



Bromsgrove District 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 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 if for example a 4 bedroom unit is being provided to ensure that the required £250,000 cap is adhered to.

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 section on First Homes Exception sites).

Current Local Plan policy

The council expects First Homes, as included within the definition of Affordable Housing, to comply with the requirements BDP8 of the Bromsgrove District Plan Adopted-BDP-January-2017.pdf (bromsgrove.gov.uk)

The Council will expect proposals for major developments, i.e. BDP8.1 Contributions will not be sought from developments of 10 units or less, and which have a maximum combined gross floorspace of no more than 1000 sq m. Where there is a net increase of 11 or more dwellings affordable housing provision will be expected on-site and will be calculated against the net number of new dwellings as follows:

- Up to 40% affordable housing (or a higher % if proposed) on greenfield sites or any site accommodating 200 or more dwellings.
- Up to 30% affordable housing (or a higher % if proposed) on brownfield sites accommodating less than 200 dwellings.

Affordable Housing contribution

As stated above, the Affordable Housing contribution required by policy between 30% and 40% 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 40%

A residential development of 200 dwellings is liable for a minimum 40% Affordable Housing contribution.

Affordable Housing (AH) units	$200 \times 40\% = 80$
First Homes units	$80 \times 25\% = 20$
One third Affordable Home Ownership (AHO) units	$200 \times 30\%/3 = 27$
Shortfall of AHO	$27 - 20 = 7$
Remainder of AH as Social Rent	$80 - (20 + 7) = 53$

Table ① Affordable Housing tenure split

AH tenure	No. AH units	% total units (200)	% Affordable Housing
First Homes	20	10%	25
Other AHO*	7	3.5%	8.75
Social Rent	53	26.5%	66.25
Total	80	40%	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 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 Bromsgrove District Council, as set out the Council's Home Choice Plus Allocations Policy.

In determining whether the household has a local connection the Council will agree a connection exists in the following circumstances, noting that if an applicant has no connection that meets the qualification criteria and claims a connection on the basis of special circumstances then the decision to allow them on the list can be made by a Senior Officer:

Local Connection

The Council will apply a local connection criteria for First Homes applicants as there are affordability issues in the District 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.

- Where the local connection arises due to residency the applicant(s) must have lived in the District (by choice) for a minimum period of two years.
- Where the local connection arises due to employment and the applicant(s) have been in permanent, paid employment for a minimum period of six months, within the District, immediately prior to the application (please see further information below).
- Where the applicant(s) has a close (immediate) family member living in the District and has done so for a minimum period of five years, immediately prior to the application (please see further information below).
- Where the applicant has resided in the District for three out of the last five years at the point of 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).

Where the applicant is a member of the armed forces there are special arrangements.

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

The Localism Act 2011 amends the Housing Act 1996 to give local housing authorities in England the power to decide what classes of persons are or are not qualifying persons under section 160ZA(7) of the Housing Act 1996, for an allocation of social housing accommodation and we would like to extend this to apply for First Homes applications.

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 (section 160ZA(8)(b)). These Regulations require that local housing authorities do not use local connection (within the meaning of section 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 local connection criteria extends 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 Bromsgrove District.

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.

Sub Letting

Each First Home shall be used only as the main residence of the First Homes Owner and shall not be let, sub-let or otherwise Disposed of otherwise than in accordance with the terms of the relevant Deed PROVIDED THAT letting or sub-letting shall be permitted in accordance with paragraphs 1.1 and 1.2 below.

- 1.1 A First Homes Owner may let or sub-let their First Home for a fixed term of no more than two (2) years, provided that the First Homes Owner notifies the Council in writing before the First Home is Occupied by the prospective tenant or sub-tenant. A First Homes Owner may let or sub-let their First Home pursuant to this paragraph more than once during that First Homes Owner's period of ownership, but the aggregate of such lettings or sub-lettings during a First Homes Owner's period of ownership may not exceed two (2) years.
- 1.2 A First Homes Owner may let or sub-let their First Home for any period provided that the First Homes Owner notifies the Council and the Council consents in writing to the proposed letting or sub-letting. The Council covenants not to unreasonably withhold or delay giving such consent and not to withhold such consent in any of circumstances (a) – (f) below:

- a) the First Homes Owner is required to live in accommodation other than their First Home for the duration of the letting or sub-letting for the purposes of employment;
- b) the First Homes Owner is an active Armed Services Member and is to be deployed elsewhere for the for the duration of the letting or sub-letting;
- c) the First Homes Owner reasonably requires to live elsewhere for the duration of the letting or sub-letting in order to escape a risk of harm;
- d) the First Homes Owner reasonably requires to live elsewhere for the duration of the letting or sub-letting as a result of relationship breakdown;
- e) the First Homes Owner reasonably requires to live elsewhere for the duration of the letting or sub-letting as a result of redundancy; and
- f) the First Homes Owner reasonably requires to live elsewhere for the duration of the letting or sub-letting in order to provide care or assistance to any person.

1.3 A letting or sub-letting permitted pursuant to paragraph 4.1 or 4.2 must be by way of a written lease or sub-lease (as the case may be) of the whole of the First Home on terms which expressly prohibit any further sub-letting.

1.4 Nothing in this paragraph 4 prevents a First Homes Owner from renting a room within their First Home or from renting their First Home as temporary sleeping accommodation provided that the First Home remains at all times the First Home Owner's main residence

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

<i>Bedrooms</i>	<i>Newbuild prices</i>	<i>Newbuild prices with a 30% discount</i>	<i>Entry-level owner-occupation (second-hand property as set out in figure 3.2)</i>
One bedroom	£127,500	£89,250	£94,575
Two bedrooms	£190,000	£133,000	£156,000
Three bedrooms	£265,000	£185,500	£238,875
Four bedrooms	£395,000	£276,500	£385,125

Source: Online survey of property prices April 2021

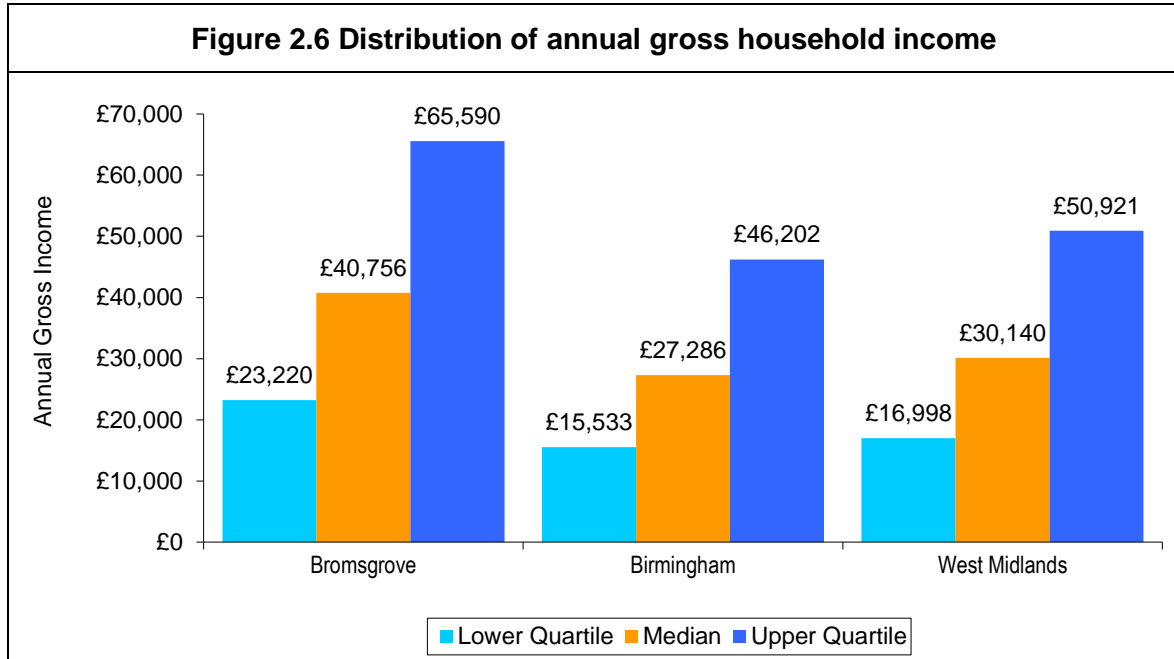
The table below shows the size of First Homes that would be required to house some households that would otherwise reside in the private rented sector. The residual private rented requirement, once the potential demand from households for this alternative product has been deducted, is also set out in the table. The model indicates that in Bromsgrove District, 31.5% of the First Homes should have two bedrooms, 28.9% one bedroom, 21.7% three bedrooms and 17.9% four or more bedrooms.

<i>Size of home</i>	<i>First Homes</i>		<i>Residual private rented homes</i>	
	<i>Number required</i>	<i>Proportion required</i>	<i>Number required</i>	<i>Proportion required</i>
One bedroom	90	28.9%	98	20.1%
Two bedrooms	98	31.5%	102	20.9%
Three bedrooms	67	21.7%	162	33.2%
Four or more bedrooms	55	17.9%	126	25.7%
Tota	310	100.0%	488	100.0%

2.1 CACI Paycheck¹ estimates that the mean gross annual household income in Bromsgrove District is £48,545, which is 45.5% above the equivalent for the West Midlands (£37,870), it is also notably higher than the figure for Birmingham City (£34,527).







¹ CACI is a commercial company that provides households income data

The figure below shows household income at various points on the income distribution for the district alongside the Birmingham and regional equivalents. The data indicates that households in Bromsgrove District are significantly more affluent than households in Birmingham and the West Midlands at all points on the income distribution.



Source: CACI Paycheck, 2021

Appendix 2 Application Process

	Pre-sale set-up	Customer reservation	Authority to Proceed and Authority to Exchange	Exchange and completion	
 Customer		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
 Local authority	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
 Development	Homes identified Pre-sale valuations Marketing s. 106 agreements		Assists in completion of application pack and submits to local authority		
 Mortgage adviser		Assurance that customer can borrow (potentially with DIP)	Assists in completion of application pack		
 Mortgage lender				Mortgage application Lender values for mortgage offer and conveyancer confirms transaction at MV less the discount	Lender provides mortgage funds for legal completion
 Conveyancer		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			