

First Homes Position Statement

1. Introduction

- 1.1 This position statement sets out the key information relating to First Homes and how it will affect the implementation of Policy HS1 Affordable Housing in the adopted Eden Local Plan 2014- 2032. This applies to the Eden Local Planning Authority Area (ie. Eden District not including the National Parks).

2. Background

- 2.1 On 24 May 2021, the Government announced its First Homes policy through a Written Ministerial Statement and accompanying changes to the Planning Practice Guidance (PPG). These changes came into effect on 28 June 2021.
- 2.2 The First Homes policy is designed to help local first time buyers onto the property ladder, by offering homes at a discount of at least 30% compared to the market price. The discounts will apply to the homes forever, meaning that generations of new buyers and the local community will continue to benefit every time the property is sold.
- 2.3 A question has been added to Discounted Sales Registration form with effect from the 4/1/22 which will enable Eden District Council to establish how many applicants are first time buyers.
- 2.4 The relevant guidance can be found on the following websites:
- First Homes Written Ministerial Statement (24 May 2021) - [Written statements - Written questions, answers and statements - UK Parliament](#)
 - First Homes Planning Practice Guidance - [First Homes - GOV.UK \(www.gov.uk\)](#)

3. What are First Homes?

- 3.1 First Homes meet the definition of affordable housing for planning purposes (PPG (Paragraph: 001 Reference ID: 70-001-20210524)). First Homes are a specific kind of discounted market sale housing 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 (Section 8);
 - 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; and,
 - d) 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).

4. Delivering First Homes in Eden

- 4.1 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.
- 4.2 The Eden Local Plan 2014-2032 requires a proportion of housing on residential developments to be affordable housing as detailed in Table 1.

Table 1: Affordable housing requirements

Location	Number of dwellings	Affordable housing required
Penrith	Fewer than 11 dwellings	No affordable housing or financial contribution.
	11 or more dwellings	30% of the units built on site should be for affordable housing.
Alston, Appleby, Kirkby Stephen, a Key Hub or Smaller Village and Hamlet	Fewer than 6 dwellings	No affordable housing or financial contribution.
	6 to 10 dwellings	A financial contribution (commuted sum)
	10 or more dwellings	30% of the units built on site should be for affordable housing.
Other Rural Areas (outside of the settlements listed in Policy LS1, Eden Local Plan 2014-2032)	At least one dwelling	All the units built on site should be for affordable housing.

- 4.3 Where the Local Plan requires affordable housing to be provided on-site, 30% of the units should meet the National Planning Policy Framework definition of Affordable Housing. Of this 30% a minimum of 25% should be First Homes. The remainder of the affordable homes should be delivered in line with the proportions set out in Policy HS1¹ – 70% affordable rented units and 30% intermediate units and ensuring that 10% of the overall number of homes are an affordable home ownership product on major developments as set out in the NPPF.
- 4.4 For example, a development of 100 homes would be expected to provide 30 affordable homes to comply with Local Plan policy. 25% of these 30 affordable homes should be First Homes (8 homes). The remainder of the affordable

¹ In the explanatory text to Policy HS1 of the [Eden Local Plan 2014-2032](#)

homes (22 homes) should be split between affordable rented units (70% - 15 homes) and intermediate units (30% - 7 homes).

- 4.5 Where First Homes are required on site applicants should provide evidence that the value captured for affordable housing is the same as under Policy HS1 before the First Homes policy was introduced². This means that the total value of the discount achieved on affordable housing across the whole scheme should be the same as before 25% of affordable housing was required to be First Homes. An example of calculating the value captured on a scheme is provided in Appendix 3.
- 4.6 If the value captured is lower when First Homes are provided applicants must provide an increased amount of affordable rented units and/or intermediate units for sale to ensure the value is the same. The preference is for the additional affordable units to be provided on-site but a financial contribution may be considered appropriate if an applicant can demonstrate that providing the extra units on-site is unviable or impractical. If the value captured is higher a reduced amount of affordable rented units and/or intermediate units for sale may be provided. The type of affordable housing to be increased or reduced must be decided through negotiation with Development Management and Housing officers and will take into account local need and the location of the site.
- 4.7 Where affordable housing is to be provided on-site applicants must submit an affordable housing statement with the planning application. The affordable housing statement should set out information regarding affordable housing, including First Homes, in accordance with the Housing Supplementary Planning Document (April 2020)³.
- 4.8 Where cash contributions for affordable housing are secured instead of on-site units, a minimum of 25% of these contributions will be used to secure First Homes. This will be monitored through the annual Infrastructure Funding Statement.

5. Legal mechanisms

- 5.1 To qualify as a First Homes there should be a Section 106 agreement, agreed prior to granting planning permission, securing the necessary restrictions on the use and sale of the property⁴.
- 5.2 The S106 agreement will include a Mortgagee Exclusion Clause to ensure appropriate protection for lenders and encourage competitive lending rates. The Mortgagee Exclusion Clause ensures that a regulated financial institution which has provided the finance necessary to support the purchase of a First Home (the Mortgagee) is not bound by the requirement to sell the home under the First Homes criteria to a person meeting the First Homes eligibility criteria

² [First Homes - GOV.UK \(www.gov.uk\)](https://www.gov.uk) - Paragraph: 014 Reference ID: 70-014-20210524

³ Appendix 6 - [Housing Supplementary Planning Document \(SPD\) \(eden.gov.uk\)](https://eden.gov.uk)

⁴ [First Homes: Model Section 106 Agreement \(for developer contributions\) - GOV.UK \(www.gov.uk\)](https://www.gov.uk)

in the event that they are enforcing their security against the property, if this occurs the property will cease to be a First Home. Once the Mortgagee has recovered the funds due to them under the security documentation, any remaining proceeds from the sale must be used to reimburse the local authority for the loss of the First Home from their area.

- 5.3 In addition, when a First Home is sold by the developer to the first owner, the following restriction is to be entered onto the title register identifying the unit as a First Home and ensuring that the title cannot be transferred to another owner unless the relevant local authority certifies to HM Land Registry that the First Homes criteria and eligibility criteria have been met, including the discounted sale price.
- 5.4 “No disposition of the registered estate (other than a charge) by the proprietor of the registered estate or by the proprietor of any registered charge, not being a charge registered before the entry of this restriction, is to be registered without a certificate signed by [Local Authority] of [address] or their conveyancer that the provisions of clause XX (the First Homes provision) of the Transfer dated [Date] referred to in the Charges Register have been complied with or that they do not apply to the disposition”

6. Transitional arrangements

- 6.1 Under the transitional arrangements of the implementation of First Homes policy 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.
- 6.2 The PPG states that significant pre-application engagement “means any substantive discussions between the local planning authority and the applicant relating to the proposed quantity or tenure mix of affordable housing contribution associated with that application” (Paragraph: 021 Reference ID: 70-021-20210524). The Council provides a pre-application advice service (for which there is a charge). Due to the nature of pre-application advice provided by the Council, which usually doesn’t involve ‘substantive discussions’, the Council considers that it is unlikely that the 28th March 2022 date will apply in most instances.

7. Discount and cap

- 7.1 First Homes must be sold at 40% below the open market value⁵.
- 7.2 After the 40% discount has been applied, the first sale must be at a price no higher than 60% of the mean property price in Eden⁶.
- 7.3 The discount and cap set out in paragraphs 7.1 and 7.2 are established parameters of discounted market sale housing in Eden. Recent data continues to demonstrate a need for intermediate housing at particular price points in Eden. Affordability ratios for 2020 and 2021 (Table 2) show market house prices in Eden remain significantly above what is deemed to be an affordable level (approximately 3.5 times gross average household income).

Table 2 – Affordability Ratios in Eden 2020 and 2021

	Mean Affordability Ratio (Eden)		Median Affordability Ratio (Eden)	
2020	6.2	Eg. The mean property price in Eden in 2020 was approximately 6.2 times the mean household income	7.2	Eg. The median property price in Eden in 2020 was approximately 7.2 times the median household income
2021	6.9	Eg. The mean property price in Eden in 2021 is approximately 6.9 times the mean household income	8.2	Eg. The median property price in Eden in 2021 is approximately 8.2 times the median household income

- 7.4 The Strategic Housing and Economic Needs Assessment⁷ sets out that a discount of 40% would be affordable to 5% more households when compared to a discount of 30%. Furthermore, Table 3 compares the approximate household income required to purchase a property at varying values and demonstrates that a 40% discount is appropriate as it allows lower value properties to be affordable for a significant percentage of local households.
- 7.5 Table 3 also shows that a cap of 60% of the mean property price prevents higher value properties from being unaffordable to the majority of Eden residents and also means the income required to afford a property at the cap is only slightly higher than the median income for Eden⁸.

⁵ When establishing the open market value applicants should adhere to the Council's [Guidance Document Discounted Sale Housing \(eden.gov.uk\)](#). The relevant section of the Guidance Document is included in Appendix 1 of this statement.

⁶ Determined on an annual basis using CACI Paycheck information.

⁷ [Strategic Housing and Economic Needs Assessment \(eden.gov.uk\)](#) (May 2021)

⁸ February 2020 (CACI Paycheck 2020)

Table 3 – Discounted Property Values

Property Value	Discounted Value (60% of market value)	Income required 90% LTV, 3.5x income	Approximate percentage of households in Eden unable to afford
£165,129 (lower quartile property price 2020 ⁹ – Eden District) – 60% OMV	£99,077	£25,477	30%
£228,164 (median property price 2020 ¹⁰ – Eden District) - 60% OMV	£136,898	£35,202	47%
£300,000 (capped at 60% of average (mean) property price - £237,431 in 2020 – Eden District) = £237,431 x 60%	£142,459	£36,632	47%
£300,000 (£250,000 cap set out in the Planning Practice Guidance)	£180,000	£46,286	62%
£450,000 (£250,000 cap set out in the Planning Practice Guidance)	£250,000	£64,286	80%

8. Eligibility criteria**National criteria**

- 8.1 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.
- 8.2 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.
- 8.3 A purchaser of a First Home should have a mortgage or home purchase plan (if required to comply with Islamic law) to fund a minimum of 50% of the discounted purchase price.

⁹ CACI Streetvalue 2020

¹⁰ CACI Streetvalue 2020

Local criteria

- 8.4 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 meets one of the following criteria:

- The person lives in Eden District and has done so for a continuous period of at least three years.
 - The person works permanently in Eden District and has done so for a continuous period of at least three years.
 - The person is an existing social tenant who needs to move to take up an offer of work in the district, as detailed in the Government's 'Right to Move' statutory guidance (DCLG, March 2015).
 - The person has moved away but has strong established and continuous links with Eden District by reason of birth or long term immediate family connections.
 - The person needs to live in Eden District because they need substantial care from a relative who has lived in the locality for at least three years, or needs to provide substantial care to a relative who has lived in the locality at least three years. Substantial care means that identified as required by a medical doctor or relevant statutory support agency.
- 8.5 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.
- 8.6 In recognition of the unique circumstances of the Armed Forces, 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.

9. First Homes Exception Sites

- 9.1 First Homes Exception Sites should deliver only First Homes, unless a financial appraisal provides evidence to justify the provision of a small proportion of market housing to ensure the overall viability of the site. Other types of affordable housing may be allowed on the site where there is an identified need. First Homes Exception Sites will be supported on land that is

not allocated in the Local Plan unless the need for such homes is already being met within the District, and will not be permitted in designated rural areas.

- 9.2 First Homes Exception Sites will only be supported in Penrith which is not a designated rural area.
- 9.3 First Homes on Rural Exception Sites will not be supported.

Appendix 1: Excerpt from Guidance Document Discounted Sale Housing

B. Selling a discounted sale property

- 2.24 The Section 106 Agreement attached to a discounted sale property will normally provide the information needed to sell your house, including:
- stating the maximum percentage of market value you are able to advertise and sell the property;
 - obtaining a valuation;
 - who can buy the property; and
 - that the purchaser will normally have to be approved by the Council.

Step 1: Obtaining a valuation

- 2.25 Before marketing a discounted sale property you must employ, at your own expense, an independent Royal Institute of Chartered Surveyors (RICS) registered chartered surveyor to provide an open market valuation for the property.
- 2.26 Your chosen surveyor must know the local housing market and have experience of valuing properties in the area. They will need to complete their report using the Council's standard Valuation Template which is available to download from Eden District Councils website.
- 2.27 If your surveyor does not use the standard format the valuation will be rejected and your surveyor will have to resubmit it in the prescribed format.
- 2.28 Completed valuations will be verified by the Council in the first instance; in the event of any dispute over the valuation, an independent RICS qualified valuer will be appointed by the Council to verify the valuation.
- 2.29 If the valuation remains contested the matter will be referred to the District Valuer, whose decision on valuation will be final, with the cost being reimbursed to the Council from the vendor.

Step 2: Applying the percentage discount

- 2.30 The scheme seeks to ensure discounted sale properties remain within reach of households on local incomes. This is achieved through a percentage discount from the open market value, enabling the purchaser to buy the whole property at a discounted price.
- 2.31 As Section 106s will differ, it will always be necessary to refer to the Section 106 Agreement for the defined "affordable price", this states the maximum percentage of market value you are able to advertise and sell your property. On older schemes the discount may be between 20% to 30% of the open market value and the "affordable price" may or may not be subject to an upper affordable price cap.
- 2.32 New build discounted sale properties sold through this scheme will be sold at a discount of 40% from the open market value. To ensure prices remain affordable to households in Eden, and within the Governments definition of

'discounted market sales housing' (as set out in the National Planning Policy 9 Framework), any properties sold via this method will be capped in any event at 60% of the mean property price in Eden (based on CACI Paycheck data). This upper affordable price cap will be stated in the Section 106 Agreement.

2.33 The calculated affordable price cap will be updated on an annual basis.

Step 3: Marketing and Sales

2.34 When a valuation has been agreed with the Council the property can be marketed. For all sales it is the responsibility of the vendor to market the property and to ensure that a buyer has been certified to purchase the property.

2.35 When a property is released for sale, or listed for sale with an estate agent, we will notify all households on the discounted sale register, full details of this process are set out within the 'Discounted Sales Procedure' section of this document.

2.36 Interested buyers will need to first complete a registration form to join our waiting list for discounted sale properties, before completing an application form for written approval/certification from the council in order to purchase a specific property. Further detail is set out in the 'Discounted Sales Procedure' section of this document.

Appendix 2 – Example of calculating the value captured

In this example 100 houses will be provided on site and all homes are valued at £200,000.

With First Homes

100 homes would be expected to provide 30 affordable homes to comply with Local Plan policy. 25% of these 30 affordable homes should be First Homes (8 homes). The remainder of the affordable homes (22 homes) should be split between affordable rented units (70% - 15 homes) and intermediate units (30% - 7 homes).

8 First Homes - £200,000*60% = £120,000 so value captured for 1 home is £80,000.

Total First Homes (£80,000*8) = £640,000

7 Discounted Sale - £200,000*60% = £120,000 so value captured for 1 home is £80,000.

Total Intermediate units (Discounted Market Sale) (£80,000*7) = £560,000

15 Affordable Rent (45% of Market Value¹¹) - £200,000*45% = £90,000 so value captured for 1 home is £110,000.

Total Affordable Rent (£110,000*15) = 1,650,000

Total value captured = £2,850,000

Without First Homes

100 homes would be expected to provide 30 affordable homes to comply with Local Plan policy which are split between affordable rented units (67% - 20 homes) and intermediate units (33% - 10 homes)¹².

10 Discounted Sale - £200,000*60% = £120,000 so value captured for 1 home is £80,000.

Total Intermediate units (Discounted Market Sale) (£80,000*10) = £800,000

20 Affordable Rent (45% of Market Value¹³) - £200,000*45% = £90,000 so value captured for 1 home is £110,000.

Total Affordable Rent (£110,000*20) = 2,200,000

Total value captured = £3,000,000

£150,000 less value captured with First Homes so the amount of Affordable Housing provided should be increased (see paragraph 4.6).

¹¹ Based on assumptions set out in the 2013 [Refresh of DTZ 2009 Economic Viability Assessment \(eden.gov.uk\)](#)

¹² At least 10% of the total number of homes should be available for affordable home ownership (Paragraph 65, NPPF).

¹³ Based on assumptions set out in the 2013 [Refresh of DTZ 2009 Economic Viability Assessment \(eden.gov.uk\)](#)