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Winchester City Council
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Via email: planningpolicy@winchester.gov.uk

11th October 2024

Dear Sir / Madam

McCARTHY STONE AND CHURCHILL LIVING RESPONSE TO THE WINCHESTER LOCAL PLAN (REGULATION 19) CONSULTATION

Thank you for the opportunity to comment on the draft Winchester Local Plan. McCarthy Stone and Churchill Living are the leading providers of specialist housing for older people in the UK. Please find below our comments on the consultation which focus on older persons' housing.

Policy H1 Housing Provision

This policy states:

Housing will be permitted to provide for the scale, types and tenures of housing needed in the Local Plan area over the Plan period (2020-2040), including a contribution towards the unmet needs of adjoining areas. Provision is made for the development of about 15,115 dwellings (net) in this period (excluding the South Downs National Park area), by prioritising suitable previously developed land within defined settlement boundaries, completion of strategic allocations at Kings Barton (North Winchester), Newlands (West of Waterlooville) and North Whiteley, and delivery of sites allocated within and adjoining Strategic Policy H1 Housing Provision the most sustainable settlements, in accordance with the Local Plan's spatial strategy (set out in Policy SP2).

Recommendation

To be consistent with national policy and for the plan to be justified and effective, the plan should also identify the specific housing needs of specific groups, as identified by the Council's SHMA.

The following sentence should be added to Policy H1.

1,346 of these dwellings should be provided to meet the housing needs of older people (9% of the total housing requirement)

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Policy H5 Meeting Housing Needs

Acceptable (accessible?) and adaptable homes

The policy sets out a requirement that, on sites of 10 homes or more, 5% of all new market homes should be built to wheelchair adaptable standards to meet the requirements of Building Regulations M4(3)(2)(a)

We would like to remind the council of the increased emphasis on Local Plan viability testing in Paragraph 58 of the NPPF and that the PPG states that *“The role for viability assessment is primarily at the plan making stage. Viability assessment should not compromise sustainable development but should be used to ensure that policies are realistic, and that the total cumulative cost of all relevant policies will not undermine deliverability of the plan”* (Paragraph: 002 Reference ID: 10-002-20190509). M4(3) Housing has a cost implication and may serve to reduce the number of dwellings and reduce viability. The cost of providing such housing has not been included within the Viability Report in respect of older persons’ housing.

Despite the draft plan requiring 5% of older persons’ housing to be built for M4(3), we note that an additional cost figure of £115 sq.m shown in Appendix 1, Assumptions Summary of the August 2024 Local Plan Viability Report, has been used for M4(3) housing. This equates to an additional cost of £5,750 per unit. Additional M(4) 3 costs would include fixtures and fittings, services and controls and increased room dimensions and layout which add up to 30% more floorspace with a corresponding reduction in density, sales values and affordability of such housing. While some value may be secured for larger units this is unlikely to mitigate the overall loss of units across the proposal as a result of the requirement and the cost is likely to be much greater than the £115 per sqm used in the study. Indeed, we note that Dixon Searle have used higher figures for other Local Plan Viability studies across the country. For example, in Horsham a value of £10,307 or 5% of build cost was used. It is rare in our experience that these requirements are accurately assessed within plan wide viability studies and it is inappropriate for policy to be brought forward without first accurately assessing actual costs including costs of larger buildings overall.

Whilst the policy requirement above applies to all new market homes (of 10 or more dwellings) it is common for Local Authorities to conflate the needs of ‘wheelchair users’ with the needs of older people in the community. A supportive local planning policy framework will be crucial in increasing the delivery of specialist older persons’ housing and it should be acknowledged that although adaptable and accessible housing can assist it does not remove the need for specific older person’s housing. Housing particularly built to M4(3) standard may serve to institutionalise an older person’s scheme reducing independence contrary to the ethos of older persons and particularly extra care housing. Older people’s housing and particularly extra care housing should therefore be incorporated into the emerging Local Plan separately to adaptable and accessible housing and not confused with it.

Whilst we acknowledge that PPG *Paragraph 003 Reference ID: 63-003-20190626 recognises that “the health and lifestyles of older people will differ greatly, as will their housing needs, which can range from accessible and adaptable general needs housing to specialist housing*

with high levels of care and support, the council should note that ensuring that residents have the ability to stay in their homes for longer is not, in itself, an appropriate manner of meeting the housing needs of older people.

Adaptable houses do not provide the on-site support, care and companionship of specialist older persons' housing developments nor do they provide the wider community benefits such as releasing under occupied family housing as well as savings to the public purse by reducing the stress of health and social care budgets. The recently published Healthier and Happier Report by WPI Strategy (September 2019) calculated that the average person living in specialist housing for older people saves the NHS and social services £3,490 per year. A supportive local planning policy framework will be crucial in increasing the delivery of specialist older persons' housing and it should be acknowledged that although adaptable housing can assist it does not remove the need for specific older person's housing. Housing particularly built to M4(3) standard may serve to institutionalise an older persons' scheme reducing independence contrary to the ethos of older persons and particularly extra care housing and this should be recognised within the plan.

Specialist and Supported housing

We welcome the amendment to the policy removing the reference to 'there is an identified need'. However, our preference would still be for a stand-alone policy to meet the substantial need for older person's housing to be introduced. While we appreciate that no one planning approach will be appropriate for all areas, an example policy is provided that, we hope, will provide a useful reference for the Council:

"The Council will encourage the provision of specialist housing for older people across all tenures in sustainable locations. The Council aims to ensure that older people are able to secure and sustain independence in a home appropriate to their circumstances by providing appropriate housing choice, particularly retirement housing and Extra Care Housing/Housing with Care. The Council will, through the identification of sites, allowing for windfall developments, and / or granting of planning consents in sustainable locations, provide for the development of retirement accommodation, residential care homes, close care, Extra Care and assisted care housing and Continuing Care Retirement Communities."

Policy H6 Affordable Housing

The policy stipulates that all development which increases the supply of housing by 10 dwellings or more (or is on sites of over 0.5 hectares) will be expected to provide at least;

- i. 40% of the gross number of dwellings as affordable housing;
- ii. On previously developed land, in recognition of the increased development costs including costs of land, the proportion of affordable housing will be no less than 30%.

The policy applies to older persons' housing, without any recognition of the extra costs and risks involved in this type of development. We note that the Council have now assessed sheltered / retirement living and extra care housing within the August 2024 'Local Plan viability Report, Further Information Dixon Searle. This concludes in para 2.3 that '*Bearing in mind the framing of the WCC Affordable Housing policy (H6) and explanatory text within the Local Plan 2040 proposed submission, from review of the further results now presented here,*

in our view there needs to be no further or altered consideration of viability or the cumulative impact of the Council's policies.' And para 2.4 that:

'2.4. The results overall continue to show a range of findings on viability levels, but which is to be expected and does not need to affect the appropriate overview that has been made, reflecting both local and wider circumstances and influences, in the Council'

The current policy, as worded, would therefore require any proposal for specialist housing for older people to deliver policy compliant affordable housing or to provide a viability assessment if policy compliant on-site affordable housing was not achievable.

We would direct the Council towards the Retirement Housing Consortium paper entitled 'A briefing note on viability' prepared for Retirement Housing Group by Three Dragons, May 2013 (updated February 2016 ('RHG Briefing Note') available at <https://retirementhousinggroup.com/rhg/wp-content/uploads/2017/01/CIL-viability-appraisal-issues-RHG-February-2016.pdf>. The RHG Briefing Note establishes how sheltered housing and extra care development differs from mainstream housing and looks at the key variables and assumptions that can affect the viability of specialist housing for older people. These key variables include unit size, unit numbers and GIA, non-saleable communal space, empty property costs, external build cost, sales values, build costs, marketing costs and sales periods and significantly variable benchmark land values. We are also aware that the RHG Briefing Note is being updated and indeed we are informing that process. We therefore have the following comments on the assumptions that should be used within the Viability Assessment with respect to extra care and sheltered housing as defined by the PPG on housing for older and disabled people Paragraph: 010 Reference ID: 63-010-20190626. If the Viability update was re-run using these assumptions extra-care and sheltered housing would be likely to be shown less viable in terms of delivering affordable housing and would result in the council needing to consider a variable affordable housing target for specialist housing for older people or exempting it from affordable housing altogether.

We also have some concerns with regard to some of the assumptions that have been used in the Viability Report and if amended and tested in line with the following recommendations, would be likely to show sheltered and extra care housing considerably less viable than is assumed in the policy. We recommend that the Viability Report is run for sheltered and extra-care housing using the assumptions recommended below and the affordable housing policy amended accordingly.

Unit numbers / GIA / Density

We note that the Viability Report (Appendix 1) has modelled a unit density of 150 dwellings per hectare resulting in a 30-unit scheme being modelled on a 0.2 hectare site for the Sheltered typology and a unit density of 150 per hectare resulting in a 60-unit scheme being modelled on a 0.4 hectare site for the Extra-Care typology. However, a typical sheltered housing / retirement living scheme would consist of 45 dwellings on a gross site area of 0.45 hectares creating a density of 100 units per hectare. Extra care housing tends to have a lower density and a typical scheme would consist of 60 units on a 0.75 hectare site at a lower density of 80 units per hectare. Therefore, a scheme of 50 units should be modelled for sheltered

housing and a scheme of 40 units should be modelled for extra care, both on a site of 0.5 hectares at a density of 100 units per hectare and 80 units per hectare respectively.

Sales and marketing costs

As detailed within the RHG Briefing Note sales and marketing costs for older persons housing schemes are typically 6% of GDV and this should be used within the older persons modelling rather than the 3% used.'

Sales periods

As discussed in the RHG Briefing Note, sales periods of older persons' housing schemes are typically longer for retirement and extra care housing than general needs housing. There is a typical 18 month build period before sales can commence. Sheltered and Extra care schemes cannot be phased but must be fully operational and completed from month 1 of sales / occupation. As detailed within the RHG Briefing Note, once sales commence a rough guide is that 40% of units will be sold at the end of the first year of sales, 30% during the second year of sales and 30% during the third period. This should be considered within the viability modelling and amended accordingly. These longer sales periods should therefore be incorporated into the Viability Report.

Empty property costs

It is recommended that a standard allowance of £5,000 per unit is assumed as a typical average empty property cost – to cover Council Tax liability on unsold units and service charges (which will be applicable to the whole building from day first resident moves in). This increases to £10,000 for extra care accommodation to reflect higher costs particularly in maintaining care, communal and catering facilities, staff and services and reflecting a slower sales rate than Retirement Living. We note that costs of approximately £2,000 and £5,000 per unit respectively have been applied to cover the sales period, but this is not enough to cover all costs.

External build costs

From our experience external build costs tend to range from 8% to 15% of base build costs on flatted schemes within urban areas and we therefore feel that an allowance is 10% of base build cost should be used for external build costs for brownfield sites rather than the 7.5% used in the Viability Report.

Developer Return

PPG sets out that 'For the purpose of plan making an assumption of 15-20% of gross development value (GDV) may be considered a suitable return to developers. However, for specialist housing for older people there is a clear precedent for a return of not less than 20% of gross development value primarily because of the risks associated with such developments. This is consistent with the Inspector's conclusions for appeals such as McCarthy Stone proposal at Redditch (Appeal Ref: 3166677), Churchill Retirement Living proposal at Cheam (Appeal Ref: 3159137) and the Churchill Retirement Living scheme at West Bridgford (Appeal Ref: 3229412) in 2019. 20% profit should therefore be assumed for specialist housing for older people rather than the 17.5% base position used within the Report.

Sales Values

We note that the Viability Study has only tested Specialist housing for older people with respect to the higher Value Levels of 8 and above, and indeed has given the typology an addition sales value of 12. This makes an assumption that specialist housing for older people has a large premium over other housing. The assumptions show in Appendix 2 (August 2024 report) that at Value Level 8 affordable housing becomes more challenging. The study should have tested specialist housing for older people at lower value levels as well which would show a much more challenging viability position.

Policy costs –BNG

Since the price of statutory BNG units have been published it has enabled it to be determined how much BNG may cost and this needs to be incorporated into the viability report at a realistic level. In addition, brownfield site BNG costs are often more substantial than Greenfield, but this very much depends on the site characteristics. For example, if an older persons' housing scheme consisting of 50 units on a 0.5 hectare site needed to purchase one off-site statutory credit, if this was for the cheapest low quality habitat type this would cost £84,000 or £1,680 per unit given that 2 credits are needed per unit. Older Persons housing schemes are ideally located on small windfall sites close to local facilities and it will most likely be that BNG requirements will need to be met largely or entirely off site by contribution.

Policy cost – M4 (3)

Despite the draft plan requiring 5% of older persons housing to be built for M4(3) and an additional cost figure of £115 sq. m shown in Appendix 1, Assumptions Summary of the August 2024 Local Plan Viability Report the council should note that any M4(3) requirement needs to be considered on top of M4(2), equating to an additional cost of £5,750 per unit. Additional costs include fixtures and fittings, services and controls and increased room dimensions and layout which include up to 30% more floorspace and corresponding reduction in density, sales values, and affordability of such housing. While some value may be secured for larger units this is unlikely to mitigate the overall loss of units across the proposal as a result of the requirement and the cost is likely to be much greater than the £115 per sqm used in the study. Indeed, we note that Dixon Searle have used a higher figure for other Local Plan Viability studies across the country. For example, in Horsham a value of £10,307 or 5% of build cost was used.

The inclusion of a requirement for older persons' housing to deliver affordable housing in line with policy H5 will therefore create an unrealistic over aspirational policy requirement that would no doubt result in protracted discussion at the decision-making stage. This would potentially be adversarial, requiring protracted negotiations with Council officers and their commissioned consultants, and result in difficulties with decision makers expecting policy compliancy. As a minimum, the policy should therefore be amended to make it clear that older person's housing is more challenging in viability terms with respect to affordable housing to ensure that the plan is deliverable, justified and consistent with national policy. However, ideally the viability study should be re-run using the correct assumptions.

We would draw the Council's attention to relevant Local Plan policies within Swale and Fareham Borough Councils. Based on detailed viability evidence, both have adopted Local Plans that exempt older people's housing schemes from affordable housing. Furthermore,

Fareham exempts older people's housing from their Community Infrastructure Levy charge. Similarly, Maidstone BC has recently adopted a plan that has a lower affordable housing requirement for class C3 retirement housing and exempts housing that falls into the C2 use class from delivering affordable housing. Charnwood, Leicestershire, are towards the latter stages of their Local Plan examination and have recently consulted on main modifications that exempt specialist housing for older people from affordable housing, as well as removing the requirement for M4(3). Additionally, Birmingham and BCP are both progressing policies exempting housing for older people from affordable housing requirements having correctly assessed the viability of the typology as part of their evidence base.

Furthermore, in relation to housing need, the council's 2024 SHMA concludes the following in relation to housing for older people.

Overall, the analysis suggests that there will be a need for housing with support (retirement/sheltered housing) in the market sector, but there is sufficient supply of affordable housing. The analysis also points to a strong potential need for housing with care (e.g. extra-care) in both the market and rented affordable sectors (87% market housing) (Paragraph 5.35)

On the evidence of housing need alone, housing for older people must have a bespoke position in respect of affordable housing. The council's evidence base suggests it would be inappropriate to seek affordable housing on sheltered housing proposals and requiring a generic 30% from extra care housing would also be inappropriate.

Recommendation

In conclusion, whilst we welcome that the Council have tested sheltered and extra care housing in accordance with the PPG on Viability, we have concerns with regard to some of the assumptions that have been used and if amended would be likely to make sheltered and extra care housing not viable. As such the Viability Report should be re-run for sheltered and extra-care housing using the assumptions recommended above and the conclusion drawn out and included within the affordable housing policy as a modification.

In reference to housing need alone, sheltered housing should be exempted from an affordable housing requirement and extra care housing provision should reflect the housing needs requirements and updated viability analysis.

Policy CN8 Embodied Carbon Assessment

Policy CN8 requires development to undertake an embodied carbon assessment. As such we would like to remind the council of the increased emphasis on Local Plan viability testing in Paragraph 58 of the NPPF and that the PPG states that *"The role for viability assessment is primarily at the plan making stage. Viability assessment should not compromise sustainable development but should be used to ensure that policies are realistic, and that the total cumulative cost of all relevant policies will not undermine deliverability of the plan"* (Paragraph: 002 Reference ID: 10-002-20190509). The introduction of an embodied carbon policy must not be so inflexible that it deems sites unviable, and any future policy

needs to ensure this to make sure it is consistent with NPPF/PPG and can justified by the council. The viability of specialist older persons' housing is more finely balanced than 'general needs' housing and we are strongly of the view that these housing typologies should be robustly assessed in the Local Plan Viability Assessment.

Additionally, new development will often be far more sustainable in many circumstances including building fabric by use of modern methods of construction but also extending beyond that, such as sustainability through optimisation of use of a site. The council also need to verify that embodied carbon figures are available to developers from suppliers through an Environmental Product Declaration as in our experience this is not yet readily available from the majority of suppliers.

Policy NE11 Open Space Provision for New Developments

We welcome the amendment to Policy NE11 to include reference to residential care homes and specialist housing for older people needing to provide 'adequate' amenity space.

Thank you for the opportunity for comment.

Yours faithfully



Group Planning Associate