



MANAGEMENT

Financial Viability Appraisal

Address: Land to the rear of 51 Surfleet Road

LPA: South Holland

Planning ref: H14-0117-22 and H14-0557-22

Client: Minster Property Group

Date: 30th September 2022



Executive Summary

This report provides a Financial Viability Appraisal (FVA) of proposed development at Land to the rear of 51 Surfleet Road, Pinchbeck, PE11 3XY. 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 (2021), and National Planning Policy Guidance on Viability (NPGV 2019).

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 tenure mix briefed for the scheme by the applicant was 37 units split 59% (22) shared ownership and 41% (15) affordable rent, plus 4 self-build plots. The key outputs of this FVA are summarised in the below table:

Without Grant Funding

GDV	£6,447,184.07
Costs exc land and profit	£7,291,589.79
Finance	(£59,966.33)
Return	£506,427.36
BLV	£925,000.00
RLV	(£1,290,866.75)
RLV-BLV	(£2,215,866.75)
Target profit	6.00%
Actual profit	-59.07%

With Grand Funding

GDV	£8,542,184.07
Costs exc land and profit	£7,291,589.79
Finance	£269,800.42
Return	£506,427.36
BLV	£925,000.00
RLV	£474,366.49
RLV-BLV	(£450,633.51)
Target profit	6.00%
Actual profit	1.93%
Inclusive of grant funding	£2,095,000

Target developer return includes a risk-adjusted rate for affordable housing (6%). This is broadly policy and precedent compliant.

Benchmark Land Value (BLV) is assessed via the EUV+ method in line with national policy. A 20x premium has been added in this instance in line with standard expectations.

Grant funding of £2.095m is confirmed by the applicant and included within the appraisal.

As such, this FVA demonstrates that the proposed tenure mix is technically unviable even including grant support of £2,095,000, and certainly cannot provide any additional s106 contributions, as an actual profit of 1.93% is produced, below the target 6%.

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

Introduction

S106 Management is instructed by Minster Property Group to produce a Financial Viability Appraisal (FVA) to determine the level of Affordable Housing contribution that should be expected from proposed development at Land to the rear of 51 Surfleet Road, Pinchbeck, PE11 3XY.

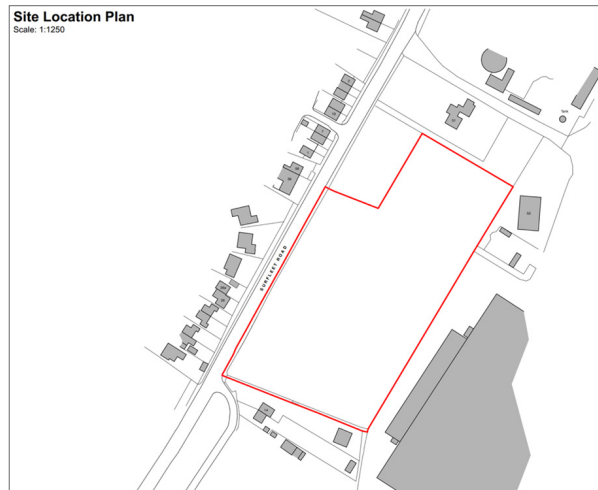
South Holland Council seek Affordable Housing and Developer Contributions in accordance with South East Lincolnshire Local Plan Policies 6 and 18 (adopted March 2019).

The existing site comprises a greenfield site of 1.85Ha, allocated in the local plan for residential development of 34 units under allocation Pin019.

The site is subject to two current applications: reference H14-0117-22 and H14-0557-22.

The development proposes 100% affordable housing delivery onsite 37 semi-detached and terraced units, along with 4 self-build plots.

Site Location Plan



S106 Management

S106 Management is a viability consultancy established in 2011 by Robin Furby, retired solicitor and developer. 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 LPAs, **S106 Management** has often been at the forefront of new statutory procedures, making one of the first Commons De-registration Applications, and one of the first S106BA viability review applications. The company is now one of the most effective viability consultancies in the UK, combining expertise from all corners of the industry.

S106 Management have worked with clients on more than 1,000 developments, facilitating over 20,000 homes across the UK. Our viability reports have been successfully used at pre-application discussions with Planning Officers and Affordable Housing Officers, supporting planning applications, written appeals, and planning appeal hearings.

Planning Policy

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

Therefore, our starting point is policies 6 and 18 of the South East Lincolnshire Local Plan (adopted March 2019):

Policy 6: Developer Contributions

Developments of 11 or more dwellings, or which have a combined gross floorspace of more than 1,000 sqm, or non-residential development of 1,000sqm gross floorspace or more will be expected to mitigate their impacts upon infrastructure, services and the environment to ensure that such developments are acceptable in planning terms. The Local Planning Authorities will not accept any proposals that artificially reduce capacity or floorspace to circumvent the proper operation of this policy.

Developer contributions will only be sought when they meet the tests set out in paragraph 56 of the NPPF⁹, or any successor.

Developers will either make direct provision or will contribute towards the provision of local and strategic infrastructure and services required by the development, either alone or cumulatively with other developments. Contributions will be determined having regard to:

- the identified needs generated by the proposed development;
- the viability of the proposed development; and
- the priorities attached to meeting individual local and strategic infrastructure and service requirements.

Contributions will be secured through section 106 (legal) agreements. Developer contributions will also be subject to the criteria set out in the Community Infrastructure Regulations (2010) 122 and 123 (or any successors) which require any financial contribution or contributions in kind towards infrastructure to meet a number of criteria.

Developer contributions relating to the provision of:

- affordable housing will be made in accordance with Local Plan Policy 18: Affordable Housing;
- transport infrastructure will be made in accordance with Local Plan Policy 33: Delivering a More Sustainable Transport Network, and where appropriate:
 - Policy 13: South-West Quadrant Sustainable Urban Extension;
 - Policy 14: South of the North Forty Foot Sustainable Urban Extension;
 - Policy 15: Vernatts Sustainable Urban Extension;

- Policy 16: Holbeach West Sustainable Urban Extension;
- Policy 34: Delivering the Boston Distributor Road; and
- Policy 35: Delivering the Spalding Transport Strategy;
- education facilities will be made in accordance with the requirements set out in Appendix 8: Developer Contributions for Education Facilities;
- health facilities will be made in accordance with the requirements set out in Appendix 9: Developer Contributions for Health Facilities; and
- sport facilities, recreational open space and other green infrastructure will be made in accordance with Local Plan Policy 32: Community, Health and Well-being.

In addition, the provision of developer contributions should be in accordance with the relevant requirements of:

- The proposed Developer Contributions Supplementary Planning Document (SPD) and each Local Planning Authority's Developer Contributions Prioritisation Framework (or successor);
- the South East Lincolnshire Infrastructure Delivery Plan (IDP)⁵, and
- a Community Infrastructure Levy (CIL) charging schedule, if considered appropriate in the long-term.

Policy 18: Affordable Housing

In South East Lincolnshire the following need for affordable housing has been identified:

- A. In Boston Borough about 263 new affordable dwellings per annum, equating to over 80% of the overall annual housing need; and
- B. In South Holland about 282 new affordable dwellings per annum, equating to about 60% of the overall annual housing need.

The affordable housing need will be sought on:

- 1. market housing sites of 11 or more dwellings (or residential developments with an internal floor area of 1,000sqm or more with a

requirement of:

- i. about 20% being affordable housing on sites in Boston Borough; and
- ii. about 25% being affordable housing on sites in South Holland;
- 2. sites proposed by developers specifically for affordable housing; and
- 3. Rural Exceptions Sites.

The proportion of affordable housing that can be provided on market housing sites may vary according to the site specific considerations such as viability, other infrastructure requirements and the type of affordable housing need to be met. The following provision will be sought in each Local Planning Area:

- 4. on sites in Boston Borough a mix of about 75% affordable for rent and about 25% intermediate housing for sale; and
- 5. on sites in South Holland District a mix of about 70% affordable for rent and about 30% intermediate housing for sale.

Affordable for rent may include social rented, affordable rented or intermediate rented and intermediate housing for sale may include shared ownership, shared equity and starter homes depending on the identified need.

On site provision will be required. Where circumstances relating to the delivery of affordable housing make it impractical to deliver the affordable housing on site, developers will provide sound evidence to the Local Authority why on site provision cannot be achieved. Where such evidence is accepted by the Local Authority the developer will be expected to make equivalent off-site provision or a financial contribution to enable the need to be met elsewhere. In Boston Borough this will be elsewhere in the sub area in which the site is located (either: Boston, North/East Parishes or South/West Parishes). In South Holland elsewhere is anywhere within the District.

As part of the mix of affordable housing, developments should also consider needs for specialist accommodation and how a site could contribute towards delivering them. This may include provision for affordable Gypsy, Traveller and Travelling Showpersons pitches and plots in line with any needs identified in the latest Gypsy and Traveller Accommodation Assessment or Strategic Housing Market Assessment. This would include the needs of those communities who are identified either within or outside the Government's definition set out in Planning Policy for Traveller Sites.

The following extract of Policy 35 is also relevant:

B. In accordance with Policy 6, Policy 15 and Inset Map 2: Spalding and Pinchbeck, the following housing allocations and all developments for 11 or more dwellings, or which have a combined gross floor space of more than 1,000 sqm, or non-residential development of 1,000 sqm or more floor space (gross), granted planning permission on unallocated sites within the designated settlement boundaries for Spalding and Pinchbeck, will be subject to financial contributions towards the funding of projects featured in the STS⁴⁴, or any successor:

- Site Mon005: Land south of Horseshoe Road;
- Site Mon008: Land north of Bourne Road;
- Site Pin002: Land north of Market Way;

- Site Pin019: Land east of Surfleet Road;
- Site Pin025: Land east of Spalding Road;
- Site Pin050: Spalding Lifestyle, Spalding Road;
- Site Pin065: Birchgrove Garden Centre, Surfleet Road;
- Site Stm004: Land east of Spalding Common;
- Site Stm010: Land west of Spalding Common; and
- Site Stm028: The Elders.

Financial contributions to the non-SWRR schemes identified in the STS, as prioritised by the Local Highway Authority, will be secured through legal agreements, subject to the provisions of Policy 6. Their calculation will be subject to viability.

Two points are notable: firstly, that the proposal provides significantly higher affordable housing delivery than the 25% target laid out in Policy 18, which would contribute considerably towards housing need and is therefore considered to be a great benefit to the community. From an economic perspective, without grant a 100% affordable housing development would always be less viable than a policy compliant 25% affordable housing development.

The second point is that all three policy references to further financial contributions are specifically caveated by viability.

The following report therefore considers this matter in detail to provide an indicative view of whether the currently proposed tenure mix provides a viable surplus with which to support the proposed s106 contributions while ensuring the scheme remains deliverable.

This policy has been informed by the 'South East Lincolnshire Whole Plan Viability Study', completed on behalf of the council by Peter Brett Associates (PBA) in January 2017. Where appropriate, the conclusions of this study are used to inform our report.

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 equally 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) (2021), 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, which replaced the previous advice in PPS3.

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

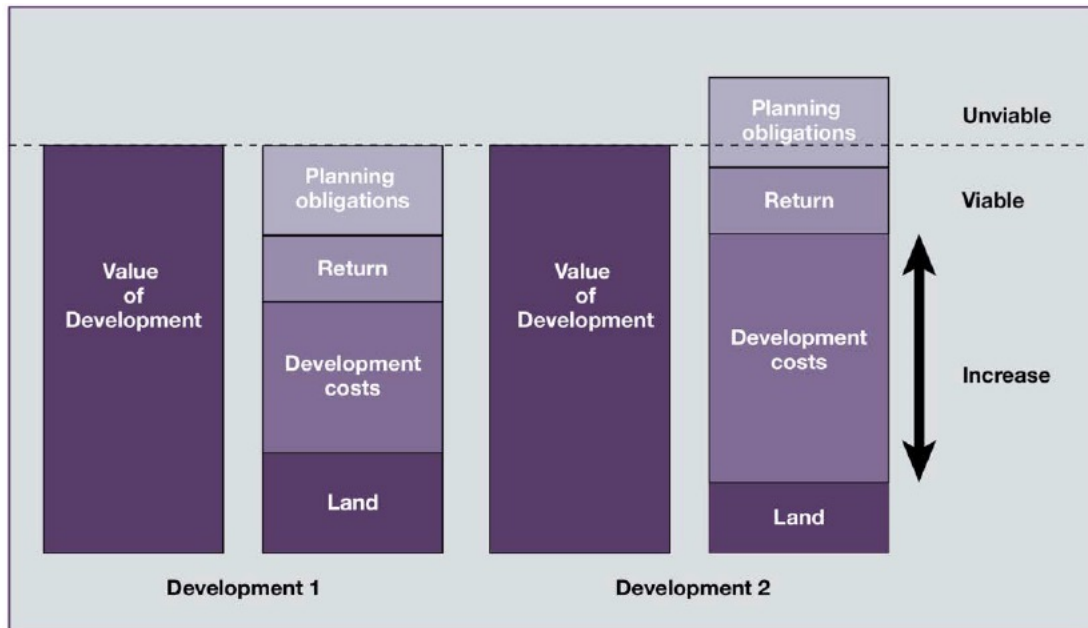
57. Planning obligations must only be sought where they meet all of the following tests²⁶:
 - a) necessary to make the development acceptable in planning terms;
 - b) directly related to the development; and
 - c) fairly and reasonably related in scale and kind to the development.
58. Where up-to-date 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.

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 12 which sets out the costs that should be included in any viability statement, and paras 13-17 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.

Viability

The relevance of viability is accepted in all three core policies, which state:

Developers will either make direct provision or will contribute towards the provision of local and strategic infrastructure and services required by the development, either alone or cumulatively with other developments. Contributions will be determined having regard to:

- the identified needs generated by the proposed development;
- the viability of the proposed development; and
- the priorities attached to meeting individual local and strategic infrastructure and service requirements.

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

There are several proprietary spreadsheets in use to justify viability. We use the Housing Corporation Economic Appraisal Tool (HCEAT), developed by GVA Grimley in partnership with the Housing Corporation (now HCA); it is one of the Toolkits commonly used when considering development viability.

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 HCEAT spreadsheet examining the viability of this site; the spreadsheet is shown in **Schedule 1** of this report. The comments below address the inputs to the spreadsheet sequentially and an electronic copy can be provided to the LPA on request.

Spreadsheet Inputs

Proposed Development - Input Sheet 1

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

Unit	Area m2	Type	Category
1	75.00	A 2b4p semi	AR
2	75.00	A 2b4p semi	AR
3	85.00	C 3b5p semi	AR
4	85.00	C 3b5p semi	AR
5	75.00	A 2b4p semi	S0
6	75.00	A 2b4p semi	S0
7	75.00	A 2b4p semi	S0
8	75.00	A 2b4p semi	S0
9	75.00	A 2b4p semi	S0
10	75.00	A 2b4p semi	S0
11	75.00	A 2b4p semi	S0
12	75.00	A 2b4p semi	S0
13	85.00	C 3b5p semi	AR
14	85.00	C 3b5p semi	AR
15	85.00	C 3b5p semi	S0
16	85.00	C 3b5p semi	S0
17	85.00	C 3b5p semi	S0
18	85.00	C 3b5p semi	S0
19	85.00	C 3b5p semi	S0
20	85.00	C 3b5p semi	S0
21	85.00	C 3b5p semi	S0
22	85.00	C 3b5p semi	S0
23	51.00	E 1b2p flat	AR

24	51.00	E 1b2p flat	AR
25	75.00	A 2b4p semi	SO
26	75.00	A 2b4p semi	SO
27	51.00	E 1b2p flat	AR
28	51.00	E 1b2p flat	AR
29	102.00	D 4b6p semi	AR
30	102.00	D 4b6p semi	AR
31	75.00	A 2b4p terraced	AR
32	75.00	A 2b4p terraced	AR
33	75.00	A 2b4p terraced	AR
34	85.00	C 3b5p semi	SO
35	85.00	C 3b5p semi	SO
36	85.00	C 3b5p semi	SO
37	85.00	C 3b5p semi	SO
38	92.00	F 3b5p detached self	SB
39	92.00	F 3b5p detached self	SB
40	92.00	F 3b5p detached self	SB
41	92.00	F 3b5p detached self	SB
Total	3261.00		

The unit mix comprises:

Type	Description	No units	%
A	2b4p semi/terraced	15	37%
C	3b5p semi	16	39%
D	4b6p semi	2	5%
E	1b2p flat	4	10%
F	3b5p detached self build plot	4	10%
Total		41	

Of which the proposed tenure split is:

	Percentage
Shared ownership	59%
Affordable rent	41%

Affordable Housing Values - Input Sheet 2

Affordable Rent

Affordable Rent is generally defined via the terms of the s106 agreement made with the council. A common definition is included below:

Affordable Rent means rented housing let by Registered Providers of social housing to households who are eligible for Social Rented Housing. Affordable Rent is not subject to the national rent regime but is subject to other rent controls that require a rent and service charge of no more than the lower of either:

- a) For one and two bedroom dwellings, 80 per cent of the Market Rent or 95% of the Local Housing Allowance Cap applying to the relevant property size for the month in which the property is to be let;*
- b) For three bedroom dwellings, 80 per cent of the Market Rent or 85% of the Local Housing Allowance Cap applying to the relevant property size for the month in which the property is to be let;*
- c) For dwellings with four or more bedrooms, 80 per cent of the Market Rent or 70% of the Local Housing Allowance Cap applying to the relevant property size for the month in which the property is to be let.*

Local Housing Allowance Cap means the maximum rental allowance providing financial assistance towards the housing costs of low income households for different rental market areas and property types set out and reviewed by the Valuation Office Agency under a framework introduced by the Department of Works and Pensions or such similar framework that may replace it.

We have therefore reviewed the Local Housing Allowance Cap for Lincolnshire, summarised below:

	LHA April 2022
Cat A (studio)	£66.50
Cat B (1b)	£100.11
Cat C (2b)	£132.33
Cat D (3b)	£149.59
Cat E (4b+)	£172.60

Applying the method in the above definition:

	LHA April 2022	Required discount	Rent assumption
Cat A (studio)	£66.50	95%	£63.18
Cat B (1b)	£100.11	95%	£95.10
Cat C (2b)	£132.33	95%	£125.71
Cat D (3b)	£149.59	85%	£127.15
Cat E (4b+)	£172.60	70%	£120.82

Yield is assumed at 5%.

A conservative 5% allowance is made for management costs, voids, and repairs.

Shared Ownership

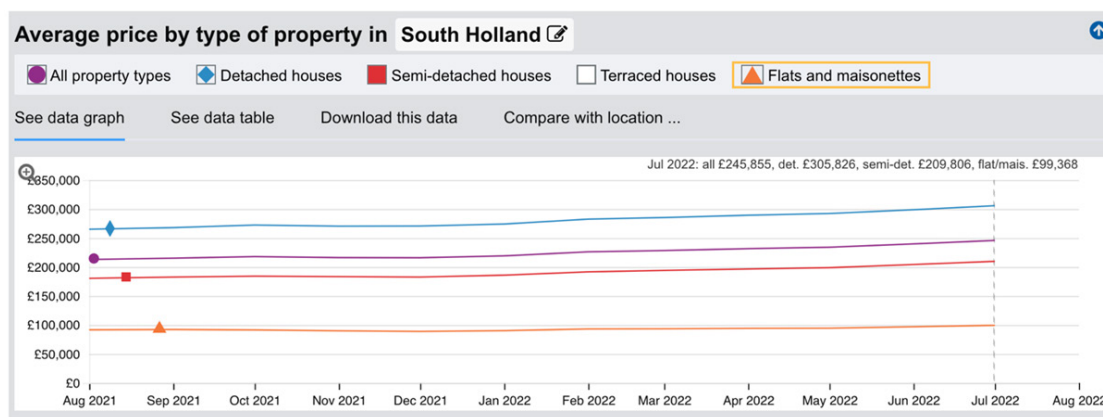
The relevant open market value for the proposed unit types as outlined below is adopted.

Owner-occupied share is assumed at a generic 50% subject to any detailed specifics being provided.

Unsold equity is assumed at a standard 2.75%. All other assumptions are as above.

Open Market Housing Values - Input Sheet 2

Land Registry data for South Holland suggests the following average values for detached, semi-detached and flats:



Nimbus suggests the following data:



The Zoopla data for the PE11 Postcode is set out below:

Property type	Avg. current value	Avg. £ per sq ft.	Avg. # beds	Avg. £ paid (last 12m)
Detached	£301,077	£168	3.4	£288,482
Semi-detached	£191,940	£154	2.9	£190,098
Terraced	£173,589	£159	2.6	£166,052
Flats	£142,128	£163	1.6	£100,535

The Zoopla data suggests that detached properties in PE11 might expect to achieve in the region of £1,808/m² based on an average 3.4 no of beds, semi-detached £1,657/m² for 2.9 beds on average, and £1,754/m² for flats at 1.6 beds.

Transactional Data

We have compared this data to relevant recent transactions extrapolated from Rightmove (see **Schedule 3**). As noted, values in the area are extremely sensitive to small changes in search area; therefore, we have limited our transactional search to within 2 years and ¼-1/2 mile of the scheme.

<i>Sold semi-detached houses within 1/2 mile last 2 years</i>					
Address	Type	Sale Date	Area m ²	£/m ²	Price
11, Poachers Gate, Pinchbeck, Spalding, Lincolnshire PE11 3JP	3-bedroom semi-detached house in need of modernisation, garden & detached garage	06.05.2022	69	£2,463.04	£169,950
48, Poachers Gate, Pinchbeck, Spalding, Lincolnshire PE11 3JP	2-bedroom semi-detached house, garden & off-street parking	06.05.2022	54	£2,685.19	£145,000
15, Flaxmill Lane, Pinchbeck, Spalding, Lincolnshire PE11 3XN	3-bedroom semi-detached bungalow in need of modernisation throughout, spacious garden with outbuilding, garage & off road parking	15.10.2021	109.4	£1,110.15	£121,450
13, Oldham Drive, Pinchbeck, Spalding, Lincolnshire PE11 3XZ	3-bedroom semi-detached house, landscaped garden, off road parking	25.06.2021	70	£2,385.71	£167,000

3, Porthouse Drive, Pinchbeck, Spalding, Lincolnshire PE11 3LY	Semi-detached property	04.06.2021	74	£959.46	£71,000
5, Meadow Close, Pinchbeck, Spalding, Lincolnshire PE11 3LZ	3-bedroom semi-detached house, garden, driveway parking, cul-de-sac location	29.03.2021	86	£2,011.63	£173,000
			Avg £/m2	£1,832.61	

<i>Sold detached houses within 1/4 mile last 2 years</i>					
Address	Type	Sale Date	Area m2	£/m2	Price
7, Keepers Close, Pinchbeck, Spalding, Lincolnshire PE11 3JR	2-bedroom detached bungalow, garden, detached garage, large driveway	22.04.2022	64.6	£3,250.77	£210,000
6, Poachers Gate, Pinchbeck, Spalding, Lincolnshire PE11 3JP	3-bedroom detached house, garden with outbuilding, single garage & off road parking	16.02.2022	98.9	£2,436.80	£241,000
82, Milestone Lane, Pinchbeck, Spalding, Lincolnshire PE11 3XR	Detached property	19.11.2021	97	£2,371.13	£230,000
8, Crossgate Crescent, Pinchbeck, Spalding, Lincolnshire PE11 3XL	3-bedroom detached bungalow, garden, garage & gated driveway	17.11.2021	85.47	£2,772.90	£237,000
13, Flaxmill Lane, Pinchbeck, Spalding, Lincolnshire PE11 3XN	Detached bungalow	07.09.2021	89	£2,359.55	£210,000
9, Flaxmill Lane, Pinchbeck, Spalding, Lincolnshire PE11 3XN	4-bedroom detached house, recently landscaped garden, parking	05.08.2021	115	£2,226.09	£256,000
6, Decoy Close, Pinchbeck, Spalding, Lincolnshire PE11 3JS	3-bedroom detached house, spacious garden, double garage, driveway	22.03.2021	81	£3,037.04	£246,000

1, Surfleet Road, Pinchbeck, Spalding, Lincolnshire PE11 3XY	Detached bungalow	04.03.2021	110	£2,909.09	£320,000
3, Poachers Gate, Pinchbeck, Spalding, Lincolnshire PE11 3JP	3-bedroom detached house in need of modernisation, attached single garage, garden & driveway parking	12.11.2020	115	£1,782.61	£205,000
			Avg £/m2	£2,517.61	

The average achieved prices extrapolated from Rightmove are higher than the average suggested by Zoopla. This is due to the fact that Zoopla data is compiled from across the postcode, while Rightmove focus more centrally on the area immediately surrounding the subject site.

There is also evidence of the commonly seen 'quantum' inverse correlation between unit area and £/m2 value, meaning we would expect the smaller units to achieve higher £/m2 values than the larger.

We have also studied properties which are currently on the market within 1-5 miles of the subject site depending on availability, along with isolating specifically new build development:

<i>Semi-detached houses for sale + 3 miles</i>					
Address	Type	SSTC/for sale?	Area m2	£/m2	Price
Reservoir Road, Surfleet, Spalding, PE11	4-bedroom semi-detached new home, garden, off road parking for several cars	Offers in Excess of	120.9	£2,357.32	£285,000
Beech Avenue, Spalding	2-bedroom semi-detached house, rear garden, ample off road parking	For Sale	88	£2,102.27	£185,000
Rotten Row, Pinchbeck, PE11	Semi-detached house, large garden, driveway parking	For Sale	82.3	£2,247.87	£185,000
Oldham Drive, Pinchbeck, PE11	Extended 3-bedroom semi-detached cottage, extensive garden area, garage & parking	For Sale	104.8	£2,290.08	£240,000
Bourne Road, Spalding	3-bedroom semi-detached modern property, garden & parking	For Sale	75	£2,600.00	£195,000
Wayet Road, Pinchbeck, Spalding PE11 3RR	3-bedroom semi-detached house, garden, garage & driveway, cul-de-sac location	For Sale	130.2	£1,920.12	£250,000

Park Road, Spalding	3-bedroom semi-detached house in need of part modernisation, garden, off road parking	For Sale	86	£2,093.02	£180,000
Holland Road, Spalding PE11 1UL	Recently refurbished 4-bedroom semi-detached character property, garden & parking	For Sale	203.6	£1,473.48	£300,000
Avebury Gardens, Spalding, Lincolnshire	3-bedroom semi-detached house in need of modernisation, garden, parking	For Sale	86	£2,755.76	£236,995
			Avg £/m2	£2,105.85	

<i>Semi-detached new build for sale + 5 miles</i>					
Address	Type	Sale Date	Area m2	£/m2	Price
Reservoir Road, Surfleet, Spalding, PE11	4-bedroom semi-detached new home, garden, off road parking for several cars	Offers in Excess of	120.9	£2,357.32	£285,000
High Road, Weston, PE12 6RD	Brand new 3-bedroom semi-detached house, garden & single garage	For Sale	100	£2,740.00	£274,000
Slipe Drove, West Pinchbeck, Spalding	3-bedroom semi-detached house in new development, est completion Q4 2022 - Approx area	For Sale	78.8	£2,791.88	£220,000
Plot 16, 4 Platinum Close, Gosberton, PE11	3-bedroom semi-detached house in new development	For Sale	94.4	£2,648.31	£250,000
Plot 17, 2 Platinum Close, Gosberton, PE11	3-bedroom semi-detached house in new development	For Sale	94.4	£2,648.31	£250,000
Plot 13, 9 Platinum Close, Gosberton, PE11	3-bedroom semi-detached house in new development of 36 high end homes	Sold STC	94.4	£2,754.24	£260,000
The Dove, Coalbeach Lane South, Surfleet, Spalding	Brand new 3-bedroom semi-detached house, small garden, parking space	For Sale	88	£2,500.00	£220,000
The Dove, Coalbeach Lane South, Surfleet, Spalding	Brand new 3-bedroom semi-detached house, small garden, parking space	For Sale	88	£2,500.00	£220,000
			Avg £/m2	£2,607.72	

Detached houses for sale + 1 mile					
Address	Type	Sale Date	Area m2	£/m2	Price
Wimberley Way, Pinchbeck, Spalding	Modern 4-bedroom detached house, internal garage, garden & driveway	For Sale	112	£2,901.79	£325,000
Mountbatten Avenue, Pinchbeck, Spalding	3-bedroom detached house, garden, driveway & single garage	For Sale	108	£2,916.67	£315,000
Independence Drive, Spalding, PE11	Extended 5-bedroom detached house, double garage, garden	Offers in Region of	161	£2,981.37	£480,000
Laxton Gardens, Pinchbeck	Detached house	For Sale	99	£2,818.18	£279,000
Rose Lane, Pinchbeck	3-bedroom detached hcottage with scope to extend, village location	For Sale	140.2	£3,031.38	£425,000
Laxton Gardens, Pinchbeck, PE11	Modern 3-bedroom detached house, garden, single garage & off street parking	For Sale	124	£2,258.06	£280,000
Church Street, Pinchbeck	3-bedroom detached house, good size garden, large driveway	For Sale	113.4	£3,350.93	£379,995
Wimberley Way, Pinchbeck, Spalding	Detached house	For Sale	112	£2,901.79	£325,000
88 Knight Street, Pinchbeck PE11 3RB	7-bedroom detached Period property, large garden & driveway	Sold STC	209.1	£3,347.68	£700,000
			Avg £/m2	£2,977.00	

New build detached houses for sale + 5 miles					
Address	Type	Sale Date	Area m2	£/m2	Price
High Road, Weston, PE12 6RD	3-bedroom detached new home	For Sale	101	£2,861.39	£289,000
High Road, Weston, PE12 6RD	4-bedroom detached new home, garden, double garage & off street parking for 2 vehicles	For Sale	166	£2,801.20	£465,000
High Road, Weston, PE12 6RD	3-bedroom detached new home	For Sale	101	£2,861.39	£289,000
High Road, Weston, PE12 6RD	3-bedroom detached new house, garden, single garage	For Sale	100	£2,840.00	£284,000
Hickory (Plot 5), Boston Road, Gosberton, PE11	4-bedroom detached new property still under construction	For Sale	158.9	£2,422.91	£385,000
Sessile House (Plot 4), Boston Road, Gosberton, PE11	4-bedroom detached new property still under construction	For Sale	158.9	£2,422.91	£385,000
High Road, Weston, PE12 6RD	4-bedroom detached new home, garden & single garage	For Sale	125	£3,040.00	£380,000
			Avg £/m2	£2,719.59	

The average £/m2 values from the data sets above are summarised below:

	Zoopla	Sold	For sale	NB for sale
<i>Avg £/m2 values - semi</i>	£1657	£1832	£2105	£2607
<i>Avg £/m2 values - detached</i>	£1808	£2517	£2977	£2719

Average asking prices are inflated when compared to wider achieved values and the dataset supplied by Zoopla, suggesting asking prices are unlikely to be achieved. Consultation with local agents suggests prices are often being discounted 5-10% in the current market.

Slip Drive and the Dover (new build for sale) provide good semi-detached comparable properties in terms of size (c.75m² and 85m²), specification and location at between £2500-2800/m².

For the detached units, **High Road** provides some useful data at £2800-3000/m².

We have had particular regard to these transactions when valuing the proposed units.

We have taken an optimistic approach to valuing the open market value as below. This is for reference only in relation to the inputs used for the shared ownership units:

Unit	Area	Type	Category	£/m ²	PRICE
5	75.00	A 2b4p semi	S0	£3,000	£225,000
6	75.00	A 2b4p semi	S0	£3,000	£225,000
7	75.00	A 2b4p semi	S0	£3,000	£225,000
8	75.00	A 2b4p semi	S0	£3,000	£225,000
9	75.00	A 2b4p semi	S0	£3,000	£225,000
10	75.00	A 2b4p semi	S0	£3,000	£225,000
11	75.00	A 2b4p semi	S0	£3,000	£225,000
12	75.00	A 2b4p semi	S0	£3,000	£225,000
15	85.00	C 3b5p semi	S0	£2,941	£250,000
16	85.00	C 3b5p semi	S0	£2,941	£250,000
17	85.00	C 3b5p semi	S0	£2,941	£250,000
18	85.00	C 3b5p semi	S0	£2,941	£250,000
19	85.00	C 3b5p semi	S0	£2,941	£250,000
20	85.00	C 3b5p semi	S0	£2,941	£250,000
21	85.00	C 3b5p semi	S0	£2,941	£250,000
22	85.00	C 3b5p semi	S0	£2,941	£250,000
25	75.00	A 2b4p semi	S0	£3,000	£225,000
26	75.00	A 2b4p semi	S0	£3,000	£225,000
34	85.00	C 3b5p semi	S0	£2,941	£250,000
35	85.00	C 3b5p semi	S0	£2,941	£250,000
36	85.00	C 3b5p semi	S0	£2,941	£250,000

37	85.00	C 3b5p semi	S0	£2,941	£250,000
38	92.00	F 3b5p detached self	SB	£2,826	£260,000
39	92.00	F 3b5p detached self	SB	£2,826	£260,000
40	92.00	F 3b5p detached self	SB	£2,826	£260,000
41	92.00	F 3b5p detached self	SB	£2,826	£260,000

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.

For the sake of clarity, we have run with the following open market average values in the shared ownership section of the appraisal:

Semi type	£/m2
75m2	£3,000
85m2	£2,941

Freehold Ground Rent

The capital value of the Freehold Ground Rents from the project is therefore included at zero for the purposes of this viability appraisal. The Leasehold Reform (Ground Rent) Bill received Royal Assent on 8 February 2022 meaning it is now an Act of Parliament (law).

The Act limits ground rent to a 'peppercorn rent'.

The rationale behind the limit is to prevent leaseholders becoming trapped by rapidly escalating ground rents and in turn create fairer, more transparent ownership for leaseholders.

The Act also prohibits administration charges for peppercorn rents as an anti-avoidance measure.

As such all viability assessors are currently including ground rent at either a zero or nominal rate as this income will not be realised.

Timing - Input Sheet 2

The South Lincolnshire Whole Plan Viability Study assumes the following inputs for construction timescale:

Table 4.7 House build rates

Housebuilders build to sell therefore they will only build at the same rate at which they can sell the completed units. Based on consultation feedback we have assumed the following construction periods. There is a 6 months delay from site purchase to start on site to reflect site preparation and then a further 6 month time lag for first sale to complete on housing scenarios. Flatted development also has a 6 month delay between site purchase and start on site but sales do not occur until build complete. Developers' indicated that they would seek to build 30 market housing per annum per outlet in the current market.

base site purchase date (can be any date in the future)

01/07/2015

Greenfield scenarios (including rural):

Construction start

Construction completion

Houses –	1	Units	01/01/2016	01/05/2016
Houses –	2	Units	01/01/2016	01/07/2016
Houses –	10	Units	01/01/2016	01/01/2017
Houses –	30	Units	01/01/2016	01/01/2018
Houses –	150	Units	01/09/2016	01/03/2019
Flats -	20	Units	01/01/2016	01/03/2018

SUE sites

Developers have indicated that sales rates are currently around 50 units per annum for large sites. In our testing we have assumed that there would be three outlets each delivering 50 units. Based on these rates the following time-scales have been used:

Boston	1,800	12 phases	01/01/2016	01/01/2028
Spalding	3750	25 phases	01/09/2015	01/09/2040

As the nearest comparable we have assumed the 30 unit scenario at 24 months.

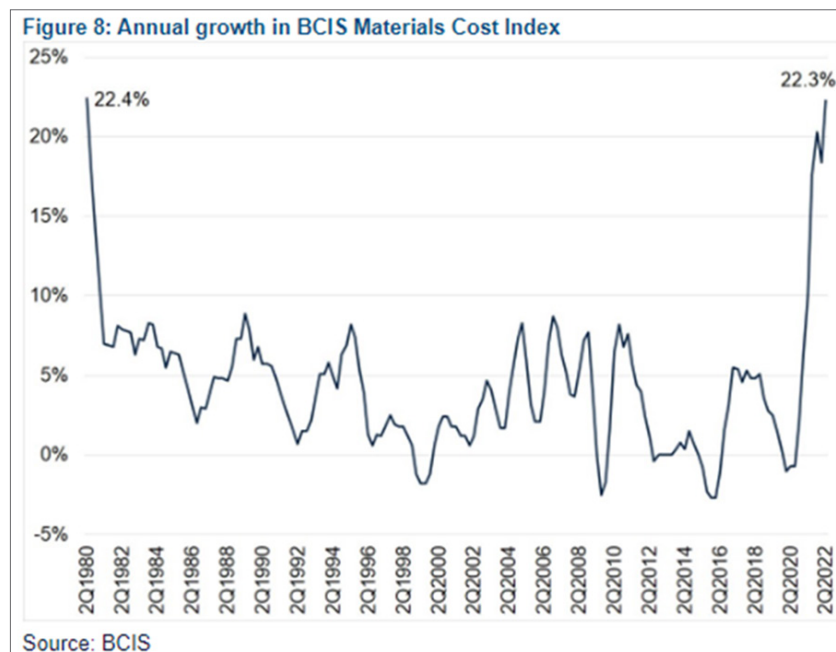
Construction Costs - Input Sheet 2

We have consulted the BCIS average statistics rebased to South Holland and Q4 2022:

Results							
Rebased to 4Q 2022 (371; forecast) and South Holland (98; sample 6) Edit							
£/m2 study							
Description: Rate per m2 gross internal floor area for the building Cost including prelims. ? Last updated: 24-Sep-2022 05:54							
Maximum age of results: Default period							
Building function (Maximum age of projects)	£/m² gross internal floor area						Sample
	Mean	Lowest	Lower quartiles	Median	Upper quartiles	Highest	
New build							
810.1 Estate housing							
Generally (15)	1,411	680	1,203	1,357	1,543	4,908	1435
Single storey (15)	1,593	958	1,362	1,540	1,774	4,908	234
2-storey (15)	1,361	680	1,181	1,321	1,487	2,955	1112
3-storey (15)	1,470	878	1,182	1,395	1,670	2,896	84
4-storey or above (15)	2,974	1,440	2,382	2,660	3,959	4,430	5
810.11 Estate housing detached (15)	1,822	1,047	1,438	1,587	1,903	4,908	23
810.12 Estate housing semi detached							
Generally (15)	1,410	830	1,205	1,383	1,544	2,586	349
Single storey (15)	1,565	1,027	1,354	1,539	1,729	2,586	73
2-storey (15)	1,369	830	1,203	1,336	1,495	2,438	265
3-storey (15)	1,367	1,038	1,094	1,342	1,551	2,015	11
810.13 Estate housing terraced							
Generally (15)	1,454	878	1,179	1,358	1,597	4,430	246
Single storey (15)	1,663	1,065	1,379	1,704	1,925	2,348	20
2-storey (15)	1,393	890	1,168	1,326	1,527	2,955	186
3-storey (15)	1,498	878	1,185	1,376	1,692	2,896	38
816. Flats (apartments)							
Generally (15)	1,660	817	1,379	1,573	1,875	5,696	847
1-2 storey (15)	1,570	971	1,334	1,490	1,764	2,867	182
3-5 storey (15)	1,638	817	1,375	1,563	1,861	3,471	567
6 storey or above (15)	1,974	1,211	1,612	1,858	2,120	5,696	95

RICS issued the following recent advice regarding inflation in the construction sector.

- Tender prices in 2Q2022 rose by 3.4% compared with the previous quarter, and by 9.1% on an annual basis. Although the economic uncertainty will make contractors keen to tender, it also increases their risk of delivery. With labour site rates rising faster than wage awards and continued supply issues for some materials, tenders are likely to rise faster than basic costs over most of the forecast period. Tender prices are forecast to rise by 20% in the five years to 2Q2027.
- Materials prices rose by 8.0% in 2Q2022 compared with the previous quarter, and by 22.3% compared with a year earlier. Some materials prices are easing, and this will continue if supply chains receive no further shocks.
- Wage awards over the next year will come under pressure from rising inflation. Some of the 2% and 3% increases already agreed for early 2023 may be renegotiated. The average wage awards over the forecast period will be around 3% per annum. With labour shortages expected for a while yet, site rates are expected to see higher increases and there are reports of firms making discretionary cost of living payments. Both of these will affect the market conditions element of the TPI.
- The BCIS General Building Cost Index rose by 5.4% in 2Q2022 compared with 1Q2022, and by 14% compared with 2Q2021. Costs will rise by 16% over the forecast period (2Q2022 to 2Q2027).
- Total new work output increased by 3.3% in 2Q2022 compared with the previous quarter and by 3.4% compared with a year earlier. New construction output will rise by 16% over the forecast period (2026 compared with 2021).



This must be viewed in context with the devaluation of the pound and wider economic context at the current date (September 2022) which will significantly impact materials costs, while inflation is impacting on wage awards.

With this in mind we have adopted the upper quartile statistics for the relevant typologies, subject to more detailed cost information becoming available:

	£/m2
Detached	1903
Semi-detached	1544
Flats	1875

Non-BCIS

The BCIS statistics make no allowance for all external works and associated infrastructure costs. We have therefore referred to the Whole Plan Viability Study, which suggests an appropriate allowance for externals to be 10%.

The HCEAT has been run with a corresponding figure.

Fees - Input Sheet 2

For a project of this size we would assume a standard 10% for fees.

Contingency - Input Sheet 2

Inflation is currently running at 10+%. In our experience prudent developers are therefore assuming contingencies of 10-20% to cover the risk of build cost increases over the next 12 month period. As the build cost adopted is for Q4 2022, and the development is likely to be increasingly impacted by said inflation over time, we have adopted a conservative 10% figure at this time.

Section 106 Payments - Input Sheet 2

We have assessed the scheme in the first instance on the basis of zero further s106 contributions given the 100% affordable housing delivered and the terms of policies 6 and 18. Should a surplus be delivered we will assess including the requested contributions. We note the below figures:

- £159,766 education
- £2,800 transport
- £24,420 NHS

Site Acquisition Costs - Input Sheet 2

Site acquisition costs include stamp duty and prevailing rates of legal and sales. The Whole Plan Viability Study assumes the following rates:

Table 4.6 Land purchase costs

Land purchase costs	Rate	Unit
Land purchase fees	1.75%	land value
Stamp Duty Land Tax	1.00% - 4% HMRC	land value

Source: PBA and HMRC 2015

We have adopted the same, with an appropriate allowance for SDLT.

Finance Costs - Input Sheet 2

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 2.25% in September 2022, and have strongly signalled a significant increase in November 2022 in response to the current economic crisis. We are advised by development finance specialists Vision Finance that the minimum all-in rate which is appropriate to consider in the current high-risk environment is 8-10%. We have therefore adopted the lower end of this range.

Marketing Costs - Input Sheet 2

Assuming the development will be sold to a registered provider there will be no marketing costs to consider.

Grant Funding

The applicant has confirmed that the 100% affordable housing scheme will accrue £2.095m in grant funding. We have assessed the viability of the site both with and without this funding for context.

Developer Profit - Input Sheet 2

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.'

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 Whole Plan Viability Study adopts the following figures. We have adopted the same.

Developer's profit

4.3.45 The developer's profit is the expected and reasonable level of return that a private developer would expect to achieve from a specific development scheme. Based on evidence that has come to our attention (see Appendix B) of the level of return volume house builders are prepared to accept, taking account of the District Valuer responses to various site-specific viability appraisals and consultations with the strategic site promoters, we have adopted a profit assumption of 17.5% for open market units which is applied to the GDV. For the affordable housing element, a 6% profit margin is assumed for the private house builders on a nil-grant basis.

The HCEAT 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.'

The site comprises c.1.85Ha of greenfield land, which has been allocated for residential development in the local plan under ref. Pin019.

The Whole Plan Viability Study assumes the following Threshold Land Values:

Table 4.4 Residential threshold land values and site opening cost assumptions

Site typology	Fully serviced threshold land values per net developable ha		Price per serviced plot (35 /40 dph)
South Holland District generic	£535,000	Fully serviced land value (opening cost to be deducted from this)	£15,000
Boston Borough generic	£500,000	Fully serviced land value (opening cost to be deducted from this)	£14,000
Unserviced land values based on existing use values and additional site opening cost allowance			Unserviced plot price
Brownfield	£240,000 to £350,000	£350,000per net ha for site remediation cost allowance	£6000 - £8,750
Spalding SUE	£300,000	£350,000per net ha for site opening cost allowance	£8,600
Boston SUE	£262,500	£350,000per net ha for site opening cost allowance	£7,500

Source: PBA 2015 / LA residential appraisal review 2016

Unfortunately this table appears to have been formed prior to the most recent guidance on evaluating benchmark land value via the EUV+ and AUV methods. As such we can give it little weight.

Following an EUV+ approach, assuming a standard £25,000/Ha for agricultural EUV, with a 20x multiplier for premium as an allocated residential site, would result in a value of £500,000/Ha or £925,000.

For reference the purchase cost of the site was £1.275m. Contextually therefore this appears appropriate.

We therefore adopt a value of £925,000 as the benchmark land value of the site.

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).'

If assuming an agricultural land value, a premium of 15-20x existing use value is widely accepted depending on the specific attributes of the site in question.

Given the site's allocation for residential development in the local plan, it is appropriate to consider a premium towards the upper end of this range (20x). Arguably a premium in excess of this should be adopted.

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 final element to consider is the alternative use value of the site. Ordinarily on a greenfield site there will be no AUV. However this site is allocated for residential development in the local plan under reference Pin019 for 34 units.

In this case the scheme delivers 100% affordable housing, which is above the policy compliant level sought in local plan policy 18. Therefore an AUV might be considered to be the allocated scheme (34 units) which a) delivers a 25% policy compliant tenure mix of affordable housing and b) provides for the s106 contributions requested.

We have modelled such a tenure mix at Schedule 4 using the same inputs as the main appraisal minus the grant funding and plus the s106 contributions required. This results in an alternative use value of the site at £680,000.

On a stand-back basis, this makes sense as the scheme is likely to be considerably more profitable at a 75% open market basis compared to a 100% affordable housing basis. Therefore the residual value of the alternative (but still policy compliant) scheme will always exceed the 100% affordable scheme.

The standard approach to viability is to compare the BLV of the development site with the Residual Value calculated by the (HCEAT) viability spreadsheet. 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.

HCEAT Spreadsheet Conclusions

Spreadsheet Summary

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:

100% affordable housing without grant

Sales	£6,447,184.07
<i>Less Costs</i>	
Construction Costs (Resi)	£5,538,809.00
Commercial Costs (Build & Fees)	£0.00
Other Site Costs	£1,752,780.79
Marketing	£0.00
Finance Costs	(£59,966.33)
Developer Return	£506,427.36
Residual Site Value	(£1,290,866.75)
Benchmark Land Value	£925,000.00
Result	(£2,215,866.75)

100% affordable housing with grant

Sales	£6,447,184.07
<i>Less Costs</i>	
Construction Costs (Resi)	£5,538,809.00
Commercial Costs (Build & Fees)	£0.00
Other Site Costs	£1,752,780.79
Marketing	£0.00
Finance Costs	(£59,966.33)
Developer Return	£506,427.36

Residual Site Value	(£1,290,866.75)
Benchmark Land Value	£925,000.00
Result	(£2,215,866.75)

To determine the viability of the provision of further S106 contributions, the Benchmark Value of the site as stated above (**£925,000**), is deducted from the Residual Value calculated by the HCEAT spreadsheet. If the result is negative, as it is in this case (**-£2,251,866** without grant, **-£450,633** with grant), the development cannot viably deliver further requested s106 contributions in addition to a 100% affordable housing scheme.

Conclusion

The following table has been compiled using data from the HCEAT spreadsheet to reveal the return that the developers will earn from this project:

Without grant

Spreadsheet Residual Value	(£1,290,866.75)
Plus Target Developer Return	£506,427.36
Less Benchmark Value	£925,000.00
Actual Profit	(£1,709,439.39)
Percentage actual profit	-59.07%

With grant

Spreadsheet Residual Value	£474,366.49
Plus Target Developer Return	£506,427.36
Less Benchmark Value	£925,000.00
Actual Profit	£55,793.86
Percentage actual profit	1.93%

The 100% affordable housing scheme with grant returns a small positive profit, but this is significantly below the target 6%. The scheme does not produce a surplus with which to fund further s106 contributions.

To improve viability we would advise modifying the tenure mix to at least 100% shared ownership, or 75% shared ownership and 25% First Homes delivered at 30% discount on open market value. This will likely help deliverability, but would be unlikely to improve profitability enough to deliver the sought s106 contributions.

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.

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%	-8.45%	6.31%	21.07%	35.83%	50.59%
	-5%	-18.02%	-3.26%	11.50%	26.26%	41.02%
	0%	-27.59%	-12.83%	1.93%	16.69%	31.45%
	5%	-37.16%	-22.40%	-7.64%	7.12%	21.88%
	10%	-46.73%	-31.97%	-17.21%	-2.45%	12.31%

This demonstrates that the scheme as designed could improve over time to deliver a market-facing return without grant. However, given the current inflationary environment, and current macroeconomic risks in relation to the housing market, we would expect a negative scenario to be most likely.