

1 INTRODUCTION

1.1 Introduction

- 1.1.1 The South Worcestershire Authorities of Malvern Hills District, Wychavon District and Worcester City are in the process of preparing a joint Core Strategy Development Plan Document (DPD) as part of the Local Development Framework (LDF) for each authority. The three authorities have decided to work together due to the requirement for cross boundary working in the vicinity of Worcester caused by possible growth in that area indicated in the partial review of the 'West Midlands Regional Spatial Strategy – Phase Two Revision'. The Joint Core Strategy needs to demonstrate how 24,500 homes and associated infrastructure can be delivered in South Worcestershire between 2006 and 2026.
- 1.1.2 The continuing significant rise in house prices, relative to incomes and household formation (e.g. single occupancy) in South Worcestershire means that the demand for affordable housing is increasing. Both the 2007 Housing Market Assessment¹ and the more detailed South Worcestershire study² show that the supply of affordable housing is well short of the level required to address housing need. Crucially the studies conclude that even under the highest housing targets being considered in the Regional Spatial Strategy Revision (Option 3), with 50% of all housing being affordable there would still be a 20% shortfall of the identified need. The Local Housing Need report identifies an annual requirement for 606 additional affordable dwellings across the 3 districts. For the purposes of this study we will continue to refer to the geographical area covering Malvern Hills, Wychavon and Worcester City as South Worcestershire.
- 1.1.3 Given the very high need for affordable housing, the Councils want to explore the options for maximising the provision of affordable housing within the framework of the Regional Spatial Strategy (RSS).
- 1.1.4 The need for the study has arisen as a result of national and regional policy and the need to have a robust evidence base for the LDF. The Councils wish to deliver more affordable housing from qualifying development sites. However, they are conscious that the overall commercial viability of development sites should not be risked in pursuing policies which could be ultimately undeliverable and unrealistic.
- 1.1.5 Planning Policy Statement 3 (PPS3) – Housing³ (and its accompanying document – Delivering Affordable Housing⁴), requires Local Planning

¹ Rupert Scott - Strategic Housing Market Assessment for the South Housing Market Area of the West Midlands Region (April 2007)

² Rupert Scott – A Local Housing Needs Report for the 3 South Worcestershire Districts (September 2007)

³ Communities and Local Government - Planning Policy Statement 3: Housing (November 2006)

⁴ Communities and Local Government – Delivering Affordable Housing (November 2006)

Authorities, when setting affordable housing targets, to assess the likely economic viability of land for housing within an area, taking account of risks to delivery and drawing on informed assessments of the likely levels of finance available for affordable housing, including public subsidy and the level of developer contribution that can reasonably be secured. In accordance with PPS3 and to inform and influence the policies on affordable housing provision within the Joint Core Strategy, the Councils required a study that informs planning policy development with regard to the delivery of affordable housing. Specifically the study was required to examine the impacts on development viability in relation to:

- The site/size thresholds.
- The percentage of affordable housing required on qualifying sites; and
- The mix of affordable housing in terms of tenure.

1.1.6 In summary the Councils have asked Adams Integra to consider development viability of options for market-led affordable housing based on the following:

- Thresholds.
- Proportion of affordable housing required.
- The mix of affordable housing (tenure).
- The impact of Housing Corporation grant funding.
- The approach to commuted sums in-lieu of on-site provision.
- Implications for viability of introducing a sliding scale of requirements.
- Implications of a range of planning infrastructure cost requirements (including potential Community Infrastructure Levy (CIL) costs).

1.1.7 The three Councils currently have differing affordable housing policies. Malvern Hills District Council's current affordable housing policies are set out in the Malvern Hills District Adopted Local Plan (2006). Policy CN2 and its supporting text deal with affordable housing and state:

Affordable Housing will be sought in the following circumstances:

- a. within the Malvern settlement area, an affordable component of up to 50% of all dwellings on sites in excess of 5,000 sq m (net site area) or 15 dwellings (whichever is the lower limit) will be sought; or,
- b. within defined settlements in the rest of the District, an affordable component of up to 50% of all dwellings on sites in excess of 2,000 sq m (net site area) or 5 dwellings (whichever is the lower limit) will be sought.

1.1.8 Wychavon District Council's affordable housing policies are set out within the Wychavon District Local Plan (Adopted June 2006). Policy COM2 and its supporting text states:

In order to help meet demonstrated affordable housing needs, the Council will seek the provision of affordable housing within all residential developments, including conversions (and including adjacent land if it can be expected to form part of a larger site), of either:

- a. 0.5ha and over, or 15 dwellings, whichever is the lesser; or
- b. in settlements of less than 3000 population, either 0.25 ha and over, or 7 dwellings or more, whichever is the lesser where there is an identified housing need.

On the above qualifying sites the Council will seek up to 30% of the units to be affordable.

1.1.9 Worcester City Council's affordable housing policies are set out within the City of Worcester Balanced Housing Market DPD, adopted in December 2007. The policies in the Balanced Housing Market DPD supersede policies H9 and H10 of the Council's adopted City of Worcester Local Plan 2004. The adopted policies (H7 and H8) state:

Where residential development on windfall sites (including conversions of existing buildings) meets the following criteria the city council will seek an element of affordable housing based on 40% of the net site area, or in the case of conversions, 40% of the total number of dwellings

1. the residential site is at least 0.5 hectares in total size or is capable of accommodating 12 dwellings or more (including adjacent land if it can reasonably be expected to form part of a larger site);
2. the site benefits from reasonable access to local services and public transport.

On allocated sites where planning applications have not been submitted by the time of the adoption of this development plan document, the city council will seek an element of affordable housing based on 40% of the net site area.

1.1.10 During the course of the study, the three Councils were carrying out further work on the Preferred Options document for the South Worcestershire Joint Core Strategy which will build on and replace the existing policy sets. On 24 June, they agreed to seek the views of stakeholders, consultees and the general public on a draft of the Preferred Options document. Consultation is due to take place in September and October 2008, as part of the Councils considering a definitive strategy for submission to the Secretary of State in 2010.

- 1.1.11 The Councils' report on the draft Preferred Options (Report No: PL199; part 16, para 5.23) refers to the continuing rise in house prices relative to incomes and to household formation rates generating an increased demand for affordable housing.
- 1.1.12 That report goes on to outline the Preferred Option proposal that all new residential development contributes to the provision of affordable housing as previous policies with a higher threshold have failed to halt the rise in the need for affordable housing. It proposes that “up to 40% should be affordable with a further 10% in the form of low cost market housing. Affordable housing would be provided on-site for developments of 5 units or more, and a financial contribution will be required for developments of less than 5 dwellings”. In order to avoid misunderstanding Adams Integra suggest that the Preferred Option policy be clarified so that it states 10% low cost housing for sale should be provided in addition to 40% affordable housing with definitions of these clearly set out.
- 1.1.13 For the purposes of this work, having fixed appraisal assumptions in the earlier project stages (as is necessary), Adams Integra's work assumes that the 10% low cost market housing indicates smaller dwellings within typical scheme mixes, which by definition would be at the lower, more affordable, end of the market in a South Worcestershire context. However, the Councils may need to consider further how they will define and deal with that element within the overall mix to be sought on schemes. For the purposes of this work, we refer to “affordable housing” as that defined by PPS3, i.e. for people who are unable to access or afford market housing. This includes social rented and intermediate housing, but excludes “low cost market housing” which PPS3 says Local Authorities should also take account of the need to deliver as part of the overall housing mix.
- 1.1.14 Adams Integra was commissioned by the Councils to consider the likely viability impacts and therefore the suitability of a range of planning-led affordable housing policy options (threshold and proportion/financial contribution combinations) from a viability viewpoint. This would inform the Councils in formulating such policies aimed to optimise the provision of affordable housing on suitable sites, without jeopardising the overall delivery of housing in the South Worcestershire area.
- 1.1.15 This study tests a range of scenarios and provides advice on the thresholds and proportions of affordable housing that are broadly viable taking into account property type, tenure mix, location and wider planning infrastructure burdens and associated issues as mentioned above on the development of residential sites.
- 1.1.16 The range of viability testing carried out for this study is shown in Appendix I – Development Scenarios.

- 1.1.17 This study investigates and assesses the impact on land values and viability of potentially lowering the affordable housing thresholds and varying the proportion of affordable housing sought on residential sites across South Worcestershire. It also provides options to the Councils for affordable housing delivery. However, it must be recognised that this planning-led tool for securing affordable housing relies on a market-led process.
- 1.1.18 We use the impact of varying affordable housing requirements on Residual Land Values (RLV) as our measure in putting forward our judgments and guidelines. This, therefore, means comparing the likely impact of the range of proposed policy changes with the current policy positions and emerging policy. The study examines the variations in approximate RLVs within South Worcestershire and the implications of these are included in the assessment of site viability and delivery.
- 1.1.19 The methodology and assumptions used are described in Section 2, the results are discussed in Section 3, the conclusions and recommendations set out in Section 4 and Section 5. Section 6 sets out wider points in relation to affordable housing. The tables, graphs and associated information referred to throughout this study are appended to the rear of the document.