



MANAGEMENT

# Financial Viability Appraisal

**Address:** Land to rear of 99 North Street,  
Winterton, DN15 9QW

**LPA:** North Lincolnshire

**Planning ref:** PA/2019/1414

**Client:** Scothern Construction

**Date:** 18<sup>th</sup> October 2024



## Contents

Executive Summary	3
Introduction	4
S106 Management	6
Planning Policy	7
National Guidance	9
Viability	12
Toolkit Inputs	13
Benchmark Land Value	34
Conclusions	40
Sensitivity Matrix	41
T&Cs and Compliance	42

## Executive Summary

This report provides a Financial Viability Appraisal (FVA) of proposed development at Land to rear of 99 North Street, Winterton, DN15 9QW. The process involves utilising Market Comparison and Residual Methods following RICS Guidance *Valuation of Development Property* (2019), *Assessing Viability in Planning under the NPPF Framework* (2023), and National Planning Policy Guidance on Viability (NPGV 2019), and complies with RICS professional standards and guidance *Financial Viability in Planning: Conduct & Reporting*.

Following NPGV para 008, wherever possible this FVA utilises assumptions used in the underlying local plan evidence base. Where changes have been made, these are fully supported by market evidence demonstrating current local circumstances.

The key outputs of this FVA are summarised in the below table:

<b>GDV</b>	<b>£15,260,899.55</b>
<b>Costs exc land and profit</b>	<b>£13,468,810.48</b>
<b>Finance</b>	<b>£532,636.95</b>
<b>Return</b>	<b>£3,052,179.91</b>
<b>BLV</b>	<b>£800,400.00</b>
<b>RLV</b>	<b>(£1,792,727.79)</b>
<b>RLV-BLV</b>	<b>(£2,593,127.79)</b>
<b>Target profit</b>	<b>20.00%</b>
<b>Actual profit</b>	<b>3.01%</b>

Target developer return includes a risk-adjusted rate for market residential (20%). Sensitivity analysis demonstrates this is the minimum return necessary to offset the current risk environment.

Benchmark Land Value (BLV) is assessed via the EUV+ and AUV method where relevant in line with national policy.

As such, this FVA demonstrates that, on a 100% open market basis, the benchmark land value exceeds the residual land value of the scheme. Therefore, the development cannot viably provide the targeted contributions.

Full appraisal inputs and evidence are found in the Schedules, referred to throughout.

## Introduction

S106 Management is instructed by Scothern Construction to produce a Financial Viability Appraisal (FVA) to determine the level of Affordable Housing contribution that can be viably delivered on proposed development at Land to rear of 99 North Street, Winterton, DN15 9QW.

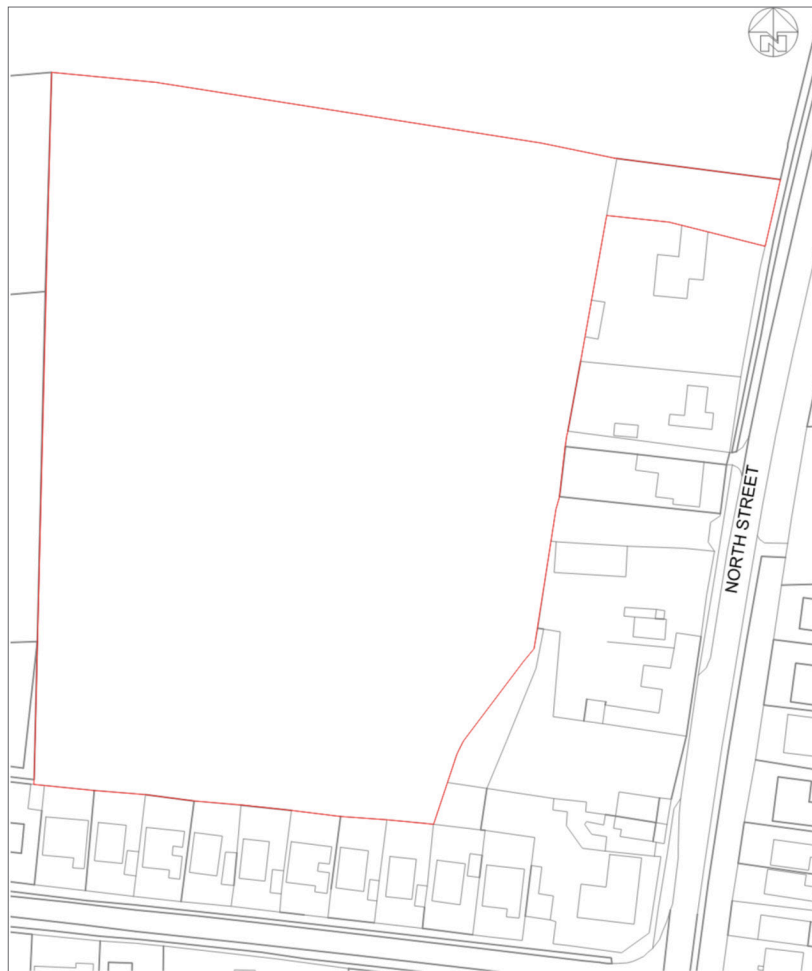
Outline permission for *'residential development of up to 66 dwellings with all matters reserved for subsequent consideration'* was granted under ref PA/2019/1414, via appeal ref APP/Y2003/W/21/3266829 in June 2021. This scheme was subject to a signed s106 agreement dated 28 April 2021, including several planning obligations and 13 affordable dwellings.

S106M are instructed to review the viability of the existing obligations. This report is to accompany a Reserved Matters application to be submitted shortly.

The existing site comprises 2.32Ha of greenfield land to the rear of North Street, Winterton.

The scheme comprises 65 dwellings with associated infrastructure, landscaping and parking.

**Location Plan**



## **S106 Management**

**S106 Management** is a viability consultancy established in 2011. Formed initially to capitalise on 35 years of specialist experience in planning law, viability assessment and development, the company has expanded over the last 10 years and now benefits from the expertise of chartered surveyors, town planners, solicitors, architects and an extensive network of planning professionals.

With over a decade of experience in creating expert financial viability appraisals, advising on complex planning obligations, and negotiating with local authorities, **S106 Management** has often been at the forefront of planning viability matters. The company is now one of the most effective and experienced specialist viability consultancies in the UK, combining expertise from all corners of the industry and benefiting from a considerable evidence base of several thousand development appraisals countrywide.

## Planning Policy

By virtue of section 38 (6) of the *Planning and Compulsory Purchase Act 2004*, planning applications must be determined in accordance with the adopted plan of the Local Authority, unless material considerations indicate otherwise.

Therefore, the policy starting point is CS9 of the North Lincs Core Strategy (adopted June 2011) and Affordable Housing Policy Interim Position Statement (August 2015):

### **CS9: AFFORDABLE HOUSING**

New residential housing development of 15 or more dwellings in the Scunthorpe urban area, 5 or more dwellings in Market Towns and 3 or more dwellings in rural settlements must make provision for an element of affordable housing which is accessible to those unable to compete in the general housing market. This policy seeks to achieve the following proportion of affordable housing:

- Scunthorpe urban area and Market Towns 20%
- Rural settlements 10%

A target of 70% of the affordable homes will be provided for rent, with the remaining provided as an intermediate tenure, to be agreed on a site by site basis.

Wherever possible, affordable housing should be provided on-site, but an off-site contribution may be acceptable where:

- a) Management of the affordable housing on-site cannot be secured effectively; or
- b) Affordable housing provision elsewhere in more suitable settlements is more likely to contribute towards the creation of mixed communities.

Where it can be demonstrated that the percentage of affordable housing sought will negatively impact on the delivery of a mixed community, or are subject to exceptional and authenticated site development costs, there may be a case for reducing the affordable housing. This should be proven through open book discussions with the council at planning application stage.

#### **Rural Exception Sites**

Planning permission will be granted for the release of small rural exception sites within or adjacent to the development limits or within rural settlements for 100% affordable housing where a local need has been clearly identified. All proposals must be substantiated by evidence that the scale of development proposed meets the identified needs.

CS9 suggests that developments of in Market Towns (including Winterton) should supply 20% affordable housing. In this case that equates to the 13 dwellings secured via the existing s106 agreement.

The purpose of this FVA is to determine whether the development is capable of supporting the targeted contribution.

The most recent area-wide viability study in the North Lincs Local Plan Viability Study (2021).

PPG Viability para 008 states:

***'How should a viability assessment be treated in decision making?***

***'Where a viability assessment is submitted to accompany a planning application this should be based upon and refer back to the viability assessment that informed the plan; and the applicant should provide evidence of what has changed since then.'***

This creates a presumption that the underlying local plan evidence base is correct until otherwise proven by dissenting parties, with the burden of proof relating to what changes have occurred since adoption of the local plan applicable to all parties.

As such, where appropriate the conclusions of the underlying local plan evidence base are used to inform our report and corroborate assumptions. Where we believe changes must be made these are fully evidenced.

National Guidance is a material consideration; therefore, we also consider the 'National Planning Policy Framework' (NPPF) , and the 'National Planning Guidance for Viability' (NPGV) (May 2019).

## National Guidance

National guidance on the delivery of Affordable Housing is provided by the NPPF.

Paragraphs 57, 58 and 65 of the NPPF are of particular relevance:

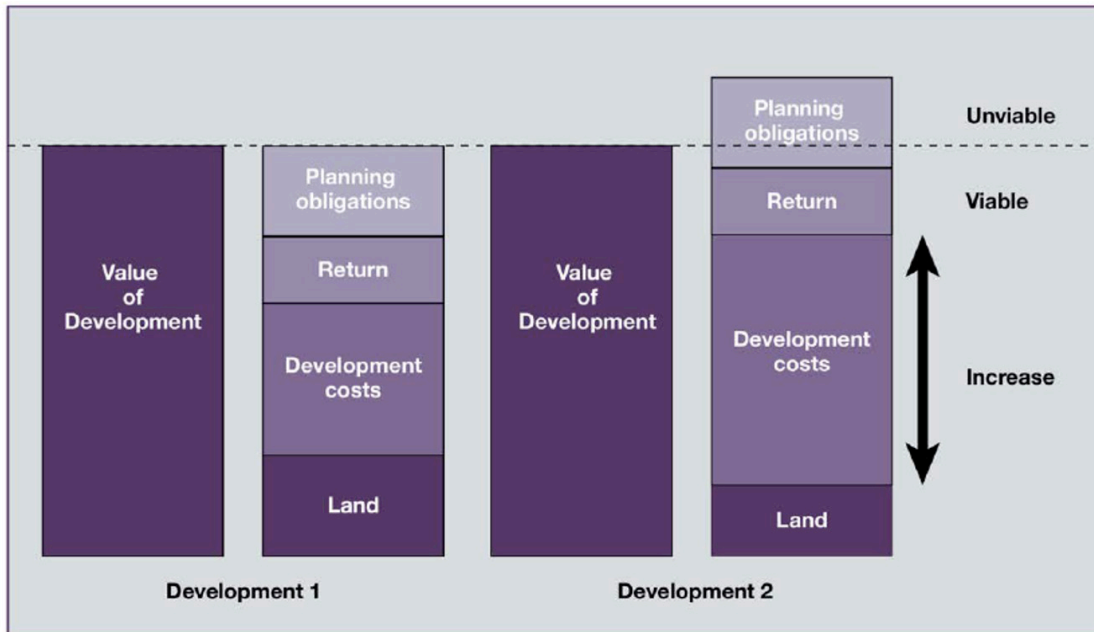
57. Planning obligations must only be sought where they meet all of the following tests<sup>24</sup>:
  - a) necessary to make the development acceptable in planning terms;
  - b) directly related to the development; and
  - c) fairly and reasonably related in scale and kind to the development.
58. Where up-to-date policies have set out the contributions expected from development, planning applications that comply with them should be assumed to be viable. It is up to the applicant to demonstrate whether particular circumstances justify the need for a viability assessment at the application stage. The weight to be given to a viability assessment is a matter for the decision maker, having regard to all the circumstances in the case, including whether the plan and the viability evidence underpinning it is up to date, and any change in site circumstances since the plan was brought into force. All viability assessments, including any undertaken at the plan-making stage, should reflect the recommended approach in national planning guidance, including standardised inputs, and should be made publicly available.
65. Provision of affordable housing should not be sought for residential developments that are not major developments, other than in designated rural areas (where policies may set out a lower threshold of 5 units or fewer). To support the re-use of brownfield land, where vacant buildings are being reused or redeveloped, any affordable housing contribution due should be reduced by a proportionate amount<sup>31</sup>.

The recommended approach referred to above is set out in the NPGV (<https://www.gov.uk/guidance/viability>).

The standard approach to viability is explained at para. 10 of the NPGV:

***'Viability assessment is a process of assessing whether a site is financially viable, by looking at whether the value generated by a development is more than the cost of developing it.'***

This is summarised well in the below figure from RICS guidance:



Paragraphs 11-18 lay out the required approach to calculating gross development value (GDV), development costs, benchmark land value, landowner and developer return.

The concept of viability is well expressed by the NPGV, in particular para 012 which sets out the costs that should be included in any viability statement, and paras 013-017 which seek to ensure that the landowner should receive the Existing Use Value (EUV) of the site plus a premium, thus providing an incentive to the landowner to bring the site forward for development.

Our report has been written in accordance with the principles set out in both the NPPF, and the NPGV.

## Particular Circumstances

Both RICS guidance and PPG Viability note that particular circumstances must justify the need for a site-specific viability assessment. These circumstances are broad, with a non-exhaustive list provided by the PPG.

*'Such circumstances could include, for example where development is proposed on unallocated sites of a wholly different type to those used in viability assessment that informed the plan; where further information on infrastructure or site costs is required; where particular types of development are proposed which may significantly vary from standard models of development for sale (for example build to rent or housing for older people); or where a recession or similar significant economic changes have occurred since the plan was brought into force.'*

*PPG Viability para 007*

The particular justification for this site-specific viability assessment is that significant economic changes have occurred since the plan was brought into force, and further information on infrastructure or site costs is required.

Following the RICS guidance:

**3.10.3** The main differences in FVAs for decision taking, compared to for plan making, are that:

- the level of planning requirements has been determined in the plan
- the site will be identified
- the scheme will be specified in more detail
- any abnormal costs can be identified, including any remediation costs and related land remediation relief tax allowances that may be available, and any costs incurred in readying the site for development, and
- the evidence base can be more specifically related to the actual site (where the site was not assessed at the plan-making stage).

## Viability

The relevance of viability is accepted in Core Policy CS9 which states:

Where it can be demonstrated that the percentage of affordable housing sought will negatively impact on the delivery of a mixed community, or are subject to exceptional and authenticated site development costs, there may be a case for reducing the affordable housing. This should be proven through open book discussions with the council at planning application stage.

The Interim policy statement also notes:

### Supporting the viable delivery of housing

- 4.2 North Lincolnshire Council is committed to supporting viable housing development. The request for any form of planning obligation will not be to the detriment of the overall viability of the housing development.
- 4.3 Core Strategy Policy CS9: Affordable Housing states that “where it can be demonstrated that the percentage of affordable housing sought will negatively impact on the delivery of a mixed community, or are subject to exceptional and authenticated site development costs, there may be a case for reducing the affordable housing. This should be proven through open book discussions with the council at the planning application stage.
- 4.4 Applicants are encouraged to have detailed discussions with the Council prior to the submission of a planning application. If the applicant has concerns regarding the viability of the site and level of planning obligation being sought, the council will work with the applicant to complete an open book appraisal of the site and then look to agree a level of obligation that ensure the development remains viable.

These policy statements should be seen in the context of the NPPF, and indeed subsequent Government guidance.

There are several proprietary toolkits in use to justify viability. We use the Housing Corporation Economic Appraisal Tool (HCEAT); and Argus Developer.

Our report and its conclusions are based on the application of this tool.

The next section sets out the assumptions that have been made in the preparation of the viability toolkit examining the viability of this site; the toolkit is shown in **Schedule 1** of this report. The comments below address the inputs to the toolkit sequentially and an electronic copy can be provided to the LPA on request.

## Toolkit Inputs

### Proposed Development

The development is summarised by the table below (plans are shown at **Schedule 2** to this report):

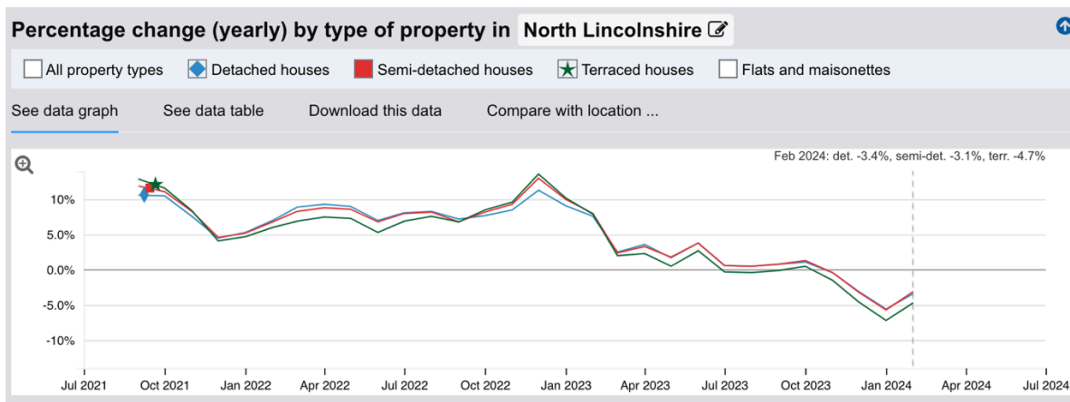
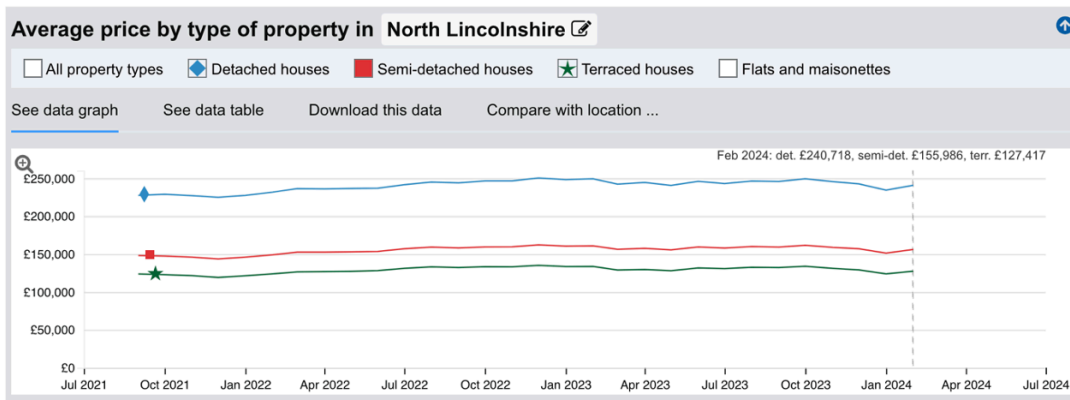
Unit Types	No. of Units	Parking	Approx. Unit Floor Area		Approx. Total Floor Area	
			sq m	sq ft	sq m	sq ft
<b>A - 2 Bed (2 storey) Semi Detached</b>	2	2no. Spaces	74.8	805.1	149.6	1610
<b>A1 - 2 Bed (2 storey) Semi Detached / Terrace</b>	8	2no. Spaces	69.8	751.3	558.4	6011
<b>B - 2 Bed Bungalow (1 storey) Semi Detached</b>	4	2no. Spaces	68.6	738.4	274.4	2954
<b>B1 - 2 Bed Bungalow (1 storey) Semi Detached - Single Garage</b>	4	SG and drive	68.6	738.4	274.4	2954
<b>C - 3 Bed (2 storey) Corner Turner</b>	2	2no. Spaces	98.6	1061.3	197.2	2123
<b>D - 3 Bed (2 Storey) Semi detached</b>	8	2no. Spaces	99.0	1065.6	792.0	8525
<b>E - 3 Bed (2 storey) Semi detached</b>	8	2no. Spaces	105.0	1130.2	840.0	9042
<b>F - 3 Bed (2 storey) Detached</b>	10	2no. Spaces	115.0	1237.9	1150.0	12379
<b>G - 4 Bed (2 storey) Detached Single Garage</b>	4	SG and drive	120.0	1291.7	480.0	5167
<b>J - 4 Bed (2 storey) Detached Single Garage</b>	9	SG and drive	146.0	1571.5	1314.0	14144
<b>K - 4 Bed (2 storey) Detached Single Garage</b>	6	SG and drive	126.0	1356.3	756.0	8138
<b>TOTAL FLOOR AREA (GROSS INTERNAL)</b>	<b>65</b>				<b>6786.0</b>	<b>73045</b>

### Affordable Housing Values

We approach this issue by firstly modelling a scheme with no Affordable Housing; if the Residual Value of this model exceeds the Benchmark Value of the site (as described below) producing a surplus profit, then we produce a second model to illustrate the maximum level of Affordable Housing that can viably be delivered by the development.

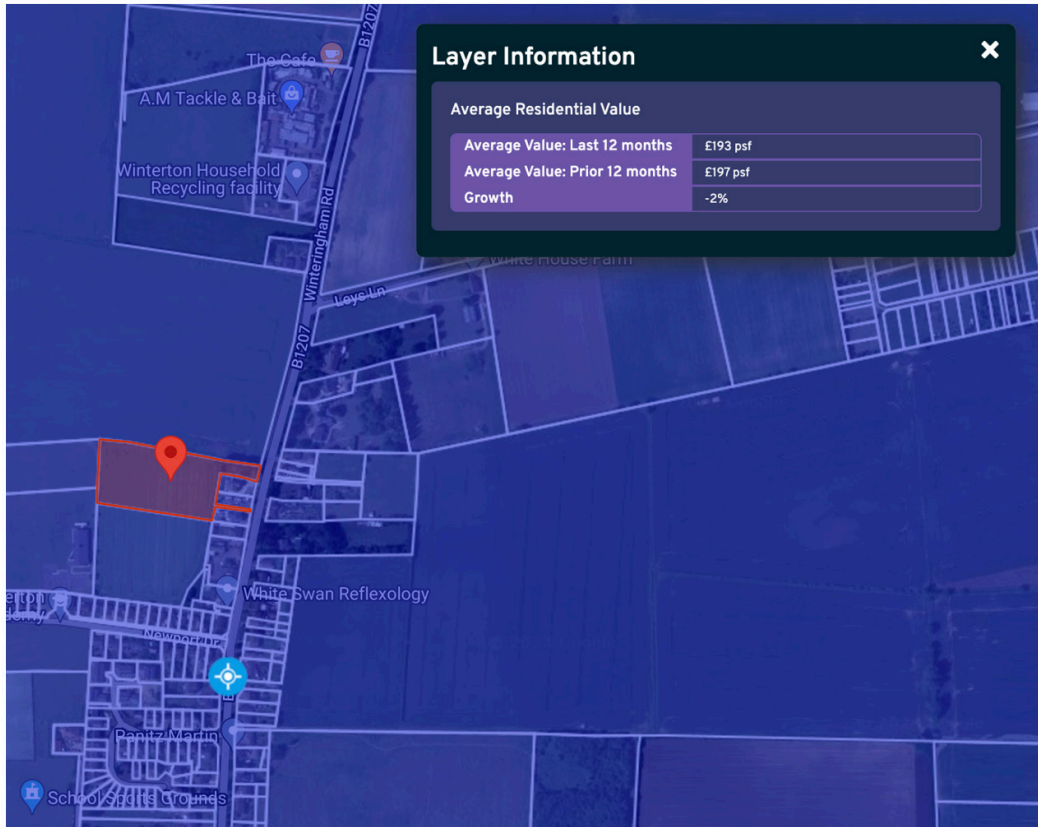
## Open Market Housing Values

Land Registry data for North Lincolnshire suggests the following average values for detached, semi-detached and terraced dwellings:



A negative annual change of between -3.1-4.7% is apparent depending on type. This accords with the wider market environment which has been negatively impacted by increased finance costs over the last 12 months.

Nimbus suggests the following data:



This suggests an average open market value for properties in the immediate area of £2,077/m<sup>2</sup>, down -2% year on year.

We have further consulted the local plan viability study which notes the following assumptions for value:

Residential Sales Values					
Sub-Market Area	Sales Value £sqm				
	Apartment	2 Bed	3 Bed	4 Bed	5 Bed
Low	1,550	1,825	1,750	1,750	1,675
Medium	1,550	2,050	2,000	2,000	1,900

This suggests values ranging from £1,825-2,050/m<sup>2</sup> for 2 bed dwellings; £1,750-2,000/m<sup>2</sup> for 3 bed dwellings, and £1,750-2,000/m<sup>2</sup> for 4 bed dwellings.

However, we note this information is from 2020-21 and therefore will require updating for current market conditions.

## Transactional Data

We have compared this data to relevant recent 'sold' transactions extrapolated from Rightmove (see **Schedule 3**). Values are extremely sensitive to small changes in search area; therefore, we have limited our transactional search to within 1 year and the settlement boundary.

<i>Terraced Sold within 0-1 Mile, Last 2 years</i>					
Address	Type	Sale Date	Area m2	£/m2	Price
188, Northlands Road, Winterton, Scunthorpe, North Lincolnshire DN15 9UW	3b terraced, recently modernised, detached garage and summer house	01/12/2023	85	£1,705.88	£145,000
9, Queen Street, Winterton, Scunthorpe, North Lincolnshire DN15 9TR	2b mid terrace house	11/09/2023	58	£1,982.76	£115,000
Rhybas Court, 2, Roxby Road, Winterton, Scunthorpe, North Lincolnshire DN15 9SU	2b mid terrace house	27/04/2023	55	£1,909.09	£105,000
39, Cemetery Road, Winterton, Scunthorpe, North Lincolnshire DN15 9UG	3b terraced, recently renovated throughout, large garden	14/04/2023	70	£2,307.14	£161,500
57, Park Street, Winterton, Scunthorpe, North Lincolnshire DN15 9UB	2b end terrace, recently renovated throughout	20/01/2023	87.5	£1,600.00	£140,000
1, D'arcy Close, Winterton, Scunthorpe, North Lincolnshire DN15 9FA	2b semi/end terrace, nb c.2018	25/11/2022	59	£2,372.88	£140,000
4, Southfield Road, Winterton, Scunthorpe, North Lincolnshire DN15 9XE	2b end terrace, recently renovated, no chain	10/11/2022	81	£1,444.44	£117,000
57, Earls Gate, Winterton, Scunthorpe, North Lincolnshire DN15 9SS	2b terraced, period features, recently renovated throughout	30/09/2022	79	£1,392.41	£110,000
19, North Street, Winterton, Scunthorpe, North Lincolnshire DN15 9QL	2b end terrace period cottage, good condition throughout	31/08/2022	44	£2,454.55	£108,000
			<b>Avg. £/m2</b>	<b>£1,845.59</b>	

<i>Semi-detached Sold within 0-1 Mile, Last 1 Year</i>					
Address	Type	Sale Status	Area m2	£/m2	Price
25, Walker Drive, Winterton, Scunthorpe, North Lincolnshire DN15 9PW	2b semi-detached bungalow, requires updating	05/03/2024	55.7	£2,782.76	£155,000
14, Northlands Avenue, Winterton, Scunthorpe, North Lincolnshire DN15 9QA	3b semi-detached, recently renovated	07/02/2024	85.7	£1,983.08	£169,950
11, Park Street, Winterton, Scunthorpe, North Lincolnshire DN15 9UB	3b semi-detached, good condition throughout	15/12/2023	121	£1,404.96	£170,000
103, Northlands Road, Winterton, Scunthorpe, North Lincolnshire DN15 9UL	3b semi-detached house	12/12/2023	72	£1,569.44	£113,000
136, Earlsgate, Winterton, Scunthorpe, North Lincolnshire DN15 9XD	4b semi-detached house	03/11/2023	130	£1,061.54	£138,000
62, Cemetery Road, Winterton, Scunthorpe, North Lincolnshire DN15 9UQ	3b semi-detached, recently refurbished, large garden and detached garage	03/11/2023	85	£1,764.71	£150,000
19, Walker Drive, Winterton, Scunthorpe, North Lincolnshire DN15 9PW	2b semi-detached bungalow, requires updating	27/10/2023	52	£2,480.77	£129,000
60, Park Street, Winterton, Scunthorpe, North Lincolnshire DN15 9UA	2b semi-detached, recently refurbished	26/10/2023	53.2	£1,832.71	£97,500
16, Westwinds Road, Winterton, Scunthorpe, North Lincolnshire DN15 9RX	3b semi-detached, good condition throughout	16/10/2023	82.6	£1,815.98	£150,000
22, Market Street, Winterton, Scunthorpe, North Lincolnshire DN15 9PT	4b semi-detached, double-fronted period property, high quality throughout, large gardens with outbuildings	11/09/2023	139	£2,302.16	£320,000
			<b>Avg. £/m2</b>	<b>£1,726.06</b>	

<i>Detached Sold within 0-1 Mile, Last 1 Year</i>					
Address	Type	Sale Status	Area m2	£/m2	Price
9, Malkinson Close, Winterton, Scunthorpe, North Lincolnshire DN15 9TJ	3b detached bungalow, good condition throughout	29/01/2024	77.52	£2,708.98	£210,000
29, Lincoln Drive, Winterton, Scunthorpe, North Lincolnshire DN15 9SW	2b detached bungalow, requires updating	03/01/2024	49.5	£3,232.32	£160,000
14, Mount Avenue, Winterton, Scunthorpe, North Lincolnshire DN15 9UU	2b detached bungalow, requires updating	17/11/2023	89	£2,808.43	£249,950
22, Dale Park Avenue, Winterton, Scunthorpe, North Lincolnshire DN15 9UY	3b detached house, recently renovated, large wraparound garden and outbuildings	17/11/2023	127	£2,244.09	£285,000
18, Wesley Close, Winterton, Scunthorpe, North Lincolnshire DN15 9QB	3b detached with converted garage, good condition throughout, wraparound gardens	16/11/2023	113	£1,858.41	£210,000
36, Earlsgate, Winterton, Scunthorpe, North Lincolnshire DN15 9XA	2b detached bungalow, recently refurbished, large gardens and garage	27/10/2023	70	£3,257.14	£228,000
5, Ryedale Avenue, Winterton, Scunthorpe, North Lincolnshire DN15 9BJ	4b detached, excellent quality throughout, double garage	12/10/2023	204.3	£1,541.85	£315,000
57, Northlands Road, Winterton, Scunthorpe, North Lincolnshire DN15 9UL	2b detached bungalow, good condition throughout	18/08/2023	77	£2,207.79	£170,000
52, Newport Drive, Winterton, Scunthorpe, North Lincolnshire DN15 9RG	3b detached house.	03/08/2023	154	£1,753.25	£270,000
58, Earlsgate, Winterton, Scunthorpe, North Lincolnshire DN15 9XA	3b detached, recently refurbished and extended, double garage, high quality throughout, landscaped gardens	29/06/2023	145.3	£2,030.28	£295,000
			<b>Avg. £/m2</b>	<b>£2,182.36</b>	

The average achieved prices are broadly in line with the area-wide data. It is apparent that detached properties accrue a premium over terraced and semi-detached dwellings, and bungalows likewise accrue a premium, which is expected. Several of the newer semi-detached properties achieve higher values than older stock, even when recently refurbished to a high standard.

We have also studied properties which are currently on the market:

<i>Terraced For Sale within 0-1 Mile</i>					
Address	Type	Sale Status	Area m2	£/m2	Price
Park Street, Winterton	3b end terrace, character property, recently refurbished	added 12/04/24	85.1	£1,586.37	£135,000
North Street, Winterton, Scunthorpe, DN15	1b cottage, requires full refurbishment	sstc	42.89	£1,282.35	£55,000
Earlsgate, Winterton	2b mid terrace, recently refurbished	added 27/03/24	71.9	£1,808.07	£130,000
D'arcy Close, Winterton, Scunthorpe, DN15	2b end terrace, modern house c.2018, high quality throughout	sstc, added 26/02/24	58.1	£2,495.70	£145,000
West Street, Winterton, DN15	2b end terrace, good condition throughout, garage	under offer, reduced 15/02/24	100	£1,500.00	£150,000
King Street, Winterton, DN15	4b end terrace stone cottage, recently refurbished, substantial outbuildings	added 01/02/24	255.4812337	£1,937.52	£495,000
Park Street, DN15 9UB	2b end terrace, recently modernised throughout	sstc, added 04/01/24	88	£1,703.98	£149,950
			<b>Avg. £/m2</b>	<b>£1,796.15</b>	

<i>Semi-detached For Sale within 0-1 Mile</i>					
Address	Type	Sale Status	Area m2	£/m2	Price
Westwinds Gardens, Winterton	2b semi-detached house, good condition throughout	added 09/05/24	59.6	£2,516.78	£150,000
Northlands Road , Winterton	2b semi-detached house, good condition throughout	added 04/05/24	75.6	£1,984.13	£150,000
Grange View, Winterton	3b semi-detached, modern house	SSTC	77	£2,467.53	£190,000
Northlands Road, Winterton, North Lincolnshire, DN15	3b semi-detached, recently refurbished	added 19/04/24	73	£1,952.05	£142,500
Grange View, Winterton	3b semi-detached, modern estate, good condition throughout	added 09/04/24	70.7	£2,403.82	£169,950
Grange View, Winterton	3b semi-detached, modern estate, good condition throughout	added 08/04/24	69.6	£2,729.89	£190,000
West Street, Winterton, Scunthorpe	2b semi-detached, generally good condition some modernisation required	reduced 08/04/24	98	£1,326.53	£130,000
Teanby Drive, Winterton, Scunthorpe, DN15	3b semi-detached, good condition throughout	reduced 08/04/24	73.19	£1,639.57	£120,000
Northlands Road, Winterton	2b semi-detached, recently refurbished and extended	added 04/04/24	100.2	£1,796.41	£180,000
			<b>Avg. £/m2</b>	<b>£2,041.14</b>	

<i>Detached For Sale within 0-1 Mile</i>					
Address	Type	Sale Status	Area m2	£/m2	Price
Farndale Way, Winterton, North Lincolnshire, DN15	3b detached, requires refurbishment	added 11/05/24	144.7	£2,246.03	£325,000
Park Street, Winterton, North Lincs, DN15	4b detached grade II listed farmhouse, recently refurbished, 9 acres	added 10/05/24	246.6	£2,534.47	£625,000
Boston Close, Winterton	4b detached, modern house, good condition throughout	reduced 10/05/24	146.3	£1,674.64	£245,000
North Street, Winterton, Scunthorpe, North Lincolnshire, DN15	3b detached, recently refurbished/extended	added 03/05/24	125.2	£2,196.49	£275,000
Saffre Close, Winterton	5b detached, modern house, excellent condition throughout	added 27/04/24	187.7	£1,731.49	£325,000
Dale Park Avenue, Scunthorpe, DN15	3b detached, modern property, integral garage	added 16/04/24	144.5	£1,730.10	£250,000
West Street, Winterton, Scunthorpe, North Lincolnshire, DN15	5b detached, period conversion, large landscaped grounds, high quality throughout	reduced 07/03/24	231.3	£2,269.78	£525,000
Saffre Close, Winterton	5b detached, good condition throughout	sstc, added 02/01/24	152	£1,644.74	£250,000
			<b>Avg. £/m2</b>	<b>£2,046.00</b>	

The marketing data broadly aligns with the achieved, and there is further suggestion that semi-detached dwellings are being marketed at a higher level than the achieved data suggests. This may indicate asking prices are not being met, which is somewhat supported by the data which indicates a number of recent reductions.

Finally, we have reviewed specifically new-build data. There are two useful current developments which comprise a majority of the data: the Keigar Homes development on North Street and the Gleeson development at Meadowcroft. Unfortunately no terraced data was found in the search area.

<i>Semi-detached New Build within 1 Mile</i>					
Address	Type	Sale Status	Area m2	£/m2	Price
Plot 44 - North Street, Winterton, North Lincolnshire, DN15	4b semi-detached, The Haywood, Keigar Homes closely located, incentives of £7500 noted	added 10/10/23			£234,950
Plot 52 - North Street, Winterton, North Lincolnshire, DN15	3b semi-detached, The Canterbury, Keigar Homes closely located, incentives of £7500 noted	added 19/04/23	92	£2,282.07	£209,950
Plot 51 - North Street, Winterton, North Lincolnshire, DN15	3b semi-detached, The Canterbury, Keigar Homes closely located, incentives of £7500 noted	added 19/04/23	92	£2,445.11	£224,950
Plot 3 - North Street, Winterton, North Lincolnshire, DN15	3b semi-detached, The Miller, Keigar Homes closely located, incentives of £7500 noted	added 19/04/23			£259,950
Plot 50 - North Street, Winterton, North Lincolnshire, DN15	4b semi-detached, The Haywood, Keigar Homes closely located, incentives of £7500 noted	added 19/04/23			£249,950
Plot 1 - North Street, Winterton, North Lincolnshire, DN15	3b semi-detached, The Miller, Keigar Homes closely located, incentives of £7500 noted	sstc, added 19/04/23			£284,950
Plot 2 - North Street, Winterton, North Lincolnshire, DN15	4b semi-detached, The Granary, Keigar Homes closely located, incentives of £7500 noted	added 19/04/23			£289,950
Top Road, Winterton, DN15 9TE	3b semi-detached, The Woodford, Gleeson development, The Meadowcroft	reduced 06/04/24	73.24	£2,457.61	£179,995
Plot 74, Mayfield at Meadowcroft	2b semi-detached, The Mayfield, Gleeson development, The Meadowcroft	recently reduced	62.37	£1,923.94	£119,996
Plot 42, Wicklow at Meadowcroft	3b semi-detached with detached garage, The Wicklow, Gleeson development, The Meadowcroft, £6000 plus 5% deposit contribution incentives	recently reduced	71.71	£2,370.59	£169,995
Plot 99, Woodford at Meadowcroft	3b semi-detached with detached garage, The Woodford, Gleeson development, The Meadowcroft, £6000 plus 5% deposit contribution incentives	recently reduced	73.24	£2,457.61	£179,995
			<b>Avg. £/m2</b>	<b>£2,335.29</b>	

<i>Detached New Build within 1 Mile</i>					
Address	Type	Sale Status	Area m2	£/m2	Price
Plot 75 - North Street, Winterton, North Lincolnshire, DN15	5b detached, The Duchess, Keigar Homes closely located, incentives of £7500 noted	sstc	201	£1,691.29	£339,950
Plot 25, Kilkenny at Meadowcroft	3b detached with detached garage, The Kilkenny, Gleeson development, The Meadowcroft, £6000 plus 5% deposit contribution incentives	recently reduced	71.71	£2,649.49	£189,995
Plot 26, Carlow at Meadowcroft	4b detached with detached garage, The Kilkenny, Gleeson development, The Meadowcroft, £6000 plus 5% deposit contribution incentives	recently reduced	97.36	£2,516.38	£244,995
Plot 6 - North Street, Winterton, North Lincolnshire, DN15	4b detached, The Kingston, Keigar Homes closely located, incentives of £7500 noted	added yesterday			£309,950
Plot 5 - North Street, Winterton, North Lincolnshire, DN15	3b detached, The Wordsworth, Keigar Homes closely located, incentives of £7500 noted	sstc, added 11/03/24			£249,950
Plot 30 - North Street, Winterton, North Lincolnshire, DN15	4b detached, The Kingston, Keigar Homes closely located, incentives of £7500 noted	sstc, added 11/03/24			£309,950
			<b>Avg. £/m2</b>	<b>£2,094.04</b>	

While the £/m2 pricing for the North Street scheme is unavailable due to a lack of dimensions on the listings, the unit pricing is instructive for each type and number of beds.

Meadowcroft is particularly useful as a data set for the semi-detached units; although the detached units are broadly smaller than those proposed at the subject scheme and we would expect a proportionately higher £/m2 value based on ceiling values in the area.

It should also be noted that both schemes have a number of recent reductions and include considerable buyer incentives equating to c. 5-10% of the marketing price. Appropriate adjustments should therefore be made when taking these figures into consideration, particularly in context with the wider transactional data.

Average asking prices are generally inflated when compared to wider achieved values and the dataset supplied by Nimbus, suggesting asking prices are unlikely to be achieved. Consultation with local agents suggests prices are often being discounted 5-10% in the current market. Savills' Housing Market Update January 2024 places house price changes at -1.8% over 2023, with significant variation by area (-7% in Runnymede, +7% in Gwent). Transactions are down significantly on 2017-19 (-21%, November 2023). Moderate falls of -2-3% are expected in 2024 before the market returns to growth. This accords with the area-wide and transactional data considered above.

We have therefore valued the scheme as per the below:

Unit	Area (m2)	Type	£/m2	Price
1	98.60	C 3b corner	£2,282	£225,000
2	99.00	D 3b semi	£2,273	£225,000
3	126.00	K 4b det	£2,183	£275,000
4	126.00	K 4b det	£2,183	£275,000
5	115.00	F 3b det	£2,304	£265,000
6	68.60	B 2b semi bungalow	£2,551	£175,000
7	68.60	B 2b semi bungalow	£2,551	£175,000
		unit lost		
9	68.60	B 2b semi bungalow	£2,551	£175,000
10	68.60	B 2b semi bungalow	£2,551	£175,000
11	69.80	A1 2b terr	£2,364	£165,000
12	69.80	A1 2b terr	£2,364	£165,000
13	69.80	A1 2b terr	£2,364	£165,000
14	69.80	A1 2b terr	£2,364	£165,000
15	69.80	A1 2b terr	£2,364	£165,000
16	115.00	F 3b det	£2,304	£265,000
17	115.00	F 3b det	£2,304	£265,000
18	69.80	A1 2b terr	£2,364	£165,000
19	69.80	A1 2b terr	£2,364	£165,000
20	69.80	A1 2b terr	£2,364	£165,000
21	115.00	F 3b det	£2,304	£265,000
22	126.00	K 4b det	£2,183	£275,000
23	68.60	B1 2b semi bungalow	£2,551	£175,000
24	68.60	B1 2b semi bungalow	£2,551	£175,000
25	146.00	J 4b det	£2,055	£300,000
26	146.00	J 4b det	£2,055	£300,000
27	105.00	E 3b semi	£2,238	£235,000
28	105.00	E 3b semi	£2,238	£235,000
29	105.00	E 3b semi	£2,238	£235,000
30	105.00	E 3b semi	£2,238	£235,000
31	146.00	J 4b det	£2,055	£300,000
32	146.00	J 4b det	£2,055	£300,000
33	99.00	D 3b semi	£2,273	£225,000
34	99.00	D 3b semi	£2,273	£225,000
35	99.00	D 3b semi	£2,273	£225,000
36	99.00	D 3b semi	£2,273	£225,000

37	68.60	B1 2b semi bungalow	£2,551	£175,000
38	68.60	B1 2b semi bungalow	£2,551	£175,000
39	125.60	K 4b det	£2,189	£275,000
40	105.00	E 3b semi	£2,238	£235,000
41	105.00	E 3b semi	£2,238	£235,000
42	115.00	F 3b det	£2,304	£265,000
43	115.00	F 3b det	£2,304	£265,000
44	105.00	E 3b semi	£2,238	£235,000
45	105.00	E 3b semi	£2,238	£235,000
46	126.00	K 4b det	£2,183	£275,000
47	115.00	F 3b det	£2,304	£265,000
48	115.00	F 3b det	£2,304	£265,000
49	146.00	J 4b det	£2,055	£300,000
50	146.00	J 4b det	£2,055	£300,000
51	120.00	G 4b det	£2,208	£265,000
52	120.00	G 4b det	£2,208	£265,000
53	115.00	F 3b det	£2,304	£265,000
54	99.00	D 3b semi	£2,273	£225,000
55	99.00	D 3b semi	£2,273	£225,000
56	126.00	K 4b det	£2,183	£275,000
57	120.00	G 4b det	£2,208	£265,000
58	146.00	J 4b det	£2,055	£300,000
59	120.00	G 4b det	£2,208	£265,000
60	146.00	J 4b det	£2,055	£300,000
61	115.00	F 3b det	£2,304	£265,000
62	74.80	A 2b semi	£2,340	£175,000
63	146.00	J 4b det	£2,055	£300,000
64	74.80	A 2b semi	£2,340	£175,000
65	99.00	D 3b semi	£2,273	£225,000
66	98.60	C 3b corner	£2,282	£225,000
<b>Total</b>	<b>6785.60</b>		<b>£2,249</b>	<b>£15,260,000</b>

The proposed valuation above has been reached following extensive market research, consideration of comparable characteristics in recent transactions, new build and external amenity premiums and advice from local agents and therefore should be considered robust. The figures represent the very top end of what can be achieved in today's market and considering current trends should be considered optimistic.

## Timing

This FVA is to be read in conjunction with a detailed planning application which we expect to be granted within 3 months. There will be a 3-month period following this to produce building regs. drawings and obtain all fixed price quotations. We therefore allow a 6 month pre-commencement period.

Construction is broadly projected over a 24-month period with sales expected between months 14 and 32.

## Construction Costs

Construction costs in 2021-24 have been turbulent, with significant variations occurring due to supply/demand imbalances post-Covid, increased building regulations and energy crises.

We have consulted the BCIS data for the subject area rebased to Q3 2024 to provide an estimated build cost in the first instance.

Building function (Maximum age of projects)	£/m <sup>2</sup> gross internal floor area						Sample
	Mean	Lowest	Lower quartiles	Median	Upper quartiles	Highest	
<b>New build</b>							
810. Housing, mixed developments (15)	1,367	731	1,181	1,319	1,498	3,394	1265
<b>810.1 Estate housing</b>							
Generally (15)	1,356	705	1,150	1,302	1,486	4,662	1400
Single storey (15)	1,539	911	1,299	1,479	1,687	4,662	233
2-storey (15)	1,306	705	1,127	1,266	1,431	2,835	1086
3-storey (15)	1,417	843	1,188	1,362	1,624	2,750	76
4-storey or above (15)	2,835	1,382	2,262	2,526	3,799	4,205	5
810.11 Estate housing detached (15)	1,804	993	1,373	1,511	1,991	4,662	19
<b>810.12 Estate housing semi detached</b>							
Generally (15)	1,368	790	1,165	1,337	1,499	3,014	353
Single storey (15)	1,524	985	1,327	1,498	1,657	3,014	80
2-storey (15)	1,320	790	1,150	1,280	1,442	2,290	262
3-storey (15)	1,359	988	1,098	1,302	1,610	1,932	11
<b>810.13 Estate housing terraced</b>							
Generally (15)	1,376	802	1,128	1,292	1,501	4,205	229
Single storey (15)	1,578	1,003	1,305	1,560	1,837	2,233	18
2-storey (15)	1,317	802	1,121	1,260	1,433	2,835	177
3-storey (15)	1,427	843	1,184	1,333	1,569	2,750	32

We have adopted the relevant Median costs for new build detached, semi-detached and terraced properties generally. The relevant category has been used as the overarching Estate Housing category will be skewed by differing mixes of the three types.

### **Other Site Costs**

The below costs are summarised as 'Other Site Costs' in the full appraisal, which can be seen in full in the Schedules. For clarity these include non-BCIS external works and infrastructure costs; contingencies; fees; existing s106 contribution requirements; and an allowance for a surface water and foul pump station. Additional detail on each element is provided below.

### **Non-BCIS Costs**

The BCIS data makes no allowance for all external works and associated infrastructure costs, and as it is reported in retrospect will not account for newer policy and legislation such as biodiversity enhancement.

An appropriate allowance for external works is generally considered to be between 10% and 15% of the base build cost, with greenfield sites requiring additional infrastructure towards the upper end of this scale. We have made an associated allowance.

While the requirements of the Environment Bill have now come into force regarding a minimum 10% biodiversity net gain on all development sites, we understand this is not relevant to the subject previously consented scheme.

We are informed that a foul pump station and associated rising main and sewer connection will be required for the development, along with surface water attenuation. The applicant has estimated the additional cost of these factors at c.£150,000 which is in line with our expectations.

### **Fees**

Professional fees are often quoted on a range of 8-12%, with separate allowances for planning fees.

The local plan viability study adopts 8% as a broad category for professional fees, with a further 1.1% for statutory fees, totalling 9.1%.

Residential Development Cost Assumptions		
Professional Fees	8.0%	Construction Cost
Legal Fees	0.5%	GDV
Statutory Fees	1.1%	Construction Cost
Sales/Marketing Costs	2.0%	Market Units Value
Contingencies	5.0%	Construction Cost
Planning Obligations	£3951-£7000	£ per Dwelling
	10	£ per sqm Commercial

This will vary according to the size and complexity of the scheme. We normally adopt 6-8% for large sites with repetitive designs and no complicating factors (such as tower blocks), 10-12% for more differentiated sites (with a variety of different house types or areas) and 10-15% for small sites, where the scale of the fees is often larger due to the lower overall cost of build and lack of potential efficiencies.

We have adopted a figure of 9.1% for this scheme in line with the local plan viability study.

## Contingency

PPG Viability para 012 notes:

- *explicit reference to project contingency costs should be included in circumstances where scheme specific assessment is deemed necessary, with a justification for contingency relative to project risk and developers return*

Prudent developers often adopt a standard contingency allowance of 10-20% to account contingency. We more commonly see an allowance of c.5% for viability assessment, although in the recent past when inflation has increased a higher allowance has been made.

The local plan viability study adopts 5% as standard.

In this case we adopt 5% on the basis of a 20% target return. If the target return is reduced then the contingency allowance must likewise be adjusted to compensate.

## Planning Obligations (S106 contributions & CIL)

Several planning obligations are included within the existing s106 agreement, calculated per unit and subject to indexation from the date of agreement. These have been estimated below:

S106 contribution	Estimated cost
Education	255,410
Open Space	80,316
Recreation	56,974
<b>Total</b>	<b>392,700</b>

This equates to c.£6000/dwelling which is within the range outlined in the local plan viability study, although towards the upper end.

The toolkit has been run with the corresponding figures, subject to confirmation by the local authority.

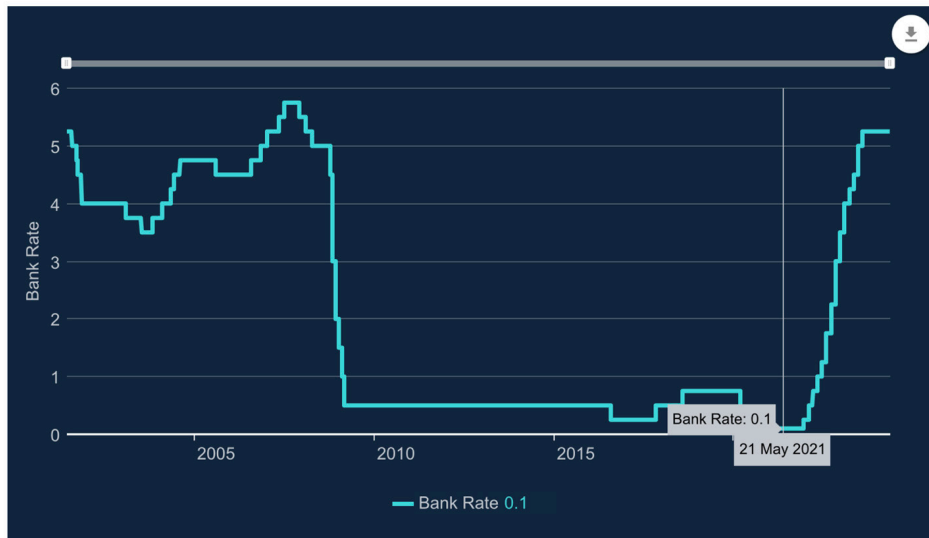
## Site Acquisition Costs

We have included acquisition costs comprised of SDLT at the prevailing rate, legal fees at 0.75% and agency fees of 1%.

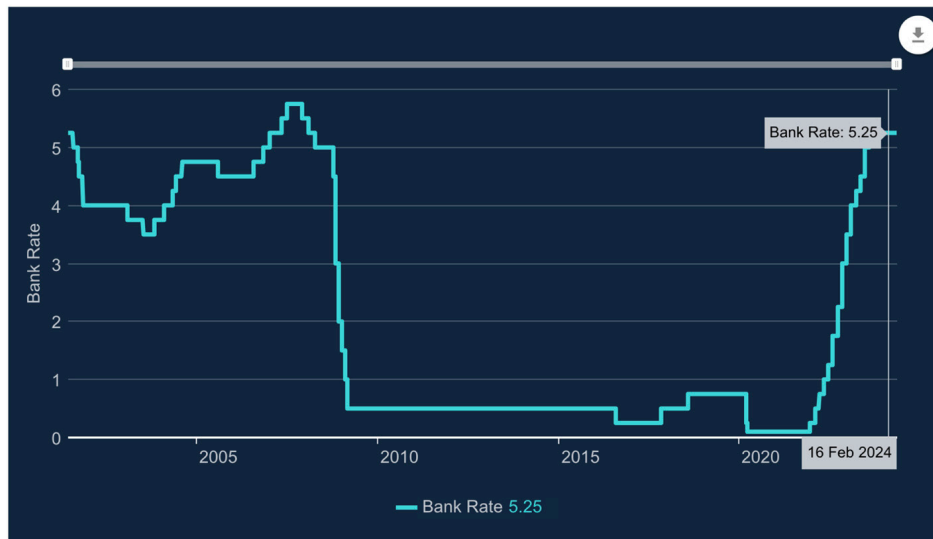
## Finance Costs

Given the macro-economic context, lenders have become increasingly risk adverse and therefore funding is becoming harder to acquire. The Bank of England raised the base rate to 5.25% in Q3 2023. While inflation is now falling, there has not been any move to reduce base rates, and broadly commentators consider that a rate of c.5% will be sustained into the near future. The local plan viability study in 2021 adopted 5%. The base rate at that date was 0.1%. The base rate has increased 5.15% since this date.

**Official Bank Rate**



**Official Bank Rate**



To provide hard data, we note that Sirius Property Finance's quarterly update noted the average interest rate increased to 12.2% in Q2 2023, with average set up and exit fees of 1.5% and 1.1% respectively. Vision Finance, a development finance broker, has note that rates of 10-12% 'all-in' on 100% should be anticipated. More broadly in terms of viability assessments, we note the following recent viability cases where an 8+ rate has been agreed:

LPA	Ref	Rate
Hackney	2023/1240	8%
Hackney	2023/1231	8%
Basildon	23/00212/FUL	9%
Tonbridge & Malling	22/01237/FUL	8%
South Holland	H11-0383-23	8%

Therefore, a minimum interest figure of 8% is considered appropriate, and has been used in the toolkit. In reality finance deals are now significantly exceeding this level, but as an all-in rate 8% accommodates all fees and is applied to all costs.

### Sales/Marketing Costs

The local plan viability study adopts the following inputs:

Residential Development Cost Assumptions		
Professional Fees	8.0%	Construction Cost
Legal Fees	0.5%	GDV
Statutory Fees	1.1%	Construction Cost
Sales/Marketing Costs	2.0%	Market Units Value
Contingencies	5.0%	Construction Cost
Planning Obligations	£3951-£7000	£ per Dwelling
	10	£ per sqm Commercial

Generally we would assume sales agents fees at 1.5%, legal fees at 0.5% and marketing/promotion at 2% for housing schemes including a show home and 1% for marketing without a show home.

We have adopted a sales/marketing cost of 2% and legal fees of £1,000 per unit.

## Developer Profit

The NPGV contains the following advice at paragraph 18:

### *How should a return to developers be defined for the purpose of viability assessment?*

*'For the purpose of plan making an assumption of 15-20% of gross development value (GDV) may be considered a suitable return to developers in order to establish the viability of plan policies. 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. A lower figure may be more appropriate in consideration of delivery of affordable housing in circumstances where this guarantees an end sale at a known value and reduces risk. Alternative figures may also be appropriate for different development types.'*

The RICS guidance similarly notes the test laid out in the PPG as a starting point.

#### Return to the developer

**4.2.27** In paragraph 018, under the heading of 'Standardised inputs to viability assessment', the PPG provides some guidance on how a return to developers is defined for the purposes of the FVA. The paragraph's focus is on a suitable return for plan making, rather than individual returns for scheme-specific decision taking. It identifies a standardised input of 15% to 20% of GDV as a suitable return for the purpose of plan making, but is silent on a decision-taking developer return. However, PPG paragraph 008 states that where a site-specific FVA accompanies a specific planning application, it 'should be based upon and refer back to the viability assessment that informed the plan; and the applicant should provide evidence of what has changed since then'. This implies, in addition to other inputs, a similar test regarding developer's profit to that used at the plan-making stage.

The guidance further notes that timescale, uncertainty and any particular characteristics that increase risk are factors which particularly influence profit assumptions.

As previously noted, Paragraph 008 of the NPGV provides a presumption that the underlying local plan evidence base is correct until otherwise proven by dissenting parties.

The local plan viability study adopts 20% on GDV for open market target return:

### Developers Profit

4.30 Developer’s profit is generally fixed as a % return on gross development value or return on the cost of development to reflect the developer’s risk. The Government’s viability practice guidance suggests that an assumption of 15-20% of gross development value (GDV) may be considered a suitable return to developers in order to establish the viability of plan policies. In current market conditions, and based on the assumed lending conditions of the financial institutions, a 20% return on GDV is used in the residential viability appraisals to reflect speculative risk on the market housing units. However it must be acknowledged that affordable housing does not carry the same speculative risk as it effectively pre-sold.

As an illustrative exercise, to quantify the change in risk environment since this date we have compiled the below comparison:

	Mar-21	Mar-24	Difference
House price index (values up or down)	+5.7%	+1.6% (Nationwide)	-4.1%
Inflation (costs, contingency up or down)	+3.3%	+3.2%	-0.1%
Bank of England base rate (finance cost up or down)	0.1%	5.25%	+5.15%

Overall, this broadly correlates with a quantifiable 9.15% difference in the cost:value ratio of property development between 2021 and 2024. Applying that increase in targeted return to a 20% profit results in a 22% rate.

Our experience is that for the previously assumed finance terms to be offered by commercial lenders, a minimum of 17.5% is generally required, up to a maximum of 25% on riskier proposals. Development finance will generally therefore set the expectations for return on investment.

Recent appeal decision ref APP/Y3615/W/22/3298341 noted the following:

68. Although it refers expressly to plan making, I also see no good reason why the profit range of 15-20% identified in the Government’s planning practice guidance (PPG) should not reasonably be applied to a scheme of this type in order to assess viability, particularly when read in the context of para 58 of the Framework. Given the fairly difficult and comparatively uncertain economic circumstances for the construction sector at present and regardless of what profit margin the appellant has worked to in the past, it is reasonable to assume developer risk is greater now than at other more economically stable times. Consequently, notwithstanding the evidence regarding house prices and demand for housing in the area, and in respect to programming and sales revenue, a profit target to the higher end of the range, up to 20% of gross development value, is reasonable.

Taking into account the risk profile of the development we consider the assumption adopted in the Local Plan Viability Assessment to be appropriately conservative (20%). This is supported by our sensitivity analysis, which further demonstrates the relative risk profile of the development (see below).

The appraisal has been run accordingly.

## Benchmark Land Value

The NPGV provides a standard methodology for determining Benchmark Land Value (BLV).

Paragraph 15 requires that the EUV of the site should be identified:

*'Existing use value (EUV) is the first component of calculating benchmark land value. EUV is the value of the land in its existing use. Existing use value is not the price paid and should disregard hope value. Existing use values will vary depending on the type of site and development types. EUV can be established in collaboration between plan makers, developers and landowners by assessing the value of the specific site or type of site using published sources of information such as agricultural or industrial land values, or if appropriate capitalised rental levels at an appropriate yield (excluding any hope value for development).*

*Sources of data can include (but are not limited to): land registry records of transactions; real estate licensed software packages; real estate market reports; real estate research; estate agent websites; property auction results; valuation office agency data; public sector estate/property teams' locally held evidence.'*

RICS guidance Assessing Viability in Planning under the NPPF Appendix B lays out the appropriate approach to assessing existing use value, including relevant data sources:

**5.2.5** The assessment of the BLV requires the assessment of five components. They should be calculated and reported to the plan-maker/decision-maker **separately** to counter circularity arguments that BLVs from one method of valuation have been used as an input into another method, in order to reduce developer contributions.

**5.2.6** The components that need assessing are:

- EUV
- premium
- AUV, where appropriate
- policy-compliant site value assessed by the residual method and
- policy-compliant site value assessed by the comparative method.

**B.1.3** The PPG paragraph 015 identifies the type of evidence base that can be used to support the determination of the EUV and the sources of that evidence. At the plan-making stage, this should be accomplished with collaboration between the plan-makers, developers and landowners, and can use published sources of information on rental and capital values of land and property, such as:

- land registry records of transactions
- real estate licensed software packages
- real estate market reports
- real estate research
- estate agent websites
- property auction results
- Valuation Office Agency data and
- public sector estate/property teams' locally held evidence.

## 1. EUV

The existing site comprises a greenfield plot of 2.32Ha.

The local plan viability study adopts the following assumptions for land value:

4.36 50% of the uplift in value between existing use and the gross residual value of alternative use with planning permission is applied to generate benchmarked land values per Ha. These land values are then divided by the assumed unit type densities to generate the individual greenfield and brownfield plot values to be applied to the appraisals.

	EUV	+	50% of Uplift in Value	=	Threshold Land Value
Greenfield	£20,000	+	50% (£1,242,746 - £20,000)	=	£631,731 per Ha
Brownfield	£247,000	+	50% (£1,242,746 - £247,000)	=	£744,873 per Ha

An existing use value of £20,000 is suggested. This would result in an EUV of £46,400 for the subject site.

The VOA land values for policy appraisal suggests a slightly higher land value of £23,000/Ha, slightly above the £20,000 allowed by the local plan viability study. Applied to the subject site this would result in an existing use value of £53,360.

## 2. Premium

Paragraph 16 requires that a premium should be added to the EUV (EUV +) to incentivise the landowner to bring the site forward for development:

*'The premium (or the 'plus' in EUV+) is the second component of benchmark land value. It is the amount above existing use value (EUV) that goes to the landowner. The premium should provide a reasonable incentive for a landowner to bring forward land for development while allowing a sufficient contribution to fully comply with policy requirements.*

*Plan makers should establish a reasonable premium to the landowner for the purpose of assessing the viability of their plan. This will be an iterative process informed by professional judgement and must be based upon the best available evidence informed by cross sector collaboration. **Market evidence can include benchmark land values from other viability assessments.** Land transactions can be used but only as a cross check to the other evidence. Any data used should reasonably identify any adjustments necessary to reflect the cost of policy compliance (including for affordable housing), or differences in the quality of land, site scale, market performance of different building use types and reasonable expectations of local landowners. Policy compliance means that the development complies fully with up to date plan policies including any policy requirements for contributions towards affordable housing requirements at the relevant levels set out in the plan. A decision maker can give appropriate weight to emerging policies. Local authorities can request data on the price paid for land (or the price expected to be paid through an option or promotion agreement).'*

**D.2.4** The circumstances underpinning the assessments of the EUV and premium, and which may require adjustment, could include:

- the date of the determination of the BLV
- landowner optionality, i.e. the range of options open to the landowner
- state of the property, obsolescence and compliance with environmental and building regulations
- site constraints such as ground conditions, contamination, ransom issues, planning factors, third-party rights and covenants
- uniqueness of opportunity, such as 'one-off' site assembly
- competition from alternative sites
- the weighting of individual BLV/premium evidence relative to the subject property, and
- adjustments made by the plan-maker in arriving at an adopted premium, if any.

**D.2.5** Information on BLVs and premiums in other FVAs can be requested but, if it cannot be provided, the practitioner will need to make assumptions and this will have an impact on the quality of that evidence. It is up to the decision-maker how much weight to accord to that evidence.

**D.2.6** Where the EUV part of the benchmark is a substantial element of the overall assessed value, the premium is usually stated as a percentage increase of the EUV. This is typical in urban and brownfield sites.

**D.2.7** In the case of greenfield, cleared brownfield or some *sui generis* (unique) sites outside of the normal planning use classes, where the EUV is a small proportion of the BLV, the premium is more likely to be stated as a multiplier or could be stated as an actual amount.

The local plan study suggests a Threshold Land Value of £631,731/Ha (inclusive of EUV + premium). This would result in a benchmark of £1.465m. This would constitute both existing use value and associated premium.

In our experience a multiplier of between 10-15x existing use value is generally applied to greenfield sites. We note that the subject site already benefits from residential consent and therefore a multiplier at the higher end of the range would be anticipated by landowners as the minimum necessary to release the land for development.

Applying a £23,000/Ha existing use value and 15x premium results in a land value of £345,000/Ha, which does not appear unreasonable given the context.

This results in a benchmark of £800,400.

### 3. AUV

Paragraph 17 allows the BLV to be determined by an alternative Use Value (AUV):

*'For the purpose of viability assessment alternative use value (AUV) refers to the value of land for uses other than its existing use. AUV of the land may be informative in establishing benchmark land value. If applying alternative uses when establishing benchmark land value these should be limited to those uses which would fully comply with up to date development plan policies, including any policy requirements for contributions towards affordable housing at the relevant levels set out in the plan. Where it is assumed that an existing use will be refurbished or redeveloped this will be considered as an AUV when establishing BLV.'*

*'Plan makers can set out in which circumstances alternative uses can be used. This might include if there is evidence that the alternative use would fully comply with up to date development plan policies, if it can be demonstrated that the alternative use could be implemented on the site in question, if it can be demonstrated there is market demand for that use, and if there is an explanation as to why the alternative use has not been pursued. Where AUV is used this should be supported by evidence of the costs and values of the alternative use to justify the land value. Valuation based on AUV includes the premium to the landowner. If evidence of AUV is being considered the premium to the landowner must not be double counted.'*

The professional guidance sets out the requirements for an AUV approach to determining land value. Largely this will be most appropriate where an existing extant or implementable consent is in place and there are accurate drawings on which to base the AUV:

**C.1.5** Extant consents also need to meet the tests set out in C.1.1. above. But, as the extant consent is capable of being implemented, assessment of the residual value of the consent as permitted should be provided.

**C.1.2** The AUV approach should be based on accurate floor plans and elevations for the alternative scheme. This is essential so that accurate gross to net assumptions can be made and for a detailed cost plan to be prepared.

Further where an existing use will be refurbished or redeveloped this will constitute an AUV. However, the guidance makes a distinction between refurbishment and repair as below:

**B.1.7** PPG paragraph 017 states that 'where it is assumed that an existing use will be refurbished or redeveloped this will be considered as an AUV when establishing BLV'. Where any assumption regarding the use of the property involves any alterations, including refurbishment or redevelopment, BLV will be based on AUV with no premium.

**B.1.8** What constitutes a repair versus an alteration will be determined by professional judgement as to whether the works bring the building up to standard within the existing use, or whether they go beyond that and fall into the category of refurbishment. In many circumstances, the expenditure in proportion to the building value may be a material consideration in informing this professional judgement. Each case needs to be considered on its merits but a building or site in need of substantial repair would be expected to have a lower EUV than a building or site in good repair, subject to any dilapidations claims. Furthermore, a landowner should not profit from their failure to maintain the building or site.

**B.1.9** Works undertaken to comply with building regulations or statutory requirements, such as the *Disability Discrimination Act* 1995 or the need to provide Energy Performance Certificates (EPCs), would generally constitute repairs, as these are required for the continued use of the building. Such works could of course represent a significant cost. If the property cannot be legally used for its current use at the date of valuation, that should be reported, even if the EUV is based on the assumption that remedial works will be carried out.

**B.1.10** All relevant repair and maintenance costs should be reflected in the valuation, and all assumptions made underpinning the assessment of the EUV should be reported.

**B.1.12** Where a landowner has not renewed leases, it would be inappropriate to determine a lower BLV and penalise the landowner for making the site ready for development. That would occur if a lower EUV is coupled with a premium evidenced from similar sites that had not been made ready for development in this way. A balance is required, reflecting the circumstances at the valuation date, but also the costs actually incurred in delivering the site and bringing it forward for development purposes. Such costs would generally sit in the scheme assessment, as necessary to incur in order to bring the scheme forward. They should not include payments to tenants and other parties who have an interest in the land based on hope value, but should reflect the current use value of these interests and the statutory costs of determining tenancies. Any double counting (value and cost) must be avoided in the EUV, premium and scheme assessment.

In this instance the site benefits from the existing consent for 66 units including 13 affordable dwellings. However as the subject scheme considered at 100% open market value delivers a negative residual land value, the existing consent will deliver a lower negative value and therefore does not provide a basis for deliverable alternative use value.

#### **4. Policy Compliant Appraisal**

We have not completed a policy-compliant residual calculation as the outcome of the 100% open market appraisal demonstrates this is not viable.

**The standard approach to viability is to compare the BLV of the development site with the Residual Value calculated by the viability toolkit. It is only if the Residual Value of the development exceeds the Market Value (Benchmark), that it will be viable for a contribution to be made towards Affordable Housing.**

## Conclusions

The full spreadsheet appears at **Schedule 1**, and the key conclusions are set out in the summary section. They are also repeated for convenience below:

<b>Sales</b>	<b>£15,260,899.55</b>
<i>Less Costs</i>	
Construction Costs (Resi)	£9,691,554.00
Commercial Costs (Build & Fees)	£0.00
Other Site Costs	£3,407,038.49
Marketing	£370,217.99
Finance Costs	£532,636.95
Developer Return	£3,052,179.91
Residual Site Value	<b>(£1,792,727.79)</b>
Benchmark Land Value	£800,400.00
<b>Result</b>	<b>(£2,593,127.79)</b>

To determine the viability of targeted affordable housing provision, the Benchmark Value of the site as stated above, is deducted from the Residual Value calculated by the viability model. If the result is negative, as it is in this case, the development does not achieve the target return on a 100% open market basis and therefore is unlikely to be able to viably deliver the targeted contributions.

The following table summarises the above conclusions.

<b>Spreadsheet Residual Value</b>	<b>(£1,792,727.79)</b>
<b>Plus Target Developer Return</b>	<b>£3,052,179.91</b>
<b>Less Benchmark Value</b>	<b>£800,400.00</b>
<b>Actual Profit</b>	<b>£459,052.12</b>
<b>Percentage actual profit</b>	<b>3.01%</b>

This presents a return which is significantly lower than the 20% target identified previously.

Any planning obligations would further reduce this level.

## Sensitivity Matrix

Following RICS guidance we have provided a sensitivity analysis of the assumptions in this report, demonstrating the impact on developer profit of +/-5-10% changes in build costs and sales values. This is particularly important to inform assessment of risk.

Sensitivity testing conclusions are included below.

Testing the variance associated with changes in sales and build costs of +/- 5-10% results in the below matrix:

Developer profit %		Sales values				
		-10%	-5%	0%	5%	10%
Build Costs	-10%	-0.64%	4.36%	9.36%	14.36%	19.36%
	-5%	-3.82%	1.18%	6.18%	11.18%	16.18%
	0%	-6.99%	-1.99%	3.01%	8.01%	13.01%
	5%	-10.17%	-5.17%	-0.17%	4.83%	9.83%
	10%	-13.34%	-8.34%	-3.34%	1.66%	6.66%

This demonstrates that in all 25 scenarios the achieved return is below the targeted 20%, suggesting a high-risk development.

## T&Cs and Compliance

- 1.1 S106M has been instructed by the applicant to review the viability of the proposed development and engage with the local authority and their representatives on this matter.
- 1.2 Scope of instruction extends to provision of 1 report document and schedules for submission as part of a planning application.
- 1.3 S106M has not inspected the property.
- 1.4 This report is prepared as an assessment of the Planning Financial Viability of a proposed development for the purposes of agreeing appropriate Section 106 planning obligations and affordable housing contributions. It is not a valuation of the subject site or scheme. It is exempted from the RICS Red Book on the basis of the parties negotiating and agreeing the planning obligations and the authoritative requirement of the NPPF and PPG. It does not constitute a Red Book valuation report, and should under no circumstances be relied upon as such, although it may refer to the conclusions of third parties in this regard for which no liability is accepted. The date of the report can be viewed on the front page and will require updating for market uncertainty after a reasonable time period has elapsed.
- 1.5 The report is assumed to be made publicly available for transparency purposes unless otherwise stated. The Executive Summary can be considered a Non-Technical Summary for the purposes of the guidance.
- 1.6 S106M accepts responsibility only to the commissioning party named at the start of this report alone that this report has been prepared with the skill, care and diligence reasonably to be expected of a competent consultant but accept no responsibility whatsoever to any other person or entity.
- 1.7 S106M confirm that any RICS members involved in this reporting have complied with the mandatory requirements of RICS Professional Statement Financial Viability in Planning: Conduct and Reporting May 2019, including the following:
  - We have acted with objectivity, impartially, without interference and with reference to all appropriate available sources of information (para 2.1).
  - We have identified no conflicts of interest or risk of conflicts in preparing this report (para 2.2).
  - We are not working under a contingent or performance related fee agreement basis (para 2.3).
  - We support positive, proactive, transparent and appropriate engagement between all parties in the planning process. This report is prepared on the basis that it will be made publicly available, except in specifically agreed exceptional circumstances (para 2.4).
  - We have not been involved in the preparation of the Council's Local Plan Area Wide Viability Assessment (para 2.5); however we have regard to this in line with PPG Viability para 002 and the statutory development plan.
  - All inputs are reasonably justified by market and supporting evidence including but not limited to the local plan viability study which justifies the adopted planning policy in line with para 008 PPG Viability (para 2.6-2.7).
  - The status of this report is Final as of the dated front page subject to any further reasonable, proactive and constructive negotiations to resolve reasonable professional differences of opinion in line with para 2.6, 2.8 and 2.10 of the Professional Statement.
  - Our report includes sensitivity testing in line with the para 2.9.
  - Where there are professional differences of opinion over inputs we seek to resolve these during negotiations following submission of the original report in line with para 2.8-2.10. Where differences of opinion cannot be resolved this is stated clearly.

- The Executive Summary complies with the Non-Technical Summary requirement of para 2.11.
- Any sub-consultants contributing to this report have been made aware of the Professional Statement and its requirements, and confirm compliance with it (para 2.13).
- We have been allowed sufficient time since instruction to carry out this FVA bearing in mind the scale of the development and the status of the information as at the date of this report (para 2.14).
- Appropriate regard has also been had to RICS Guidance Note: Assessing Viability in Planning under the NPPF 2019 (2021).

### **Material Uncertainty**

In respect of the planning and development sector as at the report date where unprecedented sets of circumstances are highlighted, including for example COVID-19, the Ukraine War and Energy Crisis, creating an absence of relevant/sufficient market evidence on which to base our judgements, our report will be reported as being subject to 'material valuation uncertainty' as set out in VPS 3 and VPGA 10 of the RICS Valuation – Global Standards. Consequently, in respect of the report less certainty – and a higher degree of caution – should be attached to that report than would normally be the case.

For the avoidance of doubt this explanatory note, including the 'material valuation uncertainty' declaration, does not mean that the report cannot be relied upon. Rather, this explanatory note has been included to ensure transparency and to provide further insight as to the market context under which said report may have been prepared. In recognition of the potential for market conditions to move rapidly in response to changes in market conditions we highlight the importance of the valuation date and any reporting material uncertainty.

### **Quality Control**

This report is provided for the stated purpose and for the sole use of the named clients. In line with para 2.12 the following quality control pathway has been taken, with all parties involved in the compilation of this report and history of previous viability discussions noted:

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