



**Prosperous Communities
Committee**

5th December 2023

Subject: First Homes Guidance and Key Worker Position

Report by:	Director of Planning, Regeneration & Communities
Contact Officer:	Sarah Elvin Homes, Health & Wellbeing Team Manager sarah.elvin@west-lindsey.gov.uk
Purpose / Summary:	To provide an update on the First Homes Guidance Note and consider the evidence around Key Workers criteria in the District.

RECOMMENDATION(S):

1. Committee approve the updated First Homes Guidance at Appendix 1 to bring in line with Policy S22 of the Central Lincolnshire Local Plan.
2. Committee note the research and evidence set out in the paper and agree that a Key Worker definition and priority for Key Workers for purchasing a First Home is not currently required for West Lindsey.
3. Committee delegate future nonmaterial amendments to the First Homes Guidance (including the annual Price Cap revision) to the Director of Planning Regeneration and Communities following consultation with the Chair of this Committee.

IMPLICATIONS

Legal:

First Homes was brought in by Ministerial Statement in June 2022. This required all Major housing developments with an affordable housing contribution to include 25% First Homes as part of that contribution.

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/98/24/PC/SST

A fee for First Homes applications administered by West Lindsey was agreed at CP&R on 07/06/2023

Since the fee was introduced, West Lindsey has received £1,500 for 10 properties from Keepmoat Homes.

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

Staffing :

None in relation to this report

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

Equality and Diversity including Human Rights :

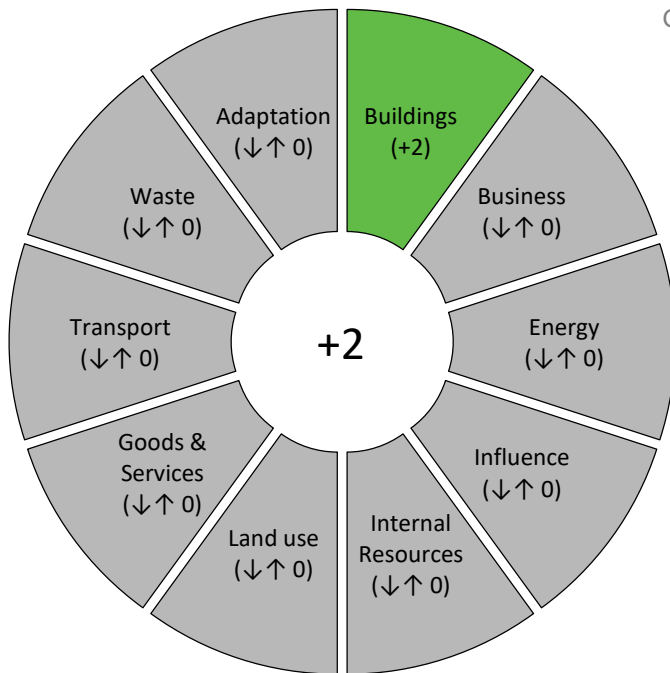
This guidance adopts elements of the national guidance and determines local variations which are evidence based. This guidance does not negatively impact on different groups specifically and West Lindsey's approach to eligibility is only focused on local connection.

Data Protection Implications :

None

Climate Related Risks and Opportunities:

Generated
06/11/23
v1.36



West Lindsey District Council will be net zero by 2050 (26 years and 1 months away).

New build properties will be built to the new energy standards as required in the Central Lincolnshire Local Plan. The approach that West Lindsey set to First Homes however will not have an impact on the way in which first homes are constructed.

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 :

Central Lincolnshire Local Plan 2023
<https://www.n-kesteven.gov.uk/sites/default/files/2023-04/Local%20Plan%20for%20adoption%20Approved%20by%20Committee.pdf>

[First Homes Guidance](#)

[Agenda for Prosperous Communities Committee on Tuesday, 3rd May, 2022, 6.30 pm | West Lindsey District Council \(sharedlincs.net\)](#)

Risk Assessment :

N/A

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. **Executive Summary**

- 1.1 This report provides an update on First Homes delivered within West Lindsey which has to date delivered 32 First Homes properties across the district. The scheme's sole purpose is to widen access to owner occupation to eligible first-time buyers who might otherwise have been unable to purchase their own home on the open market.
- 1.2 First Homes are governed by overarching national criteria. However, local authorities also have discretion to apply local criteria where robust local evidence supports the need for this.
- 1.3 Key elements of the approach for First Homes across Central Lincolnshire were tested through the Local Plan process and adopted in the new Central Lincolnshire Local Plan. There is now a requirement to approve an amended First Homes Guidance document for West Lindsey.
- 1.4 At a meeting of this committee on 3rd May 2022, committee members tasked officers with understanding the evidence base for Key Workers in West Lindsey to provide an assessment as to whether a Key Worker priority was necessary in West Lindsey.
- 1.5 Research has found that there is no standard definition of Key Worker, with a number of definitions being considered - from the ONS, the National Planning Policy Framework (NPPF) and the Key Worker Living programme. Common to these is the focus on public sector workers.
- 1.6 Analysis of the First Homes purchasers to date within West Lindsey has shown that they come from a broad cross-section of occupations including public sector roles, but also sectors key to supporting the local economy such as agriculture, manufacturing and retail. Further analysis of their associated incomes has shown that those with public sector roles generally have higher incomes than those from other key sectors within West Lindsey.
- 1.7 The purpose of the First Homes scheme is to support access to owner occupation for first-time buyers who otherwise would be unable to access the open market due to affordability issues.
- 1.8 It is considered that due to the below average house prices in West Lindsey, most public sector workers are already able to purchase a property on the open market unaided. Evidence has shown that applying a Key Worker priority is likely to significantly disadvantage other important employment sectors across the district, which the scheme in its current format has helped. If a Key Worker criteria were to be applied, it could shift the scheme's focus away from helping support those important sectors of the economy in West Lindsey such as manufacturing, skilled trades or retail and effectively undermine the purpose of the scheme.
- 1.9 On the basis of the evidence contained in the report, members of the committee are requested to agree that a Key Worker definition and adopting a priority for Key Workers for the First Homes scheme are not currently required for West Lindsey.

2. Introduction

- 2.1 The government First Homes scheme was first introduced by Ministerial Statement in May 2021, aiming to provide discounted homes for first-time buyers who were unable to afford to purchase a property directly from the open market.
- 2.2 Whilst key elements of the First Homes scheme are set nationally, there are discretionary aspects that local authorities can set locally. Included in this is the ability to prioritise Key Workers as purchasers of First Homes. It is a requirement that any local variations to national policy must be evidence based.
- 2.3 At a meeting of this committee on 3rd May 2022 the West Lindsey First Homes Guidance was adopted. During this meeting, committee members tasked officers with better understanding the evidence base for Key Workers in West Lindsey to assess if priority within the First Homes Guidance should be provided to Key Workers to help ensure they are not excluded from accessing the First Homes scheme in West Lindsey.
- 2.4 This report provides an update on the delivery of First Homes across West Lindsey, including an assessment of those applicants who have accessed the First Home scheme and considers the case for applying a Key Workers criteria across the district.

3. What are First Homes?

- 3.1 First Homes are a form of discounted market sale housing which are offered for sale at a specified discount and meet the definition of 'affordable housing' for planning purposes. Specifically, First Homes are discounted market sale housing 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) and 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.

4 First Homes position in West Lindsey

- 4.1 The Central Lincolnshire Authorities, including West Lindsey District Council, worked together, to develop an evidence base specific to the area to determine local parameters for First Homes. These locally specific

parameters have now been adopted as part of the Central Lincolnshire Local Plan.

4.2 Following the adoption of the revised Central Lincolnshire Local Plan in April 2023, Policy S22 includes reference to First Homes and sets out key local criteria that applies across Central Lincolnshire:

- First Homes are homes priced at least 30% below full market value;
- The maximum value of a First Home (on first sale only) is £160,000 after the 30% discount has been applied, with this figure being updated annually in line with ONS East Midlands House Price Index data.

4.3 These new local parameters means that the First Homes Guidance Note needs to be updated. Appendix 1 provides an updated copy of the First Homes Guidance Note and reflects the policy position adopted by the Central Lincs Local Plan. It is recommended that future non-material amendments to this guidance (including the annual price cap review) be delegated to the Director of Planning Regeneration and Communities in consultation with the Chair of this Committee.

4.4 The table below (figure 1) sets out the national criteria compared to the position adopted by West Lindsey. It is important to note that deviations from the National criteria are only available where robust evidence has been tested and adopted, which supports that amendment.

4.5 To support with the interpretation of the table below, definitions of the First Home Criteria and Eligibility Criteria are provided below.

- **The First Homes Criteria** are the elements that must be set out within the Local Plan and relate to the key components of a First Homes property sale.
- **Eligibility Criteria** relate to the First Homes purchasers and there are two elements to this, national criteria which are set and cannot be amended, and local criteria which can be set locally if agreed and published. Where local eligibility criteria is set, it only applies for the first 3 months of marketing, after which the national criteria applies.

Figure 1:

First Homes Criteria	National position	West Lindsey position
----------------------	-------------------	-----------------------

Discount on open market value (in perpetuity)	30%-50% Can be between 30% and 50% if there is evidence to suggest a higher discount is required locally.	30%
Price cap (on first sale)	£250,000 (after discount)	£160,000 (after discount) with annual revisions
Eligibility Criteria – local	National position	West Lindsey position
Income cap	Total household income of less than £80,000	£80,000 in total in line with national position
Local connection	Local Authorities can apply local connection criteria on sale of the property for a maximum of 3 months from the property being marketed	Priority given to people with a local connection and secured through S106 local connection priority cascade for the first 3 months. This aligns with all other affordable housing delivered through developer contributions.
Key worker priority	Local Authorities can apply key worker priority criteria	To be confirmed – see section 3 below.
Eligibility Criteria – national	No local variations can be applied	
First time buyer	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	This requirement must be met.	

5 First Homes delivery (Early Delivery Programme)

5.1 To kick start the delivery of First Homes, Homes England provided grant funding to developers in order to pilot the provision of First Homes through the Early Delivery Programme. West Lindsey has seen a number of pilot properties successfully delivered within the district through this programme. The position is currently as follows:

Figure 2:

Site	Developer	First Homes sold
Warren Wood View, Gainsborough	Keepmoat Homes	10

The Meadows, Dunholme	Chestnut Homes	17
Chantrey Park, Market Rasen	Chestnut Homes	5
Total		32

5.2 First Homes are now beginning to feature within new Section 106 agreements, due to the National Planning Policy Framework requirement for 25% of any affordable housing delivered through planning obligations to be provided as First Homes. Although there is a time lag in these properties being built out, it is anticipated that this will become the primary source of First Homes in the future as the grant-funded programme is ending.

5.3 The use of a Local Connection priority is an established method of allocating affordable housing in West Lindsey. This ensures local people receive priority over all tenures of affordable housing provided before those from outside of the area. This priority is applied to First Homes in the same way to ensure consistency and equity. The Local Connection criteria is established through being born in the settlement, by current or previous residency there, by permanent employment in the settlement, or by the need to reside there to give or receive family care and support.

5.4 West Lindsey District Council 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 devised.

5.5 A fee of £150 for administering First Homes has been agreed by Corporate Policy and Resources Committee on 7th June 2023.

6 Key Workers

6.1 As detailed above, local authorities are able to adopt criteria to give key workers priority to purchase a First Home, where the need for this is appropriately evidenced. No such key worker priority is currently in place within West Lindsey and consideration is now given to introducing such a priority.

Key Worker definition

6.2 Research has shown that no standard definition of key worker exists nationally and the experience of the pandemic has significantly extended previous definitions that were narrowly focussed on public sector roles. A number of different key worker categories have been defined in guidance and detailed as follows:

6.3 ONS Key Worker categories include the following sectors:

- Education & childcare
- Food and necessary goods
- Health & social care
- Key public services
- National & local government
- Public safety & national security
- Transport
- Utilities and communication

The guidance from Central Government was implemented in response to the Covid 19 pandemic and related to critical workers who had children and meant could then utilise the education system as they were required to continue to work even during a pandemic and was not relating to meeting a specific housing need. More information about the above definition can be found via this link

<https://www.gov.uk/government/publications/coronavirus-covid-19-maintaining-educational-provision/guidance-for-schools-colleges-and-local-authorities-on-maintaining-educational-provision>

6.4 Government Key Worker Living programme in London definition applies to:

- nurses and other NHS staff,
- teachers in schools and in further education or sixth from colleges,
- police officers and some civilian staff in police forces,
- prison service and probation service staff,
- social workers, education psychologists, planners and occupational therapists employed by local authorities, and
- whole time junior fire officers and retained fire fighters in some fire and rescue services

The Key Worker Living programme was introduced in 2004 and aimed at public sector workers in London and the south-east where the high cost of housing was causing problems relating to staff recruitment and retention. A number of schemes now exist provided by various councils and registered providers. Information regarding eligibility can be found via this link: <https://www.gov.uk/hmrc-internal-manuals/employment-income-manual/eim21735>

6.5 The National Planning Policy Framework (NPPF) uses the term “Essential Local Worker” specifically in relation to Affordable Housing which is defined as follows:

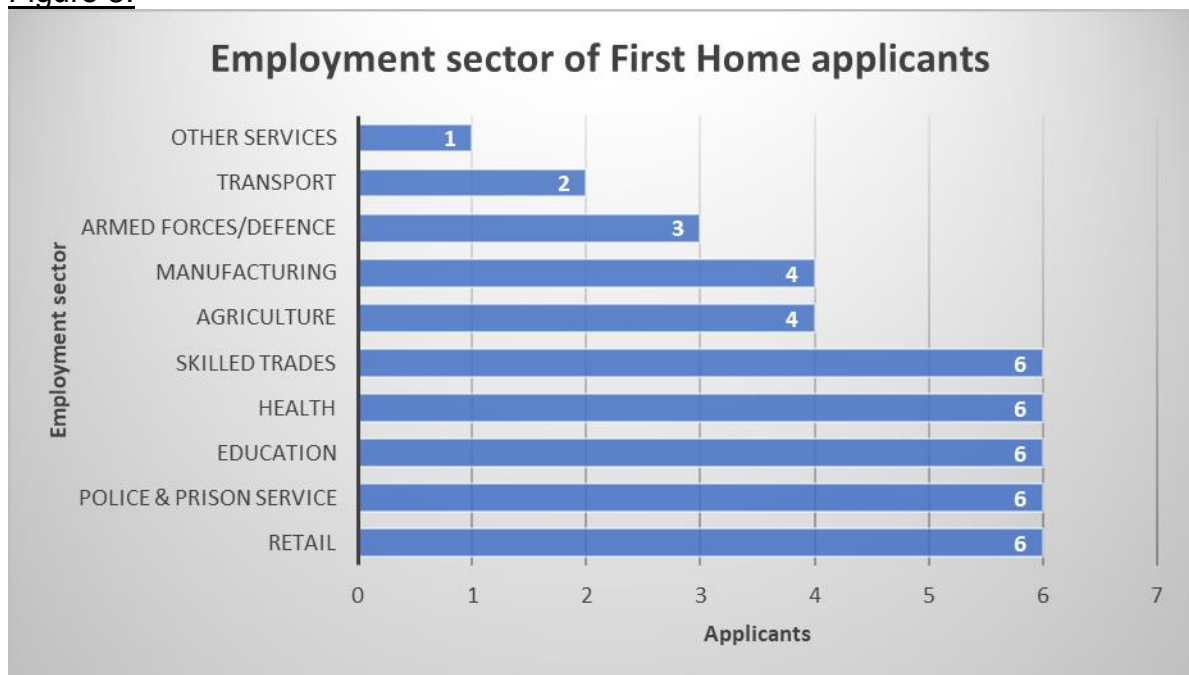
- Public sector employees who provide frontline services in areas including health, education and community safety – such as NHS staff, teachers, police, firefighters and military personnel, social care and childcare workers.

As First Homes are governed through the planning process, the NPPF Essential Local Worker definition would align with the planning process. These categories align in the main with those of the Key Worker Living Programme detailed at 6.4 above.

7 Key Worker West Lindsey evidence & benchmarking

7.1 In order to determine which, if any, of the above definitions could be offered a priority, analysis of the First Homes purchasers to date within West Lindsey was broken down by employment sectors. This shows a broad cross-section of occupations including public sector roles, but also key sectors to the local economy such as agriculture, manufacturing and retail:

Figure 3:



7.2 Analysis of the incomes of the First Homes purchasers, again broken down by employment sector and ranked from highest to lowest, is shown below (figure 4,) along with which of the key worker definitions each sector is included within.

Figure 4:

Employment sector	Average income	ONS	KWLP	NPPF
Armed forces/defence	£35,578	✓	✗	✓
Health	£34,800	✓	✓	✓
Transport	£32,475	✓	✗	✗
Agriculture	£31,479	✓	✗	✗
Education	£29,352	✓	✓	✓
Skilled trades	£25,174	✗	✗	✗
Police & prison service	£24,525	✓	✓	✓

Manufacturing	£23,219	x	x	x
Food Manufacturing	£23,219	✓	x	x
Retail	£23,053	x	x	x
Food Retail	£23,053	✓	x	x
Other services	£15,225	x	x	x

- 7.3 The above shows that most public sector roles are within the top half of income levels, with the only exception being police and prison service roles. By contrast, roles within manufacturing, retail and other services are on average the lowest paid.
- 7.4 The purpose of the First Homes scheme is to support access to owner occupation for first-time buyers who otherwise would be unable to afford to access the open market. The scenario within West Lindsey due to the below average house prices, is that many public sector workers are able to purchase a property on the open market unaided: this is in contrast to other parts of the country where house prices are significantly higher, making purchase beyond the reach of such public sector workers.
- 7.5 Within West Lindsey, however, it is workers from those sectors of the economy where average incomes are lower, but which play a significant part in the local economy (manufacturing, skilled trades, retail, leisure), who require intervention in order to access owner occupation.
- 7.6 Applying prioritisation to the First Homes purchasers to date on the basis of the key worker definitions above, would have the following effect:
- Dark blue = prioritised purchasers
 - Grey = deprioritised purchasers
 - Light blue = prioritisation of food-related roles only

Figure 5: ONS key worker definition

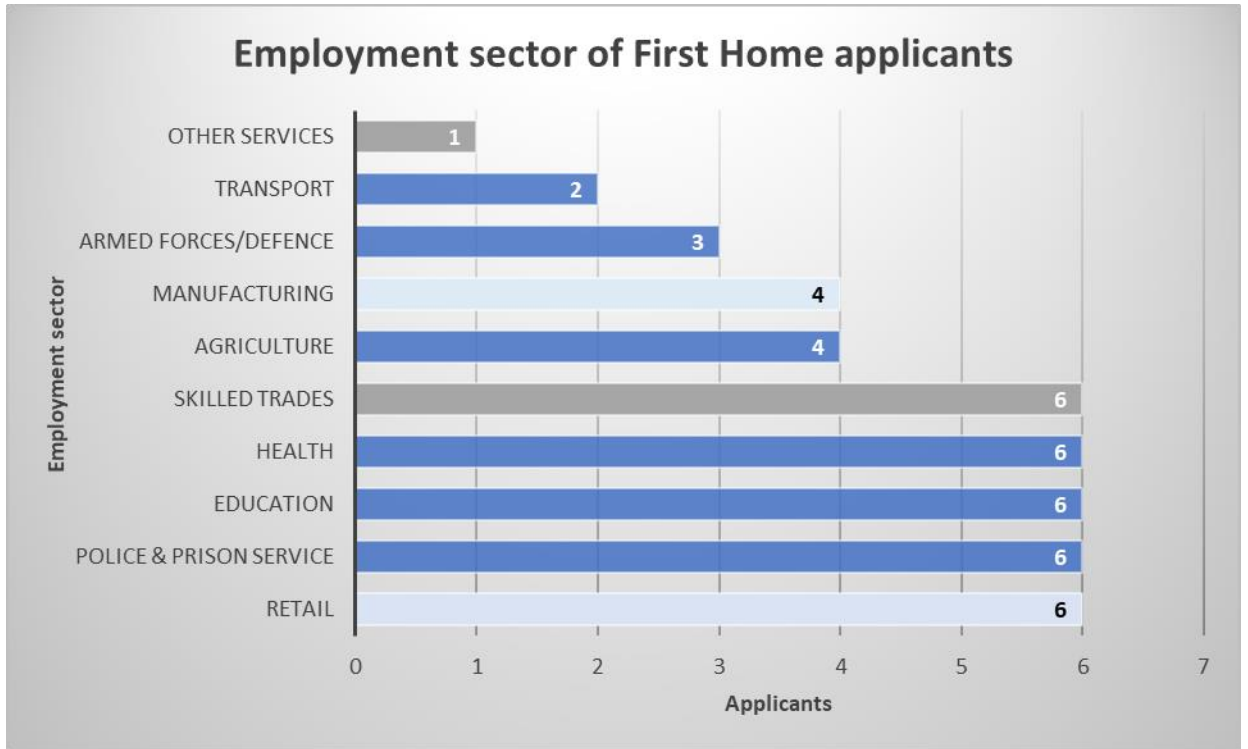


Figure 6: Key Worker Living programme definition

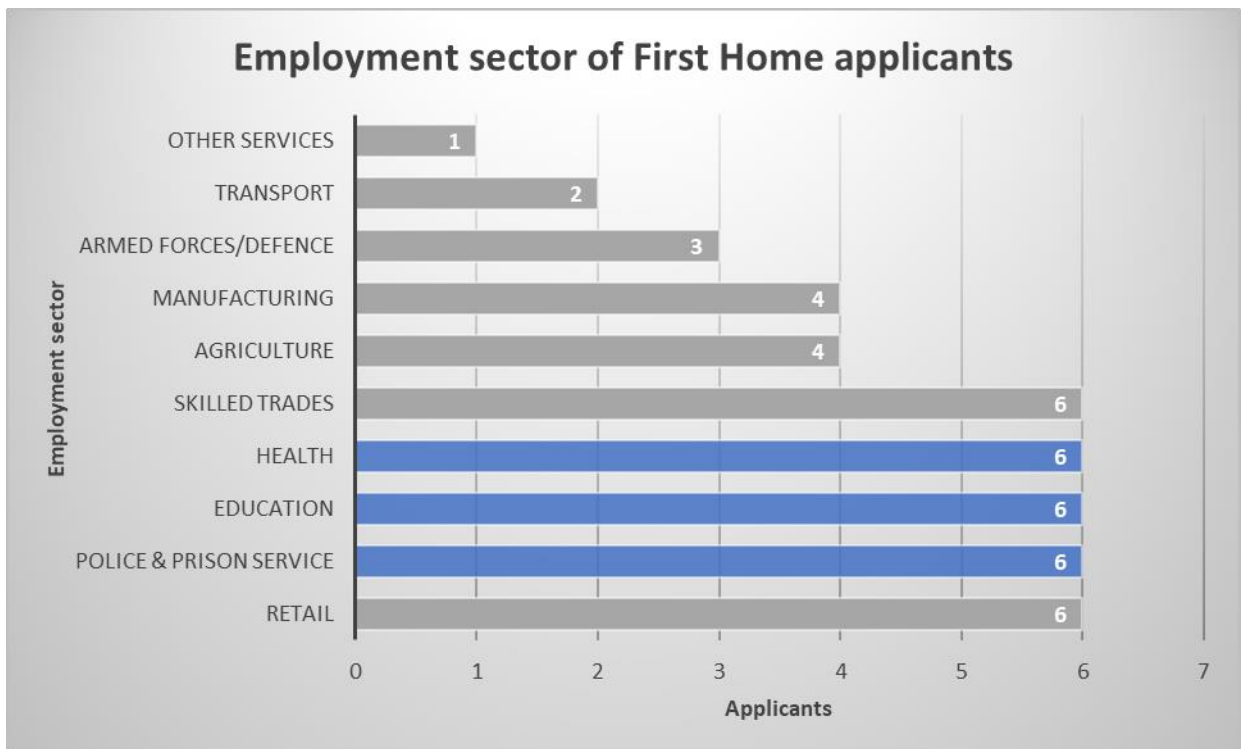
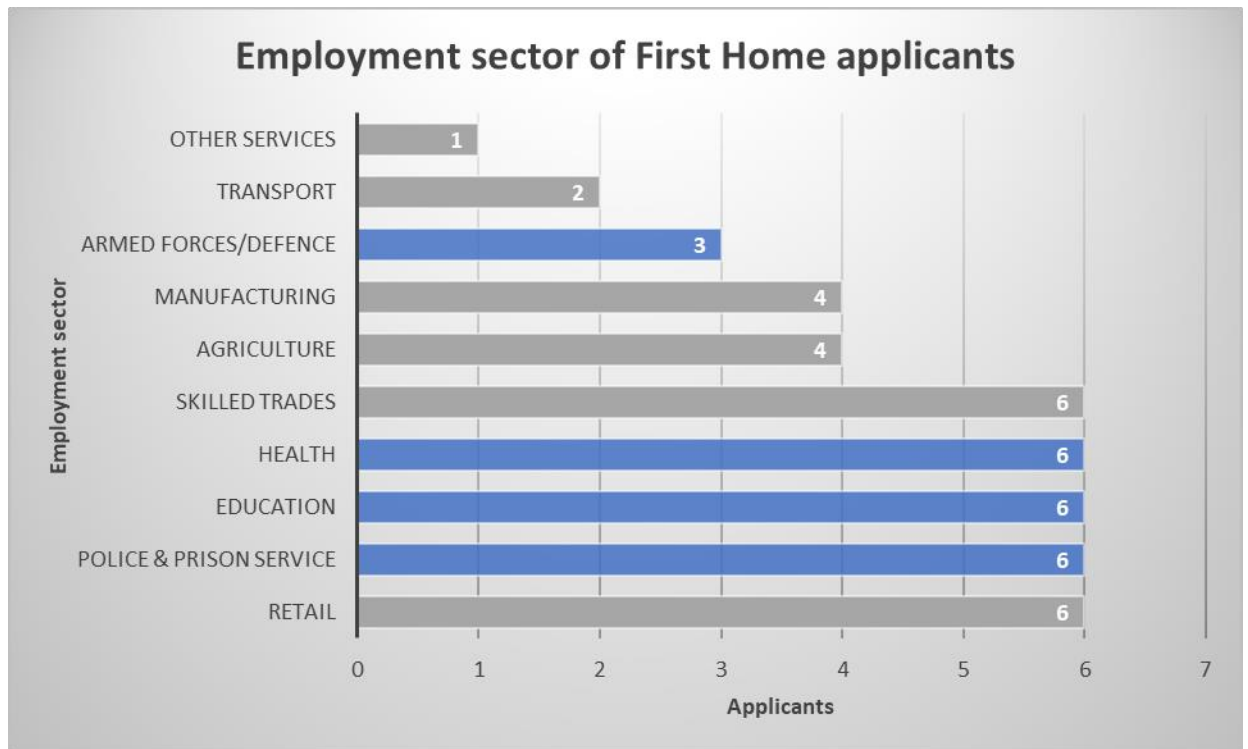


Figure 7: NPPF Essential local worker definition



7.7 Applying any of the key worker definitions would potentially alter the outcome of the First Homes scheme by deprioritising some applicants from a number of other key and lower paid sectors. Consequently, the achievement of the scheme's primary purpose to assist purchasers who are unable to buy directly from the open market, would be eroded.

8. Options for adopting a Key Worker definition

8.1 As discussed above there are a number of existing definitions, some used for different purposes than housing need and others used exclusively for London. The details of each are summarised below in options 1 -3. Option 4 considers the development of a West Lindsey specific Key Worker definition; however research has concluded that we do not hold robust evidence to support a bespoke key worker definition being adopted.

8.2 It is important to consider in adopting a Key Worker definition there may be unintended consequences, such as excluding existing residents who have a local connection to the area.

8.3 Option 5 considers retaining the current position, not adopting a Key Worker definition and instead relying on Local Connection criteria and the income cap to prioritise applicants for First Homes.

8.4 Option 1: ONS categorisation

Based on the evidence, this definition would include some of the lower paid occupations within West Lindsey around food retail and manufacturing but would still prioritise front line emergency services and health sectors which have been evidenced as some of the higher paid professions in the district.

8.6 Option 2: Government Key Worker Living programme.

This definition is focussed on a model based in London which is not reflected in wages within West Lindsey.

8.7 Option 3: NPPF Essential Local Worker

As First Homes are governed through the planning process, the NPPF Essential Local Worker definition appears to be the most relevant to apply in these circumstances. However, based on the evidence, this definition would remove priority for many low earning households and offer priority to households who may already be able to purchase housing on the open market. The evidence shows that some of the lower paid earners within the district would then fall out of this definition meaning they would potentially not be able to purchase a First Home.

8.8 Option 4: Create a West Lindsey Key worker definition

Having explored this as an option, it became apparent there is no data held to determine in West Lindsey what defines a key worker. This could also lead to giving priority to a wide sector which in turn, would devalue a priority given and could then exclude local people, from certain sectors, having a priority when trying to access affordable housing.

8.9 Option 5: Do not adopt a key worker definition or priority for First Homes in West Lindsey

If no appropriate definition of key worker can be agreed which adequately reflects the West Lindsey circumstances, no definition or priority should be adopted.

8.10 Recommended option: Option 5.

The current approach to allocating First Homes is operating effectively and is facilitating access to Home Ownership to families working in crucial low-income sectors who wouldn't usually be able to afford to own their own home.

8.11 None of the key worker definitions identified above fully reflect the situation within West Lindsey, as they do not include key sectors of the local economy such as manufacturing, retail or leisure & culture sectors which are typically lower paid but not categorised as traditional key workers even though they play a key part in our local economy.

8.12 Following review of the range of key worker definitions and their relevance to West Lindsey, together with the data gathered from the first 18 months of First Homes operation in the district, the evidence suggests there is no requirement for a specific Key Worker priority to be included within the West Lindsey First Homes guidance.

8.13 Prioritisation for purchase of a First Homes would remain on the basis of local connection only and therefore, which working sector you fall into will not impact on your ability to purchase a First Home and gain access to this affordable housing tenure.

9. Recommendations

- a.** Committee approve the updated First Homes Guidance at Appendix 1 to bring in line with Policy S22 of the Central Lincolnshire Local Plan.
- b.** Committee note the research and evidence set out in the paper and agree that a Key Worker definition and priority for Key Workers for purchasing a First Home is not currently required for West Lindsey.
- c.** Committee delegate future nonmaterial amendments to the First Homes Guidance (including the annual Price Cap revision) to the Director of Planning Regeneration and Communities in consultation with the Chair of this Committee.