

## New Forest National Park Local Plan 2016 – 2036

### Examination Statement – New Forest National Park Authority

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#### **Matter 8 – Affordable Housing**

***Issue: Whether the Local Plan is justified, effective and consistent with national policy in relation to the approach towards affordable housing?***

#### ***Methodology and approach***

##### **8.1 *Is the methodology for calculating affordable housing needs justified?***

1. The affordable need methodology follows that set out in the NPPG (paragraphs 2a-023 to 2a-029). This methodology starts with an assessment of the current need (i.e. households with a need now) before moving on to projecting the number of households additionally expected to have a need in the future – mainly from households forming for the first time. From these figures, an estimate of the supply of relets from the current stock is subtracted to give an overall net need for affordable housing.
2. The method used in the OAN report by Justin Gardner Consulting (CD105) has been used for numerous local authorities up and down the country and is considered to be justified.

##### **8.2 *What are the trends in the delivery of affordable housing and how has it been delivered? How is this likely to change in the future?***

1. Evidence from the Authority's Annual Monitoring Reports<sup>1</sup> illustrate that a total of 39 affordable dwellings have been completed within the National Park between April 2006 and March 2017 (the reporting period covered by reports). In addition, a further 10 dwellings have been completed since March 2017 and these will be highlighted in the next Annual Monitoring Report.
2. Given the relatively low quantum of new development within the National Park, affordable dwelling completions have fluctuated since the Authority assumed its planning responsibilities in April 2006. For example, 15 affordable dwellings were completed in the 2008/9 reporting year, but none the following year.
3. Around three quarters of the affordable housing completions in the National Park since 2006 have been on rural exception sites, with affordable dwellings delivered in Bransgore, Breamore, Brockenhurst and Pilley. The remaining affordable housing units have been delivered within the defined villages as part of mixed open market schemes.

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<sup>1</sup> Annual Monitoring Reports can be viewed at <http://www.newforestnpa.gov.uk/planning/monitoring/>

4. Changes in national planning policy introduced by the National Planning Practice Guidance (NPPG) following the legal decision in the Reading & West Berkshire case have had a detrimental impact on affordable housing delivery in the National Park. Currently the Authority can only seek financial contributions from new development of between 6 – 10 units (net), and no on-site provision unless developments comprise 11 dwellings or more (net). Given the profile of development in the National Park, this has resulted in a reduction in new affordable housing provision on development sites within the defined villages.
5. Given the clear emphasis in national policy supporting the delivery of affordable housing for local people within National Parks, the Submission draft Local Plan seeks to deliver additional affordable housing through: (i) the allocation of housing sites where on-site affordable housing provision for local people will be required; and (ii) Policy SP27 which seeks a target of 50% affordable housing on development sites of 3 dwellings and above. This threshold is supported by the viability assessment of the Local Plan (CD107). The aim of the proposed housing site allocations and draft Policy SP27 is to increase the delivery of affordable housing for local people in the National Park and to support the rural exception site approach which has delivered the majority of the 49 affordable dwellings completed in the National Park since 2006.

### **8.3 *What is the evidence in relation to the viability of delivering affordable housing as part of market housing schemes? What does it show?***

1. As part of the Local Plan review process, the Authority commissioned a Whole Plan, Affordable Housing and CIL Viability Assessment (CD107). The final report was published in November 2017 and informed the Submission draft Local Plan. The Viability Assessment was prepared in consultation with the development industry and followed the relevant regulations and guidance in line with the National Planning Policy Framework.
2. The testing for the Viability Assessment (CD107) uses the Three Dragons Toolkit, adapted for the New Forest National Park, to analyse scheme viability for residential development. As required by the relevant (i.e. version to support NPPF 2012) National Planning Practice Guidance, assumptions are based on 'appropriate available evidence' including comparable average market values and a 'broad assessment of costs' (paragraph: 012 Reference ID: 10-012-20140306 6/3/14) informed by current costs and values.
3. The assumptions used are set out in Annex I of CD107 and are sourced from a combination of publicly available official sources, reputable trade databases and specific consultation work, including with the development industry. They are underpinned through discussion and analysis of information held by the Authority, including the profile of land supply identified for the draft Local Plan and a review of historic planning permissions & contributions. In addition to accounting for policy SP27, testing made allowance for policy SP21 (Size of Dwellings) and SP38 (Infrastructure Provision & Developer Contributions).
4. In summary, the Viability Assessment demonstrates that the Submission draft Local Plan housing policies for allocated and windfall sites are financially viable

for the majority of the typologies tested and that a policy requiring 50% affordable housing on sites of 3 or more units is generally achievable.

5. To test the viability of delivering affordable housing as part of market housing scheme, a number of case studies were tested which reflect the type of sites likely to be come forward. These were informed by the draft policies in the emerging Local Plan and historic patterns of development in the National Park and included windfall schemes within the main villages, ranging in size from 1 to 15 dwellings. All of the windfall sites tested were viable at a full policy position as per the draft Local Plan.
6. The Viability Assessment concludes that all the notional windfall sites modelled with 50% affordable housing on sites of 3 dwellings or more produce residual values above the £2 million benchmark land value and are therefore viable.

### ***Affordable housing provision within Defined Villages and on allocated sites – Policy SP27***

#### ***8.4 Is the target of 50% realistic and justified?***

1. Research undertaken by the Nationwide Building Society suggests properties within National Parks attract a 22% price premium over otherwise identical properties, citing the New Forest as the most expensive National Park in which to live with an average property price of £525,000 (Nationwide House Price Index, July 2017)<sup>2</sup>. In line with national policy and guidance, the Submission draft Local Plan seeks to ensure new housing in the National Park is focused on meeting local affordable housing needs. Draft Policy SP27 has been informed by a Whole Plan, Affordable Housing and CIL Viability Assessment (CD107). One of the key inputs tested as part of this Viability Assessment was whether the target of 50% affordable housing was realistic and deliverable.
2. CD107 demonstrates that the Local Plan policies on affordable housing provision within the Defined Villages and on proposed allocations are financially viable for the majority of the typologies tested and that a policy requiring 50% affordable housing on sites of 3 or more units is generally achievable.
3. Looking in more detail, CD107 highlights that 50% affordable housing provision is viable on all of the windfall sites modelled (which cover the development that would typically occur within the Defined Villages), with values identified well above the benchmark land value. CD107 also modelled a scheme involving the demolition of an existing dwelling, which may require the purchase of a property and garden. This case study indicates that a different land value benchmark should be used when assessing viability and Table 3.3 in CD107 sets out the assessment of this scenario, which produces a viable scheme.
4. In terms of the proposed site allocations, CD107 concludes that with the exception of the brownfield site at the former Lyndhurst Park Hotel (draft Policy

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<sup>2</sup> See [https://www.nationwide.co.uk/-/media/MainSite/documents/about/house-price-index/2017/National\\_Parks\\_Special\\_2017.pdf](https://www.nationwide.co.uk/-/media/MainSite/documents/about/house-price-index/2017/National_Parks_Special_2017.pdf)

SP23), all potential site allocations produced per hectare residual land values above the benchmark land value (£2m) using a 50% affordable housing target. This evidence has informed the draft policy wording on affordable housing set out in policies SP22, SP24 and SP26. The viability modelling highlights that the redevelopment of the former Lyndhurst Park Hotel site for around 50 dwellings to be delivered as general apartments or extra care apartments is not viable with 50% affordable housing. This evidence has informed the wording of criterion (f) of draft Policy SP23. It is noted that the relevant planning guidance states, “...*assessing the viability of plans does not require individual testing of every site or assurance that individual sites are viable...*” (Paragraph: 006 Reference ID: 10-006-20140306 as at 6/3/14)

5. The proposals for the former Fawley Power Station site were subject to a separate viability assessment (CD117). This assessed a range of potential development scenarios through a two stage process. Scenario 1b in stage 2 of the process assessed the viability of the proposals with 120 ‘policy-compliant’ dwellings within the National Park – i.e. all the dwellings would be limited to less than 100 square metres and 50% affordable housing would be provided. CD117 concluded that a requirement for all 120 dwellings in the National Park to be fully policy compliant would result in the overall scheme having a negative viability. Consequently the delivery of 50% affordable housing to meet local needs has been prioritised, with draft Policy SP25 enabling a degree of flexibility on the size of the new dwellings in the National Park.

#### **8.5 *Is the threshold for the number of homes justified? What evidence is there to support the proposed threshold?***

1. The Authority has a statutory duty under Section 62(2) of the Environment Act 1995 to seek to foster the economic and social well-being of local communities within the National Park. Further information is provided in the English National Parks and the Broads: UK Government Vision and Circular 2010 (CD35) which confirms that National Park Authorities have an important role to play as planning authorities in the delivery of affordable housing.
2. The Circular states that through local planning policies, National Park Authorities should, “...*include policies that pro-actively respond to local housing needs...*” and that, “...*the expectation is that new housing will be focused on meeting affordable housing requirements...*” (paragraph 78). The Government expects National Park Authorities to maintain a focus on affordable housing and to work with local authorities and other agencies to ensure that the needs of local communities in the Parks are met and that affordable housing remains so in the longer term. This national policy emphasis on affordable housing in National Parks is particularly pertinent in the New Forest, which has the highest average house prices of all UK National Parks and where development is typically characterised by smaller development sites, below the national policy threshold for the delivery of on-site affordable housing.
3. The Authority acknowledges the wording within the National Planning Practice Guidance (NPPG) on the thresholds for affordable housing provision. However, as has always been the case, planning authorities can depart from national

planning policy where justified by material considerations. This is reflected in the Court of Appeal decision in case C1/2015/2559 (May 2016)<sup>3</sup> which stated, “...*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.*”

4. Consequently, the Authority has reviewed the local planning policies for the National Park with the aim of increasing affordable housing delivery for local communities in the New Forest. This has include a review of the thresholds for affordable housing, supported by viability evidence. Draft Policy SP27 has been informed by a Whole Plan, Affordable Housing and CIL Viability Assessment (CD107) and one of the key inputs tested as part of this assessment was whether a dwelling threshold of 3 units or more for affordable housing was viable. The viability testing undertaken results in good general viability and as such support the policies included in the Local Plan. Paragraph 3.30 of CD107 confirms that, “...*if the NPA so chooses, an affordable housing threshold of 3 or more dwellings is supported by the viability evidence.*”
5. CD107 demonstrates that an affordable housing threshold of 3 dwellings is financially viable for all of the windfall sites tested. Affordable housing was modelled at 50% of delivery on sites of 3 or more additional dwellings and no dwellings exceeding 100 square metres. All the notional windfall sites produced residual values above the £2m benchmark land value. The Authority therefore considers the threshold in draft Policy SP27 to be justified by the evidence base on viability and the particular circumstances around the delivery of affordable housing for local people in a nationally designated landscape where development site are typically small and the local housing need is high.

## **8.5 Is the approach to the mix of tenures justified?**

1. Based on information from New Forest District Council (the housing authority for 94% of the National Park), paragraph 7.43 of the Local Plan states that a strategic policy target of 25% intermediate and 75% affordable rented tenure is appropriate. This is also the appropriate mix of tenures identified in the New Forest Strategic Housing Market Assessment (CD164) based on an assessment of affordable housing needs. CD164 highlights that any strategic policy should retain a degree of flexibility to take account of settlement level variations, as well as any site specific issues with deliverability and this is reflected in the wording of draft Policy SP28 and the supporting text.

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<sup>3</sup> See

[http://www.landmarkchambers.co.uk/userfiles/documents/R%20\(West%20Berkshire\)%20v%20%20SCLG%20-%20transcript.pdf](http://www.landmarkchambers.co.uk/userfiles/documents/R%20(West%20Berkshire)%20v%20%20SCLG%20-%20transcript.pdf)

2. This proposed mix of affordable housing was discussed at the stakeholder workshop held in June 2017 as part of the whole Plan viability assessment. Attendees included New Forest District Council, affordable housing providers, developers, land-owners and local Estates and no concerns were raised.
3. The Authority considers the draft policy wording to be clear in that it sets out a clear starting point of 75% social/affordable rented tenure and 25% shared ownership / intermediate housing; but also flexible enough to allow variations based on site specific circumstances and evidence of local need. The wording of Draft Policy SP27 states that a suitable mix on specific development sites will be determined through liaison with the local housing authority.

**8.7 *Is the policy sufficiently flexible, particularly in terms of the effect on viability and the potential for off-site contributions?***

1. The Authority considers the wording of draft Policy SP27 to be sufficiently flexible in terms of development viability and the potential for off-site contributions. For example:
  - The wording in criterion (b) and (c) has been specifically drafted to state that 50% affordable housing is a “*target*”, rather than an absolute requirement.
  - The wording of criterion (b) confirms that on sites of 3 – 10 dwellings (net), financial contributions may be accepted in lieu of on-site provision.
  - The policy wording enables some flexibility on the tenure of the affordable housing provided, with the inclusion of more intermediate tenure housing improving scheme viability.
2. The NPPG guidance on viability states that Local Plans should set out the level and type of affordable housing provision required; and that policy requirements should be clear so they can be accounted for in the price paid for land. The NPPG also states that to provide certainty, affordable housing requirements should be expressed as a single figure rather than a range.
3. The Authority’s Submission draft Local Plan reflects this guidance. Draft Policy SP27 is supported by viability evidence and the policy wording provides the clarity of a single policy target for affordable housing provision. The policy has been prepared within the context of affordable housing delivery being one of the biggest challenges facing local communities in the National Park.

**8.8 *Are the policy requirements justified and is the policy effective and consistent with national policy?***

1. The wording of draft Policy SP27, including the target for the level of affordable housing sought and the site size thresholds, is supported by detailed viability evidence that tested a range of potential development scenarios. The viability assessment (CD107) concludes that the policy targets set out in draft Policy SP27 are viable and the policy will contribute towards meeting identified local affordable housing needs within the National Park – a key priority for the Local Plan review. Policy SP27 is considered justified as it is based on proportionate evidence that has been prepared with the input of the development industry.

2. National policy and guidance also recognises the particular circumstances that exist for planning in nationally protected landscapes. The National Parks Circular (2010) – cross-referenced within both the NPPF (2012) and the revised NPPF (2018) – is clear that new housing in National Parks should be focused on meeting local affordable housing requirements. This recognition, allied to the viability evidence, supports the Authority’s proposals for a lower site size threshold for affordable housing delivery than that set out in the NPPG. Policy SP27 is therefore considered to be consistent with national policy.
3. In terms of the effectiveness of the policy, revisions to the viability section of the NPPG in July 2018 make it clear that developers should ensure their proposals are policy compliant and Local Plan requirements (including affordable housing provision) should be reflected in the purchase price of land. In accordance with national policy, draft Policy SP27 clearly sets out the policy “target” for the delivery of affordable housing, while also recognising that a degree of flexibility may be required in terms the tenure of affordable housing and the potential for financial contributions in lieu of on-site provision where justified.

### **Rural Exception Sites – Policy SP28**

#### **8.9 Is the policy justified, effective and consistent with national policy in relation to the approach to rural exception sites?**

1. National policy on rural exception sites is contained within paragraph 54 of the NPPF (2012) and the Glossary to the NPPF. National policy supports the inclusion of a rural exception site policy within statutory development plans and confirms that local planning authorities should “*consider*” allowing some open market housing on rural exception sites to facilitate the provision of significant additional affordable housing to meet local needs. The Glossary to the NPPF (2012) reiterates that small numbers of market homes on rural exception sites may be allowed “*at the local authority’s discretion.*”
2. In accordance with national policy, the Authority has considered the alternative policy approaches to rural exception sites throughout the Local Plan review process, recognising the contribution they make to affordable housing delivery in the National Park. The Authority’s consultation draft Local Plan (October 2016) for example, outlined the alternative policy approaches to rural exception sites, including supporting the principle of an element of open market housing to ensure a viable scheme. As part of the viability work, a range of options for rural exception sites were tested (see the response to questions 8.10) and draft Policy SP28 has been informed by this evidence base.
3. The Authority considers draft Policy SP28 and its supporting text to be: (i) justified and informed by the evidence on viability; (ii) effective, in that the policy approach to rural exception sites has delivered affordable housing for local people; and (iii) consistent with national policy. The NPPF confirms that it is for the planning authority to decide on the policy approach to rural exception sites, based on the available evidence. The Authority has followed this guidance and, having considered alternatives, has prepared draft Policy SP28.

### **8.10 What is the evidence in relation to viability? Would rural exception sites be viable without an element of market housing?**

1. The Whole Plan, Affordable Housing and CIL Viability Assessment (CD107) was specifically designed to consider the evidence on the viability of rural exception sites (page 23 of CD107). The viability testing focused first on the residual value generated by 100% affordable housing and then, if this was not viable, identified the minimum market housing required to produce a viable scheme. The benchmark land value used in CD107 was £10,000 per plot (very approximately £300,000 per hectare) for rural exception sites. This benchmark was derived following discussion with local providers and at the Stakeholder Workshop held in Summer 2017 as part of the viability assessment process.
2. Paragraph 3.27 of CD107 outlines the tests undertaken for the viability of rural exception sites in the National Park, which included: (i) 100% Affordable Rent with a standard affordable housing mix; (ii) 75% Affordable Rent and 25% shared ownership with standard affordable housing mix; (iii) 75% Affordable Rent and 25% as 2 bedroom sale bungalows with a local connection restriction which we have modelled at a 15% discount on open market values; and (iv) 50% Affordable Rent, 25% shared ownership and 25% open market sale. Figure 4 on page 24 of CD107 sets out the conclusions of the viability modelling for the various rural exception site policy options.
3. The viability testing concluded that rural exception sites can be delivered in the National Park, but will require an element of intermediate housing (such as local connection discounted sale or shared ownership) to produce sufficient value to pay for the land. The inclusion of an element of open market housing improves viability, but is unlikely to be required to ensure viable rural exception schemes as 100% affordable options are viable.
4. This evidence on viability has informed the wording in draft Policy SP28 and supporting text. The policy confirms the expectation that 100% of the housing on rural exception sites will be affordable housing and this is justified by the evidence base. It also reflects the permissions granted by the Authority, where 100% affordable housing has been delivered on rural exception sites in Brockenhurst, Bransgore, Breamore and Pilley. Linked to the conclusions of the viability assessment, the supporting text to the policy in paragraph 7.49 of the Submission draft Local Plan states that, “...*the evidence does highlight that a degree of flexibility may be required on the tenure of affordable housing on rural exception sites to ensure they are viable and the Local Plan therefore supports an element of shared ownership / intermediate ownership affordable housing (25%) alongside affordable rented housing (75%) on rural exception sites.*” This is considered to provide the necessary flexibility to the policy.