

Matter 2: Policy H8: First Homes

1 Question - Whether Policy H8: First Homes is positively prepared, justified, effective and consistent with both national policy and the LPSS.

1.1 The Council considers that Policy H8: First Homes meets the relevant tests of soundness in Paragraph 35 of the National Planning Policy Framework (NPPF), of being positively prepared, justified, effective, and consistent with national planning policy. It also considers the policy to be consistent with the policies of the adopted Local Plan: Strategy and Sites (LPSS).

1.2 The NPPF at paragraph 35 defines the meaning of “positively prepared”, “justified”, “effective” and “consistent with national policy”. It states:

“Local plans and spatial development strategies are examined to assess whether they have been prepared in accordance with legal and procedural requirements, and whether they are sound. Plans are ‘sound’ if they are:

a) Positively prepared – providing a strategy which, as a minimum, seeks to meet the area’s objectively assessed needs; and is informed by agreements with other authorities, so that unmet need from neighbouring areas is accommodated where it is practical to do so and is consistent with achieving sustainable development;

b) Justified – an appropriate strategy, taking into account the reasonable alternatives, and based on proportionate evidence;

c) Effective – deliverable over the plan period, and based on effective joint working on cross-boundary strategic matters that have been dealt with rather than deferred, as evidenced by the statement of common ground; and

d) Consistent with national policy – enabling the delivery of sustainable development in accordance with the policies in this Framework and other statements of national planning policy, where relevant.

Positively prepared

1.3 The policy is positively prepared, as it seeks to meet the borough’s ambitions and the Local Plan’s strategic objective ‘to meet housing requirements of the whole community and provide housing of a suitable mix and type’ as reflected in its Sustainability Appraisal¹.

Justified

1.4 The inclusion of policies for First Homes in local and neighbourhood plans is a requirement of, and therefore justified, by the Planning Practice Guidance (PPG) on First Homes for any local plans not meeting its transitional arrangements –see paragraph 1.7 below for further information on how this requirement applies to Guildford. Due to the high cost of market housing in Guildford

¹ See [GBC-LPDMP-CD-007d](#) at Page 56.

and Surrey there is a pressing need for lower cost affordable housing in this area which provides further local justification for the policy submitted for Examination. The borough's housing affordability ratio² of 13.2 for 2021 remains significantly worse than the ratio for England (9.1) and for the South East as a whole (11.8)³.

Effective and consistent with both national policy and the LPSS

- 1.5 As explained in paragraph 2.49 of the reasoned justification under Policy H8, the minimum 30% discount on the initial and subsequent sale price of First Homes, and the price cap of £250,000 for the initial sale of these properties should help to make home ownership more affordable for a greater number of first-time buyers than other affordable housing products such as Discounted Market Sales (DMS) and shared ownership. The latter forms of affordable housing are both required to be sold at a minimum of 20% below market value⁴, which is particularly high in Surrey compared to other parts of the country. The Council therefore considers that the policy will be effective at improving local housing affordability for first-time buyers.
- 1.6 Policy H8 is consistent with national policy, specifically the Planning Practice Guidance (PPG) on First Homes, which expects⁵ local plans and neighbourhood plans not meeting the transitional arrangements⁶ of PPG: First Homes to include policies for First Homes. As the LPDMP was submitted for Examination after this date, on 17 June 2022, it is therefore not subject to the transitional arrangements and should reflect the First Homes guidance in the PPG, and as described in the First Homes Written Ministerial Statement of 24 May 2021
- 1.7 Policy H8 reflects paragraph 013⁷ of PPG: First Homes through the inclusion of a requirement for 25% of all affordable housing Section 106 contributions to be First Homes. The policy also includes local requirements for First Homes exception sites, which accord with the relevant parts of the PPG (paragraphs 024-029). Paragraph 4 of the policy indicates that First Homes exception sites must be adjacent to and proportionate in scale to the existing settlement⁸; whilst the policy's supporting text (para 2.57) specifies the types of evidence that the Council will require applicants to provide to justify inclusion of other types of affordable housing on First Homes exception sites in cases where local evidence suggests a significant local need for these types of housing⁹.
- 1.8 Paragraph 5 of Policy H8 sets out the Council's position on allowing a proportion of market homes on First Homes Exception Sites. Paragraph 5(a) echoes the PPG which states that inclusion of market housing is permissible 'provided that it can be demonstrated that this is

² Median housing affordability ratio refers to the ratio of median price paid for residential property to the median workplace-based gross annual earnings for full-time workers.

³ See Housing affordability in England and Wales: 2021, available at:

<https://www.ons.gov.uk/peoplepopulationandcommunity/housing/bulletins/housingaffordabilityinenglandandwales/2021>.

⁴ See the National Planning Policy Framework (2021), Annex 2 glossary entry for Affordable housing, under Discounted market sales housing and Other affordable routes to home ownership.

⁵ See PPG: First Homes, Paragraph: 013 Reference ID: 70-013-20210524

⁶ As set out in Paragraph 018 Reference ID: 70-018-20210524.

⁷ Reference ID: 70-013-20210524

⁸ See PPG: First Homes Paragraph: 026 Reference ID: 70-026-20210524

⁹ See PPG: First Homes. Paragraph: 029 Reference ID: 70-029-20210524

necessary to ensure the overall viability of the site.’ Paragraphs 5(b) (regarding market housing not inflating the threshold land value) and 5(c) (regarding market housing being suitably integrated into the First Homes development) are both local policy requirements. Similar wording to paragraphs 5 (b) and (c) was also used in LPSS Policy H3: Rural Exception Homes, to apply in the case of market housing on rural exception schemes. In addition, paragraph 5 (c) is in general accordance with paragraph 4.2.39 of the LPSS, which states that affordable housing should be provided on the development site to contribute towards mixed communities, other than where specified in Policy H2.

- 1.9 The Council’s response to Supplementary Question 2.1 below explains that adoption of Policy H8 will not compromise the requirement in LPSS Policy H2: Affordable Homes for a minimum of 70% of any affordable housing contribution to be affordable rent and will not affect the Council’s ability to meet the PPG’s requirement for a minimum 25% of affordable housing contributions to be First Homes; nor will it undermine its ability to continue to provide a minimum of 10% of any affordable housing contribution as affordable home ownership in accordance with the requirement in NPPF paragraph 65.

2 Supplementary Question 2.1 - The Government’s First Homes policy was introduced after the adoption of the LPSS. What are the implications for Guildford Borough and the affordable housing split set out in LPSS Policy H2(4)?

- 2.1 The Council has explained in the supporting text to Policy H8 (paragraph 2.53) that the introduction of a requirement for First Homes will not have any impact on the affordable housing split in LPSS Policy H2, paragraph (4). The requirement in Policy H2 and the Council’s Housing Strategy for a minimum of 70% of all affordable homes delivered through affordable housing contributions to be Affordable Rent would continue to be met, as the minimum 25% First Homes requirement will be delivered as part of the remainder (30%) required under Policy H2 as being for ‘other forms of affordable housing’¹⁰ within the NPPF definition. These ‘other forms’ as per the LPSS are not limited to a particular affordable housing product and could include the discounted market sales housing category (which First Homes falls into) as well as starter homes, shared ownership, and other affordable routes to home ownership reflected by the NPPF.
- 2.2 To illustrate this, for an example scheme of 100 dwellings, the 40% affordable housing contribution required in accordance with Policies H2 could be broken down as follows:

Proposed scheme of 100 total dwellings

Type of affordable housing	Minimum percentage of affordable housing contribution under Policy H2/H8 /NPPG	Number of dwellings required	Percentage of housing type

¹⁰ Referred to in LPSS Policy H2, paragraph (4).

Affordable rent	70	28	70%
First Homes	25	10	25%
Shared ownership/other discounted market sales/other forms of affordable housing within NPPF definition	N/a	2*	5%
Total dwellings	N/a	40	100%

* Policy H2 requires only a minimum percentage for affordable rent, with the remainder other types of affordable housing – these 2 dwellings could also be provided as First Homes and not be inconsistent with the Policy.

- 2.3 If the calculation of the proposed number of dwellings would result in less than a whole number of a First Home or affordable rented unit then the fractions of units would be rounded up to ensure that the requirement for a minimum of 70% affordable rent and 25% First Homes (and the 10% home ownership that paragraph 65 of the NPPF requires) is met. This scenario would therefore not prevent compliance with these percentage requirements.
- 2.4 Although not explicitly raised in Regulation 19 comments, a view might be advanced on the basis of a strict interpretation of the PPG wording, that the Council should follow an alternative approach to the tenure split indicated in paragraph 2.53 of the Reasoned Justification and as reflected in the illustration above. In this regard, the PPG indicates the national approach to how the remaining 75% of affordable housing be secured, once the minimum 25% of First Homes has been accounted for, is as follows:

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: 015 Reference ID: 70-015-20210524

- 2.5 This indicates that as a first step the First Homes proportion (at minimum 25%) should be fixed along with any percentage set for social rent in the Local Plan. The Council accept that the 25% First Homes should be accounted for and fixed. This is reflected in Policy H8. Further, LPSS Policy H2 sets a tenure split of at least 70% Affordable Rent. The Council accept that 'Affordable Rent' is not identical to 'social rent' as per the NPPF definition. However, the Council considers that it is appropriate to continue to seek 70% Affordable Rent in accordance with LPPS Policy H2, which would not inhibit the requirement in government policy, as reflected in Policy H8, to secure a minimum of 25% First Homes. This is for two main reasons.
- 2.6 First, an alternative approach would cause conflict with strategic LPSS Policy H2 with undesirable consequences. The SHMA has identified a clear need for affordable rented accommodation at this (70%) proportion. To adjust this percentage downward, as would occur if a proportional split were to be applied between the required 70% affordable rent / 30% other forms of affordable housing, once the 25% First Homes has been accounted for, would bring this requirement into

conflict with LPSS Policy H2(4). In effect, were this approach to be followed, the tenure mix would be 25% First Homes / 52.5%¹¹ Affordable Rent / 22.5%¹² other forms of affordable housing.

- 2.7 This approach would significantly weaken the Council's ability to secure Affordable Rented accommodation, which is a local priority due to the high level of need indicated in the SHMA for this tenure across the borough and the rest of the HMA¹³.
- 2.8 Second, there is no need to adopt this approach as the First Homes requirement can be accommodated with no adjustment to the tenure split set out in the LPSS. This is because LPSS Policy H2 fixes only one form of tenure (Affordable Rent – at least 70%) whilst leaving the remainder flexible to 'other forms of affordable housing.' There is no specific requirement for this remaining 30% to be Shared Ownership or indeed any other form of affordable housing tenure. This flexibility allows the First Homes requirement (at 25% of the affordable housing units) to be accommodated within this remaining 30% with no need for inconsistency with the LPSS.
- 3 Supplementary Question 2.2 - In the case of Guildford Borough, will the policy lead to the loss of shared ownership properties, an excess of 1-bedroom properties or any other adverse consequences? If so, should there be scope for some flexibility over the requirement for 25% of affordable homes to be First Homes?**

Impacts of the requirement for First Homes on the delivery of shared ownership properties

- 3.1 Government policy as reflected in the NPPG favours First Homes and the necessary consequence of this approach is that the delivery of other forms of Affordable Housing (apart from social rent) is likely to be reduced.
- 3.2 The requirement in both the NPPG and Policy H8 for 25% of all affordable homes to be First Homes, at least as a starting point before further flexibility can be considered, will mean that combined with the existing requirement in Policy H2 paragraph (4) for a minimum of 70% of affordable homes provided to be Affordable Rent, there would inevitably be a reduction in the scope for delivery of shared ownership properties that can be provided in future on any site, or across sites collectively, as part of the remaining 30%.
- 3.3 The tenure split of 70% minimum affordable rent/30% or less other forms of affordable housing was based on the need identified in the West Surrey Strategic Housing Market Assessment (SHMA)¹⁴, which is the latest evidence base on housing need across the borough. It is therefore considered to be in the interest of addressing local housing need that this tenure split should not

¹¹ The figure of 52.5% for affordable rent is calculated by multiplying 0.75 (the remaining 75%, after the 25% First Homes proportion is accounted for) by 0.7 (the required 70% for affordable rent in LPSS Policy H2).

¹² 22.5% would be the remainder available for other affordable tenures after deducting the sum of 25% (for First Homes) and 52.5% (for affordable rent) from the full 100%.

¹³ See SHMA Table 58, page 127. Document available at: https://www.guildford.gov.uk/media/19971/Final-West-Surrey-SHMA/pdf/Final_West_Surrey_SHMA.pdf?m=636064368723600000

¹⁴ ibid

be amended alongside the adoption of a policy requirement for First Homes, provided, as has been established, that the minimum 25% First Homes requirement can still be met.

- 3.4 There is insufficient evidence to justify a policy amendment to take account of the likely reduction of shared ownership properties that can be secured as part of affordable housing contributions, and this outcome is not considered to be necessarily an adverse consequence in any case. There are several benefits from First Homes that would offset this potential loss.
- 3.5 In this regard, First Homes address a specific affordable housing need (i.e. that of first-time buyers) which is likely to overlap to an extent with the market that shared ownership homes serves. Shared ownership properties are available and attractive to first-time buyers, although it is acknowledged that second/subsequent-time buyers may also purchase these homes.
- 3.6 Further, the minimum discount applied to First Homes (and available to future purchasers) may result in a more affordable product. Due to high housing prices in Guildford, and many other parts of Surrey, the cost of a shared ownership property in this area can be very high even at 80% of market value and out of the reach of many prospective buyers. The minimum 30% discount and price cap for First Homes make the latter a lower cost and potentially more affordable option for many, albeit first-time buyers.

Impact of the First Homes requirement on the delivery of 1-bedroom properties and how this will address local affordable housing need

- 3.7 Due to the relatively high average prices of market housing in Guildford, there is the potential that many of or all First Homes units provided on a site may be delivered as 1 (and potentially in a few cases 2)-bedroom properties as a means for developers to ensure that they can be sold at a price that does not exceed the £250,000 price cap referred to in PPG: First Homes.
- 3.8 The Council accepts that an unintended – and potentially adverse – consequence could be that should one seek a strict SHMA compliant affordable housing mix on a particular site, the provision of a disproportionately high number of 1-bedroom First Homes would reduce the scope for 1 bed units to be provided under other tenures, in particular affordable rented. Under such a strict SHMA compliant scenario, homes for Affordable Rent would then simply be provided more predominantly as larger (than 1 bedroom) homes. On the other hand, seeking to further increase provision of 1-bedroom homes on a site, including to provide for greater need for such properties as Affordable Rent, may lead to design issues linked to the resulting form of development. It may also lead to less mixed communities.
- 3.9 Further, due to the likely delivery of First Homes predominantly, if not exclusively, as 1-bedroom homes, in some locations it is possible that there may be a localised lack of demand for the product – albeit general demand is considered likely to be strong. This may be the case in the less urban parts of the borough.

Scope for some flexibility over the requirement for 25% of affordable homes to be First Homes

- 3.10 The Council remains of the view that the introduction of a First Homes Policy is in line with National Policy expectations and that Policy H8 aligns with the PPG and as drafted does not conflict with LPSS Policy H2. Further, there are a number of potential benefits outlined in relation to First Home provision. The 30% discount on market value for First Homes and particularly the maximum price cap of £250,000 in this area for these units should both make the First Homes product attractive to potential first-time buyers on the Council's housing waiting list, albeit with a focus on those buyers seeking 1-bedroom homes.
- 3.11 Nevertheless, in light of the potential unintended consequences outlined above, the Council would be open to exploring the potential for some flexibility in the First Homes policy as a means to avoid any negative outcomes, whilst still securing the LPSS Policy H2 desired affordable housing contribution of at least 40%, alongside the LPSS Policy H2(4) tenure split, focussed on achieving at least 70% Affordable Rent.
- 3.12 This flexibility would be aside from that already afforded by LPSS Policy H2, paragraph (6), which allows the Council to consider variation to the tenure mix and/or overall number of affordable homes required if it can be demonstrated that a policy compliant contribution would not be economically viable without making such adjustments.
- 3.13 The following section sets out a possible main modification to enable such flexibility should the Inspector consider that it is appropriate to explore this potential. This is introduced to enable some flexibility on the percentage (25%) of affordable homes that the Council agree as First Homes.

Potential modifications to Policy H8

- 3.14 The Council consider that the main modification is justified by local circumstances which, due to the national price cap, is likely to result in First Homes being delivered locally as 1-bedroom homes. There may be instances when this form of delivery, all as First Homes is not appropriate due to one or a combination of factors relating to the specifics of the site. These could include a localised limitation in terms of demand, particular design considerations which reduce the scope for 1-bedroom homes in general, or a specific local need for other forms of affordable housing other than the First Homes product.
- 3.15 In this light, the following main modifications are proposed to the policy and to its Reasoned Justification:

Policy H8, paragraph (1)

- 1) A minimum of 25% of affordable homes provided either on-site or off-site or as a financial contribution in lieu of on-site provision in line with the Council's adopted affordable housing requirements are ~~required~~expected to be First Homes.

Policy H8 Reasoned Justification, new paragraph after paragraph 2.53:

2.53a) It is recognised that, due to relatively high average market house prices in the borough, the national policy expectation for a minimum of 25% First Homes, combined with application of the price cap, may lead to provision of First Homes under the policy being predominantly / primarily in the form of one-bedroom homes. Where the applicant provides robust justification that compliance with this minimum level of provision will lead to an adverse planning outcome arising from the resultant mix of affordable dwelling sizes, the provision of other forms of affordable housing in place of some, or all, of the expected provision of First Homes will be considered. Early engagement with the Council's Housing team is advised to establish any specific factors that should be considered in terms of local housing needs that may impact on the desired tenure mix.