

Sent by email to [REDACTED]

06/04/2022

Dear Sir/ Madam

Response by the Home Builders Federation to the consultation on the Test Valley Local Plan

1. Thank you for consulting the Home Builders Federation (HBF) on the draft Local Plan. The HBF is the principal representative body of the housebuilding industry in England and Wales and our representations reflect the views of discussions with our membership of national and multinational corporations through to regional developers and small local housebuilders. Our members account for over 80% of all new housing built in England and Wales in any one year.

Spatial strategy

2. The proposed spatial strategy is to focus development on the market towns of Romsey and Andover, the two largest settlements in the Borough. Alongside development in these two towns the Council are also proposing to distribute development more widely across the borough than is currently set out in the Council's current local plan this. The proposed approach will see development away from Romsey and Andover focussed on the largest remaining settlements where there are key services available to support growth. It is also recognised that the more rural areas of the brough also have needs and that some development will need to be located in these areas.
3. This chosen approach is a combination of the options considered in previous consultations and whilst the HBF does not wish to make any comments as to the most appropriate spatial strategy we do have concerns as to how the Council has arrived at the proposed spatial strategy. In considering its options the Council have focussed on a strategy that they consider can meet its own needs in full and takes no account of whether a higher level of housing may be required. In particular we are concerned that no account has been taken within considerations on the spatial strategy as to the significant level of unmet needs identified by the Partnership for South Hampshire (PfSH). At the meeting of PfSH Joint Committee on the 25 October 2021 it was noted in Table 4 of Appendix 1 of item 11¹ that identified supply between 2021 and 2036 would fall short of meeting identified needs by

¹ <https://www.push.gov.uk/wp-content/uploads/2021/10/Item-11-Statement-of-Common-Ground-Revisions-and-Update.pdf>



nearly 13,000 homes. In particular it notes that the current shortfall in Southampton is over 7,000 homes and over 5,000 homes New Forest District Council (NFDC).

4. Whilst NFDC recently adopted a new local plan and Southampton are currently preparing a new local plan that may reduce this level of housing need there remains a significant likelihood that there will be unmet housing needs in neighbouring areas that will need to be addressed in adjacent boroughs such as Test Valley. The Council state in paragraph 5.12 of the consultation document that there is no evidence on unmet needs and no mention is made in the Spatial Strategy Topic paper or Sustainability Appraisal as to the potential impact of unmet needs on Test Valley and the potential of each strategy to deliver more homes in response to unmet needs.
5. Given the evidence presented above this does not seem to be the case and it is essential that that the Council engages actively and directly with Southampton and other neighbouring areas with regarding to the potential for unmet housing needs as part of the duty to co-operate. In addition, it should consider and test options that deliver more homes than that arrived at using the standard method that would address some of the unmet needs arising elsewhere. Only through active engagement on unmet needs and the testing of development options to meet those needs can the Council be considered to have met its legal obligations with regard to the duty to co-operate and the sustainability appraisal.

Strategic policy 1 – countering climate change.

Reducing carbon emissions from development

6. The HBF supports the Government drive to reduce the carbon emissions from new buildings and recognise this is key to meeting the country's net zero deadline of 2050. However, the HBF would suggest that the Council should rephrase the statement in strategic policy 1 that development will deliver a net zero carbon future. As the Council will be aware development can support the delivery of a zero-carbon future through the phased improvements to technical standards and reducing the need to travel but it will take individuals changing their behaviour in order for the country to meet its net zero target. In order to more accurately reflect this, we would suggest the following amendment to the opening sentence of strategic policy 1:

Development will support the delivery of a net zero carbon future by 2050 and address the impacts of our changing climate through both mitigation and adaptation.

7. With regard to achieving its strategic policy goals the Council sets out in paragraph 4.29 that the second regulation 18 consultation will include detailed policies. Paragraph 4.30 goes on to set out that the detailed policy matters will cover energy performance requirements for new buildings and measures to support sustainable

travel such as electric vehicle charging. As Council notes in foot note 34 the Government are introducing policies in relation to electric vehicle charging points and it should also be remembered that energy performance standards will be improved through building regulations from June 2022 with further improvements from 2025. The HBF supports this approach to improving technical standards rather than through individual local standards set through local plans.

8. The national approach to making homes more energy efficient being taken forward by the Government allows for the transition to zero carbon homes by improving energy efficiency and decarbonising national grid. The proposed regulations are ones that ensure there is sufficient time for the development industry, and relevant supply chains, to deliver the Future Homes Standard from 2025. This stepped approach would see a 75% improvement on CO2 emissions compared to the 2013 Building Regulations by 2025 but will allow supply chains to develop and ensure deliverability of the higher standard at the appropriate time. The Council must recognise that this not just an issue of viability but also one of deliverability and that, as the Government notes in paragraph 2.53 of their consultation response, the interim part L standards are a key stepping stone to implementing the higher standards from 2025.
9. There is still considerable work to do to ensure that supply chains are in place to supply the housebuilding industry as well as the technical skills in place to deliver and maintain systems such as ground and air source heat pumps, to guarantee they work as expected on a much larger scale. It is important that these systems when they are used work to ensure that the public are satisfied with the product and can rely on it to meet their needs. As such the HBF supports a clearly defined national approach to improving the energy efficiency of new homes and we are broadly supportive of the Government's phased approach to this matter.
10. We recognise that the Government in their feedback on the responses to the consultation on the Future Homes Standard will continue to allow Councils to set higher standards in their local plans. However, this should be seen within the context of the higher standards that the Government are proposing to be introduced from June 2022 and the statement in paragraph 2.41 of their response to the consultation on the Future Homes Standard that these standards will mean it is "*less likely that local authorities will need to set local energy efficiency standards*".
11. By delivering carbon reductions through the fabric and building services the Future Homes Standard will ensure new homes have a smaller carbon footprint than any previous Government policy. In addition, this footprint will continue to reduce over time as the electricity grid decarbonises. Therefore, the HBF considers the most effective approach in achieving national net zero commitments by 2050 alongside delivering the homes needed in any area is through the application of Building Regulations that allow for a transition to higher standards of energy efficiency and CO2 reduction. As such the HBF do not consider a requirement for all new development to be zero carbon from 2023 to be sound as it is neither deliverable nor consistent with national policy.

Biodiversity Net Gain

12. Paragraph 4.39 outlines the requirement for development to deliver a minimum 10% net gain in biodiversity. As well as this needing to be considered by the development industry the Council will need to ensure it is fully considered in their viability assessment. The ability of a development to deliver 10% net gain on site will depend significantly on the site and the level of development expected on that site. The Council will need to recognise that on some sites delivering a 10% net gain will reduce the developable area and as such the capacity of that site. This may impact not only on viability but also on the number of sites needed by the Council to meet its development needs.

Local Gaps

13. In relation to use of local gaps as mentioned in paragraph 4.41 the Council will need to ensure that development needs met in full prior to the consideration of gaps. As the council recognise maintaining the separation of communities, aside from those areas designated as Green Belt, is not mentioned in national policy and is not a reason for restricting development. There use should also be proportionate recognise that policies that seek to manage development of the countryside will be sufficient to ensure the separate character of different communities is retained.

Strategic policy 6 Housing Provision

Housing needs

14. Using the standard method results in a local housing need for Test Valley of 541 dwellings per annum and 10,820 homes over the proposed plan period 2020 to 2040. dpa using standard method. As the Council will be aware this figure will need to be updated as the plan is developed to reflect the most up to date evidence available with regard to affordability.
15. It is clear from the consultation document and supporting evidence that the Council are aware that this figure is a minimum and that they must consider whether there are any circumstances which would suggest that housing needs are likely to exceed past trends. However, whilst the Council have stated in the latest Strategic Housing Market Assessment (SHMA) that there are no growth strategies or strategic infrastructure in place to drive growth beyond that resulting from the standard method we are concerned, as stated above, that insufficient consideration has been given to the potential unmet needs from neighbouring areas. On the basis of current levels of supply that there will be unmet needs in both Southampton and the New Forest over the plan period and it will be necessary for the Council to consider how it could deliver more homes to meet some of the needs arising in these adjacent areas.

16. Paragraph 3.19 of the SHMA also notes the requirement in PPG to consider whether the number of homes included in the local plan should be increased to better meet the need for affordable housing. Whilst council note that they have been exceeding their target in current local plan it must be noted that the assessment of housing need across this plan period is 437 dpa. This is some 237 homes in excess of the current target and 80% of the minimum number of homes the Council is required to deliver. This is a clear indicator that delivery of such homes has been insufficient in the past. Given that the primary source of such homes is through the delivery of market housing the Council must give very careful consideration as to whether an increase in the overall supply of housing should be made through this local plan.
17. The Council are proposing to split delivery of this requirement between the north and the south of the Borough based on relative levels of population growth. Whilst the HBF do not have any broad concerns with this approach the Council must be willing to move away from this approach if there are considered to be insufficient sustainable development sites to meet needs in either location.

Housing supply

18. The Council outline in paragraph 5.25 that they will need to consider whether to allocate land to deliver more homes than the minimum they are required to deliver in order to provide greater resilience in their housing supply. The HBF considers it an essential for the Council to allocate beyond needs for the local plan to be considered sound to take account of the fact that changing circumstances in relations to any site can lead to delays to a site coming forward or delivery being slower and less per annum than expected.
19. To ensure that the plan is deliverable across the plan period it is therefore necessary for there to be a buffer between the housing requirement and supply to take account of any delays or shortfalls in delivery expectations. The level of buffer will depend on the type of sites allocated. If the plan allocates a significant proportion of its development on small and medium sized sites, then the buffer may be less than if needs were met on a few large sites delivering development later in the plan period. The relative risk of delays to delivery for a strategy focused on large strategic sites is greater than for a more balanced strategy focused on small and medium sized sites.
20. The HBF therefore encourages Councils to allocate a wide diversity of sites in terms of both size and location with small and medium sites delivering in the early years of the plan allowing sufficient time for larger strategic sites to come forward to meet needs in the second half of the plan period. In our experience local authorities rely too heavily on larger sites within their local plans to meet their needs in full and fail to allocate sufficient smaller sites as contingency against the delays in delivery on larger strategic sites. This often leads to local authorities reaching examination and having to revise delivery expectations as they no longer

have a five-year land supply or sufficient developable sites in years 6 to 10 of the local plan.

21. A further reason why the Council must focus on ensuring a consistent supply of homes is to ensure that the under supply of new homes in Test Valley that currently plays a significant part in the poor affordability seen in the district are addressed. The Council acknowledge that there are severe affordability concerns across the area and any delay in meeting needs will only succeed in neutering the reason for, and benefits of, the affordability uplift applied through the standard method. The Government is clear in PPG that Councils should not seek to unnecessarily delay meeting housing needs and as such the starting point for any spatial strategy must be meeting, in full, annual housing needs from the start of the plan period.
22. Finally, the Council will need to ensure that at least 10% of homes are on identified sites that are less than one hectare in size in order to be consistent with paragraph 69 of the NPPF. It is important that sufficient sites are provided to support smaller developers who face proportionally higher costs compared to larger house builders. The allocation of smaller sites has the potential to help smaller developers by reducing the risk and uncertainty of bringing forward unallocated small and medium sized sites. In seeking to allocate sites the Council should also recognise that such sites will come forward more quickly than those on larger sites and ensure a greater diversity of housing types and styles across the borough.

Affordable housing

23. Whilst the Council will need to consider the cumulative impact of all its policies on viability the primary policy cost imposed on the development industry are the affordable housing requirements established through local plans. It is also notable that other costs relating to energy efficiency, biodiversity net gains and electric vehicle charging points for example are now fixed costs leaving limited scope to reduce the costs elsewhere in order to deliver affordable housing. These increasing fixed costs will mean that the Council will have to carefully consider not only the level of affordable housing to be provided but the relative flexibility with regard to the overall requirement as well as the tenure mix within the affordable housing provided.
24. Given that the viability assessment is still to be published and without this evidence it is not possible to comment on whether the Council's policy requirements, such as those for affordable housing, are viable and the plan as whole is deliverable. However, we would like to make some broad comments on viability in relation to the approach established in the NPPF and its supporting guidance.
25. To support local planning authorities in preparing their viability evidence the HBF has prepared a briefing note, attached to this response, which sets out some common concerns with viability testing of local plans under the latest guidance and how these should be addressed. Whilst this note focuses on all aspects of the

viability testing of the residential development and should be taken into account, we would like to highlight four particular issues with whole plan viability assessments.

26. The first issue is with regard to the approach taken to abnormal infrastructure costs. These are the costs above base construction and external costs that are required to ensure the site is deliverable. Prior to the 2019 NPPF viability assessments have taken the approach that these cannot be quantified and were addressed through the site-by-site negotiation. However, this option is now significantly restricted by paragraph 58 of the NPPF. As such these abnormal costs must be factored into whole plan viability assessments. We recognise that the very nature of an abnormal costs is difficult to quantify, but it is a fact that they are often substantial and can have a significant impact on viability. Where and how these costs arise is also variable. They can occur in site preparation but can also arise with regard to the increasing costs of delivering infrastructure, such as upgrades to increase the capacity of utilities. It is also the case that abnormal costs are higher on brownfield sites where there can be a higher degree of uncertainty as to the nature of the site and the work required to make it developable.
27. Whilst we recognise that abnormal costs are expected to come off the land value, we are concerned that if abnormal costs are high then it will result in sites not being developed as the land value will be insufficient to incentivise the landowner to sell. It is therefore important that a significant buffer is included within the viability assessment to take account of these costs if the Council are to state with certainty that those sites allocated in the plan will come forward without negotiation.
28. Secondly, we would encourage the Council to use the upper end of any of the ranges suggested with regards to fees and profit margins. Again, these will vary from developer to developer but given that the Government want to minimise negotiation on planning obligations it would make sense to use the highest point of any range. The changing landscape with regard to viability assessment could lead to development slowing significantly if the correct variables are not taken into account.
29. Thirdly, the council must ensure that the costs relating to bio-diversity net gains, electric vehicle charging, sustainable design and construction; and renewable energy are properly considered as well as considering the impact of future national policies such as the future homes standard on viability. The Council must ensure that there is sufficient headroom in development viability to ensure these standards can be addressed alongside the policies in the local plan.
30. Finally, the approach to land values needs to be a balanced approach and one that recognises that there will be a point at which land will just not come forward if values are too low to take account of policy and infrastructure costs. There are a variety of reasons why a landowner is looking to sell their land and it cannot be assumed that they will absorb significant reductions in land values to meet policy

costs. Land is a long-term investment and the returns being offered must take account of this.

Specialist housing

31. The HBF consider it important that local plans look to allocate specific sites to meet the needs of older people. In particular the Council must look, in the first instance, to allocate those sites submitted for older people's accommodation that are in the most sustainable locations close to key services. As such we would agree with the Council's preferred option. However, we would suggest that the local plan goes further and looks to set out in policy:


- a target for the delivery of homes for older people and maintains a supply of land to meet that target. Whilst we recognise that there is not a requirement in national policy for the Council to maintain a specific supply of accommodation for older people identifying the level of need and monitoring supply would aid decision makers in the application of this policy and ensuring needs are met over the plan period. Such an approach would also ensure effective monitoring in relation meeting the needs of older people and encourage positive decision making if there is a deficiency in supply.
- support and encouragement for older persons accommodation on brownfield and other land in established urban and suburban environments and which is not allocated (i.e., windfall sites) given the level of need and that older people are most likely to prefer to continue to reside in established areas with which they are familiar.

Conclusion

32. We trust you will find these comments helpful and if you would like to discuss them further, please contact me.

Yours faithfully



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