

Financial Viability Statement | Non-Technical Executive Summary

North Street, Winterton

January 2025

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 proposed development of up to 66 dwellings (PA/2024/766) on Land at North Street, Winterton.
- 1.2 There is currently an outline planning permission (PA/2019/1414) already granted for this site with a signed S106, which includes the following obligations.
- Education contribution of £3,086 per dwelling (30% on occupation of the first dwelling, 30% on occupation of twentieth dwelling and 40% on occupation of thirty-fifth dwelling);
 - Affordable housing contribution of 13 dwellings (6 on occupation of the twentieth dwelling and 7 on occupation of the fortieth dwelling);
 - Provide a Local Equipped Area of play prior to occupation of fortieth dwelling);
 - Provide an open space contribution of £80,316 prior to occupation of the fortieth dwelling);
 - Recreation contribution of £56,974, with half to be paid on occupation of thirtieth dwelling and half on occupation of fiftieth dwelling.
- 1.3 The Applicant (Scothern Construction) is seeking to remove most contributions including affordable housing, but they have accepted the payment of £80,316 for the council to adopt and maintain the open space and onsite play area.
- 1.4 Therefore, they have applied, through their reserved matters application (PA/2024/766) to remove the education contribution, affordable housing onsite, and recreation contribution due to viability.
- 1.5 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.

Basis of Reporting

- 1.6 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.
- 1.7 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 2019¹ for England, 1st edition March 2021 and the latest Planning Policy guidance (PPG) and National Planning Policy Framework (NPPF) guidance relating to viability.

Objectivity, Impartiality and Reasonableness

- 1.8 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

¹ It should be noted that although the latest version of the NPPF is July 2021 the guidance remains valid.

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.

- 1.9 We confirm that we have advocated, and will advocate reasonable, transparent and appropriate engagement between the parties at all stages of the viability process.
- 1.10 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.
- 1.11 All inputs into this assessment have been reasonably justified.
- 1.12 We confirm that that adequate time as been provided to produce this report.

Conflict of Interest

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

Contingent Fee

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

Status

- 1.15 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 such².
- 1.16 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	£2,314psm (£215psf) for housing and £2,799psm (£260psf) for the bungalows.	Based on comparable evidence.
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	£1,260psm (£117psf)	Based on data from BCIS for estate housing generally and adjusted to Q1 2025.
External Works	£2,028,394	External works related to the development.
Developers Contingency	3%	Applied to the build costs and abnormals.
Project fees	8%	Applied to the build and external works.
Sales and Marketing	3%	Applied to GDV of open market sales.
S106	£297,762	Total costs of obligations included in the S106 Agreement.
Interest	8%	-

Benchmark Land Value

- 2.3 For the purpose of this assessment we have adopted a benchmark land value of £717,500.

Target Profit

- 2.4 Planning Practice Guidance (PPG) states³ 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

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

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 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, even if the scheme is based on 100% market sales (i.e. there is no affordable housing), and the S106 obligations are removed, the residual land value generated falls below the benchmark land value.

2.9 **Therefore our assessment has concluded that the scheme cannot viably support any s106 contributions, including affordable housing. On this basis we recommend that the Council accepts the offer from the Applicant to pay £80,316 towards the maintenance of open space on site.**

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 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 shortfall in the current S106 ask becomes payable to the Council.

Contact details

Enquiries



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