

**18 JANUARY 2022**

**KEY DECISION? YES**

## **FIRST HOMES INTERIM POLICY STATEMENT**

### **SUMMARY AND RECOMMENDATIONS:**

This report seeks Cabinet's approval to adopt the Rushmoor First Homes Interim Policy Statement to provide certainty to developers as to how the Council will implement first homes through the planning system.

Delegated authority is sought to enable the Head of Economy, Planning and Strategic Housing in consultation with the Portfolio holder to make amendments to the Interim Policy Statement following adoption to reflect any relevant changes to national policy and guidance or case law.

### **1. INTRODUCTION**

- 1.1. In August 2020 Local Authorities were consulted on the government's proposals to introduce First Homes as part of the affordable housing tenure on all new housing developments.
- 1.2. On 1 April 2021 the government released its response to the consultation setting out the key details for delivery of First Homes. On 24 May 2021 a Written Ministerial Statement and Planning Practice Guidance document were published, setting out further details on the First Homes policy and procedures, and confirmed an implementation date of 28 June 2021.
- 1.3. It is on that basis that this report has been prepared, recommending an Interim Policy Statement for negotiating the delivery of First Homes in Rushmoor until such time that it can be considered through the Local Plan process.
- 1.4. First Homes is a new tenure of low-cost home ownership affordable housing which allows first time buyers to get onto the housing ladder at a reduced price.
- 1.5. This report sets out how the council will implement First Homes through the planning system. First Homes provide an opportunity to help local, first time buyers get onto the housing ladder. The approach set out in this report is based upon guidance set out by central government and is an interim policy position prior to the adoption of a new Local Plan.

## 2. BACKGROUND

- 2.1. First Homes were introduced through a Written Ministerial Statement and changes to the Planning Practice Guidance (PPG) in May 2021. Although the definition of affordable housing in the National Planning Policy Framework (NPPF) has not been updated, the guidance states that First Homes should be considered to meet the definition of affordable housing for planning purposes.
- 2.2. From the end of December 2021, the Government's policy on First Homes, as set out in the Written Ministerial Statement and Planning Practice Guidance, will be a material consideration for the Council when determining planning applications and in relation to the provision and type of affordable housing on market-led sites.

### What are First Homes?

- 2.3. First Homes are the Government's preferred discounted market tenure, and are homes sold to first time buyers (as defined by the Finance Act) at a discount of least 30% of open market value (with the discount maintained for future resales) and at a price no higher than £250,000 after the discount has been applied (first sale only). First Homes should comprise at least 25% of the affordable housing on market-led sites.
- 2.4. Local Authorities are able to increase the level of discount from at least 30% to either at least 40% or at least 50% where a need is demonstrated through evidence. Assuming that discount is capped at 30%, the maximum open market value before discount would be in the region of £357,000.
- 2.5. Purchasers are eligible to purchase a First Home if:
  - they have household income of less than £80,000 (this is the same as the qualifying criteria for shared ownership housing);
  - it is their only home;
  - at least 50% of the discounted value of the property is financed via a mortgage or other similar form of finance.
- 2.6. It is important to note that in the event that a First Home is not sold to a qualifying buyer within 6 months of advertisement, the developer can sell it as an open market home and repay the Council a cash contribution in lieu of the discount.
- 2.7. The requirement for First Homes is a material consideration in the planning process. They are not required to be provided with planning applications on market-led sites determined before 28 December 2021 (or 28 March 2022 where there has been significant pre-application engagement). However, LPAs must be flexible in allowing developers to introduce First Homes into the tenure mix prior to these dates should they request to do so.

### How are first homes secured?

- 2.8. First Homes will be secured through Section 106 agreements as is the case for other types of affordable housing. However, it is important to note that the council cannot allocate First Homes in the same way as nominations for social rented housing as First Homes are purchased from sellers in a similar manner to open-market homes.
- 2.9. The council therefore has a key role in determining certain eligibility criteria, verifying potential purchasers are eligible, and monitoring to ensure First Homes are retained in perpetuity and sold at the same level of discount as the original purchase (although the £250,000 cap does not apply on resales). This will be secured by the S106 and the restriction on the title.
- 2.10. Planning guidance recommends that councils should publish an Interim Policy Statement (IPS) to explain how First Homes will be implemented in their area. The IPS sets out the council's requirements for First Homes prior to them being integrated into the next Local Plan.

### Changes to the affordable housing tenure mix

- 2.11. First Homes will come into force prior to the production and subsequent adoption of a new Local Plan so it is necessary to understand how they will impact upon the mix of affordable homes the council is able to secure on planning applications in the interim.
- 2.12. The PPG states that First Homes should comprise the first 25% of affordable housing (Para ID: 70-012-20210524). It then states that prior to a new local plan policy coming into force, the residual affordable housing should be split in proportion with the Local Plan policy. The only exception to this approach is where there is a policy requirement for social rented housing which should be protected (Para ID: 70-015-20210524).
- 2.13. The Rushmoor Local Plan does not explicitly seek social rented housing, with Policy LN2 (Affordable Housing) requiring that the affordable housing should be 'predominantly subsidised rented accommodation'. The Affordable Housing SPD (2019) states that affordable housing should secure 70% for subsidised rent (social rent or affordable rent models) and 30% for intermediate housing (low cost home ownership).
- 2.14. As the council does not stipulate social rented housing as a policy requirement in the Local Plan or SPD, the residual 75% should therefore be split in accordance with the proportions in Affordable Housing SPD with 70% subsidised rented and 30% intermediate housing. This approach is being utilised by other Hampshire authorities with a similar planning policy framework.
- 2.15. The introduction of First Homes therefore results in the tenure mix changing from 70% subsidised rent and 30% intermediate housing (as set out in the Affordable Housing SPD) to the following:
  - 25% First Homes,

- 53% subsidised rent
  - 22% intermediate housing
- 2.16. The council will monitor case law on the implementation of First Homes and consider in due course whether any changes in approach would be appropriate.
- 2.17. The PPG 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’ (ID: 70-014-20210524).
- 2.18. The council should therefore be able to capture the same amount of value from the tenure mix with First Homes as it would with the mix required by the Local Plan and Affordable Housing SPD. This section of the PPG goes on to state that ‘this value can be reallocated to a different affordable housing mix under the new policy’.

Is there likely to be much value to re-allocate?

- 2.19. First Homes discounted by 30% will generally be a cheaper product for developers to deliver than either affordable rented or social rented accommodation as these are sold to registered providers at a greater discount.
- 2.20. However, within Rushmoor First Homes with 3-bedrooms or more would require a greater discount than 30% to bring their price below the £250,000 price cap. In these cases, as the 30% discount is a minimum, developers have the discretion to offer a greater discount to get below the price cap, however this would increase the cost to the developer of delivering affordable housing.
- 2.21. The table below demonstrates the average market value of 3 bed houses being marketed between May and December 2021 at three development sites in the borough.

<b>Development</b>	<b>Market Value (£)<sup>1</sup></b>
Wellesley, Aldershot	464,400
The Crescent, Southwood, Farnborough	456,800
Sky Piazza, Farnborough	442,400

- 2.22. To bring the above values to within the £250,000 price cap discounts of between 44% and 46% would be required.
- 2.23. The provision of a scheme with First Homes will therefore usually be cheaper than a scheme compliant with Local Plan Policy LN2, though this is dependent upon the specifics of the development and the mix and size of units being provided.

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<sup>1</sup> Sourced from Rightmove between May and December 2021 and based on OMV of three bedroom houses

### Local eligibility criteria

- 2.24. Although national policy sets out a national default for how First Homes should operate, the council has the ability to influence some aspects of how they are implemented locally. This may include income caps, a local connection test, or criteria based on employment status to prioritise particular groups. The local authority has some discretion over how these should be set, but the PPG is clear that they should 'not limit the eligible consumer base to the point that homes become difficult to sell' (ID: 70-008020210524).
- 2.25. In accordance with National Guidance local eligibility criteria do not apply for all active members of the Armed Forces, divorced/separated spouses or civil partners of current members of the Armed Forces, spouses or civil partners of a deceased member of the armed forces (if their death was wholly or partly caused by their service) and veterans within 5 years of leaving the armed forces.
- 2.26. It is proposed that the following local eligibility criteria are introduced through the Interim Policy Statement:
- Local connection test
  - Essential worker and ex armed-forces priority (veterans that left military service five or more years ago)

## **3. DETAILS OF THE PROPOSALS**

### First Homes Interim Policy Statement

- 3.1 In accordance with National Guidance it is proposed that the council adopts an Interim Policy Statement (IPS) (attached as Appendix 1). It is important to note that the IPS does not set planning policy and would not be adopted as a supplementary planning document, it does however provide guidance and clarity around issues which are material planning considerations by virtue of being required by national policy.
- 3.2 The IPS provides guidance on:
- the impact of First Homes upon the tenure mix of affordable housing
  - locally set eligibility criteria.
- 3.3 The document would therefore indirectly take on some material weight and would be used to assess affordable housing proposals through the development management process. As the IPS sets out how the council is implementing national policy, it is not proposed to undertake public consultation on the document.
- 3.4 As First Homes have been introduced relatively quickly by the government, delegated authority is sought to enable the Head of Economy, Planning and Strategic Housing in consultation with the portfolio holder to make amendments to the IPS following adoption to reflect any relevant changes to national policy and guidance or case law.

### **Alternative Option**

- 3.5 The alternative option would be not to publish an Interim Policy Statement and to deal with proposals on a case-by-case basis. This could leave the council in a weak position when negotiating with developers and will not deliver a consistent approach.
- 3.6 Although the council could also decide not to set any local eligibility criteria, this would miss an opportunity to prioritise residents with local connections and meet local housing needs.

### **Consultation to Date**

- 3.7 The proposed interim policy position has been shaped by the outcome of the government's consultation on First Homes proposals, which sought the views of local authorities, Registered Providers, and developers.
- 3.8 A draft of the First Homes Interim Policy Statement that is the subject of this report was presented to members of the Strategic Housing and Local Plans Group (SHLPG) on 7<sup>th</sup> December 2021. Members were keen to ensure that both essential workers and ex-armed forces personnel are given sufficient opportunity to be able to access First Homes; the policy statement has been amended to reflect this through local requirements in paragraph 2.15 of the Interim Policy Statement.

## **4. IMPLICATIONS**

### **Risks**

- 4.1. There are not considered to be any risks associated with the implementation of the recommendations of this report.

### **Legal Implications**

- 4.2. The Government has issued a Written Ministerial Statement and supporting Planning Practice Guidance regarding the introduction of First Homes as the Government's preferred discounted market tenure. The Government's policy on First Homes is a material consideration which the Council must have regard to when determining a planning application.

### **Financial and Resource Implications**

- 4.3. The additional workloads associated with the First Homes will put additional pressure on existing resources with the Council.

### **Equalities Impact Implications**

- 4.4. The proposal does not change the amount of affordable housing that can be secured through planning applications but will alter the mix of affordable housing products delivered in accordance with the Government's policy on first homes. The impact upon individuals will depend upon their specific circumstances. Residents who have a desire to purchase a home (but cannot afford to do so) could benefit from the initiative, however, for residents who want to rent an affordable home it could be considered

negative as it will slightly reduce the supply of new affordable homes for rent.

## **CONCLUSIONS**

5.1 Following the publication of the ministerial statement and first homes guidance, it is important that the council has a First Homes Interim Policy Statement (Appendix 1) in place to provide clarity to developers as to how first homes will be implemented within the borough.

## **BACKGROUND DOCUMENTS:**

### **Appendix 1 – First Homes Interim Policy Statement**

The Written Ministerial Statement (24 May 2021) relating to first homes is available to view at:

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

The First Homes Planning Practice Guidance is available to view at:

<https://www.gov.uk/guidance/first-homes>

The adopted Local Plan is available to view at:

<https://www.rushmoor.gov.uk/rushmoorlocalplan>

The adopted Affordable Housing Supplementary Planning Document (SPD) is available to view at:

<https://www.rushmoor.gov.uk/article/11715/Affordable-housing-SPD>

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