

The Introduction of First Homes

**Interpretation of Policy HG4 (Tamworth Borough Council
Local Plan 2006-2031) in Light of Changes to National Policy**

1.0. Introduction

- 1.1. The Government published a Written Ministerial Statement on 24 May 2021, outlining plans for the introduction and delivery of First Homes. The First Homes Scheme detailed in this document will take effect from 28 June 2021. As a statement of Government policy, it is a material consideration in the determination of planning applications.
- 1.2. This document outlines the key information relating to First Homes and how Policy HG4 (Affordable Housing) in the adopted Tamworth Borough Council Local Plan 2006-2031 should be interpreted in light of the changes to national policy.
- 1.3. Further detail regarding the Written Ministerial Statement can be accessed at <https://questions-statements.parliament.uk/written-statements/detail/2021-05-24/hlws48>. The Government have also published supplementary Planning Practice Guidance on First Homes, which can be found at <https://www.gov.uk/guidance/first-homes>.

2.0. What is a First Home?

- 2.1. First Homes are an affordable home ownership product, intended to offer eligible first-time buyers discounted market sale housing in their local area.
- 2.2. First Homes are the government's preferred discounted market tenure. They should account for at least 25% of all affordable housing units secured through developer contributions, and be implemented in conjunction with affordable housing requirements set out in Policy HG4 (Affordable Housing).

3.0. The First Homes Criteria (*National Criteria*)

- 3.1. The following criteria must be satisfied in order for a dwelling to qualify as a First Home:
 - 3.1.1. The purchase price of the property must be discounted by a minimum of 30% against the market value, and;
 - 3.1.2. Once the discount outlined in (3.1.1.) has been applied, the price at first sale of the property must not exceed £250,000.

4.0. Establishing Buyer Eligibility (*National Criteria*)

- 4.1. A First Home must be sold to an individual or individuals which meet the First Homes Eligibility Criteria, as defined below:
 - 4.1.1. The purchaser (or, if a joint purchase, all the purchasers) must qualify as 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.
 - 4.1.2. First Homes cannot be sold to any household with a combined annual income above £80,000 in the tax year preceding the year of purchase. A household may be an individual, a couple or a group of individuals.
 - 4.1.3. Any purchaser of a First Home should have a mortgage or a home purchase plan (if such is required to comply with Islamic law) to fund a minimum of 50% of the discounted purchase price.

5.0. Local Eligibility Criteria

- 5.1. The above property and buyer requirements form a wider national criteria, as outlined in the Written Ministerial Statement (24 May 2021). These are the default set of requirements, however national policy also permits local authorities to set local eligibility criteria. Any changes would form either an adjustment or addition to national criteria, where deemed appropriate and justifiable.
- 5.2. Specifically, a local authority could amend the following criteria in the presence of a supportive evidence base:
 - 5.2.1. A local authority can require a higher minimum discount of either 40% or 50%;
 - 5.2.2. A local authority can set the price cap below £250,000;
 - 5.2.3. A local authority can impose their own eligibility criteria for prospective buyers through Section 106 agreements, such as (1) a lower income cap below £80,000, (2) a local connection test, and (3) eligibility criteria based upon employment status.
- 5.3. The introduction of local eligibility criteria should be done through an amendment to the local plan and be based on appropriate evidence. Accordingly, the First Homes scheme will be implemented using national criteria, as outlined above, and the potential for the introduction of local eligibility criteria will be considered as part of the development of the new local plan for Tamworth.

6.0. Interpretation of Policy HG4 to Reflect the Introduction of First Homes Policy

6.1. Policy Context

- 6.1.1. First Homes are defined as 'affordable housing' for planning purposes. As such, their delivery must be considered within the pre-existing affordable housing requirements of Policy HG4 (Affordable Housing), as defined in the adopted local plan. Policy HG4 details the current requirements for affordable housing provision on private housing developments, including the favoured mix of tenures.
- 6.1.2. The Written Ministerial Statement details the approach that the Council are expected to follow in order to incorporate First Homes into the existing affordable housing requirements, as set out in Policy HG4. In light of this, it is appropriate to define how local plan Policy HG4 should be interpreted to ensure compliance with national and local requirements.

6.2. Application of the First Homes Policy into Policy HG4

6.2.1. Policy HG4: Defining the Requirement for Affordable Provision

- As outlined above, Policy HG4 (Affordable Housing) usually requires a 20% affordable housing contribution on sites which deliver 10 dwellings or more.

6.2.2. Prioritising First Homes

- In accordance with national policy, a minimum of 25% of all affordable housing units secured through developer contributions should now be First Homes.

- National policy requires that the provision of First Homes must be the priority before all other affordable tenures. Therefore, First Homes will be allocated to the first 25% of all affordable housing units secured through developer contributions.

6.2.3. Relationship to other Affordable Home Ownership Products

- Under para. 65 of the National Planning Policy Framework 2021 (NPPF), 10% of the total number of dwellings¹ on developments of 10 or more dwellings must be delivered as affordable home ownership products.
- As First Homes are defined as an affordable home ownership product, their provision can either make up or contribute to meeting the 10% affordable home ownership requirement.
- If the provision of First Homes fails to meet or exceed the 10% affordable home ownership expectation set out in the NPPF, then developments will be expected to provide additional affordable home ownership products in order to meet the 10% requirement in the NPPF.
- An example of how the split might work in practice is set out below;

A development of 100 homes in a local authority with a policy for 20% affordable housing would be expected to provide 20 affordable homes to comply with local plan policy.

25% of these affordable homes would be expected to be First Homes, which would equate to 5 First Homes (5% of the total number of homes provided).

The expectation that at least 10% of all homes on this site must be available for affordable home ownership (under para. 65 of the NPPF) would equate to 10 homes.

As policy only requires 5 First Homes to be provided, an additional 5 affordable home ownership products would be expected to satisfy para. 65 of the NPPF.

6.2.4. Securing Remaining Affordable Housing Provision

- Under national policy and guidance, after First Homes and NPPF para. 65 requirements have been satisfied, the remaining affordable provision should be delivered in accordance with policy HG4 prioritising rented accommodation.

6.2.5. Summary

- The preferred tenure mix as currently set out in Policy HG4 is 25% intermediate tenure and 75% rented, split between social and affordable rent.
- In order to be compliant with national and local policy, developments of 10 or more dwellings will now be expected to provide a mix, where possible, of:
 - 1) 25% First Homes;
 - 2) Additional affordable home ownership products sufficient to ensure 10% of all dwellings are for affordable home ownership; and

¹ This should be understood and applied in regards to the total number of houses in any development, not just in relation to the total number of houses expected to be delivered as affordable dwellings.

- 3) The remaining affordable provision should be rental accommodation split between social and affordable rent.

7.0. First Homes Policy Timeframe: The Transitional Period

7.1. The First Homes Policy comes into effect from 28 June 2021.

7.2. However, the First Homes Policy requirements do 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, and;
- Applications for full or outline planning permission where there has been significant pre-application engagement which are determined before 22 March 2022.