

**TOWN AND COUNTRY PLANNING ACT 1990**

**Appeal by: Redrow Homes Ltd.**

**Site: Warburton Lane, Partington**

**LPA reference: 98031/OUT/19**

**PINS reference: APP/Q4245/W/19/3243720**

**Proof of Evidence of Mr Murray Lloyd regarding the Viability Case of the  
Development on behalf of Trafford Council (Local Planning Authority)**

**September 2020**



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## 1. INTRODUCTION

### 1.1 Instruction

1.1.1 I have been instructed by Trafford Council to act as an expert witness to give an opinion on the viability case pursuant to the planning application Ref: 98031/OUT/19 submitted by Redrow Homes NW Ltd (the “Appellant”), in respect of the Land at Warburton Lane (the “site”).

1.1.2 I have also undertaken my own sensitivity analysis with regards to the viability appraisal produced by the Appellant. The sensitivity is in relation to the assessment of value (GDV), Benchmark Land Value (BLV), profit margin and cost (including standard, external and abnormal).

### 1.2 Details of Authors Background and Experience

1.2.1 My area of expertise is Land and Property Development and Regeneration. I have acted as direct developer and consultant. I am not a member of the RICS. It is not necessary to be RICS to be able to provide expert evidence on Financial Viability Assessments (FVAs) and it is not unusual for non-RICS members to submit FVAs and for non-RICS local authority staff or consultants to review them. I was asked by Trafford Council to act as Expert Witness in this case due to the work I have undertaken for the authority over the past 3 years on matters relating to viability. Over a period of 30 years I have honed my skills and knowledge working in both the public and private sector, working on development and regeneration. This has covered mixed-use, town centre, residential and logistics developments from inception to delivery. My CV can be found in Appendix 1 for further information. Due to the work undertaken on development projects for the public sector, I have been identified as someone who has expertise in this area. As a result, clients have requested my input and

advice on matters relating to viability in planning. I have been requested to test FVAs to ensure that departures from policy requirements, especially for affordable housing, only occur when justified. The attached letter (Appendix 2) from the head of planning at Trafford Borough Council explains why they consider it appropriate to rely on my expertise and independence.

1.2.2 In the past 4 years, myself and my company have acted on approximately 100 viability cases. My clients are primarily public sector which include, Trafford Borough Council, Chorley Borough Council, Tameside Borough Council, Bolton Borough Council, Rossendale Borough Council and South Ribble Borough Council. We have acted against Cushman and Wakefield, CBRE, Savills, Avison Young and many others. The attached table (Appendix 3) demonstrates our achievements in Trafford where we have acted on viability cases. My record of successfully challenging FVAs put forward by RICS members acting for developers speaks for itself.

1.2.3 My years of experience in development and regeneration, my detailed knowledge of Planning Gain/Land Value Capture theory and methodology through my PhD (Appendix 4) and involvement in circa 100 viability cases acting for the public sector, makes me *'suitably qualified'* to comment/advise on matters relating to Viability in Planning.

### 1.3 Trafford Viability Experience

1.3.1 I have been acting for Trafford Borough Council for the past 3 years on matters relating to Viability in Planning.

1.3.2 Prior to my involvement in Viability cases in Trafford, from a study of affordable housing secured through section 106 obligations over a period of approximately 2 years, there were the equivalent of just 3 affordable units delivered through private sector schemes. Since my engagement, I have reviewed over 30 viability cases, which have generated a requirement under s.106 obligations/conditions for circa 298 units (See Appendix 2 & 3).

1.3.3 One of the key benefits of being the dedicated viability consultant for a single Planning Authority is that you can compile data and begin to see emerging patterns and local benchmarks in how the viability process functions in that area. My key finding in Trafford is that most viability arguments put forward by Developers and their advisors is that a viable development can only be delivered if zero affordable housing is accepted by the Local Planning Authority (LPA). This is despite the proposed development schemes being in differently performing locations across the Borough, encompassing affluent, emerging and regeneration areas and irrespective of whether the sites are brownfield or greenfield and the degree of constraints on them. The table at Appendix 3 shows that - irrespective of type, scale and location - the default position for developers and their advisors is to argue nil provision of affordable housing in their FVA conclusion. The result of my challenge through independent review of the viability assessments results in offers by developers to fund affordable housing and S106 contributions.

1.3.4 As a result of a more robust approach to viability negotiations, the LPA has been able to reverse the previous trend of schemes coming forward with no provision and begin to provide affordable housing through private sector development across the Borough. This is

in accordance with the NPPG and development plan policy– it is the authority’s role to rigorously test the case for policy departures put forward by developers.

#### 1.4 National Policy and Guidance on Viability in Planning

1.4.1 The NPPG (2019) (core document D2) sets a standardised approach for viability testing for both plan making and decision making.

1.4.2 Paragraph 10 of the NPPG (2019) defines viability for the purpose of plan and decision making as follows:

*“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”*

1.4.3 For the avoidance of doubt, it should be noted that there is no longer reference to *“competitive returns”* in the adopted national planning guidance/legislation.

1.4.4 The 2018 revised NPPG (updated 2019) significantly changed guidance on the methodology a practitioner should use when producing a Financial Viability Assessment. The methodology to be used is Existing Use Value + premium (EUV+) to establish development land value.

1.4.5 The significant change that the new methodology introduced was that the value of development land was no longer to be determined through the comparable method where evidence of transactions relating to similar schemes determines market value. Benchmark Land Value (BLV), in the new methodology, is determined by establishing the existing use value of a site without hope value and then applying a premium to represent an incentive to a land owner to offer up/promote their land for development through change of use. The









development (in the case of two-storey suburban housing scheme). The level of the GDV is very sensitive to small changes in value assumptions. An upward movement of £1 per square foot on a GIA of 444,550 sq ft (the GIA of Warburton Lane) would generate an additional £444,550 with only very limited impact on cost. It is thus imperative that the establishing of a GDV is as informed as it can be.

2.3.2 In relation to Warburton Lane, the proposed scheme has changed significantly from that included in the viability case in May 2019. Although the number of units to be delivered has increased by 36 units to 400, the GIA has decreased significantly by 28,762 sq ft (2,672 sq m). The result being that the 2020 iteration of the viability case is performing worse in terms of GDV, with a reduction of £6,561,200. It is unclear why Redrow would decide to revise their scheme to perform considerably worse than the previous scheme. The reduction is not explicable by reference to the slight pulling back of the boundaries of the development areas.

## 2.4 Viability Case

2.4.1 In the context of Warburton Lane, the viability case being made is that should an affordable housing contribution be made (of any kind), then the development of 400 units at Warburton Lane would be financially compromised to a point where the scheme would not be delivered (see Appendix 5).

## 3. DIFFERENCES IN APPRAISALS

3.1 The table below summarises the key outputs from the three FVA's produced by Mr Nesbitt (See Appendix 6 for a detailed breakdown of the appraisals).

	May 2019	December 2019	February 2020
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scheme is on an uncomplicated greenfield site. Recently, housing sites in close proximity, on part brownfield land, have managed to deliver affordable housing (Carrington Village and Heath Farm). The subject site is in a more desirable location, with higher values and fewer challenges. It is my opinion that Warburton Lane can deliver substantial affordable housing. I have seen nothing to persuade me that it cannot afford policy compliant 45%.

6.2 It is clear to me that the Warburton Lane scheme has the ability to fund policy compliant affordable housing if a correct approach is taken to establishing cost and value. My estimation of GDV is based on the best comparable evidence as agreed with Mr Nesbitt (Glazebrook). The approach taken to base build and external costs is based on an agreed methodology and data set and an evidence informed benchmark. As can be seen from the attached appraisals (Appendix 13), the input of my cost and value assessment permits the delivery of 45% affordable housing as well as a compliant position on other s.106 requirements.

6.3 I recognise that the costs of the Carrington Relief Road contribution will need to be taken into account in the final analysis if the preferred approach of the Council is adopted. I have not yet included those costs but even if they were £2m, my appraisals show that this site can afford 45% AH.