

3 May 2022

Angela Leckie
Planning Department
Manchester City Council
Town Hall
Albert Square
M60 2LA

Dear Angela

Planning application Ref. 132489/FO/2021 – submission of revised plans

Manchester (Port Street) Limited submitted a planning application (reference 132489/FO/2021) that was validated on 04 January 2022. The proposed description of development is as follows:

“Erection of a part-34, part-11 storey residential building above semi-basement level, with associated residents' amenity space including gym (Use Class C3), commercial space (Use Class E), basement car parking (47 spaces), cycle parking (485 spaces) landscaping, and other associated works”

The planning application was most recently considered by Manchester Planning and Highways Committee on 20 June 2022. The Officer's Report to Committee recommended that the application be approved. At that Committee, Members moved by a vote of 5 to 4 to defer the application and asked Officers to bring the application back to the next Committee with a reason for refusal on the basis that the tower element was a single storey above the height envisaged in the 2016 Piccadilly Basin Strategic Regeneration Framework.

Consideration of Members' proposed reason for refusal

The Piccadilly Basin was endorsed by the City Council's Executive Committee in October 2016 following a period of public consultation. It is a material consideration in the determination of planning applications.

The SRF identifies the site as being suitable for a tall building and includes indicative massing which shows one 33-storey and one 20-storey tower on the site. The proposed massing includes only one tower, at 34-storeys, and a lower perimeter block rising to 11-storeys at its highest point. The overall perception of mass on the site is therefore considered to be significantly reduced from that envisaged within the SRF, representing a significantly more sensitive response to the site. Officers agree with this analysis as is referenced in their reports to the Planning Committee. Officer's assessment of the application also concludes that the development as proposed at that Committee does not lead to any unacceptable impacts and should be approved.

The Applicant considers that the impacts relating to a 34-storey tower are substantively the same as those of a 33-storey tower and the reduction of a single storey would not result in any material change to the analyses or conclusions contained within the submitted Environmental Statement or other technical reports.

Proposed Amendments

Notwithstanding the above, in the interests of progressing this important regeneration project, the Applicant has taken the decision to remove one storey from the tower to directly address Members' concerns. This is not a decision that has been taken lightly as the resultant impacts upon development viability are significant. These impacts are incurred at a time of economic uncertainty and heightened development risk, as is summarised briefly below.

In reducing the height of the tower, the following changes have been made: floor 33 has been removed; floor 32 is amended to reflect the current floor 31; and floor 31 is amended to reflect the typical floorplates in the tower. These changes are implemented so as to minimise loss of apartments resulting from the loss of an entire floor of accommodation. The change results in a net loss of four apartments and the following changes to the mix of apartment typologies:

Scheme	1B1P	1B2P	2B4P	3B6P	Total
Superseded Mix	14 (3%)	140 (29%)	313 (65%)	2 (4%)	485
New Mix	14 (3%)	144 (30%)	321 (67%)	18 (0.4%)	481

The amount of car parking, residents' amenity space and commercial space is unchanged. The amount of cycle parking spaces provided is reduced by four to 481, commensurate with the reduction in the number of apartments. All apartments continue to meet or exceed Nationally Described Space Standards.

The external envelope and appearance are unchanged save for the loss of the single floor.

Effect on submitted EIA and technical analyses

The changes to the proposed scheme do not affect in any way the submitted Description of Development, which remains unchanged. The changes have been considered by the Applicant's technical advisors, who have confirmed that they will have no material impact upon the submitted Environmental Impact Assessment or technical analyses. The submitted Environmental Statement and technical analyses do not therefore need to be updated to reflect the revised plans, and this information does not constitute further information as defined by Regulation 25 of the 2017 EIA Regulations.

Effect on Description of Development

The proposed amendment will lead to a change in the description of development on the application form. The updated description of development would be:

“Erection of a part-33, part-11 storey residential building above semi-basement level, with associated residents' amenity space including gym (Use Class C3), commercial space (Use Class E), basement car parking (47 spaces), cycle parking (481 spaces) landscaping, and other associated works”

In this regard, the relevant paragraphs of the NPPF are as follows (Deloitte emphasis):

“Can a local planning authority amend the description of development?”

“Before publicising and consulting on an application, the local planning authority should be satisfied that the description of development provided by the applicant is accurate. The local planning authority should not amend the description of development without first discussing any revised wording with the applicant or their agent. Checking the accuracy of the description of development should not delay validation of an application.

“Paragraph: 046 Reference ID: 14-046-20140306

“Revision date: 06 03 2014

“Can an applicant amend an application after it has been submitted?”

“It is possible for an applicant to suggest changes to an application before the local planning authority has determined the proposal. It is equally possible after the consultation period for the local planning authority to ask the applicant if it would be possible to revise the application to overcome a possible objection. It is at the discretion of the local planning authority whether to accept such changes, to determine if the changes need to be reconsulted upon, or if the proposed changes are so significant as to materially alter the proposal such that a new application should be submitted.”

It is evidently the case that the proposed changes will not materially affect the proposals and that they therefore do not necessitate that a further application be submitted. As established in *Holborn Studios Ltd v Camden LBC [2017] EWHC 2823 (Admin)*, the question whether re-consultation is required depends on a consideration of fairness. A judgement on fairness would depend *inter alia* on the purposes for which the requirement of consultation was imposed, the nature and extent of any changes and their potential significance for those who might be consulted. In this instance the following considerations are considered pertinent:

- the amendments are being undertaken purely at the request of the Planning and Highways Committee;
- the amendments relate to the number of storeys within the development, which is an issue that has been properly and explicitly addressed in responding to objections received on the application, and indeed expressly address a reason of objection detailed within the report by reducing the height from 34 to 33 storeys;
- the amendments are considered to be minor in nature and will result in a reduced scheme giving rise to no new or more significant planning impacts;
- the amendments do not relate to a reason underpinning the justification for the scheme; and

- the amendments do not have the potential to generate different or new consultation responses than those already considered in the Committee Report.

It is considered therefore that it is fair and lawful for the Council to proceed to determine the amended scheme without re-consultation on the proposed amendments.

Development risk and effect on viability

Representations made by local ward councillors at planning committee on 30 June made reference to development viability and developer risk, stating that the development is in effect “risk free” given the perceived desirability of the area and strength of Manchester’s housing market. The Applicant refutes this assertion entirely and would note that the proposed development represents an investment of over £150m in the city. This scale of investment always comes with a significant amount of risk.

National planning guidance sets out principles for standardised inputs to viability assessment. This defines, at paragraph 010 Reference ID: 10-010-20180724, an assumption of between 15% and 20% of gross development value as may be considered a suitable return for developers. The Applicant’s target profit threshold for this project reported in the submitted Financial Viability Appraisal (FVA) is 18%. The Applicant’s FVA was prepared by LSH in December 2021. This concludes that the profit achieved is just 12%, even before the £1 million initial contribution has been made. The Council’s independent viability appraisal assumes a lower benchmark land value than the Applicant and therefore concludes a higher profit level at 14.18%, with the £1m initial contribution accounted for.

Both the Applicant’s and the Council’s conclusions are significantly below the Applicant’s target threshold and the lower threshold of an acceptable developer profit recognised in the nationally described standardised inputs to viability assessment.

These figures have been considered with reference to a cost plan and viability appraisal dating from December 2021. Geopolitical trends and events, such as the Ukraine conflict, are resulting in heightened uncertainty and risk to all businesses, as is widely reported in the press. This uncertainty results in specific risks associated with the proposed development, as summarised below:

Sales risk

Deloitte’s Chief Economist reported on 11 July that, *“growth is slowing across the industrialised world. The question now is about the severity and magnitude of the downturn and whether we can avoid a recession.”*¹ The Eurozone is widely expected to enter into a recession in the latter half of this year. The global downturn is having significant impact on investors’ perception of residential sales risk. To imply therefore that a previous residential track record is sufficient to justify lower profit returns in the future, and not look ahead at the forecasted economic growth to weigh up risk, is not an approach that any rationale investor would adopt.

¹ [A recession radar - The Monday Briefing \(deloitte.co.uk\)](https://www.deloitte.co.uk/insights/articlespublications/a-recession-radar-the-monday-briefing)

Construction cost inflation

Inflationary pressures across the world and specifically in the UK are widely reported. The Bank of England expects UK inflation to reach 11% later this year. This has been acutely experienced in the construction sector.

The project principal contractor, Renaker, reports that energy and fuel prices have caused inflation across all the supply chains, resulting in price increases ranging from 10% to 55%. Overnight after the Ukrainian conflict started, the cost of steel increased by £300 per tonne, with a further £150 uplift over the following month. This is a 55% uplift in the cost of steel. Arcadis reports that, *“the impact of the war has added 3 to 5% to the cost of typical projects. High energy costs disproportionately affect the construction materials supply chain, so prices are expected to remain high until the UK and European energy markets are retooled to be less dependent on Russian gas and oil.”*²

Renaker also advise that their experience of cost of concrete, which is also affected by carbon levies, has increased by a minimum of 25%, with a further 10% increase expected by the end of the year. In this regard, Arcadis report that, *“Latest BEIS data tracking inflation for a basket of materials is showing prices up by 25% in a year, the highest level of inflation seen so far in this cycle. However, a closer analysis of the BEIS data shows that there is potential for further upward price pressure for energy intensive products including cement and concrete products, plastic pipes and insulating products.”*³

Finally, the Labour and staff market is challenging due to shortages of skilled personnel to fill roles, resulting in further cost inflation. Arcadis report that, *“There are few signs that the industry’s labour crisis is being addressed, even though long-term plans promoted by the Construction Leadership Council are in place. Vacancy levels when measured on a jobs per 100 employees ratio are some of the lowest in the UK economy at 3.1, and even as apprenticeship start levels recover to pre-pandemic levels, there are few short-term solutions to the workforce challenge given the cost and complexity of the UK’s points-based migration system. In the next 3-6 months, the industry’s wage award is likely to be the main inflationary driver. Looking towards the end of 2022, with the potential for a slowdown in project starts, wage pressure could temporarily fall. However, over the extended forecast period we retain our view that labour costs will be the primary driver of above trend inflation.”*⁴

Overall, Arcadis continue to predict an 8% - 10% rate of inflation in the regional construction market and note that Manchester is at the higher end of this scale where demand and labour shortage is high.

In the above context, it can reasonably be expected that an investor would seek a greater level of profit than would be the case even last year. It is equally reasonable to assume that development viability will have been further impacted by construction cost inflation since the FVA was submitted and independently assessed by the Council.

It should be clear therefore that the Applicant is accepting an even further reduced profit in order to respond to Members’ concerns and secure delivery of this project that will finally after decades of neglect regenerate this important city centre site.

² Arcadis – Market View, Summer 2022 – The shadow of stagflation

³ Ibid.

⁴ Ibid.

Enclosures

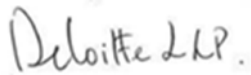
The following additional information is submitted in the form of an addendum to the planning application.

- Updated planning drawings, prepared by Simpson Haugh & Partners; and
- A schedule of superseded drawings.

We trust this submission provides you with sufficient detail and would be grateful if you could incorporate this additional information into the formal planning application.

If you have any questions, please do not hesitate to contact Niall Alcock (nalcock@deloitte.co.uk).

Yours sincerely

A handwritten signature in dark ink that reads "Deloitte LLP." The signature is written in a cursive, slightly stylized font.

Deloitte LLP

Encs.