

First Homes: Interim Policy Statement

1. Introduction

First Homes are an affordable home ownership product introduced by the Government that allows first time buyers to get onto the housing ladder at a reduced price.

On 24 May 2021, a [Written Ministerial Statement](#) and [Planning Practice Guidance](#) were published setting out further details on the First Homes policy and procedures, and confirmed an implementation date of 28 June 2021.

This Interim Policy Statement is based on this guidance. It sets out how the Council will implement First Homes in its planning decisions until such time as the policy approach for First Homes is established through the Local Plan Review. The Statement will;

- Enable developers, councillors and officers to understand how the First Homes policy will work in practice;
- Help the Housing Team to maintain the affordability of the First Homes for the appropriate customer group, and to limit the impact that the delivery has on the affordable and social rented tenures; and
- In particular, it will clarify the Council's application of a local connection criteria

2. Key details of First Homes

Although the definition of affordable housing in Annex 2 of the [National Planning Policy Framework 2021 \('the Framework'\)](#) has not been updated, the guidance states that First Homes should be considered as meeting the definition of affordable housing for planning purposes.

The Government's policy on First Homes, as set out in the Written Ministerial Statement and Planning Practice Guidance, is a material consideration for the Council when determining planning applications and in relation to the provision and type of affordable housing on market-led sites.

Scheme requirements

1. At least 25% of affordable homes delivered on each qualifying site must be delivered as First Homes. (see exemptions in Section 3); and
2. The discount must be at least 30% of open market value. Local authorities can set policies that seek discounts of 40% or 50% if they

can evidence the need and viability through their Local Plan process;
and

3. There will be a price cap for qualifying properties, and the maximum purchase price after the discount will be £250,000. Lower price caps can be applied through Local Plans or Neighbourhood Plans where supported by evidence; and
4. Local authorities can apply their own local connection criteria and other criteria such as giving priority to keyworkers, subject to providing evidence of the need to include such restrictions; and
5. First and subsequent sales must be to households meeting national eligibility criteria, with optional local criteria (e.g. local connection or occupation criteria); and
6. The discount and first time buyer eligibility requirement will be held in perpetuity and secured through a restriction on the title with the Land Registry and through Section 106 agreements, i.e. when any First Homes are sold to subsequent purchasers the same level of discount and first time buyer eligibility criteria will apply. It is expected that the Government model s106 agreement template will be used; and
7. A Mortgagee Exclusion Clause is set out to protect lenders to encourage competitive lending against First Homes; and
8. Local connection criteria can only be applied for the first 3 months of marketing, after which a property can be sold to any purchaser from anywhere in England, subject to meeting the criteria around household income, first time buyer eligibility, and with the discount still being held in perpetuity; and
9. In the event that a First Home cannot be sold to a qualifying purchaser within 6 months of marketing, the property can be sold as an open market home and the seller pays the Council a cash contribution in lieu of the 30% discount. This requirement will be secured in the S106 agreement.

Household Requirements

- Purchasers must be first time buyers. In the case of joint purchasers both must be first time buyers; and
- Purchasers are eligible to purchase a First Home if they have household income of less than £80,000 (this is the same as the qualifying criteria for shared ownership housing); and
- A First Home must be a purchaser's only home; and

- At least 50% of the discounted value of the property must be financed via a mortgage or other similar form of finance;

3. Exemptions from requirements to deliver First Homes

Paragraph 65 of the National Planning Policy Framework sets out that for major development involving the provision of housing, 10% of all homes on site should be affordable home ownership products, unless the site or proposed development:

- Provides solely for Build to Rent homes;
- Provides specialist accommodation for a group of people with specific needs (such as purpose-built accommodation for the elderly or students);
- Is proposed to be developed by people who wish to build or commission their own homes; or
- Is exclusively for affordable housing, an entry-level exception site or a rural exception site.

First Homes are an affordable home ownership product. Where specific developments are exempt from delivering affordable home ownership products under paragraph 65 of the Framework, in accordance with Government policy they shall also be exempt from the requirement to deliver First Homes.

4. Principles for First Homes in North West Leicestershire

The Council has an [Affordable Housing Supplementary Planning Document \(SPD\)](#) agreed in 2021. Amongst other things, this establishes how the First Homes provision is applied alongside Policy H4 of the adopted Local Plan and also the requirement in the National Planning Policy Framework that 10% of all homes on a site should be for affordable home ownership.

As highlighted above, in addition to the national criteria local authorities can set their own eligibility criteria.

Until a decision is made regarding local policies as part of the current review of the Local Plan, negotiations will be based on the following criteria.

a. Discount level of 30%

The government Guidance sets out a requirement for a minimum 30% discount from open market value, but higher discounts of 40% or 50% may be applied where a need is demonstrated through evidence and confirmed in a Local Plan policy.

At this stage, the Council is applying the national minimum discount of 30%. This applies across all settlements and locations in the District

Until such time as evidence is available to suggest differently, and taking into account the impact on site viability NWLDC will apply the national discount of 30%

b. A price cap of £250,000 after discount

The maximum purchase price for a First Home for the initial sale only is £250,000 after discount. Assuming that discount is capped at 30%, the maximum open market value before discount would be in the region of £357,000. Whilst the 30% discount will apply when a First Home is sold on in the future, the price cap does not apply to resales.

Local Authorities have discretion to set lower price caps if they can demonstrate a need for this. Any local price caps can be determined through the local plan making process with regard to local income levels, related to local house prices and mortgage requirements.

Until such time as evidence is available to suggest differently, and taking into account the impact on site viability, NWLDC will apply the national price cap of £250,000 after discount

c. A combined annual household income not exceeding £80,000

The household income limit of £80,000 proposed by government is in line with the existing criteria for all other low cost home ownership products, and the data available to us via the Help to Buy Agent is based on that limit.

North West Leicestershire has been designated as an area of high affordability issues by Homes England. Therefore, at this time there is not a justification for having a lower income cap, particularly as such a reduction would reduce the number of purchasers who can afford to buy a First Home.

Until such time as evidence is available to suggest differently, and taking into account the impact on site viability NWLDC will apply the national household income level of £80,000

d. Local Connection

Local Authorities can set their own local connection criteria for the sale of First Homes. The Council has an established connection test as part of our housing allocations policy.

NWLDC will apply the following Local Connection criteria to all First Homes to ensure that residents and people with a connection to the District are prioritised.

NWL local connection criteria mean an individual or individuals who satisfy any one or more of the following circumstances;

- a) they currently reside on a permanent basis within the District;

- b) they have lived in the District for at least 6 months in the last 12 months or for at least three out of the last five years;**
- c) they or a member of their household are employed on a permanent basis for a minimum of twelve months within the District (with confirmation from their employer);**
- d) they have parents brothers sisters or adult children living within the District for at least five years (including step-family equivalents);**
- e) they have no local connection but are fleeing violence or threats of violence and have been accepted as priority homeless by the District Council; or**
- f) such other special circumstances approved from time to time on an individual basis by the District Council in writing**

In recognition of the unique nature of their circumstances, 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, are exempt from any local connection testing restrictions.

Local connection criteria can only be applied for the first three months of advertisement. After 3 months, if the property has not sold to someone meeting the local criteria, the seller can sell the property to someone with no local connection, provided that they still qualify as a first time buyer, and are within the household income limit. Marketing to a household without a local connection will again be for 3 months.

e. Key Workers

The local connection test refers to people employed in the district but does not make any specific provision for key workers. The guidance allows for the definition of key worker to be defined locally and that it “could be any person who works in any profession that is considered essential for the functioning of a local area”. This is a matter which will require further investigation and so it is suggested that the interim policy not include provision for key workers, but that this be considered as part of the Local Plan review.

North West Leicestershire District Council will consider key worker requirements as part of the Local Plan review. In the meantime, NWLDC will not attach specific priority to key workers or other specific client groups.

5. Housing Mix

The Affordable Housing SPD establishes how the First Homes provision would be applied alongside Policies H4 (Affordable housing) and H6 (Housing mix) of the adopted Local Plan and the requirement in the National Planning Policy Framework that 10% of all homes on a site be affordable properties. Further details can be found in Section 2 of the SPD.

The mandatory inclusion of First Homes as 25% of all affordable homes on qualifying sites will almost certainly result in a reduction in other affordable housing tenures particularly rented properties. In order to minimise the impact, the Council will ensure that Local Plan policies are applied for the remainder of the affordable housing delivered on these sites, with emphasis on delivery of social rented homes for those on lowest incomes wherever possible and financially viable, consistent with the Council's adopted Affordable Housing SPD.

7. Other Matters

First Homes are intended to be used as a person's sole or primary residence and should not be used for investment or commercial gain. However, there are occasions when it may be necessary for owners of First Homes to let out their property for short periods of time, especially in response to unexpected life events.

Therefore, in accordance with the Government's policy, a First Home owner can only rent out their home for a maximum period of two years, as long as the local authority is notified. Longer rental periods will be considered under the following circumstances:

- deployment elsewhere (for members of the Armed Forces);
- primary caring responsibilities for relative/friend;
- short job posting elsewhere;
- redundancy; domestic abuse;
- and relationship breakdown.

This will not affect restrictions on letting a property prescribed by a mortgage lender and permission from them would likely also be required.

8. Section 106 agreements

The PPG sets out that the landowner should enter into a planning obligation under section 106 of the Town and Country Planning Act 1990 that:

- a) secures the delivery of the First Homes; and,
- b) ensures that a legal restriction is registered onto a First Home's title on its first sale

The Government has published [Model Section 106 Agreement for First Homes](#) and recommends that this model agreement is used. The Council will use these clauses

in relation to the First Homes on a scheme and any other affordable housing in the same scheme will be covered by the Council's standard S106 agreement wording for affordable housing.

Further Sources of Information

[Written Ministerial Statement 24th May 2021](#)

[Planning Practice Guidance – First Homes](#)

[North West Leicestershire Affordable Housing Supplementary Planning Document \(2021\)](#)

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