

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 CP4 Affordable Housing in the adopted Core Strategy (2011).

Background

On 24th May 2021, the Government published a [Written Ministerial Statement](#) (WMS) to set out the Government's plans for the delivery of First Homes defining the product and changes to planning policy. Following publication of the WMS, Planning Practice Guidance (PPG)¹ was updated to reflect the WMS and will now form a material consideration in decision making. These changes came 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;
- d) discount (as a percentage of current market value) and certain other restrictions are passed on at each subsequent title transfer; and,
- e) 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)².

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.

Policy CP4 Affordable Housing

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

² Planning Practice Guidance Paragraph: 001 Reference ID: 70-001-20210524

This policy, in the adopted Core Strategy, requires a 45% affordable housing contribution on all new development resulting in a net gain of one or more dwellings, that the affordable housing provided reflects the mix of size and type required for future housing (as identified in the Strategic Housing Market Assessment (SHMA) and subsequent updates) and that 70% of the affordable housing provided is social rented and 30% is intermediate. The most recent update to SHMA is the [South West Hertfordshire Local Housing Needs Assessment](#) (2020) (LHNA).

It also states that in assessing affordable housing requirements including the amount, type and tenure mix, the Council will treat each case on its merits, taking into account site circumstances and financial viability. In calculating the percentage of affordable units to be provided as part of a development scheme, the affordable housing requirement will normally be 'rounded up' to the nearest whole number.

Policy CP4 also allows, in relation to small sites delivering between one and nine dwellings, the use of commuted payments towards provision off site. Such payments will be broadly equivalent in value to on-site provision but may vary depending on site circumstances and viability. Further details are available in the [Affordable Housing SPD](#) and [Viability Assessment Guidance](#).

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.

Therefore, the tenure mix for affordable housing under Policy CP4 of the Core Strategy (2011) will be:

- **25% First Homes**
- **70% social rented, and**
- **5% intermediate.**

However, the National Planning Policy Framework (NPPF) sets a requirement that where major development is proposed, at least 10% of the total number of homes should be available 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"³.

For example, if the expectation for at least 10% of homes on a site to be available for affordable home ownership equates to 8 homes, but the 25% First Homes requirement only results in 6 homes, then an additional 2 affordable home ownership products would be expected: this would mean that the number of affordable homes to be provided as social rent would be reduced by 2 dwellings.

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

³ Paragraph: 023 Reference ID: 70-023-20210524

Worked examples

Example 1: A scheme for 12 dwellings

Method	Result
45% affordable housing requirement through Policy CP4 = $12 \times 45\%$	6 (5.4 affordable homes rounded up to the nearest whole number)
Tenure mix of 25% First Homes, 70% social rented and 5% intermediate	25% = 2 First Homes 70% = 4 Social Rented 5% = 0 Intermediate
The NPPF requires 10% of homes to be for affordable home ownership = 10% of 12 dwellings	1.2 (2 dwellings rounded up to the nearest whole number)
Conclusion	The 2 First Homes meets the NPPF 10% requirement

Example 2: A scheme for 50 dwellings

Method	Result
45% affordable housing requirement through Policy CP4 = $50 \times 45\%$	23 (22.5 affordable homes rounded up to the nearest whole number)
Tenure mix of 25% First Homes, 70% social rented and 5% intermediate	25% = 6 First Homes 70% = 16 Social Rented 5% = 1 Intermediate
The NPPF requires 10% of homes to be for affordable home ownership = 10% of 50 dwellings	5 homes
Conclusion	The 6 First Homes meets the NPPF 10% requirement

Example 3: A scheme for 150 dwellings

Method	Result
45% affordable housing requirement through Policy CP4 = $150 \times 45\%$	68 (67.5 affordable homes rounded up to the nearest whole number)
Tenure mix of 25% First Homes, 70% social rented and 5% intermediate	25% = 17 First Homes 70% = 48 Social Rented 5% = 3 Intermediate
The NPPF requires 10% of homes to be for affordable home ownership = 10% of 150 dwellings	15 homes
Conclusion	The 17 First Homes meets the NPPF 10% requirement