

SENT BY EMAIL  
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Dear Planning Policy Team,

## **DURHAM PLAN: HOUSING NEEDS SPD AND INTERIM POLICY STATEMENT ON FIRST HOMES**

1. Thank you for consulting with the Home Builders Federation (HBF) on the Council's second consultation on the Housing Needs Supplementary Planning Document (SPD) which includes an Interim Policy Statement and Eligibility Criteria for First Homes.
2. The HBF is the principal representative body of the house-building industry in England and Wales. Our representations reflect the views of our membership, which includes multi-national PLC's, regional developers and small, local builders. In any one year, our members account for over 80% of all new "for sale" market housing built in England and Wales as well as a large proportion of newly built affordable housing.
3. The HBF welcomes the invitation to engage on this current SPD and the online events which were hosted by the Council on 12 March and 14 March 2024. The HBF hopes that ongoing discussions and engagement can help to ensure that this SPD, and the wider suite of planning documents, deliver Durham's aspirations and sufficient homes throughout the Plan period.
4. As you will be aware, members of the HBF have been involved with the viability work in Durham over an extensive period, including to support the production of this SPD and during the consultation of the now adopted local plan, working with bodies such as RICS to try our best to assist Durham County Council (DCC) in developing the County Durham Plan (CDP). In particular, to ensure that the CDP that was deliverable, viable and capable of achieving the housing requirement.
5. In order to respond to the consultation, the HBF wish to comment on the following consultation questions.

### **Housing Needs SPD**

*Question 1: Do you agree with the proposed scope and content of the SPD? Please give reasons for your answers*

6. It is disappointing to note that that despite the engagement of the HBF and its members in viability discussions to date and the industry's request to the Council that they update their Local Plan Viability Assessment, that it has been published on the Council's



website without any formal notification or engagement with the industry on the key findings. The HBF seeks the reassurance that this will be undertaken shortly.

7. As an industry there is a strong desire to invest in County Durham, to enhance existing settlements and to use new homes as a catalyst for regeneration and economic development across many parts of the County. However, as we've expressed previously, we have an increasing concern over the role planning policy is playing in the investment potential of the County. In our view the CDP is not delivering as anticipated and a number of the assumptions upon which it was based have either changed or been shown to be inaccurate.
8. The planning policy burdens raised within the HBF's response to the consultation on the Development Viability, Affordable Housing and Financial Contributions SPD (April 2023) should be read alongside this response to the Housing Needs SPD and should not be considered in isolation. It is understood that the requirement for Biodiversity Net Gain and Future Homes standards have not been adequately addressed within the Viability Update. The Housing Needs SPD can not be considered in isolation to the viability impact of the policy burdens, and it is the industry's view that the viability evidence should have been consulted upon alongside the Housing Needs SPD.
9. The Housing Needs SPD was considered by Cabinet on 14 February 2024. However, given the objections raised by the HBF and its members this SPD, the HBF considers that this SPD should not be approved under delegated powers. The Council will need to consider the significant nature of the objections and the need for further discussions on the Local Plan Viability evidence.
10. The Council has chosen to publish a Future Homes Interim Policy Statement ('IPS'). As an IPS, the Council's proposed cap of £140,000 for First Homes will not form part of the Development Plan. If the Council takes the decision to adopt the IPS, it will, at best, be considered to have the status of non-statutory guidance and would need to be given the appropriate weight in the determination of any future planning applications. The IPS will not have been tested at an EiP, nor will its supporting evidence base. If the Council wishes to give this document more weight, then it, and the evidence it is based on, would need to be examined thoroughly through a partial review of the adopted County Durham Plan. The HBF considers that any local price caps should be determined through the plan-making process giving regard to local income levels, related to local house prices and mortgage requirements in line with the PPG (ID: 70-005-20210524).
11. It is notable that within the Cabinet report of the 14 February 2024, the implications of the document as SPD were detailed but the implications of the Interim Policy Statement for First Homes were not set out and articulated to Cabinet Members. For example, 'legal implications' and 'risk' does not mention the purpose or role of the Interim Policy Statement and the weight to be afforded to the document for decision making purposes.
12. The HBF strongly suggests that the Council should reconsider the approach to the First Homes IPS and explore the benefits of undertaking a partial Local Plan review if this is the policy approach in which it wishes to pursue. This will afford the development

industry the opportunity to fully participate in the review process and, following an independent Examination in Public, there will be no discrepancy regarding the weight to be afforded to the Council's policy position as part of the development plan.

*Question 2: Do you have any comments on the Accessible and Adaptable Home Statement and M4(2) Checklist?*

13. The HBF notes that the M4(2) standard makes reasonable provision for most people to access the dwelling and incorporates features that make it potentially suitable for a wide range of occupants, including older people, those with reduced mobility and some wheelchair users. The Accessible and Adaptable Home Statement and M4(2) Checklist appears as part of the Council's validation requirements already although the approach outlined within the draft SPD is that the Checklist is not compulsory. This introduces ambiguity into the validation process of planning applications.
14. The requirement is overly onerous in the content of outline planning applications where specific house types will be approved as part of future Reserved Matters applications. The ambiguity which this introduces needs to be addressed. Amending the Housing Needs SPD requirement to exclude outline planning applications would not prevent future applicants to go above and beyond should they be fortunate enough to have the information available.
15. Finally, the new paragraph (2.7) which grants DCC the provision to request detailed Building Regulation drawings prior to determination is irrelevant for outline planning applications as this information will not simply be available and in any case would prejudice the Reserved Matters planning application process. Detailed drawings for Building Control purposes are not necessary at the planning application stage. This adds additional financial and resource burdens to both the local planning authority and the development industry.
16. The HBF also considers that it is not necessary for the planning authority to undertake work that is already covered by the building regulations and building control system. This is unnecessary duplication and has the potential to cause issues with both systems. The HBF suggests that if the Council considers that a reference to the building regulations is absolutely necessary this could just be achieved through the use of a condition on any relevant permission.

*Question 3: Do you have any comments on the guidance on Multi-Generational Homes section of the SPD?*

17. CDP Policy 15 sets out the requirements for housing which meets the needs of older people, it states that on sites of 10 units or more, the Council will require a minimum of 10% of the total number of dwellings to be of a design and type that will increase the housing options for older people. It suggests these properties should be built to M4(2) standards and that the appropriate housing types considered include level access flats, level access bungalows or housing products that can be shown to meet the specific needs of a multi generation family. Whilst the further clarification in paragraph 3.8 of the Housing Needs SPD is welcomed, the SPD goes beyond the policy requirements which

is outside the scope of a SPD owing to the requirement for single storey bungalows. The definition is too restrictive and goes against the Council's ambition to provide a flexible policy approach.

18. The PPG (paragraph 012, Ref ID: 63-012-20190626) acknowledges that many older people may wish to stay or move to general housing that is already suitable such as bungalows. The PPG also acknowledges that plan makers will need to consider the size, location and quality of dwellings needed in the future to allow them to live independently and safely in their own home for as long as possible. Despite this, the PPG does not stipulate bungalows should be single storey only.
19. Furthermore, the original evidence base underpinning Policy 15 includes the Strategic Housing Market Assessment (2019) ('SHMA'). The SHMA includes no requirement that bungalows are single storey although there is strong demand for a bungalow product. As drafted the SPD goes beyond policy requirements by excluding the role which Dutch style or Dormer bungalows can play in term of meeting the need for older people.
20. Taking the example of the Persimmon developments at Coxhoe and Aykley – the market feedback was clear in that prospective house buyers welcome a bungalow product, however, they desired more space than currently offered. This reflects the findings of the SHMA. That the current stock of bungalows are too small.
21. Buyers wishing to purchase a bungalow may not necessarily suffer with mobility issues at the point of purchase and may just want to future-proof their property for later years. The incorporation of stairs does not, in itself, mean the bungalow is not level access (as all key facilities would remain available on the ground floor and as such still be a feasible, workable level access bungalow. The Council's approach to restrict bungalows to single storey only appears to be in response to ensure that the bungalows provided are suitable, from the outset, for a worst case, low mobility occupier and so that developers do not provide additional space which would be potentially unusable and inaccessible to this low mobility buyer. Paragraph 5.114 of the County Durham Plan explains that the current supply of bungalows in the market are considered too small. By permitting the room in the roof bungalow approach developers will be able to provide larger, more flexible bungalow options for purchasers; critically at a more affordable price.
22. Bungalows are inherently wide, land hungry house types. By the SPD restricting bungalows to single storey; this will have two logical commercial outcomes;
  - Developers will build the smaller possible bungalows (1 or 2 bed) to minimise land take. This will fail to address the market need for larger bungalows which the LPA have identified.
  - Larger 3+ bed bungalows will be provided however as these will need to be single storey and the increased land cost they will need to recover, they will be significantly more expensive to purchase and will price out most average buyers in the market.
23. Accordingly, the HBF strongly advocates that the Housing Needs SPD at paragraph 3.8 is amended to read: *"Bungalows provided as part of the policy 15 requirement should be*

*built to level access standards and fully accessible, meeting the needs of older people and minimising the need for future adaptations*". This would ensure conformity with the adopted Policy 15.

24. The Housing Needs SPD seeks to provide a definition for multi-generational homes which is welcomed, However, there is widespread concern across the industry that the SPD requires that a multi-generational home needs to be completed so that it meets the needs of older people at the point of completion. Multi-generational homes need to be adaptable to changing family circumstances as they change and adapt over time.

*Question 7: Do you have any comments on the First Homes Interim Policy Statement?*

25. The Interim Policy Statement for First Homes is informed by two evidence base documents which were not before Cabinet on 14 February 2024. The evidence base documents used are:
- First Homes Assessment, 2022 (H17); and
  - County Durham Plan Viability Testing Update (H16).
26. As mentioned above, the HBF and its members put considerable effort into its representations on the Development Viability, Affordable Housing and Financial Contributions SPD (April 2023) and it is disappointing that the viability evidence has been published without discussions on the findings with the HBF.
27. The HBF sees no compelling evidence why County Durham requires the introduction of price caps. The Council's requirement for sustainable communities is summarised neatly in supporting text 4.69 in that "Sustainable Communities option will be the most effective in supporting economic growth as it recognises the importance of settlements in the main economic corridors and those that can support continued investment in the county including by ensuring the right homes are provided in the right places."
28. PPG (ID 70-001-20210524) is clear that to qualify as a 'First Home' it must be discounted by a minimum of 30% against the market value and the first sale must be at a price no higher than £250,000 and sold to a person that meets the eligibility criteria. The PPG specifies the minimum discount of 30%.
29. The First Homes Assessment, at paragraph 3.26 explicitly states that: "...there is no clear case why a discount of larger than 30% should be applied in Durham. House prices are below the £250,000 price cap for First Homes without a discount, so there is no strong case for a larger discount than 30% because this would adversely impact upon viability and does not make a significantly higher number of households to be able to afford First Homes."
30. Despite this, the First Homes Assessment in the same paragraph notes that "...need for First Homes comes from properties which are 3 bedrooms or lower and a price cap of around £120,000 would ensure that any properties sold represent a genuine discount.". The term 'genuine discount' is not defined in the evidence base and is only referenced in this one paragraph. The term is also not recognised in the PPG.

31. The First Homes Assessment is neither clear or transparent and the basis for which £120,000 is proposed as a price cap on need is not justified. Figure 5 of the First Homes Assessment shows that lower quartile house prices are already below that found in Tyne and Wear, Northumberland, Eden, Darlington and Hartlepool and already below £120,000. Figure 5 demonstrated that real house prices in Durham increased substantially in period 2011 – 2008 yet have been consistently lower than prices across England and neighbouring local authorities. The data presents a confusing picture and does not justify the price caps based on need.
32. There was significant concern across the Home Builders Federation and development industry during the first round of consultation that the proposed cap for First Homes was not subject to viability testing. It is reassuring that the Council has listened to these concerns and as a result their viability evidence has been updated. Having said that, the evidence base has not been tested through a local plan process although it stems from the Local Plan Viability Assessment work undertaken from as early as 2017. Since the time that the Local Plan Viability Assessment was undertaken, the requirement for Biodiversity Net Gain, a move towards Future Homes standards and requirement for First Homes have all been introduced.
33. Paragraph 2.3.2 of the Viability Update confirms that the Council have set an indicative value of £120,000 for First Homes which is to be tested alongside other potential scenarios. Based on the same 48 typologies used for the Local Plan Viability Assessment the following results are confirmed:
  - £120,000 cap – unviable 30, viable 18
  - £130,000 cap – unviable 27, viable 21
  - £140,000 cap – unviable 23, viable 27
  - £150,000 cap – unviable 22, viable 26
  - £160,000 cap – unviable 20, viable 28.
34. As a result £140,000 has been selected at the Council's viability-led price cap. The whole approach is arbitrary and there is little justification provided as to why £140,000 is deemed to be a viable option when 23 of the tested typologies remain unviable. This is almost 50% of the typologies tested. This is not a sound approach.
35. The Council's Strategic Housing Market Assessment (2019) at paragraph 3.95 confirms that Starter Homes are to be sold at a discount of at least 20% of market value and for less than the £250,000. The Council agreed in front of an independent inspector that starter homes were the equivalent to First Homes at the point of the adoption of the County Durham Plan.
36. The HBF would also suggest that the Council considers the potential for implications on the second-hand housing market, if the price cap is set at the wrong level. There is potential if the cap is set too low, that it may cause stagnation in the second-hand market as those owners struggle to sell their homes.

*Question 8: Do you have any comments on the securing an appropriate discount for Discount Market Sale affordable homes section?*

37. Discount Market Sale properties are affordable homes as set out by NPPF which confirms they can be discounted by at least 20% below local market value.
38. Paragraph 8.5 of the SPD sets out an approach to determining the discounts to be applied to DMS properties. This arrives at a figure of £120,000 which includes:
  - a. Average Gross Domestic Household Income;
  - b. Multiplying this Average Gross Domestic Household Income by 2;
  - c. Assuming a mortgage multiplier of 3 x household income;
  - d. Assuming a 15% deposit; and
  - e. Concluding about a property value which can be afforded.
39. This methodology does not appear at all within the Council's first consultation which closed in April 2022 nor does it appear in the Strategic Housing Market Assessment or the First Homes Assessment. The methodology has therefore only been subject to consultation once and should be consulted upon again. The HBF are extremely concerned that the approach taken to arrive at £120,000 (increased to £140,000 on account of viability addressed above), is not founded on evidence and is not a tried and tested methodology. The Council are not experts in mortgage lending, and this should be tested in front of an independent inspector such as through a Local Plan review. For example, the HBF notes that mortgage multipliers can frequently be found above the 3x household income level suggested here and the similar flexibility can be found in relation to the deposit, these are clearly areas that would have benefited from further scrutiny and examination.
40. In terms of the calculation itself, the HBF believes that the methodology applied by the Council has been engineered to arrive at a figure of £120,000 and strongly object to the approach set out.

### **Future Engagement**

41. I trust that the Council will find these comments useful as it continues to progress its SPDs and the delivery of the Local Plan. I would be happy to discuss these issues in greater detail or assist in facilitating discussions with the wider house building industry.
42. The HBF would like to be kept informed of all forthcoming consultations upon the Local Plan and associated documents. Please use the contact details provided below for future correspondence.

Yours sincerely,



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