

SENT BY EMAIL
 amy.bennett@aspinalverdi.co.uk
 22/01/2025

Dear Planning Policy Team,

CENTRAL LANCASHIRE LOCAL PLAN: VIABILITY ASSESSMENT

1. Thank you for consulting with the Home Builders Federation (HBF) on the Central Lancashire Viability Assessment Presentation and Assumptions.
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.

Consultation Timescale

3. The HBF considers that the timescale for this consultation, is not appropriate, and not conducive to an effective engagement. One week is not considered sufficient time to give a detailed and technical response to this Viability Assessment presentation or the assumptions made within the assessment. The HBF would strongly recommend that the Council seek to consult for a longer period of this document.

Unit Sizes

4. The presentation includes assumptions in relation to the areas of proposed development, these are set out below in Table 1. These are generally in line with the Nationally Described Space Standards (NDSS) as set out below, however, it is clear that whilst the largest of the minimum gross internal floor areas have been used for most of the property types to be considered, the 3-bed homes area does not reflect the NDSS and it is not apparent what evidence has been used to determine the 100sqm figures proposed to be used in the assessment. The HBF would recommend that further evidence is provided to support this figure or that the Council use the 108sqm as set out in the NDSS, and consistent with the other figures used.

Table 1: Unit Sizes		
Property Type	Viability Assessment Area (sqm)	NDSS
1 bed flat	50	39 - 50
2 bed flat	70	61 - 70
2 bed house	79	61 - 79
3 bed house	100	74 - 108
4 bed house	130	90 – 130



Residential Value Assumptions

5. The Presentation does not provide any details as to how the residential value assumptions have been arrived at, and due to the short timescales for this consultation it is not possible to comment as to whether the figures proposed are appropriate or not. The HBF strongly recommends that the Council undertake further more detailed consultation with the home building industry to ensure that these assumptions are correct and reflect the most up-to-date evidence for the area.

Garages

6. The Viability Assessment has assumed that 25% of 3-bed houses have garages and 50% of 4+ bed houses have garages. The presentation does not provide details as to how this assumption has been determined, so it is not clear to the HBF if this actually reflects the level of garages provided in recent developments. Therefore, the HBF would strongly recommend that the Council provide more evidence to support this assumption, and work closely with the home building industry to determine if it reflects buyer demand for garages going forward.

Affordable Housing Target and Assumptions

7. The Viability Assessment presentation provides the following assumptions in relation to affordable housing. The HBF considers that the proposed mix should provide an appropriate starting point in what is expected to be an iterative process, to ensure that an appropriate affordable housing requirement is determined that the is both viable and deliverable. The HBF has not had time to determine inf the transfer values are appropriate due to the short timescale for this consultation. As previously, the HBF recommends that the Council extends this consultation and undertakes further work with the home building industry and the registered providers active in the area to determine if this mix and the transfer values are appropriate.

Tenure	% Mix	Transfer Value (% of MV)	Comments
Affordable Housing (as existing)	30%		Tiers 1 – 3 of settlement hierarchy
	35%		All other locations
Comprising:			
Social Rented	50%	45%	
Affordable Rented	25%	65%	
First Homes	10%	70%	Capped at £250,000
Shared Ownership	15%	70%	

Cost Assumptions

8. The remaining slides of the presentation provide a number of costs assumptions, these are provided with very little information or evidence to demonstrate how they have been determined. Therefore, the HBF can only provide limited comments, which may need to be expanded on or amended as more details become available.

BCIS

9. It appears that the Viability Assessments intends to utilise the BCIS General Estate Housing (rebased to Central Lancashire) and updated to current day as Build Cost Source, applying median BCIS to sites developed by medium house builders (up to 50 units) and applying the lower quartile to large house builders (51+ units). It would be appreciated by the HBF and our members if the evidence of the BCIS General Estate Housing (rebased to Lancashire) and the updated Index could be appended to the Viability Assessment, as this would assist in the consideration of these costs, and whether they are appropriate. The HBF would appreciate if there could be more evidence given as to why the 50 dwelling threshold has been used in relation to the build costs, and where it is shown that this is where cost saving on build costs start to occur.

Externals

10. The presentation proposes External costs are allowed at a rate of 10-15%. The HBF notes that detail as to when this 10-15 will be applied is not detailed. But the HBF recommends that it reflects a proportion of all of the build costs including requirements such as the Future Homes Standard (FHS). Further as the it is anticipated that Gross to Net ratios are to significantly decrease due to BNG, logic follows that this shall create an increase in external costs as a percentage of Build Costs as net developable areas reduce and non-developable (external) areas increase as a proportion.

Biodiversity Net Gain

11. With regards to Biodiversity Net Gain (BNG) the HBF agrees it is right to make cost allowances for BNG mitigation within the Plan. With respect to the £1,137 per unit (Greenfield) and £242 per unit (brownfield) assumption the HBF considers this allowance to be light. The HBF considers that 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 need to ensure they relate to both the financial costs and also the land take, which will impact on densities achievable on site. It is also not clear how this assumption is split between creation cost and maintenance allowance, which is needed to cover a 30-year period. The HBF considers that the Council should undertake more research on this matter, that better reflects how much it has actually been costing to implement BNG rather than relying on a now rather dated report.
12. 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 Viability Assessment must clearly set out how it considered the implications of mandatory BNG and how it was arrived at using the most up to date BNG costs information available.

Future Homes Standard

13. The HBF notes that the presentation suggests that Part L costs are now included within the BCIS costs, and that an additional sum is to be included to meet 2025 Part L standards. Building Regulations are set to be upgraded further to Future Homes Standard in 2025. As transitional arrangements now confirm that Building Regulation

standards are to be applied on a plot start basis, as opposed to site start, it is a certainty that all sites not yet implemented will be FHS compliant and bear the costs associated. The presentation suggests that a 3.9% increase in build costs will be applied.

14. To ensure robustness of testing, the HBF are firmly of the opinion that an additional allowance should be made for FHS compliance, the HBF have suggested in other cases that an additional figure of at least £7,500 per plot for FHS should be allowed. Again, the HBF would recommend that the Council extend this consultation and take the time to talk to home builders and the development industry to ensure that these costs are truly reflective of what is happening on the ground.

Education

15. The presentation proposes a cost of £7,000 per dwelling for education based on the contribution calculator and feedback from the CLA on capacity.
16. The PPG states that developer contributions towards additional capacity for education may be required and if so this requirement should be set out in the plan. Requirements should include all school phases age 0-19 years, special educational needs (which could involve greater travel distances), and both temporary and permanent needs where relevant (such as school transport costs and temporary school provision before a permanent new school opens). This requirement to include costs for special needs and temporary provision could increase the costs, resulting in a higher educational cost. The HBF seeks assurance that that Council has evidenced the use of the £7,000 costs and that this is realistic for development. The HBF considers that an assessment should be undertaken to determine likely "worst case" Education contribution for the site typologies, assuming no existing educational capacity, and a sensitivity test up to this "worst case" per dwelling sum.

Profit

17. The HBF acknowledge it can be difficult to agree on an appropriate figure for profit for all development types and developers. The guidance advises that a figure between 15-20% of gross development value (GDV) is appropriate. It is noted that the presentation suggests a figure of 20% for market homes and 6% for affordable homes. The HBF considers that affordable housing return is not appropriate in relation to First Homes, where it is likely that the risk for delivering these homes will lie with the developer rather than the registered provider. The HBF considers that the 6% for affordable housing should be increased and that the Council should consider if a higher figure should be applied for small developments reflecting the greater risk associated with securing finance encountered by smaller developers.

Abnormals

18. The presentation does not appear to include an uplift to allow for abnormal allowances. Although principally accepted that increased abnormal costs, above the allowances, will result in a reduction in benchmark land values, and the guidance directs that abnormal costs should be reflected in Benchmark Land Values; the HBF retains significant concerns of the implications of this approach on true deliverability as ultimately if abnormal costs reduce the Benchmark Land Value to a level that owners will simply not

bring land to the market. The HBF considers that the Council should seek further evidence from agents and landowners, in order to make appropriate assumptions in relation to the levels at which they are willing to sell their land, this should include considerations in relation to the levels of abnormals.

Residential Typologies

19. The presentation does not provide any details in relation to the typologies that are to be assessed other than to state that the characteristics should reflect the nature of typical sites within the Plan.
20. The HBF recommends that the gross to net ratios used within the typologies needs to ensure that it has given consideration to the impacts of policy requirements, and to newer national requirements such as BNG. The HBF considers that this could see a significant reduction in gross to net ratios that can be developed and that this needs to be reflected in the typologies and the assumptions made in the assessment. The implications on reduced gross to net ratios cannot be underplayed, as quite simply this is a significant restriction upon the revenue generating potential of all sites and should be sensitivity tested.

Future Engagement

21. I trust that the Council will find these comments useful as it continues to progress its Local Plan and the assessment of its viability. I would be happy to discuss these issues in greater detail or assist in facilitating discussions with the wider house building industry.
22. 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,



Joanne Harding
Planning Manager – Local Plan (North)
Email: joanne.harding@hbf.co.uk
Phone: 07972 774 229