

# First Homes – Policy Position Statement

## Introduction

This position statement sets out the key information relating to First Homes and how it will relate to the implementation of Policy HG3 Provision of Affordable Housing in the adopted Local Plan 2006-2028.

## Background

On 24<sup>th</sup> May 2021, the Government published a [Written Ministerial Statement](#) to set out the Government's plans for the delivery of First Homes defining the product and changes to planning policy. In order to support the future development of First Homes, the Government also set out changes to planning policy<sup>1</sup>. These changes will come into effect from 28 June 2021. For further details, please refer to the Written Ministerial Statement and Planning Practice Guidance.

## First Homes Criteria

From 28 June 2021, First Homes are a specific kind of discounted market sale housing and should be considered to meet the definition of 'affordable housing' for planning purposes. Specifically, First Homes are discounted market sale units which:

- a) must be discounted by a minimum of 30% against the market value;
- b) are sold to a person or persons meeting the First Homes eligibility criteria (see below);
- 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.

First Homes are the government's preferred discounted market tenure and should account for at least 25% of all affordable housing units delivered by developers through planning obligations (i.e. S106 agreements)<sup>2</sup>.

## First Homes Eligibility Criteria

First Homes must be prioritised 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 first-time buyers) and not be sold to any household with a combined annual income in excess of £80,000.

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 should be exempt from any local connection testing restrictions.

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<sup>1</sup> <https://www.gov.uk/guidance/first-homes>

<sup>2</sup> Planning Practice Guidance Paragraph: 001 Reference ID: 70-001-20210524

## **Setting developer contributions for First Homes**

A minimum of 25% of all affordable housing units secured through developer contributions should be First Homes. It is expected that First Homes (and the mechanism securing the discount in perpetuity) will be secured through section 106 planning obligations.

In accordance with paragraph 62 of the National Planning Policy Framework, 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 cash 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. This could be achieved, for example, by acquiring additional First Homes from market development, paying the developer a sum to offset the discount from market price, and securing the tenure through section 106 planning obligations.

Where a mixture of cash 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<sup>3</sup>.

### **How should the remaining 75% of affordable housing be secured through developer contributions?**

Once a minimum of 25% 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.

For example, if a local plan policy requires an affordable housing mix of 20% shared ownership units, 40% affordable rent units and 40% social rent units, a planning application compliant with national policy would deliver an affordable housing tenure mix of 25% First Homes and 40% social rent. The remainder (35%) would be split in line with the ratio set out in the local plan policy, which is 40% affordable rent to 20% shared ownership, or 2:1. 35% split in this way results in 12% shared ownership; and 23% affordable rent.

In another example, if a local plan policy requires 80% of units to be shared ownership and 20% to be social rent, a policy compliant application would deliver 25% First Homes units, 20% social rent and 55% shared ownership.

If a local authority has an up-to-date policy on cash contributions in lieu of onsite contributions, then a planning application compliant with national policy will align with this approach<sup>4</sup>.

### **Is there a transition period for decision making?**

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

- 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

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<sup>3</sup> Planning Practice Guidance Paragraph: 012 Reference ID: 70-012-20210524

<sup>4</sup> Planning Practice Guidance Paragraph: 015 Reference ID: 70-015-20210524

- sites where local and neighbourhood plans are adopted/made under the transitional arrangements, as detailed in [paragraphs 18 and 19](#). 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.

Local authorities should have flexibility to accept alternative tenure mixes for planning applications that are determined within the timescales identified above, although they should consider whether First Homes could be easily substituted for another tenure, either at 25% or a lower proportion<sup>5</sup>.

Planning Practice Guidance explains that the First Homes 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.

### **Policy HG3 Provision of Affordable Housing**

This policy in the adopted Local Plan 2006-2028 requires a 35% affordable housing contribution on sites of 10 or more dwellings<sup>6</sup>. The supporting text, relating to delivery, states that the number, type and tenure of affordable housing will be negotiated on a site by site basis informed by the SHMA (Strategic Housing Market Assessment), contemporary information from the housing register and taking into account local imbalances<sup>7</sup>.

The [Strategic Housing Market Assessment for Mendip, Sedgemoor, South Somerset and Taunton Deane Final Report](#) (October 2016) provides the data to inform the tenure mix for Policy HG3. Figure 7.13 Gross need for Intermediate and affordable/social rented housing of the SHMA indicates the following mix for South Somerset: 79% Social Rented, 10% Affordable Rented and 11% Intermediate housing. This information has been translated to seek 80% social rented and 20% intermediate affordable housing tenure mix for qualifying housing schemes.

The introduction of the First Homes policy means that 25% of affordable housing provision should be for First Homes, with 75% remaining for other tenures. The WMS and planning practice guidance state that once a minimum of 25% First Homes has been accounted for, social rent should be delivered in the same percentage as set out in the local plan. As 80% social rent is normally required, then this would need to be reduced to 75% social rent. Therefore, from 28<sup>th</sup> June 2021 the tenure mix for affordable housing under Policy HG3 will be:

- **25% First Homes**
- **75% Social Rented Housing**

However, the National Planning Policy Framework (NPPF) sets a requirement that where major development is proposed, at least 10% of homes should be available for affordable home ownership. Given the 35% affordable home requirement for major schemes, the 25% tenure mix for First Homes, will not fully address this requirement unless it is for smaller major schemes (i.e. a scheme

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<sup>5</sup> Planning Practice Guidance Paragraph: 020 Reference ID: 70-020-20210524

<sup>6</sup> The policy states that affordable housing contributions should be made on schemes of six or more dwellings – however this threshold has been raised to 10 or more dwellings as a result of changes to nation planning policy regarding the thresholds for affordable housing.

<sup>7</sup> Paragraph 10.28 South Somerset Local Plan 2006 - 2028

for 10 dwellings would need to provide 4 affordable homes (35% rounded) of which 1 would be a First Home and meet the 10% requirement for affordable home ownership).

Planning Practice Guidance therefore advises that *“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”*<sup>8</sup>.

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

Worked examples:

#### Example 1: A scheme for 12 dwellings

METHOD	RESULT
<b>35% affordable housing requirement through Policy HG3 - 12 x 35%</b>	4.2 (4 affordable homes)
<b>Tenure mix of 25% First Homes and 75% social rented homes</b>	25% = 1 First Homes 75% = 3 social rented homes
<b>The NPPF requires 10% of homes to be for affordable home ownership - 10% of 12 dwellings</b>	1.2 (one dwelling rounded).
<b>Conclusion</b>	The single First Home meets the NPPF 10% requirement.

#### Example 2: A scheme for 150 dwellings

METHOD	RESULT
<b>35% affordable housing requirement through Policy HG3 - 150 x 35%</b>	52.5 (53 affordable homes)
<b>Tenure mix of 25% First Homes and 75% social rented homes</b>	25% = 13 First Home 75% = 40 social rented homes
<b>The NPPF requires 10% of homes to be for affordable home ownership - 10% of 150 dwellings</b>	15 homes
<b>Conclusion</b>	In order to meet the NPPF 10% requirement 2 further affordable home ownership products would be expected (i.e. either shared ownership or two further First Homes). This would change the split as follows:  <b>13</b> First Homes <b>2</b> affordable home ownership products (e.g. First Homes or Shared Ownership Homes) <b>38</b> social rented homes <b>53</b> affordable homes in total

<sup>8</sup> Planning Practice Guidance Paragraph: 023 Reference ID: 70-023-20210524

### **Further Sources of Information**

For further information regarding affordable housing provision please follow this [link](#) to the Planning Technical Zone webpage. The relevant guidance can be found in the Affordable Housing section.

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

[Planning Practice Guidance – First Homes](#)

Contact [planningpolicy@southsomerset.gov.uk](mailto:planningpolicy@southsomerset.gov.uk) should you require any further information.