

CABINET

24 May 2022

FIRST HOMES INFORMAL PLANNING GUIDANCE

Report of the Portfolio Holder for Planning, Highways and Transport

Strategic Aim:	Delivering sustainable development	
Key Decision: Yes	Forward Plan Reference: FP/140422	
Exempt Information	No	
Cabinet Member(s) Responsible:	Cllr Rosemary Powell, Deputy Leader and Portfolio Holder for Planning, Highways and Transport	
Contact Officer(s):	Penny Sharp, Strategic Director for Places	01572 758160 psharp@rutland.gov.uk
	James Faircliffe, Housing Strategy and Enabling Officer	01572 758238 jfaircliffe@rutland.gov.uk
Ward Councillors	All	

DECISION RECOMMENDATIONS

That Cabinet approves the First Homes Informal Planning Guidance at Appendix A.

1. PURPOSE OF THE REPORT

- 1.1 This report seeks approval of informal planning guidance on First Homes, the new form of affordable home ownership which has been introduced by the Government. Whilst the introduction of First Homes is mandatory (except in some specific circumstances), Government guidance enables some flexibility to vary its local implementation. The proposed guidance for Rutland set out in Appendix A therefore recommends the inclusion of local connection and key worker criteria.

2. BACKGROUND AND MAIN CONSIDERATIONS

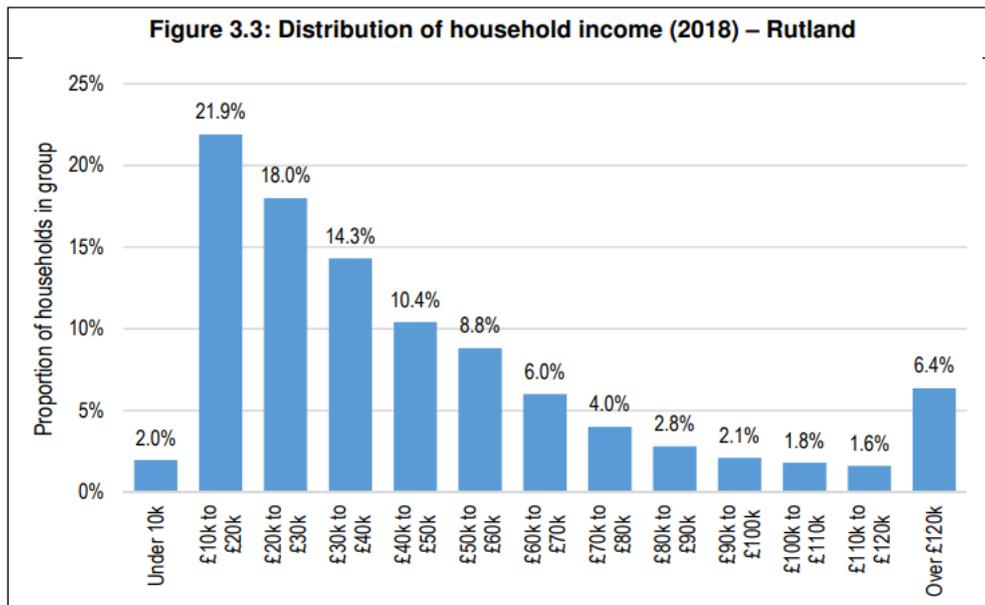
- 2.1 Rutland's Vision requires: "The housing needs of current and future generations who want to make Rutland their home will be met by a healthy mix of well-designed and genuinely affordable properties that cater for everyone, regardless of their life stage, financial constraints, or choice of tenure."
- 2.2 First Homes helps to deliver the Corporate Plan 2019-24, 'Delivering sustainable development' and it will, 'Provide homes that young families can afford'.
- 2.3 The Government has introduced First Homes, which will be required to be 25% of

any affordable homes secured by planning obligation. The rules are in a Written Ministerial Statement and the national Planning Practice Guidance. Some aspects can be varied locally. By default, the rules are:

- for first time buyers only (**cannot be changed**)
- at a discount of 30%, which is protected for future buyers as a percentage
- £250,000 maximum value (at first sale) after discount
- for sale to people with a maximum joint income of £80,000
- where commuted sums are to be involved, 25% are to be spent on First Homes
- national templates for section 106 and Land Registry clauses are to be produced
- within Rutland, does not apply to sites in Oakham and Barleythorpe, due to the transitional protection given to the Neighbourhood Plan, which is currently subject to referendum.

3. LOCALISATION

- 3.1 Based on a discount of 30%, the default £250,000 maximum value at first sale would equate to a sale value of £357,000 prior to that discount being applied. In some parts of Rutland this would buy, for comparison, a new build semi-detached or terraced three-bedroom house, or an existing three bedroom detached property. For properties on low density rural sites, comparative costs are likely to be higher. It is recognised that a lower value cap could be adopted, but would need a formal process such as a Supplementary Planning Document which would be time-consuming and detract from other priorities.
- 3.2 However, by restricting the income level this could also restrict the effective value and such an approach does not need to be done through a formal planning policy process.
- 3.3 The percentage discount can be increased to 40% or 50%, but these are excessive discounts and are not thought to be necessary for the properties to sell.
- 3.4 This is a tricky balancing act, as we would expect affordable homes for sale to be able to subsidise affordable housing for rent on the same site. On the other hand, if the maximum purchasers' income is the default £80,000 it may not meet local need. The household income graph from the Strategic Housing Market Assessment Update 2019 is below.



Source: Derived from a range of data as discussed

- 3.5 From the graph, and the fact that the SHMA is looking at the gap between renting and buying, £80,000 looks very high as a purchasers' combined income. It is suggested that a £60,000 income limit is adopted (the lower income limit only applies for the first three months of marketing under Government rules).
- 3.6 The national Planning Practice Guidance states: "First Homes are designed to allow people to get on the housing ladder in their local area, and in particular to ensure that key workers providing essential services are able to buy homes in the areas where they work. Authorities can therefore prioritise key workers for First Homes, and are encouraged to do so, especially if they have an identified local need for certain professions. The definition of a key worker should be determined locally and could be any person who works in any profession that is considered essential for the functioning of a local area."
- 3.7 The list proposed below is quite broad to help enable properties to be sold in the three-month window and consists of:
- staff working in social care, childcare, education and health sectors
 - staff employed by local government, including controlled companies
 - staff employed by health bodies
 - staff working in social housing, environmental health, waste and highways sectors
 - utilities, construction and skilled maintenance workers
 - staff working in the criminal justice sector
 - Fire and Rescue workers
 - rail workers and passenger transport staff

- food, fuel and medical distribution drivers
- Post Office staff and parcel company drivers
- agricultural workers.

- 3.8 It is recommended that there should be a local connection test. In line with the national model section 106 clauses, buyers in the first three months must meet either the local connection test or the key worker test, rather than having to meet both sets of criteria which could severely restrict sales.
- 3.9 Armed Forces Members are exempt from the local connection requirement under the national model section 106 clauses and for five years after discharge. These also exempt a divorced or separated spouse or civil partner of a member or a spouse or civil partner of a deceased member or former member whose death was caused wholly or partly by their service.
- 3.10 In addition, following an Equalities Impact Assessment Screening, it is proposed to exempt close family members of an Armed Forces Member - or of a veteran who left service less than five years previously - who were normally resident with them within the last five years. This includes former partners.
- 3.11 It is recommended that a 'First Homes Informal Planning Guidance' is adopted as the quickest transparent route for the Council to set out its approach. This is appended to this report for consideration.

4. CONSULTATION

- 4.1 The principle of First Homes is set out in national policy. The Head of Sustainable Economy and Place has been consulted regarding the list of key workers. This is an Interim Planning Statement which is necessary to implement First Homes in a timely and effective way. There is no specific requirement to consult on the introduction of this Informal Planning Guidance. Further consultation on all aspects of affordable housing policy (including First Homes) will take place during the preparation of the new Local Plan.

5. ALTERNATIVE OPTIONS

- 5.1 The Council could set the discount at 40% or 50%, but although this would make First Homes affordable to more people it would also be likely to impact scheme viability for the developer. This could compromise the provision of affordable housing for rent, which more effectively targets housing need.
- 5.2 A lower price cap could be introduced but this would substantially limit the types of properties that could be available in rural areas. This would also need to be introduced through a formal method such as a Supplementary Planning Document, which would be likely to delay the production of guidance on First Homes.
- 5.3 A lower joint income level can be set and for the reasons set out in the report, £60,000 has been set as the maximum income level for the first three months of marketing, compared with the default limit of £80,000. A lower income level could have been set, but prospective buyers may have needed access to a large deposit to be able to access the scheme. It would also have made it harder to sell the properties in the first three months of marketing.

- 5.4 There is an almost infinite number of combinations of key workers that could have been used, but the list included is regarded as striking the right balance in promoting key services and in facilitating a sale.
- 5.5 Consideration was also given to requiring both a local connection and a key worker requirement for the first three months of marketing, but these are shown in the model Government section 106 clauses as being alternatives and to require buyers to meet both would have required non-standard wording in the agreements. This could have led to problems obtaining mortgages and could also have made it harder for properties to sell in the first three months of marketing.

6. FINANCIAL IMPLICATIONS

- 6.1 The Housing Strategy and Enabling Officer currently monitors the small number of existing discounted market sale properties as a small part of the role. This can be continued and include First Homes in the short- to medium-term, but eventually further staff resources will need to become involved. Resales of First Homes cannot occur unless the Council confirms to the Land Registry that the requirements have been met. This is likely to include verification including income checks, which is not necessary for the existing discounted sale properties which rely solely on discounted sale price for affordability. The Council has introduced a monitoring fee for new section 106 agreements, but this will not be sufficient to cover the cost of implementing First Homes. The monitoring fee will be reviewed as part of the budget process for 2023/24.

7. LEGAL AND GOVERNANCE CONSIDERATIONS

- 7.1 The Government has produced a standard suite of section 106 clauses, including a model restriction for the Land Registry. The model also includes minimum development standards. The Council is encouraged by Government to use the standard clauses, which will help to ensure properties receive mortgages.
- 7.2 The processing of applications is covered in Financial Implications above.

8. DATA PROTECTION IMPLICATIONS

- 8.1 A Data Protection Impact Assessments (DPIA) has not been completed because this is not likely to result in a high risk to the rights and freedoms of natural persons.

9. EQUALITY IMPACT ASSESSMENT

- 9.1 An Equality Impact Assessment First Stage Screening Template has been completed.
- 9.2 This showed that new shared ownership housing would be reduced outside of Oakham and Barleythorpe. Shared ownership could be accessed on lower incomes than First Homes, but the recommendations made for First Homes will help to maintain its viability and assist with the cross-subsidy of affordable housing for rent.
- 9.3 The Screening identified that the Council's proposed approach was generally a justified way to address a national change of policy. However, although the model section 106 agreements make some provision for exempting Armed Forces Personnel and Veterans (up to five years from discharge) from the local connection provision, there was limited protection for spouses and civil partners after the end

of a relationship. There was also no provision made for other immediate family members. This report and its appendix make adjustments for this, and a full EIA report is not therefore required.

10. COMMUNITY SAFETY IMPLICATIONS

- 10.1 There is a Secured by Design requirement in the standard section 106 clauses, which helps to promote community safety.

11. HEALTH AND WELLBEING IMPLICATIONS

- 11.1 Housing is one of the Wider Determinants of Health. First Homes are likely to provide good quality, affordable housing. They are also required by the standard section 106 clauses to provide homes to the M4(2) accessibility standard, similar to Lifetime Homes.

12. ORGANISATIONAL IMPLICATIONS

- 12.1 Environmental implications
- 12.2 First Homes exception sites may be permitted adjoining Oakham and Uppingham under the Planning Practice Guidance. These exception sites are not permitted in other parts of Rutland, as these are 'designated rural areas.'
- 12.3 Human Resource implications
- 12.4 These are covered under Financial Implications.
- 12.5 Procurement Implications
- 12.6 The Council has established procedures for seeking legal services for section 106 agreements.
- 12.7 Certain commuted sums for affordable housing are required under the Planning Practice Guidance to have 25% of their amount spent on First Homes.

13. CONCLUSION AND SUMMARY OF REASONS FOR THE RECOMMENDATIONS

- 13.1 First Homes are a new form of affordable home ownership, which with some exceptions should consist of 25% of new affordable housing outside of Oakham and Barleythorpe.
- 13.2 The recommendation allows some important local features to First Homes, such as local connection criteria, key worker criteria and a maximum gross purchasers' income level of £60,000. These enable First Homes to be better targeted towards local needs whilst retaining viability to support affordable housing for rent.

14. BACKGROUND PAPERS

- 14.1 There are no additional background papers to the report.

15. APPENDICES

- 15.1 Appendix A – First Homes Informal Planning Guidance

A Large Print or Braille Version of this Report is available upon request – Contact 01572 722577.