

WINCHESTER CITY COUNCIL



Local Connections Study

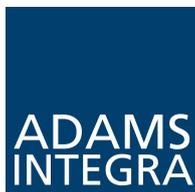
Final Report

*Report for the consideration of
Winchester City Council*

This document does not constitute Council Policy

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Local Connections Policies

Background

This report considers how sites could be enabled in rural areas which could assist households in need obtain suitable accommodation in locations where they need to be. In particular this report looks at the potential blockages to new affordable housing being developed in rural areas and how mechanisms could be put in place to assist rural housing provision.

Across the City Council area the housing requirement will be delivered by a combination of infilling and redevelopment on brownfield sites. In the Level 1 and Level 2 settlements, as defined in the Core Strategy, there may be a need to allocate additional land for housing, economic development or other needs. The need for any greenfield releases in these settlements, and their precise scale and location, will be determined through the Development Management and Allocations DPD, taking account of land availability and development needs at the time. It is not expected that there will be a need to amend the existing boundaries of settlements within Levels 3 and 4, although Policy CP20 does provide for the allocation of sites for Local Connection Homes.

At the moment enabling activity for local connection or local village exceptions schemes is centred round the search and local acceptance of small sites (normally up to 10 or 12 homes) developed by RSLs and made available to those first and foremost with a strong local connection with a village or hamlet. Households need someone who has lived or worked in the connection area for a considerable time. S106 agreements protect the developments and suggest that those with a local connection should inhabit the homes, often there is a cascade effect with those with the strongest connection having the greatest chance of being allocated a home. Only as a last resort will households from another parish or elsewhere in the district be allocated a rural exceptions home.

However the pipeline of new rural opportunities is both uncertain and very time consuming, the key blockages appear to be:

- Local objection.
- A long and often convoluted process of engagement with local communities and in particular Parish Councils.
- Landowners' reluctance to "sell the family silver".
- Availability of funds to support often expensive schemes.
- Site sensitivity in rural areas and restrictive planning and design policies to be complied with.

PPS3 gives consideration to these blockages and attempts to allow local authorities in appropriate circumstances to allocate land for local connection housing (PPS3).

Taylor Report

The Government under its strategic aim of raising the profile of rural issues commissioned the Taylor report to consider amongst other things how more homes could be developed in rural areas to meet the local housing need. Specifically recommendation 17 of the Taylor report suggests:

The Government and the Housing Corporation/Homes and Communities Agency should explore options to help bring forward significantly more affordable homes to meet local need through schemes which allow landowners to nominate someone such as a family member or employee (who meet the local connections and housing need criteria for initial occupation), providing the property is subject to the same Section 106 criteria as the developments other affordable homes to be affordable in perpetuity, to meet local needs.

Proposal 18 in addition suggests:

The Government and the Housing Corporation/Homes and Communities Agency should look at how schemes in which landowners retain some interest/income can be part of the range of solutions to secure increased release of land for affordable housing in perpetuity – providing the terms (for example, rate of ground rent, etc.) are acceptable to the local community to be housed, and do not undermine affordability.

One suggestion in the Taylor Rural Housing report is that under some circumstances there should be “New encouragement for landowners to offer land for this affordable housing at affordable prices, including options for nominating a family member or employee for some of the property if that helps bring forward more affordable homes needed for the community”.

The Government is clearly, therefore, giving consideration to “giving away” some nominations for the housing enabled under the exceptions policy so that they may be not first and foremost affordable but be able to house an employee or family member. The Government has published a consultation paper suggesting ways in which rural exceptions schemes can be encouraged. This consultation will be reviewed in the context of this report.

HARAH

The HARAH scheme has been drawn up in partnership with a number of rural housing authorities in Hampshire and the HCA to comprehensively manage all rural exceptions affordable housing development in the rural areas.

Having one organisation (currently Hyde Martlet, an RSL) manage the process enables close control to be exerted over the delivery process in developing rural exceptions housing. A consequence of this is that on virtually all rural exceptions sites the RSL can, in partnership with the local authority keep control over the price of plots enabled through the process. On greenfield sites therefore the RSL will normally pay a landowner no more than about £10,000 per plot. Whilst on a greenfield

site this will provide landowners with a greater return over agricultural prices it will not represent anywhere near open market residential values in an area. The receipt may be enough to persuade a landowner to sell his or her land and the mechanism following on from rural enabling shows that the rural exceptions policy which emerged in East Hampshire and New Forest in 1992 has proved largely successful, if ponderous, in delivery.

The information supporting the work of HARAHA identifies the key issues in respect of enabling activities and the supporting Q&A states in terms of land values:

How much will be paid for the land?

Exceptions sites have a unique land value that is between agricultural values and hope value. The price agreed for the land is important to ensure that the housing to be provided is affordable. One of the aims of HARAHA is to have a consistent approach to exception site land values, to ensure that rural housing schemes are viable and affordable. This will generally be in the region of £8,000 to £10,000 per plot dependent upon the site constraints.

Whilst the above quote can be found in the Q&A section of the HARAHA leaflet the protocol for HARAHA partners contains no specific policy to limit land values, this is key to the recommendations section later in this report.

Winchester City Council

The City Council in turn have given consideration to the issue of encouraging landowners to release more land and have suggested a draft policy in the Core Strategy Preferred Option document which allows, under certain circumstances, up to 20% of a site to be sold as market or similar housing to assist raising land values to a point where landowners may be encouraged to release land.

Draft policy CP20

The development strategy in the Level 4 settlements in terms of new development will be limited to small scale ‘Local Connections Homes’ (see Policy CP20) only with ‘enabling’ market housing permitted where necessary (no more than 20%) to meet demonstrable local needs.

Level 4 Settlements

These are defined as the following villages:

Bighton, Bishops Sutton, Compton Down, Compton Street, Crawley, Curdridge, Durley Street, East Stratton, Easton, Itchen Stoke, New Cheriton/Hinton Marsh, Newtown, Old Alresford, Owslebury, Otterbourne Hill, Shawford, Shirrell Heath, Soberton, Soberton Heath, Southdown, Tichborne, Upham, Warnford, Wonston and Woodmancott.

Enabling Development

Enabling development can be approved under the proposed policy direction for some (up to 20%) of the housing in the Level 4 settlements to be sold to the market or developed by self build groups unencumbered by a s.106 agreement regarding restrictions on tenure and ownership, these homes would generate value to the landowner which may assist in bringing additional sites forward or allowing the development of sites which may otherwise be unviable.

This policy raises a number of issues which relate to the impact of the policy on how exceptions site which would have come forward at the £10,000 a plot scenario will now be considered by landowners to come forward at £10,000 per plot for 80% of the site and open unencumbered market value for 20%. Therefore, the affordability and value for money for whole sites enabled under the new policy will be compromised to a certain extent as only 8 not 10 affordable homes would be enabled. It would be necessary for more sites that would have been enabled previously to come forward to make up this shortfall. Some sites would only be able to come forward as 100% affordable rented sites because of issues such as Parish Council intervention, the potential for enabling development may give hope vale to landowners who may not want the lower affordable rent land value.

It remains to be seen if the reduction in numbers of affordable units per site will be made up by the loss of 20% of the site; it is a concern worth bearing in mind when considering the market unit approach to enabling development.

Another concern is the potential for costs to be unevenly allocated between the affordable rent and market houses - additionally there is the complexity of who would build the market housing - would the whole site be built by a developer, by an RSL or a mixture of the two? It is fair to say that abnormal costs and service costs are higher on rural exceptions sites that urban house development and a way of sharing those costs would need to be established.

By way of an example the table below presupposes that a rural exceptions site of 10 homes were to be found just outside a village boundary - currently a landowner would be paid about £100,000 for an acre or so of land, under the proposed policy, 8 homes would be affordable (£80,000 receipt) and 2 homes could be sold to the market and would raise about £160,000 for the two leaving the landowner with a £240,000 receipt for the same acre.

Residual Land Value on scheme with 2 market units and 2 discounted market units

Tenure	Number of units	Market Value	Land value
Affordable rent	8	80,000	10,000
Market sale	2	250000	80,000
		Total	240,000
Affordable rent	8	80,000	10,000
Discounted market	2	200000	64,000
		Total	208,000
Difference between scheme with 2 open market and 2 sub market units is			
£32,000 difference in land payment overall			

If discounted units were to replace market units the receipt to the landowner would be about £208,000 instead of £240,000, this is not a significant difference with only 8 in place of 10 units made available as affordable housing.

The enabling policy would have greater use if it referred not to settlement areas but generically to all sites which had particular issues to be resolved such as an alternative use value which may need to be matched or bettered. This approach would allow a valuation to determine the increased value the site may have and how the value paid to the landowner by the RSL could cover that additional value.

In summary, therefore, we have concerns that the policy as drafted will give landowners an expectation that the value they will receive will be greater than they would currently expect. There will also be pressure from rural settlements in Levels 1 to 3, who will be looking at the circumstances pertaining in Settlement 4 sites and whether they should be considered exceptional and gain a similar value advantage. This will be to the detriment of the rural exceptions policy as drafted in emerging policy. Application of this policy suggests that there may be a knock on effect on Level 1 to 3 settlements where the HARAH process has been managing the market land value of exceptions sites.

More appropriate, if in exceptional circumstances a land value greater than the norm is required to bring a site forward, would be a policy allowing, in exceptional circumstances and if an open book viability assessment were undertaken, for a greater receipt to be allowed where a existing use or other specific value needs to be matched. This could apply in all areas where rural exceptions would normally be allowed and would be subject to scrutiny from the Council's and RSL's nominated valuers. For example, there may be a small agricultural building on a site which policy would allow to be used for a commercial purpose. It is important to be aware

of the value attached to the alternative use for the site/building when offering landowners for their land.

A part of the investigation into this issue has been interviews with the John Lancaster, Rural Enabler, and Chris Buchan Hepburn at Hyde Martlet. Both recognise that land value can be an issue to some landowners agreeing to sell their land for rural housing and that some enabling development would add to their “armoury”. However, the issue of raised expectations was also considered to be of equal concern. It was mentioned that GOSE representatives have made it clear that there is the potential for the Government Office to object to an Enabling type policy as going against PPS3 and the rural exceptions for local need only principle.

An area where some flexibility could occur relates to the “giving away” of nominations away from the Housing Register. There are occasions when a nomination given (in the first instance) to a landowner may assist him or her with another issue they have on their holding (a blocked dwelling they would like to free up for an essential worker for instance). A nomination could therefore be of significant value. For example if a landowner were able to access a property for one of his or her tied tenants this could enable a property on the estate or farm to be sold to the market potentially unencumbered by a tenant.

It is the writer’s view that in fact there is potentially much more opportunity to be gained by the HARA membership allowing greater land values than the notional £10,000 per plot maximum. If the HARA negotiation with a landowner could allow negotiated settlement to reach a below residential market position, then value for money would need to be proved through the normal bidding process to access grant rather than as a policy driven value.

Later in this report examples of how other Local Authorities have dealt with the issue are explored and an alternative approach is recommended as a result of that analysis.

Grant Levels

An assessment has been made of allocations given to rural sites in the SE and SW. That assessment taken from the HCA regional information Q2 and Q3 of 2008/9 which showed an average rural grant level of £62,500 per unit, the range was from £46,000 per unit to £94,124 per unit. The average size of scheme funded was 7.6 units with allocations made from 2 to 29 units. In the Q1 of 2009/10 the same sample shows a range of allocations from £42,500 to £85,000 with an average rural grant level of £56,500. It would be true to say that in urban areas grant levels fell by a more significant amount over the same period.

Practices elsewhere

Currently there are local authorities trialing different approaches which are assessed in this section of the report.

South Hams

This Council recognise that rural exceptions housing will only make a small impact on rural housing need. The Council have given consideration to how smaller unallocated sites could contribute towards meeting the needs of the area and have developed policies to require contributions from smaller sites. The policy background in the Adopted Affordable Housing DPD states:

Many houses will be developed on sites not specifically proposed in the LDF – ‘unplanned’ or ‘windfall’ sites. There is no reason why these should not also make a significant contribution towards the provision of affordable housing. Research shows that as sites become smaller the costs associated with development become proportionately greater per unit. A sliding scale has therefore been established to reasonably reflect the economics of provision relative to site capacity, as follows:

- *capacity for 2 to 5 dwellings 20% (off site)*
- *capacity for 6 to 14 dwellings 35% (on site)*
- *capacity for 15 dwellings or more 50% (on site).*

It is important to note, however, that South Hams see the above as a way of bringing forward more affordable housing generally rather than East Devon and the proposal currently under investigation by WCC for enabling development to provide more affordable housing on rural sites.

Horsham

In Horsham the policy has been to divert development to the main settlements and to restrict all market development outside those main settlements. The result should be that sites in and around “other” settlements should only be considered for rural exceptions housing. What this policy appears to have achieved, however, is an almost complete moratorium of development outside the settlements while one or two landowners test the policy through planning appeals.

Test Valley

In TVBC Development Plan there is a policy which should allow development in the countryside for market housing under specific circumstances. The policy reads:

ESN 06:

RURAL DEVELOPMENT

Development for housing, employment and community facilities in or adjoining settlements defined by policies SET 01 and SET 06 which contain schools, shops, community halls and access to public transport and have a population of less than 3,000 would be permitted provided that:

- a. the proposal is supported by evidence which demonstrates there is a need for the development to maintain and enhance the sustainability of the community;*

- b. the proposals demonstrate how existing community facilities will be sustained as a result of the development or how any new facilities will be provided; and*
- c. the proposal if it includes a residential element satisfies any existing need for affordable housing in the settlement or adjoining area, in accordance with Policies ESN 04 and ESN 05.*

In theory, this policy should enable the maintenance and enhancement of local facilities and enable the viability of rural settlements to be maintained. It is possible to imagine this policy when set alongside a Rural Exceptions policy allowing sustainable market and affordable housing to co-exist. It appears that since 2006 this policy has not been successfully operated but opportunities have been put forward in such places as West Tytherley, Stockbridge and Ampfield.

New Forest

NFDC have considered capturing as much affordable housing as viability allows on all sites in the District, they have reduced thresholds to allow where possible a spread of sites which include affordable housing across the District, the policy below shows that affordable housing will be required on all development sites where the numbers proposed and viability allows. Rural exceptions sites still have their place in affordable housing provision. However policy CS12 provides for opportunities for sites to be identified outside settlement boundaries to provide low cost or affordable housing. The policy states:

Policy CS12 Possible additional housing development to meet a local housing need

Additional sites will be identified adjoining the main towns and larger villages to allow for housing to specifically address identified local needs for affordable housing and low cost market housing (in accordance with policy CS15(b)) which will not otherwise be met. These sites will be identified through the Sites and Development Management Development Plan Document, working with local communities. These sites could provide for:

- (a) up to around 50 dwellings at Totton (in addition to the 100 dwellings proposed under Policy CS10(e)(iii) and Policy CS11 (ii))**
- (b) up to around 150 dwellings at Marchwood**
- (c) up to around 50 dwellings at Hythe**
- (d) up to around 150 dwellings at Lymington**
- (e) up to around 110 dwellings at New Milton**
- (f) up to around 100 dwellings at Fordingbridge**
- (g) up to around 200 dwellings in total from small sites at the smaller defined villages provided from sites of:**
 - up to about 30 dwellings at each of Blackfield and Langley, Hardley and Holbury, Fawley, and Milford-on-Sea ,**

- up to around about 10 dwellings at each of Hordle, Everton, Bransgore, Ashford and Sandleheath.

The total provision under this policy during the period 2006-2026 should not exceed around 810 dwellings. Development permitted under this policy will be subject to the affordable housing contribution requirements set out in Policy CS15(b) below.

The attached narrative explains how this policy will work:

Local communities will be involved in the consideration of possible sites for the possible further provision set out in column (g), in particular through the preparation of the Sites and Development Management Development Plan Document and through the production of Town and Village Plans. The figures given for possible additional provision in column (f) should be treated as indicative figures of the maximum additional provision, rather than as prescriptive figures or targets. Taking into account the proposed allocations at Ringwood and Totton, all of the towns in Levels 1 and 2 of the settlement hierarchy (Policy CS9) have possible additional provision of 150 dwellings, except for Hythe and Fordingbridge which have lower indicative figures having regard to the likely difficulties in finding suitable sites and the size of the settlements.

The smaller defined villages have possible additional provision of up to about 30 dwellings at the Waterside settlements and Milford-on-Sea or up to 10 dwellings at the smaller settlements in the coastal Green Belt or west of Fordingbridge,. The review of detailed Green Belt boundaries (Policy CS 10(o)) through a subsequent Development Plan Document(s) will be co-ordinated with consideration of suitable sites to provide for possible development as set out in column (g) of the table above.

It is important to note that this policy has been tested through the Core Strategy adoption process and has been considered appropriate by CLG and GOSE. It is this policy which provides a route for more affordable housing to be provided on exceptions type sites.

Policy CS15 Affordable housing contribution requirements from developments
Private developments creating new dwellings will be required to contribute towards the provision of affordable housing by making provision as set out below, under one of requirements (a) to (d). Affordable housing provision will not be required where the development is:

- a single replacement dwelling
- an agricultural/ forestry workers' dwelling or commoners' dwelling (but the removal of an occupancy condition will require an affordable housing contribution)

- **the conversion or subdivision (without significant extension) of an existing dwelling**
 - **a residential redevelopment scheme for 4 or less dwellings, involving the demolition of at least 1 dwelling, and where the site size is smaller than 0.1 hectare.**
- (b) **On greenfield housing sites released specifically to meet an identified local need for affordable housing which will not otherwise be met (under Policy CS12), the target will be a minimum of 70% affordable housing. The development should provide a minimum of 40% social rented housing and 30% intermediate affordable housing. The remainder of the site should be developed for low-cost market housing which could include starter homes, self-build units and extra-care housing. At least 50% of the affordable dwellings provided should be family housing.**

This is the affordable housing policy referred to in Policy CS12, this policy does not go as far as the WCC proposed policy in that Low Cost housing is suggested as the alternative to market housing. The WCC policy would allow 20% of market housing - not constrained - the NFDC policy steers the 30% to be low cost market housing which it suggests could be starter, self build and extra care housing.

This is borne out by the definition of affordable housing in PPS3 which states that:

Affordable housing is:

'Affordable housing includes social rented and intermediate housing, provided to specified eligible households whose needs are not met by the market. Affordable housing should:

- *Meet the needs of eligible households including availability at a cost low enough for them to afford, determined with regard to local incomes and local house prices.*
- *Include provision for the home to remain at an affordable price for future eligible households or, if these restrictions are lifted, for the subsidy to be recycled for alternative affordable housing provision'.*

Social rented housing is:

'Rented housing owned and managed by local authorities and registered social landlords, for which guideline target rents are determined through the national rent regime. The proposals set out in the Three Year Review of Rent Restructuring (July 2004) were implemented as policy in April 2006. It may also include rented housing owned or managed by other persons and provided under equivalent rental arrangements to the above, as agreed with the local authority or with the Housing Corporation as a condition of grant.'

Intermediate affordable housing is:

'Housing at prices and rents above those of social rent, but below market price or rents, and which meet the criteria set out above. These can include shared equity products (eg HomeBuy), other low cost homes for sale and intermediate rent.'

These definitions replace guidance given in Planning Policy Guidance Note 3: Housing (PPG3) and DETR Circular 6/98 Planning and Affordable Housing.

The definition does not exclude homes provided by private sector bodies or provided without grant funding. Where such homes meet the definition above, they may be considered, for planning purposes, as affordable housing. Whereas, those homes that do not meet the definition, for example, 'low cost market' housing, may not be considered, for planning purposes, as affordable housing.

Thus the homes provided under policy CS12 are a mix of affordable and market housing, albeit at the lower end of the market.

It would have been possible for the low cost market element of the housing to be affordable in that forms of discounted market housing could be enabled which would have a market impact on improving the land value receipt whilst making all of the homes available as affordable housing. There will be an impact on value but not too significant an impact. For example if 2 out of 10 homes were low cost market, to use our example earlier in this report the site would be worth 8 x £10,000 and 2 x £100,000 or £280,000. Here the 8 x £10,000 would remain but the discounted market housing land would be about £80,000 per plot leading to an overall value of £240,000, a considerable increase over the current £100,000 value.

If a policy were in place to allow discounted market housing (fitting in with PPS3 definitions of affordable housing it could replace the need for two policies (an enabling policy and rural exceptions policy) as one policy could apply across the District forming the rural exceptions policy. The NFDC policy applies to sites allocated for housing across the district which are over and above the allocated sites needed to meet housing trajectory. The details on which sites are suitable for CS12 type development have not yet been assessed. These would meet local need but not be constrained to be wholly for affordable or market housing. The exceptions policy is retained for 100% affordable housing.

The approach proposed for WCC would allow intermediate tenure on all sites which have not been allocated for market housing to meet the housing trajectory. They would capture the sites the NFDC policy applies to urban sites and also rural exceptions. The confusion of whether a site would be an allocated CS12 site or a rural exceptions site would be avoided. A simple policy applying to all sites un-allocated in the Plan would appear to allow a good opportunity for more affordable housing to be developed.

The split proposed in the NFDC policy of 70% affordable and 30% low cost market housing follows the split identified in the RSS SE, it is logical to maintain that split between affordable rent and discounted market and for this reason the 70% affordable rent to 30% intermediate is suggested.

Wealden

This Council has considered its options for promoting market and affordable housing. There is a demonstrable need for rural affordable housing and the District has taken a lead from the revision to PPG3 where PPS3 allows the allocation of rural sites, this has led to a pipeline of rural schemes.

The Council's rural enabling activities have been discussed with the Housing Enabling Manager, Hayley Frankham. The circumstances behind the rural picture in Wealden are as follows:

- The Council produced an amended local plan document. It had rural exceptions policies and a positive allocation of sites for 100% affordable housing in some rural settlements. In the draft plan over twenty-five sites were allocated but after consultation with Parish Councils and others only thirteen were finally allocated. These sites formed the HOPE project sites.
- The current position is that rural exceptions sites have come forward over the last five years in about five locations. Three of the HOPE sites have been developed and another is pending.
- Land values on both exceptions and HOPE sites were similar at about £10,000 per plot. Some landowners armed with a HOPE site considered it only a matter of time before market housing would be permitted. Some developers acquired interest in other sites for the same reason.

Some Councils and the Rural Enablers tend to consider locations for affordable housing and then do a local survey followed by detailed discussion with Parish Councils some of whom effectively can veto sites. At Wealden they undertake a comprehensive needs survey with 100% surveys in rural area and therefore if a site comes forward for consideration the speed of deliver is much speedier as no detailed survey is necessary and the Parish Councils, whilst being a consultee, are less central to a rural project coming forward.

The Hope project offers a coordinated approach to rural enabling. With sites allocated the landowners get some certainty of a value and use for their sites. Inevitably some landowners consider that as their site is suitable for some form of housing it should be possible for market housing on all or part of it. The numbers of completed schemes suggests that the allocation of sites in rural areas for 100% affordable housing does not bring MORE homes per year but does suggest a more planned approach to delivery.

East Devon District Council

Out to consultation is the draft interim policy of East Devon District. Interim policy is in advance of the LDF policy and as currently drafted says:

Interim Rural Departure Site Policy for Mixed Affordable and Market Housing

Rural departure sites for development of a mix of affordable and market housing will be allowed provided that the following criteria are met in full:

- (a) *The development is well related to, and will complement and be compatible with, the built form of a settlement.*
- (b) *The residents of any scheme will have easy walking or public transport access to a range of facilities including a state primary school.*
- (c) *A local housing needs assessment is available showing a need for affordable dwellings in the settlement and/or in surrounding areas and the open market housing will be of a type (whether by size, form, occupancy conditions or other considerations) that will meet a local need currently under-provided for/unavailable in the locality.*
- (d) *At least 66% of all dwellings will be affordable in perpetuity and of these at least half will be available as social rented properties.*
- (e) *Any planning permissions granted under the terms of this policy will be for a period of one year only and the policy will apply (in the first instance and subject to annual review) to the end of year 2010 (unless superseded by an adopted Local Development Framework Policy before this time).*
- (f) *No open market property/properties may be occupied until at least twice that number of affordable dwellings have been built and occupied.*
- (g) *The development will be for no more than a total of 15 dwellings.*

It is important to note that there are significantly different market conditions prevalent in East Devon, for example land values in small market towns such as Axminster and Exmouth are less than half those of the subject area and as such there is less in the “planning gain” cost that can be covered by market values. In addition few homes are currently being brought forward on the few active development sites in the District and this interim draft consultation policy is clearly seen as a way of encouraging affordable and indeed some market housing in the District.

It appears that this policy is still at an early stage and has not as yet provided many development opportunities; it is interesting to note that in the development of this policy GOSW viewed this policy initiative positively, however in discussion with the policy team at EDDC it now appears that GOSW have formally objected to the consultation draft of the policy. They objected on the basis that the policy

contradicted the advice in PPS3 regarding rural exceptions housing and also in their case was being developed outside the core strategy route as an interim policy position. This position concurs with GOSE and their objection to enabling policies in the SE.

Summary Position

Consideration of the enabling system suggested in category 4 settlements suggests that the enabling development may assist generating additional residual land values; this may set a new minimum land payment level under what is currently considered the norm before the new draft policy. It is difficult to determine at this stage whether the increased value will bring more sites forward, what it is likely to do is to ensure that existing settlement 4 sites will provide landowners with additional value than at present. This is an acceptable policy position if more sites are made available, there is though the negative potential effect on other settlements where landowners may be encouraged to hold out for some hope value and fewer sites in other than settlement 4 sites coming forward. The policy would need to achieve an overall increase of more than 20% in the amount of affordable housing coming forward for it to provide any net benefit, to offset the 20% of units which would be lost to market housing. Whilst it is impossible to estimate with any certainty how many more sites might be brought forward, a 20% increase would be significant and there can be no certainty of it being achieved. Increasing the proportion of market housing further (as some landowners suggested in commenting on the draft policy) would further increase the number of sites which would need to come forward to achieve a net benefit.

Importantly though giving enablers the potential to increase values to meet site-specific land values or abnormal costs will provide assistance say where a brownfield site with an alternative use value is considered, this suggestion could apply to all rural areas not just those identified under the settlement 4 criteria.

The practicalities of the approach suggested needs to be considered. The first question is who would develop sites which come forward under this policy. If market housing were proposed then developers would be interested in developing market housing with RSL activity constrained, the allocation of abnormal costs and service charges would similarly be allocated across the tenures. With the proposal as recommended RSLs would remain in control of the process. They would deal with the 70% affordable rent in the normal way. The intermediate 30% would be dealt with again by the RSL and would use tried and tested means of protection to the discounts proposed in perpetuity. The s.106 agreement could protect the affordable rent properties in the usual way. The intermediate housing could be protected as shared ownership is currently but with the added protection of limiting staircasing to a maximum of 80% OMV, similarly leases could be sold to discounted market housing to ensure that a maximum of 80% of the OMV would be sold at any time. Similarly intermediate rent levels could be set at 80% of the market rent for the type of units proposed. All of these controls are appropriate within a s.106 agreement.

Another possible way forward could be for innovative funding measures to be put in place such as those identified in “Affordable Rural Housing” Lowering the Cost report. Discounted market sale, shared ownership as well as PFI type funding could also bring forward a greater land value and be in accord with the rural exceptions policy.

The NFDC approach which appears to have GOSE support accepts that some parts of a site could be available for non affordable housing so long as they meet an identified need, their policy would need to sit alongside a rural exceptions policy for sites outside the settlement boundary. If the non affordable element of the NFDC policy were replaced with that % being affordable but not affordable rent then a stand alone policy could apply to all sites in rural areas without the need for the exceptions policy as well.

CONCLUSIONS

The enabling development proposed in the initial policy suggestion may assist generating additional residual land values and hence allow more sites to come forward for development than before. Whilst it is likely that more sites will come forward, there is no certainty that this will recoup the % “lost” to market housing. The “lost” 20% could, if the recommendations in this report be followed, provide affordable housing which will increase the residual land value AND meet a proven housing need.

The point of applying the 20% market enabling development only to category 4 settlements will, in addition to the loss of 20% of sites, lead to landowners in category 1 to 3 settlements having raised aspirations of land value which the policy would not allow.

Importantly, giving landowners and the HARAH RSL the potential to increase values to meet site-specific land values through some sub-market housing on site will provide assistance, say where a brownfield site with an alternative use value is considered. This suggestion could apply to all rural areas, not just those identified under the settlement 4 criteria.

Positive allocation of sites for 100% affordable housing may be helpful in some circumstances as part of an enabling process, potentially following on from the SHLAA assessment of sites. It would be appropriate to undertake an assessment of locations with significant unmet housing need and to consider the failed SHLAA sites in those locations to see if the reason why the sites failed was related to the housing trajectory for that area (there is only a need for x houses in an area therefore only one out of four sites is needed, this process could consider the other three sites to see if they were capable of development and if they were they could be allocated as 70% affordable rented/30% intermediate housing).

In terms of policy development it is important that a 100% affordable housing exceptions policy is maintained which complies with PPS3 rural exceptions housing. The NFDC policy which differentiates between sites allocated in towns and villages which fall outside the 5 year housing trajectory could be amended to suit WCC where it would apply to all exceptions sites not only those identified, the policy could be developed to allow discounted market housing (fitting the definition of affordable in PPS3) as enabling development. As this approach would provide 100% affordable housing it would meet the PPS3 definition of an exceptions scheme and should be supported by GOSE. It is important that the discount or other mechanism to retain the sub market element of the 30% intermediate housing proposed is protected in perpetuity. This will be achieved in practice through clauses in a s.106 agreement; it may be possible in circumstances where discounted market housing is proposed for a lease to be sold which maintains the 80% of market value discount. It would be helpful if RSLs are involved in the development of these sites as they are well placed

to manage nominations, assess local connection and deal with shared ownership and discounted market value developments.

It is important that a NFDC type approach generates some affordable rented housing rather than to be used as a means to develop “near to market” housing which may not be affordable to those most in need. The approach suggested in the enabling development suggests a target of 20% with the remainder as affordable housing. It is suggested that this approach be amended so that 70% of all sites developed under this policy should be affordable rent and that the 30% remaining should be discounted market housing or such other intermediate housing which meets a need and enabled value to be generated to bring sites forward. It is possible that the new policy would free up sites which have otherwise stalled due to landowner aspiration. Discussion with the Rural Enablers showed a number of examples of sites which have stalled because of this. It may be possible to look back at failed rural exceptions opportunities to see where landowners have not completed land sales to RSLs because the value proposed was too low.

RECOMMENDATIONS

- **Given the lack of evidence that it will increase affordable housing provision, possible adverse implications for exceptions sites, and the concerns expressed by the GOSE, the existing policy proposal for enabling development in category 4 settlements only (which allows 20% to be market housing) should no longer be followed.**
- **That a rural exceptions policy for 100% affordable housing to meet local needs be included in the Core Strategy for sites in rural areas outside village envelopes or where open market housing would not normally be approved, this policy would allow:**
 - **Subject to local housing needs, at least 70% of the units generated by this policy to be for social rented homes.**
 - **Subject to local housing needs, up to 30% of the units to be some form of intermediate affordable housing to meet an identified local housing need.**
 - **Note - intermediate affordable housing could comprise any form of housing defined as intermediate in PPS3 Housing, including, sub market rent, shared ownership with a limit of staircasing to 80%, discounted market housing with the discount set at 80% of open market value, the discount to be set in perpetuity and other forms of intermediate housing which can be protected from outright market sale in perpetuity. In determining what form and level of intermediate affordable housing should be provided account should be taken of local circumstances including local priority housing needs, affordability and market conditions.**
- **Provision be made in the Core Strategy for sites to be allocated for rural affordable housing on land where open market housing development would not normally be permitted.**

End of Study Text

References

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New Forest District Council

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