

6th October 2021**TITLE OF REPORT: First Homes Briefing****REPORT OF: Anneliese Hutchinson, Service Director, Development,
Transport and Public Protection****Purpose of the Report**

1. To inform Committee of the National Planning Policy Guidance (NPPG) requirements to deliver First Homes through the planning process from 28 June 2021. Reports have also be presented to Housing Portfolio and Environment and Transport Portfolio.

Background

2. The Government have amended their planning advice relating to the requirements that new housing applications deliver affordable homes. This now includes a requirement that 25% of the affordable requirement must be First Homes.
3. First Homes are a specific kind of discounted market sale housing and meet the definition of “affordable housing” for planning purposes. In particular, First Homes are discounted market sale homes 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 discount (as a percentage of current market value) and certain other restrictions are passed on at each subsequent title transfer.
 - d) After the discount has been applied, the first sale must be at a price no higher than £250,000.

4. Under the eligibility criteria, a purchaser (or, if a joint purchase, all the purchasers) of a First Home should be a first-time buyer. Purchasers should have a combined annual household income not exceeding £80,000 and should have a mortgage or home purchase plan to fund a minimum of 50% of the discounted purchase price. These criteria also apply to all future sales of a First Home. It is expected that First Homes would be marketed directly to buyers by developers initially and that future sales would also be sold on the market by Estate Agents, although advertised as a First Home. Buyers will be required to provide evidence (to the Council at each subsequent sale) that they meet the criteria.
5. Local planning authorities are able to apply their own eligibility criteria in addition to that described above. This may involve lower income caps (if this can be justified with evidence of local average first-home buyer incomes), a local connection test, or criteria based on employment status. Authorities can also prioritise key workers, especially if there is an identified need for certain professions in the area.
6. Local planning authorities can require a higher minimum discount, lower price or income gaps for First Homes but this also needs to be based on local evidence. The most appropriate tools to do this might include (but may not be limited to) publication of an interim policy statement or updating relevant local plan policies.
7. Proposed developments for 100% affordable homes, such as discounted rent will be exempt from having to deliver First Homes.
8. Like other affordable homes, First Homes should be indistinguishable from other types of homes in a development.

How First Homes would apply in Gateshead

9. Policy CS11 of the Core Strategy and Urban Core Plan (CSUCP) requires provision of 15% affordable homes on developments of 15 or more dwellings. The Council's preferred split of the 15% affordable housing is 65% subsidised rent and 35% subsidised home ownership. First Homes would fall under the definition of subsidised home ownership (and would also be subject to viability like other forms of affordable housing). First Homes should account for at least 25% of all affordable homes delivered by developers through planning obligations (Section 106 Agreements) once planning permission has been granted. An example of how this would apply in Gateshead as follows:
 - If a development proposes 200 homes, 30 of these (15%) would need to be affordable in accordance with policy CS11.
 - Of the 30 affordable homes, 25% of these should be First Homes. This would equate to 8 homes (rounded up) and would also leave a

remaining 10% (3 homes) for other types of affordable home ownership, such as shared ownership.

- 65% of the affordable homes (19 homes) would remain for subsidised rent.

Type of affordable housing	Amount
First Homes	8 homes
Other affordable home ownership	3 homes
Subsidised rent	19 homes

10. The split of the different types and numbers of affordable homes will be set out in the Section 106 Agreement for the site and will become a registered land charge against the properties in the development.
11. During the initial sale of a First Home, the developer will commission a RICS Registered Surveyor for a valuation which will be shared with the Council as part of the Section 106 Agreement. Any further valuation will be undertaken by the lender as part of the buyer's mortgage application.
12. In a re-sale, the First Homes homeowner will need to commission an independent valuation from a RICS registered surveyor. This would need to be submitted to the Council as Local Planning Authority for confirmation that the sale complies with the criteria set out in the Section 106 Agreement.
13. To ensure that resale value does not increase to the point the home was not affordable to eligible persons at future re-sale, the national income caps will be monitored and adjusted as needed to respond to changes in the housing market. The Council can apply updates if there are any locally set income caps.
14. In higher value areas of the Borough, the initial discounted price of the home will not be able to exceed the £250,000 cap regardless of the market value before the discount was applied. This may therefore require the developer to offer the home at a deeper discount to remain within the cap.
15. For example, the national 30% minimum discount applies and there is no deeper discount applied as a matter of local policy:
 - Home A and Home B are both designated for sale as First Homes.
 - Home A is independently valued at £300,000. It will be sold as a First Home as a price equal to 70% of the open market price.
 $70\% \times £300,000 = £210,000$. This is within the price cap.
 - Home B is independently valued at £400,000.
 However, $70\% \times £400,000 = £280,000$, which exceeds the £250,000 price cap. The price of Home B is therefore capped at £250,000, which results in an effective discount of 37.5%.

Conclusion

16. This guidance on First Homes is unlikely to increase or decrease the amount of affordable housing provided in the Borough and would not conflict with the proportions of different tenures sought in the CSUCP. However, it will introduce a new type of product within the subsidised home ownership tenure and set a greater discount than existing Discounted Market Sale (DMS) (30% as opposed to 20%). First Homes, therefore, may reduce the amounts of DMS or shared ownership homes provided.

17. There will be an increase in the resources required to facilitate and monitor the initial and subsequent sales of First Homes. However, there is provision for the Council to charge monitoring fees associated with Section 106 Agreements.

Recommendation

It is recommended that the Committee note the report

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1. FINANCIAL IMPLICATIONS

2. There will be an increase in the resources required to facilitate and monitor the initial and subsequent sales of First Homes. However, there is provision for the Council to charge monitoring fees associated with Section 106 Agreements

3. RISK MANAGEMENT IMPLICATIONS

Nil

4. HUMAN RESOURCES IMPLICATIONS

Nil

5. EQUALITY AND DIVERSITY IMPLICATIONS

Nil

6. CRIME AND DISORDER IMPLICATIONS

Nil

7. SUSTAINABILITY IMPLICATIONS

Nil

8. HUMAN RIGHTS IMPLICATIONS

Nil

9. WARD IMPLICATIONS

All wards

BACKGROUND INFORMATION