North Northamptonshire Joint Core Strategy Viability Study Update July 2015 Addendum Note

Background

BNP Paribas Real Estate Paribas Real Estate was instructed in January 2015 by the North Northamptonshire Joint Planning Unit ('NNJPU') to produce a Viability Study Update to support the publication of the Pre-Submission Joint Core Strategy ('JCS'). This report tested the ability of a range of development types throughout the North Northamptonshire area to viably meet planning policy requirements of the Pre-Submission JCS. In line with the requirements of the National Planning Policy Framework ('NPPF') and the Local Housing Delivery Group guidance 'Viability Testing Local Plans: Advice for planning practitioners' (June 2012) the study tested the cumulative impact of the JCS policies.

As part of the study the NNJPU and BNP Paribas Real Estate undertook a sifting exercise to identify policies which are considered to have cost implications for developments over and above the normal costs of good design and meeting building regulations. The policies identified as having potential added-cost implications are:

- Policy 9: Sustainable Buildings and Allowable Solutions
- Policy 13: Rural Exceptions
- Policy 30: Housing Mix and Tenure

The study demonstrated that the NNJPU's flexible approach to applying sustainability and affordable housing requirements in particular will ensure an appropriate balance between delivering affordable housing, sustainability objectives, necessary infrastructure and other policy requirements as well as the need for landowners and developers to achieve competitive returns, as required by the NPPF. Maintaining this approach will ensure that the 'scale of obligation and policy burdens' (para 174 of the NPPF) allows sites, as far as possible, to be developed viably and thus facilitate the growth envisaged by the JCS throughout the economic cycle.

Position since the Viability Study Update was published

The NNJPU consulted on the Pre-Submission JCS between 26 January and 9 March 2015, to which they received a number of representations. We understand that the main issues arising from representations were considered by the North Northamptonshire Joint Committee on the 4 June. The Joint Committee agreed a number of 'Focused Changes' to both address the pertinent issues raised in representations and otherwise improve the JCS.

BNP Paribas Real Estate have reviewed the Focused Changes proposed by the Joint Committee. We note that only Policy 30 of the policies identified above as having potential cost implications, has been amended by the Focused Changes. In this regard FC 109 seeks to provide additional flexibility to Policy 30, recognising market demand/aspirations for larger homes, which must be balanced against demographic 'needs', which could improve development viability. FC 110 is a factual update that has no additional impact on viability.

We consider that, with the exception of the changes made in response to representations received from Natural England (referred to below), none of the other Focused Changes have added-cost implications for developments over and above the usual costs of good design and meeting building regulations. Further, in our opinion some of the Focused Changes introduce greater flexibility into policies, which should assist the market in bringing forward viable developments (for example FC66, which removes the target for 30% of floorspace on

strategic distribution sites to be in smaller employment units, and FC99-104, which give greater flexibility over the range of employment uses in the Rockingham Enterprise Area).

The changes made in response to Natural England's representation that have potential cost implications are: FC 21 and FC 25. FC21 indicates that residential development within 3km of the designated Upper Nene Valley Gravel Pits Special Protection Area may be required (where such schemes involve a net gain in residential units) to contribute funding to deliver measures set out in a Mitigation Strategy. FC 25 identifies potential mitigation measures in Policy 4 - Biodiversity and Geodiversity.

We understand that the Mitigation Strategy is currently being prepared by the NNJPU, so at this stage the costs of the mitigation measures have yet to be determined. We will be happy to assist the NNJPU in assessing the impact of these costs on development viability within the affected areas of East Northamptonshire and Wellingborough once they are finalised. In advance of this however, we can offer the following general comments to support our view that FC 21 and FC 25 do not undermine the broad conclusions of our January 2015 Viability Update.

The Fixing the Foundations: Creating a more prosperous nation document, aslo refered to as 'the Productivity Plan' issued by the Treasury on 10 July 2015, announced that the Government does not intend to proceed with the zero carbon Allowable Solutions carbon offsetting scheme, or the proposed 2016 increase in on-site energy efficiency standards. This will reduce costs on developments and consequently will have a positive impact on development viability. Our January 2015 viability study update factored in a 6% increase in build costs from 2016 to meet the zero carbon standard (for a three bedroom house of 95 sq m, this equates to between £5,301 and £6,935 (£57 per sq m and £73 per sq m), based on the worst case scenario of the higher extra over costs above Part L1A 2010).

While the costs of the SPA mitigation measures have yet to be determined, we are confident that, provided these do not exceed the cost savings arising from the removal of the requirements of achieving the zero carbon standard, the conclusions of our January 2015 viability update will remain valid. This is not to say that SPA mitigation costs will not impact on viability for some developments. However, the JCS will be able to facilitate such developments' delivery through a flexible approach to applying sustainability and affordable housing requirements. In our experience this will ensure an appropriate balance between delivering necessary SPA mitigation, other infrastructure and policy objectives (principally affordable housing and sustainability), and the need for landowners and developers to achieve competitive returns, as required by the NPPF.