

# Advice Note I from the Director of Planning



## First Homes

This note is issued by the Director of Planning to guide greater consistency when making planning decisions. This note is intended to be interim guidance and will be updated in due course. It provides guidance to help reach a decision only.

### Introduction

As of the **28<sup>th</sup> March 2022**, the Government's First Homes scheme will be relevant to the determination of all new full and outline applications. This follows on from a Written Ministerial Statement<sup>1</sup> (WMS) published in May 2021 setting out the First Homes scheme with an accompanying update to Planning Practice Guidance<sup>2</sup>. A First Home is a new affordable housing product introduced by Government and considered to meet the definition of affordable housing for planning purposes. The key components of First Homes are:

- First Homes are sold with a minimum 30% discount on the open market price. The percentage discount is kept in perpetuity;
- The value of First Homes, after the discount has been applied, is capped at £250,000. Price caps only apply on the initial sale;
- Eligibility criteria applies to buyers; who must be first-time buyers, with a household income not more than £80,000, have a mortgage covering at least 50% of the discounted purchase price value and meet a local connection and/or key worker criteria.

The WMS states a minimum of 25% of all affordable housing units secured through developer contributions should be First Homes. Transitional arrangements were in place for the implementation of First Homes whereby the policy did not apply to determination of full or outline planning applications on or before 27<sup>th</sup> March 2022 where substantive discussions on quantity or tenure mix had been held. The First Homes requirement does not apply to applications to amend or vary an existing planning permission.

### Affordable Housing in the South Downs National Park

Delivering affordable homes to meet local needs is a priority for the Authority. There is an acute need for affordable homes, with average property prices 16.5 times average local earnings, putting the prospect of buying a house out of reach of most. The provision of affordable homes is in line with National Park socio-economic duty, which is to foster the economic and social well-being of the local communities within the National Park.

To support this duty and help address local needs for affordable homes, the South Downs Local Plan Policy SD28 sets a requirement for residential developments of 3 or more homes to provide affordable homes and on sites of 11 or more homes, 50% of the total are to be affordable. Reflecting the evidence of need, SD28 also requires that 75% of new affordable homes should be either social rent or affordable rented tenure, with the remainder provided as intermediate forms of

<sup>1</sup> <https://questions-statements.parliament.uk/written-statements/detail/2021-05-24/hlws48>

<sup>2</sup> [First Homes - GOV.UK \(www.gov.uk\)](https://www.gov.uk)

housing, such as shared or low-cost ownership. Local connection criteria are also applied to affordable housing to ensure local needs are met.

### **Implementing First Homes in the South Down National Park**

A legal judgement from the Court of Appeal<sup>3</sup> has recognised Written Ministerial Statements and Planning Practice Guidance do not necessarily outweigh the Local Plan. The Authority will therefore seek to implement the Government's First Homes policy whilst allowing flexibility in order to prioritise local needs for affordable housing and maintain a focus on affordable rental tenure. Given Policy SD28 requires 75% of affordable homes to be provided as affordable rent tenure, the likelihood is for the remaining quota of affordable homes to be First Homes.

### **Local Eligibility Criteria**

The Government's guidance states that local planning authorities can apply eligibility criteria in addition to the national eligibility criteria. To ensure the local needs of communities in the National Park are prioritised, the established local connection criteria of the Local Plan will apply to First Homes. This will mean that housing should meet a need in the relevant settlement in which the development is located in the first instance, then the parish, before cascading out to the wider area including nearby settlements and parishes within the National Park. The [Affordable Housing SPD](#)<sup>4</sup> provides further detail on the local connections criteria.

Local eligibility criteria apply to First Homes for a maximum period of three months from the date the home is first marketed, after which the eligibility criteria revert to the national criteria. To ensure local communities are able to access First Homes, the Authority will expect pro-active marketing and advertising to be undertaken in accordance with the requirements of the S106 agreement.

### **First Homes Discount**

A First Home must be sold with a discount of at least 30% of the market value; this is the minimum discount and remains the same at each subsequent sale. Given the significant ratio of average house prices to average earnings in the National Park, this discount is unlikely to address the affordability issue for most first-time buyers locally.

Local Planning Authorities and neighbourhood planning groups can increase the level of discount across their area to either 40% or 50% depending on the evidence-based need for a higher minimum discount. The SDNPA, is not at this time, seeking to establish a higher discount across the National Park. To do so, could be at the detriment of social or affordable rented tenure which is often cross-subsidised by shared-ownership affordable homes. The impact of the First Homes scheme on affordable housing delivery in the National Park will be monitored, and the position regarding First Homes discount will be kept under review.

### **Rural Exception Sites**

Rural exception sites are an important source of affordable housing to meet local needs, on land that would not normally be used for housing. As these sites are specifically intended to address the needs of the local community, First Homes are not required to form part of the affordable housing provision, but may do so if there is a need for First Homes identified by the local community.

**For any queries regarding First Homes please contact [planningpolicy@southdowns.gov.uk](mailto:planningpolicy@southdowns.gov.uk)**

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<sup>3</sup> Reading Borough Council and West Berkshire District Council v Secretary of State for Communities and Local Government [2016] EWCA Civ 441 (Case no. C1/2015/2559)

<sup>4</sup> <https://www.southdowns.gov.uk/planning-policy/supplementary-planning-documents/supplementary-planning-documents/affordable-housing-spd/>