

WAVERLEY BOROUGH COUNCIL

EXECUTIVE
30 NOVEMBER 2021

Title:

FIRST HOMES APPROACH POLICY

Portfolio Holder: Cllr Anne-Marie Rosoman
Portfolio Holder for Housing

Head of Service: Andrew Smith
Head of Housing Strategy and Communities

Key decision: Yes

Access: Public

1. Purpose and summary

1.1 To provide a summary of the First Homes initiative set out in May 2021 Planning Policy Guidance¹ and a Waverley First Homes Approach Policy.

2. Recommendation

It is recommended that the Executive:

- reviews the report and notes the requirements of the First Homes initiative,
- applies the national guidance of at least 25% of affordable homes on qualifying schemes to be First Homes
- applies the national guidance of 30% discount for First Homes,
- applies the national guidance of £80k income threshold,
- applies an additional local eligibility criteria to ensure local residents have access the scheme - as set out in the Housing Allocation Policy (see below 4.4.9), and
- does not apply an additional priority for local essential worker criteria.

3. Reason for the recommendation

To comply with the government's First Homes initiative whilst limiting the negative impact on other tenures of affordable housing in the borough and supporting local residents (those who live and/or work in the borough).

¹ <https://www.gov.uk/guidance/first-homes> National Planning Policy Guidance update published 24 May 2021

4. Background

4.1 The Government announced their new discounted market tenure, for England, First Homes, in May 2021. First Homes should account for at least 25% of all affordable housing units delivered by developers and is the Government's preferred form of affordable home ownership. Affordable home ownership must represent at least 10% of new homes on qualifying sites. Using the average number of new homes completed in Waverley over the last 10 years (av. 81 pa) this could represent delivery of approximately 20 First Homes per year.

4.2 The policy came into force from 28 June 2021 for new residential planning applications. However, any sites with planning permission (full or outline) before 28 December 2021 or those with planning permission (full or outline) where there has been significant pre-application engagement before 28 March 2022 will be exempt. Rural exception schemes and sites of 100% affordable housing are also exempt from the First Homes requirement.

4.3 What are First Homes?

4.3.1 First Homes are discounted market sale homes that for planning purposes meet the definition of 'affordable housing' stated in the National Planning Policy Framework. First Homes will be:

- required for new developments, comprising of at least 25% of the affordable homes on qualifying schemes
- discounted by a minimum of 30% against the open market value
- sold to people who meet the First Homes eligibility criteria
- registered with HM Land Registry to ensure discount (% of market value) and other restrictions are passed on at each subsequent sale (title transfer) and
- valued at no more than £250,000 at first sale after the discount has been applied.

4.3.2 First Home units will be secured through a section 106 agreement which will secure the necessary restrictions on the use and sale of the property. A legal restriction on the title will be required to ensure that these restrictions are applied to the property at each future sale, guaranteeing perpetuity.

4.3.3 To apply for First Home purchasers must meet the national eligibility criteria:

- to be a first-time buyer as defined in paragraph 6 of schedule 6ZA of the Finance Act 2003 for the purposes of Stamp Duty Relief for first time buyers',
- to have a combined annual household income of less than £80,000 in the tax year immediately preceding the year of purchase, and
- to 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.

4.3.4 Local Authorities will be required to review the completed application pack submitted by the developer on behalf of the customer. If approved, the authority is expected to issue a certificate as an 'Authority to Proceed'.

4.4 Options Appraisal

4.4.1 Before the first First Homes are marketed for sale – anticipated early 2023, (assuming a 12 month build programme) – Members have considered the flexibility available to local authorities in three areas whether to:

- increase the discount offered from 30% (to either 40% or 50%)
- set an income threshold lower than £80k per annum for the first three months of marketing, and
- set local eligibility criteria, for example requirement to have a local connection to Waverley or priority for certain keyworker job roles for the first three months of marketing

4.4.2 If there is no sale after three months, any local eligibility criteria are removed and national default criteria apply.

4.4.3 First Homes Discount

Due to the high value of homes in the borough combined with the £250,000 cap on value, it is envisaged that the First Homes Scheme, with a 30% discount, will only be applicable to one bed and two bed homes – the traditional size of homes for first time buyers.

4.4.4 The Council have the flexibility to increase the level of discount on First Homes to potentially increase access to home ownership locally. However, although this would make First Homes more affordable to purchasers, any increase to the 30% discount will impact the viability of affordable housing schemes and reduce the number of homes delivered across other affordable tenures.

4.4.5 The draft Housing Affordability Study evidenced that the greater the discount offered, the greater the likely impact on viability of providing rented accommodation. Addressing the lack of affordable housing and in particular social rented homes is a corporate strategy priority.

4.4.6 Income threshold

Given the lack of affordable housing, and inflated wages due to the commuter population, in the borough, the national threshold reflects the average earnings of people who work in the borough.

4.4.7 The current Housing Allocation Policy has a financial threshold of less than £60k household income to be eligible for social rented housing. An £80k household income threshold is also used for shared ownership purchasers.

4.4.8 Any reduction in the income threshold would prevent households in need from accessing housing. As those earning between £60k and £80k could not access social housing nor afford to buy on the open market.

4.4.9 Local eligibility criteria

First Homes are designed to help 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. The Council 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.

4.4.9 To ensure First Homes are available to local residents and workers and local connection eligibility criteria is proposed. This will reflect the Housing Allocation Policy potential purchasers must demonstrate that they have:

- lived in Waverley for three out of the last five years, or
- worked over 16 hours a week in Waverley for at least 12 months, or
- a close relative (parent, adult son or daughter or adult sibling) who has lived in Waverley for at least last five years

4.4.10 **Essential Workers criteria**

Additional preference could be given to essential workers, the draft Housing Affordability report estimates 27% of Waverley resident workers are considered essential workers. The May 2021 Planning Policy Guidance Essential local workers are defined as

'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'

4.4.11 This definition does **not** include the wider roles such as delivery drivers and postal workers which were included to access school places and childcare during the pandemic.

4.4.12 However the proposed working locally criteria includes all essential workers eligible under 4.4.10 and those earning under £80k pa. Officers recommend it is best to simplify the eligibility checks. Previous experience with Key Worker schemes resulted in various difficulties due to key workers individual preferences, the administration of eligibility checks and continuity of employment.

4.5 **Additional Information**

4.5.1 New First Homes will be advertised by developers. Waverley Communications will support the promotion of the schemes through social media to reach local workers. Officers propose a review 12 months on from the first cohort of First Homes to assess who benefited from scheme, any barriers to access and working relationship with developers.

4.5.2 Housing Officers are awaiting further information from DLUHC on the administration of First Homes eligibility checks which is expected to fall to local authorities. Local authorities are also expected to be responsible for drawing up s.106 agreements to include First Homes, issuing Authority to Proceed and conveyancer packs and issuing Authority to Exchange.

4.5.3 The team will explore options with other Surrey local authorities on sharing resources. Advice will also be sought on ability to charge an administration fee to purchaser/developer for eligibility checks. The Council have a duty to protect against fraud and to process checks promptly to ensure sales complete in timescales. The shared ownership zone agent would not carry out these functions

for First Homes as they do for shared ownership homes, as their contract only covers Homes England funded homes, of which First Homes are not.

4.5.4 In summary, the Council are required to meet the First Homes National Planning Guidance. Following a review of recent data on housing need, local incomes, essential workers and business needs, affordability and development viability recommendations have been drafted to become Waverley's First Homes Approach Policy and implemented through the Affordable Housing Delivery Strategy.

5. Relationship to the Corporate Strategy and Service Plan

The report supports the Council's Corporate commitment to promote "*Good quality housing for all income levels and age groups*".

6. Implications of decision

6.1 Resource (Finance, procurement, staffing, IT)

Additional staff resource will be required for working with developers and completing eligibility checks from 2022/23 onwards. This is currently expected to fall into the New Development Team, capacity within this team will be reviewed with an aim to keep costs within current budgets.

In addition, online application and IT solutions for eligibility assessments and monitoring of first homes in borough will be explored.

6.2 Risk management

To develop risk register to mitigate risks of viability of developments, ensure sales to eligible purchasers, ensure homes sold as First Homes within timescale and protect Council's reputation.

6.3 Legal

A number of legal implications are noted within section 4 above.

Current government guidance states that onward purchases of First Homes will be at a 30% discount of the open market value at the time of the relevant onward sale(s).

The national criteria also include a requirement that the Local Planning Authority includes within its Section 106 Agreements with landowners the ability for a mortgagee, should they take possession of a First Home, to sell free of the First Home restrictions (i.e. on the open market and at open market value). The mortgagee will then be required to reimburse the Council part or whole of the discount, if there is sufficient equity in the property, following its sale (net of outstanding monies owed to the mortgagee).

The delivery of first homes will be secured through legal agreements in the usual way prior to the grant of planning permission. The government intends to publish

template planning obligations for this purpose which will be incorporated into the Council's template legal agreement.

Legal services has advised that in the short/medium term a supplementary planning document or interim policy statement should be adopted in order to set out the Council's approach to securing first homes. This will be a material planning consideration for decision making purposes. When appropriate, the Council should update its development plan policies to reflect the latest position.

6.4 Equality, diversity and inclusion

Although the national First Homes policy is outside of the Council's circle of influence, the policy may have a negative impact on equality locally due to its impact on provision of rented affordable housing. Any increase to the 30% discount would impact the viability of affordable housing schemes and reduce the number of homes delivered across other affordable tenures. The greater the discount offered, the greater the likely impact on viability of providing rented accommodation.

Affordable rented and social rented housing actively promotes equality, reduces economic and social disparities and helps to ensure an adequate standard of living for all, regardless of income or background. We know that women and those from BME groups are more likely to access affordable and social rented housing in Waverley.

6.5 Climate emergency declaration

Developers will be working to industry sustainability standards, the Council apply our own Housing Design Standards 2021 for new Council affordable homes, other affordable housing providers use a range of sustainability approaches on new homes.

7. Consultation and engagement

- 7.1 Consultation with Surrey Housing Strategy and Enabling teams, informed by draft Affordability Study and First Homes viability update.

8. Other options considered

- 8.1 First Homes are national government initiative. See options appraisal in the body of the report.

9. Governance journey

- 9.1 Executive Briefing to consider options and agree First Homes approach 2 November. First Homes Approach Policy to Executive for approval in November following review by Overview and Scrutiny Services in November.
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Background Papers

There are no background papers, as defined by Section 100D(5) of the Local Government Act 1972).

CONTACT OFFICER:

Name: Annalisa Howson
Position: Housing Service Improvement Manager
Telephone: 0148 3523453
Email: annalisa.howson@waverley.gov.uk

Agreed and signed off by:

Legal Services: 15 October 2021

Head of Finance: 19 October 2021

Strategic Director: 19 October 2021

Portfolio Holder: 20 October 2021 – 2 November 2021