

First Homes Interim Position Statement

Contents

Interim Position Statement	1
Introduction	1
West Suffolk.....	1
First Homes discount	2
First Homes price cap	2
First Homes eligibility criteria	2
First Homes local connection criteria	3
Developer contributions for First Homes.....	3
Worked examples.....	4
Securing First Homes in Section 106 (S106) agreements.....	5
First Homes exception sites	5

This First Homes Interim Position Statement will **only** be used when a development proposal comes forward which includes reference to First Homes as part of an affordable housing provision.

If a development proposal does not refer to First Homes, the affordable housing split will be as detailed in the former Forest Heath District Council Core Strategy policy CS9 and the former St Edmundsbury Borough Council Core Strategy policy CS5 (or successor document). Reasons for this approach are set out below in the First Homes Policy Position Statement.

Interim Position Statement

Introduction

This position statement sets out the key information relating to First Homes and how it will be implemented within West Suffolk.

West Suffolk

The Government has presented transitional arrangements which allow for local plans that do not have a First Homes element to continue to be adopted and used. However, the Written Ministerial Statement published on 24 May 2021 informs us that the requirement for First Homes should be implemented after the date of 28 June 2021.

Planning law requires that applications for planning permission be determined in accordance with the development plan unless material considerations indicate otherwise. The Ministerial Statement is a material consideration and weight applied to it accordingly.

Where planning applications are submitted proposing First Homes, the council will have regard to the First Homes policy proposed along with other material considerations such as the council’s housing register and the Cambridgeshire and West Suffolk Housing Needs of Specific Groups Study. The council intends to set out further policy and guidance on First Homes in its emerging West Suffolk Local Plan.

First Homes discount

First Homes must be sold at a minimum discount of 30 per cent below market value. The First Homes Ministerial Statement also gives local authorities the discretion to impose a higher discount of either 40 per cent or 50 per cent if they can demonstrate a need for this. The recently published Housing Needs Study, jointly commissioned by the Cambridgeshire Subregion, has recommended that the following percentage discounts are required from the open market housing, to make home ownership affordable. The recommendations for West Suffolk are in the table below.

Table 1: Estimated percentage discount required from open market value for West Suffolk to make home ownership affordable

One bedroom	Two bedrooms	Three bedrooms	Four or more bedrooms
23 per cent	23 per cent	24 per cent	24 per cent

Source: Housing Needs Assessment 2021

Based on these recommendations from the Housing Needs Study, West Suffolk will apply the default 30 per cent discount.

First Homes price cap

First Homes should be physically indistinguishable from the equivalent market homes in terms of quality and size. After the discount has been applied, the first sale of the First Home must be at a price no higher than £250,000 (outside of London). Developers should obtain a valuation by an independent registered valuer.

First Homes eligibility criteria

The national criteria for First Homes require that they must be sold to first-time buyers (as defined in paragraph 6 of schedule 6ZA of the Finance Act 2003 for the purposes of Stamp Duty Relief for first-time buyers) and will not be sold to any household with a combined annual income of more than £80,000.

Members of the armed forces, the divorced or separated spouse or civil partner of a member of the armed forces, the spouse or civil partner of a deceased member of the armed forces (if their death was caused wholly or partly by their service) or veterans within five years of leaving the armed forces should be exempt from any local connection testing restrictions.

Currently, the First Homes eligibility criteria doesn't take into consideration households which have separated because of divorce, but these may be considered in the future.

First Homes local connection criteria

Local authorities can set their own local criteria for some aspects of eligibility. A property will be marketed as a first home for a total of six months. Any local criteria set will apply for the first three months; thereafter, they will revert to the national criteria for the remaining three months as mentioned above.

West Suffolk Council will apply the local connection criteria based on work or current residency as set out below:

- a. current residence in West Suffolk for a minimum period of six of the past 12 months, or previous residence for a period of not less than three of the past five years; then
- b. a family connection through mother, father, brother or sister, son or daughter, being resident in West Suffolk for a period of not less than five years; and then
- c. employment in West Suffolk for 16 hours or more per week
- d. current residence, family connection or an employment connection, where the time period conditions referred to at a and b above have not been met.

The above will be applied for the first three months from when the First Home is placed onto the market. If a suitable applicant is unable to be found within these three months, the eligibility criteria will revert to national criteria to widen the consumer base. At the end of the six-month period, if the property has not been sold, the First Homes property will switch to an open market sale home and the discounted amount (30 per cent) will be paid to the local authority. It must be evidenced that the First Home has been advertised for the stated amount of time and on the appropriate platforms before the developer is able to switch to open market sale.

Developer contributions for First Homes

The implementation of First Homes policy is not intended to affect the overall value of developer contribution; it should capture the same value of contributions as before. Should an applicant wish to provide First Homes as part of the affordable housing contribution, a minimum of 25 per cent of all affordable housing units secured through developer contributions should be First Homes. Subject to planning approval, First Homes (and the mechanism securing the discount in perpetuity) will be secured through Section 106 planning obligations.

The 25 per cent First Homes contribution can make up or contribute to the 10 per cent overall number of homes expected to be an affordable home ownership product on major developments as set out in the National Planning Policy Framework (NPPF) Paragraph 65.

Planning practice guidance therefore advises that “If a planning application for a major housing site in which 25 per cent of the affordable homes are First Homes does not deliver enough First Homes to meet the 10 per cent affordable home ownership expectation in the NPPF, additional affordable home ownership homes may be provided on top of the First Homes provision, to meet this expectation.”

It is expected that, where additional affordable home ownership homes are needed to meet the 10 per cent NPPF requirement, applicants will be encouraged to provide these as ‘shared ownership’ homes to enable those in housing need to access an alternative affordable home ownership model.

For example, a development of 80 homes would be expected to provide 24 affordable homes to comply with local plan policy of 30 per cent. 25 per cent of these affordable homes could be provided as First Homes, which would equate to six First Homes (broadly speaking, 7.5 per cent of the total number of homes provided on site). The NPPF requirement that at least 10 per cent of homes on this site should be available for affordable home ownership would equate to eight homes. So, an additional two affordable home ownership properties would be expected.

Once a minimum of 25 per cent 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.

Worked examples

As West Suffolk does not have a specific social rented policy, once the policy provision for affordable housing is secured, the tenure mix required for those dwellings would then need to take into account the First Homes requirement and the remaining tenure types, secured in relative proportions as set out in the development plan and, in the case of West Suffolk, the Affordable Housing Supplementary Planning Document:

- former Forest Heath area – 70 per cent rented and 30 per cent shared ownership
- former St Edmundsbury area – 80 per cent rented and 20 per cent shared ownership

Table 2: Tenure outcomes using hypothetical 175 dwelling scheme

		Former St Edmundsbury	Former Forest Heath
100%	Affordable housing	52	52
25%	First Homes	13	13
75%	Remaining affordable housing	39	39
10%	NPPF requirement of all homes to be delivered as low cost home ownership	18	18
	Method	39 split in line with the proportions set out in the local plan policy but including First Homes within the policy for low cost home ownership	39 split in line with the proportions set out in the local plan policy but including First Homes within the policy for low cost home ownership
	Affordable or social rent	34	34
	Low cost home ownership	5 (to meet 10% NPPF: 13 + 5 = 18)	5 (to meet 10% NPPF: 13 + 5 = 18)

Securing First Homes in Section 106 (S106) agreements

All restrictions, including discount level and eligibility criteria will be secured in the S106 agreement. The S106 agreement will require that, at the initial point of sale, the developer must enter a restriction on the title register which ensures that the title cannot be transferred unless the S106 agreement restrictions are adhered to.

Government has developed a model S106 agreement that includes wording for a model title restriction, recognised by HM Land Registry, and will ensure the homes retain their discount in perpetuity.

The local authority will ultimately 'sign off' the title transfer when it is satisfied and is able to lift the restriction if or when necessary.

A mortgagee protection clause will be required so that a lender can enforce its security by selling at the full market value. Any surplus up to the value of the First Homes discount should be returned to the local authority.

First Homes exception sites

Exception sites are small sites brought forward outside of development plans in order to deliver affordable housing and currently consist of rural exception sites and entry-level exception sites.

The Government is replacing entry-level policy with a 'First Homes exception sites' policy, in order to encourage First Homes-led developments on land that is not currently allocated for housing. Local authorities should support the development of these First Homes exception sites, suitable for first-time buyers, unless the need for such homes is already being met within the local authority's area. Local connection criteria may be set where these can be supported by evidence of necessity and will not compromise site viability. First Homes exception sites should be on land which is not already allocated for housing and should:

- comprise First Homes
- 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.

A small proportion of market homes may be allowed on the site at the local authority's discretion, where the applicant has provided evidence that the site would be unviable without such housing being included. Evidence would typically be in the form of a detailed viability assessment prepared in line with planning practice guidance on viability in decision taking. Also, a small proportion of other affordable homes may be allowed on the sites where there is significant identified local need. Applicants will be expected to provide evidence of this need in the form of a Local Housing Needs Assessment, local authority housing register or other sufficiently rigorous local evidence.