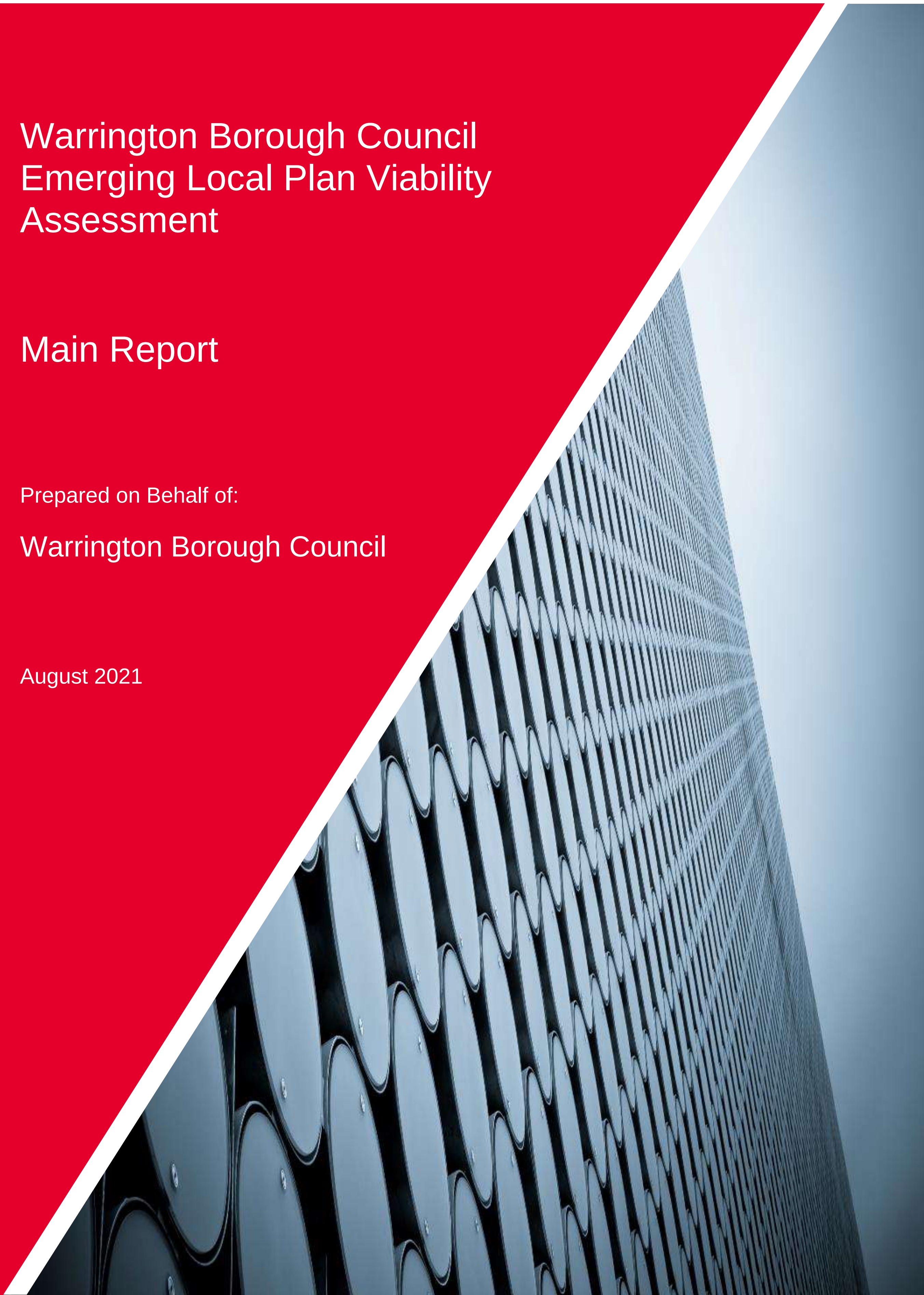
Warrington Borough Council Emerging Local Plan Viability Assessment

Main Report

Prepared on Behalf of:

Warrington Borough Council

August 2021



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1. Executive Summary

1.1. The Planning Practice Guidance for Viability (‘PPGV’) (July 2018, updated May / September 2019) states that an executive summary of a financial viability assessment ('FVA’) is to be made publicly available to promote greater transparency and accountability within the viability assessment process.

1.2. The RICS Professional Statement *Financial Viability in Planning: Conduct and Reporting* (1st Edition, May 2019) also states that all FVAs must be accompanied by non-technical summaries to assist non-specialists in better understanding the report.

1.3. Accordingly, an executive summary has been prepared to present the findings of this Local Plan Viability Assessment (‘LPVA’) in a clear and concise manner. This executive summary should however not be considered in isolation from the full report.

Scope of Instructions and Purpose of Report

1.4. Cushman & Wakefield (‘C&W’) have been instructed by Warrington Borough Council (‘the Council’) to prepare a viability assessment to inform the emerging Warrington Local Plan (2021 – 2038).

1.5. The emerging Local Plan sets out the statutory planning framework to support Warrington’s development over the plan period. The Local Plan aims to deliver a minimum of 14,688 new homes (an average of 816 homes per year) and a minimum of 316.26 hectares (ha) of employment land to support the sustainable growth and economic success of Warrington up to 2038.

1.6. The purpose of this LPVA is to assess the total cumulative impact of all relevant emerging polices within the Local Plan to determine whether the plan is viable and deliverable, and to therefore inform the setting of plan policy.

1.7. The Council previously commissioned BNP Paribas Real Estate (‘BNPPRE’) to undertake a viability assessment of the emerging Local Plan in 2018. The overall methodology adopted in the BNPPRE LPVA was considered reasonable, as were some of the key assumptions and appraisal inputs. Notwithstanding this, several issues were identified in the BNPPRE LPVA which led the Council to instruct C&W to prepare a refreshed viability assessment of the Local Plan.

1.8. We were originally commissioned in 2019 to undertake a full update of the LPVA ahead of the intended submission of the previous Proposed Submission Version Local Plan in 2020. As part of this work, we undertook extensive market research in preparing and consulting on all key proposed viability assumptions during late 2019 / early 2020.

1.9. In October 2020, the Council took the decision to pause work on the Local Plan. This was due to the economic and wider impacts of COVID-19 and the Government’s proposed amendments to the standard housing methodology.

1.10. Work re-commenced following confirmation of changes to the Government’s housing methodology at the end of 2020. The Council has updated its evidence base to re-establish Warrington’s future development needs and has subsequently re-assessed the Plan’s spatial strategy and potential allocation sites. Having undertaken this work, the Council is proposing a number of significant changes to the previous Proposed Submission Version Local Plan (2019).

1.11. We have therefore been instructed to update our previous LPVA assumptions produced in 2020 to reflect any changes in costs and values over this time period and to assess the viability of the policy requirements and site allocations in the updated Proposed Submission Version Local Plan as part of a new LPVA.

1.12. This LPVA has been prepared in accordance with all relevant national policy and guidance, industry recommend best practice and guidance, and the mandatory requirements specified in the RICS Professional Statement *Financial Viability in Planning: Conduct and Reporting*.

Financial Viability Assessment – Approach and Methodology

1.13. In preparing this LPVA, we have adopted a methodology which accords with the requirements of the revised NPPF and PPGV. We have also had regard to the key principles in other relevant industry guidance as detailed in Section 4 of this report, as well as the methodology previously adopted by BNPPRE in their LPVA (March 2019) and other area-wide FVAs across the North West which have been found sound at Examination.

1.14. The PPGV makes clear that not every site is required to be tested at the plan-making stage and plan makers can use site typologies for testing the viability of the emerging plan. However, key strategic sites can and should be tested individually to reflect the specific circumstances of these sites. We have followed this guidance in preparing this LPVA.

1.15. The adopted methodology includes the following key tasks:

- Review of BNPPRE LPVA (March 2019) to establish the robustness of the previously adopted approach and assumptions, and which elements of the previous assessment could be carried forward. This includes a review of the typologies and the assumed hypothetical schemes tested in the previous LPVA;
- Review of previous consultation responses to the BNPPRE LPVA to identify key issues raised by stakeholders;
- Review of emerging Local Plan policies to ‘screen’ those policies which are likely to have a direct impact on development costs and viability, and therefore require testing;
- A local market assessment, to identify different value areas across Warrington and to profile the economics of development within the district (i.e. costs, rents/capital values and other relevant development appraisal assumptions);
- Engagement and consultation with stakeholders and developers, including Strategic Site stakeholders, to test and refine the development appraisal assumptions;
- Area-wide viability modelling and assessment of the assumed schemes, including sensitivity analysis;
- Site-specific viability assessments (using Argus Developer software) of the allocated sites identified within the emerging Local Plan, including sensitivity analysis; and
- Interpretation of results, recommendations to the Council and development of policy implications for the Local Plan.

1.16. Both the area-wide and site-specific assessments have been undertaken using the residual appraisal methodology. This involves subtracting the total development costs from the Gross Development Value to arrive at a residual land value for each site. The appraisals include provision for affordable housing, planning policy requirements and S106 contributions as inputs.

1.17. The residual land value is then compared to a benchmark land value ('BLV') to determine the surplus or deficit position, and thus the viability of the site. Where the residual land value exceeds the BLV, the scheme could be considered viable. If the residual land value is below the BLV, the scheme could be considered unviable.

1.18. We have also undertaken various sensitivity analyses to assess the impact on viability should key inputs change. In formulating our conclusions and recommendations to the Council, we have adopted a rounded view and we have applied a viability judgement considering both the base results and the results of the sensitivity testing in accordance with the RICS Professional Statement *Financial Viability in Planning: Conduct and Reporting*.

1.19. In addition, it is important for the Council to consider actual development 'on the ground' and the circumstances under which certain schemes are coming forward in Warrington, as well as the results of this study to support a holistic assessment of viability.

Planning Policy Context

1.20. In Section 6 of this report, we summarise the emerging Local Plan policies which may impact on development viability and therefore necessitate specific consideration in the LPVA. The key policies which could impact on viability include:

- Policy DEV2 – Meeting Housing Needs
- Policy INF1 – Sustainable Travel and Transport
- Policy INF3 – Utilities and Telecommunications
- Policy INF4 – Community Facilities
- Policy INF5 – Delivering Infrastructure
- Policy DC3 – Green Infrastructure
- Policy DC5 – Open Space, Outdoor Sport and Recreation Provision
- Policy DC6 – Quality of Place
- Policy ENV2 – Flood Risk and Water Management
- Policy ENV7 – Renewable and Low Carbon Energy Development
- Policy ENV8 – Environmental and Amenity Protection

1.21. These policies impose specific standards and/or requirements on new development which therefore require viability testing. These standards are tested in both the area-wide and site-specific viability modelling.

1.22. As well as the area-wide strategic planning policies for the Warrington borough, the emerging Local Plan also includes specific policies for each site allocation which cover the detailed infrastructure and policy requirements directly related to that site (policies MD1 – MD5 and OS1 – OS7). We have accounted for the relevant site-specific policy requirements which would impact on viability when preparing the assessments for the allocated sites.

Financial Viability Assessment – Development Typologies and Assumptions

Development Typologies

1.23. Within this LPVA, 23 development typologies are appraised which have been formulated in dialogue with the Council who identified a selection of representative generic typologies and key site allocations based on sites identified in the Council's Strategic Housing Land Availability Assessment (2020).

1.24. The Council considers that the generic typologies and site allocations are representative of the types of site that are likely to come forward for development in the different locations across Warrington throughout the plan period, and are therefore suitable for the purposes of testing the viability of emerging Local Plan policies.

1.25. For each generic typology and site allocation, the Council have assessed the site sizes and indicative capacity, suitability and availability for development, likely policy requirements and indicative delivery trajectory.

1.26. The table below summarises the assumed development typologies which have been tested in this LPVA:

Summary of Development Typologies

Typology	Gross Site Area (Hectares)	Indicative Total Unit Numbers	Total Retail Floorspace (sq. m.)	Total Employment Floorspace (sq. m.)	Site Type
Generic Typologies					
Town Centre 1	0.07	10	-	-	Brownfield
Town Centre 2	0.18	50	-	-	Brownfield
Town Centre 3	0.52	250	-	-	Brownfield
Inner Warrington 1	0.25	10	-	-	Brownfield
Inner Warrington 2	1.04	50	-	-	Brownfield
Inner Warrington 3	5.18	250	-	-	Brownfield
Suburb 1	0.28	10	-	-	Brownfield
Suburb 2	1.35	50	-	-	Brownfield
Suburb 3	6.75	250	-	-	Brownfield
Settlement 1	0.28	10	-	-	Brownfield
Settlement 2	1.44	50	-	-	Brownfield

Typology	Gross Site Area (Hectares)	Indicative Total Unit Numbers	Total Retail Floorspace (sq. m.)	Total Employment Floorspace (sq. m.)	Site Type
Site Allocations					
South East Warrington Urban Extension	252.21	4,200	4,500	-	Greenfield
South East Warrington Employment Location	136.80	-	-	460,309	Greenfield
Fiddlers Ferry	322.39	1,760	500	374,916	Greenfield
Waterfront	35.59	1,335	500	-	Greenfield
Peel Hall	61.07	1,200	1,000	-	Greenfield
Thelwall Heys	20.10	310	-	-	Greenfield
Croft	3.50	75	-	-	Greenfield
Culcheth	8.80	200	-	-	Greenfield
Hollins Green	4.20	90	-	-	Greenfield
Lymm – Rushgreen Road	4.10	136	-	-	Greenfield
Lymm – Warrington Road	7.26	170	-	-	Greenfield
Winwick	6.00	130	-	-	Greenfield

1.27. For each of the generic typologies and the site allocations, we have assumed a hypothetical residential scheme based on market-facing assumptions in respect of site densities, housing mix and unit sizes. The assumed schemes are aimed at providing a mix of different housing sizes and unit types in accordance with emerging Policy DEV2.

<u>Financial Viability Assessment Assumptions</u>

1.28. To inform the assumptions adopted in the viability testing, we undertook a thorough review of the local residential and commercial markets. We also engaged with key stakeholders to determine appropriate assumptions for the purposes of the testing.

1.29. The market analysis was first undertaken in December 2019 / January 2020 as part of our original update to the LPVA. Our draft development appraisal assumptions were published for consultation in January 2020. All stakeholder responses were considered in shaping and finalising the assumptions adopted within the original update to the LPVA.

1.30. For the purposes of this 2021 update, given the relatively short time period since preparation of our work and assumptions in 2020, it has been agreed with the Council to update the previously assumed costs and values utilising an indexed-based approach which takes account of market movements indicated by the BCIS tender price indices and the Land Registry House Price Index.

1.31. We have however sought to sense check the changes based on the indexation against updated local market evidence wherever possible to further inform our assumptions and to be satisfied that the updated assumptions are realistic and market-facing. Full details and justification for the adopted inputs is provided in Section 7 of this report.

1.32. The key assumptions adopted within the area-wide and site-specific assessments are summarised in the table below.

Summary of Appraisal Assumptions

Appraisal Input	Assumption
Market Housing Revenues	Generic Typologies • Town Centre – £2,583 psm / £240 psf • Inner Warrington (North) – £2,476 psm / £230 psf • Inner Warrington (South) – £2,906 psm / £270 psf • Suburbs (High Value) – £3,283 psm / £305 psf • Suburbs (Mid Value) – £2,906 psm / £270 psf • Suburbs (Low Value) – £2,583 psm / £240 psf • Settlements (High Value) – £3,283 psm / £305 psf • Settlements (Mid Value) – £2,906 psm / £270 psf • Settlements (Low Value) – £2,583 psm / £240 psf Site Allocations • SE Warrington Urban Extension – £3,552 psm / £330 psf • SE Warrington Employment Location – £1,335 psm / £124 psf • Waterfront – £2,728 psm / £253 psf • Peel Hall – £2,583 psm / £240 psf • Fiddlers Ferry – £2,745 psm / £255 psf • Croft – £2,906 psm / £270 psf • Culcheth – £2,906 psm / £270 psf • Hollins Green – £2,745 psm / £255 psf • Thelwall Heys – £3,444 psm / £320 psf • Lymm – Rushgreen Road – £3,391 psm / £315 psf • Lymm – Warrington Road – £3,391 psm / £315 psf • Winwick – £2,745 psm / £255 psf
Build to Rent ('BTR') Revenues	• Town Centre – £2,250 psm / £209 psf • Inner Warrington – £1,970 psm / £183 psf
Affordable Housing Revenues	• Intermediate – 67.5% / 60% of OMV (varied by value area) • Affordable Rent – 50% / 45% of OMV (varied by value area) • Affordable Private Rent (BTR schemes) – 80% of OMR
Base Build Costs	Assumed Revenues: £2,594 – £3,057 psm / £241 – £284 psf • < 25 units – £1,180 psm / £110 psf • 25 – 74 units – £1,116 psm / £104 psf • 75+ units – £1,053 psm / £98 psf • 3 – 5 storey flats – £1,295 psm / £120 psf • 6+ storey flats – £1,585 psm / £147 psf Assumed Revenues: £2,583 psm / £240 psf or less • < 25 units – £1,123 psm / £104 psf • 25 – 74 units – £1,063 psm / £99 psf

Appraisal Input	Assumption
	• 75+ units – £1,003 psm / £93 psf • 3 – 5 storey flats – £1,234 psm / £115 psf • 6+ storey flats – £1,510 psm / £140 psf <u>Assumed Revenues: £3,068 psm / £285 psf or more</u> • < 25 units – £1,238 psm / £115 psf • 25 – 74 units – £1,172 psm / £109 psf • 75+ units – £1,106 psm / £103 psf • 3 – 5 storey flats – £1,360 psm / £126 psf • 6+ storey flats – £1,665 psm / £155 psf <u>Commercial</u> • Industrial – £524 psm / £49 psf • Retail – £1,115 psm / £104 psf
External Works, Standard Estate Roads, Sewers, Plot Connections and Garages	• Houses – 15% of base build cost • Apartments – 10% of base build cost • Commercial – 10% of base build cost
Energy Requirements	• Renewable / low carbon energy – £2,250 per plot • Establishing / connecting to decentralised energy network – 6% of base build cost (housing) / 2% of base build cost (commercial)
Accessibility Standards	• M4(2) – £609 per house, £1,078 per flat • M4(3) (Adaptable) – £11,921 per house, £9,048 per flat
Biodiversity Net Gain	• Residential development – £21,288 per ha / £8,615 per acre • Non-residential development – £16,101 per ha / £6,516 per acre
Site-Specific Abnormal and Extra Over Development Costs	• £15,000 per housing unit • £2,500 per flatted unit
Strategic Infrastructure / Abnormal Costs	• SE Warrington Urban Extension – £127,098,920 • SE Warrington Employment Location – £33,916,404 • Fiddlers Ferry – £90,174,299 • Waterfront – £25,863,941 • Peel Hall – £20,111,104
Section 106 Contributions	• Generic typologies – c. £3,000 – £6,000 per plot • Site allocations – c. £8,000 – £11,000 per plot (with the exception of the SE Warrington Urban Extension which has a higher S106 contribution of c. £15,000 per plot)
Contingency	5% of total costs
Professional fees	7% of total costs including contingencies
Sales Agent and Marketing Fees	3% of market housing GDV 1% of commercial GDV
Legal Fees	0.5% of GDV
Finance	6%

Appraisal Input	Assumption
Developer's Profit on Market Housing / Commercial	• 20% of GDV for estate housing development • 15% of GDV for apartment development • 12% of GDV for BTR development • 15% of Cost for commercial development
Developer's Profit on Affordable Housing	7% of GDV
Land Acquisition Fees	SDLT plus 1.8% agent's and legal fees
Benchmark Land Value	Generic Typologies • Town Centre – £1,297,000 per net ha / £525,000 per net acre • Inner Warrington (North) – £593,000 per net ha / £240,000 per net acre • Inner Warrington (South) – £680,000 per net ha / £275,000 per net acre • Suburbs (High Value) – £803,000 per net ha / £325,000 per net acre • Suburbs (Mid Value) – £680,000 per net ha / £275,000 per net acre • Suburbs (Low Value) – £593,000 per net ha / £240,000 per net acre • Settlement (High Value) – £803,000 per net ha / £325,000 per net acre • Settlement (Mid Value) – £680,000 per net ha / £275,000 per net acre • Settlement (Low Value) – £593,000 per net ha / £240,000 per net acre Site Allocations • SE Warrington Urban Extension – £618,000 per net ha / £250,000 per net acre • SE Warrington Employment Location – £618,000 per net ha / £250,000 per net acre • Fiddlers Ferry – £371,000 per net ha / £150,000 per net acre • Waterfront – £371,000 per net ha / £150,000 per net acre • Peel Hall – £371,000 per net ha / £150,000 per net acre • Croft – £680,000 per net ha / £275,000 per net acre • Culcheth – £680,000 per net ha / £275,000 per net acre • Hollins Green – £618,000 per net ha / £250,000 per net acre • Thelwall Heys – £865,000 per net ha / £350,000 per net acre • Lymm – Rushgreen Road – £865,000 per net ha / £350,000 per net acre • Lymm – Warrington Road – £865,000 per net ha / £350,000 per net acre • Winwick – £618,000 per net ha / £250,000 per net acre

Financial Viability Assessments – Results

1.33. Below we summarise the findings of the area-wide viability testing of the generic typologies and the site-specific viability testing of the site allocations including the sensitivity analysis. The base viability testing incorporates the full emerging policy requirements which includes:

- 20% affordable housing (comprising 50% Affordable Rent and 50% Intermediate dwellings) in the Town Centre and Inner Warrington;
- 30% affordable housing (comprising 67% Affordable Rent and 33% Intermediate dwellings) in all other locations;
- Accessibility standards;
- Energy requirements;
- Biodiversity net gain; and
- The proposed S106 contributions.

1.34. In each assessment, the calculated residual land value is compared to the assumed BLV for each typology. Where the residual land value is above the BLV, the final 'surplus / deficit' cell is shaded green to indicate that the scheme is calculated as viable.

1.35. Where the residual land value is below the BLV, the final 'surplus / deficit' cell is shaded red to indicate that the scheme is calculated as unviable. Where the surplus or deficit is within 10% of the BLV (above or below), the final cell is shaded amber to indicate that the scheme is only marginally viable or unviable according to our calculations.

Area-Wide Results – Base Viability Appraisals (Full Policy Requirements)

1.36. The results of the area-wide generic typology testing are summarised in the table below:

Generic Typologies – Base Testing Results

Typology	Benchmark Land Value	Residual Land Value	Surplus / Deficit
Town Centre 1	£90,809	-£51,904	-£142,713
Town Centre 2	£233,510	-£417,885	-£651,395
Town Centre 3	£674,583	-£7,132,800	-£7,807,383
Inner Warrington 1 North	£148,260	£22,329	-£125,931
Inner Warrington 2 North	£616,762	£140,677	-£476,084
Inner Warrington 3 North	£3,071,947	£1,924,445	-£1,147,503
Inner Warrington 1 South	£169,881	£134,256	-£35,625
Inner Warrington 2 South	£706,706	£1,018,859	£312,153
Inner Warrington 3 South	£3,519,940	£5,902,178	£2,382,238
Suburb 1 High Value	£224,861	£276,883	£52,022
Suburb 2 High Value	£1,084,151	£1,848,197	£764,046
Suburb 3 High Value	£5,420,756	£10,173,916	£4,753,160
Suburb 1 Mid Value	£190,267	£160,365	-£29,902
Suburb 2 Mid Value	£917,359	£1,199,964	£282,605
Suburb 3 Mid Value	£4,586,794	£7,219,955	£2,633,161
Suburb 1 Low Value	£166,051	-£9,236	-£175,287
Suburb 2 Low Value	£800,604	£538,721	-£261,883
Suburb 3 Low Value	£4,003,020	£4,203,799	£200,779
Settlement 1 High Value	£224,861	£328,945	£104,084
Settlement 2 High Value	£1,156,428	£1,933,431	£777,003
Settlement 1 Mid Value	£190,267	£199,662	£9,395
Settlement 2 Mid Value	£978,516	£1,264,073	£285,557

Typology	Benchmark Land Value	Residual Land Value	Surplus / Deficit
Settlement 1 Low Value	£166,051	£79,526	-£86,525
Settlement 2 Low Value	£853,978	£590,391	-£263,586
Town Centre 3 (BTR)	£674,583	-£8,785,128	-£9,459,711
Inner Warrington 3 (BTR)	£2,016,336	-£4,053,774	-£6,070,110

1.37. The base testing results indicate that the majority of the typologies in the lower value areas of Warrington (Town Centre, Inner Warrington North, Suburb Low Value and Settlement Low Value) are not viable based on full policy requirements.

1.38. This can be attributed in part to the lower assumed sales values together with the assumed abnormal / extra over development costs which means that development cannot support the total cumulative cost of all emerging policy requirements in these areas. For the higher density flatted typologies, viability is also constrained by the higher assumed base build costs which are not offset by higher sales values.

1.39. The exception is Suburb 3 Low Value which is viable (albeit marginally) based on full policy requirements according to the testing results. We have undertaken sensitivity analysis on all typologies to assess the circumstances which could improve site viability, as detailed in the following sub-section.

1.40. In the Mid Value areas, the results suggest that Suburb 2 and 3, and Settlement 2 are viable with full policy requirements. Settlement 1 is indicated to be marginally viable based on the modest surplus above the BLV. In our opinion, this would not prevent development from coming forward.

1.41. The results for these typologies therefore suggest that in the majority of instances, development should be able to satisfy the Council's full policy requirements. However, on the smaller sites, there may be some cases where the Council will need to seek a balance in respect of the total policy requirements sought, for example through a lower affordable housing provision and/or reduced S106 contributions.

1.42. The results demonstrate that all typologies in Inner Warrington South and the higher value areas of the borough (Suburb High Value and Settlement High Value) should be able to support full policy requirements with these typologies showing varying levels of surplus under the base testing assumptions. The exception is Inner Warrington 1 South which shows a minor deficit of just over £35,000. This is marginal and is unlikely to prevent the site from coming forward given the conservatism in some of the area-wide viability assumptions.

1.43. We have also tested the viability of BTR development using the Town Centre 3 and Inner Warrington 3 typologies. The base testing results for these typologies illustrate that BTR development is not currently viable based on full policy requirements. This is not an unexpected finding given the emerging nature of the BTR market in Warrington and the lower end values currently generated by this form of development.

1.44. In summary, the base testing results suggest that in many areas of Warrington, development should be able to satisfy the Council's full policy requirements. However, in some locations, notably the Town Centre and Inner Warrington North, and for BTR schemes, it will be challenging for development to deliver full policy requirements based on current adopted costs and values.

1.45. Therefore, it is likely that the Council will need to be flexible in its application of policy requirements in these areas to ensure that development is not compromised and that sites can still come forward in a viable and sustainable manner. We comment further on the implications of the results and our recommendations to the Council under the sub-heading below and in the final section of this report.

1.46. It is however important to emphasise that the base testing results are reflective of the assumptions adopted in this study. Due to the nature of the generic testing which is undertaken on an area-wide basis, it is not possible to capture the full range of costs and values for every site in Warrington and broad assumptions have to be made in respect of certain inputs.

1.47. The assumptions have also been formulated taking into account stakeholder feedback and we are mindful of not testing the margins of viability at the plan-making stage. Accordingly, as emphasised throughout this report, we consider that there is an element of conservatism within some of the adopted assumptions.

1.48. If viability is a material issue at the application stage, we would therefore expect a less cautious position to be adopted in respect of some appraisal inputs where there is greater certainty regarding the nature of the scheme and the resultant appropriate cost / revenue assumptions. As demonstrated through the sensitivity analysis, a slight reduction in the base build costs or the contingency and professional fee allowances for example could markedly improve development viability.

Site Allocations – Base Viability Appraisals (Full Policy Requirements)

1.49. The results of the site-specific assessments of the site allocations are summarised in the table below:

Site Allocations – Base Testing Results

Site Allocation	Benchmark Land Value	Residual Land Value	Surplus / Deficit
South East Warrington Urban Extension	£5,000,000	£6,520,000	£1,520,000
South East Warrington Employment Location	£6,399,890	£15,760,000	£9,360,110
Waterfront	£2,224,500	-£2,530,000	-£4,754,500
Peel Hall	£2,902,500	-£700,000	-£3,602,500
Fiddlers Ferry	£14,764,500	£15,230,000	£465,500
Croft	£1,586,750	£2,200,000	£613,250
Culcheth	£4,229,500	£5,660,000	£1,430,500
Hollins Green	£1,607,500	£1,800,000	£192,500
Thelwall Heys	£8,680,000	£16,720,000	£8,040,000
Lymm – Rushgreen Road	£3,808,000	£6,720,000	£2,912,000
Lymm – Warrington Road	£4,760,000	£8,310,000	£3,550,000
Winwick	£2,322,500	£2,570,000	£247,500

1.50. In respect of the Main Development Areas, the base testing results indicate that the South East Warrington Urban Extension can support full policy requirements, as can Fiddlers Ferry if the energy cost is reduced to £2,250 per unit rather than 6% of base build cost for this site, albeit the surplus is relatively marginal. As detailed in Section 7 of this report, the reduced energy cost is permitted under emerging Policy ENV7.

1.51. The base testing results indicate that Waterfront and Peel Hall are not viable based on full policy requirements. This can be attributed in part to the significant strategic infrastructure cost impairment as well as the lower sales values which constrains viability. We have undertaken additional sensitivity testing on these two sites to assess the circumstances which could improve site viability as detailed under the sub-heading below.

1.52. Turning to Thelwall Heys and the Outlying Settlements, the base testing results indicate that all site allocations are viable with full policy requirements. The lower energy cost assumption of £2,250 per unit has been adopted for Hollins Green and Winwick as the higher cost renders each site unviable according to the testing results.

1.53. As well as the residential allocations and the Fiddlers Ferry mixed use allocation, we have considered the viability of the South East Warrington Employment Location. The results indicate that this allocation is viable with a significant surplus generated however it is important to note that this appraisal excludes any abnormal / extra over development costs required to deliver the employment development other than the strategic utilities and drainage infrastructure costs and the likely S106 contributions provided by the Council.

1.54. Nevertheless, the surplus generated in the base testing indicates that it is still likely the site could make a further contribution to any additional infrastructure improvements if required to enable the development to come forward.

Sensitivity Analysis

1.55. The residual appraisal methodology is very sensitive to minor changes to the appraisal inputs. In addition, due to the nature of the generic testing which is undertaken on an area-wide basis, it is not possible to capture the full range of costs and values for every site in Warrington. It is inevitable that the actual costs and values for some sites will differ from those assumed in this study.

1.56. It is also acknowledged that we have adopted a somewhat conservative position in respect of some of the appraisal inputs, taking into account both stakeholder feedback and so as to not test the margins of viability at the plan-making stage.

1.57. Furthermore, this LPVA is based on present-day costs and values in accordance with standard industry practice for viability testing. Market conditions can change significantly over short time periods particularly when considering the current market uncertainty relating to the COVID-19 pandemic, and the Local Plan itself covers development in Warrington over an 18-year timeframe. As such, costs and values will inevitably change over the plan period.

1.58. Therefore, whilst we believe that our adopted assumptions are appropriate for the purposes of an area-wide FVA as at the date of this assessment, it is important to undertake sensitivity analysis to assess the potential impact on viability should key inputs change. This approach accords with the mandatory requirements in the RICS Professional Statement *Financial Viability in Planning: Conduct and Reporting* and recommended best practice.

1.59. The sensitivity testing has been undertaken on a number of the assumed inputs as follows:

- Sales values increased by 5% and 10%
- Base build costs reduced by 5% and 10%
- Contingency and professional fees reduced to 3% and 5% respectively
- Developer's profit on market housing reduced to 18% of GDV for estate housing, 12.5% of GDV for flatted typologies, 10% of GDV for BTR typologies and 12.5% of cost for employment typologies

1.60. As summarised in Section 8, relatively modest changes to the assumed inputs can have a significant impact on the viability position. The viability of development improves if sales values are increased, or if the base build costs / contingency and professional fees / developer's profit are reduced, as would be expected.

1.61. Importantly, a number of the typologies move from an unviable position to a viable position in the sensitivity analysis scenarios particularly with the increased sales values; by way of example, with a 10% uplift in values, the only remaining unviable sites would be the Town Centre and BTR typologies, and the smallest sites in the lower value areas (Inner Warrington 1 North and Suburb 1 Low Value).

1.62. The sensitivity testing therefore demonstrates that there are plausible circumstances under which many of the currently unviable sites could be delivered in a viable manner through modest changes to the appraisal inputs.

1.63. Given that there is an element of conservatism within some of the adopted assumptions in the base appraisals for the reasons explained in this report, we consider that reasonable weight can be attributed to the sensitivity analyses where a less cautious position is adopted for certain inputs.

1.64. It is also worth noting that we have undertaken the sensitivity analyses on each input individually but it is quite possible that the one or more of the scenarios could combine (e.g. increase in sales values and reduction in base build costs, increase in sales values and reduction in contingency and professional fees). This would have a different impact on the viability position and a combination of the less conservative scenarios could help to promote site viability where full policy requirements are currently shown to be unviable.

1.65. We further note that both the Waterfront and Peel Hall show a positive surplus with a 10% increase in the assumed sales values, albeit marginally in the case of Waterfront. Nevertheless, given that both schemes will not come forward for development until 2026 / 2027 (Peel Hall) and 2027 / 2028 (Waterfront), we believe that reasonable weight can be attributed to these scenarios, although build cost inflation over this period would part off-set the increase in revenues.

1.66. The same comments apply to the other Main Development Areas; the South East Warrington Urban Extension and Fiddlers Ferry which will come forward in 2025 / 2026 according to the Council's planned trajectory.

Town Centre, Peel Hall and Waterfront

1.67. Notwithstanding the above comments, both the Town Centre generic typologies and the Peel Hall and Waterfront allocations show a considerable deficit under the base testing assumptions. Furthermore, the Town Centre typologies do not reach a viable position in any of the four sensitivity analyses.

1.68. Therefore, as instructed by the Council, we have undertaken further sensitivity testing of these typologies to demonstrate other realistic circumstances under which the sites could reach a viable position.

1.69. For the Town Centre typologies, we consider that it is necessary to test a nil affordable housing provision given the results of the base testing and sensitivity analysis. We have therefore run three further scenarios for the Town Centre typologies as summarised in the table below:

Town Centre Typologies – Additional Scenario Testing

Scenario	Adjusted Assumptions
Scenario 1	• 0% affordable housing
Scenario 2	• 0% affordable housing • Sales values – increased by 10%
Scenario 3	• 0% affordable housing • Sales values – increased by 10% • Contingency – reduced to 3% • Professional fees – reduced to 5%

1.70. The results of these additional sensitivity analyses are shown below:

Typology	Benchmark Land Value	Residual Land Value	Surplus / Deficit
Scenario 1			
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
Scenario 2			
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
Scenario 3			
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

1.71. This additional modelling indicates that all three Town Centre typologies remain unviable with a nil affordable housing provision if all other appraisal inputs are unchanged (Scenario 1). However, if the sales values are increased, the deficit is substantially reduced with Town Centre 1 and 2 showing a positive viability position in Scenario 2. If the contingency and professional fee allowances are then reduced to a less cautious position, the deficit for Town Centre 3 is reduced although it still remains unviable according to our calculations.

1.72. It is noted that there has been little purpose built new build residential development in the Town Centre over recent years and, therefore, as this market matures and new infrastructure and other development is delivered to enhance the Town Centre throughout the plan period, this could see a strengthening in residential sales values. This could improve development viability which may enable more schemes to support the Council's policy requirements.

1.73. It may also be the case that the more challenging sites require assistance to come forward through additional public sector funding support as well as flexibility with regards to developer contributions.

1.74. For Peel Hall and the Waterfront, we have run the following additional scenarios:

Peel Hall and Waterfront – Additional Scenario Testing

Site Allocation	Adjusted Assumptions
Waterfront – Scenario 1	• Sales values – increased by 5% • Contingency – reduced to 3% • Professional fees – reduced to 5%
Peel Hall – Scenario 1	• Sales values – increased by 5% • Contingency – reduced to 3% • Professional fees – reduced to 5%
Waterfront – Scenario 2	• Sales values – increased by 7.5% • Contingency – reduced to 3% • Professional fees – reduced to 5% • Developer's profit – reduced to 18% on market housing GDV for estate housing and 12.5% on market housing GDV for apartments
Peel Hall – Scenario 2	• Sales values – increased by 5% • Contingency – reduced to 3% • Professional fees – reduced to 5% • Developer's profit – reduced to 18% on market housing GDV for estate housing

1.75. The results of these additional sensitivity analyses are shown below:

Site Allocation	Benchmark Lane Value	Surplus / Deficit
Waterfront 1	£2,224,500	-£1,454,500
Peel Hall 1	£2,902,500	£47,500
Waterfront 2	£2,224,500	£425,500
Peel Hall 2	£2,902,500	£997,500

1.76. Under Scenario 1, Waterfront still shows a deficit however Peel Hall is marginally viable according to our calculations. When the profit is reduced to 18% in Scenario 2 for Peel Hall, this site shows a large positive surplus.

1.77. Therefore, through minor adjustments to the sales values and developer's profit, and by adopting a less cautious position in respect of contingencies and professional fees, the sensitivity analysis demonstrates reasonable circumstances under which Peel Hall is viable with full policy requirements.

1.78. For the Waterfront, the site remains unviable if the sales values are increased together with the other assumptions adopted in Scenario 1. However, a further minor increase in sales values from 5% to 7.5% combined with a slight reduction in profit results in a positive surplus for the Waterfront. Again, therefore, we consider that there are reasonable circumstances under which the Waterfront is shown to be viable with full policy requirements.

Conclusions and Recommendations

Area-Wide Generic Typologies

1.79. To conclude, the base testing results indicate that the emerging policy requirements for the mid value and higher value generic typologies are broadly appropriate however it will be challenging for development in the lower value parts of the borough, notably the Town Centre and Inner Warrington North, and BTR development, to meet the Council's full policy requirements, particularly given the emphasis on flatted development on sites in these locations.

1.80. The results suggest that affordable housing provision has a substantial impact on viability. In the lower value locations, it is possible that development could provide some affordable housing together with other policy requirements however it is unlikely that the policy target level will be met without compromising viability. This is particularly the case for the Town Centre typologies where the results suggest that it will be very difficult to achieve full policy requirements on these sites.

1.81. Emerging Policy DEV2 sets out the Council's proposed affordable housing requirements and states that a lower proportion of affordable housing and/or different tenure split will be permitted where it can clearly be demonstrated to the satisfaction of the Council that development would otherwise not be financially viable.

1.82. We consider that this drafting is appropriate and that there is sufficient flexibility in the emerging policy to allow for a relaxation in affordable housing requirements where site viability is a material issue. To support the delivery of new housing on sites where viability is challenging, the Council may need to seek a lower percentage of affordable housing and/or permit a variation in tenure mix, for example by allowing Discounted Market Sale units instead of Shared Ownership units, or by allowing a greater proportion of Intermediate units where appropriate.

1.83. Another key emerging policy which impacts on development viability is Policy INF5 which sets out the Council's proposed requirements in respect of planning obligations. This policy states that when seeking planning obligations from development, the Council will only consider viability at the planning application stage where:

a. required planning obligations are in addition to those considered as part of the Local Plan's viability appraisal; or

b. where there are exceptional site specific viability issues not considered as part of the Local Plan's viability appraisal.

1.84. We suggest that additional flexibility is introduced into this policy to allow for the viability of development proposals to be considered at the application stage where it can be clearly demonstrated, through a robust site-specific FVA, that development would not be financially viable if full planning obligations were sought. This would represent similar flexibility to that provided in emerging Policy DEV2 in relation to affordable housing and would ensure that development can come forward through a relaxation in policy requirements where appropriately justified on viability grounds. We understand that the Council have now made this change within their draft policy.

1.85. Two other emerging policies which impact on development viability are emerging Policy ENV7 in respect of energy requirements and emerging Policy DEV2 in respect of accessibility standards. The impact of the 10% renewable / low carbon energy requirement and the accessibility standards is smaller in comparison to the impact of the affordable housing and S106 contributions, and we consider that these costs alone are unlikely to render development unviable.

1.86. Further, emerging Policy ENV7 allows flexibility in respect of the energy requirements for strategic housing and employment allocations where the reduced 10% renewable / low carbon energy requirement is permitted if establishing, or connecting to an existing, decentralised energy network is shown not to be feasible or viable. As detailed in this report, the results demonstrate that this flexibility is necessary on some of the strategic housing allocations and we therefore conclude that this drafting is appropriate.

1.87. In addition, the Council is aware from other examples of major urban extensions in the UK that public sector intervention may be necessary to establish decentralised energy networks. This is something that the Council may give consideration to in the future as part of its commitment to tackling climate change.

1.88. In respect of the accessibility standards, Policy DEV2 states that where the policy requirements are genuinely not viable or technically feasible, the Council will expect to see an open book assessment to evidence this.

1.89. We suggest that additional text is introduced into this policy to clarify that a relaxation in policy requirements will be permitted where it is clearly demonstrated, through a robust site-specific FVA and/or technical assessment, that development would not be financially viable and/or technically feasible if the accessibility standards were sought. We understand that the Council have now made this change within their draft policy.

1.90. Whilst the base testing results indicate that development is not currently viable in certain parts of the borough, the sensitivity analyses usefully illustrate how minor changes to the assumed inputs within a realistic range could result in significant positive improvements to site viability.

1.91. It should also be reinforced that the results of this study are reflective of the assumed abnormal and extra over development costs adopted within the appraisals. There is significant uncertainty regarding this input as at this stage of the plan-making process, it is not possible to accurately estimate the abnormal / extra over costs for each site which will come forward throughout the plan period.

1.92. Whilst a provisional assumption has been made for the purposes of this LPVA, it is inevitable that these costs will vary on some sites. Where sites have lower abnormal / extra over development costs than assumed in this study, this could improve the viability position and vice versa.

1.93. For this reason, it is important for the Council to include flexibility in its emerging policies by allowing a relaxation in policy requirements if it can be clearly demonstrated, through a robust site-specific FVA, that the policy requirements would compromise site viability. This will allow policy requirements to be balanced against the delivery of new housing and employment space, and will ensure that development can still come forward in the more challenging parts of the borough and/or where sites are subject to significant abnormal / extra over development costs.

Site Allocations

1.94. The results of the base testing for the site allocations indicate that the majority of the site allocations are viable with full policy requirements. The only exceptions are Waterfront and Peel Hall where we have undertaken additional sensitivity testing by making minor adjustments to certain key inputs to demonstrate potential realistic scenarios under which these allocations could reach a viable position.

1.95. Given that both sites will not come forward for development until 2026 / 2027 at the earliest and will be delivered over a time period of 10 years (Peel Hall) and 12 years (Waterfront) respectively, and we have adopted what we consider to represent a cautious approach on sales values, we believe that reasonable weight can be attributed to the results of the sensitivity analysis where higher sales values are assumed, as there is potential for significant value growth both prior to and during the development of these sites.

1.96. Further, emerging policies MD1 and MD4 as currently drafted for the Waterfront and Peel Hall allocations require a minimum of 30% affordable housing. However, both site-specific policies refer 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.

1.97. As such, there is flexibility in the emerging policy to allow for a relaxation in policy requirements where site viability is a material issue and if viability has not sufficiently improved by the time each site comes forward for development.

1.98. As well as the residential allocations, we have considered the viability of the South East Warrington Employment Location. The results indicate that this allocation is viable with a significant surplus generated. Although the surplus could be lower after accounting for all abnormal / extra over development costs, we would still anticipate the scheme to be viable given the extent of the surplus generated in the base testing.

Relationship Between Area-Wide Study and Site-Specific FVAs

1.99. It is recognised that the intention of the revised NPPF and PPGV is to reduce the need for site-specific FVAs at the application stage through robust viability testing at the plan-making stage which should support the setting of realistic and achievable policy requirements. At the same time, however, the PPGV advocates the use of a "typology approach", "standardised inputs" and "average costs and values" to testing the viability impact of all relevant plan policies.

1.100. It follows that the adopted assumptions in an area-wide FVA have to be relatively high level and sufficiently flexible to accommodate the range of typologies, locations, developer models, costs and values based on the sites which will come forward for development throughout the plan period. Importantly, there is also no way of accurately estimating the abnormal / extra over development costs for every site at the plan-making stage.

1.101. These factors mean that it is not possible to accurately test the viability of every site in the relevant local authority area at the plan-making stage, which, in turn, means that it is not possible to set realistic policy requirements for every single site. As a consequence, the need for site-specific FVAs at the application stage cannot be fully eliminated.

1.102. Furthermore, the adopted assumptions in an area-wide FVA have to take into consideration the stakeholder comments received during the plan-making consultation periods in accordance with the PPGV. If we were to adopt assumptions reflective of a site-specific FVA at the plan-making stage, this would be contrary to some of the comments received during the consultation periods which advocate more cautious assumptions with sufficient "headroom".

1.103. Therefore, whilst we believe we have adopted appropriate assumptions for the purposes of this area-wide FVA, it is important to emphasise that some of the adopted assumptions could be considered to represent a conservative position so as to accommodate the requirements of the PPGV and so as to not test the margins of viability at the plan-making stage.

1.104. The assumptions have also been formulated taking into account the stakeholder comments received to the January 2020 consultation as well as the previous consultations undertaken by the Council and BNPPRE.

1.105. In light of the above, it must be reinforced that the key assumptions adopted in this study cannot necessarily be applied without adjustment in site-specific FVAs at the application stage. For the generic typologies in particular, this study is a high-level assessment of a wide range of site typologies and value areas, and it would therefore be inappropriate to uncritically apply these broader generic, higher level assumptions in a site-specific FVA at the application stage.

1.106. If viability is a material issue at the application stage, then certain assumptions in the site-specific FVA should be adjusted to a less cautious position for the reasons explained throughout this report. This could result in an improved viability position as shown through the sensitivity analysis scenarios.

Overall Conclusion

1.107. Based on the results of this LPVA and subject to the comments and recommendations made above and within this report, we conclude that the total cumulative impact of the policies contained in the emerging Warrington Local Plan will not compromise the delivery of the plan and the proposed level of development.

1.108. Whilst this study suggests that not all forms of development in all areas can viably support full policy requirements at present, we believe that the current policy drafting provides sufficient flexibility to enable development to come forward through a relaxation in policy requirements where appropriately justified on viability grounds (subject to the recommendations made above in respect of Policy INF5 and DEV2).

1.109. Further, the sensitivity testing demonstrates that there are plausible circumstances under which the currently unviable sites could be delivered in a viable manner through modest changes to the appraisal inputs.

1.110. The results of this viability testing and the conclusions arising from this study are based on current market conditions. We recommend that the Council monitors progress in delivering the Local Plan and undertakes regular updates on plan viability over the plan period to account for changing market conditions and/or site-specific circumstances which may necessitate a revision of policy requirements. This is particularly pertinent in light of the ongoing market uncertainty relating to the COVID-19 pandemic.

Market Conditions Explanatory Note: Novel Coronavirus (‘COVID-19’)

1.111. The outbreak of COVID-19, declared by the World Health Organisation as a “Global Pandemic” on the 11th March 2020, has and continues to impact many aspects of daily life and the global economy – with some real estate markets having experienced lower levels of transactional activity and liquidity. Travel, movement and operational restrictions have been implemented by many countries.

1.112. We continue to be faced with an unprecedented set of circumstances caused by COVID-19 and an absence of relevant/sufficient market evidence on which to base our judgements. Our advice is provided subject to this material uncertainty and a higher degree of caution should be attached to our advice than would normally be the case.

1.113. 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.

2. Introduction

Purpose

2.1. Cushman & Wakefield ('C&W') have been instructed by Warrington Borough Council ('the Council') to prepare a Local Plan Viability Assessment ('LPVA') to inform the emerging Warrington Local Plan (2021 – 2038).

2.2. The emerging Local Plan sets out the statutory planning framework to support Warrington's development over the plan period. The Local Plan aims to deliver a minimum of 14,688 new homes (an average of 816 homes per year) and a minimum of 316.26 hectares (ha) of employment land to support the sustainable growth and economic success of Warrington up to 2038.

2.3. The Local Plan allocates specific sites for development and includes detailed policies to guide new development across Warrington. The Local Plan will also provide the basis for determining individual planning applications throughout the plan period.

2.4. The purpose of this LPVA is to assess the total cumulative impact of all relevant emerging polices within the Local Plan to determine whether the plan is viable and deliverable, and to therefore inform the setting of plan policy.

2.5. The Council previously commissioned BNP Paribas Real Estate ('BNPPRE') to undertake a viability assessment of the emerging Local Plan in 2018. BNPPRE produced a draft '*Local Plan Viability Testing – Appraisal Inputs'* document which was subject to stakeholder consultation in 2018, following which BNPPRE published their final draft LPVA in March 2019 which was again subject to stakeholder consultation.

2.6. The overall methodology adopted in the BNPPRE LPVA was considered reasonable, as were some of the key assumptions and appraisal inputs. Notwithstanding this, several issues were identified in the BNPPRE study which led the Council to instruct C&W to prepare a refreshed viability assessment of the emerging Local Plan.

2.7. We do however draw on relevant evidence provided in the BNPPRE assessment and we carry forward their reasonable assumptions where appropriate, having regard to our market experience and professional judgement, as well as the comments raised by stakeholders during previous consultations on the BNPPRE LPVA.

2.8. We were originally commissioned in 2019 to undertake a full update of the LPVA ahead of the intended submission of the previous Proposed Submission Version Local Plan in 2020. As part of this work, we undertook extensive market research in preparing and consulting on all key proposed viability assumptions during late 2019 / early 2020.

2.9. In October 2020, the Council took the decision to pause work on the Local Plan. This was due to the economic and wider impacts of COVID-19 and the Government's proposed amendments to the standard housing methodology.

2.10. Work re-commenced following confirmation of changes to the Government's housing methodology at the end of 2020. The Council has updated its evidence base to re-establish Warrington's future development needs and has subsequently re-assessed the Plan's spatial strategy and potential allocation sites. Having undertaken this work, the Council is proposing a number of significant changes to the previous Proposed Submission Version Local Plan (2019).

2.11. We have therefore been instructed to update our previous LPVA assumptions produced in 2020 to reflect any changes in costs and values over this time period and to assess the viability of the policy requirements and site allocations in the updated Proposed Submission Version Local Plan as part of a new LPVA.

2.12. Our terms of engagement for the updated work are included in the report appendices and summarise the scope of this update. Given the relatively short time period since preparation of our work and assumptions in 2020, it has been agreed with the Council to update the previously assumed costs and values utilising an indexed-based approach which takes account of market movements indicated by the BCIS tender price indices and the Land Registry House Price Index.

2.13. We have however sought to sense check the changes based on the indexation against updated local market evidence wherever possible to further inform our assumptions and to be satisfied that the updated assumptions are realistic and market-facing. Full details of the approach adopted are provided in Section 7 of this report.

Structure

2.14. The remainder of this report is structured as follows:

- Section 3 – RICS Financial Viability in Planning: Conduct and Reporting (May 2019)
- Section 4 – Viability and Plan-Making
- Section 5 – Methodology
- Section 6 – Planning Policy Context
- Section 7 – Local Market Review and Viability Appraisal Assumptions
- Section 8 – Viability Assessment Results
- Section 9 – Conclusions and Recommendations
- Section 10 – Disclaimer

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

2.15. The outbreak of COVID-19, declared by the World Health Organisation as a "Global Pandemic" on the 11th March 2020, has and continues to impact many aspects of daily life and the global economy – with some real estate markets having experienced lower levels of transactional activity and liquidity. Travel, movement and operational restrictions have been implemented by many countries.

2.16. We continue to be faced with an unprecedented set of circumstances caused by COVID-19 and an absence of relevant/sufficient market evidence on which to base our judgements. Our advice is provided subject to this material uncertainty and a higher degree of caution should be attached to our advice than would normally be the case.

2.17. 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

2.18. This report has been prepared by:

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Date: August 2021

3. Financial Viability in Planning: Conduct and Reporting (1st Edition, May 2019) - RICS Professional Statement

3.1. 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 this financial viability assessment ('FVA'). We outline the most relevant standards and guidance within Sections 3 and 4 of this report.

RICS Professional Statement

3.2. This FVA has been prepared in accordance with the RICS Professional Statement *Financial Viability in Planning: Conduct and Reporting* (1st edition) (May 2019). This document sets out mandatory requirements on conduct and reporting in relation to FVAs for planning in England to demonstrate how a reasonable, objective and impartial outcome should be arrived at. It also aims to support the government's reforms to the planning process announced in July 2018 and any subsequent updates.

3.3. Sections 2.1 to 2.14 of the Professional Statement set out the fourteen mandatory reporting and process requirements for all FVAs prepared on behalf of, or by applicants, reviewers, decision-makers and plan-makers.

3.4. We confirm that this FVA has been carried out in accordance with Sections 2.1 to 2.14. The mandatory reporting requirements are set out under the sub-headings below and expanded on where relevant in this FVA.

Section 2.1: Objectivity, Impartiality and Reasonableness Statement

3.5. We confirm that this FVA has been carried out by RICS members who have acted with objectivity, impartially, without interference and with reference to all appropriate available sources of information.

3.6. We further confirm that the RICS members are suitably qualified practitioners and RICS Registered Valuers with sufficient skills, expertise and knowledge to provide a robust and objective FVA.

3.7. The RICS members have extensive experience in advising on FVAs across the North West and up-to-date knowledge of the planning system gained through previous viability experience and work alongside our local and national Planning Teams.

Section 2.2: Confirmation of Instructions and Absence of Conflicts of Interest

3.8. Our terms of engagement are appended to the rear of this report.

3.9. C&W's London Office are appointed by SSE to act in a consultancy/advisory capacity in relation to the Fiddlers Ferry Power Station site which forms one of the proposed site allocations in the emerging Local Plan. As part of our update to the LPVA, we are required to review a submitted indicative FVA prepared by Aspinall Verdi acting on behalf of SSE.

3.10. This involvement was fully disclosed to the Council who confirmed that they were happy for C&W to proceed with this instruction as it was deemed that there was no conflict of interest.

3.11. We do not consider that any conflict of interest, or risk of conflict of interest, arises as a result of the interests which we have disclosed. We therefore confirm that, to the best of our knowledge, no conflict of interest, or risk of conflict of interest, arises in preparing the advice requested. If any of the parties in this FVA identified a conflict of interest, we would immediately stand down from the instruction.

3.12. This FVA has been subject to additional requests made by the Council as follows:

- Additional sensitivity analysis of the Town Centre generic typologies, Fiddlers Ferry, Waterfront and Peel Hall site allocations.

3.13. When adopting the base viability assumptions for the Town Centre generic typologies, the Waterfront and Peel Hall, the results demonstrate that these allocations are not currently viable based on the full emerging policy requirements. The Council have therefore asked us to undertake further sensitivity testing of these typologies to identify reasonable circumstances under which each typology could reach a viable position.

3.14. We consider these requests to be reasonable and we have therefore undertaken the further sensitivity testing as detailed in Sections 8 and 9 of this report.

<u>Section 2.3: No Contingent Fee Statement</u>

3.15. In preparing this report, no performance-related or contingent fees have been agreed.

<u>Section 2.5: Confirmation Where the RICS Member is Acting on Area-Wide and Scheme-Specific Financial Viability Assessments</u>

3.16. We are not advising any party in relation to any site-specific FVAs in the Warrington district.

3.17. We are advising the following LPAs in respect of the area-wide FVA to assist in formulating policy in their emerging Local Plans:

- Wakefield Council
- South Tyneside Council
- Solihull Metropolitan Borough Council

3.18. We are also advising developers in respect of representations to the following area-wide FVAs:

- Halton Local Plan Viability Assessment
- Greater Manchester Spatial Framework Viability Assessment
- Salford Local Plan Viability Assessment
- Medway Local Plan Viability Assessment
- Blackburn Local Plan Viability Assessment

3.19. In addition, we have recently submitted representations in respect of the Viability Protocol Supplementary Planning Document published by Lancaster City Council.

3.20. Again, however, we do not consider that any conflict of interest, or risk of conflict of interest, arises as a result of the interests which we have disclosed.

Section 2.6: Justification of Evidence

3.21. All inputs into this FVA have been reasonably justified as explained in further detail throughout this report.

Section 2.7: Benchmark Land Value

3.22. We have assessed the benchmark land value ('BLV') in accordance with the requirements of Section 2.7 of the Professional Statement in that we have reported the following:

- Current Use Value (referred to as Existing Use Value (EUV))
- Premium
- Market evidence (as adjusted in accordance with the Planning Practice Guidance)
- All supporting considerations, assumptions and justifications adopted
- Alternative Use Value (as appropriate)

3.23. Full justification for the adopted BLVs is provided in this report.

Section 2.9: Sensitivity Analysis

3.24. A range of sensitivity analysis on the appraisal inputs are provided in Section 8 of this report. In formulating our conclusions and recommendations to the Council, we have adopted a rounded view and we have applied a viability judgement considering both the base results and the results of the sensitivity testing in accordance with the RICS Professional Statement.

Section 2.10: Engagement

3.25. We confirm that we have advocated, and will advocate reasonable, transparent and appropriate engagement between the parties at all stages of the viability process.

Section 2.11: Non-technical Summaries

3.26. A non-technical summary is provided at the beginning of this report which includes the key figures and issues that support the conclusions drawn from this FVA.

Section 2.14: Timescales

3.27. We confirm that adequate time has been allowed to produce this FVA having regard to the scope and scale of this particular project.

3.28. We further confirm that this FVA has been carried out in accordance with Section 4 – Duty of Care and Due Diligence of the Professional Statement and that full consideration has been given to the matters referenced in Section 4.

4. Viability and Plan-Making - National Policy Context

4.1. Further to the mandatory RICS reporting requirements, within this section of our report we summarise the other key national guidance pertaining to viability and how we have approached the LPVA in light of this guidance.

Policy Framework

4.2. The National Planning Policy Framework ('NPPF') (2012) established the importance of viability at the plan-making stage and the requirement for all LPAs to assess the viability of their Local Plan.

4.3. In Spring 2018, the Government published the following three documents for public consultation which were aimed at updating the viability in planning regime:

- Draft National Planning Policy Framework
- Draft Planning Practice Guidance for Viability ('PPGV')
- Supporting Housing Delivery Through Developer Contributions – Reforming Developer Contributions to Affordable Housing and Infrastructure

4.4. These documents set out the Government's recommended approach to viability testing and the key principles which should be considered when assessing viability at the plan-making stage.

4.5. Following public consultation, the revised NPPF and PPGV were published in July 2018 and have since been amended several times throughout 2019 to 2021. The key changes in national policy and guidance are detailed under the sub-headings below.

NPPF – A Focus on Plan Making

4.6. The policies in the revised NPPF evidence a shift in focus away from site-specific FVAs towards viability testing at the plan-making stage. The aim of the revised viability regime is to 'upstream' viability testing and make policy requirements known early on, so that the market can account for these requirements which should therefore limit the need for site-specific FVAs at the application stage. This places greater responsibility on LPAs to prepare robust viability assessments to inform realistic and achievable policy requirements in their Local Plans.

4.7. Paragraph 34 of the NPPF confirms that *'plans should set out the contributions expected from development. This should include setting out the levels and types of affordable housing provision required, along with other infrastructure (such as that needed for education, health, transport, flood and water management, green and digital infrastructure). Such policies should not undermine the deliverability of the plan'.*

4.8. Paragraph 58 further states that *'where up-to-date policies have set out the contributions expected from development, planning applications that comply with them should be assumed to be viable'.*

4.9. Paragraph 58 goes on to state that *'It is up to the applicant to demonstrate whether particular circumstances justify the need for a viability assessment at the application stage. The weight to be given to a viability assessment is a matter for the decision maker, having regard to all the circumstances in the case, including whether the plan and the viability evidence underpinning it is up to date, and any change in site circumstances since the plan was brought into force'.*

4.10. A key change in the NPPF is the removal of the requirement for 'competitive returns' to willing landowners and developers to enable sustainable development to come forward. Under the government's revised viability regime, the landowner return is now assessed on the basis of the 'minimum' return to incentivise the release of land for development as explained in further detail under the sub-heading below.

Planning Practice Guidance for Viability

4.11. The shift in focus to viability testing at the plan-making stage is enshrined in the PPGV which makes clear that the role for FVAs is primarily at the plan-making stage. By providing more certainty to developers from the outset regarding the scale of contributions that will be expected from development, the PPGV aims to limit the need for further viability testing at the application stage.

4.12. It is important to acknowledge that site-specific FVAs cannot be entirely eliminated as certain site-specific inputs, such as abnormal development costs, cannot be accurately defined at the plan-making stage.

4.13. Furthermore, the adopted assumptions in an area-wide FVA have to be sufficiently flexible to accommodate the range of typologies, locations, developer models, costs and values based on the sites which are likely to come forward for development throughout the plan period. It is not possible to reflect the circumstances of each and every site in a plan-wide study of this nature.

4.14. There is, therefore, a need to maintain sufficient flexibility in Local Plan policies so as to allow for site-specific FVAs at the application stage where justified based on site-specific circumstances.

4.15. The PPGV sets out the government's recommended approach and methodology for assessing viability at both the plan-making and decision-taking stages. The key aspects of the guidance are summarised under the sub-headings below.

Viability and Plan-Making

4.16. Paragraph 001 of the PPGV reiterates the requirements in the NPPF and states that *'plans should set out the contributions expected from development. This should include setting out the levels and types of affordable housing provision required, along with other infrastructure (such as that needed for education, health, transport, flood and water management, green and digital infrastructure).*

These policy requirements should be informed by evidence of infrastructure and affordable housing need, and a proportionate assessment of viability that takes into account all relevant policies, and local and national standards, including the cost implications of the Community Infrastructure Levy (CIL) and section 106.

Policy requirements should be clear so that they can be accurately accounted for in the price paid for land … Different requirements may be set for different types or location of site or types of development.'

4.17. This confirms that LPAs may set varying levels of affordable housing dependent on the typology, location or type of development.

4.18. Paragraph 002 is clear that the role for a viability assessment is at the plan-making stage and that it is the responsibility of plan makers in collaboration with the local community, developers and other stakeholders, to create realistic, deliverable policies.

4.19. The PPGV goes on to state that '*policy requirements, particularly for affordable housing, should be set at a level that takes account of affordable housing and infrastructure needs and allows for the planned types of sites and development to be deliverable, without the need for further viability assessment at the decision making stage'.*

4.20. It is emphasised multiple times throughout the PPGV that *'the price paid for land is not a relevant justification for failing to accord with relevant policies in the plan'* which landowners and site purchasers should consider when agreeing land transactions.

4.21. The new guidance therefore delivers a clear message that there is an expectation and responsibility on the part of site promoters to engage in the plan-making stage alongside other stakeholders and the local community so that plan makers can obtain evidence to ensure that the policies in plans are realistic and deliverable. This should be an iterative process during plan preparation (Paragraph 002).

Site Typologies and Strategic Sites

4.22. The PPGV places greater emphasis on the use of a typology approach to viability in order to ensure that the policies that come forward are realistic and deliverable, based on the types of site that are likely to be developed during the plan period.

4.23. Paragraph 003 states that not every site is required to be tested and plan makers can use site typologies to assess viability at the plan-making stage. Paragraph 004 advises that sites can be grouped into shared characteristics such as size, location and current use/proposed use or type of development, but the characteristics should reflect *'the nature of typical sites that may be developed within the plan area and the type of development proposed for allocation in the plan'.*

4.24. However, the PPGV advocates a different approach to Strategic Sites where a more detailed assessment is necessary. Paragraph 005 states that *'Plan makers can undertake site specific viability assessment for sites that are critical to delivering the strategic priorities of the plan. This could include, for example, large sites, sites that provide a significant proportion of planned supply, sites that enable or unlock other development sites or sites within priority regeneration areas.'*

4.25. Paragraph 006 advises that plan makers should engage with landowners, developers, and infrastructure and affordable housing providers to secure evidence on costs and values to inform viability assessment at the plan-making stage. It goes on to make clear that *'it is the responsibility of site promoters to engage in plan-making, take into account any costs including their own profit expectations and risks, and ensure that proposals for development are policy compliant. Policy compliant means development which fully complies with up to date plan policies.'*

Methodology

4.26. Paragraph 010 describes the principles for carrying out a viability assessment, stating that *'viability assessment is a process of assessing whether a site is financially viable, by looking at whether the value generated by a development is more than the cost of developing it. This includes looking at the key elements of gross development value, costs, land value, landowner premium, and developer return… viability helps to strike a balance between the aspirations of developers and landowners, in terms of returns against risk, and the aims of the planning system to secure maximum benefits in the public interest through the granting of planning permission.'*

4.27. The PPGV advocates the use of "standardised inputs" in preparing a viability assessment based on "average costs and values". Paragraphs 011 and 012 go on to define the gross development value ('GDV') and the development costs to include build costs, abnormal costs, site-specific infrastructure costs, the total cost of all relevant policy requirements, finance costs, contingencies and professional fees.

Benchmark Land Value

4.28. A key component of the viability assessment is the benchmark land value ('BLV'). The PPGV requires the use of the 'Existing Use Value Plus' ('EUV+ method') to establish the BLV. This represents a key shift from the former NPPF 2012 which set out a requirement for 'competitive returns' to the landowner as noted above.

4.29. Paragraph 013 provides further detail on the EUV+ method and confirms that *'BLV should be established on the basis of the existing use value (EUV) of the land, plus a premium for the landowner. The premium for the landowner should reflect the minimum return at which it is considered a reasonable landowner would be willing to sell their land. The premium should provide a reasonable incentive… for the landowner to sell land for development while allowing a sufficient contribution to fully comply with policy requirements.'*

4.30. Paragraph 014 sets out the factors which should be considered to establish BLV and states that the BLV should:

- *"be based upon EUV;*
- *allow for a premium to landowners (including equity resulting from those building their own homes); and*
- *reflect the implications of abnormal costs; site-specific infrastructure costs; and professional site fees".*

4.31. Paragraph 014 further states that *"existing use value should be informed by market evidence of current uses, costs and values. Market evidence can also be used as a cross-check of benchmark land value but should not be used in place of benchmark land value. There may be a divergence between benchmark land values and market evidence".* The PPGV also states that in plan-making, the landowner premium should be tested and balanced against emerging policies.

4.32. Existing use value is defined as the value of the land in its existing use (Paragraph 015). The PPGV makes clear that *'EUV is not the price paid and should disregard hope value.'*

4.33. The PPGV and other industry guidance do not provide definitive guidance regarding the determination of the landowner premium. This remains a difficult issue and requires professional judgement to ensure that the correct balance is struck between emerging policy requirements and the need to provide landowners with an acceptable return. This is reflected in Paragraph 016 of the PPGV which states that the process of defining the premium will be *'iterative… informed by professional judgement and must be based upon the best available evidence informed by cross sector collaboration'.*

4.34. Paragraph 016 further states that market evidence can be used in determining the premium. The PPGV advises that *'market evidence can include BLVs from other viability assessments. Land transactions can be used but only as a cross check to the other evidence. Any data used should reasonably identify any adjustments necessary to reflect the cost of policy compliance (including for affordable housing), or differences in the quality of land, site scale, market performance of different building use types and reasonable expectations of local landowners.'*

4.35. Paragraph 017 advises that alternative uses can also be used in establishing BLV. If alternative uses are considered, the PPGV states that *'these should be limited to those uses which would fully comply with up to date development plan policies, including any policy requirements for contributions towards affordable housing at the relevant levels set out in the plan'.*

4.36. Paragraph 017 further states that *'plan makers can set out in which circumstances alternative uses can be used. This might include:*

- *If there is evidence that the alternative use would fully comply with up to date development plan policies;*
- *if it can be demonstrated that the alternative use could be implemented on the site in question;*
- *if it can be demonstrated there is market demand for that use, and*
- *if there is an explanation as to why the alternative use has not been pursued.'*

4.37. If an alternative use valuation is adopted to define the BLV, the PPGV makes clear that this valuation includes the premium to the landowner so as to avoid any double-count (Paragraph 017).

Developer's Profit

4.38. Paragraph 018 then defines the return to developers and states that *'for the purpose of plan-making an assumption of 15-20% of gross development value (GDV) may be considered a suitable return to developers in order to establish the viability of plan policies… A lower figure may be more appropriate in consideration of delivery of affordable housing in circumstances where this guarantees an end sale at a known value and reduces risk.'*

4.39. It is important to note that the guideline profit range is exclusive of overheads. This was confirmed to us by Ms Harriet Fisher (Team Leader – Developer Contributions, Ministry of Housing, Communities and Local Government ('MHCLG')) who was part of the team monitoring the LPVAs, in an email dated 19th September 2019:

> *"As set out in the Planning Practice Guidance (PPG) on viability, for the purpose of plan-making an assumption of 15-20% of gross development value may be considered a suitable return to developers in order to establish the viability of plan makers. Plan makers may choose to apply alternative figures where there is evidence to support this. Alternative figures may be appropriate for different development types.*

Paragraph 12 of the PPG sets out costs to be considered separately to the return to the developer. The list of costs at paragraph 12 includes:

> *professional, project management, sales, marketing and legal costs incorporating* ***organisational overheads*** *[Ms Fisher's bold] associated with the site. Any professional site fees should also be taken into account when defining benchmark land value".* (Ms Harriet Fisher, MHCLG, 19th September 2019).

Education Provision

4.40. Paragraph 029 of the PPGV introduces new guidance on funding school places through developer contributions. The PPGV confirms that it is now government policy to transfer the responsibility for the funding of new school places away from central government and to place the onus on local government and the planning system to secure the necessary funding. This has been reinforced by new guidance from the Department of Education.

4.41. At the plan-making stage, Paragraph 029 advises that *'when considering viability it is recommended that plan makers and local authorities for education work collaboratively to identify which schools are likely to expand, and where new schools will be needed as a result of planned growth. It is important that costs and land requirements for education provision are known to inform site typologies and site-specific viability assessments, with an initial assumption that development will provide both funding for construction and land for new schools required onsite, commensurate with the level of education need generated by the development. The total cumulative cost of all relevant policies should not be of a scale that will make development unviable.'*

4.42. This new policy direction taken by the government may create competing tensions in respect of developer contributions as there is only a finite pot of money available from development to support the necessary contributions. There is a risk of creating competition between education on the one hand, and affordable housing and other necessary infrastructure e.g. health, on the other. It is important to reinforce that the total cumulative cost of policy requirements must not compromise the viability and deliverability of the Local Plan.

Accountability and Transparency

4.43. The PPGV places much greater emphasis on the importance of accountability and transparency in the viability process. It is expected that *'any viability assessment is prepared with professional integrity by a suitably qualified practitioner'* (Paragraph 020).

4.44. Paragraph 021 states that *'any viability assessment should be prepared on the basis that it will be made publicly available other than in exceptional circumstances. Even in those circumstances an executive summary should be made publicly available'.*

4.45. Practitioners are required to prepare an executive summary in accordance with the requirements of Paragraph 021 in order to present the data and findings of a viability assessment in a clear way. This is necessary to make the viability process and findings accessible to affected communities and to aid clear interpretation.

Other Viability Guidance

4.46. The NPPF and PPGV establish the overall framework and approach to assessing viability in both plan-making and decision-taking. There are a number of other relevant publications which provide guidance on viability testing as summarised below.

RICS Viability Guidance

4.47. In response to the updated NPPF and PPGV, the RICS has published two documents; the aforementioned RICS Professional Statement (May 2019) and the RICS Guidance Note: *Assessing Viability in Planning Under the NPPF 2019 For England* (March 2021).

4.48. The RICS Professional Statement sets out the mandatory FVA requirements on conduct and reporting as covered in Section 3. The RICS guidance note provides best practice and guidance for carrying out and interpreting the results of FVAs under the NPPF and PPGV.

4.49. We have had full regard to the relevant RICS guidance in preparing this FVA. It is noted, however, that despite the recent updates to the guidance, there still remains considerable ambiguity and subjectivity in terms of the approach to FVAs and the assessment of key inputs.

4.50. The most pertinent aspects of the guidance are summarised under the sub-headings below and expanded on where relevant in this report.

Application of the Red Book and Related RICS Guidance

4.51. The RICS guidance note confirms that FVAs are not valuations as such, but contains significant valuation content which are within the jurisdiction of the RICS Valuation – Global Standards ('the Red Book') and other RICS mandatory statements / professional guidance. All RICS members carrying out FVAs must therefore adhere to these provisions.

4.52. The RICS guidance note further advises that all FVAs for planning purposes are carried out under the NPPF / PPGV which is regarded as the 'authoritative requirement' in the Red Book. This means that the government's technical requirements on the assessment of viability take precedence over any other RICS professional statements and guidance, including any valuation-based requirements in the PPGV which take precedence over any other valuation basis or approach set out in the standards, however Red Book professional standards still apply.

4.53. RICS members undertaking FVAs for planning purposes must therefore adhere to:

- Statutory and other authoritative requirements (including the NPPF and the PPGV);
- The RICS Professional Statement *Financial Viability in Planning: Conduct and Reporting*; and
- PS 1 and PS 2 of the Red Book.

4.54. We confirm that we have complied with these requirements in preparing this FVA for planning purposes.

4.55. In respect of PS 1 and PS 2 of the Red Book, we acknowledge in summary the following points of compliance in respect of this FVA:

- This FVA is prepared for assessing the viability of development to assist with planning matters in terms of plan/policy making. The FVA therefore constitutes an exception from valuation technical and performance standards ('VPS') 1 – 5 of the Red Book, and is not a formal valuation;
- We confirm that all individuals who have contributed to this FVA have acted in accordance with the RICS Rules of Conduct and the RICS Global Professional and Ethical Standards;
- We have had full regard to the need to act independently and objectively at all times, in a professional and ethical manner free from any undue influence, bias or conflict of interest; and
- We collectively have sufficient professional qualifications, current knowledge of the relevant markets, and the experience, skills and understanding to undertake the FVA competently.

4.56. In accordance with the requirements of PS 2 of the Red Book relating to disclosures where the public has an interest, we confirm that:

- <u>Relationship with client and previous involvement in this specific asset or mandate:</u> C&W have previously provided viability advice to the Council and prepared the emerging LPVA in 2019 – 2020. This instruction is an update to the previous work.
- <u>Rotation policy</u>: C&W does not have a rotation policy applied to the production of FVAs.
- <u>Period of time as signatory</u>: C&W does not have a retained role with the Council in performing FVAs and as at the date of the engagement, C&W was instructed to prepare the area-wide study only.

4.57. The production of an FVA for planning purposes is excluded from VPS 1 – 5 of the Red Book under two of the identified exceptions; Performing a Statutory Function and Preparing to Act as an Expert Witness.

Viability Principles

4.58. As set out in the RICS guidance note, LPAs will have objectives to secure appropriate contributions from development to meet the community and infrastructure needs within their local area. The RICS guidance further states that other stakeholder expectations need to be considered as part of the viability process; namely developers who will expect to make a suitable return, and landowner expectations which are crucial in ensuring the voluntary release of land for development.

4.59. The purpose of an FVA is to estimate whether a proposed development, when accounting for policy compliant levels of developer contributions, can provide:

- A minimum reasonable return to the landowner (defined as the EUV plus a premium); and
- A suitable return to the developer.

4.60. If the FVA illustrates that the scheme is not viable with full policy requirements, the decision-maker will need to consider whether to adjust the developer contributions, having regard to all the particular circumstances in the individual case.

4.61. The RICS guidance (paragraph 2.3.14) advises that the decision-maker will need to:

> *"make their judgements bearing in mind the two major policy imperatives of ensuring maximum development contributions and the delivery of land for development".*

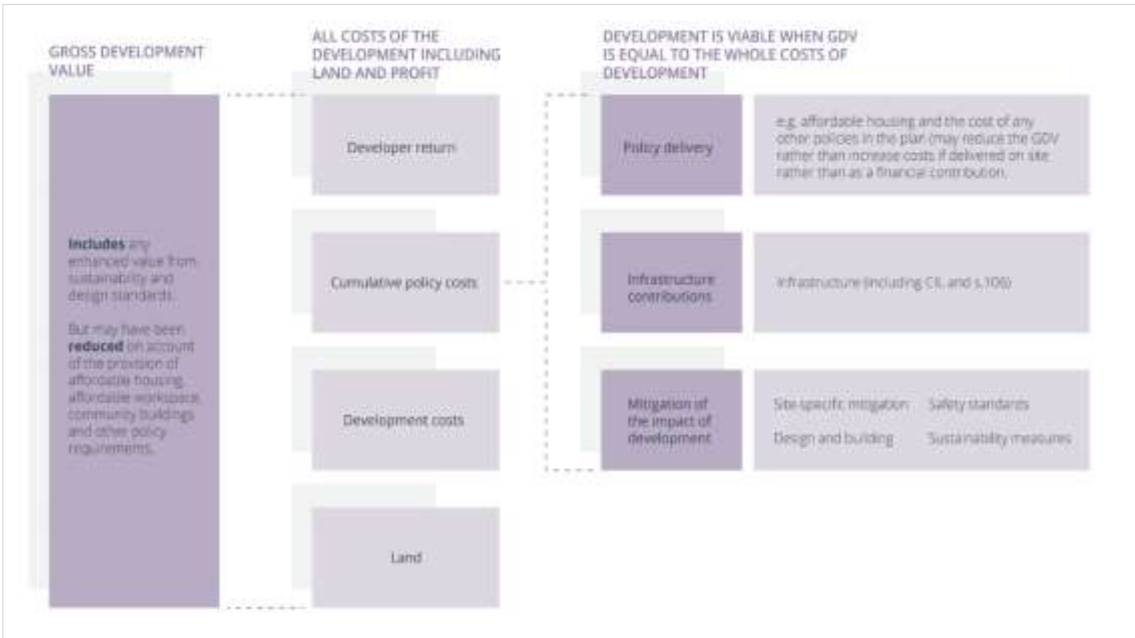
4.62. The RICS guidance (paragraph 2.4.6) further states that a proper understanding of viability is essential to ensure that:

- Land is realistically priced and released for development to achieve plan delivery;
- All reasonable costs of construction related to the development have been accounted for; and
- Developers can obtain appropriate market risk-adjusted returns for delivering development.

Viability Framework

4.63. The PPGV defines the FVA process at Paragraph 010 as detailed earlier in this section. The FVA process reflects a residual appraisal framework which is summarised in the diagram below and further explained in the *Valuation of Development Property* (October 2019) RICS guidance note:

Figure 4.1 – Viability Framework



Source: RICS Guidance Note *Assessing Viability in Planning Under the National Planning Policy Framework 2019 for England* (March 2021)

<u>FVA Methods and Inputs</u>

4.64. Section 4 of the RICS guidance note sets out the methods which can be adopted when preparing an FVA, based on two variations of the residual method; the basic residual and the discounted cash flow model.

4.65. Detailed guidance on the application on both variations is contained in the *Valuation of Development Property* (October 2019) RICS guidance note. The method utilised should be proportionate to the complexity of the site and the quality of evidence underpinning the inputs.

4.66. In preparing this FVA at the plan-making stage, we have adopted the basic residual approach which is a widely accepted methodology for assessing site viability at the plan-making stage, and also accords with the recommended approach in the PPGV.

4.67. The residual method involves subtracting the total development costs from the Gross Development Value ('GDV') to arrive at a residual land value. The land value is then compared to the BLV to determine the surplus or deficit position, and thus the viability of the site.

4.68. Where the residual land value exceeds the BLV, the scheme could be considered viable. If the residual land value is below the BLV, the scheme could be considered unviable.

Viability Testing in Local Plans (2012) ('The Harman Report')

4.69. The publication *Viability Testing in Local Plans – Advice for Planning Practitioners* (June 2012) (LGA/HBF – Sir John Harman) provides further guidance in respect of the viability testing at the plan-making stage. This document is often referred to as 'The Harman Report' across the industry.

4.70. Although somewhat dated, the Harman Report still provides useful advice in respect of the methodology for viability testing and suggested approaches to defining the various appraisal inputs. We have had regard to the key principals and recommendations in the Harman Report which are still relevant in preparing this LPVA.

Recent National Policy Developments

White Paper: Planning for the Future (MHCLG, August 2020)

4.71. In Autumn 2020, the government consulted on a White Paper: *Planning for the Future* and various supporting documents. The White Paper sets out the government's proposals for a "once in a generation" reform of England's planning system.

4.72. The White Paper is based around five core themes:

- Streamlining the planning process at the plan-making stage with the introduction of a 'zoning' approach and a shortened time period for preparing Local Plans;
- A digital-first approach to modernise the planning process;
- A greater focus on design and sustainability to promote high quality development;
- Reforming developer contributions to improve infrastructure delivery with a proposal to abolish CIL and S106 agreements; and
- Making more land available for the homes and development to support sustainable growth.

4.73. The government proposals under the White Paper which are particularly pertinent in respect of development viability include:

- The current system of CIL and S106 contributions will be reformed into a nationally set, value-based flat rate charge (the 'Infrastructure Levy');
- To be more ambitious for affordable housing provided through planning gain, and to ensure that the new Infrastructure Levy allows LPAs to secure more on-site housing provision;
- To give LPAs greater powers to determine how developer contributions are used, including by expanding the scope of the Levy to cover affordable housing provision to allow LPAs to drive up the provision of affordable homes; and
- To look to extend the scope of the consolidated Infrastructure Levy and remove exemptions from it to capture changes of use through permitted development rights, so that additional homes delivered through this route bring with them support for new infrastructure.

4.74. The consultation is ongoing and we understand that responses are still being reviewed. The government aims to minimise disruption to existing plans and development proposals by ensuring recently approved plans, existing permissions and any associated planning obligations can continue to be implemented as intended.

4.75. In addition, clear transitional arrangements for bringing forward new plans and development proposals are to be put in place as the new system begins to be implemented.

4.76. Whilst the government has set out its intentions to take forward the reforms into legislation, there are currently no details available at the time of drafting this report and there is still much uncertainty as to how the reforms will be implemented. As such, this LPVA has been undertaken in the context of the current NPPF and PPGV however the Council is advised to keep the proposed reforms under review.

First Homes

4.77. In February 2020, the government launched a consultation on First Homes as a new form of affordable housing. Further detail was published in the PPG in May 2021 on the implementation of First Homes which have to be accounted for from 28 June 2021 unless the transitional arrangements apply.

4.78. First Homes are defined as affordable housing which must meet the following criteria:

- Values are discounted by a minimum of 30% against market value;
- The property must be sold to a person or persons meeting the First Homes eligibility criteria; purchasers should be a first-time buyer and should have a combined annual income not exceeding £80,000 (or £90,000 in Greater London) in the tax year immediately preceding the year of purchase;
- On their first sale, First Homes will have a restriction registered on the title at HM Land Registry to ensure the discount and certain other restrictions are passed on at subsequent title transfer; and
- After the discount has been applied, the first sale must be at a price no higher than £250,000 (or £420,000 in Greater London).

4.79. It has been confirmed that First Homes are the government's preferred affordable home ownership product and should account for at least 25% of all affordable housing units delivered by developers through planning obligations.

4.80. The regulations allow developers of First Homes to obtain an exemption from the requirement to pay CIL.

Biodiversity Net Gain

4.81. The previous planning system did not provide a level playing field to deliver 'biodiversity net gain' which is defined as an overall increase in habitat area and/or quality following a new development. It is therefore considered necessary to intervene to secure a measurable improvement in habitat for biodiversity whilst streamlining development processes.

4.82. In March 2019, the government announced that new developments must deliver an overall increase in biodiversity. The forthcoming Environment Bill will be utilised to mandate biodiversity net gain. Based on the latest proposals, it is anticipated that all consented developments (with a small number of exceptions), will be required to provide 10% net gain when measured against a baseline position using the DEFRA metric.

4.83. Benefits of habitat creation are captured through private benefits perceived by residents living near greenspace. The benefits of the prevented loss of habitats will be realised immediately. Ways in which developers can satisfy this requirement include:

- Changing the spatial configuration of the site to retain more habitat
- Improving the condition or size of the woodland on site
- Finding a local site on which to enhance / create equal or more valuable habitat (possibly another of the developer's sites)
- Paying compensation (i.e. a tariff) to a habitat delivery body.

Future Homes Standard

4.84. Despite making considerable progress in reducing total emissions since 1990, the government recognises that more must be done to decarbonise all buildings. By improving energy efficiency and moving to cleaner sources of heat, carbon emissions can be reduced and energy costs kept down and in the future.

4.85. The government has accordingly set out its intentions to introduce the Future Homes Standard which is being implemented partly through changes to Part F (conservation and fuel power) and Part L of the building regulations, with full implementation due in 2025.

4.86. The Future Homes Standard consultation proposed that:

- From 2025, all new homes will have carbon emissions at least 75% lower than those built to current Building Regulations standards;
- Introducing the Future Homes Standard will ensure that the homes this country needs will be fit for the future, better for the environment and affordable for consumers, with low carbon heating and very high fabric standards; and
- All homes will be zero carbon ready and will become zero carbon over time as the electricity grid decarbonises, without the need for further costly retrofitting work.

4.87. Prior to implementation of the 2025 standard, as an 'interim' measure, the government has confirmed that the uplift to the Part L standards under Future Homes Standard Option 2 will be introduced in 2021, with effect from 2022. This will require a 31% reduction in CO_2 emissions from new homes compared to current standards, with all homes expected to meet the Future Homes Standard from 2025 (75-80% reduction in CO_2 emissions)[1].

[1] 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.

4.88. The enhanced energy efficiency requirements will represent an additional development cost for all new homes and will affect development over the plan period.

4.89. In terms of Part F, the government are making changes to ventilation standards to promote good indoor air quality and to ensure homes are healthy for occupants.

Proposed Changes to Shared Ownership

4.90. In September 2020, the government announced various changes to the structure of the Shared Ownership tenure including reducing the minimum initial equity share and the minimum staircasing increments.

4.91. These changes will make Shared Ownership more accessible for lower income households and reduce ongoing housing costs. However, the changes will increase the cost of providing and managing Shared Ownership properties for Registered Providers (‘RPs’).

4.92. A summary of the three major changes is provided in the table below:

Shared Ownership Model – Key Changes

	Before Change	After Change
Minimum Initial Equity Share	25%	10%
Minimum Staircasing Increment	10%	1%
Repairs and Maintenance	Resident Pays	RP pays for the first 10 years, then the resident

4.93. In addition to these changes, the re-sale process is also being reformed. If a resident wishes to sell their property, the RP would have previously had 8 weeks to find a buyer from their waiting lists before the property can go onto the open market. The reforms will change the rules to speed up the process, giving the RP 4 weeks to sell.

5. Methodology

5.1. Within this section of the report, we first outline the existing available evidence which we have relied on in preparing this LPVA before defining the methodology which we have adopted for the viability testing.

Existing Available Evidence

5.2. The Council previously commissioned BNPPRE to undertake a viability assessment of the emerging Local Plan in 2018. BNPPRE produced a draft '*Local Plan Viability Testing – Appraisal Inputs*' document which was subject to stakeholder consultation in 2018, following which BNPPRE published their final draft LPVA in March 2019 which was again subject to stakeholder consultation.

5.3. We have undertaken a review of all consultation responses received by BNPPRE and the Council in 2018 and 2019 which is summarised at Appendix 1.

5.4. Having reviewed the final draft LPVA and the stakeholder feedback, it is evident that there were a number of reasonable assumptions adopted by BNPPRE. Accordingly, in preparing this updated LPVA, we have carried forward elements of BNPPRE's previously adopted approach, assumptions and evidence base where appropriate. We have however sought to supplement these aspects of the assessment with additional and/or up-to-date evidence where necessary in order to ensure a robust and market-facing LPVA.

5.5. Although some assumptions were considered reasonable, there were several shortcomings identified in the BNPPRE viability assessment which led the Council to instruct C&W to prepare a refreshed LPVA. We have considered the stakeholder comments as summarised at Appendix 1 and we have utilised our own extensive market experience in determining appropriate assumptions for the viability appraisal inputs.

Methodology

5.6. In preparing this LPVA, we have adopted a methodology which accords with the requirements of the revised NPPF and PPGV. We have also had regard to the key principles in other relevant industry guidance as detailed in Section 4, as well as the methodology previously adopted by BNPPRE in their LPVA (March 2019) and other area-wide FVAs across the North West which have been found sound at Examination.

5.7. The PPGV makes clear that not every site is required to be tested at the plan-making stage and plan makers can use site typologies for testing the viability of the emerging plan. However, key strategic sites can and should be tested individually to reflect the specific circumstances of these sites. We have followed this guidance in preparing this LPVA.

5.8. The adopted methodology, as summarised in Figure 5.1, includes the following key tasks:

- Review of BNPPRE LPVA (March 2019) to establish the robustness of the previously adopted approach and assumptions, and which elements of the previous assessment could be carried forward. This includes a review of the typologies and the assumed hypothetical schemes tested in the previous LPVA;

- Review of previous consultation responses to the BNPPRE LPVA to identify key issues raised by stakeholders;

- Review of emerging Local Plan policies to 'screen' those policies which are likely to have a direct impact on development costs and viability, and therefore require testing;

- A local market assessment, to identify different value areas across Warrington and to profile the economics of development within the district (i.e. costs, rents/capital values and other relevant development appraisal assumptions);

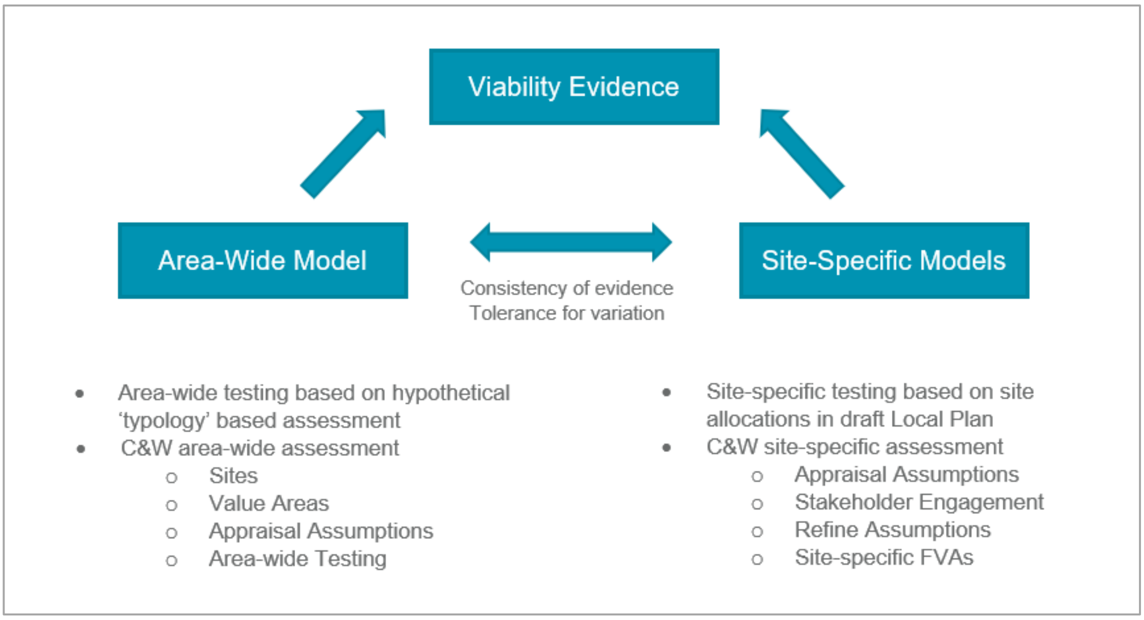
- Engagement and consultation with stakeholders and developers, including Strategic Site stakeholders, to test and refine the development appraisal assumptions;

- Area-wide viability modelling and assessment of the assumed schemes, including sensitivity analysis;

- Site-specific viability assessments (using Argus Developer software) of the allocated sites identified within the emerging Local Plan, including sensitivity analysis; and

- Interpretation of results, recommendations to the Council and development of policy implications for the Local Plan.

Figure 5.1: Cushman & Wakefield Methodology for Preparing Viability Evidence



5.9. Below we set out the specific methodology adopted for the area-wide testing and the site-specific assessments of the allocated sites.

Cushman & Wakefield Area-Wide Viability Model

5.10. C&W have developed a viability model for the purposes of the area-wide testing of the generic typologies. The model involves the analysis of a selection of hypothetical development schemes which reflect the types of site and range of circumstances in which development is anticipated to come forward across the Warrington district throughout the plan period.

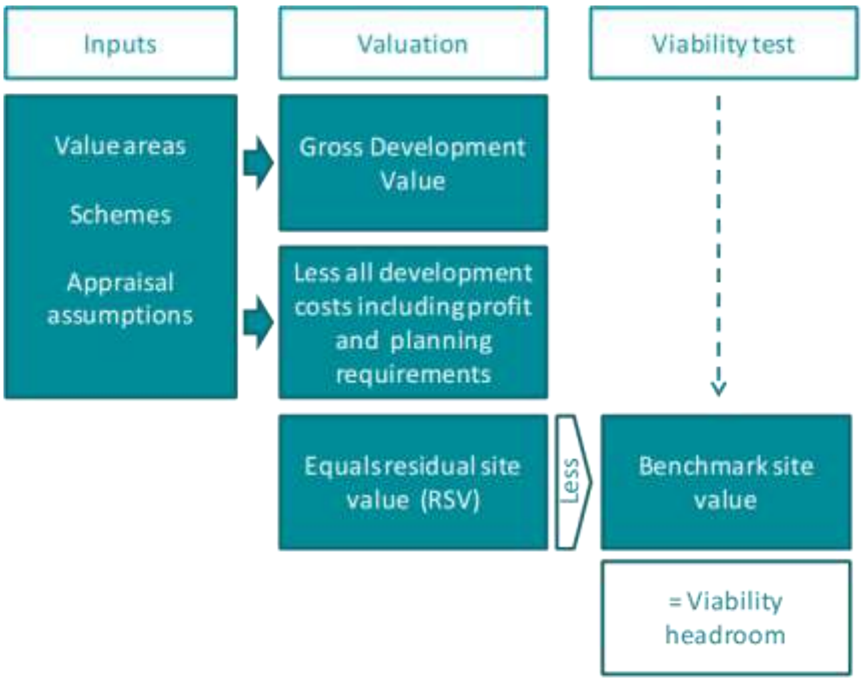
5.11. The model is based on a residual appraisal methodology in accordance with national planning guidance and RICS guidance. This is a recognised methodology which is widely utilised for viability testing at both the plan-making and decision-taking stages.

5.12. We have developed an Excel spreadsheet-based economic viability model that allows a number of development sites to be assessed. The model also enables sensitivity testing of key variables to assess the impact on the viability position should any of the assumed inputs change.

5.13. The adopted approach and testing methodology is set out below and visually summarised in Figure 5.2:

- Determination of residential value areas, development schemes and viability assumptions;
- Residual appraisal undertaken for each scheme. This involves subtracting the total development costs from the Gross / Net Development Value to arrive at a residual land value for each site. The appraisal includes provision for affordable housing, planning policy requirements and S106 contributions as inputs;
- The residual land value is then compared to the BLV to determine the viability 'headroom'.

Figure 5.2: Area-Wide Viability Testing Methodology



5.14. In using the residual appraisal methodology, it is important to note that the residual output is very sensitive to minor changes to the appraisal inputs. In addition, due to the nature of the generic testing which is undertaken on an area-wide basis, it is not possible to capture the full range of costs and values for every site in Warrington. It is inevitable that the actual costs and values for some sites will differ from those assumed in this study.

5.15. It is also acknowledged that we have adopted a somewhat conservative position in respect of some of the appraisal inputs, taking into account both stakeholder feedback and so as to not test the margins of viability at the plan-making stage.

5.16. Furthermore, this LPVA is based on present-day costs and values in accordance with standard industry practice for viability testing. Market conditions can change significantly over short time periods particularly when considering the current market uncertainty relating to the COVID-19 pandemic, and the Local Plan itself covers development in Warrington over a 20-year timeframe. As such, costs and values will inevitably change over the plan period.

5.17. Therefore, whilst we believe that our adopted assumptions are appropriate for the purposes of an area-wide FVA as at the date of this assessment, it is important to undertake sensitivity analysis to assess the potential impact on viability should key inputs change.

5.18. This approach accords with the mandatory requirements in the RICS Professional Statement *Financial Viability in Planning: Conduct and Reporting* and recommended best practice. The sensitivity analyses are covered in more detail in Section 8 of this report.

5.19. In formulating our conclusions and recommendations to the Council, we have adopted a rounded view and we have applied a viability judgement considering both the base results and the results of the sensitivity testing in accordance with the RICS Professional Statement. We also suggest that the Council have regard to actual development 'on the ground' as well as the results of this study to support a holistic assessment of viability.

Site Allocations – Site-Specific Viability Assessments

5.20. As well as the area-wide generic typology testing, we have undertaken site-specific assessments of the proposed site allocations which are crucial to the delivery of the required housing over the plan period.

5.21. The allocated sites are split between large-scale 'Main Development Areas' and smaller 'Outlying Settlements' as shown below:

Site Allocations

Main Development Areas	Outlying Settlements
• South East Warrington Urban Extension • South East Warrington Employment Location • Fiddlers Ferry • Waterfront • Peel Hall	• Croft • Culcheth • Hollins Green • Thelwall Heys • Lymm – Rushgreen Road • Lymm – Warrington Road • Winwick

5.22. Further details on the development proposals for each site allocation are provided in Section 7 of this report.

5.23. The methodology adopted for the site-specific testing largely mirrors that adopted for the area-wide testing with the exception of the cash flow model utilised to run the appraisals. For the site-specific assessments, we have utilised the Argus Developer software which is a recognised industry model that is widely utilised by practitioners to ensure a rigorous and consistent approach to the cash flow modelling.

Preparation of Financial Viability Assessment Assumptions

5.24. Our first activity in preparing the LPVA assumptions in our original update to the LPVA in 2019 / 2020 was to review BNPPRE's previously adopted assumptions in their LPVA (March 2019) and the stakeholder consultation responses received by BNPPRE and the Council in 2018 and 2019.

5.25. From this review, we identified key issues associated with the BNPPRE assumptions and the main comments and concerns raised by stakeholders as summarised at Appendix 1.

5.26. We then commenced local residential and commercial market analysis to obtain up-to-date evidence to further inform the revised appraisal assumptions. We also engaged with the stakeholders of the Main Development Areas to obtain site-specific evidence relevant to each allocation and to assist in refining the assumptions for these sites.

5.27. Where site promoters provided us with assumptions for the FVAs of the allocated sites, we reviewed these assumptions to ensure that the proposed appraisal inputs were robust and market-facing. We suggested adjustments where appropriate in consultation with the site promoter.

5.28. Following consideration of stakeholder comments and analysis of the local market, we prepared draft development appraisal assumptions for the area-wide and site-specific FVAs which we consulted on in January 2020.

5.29. A 'Consultation Summary Note' together with the draft appraisal assumptions were issued to stakeholders for comment on 13th January 2020 with three weeks provided for responses. The consultation documents were issued to all stakeholders who are promoting a site which is proposed to be allocated in the emerging Local Plan.

5.30. The consultation was used to test and refine the approach to the LPVA and the assumptions behind the viability modelling. The Council invited consultees to put forward their views on the draft assumptions together with evidence to substantiate any alternative suggestions. Seven responses were received from:

- RPC Planning
- Aspinall Verdi
- Grasscroft Development Solutions
- Homes England
- Gladman
- Satnam Planning Services
- Turley

5.31. The responses to the consultation have been reviewed by C&W and the Council. A summary of the key issues / concerns raised by stakeholders and the C&W / WBC responses to address each issue is provided at Appendix 2. All comments have been considered in shaping and finalising the assumptions presented in Section 7 of this report. Amendments to the draft assumptions have been made where considered appropriate and justified based on the stakeholder comments.

<u>2021 Update</u>

5.32. As part of this 2021 update to the LPVA, we have re-consulted with promoters of the strategic site allocations to further sense-check the adopted assumptions. We have also updated the local market evidence wherever possible to inform the updated testing assumptions as detailed in Section 7.

6. Planning Policy Context

6.1. Within this section of the report, we summarise the emerging Local Plan policies which may impact on development viability and therefore necessitate specific consideration within the LPVA.

6.2. The policies assessed in this section form part of the emerging Proposed Submission Version of the Warrington Local Plan and as such they are not currently adopted.

Emerging Warrington Local Plan

Policy DEV2 – Meeting Housing Needs

6.3. This policy sets out that in residential developments of 10 dwellings or more, or on sites greater than 1,000 sq m, affordable housing will be required to be provided at 20% on sites within Inner Warrington (inclusive of the Town Centre) and at 30% elsewhere in the Borough, and on all greenfield sites irrespective of their location. All affordable housing should be provided on-site unless exceptional circumstances justify off-site provision.

6.4. In respect of affordable tenure mix, affordable home ownership should be provided to the equivalent of 10% of the total number of homes within the development in accordance with the NPPF (Paragraph 065).

6.5. Policy DEV2 further states that First Homes must account for at least 25% of all affordable housing units delivered through planning obligations. The balance of affordable housing should be provided for Affordable Rent or Social Rent. First Homes must be discounted by a minimum of 30% of open market value ('OMV'), with the Council proposing to increase the discount to 40% south of the Manchester Ship Canal, having regard to the nationally set cap of £250,000 (post-discount).

6.6. The exception to these tenure requirements is 'build to rent' ('BTR') schemes where all affordable housing should be rented accommodation.

6.7. A lower proportion of affordable housing and/or different tenure split will be permitted where it can be clearly demonstrated that the required provision would render the development unviable, or where there is clear evidence from an RP that an alternative tenure composition is required to ensure a development is deliverable.

6.8. The policy also includes provision for housing type and tenure as well as details on housing for older people. The policy states that residential development should provide a mix of different housing sizes and types and should be informed by the Borough-wide housing mix monitoring target.

6.9. In respect of unit sizes, the Council will seek to provide dwellings that are appropriately sized and arranged to create well designed homes in accordance with Nationally Described Space Standards ('NDSS').

6.10. As part of the optional standards set out in the policy, the Council will seek that, as a minimum, all new homes should be provided to Building Regulation Standard M4(2) 'Accessible and Adaptable dwellings'.

6.11. The Council will also seek that 10% of new housing meets Building Regulation Standard M4(3) 'Wheelchair user dwellings' i.e. designed to be wheelchair accessible, or easily adaptable for residents who are wheelchair users.

6.12. In residential schemes of 10 or more dwellings, provision should be made to accommodate the needs of older people. The nature of this provision will be determined on a scheme by scheme basis.

6.13. The Council should also ensure that there is a sufficient supply of plots for self-build and custom-build housing to meet the identified need on the Council's register.

Policy INF1 – Sustainable Travel and Transport

6.14. This is a broad policy which aims to improve the transport network and promote sustainable transport. The policy requires developments to provide infrastructure for the charging of plug-in and other ultra-low emission vehicles, in line with the Council's Parking Standards SPD. The SPD requires all dwellings with dedicated parking to have an electric car charging point.

6.15. In addition, the policy requires development to mitigate its impact(s) or improve the performance of Warrington's Transport Network, including the Strategic Road Network, by delivering site-specific infrastructure to support the proposed level of development.

6.16. The policy also sets out general requirements for promoting sustainable transport options, tackling congestion, reducing the need to travel by private car and increasing accessibility through improvements and the provision of new infrastructure. Where appropriate, the Council will consider the use of planning conditions or planning obligations to secure the required improvements.

Policy INF3 – Utilities and Telecommunications

6.17. This policy requires developers to demonstrate that engagement has taken place with statutory undertakers for all development proposals, and for developers to provide a strategy for connections to or delivery of the required infrastructure.

6.18. Developers will be required to work with the Council to take into account the need to future proof development to accommodate emerging technologies.

6.19. On large development sites or sites being brought forward on a phased basis, developers will be required to ensure that the delivery of infrastructure is guided by a site-wide strategy which ensures coordination between phases of development and/or different developers.

Policy INF4 – Community Facilities

6.20. This policy states the Council will require the provision of new social and community infrastructure where a development would increase demand for it beyond its current capacity or generate a newly arising need. This facility should be provided close to where the need arises or in locations with good accessibility.

Policy INF5 – Delivering Infrastructure

6.21. This policy sets out that the Council will seek planning obligations where development creates a requirement for additional or improved services and infrastructure and/or to address the off-site impact of development so as to satisfy other policy requirements. Planning contributions may be sought to fund a single item of infrastructure or to fund part of an infrastructure item or service. Contributions will be secured in line with the Council's Planning Obligations SPD.

6.22. Obligations will be negotiated on a site-by-site basis and the Council will only consider the viability of development proposals at the planning application stage where the criteria in Part 6 of the policy are satisfied.

6.23. If planning permission is granted for development where it has been demonstrated that it is not viable to provide the full planning obligation requirements, a review mechanism will be included in the S106 Agreement to ensure that additional contributions are secured should viability improve over time.

Policy DC1 – Warrington's Places

6.24. This is another broad policy which aims to secure high quality design and protect Warrington's historic, cultural, built and natural assets. In respect of Inner Warrington, development in this area will be required to contribute towards improvements in many elements of place including the public realm, access to services and infrastructure, as well as provide a range of housing tenures, types, sufficient affordable housing and include high quality design.

Policy DC3 – Green Infrastructure

6.25. This policy sets out the Council's approach to protecting, enhancing and extending the borough's green infrastructure which includes working with partners to secure a net gain in biodiversity, to expand tree cover and to help adapt to flood risk.

6.26. The policy requires that all development proposals affecting green infrastructure should meet six criteria including protecting and improving the quality of existing green infrastructure, securing new green infrastructure to cater for anticipated increases in demand arising from development, and providing long term management arrangements for such infrastructure within development sites.

6.27. Where a loss of, or negative impact on green infrastructure is unavoidable, replacement or mitigation measures should be provided which should seek to secure a net gain in biodiversity assessed against the latest version of the DEFRA metric.

Policy DC5 – Open Space, Outdoor Sport and Recreation Provision

6.28. This policy seeks that new development secures a contribution for the provision of open space, sport and recreation provision. The contribution should be equal to the need generated by the proposals. The policy applies to all existing sites and facilities that have an open space/recreational use or value.

6.29. In determining the nature of new or improved provision, the Council will be guided by the evidence base which includes; the Open Space Audit; Sports Facilities Strategic Needs Assessment; Playing Pitch Strategy and associated Action Plans.

Policy DC6 – Quality of Place

6.30. This policy requires good design to be at the core of all development proposals. Proposals should have regard to principles including design and layout; materials; movement and accessibility; energy efficiency; and security.

Policy ENV2 – Flood Risk and Water Management

6.31. This policy sets out that sustainable water management measures must be integrated into developments to reduce flood risk across the Borough and to avoid adverse impacts on water quality and quantity.

6.32. Development proposals will be expected to mitigate on site for any increased flood risk from any source as well as reduce run-off rates to the natural discharge rate on greenfield sites and a reduction of at least 30% on previously developed land (rising to 50% in Critical Drainage Areas).

6.33. Development proposals will be expected to incorporate sustainable drainage systems, with a preference for infiltration based systems, followed by surface level systems. Approved schemes will be expected to be supplemented by appropriate maintenance and management regimes.

6.34. Any large-scale phased development proposals should have a wider holistic drainage strategy for the entire site and infrastructure should be sized to accommodate flows from interconnecting phases.

Policy ENV7 – Renewable and Low Carbon Energy Development

6.35. This policy states that proposals for new development for housing, employment or other uses will be required to minimise carbon emissions.

6.36. Major residential development (11 units or more) in all locations outside of the strategic allocations will be required to meet at least 10% of their energy needs from renewable and/or other low carbon energy source(s).

6.37. Major commercial/employment development (gross internal floor area of 1,000 sqm or more or a site area of 1 hectare or more) in all locations outside of the strategic allocations will be required to minimise carbon emissions and demonstrate what energy efficiency measures and/or low carbon technologies have been considered.

6.38. In the strategic housing and employment allocations, the Council will seek to reduce carbon emissions and maximise opportunities for the use of decentralised energy systems that would use or generate renewable or other forms of low carbon energy.

6.39. In these locations, all development will be required to establish, or connect to an existing, decentralised energy network unless this is shown not to be feasible or viable, in which case development will be required to;

a. make provision to enable future connectively in terms of site layout, heating design and site-wide infrastructure design; and

b. to ensure that at least 10% of their energy needs can be met from renewable and/or other low carbon energy source(s).

Policy ENV8 – Environmental and Amenity Protection

6.40. This policy covers principles for general amenity protection in Warrington. Where development is considered appropriate but may still have environmental impacts, the Council will consider the use of conditions or planning obligations to ensure any appropriate mitigation or compensatory measures are secured.

Summary

6.41. This ‘screening exercise’ has identified a number of policies which impose specific standards and/or requirements on new development which therefore require viability testing. These standards are tested in both the area-wide viability modelling and site-specific viability appraisals and our assumptions are set out in Section 7 of this report.

6.42. As well as the area-wide strategic planning policies for the Warrington borough, the emerging Local Plan also includes specific policies for each site allocation which cover the detailed infrastructure and policy requirements directly related to that site (policies MD1 – MD5 and OS1 – OS7). We have accounted for the relevant site-specific policy requirements which would impact on viability when preparing the assessments for the allocated sites as detailed in Section 7.

7. Development Typologies and Viability Appraisal Assumptions

7.1. Within this section of the report, we define the development typologies and the assumptions adopted in the draft testing. The assumptions take into consideration the views of stakeholders who engaged in the previous consultations on the BNPPRE LPVA and the C&W draft appraisal inputs.

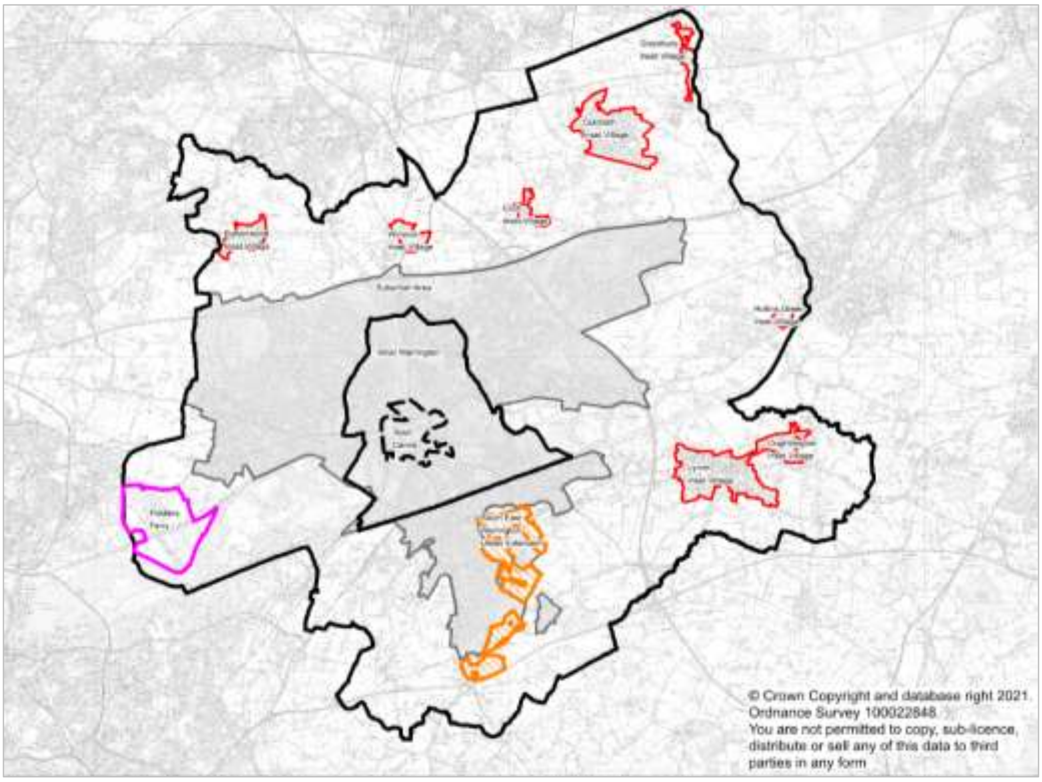
Development Typologies

7.2. In BNPPRE's previous LPVA (2019), 24 development typologies were appraised comprising 11 generic typologies and 13 site allocations. The typologies were formulated in dialogue with the Council who identified a selection of representative generic typologies and key site allocations based on sites identified in the Council's Strategic Housing Land Availability Assessment (2018).

7.3. The Council considers that the generic typologies and site allocations are representative of the types of site that are likely to come forward for development in the different locations across Warrington throughout the plan period, and are therefore suitable for the purposes of testing the viability of emerging Local Plan policies. Stakeholders did not raise any issues in respect of the range and locations of typologies to be tested during the consultation periods.

7.4. The generic typologies are grouped into four spatial 'zones' across the district as shown on the map overleaf (Figure 7.1). The four zones comprise the Town Centre, Inner Warrington, Settlements and Suburbs. Based on our market analysis and local market knowledge, we have assumed different value areas within these zones where appropriate to reflect the value profiles within each zone. This is explained in further detail in the 'Residential Market Overview' sub-section later in this report.

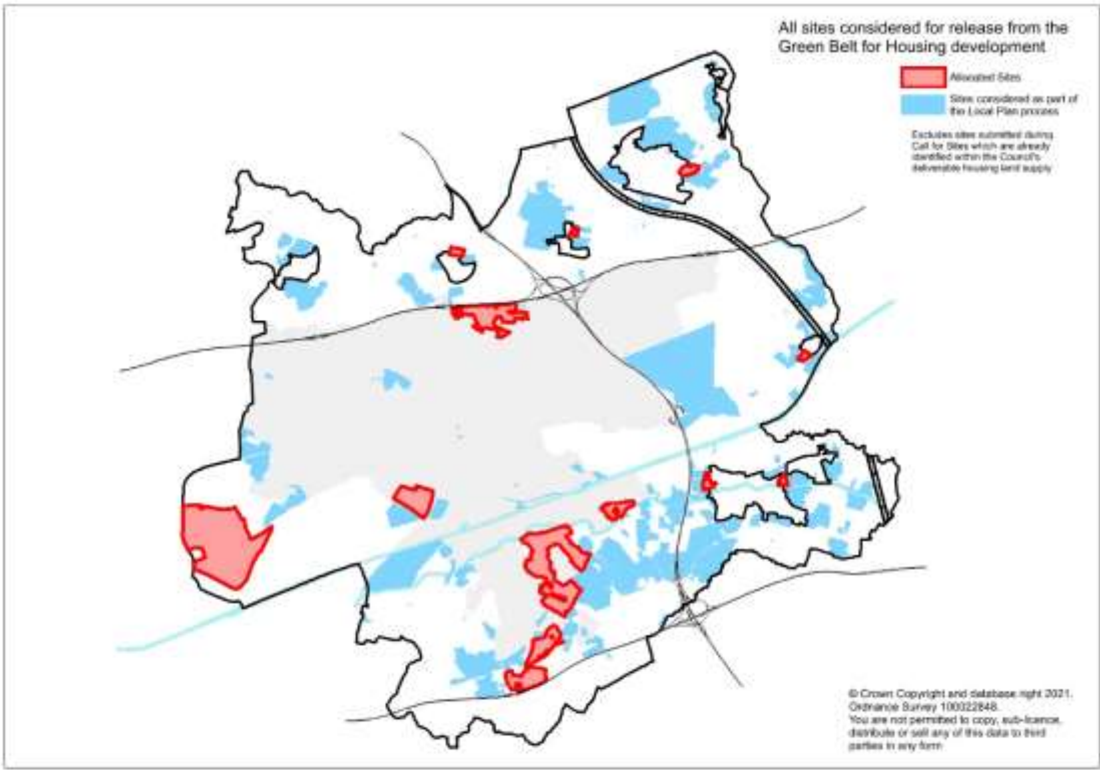
Figure 7.1: Map of Generic Typology Spatial Boundaries

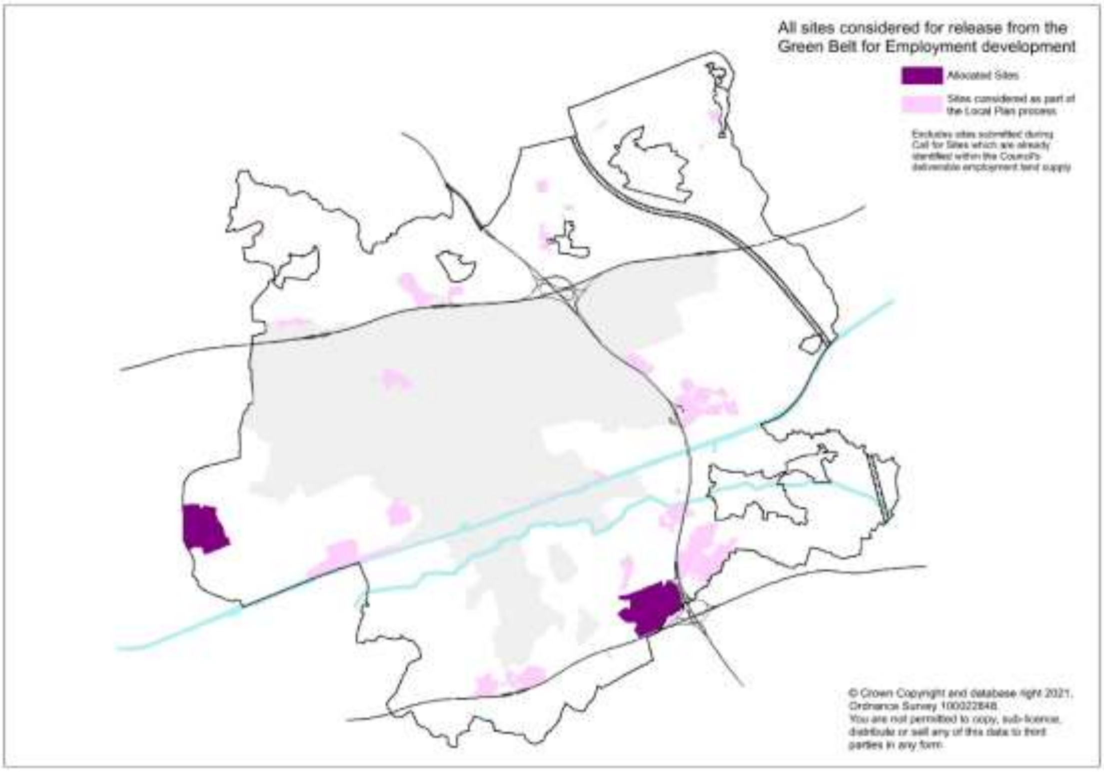


Source: Warrington Borough Council
(Note: Settlements are listed as 'Inset Villages')

7.5. The maps below (Figure 7.2) identify the locations of the allocated sites to be tested in this study. The blue / pale purple shading represents all sites submitted to the Council as part of the Local Plan process, with the selected residential site allocations demarcated in red and the selected employment site allocations demarcated in dark purple. There have been some changes to the site allocations when compared to the BNPPRE LPVA and our original update in late 2019 / early 2020.

Figure 7.2: Maps of Site Allocations





Source: Warrington Borough Council

7.6. For each generic typology and site allocation, the Council have assessed the site sizes and indicative capacity, suitability and availability for development, likely policy requirements and indicative delivery trajectory.

7.7. The largest site allocations (Main Development Areas) will provide in excess of 1,000 residential units. These sites will therefore come forward in phases throughout the plan period where individual development parcels may typically comprise approximately 250 – 300 units.

7.8. For the purposes of our assessment, we have appraised the Main Development Areas based on a hypothetical scheme comprising 300 units in order to reflect a likely profile of delivery at these sites over the plan period. It is acknowledged that each actual parcel size / phase can and will differ however stakeholder responses to the January 2020 consultation confirmed that the adopted approach is regarded as reasonable at this stage of the plan-making process.

7.9. In addition, within the Main Development Areas, there is smaller-scale retail development proposed as well as the residential development and employment development in the case of the South East Warrington Employment Location and Fiddlers Ferry.

7.10. According to the emerging Local Plan, Peel Hall, Waterfront and Fiddlers Ferry will include a Local Centre and the South East Warrington Urban Extension will include three Local Centres. We have been advised by the Council that the Local Centres are likely to include a mix of convenience and high street retail, with a supermarket also likely to be included in one of the South East Warrington Urban Extension Local Centres. We have included these uses within our appraisals of the relevant sites.

7.11. We further note that planning permission for 64 units was granted on part of the land within the Lymm – Rushgreen Road allocation in September 2018. Accordingly, the Council have reduced the total unit numbers for this allocation from 200 to 136.

7.12. For the selection of site typologies in the area wide model, we have relied on the information provided by the Council as regards to the type of development that is planned and likely to come forward over the Plan period, and which reflect the characteristics of groups of sites identified in the proposed land supply.

7.13. The table below summarises the assumed development typologies which have been tested in this LPVA:

Summary of Development Typologies

Typology	Gross Site Area (Hectares)	Indicative Total Unit Numbers	Total Retail Floorspace (sq. m.)	Total Employment Floorspace (sq. m.)	Site Type
Generic Typologies					
Town Centre 1	0.07	10	-	-	Brownfield
Town Centre 2	0.18	50	-	-	Brownfield
Town Centre 3	0.52	250	-	-	Brownfield
Inner Warrington 1	0.25	10	-	-	Brownfield
Inner Warrington 2	1.04	50	-	-	Brownfield
Inner Warrington 3	5.18	250	-	-	Brownfield
Suburb 1	0.28	10	-	-	Brownfield
Suburb 2	1.35	50	-	-	Brownfield
Suburb 3	6.75	250	-	-	Brownfield
Settlement 1	0.28	10	-	-	Brownfield
Settlement 2	1.44	50	-	-	Brownfield
Site Allocations					
South East Warrington Urban Extension	252.21	4,200	4,500	-	Greenfield
South East Warrington Employment Location	136.80	-	-	460,309	Greenfield
Fiddlers Ferry	322.39	1,760	500	374,916	Greenfield
Waterfront	35.59	1,335	500	-	Greenfield
Peel Hall	61.07	1,200	1,000	-	Greenfield
Thelwall Heys	20.10	310	-	-	Greenfield

Typology	Gross Site Area (Hectares)	Indicative Total Unit Numbers	Total Retail Floorspace (sq. m.)	Total Employment Floorspace (sq. m.)	Site Type
Croft	3.50	75	-	-	Greenfield
Culcheth	8.80	200	-	-	Greenfield
Hollins Green	4.20	90	-	-	Greenfield
Lymm – Rushgreen Road	4.10	136	-	-	Greenfield
Lymm – Warrington Road	7.26	170	-	-	Greenfield
Winwick	6.00	130	-	-	Greenfield

Assumed Hypothetical Scheme Characteristics

7.14. For each of the generic typologies and the site allocations, we have assumed a hypothetical residential scheme based on market-facing assumptions in respect of site densities, housing mix and unit sizes. The assumed schemes are aimed at providing a mix of different housing sizes and unit types in accordance with emerging Policy DEV2.

7.15. In determining the assumptions, we have utilised our local market knowledge and we have reviewed consented new build schemes in Warrington to understand the type of development that has been, and will be delivered across the district. This analysis is important to ensure that the assumed scheme characteristics are market-facing and broadly aligned with local market delivery.

7.16. As at the time of data collection as part of our original update to the LPVA in late 2019 / early 2020, there were a relatively small number of recent new build developments in Warrington, particularly in the southern area of the district which is typically characterised by higher value residential markets.

7.17. We therefore reviewed consented new build schemes in other higher value markets in neighbouring authorities to obtain further evidence to inform our assumptions. We have since updated this evidence for the purposes of the 2021 update and our analysis of consented new build developments is attached at Appendix 3.

7.18. As the analysis demonstrates, there is some variation across the new build developments in respect of site density, site coverage, unit mix and unit sizes, meaning that it is not possible to always fully align with this evidence. We have however considered the range of scheme characteristics in informing our assumptions.

7.19. We have also had regard to the borough-wide housing mix monitoring target as set out in Table 3 of the emerging Local Plan, the minimum site densities in the relevant Local Plan policy for each site allocation and the stakeholder comments on the assumed scheme characteristics issued for consultation.

7.20. We note that the emerging Local Plan includes a requirement for residential development to be built to NDSS (Policy DEV2). For the purposes of this testing, the assumed unit sizes therefore meet or exceed NDSS.

Generic Typologies

7.21. For the generic typologies, we have assumed a range of different schemes depending on site size and location.

7.22. The Suburb and Settlement typologies are assumed to comprise standard estate housing schemes across a mix of 2, 3 and 4 bed units. We have targeted a site density of c. 35 – 40 units per net ha / 14 – 16 units per net acre and a site coverage of c. 3,215 – 3,675 sq. m. per net ha / 14,000 – 16,000 sq. ft. per net acre for the standard estate housing schemes which is broadly in line with local market delivery in Warrington and neighbouring authorities, and the typical site densities / coverage levels which we see being delivered on housing developments across the North West.

7.23. For the Town Centre typologies, we have assumed that all schemes will comprise flatted development across a mix of 1 and 2 bed units. This results in a much higher site density and coverage for these typologies.

7.24. Based on our local market knowledge and dialogue with the Council, we have assumed that the Inner Warrington typologies will comprise a mix of standard estate housing and flatted development across a mix of 1, 2, 3 and 4 bed units which again results in a higher site density and coverage for these typologies. The exception is Inner Warrington 1 which is a small 10-unit typology; we have been advised by the Council to assume that this scheme comprises estate housing only and we have assumed a mix of 2 and 3 bed units for this site.

7.25. We have assumed market-facing unit sizes based on our analysis of the consented new build development and our judgement as to appropriate unit sizes for the Warrington market based on local market experience. We have also had regard to the Council's instruction for NDSS-compliant unit sizes.

7.26. It should be noted that the assumed unit sizes for both the generic typologies and the site-specific typologies represent average unit sizes which allows for a mix of smaller and larger units within each house type, as clearly developers will deliver a range of unit sizes on their schemes to appeal to different purchasers.

7.27. Following the January 2020 consultation, the 2 bed flatted unit size was increased by 1 sq. m. to meet NDSS and the 3 bed house unit size was reduced by 2 sq. m. to arrive at a slightly lower overall site coverage. The mix for Suburb 3 was also amended to match Suburb 2 and the Inner Warrington 1 net site area was increased and the density reduced as the density / site coverage for this typology was too high.

7.28. Our proposed assumptions for the generic typologies are summarised in the tables overleaf. We note that the area-wide model enables fractions of units to be calculated. This can result in some minor variances to unit numbers (including market and affordable units) as a result of rounding of units up or down according to the mix requirements. However, this would not have a material impact on the residual land value output.

Generic Typologies – Proposed Scheme Assumptions

Typology	Net Site Area (Ha / Acres)		Density (Units Per Net Ha / Acre)		No. of Units	Housing Mix %					Scheme Benchmarks			
						1 Bed Flat	2 Bed Flat	2 Bed House	3 Bed House	4 Bed House	Coverage (sq. m Per Net Ha / sq. ft. Per Net Acre)		Average Unit Size (sq. m. / sq. ft.)	
Scheme 1 – Town Centre 1 (Flats)	0.07	0.17	140	57	10	50%	50%	0%	0%	0%	7,511	32,719	54	577
Scheme 2 – Town Centre 2 (Flats)	0.18	0.44	275	111	50	50%	50%	0%	0%	0%	14,754	64,270	54	577
Scheme 3 – Town Centre 3 (Flats)	0.52	1.28	480	194	250	50%	50%	0%	0%	0%	25,753	112,180	54	577
Scheme 4 – Inner Warrington 1 (Houses)	0.25	0.62	40	16	10	0%	0%	45%	55%	0%	3,258	14,193	81	877
Scheme 5 – Inner Warrington 2 (Houses / Flats)	1.04	2.57	48	19	50	10%	15%	20%	45%	10%	3,850	16,773	80	865
Scheme 6 – Inner Warrington 3 (Houses / Flats)	5.18	12.80	48	20	250	10%	15%	20%	45%	10%	3,883	16,913	80	865
Scheme 7 – Suburb 1 (Houses)	0.28	0.69	37	15	10	0%	0%	25%	75%	0%	3,141	13,682	85	914
Scheme 8 – Suburb 2 (Houses)	1.35	3.34	37	15	50	0%	0%	25%	50%	25%	3,433	14,955	93	999
Scheme 9 – Suburb 3 (Houses)	6.75	16.68	37	15	250	0%	0%	25%	50%	25%	3,433	14,955	93	999
Scheme 10 – Settlement 1 (Houses)	0.28	0.69	35	14	10	0%	0%	20%	65%	15%	3,167	13,796	90	974
Scheme 11 – Settlement 2 (Houses)	1.44	3.56	35	14	50	0%	0%	20%	50%	30%	3,333	14,518	95	1,025
Scheme 12 – Town Centre 3 (BTR)	0.52	1.28	480	194	250	50%	50%	0%	0%	0%	25,753	112,180	54	577
Scheme 13 – Inner Warrington 3 (BTR)	3.40	8.40	74	30	250	25%	25%	15%	30%	5%	5,176	22,547	70	758

Dwelling Type	Average Unit Size (sq. m.)	Average Unit Size (sq. ft.)
1 Bed Flat	46	495
2 Bed Flat	61	657
2 Bed House	72	775
3 Bed House	89	958
4 Bed House	121	1,302

7.29. All schemes are assumed to provide residential units for sale with the exception of typologies 12 and 13. Over recent years, there has been emerging activity in the Build to Rent ('BTR') sector in Warrington Town Centre with a small number of new build, purpose built rental schemes coming forward over the preceding 12 – 24 months.

7.30. As the strength of the rental market improves and BTR development becomes more established in Warrington, there is potential for further BTR development to come forward in fringe locations beyond the Town Centre. This is evidenced by the plans for a large-scale mixed open market sale and private rental scheme off Slutchers Lane to the south of the Town Centre.

7.31. Due to the nature of the BTR model, there is a need for sufficient scale in terms of scheme size in order to stimulate development. On this basis, we have modelled BTR schemes for the Town Centre and Inner Warrington 3 typologies (250 units).

7.32. Based on our market experience and dialogue with the Council, we believe it is reasonable to assume that the Inner Warrington rental schemes would comprise a greater proportion of apartments. Therefore, we have increased the assumed proportion of flatted units from 25% to 50% for the Inner Warrington 3 typology when modelling the BTR scenario, as shown in the table above.

Site Allocations

7.33. For the site allocations, we have again targeted a site coverage of approximately 3,215 – 3,675 sq. m. per net ha / 14,000 – 16,000 sq. ft. per net acre for the standard estate housing schemes. Following the January 2020 consultation, the 3 bed affordable housing unit size was increased by 3 sq. m. to meet NDSS.

7.34. We note that the majority of the site allocations are situated in mid or higher value residential locations. In our experience, residential schemes in higher value areas typically comprise lower density, larger unit schemes characterised by a greater proportion of detached house types in line with market demand in these locations. This is broadly consistent with the evidence from the consented new build schemes in more affluent locations as shown in Appendix 3.

7.35. For the site allocations situated in higher value areas, we have therefore assumed market-facing schemes characterised by larger housing units to reflect potential purchaser demand and market delivery in these areas. The assumed housing mix and average unit sizes for these typologies are summarised in the table below:

Indicative Housing Mix – Croft, Culcheth, Thelwall Heys and Lymm

Unit Type	% of Mix	Average Unit NSA (sq. m.)	Average Unit NSA (sq. ft.)
2 bed	15%	72	775
3 bed*	40%	90	964
4 bed	40%	125	1,350
5 bed	5%	158	1,700
Overall Average NSA		**105**	**1,127**
Average Market Housing NSA		**116**	**1,250**
Average Affordable Housing NSA		**78**	**840**

*Mix of 3-bed market units (93 sq. m. / 1,000 sq. ft.) and 3-bed affordable units (84 sq. m. / 905 sq. ft.).

7.36. We have varied the density assumption across the higher value locations, with the highest value typologies (Thelwall Heys and Lymm) having an assumed density of c. 31 units per net ha (12.5 units per net acre) and the other allocations having an assumed density of c. 32 units per net ha (13 units per net acre) having regard to the market evidence and our experience of similar schemes in similar value areas.

7.37. The South East Warrington Urban Extension is also located in a high value area however this comprises a much larger allocation which will deliver several thousands of new homes over the plan period. Given the size of this allocation, it is anticipated that a greater diversity of house types and unit sizes are likely to be provided. We also understand that the Council will be seeking a wider mix on this site to cater for a broader range of purchasers, together with ensuring efficient use of the large Green Belt allocation.

7.38. We have accordingly adopted a slightly different mix and range of unit sizes for the South East Warrington Urban Extension, with a higher overall average site density. The average site-wide density assumption (c. 37 units per net ha (15 units per net acre)) has been further informed by engagement with the stakeholders of this allocation and their initial site-specific masterplanning work.

7.39. A recent relevant comparable in this respect is the Orchard Meadows scheme by Barratt David Wilson Homes (Appendix 3) which has a site density in the order of 37 units per net ha (15 units per net acre) and a site coverage in the order of 3,500 sq. m. per net ha (15,500 sq. ft. per net acre). The majority of the other schemes in the more affluent areas have a lower density and coverage as shown at Appendix 3, in line with our assumptions for the other smaller allocations in higher value areas.

7.40. The assumed housing mix and average unit sizes for the South East Warrington Urban Extension are summarised in the table below:

Indicative Housing Mix – South East Warrington Urban Extension

Unit Type	% of Mix	Average Unit NSA (sq. m.)	Average Unit NSA (sq. ft.)
2 bed	20%	72	775
3 bed	40%	89	958
4 bed	40%	116	1,250
5 bed	0%	139	1,500
Overall Average NSA		**96**	**1,038**
Average Market Housing NSA		**105**	**1,132**
Average Affordable Housing NSA		**76**	**818**

*Mix of 3-bed market units (91 sq. m. / 975 sq. ft.) and 3-bed affordable units (84 sq. m. / 905 sq. ft.).

7.41. For the Fiddlers Ferry, Hollins Green and Winwick allocations, we have similarly assumed slightly higher density, higher coverage schemes with a greater proportion of 2 bed units and no large 5 bed units having regard to potential market demand in these locations.

7.42. The assumed housing mix and average unit sizes for these typologies are summarised in the table below:

Indicative Housing Mix – Fiddlers Ferry, Hollins Green and Winwick

Unit Type	% of Mix	Average Unit NSA (sq. m.)	Average Unit NSA (sq. ft.)
2 bed	20%	72	775
3 bed	40%	89	958
4 bed	40%	123	1,325
5 bed	0%	139	1,500
Overall Average NSA		**99**	**1,068**
Average Market Housing NSA		**109**	**1,175**
Average Affordable Housing NSA		**76**	**818**

*Mix of 3-bed market units (91 sq. m. / 975 sq. ft.) and 3-bed affordable units (84 sq. m. / 905 sq. ft.).

7.43. We have assumed a density of c. 35 units per net ha (14 units per net acre) for these typologies having regard to the market evidence and our experience of similar schemes in similar value areas.

7.44. For the Peel Hall allocation which is situated in a less affluent area, we have assumed a higher density, higher coverage scheme characterised by slightly smaller housing units to reflect potential purchaser demand and market delivery in this location.

7.45. The assumed housing mix and average unit sizes for this typology is summarised in the table below:

Indicative Housing Mix – Peel Hall

Unit Type	% of Mix	Average Unit NSA (sq. m.)	Average Unit NSA (sq. ft.)
2 bed	20%	70	755
3 bed*	45%	87	940
4 bed	35%	116	1,250
5 bed	0%	130	1,400
Overall Average NSA		**94**	**1,012**
Average Market Housing NSA		**102**	**1,100**
Average Affordable Housing NSA		**75**	**805**

*Mix of 3-bed market units (88 sq. m. / 950 sq. ft.) and 3-bed affordable units (84 sq. m. / 905 sq. ft.).

7.46. We have assumed a higher density of c. 38 units per net ha (15.5 units per net acre) for this typology having regard to the market evidence and our experience of similar schemes in similar value areas.

7.47. Based on our dialogue with the Council and when considering the site location and characteristics, it is anticipated that the Waterfront allocation will comprise a mixture of flatted development and standard estate housing, but weighted towards standard estate housing.

7.48. The Council have advised that the anticipated housing mix will be 25% apartments and 75% houses with a proposed breakdown as follows:

- 1 bed flats – 10%
- 2 bed flats – 15%
- 2 bed house – 20%
- 3 bed house – 45%
- 4 bed house – 10%

7.49. According to our research, there is relatively limited purpose built new build apartment development with planning consent in Warrington. However, where floor area and scheme mix information was available in the planning documents, we have analysed the scheme characteristics at recently consented developments to inform our assumptions as shown in Appendix 3.

7.50. We note that there is a divergence in respect of apartment mix and unit sizes between the two consented schemes where floor area and mix information is available. This makes it difficult to draw firm conclusions from this evidence. We have however considered this evidence and we have used our judgement as to market-facing assumptions for the apartment unit sizes based on our experience of similar schemes and locations.

7.51. For the estate housing element at the Waterfront, we have assumed the same indicative mix and average unit sizes as adopted for the Peel Hall allocation, as the Waterfront is a higher density scheme based on the net site area information provided by the Council, where the assumed density equates to c. 50 units per net ha (c. 20 units per net acre). A housing mix incorporating smaller unit sizes in line with the Peel Hall assumptions is therefore considered appropriate.

7.52. The assumed housing mix and average unit sizes for the Waterfront are set out below:

Indicative Housing Mix – Waterfront

Unit Type	% of Mix	Average Unit NSA (sq. m.)	Average Unit NSA (sq. ft.)
Housing			
2 bed	27%	70	755
3 bed*	60%	87	943
4 bed	13%	116	1,250
5 bed	0%	130	1,400
Overall Average NSA		**87**	**934**
Average Market Housing NSA		**92**	**990**
Average Affordable Housing NSA		**75**	**804**
Apartments			
1 bed	40%	46	500
2 bed	60%	61	655
Overall Average NSA		**55**	**593**
Average Market Housing NSA		**55**	**593**
Average Affordable Housing NSA		**55**	**593**

*Mix of 3-bed market units (88 sq. m. / 950 sq. ft.) and 3-bed affordable units (84 sq. m. / 905 sq. ft.).

7.53. Based on the aforementioned assumptions, the indicative scheme characteristics for each site allocation are summarised in the table below:

Site Allocations – Proposed Scheme Assumptions

Site Allocation	Unit Numbers	Net Site Area (Ha / Acres)		Density (Units Per Net Ha / Acre)		Coverage (sq. m Per Net Ha / sq. ft. Per Net Acre)		Average Unit Size (sq. m. / sq. ft.)	
South East Warrington Urban Extension	300	8.09	20.00	37.07	15.00	3,574	15,570	96	1,038
Fiddlers Ferry	300	8.67	21.43	34.59	14.00	3,432	14,951	99	1,068
Waterfront	300	6.00	14.83	50.00	20.23	3,940	17,164	79	848
Peel Hall	300	7.83	19.35	38.30	15.50	3,599	15,682	94	1,012
Thelwall Heys	310	10.04	24.80	30.89	12.50	3,234	14,088	105	1,127
Croft	75	2.33	5.77	32.12	13.00	3,355	14,614	104	1,124
Culcheth	200	6.23	15.38	32.12	13.00	3,363	14,655	105	1,127
Hollins Green	90	2.60	6.43	34.59	14.00	3,432	14,949	99	1,068
Lymm – Rushgreen Road	136	4.40	10.88	30.89	12.50	3,232	14,080	105	1,126
Lymm – Warrington Road	170	5.50	13.60	30.89	12.50	3,234	14,088	105	1,127
Winwick	130	3.76	9.29	34.59	14.00	3,432	14,945	99	1,068

7.54. For both the generic and site-specific typologies, it is noted that the specific scheme on each site which comes forward for development in Warrington could vary depending on the site-specific constraints, local housing need, market demand and prevailing market conditions as at the relevant date.

7.55. The assumptions in this study are not intended to represent specific development proposals but reflect typical forms of development which are likely to come forward over the plan period. We believe that our assumptions for each typology are market-facing based on current market evidence and the existing information currently known about each site.

Commercial Scheme Assumptions – South East Warrington Employment Location and Fiddlers Ferry

7.56. Within the proposed site allocations, there is one sole commercial scheme comprising the South East Warrington Employment Location, whilst the Fiddlers Ferry allocation includes a large quantum of employment floorspace in Phase 1 of the development. Our proposed scheme assumptions for the commercial elements are set out below.

South East Warrington Employment Location

7.57. We have been advised by the Council that all development within the South East Warrington Employment Location will comprise B8 use (with ancillary office space) which is envisaged to be large scale distribution. Similar to the South East Warrington Urban Extension, the employment allocation will come forward in phases throughout the plan period given the site size and the quantum of planned employment development.

7.58. The Council have provided the gross and net site areas for this allocation as well as the total quantum of planned floorspace which we understand has been assessed in dialogue with the promoters of this site allocation. We have relied on this information which is summarised below:

- Gross area – 136.8 ha
- Net area – 103.6 ha
- Total floorspace – 460,309 sq. m.

7.59. For the purposes of our testing, we have assumed that the scheme will be delivered across ten phases which aligns with the BNPPRE assumption in their LPVA (March 2019). We have therefore assessed the viability of this site based on a hypothetical scheme comprising approximately 13.68 gross ha (33.8 gross acres) / 46,031 sq. m. (495,477 sq. ft.) per phase to reflect the potential profile of delivery at this site over the plan period.

Fiddlers Ferry – Phase 1

7.60. For the Fiddlers Ferry allocation, we have assumed that the employment floorspace in Phase 1 comprises a mix of approximately 70% B8 uses and 30% B2 uses as advised by the Council. We have again been provided with the gross and net site areas of this allocation by the Council, as well as the total quantum of planned floorspace which we understand has been assessed in dialogue with the promoters of this site allocation.

7.61. We have relied on this information which is summarised below

- Gross area – 101.0 ha
- Net area – 89.7 ha
- Total floorspace – 374,916 sq. m.

7.62. We have apportioned the total residential units in this allocation into a 300-unit phase for the purposes of the testing for the reasons detailed above, which represents just over one third of the total residential units in Phase 1. We have therefore similarly apportioned the employment land and floorspace in Phase 1 on the same basis, which results in a hypothetical scheme comprising approximately 38.12 gross ha (94.19 gross acres) / 130,633 sq. m. (1,406,131 sq. ft.).

Residential Market Overview

7.63. Within this section, we analyse the national and local housing markets to inform the assumed sales values and rental values for the residential typologies.

7.64. The analysis was originally undertaken in December 2019 / January 2020 as part of our first update to the LPVA and is based on achieved new build values, achieved resale values and asking rents in Warrington and its immediate surrounds in order to benchmark local market performance and inform potential value assumptions.

7.65. We have since updated the analysis where possible for the purposes of the 2021 update, in order to sense-check the approximate indexed values indicated by the latest Land Registry House Price Index ('HPI') figures for Warrington as at April 2021 when the updated data was collected. The updated evidence is detailed where relevant throughout this section of the report.

National Market Overview

7.66. For an overview of the national residential market as at the time of data collection for the 2021 update, please see the national market commentary attached at Appendix 4.

7.67. As detailed in Appendix 4, whilst residential transactions and price growth have remained very strong despite the wider economic pressures associated with the COVID-19 pandemic, it is unclear whether the current level of activity can withstand the impact of the wider strains on the economy, labour market and public finances.

7.68. A number of analysts are warning that the economic fallout from COVID-19, rising unemployment and the withdrawal of government support will have an impact on pricing and transactions in the future. It is difficult to estimate if and when this will occur, and the extent of the reduction in values, however it is considered prudent to be forewarned and prepared that there is a potential for a reduction in values in the future.

7.69. In relation, in light of the commentary at Appendix 4 and the uncertainty currently affecting the residential market, it is worth highlighting that some of the comparable evidence which we have considered to inform the assumptions adopted in this report pre-dates the outbreak of COVID-19. The revenue assessments are based on the assumption that market activity will not be disrupted for a prolonged time period due to the impact of the COVID-19 pandemic.

7.70. The scale of the impact of the pandemic on the residential market and sales values cannot be fully assessed at this stage, as the duration of disruption and the effectiveness of government support remains unknown.

7.71. Given the unknown future impact that COVID-19 might have on the property market, we recommend that you keep under frequent review the assumptions and advice contained in this report. We reserve the right to review our findings once the impact of COVID-19 on the property market can be accurately assessed.

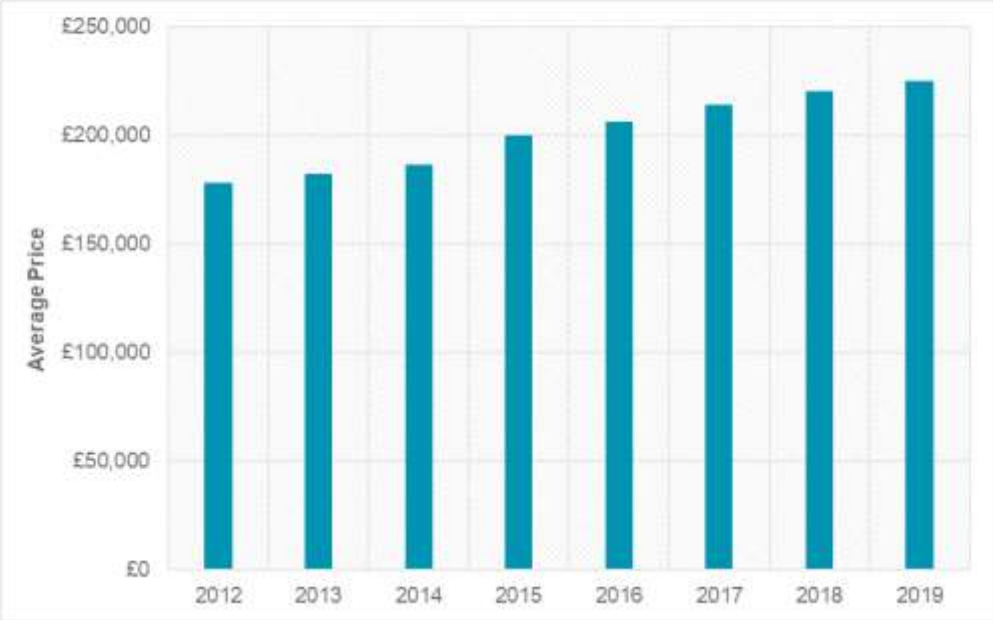
Local Market Overview

7.72. According to the latest Land Registry data collated in December 2019, average house prices in Warrington stood at £224,760 as at December 2019 which represented an increase of c. 26% over the previous seven years as shown in the graph below (Figure 7.3).

7.73. Over the same period, sales volumes increased from 2012 to 2014 and remained at peak levels through to 2016 at c. 3,400 transactions per annum, following which there has been a reduction in transactional activity according to the Land Registry data (see Figure 7.4).

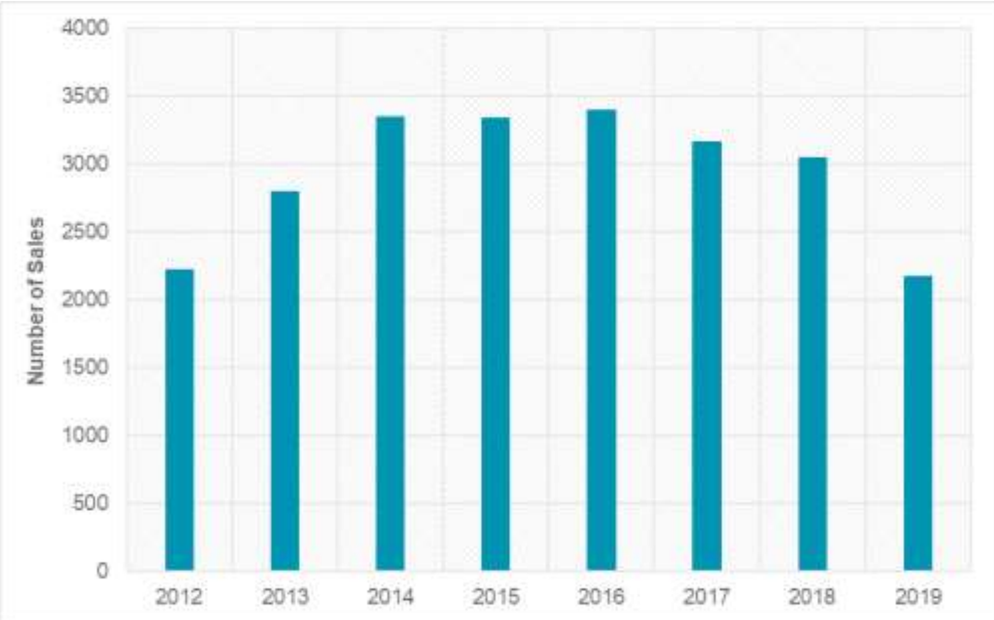
7.74. This recent trend of falling sales volumes has been most evident in 2019 which may be attributed to the wider economic and political uncertainty affecting the UK residential market throughout this period due to the ongoing Brexit negotiations and the prospect of the General Election in December 2019. However, it is likely that the final months of data from 2019 had not yet fed into the Land Registry datasets as at the date of data collection which could part explain the reduced volumes recorded in 2019.

Figure 7.3: Overall Average House Prices in Warrington (Re-sale and New Build)



Source: Land Registry

Figure 7.4: Total Number of Transactions in Warrington (Re-sale and New Build)



Source: Land Registry

7.75. We have also analysed average price and sales volume trends for new build properties only in the Warrington district. The Land Registry data indicates a long-term trend of increasing new build values in Warrington albeit average prices have fallen marginally over the previous two years as shown in the graph below (Figure 7.5).

7.76. Furthermore, the data illustrates that there has been a marked reduction in new build transactions in the local market since 2015 (Figure 7.6) which suggests a lack of new build supply within Warrington. We again however note that all new build sales in 2019 may not yet have filtered through into the Land Registry data as at the date of data collection hence the final year figure for 2019 could be higher than shown in the graph below.

Figure 7.5: Overall Average House Prices in Warrington (New Build)

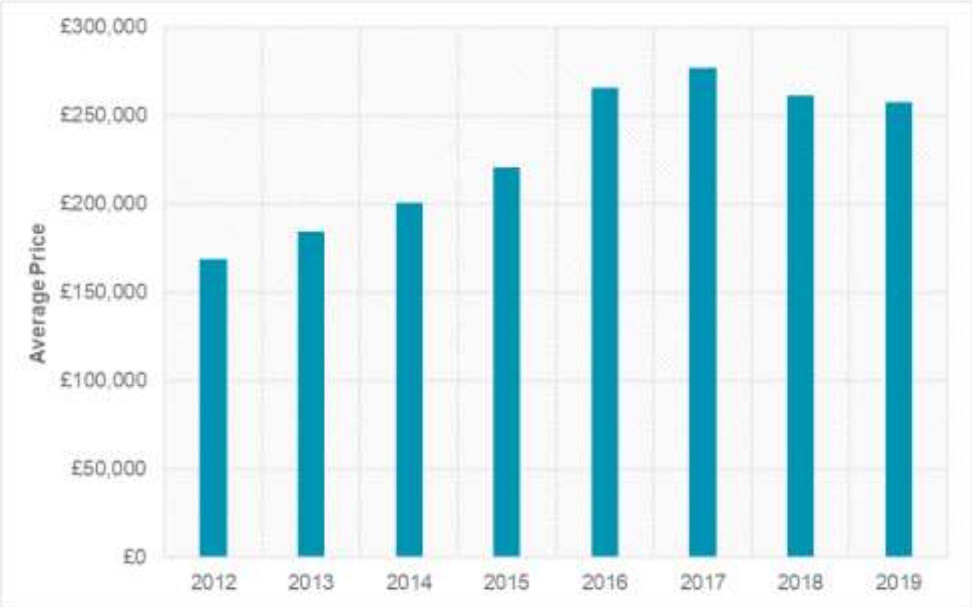
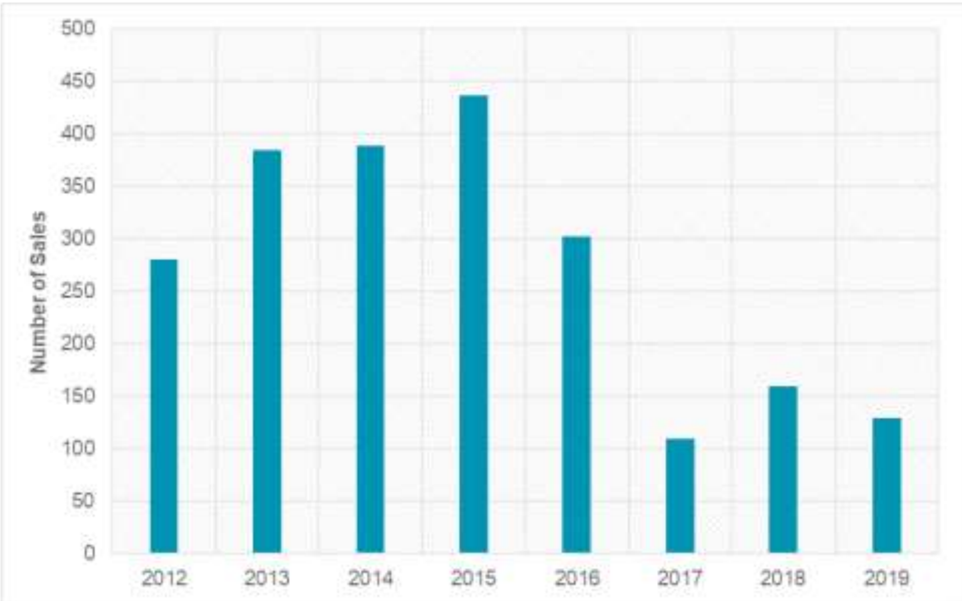


Figure 7.6: Total Number of Transactions in Warrington (New Build)



Source: Land Registry

New Build Schemes and Re-sale Properties

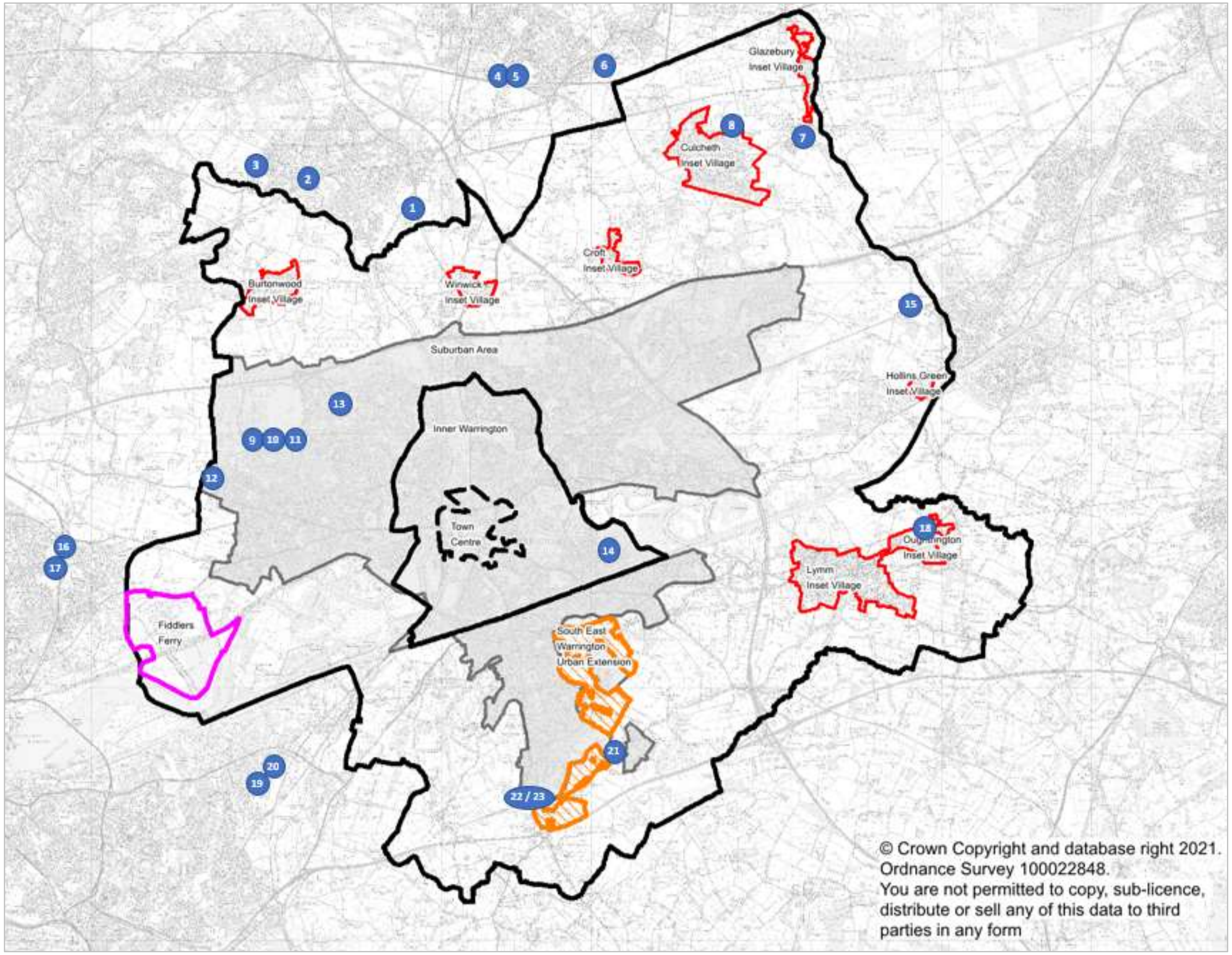
7.77. To inform potential sales values for each of the residential typologies, we have analysed both new build pricing and achieved values for second hand properties within Warrington. We have also analysed new build values within the immediate vicinity of the district in areas such as Sandymoor, Lowton and Newton-le-Willows in order to provide additional evidence to inform our sales value assumptions.

New Build Schemes

7.78. A total of 23 new build schemes were analysed in December 2019 / January 2020, 19 of which had achieved sales evidence and 4 of which had currently marketed units only with no Land Registry achieved transactions as at the time of data collection.

7.79. Figure 7.7 shows the location of the comparable sites and their relation to the different spatial zones across Warrington:

Figure 7.7: New Build Comparable Scheme Locations



Ref.	Scheme	Developer
1	Tayleur Leas	St Modwen Homes
2	The Willows	Persimmon Homes
3	Whittle Chase	Taylor Wimpey
4	Lowton Heath	Bloor Homes
5	Heathfields	Wainhomes
6	Pocket Green	Bellway Homes
7	Culcheth Green	Elan Homes
8	The Woodlands	Evoke Homes
9	Lingley Green	Bloor Homes
10	Taylor's Chase	Redrow Homes
11	Woodville Place	Miller Homes
12	Primrose Meadow	Bellway Homes
13	Zodiac	Seddon Homes
14	Edgewater Park	Morris Homes
15	Glazebrook Meadows	Westby Homes
16	Chadwick Park	Bellway Homes
17	Fairfield Gardens	Miller Homes
18	Elderfield Gardens	Mulbury
19	The Meadows	Morris Homes
20	Beamish Place	Bloor Homes
21	Hawthorn Grove	Bloor Homes
22	Saviours Place	Barratt Homes
23	Kings Quarter	Barratt Homes

7.80. Below we summarise the new build data across the Warrington district and its immediate surrounds. When preparing the original update to the LPVA in late 2019 / early 2020, we obtained transactions from July 2018 onwards and we grouped the new build schemes into 'North', 'Central' and 'South' in an attempt to identify the patterns of value across the district and the fringe Warrington locations.

7.81. Full details of the achieved transactions and current asking prices at each scheme can be found at Appendix 5. We have relied on the floor areas specified on LandInsight and the EPC Register to calculate the achieved pricing on a rate psm / psf basis.

7.82. When analysing the achieved sales data, we have excluded any transactions which appear to be for affordable housing as the lower values could distort the overall average market pricing figures. We further note that the achieved sales figures represent the achieved values as stated on the Land Registry and are therefore before any adjustment to account for non-cash incentives which are not captured in the achieved Land Registry prices but are often offered by developers to secure sales.

7.83. When analysing the new build asking prices, a 5% adjustment has been made to account for the likely cash and non-cash incentives offered by developers at each active scheme. The cash and non-cash incentive is a widely recognised adjustment which is necessary when assessing new build asking prices to more accurately reflect the likely net achieved pricing.

7.84. In addition, within the samples of evidence, we have identified a number of 2.5 / 3 storey units which will have skewed the average pricing on a rate psm / psf basis. This is based on our experience and analysis of comparable sales transactions and asking prices, where we have identified that the sales rate applied to the top floor of a 2.5 / 3 storey unit is typically 'halved back' as the second storey accommodation does not achieve full value. We have therefore analysed the pricing both including and excluding 2.5 / 3 storey units to illustrate the value differential for these house types.

Summary of New Build Values – North

Map Ref.	Development	Developer	Total Scheme Units	Average NSA of Achieved Sales / Asking Prices (sq. m. / sq. ft.)		Average Price (£ / £ psm / £ psf)			Average Price Excluding 2.5 / 3 Storey Units (£ / £ psm / £ psf)		
New Build Developments – Average Achieved House Prices											
1	Tayleur Leas	St Modwen Homes	134	89	961	£192,978	£2,162	£201	£177,685	£2,242	£208
2	The Willows	Persimmon Homes	324	81	867	£168,087	£2,082	£193	£172,526	£2,147	£199
3	Whittle Chase	Taylor Wimpey	142	92	991	£201,021	£2,182	£203	£201,175	£2,224	£207
4	Lowton Heath	Bloor Homes	199	98	1,051	£239,319	£2,446	£227	-	-	-
5	Heathfields	Wainhomes	362	97	1,045	£231,059	£2,394	£222	£231,760	£2,417	£225
6	Pocket Green	Bellway Homes	119	86	926	£208,385	£2,433	£226	-	-	-
7	Culcheth Green	Elan Homes	15	142	1,528	£418,995	£2,951	£274	-	-	-
New Build Developments – Average Asking House Prices (Net)*											
8	The Woodlands	Evoke Homes	9	187	2,009	£733,522	£3,885	£361	£729,901	£3,965	£368

Summary of New Build Values – Central

Map Ref.	Development	Developer	Total Scheme Units	Average NSA of Achieved Sales / Asking Prices (sq. m. / sq. ft.)		Average Price (£ / £ psm / £ psf)			Average Price Excluding 2.5 / 3 Storey Units (£ / £ psm / £ psf)		
New Build Developments – Average Achieved House Prices											
9	Lingley Green	Bloor Homes	265	95	1,023	£262,746	£2,766	£257	-	-	-
10	Taylor's Chase	Redrow Homes	244	106	1,140	£309,450	£2,922	£271	-	-	-
11	Woodville Place	Miller Homes	200	119	1,278	£290,297	£2,444	£227	£316,707	£2,673	£248
12	Primrose Meadow	Bellway Homes	147	102	1,101	£270,269	£2,643	£246	£274,316	£2,699	£251
14	Edgewater Park	Morris Homes	32	62	668	£129,375	£2,085	£194	-	-	-
15	Glazebrook Meadows	Westby Homes	36	69	740	£183,571	£2,672	£248	-	-	-
16	Chadwick Park	Bellway Homes	116	97	1,040	£240,241	£2,486	£231	-	-	-
17	Fairfield Gardens	Miller Homes	162	98	1,052	£238,039	£2,424	£225	£243,109	£2,500	£232
New Build Developments – Average Asking House Prices (Net)*											
13	Zodiac	Seddon Homes	79	119	1,278	£305,897	£2,577	£239	-	-	

Summary of New Build Values – South

Map Ref.	Development	Developer	Total Scheme Units	Average NSA of Achieved Sales / Asking Prices (sq. m. / sq. ft.)		Average Price (£ / £ psm / £ psf)			Average Price Excluding 2.5 / 3 Storey Units (£ / £ psm / £ psf)		
New Build Developments – Average Achieved House Prices											
18	Elderfield Gardens	Mulbury	10	139	1,494	£526,975	£3,796	£353	-	-	-
19	The Meadows	Morris Homes	219	110	1,180	£274,625	£2,506	£233	-	-	-
22	Saviours Place	Barratt Homes	76	95	1,017	£295,321	£3,125	£290	-	-	-
23	Kings Quarter	Barratt Homes	104	109	1,171	£326,346	£3,001	£279	£338,696	£3,099	£288
New Build Developments – Average Asking House Prices (Net)*											
20	Beamish Place	Bloor Homes	205	79	847	£206,621	£2,626	£244	-	-	-
21	Hawthorn Grove	Bloor Homes	71	110	1,181	£378,225	£3,446	£320	-	-	-

Sources: LandInsight, EPC Register, Housebuilder Websites, Rightmove

*Marketed house prices are shown on a net basis after 5% incentive adjustment. Please note that there were some missing floor areas in the comparable evidence presented in the January 2020 Consultation Note which have now been obtained.

7.85. The new build data suggests a variation in values across Warrington and the immediate surrounds, with values generally increasing moving from North through to Central and South Warrington.

7.86. Average sales values across the schemes in the 'North' area generally ranged from c. **£2,153 – £2,422 psm / £200 – £225 psf.** Within the 'Central' area, the average values ranged from c. **£2,476 – £2,906 psm / £230 – £270 psf.**

7.87. The schemes in the 'South' area showed average values ranging from c. **£2,476 – £3,767 psm / £230 – £350 psf.** Focusing on the Warrington schemes only in the 'South' area (Elderfield Gardens, Saviours Place, Kings Quarter and Hawthorn Grove) results in higher average values ranging from c. **£3,122 – £3,767 psm / £290 – £350 psf.**

7.88. However, the spatial pricing trends are not entirely uniform as there are pockets of affluence and lower value areas across many parts of the district. By way of example, there are two higher value schemes in the northern part of the borough in Culcheth (The Woodlands and Culcheth Green) albeit these are small, exclusive developments of 9 units and 15 units respectively which will likely have enhanced the pricing. All recent achieved sales at Edgewater Park, Latchford by Morris Homes in the 'Central' zone were for apartments and achieved lower sales values of c. £2,085 psm / £194 psf on average.

7.89. In addition, the data indicates that specification does impact on value; this is illustrated by the higher values achieved at Taylor's Chase by Redrow Homes (c. £2,922 psm / £271 psf on average) in comparison to the other nearby surrounding new build schemes in this area including the two directly adjacent developments by Miller Homes (Woodville Place) and Bloor Homes (Lingley Green).

7.90. In this respect, it is important to emphasise that new build values for each site will depend on both the value profile of the local market and supply / demand levels but also site-specific circumstances including scheme size, quality of specification, nature of surrounding land uses, quality of site access / approach, proximity and performance of schools, proximity of services and so on. For the purposes of this study, broad value assumptions have to be adopted for each typology based on the general patterns of value shown by the comparable data.

New Build Evidence Update – April 2021

7.91. For the purposes of the 2021 update to the sales values, we have firstly reviewed the Land Registry HPI for Warrington which suggests 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 the updated evidence was collated).

7.92. We have also considered the HPI data for apartments only as it is recognised that value growth for apartments has not been as strong as for houses over the past 12 – 18 months as detailed in the national market commentary. The HPI data suggests lower growth of approximately 4% for apartments over the same time period.

7.93. The HPI data is however based on a relatively small sample of sales and the dataset can therefore be influenced by a small number of high value sales in a particular area. We understand that there is currently a greater time lag in agreed sales filtering through into the Land Registry dataset due to the significant volume of activity over the last 12 months which takes time to process. The consequent smaller sample sizes upon which the data is based can make the index more susceptible to volatility.

7.94. As explained in the national market commentary, there has also been a shift in the profile of transactions towards larger, higher value detached houses which would serve to increase the average price change indicated by the HPI data.

7.95. As a further sense check, we have therefore cross-checked the HPI data to achieved new build values at a large number of the above identified local new build schemes (Appendix 5), as well as updated achieved re-sale data as detailed in the following sub-section.

7.96. The updated evidence collated as at April 2021 shows that values have generally increased by varying degrees across each scheme on both a unit value and a rate psf basis. In some instances, the overall average uplift on a per unit basis is high in the order of 10% – 15% or more, but the uplift on a rate psf basis is much lower at approximately 1% – 5%. This is due to the difference in average unit size of the recent achieved sales when compared to the original samples of evidence.

7.97. When analysing the overall average value increase across all identified new build schemes, the data suggests an average uplift of approximately **5.68%** as shown at Appendix 5. We return to this analysis when providing our assessment of updated achievable sales values later in this section of our report.

Re-sale Evidence

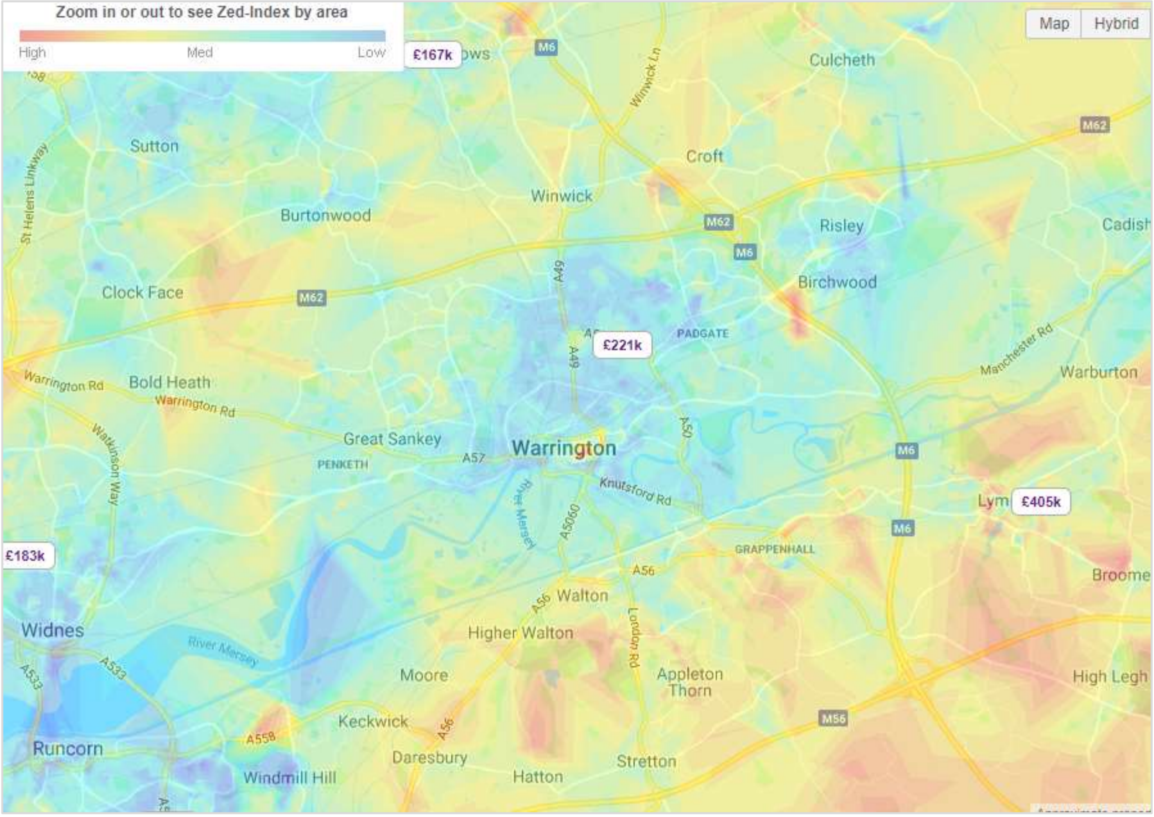
7.98. Further to the new build evidence, we have also considered second hand data to inform our assessment of sales values for each typology. In many markets, new build units will command a premium over the values for second hand properties, with a larger premium over more dated and lower quality re-sale stock and a smaller premium over the more modern and better quality units.

7.99. Importantly, however, any new build premium must be within reasonable parameters to ensure that the new build pricing does not breach affordability and is competitive within the local market. If new build properties are priced at too high a level relative to local re-sale units, there is a risk that the properties will not sell as purchasers could choose to buy the more affordable second hand stock in the local area.

7.100. Furthermore, it is important to recognise that in some instances, new build properties may not command any premium or may be priced at a discount to local re-sale units. This will depend on factors including supply of, and demand for, new build properties in each market, quality of local re-sale stock and prevailing values / affordability in the local area.

7.101. We have firstly utilised Zoopla to identify the spatial distribution of values across Warrington based on Land Registry achieved second hand prices as shown in the heatmap below:

Figure 7.8: Zoopla Heatmap



Source: Zoopla

7.102. This data again suggests a clear variation in pricing across the district, with the lower values (shown by the blue / turquoise shading) typically found in Warrington Town Centre and the immediate suburbs surrounding the Town Centre particularly to the north.

7.103. Sales values generally increase with distance from the Town Centre in the outlying suburbs and settlements. The Zoopla data suggests that south Warrington is typically characterised by higher residential sales values (shown by the yellow / amber shading) in comparison to many other areas of the district.

<u>Site Allocations – Re-sale Evidence</u>

7.104. To supplement this analysis, we have utilised LandInsight to obtain re-sale values from within the vicinity[2] of each proposed site allocation as shown in Figure 7.9 below. We originally obtained transactions from July 2018 onwards and we relied on the floor areas specified on LandInsight to calculate the achieved pricing on a rate psm / psf basis.

7.105. We have since updated this evidence for the purposes of the 2021 update, collating re-sale transactions from January 2020 to April 2021. Full details of the achieved re-sale transactions can be found at Appendix 6.

[2] A search area of 0.5 miles from each site allocation was selected. However, due to a lack of evidence, the search area was extended to 0.75 miles for the Waterfront and to 1 mile for the South East Warrington Urban Extension. For the Lymm allocations, a search area of 1 mile from the centre of Lymm was selected.

Figure 7.9: Warrington Achieved Residential Re-sale Values

Allocation	Average NSA (sq. m.)	Average Value (£ / £ psm)
SEWUE	155	£3,093
Waterfront	89	£1,989
Peel Hall	78	£1,655
Fiddlers Ferry	91	£2,403
Thelwall Heys	92	£3,208
Croft	119	£2,823
Culcheth	92	£2,850
Hollins Green	106	£2,538
Lymm	110	£3,565
Winwick	105	£2,694

Allocation	Average NSA (sq. ft.)	Average Value (£ / £ psf)
SEWUE	1,671	£287
Waterfront	954	£185
Peel Hall	841	£154
Fiddlers Ferry	981	£223
Thelwall Heys	995	£298
Croft	1,283	£262
Culcheth	987	£265
Hollins Green	1,140	£236
Lymm	1,189	£331
Winwick	1,129	£250

Sources: Google Maps and LandInsight

7.106. The re-sale data provides useful indication of the value profiles of each local market across Warrington, with the data again suggesting a clear variation in residential pricing across the district, similar to the new build trends.

7.107. The highest re-sale values are found in and around Lymm, Grappenhall and Stockton Heath within the south and south east of the district, with more central locations, such as Peel Hall and Waterfront, and those areas closer to Widnes, characterised by lower re-sale values.

Town Centre and Inner Warrington – Re-sale Evidence

7.108. There are a lack of new build vacant possession apartment schemes within the Town Centre and Inner Warrington, and we have therefore had to place greater weighting on second hand values to inform the sales value assumptions for these typologies.

7.109. We have utilised LandInsight to obtain re-sale transactions within a half mile radius of the Town Centre, and within Inner Warrington North and Inner Warrington South. We have again updated this evidence for the purposes of the 2021 update and full details of the achieved transactions can be found at Appendix 7.

7.110. The data is summarised below:

Town Centre Achieved Residential Resale Values (Jan 20 – April 21)

House Type	No. of Transactions	Average Price (£)	Average NSA (sq. m. / sq. ft.)		Average Price (£ psm / psf)	
Detached	0	-	-	-	-	-
Semi-detached	6	£149,167	97	1046	£1,535	£143
Terrace	33	£121,586	77	833	£1,570	£146
Apartments	27	£89,433	59	634	£1,519	£141
Overall	**70**	**£110,940**	**72**	**771**	**£1,549**	**£144**

Inner Warrington (North) Achieved Residential Resale Values (Jan 20 – April 21)

House Type	No. of Transactions	Average Price (£)	Average NSA (sq. m. / sq. ft.)		Average Price (£ psm / psf)	
Detached	7	£185,921	82	878	£2,280	£212
Semi-detached	59	£147,014	79	849	£1,863	£173
Terrace	119	£108,845	79	847	£1,383	£128
Apartments	15	£83,740	53	567	£1,591	£148
Overall	**200**	**£120,920**	**77**	**828**	**£1,572**	**£146**

Inner Warrington (South) Achieved Residential Resale Values (Jan 20 – April 21)

House Type	No. of Transactions	Average Price (£)	Average NSA (sq. m. / sq. ft.)		Average Price (£ psm / psf)	
Detached	10	£234,400	99	1,067	£2,364	£220
Semi-detached	86	£174,710	79	846	£2,222	£206
Terrace	82	£139,655	84	906	£1,659	£154
Apartments	19	£112,725	62	671	£1,809	£168
Overall	**197**	**£157,171**	**80**	**866**	**£1,955**	**£182**

Source: LandInsight

7.111. The data indicates that the dominant house types in the Town Centre are apartments and terraces which is to be expected. According to the re-sale data, the Town Centre is characterised by low residential sales values which average c. £1,549 psm / £144 psf.

7.112. Inner Warrington North similarly represents a low value area with transactions dominated by terrace house types. Inner Warrington South shows higher sales values according to the LandInsight data with average values of c. £1,955 psm / £182 psf.

Assumed Sales Values

7.113. Based on our analysis of the evidence, including the updated new build and re-sale data, we consider that a reasonable increase to the sales values adopted in our 2020 analysis would be in the order of 5% for the purposes of the sales value uplift from December 2019 / January 2020.

7.114. We have rounded the uplifted sales values to the nearest £5 psf as shown in the tables below. We have applied a slightly lower uplift of 4% for the Town Centre flatted typologies in line with the Warrington HPI data for this house type. We have formulated appropriate revenue assumptions for the new Thelwall Heys allocation.

7.115. We have adopted a slightly different approach in respect of the Waterfront where we have taken a fresh view of proposed sales values based on the revised scheme mix provided by the Council, as the nature of this proposed development has changed quite significantly since the 2020 analysis, with a shift to a housing-led scheme rather than a flatted-led development. This changes the dynamics of the scheme and we have accordingly assessed what we consider to be realistic values for the revised form of development.

7.116. On the basis of these assumptions, the proposed sales values which have been adopted in the testing are as follows:

Generic Typologies

Typology	Net Sales Value (£ psm)	Net Sales Value (£ psf)
Town Centre	£2,583	£240
Inner Warrington (North)	£2,476	£230
Inner Warrington (South)	£2,906	£270
Suburbs (High Value)	£3,283	£305
Suburbs (Mid Value)	£2,906	£270
Suburbs (Low Value)	£2,583	£240
Settlements (High Value)	£3,283	£305
Settlements (Mid Value)	£2,906	£270
Settlements (Low Value)	£2,583	£240

Site Allocations

Typology	Net Sales Value (£ psm)	Net Sales Value (£ psf)
South East Warrington Urban Extension	£3,552	£330
Waterfront	Housing – £2,691 Apartments – £2,917	Housing – £250 Apartments – £271
Peel Hall	£2,583	£240
Fiddlers Ferry	£2,745	£255
Croft	£2,906	£270
Culcheth	£2,906	£270
Hollins Green	£2,745	£255
Thelwall Heys	£3,444	£320
Lymm – Rushgreen Road	£3,391	£315
Lymm – Warrington Road	£3,391	£315
Winwick	£2,745	£255

7.117. It is acknowledged that the 5% uplift could be considered conservative in light of the stronger price growth indicated by the HPI data and indeed reported for the wider North West over the past 12 – 15 months. Further, as shown at Appendix 5, a large number of the recent achieved sales which we have collated from the local new build schemes are from earlier in 2020 and therefore do not necessarily reflect the full extent of house price growth over the period.

7.118. Whilst the assumptions could be regarded as conservative, we feel that this is a reasonable approach to take in light of the market uncertainty relating to the COVID-19 pandemic. We do however undertake sensitivity testing on the sales values as detailed in Section 9 and, for the above reasons, we believe that relatively strong weight can be afforded to the increased sales values scenario analysis in light of our cautious approach for the base testing.

Build to Rent (‘BTR’)

National Market Overview

7.119. According to the *UK BTR Market Update – Q1 2021* published by Savills, the UK BTR sector has grown significantly over recent years with total stock of 188,500 homes when accounting for completed, under construction and consented rental homes. More than £1.2bn was invested in the sector in Q1 2021 according to Savills, which represented the highest first quarter on record.

7.120. Industry commentators are continuing to forecast significant growth in the UK BTR market particularly when considering the resilient performance of the sector throughout the COVID-19 pandemic. Savills predict that whilst currently completed BTR stock as at 2019 was worth just under £10 billion, the sector could grow to be worth almost £550 billion at full maturity *(UK Operational Real Estate: The Sky’s The Limit?* Savills, June 2019).

7.121. As set out in the latest RICS *April 2021: UK Residential Market Survey*, rental demand continues to outstrip supply across the UK lettings market with a net balance of +60% of respondents reporting an increase in tenant demand, compared with a broadly neutral net balance of respondents reporting a rise or fall in landlord instructions. Given the continued imbalance between demand and supply, rents across the UK are forecast to rise by approximately 3% over the coming 12 months.

Local Market Overview

7.122. As previously mentioned, there are a small number of purpose built new build BTR schemes emerging in Warrington town centre with the potential for BTR development to emerge in fringe locations beyond the Town Centre as the rental market becomes more established.

7.123. As such, we have undertaken viability testing of the Town Centre and Inner Warrington 250 unit typologies based on the assumption of BTR development. Within this sub-section, we summarise our assumptions in terms of rental and capital values for BTR development.

Rental Values

7.124. In January 2020, we utilised Rightmove to obtain current asking rents in Warrington in order to inform potentially achievable rental values in the Town Centre and Inner Warrington. The table below summarises the average asking rental values for apartments and houses within the Town Centre and Inner Warrington search areas. The full schedules of evidence are provided at Appendix 8:

Asking Rents – January 2020

Unit Type (No. of Available Units)	Range of Asking Rents (Per Calendar Month)	Average Asking Rent (Per Calendar Month)
1 Bed Apartment (18)	£450 – £650	£541
2 Bed Apartment (36)	£480 – £1,100	£685
2 Bed House (15)	£525 – £675	£597
3 Bed House (13)	£595 – £900	£748
4 Bed House (3)	£900 – £2,600	£1,600

Source: Rightmove

7.125. The available evidence showed that rental values vary quite considerably across the search areas depending on location, unit type and quality of stock.

7.126. In respect of flatted development, the higher values were quoted at the better quality, better located apartment schemes such as the Kings Court development and Winmarleigh Street in the Town Centre where quoting rents ranged from c. £700 – £900 pcm for 2 bed apartments. There was also one 2 bed duplex penthouse available at Kings Court with a quoting rent of £950 pcm. The highest quoting rents for 1 bed apartments were also at the Winmarleigh Street development where two units were available for a rent of £600 pcm.

7.127. There were fewer houses available to rent in comparison to apartments and the rental values for houses similarly varied depending on quality and location. The average rental value for 4 bed houses was considerably above the other properties however there were only three available 4 bed units, one of which comprised a one-off property finished to a high specification with an asking rent of £2,600 pcm.

7.128. We were aware of three purpose built new build private rental schemes that were under construction in the Town Centre however there was not yet any information available regarding proposed asking rents at these schemes as at the date of data collection.

7.129. The evidence does however indicate a general lack of purpose built new build rental accommodation in Warrington and as such, there is potential for new build units to command a premium over the extant stock.

Rental Values – 2021 Update

7.130. For the purposes of the 2021 update to the rental values, we have firstly had regard to the ONS Private Rental Index for the North West, which shows growth of 1.9% between January 2020 and April 2021. The latest available index as at the time of data collection was dated February 2021.

7.131. We have also consulted the latest ONS Private Rental Market Statistics for the period April 2020 to March 2021, which details the following average rental values (£ pcm) recorded in the Warrington district during this period:

Rental Values – Warrington (April 2020 – March 2021)

	Count of rents	Mean	Lower quartile	Median	Upper quartile
Studio	10	£377	£303	£363	£399
1 Bed	280	£494	£450	£495	£550
2 Bed	1,020	£616	£550	£595	£675
3 Bed	480	£776	£650	£750	£850
4 Bed	120	£1,165	£895	£1,100	£1,350

Source: ONS Private Rental Market Statistics April 2020 – March 2021

7.132. The ONS data does not provide a breakdown of the nature of the stock underpinning the rents in terms of house types, new build / second hand, location, condition and so on however the evidence provides a useful broader sense check of the more recent achieved rental values in Warrington.

7.133. Based on our analysis of the above evidence and our local market knowledge, we have applied the following rental values for the purposes of the testing. We have essentially indexed the 2020 adopted rental values by 1.9% in line with the ONS indicated indexation for the North West region over this period, and we have rounded the indexed values to the nearest £5 per calendar month.

Proposed Rental Values

Unit Type	Average NSA (sq. m.)	Average NSA (sq. ft.)	Rental Value (Per Calendar Month)	Gross Annual Rent (£ psm / £ psf)	
Town Centre					
1 Bed Apartment	46	500	£635	£164.04	£15.24
2 Bed Apartment	61	655	£840	£165.66	£15.39
Inner Warrington					
1 Bed Apartment	46	500	£585	£151.13	£14.04
2 Bed Apartment	61	655	£790	£155.75	£14.47
2 Bed House	72	775	£865	£144.13	£13,39
3 Bed House	89	960	£1,120	£150.69	£14.00
4 Bed House	121	1300	£1,425	£141.55	£13.15

Build to Rent Gross Development Value

7.134. In order to calculate the GDV of the BTR typologies, we have undertaken an investment valuation of each scheme by capitalising the assumed gross rent to calculate the total capital value.

7.135. We have adopted the assumed rental values for each apartment type and house type as detailed above to calculate the gross aggregate rent for each typology assuming full occupancy. For the purposes of this assessment, we have not attributed any additional rent to car parking spaces which could be provided within the BTR schemes.

7.136. In determining an appropriate gross yield to capitalise the assumed gross aggregate rent, we have considered recent PRS / BTR investment transactions as detailed at Appendix 9. This evidence provides a range of achieved gross yields for mixed portfolios across a range of locations between c. 6% and 8%.

7.137. Many of the transactions at Appendix 9 have traded on a forward funding basis where a fund/investor commits to acquiring a residential asset prior to completion. The yields achieved on this basis therefore include a risk premium for this commitment ahead of completion where, due to the lack of transactions of completed purpose-built BTR schemes, the funding commitment is based off forecast revenues and costs until the actual values and operating costs in a stabilised position are known.

7.138. Accordingly, we consider that the purchase price on a forward fund basis would normally reflect a softer yield compared to an asset which is completed, occupied and stabilised where revenue and operating costs are known rather than predicted, thus providing improved investor confidence and therefore yield compression.

7.139. From our discussions with currently active investors, market sentiment for prime, purpose built residential investments in the North West is in the order of a minimum c. 6% gross yield, however secondary schemes are achieving weaker yields in excess of 7% – 8% due to investor concern over the exit period for portfolio break up together with limited capital value growth in the short term.

7.140. There is also great variance in purchaser pool depending upon the lot size of the asset / portfolio. In our experience, there are a large number of investors who would be interested in lot sizes below £2 million. However, the number of investors with the finances to acquire assets / portfolios with lot sizes exceeding £5 million begins to fall. The smaller purchaser pool results in less aggressive bidding which impacts yields achieved for such assets / portfolios.

7.141. Based on the transactional evidence detailed in Appendix 9 and investor sentiment, and considering the Warrington location and assumed lot sizes of 250 units, we consider a gross capitalisation yield of 7.00% to be appropriate for the assumed Town Centre BTR typologies and 7.25% for the assumed Inner Warrington BTR typologies. We have therefore applied a gross yield of 7.00 and 7.25% respectively to our assessment of gross aggregate rent assuming full occupancy.

7.142. Based on the above assumptions, our assessment of total GDV for the BTR typologies (following deduction of purchaser's costs) is therefore as follows:

Typology	Total GDV (Net of Purchaser's Costs)	Capital Value (£ psm)	Capital Value (£ psf)
Town Centre 250	£30,150,000	£2,250	£209
Inner Warrington 250	£34,750,000	£1,970	£183

7.143. Our GDV calculations for each typology are attached at Appendix 10.

7.144. By way of further analysis, having regard to our market experience and knowledge of operating costs for BTR schemes, we have assumed that once the proposed schemes are complete and an established lettings and management platform has been created, an on-going cost of c. 25% of the gross rent would be incurred to cover lettings and management charges, on-site utility and maintenance costs, on-going internal repairs and maintenance, insurance, a sinking fund provision, a rolling void allowance etc.

7.145. Although management costs are scheme specific, we understand that market sentiment is to typically apply an allowance of 25% of gross rent for standalone apartment blocks. A lower allowance could potentially be justified for housing units where there is no requirement to maintain communal areas etc however we have not made any adjustment for the purposes of this assessment.

7.146. When the resultant net income streams are capitalised back into our assessment of GDV for each typology, this equates to the following net initial yield positions:

Typology	Net Initial Yield
Town Centre 250	5.25%
Inner Warrington 250	5.44%

7.147. We regard these net positions as reasonable based on our market experience when considering the location, the nature of the development and the scheme size. We note that Warrington is a relatively immature BTR market and should wider infrastructure and planned development come forward over the plan period, investor confidence may improve and purchasers may consider that there is greater potential for rental and capital value growth which could support stronger yields for BTR development in Warrington.

Affordable Housing

7.148. According to Policy DEV2 of the emerging Local Plan, the Council will seek the following affordable housing requirements on residential development sites of 10 dwellings or more across the district:

- 20% on sites within Inner Warrington, inclusive of the Town Centre;
- 30% elsewhere in the Borough and on all greenfield sites irrespective of their location.

7.149. In respect of tenure mix, 10% of the total number of units within the development should be provided as affordable home ownership, with the remaining balance of affordable housing provided as either Affordable Rent or Social Rent according to Policy DEV2.

7.150. Where 20% affordable housing is sought, the tenure mix therefore equates to 50% Rented dwellings and 50% Intermediate dwellings. Where 30% affordable housing is sought, the tenure mix equates to 67% Rented dwellings and 33% Intermediate dwellings.

7.151. We have modelled the above requirements within the viability testing. For the purposes of our appraisals, we have assumed that the rented units would be provided as Affordable Rent. This mirrors the assumptions adopted by BNPPRE in their LPVA (March 2019). We provide further comment on the implications of this assumption in respect of the Council's affordable housing policy requirements in the conclusion of this report.

7.152. To determine the affordable housing transfer values, we have had regard to the evidence we have been provided with by active developers in the North West market in respect of RP offers which they have received for affordable housing units, as well as our dialogue with currently active RPs in the North West.

7.153. We have also considered the transfer values adopted in other area-wide FVAs which have been found sound at Examination, as well as the assumptions adopted in site-specific FVAs which have been accepted at the application stage. Our appraisals assume a zero grant position for affordable housing.

7.154. On this basis, we have assumed the following average transfer values for each tenure:

- Intermediate – 67.5% of OMV
- Affordable Rent – 50% of OMV

7.155. For the site allocations located in higher value areas, we have reduced the assumed transfer values to 60% and 45% of OMV for Intermediate and Affordable Rented tenures respectively. This is based on advice we have received from a specialist affordable housing consultancy in respect of Shared Ownership transfer values, where they advised that the higher the price of a new build property, the lower the proportion of initial equity sold by the RP. This is to ensure the combined cost of the rent and mortgage payment is affordable for the purchaser. In turn, the lower the initial equity sale, the lower the RP offer as a proportion of OMV.

7.156. Similarly, social rents are set through a national formula and based on our market experience and dialogue with currently active RPs, we understand that many RPs will cap Affordable Rents at the lower of 80% of Open Market Rent ('OMR') or Local Housing Allowance rates. As such, in higher value areas, social rents and affordable rents do not rise in line with the increase in capital values hence the transfer values will likely be lower when assessed as a % of OMV.

7.157. This is supported by recent research by the UK Collaborative Centre for Housing Evidence (January 2020) which suggests that in areas of higher house prices, grant is required to assist RPs in purchasing affordable units at discounted prices[3].

[3] Capturing Increases in Land Value (January 2020), T. Crook, UK Collaborative Centre for Housing Evidence, page 14.

7.158. Since our original update to the LPVA in late 2019 / early 2020, the government has introduced First Homes as a new form of affordable housing which must account for the first 25% of all affordable housing units provided via S106 Agreements. This is reflected in emerging Policy DEV2. As detailed in Section 4, the minimum required discount is 30% of OMV, with the Council proposing to increase the discount to 40% in higher value areas south of the Manchester Ship Canal under emerging Policy DEV2.

7.159. On this basis, we have not made any adjustment to the Intermediate transfer values as the assumptions sit below or equivalent to the minimum discount positions and therefore the First Homes provision would be accounted for within the testing assumptions.

7.160. As part of the 2021 update, we have also sense-checked the assumed transfer values with local RPs active in Warrington. Responses were received from three RPs whom generally agreed with the assumptions adopted, save for the Intermediate values where one RP suggested that 70% of OMV should be applied in all value areas, whereas another agreed with the assumptions for the lower value areas but suggested that the reduced transfer value should come into effect for sites with revenues in excess of c. £2,900 psm / £250 psf.

7.161. The feedback on this assumption was therefore contradictory. Through further dialogue with the stakeholders of the strategic sites, one party suggested that the transfer values for Intermediate tenures in higher value areas could be considered low based on the developer / RP evidence they had been provided with, although they could not share this information in the public domain.

7.162. On this basis, no changes to the assumptions have been made.

BTR Schemes

7.163. BTR schemes are treated differently in respect of affordable housing where Policy DEV2 states that all affordable housing should be provided as rented units. For the purposes of our assessment, we have assumed that the affordable housing in BTR schemes would be provided as Affordable Private Rented units with rents set at 80% of OMR.

7.164. In accordance with the PPG for BTR (Paragraph 002), we have assumed that the Affordable Private Rented units would remain under single management by the scheme landlord as opposed to being transferred to an RP.

Commercial Market Overview

7.165. Within this sub-section, we analyse the national and local commercial markets to inform the assumptions for the South East Warrington Employment Location, the Fiddlers Ferry employment floorspace and the retail elements within the Main Development Areas.

7.166. The comments at paragraphs 7.67 – 7.71 in respect of the COVID-19 pandemic and the impact on the residential market and the wider real estate market also apply to the commercial market evidence and assumptions adopted in this LPVA.

National Market Overview

7.167. For an overview of the national commercial market, please see the RICS *UK Commercial Property Survey: Q1 2021.* The survey findings point to a steady improvement in market sentiment as the economic headwinds associated with the COVID-19 pandemic ease somewhat, although a number of respondents still consider that the market is in a downturn.

7.168. There is a continued positive outlook for the industrial sector, however the market downturn is expected to endure in the retail sector which continues to struggle against a variety of headwinds, whilst the feedback for the office sector remains weak.

7.169. According to the latest RICS survey, occupier demand in the office and retail sectors was negative over the quarter whilst the industrial sector continued to see an increase in tenant demand, reporting a net balance of +57%. In the coming 12 months, prime industrial rents are expected to rise by 4%, however projections remain in negative territory across the office and retail sectors, with respondents forecasting rental falls of 5% in the former and 10% in the latter over the next 12 months.

7.170. The decline of the retail sector has been well documented as the structural changes through the growth of online retailing impact on customer demand, whilst multiple other headwinds such as rising business rates and minimum wages place significant upward pressure on the retail cost base. These market dynamics have resulted in a number of high profile administrations or company voluntary arrangements over recent years including Debenhams and Arcadia Group.

7.171. The office sector faces new headwinds as a result of the shift to homeworking during the pandemic, which has impacted on demand for office space as well as retail space in central locations. In contrast, supply in the industrial sector remains tight, with a net balance of -39% of contributors noting a further decline in availability during Q1.

7.172. In terms of commercial investment, overall transactional volumes across the UK were down by c. 36% in Q1 2021 when compared to the same period in 2020[4], largely driven by the continued uncertainty relating to the COVID-19 pandemic which has impacted on buyer demand and resulted in a lack of stock coming to the market. However, within this period, industrial investment volumes reached £3.2bn, representing the third highest quarterly total in the last 20 years according to Savills[5].

7.173. The RICS survey similarly points to the continued strong investment market trends in the industrial sector and weaker trends in offices and retail. In relation, prime and secondary office and retail capital values expectations across the UK remain firmly negative, whereas industrial capital values (both prime and secondary) exhibit a strong positive outlook according to the RICS survey.

Local Market Overview

7.174. The local market analysis of the Warrington commercial market was undertaken in December 2019 / January 2020 and was based on achieved / asking rents and investment transactions in order to benchmark local market performance and inform potential assumptions for the different uses. We have since updated the comparable evidence where possible for the purposes of the 2021 update.

7.175. As advised by the Council, we have assumed that the South East Warrington employment floorspace will comprise large scale distribution (B8 use) and that the Fiddlers Ferry employment floorspace will comprise a mix of approximately 70% B8 uses and 30% B2 uses.

7.176. For the retail elements in the Main Development Areas, we have assumed that the likely operators in the Local Centres will comprise convenience stores and local high street retailers. For the purposes of this assessment, we have assumed that the supermarket in the South East Warrington Urban Extension would be occupied by an established operator / strong covenant.

7.177. The rental and investment comparable evidence is attached at Appendix 11 along with our comments and analysis on the comparables. Based on our analysis of the comparable evidence and our local market knowledge, below we set out our value assumptions for the commercial uses.

Assumed Capital Values

7.178. We have adopted the following assumptions to calculate the capital value of the industrial floorspace to be developed at the South East Warrington Employment Location:

- Assumed mix of pre-let and speculative development
- 10 year term with 12 months' rent free
- £75 psm / £7 psf ERV
- 15% letting agent and legal fees
- Capitalised at 5% Equivalent Yield
- Less Purchaser's Costs to include Stamp Duty Land Tax at the relevant rate, agent's fees and legal fees totalling 1.8% inclusive of VAT.

7.179. These assumptions result in a capital value of **£1,335 psm / £124 psf** for the employment floorspace.

7.180. For the employment floorspace to be developed at the Fiddlers Ferry allocation, we have adopted the same assumptions save for reducing the rental value to £70 psm / £6.50 psf and adjusting the yield to 5.25% to reflect the less prime location in comparison to the South East Warrington Employment Location and the anticipated mix of uses and operators. These assumptions result in a capital value of **£1,173 psm / £109 psf** for the employment floorspace.

7.181. For the retail floorspace to be developed in the Main Development Areas, we have adopted the following assumptions to calculate the capital value of this element. The assumed rents and yields represent blended figures based on the likely uses / occupier mix as detailed at paragraph 7.176.

Peel Hall, Waterfront and Fiddlers Ferry (Local Centres)

- Assumed vacant with 15 month void
- 5 year term with 12 months' rent free
- £161 psm / £15.00 psf ERV
- 15% letting agent and legal fees
- Capitalised at 10% Equivalent Yield
- Less Purchaser's Costs to include Stamp Duty Land Tax at the relevant rate, agent's fees and legal fees totalling 1.8% inclusive of VAT.

7.182. This results in a blended capital value of **£1,238 psm / £115 psf** for the retail floorspace at Peel Hall, Waterfront and Fiddlers Ferry.

[4] *Market in Minutes: UK Commercial* (April 2021), Savills.

[5] Ibid.

South East Warrington Urban Extension (Local Centres including a Supermarket)

7.183. The assumptions for the convenience and local high street floorspace are as specified above. The assumptions for the supermarket element are as follows:

- Assumed pre-let
- 10 year term with 12 months' rent free
- £161 psm / £15.00 psf ERV
- 15% letting agent and legal fees
- Capitalised at 6.25% Equivalent Yield
- Less Purchaser's Costs to include Stamp Duty Land Tax at the relevant rate, agent's fees and legal fees totalling 1.8% inclusive of VAT.

7.184. This results in a blended capital value of **£1,905 psm / £177 psf** the retail floorspace at the South East Warrington Urban Extension.

Cost Assumptions

Residential Standard Build Costs

7.185. We have assessed the standard build costs in the LPVA by referring firstly to the BCIS database in accordance with standard industry practice, and then by adopting market-facing assumptions based on our widespread experience of residential build costs on other development sites gained through previous viability, Red Book valuation and expert witness instructions.

7.186. We have also utilised our dialogue with a wide range of active regional and national volume housebuilders in respect of standard build costs to further inform our assumptions, as well as the advice of expert quantity surveyors and our analysis of build costs in developer land bids submitted for site acquisitions.

7.187. Below we provide a definition of standard build costs which has been previously agreed between valuers and experts to clearly define the standard build costs, and to ensure that there is no double-counting of cost items in the standard costs and abnormal / extra over costs which a site would encounter:

a) *Standard strip foundations 1050mm deep from finished floor level with beam and block ground floor slab. This comprises 900mm deep excavation, 225mm thick non-reinforced concrete strip foundations (600mm wide to external walls and 450mm wide to internal loadbearing walls), 310mm deep of 355mm wide trench block, 140mm deep of 100mm wide concrete blocks, and 375mm deep of 100mm wide engineering bricks;*
b) *Standard brick and block super-structure for the relevant house type compliant with current building regulations;*
c) *Standard concrete roof tiles;*
d) *Standard gravity drainage and service connections from back of adoptable footpath without reinforcement or diversion;*

e) *Standard surface treatment to the remainder of the plot curtilages of the dwelling including standard flag pathways, standard 240mm private drive construction including 90mm thick tarmac finish, topsoil to rear gardens and front gardens, landscaping and turf, and standard 1.8m high timber fencing;*

f) *Standard 340mm shared drive construction with tarmac finish;*

g) *Integral or detached garage;*

h) *Level plots with no cut and fill, retaining walls, steps or under build;*

i) *Standard roads and sewers fronting plots, only half of a 5.5m wide 450mm deep tarmac road and one 2m wide 230mm deep tarmac footpath to current adoption standards excluding any verge or landscaping;*

j) *150mm diameter foul water sewers at a depth of 2.0m, 225mm diameter surface water sewers at a depth of 2.0m, FW and SW manholes 1200mm diameter, 2.0m deep;*

k) *Standard site preliminary and running costs.*

7.188. For the avoidance of doubt, the standard build costs would not include site specific elevational enhancements, chimneys, nor the site-wide abnormal and extra over costs of delivery.

Base Build Costs

7.189. To inform our assessment of base build costs for the original update to the LPVA in late 2019 / early 2020, we obtained cost information from the BCIS Average Prices database which was re-based to the Warrington location as at December 2019.

7.190. The BCIS is an independent nationally recognised database maintained by the RICS. The information is based on actual construction costs for completed schemes submitted to the BCIS and thus represents a reasonable industry-wide source to inform our assessment of the likely base build costs for the typologies within the LPVA.

7.191. The use of the BCIS is advocated in the PPGV, the Harman Report and a number of appeal decisions. Examples include:

1. *Land next to School Lane, Milford on Sea, Lymington – APP/B1740/W/18/3209706 decision 08/04/19. The use of BCIS data described as 'standard practice'. Inspector favoured the use of the BCIS 5 year data rather than the BCIS default data which is based on a 15 year dataset.*

2. *Land at Strode Farm, Lower Herne Road, Herne, Kent – APP/J2210/W/15/3141444, 25/09/17. The use of BCIS data considered "reasonable, notwithstanding potential economies of scale available to volume housebuilders".*

3. *111-121 Fairfield Road, London – APP/E5900/W/14/3000112 decision 25/2/15. BCIS described as "tangible evidence".*

4. *Low Wood Road, Nottingham – APP/J3015/S/15/3019494 decision 17/8/15. DVS confirmed on behalf of the Council that it had had regard to the data from BCIS which it stated is widely used in appraisal work and [the DVS] had adopted the median cost.*

7.192. We have considered the BCIS cost data from the most recent 5 year 'age of results' sample rather than the BCIS default data which is based on a 15 year sample. This is to ensure that the build costs are based on the most recent cost data and are therefore more reflective of the current market.

7.193. This approach is consistent with the recent appeal decision in respect of Land next to School Lane, Milford on Sea, Lymington (reference: APP/B1740/W/18/3209706, decision date April 2019) where the Inspector favoured the use of the BCIS 5 year data rather than the BCIS default 15 year data. The Inspector provided clear reasoning to support his decision at Paragraph 17.

7.194. The BCIS figures are inclusive of the base house build cost, preliminary costs and a main contractor's overheads and profit but are exclusive of plot external works, garages, standard estate roads, sewers, plot service connection costs, contingencies and professional fees. These costs must therefore be added to the base build costs to determine the total standard build costs.

7.195. We note that the BCIS data is predominantly based on build contracts submitted by contractors for smaller schemes often constructed on behalf of Local Authorities and RPs. As such, the average costs do not typically reflect the economies of scale which can be achieved by larger established regional and national housebuilders on bigger sites through supply chain efficiencies.

7.196. The BCIS costs also include a main contractor's profit and, based on our experience in dialogue with housebuilders and expert quantity surveyors, this cost is not usually incurred by established housebuilders as they typically carry out the main contractor's function internally.

7.197. For these reasons, we have therefore differentiated the base build cost assumptions for estate housing schemes by site size to more appropriately reflect the potential base build costs for each typology.

7.198. For the flatted typologies, we have differentiated the base build costs by storey height using the BCIS data rather than by site size / unit numbers as the larger schemes are not necessarily more cost efficient due to increasing storey heights which necessitates a more complex structure, enhanced servicing and fire precaution measures which results in higher base build costs.

7.199. We have also varied the assumed base build costs by value area to reflect the specification enhancements which could be required to achieve the higher sales values assumed in the different markets.

7.200. For estate housing schemes, where the assumed revenues sit between £2,594 – £3,057 psm / £241 – £284 psf, we have adopted the Median figure for estate housing (generally) for the smallest sites, the mid-point of the Median and Lower Quartile figures for mid-sized sites and the Lower Quartile figure for larger sites to reflect potential cost efficiencies on the bigger schemes.

7.201. Where the assumed revenues are £2,583 psm / £240 psf or below, we have reduced the BCIS figures by 5%. Where the assumed revenues are £3,068 psm / £285 psf or above, we have increased the BCIS figures by 5%.

7.202. For the purposes of the 2021 update, we have indexed the base build costs adopted in the 2020 analysis utilising the BCIS General Building Cost Index which shows inflation of 3.56% between December 2019 and April 2021. The indexed build costs have then been rounded to the nearest whole number.

7.203. On this basis, the base build cost assumptions for estate housing are as follows:

Base Build Cost Assumptions – Estate Housing

Site Size (Total Units)	BCIS Figure	£ psm	£ psf
Assumed Revenues: £2,594 – £3,057 psm / £241 – £284 psf			
< 25	Median	£1,180	£110
25 – 74	Mid-Point of Median and Lower Quartile	£1,116	£104
75+	Lower Quartile	£1,053	£98
Assumed Revenues: £2,583 psm / £240 psf or less (BCIS Figure Reduced by 5%)			
< 25	Median	£1,123	£104
25 – 74	Mid-Point of Median and Lower Quartile	£1,063	£99
75+	Lower Quartile	£1,003	£93
Assumed Revenues: £3,068 psm / £285 psf or more (BCIS Figure Increased by 5%)			
< 25	Median	£1,238	£115
25 – 74	Mid-Point of Median and Lower Quartile	£1,172	£109
75+	Lower Quartile	£1,106	£103

7.204. For the typologies which comprise flatted development, we have assessed indicative storey heights for each scheme based on the site location, the advised site areas and the total unit numbers. The assumed indicative storey heights for the relevant typologies are as follows:

- Town Centre 10 Units and 50 Units – 3 / 4 storeys
- Town Centre 250 Units – 7 / 8 storeys
- Inner Warrington 50 Units and 250 Units – 3 / 4 storeys

7.205. We have applied the relevant BCIS Median figures for apartments to determine the base build costs for each typology. We have again indexed the 2020 costs for the purposes of the 2021 update, with the indexed assumptions summarised below:

Base Build Cost Assumptions – Apartments

Storey Height	BCIS Figure	£ psm	£ psf
Assumed Revenues: £2,594 – £3,057 psm / £241 – £284 psf			
3 – 5 Storey	Median	£1,295	£120
6+ Storey	Median	£1,585	£147
Assumed Revenues: £2,583 psm / £240 psf or less (BCIS Figure Reduced by 5%)			
3 – 5 Storey	Median	£1,234	£115
6+ Storey	Median	£1,510	£140
Assumed Revenues: £3,068 psm / £285 psf or more (BCIS Figure Increased by 5%)			
3 – 5 Storey	Median	£1,360	£126
6+ Storey	Median	£1,665	£155

External Works, Garages, Standard Estate Roads, Sewers and Plot Connections

7.206. For estate housing schemes, we have made an allowance of 15% of base build cost for plot external works, standard estate roads, sewers, and plot service connection costs. We have assumed that garage costs are included within this 15% allowance.

7.207. For flatted schemes, we have made an allowance of 10% of base build cost for external works, standard estate roads, sewers, and plot service connection costs.

7.208. This gives the following an 'all-in' standard build cost figures before contingency and professional fees:

Total Standard Build Cost Assumptions – Estate Housing

Site Size (Total Units)	Base Build Cost (£ psm / psf)		External Works, Garages, Roads, Sewers and Plot Connections	'All In' Standard Build Cost (£ psm / psf)	
Assumed Revenues: £2,594 – £3,057 psm / £241 – £284 psf					
< 25	£1,180	£110	15%	£1,362	£126.50
25 – 74	£1,116	£104	15%	£1,287	£119.60
75+	£1,053	£98	15%	£1,213	£112.70
Assumed Revenues: £2,583 psm / £240 psf or less (minus 5%)					
< 25	£1,123	£104	15%	£1,287	£119.60
25 – 74	£1,063	£99	15%	£1,225	£113.85
75+	£1,003	£93	15%	£1,151	£106.95
Assumed Revenues: £3,068 psm / £285 psf or more (plus 5%)					
< 25	£1,238	£115	15%	£1,424	£132.25
25 – 74	£1,172	£109	15%	£1,349	£125.35
75+	£1,106	£103	15%	£1,275	£118.45

Total Standard Build Cost Assumptions – Apartments

Site Size (Total Units)	Base Build Cost (£ psm / psf)		External Works, Roads, Sewers and Plot Connections	'All In' Standard Build Cost (£ psm / psf)	
Assumed Revenues: £2,594 – £3,057 psm / £241 – £284 psf					
3 – 5 Storey	£1,295	£120	10%	£1,421	£132.00
6+ Storey	£1,585	£147	10%	£1,741	£161.70
Assumed Revenues: £2,583 psm / £240 psf or less (minus 5%)					
3 – 5 Storey	£1,234	£115	10%	£1,362	£126.50
6+ Storey	£1,510	£140	10%	£1,658	£154.00
Assumed Revenues: £3,068 psm / £285 psf or more (plus 5%)					
3 – 5 Storey	£1,360	£126	10%	£1,492	£138.60
6+ Storey	£1,665	£155	10%	£1,835	£170.50

7.209. We acknowledge that the calculation of standard build costs is sometimes built up without reference to the BCIS, through the base house box cost, plus plot external works, plus half standard estate roads and sewers, plus plot connections.

7.210. Notwithstanding this, it is the total ‘all in’ standard build cost figure which is relevant rather than the precise methodology, and it is the ‘all in’ standard cost figure which must be sufficient to deliver the definition at paragraph 7.187 above with a specification equivalent to support the sales values which are adopted.

7.211. The above ‘all in’ standard build cost assumptions are considered to be broadly appropriate for the purposes of this area-wide FVA. However, due to the nature of this study on an area-wide basis, relatively high level assumptions have to be made in respect of the appraisal inputs and it is noted that in reality, strict boundaries in terms of site size, value area and standard cost assumptions cannot be drawn.

7.212. For example, clearly the standard build costs for a 74-unit site will not be c. £65 psm / £7 psf higher than the standard build costs for a 75-unit site. In relation, the standard build costs would decrease with increasing site size due to the ability to achieve greater cost efficiencies on larger sites. Therefore, the standard build costs for a 74-unit site would likely be lower than the standard build costs for a 25-unit site, and the standard build costs for a 250-unit site would likely be lower than the standard build costs for a 75-unit site and so on.

7.213. In particular for the larger sites, based on our extensive experience in preparing and reviewing site-specific FVAs, Red Book valuations, our dialogue with active developers and our analysis of residential standard build costs in developer land bids and internal appraisals, we are aware that some established housebuilders could potentially deliver larger sites at build costs below the BCIS Lower Quartile figures. In reality, therefore, the larger sites could potentially be built out for lower base build costs than assumed in this study.

7.214. It is also recognised that not all sites with revenue expectations under £2,583 psm / £240 psf will have the same standard build costs, whilst a 5% increase to the assumed base build costs for all sites with revenues in excess of £3,068 psm / £285 psf will not be appropriate in every instance.

7.215. Whilst we have attempted to account for this variation through differentiating the build costs by site size and value area, the cost categories are still relatively broad and it is not possible to fully reflect the actual build costs on every different size of site and in every different value area in a plan-wide study of this nature.

7.216. Furthermore, site density can affect the standard build costs due to factors including smaller gardens and the reduced plot external works on higher density sites. The house type mix will also impact on the standard build costs with detached houses typically having a higher standard cost in comparison to semi-detached and terraced houses, and bungalows being more costly than two storey housing.

7.217. Again, we emphasise that it is not possible to reflect the full range of standard build cost scenarios in a high level area-wide study of this nature and assumptions have to be made for the purposes of the testing.

7.218. Consideration was given to introducing more cost categories in terms of site size and value area however this would require further adjustments to be made to the BCIS figures, and a line had to be drawn in respect of the range of assumptions adopted. The standard build costs have also been formulated taking into account the stakeholder feedback received during the consultation periods.

7.219. For the above reasons, therefore, the standard build cost assumptions could be considered to incorporate an element of conservatism, particularly for sites towards the upper end of each size category and for the larger sites which would be delivered by established regional and national volume housebuilders.

7.220. The cautious approach which we have adopted is not inappropriate for an area-wide FVA to avoid testing the margins of viability at the plan-making stage and to take into account stakeholder feedback. However, because we have adopted this approach, we have undertaken sensitivity testing by reducing the base build costs by 5% and 10% as detailed in Section 8 of this report. As stated above, in reality the base build costs for larger sites could potentially sit closer to the discounted figures, depending on the ultimate scheme house type mix, specification and density.

7.221. At this point, it is also important to make clear that for the above key reasons, the generic assumptions adopted in this area-wide FVA (for standard build costs and indeed other inputs) cannot necessarily be applied without adjustment at the application stage in site-specific FVAs. Indeed, we are not suggesting that the BCIS Median cost will be appropriate for every site of less than 25 units, nor the Lower Quartile cost appropriate for every site in excess of 75 units, nor a 5% increase to the BCIS figures appropriate for every site with revenues in excess of £3,068 psm / £285 psf and so on.

7.222. In addition, through our past experience, we have found that the BCIS figures can vary depending on the nature of the sample in each location and as stated above, it is acknowledged that there are limitations to the BCIS dataset, particularly when assessing the base build costs for larger sites. In some site-specific cases, we have therefore found it necessary to make adjustments to the BCIS figures to arrive at a more realistic market-facing position based on the nature of the particular site being appraised.

7.223. Accordingly, if site viability is assessed at the application stage, the specific circumstances of that site and the nature of the proposed scheme will need to be considered and appropriate adjustments made to the assumptions adopted in this area-wide FVA where necessary. We provide a range of sensitivity analysis in Section 8 of this report which demonstrate the potential impact on viability if such adjustments are made. We also comment further on the relationship between the area-wide assumptions and site-specific FVAs in the final section of this report.

Commercial Standard Build Costs

7.224. To determine the base build costs for the commercial elements within the appraisals for the 2020 analysis, we again consulted the BCIS Average Prices database re-based to Warrington as at December 2019. We had to adopt data from the default data period based on a 15 year sample as there is not a complete set of cost data available for all commercial uses based on the 5 year sample.

7.225. For the industrial floorspace, having regard to the advice of our industrial agents and building surveying team, we adopted the Lower Quartile figure for Advanced Factories (over 2,000 sq m) of £501 psm / c. £47 psf, as our surveyors advised that this was more reflective of the anticipated build costs for large-scale industrial units in comparison to the Median figure.

7.226. For the retail elements, having regard to the advice of our retail agents and building surveying team, we adopted the Median figure for Shops (generally) which equated to £1,069 psm / c. £100 psf.

7.227. As with the residential base build costs, we have again uplifted the commercial base build costs in line with the cost inflation indicated by the BCIS General Building Cost Index of 3.56%. We have sense-checked the updated build cost assumptions with our commercial agents to ensure that the uplifted figures sit within a realistic market-facing range.

7.228. For all commercial development, we have then made an allowance of 10% of base build cost for external works, standard estate roads, sewers and utilities connections.

7.229. This gives the following an 'all-in' standard build cost figures before contingency and professional fees:

Commercial – Standard Build Cost Assumptions

Base Build Cost (£ psm / psf)		External Works, Roads, Sewers and Plot Connections	'All In' Standard Build Cost (£ psm / psf)	
Industrial				
£524	£48.67	10%	£576	£53.54
Retail				
£1,115	£103.56	10%	£1,226	£113.92

7.230. The same comments referenced above in respect of the residential standard build costs and the relationship between the area-wide assumptions and site-specific FVAs apply to the commercial build cost assumptions.

Contingencies and Professional Fees

7.231. We have made an allowance of 5% and 7% for contingency and professional fees respectively. Although this represents a slightly conservative assumption based on our understanding of the allowances typically made by developers for residential schemes, we have adopted the stated allowances so as to not test the margins of viability at the plan-making stage and taking into account stakeholder feedback.

7.232. We do however provide a sensitivity analysis on the assumed contingency and professional fee allowances as we are aware that some developers adopt a lower contingency allowance and do not always incur fees at the magnitude assumed. This is particularly the case for contingencies at the site-specific stage where there is more certainty regarding the nature of the scheme, the key cost and value inputs and the development programme.

7.233. We have applied the contingency allowance to the total standard build costs and abnormal costs. We have applied the professional fee allowance to the total standard build costs, abnormal costs and contingencies.

7.234. We have not applied any contingency or professional fee allowances to the strategic infrastructure costs for the Main Development Areas as we are advised by the Council and the relevant consultants for these sites that the provided costs are inclusive of all contingencies and professional fees. We comment further on this point later in this section.

Energy Requirements

7.235. Policy ENV7 of the emerging Local Plan requires major residential development (11 units or more) in all locations outside of the strategic allocations to meet at least 10% of their energy needs from renewable and/or other low carbon energy source(s). The policy further requires major commercial/employment development to minimise carbon emissions and demonstrate what energy efficiency measures and/or low carbon technologies have been considered.

7.236. We have been provided with evidence from cost consultants Turner and Townsend (Appendix 12) in respect of the costs to satisfy the above requirements for residential development. We have assumed a cost of £2,250 per unit in accordance with the evidence provided by Turner and Townsend.

7.237. As detailed in Section 4, since our original update to the LPVA in 2020, the government has confirmed that the new Part L standards will be introduced from June 2022 which will affect development over the plan period. The government guidance suggests an average additional cost of £4,847 per plot for complying with the uplifted standards[6].

7.238. A further Government Impact Assessment suggests that some developers could choose less costly ways of meeting the standard than assumed in the initial guidance, with a reduced cost of £3,130 per plot potentially achievable for semi-detached properties[7].

7.239. For the purposes of this 2021 update, we have not applied any additional costs above the £2,250 per plot allowance for energy requirements as we consider that there is sufficient headroom in the standard build cost assumptions to meet this cost, particularly when combined with the 5% contingency and 7% professional fees allowances.

7.240. The Future Homes Standard which is due to come in to force in 2025 has not been accounted for in this assessment. At this stage there is no certainty on the costs or the full set of requirements to be introduced by the government. It is recommended that this is revisited as part of the Local Plan review.

7.241. For commercial uses, we have consulted the BREEAM Briefing Paper *'The Value of BREEAM: A Review of Latest Thinking in the Commercial Building Sector'* (2016) which advises of approximate increases in capital cost for different building types and certification levels as follows:

[6] 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 (MHCLG, October 2019)
[7] 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)

Figure 7.10 – BREEAM Capital Costs

	Education	Industrial	Retail	Office	Mixed Use
Rating	**School**	**Industrial**	**Retail**	**Office**	**Mixed Use**
Very Good	0.2%	0.1%	0.2%	0.2%	0.15
Excellent	0.7%	0.4%	1.8%	0.8%	1.5%
Outstanding	5.8%	4.8%	10.1%	9.8%	4.8%

Source: Tata Steel, British Constructional Steelwork Association Limited, AECOM, Cyril Sweett, The Steel Construction Institute, Development Securities PLC, 2012.

7.242. For the purposes of our assessment, we have assumed that all commercial development in Warrington will be built to BREEAM 'Excellent' to satisfy the emerging policy requirement. We have applied the percentage uplift advised in the BREEAM document for the different use classes.

7.243. In the strategic housing and employment allocations, Policy ENV7 requires all development to establish, or connect to an existing, decentralised energy network unless this is shown not to be feasible or viable, in which case development will be required to;

a. make provision to enable future connectively in terms of site layout, heating design and site-wide infrastructure design; and

b. to ensure that at least 10% of their energy needs can be met from renewable and/or other low carbon energy source(s).

7.244. We have assumed a cost of 6% of base build cost to satisfy this requirement in the strategic housing allocations and a cost of 2% of base build cost to satisfy this requirement in the strategic employment allocations in accordance with the assumptions adopted by BNPPRE in their LPVA (March 2019).

7.245. For the residential allocations, the 6% allowance is a significant cost and where this higher energy cost would render the strategic allocations unviable, the Council have advised that we can adopt the allowance of £2,250 per unit to satisfy the requirement for 10% of energy needs to be met from renewable / low carbon energy sources as detailed above. This assumption is permitted under the emerging policy.

7.246. Furthermore, it is acknowledged that there is little publicly available evidence of the costs for establishing, or connecting to an existing, decentralised energy network as we understand that this is an emerging policy requirement in both Warrington and across the North West. Therefore, if the cost assumption proves to be insufficient in reality, it is important that other policy requirements are able to flex to offset any higher developer contributions required to comply with this requirement.

7.247. In addition, the Council is aware from other examples of major urban extensions in the UK that public sector intervention may be necessary to establish decentralised energy networks. This is something that the Council may give consideration to in the future as part of its commitment to tackling climate change.

Accessibility Standards

7.248. Under Policy DEV2 of the emerging Local Plan, the Council will seek that all new homes should be provided to Building Regulation Standard M4(2) ‘Accessible and Adaptable dwellings’ on residential development of 10 dwellings or more.

7.249. We have modelled this requirement within our appraisals. We have also assumed that 10% of dwellings will be wheelchair adaptable in accordance with Building Regulation Standard M4(3) ‘adaptable dwellings’ as set out in Policy DEV2.

7.250. We have derived the costs for satisfying the above requirements from the *DCLG – Housing Standards Review* (September 2014). We have indexed the costs from September 2014 to April 2021 utilising the BCIS General Building Cost Index.

7.251. The adopted costs are as follows:

- M4(2) – £609 per house, £1,078 per flat
- M4(3) (Adaptable) – £11,921 per house, £9,048 per flat

Site-Specific Strategic Infrastructure / Abnormal Costs

7.252. The Main Development Areas are considerably larger than all other site allocations and the generic typologies assumed within this assessment.

7.253. Each Main Development Area will deliver in excess of 1,000 residential units over the plan period, and large scale employment development in the case of the South East Warrington Employment Location and Fiddlers Ferry. As such, there is a requirement for significant strategic infrastructure (eg. major new road junctions, utilities and drainage, spine roads, highway improvement schemes) to unlock each site for development. There is also a requirement for substantial upfront demolition and remediation works of the existing power station at the Fiddlers Ferry allocation.

7.254. The Council have provided the estimated strategic infrastructure / abnormal costs for each of the Main Development Areas which we have relied on for the purposes of this assessment. We understand that these costs have been assessed in dialogue with the relevant stakeholders of each allocation. They primarily relate to on-site highways works, off-site highways works and utilities costs. A breakdown of the costs is provided in the Council’s Infrastructure Delivery Plan.

7.255. The total strategic infrastructure / abnormal costs for each allocation are as follows:

Site Allocations – Strategic Infrastructure / Abnormal Costs Summaries

Site Allocation	Total Strategic Infrastructure / Abnormal Costs
South East Warrington Urban Extension	£127,098,920
South East Warrington Employment Location	£33,916,404
Fiddlers Ferry	£90,174,299
Waterfront	£25,863,941
Peel Hall	£20,111,104

7.256. As previously stated, we have appraised the Main Development Areas based on a hypothetical residential scheme comprising 300 residential units in order to reflect the potential profile of delivery at these sites over the plan period.

7.257. Based on our dialogue with the Council in respect of the likely delivery structure and payment profile for the strategic infrastructure / abnormal costs, we have agreed with the Council to pro-rata the total costs to each hypothetical 300 unit scheme on a per plot basis for the purposes of our appraisals.

7.258. We have apportioned the costs for the Fiddlers Ferry allocation in a slightly different way in line with our approach to apportioning the residential and employment floorspace as detailed earlier in this section, which results in just over one third of the costs being attributed in the appraisal.

7.259. The costs are inputted into the cash flow models using an upfront 'weighted' cash flow approach whereby the costs are assumed to be highest at commencement of development and taper off throughout the development period. This is considered to represent a reasonable assumption for large-scale urban extensions so as to seek to reflect the timely delivery of the requisite new infrastructure in the cash flow. For the Fiddlers Ferry allocation, we have also assumed that the demolition and remediation costs are incurred upfront in the development period.

7.260. For the South East Warrington Employment Location, we have similarly pro-rata'd the total costs to the assumed hypothetical scheme on a rate psm / psf basis and we have adopted the same cash flow profiling assumptions as detailed above. We note that the provided costs for this allocation also include contributions towards sustainable travel, travel plans and bus services support.

7.261. We would however note that the cash flow assumptions are provisional based on the information made available by the Council as at the date of this report, with due diligence ongoing in respect of phasing and infrastructure delivery for each of the Main Development Areas.

7.262. If the actual scheme phasing and delivery of infrastructure and enabling works differs to the cash flow profiling adopted in our initial appraisals, for example if the infrastructure burden was more 'upfront' than we have assumed, this could impact on the viability of the development. We reserve the right to review the assumptions once further due diligence has been carried out.

7.263. At the plan-making stage, it is quite typical that the provided strategic infrastructure / abnormal costs are provisional and subject to further due diligence. It is therefore recognised that these costs could change as further site investigations are undertaken and designs are progressed.

7.264. However, we are advised by the Council that the provided costs represent the best estimate of the likely strategic infrastructure / abnormal costs for each allocation as at the date of this assessment. We are further advised by the Council that the provided costs include the necessary risk allowances at this stage of the plan-making process, including a contingency of 45% on the strategic on-site highways costs. The risk allowance applied to the strategic highways costs is regarded as cautious but not inappropriate at this stage of the process.

7.265. Clearly if the actual strategic infrastructure / abnormal costs are significantly higher or lower than assumed in this study, the viability of each allocation could be different to that assessed in our appraisals, and it would be necessary to reappraise that particular site at the relevant date.

7.266. In this respect, we mention that we have relied on the provided strategic infrastructure / abnormal costs for the purposes of this assessment and we have not verified these costs. It is recommended that the Council continues to undertake due diligence and engages with the relevant site promoters to be satisfied that the adopted costs are realistic and cover the full infrastructure and enabling works required to bring each site forward for development.

Site-Specific Abnormal and Extra Over Development Costs

7.267. As well as the strategic infrastructure costs, it is also important to include a reasonable cost allowance for site-specific abnormal and extra over development costs which are separate to the site-wide strategic infrastructure costs.

7.268. Based on all our experience across previous viability, Red Book valuation, land agency and expert witness instructions, we have yet to come across any residential development site (greenfield or brownfield) with nil abnormal and extra over development costs and indeed it would be the exception rather than the norm for a site to have no abnormal and extra over development costs.

7.269. Examples of abnormal and extra over development costs which are not covered by the strategic costs include the following:

- Cut and Fill
- Retaining Walls
- Abnormal Foundations
- Surface Water Attenuation
- Sustainable Urban Drainage Systems
- Pumping Stations
- Sub Stations
- Ecological Mitigation
- On-site Public Open Space (Including Play Provision)
- Enhanced Elevational Treatments (required under planning permission)
- Electric Vehicle Charging Points

7.270. We note that the above list is not exhaustive and represents an example of some of the potential abnormal and extra over development costs which could be incurred on residential development sites.

7.271. It is important to emphasise that abnormal and extra over development costs are inherently site-specific and cannot be accurately estimated at the plan-making stage as full site due diligence has not yet been carried out. It is therefore not possible to formulate an accurate abnormal and extra over cost assumption for all sites at the plan-making stage as these costs will inevitably vary on a site-by-site basis.

7.272. Nevertheless, in order to inform an approximate site-specific abnormal and extra over cost assumption for the purposes of the testing, we have reviewed the abnormal / extra over costs we have been provided with on a range of residential development sites across the North West as part of recent expert witness, viability, Red Book valuation and land disposal instructions.

7.273. For confidentiality reasons, we cannot disclose the specific details of each site. However, we can confirm that the sample includes 28 sites in different North West locations, across both greenfield and brownfield sites of differing sizes (28 units – 850 units) with the abnormal / extra over costs ranging from c. £7,000 to £52,000 per plot. The majority of sites (19 of 28) have abnormal / extra over costs equal to or below c. £24,000 per plot and 15 sites have abnormal / extra over costs equal to or below c. £20,000 per plot.

7.274. There is no trend to suggest that greenfield sites have lower abnormal / extra over costs than brownfield sites with both site types having a range of total costs. The abnormal / extra over costs within the sample cover a wide range of cost heads including but not limited to remediation, ecological mitigation, abnormal drainage, acoustic mitigation, abnormal foundations, retaining walls and abnormal services costs.

7.275. For the purposes of the testing, we have adopted a provisional estimate of £15,000 per housing unit for the approximate abnormal and extra over development costs on residential sites which is assumed to cover potential abnormal costs such as those set out at paragraph 7.269. When contingencies and professional fees are applied, the total cost equates to c. £16,850 per plot.

7.276. We have adopted a reduced figure of £2,500 per unit for flatted development due to the much smaller site sizes, higher densities and no private gardens, meaning that the abnormal / extra over development costs would likely be lower on a per plot basis. The higher base build cost figures identified by the BCIS also reflects the higher non-standard foundation costs on taller flatted schemes.

7.277. We have assumed that the cost of electric vehicle charging points is included in the total abnormal cost allowance which is based on the assumption that the Council will require a basic charging point specification, for example a 15 amp (3.7kw) supply using heavy duty cables from the distribution board and located within the walls of the house.

7.278. In our experience and review of other site-specific and area-wide FVAs, a basic charging point would not represent a significant additional development cost of more than say £200 – £500 per unit (excluding any charging equipment which is assumed to be supplied with the electric vehicle). We understand that the charging equipment can be fitted by owner with the benefit of a grant whereas developers are not able to obtain this grant.

7.279. If the Council were to require a higher specification charging point for a particular scheme, this could result in additional development costs which may mean that viability would need to be considered on a site-specific basis.

7.280. We further note that our viability testing is based on the assumption that EV charging points on new developments would not require new connections, reinforcements or upgrades to the grid. If new supporting infrastructure is required, this could significantly impact on the viability of development and would require consideration on a site-specific basis. We therefore recommend that a flexible approach is adopted by the Council (i.e. subject to viability and site-specific considerations) in respect of the application of this policy requirement.

7.281. Within the BLV section of this report, we provide further comment on the potential impact on viability should the abnormal and extra over development costs for each site differ from the figures assumed in this LPVA.

Biodiversity Net Gain

7.282. As well as the above policy standards and abnormal costs, we have made a separate allowance for biodiversity net gain delivery costs for residential and non-residential development, based on the Government Impact Assessment (October 2019) – *Biodiversity net gain and local nature recovery strategies.*

7.283. This document advises of the following average costs for the North West:

- Residential – £18,952 per ha / £7,670 per acre
- Non-residential – £14,334 per ha / £5,801 per acre

7.284. The costs in the Impact Assessment are inclusive of fees and are based on 2017 prices. We have therefore indexed the costs to April 2021 for the purposes of this update, using the BCIS General Building Cost Index. This shows cost inflation of approximately 12.33% over the period, which results in indexed costs of £21,288 per ha / £8,615 per acre for residential development and £16,101 per ha / £6,516 per acre for non-residential development.

7.285. For the area wide typologies, due to the nature of the model this cost has been calculated into a unit cost and added to the S106 costs detailed below.

Section 106 Contributions

7.286. The Council have provided us with the proposed S106 contributions for each typology. The Council have advised that all contributions have been indexed up to April 2021 and full breakdowns of the proposed contributions are attached at Appendix 13. Further details regarding the specific calculations for each contribution can be provided as required.

7.287. For the site allocations, we understand that the contributions have been assessed based on the specific policy requirements for each site and include contributions towards education, health, playing pitches, sports facilities and transport. The contributions for the South East Warrington Urban Extension allocation also include contributions towards off-site motorway junction works.

7.288. The Council have advised that they have reduced the contributions for the Waterfront by 25% as it is assumed that this site will be built to a higher density with a proportion of one bedroom dwellings which would reduce the pressure on local infrastructure.

7.289. For the South East Warrington Employment Location, the provided strategic infrastructure / abnormal costs include contributions towards off-site highways works and sustainable travel measures such as footpaths, cycleways, travel plan and bus services support. As such, no additional S106 contributions have been separately included for this allocation.

7.290. For the generic typologies, the Council have advised that the contributions are based on the adopted Planning Obligations SPD and again include contributions towards education, health, playing pitches, sports facilities and transport. The Town Centre 2 and 3 typologies and the Inner Warrington 2 and 3 typologies also include a contribution towards off-site open space where the assumed higher densities may preclude on-site provision.

7.291. It should be noted that the Council can only seek a S106 contribution where it is necessary to do so to mitigate the impacts of a development. We are advised by the Council that there is some capacity in the borough's infrastructure within the existing urban area and outlying settlements, but this varies considerably across different parts of Warrington, across different infrastructure types and over time.

7.292. For the purposes of the LPVA, the Council have applied a discount to the S106 requirements for the generic typology sites to reflect that the full contribution requirements may not always be sought. A discount of 50% has been applied to primary school, secondary school, health and playing pitch contributions and a discount of 75% has been applied to sports facilities.

7.293. On this basis, the assumed S106 contributions are set out below:

Proposed S106 Contributions – Summary

Typology	S106 Contributions (Per Unit)
Site Allocations	
South East Warrington Urban Extension	£15,032
Fiddlers Ferry	£9,714
Waterfront	£8,150
Peel Hall	£11,067
Croft	£11,361
Culcheth	£11,140
Hollins Green	£11,093
Thelwall Heys	£11,163
Lymm – Rushgreen Road	£11,134
Lymm – Warrington Road	£11,134
Winwick	£11,083
Generic Typologies	
Town Centre 1	£2,883
Town Centre 2	£4,070
Town Centre 3	£4,070
Inner Warrington 1	£5,203
Inner Warrington 2	£5,605
Inner Warrington 3	£5,605
Suburb 1	£4,766
Suburb 2	£6,291
Suburb 3	£6,291
Settlement 1	£4,766
Settlement 2	£6,291
Town Centre 3 (BTR)	£4,070
Inner Warrington 3 (BTR)	£5,114

7.294. The Council have advised that the capacity of infrastructure is reviewed on a regular basis by relevant Council and partners services. The precise level of S106 contributions sought will be based on an assessment of the capacity of all relevant infrastructure impacted by a proposed development at the time that a planning application for that development proposal is assessed.

Marketing and Disposal Fees

7.295. We have assumed appropriate market-facing fees to dispose of the completed residential units which include marketing, sales agent and legal fees.

7.296. In order for the residential units to be sold at the pace of sale we have assumed, it is imperative that appropriate full marketing is undertaken. All developers sell new homes on a similar basis, using show homes, a marketing suite and full-time sales staff.

7.297. Typical examples of marketing costs include but are not limited to:

- Sales office
- Salaries and commission for sales staff
- Cars / travel / mobile phones
- Show home(s) and related costs
- Advertising / media / promotion
- Site signage/boards
- Brochure design and production

7.298. Based on our widespread experience across previous viability, Red Book valuation and expert witness instructions, and from reviewing market-facing developer land bids, we have set the total cost of sales agent and marketing fees at 3% of market housing GDV. Legal fees on completion of sales of all housing units (market and affordable) are set at 0.5% of total GDV.

7.299. For commercial development, letting agent's and letting legal fees are assumed at 15% of rental value. These costs have been included within the capital value calculations for the commercial floorspace as detailed earlier in this section. Sales agent and marketing fees are set at 1% of GDV and legal fees are set at 0.5% of GDV.

Finance

7.300. We have adopted a market-facing finance rate of 6% which is assumed to be inclusive of all arrangement, monitoring and exit fees.

7.301. In our opinion, this reflects the likely cost of borrowing in current market conditions based on our experience of assessing a wide range of residential development sites for viability, valuation and expert witness purposes, on behalf of numerous national, regional and local housebuilders and developers.

Developer's Profit

7.302. In determining appropriate developer's profit (operating margin including overheads) assumptions, we have differentiated the assumed profit by development type as follows:

- Market Housing (Estate Housing Schemes) – 20% of GDV
- Market Housing (Apartment Schemes) – 15% of GDV
- Affordable Housing – 7% of GDV
- BTR Schemes – 12% of GDV
- Commercial Development – 15% of Cost

7.303. Full justification for the adopted profit levels is set out under the sub-headings below.

Market Housing

7.304. In our experience and based on current market conditions, residential developers will typically require a minimum profit (including overheads) of 20% of market housing GDV for estate housing schemes, reflecting the risks associated with speculative residential development and to satisfy lender and/or investor requirements. For sites which are higher or lower risk, the required profit may increase or decrease above this level.

7.305. To support the adopted profit on market housing for estate housing typologies, we firstly highlight a wide range of Planning Inspectorate appeal decisions and recent CIL Charging Schedule Examinations, whereby a developer's profit of 20% of GDV for market housing has been deemed appropriate:

CIL Charging Schedule Examinations

CIL Report	Date	Reference	Examiner	Para.	Developer's Profit (including Overheads) for Private Housing
Bromley	17/02/2021	No reference specified in Examiner report.	Keith Holland	16	20% of GDV
Runnymede	08/12/2020	No reference specified in Examiner report.	Philip Staddon	41	20% of GDV
Harrogate	19/05/2020	PINS/E2734/429/8	Jameson Bridgwater	7	20% of GDV
London Legacy Development Corporation	24/04/2020	PINS/M9584/429/3	Mike Fox	-	20% of GDV
Kirklees	10/01/2020	PINS/Z4718/429/8	Katie Child	24	20% of GDV
Rushcliffe	25/06/2019	No reference specified in Examiner report.	Terrence Kemmann-Lane	17	20% of GDV
Waverley	28/09/2018	PINS/R3650/429/9	Philip Staddon	39	20% of GDV
Gloucester, Cheltenham and Tewksbury	31/07/2018	PINS/B1605/429/1	Elizabeth C Ord	34	20% of GDV
Cotswold	05/06/2018	PINS/F1610/429/1	William Fieldhouse	19	20% of GDV
Basingstoke and Deane	20/02/2018	PINS/H1705/429/5	Louise Nurser	30	20% of GDV
Tamworth	13/02/2018	PINS/G4240/429/7	Yvonne Wright	27	20% of GDV
Warwick	23/10/2017	PINS/T3725/429/6	Michael Hetherington	13	20% of GDV
Cheshire West and Chester	15/06/2017	PINS/A0655/429/5	Mike Hayden	29	20% of GDV
Bradford	20/12/2016	PINS/W4705/429/8	Louise Nurser	28	20% of GDV

Appeal Decisions

Appeal Case	Appeal Date	Reference	Planning Inspector	Para.	Developer's Profit (including Overheads) for Private Housing
Poulton-le-Fylde	01/04/2020	APP/U2370/W/19/3241233	Diane Crigg	12	20% of GDV
Selby	14/11/2017	APP/N2739/S/17/3168721	Phillip Ware	26	20% of GDV
Notts	13/12/2016	APP/N3020/S/16/3154302	Brendan Lyons	44	20% of GDV
Selby	02/11/2016	APP/N2739/S/16/3149425	Brendan Lyons	40	20% GDV
Hampshire	02/03/2016	APP/B1740/W/15/3130227	Martin Andrews	12	20% GDV
Shinfield	08/01/2013	APP/X0360/A/12/2179141	Clive Hughes	44	20% GDV

7.306. Further to this, we have monitored the developer's profit assumptions adopted for market housing in other recent area-wide FVAs across the North West, Yorkshire, the North East and the Midlands (published between June 2017 and February 2021).

7.307. Of the 28 studies which we have reviewed, 23 of the studies adopted a developer's profit for market housing of 20% of GDV. Pertinent examples from the North West are shown in the table below:

North West Area-Wide FVAs – Developer's Profit Allowances

Local Plan / CIL Viability Assessment	Developer's Profit on Market Housing
Cheshire East CIL VA (August 2017)	20% of GDV
Wyre LPVA (October 2017)	20% of GDV
Cheshire West LPVA (December 2017)	20% of GDV
Liverpool LPVA (October 2018)	20% of GDV
St Helens LPVA (December 2018)	20% of GDV
Rossendale LPVA (February 2021)	20% of GDV

7.308. We also highlight the guideline profit range of 15 – 20% of GDV as set out in the PPGV (Paragraph 018). As previously stated in Section 4 of this report, we have recently been advised by Ms Harriet Fisher, in her role as Team Leader – Developer Contributions at the MHCLG that this guideline profit range of 15 – 20% of GDV is exclusive of overheads.

7.309. Therefore, if an allowance of say 5% for overheads was added to the guideline profit range, the developer's profit inclusive of overheads would equate to 20 – 25% of GDV according to the PPGV.

7.310. It is noted that a developer may require a higher return in more challenging locations across Warrington where the market is not as strong and the sales risk is therefore greater. A higher return is also typically required for smaller developers, as for SMEs to obtain bank support and funding, they are often required to show a profit margin of 20% or more as funders often perceive such developers as carrying greater risk in comparison to larger established regional and national housebuilders whom benefit from stronger covenant strength.

7.311. Therefore, in light of the above evidence, we believe a developer's profit (including overheads) of 20% of market housing GDV is justified for estate housing schemes, and represents an appropriate return to ensure development remains attractive and deliverable in the Warrington district.

7.312. We have adopted a lower developer's profit (including overheads) of 15% of market housing GDV for the apartment typologies as we have assumed that these schemes would be built out under a contractor delivery model on behalf of a developer. The contractor's profit element is included in the higher total build cost hence we believe it is reasonable to apply a lower developer's profit assumption for these typologies.

Affordable Housing

7.313. We have adopted a reduced profit level of 7% of GDV for the affordable housing as there is less sales risk associated with the disposal of the affordable units which justifies a lower profit requirement. This is consistent with the developer's profit guidance in the PPGV which states that a lower profit may be more appropriate for affordable housing (Paragraph 018).

BTR Schemes

7.314. For BTR schemes, there are two main funding and delivery routes. The developer can either construct the development and hold the completed scheme or, alternatively, many schemes are forward-funded whereby an investor funds the construction of the development and acquires the scheme upon completion.

7.315. The developer assumes a different level of risk under each delivery structure; there would be greater risk associated with the build and hold arrangement in comparison to the assumed forward-funding commitment where there is a guaranteed end sale to the proposed purchaser, as well as reduced finance costs due to the build funding provided by the purchaser throughout the construction period.

7.316. The financing arrangements and delivery structure for BTR development would be specific to each scheme and as such, there is no 'standard' level of risk and resultant market assumption in terms of the margin that a developer would seek for bringing forward BTR development.

7.317. Notwithstanding this, in our experience, a large proportion of BTR schemes are acquired on a forward funding basis, meaning that the risk exposure to a developer is generally lower for BTR development in comparison to for-sale development.

7.318. This is consistent with recent research by JLL[8] which reported that forward funding accounted for 60% of all BTR deals in 2020 across the UK. In addition, the risk associated with void periods has been factored into the assumed operating cost allowance of 25%. Accordingly, we consider that a lower profit is justified for BTR development.

7.319. For the purposes of this assessment, we have adopted a profit of 12% of GDV however we acknowledge that the level of return could vary for each site which comes forward depending on the specific funding and delivery structure.

Commercial Development

7.320. For commercial development, profit is typically assessed as a percentage on cost rather than GDV. Based on our experience and dialogue with our commercial valuation team, and having reviewed the commercial profit assumptions in other area-wide FVAs, we understand that commercial developers typically seek a profit of approximately 15% – 20% on cost with required returns now sitting towards the lower end of this range. A lower profit may be acceptable where there is an assumed pre-let or pre-sale.

7.321. For the purposes of our assessment, we have assumed a profit of 15% on cost for commercial development.

Land Acquisition Costs

7.322. We have calculated Stamp Duty Land Tax in accordance with the latest statutory rates and we have assumed a standard allowance for legal fees and agent's fees totalling 1.8% inclusive of VAT.

Development Period

Generic Typologies

7.323. In assessing the development period for the generic typologies, we have allowed a 3-month lead-in period for sites of 75 units or less and a 6 month lead-in period for sites in excess of 75 units for the requisite site set-up and enabling works to prepare the site for the main construction period.

7.324. For the generic housing typologies, this is followed by a 6 month initial build period to construct the first houses prior to first sales. We have assumed that the residential schemes will be built out based on an average sales pace of 3 market housing units per calendar month which is considered to represent a reasonable assumption in current market conditions.

7.325. For the generic flatted typologies, the build period is different and is based on the assumed size of scheme as follows:

Typology	Units	Indicative Storey Heights	Build Period
Town Centre 1	10	3 storeys	9 months
Town Centre 2	50	4 storeys	15 months
Town Centre 3	250	7/8 storeys	24 months
Inner Warrington 3 (BTR)*	250	4 storeys	18 months

*Inner Warrington 3 (BTR) comprises 50% flats rather than 100% as per the Town Centre typologies.

[8] UK Living Capital Markets Q4 2020, JLL.

Site Allocations

7.326. In assessing the development period for the site allocations, we have adopted the same assumptions as detailed above at paragraphs 7.323 – 7.324. For the Main Development Areas, we have assumed that there would be two sales outlets given the size of each hypothetical scheme which results in a combined pace of sale of 6 market housing units per calendar month for these sites.

7.327. In addition, for the Fiddlers Ferry allocation, the residential development is assumed to commence construction prior to the employment development, in line with the anticipated phasing advised by the site promoter which provides important early income to help cross-subsidise the upfront demolition and remediation costs.

7.328. This phasing is possible because the residential development will be brought forward on the greenfield land adjacent to the existing power station where there is no requirement for demolition and remediation, whereas the employment floorspace will be delivered on the remediated power station land.

Benchmark Land Values

7.329. The final element to assess is the BLV which is a key component in all FVAs. The PPGV provides the framework for assessing the BLV (see Section 4) and requires the use of the EUV+ method. Where appropriate, market evidence can be used to cross-check the BLV arrived at using the primary approach of EUV+.

7.330. The key principle in the PPGV is that the BLV should provide a reasonable incentive for the landowner to sell their land for development while allowing a sufficient contribution to fully comply with policy requirements.

7.331. The PPGV further states that in plan-making:

- The landowner premium should be tested and balanced against emerging policies;
- EUV should be informed by market evidence of current uses, costs and values;
- Market evidence can be used as a cross-check of BLV but should not be used in place of BLV; and
- Evidence should be based on developments that are policy compliant. Where this is not the case, the transactions should be adjusted to reflect the cost of policy compliance.

7.332. Accordingly, the guidance indicates that in area-wide viability testing, there is discretion to adjust the BLVs to reflect and accommodate emerging policy requirements. At the same time, however, it is implicitly acknowledged that a careful balance must be struck so as to ensure that the BLVs do not place land delivery at risk, and that landowners are appropriately incentivised to bring land forward for development.

7.333. Therefore, establishing an understanding of the minimum levels of return which landowners require to bring land forward for development is an important component in determining appropriate BLVs for the purposes of area-wide viability testing.

7.334. The recently updated RICS guidance note (2021) aligns the methodological requirements for assessing BLV with the PPGV. The guidance states that *"landowner expectations are a very important element in the voluntary release of land for development".* At the same time, the PPGV and RICS guidance (paragraph 2.1.5) are clear that the BLV should not be assumed to equate to Market Value, and should instead reflect the 'minimum return' at which a reasonable landowner would be willing to sell their land for development.

7.335. Recognising this possible divergence between BLV for planning purposes and prices paid in the market, the PPGV (Paragraph 006) states that *"under no circumstances will the price paid for land be a relevant justification for failing to accord with relevant policies in the plan".* The PPGV (Paragraph 006) further emphasises the importance for landowners and developers *"to have regard to the total cumulative cost of all relevant policies when agreeing a land price".*

7.336. Paragraph 5.1.5 of the RICS guidance goes on to state that:

> *"The BLV is a benchmark value against which the developer contributions can be assessed. Once those contributions have been set, land markets should take the level of policy requirements into account, just as all markets should take all relevant factors that affect value into account".*

7.337. In determining the BLVs, we have therefore applied our professional judgement and we have considered relevant market evidence to inform the assessment of EUV and landowner premium. We have allowed what we consider to represent a sufficient premium to incentivise a reasonable landowner to release their land for development whilst also allowing a sufficient contribution to fully comply with policy requirements as required by the PPGV.

7.338. This supports the approach to viability advocated in the PPGV, which aims to strike a balance between the aspirations of developers, landowners and the aims of the planning system as noted in Section 4.

7.339. We have also had regard to the strategic infrastructure and abnormal / extra over development costs assumed in the viability testing. We have reflected the implications of these costs in the premium applied to calculate the BLVs in accordance with the PPGV.

7.340. It is however important to note that for all sites, there remains in the market a minimum value below which a landowner will not be incentivised to release their site for development. If deducting the full abnormal / extra over costs tips the BLV past the point of providing a sufficient incentive and leads to low land values which mean landowners will not sell, then this conflicts with the PPGV.

Existing Use Values (EUV)

7.341. In order to the determine the BLV, we have assessed the EUV which represents the first component of the calculation in accordance with the PPGV and RICS guidance.

7.342. The EUV represents the value of the site in its existing use, ignoring any hope value and prospect of future change to that use. The RICS guidance states that the EUV may include permitted development or change of use within the same planning use class, but only where this does not necessitate any refurbishment or redevelopment works to the existing buildings or site works.

7.343. The RICS guidance further suggests that where possible and appropriate, the market comparison approach will be used to determine the EUV.

7.344. It is recognised that there will be a wide range of different sites brought forward for development in Warrington throughout the plan period and the EUVs of these sites could be many and varied depending on the status and use of the land. In an area-wide study of this nature, it is not possible to reflect the specific EUVs of every single site that could come forward across the district.

7.345. From our analysis and discussions with the Council, it is apparent that the main typologies of land are generally brownfield sites within the Town Centre, brownfield sites in outlying areas and greenfield / agricultural land. For the purposes of this LPVA, the assumed EUVs have been grouped into these three categories for ease of attribution of benchmark EUV figures.

Brownfield Land

7.346. To determine an appropriate EUV for brownfield land outside of the Town Centre, we have researched industrial land values within the region and we have consulted our industrial agents who have extensive experience in the industrial land market across both Warrington and the wider North West.

7.347. A schedule of industrial land transactions in Warrington and the wider regional market is presented at Appendix 14. We do not have full knowledge of the terms of each transaction as this information is not in the public domain and therefore assumptions have to be made. We have assumed that the prices paid reflect the existing use only and do not include any hope value.

7.348. Our agents have advised that industrial land values vary quite significantly across the district, with prime locations in Warrington currently achieving land values at, or in excess of, approximately £1,730,000 per ha (£700,000 per acre) as shown by the most recent transactions at Gemini8, Omega and the Former Shearings and Travis Perkins sites both in Appleton Thorn.

7.349. Elsewhere in the district, industrial land values can be much more modest depending on the quality of the land, accessibility and location. We are aware of brownfield land transacting for approximately £247,000 per ha (£100,000 per acre) or less in certain locations.

7.350. Further to the local market transactional evidence, the MHCLG publication *Land Value Estimates for Policy Appraisal* (2019) (published August 2020) is referred to by the PPGV as providing a guide for land values in FVAs.

7.351. The MHCLG identify industrial land values for Warrington of £800,000 per ha (£324,000 per acre). The MHCLG (2019) guidance states that the figures represent district-wide averages representative of site with full planning consent, with services to the site boundary and free from abnormal site constraints.

7.352. Within Warrington, given the relatively high value of industrial land in many parts of the district reflecting Warrington's prime strategic location in the North West which provides excellent road, rail, sea and air connections, the EUV of mid and high quality prime industrial sites will compete with and in some instances exceed residential land values. As such, it is unlikely that landowners of these sites would bring their land forward for residential development as they could achieve a similar or potentially higher value if sold for the existing use.

7.353. Accordingly, we would expect any brownfield land brought forward for residential development to be of relatively low quality which may have even become obsolete for employment purposes and this would not represent the optimum use. It follows that the EUV applied to brownfield land should be reflective of this position.

7.354. In light of the above evidence, and having assessed evidence of brownfield EUVs in site-specific FVAs and area-wide FVAs in other authorities across the North West, it is our view that an appropriate district-wide EUV figure for brownfield land beyond the Town Centre would be £495,000 per ha (£200,000 per acre).

7.355. We have adopted a different brownfield EUV for the Town Centre typologies to reflect that these sites may comprise conversion and/or redevelopment of existing commercial buildings with a potentially higher EUV.

7.356. The MHCLG (2019) publication identifies Office CBD values for Warrington of £865,000 per ha (£350,000 per acre). This is slightly higher than the industrial value as reported by the MHCLG, although not substantially so which reflects the strength of the industrial market in Warrington as noted above.

7.357. It is acknowledged that the specific EUV of Town Centre sites will vary reflecting the diversity of sites and existing uses within the Town Centre. As previously emphasised, in an area-wide FVA, it is not possible to define a different EUV to reflect the nature of every Town Centre site which may come forward for development.

7.358. For the purposes of this assessment, we consider the figure of £865,000 per ha (£350,000 per acre) to represent an appropriate uplift from the assumed EUV for other brownfield sites beyond Warrington Town Centre. We have therefore adopted this EUV figure for the brownfield Town Centre typologies.

<u>Greenfield Land</u>

7.359. To establish an appropriate EUV for greenfield land, we have consulted various online sources including Rightmove, the RICS Farmland Market Directory of Land Prices and Essential Information Group Property Auctions to identify achieved prices and asking values for greenfield land in Warrington.

7.360. Due to the limited greenfield land evidence in the locality, we have had to extend the search to consider greenfield land in other nearby surrounding areas within the region.

7.361. The recent greenfield land evidence is detailed in the tables below. We first present the asking price and achieved sales evidence as at January 2020 which was collated for the original update to the LPVA, followed by the new evidence which we have gathered for the 2021 update:

January 2020 – Greenfield Land Evidence

Address	Size (Hectares / Acres)		Asking Price (£)	Asking Price (£ per ha / £ per acre)		Date
Bickershaw Lane, Abram	11.66	28.8	£250,000	£21,450	£8,681	Available
Delph Lane, Warrington	0.18	0.45	£80,000	£439,289	£177,778	Available
Cogshall Lane, Northwich (Lot 2)	20.84	51.5	£515,000	£24,710	£10,000	Available
Cogshall Lane, Northwich (Lot 3)	4.61	11.4	£114,800	£24,883	£10,070	Available
Plumley Moor Road, Knutsford (Lot 1)	11.57	28.59	n/a	£25,000 – £30,000	£10,000 – £12,000	Available
Plumley Moor Road, Knutsford (Lot 2)	13.91	34.36	n/a	£25,000 – £30,000	£10,000 – £12,000	Available
Hodge Lane, Gorstage, Northwich	12.07	29.83	£270,000	£22,366	£9,051	Available
Land at Crewood, Northwich	3.14	7.767	£60,000	£19,088	£7,725	Sold STC
Overdale Lane, Oakmere, Northwich	3.79	9.36	n/a	£25,000 – £30,000	£10,000 – £12,000	Sold STC
Land off London Road, Davenham (Lot 1)	13.59	33.58	n/a	£20,000 – £25,000	£8,000 – £10,000	Sold Mar 2018
Land off London Road, Davenham (Lot 2)	4.04	9.98	n/a	£25,000 – £30,000	£10,000 – £12,000	Sold Mar 2018
Land at Hurst Farm, Kingsley	12.07	29.83	n/a	£18,500 – £21,000	£7,500 – £8,500	Sold Jun 2019

April 2021 – Greenfield Land Evidence

Address	Size (Hectares / Acres)		Asking Price (£)	Asking / Guide Price (£ per ha / £ per acre)		Date	Note
Weaste Lane, Lymm, Cheshire, WA13 09H	16.77	41.43	£600,000	£35,786	£14,482	Sold Jan 20	WA
Land off Overdale Lane, Sandiway	4.03	9.95	£95,000	£23,592	£9,548	Sold Apr 20	SA
Land at Norley Road, Sandiway	4.05	10.00	£120,000	£29,652	£12,000	Sold Jul 20	WA
Land off Pulford Lane, Holmes Chapel	8.53	21.08	£200,000	£23,444	£9,488	Sold Jul 20	WA
Plumley Moor Road, Knutsford	25.47	62.94	£630,000	£24,734	£10,010	Sold Jul 20	SB
Land off Clay Lane, Marton	0.21	0.52	£15,000	£71,279	£28,846	Sold Sept 20	WA
Land at Newton, Frodsham	13.89	34.33	£340,000	£24,472	£9,904	Sold Oct 20	C
Land at Mill Lane, Crowton	6.82	16.84	£185,000	£27,146	£10,986	Sold Nov 20	SA
Land off Weaverham Road, Gorstage, Northwich (Lot 2)	1.00	2.46	£29,520	£29,652	£12,000	Sold Oct 19	WA

Address	Size (Hectares / Acres)		Asking Price (£)	Asking / Guide Price (£ per ha / £ per acre)		Date	Note
Land off Weaverham Road, Gorstage, Northwich (Lot 1)	1.00	2.47	£29,640	£29,652	£12,000	Sold Oct 19	SA
Land off Marsh Lane, Churton	2.63	6.51	£58,590	£22,239	£9,000	Sold Nov 19	SA
Nantwich Road / Springe Lane, Faddiley, Nantwich	5.85	14.45	£120,000	£20,520	£8,304	Sold Dec 19	C

Sources: RICS Farmland Market Directory of Land Prices H2 2019 and FY 2020, Auction Website and Brochures Rightmove, RICS-RAU Farmland Market Directory of Land Prices: H1 2018 and H1 2019

Note: C – Close to Guide Price (<10%), WA – Well Above Guide Price (10-20% above), SA – Substantially Above Guide Price (>20% above) , SB – Substantially Below Guide Price (>20% below)

7.362. The greenfield land sales / asking prices predominantly suggest land values in the order of £20,000 – £30,000 per ha / £8,000 – 12,000 per acre for greenfield land in nearby surrounding areas, although we note that some of the recent sales sold well above or substantially above the guide prices according to the RICS.

7.363. Again, we do not have full knowledge of the terms of each transaction as this information is not in the public domain and therefore assumptions have to be made. We have assumed that the prices paid reflect the existing use only and do not include any hope value, although it is difficult to verify this assumption for greenfield land. It may be that some of the higher land values are reflective of an element of hope value relating to future development prospects. We have disregarded these outliers in the datasets.

7.364. Further to the above, the MHCLG (2019) figure for agricultural land value for the Cheshire and Warrington region equates to £23,000 per ha (c. £9,300 per acre). The MHCLG (2019) guidance confirms that this value excludes any uplift from 'pony paddock' market or hope value and reflects a 'typical' location in the region.

7.365. As a broader sense check of greenfield EUVs, we have consulted the following other sources of evidence:

- For the North West region, Carter Jonas' *Farmland Market Update (Q1 2021)* reports average arable land values of £23,475 per ha (c. £9,500 per acre) and average pasture land values of £16,670 per ha (c. £6,750 per acre);
- The RICS and RAU *Farmland Market Directory of Land Sales – Full Year Summary 2020* reports average land values of £25,750 per ha (c. £10,400 per acre) for sites of less than 20 ha (50 acres) in size, and £22,189 per ha (c. £9,000 per acre) for sites between 20 – 80 ha (50 – 200 acres) in size;
- According to Strutt and Parker's *English Estates & Farmland Market Review Winter 2020/21,* average arable land values are c. £22,980 per ha (c. £9,300 per acre). The latter two studies represent national averages rather than regional averages.

7.366. Having assessed evidence of greenfield EUVs in site-specific FVAs and area-wide FVAs in authorities across the North West, we have observed greenfield sites with EUVs at similar levels indicated by the market evidence, in the order of £20,000 – £30,000 per ha (c. £8,000 – £12,000 per acre). Lower EUVs would be appropriate for poor quality agricultural land.

7.367. In light of the available evidence, we consider that a figure of £22,250 per ha (£9,000 per acre) represents a reasonable EUV for greenfield land across the district. We have therefore adopted this figure for the purposes of our assessment.

Landowner Premium

7.368. Having established the EUV of the land, we have then assessed the premium to the landowner which represents the second component of the BLV calculation. The premium represents *"the minimum return that would persuade a reasonable landowner to release the land for development, rather than exercise the option to wait or any other options available to the landowner"* (RICS guidance note, paragraph 5.3.2).

7.369. It is recognised that the assessment of landowner premium is a matter of judgement and that there is no 'one-size-fits-all' approach. Indeed, the premium required to incentivise release of each site will vary on a site-by-site basis depending on the specific circumstances affecting that particular site.

7.370. This is confirmed in the RICS guidance (paragraph 5.3.3) which states that:

> *"There is no standard amount for the premium and the setting of realistic policy requirements that satisfy the reasonable incentive test behind the setting of the premium is a very difficult judgement".*

7.371. The RICS guidance (paragraph 5.7.9) further states that:

> *"There is no guidance in the PPG (and therefore in this guidance note) as to what that minimum return is, nor should there be. It is a feature of real estate markets that each typology and site is unique. The balance between premium and contributions is also unique and fixed amounts would be inappropriate".*

7.372. When defining the premium, the PPGV (Paragraph 016) advises that:

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

7.373. At this point, it is important to highlight that whilst the assessor is to advise of their opinion of appropriate BLVs for the purposes of the LPVA, the RICS guidance confirms that it is for the plan-maker to assess the premium, BLV and resulting policy requirements in the plan, informed by the professional judgement, advice and evidence provided by the assessor.

7.374. We have therefore sought to provide a wide-ranging evidence base and to outline the key considerations which have informed our assessment of appropriate BLVs, in order to provide the Council with sufficient information to arrive at their view as to what the appropriate landowner incentive could be within each of the tested scenarios.

<u>Residential Land Transactions</u>

7.375. In our opinion, the assumed landowner premiums should be realistic when benchmarked against local market activity, as we believe that any reasonable landowner would have due regard to the prices being paid for policy compliant residential land within the local area, and would formulate their expectations of minimum return in light of this evidence.

7.376. To cross-check our assessment of landowner premium and BLV in accordance with the PPGV, we have therefore analysed a range of residential net land transactions which we are aware of within the local area.

7.377. We note however that it is very difficult to compare land values on a net basis without full details of the affordable housing requirement, commuted sums and the site-specific abnormal costs, all of which significantly impact on the net price paid for each site. Full details of these deductions are required to calculate the gross land value for each site which can then be directly compared to the gross land values of the subject typologies / site allocations.

7.378. Furthermore, each site is different; information on the density, average saleable space per acre, unit sizes, revenues and the net developable area is also needed to put the analysed gross land value into perspective and to enable an informed view to be made on the reliability of the evidence.

7.379. We have sought to identify all of the above information for each land sale as shown at Appendix 15, however we have not been able to obtain the site-specific abnormal costs for every transaction as this is commercially sensitive data which is not in the public domain.

7.380. Importantly, a number of the land transactions which we have sourced are not policy compliant and the land value would therefore have been lower if based on a policy compliant position. We do not have access to full site information detailed above including the site-specific abnormal costs to be able to robustly adjust these sales to account for policy compliance.

7.381. These limitations associated with land transactional evidence are highlighted in the PPGV and the RICS guidance note (2021), the former of which states that there may be a divergence between BLVs and market evidence *“due to different assumptions and methodologies used by individual developers, site promoters and landowners”* (Paragraph 014).

7.382. Accordingly, the PPGV (Paragraph 014) and the RICS guidance recommend that land transactions should only be used as a cross-check of BLV and should not be used in place of BLV. We have followed this guidance in establishing our opinion of appropriate BLVs, and we have carefully considered the weight to be put on the cross-check evidence having regard to the limitations detailed in this section.

7.383. The table at Appendix 15 provides an indication of net land values paid for residential development sites within the local area. From this evidence, it can be seen that net land values (excluding apartment schemes) vary significantly from approximately £470,000 – £2,705,000 per net ha (£190,000 – £1,100,000 per net acre) / £13,000 – £85,000 per plot.

7.384. It follows that the 'landowner premium' within each net land value also varies depending on the specific circumstances affecting each site. This highlights the difficulties in determining an appropriate premium based on market evidence as the price paid is reflective of individual site characteristics.

7.385. The overall average net land value across the transactions equates to approximately £1,438,000 per net ha (£582,000 per net acre) / £45,000 per plot. As previously stated, a reasonable landowner would be cognisant of the land values being achieved for residential development land within the local area and would formulate their expectations of minimum return in light of these transactions, with an appropriate adjustment to the expected return where the land sales were not policy compliant in accordance with the PPGV.

7.386. It is very difficult to accurately adjust the non-policy compliant transactions to reflect the cost of policy compliance in accordance with the PPGV, particularly as the full site information is not publicly available. For this reason, rather than attempting to adjust each non-compliant transaction which would introduce significant subjectivity into the analysis, we have placed much greater weighting on the policy complaint transactions and we have focused our analysis on these sales.

7.387. Excluding the non-policy compliant transactions from the analysis results in an average net land value of approximately **£1,499,000 per net ha (£607,000 per net acre) / £50,000 per plot.**

7.388. It is important to note that all of the sites at Appendix 15 had planning permission when acquired for development. Therefore, whilst these sites were policy compliant at the time of sale, the emerging Local Plan imposes greater policy requirements in comparison to the currently adopted regime. Recently introduced national policy requirements such as the changes to the building regulations and biodiversity net gain also represent new additional development costs.

7.389. For these reasons, a downward adjustment / moderation in land values would be expected under the new national and local policy regime. Again, as we do not have the full site information including the abnormal cost details for each sale, in our view it is not possible to accurately adjust each sale for the emerging policy requirements.

7.390. Notwithstanding these limitations, it is noted that the average land value across the policy compliant (at the time of sale) transactions is actually slightly above the overall average net land value across all transactions. Some of the policy compliant land sales are located in higher value areas which will have impacted on the overall average figure.

7.391. Indeed, the market evidence does indicate a relationship between the open market revenues and the landowner premiums depending on the strength of the market in each location; in higher value areas such as Lymm and Appleton Thorn, greater landowner premiums are evident and vice versa.

7.392. However, this trend is not uniform and we are aware that some sites were impacted by high abnormal costs, for example the Beamish Place site in Sandymoor acquired by Bloor Homes for a net land value of approximately £470,000 per net ha (£190,000 per net acre) / £12,000 per plot. In addition, through our involvement in the Beamish Place land sale on behalf of a public sector client, we are aware that the site was bought under an Option Agreement and there was a ransom situation which further impaired the achieved land value.

7.393. The Rothwells Farm site in Golborne was also acquired by Taylor Wimpey under an Option Agreement which impacted on the net land value paid for this site due to the Red Book methodology and 'top slice' deduction in determining the purchase price under the Option.

7.394. Of all the policy compliant land transactions, we highlight in particular the first three land sales (Zodiac, Sandstone Brook and Hawthorn Grove) as they are the most recent transactions in the dataset.

7.395. The Sandstone Brook site in Lymm sold for the highest land value (£2,707,000 per net ha (£1,095,000 per net acre) / £85,000 per plot) which reflects its location in a high value residential market where there has been very little recent new build development. It is noted that this site also delivered in excess of policy compliant affordable housing (38% provision) but still achieved a very strong land value.

7.396. The Hawthorn Grove site in Appleton Thorn achieved a lower land value (£1,768,000 per net ha (£716,000 per net acre) / £53,000 per plot), followed by the Zodiac site in Westbrook (£1,495,000 per net ha (£605,000 per net acre) / £45,000 per plot) which is situated in a lower value area when compared to the other two sites.

7.397. Importantly, however, we do not have knowledge of the abnormal site costs for each transaction which will have impacted on the price paid. This limits the quality of the evidence in cross-checking the landowner premium.

7.398. The lowest value policy compliant transaction is the Rothwells Farm site in Golborne which was acquired by Taylor Wimpey in May 2017 for a net land value of approximately £587,000 per net ha (£238,000 per net acre) / £16,000 per plot. This is a large site (453 units) which is situated in a relatively low value residential market and was acquired under an Option Agreement as detailed above.

<u>Apartment Schemes</u>

7.399. Two of the three recent net land transactions which we have obtained for apartment schemes achieved considerably higher land values on a per acre basis in comparison to the estate housing schemes (up to £4,386,000 per net ha / £1,775,000 per net acre for the Academy Street site) which reflects the much higher density nature of these proposed apartment schemes.

7.400. The Station Road site is situated in Inner Warrington and the proposed scheme is of a lower density in comparison to the two other apartment sites which explains the lower achieved value on a per acre basis for this site (£1,483,000 per net ha / £600,000 per net acre) when compared to the two other transactions. All three apartment transactions have low values on plot basis (approximately £8,000 – £12,000 per plot) in comparison to the estate housing transactions which again reflects the higher densities of the proposed flatted developments.

7.401. However, none of the apartment transactions were policy compliant and the land values would therefore have been lower when accounting for full policy requirements. Nevertheless, it is still worth noting that in our market experience, and through analysis of transacted land values for high density apartment schemes in other locations such as Salford city centre and Manchester city centre, higher density schemes do generate higher land values on a per ha / acre basis due to the intensification in land use (but this results in lower values on a plot basis). We have considered this factor in determining the premium applied to the apartment typologies.

Summary of Land Transactional Evidence

7.402. In summary, we have focused our analysis on the policy compliant land transactions although we have not been able to verify all of the assumptions behind each land transaction, nor adjust each sale for differences in abnormal site costs, as the full site information is not available in the public domain. For the same reasons, we do not consider that we can accurately adjust the transactions for emerging policy compliance and this would also introduce significant subjectivity into the analysis.

7.403. We acknowledge that these limitations reduce the strength of the evidence and we accordingly attribute less weight to this data. Notwithstanding this, we still believe that the land sales can be treated as a useful cross-check of the BLV when accounting for the above limitations.

7.404. We have also noted that the emerging Local Plan imposes greater policy requirements in comparison to the current policy regime, whilst the new national policies would also be expected to impact on land values. Therefore, a downward adjustment / moderation in land values would be expected in line with the requirements of the PPGV to reflect the greater policy burden in the assumed BLVs.

Other Market Evidence

7.405. Another source of market evidence to inform the assessment of landowner premium comprises the BLVs adopted in other area-wide FVAs across the North West. The PPGV and RICS guidance confirm that BLVs from other FVAs are relevant sources of information to assist in identifying the premium element in an EUV+ approach to the assessment of the BLV.

7.406. A range of recent examples are shown below:

North West Area-Wide FVAs – Benchmark Land Values

Local Plan / CIL Viability Assessment	Assumed Market Housing Sales Values	BLV (per net ha)	BLV (per net acre)	Affordable Housing Requirement
Cheshire East CIL VA (August 2017)	£1,615 – £2,960 psm (£150 – £275 psf)	£371,000 – £1,605,000	£150,000 – £650,000	30%
Wyre LPVA (October 2017)	£1,830 – £2,368 psm (£170 – £220 psf)	£618,000 – £988,000	£250,000 – £400,000	30%
Cheshire West and Chester LPVA (December 2017)	£2,045 – £2,960 psm (£190 – £275 psf)	£371,000 – £1,359,000	£150,000 – £550,000	30%
Liverpool LPVA (October 2018)*	£1,722 – £2,691 psm (£160 – £250 psf)	£371,000 – £1,111,950	£150,000 – £450,000	20%
St Helens LPVA (December 2018)*	£1,830 – £2,422 psm (£170 – £225 psf)	£371,000 – £865,000	£150,000 – £350,000	30%
Fylde LPVA (February 2020)*	£2,153 – £2,583 psm (£200 – £240 psf)	£494,000 – £1,111,950	£200,000 – £450,000	30%
Rossendale LPVA (February 2021)*	£1,884 – £2,583 psm (£175 – £240 psf)	£371,000 – £865,000	£150,000 – £350,000	30%

*Local Plan currently subject to examination.

7.407. The review of other area-wide viability studies shows clear variation in the adopted landowner premiums and BLVs which makes it difficult to draw firm conclusions from this evidence. We note that some of the studies were carried out prior to the changes to the PPGV in 2018 and there is generally a trend of reducing BLVs across the more recent assessments.

7.408. In one respect, this is consistent with our market experience where we have started to see land values reduce as the impacts of the new viability guidance begin to filter through into the land market. That said, the sales values in most of the more recent assessments are generally lower which we would expect to be reflected in reduced BLVs. The values adopted for a number of the typologies in Warrington are considerably higher in comparison to the more recent North West LPVAs, reflecting the stronger market areas in the district.

7.409. We do not have full knowledge of the circumstances and factors that were considered in determining the EUV and premium uplift within each comparator, and the abnormal cost assumptions in each study are not transparently defined.

7.410. Based on our review of these studies, it appears that the BLVs were assessed on a similar EUV+ basis in accordance with the PPGV, with the EUVs based on greenfield and brownfield EUVs in line with the approach which we have adopted in this study, and an uplift for each main typology / site type to reflect the minimum landowner return and a sufficient contribution to fully comply with policy requirements.

7.411. In terms of abnormal costs, the allowances in each study appear to be lower than the provisional estimate of £15,000 per plot which we have adopted for the purposes of the testing, however there appear to be some abnormal costs included in the standard build costs in each study which makes it difficult to accurately compare the cost assumptions. It may be that the overall abnormal cost allowance is not significantly different, although this cannot be verified due to the lack of clarity in each report.

7.412. Whilst we have made these assumptions regarding the comparables which reduces the weight that can be placed on this evidence, we have still considered the range of values adopted in other local authority areas together with the residential land transactional evidence to inform and cross-check our assessment of a reasonable landowner premium.

7.413. We have also considered the MHCLG (2019) figure for residential land values for the Warrington region which equates to £1,400,000 per ha (£567,000 per acre). However, as set out in the MHCLG (2019) guidance, this figure assumes 0% affordable housing and is for a ‘typical’ regular shaped site with full planning consent and with services to the site boundary, with no abnormals and no major allowances for S106 / S278 costs. The land value would therefore be inflated.

7.414. Having assessed evidence of landowner premiums in site-specific FVAs and area-wide FVAs in other local authority areas, we have found that the minimum premium applied to brownfield land tends to be 20% of the EUV, depending on factors including the local policy requirements, the assumed sales values and the abnormal / extra over development costs. A much higher uplift is typically applied to greenfield EUVs due to the considerably lower base EUV position.

7.415. Whilst the application of percentage uplifts / land value multiples is an approach adopted in other area-wide viability studies to determine the BLV, we believe it is crucial that the landowner premium is benchmarked to actual market activity and policy compliant land transactional evidence for the reasons stated above.

7.416. Each source of evidence therefore provides a useful point of reference for defining the landowner premium which can be cross-checked and refined using our analysis and professional judgement.

Proposed Benchmark Land Values

Generic Typologies

7.417. Having regard to the above evidence, the assumed cost and value inputs and the assumed characteristics of each typology, in applying our professional judgement we consider that the following BLVs could be deemed appropriate for the area-wide generic typology testing:

Generic Typologies – Proposed BLVs

Typology	Site Type	EUV (per ha)	EUV (per acre)	BLV (per net ha)	BLV (per net acre)
Town Centre	Brownfield	£865,000	£350,000	£1,297,000	£525,000
Inner Warrington (North)	Brownfield	£495,000	£200,000	£593,000	£240,000
Inner Warrington (South)	Brownfield	£495,000	£200,000	£680,000	£275,000
Settlement (High Value)	Brownfield	£495,000	£200,000	£803,000	£325,000
Settlement (Mid Value)	Brownfield	£495,000	£200,000	£680,000	£275,000
Settlement (Low Value)	Brownfield	£495,000	£200,000	£593,000	£240,000
Suburbs (High Value)	Brownfield	£495,000	£200,000	£803,000	£325,000
Suburbs (Mid Value)	Brownfield	£495,000	£200,000	£680,000	£275,000
Suburbs (Low Value)	Brownfield	£495,000	£200,000	£593,000	£240,000

7.418. It can be seen that we have applied a higher premium to the Town Centre flatted typologies to reflect the considerably higher assumed densities / site coverage which would generate a higher land value on an acreage basis as shown by the market transactional evidence (albeit it is acknowledged that the transacted land values would have been lower if based on up to date policy compliant development).

Site Allocations

7.419. For the site-specific FVAs of the allocated sites, we have again derived what we consider to represent appropriate BLVs based on the evidence referred to above and applying our professional judgement.

7.420. As previously noted, there are significant strategic infrastructure / abnormal costs required to enable the Main Development Areas for residential development. In accordance with the PPGV, the implications of these additional costs should be reflected in the assumed BLVs for these sites which we have followed in formulating our assumptions.

7.421. The proposed BLVs for the site allocations are set out below:

Site Allocations – Proposed BLVs

Site Allocation	Site Type	EUV (per ha)	EUV (per acre)	BLV (per net ha)	BLV (per net acre)
South East Warrington Urban Extension	Greenfield	£22,000	£9,000	£618,000	£250,000
South East Warrington Employment Location	Greenfield	£22,000	£9,000	£618,000	£250,000
Fiddlers Ferry	Greenfield	£22,000	£9,000	£371,000	£150,000
Waterfront	Greenfield	£22,000	£9,000	£371,000	£150,000
Peel Hall	Greenfield	£22,000	£9,000	£371,000	£150,000
Thelwall Heys	Greenfield	£22,000	£9,000	£865,000	£350,000
Croft	Greenfield	£22,000	£9,000	£680,000	£275,000
Culcheth	Greenfield	£22,000	£9,000	£680,000	£275,000
Hollins Green	Greenfield	£22,000	£9,000	£618,000	£250,000
Lymm – Rushgreen Road	Greenfield	£22,000	£9,000	£865,000	£350,000
Lymm – Warrington Road	Greenfield	£22,000	£9,000	£865,000	£350,000
Winwick	Greenfield	£22,000	£9,000	£618,000	£250,000

7.422. When compared to the BLVs proposed in our original update to the LPVA in late 2019 / early 2020, we have generally reduced the landowner premiums for most sites in line with our market experience where we are seeing the BLVs come down as the requirements of the PPGV take effect. We have also considered any changes to the policy requirements and the strategic infrastructure / abnormal cost impairments for each typology / allocation.

7.423. In summary, we believe that the proposed EUVs, landowner premiums and resultant BLVs are set at a level which balance the requirement to provide the landowner with the minimum incentive to release their site for development whilst also allowing a sufficient contribution to fully comply with national and local emerging policy requirements in accordance with the PPGV.

7.424. It is acknowledged that the premiums applied to certain sites sit considerably below the transacted values for policy compliant (at the time of sale) development in Warrington. However, the BLVs have been proposed at a level which, in our opinion, reflects the minimum uplift required to incentivise a landowner to release their site whilst also reflecting the cost impairment of the policy requirements.

7.425. It is recognised that different BLVs may be applicable for certain sites in Warrington which have different EUVs to those assumed in this study, and/or if there are specific circumstances (eg. competition from alternative sites, restrictive covenants / easements, condition, obsolescence, significant abnormal costs etc) which support a higher or lower BLV.

7.426. As previously emphasised, it is not possible to reflect the specific circumstances of every site in a study of this nature. We believe that the proposed BLVs represent a reasonable assessment of value for the different typologies and locations across the district based on the available evidence.

7.427. Nevertheless, it is the plan-maker who ultimately establishes the BLV and the resulting policy requirements as set out in the RICS guidance note (2021), informed by the professional judgement of the assessor. We have sought to provide the Council with as wide-ranging an evidence base as possible and we have highlighted the key considerations as well as the limitations of this evidence where relevant, to assist the Council in establishing how much weight to accord to the evidence and in arriving at their judgements on BLV.

7.428. It is worth reinforcing that the proposed BLVs reflect the implications of the abnormal and extra over development costs assumed in this study. For all typologies (generic and site-specific), should the abnormal and extra over development costs be higher than those provisionally assumed, the BLVs would need to flex to account for the higher site-specific cost impairment in accordance with the PPGV.

7.429. As previously mentioned, however, we consider that there is a land value tipping point beyond which the land value cannot reduce otherwise the landowner will not be sufficiently incentivised to release their site for development. In such circumstances, where a site is subject to particularly high abnormal costs combined with low sales values, and the land value tipping point is reached, it may be that policy requirements will need to flex to enable the site to come forward for development. This will be at the discretion of the Council as the decision-taker.

8. Viability Assessment Results

8.1. Within this section of the report, we summarise the findings of the area-wide viability testing of the generic typologies and the site-specific viability testing of the site allocations including the sensitivity analysis.

8.2. The base viability testing incorporates the full emerging policy requirements which includes:

- 20% affordable housing (comprising 50% Affordable Rent and 50% Intermediate dwellings) in the Town Centre and Inner Warrington;
- 30% affordable housing (comprising 67% Affordable Rent and 33% Intermediate dwellings) in all other locations;
- Accessibility standards;
- Energy requirements;
- Biodiversity net gain; and
- The proposed S106 contributions.

8.3. In each assessment, the calculated residual land value is compared to the assumed BLV for each typology. Where the residual land value is above the BLV, the final 'surplus / deficit' cell is shaded green to indicate that the scheme is calculated as viable.

8.4. Where the residual land value is below the BLV, the final 'surplus / deficit' cell is shaded red to indicate that the scheme is calculated as unviable. Where the surplus or deficit is within 10% of the BLV (above or below), the final cell is shaded amber to indicate that the scheme is only marginally viable or unviable according to our calculations.

Area-Wide Results – Base Viability Appraisals (Full Policy Requirements)

8.5. The results of the area-wide generic typology testing are summarised in the table below:

Generic Typologies – Base Testing Results

Typology	Benchmark Land Value	Residual Land Value	Surplus / Deficit
Town Centre 1	£90,809	-£51,904	-£142,713
Town Centre 2	£233,510	-£417,885	-£651,395
Town Centre 3	£674,583	-£7,132,800	-£7,807,383
Inner Warrington 1 North	£148,260	£22,329	-£125,931
Inner Warrington 2 North	£616,762	£140,677	-£476,084
Inner Warrington 3 North	£3,071,947	£1,924,445	-£1,147,503
Inner Warrington 1 South	£169,881	£134,256	-£35,625
Inner Warrington 2 South	£706,706	£1,018,859	£312,153
Inner Warrington 3 South	£3,519,940	£5,902,178	£2,382,238
Suburb 1 High Value	£224,861	£276,883	£52,022
Suburb 2 High Value	£1,084,151	£1,848,197	£764,046
Suburb 3 High Value	£5,420,756	£10,173,916	£4,753,160
Suburb 1 Mid Value	£190,267	£160,365	-£29,902
Suburb 2 Mid Value	£917,359	£1,199,964	£282,605
Suburb 3 Mid Value	£4,586,794	£7,219,955	£2,633,161

Typology	Benchmark Land Value	Residual Land Value	Surplus / Deficit
Suburb 1 Low Value	£166,051	-£9,236	-£175,287
Suburb 2 Low Value	£800,604	£538,721	-£261,883
Suburb 3 Low Value	£4,003,020	£4,203,799	£200,779
Settlement 1 High Value	£224,861	£328,945	£104,084
Settlement 2 High Value	£1,156,428	£1,933,431	£777,003
Settlement 1 Mid Value	£190,267	£199,662	£9,395
Settlement 2 Mid Value	£978,516	£1,264,073	£285,557
Settlement 1 Low Value	£166,051	£79,526	-£86,525
Settlement 2 Low Value	£853,978	£590,391	-£263,586
Town Centre 3 (BTR)	£674,583	-£8,785,128	-£9,459,711
Inner Warrington 3 (BTR)	£2,016,336	-£4,053,774	-£6,070,110

8.6. The base testing results indicate that the majority of the typologies in the lower value areas of Warrington (Town Centre, Inner Warrington North, Suburb Low Value and Settlement Low Value) are not viable based on full policy requirements.

8.7. This can be attributed in part to the lower assumed sales values together with the assumed abnormal / extra over development costs which means that development cannot support the total cumulative cost of all emerging policy requirements in these areas. For the higher density flatted typologies, viability is also constrained by the higher assumed base build costs which are not offset by higher sales values.

8.8. The exception is Suburb 3 Low Value which is viable (albeit marginally) based on full policy requirements according to the testing results. We have undertaken sensitivity analysis on all typologies to assess the circumstances which could improve site viability, as detailed in the following sub-section.

8.9. In the Mid Value areas, the results suggest that Suburb 2 and 3, and Settlement 2 are viable with full policy requirements. Settlement 1 is indicated to be marginally viable based on the modest surplus above the BLV. In our opinion, this would not prevent development from coming forward.

8.10. The results for these typologies therefore suggest that in the majority of instances, development should be able to satisfy the Council's full policy requirements. However, on the smaller sites, there may be some cases where the Council will need to seek a balance in respect of the total policy requirements sought, for example through a lower affordable housing provision and/or reduced S106 contributions.

8.11. The results demonstrate that all typologies in Inner Warrington South and the higher value areas of the borough (Suburb High Value and Settlement High Value) should be able to support full policy requirements with these typologies showing varying levels of surplus under the base testing assumptions. The exception is Inner Warrington 1 South which shows a minor deficit of just over £35,000. This is marginal and is unlikely to prevent the site from coming forward given the conservatism in some of the area-wide viability assumptions.

8.12. A notable trend in the area-wide results for the housing-led typologies is that the smaller typologies are generally less viable than the larger typologies. This is to be expected given the lower assumed site coverage for these typologies together with the higher assumed standard build costs.

8.13. However, based on our market experience and in line with the comparable evidence presented in Section 7 of this report, it is quite possible that higher sales values could be achieved on the smaller sites. This is because smaller developments typically engender a greater sense of exclusivity due to the site size and bespoke nature of the schemes which are often delivered by local / small regional developers.

8.14. These characteristics help to drive achievable values which, in turn, improves development viability. This trend of higher sales values on smaller sites is evident at the comparable schemes referenced in Section 7 such as The Woodlands (9 units), Culcheth Green (15 units) and Elderfield Gardens (10 units).

8.15. For the purposes of this area-wide FVA, relatively broad assumptions in terms of revenues and costs have to be adopted for the typologies and as such, it is not possible to reflect the actual reality for every site which will come forward for development across Warrington. However, if smaller sites do achieve higher revenues than the values assumed in this study, it is possible that full policy requirements may still be viable on many of the smaller sites within the borough. This position of improved viability on the smaller sites through enhanced sales values is demonstrated through the sensitivity testing presented later in this section.

8.16. We have also tested the viability of BTR development using the Town Centre 3 and Inner Warrington 3 typologies. The base testing results for these typologies illustrate that BTR development is not currently viable based on full policy requirements. This is not an unexpected finding given the emerging nature of the BTR market in Warrington and the lower end values currently generated by this form of development.

8.17. In one respect, the results are consistent with actual BTR development coming forward in Warrington Town Centre where the recent schemes have not provided any affordable housing or policy compliant S106 contributions.

8.18. Nevertheless, the delivery of BTR development 'on the ground' in Warrington demonstrates that this form of development is still sufficiently viable to come forward in the market without full policy requirements, with landowners and/or developers potentially adopting a longer-term view, an alternative development model such as an RP-led scheme and/or accepting a reduced level of return to enable delivery. As the market matures and investor demand / confidence improves, BTR values should strengthen which would improve development viability.

8.19. In summary, the base testing results suggest that in many areas of Warrington, development should be able to satisfy the Council's full policy requirements. However, in some locations, notably the Town Centre and Inner Warrington North, and for BTR schemes, it will be challenging for development to deliver full policy requirements based on current adopted costs and values.

8.20. Therefore, it is likely that the Council will need to be flexible in its application of policy requirements in these areas to ensure that development is not compromised and that sites can still come forward in a viable and sustainable manner. We comment further on the implications of the results and our recommendations to the Council in the final section of this report.

8.21. It is however important to emphasise that the base testing results are reflective of the assumptions adopted in this study. Due to the nature of the generic testing which is undertaken on an area-wide basis, it is not possible to capture the full range of costs and values for every site in Warrington and broad assumptions have to be made in respect of certain inputs.

8.22. The assumptions have also been formulated taking into account stakeholder feedback and we are mindful of not testing the margins of viability at the plan-making stage. Accordingly, as emphasised throughout this report, we consider that there is an element of conservatism within some of the adopted assumptions.

8.23. If viability is a material issue at the application stage, we would therefore expect a less cautious position to be adopted in respect of some appraisal inputs where there is greater certainty regarding the nature of the scheme and the resultant appropriate cost / revenue assumptions. As demonstrated through the sensitivity analysis presented later in this section, a slight reduction in the base build costs or the contingency and professional fee allowances for example could markedly improve development viability. We set out our comments on the relationship between the area-wide assumptions and site-specific FVAs in further detail in the final section of this report.

8.24. It is also important to note that at this stage of the plan-making process, it is not possible to accurately estimate the abnormal / extra over costs for each site which will come forward for development throughout the plan period, as these costs can only be accurately determined once full site investigations have been carried out, which is likely to be closer to, or at the application stage.

8.25. Accordingly, the abnormal / extra over development costs will inevitably vary for some sites and these costs could be higher or lower than assumed in this study. It may be the case that some sites which come forward for development will have lower abnormal / extra over costs than assumed in this study and in these instances, development viability may improve which could provide greater scope to support policy requirements.

Site Allocation Results – Base Viability Appraisals (Full Policy Requirements)

8.26. The results of the site-specific assessments of the site allocations are summarised in the table below. The viability appraisals for each site are provided at Appendix 16:

Site Allocations – Base Testing Results

Site Allocation	Benchmark Land Value	Residual Land Value	Surplus / Deficit
South East Warrington Urban Extension	£5,000,000	£6,520,000	£1,520,000
South East Warrington Employment Location	£6,399,890	£15,760,000	£9,360,110
Waterfront	£2,224,500	-£2,530,000	-£4,754,500
Peel Hall	£2,902,500	-£700,000	-£3,602,500
Fiddlers Ferry	£14,764,500	£15,230,000	£465,500
Croft	£1,586,750	£2,200,000	£613,250
Culcheth	£4,229,500	£5,660,000	£1,430,500
Hollins Green	£1,607,500	£1,800,000	£192,500
Thelwall Heys	£8,680,000	£16,720,000	£8,040,000
Lymm – Rushgreen Road	£3,808,000	£6,720,000	£2,912,000
Lymm – Warrington Road	£4,760,000	£8,310,000	£3,550,000
Winwick	£2,322,500	£2,570,000	£247,500

8.27. In respect of the Main Development Areas, the base testing results indicate that the South East Warrington Urban Extension can support full policy requirements, as can Fiddlers Ferry if the energy cost is reduced to £2,250 per unit rather than 6% of base build cost for this site, albeit the surplus is relatively marginal. As detailed in Section 7 of this report, the reduced energy cost is permitted under emerging Policy ENV7. We comment further on the Fiddlers Ferry allocation under the following sub-heading where we have undertaken additional testing.

8.28. The base testing results indicate that Waterfront and Peel Hall are not viable based on full policy requirements. This can be attributed in part to the significant strategic infrastructure cost impairment as well as the lower sales values which constrains viability. We have undertaken additional sensitivity testing on these two sites to assess the circumstances which could improve site viability as detailed in the following sub-section.

8.29. Turning to Thelwall Heys and the Outlying Settlements, the base testing results indicate that all site allocations are viable with full policy requirements. The lower energy cost assumption of £2,250 per unit has been adopted for Hollins Green and Winwick as the higher cost renders each site unviable according to the testing results.

<u>Fiddlers Ferry</u>

8.30. Given the nature of the proposed scheme at Fiddlers Ferry which is more complex in terms of the phasing and the required enabling works, including the significant upfront demolition and remediation costs for the power station land, we have undertaken a further appraisal for the full proposed Phase 1 scheme based on the total quantum of residential units and employment floorspace, the total infrastructure / abnormal costs provided by the Council and mirroring the phasing assumptions advised by the site promotor.

8.31. The full appraisal is based on the assumption that the demolition and remediation works take place over the first 3 years of the development period in line with the assumptions advised by the site promoter, with the delivery of the housing again commencing earlier on and the employment construction and delivery phased to commence later in the development period on the remediated power station land.

8.32. According to our calculations, the full scheme appraisal could generate a surplus of approximately £1,100,000 for the first phase of development if based on the values and costs adopted in this testing. Any surplus generated could potentially be utilised to contribute towards the higher energy requirements as the base appraisal utilises the lower energy cost of £2,250 per unit.

8.33. Based on the initial information provided by the Council and the site promotor, we also understand that the delivery of the second phase of development at Fiddlers Ferry may be more challenging from a viability perspective, particularly with the potential requirement for a new bridge across the railway and canal which could represent a substantial additional development cost. As such, any surplus generated from Phase 1 could potentially be utilised as cross-subsidy to contribute towards enabling the delivery of Phase 2.

8.34. It is however recommended that the Council continues to engage with the site promoter to be satisfied that the provided infrastructure / abnormal costs are realistic and cover the full infrastructure and enabling works required to bring the site forward for development.

8.35. Finally, we have prepared a standalone appraisal of the employment development only at Fiddlers Ferry, which generates a significant deficit against the BLV. This is because the majority of the infrastructure and abnormal costs are required to unlock the wider site and are not attributed to the residential development only.

8.36. Therefore, when removing the residential element from the appraisal, there is a substantial loss in revenue but a much lesser reduction in costs. Further, we understand that the residential can come forward on the adjoining greenfield land prior to the employment development whilst the demolition and remediation works are being carried out on the power station land, thus providing important revenue cash flow to assist in cross-subsiding the substantial demolition and remediation costs in the early period of development.

South East Warrington Employment Location

8.37. As well as the residential allocations and the Fiddlers Ferry mixed use allocation, we have considered the viability of the South East Warrington Employment Location. The results indicate that this allocation is viable with a significant surplus generated however it is important to note that this appraisal excludes any abnormal / extra over development costs required to deliver the employment development other than the strategic utilities and drainage infrastructure costs and the likely S106 contributions provided by the Council.

8.38. Nevertheless, the surplus generated in the base testing indicates that it is still likely the site could make a further contribution to any additional infrastructure improvements if required to enable the development to come forward.

Sensitivity Analysis

8.39. As outlined in Section 5 of this report, the residual methodology and the resultant output is very sensitive to minor changes to the appraisal inputs. In addition, due to the nature of the generic testing which is undertaken on an area-wide basis, it is not possible to capture the full range of costs and values for every site in Warrington.

8.40. It is also acknowledged that we have adopted a somewhat conservative position in respect of some of the appraisal inputs, taking into account both stakeholder feedback and so as to not test the margins of viability at the plan-making stage.

8.41. For example, as explained in Section 7, the assumed sales values could potentially have been uplifted by more than 5% for the purposes of this update to the LPVA, whilst to assess the standard build costs for the residential typologies, we have utilised three broad cost categories based on site size and we have then differentiated the costs by value area.

8.42. However, we have emphasised that the costs for each site which falls within each cost category could differ depending on if the site falls at the upper or lower end of the category range in terms of site size, and depending on the actual house type mix, specification and density of each site.

8.43. Accordingly, if site viability is tested at the application stage, the standard build costs adopted in this area-wide FVA cannot necessarily be applied without adjustment, as the build costs may not be appropriate for every site within each category. It is however not possible to reflect the full range of standard build cost scenarios in a high level area-wide study of this nature and assumptions have to be made for the purposes of the testing.

8.44. Similarly, the contingency and professional fee assumptions represent a somewhat cautious position and again cannot be applied without adjustment at the application stage where there is considerably more certainty regarding the nature of the scheme and the subsequent appropriate cost and value inputs.

8.45. As well as the above, it also inevitable that costs and values will change over the duration of the plan period. In their July 2021 *Mainstream Residential Property Forecasts* report, for example, Savills predict house price growth of approximately 28% for the North West region over the coming five years.

8.46. For these reasons, we have therefore undertaken sensitivity testing on a number of the assumed inputs as follows:

- Sales values increased by 5% and 10%
- Base build costs reduced by 5% and 10%
- Contingency and professional fees reduced to 3% and 5% respectively
- Developer's profit on market housing reduced to 18% of GDV for estate housing, 12.5% of GDV for flatted typologies, 10% of GDV for BTR typologies and 12.5% of cost for employment typologies

8.47. The results are summarised in the tables below.

Area-wide Sensitivity Analysis

Sensitivity Testing 1 and 2 – Increased Sales Values and Reduced Base Build Costs

Typology	Benchmark Land Value	Surplus/ Deficit (+5% Sales Values)	Surplus/ Deficit (+10% Sales Values)	Surplus / Deficit (5% Build Cost)	Surplus / Deficit (10% Build Cost)
Town Centre 1	£90,809	-£94,085	-£46,990	-£95,652	-£49,202
Town Centre 2	£233,510	-£413,618	-£181,080	-£419,461	-£188,192
Town Centre 3	£674,583	-£6,557,629	-£5,337,645	-£6,340,512	-£4,899,050
Inner Warrington 1 North	£148,260	-£58,838	£8,256	-£71,245	-£16,559
Inner Warrington 2 North	£616,762	-£149,095	£181,900	-£209,123	£58,575
Inner Warrington 3 North	£3,071,947	£339,089	£1,816,278	£111,421	£1,278,001
Inner Warrington 1 South	£169,881	£101,278	£180,030	£22,216	£80,057
Inner Warrington 2 South	£706,706	£698,551	£1,079,036	£593,035	£871,553
Inner Warrington 3 South	£3,519,940	£4,149,709	£5,831,639	£3,581,832	£4,745,264
Suburb 1 High Value	£224,861	£139,958	£227,894	£114,994	£177,965
Suburb 2 High Value	£1,084,151	£1,240,996	£1,720,197	£1,084,708	£1,404,167
Suburb 3 High Value	£5,420,756	£6,902,204	£9,108,538	£6,101,995	£7,443,401
Suburb 1 Mid Value	£190,267	£49,471	£128,843	£30,332	£90,565
Suburb 2 Mid Value	£917,359	£709,872	£1,137,136	£586,081	£887,524
Suburb 3 Mid Value	£4,586,794	£4,559,614	£6,497,461	£3,905,472	£5,190,037
Suburb 1 Low Value	£166,051	-£46,048	£24,493	-£118,205	-£61,257
Suburb 2 Low Value	£800,604	£117,521	£499,896	£29,347	£318,247

Typology	Benchmark Land Value	Surplus/ Deficit (+5% Sales Values)	Surplus/ Deficit (+10% Sales Values)	Surplus / Deficit (5% Build Cost)	Surplus / Deficit (10% Build Cost)
Suburb 3 Low Value	£4,003,020	£1,912,974	£3,679,935	£1,408,675	£2,635,365
Settlement 1 High Value	£224,861	£199,331	£294,579	£171,764	£239,443
Settlement 2 High Value	£1,156,428	£1,263,773	£1,755,510	£1,103,177	£1,430,226
Settlement 1 Mid Value	£190,267	£95,235	£181,076	£74,132	£138,869
Settlement 2 Mid Value	£978,516	£719,856	£1,160,590	£595,413	£904,292
Settlement 1 Low Value	£166,051	-£10,221	£66,082	-£25,319	£35,887
Settlement 2 Low Value	£853,978	£124,444	£514,864	£29,982	£327,936
Town Centre 3 (BTR)	£674,583	-£8,323,043	-£7,176,851	-£8,019,801	-£6,570,190
Inner Warrington 3 (BTR)	£2,016,336	-£12,669,665	-£3,535,633	-£4,826,435	-£3,582,759

8.48. These sensitivity analyses demonstrate that site viability improves if the assumed sales values are increased or if the assumed base build costs are decreased, as would be expected.

8.49. In respect of the sales values, the sensitivity results suggest that the Town Centre typologies remain unviable despite an increase in the assumed values. We have undertaken additional sensitivity testing of the Town Centre typologies to assess the circumstances under which these typologies could reach a more viable position as set out in further detail below. The BTR typologies also still show a substantial deficit.

8.50. However, with only a 5% increase in sales values, the only other unviable sites are the smaller Inner Warrington North typologies, Suburb 1 (Low Value) and the BTR typologies. Both Suburb 2 and Settlement 2 (Low Value) move from an unviable to a viable position, as do Inner Warrington 3 North, Inner Warrington 1 South and Suburb 1 (Mid Value), whilst Settlement 1 (Low Value) is shown to be only marginally unviable.

8.51. Indeed, the viability position on the smaller sites is improved with an increase in sales values, and all of the 10-unit typologies show a surplus with a 10% increase in sales values with the exception of Town Centre 1.

8.52. As emphasised above, we believe it is possible that higher sales values could potentially be achieved on the smaller sites due to the premium typically commanded by more exclusive / bespoke schemes of this nature. The sensitivity testing therefore indicates that in many instances, full policy requirements could potentially be sought from these typologies.

8.53. In respect of the base build costs, the sensitivity results again indicate that the Town Centre typologies and the BTR typologies remain unviable despite a reduction in the assumed base build costs.

8.54. However, with a 5% reduction in base build costs, the only other unviable sites are the smaller Inner Warrington North typologies, Suburb 1 (Low Value) and Settlement 1 (Low Value). That said, the deficit for the Inner Warrington North typologies is substantially reduced whilst Inner Warrington North 3 shows a modest positive surplus of approximately £111,000.

8.55. Inner Warrington 1 South, Suburb 2 (Low Value), Settlement 2 (Low Value) and Suburb 1 (Mid Value) move from an unviable position to a viable position, although the surplus for Suburb 2 and Settlement 2 (Low Value) is marginal.

8.56. If the base build costs are reduced by 10%, the sensitivity results demonstrate that all typologies are viable with the exception of the Town Centre and BTR typologies, Inner Warrington 1 North and Suburb 1 (Low Value). In particular, the larger typologies show a considerable surplus under both reduced base build cost scenarios (with the exception of Inner Warrington 3 North under the -5% base build cost scenario).

8.57. As detailed in Section 7 of this report, the base build cost assumptions for sites towards the upper end of each cost size category and for the larger sites could be considered to incorporate an element of conservatism, particularly the larger sites where we have adopted the BCIS Lower Quartile figure for all typologies in excess of 75 units. It is recognised that residential sites with a capacity in excess of say 150 – 200 units or more are likely to be delivered by larger established housebuilders who can achieve greater cost efficiencies and could potentially deliver at lower build costs.

Sensitivity Testing 3 – Reduced Contingency (3%) and Professional Fees (5%)

Typology	Benchmark Land Value	Surplus / Deficit
Town Centre 1	£90,809	-£107,444
Town Centre 2	£233,510	-£473,479
Town Centre 3	£674,583	-£6,706,982
Inner Warrington 1 North	£148,260	-£80,668
Inner Warrington 2 North	£616,762	-£257,240
Inner Warrington 3 North	£3,071,947	-£169,945
Inner Warrington 1 South	£169,881	£11,892
Inner Warrington 2 South	£706,706	£542,535
Inner Warrington 3 South	£3,519,940	£3,366,138
Suburb 1 High Value	£224,861	£103,203
Suburb 2 High Value	£1,084,151	£1,028,222
Suburb 3 High Value	£5,420,756	£5,871,404
Suburb 1 Mid Value	£190,267	£19,324
Suburb 2 Mid Value	£917,359	£533,789
Suburb 3 Mid Value	£4,586,794	£3,692,933
Suburb 1 Low Value	£166,051	-£128,275
Suburb 2 Low Value	£800,604	-£18,797
Suburb 3 Low Value	£4,003,020	£1,213,897
Settlement 1 High Value	£224,861	£158,628
Settlement 2 High Value	£1,156,428	£1,044,781
Settlement 1 Mid Value	£190,267	£61,837
Settlement 2 Mid Value	£978,516	£541,298
Settlement 1 Low Value	£166,051	-£36,605

Typology	Benchmark Land Value	Surplus / Deficit
Settlement 2 Low Value	£853,978	-£16,916
Town Centre 3 (BTR)	£674,583	-£8,371,364
Inner Warrington 3 (BTR)	£2,016,336	-£5,065,341

8.58. This sensitivity analysis illustrates that there is a marked improvement in viability when contingency and professional fees are reduced to 3% and 5% respectively.

8.59. In particular, Suburb 2 (Low Value) and Settlement 2 (Low Value) show only minor deficits of c. £19,000 and c. £17,000 respectively. Suburb 1 (Mid Value) shows a marginal surplus position whilst Inner Warrington 1 South moves from unviable to marginally viable. Inner Warrington 3 North is shown to be marginally unviable.

8.60. This indicates that sites which are currently shown to be unviable or marginal under the area-wide base testing assumptions could come forward in a viable manner at the site-specific stage where there is greater certainty over the nature of the scheme, the cost and value inputs and the development programme (meaning that a lower contingency figure would be appropriate), and if a slightly lower professional fee allowance was adopted.

8.61. As emphasised in Section 7, we consider that we have adopted a slightly cautious position in respect of the contingency and professional fee assumptions so as to not test the margins of viability in this area-wide study and taking into account stakeholder feedback.

8.62. However, if viability is a material issue at the application stage, we would expect the applicant to adopt the less cautious assumptions. This is not an unreasonable position for the Council to expect in a site-specific FVA. We comment further on the relationship between the area-wide assumptions and site-specific FVAs in the final section of this report.

Sensitivity Testing 4 – Reduced Developer's Profit

Typology	Benchmark Land Value	Surplus / Deficit
Town Centre 1	£90,809	-£117,023
Town Centre 2	£233,510	-£530,207
Town Centre 3	£674,583	-£7,154,468
Inner Warrington 1 North	£148,260	-£96,100
Inner Warrington 2 North	£616,762	-£328,683
Inner Warrington 3 North	£3,071,947	-£467,847
Inner Warrington 1 South	£169,881	-£1,903
Inner Warrington 2 South	£706,706	£487,014
Inner Warrington 3 South	£3,519,940	£3,129,717
Suburb 1 High Value	£224,861	£88,538
Suburb 2 High Value	£1,084,151	£963,520
Suburb 3 High Value	£5,420,756	£5,610,565
Suburb 1 Mid Value	£190,267	£3,029

Typology	Benchmark Land Value	Surplus / Deficit
Suburb 2 Mid Value	£917,359	£462,593
Suburb 3 Mid Value	£4,586,794	£3,398,139
Suburb 1 Low Value	£166,051	-£147,102
Suburb 2 Low Value	£800,604	-£103,042
Suburb 3 Low Value	£4,003,020	£884,449
Settlement 1 High Value	£224,861	£144,234
Settlement 2 High Value	£1,156,428	£982,737
Settlement 1 Mid Value	£190,267	£45,550
Settlement 2 Mid Value	£978,516	£470,865
Settlement 1 Low Value	£166,051	-£54,388
Settlement 2 Low Value	£853,978	-£99,525
Town Centre 3 (BTR)	£674,583	-£8,926,734
Inner Warrington 3 (BTR)	£2,016,336	-£5,499,812

8.63. This sensitivity analysis illustrates that a reduction in developer's profit improves site viability although the impact is slightly less in comparison to the other sensitivity analysis scenarios.

8.64. Of particular note is that Inner Warrington 3 North, Suburb 2 (Low Value) and Settlement 2 (Low Value) see a relatively substantial reduction in the level of deficit but not enough to shift the overall viability position. Inner Warrington 1 South and Suburb 1 (Mid Value) are calculated to broadly breakeven. Development viability further improves for many of the other typologies.

8.65. For schemes which are lower risk, a reduced developer's profit may be appropriate which would assist in enabling schemes to come forward in a viable manner. In addition, it may be that in some instances, developers will take a site-specific decision to flex their level of return to enable development to come forward depending on market conditions, land supply, purchaser demand and so on as at the date of site marketing.

Town Centre Typologies

8.66. According to our calculations, the Town Centre typologies do not reach a viable position in any of the four sensitivity analyses which suggests that it will be very difficult to achieve full policy requirements on these sites. Therefore, at least in the short-medium term until the Town Centre residential market has matured and sales values have improved, it is likely that the Council will need to flex its policy requirements so as to not compromise Town Centre residential development.

8.67. However, it is worth noting that we have undertaken the sensitivity analyses on each input individually but it is quite possible that the one or more of the scenarios could combine (e.g. increase in sales values and reduction in base build costs, increase in sales values and reduction in contingency and professional fees). This would have a different impact on the viability position and a combination of the less conservative scenarios could help to promote site viability where full policy requirements are currently shown to be unviable.

8.68. Notwithstanding this, we consider that it is necessary to test a nil affordable housing provision for the Town Centre typologies given the results of the base testing and sensitivity analysis, and we have been instructed by the Council to undertake this additional modelling.

8.69. We have therefore run three further scenarios for the Town Centre typologies as follows:

Town Centre Typologies – Additional Scenario Testing

Scenario	Adjusted Assumptions
Scenario 1	• 0% affordable housing
Scenario 2	• 0% affordable housing • Sales values – increased by 10%
Scenario 3	• 0% affordable housing • Sales values – increased by 10% • Contingency – reduced to 3% • Professional fees – reduced to 5%

8.70. The results of these additional sensitivity analyses are shown below:

Typology	Benchmark Land Value	Residual Land Value	Surplus / Deficit
Scenario 1			
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
Scenario 2			
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
Scenario 3			
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

8.71. This additional modelling indicates that all three Town Centre typologies remain unviable with a nil affordable housing provision if all other appraisal inputs are unchanged (Scenario 1). However, if the sales values are increased, the deficit is substantially reduced with Town Centre 1 and 2 showing a positive viability position in Scenario 2. If the contingency and professional fee allowances are then reduced to a less cautious position, the deficit for Town Centre 3 is reduced although it still remains unviable according to our calculations.

8.72. It is noted that there has been little purpose built new build residential development in the Town Centre over recent years and, therefore, as this market matures and new infrastructure and other development is delivered to enhance the Town Centre throughout the plan period, this could see a strengthening in residential sales values. This could improve development viability which may enable more schemes to support the Council's policy requirements.

8.73. It may also be the case that the more challenging sites require assistance to come forward through additional public sector funding support as well as flexibility with regards to developer contributions.

8.74. We comment further on the implications of the results and our recommendations to the Council in the final section of this report.

Site Allocations Sensitivity Analysis

8.75. For all site allocations, we have undertaken the same sensitivity analysis as detailed at paragraph 8.46 above. We believe that the increased sales value sensitivity analyses are particularly relevant for the Main Development Areas which will be delivered later in the plan period from 2025 / 2026 or beyond.

8.76. The results are summarised in the tables below.

Sensitivity Testing 1 and 2 – Increased Sales Values and Reduced Base Build Costs

Site Allocation	Benchmark Land Value	Surplus / Deficit (+5% Sales Values)	Surplus / Deficit (+10% Sales Values)	Surplus / Deficit (5% Build Costs)	Surplus / Deficit (10% Build Costs)
South East Warrington Urban Extension	£5,000,000	£5,343,860	£9,160,853	£3,441,002	£5,362,882
South East Warrington Employment Location	£6,399,890	£11,685,567	£14,013,028	£10,732,430	£12,106,755
Waterfront	£2,224,500	-£2,321,888	£98,548	-£3,239,127	-£1,735,931
Peel Hall	£2,902,500	-£797,048	£1,993,849	-£1,964,834	-£329,959
Fiddlers Ferry	£14,764,500	£9,736,262	£18,997,235	£5,861,137	£11,250,709
Croft	£1,586,750	£1,504,098	£2,389,982	£1,125,935	£1,633,698
Culcheth	£4,229,500	£3,637,307	£5,834,406	£2,693,474	£3,951,300
Hollins Green	£1,607,500	£1,122,743	£2,054,968	£727,507	£1,265,585
Thelwall Heys	£8,680,000	£12,214,378	£16,389,445	£10,188,257	£12,337,204
Lymm – Rushgreen Road	£3,808,000	£4,681,510	£6,448,396	£3,836,754	£4,761,504
Lymm – Warrington Road	£4,760,000	£5,729,645	£7,907,509	£4,688,671	£5,830,065
Winwick	£2,322,500	£1,566,668	£2,889,855	£1,006,316	£1,769,789

8.77. As with the area-wide results, this sensitivity analysis illustrates that site viability improves if the assumed sales values are increased or if the base build costs are reduced, as would be expected.

8.78. In respect of sales values, Waterfront and Peel Hall remain in a deficit position with a 5% increase in the assumed sales values, but show a positive surplus with a 10% increase in values, albeit marginally in the case of Waterfront. Nevertheless, given that both schemes will not come forward for development until 2026 / 2027 (Peel Hall) and 2027 / 2028 (Waterfront), we believe that reasonable weight can be attributed to these scenarios, although build cost inflation over this period would part off-set the increase in revenues.

8.79. The same comments apply to the other Main Development Areas; the South East Warrington Urban Extension and Fiddlers Ferry which will come forward in 2025 / 2026 according to the Council's planned trajectory.

8.80. In respect of base build costs, for the reasons previously stated we consider that the costs for the larger sites could potentially sit closer to the discounted figures which would improve site viability. However, it is noted that both the Waterfront and Peel Hall remain unviable with a 5% and 10% reduction in build costs, albeit the deficit is substantially reduced according to the sensitivity testing.

Sensitivity Testing 3 – Reduced Contingency (3%) and Professional Fees (5%)

Site Allocation	Benchmark Land Value	Surplus / Deficit
South East Warrington Urban Extension	£5,000,000	£3,160,000
South East Warrington Employment Location	£6,399,890	£10,390,110
Waterfront	£2,224,500	-£3,424,500
Peel Hall	£2,902,500	-£2,182,500
Fiddlers Ferry	£14,764,500	£5,095,500
Croft	£1,586,750	£1,043,250
Culcheth	£4,229,500	£2,500,500
Hollins Green	£1,607,500	£652,500
Thelwall Heys	£8,680,000	£9,840,000
Lymm – Rushgreen Road	£3,808,000	£3,692,000
Lymm – Warrington Road	£4,760,000	£4,510,000
Winwick	£2,322,500	£907,500

8.81. This sensitivity analysis again illustrates that a reduction in contingency and professional fees to 3% and 5% respectively improves site viability, however Waterfront and Peel Hall remain unviable. Viability further improves for all other sites.

Sensitivity Testing 4 – Reduced Developer's Profit

Site Allocation	Benchmark Land Value	Surplus / Deficit
South East Warrington Urban Extension	£5,000,000	£2,830,000
South East Warrington Employment Location	£6,399,890	£10,370,110
Waterfront	£2,224,500	-£3,914,500
Peel Hall	£2,902,500	-£2,652,500
Fiddlers Ferry	£14,764,500	£3,715,500
Croft	£1,586,750	£923,250
Culcheth	£4,229,500	£2,180,500
Hollins Green	£1,607,500	£512,500
Thelwall Heys	£8,680,000	£9,480,000
Lymm – Rushgreen Road	£3,808,000	£3,532,000
Lymm – Warrington Road	£4,760,000	£4,300,000
Winwick	£2,322,500	£697,500

8.82. This sensitivity analysis illustrates that a reduction in developer's profit improves site viability, however Waterfront and Peel Hall again remain unviable. Viability further improves for all other sites.

8.83. In summary, the sensitivity analyses for the generic typologies and the site allocations demonstrate that there are plausible circumstances under which many of the currently unviable typologies could be delivered in a viable manner through modest changes to the appraisal inputs. We have considered the results of the base appraisals and the sensitivity testing in formulating our conclusions and recommendations to the Council in respect of the policy requirements in the emerging Local Plan.

Peel Hall and Waterfront

8.84. According to our calculations, under the base testing assumptions, both Peel Hall and the Waterfront are unviable based on full policy requirements, although both sites show a positive surplus with a 10% increase in the assumed sales values.

8.85. It is however again worth reinforcing that we have undertaken the sensitivity testing on the selected inputs individually and it is possible that one or more of the less conservative scenarios could combine which would help to improve site viability.

8.86. To further illustrate this point, we have undertaken additional sensitivity testing of the Peel Hall and Waterfront allocations as instructed by the Council. We have made minor adjustments to the assumed inputs as detailed in the table below in order to demonstrate other realistic scenarios where both sites are shown to be viable:

Waterfront and Peel Hall – Additional Scenario Testing

Site Allocation	Adjusted Assumptions
Waterfront – Scenario 1	• Sales values – increased by 5% • Contingency – reduced to 3% • Professional fees – reduced to 5%
Peel Hall – Scenario 1	• Sales values – increased by 5% • Contingency – reduced to 3% • Professional fees – reduced to 5%
Waterfront – Scenario 2	• Sales values – increased by 7.5% • Contingency – reduced to 3% • Professional fees – reduced to 5% • Developer's profit – reduced to 18% on market housing GDV for estate housing and 12.5% on market housing GDV for apartments
Peel Hall – Scenario 2	• Sales values – increased by 5% • Contingency – reduced to 3% • Professional fees – reduced to 5% • Developer's profit – reduced to 18% on market housing GDV for estate housing

8.87. The results of these additional sensitivity analyses are shown below:

Site Allocation	Benchmark Land Value	Surplus / Deficit
Waterfront 1	£2,224,500	-£1,454,500
Peel Hall 1	£2,902,500	£47,500
Waterfront 2	£2,224,500	£425,500
Peel Hall 2	£2,902,500	£997,500

8.88. Under Scenario 1, Waterfront still shows a deficit however Peel Hall is marginally viable according to our calculations. When the profit is reduced to 18% in Scenario 2 for Peel Hall, this site shows a large positive surplus.

8.89. Therefore, through minor adjustments to the sales values and developer's profit, and by adopting a less cautious position in respect of contingencies and professional fees, the sensitivity analysis demonstrates reasonable circumstances under which Peel Hall is viable with full policy requirements.

8.90. For the Waterfront, the site remains unviable if the sales values are increased together with the other assumptions adopted in Scenario 1. However, a further minor increase in sales values from 5% to 7.5% combined with a slight reduction in profit results in a positive surplus for the Waterfront. Again, therefore, we consider that there are reasonable circumstances under which the Waterfront is shown to be viable with full policy requirements.

8.91. We have considered the results of this additional sensitivity testing in formulating our conclusions and recommendations to the Council which we now turn to in the final section of this report.

8.92. Before proceeding to our conclusions, it is acknowledged that the sensitivity analysis could be run on a range of other inputs which would have a different impact on site viability. It is not possible to test the full range of scenarios in a study of this nature where a line has to be drawn in respect of the extent of the scenario testing.

9. Conclusions and Recommendations

9.1. Within this section of the report, we summarise the main conclusions and recommendations arising from the results of this LPVA.

Study Approach

9.2. We have prepared this LPVA having regard to all relevant national policy and guidance, industry mandatory requirements and recommended best practice for viability testing. In line with the suggested approach in the PPGV, we have adopted a typology approach to testing the viability of the emerging Local Plan to assess the total cumulative impact of all relevant plan polices, and to determine whether the plan is viable and deliverable.

9.3. We have undertaken viability testing of 25 typologies which were formulated in dialogue with the Council who identified a selection of representative generic typologies and key site allocations which reflect the type of sites likely to come forward for development over the plan period. The LPVA includes area-wide modelling of the generic typologies and site-specific assessments of the site allocations.

9.4. We have identified the key emerging policies which will impact on development viability and therefore require viability testing. Having regard to the nature of this area-wide FVA and taking into account the stakeholder feedback, we have adopted appropriate cost and value assumptions for the viability appraisal inputs supported by relevant market evidence to assess the impact of the emerging planning policies on development viability across Warrington.

9.5. The base viability testing incorporates the full emerging policy requirements which includes:

- 20% affordable housing (comprising 50% Affordable Rent and 50% Intermediate dwellings) in the Town Centre and Inner Warrington;
- 30% affordable housing (comprising 67% Affordable Rent and 33% Intermediate dwellings) in all other locations;
- Accessibility standards;
- Energy requirements;
- Biodiversity net gain; and
- The proposed S106 contributions.

9.6. We have also factored in site-specific infrastructure and abnormal costs for each typology, including the costs provided by the Council for the Main Development Areas.

9.7. In addition, we have undertaken various sensitivity analyses to assess the impact on viability should key inputs change. In formulating our conclusions and recommendations to the Council, we have adopted a rounded view and we have applied a viability judgement considering both the base results and the results of the sensitivity testing in accordance with the RICS Professional Statement *Financial Viability in Planning: Conduct and Reporting*.

9.8. It is also important for the Council to consider actual development 'on the ground' and the circumstances under which certain schemes are coming forward in Warrington, as well as the results of this study to support a holistic assessment of viability.

Area-Wide Generic Typologies

9.9. The results of the base testing for the generic typologies indicate that the majority of the sites in the lower value areas of Warrington (Town Centre, Inner Warrington North, Suburb Low Value and Settlement Low Value) are not currently viable to support full policy requirements.

9.10. In the Mid Value areas, the results suggest that all typologies are viable with full policy requirements or show only a relatively minor deficit position. In some instances, for example on the smaller sites, there may need to be a balance in respect of the total policy requirements sought in these areas, such as through a lower affordable housing provision, alternative tenure mix and/or reduced S106 contributions.

9.11. The results indicate that the typologies in Inner Warrington South and the higher value areas of the borough (Suburb High Value and Settlement High Value) should be viable to support full policy requirements. It is worth noting that the majority of the Settlement locations are mid-high or higher value residential markets and as such, many of the sites in these areas should be viable with full policy requirements.

9.12. We have also tested the viability of BTR development where the base testing results suggest that BTR development is not sufficiently viable to support full policy requirements. As previously stated, this is not an unexpected finding and, in one respect, the results are consistent with actual BTR development coming forward in Warrington Town Centre. However, there is potential for viability to improve as this market matures.

9.13. In summary, therefore, the base testing results indicate that the emerging policy requirements for the mid value and higher value typologies are broadly appropriate however it will be challenging for development in the lower value parts of the borough, notably the Town Centre and Inner Warrington North, and BTR development, to meet the Council's full policy requirements, particularly given the emphasis on flatted development on sites in these locations.

9.14. The results suggest that affordable housing provision has a substantial impact on viability. In the lower value locations, it is possible that development could provide some affordable housing together with other policy requirements however it is unlikely that the policy target level will be met without compromising viability.

9.15. Emerging Policy DEV2 sets out the Council's proposed affordable housing requirements and states that a lower proportion of affordable housing and/or different tenure split will be permitted where it can clearly be demonstrated to the satisfaction of the Council that development would otherwise not be financially viable.

9.16. We consider that this drafting is appropriate and that there is sufficient flexibility in the emerging policy to allow for a relaxation in affordable housing requirements where site viability is a material issue. To support the delivery of new housing on sites where viability is challenging, the Council may need to seek a lower percentage of affordable housing and/or permit a variation in tenure mix, for example by allowing Discounted Market Sale units instead of Shared Ownership units, or by allowing a greater proportion of Intermediate units where appropriate.

9.17. In addition, in the lower value parts of the borough and/or where sites are subject to high abnormal / extra over development costs, it may be that Registered Providers can support the delivery of affordable housing outside of S106 Agreements through the use of Homes England grant funding. This would help to bridge the viability gap in more challenging locations / on difficult sites and would facilitate the delivery of affordable housing in these areas.

9.18. It may also be that more challenging sites require assistance to come forward through additional public sector funding support as well as flexibility with regards to developer contributions.

9.19. Further, the generic typologies all comprise brownfield land. As such, there may be potential for applicants to take advantage of Vacant Building Credit where there are existing buildings on site to help offset the affordable housing requirement against the floorspace of existing property.

9.20. Some of the generic typologies produce a significant surplus under the base testing assumptions. As stated in Section 7, for the purposes of this study, we have assumed that all Rented affordable housing units would be provided as Affordable Rented dwellings. For the typologies which show a relatively large surplus under the base testing assumptions, we suggest that there is potential for the Council to seek a different tenure mix on these sites where an element of Social Rented housing could be provided instead of Affordable Rented units, and/or specialist forms of housing provision.

9.21. We do however recommend that the Council adopt a flexible approach in respect of the tenure of the Rented affordable dwellings to assist scheme viability where necessary. This is permitted under emerging Policy DEV2 which allows the balance of affordable housing to be provided for Affordable Rent or Social Rent.

9.22. Another key emerging policy which impacts on development viability is Policy INF5 which sets out the Council's proposed requirements in respect of planning obligations. This policy states that when seeking planning obligations from development, the Council will only consider viability at the planning application stage where:

> a. required planning obligations are in addition to those considered as part of the Local Plan's viability appraisal; or
>
> b. where there are exceptional site specific viability issues not considered as part of the Local Plan's viability appraisal.

9.23. We suggest that additional flexibility is introduced into this policy to allow for the viability of development proposals to be considered at the application stage where it can be clearly demonstrated, through a robust site-specific FVA, that development would not be financially viable if full planning obligations were sought. This would represent similar flexibility to that provided in emerging Policy DEV2 in relation to affordable housing and would ensure that development can come forward through a relaxation in policy requirements where appropriately justified on viability grounds. We understand that the Council have now made this change within their draft policy.

9.24. Two other emerging policies which impact on development viability are emerging Policy ENV7 in respect of energy requirements and emerging Policy DEV2 in respect of accessibility standards. The impact of the 10% renewable / low carbon energy requirement and the accessibility standards is smaller in comparison to the impact of the affordable housing and S106 contributions, and we consider that these costs alone are unlikely to render development unviable.

9.25. Further, emerging Policy ENV7 allows flexibility in respect of the energy requirements for strategic housing and employment allocations where the reduced 10% renewable / low carbon energy requirement is permitted if establishing, or connecting to an existing, decentralised energy network is shown not to be feasible or viable. As summarised under the following sub-heading, the results demonstrate that this flexibility is necessary on some of the strategic housing allocations and we therefore conclude that this drafting is appropriate.

9.26. In respect of the accessibility standards, Policy DEV2 states that where the policy requirements are genuinely not viable or technically feasible, the Council will expect to see an open book assessment to evidence this.

9.27. We suggest that additional text is introduced into this policy to clarify that a relaxation in policy requirements will be permitted where it is clearly demonstrated, through a robust site-specific FVA and/or technical assessment, that development would not be financially viable and/or technically feasible if the accessibility standards were sought. We understand that the Council have now made this change within their draft policy.

9.28. Whilst the base testing results indicate that development is not currently viable in certain parts of the borough, the sensitivity analyses usefully illustrate how minor changes to the assumed inputs within a realistic range could result in significant positive improvements to site viability.

9.29. As previously emphasised, due to the nature of this study on an area-wide basis, broad assumptions have to be made in respect of certain inputs. We have also considered the stakeholder feedback in formulating our assumptions and we are mindful of not testing the margins of viability at the plan-making stage.

9.30. Accordingly, whilst we consider that the adopted assumptions are robust for the purposes of the area-wide testing, there is an element of conservatism within some of the assumptions in the base appraisals. For this reason, we consider that reasonable weight can be attributed to the sensitivity analyses where a less cautious position is adopted for certain inputs.

9.31. It follows that if viability is a material issue at the site-specific stage, the area-wide assumptions cannot necessarily be applied without adjustment and we would expect applicants to adopt a less cautious position in respect of certain inputs as explained within this report. We comment further on the relationship between the area-wide assumptions and site-specific FVAs under the sub-heading below.

9.32. Across the area-wide typologies, the base testing results indicate that viability is most challenging on the smaller typologies which is to be expected given the lower assumed site coverage together with the higher assumed standard base build costs for these typologies. However, as stated above, it is reasonable to propose that higher sales values could potentially be achieved on the smaller sites due to the sense of exclusivity often generated by smaller schemes.

9.33. The sensitivity analysis demonstrates that all but one of the 10-unit typologies are viable with a 10% increase in sales values, with only Town Centre 1 showing a deficit position.

9.34. For the purposes of this area-wide FVA, broad assumptions have to be made in terms of revenues and costs and it is not possible to reflect the actual reality for every site. However, if smaller sites do achieve higher revenues, the sensitivity testing indicates that full policy requirements may still be viable on many of the smaller sites across Warrington.

9.35. Focusing in particular on the Town Centre and Inner Warrington North, the study results demonstrate that viability is most challenging in these areas hence it is likely that the Council will need to flex its policy requirements to continue to support residential development in these markets.

9.36. Notwithstanding this, it is worth highlighting that there has been little purpose built new build residential development in the Town Centre and Inner Warrington over recent years. As these markets become more established and new infrastructure and other development is delivered to enhance these locations throughout the plan period, this could see a strengthening in both sales values and rental and capital values for BTR development.

9.37. In particular, we would highlight the ongoing Council investment in the town centre for the Time Square mixed-use scheme, as well as the recent residential investment by High Street Group on John Street and Lane End on Academy Way, as evidence of public and private sector confidence in this market area. In time, therefore, there is potential for development viability to improve in these areas as confidence and sentiment further increases which could enable more schemes to support the Council's policy requirements.

9.38. For all typologies, it is recognised that changes in housing mix and development density could improve site viability. We believe that we have tested market-facing forms of development for the purposes of this LPVA, however it is not possible to test the full range of development models which could be delivered on different sites across Warrington. If higher density / coverage schemes are brought forward on some sites (which would not be uncharacteristic in the lower value areas), this could result in a more positive viability position and would provide greater scope for full policy requirements to be sought.

9.39. Finally, it should be reinforced that the results of this study are reflective of the assumed abnormal and extra over development costs adopted within the appraisals. There is significant uncertainty regarding this input as at this stage of the plan-making process, it is not possible to accurately estimate the abnormal / extra over costs for each site which will come forward throughout the plan period.

9.40. Whilst a provisional assumption has been made for the purposes of this LPVA, it is inevitable that these costs will vary on some sites. Where sites have lower abnormal / extra over development costs than assumed in this study, this could improve the viability position and vice versa.

9.41. For this reason, it is important for the Council to include flexibility in its emerging policies by allowing a relaxation in policy requirements if it can be clearly demonstrated, through a robust site-specific FVA, that the policy requirements would compromise site viability. This will allow policy requirements to be balanced against the delivery of new housing and employment space, and will ensure that development can still come forward in the more challenging parts of the borough and/or where sites are subject to significant abnormal / extra over development costs.

9.42. If policy requirements are justifiably reduced on viability grounds and the site in question is likely to be built out over a period of years, we recommend that the Council seek to include a review mechanism in the S106 Agreement for the relevant site to capture any improvements in viability over the lifetime of the development. The current drafting of Policy INF5 states that the Council will include a review mechanism in such circumstances hence we consider this drafting to be appropriate.

Site Allocations

9.43. The results of the base testing for the site allocations indicate that the majority of the site allocations are viable with full policy requirements.

Main Development Areas

9.44. In respect of the Main Development Areas, the base testing results suggest that the South East Warrington Urban Extension can support full policy requirements, as can Fiddlers Ferry if the energy cost is reduced to £2,250 per unit rather than 6% of base build cost. Emerging policy ENV7 allows development to meet 10% of its energy needs from renewable energy where establishing, or connecting to an existing, decentralised energy network is shown not to be viable as noted above. This represents a marked reduction in development costs which helps to improve site viability.

9.45. In addition, the Council is aware from other examples of major urban extensions in the UK that public sector intervention may be necessary to establish decentralised energy networks. This is something that the Council may give consideration to in the future as part of its commitment to tackling climate change.

9.46. We therefore recommend that this policy flexibility is maintained to support the delivery of affordable housing in the Main Development Areas (and Outlying Settlements) where it can be demonstrated that the additional energy costs would compromise site viability. Provided this drafting is retained, we conclude that the policy requirements for Fiddlers Ferry are reasonable.

9.47. We further conclude that, based on the currently assumed infrastructure / abnormal costs, the residential development is required as part of the Phase 1 development at Fiddlers Ferry as our initial appraisal results indicate that the employment development alone is not viable when accounting for the level of site-wide infrastructure / abnormal costs. The residential development also performs a key role in providing early income and cash flow cross-subsidy for the enabling works required to deliver the wider site, particularly the upfront demolition and remediation works.

9.48. The results of the site-specific assessments for the Waterfront and Peel Hall suggest that 30% affordable housing together with the other policy requirements and the strategic infrastructure / abnormal costs is not currently viable.

9.49. We have undertaken additional sensitivity testing for these two allocations by making minor adjustments to certain key inputs to demonstrate potential realistic scenarios under which these allocations could reach a viable position.

9.50. Given that both sites will not come forward for development until 2026 / 2027 at the earliest and will be delivered over a time period of 10 years (Peel Hall) and 12 years (Waterfront) respectively, and we have adopted what we consider to represent a cautious approach on sales values, we believe that reasonable weight can be attributed to the results of the sensitivity analysis where higher sales values are assumed, as there is potential for significant value growth both prior to and during the development of these sites.

9.51. However, build costs will also inevitably increase which could moderate the improvement to viability shown in these sensitivity analyses, notwithstanding the potential element of conservatism in the adopted base build costs. Emerging policies MD1 and MD4 as currently drafted for the Waterfront and Peel Hall allocations require a minimum of 30% affordable housing. However, both site-specific policies refer 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.

9.52. 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 each site comes forward for development. We therefore conclude that the current policy drafting is appropriate for the Waterfront and Peel Hall.

9.53. We finally mention that we have relied on the strategic infrastructure / abnormal costs provided by the Council for the Main Development Areas and the results of this study reflect the assumption that these costs are sufficient to deliver each scheme. It is recommended that the Council continues to undertake due diligence and engages with the relevant site promoters to be satisfied that the adopted costs are realistic and cover the full infrastructure and enabling works required to bring each site forward for development.

Thelwall Heys

9.54. The Thelwall Heys site allocation is located adjacent to the main urban area but shares similar characteristics to the Outlying Settlement sites. In addition, we understand that no significant strategic infrastructure costs are required to bring this site forward for development, in contrast to the Main Development Areas where the infrastructure burden is substantial.

9.55. As there are no strategic infrastructure costs and this is a larger site which is situated in a high value location, the appraisal generates a substantial positive surplus under the base testing assumptions as shown in Section 8 of this report.

9.56. We therefore conclude that the policy requirements for Thelwall Heys are reasonable but given the strong positive viability position, there is potential for the Council to seek a different affordable housing tenure mix where Social Rented housing could be provided instead of Affordable Rented units, and/or specialist forms of housing provision could be supported in this allocation.

Outlying Settlements

9.57. In terms of the Outlying Settlements, the site allocations with the higher assumed sales values are generally the most viable as expected, which include the two sites in Lymm as well as Croft and Culcheth.

9.58. Hollins Green and Winwick also show a surplus position under the base testing assumptions, albeit a lower surplus and with the reduced energy costs of £2,250 per unit. Again, provided that the drafting in emerging Policy ENV7 is retained, we conclude that the policy requirements are reasonable for these site allocations.

9.59. We further mention that for the site allocations which show a relatively large surplus under the base testing assumptions, there is potential for the Council to seek a different affordable housing tenure mix more weighted towards Social Rented housing, and/or for specialist forms of housing provision to be supported on these sites.

Employment Allocation

9.60. As well as the residential allocations and the Fiddlers Ferry mixed use allocation, we have considered the viability of the South East Warrington Employment Location. The results indicate that this allocation is viable with a significant surplus generated however it is important to note that this appraisal excludes any abnormal / extra over development costs required to deliver the employment development other than the strategic utilities and drainage infrastructure costs and the likely S106 contributions provided by the Council.

9.61. Nevertheless, the surplus generated in the base testing indicates that it is still likely the site could make a further contribution to any additional infrastructure improvements if required to enable the development to come forward.

9.62. The sensitivity testing for the site allocations again demonstrates how minor changes to certain key inputs such as sales values, build costs, contingencies and professional fees within realistic parameters can markedly impact on site viability and could result in an improved position for each allocation.

Relationship Between Area-Wide Study and Site-Specific FVAs

9.63. It is recognised that the intention of the revised NPPF and PPGV is to reduce the need for site-specific FVAs at the application stage through robust viability testing at the plan-making stage which should support the setting of realistic and achievable policy requirements. At the same time, however, the PPGV advocates the use of a "typology approach", "standardised inputs" and "average costs and values" to testing the viability impact of all relevant plan policies.

9.64. It follows that the adopted assumptions in an area-wide FVA have to be relatively high level and sufficiently flexible to accommodate the range of typologies, locations, developer models, costs and values based on the sites which will come forward for development throughout the plan period. Importantly, there is also no way of accurately estimating the abnormal / extra over development costs for every site at the plan-making stage.

9.65. These factors mean that it is not possible to accurately test the viability of every site in the relevant local authority area at the plan-making stage, which, in turn, means that it is not possible to set realistic policy requirements for every single site. As a consequence, the need for site-specific FVAs at the application stage cannot be fully eliminated.

9.66. Furthermore, the adopted assumptions in an area-wide FVA have to take into consideration the stakeholder comments received during the plan-making consultation periods in accordance with the PPGV. If we were to adopt assumptions reflective of a site-specific FVA at the plan-making stage, this would be contrary to some of the comments received during the consultation periods which advocate more cautious assumptions with sufficient "headroom".

9.67. Therefore, whilst we believe we have adopted appropriate assumptions for the purposes of this area-wide FVA, it is important to emphasise that some of the adopted assumptions could be considered to represent a conservative position so as to accommodate the requirements of the PPGV and so as to not test the margins of viability at the plan-making stage.

9.68. The assumptions have also been formulated taking into account the stakeholder comments received to the January 2020 consultation as well as the previous consultations undertaken by the Council and BNPPRE.

9.69. In light of the above, it must be reinforced that the key assumptions adopted in this study cannot necessarily be applied without adjustment in site-specific FVAs at the application stage. For the generic typologies in particular, this study is a high-level assessment of a wide range of site typologies and value areas, and it would therefore be inappropriate to uncritically apply these broader generic, higher level assumptions in a site-specific FVA at the application stage.

9.70. If viability is a material issue at the application stage, then certain assumptions in the site-specific FVA should be adjusted to a less cautious position for the reasons explained throughout this report. This could result in an improved viability position as shown through the sensitivity analysis scenarios.

9.71. It is not possible for us to satisfy the requirements of the PPGV in terms of testing a range of "generic" typologies and applying "average costs and values", as well as account for stakeholder comments / feedback, whilst also adopting assumptions which reflect the position for every site at the application stage where there is far more certainty over the nature of the scheme and the resultant appropriate inputs.

Off-site Affordable Housing

9.72. The supporting text to emerging Policy DEV2 states that the Council's priority will be to secure on-site affordable housing which accords with the NPPF (Paragraph 62) which sets out an expectation for on-site provision. However, in exceptional circumstances, the Council will consider a commuted sum where it can be demonstrated that the site is unsuitable for on-site affordable housing which is again consistent with the NPPF.

9.73. The supporting text to Policy DEV2 sets out the Council's proposed approach to determining the level of commuted sum for off-site affordable housing which will be equivalent to the developer subsidy which would have been required had provision been made on site. According to the policy text, the proposed mechanism for calculating the commuted sum is based on the difference between the full open market value of policy compliant on-site affordable housing provision and the discounted value of those affordable housing units.

9.74. We recommend that the commuted sum payment is based on the affordable housing land value impairment rather than the affordable housing revenue impairment in order to reflect the true cost burden to the landowner. The revenue-based methodology would overstate the payment as savings in disposal costs, profit, finance and land acquisition costs as a result of the lower scheme revenue would not be captured.

9.75. We therefore suggest that the supporting text in emerging Policy DEV2 is amended accordingly. The recommended calculation for the off-site commuted sum payment is set out below:

Residual Land Value of Site Based on 100% Market Housing

Less

Residual Land Value of Site Including Policy Compliant Affordable Housing

= Commuted Sum Payment

9.76. We further recommend that the commuted sum payment is calculated on a site-by-site basis to reflect the actual affordable housing land value impairment for each site. We understand that the Council have updated the supporting text to the policy to reflect the above.

Scope for Community Infrastructure Levy

9.77. The Council is giving consideration to the introduction of a Community Infrastructure Levy ('CIL') charge to support the delivery of the Local Plan. If the Council decides to proceed with CIL, this will be subject to a separate consultation process.

9.78. The LPVA provides the starting point for the evidence base required to support the introduction of CIL. Should the Council wish to proceed with introducing CIL, the LPVA will need to be refreshed to reflect up to date sales values and build costs, and further refined to demonstrate potential CIL charging rates across different spatial areas and to ensure it is consistent with the scope of the proposed CIL and Infrastructure Delivery Plan / Schedule (which sets out the infrastructure which CIL will contribute towards).

9.79. That said, there is uncertainty regarding the future of CIL as a mechanism for funding infrastructure given the proposed reforms to the planning system as set out in the government's White Paper. It is therefore recommended that the Council wait for the government to confirm their future plans before proceeding with any further work in respect of CIL.

Overall Conclusion

9.80. Based on the results of this LPVA and subject to the comments and recommendations made above, we conclude that the total cumulative impact of the policies contained in the emerging Warrington Local Plan will not compromise the delivery of the plan and the proposed level of development.

9.81. Whilst this study suggests that not all forms of development in all areas can viably support full policy requirements at present, we believe that the current policy drafting provides sufficient flexibility to enable development to come forward through a relaxation in policy requirements where appropriately justified on viability grounds (subject to the recommendations made above in respect of Policy INF5 and DEV2).

9.82. Further, the sensitivity testing demonstrates that there are plausible circumstances under which the currently unviable sites could potentially be delivered in a viable manner through modest changes to the appraisal inputs.

9.83. The results of this viability testing and the conclusions arising from this study are based on current market conditions. We recommend that the Council monitors progress in delivering the Local Plan and undertakes regular updates on plan viability over the plan period to account for changing market conditions and/or site-specific circumstances which may necessitate a revision of policy requirements. This is particularly pertinent in light of the ongoing market uncertainty relating to the COVID-19 pandemic.

10. Disclaimer

10.1. 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.

10.2. The FVA is for the purposes of assessing the total cumulative impact of all relevant emerging polices within the Local Plan to determine whether the plan is viable and deliverable, and to therefore inform the setting of plan policy. The FVA and the advice provided constitute an exception from VPS 1 – 5 of the Red Book.

10.3. 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.

10.4. 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.

10.5. 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: STAKEHOLDER RESPONSES TO PREVIOUS LPVA CONSULTATIONS

APPENDIX 2: C&W/WBC RESPONSES TO JANUARY 2020 CONSULTATION

APPENDIX 3: CONSENTED NEW BUILD SCHEME ANALYSIS

APPENDIX 4: NATIONAL MARKET COMMENTARY

APPENDIX 5: NEW BUILD COMPARABLE EVIDENCE

APPENDIX 6: SITE ALLOCATIONS RE-SALE COMPARABLE EVIDENCE

APPENDIX 7: TOWN CENTRE AND INNER WARRINGTON RE-SALE COMPARABLE EVIDENCE

APPENDIX 8: RENTAL COMPARABLE EVIDENCE

APPENDIX 9: BTR INVESTMENT COMPARABLE EVIDENCE

APPENDIX 10: BTR GDV CALCULATIONS

APPENDIX 11: COMMERCIAL RENTAL AND INVESTMENT COMPARABLE EVIDENCE

APPENDIX 12: TURNER AND TOWNSEND ENERGY COST EVIDENCE

APPENDIX 13: BREAKDOWN OF S106 CONTRIBUTIONS

APPENDIX 14: INDUSTRIAL LAND TRANSACTIONAL EVIDENCE

APPENDIX 15: RESIDENTIAL LAND TRANSACTIONAL EVIDENCE

APPENDIX 16: SITE-SPECIFIC ASSESSMENTS - ARGUS DEVELOPER APPRAISALS

APPENDIX 17: STATEMENT OF LIMITATIONS

APPENDIX 18: TERMS OF ENGAGEMENT

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