

# Housing Delivery Strategy for South Oxfordshire and Vale of White Horse

## Background Paper 1: Accelerating Housing Delivery

Submitted to  
**South Oxfordshire DC and Vale of White Horse DC**  
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# 1. Introduction and Scope of Work

- 1.1 South and Vale recognise that overall housing delivery is critical to achieving their objectives and the two Councils have ambitious plans for developing new homes, including the realisation of the Didcot Garden Town vision. The Study Brief calls for an assessment of different approaches to ensuring that the planned level of housing growth is actually delivered in the required timescale as set out in Local Plans. This will require an acceleration of delivery rates compared to those achieved in the recent past.
- 1.2 There have been significant challenges around the delivery of new homes since the economic downturn associated with the Global Economic Crisis (GEC) of 2008/09, despite the recovery of the national economy since 2009. Developers and funders (both the banks and other investors that fund developers and mortgage lenders) remain relatively risk-averse; there are fewer house builders in the market and increases in construction costs continue to make viability challenging on some sites.
- 1.3 'Brexit' introduces an added element of uncertainty in terms of long term impacts on the UK economy, construction workforce, incomes and public sector finances, though there have not been any discernible negative impacts to date. In addition, the public policy environment has also changed markedly in the last 5 years as subsidy for affordable housing and the rents that Registered Providers can charge have been reduced. Welfare reform has limited what low income households can afford to pay in rent.
- 1.4 It appeared following the 2015 General Election that Government priority was shifting to place a greater emphasis on affordable home ownership; a change that would imply a significant shift in emphasis on Registered Providers development programmes in the short term. However, since the appointment of the new Prime Minister and a new ministerial team, a more balanced approach to affordable housing including seems to be emerging, that embraces both affordable rented and low cost home ownership, with significant redefinition of the Starter Home product.
- 1.5 The direction of travel in terms of the new Prime Minister's and the new DCLG Ministerial Team has become clearly with the publication of the Housing White Paper in February 2017. The White Paper has 'green edges', in the sense that many of the proposed measures set out are subject to further policy development and consultation. But the emphasis on increasing overall housing delivery in England is clear, though there is less emphasis on Starter Homes as a major policy initiative.
- 1.6 As this study was being completed, the Government announced a General Election. Whatever the outcome, it is sure that the emphasis on housing delivery will remain. It is important also to bear in mind that, since the South and Vale Housing Delivery Strategy is expected to cover a 10 year period, there will be at least one more general election in this time frame with the possibility of a change of Government, and a change in emphasis in the types of housing developed, particularly in terms of affordable housing products. The emphasis on delivery of increase numbers of new homes in England commands cross party support.
- 1.7 This Background Paper addresses the key question of what South and Vale can do to maximise housing delivery, with the focus being on the next 10 years. Much of the development that will occur in the next 5 years is likely to already have planning permission (given the requirement on Councils to

be able to evidence a 5 year housing land supply). This limits what the Councils can do to influence the pattern of development in the shorter term, albeit this should be consistent with existing policies.

1.8 However, within a 10 year time frame it realistic to develop a strategy that will in 5 to 20 years from now, result in the development of a more diverse mix of homes, in terms of tenure, dwelling types, affordability, fitness for those with different needs, etc; and which helps to create distinct, high quality places in which people wish to live and work, with appropriate local services and a sense of community.

1.9 The rest of this Background Paper considers the key issues around housing delivery as follows:

- Section 2 introduces in broad terms why South and Vale, in common with local authorities across much of the southern part of England find it challenging to deliver the number of new homes being identified in SHMAs as being required to meet Objectively Assessed Housing Need, even once the housing requirement is embedded in the Local Plan and seemingly sufficient land has been allocated to meet the Local Plan target,
- Section 3 identifies the key role that local authorities should play if they are concerned to delivery on planned levels of housing provision; this is the role of the Local Authority as a Housing Delivery Enabler, a role identified in the Elphicke – House Report entitled *From Statutory Providers to Housing Delivery Enabler*, and reflected in many other reports on how to address the challenge of developing new homes in England.
- Section 4 identifies what South and Vale need to do to understand to the pattern of housing delivery. This entails understanding the housing delivery process in detail. Such an understanding can be gained at examining past patterns of housing delivery. This understanding provides the baseline information which can be used to prepare robust forecasts for the future delivery of new homes.
- Section 5 discusses the role of the local authority as Housing Delivery Enabler, in actively managing the housing delivery programme to ensure that housing delivery targets are met. Key issues are the efficient delivery of the statutory planning function, but also effective co-ordination between the planning authority (the District Councils), the County Council and statutory providers.
- Section 6 addressed the issue of how to raise housing delivery rates, by ensuring all the different mechanisms through which new homes can be delivered are performing to their full. In this the section discusses the contribution that Registered Providers, small housebuilders, developments for older people, purpose built market rented development, employers, and self-build can make to the delivery of new homes.
- Section 7 discusses the potential role of South and Vale as development partners, providing either land or finance to enable residential developments; and reaches conclusions regarding the priorities for South and Vale with respect to this element of strategy, which moves the authority beyond its enabling role to being an active partner in residential development projects.

## 2. A Strategy for South and Vale to Boost Housing Delivery

- 2.1 South and Vale are planning to deliver a very significant uplift in the overall delivery of new homes over the next 16 to 18 years, in response to the identified need for new homes set out in Oxfordshire SHMA. Past delivery rates, and future requirements for new homes are set out in the main study report. A huge step change in housing delivery is required in the period up to 2031-33.
- 2.2 In the years since 2011/12 housing delivery has increased in each authority but at nothing like the pace required, which has increased the requirements that need to be delivered in the remainder of the Local Plan periods, which run to 2031 for Vale and to 2033 for South.
- 2.3 The challenge is all the greater because, nationally and within the South East, there has been a historic pattern of under-delivery of new homes against plan targets; very rarely have plan targets been exceeded. If plan targets are to be achieved, it is important to understand why there is this systemic tendency in the English planning system and the housebuilding sector to under-perform against plan.

### Why it is so Hard to Achieve Planned Delivery of New Homes?

- 2.4 At its simplest, there are four fundamental explanations for the consistent failure of the UK housebuilding sector to deliver fewer homes than identified through the plan-led system, in whatever guise this has taken (Structure Plans, Regional Plans, Local Plans).
- 2.5 **First**, all the plan-led approaches focus on what is the overall number of homes *needed*, given population projections and other considerations, and not the level of *market demand* and *the funding available to deliver subsidised housing*. New homes have to be paid for either by those buying the properties or, if households are unable to afford a home, then government subsidy is required.
- 2.6 Not since the period 1950 to 1979, a period in which the public sector was consistently building around 70,000 homes a year, has there been sufficient public subsidy to build new homes for all those who cannot afford to purchase a home with a mortgage; and it is only since the late 1990s that a new generation of landlords have bought properties for commercial renting on any scale.
- 2.7 **Second**, the plan-led systems which have been in place now for many decades, have a tendency always to allocate just enough land to permit the development of the 'required' number of homes, since there has always been considerable opposition to new housebuilding on greenfield sites; and in most areas there are either not enough brownfield sites to accommodate the required amount of housing, or these brownfield sites are not viable to develop without some form of public subsidy.
- 2.8 Identifying 'just enough' land to accommodate assessed requirements will always tend to result in fewer homes being built than set out in the plan because, for many reasons, identified sites will not come forward for development in the time-frame set. This may be for all sorts of different reasons. These reasons include, among others:

- Plan making is time consuming and slow, yet developers are reluctant to commit significant resource to schemes until there is some certainty of securing a consent
- The lead in time for major developments are very long and complex, with extensive requirements to consult and numerous major issues to address
- Often sites require major infrastructure investment if they are to be developed, and this can affect viability, or the willingness of owners to promote the site.
- The review of planning applications by Local Planning applications is a major task for local authorities, which are often stretched in terms of staff resources.
- Financing development is a major issue, alongside the management of risk. The new homes sales market is cyclical and very dependent on the availability and cost of mortgages for.
- Not all planning applications approved will come forward. A significant proportion of approved schemes lapse
- Often schemes with planning permission may come back with revised proposals, resulting in the date at which new development gets underway being pushed back.
- Many sites cannot start until essential infrastructure is provided, which is dependent on funding and the letting of contracts and the risk of on-site delays.

2.9 **Third**, there are issues of industry capacity, many of which are linked, in part, to the cyclical character of the housing market. Thus, in the years of strong demand, the industry often experiences labour shortages and cost escalation which slows down delivery and may affect viability; while in the years of weak demand investment in building long term capacity in the industry is deferred or damaged. Sentiment in the lending markets and from key investors also have an impact on the scale of development that house-builders aim to develop in any year.

2.10 **Lastly**, the way that the planning system interacts with the demand for housing, the availability of funding to provide subsidised housing, and the cyclical nature of the industry, creates a complexity that is not generally found in other industries. Manufacturing businesses have much more control over their raw materials and are subject to much less regulatory control.

2.11 In contrast, to get to the point where land is development-ready, that is, a full implementable planning consent, with the timetable and cost of provision of infrastructure agreed by third parties, takes many years to achieve, and a time frame over which demand, costs and the funding environment may change significantly.

### 3. Delivering Planned Housing Provision

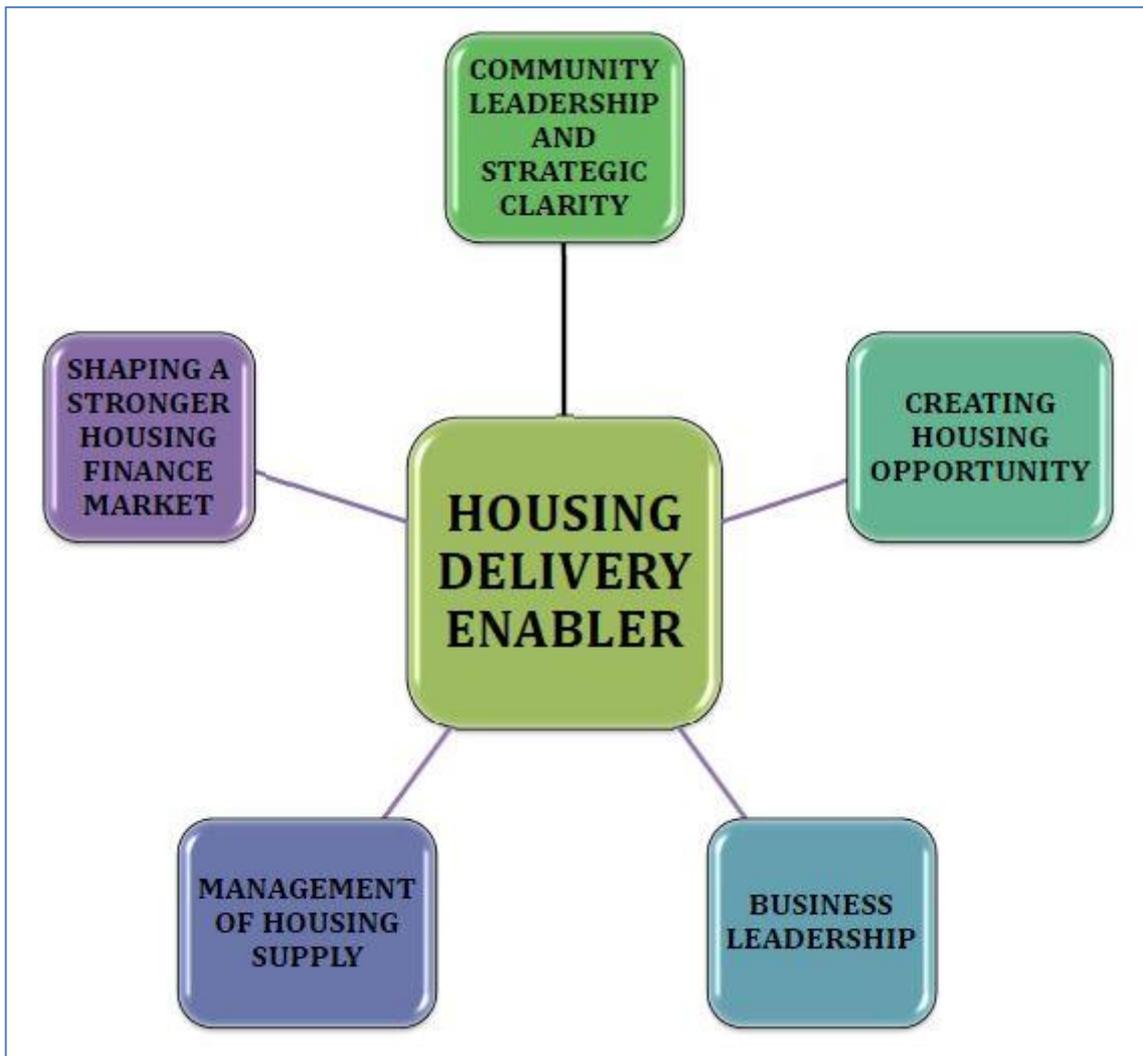
- 3.1 There is much in the whole process of housing delivery that local authorities such as SODC and VOWH have no control over. But there are many aspects of the way the public sector works, around the interaction between the planning authority (in this case the two Districts), the Highways and Education Authority (the County Council) and Statutory Providers (the utility companies), that can slow down or even prevent housing delivery.
- 3.2 The primary task of SODC and VOWHDC, and its partners in the County Council, and Statutory Providers, should be to ensure that the aspects of the housing delivery process for which they are responsible does not get in the way, or delay, the process of housing delivery; and indeed, it should be that, by enhanced forward planning and co-ordination, the work of these public and private organisations actually speeds up housing delivery.
- 3.3 The key role that SODC and VOWH Councils could, and should, play is that of '*Housing Delivery Enabler*.' This is not a phrase of Wessex Economics' invention. It has been given prominence by the Elphicke-House Report, commissioned by the Government in December 2013<sup>1</sup>. The report considers the role that local authorities can play in helping to meet the housing needs of their local population, within the context of the need '*to secure good value for money and fiscal discipline*'.
- 3.4 Many of the recommendations in this Background Paper reflect the recommendations of the Report, taking into account the position of SODC and VOWHDC as planning authorities in a two tier local government system; and as authorities which do not own or manage housing, but which are debt-free, and which therefore have the capacity to borrow to invest, if the respective Councils felt that this was prudent and contributed to their long-term objectives.
- 3.5 Figure 1 shows the five key strands of the Housing Delivery Enabler role as set out in the Elphicke-House report. This Working Paper discusses these five themes, to determine their relevance to South and Vale. However this is left to later in this Background Paper, since the starting point for the authorities, if they are to adopt the role Housing Delivery Enabler, is to ensure that the two authorities have a thorough understanding of pattern and process of housing delivery as it current operates in South and Vale.

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[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/398829/150126\\_LA\\_Housing\\_Review\\_Report\\_FIN\\_AL.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/398829/150126_LA_Housing_Review_Report_FIN_AL.pdf)

**Figure 1: The Housing Delivery Enabler – A Dynamic Delivery Approach**



Source: The Elphicke-House Report – From Statutory Provider to Housing Delivery Enabler, 2015

## 4. Step 1: Understanding the Pattern of Housing Delivery

### Understanding the Pattern of Past Housing Delivery

4.1 Authorities who take on the role of Housing Delivery Enabler need to have a deep understanding of the way that the market for new-build housing works in its area. This means that the authorities need an appreciation of:

- Past patterns of housing delivery in terms of the numbers of new homes built, broken down by location, size, type and tenure; who is the lead developer, and any key partners; and ideally sales values. Though few authorities currently capture sales data, this data can be obtained from the Land Registry or providers such as Hometrack.
- The relative significance of sites of different size (in terms of capacity for new homes) and type of site (greenfield, brownfield, within/on edge/outside settlement boundaries) etc in terms of past delivery; and how this compares with the portfolio of sites that is currently available or allocated for future housing provision.
- The overall timescales entailed in housing delivery on a site by site basis, on the basis of key steps in the development proposal eg identification in Local Plan/SHLAA, submission of application for outline/full planning consent, approval of outline/full planning consent; and a sense of the minimum and typical time required for different stages in the process.
- Timings of subsequent stages in the delivery process such as satisfaction of conditions; commencement on site; completions of the first home, and timing of occupation of new homes; build-out rate on an annual basis; completion of all housing; date that the development scheme is finally completed with all conditions met.
- What infrastructure has to be provided to enable sites in the forward pipeline to be brought forward? How significant a factor in the past has infrastructure delivery been to the timing of the site being developed? Was start or completion of the development delayed by infrastructure issues? By how long? Why?
- Ideally, intelligence on the original ownership of land, and information on subsequent transactions, which developers have options on the land. What organisation has actually taken the development forward? Has the development been taken forward by a single developer, or a consortium? Who was the lead contractor?

4.2 It is unlikely that all this information will currently exist, and it is quite likely that such information as is available is stored in different formats in different places. An assessment should be made of how much data can be captured in a cost/time effective way. If an effective geo-coded database system is not already in use, which can capture the above data in an easily analysed and accessible format, it is recommended that such a system be developed.

- 4.3 In practical terms, if such a system were to be developed, it would make sense to start by developing it for that part of South and Vale where the greatest change is expected in terms of development; which would probably indicate implementing such a system for the Science Vale.
- 4.4 Much of the information required for this is probably being captured for the current Didcot Garden Town study; and will be required for Development Management of the Garden Town proposals. This could provide a proto-type to be extended to the whole of the Science Vale, and then the totality of the two Districts.
- 4.5 Such a system would be of considerable value to the Housing Delivery Enabler function, but it is only of value if it is continuously updated; and active steps are taken to ensure that many members of staff are capable of using the system both to input and extract data; and that the Councils ensure that it retains a pool of personnel capable of using the system both in terms of updating and interrogating; as well as ensuring maintenance and updating of software as appropriate.

### Forecasting Housing Delivery

- 4.6 Local Authorities have a requirement to forecast planned provision of housing, based on a knowledge of what sites can be expected to come forward for development in the next five years, and the associated volume of new homes to be provided. This is embodied in the requirement to be able to demonstrate annually *‘a supply of specific deliverable sites sufficient to provide five years’ worth of housing against their housing requirements*<sup>2</sup>.
- 4.7 In Wessex Economics’ judgement, South and Vale should continuously be working to ensure that it has a reasonably substantial margin of *‘specific deliverable sites’* in excess of 5 years, because almost inevitably some sites will not deliver as much as expected at the point of assessment; and a significant buffer helps to ensure that poor quality, speculative, development proposals, or proposals in the wrong place, can be resisted.
- 4.8 There are multiple reasons why schemes which appear ‘ready-to-go’ in the next five years may not in fact commence. These include a downturn in the market; difficulties associated with securing infrastructure provision; a developer facing funding issues, or simply deciding that that site is not a priority at the current moment in time, in the light of other business opportunities. A key part of the Housing Delivery Enabler function of the authority is to keep abreast of these changes.
- 4.9 Wessex Economics would particularly highlight the importance of the Housing Delivery Enabler function being aware of what risk factors that could lead to site development – the construction and completion of new homes – being delayed, or being built out slower than previously anticipated. This implies building good relationships, based on trust, with landowners and developers, so that this intelligence is forthcoming.

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<sup>2</sup> National Planning Policy Framework and National Planning Policy Guidance Paragraph: 030 Reference ID: 3-030-20140306

- 4.10 Over time it is likely that certain patterns will emerge that allow the authorities to anticipate the proportion of anticipated output that will not come forward, and compensate for this by ensuring that there is in effect, an element of 'over-programming'; though of course the authority has no direct control over which sites commence development in a particular time-frame and the pace of build out.
- 4.11 However, the planning authority is not entirely without influence over the pace of housing development. It has a measure of control over the speed at which planning applications are processed, in terms of the pre-application stage; or the pace at which supporting work is progressed after, for example, an outline approval.
- 4.12 If authority has invested in a particular officer or team to act as the Housing Delivery Enabler, they take on the role of progress chasing to ensure that both internal colleagues complete necessary work to take the application through all the necessary stages to a decision; **and** that external parties, such as the County Council and other statutory consultees, respond in a timely manner, so that the planning approval process is not a source of delay in the overall housing delivery process.
- 4.13 If there is a shortfall of sites coming forward that will deliver homes in the near future, it is a reasonable response to put extra effort into taking forward planning applications that would deliver in the near future. There may also be things that can be done in terms of negotiation the rescheduling of some elements of infrastructure provision (discussed more fully below) to progress schemes in a position to commence build out rapidly.
- 4.14 If South and Vale, and the County Council were to embrace the Housing Delivery Enabler role in the manner set out above, this can be expected to have staffing implications. A key role in this process would be the appointment of a development manager with a broader range of skills than often found in District Councils. The scale and ambition for development in South and Vale, particularly with respect to Didcot, would indicate the need for such personnel.
- 4.15 It would also be important to embed this function, so that it is not dependent on an individual – so that knowledge and expertise is retained in the authority if a key individual leaves. The development of an effective system of capturing information on sites, ownership, infrastructure requirements, key contacts, and build-out would be one element of ensuring that knowledge is embedded.



## 5. Step 2: Active Management of the Housing Delivery Programme

- 5.1 While landowners and developers have a commercial interest in progressing the development of their own sites for housing, they neither have a particular interest in maximising housing delivery consistent with the number of homes as required in the Local Plan time frame; and they are unlikely to have oversight of the different pressures on the, essentially publicly-funded, infrastructure on which the quantum of development depends.
- 5.2 The difference between the 'public' and the 'private' interest in housing development can be illustrated thus. A developer may well press for an element of road infrastructure to be implemented at a particular point in time. Even if they pay for that infrastructure themselves, this does not automatically mean that they will immediately bring forward the site for new housing development. Having made the site more development-ready the owner may seek to trade the site.
- 5.3 In contrast, the local authorities should be better placed to maintain an overview of infrastructure requirements alongside good market intelligence into the plans and investment priorities of different developers. The Housing Delivery Enabler should therefore be in a position to decide where and when infrastructure investment should be targeted in order to maximise housing output in the short term.
- 5.4 More effective deployment of whatever funds and project management capabilities are available for infrastructure investment, to ensure that funds unlock new housing delivery immediately, should boost overall delivery rates, and ensure that investment is not used on sites where there are other barriers that mean that housing delivery cannot commence immediately.
- 5.5 The case for resource to be put into co-ordination of infrastructure investment is all the greater where there is a two tier structure of local government; or where an element of public funding is involved, say, from the LEP. If the local authority has embraced the Housing Delivery Enabler role, it should be best placed to make the judgement of where infrastructure investment right now will do most to bring forward new homes; and where a delay of a year or two will not make a material difference to when the new homes on other sites are actually built.
- 5.6 As indicated by the example, this is not about whether or not projects get funding for infrastructure, but more about managing the programme of investment in a way that gives priority in terms of timing to those projects where making the investment now will bring forward development sooner than other investments that will be made in due course. It is not so much about funding, as about programming and timetabling.
- 5.7 In a two tier structure there is also greater risk that different priorities and workloads between the lower tier and upper tier authorities is a source of delay in progressing approved housing developments. Wessex Economics has not investigated the working relationship between Oxfordshire County Council and South and Vale on matters that affect housing delivery (eg highways investment, education contributions, minerals and waste issues etc).

- 5.8 However, it would be surprising if there are not gains to be made by better co-ordination, better informed decision making, and prioritising either staff time and better management of investment programmes, so that funds are always used in a manner that does the most to accelerate housing delivery, by focusing resource on those developments that are ‘ready to go’ once the final piece of the jigsaw is in place.
- 5.9 In many areas another constraint on the timely delivery of new housing which has secured planning consent is the failure of one or more of the utility companies to deliver connections to essential services (electricity, gas, water, sewerage and telecoms) in a timely manner. Discussions with South and Vale staff and a number of developers indicate that there have been particular issues with some utility companies that have had an adverse effect on housing delivery in South and Vale.
- 5.10 The Housing and Finance Institute in their report ‘*How to Build Homes Faster*’, published in March 2016<sup>3</sup>, highlights in particular that the regulatory framework in place gives water companies up to a year to provide a connection to a property. In the 2015 period every water company in England failed to meet their own targets for sewerage connections.
- 5.11 Electricity companies are subject to a tighter regulatory regime than water companies according to the HFI report. However, Ofgem in their 2015 report concluded that they need to focus on securing increased competition in the sector and apply increased financial penalties on poorly performing energy supplies.
- 5.12 HFI report that larger housebuilders use specialist firms to manage relationships with electricity firms, which achieves better outcomes; but this leaves a question mark over whether small and medium sized builders received satisfactory service. It is therefore the SME housebuilder sector that the local authority Housing Delivery Enabler may need to focus on, to ensure that smaller housebuilders are not disadvantaged.
- 5.13 HFI make recommendations that require Government and the regulators of utility providers to act. However, action can be taken at the sub-regional level as well. Specifically HFI recommend that Infrastructure Dependencies Mapping be undertaken in areas of significant housing growth. It is suggested that this is undertaken by Councils and Local Enterprise Partnerships working together, since LEPs have access to funding for infrastructure that will accelerate housing delivery.
- 5.14 The aim of Infrastructure Dependencies Mapping is to provide a firmer basis for forward planning of infrastructure provision and for negotiation with the relevant local infrastructure providers. This should be more effective than each developer having to undertake their own negotiations; and should also improve the forward planning undertaken by the utilities in fulfilling their responsibility with respect to their ‘regulated connections’ role.

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<sup>3</sup> <http://thehfi.com/how-to-build-more-homes-faster-march-2016/>

5.15 In South and Vale, it will be particularly important to ensure effective co-ordination of all the relevant utilities in connection with the Didcot Garden Town proposals, but also in the other areas of major expansion such as Wantage-Grove; and that capacity is delivered in a timely manner to handle the collective increase in housing and population in the smaller settlements in South and Vale.



## 6. Step 3: Raising the Build Out Rate – the Local Authority as Enabler

- 6.1 The actions set out above are essentially focused on seeking delivery through the mainstream mechanisms of housing delivery as they have existed over the past 30 years, namely private housebuilding for sale to owner occupiers; affordable housing developed alongside private housing or in stand-alone development by Registered Providers/Housing Associations; and since around 2000, sale of homes by housebuilders to buy-to-let landlords (though the volumes of new homes sold to those who intend to rent the property out to tenants is often now known with any certainty).
- 6.2 However, development of new homes for sale and development of traditional affordable housing, does not meet the full spectrum of demand/need for new homes. There are a number of mechanisms that can be used to boost overall housing delivery by meeting the needs of particular types of household not catered for by the mainstream developers and/or by tapping into different forms of funding to support housebuilding.
- 6.3 The first suite of actions entail the local authority acting as planning and housing authority (even where the authority does not own any housing) to boost supply by ensuring that all segments of the housebuilding sector contribute as fully as possible to housing delivery.
- 6.4 In South and Vale, the large (national) and medium sized (regional) builders are likely to account for the majority of private sector housing output. The key measures, as discussed are:
- ensuring enough land is provided, a quantum which will be more than technically needed to deliver a housing target; and,
  - that the planning system and statutory providers work in a way that does not constrain the start and timing of build out.
- 6.5 However, large and medium housebuilders will commence build out and build at a rate that fits with their own corporate objectives for profit maximisation. Smaller developers will do likewise though their financial circumstances may lead to different behaviours. The decision of when to commence building and the pace of build out will be determined by many factors other than the pace at which new homes could be sold.
- 6.6 These factors will include the relationship between the cost of capital, the sale price, and the overall financing of the business, which will depend in part on performance across all the sites a developer is bringing forward in the region and the country as a whole. (Many of the major housebuilders are organised on a regional basis). There are many factors that the local authority has no control or influence over that determine the rate of build-out by these companies.
- 6.7 Local authorities should therefore seek to ensure that the sectors of the housebuilding sector, other than the large and medium sized housebuilders, contribute as much as possible to housing delivery. Other developers include:
- Registered Providers/Housing Associations

- Small housebuilders
- Developers of Housing for Older Persons
- Developers of Private Residential Communities - the Build-to-Rent Sector
- Employers or Institutions
- The custom and self-build sectors

6.8 South and Vale should assess the potential for these different types of developer to play a role in housing delivery within their area, and the scope that each has to deliver homes over and above those delivered by the mainstream housebuilding sector. In most areas the potential for these types of developer to generate additional new homes over and above what the mainstream housebuilding sector will deliver is considerable, because they tap into different types of funding, and meet types of housing demand or need that the mainstream private sector housebuilders do not cater for.

6.9 An assessment of the potential contribution that each of these types of organisation might make in South and Vale is set out below. The assessment is informed by conversations with key organisations.

#### *Registered Providers*

6.10 Registered Providers have traditionally focused on provision of affordable rented housing and developing intermediate for-sale homes (shared ownership, shared equity, intermediate rent, buy-to-rent, discounted sale etc). Since the reductions in grant rates over the past few years, many Registered Providers have begun to engage in the mainstream for sale market as well, often working in partnership with local authorities and other public sector land owners.

6.11 The active involvement of Registered Providers in an area should boost the overall delivery rate of new homes in an area. This is the result of a number of factors:

- They provide tenures that mainstream house-builders do not generally provide (though the Help to Buy Equity Loan scheme used by housebuilders is competition for other forms of intermediate housing and some housebuilders have their own shared ownership products).
- Registered Providers' funding structure and organisational objectives are different from those of the mainstream house-builders, and therefore they are not as susceptible to the market cycle as the major housebuilders, and their criteria for investment also differs from private housebuilders.
- Registered Providers are often more adept at working in partnership with local authorities and other partners such as HCA, Health Trusts or charitable organisations; and are often regarded as more acceptable partners by local authorities; though certain developers/contractors also focus on partnerships with the public sector.

6.12 South and Vale have well-established relationships with two key Registered Providers, South Oxfordshire Housing Association (SOHA) and Sovereign, which hold the majority of the affordable

housing stock in South and Vale transferred from the two authorities. In developing the housing delivery strategy, South and Vale should assess the contribution these Providers could make to boosting housing delivery; but not be closed to the possibility of increasing the number of Registered Providers working at a significant level in the area, where this would draw in additional investment, or new approaches (eg the willingness to build for market renting).

### *Small Housebuilders*

- 6.13 Nationally small housebuilders used to account for a much greater share of output than they currently do, and the number of housebuilders building 10 or fewer homes has declined significantly since the 1980s. In 1988 there were some 10,000 housebuilders that built 10 or fewer units each year. By 2006 this figure had fallen to 4,570 and the number will have fallen further as a result of the housing recession 2007-10.
- 6.14 The increasing complexity of the planning process is generally cited as a major factor in the fall in the number of smaller housebuilders, along with difficulties accessing finance.
- 6.15 While the number of small housebuilders and the output of such builders have declined significantly they still deliver a significant number of homes nationally; and they develop sites that larger housebuilders would not take on. National Government is seeking to support this sector with access to loan funding<sup>4</sup>; and local authorities should seek to support such housebuilders in their local housing delivery strategies.
- 6.16 A key action local authorities can take to support smaller housebuilders is ensuring that when identifying housing land, there is a good supply of small, developable sites of a scale for suited to these housebuilders. Small housebuilders will also benefit where authorities have a positive approach to approving housing development on windfall sites.
- 6.17 A factor in the decline in the number of small housebuilders has been the growing complexity of the regulatory regime covering housebuilding. National government has taken action to simplify the regulatory environment particularly with small builders in mind.
- 6.18 For example the Government has determined that developments of 10 or fewer homes are not to be expected to provide affordable housing or related contributions. This decision has been subject to a legal challenge, but the challenge was defeated in a court of appeal judgement in May 2016. Thus the majority of small developments of 10 and fewer homes no longer have to provide affordable housing.
- 6.19 This will improve development viability for smaller housebuilders, and reduce the complexity involved in providing affordable housing. However, authorities will want to ensure that this does not result in successive schemes of 10 units coming forward on the same site, as a means to bypass affordable housing requirements that a larger development would have been obliged to meet.

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<sup>4</sup> For example the £3bn Home Builders Fund announced in the 2016 Autumn Statement which will provide £1 billion of short term loan funding targeted at SME housebuilders and custom building, with a minimum loan value of £250,000.

- 6.20 The Government's decision to revoke the Code for Sustainable Housing (CSH) is also regarded by Government as simplifying the regulatory environment, a move that should particularly help smaller housebuilders. Elements of the CSH have been incorporated into building regulations, which are now referred to as 'the new national technical standards' and set at the equivalent of a code level 4.
- 6.21 There has been some debate about whether smaller housebuilders should also be exempt from Community Infrastructure Levy, as a means of encouraging the small housebuilder sector. At the moment there is a standard charge per sq m on residential sites in South Oxfordshire, but with some of the larger sites at Didcot and Wallingford excluded from paying CIL.
- 6.22 It is not clear from the Council's website if VOWH Council has adopted CIL though its draft CIL schedule has been examined. However, the draft charging schedule set out that small sites/developments would be liable to CIL and at a rate higher than applicable to large developments. This might be regarded as a disincentive to small builders.
- 6.23 However, in Wessex Economics view, levying a CIL charge on small developments is perfectly legitimate as long as small developments are not consistently less profitable than large sites. Since there is no evidence that this is the case (and indeed it may be possible to command higher sales values on small sites than large), and the charge is transparent and does not complicate the delivery process, there seems no reason not to charge CIL on small developments, especially now they are exempt from making affordable housing contributions.

#### *Housing for Older Persons*

- 6.24 In a strategy for housing, encouraging provision of specialist housing for older people has three particular roles to play. First, it meets a growing need for older persons housing as the population of older people in South and Vale increases. Growth in the population of older persons in South and Vale is discussed in Background Paper 4, along with an assessment of the different types of housing provision for older people.
- 6.25 Older persons housing also has a role to play in boosting housing delivery. Older persons housing is generally provided by specialist providers rather than the mainstream housebuilders. These developers have their own funding streams, and some of them have different funding models to the mainstream housebuilders.
- 6.26 Having developers that draw on different sources of funding helps to ensure continuity of housing supply, by diversifying development models. It enhances the chances that when one form of funding dries up or becomes more expensive, other developers that draw upon different funding sources, or have different models of development will continue to contribute to new housing supply.
- 6.27 The development of additional new specialist housing for older people, is also likely to free up family housing, as older persons downsize to smaller properties. In the context of the Science Vale strategy, this is a valuable outcome, since homes freed up in this way, and particularly larger homes, are likely

to be bought by those who are economically active, many of whom will be working in the Science Vale or adjacent areas.

- 6.28 Therefore additional provision of older persons housing indirectly supports the economic objectives of the South and Vale Councils; though it needs to be borne in mind, that some of those who move into older persons housing in the area will come from outside the area; in which case there is no freeing up of accommodation in the South and Vale area.
- 6.29 Provision of older persons housing takes a variety of forms including retirement villages, developments for those aged over 55, sheltered retirement communities and extra-care assisted living schemes – all of which tend to be classed as C3 housing developments, as distinct from C2 Care Home developments. Figure 2 shows the continuum of housing for older people in graphic form.

**Figure 2: Typologies of Housing for Older People**



Source: Retirement Housing 2014, Knight Frank Residential Research<sup>5</sup>

- 6.30 South and Vale could take a proactive approach to seek to secure investment in such developments within its area as part of its strategy to boost housing delivery. The developers are generally good at seeking out sites suited to their particular development model and will look for developments in a regional context. South and Vale is likely to be deemed an attractive area by such developers, but different developers look for sites that meet specific criteria depending on their target market (which may be drawn from quite a wide catchment area).
- 6.31 A proactive local authority may be able to stimulate additional investment in older persons housing, first by actively planning for such development particularly as part of major developments such as the Didcot Garden Town proposals and the Wantage/Grove growth area. However, the authorities may need to go further, by actively marketing key strategic sites as a location for such facilities, in much

<sup>5</sup> <http://content.knightfrank.com/research/696/documents/en/retirement-housing-2014-2388.pdf>

the same way as a Development Corporation would court potential inward investors in the business sector.

### *Private Residential Communities – Build to Rent*

- 6.32 Investment in rented residential property which is rented exclusively to private tenants continues to grow in the UK. This as an emerging asset class for institutional investors such as Life Companies and Pension Funds. Hitherto these developments have been largely confined to London and the major regional cities, such as Manchester, Leeds, Birmingham, Bristol, Edinburgh, Glasgow and Liverpool.
- 6.33 The model is maturing and becoming more mainstream. Property advisors JLL report that there is growing evidence of investors being willing to consider investments in what JLL term ‘*Private Rented Communities*’ (PRCs) in the UK’s secondary cities<sup>6</sup>. The phrase Private Rented Communities is preferred to Build to Rent, since PRC describes the product being created and sold to occupiers. Build to Rent was the phrase coined to distinguish this form of development to sale of significant numbers of new build properties (especially flats) to Buy-to-Let landlords.
- 6.34 Key factors that determine where investors and developers are building Private Rented Communities are the rents achieved and hence yields, and also the depth of the local market. Wessex Economics’ assessment is that currently the only place in South and Vale that might have the depth of market, and where rents would be sufficiently high to deliver the sort of income yield at an acceptable level of risk, would be a development in those parts of South and Vale that are de facto part of Oxford, all of which are located in the Green Belt.
- 6.35 All the other settlements in South and Vale are not of a size to support the sort of scale of Private Residential Community that the major institutions are seeking without some form of guarantee of income or underwriting of costs. Wessex Economics’ assessment would be that pure institutional investment would not take place until towards the end of the first decade of the Didcot Garden town scheme; and once it is established that Didcot is the sort of place in which relatively high income professionals wish to live.
- 6.36 Over time this may change, and incorporating future plans for Private Rented Communities in Didcot makes a lot of sense. However, this conclusion should not preclude smaller developments of purpose-built market rent properties. However, pure private rented developments may struggle to demonstrate viability, unless sites can be found at reasonable cost, and/or development costs are under-written, rents guaranteed, or funding provided be that in the form of soft loans or grants.
- 6.37 The most promising avenue to prove the market for purpose-built market rent properties is to harness the interest of both Harwell and Culham to see development of purpose-built market rent properties that can be used to accommodate both short-stay and longer-term employees working on the two

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<sup>6</sup> Into the Mainstream, JLL November 2016 <http://residential.jll.co.uk/new-residential-thinking-home/research/residential-investment-report-mainstream-november-2016>

research campuses. It may also be that some demand might arise from those working at Milton Park, but Harwell and Culham are more obvious sources of potential tenants because of the significant numbers of international scientists who come to work at both centres for short to medium periods of time.

- 6.38 Discussions with both Harwell and Culham indicate interest in such developments, with Harwell anticipating this will be a feature of the residential development proposals at the Harwell Campus. Harwell are seeking to build 1,400 new homes on the Campus, plus ancillary uses, and specifically indicate interest in investing in and managing private rented accommodation. This will provide a very useful proof-of-concept that could provide the evidence needed to demonstrate that development of a private rented community in Didcot will work.
- 6.39 To make Didcot an attractive place for a Private Rented Community, the amenities (shops, leisure activities, etc) will need to be significantly enhanced. Improved rail links to Oxford, Reading and London, and Heathrow will help create the volume needed for a full-scale development. Even so, Wessex Economics would expect that such a development in the next 10 years would probably require some form of public sector support in terms of discounted land, finance, or guarantees.

#### *Employers or Institutions*

- 6.40 In the past employers or other institutions have been significant providers of accommodation in the past. It used to be that UKAEA at Harwell provided rented accommodation for staff. As noted above there are plans to provide rented accommodation for staff at Harwell.
- 6.41 Culham has a similar interest but there is no scope for housing provision on land within the campus, because it is a secure campus, reflecting the nature of the research on the site. Any housing development in which Culham has an interest is therefore contingent on award of planning consent for land around the campus.
- 6.42 Culham have noted that they will be increasing the number of apprenticeships over the next few years. This development may require housing for young people taking up these apprenticeships; as well as there being a need for short or longer stay workers at the campus. These requirements should be considered for incorporation into development plans around the Culham Campus.
- 6.43 As noted previously, were there to be a review in due course of the Oxford Green Belt, or scope to redevelop existing buildings for residential use, Oxford would be a location where both institutional investors, and, in all probability some of the Oxford Colleges or related organisations would be interested in investing to develop new permanent accommodation for students, and those working in Oxford and the Science Vale.

#### *Custom and Self Build*

- 6.44 The Government has made self-build and custom housebuilding an important part of its strategy for increasing housing supply. The 2015 Conservative Manifesto set out the aspiration to double the

number of custom and self-build homes. Across the UK it is estimated that custom and self-build accounts for around 7-10% of new housing<sup>7</sup> (figures are not available for England).

- 6.45 This implies that, based on completions of 139,840 new homes in England in the year 2015-16, some 9,800 to 14,000 custom and self-build homes might have been completed in that financial year. In practice, there may be reason to believe that custom and self-build rates may be higher in Scotland, Wales and Northern Ireland where there is less pressure on land, so the estimate of the number of homes developed in England may be lower than stated.
- 6.46 At the outset it is important to define what is meant by custom and self-build housing. The definition set out in the Housing and Planning Act is '*... the building or completion by a) individuals b) associations of individuals or c) persons working with or for individuals or associations of individuals of houses to be occupied as homes by those individuals. But it does not include the building of a house on a plot acquired from a person who builds the house wholly or mainly to plans or specifications decided or offered by that person*'.
- 6.47 Thus, a key dimension of the definition of custom or self-build is that the person or persons involved are substantially involved in acquiring land, securing planning permission and funding and procuring the building works for the dwelling. If a developer builds speculative units for profit, regardless of how much customisation is done for an eventual purchaser, this does not constitute custom or self-building.
- 6.48 However, self-build and custom can be significantly enabled by a developer or local authority. An alternative model of supporting custom and self-build housing would include a landowner, be that a private developer, a local authority or social enterprise, securing planning permission; and then funding enabling works, including perhaps infrastructure provision, to create serviced plots to be sold to those individuals or groups who wish to undertake a custom or self-build development.
- 6.49 This type of intervention may be an important way in which to support the growth of self-build. It is quite a common approach to supporting self-builders in a number of nations in continental Europe. In this model of self-build development, to be deemed to be a self-builder as defined under the Housing and Planning Act, the self-builder would need to secure some consents for the type of home built, and to confirm it is for their own occupation, and not for open market sale on completion.
- 6.50 For a landowner or developer to make the investment outlined above, they would need to be assured that they could recoup the value of investment and make a return from the sale of serviced plots. In a context where there is a large demand for housing land for mainstream development, as there is in the South and Vale area, it seems unlikely that many landowners, or those with options on land, will wish to pursue this form of development with its attendant risks.

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<sup>7</sup> Self-Build and Custom Build Housing (England); House of Commons Briefing Paper No 06784, 15 June 2015, <http://researchbriefings.parliament.uk/ResearchBriefing/Summary/SN06784>

- 6.51 Local authorities now have a statutory duty to keep a register of individuals and associations who have expressed interest in purchase of serviced plots for custom and self-build. The authority is expected to have regard to the information garnered from this Register when carrying out their planning, housing, regeneration and land disposal functions.
- 6.52 The Housing and Planning Act 2016, places a further duty on the local authority to grant planning permission to ensure that there will be sufficient serviced plots of land to match the demand as evidenced by the self-build and custom-build register. In Wessex Economics view the challenge associated with this requirement is that the Register on its own will not provide robust evidence of real demand for custom or self-build, in terms of ability to pay, and genuine commitment to self-procure development.
- 6.53 The custom or self-build agenda could be a potential distraction in South and Vale to the real agenda or increasing delivery, unless there is genuine, proven demand and ability to fund from those expressing interest. If the authorities were to meet the requirement to ensure provision of serviced plots, then this would presumably imply requiring such provision on sites already identified for housing development.
- 6.54 If this were to be the approach taken to providing serviced plots, then it is possible that pursuing the self-build agenda, might actually reduce the pace of build out, if there is slow take up of self-build plots. This is a plausible scenario, even if the plots are sold, since people may not want to start building immediately. It would also be important to establish that there is real demand before setting aside housing land for self-build.
- 6.55 Interestingly, the evidence to date indicates that the majority of those registering interest are *'aspirational self-builders looking to build three to five bedroomed detached properties with the resources available to enable them to deliver the project'*<sup>8</sup>; and apparently authorities have received very few registrations from groups looking to undertake collaborative schemes.
- 6.56 If demand is dominated by *'aspirational self-builders'*, then it is worth asking which sites will appeal to this group and what size of site will they want? It might be that the sites that would appeal most are those in and around villages, which will also be highly attractive to mainstream developers; the self-builders might want large plots; they may well not be attracted to plots provided on large development sites.
- 6.57 An alternative approach to the allocation of part of larger sites for self-build would be to identify specific sites that would be allocated exclusively for self-build. These might be allocated in the same manner as an exception site, where, even if there is very slow take up, the site will be retained for self-builders; and development for market sale will not be permitted. This would avoid landowners offering a site for self-build development in the hope of eventually securing a higher land value when a mainstream housing consent could be secured.

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<sup>8</sup> Planning for Self and Custom Build, Local Government Association, June 2016,

- 6.58 Until the characteristics of those expressing interest in self-build are known, along with the type of housing they want, their financial resources and locational preferences it is hard to develop a strategy. However, getting sufficient insight into the genuine demand from those who express interest will be time consuming.
- 6.59 Moreover, forecasting the pace at which plots actually made available for self-builders will be built out is exceedingly hard to predict. The report Self Build Housing Market Report – UK 2016-2020<sup>9</sup>, states that self-build completions have fallen in recent years, and that despite the welter of Government action including funding, easing of regulations, and the obligations placed on local authorities, self-build numbers are below Government targets.
- 6.60 Among the barriers identified in the Self Build Housing Market Report are constraints on mortgage lending for self-build. This highlights a key aspect of all housing delivery; it takes a considerable length of time to develop volume output in any new form of housing delivery because of the inter-related requirement for land, planning, finance, labour and the organising expertise to come together and for the overall scheme to make sense in financial terms.

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<sup>9</sup> [http://www.amaresearch.co.uk/self\\_build\\_housing.html#INTRODUCTION](http://www.amaresearch.co.uk/self_build_housing.html#INTRODUCTION) and OVERVIEW

## 7. Step 4: Raising the Build Out Rate – the Local Authority as Development Partner

- 7.1 All of the actions outlined in Steps 1 to 3, essentially entail the local authority acting in its role of planning authority and in an enabling role. South and Vale could play a much more active role in enabling development if it is willing to intervene directly in the market, by acquiring land, either through negotiation or compulsory purchase; and by providing funding for or making investments in housing developments. Such pro-active intervention could take a variety of forms.
- 7.2 It might entail assembly of sites in multiple ownership in order to enable comprehensive development. There may be sites in Didcot where land assembly is required in order to achieve comprehensive planning of key sites such as those close to the station and in and around the town centre. Such developments are likely to be mixed use developments, but housing is very likely to be part of the mix.
- 7.3 The proposals being worked up for Berinsfield in close consultation with the local community for major development through some form of Community Trust is another significant initiative being taken forward by South Oxfordshire District Council, and a high priority for the SODC. Consultants are currently working on the proposal, and if this proceeds it will entail significant commitment from the South and Vale officer team.
- 7.4 Another important role for South and Vale could be to work with other public sector bodies to make use of public sector land which is no longer required for operational purposes; or perhaps more likely, to work with public sector organisations that need to re-provision their service centres, but there is an opportunity to deliver housing along with some service accommodation – be that a health centre, offices, libraries or other public services.
- 7.5 Central Government is very supportive of collaboration between public service providers to secure the best use of land and buildings in public ownership. The Government Property Unit and the Local Government Association supports the One Public Estate initiative which supports collaborative property-led projects in local areas, delivering ambitious projects that transform local services aims to make best use of central governments property<sup>10</sup>.
- 7.6 The One Public Estate initiative is clearly an initiative that South and Vale should participate in if the two Councils are not already doing so. In essence the partnership approach involving different public sector organisations aims to be smarter in the use of land and property assets in public ownership. The success of such partnerships depend on each partner getting a better solution to their particular property needs or wider development objectives.

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<sup>10</sup> <http://www.local.gov.uk/onepublicestate>

- 7.7 In South and Vale mention has been made during the process of consultation with officers of the possible scope for partnerships with the Oxford NHS Trust in modernising some of the five Community Hospitals in South and Vale (Abingdon, Didcot, Henley-on-Thames, Wallingford and Wantage). Across the two Districts, there may be other opportunities for re-provision of public services and, linked into this process, providing new homes.
- 7.8 In terms of enabling housing development and raising delivery rates, it clearly makes sense for South and Vale to prioritise interventions where there is close alignment with the Councils' broader strategic objectives; and where additionality is highest; that is, where the input of the Council in terms of either significant staff time, land or funding, will lever in the most private or other public sector funding; or where the initiative is of key importance to the delivery of the Councils' wider strategic objectives.
- 7.9 This is why in this report Wessex Economics has highlighted particularly initiatives that will help to bring forward housing and related development in Didcot, Berinsfield, and unlocking unrealised development potential through partnership with other public sector landowners. If the two Councils are also to undertake the Housing Delivery Enabler role properly they may very likely need to invest in additional staffing.
- 7.10 Good strategy is always about setting priorities. It is therefore useful to set out what actions should not be regarded as priorities for South and Vale. Wessex Economics have indicated that, whilst South and Vale need to comply with government requirements as regards planning for custom and self-build, the Councils should not be doing more than what is required by central government. The added value of investing significantly in custom and self-build is too uncertain to warrant the investment.
- 7.11 The housing development market in South and Vale is generally strong, reflecting high demand associated with proximity to major centres of employment (Oxford and Reading) as well as significant centres of employment in Science Vale, and good access to London. For the most part, therefore, Wessex Economics view is that there is no need to intervene in the mainstream housebuilding sector, beyond the ensuring that the essential planning and co-ordination functions (as set out in sections 5, 6 and 7) are efficiently delivered.
- 7.12 It has been highlighted in discussions that South and Vale are both debt-free authorities. Both authorities could therefore borrow to acquire land or to invest in residential development schemes. Both of these options might seem attractive in providing the authorities with much greater control over the specification of development in terms of quality and tenure.
- 7.13 However, South and Vale are progressing major development projects in Didcot and in Berinsfield, which are at an early stage in the strategy development process. In Wessex Economics' view, it is very possible that realisation of the emerging vision for Didcot may only be realisable with an element of investment from the two councils. It would be unwise to think of use any borrowing capacity the Councils may have for any other project until it is clear what funding is necessary to realise the emerging vision for Didcot – and to a lesser extent – Berinsfield.

7.14 Wessex Economics is aware that build-out rates in Didcot are relatively low relative to consents. However, it would be better for the Council to invest in making Didcot the sort of town that people want to live, rather than just a town they can afford to live in. Ultimately creating confidence that Didcot is going to be an attractive town in which to live, will do more for build out rates, than direct intervention in purchasing housing sites in an effort to increase the pace of development.