

ARUN DISTRICT COUNCIL

REPORT TO AND DECISION OF PLANNING POLICY COMMITTEE ON 30 NOVEMBER 2021

REPORT

SUBJECT: 'First Homes' Policy

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DATE: 18 October 2021
EXTN: x 37853
AREA: Planning

EXECUTIVE SUMMARY:

This report asks Members to recommend that Full Council agree a proposed approach to implementing the Government's 30% 'First Homes' policy as part of the affordable housing tenure mix in Policy AH SP2 Affordable Housing and Policy H DM1 Housing Mix.

RECOMMENDATIONS:

That Planning Policy Committee: -

1. Recommends to Full Council the proposed approach to accommodating the Government's 'First Homes' policy requirement, as part of the Affordable Housing tenure mix provision in Arun, as set out in section 1.12 and Appendix 1 of the report and that it should be published as an interim policy statement on the Council's web site.

1. BACKGROUND:

- 1.1 The Government initially consulted on its proposals to introduce a 'First Homes' policy in February/May 2020 publishing a response to that consultation on 6 August 2020. The 'First Homes' policy is intended to ensure that a proportion of new homes are available to buy with a minimum discount of 30% below their full market value. This is to be provided as an affordable housing product delivered through the planning system (secured via S.106 contributions).
- 1.2 Subsequently, on 24 May 2021, the Government published a Written Ministerial Statement (WMS) together with Planning Practice Guidance (PPG) setting out national planning policy for the new affordable housing product, so that it could be provided through the planning system from 28 June 2021, before becoming a requirement for planning applications from 28 December 2021 (or 28 March 2022 if there has been significant pre-application discussions).

- 1.3 The WMS and PPG set out definitions and criteria for the application of 'First Homes' policy which include arrangements for ensuring the product is sold to people who meet the local eligibility criteria and that the discount and other restrictions are passed on to successors in title (secured through s.106 and model legal restriction on title via the land registry).
- 1.4 After the 30% discount has been applied, a price cap has been set on the first sale at £250,000 (£450,000 in Greater London) per unit and the discounted market tenure should account for at least 25% of the affordable housing units delivered by developers through planning obligations. Open market value will be determined via a registered valuer.
- 1.5 The price cap and discount cannot be changed except through plan making where local evidence clearly demonstrates the need and in those circumstances the former can only be lowered and latter increased.
- 1.6 The Adopted Arun Local Plan includes the following policies:-
 - **H DM1 Housing mix** – which seeks a balanced mix of affordable and market housing on site of 11 dwellings or more with the tenure mix being negotiated on a case-by-case basis taking necessary viability considerations and the most up to date version of the SHMA into account;
 - **AH SP2 Affordable housing** – which requires a minimum of 30% affordable housing on or off site for developments of 11 or more units (subject to viability) and a tenure mix of 75% rent and 25% intermediate housing.
- 1.7 The Government expect the 25% 'First Homes' policy quota to be delivered on a cost neutral basis within the adopted Local Plan affordable housing policy and for the full policy discount to continue to be secured. This means that after securing the 'First Homes' quota, the remaining affordable housing mix should be secured across the remaining 75% and there should be no additional cost burden on developers. The Council should therefore have a policy that includes for First Homes but also makes it clear how the remaining 75% affordable housing will be delivered.
- 1.8 The National Planning Policy Framework 2021 also requires at least 10% of affordable housing provision to be for affordable home ownership (i.e. whether delivered as 'First Homes' or other forms of 'Intermediate Housing'). This is contained within the current policy requirement of 30%. To achieve this, in Arun it is proposed that the interim policy statement should specify that 33% of affordable provision should be 'Intermediate Housing' (i.e. 25% is 'First Homes' and 8% other Intermediate ownership products) and 67% rent.
- 1.9 The viability of the current Local Plan policies was established and tested via the plan making process and examination. First Homes is a policy requirement that the Government has imposed and the Council are obligated to accommodate it regardless of viability implications. The precise impact of the 'First Homes' policy will not be fully understood until further viability work is commissioned as part of the plan making process. However, the proposed interim policy statement (in paragraph 1.12 below) should help to minimise uncertainty and make it clearer how Arun expects planning applications to be compliant to the 'First Homes' policy and the adopted

Local Plan Affordable Housing policy mix by setting out the percentage mix required.

1.10 A further matter to consider in Arun is the impact of the 'First Homes' product on affordability. The Government's stated local eligibility criteria requires that the annual income (combined) of households should not exceed £80k (£90k in Greater London). Previous work on the product of Starter Homes (considered several years ago but abandoned by government), was examined in the then, emerging Arun Local Plan supporting evidence base - on housing need (i.e. the SHMA see Background paper 1) which suggested that average incomes for the target group of earners in Arun are under the age of 40 and is about £27.4k pa but that accessing a Starter Home would require an income of at least £44k (with a 20% discount and 10% deposit and 4 x income/mortgage multiple). This product would therefore, only accessible to a minority of the households aged under 40 that could access the private market without subsidy/assistance. The local affordability issue would clearly pose a similar barrier to accessing a 'First Home' (albeit Starter Homes were modelled on the basis of a 20% discount on the open market).

Is there a transition period for decision making?

1.11 The new '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 (as detailed in paragraphs 18 and 19 of the Planning Practice Guidance). These transitional arrangements will also apply to permissions and applications for entry-level exception sites.
- If an applicant wishes to amend a planning application to include 'First Homes' which is already submitted and likely to be granted before these dates, the local planning authority should be flexible in accepting 'First Homes' as an alternative type of tenure.

CONCLUSIONS

1.12 Arun District Council must set out how it will accommodate this policy through an interim policy statement and publish it on the Council's web site (until plan making resumes for the Local Plan update and the policy criteria can be viability tested). The interim policy statement is set out in Appendix 1 with examples and specifies that: 33% of the affordable provision should be 'Intermediate Housing' (i.e 25% First Homes and 8% other Intermediate ownership products) and 67% rent. This methodology will also be applied should developers and providers request to include 'First Homes' in advance of the transitional arrangements outlined above, subject to viability evidence and negotiation on the dwelling mix implications on a case-by-case basis.

2. PROPOSAL(S):
 2.1 That the Planning Policy Committee considers and agrees the report to publish and interim policy statement on 'First Homes'.

3. OPTIONS:
 3.1 That the Planning Policy Committee considers and agrees the report or does not consider or agree the report.

4. CONSULTATION:

Has consultation been undertaken with:	YES	NO
Relevant Town/Parish Council		X
Relevant District Ward Councillors		X
Other groups/persons (please specify) As set out in the report under 1.2.		X

5. ARE THERE ANY IMPLICATIONS IN RELATION TO THE FOLLOWING COUNCIL POLICIES: (Explain in more detail at 6 below)

	YES	NO
Financial		X
Legal		X
Human Rights/Equality Impact Assessment		X
Community Safety including Section 17 of Crime & Disorder Act		X
Sustainability		X
Asset Management/Property/Land		X
Technology		X
Other (please explain) Housing Services	X	

6. IMPLICATIONS:
 6.1 The national policy on 'First Homes' will impact on the application of the adopted Local Plan 2018 policies for Affordable Housing provision and tenure mix.

7. REASON FOR THE DECISION:
 7.1 In order to ensure that the policy is accommodated in an effective way which does not undermine delivery of viable housing schemes and securing affordable housing needs.

8. BACKGROUND PAPERS:
 Background paper 1: Updated Housing Needs Evidence September 2016
<https://www.arun.gov.uk/download.cfm?doc=docm93jjm4n10221.pdf&ver=10142>

Appendix 1: Arun Interim Affordable Housing Policy to Accommodate First Homes Policy

That: delivery of the 30% affordable housing required by Local Plan policy AH SP2 will be expected to comprise the following;

- 33% 'Intermediate Housing' (25% is 'First Homes' and 8% other Intermediate ownership products) and
- 67% rent as illustrated in the table with examples of different scales of development.

Worked Examples

	Units	Affordable quota	Tenure Mix		NPPF
		Rounded	First Homes replace Intermediate	Intermediate	
Scheme for 12 Dwellings		30%	33%		10%
			25%	8%	67%
				Intermediate	Affordable rent
	12	4	1	0	2
The NPPF requires 10% of homes to be for affordable home ownership = 10% of 12 dwelling					Rounding up
Total		4	1	0	3
Scheme for 50 Dwellings					
	50	15	4	1	10
The NPPF requires 10% of homes to be for affordable home ownership = 10% of 50 dwelling					
Total		15	4	1	10
Scheme for 150 dwellings				*	
	150	45	11	4	30
The NPPF requires 10% of homes to be for affordable home ownership = 10% of 150 dwelling					
Total		45	11	4	30