



**Prosperous Communities
Committee**

Tuesday 3rd May 2022

Subject: First Homes

Report by:

Assistant Director of Planning and Regeneration

Contact Officer:

Sarah Elvin
Homes, Health and Wellbeing Team Manager

sarah.elvin@west-lindsey.gov.uk

Purpose / Summary:

To update members on First Homes, adopt the West Lindsey position on this new government initiative and set out the Early Delivery Programme for First Homes in West Lindsey.

RECOMMENDATION(S):

- 1) Members agree the West Lindsey First Homes position set out within the Guidance
- 2) Members adopt the West Lindsey First Homes Guidance

IMPLICATIONS

Legal:

The First Homes Guidance has been prepared and meets the national guidance prepared by Homes England. The proposed guidance document does not fall outside of the parameters of the First Homes Scheme.

All First Homes require a Section 106 agreement to secure the necessary restrictions on the use and sale of the properties, and a legal restriction on the title of the properties to ensure that these restrictions are applied to the properties at each future sale, guaranteeing perpetuity

(N.B.) Where there are legal implications the report MUST be seen by the MO

Financial: FIN/20/23/SJB

There has been an indication from Homes England that Local Authorities who have schemes within the Early Delivery Programme will receive £150 per application as payment for undertaking the processes required. This is yet to be confirmed. We have 30 units of First Homes being delivered under the Early Delivery programme meaning an estimated income of £4,500 will be received for the processing of applications. This will be used to support the administration of the scheme.

It is not yet clear if a fee can be charged for onwards sales where the checks will have to be completed by the Council to ensure the eligibility criteria are met by future owners. Due to these being classed as a starter homes, these houses may be only a short-term investment by the owners who are looking to get onto the property market (therefore, the turnover rate may be high). Depending on the number hours required to complete each check the initial payment may cover the costs of the initial sale and 2 onward sales.

It is not yet known if First Homes that are secured through the planning system will attract a fee per application.

(N.B.) All committee reports MUST have a Fin Ref

Staffing :

The First Homes scheme initially will be undertaken within existing resources. The work is going to be carried out within Home Choices and the Home Connections software currently in place will also be utilised. This will be kept under review and should the scheme require additional resources additional capacity may need to be considered. Alongside this, we are working with the planning monitoring officer to put in place a robust mechanism for the recording and monitoring of First Homes delivery.

(N.B.) Where there are staffing implications the report MUST have a HR Ref

Equality and Diversity including Human Rights:

This guidance adopts elements of the national guidance and determines local variations which are evidence based. This guidance does not negatively impact on different groups specifically and West Lindsey’s approach to eligibility is only focused on local connection.

NB: Please explain how you have considered the policy’s impact on different groups (for example: young people, elderly, ethnic minorities, LGBT community, rural residents, disabled, others).

Data Protection Implications :

Current systems are going to be used to hold documentation. Consent is going to be given by applicants to shared data.

Climate Related Risks and Opportunities :

First Homes will have to meet all of the required criteria for property standards as set out within the Local Plan.

Section 17 Crime and Disorder Considerations :

None.

Health Implications:

First Homes provides another option for the people of West Lindsey to purchase their own home in a location that suits them at an affordable price. The West Lindsey Housing strategy identifies “the need for housing to provide a foundation upon which people can build happy and successful lives, promoting stability, independence, health and wellbeing”

Title and Location of any Background Papers used in the preparation of this report:

First Homes National Guidance <https://www.gov.uk/guidance/first-homes>
Draft Central Lincolnshire Local Plan <https://www.n-kesteven.gov.uk/central-lincolnshire/local-plan-review/>

Risk Assessment :

Call in and Urgency:

Is the decision one which Rule 14.7 of the Scrutiny Procedure Rules apply?

i.e. is the report exempt from being called in due to urgency (in consultation with C&I chairman)

Yes

No

Key Decision:

A matter which affects two or more wards, or has significant financial implications

Yes

No

1. Introduction

- 1.1 The government First Homes scheme was introduced on 28 June 2021 via Ministerial statement. This made substantial changes to planning policy to provide discounted homes to first time buyers in England who otherwise wouldn't be able to afford to purchase their first home.
- 1.2 The national guidance allows for Local Authorities to place local parameters on some of the criteria set out in the guidance. Any local parameters must be evidence based and be adopted and published for developers and purchasers to access.
- 1.3 Central Lincolnshire Authorities have come together to determine some of those local parameters and ensure they are, where possible, aligned across the Housing Market Area.
- 1.4 A guidance document has been drafted which sets out West Lindsey's local parameters against the national position. This can be found at appendix 1. This report however does go on to highlight the proposed local parameters.
- 1.5 Alongside this, Homes England have allocated 30 properties in West Lindsey to be delivered under the First Homes Early Delivery Programme. Details of the sites are included within this report at section 5.

2. What are First Homes?

- 2.1 First Homes are a specific kind of discounted market sale housing offered for sale at a specified discount and meet the definition of 'affordable housing' for planning purposes. Specifically, First Homes are discounted market sale units which nationally:
 - must receive a minimum discount of 30% against the market value;
 - after the discount has been applied, the first sale must be at a price no higher than £250,000 (or £420,000 in Greater London).
 - on their first sale, will have a restriction registered on the title at HM Land Registry to ensure the discount (as a percentage of current market value) restrictions are passed on at each subsequent title transfer; and,
 - Can only be sold to a person or persons meeting the First Homes eligibility criteria which includes a household income of below £80,000, for all purchasers to be first times buyers and to require a mortgage of a minimum of 50% of the discounted purchase price.

3. First Homes in West Lindsey

3.1 The national guidance allows Local Authorities to set its own criteria for specific requirements, the below table summarises the national criteria and then compares that with the local parameters set for West Lindsey. Local parameters can only be adopted if they are evidenced based.

First Home Criteria	National position	West Lindsey position
Discount on open market value (in perpetuity)	30%-50% Can be between 30% and 50% if evidence is there to suggest a higher discount is required locally.	30%
Price cap (on first sale)	£250,000 (after discount)	£140,000 (after discount)
Eligibility Criteria	National position	West Lindsey position
Income cap	Total household income of less than £80,000	National position
Local connection	Criteria that the Local Authority can set	Priority given to people with a local connection and secured through S106 local connection cascade.
Key worker priority	Criteria that the Local Authority can set	No key worker priority
First time buyer	All purchasers must be first time buyers.	All purchasers must be first time buyers.
Mortgage or home purchase plan (if required to comply with Islamic law) for over 50% of the value of the discounted property	Must meet this requirement.	Must meet this requirement.

3.2 The maximum First Homes sales price (on first sale only) in West Lindsey after the First Homes discount on market value has been applied is £140,000. The price cap is based on the average house price across Central Lincolnshire as detailed in the Housing Needs Assessment 2020. Future reviews of the maximum discount level may take place subject to changes in demand, income and house price increases. Further information on how this is to be set in planning policy is included below at section 4.

3.3 A local connection criteria will be applied to First Homes to ensure that local people are given the best possible opportunity to purchase homes in areas in which they have a local connection. This falls away automatically after 3 months but will apply to subsequent sales of the properties. This is in line with the local connection criteria as set out in

the West Lindsey Lettings policy which can be found via this link
<https://www.west-lindsey.gov.uk/sites/default/files/2022-02/West%20Lindsey%20Home%20Choice%20Policy%202020.pdf>

- 3.4 Key workers can apply for First Homes. However, a key worker priority has not been put in place initially as it is considered within West Lindsey, due to the lower than average house prices, key workers may be able to access homes on the open market without the requirement for a discount. If in time, robust evidence can suggest otherwise, this will be reviewed.
- 3.5 The national discount level on market value of 30% has been adopted as it cannot yet be evidenced within West Lindsey that a higher discount is required to assist first time buyers to access the property ladder. 30% is a minimum discount and should a developer wish to sell a property for a higher discount, this will be supported.
- 3.6 The guidance details all of the above information and is designed for developers and purchasers to understand First Homes and the requirements within West Lindsey.

4. Planning Policy

- 4.1 The review of the Central Lincolnshire Local Plan has given the opportunity to set the Central Lincolnshire First Homes parameters within policy.
- 4.2 The Central Lincolnshire Housing Needs Assessment (HNA) sets out detailed information about affordability of various housing products when considering average local incomes. In West Lindsey, 60% of households had an annual household income of less than £35,000. This income level is substantially less than the national annual household income cap of £80,000 to be eligible for First Homes. In fact, the HNA determines that 90% of households across the whole of Central Lincolnshire have a household income of less than £80,000. In theory, making 90% of households financially eligible for First Homes.
- 4.3 The Planning Policy Guidance stipulates that First Homes in our area cannot be priced higher than £250,000 (after discount) which would mean a full market value of just over £350,000 based on a 30% discount being applied. The HNA identifies that average house prices paid across Central Lincolnshire were substantially below this in 2019 at between £171,000 and £217,000
- 4.4 This evidence clearly demonstrates that if the £250,000 cap were applied in Central Lincolnshire, it would render the product unaffordable for the majority of first-time buyers. Therefore, a reduced cap will be applied for First Homes in Central Lincolnshire of £140,000 (or full market value equivalent of £200,000 when 30% discount is applied)

- 4.5 This cap will ensure that the product is aligned to governments intention for First Homes and delivers homes that are truly affordable for people looking to get onto the property ladder in West Lindsey.
- 4.6 This position is proposed in Policy S22 of the Draft Central Lincolnshire Local Plan and states *“First Homes are homes priced at least 30% below full market value at a maximum value of £140,000 after the discount has been applied.”*
- 4.7 Planning Policy Guidance now includes a requirement that 25% of all affordable housing contributions should be delivered as First Homes.
- 4.8 It is the intention that once the new Central Lincolnshire Local Plan has been adopted, an affordable housing Supplementary Planning Document will be formed which incorporates the requirement for First Homes alongside a requirement for other tenures of affordable housing such as affordable rent and shared ownership. That Supplementary Planning Document will then supersede this proposed guidance document.
- 4.9 A S106 precedent wording has been drafted to incorporate First Homes within all agreements that require an affordable housing contribution.

5. First Homes Early Delivery Programme

- 5.1 Homes England have put in place an Early Delivery Programme whereby developers could apply for grant funding on existing developments to deliver market housing as First Homes.
- 5.2 The Early Delivery Programme is set out to grant fund 1500 First Homes within 18 months to speed up delivery of First Homes across the country while it becomes embedded within planning policies.
- 5.3 Within West Lindsey, there have been three developments successful in their bids to the Early Development Programme, and these will deliver a total of 30 First Homes across the district.
- 5.4 These are currently only proposed schemes and are awaiting contract with Homes England. It is expected that these First Homes will be available to purchase from summer 2022 onwards.
- 5.5 These units will be secured through S106 agreements in the first instance and covenants will be put on the title deeds to ensure the properties remain as First Homes in perpetuity.

6. West Lindsey role in First Homes

- 6.1 Local authorities are required to undertake checks on eligibility for the applicants of First Homes properties. The process has been

determined by the Homes England First Homes team and documents required to undertake Local Authority tasks have been shared.

- 6.2 Currently, it is anticipated that these checks will be undertaken by our Home Choices Team and the information will be stored on our Home Connections system. We are also exploring available mechanisms for monitoring First Homes and ensuring robust procedures are in place to enable us to undertake the relevant responsibilities.
- 6.3 There has been an indication from Homes England that Local Authorities who have schemes within the Early Delivery Programme will receive £150 per application as payment for undertaking the processes required. This is yet to be confirmed.
- 6.4 With 30 properties expected to be delivered through the Early Development Programme, it would be an expected income of up to £4,500 which would be paid by the developer.
- 6.5 There is yet to be any confirmation that First Homes delivered through the planning process will incur an administration charge for developers to be paid to Local Authorities.
- 6.6 There are still a relative amount of unknowns in terms of West Lindsey's role in the administration of the sale of First Homes but work is being undertaken internally and in partnership with Homes England and legal to ensure that all requirements of West Lindsey can be fulfilled.

7. Recommendations

- 7.1 Members agree the West Lindsey First Homes position set out within the Guidance
- 7.2 Members adopt the West Lindsey First Homes Guidance