

Meeting date: 25 October 2022

Report to: Cabinet Portfolio Holder for Climate Change, Planning and Housing

Report title: First Homes - New affordable housing tenure and local connection criteria

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Wards affected:

- All Wards | Bickenhill | Blythe | Castle Bromwich | Chelmsley Wood |
 Dorridge/Hockley Heath | Elmdon | Kingshurst/Fordbridge | Knowle |
 Lyndon | Meriden | Olton | Shirley East | Shirley South |
 Shirley West | Silhill | Smith's Wood | St Alphege
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Public/private report: Public

1. Executive Summary

- 1.1 To inform the Cabinet Member of a new affordable housing tenure in the form of 'First Homes', approve local connection criteria for Solihull and agree to receive a further report on outcomes of the local approach.
- 1.2 On 24th May 2021, the Government published a Written Ministerial Statement (WMS) setting out its plans for the delivery of First Homes, defining the product and changes to planning policies. First Home is a property that must be sold at least 30% below the open market value. The discounted price at first sale must not exceed £250,000 and must be sold to a first-time buyer.
- 1.3 The Government's guidance states that local authorities can apply local connection criteria to help local people have priority in their area. PPG states any local eligibility criteria will apply for a maximum of 3 months from when a First Home is first marketed.

- 1.4 It is recommended to introduce Solihull Local Connection Criteria for first homes as set out in paragraph 4.6 to 4.16 of the main report.
- 1.5 It is also recommended that the Cabinet member receives a further report reviewing the outcomes of the local approach to First Homes in Solihull after the first 5 schemes or 20 units are delivered, whichever comes first.
- 1.6 Social rented housing is important to the borough in that it meets high priority housing need, including the Council's statutory housing and homelessness duties. It should be noted that Paragraph 15 of NPPF states "Once a minimum of 25% of First Homes has been accounted for, social rent should be delivered in the same percentage as set out in the local plan."
- 1.7 The Council's proposed policy in the draft Local Plan specifies that the affordable tenure mix to meet the identified need in Solihull should be 65% social rent and 35% shared ownership. Therefore, the amount of social rent housing that is delivered in Solihull will not be affected by the introduction of First Homes through the Written Ministerial Statement, the national planning policy changes or through the introduction of local connection criteria for Solihull.

2. Decision(s) Recommended

- 2.1 The Cabinet Member is asked to:
- 2.2 Approve the local connection criteria as set out paragraphs 4.6 to 4.16 of the main report.
- 2.3 Receive a further report reviewing the outcomes of the local approach to First Homes in Solihull after the first 5 schemes or 20 units are delivered, whichever comes first.

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3. Matters for Consideration

- 3.1 On 24th May 2021, the Government published a Written Ministerial Statement (WMS) setting out its plans for the delivery of First Homes, defining the product and changes to planning policy. This was accompanied by changes to the Planning Practice Guidance (PPG) that sets out that First Homes meet the definition of affordable housing for planning purposes as well as other changes to facilitate the delivery of First Homes.
- 3.2 PPG states that a First Home is a property that must be sold at least 30% below the open market value. The discounted price at first sale must not exceed £250,000 and must be sold to a first-time buyer. The price cap of £250,000 only applies on the initial sale. The discount is secured in perpetuity through a legal agreement, which also states it must be the buyer's main residence. Appendix A, paragraph 1 provides the full criteria)
- 3.3 PPG (Appendix A, paragraph 4,) does give local authorities the discretion to require a higher minimum discount of either 40% or 50% but states any local price caps should be determined through the Local Plan making process. These higher discounts should only be used if evidence demonstrates a need for First Homes at a particular price point taking into account local income levels, local house prices and mortgage requirements. Therefore, these higher discounts should apply to the entire Local Plan area and cannot be set on a site-by-site basis.
- 3.4 PPG (Appendix A, paragraph 7) states that First Homes are designed to allow people to get on the housing ladder and introduced national eligibility criteria. A purchaser (or, if a joint purchase, all the purchasers) of a First Home should 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). Purchasers of First Homes, whether individuals, couples or groups of purchasers, should have a combined annual household income not exceeding £80,000 in the tax year immediately preceding the year of purchase. A purchaser of a First Home should 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. These national standard criteria should also apply at all future sales of a First Home.
- 3.5 The Government's guidance states that local authorities can apply local connection criteria to help local people have priority in their area. PPG states any local eligibility criteria will apply for a maximum of 3 months from when a First Home is first marketed. If a suitable buyer has not reserved a home after 3 months, the eligibility criteria will revert to the national criteria.
- 3.6 The Written Ministerial Statement advises First Homes are the Government's preferred discounted market tenure and PPG states they should account for at least 25% of all affordable housing units delivered by developers through planning obligations. However, Solihull will benefit from the PPG transitional arrangements given the advanced stage of the Local Plan Review.

- 3.7 PPG on First Homes (Appendix A, Paragraph 19) also states that First homes do not need to be included in the draft Solihull Local Plan (that is still going through examination) until it is reviewed again. This will be the time when the need for any changes due to local circumstances is decided. This however must also be done in the context of an overall borough-wide housing needs assessment, overall viability of the plan and tested through an Examination in Public.
- 3.8 There are now several affordable home ownership options for people. For Members background only, these are set out in Appendix B - Affordable Home Ownership Guide April 2022. Which one is best for a household depends on their individual circumstances and personal choices.

4. What options have been considered and what is the evidence telling us about them?

- 4.1 The Solihull Local Plan review is at an advanced stage with the Examination in Public in progress and hearing sessions held between September 2021 and July 2022. NPPF (National Planning Policy Framework) identifies that affordable housing is a strategic policy and Local Plans should set out an overall strategy for the scale and make sufficient provision for housing. Paragraph 61 of NPPF makes it clear that these policies should be justified by evidence through a local housing needs assessment. The Council commissioned an independent HEDNA (Housing and Economic Development Needs Assessment) which reported in 2020 and this assessed the borough's affordable housing needs.
- 4.2 The Council's proposed policy in the draft Local Plan specifies that the affordable tenure mix to meet the identified need in Solihull should be 65% social rent and 35% shared ownership. The HEDNA notes that open market discount housing at 20% does not meet any identified housing need in Solihull due to high house prices and income levels.
- 4.3 Social rented housing is important to the borough in that it meets high priority housing need, including the Council's statutory housing and homelessness duties.
- 4.4 Paragraph 15 of NPPF states "Once a minimum of 25% of First Homes has been accounted for, social rent should be delivered in the same percentage as set out in the local plan. The remainder of the affordable housing tenures should be delivered in line with the proportions set out in the local plan policy." This is welcome and it should be noted that the introduction of First Homes will not affect the amount of social rented housing provided in Solihull.
- 4.5 Although the Council benefits from these transitional arrangements with regards to the Local Plan, the Council is directed by PPG to work with developers in a flexible way and should consider accepting First Homes as an alternative type of affordable tenure. Initial Discussions with developers and landowners so far have indicated a preference to provide shared ownership in line with the Council's Local Plan Policy.
- 4.6 However, it is recommended to introduce Solihull Local Connection Criteria for First Homes as follows:
- 4.7 Have a close association with Solihull which will be established if the applicant, or a

member of their household:

- 4.8 a) Is currently resident in the borough and has been for the two years immediately prior to their application in accommodation that was of their own choice;
- 4.9 b) Has lived in the borough of Solihull for at least three of the last five years in accommodation that was of their own choice;
- 4.10 c) Has close relatives who have been living in the borough for at least five years (close relatives means parents, adult children or brothers and sisters);
- 4.11 d) Has employment in the borough (meaning the actual physical place of work rather than, for example, the location of the employer's head office) and which is ongoing and regular and has been for at least the last 6 months;
- 4.12 e) Special circumstances – a close association established on these grounds is likely to be exceptional e.g. the need to be near special medical or support services which are available only in the Solihull area; able to demonstrate that they or their family face life threatening crisis and require immediate rehousing as a consequence of fire, flood or a child protection emergency;
- 4.13 f) A child leaving the care of Solihull Council and up to the age of 25 will have a close association to Solihull.
- 4.14 The applicant must be able to prove that they meet at least one of these circumstances.
- 4.15 In recognition of the unique circumstances of the Armed Forces, local connection criteria will be disapplied for all active members of the Armed Forces, divorced/separated spouses or civil partners of current members of the Armed Forces, spouses or civil partners of a deceased member of the armed forces (if their death was wholly or partly caused by their service) and veterans within 5 years of leaving the armed forces.
- 4.16 These Solihull local connection criteria will apply for 3 months from when a home is first marketed.
- 4.17 It is also recommended that the Cabinet member receives a further report reviewing the outcomes of the local approach to First Homes in Solihull after the first 5 schemes or 20 units are delivered, whichever comes first.

5. Reasons for recommending preferred option

- 5.1 PPG guidance on First Homes advises the Council should work flexibly with developers. Having these local connection criteria in place will create certainty for developers if they choose to promote First Homes as part of a planning proposal.
- 5.2 Through any subsequent review of the Solihull Local Plan, the national minimum discount of 30% of the market value will be reviewed to consider if a higher discount of either 40% or 50% should be applied to the sale of First Homes in Solihull. Under Planning Policy Guidance, it is not possible to do this at this time, due to the need for a new overall borough wide housing needs assessment and review of viability taking

into account all Local Plan policies. Given the advanced stage of the Examination in Public, this is not recommended.

- 5.3 The Council could consider not to introduce not to introduce Local Connection criteria although this would reduce the benefit to local people as only the national eligibility criteria would apply.

6. Implications and Considerations

- 6.1 State how the proposals in this report contribute to the priorities in the [Council Plan](#):

Priority:	Contribution:
<p>People and Communities:</p> <ol style="list-style-type: none"> 1. Improving outcomes for children and young people in Solihull. 2. Good quality, responsive, and dignified care and support for Adults in Solihull when they need it. 3. Take action to improve life chances and health outcomes in our most disadvantaged communities. 4. Enable communities to thrive. 	<p>Affordable Housing provides a sustainable and secure housing option for those in housing need and therefore improves the outcomes for children and young people.</p>
<p>Economy:</p> <ol style="list-style-type: none"> 5. Develop and promote the borough's economy, with a focus on revitalising our town and local centres. 6. Maximising the opportunities of UK Central and HS2. 7. Increase the supply of affordable and social housing that is environmentally sustainable. 	<p>A Council Plan priority is to promote pathways to affordable home ownership to help local people onto the housing ladder.</p>
<p>Environment:</p> <ol style="list-style-type: none"> 8. Enhance our natural environment, improve air quality and reduce net carbon emissions. 	<p>All planning applications received by the Council are assessed against the Council's Local Plan and they are required to meet the requirements of the climate change and sustainability policies to ensure that new development is energy efficient.</p>
<ol style="list-style-type: none"> 9. Promote employee wellbeing 	<p>The key worker criteria will be an additional benefit for those Solihull Council employees (including school employees).</p>

6.2 Consultation and Scrutiny:

6.2.1 This proposal has not been directly considered by Scrutiny Board, but previous reports to the Economic Development and Managed Growth Scrutiny Board have confirmed the importance of delivering more affordable homes.

6.3 Financial implications:

6.3.1 The capital costs of providing First Homes will be delivered mainly via developer contributions secured by a legal agreement.

6.4 Legal implications:

6.4.1 The Written Ministerial Statement of 21 May 2021 on First Homes and subsequent updated NPPF and PPG are material planning considerations.

6.4.2 The government has provided a template S106 agreement which incorporates the additional clauses required for First Homes.

6.5 Risk implications, including Risk Appetite:

6.5.1 The introduction of First Homes may have an implication on Council staff resources.

6.5.2 There may be implications on staff time in respect of approving the eligibility of first-time buyers seeking to buy First Home properties and dealing with complaints regarding valuations and eligibility. The extent of this will depend on the number of units delivered, however over time, if all affordable housing secured through includes 25% First Homes, this could be substantial.

6.6 Equality implications:

6.6.1 A Fair Treatment Assessment has been completed. Paragraph 15 of PPG states "Once a minimum of 25% of First Homes has been accounted for, social rent should be delivered in the same percentage as set out in the local plan. The remainder of the affordable housing tenures should be delivered in line with the proportions set out in the local plan policy." Therefore First Homes will not be at the expense of those in need of social rented housing including those in priority need for housing and those households who are homeless and the Council has an obligation to house.

6.6.2 The likely impact of the provision of First Homes is considered beneficial in so much as the scheme would provide additional opportunities for local people to purchase suitable affordable homes.

6.7 Linkages to our work with the West Midlands Combined Authority (WMCA), Local Enterprise Partnership or the Birmingham & Solihull Integrated Care System (ICS):

6.7.1 The West Midlands Combined Authority (WMCA) has introduced a localised definition of affordable housing, linking the definition to incomes of people in the area and local house prices.

6.7.2 The new definition, which has been approved by the WMCA's Housing and Land Board, is based on local people paying no more than 35% of their salary on mortgages or rent.

7. List of appendices referred to

7.1 Appendix A - Planning Policy Guidance key exerts

7.2 Appendix B - Affordable Home Ownership Guide April 2022

8. Background papers used to compile this report

8.1 None.

9. List of Other Relevant Documents

9.1 None.