

# **Financial Viability Statement | Non-Technical Executive Summary**

Barrow Road, Barton upon Humber

February 2024

# 1. Declaration

## Instruction and Purpose of Report

- 1.1 Avison Young (AY) has been appointed by North Lincolnshire Council (the Council) to prepare an independent assessment of scheme viability in relation to a development of 173 dwellings on land at Barrow Road, Barton upon Humber.
- 1.2 The applicant (Strata Homes) has applied for planning permission (PA/2023/1607), which is the subject of the following ‘developer contributions’, as set out within the Heads of Terms for the Section 106 Agreement:
- 35 affordable dwellings (20% of the total number of dwellings), split 69% for rent (circa 25 dwellings rounded up) and 31% (10 dwellings) as intermediate products. The trigger points are 10 units on occupation of the 30<sup>th</sup> dwelling, 10 units on occupation of the 70<sup>th</sup> dwelling, 10 units on occupation of the 110<sup>th</sup> dwelling and 5 units on occupation of the 140<sup>th</sup> dwelling.
  - Primary and secondary education contributions at a combined cost of £10,602 per market dwelling. Assuming policy compliant levels of affordable housing the scheme would deliver 138 market dwellings<sup>1</sup>, which would mean the total education contribution is £1,463,076<sup>2</sup>, of which 30% is to be paid on occupation of the 1<sup>st</sup> dwelling, 30% on occupation of the 60<sup>th</sup> dwelling and 40% on occupation of the 120<sup>th</sup> dwelling.
  - Informal open space maintenance contribution of £48,171.20, payable prior to occupation of the 100<sup>th</sup> dwelling.
  - Off site contribution of £108,212 for two LEAP’s, payable on occupation of the 50<sup>th</sup> dwelling.
  - Recreation contribution of £1,185.98 per dwelling, which equates to a total cost of £205,174.54<sup>3</sup>. Half is payable on occupation of the 60<sup>th</sup> dwelling and half on occupation of the 120<sup>th</sup> dwelling.
  - A health contribution of £864.03 per market dwelling, which equates to a total cost of £119,236<sup>4</sup>. Payment is required in full on occupation of the 20<sup>th</sup> dwelling.
  - A contribution of between £1,000 and £5,000 towards improvements to the Assembly Rooms.
  - A biodiversity net gain must be secured on site and if this can’t be done through conditions it may need to be included on the S106 Agreement.
- 1.3 The purpose of the assessment was to consider the viability of providing the S106 obligations (including policy compliant provision of affordable housing) alongside other scheme development costs.

## Basis of Reporting

- 1.4 Our report has been prepared in accordance with the RICS Professional Statement Financial Viability in Planning: Conduct, and Reporting, 1st edition, May 2019. This document sets out mandatory requirements on conduct and reporting in relation to viability assessments for planning in England to demonstrate how a reasonable, objective and impartial outcome should be arrived at.
- 1.5 Further to the mandatory RICS reporting requirements the assessment has also been undertaken with due regard to the RICS Guidance Note: Assessing viability in planning under the National Planning Policy Framework 2019<sup>5</sup> for England, 1st edition March 2021 and the latest Planning Policy guidance (PPG) and National Planning Policy Framework (NPPF) guidance relating to viability.

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<sup>1</sup> 173 total dwellings less the 35 affordable homes.

<sup>2</sup> 138 market dwellings multiplied by £10,602 per dwelling.

<sup>3</sup> 173 total dwellings multiplied by £1,185.98 per dwelling.

<sup>4</sup> 138 market dwellings multiplied by £864.03 per dwelling.

<sup>5</sup> It should be noted that although the latest version of the NPPF is July 2021 the guidance remains valid.

## **Objectivity, Impartiality and Reasonableness**

- 1.6 The assessment has been carried out by an RICS member who has acted with objectivity, impartially, without interference and with reference to all appropriate available sources of information. Furthermore the RICS member who has undertaken this report is a suitably qualified practitioner and RICS Registered Valuer with sufficient skills, expertise and knowledge to provide a robust and objective assessment. The RICS member has extensive experience in advising on financial viability assessments and up-to-date knowledge of the planning system gained through previous viability experience and working alongside Avison Young's local and national planning teams and other planning consultants.
- 1.7 We confirm that we have advocated, and will advocate reasonable, transparent and appropriate engagement between the parties at all stages of the viability process.
- 1.8 Neither Avison Young or the RICS member has undertaken an area-wide viability assessment concerning existing or future planning policies against which the proposed scheme could be assessed in the future.
- 1.9 All inputs into this assessment have been reasonably justified.
- 1.10 We confirm that that adequate time as been provided to produce this report.

## **Conflict of Interest**

- 1.11 We confirm that to the best of our knowledge, no conflict of interest arises in preparing the advice requested.

## **Contingent Fee**

- 1.12 In preparing this assessment, no performance-related or contingent fees have been agreed.

## **Status**

- 1.13 The advice contained within this report does not constitute a valuation of the site in accordance with RICS Valuation – Global Standards 2022 and should not be relied upon as such<sup>6</sup>.
- 1.14 This report has been prepared for the sole use of our client, based on the scope of work and on the terms and conditions agreed with our client. Whilst facts have been rigorously checked, Avison Young can take no responsibility for any damage or loss suffered because of any inadvertent inaccuracy within this report. Information contained herein should not, in whole or part, be published, reproduced, or referred to without prior approval. Any such reproduction should be credited to Avison Young.

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<sup>6</sup> The assessment is prepared for assessing the viability of development to assist with planning matters, either plan/policy making, or decision taking. The assessment therefore constitutes an exception from valuation technical and performance standards ('VPS') 1 – 5 of the Red Book and is not a formal valuation and should not be relied upon as such.

## 2. Executive Summary

- 2.1 The assessment has been undertaken on a residual cashflow basis to determine the residual land value, using industry standard Argus Developer software.
- 2.2 The key viability assumptions adopted by Avison Young when undertaking the assessment are summarised in Table 2.1.

*Table 2.1 – Key Viability Assumptions*

Input		Comments
Private Sales	£2,421psm (£225psf).	Based on comparable evidence from new build schemes locally.
Discounted Market Sales	£1,938psm (£180psf)	Based on 80% of the private sales.
Affordable Rent Values	£1,453psm (£135psf)	Based on 60% of the private sales.
Build Costs	£1,485psm (£138psf)	Based on lower quartile costs from BCIS for estate housing and adjusted to Q1 2024 and for local sensitivities in Humberside. An allowance of 15% also added for external works.
Abnormal Costs	£3,005,215	Abnormal costs related to the development.
Developers Contingency	3%	Applied to the build and abnormal costs
Project fees	6%	Applied to the build costs
Sales and Marketing	3%	Applied to GDV
Interest	7.5%	-

### Benchmark Land Value

- 2.3 For the purpose of this assessment we have adopted a benchmark land value of £1,300,000.

### Target Profit

- 2.4 Planning Practice Guidance (PPG) states<sup>7</sup> that for the purpose of plan making an assumption of 15% to 20% of gross development value (GDV) may be considered a suitable return to developers to establish the viability of plan policies. It further states that plan makers may choose to apply alternative figures where there is evidence to support this according to the type, scale and risk profile of planned development. It also states that alternative figures may also be appropriate for different development types.
- 2.5 Whilst the reference within PPG is clearly aimed towards viability in plan making many practitioners also refer to the guidance within PPG for viability in decision making. However, at the application and decision-making stage the level of return needs to have regard to the scale and complexity of the project in question, its cash efficiency, the scale of investment required and the embedded risk in delivering the project, which correlates with the guidance set out within PPG.
- 2.6 With respect to this project, the following points are highlighted:

<sup>7</sup> Paragraph: 018 Reference ID: 10-018-20190509

- The project is subject to a number of technical challenges and as a result is subject to a range of abnormal costs;
- The current costs are subject to a much higher level of uncertainty than would normally be the case, due to continuing inflation.

2.7 Within this context, our opinion of a reasonable return for the developer is a profit, across the open market sales and affordable housing, of 18% GDV.

### **Viability Assessment Results and Conclusions**

2.8 The scheme is unviable on a policy-compliant basis.

2.9 However, a scheme comprising 100% market sales (i.e. no affordable housing) can viably support circa £730,000 of S106 financial obligations.

2.10 Alternatively, the Council could seek to pursue some affordable housing in lieu of the £730,000 of S106 contributions. The maximum affordable housing the scheme could viably support is 20 dwellings , split 60% affordable rent (12 dwellings) and 40% (8 dwellings) intermediate .

2.11 Although not required in viability testing for planning purposes our sensitivity testing exercise also demonstrated that the scheme could be more viable and therefore able to support further S106 obligations and or affordable housing, subject to changes in costs and values. This is an important consideration, as we understand that the Applicant has agreed to pay £1.28m in s106 contributions, which is higher than the £730,000 figure identified as viable through this assessment taking into account Levelling Up Funding that has been secured to deliver the Barton Link Road and new roundabout of the A1077/Falkland Way Junction.

2.12 It is, therefore, recommend that the Council proceed in line with the provisional agreement from the Applicant to pay £1.28m in S106 contributions.

# Contact details

## Enquiries

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