**Warwick District Council – First Homes**

**Policy Guidance Note (March 2024)**

# 1.Purpose of this note

1.1 This guidance note explains how the government’s First Homes policy will be delivered within Warwick District and how the Council’s affordable housing policies will be adapted to meet the requirements of First Homes.

# 2. Legislative Background

2.1 On 24th May 2021, the Government published a Written Ministerial Statement (WMS) introducing First Homes and explaining how they should be delivered as part of a range of affordable housing products. This WMS can be seen in full at:

[Written statements - Written questions, answers and statements - UK Parliament](https://questions-statements.parliament.uk/written-statements/detail/2021-05-24/hlws48)

2.2 To support the future development of First Homes, the Government also set out changes to planning policy within an update to Planning Policy Guidance (PPG) published on 24th May 2021.The PPG provides further detail on first homes and their implementation. These changes came into effect from 28th June 2021.

: [First Homes - GOV.UK (www.gov.uk)](https://www.gov.uk/guidance/first-homes)

# 3. What are First Homes?

3.1 First Homes are a form of low-cost home ownership that sit based on the existing discounted market sale model but specifically aimed at first time buyers.

3.2 The WMS states that First Homes should account for at least 25% of all affordable housing units delivered through planning obligations. First Homes are a form of affordable home ownership they contribute to the National Planning Policy Framework requirement that 10% of all homes should be for affordable home ownership.

3.3 The WMS explains that after securing First Homes, Local Authorities should then prioritise securing their policy requirements for social rented properties. Other tenure types should be secured in the relative proportions set out in the development plan.

## The definition of First Homes is as follows:

* First Homes must be discounted by a minimum of 30% against the market value.
* First Homes must be sold to a person or persons meeting the First Homes eligibility criteria (see section 4 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 (or £420,000 in Greater London).

## **First Homes discount in Warwick District:**

In order to qualify as a First Homes, a property must be sold with a discount of at least 30% against open market value. However 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. The guidance suggests that a housing needs assessment (HNA) would be an appropriate method of demonstrating this need. The minimum discount value can only be set in planning policy at 30%,40% or 50% and not any other value. Unless changes are made through policy or another mechanism, the discount level is 30%.

At the moment, the Council does not have evidence to suggest a higher discount is warranted and therefore the minimum discount should be used.

**The minimum discount of 30% should be applied to First Homes in Warwick District.**

## **Price cap in Warwick District:**

In accordance with the First Homes guidance, all initial sales of First Homes outside of London must be subject to a price cap of £250,000 after the discount is applied. The Written Ministerial Statement does though give local authorities and neighbourhood planning groups the discretion to set lower price caps if a need for this can be demonstrated. Any change to the price cap should be applied through the plan-making process.

At the present time the Council does not have evidence to suggest a lower price cap would be appropriate and therefore no changes are proposed to the price cap.

**The national price cap of £250,000 applies in Warwick District**

* The council may consider lowering the price cap below the maximum national level if evidence supports it. In this situation this Policy Guidance Note will be updated.

# 4. First Homes Eligibility Criteria

4.1 First Homes are only available to those individuals who meet the following criteria:

* **Eligibility to purchase First Homes on first and all subsequent sales is limited to ‘first time buyers’ as defined in legislation.**

A purchaser (or, if a joint purchase, all the purchasers) of a First Home should be a first-time buyer as defined in paragraph 6 of schedule 6ZA of the Finance Act 2003 for the purposes of Stamp Duty Relief for first-time buyers.

* **Annual maximum household income should not exceed £80,000.**

Purchasers of First Homes, whether individuals, couples, or group purchasers, should have a combined annual household income not exceeding £80,000 in the tax year immediately preceding the year of purchase.

**All purchasers must use a mortgage or home purchase scheme for at least 50% of the discounted purchase price.**

* As part of the necessary S106 Agreement additional local eligibility criteria can be applied: for example, a lower income cap (if justified), a local connection test, employment status i.e., key workers.

Any local eligibility criteria will apply for a maximum of 3 months from when a home is first marketed; they will then revert to the national criteria.

## Income caps

The income cap for those eligible to access First Homes can be lowered if it can be justified with reference to local average first time buyers’ income. Any locally set income caps should be considered with reference to mortgage requirements and loan-to-income ratios for appropriate homes for the area’s identified target market for First Homes.

The household income limit (cap) of £80,000, proposed by the Government, is in line with the existing criteria for all other low-cost home ownership products. PPG states locally set income caps should be considered with reference to mortgage requirements and loan-to-income ratios for appropriate homes for the area’s identified target market for First Homes. It is considered that further research will need to be undertaken before the Council considers any application of a revised income cap. The Council will continue to monitor closely demand and take -up off First Homes across the District.

**The £80,000 household income cap for First Homes eligibility applies in Warwick District.**

## Local Connection criteria

A local connection test can be applied which may include but is not limited to, current residency, employment requirements, family connections or special circumstances. The application of these discretions should be administered carefully and ensure that they do not limit the eligible consumer base to the point that homes become difficult to sell.

Warwick District Council considers it is important that local people are given priority for First Homes so they may access affordable housing in their local area. As such local connection criteria will be applied as set out below. The local connection criteria will be secured through Section 106 agreements accompanying planning permissions.

**The council will require First Homes to be prioritised for the first 3 months of marketing to eligible applicants that meet the Councils local connection and other criteria set out within the Councils’ Housing Allocations Policy and any additional eligibility criteria set out within a ‘made’ Neighbourhood Development Plan.**

## Employment and Key Worker based criteria.

Local criteria can also be introduced based on employment status so that key workers are able to access affordable housing. The First Homes guidance explains that the definition of Key Worker should be determined locally and could be any person who works in any profession that is considered essential for the functioning of a local area.

The Council does not however currently define Key Workers and therefore will not seek to apply key worker eligibility criteria on First Homes unless specific circumstances apply. This might include a site being brought forward especially for key workers.

**Key worker eligibility criteria are not required for First Homes in Warwick District unless justified by special circumstances.**

## Armed Forces

In recognition of the unique circumstances of the Armed Forces, the planning practice guidance explains that local connection criteria should be disapplied for all 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.

**Any Local eligibility criteria do not apply to current and former members of the Armed Forces and their families in accordance with the criteria set by the planning practice guidance.**

# 5. First Homes Exception Sites

5.1 Rural Exception Sites are sites for housing developments designed to meet identified local needs that would not normally be released for housing. They are a valuable means of contributing to affordable housing needs in small villages where there is a presumption against housing development.

5.2 First Home Exception Sites are similar in principle to Rural Exception Sites however they do not require a Housing Need Survey to evidence local need. There are though limitations on where First Home Exception Sites can come forward. They are not permitted in areas designated as Green Belt, within the Broads Authority, or in designated rural areas as defined in Annex 2 of the National Planning Policy Framework. In these areas rural exception sites are the sole permissible type of exception site.

5.3 Local authorities will be expected to support First Home Exception Sites unless the need for first time buyers is already being met within the local authority’s area. They can come forward on unallocated land outside of a development plan but not in the Green Belt.

5.4 First Homes Exceptions sites may include market housing where it can be demonstrated that they are necessary in order to ensure the overall viability of the site.

## First Home exception sites must:

* Comprise First Homes.
* Be adjacent to existing settlements and proportionate in size and not compromise protections afforded by Green Belt designation.
* A small proportion of market housing can be allowed in conjunction with First Homes exception sites at the local authorities’ discretion.
* A small proportion of other forms of affordable housing may be allowed in conjunction with First Homes exception sites where there is significant identified local need.
* Local connection criteria can be applied where this is supported by evidence of necessity and will not compromise site viability.

The PPG does not specify what is a ‘proportionate’ site, advising applicants to engage with local authorities to discuss proposals. For the previous policy on entry level exception sites, the NPPF set a threshold of no larger than 1 hectare or exceeding 5% of the size of the settlement. Local authorities may use this as the benchmark of discussions on this issue.

# 6. Securing Developer Contributions

6.1 Section 106 agreements will be required to secure the delivery of first homes and ensures that a legal restriction is included on a First Home’s title upon first sale. The government has published template planning obligations for this purpose, which local planning authorities and home builders can use in preparing s106 agreements prepared locally.

<https://www.gov.uk/government/publications/first-homes-model-section-106-agreement-for-developer-contributions>

6.2 Please note that these model clauses are not for use with any of the government’s grant-funded pilot programmes delivered through Homes England. If you are delivering First Homes as part of one of these pilot programmes, you should use the documents provided by Homes England for this purpose.

6.3 The restriction to be entered onto the title register identifying the unit as a First Home will ensure that the title cannot be transferred to another owner unless the local authority certifies to HM Land Registry that the First Homes criteria and eligibility criteria have been met, including the discounted sale price.

6.4 In accordance with paragraph 63 of the NPPF, affordable housing is expected to be delivered on-site unless off-site provision or a financial contribution in lieu can be robustly justified, and the agreed approach contributes to the objective of creating mixed and balanced communities. Where financial contributions for affordable housing are secured instead of on-site units, a minimum of 25% of these contributions should be used to secure First Homes. Where a mixture of financial contributions towards affordable housing and on-site units are secured, 25% of the overall value of affordable housing contributions should be applied to First Homes.

* Like other forms of affordable housing, First Homes are exempt from the Community Infrastructure Levy (CIL), subject to a claimant applying for the relevant CIL relief. For further details please see the [government Community Infrastructure Levy guidance.](https://www.gov.uk/guidance/community-infrastructure-levy#para065)

# 7. Relationship to Warwick Local Plan Affordable Housing Policy

## Tenure Mix

Warwick District Local Plan Policy H2 seeks provision of 40% affordable housing provided onsite on all new developments of 11 or more dwellings[[1]](#footnote-1). The Affordable Housing Supplementary Planning Document (July 2020)[[2]](#footnote-2) set out preferred tenure mix as follows:

* 60% Social Rent
* 25% Affordable Rent
* 15% Intermediate Housing / Shared Ownership

However, the Written Ministerial Statement requires 25% of all affordable homes to be First Homes which means the mix above must be amended. The Planning Practice Guidance states that once 25% First Homes have been accounted for, social rent should be delivered at the same percentage as set out in the Local Plan. As such, the proportion of Affordable Rent and Intermediate Housing must be reduced to accommodate First Homes. The revised preferred affordable tenure mix is set out below:

* **25% First Homes**
* **60% Social Rent**
* **10% Affordable Rent**
* **5% Intermediate Housing / Shared Ownership**

# 8. Conclusion

8.1 It is intended that this guidance note will inform and assist in the consideration and delivery of First Homes in accordance with the Government’s policy.

8.2 Developers are encouraged to engage with the Council’s Housing Strategy team prior to the submission of planning applications.

8.3 The Council may, in exceptional circumstances, consider proposals promoting a lower proportion of First Homes. Such approaches will have to be fully supported by robust evidence.

1. [Local Plan - Warwick District Council (warwickdc.gov.uk)](https://www.warwickdc.gov.uk/info/20410/new_local_plan?msclkid=bf129062abc511ec9cbf1b861bfbd477) [↑](#footnote-ref-1)
2. [Affordable Housing SPD documents - Download - Warwick District Council (warwickdc.gov.uk)](https://www.warwickdc.gov.uk/downloads/download/350/affordable_housing_spd_documents) [↑](#footnote-ref-2)