



# Introduction to First Homes

The story so far...



First Homes is a government policy to promote home ownership. It is a major priority for the Department.



An initial Consultation and Analysis phase took place from Feb 2020-Aug 2020. The LGA and DCN, as well as 100+ local authorities, provided responses.



This was followed by a technical consultation – a response was issued on 1 April 2021. Planning Practice Guidance and a WMS were released on 24 May 2021.



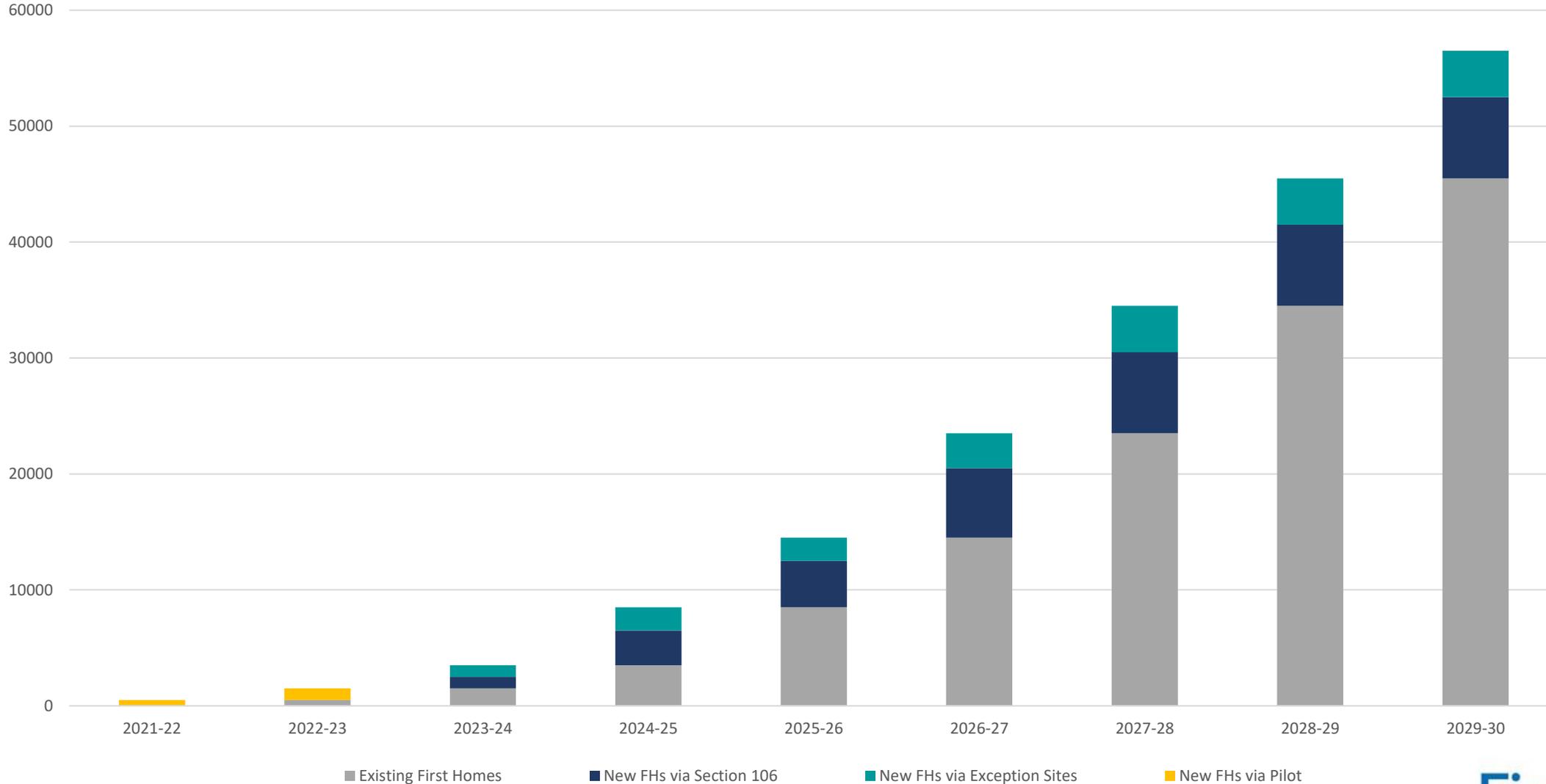
Over the last year, we have been heavily engaging with stakeholders, including local authorities, developers, mortgage lenders, RICS, the Law Society, HMRC and HMLR.



First Homes will be delivered at scale through the planning system, with approximately 10,000-20,000 new properties a year. It will be a significant, long-lasting tenure. In advance of that, we have some small-scale pilots underway and an early delivery programme delivering 1,500 First Homes.



# Illustrative Cumulative First Homes Supply\*



\*Exception sites figures based on assumptions around ability of local authorities to increase exception sites supply. S106 figures are 25% of projected (as of Autumn 2020) affordable housing units to be delivered via S106 contributions. All estimates are subject to economic conditions and are subject to change.





# First Homes – National Criteria



## The Homes



- First Homes are sold with a 30% discount on the market price. The percentage discount is kept in perpetuity.
- The value of First Homes, *after the discount has been applied*, will be capped at £250,000, or £420,000 inside London. Price caps only apply on the initial sale.

## The Buyers



- Only for first-time buyers (as defined in paragraph 6 of schedule 6ZA of the Finance Act 2003 for the purposes of Stamp Duty Relief).
- For joint purchases, both parties must meet the first-time buyer criteria.
- A household income of not more than £80,000, or £90,000 in Greater London.
- Buyers must have a mortgage / home purchase plan covering at least 50% of the discounted purchase value.
- The First Home must be the buyer's only or main residence, and restrictions on lettings apply.



## First Homes – Local Criteria

### The Homes

- Local authorities can choose to set the discount at 40% or 50%. *(National default is 30%)*
- Local authorities can choose to set lower price caps. Again, these caps only apply on the initial sale. *(National default after the discount is £250,000, or £420,000 in London)*

### The Buyers

- Local authorities can choose to set lower household income caps. *(National default is £80,000, or £90,000 in London)*
- Local connection and/or key worker criteria can be applied.
- Members of the Armed Forces, veterans of up to 5 years and their spouses/civil partners in certain circumstances are exempt from any local connection or key worker criteria.



## Some local criteria falls away, if a property doesn't sell

- Local criteria in respect to:
  - local connections / key workers
  - household income caps

applies for the **first three months** of marketing. If there is no sale after three months, any such local criteria falls away and the default national criteria applies.

- **Discount levels** and **price caps** set by the local authority do not change.
- If there is still no sale after another three months, local authorities will be able to switch the First Home into a normal market sale home. The discounted amount would be paid back to the local authority.





# How will local authorities be supported?

## Provision of standard documentation

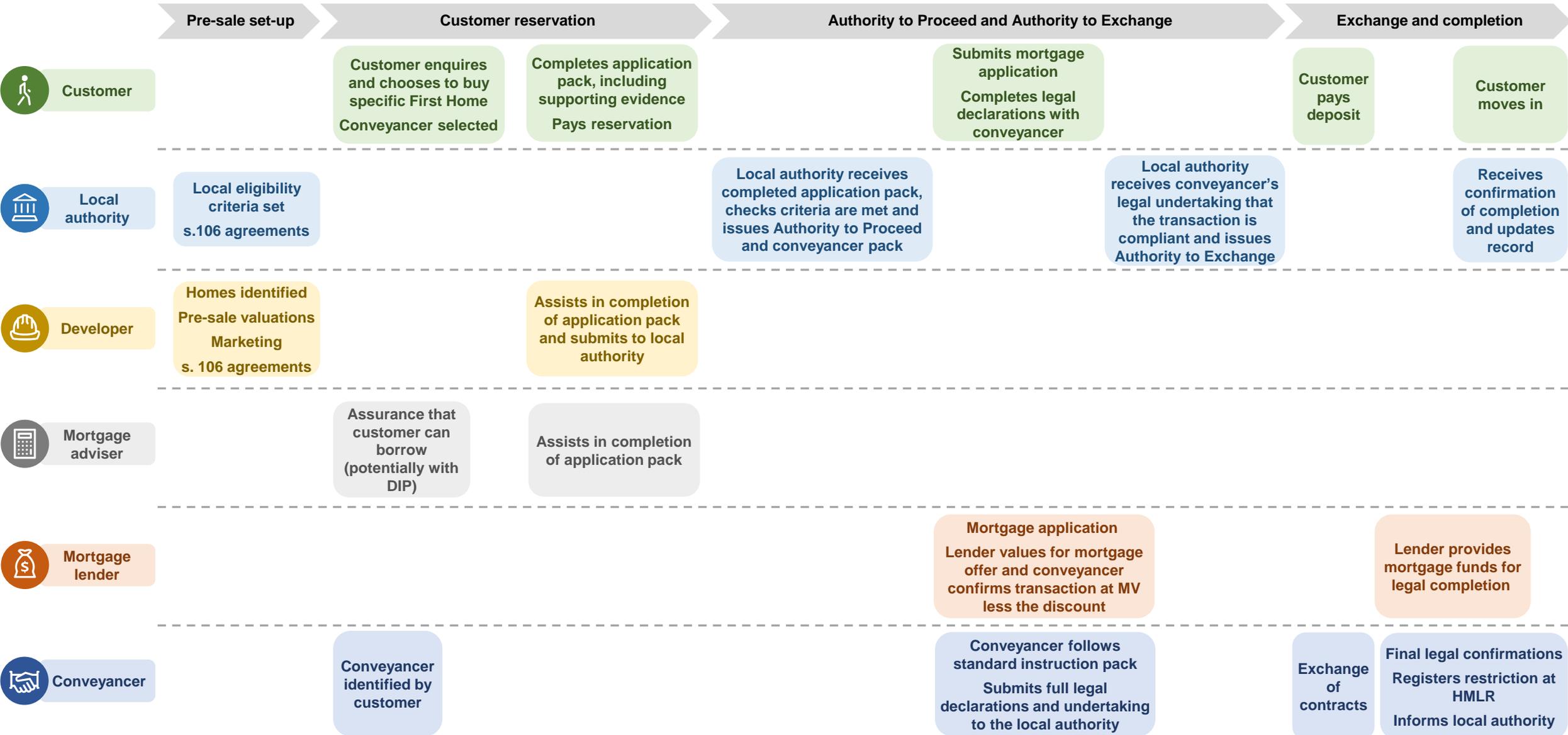
MHCLG / Homes England will provide local authorities with the following documents to aid the First Homes sales process:

- S106 model clauses
- Reservation application template
- Authority to Proceed template
- Authority to Exchange template
- Instructions to conveyancers, including legal undertaking to the local authority
- Customer guide





# Application Process





# Ensuring discounts and restrictions in perpetuity

## How are the discounts and restrictions passed on to future purchasers?

- All restrictions, including discount level and eligibility, are contained in the s106 agreement
- The s106 will require that, at initial point of sale, the seller (developer) must enter a restriction on the title register which ensures that the title cannot be transferred unless the s106 restrictions are adhered to.
- The local authority will ultimately 'sign off' the title transfer when they are satisfied, and are able to lift the restriction if/when necessary

## Why are we using s106?

- It will be there anyway
- It will 'run with the land'



## Our model s106 agreements - overview

### Set out what we consider necessary, for example:

- Quantum
- Type and distribution
- Development standards
- Sale and ownership restrictions
- Use restrictions (e.g. letting)
- Mortgagee protection clause

### Allows for flexibility to suit local or site-by-site circumstances

- Most clauses are square-bracketed allowing for edits and alterations
- We expect this to be used as a model and changed/edited as required
- We do not expect all agreements to be the same

### Includes specific, HMLR approved wording for the title restriction:

*"No disposition of the registered estate (other than a charge) by the proprietor of the registered estate or by the proprietor of any registered charge, not being a charge registered before the entry of this restriction, is to be registered without a certificate signed by [Local Authority] of [address] or their conveyancer that the provisions of clause XX (the First Homes provision) of the Transfer dated [Date] referred to in the Charges Register have been complied with or that they do not apply to the disposition"*

### We cannot force all LAs to use these model clauses, but we strongly recommend it

- It will reduce negotiation and save time and money
- It will give confidence to lenders that the product meets their requirements
- **Deviation from the standard restriction wording may create future problems**



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# Developer Contributions

PAS Workshop  
29 July 2021



## 25% minimum requirement

### Addressing the 25% First Home requirement in plans

- Plans should set out the contributions expected from development, including the levels and types of affordable housing provision required.
- Policies should reflect a requirement for a minimum of 25% of all affordable housing units secured via developer contributions being First Homes.



## On-site delivery

- On-site delivery is expected (para 62 NPPF)  
Unless...
- Off-site provision (or financial contribution in lieu) can be robustly justified, and
- The agreed approach contributes to the objective of creating mixed and balanced communities.

## Mixture of cash contributions

Where a mixture of cash contributions towards affordable housing and on-site delivery are secured:

- 25% of the overall value of affordable housing contributions should be applied to First Homes.

# Securing developer contributions

## Cash contributions

- Where cash contributions are secured instead of on-site units, a minimum of 25% should be used to secure First Homes.
- For example:
  - Acquiring additional First Homes from market development;
  - Paying the developer a sum to offset the discount from market price; and
  - Securing the tenure via section 106 planning obligations.



## What about the 75%?

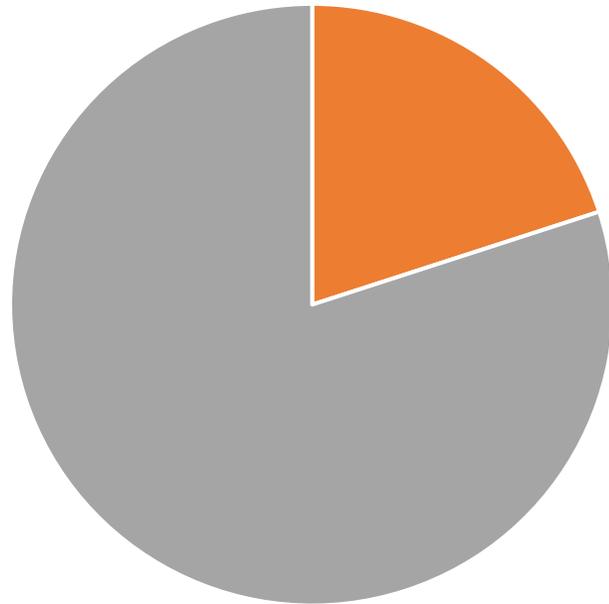
### The remaining 75%

- Once the minimum requirement of 25% of affordable housing being First Homes has been satisfied, social rent should be delivered in the same percentage as the local plan.
- The remainder of Affordable Housing tenures should be delivered in line with the proportions set out in the local plan policy.

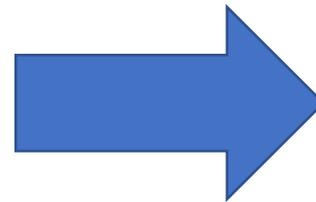


# Example 1

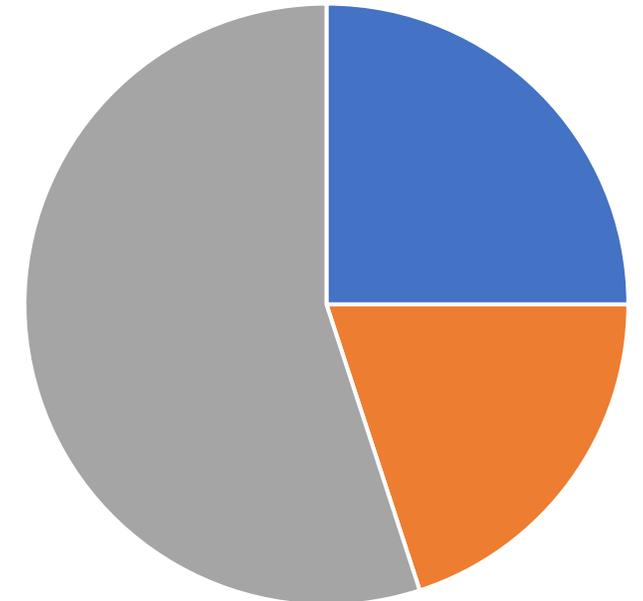
Local Plan Policy



■ Social Rent ■ Shared O'ship



Policy Compliant Application



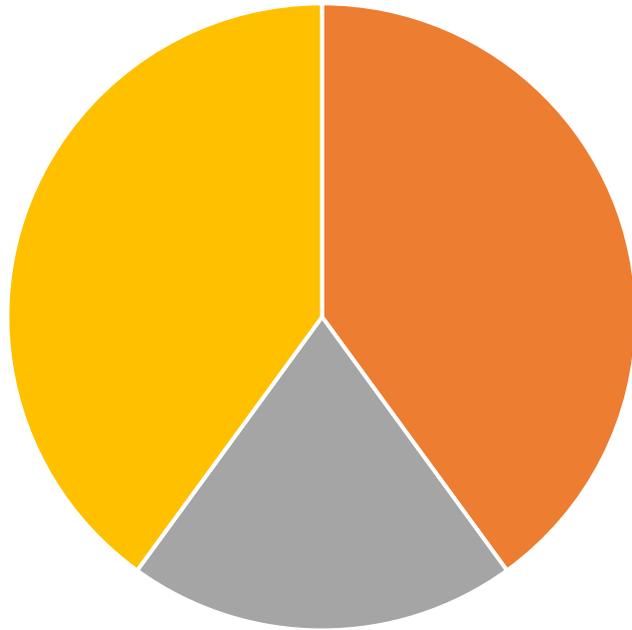
■ First Homes ■ Social Rent ■ Shared O'ship



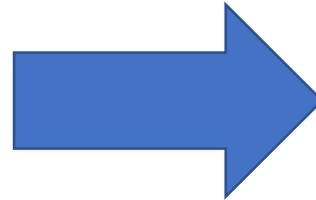


## Example 2

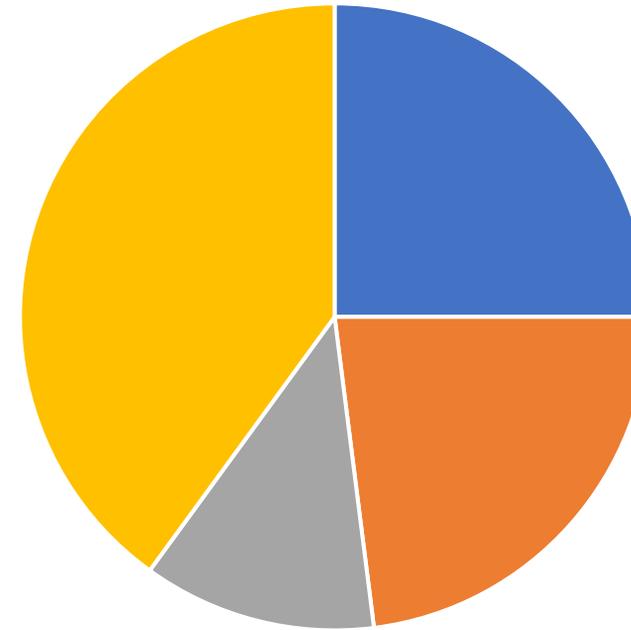
Local Plan Policy



■ Affordable rent ■ Shared O'ship ■ Social rent



Policy Compliant Application



■ First Homes ■ Affordable rent ■ Shared O'ship ■ Social rent



## CIL and First Homes

- Mandatory social housing CIL relief can apply in respect of dwellings:
    - First and subsequent sales are no more than 70% of market value.
    - Planning obligation must be entered into before first sale of the dwelling to ensure subsequent sales are for no more than 70% of market value.
- ➔ This means that First Homes qualify for relief.
- For more info, see [CIL guidance](#)





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# Plan Making and Decision Making

PAS Workshop  
29 July 2021



# First Homes – Transitional Arrangements for Plan Making



## What are the Transitional Arrangements for Plan Making?

- Local plans and neighbourhood plans that have been submitted for examination before 28 June 2021 are **not required** to reflect the First Homes policy requirements
- Local plans and neighbourhood plans that have reached publication stage by 28 June 2021 will also not be required to reflect the First Homes policy requirement as long as they are submitted for examination before 28 December 2021.

### **However:**

- *Inspectors should consider through the examination whether a requirement for an early update of the local plan might be appropriate.*



# First Homes – Plan Making effect where Transitionals do not apply



## How should local authorities reflect First Homes where transitional arrangements do not apply?

- As a first step, reflecting the fact that new policies will take time to introduce, the LPA should clarify how **existing policies** should be interpreted in the light of First Homes requirements.
- We have also encouraged LPAs (through guidance) to ensure that First Homes will **work well** locally, include considering: higher minimum discounts; lower price or income caps; local connection/key worker requirements; making specific development requirements clear.
- This should be done using the most appropriate tool available, which might include:
  - Publishing an interim policy statement at pace (short term);
  - Revising local plan policies through the next plan review (longer term);
  - In very specific circumstances, updating an existing Supplementary Planning Document (SPD).
- LPAs should assess their own circumstances when considering the most appropriate way to achieve this in their context, including seeking their own legal advice.



## Example – Most appropriate way to reflect First Homes



### What factors should LPAs consider in determining the best approach for introducing the new requirements?

- What is the best means of introducing First Homes at pace, whilst ensuring policies are afforded the appropriate weight?
- Could an interim policy statement be published to clarify how local plan policies should be interpreted in light of new national policy, or to clarify how the LPA will handle applications?
- What is the timetable for reviewing the local plan? Can First Homes policies be embedded as part of the next update?
- Is there an existing SPD (hooked to a local plan policy) that could be introduced and/or updated to reflect First Homes requirements? (Paying special attention to the legal limits of what can be introduced through an SPD)



# First Homes – Transitional Arrangements for Decision Making



## What are the Transitional Arrangements for Decision Making?

First Homes policy does not apply to:

- 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**
- applications for full or outline planning permission where there has been significant pre-application engagement which are determined before **28 March 2022**; and
- sites where relevant local and/or neighbourhood plans are adopted/made under the transitional arrangements – in these cases, the First Homes requirements will also not need to be applied when considering planning applications in the plan area until such time as the requirements are introduced through a subsequent update.

This transitional allowance will also apply to permissions and applications for entry-level exception sites.



# First Homes – Effect on Applications



## Can First Homes be included planning applications if the transitional arrangements apply?

- If an applicant wants to amend an already-submitted planning application in order to include First Homes, in an authority which benefits from the transitional arrangements, the local planning authority **should be flexible** in accepting First Homes as an alternative type of tenure.
- Local authorities should have flexibility to accept alternative tenure mixes for applications that are determined within the transitional timescales, although they should consider whether First Homes could be easily substituted for another tenure, either at 25% or a lower proportion.



# First Homes – Effect on Applications



## In what circumstances does the 28 March 2022 threshold apply?

- For the purposes of the First Homes policy, significant pre-application engagement means any substantive discussions between the local planning authority and the applicant relating to the proposed quantity or tenure mix of the affordable housing contribution associated with that application. **What counts as ‘substantive discussions’ will vary depending on the scale and nature of the application concerned.**

## Does First Homes policy apply to applications to vary planning permissions?

- The policy does not apply to applications made under section 73 of the Town and Country Planning Act 1990 to amend or vary an existing planning permission unless the amendment or variation in question relates to the proposed quantity or tenure mix of affordable housing for that development.



# First Homes – 10% Affordable Home Ownership Requirement



## How does First Homes interact with the 10% affordable home ownership requirement in the NPPF?

- The 25% expected First Homes contribution for any affordable product can make up or contribute to the 10% of the overall number of homes expected to be an affordable home ownership product on major developments as set out in the NPPF.
- This will vary depending on local circumstances, notably in relation to what the development plan may set out in terms of proportions of different affordable home tenures.



# First Homes – 10% Affordable Home Ownership Requirement



- ❑ In an authority where First Homes policy does apply, if a planning application for a major housing site in which 25% of the affordable homes are First Homes does not deliver enough First Homes to meet the 10% affordable home ownership expectation in the NPPF, additional affordable home ownership homes may be provided on top of the First Homes provision, in order to meet this expectation.
- ❑ For example, a development of 80 homes in a local authority with a policy for 30% affordable housing would be expected to provide 24 affordable homes to comply with local plan policy. 25% of these affordable homes would be expected to be First Homes, which would equate to 6 First Homes (7.5% of the total number of homes provided). The expectation that at least 10% of homes on this site to be available for affordable home ownership would equate to 8 homes so an additional 2 affordable home ownership products would be expected in order to meet NPPF requirements.