

## WEST BERKS LOCAL PLAN EXAMINATION

### Matter 8: Requirements of Housing Developers

Q8.1. Are the requirements relating to affordable housing in policy SP19 justified and consistent with national policy, and will they be effective in ensuring that the overall need for new homes is met whilst maximising the delivery of additional affordable homes. In particular:

a) Does the viability evidence indicate that the requirements for 20%, 30% and 40% in different types of residential development are achievable?

As set out in our representations the HBF are concerned that that viability evidence suggest at paragraph 3.2.61 that development on brownfield land that 30% is the maximum and should be in the range of 20-30%. In addition, the study suggests that 30% should be a target not a maximum and that in the short term they would be inclined to suggest a maximum of 20%. Whilst some negotiation is clearly supported by paragraph 58 of the NPPF this is in exceptional circumstances it would appear from the council's evidence that on PDL negotiation will be the norm as the council and developer seek to identify what level of affordable housing delivery can be supported by development coming forward on PDL.

The HBF recognises that over time the cost of implementing some policies such as the energy efficiency requirement and BNG may reduce we are concerned that the Viability Assessment has not fully reflected these costs in the first place, as we set out elsewhere in our statement. There is still significant uncertainty as to how much these new policies will cost and the Council must not seek to push requirements to the edge of viability on the premise that costs may improve over time. As such we would suggest that in relation to PDL sites that affordable housing requirement is reduced to 20%.



b) Is the requirement for affordable housing provision on sites of between five and nine dwellings justified having regard to NPPF 64 and the Council's response to PQ39?

No. The Council's approach is inconsistent with national policy and the council have not provided sufficient justification to depart from paragraph 64 of the NPPF. The Council provide two justifications. Firstly, the council consider the fact that the majority of the area is within the AONB to be justification. This is not a justification. The reason why rural areas have a lower threshold is to reflect the fact that they in general deliver housing on small sites and as such it allows affordable housing to come forward on more sites within those areas. This is not the case for other areas where larger sites are likely to come forward allowing affordable housing to come forward on a more regular basis.

The second argument put forward by the council is that the council are seeking to maximise delivery of affordable homes and that small developments can support the level of affordable housing being proposed. As we set out in our representations the Ministerial Statement is 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 additional 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. Given that the need to support SME housebuilders and to grow these sector of the industry remains there is no justification for the council seeking to apply this policy across the whole of West Berkshire.

The HBF consider it essential for the soundness of this policy that the Council amend the policy to clearly state that only sites of 5 to 9 dwellings in designated rural areas are required to deliver affordable housing.

c) *The approach to site specific viability assessments and review mechanisms having regard to PPG ID:10-07 to 10-09.*

With regard to the review mechanism the HBF would suggest that a slight amendment be made to provide more flexibility in its application given that a review mechanism will not be applicable in all circumstances, for example on smaller sites where the circumstances are unlikely to change prior to implementation and completion. The HBF would suggest the following changes to ensure the policy provides the necessary and flexibility and clarity to be considered sound.

*“If a lower provision of affordable housing is sought ~~agreed in exceptional circumstances~~, a review mechanism will, where appropriate, be required to ensure that if viability improves ...”*

d) *The approach to on- and off-site provision, having regard to NPPF 63.*

No comment

e) *The requirements relating to tenure split and First Homes having regard to NPPF 65 and PPG ID:70-013-20210524.*

The government policy is that at least 25% of the affordable homes should be First Homes and the policy should be amended to reflect this. Whilst this may seem a relatively minor amendment it provides clarity that any provision of first homes must rounded up not down within the proportion of affordable housing to be provided.

f) *The requirement for 20% affordable private rent units in 100% build to rent schemes having regard to PPG ID:60.*

No comment

g) *The approach to affordable housing provision in extra care housing schemes.*

Given that many extra care and sheltered housing schemes come forward on PDL sites they will face similar challenges to general housing schemes. However, these challenges are exacerbated given that they face additional costs, for example the provision of communal areas. As such the HBF would also suggest that sheltered housing is included alongside extra care housing in the ninth paragraph of this policy. It would also be sensible to specifically exclude such development from providing First Homes given that the NPPF already excludes purpose built accommodation for the elderly from all other forms of affordable home ownership.

Q8.3. Are the requirements of policy SP18 justified and consistent with national policy, and will they be effective in meeting the housing needs of different groups in the community? In particular:

(a) The requirement for all developments of 10 or more dwellings to provide a mix of dwellings sizes that reflects the proportions set out in Table 3.

(b) The requirement for all dwellings to be accessible and adaptable in accordance with building regulation M4(2).

(c) The requirement for around 10% of new market homes and a maximum of 5 units of the affordable sector to meet the wheelchair users standard M4(3), having regard to the Council's response to PQ37.

The HBF continues to consider that the Council's requirement for 10% of all market housing to be built to Part M4(3) is unsound as it has not been justified. The Council estimate that needs will increase by 797 households over the plan period with a current unmet need for such homes to be around 420 households. What is notable that whilst the assumption that 25% of current households in need of a wheelchair accessible household will need to move the same assumption is not made with regard to newly arising need. Newly arising need for accessible homes will by and large relate to households already in the area and as such it can be assumed that a similar proportion will be able to adapt their home accordingly. Indeed, for many this is preferable allowing them to stay within their current home. In addition, no account appears to have been given as to the number of those households in need of a wheel chair accessible home in future will move into a care home or extra care facility. Give the majority of those the council expect to need a wheelchair adaptable home are over 85 this could be a significant proportion. The Council suggest that it does not want to constrain access to such housing however, it must also not seek to over estimate the demand for such

homes. The HBF recognises the need for some homes to be built to Part M4(3) but this needs to be based on a robust assessment of what is needed.

Q8.4. (a) Will the allocations in the Plan, and the last paragraph of policy SP18 along with policy DM18, be effective in encouraging the development of small and medium sized sites including for those who wish to build their own home? (b) Will the Plan, along with the Council's brownfield register, be effective in accommodating at least 10% of the housing requirement on sites no larger than one hectare?

No comment

Q8.5. Is the requirement for all new market and affordable dwellings, including from permitted development, change of use and conversion, to comply with the nationally described space standard justified having regard to evidence of need, viability and timing?

The Council state in the local plan that measurement of dwellings coming forward since the adoption of the Core Strategy have come forward below space standards. However, this does not appear to have been included in the Council's evidence base and it will need to be produced and provide a robust justification for this policy if it is to be included in the local plan.

Q8.7. Are the requirements in policy DM4 relating to energy efficiency, space heat demand, net zero carbon operational energy, and carbon offsetting for all residential development consistent with national policy or otherwise justified?

Whilst the HBF would agree with the Council that there is a need to act to reduce carbon emissions we would disagree that this needs to be undertaken through the local plan given that there is already a national approach, the Future Homes Standard (FHS), being taken forward to achieve the same goal. Delivering these improvements through building regulations has a distinct advantage over delivering a variety of different approaches across the county in that it provides a single approach that all developers understand and can be rolled out at scale. This allows supply chains and skills to be improved prior to implementation and ensure that improvements to building standards are actually deliverable from the point at which they are introduced.

However, the Council has chosen to go beyond current or future standards and as such it must be done in a way that is consistent with national policy and robustly assesses its consequences and give consideration as to how the requirements of DM4 are consistent with the written ministerial statement (WMS) published on the 13th of December 2023. In this statement the housing minister notes that “*Compared to varied local standards nationally applied standards provide much-needed clarity and consistency for businesses, large and small, to invest and prepare to build net-zero ready homes*” and that local standards can “*add further costs to building new homes by adding complexity and undermining economies of scale*”. The 2023 WMS goes on to state that any standard that goes beyond building regulations should be rejected at examination if the LPA does not have a well-reasoned and robustly costed rationale that ensures:

- That development remains viable, and the impact on housing supply and affordability is considered in accordance with the National Planning Policy Framework.
- The additional requirement is expressed as a percentage uplift of a dwelling’s Target Emissions Rate (TER) calculated using a specified version of the Standard Assessment Procedure (SAP).

Taking the second bullet point from the WMS first, the approach proposed by the Council in part a requires the developer to achieve a 63% reduction in carbon emissions as compared to the baseline emissions rate set by the 2021 Building Regulations with the second bullet requires a space heating demand of 15kwh/m2/year based on the SAP Fabric Energy Efficiency Standard. The first requirement would appear to be consistent with the approach set out in the WMS which requires such target to be expressed as a TER however the second requirement which is based on energy use, is inconsistent with the approach set out in the WMS. The Government have considered whether it was appropriate to use a delivered energy metric such as the one being proposed by the Council and have concluded that these do not offer any additional benefits to those being taken forward by Government. Therefore, as such the requirement to meet a space heating demand of less than 15 kwh/m2/year is unsound and should be deleted.

Turning to the first bullet point, this requires Councils to not only robustly test the impact of this policy on viability but also its impact on the deliverability of development. As set out in our Matter 1 Statement the viability study states in paragraphs 2.14.4 and 3.1.40

that in updating the viability study in 2022 a 5% uplift in build costs was included to take account of the higher energy efficiency standards proposed in DM4. However, it is not clear whether this uplift relates a home meeting the 2021 Part L Building Regulations or the 2013 Regulations. Given that the BCIS costs used would reflect build costs prior to the introduction of the latest Part L Building Regulations we have assumed the 5% uplift relates to a home built under the 2013 Building Regulations. It is also unclear as to whether this includes the cost of carbon offsetting.

The HBF consider a 5% uplift to building costs is too low to take account of the additional costs of delivering the policy requirements set out in DM4. Our matter 1 statement outlines that this is lower than some of the costs for similar standards set out in work by the Future Homes Hub (FHH) to support and inform the implementation of the Future Homes Standard, the findings of which are set out in "Ready for Zero". This study tests a number of archetypes against a range of specifications from the current standards set out in the 2021 Building Regulations through to standards that will achieve similar standards to those proposed by the Council. The various specifications and costs from that report are set out in our matter 1 statement. The study indicates that in order to deliver the expected level of the Future Homes Standard expected to be introduced from 2025 would be a 5% increase from the 2021 Building Regulations. To go beyond the Future Homes Standard the build costs would be between 15% and 19% higher. Given that this level of cost has not been tested the policy on this basis cannot be considered justified.

As well as viability the WMS requires consideration to be given to the deliverability of any standard that go beyond building regulations. Whilst we would not disagree with the Council's that the proposed standards are technically feasible the HBF are concerned as to the impact these requirements will have on the rates at which sites can deliver new homes on all types of sites. Given that the standards proposed in DM4 will require higher levels of fabric efficiency, the Council will need to be able to show that there will be a sufficiently skilled workforce available to deliver these standards as well as and materials that may not be readily available, and which could slow delivery the short to medium term as supply chains are developed. It has been recognised by the FHH that to deliver higher standards will require phased transitional arrangements would be needed to steadily build up the skills and ensure quality. The FHH also notes in its report Ready for Zero that even if a short transition period between current

standards and those similar to the Council are proposing that this would “... *create a high risk of quality problems, inflated costs and, potentially, stalled build programmes.*”

Without any detailed considerations as to the impact of the proposed standard on the deliverability of development across the plan period they cannot be considered justified and should be deleted.

Q8.8. Are the requirements for residential development relating to water quality, water resources and waste water in policies DM6 and DM7 justified and consistent with national policy? In particular:

a. The requirement in policy DM6c for all development within the hydrological catchments of the River Lambourn SSSI/SAC or River Test to demonstrate nutrient neutrality.

b. The requirement in policy DM7 for all new dwellings to meet the optional Building Regulations requirement of 110 litres/person/day.

The Council should not be asking development to aim for water neutrality as outlined in the opening sentence of this policy. To achieve neutrality will require reductions in water use in other buildings across the Borough which is not in the gift of the development industry to deliver but, as indicated in the policy, for the Council to work with other partners to achieve. We would therefore suggest that the “... *and aims to be water neutral as far as practicable by incorporating appropriate water efficiency and water recycling measures*” is deleted.

Mark Behrendt MRTPI

Planning Manager – Local Plans SE and E