

Matter 5 – Growth, infrastructure and viability

Issue – Does the Strategy Document Update set out a robust and viable framework for the delivery of growth and infrastructure?

Questions

Viability

s) Is the testing in the Local Plan Viability Study 2022 based on robust assumptions and does it capture all cumulative impacts of the policies?

1. In plan-making, viability is inseparable from the deliverability of development. As set out in the NPPF¹, the contributions expected from development including the level & types of affordable housing provision required and other infrastructure for education, health, transport, flood & water management, open space, digital communication, etc. should be set out in the Local Plan and development should not be subject to such a scale of obligations that the deliverability of the Plan is threatened. The viability of individual developments and plan policies should be tested at the plan making stage.
2. Viability is a key issue in determining the soundness of the Plan at Examination. Without a robust approach to viability assessment, land will be withheld from the market and housing delivery will be threatened, leading to an unsound Plan and housing delivery targets not being met. Viability assessment should not be conducted on the margins of viability. This will be particularly important in the aftermath of uncertainties caused by the Covid-19 pandemic and the Cost-of-Living Crisis. If the resultant Benchmark Land Value (BLV) is lower than the market value at which land will trade, then the delivery of housing targets will not be met.
3. The Council's viability evidence is set out in Local Plan Viability Study (October 2022), this demonstrates viability challenges across the area. The Base Appraisals (30% affordable housing, NDSS, 30% M4(2), optional water efficiency, S106 developer contributions £3,000/unit) show the following results:
 - North West and Wolds (Table 10.2a) - Greenfield sites 12-80 dwellings are only marginally viable and brownfield sites are unviable.
 - West Driffield / M62-A63 (Table 10.2b) – All sites except greenfield sites with 3-9 dwellings are only marginally viable or unviable.
 - M62-A62 (Table 10.2c) – All sites except greenfield sites with 3-9 dwellings are only marginally viable or unviable.
 - Southwest and Northeast (Table 10.2d) – All sites except greenfield sites with 3-9 dwellings are unviable.
 - East (Table 10.2e) – All sites except greenfield sites with 6-9 dwellings are unviable.
4. Whilst it is noted that these assessments are no longer reflective of the Local Plan submitted, they do identify the areas where viability is likely to be a challenge.

¹ NPPF 2021 Paragraph 34

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5. The HBF have a number of concerns in relation to the Viability Study these include:
- Benchmark Land Values (BLV) these have been increased from previous iterations of the Study, however, they are still limited at EUV plus 20% for brownfield sites and EUV plus £400,000/ha for greenfield. The HBF is concerned that these premiums may be too low and may provide insufficient incentive to landowners.
 - All abnormal costs (excluding an allowance of 5% for brownfield sites) are ignored. It is assumed that if residual land value excluding abnormal costs is greater than BLV, development is viable. If the residual land value including abnormal costs falls below BLV, development remains viable because such abnormal costs are deductible from BLV. If abnormal costs are high, then the premium uplift should be reduced and borne by the landowner rather than by a loss of planning gain however if the resultant figure provides insufficient incentive for a reasonable landowner to bring forward their land for development then the deliverability of the Local Plan is threatened. If the BLV is lower than the market value at which land will trade the delivery of housing targets will not be met. The PPG² specifically states that BLV should “reflect the implications of abnormal costs” therefore abnormal costs should be recognised and acknowledged as forming an integral part of establishing BLV and a reasonable incentive for landowners to sell.
 - Assumed professional fees 8%. The Harman Report recommended 8% – 10% of all costs (unit build costs, external costs & abnormal infrastructure costs & policy compliant requirements) up to 20% for complex strategic sites.
 - Contingencies assume 5% on risky types of development and brownfield sites and 2.5% elsewhere. Assessment should not be conducted on the margins of viability. It is suggested that such a buffer should also be part of the Local Plan Viability Assessment to ensure that minor changes in economic circumstances do not necessitate a full-scale review of Local Plan policy requirements and viability assessment. The need for a substantial “cushion” is particularly important on greenfield sites, where as noted by the Harman Report, “prospective sellers are often making a once in a lifetime decision and are rarely distressed or forced sales”. In the current climate is considered that an increased contingency would be appropriate.
6. Viability assessment is highly sensitive to changes in its inputs whereby an adjustment or an error in any one assumption can have a significant impact on the viability of development.

t) Which set of residential appraisals in the Viability Study 2022 provide the best fit with the policy requirements in the Local Plan Update and national policy requirements likely to apply over the Plan period?

7. Appendix N of the Local Plan Viability Study (2022) provides viability information in relation to different affordable housing proportions, these include the levels proposed in the Local Plan. It also clearly shows the viability challenges for many of the typologies in Wider Driffield, the M62-A62 Corridor, the Southwest & Northeast and East. Appendix P goes on to show the potential impacts of increasing the First Homes Discount. Due to the timing of the production of the Viability Assessment, it is not apparent whether there is a

² PPG ID: 10-014-20190509

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set of viability appraisal results that directly corresponds to the policies taken forward in the submitted Plan.

u) The Viability Study 2022 indicates that residential and non-residential development is not viable or marginal in some areas. What is the Council's position on these findings? In the lower viability areas, what housebuilding is currently or has recently taken place, and does it include affordable homes and planning obligations? Overall, is there evidence to show that the Plan is deliverable?

8. As identified in the Council's own Viability Study, there are significant viability challenges to the deliverability of development across the area. The HBF suggest that the Council's policy approach to planning policy requirements should be flexible, to ensure that the homes required by the Plan are deliverable.