

# Warrington Borough Council Emerging Local Plan Viability Assessment

## Main Report – Addendum

Prepared on Behalf of:

Warrington Borough Council

January 2022

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# EMERGING LOCAL PLAN VIABILITY ASSESSMENT

## 1. Introduction

### Purpose of Report

- 1.1. Cushman & Wakefield ('C&W') are instructed by Warrington Borough Council ('the Council') to prepare a Local Plan Viability Assessment ('LPVA') to inform the emerging Warrington Local Plan (2021 – 2038).
- 1.2. The purpose of the LPVA is to assess the total cumulative impact of all relevant emerging policies in the Local Plan to determine whether the plan is viable and deliverable, and to therefore inform the setting of plan policy.
- 1.3. The assumptions in the LPVA were formulated and finalised during the early months of 2021 with the main report written up and completed in Summer 2021. The LPVA was then published as part of the evidence base for the emerging Local Plan which was subject to public consultation for a six week period from 4<sup>th</sup> October 2021 to 15<sup>th</sup> November 2021.
- 1.4. The Council has received four technical stakeholder representations relating specifically to the viability evidence which we have been asked to review. The purpose of this Addendum is to address the comments raised by stakeholders and to set out the relevant adjustments which we have made to the viability assumptions. We have also been instructed by the Council to clarify the results of the Town Centre sensitivity testing including affordable housing.
- 1.5. This Addendum should be read in conjunction with the main LPVA report dated August 2021.

### Information Relied On

- 1.6. In preparing this Addendum, we have relied on the information referenced and utilised in the LPVA, as well as the further information provided by the Council to assist with our responses to stakeholder comments. This includes updated 2021 datasets from the Strategic Housing Land Availability Assessment ('SHLAA') and a breakdown of the anticipated site supply.

### Report Structure

- 1.7. The remainder of this report is structured as follows:
  - Section 2 – briefly refers back to the relevant viability guidance and the approach to the LPVA;

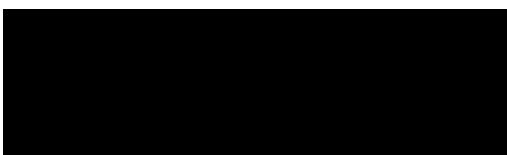
- Section 3 – summarises the viability representations submitted by stakeholders during the October – November 2021 consultation period;
- Section 4 – provides details of the updated viability assumptions in light of stakeholder comments and our further review of the relevant market evidence;
- Section 5 – sets out the sensitivity testing results for the Town Centre typologies including affordable housing; and
- Section 6 – provides commentary on the geographical distribution of the anticipated site supply and how this relates to the findings of the LPVA.

### Market Conditions Explanatory Note: Novel Coronavirus ('COVID-19')

- 1.8. The COVID-19 pandemic and measures to tackle it continue to affect economies and real estate markets globally. Nevertheless, as at the date of our advice property markets are mostly functioning, with the levels of transaction volumes and other relevant evidence are sufficient upon which to base our judgements. Accordingly, and for the avoidance of doubt, our opinions are not reported as being subject to material uncertainty.
- 1.9. This explanatory note is included to ensure transparency and to provide further insight as to the market context under which our advice has been prepared. In recognition of the potential for market conditions to move rapidly in response to changes in the control or future spread of COVID-19 we highlight the importance of the date on which this advice is provided.

### Report Authors

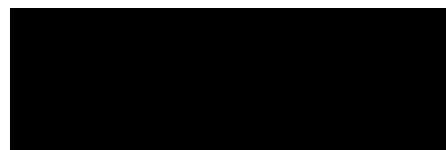
- 1.10. This report has been prepared by:



**Derek Nesbitt MRICS APAEWE**

Partner

RICS Registered Valuer



**Hannah Gradwell MRICS**

Associate

RICS Registered Valuer





**Stephen Miles MRICS MRTPI**

Partner



## 2. Viability Guidance and Approach to LPVA

- 2.1. Cushman & Wakefield is a firm regulated by the RICS. In line with RICS requirements, we have had regard to the relevant RICS professional standards and guidance in preparing the LPVA and this Addendum.
- 2.2. All relevant standards and guidance were summarised in Sections 3 and 4 of the LPVA, including the mandatory reporting requirements under the RICS Professional Statement *Financial Viability in Planning: Conduct and Reporting* (1<sup>st</sup> edition) (May 2019). Sections 3 and 4 of the LPVA also set out the relevant national viability guidance under the National Planning Policy Framework ('NPPF') and the PPG for Viability ('PPGV').
- 2.3. Within Section 5 of the LPVA, we then explained the methodology which we have adopted in preparing the LPVA which accords with the requirements of the revised NPPF and PPGV. This Addendum should be read in conjunction with the LPVA including Sections 3, 4 and 5.

### 3. Stakeholder Representations

- 3.1. The LPVA was published for public consultation in October – November 2021 as part of the wider Local Plan evidence base. As set out in Section 5 of the LPVA, there have already been several rounds of stakeholder engagement to inform the LPVA evidence base and the adopted assumptions.
- 3.2. The first iteration of the LPVA which was prepared by BNP Paribas Real Estate ('BNPPRE') in March 2019 was subject to stakeholder consultation. We undertook a review of all consultation responses received by BNPPRE and the Council in 2018 and 2019 (Appendix 1 of the LPVA) and we considered the stakeholder comments in shaping the assumptions to be adopted in the C&W LPVA.
- 3.3. We then engaged in further consultation with the key stakeholders, site promoters' and/or their viability consultants on two occasions as part of the preparation of the revised LPVA during 2020 and 2021.
- 3.4. The earlier rounds of engagement were used to test and refine the approach to the LPVA and the assumptions to be adopted in the viability modelling. All comments received were reviewed and considered in shaping and finalising the assumptions, and amendments were made where considered appropriate and justified based on the stakeholder and viability consultants' comments.
- 3.5. As part of the 2021 consultation on the Local Plan, the Council received four technical representations relating specifically to the viability evidence which we have been asked to review. The representations are from the following stakeholders:
  - CBRE on behalf of Peel L&P Holdings (UK) Limited
  - Roger Hannah on behalf of a Developer/Landowner Consortium
  - Emery Planning on behalf of Majornet Ltd & Bellway Homes
  - McCarthy & Stone and Churchill Retirement Living
- 3.6. As with the earlier consultations, all responses to the latest consultation in 2021 have been reviewed by C&W and the Council. A comprehensive commentary on the key issues raised by stakeholders and the C&W / Council responses is provided at Appendix 1.
- 3.7. In summary, many of the assumptions have been acknowledged as reasonable by stakeholders. The main comments were focused on:
  - The deliverability of the Town Centre / Inner Warrington typologies where viability is more challenging based on the results of the LPVA;

- Additional costs relating to garages and the changes to Part L of the building regulations should be included in the testing;
- Clarity on some of the infrastructure / S106 allowances in the LPVA and how these relate to the figures in the Infrastructure Delivery Plan ('IDP');
- "Specialist" cost input should be sought for all cost assumptions and some of the build costs are considered as too low;
- Whether the sensitivity testing carried out in the LPVA is realistic and relevant;
- Additional greenfield typologies should be tested;
- Additional abnormal costs should be included for the Fiddlers Ferry site which is not regarded as viable; and
- There is a need to test extra care / sheltered housing typologies with one stakeholder's example appraisal suggesting that both forms of development are unviable and therefore such development should be exempt from S106 / affordable housing requirements.

3.8. As above, a full comprehensive response to all technical comments is provided at Appendix 1 where we have addressed all issues raised. We have expanded on a small number of the above points where relevant throughout the remainder of this report.

3.9. In light of the recent comments received and based on our further review of the relevant market evidence up to April 2021 (the date at which the appraisal assumptions were assessed), we consider that adjustments to some of the appraisal inputs are considered appropriate. We explain these changes and the impact on the viability results in the following section of this report.

3.10. However, for the reasons explained at Appendix 1 and within this report, we do not consider that the stakeholder comments and adjustments made to the appraisal inputs result in any material changes to the conclusions drawn in the LPVA.



## 4. Viability Assumptions – Updates

### Market Housing Revenues

- 4.1. In responding to Roger Hannah’s comments on the sales values for the Town Centre and Inner Warrington (see Appendix 1), this prompted us to review the revenue assumptions for all other generic typologies and the site allocations to sense-check whether we felt the adopted values were fair and realistic as at April 2021. We stressed in the LPVA that we felt we had adopted a cautious approach in respect of revenues for both the generic typologies and the site allocations.

#### Town Centre and Inner Warrington

- 4.2. As part of our response to Roger Hannah at Appendix 1, we have attached a sample of refined second hand sales data for Inner Warrington up to April 2021 (Appendix 7), being the date up to which the evidence in the LPVA was obtained and at which the costs and values were assessed.
- 4.3. There has always been a time lag when residential transactions are registered with the Land Registry. However, as set out in Section 7 of the LPVA, we understand that the COVID-19 pandemic has increased this time lag due to challenges faced by the Land Registry during the pandemic in terms of home working, combined with the very strong period of activity and the substantial number of transactions which occurred over a short time period. Therefore, we understand that there is still a backlog of sales to be registered.
- 4.4. As a result, some of the sales evidence which would normally have been available as at April 2021 had not yet been registered with the Land Registry. We have considered all relevant information up to April 2021 in reviewing the sales value assumptions for the Town Centre and Inner Warrington as explained in full detail at Appendix 1 in response to Roger Hannah’s comments.
- 4.5. Based on our comments at Appendix 1 and the refined sales evidence, we consider that the LPVA revenues for Inner Warrington North (£230 psf) and Inner Warrington South (£270 psf) were cautious and could have been assessed at a slightly higher level as at April 2021. As set out at Appendix 1, the assumed sales values reflect a new build premium of only c. 6% and 14% for Inner Warrington North and South respectively based on the relevant evidence which we have obtained.

- 4.6. This is considered to represent a low uplift and higher values could have been justified. Whilst it is important to adopt a cautious approach at the plan-making stage so as to not test the margins of viability, we feel that a modest uplift to the revenues is required to ensure that the assumptions are fair and realistic but still representing a sufficiently conservative position.

#### Site Allocations

- 4.7. In reviewing the revenue assumptions for the site allocations as at April 2021, we have noted that our original assumptions were again cautious, particularly for Croft, Culcheth, Winwick and Hollins Green where the revenues were very cautious and showed only a marginal uplift over the average values for second hand stock in each location.
- 4.8. This is explained in Section 6 of the LPVA. For ease of reference, the “new build premium” for each allocation is set out again in the table overleaf:

#### **Croft, Culcheth, Hollins Green, Winwick – Assumed Revenues and New Build Premium**

Allocation	Average NSA (sq. ft.)	Average Second Hand Value (£ / £ psm / £ psf)			LPVA Assumption	New Build Premium (£ / %)	
Croft	1,283	£339,200	£2,820	£262	£270	£8	3%
Culcheth	987	£267,107	£2,852	£265	£270	£5	2%
Hollins Green	1,140	£261,894	£2,540	£236	£255	£19	8%
Winwick	1,129	£281,225	£2,691	£250	£255	£5	2%

- 4.9. Having revisited this evidence and reflected again on the LPVA assumptions, we feel that we have been too cautious in the assumed revenues particularly for these sites as at April 2021.
- 4.10. This view is further corroborated by the additional new build evidence up to April 2021 (previously not available due to the Land Registry time lag) which we have obtained to further sense-check our assumptions. We have only collated new build evidence from the second half of 2020 up to April 2021 in line with the date at which the values were assessed. We have focused on a sample of schemes covering what may be perceived as “Low”, “Mid” and “High” value areas in line with the three assumed values areas in the LPVA for the Suburbs and Settlement typologies.
- 4.11. This evidence is attached at Appendix 2 and the average values are summarised in the table below:

### New Build Sales Data: September 2020 – April 2021

Scheme	Average Price (£ / £ psm / £ psf) (Original Evidence)			Average Price (£ / £ psm / £ psf) (Additional Evidence)		
Sandstone Brook, Lymm (Bellway Homes)	No Land Registry new build evidence available as at early 2021			£436,450	£4,107	£382
Saviours Place / Kings Quarter, Stretton (Barratt Homes)	£337,095	£3,012	£280	£366,677	£3,309	£307
Primrose Meadow, Great Sankey (Bellway Homes)	£296,127	£2,776	£258	£273,709	£2,865	£266
Taylor’s Chase, Great Sankey (Redrow Homes)	£372,466	£2,997	£278	£336,328	£3,018	£280
Beamish Place, Sandymoor (Bloor Homes)	£260,579	£2,619	£243	£274,012	£2,755	£256

Sources: Land Insight, Land Registry and EPC Register

- 4.12. Please note that the additional evidence from the Redrow Homes scheme in Great Sankey is primarily from September 2020 which is why there is less movement in the overall average achieved value when compared to the other schemes which have more evidence in late 2020 / early 2021.
- 4.13. There was no available evidence at the Bellway Homes scheme in Lymm when we first collated the evidence in early 2021 due to the extended Land Registry time lag referred to above. Indeed, the first sales at the Bellway scheme are from September 2020 and should have been available as at April 2021 in “normal” market conditions with a less extensive Land Registry time lag.
- 4.14. Again, we consider that this relevant new build data across the five schemes suggests that our original revenue assumptions for the Suburbs, Settlements and many of the allocations were overly cautious. The evidence in the LPVA covers sales from early 2020 as well as Summer / Autumn 2020 and on reflection, the evidence from later in 2020 and early 2021 suggests higher values as at April 2021.
- 4.15. In “normal” circumstances, we would not expect values to change too substantially over a 12 month period from say January 2020 to January 2021. However, it is widely recognised that the past 12 – 18 months have been characterised by very strong activity and price growth in certain parts of the North West including Warrington.

- 4.16. This has been driven by a number of factors including the release of pent-up demand following the ending of lockdown measures, changing lifestyle practices and buyer preferences driving demand for larger houses with more indoor / outdoor space (the “race for space”), increased household savings during lockdowns, very low interest rates and policy measures to support the market including the SDLT holiday introduced in July 2020 through to September 2021.
- 4.17. For these reasons, we consider that it is important to undertake the more refined analysis and consider the trends shown by the most recent data up to the point at which the values and build costs were assessed, as well as the “overall” average price trends across a wider timeframe based on the data in the LPVA.
- 4.18. Within the further evidence which we have obtained, we would highlight in particular the values at Bloor Homes’ scheme in Sandymoor which, although just outside of the Warrington district, would provide a good benchmark for achievable values in the less affluent areas of Warrington in our view.
- 4.19. Within the LPVA, we referred to overall average values of £260,579 / £2,619 psm / £243 psf at this scheme. This evidence formed part of our rationale for formulating sales values of £2,583 psm / £240 psf for the lower value areas / allocations. The refined data which we have obtained suggests overall average achieved sales values of £274,012 / £2,755 psm / £256 psf at Beamish Place.
- 4.20. Furthermore, the achieved sales data from September 2020 – March 2021 at Sandstone Brook by Bellway Homes in Lymm suggests overall average achieved values of £436,450 / £4,107 psm / £382 psf. This is considerably in excess of the values which we adopted for the Lymm allocations and the other allocations in more affluent areas such as the South East Warrington Urban Extension (‘SEWUE’) and Thelwall Heys.
- 4.21. In fact, this data suggests that a “Prime” value area should be introduced into the testing for the Settlements with revenues in excess of say £3,767 psm / £350 psf. At this stage, we have not introduced any new value areas / typologies but clearly the viability position would be even more positive for sites in these locations when compared to the results for the “High” value areas and the allocations in the more affluent locations such as the SWEUE, Thelwall Heys and Lymm.
- 4.22. We do however consider that on reflection, minor adjustments to the originally assumed values are warranted in light of the evidence we originally obtained, and the nominal new build premium applied to certain allocations. This is further supported by the relevant new build data up to April 2021.

### April 2021 Update

- 4.23. It is also worth referring back to the approach to revenues as set out in Section 7 of the LPVA. For the purposes of assessing the revenues as at April 2021, we stated that we had applied a 5% uplift to the values previously assumed in December 2019 / January 2020 which were consulted on with relevant stakeholders in early 2020.
- 4.24. The 5% uplift was based on our analysis of the relevant new build and re-sale data available as at April 2021, the former of which suggested an average increase in new build values of approximately **5.68%** over the time period as shown at Appendix 5 of the LPVA.
- 4.25. We also reviewed the Land Registry HPI for Warrington which suggested average house price growth of approximately 9% for all property types over the period December 2019 up to February 2021 (which was the latest available HPI data as at April 2021 when collating the evidence).
- 4.26. We did however highlight a series of potential limitations associated with the HPI data including the small sample sizes due to the time lag in registering transactions as referenced above, and also the shift in the profile of transactions to larger houses which would serve to increase the average price change indicated by the HPI data. We therefore sense-checked the HPI data against the updated achieved new build and re-sale evidence in Warrington as detailed in Section 7 of the LPVA.
- 4.27. We concluded that a 5% uplift may have been appropriate which we applied to the values previously assumed in December 2019 / January 2020. We then rounded the uplifted figures to the nearest £5 psf but we adopted a very cautious approach in rounding each figure down for the majority of the sites.
- 4.28. As shown in the tables below, the rounding down reduced the uplift to c. 3.7% – 4.3% for a large number of the typologies and allocations:

### Generic Typologies

	Town Centre	IW South	IW North	Suburbs High	Suburbs Mid	Suburbs Low	Settlement High	Settlement Mid	Settlement Low
Revenues Dec 2019 / Jan 2020	£230	£260	£220	£290	£260	£230	£290	£260	£230
5% Uplift*	£240	£273	£231	£305	£273	£242	£305	£273	£242
<b>Revenues April 2021 (Rounded Down to Nearest £5 psf)</b>	<b>£240</b>	<b>£270</b>	<b>£230</b>	<b>£305</b>	<b>£270</b>	<b>£240</b>	<b>£305</b>	<b>£270</b>	<b>£240</b>
Uplift	£10	£10	£10	£15	£10	£10	£15	£10	£10
<b>Uplift (%)</b>	<b>4.3%</b>	<b>3.8%</b>	<b>4.5%</b>	<b>5.2%</b>	<b>3.8%</b>	<b>4.3%</b>	<b>5.2%</b>	<b>3.8%</b>	<b>4.3%</b>

## Site Allocations

	SEWUE	Waterfront*	Peel Hall	Croft	Culcheth	Hollins Green	Lymm Rushgreen Road	Lymm Warrington Road	Winwick
Revenues Dec 2019 / Jan 2020	£315	£230 / £272	£230	£260	£260	£245	£300	£300	£245
5% Uplift*	£331	£242 / £282	£242	£273	£273	£257	£315	£315	£257
<b>Revenues April 2021 (Rounded Down to Nearest £5 psf)</b>	<b>£330</b>	<b>£240 / £282</b>	<b>£240</b>	<b>£270</b>	<b>£270</b>	<b>£255</b>	<b>£315</b>	<b>£315</b>	<b>£255</b>
Uplift	£15	£10	£10	£10	£10	£10	£15	£15	£10
<b>Uplift (%)</b>	<b>4.8%</b>	<b>3.7%</b>	<b>4.3%</b>	<b>3.8%</b>	<b>3.8%</b>	<b>4.1%</b>	<b>5.0%</b>	<b>5.0%</b>	<b>4.1%</b>

\*A lower uplift of 4% was applied to the apartments for the reasons explained in Section 7 of the LPVA.

- 4.29. If the 5.68% uplift was applied, the rounding to the nearest £5 psf would have resulted in revenues which were £5 psf higher for all allocations save for the Lymm sites, and all of the generic typologies save for the Town Centre, Inner Warrington North and the “High” value areas.

### Summary

- 4.30. In light of the above analysis and having reflected on the original assumptions, we consider that minor adjustments to the revenues are justified. We have set out the changes in the tables below, where we have uplifted the assumed values by £5 psf for most typologies / allocations, save for the Town Centre and Peel Hall where values remain unchanged, and the Lymm sites where a higher uplift has been applied.

### Generic Typologies – Revenue Assumptions

Typology	Net Sales Value (£ psm / £ psf)		Net Sales Value (£ psm / £ psf)	
	Original Assumption		Revised Assumption	
Town Centre	£2,583	£240	£2,583	£240
Inner Warrington (North)	£2,476	£230	£2,530	£235
Inner Warrington (South)	£2,906	£270	£2,960	£275
Suburbs (High Value)	£3,283	£305	£3,337	£310
Suburbs (Mid Value)	£2,906	£270	£2,960	£275
Suburbs (Low Value)	£2,583	£240	£2,583	£240
Settlements (High Value)	£3,283	£305	£3,337	£310
Settlements (Mid Value)	£2,906	£270	£2,960	£275
Settlements (Low Value)	£2,583	£240	£2,583	£240

### Site Allocations – Revenue Assumptions

Typology	Net Sales Value (£ psm / £ psf)		Net Sales Value (£ psm / £ psf)	
	Original Assumption		Revised Assumption	
South East Warrington Urban Extension	£3,552	£330	£3,606	£335
Waterfront	Housing – £2,691 Apartments – £2,917	Housing – £250 Apartments – £271	Housing – £2,745 Apartments – £2,971	Housing – £255 Apartments – £276
Peel Hall	£2,583	£240	£2,583	£240
Fiddlers Ferry	£2,745	£255	£2,799	£260
Croft	£2,906	£270	£2,960	£275
Culcheth	£2,906	£270	£2,960	£275
Hollins Green	£2,745	£255	£2,799	£260
Thelwall Heys	£3,444	£320	£3,498	£325
Lymm – Rushgreen Road	£3,391	£315	£3,552	£330
Lymm – Warrington Road	£3,391	£315	£3,552	£330
Winwick	£2,745	£255	£2,799	£260

- 4.31. We still consider that the revenues generally err on the side of caution particularly for Croft, Culcheth and Lymm when considering the recent new build and second hand data in these locations. For the Lymm allocations in particular, the revenues would be regarded as extremely cautious. If higher values are achieved in line with (or in excess of) Sandstone Brook, these allocations should be even more viable in comparison to the results set out in the LPVA.
- 4.32. We would also note the continued strong house price growth in Warrington over the course of 2021 after the date at which the revenues were assessed, although this is now being counteracted by the recent sharp rise in build cost inflation over the second half of 2021. We comment on this point in more detail under the sub-heading below.

#### Build Costs

- 4.33. The vast majority of the build costs assumed in the LPVA were considered reasonable by stakeholders based on their representations. Our full detailed responses to all relevant comments on build costs are contained in Appendix 1.

- 4.34. The only point of note where there was consensus amongst stakeholders (CBRE and Roger Hannah) were garages and the new Part L costs where both parties considered that these costs should be separately accounted for within the testing. We explained the rationale for our approach to garages and Part L in the LPVA but, as with the revenues, we have reflected on the original assumptions in light of stakeholder comments.
- 4.35. The enhancements to Part L aim to reduce carbon emissions from new dwellings and increase their energy efficiency. In December 2021, the government confirmed that the higher Part L standards under Future Homes Standard ‘Option 2’ will be introduced which will require a 31% reduction in CO<sub>2</sub> emissions from new homes compared to current standards.
- 4.36. The changes to the Building Regulations will come into force in June 2022, with transitional arrangements where a building notice, initial notice or full plans for building work are submitted to a local authority before 15<sup>th</sup> June 2022 and building work commences before 15<sup>th</sup> June 2023, then works will be permitted under the previous standards.
- 4.37. Following further review and consideration, we agree with the suggested changes and that the following costs should be separately included:
- **Garages** – 20% of housing units at £8,500 per garage in line with Roger Hannah’s recommendation. On an overall basis (across all houses within each appraisal), we calculate that this equates to a total cost of c. **£1.50 – £1.70 psf** for the allocations and c. **£1.65 – £1.95 psf** for the generic typologies (with all but Inner Warrington 1 and Suburb 1 being £1.78 psf or less). The additional garage cost does not apply to the Town Centre typologies as apartments do not have garages.
  - **Part L** – £4,847 per housing unit in line with Roger Hannah’s recommendation which we understand is based on the government guidance<sup>1</sup>. Within the LPVA, we have already adopted a cost of £2,250 per plot for complying with the renewable energy requirements under emerging Policy ENV7 based on evidence from cost consultants Turner and Townsend (Appendix 12 of the LPVA).
  - According to our review of the relevant government guidance<sup>2</sup>, the government-advised allowances for the Part L uplifts are based on a specification which includes PV panels. This would appear to cover the specification advised by Turner and Townsend for the renewable energy requirements. We requested confirmation that this interpretation is correct from the Council’s technical team who have reviewed the guidance and confirmed that the interpretation is correct.

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<sup>1</sup> The Future Homes Standard: 2019 Consultation on changes to Part L (conservation of fuel and power) and Part F (ventilation) of the Building Regulations for new dwellings – October 2019.



- As such, an additional cost of £2,597 per plot would need to be included for housing units. We calculate that this equates to a total cost of c. **£2.30 – £2.50 psf** for the houses within the allocations and c. **£2.50 – £2.95 psf** for the houses within the generic typologies (with all but Inner Warrington 1 and Suburb 1 being £2.72 psf or less).
- Roger Hannah do not recommend a Part L cost for apartments. The government guidance suggests an additional cost of £2,260 per plot. As such, no further cost would be applied to the Town Centre typologies as the government-advised cost is almost identical to the cost assumed for the renewable energy requirements (£2,250 per plot).

- 4.38. On this basis, we calculate that the total combined additional cost for garages and Part L would equate to c. **£3.80 – £4.20 psf** for the allocations (the vast majority of which are £3.80 – £4 psf) and c. **£4.15 – £4.90 psf** for the generic typologies (the vast majority of which are £4.50 psf or less). This would be offset by the increase in revenues of £5 psf which we have applied to the majority of the allocations and typologies as set out in the table above.
- 4.39. It is therefore not deemed necessary to re-run all of the appraisal models as the cost and value increases are largely neutralised, and the results and conclusions should therefore remain very similar.
- 4.40. The only area where the costs would increase, and the values remain unchanged are the Suburb and Settlement “Low” value areas. However, as explained in Section 6, it appears that the majority of the planned supply sits outside of these areas and in fact we may have defined typologies which do not actually exist in these areas.

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<sup>2 2</sup> The Future Homes Standard 2019 Consultation on changes to Part L (conservation of fuel and power) and Part F (ventilation) of the Building Regulations for new dwellings: Impact Assessment (MHCLG, October 2019) and The Future Homes Standard: 2019 Consultation on changes to Part L (conservation of fuel and power) and Part F (ventilation) of the Building Regulations for new dwellings – Government Response, January 2021.

## 5. Town Centre Typologies

- 5.1. Within the LPVA, we undertook additional sensitivity testing on the Town Centre typologies which were not shown to be viable in the base testing scenarios. This further sensitivity testing and the results are summarised below for ease of reference:

### Town Centre Typologies – Additional Scenario Testing

Scenario	Adjusted Assumptions
Scenario 1	<ul style="list-style-type: none"> <li>0% affordable housing</li> </ul>
Scenario 2	<ul style="list-style-type: none"> <li>0% affordable housing</li> <li>Sales values – increased by 10%</li> </ul>
Scenario 3	<ul style="list-style-type: none"> <li>0% affordable housing</li> <li>Sales values – increased by 10%</li> <li>Contingency – reduced to 3%</li> <li>Professional fees – reduced to 5%</li> </ul>

### Results

Typology	Benchmark Land Value	Residual Land Value	Surplus / Deficit
<b>Scenario 1</b>			
Town Centre 1	£90,809	£10,484	-£80,325
Town Centre 2	£233,510	-£102,452	-£335,961
Town Centre 3	£674,583	-£5,445,238	-£6,119,821
<b>Scenario 2</b>			
Town Centre 1	£90,809	£111,502	£20,693
Town Centre 2	£233,510	£398,564	£165,054
Town Centre 3	£674,583	-£2,876,480	-£3,551,063
<b>Scenario 3</b>			
Town Centre 1	£90,809	£146,262	£55,453
Town Centre 2	£233,510	£574,447	£340,938
Town Centre 3	£674,583	-£1,847,694	-£2,522,277

- 5.2. This additional modelling demonstrated potential circumstances under which Town Centre 1 and 2 could reach a positive viability position and the deficit reduced for Town Centre 3, although the latter site still remains unviable according to our calculations.
- 5.3. As part of this additional testing, we did not demonstrate what the surplus in Scenarios 2 and 3 translates into in terms of affordable housing provision. We have therefore re-run these appraisals inclusive of affordable housing until the surplus sums are eliminated.

- 5.4. According to our calculations for Scenario 2, Town Centre 1 and 2 could support approximately 7.5% and 10% affordable housing respectively. For Scenario 3, we calculate that Town Centre 1 and 2 could support approximately 12% and 19% affordable housing respectively.
- 5.5. As set out in the LPVA (Section 7), please note that the area-wide model enables fractions of units to be calculated which can result in some minor variances to unit numbers across both market and affordable housing as a result of rounding of units up or down according to the mix requirements. However, we do not consider that this would not have a material impact on the residual land value output and the viability conclusions for each typology.

### **Other Sensitivity Analysis**

- 5.6. Roger Hannah have suggested that the sensitivity testing in the LPVA should be based on increased build costs and not just decreased build costs as the recent evidence points to build cost inflation.
- 5.7. We set out the rationale for all of the sensitivity testing in the LPVA and we have provided further comments in relation to Roger Hannah's representations on these points in Appendix 1. The build cost (and sales values) assumptions were finalised in early April 2021 when there was very little evidence of the cost inflation which has subsequently affected the industry. Indeed, all of the Roger Hannah cost inflation reports / articles appended to their representation are from some time after this date.
- 5.8. New evidence has since emerged and we fully recognise that there has been sharp cost inflation over the second half of 2021. We agree that a sensitivity test based on increased build costs is a relevant consideration in light of the recent inflationary issues.
- 5.9. The Council is willing to undertake further sensitivity testing at the next stage of the process if requested by the Inspector. It is noted that the higher build costs would increase pressure on site viability although at the same time, we would note the cautious revenue assumptions and the strength of the market in Warrington as outlined in Section 4. As such, there is potential for house price growth to offset build cost inflation in part or in full depending on the specific site and location in question, and the time which it takes for construction market conditions to stabilise.
- 5.10. We are not suggesting that this will be the case on every site and it is also too early to state whether cost inflation will recede in the short term or represents a longer-term issue. Both house price growth and build cost inflation will need to be carefully monitored throughout the plan period particularly in the early years.

- 5.11. However, subject to the comments in the LPVA where we have recommended that additional flexibility needs to be introduced into the relevant policies, we consider that the Local Plan contains sufficient flexibility to allow a relaxation in policy requirements at the application stage where robustly justified on viability grounds depending on site-specific circumstances and market conditions at the point of the assessment.
- 5.12. Roger Hannah have also suggested that the Future Homes Standard ('FHS') should be accounted for in the sensitivity testing. Although this is not an immediate policy requirement and the exact nature of the changes to be introduced in 2025 are unknown at this stage, the FHS will affect larger sites and development later in the plan period.
- 5.13. We agree that sensitivity testing on the FHS is a relevant consideration which would likely involve a combination of the approximate estimated additional FHS cost modelled with forecast house price growth and build cost inflation up to 2025. As stated above, the Council is willing to undertake further sensitivity testing at the next stage of the Local Plan process if requested by the Inspector.
- 5.14. It will be important for the Council to consider the potential application of additional flexibility for larger sites if and when these sites come forward at the application stage, as the FHS costs will represent a legitimate cost that need to be factored into scheme viability appraisals for those plots which will be affected by the changes from 2025, based on the assumed development period and delivery profile for the particular site in question.

## 6. Geographical Distribution of Anticipated Supply

- 6.1. Roger Hannah and CBRE have requested clarification from the Council as to the number of dwellings which are anticipated to be delivered in the Town Centre and Inner Warrington locations where some of the typologies are shown to be unviable in the base testing. Stakeholders have further argued that additional viable sites should be identified and/or allocated to ensure that housing needs are met.
- 6.2. In order to fully contextualize the results and to address stakeholder comments relating to the deliverability of the planned supply, we have reviewed the geographical distribution of the anticipated supply in greater detail with the Council who have provided a summary schedule of the supply breakdown across the different locations and site sizes.
- 6.3. The Council has also provided a series of maps which illustrate the distribution of the planned supply across the different geographic locations and broken down by site size. This information is attached at Appendices 3 and 4 and shows a total anticipated supply of **10,847 dwellings**.
- 6.4. We are advised by the Council that a small number of sites (totalling 198 units) are not shown in the tabular breakdown or maps as these are PDL sites in the Green Belt which were accounted for separately. The SHLAA also only considers sites of 0.25 ha and above, with a small sites allowance applied in respect of the delivery of smaller housing sites.
- 6.5. In addition, the proposed site allocations are not included in the breakdown of supply unless they are within the “urban area”. Therefore, the settlement allocations are not shown, neither are Fiddlers Ferry, Thelwall Heys or the SEWUE. Peel Hall and the Waterfront sites are included.
- 6.6. For clarity, the total capacity of the anticipated supply including all PDL sites in the Green Belt and all proposed allocations is **15,936 dwellings**.
- 6.7. At this stage, it is important to note that, based on Warrington’s specific characteristics, it was a deliberate approach in the LPVA not to spatially define the value areas (Low, Medium, High) in the Suburbs and Settlements so as to try to avoid the issues and administrative complexities associated with drawing strict boundaries around different geographical locations, as it is inevitable that not every site in each defined area would have the same achievable sales values.
- 6.8. It is likely that any such boundaries would have been disputed irrespective of where the “lines” were drawn as it would not be possible to reflect the patchwork of values which characterises Warrington to the requisite level of accuracy and detail.

- 6.9. This is particularly the case in the more urban locations where values can and do change on a street-by-street basis owing to the nature of the immediate surrounding environment, adjacent uses/buildings, proximity to amenities etc.
- 6.10. The purpose of the LPVA is to test a profile of viability across the district using reasonably differentiated revenue assumptions so as to test the likely viability position in different locations. This provides the Council with a holistic overview of site viability across lower, mid and higher value areas which can then be related to actual revenues “on the ground” across the district.
- 6.11. However, upon further review of the geographical distribution of supply, it appears that we may have defined some typologies which do not actually exist based on the anticipated supply. Below we have summarised our principal comments on the planned supply and its deliverability with reference to the results of the LPVA and the specific characteristics of the site pipeline.

### Settlements

- 6.12. All of the site allocations in the Settlements were shown to be viable in the base testing results when incorporating the full policy requirements.
- 6.13. In terms of the generic supply, the majority of the sites (36 of 40) are less than 10 units in size and therefore no affordable housing will be sought under the emerging policy requirements.
- 6.14. The remaining 4 sites which are over 10 units in size comprise two sites in Lymm, one site in Culcheth (with outline planning permission) and one site which is under construction (Phipps Lane, Burtonwood).
- 6.15. Based on the revenue analysis in the LPVA, the Lymm sites would sit within the “High” value area where development is shown to be viable in the base testing, whilst Culcheth would sit in the “Mid” value area where development is again shown to be viable. The site which is under construction is evidently viable as it is being built out.
- 6.16. The only Settlement typologies which were shown to be unviable with full policy requirements in the base testing were the two typologies in the “Low” value area. However, it is now apparent that these typologies do not actually exist based on the distribution of the planned supply in the Settlements. The testing results for these typologies should therefore be disregarded.
- 6.17. On this basis, all relevant Settlement typologies are shown to be viable and deliverable in the base testing results.

## Suburbs

- 6.18. In terms of the Suburbs, from the information provided by the Council it can be seen that unit delivery is comparatively focused on a limited number of sites, with 4 of the 96 sites accounting for c. 57% of overall supply in this area (2,346 of 4,129 units). Clearly these sites are important to the overall delivery of the Local Plan.
- 6.19. One of these sites is the Peel Hall allocation which is anticipated to deliver 1,200 new homes over the plan period. In the base testing results, this scheme shows a viability deficit. However, the site has very recently achieved planning permission on appeal in November 2021 (ref: APP/M0655/W/17/3178530RD) for the proposed scheme including 30% affordable housing as well as substantial financial contributions towards health, education, open space, public transport and highways.
- 6.20. We consider it highly unlikely that the relevant site stakeholders would expend the significant time and cost in promoting the site through the planning system and progressing a lengthy appeal if the promoters did not believe that the scheme is fully deliverable with policy compliant affordable housing and the other financial contributions.
- 6.21. This evidence “in reality” of market appetite to promote the site and of new build schemes coming forward in locations where the LPVA base testing results suggest that development may be unviable raises a key principle relevant to plan-wide viability testing. For the purposes of the LPVA, we have adopted a cautiously robust approach with some headroom in the assumptions in accordance with recommended best practice.
- 6.22. However, for this reason, when sites come forward at the application stage, it is quite possible that development will be viable when adopting less conservative assumptions. To further demonstrate this point, we have undertaken additional sensitivity testing on the Peel Hall site by making minor adjustments to certain key inputs to demonstrate potential realistic scenarios under which this allocation could reach a viable position.
- 6.23. This further sensitivity testing is necessary to show that the reality in some instances is that development may be more viable than suggested by the LPVA which is generally based on a series of assumptions which err on the side of caution.
- 6.24. According to our calculations, Peel Hall shows a positive surplus with a 10% increase in the assumed sales values as demonstrated in the LPVA. We would also expect a lesser sales value uplift combined with one of the other sensitivity tests, such as a reduction in contingency and professional fees, to show a positive surplus.

- 6.25. Given the element of conservatism in the base testing assumptions, together with the fact that this scheme will not come forward for development until 2026 / 2027 and will be delivered over a time period of 10 years, we believe that reasonable weight can be attributed to sales value growth scenarios as there is potential for significant value growth both prior to and during the development of the site. It is however acknowledged that build cost inflation over this period could moderate the improvement to viability to a degree.
- 6.26. In addition to the above, we have engaged in dialogue with the promoter of this allocation who has not raised any issues in respect of the viability and deliverability of the site. For all of these reasons, most notably the evidence of the actual planning consent achieved for the site with a policy compliant provision of affordable housing, we consider that this site is deliverable with a good possibility that full policy requirements can be achieved.
- 6.27. In terms of the wider supply, the other three substantial sites in the Suburbs which account for a good proportion of the planned supply comprise two sites at Omega as shown in the map at Appendix 4 and the land at Appleton Cross off Dipping Brook Avenue which is a higher value area in South Warrington where development is currently under construction.
- 6.28. Whilst not situated in South Warrington, the Omega area is recognised as one of the stronger locations in the Suburbs and the market evidence suggests that such sites fall in the “Mid” and “High” value areas where the typologies are viable with full policy requirements in the base testing.
- 6.29. This is consistent with evidence “on the ground” where there is considerable development coming forward in the Omega location and a large proportion of the planned supply in the Suburbs is concentrated around this area. We would expect all mid and larger sized sites to be viable with full policy requirements in this location, unless there are substantial unforeseen abnormal costs not accounted for in the LPVA.
- 6.30. The other substantial sites in the Suburbs between 50 to 249 units in size comprise sites in areas including Grappenhall, Appleton, Omega and Padgate. Again, based on achievable revenues in these locations, we would expect such sites to be viable with full policy requirements unless there are substantial abnormal costs given the strength of achievable revenues in these locations.



- 6.31. The only Suburb generic typologies which were shown to be unviable with full policy requirements were the two typologies (Suburb 1 and 2) in the “Low” value area and the smallest typology (Suburb 1) in the “Mid” value area, albeit the deficit for the latter site was relatively small at c. £30,000. The sensitivity testing shows that very small changes to the assumed inputs could eliminate the deficit position.
- 6.32. In addition, based on our review of the further information provided by the Council, it is considered that very few of the other sites over 10 units in size within the Suburbs would actually fall within “Low” value areas with sales revenues of £240 psf. Indeed, of the 31 SHLAA sites between 10 and 250 units in size, we consider that potentially two (Houghton Hall and Legh Street) might be categorised as “Low” value. These sites account for a total of 33 dwellings, or 0.21% of the planned supply.
- 6.33. Similar to the Settlements, therefore, the Suburb “Low” generic typologies barely exist based on the distribution of the planned supply. The testing results for these typologies should therefore be largely disregarded. It is also noted that the Suburb sites of between 10 and 49 units make up only c. 4% of the overall anticipated supply.
- 6.34. It is important to take account of this weighting as where marginal unviability occurs based on the testing, some typologies can be given less weight as they do not reflect the majority of development coming forward. This is a relevant consideration for the Suburb 1 and 2 typologies and the Suburb “Low” value area typologies.

### Town Centre

- 6.35. There are no site allocations within the Town Centre. A total of just under 3,750 units are anticipated to be delivered in this area and approximately 39% of this supply is accounted for by three sites, all of which are in excess of 250 units in size.
- 6.36. We comment on relevant circumstances relating to each of these sites as follows:

Site	Capacity	Status / Comments
Wireworks, Winwick Street	550	<p>We understand that the site availability has been confirmed by the landowners (one of which is the Council) who are promoting the site through an outline planning application which is pending determination.</p> <p>The site is being promoted for a mixed use development and is located in the Stadium Quarter Masterplanning area, where the Council is promoting regeneration and where there is currently strong developer activity.</p>

Site	Capacity	Status / Comments
		We would expect this site to achieve stronger values than the average of £240 psf assumed in the LPVA given the scale of development and the location. The development will comprise a mix of uses which will create a distinct new environment and neighbourhood with new access and public realm works. The residential element will extend to 12 storeys in height and therefore has the potential to command a height premium which will further support achievable values. The site is also immediately adjacent to the train station and therefore benefits from excellent accessibility as well as close proximity to the core retail and leisure offer.
Cockhedge Shopping Centre, Warrington	554	We understand that the site has been identified as a redevelopment opportunity through the Cockhedge Masterplan. We further understand that the site owners have commenced pre-application discussions and preliminary planning to dispose of and develop the site for housing-led development in partnership with the Council.
Land at Winwick Street / John Street	362	This scheme is under construction and is therefore evidently deliverable. Construction had been paused due to the administration of the developer (High Street Group) but as far as we understand this is a nationwide issue affecting all of the developers sites across the country, and is not due to specific viability constraints in Warrington in particular. HSG have sites in other strong markets including Manchester which have similarly stalled. We are advised by the Council that work has now re-commenced and the scheme is proposed to be provided on a 100% BTR basis.

- 6.37. There is also another larger site in the Town Centre where the Council has a land interest and which is relevant to highlight as follows:

Site	Capacity	Status / Comments
New Town House	203	The site is owned by the Council who is promoting the site for residential-led development through the Town Centre Masterplan and via the submission of a pre-application enquiry in 2020. The Council has indicated that the site is available for redevelopment within the next 10 years as part of joint phased proposals with the adjoining Cockhedge site. The site is now surplus to requirements and available for redevelopment following relocation of existing Council services from building to alternative office premises in April 2020.

- 6.38. In addition to the above, we understand that a total of 25 other sites have planning permission, are under construction and/or have recently completed in the Town Centre which will collectively deliver **883 units** as summarised below:

Status	No. of Sites	Total Dwellings
Planning Permission (or resolution to grant subject to S106)	10	303
Under Construction	6	547
Complete	9	33
<b>Total</b>	<b>25</b>	<b>883</b>

- 6.39. As this summary demonstrates, there is clear evidence of new build development coming forward in locations where the base testing results suggest that development is unviable, with substantial sites under construction as at the date of this report including at John Street and Academy Street (the latter of which will provide 140 affordable housing units – see additional comments later in this section).
- 6.40. The evidence “in reality” further demonstrates that the purposely cautious approach in the LPVA does not necessarily reflect the true viability position of every site which comes forward and there are evidently circumstances in which plan-wide “unviable” schemes can be shown to be viable at the application stage.
- 6.41. In terms of the other Town Centre supply, as the map at Appendix 4 demonstrates, a good number of sites are located in the southern and western areas of the Town Centre including around the Town Hall. In our view, based on local market knowledge, these areas would be regarded as the “better” parts of the town where achievable sales values could well be higher than the average of £240 psf assumed in the LPVA. The sensitivity testing demonstrates that an increase in sales values would improve the viability position.
- 6.42. In addition, the land parcels adjacent to each of the town’s main train stations comprise the largest sites and benefit from superior connectivity in comparison to all other sites in this area which would again support the achievable values. The parcel of land to the east adjacent to the river will benefit from a waterside setting which represents another site-specific circumstance that could support higher sales values.
- 6.43. It is not possible to reflect the above site-specific considerations in the LPVA but it is relevant to highlight such circumstances as additional reasons as to why certain sites could be viable at the application stage where the LPVA suggests that development is unviable. We comment on other relevant considerations which will support delivery in the Town Centre (and other locations) in the final part of this section.

### Inner Warrington

- 6.44. Within Inner Warrington, there are similarities to the Suburbs in that unit delivery is comparatively focused on a limited number of sites, with 3 of the 65 sites accounting for c. 57% of overall supply in this area (1,543 of 2,824 units). Again, these sites are important to the overall delivery of the Local Plan.

- 6.45. One of these sites is the Waterfront allocation which in fact covers two separate land parcels in the SHLAA and therefore accounts for 2 of the 3 sites. The Waterfront is forecast to deliver 1,335 new homes including 1,070 units over the plan period. Whilst we have calculated a viability deficit in the base scenario with full policy requirements, as with Peel Hall, we have undertaken additional sensitivity testing by making minor adjustments to certain key inputs to demonstrate potential realistic scenarios under which this allocation could reach a viable position.
- 6.46. According to our calculations, the Waterfront shows a positive surplus with a 10% increase in the assumed sales values. The site is situated adjacent to the recently consented Spectra Park scheme which will deliver approximately 500 new homes including affordable housing (see further comments below) and which will help to establish the area as a distinct new residential location in Warrington’s southern urban area.
- 6.47. Not only does the evidence of the recent planning consent on the adjacent land demonstrate that development is viable in this location including with affordable housing, the improvement of the surrounding site setting and the overall profile of this area should help to enhance the achievable sales values for the Waterfront.
- 6.48. Furthermore, even though the Waterfront lies adjacent to Spectra Park, based on local market knowledge we are aware that the site is perceived as being more located in the Green Belt with the river bisecting the site, and benefitting from a better setting. These characteristics should again support higher values in our view.
- 6.49. As set out in Appendix 1, we have had sight of the site-specific FVA prepared by Grasscroft Development Solutions (‘GDS’) for the Spectra Park scheme where GDS assumed average sales values of £242 psf in April 2020 although the Council’s reviewer considered these values to be too low. GDS’ previously adopted figures would be higher as at April 2021 in any case (the date at which the LPVA revenues were assessed), when accounting for house price growth over the 12 month period.
- 6.50. The Land Registry HPI suggests house price growth of c. 10% over the 12 month period which would take GDS’ previously assumed revenues to c. £266 psf. The Land Registry suggested level of growth should be treated with some caution for the reasons detailed above, however the uplifted figure is still comfortably above the revenues of £255 psf which we have assumed for housing at the Waterfront.
- 6.51. This evidence therefore suggests that the LPVA revenue assumptions are cautious particularly when considering the Waterfront’s superior location when compared to Spectra Park.

- 6.52. The LPVA is based on current costs and values as at April 2021 in accordance with recommended best practice. However, for the above reasons, including the element of conservatism in the assumptions particularly the sales values, the fact that the Waterfront will not come forward for development until 2027 / 2028 and will be delivered over a time period of 12 years, we again believe that reasonable weight can be attributed to the scenarios including higher sales values as there is potential for higher values to be achieved as well as significant value growth both prior to and during the development of the site, although build cost inflation over this period could moderate the improvement to viability shown in these sensitivity analyses.
- 6.53. It is also noted that the Council is the landowner of the Waterfront and therefore has the ability to assist in promoting the delivery of the site through, for example, potentially accepting a reduced land value in comparison to the BLV adopted in the LPVA.
- 6.54. This principle has been recognised in other LPVAs in that there may be particular circumstances of acquisition / ownership associated with certain sites which would mean that a different return and/or BLV would be accepted. Such sites may therefore be developable over the plan period if sales values conditions continue to improve. This is a relevant consideration for the Waterfront.
- 6.55. As previously stated, we would also reinforce that the site-specific policy for the Waterfront refers to Policy DEV2 which allows a lower proportion and/or different tenure split of affordable housing to be provided if it can be robustly demonstrated that the required provision would make the development unviable. As such, there is flexibility in the emerging policy to allow for a relaxation in policy requirements if site viability has not improved by the time the site comes forward for development.
- 6.56. The other significant site in Inner Warrington is the consented Spectra Park scheme which is located adjacent to the Waterfront. This site recently achieved planning permission for a new build development comprising 513 new homes including 10% affordable housing and S106 contributions totalling £703,000.
- 6.57. The S106 agreement includes a review mechanism which provides the Council with the ability to secure affordable housing and S106 contributions up to the policy compliant provision should viability improve over the lifetime of the development. This scheme is to be delivered by Countryside Properties.
- 6.58. In addition, we are advised by the Council that Registered Provider ('RP') Torus Homes is utilising grant funding to acquire additional affordable housing at Spectra Park which will take the total number of affordable units up to 105 dwellings. This is almost equivalent to the policy compliant provision of 20%. We provide further commentary on such "alternative" delivery mechanisms under the sub-heading below.

- 6.59. When combining the Spectra Park consent with the other sites which we understand have planning permission as well as those that are under construction and/or have recently completed in Inner Warrington, there are a total of 34 sites which will collectively deliver **892 units** in this area as summarised below:

Status	No. of Sites	Total Dwellings
Planning Permission (or resolution to grant subject to S106)	19	611
Under Construction	5	252
Complete	10	29
<b>Total</b>	<b>34</b>	<b>892</b>

- 6.60. Again, this provides clear evidence of new build development coming forward in the area and includes large scale developments at Spectra Park with affordable housing as well as Station Road in Latchford which is under construction and will provide 189 units.
- 6.61. In terms of the wider generic supply, 7 of the 9 larger sites with a capacity of between 50 to 249 dwellings are situated in Inner Warrington South where sales values are stronger, and the area draws on its proximity to the more affluent geographies to the south and on the other side of the Manchester Ship Canal.
- 6.62. The LPVA indicates that the mid and larger sized sites in Inner Warrington South are viable in the base testing, and the deficit for the smallest generic typology of 10 units is relatively small at c. £35,000. Further, as with the Suburbs, the Inner Warrington sites of between 10 and 49 units make up only c. 2% of the overall anticipated supply. These typologies can therefore be given less weight as they do not reflect the majority of development coming forward.
- 6.63. In addition, we understand that 1 of the 2 remaining sites with a capacity of between 50 to 249 dwellings is the land at Bewsey and Dallam Community Hub which is being brought forward as a 100% affordable housing scheme by Torus as explained under the sub-heading below.

### Alternative Delivery Mechanisms and Grant Funding

- 6.64. The preceding commentary provides clear and reasoned analysis of the deliverability of the anticipated supply. As set out in Section 9 of the LPVA, it is also important to recognise that there is potential for alternative delivery mechanisms and funding sources including public sector capital grant to assist in supporting delivery of an element of the planned supply (including affordable housing).

- 6.65. This principle has been recognised in the recent Liverpool Local Plan examination (October 2021) for example, where the Inspector noted that there are challenging sites in the area but referred to the potential funding sources including Homes England and LCR capital grant to assist delivery<sup>3</sup>. The Inspector also referred to “the substantial pipeline of consented supply” which suggests that “there has been a healthy market appetite to deliver in Liverpool”<sup>4</sup>.
- 6.66. Similar circumstances exist in Warrington, where the Council and/or other market participants (eg. RPs) have secured public sector funding to support delivery and where there is clear evidence of both completed schemes and consented new build development coming forward in the Town Centre, Inner Warrington and Suburb locations where the LPVA base testing results suggest that viability is challenging as outlined above.
- 6.67. In respect of public sector funding support, the Council has advised that they have secured £350,000 in brownfield grant funding to support the delivery of 55 homes on a site in Bewsey and Dallam in Inner Warrington.
- 6.68. Furthermore, the Council has confirmed that they have also secured additional funding from Homes England and the LEP to undertake masterplanning work in the Town Centre in advance of future funding from Homes England programmes to aid delivery (subject to Homes England’s future funding settlement being confirmed by the Government). This additional capital grant will help to bridge any viability “gaps” which exist on the relevant sites as they come forward for development and facilitate the delivery of new housing in this area, supported by flexibility with regards to developer contributions if and where appropriately justified.
- 6.69. In addition to the above, the 140-unit scheme which is currently under construction at Academy Street in the Town Centre comprises a 100% affordable housing development (Rent to Buy) which is being delivered by contractor Lane End on behalf of Torus Homes. This represents one example of an alternative delivery mechanism where an RP is able to bring forward new build development, all of which comprises affordable housing (outside of a S106 Agreement) through the use of Homes England grant funding.
- 6.70. Further, Torus Homes have advised the Council that they are bringing forward additional grant-funded affordable housing schemes in Warrington including 45 apartments at Broomfields (for over 55s) which is under construction and an approved scheme for 55 apartments at Bewsey and Dallam (again for over 55s) as referenced above.

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<sup>3</sup> Paragraph 272, Liverpool City Council, Liverpool Local Plan 2013-2033, Inspector’s Report October 2021

<sup>4</sup> Ibid.

- 6.71. The LPVA is based on the assumption of nil grant funding for affordable housing in accordance with standard industry practice and does not test 100% affordable housing schemes (or mixed tenure with say 50% affordable housing) which would be brought forward by RPs.
- 6.72. We have however appraised a range of part- and 100% affordable housing sites as part of other viability commissions across the North West where RPs have brought forward, and continue to bring forward part or fully affordable housing schemes in low value locations where traditional “for sale” market housing and/or S106 affordable housing delivery (without grant funding) would not be viable.
- 6.73. This is because RPs each have a bespoke internal appraisal model with specific inputs and typically lower profit/return requirements as well as a lower cost of borrowing through the capital markets and/or bank funding. Indeed, liquidity has been strong and borrowing rates / cost of funds have been very competitive in the affordable housing sector over recent years as investors are increasingly targeting affordable housing for its long-term, stable and secure returns together with its favourable environmental, social and governance (‘ESG’) characteristics<sup>5</sup>.
- 6.74. Crucially, RPs also adopt a much longer-term view of development with returns recouped over a longer time frame which can help to bridge the viability gap on lower value and/or more constrained sites. This may also link to their existing footprint and stock in a particular location which might enable them to drive particular cost and management efficiencies on new build development where other RPs cannot do so.
- 6.75. When these specific factors are combined with the support of Homes England grant funding (as well as internal subsidy or recycled receipts/grant which the RP may also be able to contribute from their balance sheet in some instances), this can facilitate affordable housing delivery (up to 100%) in more challenging areas.
- 6.76. It is reasonable to assume that an element of Warrington’s new build housing and affordable housing in particular could be brought forward through these alternative mechanisms over the plan period. There is “on the ground” evidence of this taking place in Warrington as demonstrated through the Torus examples listed above. The Council has also provided details of recent affordable housing starts and completions funded by Homes England in addition to those which they have secured through S106 as summarised in the tables below:

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<sup>5</sup> See for example <https://www.insidehousing.co.uk/news/news/aggregator-raises-16m-for-yorkshire-housing-association-at-record-low-spread-73243> and <https://www.insidehousing.co.uk/news/news/large-housing-association-issues-250m-sustainability-bond-72434>



Starts on Site								
Date	Affordable Rent	Social Rent	Intermediate Rent	Affordable Home Ownership	Affordable Tenure TBC	Total Affordable	Market	Total
01/04/21-30/09/21	0	0	0	0	75	<b>75</b>	159	<b>234</b>
01/04/20-31/03/21	102	2	49	69	75	<b>297</b>	311	<b>608</b>
01/04/19-31/03/20	0	0	0	0	144	<b>144</b>	565	<b>709</b>

Completions							
Date	Affordable Rent	Social Rent	Intermediate Rent	Affordable Home Ownership	Total Affordable	Market	Total
01/04/21-30/09/21	12	0	0	41	<b>53</b>	63	<b>116</b>
01/04/20-31/03/21	67	17	0	68	<b>152</b>	147	<b>299</b>
01/04/19-31/03/20	8	14	0	0	<b>22</b>	212	<b>234</b>

Source: Homes England Housing Statistics

- 6.77. This clearly demonstrates that there are other means of delivering affordable housing in Warrington via Homes England funding and that the Council is not solely reliant on securing affordable housing through S106 obligations from private development.

### Vacant Building Credit and Permitted Development

- 6.78. Another example of an alternative delivery mechanism which is relevant to highlight is Vacant Building Credit ('VBC'). We are advised by the Council that within the existing committed supply, a number of sites have vacant buildings and therefore have potential eligibility for VBC. Based on the information provided by the Council, there are 23 such sites which could potentially benefit from VBC providing a total capacity of 860 units.
- 6.79. One of these schemes (the land at Dawson House) is complete however we understand that all other sites are either available with planning permission or considered available but without a planning permission. Of the 23 sites, 11 are located in the Town Centre with a capacity for 384 dwellings. A further 5 sites are located in Inner Warrington with a capacity for 111 dwellings and the remainder are spread across the wider Suburbs and Settlements.

- 6.80. This is another relevant consideration where the application of VBC could help to support the delivery of sites in the Town Centre and Inner Warrington where viability is shown to be more challenging in the base testing results.
- 6.81. In addition, we are advised by the Council that four of the sites in the Town Centre and Inner Warrington are PDR schemes and therefore affordable housing will not apply, two of which have an extant planning consent. Again, such alternative delivery mechanisms will further support the provision of new homes over the plan period.

### Summary

- 6.82. On the basis of the above analysis and the results in the LPVA, it is considered that a large proportion of the anticipated supply is shown to be viable and deliverable in the base testing results.
- 6.83. Within the LPVA, all but two of the allocations (Peel Hall and Waterfront) were shown to be viable, as were 11 of the 24 generic typologies. Therefore, 21 of the 36 typologies were viable (58%). The BTR typologies were considered separately as it is acknowledged that the economic dynamics of such schemes often do not as yet “stack up” in secondary locations such as Warrington but the Local Plan is not reliant on delivery of such schemes.
- 6.84. When the irrelevant Settlement and Suburb “Low” value typologies are removed from the testing, 11 of the remaining 19 generic typologies are shown to be viable, meaning that 21 of the 31 typologies are viable.
- 6.85. We have also identified reasonable and realistic circumstances and explanations where the typologies which are shown as unviable in the LPVA could be delivered and indeed there is evidence of schemes coming forward in such locations with achieved planning permissions and sites under construction. In the case of Peel Hall and the Waterfront in particular, we consider that there are realistic site-specific circumstances to suggest that both sites could be viable and deliverable over the longer term.
- 6.86. We therefore believe that sufficient deliverable sites are included in the anticipated supply to meet local housing need over the plan period, supported by flexibility in policy where necessary to enable sites in lower value areas and/or more constrained sites with higher abnormal costs to come forward through a relaxation in policy requirements where robustly justified on viability grounds.
- 6.87. It is inevitable that viability will be more challenging in certain areas of the borough and/or for certain typologies, notably the apartment schemes in the urban locations where values are currently lower and build costs are higher.

- 6.88. This principle is acknowledged in the recent examination of the Liverpool Local Plan (October 2021) where, at paragraph 270 of their final report, the Inspector commented that:

*“It is clear from the LPVA outputs that viability is variable across the city. In the north of the city viability is challenging, whereas in some parts of the south of the city, sales values indicate a notably more buoyant situation.*

*Whilst the evidence might indicate that a more nuanced or geographically varied approach to affordable housing contributions could be contemplated, the submitted plan is nonetheless sound in seeking a unified 20% proportion on all sites over 10 units. I note that new residential development is coming forward in the lower viability zones to the north, suggesting that viability here can be made positive”.*

- 6.89. As outlined above, there is evidence of new build development coming forward in locations where the base testing results suggest that development may be unviable. This is because we have adopted a cautiously robust approach in preparing the LPVA with some headroom in the assumptions in accordance with best practice. When sites come forward at the application stage, it is quite possible that development will be viable when adopting less conservative assumptions.
- 6.90. Indeed, the “reality” of the completed schemes, sites under construction and recently consented new build sites – including in the Town Centre and Inner Warrington – provides clear evidence of market appetite and demand to develop in these areas, and that development is more viable than suggested by the LPVA which is generally based on a series of more cautious assumptions.
- 6.91. It is for these reasons that we also consider that weight can be attributed to the sensitivity testing. We are not suggesting that the assumptions in the sensitivity analysis should apply to every site at the application stage, but we have undertaken this further analysis to demonstrate potential scenarios where development could be viable using realistic alternative assumptions and to inform the Council’s decision-making.
- 6.92. In addition, the LPVA is based on “standardised” assumptions in accordance with the PPGV, and therefore does not account for the potential alternative delivery mechanisms or sources of funding support which have been shown to facilitate new build development, including affordable housing, in lower value locations and/or on more constrained sites.

- 6.93. It is recognised that affordable housing and/or developer contributions may not be deliverable on every scheme in current market conditions (without grant funding support or other subsidy). Nevertheless, we consider that subject to the comments in the LPVA, the relevant emerging policies contain sufficient flexibility to enable site viability to be considered at the application stage and for policy requirements to be relaxed where robustly justified on viability grounds.
- 6.94. These “tests” of viability in the relevant policies demonstrate that the Council is cognisant of not imposing a policy regime that could see the viability of development compromised by its requirements and will ensure that the obligations and burdens contained within the Local Plan do not threaten delivery. This policy flexibility is in addition to the cautiously robust approach in the LPVA.
- 6.95. We have reconsidered the recommendations in the LPVA based on the further analysis carried out for the purposes of this Addendum and we remain satisfied that the conclusions and recommendations are appropriate.
- 6.96. On an overall basis, it is considered that the Local Plan provides a pragmatic and balanced approach which seeks to deliver a sustainable pattern of development across the district whilst at the same time ensuring that the prospects for the delivery of affordable housing are maximised. There is then the flexibility in the relevant policies which will enable the viability of individual sites to be addressed on a case-by-case basis at the application stage should there be viability concerns.
- 6.97. We do however recommend that the Council regularly monitor the delivery of affordable housing over the plan period and if any adjustments to policy requirements are deemed necessary, this should be promoted through the first review of the plan.

## 7. Disclaimer

- 7.1. We have prepared this FVA having regard to the requirements of PS 1 and PS 2 of the current RICS Valuation – Global Standards (the “Red Book”). However, the FVA and the advice provided do not constitute a formal valuation and should not be relied upon as such.
- 7.2. The FVA is for the purposes of assessing the viability of the planning application proposals only to inform the applicant’s negotiations with the Local Planning Authority regarding levels of affordable housing and other planning contributions. The FVA and the advice provided constitute an exception from VPS 1 – 5 of the Red Book.
- 7.3. This report is for the purpose of Warrington Borough Council. Cushman & Wakefield hereby exclude all liability arising from use of and/or reliance on this report by any person or persons except as otherwise set out in the terms of Engagement.
- 7.4. Some of the data referenced in this report has been obtained from third party sources and we cannot guarantee the accuracy of the data obtained from other parties. Cushman & Wakefield shall not be liable for any indirect or consequential damages arising from the use of this report.
- 7.5. This report should not be relied upon as a basis for entering into transactions without seeking specific, qualified, professional advice. Whilst facts have been rigorously checked, Cushman & Wakefield can take no responsibility for any damage or loss suffered as a result of any inadvertent inaccuracy within this report.

## **APPENDIX 1: CONSULTATION COMMENTS AND RESPONSE NOTE**

## **APPENDIX 2: NEW BUILD COMPARABLE SALES EVIDENCE**

## **APPENDIX 3: BREAKDOWN OF ANTICIPATED SUPPLY**



## APPENDIX 4: MAPS OF ANTICIPATED SUPPLY

## APPENDIX 5: TYPOLOGY MAP

## **APPENDIX 6: ROGER HANNAH SITE-SPECIFIC FVAS**

## **APPENDIX 7: INNER WARRINGTON SECOND HAND COMPARABLE EVIDENCE**

## **APPENDIX 8: LICHFIELDS INSIGHT (AUGUST 2021) – FINE MARGINS: VIABILITY ASSESSMENTS IN PLANNING AND PLAN-MAKING**

## **APPENDIX 9: ANONYMISED ABNORMAL COSTS SCHEDULE – EXAMPLE SITES**

## **APPENDIX 10: NORTH WEST LPVAs: ANALYSIS OF ABNORMAL COST / S106 ASSUMPTIONS**

## APPENDIX 11: FIDDLERS FERRY CASH FLOWS



## **APPENDIX 12: RETIREMENT LIVING CHECK APPRAISAL**

## APPENDIX 13: TERMS OF ENGAGEMENT



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