

Land to the South of Vasey Close, Bassingham

Full planning application for the erection of 23 affordable houses along with associated infrastructure.

Viability Note

This note has been produced in support of the above planning application. The application is for the erection of 23 affordable houses on land to the South of Vasey Close in Bassingham. This note should be read in conjunction with the Planning, Design and Access Statement submitted in support of the planning application and which contains detailed consideration of planning policy in relation to the proposals. This note focuses on the viability of the proposed scheme and provides justification for the over delivery of Shared Ownership affordable housing on site.

Central Lincolnshire Local Plan – Policy LP11 Affordable Housing

As detailed in the Planning, Design and Access Statement, the planning application is based on the Rural Affordable Housing section of Policy LP11 of the Central Lincolnshire Local Plan. The DAS considers in detail how the application proposals conform with Policy LP11, and this will not be repeated in this note.

When considering rural affordable housing exception sites, Policy LP11 states that:

To facilitate delivery of such schemes, the local planning authority will consider whether allowing a limited amount of market housing would be appropriate, taking into account the location of the site, the degree of need for affordable homes, the local support for the scheme and the quantity of affordable homes delivered.

Whilst the application does not include any market housing, it does include additional affordable housing units to help facilitate the overall delivery of the scheme. When considered against the Housing Needs Survey, the scheme includes for 2 additional Social Rent units and 7 additional Shared Ownership units. As is demonstrated below, these additional units are required to help to make the development viable when considered against the land value and build cost.

Scheme Viability

Scheme Details: Torgate Lane, Vasey Close, Bassingham comprising of:

Social Rent

- 4no. 1b 2p bungalows 43.8sqm
- 2no. 2b 3p bungalows 53sqm
- 5no. 2b 4p M42 houses 77.2sqm
- 2no. 3b 5p houses 81.9sqm

Shared Ownership

- 4no. 2b 4p houses 68.4sqm
- 4no. 3b 5p houses 81.9sqm
- 2no. 2b 4p M42 houses 77.2sqm

Total 23

Site area 1.81 Acres/0.732 hectares

Site density 31 units/hectare approx.

Appraisal date 04/01/2022

Scheme details

Unit type	m2	tenure	No. of units	Total m2	Total ft2
1b 2p bungalows	43.8	Social Rent	4	175.2	1886
2b 3p bungalows	53	Social Rent	2	106	1141
2b 4p M42 houses	77.2	Social Rent	5	386	4155
3b 5p houses	81.9	Social Rent	2	163.8	1763
2b 4p houses	68.4	Shared Ownership	4	273.6	2945
3b 5p houses	81.9	Shared Ownership	4	327.6	3526
2b 4p M42 houses	77.2	Shared Ownership	2	154.4	1662
Totals				1587	17078

Tenure Information – Social Rent

Unit type	Weekly rent (excl. service charge)	Weekly service charge	Man/Maint Allowance p.a	Voids/debt Allowance %
1b 2p bungalows	£82.47	£2.50	£200	1.75
2b 3p bungalows	£93.92	£2.50	£200	1.75
2b 4p M42 houses	£97.22	£2.50	£200	1.75
3b 5p houses	£110.32	£2.50	£200	1.75

Shared Ownership (43% initial tranche sale)

Unit type	OMV	Total 1st tranche sales receipt	Weekly rent (2.75% unsold Equity)	Weekly service charge	Management Allowance p.a
2b 4p houses	£186,000	£79,980	£55.87	£2.50	£120
3b 5p houses	£236,000	£101,480	£70.89	£2.50	£120
2b 4p M42 houses	£196,000	£84,280	£58.88	£2.50	£120
Totals					

Scheme costs & Outcome

	Total	Comments
Land	£425,000	Agreed sale price with vendor
Build costs	£3,231,173	Negotiated contract sum
On costs	£431,680	Includes A&D, marketing, capitalised interest
HCA Grant	-£1,379,000	
RCGF	£57,500	
Sales income 1st Tranche	-£2,628,580	
Loan requirement	£1,756,953	

Anticipated Scheme timings

Land acquisition	Jun 2022
Start on site	Oct 2022
Completion	Oct 23 – Jan 24

Scheme Performance

First cumulative Breakeven	Year 27
NPV at handover	£28,554

Land Value

A land purchase has been agreed with the landowner and is subject to the site gaining planning approval. The value agreed relates to the red line of the site and is agreed at a figure of £425,000, this figure is not based on the number of plots and so will not reduce if less plots are delivered on site. When considering the value agreed, it currently equates to £18,478 per plot. Research into residential land values in the area shows no comparable sites in Bassingham. However, land registry records do show three local land transactions that can be used for comparison:

- Cell 17, Witham St Hughs - 2016 - £4,053,880 - 105 dwellings - £38,608 per plot. (Serviced land in an approved large-scale development).
- East of Main Street, Leadenham - 2021 - £800,000 - 25 dwellings - £32,000 per plot. (Site with planning permission).
- Station Road/Brant Road - Longhurst - 2017 - £1,000,000 - 51 dwellings - £19,607 per plot (Affordable housing site example).

At £18,478 per plot, the land value for the scheme is below all three of the above examples. This shows the land value agreed is suitable for an entry level exception site as proposed. Bassingham is a sought-

after village with high land and sales values, further supporting the point that the land price agreed is acceptable and appropriate.

Build Cost

The build contract has been developed in-conjunction with Lindum Group and the Contract Sum Analysis takes into account the constraints and abnormal costs of developing the site. It is important to note the build cost comes at a time of rapidly increasing material costs as a result of the Covid 19 pandemic. The Covid-19 global pandemic has created a number of major supply chain issues including; demand is far outweighing output for various key and raw materials and as such this has had a dramatic effect on material prices (for example the global timber market has seen increases of over 100% compared to 2019 figures), as well as extended lead times that are prolonging the programme time contractors are able to achieve, thus increasing time related costs. On top of this, raising of levels on site are required to enable the proposed drainage strategy to work which is a clear abnormal cost on this greenfield site. The Build Cost included in this appraisal is therefore reflective of the current construction market and site conditions.

Viability Review

As the scheme proposed is for 100% affordable housing, with no market housing proposed, viability is considered differently to the traditional method used for market housing schemes. Whether the scheme is viable is not based on profit from house sales and is instead considered in the context of how Longhurst assess scheme viability through the long-term cashflow which takes into account initial sales receipts, grant payments and projected rental income. Against this criterion the scheme is on the periphery of being viable when considered in line with Longhurst's business plan and doesn't breakeven until Year 27. A breakeven Year of 27 is at the top end of Longhurst's Business Plan upper limit parameters and shows the Longhurst Group's commitment to providing this development of much needed affordable housing.

In addition to the above, the Scheme viability is entirely reliant on £1,379,000 Homes England Grant, including £57,500 Recycled Capital Grant Funding and loan investment of £1,756,953. The Loan is generated from a Bond secured against Longhurst's existing housing stock to fund new developments. Additional costs to the scheme will increase the loan requirement impacting breakeven and cost to value performance, which will impact Longhurst Group's borrowing capacity and ability to deliver affordable housing generally.

Viability Conclusion

As is evidenced above, the current scheme as proposed is on the very margins of being a viable development for Longhurst. This marginal position is made more significant by the fact that the scheme includes not only £1,379,000 of Homes England Grant but also includes £57,500 for recycled grant funding and £1,756,953 of loan investment. The scheme still only breaks even after 27 years. What is clear is that even with the over delivery of shared ownership and social rented units, the scheme is only just viable. Taking away the additional units would make the scheme unviable as you would be removing important revenue for the scheme without being able to reduce the land value. Whilst it is accepted that the build costs would reduce, this would not be to a scale that would balance the loss in revenue.

The above provides clear justification for the over delivery of units and also helps to demonstrate that any S106 contributions associated with the scheme would render the scheme unviable. This would

endanger the delivery of much needed affordable housing in Bassingham and put significant levels of grant funding at risk.

It is important to note that the over delivery of units on this scheme are still affordable dwellings and not market housing. Therefore, the additional units come with a significant social benefit for the local area. The scheme is supported by Bassingham Parish Council and had strong support from residents of Bassingham during the community consultation event.