

## INTERMEDIATE HOUSING POLICY

Cabinet – 13 July 2023

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

**Status:** For Decision

**Also considered by:**

- Housing & Health Advisory Committee – 14 June 2023

**Key Decision:** Yes

**This report supports the Key Aim of:** The emerging Local Plan 2040 and the Housing Strategy 2022-2027

**Portfolio Holder:** Cllr. Perry Cole

**Contact Officer:** Sharon Donald, Ext. 7131

**Recommendation to Housing & Health Advisory Committee:**

Comments are sought on a draft intermediate housing policy applying to Discounted Market Housing and proposed revisions to the Council's adopted local First Homes policy.

**Recommendation to Cabinet:**

That, subject to any comments, the draft intermediate housing policy applying to Discounted Market Housing and proposed revisions to the adopted local First Homes policy, be approved and adopted for implementation.

**Reason for recommendation:** To ensure housing policy helps to deliver a sustainable economy through the provision of a range of new affordable intermediate housing, thereby assisting local working people who are in housing need.

## Introduction and Background

1. The National Planning Policy Framework (NPPF) sets out a range of intermediate housing tenures to help secure homes for working households. These include Shared Ownership housing, Discounted Market for Sale Housing and First Homes. A local First Homes policy was approved by Cabinet in December 2021. Local policy applying to Shared Ownership housing has been in place since 2013/14 via an Intermediate Housing Protocol (Portfolio Holder decision No. 36 and subsequent updates).
2. The current Sevenoaks Intermediate Housing Protocol April 2023, sets out the local policy parameters applying to the intermediate housing tenures of Shared Ownership housing and First Homes. The Protocol includes applicant eligibility, local connection criteria, how homes are to be re sold in future and the discount retained, etc. Currently there is no local policy for Discounted Market for Sale Housing, (referred to within this report as “Discounted Market Housing”), meaning the Protocol is silent on this tenure. This creates an information gap for customers – both planning applicants and individuals wishing to get onto the property ladder. The intention of this report is to take forward a draft local policy for Discounted Market Housing which, if approved, will be included within the Protocol. The report also sets out proposed revisions to the adopted local First Homes policy, which are being put forward following a review of the policy after its first year of operation.
3. Discounted Market Housing

Discounted Market Housing is, in many respects, similar to the First Homes tenure. It comprises open market homes which are sold direct by the house-builder to eligible buyers at a discounted price, where the percentage discount and eligibility criteria remain in place for future buyers. Based on current and emerging local plan policy, it is anticipated the level of homes provided as Discounted Market Housing will be very limited. The local First Homes policy parameters have therefore been used wherever appropriate.

The suggested draft local policy for Discounted Market Housing is:

- Discount to be set at a minimum of 30% of Open Market Value. The NPPF sets a minimum discount of 20%. The suggested 30% discount is as per the recommended revision to local First Homes policy and will provide consistency across the intermediate housing tenures;
- Individual applicant eligibility to be the same as for Shared Ownership housing, as set out on the [GOV.UK](https://www.gov.uk) website. Applicant eligibility is based on current home ownership status and a household income cap of £80,000 per annum. It is considered the proposed Discounted Market Housing applicant eligibility criteria will reach a wider pool of applicants than allowed for under First Homes, as this tenure is open to first time buyers only. A greater number of customers can therefore be assisted onto the property ladder through low cost home ownership;

- Exceptionally, and at the specific request of the District Council, the house-builder to be required, at first sale, to attempt to sell the homes, at the discounted price, within a prescribed marketing period, to a partner Registered Provider. This may enable the Registered Provider to convert said homes into social housing. This provision will be of particular interest where Discounted Market Housing homes are being provided voluntarily by the house-builder (as is proposed at the Sevenoaks Gas Holders application site), as the Registered Provider would be eligible to apply for Homes England grant funding. If a sale is not achieved to a Registered Provider within the prescribed marketing period, the homes would be made available for sale to individual applicants who meet the eligibility criteria;
- No price cap to be applied at first sale. This is a major difference to First Homes where a price cap of £250,000 applies. The price cap, when considered against local market values, prevents a wider range of homes being provided as First Homes. The absence of a price cap should allow for larger family sized homes to be provided as Discounted Market Housing;
- All homes must be deliverable within the confines of the household income cap. In other words, the maximum mortgage required by an eligible applicant for any given home must be viable on an annual household income of up to £80,000, or such cap applying at the time of sale;
- Local connection criteria to be applied for the first 6 months of marketing, for both first sales and re-sales. This is as per local First Homes policy. Specified members of the Armed Services will also be deemed to meet the local connection criteria. This is as per the policy applying to Shared Ownership housing;
- The District Council to charge individual eligible applicants a fee of up to £500 for processing applications, this is as per local First Homes policy. The District Council will be required to assess and authorise “authority to proceed” (with the sale) and “authority to exchange contracts”. A number of local authority partners have processed an inaugural batch of First Homes sales. This work is reported to be complex and time consuming. Subject to the quantum of First Homes and Discounted Market Housing sales coming through, it is hoped the application fee may enable additional staff resources to be secured. There is very limited capacity within current staff resources;
- The tenure and its attributable S106 model clauses, to otherwise operate exactly as per local First Homes policy;

#### 4. First Homes Policy

A local First Homes policy was adopted following Cabinet approval in December 2021. During the policy's first whole year of operation, we have gained valuable experience from negotiating First Homes on a number of planning application sites. This includes the inaugural First Homes, which are included as part of the outline permission at Broom Hill, Swanley (details are provided on the [Affordable Housing page](#) of the website). The policy has also been considered as part of the high-level viability work for the emerging Local Plan 2040. Finally, mortgage market conditions have changed dramatically during the past year and these have an important bearing on policy.

Revisions to the local First Homes policy are therefore suggested as follows:

- Discount to be re-set to a “minimum of 30%”. The national First Homes policy requires a minimum discount of 30%. National Planning Policy Guidance does not allow for discounts to be considered on a case by case basis, meaning a single level of discount must be applied across the District. Since December 2021, experience demonstrates the current local First Homes policy prescribed discount of 50% is frequently not achievable. Or, where a 50% discount is achievable, it “squeezes out” other affordable housing tenures which are in greater priority need within the District;
- The National Income Cap of £80,000 per annum to be used and reference to the Local Income Cap (£56,250 per annum), removed from local policy. Within the mortgage market, lenders are taking a robust view on affordability stress testing of applicants, particularly first time buyers. Interest rate rises have exacerbated matters further. The Local Income Cap is now considered insufficient to sustain a high loan to value mortgage supporting a purchase price of £250,000. The National Income Cap already applies to Shared Ownership housing and is recommended for Discounted Market Housing. Its application to First Homes will ensure consistency across all intermediate housing tenures.

#### 5. Both Tenures

The policies set out above will apply to planning applications submitted after Cabinet approval is given, but will not apply to any application submitted after this date where there has been significant pre-application engagement.

#### **Other options Considered and/or rejected**

None.

## **Key Implications**

### Financial

None.

### Resource (non-financial)

Local authorities participating in the Homes England First Homes pilot programme, have expressed concerns over their capacity to administer First Homes sales. This will equally apply to sales under the Discounted Market Housing tenure. By charging individual eligible applicants an administration fee, we hope to mitigate such capacity concerns.

### Legal Implications and Risk Assessment Statement.

First Homes is a mandatory tenure under Government policy.

### 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.

### Net Zero Implications

The decisions recommended through this paper have a remote or low relevance to the council's ambition to be Net Zero by 2030. There is no perceived impact regarding either an increase or decrease in carbon emissions in the district, or supporting the resilience of the natural environment.

## **Conclusions**

The adoption of a local policy in relation to Discounted Market Housing and revisions to adopted local First Homes policy will ensure that, within the constraints of national policy, Sevenoaks District Council is best placed to deliver a sustainable economy through the provision of a range of new affordable intermediate housing, for local working households.

### **Appendices**

Appendix A - [Sevenoaks Intermediate Housing Protocol April 2023](#)

### **Background Papers**

None

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**Richard Morris**

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