

Sent by email to: [LPU@wokingham.gov.uk](mailto:LPU@wokingham.gov.uk)

20/03/2020

Dear Sir/ Madam

## **Response by the Home Builders Federation to the consultation on the Wokingham Draft Local Plan**

Thank you for consulting the Home Builders Federation (HBF) on the Draft Local Plan (DLP). 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. Outlined below are our concerns regarding the draft plan.

### **Overarching concerns**

#### **Housing needs**

Policies SS1 and H1 both state that the Council will deliver a minimum of 13,901 new homes - 769 dwelling per annum (dpa) - during the plan period. This is below the level of housing need that would be required using the standard method which results in a local housing need assessment (LHNA) of 804 dpa. In arriving at the LHNA the Council have used a methodology that whilst applies the formula as for the standard method changes key inputs. The Council consider there to be specific failings with regard to the standard method and how it applies to Wokingham that warrant an alternative method. We would disagree that the circumstances facing Wokingham are exceptional and do not support the use of an alternative approach to the standard method. Below we consider the Council's approach and why it is unjustified.

The Council outlines in both paragraph 7.5 of the DLP and section 5 of the Housing Needs and Exceptional Circumstances Topic Paper (HNECTP) the various failings of the standard method in relation to housing needs within Wokingham. These assumed failings are:

- The upwards impact of substantial house building on the median house price;
- The failure to recognise the functional economic relationship with Reading; and
- The application of the cap.

We will consider each of these assumed failings in turn as well as what we consider to be the Council's failure to adequately consider the unmet needs of neighbouring areas



and the statement in the Council's Sustainability Appraisal regarding unattributed population change.

Upwards impact of housing building on the median house price

The Council outlines in paragraph 5.5 of the HNECTP what it considers to be the Government's logic in the approach to assessing housing needs through the application of the standard method stating:

*“The simple logic of the affordability adjustment is therefore that the over delivery of housing leads to an improvement in affordability (through reduced house prices) and a lower local housing need, whilst the under delivery will see affordability worsen (through increased house prices and a higher local housing need. No consideration is given to the impact of inflation on house prices or earnings.”*

On the basis of this simplified view the Council are concerned that as the historically high level of house building in Wokingham has not led to a subsequent improvement in affordability means that the standard method cannot be relied on. The Council even consider the recent stabilisation of the affordability ratio in the latest evidence is not an indicator that the standard method, in Wokingham's case, is an effective assessment of housing needs as the stabilisation has also occurred in areas where housing delivery has been below estimates of identified needs.

Firstly, the Council's simplification of the standard method is not strictly correct. The standard method is seeking to address the long term under delivery seen in many areas that has led to the continued worsening of affordability. It is not seeking to address three or four years of under supply but under supply that goes back over many years. Therefore, whilst we do not disagree with the improved performance of the Council over the last three years this is not sufficient to have addressed the under lying lack of supply over the last decade. The Council state in paragraph 5.7 that housing completions are at a historic high in Wokingham. However, the Council only show completion between 2016/17 to 2018/19. Looking back over a ten-year period we see a very different picture.

Year	Completions	Core strategy target
2008/09	369	600
2009/10	226	600
2010/11	217	600
2011/12	267	700
2012/13	390	700
2013/14	488	700
2014/15	454	700
2015/16	638	700
2016/17	933	723
2017/18	1,509	723

2018/19	1,250	723
<b>Total</b>	<b>6,741</b>	<b>7,469</b>

Source: Wokingham BC Authority Monitoring Reports

As the table above shows, over the last ten years WBC have fallen short of meeting its stated housing requirement. Therefore, despite improvements in housing provision the market is still dealing with significant levels of under delivery in the previous ten years and it is this under delivery that the Government is seeking to rectify through the standard method. Contrary to the Council's position we would consider evidence as to past under delivery of housing, a key issue the standard method is seeking to address, indicates that the Council should apply the standard method as required by paragraph 60 of the NPPF. As such we would broadly agree that the recent stabilisation of house prices cannot be at this stage attributed to increased delivery in Wokingham. The only proof as to whether improvements in supply lead to improvements in affordability will be through long term analysis of this data that can assess the trend rather than short term fluctuations that have been seen recently.

Secondly, the Council consider that the price of new build homes in Wokingham has actually led to an increase in average house prices and as such a worsening in affordability. The Council argue that house prices are significantly higher than the national average and when coupled with the fact that new build sales formed 21% of all sales in Wokingham compared to 11% nationally and that this has inflated the median house price in Wokingham. As set out above we welcome the level of house building in Wokingham in recent years, however, we do not agree that the Council can conclude that this has had a disproportionate impact on median house prices.

The data used by the Council looks at average prices and as such do not consider the type of property sold. Average prices mask differences in the type of property sold. For example, if new build properties were largely houses and fewer flats compared to sales of existing stock then the average price differential would be more significant. It also fails to take account of the quality of those homes sold with the existing stock containing both high-quality and low-quality homes which would also lead to a lower average price within the existing stock. As such the Council's evidence does not provide any robust evidence to suggest that Wokingham is an exceptional case for using an alternative method to that proposed in PPG.

#### *The functional economic relationship with Reading*

The second argument put forward by the Council is that they should not have to use the work placed based earnings and suggest that it would be more appropriate to use residence-based earnings. The case put forward by the Council is that the geographical and functional relationship between Reading and Wokingham has led to a higher residence-based income which will have enabled its residents to pay more for housing in Wokingham, effectively pricing out those who work in the Borough. The Council note that earnings of people who live in Wokingham are generally higher than those that work there. However, what the Council have not examined in the topic paper

is the work placed based earnings in Reading which are in fact lower than those in Wokingham. It may be the case that people in Wokingham have better paid jobs but it is not its proximity to Reading that is necessarily the key factor. In fact, one element not considered by the Council that will effect resident-based earning will be those who commute to London where median salaries are significantly higher than in Reading or Wokingham. Using commuting data from the 2011 Census shows that 5,677 people commuted each day to London. Whilst smaller than the 12,630 who commute to Reading each day it is certainly a significant proportion that would impact on median earnings.

However, this argument misses a key reason as to why the Government adopted the workplace-based affordability ratio. The consultation paper on the standard method *Planning for the Right Homes in the Right Places*<sup>1</sup> sets out at paragraph 18 a key reason why the Government chose the workplace-based ratio, stating in its explanation as to why household growth on its own is an insufficient indicator of demand that:

*“people may want to live in an area in which they do not reside currently, for example to be near to work, but be unable to find appropriate accommodation that they can afford”*

Therefore, the Government specifically proposed the use of workplace-based incomes on the basis that they wanted to ensure that uplifts reflected the incomes of those working in a Borough not those living there. The Council's proposed approach is in direct contrast to this position and as such its proposed amendment cannot be justified.

#### Applying the cap

The Council also consider the approach to applying the cap is inappropriate and ignores the circumstances of the Council's adopted housing requirement. The Council outline that their housing requirement from the South East Plan reflected the fact that Reading was considered a growth point and as such a further 2,500 homes were allocated within Wokingham's Core Strategy as part of the provision to meet the growth requirements of the Greater Reading area. We have little sympathy for this argument. The Council have delayed preparation of its new local plan which would have seen the Council having to plan for more than 800 dpa on the basis of either the 2015 SHMA or the 2018 update of that document. If it had progressed a new plan more quickly it would have been meeting needs as assessed using the standard method and as such would not be in the position it now finds itself.

#### Unattributable Population Change

On page 12 of the Sustainability Appraisal (SA) the Council sets out its approach to assessing local housing needs. This outlines those issues discussed above but also posits a further argument regarding Unidentified Population Change (UPC). This is not

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<sup>1</sup>[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/652888/Planning\\_for\\_Homes\\_Consultation\\_Document.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/652888/Planning_for_Homes_Consultation_Document.pdf)

mentioned in the topic paper and we do not consider it to be further justification for the Council's approach. As ONS have noted<sup>2</sup>, it is not possible to demonstrate that UPC measured a bias in the trend data that will continue into the future. Considering that population estimates from 2011 were rebased to the Census and there have been three years of trend data between then and the 2014-based population projections used in the standard method the Council should not be seeking to use UPC as an argument for its alternative approach to assessing housing needs.

### Unmet needs from neighbouring areas

Paragraphs 11 and 60 of the NPPF are clear that Councils should seek to meet both their own needs and the unmet needs of neighbouring areas. The Council have not looked to include any additional homes within their housing requirement to take on board the needs of other areas. We note that this was not considered within the HNECTP, however, some consideration is given to this issue in the SA. Table 5.1 of the SA sets out a risk-based assessment as to the potential for unmet needs in neighbouring local plans.

Our first concern regarding this evidence is the assessment that there is a low risk of unmet needs arising in Reading. Their recently adopted local plan has a stated shortfall of 230 homes over that plan period. Whilst we recognise that the standard method provides for a lower level of housing need it must be remembered that this is the minimum level of need and there are circumstances where a Council can adopt a higher housing need to support economic growth. There is no evidence that Reading will seek to lower its housing needs or indeed that housing needs may not increase using the standard method. All we can state for certain is that the current plan identifies a shortfall of 230 homes that Reading Borough Council have stated should be met in the West Berkshire HMA. WBC must show where within the HMA these homes will be delivered.

The second concern we have is the lack of consideration of London's unmet housing needs. Paragraph 60 of the NPPF specifically refers to neighbouring areas. However, the SA considers the progress of neighbouring local plans but not neighbouring areas. As such it is important that the Council consider whether there are any unmet needs in other areas that are adjacent or near to its boundary not just local authorities. Given the significant impact London has on migration and commuting across the South East we consider it to be essential for the Council to increase its housing requirement in response to the high level of unmet needs arising in London. We, like many, had hoped that London would have been able to address this issue within its own boundaries. However, one of the outcomes of the examination into the new London Plan was that the capitals shortfall in housing delivery is now expected to be circa 140,000 units between 2018 and 2028. The Inspectors examining the plan concluded that the supply of small sites in outer London Borough's had been significantly overestimated leading

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<https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/populationprojections/methodologies/2012basedsubnationalpopulationprojectionsquestionsandanswers>

to the recognition at paragraph 175 of their report<sup>3</sup> that London will fail to meet its housing needs “*by some margin*”. Given that the Mayor has accepted this position it is now the responsibility of those authorities around the capital to consider what they can do to address this shortfall.

We recognise that a collective approach across the south east in meeting these needs would be the most effective way forward but given that no progress has been made collectively on this matter it is necessary for individual councils to take responsibility for a proportion of this shortfall within their local plans. In particular areas where there are strong transport links to the Capital, such as WBC, must plan to take on board some of these unmet needs to ensure that sufficient housing is delivered to meet the inevitable increase in out migration and the potential impacts on the affordability of housing in WBC arising from this shortfall.

### *Conclusion on the Council’s approach to assessing housing needs*

We do not consider the Council to have provided any justification for using an alternative approach to assessing housing needs. The concerns raised would appear to be with the approach taken by the standard method and whether it is effective rather than a unique situation facing Wokingham. As such there is no justification for using an alternative approach to the one prescribed by the NPPF and the Council should be set at 804 dpa. In addition, the Council have not considered the possibility increased its housing requirement to take on board the identified unmet needs of either Reading or London, or identified how these unmet needs will be met, as required by national policy.

### **Viability**

The viability assessment is still to be published and without this evidence it is not possible to comment on whether the Council’s policy requirements, such as those for affordable housing, are viable and the plan as whole is deliverable. However, we would like to make some broad comments on viability in relation to the approach establishing the 2019 NPPF and its supporting guidance.

The 2019 National Planning Policy Framework (NPPF) requires development viability to be resolved through the local plan and not at the planning application stage. The aim of this approach is to ensure that, as outlined in paragraph 57 of the NPPF, decision makers can assume that development which is in conformity with the local plan is viable and to, ultimately, reduce the amount of site by site negotiation that takes place. As such it will be important that the Council’s approach to its viability assessment and the costs it places on development are cautious to take account of the variability in delivering the range of sites that will come forward through 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

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<sup>3</sup> <https://www.london.gov.uk/what-we-do/planning/london-plan/new-london-plan/inspectors-report>

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.

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 NPPF viability assessments have taken the approach that these cannot be quantified and were addressed through the site by site negotiation. However, this option is now significantly restricted by paragraph 57 of the 2019 NPPF. As such these abnormal costs must be factored into whole plan viability assessments. We recognise that the very nature of an abnormal costs is difficult to quantify, but it is a fact that they are often substantial and can have a significant impact on viability. Where and how these costs arise is also variable. They can occur in site preparation but can also arise with regard to the increasing costs of delivering infrastructure, such as upgrades to increase the capacity of utilities. It is also the case that abnormal costs are higher on brownfield sites where there can be a higher degree of uncertainty as to the nature of the site and the work required to make it developable.

The HBF undertook some work with its members in the North East and whilst this is a different context to that found in Wokingham it provides an indication as to the abnormal costs that can occur. This study, which was prepared to support our comments on the Durham Local Plan, indicated that abnormal costs on the four PDL sites was £711,000 per net developable hectare and an average of £459,000 per hectare on the 10 greenfield sites. Whilst we recognise that abnormal costs are expected to come off the land value, we are concerned that if abnormal costs are high then it will result in sites not being developed as the land value will be insufficient to incentivise the landowner to sell. It is therefore important that a significant buffer is included within the viability assessment to take account of these costs if the Council are to state with certainty that those sites allocated in the plan will come forward without negotiation.

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. The changing landscape with regard to viability assessment could lead to development slowing significantly if the correct variables are not taken into account.

Thirdly, the council must ensure that all the policy costs associated with the local plan are included within the viability assessment. Whilst affordable housing and infrastructure contributions for the majority of the additional costs that are placed on developers by the Council it is important that the cumulative impact of all policies are tested. With regard to the local plan review the Council will need to consider the impact of its proposed policies on self-build, open space, bio-diversity net gains, electric vehicle charging, sustainable design and construction; and renewable energy.

Finally, the approach to land values needs to be a balanced approach and one that recognises that there will be a point at which land will just not come forward if values are too low to take account of policy and infrastructure costs. There are a variety of reasons why a landowner is looking to sell their land and it cannot be assumed that they will absorb significant reductions in land values to meet policy costs. Land is a long-term investment and the returns being offered must take account of this.

## **Policy concerns**

### **Policy H1: Housing provision**

#### *Housing supply trajectory*

The Council set out in this policy how many homes they expect to be delivered over the plan period and the general sources of their housing supply. However, the Council have not published a housing trajectory indicating when within the plan period they expect the homes to come forward. This is now a key part of the local plan with paragraph 73 of the NPPF stating that “*Strategic policies should include a trajectory illustrating the expected rate of housing development over the plan period*” and it should be included in the local plan. The trajectory should show not only an annualised trend for delivery but also identify delivery for the various sources source of supply (strategic sites, windfall, extant planning permission etc) for the sake of transparency and the effective scrutiny of the supply expectations.

#### *Windfall*

Further evidence relating to windfall delivery is required. At present the Council have provided average delivery since 2007 but has not provided annual figures. To ensure the necessary transparency in their justification the Council must set out in its evidence the annual windfall for both large and small sites.

### **Policy H3: Mix and, density and standards**

If the Council is considering adopting any of the optional technical standards in the Local Plan the Council will need to ensure that they provide the necessary evidence, as set out in PPG, on the need for such homes and their impact on development viability. We could not find any evidence to support the optional standards in this policy and it is important to understand that these are considered as “*need have policies*” not “*nice to have*” standards. The Government makes this clear in footnote 46 of the NPPF which requires Councils to show with regard to accessible and adaptable homes that this would meet an identified need for such properties. However, the HBF considers the most effective approach to improving standard and maintain the delivery of new development is through consistent national guidance on technical standards. It seems likely that the optional standards considered in H3 will be delivered through the future homes standard and we would advise that until such time as these are introduced that



the Council does not seek to set higher standards than those set out in the current building regulations.

## **Policy H5: Affordable housing**

### Treatment of small sites

Policy H5 states that contributions will be required on all developments of at least 5 units covering a site area of 0.16 ha. This is not consistent with the paragraph 63 of the NPPF which states that contributions for affordable housing should not be sought on residential developments that are not considered major development. The Council state that a similar policy in the current Local Plan has been applied without negatively impacting on deliverability or viability of housing on smaller sites. However, this consideration misses the point of the Government's policy. 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. Such additional costs have been a factor in the reduced number of small and medium (SME) sized house builders. Analysis by the HBF<sup>4</sup> 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 committed to reversing this trend and increase the number of small house builders starting up and sees this sector as key part in improving long-term supply responsiveness. Therefore, the focus of the Council should be on freeing up this sector of the house building industry rather than seeking to place financial burdens that the Government have said should not be implemented.

### Use of a range

The Council have set an upper limit of 50% affordable housing and then set variable minimum requirements for different development typologies. Whilst we would not disagree with the use of variable rates of affordable housing to reflect viability evidence, we do not support an upper aspirational level also being included in the local plan. This is an approach that offers no certainty as to the level of affordable housing that would be required on each site and will inevitably lead to the need for site by site viability assessments to justify why 50% is not viable.

Without the viability assessment it is not possible to comment on the deliverability of the percentages in part 3 of the policy. But if it is the case that viability on these sites would only allow the delivery of affordable housing at these levels then the Council should not be seeking to secure higher percentages. As we set out above the Government expects Councils to assess viability as part of the preparation of the local

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<sup>4</sup>[http://www.hbf.co.uk/?eID=dam\\_frontend\\_push&docID=25453&filename=HBF\\_SME\\_Report\\_2017\\_Web.pdf](http://www.hbf.co.uk/?eID=dam_frontend_push&docID=25453&filename=HBF_SME_Report_2017_Web.pdf)

plan and that site by site negotiation should be the exception not the rule. This policy would require viability assessment and negotiation on every site.

We would therefore recommend that the upper limit of 50% be removed from the policy with the levels set out in part 3 being considered the level of provision required (should this be supported by the Council's viability assessment). This would provide an approach that is not only consistent with paragraph 57 of the NPPF but also paragraph 16 which requires policies to be unambiguous and evident as to how the decision maker should react.

### **H8: Self build and custom housing building**

Whilst the HBF support the encouragement of self-build housing through the local plan, we do not consider the requirement for sites of over 100 to set aside 5% dwellings to be delivered through serviced plots for self and custom house building to be justified or consistent with national policy.

Firstly, we do not consider the Council to have looked at sufficient options with regard to how it can provide plots to support self-builders. Paragraph 57-024 of the PPG sets out a variety of approaches that need to be considered – including the use of their own land. This is reiterated in para 57-14 of the PPG which sets out the need for Council's to consider how they can support the delivery of self-build plots through their housing strategy, land disposal and regeneration functions. However, it would appear that the Council is seeking to place the burden for delivery of self-build plots on larger sites without any evidence that an investigation into alternative approaches have taken place. We would suggest that it should conclude such an investigation before requiring the provision of service plots on larger sites.

Secondly, we consider the policy to be inconsistent with the third bullet point of paragraph 57-025 of PPG. This outlines that the Council should engage with landowners and encourage them to consider self-build and custom housebuilding. The approach taken by the Council moves beyond encouragement and requires landowners to bring forward plots.

Finally, the Council may need to review its self-build register and must consider other evidence as to the demand for serviced plots. The Council have amended its approach and have included a local connection test, which is welcomed. But it is not clear whether at this point a wider review of the evidence was undertaken. The HBF are concerned that self and custom build registers do not provide, on their own, a sufficiently robust evidence base against which to assess needs. They are rarely reviewed to ensure those on the database are still interested in self-build, whether there was any double counting with other areas or whether the individuals on a list had the financial ability to build their own home.

However, this problem has now been recognised with paragraph 57-011 of PPG requiring additional data from secondary sources to be considered to better understand the demand for self-build plots and specifically notes the issue of double counting. In

addition, the Council must understand the nature of the demand for self-build homes. We are concerned that planning policies, such as the ones proposed in the draft local plan, will deliver plots on major house building sites whereas the demand for self-build plots may be for individual plots, or plots on small sites, in more rural locations. Without the necessary evidence to show that there is a demand for self-build plots on large development sites the policy cannot be considered as being either justified or effective.

### **DH9 Environmental standards**

Part d of this policy is unsound as it is inconsistent with national policy. We recognise that the transitional arrangements set out in the 2015 Written Ministerial Statement (WMS) allow for some improvements over current standards as set out in part L of the Building Regulations. The WMS states that this should be no greater than the energy efficiency improvements that would be required to meet level 4 of the now rescinded Code for Sustainable Homes. Therefore, to require major development to achieve carbon neutral homes is not consistent with the approach established in that ministerial statement. In order to be consistent with national policy part b should apply to both minor and major developments and part c should be deleted. The Council will also need to amend policy DH7. Part d of that policy requires applicants to embrace innovative design solutions for energy efficiency over and above building regulations. Given that the Council state its position more clearly in DH9 we consider part d of DH7 to be redundant and has the potential to cause confusion as to how the decision maker should react to these policies.

### **HC3: Open space sports recreation and play facilities**

This policy provides little guidance as to how individual developments should react and places a significant burden on the applicant to identify the level and type of contribution that is expected. The table provided in the policy only gives an indication as to how many hectares per 1,000 population are required and makes no suggestion as to how this might be applied to different sizes and types of development or whether some locations with additional capacity in open space may have lower requirements. We would expect such a policy to set out its requirements on the basis of size and location of development and in particular give consideration as to how small developments, where the number of residents is relatively low, should react.

### **NE1: Biodiversity and Nature Conservation**

The Council have included the Government's suggestion that new development should improve the biodiversity on their site to show a 10% net gain over the pre-development base line within this policy. Whilst this is the Government's current position the implementation of this particular policy is still some distance into the future and there is no certainty as to the final level of net gain that will be required nor the method by which the baseline and any net gains will be calculated. Until these have been finalised the Council should not be seeking to implement such a policy. At present national policy states that local plans should ensure net gains for biodiversity based on the development proposed.

## **Conclusion**

We hope these representations are of assistance in taking the plan forward. Should you require any further clarification on the issues raised in this representation please contact me.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Mark Behrendt', with a stylized flourish at the end.

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