

The following statement has been produced by Persimmon Homes Teesside in response to selected questions set out within Matter 11 of the Inspector's Matters, Issues and Questions (ref: EX/INS/15). Whilst we have not attempted to provide a response to every question, we have, where applicable, included the Inspector's Issues and Questions in **Bold** above our response for ease of reference.

Issue 1 – The soundness of specific development management policies

Policies CC1, CC2 and QP7

Q1. Is the requirement for a minimum of 10% of energy supply from decentralised and renewable or low carbon sources sound? Is it consistent with national policy (including paragraphs 95 and 96 of the NPPF)? What are the implications of the written ministerial statement of 25 March 2015?

1.1 The written ministerial statement of the 25th March 2015 states:

"From the date the Deregulation Bill 2015 is given Royal Assent, local planning authorities and qualifying bodies preparing neighbourhood plans should not set in their emerging Local Plans, neighbourhood plans, or supplementary planning documents, any additional local technical standards or requirements relating to the construction, internal layout or performance of new dwellings. This includes any policy requiring any level of the Code for Sustainable Homes to be achieved by new development; the government has now withdrawn the code, aside from the management of legacy cases."

1.2 Whilst it is accepted that the Deregulation Bill has not yet received Royal Assent, the written ministerial statement advises:

"Local planning authorities and qualifying bodies preparing neighbourhood plans should consider their existing plan policies on technical housing standards or requirements and update them as appropriate, for example through a partial Local Plan review, or a full neighbourhood plan replacement in due course. Local planning authorities may also need to review their local information requirements to ensure that technical detail that is no longer necessary is not requested to support planning applications."

1.3 The written ministerial statement effectively advises local planning authorities to prepare for the Deregulation Bill by amending their policies to remove any technical housing standards. It is therefore sensible to apply this advice to emerging Local Plans also. In this regard, the requirement for a minimum of 10% of energy supply from decentralised and renewable or low carbon sources is considered to be a departure from the government's ongoing 'direction of travel' that seeks to standardise energy performance through Building Regulations and move away from a plethora of ad-hoc local standards imposed through Development Plan documents.

1.4 Criterion 9 of the policy should be deleted as it no longer aligns with national policy and is therefore unsound and will become obsolete upon the Deregulation Bill receiving Royal Assent.

Q3. Is the Council suggested main modification [reference MM/CHP09/03] to “encourage” rather than “require” improvements to building fabrics above and beyond those prescribed in Building Regulations necessary for soundness?

1.5 As set out within our representations to the both the Publication Local Plan (Ref: Pub0115) and the Preferred Options Local Plan (Ref: DP0209), any attempt to introduce energy efficiency standards that are over and above those prescribed in building regulations should be considered unsound given the proposed amendments to the Planning and Energy Act 2008 as set out in Section 43 of the Deregulation Act 2015 . Whilst we welcome that the amendment now ‘encourages’ rather than ‘requires’ an uplift in the fabric of the building by 10%, for the policy to be justified, effective and consistent with national policy, the second and third paragraphs should be deleted in their entirety.

Q5. Is the Borough wide target for affordable housing sufficiently clear?

1.6 Following the removal of the word ‘minimum’ from earlier iterations of the plan, Persimmon Homes consider the borough-wide target for affordable housing to be clear.

Q6. Is the requirement for 18% affordable housing on sites of 15 dwellings or more justified?

1.7 As per our response to Question 7 below, we do not consider the requirement for 18% affordable housing to be justified.

Q7. Does it reflect the evidence on viability? Is 18% at the margins of viability? Has the viability of 18% been tested against current market conditions or does it assume an expectation of future value rises?

1.8 The current viability evidence supporting the plan was produced as part of the Council’s 2015 Planning Obligations Supplementary Planning Document (Ref: HLP03/4) without any input or involvement from the development industry to ensure that the assumptions were reflective of market expectations.

1.9 As set out within greater detail to Matter 15, we are subsequently concerned by a number of assumptions used within the viability testing. Most notably, all sites have been tested on the basis of ‘Developer Profit’ at 16.4% of the Gross Development Value. This is considered low and does not align with paragraph 173 of the NPPF which states:

“To ensure viability, the costs of any requirements likely to be applied to development, such as requirements for affordable housing, standards,

infrastructure contributions or other requirements should, when taking account of the normal cost of development and mitigation, provide competitive returns to a willing land owner and willing developer to enable the development to be deliverable."

- 1.10 In this regard, the viability testing does not allow the developers to attain 'competitive returns'. It is Persimmon Homes' view that generally the minimum profit margin a developer would be prepared to accept on residential development is 20% of the GDV. This profit level was endorsed by the Manor appeal decision in Shinfield¹. We are of the opinion that this is an important case in terms of viability in planning, particularly where the decision states:

"The appellants supported their calculations by providing letters and emails from six national housebuilders who set out their net profit margin targets for residential developments. The figures ranged from a minimum of 17% to 28%, with the usual target being in the range 20-25%. Those that differentiated between market and affordable housing in their correspondence did not set different profit margins. Due to the level and nature of the supporting evidence, I give it great weight. I conclude that the national housebuilder's figures are to be preferred and that a figure of 20% GDV, which is at the lower end of the range, is reasonable."

- 1.11 The figure of 20% GDV is also considered reasonable by other Local Planning Authorities in the region including Stockton² and Redcar & Cleveland³. However, even without a revision to provide developers with 'competitive returns', the available viability evidence demonstrates that the policy is set on the margins of viability, contrary to Planning Practice Guidance⁴.

- 1.12 Table 6 of the Council's 2015 Planning Obligations Supplementary Planning Document (Ref: HLP03/4) suggests that at the proposed 18% affordable housing requirement sites under 15 units will be unviable to the extent of approximately £80,000. Sites of 50 units will only be marginally viable with a surplus of £15,000 whilst sites of 100 and 500 units are expected to have a surplus of £32,000 and £138,000 respectively. Given the lack of assessment of sites between 15 and 50 units, there is no clear indication as to at which point 18% becomes 'viable'. The evidence therefore fails to demonstrate that smaller sites within the borough are viable.

- 1.13 Even on the larger sites when the residual amounts are considered in the context of the anticipated development costs, these surpluses account for circa 0.1% of the GDV and therefore provide little buffer or flexibility within the policy even before our concerns with the assumptions are addressed. The current policy is therefore unsound inasmuch that it is not justified, is unlikely

¹ Appeal Decision (APP/X0360/A/12/2179141, dated 8 January 2013)

² Three Dragons and Troy Planning & Design: Stockton on Tees Affordable Housing Viability Study Final Report (October 2016)

³ Aspinall Verdi: Redcar and Cleveland Borough Council Plan Viability Testing Update (December 2016)

⁴ PPG: Paragraph: 008, Reference ID: 10-008-20140306

to be effective throughout the plan period and is not consistent with national policy. A lower affordable housing requirement should therefore be considered to make the policy sound.

Q8. Should the policy provide a guidance mix of 70% social-affordable rented housing and 30% intermediate housing as outlined in the SHMA?

- 1.14 In its current form, in respect of tenure mix, the policy provides flexibility to align with changing market conditions or changes in government policy such as the introduction of starter homes which will aim to widen opportunities for home ownership. This flexibility is welcomed by Persimmon Homes and is necessary should the Council update their SHMA or supporting evidence base through the plan period. We therefore do not consider it necessary to identify the 70%/30% tenure mix outlined within the current SHMA given the reference within the policy text that provision will have regard to *“the most up-to-date evidence of housing need, aspiration and the local housing market.”*
- 1.15 This approach is considered to be consistent with the NPPF.