

# Shropshire Local Plan Examination (Block 2)

## Matter 5 - Hearing Statement on behalf of Redrow (ID: A0614)

### Infrastructure, Delivery and Viability (Policies SP1, SP2 & SP14) - see various MMs

#### ***4. Has the time lapse that has occurred with this examination resulted in any changes in terms of viability? Is so, what are they and will they affect the deliverability of any aspects of the Plan?***

- 1.1 The Local Plan Delivery and Viability Study (EV115) prepared on behalf of Shropshire Council concluded that with the inclusion of the proposed policy requirements set by policy DP1 (Residential Mix, Specialist Housing and Dwelling Standards), DP2 (Self-Build and Custom-Build Housing), DP3 (Affordable Housing Provision) and DP11 (Minimising Carbon Emissions) the viability of development across the county is very challenging.
- 1.2 Redrow are of the view that the benchmark land values set within the Delivery and Viability Study are extremely low, and in their experience, landowners' expectations are much higher at around £1,000,000/hectare net. Nevertheless, even at the low benchmark value adopted by the Study, the proposed affordable housing rate for the southern area is not justified by the evidence. Typology 1 (Green 250), Typology 2 (Green 120), Typology 3 (Green 80) and Typology 4 (Green 60) are all shown in table 10.22 on page 204 of the Viability Study to be unviable if affordable housing requirements are higher than 10%. At 15% or 20% affordable housing, the residual land values (RLV) of these typologies fall below the benchmark land value (BLV) of £425,000.
- 1.3 These four typologies appear to comprise 76% of the planned development in the south of the county. This assumption is based on Paragraph 10.72, which notes, *"...about 40% of the anticipated development in this area (is) to be on sites that are similar to Typology 1 (Green 250) and Typology 2 (Green 120)"*, and paragraph 10.73, which notes that, *"the medium sized sites that are similar to Typologies 3 (Green 80) and 4 (Green 60) make up about 36% of the anticipated development in the area. On these the Residual Value exceeds the BLV with 10% affordable housing but not 20% affordable housing"*.
- 1.4 The issues raised within the Delivery & Viability Study are therefore considered to be significant and likely to undermine delivery in the south of the county. Policies DP1, DP2, DP3 and DP11 fail the test of soundness through not being 'justified' or 'effective'.
- 1.5 A Viability Update Note (GC49) was produced in June 2024 and sought to consider whether or not the Council can continue to rely on the 2020 Study. Whilst this does consider Land Values, very little commentary is provided and simply concludes that these broadly remain unchanged since the 2020 Study. However, what GC49 does not do, is consider the point raised above, namely that the benchmark land values set within the Delivery and Viability Study are too low. This was a point made by several representors at the Block 1 Hearing and remains unaddressed.
- 1.6 The Viability Note considers a range of factors and how these may have altered since 2020. This includes changes in residential values and developments costs. On these two points, Paragraph 6.2 concludes:

*“The Land Registry’s latest data suggests that the average newbuild sale price has increased by about 37% since the 2020 LPDVS was undertaken. The BCIS data shows that the cost of construction has increased by 23.5% since the 2020 LPDVS was undertaken. The Residual Value will have increased, indicating that viability will have improved.”*

- 1.7 However, data provided by Redrow indicates that development costs for the period 2020-2024 have increased by 33% in that time, much higher than the stated 23.5%. Redrow consider that the assessment has not fully appraised the impact of Part S of the Building Regulations, which relates to infrastructure for charging electric vehicles. Whilst the Viability Note takes account of the cost of installing the infrastructure at individual dwellings, it does not reference the additional site wide infrastructure, including upgraded sub-stations and associated fees. It is acknowledged in the Viability Note that not all costs associated with Part L have filtered into the BCIS costs<sup>1</sup> and this is also the case with other factors.
- 1.8 Data provided by Redrow also indicates that the average new build sale price on schemes in Shropshire has only increased by 16%, much lower than the stated increase of 37%. Redrow have progressed with a full planning application on draft allocated site BAY039, meeting all emerging policy requirements, including an enhanced proposal of 25% affordable housing (5% above policy requirement), and is willing to accept a lower margin to achieve early delivery. This is unlikely to be the case for all sites in all areas, as demonstrated by the conclusions of the 2020 Viability Study.
- 1.9 There is limited evidence to demonstrate that, in preparing the Viability Note, there has been direct consultation with housebuilders locally and nationally, in order to investigate the true figures on residential values and developments costs. Redrow is of the view that without engagement with the housebuilding sector on these points, the evidence on viability is not sound as it isn't positively prepared, justified or effective. The viability evidence requires a full update, involving input directly from developers.
- 1.10 Our Matter 27 Statement also considers the viability issues of new Policy DP1A - Housing Provision for Older People and those with Disabilities and Special Needs the Viability Study. This concludes that neither the Delivery & Viability Study or the Viability Update Note has fully considered whether the provision of older persons and specialist accommodation would undermine the deliverability of the Local Plan and there is no stated intention that this will be updated to do so.

## Contact

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<sup>1</sup> Paragraph 4.24, Viability Note (GC49)