

# First Homes Interim Policy Statement



OCTOBER 2022

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1. The [Written Ministerial Statement](#) (WMS) published 24 May 2021 made significant changes to the delivery of affordable housing by introducing a new affordable housing tenure called First Homes, as well as making changes to the current model of Shared Ownership. Planning Practise Guidance<sup>1</sup> on implementing First Homes was published alongside the WMS and was updated 23 December 2021. This note, which focuses on First Homes, is for those involved in the planning process within South Oxfordshire and Vale of White Horse districts.
2. This is a guidance note that seeks to summarise and explain the changes brought in by the introduction of First Homes and how this applies to South Oxfordshire and Vale of White Horse districts.

### **WHAT ARE FIRST HOMES?**

3. First Homes are a type of affordable housing, specifically a kind discounted market sale housing that must:
  - a) be discounted by a minimum of 30% against the Market Value<sup>2</sup>;
  - b) be sold to a person or persons meeting the First Homes eligibility criteria;
  - c) on their first sale, will have a restriction registered on the title at HM Land Registry to ensure this discount (as a percentage of current market value) and certain other restrictions are passed on at each subsequent title transfer; and
  - d) after the discount has been applied, the first sale must be at a price no higher than £250,000.

### **HOW MANY FIRST HOMES ARE REQUIRED?**

4. From the 28 June 2021, subject to the transitional arrangements, of all affordable housing units secured through developer contributions, 25% should be First Homes. This will affect affordable housing delivery in our districts in a number of ways.

#### **Tenure Split**

5. The current tenure split for affordable housing as set out in the districts' Local Plan Policies<sup>3</sup> are set out in Table 1.

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<sup>1</sup> First Homes, Planning Practice Guidance, available from <https://www.gov.uk/guidance/first-homes>

<sup>2</sup> Open market value should be established in accordance with paragraph 006 of the Planning Practice Guidance on [First Homes](#).

<sup>3</sup> Policy H9 of the [South Oxfordshire Local Plan 2035](#) and Policy CP24 of the [Vale of White Local Plan 2031](#)

Table 1: Tenure Split, prior to 28 June 2021

Tenure	South Oxfordshire	Vale of White Horse
Social Rent	35%	75%
Affordable Rent	40%	
Other routes to affordable home ownership	25%	25%

6. From the 28 June 2021, 25% of all affordable homes delivered should be First Homes. Once these have been secured social housing should be delivered in the same proportion as that set out in the Local Plan policy, with the remainder of the affordable housing tenures being delivered in line with the proportions set out in the Local Plan policy<sup>4</sup>. The amended tenure split for the districts is out in Table 2.

Table 2: Tenure split, post 28 June 2021

Tenure	South Oxfordshire	Vale of White Horse
First Homes	25%	25%
Social Rent	35%	56%
Affordable Rent	25%	
Other routes to affordable home ownership	15%	19%

7. The amended tenure split will need to be applied in accordance with the transitional arrangements set out below.

### **Value Capture**

8. When seeking to implement the changes introduced by the WMS, a policy compliant planning application should seek to capture the same amount of value through affordable housing obligations as would be captured under the local authority's published affordable housing policy.

## **HOW SHOULD FIRST HOMES BE DELIVERED?**

9. As shown above First Homes have become part of our affordable housing tenure requirements. There are a number of components of the First Homes policy that the councils and Neighbourhood Plan groups can influence. This note sets out what the default position will be, until any changes are made by the local plans or neighbourhood plans. It also sets out the components which may be influenced.

### **Discount Level**

10. Guidance<sup>5</sup> on First Homes explains that councils and Neighbourhood Planning groups have the discretion to apply a higher minimum discount of either 40% or 50% if they can demonstrate a need for this. The guidance suggests that a housing needs assessment (HNA) would be an appropriate method of demonstrating this need. The minimum discount value can only be set in planning policy at 30%, 40%

<sup>4</sup> Para 015, First Homes, Planning Practice Guidance, available from <https://www.gov.uk/guidance/first-homes>

<sup>5</sup> Para 004, First Homes, Planning Practice Guidance, available from <https://www.gov.uk/guidance/first-homes>

or 50% and not any other value, though developers who are able to offer higher discounts within their contributions should be free to do so.

11. Neighbourhood Planning groups considering influencing the discount level can obtain technical support to help the preparation of HNA and viability work. Information on how to obtain this technical support is accessible through the Locality Website, available [here](#).

12. Unless changes are made through policy or another mechanism, the discount level is 30%.

**Discount level in South Oxfordshire and Vale of White Horse:**

**The councils are considering the case for increasing the minimum national discount.**

**Until local evidence is available, and the development plan updated or a policy statement update issued, the minimum discount is set at 30% of market value.**

**Price Cap**

13. A lower price cap than £250,000 can be used by local authorities or neighbourhood planning groups if it can be demonstrated through local evidence there is a need. The price cap only applies to the first sale and not to any subsequent sales of any given First Home.

14. Any local price caps should be determined through the plan-making process with regards to local income levels, related to local house prices and mortgage requirements. Local price caps should only be used if there is a need for intermediate housing at a particular price below the national cap and homes can be deliverable of an appropriate size and price for first time buyers.

**Price cap in South Oxfordshire and Vale of White Horse:**

**The councils are considering lowering the price cap below the maximum national level.**

**Until local evidence is available, and the development plan updated or a policy statement update issued, the national price cap of £250,000 applies.**

## Eligibility Criteria

15. Purchasers of First Homes must meet the following criteria<sup>6</sup> nationally, unless changes are made by Local Plans or a Neighbourhood Plan then this is the default position, and should apply to all subsequent sales of a First Home property:

- a. They should be a first-time buyer<sup>7</sup>;
- b. whether individuals, couples or group purchasers, they should have a combined annual household income not exceeding £80,000 in the tax year immediately preceding the year of purchase.
- c. A purchaser of a First Home should have a mortgage or home purchase plan (if required to comply with Islamic law) to fund a minimum of 50% of the discounted purchase price.

16. Councils and neighbourhood planning groups can apply eligibility criteria in addition to the national criteria<sup>8</sup>. These criteria are set out below.

### Income caps

17. The income cap for those eligible to access First Homes can be lowered if it can be justified with reference to local average first time buyers' income. 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.

### **Income cap in South Oxfordshire and Vale of White Horse:**

**The councils are considering lowering income caps below the minimum national level.**

**Until evidence is assessed and the development plan updated or a policy statement update issued, the national income cap of £80,000 for eligibility applies.**

### A local connection test

18. A local connection test can be applied which may include but is not limited to, current residency employment requirements, family connections or special circumstances. The application of these discretions should be administered

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<sup>6</sup> Para 007, First Homes, Planning Practice Guidance, available from <https://www.gov.uk/guidance/first-homes>

<sup>7</sup> as defined in paragraph 6 of schedule 6ZA of the Finance Act 2003 for the purposes of Stamp Duty Relief for first-time buyers.

<sup>8</sup> Para 008, First Homes, Planning Practice Guidance, available from <https://www.gov.uk/guidance/first-homes>

carefully and ensure that they do not limit the eligible consumer base to the point that homes become difficult to sell.

19. Criteria can also be introduced based on employment status so that key workers are able to access affordable housing. The definition of Key Worker should be determined locally and could be any person who works in any profession that is considered essential for the functioning of a local area.
20. Any local eligibility criteria will apply for a maximum of 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.
21. In recognition of the unique circumstances of the Armed Forces, local connection criteria should be disapplied 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.

#### **Local connection test in South Oxfordshire and Vale of White Horse:**

**The councils will require First Homes to be prioritised for the first 3 months of marketing to eligible applicants that meet the Councils local connection and other criteria set out within the Councils' Housing Allocations Policy<sup>9</sup> and any additional eligibility criteria set out within a 'made' Neighbourhood Development Plan. The local connection criteria are disapplied in certain circumstances in accordance with the PPG<sup>10</sup>.**

#### **Key worker eligibility in South Oxfordshire and Vale of White Horse:**

**The councils do not currently define Key Workers. The Councils are considering the case for local evidence to prioritise key workers for eligibility for First Homes and will keep this under review. Until such time that Key Workers are defined no additional eligibility criteria or prioritisation are imposed.**

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<sup>9</sup> Page 13, South Oxfordshire and Vale of White Horse District Councils Housing Allocation Policy, available from <https://www.southoxon.gov.uk/wp-content/uploads/sites/2/2021/03/Housing-Allocations-Policy-February-2019.pdf>

<sup>10</sup> Para 007, First Homes, Planning Practice Guidance, available from <https://www.gov.uk/guidance/first-homes>

## First Home Exception Sites

22. A First Homes exception site is an exception site (that is, a housing development that comes forward outside of local or neighbourhood plan allocations to deliver affordable housing) that delivers primarily First Homes. First Homes exception sites can come forward on unallocated land outside of a development plan. They cannot come forward in areas designated as Green Belt, or designated rural areas as defined in Annex 2 of the National Planning Policy Framework. However, First Homes can come forward in these locations if they are delivered as part of a rural exception site which can come forward in any rural area<sup>11</sup> where in accordance with the relevant development plan policies.
23. First homes exception sites should be proportionate in size to the existing settlement<sup>12</sup>. Applicants should engage with the relevant council to discuss the scale and appropriateness of their proposals.

## Securing Developer Contributions

24. Section 106 agreements should be entered into that secures the delivery of first homes and ensures that a legal restriction is registered onto a First Home's title on its first sale. The government has published template planning obligations<sup>13</sup> for this purpose, which local planning authorities and home builders can use in preparing s106 agreements prepared locally. Please note that these model clauses are not for use with any of the government's grant-funded pilot programmes delivered through Homes England. If you are delivering First Homes as part of one of these pilot programmes, you should use the documents provided by Homes England for this purpose.
25. When a First Home is sold by the developer to the first owner, a restriction is to be entered onto the title register identifying the unit as a First Home. This restriction should ensure that the title cannot be transferred to another owner unless the relevant local authority certifies to HM Land Registry that the First Homes criteria and eligibility criteria have been met, including the discounted sale price.
26. In accordance with paragraph 63 of the NPPF<sup>14</sup>, affordable housing is expected to be delivered on-site unless off-site provision or a financial contribution in lieu can be robustly justified, and the agreed approach contributes to the objective of creating mixed and balanced communities. Where financial contributions for affordable housing are secured instead of on-site units, a minimum of 25% of these contributions should be used to secure First Homes. Where a mixture of financial

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<sup>11</sup> Para 011 and 012 Housing needs of different groups, Planning Practice Guidance, available from <https://www.gov.uk/guidance/housing-needs-of-different-groups#rural-exception-sites>

<sup>12</sup> Para 026 First Homes, Planning Practice Guidance, available from <https://www.gov.uk/guidance/first-homes>

<sup>13</sup> First Homes: Model Section 106 Agreement (for developer contributions) available from <https://www.gov.uk/government/publications/first-homes-model-section-106-agreement-for-developer-contributions>

<sup>14</sup> Available from [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/810197/NPPF\\_Feb\\_2019\\_revised.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/810197/NPPF_Feb_2019_revised.pdf)

contributions towards affordable housing and on-site units are secured, 25% of the overall value of affordable housing contributions should be applied to First Homes.

## **COMMUNITY INFRASTRUCTURE LEVY**

27. The Community Infrastructure Levy (CIL) Regulations 2010 (as amended) make provisions for charging authorities to give relief or grant exemptions from the levy. These regulations allow developers of First Homes to obtain an exemption from the requirement to pay CIL.

28. Mandatory social housing relief can apply in respect of dwellings where the first and subsequent sales are for no more than 70% of their market value. To be eligible, a planning obligation must be entered into prior to the first sale of the dwelling designed to ensure that any subsequent sale of the dwelling is for no more than 70% of its market value. This relief will therefore be available for First Homes. Regulations 49-54 of the Community Infrastructure Levy Regulations (as amended) defines where social housing relief applies.

## **TRANSITIONAL PERIOD**

29. The guidance sets out nationally agreed transitional period for plan making and for decision making.

### **Plan Making**

30. Local plans and neighbourhood plans that have reached advanced stages of preparation will benefit from transitional arrangements. Local plans and neighbourhood plans submitted for examination before 28 June 2021, or that have reached publication stage by 28 June 2021 and subsequently submitted for examination by 28 December 2021, will not be required to reflect the First Homes policy requirement.

### **Decision Making**

31. The new First Homes policy requirement does not apply for the following:

- a. 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.
- b. applications for full or outline planning permission where there has been significant pre-application engagement<sup>15</sup> which are determined before 28 March 2022.

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<sup>15</sup> Paragraph 021 of the PPG guidance on [First Homes](#) sets out what constitutes 'significant pre-application engagement'



- c. sites where local and neighbourhood plans are adopted/made under the transitional arrangements. These transitional arrangements will also apply to permissions and applications for entry-level exception sites.

If an applicant wishes to amend a planning application to include First Homes which is already submitted and likely to be granted before these dates, the local planning authority should be flexible in accepting First Homes as an alternative type of tenure.

### **Further Information**

For further information on First Homes in South and Vale please get in touch with our customer service team:

- Email
  - [planning.policy@southandvale.gov.uk](mailto:planning.policy@southandvale.gov.uk)
- Phone - 01235 422 422 (Text phone users add 180)

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