

The Planning Bureau Limited

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Development Strategy
Rugby Borough Council
Town Hall
Evreux Way
Rugby
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Via email: localplan@rugby.gov.uk

19th May 2025

Dear Sir / Madam

McCARTHY STONE & CHURCHILL LIVING RESPONSE TO THE RUGBY BOROUGH LOCAL PLAN REGULATION 18 CONSULTATION DRAFT

McCarthy Stone (MS) and Churchill Living (CL) are independent housebuilders specialising in specialist housing for older people. Together, they are responsible for delivering approximately 90% of England's specialist owner-occupied retirement housing. Both operators are therefore well placed to provide comment on the policy barriers that may have the potential to restrict supply within the sector.

Please find below our comments on the draft local plan insofar as they impact the delivery of specialist accommodation for older persons. These comments are intended to assist the council in formulating approaches which are both workable in practice and avoid stymying the delivery of a housing typology which the PPG describes as 'critical' in terms of addressing housing need. These comments are made in addition to our response to the Issues and Options Consultation in February 2024 and some comments have been repeated, as appropriate.

H2 Affordable housing

Policy H2 'Affordable Housing seeks to secure up to 30% of affordable housing from all developments that result in ten or more new homes which may be reduced subject to viability assessment. To support this policy the council has undertaken a viability study entitled 'Local Plan and Community Infrastructure Levy Viability Study', by BNP Paribas March 2025. As part of the viability assessment, Policy H2 has been tested on brownfield and greenfield options by applying affordable housing at varying percentages, starting at 0% and increasing to 35% in 5% increments. Housing for older people has been tested and this includes typologies for sheltered and extra care housing. The outcome for each OPH scenario tested is a **negative residual land value**, with the exception of one result for 0% affordable housing.

The evidence clearly shows that it is challenging for older people's housing schemes to deliver affordable housing. Paragraph 6.6 of the Viability Study acknowledges that some sites may not be viable to meet the 20% affordable housing target and suggests that this could be

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addressed through site-specific viability assessments at the application stage. However, this is at odds with NPPG guidance. The PPG on viability at Paragraph: 002 Reference ID: 10-002-20190509 confirms that ‘The role for viability assessment is primarily at the plan making stage. Viability assessment should not compromise sustainable development but should be used to ensure that policies are realistic, and that the total cumulative cost of all relevant policies will not undermine deliverability of the plan’ and that ‘Policy requirements, particularly for affordable housing, should be set at a level that takes account of affordable housing and infrastructure needs and allows for the planned types of sites and development to be deliverable, without the need for further viability assessment at the decision making stage’.

It is surprising that with the Council having gone to the trouble of testing older persons housing should then disregard the results of that testing, especially given that Paragraph 001 of the PPG guidance on viability states that different targets may be set for different sites and types of development following viability testing.

It should also be noted that the whilst the HEDNA identifies a significant need for Housing with Support in the market sector it actually shows a surplus of affordable Housing with Support by 2032 of 480 units. This further identifies that older persons’ affordable housing is not needed.

The Coventry & Warwickshire Housing & Economic Development Needs Assessment (HEDNA) November 2022

Table 14.14 Specialist Housing Need using adjusted SHOP@Review Assumptions, 2022-32 – Rugby

		Housing demand per 1,000 75+	Current supply	Current demand	Current shortfall/surplus (-ve)	Additional demand to 2032	Shortfall /surplus by 2032
Housing with support	Market	60	369	642	273	143	415
	Affordable	56	1,211	598	-613	133	-480
Total (housing with support)		116	1,580	1,239	-341	276	-65
Housing with care	Market	28	20	303	283	67	350
	Affordable	13	100	144	44	32	75

Therefore, as the affordable housing requirement for older people’s housing has been tested through the viability study supporting the submission Local Plan and the typology found to be unviable, and especially within a context of surplus of affordable housing with support, requiring such sites to deliver affordable housing or requiring a viability study through the application stage is contrary to PPG. Any affordable housing requirement creates an unrealistic over aspirational policy requirement that will undermine deliverability. The plan as written, will not deliver sites for older people’s housing in line with need without further viability assessment and is therefore not justified or effective.

In addition, any affordable housing requirement would no doubt result in protracted discussion at the decision making stage which would be contrary to the PPG and hinder the delivery of the Local Plan objectives. The policy and supporting paragraphs should therefore be amended to make it clear that older person’s housing is exempt from all types of affordable housing in line with the viability study to ensure that the plan is sound, deliverable, justified and consistent with national policy.

Comments on Viability Assessment

Notwithstanding the above comments, given the specialist nature of housing for older persons housing, we have concerns that some of the assumptions and additional costs that developers of older persons housing schemes experience, have not been fully incorporated or incorporated correctly into the Viability Assessment.

We would direct the Council towards the Retirement Housing Consortium paper entitled 'A briefing note on viability prepared for Retirement Housing Group by Three Dragons, May 2013 (updated February 2013 ('RHG Briefing Note') available from <https://retirementhousinggroup.com/rhg/wp-content/uploads/2017/01/CIL-viability-appraisal-issues-RHG-February-2016.pdf>. The RHG Briefing Note establishes how sheltered housing and extra care development differs from mainstream housing and looks at the key variables and assumptions that can affect the viability of specialist housing for older people. These key variables include unit size, unit numbers and GIA, non-saleable communal space, empty property costs, external build cost, sales values, build costs, marketing costs and sales periods. As such, due to the differences and variables that older person's housing schemes have viability is often more challenging. Although we note that the RHG briefing note has been referenced with respect to Sales Values, it is clear when comparing the modelled schemes within Viability Assessment with that of the RHG Briefing Note, that there are a number of discrepancies, discussed below, that should be amended, and the Viability Assessment should be re-run. If the typical scheme is amended and re-modelled the viability of sheltered and extra-care housing would reduce even further than it already is.

The key variables not included at the correct level are typical scheme, non-saleable floorspace, sales periods, empty property costs, marketing costs, profit and local plan costs.

Typical Scheme Size and non-saleable area

We note that Paragraph 9.11 of the Viability Assessment identifies that the following has been modelled with respect to sheltered and extra-care housing:

'A private Sheltered/retirement and an Extra-care scheme have been modelled, each on a 0.5ha site as follows.

- A private Sheltered/retirement scheme of 20 x 1 bed units of 50m² and 25 x 2 bed units of 75m² to give a net saleable area (GIA) of 2,875m². A further 20% non-saleable service and common areas to give a scheme GIA of 3,594m² has been assumed. (45 units, 90 units per hectare)
- An Extra care scheme of 36 x 1 bed units of 65m² and 24 x 2 bed units of 80m² to give a net saleable area (GIA) of 4,260m². A further 35% non-saleable service and common areas to give a scheme GIA of 6,554m² has been assumed. (60 unit, 120 dwellings per hectare).'

We have concerns that the typical scheme modelled with respect to density is not in line with advice within the RHG Briefing Note that identifies that the following type of schemes should be modelled:

- Sheltered: 50-60 units at a density of 100-120 dwellings per hectare with communal / non chargeable space of 20-30%
- Extra care – 40-50 units at a density of 80-100 dwellings per hectare with communal / non chargeable space of 35-40%.

With respect to non-chargeable floorspace we note that 20% has been used for sheltered housing. However a mid-range of 25% is usually incorporated into viability Assessments rather than the lower 20%.

Furthermore, looking at appendix 20 of the Viability Assessment it appears that for sheltered housing a scheme of 60 units at a density of 120 dwellings per hectare has been modelled. With the same modelled for Extra-care. It needs to be clarified what has been modelled and whether the outcome is correct.

Sales periods

Older persons housing schemes that typically consist of flatted development of 40 – 60 units cannot be phased and the whole scheme must be fully built and operational from month 1 of sales. Sales periods are typically longer for retirement housing than for general housing with a typical scheme taking around 36 months to sell. The build period takes approximately 12 to 18 months. This longer sales period does not seem to have been accounted for within the Viability Assessment for sheltered and extra care housing and would reduce the viability of older persons housing if considered.

Empty property costs

Due to the long sales period older persons housing schemes experience higher void costs as schemes take longer to sell than general needs housing. A typical average empty property cost per unit is £5,000 for sheltered and £8,000 for extra care. This covers costs such as Council tax and service charges on unsold units. This longer void period does not seem to have been accounted for within the Viability Assessment for sheltered and extra care housing and would reduce the viability of older persons housing if considered.

Marketing costs

We note that the Viability Assessment has used marketing and sales costs of 3%. However, given the longer sales period, there is a longer and more supportive marketing / sales programme for specialist retirement housing needed compared to general needs, typical marketing costs are 6%. This was included within the RHG Briefing Note. If a higher percentage for marketing costs was included within the Viability Assessment for Older Peoples housing this would reduce viability of older persons housing.

Profit

The NPPG is clear that potential risk is accounted for in the assumed return for development and assumed to be between 15-20% of gross development value for plan making purposes but alternative figures may be appropriate for different development types and typologies (Para 018 Reference ID:10-018-20190509). There are a number of inherent sector specific risks with older person housing which materially differ to that of general needs housing including an inability to phase and allow for risk reappraisal. Older

Persons housing must be fully completed and operationally ready before sales commences as older people are less likely to buy 'off plan' without seeing for example the benefit of the communal facilities. The above provides a slower return on investment and a longer period of uncertainty in the market and cost exposure. An acceptable return for risk in respect of retirement living proposals such as this is not less than 20% of gross development value. This is consistent with the Inspector conclusions at Appeal for the McCarthy and Stone proposal at Redditch (Appeal Ref: 3166677), the Churchill Retirement Living proposal at Cheam (Appeal Ref: 3159137) and the Churchill Retirement Living scheme at West Bridgford (Appeal Ref: 3229412) in 2019.

It is clear based upon Appeal precedent that 20% return on gross development value represents the minimum acceptable return in respect of housing for older people proposals for the reasons outlined. If a higher percentage for profit was included within the Viability Assessment for Older Peoples housing, than the 17.5% used, this would reduce viability of older persons housing.

Local Plan costs

In addition to typology specific costs, we also have concern as to the limited value that has been used for Biodiversity Net Gain within the Viability Assessment amongst other policy areas especially with regard to BNG costs has been set at 0.2% on PDL and 0.8% on greenfield sites. The Council should note that on 27th July 2023 the price of statutory biodiversity credits were published (available from [Statutory biodiversity credit prices - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/publications/statutory-biodiversity-credit-prices)). This has enabled it to be determined how much BNG may cost, and it is considered that the costs per dwelling put forward within the Viability Assessment have greatly underestimated the costs. In addition, brownfield site BNG costs are often more substantial than Greenfield, but this very much depends on the site characteristics. As a result of credit prices having been published, the Council should re-run the Viability Assessment that includes a more realistic assessment of BNG costs and if necessary, reduce the BNG and affordable housing requirements accordingly.

Recommendation:

As well as exempting older persons housing from delivering affordable housing consistent with the outcome of the Viability Assessment, the Viability Assessment should also be re-run to ensure that key variables and assumptions that can affect the viability of specialist housing for older people are included within the Viability Assessment correctly."

If the requirement for affordable housing for OPH remains, especially when the HEDNA identifies a surplus of affordable Housing with Support of 480 units by 2032, it would be wholly at odds with the viability evidence underpinning the Local Plan and contrary to PPG. Moreover, Council Members, Officers and the general public would still assume that applications for sheltered or extra care housing would be able to support a policy compliant level of affordable housing.

The conclusions of the Viability Report are in line with our experience elsewhere on site specific assessments where it is commonly agreed that this typology cannot provide full percentages of affordable housing. More and more local planning authorities are

acknowledging this position within local plans and exempting specialist housing for older people from providing affordable housing. This is the correct approach.

We would draw the Council's attention to the newly adopted Fareham Local Plan Paragraph 5.33 of Policy HP5: 'Provision of Affordable Housing' which states:

"The Viability Study concludes that affordable housing is not viable for older persons and specialist housing. Therefore, Policy HP5 does not apply to specialist housing or older persons housing."

Similarly, policy in Swale exempts older persons housing schemes from providing affordable housing in light of viability constraints, and emerging policy in BCP, Birmingham and Charnwood also exempt older persons housing from the provision of affordable housing. For example:

Birmingham

"Due to the specific viability challenges of delivering older persons' housing, the evidence suggests on the basis of the market research, appraisal inputs and policy requirements, Older Person's Housing is exempted from Affordable Housing provision."

Charnwood

"Our viability evidence shows that neither sheltered housing nor extra care housing developments are likely to be viable if a contribution towards affordable housing is sought."

It is also worth noting that East Suffolk Local Plan (adopted September 2020) removes the requirement for affordable housing from developments that are solely brownfield flatted schemes.

Recommendation:

Based on the non-viability of Older Persons' Housing to provide affordable housing, and the lack of need for specialist housing with care, add a new point F to Policy H2 which states:

F. Schemes delivering housing for older people are exempt from delivering affordable housing.

Add new para after 6.8 to read:

Schemes delivering housing for older people are exempt from delivering affordable housing. This is based on the analysis within the Local Plan Viability Assessment – March 2025 that confirms that older person's housing is unlikely to be viable in Rugby

Review Mechanism

The policy area also aims to introduce an affordable housing review mechanism. In order to introduce such a mechanism, there must be a clear and specific policy basis for any review mechanism being imposed in line with PPG Viability para 009 Reference ID: 10-009-20190509. A significant number of recent Planning Appeals and case law have reinforced this point. A review mechanism that sits within a planning obligation also needs to be fully considered and assessed through the Local Plan process.

Paragraph: 009 Reference ID: 10-009-20190509 of the government guidance on Viability states the following:

‘Plans should set out circumstances where review mechanisms may be appropriate, as well as clear process and terms of engagement regarding how and when viability will be reassessed over the lifetime of the development to ensure policy compliance and optimal public benefits through economic cycles. Policy compliant means development which fully complies with up to date plan policies. A decision maker can give appropriate weight to emerging policies.

With respect to planning obligations or s106, Para 57 of NPPF states *‘Planning obligations must only be sought where they meet all of the following tests :*

- (a) necessary to make the development acceptable in planning terms;*
- (b) directly related to the development; and*
- (c) fairly and reasonably related in scale and kind to the development’*

Para 004 Reference ID: 23b-004-20190901 of the PPG on Planning Obligations identifies where policies on seeking planning obligations should be set out and states:

‘Policies for planning obligations should be set out in plans and examined in public. Policy requirements should be clear so that they can be accurately accounted for in the price paid for land’.

In order to introduce such a review mechanism, there must be a clear and specific policy basis for any review mechanism being imposed in line with PPG Viability para 009 Reference ID: 10-009-20190509. A significant number of recent Planning Appeals and case law have reinforced this point. A review mechanism and detail within it that sits within a planning obligation needs to be considered and assessed through the Local Plan process.

There must therefore be a reasonable justification for imposing such a review mechanism. A review mechanism and any detail that will form part of it and sits within a planning obligation needs to be considered fully and assessed through the Local Plan process. This should include the consideration of variables such as trigger points, costs, land values, how surplus is split and other definitions.

In addition, for a large or multi-phase development which will be delivered over a long period it makes sense to check whether the scheme's viability has changed with market movements. However, for a small single phased site, such as an older persons housing scheme that is built

in one phase , the Inspectorate have repeatedly noted that review mechanisms are unnecessary. For example, under Appeal decision reference APP/C4235/W/120/3256972 dated 1st April 2021, the Inspector noted in paragraph 17 that *'as the development would almost certainly be completed in a single phase with an estimated build time of 12-18 months, it is not the sort of large multi-phased scheme where stronger arguments for a review/clawback mechanism may otherwise exist'*.

Therefore, if a review mechanism is to be introduced the detail within any review mechanism needs be published so it can be fully assessed through the Local Plan process. It must also include an exemption for single phased schemes, as repeatedly noted by the planning inspectorate.

Possible proposed wording:

- **Single-phased development schemes will not be subject to a review mechanism.**
- **Where sites have a construction programme which is proposed to extend beyond 2 years, the planning obligation will provide for the affordable housing component of later phases to be reviewed based on updated viability evidence which may result in an increase of the affordable housing requirement.**

H7 Housing Standards

As mentioned previously, the PPG on viability states that the role for viability assessment is primarily at the plan making stage to ensure that policies are realistic, and that the total cumulative cost of all relevant policies will not undermine deliverability of the plan (Paragraph: 002 Reference ID: 10-002-20190509). M4(2) and M4(3) housing has a cost implication and may serve to reduce the number of dwellings and further reduce viability.

The draft plan requires 10% of all housing of 10 or more units to be built to M4(3) standard. We note that these have not been tested in the Viability study despite it being inappropriate for policy to be brought forward without first accurately assessing actual costs. These additional costs must therefore be included within any update to the Viability Study as the PPG is clear that the requirement for enhanced levels of accessibility must be tested through the viability testing process. If the viability assessment shows that such units are not viable to deliver the policy requirement should be removed.

H6 Specialist Housing

We support policy H6 Specialised housing given its support for schemes that provide for housing that maximises the independence and choice of older people and those members of the community with specific housing needs, subject to its compliance with other policies of this plan.

CL1 Net zero buildings

Whilst the Council's commitment to meeting both its and the UK Government's target of net zero carbon emissions is commendable, it appears that the Council is going to achieve this through having mandatory carbon and climate standards from adoption of the plan that may go beyond government targets. However, it is our view that any requirement should be 'stepped' in line with Government targets and the proposed changes to the building regulations to ensure that any requirement is achievable and viable. The entire industry needs to adjust to zero carbon requirements in line with the advancement of technology, scaling up and economies of scale. Where policies seek to go beyond this curve, there is a danger that these requirements result in a significant reduction in housing delivery within those areas due to financial viability constraints.

This approach is confirmed within the Ministerial Statement (statement no : Statement UIN HCWS123 available from [Written statements - Written questions, answers and statements - UK Parliament](#)) released on 13th December 2023. The ministerial statement confirms that with respect to the net zero goal...

'The improvement in standards already in force, alongside the ones which are due in 2025, demonstrates the Government's commitment to ensuring new properties have a much lower impact on the environment in the future. In this context, the Government does not expect plan-makers to set local energy efficiency standards for buildings that go beyond current or planned buildings regulations. The proliferation of multiple, local standards by local authority area can add further costs to building new homes by adding complexity and undermining economies of scale. Any planning policies that propose local energy efficiency standards for buildings that go beyond current or planned buildings regulation should be rejected at examination if they do not have a well-reasoned and robustly costed rationale' and 'To be sound, local plans must be consistent with national policy – enabling the delivery of sustainable development in accordance with the policies in the National Planning Policy Framework and other statements of national planning policy, including this one'.

Deleting the policy and aligning the Council's requirement for carbon neutral development with those of Government would therefore be pragmatic, more achievable and consistent with national policy.

Recommendation

- *The policy is deleted as Net Zero Carbon development is to be dealt with via the Building Regulations; or*
- *Additional wording to section A*

A. New buildings comprising one or more dwellings and new non-residential buildings of 100m² gross internal area or more must be designed and built to be net zero carbon in operation, in line with government targets. Agreed measures will be secured through conditions.

I2 Parking

Paragraph A of the policy says:

- A. Adequate parking shall be provided for bicycles and vehicles (including motorcycles) in accordance with the parking standards in Appendix 1. This will include the provision of vehicle parking to meet the needs of people with disabilities or impaired mobility.*

Appendix 1 provides the following table for Active Elderly: sheltered housing

Use Class C3 – dwellings					
Type	Car parking		Cycle parking		Notes/other considerations
	Low access	High access	Long stay - residents	Short stay - visitors	
Dwellings for Elderly Persons					
Active elderly: sheltered housing/age restricted housing/retirement housing	1 space/dwelling	0.5 spaces/dwelling	1 space/dwelling secure and under cover	1 space/2 dwellings	
Sheltered housing with resident warden	0.5 spaces/dwelling	0.25 spaces/dwelling	Each case to be considered on own merits	1 space/2 dwellings	

Older person's housing and in particular Extra Care accommodation, is used by older people who tend to be frail and are likely to have mobility difficulties. Were an older person likely to cycle on regular basis it would be unlikely they would require extra care accommodation.

A survey of 242 McCarthy and Stone Retirement Living units showed only 7 bicycles owned by residents in these apartments. This is an ownership rate of 0.0289 cycles per apartment or 1 cycle per 35 apartments. Churchill Living's own data across 5,202 existing units (across 127 developments) showed a demand for 0.01755 per apartment. For a 45-unit scheme this would equate to less than 1 space (including allowance for Lodge Managers who cycle to work).

Whilst we can understand the rationale behind encouraging cycling in the general population, we consider that a requirement for cycle spaces in specialist older persons' housing to be inappropriate and unnecessary. Both companies provide an internal mobility scooter store for use by residents which is a far more relevant requirement and in the handful of instances that a resident has used a bicycle it can be stored in this area.

We consider the cycle parking requirements for older persons' housing would constitute overprovision in our experience and cycle parking should be limited to staff and visitors accordingly.

Recommendation

Delete the requirement for the provision of residents' cycle parking for dwellings for elderly persons so that each case is considered on its own merits.

Thank you for the opportunity for comment.

Yours faithfully

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