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| Report to                     | <b>Policy &amp; Resources Committee</b>   |
| Date                          | <b>24 May 2018</b>  |
| By                            | <b>Major Planning Projects and Performance Manager</b>  |
| Title of Report<br>(Decision) | <b>Affordable Housing – Recommendations Arising From the Affordable Housing Task and Finish Group</b> |

**Recommendation: The Committee is recommended to:**

- 1) Consider the recommendations arising from the Affordable Housing Task and Finish Group**
- 2) Agree that these recommendations, subject to any comments, be reported to NPA for approval and subsequent implementation**

**I. Introduction**

- I.1 The affordability of homes in the Park is very limited for those on middle or lower incomes as the South Downs has some of the highest ratios of house prices to incomes in the country. This has worsened in recent years as house price growth has outpaced earnings and house price growth in the National Park has exceeded that seen both nationally and regionally. In 2016 lower quartile house prices in the National Park were 11.08 times lower quarter earnings, compared to 7.72 nationally and 9.43 for the South East (2017 Housing and Economic Development Needs Assessment).
- I.2 The Submission Local Plan estimates that the need for affordable housing in the Park is approximately 293 dwellings per year. As can be seen from the table below, the actual delivery of affordable housing in the Park is considerably below the required need, in common with elsewhere in the South East. In recent years there has also been a reduction in affordable housing delivery across England.

| <b>Financial Year</b> | <b>Number of dwellings</b> |
|-----------------------|----------------------------|
| 2011/12               | 71                         |
| 2012/13               | 12                         |
| 2013/14               | -1                         |
| 2014/15               | 68                         |
| 2015/16               | 35                         |
| 2016/17               | 10                         |

Net affordable homes constructed in the National Park (Source: 2017 Annual Monitoring Report)

- I.3 The consequences of a lack of affordable housing in the Park are severe and include:
  - More people struggling to meet the rising cost of home ownership or private rent; impacting on quality of life or forcing people to move away from family networks and communities
  - Younger people are discouraged from remaining in or settling in the National Park. This is a barrier to economic growth as well as likely to lead to service reductions.

- Key workers are ‘crowded out’ of the Park
- Growing inequality and the risk that the National Park becomes a home just for those on higher incomes
- Growing overcrowding, involuntary sharing and homelessness
- A lack of affordability is expected to lead to more traffic movement and congestion as workers are forced to commute in from outside the National Park
- Although less acute than in other National Parks second homes and holiday lets accentuate housing pressures

1.4 Given the importance of this issue, and building on the work previously carried out by the Authority, Policy and Resources Committee approved the reconstitution of the Affordable Housing Task and Finish Group on 21 November 2017. The Task and Finish Group was assisted by an independent housing expert, Professor Peter Roberts OBE, and this report sets out the Group’s recommendations.

## 2. Policy Context

2.1 The National Park Authority has a statutory duty to seek to foster the social and economic well-being of the local communities within the Park in pursuit of our statutory purposes. Although the Authority is the Local Planning Authority it is not the Housing Authority and the duties and powers of a Housing Authority (including obligations in respect of homelessness) are held by the constituent local authorities within the National Park.

2.2 The English National Parks Vision and Circular (DEFRA, 2010) states that housing growth in National Parks should be primarily focused on affordable housing. The Partnership Management Plan (PMP) includes a desired outcome that communities and businesses become more sustainable with an appropriate provision of housing to meet local needs and improve access to essential services and facilities. The PMP also seeks the creation of more balanced communities, recognising the challenge of higher than average house prices for those on low incomes and for young people and young families. The focus of both the PMP and the emerging South Downs Local Plan is to provide for the affordable housing needs of local people.

### Affordable housing definition

2.3 There is no statutory definition of affordable housing but the most widely used definition, adopted for this project, is taken from the National Planning Policy Framework (2012):

*Social rented, affordable rented and intermediate housing, provided to eligible households whose needs are not met by the market. Eligibility is determined with regard to local incomes and local house prices.*

2.4 Social rented accommodation is provided at the lowest cost to the tenant with rental levels around 50-60% of open market rents. Rents are determined through the national rent regime and this type of housing is generally owned by local authorities and ‘registered providers’ such as Housing Associations. Affordable rent was introduced by the Coalition Government and requires rents of no more than 80% of local market rent. Given the ratio of house prices to incomes set out in paragraph 1.1 above affordable rented accommodation in the Park is still relatively expensive.

2.5 Intermediate housing is that provided for sale or rent at a cost above social rent but below market levels. Examples include shared ownership and shared equity schemes.

## 3. Measures already implemented

3.1 The Authority has already implemented a number of actions designed to increase the delivery of affordable housing, as set out in the table below.

| Implemented measures  | Comments                                 |
|---|--|
| Providing priority pre-application planning advice for affordable housing schemes | This has been in place for several years |

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|--|--|
| <p>The imposition of viability review mechanisms secured through Section 106 legal agreements. This applies where a below development plan policy affordable housing offer is made and, after independent third party assessment, accepted based upon viability and current market conditions.</p> <p>This ensures that if a planning permission is not built out within a specified period of time viability (and the proportion of affordable housing a scheme can support) will be reassessed in the future to take account of market conditions experienced at that time. This helps capture, toward affordable housing, any future increase in the sales values of open market dwellings.</p> | <p>Implemented in Summer 2017</p>  |
| <p>Approach Lord Gardiner to volunteer SDNPA involvement in an Advance Land Purchase Scheme (a revolving land bank as noted in DEFRA's 25 Year Plan)</p> <p>A revolving land bank would require set-up funding from Government. The aim of a rural land bank (which in time could be self-financing) would be to try and reduce the time taken from site acquisition to the delivery of affordable homes.</p>  | <p>Letter sent late March 2018. No response received at the time of writing.</p> |

#### 4. Options available to the Authority to increase the delivery of affordable housing

4.1 A [Strategy Paper](#) was produced to assist the Task and Finish Group. This explained and evaluated the options available to the Authority to try and increase affordable housing provision and a detailed explanation of the advantages and disadvantages of each option are set out in this Paper. The options, with a brief summary of their applicability to the SDNPA, are considered to be (in ascending order of the general level of involvement and direct intervention required by the Authority):

- 4.1.1 Standard Local Authority Planning role – maximising the delivery of affordable housing through the use of the planning system only.
  - i. The Authority is already attempting to maximise the delivery of affordable housing through the planning system. This includes through the emerging Local Plan (with stringent requirements for affordable housing), through the prioritisation of pre-application planning advice on affordable housing schemes and through the use of review mechanisms on planning permissions to ensure that any future improvements in the viability of development schemes help deliver additional affordable housing. However, although the use of review mechanisms may accelerate the delivery of housing (and this is a benefit in itself) it does little or nothing to reduce the cost of housing provision.
- 4.1.2 Contributing Section 106 funding toward the development of rural exceptions sites and sites led by community led housing initiatives (usually Community Land Trusts) – helping to subsidise the delivery of these sites that might not otherwise be financially viable.
  - i. This option holds significant advantages for the Authority as the affordable housing provided on such sites is affordable in perpetuity (and is exempt from the Right to Buy initiative) and, unlike many other types of affordable housing, therefore represents a permanent addition of affordable housing in the Park. It also supports housing initiatives led by communities and is capable of supporting small development sites right across the Park, not just in the towns where the provision of affordable housing tends to be focused

now. It also helps to support the emerging Local Plan policy that requires 100% affordable housing on rural exceptions sites.

- ii. The Authority has available (and likely future) Section 106 funds for affordable housing that it could help deliver an extra 20 affordable homes per year in the Park by making a grant available of between £10,000 and £30,000 per affordable dwelling. The exact grant would be dependent on the viability of each scheme but the grant would be focused on helping to deliver schemes of 100% affordable housing with a secondary aim being to use the grant to improve affordability and reduce rent levels.
- iii. There would be no direct cost to the Authority associated with this option as all funding would come from Section 106 receipts held by the Authority for the purposes of affordable housing. There is considered to be a potential pipeline of 20 affordable dwellings per year that are likely to come forward through rural exception sites and Community Land Trust sites. SDNPA has knowledge of these sites and will help find further sites, including through our pioneering work on Whole Estate Plans. There is optimism amongst our partners that the proposed SDNPA S106 grant will help deliver affordable housing in the National Park.

4.1.3 Affordable Housing Enablement Service – a professional advice service to advise landowners, developers and local communities on affordable housing delivery in the National Park from start to finish.

- i. After consideration this has been discounted as it replicates the existing work of others; including Hampshire Action for Rural Housing, Action in Rural Sussex and the existing District Rural Housing Enabling Officers who have the necessary, focussed expertise that SDNPA currently does not (for example on taxation issues). This option would incur set up costs and it is not proven that we would have more success than existing, better qualified, mechanisms. It would also have a distraction effect, diverting attention from core National Park business.

4.1.4 Equity Stake Investment - the Authority could use its Section 106 funds to purchase an equity stake in shared equity affordable housing units provided by an affordable housing provider. Once the dwelling is sold or the occupier increases the share of the property they own (known as 'stair-casing') the Authority financially benefits from any uplift in value as a result of house price inflation.

- i. This model could generate financial returns for the Authority but it is questionable whether any additional affordable housing is actually delivered as Housing Associations can access other sources of finance. This option is generally not used to support the cheapest form of affordable housing (social rent) and any affordable dwellings are not guaranteed to be affordable in perpetuity, unless constructed on rural exceptions sites. It would take effort to develop and manage this model but it would not add significantly to the stock of affordable housing.

4.1.5 Purchasing our own affordable housing or building our own affordable housing (direct commissioning) - procuring, building and maintaining our own affordable housing through Section 106 monies or through finance

- i. Legally the National Park could deliver its own affordable housing and provided that the Authority created or used a separate entity (either through the South Downs National Park Trust or another company specifically created for the purpose) the affordable housing would be exempt from the Right to Buy initiative.
- ii. Whilst this option would generate a long term income stream for the SDNPA, Section 106 funds are sufficient to build or purchase only approximately 2 affordable dwellings per year. Providing greater numbers

than this would require the Authority to take on debt finance, an option not recommended by the Task and Finish Group. The Authority also does not currently have the core staff expertise to pursue this option and whilst such services could be bought in costs would be high in relation to the relatively low levels of delivery and, as a consequence, the cost per dwelling would be higher than is desired. There would also be an associated distraction cost from existing National Park business.

## 5. Recommendations

- 5.1 The Affordable Housing Task and Finish Group consider that the Authority should continue with full implementation of those measures already introduced and set out in section 3 above. The Task and Finish Group also make the following recommendations to maximise affordable housing delivery in the National Park. These recommendations can all be delivered with existing staff resource.

| No. | Recommendation  | Comments/Timing  |
|-----|---|--|
| 1   | <p>Support the delivery of affordable housing on rural exceptions sites and through community led housing initiatives (e.g. CLTs, Community self-build) through the targeted use of Section 106 monies held for the delivery of affordable housing.</p> <p>Target, through this initiative, the delivery of 20 affordable dwellings per year by making grants of £10k-£30k per affordable dwelling available. Exact grant to be awarded based upon scheme viability.</p> <p>The focus of the grant will be to deliver sites for 100% affordable housing and whilst all affordable dwellings on such sites would be eligible social rented homes will be prioritised. A secondary purpose, where possible, will be to try and improve affordability (reduced rent levels).</p> <p>SDNPA would create framework agreements with housing providers to help us deliver these affordable homes. The SDNPA will produce a simple statement on our design and sustainability expectations to ensure the provision of high quality homes and to reflect our landscape led approach to design.</p> | Requires Policy and Resources Committee and NPA approval.  |
| 2   | <p>Explore, with affordable housing providers, opportunities for the submission of joint funding bids to the Government's Community Housing Fund.</p> <p>The Community Housing Fund is a Government initiative to increase the supply of new homes through community led housing initiatives. It awards £60m of funding per year.</p>   | Currently being explored – awaiting publication of bid criteria by the Government                |
| 3   | Through the Neighbourhood planning and Whole Estate Plan workstreams together with efforts with other significant landowners such as the public sector proactively work to identify appropriate sites for affordable housing.   | All Neighbourhood Plans and WEPs currently being worked on, excepting those in the final stages. |
| 4   | Publish viability appraisals submitted by developers in support of planning applications. Also publish the (SDNPA commissioned) third party report and assessment of these viability appraisals   | Summer 2018  |

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|---|--|----------------------------------|
| 5 | Secure specialist legal advice on planning applications for strategic sites that incorporate particularly complex or significant affordable housing issues<br><br>Affordable housing is a specialist legal field and SDNPA needs expert advice to ensure that the best possible affordable housing deal is secured. The cost for this should be recovered from the applicant as a reasonable legal expense.  | Summer 2018                      |
| 6 | Progress the South Downs Local Plan<br><br>The Submission South Downs Local Plan has strict policies for the provision of affordable housing, seeking 50% affordable housing on larger sites and requiring financial contributions towards off site affordable housing at just 3 dwellings. The emerging Local Plan also requires 100% affordable housing to be provided on rural exception sites.   | Scheduled for adoption late 2018 |
| 7 | Produce and publish an Affordable Housing SPD<br><br>An Affordable Housing SPD will allow SDNPA to set out clear guidance in relation to the implementation of Local Plan policy, including how the assessment of viability appraisals will be carried out and what such assessments must include together with when and how viability review mechanisms will be used. It is also expected that it would enable SDNPA to impose a review mechanism based on actual Land Registry sales values once a development scheme is nearly (e.g. 75%) complete. A similar approach is being pursued by the Mayor of London. | March 2019                       |

## 6. Next steps

- 6.1 Subject to any comments received and subject to the approval of Committee it is proposed to report these recommendations to NPA on 3 July.
- 6.2 If approved officers intend to implement the recommendations in full, excepting the Affordable Housing SPD, by the end of September 2018 and would conduct a full evaluation of the effectiveness of the measures after 12 months.

## 7. Other Implications

| Implication   | Yes*/No  |
|---|--|
| Will further decisions be required by another committee/full authority? | Yes – subject to comments received and the agreement of the Policy and Resources Committee it is proposed to report these recommendations to NPA on 3 July 2018.   |
| Does the proposal raise any Resource implications?                      | No - the recommendations put forward here (including the disbursement of Section 106 funds) can be delivered using existing staff resources. Where specialist legal advice is sought on affordable housing on significant developments the Authority would seek to recover this cost from the applicant. |
| How does the proposal represent Value for Money?                        | Section 106 contributions are proposed to be used to help deliver affordable housing – increasing affordable housing delivery at no direct cost to the Authority.  |
| Are there any Social Value implications arising from the proposal?      | Yes – the provision of affordable housing has important social benefits.   |

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|---|--|
| Have you taken regard of the South Downs National Park Authority's equality duty as contained within the Equality Act 2010? | Due regard has been had to the Equality Act 2010. The Authority's obligations under this Act will be delivered through the authority's partners in the provision of affordable housing, and a requirement that delivery partners take the necessary steps to satisfy the Authority's additional equalities duties under this legislation as part of any grant funding agreement. |
| Are there any Human Rights implications arising from the proposal?  | None   |
| Are there any Crime & Disorder implications arising from the proposal?  | None   |
| Are there any Health & Safety implications arising from the proposal?   | None   |
| Are there any Data Protection implications?   | None   |
| Are there any Sustainability implications based on the 5 principles set out in the SDNPA Sustainability Strategy:           | The provision of affordable housing provides significant social benefit and delivers benefits to the economy. It therefore accords with the aims of the Authority's Sustainability Strategy.   |

## 8. Risks Associated with the Proposed Decision

| Risk   | Likelihood | Impact | Mitigation   |
|--|------------|--------|--|
| Section 106 funds held by the Authority must be spent within a reasonable timeframe or they have to be returned to the developer   | Low        | Medium | Spend the S106 funds held for the purposes of affordable housing on affordable housing promptly – and always within 10 years of receipt. |
| Affordable housing provided on rural exception sites or through community led housing initiatives becomes eligible for the Right to Buy initiative; potentially removing them from the stock of affordable dwellings | Low        | Medium | This is not current government policy but if it were proposed the SDNPA would seek to influence government decision making.              |

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Appendices  
SDNPA Consultees Chief Executive; Director of Countryside Policy and Management;  
Director of Planning; Chief Finance Officer; Monitoring Officer; Legal  
Services, Business Service Manager  
External Consultees None  
Background Documents [Strategy Paper - Affordable Housing Delivery](#)