

A LOCAL FIRST HOMES POLICY FOR SEVENOAKS DISTRICT

Housing & Health Advisory Committee - 23 November 2021

Report of: Chief Officer - People and Places and Chief Officer - Planning and Regulatory Services

Status: For Decision

Also considered by: Cabinet - 9 December 2021

Key Decision: Yes - significant in terms of its effects on the communities living or working in an area comprising of 2 or more wards in the District.

This report supports the Key Aim of: Delivering a sustainable economy through the provision of new affordable housing, specifically First Homes, ensuring priority is offered to local people.

Portfolio Holder: Cllr. Kevin Maskell and Cllr. Julia Thornton

Contact Officers: Rebecca Wilcox, Head of Housing, x7272 and James Gleave, Strategic Planning Manager, x7326

Recommendation to Housing & Health Advisory Committee:

- (a) Comments are sought on a local First Homes policy for Sevenoaks District, the draft contents of which are as set out in this report;
- (b) That officers continue to refine the policy, following consultation with the Portfolio Holder for Housing & Health, prior to its presentation to Cabinet for decision.

Recommendation to Cabinet:

- (a) That a local First Homes policy for Sevenoaks District, the content of which is as set out in this report, or as further refined, be approved and adopted for implementation on 28 December 2021 ;
- (b) That any supplementary First Homes policies, including re-sales and use of First Homes commuted sums, be drawn up by Officers, with delegated authority given to the Chief Officer - People & Places and the Chief Officer - Planning & Regulatory Services, following consultation with the Portfolio Holders for Housing & Health and Development & Conservation, to approve these policies.

Reason for recommendation: To ensure the District Council has a local First Homes policy approved by the date of the national implementation of First Homes on 28 December 2021, and said policy gives priority to local people.

Background

1. A previous report on the new First Homes tenure was presented to HHAC on 28 September 2021. To summarise, the national First Homes policy will be implemented for S106 sites on 28 December 2021. First Homes will be sold at a prescribed discount to first time buyers and held as affordable housing in perpetuity, for the benefit of future first time buyers.
2. The Targeted Review of Local Housing Needs (TRLHN) recommends a local First Homes policy for is justified. Discussion with Kent colleagues shows the District Council is at the vanguard of developing a local policy. Our aim is to ensure First Homes contribute to meeting local housing needs and for planning applicants and first time buyers to have comprehensive guidance on this new tenure from day one. An Officer Working Group has been formed for this purpose.
3. Department for Levelling Up, Housing and Communities (DLUHC) guidance states that First Homes policy does not need to be viability tested as it captures the same value of (developer) contributions as before.
4. DLUHC have advised First Homes policy does not preclude local authorities from charging a first time buyer for the cost of processing their application. This is in addition to any S106 monitoring fee required specifically for First Homes monitoring that may be introduced.
5. National First Homes policy is as follows:
 - 30% discount on open market value in perpetuity;
 - Capped maximum discounted sale price of £250,000 at initial sale;
 - All first time buyers are eligible
 - Annual household income cap of £80,000 applies.
 - Subsequent to the delivery of 25% First Homes, the Social Rented Housing tenure has priority.
6. Based on the recommendations from the TRLHN, we suggest a Sevenoaks First Homes policy should contain the following:
 - 50% discount on open market value. *A single % discount is required District-wide, unless a Parish has adopted a Neighbourhood Development Plan which justifies a different % discount in that area;*
 - Capped maximum discounted sale price of £250,000 at initial sale. *This will be hard to deliver in some areas, as shown in Appendix A, and it seems likely only 1 bedroom flats may be offered in these areas or a commuted sum paid in lieu. An initial buyer may secure an “unfair” profit when they come to sell as the new buyer will only benefit from a 50% discount when*

the initial buyer may have effectively received a higher level of discount due to the capped initial sale price.

- For a limited marketing period of 3 months (this period is set by DLUHC) priority be given to first time buyers with a local connection to the District or Service Personnel or Local Essential Workers. We have previously adopted a *Local Essential Worker policy*. *Local connection will be as per the new Sevenoaks District Housing Register Allocations Policy, to ensure parity across the affordable tenures. The Sevenoaks Intermediate Housing Allocations Protocol will also be updated to reflect this to ensure parity across the Intermediate tenures.*
- Set an annual household income cap of £56,250. *This is above median resident based income levels but, by necessity for mortgage purposes, is based on a £250,000 discounted sale price, with 10% deposit and 4x income multiplier.*
- Core Strategy policy SP3 will continue to apply with the split of 65% homes for affordable rent tenures and 35% for Intermediate tenures. However this split is further refined as follows and will apply unless otherwise agreed by the District Council on a case by case basis:

58% Social Rented housing

7% Affordable Rented housing

25% First Homes

10% other Intermediate tenures, including Shared Ownership.

The provision of a high level of homes for Social Rent will greatly assist us in meeting the needs of the Housing Register. Delivery of new homes for Social Rent have been minimal since 2010 and the introduction of the Government's austerity measures. The ability of First Homes to meet local housing needs is questionable, given high property prices compared with median income levels. Their relevance to Housing Register applicants will be minimal. The "squeezing" of other Intermediate tenures may have an adverse affect on the delivery of Shared Ownership homes. Many Registered Providers rely on the cross subsidy provided by shared ownership to deliver affordable homes for rent on S106 sites.

- Confirmation that First Homes Exception Sites will not be permitted in areas designated under S157(1) of the Housing Act or areas within the Green Belt. *As per NPPF and the S157 Rural Designations report.*
- A reasonable charge to be made to first time buyers for application processing. *Currently it is difficult to identify any Service that has capacity to take on this extra work. A charge may allow for additional resources to be funded, subject to approval.*

- The policy to be reviewed annually. *To ensure we keep pace with housing needs data and any delivery bottlenecks.*
- For parity, the Intermediate tenure, Discounted Market Housing for Sale (DMHfS), to be amended to require a 50% discount. *NPPF sets out a minimum discount of 20%. This level is at odds with First Homes policy and local housing needs data. Unless revised, it might eradicate any Shared Ownership housing because the developer contribution required for DMHfS would be so much more attractive to developers.*

Other options Considered and/or rejected

None.

Key Implications

Financial

The Officer Working Group will work with Finance colleagues to determine an appropriate level of charge for processing applications. Guidance will be sought as to whether additional officer resources can be funded from this.

The Officer Working Group will also work with Finance and Development Management colleagues regarding the monitoring fee to be attached to First Homes in S106 agreements and whether the level of all monitoring fees requires updating.

Resource (non financial)

The process mapping exercise being carried out by the Officer Working Group will determine which Service will be responsible for administering First Homes applications. Local authorities have expressed concern over capacity to deliver this without additional resources.

Legal Implications and Risk Assessment Statement

First Homes is a mandatory Government policy. The District Council must be ready to implement it. If we do not have a local policy in place, national policy will be used as a default. This will be less favourable to our meeting local housing needs for the reasons set out above.

Equality Assessment

The decisions recommended through this paper have a remote or low relevance to the substance of the Equality Act. There is no perceived impact on end users.

Conclusion

National First Homes policy is mandatory and must be implemented, even if local data demonstrates it will not meet our most pressing housing needs, i.e. genuinely affordable homes for rent. The adoption of a local First Homes policy for Sevenoaks will, however, put us in the strongest position to deliver a First Homes product that, within national constraints, is most aligned to meet local needs.

Appendix

Appendix A - house prices and incomes by place making areas, an extract from TRLHN 2021

Sarah Robson, Deputy Chief Executive and Chief Officer - People and Places

Richard Morris, Deputy Chief Executive and Chief Officer - Planning and Regulatory Services