

Sent by email to: localplan@easthants.gov.uk

16/01/2023

Dear Sir/ Madam

Response by the Home Builders Federation to the consultation on the Issues and Priorities for the East Hampshire Local Plan

1. Please find below the Home Builders Federation (HBF) response to the consultation on the East Hampshire 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.

Plan period

2. The Council are proposing a plan period of 2021 to 2040. On the basis of the plan being adopted in September 2025 it is stated that the plan will look forward at least 15 years as required by paragraph 22 of the NPPF. However, given what is a tight time scale that would require the examination to be concluded in less than a year we would recommend that an extra year be added to the plan period to ensure that the plan period is consistent with national policy and avoid the need for modification post examination.

Climate emergency

Net zero greenhouse gas emissions

3. Whilst the HBF recognises the need for new development to reduce greenhouse gas emissions and work towards net zero the approach taken by the Council must be consistent with national policy. The Council must recognise that the Government has already set out a clear road map to achieving zero carbon ready homes as part of the Future Homes Standard from 2025, prior to the proposed adoption of this plan, and as such the HBF does not consider it necessary for an alternative standard and compliance framework to be included in the local plan. In considering its approach the Council will need to take into account section 5 of



Planning and Energy Act 2008 which states that energy policies in local plans “... *must not be inconsistent with relevant national policy*”. Alongside this consideration must also be given to current Government policy which was first established in the Written Ministerial Statement and then reiterated in paragraph 6-012 of PPG. These two statements set out that Council’s should not go beyond a 20% improvement on the 2013 building regulations (an improvement equivalent to the long-abolished level 4 of the Code for Sustainable Homes). Given that this has now been exceeded by Building Regulations it is evident that the Government’s intention is to use building regulations as the main focus for change on this matter and this is further reinforced by paragraph 154b of the NPPF states in relation to greenhouse gas emissions that “... *any local requirements for the sustainability of buildings should reflect the Government’s policy for national technical standards*”.

4. This would suggest that whilst the Government have accepted some uplifts to technical standard can be made through local plans, they are seeking to deliver major changes to energy efficiency standards through building regulations and not through local plans. Certainly, it cannot be argued that they are expecting Council’s to set standards in excess of the Future Homes Standard which as mentioned above, will deliver homes that are zero carbon ready from 2025. As such the Council must follow the Government’s position which is that improvements to technical standards moving forward will be addressed through building regulations and not through local planning policy.

Design of new buildings and the energy hierarchy

5. The energy hierarchy sets out good practice with regard to the delivery of net zero development. However, its application needs to be consistent with the approach to energy efficiency that is expected to be established through the Future Homes Standard and with national planning policy which, for example, makes no mention at present of development being required to offset any residual emissions following the application of technical building standards and any renewable energy requirements set in the local plan.

Criteria for tackling climate change

6. Any detailed criteria should be provided for within the local plan as this will ensure a consistent approach to these across the Borough. Any criteria should also ensure that there is sufficient flexibility to take into account site specific circumstances and viability.

Living locally and the location of new homes

7. The principle behind the 20-minute neighbourhood is one that is a reasonable aspiration to take forward within the local plan, but the Council must remember that this should be seen as an aspiration within appropriate locations rather than a blunt tool for development management or site allocations across the Borough.

For example, the application of this principal in more rural areas, as the Council note, is inevitably more difficult as populations are generally too low to meet all the features of a 20-minute neighbourhood. However, this should not prevent development from happening in such locations where appropriate.

8. Firstly, there may be clusters of villages that provide a range of services for that area within reasonable travelling of each other. These areas might be able to sustainably support a substantial level of development but may not meet the principles of the 20-minute neighbourhood and as such development in such areas is not supported in the local plan. Secondly, the Council will need to recognise that settlements that currently do not have the services that are consistent with the 20-minute neighbourhood could expand to include those services if new development is allocated in those areas. The 20-minute neighbourhood should not be used as a basis for only locating development close to existing services rather identifying where services could be improved through new development. There is a real danger that the principle could be used negatively and become a way of preventing development in certain communities rather than promoting improved neighbourhoods.
9. Finally, the Council must also recognise that if it seeks to apply this principle there is a need for the Council to provide a strong leadership function for local public services to ensure that these are in place and are retained. The Council must ensure that they and their partners are able and willing to support this concept at larger strategic developments or where the Council is seeking to deliver higher density development. Without this strong co-ordinating role, the Council are unlikely to achieve their aspirations in relation to the 20-minute neighbourhood.

Housing

Approach to assessing housing needs

10. The Council should use the standard method to establish the minimum number of homes that the Council need to deliver. The HBF agrees with the Council's evidence and does not consider there to be any exceptional circumstances in East Hampshire to warrant the use of an alternative methodology.

Meeting unmet needs in neighbouring areas.

11. In the consultation the Council ask how many homes the Council should deliver in response to the housing needs in the area covered by the South Down National Park Authority (SDNPA). The Council identify that there is an annual need for 517 homes within those areas of East Hampshire outside the national park and 115 homes each year for those areas in the national park. The statement of common ground between the two authorities state that the SDNPA will be able to meet its commitment to delivering 100 dwellings per annum in those areas of East Hampshire for which it is the local planning authority up to 2028. As such there will be a shortfall in meeting needs up to 2028 and it is reasonable to assume that

these shortfalls will continue across the period of the new local plan. In fact, there is a significant likelihood that the amount of unmet needs in the area covered by the SDNPA will grow given the constraints on growth within that area.

12. The Council will therefore need to work closely with the National Park as part of the review of SDNPA Local Plan to determine the capacity of that area to deliver more housing to 2040. Once this has been established then the Council will have a clearer position as to the number of additional homes it will need to deliver in order to ensure needs across the whole of East Hampshire are met.
13. The Council should be looking to support neighbouring authorities wherever possible to meet their needs. We note that the recent consultation by Havant stated that there would likely be shortfalls in meeting housing needs due to constraints and the Council should be considering whether those area adjoining Havant could deliver more housing to address some of Havant's unmet needs.
14. However, the shortfalls in south Hampshire go beyond Havant. What is evident from plan preparation across south Hampshire is that there are unmet needs also arising in a number of other areas including Portsmouth, Southampton, and Gosport. Indeed, the latest evidence considered by the Partnership for South Hampshire as part of the updated Statement of Common Ground indicated that the shortfall across the area was some 20,000 homes. This is a significant shortfall and whilst clearly East Hampshire cannot be expected to meet all of these needs it should be looking at developing a spatial strategy that would meet some these needs.
15. It is important to recognise that the impact of neighbouring LPAs failing to meet needs has wider impacts. For East Hampshire it will mean that the housing growth it proposes will have less impact on the rising cost of housing seen within the area. The area already suffers from poor affordability with median house prices being over 14 times median salaries. Whilst some of this will be due to the cost of housing in the national park the situation will not improve if insufficient housing is not provided outside of the national park.
16. Other benefits of meeting these needs will be the increased delivery of affordable homes to better meet local need for such homes, increase Council Tax returns for the Council, and the collection of the Community Infrastructure Levy to improve local infrastructure. With regard to affordable homes the Council have identified that they need to deliver 613 affordable homes each year to meet needs. This is significant and reflects the worsening affordability of housing in East Hampshire. Whilst the Council will not be able to meet these needs in full it can do more by delivering more homes than the minimum required by national policy. Such an approach is supported by paragraph 2a-024 of PPG and must be a key consideration in determining the number of homes to be planned for.
17. In relation to other benefits the Council note in their latest AMR that the Council sent out demand notices in 2020-21 for CIL totalling over £4m and has a

provisional allocation for New Homes Bonus in 2023/24 of nearly £700,000. These are substantial financial benefits to the Council and given the constraints on Council revenues must be recognised as key benefits when considering the number of homes, it can build and the degree to which it can meet some of the unmet needs in neighbouring areas.

Conclusions on housing needs

18. Given that there are identified unmet needs for housing in neighbouring areas the Council will need to consider strategies for delivering more than the minimum level of housing need calculated using the standard method. These strategies should be assessed as reasonable alternatives in the Sustainability Appraisal and give an accurate assessment of the benefits accruing from house building within East Hampshire.

Type of housing needed.

Older people's housing

19. The HBF would recommend that the Council include a specific policy to support the delivery of older people's housing. This policy should include a specific target for these needs and, if possible, allocations in the local plan to show how these needs will be met. Whilst the NPPF does not require the housing needs of older to be included in such policies the HBF considers the absence of a stated requirement means that such policies are ineffective. In order to be effective decision makers must be clear as to the level need for this type of accommodation and whether there is a shortfall in meeting these needs. If there is a shortfall decision makers can then act appropriately giving significant weight to the delivery of such homes to meet any shortfalls.

Accessible housing

20. The Government consulted on making part M4(2) the mandatory standard for all housing and confirmed its intention to do so in its consultation response published in July 2022¹. However, the optional standard with regard to M4(3) remains and if the Council wishes to set a specific requirement with regard to this standard it will need to provide evidence, as required by national policy, as to the needs for such homes in East Hampshire and consider the impact of any requirements on viability.

Housing mix

21. Firstly, the most effective way of ensuring a mix of housing sizes, types and styles is through the allocation of a wide variety of sites in terms of size, type and location.

¹ <https://www.gov.uk/government/consultations/raising-accessibility-standards-for-new-homes/outcome/raising-accessibility-standards-for-new-homes-summary-of-consultation-responses-and-government-response>

This will support a greater variety of house builder to deliver homes in the area who will inevitably provide different types and sizes of homes that will meet the needs of different markets in East Hampshire.

22. Secondly, any policy on housing mix must also take into account that housing needs assessments are a snap shot in time and that the type of home needed across the Borough. The type of home needed in different areas can vary significantly from the brough wide needs and also with regard to what has been delivered in the past. Some more built up areas may have had more flatted development delivered and as such there is more need for family homes. Therefore, rather than set fixed percentage we would recommend that the policy establishes that development must have regard to the most recent evidence on housing needs which will include the Borough's housing needs assessments but also any local studies and monitoring evidence that has been published. This will ensure that most up to date evidence is used and the Council can apply its policy on mix to reflect what is needed in relation to the area in which the site is located.
23. With regard to the size of development that should be required to deliver any mix stated in policy we would suggest that this only be applied to major development. Sites of fewer than 10 units are less likely to be suitable to deliver a mix of homes on site.

Affordable housing

24. The Council have yet to produce a viability study to support the development of this local plan. Without this evidence it is not possible to say whether the current 40% affordable housing threshold remains appropriate given that there will be significant additional costs placed on development, such as the mandatory delivery of 10% net gains in biodiversity and higher energy efficiency standards on all new homes, that were not present when the previous local plan was prepared. In addition, the Council must take account of paragraph 58 of the NPPF and paragraph 10-002 of PPG which both outline the need for decision makers to be able to assume that development meeting all policies in a local plan are viable and that negotiations on viability will be limited. This will require the Council to consider, for example, variable affordable housing requirements based on site type and location as well as ensuring that there is sufficient headroom to take account of abnormal and uncertain costs, such as those relating to Biodiversity Net Gains (BNG).
25. It will be important for the Council to work with the development industry to ensure that policies are realistic and will not compromise the deliverability of 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.

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 iteration of the NPPF viability assessments have taken the approach that these cannot be quantified and were addressed through the site-by-site negotiation. However, as outlined above, 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 means that it is impossible to quantify them accurately, 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 national policy expects abnormal costs to come off the land value, we are concerned that if abnormal costs are high then it can 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.
29. Thirdly, build costs and fees will need to take account of the inflationary pressures seen recently. Increasing prices and labour costs will have a significant impact on house prices and it cannot be relied on that house price inflation will be sufficient to offset the increased costs of bring froward and building development in Havant.
30. Fourthly, the councils must ensure that all the policy costs associated arising from the local plan are considered alongside the likely costs that will be imposed on development through local plans and other national policies and standards. In terms of new national building standards and levies imposed on house builders the HBF have estimated in a new report that these cost on average about £20,000 per new home built. This is in addition to the costs imposed through local plans. It will be essential that the strategic policies and aspirations of the local plans do not take account of these costs. However, it will also be necessary to leave sufficient headroom as the cost of delivering some national policies are still uncertain. For

example, the Impact Assessment on BNG undertaken by Government makes the assumption that a 10% net gain will cost on average £20,000 per hectare. However, in some cases our members have seen the costs of delivering this at more than £20,000 per unit. Whilst we recognise this will depend very much on the site the Council will need to ensure that there is sufficient headroom in viability to take account of costs such as BNG which are so uncertain.

31. Finally, the approach to land values needs to be a balanced 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.

Self-build housing

32. It will be important that any policy is proportionate to the evidence of demand for self-building within East Hampshire. Since the introduction of the requirement to maintain a self-build register in 2016 the Council's latest AMR indicates that there are 102 individuals on the list. This does not suggest that there is significant demand for plots in East Hampshire. and should work with land owners seek to identify specific sites that will meet the needs of those looking to self-build. The Council will need to review the list periodically to ensure it is robust and that those on the list are still interested in building their own home.
33. The level of demand for plots would suggest that the Council should include a policy that is supportive of self-build development whilst working with land owners to identify suitable sites that could deliver self-build plots. In particular the Council should look to its own land. In outlining how Councils can fulfil their duties with regards to self-build² the government have set out that they should consider the demand for self-build when disposing of land within their ownership. Therefore, should the Council be seeking to allocate any site within their ownership in this local plan it will need consider whether these would be suitable to support those looking to build their own homes.

Development Options

34. To a large extent the development strategy will be defined by the location of the sites being promoted for development. As the Council notes there are pros and cons with regard to each of the proposed development strategies and in the long run elements from each may need to be adopted. Therefore, rather than give a preference as to a specific strategy we consider it more important that that the eventual strategy chosen by the council allocates a wide variety of sites in terms of size and type and that the strategy ensures a consistent supply of homes across the plan period.

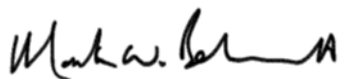
² Paragraph 57-025 of Planning Practice Guidance

35. The Council must not unnecessarily push back the delivery of new development. Whilst PPG recognises that plans might need to include a stepped trajectory the aim in the first instance should be a plan that seeks to meet needs consistently across the plan period. This will require the plan to allocate a range of sites with smaller sites coming forward in earlier in the plan period and strategic sites delivering homes in the middle and end of the plan period. Local Planning Authorities can focus on strategies that rely heavily on large strategic sites at the expense of more balanced strategies that deliver more smaller sites. The consequence is that housing needs are met later resulting in increasing housing costs and longer waiting lists for affordable housing.

Conclusion

36. The Council are in the early stages of preparing the plan and there are still a number of important pieces of evidence to be produced. In moving forward, the HBF recommend that the Council examines spatial strategies alongside the SDNPA that would in the first instance ensure needs across the whole borough are met regardless of where those needs arise. In addition, the Council should also consider whether further allocations are possible in the South of the Borough to meet unmet needs in South Hampshire. As we have highlighted in our comments above there are already unmet needs within the most urban areas of South Hampshire and if these are to be met it will require Councils such as East Hampshire to identify more land for development. Strategies that deliver more housing than the minimum required will need to be tested as reasonable alternatives in the SA and should provide a balanced assessment that recognises the benefits of such delivery with regard to affordable housing delivery, the cost of housing, infrastructure improvements and local services.
37. We hope these representations are of assistance in taking the plan forward. Should you require any further clarification on the issues raised in our comments please contact me.

Yours faithfully



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