

First Homes Position Statement

Kirklees Council

December 2021

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1. Introduction

- 1.1. On 24 May 2021, the Government released a Written Ministerial Statement (WMS) and Planning Practice Guidance (PPG) setting out national planning policy for a new affordable housing product called First Homes. The First Homes concept is an intermediate affordable housing product which provides a route to home ownership. 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 (or 28 March 2022 if there has been significant pre-application discussions).
- 1.2. This document provides guidance on the implementation of First Homes in the district. The document should be read in conjunction with the adopted Kirklees Local Plan and associated Supplementary Planning Documents. This guidance alongside the PPG will be used as a material planning consideration when securing affordable housing as part of the determination of planning applications.

2. First Homes Requirements

- 2.1. Full guidance on the characteristics of First Homes is provided in the WMS and the PPG and should be read in conjunction with this document. The key requirements for First Homes are set out below:
 - First Homes must be discounted by a minimum of 30% against the market value. The discount can be increased to 40% or 50%, where justified by local evidence.
 - After the discount is applied the initial sale price of a First Homes must not exceed £250,000. This price cap can be lowered where justified by local evidence. The price cap does not apply to subsequent sales of the property.
 - First Homes must be sold to a person or persons meeting the First Homes eligibility criteria (see below). On their first sale, there will be a restriction registered on the Land Registry to ensure the discount (as a percentage of current market value) continues for future sales. The PPG provides a model title restriction that should be used.
 - First Homes can only be rented out by the purchaser for a maximum of a two-year period, and the Local Authority must be notified.
- 2.2. First Homes are secured through a Section 106 legal agreement signed as part of the planning applications process.
- 2.3. To ensure the delivery of First Homes the Written Ministerial Statement sets a requirement that a minimum of 25% of affordable homes delivered through developer contributions should be First Homes. With regards to the remaining provision the following requirements were set:

- The provision for Social Rent as already described in the development plan should be protected.
- Where other affordable housing units can be secured, these tenure-types should be secured in the relative proportions set out in the development plan.
- In situations where the local plan allocates more than 75% of contributions to Social Rent, the 25% First Homes requirement will remain.

2.4. The WMS and PPG set the following eligibility criteria:

- Purchasers of First Homes must be first-time buyers and must have a household income not exceeding £80,000 in the tax year immediately preceding the year of purchase. If joint purchasers, all of the purchasers must be first time buyers.
- A First Home should be the buyers only home and a purchaser will need to use a mortgage or home purchase plan for at least 50% of the purchase price of the home.
- Local authorities and neighbourhood planning groups can apply additional criteria, such as a lower income cap, local connection tests or prioritisation for key workers where evidence supports this.
- Local criteria are limited to the first 3 months of marketing before reverting to the national criteria.
- Members of the Armed Forces, spouse/civil partners of members/deceased members or veterans within 5 years of leaving the Armed Forces will be exempt from any local connection criteria.

3. Kirklees Council Approach to First Homes

- 3.1. The Kirklees Local Plan (Policy LP11) states that at least 20% of homes should be affordable on sites with a capacity of more than 10 dwellings. As First Homes have been introduced since the Kirklees Local Plan was adopted, this document sets out a Position Statement to clarify the approach to be taken to First Homes in Kirklees. This is in accordance with the WMS and PPG and local justification. The approach will be monitored and reviewed as necessary.
- 3.2. Affordable Housing tenures in Kirklees are currently based on the requirements set in the Kirklees Strategic Housing Market Assessment, in line with Local Plan Policy LP11. This is currently split between 55% affordable/Social Rent and 45% Intermediate home ownership products.
- 3.3. In line with the requirements set out in the WMS, 25% of affordable homes delivered through developer contributions will be First Homes. As First Homes are an intermediate home ownership product, the council will expect the 25% of First Homes to contribute to the ‘intermediate home ownership’ proportion of affordable homes.

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In accordance with the Written Ministerial Statement and Planning Practice Guidance, the Council will require 25% of the affordable homes secured through planning obligations to be First Homes.

The following criteria will apply to First Homes in Kirklees:

- a) First Homes should be discounted by a minimum of 30% of the market value**
- b) A price cap of £250,000 will apply to the initial sale of the First Home**
- c) On the first sale of the property, a restriction must be registered on the title at HM Land Registry to ensure this discount (as a percentage of current market value) is passed on at each subsequent title transfer and that purchasers meet the eligibility criteria.**
- d) Eligibility criteria for the first and subsequent purchasers of First Homes will be as follows:**
 - o All purchasers must be first time buyers with a combined annual household income of no more than £80,000**
 - o A mortgage or home purchase plan must be used to purchase at least 50% of the purchase price**
- e) A local connections test will restrict the initial purchase to those who:**
 - o currently live in Kirklees as their primary residence and has done so for the past 3 years;**
 - o previously lived in Kirklees as the primary residence for at least 5 years cumulatively in the past 10 years;**
 - o has Close Family ordinarily resident in Kirklees and that Close Family has been ordinarily resident in the Locality for the past 3 years;**
 - o needs to move to Kirklees to receive or provide care or support;**
 - o is employed full time on a permanent basis for more than 16 hours per week in Kirklees or is about to take up an offer of permanent full-time employment in Kirklees;**
 - o needs to move to Kirklees to be close to local facilities because of a specific identified need;**
 - o has some other connection to Kirklees as approved by the Council in writing**
- f) The local connections test will not apply to members of the Armed Forces, spouse/civil partners of members/deceased members or veterans within 5 years of leaving the Armed Forces)**
- g) If a buyer meeting the local connections test has not reserved the home within 3 months of marketing the property, the local connections test and other local adjustments to the national criteria will cease to apply.**

Justification for First Homes requirements

- 3.4. The WMS and PPG identify a range of additional local criteria that can be applied to adjust the national First Homes criteria. The following sets out the Kirklees Council approach to the different criteria. This position will be reviewed over time to take account of monitoring of the take up of First Homes.

Market value discount percentage

- 3.5. The national criteria for First Homes states that the sale value of the house must be discounted by a minimum 30% against the market value. This is the discount that will be implemented in Kirklees. The council will review the performance of First Homes against the discount to determine whether there is evidence to indicate if a change is required through the introduction of local criteria.

First sale price cap

- 3.6. Currently the national criteria for First Homes, which states that the price of the house (after discount) must not exceed £250,000. This is the cap that will be implemented in Kirklees. The council will review the performance of First Homes against the cap to determine whether there is evidence to indicate if a change is required through the introduction of local criteria.

Household income

- 3.7. Currently the national criteria for First Homes, states that the buyer (or buyers) annual household income must not exceed £80,000. This is the income level that will be implemented in Kirklees. The council will review the performance of First Homes against the income level to determine whether there is evidence to indicate if a change is required through the introduction of local criteria.

Local connections test

- 3.8. The Written Ministerial Statement and PPG allow for the setting of local eligibility criteria for First Homes where evidence supports this approach. The evidence set out in the Kirklees Strategic Housing Market Assessment (SHMA) demonstrates a high level of need for affordable housing in Kirklees. This provides justification for the application of a local connections test as a starting point. This is because First Homes are intended to allow people to get on the housing ladder in their local area. The local connection criteria have been applied to ensure local needs are prioritised whilst not being unduly restrictive.
- 3.9. The local connection criteria will apply via a Section 106 Agreement upon the first and every successive sale of a First Homes. To avoid delivery issues, in accordance with PPG, the criteria will be lifted after three months if the home has not been reserved or sold.

Neighbourhood Plans

- 3.10. Where neighbourhood plans are produced Local criteria can be set in line with WMS and PPG subject to appropriate evidence. Where neighbourhood plans do not include reference to First Homes policies the criteria set out this Position Statement will apply.

4. Transitional Arrangements

4.1. The WMS and PPG set out the transitional arrangements for First Homes. The new First Homes policy requirement does not apply within Kirklees 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; and
- sites where local and neighbourhood plans are adopted/made under the transitional arrangements, as detailed in the PPG¹. These transitional arrangements will also apply to permissions and applications for entry-level exception sites.

4.2. The transitional arrangements apply to the Holme Valley Neighbourhood Development Plan. The First Homes requirements will not need to be applied when considering planning applications in HVNP plan area until such time as the requirements are introduced through a subsequent update of the Neighbourhood Plan.

5. Exception Sites

5.1. The WMS and PPG have introduced a First Homes Exception Sites policy. First Homes exception sites can come forward on land not allocated for development in the development plan where justified. The WMS states that such proposals should:

- a) comprise First Homes (as defined in this Written Ministerial Statement)
- b) be adjacent to existing settlements, proportionate in size to them, not compromise the protection given to areas or assets of particular importance in the National Planning Policy Framework, and comply with any local design policies and standards.

5.2. PPG further confirms that such sites cannot come forward in areas designated as Green Belt. The council will assess applications for exceptions sites in accordance with Local Plan policy LP11 alongside the guidance set out in the WMS and PPG.

¹ PPG First Homes Paragraphs 18/19