

Three Rivers District Council

# **Sub Committee Report**

12 May 2025

## LOCAL PLAN SUB COMMITTEE – 12 May 2025

### PART I

#### Updated Draft Housing Policies for Regulation 19 and Removal of the Council's Policy Position Statement on First Homes (DoF)

#### 1 Summary

- 1.1 This report seeks member agreement of the updates to the draft Local Plan housing policies in response to changes to national planning policy, updated evidence base and consideration at previous Local Plan Sub-Committee meetings. More specifically, this report seeks updates to the Housing Mix and Affordable Housing Policy and the removal of the First Homes Policy.
- 1.2 This report also seeks member agreement to withdraw the Council's Policy Position Statement on First Homes and remove it from the website.

#### 2 Details

##### 2.1 Housing Mix Policy

- 2.2 At the January 2023 Local Plan Sub-Committee Members agreed an updated Housing Mix Policy, following adjustments made to the mix after considering local circumstances.
- 2.3 The starting point was the recommended housing mix set out in the 2020 Local Housing Needs Assessment (LHNA). The LHNA stated that a trends based approach was used in determining the housing mix so the mix was based purely on what future needs were expected, however it did not take into account levels of existing stock. Officers explored housing completions over the period 2001 to 2022 and compared these to the housing mix set out in the Core Strategy (2011). This demonstrated a clear over delivery of larger homes and under delivery of smaller homes against the Core Strategy housing mix. As such officers felt that it was appropriate to adjust the housing mix to take this into consideration.
- 2.4 Other factors such as the need for homes for older persons to downsize to and extensions that have led to properties moving up a level in the mix were also factored into the adjustments. The Social/Affordable Rented housing mix was also adjusted to better reflect the District's needs for affordable housing.
- 2.5 The updated 2024 Local housing Needs Assessment (Appendix 1) has since been completed. This contains a new recommended housing mix. This updated mix was derived from a more robust methodology to that used in the previous version of the LHNA.
- 2.6 Their model began with the current profile of housing, in other words existing housing stock. Table 1 below shows the housing mix of existing housing stock. Here it is possible to see that over three quarters of housing stock is three beds or more.

Table 1 Existing housing stock (2021 census)

	Owner occupier	Social rent	Private rent
1 bed	5%	31%	26%
2 bed	19%	32%	41%
3 bed	39%	33%	22%
4+ bed	37%	4%	11%

- 2.7 The LHNA (2024) then uses demographic projections to forecast future needs. It also takes into consideration other factors such as wealth, a wealthy household may buy a bigger property than they 'need'. Supply is also an issue considered. For example, what is the availability of smaller homes for downsizing? Are there enough small properties available for young professionals or are they 'forced' to leave the district?
- 2.8 When considering adjusting the housing mix figure in our draft policy, when compared to the mix recommended in the LHNA, supply is a key factor. In order to make up for past oversupply of larger homes vs smaller homes the housing mix needs to be adjusted. We want to make sure there are homes for older people to downsize to, for first time buyers and other young professionals. Current projections show a continued growth in the older population, however this is also partly based on supply. It is these people who tend to be able to be able to afford the larger homes in the district.
- 2.9 It should be noted that the LHNA sets out that recent delivery (the previous five years) has shown a shift towards the delivery of smaller homes. Three or more beds only make up 31% of new homes delivered.
- 2.10 Delivery over the past 20 years however is heavily skewed towards 3 beds or more. The LHNA didn't specifically consider delivery over the previous 20 years (2005 – 2025) but the council's own completions data from its annual monitoring shows the housing mix of new homes delivered over this period.

Table 2 New homes delivered 2005 – 2025, Core Strategy Mix and LHNA Mix

	1-bedroom	2-bedroom	3-bedroom	4+-bedroom
<b>Residential Completions 2005-2025</b>	6.6%	11.1%	34.1%	48.2%
<b>TRDC Core Strategy (2011) housing mix</b>	30%	35%	34%	1%
<b>LHNA (2024) Recommended Housing Mix</b>	4%	21%	42%	32%

- 2.11 The table above shows that there has been significant under delivery against the Core Strategy housing mix. Nearly half of all new homes delivered across the last 20 years have been 4 bedrooms or more. Even when compared to the mix in the latest LHNA (2024) there has been over delivery with 82.3% of homes 3 bedrooms and above against the LHNA target of 74%.
- 2.12 When considered past over delivery of larger homes, the dominance of larger homes in existing building stock, an ageing population with increasing demand for downsizing, and the need for smaller homes for young professionals, officers

consider it appropriate to adjust the housing mix figure. The proposed adjusted housing mix is in Table 3 below.

Table 3: Adjusted Housing Mix

	<b>1-bedroom</b>	<b>2-bedroom</b>	<b>3-bedroom</b>	<b>4+-bedroom</b>
<b>Market Housing</b>	15%	35%	40%	10%
<b>Affordable Home Ownership</b>	20%	40%	30%	10%
<b>Social/Affordable Rented Housing</b>	20%	45%	30%	5%

- 2.13 It should be noted that Officers have not adjusted the LHNA (2024) recommended housing mix in relation to affordable home ownership as they are satisfied that this accurately reflects the needs across the district. The Social/Affordable Rented Housing mix has been adjusted to bring it in line with the current housing register and needs from temporary accommodation.
- 2.14 The remainder of the Housing Mix Policy remains unchanged other than minor amendments to figures in the supporting text, the policy as a whole can be viewed in Appendix 2.
- 2.15 Affordable Housing Policy
- 2.16 Average house prices in Three Rivers are some of the highest in the country outside London. Housing affordability within the District continues to be a major concern for many residents, and many local people have difficulty in accessing housing on the open market. This particularly affects the young and those on lower incomes who are entering the housing market.
- 2.17 The updated Local Housing Needs Assessment (LHNA, 2024) is clear that there is a notable need for affordable housing in Three Rivers and across South-West Hertfordshire. Improving the supply and standard of affordable housing is therefore one of the biggest priorities for the Council to address the needs of our community.
- 2.18 The NNPF sets out at paragraph 64 that where a need for affordable housing is identified, planning policies should specify the type of affordable housing required, and expect it to be met on-site unless off-site provision or an appropriate financial contribution in lieu can be robustly justified; and the agreed approach contributes to the objective of creating mixed and balanced communities.
- 2.19 The LHNA demonstrates that the average house price in Three Rivers during 2022 was £560,000. This is above the Hertfordshire average of £512,940 and the England and Wales average of £328,000 during the same period. Monthly rents across all sizes of accommodation are similarly above Hertfordshire and England averages within Three Rivers.
- 2.20 Affordability ratios in Three Rivers and across the South-West Hertfordshire area have deteriorated significantly since 1997 and lower quartile house prices in the District were 12.85 times higher than lower quartile incomes in February 2022. The affordability of housing therefore remains a critical issue in Three Rivers, and will continue to be so for the foreseeable future.
- 2.21 The LHNA considered needs for affordable housing within the District and identified an annual net need for affordable housing in Three Rivers over the

period 2024-2040 of 527 affordable homes per year. When split between rented affordable need and affordable home ownership need, this overall identified need of 527 affordable homes a year equates to a need of 364 rented affordable homes (including Social Rent and affordable rent) and 163 affordable home ownership dwellings (including First Homes, shared ownership etc).

- 2.22 As identified via the LHNA and local evidence, with regard to the tenure of affordable housing for rent that is required, the greatest need in the District is for Social Rented housing, followed by affordable rent. The policy therefore seeks a higher percentage of Social Rent than affordable rent.
- 2.23 The Council acknowledges that requiring a higher proportion of affordable homes for rent, will impact on the overall level of affordable housing that may be delivered. However, these are the most urgent and pressing needs for housing in the District and the Council will therefore prioritise the delivery of a greater proportion of affordable housing for rent rather than a higher total level of affordable housing delivery through, for example, a higher proportion of affordable home ownership. A tenure mix derived from the findings of the LHNA and local evidence will therefore be sought. This will be set out in the Housing Mix Policy.
- 2.24 Paragraph 65 of the NPPF advises that affordable housing should not be sought for residential developments that are not major developments, other than in designated rural areas where policies may set a lower threshold of five units or fewer. However, the local circumstances in Three Rivers are considered to justify an alternative approach to require all developments resulting in a net gain of housing to contribute to affordable housing provision. This is on the basis of the acute need for affordable housing in the District demonstrated by the LHNA, and the crucial role that smaller sites delivering fewer than 10 dwellings has played in delivering housing historically which is expected to continue in future.
- 2.25 These factors are considered to outweigh the guidance within the NPPF and justify the approach within the Affordable Housing Policy to require all sites resulting in a net gain of dwellings to contribute to affordable housing provision in the District, and this approach has been supported in recent appeal decisions in the District.
- 2.26 There are fewer opportunities to build new homes in the District's smaller villages surrounded by, or designated as Green Belt due to more restrictive policies on housing in countryside and particularly in the Green Belt. However, an element of new development can help to support these communities and paragraph 154 of the NPPF therefore enables provision of limited affordable housing for local community needs under policies set out in the development plan, including policies for rural exception sites.
- 2.27 In line with this potential exception, proposals for rural exception sites delivering 100% affordable housing within and immediately adjacent to the village core areas of Bedmond and Sarratt may be supported in the Green Belt where these are evidenced to provide affordable housing which would meet identified local community needs. The type and size of affordable housing provided on such sites must address identified needs in the individual village or the area it serves which is defined as the village or parish in which it is located.
- 2.28 Limited affordable housing provided on rural exception sites will be subject to a requirement to provide for people with a need to live in the locality. Any such schemes will therefore be subject to eligibility criteria limiting occupancy to

people with a local connection (through past residence, employment or close family connection).

- 2.29 Affordable housing will generally be required to be provided on site as this will make the greatest contribution to meeting needs in the short term. However, for small sites delivering one to nine dwellings the Council will consider the use of commuted payments, in lieu of on-site provision where requested on the basis that it is unfeasible to make provision onsite. Commuted payments will be broadly equivalent in value to the on-site provision, taking into account the additional market housing that would be provided due to there being no on-site affordable units and further guidance will be provided through an update to the Council's Affordable Housing Supplementary Planning Document.
- 2.30 Commuted payments for small sites and the trigger point for payment of the contribution will be secured through a legal agreement under Section 106 of the Town and Country Planning Act, 1990 which site owners will be required to enter into before planning permission is issued. The contribution will generally be payable on commencement of the development.
- 2.31 Where affordable housing is to be provided on site, the timing of this is a key issue in securing mixed and balanced communities at all stages. Wherever possible, affordable housing should be delivered in tandem with the provision of market housing and planning conditions or legal agreements will be used to ensure that affordable housing is built out alongside, and proportionately, to the amount of market housing at any one time. The precise amount and timing of the affordable housing units required will be set out in the relevant condition or legal agreement. To create mixed and inclusive communities it is also vital that there is no distinction between the design and quality of market and affordable homes, and that affordable homes address all relevant objectives and design policies of the Local Plan. Affordable homes should also be distributed throughout developments within clusters appropriate to the scale and nature of the development to enable effective management while providing a balance of housing across the site.
- 2.32 The affordable housing requirements will be supported by detailed viability evidence demonstrating that these levels are viable and will not preclude development from coming forward. Given that viability assessment is undertaken in preparation of the Local Plan, the impact of policies on development viability will have been considered and will be regarded as realistic. The need for a viability assessment at planning application stage will therefore need clear justification by the applicant in line with paragraph 59 of the NPPF.
- 2.33 It is however recognised that on a limited number of sites, there may be genuine exceptional circumstances which necessitate provision of site-specific viability information to support an alternative approach. The council will consider this on a case-by-case basis but in line with national guidance, site specific factors such as the price paid for land are not exceptional reasons to justify provision of site-specific viability assessment.
- 2.34 Where viability evidence is provided, this should be undertaken in accordance with the recommended approach set out in national planning guidance, including standardised inputs and explanation of what factor(s) have changed since the viability assessment underpinning this Local Plan. Submitted viability evidence will be made publicly available and the council reserves the right to have any viability assessment independently assessed, the cost of which must be borne by the applicant.



- 2.35 Exceptional circumstances justifying deviation from the required level and mix of affordable housing will only exist where this is fully justified through a policy compliant viability assessment. In these situations, with regard to the evidence of housing need in the District and the priority to deliver rented affordable housing, the Council will seek to secure the preferred tenure split as a priority over a potentially higher percentage of affordable housing overall through the provision of more intermediate tenure dwellings for affordable home ownership which would not be consistent with meeting priority needs. Flexibility may be appropriate to move away from the preferred tenure of social rent to affordable rent, although it would need to be demonstrated that these homes would be affordable to those in need in the District.
- 2.36 Where it is accepted that there are exceptional circumstances to justify departure from the policy requirement for affordable housing, any permission will be subject to requirements for detailed review mechanisms to consider viability through the lifetime of development up to full completion to ensure policy compliance and optimal public benefits through economic cycles and that the maximum reasonable level of affordable housing is provided in line with the Draft Affordable Housing Policy.
- 2.37 Review mechanisms are an important tool to seek compliance with relevant policies and will be provided through the legal agreement accompanying a permission. These will provide for review of viability to determine whether a development is capable of providing additional affordable housing (or meeting other unmet policy requirements) deemed unviable at application stage. Any additional obligations will be capped based on policies of the Local Plan with the aim of securing provision of policy requirements previously deemed not to be deliverable.
- 2.38 Viability reviews carried out at an early stage of a development or prior to the implementation of later phases have the benefit of increasing the likelihood that additional affordable housing can be provided on site, while viability reviews undertaken towards the end of a development will be based on up to date and accurate viability evidence and allow robust, up to date values and costs to be taken into account.
- 2.39 In general, viability reviews will therefore be required at an advanced stage of development for all schemes to ensure that viability is accurately assessed and up to date. This will generally be at a point of sale of 75% of market units to assist in meeting the Council's key priority of delivering genuinely affordable housing.
- 2.40 The percentages sought in the draft policy will be subject to a Whole Plan Viability Assessment which the NPPF requires to test the policies within the Draft Local Plan to consider whether those policies maintain the viability of development. The assessment will include modelling of all policy requirements likely to impact on viability, such as affordable housing, carbon reduction requirements, environmental standards, space standards, open space requirements, Community Infrastructure Levy etc.
- 2.41 The Whole Plan Viability Assessment has not yet been completed. Should the Viability Assessment result in changes to the draft policy provided in Appendix 3, the Draft Affordable Housing Policy will be amended and brought back to this sub-committee for further consideration.
- 2.42 The draft Affordable Housing Policy was last brought to a Local Plan Sub-Committee on 17<sup>th</sup> October 2024, having previously been brought to the 29<sup>th</sup>

August 2024 Local Plan Sub-Committee. Since the 17<sup>th</sup> October 2024 Local Plan Sub-Committee, the updated NPPF has been published (December 2024) and the updated Local Housing Needs Assessment has been formally published by the Council. As such, the Affordable Housing Policy has been updated to reflect this. A summary of the changes made to the policy can be seen below.

- Reference to specialist housing was added to paragraph 1
- Section on tenure split added, including guidance on specific split of affordable housing for rent and affordable home ownership products
- Section on Green Belt added
- Section on First Homes added
- Reasoned justification updated to reflect the updated NPPF and updated LHNA
- Changed the local connection test criteria from 6 months to 12 months (in terms of residency length)
- General formatting changes

2.43 First Homes Policy

2.44 On 24<sup>th</sup> May 2021, the Government published a Written Ministerial Statement (WMS) to set out the Government's plans for the delivery of First Homes defining the product and changes to planning policy. Following publication of the WMS, Planning Practice Guidance (PPG) was updated to reflect the WMS and formed a material consideration in decision making. The PPG sets out that First Homes *"should account for at least 25% of all affordable housing units delivered by developers through planning obligations"* (Paragraph: 001 Reference ID: 70-001-20210524). However, changes were made to national policy following the publication of the newest version of the NPPF in December 2024. Within paragraph 6 of the NPPF, reference to the Written Ministerial Statement on Affordable Homes (24<sup>th</sup> May 2021), which contained policy on First Homes was removed and the prescriptive requirement that 10% of the total number of homes to be available for affordable home ownership as set out in former paragraph 66 has been deleted. It is noted that Paragraph: 001 *Reference ID: 70-001-20210524* remains within the PPG, however, it is important to note that the NPPF takes precedence over the PPG and it is likely that the PPG will be updated in due course, following the aforementioned changes to the NPPF.

2.45 It is acknowledged that affordable home ownership products such as First Homes play an important role in affordable housing provision. This is shown in the emerging Local Plan's Affordable Housing policy which includes home ownership products within the affordable housing tenure mix. Footnote 31 of the NPPF sets out that *"the requirement to deliver a minimum of 25% of affordable housing as First Homes, as set out in 'Affordable Homes Update' Written Ministerial Statement dated 24 May 2021, no longer applies. Delivery of First Homes can, however, continue where local planning authorities judge that they meet local need"*. It is considered that a range of affordable home ownership products should be encouraged and included within policy. Indeed, the South-West Herts Local Housing Needs Assessment Update (March 2024) sets out that *"there is some case for setting out policies in Local Plans which support provision of a range of affordable home ownership products – which for instance*



*allow First Homes to come forward, but would also support delivery of other products including shared ownership and rent-to-buy”.*

- 2.46 There has also been a shift in focus of the NPPF towards Social Rent. Specific reference to Social Rent is included within paragraph 64 (where it is the only type of affordable housing provision mentioned), setting out that planning policies should include the minimum proportion of Social Rent required. Additionally, in former paragraph 66 (2023 NPPF) affordable home ownership was the only affordable housing tenure mentioned in that paragraph. In the 2024 version of the NPPF, Social Rent is listed first, with the paragraph setting out that *“policies and decisions should expect that the mix of affordable housing required meets identified local needs, across Social Rent, other affordable housing for rent and affordable home ownership tenures”.*
- 2.47 Within Three Rivers specifically, First Homes uptake has been low, with only 3 housing schemes securing First Homes since the introduction of the tenure, with none of these dwellings having yet been completed. With regards to First Homes discounts, the LHNA sets out that *“based on current housing costs, the evidence would point to a discount of 30% being justified in most areas, and potentially 40% in St Albans and Three Rivers on an affordability basis”.* However, as discussed within the LHNA, providing a higher discount may have an impact on viability, potentially impacting upon the quantum of homes in other tenures (such as rented affordable housing), which is likely to be needed by those with more acute needs and fewer choices in the housing market. The LHNA summarises that *“Councils could therefore investigate higher discounts, but it is not necessarily recommended to seek figures higher than 30%, unless this can be proven to not impact on overall affordable housing delivery”.* There is a cap on the purchase price of First Homes of £250,000. Given the high house prices within Three Rivers, this largely restricts the product to 1 and 2 bedroom dwellings (predominantly flats), which both reduces the appeal of the product to developers and limits the number of dwellings the product could be applied to. These assertions have been corroborated by colleagues in the housing department during internal discussions, who have concerns regarding the achievability and effectiveness of the First Homes product. This is evidenced by the low up-take of First Homes within the District.
- 2.48 Given the above, that the specific emphasis on First Homes has been removed from the NPPF and that First Homes is specifically referred to within the emerging Affordable Housing policy, it is not considered necessary or appropriate to retain a First Homes specific policy within the emerging Local Plan, and it is officer’s opinion that the current draft First Homes policy should be removed from the emerging Local Plan. The draft First Homes policy can be seen at Appendix 4. This is not to say that the Plan will not reference or encourage the delivery of First Homes, as the provision of First Homes and other home ownership products will be included within the Affordable Housing Policy.
- 2.49 Policy Position Statement on First Homes
- 2.50 Following the recommendation to remove a specific First Homes Policy from the Emerging Local Plan, it is also recommended that the Council’s current Policy Position Statement (Appendix 5) regarding First Homes is withdrawn and removed from the Council’s website.
- 2.51 The Policy Position Statement amends the tenure mix for affordable housing under Policy CP4 of the Core Strategy (2011) as 25% First Homes, 70% social rented, and 5% intermediate. However, it is suggested that the tenure mix for affordable housing under Policy CP4 of the Core Strategy (2011), which as a

guide seeks 70% of the affordable housing provided to be social rented and 30% to be intermediate is re-instated until the adoption of the emerging Local plan.

### **3 Policy/Budget Reference and Implications**

- 3.1 The recommendations in this report are within the Council's agreed policy and budgets.

### **4 Financial, Legal, Staffing, Equal Opportunities, Environmental, Community Safety, Public Health, Customer Services Centre, Communications & Website, Risk Management and Health & Safety Implications**

- 4.1 None specific.

### **5 Recommendation**

- 5.1 That the Local Plan Sub-Committee note the contents of this report, and recommend to the Policy & Resources Committee the following policy updates:

- Housing Mix Policy (Appendix 2)
- Affordable Housing Policy (Appendix 3)
- Removal of First Homes Policy (Appendix 4)

That the Local Plan Sub-Committee recommend to the Policy & Resources Committee to withdraw the Council's Policy Position Statement on First Homes (Appendix 5) and remove it from the website, and the tenure mix for affordable housing under Policy CP4 of the Core Strategy (2011), which as a guide seeks 70% of the affordable housing provided to be social rented and 30% to be intermediate is re-instated until the adoption of the emerging Local plan.

### **6 Background Papers**

National Planning Policy Framework (2024)

Planning Practice Guidance (2024)

Planning and Compulsory Purchase Act 2004 (as amended by the Localism Act 2011)

### **7 Appendices**

Appendix 1 – South-West Herts Local Housing Needs Assessment Update (2024)

Appendix 2 – Housing Mix Policy

Appendix 3 – Affordable Housing policy

Appendix 4 – First Homes Policy (to be removed)

Appendix 5 – Policy Position Statement on First Homes

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