



Redditch Borough Council

# First Homes

## Policy

September 2022

# Introduction

This policy sets out the Council's approach to delivering First Homes in accordance with national guidance and in compliance with the Council's adopted Local Plan policies on the delivery of Affordable Housing. In due course, a new Local Plan will be adopted containing the Council's refreshed Affordable Housing policies, which will include provisions for the delivery of First Homes.

First Homes are a specific type of discounted sale homes which meet the definition of Affordable Housing for planning purposes.

This guidance includes guidance on the development of First Homes Exception Sites.

# Background

The national guidance is set out in the Written Ministerial Statement and the National Planning Policy Guidance (NPPG), which were both published on 24 May 2021.

From the 28 June 2021 local authorities are required to deliver First Homes as a proportion (25%) of their usual Affordable Housing delivery through their local plan policies. The NPPG sets out transitional arrangements for current applications. First Homes will not be required from any applications determined before 28 December 2021 or 28 March 2022 where there have been substantive preapplication discussions relating to the proposed Affordable Housing contribution.

The Council will be flexible in considering revised proposals to include First Homes in applications which will be granted permission before the above dates.

The main criteria of First Homes, as set out in national guidance, are:

- a. First Home must be discounted by minimum of 30% against the market value;
- b. After the discount has been applied, the first sale must be at a price no higher than £250,000. This does not apply to subsequent sales, and
- c. The discount is passed on to future purchasers, secured through a section 106 agreement.
- d. The home is sold to a person who meets the First Homes eligibility criteria.

The First Homes eligibility criteria require the purchaser (or all purchasers if a joint purchase):

- a. To be a first-time buyer, as defined by paragraph 6 of Schedule 6ZA of the Finance Act 2003.

- b. To have a household annual income of no more than £80,000, and
- c. Should have a mortgage or home purchase plan to fund a minimum of 50% of the discounted purchase price.

Subsequent sales must also be to a person or persons who meet the First Homes eligibility criteria.

The developer/owner will be expected to enter into a s106 legal agreement to secure the above provisions.

## The discount

The minimum discount will be 30% of the open market value. A developer may choose to offer a higher discount

The discount percentage will be applied to all future sales and will be secured in perpetuity through a s106 agreement as a planning obligation.

Any review of the First Homes policy and affordability may lead to the introduction of a higher discount, as appropriate.

**The vendor will need to provide a market value undertaken by a Valuer who is qualified by the Royal Institute of Chartered Surveyors.**

## The price cap

The cost of a First Homes dwelling to the first-time buyer shall be no more than £250,000 after the discount has been applied. The price cap applies to only the first sale and may be exceeded by future house price rises on subsequent sales.

## Exemptions to First Homes

Some categories of Affordable Housing are exempt from the requirement to deliver a proportion as First Homes, including specialist housing, such as housing for older people, supported housing, developments which are Affordable Housing only, self-build and custom-built housing, and Build to Rent. See also paragraph 65 National Planning Policy Framework (NPPF).

Rural Exception Sites are not specifically exempted from the requirement to provide First Homes, except where all the homes are Affordable Housing (see below section on First Homes Exception sites).

## Current Local Plan policy

This guidance summarises the national guidance on the delivery of First Homes, to which the Council will have regard in determining planning applications. It also sets out how this national guidance interacts with current Local Plan policies and supplementary guidance in the delivery of Affordable Housing.

The council expects First Homes, as included within the definition of Affordable Housing, to comply with the requirements Redditch Borough Council Local Plan No 4 [Borough of Redditch Local Plan No. 4 - redditchbc.gov.uk](http://redditchbc.gov.uk)

The Council's Local Plan states that contributions towards affordable housing will not normally be sought from development of 10 units or less, and which have a maximum combined gross floorspace of no more than 1000 sq m (gross internal area). On sites of 11 or more dwellings (net), a 30% contribution towards the provision of affordable housing will be expected. On-site provision should be made and must incorporate a mix of dwelling types and sizes, which reflect the site's characteristics, the development as a whole, and meets the needs identified in the Borough Council's most up to date Strategic Housing Market Assessment or other up to date local housing need surveys, and in consultation with the Borough Council's Housing Strategy Team. The Borough Council will seek to negotiate the mix of affordable housing tenures on individual schemes taking account of local needs, the housing mix in the local area and the impact on viability. A mix of the following tenures will generally be sought: Social rented; Intermediate housing/ Affordable rent.

## Affordable Housing contribution

As stated above, the Affordable Housing contribution required by policy of 30% of all dwellings on major residential developments. The preferred tenure split is:

- Social Rent two third
- Affordable Home Ownership one third.

Developments required to provide First Homes should deliver 25% of the Affordable Housing quantum (See below for worked example)

Paragraph 65 NPPF requires at least 10% of all dwellings on major housing developments, subject to the exemptions listed, to be available as Affordable Home Ownership, which includes First Homes. There is, therefore, a shortfall of Affordable Home Ownership dwellings to make up the 33.33% Affordable Home Ownership.

The Council's preferred tenure to make up this shortfall of Affordable Home Ownership is Shared Ownership. The Council will consider other forms of

Affordable Home Ownership, including First Homes.

### Example at 30%

A residential development of 200 dwellings is liable for a minimum 30% Affordable Housing contribution.

Affordable Housing (AH) units	$200 \times 30\% = 60$
First Homes units	$60 \times 25\% = 15$
One third Affordable Home Ownership (AHO) units	$200 \times 30\%/3 = 20$
Shortfall of AHO	$20 - 15 = 5$
Remainder of AH as Social Rent	$60 - (15 + 5) = 40$

**Table ① Affordable Housing tenure split**

AH tenure	No. AH units	% total units (200)	% Affordable Housing
First Homes	15	7.5	25
Other AHO*	5	2.5	8.33
Social Rent	40	20	66.67
Total	60	30	100

\*The other Affordable Home Ownership units may be additional First Homes or Shared Ownership.

In those cases where a reduced Affordable Housing contribution has been agreed due to viability considerations, 25% of that contribution will be First Homes. The remaining Affordable Housing tenures will prioritise Social Rent and ensure that 10% of all dwellings on site are Affordable Home Ownership.

## Financial contribution

All Affordable Housing, including First Homes, is expected to be delivered on-site, unless it can be robustly justified as inappropriate, in which case a financial contribution in lieu, of equivalent value to what would have been provided on-site, may be acceptable. Any financial contribution made in lieu of affordable housing will be used towards the funding of additional affordable housing.

## Marketing/Disposal/Monitoring

**See Appendix 2: Application Process**

The First Homes will be marketed and sold by the Developer. The developer will

need to ensure First Homes are advertised with all relevant information to ensure the eligibility criteria can be met.

The developer will be responsible for paying for all advertising and processing of potential purchasers' applications to the Council. The developer selects the potential purchaser(s) and only one purchaser per plot/home is passed through at any one time to the Council for the eligibility check and authorisation processes. A prior declaration will need to be completed to confirm the potential purchaser is eligible. Fees will be introduced for the eligibility checks and authorisation processes per sale, as well as for monitoring the purchase and sales activities through initial and subsequent sales.

Any local eligibility criteria (local connection) will apply for a maximum of three months from when a home is first marketed. If a suitable buyer has not reserved a home after three months, the eligibility criteria will revert to the national criteria set out above, to widen the consumer base.

If, following six months of marketing and having taken all reasonable steps to sell the property (including, where appropriate, reducing the asking price) the property fails to sell it should be expected that the seller (either the developer or a future First Homeowner) compensates the Council for the loss of the affordable housing unit with a financial contribution.

This financial contribution should be the value of the discount the First Home was to be sold for, as a percentage of the final sale price (or, as much as possible of that value once the value of all lending against the property has been cleared) and net of any additional Stamp Duty liability incurred.

Re-sales of First Homes will be subject to the same discount and eligibility criteria and will need to accord with the same marketing and compensation (in the event of no sale) processes as required on the initial sale by the developer.

The above provisions and related terms for implementation will be secured through a Section 106 agreement.

## Local connection requirement

In addition to the national eligibility criteria for First Homes owner occupiers, the Council will require all applicants and purchasers of First Homes to have a local connection to Redditch Borough Council, as set out in the Redditch Homes Allocations Policy.

### **Local Connection**

The Council will apply a local connection criteria for First Homes applicants as there are affordability issues in the Borough due to high house prices that are inaccessible to those with lower quartile and median incomes (see appendix 1). The local connection criteria is extracted from the Council's Housing allocations policy which

was consulted upon prior to implementation.

In determining whether the household has a local connection the Council will agree a connection exists in the following circumstances;

- Where the local connection arises due to residency - applicant(s) must have lived in Redditch Borough for a minimum period of two years or have resided in the Borough for three out of the last five years at the point of application.
- Where the local connection arises due to employment and the applicant(s) has been in permanent, paid employment in the Borough immediately prior to the application or the applicant(s) has a certified offer of employment in the Borough.\*
- Where the applicant(s) has a close family member living in the Borough for a minimum period of three years, immediately prior to the application.

In determining permanent employment, we will give consideration to the Local Government Association guidelines which state that this is employment other than that of a casual nature.

In determining close family member, we mean mother, father, sister, brother or adult child (aged 18 and over).

### **Armed Forces**

Members of the UK armed forces stationed abroad will be considered as living in the United Kingdom for the purposes of applying for social housing.

The Secretary of State has the power to prescribe in Regulations criteria that may not be used by local housing authorities in deciding what classes of persons are not qualifying persons (s. 160ZA(8)(b)). These Regulations require that local housing authorities do not use local connection (within the meaning of s. 199 of the Housing Act 1996) as a criterion in deciding whether the following are not qualifying persons:

- a. persons who are serving in the regular forces or have done so in the five years preceding their application for an allocation of housing accommodation.
- b. bereaved spouses or civil partners of those serving in the regular forces where their spouse or partner's death is attributable (wholly or partly) to their service and the bereaved spouse or civil partner's entitlement to reside in Ministry of Defence accommodation then ceases.
- c. seriously injured, ill or disabled reservists (or former reservists) whose injury, illness or disability is attributable wholly or partly to their service.

The Council recognises the contribution that armed forces personnel have made and will waive the local connection requirement to those applicants as described above.

The Council will also extend the provision above to include divorced or separated spouses or civil partners of Service Personnel who are required to move out of accommodation provided by the Ministry of Defence.

This local connection requirement is subject to the time limit of three months from when the home is first marketed, after which it will revert to national eligibility criteria, as set out in paragraph 008 NPPG: First Homes.

## First Homes Exception sites

Entry level exception sites (paragraph 72 National Planning Policy Framework 2021 (NPPF)), allow for the development of affordable housing on sites under one hectare in size not already allocated for housing and adjacent to existing settlements, excluding Green Belt areas or Areas of Outstanding Natural Beauty. It was intended that they would be suitable for first time buyers.

Entry level exception sites are being replaced by First Homes exception sites, which will be consistent with the provisions applying to entry level schemes, as above, and as set out in the Written Ministerial Statement. Although primarily for the development of First Homes, other types of Affordable Housing can be considered where there is evidence of a significant local need. A small proportion of market housing may be included where it is needed to enable a scheme to proceed, as explained in the First Homes NPPG.

The Council will support proposals for First Homes exception sites, where it can be demonstrated that the need for such homes is not being met elsewhere in the Borough.

Rural Exception Sites are not specifically exempted from the requirement to provide First Homes, except where all the homes are Affordable Housing. Where a small proportion of market housing is included to ensure the economic viability of the development, 25% of the Affordable Housing units should be provided as First Homes where evidence of a local need can be demonstrated.

## Transitional arrangements

The national guidance came into effect on 28 June 2021, with transitional arrangements for sites with planning permission already granted or determined before 28 December 2021, which will not be required to provide First Homes (see paragraphs 020 – 022 NPPG: First Homes)

Applications where significant pre-application discussions on the Affordable Housing contribution have taken place and which are determined before 28 March 2022 will not be required to provide First Homes although the council will consider proposals to amend the tenure mix to include First Homes.

**See Appendix 3: Transitional arrangements.**

## Appendix 1 First Homes HEDNA Tables

### 1.1 Affordable Need: Home Ownership

#### 1.1.1 .

1.1.2 In Redditch, a household income of just over £40,000 is required to purchase entry-level (lower quartile) properties (assuming a property price of £165,000, a 15% deposit and a loan to income ratio of 3.5). Based on CAMEO income data, it is estimated that 32% of all households within the district can afford this, and only 18% of all private renters. It is households that fall into the 'gap' between being able to afford lower quartile market rents and open market property prices are the ones targeted for affordable home ownership products (such as First Homes, Help to Buy Equity Loans, Help to Buy Shared Ownership, and Rent to Buy). Using the CAMEO Income data, it is estimated that around 25% of all households in Redditch sit in this 'gap', and 30% of private renter households.

### Affordable Home Ownership Supply

1.1.3 Affordable home re-sales data has been used to estimate the flow of stock that could be offset against the identified level of need. Affordable home ownership sales data from MHCLG suggests that, on average, five shared ownership properties per year have been re-sold in Redditch between 2016 and 2019. As with the calculation of affordable need (rent), no element of committed supply is included in the affordable home ownership calculation, as new affordable housing is a 'one-off' element of supply, rather than part of the flow of properties through re-sales. It is important to note, however, that any new affordable dwellings should be netted off during monitoring.

1.1.4 Combining the identified level of need (43 per year) with the re-sales data (5 per year) results in a net annual need for 39 affordable homes (for ownership) per year to 2040 (Table 72).

### Need for Affordable Home Ownership

Step 1: Current Need		
1.1	Current households in private rent	4,800
1.2	No. private rent households in 'gap' between open market rent and purchase (1.1 x 30%)	1,423
1.3	No. seeking to become a homeowner (EHS) (1.2 x 16%)	228
1.4	Annual quota of current need (1.3 / 19)	12
Step 2: Future Need		
2.1	New household formation (gross p.a.)	751
2.2	No. newly-forming households in 'gap' open market rent and purchase (2.1 x 26%)	196

2.3	Newly-forming households seeking to become a homeowner (EHS) (2.2 x 16%)	31
<b>Step 3: Affordable Housing Supply</b>		
3.1	Shared ownership resales per annum	5
3.2	Affordable Home Ownership committed supply	0
3.3	Total supply (3.1 + 3.2)	5
<b>Step 4: Estimate of Annual Housing Need</b>		
4.1	Gross need for Affordable Home Ownership (1.4 + 2.3)	43
4.2	Total annual supply (3.3)	5
NET Annual Affordable Housing Need (to purchase)		39

<sup>1</sup> See Appendix E **Error! Reference source not found.** for a summary of the costs associated with these affordable home ownership products.

<sup>1</sup> MHCLG CORE

## 1.2 Implications of First Homes on Affordable Housing

1.2.1 With the introduction of the First Homes scheme in June 2021, there is now a requirement for 25% of all affordable housing units delivered by developers through planning obligations to be First Homes. For the remaining 75% of affordable housing, social rent should be delivered 'in the same percentage as set out in the local plan', with the remainder of affordable housing tenures delivered in line with the proportion set out in local plan policy.

1.2.2 The implications of this of the identified affordable need are summarised below in Table 73, based on the proportional split between social rent, affordable rent, and affordable home ownership as identified in the analysis above.

1.2.3 With First Homes accounting for 25% of the total, and social rent accounting for 46%, the remaining 29% is split between affordable rent (6%) and shared ownership (23%).

Table 93: CAMEO income bands: Redditch

Income Band	CAMEO Income Group Description	% Redditch Households	% UK Households
1	Many households with an income of over £100K +	0.4%	0.7%
2	Many households with an income of between £75 - £100K	1.6%	2.4%
3	Many households with an income of between £50 - £75K	8.5%	10.1%
4	Many households with an income of between £40 - £50K	12.4%	13.3%
5	Many households with an income of between £30 - £40K	25.1%	19.5%
6	Many households with an income of between £20 - £30K	30.0%	23.2%

7	Many households with an income of between £10 - £20K	19.5%	26.5%
8	Many households with an income of less than £10K	2.4%	4.1%

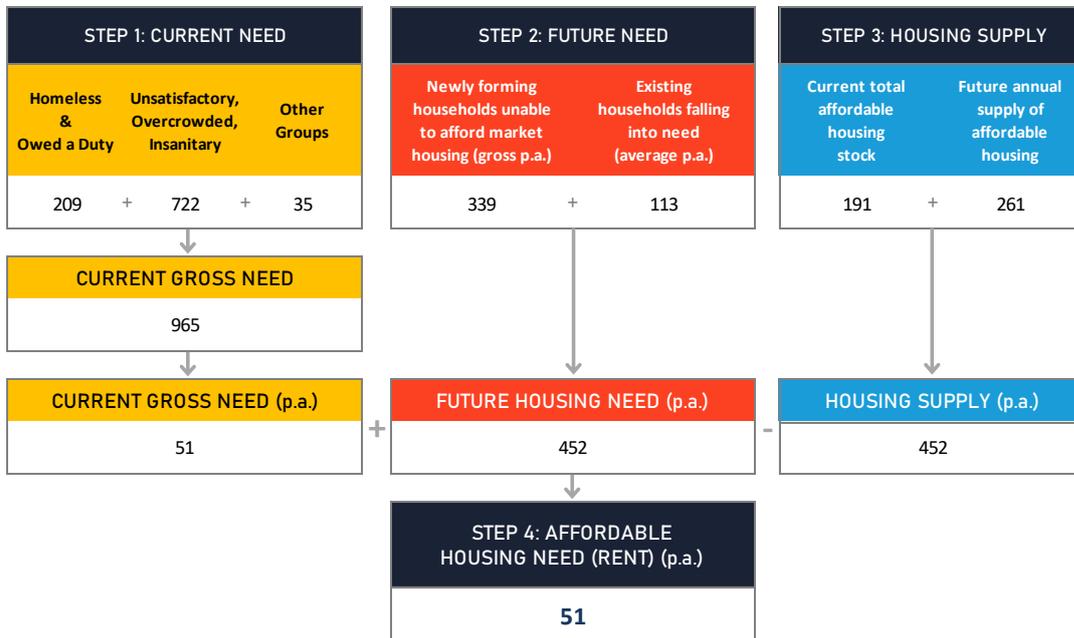
Source: CAMEO Income, TransUnion; Royal Mail PAF 2020

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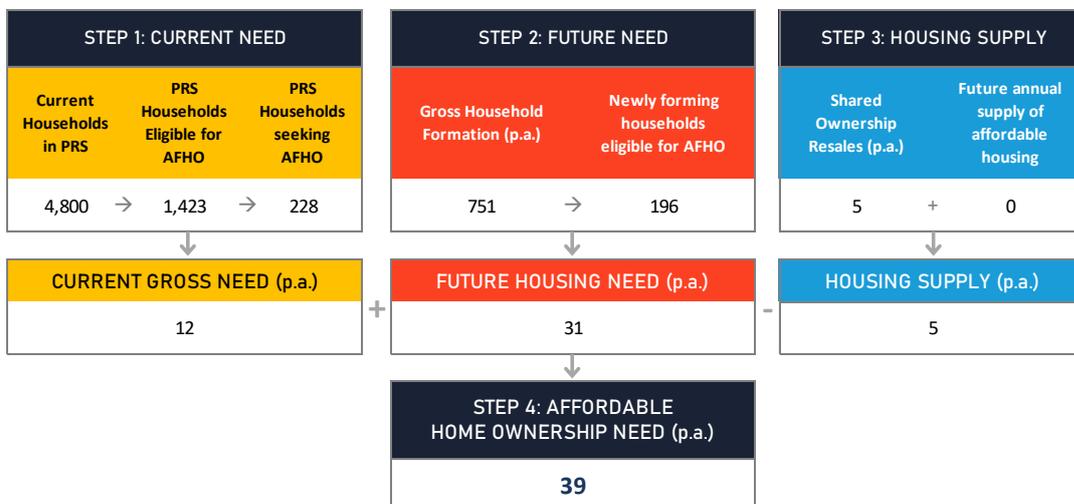
<sup>1</sup> [PPG First Homes](#)

## Affordable Housing Need Summary (2021–2040)

### Affordable Need: Social & Affordable Rent



### Affordable Housing: Home Ownership



### Net Annual Affordable Need (2021–2040)

90	Social Rent	46%
	Affordable Rent	11%
	Affordable Home Ownership	43%

## Appendix 2 Application Process

	Pre-sale set-up	Customer reservation	Authority to Proceed and Authority to Exchange	Exchange and completion	
 <b>Customer</b>		Customer enquires and chooses to buy specific First Home Conveyancer selected	Completes application pack, including supporting evidence Pays reservation	Submits mortgage application Completes legal declarations with conveyancer	Customer pays deposit Customer moves in
 <b>Local authority</b>	Local eligibility criteria set s.106 agreements		Local authority receives completed application pack, checks criteria are met and issues Authority to Proceed and conveyancer pack	Local authority receives conveyancer's legal undertaking that the transaction is compliant and issues Authority to Exchange	Receives confirmation of completion and updates record
 <b>Development</b>	Homes identified Pre-sale valuations Marketing s. 106 agreements		Assists in completion of application pack and submits to local authority		
 <b>Mortgage adviser</b>		Assurance that customer can borrow (potentially with DIP)	Assists in completion of application pack		
 <b>Mortgage lender</b>				Mortgage application Lender values for mortgage offer and conveyancer confirms transaction at MV less the discount	Lender provides mortgage funds for legal completion
 <b>Conveyancer</b>		Lender provides mortgage funds for legal completion		Conveyancer follows standard instruction pack Submits full legal declarations and undertaking to the local authority	Exchange of contracts Final legal confirmations Registers restriction at HMLR Informs local authority

## Appendix 3 Transitional arrangements

### Determinations before key dates

	28 June 2021	28 December 2021	28 March 2022
No FH			
No FH			
FH required			
Pre-28/3/22 with significant pre-app engagement on AH – no FH required			