

# First Homes – Interim Policy Statement (January 2022)

## Introduction

1. This interim statement sets out the key information relating to First Homes and how it will relate to the implementation of the Runnymede 2030 Local Plan adopted July 2020, and particularly Policy SL20: Affordable Housing (see Appendix A).

## Background

2. On 24th May 2021, the Government published a [Written Ministerial Statement](#) to set out the Government's plans for the delivery of First Homes; defining the product and changes to planning policy. To support the future development of First Homes, the Government also set out changes to planning policy<sup>1</sup>. These changes came into effect on the 28 June 2021. For further details, please refer to the Written Ministerial Statement and [Planning Practice Guidance](#).
3. First Homes are a new form of low-cost affordable home ownership product. They are included within the definition of 'affordable housing' for planning purposes. They are:
  - Discounted by a minimum of 30% against the market value; and
  - After the discount has been applied, the first sale of the home must be at a price no higher than £250,000 (outside London). Local authorities and neighbourhood planning groups can set a larger discount of either 40% or 50% to ensure the homes are affordable to local people if they can demonstrate evidence of a need for this.

## Who is eligible for a First Home?

4. The Government has set national criteria for eligibility to First Homes. These are that they must be:
  - For applicants who are first time buyers (as defined in paragraph 6 of schedule 6ZA of the Finance Act 2003 for the purposes of Stamp Duty Relief)
  - For households with a combined gross annual income of up to £80,000 (outside London)
  - All purchasers must use a mortgage or home purchase scheme for at least 50% of the discounted purchase value.
5. Local authorities can set their own eligibility criteria in addition to the national criteria such as, for example, prioritising key workers and / or specifying a particular local connection requirement(s) based on work or current residency. However, any local eligibility criteria set will be time-

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

limited to the first three months from the start date of marketing the property after which the eligibility criteria will revert to the national criteria (see para. 4 above).

6. In recognition of the unique circumstances of the Armed Forces, local connection criteria will not apply to active members of the Armed Forces, divorced/separated spouses or civil partners of current members of the Armed Forces, spouses or civil partners of a deceased member of the armed forces (if their death was wholly or partly caused by their service) and veterans within 5 years of leaving the armed forces.

### **What sites are required to provide First Homes?**

7. First Homes are expected to be delivered on all sites of 10 or more (net) additional dwellings with the following exemptions:
  - Build to rent developments;
  - Specialist accommodation such as purpose-built accommodation for the elderly or students;
  - Custom or self-build homes;
  - Developments exclusively for affordable housing, or entry-level exception sites (which will become First Homes Exception Sites);
  - 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;
  - Applications for full or outline planning permission where there has been significant pre-application engagement which are determined before 28 March 2022.

### **First Homes Exception Sites**

8. As part of the overarching First Homes policy, the Government is introducing First Homes Exception Sites, which are intended to replace existing entry-level Exception Sites (although no mention is made of this in the latest version (July 2021) of the National Planning Policy Framework). Exception sites are small sites, outside of settlement boundaries, used to deliver affordable housing.
9. The First Homes exception sites policy, as outlined in the WMS and Planning Practice Guidance, requires homes on qualifying sites to be delivered predominantly as First Homes but with some flexibility to allow for a small proportion of market homes where they would be necessary to ensure the viability of the development.

### **How are First Homes delivered?**

10. When a First Home is first sold and then later resold, it will be independently valued (the status of a property will be noted on the title at

Land Registry). The market value of the house will be discounted (by at least 30%) and this reduction will be passed onto the new owner, although the £250,000 cap does not apply on resales.

11. First Homes will be delivered (and the mechanism securing the discount in perpetuity) through planning obligations (i.e., s106 agreements)<sup>2</sup> in the same way as other forms of affordable housing.
12. Mortgage lenders enforcing security over First Homes should be able to realise the full market value of the property, returning any surplus up to the value of First Homes discount to the local authority. A Mortgagee Exclusion Clause is required to be included in the s106 agreement.

## **Runnymede's approach to First Homes**

### ***Impact of the delivery of First Homes on other affordable housing tenures***

13. Planning law requires that applications for planning permission be determined in accordance with the development plan unless material considerations indicate otherwise. The Written Ministerial Statement is a material consideration and weight will be applied to it accordingly.
14. The WMS states that "A minimum of 25% of all affordable housing units secured through developer contributions should be First Homes. This is a national threshold which should be applied for England."
15. It then states that "Where other affordable housing units can be secured, these tenure-types should be secured in the relative proportions set out in the development plan." The only exception to this approach is where there is a policy requirement for social rented housing, which should be prioritised, once they have secured the 25% First Homes requirement.
16. The Runnymede 2030 Local Plan was adopted in July 2020, so is up to date. Policy SL20: Affordable Housing of the Plan requires that development proposals of 10 or more (net) additional dwellings provide 35% of dwellings as affordable units. The tenure split set out in Policy SL20: Affordable Housing is for 70% Affordable/ Social Rent (no distinction is made between these two forms of rent) and 30% as other forms of affordable housing.
17. The introduction of First Homes therefore results in the tenure mix in Runnymede changing from 70% social/affordable rented and 30% other forms of affordable housing to:

25% First Homes, 53% social/ affordable rent and 22% other forms of affordable housing such as shared ownership.

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<sup>2</sup> Planning Practice Guidance Paragraph: 001 Reference ID: 70-001-20210524

18. Worked examples of what this approach will mean in practice is set out below.

Example 1: A scheme for 15 dwellings

Method	Result
35% <b>affordable housing</b> requirement from Policy SL20 – 15 x 35%	5.25 (rounded down to <b>5 dwellings</b> )
25% x 5= First Homes requirement	1.25 (rounded down to <b>1 dwelling</b> )
<b>Social/ affordable rented</b> = 53% of 5 affordable units	2.65 dwellings (rounded up to <b>3 dwellings</b> )
<b>'Other forms of affordable housing'</b> = 22% of 5 units	1.1 (rounded down to <b>1 dwelling</b> ) Discussions needed with Housing/ Registered Providers to decide the form of this affordable unit.

Example 2: A scheme for 100 dwellings

Method	Result
35% <b>affordable housing</b> requirement from Policy SL20 – 100 x 35%	<b>35 dwellings</b>
<b>First Homes</b> = 25% of the 35 dwellings	8.75 (rounded up to <b>9 dwellings</b> )
<b>Social/ affordable rented</b> = 53% of the 35 affordable housing requirement	18.55 (rounded up to <b>19 dwellings</b> )
<b>'Other forms of affordable housing'</b> 22% of the 35 affordable dwellings	7.7 (rounded down to <b>7 dwellings</b> )*

\*As set out in the Affordable Housing Supplementary Planning Document para. 2.3.11, the need for rented units should result in this tenure being rounded up in preference to providing other forms of affordable housing units in the Borough.

19. The Council intends that parts of a dwelling may be either rounded up or down, as illustrated in the examples above. Applicants are encouraged to discuss schemes at the early stages of preparation with the Council to enable a workable outcome.

***What discount to First Homes will be applied in Runnymede?***

20. As set out above in para. 3, Government guidance allows local authorities to impose higher discounts than the minimum 30% discount from open market value of either 40% or 50%.
21. In Runnymede it is intended that the minimum discount of 30% should be applied at this stage, as there is currently no firm evidence available to support higher levels of discount. The Council may reconsider its position in due course, if evidence gathered supports a higher level of discount in Runnymede. In such a scenario, the Council will update the Interim Policy Statement.

***Should lower income caps apply in Runnymede?***

22. In terms of lower income caps, it is noted that the household income limit of £80,000, proposed by the Government, is in line with the existing criteria for all other low-cost home ownership products. It is considered that given the high open market house values in Runnymede that it is likely to be counterproductive to apply lower household income caps as that is likely to reduce the number of purchasers who can afford to buy a First Home and increase the risk that they are sold to applicants with no local connection to Runnymede.

***Will local connection criteria apply in Runnymede?***

23. As set out in para. 5 above, local authorities can set their own local connection criteria for the sale of First Homes. Local connection criteria will however only apply for the first three months of advertising a First Home. After 3 months the seller can sell the property to someone with no local connection provided that they still qualify as a first time buyer and are within the household income limit.
24. The same local connection criteria will be applied in Runnymede as are used in the Council's published [Housing Allocation Scheme](#).
25. The prioritisation of key workers ceased to be an aspect of national policy some years ago and it is not standard practice in Runnymede in relation to allocating homes for affordable/ social rent, or for prioritising applicants for shared ownership housing. The Council's priority is to assist those who are most in need of subsidised housing, regardless of the nature of their employment, and it is therefore not considered appropriate to prioritise key workers for the purchase of a First Home at this time, but this situation will be kept under review as part of the evidence gathering for the new Local Plan and, if necessary, an updated IPS will be produced.

***Do First Homes Exception Sites apply in Runnymede?***

26. As set out above in para. 8, the Government is also intending to introduce First Homes exception sites, to replace existing entry-level Exception Sites. It is clear, from para. 72 of the National Planning Policy Framework, that entry-level Exception Sites are sites located outside of, but “adjacent to existing settlements”. National planning guidance advises that these sites, “cannot come forward in areas designated as Green Belt”. Since land outside existing settlements in Runnymede is designated as Green Belt, it is not considered that First Homes exception sites are applicable in the Borough.

## Appendix A

### **Policy SL20: Affordable Housing of the Runnymede 2030 Local Plan**

Policy SL20: Affordable Housing Over the period of the Local Plan the Council will seek to deliver 30% of all net additional dwellings as affordable units of which about 70% will be provided as Affordable/Social Rent and 30% provided as other forms of affordable housing.

Development proposals of 10 or more (net) additional dwellings will be expected to provide 35% of dwellings as affordable units with a tenure split as above which includes 10% of homes for affordable home ownership (starter homes, discounted market sales housing and/or other products which provide affordable routes to home ownership in line with the definition contained in the 2019 NPPF)17.

In seeking affordable housing provision, the Council will have regard to scheme viability and take a negotiated approach to the final percentage of affordable housing delivered and the type and tenure split of affordable units. Where viability evidence demonstrates that the full amount of affordable housing cannot be delivered the Council will negotiate a level of on-site affordable housing that can be delivered taking into account the mix of unit size, type and tenure and any grant subsidy received.

The Council will only accept a financial contribution in lieu of on-site provision where it can be satisfactorily demonstrated that on-site provision is neither feasible nor viable.

Where a site has been sub-divided or is not being developed to its full potential so as to fall under the affordable housing threshold the Council will seek a level of affordable housing to reflect the provision that would have been achieved on the site as a whole had it come forward as a single scheme for the allocated or identified site.

Planning obligations will be used to ensure that the affordable housing will remain at an affordable price for future eligible households, or for the subsidy to be recycled to alternative affordable housing provision.

The requirement to provide affordable housing will apply to all residential development falling under Use Class C3 with the exception of Gypsy & Traveller Pitches or Travelling Showpeople Plots.