

SOUTH OXFORDSHIRE LOCAL PLAN OBJECTION TO MODIFICATION MM27 (POLICY H9: AFFORDABLE HOUSING)

The Retirement Housing Group UK represents a range of providers of accommodation for older people both in the private and public sectors. The Group's remit is to promote awareness of this sector of the market and ensure planning policies are put in place so as to ensure the delivery of an adequate supply of accommodation specifically designed to meet the diverse needs of older people. The need to provide an adequate supply of specialist accommodation for older people is becoming increasingly important given our aging population. This was recently very much recognised by the Minister for Care, during the current Pandemic when she stated "*Retirement and Extra Care housing developments across the country - whatever their size, or whether private or not-for-profit – are playing a vital role in protecting the most vulnerable in our country*"

The Oxfordshire Market Position Statement 2019-2022 notes that the number of people aged over 75 is expected to rise considerably in Oxfordshire over the next decade and between 2015 and 2030, the number of people aged 85 and over is expected to increase by 95%.

The proposed modifications to Policy H9 in respect of the requirement for all developments falling within Class C2 of the Town and Country Planning Use Classes Order to provide 40% affordable housing will seriously impact on developers ability to deliver much needed specialist accommodation for older people in South Oxfordshire. As such the modification is in direct conflict with the aims and objectives of the proposed modifications to Policy H13. Policy H13 states that "*Encouragement will be given to developments which include the delivery of specialist housing for older people in locations with good access to public transport and local facilities.*" The reasoned justification to the policy notes the valuable contribution that specialist accommodation can offer in enabling care to be delivered whilst maintaining independent living. It also highlights the advantage of downsizing and freeing up under occupied family homes. The modification set out in paragraph in 5.74 states that "*The private sector is a key player in bringing forward specialist schemes for older people, and full encouragement is given to such schemes on sites close to public transport and local shops and facilities.*"

The delivery of any form of development turns on the issue of viability. This is particularly the case with specialist housing. Such schemes are generally less viable than general needs housing because of a range of factors including higher build costs per sq m, a higher proportion of communal space, the cost of care and support services, lack of ability to phase development and longer selling periods. This will affect their ability to provide affordable housing.

Aspinall Verdi have carried out a Local Plan Viability Appraisal which includes assessment of specialist retirement housing, both sheltered and extra care. We would make the following observations:

House prices:

The report acknowledges the existence of two local housing markets (Henley and Rest of District) but only one viability appraisal has been carried out for each retirement housing type (described as districtwide). It would have been helpful to see two separate analyses, one for Henley, the other for Rest of District.

The house prices quoted for sheltered housing are considerably higher than those currently being achieved by McCarthy and Stone at Didcot. The viability study has a 1 bed property priced at £272,000 and a 2 bed sheltered property priced at £340,000 for a sheltered housing

scheme Prices for extra care housing are assumed to be 25% higher. It is not clear how these prices were derived as they differ from those shown on p76 of the 2018 Aspinall Verdi report which quotes a price of £390,000 for a 2 bed sheltered property, McCarthy and Stone are currently (2020) achieving £247,000 for a 1 bed property and £306,000 for a 2 bed property in an extra care scheme at Didcot, considerably lower than the 340k and 425K used by Aspinall Verdi. The difference in house price will have a very significant impact on viability and has the potential to eliminate any scope for either CIL or an affordable housing contribution.

Build costs

Build costs for extra care housing at £1316 per sq metre appear to have been taken from BCIS 2017 lower quartile build costs for supported housing. A discount of 4% has then been applied to derive build costs for sheltered housing of £1264 per sq metre. It is not clear how this discount was arrived at. The RHG Guide to viability appraisal of retirement housing, which is referenced as a source, does not refer to a 4% discount but instead states that: “*ExtraCare schemes are now covered by the general sheltered housing category*”.¹ ie the same build costs apply to both sheltered and extra care housing. This reflects the reality that any differences between the two types of retirement housing development relate to provision of communal areas (taken into account in overall floor area), not to built form. If the BCIS general sheltered build costs were applied to sheltered housing, instead of the discounted figures used by Aspinall Verdi, this would further reduce viability for this category of development.

The 2018 Aspinall Verdi report states (table 8.4) that median construction cost has been used for appraisal of retirement housing. The table below shows 2017 and 2019 lower quartile and median build costs as reported by BCIS. Build costs applied in the Aspinall Verdi viability appraisal are the lowest of the 4 values shown,

Supported housing build costs S. Oxon	Lower quartile £ per sq m	Median £ per sq m
2017	£1316	£1572
2019	£1415	£1691

Source BCIS

As the above table shows build costs for retirement housing have risen significantly since 2017. If 2020 build costs were applied to the McCarthy and Stone scheme currently on the market its viability would be even further reduced. The cumulative effect of using house prices which are higher than those currently being achieved and build costs which are lower than current values is to seriously overstate the viability of both sheltered and extra care housing.

It follows from the above that any contribution from An Extra Care scheme would render the development totally unviable.

Other Costs

Professional fees at 6.5% of overall costs are very tight

¹ <https://retirementhousinggroup.com/rhg/wp-content/uploads/2016/12/CIL-viability-appraisal-issues-RHG-February-2016.pdf>

Marketing costs have been set at 3% of value, whereas the RHG guide recommends 6% of value.

Again if adjusted, this would increase overall costs and reduce residual land value,

Finally, in respect of the proposed modification by the inclusion of paragraph 5.47 and the threshold of 10 or more self-contained units it should be explained that no extra care development anywhere near this a threshold would be viable. The threshold therefore is unrealistic and irrelevant. The paragraph is, however, in part helpful in acknowledging that self-contained units (as defined by the government) can fall within Class C2 – a stance not previously taken by South Oxfordshire and many other local authorities.