



Council name	COTSWOLD DISTRICT COUNCIL
Name and date of Committee	CABINET - 4th APRIL 2022
Report Number	AGENDA ITEM 9
Subject	FIRST HOMES
Wards affected	All
Accountable member	Cllr Lisa Spivey, Cabinet Member for Housing and Homelessness Email: lisa.spivey@cotswold.gov.uk
Accountable officer	Anwen Hughes, Strategic Housing Manager Email: anwen.hughes@cotswold.gov.uk
Summary/Purpose	To inform members of a new affordable housing tenure in the form of 'First Homes' and consider a Guidance Note on Interpretation of Policy H2 (Cotswold District Council Local Plan 2011-2031) following the introduction of First Homes
Annexes	Annex A – First Homes Guidance Note
Recommendation(s)	<i>a) To note the new tenure First Homes that will become part of the standard affordable housing offer on all new build sites</i> <i>b) To approve the Guidance Note on Interpretation of Policy H2 (Cotswold District Council Local Plan 2011-2031) following the introduction of First Homes</i>
Corporate priorities	<ul style="list-style-type: none"><li>• Providing good quality social rented homes</li></ul>
Key Decision	NO
Exempt	NO
Consultees/ Consultation	Consultation with Planning Policy Officers



## **I. INTRODUCTION AND BACKGROUND**

- I.1.** On 24th May 2021, the Government published a Written Ministerial Statement (WMS) setting out its plans for the delivery of First Homes, defining the product and changes to planning policy. This was accompanied by changes to the Planning Practice Guidance (PPG) that sets out that First Homes meet the definition of affordable housing for planning purposes as well as other changes to facilitate the delivery of First Homes.
- I.2.** The WMS and PPG set out the potential for First Homes to be provided through the planning system from 28 June 2021, before becoming a requirement for planning applications from 28 December 2021 (or 28 March 2022 if there have been significant pre-application discussions). The PPG states that 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 through planning obligations.
- I.3.** Full guidance on the characteristics of First Homes is provided in the WMS, the PPG, and the draft guidance note and so are not repeated in detail in this report. Key details include the following:

<b>The Homes</b>	<b>The Buyers</b>
<b>The purchase price of the property must be discounted by a minimum of 30% against the market value</b>	<b>Only available to first time buyers</b>
<b>The discounted price at first sale must not exceed £250,000</b>	<b>Household income must be no more than £80k</b>
<b>Price cap only applies on the initial sale</b>	<b>Any purchaser of a First Home should have a mortgage or a home purchase plan</b>
<b>Secured through a legal agreement the discount is retained for every future sale.</b>	<b>Must be the buyer's main residence</b>



The WMS and PPG identify a range of additional local criteria in relation to the Level of Discount, the Price cap and a Local Eligibility Criteria that can be applied by local authorities to the level of discount.

- I.4. **Level of Discount:** In order to qualify as a First Home, a property must be sold at least 30% below the open market value. Therefore, the required minimum discount cannot be below 30%. However, 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.
- I.5. **Price cap:** The WMS gives local authorities and neighbourhood planning groups the discretion to set lower price caps than the national price cap of £250,000 for First Homes outside of London. Local price caps should not be set arbitrarily and should only be used if evidence demonstrates a need for First Homes at particular price points. These minimum discounts should apply to the entire Local Plan area and should not be changed on a site-by-site basis. Any local price caps should be determined through the plan-making process with regard to local income levels, related to local house prices and mortgage requirements.
- I.6. **Local Eligibility Criteria:** First Homes are designed to allow people to get on the housing ladder in their local area. The Government's guidance states that local authorities can apply a local connection criteria including a possible lower income cap and a local connection test to help achieve this ambition. Any local eligibility criteria will apply for a maximum of 3 months from when a home is first marketed. If a suitable buyer has not reserved a home after 3 months, the eligibility criteria will revert to the national criteria.
- I.7. **First Homes Exception Sites:** The PPG also introduces First Homes exception sites. Full guidance on the characteristics of First Home exception sites is provided in the WMS, the PPG, and the draft guidance note.
- I.8. **Key features of First Homes exception sites are as follows:**
  - Comprise of First Homes – as defined in the WMS
  - Be adjacent to existing settlements and proportionate in size and not compromise protections afforded by National Park, AONB, rural area designations.
  - A small proportion of market housing can be allowed at the local authorities' discretion, for example, where it is essential to deliver First Homes without grant funding.
  - A small proportion of other forms of affordable housing may be allowed where there is significant identified local need.



- 1.9. Delivery of First Homes:** First Homes will be delivered mainly via developer contributions secured by a legal agreement. National policy sets out a requirement that a minimum of 25% of all affordable housing units secured through developer contributions should now be First Homes. Therefore, First Homes will be allocated to the first 25% of all affordable housing units secured through developer contributions. 100% affordable housing schemes, however, will not be required to deliver First Homes, consistent with national planning policy.
- 1.10.** The First Homes Policy came into effect from 28 June 2021. However, there are transitional arrangements for the consideration of First Homes in regards to determining planning applications. The First Homes Policy requirements do not apply for the following:
- Sites with full or outline planning permissions already in place or determined (or where a right to appeal against non-determination has arisen) before 28 December 2021;
  - Applications for full or outline planning permission where there has been significant pre-application engagement which are determined before 22 March 2022. (Significant pre-application engagement means any substantive discussions between the local planning authority and the applicant relating to the proposed quantity or tenure mix of the affordable housing contribution associated with that application).
- 1.11. Consultation:** Strategy Housing officers have been in consultation with planning policy officers in Forward Planning.

## **2. MAIN POINTS**

- 2.1.** The guidance note has been written to support applicants and the Council in the interpretation and application of Policy H2 of the Cotswold District Local Plan (2011-2031) in light of the introduction of First Homes. The Local Plan seeks a district-wide target, subject to viability, of 40% affordable housing provision (30% on brownfield sites) on new qualifying residential developments.
- 2.2.** The guidance note supports applicants, agents and developers undertaking residential development within the Cotswold District by identifying the level of discount to be applied to the sale of First Homes, whether any price cap has been introduced and the local connection test that will be applied to the marketing and sale of First Homes. It further explains how First Home exception sites will be considered and how First Homes will relate to the implementation of Policy H2 and the provision of affordable housing.



- 2.3. The Guidance Note sets out that the national criteria of a minimum discount of 30% of the market value will be applied to the sale of First Homes and that the national price cap of £250,000 for the initial sale will be used. The WMS and PPG identify that subject to appropriate evidence local authorities can introduce additional local criteria including the potential for adopting a higher discount, a lower price cap and an income cap. The standard of evidence will need to be consistent with what is usually required within Local Plans. Cotswold District Council is working on the development of a new Cotswold District Local Plan and it is recommended that the potential for adopting a greater local market discount and a lower price and income cap be considered through the work on the new Local Plan.
- 2.4. Whilst the requirement for adopting a higher discount and a lower price cap requires a standard of evidence consistent with what is usually used within Local Plans, the WMS and PPG allows local authorities to apply a local connection criteria to First Homes without the need to provide supporting evidence. First Homes are designed to allow people to get on the housing ladder in their local area, and the Guidance Note proposes the application of the Local Government Association guideline definitions for local connection criteria to facilitate this ambition:
- **Normally be resident in Cotswold District:** defined as having resided in the area for six of the last twelve months, or three out of the last five years, where residence has been out of choice; or
  - **Work in Cotswold District:** defined as employment other than of a casual nature. For the purposes of this policy this will be defined as having had permanent work with a minimum of a 16 hour contract per week for the previous 6 months, and without a break in the period of employment for more than three months; or
  - **Have family connections in Cotswold District:** defined as the applicant, or a member of their household has parents, adult children or brothers or sisters who have been resident in Cotswold District for at least the last 5 years. Only in exceptional circumstances would the residence of relatives other than those listed above be taken to establish a local connection, but the circumstances may be sufficient and all cases will be considered individually.
  - **Members of the Armed Forces,** the divorced or separated spouse or civil partner of a member of the Armed Forces, the spouse or civil partner of a deceased member of the Armed Forces (if their death was caused wholly or partly by their service) or veterans within five years of leaving the Armed Forces will be exempt from these local connection criteria.
- 2.5. The local connection criteria will be applied every time a First Home is marketed and, in accordance with the WMS and PPG, will apply for a maximum of 3 months



from when a home is first marketed. If a suitable buyer, with a local connection as defined above, has not reserved a home after 3 months, the eligibility criteria will revert to the national criteria.

- 2.6. The Guidance Note also provides guidance on proposals for First Homes exception sites as well as a detailed explanation in support of the implementation of Local Plan Policy H2 following the introduction of First Homes. In so doing, the Guidance Note seeks to increase the efficiency of the negotiations between the Council and applicants for planning permission, and ensure the delivery of affordable dwellings of a tenure, type, and size that helps to meet housing needs within the Cotswold District.
- 2.7. It is recommended that Cabinet note that the new tenure First Homes will become part of the standard affordable housing offer on all new developer-led building sites, and that the Guidance Note is approved so it can be used to help aid the delivery of affordable housing through Local Plan Policy H2.

### **3. FINANCIAL IMPLICATIONS**

- 3.1. There are no immediate financial implications to the Council as a direct result of this report. However the Risk Assessment below does identify a potential resource implication for processing First Homes applicants and verifying their local connection qualification. This will be monitored to determine what additional resources are needed over the next financial year.

### **4. LEGAL IMPLICATIONS**

- 4.1. There are no legal implications arising from the recommendations in this report. The government has provided a template S106 agreement which incorporates the additional clauses required for First Homes.

### **5. RISK ASSESSMENT**

- 5.1. The introduction of First Homes may have an implication on resourcing.
- 5.2. There will be an implication on staff time in approving the eligibility of first time buyers seeking to buy First Home properties. The amount of time will depend on the number of units delivered. Strategic Housing will monitor the resources for this part of the work and report in future if additional resources are required.

### **6. EQUALITIES IMPACT**

- 6.1. No unacceptable adverse effects on the protected characteristics covered by the Equalities Act have been identified.



- 6.2.** The likely impact of the provision of First Homes is considered beneficial in so much as the scheme would provide additional opportunities for local people to purchase suitable affordable homes.

## **7. CLIMATE AND ECOLOGICAL IMPLICATIONS**

- 7.1.** The guidance note does not directly relate to sustainability and climate change.
- 7.2.** All planning applications received by the Council are assessed against the Council's planning policy framework. As such, they are required to meet the requirements of the Council's climate change and sustainability policies to ensure that new development is energy efficient. The planning assessment process also ensures that any negative impacts and risks, such as an increase in carbon emissions and flood risk are appropriately mitigated.

## **8. ALTERNATIVE OPTIONS**

- 8.1.** Cabinet could decide not to approve the Guidance Note.
- 8.2.** This option is not recommended as it does not provide clarity to the Council's planning and strategic housing officers, developers, landowners, and the general public on the Council's approach to First Homes.

## **9. BACKGROUND PAPERS**

- 9.1.** None