

## Caversham Road – Housing Note (Rev 005 – 15.03.23)

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### Context

1. **Purpose:** This note sets out justification for the housing proposals at the above site.
2. **Decisions:** Planning law requires planning decisions to be made in accordance with the development plan and other material planning considerations.

### Affordable Housing Amount

3. **Policy:** Local policy H3 requires 30% affordable housing subject to financial viability considerations. The supporting text at 4.4.24 specifically states that were justified by viability evidence the affordable housing can be reduced.
4. **Proposals:** The application scheme proposes 30% Affordable housing (8.7 homes) which comprises 8x on-site affordable homes alongside an additional payment of £58,400 for the remaining 0.7 homes.
5. **Financial Viability:** The viability is constrained by site specific circumstances including the complexity and cost associated with the part retention of existing buildings and the reduction in density now proposed.

- **Reduced Scale** - *The scale of the development has been reduced significantly resulting in a reduction from 44 homes to 29 homes (-35%). This together with the increased complexity associated with the part retention of existing buildings has significantly reduced the viability of the scheme.*
- **Cost Inflation** – *Sustained increases in the cost of materials, energy and labour alongside a wide range of supply chain issues (exacerbated by brexit, the pandemic and the War in Ukraine), mean residential construction costs have inflated at an unprecedented rate (well above interim growth in sales values). This has significantly reduced the viability of the scheme. The scale of the challenge facing the delivery of new homes – due to cost inflation - was acknowledged by the secretary of state himself only yesterday.*
- **Interest Rates** – *Recent increases in the BoE base rate have increased the cost of development finance.*
- **House Prices** - *The end of Help to Buy alongside reduced mortgage availability, increased interest rates/ mortgage costs means achievable house prices are being constrained.*

A Financial Viability Assessment (FVA) was submitted with the application. The FVA evidences that the viability of the scheme is constrained and the applicant's offer (30%) therefore exceeds the otherwise viable amount that could have been provided in accordance with policy. This overall conclusion has been verified and agreed by the council's viability officer.

6. **Conclusion:** The financial viability of the scheme is heavily constrained. Notwithstanding this, the applicant has confirmed that the scheme will provide 30% affordable housing in accordance

with policy. The provision of 30% affordable housing, exceeds that otherwise viable at the applicant's own risk, is therefore a significant material benefit of the proposals.

### Affordable Housing Mix

7. **Policy:** The Council's Affordable Housing SPD (2021) targets as 62/38 split of rented to ownership homes where possible.
8. **Proposals:** The application scheme proposes 6x 1 bedroom (including 1 wheelchair unit) and 2x 2 bedroom shared ownership homes (8 homes). No on-site rented homes are proposed.
9. **Financial Viability:** The independently reviewed and verified FVA evidences that the proposed level of affordable housing exceeds the otherwise viable amount that could have been proposed in accordance with policy. The proposals should therefore be strongly supported regardless of tenure. Notwithstanding this, the FVA also evidences that it would not be viable to deliver 68% of the 8x affordable homes proposed as a rented tenure. This is due to the reduced capital value of rented affordable homes compared to ownership affordable homes. To ensure the current viability deficit is not increased further (where 68% of the affordable homes are provided as rented homes) the overall amount of affordable housing would need to be reduced from 30% (8 on-site units) to c.10% (3 on-site homes). This means only c.2 rented homes would be provided in total (c.68% of the 3 homes). This would fail to maximise the delivery of affordable housing and would, in any case, not be practically feasible for the reasons set out below.
10. **Practical Feasibility:** It would not be practically feasible to deliver any rented homes on-site. This is due to the long term management requirements of Registered Providers who typically require: i) any on-site rented homes to be physically separated from the private homes (i.e serviced from a separate lift core) to enable management responsibilities, service charges and other legal obligations to be divided (noting they are more likely occupied by tenants who may be in receipt of welfare income that cannot be used to pay for certain service charges); and ii) a sufficient number of rented homes (significantly greater than c.2) to enable the stock to be managed efficiently (this is particularly important for rented homes which have more intensive management requirements).

The following RP's (Table 1) have been approached and all have confirmed the inclusion of rented homes in a scheme of this nature would not be practical feasible. Further details are provided at Annex 1 to enable the council to verify the position.

**Table 1 – Registered Provider Feedback**

Registered Provider	Practical Feasibility
Network	Not Feasible
L&G	Not Feasible
Peabody	Not Feasible
Notting Hill Genesis	Not Feasible
Guinness	Not Feasible

Optivo	Not Feasible
MTVH	Not Feasible
Clarion	Not Feasible

Proposing any on-site rented homes on-site therefore risks delivery of the scheme, and much needed new homes, becoming frustrated.

11. **National Policy:** The proposal meets and exceeds the national policy expectation for all major schemes to contribute 10% affordable home ownership (NPPF paragraph 64).
12. **Local Housing Need:** Longstanding increases in both local house prices and private rents relative to household incomes means there is a significant growing need for shared ownership homes (for those otherwise forced to live in low quality buy to let or with parents later into adult life). The provision of SO, which is only a very small proportion of the local housing mix, would also create a more mixed and balanced community.
13. **Conclusion:** The scheme is not required to provide any Affordable Housing in accordance with Policy H3 of the adopted Local Plan due to financial viability. Notwithstanding this, the applicant has confirmed the scheme will provide 8x on-site Shared Ownership homes. This is a significant material benefit of the scheme. It is not financially viable to deliver 68% of these homes as rented tenures. It is also not practically feasible to deliver any rented homes on-site.

### Overall Housing Size Mix

14. **Policy:** Local Policy CR6 sets out a preferred unit mix but confirms there is flexibility for an alternative unit size mix where 'it can be clearly demonstrated that this would render the development unviable'.
15. **Proposals:** The application scheme comprises 23x1-bed (79.31%), 5x2-bed (17.24%) and 1x3-bed (3.45%). It therefore provides a mix of unit sizes for individuals, couples/ young families and some larger families.
16. **Financial Viability:** The independently reviewed and verified FVA evidences that the applicant is not technically required to provide any affordable housing. Notwithstanding this, the FVA also evidences that due to the lower capital value relative to the floor area of the larger 2 and 3 bedroom homes, where the unit mix is amended to the policy target it would reduce scheme efficiency and the total revenues created by the scheme. To ensure the current viability deficit is not increased further (where the policy mix of unit sizes is provided) the overall amount of affordable housing would need to be reduced from 30% (8 on-site units) to 0% (NIL on-site homes). Amending the unit size mix would therefore clearly both fail to maximise the delivery of affordable housing and would render the scheme undeliverable without any affordable housing contribution.

17. **Site Location / Constraints:** Notwithstanding the above, the following material planning considerations also support the proposed unit size mix on this specific site. The location of the site in the Town Centre makes it better suited to individuals/ couples than for a large number of families. The site's relatively constrained size and nature (limiting opportunities for ground floor access to private amenity and play space) makes it better suited to individuals/ couples than for a large number of families. It also makes it more difficult to reconfigure the design in a way that would allow for a greater proportion of 2 and 3 beds without compromising the overall design quality.
18. **Conclusion** The approach taken to maximise the schemes contribution towards affordable housing while taking a site specific approach to mix is appropriate is considered appropriate on balance.

### Overall Conclusions

19. **Planning Balance:** The provision of 30% affordable housing alongside a mix of 1, 2 and 3 bedroom homes exceeds that which the scheme is required to provide due to viability considerations and is fully justified in the context of policy and the site's constraints. It should be awarded significant positive decision weight in the overall planning balance alongside the other socio-economic benefits of the scheme which make it very beneficial in the round. This has been recognised by the Case Officer within his Committee Report.

**Annex 1 – Registered Provider Feedback**

Registered Provider	Date	Approach	Practical Feasibility	Reason
Network	05/12/22	Call	Not Feasible	Tenure Separation
L&G	08/11/22	Call	Not Feasible	Tenure Separation
Peabody	12/12/22	Email	Not Feasible	Tenure Separation
Notting Hill Genesis	08/11/22	Call	Not Feasible	Tenure Separation
Guinness	16/11/22	Call	Not Feasible	Tenure Separation
Optivo	16/11/22	Call	Not Feasible	Tenure Separation
MTVH	16/11/22	Call	Not Feasible	Tenure Separation
Clarion	16/11/22	Call	Not Feasible	Tenure Separation

**From:** Sarah McMillan <Sarah.McMillan@peabody.org.uk>  
**Sent:** 12 December 2022 10:02  
**To:** Thomas Hatch <thomas.hatch@quod.com>  
**Cc:** Bilal Hussain <Bilal.Hussain@peabody.org.uk>  
**Subject:** RE: S106 Opportunity

Hi Tom,

Hope you are well. We have discussed internally, and it is not preferable for us to have mixed cores. We would be interested in the scheme if there were not mixed cores.

Kind regards

**Sarah McMillan (She/Her) | Head of Land and Partnerships (London) | Development**

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