

**CABINET
6 DECEMBER 2022**

FIRST HOMES POLICY POSITION STATEMENT

**Responsible Cabinet Member -
Councillor Jamie Bartch, Economy Portfolio**

Responsible Director - Ian Williams, Chief Executive

SUMMARY REPORT

Purpose of the Report

1. To set out new Government policy on First Homes.
2. To approve a First Homes Policy Position Statement for publication.

Summary

3. In May 2021, the Government set out national planning policy for First Homes, a new affordable housing product. First Homes are a specific kind of Discount Market Sale Housing (DMSH), discounted by 30% of market value for first time buyers. The new policy came into effect from 28 June 2021 and required that a minimum of 25% of all affordable housing units secured through planning obligations should be First Homes.
4. Due to transitional arrangements in the guidance the Council did not reflect First Homes in the recently adopted Local Plan (2022). This was to give the Council time to review and consider the new policy and guidance. Following an analysis of the policy it is considered that it is a reasonable approach to seek the First Homes requirement from developers via a Policy Position Statement (**Appendix 1**). This is due to several reasons including that First Homes are the Government's preferred discount market tenure and that this is now adopted national policy. Fundamentally, First Homes offers another option for local people to get on the housing ladder. The new policy will also not affect what the Council seeks for affordable rent on market schemes via planning obligations. It will simply make up a proportion of the affordable home ownership sought. Local connection criteria are also set out which are required for eligibility and will ensure local people are prioritised.
5. Given the above cabinet is asked to approve the First Homes Policy Position Statement for publication.

Recommendation

6. It is recommended that Cabinet: -
 - (a) Considers the new Government policy on First Homes and approves the attached Policy Position Statement (Appendix 1) for publication.
 - (b) Provide delegated powers to make minor modifications to First Homes Policy Position Statement (Appendix 1) in conjunction with the Assistant Director of Economic Growth and Cabinet Member for Economy.

Reasons

7. The recommendations are supported by the following reasons: -
 - (a) First Homes are the Government's preferred discount market tenure and are required by national policy.
 - (b) First Homes will assist in getting local people on the housing ladder.

Ian Williams
Chief Executive

Background Papers

- (i) Written Ministerial Statement 'Affordable Homes Update' 24 May 2021
- (ii) Planning Practice Guidance (online)

David Hand : Extension 6294

S17 Crime and Disorder	This report has no direct impact on crime and disorder.
Health and Wellbeing	The document requiring approval assists in delivering affordable homes across the borough. Good quality affordable housing is vital for local resident's health and wellbeing.
Carbon Impact and Climate Change	The construction of new homes has an impact on carbon levels and climate change. The document being considered does not deal with these issues however the Council's associated Local Plan contains policies which aim to achieve sustainable development.
Diversity	N/A
Wards Affected	All
Groups Affected	All
Budget and Policy Framework	Administration of First Homes would be undertaken within the planning policy team under existing budgets. The document will become part of the Council's policy framework and will influence affordable housing delivery.
Key Decision	This is not a Key Decision
Urgent Decision	This is not an Urgent Decision
Council Plan	This report assists with the aims and objectives of the Council's Plan Growing Darlington's Economy by delivering more homes.
Efficiency	N/A
Impact on Looked After Children and Care Leavers	This report has no impact on Looked After Children or Care Leavers

MAIN REPORT

Information and Analysis

8. In May 2021, the Government released a Written Ministerial Statement (WMS) and Planning Practice Guidance (PPG) setting out national planning policy for First Homes, a new affordable housing product. They are a specific kind of Discount Market Sale Housing (DMSH) but are subject to different criteria. They provide a route to home ownership, and they are the Government's preferred discount market tenure. The WMS issued changes to planning policy and outlined how First Homes would be delivered via the planning system. The changes came into effect from 28 June 2021.
9. The key criteria of a First Home are set out in the Policy Position Statement (Appendix 1). The main points are that it is a home which is discounted by a minimum of 30% against the market value and the purchaser must be a first-time buyer. There is also related price and income caps which apply.

10. The new national policy sets out that First Homes should account for at least 25% of all affordable housing units delivered by developers through planning obligations. This would either be in terms of the number of dwellings delivered or financial contributions received. Legal mechanisms are used to secure First Homes and ensure that the discount is passed on to all future purchasers.
11. At the time when the WMS and PPG on First Homes was released, the Council was in the process of a Local Plan examination. Due to transitional arrangements in the new policy, it was not required for the new Local Plan to include the requirement on First Homes. As such it was confirmed through the examination that policy H5 Affordable Housing would not reflect the new requirement as this would give the Council time to consider and gain a better understanding of First Homes before deciding on an approach. Officers have now had time to do this and have therefore prepared the associated Policy Position Statement.
12. National guidance emphasises that local planning authorities are encouraged to make the development requirements for First Homes clear for their area. It goes on to state that the most appropriate method or tool to do this will depend on individual circumstances. They might include the publication of an interim policy statement or updating relevant local plan policies. For Darlington Council a policy statement is the most appropriate method given that the Local Plan has only recently been adopted.
13. Officers consider that it would be reasonable to apply the First Homes requirement of 25% to all affordable housing planning obligations in the borough. The policy position statement sets out the approach and how it relates with policy H5 Affordable Housing. It is considered a logical way forward given that First Homes are the Government's preferred discount market tenure and the requirement is national planning policy. First Homes would also have to be reflected in the next review of the Local Plan which should be undertaken every 5 years or sooner in line with national policy.
14. More specifically, First Homes have a greater discount at 30% compared to standard DMSH which should be at least 20% below market value. Consequently, it can be said that they are more affordable in comparison for first time buyers. Overall, they are another option for getting local people on the housing ladder. The requirement would also simply make up a proportion of the affordable home ownership tenure split in policy H5 Affordable Housing of the Local Plan. It would not affect the percentage which is sought for affordable rent.
15. First Homes provided would be expected to meet the criteria set out in national policy and guidance. Local connection eligibility criteria can also be set where evidence supports this approach. As such the position statement sets out four different local connection criteria which are not intended to be overly restrictive but would help to ensure local people can purchase these homes first. A purchaser or a member of the household would have to meet one of the local connection criteria.

16. The proposed local connection criteria would only apply for the first 3 months of marketing. After this period, it would revert to the national criteria. There may also be circumstances where a suitable buyer for a First Home cannot be found. Therefore, the guidance allows a First Home to be sold on the open market providing certain conditions are met. The home would have to be marketed for at least 6 months in total and all reasonable steps taken to sell the property. The Council would also be compensated for the loss of the affordable unit. The developer or owner would pay to the authority the value of the discount the First Home was to be sold for, as a percentage of the final sale price.
17. If Cabinet approves the Policy Position Statement on First Homes internal procedures will be set up to manage the administration and delivery of this tenure. For example, certifying First Homes criteria and eligibility criteria have been met including the discounted sale price.
18. Officers also seek delegated powers to make minor modifications in the future to the statement in conjunction with the Assistant Director of Economic Growth and Cabinet Member for Economy.

Financial Implications

19. No direct financial implications. The planning policy team will largely oversee the procedural administration of First Homes.