation tax hasn't been included in the VA it bears no difference to the final position of the VA.

Regards

Matt Steart
RIBA Chartered Architect & Partner
Woodward Smith Chartered Architects

Begin forwarded message:

From: Ed Meardon <Ed@rtmarke.co.uk>
Date: 7 April 2021 at 11:27:58 BST
To: Paul Jury <paul@nottsltd.co.uk>
Subject: RE: Yelland Quay - Viability Assessment and Construction Cost

Hi Paul,

As discussed, land remediation relief simply enhances the corporation tax saving on any costs related to land remediation work. So for example if you spend £100 on stationery, that reduces the company's taxable profits by £100, saving £19 corporation tax at today's rate of 19%.

If the company spends £100 on qualifying land remediation costs, the company's taxable profit is reduced by £150, saving corporation tax of £28.50

NB if the company is loss making, a "cash credit" can be applied for of 20% of qualifying spend, but as this is less valuable than the corporation tax saving, it is better to wait until a company makes a profit and claim the 150% corporation tax deduction unless cashflow is absolutely paramount.

Based on this, as no provision for corporation tax appears to be shown in the viability report and budget, I am struggling to see the relevance of these rules. If the forecasts were updated to add corporation tax then this relief could be included, but overall the bottom line would presumably worse as an after tax figure.

If it would help I would be happy to discuss with Matt

Kind regards

Ed

*Ed Meardon FCA ATII, Director
For and on Behalf of R T Marke & Co Ltd*

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From: Kevin Binmore <kevin@gatesconsultants.co.uk>
Sent: 09 September 2020 15:06
To: Matt Steart <matt@woodward-smith.co.uk>
Cc: Phil Hawkins <phil@gatesconsultants.co.uk>; Luke Smyth <luke@gatesconsultants.co.uk>
Subject: Yelland Quay - Viability Assessment and Construction Cost
Importance: High

Dear Matt,

Please find attached our Viability Assessment and updated Construction Budget (Rev.4) in connection with Yelland Quay.

As previously thought, based on the income as advised by Webbers and our estimated construction cost the Viability Assessment does not allow for any affordable provision and/or S106 payments.

If you have any queries, please do not hesitate to contact me.

Kind regards

Kevin A Binmore



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