

Borough Council of
**King's Lynn &
West Norfolk**



Borough Council of King's Lynn and West Norfolk Local Plan Examination

Response to critique of the Viability Study (Jan 2023)

Action 28: Provide a response to the critique of the Viability Study [D1] set out in the representation and HPS from Maxey Grounds & Co.

Maxey Grounds & Co critiqued the Viability Study questioning several aspects in both their representation to the regulation 19 publication period of the plan and in their response to the inspectors MIQ's. The Borough Council's response to the critique is set out below.

- 1. The models used by the Consultant in typographies do not include the provision of or costing for any garages. The majority of developments would provide at the very least a single garage for each detached dwelling**

The Viability Update addressed this point at paragraph 7.11. The paragraph explains how the update adjusted modelling to allow for garages on greenfield sites as suggested at 3m x 5.4 (16.2m²) at a value of £7,000.

- 2. Maxey Grounds and Co. also suggested that on top of BCIS build cost figures, a 15% allowance was insufficient to account for site specific costs such as roads, drainage, parking, footpaths etc.**

Mr Maxey suggested £410,000/ha / £18,600 per plot, then later the consultee remarked that £500,000/ha or 20% was more representative. The comments are inconsistent however it must be noted that viability assessment assumption for larger greenfield sites was very similar to the amount Mr Maxey suggested as it is equivalent to £435,000/gross ha or £17,650/ unit. No additional evidence has been submitted to suggest more than 15% should be applied in this area.

- 3. Maxey Grounds and Co. also expressed concern about the use of data in the viability study being potentially inaccurate due to recent increases in inflation and potential implications that may arise from the economic conditions in the UK.**

It is accepted that housing market and inflation can alter the economics of development. Paragraph 34 of the NPPF and Planning Practice guidance paragraph 002¹ requires viability assessments to be undertaken at the plan making stage. D1 was undertaken in April 2021, during the development of the Kings Lynn and West Norfolk Local Plan and prior to submission of the plan to the Secretary of State for Examination.

The assessment reflects the recommended approach as set out in Planning Practice Guidance. Namely, the assessment was consulted on, includes typologies, collaborated with education authorities and includes standardised inputs development value, costs, landowner premium and developer returns. Adjustments have been made to consider build costs, abnormal costs, policy costs, CIL charges, finance and professional costs and a contingency costs as per paragraph 012 of the PPG² and paragraph 57 of the NPPF and in response to comments made on the viability report. And as such, the report is in

¹ Paragraph: 002 Reference ID: 10-002-20190509

² Paragraph: 012 Reference ID: 10-012-20180724

accordance with paragraph 009 of the PPG³, the potential risk to developers is already accounted for in the assumptions for developer returns in viability assessment.

Furthermore, the viability is strengthened by the introduction of criterion 8 of Policy LP05. It includes a review mechanism as per paragraph 009 of the PPG⁴ to maximise public benefits from development and to account for economic cycles.

In addition to this, it must be noted that it is the decision makers obligation to have regard to all circumstances in a planning application including whether the plan and the viability evidence underpinning it is up to date and any changes in site circumstances since the plan was brought into force, as per paragraph 58 of the NPPF.

The viability assessment clearly sets out the assumptions upon which it is based and this should be sufficient to facilitate an update if circumstances change during the lifetime of the plan.

Consideration of changes since the update was produced is as follows. The PPG suggests the use of the BCIS costs (paragraph 10-012-20180724) which is the approach taken in Viability Update. The build costs are based on the BCIS costs dated 16 January 2021 as shown in Table 7.1. At that time the cost of Estate Housing generally was £1,167/m². The equivalent figure is now (17 December 2022 – the most recently published figures) £1,382. This is an increase of 18.4%.

Table 1: Cost of Estate Housing December 2022

£/m ² study						
Description: Rate per m ² gross internal floor area for the building Cost including prelims.						
Last updated: 17-Dec-2022 06:01						
At 4Q2022 prices (based on a Tender Price Index of 370) and UK mean location (Location index 100).						
Maximum age of results:						
Building function	£/m² gross internal floor area					
(Maximum age of projects)	Mea n	Lowes t	Lower quartil es	Medi an	Upper quartil es	Highe st
New build						

³ Paragraph: 009 Reference ID: 10-009-20190509

⁴ Paragraph: 009 Reference ID: 10-009-20190509

810. Housing, mixed developments (15)	1435	784	1254	1396	1571	3220
810.1 Estate housing						
Generally (15)	1436	692	1224	1382	1574	4945

The residential value data was collected in November 2020. Since then, the latest data from the Land Registry ([UK House Price Index \(data.gov.uk\)](https://www.data.gov.uk)) suggests that newbuild homes have increased in value by about 30%. See table 2.

Table 2: Shows UK House Price Index for new build homes November 2022

	All	Detached	Semi-detached	Terraced	Flats	Newbuild	Existing
2020-11	£232,031	£313,891	£210,491	£174,207	£114,345	£277,302	£230,611
2022-08						£362,378	£273,329
2022-10	£283,183	£384,678	£258,932	£212,652	£129,718		
Change	£51,152	£70,787	£48,441	£38,445	£15,373	£85,076	£42,718
	22.05%	22.55%	23.01%	22.07%	13.44%	30.68%	18.52%

This data indicates that whilst there has been a significant period of build cost inflation, over the period there has been a larger increase in value. This suggests that viability has improved so the Viability Update can continue to be relied on.

It is agreed we are in a period of uncertainty; however, no evidence has been submitted to suggest that viability is now substantially worse than when the Viability Update was completed.

- Mr Maxey also noted concerns about the conclusions of the report that propose a single level of affordable housing provision across the district. He suggested this was not satisfactory given the values between the lowest and highest priced areas of the district are very significantly different.**

This was explored in the Viability Update, in which 4 price areas were adopted (see table 4.10). The Viability Update recommends two different levels of affordable housing (see 10.45 onwards and Chapter 12), it recommended 15% within the Kings Lynn and 20% elsewhere. The assessment reflects the recommended approach as set out in Planning Practice Guidance. Adjustments have been made to consider build costs, abnormal costs,

policy costs, CIL charges, finance and professional costs and a contingency costs as per paragraph 012 of the PPG⁵ and paragraph 57 of the NPPF and in response to comments made on the viability report. And as such, the report is in accordance with paragraph 009 of the PPG⁶, the potential risk to developers is already accounted for in the assumptions for developer returns in viability assessment.

It is important to note that the Council adopted CIL at three rates in 2017 with the highest rate being in North East and East areas of the Borough (East of the Great Ouse and north of A1122/A134) a mid rate in the South and West of the Borough (West of the Great Ouse and south of A1122/A134, including Downham Market) and a zero rate in Kings Lynn. These rates of CIL were set, having regard to viability and so, to some extent, help balance the viability across the different areas of the Borough.

- 5. Mr Maxey also questioned the difference between the Kings Lynn and West Norfolk Local Plan viability update and the Fenland District Council's viability assessment which suggested seemingly conflicting advice. Fenland were advised to lower CIL or Affordable Housing in the Northern part of Fenland, which has not implemented CIL, and which abuts the South Western Part of the West Norfolk area, an approach which has not been addressed on the other side of the administrative boundary. Mr Maxey claimed it was unsound to state that a 20% proportion plus CIL can be viable on one side but only 10% First Homes with no CIL on the adjoining street.**

Firstly, this relates to the allocation at Wisbech Fringe where 23% affordable housing is required, this was agreed between Fenland and King's Lynn and West Norfolk.

The Borough Council is not undertaking a formal review of CIL, so the current rates of CIL apply (until a review is complete or until the Government introduce an alternative system of infrastructure funding). If CIL was reviewed, then the Council accept that, the rates may well change.

As identified in the Viability Update, viability is more challenging on the Wisbech Fringe, however the Council is not relying on large amounts of development in this area. Specific reference was made to both the Harman Guidance and the PPG and the importance of the site promoters of the Strategic Sites working with the Council.

⁵ Paragraph: 012 Reference ID: 10-012-20180724

⁶ Paragraph: 009 Reference ID: 10-009-20190509