

First Homes - Appendix A

Planning Policy Guidance key excerpts

The full PPG is available here: <https://www.gov.uk/guidance/first-homes>

National definition of definition of First Homes.

Paragraph 1 - What is a First Home?

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 (or £420,000 in Greater London).*

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.

Paragraph: 001 Reference ID: 70-001-20210524

Paragraph 4 - Can the required minimum discount be changed?

In order to qualify as a First Home, a property must be sold at least 30% below the open market value. Therefore, the required minimum discount cannot be below 30%.

However, the First Homes Written Ministerial Statement does give local authorities and neighbourhood planning groups the discretion to require a higher minimum discount of either 40% or 50% if they can demonstrate a need for this. As part of their plan-making process, local planning authorities should undertake a housing need assessment to take into account the need for a range of housing types and tenures, including various affordable housing tenures (such as First Homes). Specific demographic data is available on open data communities which can be used to inform this process. The assessment will enable an evidence-based planning judgement to be made about the need for a higher minimum discount level in the area, and how it can meet the needs of different demographic and social groups.

In such circumstances, the minimum discount level should be fixed at either 40% or 50% below market value and should not be set at any other value. In each case, these percentages represent the minimum discount required for a home to qualify as a First Home. Developers who are able to offer higher discounts within their contributions should be free to do so but the local authority cannot require this. In such cases, whatever discount (as a percentage of market value) is given at the first disposal should be the same at each subsequent sale. These minimum discounts should apply to the entire local plan area (except if Neighbourhood Plans are in place in certain areas) and should not be changed on a site-by-site basis.

If local authorities or neighbourhood planning groups choose to revise their required minimum discounts in any future alterations to their plans, this should not affect the minimum discounts required for previously sold First Homes when they come to be resold, as these will be bound by the section 106 agreements entered into at the time of their first sale.

Paragraph: 004 Reference ID: 70-004-20210524

Paragraph 7 - National eligibility criteria which would apply to all First Homes in Solihull.

First Homes eligibility criteria

Who is eligible to purchase a First Home?

A purchaser (or, if a joint purchase, all the purchasers) of a First Home should be a first-time buyer as defined in paragraph 6 of schedule 6ZA of the Finance Act 2003 for the purposes of Stamp Duty Relief for first-time buyers.

Purchasers of First Homes, whether individuals, couples or group purchasers, should have a combined annual household income not exceeding £80,000 (or £90,000 in Greater London) in the tax year immediately preceding the year of purchase.

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.

These national standard criteria should also apply at all future sales of a First Home.

Paragraph: 007 Reference ID: 70-007-20210524

Paragraph 8 - Can authorities apply their own eligibility criteria?

As part of the section 106 agreements, local authorities or neighbourhood planning groups can apply eligibility criteria in addition to the national criteria described above. This may involve lower income caps (if this can be justified with reference to local average first-time buyer incomes), a local connection test, or criteria based on employment status. First Homes are designed to allow people to get on the housing ladder in their local area, and in particular to ensure that key workers providing essential services are able to buy homes in the areas where they work. Authorities can therefore prioritise key workers for First Homes, and are encouraged to do so, especially if they have an identified local need for certain professions. The definition of a 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.

Local connections may include (but are not limited to) current residency, employment requirements, family connections or special circumstances, such as caring responsibilities. Authorities should consider the application of these discretions carefully and ensure they do not limit the eligible consumer base to the point that homes become difficult to sell.

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.

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.

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.

Paragraph: 008 Reference ID: 70-008-20210524

Paragraph 18 - Is there a transition period for plan-making?

As set out in the First Homes Written Ministerial Statement of 24 May 2021, 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.*

For areas that do not meet the criteria for transitional arrangements, new development plans, including local plans and neighbourhood plans, should take account of the new First Homes requirements from 28 June 2021.

**'submitted for examination meaning: Regulation 15 of the Neighbourhood Planning (General) Regulations 2012 for Neighbourhood Plans, and Regulation 22 of Town and Country Planning (Local Planning) (England) Regulations 2012 for Local Plans.*

*** 'reached publication stage' meaning: Regulation 14 of the Neighbourhood Planning (General) Regulations 2012 for Neighbourhood Plans, and Regulation 19 of the Town and Country Planning (Local Planning) (England) Regulations 2012 for Local Plans.*

Paragraph: 018 Reference ID: 70-018-20210524

Paragraph 19 - *Do local planning authorities have to apply the First Homes policy requirements when determining planning applications where local or neighbourhood plans have been adopted/made under the plan-making transitional arrangements?*

As set out in the Written Ministerial Statement, where local and neighbourhood plans are adopted under the aforementioned transitional arrangements, 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.

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

Paragraph: 019 Reference ID: 70-019-20210524

<https://www.gov.uk/guidance/first-homes#para018>