



POSITION STATEMENT of the South Downs National Park Authority

MATTER 9 – Affordable housing

DATE: November 2018

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Issues to include:

- a. the affordable housing target with reference to viability and incentive as related to other planning constraints of housing mix and energy efficiency,
- b. consistency with national policy thresholds,
- c. availability of agencies for practical provision of affordable housing,
- d. desirability of rural exception sites to include some market housing.

KEY DOCUMENTS for cross-reference:

- Whole Plan and Affordable Housing Viability Report (BNP Paribas Real Estate, 2017) (Core 13)
  - Affordable Housing Background Paper (SDNPA, 2018) (TSF 12)
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I. Introduction

I.1 This Position Statement responds to the Inspector’s issues a. to d. set out in Inspector note INSP.4. It updates and supplements the Affordable Housing Background Paper (TSF 12) and relevant the core documents.

I.2 As set out in the background paper (TSF 12 paragraphs 5.1 to 5.18), there is a pressing need for increased affordable housing in the villages and towns of the National Park. The HEDNA provides evidence that there is an objectively assessed need for 293 additional affordable homes per year – well over 50% of the objectively assessed need (TSF 08, Table 20 and paragraphs 6.1 to 6.17). It also evidences strong market signals suggesting that housing affordability is particularly acute in the National Park (TSF 08, paragraphs 5.51 & 5.52).

I.3 The latest Lloyds Bank analysis confirms that the South Downs is the second least affordable National Park in the UK, with an average house price to earnings ratio of 14.9. It also confirms that average house price in the SDNP is £536,208 which is 64% higher than the average for surrounding counties.<sup>1</sup> Yet affordable housing delivery in recent years has been worryingly low (35 and 10 units respectively in 2015/16 and 2016/17 – see AMR, IM 03).

I.4 The background paper provides evidence from housing registers for the National Park’s ‘largest’ districts (TSF 12, p.7). An update to these figures is provided in Figure 1, which indicates that a large backlog of need remains.

**Figure 1: Affordable Housing Background Paper Figure 4 Update<sup>2</sup>**

District	Settlement	Households on housing register with a local connection
East Hampshire	Petersfield	213
	Liss	90
	Other parishes fully or mostly in SDNP part of East Hampshire	194
	E Hants Total	497
Chichester	Midhurst	81
	Petworth	50

<sup>1</sup> Lloyds Bank press release: ‘Buying a home in a national park will cost an extra £116,500’.

[https://www.lloydsbank.com/assets/media/pdfs/press-releases/2017/171127\\_buying\\_home\\_in\\_national\\_park\\_will\\_cost\\_extra\\_press\\_release.pdf?srnum=1](https://www.lloydsbank.com/assets/media/pdfs/press-releases/2017/171127_buying_home_in_national_park_will_cost_extra_press_release.pdf?srnum=1)

<sup>2</sup> Winchester was included in the original Figure 4 however Action Hampshire, who provide these figures, has advised that the figure can no longer be disaggregated to just settlements within the National Park. The housing register total for Winchester district as of 1 Nov 2018 is 1,706.

	Other towns and villages in or partly in SDNP part of Chichester	266
	Chichester Total	397
Lewes	Lewes Town	192
	Other parishes in or partly in SDNP part of Lewes	496
	Lewes Total	688

2. Issue a. – the affordable housing target with reference to viability and incentive as related to other planning constraints of housing mix and energy efficiency

2.1 The Affordable Housing Background Paper (TSF 12, paragraphs 6.7 & 6.8) summarises the findings of the Whole Plan Viability Study (Core 13). This study addresses the policy driver to deliver a high proportion of affordable housing to meet local needs in the National Park (paragraph 1.3).

2.2 The study adopts benchmark land values which represent a competitive return to a willing landowner. Different land values are assumed for agricultural land, previously developed commercial land, and prospective rural exception sites. These are reported in paragraphs 5.41 to 5.44 of the study.

2.3 The study adopts a residual land value approach to test the viability of 17 development typologies, representing a comprehensive range of sites. This approach is supported by recently issued Planning Practice Guidance<sup>3</sup>. The approach first considers the current use value of a site, plus an uplift to ensure there is a ‘competitive return’ for the landowner. It then compares this with the amount that can be paid for the land by a developer, once all costs of development and a reasonable profit margin have been taken into account (the ‘residual land value’).

2.4 We can confirm that all viability testing has fully incorporated the housing mix set out in Policy SD27: Mix of Homes (see paragraph 5.5 of the study). This was a key part of the consultant’s brief, and is reflected in all 17 development typologies. We can also confirm that a 6% uplift has been applied to build costs specifically to reflect the additional requirements in Policy SD48: Climate Change and Sustainable Use of Resources. This is a greater uplift than would normally be required to achieve zero carbon homes (paragraph 5.24).

2.5 When calculating development costs (including profit margin) and development value, a cautious approach has been taken. In other words, the costs of development are generally assumed to be on the higher side, and capital receipts to the developer are conservatively estimated, to ensure that conclusions on viability are not unduly optimistic. This is made clear in the report in paragraphs 5.16 (regarding capitalised rental values for affordable housing), 5.22 (build costs), 5.23 (custom build features to

<sup>3</sup> Planning Practice Guidance issued July 2018, ‘Viability and plan making’: Paragraphs 010 to 019, Reference ID: 10-010-20180724 to Reference ID: 10-019-20180724

enhance the National Park), 5.24 & 5.25 (enhanced energy efficiency), 5.27 (professional fees), 5.31 (CIL discounts), 5.32 (planning obligations), 5.34 (accessible dwellings) and 5.38 (developer profit on GDV at 20%, which is at the top end of the 15% to 20% range in NPPF18). Paragraph 7.12 states, “...It is also important to note that many of the inputs to the appraisals are cautious and may consequently understate that residual land values to a degree.”

2.6 The viability study concludes in paragraph 7.12 that the results of viability testing strongly suggest that the Authority could adopt a target of 50% affordable housing for sites of 11 and more. This is particularly so given that a cautionary approach to testing viability has been adopted. The study reports that:

*“These results strongly suggest that the Authority could adopt a target of 50% affordable housing. Providing it is applied on a ‘subject-to-viability’ basis (which the emerging Local Plan confirms to be the case), the lack of viability of some forms of development at the lower end of the value range should not result in a reduced target as these will become viable as a result of growth in values over the plan period. Furthermore, it is important to focus on the results of typologies which will yield significant amounts of housing (13 and 14 in particular, which are shown to be viable at present values across the Park).”*

2.7 BNP Paribas Real Estate tested 12 ‘small site’ typologies consisting of 10 or less units (9 greenfield and 3 previously developed)<sup>4</sup>, with a view to SDNPA implementing a ‘sliding scale’ of on-site affordable housing contribution, with the smallest sites making a lower contribution in percentage terms.

2.8 Figure 7.7.4 shows the outcome of testing based on 40% affordable housing, and a policy-compliant tenure mix. Every greenfield ‘small site’ typology in the 4-10 unit size category would be viable in 51 out of 54 settlements (i.e. all but the lowest value ‘category 5’ settlements). 6 of these 7 typologies are viable in all settlements. Figures 7.10.1 and 7.10.2 show that most greenfield ‘small sites’ would be viable even on the basis of 50% housing.

2.9 Figure 7.7.3 similarly tests 33% affordable housing. Two of the three previously-developed (PDL) typologies tested are viable in the higher value settlements (categories 1 and 2) at this level.

2.10 Tables 8.5.1 to 8.5.5 of the study summarise the viability outcomes. It is clear from these tables that across all typologies, provision of on-site affordable housing in line with Policy SD28 is deliverable in most of the National Park’s settlements. This includes the ‘sliding scale’ for sites of 4 to 10 dwellings.

2.11 The study found that sites of less than 4 units are not generally viable if required to make on-site provision (paragraph 7.8). Therefore Policy SD28 requires a financial contribution for sites of 3 units, and there is no requirement for an affordable housing contribution placed on sites of 1 or 2 dwellings.

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<sup>4</sup> The site typologies are set out in Table 5.1.1 on p.22 of the Whole Plan Viability Study (Core 13). Typologies 1-12 all reflect sites of between 2 and 10 units. Of these, typologies 2, 7 and 10 are classed as ‘town-based infill’ i.e. PDL.

- 2.12 The study acknowledges the reduced viability associated with PDL (see paragraph 7.8). These sites lend themselves to more expensive forms of housing (e.g. flats) and have a higher existing use value, hence can be more challenging in viability terms. However, the Vacant Building Credit allows for reduced affordable housing provision commensurate with the area occupied by vacant buildings, thus increasing viability (see paragraph 7.5). Moreover, urban infill sites of a scale that would trigger a requirement for affordable housing are not typical of sites that come forward in the National Park.
- 2.13 In summary, the Whole Plan Viability Study demonstrates that most sites expected to come forward in the National Park are financially viable whilst complying with Policy SD28. The policy has in-built flexibility to allow for a reduced requirement for affordable housing where there are genuine viability issues – see paragraphs 7.64 to 7.69 of the Local Plan. The onus will be on applicants to demonstrate why the target cannot be achieved on their scheme, in line with PPG published in 2018<sup>5</sup>.
3. Issue b. – consistency with national policy thresholds
- 3.1 The SDNPA has a statutory duty to seek to foster the economic and social well-being of local communities within the National Park in pursuit of its purposes. The National Parks Vision and Circular (Nat 02) states that “*the expectation is that new housing will be focused on meeting affordable housing requirements, supporting local employment opportunities and key services.*”
- 3.2 In November 2014, the Housing and Planning Minister issued a Written Ministerial Statement (WMS) stating that for sites of 10 dwellings or less, and which have a maximum combined gross floorspace of 1,000 sqm or less, affordable housing and tariff style contributions should not be sought. For designated rural areas under Section 157 of the Housing Act 1985, which includes national parks and areas of outstanding natural beauty, authorities may choose to implement a lower threshold of 5-units or less, beneath which affordable housing and tariff style contributions should not be sought. Within these designated areas, if the 5-unit threshold is implemented then payment of affordable housing and tariff style contributions on developments of 6-10 units should also be sought as a cash payment only and be commuted until after completion of units within the development. This statement was carried through into Planning Practice Guidance (PPG).
- 3.3 The WMS constitutes national policy to which significant weight should be attached. However, as a matter of law, it is well established when applying that policy a local planning authority has to be willing to consider whether an exception to the policy is justified, as confirmed by the Court of Appeal in R (West Berkshire District Council and Reading Borough Council v Secretary of State for Communities and Local Government<sup>6</sup>. This is even if that policy is expressed in unqualified terms (as confirmed in West Berkshire at [21]). Therefore, although the effect of the WMS, and now the PPG, as national policy is that it would normally be inappropriate to require any affordable housing below the thresholds stated in the WMS, local circumstances can justify lower

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<sup>5</sup> Para 006 Reference ID: 10-006-20180724 notes that “*It is up to the applicant to demonstrate whether particular circumstances justify the need for a viability assessment at the application stage*”.

<sup>6</sup> [2016] EWCA Civ 441 at [16]

thresholds as an exception to the national policy: this was expressly recognised by the Secretary of State in West Berkshire, which states in paragraph 26:

*“...although it would normally be inappropriate to require any affordable housing or social infrastructure contributions on sites below the thresholds stated, local circumstances may justify lower (or no) thresholds as an exception to the national policy...if in future an LPA submits for examination local plan policies with thresholds below those in the national policy, the Inspector will consider whether the LPA’s evidence base and local circumstances justify the LPA’s proposed thresholds. If he concludes that they do and the local plan policy is adopted, then more weight will be given to it than to the new national policy in subsequent decisions on planning applications.”*

3.4 There are a number of appeal cases where the Planning Inspectorate has applied this in practice, and given greater weight to local evidence and policy against the WMS / PPG and, more recently, NPPF18. To give two examples: in June 2017, an appeal inspector for a 6 dwelling site in Oxford concluded: *“...the specific circumstances of this appeal and the evidence before me amount to a compelling case that the WMS should not outweigh local policy... To conclude on this issue, I find that the development should make provision for affordable housing.”*<sup>7</sup> In November 2018, an appeal inspector ruled on a single-dwelling site in Crawley that *“a recent appeal decision confirmed that it was valid for the Council to seek [an affordable housing] contribution based on its development plan policy and satisfied the tests in the Framework... as such they meet the tests within paragraph 56 of the [2018] Framework”*<sup>8</sup>

3.5 In determining whether an exception to the WMS (now the PPG) was justified, the SDNPA considered:

- a) The weight of evidence and consultation responses with respect to the need for affordable housing;
- b) The landscape led-context of the National Park, with housing supply predominantly delivered on small sites (as reflected in the Plan’s spatial strategy and its allocation of dispersed, relatively small sites), and
- c) The market’s ability to deliver such housing.

3.6 The exceptional need for affordable housing in the SDNP has not been refuted by any party. The background paper (TSF 12) explains why local circumstances justify lower thresholds as an exception to the policy. In particular, from analysis of housing completions by site size, of a total of 938 units delivered between 2011 and 2016, 62% were on sites of 10 units or less (paragraph 6.4, p.10). With regards to sites of 5 units or less, some 28 affordable housing units would have been lost as well as a significant financial contributions in lieu of on-site provision.

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<sup>7</sup> Appeal Ref: APP/G3110/W/16/3162804. See appeal decision at <https://acp.planninginspectorate.gov.uk/ViewCase.aspx?caseid=3162804>

<sup>8</sup> Appeal Ref: APP/Q3820/W/18/3201383. See appeal decision at <https://acp.planninginspectorate.gov.uk/ViewCase.aspx?caseid=3201383>. This decision in turn cross-refers to appeal ref. APP/Q3820/W/18/3194938. See appeal decision at <https://acp.planninginspectorate.gov.uk/ViewCase.aspx?caseid=3194938>

- 3.7 Furthermore, many small rural settlements depend on small market-led schemes also delivering affordable housing. For example, allocations of 10 or less dwellings being made (either through the Local Plan or Neighbourhood Plans) in Alfriston, Amberley, Bury, Binsted, Ditchling, East Meon, Findon, Fittleworth, Itchen Abbas, Rogate, and Selborne will only provide much-needed affordable housing to meet local needs if Policy SD28 thresholds remain.
- 3.8 Through consultation on the Local Plan and Neighbourhood Plans, village communities have expressed a clear preference for two or three small site allocations (generally 10 or less) rather than one larger site. This reflects the desire for small settlements to grow organically.
- 3.9 Having regard to all of the above, the SDNPA asked BNP Paribas Real Estate to test sites below the PPG threshold. The majority of site typologies within the 4 to 10 bracket are viable in settlements across the National Park, even when assuming 40-50% affordable housing.
- 3.10 Policy SD28 therefore proposes a sliding scale approach for sites of 4 to 10. This responds to the Government’s WMS<sup>9</sup>, which referred to the need to avoid disproportionate burdens on small-scale developers and SMEs. It is also supported in the viability study (Core 13) as it avoids a ‘cliff-edge’ policy which may encourage developers to build schemes below the relevant threshold (paragraph 7.14).

4. Issue c. – availability of agencies for practical provision of affordable housing

- 4.1 The SDNPA partners with a number of agencies who provide and/or champion small-scale affordable housing schemes. Organisations include Hampshire Alliance for Rural Affordable Housing (HARAH), Action in Rural Sussex (AiRS), the Chichester Housing Delivery Partnership and Rural Housing Enablers. We also hold regular dialogue with key providers, particularly with regards opportunities for rural exception sites.
- 4.2 Recent discussions with local affordable housing providers have confirmed an appetite for taking on and managing small sites in the National Park. Figure 2 gives an overview of recent dialogue with some of these providers.

**Figure 2: Comments from local affordable housing providers / enablers**

Provider	Comments
English Rural Housing Association	<p><i>“English Rural have developed homes in eighteen counties of England, working in over 50 local authority areas, most of these in the South East. Our long term commitment to delivering smaller rural schemes to meet local needs can be demonstrated by the enclosed schedule, which lists villages in the South East in which we have developed 5 homes or less.”</i></p> <p>[41 examples provided ranging from 2 to 5 homes]</p>

<sup>9</sup> House of Commons: Written Statement (HCWS50) Written Statement made by: the Minister of State for Housing and Planning (Brandon Lewis) on 28 Nov 2014

Landspeed Homes Ltd.	<p>“Landspeed will be happy to assist both SDNPA and developers to ensure that on site delivery of intermediate affordable housing is achieved from a single unit upwards. Furthermore Landspeed would undertake to deliver any such proposition within SDNP, on the basis that it complied with our standard expectations.”</p> <p>[3 examples provided ranging from 2 to 4 homes, one of which is in the SDNP]</p>
Chichester Greyfriars Housing Association	<p>CGHA stated they would potentially take forward small sites on the basis of a cluster of 2 or 3 sites in reasonable proximity, to achieve a cost-effective critical mass.</p>
Chichester Housing Delivery Manager	<p>CDC stated that they are looking to Community Land Trusts (CLTs) to potentially deliver smaller sites going forward.</p> <p>Aside from this, they give an example of a single affordable dwelling delivered in the SDNP village Fittleworth, whereby a charge on the property title meant that the house was sold at 60% of market value (to apply in perpetuity in the event of resale) thus avoiding the need for any third party provider. The developer chose this over payment of a financial contribution as it was considered more acceptable in viability terms.</p> <p>They also cite discussion with Sage Housing, a ‘for-profit’ registered provider, who meet the Register for Social Housing standards and can deliver small numbers of rent or shared ownership units under their business model.</p>

4.3 A further example of a completed scheme can be found in Sway (New Forest National Park). This provided 6 dwellings of which 2 are affordable; this was deliverable as a direct result of the Core Strategy policy that was extant at the time.<sup>10</sup>

4.4 The SDNPA is also taking forward a number of other initiatives to boost affordable housing supply (see below).

5. Issue d. – desirability of rural exception sites to include some market housing

5.1 The NPPF 2012 states in paragraph 54:

*“...Local planning authorities should in particular consider whether allowing some market housing would facilitate the provision of significant additional affordable housing to meet local needs.” [SDNPA emphasis added]*

5.2 In accordance with national policy, the SDNPA has considered alternative policy approaches to rural exception sites (RESs). The viability study (paragraphs 7.18 to 7.26; Figures 7.23.1, 7.24.1, 7.25.1) sets out the options considered, including an Option 3 that allowed for 20% market housing on RESs.

<sup>10</sup> New Forest NPA planning application 07/91613



5.3 However, it was clear from the study that the great majority of greenfield site typologies and settlements could deliver 100% affordable housing, on the basis of a benchmark land value approximately 5 times typical agricultural land value. This builds in an assumption that grant funding of £30K per unit will be available to Registered Providers (RPs), as is commonly available through the Recycled Capital Grant Fund.

5.4 Local Plan paragraph 7.79 provides some flexibility, to take account of viability issues. Whilst it would be a last resort, the wording allows for the option of an element of market housing, in line with NPPF paragraph 54.

5.5 The SDNPA is also taking forward measures to directly assist RESs to provide development schemes with 100% affordable housing in perpetuity.<sup>11</sup> Key amongst these are:

- i) Using S106 funds. Dependent upon the viability of individual schemes, the Authority announced in July 2018 that it would make grants available of up to £30,000 per affordable dwelling delivered either through RESs or on schemes delivered through community led housing initiatives such as CLTs (regardless of whether these are RESs). The Authority is targeting the delivery of 20 affordable units per year in this way. An invitation to apply for this grant funding has been sent to a wide range of stakeholders and has been well received. The Authority expects to award its first grant in 2019.
- ii) The Authority prioritises providing pre-application advice on affordable housing schemes and frequently, for example, provides advice to parishes on the selection of appropriate sites for affordable housing. Work to identify sites for affordable housing is also undertaken through Neighbourhood Planning and Whole Estate Plans workstreams.
- iii) The Authority have, under the auspices of the Rural Housing Network, led efforts to pilot a ‘revolving rural land bank’ covering a number of national parks and rural areas in England. The revolving rural land bank would aim to acquire more difficult sites, bring them forward for development and to do this much more quickly than is currently the case. Following the Government’s call for pilot areas to trial this initiative (DEFRA 25 Year Environment Plan, Nat 05)) a comprehensive proposal has been put to Government, the outcome of which is currently awaited.

5.6 Since the grant scheme in point (i) above was announced stakeholders including CLTs, housing associations and parish councils have proposed between them a total of 27 prospective sites for initial consideration by the SDNPA. Whilst some of these sites are unsuitable many sites are acceptable in principle for affordable housing development. A planning application for a rural exception site, to provide 100% affordable housing, in Compton is expected in early 2019 whilst proposals for CLT-led schemes in Slindon and Midhurst are also progressing well.

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<sup>11</sup> NPA 3 July 2016 Agenda Item 16 Report NPA23/18. See [https://www.southdowns.gov.uk/wp-content/uploads/2018/06/NPA\\_2018July3-Agenda-Item-16.pdf](https://www.southdowns.gov.uk/wp-content/uploads/2018/06/NPA_2018July3-Agenda-Item-16.pdf)

## Conclusions

6.1 The SDNPA has set out two affordable housing policies, SD28 and SD29. We consider there is compelling evidence to support a robust approach, which is necessary to reflect the National Park Authority's statutory duty and enable us to meaningfully address the severe and ongoing impact of housing unaffordability on communities across the National Park's settlements. Flexibility is however provided in the policy to reduce the requirements where, exceptionally, there is a proven viability case. Robust evidence of deliverability has been provided in the Whole Plan Viability Study (Core 13).

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