



ADUR & WORTHING
COUNCILS

Executive Member for Regeneration
5 April 2022
Ref: REG/009/21-22
Decision to be taken on or after
13 April 2022

Key Decision [Yes/No]

Ward(s) Affected:
(Adur Local Plan area - all wards outside of South Downs National Park)

First Homes - Publication of Interim Position Statement for Adur Local Plan area

Report by the Director for the Economy

Executive Summary

1. Purpose

1.1 This report sets out the details of a new mandatory affordable housing tenure called First Homes. The report sets out Adur District Council's proposed interim policy position around various aspects of First Homes, and the implications that the inclusion of First Homes on qualifying developments may have on the delivery of other affordable housing tenures. The report recommends the publication of a First Homes Interim Position Statement (attached as Appendix 1) to clarify Adur District Council's position prior to the review and adoption of the Adur Local Plan.

2 Recommendations

The Executive Member for Regeneration:-

2.1 notes the report and the attached Interim Position Statement;

- 2.2 approves the Interim Position Statement for adoption for Development Management purposes; and
- 2.3 agrees that the Interim Position Statement be published on the Council's website for information.

3 Context

- 3.1 On 24th May 2021, the Government published a Written Ministerial Statement (WMS) setting out the Government's plans for the delivery of First Homes. This stated that from 28th June 2021 First Homes are the government's preferred discounted market tenure and should be considered to meet the definition of 'affordable housing' for planning purposes. Although the updated NPPF published in 2021 does not refer to this new tenure the National Planning Policy Guidance (NPPG) has been updated to refer to this new tenure.
- 3.2 The WMS states that First Homes should account for at least 25% of all affordable housing units delivered by developers through planning obligations, (i.e. S106 agreements) which will also secure the First Homes discount in perpetuity. Local authorities will be involved in delivering First Homes through the planning process, but also in the sales and resales aspects.
- 3.3 The WMS and NPPG set out the main changes to planning policy and these changes came into effect from 28 June 2021.
- 3.4 Specifically, First Homes are discounted market sale units which:
- a) must be discounted by a minimum of 30% against the market value;
 - b) are sold to a person or persons meeting the First Homes eligibility criteria (see below);
 - c) on their first sale, will have a restriction registered on the title at HM Land Registry to ensure this discount (as a percentage of current market value) and certain other restrictions are passed on at each subsequent title transfer; and,
 - d) after the discount has been applied, the first sale must be at a price no higher than £250,000.
- 3.5 First Homes must be prioritised for first-time buyers (as defined in paragraph 6 of schedule 6ZA of the Finance Act 2003 for the purposes of Stamp Duty Relief

for first-time buyers) and not be sold to any household with a combined annual income in excess of £80,000.

3.6 There is also the ability for local authorities to set local criteria. For homes:

- Local authorities can choose to set the discount at 40% or 50% if they can demonstrate a need for this.
- Local authorities can choose to set lower price caps if they can demonstrate a need for this. These caps only apply on the initial sale. These caps should be determined through the plan-making process.

3.7 With regards to prospective purchasers:

- Local authorities can choose to set lower household income caps if this can be justified with reference to local average first-time buyer incomes.
- Local connection and/or key worker¹ criteria can be applied.
- Members of the Armed Forces, veterans of up to 5 years and their spouses/civil partners in certain circumstances are exempt from any local connection or key worker criteria.

3.8 Some local criteria fall away if the property does not sell:

- local connections / key workers criteria
- household income caps
- If there is no sale after three months of marketing, any such local criteria fall away and the default national criteria applies.
- If a First Home cannot be sold to a qualifying purchaser within 6 months of marketing, the property can be sold as an open market home and the seller pays the Council a cash contribution in lieu of the 30% discount. (This requirement will be secured in the s106).

3.9 The guidance also allows for First Homes exception sites, which are sites outside of Local or neighbourhood plan allocations that deliver First Homes consistent with the Written Statement.

3.10 However it should be noted that local price caps etc should be set through the plan-making process; as such these will be considered through the review of the Adur Local Plan. This will allow a comprehensive viability assessment to be undertaken in tandem with any necessary updates to the affordable housing

¹ To be defined locally.

policy, and for consultation to take place on any discretionary elements proposed.

4.0 Issues for consideration

Setting Developer Contributions for First Homes

- 4.1 A minimum of 25% of all affordable housing units secured through developer contributions should be First Homes. It is expected that First Homes (and the mechanism securing the discount in perpetuity) will be secured through s106 planning obligations. Where cash contributions for affordable housing are secured instead of on-site units, a minimum of 25% of these contributions should be used to secure First Homes.
- 4.2 Once a minimum of 25% of First Homes has been accounted for, the WMS and NPPG require that social rent should then be the next priority, and that the remainder of the affordable housing tenures should be delivered in line with the proportions set out in the local plan policy.(Planning Practice Guidance s015 Reference ID: 70-015-20210524).
- 4.3 Policy 21 of the Adur Local Plan 2017 plus the Adur Interim Affordable Housing Position Statement 2020² form the policy context for seeking affordable homes in Adur. This seeks 30% affordable housing on development sites of 10 dwellings or more. The policy position states that the preferred tenure mix is 75% social or affordable rent and 25% intermediate housing, to meet identified local needs.
- 4.4 Therefore using the approach set out in the NPPG and WMS the 30% affordable housing quota (30% of total number of dwellings (gross)) would consist of:
 - 25% First Homes
 - Minimum of 56% social/affordable rent (The Adur Local Plan does not distinguish between social and affordable rented tenures).
 - 19% Shared ownership

Example: On a site of 50 dwellings:

The affordable housing quota is for 15 dwellings in total.

Of these 15, the first 25% must be First Homes - 4

² <https://www.adur-worthing.gov.uk/media/Media.156780.smxx.pdf>

8 social/affordable rented
3 shared ownership
(figures rounded)

- 4.5 The proposed Interim Position Statement at Appendix 1 gives an explanation of First Homes, and explains how the Council will apply the policy requirements.
- 4.6 Given that the greatest housing need within the District is for social rent, your Officers have been trying to secure social rent or at least rents capped at Local Housing Allowance (LHA) to ensure that new developments provide rented units that are affordable to local residents. The s106 Planning Obligation signed at New Monks Farm seeks affordable rent at a LHA level and this is also being negotiated for the affordable rent at West Sompting.
- 4.7 One of the consequences of First Homes is that the level of rented accommodation that can be secured is reduced unless First Homes replaces shared ownership as a tenure. This might be something that can be assessed as part of the Local Plan review but at the present time (and to comply with central government advice) it is apparent that the interim position can only seek to mirror the current Local Plan tenure split after the allowance for First Homes is applied.

Role of Local Authorities in Delivering First Homes

- 4.8 As well as delivering First Homes through the planning system, local authorities will need to assess whether applicants are eligible to purchase First Homes. Initial pilot projects elsewhere in England have indicated that a range of council services will need to be involved - this is likely to involve Housing, Planning, Land Charges, and Legal.
- 4.9 The MHCLG are intending to provide local authorities with a range of documentation to assist the process, including:
- S106 model clauses (published in January 2022)
 - Reservation application template
 - Authority to Proceed template
 - Authority to Exchange template
 - Instructions to conveyancers, including legal undertaking to the local authority
 - A customer guide

5.0 Implications for Local Plans and Decision-Making

- 5.1 From 28th June 2022 local planning authorities will need to take account of the new First Homes requirements, and will need to review the mix for the remainder of affordable housing sought. The First Homes policy does not apply to applications for full or outline planning permission where there has been significant pre-application engagement which are determined before 28 March 2022; or where local plans are adopted under transitional arrangements. (This is not the case for Adur). The NPPG also explains that the First Homes policy does not apply to applications made under section 73 of the Town and Country Planning Act 1990, to amend or vary an existing planning permission.
- 5.2 It is proposed that an Interim Position Statement (IPS - attached as Appendix 1) is published to set out the authority's approach prior to an updated planning policy being in place. The update of the Local Plan (which has commenced) will address all relevant First Home matters. This will allow local criteria (as referred to in section 2 above, including local connection criteria) to be considered through the plan-making process and accompanying viability work, and ensure they are based on appropriate evidence (although the Local Plan update is unlikely to be in place before late 2023). This approach will also allow for consultation on local discretionary elements.
- 5.3 The publication of an IPS for First Homes will complement the adopted Adur Local Plan policy 21 and Interim Affordable Housing Policy Statement 2020 ensuring that there is specific and detailed guidance available to developers and landowners in order to inform negotiations, ensure that the provision of this new tenure meets the mandatory requirements, and facilitate the Council in meeting its statutory obligations with regard to the delivery of this new affordable housing tenure.
- 5.4 First Homes (at this point in time) are an 'unknown quantity' - it is not clear what the degree of interest from the public will be. In the absence of any information relating specifically to First Homes, it may be worth drawing comparisons with demand for shared ownership products in order to assess potential demand and therefore any benefit to Adur residents.
- 5.5 The Adur & Worthing Strategic Housing Market Assessment 2020 included an assessment of households in the area that may benefit from an affordable ownership product, using an assessment of the number of households in the 'gap' between buying and renting (that is, that can afford to rent without financial support, but which require support to access home ownership).

- 5.6 Based on assumptions and taking into account both existing households and newly forming ones, the study concluded that there was a need for approximately 74 affordable home ownership homes in Adur per annum over the period 2019-2036 (in addition to other forms of affordable tenure). The limited supply of shared ownership homes in the past would indicate some demand, at least in theory, for First Homes. However, Members will be aware that Registered Providers are delivering (or proposing) 100% affordable schemes at Kingston Wharf and Adur Civic Centre respectively, which will deliver approximately 200 intermediate/shared ownership apartments over the next 3-4 years.
- 5.7 The prioritisation of mandatory First Homes as part of the affordable housing requirement means that this form of home ownership will be brought forward consistently on qualifying sites, to a greater degree than shared ownership dwellings are currently provided.
- 5.8 Delivery of First Homes could potentially benefit those in Adur requiring support to purchase their own home for the first time. However, it will inevitably reduce the amount of other tenures that can be sought. Nevertheless it is still likely that shared ownership would be delivered by Registered Providers.
- 5.9 It may be the case that some households who have been living in affordable or social rented accommodation for some time may have experienced a change of circumstance, and may be in a position to purchase a First Home (and therefore make their current accommodation available to other households). Registered Providers may be best placed to survey/investigate any such opportunities. However, there is a danger that this could raise expectations; it is not yet known how many First Homes might be available, and if so, when. This may be something to consider in the future should First Homes be progressed and delivered in significant numbers.
- 5.10 The type of dwellings that developers may provide as First Homes may well be restricted. The maximum purchase price for a First Home on initial sale is £250,000 after discount. Given that the Land Registry House Price Index Oct 2021 indicates that the average price for terraced homes in Adur was £367,281, and for flats and maisonettes, £226,181, the type of development likely to be available for First Homes is likely to be limited.
- 5.11 Where there are demonstrable viability issues and the full 30% affordable housing requirement is not deliverable, there is also a risk that there may be an adverse impact on the amount of social/affordable rented accommodation being delivered. In this case, developers may want to prioritise First Homes or

intermediate housing depending on the expected sales values of the proposed dwellings over and above any social rent units.

- 5.12 As stated previously the main implication for Adur is that the introduction of this new housing tenure is likely to restrict the number of social /affordable rented dwellings coming forward which reduces the ability to meet the greatest housing need within the District.

6.0 Engagement and Communication

- 6.1 Requirements for First Homes have been published by the Government and are now incorporated into Planning Practice Guidance. However the update of the Adur Local Plan will create an opportunity for engagement and communication, as the Plan (and accompanying Whole Plan Viability Assessment) will review the affordable housing policy and affordable tenure mix sought.
- 6.2 This process will also allow local criteria (including local connection criteria) to be considered through the plan-making process and accompanying viability work, and ensure they are based on appropriate evidence (although it should be noted that the Local Plan update is unlikely to be in place before late 2023).

7.0 Financial Implications

- 7.1 First Homes should be delivered through s106 affordable housing contributions at no additional cost to the Council.
- 7.2 The Council will need to resource the advertising of the scheme and assessment of potential purchasers. Consequently there may be resource implications arising in due course from the assessment of purchaser eligibility for the scheme which will fall to the Council if this cannot be accommodated within our existing staff resources.

8 Legal Implications

- 8.1 The requirements for First Homes are set out in Written Statements - Written Questions, Answers and Statements UK Parliament 24th May 2021 and National Planning Practice Guidance (NPPG).

Background Papers

- Written Statements - Written Questions, answers and statements UK Parliament 24thMay 2021 <https://questions-statements.parliament.uk/written-statements/detail/2021-05-24/hlws48>
- First Homes - NPPG - <https://www.gov.uk/guidance/first-homes>

Officer Contact Details:-

Moira Hayes
Adur Planning Policy Manager
Town Hall
Tel: 01273-263247
moira.hayes@adur-worthing.gov.uk

Sustainability & Risk Assessment

1. Economic

- The ability to provide affordable housing will ensure residents are able to economically participate

2. Social

2.1 Social Value

- The proposal will increase opportunities to purchase homes. This may also serve to free up existing accommodation in other tenures, making it available to other households.

2.2 Equality Issues

- The proposal interprets Government policy at the local level. The proposal will increase opportunities to purchase homes.

2.3 Community Safety Issues (Section 17)

- No issues identified

2.4 Human Rights Issues

No issues identified - the proposal should support some in the community to purchase their first market home, potentially freeing up their existing accommodation for other households.

3. Environmental

- No issues identified

4. Governance

- The proposal seeks to clarify Government policy regarding the delivery of First Homes.
- It relates to Platform 2, Thriving People and Communities - providing all types and tenures of housing, by delivering a form of housing which will allow people to purchase their first market home.
- This also relates to 'Better Homes, Stronger Communities' - supporting communities and developers to create good homes and communities. Also 2.2.5 of Platforms for Our Places - innovation to improve the levels of truly affordable housing supply.

ADUR DISTRICT COUNCIL

FIRST HOMES: INTERIM POSITION STATEMENT

This Interim Position Statement sets out information in relation to First Homes and the implementation of Government policy in the Adur Local Plan area (Adur district, outside of the South Downs National Park).

Background

On 24th May 2021, the Government published a Written Ministerial Statement (WMS) to set out the Government's plans for the delivery of First Homes, defining the product and changes to planning policy.

The WMS makes clear that First Homes are the Government's preferred discounted market tenure and should account for at least 25% of all affordable housing units delivered by developers through planning obligations (S106 agreements).

The Written Ministerial Statement may be found at: [Written statements](#)

The Government expects that First Homes (and the mechanism securing the discount in perpetuity) will be secured through section 106 planning obligations.

In order to support the future development of First Homes, the Government has also set out changes to planning policy. These changes came into effect from 28 June 2021. Planning Practice Guidance advice on First Homes may be found here: <https://www.gov.uk/guidance/first-homes>

This Interim Statement explains how the existing Adur Local Plan policy on affordable housing policies should be interpreted in light of the First Homes requirements. This Interim Position Statement will be used to inform decision making on planning applications prior to the update of the Adur Local Plan.

Dates/ Transitional Arrangements

The Written Ministerial Statement sets out transitional arrangements for those local authorities which submitted Local Plans for examination before 28 June 2021. The Adur Local Plan was adopted in 2017 and therefore the transitional arrangements do not apply. With regards to decision making, 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.

What Are First Homes? The National Criteria

First Homes are a specific kind of discounted market sale housing and are included within the Government's definition of 'affordable housing' for planning purposes. Specifically, First Homes are discounted market sale units which:

- a) must be discounted by a minimum of 30% against the market value;
- b) are sold to a person or persons meeting the First Homes eligibility criteria (see below);
- c) on their first sale, will have a restriction registered on the title at HM Land Registry to ensure this discount (as a percentage of current market value) and certain other restrictions are passed on at each subsequent title transfer; and,
- d) after the discount has been applied, the first sale must be at a price no higher than £250,000.

First Homes must be prioritised for first-time buyers³ and not be sold to any household with a combined annual income in excess of £80,000.

Local authorities can consider setting local criteria, such as discretionary local discounts and price caps if they can demonstrate a need; and also to set lower household income caps for purchasers - see page 4.

Government Policy on First Home requires the following:

1) Setting Developer Contributions for First Homes

A minimum of 25% of all affordable housing units secured through developer contributions should be First Homes. It is expected that First Homes (and the mechanism securing the discount in perpetuity) will be secured through section 106 planning obligations.

³ as defined in paragraph 6 of schedule 6ZA of the Finance Act 2003 for the purposes of Stamp Duty Relief for first-time buyers

Where cash contributions for affordable housing are secured instead of on-site units, a minimum of 25% of these contributions should be used to secure First Homes.

Where a mixture of cash contributions towards affordable housing and on-site units are secured, 25% of the overall value of affordable housing contributions should be applied to First Homes.

How should the remaining 75% of affordable housing be secured through developer contributions?

The Written Ministerial Statement says: *A local authority should prioritise securing their policy requirements on social rent, once they have secured the 25% First Homes requirement.*

National Planning Practice Guidance states: *The remainder of the affordable housing tenures should be delivered in line with the proportions set out in the local plan policy.*

Adur's Approach to First Homes

Policy Context

Policy 21 of the Adur Local Plan 2017 together with the Adur Interim Affordable Housing Position Statement 2020⁴ seeks 30% affordable housing on development sites of 10 dwellings or more, with a preferred tenure mix of 75% social /affordable rented and 25% intermediate housing.

Therefore for Adur:

- 25% First Homes
- 56% social/affordable rent (The Adur Local Plan does not distinguish between social and affordable rented tenures).
- 19% Shared ownership

Example: On a site of 50 dwellings:

The affordable housing quota is for 15 dwellings in total. Of these 15:
the first 25% must be First Homes - 4
8 social/affordable rented
3 shared ownership

⁴ <https://www.adur-worthing.gov.uk/media/Media.156780.smxx.pdf>

(figures rounded)

The potential use of local price discounts, price caps, income caps, and local connection criteria will be assessed through the Adur Local Plan update process. This will enable the Council to undertake a comprehensive viability assessment in tandem with the emerging affordable housing policy, as well as allowing consultation on any local discretionary elements.