AVISON YOUNG

North Lincolnshire Council

Financial Viability Statement | Non-Technical Executive Summary

51 – 55 Waterside Road, Barton upon Humber

August 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 34 dwellings on land at 51 – 55 Waterside Road, Barton upon Humber.

1.2 The Applicant has applied for planning permission (PA/2023/1034), which is the subject of the following 'developer contributions', as set out within the Heads of Terms for the Section 106 Agreement.

- 7 affordable dwellings (20% of the total number of dwellings), split 70% for rent (circa 5 dwellings) and 30% (2 dwellings), as intermediate products. The proposed trigger points are 3 dwellings prior to the occupation of the 15th dwelling, and 4 units prior to the occupation of the 30th 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 27 market dwellings1, which would mean the total education contribution is £286,254, of which 30% is to be paid on occupation of the 5th dwelling, 30% on occupation of the 15th dwelling and the remaining 40% on occupation of the 25th dwelling.
- A total recreation contribution of £37,266, which is to be paid prior to the occupation of the 20th dwelling.
- Area of play contribution of £33,668, towards the Dam Road playground or Waters Edge playground, which is to be paid on occupation of the 25h dwelling.
- A health contribution of £864.03 per market dwelling, which equates to a total cost of £23,329 assuming policy compliant levels of affordable housing. Payment is required in full prior to occupation of the 10th dwelling.
- An on-site requirement for 10sq.m per dwelling (340sq.m in total) for informal open space. For the council to adopt and maintain the land, a contribution of £12,205.20 will be required, to be paid in full prior to occupation of the 20th dwelling.
- A payment of between £1,000 and £5,000 is required for improvements to the Assembly Rooms. For the purpose of this appraisal we have assumed a cost of £5,000 which is to be paid prior to occupation of the 5th dwelling.

1.3 The purpose of this assessment is to consider the viability of providing the S106 obligations (including policy-compliant provision of affordable housing) alongside other scheme development costs. The Applicant commissioned Development Consultancy to prepare a viability assessment which concluded the scheme was unable to support any affordable housing or the Council's S106 Contributions

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[1] for England, 1st edition March 2021 and the latest Planning Policy guidance (PPG) and National Planning Policy Framework (NPPF) guidance relating to viability.

[1] 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[2].

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.

[2] 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	£2,152psm (£200psf).	Based on comparable evidence from new build schemes locally.
Intermediate Affordable Housing	Based on 80% of the private sales.	Accepted by the Council on other schemes.
Affordable Rent Values	Based on 60% of the private sales.	Accepted by the Council on other schemes.
Build Costs	£1,324psm (£123psf)	Based on lower quartile costs from BCIS for estate housing and adjusted to Q2 2024. An allowance of 15% also added for external works.
Abnormal Costs	£368,068	Abnormal costs related to the development.
Developers Contingency	5%	Applied to the build costs and abnormals.
Project fees	6%	Applied to the build.
Sales and Marketing	3%	Applied to GDV of open market sales.
Interest	7.5%	-

Benchmark Land Value

2.3 For the purpose of this assessment we have adopted a benchmark land value of £190,000.

Target Profit

2.4 Planning Practice Guidance (PPG) states[3] 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.

[3] Paragraph: 018 Reference ID: 10-018-20190509

2.6 Within this context, our opinion of a reasonable return for the developer is 18% of GDV.

Viability Assessment Results and Conclusions

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

2.8 However, if the scheme is based on 100% market sales (i.e. there is no affordable housing), and the S106 obligations are removed, except the education contribution, which is reduced to £6,500 per unit, resulting in a total cost of £221,000, the scheme is viable and the land value exceeds the BLV.

2.9 **There our assessment has concluded that the most the scheme can viably support is a S106 contribution of £221,000, which we have assumed would be prioritised for education.**

2.10 Although not required in viability testing for planning purposes a sensitivity testing exercise 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.

2.11 On this basis the Council may want to consider some form of clawback arrangement within the S106 Agreement whereby a further open book appraisal will need to be completed after the scheme has been completed and if the clawback triggers are exceeded a further financial contribution in lieu of affordable housing and / or shortfall in the current S106 ask becomes payable to the Council.

Contact details

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