

Sent by email to: localplanconsult@threeivers.gov.uk

22/07/2021

Dear Sir/ Madam

Response by the Home Builders Federation to the consultation on Three Rivers Local Plan

1. Thank you for consulting the Home Builders Federation (HBF) on the Preferred Options for your 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.

Part 1 Local Plan – Preferred Policy Options

Do you agree with the Council's proposed stance of not complying with the Government's Standard Method for calculating the district's housing need figure (due to the constraints of the district), which means that the Council would not fully meet the residual housing target? If no, please explain why.

2. We do not agree with the Council's decision not to meet its minimum requirements for the delivery of new homes. The Council's position is that it cannot meet its housing needs due to the constraints it faces which in turn limits the amount of land for development within Three Rivers. We recognise that some of these constraints are absolute, such as the functional flood plain and Sites of Special Scientific Interest, however, the principal constraint facing the Borough is Green Belt, a constraint that can be removed from land by the Council in exceptional circumstances if the tests set out in paragraph 137 can be met. The Council consider that these tests have been addressed, a position we would agree with, and as such are proposing to amend Green Belt boundaries to deliver new homes. However, we would suggest that the circumstances faced by Three Rivers would justify further amendments to the Green Belt boundary to release more sites for development in order to meet housing needs in full. The reasons for our position are considered below.
3. When considering whether or not constraints will prevent a Council from meeting its development needs it is necessary to consider whether there are exceptional circumstances to support their release and, as set out in paragraph 11 of the



NPPF, whether there are strong reasons why the policies in the NPPF should restrict the overall scale of development or whether the adverse impact of meeting needs full significantly and demonstrably outweigh the benefits.

4. As part of any such considerations it is therefore important to assess the relative benefits of meeting needs in full against the impact on the Green Belt and whether any harm can be mitigated. At present the Council have made assessments as to the impact of development on the purposes of Green Belt but not undertaken any assessment in this consultation with regard to relative benefits of a spatial strategy that would meet housing needs in full compared to the proposed spatial strategy. Whilst the Council do not consider relative benefits and disadvantages of alternative spatial strategies in this consultation or the supporting Sustainability Appraisal (SA) the Council have considered alternative levels housing development in the SA published in 2017 alongside the Issues and Options consultation.
5. The 2017 SA sets out the findings of the assessment of the three housing growth options on page 14 and 15 and indicates that whilst lower levels of growth will have fewer adverse effects on the environment there are more social benefits from a higher level of housing delivery. The 2017 SA also notes for instance that higher growth levels could provide improved opportunities for environmental enhancements and infrastructure improvements. This would suggest that further considerations as to meeting needs in full, and the additional sites this would require, should have been considered as part of the preparation of the preferred policy options. The Council have seemingly alighted on their preferred option without properly considering the benefits and adverse impacts of meeting needs in full.
6. A key part of any future assessment of alternative spatial strategies must be the acuteness of the need for both market and affordable housing in the Borough. Between 2018 and 2037 the Council state they should be seeking to deliver 12,624 new homes. During this period, the Council expect to deliver 10,919 new homes – some 1,705 homes short of the Government's expectations. This is in addition to the slow preparation of its local plan following the publication of the 2012 NPPF which has also meant that the Council has failed to deliver the homes required to meet its objectively assessed housing needs. It has consistently delivered fewer homes than have been required to address the demographic baseline a position which has clearly impacted on the affordability of housing in the Borough, which has increased sharply over the last ten years. Since 2008 the lower quartile affordability ratio has increased from 9.88 to 14.85, the fourth worst area in terms of affordability for the whole of the East of England.
7. In addition to the poor affordability of housing the Council's delivery for affordable housing has been poor averaging just 54 units per annum over the last twenty years. Need for affordable homes is stated to be 350 dpa over the plan period yet even with a policy requiring 50% affordable housing on all residential development

where there is a net gain, a policy we consider to be unsound, the Council will not meet this level of need.

8. There is clearly an acute need for more housing in the district and one that must be a key consideration in any decision on whether or not to amend Green Belt boundaries to meet needs in full. Whilst increased supply will not on its own reduce the cost of housing it does have a role to play in reducing the rate at which it worsens – especially if the allocations come forward early in the plan period. It will therefore be essential that the Council consider the benefits of meeting housing needs in full and the consequences of achieving sustainable levels of development from constraining its land supply. The HBF would therefore suggest that the acuteness of the housing needs and affordability concerns in the district warrant amendments to the Green Belt boundary that would ensure housing needs are met in full.
9. To conclude it is the HBF's opinion that the Council must test reasonable alternatives to the proposed spatial strategy that will meet housing needs in full. This should have been considered as part of the latest iteration of the Sustainability Appraisal with the assessment of strategies that meet needs from additional sites removed from the Green Belt. Instead, the Council have alighted on a spatial strategy without any such considerations. This is a clear failing not only with regard to justifying the Council's decision not to meet needs in full but also with regard to the requirements of preparing a Sustainability Assessment to consider reasonable alternatives to the proposed strategy. Only by carefully and objectively considering the impacts, both positive and negative, of a variety of spatial strategies can the Council consider whether or not there are strong reasons for failing to meet its development needs in full.

Question 3 Do you think the Preferred Policy Option for Housing Mix & Type is the right approach? If not please identify how the option could be changed. Should we have considered alternative options? If yes, please explain.

10. The Council have not set out in this consultation document a specific policy option to support the delivery of housing development to meet the specific needs of older people. Paragraph 63-006 of PPG sets out that plans should set clear policies as to how the housing needs of older people will be supported. One key way that such support can be clearly established is through the identification of needs for older peoples' housing and a commitment to meet that need. The HBF recognise that there is not a requirement in national policy to set out the level of housing needs for older people in a policy. However, we consider it that in order for such a policy to be truly effective and therefore sound the need for such accommodation should be identified in the local plan in order to support decision makers. In particular it will help decision makers to assess whether there is a shortfall in supply to meet the needs of older people to ensure a more positive approach to decision making should shortfalls be identified. Such an approach would also ensure transparency and support effective monitoring and review of the Council's approach to older peoples housing.

Question 5 Do you think the Preferred Policy Option for Affordable Housing is the right approach? If not please identify how the option could be changed. Should we have considered alternative options? If yes, please explain.

11. We have a number of comments to make on the preferred policy option relating to:
- The requirement for all development to provide an affordable housing contribution;
 - First Homes; and
 - Viability.

All developments required to provide affordable housing contribution.

12. The Council are aware that the preferred approach is inconsistent with paragraph 63 of the NPPF, yet it considers it necessary to require contributions from sites not defined as major development. The Council consider this necessary due to the acute shortage of affordable homes and the crucial role that such sites have played historically in delivering housing in the district. Firstly, we would agree with the Council that historically affordable housing delivering in the district has been poor averaging just 54 homes per annum over the last 20 years. However, rather than seek to deliver more affordable housing from sites below the minimum threshold placed by Government with regard to affordable housing contributions we would suggest a more effective approach would be to allocate additional sites in order meet its housing needs in full. Such an approach is supported by PPG which states at paragraph 2a-024 that: *“An increase in the total housing figures included in the plan may need to be considered where it could help deliver the required number of affordable homes”*.
13. It is also worth reiterating why the Government introduced this particular policy. The Ministerial Statement from 2013 was clear that the reason for introducing this policy was to “ease the disproportionate burden of developer contributions on small scale developers”. This is distinct from whether or not such development is viable in general but whether they are a disproportionate burden on a specific sector that faces differential costs that are not reflected in general viability assessments. These costs have led to a reduction in the number of small and medium (SME) sized house builders. Analysis by the HBF shows that over the last 30 years changes to the planning system and other regulatory requirements, coupled with the lack of attractive terms for project finance, have led to a long-term reduction of total SME house builder numbers by about 70% since 1988. The Government is very anxious to reverse this trend and increase the number of small businesses starting up and sustaining this activity. Improving business conditions for SME home builders is the key to long-term supply responsiveness.
14. In addition, the Government’s broader aims for the housing market are not just to support existing SME house builders but to grow this sector again which was hit hard by the recession with the number of registered small builders falling from

44,000 in 2007 to 18,000 in 2015. To grow the sector one key element has been to simplify the planning system in order to reduce the burden to new entrants into this market. Therefore, the focus of the Council should be on freeing up this sector of the house building industry rather than seeking to place financial burdens that the Government have said should not be implemented.

15. As such we do not consider there to be any justification at present for the Council to depart from national policy and require all development to deliver affordable housing. As such the Council should amend the policy accordingly.

First Homes

16. The Council will need to take account of the Government's policy with regard to First Homes as set out in the Written Ministerial Statement published on 24 May 2021 and paragraphs 70-001 to 70-029 of Planning Practice Guidance. Whilst we do not seek to make any comments at this stage with regard to the approach the Council should take in policy it is important that the approach taken to the Viability evidence reflects the fact that whilst First Homes are an affordable housing product they are marketed and sold by the developer. As such the costs and risks related to the sale of such housing when considered in any viability assessment should reflect those for market housing and not affordable housing. In particular the return on such homes should be set at those for market housing and not the 6% return usually expected for affordable housing.

Viability

17. 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 establishing the 2019 NPPF and its supporting guidance.
18. The 2019 National Planning Policy Framework (NPPF) requires development viability to be resolved through the local plan and not at the planning application stage. The aim of this approach is to ensure that, as outlined in paragraph 57 of the NPPF, decision makers can assume that development which is in conformity with the local plan is viable and to, ultimately, reduce the amount of site-by-site negotiation that takes place. As such it will be important that the Council's approach to its viability assessment and the costs it places on development are cautious to take account of the variability in delivering the range of sites that will come forward through the local plan. 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.

19. 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 57 of the 2019 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.
20. 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.
21. 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.
22. Thirdly, the council must ensure that all the policy costs associated with the local plan are included within the viability assessment. Whilst affordable housing and infrastructure contributions for the majority of the additional costs that are placed on developers by the Council it is important that the cumulative impact of all policies are tested. With regard to the local plan review the Council will need to consider the impact of its proposed policies on bio-diversity net gains, electric vehicle charging, sustainable design and construction; and renewable energy. The viability assessment will also need consider the impact of future national policies on viability and whether there is sufficient headroom to ensure these standards can be addressed alongside the policies in the local plan.
23. 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.

Question 7 Do you think the Preferred Policy Option for Residential Design and Layout and Accessible and Adaptable Buildings is the right approach? If not please identify how the option could be changed. Should we have considered alternative options? If yes, please explain.

24. We could not find any evidence to support the adoption of the National Described Space Standards. It is important to recognise that the optional technical standards can, as set out in paragraph 56-002 of Planning Practice Guidance (PPG), only be introduced where they are needed and where they do not impact on the viability of development. The application of space standards has been considered in the viability assessment, however we could not find any evidence as to the need for such standards that has been published by the Council.
25. Whilst the HBF share the Council desires to see good quality homes delivered within Three Rivers we also consider that space standards can, in some instances, have a negative impact upon affordability issues and reduce customer choice. In terms of choice, for example, some developers will provide entry level two, three and four-bedroom properties which may not meet the optional nationally described space standards, but which would allow on lower incomes can afford a property which has their required number of bedrooms. Given the poor affordability of property in the area it is important that the Council can provide, in line with PPG, robust evidence that there is a need to introduce the optional space standards – that these standards are a must have rather than a nice to have policy.
26. The HBF is also not aware of any evidence that market dwellings in the district that do not meet the NDSS remaining unsold or that those living in these dwellings consider that their housing needs are not met. There is no evidence that the size of houses built are considered inappropriate by purchasers or dwellings that do not meet the NDSS are selling less well in comparison with other dwellings. The HBF in partnership with National House Building Council (NHBC) undertake an annual independently verified National New Homes Customer Satisfaction Survey. The latest survey published in 2021 demonstrates that 92% of new home buyers would purchase a new build home again and 91% would recommend their housebuilder to a friend. The results also conclude that 94% of respondents were happy with the internal design of their new home, which does not suggest that significant numbers of new home buyers are looking for different layouts or house sizes to that currently built.
27. Given that there is little to suggest that development below space standards is an endemic concern within the district we would suggest that the the requirement to meet NDSS is deleted from the plan. This would give the Council greater flexibility to maximise the number of sites that are developable as well as extending consumer choice to more households.

28. Similarly, the requirement that 10% of all homes on developments should be built to part M4(3) must also be based on evidence. The SW Herts LHNA estimates there is a need for 430 wheelchair user homes by 2036, however, that is not clear is how many homes this policy will deliver. This must be clearly set out by the Council in order for the proposed policy to be justified. In addition, the Council must make the distinction in the policy between wheelchair accessible housing and wheelchair adaptable housing. These are distinct categories with paragraph 56-009 of PPG stating that local Plan policies for wheelchair accessible homes should be applied “*only to those dwellings where the local authority is responsible for allocating or nominating a person to live in that dwelling*”.
29. With regard to self-build homes the HBF welcomes the clause allowing unsold plots to revert back to the developer to be built as market housing. However, given that the Council is required to have a register of those wishing to purchase a plot for self-build we would suggest that 18 months is too long and should be reduced to 12 months.

Question 13 Do you think the Preferred Policy Option for Carbon Dioxide Emissions and On-site Renewable Energy is the right approach? If not please identify how the option could be changed. Should we have considered alternative options? If yes, please explain.

30. The Council will need to consider the necessity of this policy should the Government bring forward its proposed amendments to building regulations. The housebuilding industry, through the HBF, recognises that there is a need to improve the environmental performance of new residential development. However, rather than have a variety of standards in every local plan, the HBF, and our members, consider a national and standardised approach to improving such issues as the energy efficiency of buildings, the provision of renewable energy and the delivery of electric vehicle charging points to be the most effective approach that balances improvements with the continued delivery of housing and infrastructure. The HBF considers a universal standard is necessary to allow research and development and supply chains to focus upon responding to agreed national targets, and for training providers to plan their programmes to equip the labour force to meet these new requirements. As such we would recommend that the policy is deleted.

Question 28 Do you think the Preferred Policy Option for Parking is the right approach? If not please identify how the option could be changed. Should we have considered alternative options? If yes, please explain.

31. We do not consider that part 1 of the policy to be sound as it states that the parking standards set out in appendix 3 will be preferred until the standards are revised. This implies that the standard could be revised through supplementary guidance and not through a review of this policy. It is not appropriate for policies in a local

plan to be amended through supplementary guidance and as such we would suggest that the phrase “*until such time that standards are revised*” is deleted.

Part 2 Local Plan: Sites for Potential Allocation.

Question 1: Do you think the Proposed Policy for Housing Allocations is the right approach? If not please identify how the proposed policy could be changed.

32. The HBF does not comment on the deliverability of specific allocations, however we would like to make some overarching comments with regard to housing supply. Firstly, the Council must be cautious with regard to its expectation on larger sites and the speed at which these will come forward. Whilst some strategic scale development can come forward relatively quickly following allocation it is also the case that they can take much longer than anticipated. For example, we note that the largest allocation in the plan is expected to come forward by 2024/25, not long after this plan is likely to be adopted. Evidence on delivery timescales and rates of delivery are helpfully set out by Lichfields in the second edition of their ‘Start to Finish’ report published earlier this year. This shows that from the point at which an outline application is validated it will take sites of between 1,000 and 1,500 homes on average 6.9 years for the first home on to be delivered. We recognise that quicker delivery may be possible, but this would be the exception and not the norm. Whilst we are supportive of such allocations the Council will need to provide clear evidence that such a large development can come forward as expected and in line with NPPF’s definition of a deliverable or developable development.
33. Similar evidence will also be required to support the other smaller allocations in order to justify the housing trajectory. Whilst the Council are not proposing to meet needs it is still important to ensure delivery expectation are correct in terms of assessing the level of shortfall between needs and supply. Such considerations will form a key part of the Council’s assessment as to the exceptional circumstances faced by the Council and the justification for constraining development as is being proposed.
34. Secondly, it is essential that the local plan is consistent with paragraph 68 of the NPPF that requires at least 10% of the Council’s housing requirement is delivered on identified sites. Up until the 1980s, small developers once accounted for the construction of half of all homes built in this country, resulting in greater variety of product, more competition, and faster build-out rates. Since then, the number of small companies has fallen by 80% following the introduction of the plan-led system in 1990.
35. The HBF has undertaken extensive consultation with its small developer members. One of the chief obstacles for small developers is that funding is extremely difficult to secure with a full, detailed, and implementable planning permission. Securing an implementable planning permission is extremely difficult if small sites are not allocated. Without implementable consents lenders are

uneasy about making finance available or else the repayment fees and interest rates they set will be very high. Small developers, consequently, need to invest a lot of money and time up-front in the risky business of trying to secure an allocation and a planning permission, and this is money that many small developers do not have. This is why the Government, through the NPPF, now requires local authorities to allocate more sites of varying sizes.

Conclusion

36. We hope these representations are of assistance in taking the plan forward. Should you require any further clarification on the issues raised in this representation please contact me.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Mark Behrendt', with a stylized flourish at the end.

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