

CRAVEN SPATIAL PLANNING SUB-COMMITTEE

Monday 26th September 2022 at 6.30pm

Sub-Committee Members: Councillors Brockbank, Myers, Pringle, Rose, Shuttleworth, Staveley and Sutcliffe

Substitute Members: Councillors Madeley, Mulligan and Solloway

Please note the following advice in advance of the meeting:

Whilst there is no longer a legal requirement to wear a face covering or continue to social distance, please be considerate towards the wellbeing of others.

Anyone showing Covid symptoms or feeling unwell, are asked not to attend an in-person meeting, this is in the interest of general infection control. Further guidance can be found at: <u>https://www.gov.uk/coronavirus</u>

AGENDA

- 1. **Apologies for Absence –** To receive any apologies for absence.
- 2. Confirmation of Minutes To confirm the minutes of the meeting held on 6th July 2022.
- 3. Public Participation In the event that any questions/statements are received or members of the public attend, the public participation session will proceed for a period of up to fifteen minutes.
- **4. Declarations of Interest** All Members are invited to declare at this point any interests they have in items appearing on this agenda, including the nature of those interests.

(Note: Declarations should be in the form of:

a *"disclosable pecuniary interest"* under Appendix A to the Council's Code of Conduct, or "*other interests"* under Appendix B or under Paragraph 16 where a matter arises at the meeting which relates to a financial interest of a friend, relative or close associate.

A Member of Council who has a disclosable pecuniary interest must leave the room and not take part in the discussion or vote. When declaring interests under Appendix B or Paragraph 15 of the Code, Members must move to the public seating area, not vote, and speak only if members of the public are also allowed to speak at the meeting.)

5. Craven's Approach to the Implementation of First Homes – Report of the Strategic Manager for Planning and Regeneration. Attached.

Purpose of Report – To introduce the concept of First Homes and to consider and agree the Council's approach for the implementation of First Homes.

- 6. Any other items which the Chairman decides are urgent in accordance with Section 100B(4) of the Local Government Act, 1972.
- 7. Date of Next Meeting 12th December 2022.

Agenda Contact Officer:

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CRAVEN SPATIAL PLANNING SUB-COMMITTEE

6th July 2022

Present – The Chairman (Councillor Staveley) and Councillors Brockbank, Myers and Shuttleworth.

Officers – Strategic Manager for Planning and Regeneration, Legal Advisor (virtual) Senior Spatial Planning Officer, Planning Consultant (virtual), Planning Officer (Planning Policy Team), Senior Democratic Services Officer and Democratic Services and Scrutiny Officer.

Apologies for absence were received from Councillors Pringle, Rose and Sutcliffe.

Declarations of Interests - None.

Start: 6.31pm

Finish: 6.59pm

Minutes for Report

CSP.200 APPOINTMENT OF CHAIRMAN AND VICE-CHAIRMAN FOR THE 2022/2023 MUNICIPAL YEAR

Resolved – That, Councillor David Staveley and Councillor Simon Myers are appointed Chairman and Vice Chairman respectively for the 2022/2023 municipal year.

CSP.201 FLOOD RISK & WATER MANAGEMENT SUPPLEMENTARY PLANNING DOCUMENT AND GREEN INFRASTRUCTURE & BIODIVERSITY SUPPLEMENTARY PLANNING DOCUMENT: REVISED DRAFTS FOR CONSULTATION

The Strategic Manager for Planning and Regeneration submitted a report presenting two revised draft Supplementary Planning Documents (SPDs) and associated documents in respect of Flood Risk and Water Management and Green Infrastructure and Biodiversity.

The Authority was required, by regulation, to undertake two periods of consultation and, after the first period of consultation, the representations received were examined and a Consultation Statement produced along with revised draft SPDs.

The revised drafts and associated documents would undergo a second period of consultation, and if any further representations were received, modifications to the SPDs would be set out in an Adoption Statement.

As the parent Committee, Policy Committee would then be asked to recommend to Council, approval and adoption of the two SPDs hopefully by the end of 2022.

During the ensuing discussion, officers indicated that the Flood Risk and Water Management SPD could only provide guidance on the scope of adopted Local Plan Policy ENV6, which stated that SuDS should only be used where 'possible, feasible or appropriate'. The SPD could not introduce any additional requirements that fell outside the scope of the Policy.

Councillor Shuttleworth who had responded individually to the first consultation regarding sustainable drainage and water butts asked that the wording regarding the use of water butts was

looked at again and carefully reworded. He wanted to see the overflow from water butts piped into the adjacent sustainable drainage system (SuDS) serving the main building/structure.

The Senior Spatial Planning Officer stated that she would discuss with Councillor Shuttleworth an acceptable form of words that were in line with the wording in Policy ENV6 and that his comments would be treated as a response to the second consultation.

Members thanked the Planning Policy team for such a comprehensive document which would prove very useful in the future.

Resolved – (1) That, the Consultation Statement for the Draft Flood Risk and Water Management SPD as set out at Appendix A to the report now submitted, is approved.

(2) That, the revised Draft Flood Risk and Water Management SPD as set out at Appendix B to the report now submitted is approved and that it will act as a material consideration when dealing with, and determining relevant planning applications.

(3) That, the Strategic Environmental Assessment: Screening Report and the Habitat Regulations Assessments: Screening Report related to the revised Draft Flood Risk and Water Management SPD as set out in Appendices C and D to the report now submitted are approved.

(4) That, the Consultation Statement for the Draft Green Infrastructure and Biodiversity SPD as set out at Appendix E to the report now submitted, is approved.

(5) That, the revised Draft Green Infrastructure and Biodiversity SPD as set out at Appendix F to the report now submitted is approved and that it will act as a material consideration when dealing with, and determining relevant planning applications.

(6) That, the Strategic Environmental Assessment Screening Report and the Habitat Regulations Assessments: Screening Report related to the revised Draft Green Infrastructure and Biodiversity SPD as set out in Appendices G and H to the report now submitted are approved.

(7) That, delegated authority is given to the Strategic Manager for Planning and Regeneration to publish the documents in the appendices to the report now submitted, for a period of public consultation for a 4 weeks' period, running from Monday 11th July until Monday 8th August 2022.

CSP.202

ANY OTHER BUSINESS

The Strategic Manager for Planning and Regeneration updated Members on LGR and how the eight Local Plans would be dealt with by the new North Yorkshire Council. The Local Plans of the different local authorities would continue into the New Yorkshire Council. However, Craven District Council would need to maintain its Local Plan and keep it under review and updated until the new Council came into being when it would have a period of five years to produce and adopt a new Local Plan for the whole of North Yorkshire.

CSP.203

DATE OF NEXT MEETING

Date of next meeting - 26th September 2022.

Chairman.

Report of the Strategic Manager for Planning and Regeneration

Lead Member for Planning – Councillor Myers

Craven Spatial Planning Sub Committee

Craven's Approach to the Implementation

Ward(s) affected: All wards wholly or partly outside the Yorkshire Dales National Park

1. **Purpose of Report**

- 26th September 2022.

of First Homes

To introduce the concept of First Homes and to consider and agree the 1.1 Council's approach for the implementation of First Homes.

2. Recommendations - Members are recommended to:

- Note that national planning policy on First Homes contained in the First 2.1 Homes Written Material Statement May 2021 (WMS) and the National Planning Policy Guidance on First Homes (PPG) are material planning considerations to be given significant weight in planning decisions.
- 2.2 Accept the Initial First Homes Evidence attached as Appendix A to this report into the evidence base of the Craven Local Plan to be published on the Council's website at Craven District Council : Affordable housing (cravendc.gov.uk)
- 2.3 Approve the First Homes in Craven document attached at appendix B for publication on the Council's website at Craven District Council : Affordable housing (cravendc.gov.uk) to explain how First Homes in Craven will be implemented.

3. Report

3.1 Members should note that a presentation will be given to the subcommittee to introduce and explain the concept of First Homes.

3.2 National Requirements for First Homes

First Homes are a new type of affordable housing and offer eligible first-time buyers an opportunity to purchase their own home at a discounted price. They were introduced by the Government in June 2021, in the First Homes Written Ministerial Statement (WMS) and are now a requirement of national planning policy, which is supported by National Planning Policy Guidance (NPPG). This combination of national policy and guidance is referred to, below, as WMS/NPPG.

3.3 Appendix B: First Homes in Craven explains what First Homes are, provides a summary of the national requirements for First Homes set out in the

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WMS/NPPG and recommends how First Homes in Craven should be implemented. Sections 2 and 3 of appendix B lists these **national requirements** for First Homes relating to the minimum percentage of First Homes provided on a site; the minimum discount required below market value; the price cap for the cost of a First Home after the discount has been applied and criteria that has to be met in order to be eligible for a First Home.

- 3.4 Section 7 of appendix B relates to **captured value** and explains that the WMS/NPPG state that a policy compliant planning application should seek to capture the same amount of value as would be captured under the local authority's up-to-date published policy.
- 3.5 Section 8 of appendix B relates to **tenure split** and explains that the WMS/NPPG state that once a minimum of 25% of First Homes has been accounted for, social rent should be delivered in the same percentage as set out in the relevant adopted local plan policy; and that the remainder of affordable housing tenures should be delivered in line with relative proportions set out in that policy.
- 3.6 Section 10 of appendix B relates to **First Home exception sites** and explains that the WMS replaced entry level exception sites with First Homes exception sites. Guidance is provided in the NPPG. First Home exception sites can come forward on land not allocated for housing, but they cannot come forward in designated rural areas.
- 3.7 **Options Available to the Council for the Implementation of First Homes** WMS/NPPG encourages local planning authorities to ensure that First Homes work well in their area, for example by setting local requirements if they can demonstrate a need via local evidence. Local requirements may include:
 - Higher discounts Local planning authorities can require a higher minimum discount of either 40% or 50% if they can demonstrate a need for this though the preparation of evidence including a local housing needs assessment to take into account the need for a range of housing types and tenures (such as First Homes). A housing needs assessment would be prepared as part of the plan-making process.
 - Lower price caps Local planning authorities can set lower price caps, which should be determined by appropriate evidence prepared through the plan-making process with regard to local income levels, related to local house prices and mortgage requirements.
 - Additional eligibility criteria This could involve lower income caps (if this can be justified with reference to local average first-time buyer incomes), a local connection test, or criteria based on employment status (e.g. key workers).
- 3.8 What is clear from the WMS/PPG is that any local requirements for First Homes need to be clearly demonstrated by appropriate evidence, including a local housing needs assessment.
- 3.9 The WMS/NPPG states that the most appropriate method or tool to set any local requirements, including higher discounts, is via the plan making process

i.e., through the preparation of a local or neighbourhood plan or by updating relevant adopted local plan policies.

3.10 Initial First Homes Evidence by Arc4

Specialist consultants Arc 4 were asked to prepare some initial evidence on First Homes. This is set out at appendix A to this report and provides latest local house price data, the likely value of First Homes based on 30%, 40% and 50% First Home discounts, likely incomes required for First Homes and the likely affordability of local First Homes prices relative to local incomes. Appendix B also provides a summary of this evidence.

- 3.11 The Initial First Homes Evidence suggests that First Homes at a 50% discount are unlikely to be affordable to eligible households generally, but may be affordable to some.
- 3.12 The Initial First Homes Evidence makes the following two recommendations:
 - 1. That the initial evidence feeds into more complete evidence including a successor to the Council's Strategic Housing Market Assessment (SHMA). As the WMS/NPPG is clear that the tool to set local requirements for First Homes is via the plan making process, the Initial First Homes Evidence recommends that further, more complete, evidence is required to inform either an update to adopted Craven Local Plan policy H2: Affordable Housing or to inform a new Local Plan for North Yorkshire following LGR before any local requirements can be fully justified.
 - 2. In order to meet the requirements of the WMS/NPPG in terms of the tenure split of affordable housing after the requirement for 25% of First Homes have been accounted for, paragraph 16 of appendix A: Initial First Homes Evidence recommends the following affordable housing tenure split, as an update to the one recommended in the current SHMA:

Social/Affordable rent	Affordable home ownership	First Homes
60-65%	10-15%	25%

Recommended approach to implementing First Homes in the Craven Local Plan Area

3.13 The WMS states that local planning authorities should make clear how existing policies should be interpreted in light of First Homes requirements using the most appropriate tool available to them. In response to this, appendix B: First Homes in Craven aims to explain how First Homes in Craven will be implemented and specifically how adopted local plan policy H2: Affordable Housing should be interpreted in light of First Homes requirements. The aim of this document is to clearly set out to developers, communities and decision makers, the Council's approach to implementing First Homes. Further details are provided below with reference made to the relevant sections of appendix B.

- National or Local Requirements: The Initial First Homes Evidence suggests 3.14 that across the Craven Local Plan area. First Homes at a 50% discount are unlikely to be affordable to eligible households generally, but may be affordable to some. However, this initial evidence does not fully justify a higher discount and it is recommended that in line with the WMS /NPPG, more complete evidence is prepared as a successor to the Council's SHMA (2017) in the form of a local housing needs assessment. The WMS/NPPG is clear that the need for any local requirements should be determined through the plan-making process i.e. via an update to relevant local plan policies or through the preparation of a new LP for North Yorkshire following LGR. Therefore, the only option available to the Council presently is to implement First Homes in line with the national requirements set out in the WMS/NPPG. Section 9 of appendix B: First Homes in Craven recommends the Council's main requirements for the implementation of First Homes, based on relevant policies of the Craven Local Plan, the national requirements of the WMS & guidance included in the NPPG.
- 3.15 **Captured value:** Section 7 of appendix B; First Homes in Craven explains that First Homes will be discounted less than the other types of affordable housing required by Craven Local Plan Policy H2, therefore they will capture less value. It is therefore recommended that developers providing First Homes under Policy H2 will need to 'top up' their affordable housing contributions in order to satisfy the requirements of the WMS/NPPG so that the same amount of value is captured as would be captured under Policy H2. Paragraph 7.1 and footnote 12 of Appendix B: First Homes in Craven provides a worked example to illustrate this.
- 3.16 **Tenure Split:** Section 8 of appendix B: First Homes in Craven explains that Criterion f) of Policy H2 requires the tenure of affordable housing to reflect the most up-to-date evidence of affordable housing needs. If members accept Appendix B: Initial First Homes Evidence, this would represent up to date evidence, which recommends an affordable housing tenure split, as an update to the one recommended in the SHMA 2017, after taking First Homes in account. This recommended tenure split is set out at paragraph 3.12 above and paragraph 8.2 of the appendix B and would satisfy the requirements of the WMS/NPPG.
- 3.17 **First Homes exception sites:** Section 10 of appendix B explains what these are and where they can come forward, in line with the WMS/NPPG and recommends that the Council supports proposals for First Homes exception sites.

3.18 Conclusion

First Homes are now a requirement of national planning policy, as set out in the WMS, which is supported by the NPPG. Both are material planning considerations in the determination of planning applications. Therefore, the Council is required to provide at least 25% of all affordable housing as First Homes. This report and appendices A and B sets out the national requirements of the WMS/NPPG for First Homes, recommends that there is a need for more complete evidence to justify any local requirements for First

Homes in the Craven local plan area and explains that the most appropriate tool to set any local requirements, if justified by evidence, is via the plan making process. Given this context, members are recommended to note recommendation 2.1, accept recommendation 2.2 and approve recommendation 2.3 set out in section 2 of this report.

3.19 Local Government Reorganisation (LGR)

It is important that decisions relating to spatial planning are taken with LGR in mind. As set out above, the WMS/NPPG is clear that the main tool available to local planning authorities when setting local First Home requirements that are justified by appropriate evidence is the plan making process. For Craven this would be either via an update of adopted Craven Local Plan policy H2: Affordable Housing or via the preparation of a new local plan by the new North Yorkshire Council following LGR.

3.20 Completion of the review of the Craven Local Plan is required by November 2024, however from the 1st April 2023 Craven District Council will cease to exist and following LGR there will be a requirement for the new North Yorkshire Council to prepare a new local plan within five years. Decisions still need to be made about what that plan will look like and Craven District Council officers are currently working closely with planning and housing colleagues across the future North Yorkshire Council authority area to ensure that the application and implementation of First Homes is embedded in the work streams going forward. The approaches taken by Craven and other North Yorkshire District Councils, together with the identification and preparation of first Homes for the new North Yorkshire Council and potentially serve as evidence to support an approach that is tailored to the different housing market areas that exist across North Yorkshire.

4. Financial and Value for Money Implications

4.1 The proposed approach for the implementation of First Homes in Craven can be met from existing budgets.

5. Legal Implications

5.1 Legal advice has been provided by Michael Bedford QC on the approach to the implementation of First Homes in Craven and subsequent work required to inform future plan making processes, including the need for a more complete local plan evidence base relating to First Homes to inform either an update to Craven Local Plan policy H2: Affordable Housing or the preparation of a new Local Plan for North Yorkshire. This legal advice has informed this report, the Initial First Homes Evidence set out at appendix A and the First Homes in Craven document set out at appendix B.

6. Contribution to Council Priorities

6.1 Implementation of First Homes will contribute to the Council's priorities to achieve a carbon neutral Craven, supporting the wellbeing of our communities and attracting and retaining younger people.

6.2 **Impact on the declared Climate Emergency:** Spatial Planning documents, including the adopted Craven Local Plan, and subsequent planning applications that are determined in accordance with the development plan and material considerations, support a number of themes and actions set out in the Council's Climate Emergency Strategic Plan, such as the themes of carbon neutral development, travel and transportation, land and nature and carbon neutral energy & low carbon waste. Support for these themes will continue after the implementation of First Homes, because, according to the WMS, "First Homes should, as a matter of course, comply with any other applicable planning policies and/or building regulations, for example those relating to space, accessibility, energy efficiency or carbon emissions".

7. Risk Management

- 7.1 See report
- 7.3 **Chief Finance Officer (s151 Officer) Statement:** The cost implications relating to the implementation of First Homes in Craven are not significant and can be met from existing budgets. Any wider cost implications arising from a policy change or change in approach would need to be considered as part of a separate decision.
- 7.4 **Monitoring Officer Statement:** The recommendations in the report are within the legal powers of the Council.

8. Equality Impact Analysis

8.1 No new policy or procedure is proposed in this report which would give rise to a requirement for an Equality Impact Assessment.

9. Consultations with Others

9.1 Legal Services, Financial Services, Strategic Housing and Development Management

10. Background Documents

10.1 None

11. Appendices

- Appendix A Initial First Homes Evidence (September 2022)
- Appendix B First Homes in Craven (September 2022)

12. Author of the Report

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The following officers have also been involved in drafting this report and appendices:

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Note: Members are invited to contact the author in advance of the meeting with any detailed queries or questions.

Craven District Council

Final Report September 2022

Draft for Consideration by Spatial Planning Sub Committee 26th September 2022

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Section 1 Aim of the First Homes evidence

- 1. First Homes are the government's preferred discounted market tenure and should account for at least 25% of all affordable housing units delivered by developers.
- 2. The purpose of this report is to:
 - Provide initial First Homes evidence for Craven to inform the implementation of First Homes in the Craven local plan area and the preparation of documents to be presented to the Council's Spatial Planning Sub-Committee relating to First Homes.
 - 2. Recommend further work required to meet the requirements for First Homes as set out in the Written Ministerial Statement of May 2021 and Planning Practice Guidance in terms of justifying local requirements for First Homes, if appropriate, and informing the local plan process.
 - 3. Recommend an updated tenure split to update that included in the Council's Strategic Housing Market Assessment (2017) once First Homes have been accounted for.

Section 2 Overview

- 3. The purpose of this section is to explain what First Homes are and present the policy background to the introduction of First Homes.
- 4. The National Planning Policy Framework (NPPF) sets out the government's planning policies for England and how they are expected to be applied. Paragraphs 60 to 67 set out approaches to assessing overall housing need and the need for affordable housing. Paragraph 63 specifically relates to affordable housing 'where a need for affordable housing is identified, planning policies should specify the type of affordable housing required'. Planning Practice Guidance (NPPG) accompanies the NPPF and sets out how affordable housing need should be assessed. The NPPF sets out affordable housing definitions which are presented at Appendix A.
- 5. The requirement for First Homes was introduced by the government in The First Homes Written Ministerial Statement of May 2021 and is now included in the NPPG (<u>https://www.gov.uk/guidance/first-homes#first-homes-</u> <u>definition-and-eligibility-requirements</u>). Key points are:
 - First Homes are a discounted market sale housing and should be considered to meet the definition of 'affordable housing' for planning purposes.
 - They must be discounted by a minimum of 30% against market value after the discount has been applied, the first sale must be at a price no higher than £250,000 outside London.



- They must be sold to people meeting eligibility criteria which includes firsttime buyers and household incomes should not exceed £80,000.
- The discount is passed onto each subsequent purchaser.
- First Homes are the government's preferred discounted market tenure and should account for at least 25% of all affordable housing units delivered by developers.
- 6. The PPG states that 'the First Homes Written Ministerial Statement does give local authorities and neighbourhood planning groups the discretion to require a higher minimum discount of either 40% or 50% if they can demonstrate a need for this' (**NPPG Paragraph: 004 Reference ID: 70-004-20210524)**. This paragraph also notes that 'minimum discounts should apply to the entire local plan area and should not be changed on a site-by-site basis.' The WMS and PPG on First Homes is clear that the need for any local requirements should be determined through the plan-making process and justified by appropriate evidence. Appendix B sets out further details of First Homes exception sites as presented in PPG.

First home products in the Craven Local Plan area context

- 7. The analysis in this paper relates to the Craven Local Plan area which is the Craven Local Authority District excluding the Yorkshire Dales National Park. Table 1 presents house price data for all sales and newbuild sales for the periods January 2018 to June 2021 and January to June 2021. It then calculates the value of First Homes based on 30%, 40% and 50% discounts based on these prices (note there were no newbuild sales reported in the January to June 2021 period).
- 8. It is a reasonable assumption, based on Arc4's experience of understanding housing markets, that a lower quartile price is a broad proxy for a 2-bedroom dwelling and median price a broad proxy for 3-bedroom dwellings. A 2-bedroom dwelling is the housing size most likely to meet entry level (first time buyer) housing need.

This evidence uses all sales prices the period January 2018 to June 2021 to establish:

- a lower quartile price of £150,000 (which broadly equates to a 2-bedroom property price); and
- a median price of £205,000 (which broadly equates to a 3-bedroom property price)

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Table 1	Indicative First Home	prices				
Local Planning Authority	Jan 2018- June 2021 property price			Jan – June 2021 property price		
	LQ	Median	Average	LQ	Median	Average
Craven Local Plan area – all sales	£150,000	£205,000	£249,586	£158,000	£217,500	£266,453
	Proxy for 2 bedroom property (entry-level/first time buyer property)	Proxy for 3 bedroom property		Proxy for 2 bedroom property(entry- level/first time buyer property)	Proxy for 3 bedroom property	
First Homes discour	nt price					
30%	£105,000	£143,500	£174,710	£110,600	£152,250	£186,517
40%	£90,000	£123,000	£149,752	£94,800	£135,500	£159,872
50%	£75,000	£102,500	£124,793	£79,000	£108,750	£133,227
Craven Local Plan area – newbuild sales	£201,167	£257,475	£298,240	No sales	No sales	No sales
First Homes discour	nt price					
30%	£140,817	£180,233	£208,768	No data	No data	No data
40%	£120,700	£154,485	£178,944	No data	No data	No data
50%	£100,584	£128,738	£149,120	No data	No data	No data

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9. Table 2 shows the actual incomes required for First Home options based on a 3.5x income multiple and a 10% deposit. The income figure is assumed to be a household income for the purpose of this analysis. The income required for a lower quartile open market newbuild property would be 34.1% higher than for a First Homes property and 25.6% higher for a median priced property.



Table 2Income required for First Homes to be affordable (based on 3.5x income multiple and assumes a 10% deposit)

Local Planning Authority	Income needed based on Jan 2018- June 2021 property price		Income needed based on Jan – June 2021 property price			
	LQ	Median	Average	LQ	Median	Average
Craven Local Plan area – all sales	£38,571	£52,714	£64,179	£40,629	£55,929	£68,516
	Proxy for 2 bedroom property (entry-level/first time buyer property)	Proxy for 3 bedroom property		Proxy for 2 bedroom property (entry-level/first time buyer property)	Proxy for 3 bedroom property	
First Homes discount						
30%	£27,000	£36,900	£44,925	£28,440	£39,150	£47,962
40%	£23,143	£31,629	£38,508	£24,377	£33,557	£41,110
50%	£19,286	£26,357	£32,090	£20,314	£27,964	£34,258
Craven Local Plan area – newbuild sales	£51,729	£66,208	£76,690	No sales	No sales	No sales
First Homes discount						
30%	£36,210	£36,047	£41,754	No data	No data	No data
40%	£31,037	£26,483	£30,676	No data	No data	No data
50%	£25,864	£33,104	£38,345	No data	No data	No data
% difference in income for newbuild	34.1%	25.6%	19.5%	No data	No data	No data

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10. Table 3 considers the relative affordability of discounted prices to households on lower quartile, median and average earnings using ONS Annual Survey of Hours and Earnings (ASHE) data using all sales and newbuild prices. This initial First Homes Evidence indicates that across the Craven Local Plan area, First Homes would not be affordable to households on lower quartile or median earnings. However it is recommended that in order to meet the requirements of the WMS and NPPG further work is required to fully justify this through the plan making process and the preparation of evidence to update the Council's SHMA (2017), which is likely to be in the form of a local housing needs assessment, as required by paragraph 61 of the NPPF.

Table 3 Comparison of earnings ratio to market prices and First Homes at alternative discounts

	Earnings and ratio to price (all sales Jan 2018 to Jun 2021)		Earnings and ratio to price (all sales Jan 2021 to June 2021)	
	Lower Quartile	Median	Lower Quartile	Median
ONS earnings data 2021 (based on Craven District)	£20,407	£26,891	£20,407	£26,891
First Homes discount based on all sales				
30%	5.13	5.34	5.4	5.66
40%	4.4	4.57	4.63	4.85
50%	3.66	3.81	3.86	4.04
First Homes discount based on newbuild sale	S			
30%	6.88	6.7	No data	No data
40%	5.9	5.74	No data	No data
50%	4.91	4.79	No data	No data

Kev

1.09	
3.16	Price below 3.5x earnings
3.79	Price between 3.5x and 4x earnings
5.13	Prices more than 4x earnings

Source: ONS Annual Survey of Hours and Earnings resident-based earnings data 2021



District-level First Homes price

11. Table 4 sets out indicative First Home property sales prices at a different discount based on the lower quartile and median sale prices set out in paragraph 8. The affordability of discounted property prices is then tested with latest (2021) ONS Annual Survey of Hours and Earnings data which demonstrates First Homes exceed 3.5x income multiples regardless of the discounts applied to property price.

Table 4Craven Local Plan Area First Home discount analysis based on all saleprices

Craven Local Plan Area	House price		
	Lower Quartile	Median	
Jan 2018 to June 2021 all sale price>>>	£150,000	£205,000	
A.This is what a First Home would cost based on different discounts	Lower Quartile	Median	
30% discount	£105,000	£143,500	
40% discount	£90,000	£123,000	
50% discount	£75,000	£102,500	
B.This is the household income that would be needed to afford a First Home at different discounts.The amount assumes a 10% deposit and a mortgage is no more than 3.5x income.	Lower Quartile	Median	
30% discount	£27,000	£36,900	
40% discount	£23,143	£31,629	
50% discount	£19,286	£26,357	
C. Actual income measures	LQ	Median	
2021 ONS Earnings data	£20,407	£26,891	
D. Ratio of income required for different First Home discounts. This is A divided by C	LQ	Median	
30% discount	5.1	5.3	
40% discount	4.4	4.6	
50% discount	3.7	3.8	

Sources: Land Registry © Crown copyright 2021; ONS ASHE 2021 resident-based earnings data

12. Table 5 considers analysis based on newbuild prices 2018 to June 2021. The data presented in tables 4 and 5 show that in terms of both all sales and new build sales, regardless of discount to market price earnings they are generally not sufficient to afford First Homes Products.



Table 5	Craven Local Plan Area First Home discount analysis based on newbuild
sale prices	

Craven Local Planning Authority Area	House price		
	Lower Quartile	Median	
2018-June 2021 newbuild sales price>>>	£201,167	£257,475	
A. This is what a First Home would cost based on different discounts	Lower Quartile	Median	
30% discount	£140,817	£180,233	
40% discount	£120,700	£154,485	
50% discount	£100,584	£128,738	
B.This is the household income that would be needed to afford a First Home at different discounts. The amount assumes a 10% deposit and a mortgage is no more than 3.5x income.	Lower Quartile	Median	
30% discount	£36,210	£46,346	
40% discount	£31,037	£39,725	
50% discount	£25,864	£33,104	
C. Actual income measures	Lower Quartile	Median	
2021 ONS Earnings data	£20,407	£26,891	
D. Ratio of income required for different First Home discounts. This A divided by C	Lower Quartile	Median	
30% discount	6.9	6.7	
40% discount	5.9	5.7	
50% discount	4.9	4.8	

Implications of First Homes for an overall affordable tenure split

- 13. NPPG sets out how First Homes should be addressed in local plans. Policies for First Homes should reflect the requirement that a minimum of 25% of all affordable housing units secured through developer contributions should be First Homes (Paragraph 013 Reference ID: 70-013-20210425). The NPPG states that 'A policy compliant planning application should seek to capture the same amount of value as would be captured under the local authority's up-to-date published policy' (Paragraph: 014 Reference ID: 70-014-20210524). Then, NPPG says 'once a minimum of 25% of First Homes has been accounted for, social rent should be delivered in the same percentage as set out in the local plan. The remainder of the affordable housing tenures should be delivered in line with the proportions set out in the local plan policy (Paragraph 15 reference ID: 70-015-20210524).
- 14. The Council's 2017 SHMA Update indicates that an appropriate split on tenure would be achieving between 15% and 25% affordable housing for sale, and between 75% and 85% affordable housing for rent. The 2017 SHMA Update did not differentiate between social and affordable rent on the assumption that a range of rental options would come forward. However, virtually all rented accommodation being developed in



Craven is affordable rent and therefore the model assumes a combined social/affordable rented need.

- 15. In line with the NPPG, there is a need to deliver the affordable housing tenures in line with the proportions set out in adopted Craven Local Plan Policy H2: Affordable Housing. Criterion f) of this policy states that 'the size, type and tenure of affordable units will be expected to reflect the most up to date evidence of affordable housing needs, from the latest SHMA and any other robust and up to date evidence of local housing need'. The initial First Homes evidence supplements the 2017 SHMA Update and provides updated income/house price data to inform the delivery of housing tenures after 25% of First Homes has been accounted for, to best meet affordable housing need. As stated in paragraph 16, the 2017 SHMA Update does not differentiate between social and affordable rent, therefore this updated evidence informs and justifies adjustment of the tenure mix to best meet affordable housing need.
- 16. The final recommended affordable tenure split for Craven is set out in Table 6 and ensures that once 25% of First Homes has been accounted for, the remainder of the affordable housing tenures should be delivered in line with the proportions set out in the local plan policy, in line with the NPPG.

Table 6 Affordable tenure split

Social/Affordable rent	Affordable home ownership	First Homes
60-65%	10-15%	25%

Conclusions and policy recommendations

- 17. This paper has explored the likely cost of First Home products based on alternative discounts and tested these against local incomes.
- 18. A key conclusion is that this initial evidence indicates that First Homes at a 50% discount are unlikely to be affordable to eligible households generally, but may be affordable to some. Further work is required to confirm the affordability of First Homes through the plan-making process and the preparation of evidence including a housing needs assessment.
- 19. This paper makes two recommendations:
 - 1. Whilst this paper has provided initial First Homes evidence, it is recommended that it feeds into more complete evidence required to justify any local requirements such as higher discounts and lower price caps, if appropriate. The WMS and PPG on First Homes is clear that the need for any local requirements should be determined through the plan-making process, that is through the preparation of evidence including a housing needs assessment and through an update to relevant local plan policies (H2) or through the preparation of a new local plan for North Yorkshire following local government reorganisation.



2. In line with PPG paragraph 015 (ID: 70-015-20210524), there is a need to deliver the affordable housing tenures in line with the proportions set out in the adopted Craven Local Plan Policy H2: Affordable Housing. A tenure split as set out in table 6 is therefore recommended.



Appendix A Affordable housing definitions

Definitions relating to affordable housing are presented in the NPPF 2021 (Annex 2):

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:

- 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 local 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.

Appendix B First Homes exception sites

What is a First Homes exception site?

A First Homes exception site is an exception site (that is, a housing development that comes forward outside of local or neighbourhood plan allocations to deliver affordable housing) that delivers primarily First Homes as set out in the First Homes Written Ministerial Statement.

Paragraph: 024 Reference ID: 70-024-20210524

Where can First Home exception sites come forward?

First Homes exception sites can come forward on unallocated land outside of a development plan. They cannot come forward in areas designated as Green Belt, or designated rural areas as defined in Annex 2 of the National Planning Policy Framework. In these areas rural exception sites are the sole permissible type of exception site.

Paragraph: 025 Reference ID: 70-025-20210524

What evidence can be used in demonstrating that a proposed First Homes exception site is proportionate in size to the existing settlement?

For decision making, what constitutes a proportionate development will vary depending on local circumstances. As part of their process for preparing planning applications, applicants should consider engaging a relevant built environment professional to provide advice on the scale of their proposal and also consider proactively engaging with local authorities where possible to discuss their proposals.

For plan making, local authorities and neighbourhood planning qualifying bodies are encouraged to set policies which specify their approach to determining the proportionality of First Homes exception site proposals, and the sorts of evidence that they might need in order to properly assess this.

Paragraph: 026 Reference ID: 70-026-20210524

Can First Homes exception sites deliver market housing?

First Homes exception sites can deliver a small proportion of market housing, provided that it can be demonstrated that this is necessary in order to ensure the overall viability of the site. Local authorities and neighbourhood planning groups can set policies that specify in further detail the proportions of market housing would be considered acceptable, and under what circumstances.

Paragraph: 027 Reference ID: 70-027-20210524

What sort of evidence can be provided in order to justify the inclusion of a small proportion of market housing on First Homes exception sites?

Applications for First Homes exception sites that propose the inclusion of a small proportion of market housing will be expected to provide evidence that the site would be unviable without such housing being included, for instance in situations where the development faces significant and unexpected delivery costs. Evidence would



typically be in the form of a detailed viability assessment prepared in line with Planning Practice Guidance on Viability in Decision Taking.

Paragraph: 028 Reference ID: 70-028-20210524

Under what circumstances can other types of affordable housing come forward on First Homes exception sites?

Where local evidence suggests that a significant local need exists for one or more other forms of affordable housing on a proposed First Homes exception site, applicants may alter the proportions of affordable housing to include small quantities of other affordable housing products. Applicants will be expected to provide evidence of this need in the form of a Local Housing Needs Assessment, local authority Housing Register, or other sufficiently rigorous local evidence.

Paragraph: 029 Reference ID: 70-029-20210524

Appendix B



FIRST HOMES

Draft for Consideration by Spatial Planning Sub Committee 26th September 2022

1 What are First Homes?

1.1 First Homes are a new type of affordable housing and offer eligible first-time buyers an opportunity to purchase their own home, at a discounted price. They were introduced by the Government in May 2021 and are now a requirement of national planning policy.

2 National planning policy and guidance

2.1 National planning policy is contained in the First Homes Written Ministerial Statement (WMS), which must be read alongside the National Planning Policy Framework (NPPF). The full WMS is available <u>here</u>¹ and a summary of its requirements is provided below:

a) First Homes must account for at least 25% of all affordable housing provided by developers;

- b) They must be discounted by a minimum of 30% below market value;
- c) They must be sold to people meeting the First Homes eligibility criteria (below);

d) They must have a restriction registered with the Land Registry to ensure that the discount and other restrictions are passed on to future owners; and

e) The first owner must not pay more than £250,000 (£420,000 in London) after the discount has been applied.

2.2 National planning policy in the WMS is supported by National Planning Practice Guidance (NPPG), which is available <u>here²</u>.

3 National First Homes eligibility criteria

- 3.1 In order to purchase First Homes (either as an initial or subsequent purchaser) people must meet all three of the national eligibility criteria³ and must therefore be:
 - a) first-time buyers as defined in the Finance Act 2003 for the purposes of Stamp Duty Relief; and
 - b) individuals, couples or groups with a combined annual household income not exceeding £80,000 (£90,000 in London) in the tax year immediately preceding the year of purchase; and
 - c) purchasers with a mortgage or home purchase plan (if required to comply with Islamic law) to fund a minimum of 50% of the discounted purchase price.

4 Craven Local Plan policy

- 4.1 The Craven Local Plan contains an affordable housing policy (<u>Policy H2</u>⁴), which is supported by supplementary guidance in the <u>Affordable Housing SPD</u>⁵. These are relevant to First Homes, because First Homes are a type of affordable housing.
- 4.2 Criterion a) of Policy H2 sets requirements for the provision of affordable housing as part of general market housing developments.
- 4.3 Criterion f) of policy H2 sets requirements for the size, type and tenure of affordable housing. These should reflect the most up to date evidence of affordable housing needs,

¹ https://questions-statements.parliament.uk/written-statements/detail/2021-05-24/hlws48

² https://www.gov.uk/guidance/first-homes

³ Refer to paragraph 007 of the NPPG (Reference ID: 70-002-20210524)

⁴ https://www.cravendc.gov.uk/planning/accessible-craven-local-plan/#AFFORDABLEHOUSING

⁵ https://www.cravendc.gov.uk/planning/spatial-planning/spds-and-information/affordable-housing/affordable-housing-spd/

from the Council's latest Strategic Housing Market Assessment (<u>SHMA</u>⁶) and any other sources of robust and up to date evidence, including the Council's housing register. The latest SHMA recommends the following affordable housing tenure split:

- 15% to 25% affordable housing for sale; and
- 75% to 85% affordable housing to rent.

5 Decision making

- 5.1 The starting point for planning decisions is the Craven Local Plan. Where Policy H2 requires the provision of affordable housing, First Homes must be included in accordance with national planning policy contained in the WMS, which is a material consideration. The Council's Affordable Housing SPD and the NPPG must also be taken into account as material considerations. Details of relevant national and local planning policy and guidance are provided above.
- 5.2 According to the WMS and NPPG, the value captured from a planning application which includes First Homes should be the same amount as would be captured under relevant policies of the Craven Local Plan, including Policy H2; and once a minimum of 25% First Homes has been accounted for, the tenure split of remaining affordable housing should reflect the proportions set out in Policy H2.⁷
- 5.3 Planning obligations (or section 106 agreements) are the legal means to secure the delivery of First Homes and to ensure that necessary First Homes restrictions are registered with the Land Registry. The Government provides <u>model First Homes clauses</u>⁸ for use in section 106 agreements.

6 Craven Local Plan evidence base

- 6.1 Specialist consultants, Arc4, have prepared preliminary evidence to indicate how First Homes may work in the Craven Local Plan area. This evidence is presented in the Council's Initial First Homes Evidence (IFHE) and has been published on the Council's website, <u>here</u>⁹. It takes a first look at how forthcoming reviews of the current SHMA¹⁰ and Craven Local Plan will need to take account of First Homes, and covers amongst other things:
 - Latest local house price data;
 - Likely prices of local First Homes based on 30%, 40% and 50% discounts;
 - Likely incomes required to purchase local First Homes based on a 3.5 income multiple; and
 - Likely affordability of local First Homes prices relative to local incomes.
- 6.2 The IFHE suggests that First Homes at a 50% discount are unlikely to be affordable to eligible households generally, but may be affordable to some. However, this will need to be the subject of further analysis in a successor to the current SHMA, which will inform a subsequent review of the Craven Local Plan, including Policy H2. The IFHE also

⁶ https://www.cravendc.gov.uk/planning/spatial-planning/evidence-and-monitoring/core-evidence/

⁷ Refer to paragraph 014 of the NPPG (Reference ID: 70-014-20210524)

⁸ https://www.gov.uk/government/publications/first-homes-model-section-106-agreement-for-developer-contributions

⁹ https://www.cravendc.gov.uk/planning/spatial-planning/spds-and-information/affordable-housing/

¹⁰ The current SHMA is likely to be succeeded by a local housing needs assessment, in accordance with paragraph 61 of the NPPF

recommends a revised affordable housing tenure split (below) as an update to the one recommended in the current SHMA¹¹.

7 Captured value

- 7.1 The WMS and NPPG state that the value captured from a planning application which includes First Homes should be the same amount as would be captured under policies of the Craven Local Plan¹². As First Homes will be discounted less than the other types of affordable housing required by Craven Local Plan Policy H2, they will capture less value¹³. This means that developers providing First Homes under Policy H2 will need to 'top up' their affordable housing contributions in order to satisfy this principle of equal value.
- 7.2 Suitable mechanisms for determining top-ups are already provided by Policy H2 and the Affordable Housing SPD. These mechanisms are used in determining financial and off-site contributions, based on fixed Transfer Prices, and work well in practice. They provide clarity for developers, who can factor in affordable housing contributions at an early stage, and should help to make top-ups a relatively straightforward matter. Value captured through top-ups can then be used to support affordable housing delivery and improvement across the Craven Local Plan area.
- 7.3 It is important to note that the WMS, NPPG and approach described above do not seek to require any additional contributions (or capture any additional value) above what is already required (or captured) by current policies of the Craven Local Plan.

8 Tenure split

- 8.1 The WMS and NPPG state that once a minimum of 25% of First Homes has been accounted for, social rent should be delivered in the same percentage as set out in Policy H2 of the Craven Local Plan; and that the remainder of affordable housing tenures should be delivered in line with relative proportions set out in that policy¹⁴.
- 8.2 Criterion f) of Policy H2 requires the tenure of affordable housing to reflect the most up-todate evidence of affordable housing needs. This now includes the IFHE, which recommends the following affordable housing tenure split, as an update to the one recommended in the current SHMA, after taking First Homes in account:
 - 25% First Homes;
 - 10% to 15% affordable housing for sale; and
 - 60% to 65% affordable housing to rent.

9 Planning applications

9.1 The Council's requirements for planning applications will be based on relevant policies of the Craven Local Plan, including Policy H2, and on the Affordable Housing SPD, WMS and NPPG, which are material considerations. The main requirements may be summarised as follows.

¹¹ Refer to paragraphs 17-19 of the IFHE

¹² Refer to paragraph 014 of the NPPG (Reference ID: 70-014-20210524)

¹³ According to the IFHE, a two-bedroom First Homes property with a 30% discount would have an approximate value of £105,000. However, a two-bedroom affordable home provided under Policy H2 would have an approximate value of £70,000, which represents a discount of 53%. This means that the value captured by the First Homes property would be approximately £35,000 or one third less than the value captured by an affordable home provided under Policy H2. ¹⁴ Refer to paragraph 015 of the NPPG (Reference ID: 70-015-20210524)

- a) **25% First Homes:** a minimum of 25% of all affordable housing secured through developer contributions under Craven Local Plan Policy H2 must be First Homes, in accordance with the WMS and NPPG. Other affordable housing tenures should be provided in the proportions set out at 8.2, above, in accordance with criterion f) of Policy H2, the WMS and the NPPG.
- b) **30% discount:** First Homes must be discounted by a minimum of 30% against the market value, in accordance with the WMS and the NPPG.
- c) **£250,000 price cap**: after the discount has been applied, the initial sale of First Homes must be at a price no higher than £250,000, in accordance with the WMS and NPPG.
- d) **Eligibility criteria:** the national standard eligibility criteria must be applied, in accordance with the WMS and NPPG.
- e) **Captured value:** top-up contributions will be required to ensure that the value captured from planning applications is the same amount as would be captured under Craven Local Plan policy, in accordance with the WMS and NPPG.

10 First Homes exception sites

- 10.1 The WMS replaced entry-level exception sites with First Homes exception sites. Guidance in the NPPG¹⁵ has been updated accordingly.
- 10.2 First Homes exception sites can come forward on land not allocated for development in the Craven Local Plan or any neighbourhood plan, and must deliver primarily First Homes. However, they cannot come forward in designated rural areas, which are listed in <u>footnote 42</u>¹⁶ of the Craven Local Plan and identified on the <u>Policies Map</u>¹⁷. The WMS requires the Council to support the development of First Homes exception sites unless the need for such homes is already being met within its area.
- 10.3 The Craven Local Plan establishes a housing requirement of 230 dwellings per annum. A higher rate of growth would be required to deliver 100% of the plan area's affordable housing need, but this was rejected for reasons of sustainability, conflict with the Spatial Strategy and concerns about deliverability. As a consequence, there is likely to be some unmet affordable housing need in the area, which will include some unmet need for First Homes. The Council will therefore support proposals for First Homes exception sites, in line with the WMS, where they accord with relevant Craven Local Plan policies (and any relevant neighbourhood plan policies), including those that determine the appropriate location and scale of new development.

11 Next steps

11.1 The preliminary evidence and recommendations presented in the IFHE will be used in the commissioning of a successor to the current SHMA. This will inform a review of the Craven Local Plan, including Policy H2, or preparation of a new North Yorkshire local plan¹⁸, which will set appropriate local policy requirements for First Homes. In the meantime, the Council will follow the approach set out in sections 9 and 10, above, for dealing with planning applications and First Homes exception sites.

¹⁵ Refer to paragraph 024 of the NPPG (Reference ID: 70-024-20210524)

¹⁶ https://www.cravendc.gov.uk/planning/accessible-craven-local-plan/#_ftn42

¹⁷ https://www.cravendc.gov.uk/planning/accessible-craven-local-plan/#POLICIESMAP

¹⁸ From 01/04/23, Craven will be part of a new North Yorkshire Council, which will aim to prepare a new local plan within 5 years

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