

Financial Viability Statement | Non-Technical Executive Summary

Lincolnshire Lakes (North)

February 2025

1. Declaration

Instruction and Purpose of Report

- 1.1 Avison Young (AY) has been appointed by Hargreaves Land (the Applicant) to prepare an independent assessment of scheme viability in relation to a Hybrid Planning Application, known as 'Planning Application 1' (or 'PA#1') on to the east of the M181/A1077(M), Scunthorpe, DN17 1US (known as 'the Site'). .
- 1.2 The purpose of the assessment is to appraise the viability of the proposed S106 obligations (including Affordable Housing) associated with the proposed application.
- 1.3 The report will be a technical annex to the application and is intended to form a material consideration in the eventual determination of this application.

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 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

- 1.6 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 adequate time as been provided to produce this report.

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

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 such².
- 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 approach to delivery at Lincolnshire Lakes (North) is that the Applicant would act as master-developer. The basic principle is that they will invest in the main infrastructure (including fees) and fund the S106 requirements / planning gain. They will then recover their investment through revenue generated from selling the development plots (residential and commercial).
- 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
Land Receipts	£13,366,500	Calculated via the residual method of valuation, using industry standard Argus Developer software.
Acquisition Costs	£1,634,200	Based on the sites Existing Use Value and including allowances for Stamp Duty and Purchasers Costs.
Main Infrastructure Costs	£13,708,563	Based on an Order of Cost Estimate provided by Edge.
Contingency	£1,370,856	Based on 10% of the Main Infrastructure Costs.
S106 Obligations	£7,323,416	Total amount based on obligations requested by the Council, including contributions towards public transport, education, recreation, areas of play and health.
Project Fees	£1,800,000	Comprising the Applicants fees in progressing the planning application and further design work etc post submission of the planning application.
Development Management Fee	£645,926	Based on 2.5% of costs
Finance Costs	£1,889,896	Based on interest rate of 4.25%

Target Profit

- 2.3 Master developers (such as the Applicant in this instance) often operate based on Return on Capital Employed (ROCE) because it provides a comprehensive measure of a company's profitability and capita efficiency, allowing them to assess how effectively they are generating returns from the capital invested in their projects, which is crucial for making informed investment decisions regarding land acquisition and development strategies.
- 2.4 The purpose of this assessment we have adopted a target ROCE of between 22% and 23% (say 22%).

Viability Assessment Results and Conclusions

- 2.5 Our assessment has demonstrated that due to the infrastructure requirements a policy compliant scheme is unviable. Alternative S106 scenarios have also been assessed but it has been concluded, through this assessment, that the scheme is unable to viably support any S106 contributions, including affordable housing.
- 2.6 The Applicant is happy to discuss this matter further with the LPA in order to ensure this important

strategic site, which will bring clear economic, social and environmental benefits to North Lincolnshire is delivered'

Contact details

Enquiries

Dale Robinson, MRICS



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