

Sent by email to: [planning.consultation@surreyheath.gov.uk](mailto:planning.consultation@surreyheath.gov.uk)

06/05/2022

Dear Sir/ Madam

**Response by the Home Builders Federation to the consultation on the Draft Surrey Heath Local Plan: Preferred Options consultation**

1. Thank you for consulting the Home Builders Federation (HBF) on the preferred options for the Surrey Heath 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.

**SS1 – Spatial Strategy**

Plan Period

2. The HBF have two concerns with regard to the plan period of 2019/20 to 2037/38. Firstly, the length of the plan period following likely adoption will not be consistent with paragraph 22 of the National Planning Policy Framework (NPPF) which requires plans to look forward at least 15 years from adoption. Whilst the Council expects to adopt the plan in December 2023 this is based on the examination of the local plan taking no more than five months. This is clearly an impossible timescale and one that in our experience has not been achieved on any recent local plan. As a minimum the Council should expect the time period from submission to receiving the inspectors final report to be a minimum of 12 months. As such if the Council manage to submit the plan in June 2023 the earliest the plan could be adopted is October 2024. In order to look forward for 15 full years following adoption the Council will need to extend the plan period by at least one year. However, given the Council's past inability to meet plan preparation deadlines we would suggest that the plan period be extended by two years to 2039/40 in order to ensure the plan period is consistent with national policy when submitted for examination.
3. The Council are also proposing for the plan period to commence in 2019/20 over three years prior to the plan being submitted for examination. Given that the standard method for assessing housing need is based on the current year it seems illogical to have plan period from prior to the point at which the local housing needs



assessment is undertaken. This position is further supported by Planning Practice Guidance (PPG) which outlines at paragraph 68-031 that the affordability adjustment is included to take account of past under supply and as such is a forward-looking assessment from the point at which it is calculated. Given that the local housing needs assessment (LHNA) will be based on the affordability ratio for 2021 we would suggest that the plan period start from 2021/22. However, the Council's position on the starting year may need to be reconsidered based on the point at which it expects to submit the local plan for examination.

#### The housing requirement

4. The HBF note that Council's assessment of local housing needs is based on the affordability ratio for 2020 published in March 2021. Since the draft local plan was produced the Office for National Statistics (ONS) have updated their data on affordability ratios. This shows that the work placed based affordability ratio has worsened in the last year, increasing from 11.03 in 2020 to 11.84 in 2021. However, this makes no difference to the assessment of housing need as the uplift remains capped at 40% and as such would agree with the Council's assessment of the minimum number of homes it must deliver each year based on the standard method.
5. However, given the affordability ratio has worsened and affordability remains poor it is important to remember that that PPG states in paragraph 2a-007 that whilst the cap reduces the minimum number of homes the Council should plan for it does not reduce housing needs itself. The same paragraph goes on to state that:

*"Where the minimum annual local housing need figure is subject to a cap, consideration can still be given to whether a higher level of need could realistically be delivered."*

6. The SHMA also estimates that the annual need for affordable housing period to 2040 is 159 affordable rented homes and 102 affordable home ownership – a total need of 261 affordable homes each year. This is 80% of the housing needs and gives an indication of the scale of the problem in Surrey Heath and the clear need to plan for the uncapped housing requirement. Such an approach would also be consistent with paragraph 2a-024 of PP which states 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."* Given the scale of the need for affordable housing in Surrey Heath we recognise that it is not possible to meet these needs in full but identifying further sites for market housing would clearly allow for significant numbers of additional affordable homes to be delivered in the Borough. The HBF would also argue that the worsening affordability and the scale of the affordable housing need in the Borough constitute the exceptional circumstances required to amend Green Belt boundaries.
7. The Council have also reduced their housing requirement by 41 homes per annum based on Hart Bourgh Council's commitment in their local plan that 41 homes per

annum will be provided to meet the needs of Surrey Heath. We would agree that this is the correct approach, but it will be necessary for the Council to monitor the situation at Hart to ensure sufficient homes are being delivered to meet this commitment. Should Hart not provide sufficient homes then this should trigger a review of the local plan with the aim of finding additional sites to meet these needs.

8. Policy SS1 states that over the plan period 2019/20 to 2037/38 the Council will make provision for the delivery of at least 5,680 new homes. However, as set above, we do not consider the plan period to be sound and as such it should be amended in this policy. This will require the overall housing needs to be increased from 5,680 to 5,705 homes. It will also be necessary for the Council to amend the figures in paragraph 2.8, Table 3, and Table 4 to remove completions between 2019/20 and 2020/21.

### Housing Supply

9. The HBF does not generally comment on either the deliverability or developability of sites. However, it will be important that the Council can clearly justify the start times and delivery rates of those sites that are required for the Council to meet its housing needs. In addition, the Council will also need to identify sufficient supply to meet needs across the amended plan period we consider necessary for the plan to be found sound. The HBF estimates that there is a shortfall of 291 homes over a sound plan period and further sites should be identified in order to ensure housing needs are met in full.
10. In order to ensure housing needs are met in full the HBF also recommends that a buffer is included in the supply of land for housing development. As the Council will be aware there is significant uncertainty when it comes to the delivery of all development due to a range of circumstances. In order to take account of any delays in delivery and ensure that the plan is deliverable over its plan period - as set out in paragraph 35 of the NPPF – the HBF suggest a buffer of between 10% and 20% is included in housing land supply. This buffer ensures that where sites are delayed there is sufficient flexibility to ensure housing needs are still met in full. We recognise that the Council is constrained by Green Belt. However, as was found at the examination of the Guildford Local Plan removing land from the Green Belt as part of a buffer is a legitimate approach and can form part of the justification supporting the exceptional circumstances argument required to amend Green Belt boundaries.
11. The Council will also need to ensure that 10% of the homes it is required to deliver will be provided on identified sites of less than one hectare as required by paragraph 69a) of the NPPF. The Government have recognised the importance of having small sites allocated in local plans in order to support smaller and medium sized house builders who face disproportionate costs and higher risks in bring forward sites. The Government's drive to support smaller developers recognises the contribution they make in ensuring that more homes can be delivered more quickly as well as ensuring a diversity of homes in an area to meet

consumer demands. We therefore recommend that as a minimum the Council ensures that 10% of its requirement comes forward on sites of one hectare or less.

### **SS3a – Climate Change mitigation**

12. The HBF recognises the importance of reducing carbon emissions in order to address climate change and is working with our members and Government to drive forward reductions in carbon emissions from new homes. Part of this work has been to establish the Future Homes Hub<sup>1</sup> which will facilitate the necessary collaboration needed to help the house building industry meet the ambitious targets set by Government with regard to climate change. However, it is important to recognise that Government recognises that this a transition to the Future Homes Standard in 2025 as at present the supply chains and skills required to implement higher standards across the country are not in place. Therefore, whilst we recognise the need for development to improve energy efficiency and reduce carbon emissions the HBF considers that this should be achieved through the phased introduction of nationally applied standards. As such the HBF considers the requirement for development of over 500 dwellings to deliver zero carbon development to be inconsistent with national policy either onsite or through carbon offsetting.

### **H5: Range and Mix of Housing**

#### *Accessible housing*

13. The Council are requiring all new homes to be built to the optional accessibility standard set out in part M4(2) of the Building Regulations. Whilst the Government is considering making this standard mandatory at present this remains an optional standard. The Council is therefore required, as set out in NPPF and PPG, to establish that they are needed and do not render development unviable. Firstly, the Council have not undertaken an updated viability assessment so at present they cannot state whether this requirement in combination with the others in this local plan will impact on the viability of development.
14. Secondly whilst the Council have set out some evidence in the Strategic Housing Market Assessment showing an increased number of people with mobility problems no consideration is made with regard to the existing housing stock and how many of those with a mobility difficulty will be able to make adaptations to their own home meet their needs. The English Housing Survey considered this issue in 2015<sup>2</sup> and whilst we recognise this is national data it provides some indication as to the fact that many of those with a disability will be able to adapt their current home to meet their needs.

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<sup>1</sup> [www.futurehomes.org.uk](http://www.futurehomes.org.uk)

<sup>2</sup> [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/539541/Adaptations\\_and\\_Accessibility\\_Report.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/539541/Adaptations_and_Accessibility_Report.pdf)

15. The study examined the need for adaptations in 2014/15 and noted that just 9% of all households in England had one or more people with a long-term limiting illness or disability that required adaptations to their home and that this had not changed since 2011-12. So, despite an increasing proportion of older people in the general population the proportion of the population requiring adaptations had not changed. The survey also found that in 2014-15, 81% of households that required adaptations in their home, due to their long-term limiting disability, felt their current home was suitable for their needs and that 10% of those households whose home required an adaptation were trying to move somewhere more suitable.
16. So, whilst there is an ageing population with mobility difficulties this does not directly lead to the need for all new homes built to higher accessibility standards. An ageing population will lead to more people who are likely to have a mobility problem but not necessarily more people who need a new more home built to the M4(2). Many older people, and indeed those of all ages with a long-term limiting illness or disability, will be able to adapt their existing homes to meet their needs and do not need to find alternative accommodation. It is also the case that for many people a new home built to the mandatory M4(1) standard will offer sufficient accessibility and adaptability throughout their life and as such to require all new homes to comply with Part M4(2) is disproportionate to the likely need arising in Surrey Heath. Whilst there is evidently a need for some homes to be built to a higher accessibility standard the HBF would suggest that further work is required to justify all new homes being built to part M4(2).
17. The Council also require at least 5% of new homes on sites of either 20 or 50 and above to meet part M4(3). Clearly the threshold is still to be determined by an updated viability study and it will be important to ensure costs of delivering wheelchair accessible homes are fully considered. With regard to the need for such homes the SHMA indicates that this is between 334 and 251. These figures are based on nationally derived data on the basis that no local data is available but clearly the lower locally adjusted figure should form the basis for any policy. It will also be necessary to clearly distinguish between wheelchair adaptable (M4(3)a) and wheelchair accessible (M4(3)b) housing as the latter can only be required where the Council has nomination rights.

#### Self and custom build housing

18. This policy expects 5% of the total homes for sale on sites of 20 or more net new dwellings to be to be made available as serviced plots for self-build and custom housebuilding whilst there is an identified need for such homes.
19. The HBF is concerned that the Council does not have a robust understanding of the need for such homes in Surrey Heath given that the Council states that serviced plots will only be required where there remains an identified need. This suggests significant uncertainty over demand for such plots and the potential for some developments to over provide in the early part of the plan period. It is

therefore important that the evidence base, the Self-Build Register, used to support this policy is robust. Firstly, the register must be reviewed to identify whether those on the list are still looking to build their own home or have found a plot. It is important that the list is regularly reviewed in this manner in order to ensure it provides a robust evidence base from which a local plan policy can be developed. In addition, the Council should also examine how many self-build homes have been delivered since the list was produced to understand the number of self-build plots that are likely to come forward on windfall. If these measures are not undertaken this policy cannot be considered to be justified.

20. Away from the justification for the policy the Council must also include a mechanism for plots returning to the developer if they are not sold within six months of marketing following the grant of planning permission. Such clauses are now standard in self-build policies and ensure that plots the delivery of homes is not unduly delayed.
21. Finally, the Council needs to clearly state that the 5% requirement applies only to houses and does not include flats. It is self-evident that self-build plots cannot form part of flatted developments and therefore should be excluded from this policy.

#### **H6: Specialist Housing**

22. The Council state in part 1a) that development that needs the need of older people will be supported provided they meet needs that are evident at the time of the proposal. Whilst the HBF welcomes the support for housing to meet the needs of older people we do not consider this policy to be an effective approach to meet needs. In order to be effective, the Council must set out how many homes or bed spaces are required to meet identified needs. 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.
23. Part 1g) of H6 sets out that where appropriate specialist accommodation should deliver affordable housing in accordance with policy H7. This will need to properly tested within an up-to-date viability assessment. There are higher costs associated with the development of specialist accommodation for older people, such as communal spaces, and these will need to be considered in the viability evidence.

#### **H7: Affordable Housing**

24. Without an up-to-date viability assessment, it is not possible to comment on whether an affordable housing requirement of 40% on sites above 10 units or 0.5ha is justified. Whilst we cannot comment on the viability of this policy, we would

like to make some broad comments on viability in relation to the approach established in the NPPF and its supporting guidance.

25. Firstly, 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.
26. Secondly, 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. Thirdly, 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. Our penultimate issue is that the council must ensure that the costs relating to biodiversity 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.
31. 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.

## **IN2: Transport**

32. With regard to electric vehicle charging points (EVCP) the Council will be aware that in November 2021 the Government set out its intentions with regard to the provision of EVCPs on new development. These include bring forward regulations to mandate from June 2022 the installation of Electric Vehicle Charging Points (EVCP) for every new home with associated parking within the site boundary and setting the expected technical standards for EVCPs. As such the Council should remove reference to part 2e) as the requirements for electric vehicle charging which will be addressed through building regulations and as such not a requirement to be expressed in a local plan.
33. It will also be important that the Council consider these specifications and the additional costs to developers of providing EVCP. 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.
34. 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. In particular the Government recognises that the cost of installing charge points will be higher in areas where significant electrical capacity reinforcements are needed. In certain cases, the need to install charge points could necessitate significant grid upgrades, which will be costly for the developer. As such the Council may need to adjust other policy requirements within its local plan.

### **E3: Biodiversity Net Gain**

35. The Council are proposing in this policy to require all development to deliver 20% net gain in biodiversity. Whilst we recognise that the Environment Act states that the mandatory requirement for development to deliver a 10% net gain in Biodiversity is a minimum the HBF do not consider it appropriate to set a higher requirement in policy. In order to ensure the effective delivery of Biodiversity Net Gain (BNG) it is important that there is a consistent application of policy across the country. This is a position supported by Government which reiterates their intention on page 7 of the consultation on the Biodiversity Net Gain Regulations and Implementation 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 the Council’s decision to require a 20% net gain in biodiversity is clearly not consistent with national policy.
36. 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. 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. However, as set out below this has not been tested by the Council in relation to their policy.
37. The Council have also yet to consider the impact of a 20% BNG on viability. However, if a 20% net gain is required it is likely that for many sites the additional 10% gain would have to be delivered offsite or through the purchase of credits which will be significantly higher than the Government’s estimates in the impact assessment. For example, table 19 in 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. However, these costs may be an underestimate. The evidence from the Government's 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 used a price of £11,000 per 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 to attract sufficient providers to deliver the necessary units to meet demand.

38. The HBF would therefore recommend that the Council remove the requirement for all qualifying development to deliver a 20% net gain in biodiversity and replaced with a policy that state the Council will support development that goes beyond the minimum requirements and deliver a biodiversity net gain of 20%. Such an approach would be consistent with national policy and the Government's objectives for both net gain and housing delivery. It will also ensure that the approach taken by the Council is sufficiently flexible to allow schemes to deliver the requirements set out in legislation whilst meeting the Council's other policies.

### **DH3: Residential Space Standards**

39. The HBF is supportive of delivering high quality homes however it is important that in seeking to apply the optional technical standards there is robust evidence justifying their inclusion in the local plan. PPG (ID 56-020) identifies the type of evidence required to introduce such a policy. It states that:

*“where a need for internal space standards is identified, local planning authorities should provide justification for requiring internal space policies. Local planning authorities should take account of the following areas:*

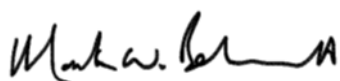
- *Need – evidence should be provided on the size and type of dwellings currently being built in the area, to ensure the impacts of adopting space standards can be properly assessed, for example, to consider any potential impact on meeting demand for starter homes.*
- *Viability – the impact of adopting the space standard should be considered as part of a plan's viability assessment with account taken of the impact of potentially larger dwellings on land supply. Local planning authorities will also need to consider impacts on affordability where a space standard is to be adopted.*
- *Timing – there may need to be a reasonable transitional period following adoption of a new policy on space standards to enable developers to factor the cost of space standards into future land acquisitions.”*

40. The Council therefore need robust justifiable evidence to introduce any of the optional housing standards, based on the criteria set out above. However, we could not find any evidence to support the adoption of these standards in the local plan. Therefore, whilst the Council has considered the impact of these standards on viability they cannot be adopted if there is no evidence to suggest that they are needed. Without this evidence the policy must be deleted.
41. Need is generally defined as 'requiring something because it is essential or very important rather than just desirable'. The Council seem to suggest that the justification for the policy is a desire to improve the quality of housing for the residents of Surrey Heath who deserve high quality homes. However, there is no evidence or justification that confirms that introducing the NDSS will improve the quality of housing or that these will improve the living environment for residents. We consider that additional space does not necessarily equal improvements in quality. There must also be concerns that the introduction of the NDSS could lead to people purchasing homes with a smaller number of bedrooms, but larger in size due to the NDSS, which could therefore have the potential to increase issues with overcrowding and potentially lead to a reduction in quality of the living environment.
42. We consider that standards can, in some instances, have a negative impact upon viability, increase affordability issues and reduce customer choice. This could lead to a reduction in housing delivery, and potentially reduce the quality of life for some residents. In terms of choice some developers will provide entry level two, three and four-bedroom properties which may not meet the optional nationally described space standards but are required to ensure that those on lower incomes can afford a property which has their required number of bedrooms. The industry knows its customers and what they want, our members would not sell homes below the enhanced standard size if they did not appeal to the market. Therefore, without a robust justification the Council must not seek to adopt the national described space standards.

## **Conclusion**

43. I trust that the Council will find these comments useful. I would be happy to discuss these issues in greater detail or assist in facilitating discussions with the wider house building industry. The HBF would like to be kept informed of the progress of the document. Please use the contact details provided below for future correspondence.

Yours faithfully



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