



John Broadbent
C O N S U L T I N G

**STRICTLY PRIVATE AND CONFIDENTIAL
GENERAL MARKETING REPORT +
FINANCIAL VIABILITY APPRAISAL**

Station Works, Bury Road, Radcliffe

Greater Manchester, M26 2UA

On behalf of: Paul Cook Developments (Whitehaven) Limited

(1st December 2023)



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1. Executive Summary

This is an executive summary in support of the detailed planning application for the redevelopment of Station Works, Bury Road, Radcliffe M26 2UA, and adjacent land totalling 0.59 Hectares (1.45 acres) – Detailed planning application for New Build Affordable Housing on behalf of MSV, with associated access road, car parking and landscaping.

The purpose of the report is to comment on the broad order of viability of the proposed development and considering market conditions, combined with detailed information available at the date of the report; the intention of the report is upon request of The Planning Officer at Bury Council – Helen Pressley - and request for a General Marketing. The report also seeks to respond to the following points:

- The potential of the site in terms of its suitability in land use terms and combined with the potential constraints – **Refer to the Supporting Planning Statement – Seymour Planning (Feb 2023) enclosed at Appendix 9.**
- Consideration of the existing supply and take up rates of employment land in the Borough – Bury Council – Employment Land Study – see link <https://www.bury.gov.uk/planning-building-control/policy-and-projects/planning-policy/places-for-everyone/>

Reference should also be made to Employment Land Review (ELR) 2013 / Employment Land Study (ELS) 2020 – Former Station Works site is referred to in ELR, however, in the last 10 + years has not come forward and delivered, neither has it been reviewed in the ELS 2020 which clearly demonstrates it is not financially viable as a commercial scheme.

- Consideration of the general demand in the borough for the type of employment accommodation that was proposed for the site and taking account of potential types of occupiers and vacancy rates of similar sized units – **Refer Appendix 6 - Commercial Market Research.** This demonstrates the current over supply of commercial sites in the Bury Area, which are already built, ready for immediate occupation in accessible locations.
- Summary and conclusions around suitability and alternative more appropriate locations – **Refer - Section 2.2/3 in the report (page 7 to 9) – “This followed Marketing Exercise carried out in 2nd Quarter 2016 and ran until end 2017 (18 months in total) by Commercial Property Agents – WT Gunson - who were commissioned to market the land; this delivered a poor and limited response from the market. The offers received and without any commercial viability representation and market knowledge / expertise were based upon change of use from commercial to residential.”**

The instructions received are set out in Appendix 1 - RICS Financial Viability Appraisal (FVA) in Planning – Conduct and Reporting (May 2019) in accordance with 1st Edition RICS – Assessing viability in Planning under the NPPF 2019 for England, updated 1st Edition (March 2021). This follows Paragraph 057 of the NPPF:



“The weight to be given to a viability assessment is a matter for the decision maker, having regard to all circumstances in the case; including whether the plan and viability evidence underpinning it is up-to-date and any change in site circumstances since the plan was brought into force. All viability assessments should reflect the recommended approach in national planning guidance, including standardised inputs, and should be publicly available”.

John Broadbent Consulting Limited (JBCL) has produced a viability statement, together with Seymour Planning Limited, to comment on the viability of the proposed development, taking into account the history relating to this site and with changing buyer sentiments in the housing market following the inflationary pressures.

We have set out a series of financial appraisal(s) to assess whether the development can support the Policy Compliant Section 106 Planning Obligations, including 100% Affordable Housing:

“All residential developments of 10 dwellings or above, in line with national guidance, will be required to provide an appropriate level of affordable housing provision. The current target is for 30% of the total housing units to go towards the delivery of affordable housing, unless it can be clearly demonstrated to the council’s satisfaction that it is not viable”. Bury Council Local Plan.

The viability was tested on the following development scenarios:

A scheme of 30 residential housing units providing 100% on-site affordable housing of mixed tenure Social Affordable Rent / Shared Equity + £296,300 contribution Policy Section 106.

- *Appraisal A – Assuming 100% on-site Affordable Housing (based upon current scheme).*
- *Appraisal B – Assuming 100% on-site Affordable Housing + £296,300 Section 106.*

The progressive effect of Covid-19 on the housing market is still being felt, and through the cost-of-living crisis which has emerged, combined with the further increases in interest rates has significantly impacted upon mortgage affordability + competitively priced rates. At the time of writing the housebuilding sector has experienced rate rises to weigh on buyer sentiment over the last 12 months, as the Bank of England seeks to address inflationary pressures Savills Research – Prime / Regional House Prices – (Resi Research August 2023); the true extent of these factors and how has played out in terms of UK Economic Financial Markets, still somewhat unknown.

The appraisals conclude that the site is at the very limit of viability and before applying the consequences that the war in Ukraine / Israel and Global Financial Market Conditions now impacting on the housing market and construction industry; this has also not been helped following the withdrawal of government “Help to Buy” incentives and the prolonged low interest rate environment which have helped maintain the residential market competitive / buoyant and with continued modest growth in revenues in the last 3 years.

In these terms any S106 obligations when set against the intended 100% affordable housing provision off-site, may undermine viability and would threaten the delivery of the scheme.



The site has been vacant since a fire in 2012; following demolition the previous building(s) on site has remained redundant and unoccupied for over 10 years. ***According to planning law, as per the decision of the Court of Appeal – Iddenden v SSE the site therefore has a nil use. Planning Permission, would be required for any purpose, including warehousing or other employment uses.***

Assumptions made within the report:

- Gross Development Value (inclusive of Homes England Support) - £5,765,844
- Benchmark Land Value (Gross Area 1.45 acres) - £800,000
- Landowner Premium – Multiplier of 15% Incentive above EUV (Existing Use Value)
- Developer Return – 7% target Profit Return based upon 100% Affordable Housing scheme.

The information, evidence and appraisal(s) are outlined in this report, confirming that the subject site cannot accommodate full policy compliant Planning Gain / S106 financial contributions, especially when taking account of 100% Affordable Housing. It is recognised that Affordable Housing Schemes delivered by Housing Associations are dependent upon external finance support (Homes England), and planning obligations can often threaten their viability (SPD 1 – Adopted June 2015 – Bury Council).

This report responds fully and supports the viability modelling with additional technical information, build cost evidence, sales comparable data and supporting commentary, under NPPF Paragraph 057 and PPG Paragraph 010 any viability assessment should follow the government's recommended approach to assessing viability as set out in PPG and be proportionate, simple, and transparent.

“Improving transparency of data associated with FVA will, over time, improve the data available for future assessments as well as providing more accountability regarding how viability informs decision taking”.



2. Introduction and Background

This report has been produced by John Broadbent Consulting Limited (JBCL) in support of detailed planning application for the development of land associated with the former Station Works, Bury Road, Radcliffe and on behalf of Paul Cook Developments (Whitehaven) Limited.

The subject site is approximately 0.59 hectares (1.45 acres) gross, located on Bury Road, Radcliffe, Greater Manchester. Accessed from Bury Road, the scheme aims to provide quality mixed-use tenure social / shared equity affordable housing with considered design, enhancing the street scene of Bury Road, with sympathetic boundary treatment and landscaping opportunities. The site is considered sustainable in locational terms; it is within walking distance to town centre and local shops, schools, cultural and community facilities, areas of public open space, including playing facilities and to public transport, and with several bus stops and also close links to the metro station (within ½ mile walk).

The landscape plan is enclosed at **Appendix 2**; scheme layout and schedule of accommodation are enclosed within **Appendix 3** of this report.

The site has been subject to recent planning representations and historical planning applications in the proceeding years following the fire in 2012; most notably was the approval of a mixed use residential / commercial scheme, combined with associated car parking, refuse and amenity space – App No 61145. This scheme was not financially viable and hence was not delivered + the approval has recently lapsed.

The underlying reason was based upon the mixed-use nature of the development not being financially viable given the location, setting and demand for commercial uses; there are considered more financially viable commercial schemes, with better access to main arterial road networks more favourable to local business and modern design.

At the time of the previous planning application and submission of detailed documentation, a viability report was prepared by commercial surveyors, Aspinall Verdi (**Appendix 4**) dated 14th August 2019. This sets out the proposed redevelopment + delivery of 100% employment scheme at the request of the Local Planning Authority Bury Council. The report outlines both the background location, together with its suitability / financial viability of the redevelopment of this former brownfield site.

2.1 Existing Supply of Commercial Sites in Borough versus Demand

- The report considers delivery of 100% employment scheme similar to former 10,764 sq. ft industrial building, taking account of access and yard requirements as previously detailed by Aspinall Verdi (2019) – **Appendix 4**.



- Commercial Market Assessment by Aspinall Verdi (2019) applying present market conditions of achievable rents / yields, latest build / finance costs which have increased by in excess 10% (as opposed to 6.5% 2019), including realistic developers profit margin, closer 20% than 15% (target in 2019); based on primary lenders *criteria the scheme would show a greater deficit than before owing to higher build costs and finance charges - hence the lack of financial viability / demand.*
- Commercial property yields since 2019 assessment have become increasingly variable, and market data for the Radcliffe / Bury Commercial Area shows an increased availability of better located commercial development, especially those in secondary / tertiary locations being no longer suited to the requirements of modern industrial practices (**Appendix 6 – Commercial Market Research**).

2.2 Summary / Conclusions around suitability versus alternative locations

- NPPF seeks to achieve sustainable development and clearly defines this to be the most important factor in decision making; Paragraph 11 states that there should be a presumption in favour of sustainable development, and hence the planning balance we consider weighs heavily in favour of the sites intended redevelopment to an affordable housing led scheme.
- The proposed scheme accords with aims / objectives of Bury Council Development Plan, providing much needed affordable housing to the Radcliffe area of Bury, and at a time where the Council has consistently under-delivered on its housing land supply needs.
- The “Titled Balance of NPPF” therefore weighs heavily in favour of the sites repurposing for residential redevelopment and especially where this would deliver 100% Affordable Housing.
- There appear to be no economic, social or environmental impacts that would result from its redevelopment to residential housing; this is supported by a series of reports including noise, ecology, biodiversity, ground conditions, drainage and flood risk submitted as part of this planning application.
- The application site has recently been added to the Council’s SHLAA 2022, and confirms the sites suitability and deliverability, meeting all the relevant tests to come forward in a timeframe of 0-5 years.
- The site lies within an unallocated Urban Area as identified in the BUDP, in respect of the broadest land use planning principles, the intended redevelopment to residential does not conflict with the redevelopment plan.
- Policy EC2/2 and associated SPD 14 are now out-of-date; The BUDP was previously adopted in 1997 and SPD 2011. Both are now significantly less relevant than at the time of their adoption; it is abundantly clear that at the time of their adoption there was also a **“significant oversupply of housing in the Borough”**, which is now not the case given the Policy / SPD was set out to protect unallocated employment sites being lost to housing in that period when housing was not in short supply. The planning balance has now tipped the other way and in favour of housing as opposed to employment-based schemes.



- Furthermore, the Council's latest evidence base for housing land supply is relatively up to date (2020). This clearly identifies that the Council is currently unable to demonstrate a 5-year housing land supply irrespective of buffer; the Council's evidence base for employment land (also 2020) is less conclusive on the other hand, and acknowledging an intended shift of floorspace requirements and as required by Places for Everyone (previously GMSF), and which is due to be adopted Spring 2024.

“Para 122 of the NPPF purports that planning policies / decisions must reflect changes in demand for land, furthermore Para 123 goes further still and encourages local planning authorities to take a positive approach to alternative uses for land, especially those which are previously developed (brownfield sites) but are not allocated for a specific purpose and where this would help meet an identified development need – in this case we have already outlined above Bury Council has an identified need for housing.”

The purpose of the report is to comment on the financial viability of the proposed development, taking account of market conditions at the date of this report and which presents a series of viability appraisals, clearly assessing ***whether the development can support the Policy Compliant Section 106 Planning Obligations and including SPD 1 (JUNE 2015) – Open Space Sport and Recreation + costs associated with the loss of employment land to residential development – Combined Recreation / Open Space costs £72,040.70 + Loss of Employment £222,300.***

Total combined cost - £294,340.70

2.3 Historical Marketing Information

We have enclosed (**Appendix 4**), the previous financial viability undertaken by Aspinall Verdi 2019 and based upon a scheme for commercial uses, this concluded that the scheme was not financially viable – **it concluded the scheme delivered a deficit / negative land value of minus £220,000.**

Financial Viability Appraisal – Aspinall Verdi (extract from original report) –

Void / Rent Free – 12 months – 6-month void for letting and 6 months' rent free.

Build Costs – 75.05 psf (more realistically in today's market £100+ psf)

External Works – 12.5 % (more realistically in today's market 14% +

Contingency – 3 % (given previous uses/ contamination realistically 5% +)

Professional Fees – 7% (Given the small-scale nature realistically 10% today)

Disposal Fees – Marketing 0.5% / Sales Agent 1% Sales Legal 0.5%

Letting Fees – Agent 10% and Legal 5%



Acquisition Fees – Stamp Duty 5% / Agents Fee 1% Legal Fee 1%

Development Finance – 6.5% (more realistic in today's market in excess 10%)

Developers Profit 15% (more realistic today to be 20%)

(It should be noted that no allowance had been made for site preparation and remediation of which we would expect there to be an element and could be significant given the brownfield nature of the site).

This followed Marketing Exercise carried out in 2nd Quarter 2016 and ran until end 2017 (18 months in total) by Commercial Property Agents – WT Gunson - who were commissioned to market the land; this delivered a poor and limited response from the market. The offers received and without any commercial viability representation and market knowledge / expertise were based upon change of use from commercial to residential.

Taking account of the market conditions at the present date, allowing for the significant increases in lending / interest rates we have witnessed over the last 12 / 18 months, when you factor in build cost inflation (refer to page 11-14 Viability in Planning), the employment / commercial scheme would only increase the viability gap further.



3. John Broadbent Consulting Limited

This viability exercise has been carried out by John Broadbent MRICS of John Broadbent Consulting Limited.

John Broadbent Consulting Limited (JBCL) is a property consultancy firm, providing clients with advice on all aspects of mixed use and residential property.

John specialises in residential/ mixed-use development, including residential development, residential investment portfolio disposals and suburban residential regeneration, acting on behalf of landowners, occupiers, and developers, through the appraisal / evaluation of sites and schemes from £500,000 to in excess of £30 million.

John Broadbent has a 2:1 in Estate Management and is a member of the Royal Institution of Chartered Surveyors (Qualified - May 1996). He has over 26 years' experience at the highest level within the property industry.

He has a strong residential focus and has been responsible for the development and deliverability of a wide variety of private sector, open market sites, including affordable housing schemes within the North of England.

Posts held by John have included the following:

John Broadbent Consulting Limited – Director – 2009 onwards

Knight Frank LLP – Partner and Head of Residential Development Northwest – 1999 to 2009

Savills – Associate Director – 1996 to 1999

Smiths Gore – Senior Surveyor – 1993 to 1996

Clients he has represented include Ainscough Strategic Land Group; Ask Developments; Anwyl; Asteer Planning; Barratt Homes; Bellway Homes; Cabot Square Capital; Crosby Lend Lease; Countryside; De Vere Group; Keepmoat Homes; KPMG; Lovell Partnerships; Mansion Group; Mulbury Homes; PWC; Taylor Wimpey Homes; Persimmon Homes; Peel Developments; Redrow Homes; Russell Homes; Trafford College; Terrace Hill and the National Trust; Housing Associations including Equity Housing Group, Great Places Housing Group and Southway Housing Trust, to mention just a few.

He is knowledgeable expert in the Northern Residential Market, including Manchester, Leeds, Liverpool, Chester, Chesterfield, and Sheffield, as well as emerging and expanding regional towns such as Altrincham, Bolton, Chorley, Lancaster, Lytham, Macclesfield, Northwich, Oldham, Preston, Rochdale, Salford, St Helens, Warrington, and Wilmslow.

Considering the above demonstrable experience, the writer of this paper is in a strong position to comment on the viability, or otherwise, of residential opportunities.



4. Viability in Planning

The appraisals contained within this report have been produced using Prodev for Windows (Rev 4026), a widely used proprietary appraisal software system produced and distributed by Interproperty Systems Limited.

In completing this appraisal, reference has been made to the RICS guidance 'Viability in Planning', as issued in August 2012, as well as the updated viability provisions set out within the Planning Practice Guidance and the guidance notes appended to the DCLG document, entitled 'Section 106 Affordable Housing Requirement, Review & Appeal' and changes which came into effect under NPPF – 2019 including recently published RICS guidance (March 2021) – Assessing Viability in Planning NPPF for England.

As domestic inflation starts to fall (October 2023), there is a growing belief that tough monetary medicine is working. However, the cost of success will be even greater than previously thought. The Bank of England's prognosis of 'higher for longer' interest rates to root out persistent inflation will result in very weak growth between now and 2025. For growth-driven sectors like construction, prospects continue to deteriorate, and we expect that prices will remain 'lower for longer' as a result.

Autumn Market View: September 2023 / Market Sentiment

The precarious balance between growth, inflation and monetary policy is at the heart of our latest forecast. Since the publication of our June 2023 Market View, conditions for construction have deteriorated. Borrowing costs have increased substantially over and above base rate hikes and are expected to remain high for the next two years to help eliminate persistent inflation. As the BoE unleashes even more firepower in order to create slack in the economy, our conclusion is that prospects for the investment economy including housebuilding and commercial development are likely to be further downgraded.

Our central prediction for the period 2023 to 2025 remains low inflation, not deflation. However, in the light of worsening data, particularly in connection with the housebuilding sector, we highlight that there is now a material downside risk of a competitive price correction.

The dominant feature of the construction inflation environment since 2020 has been the cost of materials. Recent figures suggest that the tide has turned. Trading updates from across the sector highlight that materials price inflation is moderating. Is this a temporary, demand-led reversal or a return to long-term stability? Input costs and factory gate prices commodity prices have had a big role to play in the inflation story. Globally, market conditions were benign in the years leading to 2020, but metals and minerals prices rose by about 40% after the initial lockdown period in 2020. Gas and electricity costs in Europe increased by much more than the global trend due to the Ukraine crisis and still remain at double the levels seen before 2020.



Prices for both energy and for metals and materials have levelled off since the start of 2023, albeit at materially higher price levels. Greater stability in global markets has already been reflected in UK manufacturing sectors. Overall, the costs of manufacturing inputs fell by 3.3% in the year to July 2023. This is an accelerating trend, and the current negative growth rate is the lowest since May 2020. The main driver is a near 40% fall in the price of crude oil in the last 12 months. Lower prices only matter if they flow into the wider economy. Factory gate prices charged by material producers fell by 0.8% in the year to July 2023. Factory gate price inflation has not been this low since October 2020, although the ONS data highlights that manufacturers may have absorbed more input cost inflation after 2020 than they passed onto their customers.

At the peak of the inflation cycle in October 2022, manufacturers were absorbing over 40% cost hikes whilst increasing prices by less than 30%. As highlighted above, construction output is forecast to fall by 7% in 2023, even as the UK economy avoids recession. Pricing of construction materials is therefore much more likely to be exposed to demand-led deflation as well as repricing enabled by falling input costs. Latest data from the Department for Business and Trade (DBT) showed that annual UK construction materials price inflation, based on a basket of materials, fell by 2.0% year-on-year in June 2023.

The August 2023 CIPS Construction PMI survey reports shorter delivery periods and the latest ONS Business Insights and Conditions Survey (BICS - June 2023) reports that over 73% of UK construction companies in the survey were readily able to get the materials, goods, or services they needed from the UK. At the height of the Covid-19 pandemic in October 2020, only 35% of construction firms gave a positive response. Have costs reached a new baseline?

There are several factors that could influence the future trajectory. The first centres around energy. Europe's globally sourced LNG imports are far more sensitive to supply disruptions. Natural gas prices surged 40% in early August at the prospect of strikes in Australia. Goldman Sachs – a leading bank in commodities – has warned that European prices could double or even triple this winter. By contrast, the risk of a spike in demand for commodities from China has dissipated. Quarter on quarter growth fell to just 0.8% in 2Q 2023 and exports in July 2023 fell by 14.5% year on year. A weaker Chinese economy places less competition on supplies of natural gas and on goods such as steel, which should help further quell price pressures elsewhere.

Another equally unexpected deflationary development is the UK's carbon price, which affects the costs of the UK's energy-intensive manufacturers. Prices for carbon in the UK Emissions Trading Scheme (UK ETS) peaked at £98 per tonne in August 2022, but have fallen sharply since March 2023 due to an increase in the number of credits allocated to UK businesses. The price now stands at just £40 per tonne providing UK-based manufacturers of carbon-intensive products like steel and glass extra headroom to pass savings back to customers. European carbon prices remain unchanged however, which may mean that there is less competitive pressure to drive prices down.

In its five-year forecast published for 3Q 2023, BCIS outlines its expectations for the industry, set against a backdrop of tightening market conditions; from 3Q 2024, costs are set to rise between 2% and 3% per annum until 2028. This is slightly less than tender prices, which are expected to increase between 3% and 4% per annum in the same the period.



With growth in the UK economy expected to be subdued for the next two years, BCIS is predicting construction output to fall this year and next, mainly because of decreases in housing and private commercial work, but to recover slowly from 2025. Reflected strongly in the market conditions element of TPI is labour supply and costs. Construction site rates, in line with inflation, continue to rise faster than wage awards, becoming the main driver of the growth in overall costs. The BCIS General Building Cost Index (GBCI) is forecast to grow by 2.7% in the 12 months to 3Q 2023.

Materials cost inflation, on the other hand, continues to cool from the peaks seen in 2Q 2022 and there remains good availability for most construction products. The BCIS Materials Cost Index is expected to remain at the same level in 3Q 2023, compared to 3Q 2022, and increase by 1.0% in the 12-month period to 3Q2024. New work output is expected to contract in 2023-2024, before returning to growth thereafter, and rising 6% over the forecast period to 2028. Recent changes to planning policies are reportedly adding pressure to and causing delays in the project pipeline.

In conclusion, most of the transitory effects of energy cost reductions have passed through the materials supply chain, but not all of the price hikes were passed to clients in the first place. With commodity markets stable and with wages increasing faster than background inflation, manufacturers will be careful to defend current price levels rather than engage in repeated rounds of discounting during an extended slowdown.

Survey data collected by Arcadis in preparation of our Autumn Market View forecast suggests that an increasing number of clients are delaying investment, and those that do invest are progressing projects on a stage-by-stage basis, minimising expenditure, and risk in a highly uncertain environment. The caution of these clients is reflected in latest ONS new orders data. After a strong post-Covid bounce back, orders have been on the slide for three quarters and very few sectors are showing signs of life at all. Other than the electricity sector that continues to be boosted by energy-transition related investment, only schools and universities in the private sector, and, surprisingly, retail is showing much spark. Offices are doing OK, well up against an inflationadjusted long-term trend, but down in the short-term.



Housebuilders like Persimmon, who reported half year results in early August 2023, have carefully managed expectations with respect to completions in 1H2024 and have reduced expenditure on their landbank. Looking forward, all incentives to bring forward activity including Help to Buy, and the Future Homes Standard transition have all run their course. Volume sales to registered landlords and institutional landlords may sustain some demand, but in the aggregate, housing markets are likely to be subdued.



5. Appraisal Methodology

The documents listed below outline the main issues to be considered when assessing viability in planning, these being:

- a) National Planning Policy Framework (NPPF – September 2019)
- b) Planning Practice Guidance (PPG – May 2019)
- c) RICS Guidance Note: Financial Viability in Planning
- d) The Growth and Infrastructure Act 2013
- e) RICS research paper: Financial Viability Appraisal (FVA) in Planning – Conduct and Reporting (May 2019)
- f) Assessing Viability in Planning under NPPF 2019 for England – 1st Edition March 2021.

Financial Viability in Planning is a guidance note prepared by the Royal Institution of Chartered Surveyors (RICS) which was issued following the publication of the 2012 version of the NPPF. It is intended to represent best practice, i.e., recommendations which in the opinion of the RICS meet a high standard of professional competence.

Viability has become an increasingly important consideration in planning in England. Whether preparing policy or considering a specific site proposal or scheme, viability is inherently linked to the ability to satisfy planning policy and to deliver regeneration objectives and economic development, as well as meet housing need. It is important that plan-makers and decision-takers, including government, local planning authorities, the Planning Inspectorate and all those involved in neighbourhood plans have a good understanding of land and property markets. Developers, landowners, and valuers should also understand and consider the legal and policy framework of the planning system and fully reflect planning policies in commercial decision taking and the pricing and valuation of development land.

The NPPF and PPG set the framework for an FVA. Paragraph 010 to 019 of the PPG – under the general heading of ‘Standardised inputs to viability assessment – what are the principles for carrying out a viability assessment’ set out how an FVA should be approached. The PPG provides guidance on each of the main inputs into the viability assessment and discusses the different approaches that can be taken to the input data in either plan making or decision taking. Paragraph 010 of the PPG sets out the FVA framework and states the following:

“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 includes looking at the key elements of gross development value, costs, land value, landowner premium, and developer return”.

Requiring assessments of the GDV, the costs of development, the value of the land and a return to the developer, the FVA process represents a residual valuation framework as set out in Valuation of development property, RICS guidance note. The FVA must be supported by appropriate evidence; at the plan-making stage that evidence is informed by engagement with developers, landowners, infrastructure, and affordable housing providers. The application of these principles is set out in Paragraph 011 to 018 of the PPG.



Practitioners should note the comment in PPG Paragraph 014 that states:

“There may be a divergence between BLV, and market evidence and plan-makers should be aware that this could be due to different assumptions and methodologies used by individual developers, site promoters and landowners”.

The PPG is clear that market evidence can be used as a cross-check for BLV but should not be used in place of BLV. Therefore, there should not be an expectation that every viability assessment will accord directly with transaction and market evidence. BLV should not be assumed to equate to market value. It is based on PPG requirements and a prescribed method that may not accord with assumptions and methods used to assess the price paid for land in the marketplace at any point in time. Recognising this divergence between BLV for planning purposes and prices paid in the market, PPG Paragraph 011 states that:

“Under no circumstances will the price paid for land be relevant justification for failing to accord with relevant policies in the plan”.

The guidance note defines financial viability as:

“An objective financial viability test of the ability of a development project to meet its costs including the cost of planning obligations, whilst ensuring an appropriate Site Value to the landowner and a market risk adjusted return to the developer in delivering that project”.

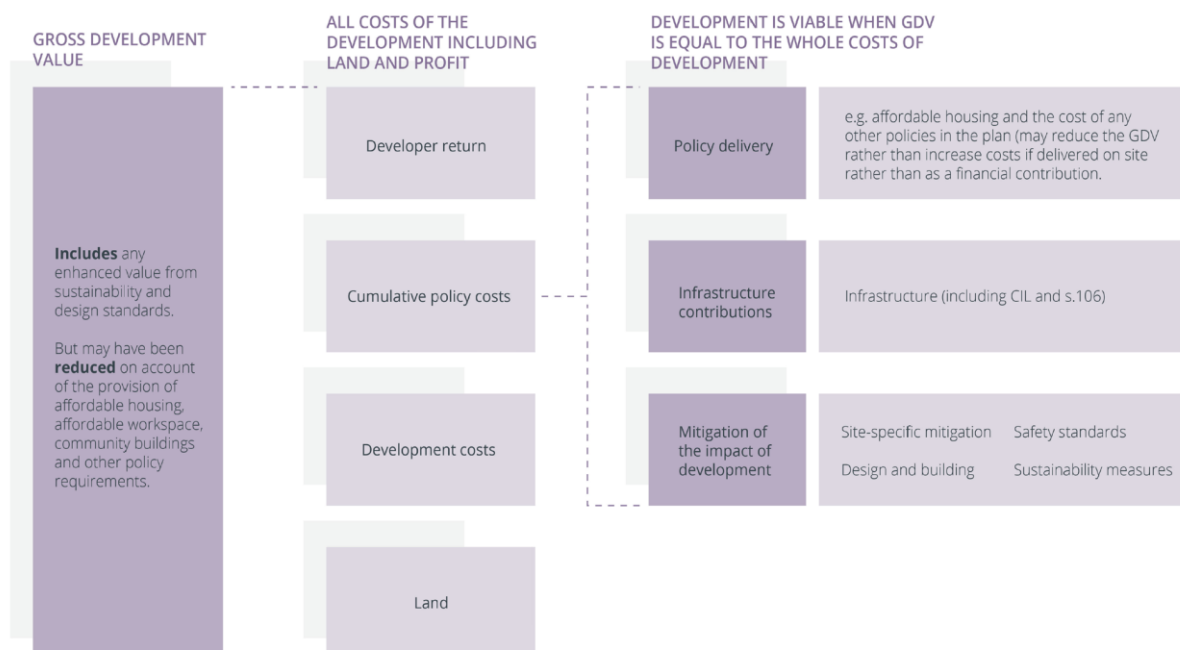
Undertaking an FVA is a complex process requiring significant expertise and knowledge. Gaming of the process – one stated reason for the UK government’s new NPPF and PPG – can happen under these circumstances. The complexity of the latest guidance reflects the complexity of the process and the need to ensure objectivity and professional integrity in the viability process.

FVAs for planning purposes are carried out under the NPPF / PPG; this is regarded as the ‘authoritative requirement’ in the Red Book. This means that the UK government’s technical requirements on the assessment of viability take precedence. RICS members undertaking this work must adhere to the following:

- Statutory and other authoritative requirements (including the NPPF and the PPG)
- The Financial Viability in Planning: conduct and reporting RICS professional statement; it provides the mandatory requirements for the conduct and reporting of valuations in the FVA and has been written to reflect the requirements of the PPG.



Figure 1 (RICS Guidance Note: The residual valuation framework)



An FVA should determine whether developments are capable of providing levels of developer contributions that comply with policy in both emerging and up-to-date plans. More specifically, an FVA estimates whether planned developments with policy-compliant levels of developer contributions to provide:

- a minimum reasonable return to the landowner (**EUV plus premium between 15-20%**).
- a suitable return to the developer (defined in PPG Paragraph 018).

The PPG only envisages this occurring in certain circumstances set out in PPG Paragraph 018, for example if an unallocated site comes forward of a wholly different type from that used in the plan-making FVA. If the FVA illustrates that the typology or scheme is not viable, the plan-maker / decision-taker will need to consider whether to adjust the developer contributions in the plan or the specific decision, considering the deliverability of the overall plan or having regard to all the circumstances in the individual case. Amendments to the scheme (such as increasing density, altering the mix of uses or reducing design standards) where practical and feasible may improve viability.

A proper understanding of financial viability is essential in ensuring that:

- Land is realistically priced + released for development by landowners to achieve plan delivery.
- All reasonable costs of construction related to the development have been accounted for.
- Developers to obtain appropriate market risk-adjusted returns for delivering developments.
- Assumptions about the amount of development that can be viably delivered over the course of the plan period are robust, and



Review mechanisms are addressed in PPG Paragraph 009 states:

“Review mechanisms are not a tool to protect a return to the developer, but to strengthen local authorities’ ability to seek compliance with relevant policies over the lifetime of the project”.

In the event of a recession or other significant economic change, such as the immediate aftermath of a major economic shock like that caused by the COVID-19 pandemic / War in both Ukraine/ Israel (October 2023) the LPA may wish to review the plan to ensure plan delivery. The level of developer return is an important factor in FVAs. The level of return is related to the level of risk in the development process:

“Potential risk is accounted for in the assumed return for developers at the plan-making stage. It is the role of developers, not plan-makers or decision-takers, to mitigate these risks”. (PPG Paragraph 018).

Market cyclicalities are a development risk and are accounted for in the risk-adjusted developer return used in the FVA. At the date of assessment, these risks are based on expected outcomes that may turn out to be different. The development cash flows that are modelled in the FVA should be those cash flows that are expected. The developer’s target return in the FVA takes account of any unexpected variation away from this cash flow (i.e., an actual outcome that varies from the expected outcome). The risk-adjusted return has already compensated the developer for taking on that particular risk. A review intending to reduce developer contributions based on reduced income or increased costs would be an attempt to protect the developer return and is precluded under PPG Paragraph 009.

In the context of the updated PPG and in accordance with the RICS Professional Statement, we have prepared a reasonable, objective, and impartial assessment of the FVA. We consider the appraisal assumptions that have been adopted are fair, reasonable, and based on this the extent to which the development is viable and can support the required planning contributions.

The PPG also states:

“Where up-to-date policies have set out the contributions expected from development, planning applications that fully comply with them should be assumed to be viable. It is up to the applicant to demonstrate whether circumstances justify the need for a viability assessment at the application stage.” (Paragraph 006).

The guidance then provides an illustrative list of circumstances where viability could be assessed in decision making and as follows:

- Where development is proposed on unallocated sites of a wholly different type to those used in viability assessment that informed the plan.
- Where further information on infrastructure or site costs are deemed necessary.
- Where types of development are proposed and may significantly vary from standard models of development for sale (for example build to rent or housing for older people), or
- Where a recession or similar significant economic changes have occurred since the plan was brought into force (Paragraph 007).



The PPG places the onus on the applicant to demonstrate why viability should be considered at planning application stage and where a viability assessment is submitted to accompany a planning application the guidance is clear that:

“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” (Paragraph 008).

The PPG concludes that in the context of decision making:

“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 viability evidence underpinning the plan is up to date and site circumstances, including any changes since the plan was brought into force, and the transparency of assumptions behind evidence submitted as part of the viability assessment.” (Paragraph 008).



6. The Scheme

The scheme includes developing the 0.59 hectares (1.45 acres), as edged red in Appendix 2, for the purposes of residential redevelopment.

The proposed scheme includes 30 dwellings of GIA 21,812 sq. ft (**Appendix 3**), detailed within the plan enclosed.

The accommodation schedule is highlighted in **Figure 2**, below:

Unit Type	No of Beds	No of Units	Size sq. ft ²	Size (sq. m ²)	Total sq. ft ²
House Type A	3	12	877	81.5	10,524
House Type B	2	4	764	71	3,056
House Type C	1	10	495	46	4,950
House Type D	3	2	877	81.5	1,754
House Type E	2	2	764	71	1,528
Total		30			21,812

Figure 2



7. Appraisal Inputs

The applicant proposes a detailed planning application for the residential redevelopment of 30 residential dwellings, based on design principles of the local area and providing much needed affordable housing to the area.

The development is located on the former Station Works, Bury Road, Radcliffe; a brownfield site - site area 0.59 hectares (1.45 acres). Previous uses on site have included open land, small holdings and most recently engineering works. The site has been vacant since a fire in 2012; following demolition the previous building(s) on site has remained redundant and unoccupied for over 10 years. ***According to planning law, as per the decision of the Court of Appeal – Iddenden v SSE the site therefore has a nil use. Planning Permission, would be required for any purpose, including warehousing or other employment uses.***

Radcliffe is primarily a dormitory town for commuters to Manchester, however, its town centre provides for a reasonable quality of local facilities/ amenities. This has been intensified following the Greater Manchester Metrolink service, of which Radcliffe forms a stop on the Bury-Altrincham line. The surrounding properties are predominantly residential in nature, and with some commercial uses, including a profiled metal clad industrial building accessed via an independent access, south of the site, with occupants including Morrisons, Kwik-Fit and car sales showroom.

A reasonable proportion of Bury's housing land has come from the Urban Area, through maximising the use of brownfield land; it is considered that the site will help diversify the existing housing stock in the area and boroughwide, especially providing much needed affordable housing stock. The scheme will be delivered on behalf of one of the main registered housing providers in Greater Manchester – Mosscafe St Vincents (MSV soon to be part of Great Places Housing Association). The location of the site is an established housing market and provides the potential for a range/ mix of quality housing in an accessible location.

Market & Values

Capital values have been arrived at with reference to market evidence in the area, including new home sales and transaction activity, obtained from second hand resales of other dwellings in the area, and residential market conditions at the date of this report.

The analysis of sales revenues / capital values is summarised in **Figure 3** below and based upon market data, including the new-build development sites in the location to the site. The analysis of sales revenues + capital values below, including evidence has been prepared by independent consultants and with market research from recent new build comparable schemes and based upon local, regional, and national house building companies details of which are outlined in the Market Research – **Appendix 5**.



On account of the economic challenges experienced in UK since beginning 2023, with cost-of-living crisis and increasing interest rates have all played a factor in the assessment of revenues; two of the highest-profile house price indices, Halifax and Nationwide, and which often diverge in any given month do appear in terms of the latest releases to show stability in revenues. However, sales volumes have fallen from there peak by circa 24% from the same time last year Q3 2023; there was a strong pick-up from the start of October 2023 up to 0.59 sales per site per week over the subsequent 5 weeks and not too far from the industry's long term run rate of 0.70 sales per site per week. This was concurred by Persimmon Homes CEO and close rivals Taylor Wimpey and Bellway Homes those profit update suggests the worse is over for the housing sector. With Rightmove's weekly fixed rate mortgage deals index shows their costs sliding for 16 consecutive weeks (85% LTV 5-year fixed rate costs 8.18% July 2023 to 4.93% this week). This may suggest that the Bank of England is now close to the top of its cycle.

Local Market Research.

Residential schemes as referenced **Appendix 5** act as a good indicator for the achievable revenues for the redevelopment of the scheme and based on the units being Open Market Values for sale (OMV). We would expect incentives to be offered on new schemes and from reviewing comparable residential data in the market.

We have applied the following discounts and according to the mixed tenure of the scheme, being Social Affordable Rent (50% discount OMV) and Shared Equity units (70% discount OMV) - there are 8 Social Rented Units (1 Bed Apt Type C – 495 sq. ft) and the remaining 22 units made up of Type C – 1 Bed Apt; Type B – 2 bed Semi- Det and Type A – 3 Bed Semi Det.

Unit Type	No of Beds	No of Units	Unit Size (sq. ft ²)	OMV Revenue	Affordable Revenue	Revenue £ / sq. ft)
Type A – Semi-det	3	12	877	£210,000	£154,000	£176
Type B – Semi-det	2	4	764	£190,000	£136,500	£179
Type C – 1 Bed Apt	1	8	495	£105,000	£57,500 social	£116
Type C – 1 Bed Apt	1	2	495	£105,000	£80,500	£163
Type B – Semi-det	3	2	877	£190,000	£154,000	£176
Type A – Semi-det	2	2	764	£210,000	£136,500	£179
Total						

Figure 3

Market data has been collated by JBCL following a thorough review of the residential housing market in the surrounding area; reference has also been taken from Land Registry Housing Sales Data, enquiries to local estate agents + a review of available published data from property websites including Rightmove.co.uk, Zoopla.co.uk.

S106 Contributions

In accordance with the adopted Bury Local Plan would require a development of 30 dwellings to make Section 106 contributions given in part to the regeneration of a brownfield site and the introduction of new areas of Recreation / Open Space on site which will benefit residents.



We have drawn the following conclusions from discussions with officers at Bury Council that from 30 dwellings intended will require the following costs, which have been applied to our appraisals and to accord with policy:

Potential S106 Contribution - £222,300 (off-set the loss of employment through one off payment – SPD 14 and UDP EC2/2 – Bury Council).

Contribution of £72,040.70 – Recreation / Open Space SPD Document 1 (June 2015).

The applicant's appraisal assumes that all the S106 contributions are payable on commencement.

CIL Costs

We have not applied the CIL charges as, at present, work has been paused on the preparation of the Council CIL charging schedule.

Build Costs

Base build cost allowing for build cost inflation has risen to circa £133 / sq. ft and which has been adopted from the elements including substructure, frames, floors, roof, doors / windows, internal walls / finishes, fixtures, furnishing, furniture, M & E, adoptable roads and sewers, shared drive costs and service plot connections, etc. + allowing for 20-month construction period. The rate is supported by Ward Williams Associates Building Solutions (Build Cost Estimation – **Appendix 7**) an experienced QS in the residential sector and utilising data and build costs from a variety of live and recent projects in the local area.

The rate utilised is consistent with data from third-party sources, such as BCIS, and is appropriate for the high quality of development detailed within the application documents. Other construction cost allowances are shown as additional costs items below; these include external works, ground stabilisation, site preparation and contamination + preliminaries, etc, and are outlined below under "Abnormal Works Costs".

The relevant guidance which guides viability in planning NPPG which clearly states at Paragraph 012:

"How should costs be defined for the purpose of viability assessment – assessment of costs should be based on evidence which is reflective of local market conditions. As far as possible, costs should be identified at the plan making stage; plan-makers should identify where costs are unknown and where further viability assessment may support a planning application".

Building Contingency

A contingency 3% has been shown separately in the appraisals; this is an additional sum and has been factored separately within the appraisals and in accordance with contemporary practice. Usually within a complex development such as this, allowing for the demolition/ site clearance of hardstanding areas on site and given the context of the previously developed site, with abnormal works costs as outlined in brief below, we would expect a contingency 5% allowance including preliminary and external works.



Abnormal Works Costs

An assessment has been developed by Ward Williams consultants (Martin Bennett). This includes site-specific abnormal works highlighted in **Figure 4** below, owing to previous land uses on site, geo-technical constraints, additional foundation requirements to take account of removal of existing concrete slab, utilities connections, landscaping, and fencing / metal railings, etc; a more detailed assessment to determine control of groundwater through the site and retaining wall structured to the boundary with the river and between associated house plots.

Abnormal Cost Item	Cost
Site clearance/ preparation	£106,500
Contamination	£25,000
External Works – Inc. shared drives, retaining structures, etc.	£308,838
Drainage	£150,000
Preliminaries	£300,000
Section 278 – site entrance upgrade – covered in External Works Package above.	£ZERO
Ground stabilisation	£56,650

Figure 4

Professional Fees

Provision equating to professional fees of 7% are summarised in the build costs and have been allowed and that are in accordance with contemporary practice and given the size of the development being 30 dwellings; this is recognised in RICS Guidance Note - Financial Viability in Planning. This can sometimes increase to over 10% especially given the complex nature of dealing with previously developed sites, including listed buildings.

Recent local plan viability testing has confirmed this level of allowance for professional fees, applied to base build costs and abnormal costs – Cheshire East CIL viability assessment and Warrington Local Plan Viability Assessment.

This figure will cover the following professional costs:

- Architect
- Landscape Architect
- Engineer (Civil and Structural)
- Traffic Engineer / Highways Consultant
- Quantity Surveyors / Project Management
- M & E Consultant
- Air Tests
- Air Compliance Works
- PQS take off
- Site investigation – site survey and ecological survey and Phase 1 & 2
- Geo-Technical Survey
- Landscape and Visual Survey
- Flood Risk and Drainage / Attenuation Surveys



- Building Control and Structural Warranties (Premier / NHBC Fees)
- SAP / EPC Surveys
- Legal (draft S106 agreement)
- Mining Reports
- Planning Consultant
- Planning Application fees
- Highways Assessment
- Topographical survey

Sales and Marketing Costs

An allowance of £30,000 for brochures, signage, showhouse fit out and webpage, etc. In addition, 1.5% of the Gross Development Value for sales and marketing costs for the Shared Equity residential units and considered reasonable in the market; this allows for legal costs, likely to include management company has been factored into the appraisals.

These figures are in line with the contemporary feedback from regional house builders. They also consider the significant investment in sales and marketing that will be required to achieve the sales rate detailed within the appraisals and contained within this report, including sales incentives offered to purchasers which will become increasingly common practice in the industry, as storm clouds enter the marketplace. Furthermore, this level of costs was accepted in a recent appeal decision including (APP/U2370/W/19/3241233) land off Holts Lane, Poulton-le-Fylde - Keppie Massie representing Wyre Council.

Finance and Costs and Programme

An interest rate of 8.5% has been utilised, based upon current funding arrangements with a range of funding partners, which we consider to be conservative, with many institutions currently seeking higher interest rates from developers, reflective of market conditions and is a blended overall rate.

We consider interest rates will increase further over the coming months + the possibility Bank of England may consider increase rates further in November / December 2023.

In undertaking the current assessment, we would adopt a sales rate of 4 market sales per month, with the 1st sale commencing Month 17 and the final phase occurring 3 months post-completion of build, we consider a realistic build-out / sales marketing program given the high-quality nature of the scheme and the higher capital values. This acknowledges the extent of moving tenants into the completed residential units at the present time and the fact that local neighbouring schemes are experiencing an adjustment in sales rate and a general softening in market conditions.



Developer's Return for Risk and Profit (before taxation)

A developer's margin equating to 7% of the Gross Development Value (GDV) has been assumed, which is the industry guidance figure accepted between parties to be the reasonable, taking account of an appropriate risk-adjusted market return (RICS – 2019) – Open Market for Sale. This assumes that the units are 100% affordable housing units, with a split tenure of 8 apartments Social Affordable Rent and sold directly to a registered provider, in this case MSV. The remaining units will be sold as Affordable Shared Equity units with a discount to OMV equating to approximately 70% OMV.

When considering the current funding climate, potential further interest rate increases, financial institutions have tightened their lending requirements for profit returns on certain schemes. Banks have raised their expectations in terms of risk and required returns for new developments. This is also in line with recent appeal decisions on viability.

The figure of profit we consider appropriate to a site depends upon the level of risk associated with developing the site in terms of challenging technical site constraints, abnormal ground / site conditions and the sales and marketing risks both due to the softening in demand, increases in cancellations (as a direct result of the lack of competitively priced mortgages) and supply of other competing schemes in the vicinity to the site.

Reflecting these risks, we adopt a profit on the market housing at 7% of GDV. In accordance with contemporary guidance, a developer's margin equating to 8% of the Gross Development Value (GDV) would now be accepted as we move forward into 2024 and the revised predictions for residential market sentiments and outlook.



8. Benchmark Land Value

We outline below an assessment of the Benchmark Land Value (BLV) applied for both clarity and to ensure this satisfies the requirements of NPPF. The approach is widely accepted by local authority assessors across the Northwest; we have adopted a more consistent approach to BLV within this section.

National Planning Policy Guidance (NPPG) on Financial Viability Appraisals and Reporting states BLV (1st edition March 2021) is defined as follows:

The PPG specifies the framework for the valuation task. It sets out policy parameters which themselves influence the market(s) within which development land is traded. It specifies an overall framework for FVAs and includes specific guidance on how to assess the BLV. It details assumptions, including standardised inputs and policy adjustments.

The BLV will usually be based upon the EUV plus a premium (EUV+) and may sometimes be based on the AUV excluding a premium where appropriate. The BLV should not be expected to equate to the market value. PPG states that they could differ on account of both the assumptions made and the methods employed. The BLV is not a price to be paid in the marketplace; it is a mechanism by which the viability of the site to provide developers' contributions can be assessed. It should be set at a level that provides the minimum return at which a reasonable landowner would be willing to sell.

The primary approach is EUV+ (or AUV where appropriate). The other two approaches are crosschecks only to check the robustness of the results of the primary approach:

- The first cross-check is a policy-compliant residual land value, found by applying the residual valuation approach set out in Valuation of development property, RICS guidance note.
- The market comparison approach can be used to provide a further cross-check.

Where the evidence allows, land transactions adjusted for policy compliance can be used. Outliers should be disregarded as specified in PPG Paragraph 011; cross-checks must assume policy compliance. The plan-maker / decision-taker will establish a reasonable premium for the landowner and determine the BLV informed by the professional judgement of the assessor, based on these approaches.

The assessment of the BLV requires the assessment of five components. They should be calculated and reported to the plan-maker / decision-maker separately to counter circularity arguments that BLVs from one method of valuation have been used as an input into another method, to reduce developer contributions. The components that need assessing are:

- EUV
- Premium to the landowner
- AUV, where appropriate (not appropriate in this instance)
- Policy-compliant site value assessed by the residual method and
- Policy-compliant site value assessed by the comparative method.



In arriving at a value for the site it is reasonable to assess the existing use and apply an uplift on this value and to reflect the incentive to the landowner to sell the site. We have assumed that given the following land sales outlined in brief below, fulfils the criteria as set out above under Paragraph 017 NPPF.

- Century Mill, George Street, Farnworth – sold recently 2022 for £2,700,000. The 5.46-acre site reflects a value of £494,000 / acre, in a similar location in relation to access/ revenues + achieved planning for circa 100 units.
- Land at Germain Street, Farnworth – the site was approx. 0.8 acres, and the location is comparable to Station Works Radcliffe. The deal reflected a value £750,000 / acre and followed a competitive bidding process for redevelopment to residential.
- The Harrowbys, Mill Street, Farnworth – sale was agreed in 2021 and included a former commercial building of circa 5,000 sq. ft on a site area of 1 acre, in an inferior location to the subject site. The sale was unconditional agreed £525,000; it has subsequently been remarketed and a sale in principle agreed at £540,000.

Based upon the above comparable evidence available in eth market, we consider the most appropriate comparable evidence to be the sale of Harrowbys Mill, given it is similar in size and given the existing use accords with the former use of the site at Station Works, Bury Road, Radcliffe, being a previously developed brownfield site.

Conclusion to Benchmark Land Value

We have applied a multiplier equating to 15% as the landowner's premium that would persuade a reasonable landowner to release the land for sale i.e., £525,000 x 1.45 acres x 15% = £875,437. Whilst this is deemed to be perhaps at the lower end of the scale be it "there is no standard amount for the premium and the setting of realistic policy requirements that satisfy the reasonable incentive test behind the setting of the premium is a very difficult judgement", we consider this reasonable when taking account of the abnormal site conditions associated with redeveloping the site, and applying a reduction of circa £80,000 taking account contamination, breaking out of slabs, concrete foundations, etc.

Given the extent of existing site conditions, we consider a BLV for the application site and as set out above, this would provide a **combined benchmark land value on site of £800,000** and which, given the circumstances of the site, would in our opinion provide a realistic landowner's premium to release the site for development. On balance, we believe in this approach, and which results in BLV of £800,000 represents the minimum value a landowner would be reasonably incentivised to release their site for development. In addition, it also strikes a balance and accords with the approach set out in NPPF (March 2021).



9. Appraisal Commentary

Under the latest guidance NPPF (March 2021), to “establish benchmark land value, plan-makers, landowners, developers, infrastructure and affordable housing providers should engage and provide evidence to inform this iterative and collaborative process”.

Therefore, in presenting a professional opinion on viability grounds, we have taken the opportunity to test the viability and as outlined below:

Step One – To undertake a valuation to determine EUV (see Section 8 – BLV).

Step Two – Is the assessment, where appropriate, of the AUV.

Step Three – To assess a premium above EUV based upon evidence set out in PPG Paragraph 016, which is “the best available evidence informed by cross sector collaboration. Market evidence can include benchmark land values from other viability assessments’ comparisons with the existing premiums above EUV.

Step Four – To determine the residual value of the site, assuming actual or emerging policy requirements, and this assessment of land value can be cross checked against the EUV+.

Step Five – To cross-check the EUV+ approach to the determination of BLV of the site by reference to land transaction evidence. PPG Paragraph 016 states that “Any data used should be identify any adjustments necessary to reflect the cost of policy compliance (including for affordable housing) or difference in quality of land, site scale, market performance of different building use types and the reasonable expectations of local landowners.

In the normal course of events and for land to come forward for development, the benchmark land price must provide a landowner with a reasonable incentive / return. We have undertaken a series of scenarios below to demonstrate the impact of planning gain / Section 106 on the residual appraisal process whilst taking account of a realistic profit return on similar residential developments in Area – providing 7% return on Sales Revenue / GDV. This approach follows a number of recent decisions by Bury Council on similar previously developed sites including –

Appraisal 1 and 2 - Figure 5 below and the financial appraisals contained within:

Appraisal 1 - Highlight the benchmark land values (BLV) against a scheme with affordable housing 100% of Total Units + S106 contributions £0 – **Appendix 8.**

Appraisal 2 - A scheme 100% Affordable Housing / Section 106 £296,300 – **Appendix 8.**



	Appraisal 1	Appraisal 2
	Section 106 ZERO + 100% Affordable housing	Combined Section 106 + Contribution Affordable Housing
Description		
Legitimate Benchmark Land Value	£800,000	£800,000
Profit Return GDV	7%	
Deficit Against Profit (7% on GDV)	ZERO	1.13% £336,824
Viability Concern	NO	Yes

Figure 5

It is clear from **Appraisal 1 - Figure 5** above that when a scheme with £0 - S106 contributions + 100% affordable housing, there is a Profit Deficit of ZERO%.

When a scheme with combined contributions for both Section 106 £296,300 and 100% affordable housing £000 **Appraisal 2 - Figure 5** is compared to **Appraisal 1** above, there is a deficit against the target profit 7%, equating to £338,824.

The viability is a material consideration in the setting of S106 obligations in this instance and with specific reference towards the delivery of 100% Affordable Housing on-site under Policy 4/1 and SPG 5 of Bury Council UDP “***unless it can be clearly demonstrated to the Council’s satisfaction that it is not viable***” to which we believe we have transparently outlined above.

The appraisals as outlined above confirm that the subject site is unviable when applying full policy section 106 / 100% affordable housing; however, when we remove the contribution £ZERO S106 + 100% affordable housing the scheme is viable.

This was the decision applied to a number of recent 100% affordable housing schemes recently delivered on brownfield/ previously developed land – ***Unsworth Social Club REF 66804 + Site at corner of Spring Lane & Bury Road, Radcliffe, Manchester M26 2QX - REF Application Number: 64518.***

We have taken the applicable extracts from the decision notices in respect of these 2 approved and delivered developments, and as outlined in brief below. Both schemes were delivered by Registered Housing Providers – Great Places and Bolton at Home, and were supported by homes England funding packages and to ensure they were financially viable, and..... “***which provides an opportunity to promote increased affordable housing, but as a result a recreational contribution pursuant to Supplementary Planning Document 1 (Open Space, Sport and Recreation Provision in New Housing Development) will not be provided.***”



Unsworth Social Club – Ref Application Number - 66804

Planning obligations - The scheme as proposed would normally include a commuted sum contribution of £28,210.60 for recreation as required by SPD1 and 2 affordable units as required by paragraph 64 of the NPPF.

The proposed development would provide 10 affordable units, which is in excess of the 2 required. The proposed development would be part funded by Homes England and all units would be available for affordable home ownership.

The applicant has submitted a viability appraisal where a case has been presented that any commuted sum would render the development unviable. The viability appraisal is being assessed and further comments on this will be reported in the Supplementary Report.

However, the scheme will deliver 100% much needed affordable housing in the Borough which is a clear benefit of the proposal. The affordable housing provision would be secured through a condition.

Site at corner of Spring Lane & Bury Road, Radcliffe, Manchester M26 2QX - REF Application Number: 64518

Proposal: Erection of three storey block of 15 no. apartments with car parking, bin storage and cycle storage with vehicular / pedestrian access from Pine Street (Date of Registration: 19/08/2019) CONDITION 12 - The development hereby approved shall only be developed by or on behalf of the applicant as an affordable housing scheme and each and every residential dwelling constructed as part of the scheme shall subsequently be occupied only and at all times as affordable housing, as defined in Supplementary Planning Document 5 - Affordable Housing Provision in New Residential Developments.

*Reason - The proposed development has been granted given the particular circumstances of the applicant following a funding package from the Homes England which provides an opportunity to promote increased affordable housing, but as a result a recreational contribution pursuant to Supplementary Planning Document 1 (Open Space, Sport, and Recreation Provision in New Housing Development) will not be provided. **This condition is thereby to ensure in order to make the development acceptable in planning terms, as a result of not making a recreational contribution the whole development shall instead contribute to satisfying the need for affordable housing provision.***



11. Conclusions

The financial viability report and appraisals contained within accord with RICS guidance on Viability in Planning under National Planning Policy Framework 2019 for England (1st Edition, March 2021). The purpose of viability assessment is to test on an area-wide basis, whether the planning policies in the plan are realistic and that the total cost of the policies will not undermine the deliverability of the plan.

This report has been produced utilising a recognised appraisal cashflow software package (Pro Dev for Windows 2016) and considers advice contained within NPPF guidance note 1st Edition 2019. Due regard has been given to recent guidance published by the RICS (Financial Viability Appraisal in Planning Definitions Theory and Practice – April 2015) the Growth and Infrastructure Act and the recently published PPG guidance.

To clarify the viability cases, JBCL have benchmarked residual land values (RLV) against a benchmark land value (BLV), which has been adopted in accordance with NPPF guidance. We have also provided supporting evidence in terms of the adoption of a developer return 7% of GDV for a scheme 100% Affordable Housing and will be funded in part by Homes England.

The appraisals detailed in **Appendix 8** clearly demonstrate that viability is an issue on the site, which is therefore a material consideration in the setting of planning obligations. The appraisals produced assume a scheme consistent with that detailed in the application documents and represents a good quality residential offer, which will contribute to the ongoing regeneration of the Bury Council Area and much needed new market homes. Viability assessment is an objective assessment of the viability of a site and whether the cumulative policy costs will render a site deliverable or not and JBCL remain of the view that even with a degree of concessions on sales revenues and based upon recent sales evidence available in the immediate market area, the site remains at the limit of viability and assuming 100% affordable housing.

The application seeks to demonstrate that there are no adverse impacts associated with the development. The proposals clearly constitute sustainable development of previously developed land and are fully in accordance with the current adopted Local and National Planning Policy and are considered a key site for a significant boost of Bury Council's future housing targets (Paragraph 059 NPPF). The Council is also currently not able to demonstrate a deliverable 5-year housing land supply and it is therefore recognised that the NPPF is a material consideration that carries substantial weight in the decision-making process and engages the tilted planning balance.

The site is brownfield in nature and will incur reasonable abnormal costs to bring forward the residential scheme on site and as listed previously in this report. JBCL have provided contemporary evidence in support of their appraisal assumptions, which reflects the predicted trends from leading analysts in the residential UK market, we consider are an accurate barometer on which to judge possible market fluctuations in interest rates over the coming months.



The inclusion of SPD Document 14 – Employment Land and Premises (May 2011) we consider is no longer applicable, and mainly owing to the recent updated Employment Land Availability Assessment – April 2020; this assessment seeks to identify more appropriately located sites and also of modern construction and with better accessibility the arterial road networks surrounding Greater Manchester Region. For this reason, we consider the SPD Document 14 is no longer applicable and hence out of date; the previous requirement of the Council to seek a one-off payment to compensate for the loss of employment resource being lost should be considered against the delivery of much needed Affordable Housing of which this scheme proports to delivery 100%.

The insistence of burdening this site with the intended one – off payment equating to £294,340 has a negative impact on the financial viability of the scheme and therefore impacts on the viability of the site to a position where it would not come forward for development. In the event there is ZERO Section 106 / Planning Gain, BUT 100% Affordable Housing provision on site, then this demonstrates that the scheme is financially viable.

We trust that Bury Council will acknowledge it is not viable to make the commuted sum payments on this occasion of £294,340 but deliver 100% on-site Affordable Housing under Bury Council SPD – the impact of this on 30 - unit scheme through the redevelopment of Former Station Works, Bury Road will undermine viability and consequently the deliverability of the subject site.

This approach is consistent with a number of recently approved and built out housing developments in the near vicinity to the site including - Site at corner of Spring Lane & Bury Road, Radcliffe, Manchester M26 2QX - REF Application Number: 64518 + Unsworth South Social Club, Derwent Avenue, Whitefield, Manchester, M45 8HU – Ref Application Number 66804.



12. Market Uncertainty

The full extent of the impact of the mini budget on the UK economy, combined with the continuing war in Ukraine / Gaza Israel conflict and Global Financial Crisis to the residential market is still unclear. Consequently, the impact to the appraisal input variables, including revenues, construction costs and marketability of the dwellings proposed on the application site is unknown and our assessment of viability must be considered to have a material degree of uncertainty as a direct consequence.

Presently, available evidence in respect of market values, construction costs and property market activity and other inputs pre-dates the current circumstances. Our assessment of the financial appraisal inputs, and therefore the overall conclusions of this FVA review, are based on evidence and therefore may not reflect the true impact that the slowdown in the economy with “cost of living crisis” may have on market demand, property activity and achievable revenues.

The economic impact of the cost-of-living crisis, including the war in Ukraine, may yet prove to be significant and therefore result in material changes in activity and pricing in the property market in the short, medium, and longer terms. Our assessment must be considered in the context of these comments and the changing circumstances.

The RICS has recommended that reports should note ‘material valuation uncertainty’ as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty and a higher degree of caution should be attached to the conclusions of our assessment of viability than would normally be the case.

13. Disclaimer

The contents of this report do not constitute a valuation, in accordance with the appropriate sections of the Valuation Standards (“VS”) and United Kingdom Valuation Standards (“UKVS”) contained within the RICS Valuation - Professional Standards 2019 (the “Red Book”).

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Appendix 1 – Confirmation of Instructions



Appendix 2 – Site Location Plan



Appendix 3 - Scheme Layout / Proposed Site Plan



Appendix 4 – Aspinall Verdi – FVS 14th August 2019



Appendix 5

Residential Market Research

Savills Research November 2023



Appendix 6 – Commercial Market Research



Appendix 7 – Build Cost Estimation (Ward Williams Assoc)



Appendix 8

Financial Viability - Appraisal 1

Financial Viability - Appraisal 2



Appendix 9 – Supporting Planning Statement

Seymour Planning



Appendix 10 – Planning Decision Notices

Ref No 66804 (Unsworth Social Club)

Ref No 64518 (Site Corner of Spring Lane / Bury Road)