

**Stevenage Borough Council**

**First Homes**

**Position Statement**

**May 2024**



# FIRST HOME POLICY POSITION STATEMENT

## 1.0 INTRODUCTION

- 1.1 This position statement sets out the key information relating to First Homes and how it will affect the implementation of Policy HO7 Affordable Housing targets in the adopted Stevenage Borough Local Plan 2011 – 2031.

## 2.0 BACKGROUND

- 2.1 On 24 May 2021, the Government announced its First Homes policy through a Written Ministerial Statement (WMS) and accompanying changes to the Planning Practice Guidance (PPG). As a result, these changes came into effect on 28 June 2021.

- 2.2 The relevant guidance can be found on the following websites:

UK Parliament Affordable Homes Update

[Written statements - Written questions, answers and statements - UK Parliament](#)

Planning Practice Guidance

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

## 3.0 WHAT ARE FIRST HOMES?

- 3.1 From 28 June 2021, for planning purposes a home that meets the criteria of a First Home will also be considered to meet the definition of 'affordable housing'<sup>1</sup>.
- 3.2 First Homes are designed to support local first time buyers onto the property ladder, by offering homes at a discount to the market price. The discount will apply to the homes- in perpetuity, meaning that generations of new buyers and the local community will continue to benefit every time the property is sold.
- 3.3 First Homes are a specific kind of discounted market sale units which:
- must be discounted by a minimum of 30% against the market value
  - are sold to a person or persons meeting the First Homes eligibility criteria (see below);
  - 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; and,
  - after the discount has been applied, the first sale must be at a price no higher than £250,000.

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<sup>1</sup> Planning Practice Guidance Paragraph: 001 Reference ID: 70-001-20210524

- 3.4 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.
- 3.5 There is some flexibility to provide local eligibility criteria, whereby councils can: lower the price cap; increase the discount level to 40% or 50%; and/or reduce the income cap, provided there is local evidence to justify doing so. They can also apply eligibility restrictions through local connection and/or work-based criteria. However, the First Homes local criteria in paragraph 3.3 above, will apply to all First Homes sold as discounted market sale in Stevenage, as it is not considered financially viable to reduce further the discount level.
- 3.6 The maximum property price cap is set nationally at £250,000.

#### **4.0 FIRST HOMES ELIGIBILITY CRITERIA**

- 4.1 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
- 4.2 The eligibility criteria are that a purchaser, or in the case of a joint purchase, all purchasers must:
- (a) Be a first time buyer;
  - (b) Have a combined income not exceeding £80,000 (or £90,000 in Greater London) in the tax year immediately preceding the year of purchase;
  - (c) Have a mortgage or home purchase plan to fund a minimum of 50% of the discounted purchase price.
- 4.3 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.

## 5.0 LEGAL MECHANISMS

5.1 To qualify as a First Home there should be a Section 106 agreement, agreed prior to granting planning permission, securing the necessary restrictions on the future use and sale of the property<sup>2</sup>. This will ensure the discount is passed on to all future purchasers and:

(a) secures the delivery of the First Homes; and,

(b) ensures that a legal restriction is registered onto a First Home's title on its first sale<sup>3</sup>.

## 6.0 POLICY HO7: AFFORDABLE HOUSING TARGETS

6.1 The Stevenage Local Plan Policy HO7, adopted May 2019, requires a 25% affordable housing contribution on new homes on previously developed sites and a 30% contribution on new homes elsewhere and that, the affordable housing provided is appropriate to the mix of homes required for the future housing in Stevenage. Policy HO8 requires at least 70% of units being for rent and the remainder consisting of other tenures to be agreed with the Council's Housing Team.

6.2 The local authority will use the latest Strategic Market Assessment (SHMA) as the evidence base to reflect the current housing needs across Stevenage Borough Council<sup>4</sup>. This will provide the latest analysis of affordable housing need and how this translates to housing mix, tenure split and needs of specific groups.

6.3 The tenure mix for affordable housing under Policy HO7 of the Local Plan 2011 – 2031 will be:

- 25% First Homes
- 70% Rent
- 5% the remainder consisting of other tenures to be agreed with the Council's Housing team

6.4 In the event of First Homes being provided as a component of any affordable housing provision this preferred tenure split will supersede that published within the Local Plan<sup>5</sup>.

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<sup>2</sup> First Homes: Model Section 106 Agreement (for developer contributions) - GOV.UK ([www.gov.uk](http://www.gov.uk))

<sup>3</sup> Paragraph: 003 Reference ID: 70-003-20211223

<sup>4</sup> The Strategic Market Housing Assessment (SHMA) Part II update 2023

<sup>5</sup> <https://www.stevenage.gov.uk/planning-and-building-control/planning-policy/local-plan/stevenage-borough-local-plan>

6.5 For example, a development for 100 homes on previously developed land would be expected to provide 25 affordable homes to comply with Local Plan policy. 25% of these 25 affordable homes should be first homes (6 homes). The remainder of the affordable homes (19 homes should be split between social rented units (70% = 18 homes) and other tenures to be agreed with the Council's Housing Team (5% = 1 home).

6.6 **Worked example**

Example 1: Affordable housing requirement for a scheme for 100 homes on previously developed land

METHOD	RESULT
<b>25% affordable housing requirement through Policy HO7 = 100 x 25%</b>	25 homes
<b>Tenure mix of 25% First Homes, 70% social rented and 5% to be agreed with the Housing Team (HT)</b>	25% = 6 First Homes 70% = 18 Social rented (rounded up) 5% = 1 home to be agreed with HT
<b>Total First Homes</b>	6

Example 2: Affordable housing requirement for a scheme for 100 new homes elsewhere

METHOD	RESULT
<b>30% affordable housing requirement through Policy HO7 = 100 x 30%</b>	30 homes
<b>Tenure mix of 25% First Homes, 70% social rented and 5% to be agreed with the Housing Team</b>	25% = 8 First Homes 70% = 21 Social rented (rounded up) 5% = 1 home to be agreed with HT
<b>Total First Homes</b>	8

6.7 The National Planning Policy Framework (NPPF) sets a requirement that where major development is proposed. If a planning application for a major housing development is contrary to the NPPF, at least 10% of the total number of homes should be available for affordable home ownership. The expectation is that at least 10% of homes on site should be available for affordable home ownership and if additional affordable homes ownership may be provided on top of the first homes provision, in line with the NPPF<sup>6</sup>.

<sup>6</sup> Paragraph: 023 Reference ID: 70-023-20210524

## 6.8 Worked Example

Example 3: A scheme for 80 new homes elsewhere

Method	Result
<b>30% affordable housing requirement through Policy HO7 = 80 x 30%</b>	24 homes
<b>Tenure mix of 25% First Homes, 70% social rented and 5% to be agreed with the Housing Team (HT)</b>	25% = 6 First Homes 70% = 17 Social rented (rounded up) 5% = 1 home to be agreed with HT
<b>Total Number of First Homes from scheme in a %</b>	7.5% (6 / 80 = 7.5%)
<b>NPPF requires 10% affordable home ownership</b>	2 homes (additional homes required)
<b>Total Number of First Homes</b>	8 (NPPF 10%)

Example 4: A scheme of 80 new homes on previously developed land

Method	Result
<b>25% affordable housing requirement through Policy HO7 = 80 x 25%</b>	20 homes
<b>Tenure mix of 25% First Homes, 70% social rented and 5% to be agreed with the Housing Team (HT)</b>	25% = 5 First Homes 70% = 14 Social rented 5% = 1 home to be agreed with HT
<b>Total Number of First Homes from scheme in a %</b>	6.25% (5 / 80 = 6.25%)
<b>NPPF requires 10% affordable home ownership</b>	3 homes (additional homes required)
<b>Total Number of First Homes</b>	8 (NPPF 10%)

## 7.0 COMMUNITY INFRASTRUCTURE LEVY (CIL)

The Community Infrastructure Levy (CIL) Regulations 2010 (as amended) make provisions for charging authorities to give relief or grant exemptions from the levy, including developers of First Homes.

Mandatory social housing relief can apply in respect of dwellings where the first and subsequent sales are for no more than 70% of their market value. To be eligible, a planning obligation must be entered into prior to the first sale of the dwelling designed to ensure that any subsequent sale of the dwelling is for no more than 70% of its market value. This relief will therefore be available for First Homes. Regulations 49-54 of the Community Infrastructure Levy Regulations (as amended) defines where social housing relief applies<sup>7</sup>.

<sup>7</sup> Planning Policy Guidance, Paragraph: 016 Reference ID: 70-016-20210524

## **8.0 TRANSITIONAL ARRANGEMENTS**

Under the transitional arrangements of the implementation of First Homes the following exemptions will apply:

- 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.
- Applications made under section 73 of the Town and Country Planning Act 1990, to amend or vary an existing planning permission.

# Appendix 1

## Eligibility Criteria

As part of section 106 agreements, local authorities can apply eligibility criteria in addition to the national criteria described above. This may involve a local connection test.

### Stevenage Local Criteria

Occupancy of all First Homes will be restricted to those meeting the following local connection criteria.

#### First Homes Local Connection Criteria

A person will be considered to meet the local occupancy conditions if immediately before taking up occupation of the First Home, they or a member of their household meet one of more the following criteria:

1. The person currently lives in the Stevenage Borough Council local authority area and has done so for a continuous period of at least five years.
2. The person works permanently in the Stevenage Borough Council local authority area and has done so for a continuous period of at least five years.
3. The person is an existing social tenant who needs to move to take up an offer of work in the borough, as detailed in the Government's 'Right to Move' statutory guidance (DCLG, March 2015).
4. The person needs to live in Stevenage Borough Council because they need substantial care from a relative who has lived in the locality for at least five years or needs to provide substantial care to a relative who has lived in the locality at least five years. Substantial care means that identified as required by a medical doctor or relevant statutory support agency.<sup>8</sup>

#### Limitation

The local connection criteria for First Homes will only apply for a maximum of 3 months from when a home is first marketed. If a suitable buyer has not reserved a home after 3 months, the eligibility criteria (including income caps) will revert to the national criteria set out above, to widen the consumer base. Before the local connection criteria reverts to the national criteria the owner should supply the Council with evidence that 3 months of active marketing has taken place. Once the First Home has been sold, the local connection criteria will apply again at the next sale.

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<sup>8</sup> In addition to criteria points 1 to 4 as set out above, the First Home property will need to be your sole or main residence, you will need to be over 18 and a British Citizen or a national of an EEA State other than the UK or Switzerland.