

# Financial Viability Statement

## Project Details

Project: Sceaux Gardens SE5

Developer: Southwark Council, New Homes Development Team

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## Policy Context

The National Planning Policy Framework (NPPF), Planning Practice Guidance (PPG), the London Plan (2021), the saved policies of the Southwark Plan (2007) and our Core Strategy (2011) establish that the key purpose of planning is the delivery of sustainable development. Sustainable development requires new housing, including affordable housing, to meet our housing needs, competitive economies, thriving town centres, efficient transport and effective infrastructure.<sup>i</sup>

Southwark Council's Core Strategy Policy 6 requires for a minimum of 35% Affordable Housing on sites with 10 units or more, and depending on the area, requires between 30 and 75% in the form of Social Rent.

## Financial Viability Methodology

The following diagram illustrates how financial viability is generally assessed and calculated:

Income	Residential / Commercial Sales Values
	Affordable Housing Values
	Ground Rent
Minus	
Costs	Construction Works
	Professional Fees
	CIL / S106 Payments
	Sales and Marketing Fees
	Contingencies
	Cost of Finance
Plus	
Profit	
Equals	
Residual Land Value	

The sites that are being developed by Southwark Council's New Homes Delivery Team are those that the Council own and are being developed mainly for Affordable Housing. This means that the method of calculating Residual Land Value has to also account for the level of public funding that is subsidising the social provision.

## Scheme Details

The proposed scheme details are as follows:

Unit Type	No of Social Rent	No. of Intermediate	No. of Private
1 Bed Flat	21	0	0
2 Bed 3 Person Flat	6	0	0
2 Bed 4 Person Flat	30	0	0
2 Bed 4 Person W/C Flat	2	0	0
3 Bed 5 Person Flat	7	0	0
3 Bed 5 Person W/C Flat	6	0	0
4 Bed 6 Person Flat	7	0	0
<b>Total No. of Units</b>	<b>79</b>	<b>0</b>	<b>0</b>
<b>Percentage</b>	<b>100%</b>	<b>0%</b>	<b>0%</b>

This scheme will be providing 100% Affordable Housing in the form of Social Rent and therefore is compliant with the Council's policy.

### Financial Viability Summary

The scheme has been run through 'Optimix', the New Home Delivery Teams Development Viability Toolkit, which determines the financial viability of the scheme, informs the level of funding required to deliver affordable housing, and assists in benchmarking and ensuring value for money.

The following table summarises the developments financial outputs:

### Financial Viability Summary

Assumption	Amount	Comments
Gross Development Value	£7,849,061	Total of present value of affordable cash-flow plus any sales income
Public Funding	£7,900,000	Total funding (RTB, GLA, s106 etc)
Public Finance	£13,189,754	Capital investment by council
<b>Total Income</b>	<b>£28,938,814</b>	
Construction Costs	£23,702,584	Cost of construction
General On-Costs	£0	Unspecified fees
Surveys	£123,041	
Legal/Land	£1,031,178	
Planning	£374,669	
Professional Consultants	£1,003,410	
D&B	£0	Design & build fees
Liaison	£481,700	Decanting costs, liason etc
Sales	£0	
Other	£2,222,233	Contingency & Internal costs
Profit	£0	
<b>Total Development Costs</b>	<b>£28,938,814</b>	
Residual Land Value	£0	Total income minus total costs
Benchmark Land Value	£0	Land valuation
	<b>Viable</b>	

The above table demonstrates that the scheme is financially viable.

### Assumptions

In order to arrive at the above figures the following assumptions have been made:

#### Gross Development Value

This is based on the discounted cash-flow of the net rental income, which has been calculated on inflated rents and operational costs over 60 years using a discount rate of 6%.

#### Public Funding

The public funding consists of £7,900,000 of GLA grant (which equates to a £100,000 per unit) and free land, S106 contributions and or public borrowing.

#### Acquisition Costs

There are no acquisition costs as this scheme is being developed on Council owned HRA land.

### *Construction Costs*

The construction costs have been calculated on an estimated works cost of £3,109 per m2 (excluding VAT).

### *Professional Fees*

The figure of £1,003,410 includes the following fees:

- Architects Fee
- Employers Agent fee
- CDM Principal Designer
- Clerk of Works
- Other Consultants
- Internal Staff Overheads

This equates to 4.23% of the construction costs.

### *Disposal Fees*

There are no specific disposal fees.

### *Marketing and Letting Fee*

There are no costs attributed to marketing or letting as this is a 100% Social Rent scheme and all costs are accounted for in the long-term management and operational costs.

### *Finance*

The costs for this scheme are 100% funded and therefore no significant finance interest costs are being generated. However, due to the way our appraisal model works there is a small interest surplus that the model is being calculated from the development cash-flow. This does not have any significant impact on the scheme viability.

### *Profit*

There are no developer profits as this is a 100% affordable scheme.

### *Contingencies*

We have assumed a development contingency of 5% of the construction costs.

### *Benchmark Land Value*

A benchmark land value has not been included because:

- The land is council owned HRA land.
- The scheme is for 100% council/social rent

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<sup>i</sup> Southwark Council, Development Viability, Supplementary Planning Document, March 2016