

6 WIDER DISCUSSION

- 6.1.1 The “National indicative minimum” (site size) threshold for affordable housing is regarded as 15 dwellings, as set out by the Government’s PPS3 Housing (November 2006). PPS3 goes on to say, however, that Local Authorities can set lower thresholds “where viable and practicable”. The results discussed in this study show that a lower threshold could be considered, linked to a sliding scale approach to the proportion of affordable housing sought.
- 6.1.2 Where we have mentioned negotiation, that does not necessarily mean an overall reduction in affordable housing – it could mean negotiations over grant input or changes to the tenure mix to provide an element of cross-subsidy into a scheme. Similarly, there may need to be a compromise position achievable rather than moving straight to an assumption that leaves a site contributing nothing to affordable housing needs, but that allows the affordable housing delivery on particular sites to react to changing viability and funding circumstances as more certainty is created with scheme progression.
- 6.1.3 If the policy targets cannot be met, then landowners and developers will need to clearly demonstrate why. The final judgement on exactly where this element of the policy proposals will settle should, in our view, be based on all the factors viewed together, i.e. alongside the viability outcomes. Included in these will be the key elements of forecasting of increased affordable housing units delivery based on the size and number of sites coming forward (site capture), local housing needs and practical thinking on the consequences of having small numbers of affordable homes distributed widely across a higher number of schemes. There may need to be some testing of any concerns over sustainability generally, but also of good RSL management regimes. RSLs’ views might be sought, although any testing of their views at this early policy consideration stage was beyond the scope of this work.
- 6.1.4 Crucially, and regardless of detail, the policy should be worded in clear terms. It should not be expressed as a minimum level of provision or be capable of interpretation in an ambiguous way. New policy proposals should be viewed in the context of raising the bar on expectations, with the Councils seeking to secure significantly improved delivery from current levels. This can be through a combination of increased proportions or reduced affordable housing thresholds. The Councils could consider phrasing the requirements in terms of “seeks x% affordable housing” or “requires x% affordable housing” but goes on to cover the negotiated approach in supporting text.
- 6.1.5 It is important that a flexible and negotiated approach to policy application is adopted to ensure the continued supply of residential development land, notwithstanding the very high priority that will be given to addressing affordable housing need. The policy or supporting text would need to make this flexible approach clear. The aim is to provide clear and robust targets for

guidance to developers and landowners in appraising and bringing forward sites.

- 6.1.6 As part of providing clarity of expectations and to aid the smooth working of the approach, the Councils will need to be clear about whether any new policy positions will be applied to the gross (total, irrespective of any dwellings existing prior to the scheme) number or net (i.e. deducting for any such dwellings) number of dwellings being provided by a development scheme.
- 6.1.7 We expect that in site-specific viability discussions, where necessary, the use of a toolkit (including, but not limited to, the Housing Corporation's "Economic Appraisal Tool", or developer's own workings) will be encouraged. Developers will be encouraged to work closely with their RSL partners, who will increasingly be using that type of appraisal work to support their decisions and approaches for social housing grant.
- 6.1.8 Policy should be kept under review in view of key drivers including housing needs, site, supply and viability. Our recommendations are considered to be sound for the current stage of policy development, but their impact and the delivery resulting from them will need to be monitored with a view to future direction. The Councils will also need to consider monitoring property prices regularly and consider updates of the viability picture periodically. This could be linked to changes to planning policy, work on SPD or just at set intervals. The monitoring of property prices will help the Councils to understand the property market and how it reacts to changing financial circumstances over time. This could be carried out by reviewing Land Registry figures, Home Track information, internet estate agents' websites or a mixture of those things.
- 6.1.9 It will also be important for the Councils to detail contingency plans in the event of failure to meet affordable housing targets (potentially through short-term worsening of housing markets).
- 6.1.10 The Councils will expect developers and landowners to come to the table and be prepared to explain and justify why, in any relevant cases, the affordable housing targets and/or other planning obligations requirements cannot be met given other demands on a scheme. The onus will be on developers to clearly and fully demonstrate the issues, with evidence to back up abnormal site complexities and the like.
- 6.1.11 It is expected that a methodology similar to one we have used will be appropriate for this process, to explore the relationship between development costs and values. Again, however, we reiterate that whilst this methodology is generally accepted, and the assumptions we have used might guide the Councils on starting/indicative parameters, there will be no substitute for site-specific appraisal work of this type. Such work would take into account appropriate specific assumptions.

- 6.1.12 Issues may arise on those sites which have already changed hands or are committed through option or similar arrangements, where figures may simply not work when set against the proposed policy requirements. In the same way, there will be some previous planning consents capable of implementation.
- 6.1.13 Similarly, a degree of difficulty with increasing planning-led affordable housing supply may be experienced during the adjustment process where there will be problems whilst developers/landowners get accustomed to the new policies and expectations are modified. The modelling in this study has been carried out on the assumption that knowledge of policies exists and that the landowner/developer information and adjustment process has been undertaken.
- 6.1.14 This type of negotiated approach, as advocated by Government Guidance, then needs to be brought to life through appropriate Supplementary Planning Documents and/or Development Plan Documents.
- 6.1.15 The Councils could consider the use of the cascade principle within its Section 106 agreements for affordable housing. We understand that the Housing Corporation is encouraging this, and the Corporation could be consulted on it as the Councils develop their approach to building up the detail of its affordable housing approach more generally.
- 6.1.16 Within this overview study it has not been possible to consider in detail the viability implications of affordable housing on what could be a wide range of potential greenfield release site characteristics, should the regional housing numbers scenario dictate consideration of such sites in the future. However, one key valuation factor with such sites is likely to be that they have little alternative prospect of creating significant development value. It is not possible to say whether greenfield sites are any less or more expensive to develop than brownfield, as that needs to be viewed on site specifics. However, it is likely that greenfield release sites could support, as a target, at least the same level of affordable housing as envisaged in the headline targets proposed as suitable generally within the Malvern Hills, Wychavon and Worcester City (40%). A greater proportion of affordable housing could be achieved in some cases, subject to site-specific review and to the overall planning obligations (infrastructure) and costs burdens on the particular sites.
- 6.1.17 This study has considered planning-led affordable housing in the context of integrated provision within market-led schemes, secured through planning obligations usually embodied in a Section 106 agreement. The Councils, along with their partners, should also continue to consider the wider routes to affordable housing provision. Housing Association or contractor/developer-led schemes can be successful in significantly bolstering local provision – sometimes on lower value, more difficult sites, for example as a part of

removing non-conforming uses from older residential areas or recycling unviable former commercial land. There will always be a balance with retaining sufficient land for employment use, but the various supply sources of affordable housing need to be considered and encouraged. The use and role of Councils or other publicly owned land might also be very valuable in this sense. In addition the role of exception to policy sites and specific allocations processes could be considered for affordable housing provision.

- 6.1.18 The appraisals for RSL-led schemes can sometimes be aided by taking a reduced view on the return (profit) needed and through risk sharing. Housing Associations and others should be encouraged to be proactive in these areas, and supported by the Councils where possible.

End of Main Study

Appendices follow

Date of Study period: May to September 2008

Appendices

Appendix I	Development Scenarios
Appendix II	Summary of Residual Land Value Results by Value Point (1-7), 15% Developer’s Profit, Without Grant
Appendix III	Summary of Residual Land Value Results (all Value Points and Schemes) and Site by Site Residual Land Value Graphs
Appendix IV	Summary of Residual Land Value Results – Comparison of 15% and 20% Developer’s Profit With and Without Grant
Appendix V	Summaries of Residual Land Values in £ per Ha and Site by Site Graphs in £ per Ha
Appendix VI	Results of Financial Contributions in lieu of on-site Affordable Housing Calculations
Appendix VII	South Worcestershire Property Values Report
Appendix VIII	Glossary of Terms