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**Comments by the Home Builders Federation Kent Biodiversity Net Gain Viability Assessment**

1. Thank you providing the opportunity to comment in writing on the proposed Biodiversity Net Gain (BNG) viability study. Whilst we recognise that KCC and the consultants preparing the study are focussed on the viability aspects of delivering a 20% net gain we do have some wider concerns with regard to any requirement that may be placed on development to deliver a minimum of 20% net gain.

2. To start we consider that it is a consistent approach to delivering BNG is required across the country and that this is a view supported by the Government. The most recent consultation on Biodiversity Net Gain Regulations and Implementation provides a very clear steer on this by reiterating their expectation that "*Mandating biodiversity net gain through the Environment Act will establish a consistent set of requirements and necessary exemptions which give developers clarity as to how they can meet their net gain obligations.*" By setting out a minimum requirement the Government recognises the importance to all parties of consistency in such matters and requiring a 20% net gain in biodiversity is clearly not consistent with this position.

3. The latest consultation also reiterates the Government's view that whilst the 10% requirement is not a cap going beyond that figure should be the choice of developer to "*voluntarily go further*". Therefore, whilst the NPPF and PPG do not specifically prohibit setting standards over and above those in the Environment Act it is clear that the intention of the Government is to a set minimum requirement but encourage where possible the developers to go further. Such an approach also recognises that until an assessment of the biodiversity on a site is undertaken it is very difficult to assess what is required to deliver the minimum level of net gain either on- or off-site.

4. Some sites may be able to deliver significant improvements more easily without a significant reduction in the developable area, whilst other sites may well have their capacity significantly reduced in order to achieve the minimum requirements set by Government. This uncertainty is clearly why the Government set its expectation at 10% recognising that it was a balance between delivering net gains and increasing the supply of new homes. However, we recognise that offsite delivery and offsetting are both options that would maintain the developable area of a site but in contrast this option has the potential to be a significantly more expensive option.

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*Viability*

*Developable area.*

5. Gross to net ratios to high even without the delivery of 10% on site. Whilst some overlap may be possible between open space and BNG we would suggest amending the gross to net ratio. Obviously onsite delivery of 20% BNG will reduce this further, and the study will need to amend the gross to net ratios accordingly. In addition, the study should consider the number of homes that would be reduced by on each site in relation the delivery of a 20% requirement, or indeed any other level above the 10% requirement if it were to be delivered on site.

*First homes*

6. It will be important that the Council take account of changes in national policy relating to First Homes. The majority of viability assessments supporting local plans assess development viability on the basis that these homes are defined as being an affordable home. Whilst we would not disagree with this classification it is important to note that such homes are not traditional affordable housing products, they are homes sold by the developer below market value.

7. As such the risk of development, and in turn the profit margin on first homes, should reflect those for market housing not affordable housing where profit margin is set at around 6%. This is because in providing an affordable unit he developer is in effect acting as the contractor with the sale of these homes to a registered provider agreed beforehand. The risk is lower as are other associated costs relating to marketing etc. However, for a low-cost market house the developer must sell these homes on the open market and provide the same level of marketing as it would for any other market home and, as such, should not be treated in the same way as an affordable house in the viability assessment.

8. The proposed discount for first homes has been set at 70% which would a maximum price of £333,333 market value to get to max £250k. The discounts are likely to be much greater than 70% in order to keep below the cost cap in many areas of Kent, particularly in the west of the county.

*Fees etc.*

9. Agents' fees costs. The study expects fees of between 1% and 2% would recommend application of 2% in particular in relation to smaller sites and smaller developers where fees maybe be higher.

10. No marketing costs have been included in the assumptions. These are generally assumed to be between 3 and 5%. Again, we would recommend the higher figure is used to ensure full cost is covered across a range of sites typologies and developments.

*Electric vehicles*

11. No costs appear to have been included to take account of higher costs in relation to electric vehicle parking. The evidence supporting the Government's response to the consultation on EVCPs estimated an installation cost of between £615 to £1,115 per EVCP for off-street parking and between £975 and £2,947 per charge point for multi-occupancy surface parking. Whilst this in itself may not seem a significant amount it is important that the actual cost of delivering this policy is included in the viability assessment to ensure the cumulative impact of all costs does not impact the deliverability of the local plan. However, the HBF and its Members also have serious concerns about the capacity of the existing electrical network in the UK. The supply from the power grid is already constrained in many areas across the country. Major network reinforcement will be required across the power network to facilitate the introduction of EVCPs and the move from gas to electric heating as proposed under the Future Homes Standard.

12. These costs can be substantial and can drastically affect the viability of developments. If developers are funding the potential future reinforcement of the National Grid network at significant cost, this will have a significant impact on their businesses and potentially jeopardise future housing delivery. Therefore, an allowance for such infrastructure should be explicitly included in the viability assessment.

*Energy Efficiency standards*

13. No costs appear to have been included with regard to the higher energy efficiency standards that are due to be introduced this year. These will see new homes built to a new standard that reduces $CO_2$ emissions by 31% compared to current standards and this will need to be reflected in the study. It will also be necessary to consider the additional cost relating to higher standards being proposed from 2025 given that many local plans being prepared at present will deliver the majority of their homes beyond this year.

*Infrastructure costs*

14. Clearly such a study will not be able to reflect accurately the variety of infrastructure costs faced by development in different Variable between LPAs need to ensure. The Study should therefore ensure that the potential for high infrastructure costs is adequately reflected the study and significant caveats highlighted in the study as to the inherent uncertainty of considering viability at this level.

*Cost of delivering BNG*

15. No detail is provided as the proposed mitigation measures and the costs of these measures per BNG unknit required. If the expectation is that the additional 10%

BNG above the statutory minimum that is being required in this policy is to be delivered offsite than there will be a significantly higher cost compared to onsite delivery. The Government's Impact Assessment provides some indication as to the cost of delivering BNG offsite. Table 19 of the Impact Assessment shows that scenario C, which modelled all of the mandatory 10% being delivered off site would equate to 2.4% of build costs on a greenfield site compared to 0.7% under scenario B which is the basis of the Council's estimates.

16. However, these costs may be an underestimate. The study will need to consider the latest evidence on costs published alongside the latest consultation. In particular this evidence is pertinent in relation to the delivery of offsite BNG. The evidence from the Governments market analysis supporting the current consultation on the implementation of Biodiversity Net Gain indicates that the average price of delivering net gain offsite is higher than when set out in the impact assessment. The Impact Assessment published to support the initial consultation on BNG used a price of £11,000 per offsite biodiversity unit, but stakeholders informing the study considered that this price was too low to attract sufficient supply to meet expected demand. A range of between £15,000 and £25,000 per biodiversity unit was considered to be more reasonable with £20,000 considered to be a reasonable figure per biodiversity to attract sufficient providers to deliver the necessary units to meet demand. However, the study also recognises that where there are immature market and high demands then the price of offsetting could be much higher. Therefore, we would suggest that a higher figure should be included in the study given that an additional 10% BNG will see higher levels of demand and the likelihood of a price increase for offsite delivery to meet that demand.

*Nutrient neutrality.*

17. The high cost of nutrient neutrality will need to be considered within the study. Whilst there may be some opportunities for stacking nutrient mitigation and BNG offsetting it is important that this is included in the study. In addition, this issue will also add to the costs of mitigation as our members have seen land prices increase significantly, even where there is no hope value, as landowners recognise the increased demand for agricultural land. As such offsite cost will need to reflect higher land values as outlined above.

**Conclusions**

18. Whilst we recognise that there have been calls for a 20% requirement in Kent it is important to recognise that the impact of such a requirement will vary significantly between different area and different sites. Even at a local level the impact of BNG is very difficult to quantify and assess its impact without a detail sites assessment. Our members recognise the need to improve Biodiversity and the minimum requirements of the legislation will ensure that new development will deliver positive gains in biodiversity.

19. The study makes a number of high-level assumptions on viability with a lack of detail on number of key inputs that would need further consideration to demonstrate a level of BNG above 10% would not prejudice the delivery of sites and other key policy objectives. Such detail would usually be undertaken as part of viability assessments at plan making stage, taking account of the cost of all policy requirements, CIL and section 106, affordable housing, infrastructure, and development costs including site abnormals. Even at plan making stage it is often necessary to make assumptions on certain inputs relating to site specific costs with review mechanisms in place at application stage. At this stage there is simply too much uncertainty on the above inputs to commit to 20% BNG.

20. In terms of mitigation measures, there is also little detail on off-site mitigation measures to provide certainty on the ability to mitigate off-site if required. Such measures including opportunities to align with strategies including nature recovery networks should ideally be developed with Local Planning Authorities to provide greater certainty on mitigation opportunities. Proposals to increase BNG above 10% increases the level of risk and uncertainty. This could also prejudice the delivery of wider environmental policy objectives.

21. Therefore, as well as ensuring the increasing costs of delivering development in Kent area fully recognised the study should also:
    - Caveat the study outlining that there is significant uncertainty with regard to the cost of delivering net gains. In particular it should set out concerns regarding the potential for requiring development to go beyond statutory minimums to impact on land values and offsite measures due to higher demand that will inevitably increase prices for biodiversity credits in what is, at present, a very immature market;
    - Set out the potential risks arising from reduced site capacity and the need to find additional sites to meet housing requirements as a result of higher BNG.
    - Be clear as to the Government's intentions for net gain that the 10% is mandatory and that to go beyond this 10% should be at the discretion of the developer. As such rather than seek additional gains we would suggest that the County Council works with the development industry to ensure the 10% net gain is deliverable and, where possible and with the agreement of the developer, support developers to deliver above the statutory minimum.

I hope these comments are helpful and please get in touch if you would like to discuss further.

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