14/12/2024

**BANES whole level plan viability assessment comments**

The recent Future Homes Hub report which may be of interest

<https://irp.cdn-website.com/bdbb2d99/files/uploaded/Delivering_the_Plan.pdf>

We would continue to caution against policies which seek to go further and faster that Building Regulations.

HBF supports the Government’s intention to set standards for energy efficiency through the Building Regulations. The key to success is standardisation and avoidance of individual Council’s specifying their own policy approach to energy efficiency, which undermines economies of scale for product manufacturers, suppliers and developers. We would highlight the challenges to viability and deliverability and suggest Councils do not need to set local energy efficiency standards in a Local Plan policy because of the higher levels of energy efficiency standards for new homes set out in the 2021 Part L Interim Uplift and proposals for the 2025 Future Homes Standard.  There is no need for a Local Plan policies on matters already addressed in Building Regulations

In relation to the costs of BNG HBF would make the following observations.  Mandatory national BNG was introduced in the Environment Act 2021 the introduction of Biodoversty Net Gain for planning application did not come for large sites until Feb 12th 2024, and for small sites on 2nd April 2024.  It is therefore probably too early to fully understand the implication of this on costs and viability.

It is the HBF’s opinion that the Council should not deviate from the Government’s requirement for 10% biodiversity net gain as set out in the Environment Act.  The new Lichfield Plan should provide certainty for developers and a clear BNG policy with a fixed 10% figure, and this should be tested through the whole plan viability assessment.  Any requirements to go beyond 10% BNG would need to be clearly demonstrated with evidence including considering the implications of the policy approach as part of the whole plan viability appraisal.   In particular, HBF would question how the viability of more than 10% BNG can be established when the market for off-site credits, and therefore the costs of delivering the 10% mandatory BNG system are still emerging.  There is an important policy distinction to made between the national mandatory requirements and any optional further requests from LPAs to go further and faster. In particular the 10% national target is non-negotiable from a viability perspective, but policies seeking over 10% can be challenged on viability grounds.  This distinction needs to be recognised within the Local Plan.

Any reliance on the DEFRA 2019 study, which we have seen in many Local Plan viability studies, is not robust.

It is also important to note that for large and complex sites where the development is phased, the guidance is clear that the 10% must be delivered at the end of the development, and this may not result in 10% BNG on each phase.  Additional advice on phased development has been provided in the new BNG PPG.  This is important to consider in relation to the viability on strategic sites.

HBF strongly suggest that the costs of BNG must therefore be considered as part of the whole plan viability assessment and should be specified as a single specific item, and not combined into a generic s106 costs item.  There are significant additional costs associated with biodiversity net gain, which should be fully accounted for in the Council’s viability assessment, some of which remain unknown at this time. It is important that BNG does not prevent, delay or reduce housing delivery.  The costs relate both the financial costs, time delays,  and also land take- which will impact on densities achievable if BNG is provided on site.

As this is still a new policy area and the market for off-site provision, and statutory credits are not yet known, any figure used for BNG costs will need to be kept under review as BNG implementation progresses and a greater understanding of actual costs become available.  The Whole Plan Viability Assessment must clearly set out how it considered the implications of mandatory BNG and how it as arrived at using the most up to date BNG costs information available.  There may need to be further additional flexibility in policies elsewhere in the Plan to reflect the non-negotiable nature of 10% BNG costs.  It would be helpful for any assessment to highlight this reality.

HBF would also encourage the Council to ensure the Local Plan fully considers the new BNG requirements in relation to site allocations. This is likely to require undertaking an assessment of the baseline to support the allocation to enable an understanding the BNG requirements for a site to be allocated and the impact this may have on viability and other policy requirements and considerations.  It will be important to understand the BNG costs of mandatory BNG as this is non-negotiable and as such may impact on the viability of the site and its ability to deliver against other policy requirements such as affordable housing or other s106 asks.  We would be keen to understand how viability specialists intend to support Councils will viability of strategic sites.

In relation to other issues HBF information suggests that complying with the current new part L is costing £3500 per plot.  The Future Homes Standard Part L in 2025 is anticipated to cost up to £7500+ per plot.  There will also be the addition of the Building Safety Levy that is coming in pay for cladding. This will be a per plot basis around the UK, and initial values are around £1500- £2500 per plot.

Other factors that need to be taken into account include increasing costs of materials and labour due to inflation and the fact that the cost of living crisis has also impacted the housing market making borrowing more expensive for potential future purchasers.