



FIRST HOMES INTERIM POLICY STATEMENT

February 2023

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First Homes: Interim Policy Statement

1. Introduction

- 1.1. First Homes are an affordable home ownership product introduced by the Government that allows first time buyers to get onto the housing ladder at a reduced price.
- 1.2. On 24 May 2021, a [Written Ministerial Statement](#) and [Planning Practice Guidance](#) ('the Guidance') were published setting out further details on the First Homes policy and procedures, and confirmed an implementation date of 28 June 2021.
- 1.3. The council has two main roles with respect to First Homes;
 - 1) To deliver First Homes through the planning system, through both development control and planning policy; and
 - 2) To administer the purchase of First Homes by checking potential purchasers meet the applicable criteria and by supporting the conveyancing process.
- 1.4. This Interim Policy Statement is based on the Government guidance. It sets out how the Council will implement First Homes in its planning decisions until such time as the policy approach for First Homes is established through the new Local Plan. It also gives examples of the evidence which purchasers can use to show they meet the First Homes criteria, both national and local.
- 1.5. The Statement will;
 - Enable developers, councillors and officers to understand how the First Homes policy will work in practice;
 - Help the Housing Team to maintain the affordability of the First Homes for the appropriate customer group, and to limit the impact that the delivery has on the affordable and social rented tenures; and
 - In particular, it will clarify the Council's application of a local connection criteria

2. Key details of First Homes

- 2.1. Although the definition of affordable housing in Annex 2 of the [National Planning Policy Framework 2021](#) ('the Framework') has not been updated, the Guidance states that First Homes should be considered as meeting the definition of affordable housing for planning purposes.
- 2.2. The Government's policy on First Homes, as set out in the Written Ministerial Statement and the Guidance, is a material consideration for the Council when determining planning applications and in relation to the provision and type of affordable housing on market-led sites.

2.3. Key details

1. At least 25% of the affordable homes on a qualifying site must be delivered as First Homes (see exemptions in Section 3); and
2. The First Homes default discount is 30% of the property's open market value and this discount applies to all future sales i.e. in perpetuity. Local authorities can include policies in their Local Plans that seek a discount of 40% or 50% if this is justified in terms of both necessity and viability; and
3. For the first sale, the maximum purchase price after the discount is £250,000. For subsequent sales the discount is applied to the market value of the property at the time. A lower price limit for the first sale can be specified in local plans or neighbourhood plans where this is justified by evidence; and
4. When a First Home is sold (both the first sale and all subsequent sales), the purchaser must meet the national criteria, namely:
 - They must be a first-time buyer. In the case of joint purchasers, both must be first-time buyers; and
 - The gross household income of the purchaser/s must be less than £80,000.Also:
 - The First Home must be the purchasers' only home; and
 - At least 50% of the discounted value of the property must be financed via a mortgage or similar.
5. In addition to the national criteria, local authorities can require purchasers to have a local connection subject to providing evidence of the need to include such restrictions. Details of North West Leicestershire's local connection criteria are explained in section 4; and
6. Local connection criteria apply for the first three months the First Home is on the market. If the First Home has not sold in this time, the local connection requirement falls away and it can be bought by someone who meets the national criteria only; and
7. In the event that a First Home has not sold after 6 months of marketing, it can be sold as an open-market home and the seller pays the council a cash contribution in lieu of the 30% discount to be spent on affordable housing provision. This requirement is secured in the S106 agreement.
8. When a First Home is sold to subsequent purchasers, the same level of discount and the first-time buyer eligibility criteria apply. The discount and first-time buyer eligibility requirement will be held in

perpetuity and secured through a restriction on the title with the Land Registry and through Section 106 agreements. It is expected that the Government model s106 agreement template will be used; and

9. A Mortgagee Exclusion Clause is set out to protect lenders to encourage competitive lending against First Homes.

3. Exemptions from requirements to deliver First Homes

- 3.1. Paragraph 65 of the Framework sets out that for major development involving the provision of housing, 10% of all homes on site should be affordable home ownership products. The First Homes contribution will make up or contribute to this 10% requirement. Exceptions to the 10% requirement apply where the site or proposed development:
 - Provides solely for Build to Rent homes;
 - Provides specialist accommodation for a group of people with specific needs (such as purpose-built accommodation for the elderly or students);
 - Is proposed to be developed by people who wish to build or commission their own homes; or
 - Is exclusively for affordable housing, an entry-level exception site or a rural exception site.
- 3.2. First Homes are an affordable home ownership product. Where specific developments are exempt from delivering affordable home ownership products under paragraph 65 of the Framework, in accordance with Government policy they shall also be exempt from the requirement to deliver First Homes.

4. Principles for First Homes in North West Leicestershire

- 4.1. The Council has an [Affordable Housing Supplementary Planning Document \(SPD\)](#) agreed in 2021. Amongst other things, this establishes how the First Homes provision is applied alongside Policy H4 of the adopted Local Plan and also the requirement in the Framework that 10% of all homes on a site should be for affordable home ownership.
- 4.2. As highlighted above, in addition to the national criteria local authorities can set their own, local eligibility criteria for First Homes purchases.
- 4.3. Until a decision is made regarding local policies as part of new Local Plan, negotiations will be based on the following criteria.

- a. Discount level of 30%

The Guidance sets out a requirement for a minimum 30% discount from open market value, but higher discounts of 40% or 50% may be applied where a need is demonstrated through evidence and confirmed in a Local Plan policy.

At this stage, the Council is applying the national minimum discount of 30%. This applies across all settlements and locations in the District.

Until such time as evidence is available to suggest differently, and taking into account the impact on site viability, the council will apply the

national discount of 30%

b. A price cap of £250,000 after discount

The maximum purchase price for a First Home (initial sale only) is £250,000 after the First Homes discount. Assuming a discount of 30%, the maximum open market value before discount would be in the region of £357,000. Whilst the 30% discount will apply when a First Home is sold on in the future, this will be based on the market value of the property at the time. The price cap does not apply to resales.

Local authorities have discretion to set lower price caps if they can demonstrate a need for this. Any local price caps can be determined through the local plan making process with regard to local income levels, related to local house prices and mortgage requirements.

Until such time as evidence is available to suggest differently, and taking into account the impact on site viability, the council will apply the national price cap of £250,000 after discount.

c. A combined annual household income not exceeding £80,000.

The household income limit of £80,000 is in line with the existing criteria for all other low-cost home ownership products and the data available to us via the Help to Buy Agent is based on that limit.

North West Leicestershire has been designated as an area of high affordability issues by Homes England. Therefore, at this time there is not a justification for having a lower income cap, particularly as such a reduction would reduce the number of potential purchasers who could afford to buy a First Home.

Until such time as evidence is available to suggest differently, and taking into account the impact on site viability, the council will apply the national household income level of £80,000.

d. Local Connection

Local authorities can set their own local connection criteria for the sale of First Homes.

The council has an established local connection test as part of its housing allocations policy and the council will apply these same local connection criteria to the purchasers of First Homes to ensure that residents and people with a connection to the district are prioritised. This approach aligns with that approved and used when allocating rented properties through the council's Choice Based Lettings System. This not only ensures that local residents are prioritised but provides transparency across the different tenures and streamlines the monitoring workload. The local connection criteria apply for the first 3 months that a First Home is on the market.

At least one of the purchasers must satisfy at least one of the following local connection criteria;

- a. they currently reside on a permanent basis within the District; or
- b. they have lived in the District for at least 6 months in the last 12 months or for at least three out of the last five years; or
- c. they or a member of their household are employed on a permanent basis for a minimum of twelve months within the District (with confirmation from their employer); or
- d. they have parents brothers sisters or adult children living within the District for at least five years (including step-family equivalents); or
- e. they have no local connection but are fleeing violence or threats of violence and have been accepted as priority homeless by the District Council; or
- f. such other special circumstances approved from time to time on an individual basis by the District Council in writing

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, are exempt from any local connection testing restrictions.

e. Key Workers

The local connection test refers to people employed in the district but does not make any specific provision for key workers. The Guidance allows for the definition of key worker to be defined locally and that it “could be any person who works in any profession that is considered essential for the functioning of a local area”. This is a matter which will require further investigation and so it is suggested that the interim policy not include key workers in the local connection criteria. This could be considered as part of the new Local Plan.

The council will consider key worker requirements as part of the new Local Plan. In the meantime, the council will not attach specific priority to key workers or other specific client groups.

5. Housing Mix

- 5.1. The Affordable Housing SPD establishes how the First Homes provision would be applied alongside Policies H4 - Affordable Housing and H6 - Housing Mix of the [adopted Local Plan 2017](#) and the requirement in the Framework that 10% of all homes on a site be affordable properties. Further details can be found in Section 2 of the SPD.
- 5.2. The mandatory inclusion of First Homes as 25% of all affordable homes on qualifying sites will almost certainly result in a reduction in other affordable housing tenures, particularly rented properties. In order to minimise the impact, the Council will ensure that Local Plan policies are applied for the remainder of the affordable housing delivered on these sites, with emphasis on delivery of social rented homes for those on lowest incomes wherever possible and

financially viable, consistent with the Council's adopted Affordable Housing SPD.

6. Other Matters

- 6.1. First Homes are intended to be used as a person's sole or primary residence and should not be used for investment or commercial gain. However, there are occasions when it may be necessary for owners of First Homes to let out their property for short periods of time, especially in response to unexpected life events.
- 6.2. Therefore, in accordance with the Government's policy, a First Home owner can only rent out their home for a maximum period of two years, as long as the local authority is notified. Longer rental periods will be considered under the following circumstances:
 - deployment elsewhere (for members of the Armed Forces);
 - primary caring responsibilities for relative/friend;
 - short job posting elsewhere;
 - redundancy; domestic abuse;
 - and relationship breakdown.
- 6.3. This will not affect restrictions on letting a property prescribed by a mortgage lender and permission from them would likely also be required.

7. Section 106 agreements

- 7.1. The Planning Practice Guidance sets out that the landowner should enter into a planning obligation under section 106 of the Town and Country Planning Act 1990 that:
 - a) secures the delivery of the First Homes; and,
 - b) ensures that a legal restriction is registered onto a First Home's title on its first sale
- 7.2. The Government has published [Model Section 106 Agreement for First Homes](#) and recommends that this model agreement is used. The Council will use these clauses in relation to the First Homes on a scheme and any other affordable housing in the same scheme will be covered by the Council's standard S106 agreement wording for affordable housing.

8. National and Local Connection Eligibility Criteria

- 8.1. Someone wanting to purchase a First Home property must submit a completed application form to the council. Amongst other things, its purpose is to demonstrate that the purchaser is eligible to buy a First Home. The council reviews the application and, if all requirements are met, issues an 'Authority to Proceed' after which the conveyancing process can begin.
- 8.2. The table below sets out examples of evidence which could be supplied to demonstrate purchaser's eligibility. The lists are not exhaustive.

National criteria	Examples of evidence
Are ALL the purchasers first time buyers?	<ul style="list-style-type: none"> • Self-declaration is sufficient at the application stage. • Full checks are undertaken by the mortgage company and legal advisors later in the process.
Is the annual gross household income at/below £80,000	<ul style="list-style-type: none"> • Payslips for the last three consecutive months • For the self-employed, tax returns or similar to demonstrate average annual income.

Local connection criteria At least one of the purchasers must meet at least one of the following:	Examples of evidence
a. they currently reside on a permanent basis within the District;	<ul style="list-style-type: none"> • Rent books/signed tenancy agreements • Landlord references • Current utility/council tax bills • Recent bank statement
b. they have lived in the District for at least 6 months in the last 12 months or for at least three out of the last five years;	<ul style="list-style-type: none"> • Rent books/signed tenancy agreements • Landlord references • Utility/council tax bills covering the required period • Bank statements covering the required period
c. they or a member of their household are employed on a permanent basis for a minimum of twelve months within the District (with confirmation from their employer);	<ul style="list-style-type: none"> • Letter from employer • Employment contract • For self-employed, the latest, full year tax return
d. they have parents, brothers, sisters or adult children living within the District for at least five years (including step-family equivalents);	<p>The relative's</p> <ul style="list-style-type: none"> • Rent books/signed tenancy agreements • Landlord references • Utility/council tax bills covering the required period • Bank statements covering the required period
e. they have no local connection but are fleeing violence or threats of violence and have been accepted as priority homeless by the District Council; or	Judged on a case by case following consideration by council's Housing Choices team

<p>f. such other special circumstances approved from time to time on an individual basis by the District Council in writing.</p>	<p>Judged on a case by case following consideration by council's Housing Choices team</p>
<p>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, are exempt from any local connection testing restrictions.</p>	<ul style="list-style-type: none"> • Proof of service (pay slips/army pension) • Discharge papers • Letter from Commanding Officer • Marriage/civil partnership certificate

Further Sources of Information

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

[Planning Practice Guidance – First Homes](#)

[North West Leicestershire Affordable Housing Supplementary Planning Document \(2021\)](#)

Contacts

Housing Strategy team
Tel: (01530) 454545

Planning Policy & Land Charges team
Email: Planning.policy@nwleicestershire.gov.uk
Tel: (01530) 454676