

Title of Report	INTERIM POSITION STATEMENT IN RESPECT OF FIRST HOMES – CONSULTATION DRAFT	
Presented by	Councillor Keith Merrie Planning and Infrastructure Portfolio Holder keith.merrie@nwleicestershire.gov.uk	
Background Papers	Written Ministerial Statement of 24 May 2021	Public Report: Yes
	Planning practice guidance First Homes published 24 May 2021 National Planning Policy Framework Affordable Housing Supplementary Planning Document	Key Decision: Yes
Financial Implications	The implementation of the interim policy will be resourced from existing staffing and will form part of existing workloads. The Government recognises that the mandatory provision and administration of First Homes may have resource implications for local authorities and is monitoring the impact. Local authorities may, in the future, be able to make a charge for the administration work associated with First Homes tenure.	
	Signed off by the Section 151 Officer: Yes	
Legal Implications	The establishment of local connection test is a locally set requirement. The publication on an interim policy statement will ensure the Council meets its statutory obligations with regard to the provision of new affordable housing across the district.	
	Signed off by the Deputy Monitoring Officer: Yes	
Staffing and Corporate Implications	There are no direct staffing implications.	
	Signed off by the Head of Paid Service: Yes	
Purpose of Report	To outline the benefit of the features of the First Homes scheme and to establish an interim policy statement in respect of eligibility criteria.	
Recommendations	THAT CABINET: (i) AGREES TO CONSULTATION BEING CARRIED OUT ON THE INTERIM POLICY STATEMENT IN RESPECT OF FIRST HOMES AS SET OUT AT APPENDIX B OF THIS REPORT; AND (ii) NOTES THAT THE OUTCOME FROM THE CONSULTATION WILL BE REPORTED TO A FUTURE MEETING OF CABINET FOR CONSIDERATION TO ADOPT	

1. BACKGROUND

- 1.1 First Homes are a type of discount market sale housing that are considered affordable housing for planning purposes. First Homes were introduced in 2020 and following

consultation introduced into policy on 24 May 2021 via a Written Ministerial Statement which can be viewed from the link above.

1.2 The purpose of this report is to:

- Outline the benefit of the features of the First Homes scheme and
- Seek agreement to an interim policy statement in respect of eligibility criteria, to be put to consultation, with the resulting interim policy then returning to Cabinet for consideration to adopt.

2 FEATURES OF THE FIRST HOMES SCHEME

What is a First Home?

2.1 The Government's First Homes scheme is designed to help first-time buyers and key workers in England purchase a discounted new-build property.

2.2 The scheme has the following key features:

- First Homes are discounted by a minimum of 30% against the market value, but local areas (local authorities and neighbourhood planning groups) might require a larger minimum discount of 40% or 50% to ensure the homes are affordable to local people. This can be established as part of the plan making process.
- The discount will apply in perpetuity, meaning it will be passed on to the next buyer each time the home is sold. Subsequent buyers must meet the First Homes eligibility criteria (see below). On the first sale, a restriction will be registered on the property's title at HM Land Registry to ensure the discount and other restrictions apply to future sales.
- The first sale must be at a price no higher than £250,000 (or £420,000 in London) after the discount is applied. Local areas have discretion to set lower price caps if they can demonstrate a need as part of the Local Plan making process. The price cap will not apply to any subsequent sales.
- First Homes are intended to be used as a person's sole or primary residence.

Who is eligible to buy a First Home?

2.3 Purchasers must be first-time buyers (as defined in paragraph 6 of schedule 6ZA of the Finance Act 2003) and have a household income not exceeding £80,000 (£90,000 in London).

2.4 Purchasers must use a mortgage or home purchase plan (if required to comply with Islamic law) to fund at least 50% of the discounted purchase price.

2.5 In addition, local areas have discretion to apply their own eligibility criteria. This may involve lower income caps, a local connection test, or criteria based on employment status. The Government has encouraged authorities to prioritise key workers, especially if they have identified a local need for certain professions.

2.6 In recognition of the unique circumstances of the Armed Forces, the Government has advised that local connection criteria should be disapplied 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 five years of leaving the armed forces.

- 2.7 To ensure that First Homes work effectively locally, the guidance sets out a number of mechanisms for adopting local requirements including publishing an interim policy statement or updating local plan policies.
- 2.8 As noted above some of the criteria can only be considered as part of the plan making process (i.e. the Local Plan review). However, eligibility criteria do not need to wait for the Local Plan review and it is this aspect of the First Homes policy that this report is concerned with.
- 2.9 Where local eligibility criteria are applied it is for a maximum of three months from when a home is first marketed. If a suitable buyer has not reserved a home after three months, the eligibility criteria will revert to the national criteria set out above, to widen the consumer base.

3 APPLICATION OF FIRST HOMES POLICY

- 3.1 The First Homes guidance sets out which sites are exempt from the application of the First Homes policy, namely:
- 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 28 March 2022; and
 - sites where local and neighbourhood plans are adopted/made under the transitional arrangements, as detailed in [paragraphs 18 and 19](#). These transitional arrangements will also apply to permissions and applications for entry-level exception sites.
- 3.2 Furthermore Local Authorities are encouraged to be flexible with existing planning permissions if an applicant requests to substitute the existing affordable housing requirement for First Homes.
- 3.3 As a result of the above the Council is now at the point where First Homes are being discussed as a part of the affordable housing contribution on planning applications currently under consideration. Until a decision is made regarding local policies as part of the Local Plan review these negotiations will be based on national criteria, namely:
- a discount level of 30%
 - a price cap of £250,000 after discount
 - a combined annual household income not exceeding £80,000.
- 3.4 Members will recall that a new Affordable Housing Supplementary Planning Document (SPD) was agreed in 2021. This established how the First Homes provision would be applied alongside policy H4 of the adopted Local Plan and the requirement in the National Planning Policy Framework that 10% of all homes on a site be affordable properties.
- 3.5 The inclusion of First Homes as 25% of all affordable homes on qualifying sites is mandatory and will almost certainly result in a reduction in other affordable housing tenures. In order to minimise the impact, the Council will ensure that Local Plan policies are applied for the remainder of the affordable housing delivered on these sites, with emphasis on delivery of social rented homes for those on lowest incomes wherever possible and financially viable consistent with the Council's adopted Affordable Housing SPD.

4 ESTABLISHING ELIGIBILITY CRITERIA

- 4.1 As noted above, the guidance allows for an authority to apply a local connection test, or criteria based on employment status within a Section 106 agreement.
- 4.2 First Homes are intended to allow people to get on the housing ladder in their local area. The use of a local connection test can assist this. Local connections may include (but are not limited to) current residency, employment requirements, family connections or special circumstances, such as caring responsibilities. Authorities should consider the application of these discretions carefully and ensure they do not limit the eligible consumer base to the point that homes become difficult to sell.
- 4.3 The Council has an established connection test as part of its housing allocations policy. This is also used within Section 106 agreements in relation to affordable home ownership properties. It also reflects the special arrangements required to address the circumstances of those connected with the armed forces. The current criteria are set out at Appendix A of this report. It also highlights those people who are exempt from the local connection rules.
- 4.4 Applying a local connection test will help to prioritise First Time buyers from within North West Leicestershire, although any exclusivity would only be applied for a three month period after which if there were no purchasers it would be opened up more generally. It is, therefore, recommended that the existing local connection test should be used in respect of First Homes, at least until such time as the issue has been addressed as part of the Local Plan review.
- 4.5 The local connection test does refer to people employed in the District but does not make any specific provision for key workers. The guidance allows for the definition of key worker to be defined locally and that it “could be any person who works in any profession that is considered essential for the functioning of a local area”. This is a matter which will require further investigation and so it is suggested that the interim policy does not include provision for key workers, but that this be considered as part of the Local Plan review.

5 INTERIM POLICY STATEMENT

- 5.1 As noted above, an Interim Policy Statement is a mechanism for setting out local requirements in respect of First Homes. The proposed Interim Policy Statement is attached at Appendix B of this report and members are recommended to approve it for consultation purposes.
- 5.2 The Interim Policy Statement sets out a local connection test. This is based upon the Council’s established connection test as referred to in paragraph 4.3 above and as set out at Appendix A of this report.
- 5.3 The Interim Policy Statement will be published on the Council’s website. In addition, it will also be brought to the attention of those who are likely to have interest in or potentially be affected by the Interim Policy Statement (for example, housebuilders).
- 5.4 Following the public consultation a further report considering the responses to the consultation will then need to be brought back to Cabinet for consideration to adopt.

Policies and other considerations, as appropriate	
Council Priorities:	Local people live in high quality, affordable homes
Policy Considerations:	The proposed Interim Policy Statement is intended to complement further the use of the Affordable Housing SPD

Safeguarding:	None specific.
Equalities/Diversity:	None specific
Customer Impact:	None specific
Economic and Social Impact:	Having an interim policy which establishes a local connection test will provide social and economic benefits as it will enable local people to remain in the District and will also potentially assist employers with the retention and attraction of workers.
Environment and Climate Change:	None specific
Consultation/Community Engagement:	The draft Interim Policy Statement will be published for consultation. The consultation arrangements will be governed by the Council's Statement of Community Involvement.
Risks:	First Homes are governed by national regulations, but these allow for the establishment of a local connection test. The inclusion of First Homes as 25% of all affordable homes on qualifying sites is mandatory and will result in a reduction in other affordable housing tenures. In order to minimise the impact, the Council will ensure that Local Plan policies are applied for the remainder of the affordable housing delivered on these sites, with emphasis on delivery of social rented homes for those on lowest incomes wherever possible and financially viable.
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APPENDIX A

A local connection is established by a home seeker demonstrating one or more of the following:

- (a) They have normally resided in settled accommodation in the District for at least six months at the time of application
- (b) They have lived in the District for at least six months in the last twelve months, **OR** for at least three out of the last five years
- (c) They, or a member of their household is employed on a permanent basis or a temporary contract running for a minimum of twelve months, within the District (confirmation will be required from the employer)
- (d) They have parents (including Guardians), brothers, sisters, or adult children who have been living within the District for at least 5 years with whom they have an ongoing close relationship. The applicant will need to provide evidence to support this connection. Step equivalents will be allowed.
- (e) They have children under 18 years of age for whom they are not the primary carer but where there are formal access arrangements in place and living closer to the child(ren) would be in the child(ren)'s best interest. The applicant will need to provide evidence to support this connection.

The following groups of people are exempt from the rules on local (District) connection, people with:

- (a) No local connection but are owed a relief duty under the homelessness legislation and the Council is not intending to make a local connection referral to another Local Authority.
- (b) Armed Forces and former service personnel where the application is made within five years of discharge.
- (c) Bereaved spouse/civil partners of members of the Armed Forces leaving services accommodation following the death of their spouse partner; or
- (d) Serving or former members of the Reserve Forces suffering from a serious injury, medical condition or disability sustained (wholly or partly) as a result of their service
- (e) divorced or separated spouses or civil partners of Service personnel who need to move out of accommodation provided by the Ministry of Defence where a move into the district enables them re-engage with family and support networks.
- (f) Care Leavers who were accommodated by Leicestershire County Council where LCC owes them duties as a former relevant child regardless of the locality in which they were placed will be deemed to have a local connection to NWLDC. This local connection category will apply until the care leaver's 21st birthday or they are pursuing a course of education set out in their pathway plan, until that course of education is finished

The following is not accepted as evidence of a local connection:

- Time spent in any prison or secure unit in the district
- Time spent in hospital in the district
- Time spent in any institution such as a refuge or rehabilitation centre in the district
- Time spent in any other accommodation that is not at the choice of the Home Seekers

APPENDIX B