

First Homes Position Statement

May 2023

This position statement should only be used when a development proposal includes reference to First Homes as part of affordable housing provision. If a development proposal does not refer to First Homes the original affordable housing split can be applied as per LP 24 Affordable Housing Provision.

The Council has an adopted Local Plan to 2036, guidance received from the DLUHC advised that where there is an adopted Local Plan, Council's would not need to consider the First Homes Product until the plan is reviewed. The Council, however, feels that it is sensible to provide guidance on how HDC will treat applications that include the First Home Product.

1. Introduction

On 24 May 2021, the Government published a Written Ministerial Statement (WMS)¹ and Planning Practice Guidance (PPG)² setting out national planning policy for a new affordable housing product called First Homes. This revised Interim Planning Policy Statement, the WMS and PPG set out the potential for First Homes to be provided through the planning system from 28 June 2021, before becoming a requirement for planning applications from 28 December 2021.

First Homes are a form of discounted market sale housing and fall within the definition of affordable housing contained in appendix A of the National Planning Policy Framework³ (NPPF). The documents referred to above suggest First Homes could be provided and comprise at least 25% of all affordable housing units delivered by developers as part of planning obligations (Section 106 Agreements).

This interim planning policy statement should only be used when a development includes a proposal to provide First Homes as a part of the affordable housing provision.

2. What are First Homes?

From 28 June 2021, First Homes are specific discounted market sale housing and should be considered to meet the 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 (as set out in the PPG);
- 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.

The WMS and PPG identify a range of additional local criteria that can be applied to First Homes. Huntingdonshire District Council (HDC) are intending to use additional local criteria to support the delivery of rented accommodation in the District following the publication of the G L Hearn Housing Needs of Specific Groups Report in October 2021, which identified the high requirement for rented housing in the district.

The WMS and PPG also allows local authorities to apply local connection criteria to First Homes without the need to provide supporting evidence. This is because First Homes are intended to allow people to get on the housing ladder in their local area. The local connection criteria that will apply to First Homes sold in Huntingdonshire is set out in Appendix 1. The local connection criteria will apply via a Section 106 Agreement upon the first and every successive sale of a First Homes, although the criteria will be lifted after three months from when the home is first marketed if the home has not been reserved or sold. If a suitable buyer has not reserved a home

after 3 months, the eligibility criteria (including income caps) will revert to the national criteria set out in the PPG, to widen the consumer base.

¹ <https://questions-statements.parliament.uk/written-statements/detail/2021-05-24/hlws48>

² <https://www.gov.uk/guidance/first-homes>

³ <https://www.gov.uk/guidance/national-planning-policy-framework>

3. What does this mean for affordable housing planning policy in Huntingdonshire?

The Council's adopted planning policy for affordable housing in Huntingdonshire is set out in Section 7 Strengthening Communities of the Local Plan to 2036. Specifically, Policy LP 24 Affordable Housing Provision states:

"In order to assist in meeting the identified local need for additional affordable homes, a proposal which includes housing development will be required to provide a range of affordable housing types, sizes and tenures. These should be appropriate to meet the requirements of the local community taking into account the latest evidence from the Housing Register. The affordable housing provision may include specialist or supported housing where an identified need exists, the Cambridge sub-region Strategic Housing Market Assessment and other local sources. The affordable housing provision may include specialist or supported housing where an identified need exists.

A proposal will be supported where:

- a. it delivers a target of 40% affordable housing on a site where 11 homes or 1,001m² residential floorspace (gross internal area) or more are proposed ⁽¹⁶⁾;
- b. it provides approximately 70% of the new affordable housing units as social or affordable rented properties with the balance made up of other affordable tenures;
- c. affordable housing is dispersed across the development in small clusters of dwellings; and
- d. it ensures that the appearance of affordable housing units is externally indistinguishable from that of open market housing.

Where it can be demonstrated that the target is not viable due to specific site conditions or other material considerations affecting development of the site an alternative dwelling or tenure mix or a lower level of provision may be supported. Preference will be given to amending the tenure mix; only if this is still demonstrated not to be viable will consideration be given to reducing the affordable housing requirement.

A development viability assessment may be required to support an alternative mix or level of affordable housing provision. In exceptional circumstances it may be appropriate to accept off-site provision and/or commuted payments where this would offer an equivalent or enhanced provision of affordable housing."

The SHLAA has been superseded by the GL Hearn Report which was completed in October 2021

The Council has an adopted Local Plan to 2036, guidance received from the DLUHC advised that where there is an adopted Local Plan, Council's would not need to consider the First Homes Product until the plan is reviewed.

The Council, however, feels that it is sensible to provide guidance on how HDC will treat applications that include the First Home Product.

Additionally, Policy LP 25 Housing Mix confirms that a proposal for major scale development that includes housing will be supported where it provides a mix of sizes, types and tenures which help achieve sustainable, inclusive and mixed communities. The Strategic Housing Market Assessment was replaced with the G L Hearn Report for the "Housing Needs of Specific Groups (HNSG)" in October 2021 and should therefore be used in (a) below.

A proposal should set out how it responds to the evidence and guidance provided by:

- a. the Cambridge sub-region Strategic Housing Market Assessment;
- b. the Peterborough Strategic Housing Market Assessment where applicable;
- c. the Council's Housing Strategy and Tenancy Strategy;
- d. local assessments of housing need and demand; and
- e. other local housing and demographic studies and strategies.

In Huntingdonshire's Local Plan to 2036 the policy requires that 70% of all affordable housing should be of rented tenure (social or affordable). To assist with viability specific proportions of social rent and affordable rent are not set out within this percentage. The remaining 30% should be for other affordable tenures, for which we usually seek Shared Ownership.

In considering the Council's position in respect of First Homes it is necessary to refer to the independently assessed HNSG which considers need in a local (Huntingdonshire) context, it states that national targets such as 25% are not appropriate but that provision should be guided by HNSG

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- Given the need to address the housing needs of other groups, the Councils that are able to present suitable evidence could seek to provide less than 10% of the total number of homes to be for affordable home ownership.*
- Ultimately the choice will be for the Councils to make and in doing so they should consider a wide range of factors including local priority (dealing with acute need or promoting home-ownership) and the viability of different products.*
- If the Councils do seek to provide 10% or more of housing as affordable home ownership (the default figure suggested in the NPPF), then it is suggested that Shared Ownership is the most appropriate option. This is due*

to the lower deposit requirements and lower overall costs (given that the rent would also be subsidised).

• Where other forms of affordable home ownership are provided (e.g. Starter Homes or discounted market), the Councils should set prices that are equivalent to the midpoint between that needed to access the PRS and the equivalent for sale home.

This could result in greater than 20% discounts from Open Market Value for some types/sizes of home.

• The analysis of First Homes suggests that with a 30% discount these will be a suitable tenure of affordable home in Fenland, Huntingdonshire and West Suffolk.

In Cambridge, East Cambridgeshire and South Cambridgeshire a discount greater than 30% would be required'.

The evidence above justifies that Shared Ownership is the most appropriate option for affordable home ownership. It can cater for a much wider income group rather than just those able to afford housing at 70% of market values. Additionally, recent changes have made Shared Ownership even more flexible with people able to acquire 10% tranches (changing from the previous 25%). The consequences of considering 25% First Homes would also produce an imbalance of tenures which would require a significant reduction in the proportion of rented homes.

Therefore where developers wish to include First Homes as part of the requirement to deliver affordable housing, the Council could on an exceptional basis however, consider delivering a proportion of First Homes as part of its "other affordable tenures". There would still be a preference for other affordable tenures to be Shared Ownership for the reasons set out herein. The tenure requested/preferred would therefore remain as LP24 (and as below) since the HNSG which has since been produced, still justifies this approach

70% Social or Affordable Rent

30% Other Affordable Tenures (including exceptionally, First Homes)

This tenure split (above) when combined with a 60% market housing requirement (as set out in Local Plan policy LP 24 Affordable Housing provision) would result in 10% of the total housing tenure mix being available for affordable home ownership.

Therefore, any proposed development that applies Local Plan Policy LP 24 alongside the affordable housing tenure split (above) will meet the requirements of paragraph 65 of the NPPF 2021, which asks that at least 10% of the total number of homes on major development sites should be available for affordable home ownership.

Exemptions to the 10% requirement will be made where the site or proposed development:

- a) Provides solely Build to Rent homes;
- b) Provides specialist accommodation for a group of people with specific needs (such as purpose built accommodation for the elderly or students);

- c) Is proposed to be developed by people who wish to build or commission their own homes; or (i.e. self- or custom-build housing)
- d) Is exclusively for affordable housing or is a First Homes Exception Site (see below for further details)

The exceptional reasons may be to do with specific site circumstances, where it may assist viability or if (specific to the location) additional evidence is produced which may justify First Homes and still overall, produce an affordable housing proposals addressing relevant housing need in the correct proportions.

4. Exception Sites

The WMS and PPG introduced a First Homes Exception Sites policy in place of the pre-existing national Entry-Level Exception Sites policy. Full details of the First Homes Exception Sites policy can be found in the WMS and PPG and are not repeated here.

From 28 June 2021, the Council will consider planning applications for the development of First Homes Exception Sites in accordance with the WMS and PPG.

We have considered the scale of development and the need evidenced in the (HNSG) Housing Needs of Specific Groups (see extract from page 137 above). We conclude it would be appropriate to adopt the thresholds suggested in NPPF for Entry Level Exception sites. Government indicates this would be appropriate for such exception sites and First Homes in not dissimilar to Entry Level. As can be seen, HNSG indicates that, for affordable home ownership (which includes First Homes) shared ownership is more appropriate.

In addition, developments on Exception Sites can be a scarce resource. The WMS suggests other tenures could be included in a First Homes development and (as the Council has elected), local connection criteria can apply. It is therefore considered essential, for any exception site (including First Homes Exception sites) to address local need where possible. The Council will prioritise local need (of the appropriate tenure) ahead of First Homes. If for example, local need is identified for rented and shared ownership housing the Council would seek to provide those but additional First Home units could be incorporated if scale of development permits.

5. Community Infrastructure Levy and planning obligations

Developers of First Homes are able to apply for and obtain an exemption from the requirement to pay the Council's Community Infrastructure Levy. This is because First Homes are a form of affordable housing. For details of how to apply for an exemption, see: [Community infrastructure levy \(CIL\) - CIL reliefs and exemptions](#) – Huntingdonshire District Council.

However, applicants for developments that comprise or include First Homes (or any other affordable housing products) are expected to enter into planning obligations with the Council to mitigate the impacts of the developments.

Appendix A

Local connection criteria for First Homes built in Huntingdonshire

To demonstrate a local connection (defined in Part VII of the Housing Act 1996), applicants for First Homes that are built in Huntingdonshire will:

- Normally be resident in Huntingdonshire. Local Government Association guidelines define this as having resided in the area for the last twelve months, or three out of the last five years, where residence has been out of choice. In line with the Housing and Regeneration Act (2008) service personnel who have been based and living in Huntingdonshire will be considered to have local connection with Huntingdonshire; or
- Work in Huntingdonshire. The Local Government Association guidelines define this as employment other than of a casual nature. For the purposes of this policy this will be defined as having had permanent work with a minimum of a 16 hour contract per week for the previous 6 months, and without a break in the period of employment for more than three months; or
- Have family connections in Huntingdonshire. Reflecting the Local Government Association guidelines this is normally defined as the applicant, or a member of their household has parents, adult children or brothers or sisters who have been resident in Huntingdonshire for at least the last 5 years. Only in exceptional circumstances would the residence of relatives other than those listed above be taken to establish a local connection, but the circumstances may be sufficient, and all cases will be considered individually; or
- Have special circumstances for moving to Huntingdonshire: because of particular special needs. Some applicants should be assessed as having a local connection to Huntingdonshire because of a particular need to move to Huntingdonshire. For example, this may be because they have a specific medical condition and the only/most appropriate treatment available is or they have care responsibilities. Members of the Armed Forces, the divorced or separated 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 will be exempt from these local connection criteria.

The local connection criteria will be applied every time a First Home is marketed but will be lifted after three months to revert to National criteria as set out in the PPG if the home is not sold or reserved.