

First Homes Policy Statement


Technical Advice Note


Planning Policy/Housing Strategy

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 EastHertsDC

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1.0 Introduction

1.1 The Government has introduced changes to the National Planning Policy Framework (NPPF) that require East Herts Council to review its affordable housing policies. The new NPPF introduces requirements for the inclusion of First Homes as an affordable housing product.

2.0 What are First Homes?

2.1 The proposal for First Homes was introduced by the government in July 2020 as a new low cost home ownership product. First Homes are newly built homes which constitute a discounted market sale product. Under government guidance, they should be considered to meet the definition of affordable housing for planning purposes.

2.2 First Homes must:

- be sold at a discount of no less than 30% of market value and no more than 50%, with the actual percentage discount that should be applied to all First Homes in a district determined by the local authority.

- have their initial sale price capped at no more than the government-set maximum, regardless of the percentage discount. The cap is currently £250,000
- remain a First Home in perpetuity, with subsequent sales subject to the initial percentage discount. Note: local authorities are expected to keep track of subsequent sales through a mechanism yet to be defined by the government
- sold only (initially and subsequently) to those eligible for a First Home, these being primarily first time buyers.
- be offered exclusively within the first three months of availability to those with a local connection as defined by the local authority, with the local connection requirement falling away after the three months.

2.3 At present, there is no legislative requirement for local authorities to ensure the delivery of First Homes. Developers may, however, wish to include First Homes in their proposals. If a local authority were to provide an obstruction to this, developers could launch a legal challenge on the grounds that the local authority is failing to permit the development of a low cost home ownership product which is defined as Affordable Housing under the National Planning Policy Framework.

2.4 Although local authorities cannot preclude the development of First Homes in their district, it is reasonable to advise developers on their stance. This can then guide developers when considering the tenure mix most likely to meet local need.

3. The Affordability of First Homes in East Herts

3.1 Affordability assessments carried out by East Herts Council have compared the accessibility of the Shared Ownership product with First Homes within the lowest quartile of incomes in East Herts. Two factors have been considered:

- Could the household get the required mortgage with a 5% deposit?
- If the household were able to get the required mortgage, would their monthly housing costs be no more than 30% of the gross household earned income?

3.2 The affordability assessments have shown that Shared Ownership is a more affordable low cost home ownership product in East Herts for those on lower incomes than First Homes.

3.3 First Homes do not adequately address the needs of those on lower incomes in the district wishing to buy a home; shared ownership is better suited to meet these needs.

4. The Impact of First Homes upon the supply of other types of affordable housing

4.1 East Herts Council's District Plan seeks 25% of affordable homes as shared ownership and 75% as affordable housing for rent. Government guidance states, however, that where First Homes are provided in a development, they should make up a minimum of 25% of all affordable homes. The council could then apply its preferred tenure mix to the remaining affordable units.

4.2 This guidance would constrain the supply of much needed affordable homes for rent. If a quarter of the total were First Homes, affordable homes would make up 75% of the remaining 75% of affordable homes; that is, 56% of all affordable homes on the site.

4.3 The government's requirement that where a development contains First Homes the number of First Homes should constitute 25% of all affordable dwellings would reduce the supply of affordable homes for rent.

5. Technical Advice on First Homes:

5.1 East Herts Council's technical advice on First Homes is:

- i) East Herts Council does not consider First Homes to be a suitable form of affordable housing delivery in the district, given its limited role in meeting locally identified housing need.
- ii) East Herts Council will not seek the inclusion of First Homes in new developments.

iii) East Herts Council's preferred low cost home ownership product is shared ownership as this better addresses the needs of residents on lower incomes wishing to buy a home.

iv) Should a developer propose the inclusion of First Homes as part of a planning application, East Herts Council's policy will be to seek a tenure mix which maximises affordable housing for rent on the site.

v) Where developers propose to construct First Homes, the discount should be 30% of the full market price, subject to any government-specified price cap after the discount (currently £250,000).

vi) The local connection criteria should be consistent with the criteria applied for other low cost home ownership homes in East Hertfordshire, principally Shared Ownership.