Financial Viability Statement

Cuerden Strategic Site: 'Lancashire Central'

July 2022

Prepared on behalf of:

MAPLE GROVE DEVELOPMENTS

Lancashire County Council

CBRE

Contents

Appendices

Declaration

A declaration of conformity with the RICS Professional Statement Financial Viability in Planning, September 2019, 1st Edition[1], is set out within the following sub-sections.

Instruction and Purpose of Report

In accordance with an instruction and our appointment dated 24 January 2022, CBRE has been instructed by Maple Grove Developments Limited ('MGD' or 'the Developer') and Lancashire County Council ('LCC') (jointly 'the Applicant') to objectively assess, and report upon, the financial viability of the proposed development of the Cuerden Strategic Site ('the Site'), to be referred to as 'Lancashire Central' for a scheme comprising the following ('the Proposed Development'):

"Application for Outline Planning Permission (with all matters reserved save for access from the public highway and strategic green infrastructure/landscaping) for a mixed-use development including the provision of Employment use (Use Classes B2/B8/E(g)); retail (use Class E(a)); food, drink and drive-through restaurant use (Use Class E(b)/Sui Generis Drive-Through); hotel use (Use Class C1); health, fitness and leisure use (Use Classes E(d)/F(e)/F2(b)); creche/nursery (Class E(f)); car showrooms (Use Class Sui Generis Car Showroom); Residential use (C3) the provision of associated car parking, access, public open space, landscaping and drainage."

The purpose of this viability assessment ('VA") is to test the financial viability of the Proposed Development, taking into account the policy requirements set by both South Ribble Borough Council ('SRBC') and Lancashire County Council ('LCC') (the 'Local Planning Authority'), as well as national planning policy and guidance.

Objectivity, impartiality, and reasonableness

CBRE places the utmost importance on the integrity, impartiality, and potential conflicts of interests in carrying out its services and seeks to identify and assess all relationships which may result in a conflict of interest or pose a threat to impartiality. CBRE aims to inspire confidence by being open and impartial, offering transparency of process, being fair and maintaining the confidentiality of our clients.

In undertaking this instruction and carrying out the viability assessment, CBRE always confirms that we have acted impartially, with objectivity, without interference and with reference to all appropriate available sources of information.

CBRE confirms that adequate time has been provided to produce this report.

CBRE confirms that there is no instruction in place to undertake an Area-Wide viability assessment concerning existing and future planning policies against which the proposed development scheme will, in due course be considered.

CBRE has set out a full explanation of the evidence provided with reasoned justification.

Conflict(s) of interest

CBRE confirms, to the best of its knowledge, that no conflict or risk of conflict of interest exists in carrying out this viability assessment on behalf of the Applicant(s) and in respect of the site.

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[1] *RICS (May 2019) Financial viability in planning: conduct and reporting, 1st Edition*

Declaration

Contingent Fee

In preparing this report, no performance related or contingent fees have been agreed between CBRE and the Applicant(s).

Status

This report does not constitute a formal valuation and cannot be regarded, or relied upon, as such.

This report provides a guide for feasibility in line with the purpose for which the assessment is required, in accordance with the National Planning Policy Framework ('NPPF')[2] and national Planning Practice Guidance for Viability ('PPGV')[3], and as stated within the relevant guidance published by the RICS[4].

The conclusions of this report are based upon the input assumptions as stated herein and as available at the time of production. The input assumptions and conclusions of this report are valid at the date of publication and should be subject to review should further information be made available or in the event of material economic or property market change, or in respect of relevant legislative and policy changes.

Publication

This viability assessment has been prepared on the basis that it is expected to be made publicly available, other than in exceptional circumstances.

Where information may compromise delivery of the Proposed Development or infringe other statutory and regulatory requirements, these exceptions will be discussed and agreed with the Local Planning Authority ('LPA') and documented early in the process. Commercially sensitive information will be presented in aggregate form following these discussions. Any sensitive personal information will not be made public.

[2] *MHCLG (2021) National Planning Policy Framework (NPPF)*

[3] *MHCLG (2019) National Planning Practice Guidance – Viability*

[4] *RICS (2021) Assessing viability in planning under the National Planning Policy Framework 2019 for England RICS guidance note, England 1st edition, March 2021 (effective from 1 July 2021) ('RICS Viability Guidance')*

Executive Summary

CBRE has been appointed by Maple Grove Developments Limited ('MGD' or 'the Developer') and Lancashire County Council ('LCC') (jointly 'the Applicant') to objectively assess, and report upon, the financial viability the proposed development of the Cuerden Strategic Site ('the Site'), to be referred to as 'Lancashire Central' for a scheme comprising the following ('the Proposed Development'):

"Application for Outline Planning Permission (with all matters reserved save for access from the public highway and strategic green infrastructure/landscaping) for a mixed-use development including the provision of Employment use (Use Classes B2/B8/E(g)); retail (use Class E(a)); food, drink and drive-through restaurant use (Use Class E(b)/Sui Generis Drive-Through); hotel use (Use Class C1); health, fitness and leisure use (Use Classes E(d)/F(e)/F2(b)); creche/nursery (Class E(f)); car showrooms (Use Class Sui Generis Car Showroom); Residential use (C3) the provision of associated car parking, access, public open space, landscaping and drainage."

The purpose of this viability assessment ('VA") is to test the financial viability of the Proposed Development, taking into account the policy requirements set by both South Ribble Borough Council ('SRBC') and Lancashire County Council ('LCC') (the 'Local Planning Authority'), as well as national planning policy and guidance.

Assessment Methodology

The viability model is conducted on a residual basis using industry standard Argus Developer software. A cashflow is provided for full transparency.

The key viability modelling input assumptions adopted by CBRE for the viability appraisal of the Proposed Development are summarised in Table ES1.

Table ES1: Viability Assessment Inputs Summary

Input		Rate	Comment
Estimated Rental Values:	Employment Uses	£7.50/ft² - £8.25/ft²	informed by market evidence and professional opinion provided on behalf of the Developer by Savills and B8 Real Estate (the Developer's appointed letting agents)
	Car Supermarket	£15.25/ft²	
	Health Centre	£17.50/ft²	
	Gym/ Creche	£15.00/ft²	
	Food Store	£16.50/ft²	
	F&B	£37.50/ft²	
	Drive-Through	£35.00/ft² - £45.00/ft²	
Net Initial Yields	Employment Uses	4.50% - 5.00%	Informed by market evidence and advice provided by CBRE's Investment Properties team
	Car Supermarket	5.50%	
	Health Centre	4.50%	
	Gym/ Creche	6.00%	
	Food Store	4.50%	
	F&B	5.75%	
	Drive-Through	5.50% - 5.75%	
Incentives Period	-	1 Year	Applied to all rental income, representing void and rent free periods
Residential Land Value	-	£600,000 per net acre	Based on both analysis of residual development appraisal by CBRE and professional agency opinion from Savills (the Applicant's appointed agents)
Construction Costs	Employment Uses	£56.00/ft² - £77.00/ft²	Construction costs incorporating external works and contingency, provided by specialist construction consultancy Rex Proctor and Partners ('RPP')
	Car Supermarket	£200.00/ft²	
	Health Centre	£225.00/ft²	

Input		Rate	Comment
	Gym/ Creche	£185.00/ft²	
	Food Store	£175.00/ft²	
	F&B	£250.00/ft²	
	Drive-Through	£335.00/ft² - £400.00/ft²	
Contingency	-	5.00%	Of construction costs
On-Site Infrastructure Works	Off-Plot Works	£40,748,465	The Applicant's assessment of the core infrastructure costs – the works required to open up the site including access roads, services, drainage and landscaping.
	On-Plot Works	£18,883,081	The Applicant's assessment of the on-plot Infrastructure costs – the works related to specific plots or phases which encompasses drainage attenuation, foundation abnormals and more plot specific related works (i.e. retaining walls).
Professional Fees		8.00%	Of development costs
Letting Agent Fee		15.00%	Of net commercial rents
Letting Legal Fee		5.00%	Of net commercial rents
Sales Agent Fee		0.75%	Of GDV
Sales Legal Fee		0.50%	Of GDV
Residential Land Sale Agent Fee		1.00%	Of residential land value
Residential Land Sale Legal Fee		0.80%	Of residential land value
Purchaser's Costs (Investment)		6.80%	Standard fees relating to stamp duty, agent's fee (1%) and legal fee (0.8%) save for units which CBRE are advised are intended to be pre-let/forward sales from Phase B and Units D1, D4 & D5 - assumed at 1.80%
Purchaser's Costs (Land)		-	Standard fees relating to stamp duty, agent's fee (1%) and legal fee (0.8%)
Finance		4.50%	Total blended cost of capital for financing the development via the market, which takes into account arrangement, monitoring and related fees/credits.
Developer's return		8.00%	Whilst 8.00% profit on cost is set at the minimum threshold for viability, the Applicant will target higher return levels with a 15.00% profit on cost reflecting the current expected market norm.

Benchmark Land Value ('BLV')

By way of analysis set out within chapter 5 of this document, the BLV for the Site has been determined based on a price which is equivalent to approximately £25,000 per gross acre, equating to £2,748,100.

Viability Assessment Results and Conclusion

The viability appraisal demonstrates that, when applying the BLV as a fixed input land cost with the developer's return being the residual output, the Proposed Development generates a residual profit of £15.05m, or 8.41% profit on total development cost.

Whilst at the lower end of the spectrum understood to reflect the Applicant's minimum acceptable profit margin, at which the Proposed Development is deliverable.

Sensitivity testing demonstrates that marginal adjustments to revenue (rents) and construction costs have a significant impact on the residual developer's return, to either upside or downside.

The commercial decision whether to proceed with the Proposed Development remains at the discretion of the Applicant.

1 Introduction

Instruction

1.1 CBRE has been appointed by the Applicant to objectively assess, and report upon, the financial viability of the Proposed Development at the Site.

1.2 The purpose of the VA is to test the financial viability of the Proposed Development at the Site, taking into account the policy requirements set by the SRBC and LCC, as well as national planning policy and guidance.

Context

Subject Site, Location & Access

1.3 The Site is approximately 44.99 hectares (111.17 acres)[5] in size and is located within the Borough of South Ribble. The Site is situated at a key gateway location within Central Lancashire between Leyland and the City of Preston, immediately adjacent to (south-west of) the intersection of the M6 (Junction 29) and M65 motorways.

1.4 The Site is currently agricultural fields with associated field boundaries. It is bounded by the A582 Lostock Lane to the north, Stanfield Lane to the west and agricultural land and a quarry to the south.

1.5 The Site benefits from proximity to West Coast Mainline railway stations (including the main station at Preston) and links to the strategic and local highway network.

1.6 A site boundary plan is provided within **Appendix A**.

Planning History

1.7 The Site is identified within the South Ribble Local Plan under Policy C4 as the Cuerden Strategic Site (CSS), which is to be developed with the necessary infrastructure requirements for high quality employment uses including commercial, industrial, retail and leisure uses. A preferred Masterplan for the CSS was commissioned on behalf of LCC and formally adopted in April 2015.

1.8 The Site benefits from an extant hybrid planning permission (ref: 07/2017/0211/ORM) which was granted approval (with conditions) in December 2017 by South Ribble Borough Council. The development proposal, led by the Applicant on behalf of the landowners (Lancashire County Council ('LCC') and Brookhouse Group Ltd ('BHG')), was described as follows:

"Hybrid planning application comprising of Full and Outline development - Environmental Impact Assessment (EIA) development Part 1 FULL - Retail floorspace (Use Classes A1 & A3) and associated car parking, site access, highway works, drainage and strategic landscaping; Part 2 OUT - Employment floorspace (Classes B1, B2 & B8), hotel (Class C1), health and fitness and leisure (Class D2), creche/nursery (Class D1), retail (Classes A1, A2, A3, A4 & A5), car showrooms (Use Class Sui Generis), residential (Classes

[5] *This excludes a potential future development phase of approximately 39.36 acres, under the ownership of Brookhouse Group Limited, and which sits outside of the red line boundary of the planning application for the Site.*

C2/C3) and provision of associated car parking, access, public open space, landscaping and drainage (Access applied for) and affecting the setting of a Listed Building."

1.9 It is understood that the extant permission has not been implemented, albeit it remains capable of implementation should all pre-commencement conditions be discharged.

1.10 Following the grant of the hybrid planning permission IKEA withdrew from the scheme. Due to this change, which reflected the start of a structural shift in the broader retail market, it was deemed necessary to revisit the development proposal and consider possible amendments to better reflect the current market and commercial conditions.

1.11 An illustrative Development Framework Plan has been prepared on behalf of the Applicant by consultants Fletcher Rae outlining the Proposed Development scheme, which focuses primarily on the delivery of an employment-led redevelopment at the Site, together with an element of ancillary and residential uses.

Emerging Planning Application

1.12 It is understood that the Applicant intends to submit an outline planning application (with all matters reserved save for access and strategic landscaping) imminently for the Proposed Development of the Site.

Date of Appraisal

1.13 The date of appraisal is the stated date on the cover of this report.

Document Structure

1.14 The viability assessment report is structured as follows:

- **Section 2**: presents the relevant planning policy context.
- **Section 3**: confirms the approach and methodology to this viability assessment together with a brief review of the relevant current guidance for undertaking viability assessments.
- **Section 4**: sets out a summary of the principal assumptions and evidence used within this financial viability assessment.
- **Section 5**: derives the benchmark land value ('BLV') as appropriate to apply to the Site.
- **Section 6**: summarises the results of viability assessment for the Proposed Development.
- **Section 7**: sets out concluding recommendations to the Applicant and the LPA in accordance with the National Planning Policy Framework ('NPPF')[6] and national Planning Practice Guidance ('PPG')[7].

[6] *MHCLG (2021) National Planning Policy Framework*

[7] *MHCLG (2019) National Planning Practice Guidance – Viability*

2 Planning Policy Context

2.1 This section of the document presents the relevant national and local planning policy context to viability assessment of the Proposed Development at the Site.

National Planning Policy Framework

2.2 The NPPF presents the Government's planning policies for England and how these are expected to be applied.

2.3 Paragraph 2 of the NPPF states that planning law requires planning applications to be determined in accordance with the development plan unless material considerations indicate otherwise[8]. The NPPF, along with emerging plans, are material considerations that must be accorded weight within planning decision-making.

Deliverability & Viability

2.4 The NPPF confirms that it is the applicant's responsibility to demonstrate whether the circumstances affecting the development justify the requirement for the submission of a viability assessment at the application stage.

2.5 The LPA, as decision maker, must determine the weight to be given to the submitted viability assessment having regard to all the circumstances in the case including the following:

- whether the Plan and viability evidence underpinning it is up to date; and
- whether there have been any changes in site circumstances since the Plan was brought into force.

2.6 All viability assessments, including those undertaken at plan-making stage, should reflect the recommended approach in national planning guidance[9].

Planning Practice Guidance for Viability ('PPGV')

2.7 The Government's national planning guidance for understanding viability in both plan making and decision taking is set out within PPGV[10].

2.8 Detailed guidance is provided regarding viability assessment in decision-taking upon individual schemes at the application stage. Firstly, it is the responsibility of the applicant to demonstrate the circumstances justifying the need for viability assessment. Whilst not stated as exhaustive, examples stated in PPGV are:

- 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 is required;

[8] *Section 38(6) of the Planning and Compulsory Purchase Act 2004*

[9] *MHCLG (2021) National Planning Policy Framework (NPPF): Paragraph: 58*

[10] *MHCLG (2019) Planning Practice Guidance: Viability*

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- where particular types of development are proposed which may significantly vary from standard models of development for sale (for example BTR or housing for older people); or
- where a recession or similar significant economic changes have occurred since the plan was brought into force.

2.9 Paragraph 20 confirms that the inputs and findings of any viability assessment should be set out in a way that aids clear interpretation and interrogation by decision makers. Reports and findings should clearly state what assumptions have been made about costs and values (including gross development value, benchmark land value ('BLV') including the landowner premium, developer's return and costs).

Adopted Local Policy

Development Plan

2.10 For the purposes of this assessment, the development plan documents for the application site comprise the following:

- South Ribble Local Plan (July 2015)
- Central Lancashire Core Strategy (July 2012)

South Ribble Local Plan

Cuerden Strategic Site

2.11 Policy C4 of the South Ribble Local Plan ('Local Plan') confirms that planning permission will be granted for development of the CSS subject to the submission of:

a. *"an agreed Masterplan for the comprehensive development of the site, to provide a strategic employment site, to include, employment, industrial and Green Infrastructure uses;*

b. *a phasing and infrastructure delivery schedule;*

c. *an agreed programme of implementation in accordance with the Masterplan and agreed design code."*

2.12 The policy confirms that alternative uses, such as retail, leisure and housing may be appropriate where it can be demonstrated that they help deliver employment uses on this site. The scale of any alternative enabling development will be limited to that which is clearly demonstrated to be necessary to fund essential infrastructure and which will not prejudice the delivery and maintenance of the primary employment function of the site. Any proposed main town centre uses must satisfy the sequential and impact tests set out in the NPPF, relevant policies of the Central Lancashire Core Strategy ('Core Strategy') and the Local Plan.

Developer Contributions

2.13 Local Plan Policy A1 ('Developer Contributions') states that new development will be expected to contribute to mitigating its impact on infrastructure, services and the environment and to contribute to the requirements of the community.

2.14 This may be secured as a planning obligation through a Section 106 agreement and through the Community Infrastructure Levy (CIL).

2.15 The types of infrastructure that developments may be required to provide contributions towards include (but are not limited to):

a. *"Utilities and waste (where the provision does not fall within the utility providers' legislative obligations);*

b. *Flood prevention and sustainable drainage measures;*

c. *Transport (highway, rail, bus and cycle/footpath/bridleway networks, canal and any associated facilities);*

d. *Community infrastructure (such as health, education, libraries, public realm);*

e. *Green infrastructure (such as outdoor sports facilities, open space, parks, allotments, play areas, enhancing and conserving biodiversity);*

f. *Climate change and energy initiatives through allowable solutions;*

g. *Affordable housing; and,*

h. *Leyland Town Centre regeneration."*

2.16 Where appropriate, the Council will permit developers to provide the necessary infrastructure themselves as part of their development proposals, rather than making financial contributions.

Central Lancashire Core Strategy

Affordable Housing

2.17 There is no affordable housing policy within the Local Plan, however, Core Strategy Policy 7 ('Affordable and Special Needs Housing') confirms that, subject to considerations such as financial viability and contributions to community services, there is an affordable housing target from market housing schemes of 30% in the urban parts of Preston, South Ribble and Chorley, and of 35% in rural areas on sites in or adjoining villages which have, or will have, a suitable range of services.

2.18 The minimum site threshold for triggering affordable housing provision will be 15 dwellings (0.5 hectares or part thereof).

2.19 Off-site provision or financial contributions broadly equivalent value in lieu of on-site affordable housing provision will be acceptable where the site or location is unsustainable for affordable or special housing and will only be considered where robustly justified.

Affordable Housing SPD (October 2012)

2.20 The Affordable Housing SPD ('AHSPD') sets out additional advice on the affordable housing policy for Central Lancashire.

2.21 The AHSPD emphasises the requirement for robust financial justification for an off-site or financial contribution in lieu of the expected on-site provision.

2.22 At paragraph 35 it is confirmed that where affordable housing is required, at least 70% of the provision should be social rent or affordable rent, unless the Council is satisfied that an alternative mix meets an independently assessed proven need and agrees to such alternative provision.

2.23 Paragraph 36 confirms that the affordable housing dwelling mix should reflect the development as a whole, however, the Council will negotiate the exact tenure, type and size split on each site through pre-application discussions.

2.24 Paragraph 38 of the AHSPD confirms the calculation of commuted sums in lieu of on-site affordable housing provision, as follows:

"Average house price for locality and house type[11]

X

33% of open market value

X

Affordable housing requirement on-site (30% or 35% of total [depending on location])"

Open Space and Playing Pitch SPD (August 2013)

2.25 The Opean Space and Playing Pitch SPD ('OSPP SPD'), adopted in August 2013, sets out how the open space and playing pitch policies across Central Lancashire are to be implemented.

2.26 The OSPP SPD confirms that all new residential developments will be required to contribute towards open space and playing pitch provision. In South Ribble, this applies on residential development resulting in a net gain of five or more dwellings.

2.27 Residential developments may be required to provide on-site provision of amenity greenspace (if over 10 dwellings) and provision for children/ young people (if over 100 dwellings). Where on-site provision is required then the following calculation is proposed for each typology of open space:

(Number of Dwellings x 2.4 [12]***) x Local Standard / 1000 = Hectares required for proposed development***

2.28 SRBC publishes the financial contributions for off-site provision and improvements of open space and playing pitches, and present the cost for the different typologies of open space on a £/m² basis. The current rates for provision and management for South Ribble are presented in Table 2.1.

Table 2.1: Open Space and Playing Pitch Off-Site Provision | Financial Contribution

Typology	Cost per m²
Amenity Greenspace	£255
Provision for children/ young people	£101
Parks and gardens	£507
Natural/ semi-natural greenspace	£238
Allotments	£17
Playing pitch	£1,507

[11] *To be agreed with a developer based on the most recent quarter's verifiable publicly available data e.g., Land Registry price paid data for postcode sector.*

[12] *"2.4 is the average household occupancy in the 2011 Census. Multiplying this by the number of dwellings gives the estimated population of the proposed development."*

2.29 Where provision is made on-site, a contribution towards maintenance is required (unless private maintenance is proposed). The costs for maintenance (where appropriate) are also published on SRBC's website and are summarised in Table 2.2.

Table 2.2: Open Space and Playing Pitch Off-Site Provision | Maintenance Costs

Typology	Cost per m²
Amenity Greenspace	£128
Provision for children/ young people	£10

2.30 SRBC also provide a worked example of how off-site provision and improvement financial contributions are calculated in South Ribble, as per the extract below:

Example 2 - Amenity greenspace cost per dwelling for South Ribble

1) The hectares of provision required for 1 dwelling is calculated using the formula in section (iii) of the SPD:

1 x 2.4 x Local standard / 1000 = 0.003192 ha

(1.33 ha/1000 population)

2) The hectares required converted to m^2 = 31.92

3) Multiplied by cost per m^2 (£8) = £255 per dwelling (rounded to nearest pound).

Source: https://www.southribble.gov.uk/article/1318/Open-space-and-playing-pitch-SPD-financial-contributions

Community Infrastructure Levy ('CIL')

2.31 CIL was introduced under the Planning Act 2008 and is regulated by the CIL Regulations 2010 (as amended). Local authorities in England and Wales can elect to charge CIL on new development to assist in funding infrastructure associated with planned growth.

2.32 SRBC's Charging Schedule was approved on 24 July 2013 and took effect from 01 September 2013. The Council has published indexed CIL rates for 2022. The following Indexed CIL rates are considered to be applicable to the Proposed Development:

- Dwelling houses (excl. apartments): £92.22/m²
- Convenience retail (excl. neighbourhood convenience stores): £227.01/m²

2.33 The proposed residential use (C3) is to be assessed on the basis the allocation is sold as a serviced land parcel and any value attributed reflects the application of SRBC's CIL rate for dwelling houses.

2.34 The following table sets-out the calculation of the estimated CIL liability arising from the Proposed Development for all anticipated 'convenience retail' uses and includes details of payment instalments according with the SRBC's Instalment Policy.

Table 2.3: Estimated CIL Liability and Payment Instalments

Indexed CIL Liability Calculation		
	Convenience retail (excl. neighbourhood convenience stores)	
R	Rate (£/m²)	£227.01
A	Net Additional Floorspace (Sqm GIA) (Phase A, Units 4-7)	2,536
	CIL Liability = R * A	£575,750

Instalments Schedule				
Instalment 1	25%	-	60 days from commencement	£143,938
Instalment 2	25%	-	120 days from commencement	£143,938
Instalment 3	25%	-	180 days from commencement	£143,938
Instalment 4	25%	-	240 days from commencement	£143,938

Source: CBRE

3 Approach & Methodology

The Role of Viability Assessment in Planning

3.1 This chapter provides the approach and methodology to this viability assessment set within the context of the legislative planning framework and recognised national practice guidance for undertaking viability assessments.

RICS Financial Viability in Planning: Conduct and Reporting (1st edition, May 2019)

3.2 This RICS professional statement sets out mandatory requirements on conduct and reporting in relation to Financial Viability Assessments ('FVAs') for planning in England, whether for area-wide or scheme-specific purposes. It recognises the importance of impartiality, objectivity and transparency when reporting on such matters. It also aims to support and complement the Government's reforms to the planning process announced in July 2018 and subsequent updates, which include an overhaul of the NPPF and PPGV and related matters.

3.3 The statement focuses on reporting and process requirements, and the need for the assessment of viability to be carried out having proper regard to all material facts and circumstances. The additional requirements became effective on 1 September 2019.

RICS Guidance Note: Assessing viability in planning under the National Planning Policy Framework 2019 for England (1st edition, March 2021)

3.4 The RICS Viability Guidance[13], effective from 1st July 2021, supplements the RICS Professional Statement and gives added guidance to RICS members and other stakeholders in the planning process on undertaking and understanding FVAs in both a plan-making and decision-taking context.

3.5 The RICS Viability Guidance, which replaces the earlier 2012 publication, provides best practice guidance for practitioners in carrying out and interpreting the results of viability assessments under the NPPF and PPGV.

PPGV

3.6 PPGV sets out the Government's recommended approach and confirms the principles for conducting viability assessment as follows:

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[13] *RICS (2021) Assessing viability in planning under the National Planning Policy Framework 2019 for England RICS guidance note, England 1st edition, March 2021*

'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'. [14]

3.7 PPGV confirms that the minimum landowner's return should be referred to as the 'benchmark land value' ('BLV'), which should be established on the basis of the existing use value ('EUV') of the land, plus a premium for the landowner. This approach is referred to as the 'existing use value plus' ('EUV+').

3.8 PPGV also confirms that alternative uses can be used in establishing the BLV. For the purposes of viability assessment the alternative use value ('AUV') refers to:

'…the value of land for uses other than its existing use.' [15]

3.9 Where AUV is used this should be supported by evidence of the costs and values of the alternative use to justify the land value. PPGV confirms the Government's position that valuation based on AUV includes the premium to the landowner (i.e. the AUV is equal to the EUV+ as a BLV)[16].

Methodology

3.10 In order to determine the viability of the Proposed Development at the Site, a residual valuation model with cash flow has been prepared using proprietary software Argus Developer.

3.11 The methodology for undertaking this viability assessment follows the residual appraisal method, which is that accepted by the RICS and recommended within RICS Viability Guidance[17]. The methodology is also consistent with the Government's recommended approach as set out in PPGV[18].

3.12 The assessment calculates the cost to acquire, construct, and deliver the capital costs of the development scheme, which is set against the value of the development on the assumption it is completed in the current market. No allowance is made for underlying inflation.

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[14] MHCLG (2019) National Planning Practice Guidance – Viability: Paragraph: 010

[15] MHCLG (2019) National Planning Practice Guidance – Viability: Paragraph: 017

[16] MHCLG (2019) National Planning Practice Guidance – Viability: Paragraph: 017

[17] RICS (2021) Assessing viability in planning under the National Planning Policy Framework 2019 for England RICS guidance note, England 1st edition, March 2021

[18] MHCLG (2019) National Planning Practice Guidance – Viability

4 Viability Assessment Assumptions

4.1 This section presents the principal assumptions used in the VA for the Proposed Development.

Development Outputs

Land Budget

4.2 The land budget for the Proposed Development is presented in Table 4.1 and is presented on the basis of the scheme being delivered in five distinct phases.

Table 4.1: Land Budget | Proposed Development

Phase	Land Use	Gross Area (ha)	Gross Area (ac)
A	Development	7.26	17.94
	Green Infrastructure	3.84	9.49
	Highways Infrastructure	1.47	3.62
Phase A Total:		**12.57**	**31.05**
B	Development	12.70	31.38
	Green Infrastructure	0.89	2.20
	Highways Infrastructure	0.60	1.47
Phase B Total:		**14.19**	**35.05**
C	Development	3.08	7.62
	Green Infrastructure	1.74	4.29
	Highways Infrastructure	0.13	0.32
Phase C Total:		**4.95**	**12.23**
D	Development	5.50	13.59
	Green Infrastructure	3.32	8.20
	Highways Infrastructure	1.71	4.23
Phase D Total:		**10.53**	**26.02**
Phase E Total:	Residential Development	**2.75**	**6.80**
Phase A-E Total:		**44.99**	**111.15**
Future Development Total:[19]		15.93	39.36
Overall Site:		**60.92**	**150.51**

Source: Fletcher Rae

Development Framework

4.3 The Proposed Development will be brought forward in a number of phases and is supported by parameter plans which illustrate the following:

- Development Zones (Phases);
- Land Use & Quantum;

[19] *Note: outside the red line boundary for the planning application for the Proposed Development of the Site.*

- Maximum Building Heights;
- Vehicle, Pedestrian and Cycle Access; and
- Strategic Landscaping and Green Space.

4.4 ‘Parameters Plan 1’ comprises details of the proposed phases, land uses and maximum quantum of development. A summary is presented in Table 4.2.

4.5 A copy of the Parameters Plan 1 is also provided within **Appendix B**.

Table 4.2: Proposed Land Use and Quantum | Proposed Development

Zone/ Phase	Use Class	Max GIA (m²)	Max Plot Size (m²)
A	Retail (E(a))	4,000	30,000
	Hotel (C1)	2,500	
	Gym (E(d)	1,000	
	Food, Drink & Drive-Through Restaurant (E(b)/Sui Generis Drive-Through)	800	
	Car Sales (Sui Generis)	4,000	
	Creche (E(f))	500	
	Health Centre (E(e))	1,500	
	Employment (B2, B8)	25,000	
	Business (E(g)(i-iii))	4,000	
B	Employment (B2, B8)	65,000	65,000
	Business (E(g)(i-iii))	5,000	
C	Employment (B2, B8)	18,000	18,000
	Business (E(g)(i-iii))	5,000	
	Leisure Centre (E(d), F1(e),F2(b))	13,000	
D	Employment (B2, B8)	47,000	47,000
	Business (E(g)(i-iii))	5,000	
	Leisure Centre (E(d), F1(e),F2(b))	13,000	
E	Residential (C3)		Up to 116 homes

Source: Fletcher Rae

4.6 Phase A is identified as the principal entry point to the Site and will be accessed via a new link road off the M65 Terminus Roundabout. Phase A is allocated for the complimentary roadside/ retail, leisure and social/ community amenity uses.

4.7 The new link road into the site meets a new ‘gateway’ feature roundabout that provides access into the remainder of Phase A, connection to the Northern Employment Zone (Phase C) and larger employment units proposed to the east (Phase B) of the development.

4.8 Other parcels of land within the scope of the development framework plans include land to the North West for housing (Phase E) and further employment opportunities (known as the Southern Employment Land – Phase D) to the South West, all currently accessed off Stanifield Lane.

4.9 There is also provision to link the Southern Employment Land/Phase D through to further future expansion land (currently owned by Brookhouse Group Ltd)[20].

Illustrative Masterplan

4.10 The Applicant's appointed consultants Fletcher Rae have produced an illustrative Development Framework Masterplan which details the five development zones/ phases and have provided an accommodation schedule for the Proposed Development which works within the maximum parameters sought by the planning application. This identifies specific uses (for Phase A) and unit sizes, which are understood to reflect the likely mix of uses and unit sizes to be delivered by the Applicant, as reflecting the current property market.

4.11 In order to provide a robust assessment of the financial viability of the Proposed Development, CBRE has adopted the proposed accommodation schedule of uses and unit types provided with the illustrative Development Framework Masterplan[21].

4.12 A summary accommodation schedule is presented in Table 4.3.

Table 4.3: Illustrative Development Framework Masterplan Accommodation Schedule (Zones A-D) | Proposed Development

Phase	Unit	Proposed Use	Plot Ref	Plot Size (ac)	Total GIA (m²)	Total GIA (ft²)
Phase A	Unit 1	Car Supermarket	Plot 1	2.90	2,323	25,000
	Unit 2	Health Centre	Plot 2	1.43	1,500	16,146
	Unit 3	Gym / Creche	Plot 3	1.25	500	5,382
	Unit 4	Food Store	Plot 4	2.70	1,765	19,000
	Unit 5	F&B	Plot 4	-	186	2,000
	Unit 6	Drive-Through	Plot 4	-	167	1,800
	Unit 7	Drive-Through	Plot 5	1.93	418	4,500
	Unit 8	-	Plot 6	2.99	5,017	54,000
	Unit 9	-	Plot 7	2.93	5,147	55,400
Phase A Total:				**16.13**	**17,022**	**183,228**
Phase B	Unit 1	-	Plot 8	6.85	15,245	164,100
	Unit 2	-	Plot 9	16.3	30,712	330,580
	Unit 3	-	Plot 10	3.26	6,155	66,250
	Unit 4	-	Plot 11	2.17	2,745	29,550
Phase B Total:				**28.58**	**54,857**	**590,480**
Phase C	Unit 1	-	Plot 12	1.64	2,857	30,750
	Unit 2	-	Plot 13	1.10	1,638	17,630

[20] *Note: this expansion land sits outside the control and ownership of the Applicant and does not sit within the redline boundary for the planning application for the Site. The Applicant has designed the facilitating works and infrastructure to be delivered on the Site so as not to preclude the future delivery of the expansion land.*

[21] *CBRE has adjusted areas where appropriate to ensure they do not exceed the maximum quantum areas*

Phase	Unit	Proposed Use	Plot Ref	Plot Size (ac)	Total GIA (m²)	Total GIA (ft²)
	Unit 3	-	Plot 14	2.58	4,761	51,250
	Unit 4	-	Plot 14	2.19	3,809	41,000
Phase C Total:				**7.51**	**13,065**	**140,630**
Phase D	Unit 1	-	Plot 15	3.02	6,666	71,750
	Unit 2	-	Plot 16	1.80	3,333	35,875
	Unit 3	-	Plot 17	1.43	2,381	25,625
	Unit 4	-	Plot 18	2.59	4,761	51,250
	Unit 5	-	Plot 19	3.29	7,142	76,875
	Unit 6	-	Plot 20	1.46	3,333	35,875
Phase D Total:				**13.59**	**27,615**	**297,250**
Overall Total:				**65.80**	**112,559**	**1,211,588**

Source: Fletcher Rae

4.13 No further detail is provided for Phase E beyond the outline planning application seeking permission for up to 116 homes within an anticipated net developable area of 5.00 acres.

4.14 A copy of the illustrative Development Framework Plan is provided within **Appendix C**.

Phasing & Delivery

4.15 Timescales for the delivery of each phase of the Proposed Development and the associated infrastructure works have been established in a 'Delivery Programme' provided by the Developer. A copy is provided at **Appendix D**.

4.16 A summary of the adopted development programme for the Proposed development, which broadly follows the Delivery Programme, is presented in Table 4.4 below.

Table 4.4: Summary Programme | Proposed Development

Phase		Estimated Start Date	Estimated End Date
-	Off-Plot Infrastructure	March 2023	August 2024
A	On-Plot Infrastructure	August 2023	July 2024
	Mixed-use/ Employment Uses	November 2023	January 2026
B	On-Plot Infrastructure	August 2024	October 2025
	Employment Uses	September 2024	June 2027
C	On-Plot Infrastructure	August 2023	July 2024
	Employment Uses	February 2027	August 2028
D	On-Plot Infrastructure	December 2027	September 2028
	Employment Uses	June 2028	January 2030
E	On-Plot Infrastructure	January 2023	December 2024
	Residential Land Sale	January 2023	-

Source: The Applicant; CBRE

Development Value

4.17 The value to be adopted is based on the special assumption that the Proposed Development is complete on the publication date of this document in the prevailing market conditions.

4.18 CBRE has produced an Employment Land and Commercial Market Report which analyses current demand and supply metrics for the employment and mixed uses sought under the outline planning application for the Proposed Development.

4.19 The report has been further informed by market evidence and professional opinion provided on behalf of the Applicant by Savills and B8 Real Estate (the Applicant's appointed letting agents).

4.20 A copy of the Employment Land and Commercial Market Report is provided at **Appendix E**.

4.21 Having considered the market data and professional option provided by Savills, B8 Real Estate and CBRE's Investment Property team, the following revenue assumptions have been adopted in the viability appraisal of the Proposed Development.

Table 4.5: Revenue Assumptions Summary | Phases A-D

Phase/ Unit	GIA (ft²)	Estimated Rental Value (£/ft²)	Net Initial Yield (%)	Incentives Period (Void/ Rent Free)
Phase A: Unit 1 (Car Supermarket)	25,000	15.25	5.50%	1 Year
Phase A: Unit 2 (Health Centre)	16,146	17.50	4.50%	1 Year
Phase A: Unit 3 (Gym/ Creche)	5,382	15.00	6.00%	1 Year
Phase A: Unit 4 (Food Store)	19,000	16.50	4.50%	1 Year
Phase A: Unit 5 (F&B)	2,000	37.50	5.75%	1 Year
Phase A: Unit 6 (Drive-Through)	1,800	45.00	5.75%	1 Year
Phase A: Unit 7 (Drive-Through)	4,500	35.00	5.50%	1 Year
Phase A: Unit 8	54,000	7.50	4.50%	1 Year
Phase A: Unit 9	59,600	7.50	4.50%	1 Year
Phase B: Unit 1	159,500	7.00	4.50%	1 Year
Phase B: Unit 2	330,580	6.75	4.50%	1 Year
Phase B: Unit 3	66,250	7.50	4.50%	1 Year
Phase B: Unit 4	29,550	7.75	4.50%	1 Year
Phase C: Unit 1	30,750	7.75	4.50%	1 Year
Phase C: Unit 2	17,630	8.25	5.00%	1 Year
Phase C: Unit 3	51,250	7.50	5.00%	1 Year
Phase C: Unit 4	41,000	7.50	5.00%	1 Year
Phase D: Unit 1	71,750	7.25	4.50%	1 Year
Phase D: Unit 2	35,875	7.75	4.50%	1 Year
Phase D: Unit 3	25,625	7.75	5.00%	1 Year
Phase D: Unit 4	51,250	7.50	4.50%	1 Year
Phase D: Unit 5	76,875	7.25	4.50%	1 Year
Phase D: Unit 6	35,875	7.75	4.50%	1 Year

Table 4.6: Revenue Assumptions Summary | Phases E

Phase/ Unit	Gross Area (Acres)	Net Developable Area (Acres)	Land Values (£/Net Developable Acre)	Total Serviced Land Value (£)
Phase E: Residential Land	6.80	5.00	£650,000	£3,250,000

Source: CBRE; Savills

Development Costs

Strategic On-Site Infrastructure

4.22 The on-site infrastructure required to support delivery of the Proposed Development is comprised of two distinct elements of works:

- Core Infrastructure – the works required to open up the site including access roads, services, drainage and landscaping.
- On-Plot Infrastructure – the works related to specific plots or phases which encompasses drainage attenuation, foundation abnormals and more plot specific related works (i.e. retaining walls).

4.23 New highway access points will be created and installed on Wigan Road and Stanifield Lane and a new connection from the M65 terminus roundabout will be formed. The remaining access works (Wigan and Stanifield Lane Works – within LCC's and MGD's controlled land) will form part of the site wide infrastructure works, and be undertaken by the Developer.

4.24 MGD has provided an assessment of the total on-site infrastructure costs required for the delivery of the Proposed Development, which equates to a total of £59,631,546 and comprises £40,748,465 of off-plot infrastructure works and £18,883,081 of on-plot infrastructure. The costs incorporate a 5.00% contingency allowance. Professional (8.00%) and design development (3.00%) fees have been attributed to the off-plot infrastructure works.

Construction Costs

4.25 The Applicant instructed Rex Proctor and Partners ('RPP'), a specialist construction consultancy, to prepare a high-level construction cost estimate for the Proposed Development.

4.26 The 'Indicative Cost Estimate', dated March 2022, provides a cost for each proposed unit (as per the illustrative Masterplan accommodation schedule). It is understood that the estimated build cost for each unit incorporates allowances for plot external works, main contractor's preliminaries and contingency (c. 3%). The costs exclude fees and inflation beyond the current day.

4.27 CBRE has adopted the RPP build cost rates within the viability appraisal for the Proposed Development.

4.28 A copy of the Indicative Cost Estimate is provided within **Appendix F**.

Other Development Costs

4.29 Other development costs are summarised in Table 4.7.

Table 4.7: Other Development Costs | Proposed Development

Cost heading	Rate	Commentary
Contingency	2.00%	Of construction costs (equating to an all-in 5.00%, accounting for the 3.00% already built into the construction costs). Not applied to assessed infrastructure costs which already incorporate a 5.00% contingency.
Professional Fees	8.00%	Of development costs
Commercial Letting Agent Fee	15.00%	Of net commercial rents
Commercial Letting Legal Fee	5.00%	Of net commercial rents
Investment Sale Agent Fee	0.75%	Of GDV
Investment Sale Legal Fee	0.50%	Of GDV
Residential Land Sale Agent Fee	1.00%	Of residential land value
Residential Land Sale Legal Fee	0.80%	Of residential land value
Purchaser's Costs (Investment)	6.80%	Standard fees relating to stamp duty, agent's fee (1%) and legal fee (0.8%) save for units which CBRE are advised will be pre-let/ forward sales from Phase B and Units D1, D4 & D5 - assumed at 1.80%
Purchaser's Costs (Land)	-	Standard fees relating to stamp duty, agent's fee (1%) and legal fee (0.8%)
Finance	4.50%	Total blended estimated cost of capital for financing the development as advised by the Applicant.
Developer's return	8.00%	Whilst 8.00% profit on cost is set at the minimum threshold for viability, the Applicant will target higher return levels with a 15.00% profit on cost reflecting the current expected market norm.

Source: CBRE

5 Site Value (or 'Benchmark Land Value')

5.1 Establishing the minimum level of financial return at which a reasonable landowner would be willing to release their land for development represents a critical component of a viability assessment. It must represent a premium over the existing use value ('EUV') and a reasonable incentive, in comparison with other options available, for the landowner to sell land for development, whilst allowing a sufficient contribution to comply with policy requirements.

5.2 Whilst not directly featuring as a cost in an appraisal conducted on a residual basis, this 'minimum return' forms the BLV against which the RLV derived from the appraisal is tested in order to determine the viability of the Proposed Development and scope for planning obligations (including affordable housing).

5.3 PPGV requires that the BLV should:

'...be informed by market evidence including current uses, costs and values. Market evidence can also be used as a cross-check of benchmark land value but should not be used in place of benchmark land value... This evidence should be based on developments which are fully compliant with emerging or up to date plan policies, including affordable housing requirements at the relevant levels set out in the plan. Where this evidence is not available plan makers and applicants should identify and evidence any adjustments to reflect the cost of policy compliance. This is so that historic benchmark land values of non-policy compliant developments are not used to inflate values over time.' [22]

5.4 Paragraph 016 of PPGV provides further elaboration. It states:

'Market evidence can include benchmark land values from other viability assessments. Land transactions can be used but only as a cross check to the other evidence. Any data used should reasonably identify any adjustments necessary to reflect the cost of policy compliance (including for affordable housing), or differences in the quality of land, site scale, market performance of different building use types and reasonable expectations of local landowners.' [23]

5.5 The approach adopted for arriving at an appropriate BLV for the Site follows that set out within Chapter 3 of this document and accords with the relevant RICS Guidance, PPGV and the NPPF (2021). It considers:

- the existing use value ('EUV') of the subject site;
- the alternative use value ('AUV') of the subject site;
- the premium; and
- available comparable evidence of land transactions.

Existing Use Value ('EUV')

5.6 The area of the Site considered by this VA is approximately 44.99 hectares (111.17 acres)[24] and is located within the Borough of South Ribble. The Site is currently agricultural fields with associated field boundaries.

5.7 The RICS published the RICS/RAU Farmland Market Report on an annual basis. The latest published report dated 2021[25] confirms that, for the period dated 1st January to 30th June 2021, the weighted average national

[22] *MHCLG (2019) National Planning Practice Guidance – Viability: Paragraph: 014*

[23] *MHCLG (2019) National Planning Practice Guidance – Viability: Paragraph: 016*

[24] *This excludes a potential future development phase of approximately 39.36 acres, under the ownership of Brookhouse Group Limited, which sits outside the red line boundary for the planning application for the Proposed Development of the Site.*

[25] *RICS RAU (December 2021) Farmland Market Directory of Land Sales (Jan-June 2021)*

value per hectare was £27,191 (£11,004 per acre). This is further disaggregated to the regional scale. Table 6 on p.6 of the report confirms that average farmland prices for the North West region equated to £9,316/acre (£23,020/Ha) for medium scale transactions of 50-200 acres.

5.8 The Site sits within the 'medium scale', on the RICS/RAU spectrum. It is therefore CBRE's expectation that the landowner would expect to achieve an existing use valuation in accordance with, or exceeding, the average prices determined by the RICS/RAU.

5.9 On this basis, it is CBRE's conclusion that the EUV for the Site would equate to circa £9,316 per acre, which would represent a total EUV of circa £1.035m in the current market, ignoring any prospect of future development.

Alternative Use Value ('AUV')

5.10 An AUV has not been calculated for the Site at this stage on the basis that it is allocated within the adopted Local Plan as an employment site, to include industrial and Green Infrastructure uses.

Premium ('+')

5.11 The premium should represent the minimum return that would persuade a reasonable landowner to release the land for development, rather than exercise the option to wait or any other options available to the landowner.

5.12 Paragraph 008 of PPGV confirms that, where a viability assessment is submitted to accompany a planning application this should be based upon and refer back to the viability assessment that informed the Local Plan. PPGV Paragraph 016 subsequently confirms that market evidence can be used, including benchmark land values from other viability assessments.

5.13 It is therefore evident that the starting point for assessing the premium should be the viability evidence base underpinning the adopted Local Plan.

5.14 CBRE has reviewed SRBC's latest published viability evidence to inform planning policy, which comprises the Community Infrastructure Levy Viability Evidence Study: Final Draft Report (January 2012) and Community Infrastructure Levy Viability Evidence for Draft Consultation Stage: Addendum Viability Evidence Report (October 2012).

5.15 The Final Draft Report proposes a land value for all non-retail out of centre uses of £500,000 per hectare. The Addendum Viability Evidence Report adopts a land cost for very large strategic sites of 100 hectares (expected to provide over 2,100 dwellings) of £325,000 per hectare, which is stated to reflect a bulk land purchase and risk (including higher on-site infrastructure of £450,000 per gross hectare and higher assumed S106 costs (of £8,000 per unit).

5.16 This land cost would equate to approximately £131,500 per gross acre, which would reflect circa 14x EUV.

5.17 CBRE notes that Appeal Decisions and recent viability evidence prepared and published to support local plan preparation regionally and nationally continues to support a premium of up to, and exceeding, 10x EUV on greenfield strategic site allocations and other greenfield sites. Further examples can be provided upon request.

5.18 Alternatively, if referring to published Government research[26] of minimum land values for greenfield strategic land, this states the following on page 8:

"… required levels of premium are routinely protected by way of minimum land price provisions, usually contained within option or collaboration agreements and long-term conditional contracts… Levels vary, but typically, we expect to see figures of circa £100,000 to £150,000 per gross acre."

Cross Checking the EUV+

5.19 Whilst not a requirement of PPGV, the RICS Viability Guidance suggests a cross checking exercise on the EUV+ analysis utilising two sources of information, where useful. This includes preparing a policy compliant viability appraisal for the proposed development and drawing upon evidence of relevant land transactions, where available.

5.20 CBRE considers that the viability modelling undertaken within the VA is broadly representative of a 'policy compliant' viability appraisal for the Proposed Development of the Site. Hence, in this instance, the outturn residual land value ('RLV') if fixing the developer's return (profit) at the minimum rate (of 8.00% on costs) would reflect the appropriate BLV for the Site. This would equate to approximately £2.75m (or approximately £25,000 per gross acre).

5.21 CBRE has also reviewed the original transaction costs for the acquisition of the Site by LCC, drawing on Land Registry records, to estimate the original price paid. Inclusive of purchaser's costs, CBRE estimate the original purchase price to equate to approximately £2.57m (with acquisitions made in 2012 and latterly in 2016) to assemble the Site. This equates to approximately £23,000 per gross acre.

5.22 Whilst CBRE does not have details, it is envisaged that LCC will have subsequently incurred holding costs over the intervening period to the present day.

Determining the EUV+ BLV

5.23 Taking the above analysis in the round and reflecting the substantive infrastructure costs to be incurred in delivery of the Proposed Development of the Site, CBRE has had regard to the outturn viability modelling, which indicates a BLV of approximately £25,000 per gross acre is appropriate and achievable.

5.24 Reflecting on the above, CBRE has adopted a BLV for the Site of £2,748,100, which equates to exactly £25,000 per gross acre, or circa 2.7x EUV. This has been inserted into the financial appraisal modelling as a fixed land cost.

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[26] *DCLG (2011) 'Cumulative impacts of regulations on house builders and landowners Research paper'*

6 Appraisal Results

6.1 This chapter presents the results of the assessment of financial viability arising from the Proposed Development at the Site.

Viability Appraisal

6.2 A viability appraisal has been undertaken for the Proposed Development at the Site.

6.3 By way of analysis set out in chapter 5 of this document, it is considered that the BLV for the Site is £2,748,100.

6.4 The viability appraisal demonstrates that, when applying the BLV as a fixed input land cost with the developer's return becoming the residual output, the Proposed Development generates a residual (developer's return) of £15.05m, or 8.41% profit on development costs[27].

6.5 A copy of the viability appraisal for the Proposed Development is provided within **Appendix G.**

Sensitivity Testing

6.6 CBRE has undertaken sensitivity testing of key appraisal variables (rents and construction costs) in order to test the impact on scheme viability (the outturn developer return).

6.7 Sensitivity testing demonstrates that marginal adjustments to revenue (rents) and construction costs have a significant impact on the residual developer's return, to either upside or downside.

6.8 A copy of the Sensitivity Analysis Report is provided within **Appendix H**.

6.9 This sensitivity test carries significant risk and should be treated with a high degree of caution and, CBRE would advise, given limited weight.

[27] *Note: it should be noted that, whilst 8% profit on cost is set as an absolute minimum threshold for viability, the Applicant, where possible and in alignment with agreements, targets higher return levels.*

7 Conclusions

7.1 CBRE has been appointed by the Applicant to objectively assess, and report upon, the financial viability of the Proposed Development at the Site.

7.2 The purpose of the viability assessment is to test the financial viability of the Proposed Development by accounting for national planning policy and guidance, and policies set at a local level by SRBC and LCC, specifically whether the scheme can be deemed to be viable and whether the amount of non-employment uses proposed represent minimum necessary amount needed to enable the wider delivery of this strategic development.

7.3 By way of analysis set out in chapter 5 of this document, it is considered that the BLV for the Site is £2,748,100.

7.4 The viability appraisal demonstrates that, when applying the BLV as a fixed input land cost with the developer's return being the residual output, the Proposed Development generates a return of £15.05m, equivalent to 8.41% profit on total development costs.

7.5 The Proposed Development generates a minimum level of return acceptable to the Applicant and is financially viable for delivery on this basis[28].

7.6 Sensitivity testing demonstrates that marginal adjustments to revenue (rents) and construction costs have a significant impact on the residual developer's return, to either upside or downside.

7.7 Notwithstanding CBRE's findings that the scheme is viable from a developer's perspective, CBRE recognise that Policy C4 aims to secure the employment-led development of the site and that any alternative uses must be justified and must be limited to the minimum amount necessary to deliver the strategic aims of the site allocation. The current quantum and mix of non-employment uses represents circa 20% of the estimated total net developable area, which can be demonstrated to provide the minimum amount necessary to enable the wider development of the Site.

7.8 Non-employment uses have been positioned at a key gateway to the Site and are an integral part of the strategy for opening up the Site, scene setting, and reinforcing the viability of delivering future employment uses/ phases. It is considered that the diverse and complimentary mix of uses add to the attractiveness of the broader commercial scheme to both occupiers and investors and will maximise market appeal for a new strategic employment site as a competitor to existing and planned employment locations.

7.9 On the basis that scheme viability is currently marginal, CBRE considers that the current mix of uses represents an optimum balance which does not exceed what is necessary to fund the delivery of the scheme and all essential infrastructure. A departure from the current proposed quantum and mix of uses risks negatively impacting overall scheme viability.

7.10 The commercial decision whether to proceed with the Proposed Development remains at the discretion of the Applicant.

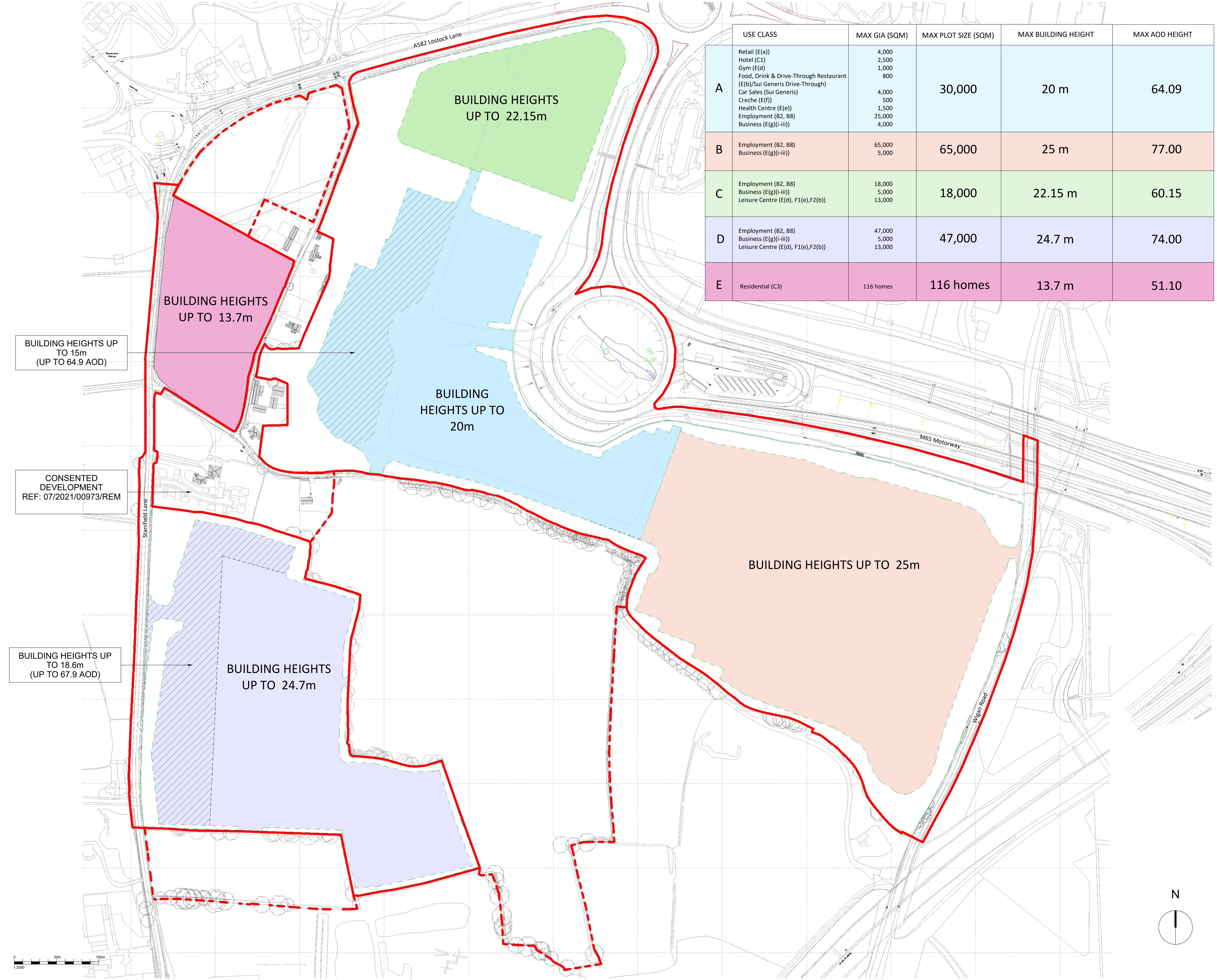
[28] *Note: it should be noted that, whilst 8% profit on cost is set as an absolute minimum threshold for viability, the Applicant, where possible and in alignment with agreements, targets higher return levels.*

Appendices

A Site Location Plan

Location Plan

B Parameters Plan



	USE CLASS	MAX GIA (SQM)	MAX PLOT SIZE (SQM)	MAX BUILDING HEIGHT	MAX AOD HEIGHT
A	Retail (E(a)) Hotel (C1) Gym (E(d) Food, Drink & Drive-Through Restaurant (E(b)/Sui Generis Drive-Through) Car Sales (Sui Generis) Creche (E(f)) Health Centre (E(e)) Employment (B2, B8) Business (E(g)(i-iii))	4,000 2,500 1,000 800 4,000 500 1,500 25,000 4,000	30,000	20 m	64.09
B	Employment (B2, B8) Business (E(g)(i-iii))	65,000 5,000	65,000	25 m	77.00
C	Employment (B2, B8) Business (E(g)(i-iii)) Leisure Centre (E(d), F1(e),F2(b))	18,000 5,000 13,000	18,000	22.15 m	60.15
D	Employment (B2, B8) Business (E(g)(i-iii)) Leisure Centre (E(d), F1(e),F2(b))	47,000 5,000 13,000	47,000	24.7 m	74.00
E	Residential (C3)	116 homes	116 homes	13.7 m	51.10

General Notes

Do not scale from this drawing. Only work to written dimensions.

All site dimensions shall be verified by the Contractor on site prior to commencing any works.

Site Boundary Key:

Application Site Boundary

Future Development Plot Boundary

Zoning Key:

Zone A

Zone B

Zone C

Zone D

Zone E

Strategic Landscaping

Rev.	Description	Date	ISS	APP
P8	Access road dotted in full	15.07.22	SS	RT
P7	Updated to reflect LCC pre app feedback	01.07.22	SS	RT
P6	Updated Parameter Plans	24.06.22	RT	SS
P5	Drawing contents combined with PP 2 & 3	15.06.22	RT	AR
P4	Strategic Landscaping added	06.06.22	RT	AR
P3	Client description in title sheet amended	26.05.22	RT	AR
P2	Description in legend updated	25.05.22	RT	AR
P1	GIA figures updated	18.05.22	RT	AR
P0	First issue	11.05.22	RT	AR

MAPLE GROVE DEVELOPMENTS
PART OF THE ERIC WRIGHT GROUP

Lancashire County Council

Scale: **As indicated @ A1**
Status: **S2 Information**
Drawn By: **AE**
Checked By: **RT**
Date:

Client:
Lancashire County Council and Maple Grove Developments

Project:
Lancashire Central, Cuerden

Sheet Name:
Parameters Plan 1 - Dev. Zones, Land Use, Quantum & Building Heights

Project No. Orig. Zone Level Type Role Dwg No. — Rev
21017-FRA-XX-ZZ-DR-A-9111 — **P8**

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C Illustrative Development Framework Plan