



Rural Affordable Housing  
Project

# Rural Housing Economic Viability Toolkit





**Scott Wilson**  
Brunel House  
54 Princess Street  
Manchester  
M1 6HS

[mark.phillips@scottwilson.com](mailto:mark.phillips@scottwilson.com)

[www.scottwilson.com](http://www.scottwilson.com)

**Rural Affordable Housing Project**  
Homes & Communities Agency (Bristol)  
2 Rivergate,  
Temple Quay  
Bristol, BS1 6EH

[ruralhousing@hca.gsx.gov.uk](mailto:ruralhousing@hca.gsx.gov.uk)

[www.ruralaffordablehousing.org.uk](http://www.ruralaffordablehousing.org.uk)

# Rural Housing Economic Viability Toolkit

## Contents

<b>Section 1: Viability of rural affordable housing delivery – an overview</b>	<b>page 1</b>
<b>&gt; Rural Housing Development Flowchart</b>	<b>page 6</b>
<b>Section 2: Assessing viability – the mechanics</b>	<b>page 7</b>
<b>&gt; Case study: Barn conversion</b>	<b>page 10</b>
<b>Section 3: Affordable housing costs specific to rural areas</b>	<b>page 14</b>
<b>Section 4: Improving viability through partnership working</b>	<b>page 27</b>

## Context

The Rural Affordable Housing Project is a joint initiative between the Homes and Communities Agency (HCA) and Department for Environment, Food and Rural Affairs. Launched in April 2009, its main aim is to support local authorities and their partners to enable the delivery of affordable housing across rural communities.

The Rural Affordable Housing Project commissioned Scott Wilson supported by Celandine Strategic Housing and English Rural Housing Association to analyse rural specific affordable housing costs and develop a **rural specific viability toolkit** to support the objectives of the Rural Affordable Housing Project.

During the Rural Affordable Housing Project engagement process, a number of local authorities have expressed a need for support with regard to challenges and barriers surrounding economic viability in rural settlements; and have raised anecdotal concerns that there are rural specific costs that affect viability of rural schemes. The study brief required a review of such concerns and analysis of evidence gathered by the Rural Affordable Housing Project supplemented by additional research. See Stage 1 Report: <http://www.ruralaffordablehousing.org.uk/further-information/rural-viability-tool-kit.html>

The development of a rural housing economic viability toolkit helps to enable clarity and a consistent approach for local authority officers with regard to measuring the economic viability of affordable housing schemes in settlements with a population fewer than 3,000 when identifying potential programmes of delivery and windfall sites.

## Section 1: Viability of rural affordable housing delivery - an overview

There are two quite different delivery routes for affordable rural housing in settlements under 3,000 population. The first route is on allocated sites which are subject to a s.106 agreement and the second is through rural exception site policies.

### S.106 Sites

Where sites are designated under planning policy for housing then when such sites secure a planning permission a planning obligation or s.106 legal agreement is concluded between a developer and a LPA. In the agreement the developer is obliged to provide a proportion of affordable housing based on planning/housing policy and need but the amount of affordable provision is usually the subject of a negotiation. It is necessary for the developer to achieve an acceptable level of profit to make the development worthwhile.

The lead developer will normally acquire the site, undertake necessary investigations, design the scheme, secure planning consent and meet the majority if not all of the pre construction costs. The lead developer tends to be a developer for profit who will link up with a Registered Provider of Social Housing (RP) to provide the affordable units. The lead developer will tend to procure its RP partner competitively. The affordable housing will normally be designed by the RP who will calculate what affordable price can be offered to the developer either for the site or for constructed units. The RP will tend to undertake an appraisal for this which is similar to the appraisal which the lead developer undertakes for the overall development.

The role of the local authority will be to maximise the level of affordable provision and will need to come to a view about the accuracy and validity of the developer's proposals and financial appraisal. A detailed viability study will not always be required for a s.106-type application. An experienced housing enabling officer plus a developer willing to negotiate can often result in affordable housing provision that meets Local Authority policy without having to go to detailed viability stage.

Depending on the level of viability assessment needed the local planning authority can:

- Use evidence from the LDF economic viability housing assessment across its area if one has been undertaken
- Undertake assessment itself if it is geared up to do so – this may involve using cashflow software and input from experienced colleagues in estates departments
- Pay for a consultant to undertake an assessment

- Pay the District Valuer to undertake an assessment. The DV is a not for profit Government agency with national valuation experience and also offers cost advice. The cost can potentially be met by applicants through the s.106 process but charging this is subject to local authority practice. The payment of such a fee can be legitimately met under the s.106 application process. Harrogate Borough Council intends to shortly effect a policy of charging a fee (probably a flat £1,000 capped fee) which can be included within the overall appraisal.

The RP may decide to apply for grant support from the HCA, however the HCA seeks to ensure that any grant which is aligned to planning obligations provides additionality (i.e. additional benefits which would make an appreciable and positive difference to scheme outcomes. The key driver is that its grant provides something which is over and above that which is deliverable through the S. 106 process such as increasing the overall quantity or revising the mix of affordable provision, or increasing environmental and sustainability standards.

The availability of grant must not be used to inflate land prices or support artificially high developer margins. Developers who are also contractors i.e. building out the scheme, derive a builders profit (in normal market conditions) as well. RPs only have income from revenue streams capped at target levels, perhaps some Recycled Capital Grant Fund and capital grant from HCA/local authority.

Applicants to HCA are therefore expected to have:

- a validated economic appraisal of the site and proposed level and mix of affordable housing using a recognised tool (such as the Economic Appraisal Tool or the GLA's Development Control Toolkit); or
- a signed s106 agreement which offers different outcomes of affordable housing provision (levels and mixes) based on assumptions of different levels of grant; or
- another form of validated assessment (e.g. evidence from the local authority that the level of grant funded affordable housing provision proposed by tenure and number is additional to that which can be provided by developer contributions alone).

In practice it may be difficult to assess whether additionality is actually occurring from both the HCA's and local authorities' perspectives without undertaking full blown development appraisals. The HCA recognises that this is an area which requires considerable resource and policing and the process is not always transparent.

The local authority therefore may have to consider viability not only for establishing level of affordable provision through the s.106 process but also to support grant applications to the HCA from the developer. Interestingly some local authorities such as Wokingham stipulate in their s.106 agreements that public housing grant cannot support development in its area – presumably to ensure developers do not use the NAHP as a means to top up income artificially. HCA would support the principle of this but would wish that where a nil grant policy exists there is retained flexibility for HCA grant to add value e.g. additional provision of social housing or enhanced standards.

Certain elements of applications are scrutinised by the HCA – in particular construction costs and land value grant per unit and grant per person against benchmark regional data such as regional efficiency targets for various tenures.

### Exception sites

This category often provides the bulk of actual provision in the smaller settlements in rural areas, however this can be subject to variations depending on location.

The exception site approach is designed to meet proven housing needs in the places they arise. It is a successful solution because:

- the size of the development is dictated by the needs (average 8 - 12 homes); and
- homes are affordable and for local people only - now and in the future

Exception sites are generally not allocated for development in local plans/Local Development Frameworks. However, exceptional planning consent may be granted if:

- The District/Borough Council has a local needs planning policy
- The site is well related to the village development boundary
- There is a demonstrated current and likely future need for the proposed houses
- The proposed scheme meets the demonstrated needs in terms of size, price and tenure
- The proposed scheme conforms to all other planning policies, in terms of design, access, layout and materials
- There are adequate safeguards to ensure that the houses remain available for local people in perpetuity and cannot become part of the open market

- There is general local support, usually demonstrated through the Parish Council, for the use of the site for this

This approach to building affordable housing in villages is mainstream policy. It is supported by national government. It is accepted at parish level because the aims are clear, local participation is positively promoted and long term control of occupancy is guaranteed.

Often the RP is the lead and only developer and will likely be a housing association although if registered it can be a private sector organisation or a Community Land Trust. The RP will undertake a site appraisal (often using cashflow based development appraisal software), consultation and all investigations prior to purchase and securing a planning consent. Exception sites come forward very often in a partnership approach including housing partnerships, e.g. Oxfordshire Rural Housing Partnership, Rural Housing enablers, local authorities et cetera.

The RP will assess scheme costs and values (rents) including from shared ownership units and run a cashflow over the economic life of the scheme e.g. 30 years. This will establish a need for HCA grant support.

As tenure is restricted to affordable – primarily rented or shared ownership, overall scheme value or income is not as high as s.106 sites where full market value will be achieved (in a good market) on many of the units. For this reason, and as rural development costs can be higher, grant is usually required and the benchmark rate per unit tends to be higher on exception sites compared to s.106 sites.

Site values tend to be low at c. £10,000 per plot as there is often no alternative development use. Sites may have leisure or amenity value which may affect the valuation. There is less focus on viability assessment from the HCA's and local authorities perspectives. RPs are however subject to audit of their schemes and HCA again uses benchmark data such as grant per unit to assess value for money.

Local authorities are permitted in certain circumstances to dispose of land at less than market value. This could be effective in assisting with viability and securing additional affordable housing. Circular 06/03 Local Government Act 1972: General Disposal Consent 2003 sets out the circumstances by which this can happen.

The circular states that specific central government consent is not required for the disposal of any interest in land which the authority considers will help it to secure the promotion or improvement of the economic, social or environmental well-being of its area. This freedom occurs where the difference between the unrestricted value of the interest to be disposed of and the consideration accepted ("the undervalue") is £2,000,000 (two million pounds) or less.

See the following link for more detail:

<http://www.communities.gov.uk/documents/planningandbuilding/pdf/462483.pdf>

More information about project viability and financial appraisal can be found at the HCA's ATLAS website – see link below:

[http://www.atlasplanning.com/page/topic/index.cfm?coArticleTopic\\_articleId=63&coSiteNavigation\\_articleId=63](http://www.atlasplanning.com/page/topic/index.cfm?coArticleTopic_articleId=63&coSiteNavigation_articleId=63)

The Rural Housing Development Flowchart below details viability considerations from developer, local authority, RP and HCA perspectives for both s.106 and exception site delivery routes.

# Rural Housing Development Flowchart

## SECTION 106 - VIABILITY CONSIDERATIONS

**Developer**

- Lead developer requires a profit or surplus having assessed development costs (including land purchase & other section 106 contributions) and income from sale of units on open market & payment from Registered Provider of Social Housing (RP) for affordable units.
- Lead developer will tend to talk down values & talk up costs to restrict requirement for affordable housing provision. Developer should complete an appraisal for checking by LPA (Local Planning Authority).

**LPA**

- LPA may have formed a broad view about economic viability of housing development across its area to inform affordable housing (%) requirements as part of planning policy. This forms the starting point of negotiations.
- Each site is different so LPA will need to appraise the developers' figures to assess viability. Need to establish bona fide inclusion of costs & their accuracy. The appraisal should be undertaken by an experienced person (in house or consultant). Issues to consider include:
  - Land Value* – market value as a housing site is acceptable. Most appraisal models work out this 'residual'. Beware of developers who have paid in excess of market value as they are likely to try and recover this in some way (e.g. by over inflating costs or under playing sales values).
  - Rural specific costs* – many sites will be more costly to develop for various reasons inc. lack of mains utilities, design specific planning requirements, higher fees and on costs and meeting code requirements
  - Development Mix* – maximising density can improve overall viability & secure maximum affordable housing. opting for smaller affordable homes (fewer bedrooms) or flats is not usually advised (and is not in accordance with PPS3) unless there is clear local need for these types of homes
  - Unknown Costs* – where estimated costs (e.g. abnormal site, infrastructure) might turn out lower, consider flexible S. 106 provisions to allow for increased affordable housing provision (e.g. if costs reduce by £100k then one unit changes from private for sale to rented or intermediate).
  - Overage* – where actual house sale prices may exceed estimates consider using overage provisions to secure additional affordable provision

**Registered Provider of Social Housing (RP)**

- The RP will undertake a viability appraisal to determine what price it can pay for the affordable units. Lead developers may invite several RPs to bid in a competition. Beware - this could lead to an inflated land price
- HCA grant should only be sought if additional scheme benefits accrue over and above the final negotiated S. 106 provision. LPAs could consider a 'nil grant' policy (e.g. Wokingham B.C).

**HCA**

- HCA concerned that it only provides investment support in order to deliver additional benefits which would make an appreciable and positive difference to scheme outcomes, such as increasing the overall quantity or revising the mix of affordable provision, or increasing environmental and sustainability standards. The key driver is that its grant provides something which is over & above that which is deliverable through the S. 106 process.

## EXCEPTION SITE - VIABILITY CONSIDERATIONS

**Registered Provider of Social Housing (RP)**

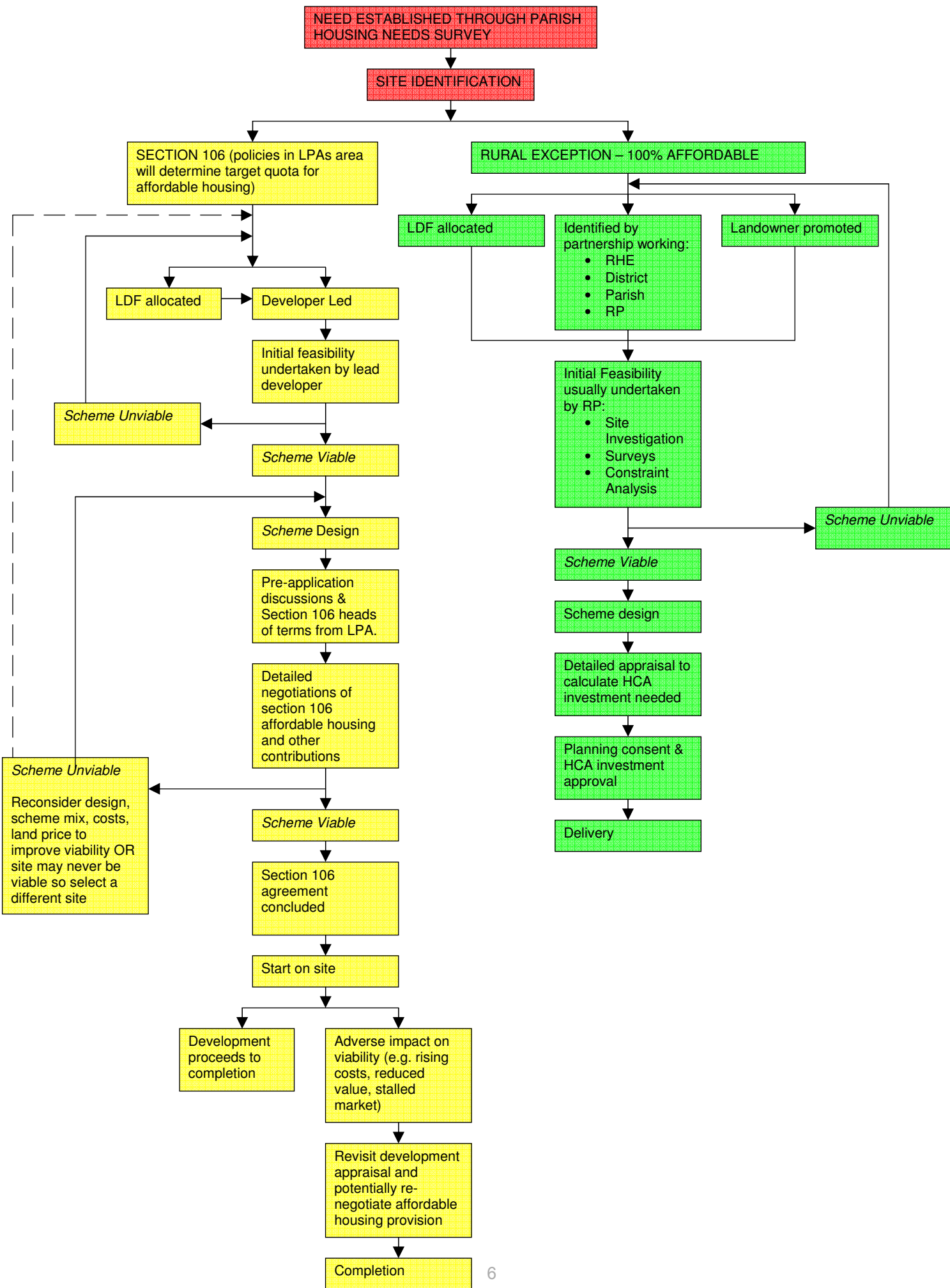
- RP is lead & only developer
- Parish council support crucial
- Willing landowner crucial
- Site value needs to reflect no alternative use other than, e.g. agriculture, open space, storage, grazing. Acceptable values for HCA grant purposes tend to be £5k – 10k (as a guide) per plot but the value paid needs to make it worthwhile for the landowner to sell.
- RP will undertake a viability appraisal using estimated development costs & income from rental units & capital from shared ownership units.
- RP will need to factor in cost of other non housing S.106 requirements.
- RP will determine level of HCA grant & make application.

**Local Planning Authority (LPA)**

- Economic viability assessments undertaken to inform planning for housing policies should avoid excluding rural sites from being potentially viable: assumptions of alternative land uses appropriate to rural areas should be considered
- LPA will need to assess other non housing S. 106 contributions e.g. education, open space.
- LPA will need to appreciate the impact that such costs may have on viability of the scheme & level of grant support required.
- LPA will need to consider basic viability issues at allocation stage (e.g. access, flood risk) to establish if the site is capable of development

**HCA**

- Decisions to support with grant will consider costs & values – particularly land value & overall value for money. Benchmark grant per unit and regional efficiency targets will also be used to inform the appraisal & decision.



## Section 2: Assessing viability – the mechanics

### *What is viability?*

#### **S.106 Sites**

For developer led sites where s.106 negotiations and the s.106 agreement determines the level of affordable housing provision, the overriding driver for the developer will be to consider if a profit can be made once all units are sold. Profit is a valid cost allowance.

The basic equation of a viability calculation is:

Estimate the Gross Development Value (including the value to the developer of any affordable units); deduct the costs (including developer profit); and you are left with a residual amount of money. If this sum is more than sufficient to purchase the property in its existing use, then the project is viable. Where there is a surplus, this may well be split with the landowner, so that both the landowner and the developer share in the profits of redevelopment.

Two alternative definitions:

*A. The price at which market housing can be sold at a reasonable profit while delivering affordable housing of the right size, type and tenure to meet housing need*

OR

*B. To make it worthwhile for a s.106 development to proceed the developer requires an acceptable profit or surplus after incurring development costs (including land purchase & other section 106 contributions) and receiving income from sale of units on open market & payment from RP for affordable units.*

#### **The Calculation**

'Working backwards'

AMOUNT or VALUE for which developer can expect to sell completed homes (including profit)

LESS COSTS of development

= Viable PURCHASE PRICE for the land

#### **Rural Exception Sites**

For rural exception sites a key difference is that the Registered Provider of Social Housing (RP) will retain ownership of the rented units and also an interest in the unsold element of shared ownership units which will also typically generate additional rent.

There is no profit making developer involved because it is 100% affordable and hence the definition is relatively simple in that development costs (including land, construction and on-costs) are equal to the revenue from rent or sales plus Social

Housing Grant (SHG) from the HCA. In effect the revenue funds a mortgage over normally 30years and the SHG is the shortfall.

A suggested definition:

*To make it worthwhile for a rural exception development to proceed the RP requires sufficient rental and capital return (where the scheme includes low cost home ownership) and HCA investment to cover land purchase, development costs, borrowings and expenditure over the economic life of the units it retains in its ownership.*

## **The Calculation**

### Capital

A. RECEIPTS OR VALUE from shared ownership, HCA grant, own borrowings and other sources (e.g. Local Authority)

needs to equal

B. COSTS of development including PURCHASE PRICE for the land

### Revenue

RENTS from units need to adequately cover expenditure on repayment of borrowings, management and maintenance/repair costs over the economic life of the scheme.

## ***Elements of the Appraisal (covers both s.106 and rural exception sites)***

### Value

This can include:

- Capital receipts from sales of units on open market and/or from sales of intermediate units such as shared ownership
- Rental receipts from fully rented units and from the part rented shared ownership units
- HCA grant
- Local Authority contributions

### Costs

These can include:

- Build costs
- External works
- Abnormal costs
- Preliminaries
- Contingencies
- Planning & Building Regulation fees, commuted sums
- Professional fees

- Cost of finance
- Developers' Profit
- Site acquisition – should be market value taking into account s.106 policy for provision of affordable housing and other contributions

When considering viability it is important to recognise the scope of project costs and values, and the factors that will influence them. In terms of project costs, the following must be considered:

- **Land costs** – Dependent on the development mechanism, the developer/applicant may have already acquired the land. If so, certain assumptions will have been used to determine the price (paid or optioned) which may or may not be consistent with the extant policy and planning framework. In other instances, the developer/applicant may either be the landowner or it may be a joint application between the landowner and a developer. For example, with joint applicants, the landowners will expect to achieve a reasonable land value and the developers will expect a reasonable profit margin (net of all costs) to reflect project risk. If either of these cannot be achieved, development would be unlikely to be delivered;
- **Development costs** - including all necessary site preparation, demolition, refurbishment, decontamination, infrastructure and engineering works and construction costs for new buildings, open spaces & landscaping. These costs may be on and off-site. One of the main considerations is whether there are any abnormal development costs. These could include extensive decontamination, necessary engineering works to create a suitable platform for development or infrastructure requirements (i.e. diversion of utilities networks). Where these are apparent at the time of purchase, they should be reflected in the bid for the land (unless there is some over-riding existing use value). A distinction between brownfield and greenfield sites is also an important one - as whilst brownfield sites may require significant site preparation and/or decontamination works (subject to the site previous uses), greenfield sites on the other hand may have a much larger infrastructure liability to service and access the land;
- **Planning obligations** - contributions required by a local authority directly related to development needs and can include significant financial elements such as contributions towards affordable housing, transport works, education and other social infrastructure facilities etc.;
- **Professional fees** - For many development projects substantial upfront costs may be necessary to prepare and take forward application/s through the planning system, evolve detailed designs and manage the implementation process. Fees are also incurred for marketing and sales which can be significant for large scale developments.
- **Finance costs** - in relation to the interest that may be charged on money borrowed to cover costs incurred before receipts are received;
- **Developers profit/return**. The level of risk will relate directly to an appropriate level of profit; and
- **Cost contingency** - an allowance for 'cost overruns' on any of the above.

In terms of project values, the following must be considered:

- **Scale and mix of uses** - The overall quantum and nature of development that is being proposed. Amendments to scheme layout and design (such as

- reductions in storey heights or residential densities) can have a significant detrimental impact on value generation;
- **Phasing of development** - Issues related to phasing and overall cashflow in particular in terms of necessary up front infrastructure works in advance of generating sales returns. Discounting the cashflow and incorporating appropriate finance costs can impact on overall viability. Whereas high upfront infrastructure costs can have detrimental impact, bringing forward high value generating uses in the programme will have a converse positive impact;
  - **End sales values** of the completed development based on the above – e.g. the sales values of the residential property and/or anticipated rental returns capitalised at an appropriate yield (taking into account potential voids where rental properties are vacant); and
  - **Other revenue streams** - Long term ownership needs to be considered in viability terms i.e. community stewardship could create revenue streams that could be capitalised at a later date.

The above factors all influence of the level of return to the developer, who will need to not only create a product for which there is market demand, but also importantly in s. 106 sites meet shareholder expectations in terms of profit, return on capital expended, and an adequate margin. If these requirements cannot be met then the developer may not be able to pass their own internal approval process and a proposal will either not proceed, need to be amended, or the scope of costs reduced potentially through an injection of public finance.

A number of appraisal software packages are available to purchase and the HCA also makes available on its website an Economic Appraisal Tool comprising a software package and users guide – see the link below.

<http://www.homesandcommunities.co.uk/economic-appraisal-tool>

More information about project viability and financial appraisal can be found at the HCA's ATLAS website:

[http://www.atlasplanning.com/page/topic/index.cfm?coArticleTopic\\_articleId=63&coSiteNavigation\\_articleId=63](http://www.atlasplanning.com/page/topic/index.cfm?coArticleTopic_articleId=63&coSiteNavigation_articleId=63).

The case study below of a scheme near York demonstrates the process of viability appraisal and how to maximise affordable provision.

## Case study

### Barn conversion near York – Harrogate Borough Council

The developer bought a farmhouse and its barns situated around a traditional farmyard, and the original plan was to refurbish the house and convert the barns into just two very large houses providing 3 units in total.

Although the site size meant (based on borough planning policies) that one of them should be an affordable unit, the proposal fell foul of density rules in any case, and the developer was required to come up with a scheme that divided the barns into a greater number of units, including affordable units.

At this point, the developer came up with plans for conversion to four units; three large market houses and one small affordable unit. He presented an appraisal to show how taking two of the four (which would have met the 50% target) was not financially viable, but that provision of the one affordable unit WAS viable and this was offered.

**Applicant version 1: 2 affordable units rendering scheme unviable**

<b>Development Appraisal:</b>		<b>Barn Conversion site near York</b>		
	2 affordable, 2 market units			
<b>Gross Development Value:</b>				
	Values of market units:	2 houses @ £450,000		900,000.00
	Values of affordable units:	2 Houses, 1 @ £53,000, 1 @ £76000		129,000.00
	Disposal of farmhouse			450,000.00
less costs of disposal:				
	legal fees: 1% on all values			14,790.00
	estate agent fees:			20,250.00
<b>Net Development Value:</b>				<b>1,443,960.00</b>
less development costs:				
	Build:	948,778.00		
	Professional fees & planning	88,300.00	<b>1,037,078.00</b>	
	Finance @ 7.0% x 50%		36,297.73	<b>1,073,375.73</b>
	Profit @ 15%		161,006.36	<b>1,234,382.09</b>
<b>Residual Value:</b>				<b>209,577.91</b>
<b>Site purchase including farmhouse</b>				<b>427,400.00</b>
<b>Deficit:</b>				<b>-217,822.09</b>

**Applicant version 2: 1 affordable unit only rendering scheme viable**

<b>Development Appraisal:</b>		<b>Barn Conversion site near York</b>			
		1 affordable, 3 market units			
<b>Gross Development Value:</b>					
	Values of market units:	3 houses @ £450,000			1,350,000.00
	Values of affordable units:	1 Houses @ £53,000			53,000.00
	Disposal of farmhouse				450,000.00
less costs of disposal:					
	legal fees: 1% on all values				18,530.00
	estate agent fees:				27,000.00
<b>Net Development Value:</b>					<b>1,807,470.00</b>
less development costs:					
	Build:	948,778.00			
	Professional fees & planni	88,300.00	<b>1,037,078.00</b>		
	Finance @ 7.0% x 50%		36,297.73	<b>1,073,375.73</b>	
	Profit @ 15%			161,006.36	<b>1,234,382.09</b>
<b>Residual Value:</b>					<b>573,087.91</b>
<b>Site purchase including farmhouse</b>					<b>427,400.00</b>
<b>Surplus:</b>					<b>145,687.91</b>

Clearly with one affordable unit as offered, the developer stands not just to make the minimum necessary profit of £161,006 but up to £145,688 more. Nevertheless, on the basis of Harrogate's policy, had there been no alternative to what was proposed, the one affordable would have been sufficient.

However, with conversion schemes, there generally is an alternative to what is proposed and frequently the same is true of new-build schemes. It's always worth looking at alternative types, sizes and mix of units and the value of a scheme can be frequently maximised by finding a way, sometimes through density or sometimes through mix, of changing what's been proposed – without prejudicing the scheme unduly for the developer.

In this case, the barns included single-storey and two-storey elements and by carefully considering the plans and reducing one of the three large market units in size, it was possible to achieve two affordable units on the site, whilst letting the developer retain three market units. The developer maintained his 15% profit and there was a surplus of circa £150,000.

**Agreed version 3: 2 affordable units and overall a viable scheme**

<b>Development Appraisal:</b>		<b>Barn Conversion site near York</b>			
<b>Final Version</b>	2 affordables, 3 market units				
<b>Gross Development Value:</b>					
	Values of market units:	2 houses @ £450,000, 1 @ £400,000			1,300,000.00
	Values of affordable units:	2 Houses @ £53,000			106,000.00
	Disposal of farmhouse				450,000.00
less costs of disposal:					
	legal fees: 1% on all values				18,560.00
	estate agent fees:				26,250.00
<b>Net Development Value:</b>					<b>1,811,190.00</b>
less development costs:					
	Build:	948,778.00			
	Professional fees & planning	88,300.00	<b>1,037,078.00</b>		
	Finance @ 7.0% x 50%		36,297.73	<b>1,073,375.73</b>	
	Profit @ 15%			161,006.36	<b>1,234,382.09</b>
<b>Residual Value:</b>					<b>576,807.91</b>
<b>Site purchase including farmhouse</b>					<b>427,400.00</b>
<b>Surplus:</b>					<b>149,407.91</b>

### **Section 3: Affordable housing costs specific to rural areas**

During the Rural Affordable Housing Project engagement process some local authorities stated that they found that higher costs of development in rural locations were acting as a barrier to delivery.

In response to this in November 2009 the HCA asked 73 Registered Providers of Social Housing (RPs) active in rural areas to identify evidence of this additional cost on small rural schemes which they had undertaken.

Responses were received from 26 organisations. The responses have been reviewed in order to assess those additional costs that rural schemes experience over and above developments of a similar size in an urban environment. The full review can be found in the [Stage 1 Report](#). See <http://www.ruralaffordablehousing.org.uk/further-information/rural-viability-tool-kit.html>

A selection of project examples is set out below:

#### **Eden Property Developments Limited - Glenridding, Ullswater, Lake District**

The main increases in cost on this project of 9 units were down to satisfying the requirements of the Local Planning Authority (LPA) due to the project being within the Lake District National Park. The total extra cost for the scheme due to rural location was £75,478 or £8,386 per unit.

##### **A. Additional cost of roof coverings**

The LPA's first choice slate was 2nd hand Westmorland Green Slates laid to diminishing courses which would have cost £62,845. The following cheaper alternatives were put to the Planners but they rejected them all:

1. New Brazilian Green Slate costing £32,831 (saving £27,538)
2. New Welsh Blue Slate costing £50,353 saving (£10,016)
3. 2nd Hand Welsh Blue Slates costing £37,153 (saving £23,216)

The LPA finally accepted the use of 2nd hand Burlington Blue Slates laid to diminishing courses costing £60,369. A tiled roof covering would have cost in the region of £18,000 (saving £42,369).



### **B. Additional cost of road kerbs**

The LPA insisted on the use of a higher specification of road kerb in the areas adjacent to the properties.



The use of Marshalls Charnwood kerbs in lieu of standard concrete kerbs was required. The extra over cost of the kerbs to the areas finally agreed was £2,590. Initially the LPA had wanted conservation kerbs to be used in all areas. The extra over cost of those would have been £12,274

### **C. Dressing to macadam road**

The LPA insisted on a Hardstone grit dressing to the road surface in the area of the properties. The extra over cost of Hardstone grit dressing to part of the road was £2,986.

### **D. Stone boundary wall in lieu of fencing**

The LPA insisted on a 1.4m high slate stone wall to boundaries instead of using a 1.8m high close boarded fence. The extra over cost of the slates stone wall was £14,168.

### **E. Stone facing to stream wall in lieu of blockwork and render**

The LPA insisted on a slate stone facing to the stream wall instead of using blockwork finished with render. The extra over cost of the slate stone facing to the stream wall was £2,063.

### **F. False chimney stacks**

False chimney stacks to satisfy the LPA - cost £8,928

### **G. Slate weathering to window heads**

Slate weathering cost £1,032

### **H. Slate stone detailing to porch plinths**

Extra over cost of slates porch plinths in lieu of blockwork and render was £1,342.

## English Rural Housing Association - Smarden, Kent



English Rural has undertaken a study of a sample of 10 recent rural housing schemes and one of these is summarised below. The [Rural Housing Economic Viability Toolkit – Stage 1 Report](#) contains a comprehensive review of all ten schemes. See <http://www.ruralaffordablehousing.org.uk/further-information/rural-viability-tool-kit.html>

The Smarden scheme of twelve rented and shared ownership homes at Smarden, Ashford was completed in early December 2009. The land was made available by a local landowner. A housing needs survey was carried out by the Kent Rural Housing Enabler.

The direct RSL expenditure did not experience any significant abnormal costs.

The Preliminaries at 14% was above the average, but it was concluded that this was due to allocation of costs, which is quite normal.

The external materials would have had a slight bearing on cost, such as weatherboarding, grp (High Specification Fibreglass) chimney, small plain tiles, but this arguably be expected on an urban scheme. It should be noted

that new friendly kerbs had to be fitted in certain locations, which would have added a cost of approximately £1,000.

Gas was available, but after undertaking a financial appraisal of Ground Source Heat Pump versus gas supply and traditional gas heating, it was decided that GSHP option provided better value for money. This was based on the off set of the gas supply, heating system, government grant costs and providing the renewable technology source needed to achieve Code for Sustainable Homes.

The overall project cost per m<sup>2</sup> was in line with the average cost, which demonstrated that the scheme was good 'value for money' with little abnormal costs.

### **Orwell Housing Association – Home Meadow, Cockfield, Co. Durham**



Five new homes on a rural exception site giving priority to local people. These costs included design requirements (brick plinths and false chimneys), on site foul and surface water drainage solutions.

Additional costs were incurred in:

- a new access into the adjoining farmers field as well as provide on site foul and surface water drainage as this could not be discharged off-site

- the planners required certain details in order to allow the development to go ahead which would have not been required on other sites.

<b>Design &amp; Planning requirements</b>	<b>Cost</b>
False chimneys	£5,500.00
Brick plinths	£4,586.00
<b>Total</b>	<b>£10,086.00</b>
<b>Site Specific</b>	<b>Cost</b>
Access for farmer into his field	£2,288.00
Rural Housing Enablers Fees	£3,092.60
Oil fired boilers and tanks in lieu of gas fired boilers	£5,500.00
Crossing and culvert to ditch	£2,000.00
Completely encapsulated storm water drainage storage units	£9,951.00
Klargester sewage treatment plant and head wall to ditch	£7,400.00
<b>Total</b>	<b>£30,231.60</b>
<b>Total Additional Costs</b>	<b>£40,317.60</b>
<b>Scheme Cost (exc On Costs)</b>	<b>£557,057.50</b>
<b>On-Costs</b>	<b>£95,799.96</b>
<b>Total Scheme Cost</b>	<b>£652,857.46</b>

## Orwell Housing Association - Mellis Road, Wortham, Suffolk



Twelve new homes on a rural exception site giving priority to local people. Additional costs were incurred in the following areas:

- Land should originally have been transferred at no cost as part of a neighbouring private development. The downturn in the market prevented this scheme from progressing and we have had to purchase the land to enable our scheme to progress.
- Scheme was originally funded under the previous programme and was designed to meet Eco- Homes Very Good standard, these units have been improved to meet Code for Sustainable Homes level Three and the Design and Quality Standards.

Design & Planning requirements	Cost
New Footpath to village green	£6,804
On site foul water treatment plant	£24,000
Code for Sustainable Homes Features	Cost
Water Storage & hydro brake to reduce discharge rate	£23,700

Site Specific	Cost
Electrical connection to the site	£6,000
Ecological Surveys	£1,400
Rural Housing Enablers Fees	£6,383
Environment Agency Consent to Discharge Fees	£971
Total	£69,263

### Wiltshire Rural Housing Association - Church Acre, Codford, Wiltshire



10 homes for rent on a rural exceptions site reserved for local people to Eco Homes Code Very Good standard. The site was subject to a delay following the granting of planning approval which necessitated fencing the site.

Existing sewage treatment facilities within the village were at full capacity necessitating the provision of on site sewage treatment plant. Highways had some specific requirements regarding the existing access road which was designated as a bridleway.

The Association had to negotiate and absorb the costs of negotiating with the land owners and paying all costs etc. to enable the land to be dedicated to the County Council. There was a specific planning requirement for dummy chimneys

Additional costs at Codford were incurred in specific areas:

Fencing of site due to Planning delay	£7,950.00
Removal of above temporary fencing on completion	£ 782.00
Works in connection with connection onto existing bridleway notional sum	£ 5,000.00
Planning/Highways requirement	£ 8,750.00
Off site tree and hedge planting	£ 2,420.75
Provision of sewage treatment plant	£ 29,402.05
Specific planning requirements Dummy chimneys	£ 14,737.25
Fencing adjacent to the Quintons	£ 4,554.00
<b>TOTAL</b>	<b>£ 73,596.05</b>

## Housing Plus - Old School Court, Wheaton Aston

A development of 26 apartments for over 55's. A mix of one and two bedroom apartments available to purchase on a shared ownership basis. Newt and Badger Licenses and Monitoring cost £32,200 adding 1.3% to total scheme costs.



## Conclusions

A number of conclusions can be drawn from the review of the Rural Affordable Housing Project cost evidence submitted by 26 organisations as a result of the HCA invitation in November 2009 and the ten English Rural case studies.

Residential development in a rural location in settlements typically of less than 3,000 populations does not necessarily result in higher costs compared to building in a more urban environment. No site, whether it be in a rural or urban location is the same and each will therefore have different development issues and constraints to deal with, resulting in differing development costs. There are a number of possible direct cost implications for rural schemes against urban developments. Where several or all of these implications occur at a rural development then these can incur additional cost compared to benchmark rural construction rates.

Urban schemes like small rural schemes will often have abnormal costs associated with their implementation which will add to total scheme cost. These could include a number of considerations which are potentially more common place than rural developments including paying a premium to secure land, ground contamination or geo-technical constraints, flood risk, s.106 requirements and infrastructure (highway and utility) capacity.

It has been evident on English Rural Housing schemes in the past that issues potentially giving rise to additional costs have not been considered adequately and abnormal costs have been incurred, perhaps unnecessarily. It should be noted that key standards (CfSH, Lifetime Homes, Building for Life) have only recently increased, which has clearly now changed this Association's focus on how site selections are now made.

More stringent site selection processes which can begin to identify likely occurrence and quantum of issues causing abnormal costs will mitigate against the risk of proceeding with high cost development. Considering 'buildability' on potential sites will also help to achieve value for money developments on the most appropriate sites.

The review of the Rural Affordable Housing Programme and the ten English Rural case studies demonstrates that a number of factors regularly occur in relation to rural housing schemes which can often result in increased development costs. These factors are set out below alongside recommendations to counter these:

**DESIGN** - Design specific planning requirements and use of local materials to complement the local vernacular architecture particularly in national park locations and limiting additional costs in relation to design requirements is a clear challenge. Urban developments can, however, also be subject to costly design requirements in various locations such as historic towns, conservation areas and listed buildings.

Recommendation: Design and selection of materials should be carefully undertaken to reduce costs wherever possible and local authority planners should be sympathetic to escalating costs and viability issues and be prepared to consider less expensive solutions which still result in an acceptable scheme.

**INFRASTRUCTURE** - A lack of existing utilities including drainage and electricity as sites are generally greenfield are often encountered and are often impossible to avoid. Sites can sit outside of the existing settlement boundary meaning that new connections or on site sewage plants are necessary. Lack of mains gas does not necessarily mean additional cost. Based on evidence from English Rural the cost of paying for a gas supply, connection costs and an installation of heating system is comparable to the provision of air source or ground source heat pumps to provide heating and

domestic hot water which is eligible for government grant. Greenfield sites are also likely to incur disproportionate cost in relation to new vehicular access.

Recommendation: In the absence of a mains gas supply, developers should select the professional team and contractors with good experience of alternatives such as ground or air source heat pumps and be prepared to apply for available grants (e.g. Energy Savings Trust) to control costs and achieve appropriate specification, design, installation and maintenance.

CODE FOR SUSTAINABLE HOMES - Environment Agency requirements to restrict surface water means that attenuation and measures such as rainwater harvesting become necessary and more difficult at a rural greenfield site versus a brownfield site

Recommendation: Design teams should consider cost effective ways to achieve required surface water attenuation. Surface storage measures such as holding ponds, reed beds, swales, permeable paving, local or centralised soakaways are likely to offer savings over rainwater harvesting.

CODE FOR SUSTAINABLE HOMES - Ecology issues are likely to be more prevalent in rural locations involving more pre development assessment and mitigation. Restricted timings for survey and mitigation can delay a project. Rural developments tend to have a large range of existing ecological features, which cannot always be protected.

Recommendation: Site selection should be considered carefully using preliminary habitat surveys to scope and screen potential ecology constraints. Where design cannot avoid impacting on ecological features developers should appoint ecologists and landscape architects with experience of greenfield developments to work in tandem to achieve appropriate ecological design and mitigation which is cost effective and in line with the overall development programme.

CODE FOR SUSTAINABLE HOMES - Rural areas can be subject to local authorities who are less assertive in enforcing carbon reductions and who may be more concerned in aesthetics, resulting in opposition to roof mounted solar technologies. Such cases will result in a restriction to the number of solutions that may be considered to achieve the mandatory % DER (Dwelling emission rate) reduction over TER (target emission rate), making it more challenging and often more expensive to achieve Code.

Recommendation: Planners and developers should consider a range of acceptable design solutions in relation to roof mounted solar technologies or consider alternative low or zero carbon technologies e.g. water hydro, wind, biomass or heat pumps

REOURCES – rural schemes often involve considerable hidden, non-quantified costs in staff time in progressing schemes to gain parish council

and local resident support. Devon Strategic Housing Group's study evidences this. A strong recurring theme from the evidence was that it can take several years to bring schemes to fruition. This can also add to interest and holding costs.

Recommendation: Stakeholders should employ careful site selection and effective, co-ordinated consultation particularly with parish councils

CONSTRUCTION – we would concur with the widely held view that small schemes in remote locations can create difficulties in procuring contractors, lead to increased costs in preliminaries, overheads, travel, providing access for deliveries, providing HSE welfare facilities and offer poor economies of scale.

Recommendation: RPs should consider developing a partnering approach with contractors, consultant and supply chain to use frameworks to achieve cost efficiencies. (see Para 3.16 and Rural Affordable Housing Project website: Viability Toolkit - Improving viability through partnership working section)

FEES - we would concur that small rural schemes are likely to incur disproportionate cost in relation to planning consultant fees, s. 106 legal costs and rural housing enabler's costs. On smaller sites the cost of fees, liaison, and surveys has to be spread across fewer units.

Recommendation: Local authorities should consider joint employment and use of a network of rural enablers. Planning authorities should consider waiving planning application fees for exception sites to improve viability. The HCA should consider allowing fees within scheme costs for overall investment support.

## Section 4: Improving viability through partnership working

### Overview

Working in partnership can secure financial advantages both directly and indirectly for the delivery of rural affordable housing.

Partnerships operating at different points in the development process demonstrate the benefits to delivery capacity that can be achieved through sharing costs or creating sufficient critical mass to secure better value for money.

Rural partnerships have successfully optimised the financial viability of sites while improving the policy framework, community engagement, continuity of development and expertise in managing rural specific costs and challenges.

Lessons can also be learned from partnerships operating in the wider affordable housing environment, particularly in the construction supply chain.

### Strategic partnerships - types and features

#### Local authority-led partnerships

Neighbouring rural housing authorities with a common interest in improving their ability to meet housing need can achieve more in partnership than individually, primarily through sharing or pooling resources.

In deciding whether to enter into partnership and the most appropriate type of relationship they will need to:

- identify common objectives and ambitions
- consider how the objectives and ambitions can be more readily achieved through partnership working
- establish the level of political commitment from all authorities
- consider whether they wish to influence/ develop common policies
- decide whether to focus on exception sites or all rural sites
- agree whether to focus on strategic enabling or active delivery (or both)
- decide on the range of partners (local authority only or including wider stakeholders e.g. rural community council, HCA, local registered providers)
- agree roles, responsibilities and working arrangements
- consider their role in relation to publicity, promotion and lobbying
- decide whether to employ staff such as rural housing enablers either directly or through a rural community council or local authority
- decide the extent of financial and staff resources to be committed to the partnership
- provide for performance monitoring and the duration of or review period for the partnership.

As the Homes and Communities Agency develops a new approach to investment, partnerships should also consider:

- how they can influence investment decisions through the Local Investment Plans
- their capacity to deliver rural investment programmes.

These factors will determine the content of a written partnership agreement such as those drawn up by Hampshire Alliance for Rural Affordable Housing (HARAH) and Gloucestershire Rural Housing Partnership (GRHP). For full details see:

- [HARAH Memorandum of Understanding](#)
- [GRHP agreement](#)

For a more detailed overview of the HARAH partnership, see the Audit Commission case study. See <http://www.audit-commission.gov.uk/SiteCollectionDocuments/AuditCommissionReports/NationalStudies/betterliveshampshire.pdf>

Each partnership will define its remit according to local circumstances. For GRHP, the focus is on the enabling role: a rural housing enabler post is funded by the four local authority and four registered provider members. Site assembly is a barrier to appointing a building contractor to deliver all homes for the partnership: sites tend to be small and dispersed, making it more difficult for a contractor to achieve economies of scale across the county.

### **Wider partnerships**

Partnerships may operate on a wider geographical scale than a county area. Shropshire Council has adopted an integrated internal approach to housing and planning and to enabling development. The approach is designed to keep sites coming forward to deliver affordable housing through a range of mechanisms. Mechanisms include planning policies relating to specific local circumstances and the development of effective partnerships.

The Council is a member of the West Housing Market Area Partnership. This is a sub regional partnership driving forward improvements in housing services across Shropshire and Herefordshire and ensuring that the best use is made of available resources. It comprises a large group of key stakeholders from a range of organisations that contribute to and influence delivery of housing and sustainable communities. A number of forums feed into the Executive and provide strategic liaison between registered providers and Council colleagues.

Specialist staff including a rural housing enabler are employed to support delivery. Staff from the local authority and registered providers share a common objective to deliver affordable housing for local people in need. In pursuit of this objective they work closely to identify and solve problems and build relationships with local communities. For more information about the partnership including its governance arrangements go to: [www.westhousingpartnership.co.uk](http://www.westhousingpartnership.co.uk)

Taking into consideration the early stage of the partnership approach, the main, measurable benefits identified to date are:

- the continued delivery of rural affordable housing in difficult economic times
- more rapid process for obtaining planning permission
- the establishment of a comprehensive forward programme of deliverable schemes.

## **Partnerships within a single local authority area**

Where circumstances do not favour the establishment of a local authority partnership, other options may be open to individual authorities as illustrated by a case study of Chichester District Council.

In 2007 Chichester District Council entered into a formal partnership agreement with HydeMartlet to pool resources to accelerate provision of rural affordable housing in the district. Under the terms of the agreement Chichester provided £3m from stock transfer receipts and HydeMartlet provided equivalent value in the form of land and revenue funding to support Rural Housing Enabler and Community Worker posts.

The five year venture aims to provide 125 units: 63 to be built on HydeMartlet land and 62 on other exception sites to be identified by the local authority. In terms of establishing viability, an open book policy is operated to assess and achieve value for money within the partnership and for HCA support. Joint decisions are taken regarding how the funding is used, for example to achieve higher levels under the Code for Sustainable Homes or to meet design enhancements required by the planners.

The programme is on track to exceed partnership targets. As at March 2010, ten units had been completed, 12 were under construction, 20 had full planning permission and applications on an additional 70 to 80 homes were to be submitted by July 2010.

## **Strategic partnerships - benefits**

### **Managing land value**

Partnership arrangements play an important role in controlling the price of land for affordable housing, particularly on exception sites. While a policy setting a fixed or ceiling price per plot may not be desirable (in order to retain flexibility depending on site-specific circumstances), agreement within a partnership on a preferred maximum price introduces greater certainty and consistency into the land acquisition process and manages the expectations of landowners over a wide geographical area.

Where no partnership exists, there is a risk that land prices may be driven up through registered providers competing to acquire a site or to deliver the affordable housing on a s106 site. West Somerset Council has addressed this issue by developing a [protocol with local registered providers](#). The Council maintains and manages a Development Register, used to allocate affordable housing development sites to interested registered providers through a tendering system. If two registered providers are found to be working on the same scheme, the Council will support the registered provider that first logged the scheme onto the Development Register.

### **Sharing costs**

For many partnerships, sharing the cost of providing consistent advice and information for parish councils and residents increases the potential for community engagement in and acceptance of rural affordable housing.

Action in Rural Sussex has produced a number of housing-related publications including a short ten step guide to support and encourage the development of rural affordable housing:

[www.ruralsussex.org.uk/assets/assets/ActioninruralSussex-AffordableHousing-10steps-Nov08.pdf](http://www.ruralsussex.org.uk/assets/assets/ActioninruralSussex-AffordableHousing-10steps-Nov08.pdf)

The Rural Affordable Housing Partnership for Wiltshire and Swindon and HARAH have both developed this guide into a more detailed toolkit for parish councils putting the principles of the ten steps into a local context and explaining the roles of those involved in the development process:

[www.communityfirst.org.uk/images/side-pics/rural-housing/Wiltshire%20Parish%20Affordable%20Homes%20Toolkit.pdf](http://www.communityfirst.org.uk/images/side-pics/rural-housing/Wiltshire%20Parish%20Affordable%20Homes%20Toolkit.pdf)

[www.harrah.org.uk/pdf/starter-pack.pdf](http://www.harrah.org.uk/pdf/starter-pack.pdf)

### **Sharing other resources**

Other activities which may be more affordable when shared across a partnership include establishing and maintaining a website, producing technical guidance that can be applied to a succession of schemes e.g. design briefs, specifications and house layouts. Financial benefits of these types of activity may not be immediately quantifiable but pave the way to improved and consistent design quality and more rapid progress towards obtaining planning permission due to greater certainty regarding acceptable designs and materials.

Local authorities in North Yorkshire have taken a different approach to partnership working, focussing on the benefits to be achieved through joint employment and use of a network of rural enablers.

The participating authorities have not taken any action to contract with registered providers for rural delivery. In North Yorkshire the recession has limited the capacity of some registered providers with the consequence that a single registered provider has undertaken much of the rural development. Less formal partnership arrangements have been established across the County with individual and paired local authorities. The issue of delivery with a named partner or partners will be considered as North Yorkshire develops its future plans.

### **Effective communication**

Partnerships also enable more effective communication with partners and communities - again speeding up delivery and increasing output. It is understandable that parish councils should want to be kept informed regarding progress of a scheme in their area but providing personal updates to numerous parishes (when little new information is available but the project is on schedule) can be time consuming and unproductive. Rural housing enablers working across several districts can streamline communication by providing regular written updates to parish council meetings. Personal attendance can then be limited to key points in the development process. See Oxfordshire Rural Housing Partnership's [Parish Council Progress Report](#). See:

<http://www.ruralaffordablehousing.org.uk/files/Annex%203%20Parish%20council%20progress%20report.pdf>

Exmoor National Park Authority's approach to consulting on local planning policies is another example of effective communication where early, short term investment and effort can deliver long term benefits:

The National Park Authority was praised by the Local Plan Inspector for the extensive consultation with local communities through 'Planning for Real', where nearly a quarter of Exmoor residents attended one of the 21 events and consultation was held in all the schools within the National Park. In every parish concern was expressed that many families could not afford their own homes in the area. These concerns were listened to and addressed by including policies in the Local Plan which prioritised affordable housing to meet the needs of local communities.

### **Delivery partnerships - features and benefits**

In many cases strategic rural partnerships engage directly in delivering affordable housing. However in some cases a clear separation between strategy and delivery is preferred, creating a contractual rather than partnership relationship with housing providers. Registered providers selected through a formal process and contracted to deliver a pipeline of schemes over a specified period of time benefit from a clear indication of the volume of business in prospect. This certainty provides registered providers with the confidence to invest in staff and resources, undertake feasibility work at risk, acquire land for development and negotiate good prices with contractors. Cost savings are also achieved by reducing the need to put every site out to tender separately.

This is particularly relevant for partnerships focussing on exception sites for 100% affordable housing where no private developer is involved who would wish to have a say in the selection of the registered provider partner. Criteria to be addressed in selecting a delivery partner include:

- Delivery target
- Expertise in rural development
- Scope of the delivery partner's role (e.g. undertaking feasibility work at risk)
- Financial and performance status of the association (e.g. compliance with the requirements of the HCA and TSA or successor bodies)
- The registered provider's commitment to the area and community e.g. as landlord of existing stock
- Duration of the agreement
- Arrangements for review and monitoring.

Oxfordshire Rural Housing Partnership (ORHP) is an example of a strategic partnership that is also engaged in delivery. ORHP works with four registered providers and, using European procurement rules, has procured consultancy and main contractor services for a five year period. This approach has enabled the partnership to manage the design brief and analyse

and de-risk identified project issues on an open book basis. All development is handled by a single team, building up more efficient processes and trust between the parties. Any cost savings achieved are shared by the parties. While ORHP has no quantifiable evidence of improved cost effectiveness due to the partnership's existence, it has led to greater consistency and maintained continuity. Development costs at completion have deviated less from initial assessments than might be expected for one-off projects and programme delivery has continued during the recession. (*For a detailed account of ORHP's history, achievements and plans, see the attached [presentation](#).*) The website for Leadbitter Group, the main contractor, describes the benefits and savings that they have secured through this relationship: [www.leadbitterconstruction.com/5\\_collaborative\\_working4\\_orhp\\_rotate\\_a.html](http://www.leadbitterconstruction.com/5_collaborative_working4_orhp_rotate_a.html)

Partnerships can also be established between registered providers and building contractors. HARAH has a single provider partner, HydeMartlet, who works with one local contractor partner, Drew Smith with considerable experience in building rural housing. HydeMartlet also selected an employer's agent to oversee all HARAH schemes.

The aim was to streamline the HARAH development process, saving time and money by involving the contractor early in the design process to identify technical issues, constantly learning and refining specialised knowledge of small rural schemes to be ready to go on site as soon as planning permission is granted.

Sovereign Housing Group took the lead in establishing the Sovereign Development Consortium in 2003 which has since grown into a partnership of 12 registered providers and four framework contractors. The member associations manage around 41,000 homes across southern England. The Consortium includes a number of relatively small providers working in rural areas or providing specialist services. Membership has given them access to buying power and technical expertise they could not have secured in a smaller or exclusively rural partnership. Using the enhanced buying power, a £5m+ framework agreement to supply and install double-glazed PVC-u windows and patio doors to the Consortium's members until 2011 was awarded to Anglian Windows.

Whatever the scale of operation, partnering with contractors gives confidence to all parties: contractors become familiar with working to the quality standards required for affordable housing and can reflect that familiarity in keener pricing.

The value of registered provider support for local authority partners, regardless of the precise nature of the partnership, should not be underestimated. For example, providers from the New Futures Partnership have worked closely with Wiltshire Council's partners to facilitate discussion about moving towards a rural investment programme that will involve the key delivery partners taking a strategic overview in the provision of rural housing. The discussion included reviewing the resources available within the partnership in terms of specialist skills in affordable housing delivery, funding availability and focussing the activities and outputs of the Rural Housing Enabler.

## **Benefits of partnership working in the construction process**

Partnerships have played an important role in the introduction of less conventional techniques and materials into the construction process, delivering benefits in terms of speed of construction and/or sustainability. They have also been important in enabling providers and contractors to work through problems and improve techniques to increase cost effectiveness in the longer term.

Hastoe Housing Association's development in Sedgeford, Norfolk was the second social housing scheme their main contractor executed under the Code for Sustainable Homes. Many of the requirements of the Code were familiar to the construction team and consequently were more easily assimilated into the overall development. However the use of thin-joint blockwork was new, the system being selected because it is time saving while retaining the familiarity of using masonry units.

Use of locally sourced materials can help rural affordable housing fit in visually with the local character and also reduce transport costs and associated carbon emissions. However, if such materials are not commonly used, the time required adjusting to unfamiliar techniques or doubts about ease of maintenance may outweigh these savings.

If a local authority, registered provider or larger partnership is prepared to commit itself to using local or less conventional materials or equipment, entering into a partnership with contractors who have or are willing to develop expertise in their use can bring costs down over time and deliver wider community benefits.

### **Falcon Rural Housing case study 1: use of local materials and labour**

This small, Somerset-based, registered provider has worked with Merlin Timber Frame Ltd, a local construction company, on three affordable housing schemes since 2005. Through this relationship it has been possible for Merlin to provide local employment and move away from using Canadian timber, developing its own more locally sourced timber frame system. This has standardised components that are more easily sourced if faulty or requiring replacement. Falcon has been able to benefit from reductions in the cost of transporting timber and from easy access to Merlin should problems occur during or after construction.

Falcon takes its responsibilities seriously as an employer of local people. Prior to construction of a new rural development it advertises in the immediate locality (e.g. through the post office and parish council) for trades people to work on the scheme. In many cases those involved in building rural developments also provide housing maintenance services for Falcon. Familiarity with the construction of the homes from the outset improves the quality of subsequent maintenance work on the properties.

### **Falcon Rural Housing case study 2: innovative use of materials**

Falcon places great emphasis on sustainability in terms of use of materials, energy efficiency and benefits to tenants. Hemcrete, a lightweight hemp-lime mixture was used in construction of bungalows on an exposed moorland site. Hemcrete can be used as an alternative to cement and other materials whose production involves higher levels of energy consumption and CO2 emission. Although cost and time savings can be achieved as foundations bear less weight, reducing groundwork, material and labour requirements, on this site Hemcrete did not perform as well as expected in terms of cost (an extra £11,000 per home) or energy

efficiency. This case study demonstrates that time and commitment are required to test and refine new materials and technologies before the point is reached where they become viable.

### **Westleigh Developments Ltd case study: collaboration creates benefits throughout the supply chain**

Westleigh Developments, based in the East Midlands, developed an off-site timber frame construction manufacturing unit, Westframe, in response to the Egan Report 'Rethinking Construction'.

Partnership with a group of registered providers (currently nine in number) and the Housing Corporation gave it confidence that a programme of sufficient size could be generated to substantiate and sustain the sizeable investment necessary in a new business.

Westframe initially occupied a 3,500 sq ft unit employing four operatives, a designer and production manager. Due to the close working relationship with partners it has been able to grow this business into a complete design, supply and construction service which now occupies a 10,000 sq ft unit, employs 32 operatives working on two shifts with four designers, two production managers, a logistics manager and a factory manager.

The timber frame business now produces 750 homes a year helping to meet the requirements of the Code for Sustainable Homes and HCA quality standards in the most economic way possible. The predictable nature of the volume has allowed investment in equipment and systems to reduce the overall cost to the end user. Westframe has supplied its product for rural schemes including those developed by Dales Housing, East Midlands and Spire registered providers, enabling those schemes to benefit from the cost savings secured through this relationship.

### **Maturing rural partnerships**

Many of the most established rural partnerships are alert to the need to continue to improve their ways of working and ability to deliver.

ORHP commissioned a critical friend review by De Montfort University in 2008 which identified the importance of the links with and involvement of a number of other organisations for the increased effectiveness of the partnership. ORHP have a programme of continuous improvement which has included the appointment of a Chair (the Managing Director of Oxford Citizens Housing Association) to guide future development and direction. The changes which ORHP have undergone since their initial agreement was drawn up in 2003 have not been formally incorporated into a single document. This could impede the partnership's progress should uncertainties arise regarding roles or responsibilities. It is intended that production of an up to date compact or agreement will form part of the improvement programme.

HARAH are also a learning organisation, using a partnership review supported by the South East Regional Housing Board as a springboard to further development. In common with two

other local authority groups, the HARAHA authorities were able to pool their expertise to make a successful collective bid for funding in the HCA/CABE rural masterplanning competition<sup>1</sup>. In the case of HARAHA, the funding will enable them to look at improving design in rural schemes and streamlining the pre- planning application process.

## **Looking ahead**

Partnerships will continue to be an important mechanism for improving value for money and quality in the delivery of affordable housing. Rural partnerships can continue to progress by taking advantage of new approaches to combining cost effectiveness and sustainability which are being developed. By maintaining awareness of new materials and techniques such as those listed below partnerships can identify opportunities relevant to their local circumstances.

The Renewable House on the BRE Innovation Park demonstrates the use of renewable materials in creating affordable homes: [www.bre.co.uk/page.jsp?id=634](http://www.bre.co.uk/page.jsp?id=634)

The National Non-foods Crop Centre provides comprehensive independent information on the use of sustainable and renewable materials in house building. Sign up on the website for e mail news and updates: [www.nnfcc.co.uk/metadot/index.pl?id=0](http://www.nnfcc.co.uk/metadot/index.pl?id=0)

Research into the availability and usability of local sustainable construction materials was undertaken in 2009 for the Exmoor National Park Authority by a partnership of Ecos Trust, Devon Sustainable Buildings Initiative and Somerset College of Arts and Technology (SCAT). The focus of the study was on technical usability but a range of other factors including cost were also considered. Using a partnership of local researchers and students from SCAT appears to have been advantageous in accessing a broad level of knowledge of the subject area and local conditions and keeping costs low. The research findings are due to be published on the [National Park website](#) during 2010.

---

<sup>1</sup> [www.communities.gov.uk/publications/planningandbuilding/masterplanningfund](http://www.communities.gov.uk/publications/planningandbuilding/masterplanningfund)

# Rural Housing Economic Viability Toolkit

July 2010



Rural Affordable Housing  
Project

Homes & Communities Agency (Bristol)  
2 Rivergate,  
Temple Quay  
Bristol,  
BS1 6EH

[ruralhousing@hca.gsx.gov.uk](mailto:ruralhousing@hca.gsx.gov.uk)

[www.ruralaffordablehousing.org.uk](http://www.ruralaffordablehousing.org.uk)

