

CABINET (LOCAL DEVELOPMENT FRAMEWORK) COMMITTEE

22 July 2010

LOCAL DEVELOPMENT FRAMEWORK: UPDATE ON EVIDENCE STUDIES

REPORT OF HEAD OF STRATEGIC PLANNING

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RECENT REFERENCES:

None.

EXECUTIVE SUMMARY:

This report reviews and updates the current position in relation to the Local Development Framework's (LDF) evidence base and sets out the ongoing programme to progress and complete this work.

RECOMMENDATIONS:

That Committee notes the further evidence-gathering work programme referred to in this report and agrees to the publication of the recently completed studies (Section 3 of the report) on the Council's web site.

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DETAIL:

1 Introduction

- 1.1 During the preparation of the City Council's Local Development Framework (LDF), a detailed programme of evidence-gathering has been in progress and has helped to inform discussion, consultation and analysis and, in a wider sense, underpin the evolution of the Core Strategy. Most of the evidence studies already completed are sufficiently recent to remain valid.

2 Existing Evidence Studies

- 2.1 A number of evidence studies have already been completed and subsequently published by the City Council, at earlier stages in formulating the Core Strategy. Generally, these studies are still up to date and, therefore, continue to provide the robust background evidence needed to support the onward formation of development policy. These studies are listed on the Council's web-site and can be downloaded from the following link:
<http://www.winchester.gov.uk/EnvironmentAndPlanning/Planning/LocalDevelopmentFramework/EvidenceBase/>
- 2.2 There are, however, some studies which were completed some time ago and, as a result, contain elements which are not fully up to date. In other instances, there may have been external changes affecting the scope of a previously conducted study, or a need has arisen for additional information to be taken into account or analysed from a different perspective.
- 2.3 In such cases, further work is either currently underway or about to be undertaken, to enhance and/or refresh the evidence base and, in particular, to inform matters relating to local housing and other District and community needs. Areas of study where additional work is currently underway or about to start are shown in the table at paragraph 4.1, below.

3 Recently Completed Evidence Studies

- 3.1 In response to evolving needs, four planning studies have recently been completed in relation to specific topic areas: a Low Carbon Planning Policy Viability Study; (February 2010); a Green Infrastructure Study (May 2010); an Affordable Housing Viability Study (April 2010) and; a Local Connections Housing Study (June 2010). The full text of the above studies can be viewed by Members via the Members' Information pages of the Council's Intranet. In addition, an executive summary from each study document has been extracted and attached to this report at Appendix A.

- 3.2 The Low Carbon Planning Policy Viability Study, produced by the consultants Element Energy, is centred on an assessment of two policies in the Core Strategy's Preferred Option document; policies CP13 and CP14. These policies are intended to form the framework for reduced CO² emissions, renewable energy generation and the broader sustainability of new developments during the plan period.
- 3.3 During this period and in line with the graduated implementation of national planning policy, local authorities are being required to: set policy to encourage the uptake of decentralised systems, particularly heat networks; identify areas of interest for the development of renewable energy projects and; to set targets, in terms of CO² reduction and renewable energy provision for new developments.
- 3.4 The Study recognises that the Core Strategy's draft policies underpin an ambitious approach to tackling CO² emissions from new developments and one which would precede the improving standards to be progressively enforced nationally, through the Building Regulations. Nevertheless, taking account of evidence in the previous Renewable Energy Study (2008), the Study concludes that this approach can be justified for three principle reasons:
- The District's currently high 'per capita' carbon footprint
 - A limited renewables resource that needs to be exploited efficiently
 - The area's high land values and relative affluence, which may result in incremental increases in building costs having a lesser impact on affordability, than in other areas.
- 3.5 The main purpose of the Study is, therefore, to explore and broadly quantify the cost implications of applying these draft Core Strategy Policies and to place those increases in the wider context of tightening regulations and the effect these will have on development costs. According to the Study, the cost implications of Policy CP14 and, more importantly CP13, for residential development are "expected to be significant, to the extent that there may be impacts on the deliverability of sites for housing....In the light of the high levels of additional cost, revisions to the policies have been considered that may deliver similar benefits at a reduced cost burden for developers."
- 3.6 In each of four potential policy revisions examined for residential development, the limitation on the level of onsite emissions, set out in CP13, has been relaxed (within acceptable limits) but with a requirement for the residual emissions to be offset, to a zero carbon standard, through investment in offsite measures. "The benefit of this approach is that it should incentivise investment in more cost-effective measures overall, rather than the high-level Code Standard approach, which [particularly on smaller sites] tends to drive the adoption of high-cost onsite technologies, such as Photo Voltaics".
- 3.7 As a result, the Study recommended a wording change to Policy CP13 and a minor change to CP14, in order to reflect the amended approach advocated in the Study. However, on the basis that a national Zero Carbon Homes policy is expected to come into force in 2016, the Study finally concluded that the requirements of the Study's recommended change to Policy CP13, described at 3.6 above, would then become "enshrined in national regulation, such that

further local policy intervention with respect to CO² reduction from new development becomes redundant”. These recommendations were reflected in the recommended approach to taking forward Policies CP13 and CP14, agreed in report CAB 1983 (LDF) (Appendix E). The full text of the Study can be viewed and downloaded from the City Council’s website, using the following link:

<http://www.winchester.gov.uk/General.asp?nc=X7QG&id=23852>

- 3.8 The Green Infrastructure Study (May 2010), produced by the consultants Enfusion, assembles District and sub-regional information and, from this, has produced a series of maps identifying Winchester’s broad range of GI assets, and their distribution within and immediately beyond the District. This asset data includes landscape and water-based ‘blue’ elements, formal greenspace, sites of high biodiversity value and the overall extent of the Rights of Way network.
- 3.9 Taking account of national and regional strategies then current and the key issues highlighted at an evidence-gathering stakeholder workshop, the Study has analysed the above asset information on a District-wide basis, but with a primary focus on the SDAs and Strategic Site Allocations and, to a lesser extent, the Level 1 settlements at Bishops Waltham and New Alresford.
- 3.10 The Study proceeds to identify certain GI deficiencies within the District and, in order to address these as well as enhancing overall provision, recommends a number of ‘principles’ for further action at all spatial scales and in support of: sustainable development; partnership working with other authorities and agencies; the development of strategically linked and multi-functional GI resources, a strengthened ecology and biodiversity and; extended public access.
- 3.11 The Study also makes a number of recommendations for exploiting new opportunities and promoting project initiatives. In addition to the specific requirements for new GI resources to accompany the SDAs and Strategic Allocations, the Study highlights other major projects, including improved recreational access to woodland and forest assets in areas such as Micheldever Wood, Crab Wood/Farley Mount and Creech Woods (Forest of Bere) and an enhancement of the landscape forming the River Itchen Corridor.
- 3.12 The Study provides a sound base for expressing more detailed GI requirements, to inform the further development of Green Infrastructure policy that is both locally distinctive and relevant for urban and rural areas and for major, as well as or more incremental, growth points. Its recommendations and site-specific suggestions can be taken forward in developing the LDF and working on the masterplanning of major developments.
- 3.13 The Affordable Housing Viability Study (April 2010) focuses on affordable housing policies and the outlook for provision. The report builds on the work of earlier studies but concentrates on the means to achieve affordable housing contributions from smaller sites, whether through on-site provision or by financial payments in lieu.

- 3.14 The Report concludes that, when considering on-site affordable provision versus commuted payments on small sites, viability is currently improved with on-site provision. This appears to be a function of the currently weak market and that, as the market improves, the commuted payment route will show better viability.
- 3.15 The Report goes on to recommend that the Council should consider a target position of 40% on-site affordable housing from all sites. However, in instances where there are demonstrable viability problems, the Council should consider a degree of flexibility in the application of affordable housing, grant and infrastructure costs, in order to allow development to proceed. In such circumstances the Council should, however, expect an 'open-book' approach by the developer. For sites of 1-4 units, the Report recommends that the Council adopts a flexible stance on commuted payments, as the means of achieving the required affordable housing, as opposed to on-site provision.
- 3.16 The Local Connections Housing Study (June 2010), examines the potential application of the Core Strategy's Policy CP20, in the prevailing economic climate and in the light of current projections for the local housing market. The Study considers how sites could be best enabled in the District's rural areas, in order to assist households in need to obtain suitable accommodation in locations where they need to be. In particular, the report looks at potential blockages to new affordable housing being developed and how mechanisms could be put in place to assist rural housing provision.
- 3.17 The study examines the work already conducted by other local authorities and, in particular, the work carried out by New Forest District Council. In its recommendations, the Study concludes that there is a lack of evidence that the existing policy proposal, CP20, will increase affordable housing provision. Due to its exclusive focus on enabling development in Level 4 settlements (which allows 20% to be market housing) the Study recommends that to avoid adverse implications for exceptions sites elsewhere, this policy proposal should not be pursued.
- 3.18 Instead, the Study recommends that the Core Strategy should contain a rural exceptions policy for 100% affordable housing, to meet local needs for sites in rural areas outside village envelopes or where open market housing would not normally be approved. Such a policy could be operated, subject to local needs, to provide at least 70% of the units generated by the policy to be for social rented homes and up to 30% of the units to be some form of intermediate affordable housing, to meet an identified local need. This would allow more of an incentive to be given to landowners, whilst avoiding the loss of 20% of the total number of units to market housing.

4. New/Updated Evidence Studies

- 4.1 As indicated at paragraph 2.2 above, a number of further evidence studies are either in progress or programmed to start shortly, with the intention that these will be completed in time to inform the next stages. These studies and areas for consultation and new technical work are set out below.

Study/Work Area	Status	Underway	Complete by:
Strategic Housing Land Availability Assessment (SHLAA)	Update and site sieving	yes	Autumn 2010
Local Facilities Survey	Update	imminent	Autumn 2010
Rural Masterplanning /Settlement Hierarchy Study	New Study, enabled by CABE	imminent	End 2010
Winchester Employment Study	New Technical Work	yes	Summer 2010
Bushfield Camp	Evidence Studies, relating to: <ul style="list-style-type: none"> ▪ Highways impacts/mitigation ▪ Biodiversity management ▪ Recording archaeological findings 	yes	Summer 2010
Retail and Town Centres Study	Update (to take account of the impact of recession and the effects of development strategies on retail floorspace delivery)	yes	July 2010
Infrastructure Delivery Plan	New Technical Work	yes	Autumn 2010

4.2 The above table represents a considerable amount of further and updating evidence to be gathered during the summer and autumn of this year. Whilst there are a number of uncertainties for local policy planning, following the recent change in Government and the formation of a Coalition Government, there are a number of areas where the data and evidence already obtained remain valid and, therefore, capable of being put to constructive use.

4.3 In addition to the specific study topics referred to in this report, there are other elements of ongoing technical work which need to be progressed. These, for example, include evidence gathering and the detailed consideration of local housing needs, settlement profiles, cross-boundary issues, the Strategic Housing Market Assessment and the MDAs/SDAs.

5 Conclusion and Recommendation

- 5.1 A good deal of the evidence referred to in the above table will be needed to illuminate the more detailed discussion and wider engagement with local communities to take place over the coming weeks and months. Such discussions are likely to involve key issues of land use, local housing and community needs (See also, report CAB 2040 (LDF)).
- 5.2 It is, therefore, recommended that Committee should note the further work programme referred to in this report and agree that the evidence gathering set out in this report should form the basis for progressing the LDF. This Committee has agreed the 'Way Forward' on various issues and where these need to be updated or amended, as a result of recent evidence studies, further reports will be brought to Committee.

OTHER CONSIDERATIONS:

6. SUSTAINABLE COMMUNITY STRATEGY AND CORPORATE BUSINESS PLAN (RELEVANCE TO):

- 6.1 The Sustainable Community Strategy promotes economic prosperity and an inclusive society, which include providing employment opportunities, housing to meet people's needs and evenly distributed access to important services and facilities. The LDF is a key mechanism for delivering various outcomes of the SCS and progressing this is a corporate priority and project within the Corporate Business Plan.

7. RESOURCE IMPLICATIONS:

- 7.1 No additional resources are required as a result of the recommendations of this report, as resources are already allocated to progress the LDF and the formation of its evidence base.

8. RISK MANAGEMENT ISSUES:

- 8.1 The formulation of a robust, transparent and up-to-date evidence base is a key element in the preparation of the Council's Local Development Framework and the development of future planning policy for the District. Failure to do this may result in the Council's LDF being found to be 'unsound'. The recommendations of this report propose an approach which should minimise this risk.

BACKGROUND DOCUMENTS:

Study documents as referred to in the report and summarised at Appendix A.

APPENDIX:

Appendix A: Executive Summaries, extracted from the following Study documents:

- A Low Carbon Planning Policy Viability Study (February 2010)
- A Green Infrastructure Study (May 2010)
- An Affordable Housing Viability Study (April 2010)
- A Local Connections Housing Study (June 2010)

element

**Low Carbon Planning
Policy Viability Study**

FINAL REPORT

for

Winchester City Council

19/02/2010

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1 Executive Summary

1. Winchester City Council is in the process of developing its Core Strategy as part of the Local Development Framework.
2. The Core Strategy Preferred Options paper contains two key policies that are intended to set the framework for CO₂ emissions reduction, renewable energy generation and wider sustainability of new developments in the district over the period of the Policy.
3. The policies proposed for the Core Strategy are challenging. An ambitious approach to tackling CO₂ emissions from new developments in Winchester can be justified on the basis that Winchester currently has a very high per capita carbon footprint, a limited renewable resource that needs to be exploited efficiently and is an affluent area, with high land values, where incremental increases in build cost may have a lesser impact on affordability than in many other areas.
4. Policy CP13 requires new residential development reaches Level 3 of the Code for Sustainable Homes, except in respect of the Energy and Water categories, where the mandatory standards of Code Level 5 are required. Post 2016, all residential development is required to meet all aspects of Code Level 6. Policy CP13 further states that non-residential development should achieve a BREEAM 'Excellent' rating from adoption of the Core Strategy and the BREEAM 'Outstanding' rating from 2012.
5. Policy CP14 describes a hierarchy for the implementation of renewable energy and decentralised energy measures. The top-level of the hierarchy is to connect to existing or contribute to the development of new district heating / cooling networks on sites where they are feasible. The level below is to generate 20% of anticipated energy demands on site, followed by the use of off-site generation to meet emissions reduction targets, as long as the off-site generation capacity is additional capacity. If none of the above is possible, then developers should contribute to a Low Carbon Buy-out Fund.
6. The mandatory energy standard of Code Level 5 of the Code for Sustainable Homes is challenging, requiring that 100% of a developments Regulated CO₂ emissions¹ are eliminated through onsite measures – energy efficiency improvements and low carbon energy generation. The Code Level 6 requirement, which Policy CP13 enforces from 2016, is even more challenging, requiring that all emissions – Regulated and Unregulated² – are eliminated through onsite means. The Code Level 5 mandatory water consumption standard requires that consumption is limited to 80 litre/person/day, compared to a current typical UK average consumption of 150 l/p/d.

¹ Regulated CO₂ emissions are those related to space heating, hot-water provision, fixed lighting and ventilation. The baseline from which emissions reductions are measured is the emissions expected from a Part L 2006 dwelling.

² Unregulated CO₂ emissions are those related to cooking and use of appliances (basically all those emissions from energy use within the home that are not included in the Regulated emissions)

7. The CO₂ reduction standards specified by Policy CP13 are significantly in advance of the rate of improving standards that is to be enforced through the Building Regulations. The trajectory for tightening of the Building Regulations is anticipated to enforce reductions of Regulated emissions of 25% and 44% in 2010 and 2013, respectively, through onsite means. The Zero Carbon Homes standard, which is expected to be adopted in 2016, will require 70% of Regulated emissions to be dealt with via onsite measures – still below the requirement of Code Level 5, although the Zero Carbon policy will require developers to invest in offsite measures ('Allowable Solutions') to mitigate the residual emissions from their development. The Regulatory water consumption standard, Part G of the Building Regulations, is planned to be tightened to 105 l/p/d in 2010
8. The purpose of this study is to understand the likely cost implications of Winchester's draft Core Strategy policies and to set these increases in the context of the impact of tightening regulations on the costs of developing sites. The study will then assess, on the basis of this comparison and in discussion with developers, whether the policies are reasonable in the context of conditions specific to Winchester District and, if necessary, recommend amendments to improve the draft policies.
9. The assessment of policy cost impacts has been based on a number of generic development types, ranging in scale and density, which have been devised to be broadly representative of the types of development that is likely to be typical in Winchester over the Core Strategy period. Each development type is composed of a mix of four standard dwelling types – a 2-bed flat, 2-bed terrace house, 3-bed semi-detached and 4-bed detached house. The development types range in scale from < 15 units (rural or urban infill) to several thousand (urban extensions). See Figure 8 for a description of the development types used.
10. In order to understand the cost impacts of Winchester's Core Strategy policies, a range of energy strategy options, appropriate to the range of CO₂ reduction standards set-out by incoming Regulations and the Code for Sustainable Homes, have been developed and costed for each of the development scenarios. The cost implications of the policies are then evaluated, assuming that developers select the lowest cost approach to meeting a particular requirement.
11. The assessment of policies CP13 and CP14 has shown that the cost of compliance is expected to be strongly driven by policy CP13. In achieving the Code Level 5 mandatory energy standard, developers are likely to look to adopt CHP & district heating systems where they are feasible (large scale sites, particularly higher density and mixed-uses), in line with the highest level of the CP14 hierarchy. In meeting the Code Level 5 standard, it is likely that at least 20% onsite energy generation will be required, in line with the second tier of the CP14 hierarchy. The additional cost impact of Policy CP14, assuming CP13 has been met, is therefore expected to be limited.
12. The cost implications of Policy CP13 are shown in the figure below. The cost increases are percentage increase on the base build cost, where the base build cost is that of building a Part L 2006 compliant dwelling. The plot includes the anticipated increase in base build cost as a result of the changes to Regulations (and Zero Carbon Homes policy) and the additional cost impact of complying with Policy CP13, in both scenarios with respect to wind availability. The costs are reported as the cost increase for an average

dwelling in a particular development scenario and the cost ranges relate to the differences in cost impacts between the various development types (the lowest costs tend to be incurred in the Urban Infill type – heavily flatted and high density, and the highest costs in the small infill – small scale and modest density).

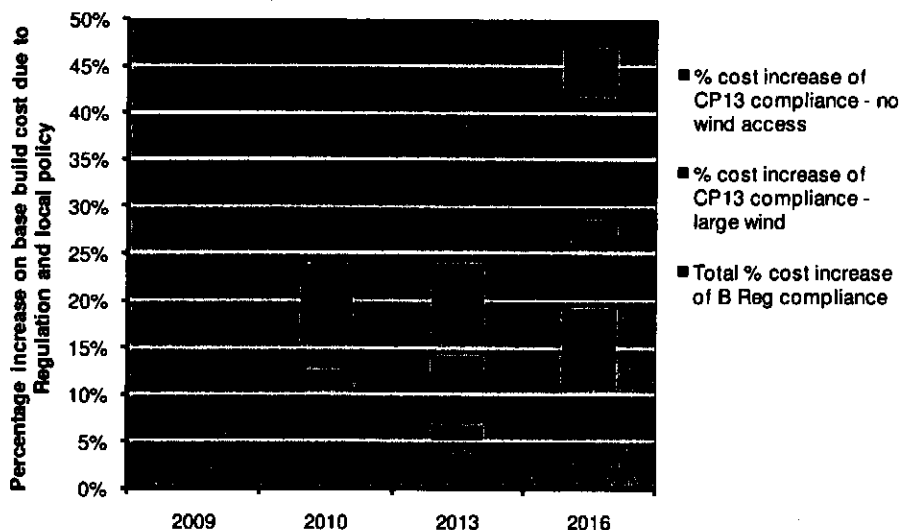


Figure 1, Estimated increases in the capital cost of construction of a dwelling associated with increasingly stringent national regulations and with compliance with Winchester Core Strategy Policy CP13 (all costs are shown as a percentage increase on the base build cost of a Part L 2006 compliant dwelling).

13. The cost impact of changes to Building Regulations is expected to be significant, at around a 5% increase on current construction costs when the 2013 standards are introduced and 10 to 20% increase when Zero Carbon Homes policy is introduced in 2016. The additional cost related to complying with Policy CP13 is estimated at a further 15% - 20% of current base build costs up to 2016, largely related to the costs of achieving the Code Level 5 energy and water standards. The on-cost of Policy CP13 over the cost of meeting regulations increases in 2016, once the Code Level 6 requirement is enforced – a total on-cost of 25% of current base build costs *in excess* of the cost of complying with Zero Carbon policy. These on-costs are mitigated to some extent on-sites where large wind is available, as shown in the plot.
14. There is less data available to enable assessment of the cost implications of Policy CP13 on non-residential development, i.e. the requirement to reach the BREEAM Outstanding rating from 2012. Based on published data, the cost implications of meeting the mandatory CO₂ reduction standard of the Outstanding rating has been estimated at a 2 to 12% increase on current base build costs, depending on the building type (relatively low on-costs in schools, high in offices and higher again in retail warehouses).
15. The Building Regulations in relation to non-domestic buildings will also be tightened over the period of the Core Strategy and a Zero Carbon Non-domestic Buildings policy is

expected to be introduced by 2019. The details of these proposed changes are not yet fixed, although zero carbon policy for the non-domestic sector is the subject of a current government consultation. These changes will increase the cost of meeting the regulatory minimum standard for new build non-domestic development.

16. Given the uncertainty in meeting the Outstanding BREEAM standard, it is recommended that the requirement to meet this rating in all new build development is delayed until the implications are better understood. The mandatory Energy & CO2 standard of the Outstanding rating could be adopted from 2013, to ensure that the performance of non-domestic development remains in advance of the Building Regulations.
17. The cost implications of Policy CP13 and CP14 on residential development are expected to be significant, to the extent that there may be impacts on the deliverability of sites for housing, due to pressure on land values, and could lead to reductions in contributions through S106 agreements. In light of the high levels of additional cost, revisions to the policies have been considered that may deliver similar benefits at reduced cost burden for developers.
18. The cost increases shown in Figure 1 consider only the capital cost increment. In certain cases, the whole capital cost increase may not be borne by the developer. In cases where a revenue is generated by operation of the energy system, for example operation of a community heating system with sale of heat and, potentially electricity, then a third-party such as an ESCO may provide finance to build the system in return for the revenues they will receive through operation. This will reduce the exposure of the developer to increased build costs. This delivery mechanism will be limited to sites where an attractive return on investment can be generated through sale of energy services. In addition to private sector ESCOs, with requirement for commercial rates of return, a number of social enterprises and not-for-profit ESCOs are beginning to appear, with much lower required rates of return on their investments. The development of a local Carbon Offset Fund in Winchester could also provide low cost finance to assist in delivery of these schemes.
19. A number of alternatives to Policy CP13 have been developed and their cost implications assessed. These options are summarised in the table below. In each case, the requirement for on-site CO₂ reduction is set at 70% of Regulated emissions, in line with the requirements of the zero carbon homes standard. The requirement for additional contribution to offsite measures, in order to offset the residual emissions, timing of introduction of increased water consumption standards and overall Code Level requirement are varied between the four options.

Policy Option	Level of CO ₂ reduction to be delivered on-site (% Regulated emissions)	Requirement to offset remaining emissions (investment in Fund)	Water consumption standard (Code Level)	Overall Code Level required
1	70%	All remaining emissions	5	3 (pre-2016) 6 (post-2016)
2	70%	All remaining emissions	5	3 (pre-2016) 6 (post-2016)
3	70%	Pre-2013: No offset required Post-2013: All remaining emissions	5	3 (pre-2016) 6 (post-2016)
4	70%	Pre-2013: No offset required Post-2013: All remaining emissions	5	3 (pre-2016) 6 (post-2016)

Figure 2, Summary of the key standards to be required in potential revisions to policy CP13 of the Winchester Core Strategy. Each policy is composed of four components (i) a % reduction of regulated CO₂ emissions through onsite measures, (ii) a requirement to offset residual emissions through investment in an offset fund, (iii) a water consumption standard (expressed as a requirement to meet a certain standard of the Code for Sustainable Homes) and (iv) an overall Code Level requirement.

20. The on-costs of the options for revisions to Policy CP13 have been assessed and are shown in the plot below. The on-costs shown are the percentage uplift on the base construction cost, which is the cost of building a home that meets the minimum regulatory requirements of the day (i.e. the increasing construction costs associated with tightening Building Regulations and Zero Carbon Homes policy is included in the baseline). The ranges of cost relate to the variation in on-cost between the different development scenarios. Note that these ranges exclude the costs for the Urban Infill development scenario (highly flatted and high density), which are uniformly lower than the on-costs estimated for other development types.

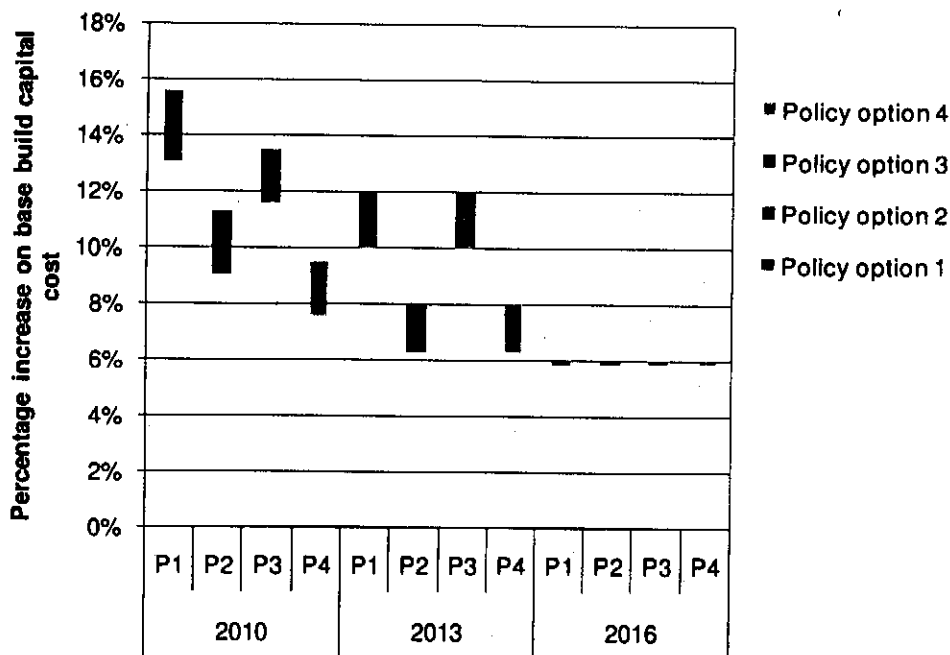
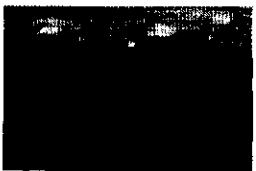
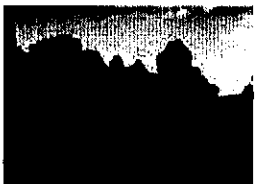


Figure 3, Percentage increase on the base build cost of construction associated with the proposed amendments to policy CP13 (all percentage on-costs are uplifts on the cost of constructing a dwelling that meets the minimum regulatory requirements in force at a particular time (including Zero Carbon Homes policy).

21. The requirements of the revised policy options post-2016 are the same, hence the on-cost of 6% is common to each of the policy options post 2016. This on-cost is comprised of the additional cost of the elevated water consumption standard and the costs associated with non-Energy categories of the Code, in order to reach the score required for Code Level 6.
22. In each of the revised policy options, the level of onsite emissions reduction has been relaxed to 70% of Regulated emissions. When combined with a requirement for the residual emissions to be offset through investment in offsite measures, this should result in a higher level of emissions reduction overall than the Code Level 5 energy standard and an equivalent level of CO₂ reduction to Code Level 6 (this is dependent on the offsetting price being set at an adequate level to deliver the required emissions reductions). The benefit of this approach is that it should incentivise investment in more cost-effective measures overall, rather than the high level Code standard approach, which tends to drive adoption of high-cost onsite technologies, such as PV (unless a particular site has potential for large-scale wind).
23. Policy Options 1 and 2 will deliver maximum CO₂ benefit, requiring all CO₂ emissions to be dealt with through a combination of on and off-site measures across the whole period of the strategy. Policy Option 3 and 4 will deliver a lower overall level of CO₂ reduction, as the requirement for additional offsetting is delayed to 2013 and 2016 respectively. Policy Option 3 has a higher on-cost than Option 2, despite the lower energy standard prior to

- 2013, due to the requirement for Code Level 5 water standards (which are delayed to 2016 in the case of option 2).
24. Policy Option 4 gives the lowest additional costs over the period to 2013, due to delay in the requirement for investment in off-site CO₂ reduction measures to 2016 (when it is part of Zero Carbon Homes policy) and the delay in introduction of Code Level 5 water standards, also to 2016. In terms of Energy and CO₂, this policy option remains ahead of national legislation up to 2016, when it can be argued that further intervention at a local level is no longer required.
 25. An implication of the policy options discussed above is the requirement for a mechanism to collect developer contributions to off-site measures and administer the investment of this revenue in suitable carbon reduction projects, ideally in the local area, e.g a Low Carbon Buy-out Fund (LCBF).
 26. Based on a requirement for developers to achieve 70% onsite carbon emissions reduction and to invest in the LCBF to offset the residual emissions, it has been estimated that the fund could receive a revenue of around £3.25 million per year (based on a buy-out price of £2,000/(tCO₂/yr)³. Depending on the measures invested in, this fund could deliver additional annual CO₂ savings ranging from 300 tCO₂/yr to 4,000 tCO₂/yr, assuming that the fund provides 100% of the capital cost of measures and without accounting for potential incomes from investments.
 27. In reality it is likely that many of the LCBF investments would provide seed finance, leveraging additional investment into energy projects from the private sector. Depending on the overall economics of a particular project, this could result in more than a two-fold increase in the overall impact of the LCBF investments.

³ This is equivalent to imposing the proposed Zero Carbon policy in advance of 2016. The legal and policy basis to impose this on developers would need to be carefully developed. The carbon cost of £2,000/(tCO₂/yr) is within the range of cost of Allowable Solutions being considered by government.



WINCHESTER CITY COUNCIL LOCAL DEVELOPMENT FRAMEWORK

GREEN INFRASTRUCTURE (GI) STUDY

May 2010



Executive Summary

This Green Infrastructure (GI) Study identifies and analyses local assets and proposes a locally distinctive definition. Deficits are identified but, overall, the area has considerable assets with extensive areas of publically accessible space for recreation, as identified on Map 6, and a comprehensive network of Rights of Way which not only provide for recreation but also act as green corridors to link existing green spaces. The area also benefits from strategic 'blue' corridors, such as the River Itchen, which are of considerable biodiversity, landscape and recreation value.

Relevant plans and strategies, both existing and emerging, have been identified; their relationship, shared aims and objectives explored. Both local and regional studies have been used to inform this study. In terms of providing informal open space and formal play and recreation space for new development, the implementation of robust development management policies will be crucial.

A list of key issues from the workshop held in December 2009 emphasises the demands which will be made on the existing green infrastructure of the area, due to the projected population increase and, in addition, a potential increase in the number of visitors resulting from the change of designation of the East Hampshire AONB to National Park. The need to understand the long term commitment to the management of GI projects and to balance the provision of GI with expected housing densities was also clearly expressed at the workshop and will require careful consideration both at the early stages of planning the strategic allocations and in dealing with other development proposals.



WINCHESTER CITY COUNCIL

Viability Study

Final Report

*Report for the consideration of
Winchester City Council*

This document does not constitute Council Policy

April 2010

Prepared by



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EXECUTIVE SUMMARY

This study has been carried out over a period when the residential market was starting to emerge from a very weak period, with some uncertainty as to whether recent stabilising of prices would continue through 2010.

Values remain significantly lower than the peak levels of 2007 and this reflects in viability at the lower end of the market.

We adopt the Value Points approach to house prices, which allows a spread of values to be adopted for each house type. In this way, the figures are not artificially affected by specific characteristics of a particular location.

A large part of future affordable housing provision will come from new developments. Prices for these developments tend to be positioned towards the middle of the Value Points table, offering a more positive viability picture.

The study draws on many assumptions contained in the DTZ report, referred to below, although independent market research was carried out for the new study.

The report focuses on the means to achieve affordable housing contributions from smaller sites, whether through on-site provision or financial payments in lieu (otherwise known as a commuted payment).

When considering on-site affordable versus commuted payments on small sites, viability is currently improved with on-site provision. We believe that this is a function of the current, weak, housing market and that, as the market improves, the commuted payment route will show better viability.

The report supports affordable provision of up to 40%, without grant, for all sites although there will be instances, particularly in urban locations, where flexibility on grant and infrastructure requirements will be necessary, in order to maintain viability.

In addition, it is likely that sites of 1 to 4 units will more usually contribute to affordable housing via a commuted payment.

The report notes that a degree of flexibility needs to be allowed around the threshold, since on-site affordable will impact less on small, high density sites than on low density sites.

The report demonstrates a means to recover sums which relate to fractions of units, resulting from calculations of the required on-site affordable provision.

There will be a continuing need to negotiate the affordable housing position on individual sites. To assist in this, there should be an ongoing process of monitoring the market, so that a robust case can be presented in such negotiations.

4 CONCLUSIONS

- 4.1 Within the Winchester City area, values tend to be higher at the northern end, around Winchester, than at the southern end. There are, however, extremely attractive settlements distributed throughout the area, so that there will always be pockets of higher value, within which a wide range of values will be found. To this extent, value is being created both by wider locational factors and by more site specific factors within the settlements.
- 4.2 At the time of this report, the residential sales market is beginning to emerge from a period characterised by a lack of mortgage finance and a lack of demand, brought about by recession and unemployment fears. This has had a dramatic impact on both land and sales prices. Although 2009 experienced a more positive attitude within the market, there is speculation that the market could remain difficult for 2010.
- 4.3 The basis of this study is the residual value of residential development land, once costs and profit have been deducted from revenue. The reported fall in sales values, countrywide, of up to 20% from the peak of 2007 effectively erodes the profit of schemes where commitments have been made to higher land payments. In these instances, developers are looking for ways to reduce their costs and one of these would be affordable housing. Local authorities are, therefore, experiencing increased numbers of approaches from developers on this issue.
- 4.4. We are told, however, that developers are coming back into the land market, so that new land purchases will be made at values that reflect both the current sales market and the prevailing policy on affordable housing. As a result, the market is experiencing significant falls in land value, in terms of both value per hectare and percentage to Gross Development Value.
- 4.5 Our initial valuations were undertaken with no affordable housing provision, either on-site or financial contribution. The purpose of this was to assess a base position at the various Value Points. The results of this exercise reflect the weakness of the market, with low levels of land value at the lower Value Points, although this is less pronounced for smaller unit numbers. On the other hand, it soon became clear that the supply of new homes, which would contribute a large proportion of affordable housing, would probably be priced at higher Value Points, within which viability was more positive.
- 4.6 There is a significant lack of viability at Value Point 1, even with no affordable contribution, although we should remember that Value Point 1 is at a level below the current market. This result is not, therefore, totally surprising. As numbers and densities increase, the lower land values extend into Value Point 2, with high density, urban sites having low land values into Value Point 3. We would see this as being due to the fact that, within specific unit

- numbers, the total floor area reduces as smaller house types are applied to higher density locations.
- 4.7 Newbuild homes tend to fall more within Value Points 4 to 5, so lack of viability at lower levels will only occur in more site-specific locations, where greater flexibility on affordable housing and infrastructure payments might be required.
 - 4.8 Given the need for affordable housing, particularly social rented, we are looking to secure the highest feasible proportion of on-site units, compatible with the viability of remaining market units. We do, however, believe that the Council can look at a 40% contribution from all sites, albeit with the possible need to negotiate on individual sites, since we would like to achieve viability at Value Point 4.
 - 4.9 We have seen that the provision of social housing grant moves viability from Value Point 5 to Value Point 4, although we have also noted that, in practice, the prices of new homes in the area also fall at about this level. This would suggest that the provision of grant could either be confined to those urban locations which we have seen to be under the greatest viability pressure, or used to improve affordable housing numbers and mix.
 - 4.10 We believe that the Council can seek on-site affordable provision on all sites although, in practice, it needs to be acknowledged that sites of 1 to 2 units will make a financial contribution.
 - 4.11 In the current market, we are seeing that it can be preferable to make an on-site affordable provision, rather than agree a financial contribution. We believe, however, that the financial contribution route will be increasingly preferred by developers as prices rise with an improving market.
 - 4.12 Any viability difficulties will manifest themselves, in the main, in two ways. First, they will arise through developers who paid for land at the height of the market and who are now seeing profit eroded through falling sales prices. We believe that negotiations around this issue are likely to take place in spite of any new affordable housing policy from the Authority, since the land purchase would have assumed values that have since fallen dramatically. Secondly, we have seen potential viability issues at the lower Value Points, particularly in urban locations.
 - 4.13 As far as likely market reaction is concerned, we believe that there should not be significant long-term adverse reaction to the principle of a commuted payment, since this has been a preferred route for developers. We have noted, however, the current impact on viability of seeking commuted payments at the level set out in the Affordable Housing SPD. A commuted payment proposes specific figures that can easily translate into an appraisal.

There is likely to be greater reaction against an increase in the on-site affordable requirement, especially on those sites where a higher land value has been agreed. In circumstances where a land value relative to today's figures is being agreed, the main problem is likely to be the resulting land valuations compared to those that a landowner might have received at the height of the market. In relation to competing land values, however, we believe that the residential value should still prove attractive, especially in light of the fact that recent high prices are not likely to be seen again for some time and that it would not, therefore, be worth holding on to the land in the hope of greater, short-term value.

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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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.