

# **Matter 3: Climate Change**

## **Participant Statement on behalf of Clarion Housing Group**

May 2022

## Matter 3: Climate Change

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**Matter 3: Does the Plan include policies designed to secure that the development and use of land contributes to the mitigation of, and adaptation to, climate change? And are the climate change aspects of the plan consistent with national policy, in general conformity with the London Plan, justified and effective?**

**Issue (i) Do the climate change policies of the Plan ensure that the development and use of land contributes to the mitigation of, and adaptation to, climate change, and are they consistent with national policies, in general conformity with the London Plan, justified and effective?**

**Questions:**

**General:**

2. The 'Merton Local Plan Housing Viability Study' (the Viability Study) notes of the Plan's climate change policies that "where viability is already on the margins, other policy requirements may need to be reduced to compensate for these costs", and that "in lower value areas, there would be a trade-off of circa 10% affordable housing to accommodate the higher climate change costs". Against this background, are the climate change policies of the Plan in general conformity with Policy DF1(D) of the London Plan insofar as it expects development plans, when setting policies seeking planning obligations, to apply priority to affordable housing and public transport improvements? Is any deviation from this aspect of the London Plan justified?

- a. No. London Plan Policy DF1 states:

*"D When setting policies seeking planning obligations in local Development Plan Documents and in situations where it has been demonstrated that planning obligations cannot viably be supported by a specific development, applicants and decision-makers should firstly apply priority to affordable housing and necessary public transport improvements, and following this:*

- 1) *recognise the role large sites can play in delivering necessary health and education infrastructure; and*
- 2) *recognise the importance of affordable workspace, and culture and leisure facilities in delivering good growth."*



- b. Paragraph 1.1.9. of the draft Local Plan outlines that the delivery of housing (including affordable housing) is a key strategic priority and paragraph 11.1.11 confirms the notable and pressing need for affordable homes. As such a deviation from LP Policy DF1(D) is not justified.
- c. As an affordable housing provider Clarion Housing Group (CHG) would look to maximise and prioritise affordable housing delivery in their developments in the borough; and whilst they are committed to helping to tackle the climate change emergency there are known viability challenges with bringing forward development in the borough. As such, it is imperative that the draft plan acknowledges these challenges so that schemes remain deliverable. For example, CHG are delivering large strategic estate regeneration projects in the borough which face viability challenges. Despite this, CHG are investing heavily in upgrading their energy strategies on these estates. These estate regeneration projects have exceptional costs associated with replacing existing housing (including affordable housing). The cost burden is heightened as a result of CIL which is payable on the replacement homes which are larger in size than existing homes having regard to modern space standards. LP policies also require the equivalent amount of affordable housing to be delivered on these schemes with additional affordable housing maximised (subject to viability). However, the draft climate change policies will adversely affect the scheme viability. Indeed, the Councils Viability Study acknowledges at paragraph 6.13 that *“existing residential sites are difficult to bring forward with the levels of affordable housing the Council is seeking”*. Given the strategic importance of the estate regeneration programme<sup>1</sup> to the effectiveness of the draft plan, particularly its ability to deliver the housing the borough needs, the climate change policies which set more stringent requirements than the LP are not justified.
- d. It is noted that the Council, in Submission Document reference 2D47 - Merton's Draft Local Plan Climate Change Policies - A Note on Viability Testing (undated) – suggests that: *“Merton's Draft Local Plan Climate Change policies include a provision that if the developer cannot meet the requirement for viability reasons, this will be considered on a case by case basis on the submission of a viability assessment”*. However, no such provision has been included within the policies.

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<sup>1</sup> CHG's regeneration of High Path, Eastfields and Ravensbury will deliver over 2,500 homes over the plan period. CHG are also proposing to intensify the proposed development at High Path to improve the viability of the regeneration programme. This will also result in additional much needed housing and affordable housing delivery. A revised outline planning application is proposed to be submitted later this year.

- e. We therefore strongly recommend that the climate change policies are modified to acknowledge that the requirement to meet the policy requirements, including the payment of the cash in lieu contribution would be reduced where evidence can be provided that the scheme cannot viably afford further on-site reductions and/or offsetting contributions. This will ensure that the policy does not undermine the deliverability of the plan<sup>2</sup>.

#### **Policies CC2.2, CC2.3, CC2.4, CC2.5, CC2.6**

**19. What is the justification for setting a different carbon offset price to that included in the London Plan? Is the Plan justified in deferring any changes to its carbon offset price to “future guidance” or is this more properly a matter for monitoring and review of, and if necessary updates to, the relevant development plan policies?**

- a. The Council have sought to justify setting a different carbon offset price as a means to incentivising development to deliver carbon reductions on-site. However, the LP already requires major development to achieve net zero carbon, with applicants required to clearly demonstrate where this cannot be achieved on site via LP Policy SI2. Supporting text at paragraph 9.2.8 confirms that new development is expected to get as close as possible to zero-carbon on-site rather than relying on offset fund payments.
- b. Furthermore, the draft Local Plan seeks to set higher policy expectations of developers, with all development required to demonstrate the “*fullest contribution to minimise greenhouse gas emissions on-site*” and an expectation for a minimum carbon reduction target of 60% on major residential development and 50% on major non-residential development. In the context of the LP and these more stringent policy considerations which the Council is seeking to impose through the draft plan, development in the borough will already be required to maximise on-site carbon reductions; therefore, the increased carbon offset contributions are not justified, particular in the context of the viability implications acknowledged within the Councils own viability evidence base<sup>3</sup>.
- c. Merton’s Draft Local Plan Climate Change Policies - A Note on Viability Testing confirms that the climate change policies will result in a cost uplift of 6.70%. It is not justified for the Council to assume this would be borne out of the contingency allowed for in the viability model,

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<sup>2</sup> Planning Practice Guidance Paragraph: 005 Reference ID: 23b-005-20190315.

<sup>3</sup> Submission Document ref: 11D7 - Merton Local Plan Housing Viability Study.

particularly when the Councils Viability Study<sup>2</sup> confirms that the additional costs arising from the climate change policies would necessitate a reduction in affordable housing levels. This would not conform with the LP, given the priority afforded to affordable housing and necessary public transport improvements, and other infrastructure requirements in LP Policy DF1. It would also not be consistent with other parts of the draft plan which seek to maximise affordable housing delivery.

- d. It is also not clear if the increased carbon offset costs at £300 per tonne, which is more than three times higher than the LP carbon offset contribution of £95 per tonne, has been considered in the s106 costs applied in the viability evidence base. Paragraph 4.33 of the Viability Study states:

*“The Council has analysed the financial contributions secured through section 106 agreements signed over the last five years, all of which post-date the adoption of CIL. The typical total contributions for various sizes of schemes are summarised in Table 4.33.1. These contributions incorporate highways and access works. We have applied notional contributions at these levels in our appraisals.”*

- e. The Viability Study was completed in August 2020 therefore the s106 costs are based on schemes approved between 2015 and 2020 when either carbon offsetting was not a requirement<sup>4</sup> or where carbon offsetting was charged at a rate of £60 per tonne<sup>5</sup>. The draft Local Plan also seeks other contributions e.g., draft Policy P15.10 outlines financial contributions to implement proposals in Merton’s Local Air Quality Management Plan and paragraph 1.2.33 notes the intention to seek financial contributions towards employment, education and skills initiatives, apprenticeships and job placements. As such, the Viability Study will very likely have underestimated s106 costs meaning there will be greater viability challenges facing development in the borough should the draft Local Plan adopt the higher £300 per tonne carbon offset requirement. As such, the £300 per tonne contribution is not justified.
- f. Further, given the carbon offset payment is calculated based on a 30 year period, it is not clear how the UK governments plans to decarbonise the electricity grid over this period would be taken into account in the carbon offset calculation. The decarbonisation of the grid will mean that developments coming forward during the plan period will over time become greener with

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<sup>4</sup> Carbon offset contributions were not required for applications submitted prior to October 2016.

<sup>5</sup> The current carbon offset contribution of £95 per tonne was only adopted in the LP in March 2021.

reduced carbon emissions. As such, this should in effect mean that development should be required to pay lower offsetting contributions.

- g. The draft plan is not justified in deferring any changes to its carbon offset price to “future guidance” either. Such changes would impact on the viability of schemes, and thus the deliverability of development in the borough and the effectiveness of the local plan. Planning Practice Guidance<sup>6</sup> confirms that: *“policies for planning obligations should be set out in plans and examined in public. Policy requirements should be clear so that they can be accurately accounted for in the price paid for land....Such policies should be informed by evidence of infrastructure and affordable housing need, and a proportionate assessment of viability”*.
- h. Whilst CHG have concerns about the increased carbon offset price and its implications for scheme viability, CHG strongly support the principles of part e) ii) of Policy CC2.2 which allows the carbon shortfall to be addressed offsite. CHG own and manage around 10,000 homes in the borough, and therefore they have the ability to deliver improvements off-site to improve other existing stock in the borough. This approach conforms with LP Policy SI2 part c.

**20. Is it clear how a decision-taker should react to viability issues related to the climate change policies from the text set out in the plan at paragraph 2.2.21, and would it be clear when and how costs of independent viability assessments would be sought, and what the justification for this might be? Would the matters set out in the paragraph be more appropriately included in development plan policy?**

- a. No, the paragraph is not clear how the decision-taker should react to viability issues relating to the climate change policies. The matters would be more appropriately included in the climate change policies to make clear that viability is a relevant consideration when assessing proposals against the policy requirements, particularly noting the viability implications of these policies as confirmed in the evidence base.

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<sup>6</sup> Paragraph: 004 Reference ID: 23b-004-20190901.