

NORTH TYNESIDE LOCAL PLAN EXAMINATION

Matter 4: Housing Land Supply & Delivery

1. The following hearing statement is made for and on behalf of the Home Builders Federation. This statement responds to selected questions set out within Matter 4 of the Inspector's *Schedule of Matters, Issues and Questions* (exam ref: EX/INS/11) and *Inspector Questions on Council Additional Evidence* (exam ref: EX/INS/16).
2. The Inspector's Issues and Questions are included in bold for ease of reference. The following responses should be read in conjunction with our comments upon the submission version of the Local Plan, dated 14th December 2015. The HBF provided comments upon the Council's *Draft North Tyneside SHLAA 2016*. Our response is appended to this hearing statement. The HBF has also expressed a desire to attend the examination hearing sessions.

Issue 1 – How does the Plan meet the full OAN for market and affordable housing in the housing market area, including identifying a supply of specific, deliverable sites sufficient to provide 5 years' worth of housing and a supply of specific, developable sites for housing for years 6-10 and where possible years 11-15 ? (NPPF, paragraph 47)

a) What is the up to date situation regarding completions to date in the plan period and what is the residual amount of housing that needs to be delivered?

3. The most recent evidence, the HBF is aware of, is contained within the *Draft North Tyneside SHLAA 2016* (exam ref: NT07/7/1). This suggests that as of 31st March 2016 2,170 dwellings had been completed, this is 1,970 dwellings short of the plan requirement at that time. The residual requirement, based upon the Council's preferred housing figure, is therefore 15,218 dwellings (net).

b) What is the estimated total supply in the plan period from:

- i. existing planning permissions***
- ii. other commitments e.g. sites subject to S106***
- iii. allocated sites***
- iv. any other sites specifically identified***

v. windfalls

4. The HBF has not undertaken any additional analysis upon this issue and therefore refers the Inspector to the Council's evidence and our response to question 'c' below.

c) How does the total potential supply compare with the planned level of provision?

5. As noted in response to question 'a' the residual requirement for the plan period is a minimum of 15,218 dwellings. Once commitments from planning permissions are taken into account this drops to a minimum of 10,453 dwellings. The HBF does have some concerns that there does not appear to be a discount upon planning permissions to account for none or under-delivery, we discuss this further in response to question 'h' below. The effect of this lack of discount is to reduce flexibility within the plan.

5. The capacity of the allocations is set out within Policy S4.3 of the *Local Plan Modifications Version* (June 2016) (exam ref: NT01/5/2) and identifies 8,797 dwellings from this source. This is 1,656 dwellings short of the minimum requirement.

d) What are the assumptions about the scale and timing of supply and rates of delivery from these various sources? Are these realistic? (Does the SHLAA establish realistic assumptions about the availability, suitability and deliverability and likely economic viability of housing sites? (NPPF paragraph 159)). Has there been any discounting of sites with planning permission for example?

6. The HBF does not wish to comment upon the acceptability or otherwise of specific housing sites contained within the plan. It is, however, clear that even if the plan delivers all sites to their identified potential, together with delivery from planning permissions the plan will still require other sources of supply. This significantly reduces flexibility and choice within the plan and risks the plan failing to deliver the full housing requirement.
7. In response to question 29 of the *Inspector's Initial Observations* (exam ref: EX/NTC/1) the Council identify that they do not consider it necessary to provide a discount for sites with planning permission. The HBF disagrees with this approach.

e) What are the potential sources of windfalls? Is there compelling evidence to justify the approach to making an allowance for future windfall sites? (NPPF paragraph 48) Given that the Local Plan and SHLAA have provided the opportunity to identify specific sites, are windfalls likely to come forward on the scale envisaged? What would be the implications if they didn't?

8. Appendix 1 of the 2016/17 SHLAA provides significant discussion upon the potential sources of windfalls. The HBF does not dispute that windfalls have played a significant role in housing delivery within the plan area over the recent past. This must, however, be viewed in the context of an aging plan with few viable allocations and the subsequent production of a more comprehensive evidence base in terms of the SHLAA as well as the forthcoming brownfield register. Given these factors it stands to reason that the amount of windfalls are likely to decrease in the future.
9. The HBF understands that the Council suggests a windfall allowance of 75dpa should be factored into the supply (Council response to Q34a, exam ref: EX/NTC/1). This would provide a supply of 1,197 dwellings over the remainder of the plan period. It is unclear why this figure varies from the 1,234 dwellings at 73dpa within table AX21 of appendix 1 to the 2016/17 SHLAA or the 89dpa windfall allowance identified in footnote 24 of the same document.
10. The windfall allowance falls into three broad categories conversions / change of use, small sites and larger sites. The HBF considers that the analysis of delivery from small sites and conversions / change of use are likely to continue and the rates of delivery are considered realistic. These sites would generally appeal to different elements of the residential market compared to the allocations and as such are likely to continue.
11. The key concern is the continued inclusion of larger sites. Given that the plan is providing significant allocations it is highly likely that windfall delivery from larger sites will reduce significantly due to the fact that they are likely to be in direct competition with the allocations. The allocations would obviously be preferred as they will provide greater certainty for a prospective developer.
12. It is noted that the 2016/17 SHLAA provides a larger pool of sites than has been allocated. To provide greater certainty to the plan the HBF recommends that further allocations are made from this pool to reduce the reliance upon windfalls and minimise the gap between the known supply and housing requirement.

f) Does the Council's five year supply of specific deliverable housing sites incorporate a suitable buffer, in accordance with the NPPF and PPG?

13. No, I refer to our response below.

g) Has there been a persistent under delivery of housing? In terms of a buffer for a five year supply, should this be 5% or 20% in relation to paragraph 47 of the NPPF?

14. The Council has under-supplied against its relevant housing requirement for the last 8 years (2008/9 to 2015/16). It has also only delivered 52% of its preferred housing requirement since the start of the plan period. The HBF considers this represents persistent under-delivery and as such a 20% buffer should be applied.

h) Should an allowance be made for non-implementation of permissions and if so, what is the evidence? Should any additional allowance be made for uncertainty over the supply from allocations and windfall?

15. Yes, the HBF considers that the plan should provide an allowance for non-implementation of permissions. The HBF agrees with the Council 2016/17 SHLAA appendix 1, paragraph 12.5, that the lapse rate should be based upon local evidence and historic trends. It is noted that the Council's evidence suggests a 5% lapse rate based upon these trends (paragraph 12.39, 2016/17 SHLAA appendix 1). Given this evidence it is unclear why the Council is not seeking to provide such a discount (Council response to Inspector's question 29, exam ref: EX/NTC/1).

16. The HBF also consider it prudent that the plan contain a buffer of sites to counter any under or none delivery from allocations or windfalls. The reasons for the inclusion of such a buffer are two-fold. Firstly the NPPF is clear that plans should be positively prepared, aspirational and significantly boost housing supply. In this regard the housing requirements set within the plan should be viewed as a minimum requirement, this interpretation is consistent with numerous inspectors' decisions following local plan examination. Therefore if the plan is to achieve its housing requirement as a minimum, it stands to reason that additional sites are required to enable the plan requirements to be surpassed. Secondly, it is inevitable, due to a variety of reasons, some sites will either under-perform or fail to deliver during the plan period. A buffer of sites will therefore provide greater opportunities for the plan to deliver its housing requirement.

17. The need for a buffer is also supported by the recent Local Plan Expert Group¹ recommendations to Government. The report recommends a 20% buffer of reserve sites be provided to ensure that the plan can maintain a five year supply and respond flexibly and rapidly to change. The HBF agrees with this stance.

i) How should the level of completions since 2011 be taken into account? Is the Plan applying the ‘Sedgefield’ or ‘Liverpool’ approach? What would be the requirement for a five year supply on adoption of the Plan?

18. The HBF agrees with the Council (paragraph 8.20, North Tyneside SHLAA 2016) that the ‘Sedgefield’ method is the most appropriate method for dealing with any under-delivery. Taking account of our response to question ‘g’ above the HBF therefore consider Table 9, 2016 SHLAA to represent the most robust assessment of the five year housing requirement.

j) Is the Plan sufficiently clear on the basis on which the 5 year supply calculation should be made?

19. The *Local Plan Modifications Version* (June 2016) (exam ref: NT01/5/2) identifies the Council’s position at paragraph 7.18. Whilst we are not in agreement with the inclusion of a 5% buffer, see our response to question ‘g’, we do otherwise consider this provides sufficient clarity.

k) to l)

20. The HBF does not wish to make any comments upon these issues.

m) Should the annual housing requirement figure be staggered to reflect the focus on large strategic sites? (i.e. a lower figure in the early years of the plan period, increasing later?) Are the lead-in times and delivery rates for Murton and Killingworth Moor realistic? What are the implications for the five year supply?

21. The HBF does not consider that the annual housing requirement should be staggered. Whilst it is recognised that the large strategic sites will have a longer lead-in time, this will effectively ‘put off’ meeting the needs of the area in the short term and may have implications for the achievement of the Council’s economic ambitions. It will also place greater emphasis on high rates of delivery later in the plan period.

¹ Local Plan Expert Group (2016): Report to the Communities Secretary and to the Minister of Housing and Planning

n) Has the Plan sufficiently prioritised the effective re-use of previously-developed land? (NPPF, paragraph 111). What proportion of the Plan's housing requirement is likely to be delivered on previously-developed land? Is this reflected in Policy S4.1?

22. The HBF does not wish to make any comments upon this issue.

o) Explain how the Plan illustrates the expected rate of delivery of market and affordable housing through housing trajectories for the Plan period and sets out a housing implementation strategy for the full range of housing, including maintaining a five year supply of housing land to meet housing targets.

23. The HBF considers this an issue for the Council.

p) What measures, to take action, is the Council putting in place if sites fail to deliver in line with the trajectory? Is this clearly set out?

24. The HBF notes the information contained within the *Housing Implementation Strategy* (exam ref: NT01/9), particularly 'risk 3: Insufficient supply of deliverable housing land'. This includes a number of practical steps which may assist in bringing forward additional sites. Whilst Policy S9.1 is noted and generally supported it remains unclear under what specific circumstances some of these elements would be invoked such as the release of additional sites or a full or partial plan review. The HBF consider that the plan would benefit from greater clarity in this regard. Be this as a policy or a clear part of the monitoring framework.

Inspector Questions on Council Additional Evidence

1. Appendix 7 summarises that on the basis of a scenario of an annual requirement of 828, plus 5% and the Sedgefield approach for the accumulated shortfall, the Council cannot demonstrate a five year supply on plan adoption (see provisions of paragraph 47 of the NPPF). With reference to the full contents of the SHLAA (including the considered alternative scenarios) and the accompanying updated evidence base on demographic and household forecasts should or can the Plan be modified to ensure there is a sound planned supply of housing?

25. The HBF recommends the Council consider bringing forward additional sites which can be delivered within the five year supply.

2. In relation to specific sites, notably the proposed strategic sites, does the methodology and outputs of the SHLAA 2016 provide a robust basis on which to profile the anticipated delivery from these sites? Has the SHLAA 2016

provided clarity on any sites whose uncertainty had given them a later profile in earlier SHLAA work?

26. The HBF has no further comments at this stage.

3. Has the updated 2016 SHLAA addressed the concerns of some participants in relation to the Council's approach to calculating its housing requirement and 5 year housing land supply?

27. The HBF still has outstanding concerns with regards to the application of a 5% rather than 20% buffer.

Yours sincerely,

MJ Good

Matthew Good
Planning Manager – Local Plans
Email: matthew.good@hbf.co.uk
Tel: 07972774229

**Appendix 1: HBF comments upon North Tyneside Draft SHLAA 2016,
Five Year Housing Land Supply Summary 2016 and Area-Wide Viability
Assessment**



David Hall
Planning Policy Officer
Quadrant,
The Silverlink North,
Cobalt Business Park,
Newcastle Upon Tyne,
NE27 0BY
Email: David.Hall@northtyneside.gov.uk
Sent by Email only

01/07/2016

Dear Mr Hall,

**North Tyneside Draft SHLAA 2016, Five Year Housing Land
Supply Summary 2016 and Area-Wide Viability Assessment**

1.0 Introduction

1.1 Thank you for consulting the Home Builders Federation (HBF) on the North Tyneside Draft SHLAA 2016: Sites Assessment Schedule, the accompanying Five Year Housing Land Supply Summary 2016 and the Area Wide Viability Assessment. Our comments upon each of these important documents are set out separately below.

1.2 The HBF is the principle representative body of the housebuilding industry in England and Wales and our representations reflect the views of our membership of multinational PLCs, through regional developers to small, local builders. Our members account for over 80% of all new housing built in England and Wales in any one year including a large proportion of the new affordable housing stock.

2.0 North Tyneside Draft SHLAA 2016 Sites Assessment Schedule

2.1 The HBF does not wish, at this stage, to comment upon the acceptability or otherwise of specific sites contained within the SHLAA. It is important that in determining the delivery of sites realistic lead-in times and build out rates should be applied. These will need to take account of factors such as ownership, developer interest, planning status (inclusive of pre-commencement conditions and Section 106), site preparation, number of outlets and the strength of the local market.

2.2 The Council will be aware that lead-in times and build out rates can vary considerably between sites. The HBF therefore recommend that wherever possible these should be directly informed by discussions with the land owner, site promoter or ideally the developer. The HBF is therefore supportive of the current consultation and our members will assist wherever possible. It is also pleasing to note that the trajectory for some sites is based upon previous discussions.

2.3 Where generic assumptions are used it is important that they are not artificially raised in an attempt to identify a greater supply.

3.0 Five Year Housing Land Supply Summary 2016

3.1 The HBF is largely supportive of the methodology employed in determining whether a five year housing land supply exists within North Tyneside. In particular we support the use of the 'Sedgefield Method' to meet previous under-delivery and the addition of this under-delivery prior to the buffer, as advised by the Planning Advisory Service.

3.2 The only area of contention is the application of a 5% or 20% buffer. It is noted that the Council's preference is a 5% buffer. Whilst the HBF recognise the Council regularly delivered its housing requirement, as set by the former Regional Spatial Strategy, prior to 2008 it has not provided sufficient delivery since this time. The following table identifies that the Council has missed its target for 8 of the last 10 years. This has led to an under-delivery of 1,970 dwellings against the currently proposed plan requirement (828dpa). The HBF consider this to be persistent under-delivery and therefore recommend that a 20% buffer is applied.

Relevant plan	Year	Plan target	Delivery (net)	Surplus / Deficit
RSS	2006/7	400	585	+185
RSS	2007/8	400	584	+184
RSS	2008/9	400	304	-96
RSS	2009/10	400	286	-114
RSS	2010/11	400	255	-145
Local Plan	2011/12	828	391	-437
Local Plan	2012/13	828	450	-378
Local Plan	2013/14	828	379	-449
Local Plan	2014/15	828	414	-414
Local Plan	2015/16	828	536	-292

Sources: North Tyneside Council 2014-2015 AMR, Draft SHLAA 2016: Summary of 5-Year Housing Land Supply Position

3.3 The HBF therefore consider Table D to represent the most robust assessment of the five year housing requirement.

3.4 Whichever buffer is applied the conclusions are clear that the Council cannot currently demonstrate a five year housing land supply. To ensure that this situation does not continue indefinitely the HBF recommend the Council engage with our members in order to identify if and how existing sites could be accelerated through the process as well as the identification of additional sites which could delivery early in the plan period. It is important that the Council undertake this work as soon as possible to ensure that the plan is found sound at examination and that the policies relating to housing are not immediately out of date upon adoption.

4.0 Area-Wide Viability Assessment (AWVA)

4.1 The publication of the Area Wide Viability Assessment is welcomed. This is considered an essential element of the Local Plan evidence base and is likely to be of importance in the forthcoming examination of the plan.

4.2 The HBF is supportive of the inclusion of the potential Local Plan policy costs arising from:

- a. Section 106 contributions informed by monitoring of current contributions for a range of infrastructure including Education needs, highways and transport, green space and biodiversity, play and recreation, allotments, and employment and training. However, care must be taken to allow for the full planning costs which includes planning conditions, and major costs such as drainage attenuation (SUDs) and Section 278 works (offsite and direct access).
- b. Application of National Space Standards and Accessible Homes

These are essential elements of the AWVA to ensure that the Local Plan is compatible with paragraph 174 of the NPPF.

4.3 Table 1 provides an update of the current assumptions. The assumptions are discussed in turn below.

Market Housing Values

4.4 It is unclear whether these values are intended to represent gross sales values or net values once incentives have been taken into account. This should be made explicit and justified. Caution should be used when referring to marketing values as these are rarely the final price achieved (page 5 – reference to ‘estimated to be advertised at’ values).

4.5 Three price bands are included in the table the basis for which are unclear and represent a significant uplift on the figures identified within Figure 12 of the 2015 Draft Initial AWVA. The differences are illustrated below;

Value Area	2015 initial AWVA (£ per sqm)	2016 AWVA (£ per sqm)	Difference (£ per sqm)
Lower	1,550	1,900	350
Medium	2,000	2,350	350
Higher	2,250	2,550	300

4.6 The HBF does not consider these values to be fully justified by the evidence presented and are considered too optimistic. It is also notable that the 2016 values are higher than those utilised in studies by neighbouring authorities such as Northumberland County Council. The HBF recommend further discussions with our members on this issue who upon consultation considered the 2016 values to appear inflated.

Affordable Housing Values

4.7 Again these values should be justified by evidence.

Floor Area

4.8 If the Council is seeking to introduce the national space standards it is recommended that this be used in all cases for consistency. The study should not seek to pick and choose between the various sizes identified in the table.

Construction costs

4.9 The use of re-based BCIS is generally considered appropriate.

4.10 It is noted that contingency is inclusive within these costs. The HBF recommend for transparency this be separated and included as a percentage based upon the full costs of development, 5% is often utilised.

4.11 Whilst externals will differ significantly between sites, 20% is generally considered an appropriate benchmark. The Council should, however, consider whether an uplift to this will be required based upon a knowledge of the sites likely to be brought forward through the plan.

Accessible Homes Uplift

4.12 The uplift applied should be kept under review and further discussions with developers active in the area regarding the costs involved. Whilst it is noted that the uplifts applied are based upon the *Cost Impacts report prepared by EC Harris LLP*. It remains to be seen how accurate these costs are, particularly in relation to different areas across England. Furthermore, the consequential impact on development density should be considered, as this uplift will reduce development density and potential GDV.

Section 106 Contributions

4.13 The use of a sliding scale, dependent upon size, is considered appropriate and largely reflects the realities of developing different site sizes. It is, however, unclear how the bands have been derived and why there is no such band for schemes under 35 units.

4.14 The figures are based upon the data within appendix 1 of the report. However they do not appear to take account of the sometimes significant costs associated with Section 278 and drainage attenuation requirements. This should be rectified.

Brownfield Land Cost Uplift

4.15 The HBF agrees that such uplifts are necessary to account for greater abnormal costs associated with brownfield developments. There does not, however, appear to be any similar allowance made for greenfield sites. Abnormal costs whilst more common place on brownfield sites are not restricted to such sites. Through consideration of the SHLAA and knowledge of local sites an assessment should be made of the likelihood of abnormal costs due to issues such as drainage, topography, etc. on greenfield sites. Furthermore, many of the greenfield sites in North Tyneside are in areas with a mining legacy. Consequently, additional development costs are frequently encountered such as grouting, abnormal foundations and remediation. On the balance of probabilities, these will likely be required on most greenfield sites in the Borough. Therefore, they should be allowed in the viability appraisals.

Professional and Finance Costs

4.16 A wide range of assumptions are included within the section. Those of particular concern are highlighted below;

- Marketing – 3% on market sales is applied. The Local Housing Delivery Group report (Harmon guidance) suggests a rate of between 3 and 5% of GDV recognising that this will vary dependent upon the strength of the local market. Considering that North Tyneside is not the strongest market nationally 3% is considered too low and a figure closer to 5% is recommended.
- Land acquisition and stamp duty - 5.5% is applied. The Harmon guidance recommends agents fees of 1-2% of land value, legal fees of 0.75-1.5% and 4% stamp duty (SDLT) on site value. The latter was changed in March 2016, to a band system, which raise the top tier of SDLT to 5% for land purchases over £250,000. The net effect is, on most land larger land transaction, to raise the effective SDLT rate higher than the old rate of 4%. Furthermore, VAT is charged on most property transactions (20%). This has the impact of increasing the SDLT rate by 20% as the proportionate increase in SDLT is irrecoverable. As a result, for larger sites the dual impact of VAT and the new SDLT regime will raise the effective SDLT rate to over 5.5%. Therefore, 5.5% for SDLT, legal and agents fees is considered to be inappropriate.
- Development finance – the rate of development finance will vary markedly between sites and developers. To ensure that the majority of developers are within the assumed rate it is suggested a higher rate is considered. It is notable that the 2015 study utilised 7%. This is common amongst many viability studies and there is a lack of justification for this reduction.

Developers Profit

4.17 The study suggests 20%, presumably upon GDV, for market and 6% for affordable. Whilst developer profits are variable dependent upon the business model, operating costs and risks involved with individual businesses, funders and sites, 20% of GDV has been widely accepted in a number of appeals and local plan examinations.

4.18 The issue of affordable housing is a quickly evolving picture due to the uncertainties associated with the announcements upon welfare reforms. The impact upon private developers is that many social providers are now either reluctant to commit to sites or are pulling out of agreements. This makes the provision of affordable housing significantly more risky. Given these uncertainties 6% is considered too low. The HBF recommend that the profit provided be increased

significantly and that a blended 20% profit on GDV for both market and affordable housing be utilised.

Purchase Price

4.19 The existing use values are of little relevance as it is the final land value which effects the viability of a site. It is noted that there are significant variations within the amount of uplift identified within table 2. It is important in identifying land values they are based upon a knowledge of the site involved and how the land came to the market. The prime consideration is to “..*provide competitive returns to a willing land owner...*” (NPPF, paragraph 173). Further research with developers and agents should be used to inform the judgements made and ensure they are based upon market realism. It would be worth engaging with major landowners within the area, such as the Northumberland Estate.

5.0 Information

5.1 I trust that the Council will find the foregoing comments useful as it continues to develop its evidence base prior to the formal examination of the Local Plan. I am, as always, happy to discuss the content of this response further, if required.

Yours sincerely,

A handwritten signature in black ink that reads "MJ Good". The letters are slightly slanted and connected in a cursive style.

Matthew Good
Planning Manager – Local Plans
Email: matthew.good@hbf.co.uk
Tel: 0797277422