

The following statement has been produced by Persimmon Homes Teesside in response to selected questions set out within Matter 15 of the Inspector's Matters, Issues and Questions (ref: EX/INS/15). Whilst we have not attempted to provide a response to every question, we have, where applicable, included the Inspector's Issues and Questions in **Bold** above our response for ease of reference.

Issue 1 – Has the preparation of the Plan ensured that collectively its policies and proposals are viable and deliverable? (NPPF paragraphs 173-177). Is there a reasonable prospect that necessary infrastructure to support the Plan's proposals will be delivered in a timely fashion?

Q1. Is the Council's evidence on infrastructure and viability, up-to-date and robust? Does it demonstrate that the Plan, as submitted, is deliverable in this regard? Is it consistent with the advice in the Planning Practice Guidance on 'Viability and Plan Making?'

- 1.1 The current viability evidence supporting the plan was produced as part of the Council's 2015 Planning Obligations Supplementary Planning Document (Ref: HLP03/4) without any input or involvement from the development industry to ensure that the assumptions were reflective of market expectations.
- 1.2 The viability testing subsequently includes a number of assumptions which appear either unjustified or grossly inadequate. For example, there is no data to support or justify the anticipated 'Market Value' of £2,130 per sqm. This appears high in comparison to the three existing schemes Persimmon have in the borough. A quick review of the Persimmon Homes website clearly demonstrates that asking prices (note – not achieved sales prices) for properties in the borough are in the region of £1850 to £1950 per sqm¹. Asking prices alone within the core Hartlepool area are therefore 10% lower than the 'sales price' assumed within the viability testing.
- 1.3 It is also noted that in respect of the Build Costs, the SPD identifies costs of £900, £875 and £850 per sqm reducing on the larger typologies through economies of scale. Whilst this may have been accurate at the time of the publication of the SPD, there has been a significant rise in construction costs, particularly over the last year following the Brexit vote. This is evidenced by the cost assumptions produced by the Building Cost Information Service (BCIS). The median cost figure for 'Estate Housing – Generally', re-based for Cleveland is £989 per sqm². The build cost assumptions are therefore not reflective of current market conditions, contrary to the PPG³ which states that "*current costs and values should be considered when assessing the viability of plan policy.*"

¹ Summary of the average asking prices for the Hatfield, Roseberry, Chedworth and Rufford housetypes on Seaton Sands, The Hawthorns & Marine Point taken from:
<https://www.persimmonhomes.com/new-homes/county-durham/hartlepool>

² BCIS Rebased to Cleveland £/m2 study, Rate per m2 gross internal floor area for the building cost including prelims. Updated: 29th April 2017

³ PPG: Paragraph: 008 Reference ID: 10-008-20140306

1.4 Alongside our additional concerns with developer profit expressed within Question 2 of this statement, the above assumptions are flawed for the purposes of assessing the general viability of the site typologies tested. The viability of the Plan cannot be demonstrated and its policies therefore cannot be shown to be justified. The plan is consequently unsound.

Q2. Does the viability assessment work take account of all the Plan's policy requirements? Does it show that there would be a competitive return to developers and landowners?

1.5 As discussed within our response to Question 7 on Matter 11, we do not consider that the plan, as proposed, would provide developers with 'competitive returns'. This is a significant concern as ultimately if developers can not attain 'competitive returns' to offset the risk associated with developing a site, development will not take place, housing will not be delivered and the plan will fail.

1.6 The viability evidence tests all sites on the basis of 'Developer Profit' at 16.4% of the Gross Development Value. This is considered low and does not align with paragraph 173 of the NPPF which states:

"To ensure viability, the costs of any requirements likely to be applied to development, such as requirements for affordable housing, standards, infrastructure contributions or other requirements should, when taking account of the normal cost of development and mitigation, provide competitive returns to a willing land owner and willing developer to enable the development to be deliverable."

1.7 Persimmon Homes suggest that generally the minimum profit a developer would be prepared to accept on a residential development is 20% of the GDV. This level has been endorsed by numerous inspectors, most notably in the Manor appeal decision in Shinfield⁴ whereby the decision states:

"The appellants supported their calculations by providing letters and emails from six national housebuilders who set out their net profit margin targets for residential developments. The figures ranged from a minimum of 17% to 28%, with the usual target being in the range 20-25%. Those that differentiated between market and affordable housing in their correspondence did not set different profit margins. Due to the level and nature of the supporting evidence, I give it great weight. I conclude that the national housebuilder's figures are to be preferred and that a figure of 20% GDV, which is at the lower end of the range, is reasonable."

1.8 The figure of 20% GDV is also considered reasonable by other Local Planning Authorities in the region including Stockton⁵ and Redcar & Cleveland⁶. The

⁴ Appeal Decision (APP/X0360/A/12/2179141, dated 8 January 2013)

⁵ Three Dragons and Troy Planning & Design: Stockton on Tees Affordable Housing Viability Study Final Report (October 2016)

Council's current approach does not take account of 'market realities' and therefore jeopardises the delivery of the wider plan. We therefore suggest that developer's returns are increased to 20% to reflect market expectations and make the plan sound.

Q4. Are there contingencies for the potential non-delivery of infrastructure? Is the Plan sufficiently flexible to deal with this?

- 1.9 This is currently unknown however without the delivery of the Elwick Bypass and A19 junction works, the sites HSG5, HSG5a and HSG7 consisting of a total of 1,455 dwellings are undeliverable on highways grounds. This therefore adds weight to Persimmon Homes' argument that sites should be identified as safeguarded / reserve sites to come forward in the event that the council's five year land supply position falters following a delay or failure of infrastructure and housing to come forward. In this respect, as set out within our statement to Matter 10, a second phase of the Hartlepool South West Extension is an ideal candidate to be a reserve housing allocation.

⁶ Aspinall Verdi: Redcar and Cleveland Borough Council Plan Viability Testing Update (December 2016)