

Sent by email to: [localplan@fenland.gov.uk](mailto:localplan@fenland.gov.uk)

03/05/2019

Dear Sir/ Madam

### **Response by the Home Builders Federation to the consultation on the Fenland Local Plan Viability Assessment**

Thank you for consulting the HBF on the draft Viability Study which has been amended to take account of some of the comments made on the initial draft published in November. Whilst we welcome some of the amendments, we remain concerned with the:

- The proposed value areas;
- consideration of abnormal costs;
- the lack of infrastructure costs;
- Profit margin and contingencies on site typologies; and
- fees relating to site acquisition.

**Residential values:** We welcome the amendments to the price assumptions following the consultation. However, in the conclusions on the housing market it is recognised that whilst there is some general difference in values between the north and the south of the Borough the dividing line between these two areas is fuzzy and that data is inconsistent. In general, it is suggested that the values achieved on a development are more to do with the right scheme in the right place rather than whether it is located in the north or the south of the Borough. We would broadly agree with this assessment and it would appear that the limited sales data in some areas, particularly in relation to new build homes, makes it difficult to divide the borough into the high and low value areas suggested in study. The evidence provided by the Council on new build prices in table 4.3 shows that only in Whittlesey, where there were 198 sales of new build properties, that there is sufficient data to draw any robust conclusions on new build sale prices. Even examining sales values from all homes does not give the clear north south divide suggested in the Viability Assessment.

Despite these recognised concerns the Council has looked to separate the Borough into two value areas. This decision means that development in a location where new build values are not as strong as expected may not be as viable as suggested in this study. Given the stated uncertainty as to the boundaries between high and low value areas we would suggest that a borough wide average of sales would, in these circumstances, be a more appropriate response. If such an approach is not taken



forward then the Council will need to be cautious in preparing its policies in the local plan. As the Council will be aware paragraph 57 sets out that decision makers must be able to assume that all policy compliant development is viable and if there is uncertainty as to the geography of value areas it will need to set policies at a level that take these circumstances into account.

**Abnormal costs:** We recognise, as was set out in our earlier comments, that the example we provided relating to County Durham are not directly applicable. They were highlighted to show that abnormal costs can be significant and that local evidence is needed as to how these may impact on the deliverability of development. There is a risk that abnormal costs, in combination with policy costs, could make sites undeliverable – i.e. there would be insufficient land value to take account of the additional costs. The Council have not provided any evidence that the 5% allowance for abnormal costs within the study is appropriate in Fenland and we would suggest, given paragraph 10/012 of PPG makes specific reference to such costs, that evidence as to the past abnormal costs seen on sites in the Borough and surrounding areas is obtained and included in the viability assessment. Given that viability of the policy costs

**Infrastructure costs:** We recognise that the Council are still to identify the full infrastructure requirements necessary to deliver the new plan but £2,000 per unit would appear to low, especially in relation to larger sites. It will be important for the Council to have a clear understanding of these costs before establishing its policy requirement for affordable housing. It is evident from the study that should these costs increase there will need to be a reduction in the affordable housing requirement. Given that national policy requires all costs to be taken into account from the outset and that decision makers must be able to assume development that is policy compliant is viable it is essential that the study includes an evidence-based position as to future infrastructure costs.

**Profit margin and contingency:** We note that the study makes some allowance within the study for differential costs between different development typologies. Whilst we support the recognition that different typologies will have different costs, we would suggest that this principle needs to be extended. For example, the risks faced by developers delivering large scale development in a challenging housing market such as Fenland, are greater than elsewhere in Cambridgeshire and should be reflected in the returns. Without sufficient returns developers will be reluctant to invest in larger sites and the infrastructure required to deliver these sites.

We would also recommend that the contingency on larger green field sites is increased. The study recognises that brownfield sites are likely to face additional unforeseen costs or delays but fails to recognise that there is an inherent complexity in delivering larger sites that requires contingencies to be more substantial than is proposed in the Viability Assessment. Such sites face the distinct possibility of delays due to the number of pre-commencement conditions, slow infrastructure delivery and the risks to such sites from changing political leadership within a Council. We would suggest that as a minimum contingency on larger green field sites is increased to 5%.

**Fees:** The Council have included a 1% allowance on land value for acquisition of the site. Paragraph 7.52 states that this is for both agent and legal fees. We would suggest, in line with the Harman Review<sup>1</sup>, that agents' fees will be between 1% and 2% of land value and legal fees between 0.75% and 1.5% of land value. We would recommend that this cost be adjusted.

Aside from these concerns what is striking about the assessment is that when the cumulative impact of the Council's proposed policies is applied that for many parts of the Borough development becomes unviable. Even in those areas where policy compliant development is considered by the study to be viable increased infrastructure costs would require a significant reduction in the affordable housing requirement. The concerns regarding viability as set out in the study will need to be carefully considered by the Council if it is to ensure that development continues to come forward. As we stated in our previous response it is important to be cautious with regard to the costs being placed on development in Fenland if the Council wants to ensure sites are delivered.

I trust that the Council will find these comments useful and I would be happy to discuss these concerns further if necessary.

Yours faithfully



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<sup>1</sup> Page 35 Viability Testing Local Plans Advice for planning practitioners (2012)