AFFORDABLE HOUSING TOPIC PAPER
January 2025

Portsmouth Local Plan

Portsmouth
CITY COUNCIL

Executive summary

- This Affordable Housing Topic Paper provides a clear, evidence-based rationale to support Strategic Policy PLP17: Affordable Homes of the emerging Portsmouth Local Plan. It links the policy to the evidence.

- The paper summarises the national policy requirements and guidance relating to affordable housing.

- The paper summarises the affordable housing needs identified in the Housing and Economic Development Needs Assessment (HEDNA), including a need for 851 social/affordable rented homes per annum, and for 128 affordable home ownership homes per annum, with the greatest need being for rented accommodation.

- Past trends in affordable housing delivery are examined, demonstrating that an average of 30.5% of gross housing completions have been for affordable housing across developments in the City since 2011, and 35.5% of net completions have been for affordable housing.

- Viability evidence from the Development Viability Assessment is summarised, showing that a 30% requirement is challenging to meet.

- The level of affordable housing need is set in context with the overall level of housing need and the housing target. The evidence behind the housing target is discussed separately in the Housing Background Paper.

- The paper sets out the emerging policy, explaining the reasoning behind its content, including the 30% affordable housing requirement.

- Key points on affordable housing from the new NPPF (2024) are presented, though are not applicable to Portsmouth's emerging Local Plan as it will be submitted before 12 March 2025, in line with the transitional arrangements.

Contents

1. Introduction

1.1 The purpose of this paper is to set out the evidence and justification behind Strategic Policy PLP17: Affordable Homes in the emerging Portsmouth Local Plan. This commences with a review of national policy and guidance, followed by a review of the affordable housing need evidence. Past trends in affordable housing delivery are then examined, followed by consideration of evidence on viability. The approach to setting the affordable housing policy is then explained, followed by an explanation of the emerging policy.

1.2 The emerging Portsmouth Local Plan has been prepared and will be examined under the National Planning Policy Framework (NPPF) published in December 2023. The majority of this Affordable Housing Topic Paper, therefore, relates to the December 2023 NPPF, and where references are made to the NPPF it should be taken as referring to the December 2023 version, unless otherwise stated. Future implications of the new NPPF (December 2024) for affordable housing are discussed in section 7 of this paper. This topic paper has been written to support the Submission of the Local Plan for examination and relates to the Pre-Submission version of the Local Plan published for consultation in summer 2024.

1.3 The main evidence base documents discussed in this paper are: the Housing and Economic Development Needs Assessment (HEDNA, Dec 2023[1]); and the Development Viability Assessment (DVA, May 2024[2]). These documents provide recently prepared, comprehensive and robust evidence sources that are drawn on at various points throughout the paper.

[1] Iceni Projects (Dec 2023) *Portsmouth Housing and Economic Development Needs Assessment,* https://www.portsmouth.gov.uk/wp-content/uploads/2024/04/4-Portsmouth-HEDNA_Final-Report-Dec-2023-CONFIDENTIAL-1.pdf

[2] HDH Planning & Development (May 2024) *Development Viability Assessment: Pre-submission (Regulation 19) Update*, https://www.portsmouth.gov.uk/wp-content/uploads/2024/07/PCC-Development-Viability-Assessment-Update_2024.pdf

2. National Policy Context

2.1 Introduction

2.1.1 This section reviews affordable housing requirements set out in the NPPF and Written Ministerial Statement (WMS) on Affordable Homes Update (24 May 2021[3]) and considers national planning policy guidance (PPG) on the matter.

2.2 Affordable Housing Need

2.2.1 The NPPF (paragraph 20) outlines that strategic policies should set out an overall strategy for the pattern, scale and design quality of places, and make sufficient provision for housing, including affordable housing. Paragraph 60 of the NPPF highlights the importance of the needs of groups with specific housing requirements being addressed, stating that: *'The overall aim should be to meet as much of an area's identified housing need as possible, including with an appropriate mix of housing types for the local community.'*

2.2.2 Paragraph 63 indicates that within the context of establishing needs, the size, type and tenure of housing needed for different groups in the community should be assessed and reflected in planning policies. These groups should include those who require affordable housing.

2.2.3 The PPG (Paragraph: 019 Reference ID: 2a-019-20190220) states that strategic policy-making authorities will need to estimate their affordable housing need (providing guidance on how to do so), and that this should involve working with colleagues in their relevant authority, for example, housing, health and social care departments.

2.2.4 The PPG also notes (Paragraph: 001 Reference ID: 67-001-20190722) that Strategic policy-making authorities will need to consider the extent to which the identified needs of specific groups (including those in need of affordable housing) can be addressed, taking into account the overall level of need identified using the standard method; the extent to which the overall housing need can be translated into a housing requirement figure for the plan period; and the anticipated deliverability of different forms of provision, having regard to viability.

2.3 Guidance on Policy Drafting

2.3.1 Paragraphs 64-66 of the NPPF set out specific requirements for planning policy on affordable housing:

'Where a need for affordable housing is identified, planning policies should specify the type of affordable housing required[30], and expect it to be met on-site unless:

[3] https://questions-statements.parliament.uk/written-statements/detail/2021-05-24/hlws48

a) *Off-site provision or an appropriate financial contribution in lieu can be robustly justified; and*
b) *The agreed approach contributes to the objective of creating mixed and balanced communities.*

Provision of affordable housing should not be sought for residential developments that are not major developments [major development being development of 10 or more homes, or a site of 0.5ha or more in size]*, other than in designated rural areas (where policies may set out a lower threshold of 5 units or fewer). To support the re-use of brownfield land, where vacant buildings are being reused or redeveloped, any affordable housing contribution due should be reduced by a proportionate amount[31].*

Where major development involving the provision of housing is proposed, planning policies and decisions should expect at least 10% of the total number of homes to be available for affordable home ownership[32], unless this would exceed the level of affordable housing required in the area, or significantly prejudice the ability to meet the identified affordable housing needs of specific groups. Exemptions to this 10% requirement should also be made where the site or proposed development:
a) *Provides solely Build to Rent homes;*
b) *Provides specialist accommodation for a group of people with specific needs (such as purpose-built accommodation for the elderly or students);*
c) *Is proposed to be developed by people who wish to build or commission their own homes; or*
d) *Is exclusively for affordable housing, a community-led development exceptions site or a rural exception site.'*

2.3.2 The above quote from the NPPF contains various footnotes. Footnote 30 applies the definition of Affordable Housing from Annex 2 of the NPPF. The definition is as follows:

'***Affordable housing:*** *housing for sale or rent, for those whose needs are not met by the market (including housing that provides a subsidised route to home ownership and/or is for essential local workers); and which complies with one or more of the following definitions[81]:*

a) ***Affordable housing for rent:*** *meets all of the following conditions: (a) the rent is set in accordance with the Government's rent policy for Social Rent or Affordable Rent, or is at least 20% below market rents (including service charges where applicable); (b) the landlord is a registered provider, except where it is included as part of a Build to Rent scheme (in which case the landlord need not be a registered provider); and (c) it includes provisions to remain at an affordable price for future eligible households, or for the subsidy to be recycled for alternative affordable housing provision. For Build to Rent schemes affordable housing for rent is expected to be the normal form of affordable housing provision (and, in this context, is known as Affordable Private Rent).*
b) ***Starter homes:*** *is as specified in Sections 2 and 3 of the Housing and Planning Act 2016 and any secondary legislation made under these sections. The definition of a starter home should reflect the meaning set out in statute and any such secondary legislation at the time of plan-preparation or decision-making. Where secondary legislation has the effect of limiting a household's eligibility to purchase a starter home to those with a particular maximum level of household income, those restrictions should be used.*

c) ***Discounted market sales housing:*** *is that sold at a discount of at least 20% below local market value. Eligibility is determined with regard to local incomes and local house prices. Provisions should be in place to ensure housing remains at a discount for future eligible households.*

d) ***Other affordable routes to home ownership:*** *is housing provided for sale that provides a route to ownership for those who could not achieve home ownership through the market. It includes shared ownership, relevant equity loans, other low cost homes for sale (at a price equivalent to at least 20% below local market value) and rent to buy (which includes a period of intermediate rent). Where public grant funding is provided, there should be provisions for the homes to remain at an affordable price for future eligible households, or for any receipts to be recycled for alternative affordable housing provision, or refunded to Government or the relevant authority specified in the funding agreement.'*

2.3.3 Footnote 81 of the NPPF requires the definition to be read in conjunction with the Affordable Homes Update WMS published on 24 May 2021. The WMS adds First Homes to the definition of affordable housing. It states that a minimum of 25% of all affordable housing units secured through developer contributions should be First Homes which it outlines: *'must be discounted by a minimum of 30% against the market value; and after the discount has been applied, the first sale of the home must be at a price no higher than £250,000 (or £420,000 in Greater London).'*

2.3.4 The WMS states that when considering the remaining 75% of affordable housing secured through developer contributions (after the initial 25% has been apportioned to First Homes), priority should be given to social rent. When introduced, the WMS also made some changes to the Shared Ownership model, including reducing the minimum share for initial Shared Ownership purchases from 25% to 10% (the maximum share remains unchanged at 75%), as well as some changes to 'staircasing' (purchasing further shares).

2.4 Viability

2.4.1 In paragraph 34, the NPPF sets out that plans should set out the contributions expected from development, including setting out the levels and types of affordable housing provision required. Paragraph 34 makes clear that development contributions should not undermine the deliverability of the plan. The PPG (paragraph 001 Reference ID: 67-001-20190722) states that Authorities will need to consider the extent to which the identified needs of specific groups can be addressed in the area, having regard to viability.

2.4.2 The PPG provides guidance on viability and how this should relate to planning policies, stating: *'Policy requirements should be clear so that they can be accurately accounted for in the price paid for land. To provide this certainty, affordable housing requirements should be expressed as a single figure rather than a range. Different requirements may be set for different types or location of site or types of development.'* (Paragraph: 001 Reference ID: 10-001-20190509)

2.4.3 The PPG continues by indicating that: *'Viability assessment should not compromise sustainable development but should be used to ensure that policies are realistic, and that the cumulative cost of all relevant policies will not undermine deliverability of the plan.'* (Paragraph 002 Reference ID: 10-002-20190509). It suggests plan makers work in collaboration with the local community, developers and other stakeholders to create realistic, deliverable policies, informed by engagement with developers, landowners, and infrastructure and affordable housing providers. It also stipulates that: *'Policy requirements, particularly for affordable housing, 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.'*

2.4.4 The PPG indicates that it is not necessary to test the viability of each site considered in a Local Plan (Paragraph: 003 Reference ID: 10-003-20180724). Instead, typologies of site can be used, based on the type of sites that are likely to come forward for development over the plan period (Paragraph: 004 Reference ID: 10-004-20190509).

2.4.5 The PPG considers review mechanisms, stating that: *'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.'* (Paragraph 009 Reference ID: 10-009-20190509).

3. Affordable Housing Need Evidence

3.1 Introduction

3.1.1 The first step in preparing the affordable housing policy, was the preparation of evidence on affordable housing need. This section considers evidence on housing need from the HEDNA, including findings from the Council's Housing Team. This relates to needs for social/affordable rented housing and affordable home ownership products generally, it does not go into detail on meeting specific needs of certain groups such as older people or students as those are dealt with in separate policies of the emerging Local Plan.

3.1.2 The assessment of affordable housing need in the HEDNA is separated into two, firstly an assessment of need from households unable to *buy or rent* housing (described as a need for social/affordable rented housing), and secondly from households able to *rent but not buy* (described as a need for affordable home ownership). A summary of the findings from the HEDNA is provided below. The HEDNA does not conclude by recommending a specific split between the two tenures, instead noting that the Council will need to consider the relative levels of need and also viability issues (recognising for example that providing affordable home ownership products may be more viable and may therefore, allow more units to be delivered, but at the same time noting that households with a need for rented housing are likely to have more acute needs and fewer housing options).

3.2 Need for social/affordable rented housing

3.2.1 The split between the need for social rent versus affordable rent has been considered in the HEDNA. Social rent is the cheapest form of affordable housing, followed by affordable rent. Both social rent and affordable rent are significantly cheaper than market rent. The HEDNA indicates that affordable rent represents 61% of a current lower quartile private rent, and that 21% of households who cannot afford to rent privately could afford an affordable rent, with a further 17% being able to afford social rent (but not affordable rent). In addition, the HEDNA notes that 62% of households would need some degree of benefit support to be able to afford their housing, regardless of tenure. The need for social/affordable rented housing is therefore, shown by the HEDNA to be significant, and has been calculated as being **851 social/affordable rented homes per annum** across the City.

3.2.2 Whilst the HEDNA concludes that both social and affordable rented housing are likely to be required, it does not recommend a specific split between social and affordable rent as any policy on this will need to be flexible. This is because the needs for the different tenures can be impacted by various different factors, for example funding streams may be available for a particular type of housing and not another, and there will need to be a balance between the cost of housing and what can be viably provided.

3.3 Need for affordable home ownership products

3.3.1 The HEDNA has assessed current and projected need for affordable home ownership products, analysing what the gap between renting and buying actually means in Portsmouth. In terms of income, the HEDNA shows in Table 6.4, that to buy a home in Portsmouth, an income of £40,000 per annum is required, whereas to rent, an income of

£36,000 per annum is required. This shows there is quite a modest gap between the income needed to both buy and rent privately. The HEDNA suggests that an estimated 42% of households currently living in the private rented sector in Portsmouth already have sufficient income to buy a suitable lower quartile home, with only 5% of households falling in the rent/buy gap (able to afford to rent but not buy). The final 52% of households are estimated to have an income which means they cannot afford to rent privately (i.e. would need to spend more than the calculated threshold of their income on housing costs) although in reality it should be noted that many households will spend a higher proportion of their income on housing (these figures do not add up to 100% due to rounding). The HEDNA suggests that access to owner-occupation is being restricted by access to capital as well as some mortgage restrictions, rather than simply being due to the cost of housing to buy.

3.3.2 Looking at the 5% of households who can afford to rent but not buy, and projecting forward to consider newly forming households in addition to that, as well as existing households who will fall into need, the HEDNA concludes that there is a need for around **128 affordable home ownership homes per annum** across the City.

3.3.3 The NPPF is clear in paragraph 66 that at least 10% of all new housing on major developments should be for affordable home ownership, but stipulates an exception being *'unless this would […] significantly prejudice the ability to meet the identified housing needs of specific groups.'* Given the high level of need for social/affordable rented accommodation, prioritising affordable home ownership products would likely prejudice the ability to meet the needs of the specific group requiring social/affordable rented accommodation, so this needs to be borne in mind when setting requirements for different tenures in policy-making.

3.3.4 The WMS requires that a minimum of 25% of affordable housing should be First Homes. The HEDNA asserts that the provision of First Homes could squeeze out other forms of low cost home ownership products such as shared ownership, and therefore, suggests that the Council prioritises the delivery of shared ownership rather than First Homes, about which it states that: *'there is little evidence of a genuine need and it may even be appropriate to plan for zero First Homes.'* The HEDNA finds that the criteria for First Homes could result in First Homes being more expensive than open market homes, as Table 6.17 of the HEDNA demonstrates that only a £62,000 income is required for the most expensive market tenure of 4 or more bedrooms, compared to the £80,000 threshold for household income required through the First Homes criteria. The cap of £250,000 for the sale price for the property is also high for Portsmouth. Overall, shared ownership is found to be a far more suitable product for Portsmouth than First Homes.

3.4 Discussions with the Council's Housing Department

3.4.1 As part of preparing the HEDNA, Iceni Projects spoke to the Council's Housing Department and identified a number of key findings. Firstly, that the majority (95%) of housing allocations go to high bands (highest level of need, mostly homeless households) when an available house comes up. However, of the 28% of households on the register in a medium band, the majority are in the wrong size home (either too big, or more likely too small). If those households were provided with a suitably-sized home, they would release their current home, thus helping to release smaller homes for use by those in higher bandings.

3.4.2 The Housing Team note that shared ownership homes, including resales, are very popular. The equity shares for shared ownership schemes in the City are kept as low as possible, typically offered at 45%. They also flagged that unlike shared ownership products, low deposits are not a feature of First Homes or other discounted market sales products, making them far less popular than shared ownership products. Their preference is therefore, for shared ownership products over First Homes.

3.4.3 The Housing Team expressed a clear preference for social rented accommodation, noting that the government has put more money towards this in recent years. Officers indicated that the Council would build social rented accommodation itself if it can afford it, though the pressures on doing this were acknowledged, particularly given increased build costs.

4. Past Trends in Affordable Housing Delivery

4.1 Introduction

4.1.1 This section looks at the Council's track record of affordable housing delivery, through both development of Council-owned housing stock, and through working with public sector bodies and registered providers of social housing, as well as through schemes delivered by private developers.

4.2 Monitoring Data

4.2.1 The Council's annual monitoring data showing housing and affordable housing delivery since 2011 is shown below in Tables 1 and 2. Table 1 covers gross figures, Table 2 covers net figures. It is useful to look at both gross and net figures, as well as averages across a number of years, as sometimes in one year a large demolition has taken place, with replacement taking place in a subsequent year, which can make certain individual figures misleading if taken in isolation. The figures in Tables 1 and 2 cover the period since the adoption of the Portsmouth Plan in January 2012, which set affordable housing requirements in Policy PCS19 in a stepped range for developments of different sizes (8-10 dwellings at 20% affordable provision, 11-14 dwellings at 25% affordable housing provision, and 15+ dwellings at 30% affordable housing provision). The NPPF has since its publication however, prevented the application of this policy to developments of 8 or 9 dwellings, as it specifies that only developments of 10 or more dwellings should be required to provide affordable housing.

Table 1: Percentage affordable housing completions (gross) 2011 - 2024

Year	Homes completed	Affordable Homes completed	Proportion affordable homes delivered (rounded)
2011/12	357	135	37.8%
2012/13	422	158	37.4%
2013/14	251	100	39.8%
2014/15	447	197	44.1%
2015/16	489	203	41.5%
2016/17	413	127	30.8%
2017/18	458	46	10.0%
2018/19	206	60	29.1%
2019/20	196	70	35.7%
2020/21	296	25	8.4%
2021/22	183	29	15.8%
2022/23	293	19	6.5%
2023/24	311	149	47.9%
Total 2011/12 - 2023/24	**4,322**	**1,318**	**Average of total 30.5%**

Table 2: Percentage affordable housing completions (net) 2011 - 2024

Year	Homes completed	Affordable Homes completed	Proportion affordable homes delivered (rounded)
2011/12	276	111	40.2%
2012/13	351	156	44.4%
2013/14	222	96	43.2%
2014/15	406	190	46.8%
2015/16	412	154	37.4%
2016/17	393	127	32.3%
2017/18	408	46	11.3%
2018/19	183	60	32.8%
2019/20	168	70	41.7%
2020/21	285	25	8.8%
2021/22	148	29	19.6%
2022/23	-26	19	-73.1%
2023/24	243	148	60.9%
Total 2011/12 - 2023/24	**3,469**	**1,231**	**Average of total 35.5%**

4.2.2 Tables 1 and 2 show a relatively strong historical delivery of affordable homes in the period 2011/12 - 2016/17, followed by a notable decline until the last monitoring year when there was a sharp increase. The period of low delivery from 2017/18 - 2022/23 is linked to slower than expected implementation of major development sites allocated in the 2012 Portsmouth Plan, resulting from delays in land assembly and changing market conditions. In the latter part of that period, from spring 2020, low levels of delivery are linked to the economic downturn resulting from the Covid-19 pandemic, nutrient neutrality and increased levels of build costs.

4.2.3 The tables highlight changing trends in affordable housing delivery over a period of time (13 years) commensurate with the plan period required for new Local Plans (15 years from adoption). They show that delivery comes in waves, with the completion of specific, often larger schemes, for example, the former Kingston Prison site, demonstrating that appraising affordable housing delivery over a long time period is appropriate.

4.2.4 The key finding from Table 1 is that since 2011/12, affordable housing delivery has on average been 30.5% of the total (gross) homes completed, which is just above the 30% target set in the Portsmouth Plan 2012. The key finding from Table 2 is that since 2011/12, affordable housing delivery has on average been 35.5% of the total (net) homes completed, which again is comfortably above the target set in the Portsmouth Plan 2012. Obviously, the inclusion of schemes providing 100% affordable housing are increasing the average percentage, but Table 3 below shows numerous examples of where the 30% target is being met.

4.3 Examples of schemes providing affordable housing

4.3.1 Table 3 below provides examples of schemes providing affordable housing (based loosely on Table 12.7 from the DVA, but updated to reflect up-to-date planning application information, and providing some further examples of completions). This includes a range of development sites achieving affordable housing provision, at varying stages of development (permissions, starts and completions) and is correct as of January 2025.

Table 3: Examples of Affordable Housing Delivery in Portsmouth

Development Site	Status	S106 full policy compliant 30%	RP/PCC/Private developer site	Total units on site	Total affordable units (% of total units)
St James Hospital land - planning ref: 24/01117/FUL (replacing previous application for larger site ref: 18/00288/OUT)	Pending decision	Yes	Private developer	58	18 (30%)
Tipner East - Victory Quay - Planning ref: 22/01292/FUL	Permission granted but currently seeking to amend the S106 to deal with Homes England funding (not to reduce affordable housing provision), ground clearance/planning condition discharge	Yes	RP	830 - very large site	250 (30%)
Tipner East - Bellway Homes - Planning ref: 21/01357/FUL	Pending decision, resolution to grant subject to S106	Yes	Private developer	221 large site	67 (30%)
Silver Street - Planning ref: 20/01493/FUL (but re-submitted application 23/00863/FUL)	20/01493/FUL has consent but re-submitted new application with amended description (no change to no. units or affordable housing provision)	Yes	Private developer	18 small site	6 (33%)

	is pending decision				
Land to the rear of 94 London Rd - Planning ref: 09/00216/OUT	Under construction, permitted under 09/00216/OUT which was a resubmission of permission 08/02160/OUT	Yes	Private developer	18 small site	6 (33%)
Doyle Avenue Hilsea - Planning ref: 20/00357/CS3	Completed 2022/23	Yes	PCC	16 small site	16 (100%)
Former Dairy site Station Road Drayton - Planning ref: 19/00592/REM, 17/00224/OUT	Completed 2021/22	Yes	Private developer	93 large site	29 (31%)
Albion House Kings Street - Planning ref: 15/00661/CS3	Completed 2020/21	Yes	PCC	23 small site	23 (100%)
Goldsmith Avenue land assembly - Planning ref: 15/02081/FUL	Completed 2019/20	Yes	RP	70 medium site	70 (100%)
Aqua Homes Cross Street Portsea - Planning ref: 14/01672/FUL	Completed 2017/18	Yes	Private developer	90 large site	27 (30%)
244-248 Southampton Road land assembly - Planning ref: 16/00731/FUL	Completed 2017/18	Yes - 20% under staircasing	Private developer	10 small site	2 (20%)
Former SSE depot site lower Drayton Lane Drayton - Planning ref: 13/01224/FUL	Completed 2016/17	Yes	Private developer	143 large site	43 (30%)
80 Cosham High Street - Planning ref: 14/01164/FUL	Completed 2016/17	yes	RP	46 units medium site	45 (100%)
St Mary's (former Hospital) West wing - Planning ref: 13/00297/REM - 11/00250/OUT	Completed between 2014 and 2016	Yes	Private developer	191 units Large site	57 (30%)

4.3.2 Table 3 above demonstrates the Council's excellent track record of achieving policy-compliant development (compliant with adopted policy from 2012) with regards to affordable housing. According to the Council's Housing Team, this has been achieved through actively intervening in the market and working proactively with developers, registered providers and other bodies to enable this delivery. The Council's Housing Enabling Officer notes that larger developers are, in general, willing and able to provide 30% affordable housing and it would be deleterious in addressing the substantial need for affordable homes, evidenced in the HEDNA to lower expectation or the target in this regard. The Council also has a long history of joint working with public sector bodies, for example Homes England, to facilitate housing delivery in the City, for example, at Tipner East and St James' and Langstone Campus.

5. Viability Evidence

5.1 Introduction

5.1.1 In this section the results of the Development Viability Assessment (DVA) are considered in terms of its implications for affordable housing policy drafting. The DVA appraises the impact of policy requirements from the whole of the emerging Local Plan and from national requirements, for example, through Building Regulations, on development viability. The assessment was first carried out to inform the Regulation 18 stage of the Local Plan in 2020 and was subsequently updated in light of the latest economic circumstances and build costs, to inform the Regulation 19 Local Plan. Additional costs added in to the May 2024 revision of the DVA include allowing for: Option 1 of the Future Homes Standard and the Accessible and Adaptable Standards; second staircases in the flatted development modelling; costs of bird mitigation (Bird Aware as per the calculator which averages £600-£900 per unit), and nutrient neutrality mitigation (£2,500 per unit). The costs of CIL remains unchanged (£179.39 per sqm), but in any case, affordable housing is exempt from CIL.

5.1.2 The DVA uses a methodology consistent with the NPPF (2023). It takes a typology-based approach to preparing financial development appraisals, taking account of land values, sales values, and development costs. It does not take into account potential grant funding for affordable housing.

5.2 Key Outcomes for Affordable Housing from the Development Viability Assessment (2024)

5.2.1 Whilst the DVA has followed a methodology consistent with the NPPF, it is recognized in the DVA that there are limitations to high level viability testing, which states that:

'This is a challenge when considering policy proposals. It is necessary to determine whether or not the impact of a policy requirement on a development type that may appear only to be marginally viable will have any material impact on the rates of development or whether the developments will proceed anyway. Some development comes forward for operational reasons rather than for property development purposes.' (Paragraph 3.8).

5.2.2 The DVA recognises the constrained nature of Portsmouth, being *'a densely populated city with a growing population limited to an area of 40sqkm. It is tightly constrained by physical boundaries as an 'island' city, flood risk, historical land contamination and a number of nature conservation designations.'* These constraints have led to low levels of new development, meaning there is a shortage of comparable data on new developments, which makes the findings of viability testing less reliable, as averages have had to be taken from small datasets. This is flagged, for example, on Figure 4.8, which states (after naming the source) that: *'The sample size of Newbuild Homes is insufficient to provide meaningful values on a per bedroom basis.'* There are also potentially some inaccuracies in the data reflected in comments such as: *'The dataset* [Landmark sales data] *appears to include a large number of outliers that seem to be out of alignment with wider experience of the Portsmouth housing market.'*

5.2.3 Average house prices in Portsmouth are low, at £286,722, putting Portsmouth 201st most expensive out of 331 Councils across England and Wales in terms of average house prices (paragraph 4.7). The average price paid for newbuild homes in Portsmouth is £313,530, higher than the overall average price, but the DVA notes that the price differential between new build and existing stock is substantially less in Portsmouth than in many other places. The rate of sales (sales per month) is also a little lower in Portsmouth than in the wider country*, 'underlining the fact that aspects of the local market are challenging.'* (Paragraph 4.10). The DVA from May 2024 shows that residential viability has decreased since the previous iteration of the assessment in 2020.

5.2.4 Findings from the DVA show that there is substantial variation in house prices across the City, and the assessment accounts for this in residential price assumptions, which split the City into higher value areas (Old Portsmouth, Port Solent, Gunwharf Quays, Southsea Seafront), medium value areas (Central Southsea, Fratton Park, Milton, Cosham, Drayton, Farlington) and lower value areas (elsewhere in the City). The assessment tests three sets of policy scenarios: lower, mid and higher requirements.

5.2.5 The following typologies have been assessed in the DVA including: large brownfield sites (over 50 units), small brownfield sites, urban flatted schemes and greenfield sites (though it is acknowledged that there are few greenfield sites in the area). These are then broken down into different scale and density typologies, resulting in a total of 24 different typologies overall.

5.2.6 A range of affordable housing thresholds were viability tested to inform the Regulation 18 consultation draft Local Plan (0%-40%) in the 2020 DVA. The 2024 DVA re-tested options 0%-30% (40% assumed as not viable so not re-tested) in light of the latest economic circumstances and build costs in order to provide an up-to-date assessment of viability. The assessment assumes a split of 70% social/affordable rent, and 30% affordable home ownership.

5.2.7 **The DVA finds that a requirement for 30% affordable housing is challenging to meet, such that it is not viable in most of the typologies tested. Whereas a requirement for 20% affordable housing is found to be viable in most circumstances.**

5.2.8 The DVA acknowledges that the results of the study are one of a number of factors that the Council will need to consider in setting policies in the emerging Local Plan, stating that the results of the appraisals do not, in themselves, determine the deliverability of development. In this regard it is important to consider the evidence presented in earlier sections of this topic paper, which outlines the significant need for new affordable homes in the City, and the Council's successful past delivery rates of affordable housing.

6. Setting the Affordable Housing Requirement

6.1 Introduction

6.1.1 This section looks at how the Council has approached setting the requirements in Strategic Policy PLP17: Affordable Homes, taking account of the evidence outlined in previous sections of this report, and setting this in context with the overall need for housing based on the standard method, and Portsmouth's emerging housing target.

6.2 Summary of the Evidence Base

6.2.1 In section 3 of this topic paper, the need for affordable housing from the HEDNA has been set out, showing a clear need for a large amount of affordable housing in the City. A need for 851 dwellings per annum has been identified for social/affordable rented housing. The need for rented products is clearly much stronger than for affordable home ownership products, but there is a need for both tenures. 5% of households can afford to rent but not buy, leading to a need for 128 affordable home ownership homes per annum.

6.2.2 The Housing Background Paper[4] sets out the overall housing need (both market and affordable) based on the standard method (taken from the HEDNA). The standard method figure set out in that paper is 899 homes per annum. This is clearly only slightly above the annual affordable housing need figure (social/affordable rent) of 851 dwellings per annum. If the housing target were to be set at the standard method figure, the only way to meet the affordable housing need in full, would be to have an affordable housing requirement of just under 95%, which would clearly not be viable or desirable, so it is inevitable that affordable housing needs will not be met in full in Portsmouth. In fact, for the reasons set out in the Housing Background Paper, the housing target has been set *below* the standard method figure, at 680 homes per annum, which is also below the level of need for affordable housing, so whatever percentage requirement is set for affordable housing, there will be a substantial deficit of affordable housing provision compared to need.

6.2.3 In section 4, past trends in affordable housing delivery have been set out, showing that schemes have been delivering 30.5% gross affordable housing completions on average since 2011, and 35.5% net.

6.2.4 In section 5, the results of the DVA have been presented, showing that a requirement for 30% affordable housing is not viable in most typologies tested, whereas a requirement for 20% affordable housing is viable in most circumstances.

[4] Portsmouth City Council (December 2024) *Housing Background Paper* https://www.portsmouth.gov.uk/wp-content/uploads/2024/12/Housing-Background-Paper-Nov-2024-FINAL.pdf

6.3 Emerging Strategic Policy PLP17: Affordable Housing

6.3.1 The emerging Strategic Policy PLP17: Affordable Housing is set out below:

Strategic Policy PLP17: Affordable Homes

1. **Development proposals for major development, where a gross number of 10 or more residential dwellings will be provided (or the site has an area of 0.5ha or more) will be permitted where they:**

    a) **Make on-site provision for a minimum of 30% of the total residential dwellings as affordable homes;**

    b) **Provide the tenure mix of the affordable homes as 70% affordable rent and/or social rent, and 30% as another affordable route to home ownership (including shared ownership or discounted market sales housing); and**

    c) **Are indistinguishable in design and appearance from the open market houses and shall normally be "pepper-potted" around the site.**

2. **Where there is an indication that a site or development has been artificially split in order to avoid policy requirements by being below the dwelling or site size threshold identified above, the Council will consider whether it would be appropriate to apply the policy requirements to each of the smaller sites individually, irrespective of their number of dwellings or site area, in order to secure the delivery of affordable housing in accordance with his policy.**

3. **Where development proposals do not meet the policy requirements for affordable housing the applicant will be required to:**

    a) **Provide an open book viability assessment, that will be independently reviewed on behalf of the Council at the cost of the applicant, demonstrating that the proposed affordable homes provision has been maximised and all other options have been fully explored; and**

    b) **Demonstrate that the proposal contributes towards creating mixed and balanced communities.**

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.**
>
> **5. On site-provision of new affordable homes will be prioritised. Where this has been robustly demonstrated to be neither feasible nor viable, then off-site provision or an appropriate financial contribution in lieu to provide affordable housing will be accepted where it can be robustly justified. Off-site provision should be through provision on an alternative with within the City.**
>
> **6. Planning applications should where relevant have regard to the Providing Affordable Housing in Portsmouth guidance (or future equivalent) and the Housing Standards SPD (or future equivalent).**

6.3.2 Part 1 of the policy applies the threshold from the NPPF of 10 or more dwellings (or a site area of 0.5ha or more). The requirement in 1(a) is set at 30%. Although the DVA shows that 30% affordable housing is not viable in most typologies, whereas 20% is viable in most circumstances, past delivery has shown that provision of 30% or above has been provided on average since 2011. The DVA itself recognises that there are limitations to viability testing, and problems such as a shortage of data on new homes due to development levels being low has potentially led to the inconsistency between the findings of the DVA and the monitoring data on affordable housing completions. The impact of grant funding is also not taken into account (whilst this is the correct approach for the DVA to take, as affordable housing provided via S106 is not eligible for grant funding, there is grant funding available for some developments where affordable housing is provided outside of the S106 mechanism). This, together with the large amount of affordable housing need set out in the HEDNA, has led the Council to set the requirement at 30%. The Council states in the introductory text to the Policy (paragraph 6.21) that it: *'considers it preferable to set an affordable housing requirement that is ambitious for the City, reflecting the priority to provide affordable housing for people in need.'*

6.3.3 The HEDNA shows a greater need for social/affordable rent than for affordable home ownership products, but does not recommend a specific split between these for policy-making purposes. So the split set out in section 1(b) of the policy of 70% affordable rent and/or social rent, and 30% affordable home ownership has been selected based on discussions with the Council's Housing Department, and is consistent with the approach taken in the DVA. The supporting text at paragraph 6.35 explains that social rents will be prioritised.

6.3.4 The policy wording does not preclude development of First Homes, as it allows for 'discounted market sales housing'. The Council considers that First Homes are not required to be specifically provisioned for as part of the delivery of affordable home ownership, and the Council's evidence base does not support the provision of First Homes. Rent to Buy is allowed for in part 1b) of the policy as part of 'another affordable route to home ownership'.

6.3.5 The requirement for "pepper-potting" in section 1(c) of the policy comes from discussions with the Housing Department and is in line with best practice for creating mixed communities.

6.3.6 Section 2 of the policy seeks to prevent developers from "salami-slicing" developments (dividing the site up into small parts to deliberately circumvent the policy requirements) in order to avoid providing affordable housing.

6.3.7 The Council recognises that there will inevitably be schemes which cannot deliver 30% affordable housing, so allows for lower provision subject to viability in section 3 of the policy. As explained in the supporting text (paragraph 6.38), where the 30% provision is challenged by applicants, they will be required to submit a detailed viability assessment, and the Council will commission an independent review of this which the applicant/developer will need to pay for.

6.3.8 As the Council acknowledges that a number of schemes will successfully challenge the level of the affordable housing requirement, but the need remains high, provisions for a review mechanism have been put in place in section 4 of the policy. The supporting text at paragraph 6.39 explains that this is to ensure that affordable housing contributions can be identified if a development's viability improves over time.

6.3.9 Section 5 of the policy reflects the NPPF provisions prioritising on-site provision of affordable housing.

6.3.10 Section 6 of the policy refers to the Council's 'Providing Affordable Housing in Portsmouth' guidance[5], and Housing Standards SPD[6]. Both of these documents provide additional guidance on affordable housing delivery in Portsmouth. They will both be reviewed following the adoption of the Local Plan.

6.3.11 The policy does not deal with Build to Rent schemes, as these are covered in policy PLP19: Housing for Specific Groups.

6.3.12 The supporting text outlines that the Council will seek to further increase delivery of affordable housing through exceeding the 30% requirement on Council-owned sites where appropriate.

[5] Portsmouth City Council (Various) *Providing affordable housing in Portsmouth: A summary of affordable housing policies for developers*, https://www.portsmouth.gov.uk/wp-content/uploads/2020/05/development-and-planning-providing-affordable-housing-in-portsmouth.pdf

[6] Portsmouth City Council (Jan 2013) *Housing Standards: Supplementary Planning Document*, https://www.portsmouth.gov.uk/wp-content/uploads/2020/04/Housing-Standards-Supplementary-Planning-Document.pdf

7. Implications of the new National Planning Policy Framework for Affordable Housing

7.1 Introduction

7.1.1 On 12 December 2024 a new NPPF was published. Under the transitional arrangements set out in the NPPF (2024) Annex 1, paragraph 234 b), as the Portsmouth Local Plan will be submitted for examination before 12 March 2025, the plan will be examined under the December 2023 NPPF. However, the key points of note for affordable housing which are different from the December 2023 NPPF are noted below for information.

7.2 Key Changes in the 2024 NPPF regarding Affordable Housing

7.2.1 The definition of affordable housing is altered in Annex 2 of the new NPPF. *'Affordable housing for rent'* has been altered to *'social rent'* which is defined as meeting all of the following conditions: *'(a) the rent is set in accordance with the Government's rent policy for Social Rent; (b) the landlord is a registered provider; and (c) it includes provisions to remain at an affordable price for future eligible households, or for the subsidy to be recycled for alternative affordable housing provision.'*

7.2.2 The new definition removes reference to Starter Homes, instead referring to *'Other affordable housing to rent'* which is described as meeting all of the following conditions: *'(a) the rent is set in accordance with the Government's rent policy for affordable Rent, or is at least 20% below local market rents (including service charges where applicable); (b) the landlord is a registered provider, except where it is included as part of a Built to Rent scheme (in which case the landlord need not be a registered provider); and (c) it includes provisions to remain at an affordable price for future eligible households, or for the subsidy to be recycled for alternative affordable housing provision. For Build to Rent schemes affordable housing for rent is expected to be the normal form of affordable housing provision (and, in this context, is known as Affordable Private Rent).'*

7.2.3 The definitions of *'discounted market sales housing' and 'other affordable routes to home ownership'* remain unchanged. The definition of First Homes remains in the WMS from 2021.

7.2.4 In the new NPPF, it is stipulated that planning policies should specify the type of affordable housing required, including the minimum proportion of Social Rent homes required (paragraph 64).

7.2.5 The requirement from paragraph 66 of the 2023 NPPF to provide at least 10% of the affordable homes as affordable home ownership products has been removed (along with its associated exemptions), as has the requirement for 25% of affordable housing to be First Homes (footnote 31 of new NPPF).

7.3 Timing for new NPPF to come into force for plan-making in Portsmouth

7.3.1 Under paragraph 236 of the 2024 NPPF, as the housing requirement proposed in the emerging Portsmouth Local Plan meets less than 80% of local housing need, Portsmouth City Council will begin work on a new plan, under the revised plan-making system provided for under the Levelling Up and Regeneration Act 2023 as soon as the relevant provisions are brought into force in 2025. The changes relating to affordable housing from the 2024 NPPF will therefore be taken into account in any new Local Plans prepared under the revised plan-making system.