

**The Blenheim Estates-WODC  
Affordable Housing Partnership;  
A New Approach to the Delivery of  
Affordable Housing in West  
Oxfordshire**

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# Executive Summary

## What the Study is About

It is well known that there is a crisis of affordability in housing provision across the South East in general and Oxfordshire in particular. Working in partnership, West Oxford District Council (WODC) and Blenheim Estates (BE) have pioneered an innovative approach to deliver affordable housing on land owned by BE. WODC commissioned the School of the Built Environment at Oxford Brookes University to examine the potential of this approach to contribute to affordable housing provision in the District. It addresses three major questions: what are the possibilities and challenges of delivering affordable housing in this way; how can the Blenheim-WODC partnership approach be improved in the future to best achieve the stated aim of widening the affordable housing offer in West Oxfordshire, and to what extent can the principles of the Blenheim-WODC partnership be used in partnership with other landowners to deliver affordable housing district wide?

To answer these questions the team at Oxford Brookes undertook:

- Interviews with key actors associated with the scheme including local and district councillors, officers from WODC, Registered Providers and Blenheim Estates.
- Background research of available policy and related documents
- A survey of residents on the first site to be delivered under the scheme at Long Hanborough.

## The Blenheim Estates -WODC Approach

The Blenheim Estates -WODC approach has at its core a recognition of the significance of land and landownership to delivering affordable housing and building strong communities and local economies. It's difference from 'traditional' approaches lies in a delivery model based on the landowner retaining ownership of land and properties to widen the affordable offer on the development. For BE this means that they can provide and manage affordable housing efficiently and without subsidy as part of their existing operations. In addition, BE's business model includes not becoming a Registered Provider (RP) and providing market-rent housing on site. A Section 106 planning agreement between BE and WODC forms the legal basis for the affordable housing provision. Affordable homes are allocated in conjunction with WODC's housing register (HomeSeeker Plus) on which applicants must be registered and a Service Level Agreement between BE and WODC covers allocation and tenancy issues. In 2018 Blenheim acquired a local house builder, Pye Homes, to help in the delivery of this and future schemes.

This enables, among other things;

- affordable rents at 60% of market levels as opposed to the 80% often required by Registered Providers while still providing a return on investment
- homes to be kept affordable in perpetuity
- mixed tenure communities
- the possibility for properties to 'flex' between affordable or market rent should this be required
- local connection to be given significant weight in the application process and 20% of allocations to be open to people employed locally.

This approach has been applied to date at the 169-home development at Hanborough Gate in Long Hanborough. The first affordable homes were occupied in December 2018 and the scheme will be completed in summer 2021. BE are currently developing three other sites around Woodstock on which it intends to extend its affordable provision. They have already been approached for advice on how the approach operates by other interested landowners in the District and wider area.

BE are keen to extend the approach to address particular housing needs in the area and to ensure that their land holdings can provide a major source of community benefit to the local area and economy. WODC, mindful of the extensive holdings of institutional and private landowners in the District, are interested in

exploring its application to other sites in partnership with key landowners in West Oxfordshire. The council sees this as one way of addressing the mismatch between the need for affordable homes and the volume of sites coming forward in the District while also keeping housing costs in rural areas low.

## **Key Findings**

### **Possibilities**

- The partnership undoubtedly adds to the provision of affordable homes in the District and shows how a committed landowner can provide a major source of community benefit to the local area and economy.
- Key elements of the approach will be transferable to other sites and landowners with appropriate advice and support.
- Other possibilities shown by the partnership approach to date include:
  - increasing the affordable housing offer through offering rents at below the 80% of market rent level usually provided by RPs
  - the ability of schemes to benefit local residents; 70% of those surveyed had moved from within West Oxfordshire and 30% from Long Hanborough itself (or had previously lived there)
  - improving design quality, flexibility for properties to switch tenancy and ensuring that affordable homes remain affordable in perpetuity
  - the 20% local worker provision has the ability to support local employers and will help in attracting and retaining workers in key local services
  - encouraging synergies and joint working between the public and private sectors.
- Future possibilities include attracting other sources of finance, addressing particular local housing needs and linking with other forms of affordable housing provision such as co-housing.

### **Challenges**

- The approach sits in a wider policy and market context which puts some constraints on the scheme including
  - Market rent levels in Hanborough are amongst the highest in the District and there are local concerns that 60% of these levels may still be out of reach for some households.
  - Provision of other community benefits through planning obligations can impact on viability and therefore the percentage of affordable housing provided on sites. At Long Hanborough the requirement to provide a new primary health care facility meant that the proportion of affordable homes on site is below the Council's recommended levels; 35% as opposed to 50%.
- Lender requirements meant that staircasing up to 100% for shared ownership had to be permitted as opposed to the 80% maximum originally intended, with other arrangements for ensuring affordability in perpetuity put in place. Initial shared ownership stakes at 40% are higher than other schemes in the district, however long-term rental costs are lower.
- The differences in the allocation process with the WODC HomeSeeker Plus arrangements led to some initial difficulties and delays.
- Those allocated affordable homes are less likely to be in the highest category of housing need than across the District as a whole.

## Recommendations

### *For future developments through the WODC-BE Partnership*

- Providing a more varied spread of affordable rents on such schemes including at social rent, 60% and 80% of market rent
- WODC to further develop its work on 'rural living rents' linked to average lower quartile incomes as an alternative mechanism to the market for bench-marking affordable rent levels and to explore how it could work in such schemes.
- Offering a lower initial share of shared ownership homes.
- Exploring possibilities of tapping into other forms of capital funding such as community share offers and social bonds to further reduce rents and/or provide community facilities.
- Providing greater reassurance and transparency about rent levels.
- Continue to improve the allocations process.

### *Moving forward there is a need to monitor schemes including*

- The operation of the lettings procedures in relation to local needs
- The rent levels over time
- The 5-year review period for tenants and other aspects of tenancy arrangements
- Whether shared ownership homes revert to the private market or are retained for future shared ownership purchase
- The flexibility between private (full-market rented) homes and affordable rented.
- Tenant and resident satisfaction.

### *To promote the approach*

- WODC to consider setting up an Affordable Housing Network which would bring together landowners and other actors interested in progressing affordable housing provision in the District.
- WODC and BE to promote the good practice elements of this scheme and provide advice to other landowners and local authorities.
- WODC to consider how other landowners may be included in Homeseeker Plus in a shorter time scale should they come forward
- Other landowners to actively explore the potential of adapting some elements of the BE-WODC approach in the bringing forward of sites with significant affordable housing provision.
- WODC to work with RPs in the District to see how they could potentially be involved in delivering schemes of sites e.g. through leasing land or managing properties.

### *Beyond the WODC-BE partnership*

- The approach is in the early stages of development. It, and other similar schemes, will therefore need to be closely monitored to further evaluate possibilities and challenges.
- WODC to continue to consider how landowner-led approaches can be incorporated into a broad strategic offer of affordable housing provision in the District. This could also be included in Supplementary Planning Guidance on affordable housing provision.
- WODC and landowners to look at linking with other forms of affordable housing provision including Rural Exception Sites, Co-Housing, Community Land Trusts and custom and self-build as part of this broad offer.
- The potential of the added planning powers of Neighbourhood Plans to work alongside landowners (e.g. through bringing forward Community Right to Build Orders and allocating sites) should be explored.

- The Hanborough Gate scheme raises wider implications about the operation of viability assessments in legacy schemes. There is scope for further work locally and nationally to develop appropriate mechanisms.
- Potential funding sources such as the Growth Board / LEP or Community Housing Fund to seriously consider funding affordable legacy housing schemes such as the BE-WODC Partnership.

Approaches such as the BE-WODC partnership have the potential to significantly add to the provision of affordable housing and strong communities in the District. However, such schemes must be seen in the wider context of a broad offer and a strategic approach to meeting affordable housing needs. This will ensure their contribution is maximised while the full range of affordable housing needs are met.

# I. The Study

## I.1. The Brief

This study was commissioned by the West Oxfordshire District Council (WODC) in order to investigate the advantages and disadvantages of the Blenheim Estates-WODC affordable housing partnership and its applicability as a 'best practice' model of affordable housing delivery in partnership with other institutional landowners in West Oxfordshire. The partnership with Blenheim Estates (BE) and its broader applicability is particularly relevant for WODC due to the role of private and institutional landowners within the district (e.g. Oxford Colleges and the Church of England).

BE is currently developing two sites within the district – one in Long Hanborough, which is the main subject of this study, and another one at Woodstock East. Both sites follow a BE-WODC approach to housing delivery, which includes:

- affordable homes at rents lower than those usually offered by Registered Providers (owned and managed by Blenheim)
- shared ownership properties with a pre-emption provision for Blenheim to buy back the property if the original occupier staircases to 100% and decides to sell<sup>1</sup> (owned and managed by Blenheim)
- private rented properties (owned and managed by Blenheim)
- provisions for key workers<sup>2</sup> important for local economic and social growth of the area
- the ability to flex properties in and out of the Estate's wider market portfolio.

This study focuses on the Long Hanborough site as its status as partially complete enables the BE-WODC approach to be examined in practice.

The BE-WODC partnership was analysed in terms of three main questions:

1. What are the possibilities and challenges of delivering affordable housing in this way?
2. How can the Blenheim-WODC partnership approach be improved in the future to best achieve the stated aim of widening the affordable housing offer in West Oxfordshire?
3. To what extent can the principles of the BE-WODC approach be used in partnership with other landowners to deliver affordable housing district wide?

This also included a consideration of whether there are other complementary or more appropriate ways of providing a wider affordable housing offer, as well as increased access to low cost home ownership for local people in West Oxfordshire.

## I.2. Methods

The study adopted a mixed methods approach, which combined qualitative and quantitative methodologies. Methods used to collect the data included desk-based research, site visits, semi-structured interviews with stakeholders and a survey of Hanborough Gate residents.

Desk-based research focused on the analysis of local planning policy, planning documents specific to the scheme, maps and architectural drawings, as well as newspapers and online articles. The quantitative data related to house prices, incomes, rent levels, etc. was obtained from the Land Registry, Office for National Statistics (ONS), internal WODC sources as well as rightmove.com (if not available elsewhere).

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<sup>1</sup> This will enable the property to be kept affordable in perpetuity and to be offered to another household on a shared ownership basis.

<sup>2</sup> The definition of key worker for allocations through the WODC-BE partnership is different from the one in the West Oxfordshire Local Plan.



The desk-based research was further supported by site visits and interviews with key stakeholders, and later on by a residents' survey.

There were twelve interviews conducted with parish and district councillors, officers from WODC, Registered Social Landlords and Blenheim Estates representatives, and a number of key actors associated with the scheme were also invited to comment on a draft report (please see Appendix A for the list of organisations that participated in this study).

Due to concerns related to response rates, it had been decided to administer the survey in person as impersonal methods such as online or mailed questionnaires are generally believed to have very low response rates. This approach brought satisfying results – the survey had been delivered to 47 households and 17 responses were collected, which constitutes a 36% response rate (25% being a usual average).

The summary of survey results can be found in Appendix C.

## 2. The Context

### 2.1. Housing Need and Affordability

Housing affordability is one of the biggest issues in the West Oxfordshire District with the prices of the cheapest properties being 10.92 times higher than the lowest incomes (the lower quartile house price in the year 2017-18 was £255,000 and the lower quartile annual earnings was £23,357) (ONS).<sup>3</sup> The median private rents during that time were £888 pcm (Valuation Office Agency), which constitutes 46% of the lower quartile annual earnings.

These issues are exacerbated by the predominance of large properties (almost 70% of existing housing are 3 bedroom properties), high proportions of detached properties (35%) and owner occupation (69.7%) as well as a low amount of flats (10%) and private rented properties (16.6%) (2011 Census).

These figures are at least partly driven by West Oxfordshire's rural character (West Oxfordshire being the second most rural district in the south-east of England), which possibly is also the reason for a relatively high homeworking rate (18% of all West Oxfordshire's employed residents). The district has high levels of inward migration from other parts of the country and high numbers of elderly people.

In terms of housing numbers, through the Local Plan West Oxfordshire District is committed to delivering 935 homes per year in the period between 2011 and 2031,<sup>4</sup> which is almost double the historic delivery rate. 556 homes were provided in the year 2017-18 indicating the difficulties of meeting this target.

Affordable housing is also in high demand – in 2018 there were 2451 households on the waiting list for affordable housing (which is a 59% increase since 2015) and the Oxfordshire Strategic Housing Market Assessment (SHMA, 2014) identified a need for 274 affordable homes each year. In the year 2017-18 (the latest date for which figures are available) Council data shows that 158 affordable homes were delivered.<sup>5</sup> Despite the fact that this represented around 30% of all homes built it is below the estimated level of need.

Under-occupancy is another significant issue in West Oxfordshire with 87% of owned properties (including shared ownership), 65% of rented and 48% of social rented properties being under-occupied (2011 Census).

In summary the housing situation in West Oxfordshire is characterised by

- a mismatch between incomes and housing costs for many residents
- a related knock-on impact for local employers in attracting and retaining key workers
- a need for more affordable housing as shown by the growing numbers on the housing register
- a problem with under-occupancy across all tenures which may be helped through greater provision of smaller properties
- a mismatch between the estimated needs and the numbers of homes and affordable homes completed.

Given this situation and the challenges faced in meeting affordable housing targets, particularly in rural areas since the changes to Rural Exception Sites procedures in the NPPF, WODC are keen to develop innovative ways to address the shortfall. They see the imbalance between the demonstrable need for affordable housing and the land coming forward to deliver these homes as a major barrier to maintaining vibrant villages in the District. The partnership with Blenheim which developed from smaller sites to the larger developments currently underway is one such opportunity to overcome these barriers. WODC considers this positive example of the public and private sectors working together could form the basis for further schemes in the future.

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<sup>3</sup> This is only slightly lower than Oxford affordability ratio (11.56) and well above national average (7.05).

<sup>4</sup> This is to accommodate District's own 'objectively assessed need' (OAN), which is 660 homes per year and includes the provision for the past shortfall in housing delivery, and assist Oxford City with its unmet housing need.

<sup>5</sup> WODC Local Plan Monitoring Report 2017-18, <https://www.westoxon.gov.uk/media/1987204/AMR-2017-18-Final-Version.pdf>

The West Oxfordshire Local Plan 2031 (adopted in September 2018) estimates that 13 200 homes should be completed in the period 2011 – 2031 in order to meet West Oxfordshire’s housing needs.<sup>6</sup> 4,050 of those will be delivered through housing allocations on Strategic Development Areas<sup>7</sup> and additional 1,470 were allocated to 11 smaller, ‘non-strategic’ housing sites.

A detailed map of the Cotswolds Area of Outstanding Natural Beauty (AONB). The map is divided into three distinct zones: a high value zone (dark orange), a medium value zone (light orange), and a low value zone (yellow). The high value zone is primarily located in the western and northern parts of the AONB, including areas around Chipping Norton and Great Rollright. The medium value zone covers the central and eastern parts, including areas around Witney and Banbury. The low value zone is located in the southern part, including areas around Banbury and Aylesbury. The map also shows the locations of several towns and villages, including Chipping Norton, Great Rollright, Over Norton, Churchill, Kingham, Chadlington, Enstone, Middle Barton, Wootton, Tackley, Charlbury, Stonesfield, Woodstock, Gombes, Bladon, Freeland, Eynsham, Cassington, North Leigh, Long Hanborough, Finstock, Leaffield, Fulbrook, Burford, Minster Lovell, Witney, Brize Norton, Curbridge, Ducklington, Stanton, Harcourt, Standlake, Aston, Clanchfield, Bampton, Alvescot, Filkins, Langford, and Milton Under Wyckwood. A north arrow is located in the top right corner.

Legend:

- Cotswolds AONB
- High value zone (50%)
- Medium value zone (40%)
- Low value zone (35%)

Affordable housing within the District falls into three categories: social rented, affordable rented (no more than 80% of the local market rent) and intermediate housing (shared ownership, equity loans, etc.), and is primarily delivered through market housing developments in partnership with Registered Housing Providers (Housing Associations). WODC retains statutory housing and strategic planning policy functions following a transfer of its stock to Cottsway Housing Association and maintains the HomeSeeker Plus register with partner councils, but does not directly provide affordable accommodation itself.

For market housing, the Local Plan suggests the following mix:

<sup>7</sup> These include Land to the east of Witney (450 homes), Land to the north of Witney (1,400 homes), Land to the east of Chipping Norton at Tank Farm (1,200 homes) and Land west of Eynsham (1,000 homes).

- 4.8% of 1 bed properties
- 27.9% of 2 bed properties
- 43.4% of 3 bed properties
- 23.9% of 4+ bed properties

There is no guidance on property type, but WODC is seeking “a balanced mix of property types”.

The Local Plan also makes additional provisions for custom build<sup>8</sup> and for older population<sup>9</sup> (particularly relevant due to West Oxfordshire’s relatively old demographic profile), however, those policies were not enforced at Hanborough Gate as the Local Plan had not been adopted at the time.

District policies are set within the context of the National Planning Policy Framework. Paragraphs 62-64 of the NPPF require LPAs to set out the type of affordable provision to be delivered where a need has been demonstrated. Within this at least 10% of provision should usually be in the form of low-cost homeownership. Revisions to the NPPF in 2018 detail four types of affordable housing which are included in the Appendix B.

## 2.2. The Role of Landowners

The role of private landowners and long-term landownership is taking an increasingly prominent place in housing delivery and institutions such as RICS, the Prince’s Foundation and CPRE (Campaign to Protect Rural England) have been long stressing the importance of landowners’ involvement on the basis of their determination to leave behind a lasting legacy.<sup>10</sup> There is also an increasing amount of evidence that long-term private landowners often take on a more socially conscious view of housing developments and are motivated by factors other than financial gain (e.g. welfare of a local community, preservation of local character or at the very least their public image). Landowners with a long-term interest in a site are also more likely to provide well-designed and sustainable schemes.

This view is shared by Blenheim Estates, where, the appointment of Dominic Hare as Blenheim’s new CEO in January 2017 marked a shift in BE’s overall strategy in respect of landholdings and their relation to the local community. BE repeatedly emphasized their vested interest in the local community and their strong sense of responsibility for the socio-economic and aesthetic wellbeing of the area:

*“We are very exposed to the strength [...] and success of the local community – we have a vested interest and will have the same vested interest in 300 years’ time in this place. If the problems like the unaffordability of local housing and the inability of our younger people to set down roots here do not get solved, we will suffer financially.”*

As a major local employer Blenheim had also become increasingly aware of the impact of the high cost of buying and renting housing for residents, potential residents and employers. According to Blenheim’s representatives, the delivery of affordable housing is an essential element of Blenheim’s legacy and their vision for the future of the Estate. Blenheim also aspires to provide affordable housing that is indeed affordable to local people, which is why they are offering affordable homes at 60% of market rents rather than the usual 80%.

BE’s current 10-year plan focuses on building the Estate’s legacy and, at its core, aims to make Blenheim “the lifeblood of the local community”. In addition to building up an endowment, completing restoration work or increasing visitors’ numbers, Blenheim is committed to tripling their economic contributions to the local area, doubling their charitable contributions and building 300 new affordable homes.<sup>11</sup> They have signed up to the

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<sup>8</sup> 5% of self-build or self-finish plots is required on developments with 100 or more units. If a self-build plot is not sold within 12 months then it can be built out by a developer (Policy H5, West Oxfordshire Local Plan).

<sup>9</sup> 25% of accessible and adaptable homes and 5% of wheelchair adaptable homes is required on developments over 50 units (Policy H4, West Oxfordshire Local Plan).

<sup>10</sup> Prince’s Foundation’s Report, “Building a Legacy – A landowner’s Guide to Popular Development”. CPRE Report, “On Solid Ground: Encouraging landowners to invest in rural affordable housing”.

<sup>11</sup> “The Blenheim Economic Impact 2017/2018”.

Prince's Foundation's legacy principles<sup>12</sup> and are currently in the process of developing their own set of guidelines, which focus on creating and maintaining a thriving community through long-term landownership.<sup>13</sup>

BE also stress two other elements in their affordable housing approach, which we discuss in more detail in the next section. Firstly, is the ability through their business model and their role as an estate to provide affordable housing without subsidy and without extra overhead costs (such as marketing, letting, maintenance). They also retain the rental income from the housing. This enables them to make a 10% return on their investment even with lower rents and the land price factored in.<sup>14</sup> Secondly, their vertical integration also enables them to keep costs down allowing them 'to drive efficiency and sensible decision making to deliver the most stress / maintenance free long-term housing'.

Blenheim's approach demonstrates that long-term private landowners can play an important part in the delivery of affordable housing. This is particularly relevant in West Oxfordshire where a significant amount of land lies in the hands of institutional landowners such as Oxford Colleges or the Church,<sup>15</sup> creating an opportunity for the WODC to widen their affordable housing offer through more partnerships with local landowners.

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<sup>12</sup> Blenheim Estate signs up to the Prince's Foundation's principles of responsible home building", <https://www.historichouses.org/resources/all-resources/blenheim-estate-signs-up-to-the-prince-s-foundation-s-principles.html>.

<sup>13</sup> "BE's legacy principles include a set of rules on build quality and design, community spaces, estate management and maintenance as well as standards for customer service and interactions with other stakeholders.

<sup>14</sup> This is half the 20% profit level often factored into viability assessments when land is transferred to a developer.

<sup>15</sup> The exact amount of land owned by these institutions is often difficult to estimate (as the land has never been sold and therefore has not been registered). For more information on Church's land holdings, see: <https://whoownsengland.org/2017/11/14/the-companies-corporate-bodies-who-own-a-third-of-england-wales/>. For more information on Oxford Colleges, see: <https://whoownsengland.org/2016/09/25/what-do-the-oxford-colleges-own/>.

## 3. The BE-WODC Approach

### 3.1. Key Features of the BE-WODC Approach

The BE-WODC partnership is characterized by the following key features.

#### *Partnership*

The approach combines the long-term landownership of BE with WODC's role as a local Planning Authority and strategic housing enabler. A S106 planning agreement provides the legal underpinning to the arrangements and the partners work together on allocations and on promoting the model across the District.

#### *Long-term land and asset ownership*

The cornerstone of the scheme is *long-term landownership* which allows Blenheim Estates to realise its ambitions to provide more affordable yet better quality housing. BE retains ownership of land and properties rather than selling to a developer or involving an RP. This gives more control over the development process (including the design), ensures the housing remains affordable in perpetuity and allows them to modify the housing mix depending on current housing need. Retaining the land also provides opportunities to reduce development costs (e.g. legal costs related to land transactions) and gives Blenheim the possibility to borrow against its assets.

#### *Provision of affordable housing at rents below levels required by policy*

A second key feature of the approach is the provision of affordable housing at a proportion of market rent lower than the 80% level usually offered by registered housing providers. According to WODC, the NPPF and their S106 agreements specify 'at least' 20% discount, however, as far as they were aware no RP offers rents below 80% of the market on new developments. In Long Hanborough the level is 60%. As well as being facilitated by land ownership, the ability to finance the development without requiring government grant or RP status (which often comes with conditions on the type of affordable housing offered and their rent levels) is significant here. Shared ownership properties are included in the offer to provide affordable routes to home ownership. The numbers and proportions of affordable homes are secured through a S106 planning agreement to ensure compliance with local and national policy.

#### *Affordable housing retained in perpetuity*

Affordable homes are *retained in perpetuity* through affordable rented properties being ineligible for the Right to Buy and through BE having first refusal on shared ownership properties should they come on the open market. This will allow them to be offered to another household for shared ownership. Again, this is linked to the long-term retention of assets. However, initial plans for staircasing on shared ownership to be limited to 80% have had to be adapted as we discuss later in the report.

#### *A mix of tenure types*

The mix of tenure types is added to by the inclusion of a proportion of rented properties let at market rents also owned and managed by BE. This leads to possibilities to 'flex' individual properties between tenures to meet particular household needs and to ensure availability of properties within the parameters set by the S106. As a long-term provider of estate accommodation BE also has other properties that tenants could transfer to if, for example, they required more accessible housing.

### *Allocation and Management of Properties*

Properties are let on an *assured shorthold basis*. Tenants are offered a probationary 12-month tenancy subject to satisfactory completion after which they are offered a 5-year tenancy. This enables changed circumstances to be taken into account with the possibility that affordable properties can be released to others in need of affordable homes where appropriate. All applicants for affordable homes have to be on the District's HomeSeeker Plus (Choice Based Lettings) register. Shared ownership applications have to be through Help to Buy South. Allocation of housing gives a significant weight to local connections and up to 20% of allocations are open to workers employed in key local services. There is also a service level agreement between WODC and BE that sets out standards for the allocation and management of properties to ensure tenants receive a good service.<sup>16</sup>

### *Non-RP Status*

While there are some similarities with a Housing Association approach, which combines landownership, housing delivery and property ownership / management, *BE does not intend to become an RP* in order to enable flexibility on rents and to avoid excessive bureaucratic regulation. BE has recently expanded its housing management capabilities through appointing a dedicated affordable housing manager.

### *Business Model*

Higher discounts are achieved without material impact on overheads, in a large part, because Blenheim do not have to build marketing, letting, maintenance and finance teams – they can absorb this for little incremental cost within their existing operations.

In 2018 BE acquired Pye Homes, a local house builder, which gives it more control over the process. Also, their vertical integration and role as a single promotor and landowner (as opposed to possible multiple roles in other schemes of landowner, promoter, developer and Housing Association) allows them to keep costs down. However, this is an option which may not be open to other landowners and does not form an essential part of the 'model'.

BE has therefore developed an affordable housing business model based on retaining land and property ownership and preferring long-term returns on capital in the form of rental income. This contrasts with an approach which looks to receive a significant up-front capital receipt from the sale of land to fund the construction of affordable properties which may or may not be supplemented by grant income. This 'patient capital' or 'legacy' approach underlines BE's commitment to support the local community and enables them to provide higher discounts on their affordable properties (40% compared to the usual 20% required by government legislation). Such an approach will require a different financing package depending on the circumstances of different landowners and sites which may include partial sale of land for private housing, borrowing against rental income and other sources. It is a model which could combine with other sources of funding such as community finance.

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<sup>16</sup> In addition, terms for setting the rents are specified in Deed of Variation between the Council and BE: rents are set between 60% and 80% of the market, can be increased each year by no more than CPI + 1% or 0.5% and will be re-set every time a property is re-let. BE also has a separate SLA for S/O properties with Help to Buy South.

### 3.2. Summary

In short, the main characteristics of the BE-WODC partnership are:

- long-term landownership
- this and lower operational costs keep rents below the 80% of market rent often charged by RPs
- shared ownership as further affordable provision
- a mixture of affordable and private rent retained by the landowner to enable 'flexing' between tenures and to deliver long term rental income, but RP status is not sought
- affordable housing retained in perpetuity
- landowners' hands-on approach in every stage of the development
- landowner benefits from long-term rental income
- assured shorthold tenancies to a maximum of five years in the first instance
- applicants for affordable housing come through HomeSeeker Plus or Help to Buy
- emphasis on local community connections and workers in key local services in allocations.

Blenheim seems to be better predisposed to tackle the problem of housing affordability than commercial property developers due to their vested interest in the local community, significant land holdings and unique business model:

"Overall we can sustainably address this problem better than anyone using a business model which will continue to make sense and which will drive continuous improvements."<sup>17</sup>

In its approach, Blenheim prioritises local interests through local connection and local worker requirements or local facilities provided on site, which is consistent with their long-term commitment to the local community.

For WODC this provides an opportunity to add to the affordable offer in the District and establish an approach which may be transferrable to other sites and landowners in the area.

The approach has been implemented to date at Long Hanborough and BE are currently exploring its application on three further sites around Woodstock. In carrying out this research we have been asked to focus on the Long Hanborough site as this enables the BE-WODC partnership to be explored in practice.

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<sup>17</sup> BE's representative.



## 4. The Hanborough Gate Development

### 4.1. Timeline

The first application of the BE-WODC approach has been at Hanborough Gate development in Long Hanborough. In this section we set out the background to this development. The timeline below indicates that the scheme was started before Blenheim crystallised its housing legacy approach, therefore some aspects of the site's history have impacted on delivery of the BE-WODC partnership.

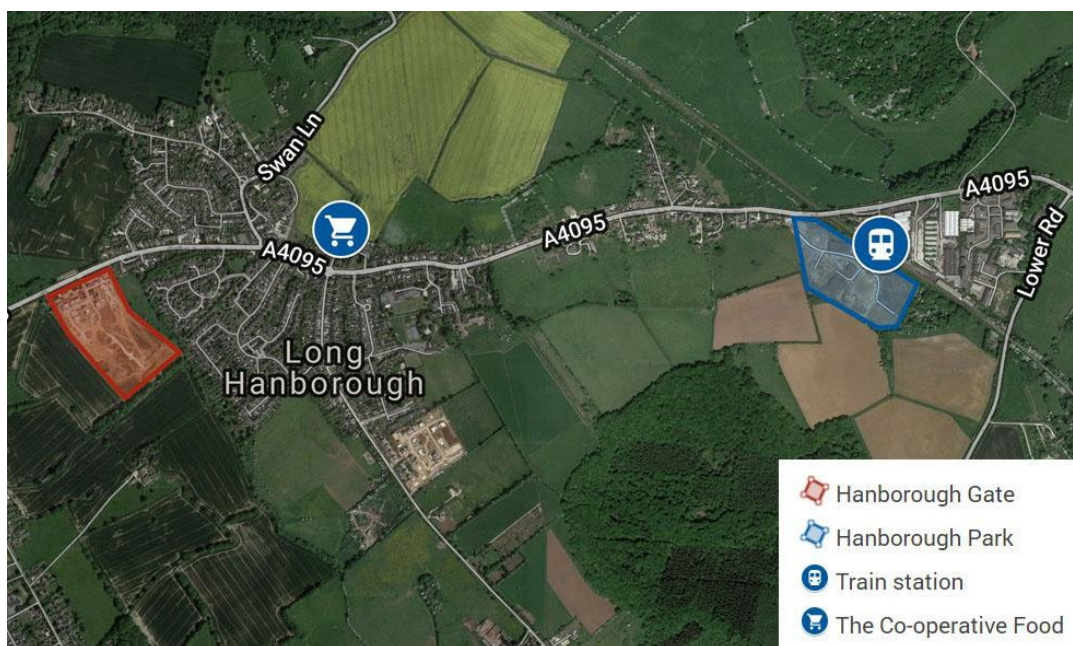
19 Aug. 2014	Planning application submitted
6 Mar 2015	Planning permission refused
Feb. – May 2016	The Inquiry
4 July 2016	Planning permission granted
2017	Construction started
Sept. 2018	First sale
Dec. 2018	First affordable tenant moving in
Dec. 2018	Pye Homes purchased by Blenheim
<b>Oct. 2019</b>	<b>Phase 1 and 2 completed, phase 3 on the way</b>
Summer 2021	Expected completion

Blenheim also has three other sites under development in Woodstock totalling almost 500 homes: Park View, Hill Rise and Banbury Road. Park View will provide 300 homes with 37-50% being affordable. Phase I of 46 homes for market sale is on site now. The S106 for later phases which will detail the affordable provision is yet to be agreed. Applications for the latter two schemes are expected to go into planning by the beginning of next year. Community First Oxfordshire has been commissioned by Woodstock Town Council and BE to carry out a housing needs survey in Woodstock to inform the Community and Infrastructure Delivery Plan currently being drawn up. It is intended that this will contribute towards determining the housing mix on these sites to make sure development addresses local needs. In addition, BE are exploring Rural Exception Sites elsewhere in the District which could take the affordable level up to nearly 600 in total.

## 4.2. Location

The Hanborough Gate development is located at the western edge of Long Hanborough with access directly from the Main Road (A4095). Long Hanborough developed as a linear village along the A4095 and is one of seven rural service centres in West Oxfordshire with a population of approximately 2,400. It benefits from access to a railway station, which is located on the eastern edge of the village about 1.4 miles from the Hanborough Gate development. There is a restricted range of services and facilities (particularly limited are healthcare services and the capacity of Hanborough Manor School<sup>18</sup>).

The Local Plan identifies Long Hanborough as “only suitable for further modest levels of development to help reinforce its existing role.” This is to be realised through two site allocations and three residential schemes that are already on the way (including Hanborough Gate).<sup>19</sup>



**Figure 2: Map showing the location of Hanborough Gate development as well as the train station, supermarket and another nearby housing development by Bloor's – Hanborough Park.**

<sup>18</sup> The school is already planned for expansion from 2021 onwards (from 30 children per year group and 210 children in total to 45 children per year group and 315 children in total), which is expected to be sufficient for the housing growth permitted or in the Local Plan.

<sup>19</sup> The two allocation are Myrtle Farm (50 homes) and Oliver's Garage (25 homes). The already approved schemes are developments east of Church Road (50 homes), Hanborough Park (120 homes) and Hanborough Gate (169 homes).

### 4.3. The Initial Proposal

The proposal was originally put forward for housing development in 2014 by Pye Homes, who had an option on the land from BE (planning application Ref. 14/1234/P/OP). The proposal comprised of over 160 dwellings with 50% being affordable, which was in compliance with WODC planning policy for Long Hanborough. At that time the affordable housing was intended to be sold to a partner RP. The planning permission was refused due to the development's "failure to address the healthcare implications for the village." Following the inquiry held in February and May 2016, a new doctor's surgery was proposed on site in order to support the local healthcare services (so far predominantly met by Long Hanborough Doctors' Surgery).



**Figure 3: Indicative site layout from January 2015 showing the tenure mix – 84 market properties and 80 affordable properties.**

This decision had implications on the scheme's viability and following an independent viability assessment it was demonstrated that the scheme would only become viable if the affordable housing provision was reduced to 35%. WODC tried to challenge this argument throughout the inquiry mainly by questioning certain assumptions in the viability assessment, however, the council did not commission its own viability assessment. Furthermore, the council had previously accepted the 35% affordable housing provision on another site in Long Hanborough at Church Road. Based on these arguments, the developer's compliance with the council's request to provide healthcare facilities on site (namely the doctors' surgery) and the council's failure to demonstrate a five-year supply of deliverable housing sites, on the 4<sup>th</sup> July 2016 the decision was made to allow the development to move forward with the lower 35% figure for affordable housing (Appeal Decisions by Philip J Asquith).

As mentioned before, at the time of the inquiry, the West Oxfordshire Local Plan had not been adopted, and therefore, some policies described earlier were difficult to impose and eventually disregarded (e.g. policies related to custom build and self-finish).

#### **4.4. Evolution in line with the BE-WODC partnership.**

After obtaining planning permission, Blenheim in line with the new vision for the Estate's future began looking to retain the land and housing at Hanborough Gate. This included taking on the provision and management of the affordable housing and the addition of private rented housing. In December 2018, Blenheim acquired its development partner Pye Homes, who held the option agreements to several of their sites (including Hanborough Gate), allowing the estate to regain the ownership of these sites.

By taking on a role of a housing provider, BE was seeking to expand their portfolio, provide affordable housing for the local community, retain a particularly valuable asset that is land, all while making an acceptable return on their investment. BE already had experience in providing and managing housing for estate workers and they have since added to their capacity by employing a housing manager.<sup>20</sup>

BE therefore developed the 'legacy' affordable housing business model, already explained in section 3.1, which enables them to provide higher discounts on their affordable properties (40% compared to the usual 20% offered by Registered Providers).

At this point, WODC was keen to expand its affordable housing offer through alternative delivery methods and wanted to encourage the higher discounts offered by Blenheim.<sup>21</sup> The final arrangements for the scheme were specified in the S106 agreement and included:

- 35% of affordable homes offered at 60% of market rates (including S/O properties to promote affordable homeownership)
- local connection set as a requirement for prospective tenants, who are to be nominated by WODC (affordable rent) or through Help to Buy South (shared ownership)
- housing provisions for "local key workers", which includes workers in key local industries, teachers and health care providers<sup>22</sup>
- Assured Shorthold Tenancies of up to 5 year for affordable housing (allowing to review where tenants still fulfil the qualifying criteria and are still in housing need)<sup>23</sup>
- a set of arrangements to ensure that properties remain in Blenheim's ownership (no Right to Buy, right of first refusal when S/O properties come on market)<sup>24</sup>
- the possibility to flex properties in and out of the Estate's wider market portfolio according to the current needs (with the assumption that the total percentage of affordable homes does not drop below 35%).

Blenheim also made a decision not to become a Registered Provider in order to remain independent from government policy (e.g. Right to Buy) and keep the flexibility in arrangements with WODC.

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<sup>20</sup> Interviews with BE's representatives.

<sup>21</sup> Interview with WODC representative.

<sup>22</sup> The "key worker" definition is specified in S106 agreement and Deed of Variation as those in a relevant employment in the locality that advances education, relieves sickness, promotes public health, relieves charitable need, protects human life and property, promotes the sound administration of the law, advances other charitable purposes; or those employed by Blenheim Estate. The key worker provision is not to exceed 20% of affordable properties.

<sup>23</sup> The tenancy can only be terminated with the approval of WODC and with minimum of 12 month notice.

<sup>24</sup> Originally, BE intended to include a ceiling on the amount of equity available to purchase through shared ownership schemes but this has proven problematic as lenders would be reluctant to offer mortgages in these circumstances.





**Figure 4: Final layout and housing mix for the site.**

## 4.5. Phases

As of October 2019, Phase 1 and 2 of the development (consisting of 46 and 36 properties respectively) had been completed (Figure 5 and Figure 6) and Phase 3 (consisting of 15 properties, all affordable) is already on the way. The remaining two phases are expected to be completed by 2021 (Figure 7).

### SITE PLAN (PHASE 1)

**Please note:**

Further development of Hanborough Gate planned behind and to the left hand side. This will also include a new Doctors' surgery.



**Kensington:** Plots 44, 45

**Beechwood:** Plots 2, 3, 4, 6, 7, 16, 17, 34, 35, 36, 38, 43

**Guildford:** Plots 15, 33, 37, 39, 40, 41, 42

**Dashwood:** Plot 46

**Milton:** Plot 5

**Southmoor:** Plot 1

Properties retained by Blenheim Estate:

Numbers 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28

**Figure 5: Site plan for Phase 1.**



Pye Homes are proud to offer the exciting second phase of the already flourishing community at Hanborough Gate. With a variety of two, three and four bedroom homes to choose from, professionals, couples and families alike will find a home within this connected village community.



**Figure 6: Site plan for Phase 2.**



**Figure 7: Phasing plan for Hanborough Gate.**

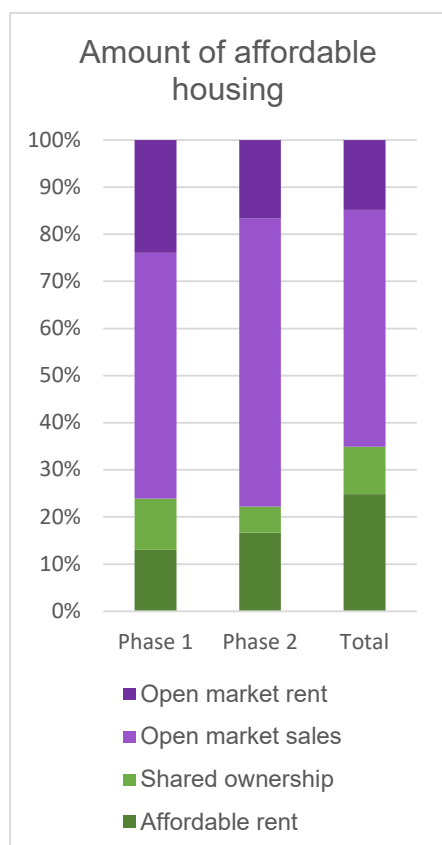


## 5. The Scheme in Practice

### 5.1. Number of Units and Tenure

The Hanborough Gate development will provide 169 units in total, 35% of which will be affordable (42 affordable rent and 17 shared ownership). 25 properties (15%) of the total will be retained by BE for market rent, leaving 85 (50%) for market sale.

Phase 1 of the development comprised of 46 houses (including 6 affordable rent and 5 shared ownership). Phase 2 comprised of 36 houses (including 6 affordable rent and 2 shared ownership).



**Figure 8: Amount of affordable housing at Hanborough Gate.**

As Figure 8 shows, the proportion of affordable properties in Phase 1 and 2 is significantly lower than the prescribed 35% and the ratio of S/O units to affordable rent in Phase 1 is significantly higher than the policy recommendations (1:2 recommended as a guide in the local plan, 1:1.2 at Hanborough Gate Phase 1). This was mostly due to the distribution of properties within the development's layout, but it has the potential to help with scheme's viability and cash flow issues.

The high proportion of open market and shared ownership units at the early stages of the development can help with the cash flow and make the scheme more viable.

BE also retained ownership of 11 open market properties in Phase 1 and 6 open market properties in Phase 2. They intend to keep 25 properties in total.



This approach gives the landowner some flexibility as they can either sell the PRS properties and cash in early or build up their own portfolio. They could also potentially sell the affordable properties to a housing association at any time, though this is clearly contrary to what Blenheim and WODC are trying to achieve through this partnership.

As mentioned before, the BE-WODC partnership also allows for flexibility in the housing mix and so the figures described above are not set in stone. As Blenheim retains the ownership of both affordable and PRS units, they can swap properties between their market rental (about 250 houses at the moment) and affordable portfolio according to the changing housing need.

It was also suggested that this would improve the build quality and management as flexing properties in and out means that affordable and PRS properties are interchangeable, and therefore have to be built and kept to the exact same standard.<sup>25</sup>

The BE-WODC approach gives the landowner more flexibility in managing their portfolio and at the same time ensures that the affordable housing offer stays adequate for the current housing need.

Some actors expressed concerns that this flexibility could lead to a reduction in the number of affordable homes or increase in rents,<sup>26</sup> despite the fact that the total number of affordable units is to remain at the agreed 35% minimum. However, these concerns are unsubstantiated as there are legal agreements in place between WODC and BE that protect against that (e.g. S106, Unilateral Undertaking, Deed of Variation).

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<sup>25</sup> Interview with WODC representative.

<sup>26</sup> Interview with WODC representative.

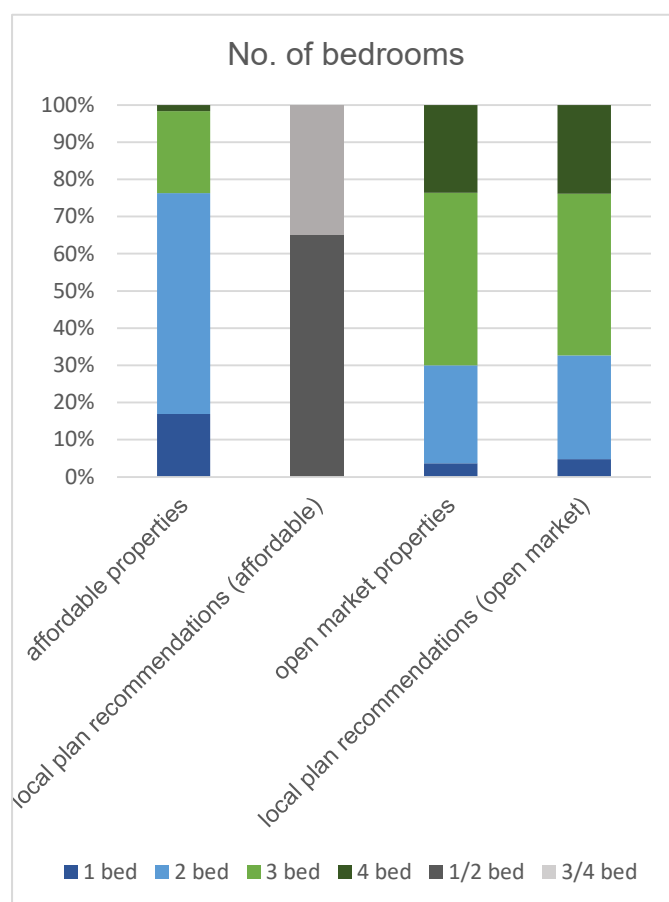
## 5.2. House Types and Sizes

The affordable part of the scheme is dominated by 2 bed properties (34) followed by 1 bed and 3 bed properties (11 and 13 respectively), and only one 4 bed property. These figures deviate slightly from the Local Plan recommendations as there is a higher share of 1/2 bed affordable properties (76%) than the recommended 65%.

The open market part of the scheme has a much higher share of 3 bed and 4 bed properties and much lower share of 1 bed properties, which corresponds very closely to the local plan recommendations (Table 1 and Figure 9).

**Table 1: Housing mix – number of bedrooms.**

	affordable	market	total
<b>1 bed</b>	11	5	14
<b>2 bed</b>	34	27	64
<b>3 bed</b>	13	49	63
<b>4 bed</b>	1	27	28
<b>total</b>	59	110	169



**Figure 9: Housing mix – number of bedrooms.**

### 5.3. Allocation Process

WODC uses an online choice-based lettings scheme HomeSeeker Plus in order to allocate their affordable properties. The scheme is run by the seven local authorities<sup>27</sup> in partnership with the majority of RPs operating within the Gloucestershire and West Oxfordshire area.<sup>28</sup>

HomeSeeker Plus classifies applicants into four bands (Emergency, Gold, Silver or Bronze) depending on their housing need (for full criteria please see Appendix D). Applicants then bid for properties they are interested in and the property is allocated to the bidder with the highest band and the oldest band start date. Some properties might have additional eligibility criteria, e.g. a local connection requirement (as it is in the case of Hanborough Gate).

At Hanborough Gate development, WODC was prevented from using HomeSeeker Plus due to other councils raising concerns about Blenheim Estates not being a Registered Provider. This is a requirement in the HomeSeeker Plus policy, which states that all properties advertised on the website have to be let by either one of the seven counties or a Registered Provider. WODC is currently working with its partners to rewrite this policy to include Blenheim Estates specifically as an approved landlord.

This change in policy will allow Blenheim Estates to use HomeSeeker Plus in the future but does not solve the issue for any other landowner who does not wish to become a Registered Provider. This should be sorted out in order not to waste time and resources on doing the allocations manually.

Due to these issues, the allocation at Hanborough Gate had to be done manually, which was more time-consuming and took about 5-6 weeks (nevertheless, all survey respondents said they were very satisfied with the allocation process).

The shortlisting process followed the same procedures as the ones stated in HomeSeeker Plus policy – the applicants were assigned into one of the four bands by WODC with those in the highest bands of housing need forwarded to Blenheim for final approval. The successful applicants at Hanborough Gate fell into Bronze and Silver categories, which mean that they generally were in less housing need than successful applicants from the rest of Long Hanborough and West Oxfordshire (see Table 2 and Figure 10). However, it has to be emphasized that no applicants within the Gold Band have been put forward by WODC. The SI06 gives BE the right to reject nominations, but the very few candidates who have been rejected did not fulfil the local connection criteria.<sup>29</sup> Also, since our survey at least two tenants with no paid income, relying solely on Universal Credit, have been allocated properties.

As of October 2019 one rented property and two S/O properties have been allocated to local key workers, along with one member of BE's staff (who went through the same allocation process as any other candidate).

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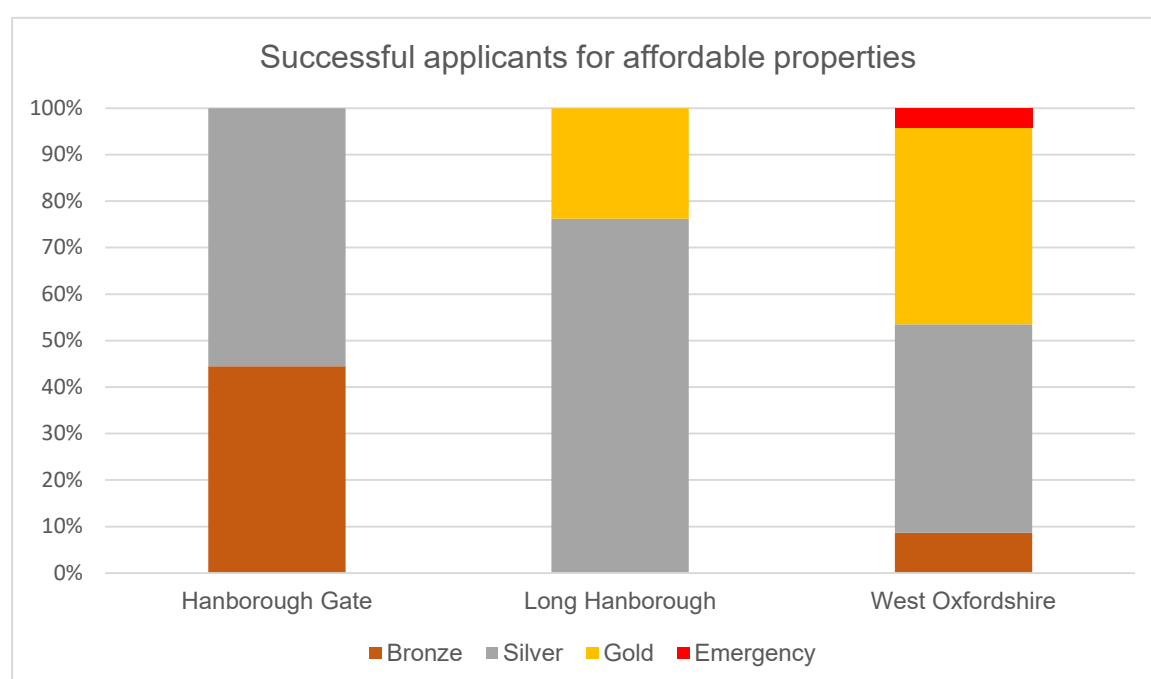
<sup>27</sup> Cheltenham Borough Council, Cotswold District Council, Forest of Dean District Council, Gloucester City Council, Stroud District Council, Tewkesbury Borough Council and West Oxfordshire District Council.

<sup>28</sup> HomeSeeker Plus Policy Document:  
<https://www.homeseeckerplus.co.uk/choice/uploads/GH%20Policy%2014.10.16%20homeseecker%20plus.pdf>.

<sup>29</sup> It is possible that allocating the properties manually rather than through HomeSeeker Plus and general unaffordability of the area resulted in fewer applications from tenants in higher bands.

**Table 2: Successful applicants at Hanborough Gate, Long Hanborough and West Oxfordshire according to housing needs band.**

	Hanborough Gate	Long Hanborough	West Oxfordshire
<b>Bronze</b>	4	0	31
<b>Silver</b>	5	16	160
<b>Gold</b>	0	5	151
<b>Emergency</b>	0	0	15



**Figure 10: Successful applicants at Hanborough Gate, Long Hanborough and West Oxfordshire according to housing needs band.**

The properties were advertised in the local press, on the WODC website (which seems to have been most effective, see Table 3), social media, and emailed to people from the local area who were already on the waiting list.

**Table 3: Survey results – How did you find out about the scheme? (Affordable rented properties only).**

**How did you find out about the scheme?**

HomeSeeker Plus	25% (1)
WODC website	75% (3)

In the case of shared ownership properties, Blenheim advertise the properties themselves (on rightmove.com and Help to Buy South) and then refer the prospective buyers to WODC, who confirm whether the candidates meet the local connection and / or key worker criteria. Help to Buy South, which is WODC's preferred agent, also collects information on applicants and confirms whether they qualify for a shared ownership scheme.<sup>30</sup>

In the residents' survey, one of the respondents said that application process for S/O scheme “seemed a bit disjointed (partly Blenheim, partly WODC)” and “clearer guidance” is needed. This is based on a single response, and therefore is not necessarily indicative of a recurring issue, but might still be worth looking into.

*Local ties*

Having in mind the local connection requirement, it is not surprising that according to our survey all respondents living in affordable or S/O properties moved from within Oxfordshire and 80% moved from within West Oxfordshire (Table 4).

Interestingly, strong emphasis on local ties is equally evident among owner-occupiers and PRS tenants. In total, only 18% of respondents had not previously lived in Oxfordshire (Table 5). This might suggest that these types of schemes have a potential to better address the needs of the local community both in terms of affordable and open market housing.

**Table 4: Previous living location (respondents from affordable and S/O properties only).**

**Where did you live before?**

Long Hanborough	20%
West Oxfordshire	60%
Oxfordshire	20%

**Table 5: Previous living location (all respondents).**

**Where did you live before?**

Long Hanborough	24%
West Oxfordshire	47%
Oxfordshire	12%
Other	18%

<sup>30</sup> Interview with WODC and BE representatives.



## 5.4. Rents and Prices

### Affordable Rent

During our research the level of rents and how they were arrived at was one of the main areas of concern, particularly for local representatives. There are two main issues; whether the levels as set are 'affordable' and how the rent levels were set. In this section we have explored these issues as far as possible, however, the data to allow rigorous comparisons is limited and therefore future monitoring is necessary.

The affordable rents at Hanborough Gate are set to be 60% of open market values estimated through an independent valuation following RICS guidelines (in this case conducted by Carter Jonas), which is the government's recommended approach for setting affordable rents and the procedures used by RPs when setting rents. Rents are £750 for a 2 bed property and £930 for 3 bed property. Rent increases are set at CPI plus 1 or 0.5% annually, again comparable with RPs. In addition, all residents of whatever tenure have to pay a £20 per month service charge for grounds maintenance etc.

The use of one assessment by an estate agent was questioned by some respondents on the grounds of the transparency of the process and its reliability and objectivity. However, MHCLG guidance on setting affordable rents does indicate that a RICS accredited body using the RICS red-book method is the appropriate mechanism to use and RP interviewees confirmed this is the method they use when setting rents and that they also use one valuation. This guidance also requires the inclusion of service charges in the total rent for this calculation which we understand has not been done in this case. For greater public confidence getting a number of valuations and using a non-market body such as the District Valuer, could go some way to countering potential criticisms, but is not strictly necessary. There were also some concerns raised when one private rented property was let at lower than the agreed market level, but BE say that this was an isolated incident needed to ensure the property was let quickly and does not represent a general trend. However, BE and their valuers are looking at changing some of the mechanisms by which the market rents on the 3 bed properties were set. This will, for example, account for the differences between the specifications of the open market and affordable rented properties and take in different comparators. This could bring the rents down on such properties moving forward.

The second major area of concern expressed to us were that the levels of rents were not affordable. Comparison to the lower quartile annual earnings in West Oxfordshire in 2018 (equal to £23 357), shows the affordable rents at Hanborough Gate constitute **38.5%** and **47.8%** of annual income for a 2 bed and 3 bed property respectively (ONS). A level of 30-35% of income is generally taken to be affordable. Rents for the 2 bed properties are within the LHA level and those for 3 bed properties only £10 above meaning that households on benefits can and have accessed them.

Furthermore, tenants seemed to be generally satisfied with the level of affordable rent, with only one respondent judging it below 4 (on a scale with 1 to 5) and 4.25 being the overall average (Table 6). By comparison, the average satisfaction with rent among tenants in the PRS was 3.75. In comparison to previous accommodation, current affordable rents were lower for 3 out of 4 respondents, while current private rents were higher for 3 out of 4 respondents.

**Table 6: Survey results.**

	<b>affordable homes</b>	<b>PRS</b>
How happy are you with the level of your rent? (scale 1 to 5)	4.25	3.75
Current rent higher than previous accommodation	25%	75%
What proportion of your income constitutes your rent?	52.33% <sup>31</sup>	37.67%

<sup>31</sup> Based on small data sample.

We also compared the affordable rent levels against affordable and market rents in Long Hanborough and the District to further assess affordability. Looking at private rents (Table 7) we were aware of concerns from local actors that private rented properties were being let at Long Hanborough below the Carter Jonas levels thereby suggesting a lower than 40% discount. However, while it is true that one 3 bed property was let in this way (leading to a 28% discount for affordable rents), as outlined above BE says this is a one-off situation to enable a letting and thereby ensure rental income. Leaving this property aside, the data indicated by rightmove.com suggests that 2 bed properties are at 65% of the agreed market rents set in 2018 and 3 bed properties at 74%. However, it has to be pointed out that the data is very limited and therefore these results might not be representative of the actual situation (65% value is based on comparison with 3 Blenheim PRS properties and 74% value is based on comparison with two other properties in Long Hanborough). Also, the existing housing stock in Long Hanborough may not be directly comparable with the new builds at Hanborough Gate.

**Table 7: Affordable rent at Hanborough Gate in relation to market rents in Long Hanborough and West Oxfordshire (data from rightmove.com).**

	Affordable rent at Hanborough Gate compared to market rents at		
	Hanborough Gate (Blenheim PRS rents)	Long Hanborough (non-Blenheim PRS rents)	West Oxfordshire
2 bed	65%	sample too small	86%
3 bed	72% (based on one property only therefore sample too small)	74%	85%

Samples are larger when we compare rents with the West Oxfordshire District as a whole. In comparison to the median market rents for the whole of West Oxfordshire (Valuation Office Agency), the affordable rent at Hanborough Gate is only 14% and 15% lower for a 2 bed and 3 bed property respectively (Table 7). This is a direct consequence of affordable rents being calculated based on local market prices with Long Hanborough prices being significantly higher than in West Oxfordshire as a whole (partly due to easy access to the railway station and proximity to Oxford). This could account for one of the survey respondents from the affordable homes claiming that the “level of rent does not reflect market rental value – more than 60%.”

Table 8 shows that in comparison to average affordable rents in Long Hanborough (data from HomeSeeker Plus), the prices offered by Blenheim are 6.3% and 4.1% lower for a 2 bed and 3 bed property respectively. Comparator rents include new build properties as well as re-lets. They are also higher than the average affordable rent in West Oxfordshire even at 40% discount (3.4% higher for 2 beds and 10.2% higher for 3 beds, see Table 8). Again, this is a result of higher market values in Long Hanborough.

One reason for this lower than expected difference with RP rents could be that in high value areas RPs may set rents in comparison with the Local Housing Allowance (LHA) and not 80% of the market as otherwise they would have difficulties letting properties. This suggests that legacy models would work better in lower value areas or that LHA could be used as a benchmark moving forward rather than market levels. LHA for 2 bed properties is £834 per month and for 3 bed properties is £997.27 per month.



**Table 8: Affordable rent at Hanborough Gate, Long Hanborough and West Oxfordshire (data from WODC).**

	<b>Hanborough Gate</b> (Blenheim rents)	<b>Long Hanborough</b> (non-Blenheim rents)	<b>West Oxfordshire</b>	<b>discount</b>	
				<b>vs. Long Hanborough affordable rents</b>	<b>vs. West Oxfordshire affordable rents</b>
2 bed	750	800	725	6.3%	-3.4%
3 bed	930	970	844	4.1%	-10.2%

WODC's general advice for the lowest income tenants who cannot afford the rent at Hanborough Gate is to look for social rent properties, which have significantly lower rents (see Table 9).

**Table 9: Social rents in Long Hanborough and West Oxfordshire (data from WODC).**

	<b>Hanborough Gate</b>	<b>Long Hanborough</b>	<b>West Oxfordshire</b>
1 bed	-	400	420
2 bed	-	468	480
3 bed	-	-	528
4 bed	-	-	567

Affordability seems to be the biggest issue even at 60% of market rent. WODC general advice for the lowest income tenants would be to look for social rent properties, which should be considered a necessary component of WODC's overall affordable housing offer.

### Shared Ownership

The price for S/O properties at Hanborough Gate is equivalent to the market value (determined based on valuation paid for by the tenants). The minimum buy-in is set at 40%, which is higher than usual but was necessary in order to make the scheme viable (also Blenheim is considering lowering this to 25% in the future). Four S/O properties have been sold so far and each buyer went for the minimum 40% share. The occupiers can buy up to 100% of equity on the condition that each transaction is between 10% and 25%.<sup>32</sup>

The higher than usual buy-in for S/O properties helps with the scheme's viability but also makes the properties less accessible.

The nearby Hanborough Park development by Bloor Homes also offers a shared ownership scheme but with the possibility to purchase a lower share (25% minimum). However, this is at the expense of annual rent, which is 0.25% higher than the one offered by Blenheim – the rent at Hanborough Gate constitutes 2.5% of unsold equity compared to 2.75% offered at Hanborough Park (see Table 10). The service charge set by Blenheim is also lower at £20 pcm, compared to £27 for Bloor Homes. This means that affordability in the longer term is improved.

**Table 10: Shared ownership scheme at Hanborough Gate and Hanborough Park.<sup>33</sup>**

	Hanborough Gate	Hanborough Park
full price	310000	302500
min. share	40%	25%
share price	124000	75625
rent pcm	387.5	520
annual rent	4650	6240
<b>rent %</b>	<b>2.50%</b>	<b>2.75%</b>

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<sup>32</sup> Each party is to cover their own legal fees (interview with BE's representative).

<sup>33</sup> Data for a 2 bed property as advertised by Blenheim (<https://www.helptobuysouth.co.uk>) and Bloor Homes (<https://www.shareto-buy.com/properties/49970/>).

### Open Market Sales

According to the survey conducted with residents, the main issue with the market prices at Hanborough Gate is the general unaffordability of the area itself. This was repeatedly mentioned by the survey respondents:

“moving out of the village would have been cheaper”  
“high price to stay in the village”  
“area is expensive - not exclusive to this development”  
“it was expensive, but I guess that's Oxfordshire!!”

At the same time, 75% of the respondents (6 out of 8) thought that the price they paid was competitive with other properties they had considered. Also, only one respondent seemed to be unhappy with the price.

The data from the Land Registry and rightmove.com also confirms that market prices at Hanborough Gate are very comparable to local market values. In comparison to other new-builds in the village (Table 11), semi-detached properties at Hanborough Gate sold for very similar prices, while terraced properties achieved slightly higher prices (possibly because all terraced properties at Hanborough Gate are 3 bed properties, which can generally be considered as relatively large).

**Table 11: Average prices at Hanborough Gate and Long Hanborough (data from the Land Registry for new-builds only sold since Sept. 2018).**

	Hanborough Gate	Long Hanborough
Semi-detached	£345 333	£348 407
Terraced	£354 778	£337 256

3 bed properties at Hanborough Gate sold for slightly higher prices than the Long Hanborough average, but this is understandable as the data for Long Hanborough includes resale values for existing housing stock (new-builds are usually expected to sell at a premium). The prices for both 2 bed and 3 bed properties were lower than at the nearby Hanborough Park development (

Table 12).

**Table 12: Average prices in the year 2017-2018 at Hanborough Gate (prices from the Land Registry), Hanborough Park (prices as advertised on Bloor Homes website) and Long Hanborough (prices from rightmove.com).**

	Hanborough Gate	Hanborough Park	Long Hanborough
2 bed	310 000	312 450	sample too small
3 bed	352 417	454 950 <sup>34</sup>	338 000

However, given the discussion at the beginning of the report, while these homes are providing much needed accommodation in the local area, they are not affordable to many local residents.

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<sup>34</sup> Relatively high value – possibly because of the size of the property (this was one of the larger 3 bed properties available at Hanborough Park).

## Conclusions

The data on affordable and private rents in Long Hanborough is very limited, and therefore, it is difficult to draw any definitive conclusions at the moment. The rent levels should be monitored regularly, and hopefully more meaningful analysis can be conducted once more data becomes available.

What is clear at this point is that affordable rents offered by Blenheim are indeed lower than those likely to have been provided by an RP through a traditional delivery mechanism.<sup>35</sup> However, the data does not allow us to say with confidence how much lower they are.

As indicated, there are concerns about rents at Hanborough Gate not being affordable for people on lower incomes, even at the lower rates set. This is caused by the unaffordability of the local area and is part of a bigger issue related to the method for setting rent levels, raising a question whether using market rents within the district as a benchmark, or taking a different indicator such as a proportion of local incomes, would be a better approach. However, these issues are not specific to Hanborough Gate and would apply to any scheme provided through an RP as well, with the likelihood that these would be even less affordable.

Blenheim is aware of the problem and is keen to find a way to address it in the future. Their approach is built around their strong links with local community and it is essential for them that rents are affordable to local people. One of the suggested solutions was introducing more diversity in affordable rent levels, i.e. rents ranging from 80% to as low as 40% of the market rent.

Blenheim's vested interest in the local community is one of the reasons why they are determined to provide housing that is affordable to local people. However, it should also be considered which of the following should take priority in WODC's affordable housing delivery – amount of affordable housing or rent levels (keeping in mind that some people on the waiting list rely solely on Universal Credit).

Some adjustments could also be made to the process of setting rents as suggested earlier to allay fears about lack of objectivity and transparency.

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<sup>35</sup> MHCLG guidance says that affordable rents should be at least 20% below market including the service charge. At Hanborough Gate tenants pay additional £20 service charge on top of their rent, which makes the final discount slightly less than 40%.

## 5.5. Tenancy Arrangements and Becoming an RP

BE has considered whether to become a Registered Provider, however, the advantages were limited (e.g. access to grant funding, which is difficult to get anyway) and they eventually decided against it in order to:

- keep flexibility in setting rent levels (RPs in receipt of grants from Homes England are usually required to charge 80% market rents)
- have the ability to swap units between tenures
- prevent leakage of affordable properties to the PRS (no Right to Buy, S/O arrangements)
- be able to impose a local connection requirement on S/O properties (which is not possible for an RP)
- avoid onerous registration and monitoring procedures
- stay accountable to WODC rather than Homes England.

This decision has a number of consequences, particularly for the shared ownership scheme and tenancy arrangements, and there are certain considerations that should be kept in mind.

### *Shared ownership scheme*

In order to prevent the shared ownership properties from leaking into the private market, BE originally planned to have a ceiling on the amount of equity available to purchase (i.e. 80% of equity). This turned out to be problematic as lenders are reluctant to offer mortgages in these circumstances (particularly on non-RP properties which are believed to involve more risk) and Blenheim has lost two applicants due to these issues.

Blenheim has even considered becoming an RP just for the S/O properties but eventually decided to change their S/O scheme and allow staircasing up to 100% of equity (with Blenheim retaining the right of first refusal to ensure the S/O units can be recycled as affordable properties).<sup>36</sup> This solved the issues with mortgage providers (Lloyds, Kent Reliance, and Nationwide) and four S/O properties are now occupied (out of 7 that have been already built).

### *Tenancy arrangements*

The proposed Assured Shorthold Tenancies of up to 5 year (with 12-month notice) can be considered a desirable solution as they allow to review tenants' circumstances and verify whether they are still in housing need and meet the qualifying criteria (e.g. local connection or key worker requirement). There is also no Right to Buy, which keeps properties affordable in perpetuity.

These arrangements are potentially in both WODC's and Blenheim's interest but can be a considerable disadvantage for the tenants. However, as part of WODC's wider affordable portfolio, Hanborough Gate offers a reasonable alternative for at least some tenants – giving up the Right to Buy and lifetime tenancy for a lower rent. In addition, according to the WODC this principle of making affordable housing not only cheaper, but also affordable forever, has met with support from the general public.<sup>37</sup>

Also, according to the survey so far the residents have been very satisfied with these arrangements (see Table 13).

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<sup>36</sup> Before a S/O property goes on open market BE has the right to buy it back for the price as advertised. If they pass on it, the seller can then sell it on the open market for the same price. If, for whatever reason, the seller decides to lower the price, they again have to offer it to BE first.

<sup>37</sup> Interview with WODC representative.

**Table 13: Survey results – how happy are you with your tenancy? (Based on 4 responses from affordable rent and 4 from PRS)**

	<b>affordable homes</b>	<b>PRS</b>
How happy are you with your tenancy (scale 1 to 5)?	5.00	4.25

Nevertheless, several WODC officers raised concerns about limited control compared to the regulations RPs have to follow. In this respect, it is important to make sure that the review procedures are transparent and properly monitored (e.g. through an appropriate service-level agreement between the landowner and WODC) and that prospective tenants are made aware of the consequences of accepting a shorthold tenancy. It is also important to note that the reviews will be carried out by WODC.

Not being a Registered Provider allows for a more bespoke approach governed by S106 agreements between BE and WODC. On the other hand, it creates difficulties with mortgage providers who are reluctant to lend on non-RP properties even in case of such a reputable and established landowner as Blenheim Estates.

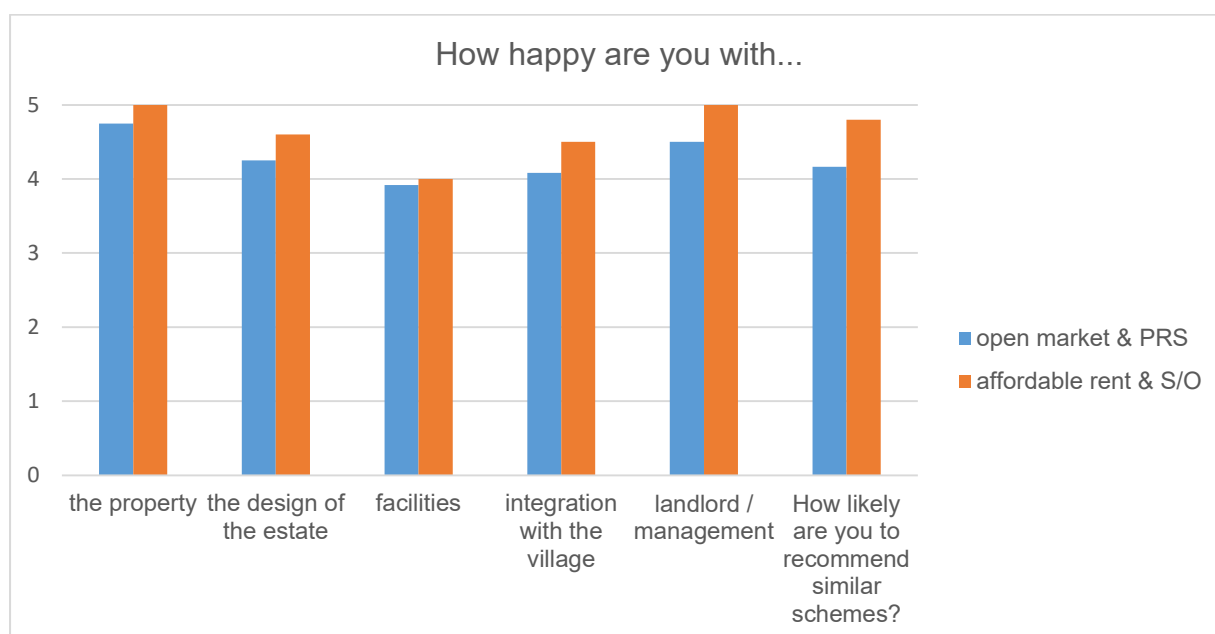
The partnership with Blenheim Estates is very promising and effective in no small part due to Blenheim's commitment to create a thriving local community and their understanding of the importance of housing affordability. This is also supported by the SLA and the S106. However, this also underlines the need to place such approaches within a broader strategic approach to affordable housing delivery mechanism as over-reliance on the good will of landowners may not be sufficient.

## 5.6. Other Issues

There are several additional issues that were not investigated as part of this study but should be given some considerations.

The management of the estate is one important aspect of the BE-WODC partnership that should be further monitored as the scheme progresses.

Blenheim believes that their position as the landlord will bring extra care to property management and there has already been instances when they went out of their way to provide additional assistance for their tenants (e.g. fitting household appliances and carpets free of charge).<sup>38</sup> This does not seem to come at a higher price as the service charge at Hanborough Gate is £20 pcm for all tenants and the residents seem to be extremely happy with their landlord as well, particularly the residents in affordable housing (see Figure 11).



**Figure 11: Survey results – occupants’ satisfaction.**

In terms of the design, Blenheim subscribes to the Prince’s Foundation’s guidelines (e.g. “Housing Britain – A Call to Action” Report) and is in the process of developing their own “legacy principles”, which set standards and aspirations for build quality and design. These include:

- architectural design complimentary to local character and providing a strong sense of place
- high quality public realm (incl. footpaths, cycleways and parking)
- use of locally sourced high-quality and long-lasting materials, using local suppliers and contractors
- use of design and community codes and covenants
- high energy efficiency and use of environmentally friendly solutions
- minimal negative impact on neighbouring residents.

However, this has had little bearing on this evaluation of the BE-WODC partnership as BE were not involved in the design process at Hanborough Gate (at the time when they bought Pye Homes it was already too late to influence the design of the development). Nevertheless, it is our opinion that in the future the design should be an important consideration, particularly having in mind the potential role that private landowners can play in promoting higher quality schemes.

<sup>38</sup> Interview with BE representative.

At this point, we can only comment on residents' views expressed in the survey. Based on 17 responses, residents seemed to be happy with the design of the estate and even more so with the properties themselves (Figure 11). People particularly appreciated the development being "open", "less packed-in" and having good transport links, and the properties having "good quality finish", "modern features" (e.g. built-in modem) and being spacious. The biggest issue for the residents seems to be parking and insufficient visitors' parking in particular. Other improvements that people wanted to see included more shops, more trees, more play areas, better lighting in shared access ways and more community involvement from neighbours.

Finally, residents also pointed out that the scheme could benefit from wider advertisement particularly that 6 of the respondents (35%) only found out about the development by driving past it or seeing it being developed.



## 6. Discussion and Conclusions

### 6.1. Introduction

In this section we discuss the extent to which the principles of the Blenheim-WODC approach could be used in partnership with other landowners to deliver affordable housing district wide. We do this firstly by reflecting on the nature of the BE-WODC partnership. We then discuss the possibilities and limitations of the approach on the basis of the evidence of the Long Hanborough scheme, before in the next section making suggestions about how it can be improved and built on in the future.

### 6.2. Is there a Blenheim Model?

There is a temptation to see the partnership approach as a 'good practice model' which could be extended to other sites and landowners in the district. However, when carrying out interviews we were struck by the number of people who, while recognising the innovative nature of the approach at Hanborough Gate, hesitated to call it a 'model' which could be followed in its entirety on other sites or by other landowners. This was for a number of reasons including;

- There is no one-size-fits-all-sites model possible as local circumstances (in terms of sites, landowners, local housing need and the policy context) may vary.
- The need to take account of the capacities of individual landowners. Blenheim is perhaps unique in combining landownership, house construction (through the acquisition of Pye Homes) and experience in managing relatively large numbers of rented properties. Other landowners may not have this range of capacity meaning that elements of the approach will need to be delivered in different ways.
- The fact that since the scheme was approved changes in the local and national planning policy context have occurred which will need to be taken into consideration.

That being said, it is possible to identify some key aspects or principles of the 'approach' which could form the basis of related schemes.

- I. A 'legacy' business model based on the bringing forward of land for housing development by private or charitable landowners and the provision of rented homes on the site (including affordable rent) which then stays in their ownership. Such sites might not otherwise be developed for housing and therefore would provide a valuable addition to housing provision in the District as well as enabling local landowners to benefit and work with their communities and gain long term rental income.
- II. The setting of some rents below the 80% of market rent usually charged by Registered Providers. This is enabled by not drawing on Homes England grants and, linked to this, the landowner does not become an RP.
- III. The ability to prioritise local connections through allocation processes and in setting aside a proportion of dwellings for key workers.
- IV. Arrangements to ensure shared ownership properties are bought back by the landowner, should they come on the open market, to retain the properties as affordable in perpetuity.
- V. Joint working with WODC through the negotiation of a S106 agreement at the planning stage and in the allocation of sub-market rental properties through HomeSeeker Plus.
- VI. The use of assured shorthold tenancies for up to five years in the first instance with the option of this being extended on review by WODC.

Other features which may be open to some landowners depending on their other land and residential holdings are;

- VII. The ability to transfer properties between tenures (within the limits of the agreed proportion of affordable homes) and for tenants to move to other properties owned by the landlord.
- VIII. The ability to include other functions performed by the landowner in the business model such as the marketing and management of properties to achieve a further reduction of costs and overheads.

In terms of widening the application of the approach, it is clear that there is interest from other potential partners particularly landowners and RPs. Further work is needed to identify the different ways in which legacy schemes, which retain the principles of the BE-WODC approach but may follow different delivery mechanisms suited to particular circumstances and partners, could be promoted. For example, these could include the long-term leasing of land to housing providers rather than landowners developing their own sites and then bringing in of RPs or others to manage properties. Careful consideration would need to be given to how such mechanisms would ensure value for both the landowner and their partners and the support that would be needed from WODC to enable further schemes.

### **6.3. Possibilities**

From the evidence gathered for this report on the Hanborough Gate Scheme it is possible to identify the following possibilities for affordable housing delivered through the partnership which could be extended by application to other sites.

#### *Affordability*

The ability to offer rents at below the 80% of market rent level usually provided by RPs in receipt of government grant is an advantage of this approach given the affordability issues in the District.

#### *Bringing Forward Sites Which May Not Otherwise Be Developed*

Landowners may be attracted by the opportunities provided by this approach to bring forward sites which would not otherwise be developed. This will add to the numbers of affordable homes provided in the District.

#### *Ability to Benefit Local Communities*

One of the most striking findings of our research is the fact that over 70% of those surveyed had moved from within West Oxfordshire and 30% from Long Hanborough itself (or had previously lived there). This, in conjunction with the local connection requirement in the allocation process shows the possibilities of such schemes to directly benefit local residents.

#### *Long-Term Stewardship, Scheme Quality and Social Infrastructure*

The fact that the landowner retains ownership of the land and has a direct interest in the long-term viability and success of the scheme, including rental income, has a number of benefits. Blenheim Estates reported that a commitment to the design quality of the scheme was part of their approach. In the case of Hanborough Gate, the fact Blenheim has retained both affordable and market rented properties means that there is some flexibility for properties to switch tenancy to ensure a fit between properties and households and to maintain a good flow of provision.

#### *Affordable Housing in Perpetuity*

The retention of land ownership and a stake in the scheme opens up the possibility that affordable homes will be affordable in perpetuity. Not being an RP means homes will not be subject to the Right to Buy should that be extended to all RP tenants. The arrangements for BE to have first option on shared ownership properties coming onto the open will also retain affordable properties.

#### *Adding to the Affordability Offer in the District*

The partnership approach adds another element to the affordable offer in the District. In particular, it provides rented accommodation to those who would not be able to afford rents at 80% and through the shared ownership provision helps those not able to afford full market price properties.

#### *Supporting Local Economies and Key Workers*

The 20% local essential worker provision has the ability to support local employers and will help in attracting and retaining workers in key local services.

#### *Resident and Community Satisfaction*

All of these factors come together to potentially increase the satisfaction of residents in the schemes themselves and in surrounding communities with such developments. Our survey indicates high levels of resident satisfaction with many aspects of the current Hanborough Gate scheme. If developments are provided in similar ways and residents are consulted in the process, there is the potential for more local support for developments.

#### *Synergies and Partnership Working Between the Public and Private Sectors*

There is the potential for cross-fertilisation of ideas and working practices between the public and private sectors in partnerships such as these. Working together also means that affordable housing can be brought forward in a less 'antagonistic' way than is often the case between developers and the council.

In addition, further possibilities can be identified which are not yet evident at Hanborough Gate due to timing and other issues. These include;

#### *Land Costs and Land Value Capture*

Land costs are one of the most expensive elements of any housing scheme and impact greatly on the viability of developments and therefore their ability to offer affordable homes. As the land in schemes using the partnership approach is being retained by the landowner and not sold to or optioned by a third party there is the potential for using a different approach to viability in considering these schemes, which could provide opportunities for more affordable homes or to further reduce rent levels. This was not possible at Long Hanborough given the initial intent was to sell the land, however, further details of how this might operate on other sites are set out in Appendix E.

#### *Other Sources of Finance*

Locally focused development schemes such as these have the potential to attract investment from non-traditional sources such as social bonds and community share offers. This could increase the capital available resulting in either more affordable properties or lower rents. Financing development through social bonds might not be a viable option for smaller landowners with a limited number of sites in their portfolio. District wide schemes, such as a Housing Bank for revolving funds set up by WODC, may be able to make this approach more transferable. Similar schemes exist in Cornwall and London.

Other sources of funding would require some changes from national bodies. The government's Community Housing Fund is currently only operating until 2020, but if extended could enable community partners, such as CLTs or co-housing groups to be added to the approach. The Oxfordshire Growth Board has responsibility for delivering homes across the County and has access to funding for affordable housing through Homes England. This currently does not cover schemes such as the WODC-BE Partnership.

### *Matching Affordable Provision to Local Circumstances*

Local housing need surveys may reveal needs for particular types of affordable homes which could then be catered for on sites brought forward in other partnerships. Many neighbourhood planning groups carry out such surveys and could be additional partners in the process (see below).

### *Linking with Other Forms of Affordable Housing Provision*

There is potential for including other forms of affordable housing provision in such schemes which would further diversify the offer of affordable homes. Some of these may be required by policy such as WODC's policy on custom and self-build (however, these policies do not always add to the affordable housing offer or easily fit into the legacy approach). Others including Co-Housing have the ability to target sections of the population, for example, households seeking to down-size.

Community Land Trusts, where land and property are held in community ownership, offer further potential to keep homes affordable in perpetuity. However, this diverges from the principle of the landowner retaining ownership and income, although leasehold agreements have been secured in other schemes.

In Parishes with Neighbourhood Plans or in the process of drawing up a neighbourhood plan there is potential for sites to be brought forward in site allocations or through related initiatives such as Community Right to Build Orders.

## **6.4. Limitations**

In addition to the possibilities outlined above our research has also shown some limitations which would need to be taken into consideration in extending the application of the approach.

### *Affordability*

Despite the setting of rents by BE at 60% of market evaluation the report has revealed concerns over whether these are 'affordable'. In part this is related to a national policy context which sets levels of affordability in relation to the market at whatever percentage point. Market levels are high in Long Hanborough because of the proximity to Oxford and the rail link to London. This then becomes reflected in rent levels. Partnership members are aware of this issue and suggest offering some properties below 60% rents on future sites. Alternative ways of setting affordable rent levels are also available which may be appropriate to the WODC area. For example, at the University of Cambridge's new development at Eddington accommodation is provided for university staff with monthly rents capped at one third of net household incomes.<sup>39</sup> The Greater London Authority has a policy which links the provision of Build to Rent accommodation by private landlords to a London Living Rent also set at 30% of net local incomes.

Despite the fact that the rents were set according to government guidelines and following the same procedures as an RP there is a perception among some respondents that this is not fully transparent and not maximising affordability. Some suggestions for providing greater assurance included using more than one estimate including from independent advisers such as the District Valuer which the partners may wish to consider. It should also be noted that BE and their valuers are looking to adjust the process they have used in the light of the experience of the first lettings to ensure the larger properties are in line with the market. This will include for example, taking account of the differences in specifications between the affordable and open market 3 bed properties which is likely to lead to a lower benchmark price<sup>40</sup>.

In terms of affordability of the shared ownership properties, comparisons with other shared ownership schemes show that on-going costs are lower. However, the 40% share entry-level (as opposed to the 25% available on other schemes) means that incomes need to be higher to access the properties in the first place. However, BE are already exploring the opportunity to offer lower entry-level shares on other schemes should the finances permit.

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<sup>39</sup> <https://www.insidehousing.co.uk/comment/comment/why-the-university-of-cambridge-is-stepping-in-to-build-affordable-housing-for-staff-55855>.

<sup>40</sup> Interview with Carter Jonas.

### *Allocations*

The differences between the allocation process with the WODC HomeSeeker Plus arrangements led to some initial difficulties and delays. As discussed above this was because changes had to be made to the agreement with partner Councils to allow a non-RP organisation to be included and in the initial absence of this applications had to be done manually. Hopefully, moving forward these issues will be resolved. However, WODC will need to consider how other potential partners can also be added to HomeSeeker Plus in advance of properties coming on stream should the approach be extended.

Initial data suggests those allocated affordable homes are less likely to be in the highest category of housing need than across the District as a whole. This is potentially linked to rent levels and the requirement for a local connection. In other parts of the country some local connection policies have been challenged on equalities grounds. Should similar schemes be rolled out across the District, WODC will need to monitor this situation to ensure the district housing offer caters for all categories of need.

### *Keeping Properties Affordable in Perpetuity*

In order to keep the shared ownership properties affordable in perpetuity the scheme originally proposed an upper limit of 80% equity share for shared ownership properties. However, lender requirements meant that staircasing up to 100% for shared ownership had to be allowed. Other, arrangements for ensuring affordability in perpetuity have been put in place with Blenheim having the right to bid to buy back the property before it goes on the open market, which again will need to be monitored to ensure their effectiveness.

### *S106 Agreements and Viability*

The need to provide a doctor's surgery at Long Hanborough at the time of the granting of planning permission and the negotiation of the S106 agreement contributed to the proportion of affordable homes on site falling below the Council's recommended levels of 50% which was reflected in the viability assessment. Going forward WODC will need to consider the balance between affordable housing and other community benefits on subsequent schemes brought forward under partnership arrangements.

Since the Long Hanborough scheme was agreed there have been changes to the viability process brought in by amendments to the NPPF which may enable more policy compliant schemes. WODC should monitor the impacts of these and how they can be reflected in their own practice. Nationally, debates are emerging about how to fully reflect the retention of land ownership in the viability appraisal mechanism as indicated in Appendix E. This is likely to result in work exploring in more depth whether there is a more appropriate viability methodology for legacy schemes, which could be of value moving forward and allow more headroom for affordable housing provision.

### *Tenancy Arrangements*

Some concerns were expressed to us about the potential impacts on transparency in decision making on policies such as setting rents and tenant rights where landlords are not RPs and therefore are not overseen by the Regulator of Social Housing. In addition, the review at five years under the assured shorthold tenancy could lead to some tenants being disadvantaged. With a landlord with a strong reputation such as Blenheim Estates this is less of a concern and the taking on of a dedicated housing manager also indicates the BE's commitment to service provision to tenants. However, this may not be the case with other landlords and some checks and balances in S106s and service level agreements will be needed.

### *Property Mix*

There is a need to ensure that the size and mix of affordable housing properties on partnership schemes matches Local Plan requirements and local housing needs.

### *Meeting District-Wide Affordable Housing Needs*

It is clear that the partnership with Blenheim Estates is very promising and effective in harnessing BE's commitment to create a thriving local community and their understanding of the importance of housing affordability to address the housing needs of some communities and households. However, all partners recognise that it cannot meet the full spread of affordable housing needs in the District and therefore has to be seen as an important strand within a wider strategic approach to affordable housing delivery.

## **6.5. Future Opportunities – Building on the WODC-BE Partnership**

The second question of the study addressed how the Blenheim-WODC partnership can be improved in the future to best achieve the stated aim of widening the affordable housing offer in West Oxfordshire and increasing access to low cost home ownership for local people.

Our findings are on two levels. Firstly, based on our current findings on the level of *individual schemes in the WODC-BE partnership and others coming forward* there are possibilities for:

- Providing a more varied spread of affordable rents on such schemes including at social rent, 60% and 80% of market rent
  - considering using other measures for affordability such as a percentage of net incomes, either at a household or area-based level
  - ensure a spread of property types and sizes within the affordable offer and potentially link these to a survey of local needs.<sup>41</sup>
- Continue to look into the possibilities of offering a lower initial share of shared ownership homes.
- Working with Prince's Foundation guidelines for landowner schemes particularly in relation to design, sustainability and social infrastructure.
- Exploring possibilities of tapping into other forms of capital funding such as community share offers and social bonds to further reduce rents or provide more affordable homes.
- Provide additional reassurances and checks that the government recommended mechanisms for benchmarking market rents through direct local market rent comparisons provided by estate agents is maximising affordability.
- Including other forms of affordable housing such as shared ownership, custom build and work with CLTs and NDPs.
- Developing model service agreements for potential landlords.
- Catering for particular groups (e.g. the elderly, young people) by adjusting affordable housing mix according to local needs.

As the implementation of the partnership approach is at its early stages there is also a need to monitor its evolution over the coming years to be able to answer some of the questions we have raised e.g. about tenancies which may require further adjustments to schemes moving forwards.

Secondly, there are strategic considerations for WODC in developing the approach further including:

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<sup>41</sup> Community First are currently carrying out a survey in Woodstock to inform the Local Infrastructure Plan and many neighbourhood plan groups conduct similar surveys which could provide localised evidence of need.

- Integrating such partnership approaches into the broad strategic approach to affordable housing delivery in the District.
- Look at other ways of providing affordable housing alongside and in connection with landowners as part of a broad AH offer, including custom and self-build (in line with WODC policies), community land-trusts and co-housing (such schemes could also increase the offer e.g. for downsizing households).
- Explore in more detail implications of the changes to viability assessments brought in by the 2018 NPPF amendments and keep abreast with work on arrangements for viability assessments when there is no transfer of landownership and / or land is held by charities. This could open up possibilities for more of the uplift in land-values to be used to provide affordable homes and community infrastructure.
- WODC could develop Supplementary Planning Guidance on schemes brought forward by landowners to provide clarity and guidance on these matters.
- District-wide alternative mechanisms for funding affordable housing in rural areas could be explored, for example the Housing Bank established in Cornwall.
- The 2031 West Oxford District Plan agreed in 2018 includes additional policies which were not in operation before the granting of planning permission for Hanborough Gate. These include provision for custom and self-build. In addition, the inclusion in the 2018 NPPF revisions of a new form of affordable rent – ‘Build to Rent’ – provides other opportunities for developments coming forward.
- WODC through its work on Neighbourhood Plans could explore the potential of the added planning powers of Neighbourhood Plans to work alongside landowners e.g. through bringing forward Community Right to Build Orders and allocating sites.

## 6.6. Conclusions

- The scheme undoubtedly adds to the provision of affordable homes in the District and shows how a committed landowner working in partnership with the District council can make a difference. As such it is to be welcomed.
- This is an approach / partnership that is working successfully to bring forward affordable housing. However, whether the word ‘model’ can or should be applied is debateable as this would apply a set approach while in reality the scheme is evolving and will be reviewed and refined as circumstances dictate.
- Nevertheless, there are key elements to the approach which will be transferrable to other sites and landowners with appropriate advice and support.
- There are many possibilities presented by the scheme including the provision of rents below RP levels, keeping housing affordable in perpetuity, providing benefits to local communities, delivering high quality schemes and widening the affordable housing offer in the District.
- There are also possibilities for developing the model further in the future in terms of attracting other sources of finance, addressing particular local housing needs and linking with other forms of affordable housing provision to widen its offer.
- However, there are some limitations evident, some of which are linked to wider housing policy and market constraints. These include questions over whether rents even at 60% of the market are affordable, the impact of viability on balance between low rents and affordable housing numbers and initial delays in the allocation process.
- Therefore, some trade-offs are evident in the scheme e.g. between community facilities and numbers of affordable homes
- This means that, notwithstanding the contribution of such schemes, they have to be seen in the wider context of a broad offer and a strategic approach within the District to meeting affordable housing needs, which can ensure their contribution is maximised while the full range of affordable housing needs are met. Such partnership schemes may provide an important strand within such a broad approach, but WODC is aware that they cannot be the only mechanism.

- The Hanborough Gate scheme is in the early stages of its development. It, and other similar schemes brought forward by BE or other landowners, will therefore need to be closely monitored to further evaluate its possibilities and challenges.

## 6.7. Recommendations

### *For future developments through the BE-WODC Partnership*

- Providing a more varied spread of affordable rents on such schemes including at social rent, 60% and 80% of market rent.
- WODC to further develop its work on 'rural living rents' linked to average lower quartile incomes as an alternative mechanism for bench-marking affordable rent levels to the market and to explore how it could work in such schemes.
- Offering a lower initial share of shared ownership homes.
- Exploring possibilities of tapping into other forms of capital funding such as community share offers and social bonds to further reduce rents and / or provide community facilities.
- Providing greater reassurance and transparency about rent levels.
- Continue to improve the allocations process.
- Moving forward there is a need to monitor schemes including
  - The operation of the lettings procedures in relation to local needs
  - The rent levels over time
  - The 5-year review period for tenants and other aspects of tenancy arrangements
  - Whether shared ownership homes revert to the private market or are retained for future shared ownership purchase
  - The flexibility between private (full market rented) homes and affordable rented
  - Tenant and resident satisfaction.

### *To Promote the Approach*

- WODC to consider setting up a wider Affordable Housing Network which would bring together landowners and other actors interested in progressing affordable housing provision in the District.
- WODC and BE to promote the good practice elements of this scheme and provide advice to other landowners.
- WODC to consider how other landowners may be included in HomeSeeker Plus in a shorter time scale should they come forward.
- Other landowners to actively explore the potential of adapting some elements of the BE-WODC approach in the bringing forward of sites with significant affordable housing provision.

### *Beyond the WODC-BE Partnership*

- The approach is in the early stages of development. It, and other similar schemes, will therefore need to be closely monitored to further evaluate possibilities and challenges.
- WODC to continue to consider how landowner-led approaches can be incorporated into a broad strategic offer of affordable housing provision in the District. This could also be included in Supplementary Planning Guidance on affordable housing provision.
- WODC and landowners to look at linking with other forms of affordable housing provision including Rural Exception Sites, Co-Housing, Community Land Trusts and custom and self-build as part of this broad offer.
- The potential of the added planning powers of Neighbourhood Plans to work alongside landowners e.g. through bringing forward Community Right to Build Orders and allocating sites should be explored.



- The Hanborough Gate scheme raises wider implications about the operation of viability assessments in legacy schemes. There is scope for further work locally and nationally to develop appropriate mechanisms.
- Potential funding sources such as the Growth Board / LEP or Community Housing Fund to seriously consider funding affordable legacy housing schemes such as the BE-WODC Partnership.

Approaches such as the BE-WODC partnership have the potential to significantly add to the provision of affordable housing and strong communities in the District. However, such schemes must be seen in the wider context of a broad offer and a strategic approach to meeting affordable housing needs. This will ensure their contribution is maximised while the full range of affordable housing needs are met.



## Appendix A: List of Participants

Organisations that contributed to this study:

1. Blenheim Estates
2. West Oxfordshire District Council
  - Planning Officers
  - Housing Officers
  - Prevention Officers
  - Cabinet Members
  - Ward Councillors
  - Paid Service
3. Parish Council
4. Registered Providers
  - Cottsway
  - Sovereign
5. Carter Jonas

## Appendix B: NPPF Affordable Housing Definitions

Affordable housing: housing for sale or rent, for those whose needs are not met by the market (including housing that provides a subsidised route to home ownership and/or is for essential local workers); and which complies with one or more of the following definitions:

- a) Affordable housing for rent: meets all of the following conditions: (a) the rent is set in accordance with the Government's rent policy for Social Rent or Affordable Rent, or is at least 20% below local market rents (including service charges where applicable); (b) the landlord is a registered provider, except where it is included as part of a Build to Rent scheme (in which case the landlord need not be a registered provider); and (c) it includes provisions to remain at an affordable price for future eligible households, or for the subsidy to be recycled for alternative affordable housing provision. For Build to Rent schemes affordable housing for rent is expected to be the normal form of affordable housing provision (and, in this context, is known as Affordable Private Rent).
- b) Starter homes: is as specified in Sections 2 and 3 of the Housing and Planning Act 2016 and any secondary legislation made under these sections. The definition of a starter home should reflect the meaning set out in statute and any such secondary legislation at the time of plan-preparation or decision-making. Where secondary legislation has the effect of limiting a household's eligibility to purchase a starter home to those with a particular maximum level of household income, those restrictions should be used.
- c) Discounted market sales housing is that sold at a discount of at least 20% below local market value. Eligibility is determined with regard to local incomes and local house prices. Provisions should be in place to ensure housing remains at a discount for future eligible households.
- d) Other affordable routes to home ownership: is housing provided for sale that provides a route to ownership for those who could not achieve home ownership through the market. It includes shared ownership, relevant equity loans, other low-cost homes for sale (at a price equivalent to at least 20% below local market value) and rent to buy (which includes a period of intermediate rent). Where public grant funding is provided, there should be provisions for the homes to remain at an affordable price for future eligible households, or for any receipts to be recycled for alternative affordable housing provision or refunded to Government or the relevant authority specified in the funding agreement.

## Appendix C: Residents Survey Results

### How did you find out about the scheme?

HomeSeeker Plus	25% (1)
WODC website	75% (3)

### Previous living location (respondents from affordable and S/O properties only).

Long Hanborough	20%
West Oxfordshire	60%
Oxfordshire	20%

### Previous living location (all respondents).

Long Hanborough	24%
West Oxfordshire	47%
Oxfordshire	12%
Other	18%

### How happy are you with the application process? (scale 1 to 5)

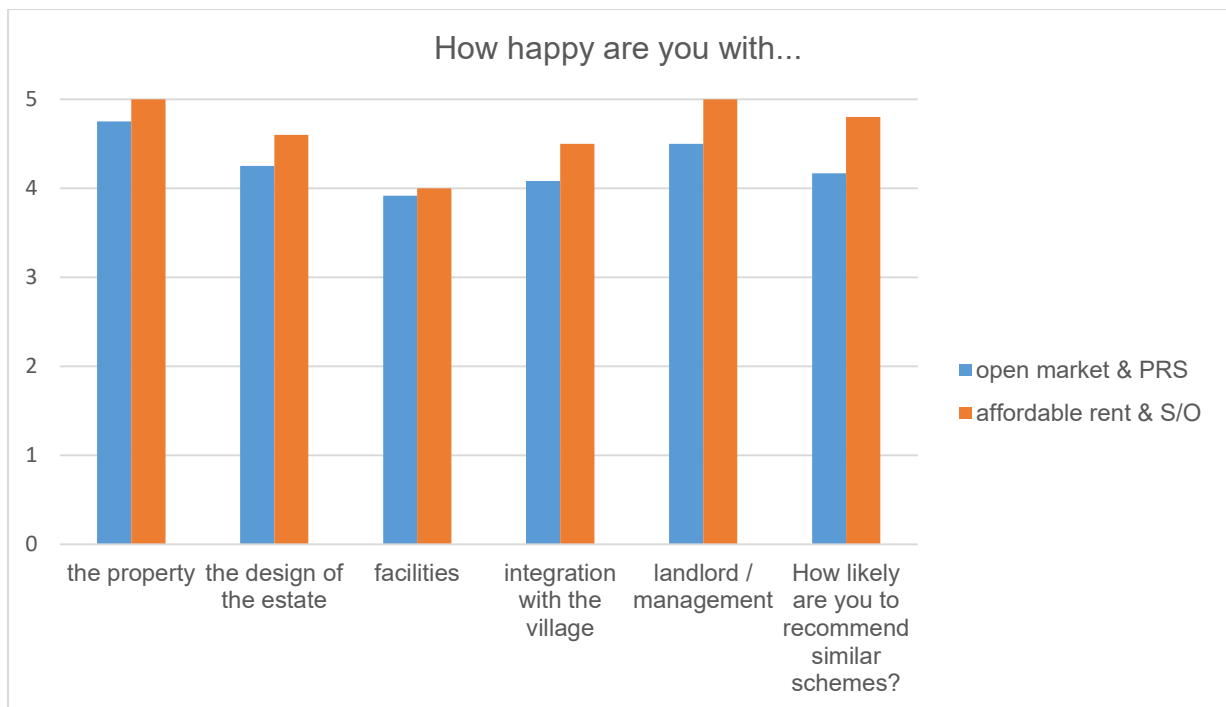
	average
Affordable rent	5.0
Shared ownership	3.0*

Shared ownership allocation: “seemed a bit disjointed (partly Blenheim, partly WODC)”; “clearer guidance” \*

\* Based on one respondent.

	affordable homes	PRS
How happy are you with the level of your rent (scale 1 to 5)	4.25	3.75
Current rent higher than previous accommodation	25%	75%
What proportion of your income constitutes your rent?	52.33%*	37.67%
How happy are you with your tenancy (scale 1 to 5)?	5	4.25

\* Based on small data sample.



#### Improvements suggested by respondents:

- more parking spaces, particularly for visitors
- more shops
- more trees
- more play areas
- better lighting in shared access ways
- more community involvement from neighbours

#### Residents' comments on prices at Hanborough Gate:

*"moving out of the village would have been cheaper"*

*"high price to stay in the village"*

*"area is expensive - not exclusive to this development"*

*"it was expensive, but I guess that's Oxfordshire!!"*

## Appendix D: Housing Needs Bands

	Property Size etc.	Property conditions (this only applies to the district where the Notice is made)	Homelessness (this only applies to the district where any duty is owed)	Medical/welfare needs	General
<b>EMERGENCY BAND</b>	Giving up family sized social rented housing in the County to move to smaller non-family accommodation	Where a property has been assessed by Environmental Services as causing an imminent risk of serious harm due to disrepair, major defects, inadequate facilities. e.g. Emergency Prohibition Notice served (Time limit 1 month)		Assessed as immediate need of rehousing on medical grounds OR Exceptional circumstances where there is a proven threat to life or limb OR Exceptional circumstances where the current property has a critical detrimental effect on their welfare (Time limit 1 month)	
<b>GOLD BAND</b>	Giving up family sized social rented housing in the County to move to smaller family sized accommodation based on local housing demand OR Major overcrowding – lacking 2 or more bedrooms OR Where a Prohibition Notice (or Suspended Prohibition Notice) has been served by Environmental Services due to overcrowding (Does not apply if already awarded gold for Homelessness)	Where a Prohibition Notice (or Suspended Prohibition Notice) has been served on a property by Environmental Services due to disrepair, major defects or inadequate facilities and the landlord is unable/unwilling to comply	Full Statutory Homelessness Duty accepted (Time limit 1 month)	Assessed urgent medical/welfare need or long-term disability that would be alleviated by a move to more suitable accommodation	Move-on from Supported Accommodation where a planned move is agreed by the relevant local housing authority OR As a result of a multi-agency decision agreed by the relevant local housing authority OR Left in occupation of social rented housing such as Succession where the household is required to move (Time limit 1 month)
<b>SILVER BAND</b>	Overcrowding – lacking one bedroom (Does not apply if already awarded silver for Homelessness)		Applications before 1 <sup>st</sup> April 2018 Homeless or threatened with homeless Applications after 1 <sup>st</sup> April 2018 Homeless prevention or relief duty owed or assessed as homeless after all homeless duties have ended.	Assessed significant medical or welfare need or long-term disability that would be alleviated by a move to more suitable accommodation.	
<b>BRONZE BAND</b>	All other Applicants				

# Appendix E: Note on Viability and Land Ownership

To: Dr Sue Brownill  
From: Professor Stephen Walker  
Date: 16<sup>th</sup> October, 2019

## Re: Note on Development Appraisal Methodology

### Development Appraisal Methodology Principles

The appraisal methodology is a cash flow based approach which is typically applied in appraising development schemes [whether large or small]. The methodology is a residual approach whether attempting to appraise a site's worth [i.e. residual land value estimate] or appraising the residual profit based on knowing the land price for the site.

Both approaches should express all the figures in today's prices, which is on the basis that the proposed development will take place now. In this respect, a discount rate is applied which is either based on the developer/promoters known opportunity cost of capital or [if not known] the market rate of interest<sup>1</sup> used in the appraisal.

Dependable development appraisal is based on transparency, the use of authoritative data inputs, and a verifiable audit trail regarding assumptions. These variable inputs determine the quality and reliability that can be placed on such appraisals.

It is always intriguing to know what land is worth. Economic theory informs us that use determines value. As land has to mediate the planning system, the specific policy parameters of each planning authority will therefore have a big and direct impact on the use of land and hence its value. Indeed, the NPPF [MHCLG, 2019a] reinforces this point by stressing that developers and landowners cannot contest viability if they, in setting land price levels, ignore not only the particular market conditions, the site's specific attributes, but the extant planning and housing policy requirements of an up-to-date local plan. Indeed, the tone of current policy guidance is embracing the notion that development should pay a "truer" and "fuller" costs of development; not requiring others to shoulder such burdens; and so these legitimate costs [of mitigation] should be amortised in local land values in the same way as abnormal costs and remediation.

### Development Process

**Speculative Development:** Development appraisals are typically conducted in circumstances where prospective developers/house-builders seek to buy land in advance of development and then build out their scheme on a speculative basis. In this circumstance, there are two elements of risk firstly on the purchase of the land and secondly on the build-out costs in generating the completed real estate assets. Such risks are rewarded by the pursuit and receipt of capital profit.

The internal logic of the appraisal methodology requires a developer's target rate of profit is set as an input; typically these are set at a rate of 20% of gross development value [GDV] [or 25% on All Costs] for the market homes and a rate of 5.66% of GDV [or 6% on All Costs] for the affordable homes – the latter being a proxy of a contractor's rate of profit. Case Law as well as national guidance [MHCLG, 2019a and 2019b] supports the application of differential profit rates, as they reflect different "market" risks.

Equally, it must also be recognized that as markets are subject to cyclical fluctuations – whether in terms of house prices or land values – so it should not be too surprising to affirm that booked profits of the house-builders has recorded a similar cyclical pattern [see FAME, 2019]. In the last three financial years, the major house-builders in the UK have been able to achieve super-normal profits – meaning that these are significantly higher than the assumed rates typically used in development appraisals! Recent, evidence [Morgan Stanley, July 2018; NAO, 2019] indicates that this is explained in two ways: firstly, the Government's Help to Buy scheme has artificially raised householder demand which in turn has resulted in higher transaction prices than would otherwise have been the case; and secondly, the major house-builders [in particular] are also able to

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<sup>1</sup> Havard, T. (2008) *Contemporary Property Development*, London: RIBA Publishing [2<sup>nd</sup> Edition]



benefit from significant economies of scale relative to the costs sums based on average prices drawn from BCIS, which helps to further raise their booked profits. This position of super-normal profits must then be placed against situations where these same house-builders are contesting viability by seeking a reduction from a local planning authority's affordable housing policy requirement.

**Retaining Development Interests:** Development also occurs where the landowner is also the developer and wishes to retain interests once development has been completed. Development in these circumstances alters the risk profile and hence alters the appraisal methodology that should be carried out. The first element of risk [i.e. that of the land] is discounted because the real property interest is retained by the present landowner and after development, they will in receipt of a stream of future benefits [rents; growth in rents; income from assets sold, ground rents and service charges]. To take account of this development approach, the appraisal methodology should be an income approach to valuation<sup>2</sup>, where the stream of future rent [now] is compared against the costs of creating the asset – such a measure is termed the return on capital employed. This is measured by dividing the annual rental income by the full costs of generating the completed asset [see Table 1, especially Column 3 for an example of the calculation].

Of course, if the landowner wishes to adopt a mix of rent and for sale, then the appraisal will need to adopt a hybrid of the two approaches, while still retaining ownership in the land through short or long term leases. Institutions that are likely to engage in these kinds of approaches to development might include:

- Traditional long term estate landowners;
- Universities;
- Registered Providers [e.g. housing associations, Community Land Trusts];
- Public bodies (e.g. NHS; MoD; local Councils).

In order to engage in such activities, these institutions will tend to establish wholly-owned bodies or operating entities, that in accounting terms separates the development project from the central purpose of the organisation or institution. If the institution/organisation has charitable status then this is a requirement of their operational status any case. Subsequently, the benefits arising from the development project are repatriated to benefit the ultimate owners. Indeed, this arrangement is adopted by most medium-sized and all the large national house-builders, where individual sites are placed in a wholly-owned subsidiary, where it serves as a "cost" as well as a "profit/loss" centre; after completion of development the subsidiary is dissolved.

To illustrate the differences in the appraisal methodologies, Table 1 displays anonymized data on a small residential scheme being considered by a charitable organisation that operates and owns a substantial landed estate. The following comments are prescient:

- **Development Option 1** involves selling the site with planning permission to a speculative house-builder. This is clean and risk-free in all respects, so long as the capital receipt of over £0.392m is acceptable to XE. The appraisal methodology is a typical residual land value estimate, where the developer's profit is an input.
- **Development Option 2** involves greater risks in terms of needing to finance, manage the build out and ultimately achieve sales. The rewards are relatively high being commensurate with such risks - i.e. over £0.571m or £0.651m depending on XE's opportunity of capital. The appraisal methodology is a residual profit appraisal, where land value is zero.
- **Development Option 3** involves retaining the site and renting out the 5 dwelling units which provides a stream of future rental income for XE. The appraisal for this option shows that the return on capital employed is 7.76%. Whether this is acceptable to XE depends upon their choice of the hurdle rate [i.e. of 6%, 8% or 13% which was used to evaluate results].
- **Development Options 4A and 4B** are a hybrid of Options 2 and 3. This option would allow XE to realise some capital profit [from the sold units] while receiving a future rental income stream on the retained units.

<sup>2</sup> As opposed to an appraisal where the asset must have vacant possession, which is the case for residential development being carried out by the typical speculative house builder

A number of additional comments relating to the specific risks of the options are included in Table 1 that merit further consideration since these trigger other matters regarding future obligations that might not be fully accommodated in the risk profiles adopted.

#### References

- BCIS [2019] *Average Build Prices and Tender Price Index*, Building Cost Information Services: RICS
- FAME [2019] *Financial Ratios, Financial Analysis Made Easy*: Bureau van Dijk
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- MHCLG [2019a] *National Planning Policy Framework*, HMSO, February 2019
- MHCLG [2019b] *Planning Practice Guidance for Viability*, HMSO, May 2019
- NAO [2019] *Help to Buy: Equity Loan Scheme – progress review*, Report of the Comptroller and Auditor General, National Audit Office, HC 2216, Session 2017-2019, 13<sup>th</sup> June 2019.
- Ratcliffe, J, Stubbs, M. & Keeping, M [2009] *Urban Planning and Real Estate Development*, London: Routledge Press [3rd Edition].

END

Professor Stephen Walker

TABLE 1: DEVELOPMENT OPTIONS	X-Estate [XE] sells land with PP to a developer [1]	Build Out the site by XE and sell each unit [2]	Build out the site by XE & retain all 5 units to rent at MV [3]	XE build out 40% of site & Retain 2 SD units to rent at MV [4A]	XE Build out 60% site & Sell the 3 Terraced units [4B]
EUV [£/ha]	£22,250	£22,250	£22,250	£22,250	£22,250
EUV + Premium [£/ha]	£247,500	£247,500	£247,500	£247,500	£247,500
LV with PP [£/ha]	£1,706,787	£0	£0	£0	£0
LV with PP [£/lump sum]	£392,561	£0	£0	£0	£0
GDV	£1,490,566	£1,356,154	£0	£0	£858,325
Capital Profit	£298,113	£571,361	£0	£0	£365,665
Capital Profit as a % of GDV	20.00%	42.13%	£0	£0	41.55%
Capital Profit as a % of All Costs	25.00%	72.80%	£0	£0	71.10%
Gross Rental Income [pa]	void	void	£58,240	£19,760	void
Total Build Out Costs [£]	£1,192,453	£784,793	£750,754	£306,588	£492,660
Return on Capital Employed [%]	void	void	7.76%	6.45%	void
Hurdle Rate [%]	void	void	6% or 8% or 13%	6% or 8% or 13%	void
Realised Gain	on the land only	<ul style="list-style-type: none"> <li>Capital Profit is inclusive of land value</li> <li>Capital Profit on Build Costs</li> </ul>	<ul style="list-style-type: none"> <li>purely through the income stream arising from market rents</li> <li>Upward rent reviews</li> </ul>		<ul style="list-style-type: none"> <li>Capital Profit is inclusive of land value for the 3 Terraced units sold</li> <li>Capital Profit on the Build Costs of the 3 sold units</li> </ul>
Risks	Very Low	Higher risks but reflected in higher returns	Continued management & maintenance on the 5 retained units	Continued management & maintenance on the 2 retained units	
	Developer could revise or put in new planning application	Loan requirements	Loan requirements	Loan requirements	Loan requirements
		Cost Overruns	Cost Overruns	Cost Overruns	Cost Overruns
		Ties up own capital	Ties up own capital	Ties up own capital	Ties up own capital