

The Planning Bureau Limited

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Portsmouth Local Plan 2040

Examination in Public

Hearing Statement

The Planning Bureau on behalf of

McCarthy & Stone Retirement Lifestyles Ltd and

Churchill Living

September 2026

Matter 8: Housing policies

PLP17: Affordable Homes

- 1. *Are the proposed affordable housing requirements within the policy justified and supported by the evidence?***
In particular, what is the justification for:
 - a. The tenure mix specified in Part 1(b)?***
 - b. Requiring affordable housing contributions from older persons housing?***
 - c. Viability reviews to be undertaken in Part 4?***
- 2. *Have the viability implications of the policy been adequately assessed for the different forms of residential accommodation to which the policy would apply?***
- 3. *Is there justification for the policy to not specify the minimum number of Social Rented homes required, as set out in paragraph 64 of the Framework?***
- 4. *Is the policy otherwise positively prepared, justified, effective and consistent with national policy?***

1.0 Are the proposed affordable housing requirements within the policy justified and supported by the evidence?

1.1 The following sections details our concerns with the affordable housing requirement at Section 2, together with concerns with regard to the wording of the affordable review mechanism (section3).

1.2 This statement recommends the following amendments are made to the plan in order for it to be justified and consistent with national policy:

1.3 PLP17 and para 6.30

1.4 A new paragraph should be added to the end of policy PLP 17 to read: '**Specialist housing for older people is exempt from providing affordable housing.**

1.5 A further modification is then required to para 6.30 to read as follows:

The policy applies to all major development where ten or more residential dwellings (gross) are proposed, or the site has an area of 0.5ha or more, including mixed use schemes, ~~specialist and supported housing, such as for older people~~ and communal and co-living schemes, and other forms of residential development where relevant. **The policy does not apply to specialist housing for older people that has been found to be largely no viable within the Portsmouth City Council Development Viability Assessment.**

1.6 PLP17 point 4

1.7 The review mechanism text at point 4 of PLP17 should be amended to include an exemption for single phased schemes that are built over a shorter period as repeatedly noted by the planning inspectorate.

1.8 Possible proposed wording could include:

4. Where development proposals have been permitted that do not meet policy threshold requirements on affordable housing, the development will be subject to:

a) An Early Stage Viability Review if an agreed level of progress on implementation is not made within two years of the permission being granted (or another period agreed by the Council);

b) A Late Stage Viability Review which is triggered when 75% of the homes in a scheme are sold or let (or another period agreed by the Council); or

c) Mid Term Reviews prior to implementation of phases for larger schemes.

Schemes that have a build programme of less than 24 months will not be subject to a late or mid-term review mechanism.

1.9 The statement also discusses whether the whether the PPG does anticipate that older persons housing schemes should just be considered at the development management stage or not

2.0 b. Requiring affordable housing contributions from older persons housing?

2.1 Strategic Policy PLP17: Affordable Homes

- 2.2 Policy PLP17 seeks 30% affordable housing from residential developments and this includes specialist housing for older people as confirmed in paragraph 6.30 of the pre-submission Portsmouth Local Plan. PLP17 also requires schemes that do not meet the 30% affordable target to sign up to a review mechanism.
- 2.3 To justify the 30% affordable housing requirement the council has undertaken a viability study entitled 'Portsmouth City Council Development Viability Assessment – Pre-submission (Regulation 19) Update – May 2024, HDH ('Viability Assessment'). As part of the Viability Assessment, we note that sheltered and extra care typologies on brownfield sites have been tested for various levels of affordable housing. Two schemes have been tested for each typology, that being a 60-unit scheme and a 120-unit scheme.
- 2.4 The Viability Assessment concludes at para 10.50 that **'Whilst both Sheltered housing and Extracare housing generate a positive Residual Value, it is not one in excess of the EUV other than on the larger schemes, at low levels of affordable housing. It is understood that these results accord with the Council's experience that such development has rarely delivered affordable housing'**.
- 2.5 The data confirming this is in Table 10.14 of the Viability Assessment. This is extracted below for convenience.

Table 10.14 Specialist Older People's Housing Appraisal Results

		EUV	BLV	Residual Value								
				0%	5%	10%	15%	20%	25%	30%	35%	40%
Site 3	Sheltered 60	1,250,000	1,500,000	1,177,855	798,994	420,134	29,513	-368,011	-767,539	-1,172,524	-1,580,836	-1,993,423
Site 4	Sheltered 120	1,250,000	1,500,000	2,945,009	2,572,088	2,199,167	1,826,247	1,453,326	1,080,405	707,485	334,564	-47,143
Site 5	Extracare 60	1,250,000	1,500,000	182,669	-308,143	-798,955	-1,298,174	-1,798,186	-2,305,950	-2,815,335	-3,324,720	-3,835,460
Site 6	Extracare 120	1,250,000	1,500,000	2,315,086	1,847,336	1,379,585	911,835	444,085	-38,625	-529,417	-1,025,252	-1,525,249

Source: HDH (April 2024)

- 2.6 Our representation to the regulation 19 consultation (Ref: 60430_2) whilst welcoming that the council had tested sheltered and extra care housing for viability also highlighted that we had some concerns with regard to some of the assumptions that have been used within the Viability Assessment as they are overly optimistic and if amended to accord with best practice would be likely to make sheltered and extra care housing even more un viable than already shown, emphasising the need to exempt older persons housing from affordable housing or to provide greater flexibility. As well as emphasising this in our regulation 19 consultation Churchill Living also attended the viability workshop at the outset and engaged with the assessors, though our views with regard to assumptions expressed in this engagement again have been ignored.
- 2.7 At the regulation 19 stage, we recommended that Viability Assessment should be re-run for sheltered and extra-care housing using the assumptions recommended to ensure the plan is deliverable, justified and consistent with national policy. We directed the Council towards the Retirement Housing Consortium paper entitled 'A briefing note on viability' prepared for Retirement Housing Group by Three Dragons, May 2013 (updated February 2016 ('RHG Briefing Note') available from <https://retirementhousinggroup.com/rhg/wp-content/uploads/2017/01/CIL-viability-appraisal-issues-RHG-February-2016.pdf>. The RHG Briefing Note establishes how sheltered housing and extra care development differs from mainstream housing and looks at the key variables and assumptions that can affect the viability of specialist housing for older people. We have summarised in the table below where assumptions differ.

Assumption	McCarthy & Stone and Churchill Living	HDH
Unit size	• 1 bed sheltered 55 sq m • 1 bed extra care 60 sq m • 2 bed sheltered 75 sq m • 2 bed extra care 80 sq m	• 1 bed sheltered 50 sq m • 1 bed extra care 65 sq m • 2 bed sheltered 75 sq m • 2 bed extra care 80 sq m
Unit Mix	• 60% 1 bed and 40 % 2 bed	• Sheltered - 50% 1 bed and 50 % 2 bed • Extra – care 60% 1 bed and 40 % 2 bed
Non Chargeable communal space	• Sheltered schemes 25% of GIA • Extra care 35% of GIA.	• Sheltered schemes 20% of GIA • extra care 30% of GIA
Professional Fees	• 10% of build cost	• 8% of build cost
Sales and Marketing Costs	• 6% of GDV	• 4.5%
Sales period	• Year 1 40% • year 2 30% • year 3 30%	• 3 months
Empty property costs	• £5,000 per unit for sheltered • £10,000 per unit for extra care	• Not clear if this has been included
External build costs	• 10% of base build cost	• 5% on brownfield sites
Developer return	• 20% ¹	• 17.5%

Table1: Different Viability Assumptions

- 2.8 It is and was our view expressed in our regulation 19 representation, that if the viability was re-run for sheltered and extra care housing with the correct assumptions, such scheme would be found to be not viable and justify the need for an exemption for older persons housing to deliver affordable housing. This has not occurred and is therefore contrary to Paragraph: 002 Reference ID: 10-002-20251216 of the Viability PPG that requires plan makers in collaboration with the local community, developers and other stakeholders to create realistic deliverable policies.
- 2.9 Such an outcome would be consistent with Churchill Living's experience in nearby Havant where £0 was agreed in two separate viability views in 2023 and 2024 for a 55 unit older persons housing block. An outcome that is consistent with the council's own experience as confirmed in para 10.50 of the Viability Assessment that states '**these results accord with the Council's experience that such development has rarely delivered affordable housing**'.
- 2.10 The PPG on viability at Paragraph: 002 Reference ID: 10-002-20190509 confirms that
- 'The role for viability assessment is primarily at the plan making stage. Viability assessment should not compromise sustainable development but should be used to ensure that policies are realistic, and that the total cumulative cost of all relevant policies will not undermine deliverability of the plan'* and that *"Policy requirements, particularly for affordable housing,*

¹ It is a clear precedent for a return of not less than 20% of gross development value primarily because of the risks associated with older persons housing. This is consistent with the Inspector's conclusions for appeals such as McCarthy Stone proposal at Redditch (Appeal Ref: 3166677), Churchill Retirement Living proposal at Cheam (Appeal Ref: 3159137) and the Churchill Retirement Living scheme at West Bridgford (Appeal Ref: 3229412) in 2019.

should be set at a level that takes account of affordable housing and infrastructure needs and allows for the planned types of sites and development to be deliverable, without the need for further viability assessment at the decision making stage’.

- 2.11 The PPG advocates a typology based approach detailed in Paragraph: 004 (Reference ID: 10-004-20190509) of the PPG which states that “A *typology approach is a process plan makers can follow to ensure that they are creating realistic, deliverable policies based on the type of sites that are likely to come forward for development over the plan period.*’
- 2.12 A 30% affordable housing requirement for older people’s housing is therefore contrary to PPG and not justified given that the older people’s housing typology have been found to be largely unviable within the council’s own Viability Assessment and especially as the Council have experienced this through planning applications. In addition, the most viable looking option – a 120 unit sheltered or extra care scheme is unrealistic as is not of a size that would typically be delivered. If the viability was re-run using the correct assumptions the typology would be found to be even less viable. 30% affordable housing creates an unrealistic over aspirational policy requirement and will undermine deliverability. The plan as written, will not deliver sites for older peoples housing in line with need without further viability assessment.
- 2.13 In addition, any 30% affordable housing requirement would no doubt result in protracted discussion at the decision-making stage which would be contrary to the PPG and hinder the delivery of much needed older persons housing.
- 2.14 As such is our view that specialist housing for older people should be exempted from affordable housing and the following amendment should be incorporated into the plan to ensure the plan is justified and consistent with national policy and the plans own evidence

2.15 Recommendation

- 2.16 It is therefore recommended that a new paragraph is added to the end of policy PLP 17 to read: **‘Specialist housing for older people is exempt from providing affordable housing.** A further modification is then required to para 6.30 to read as follows:

The policy applies to all major development where ten or more residential dwellings (gross) are proposed, or the site has an area of 0.5ha or more, including mixed use schemes, ~~specialist and supported housing, such as for older people~~ and communal and co-living schemes, and other forms of residential development where relevant. **The policy does not apply to specialist housing for older people that has been found to be largely no viable within the Portsmouth City Council Development Viability Assessment.**

- 2.17 This would be consistent with a number of other local planning authorities that have done just that. These LPA’s include Swale, Fareham, Charnwood, Hyndburn, Birmingham, Teignbridge, North Norfolk, Leicestershire, Dudley, great Yarmouth, Rugby and East Suffolk. In addition, Fareham also exempts older persons housing from their Community Infrastructure Levy charge. Gosport have recently consulted on an exemption to affordable housing. and Maidstone has recently adopted a plan that has a lower affordable housing requirement for class C3 retirement housing and exempts housing that falls into the C2 use class from delivering affordable housing. We would also highlight that Horsham have recently consulted on main modifications to their Local Plan that included an exemption to affordable housing for older persons housing, in this situation the Inspector specifically directed the council to

exempt older persons housing after he reviewed the viability evidence that had a very similar conclusion to the Portsmouth Viability Assessment.

- 2.18 In addition, we note that the Viability Assessment suggests in a number of places that Paragraph: 007 Reference ID: 10-007-20190509 can be used to justify not setting an individual affordable housing requirement for various types of housing including specialist housing for older people (para 10.43 and 10.88). The Viability Assessment concludes at para 10.44 that *'It is unlikely to be proportionate to develop specific policies for these different models of Housing'*, with para 10.88 advocating that *'specifically anticipates that the viability of specialist older people's housing will be considered at the development management stage'*.

- 2.19 We note that the paragraph referenced is actually Paragraph: 008 Reference ID: 10-008-20190509 of the PPG rather than para 007 and confirms the circumstances where Viability Assessment may be appropriate at the decision-making stage and confirms:

'Where up-to-date policies have set out the contributions expected from development, planning applications that fully comply with them should be assumed to be viable. It is up to the applicant to demonstrate whether particular circumstances justify the need for a viability assessment at the application stage. Policy compliant in decision making means that the development fully complies with up-to-date plan policies. A decision maker can give appropriate weight to emerging policies.'

Such circumstances could include, for example where development is proposed on unallocated sites of a wholly different type to those used in viability assessment that informed the plan; where further information on infrastructure or site costs is required; where particular types of development are proposed which may significantly vary from standard models of development for sale (for example build to rent or housing for older people); or where a recession or similar significant economic changes have occurred since the plan was brought into force.'

- 2.20 The consultants, who undertook the Viability Assessment have therefore taken the view that older persons housing, despite its proven lack of viability at the plan making stage and, despite using the incorrect assumptions, can simply be assessed at the application stage. This appears to have been accepted without question by the Council as Plan Making body without the council interpreting the paragraph for themselves.
- 2.21 Paragraph 10-008-20190509 of the PPG, falls under the heading of 'Viability and Decision Taking' not 'Viability and Plan Making'. The Viability consultant have used this paragraph to disregard the typology testing that has been undertaken for Plan Making and simply assert that older persons' housing can be tested at the decision-making stage.
- 2.22 Despite this, it is not the case that older persons housing has been tested and found to be viable at 30% affordable housing. In fact, the typology has been found to be largely not viable through the Local Plan testing to the degree that the Viability Assessment concludes at 10.50 that **'Whilst both Sheltered housing and Extracare housing generate a positive Residual Value, it is not one in excess of the EUV other than on the larger schemes, at low levels of affordable housing.'** It would therefore be consistent with national policy, given the typology has been tested at the Local Plan stage, for the council to follow their evidence and introduce a specific affordable housing requirement for specialist housing for older people.

- 2.23 The policy requesting affordable housing from older persons housing creates a difficult position whereby the applicant is forced to pay for viability and viability review which refers back to the council's own study (as also required by the 2026 NPPF DM5 para 4) only to conclude that, some of the assumptions used are incorrect despite this being highlighted to the council, and that an older persons housing scheme is unviable. All at a cost of £10-15k for no reason creating only delay and uncertainty to housing delivery. This then would also require a review mechanism to be signed into that is discussed below, and is a further reason why the statement should be disregarded and either an exemption or a reduced level of affordable housing incorporated into the plan for affordable housing. We would also highlight para 2a of policy DM5 of the 2026 NPPF that states that *'the development proposed is materially different to any development type considered in the viability assessment that informed the plan'* It is our view that this paragraph largely replaces Paragraph 10-008-20190509 of the PPG. .

3.0 c. Viability reviews to be undertaken in Part 4?

- 3.1 The policy area also aims to introduce an affordable housing review mechanism at point 4. This is particularly onerous for a type of housing where the affordable housing requirement of 30% has been found to not be viable through the Local Planning Viability Assessment. In order to introduce such a mechanism, there must be a clear and specific policy basis for any review mechanism being imposed in line with PPG Viability para 009 Reference ID: 10-009-20190509. A significant number of recent Planning Appeals and case law have reinforced this point. A review mechanism that sits within a planning obligation also needs to be fully considered and assessed through the Local Plan process.
- 3.2 Paragraph: 009 Reference ID: 10-009-20190509 of the government guidance on Viability states the following:
- 'Plans should set out circumstances where review mechanisms may be appropriate, as well as clear process and terms of engagement regarding how and when viability will be reassessed over the lifetime of the development to ensure policy compliance and optimal public benefits through economic cycles. Policy compliant means development which fully complies with up to date plan policies. A decision maker can give appropriate weight to emerging policies.'*
- 3.3 Para 004 Reference ID: 23b-004-20190901 of the PPG on Planning Obligations identifies where policies on seeking planning obligations should be set out and states:
- 'Policies for planning obligations should be set out in plans and examined in public. Policy requirements should be clear so that they can be accurately accounted for in the price paid for land.'*
- 3.4 In order to introduce such a review mechanism, there must be a clear and specific policy basis for any review mechanism being imposed and this must be assessed through the Local Plan process, in line with the PPG on Viability para 009 Reference ID: 10-009-20190509. This should include the consideration of variables such as trigger points, costs, land values, how surplus is split and other definitions and therefore more detail should be provided.
- 3.5 In addition, for a large or multi-phase development which will be delivered over a long period it makes sense to check whether the scheme's viability has changed with market movements. However, for a small single phased site, such as an older persons housing scheme that is built in one phase over a period of 12-18 months, the Inspectorate have repeatedly noted that

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

3.6 Recommendation:

3.7 It is therefore recommended that the review mechanism text at point 4 of PLP17 should be amended to include an exemption for single phased schemes that are built over a shorter period as repeatedly noted by the planning inspectorate.

3.8 Possible proposed wording could include:

4. Where development proposals have been permitted that do not meet policy threshold requirements on affordable housing, the development will be subject to:

a) An Early Stage Viability Review if an agreed level of progress on implementation is not made within two years of the permission being granted (or another period agreed by the Council);

b) A Late Stage Viability Review which is triggered when 75% of the homes in a scheme are sold or let (or another period agreed by the Council); or

c) Mid Term Reviews prior to implementation of phases for larger schemes.

Schemes that have a build programme of less than 24 months will not be subject to a late or mid-term review mechanism.