

First Homes: Technical Advice Note

A new affordable housing tenure, First Homes, was announced in a [Ministerial Statement](#) and updated the [Planning Policy Guidance](#) (PPG) on 24th May 2021.

It is Government policy to promote home ownership and First Homes is a discounted open market tenure for first time buyers and is similar to the Discounted Open Market Tenure currently operating in Somerset West and Taunton (SWT).

Government's intention is now for First Homes to be delivered at scale through the planning system, with approximately 10,000-20,000 new properties a year nationally.

What is First Homes?

First Homes was introduced from the 28 June 2021.

First Homes are properties sold with a 30% discount on the market price. If there is supporting evidence Local Planning Authorities (LPA's) can choose to set the discount at 40% or 50%. SWT has decided to apply the national discount of 30%.

The value of First Homes, after the discount has been applied, is capped at the national level of £250,000. The price caps only apply on the initial sale, but the percentage discount applies on subsequent resales.

The LPA can set a local connection criteria or key worker clauses on the First Homes product.

Who is eligible for a First Home?

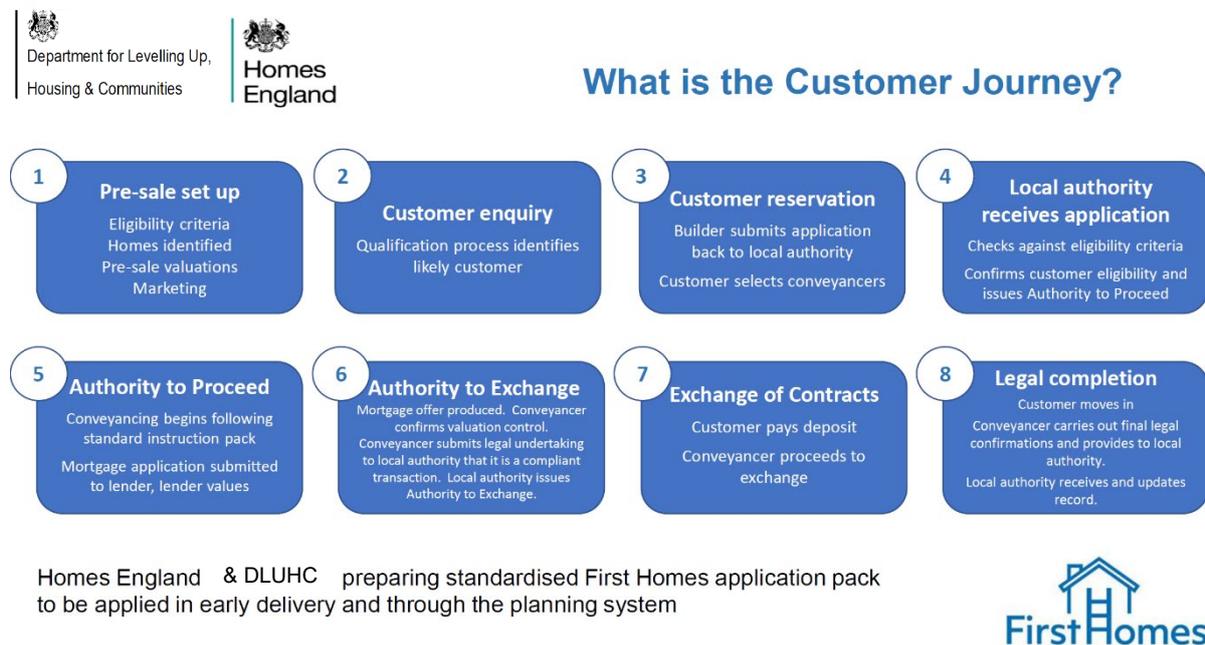
The broad criteria to be eligible to purchase a First Home is:

- All parties to the purchase must be first time homeowners (as defined in [paragraph 6 of schedule, 6ZA of the Finance Act 2003 for the purposes of Stamp Duty Relief](#)).
- The parties must have a combined income of less than £80k. Local Authorities can choose to set lower household income caps. SWT has decided to apply the national income cap.
- The parties must have a mortgage or home purchase plan for at least 50% of the discounted purchase price.

- The First Home must be the buyer’s main residence, and restrictions on lettings will be applied to the property.
- Local Authorities can choose to set a connection criteria or key worker clauses can be applied for the first three months of marketing. Members of the Armed Forces, veterans of up to 5 years and their spouses/civil partners in certain circumstances are exempt from any local connections or key worker criteria.

Process for purchasing First Homes

Governments intended customer journey.



First Homes and Planning

[Planning Practice Guidance](#) requires the first 25% of units of affordable housing on a site to be secured as First Homes. The remaining 75% will be prioritise for social rent as set out in the former West Somerset Local Plan to 2032 or the former Taunton Deane Core Strategy.

This will amend the current policy position tenure split of 60% social rent and 40% Intermediate Housing to 25% First Homes, 60% social rent, 15% Intermediate Housing.

It should be noted that para 64 [National Planning Policy Framework](#) July 2021 states that *Where major development involving the provision of housing is proposed, planning policies and decisions should expect at least 10% of the total number of homes to be available for affordable home ownership, unless this would exceed the level of affordable housing required in the area, or significantly prejudice the ability to meet the identified affordable housing needs of specific groups...*

First Homes are CIL exempt. Mandatory social housing relief applies to dwellings where first and subsequent sales are for no more than 70% of their market value ([CIL Regulation 49](#) (as amended by the [2015 Regulations](#) and the [2020 \(No. 2\) Regulations](#)). If a First Home is subsequently applied for and sold as an open market property within the CIL liable timescale then a CIL payment will be required for that property.

All restrictions, including discount level and eligibility will be contained in the developments Section 106 (S106) legal agreement. At initial point of sale, the seller (developer or homeowner) must enter a restriction on the title register which ensures that the title cannot be transferred unless the S106 restrictions are adhered to. Subsequent resales will be conditioned by the S106 and Title Register entry on the Land Registry.

The LPA will 'sign off' the initial and subsequent title transfer when they are satisfied the criteria for sale are met.

There are limited exemptions for the requirement of First Homes. These include;

- Developments which provide solely for Build to Rent homes
- Developments which provide specialist accommodation for a group of people with specific needs (such as purpose-built accommodation for the elderly or students)
- Developments by people who wish to build or commission their own homes (Self-Build and Custom-Housebuilding developments)
- Developments exclusively for affordable housing (i.e. 100% affordable housing schemes), entry-level exception sites or a rural exception sites
- Developments in National Parks.

Example of how First Homes will affect the tenure split on development sites.

A 100-dwelling scheme in former Taunton Deane area which would require a 25% affordable housing obligation i.e. 25 affordable homes the current policy equates to:

- 60% Social Rent = 15 dwellings
- 40% Intermediate Housing = 10 dwellings

With the introduction of First Homes Policy, whilst the social rent delivery remains unchanged the intermediate tenure is affected as follows:

25% must be First Homes = 6 dwellings (rounded-down from 6.25 dwellings)*

60% Social Rent = 15 dwellings

15% Intermediate Housing = 4 dwellings (rounded up from 3.75 dwellings)*

A 100-dwelling scheme in former West Somerset area which would require a 35% affordable housing obligation i.e. 35 affordable homes the current policy equates to:

- 60% Social Rent = 21 dwellings
- 40% Intermediate Housing = 14 dwellings

With the introduction of First Homes Policy, whilst the social rent delivery remains unchanged the intermediate tenure is affected as follows:

25% must be First Homes = 9 dwellings ((rounded up from 8.75 dwellings)*)

60% Social Rent = 21 dwellings

15% Intermediate Housing = 5 dwellings (rounded down from 5.25 dwellings)*

* = In all cases the provision of affordable units will be rounded to the nearest whole number. For example: 6.4 and below will be rounded to 6; 6.5 and above will be rounded to 7

Transition Arrangements for the Planning System

Local or Neighbourhood Plans which have reached publication stage, have been submitted for Examination or are submitted for Examination within 6 months of 28 June 2021 will not be required to reflect the First Homes requirements in their policies.

First Homes will not apply to sites with full or outline planning permissions already granted or determined (or where a right to appeal against non-determination has arisen) before 28 December 2021 (or 28 March 2022 if there has been significant pre-application engagement), although local authorities should allow developers to introduce First Homes to the tenure mix if they wish to do so.

Applications not determined within the transition period will have to be reassessed for First Homes. This may result in renegotiation of S106 agreements, reassessment of viability, recalculation of CIL.

Pre-planning advice and consultee comments given before 28 June 2021 may not contain First Homes advice. Development proposals currently under determination, new applications pre-application advice post 28 June 2021 will contain advice on First Homes.

Next Steps

SWT is working with DLUHC and Homes England to prepare for the introduction of First Homes. We are currently working on:

- Reviewing the National S106 Agreement Template and agreeing clauses to be included within the Council's existing draft S106 Affordable Housing template.

- Customising the National vetting documentation and incorporating First Homes process into the existing process for Discounted Open Market Housing.
- Providing First Homes information as part of Affordable Housing discussions.
- Continue to monitor National Guidance and work with other local authority partners to develop consistent and robust First Homes policy and process.

If you have any queries or would like to discuss this further, please contact housingenabling@somersetwestandtaunton.gov.uk or strategy@somersetwestandtaunton.gov.uk

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11 November 2021