

Sent by email to: [planningpolicy@runnymede.gov.uk](mailto:planningpolicy@runnymede.gov.uk)

21/02/2017

Dear Ms Pacey

## **Response by the House Builders Federation to the Runnymede Draft Local Plan**

Thank you for consulting the Home Builders Federation (HBF) on the Draft 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.

**We would like to submit the following representations on the Local Plan and we would welcome, in due course, participating in hearings of the Examination in Public.**

### **Duty to co-operate**

The Duty to Co-operate (S110 of the Localism Act 2011 which introduced S33A into the 2004 Act) requires the Council to co-operate with other prescribed bodies to maximise the effectiveness of plan making by constructive, active and on-going engagement. The high level principles associated with the Duty are set out in the National Planning Policy Framework (NPPF) (paras 156, 178 – 181) and in twenty three separate paragraphs of the National Planning Practice Guidance (NPPG). In determining if the Duty has been satisfactorily discharged it is important to consider the outcomes arising from the process of co-operation and the influence of these outcomes on the Local Plan. One of the required outcomes is the delivery of full objectively assessed housing needs (OAHN) for market and affordable housing in the housing market area (HMA) as set out in the NPPF (para 47) including the unmet needs of neighbouring authorities where it is reasonable to do so and consistent with sustainable development (NPPF para 182).

The complex patterns of migration and commuting that are a feature of the London fringe are evident in the Council's evidence base defining the HMA. There are a number of alternative HMAs that could have been considered but we recognise the pragmatic approach taken by the Council in establishing an HMA with Spelthorne. However, given the complex relationships it is important that the Council has focussed on ensuring the cross boundary and strategic issues with authorities outside of its HMA have been fully considered. There is a danger where an HMA and its neighbouring HMAs are all constrained by policy designations, such as Green Belt, that should there be any unmet housing needs these could be disregarded too easily.

The Council set out their most up to date position on co-operation in the updated Duty to Co-operate Statement published in January 2018. This sets out the key issues that the Council has identified as being of strategic or cross boundary importance. We would agree with the Council that housing delivery is a key cross border issue and one that goes beyond the HMA. There are strong links not only to other authorities but also to London that will need to have been effectively considered as part of the preparation of the Local Plan. It would appear from this document that the Council have met the legal requirements of the duty to co-operate. However, doubts remain as to whether sufficient progress has been achieved to state that the policy requirements of the duty to co-operate, established in paragraphs 178 to 181 of the NPPF, have been met.

Our main concern is that the Council is not meeting the identified housing needs for its area and no agreement has been reached with another authority to meet these needs. Paragraph 179 of the NPPF sets out that:

*“Joint working should enable local planning authorities to work together to meet development requirements which cannot be wholly met within their own areas – for instance because of a lack of physical capacity or because to do so would cause significant harm to the principles and policies of this Framework”*

So, whilst we accept that there will be situations where land supply is constrained, national policy is clear that any unmet development needs should be addressed through joint working and must not be ignored. This is an essential part of local plan preparation and is especially important in counties such as Surrey where there are significant constraints. It is too easy to disregard unmet needs and not identify how they will be addressed, which will have a significant cumulative effect on housing delivery in this area. In order to have met the duty to co-operate the Council should be able to identify where its unmet housing needs will be delivered. In particular we would have expected to see formal agreements between Runnymede and Spelthorne as to how needs would be met and a clear commitment from both LPAs that they will meet the housing needs of the HMA in full.

Without any agreement between Runnymede and Spelthorne, or indeed any other neighbouring authority in Surrey, there is no certainty that the HMAs housing needs will be met and doubt as to whether the Council has fulfilled its duty to co-operate. Paragraph 181 of the NPPF is clear that the outcome of the duty to co-operate is an agreed position and at present this is not available with regard to meeting housing needs. There appears to be little appetite to plan strategically across the County in recognition of the close and intertwined housing market areas that are a feature of those areas on the fringe of London. This makes it difficult to see how housing needs will be met without a significant shift in the approach taken by the political leadership within the districts and boroughs of Surrey when it comes to strategic spatial planning and the duty to co-operate.

*Co-operation with London Boroughs and the London Plan*

Whilst there is a clear need to improve co-operation between the Surrey authorities in order to meet housing need this co-operation must extend into London. The HBF are concerned about the approach the Mayor has taken to the duty to co-operate in relation to the London Plan. The Mayor has stated that the duty to co-operate does not apply to the London Plan, and that as the capital can meet its own housing needs over the next ten years there is no need for London's housing needs to be considered by the rest of the South East. However, the approach taken in the London Plan will see significant increases in the housing requirement for outer London Boroughs - such as Richmond, Hounslow and Kingston - in order to meet the capital's housing needs of 65,000 homes each year for the next ten years. The increase in delivery required is significant and we are concerned that these are undeliverable given that the Mayor's expectation is that these will be achieved without Green Belt releases.

Richmond have already indicated, see appendix A, that they will be challenging the mayor's assumptions as to the deliverability of the housing requirements it has been set. If, like Richmond, other authorities consider their requirements in the London Plan to be undeliverable this will require more detailed discussion between the outer London boroughs and their neighbours in the home counties. It would seem that the unmet needs of London will fall on the rest of the South East.

At present the relationship between Runnymede and the relevant outer London Borough's is not sufficiently robust. Whilst the Mayor does not consider the duty to co-operate to apply to the London Plan he has stated that each London Borough will still be required to abide by both the legal and policy requirements of the Duty to Co-operate. Prior to submission we would therefore expect the Council to obtain a clear indication from those London Borough's with strong migration and commuting links to Runnymede can meet the housing needs as set out in the new London Plan. If not the Council will need to consider revising the SHMA to understand the impact this might have on housing needs in the HMA.

### *Conclusions on the Duty to Co-operate*

As mentioned earlier we consider the Council to have fulfilled the legal duty to co-operate. However, there remain doubts as to whether the policy requirements of the duty to co-operate have been fulfilled. No other Council has agreed to take on board the unmet needs identified by the Council and there remains a distinct lack of co-ordination across this part of the London fringe with regard to meeting housing needs. However, we recognise that the Council are in a difficult position given the constraints in surrounding areas and the differential progress in preparing new plans. We would therefore suggest that the Council commit, in policy, to an early review of the Local Plan should Spelthorne be unable to deliver, in full, the remaining needs of the HMA.

## **Policy SD2 Spatial Development Strategy**

### Policy is unsound as it is not justified

This policy establishes the Council's housing requirement between 2015 and 2030 to be 7,413 homes (494 dwellings per annum). This falls short of the Borough's objective

assessment of housing need (OAN) by 94 dwellings. The Council considers that it has examined all potential avenues of land supply in line with the NPPF and that it can only deliver this level of housing given the constraints on development in Runnymede. Whilst the Council have stated that they cannot meet needs it is important to establish whether or not the Council has undertaken an objective assessment of housing need as required by national policy. This then ensures the correct level of unmet need is expressed in the Local Plan and it is clear how much will need to be delivered elsewhere. Outlined below is our assessment of the soundness of the Council's approach to assessing housing needs.

### ***Objectively Assessed Housing Needs***

#### *Demographic starting point*

Planning Practice Guidance establishes that the most recent DCLG household projections provide the most robust starting point for assessing housing needs. We therefore do not disagree with the Council's use of the 2014 based DCLG projections, adjusted for vacancy and second homes, as the starting point for assessing OAN. We note that the SHMA suggests an uplift to the demographic baseline to take account of historic suppression in household formation rates but this has not been used been taken forward into the final assessment of housing need. This evidence should not be ignored and could either be considered as an adjustment to the demographic base against which the market signals uplift is applied or, as we consider, a further justification for increasing the response to market signals above 20%.

#### *Market signals*

PPG established the principle that where market signals indicated that the housing market was under pressure, due to the past under supply of housing, then local planning authorities should increase supply above the baseline demographic projections. However, the Government did not elaborate as to what an appropriate uplift would be, other than it should be "reasonable". Because of this there have been discussions at many local plan examinations as to what an appropriate uplift should be. To date uplifts range from 5% to 25% depending on market signals, but it would seem that more recently inspectors, and LPAs, have been choosing higher uplifts where market signals are worst. The most recent example is Waverley Borough Council<sup>1</sup> where the inspector agreed that a 25% uplift was required to address the considerable affordability concerns in that Borough.

Outside of local plan examinations there have been other recommendations as to the level of uplift required to address the issues of undersupply and affordability that are a current feature of housing markets across the Country. The Local Plan Expert Group, for example, suggested in their final report that where lower quartile incomes to lower quartile house prices was greater than 8.7 then LPAs should uplift supply by 25% above the baseline demographic projection. At a national level evidence submitted by

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<sup>1</sup>[http://www.waverley.gov.uk/downloads/file/5963/waverley\\_local\\_plan\\_part\\_1\\_examination\\_insp\\_ectors\\_report](http://www.waverley.gov.uk/downloads/file/5963/waverley_local_plan_part_1_examination_insp_ectors_report)

the Treasury to the House of Lords Select Committee on Economic Affairs suggested that to stabilise house price growth and prevent affordability from worsening would require between 250,000 and 300,000 new homes to be built each year. This roughly translates to a 1.3% to existing national housing stock in order to stabilise the housing market with regard to affordability. Given the variability of affordability across the country this would require greater increases above existing stock in those areas which are least affordable. What is evident is that in order to deliver the homes needed, and improve affordability, housing delivery must be increased significantly above baseline projections of household growth. What has not been made clear by Government is the degree of uplift that is required.

However, in September of last year the Government gave its first indication as to its expectations with regard to the uplift required in relation to market signals. The consultation “Planning for the Right Homes in the Right Places” set out the Government’s proposals for a standard methodology to be used to establish housing needs for each LPA in the Country. Whilst this consultation as a whole cannot be given any significant weight there are aspects that we consider can be given more weight than the consultation as a whole as they provide further interpretation of existing guidance.

Most importantly the consultation establishes the Government’s intention with regard to market signals and what should be considered a “reasonable” uplift. The standard methodology proposes a formula that requires an uplift of 2.5% above the demographic base for every 1 point above the baseline affordability ratio. The baseline ratio was set at 4 and would mean that, for example, an area where the median workplace to house prices affordability ratio was 8 would be required to provide an uplift of 25% on its base demographic projections. This would suggest that even where uplifts of 20% have been adopted these were much lower than the Government’s expectations.

The Government’s methodology would see Runnymede’s uplift of 52% capped at 40% resulting in an OAN of 557 dpa. However, this uplift, if it were introduced, is based purely on a single indicator – the median house price to median income ratio. It does not, as PPG still requires, provide a wider consideration of other market signals and what the trends in those indicators might suggest is a reasonable uplift. However, it does suggest that where those indicators show a housing market under severe pressure the Government considers uplifts of up to 40% to be reasonable.

The indicators for Runnymede show a housing market that is under pressure with homes becoming increasingly unaffordable due to rising house prices. A point clearly made in paragraph 9.33 of the Strategic Housing Market Assessment (SHMA) update published in January 2018. The SHMA also identifies a higher increase in the level of overcrowding and steeper increases in lower quartile rents in both Runnymede and the HMA in general compared to both county, regional and national averages. These all suggest a significant uplift is required. However, the SHMA suggests that Runnymede has not under delivered with regard to housing needs, citing the fact that it has delivered more homes than the targets in the South East Plan. We would disagree with this statement. It must be remembered that the targets in a South East Plan were not based on housing needs at a local level. Across Surrey and the South East the targets

were capacity driven. Given that housing delivery to meet baseline demographic growth is considered to be 415 dwellings per annum would suggest that a past target of 161 dpa was woefully short of meeting needs. It would also suggest that past delivery slightly above this target was still significantly below what the market needed.

On the basis of the market signals identified in the Council's SHMA we consider an uplift of more than 20% is necessary if the plan is to be considered sound and consistent with national policy. In the light of the Government's latest consultation, as well as its overarching ambitions to deliver 300,000 dwellings a year across the Country, we would suggest that a 35% uplift on the vacancy adjusted demographic starting point would not be inappropriate and more in line with government expectations. At the very least the Council should align with the decision at Waverley and apply a 25% uplift. As such we consider this policy to be unsound as the Council's SHMA has taken insufficient account of market signals. This also means that, on the basis of the Council's constrained delivery expectations, the level of unmet need in table 2 is likely to be significantly higher.

## **Housing Supply**

The Council considers that due to the policies in the NPPF that restrict development that they cannot meet their OAN. On examining the evidence base it would appear that the Council have undertaken all the necessary steps in establishing their land supply on the basis of the policies set out in the NPPF. Such an approach is consistent with paragraph 14 and 47 of the NPPF. However, it is important that these needs, whatever they may be, are not left unmet. At present there is no formal support from any other Council that it will provide additional homes to meet these needs. It is suggested that Spelthorne may take on board these needs but as we have identified it is far from certain that they will be able to.

In addition to not meeting its housing needs the Council cannot show that on adoption it will have a five-year housing land supply. The Council in its supporting evidence have confirmed that it intends to address any backlog within 5 years and that it must apply a 20% buffer due to persistent under delivery. We would not disagree with this assessment. This will leave the Council, using its current trajectory published in appendix 6 of the SHELAA, with a 4.9-year housing land supply. This means that, in accordance with paragraph 49 of the NPPF, the Local Plan will not be up to date and must be considered unsound.

Key to whether the Council can meet its housing needs is the approach taken by the Council to the amendment of its Green Belt boundaries. We would agree with the Council that there are exceptional circumstances that support the Council in amending the boundary of their Green Belt. In addition, we would not disagree with the Council's methodology in assessing the Green Belt. The exclusion of purpose 4 and 5 from the assessment is entirely appropriate and consistent with national policy and local circumstances. However, the Council may need to consider its approach to releasing sites given that it is unable to meet housing needs in full, does not have five year housing land supply and that no other authority can meet this need. The HBF does not make comments on specific sites but suggest that the exceptional circumstances

established by the Council, in particular the level of housing needs combined with the unaffordability of housing, could be used to support the release of smaller sites even in strongly performing Green Belt parcels.

### **Policy SD8: Sustainable design**

#### This policy is unsound as it has not been sufficiently justified

Parts d and f of this policy have not been tested in the viability study. The NPPF sets out in paragraph 173 the need for LPAs to ensure that the cumulative impacts of policies in the plan do not make development unviable. Having reviewed the Council's viability study, we can find no reference to the impact of applying these optional standards and as such the Council do not have the required evidence to support their inclusion in the Local Plan. Whilst the viability study states that development has the ability to absorb additional policy costs it is important that these are tested. Whilst a singular policy may not have a significant impact it is vital that the cumulative effects of all the policies are tested as part of the viability study. As such the policy is not only inconsistent with paragraph 56-007 of PPG but also with paragraph 173 of the NPPF.

Part f of this policy sets out the Council's intention to apply the optional standards for both M4(2) and M4(3) of the Building Regulations. In making any decision to adopt these standards PPG sets out in paragraph 56-007 that the Council must consider and take into account:

- the likely future need for housing for older and disabled people (including wheelchair user dwellings).
- size, location, type and quality of dwellings needed to meet specifically evidenced needs (for example retirement homes, sheltered homes or care homes).
- the accessibility and adaptability of existing housing stock.
- how needs vary across different housing tenures.
- the overall impact on viability.

As outlined above we do not consider the Council to have considered the impact of this policy in its viability study. This evidence should also include consideration of the likely future need for housing for older and disabled people, the accessibility and adaptability of existing stock and the different needs across each tenure. The Council's only evidence on need would appear to be set out in latest SHMA. However, this evidence on its ageing and disabled population is not unusual and is not a phenomenon specific to Runnymede. In addition, the evidence in the SHMA does not consider the Council's existing housing stock and whether the degree to which this has been improved by, for example, the use of disabled facilities grants or how retirement accommodation will meet any growing demand of an ageing population.

Therefore, we do not consider the Council to have provided sufficient evidence to justify all new homes being built to Part M4(2). If it had been the Government's intention that such generic arguments justified requiring all new homes be built to the higher optional standards for adaptable accessible dwellings then the logical solution would have been

to incorporate the standards as mandatory via the Building Regulations, an approach the Government has not taken forward.

Finally, the requirement for 5% of all dwellings to be built to M4(3) is inconsistent with national policy. Paragraph 56-009 of PPG states that: *“Local Plan policies for wheelchair accessible homes should be applied only to those dwellings where the local authority is responsible for allocating or nominating a person to live in that dwelling.”* The Council should therefore not apply the higher level Part M4(3) to market homes and the appropriate relevant paragraph should be amended accordingly.

### **Policy SL19: Housing Mix and Size Requirements**

This policy is unsound as it has not been sufficiently justified

Paragraph 56-020 outlines that LPAs must justify the use of the national described internal space standard on the basis of need, viability and timing. The Council have considered the need for the space standard in their report titled “Average Unit Size and Minimum Housing Standards Report”. This report establishes that there has been a small number of schemes where space standards in some dwellings have been below the national standard. However, what does not appear to have been taken into account is the potential impact of requiring larger units on land supply and affordability should the space standard be adopted. It is important that these issues are considered and justified by the Council if they are to adopt this optional technical standard. We would also suggest that the Council applies an appropriate transitional period to allow time for smaller house builders to adjust to these standards. It would appear from the Council’s evidence that it is smaller sites that are more likely to be affected and in order to ensure sites that have already been acquired can still be delivered it would be appropriate to include a 12-month transitional period following adoption before the implementation of this policy.

### **SL20: Affordable housing**

The policy is unsound as it has not been justified.

As we have stated in our response to policy SD8 the NPPF sets out in paragraph 173 the need for LPAs to ensure that the cumulative impacts of policies in the plan do not make development unviable. Having reviewed the Council’s viability study, we can find no reference to the impact of applying the optional technical standards as set out in policy SD8. As such the Council have not tested the full cumulative impacts of the policies in the local plan to ensure that the viability of the development required to meet the plans objectives are threatened. It must be remembered that the residual land value model is highly sensitive to changes in its inputs whereby an adjustment or an error in any one assumption can have a significant impact on viability.

Therefore it is important for the Council to understand and test the influence of all inputs on the residual land value as this determines whether or not land is released for development. The Harman Report highlighted that: *“what ultimately matters for housing delivery is whether the value received by land owners is sufficient to persuade him or*



*her to sell their land for development*'. Whilst the Viability Study states that development has the ability to absorb additional policy costs it is important that these are tested to ensure they do not erode viability to the level at which development land is unlikely to come forward. Whilst the impact of any singular policy may not have an impact it is vital that the cumulative impacts of all the policies are tested as part of the viability study. As such the policy has not been justified in the manner required by paragraph 173 of the NPPF and section 10 of PPG.

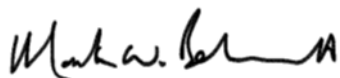
## **Conclusion**

At present we do not consider the plan to be sound, as measured against the tests of soundness set out in paragraph 182 of the NPPF, in the following key areas:

- The Council have not identified where the unmet needs set out in the plan will be met;
- The Council cannot show that they will have five-year housing land supply on adoption
- An insufficient response to market signals which is not in line with Government expectations;
- The optional technical standards set out in policy SD8 and SL19 have not been justified as required by PPG and the requirement for some market homes to be built to M4(3) is inconsistent with national policy; and
- The viability evidence supporting policy SL2 has not considered the full cumulative effects of the policies in the local plan.

We hope these representations are of assistance in taking the plan forward to the next stage of plan preparation and examination. I would also like to express my interest in attending any relevant hearing sessions at the Examination in Public. Should you require any further clarification on the issues raised in this representation please contact me.

Yours faithfully



Mark Behrendt  
Planning Manager – Local Plans  
Home Builders Federation  
Email: mark.behrendt@hbf.co.uk  
Tel: 020 7960 1616