

CHARNWOOD LOCAL PLAN EXAMINATION
MATTER 9 – VIABILITY AND MONITORING

Inspector's issues and questions in bold type.

This Hearing Statement is made for and on behalf of the HBF, which should be read in conjunction with our representations to the pre submission Local Plan consultation dated 23 August 2021. This representation answers specific questions as set out in the Inspector's Matters, Issues & Questions document issued on 25 April 2022.

Q9.3 Have there been any changes in circumstances which could affect the assumptions made in relation to land values, sales values, build costs, developer profit and other inputs to the viability appraisals, for example recent inflationary pressures?

The Charnwood Local Plan Viability Study by Aspinall Verdi is dated February 2021. Since February 2021, there have been changes in circumstances affecting the assumptions used. These changes include (but are not limited to) :-

- Increasing build costs. There are a range of issues driving up prices including inflation, cost of energy, global shortages of some materials, increased demand, Brexit, Ukrainian War etc., which are proving a significant challenge for the housebuilding industry. The BCIS Material Cost Index is forecast to reach 17.5% by the end of 2022 ;
- From June 2022, the mandatory Part L Interim Uplift to the Building Regulations is effective. The Estate Housing Build Costs of £1,231 per sqm (median BCIS) for typologies of less than 74 dwellings and £1,120 sqm (lower quartile BCIS) for typologies of more than 75 dwellings (see Table 6.3) used in the Council's Viability Study exclude any additional costs for the 2021 Part L Interim Uplift. The Government's consultation on 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, estimated the additional cost as £4,847 per dwelling. These costs should be included in the Council's Viability Study ;
- Also from June 2022, changes to Part S of the Building Regulations requiring the mandatory provision of EVCPs in residential developments are effective. Whilst the Council's Viability Study is inclusive of costs for the provision of EVCPs. There are no costs for the upgrading of local electricity networks, which should be included in the Council's Viability Study ;
- 2021 Environment Act has introduced a mandatory 10% requirement for biodiversity net gain (BNG) subject to a two-year transitional period however the requirement of Policy EV6 is effective immediately. The

BNG costs used in the Council's Viability Study are based on 2017 prices. Updated costs based on inflationary increases should be included in the Council's Viability Assessment ;

- The cost of £521 per dwelling for M4(2) is based on DCLG Housing Standards Review, Final Implementation Impact Assessment, March 2015 (see Table 6.3), which are somewhat out of date and less than more recent alternative estimates. The Government's consultation "Raising Accessibility Standards for New Homes" (ended on 1st December 2020) estimated the additional cost per new dwelling, which would not already meet M4(2), is approximately £1,400. There are no costs included for M4(3) compliant dwellings. Updated costs should be used in the Council's Viability Study ;
- The 2021 NPPF introduces First Homes. The Council's Viability Study includes First Homes in the affordable housing tenure mix (see para 2.41) but the 6% developers return for affordable housing does not reflect increased risks associated with First Homes. There will be an increased cost to developers selling First Homes in terms of marketing plus an increased risk as they will not be able to sell First Homes in bulk to a Registered Provider and therefore not obtain a more reliable up front revenue stream. First Homes may also impact on the ability of developers to sell similarly sized open market units. First Homes may dampen the appetite of first-time buyers for 1, 2 & 3 bedroomed open market dwellings as some households, who may have opted to purchase a home on the open market will instead use the discounted First Homes route. This may result in slow sales of similar open market units and if sites have to be re-planned with an alternative housing mix additional planning costs ; and
- The 2022 Building Safety Act includes provisions to allow the introduction of a Building Safety Levy on all new homes. In the meantime, the introduction of the Residential Property Developer Tax and Building Safety Pledge commits the housebuilding industry to contributions of at least £5bn to the remediation of buildings over 11 metres.

The HBF has also raised concerns about the Council's assumptions relating to the Nationally Described Space Standards & self-build / custom housebuilding (see HBF Matter 4 – Assessment of Housing Need, the Housing Requirement and Mix & Choice of Housing Written Hearing Statement) and the optional water efficiency standard (see HBF Matter 3 – Climate Change and the Natural & Built Environment Written Hearing Statement).

The impact on viability of these changes should be assessed. The Council's Viability Study assesses the viability of numerous typologies but as shown by Figure 7.2 - Viability Surplus / Deficit (£ Per Net Acre) by Greenfield Typology, there is limited scope to absorb additional costs in the Leicester Fringe or Loughborough / Shepshed, where a significant proportion (81%) of HLS is distributed. It is noted that SUEs will be separately tested (para 2.19),

however, the results of these individual viability assessments have not been disclosed.

If the viability of sites is overstated, policy requirements will be set at unrealistic levels. Under such circumstances, trade-offs between policy requirements, affordable housing and infrastructure provision will be necessary and the Council will have to accept site-specific viability assessments at development management stage. Most sites should be deliverable at planning application stage without further viability assessment negotiations. Viability negotiations should occur occasionally rather than routinely. Further viability assessment work should be undertaken by the Council.

If after undertaking further viability assessment work, the conclusions remain unchanged, the Harman Report outlines that it will be necessary for the Council to review its policy requirements giving priority to those that are deemed critical to development while reducing (or even removing) any requirements that are deemed discretionary. The Council may also have to consider whether allocating a larger quantity of land, or a different geographical and value mix of land, may improve the viability and deliverability of the Local Plan.

Q9.7 Does the Plan have sufficient flexibility to respond to changing circumstances and which policies/measures will ensure that?

The Local Plan does not have sufficient flexibility to respond to changing circumstances.

Q9.8 Overall, is the Plan viable and deliverable and are the mechanisms for monitoring and review robust and appropriate, including Policy DS2?

Until further viability assessment work is undertaken, the deliverability of the Plan is uncertain. The Council's Viability Study shows that there is limited scope to absorb additional costs in the Leicester Fringe or Loughborough / Shepshed, where a significant proportion (81%) of HLS is distributed. There is a tipping point beyond which the land value cannot fall as the landowner will not be sufficiently incentivised to release their site for development. Furthermore, viability negotiations at planning application stage cause uncertainty leading to delays to housing delivery and / or non-delivery (see HBF answer to Q9.3 above).

The mechanisms for review set out in Policy DS2 are not robust or appropriate. Policy DS2 does not deal with problems associated with the viability and deliverability of the Plan. The purpose of Policy DS2 is to deal with the apportionment of unmet housing needs from Leicester to Charnwood (see HBF Matter 1 – Duty to Co-operate & Other Legal Requirements Written Hearing Statement).