



Blaby District Council

Appraisal of Scheme Proposals at
Springwell Lane, Whetstone

June 2025



1 INTRODUCTION AND BACKGROUND

- 1.1** ARK has been asked by Blaby DC (Blaby) to undertake a development appraisal of a potential scheme at Springwell Lane, Whetstone, with a view to considering if a request by Futures Housing Group (FHG) for additional top up funds to help subsidise the development is reasonable.
- 1.2** ARK is aware that it is very difficult for land-led developments to achieve a break even position, even with Homes England Funding, and therefore the request for additional funding is not uncommon.
- 1.3** ARK undertakes a development benchmarking exercise annually and this enables us to undertake an appraisal of the scheme with confidence as to the veracity of the appraisal assumptions used, and thus the outcomes can be judged against typical hurdle criteria within the sector.
- 1.4** We have used Proval to undertake the appraisal, which is one of the industry standard appraisal tools.

2 THE SCHEME

- 2.1** Springwell Lane is a scheme of 21 units located in Whetstone consisting of 15 x social rented homes and 6 x shared ownership homes with the following mix:

Plot	Tenure	size	Value	99 value
Plot 1	Shared ownership	4 bed detached	£430,500	£111,930
Plot 2	Shared ownership	4 bed detached	£430,500	£111,930
Plot 3	Social rent	2 bed semi-detached	£260,000	£67,600
Plot 4	Social rent	3 bed semi-detached	£260,000	£67,600
Plot 5	Shared ownership	4 bed semi-detached	£260,000	£67,600
Plot 6	Shared ownership	5 bed semi-detached	£260,000	£67,600
Plot 7	Social rent	3 bed semi-detached	£325,500	£84,630
Plot 8	Social rent	4 bed semi-detached	£325,500	£84,630
Plot 9	Social rent	2 bed end terrace	£257,500	£66,950
Plot 10	Social rent	2 bed mid-terrace	£245,000	£63,700
Plot 11	Social rent	2 bed end terrace	£257,500	£66,950
Plot 12	Social rent	3 bed end terrace	£312,500	£81,250
Plot 13	Social rent	3 bed mid terrace	£310,000	£80,600
Plot 14	Social rent	3 bed end terrace	£312,500	£81,250
Plot 15	Social rent	2 bed end terrace	£257,500	£66,950
Plot 16	Social rent	2 bed mid-terrace	£245,000	£63,700
Plot 17	Social rent	1 bed coach	£157,500	£40,950
Plot 18	Social rent	2 bed mid-terrace	£245,000	£63,700
Plot 19	Social rent	2 bed end terrace	£257,500	£66,950
Plot 20	Shared ownership	3 bed detached	£362,250	£94,185
Plot 21	Shared ownership	3 bed detached	£330,000	£82,900
Total GDV			£6,101,750	

- 2.2** Development costs are identified as follows:

Heading	Cost
Land	£1,020,000
Works	£4,477,746
S106 contributions	£150,000
Future's on costs	£236,451
Total	£5,884,197

2.3 FHG has stated that the costs are supported by the following "income":

Heading	"Income"
Homes England Grant	£1,663,500
Sales income	£621,975
Blaby DC grant	£148,381
Futures internal subsidy	£3,410,341
Total	£5,844,197

2.4 As can be seen, the costs above are balanced only with the addition of Blaby DC grant to the sum of £148,381.

2.5 The purpose of this review is therefore to consider whether the £148,381 requested as grant from Blaby is considered reasonable in the context of the viability of the scheme.

3 ARK APPRAISAL

3.1 ARK's review of the scheme is in two parts: firstly, are the costs considered reasonable and, secondly, whether the scheme could be considered viable without the additional subsidy from Blaby DC.

SCHEME COSTS

3.2 Scheme costs on a plot and m2 basis are as follows:

Heading	Cost	Per plot	per m2	%
Land	£1,020,000	£48,571	£596	17%
Works	£4,477,746	£213,226	£2,619	76%
S106 contributions	£150,000	£7,143	£88	3%
Future's on costs	£236,451	£11,260	£138	4%
Total	£5,884,197	£280,200	£3,441	100%

3.3 Land costs are considered realistic and will undoubtedly be supported by a valuation commissioned by FHG, and ARK is not in a position to comment further other than land costs represent 17% of total scheme costs, which is relatively low, and that total scheme costs are less than the GDV.

3.4 Works costs at £2,626 per m2 are entirely within ARK's range of expectations and very close to benchmarks, and on that basis appear reasonable, especially when considering the listed abnormal costs.

3.5 ARK is not able to comment on S106 contributions as they are a matter of national and local policy.

3.6 On-costs at 4% are very low and these would usually range between 8% and 12% depending on the scheme. FHG state in their letter dated 17.04.25 that on-costs include for development interest and the appraisal has been adjusted to show total on-costs, including interest, to as close to an amount to the FHG one as possible.

3.7 Notwithstanding the low on-costs the overall cost of the scheme is considered reasonable and within expectations for a scheme of this nature.

SCHEME VIABILITY

3.8 ARK is unable to reproduce the FHG appraisal directly as we do not have access to their appraisal criteria, however we can test the viability of the scheme using Proval, an industry standard appraisal tool.

3.9 ARK has therefore created a Proval appraisal using mid-range benchmark appraisal criteria plus data from FHG, such as scheme mix and valuations, which are shown at appendix 1.

3.10 At this stage any contribution from Blaby DC has been excluded.

3.11 Total scheme costs are summarised in the table below extracted from Proval:

	Total	Per Unit (21)	Per Person (93)	Per m ² (1705)	% MSV	% TSC
Acquisition	£1,020,000	£48,571	£10,968	£598	16.72 %	17.33 %
Works	£4,477,746	£213,226	£48,148	£2,626	73.38 %	76.10 %
Acq & Wks	£5,497,746	£261,797	£59,116	£3,224	90.10 %	93.43 %
Fees	£262,664	£12,508	£2,824	£154	4.30 %	4.46 %
Other Costs	£0	£0	£0	£0	0.00 %	0.00 %
Interest Cost	£123,774	£5,894	£1,331	£73	2.03 %	2.10 %
Fees, Other & Interest	£386,438	£18,402	£4,155	£227	6.33 %	6.57 %
Total	£5,884,184	£280,199	£63,271	£3,451	96.43 %	100.00 %
Subsidy	£1,663,500	£79,214	£17,887	£976	27.26 %	28.27 %
MSV	£6,101,750	£290,560	£65,610	£3,579	100.00 %	103.70 %
Month 1 Sales	£621,975	£29,618	£6,688	£365	10.19 %	10.57 %
Opening Loan	£3,598,709	£171,367	£38,696	£2,111	58.98 %	61.16 %
Offset Sales	£0	£0	£0	£0	0.00 %	0.00 %
Year 1 Net Rent	£130,453	£6,212	£1,403	£77	2.14 %	2.22 %

3.12 Total costs are £5,884,184 which is £13 different from the costs shown by FHG, and thus close enough for meaningful comparison.

3.13 The financial performance of the scheme is as follows:

Appraisal Summary		Social Rent		Shared Ownership	
Scheme Name	Springwell Lane, Whetstone	Total Units	15	Total Units	6
Appraisal By	A Redmond	Total Persons	63	Total Persons	30
Total Units	21	NPV at First Handover	-£332,815	NPV at First Handover	£144,754
Persons	93	IRR	4.22 %	IRR	5.86 %
NPV at First Handover	-£188,061	TSC / MSV	96.21 %	TSC / MSV	96.86 %
IRR	4.68 %	Loan Repaid Year	45	Loan Repaid Year	34
TSC / MSV	96.43 %				
Loan Repaid Year	45				

- Combined NPV is -£188,061 (-£8,955 per unit)
- IRR is 4.68%
- Breakeven year is year 45

3.14 Based on the appraisal outcomes above, the scheme would not pass the approval hurdle for most RPs.

3.15 Adding in the Blaby DC subsidy shows the following total scheme costs:

	Total	Per Unit (21)	Per Person (93)	Per m ² (1705)	% MSV	% TSC
Acquisition	£1,020,000	£48,571	£10,968	£598	16.72 %	17.38 %
Works	£4,477,746	£213,226	£48,148	£2,626	73.38 %	76.28 %
Acq & Wks	£5,497,746	£261,797	£59,116	£3,224	90.10 %	93.65 %
Fees	£262,664	£12,508	£2,824	£154	4.30 %	4.47 %
Other Costs	£0	£0	£0	£0	0.00 %	0.00 %
Interest Cost	£109,898	£5,233	£1,182	£64	1.80 %	1.87 %
Other & Interest	£372,562	£17,741	£4,006	£219	6.11 %	6.35 %
Total	£5,870,308	£279,538	£63,122	£3,443	96.21 %	100.00 %
Subsidy	£1,811,881	£86,280	£19,483	£1,063	29.69 %	30.87 %
MSV	£6,101,750	£290,560	£65,610	£3,579	100.00 %	103.94 %
Month 1 Sales	£621,975	£29,618	£6,688	£365	10.19 %	10.60 %
Opening Loan	£3,436,452	£163,641	£36,951	£2,016	56.32 %	58.54 %
Offset Sales	£0	£0	£0	£0	0.00 %	0.00 %
Year 1 Net Rent	£130,453	£6,212	£1,403	£77	2.14 %	2.22 %

3.16 The financial performance of the scheme is now:

Appraisal Summary		Social Rent		Shared Ownership	
Scheme Name	Springwell Lane, Whetstone	Total Units	15	Total Units	6
Appraisal By	A Redmond	Total Persons	63	Total Persons	30
Total Units	21	NPV at First Handover	-£170,879	NPV at First Handover	£144,754
Persons	93	IRR	4.58 %	IRR	5.86 %
NPV at First Handover	-£26,125	TSC / MSV	95.87 %	TSC / MSV	96.86 %
IRR	4.95 %	Loan Repaid Year	42	Loan Repaid Year	34
TSC / MSV	96.21 %				
Loan Repaid Year	42				

- Combined NPV is -£26,125 (-£1,244 per unit)
- IRR is 4.95%
- Breakeven year is year 42

3.17 The scheme now shows a financial position much closer to breakeven NPV, an IRR of 5% and payback within 40 years, which is the approval position adopted by most RPs.

4 CONCLUSION

- 4.1** The following table summarises the effect on the appraisal of the Blaby DC grant:

Cost/outcome	Without Blaby grant	With blaby grant	Variation
Total Scheme costs	£5,884,184	£5,870,308	-£13,876
Grant	£1,663,500	£1,811,887	£148,387
Sales	£621,975	£621,975	£0
Loan	£3,598,709	£3,436,452	-£162,257
NPV	-£188,061	-£26,125	-£161,936
NPV per unit	-£8,955	-£1,244	£7,711
IRR	4.68%	4.95%	0.27%
Loan repayment year	45	42	3

- 4.2** The Blaby DC grant therefore has a positive effect and brings the ARK appraisal much closer to a break-even position; the FHG appraisal uses their own metrics, and the outcome is therefore slightly different, but not so much as to significantly affect the justification for the additional grant.
- 4.3** On the basis of the appraisal outcomes above, it can therefore be concluded that the Blaby DC grant has a positive effect on the appraisal and, if Blaby were to agree it, bring the outcomes much closer to a breakeven position.

ARK Consultancy
June 2025

Appendix 1 – Appraisal Criteria

Criteria	Measure	Comment
Discount rate	5%	Benchmark median
Interest rate	5%	Benchmark median
NPV period	40 years	Benchmark median
Social rents	Target plus 5% based on '99 values	As per Future's valuation
Shared ownership rents	2.75% of unsold equity	Standard rents
Rent increases	1% over base CPI of 2%	3% total
Equity sales	30% as per Futures appraisal	As per Futures appraisal
Project timing	April 2025 – Feb 2027 completion	2 months longer than Futures appraisal
Unit mix	As per Future's appraisal	
Management Fee	£325 rent £168 shared ownership	Benchmark median
Maintenance Fee	£515 rent £500 shared ownership (10 years only)	Benchmark median
Voids and bad debts	2.4% rent 0% shared ownership	Benchmark median
Major repairs	£1,370 pupa after year 11 £0 shared ownership	Benchmark median
Homes England subsidy	£1,663,500	As per Futures appraisal
Equity sales	£621,975	As per Futures appraisal
On-costs	£236,452	As per Futures appraisal
S106 costs	£150,000	As per Futures appraisal