

South Lakeland District Council

First Homes

Interim Position Statement

April 2022

Contents

Executive Summary	2
Introduction	3
What are First Homes?	3
Introducing First Homes in South Lakeland.....	4
Including First Homes alongside other Affordable Housing	4
Discount.....	7
Price Cap	8
Income Cap	9
Local Connection	10
Employment Status.....	12
First Home Exception Sites	12
Legal Matters	12
Further Information.....	13



Executive Summary

1. First Homes are a new affordable home ownership product that has been introduced by the government to help first time buyers get on to the property ladder.
2. Local Planning Authorities are required to ensure that 25% of the affordable homes provided on development sites are First Homes.
3. The government has set out the national requirements and criteria for First Homes and has given local authorities the discretion to vary the requirements locally where justified.
4. This Interim Position Statement sets out South Lakeland's interim approach to introducing First Homes on developments within the South Lakeland Local Planning Authority Area (which excludes the National Parks).
5. This interim position will be reviewed in light of new evidence on housing needs which is currently being prepared to inform the Local Plan Review.
6. The interim requirements for First Homes in South Lakeland are summarised in the table below, and presented in more detail in the following statement.

Requirement	South Lakeland Interim Position
Number of First Homes Required	25% of the affordable homes provided on a development site
Discount required	40% from open market value
Price Cap	£206,000
Income Cap for Household	£56,000
Local Connection	Local connection to South Lakeland District required

Table 1: Summary of First Homes Interim Requirements in South Lakeland

Introduction

7. This statement sets out how South Lakeland District Council will apply the government's new 'First Homes' policy in planning decisions.
8. The position set out below is an interim position based on the best evidence we have at present. We have recently commissioned a Strategic Housing and Economic Needs Assessment (SHENA) to inform our Local Plan Review. The SHENA will provide an up to date assessment of housing needs locally and provide recommendations in relation to First Homes. This interim position statement may therefore be updated based on the study's findings.

What are First Homes?

9. First Homes are a new affordable home ownership product created by the government to help first time buyers on to the housing ladder.
10. First Homes are a type of discounted market sale housing which are considered to be affordable housing for planning purposes. First Homes:
 - 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 (they must be first time buyers, have a combined annual income not exceeding £80,000, and require a mortgage for at least 50% of the discounted price)
 - c) on their first sale, have a restriction registered on the title to ensure this discount (as a percentage of current market value) and certain other restrictions are passed on at each subsequent title transfer
 - d) after the discount has been applied, the first sale must be at a price no higher than £250,000
11. They were formally introduced through a Written Ministerial Statement and updates to the national Planning Practice Guidance on 24 May 2021. The changes came into effect from June 2021. A number of transitional arrangements were put in place to phase in First Homes. The requirement did not apply to sites with planning permission before 28 December 2021. It also does not apply to sites granted permission before 28 March 2022 where there has been significant pre-application engagement with the Council. The First Homes requirement will therefore fully **apply in all cases from 28 March 2022**.
12. Local Planning Authorities are required to make sure that at least 25% of all affordable homes delivered by developers through planning obligations are First Homes.

Introducing First Homes in South Lakeland

13. The government's guidance sets out a number of national requirements, and also allows Local Planning Authorities to introduce additional local criteria to ensure that First Homes help meet housing needs locally.
14. Local planning authorities can:
 - Increase the level of discount from 30% to 40% or 50%.
 - Set a lower price cap
 - Set a lower income cap
 - Apply a local connection test
 - Apply criteria based on employment status (e.g. prioritise key workers)
15. South Lakeland has carefully considered the additional local criteria and this section sets out our local interim approach to introducing First Homes.
16. Any local criteria are only permitted by the government to be in place for 3 months from when a home is first marketed. 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 above, to widen the consumer base. It is therefore important that any local criteria are realistic and will not make First Homes difficult to sell.
17. As stated above this interim position may need to be updated following the completion of our forthcoming Strategic Housing and Economic Needs Assessment. Our policies relating to affordable housing will also be reviewed through our Local Plan Review.

Including First Homes alongside other Affordable Housing

18. The first key issue is to set out how First Homes should be integrated into our existing affordable housing policy and how they fit alongside the other types of affordable homes we require on development sites.
19. Our current affordable housing planning policies are set out in Policy CS6.3 of the [Core Strategy](#) and Policy AS03 of the [Arnside and Silverdale AONB Local Plan](#).
20. These policies are supplemented by our [SLDC Affordable Housing Guidance for Developers Webpage](#) which is updated annually, and our [Affordable Housing Guidance Note \(March 2020\)](#) which clarifies the sizes of development sites on which affordable housing is required following national policy changes.

21. In the part of South Lakeland’s planning authority area outside the AONB we require 35% of homes on development sites to be affordable (site size thresholds are specified in the above guidance note), and within the AONB for 50% of homes on sites of two or more units to be affordable.
22. On development schemes we expect developers to provide a split of 50% low cost ownership (‘intermediate’) and 50% low cost rentals.
23. Low cost home ownership includes discounted sale properties, for which the Council sets initial fixed sale prices in relation to local incomes (updated annually in the [affordable guidance webpage](#)), shared ownership and shared equity homes.
24. Where 10 or more affordable homes are required, of the 50% low cost home ownership obligation, at least half of these (a quarter of the overall affordable homes) must currently be offered as discounted sale. Where the affordable requirement is less than four homes, the tenure is expected to be the same for all the affordable homes (either sale or rent).
25. Local Planning Authorities are now required to make sure that at least 25% of all affordable homes delivered by developers through planning obligations are First Homes.
26. The national planning policy guidance states that 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 Council’s Local Plan. The remainder of the affordable housing tenures should be delivered in line with the proportions set out in the local plan policy.
27. Our current policy requirements do not specify social rent proportions but instead require that 50% of the homes provided should be either affordable or social rent.
28. Social/affordable rental properties are the most affordable tenure, requiring the lowest income to access them, and are a key priority for the Council. Therefore we consider it to be appropriate to maintain our 50% rental requirement and not to reduce this in accommodating First Homes in the mix.
29. Within the affordable housing provision on development sites we will therefore continue to require 50% affordable/social rental homes, then 25% First Homes, with the remainder to comprise of SLDC discounted sale or shared ownership homes.

Tenure	Current affordable requirements	Affordable requirements including First Homes
Affordable/Social Rent	50%	50%
First Homes	n/a	25%

Tenure	Current affordable requirements	Affordable requirements including First Homes
SLDC Discounted Sale/Shared Ownership	50% ¹	25%

Table 2: First Homes requirements in South Lakeland

30. Developers of sites that will be required to provide affordable housing in line with our Local Plan policies are strongly encouraged to engage in pre-application discussions with the Council's Development Management team. This will enable discussions on the appropriate housing mix to take place, and for advice to be provided by the Council's Housing Strategy team.
31. Introducing First Homes will inevitably displace some of the current home ownership affordable housing products delivered on sites in South Lakeland. First Homes are similar to SLDC's existing discounted sale product and are likely to replace these to a significant degree.
32. However an important distinction is that First Homes are restricted to first time buyers whereas the SLDC discounted sale homes are available to anyone meeting the local connection and housing need criteria regardless of whether they have owned a home previously.
33. We would not therefore wish to see SLDC discounted sale homes completely replaced by First Homes. In the remaining 25% of affordable homes on a site (after the 50% rental and 25% First Homes have been accommodated) we will expect some SLDC discounted sale homes to still be provided. We will not permit the remaining 25% to all be shared ownership homes.
34. The example below shows how First Homes may be incorporated into a 100 house scheme.

Tenure	No. of affordable homes	% of affordable
Affordable/Social Rent (50% of 35 units)	18	51.4%
First Homes (25% of 35 units)	9	25.7%
SLDC Discounted Sale	4	11.4%
Shared Ownership	4	11.4%
Total Affordable	35	100%

Table 3: First Homes requirement on a 100 home development site

¹ Including the requirement that where 10 or more affordable homes are required at least 25% of them should be for discounted sale

35. We will only expect First Homes to be provided on sites where the 25% First Homes requirement would result in the need for at least 1 First Home. Therefore in areas outside the Arnside and Silverdale AONB the site size threshold for requiring First Homes would be 11 (as this generates a requirement for 4 affordable homes) and in the AONB it would be 8 dwellings (as this generates a requirement for 4 affordable homes).

Discount

36. The government requires First Homes to be discounted by a minimum of 30% from their market value. Local Planning Authorities have the discretion to require a higher minimum discount of either 40% or 50% (no other percentage allowed) if they can demonstrate a need for this.
37. South Lakeland's Strategic Housing Market Assessment (SHMA, 2017) recommended that at least a 41% discount would generally be required on open market housing to make it affordable locally given average house prices and income levels locally.
38. A 30% discount would not therefore make First Homes affordable in the South Lakeland context taking into account local house prices and incomes.
39. South Lakeland already has a discounted sale affordable housing product that has been successfully in place for many years, and these are generally discounted by 40-50% depending on their size in order to be affordable for people on local incomes.
40. We consider it is important that First Homes are genuinely affordable for people who are finding it difficult to meet their needs on the open market. We therefore consider it is important that the level of discount on First Homes is comparable with the level of discount generally achieved on SLDC discounted sale homes.
41. In terms of discounted sale properties on recent schemes, the discounts secured through Section 106 agreements have on average been around 44% for 2 bedroom flats, 47% for 2 bedroom houses and 45% for 3 bedroom houses.
42. We are therefore setting a **discount of 40% from open market value on First Homes in South Lakeland.**
43. This is on average a slightly smaller discount than is generally achieved on SLDC discounted sale properties, meaning they will be slightly less affordable. Applying a discount of 50% would make First Homes more affordable but would exceed the current discounts generally applied to discounted sale properties. This would have negative impacts on viability, potentially meaning less affordable home could be provided on sites.

44. At this point in time based on the evidence available, 40% is considered to strike an appropriate balance based on affordability and viability. This will be reviewed following the completion of the forthcoming SHENA study.
45. In order to apply the 40% discount, developers or subsequent owners selling First Homes will be required to obtain a RICS (Royal Institute of Chartered Surveyors) chartered surveyor to provide an independent open market valuation for the property. This valuation will be verified by the Council.

Price Cap

46. The government has set a price cap for First Homes of £250,000 for the first sale. Local authorities have the discretion to set lower price caps if they can demonstrate a need for this.
47. Assuming a 95% mortgage and a lending ratio of 3.5x income, a discounted price of £250,000 would require a household income of £67,857. This is far in excess of average incomes in South Lakeland. This suggests that the price cap of £250,000 is too high in the South Lakeland context.
48. Each year the Council publishes initial fixed sale prices for its discounted sale properties. These prices are set at a level which makes the properties accessible to people on average local incomes, and they are reviewed (and usually increased) annually.

Property type(minimum sizes in brackets)	Affordable housing prices (AHP)(initial fixed sale prices)
1 bed flats (50 sq. m)	£80,827
2 bed flats (61 sq. m)	£92,374
1 bed houses/bungalows (58 sq. m)	£98,147
2 bed houses/bungalows (70 sq. m)	£109,695
3 bed houses (84 sq. m)	£127,015
4 bed houses (97 sq. m)	£144,334

Table 4: SLDC Discounted Sale Homes - Initial Fixed Sale Prices 2021

49. SLDC's discounted sale initial fixed prices are substantially lower than the government's nationally set price cap of £250,000. But it should be noted that these properties generally have a greater level of discount than the 40% discount we are applying to First Homes. So it is logical that in South Lakeland that a price cap for First Homes should be set somewhere between our discounted sale initial fixed prices and the government's £250,000 price cap.
50. In setting a price cap for First Homes it is considered appropriate to consider the price of entry level housing locally, and assume that First Homes should be priced at a level

that is more affordable than homes already available on the open market. This will help ensure that First Homes are helping people whose needs aren't being met on the open market.

51. The government's PPG describes lower quartile market housing as 'entry level' housing, therefore it is considered appropriate to consider that First Homes in South Lakeland should not be priced in excess of lower quartile market housing.
52. There are two measures of lower quartile house prices available. The first is data from the Office for National Statistics which is based on Land Registry sales data. The second is from CACI which uses information drawn from mortgage lenders to model house prices.
53. The most recently published lower quartile prices for South Lakeland are £205,970 (CACI) and £172,000 (ONS).
54. We therefore propose that the upper price cap for First Homes after the application of the discount should be £205,970, rounded to £206,000, the higher of the above two figures. With a 40% discount this would be an open market value of £343,283. This should ensure that 3 bedroom properties would be available as First Homes locally.
55. **The price cap for First Homes in South Lakeland will be £206,000** and will be updated annually with reference to lower quartile house prices provided by CACI.

Income Cap

56. The planning practice guidance states that purchasers of First Homes, whether individuals, couples or group purchasers, should have a combined household income not exceeding £80,000 in the tax year immediately preceding the year of purchase.
57. Local authorities are able to set a lower income cap if it can be justified with reference to local average first-time buyer incomes.
58. Assuming a 95% mortgage and 3.5x income loan ratio, a household with an income of £80,000 could afford a home priced up to £294,737. Households with this level of income could therefore meet their needs on the open market. The most recently published median house prices in South Lakeland (£277,227 (CACI), £245,000 (ONS)) are well within the reach of households with an income near £80,000.
59. We want to ensure that First Homes are prioritized for households that are struggling to purchase a home in the open market and therefore consider that a lower household income cap should be introduced in South Lakeland.

60. The PPG states that any locally set income caps should be considered with reference to mortgage requirements and loan-to-income ratios for appropriate homes for the area's identified target market for First Homes. Income caps should not be set at a level which would prevent a borrower from obtaining a 95% loan-to-value mortgage for the discounted price of suitable properties.
61. In setting an appropriate income cap we consider it is appropriate to consider the income that may be required to access lower quartile house prices based on a 95% income and 3.5x income lending ratio. Using the lower quartile house prices from CACI and ONS the following incomes would be required.

	CACI Ltd data	ONS data
Lower Quartile House Price	£205,970	£172,000
95% mortgage amount	£195,672	£163,400
Income required at 3.5x income lending ratio	£55,906	£46,686

Table 5: Lower Quartile House Prices and Income Required to Purchase

62. The above data suggests that households with income of £56,000 should be able to access lower quartile entry level housing on the open market and are not in need of affordable housing.
63. We are therefore setting a **household income limit of £56,000 for First Homes.**

Local Connection

64. South Lakeland's existing Local Plan policy and affordable housing guidance require affordable housing to be allocated to eligible households who are in need and who have a local connection to the area.
65. The national planning guidance does not require First Homes to be allocated to households with a local connection but allows Councils to apply local connection criteria.
66. In order to align with our existing approach to affordable housing, we will therefore require purchasers (at least one person within the household) of First Homes to have a local connection in line with the following criteria:
- The intended household has, immediately prior to such approval, been continuously resident in South Lakeland District for three years; or
 - The intended household has, immediately prior to such approval, been permanently employed for a minimum of 16 hours per week, or has a firm permanent

job offer in South Lakeland District for a minimum of 16 hours per week. Permanent employment will be taken to include contracts for a minimum of one year's continuous employment, and the self-employed, on provision of evidence of a viable business; or

- They are currently in prison, in hospital or similar accommodation whose location is beyond their control and immediately before moving to this type of accommodation they lived in South Lakeland District for at least three years; or
 - Former residents (who previously lived in South Lakeland District for a period of at least three years) who wish to return to the locality having completed a post-secondary (tertiary) education course within the past three years; or
 - They need to live in South Lakeland District either because they are ill and/or need support from a relative who lives in South Lakeland District, or because they need to give support to a relative who is ill and/or needs support who lives in the locality. Proof of illness and/or need of support will be required from a medical doctor or relevant statutory support agency; or
 - They previously lived in South Lakeland District for most of their lives and left less than ten years ago ("Most of the applicant's life" will be interpreted as over half of the applicant's life up to the point that they left the district, or a continuous period of twenty years up to the point they left the district); or
 - They lived continuously in South Lakeland District for two years or more prior to being accepted as homeless under the Homelessness Act 2003 and placed in any form of temporary accommodation outside of the locality for up to a maximum of two years
 - They spent at least ten years of their school education in the district
67. In line with the PPG, in recognition of the unique circumstances of the Armed Forces, the local connection criteria will not apply 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.
68. Our current local connection policy for other types of affordable housing currently requires connections to 'locality' areas which are more localised areas based on groups of parishes, and properties need to be marketed to households within the locality for 12 weeks, before being widened out to the district if no buyer has been found.

69. Given the national requirement that local criteria can only apply for a maximum of 3 months we therefore consider it appropriate to allow First Homes to be accessible to anyone with a connection to the wider district rather than the locality in the first instance.
70. From 1st April 2023, when the district of South Lakeland is abolished, the local connection will apply to the Westmorland and Furness unitary authority boundary (which will comprise of the current districts of Barrow-in-Furness, South Lakeland and Eden).

Employment Status

71. The PPG allows local authorities to set additional local criteria relating to employment status, for example to priorities workers in key sectors to the local economy.
72. We are not setting any local criteria in relation to employment status.

First Home Exception Sites

73. The National Planning Policy Framework requires local planning authorities to support the development of 'entry level exception sites' suitable for first time buyers on land that is not already allocated for housing. These entry level exception sites should be adjacent to existing settlements and be proportionate in size to them.
74. The PPG advises that First Homes exception sites can come forward on unallocated land outside of a development plan but cannot come forward in designated rural areas.
75. In South Lakeland First Homes exception sites will only therefore be able come forward in the parishes of Kendal, Ulverston and Grange-over-Sands, as the remainder of the planning area is a designated rural area.

Legal Matters

76. In order to secure the delivery of First Homes, Section 106 agreements will be used to secure the necessary restrictions on the use and sale of the property. A legal restriction will be registered onto a First Home's title on its first sale.
77. This restriction will ensure that the title cannot be transferred to another owner unless the local authority certifies to the Land Registry that the First Homes criteria and eligibility criteria have been met.

78. This restriction will therefore ensure that in future sales First Homes are discounted by 40% from open market value, and will ensure only households that are eligible will be able to purchase the First Home.
79. The government has published a [template for Section 106 agreements](#) in relation to First Homes and the Council will reflect this template in local S106 agreements, including the recommended mortgagee exclusion clause. This clause allows mortgagees to sell the First Home without restrictions in the case of repossession, and to provide remaining proceeds from the sale to reimburse the local authority for the loss of the First Home.

Transitional Arrangements

80. The government's transitional arrangements for introducing First Homes through decision making on planning applications² concluded on 28 March 2022, and from that date it is expected that decisions will apply the national First Homes policy requirement.
81. In South Lakeland there are a number of well advanced development schemes that may not have been determined before the 28 March 2022 deadline, and the Council will take a pragmatic approach to applying the First Homes requirement in these cases.
82. Applicants may choose for applications to be determined with the previously agreed existing affordable housing offer where:
- 1) an application for housing development delivering affordable housing through a Section 106 agreement has been considered by planning committee, and:
 - 2) 25% or more of the proposed affordable dwellings are in the form of discounted sales, and
 - 3) those properties are equivalent of more affordable than the First Homes product in terms of discount, price and eligibility for people with a local connection in housing need.

Further Information

[National Planning Practice Guidance - First Homes](#)

[SLDC Affordable Housing Guidance for Developers Webpage](#)

² Planning Practice Guidance Paragraph: 020 Reference ID: 70-020-20210524

[SLDC Affordable Housing Guidance Note March 2020](#)

[South Lakeland Local Plan](#)

[South Lakeland Local Connection Policy](#)

[South Lakeland Strategic Housing Market Assessment 2017](#)