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SENT BY EMAIL
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16/07/2018

Dear Sir / Madam,

NEWCASTLE AND GATESHEAD QUESTIONNAIRE ON VIABILITY ASSUMPTIONS

1. Thank you for consulting with the Home Builders Federation on the Newcastle and Gateshead Questionnaire on Viability 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.
3. The subsequent comments are provided in response to the questionnaire that was provided to the HBF on Thursday 12th July, following a teleconference with the planning officers from Newcastle and Gateshead on Wednesday 11th July.
4. As highlighted in the teleconference, the HBF have concerns about the evidence base being used by the Councils to support their Local Plans, this extends to the information provided in relation to the viability assumptions. Whilst the Councils have provided the data used in the viability assumptions it has not provided evidence to support these assumptions or explained how these assumptions were arrived at. This is clearly a fundamental flaw to the consultation and has made any response to these assumptions difficult. The HBF would welcome the receipt of the detailed evidence to enable further comment and joint working.

Residential Values

5. The HBF do not consider that they are in a position to agree within the assumptions set out in Figure 1. They also find it unlikely, given the limited information provided that others would be able to support the assumptions made.

6. The HBF note that the NDSS figures used within Figure 1 are not entirely representative of the actual NDSS technical requirements. The figures used within Figure 1 are an average of the GIAs contained within Table 1 of the NDSS, and they do not include the built-in storage. The HBF consider that it should be explained why an average figure was considered appropriate, and further detail should be contained as to the impacts of meeting the actual standards. Particularly, as the Councils are looking to introduce the NDSS as a policy requirement. The HBF would recommend that in considering viability assumptions that a cautious approach should be taken to ensure that development is viable, this is unlikely to be conducive to using average figures.
7. The HBF is concerned that there is no detail associated with the residential values provided for each of the zones, and therefore it is not possible to know if these values are appropriate to associate with an average figure for the NDSS. Indeed, concern has been raised by a number of our members that the sales values per unit set out in Figure 1 are not realistic and are significantly above the levels that they have been achieving per unit in these areas. Again, the HBF would recommend that in considering viability that the assumptions made take a cautious approach, and that the Council take on board evidence provided by our members. The HBF would advise that this evidence suggests that lower sales values would be more appropriate. This will then have an impact on the average value rate per m².
8. The HBF would like to have further information in relation to the reduction in GDV for affordable units. It is not clear how the reduction has been calculated and whether any consideration has been given to potential impacts of the consistent levels on the actual GDV seen in each area or for each house size.

Benchmark Values

9. The HBF do not consider that they are in a position to agree within the assumptions set out in Figure 2. They also find it unlikely, given the limited information provided that others would be able to support the assumptions made.
10. Much greater clarity is needed as to how these figures have been reached, it is not clear if the Councils have considered similar site types that are policy compliant and that have recently secured planning consent to see if these figures are realistic.
11. The HBF would also provide a note of caution, in order for housing to be delivered it will be important to ensure that the land values achieved are sufficient to ensure that land is brought to the market.

Build Costs

12. The HBF support the use of the BCIS to calculate build costs as set out in PPG (ID: 10-013). However, it is not evident within the information provided why there is the assumption that BCIS costs would vary so much dependent on the zone identified. The HBF would recommend that as with other assumptions that a cautious approach is taken to build costs. Without any further information to

support the need to vary the build cost utilised the HBF would recommend that the median BCIS cost is used.

Externals Allowance

13. The HBF support the addition of an externals allowance on top of the base build costs, however, it considers that there should be a higher allowance than that currently proposed. There is no information provided as to what elements have been considered in this external allowance or which sites have been considered therefore it is hard to determine how the Council has derived their figure. However, our members have provided evidence from their own experiences and it is considered that these could be utilised as part of an evidence base to support an increased externals allowance being used.

Development Costs

14. Again, as with other areas with the limited information provided, it is difficult to determine if the assumptions made are appropriate.
15. It is not clear what the S106 costs have been based upon, and whether they accurately reflect the S106 costs seen on recent applications. As with other assumptions the HBF would recommend the use of a cautious approach. Evidence provided by our members highlight that S106 costs for a number of their developments have been significantly higher than the £2k and £4k proposed. The HBF also consider that further clarity needs to be provided as to which areas are considered to be urban and which non-urban.
16. The HBF supports the inclusion of an allowance for abnormal costs, however, again no information has been provided as to how this allowance has been determined. The HBF consider that with evidence provided from our members it will be appropriate to review this allowance, and for it to be increased to a more appropriate and reflective level.
17. The HBF supports the inclusion of a contingency.

Build Periods

18. The HBF do not consider that they are in a position to agree within the assumptions set out in Figure 10. They also find it unlikely, given the limited information provided that others would be able to support the assumptions made.
19. It would be beneficial to have further information as to how these build periods were determined. The build periods should allow for a reasonable lead in period followed by a suitable build rate, likely to be in the order of 35 units each year for a single outlet.

Future Engagement

I trust that the Council will find these comments useful. I would be happy to discuss these issues in greater detail or assist in facilitating discussions with the wider house building industry. The HBF would like to be kept informed of the progress of the document. Please use the contact details provided below for future correspondence.

Yours sincerely,



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