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01/07/2016

Dear Mr Hall,

North Tyneside Draft SHLAA 2016, Five Year Housing Land Supply Summary 2016 and Area-Wide Viability Assessment

1.0 Introduction

1.1 Thank you for consulting the Home Builders Federation (HBF) on the North Tyneside Draft SHLAA 2016: Sites Assessment Schedule, the accompanying Five Year Housing Land Supply Summary 2016 and the Area Wide Viability Assessment. Our comments upon each of these important documents are set out separately below.

1.2 The HBF is the principle representative body of the housebuilding industry in England and Wales and our representations reflect the views of our membership of multinational PLCs, through regional developers to small, local builders. Our members account for over 80% of all new housing built in England and Wales in any one year including a large proportion of the new affordable housing stock.

2.0 North Tyneside Draft SHLAA 2016 Sites Assessment Schedule

2.1 The HBF does not wish, at this stage, to comment upon the acceptability or otherwise of specific sites contained within the SHLAA. It is important that in determining the delivery of sites realistic lead-in times and build out rates should be applied. These will need to take account of factors such as ownership, developer interest, planning status (inclusive of pre-commencement conditions and Section 106), site preparation, number of outlets and the strength of the local market.

2.2 The Council will be aware that lead-in times and build out rates can vary considerably between sites. The HBF therefore recommend that wherever possible these should be directly informed by discussions with the land owner, site promoter or ideally the developer. The HBF is therefore supportive of the current consultation

and our members will assist wherever possible. It is also pleasing to note that the trajectory for some sites is based upon previous discussions.

2.3 Where generic assumptions are used it is important that they are not artificially raised in an attempt to identify a greater supply.

3.0 Five Year Housing Land Supply Summary 2016

3.1 The HBF is largely supportive of the methodology employed in determining whether a five year housing land supply exists within North Tyneside. In particular we support the use of the 'Sedgefield Method' to meet previous under-delivery and the addition of this under-delivery prior to the buffer, as advised by the Planning Advisory Service.

3.2 The only area of contention is the application of a 5% or 20% buffer. It is noted that the Council's preference is a 5% buffer. Whilst the HBF recognise the Council regularly delivered its housing requirement, as set by the former Regional Spatial Strategy, prior to 2008 it has not provided sufficient delivery since this time. The following table identifies that the Council has missed its target for 8 of the last 10 years. This has led to an under-delivery of 1,970 dwellings against the currently proposed plan requirement (828dpa). The HBF consider this to be persistent under-delivery and therefore recommend that a 20% buffer is applied.

Relevant plan	Year	Plan target	Delivery (net)	Surplus / Deficit
RSS	2006/7	400	585	+185
RSS	2007/8	400	584	+184
RSS	2008/9	400	304	-96
RSS	2009/10	400	286	-114
RSS	2010/11	400	255	-145
Local Plan	2011/12	828	391	-437
Local Plan	2012/13	828	450	-378
Local Plan	2013/14	828	379	-449
Local Plan	2014/15	828	414	-414
Local Plan	2015/16	828	536	-292

Sources: North Tyneside Council 2014-2015 AMR, Draft SHLAA 2016: Summary of 5-Year Housing Land Supply Position

3.3 The HBF therefore consider Table D to represent the most robust assessment of the five year housing requirement.

3.4 Whichever buffer is applied the conclusions are clear that the Council cannot currently demonstrate a five year housing land supply. To ensure that this situation does not continue indefinitely the HBF recommend the Council engage with our members in order to identify if and how existing sites could be accelerated through

the process as well as the identification of additional sites which could delivery early in the plan period. It is important that the Council undertake this work as soon as possible to ensure that the plan is found sound at examination and that the policies relating to housing are not immediately out of date upon adoption.

4.0 Area-Wide Viability Assessment (AWVA)

4.1 The publication of the Area Wide Viability Assessment is welcomed. This is considered an essential element of the Local Plan evidence base and is likely to be of importance in the forthcoming examination of the plan.

4.2 The HBF is supportive of the inclusion of the potential Local Plan policy costs arising from:

- a. Section 106 contributions informed by monitoring of current contributions for a range of infrastructure including Education needs, highways and transport, green space and biodiversity, play and recreation, allotments, and employment and training. However, care must be taken to allow for the full planning costs which includes planning conditions, and major costs such as drainage attenuation (SUDs) and Section 278 works (offsite and direct access).
- b. Application of National Space Standards and Accessible Homes

These are essential elements of the AWVA to ensure that the Local Plan is compatible with paragraph 174 of the NPPF.

4.3 Table 1 provides an update of the current assumptions. The assumptions are discussed in turn below.

Market Housing Values

4.4 It is unclear whether these values are intended to represent gross sales values or net values once incentives have been taken into account. This should be made explicit and justified. Caution should be used when referring to marketing values as these are rarely the final price achieved (page 5 – reference to ‘estimated to be advertised at’ values).

4.5 Three price bands are included in the table the basis for which are unclear and represent a significant uplift on the figures identified within Figure 12 of the 2015 Draft Initial AWVA. The differences are illustrated below;

Value Area	2015 initial AWVA (£ per sqm)	2016 AWVA (£ per sqm)	Difference (£ per sqm)
Lower	1,550	1,900	350
Medium	2,000	2,350	350
Higher	2,250	2,550	300

4.6 The HBF does not consider these values to be fully justified by the evidence presented and are considered too optimistic. It is also notable that the 2016 values are higher than those utilised in studies by neighbouring authorities such as Northumberland County Council. The HBF recommend further discussions with our members on this issue who upon consultation considered the 2016 values to appear inflated.

Affordable Housing Values

4.7 Again these values should be justified by evidence.

Floor Area

4.8 If the Council is seeking to introduce the national space standards it is recommended that this be used in all cases for consistency. The study should not seek to pick and choose between the various sizes identified in the table.

Construction costs

4.9 The use of re-based BCIS is generally considered appropriate.

4.10 It is noted that contingency is inclusive within these costs. The HBF recommend for transparency this be separated and included as a percentage based upon the full costs of development, 5% is often utilised.

4.11 Whilst externals will differ significantly between sites, 20% is generally considered an appropriate benchmark. The Council should, however, consider whether an uplift to this will be required based upon a knowledge of the sites likely to be brought forward through the plan.

Accessible Homes Uplift

4.12 The uplift applied should be kept under review and further discussions with developers active in the area regarding the costs involved. Whilst it is noted that the uplifts applied are based upon the *Cost Impacts report prepared by EC Harris LLP*. It remains to be seen how accurate these costs are, particularly in relation to different areas across England. Furthermore, the consequential impact on development density should be considered, as this uplift will reduce development density and potential GDV.

Section 106 Contributions

4.13 The use of a sliding scale, dependent upon size, is considered appropriate and largely reflects the realities of developing different site sizes. It is, however, unclear how the bands have been derived and why there is no such band for schemes under 35 units.

4.14 The figures are based upon the data within appendix 1 of the report. However they do not appear to take account of the sometimes significant costs associated with Section 278 and drainage attenuation requirements. This should be rectified.

Brownfield Land Cost Uplift

4.15 The HBF agrees that such uplifts are necessary to account for greater abnormal costs associated with brownfield developments. There does not, however, appear to be any similar allowance made for greenfield sites. Abnormal costs whilst more common place on brownfield sites are not restricted to such sites. Through consideration of the SHLAA and knowledge of local sites an assessment should be made of the likelihood of abnormal costs due to issues such as drainage, topography, etc. on greenfield sites. Furthermore, many of the greenfield sites in North Tyneside are in areas with a mining legacy. Consequently, additional development costs are frequently encountered such as grouting, abnormal foundations and remediation. On the balance of probabilities, these will likely be required on most greenfield sites in the Borough. Therefore, they should be allowed in the viability appraisals.

Professional and Finance Costs

4.16 A wide range of assumptions are included within the section. Those of particular concern are highlighted below;

- Marketing – 3% on market sales is applied. The Local Housing Delivery Group report (Harmon guidance) suggests a rate of between 3 and 5% of GDV recognising that this will vary dependent upon the strength of the local market. Considering that North Tyneside is not the strongest market nationally 3% is considered too low and a figure closer to 5% is recommended.
- Land acquisition and stamp duty - 5.5% is applied. The Harmon guidance recommends agents fees of 1-2% of land value, legal fees of 0.75-1.5% and 4% stamp duty (SDLT) on site value. The latter was changed in March 2016, to a band system, which raise the top tier of SDLT to 5% for land purchases over £250,000. The net effect is, on most land larger land transaction, to raise the effective SDLT rate higher than the old rate of 4%. Furthermore, VAT is charged on most property transactions (20%). This has the impact of increasing the SDLT rate by 20% as the proportionate increase in SDLT is irrecoverable. As a result, for larger sites the dual impact of VAT and the new SDLT regime will raise the effective SDLT rate to over 5.5%. Therefore, 5.5% for SDLT, legal and agents fees is considered to be inappropriate.
- Development finance – the rate of development finance will vary markedly between sites and developers. To ensure that the majority of developers are within the assumed rate it is suggested a higher rate is considered. It is notable that the 2015 study utilised 7%. This is common amongst many viability studies and there is a lack of justification for this reduction.

Developers Profit

4.17 The study suggests 20%, presumably upon GDV, for market and 6% for affordable. Whilst developer profits are variable dependent upon the business model, operating costs and risks involved with individual businesses, funders and sites, 20% of GDV has been widely accepted in a number of appeals and local plan examinations.

4.18 The issue of affordable housing is a quickly evolving picture due to the uncertainties associated with the announcements upon welfare reforms. The impact upon private developers is that many social providers are now either reluctant to commit to sites or are pulling out of agreements. This makes the provision of affordable housing significantly more risky. Given these uncertainties 6% is considered too low. The HBF recommend that the profit provided be increased significantly and that a blended 20% profit on GDV for both market and affordable housing be utilised.

Purchase Price

4.19 The existing use values are of little relevance as it is the final land value which effects the viability of a site. It is noted that there are significant variations within the amount of uplift identified within table 2. It is important in identifying land values they are based upon a knowledge of the site involved and how the land came to the market. The prime consideration is to “*..provide competitive returns to a willing land owner...*” (NPPF, paragraph 173). Further research with developers and agents should be used to inform the judgements made and ensure they are based upon market realism. It would be worth engaging with major landowners within the area, such as the Northumberland Estate.

5.0 Information

5.1 I trust that the Council will find the foregoing comments useful as it continues to develop its evidence base prior to the formal examination of the Local Plan. I am, as always, happy to discuss the content of this response further, if required.

Yours sincerely,

MJ Good

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