



Bury Council
Planning Department

2nd November 2023

Re: Viability Update of Land at Holcombe Mill, Ramsbottom

This note has been prepared following updates to the planning viability and in response to the pre-application feedback dated 17th August 2023, namely the viability appraisal 'update' that was submitted in July 2023. Eccleston Homes has agreed with Bury Council that the preferred route for both parties is to submit a viability statement rather than a full viability appraisal. Here the headlines can be reviewed taking the original viability assessment in June 2021 values/costs against the current position.

Further to conversations and meetings on this matter I have updated the viability appraisal spreadsheet which based on the updates below results in a deterioration of £200,000 compared to the May/June 21 viability position. The deficit has moved from **-£1.5m** inclusive of AH, to **-£1.7m** with the AH omitted, and the car park included.

Please see attached updated as follows:

- I have reflected on the Council's comments that the indexing ought to be more localised and so I have used the Land Registry house price index for Bury which shows an index change of 151.8 to 174.9 resulting in a value increase of 15%. I have then used the BCIS Average Prices for new build construction generally at the date of submission (May 21) and today's date, rebased to Bury. Both of these are attached, and I have used the lower quartile figure of each.

This shows a movement of £1,040 per m² to £1,240 per m²...an increase in cost of 19%. I have adopted these two increases. We should also note that we didn't include any costs in the original appraisals for Part L 2023 regs, and the move towards Future Homes Standards in 2025. Eccleston Homes will be incurring both of these costs now and so I would say the base build cost at £153 per ft² is broadly where the market will be for this type of site.

- With regard to abnormals, as agreed, rather than reopen all previous quotes we should index the original figure. We could pro-rata the cost over the 57 plots you are now constructing vs the 73 on the refused layout. This would reduce abnormals by about £800k but it's a very arbitrary way of doing it and very imprecise.

For example, the cut/fill for the site is the same regardless of plot numbers, likewise remediation, import, substation, chimney works, acoustic fencing and the box culvert. All of these costs are 'fixed' for the site regardless of the unit numbers. I actually think the only abnormal you can pro-rata is the foundation abnormals and gas membrane which is a total of £885k originally and so pro-rata'ing this over 54 plots from 73 would only be a reduction in cost of £130k and so has little bearing considering the viability has deteriorated by £200k.

- I have reflected on the Council's comments on the appraisal inputs and made the following adjustments:
 - Applied professional fees and contingency to the 'new' costs i.e., the smaller scheme.
 - Reduced Marketing to 3% of GDV.
 - Corrected the type on legal fees and these are now 0.3% of GDV.
 - Omitted the highways contribution.
- I have included the £299,415 cost of completing the car park works to the specification Eccleston Homes has provided. The updated spreadsheet attached allows for the cost of these works and the assumption that they will transfer to the Council for £1 on completion.
- We have not increased the cost of finance although there have been significant delays with this scheme, during which time interest rates have increased significantly. Were a new viability to be undertaken we would anticipate finance costs of 8.5% to 10% and the base appraisal only considered a rate of 6%.

The attached spreadsheet shows that whilst the previous viability process did not result in an agreement on viability, the applicant made a business decision to offer 10 units of affordable housing to the Council notwithstanding the viability position. This was a commercial decision taken with the view to progressing the application to committee in anticipation of approval to be able to commence work on this long-stalled site.

Our updated spreadsheet highlights the following:

1. Updated costs and revenues applied to a scheme which has lost accommodation equivalent to 5,197ft² of development. (see calculation below)

On the **refused layout** in the Northwest corner of the site we had the following accommodation:

Type	No	Size (ft ²)	
Clitheroe+	7	1004	
Haigh	1	1468	
Apartment in Building A	1	668	
	1	491	
	1	1054	
House in Building B	2	820	12,369ft²

On the **proposed layout** including the car park we have the following accommodation:

Wheelton/Edenfield	2	636	
Lytham	4	1108	
Haigh	1	1468	7,172ft²

Loss of footage: 5,197ft²

2. The omission of any affordable housing on site
3. The inclusion of a car park that is to be constructed and 'gifted' to the local authority. A specification of this car park accompanies this note and provides itemisation of the cost (£299,415) that comprises the car park works. The applicant will occupy the car park land during construction of the development and will construct and offer the handover of the car park to the Local Authority for the sum of £1 upon completion of the development.

This viability exercise has shown that even with the omission of any affordable housing on site, cost increases have outpaced revenue inflation, and this has then been compounded by the loss of developable area.

This results in the scheme's viability position worsening by c.£200,000.

Accordingly, our view is that the applicant's decision to provide a much-needed car park on site in lieu of developable area, is a reasonable approach to replace the previous commitment/obligation to deliver affordable housing on site. In strict viability terms, we maintain that neither the affordable housing, nor the car park are viable options i.e., they are not being funded by viability surplus. Therefore, the applicant's commercial decision to do so ought to be viewed against that viability backdrop.

Yours Sincerely

A handwritten signature in blue ink, appearing to read 'Tom Merrills', is positioned above the printed name and title.

Tom Merrills
Director

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