

Regeneration and Planning
Planning and Housing Policy Team
Lancaster City Council
Lancaster Town Hall
PO Box 4
Lancaster
LA1 1PJ

SENT BY EMAIL
planningpolicy@lancaster.gov.uk
18/03/2021

Dear Sir / Madam,

LANCASTER LOCAL PLAN REVIEW: VIABILITY ASSESSMENT WORKSHOP

1. Following the Viability Workshop held in March 2021 the Home Builders Federation (HBF) would like to make the following observations on the Viability Assessment for the Lancaster Local Plan Review. A copy of the HBF Viability Assessment Guidance Note has also been included with this response, hopefully, this will also be useful to the Council.
2. The HBF is the principal representative body of the house-building industry in England and Wales. Our representations reflect the views of our membership, which includes multi-national PLC's, regional developers and small, local builders. In any one year, our members account for over 80% of all new "for sale" market housing built in England and Wales as well as a large proportion of newly built affordable housing.
3. It should be noted that the HBF is not a home builder or landowner and as such can not provide detailed evidence, we are however, in a position to highlight the general concerns of our members.

Future Homes Standard & Updates to Building Regulations

4. As highlighted in the meeting the HBF has concerns in relations to these standards. With regard to Heat Pumps, whether air to water or air to air, there are concerns in relation to the supply chain with the Heat Pump Association identifying a current output (2020) of 38,000 units per year, whilst this is rising, it is not clear if it will be sufficient to meet Government targets.
5. There are also concerns in relation to skills available to ensure the appropriate installation of the heat pumps and to ensure that they can be appropriately calibrated and maintained. Currently within the home building sector there is a significant shortage of skills for most trades. The effective implementation of the proposed technologies will require a specialist skill set over and above the current status quo of labour. Again, this is clearly evidenced by the Heat Pump Association as a potential barrier to the mainstream uptake of Heat Pumps. In 2019 there were just over 900 registered heat



pump engineers in the UK, of which a significant number were employed on commercial projects rather than in servicing the residential market.

6. The HBF also have concerns in relation to the electrical capacity within the area. The recent Government consultation on the proposed installation of a min. 7kw electric vehicle charging point on every new dwelling highlighted the need for major improvements to electrical capacity in strategic networks by 2021. By adding further demand by means of electrically generated heat, there are concerns that are yet to be answered surrounding the supply of electricity and whether or not this is sufficient currently and in the future.
7. The HBF also note that due to the current appearance and noise associated of some of the technologies needed to meet these standards, most notably heat pump equipment, or to the need for certain locations, e.g. Photovoltaics, there may need to be some allowances with site designs and layouts to allow for the most appropriate siting of homes both aesthetically and functionally. This in itself may lead to the need for lower densities and therefore lead to less efficient use of land and higher costs.
8. The HBF are concerned that the costs of introducing the new standards, particularly in relation to heat pump installation are likely to be significantly above existing costs for traditional heating technologies and remain so for the foreseeable future. While it may be argued that this can be offset by landowners' return, it should be noted that other expectations being pursued with similar assumptions, for example electric vehicle charging, biodiversity, water and sewerage infrastructure charges, design, and general debate regarding land value capture all have a cumulative impact on land value and cannot be viewed in isolation. It remains to be seen what compromises landowners are willing to make on values and impact the results of these decisions will have on landowner appetite to sell. Should there be a general lack of willingness to accept lower land valuations, viability will be squeezed and the volumes of land currently being brought to the planning process by home builders will inevitably be reduced.

Benchmark Land Values (BLV)

9. The presentation suggested the following BLVs:
 - BF City Centre - £1.1m/ha (£450k/acre)
 - BF small elsewhere - £630,000/ha (£250k/acre)
 - BF medium and larger sites - £270,000/ha (£110k/acre)
 - GF small sites - £390,000/ha (£160k/acre)
 - GF medium and larger sites £250,000/ha (£100k/acre)
10. The HBF considers that the BLV that is assumed for greenfield land is too low. The HBF would refer the Council to the Harman guidance (Viability Testing of Local Plans). On page 29, the Harman guidance advises that the appropriate premium above existing use value for land needs to be determined locally but that it should represent an appropriate premium to persuade landowners to sell. The HBF does not consider that relying on a premium of 10 times existing use value (EUV) or 10 times EUV plus a 20% premium is appropriate and would encourage the Council to gather further evidence in relation to greenfield and brownfield BLVs. The HBF would also recommend that the Council works

closely with both the home building industry and land agents to ensure that the BLVs proposed are realistic. The HBF considers that this is necessary to ensure that the Council's scenario testing has realistic foundations.

Developer return (profit)

11. The HBF acknowledge it can be difficult to agree on an appropriate figure for profit for all development types and developers. The PPG advises that a figure between 15-20% is appropriate. Whilst it is noted that the Viability Assessment suggests a figure of 17.5% for market homes and 6% for affordable homes, the HBF consider that it would be more appropriate to ensure that the overall figure is in the order of 17.5% of Gross Development Value (GDV) for a viability assessment, and that the Council consider if a higher figure should be applied for small developments reflecting the greater risk associated with securing finance encountered by smaller developers.

Proposed Build Costs

12. The HBF considers that the Council will need to work closely with the home building industry to ensure that the proposed build costs are appropriate and reflects all costs.

Other Costs

13. The HBF are concerned by the values associated with a number of the 'other' costs. For example, it is not apparent how the professional fees will be calculated given that a range is currently suggested between 6% and 10%. The HBF consider that a professional fees level below 8% is unlikely to be appropriate.
14. The HBF are also concerned by the low level of S106 to be considered. The HBF consider that the Council will need to provide evidence to support the need for only £2,500 of S106 per dwelling, particularly in relation to the recently adopted policies and more recent developments.
15. The HBF would also like to highlight that the costs associated with the Biodiversity Net Gain, taken from the Government Impact Assessment are not in relation to the North West. For example, the (central) estimate per housing unit based on 2017 prices for the North West is £1,137 for a greenfield site and £242 for a brownfield site. This cost is likely to be higher based on 2021 prices.
16. It is also not clear if the figures of £100 to £865 which have been taken from the EV charging Impact Assessment are appropriate. The Electric Vehicle Charging in Residential and non-residential buildings document suggest that installing charge points in residential buildings will add an additional cost of approximately £976 per car parking space for an average home. The Impact Assessment appears to suggest a per unit cost for off-street private parking of between £33 and £167 for ducting only, but up to £200 for any multi-occupancy areas, and of £615 to £1,115 per unit for off-street private parking for a charge point and up to £2,947 for multi-occupancy areas. Again, this evidence is from 2019 and costs will need to be updated.

Future Engagement

17. I trust that the Council will find these comments useful as it continues to progress its Local Plan. I would be happy to discuss these issues in greater detail or assist in facilitating discussions with the wider house building industry.

18. The HBF would like to be kept informed of all forthcoming consultations upon the Local Plan and associated documents. Please use the contact details provided below for future correspondence.

Yours sincerely,

A handwritten signature in cursive script, appearing to read 'Joanne Harding', written in black ink.

Joanne Harding
Planning Manager – Local Plan (North)

Email: joanne.harding@hbf.co.uk

Phone: 07972 774 229