

2 August 2021

Report of	Assistant Director of Place and Client Services	Author	Bethany Jones
Title	First Homes Government Initiative		☎ 282541
Wards affected	All		

1. Executive Summary

- 1.1 Following consultation in Spring 2020, the government has introduced a new initiative for discounted market housing for first time buyers, known as the First Homes programme. This came into effect from 28 June 2021 via a Written Ministerial Statement and an update to the Planning Practice Guidance (PPG).
- 1.2 First Homes are considered to meet the definition of 'affordable housing' for planning purposes and will form part of developer contributions to meet the local planning authority's affordable housing policy requirement.
- 1.3 First Homes are a specific type of discounted market housing for first time buyers only. First Homes are to be delivered through the planning system via developer contributions, and exception sites which are not allocated in Local Plans or Neighbourhood Plans.
- 1.4 First Homes are to be delivered at a minimum discount of 30% to market value with the discount to remain in perpetuity. Local Authorities and Neighbourhood Planning Groups have the discretion to require a higher minimum discount of either 40 or 50% if they can demonstrate a need for this.
- 1.5 This report summarises the First Homes programme and outlines this in the context of Colchester.

2. Recommended Decision

- 2.1 No decision is required as this report is for information only.

3. Reason for Recommended Decision

- 3.1 This report is for information only.

4. Alternative Options

- 4.1 N/A

5. Background Information

- 5.1 The Government introduced a new initiative known as First Homes via a Written Ministerial Statement and updates to the PPG with affect from 28 June 2021. The Written Ministerial Statement is available online via <https://questions-statements.parliament.uk/written-statements/detail/2021-05-24/hlws48>. The PPG is an online tool and is split into several categories, with a new section being added for First Homes, this can be viewed via the following link; <https://www.gov.uk/guidance/first-homes>
- 5.2 First Homes are a specific type of discounted market sale housing. The national standards for a First Home are that:
- a) It must be discounted by a minimum of 30% against the market value;
 - b) After the discount has been applied, the first sale must be no higher than £250,000 (or £420,000 in Greater London); and
 - c) The home is sold to a person who meets the First Home eligibility criteria.
- 5.3 Local authorities can set lower price caps for the sale. On the first sale, a restriction will be registered on the title at HM Land Registry to ensure the discount (as a percentage of current market value) is passed on at each subsequent title transfer. This will ensure that the discount each time the property is sold is in perpetuity. This will be secured through a Section 106 agreement (under the Town and Country Planning Act 1990). The Government will publish template planning obligations for this purpose which local authorities can use as a basis which will be recognised by HM Land Registry.
- 5.4 The eligibility criteria states that First Homes will be available for first time buyers only (as defined in paragraph 6 of schedule 6ZA of the Finance Act 2003 for the purposes of Stamp Duty Relief for first-time buyers (see appendix 1)). They must not be sold to any household with a combined annual income in excess of £80,000 (or £90,000 in Greater London) in the tax year immediately preceding the year of purchase.
- 5.5 A purchaser of a First Home should have a mortgage or home purchase plan (if required to comply with Islamic Law) to fund a minimum of 50% of the discounted purchase price. A person who can afford to purchase a First Home without a mortgage will not be eligible for the scheme. These national standard criteria will also apply to all future sales of a First Home.
- 5.6 Local authorities have the ability to apply additional eligibility criteria at a local level, including a local connection requirement based on work or residency. 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. It is not yet clear what constitutes “first marketed”.
- 5.7 The PPG states at paragraph 8:

‘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 area where they work’.

Local authorities can also prioritise key workers, however there is no national definition for key workers. The definition of a key worker is to be determined locally and could be any person who works in any profession that is considered essential for the functioning of the local area.

- 5.8 Where local authorities introduce a local connection criteria member of the Armed Forces, divorced or separate 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, should be exempt from any local connection restrictions. This criteria is already well established in Housing Allocation Policies for social housing and follows national guidance which recognises the transient housing circumstances of service personnel whilst serving.
- 5.9 To qualify as a First Home, the property must be sold at least 30% below the open market value. Local Authorities and Neighbourhood Planning Groups have the discretion to require a higher minimum discount of either 40 or 50% if they can demonstrate a need for this. This specific housing need assessment would form an evidence base document for the Local Plan.
- 5.10 Similarly, to qualify as a First Home, the initial sale cannot be higher than £250,000 (or £420,000 in Greater London). However, Local Authorities and Neighbourhood Planning Groups have the discretion to set lower price caps if an evidenced need can be demonstrated through the plan making process.
- 5.11 As outlined in the PPG paragraph 12, a minimum of 25% of all affordable housing units secured through developer contributions (Section 106), should be First Homes. This is a national threshold and applies across England.
- 5.12 Like other forms of affordable housing, First Homes are expected to be delivered on site, unless off site provision or an appropriate financial contribution in lieu can be robustly justified, in accordance with National Planning Policy Framework (NPPF) paragraph 62.
- 5.13 Plans are required to set out the contributions expected from development and should include setting out the level and type of affordable housing provision required. Policies should reflect the requirement for a minimum of 25% of all affordable housing units secured through developer contributions to be First Homes. For planning purposes, with immediate effect, a home meeting the criteria of a First Home, will also be considered to meet the definition of affordable housing.
- 5.14 The Written Ministerial Statement also outlines that First Homes can be delivered via exception sites. These are housing developments which come forward outside of the Local or Neighbourhood Plan allocations to deliver affordable housing that deliver primarily First Homes. First Homes exception sites cannot come forward in the Green Belt or designated rural areas as defined in Annex 2 of the NPPF.

Colchester Local Plan

- 5.15 There are transitional arrangements in place which means that the First Home policy requirements would not apply to Local Plans and Neighbourhood Plans if submitted for examination before 28 June 2021 (Regulation 15 of the Neighbourhood Planning Regulations for Neighbourhood Plans and Regulation 22 of Town and Country Planning Regulations 2012 for Local Plans) or if the Plan reaches publication stage by 28 June 2021 (Regulation 14 of the Neighbourhood Planning Regulations for Neighbourhood Plans and Regulation 19 of the Town Country Planning Regulations 2012 for Local Plans) as long as they are submitted for examination before 28 December 2021.
- 5.16 As the Colchester Local Plan was submitted for examination in October 2017 it will not be required to reflect the First Homes policy requirements. Although the Planning Inspector

is likely to consider through the Examination, whether a requirement for an early update of the Local Plan might be appropriate.

- 5.17 As set out in the Written Ministerial Statement (and PPG paragraph 19), where Local and Neighbourhood Plans are adopted under the transitional arrangements, the First Homes requirements will not need to be applied when considering planning applications in the Plan area until the First Home requirements are introduced through a Local Plan update or review. Therefore, First Homes are unlikely to be introduced in Colchester during this Plan period.
- 5.18 For decision making, paragraph 20 of the PPG also outlines transitional arrangements, whereby the First Homes policy requirement does 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 28 March 2022; and
 - Sites where Local and Neighbourhood Plans are adopted/made under the transitional arrangements. These transitional arrangements will also apply to permissions and applications for entry-level exception sites.

As the Colchester Local Plan will be adopted under the transitional arrangements for Local Plans, the transitional arrangements for decision making will also apply. Therefore, planning applications in Colchester, will not be required to include First Homes until such time as the Local Plan is updated. This will also apply for entry level exception sites.

Neighbourhood Planning

- 5.19 Neighbourhood Plans can support the provision of all forms of affordable housing including First Homes, by including relevant policies and identifying sites within the Neighbourhood Plan for these homes.
- 5.20 Neighbourhood Plan production remains high across the Borough. The Marks Tey and West Mersea Neighbourhood Plans were submitted to the Council for examination before 28 June 2021, and in accordance with the transitional arrangements First Homes policies do not need to be included within these Plans.
- 5.21 Other Neighbourhood Plan Groups who are currently preparing Plans across the Borough including Tiptree, Great Tey, Copford and the Myland and Braiswick Review, should take account of First Homes in accordance with paragraph 18 of the PPG. The Planning Policy Team will continue to support and provide advice to all those who are preparing Neighbourhood Plans within Colchester.

Implications for the delivery of affordable housing in Colchester

- 5.22 In recent years, the majority of the affordable housing delivery has been through Section 106 affordable housing. The most recent Objectively Assessed Housing Needs Survey (2015) calculated an annual need of 266 affordable rent homes and 12 shared ownership homes. Colchester Borough Council is taking a pro-active approach to increase social and affordable rented housing delivery through the planning system and its own development and acquisition programme but the number of newbuild affordable homes is not yet meeting the evidenced annual need. The delivery of affordable rent homes is falling below the 266 per annum. The average number of newbuild affordable homes

from 2015 to 2020 has been 138 homes each year. First Homes is likely to impact on the delivery of Section 106 affordable rent and shared ownership homes. The table below sets out the potential impact of First Homes.

Table 1: Example potential impact on delivery of Affordable Housing Site delivering 100 homes. 30% affordable housing contribution = 30 homes

	Number of homes	
	Current policy compliant affordable housing delivery	Policy compliant affordable housing delivery after implementation of First Homes
25% First Homes		8
80% rented	24	18
20% shared ownership	6	4

25% of the affordable housing contribution must be First Homes. The remaining 75% of the homes are split between the affordable housing requirement as set out in the Local Plan.

- 5.23 As part of Colchester's response to the consultation paper on First Homes in Spring 2020, the following information was submitted about affordability of First Homes for local residents:

It is unlikely that a 30% discount will be helpful to First Time Buyers in Colchester because the most affordable newbuild home has an average sale value of £228,852 (according to 2019 sales figures on Land Registry) and the average modal income in Colchester is between £15,000 and £20,000 (2017/2018) so the discount would need to be 65% for households on the average modal income to be able to get onto the ladder. Shared ownership, which could potentially disappear in future, gives households a "foot on the ladder" by offering a share in a property as low as 25% of the value, a discount of 30% does not.

New burdens resulting from the introduction of First Homes

- 5.24 As part of their plan-making process, local planning authorities should undertake a housing need assessment to take into account the need for a range of housing types and tenures, including various affordable housing tenures. As First Homes was not a specific affordable housing tenure when the last assessment was carried out, it did not form part of the housing needs assessment. When the Local Plan is reviewed a new or updated housing needs assessment will need to be undertaken. The assessment will also enable an evidence-based planning judgement to be made about the need for a higher minimum discount level in the area, and how it can meet the needs of different demographic and social groups.
- 5.25 An additional and significant new burden is the requirement for local authorities to be involved in each individual application from prospective buyers for First Homes (See Appendix 2). As these are First Homes in perpetuity this is not a one-off process but will occur every time a property is sold. Concerns have already been raised regarding local authorities having the resources to carry out this process; the expertise, for example to assess that the value of the discount is correct; and whether the process could become overly complex if future valuations of discount are disputed, or if households assert that selling at full discount disadvantages their household (we have seen this when purchasers of homes under the right to buy then wish to sell before the discount repayment period has ended).

- 5.26 MHCLG has not committed to any new burdens funding until the outcome of the First Homes pilots.

6. Equality, Diversity and Human Rights implications

- 6.1 An Equality Impact Assessment has been prepared for the Local Plan, and is available to view on our website

<https://cbccrmdata.blob.core.windows.net/noteattachment/CBC.0005%20Equalities%20Impact%20Assessment.pdf>

- 6.2 There are no particular Human Rights implications.

7. Strategic Plan References

- 7.1 The Strategic Plan is relevant, in particular in contributing towards priorities under the themes:

- Delivering homes for people who need them
- Creating safe, healthy and active communities

8. Consultation

- 8.1 N/A

9. Publicity Considerations

- 9.1 The report is for information only and unlikely to generate publicity.

10. Financial implications

- 10.1 The financial implications are not yet known.

11. Health, Wellbeing and Community Safety Implications

- 11.1 N/A

12. Health and Safety Implications

- 12.1 N/A

13. Risk Management Implications

- 13.1 N/A

14. Environmental and Sustainability Implications

- 14.1 The Council has declared a Climate Emergency and has committed to being carbon neutral by 2030. The purpose of the planning system is to contribute to the achievement of sustainable development as defined in the National Planning Policy Framework. Achieving sustainable development means that the planning system has three overarching objectives, which are interdependent and need to be pursued in mutually supportive ways. These are economic, social and environmental objectives.

Appendix 1 – Definition of First Time Buyer

Paragraph 6 of Schedule 6ZA Finance Act 2003

In this Schedule “first-time buyer” means an individual who—

- (a) has not previously been a purchaser in relation to a land transaction the main subject-matter of which was a major interest in a dwelling,
- (b) has not previously acquired
 - (i) an equivalent interest in a dwelling situated in a country or territory outside England, Wales and Northern Ireland, or
 - (ii) an interest of a kind mentioned in section 117(2) in a dwelling situated in Wales,
- (c) has not previously been, or been one of the persons who was, “the person” for the purposes of section 71A or 73 in a case where the main subject-matter of the first transaction within the meaning of the section concerned was a major interest in a dwelling, and
- (d) would not have been such a person for those purposes in such a case if the provisions mentioned in paragraph (c) had been in force, and had had effect in the country or territory concerned at all material times (subject, where required, to appropriate modifications).

Appendix 2 - Local authority involvement in the application process for First Homes

