

First Homes Interim Policy Statement

Wokingham Borough Council

January 2022



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BOROUGH COUNCIL

Wokingham Borough Council Emblem

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This statement serves as an Interim Policy Statement for Wokingham Borough Council on the new First Homes policy. It summarises some key details of the policy change and seeks to outline the position of and effect on Wokingham Borough Council of the change. The Council will continue to examine the implications of First Homes and respond accordingly in its approach going forwards.

Wokingham Borough Council has an existing policy basis for affordable housing provision in the Wokingham Borough area, set out in the adopted [Core Strategy \(2010\), in Policy CP5](#) and the [Affordable Housing Supplementary Planning Document](#). Affordable housing in the borough area will continue to be delivered in accordance with existing WBC policy, but will take into account the new First Homes policy in line with the timescales set out below.

First Homes Policy

On 24th May 2021, the Ministry of Housing, Communities and Local Government (MHCLG), now the Department for Levelling Up, Housing and Communities (DLUHC) published guidance relating to the new First Homes policy for first-time buyers in England. This Planning Practice Guide (PPG) can be found on the GOV.UK website ([Guidance: First Homes](#)). Paragraphs 003 and 010 of the PPG were subsequently updated on 23rd December 2021 to add links to the template planning obligations legal agreement.

This guidance accompanies a Written Ministerial Statement ([Affordable Homes Update: Statement made on 24th May 2021](#)).

The changes to Planning Policy relating to First Homes came into effect on 28th June 2021 and any planning applications approved after 28th December 2021 need to take First Homes into consideration – see next section for more detail on timescales.

Timescales

For areas that do not meet the criteria for transitional arrangements (PPG Paragraphs 18 – 19), new development plans, including local plans and neighbourhood plans, should take account of the new First Homes requirements from 28th June 2021 (PPG Paragraph: 018 Reference ID: 70-018-20210524).

There is a transition period for decision making regarding sites seeking planning permission. This entails that the new First Homes policy requirement does not apply for sites with full or outline planning permissions already in place or determined (or where a right to appeal against non-determination has arisen) before 28th December 2021.

Likewise, the new policy does not apply for applications for full or outline planning permission where there has been significant pre-application engagement which are determined before 28th March 2022.

If an applicant wishes to amend a planning application to include First Homes which is already submitted and likely to be granted before these dates, the local planning authority should be flexible in accepting First Homes as an alternative type of tenure (Paragraph: 020 Reference ID: 70-020-20210524).

What is a First Home?

As stated in the Planning Practice Guidance (PPG), First Homes are a specific kind of discounted market sale housing and should be considered to meet the definition of 'affordable housing' for planning purposes. Specifically, First Homes are discounted market sale units 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; 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).

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.

(PPG - Paragraph: 001 Reference ID: 70-001-20210524)

Eligibility Criteria for buyers

As explored in the PPG (Paragraph: 007 Reference ID: 70-007-20210524), all First Home buyers in England must fulfil several eligibility criteria.

These national criteria include the stipulation that Purchasers of First Homes, whether individuals, couples or group purchasers, should have a combined annual household income not exceeding £80,000 (or £90,000 in Greater London) in the tax year immediately preceding the year of purchase.

As further stated in the PPG (Paragraph: 009 Reference ID: 70-009-20210524), local planning authorities are encouraged to ensure that First Homes work well in their area, which may include requiring a higher minimum discount, lower price or income caps, or local connection/key worker requirements. Local planning authorities are also encouraged to make the development requirements for First Homes clear for their area.

Local eligibility criteria for Wokingham Borough

Wokingham Borough Council has been considering the implications of the new policy and how First Homes will correspondingly work best in the borough. Consequently, the Council requires that eligible First Home buyers in Wokingham Borough should be key workers and have a connection to the local area. In the case where there are joint buyers of one First Home, only one of the buyers needs to meet the local eligibility criteria. These local requirements are clarified as follows:

In the administration of First Homes, a key worker is defined as an employee who is deemed to provide an essential service to the local area and economy.

For example, key workers include care staff, teachers, health authority staff, police officers, fire fighters and local authority social service employees. In accordance with government guidance as detailed above, an eligible buyer/buyers must have a combined annual household income not exceeding £80,000.

In the administration of First Homes, a connection to the local area signifies someone who lives or works in Wokingham Borough.

Local eligibility criteria will apply for a maximum of 3 months from when a home is first marketed, as detailed in the PPG (Paragraph: 008 Reference ID: 70-008-20210524). If a suitable buyer has not reserved a home after 3 months, the eligibility criteria will revert back to the national criteria (these are stated in the PPG Paragraph: 007 Reference ID: 70-007-20210524).

Local connection criteria should be disapplied for Armed Forces personnel where eligible (also detailed in the PPG Paragraph 008).

Wokingham Borough Council is continuing to consider the implications of the new First Homes policy and how it will best work in Wokingham Borough. This may involve a higher minimum discount (which would be in addition to the aforementioned local eligibility criteria which this document introduces in line with Government guidance). Any such additional specifications will be evidence-based pertaining to the local area.

Developer contributions

As referenced in the PPG (Paragraph: 012 Reference ID: 70-012-20210524), a minimum of 25% of all affordable housing units secured through developer contributions should be First Homes. It is expected that First Homes (and the mechanism securing the discount in perpetuity) will be secured through section 106 planning obligations.

The guidance then explores how the remaining 75% of affordable housing should be secured through developer contributions (Paragraph: 015 Reference ID: 70-015-20210524). Once a minimum of 25% of First Homes has been accounted for, social rent should be delivered in the same percentage as set out in Core Strategy Policy CP5. The remainder of the affordable housing

tenures should be delivered in line with the proportions set out in Core Strategy Policy CP5.

For example, if a local plan policy requires an affordable housing mix of 20% shared ownership units, 40% affordable rent units and 40% social rent units, a planning application compliant with national policy would deliver an affordable housing tenure mix of 25% First Homes and 40% social rent. The remainder (35%) would be split in line with the ratio set out in Core Strategy Policy CP5, which is 40% affordable rent to 20% shared ownership, or 2:1. 35% split in this way results in 12% shared ownership; and 23% affordable rent.

In the Wokingham Borough area, the provision of affordable housing is based upon a 70:30 split between social rent and shared ownership as detailed in the Affordable Housing Viability Study ([Core Strategy Policy CP5](#), 4.32). With the introduction of the First Homes Policy, although each site is assessed on a site by site basis, as a guide Wokingham Borough Council will continue to request 70% social rent, with 25% being First Homes and the remaining 5% Shared Ownership, etc.

The Council will negotiate the tenure, size and type of affordable units on a site by site basis having regard to national policy requirements and housing needs, site specifics and other factors.

Worked example

Example of a scheme for 100 homes on a site that triggers a 40% contribution towards affordable housing (contributions as outlined in Section 5.2 of the [WBC Affordable Housing Supplementary Planning Document](#)):

Steps	Result
Scheme for 100 dwellings on a site triggering a 40% affordable housing contribution	100 homes to deliver overall
40% contribution towards affordable housing	40% of 100 = 40 affordable homes

<u>Affordable tenure mix:</u> 25% First Homes 70% Social Rent 5% Shared Ownership	25% of 40 = 10 First Homes 70% of 40 = 28 Social Rent 5% of 40 = 2 Shared Ownership
Resultant number of dwellings for affordable home ownership	10 First Homes + 2 Shared Ownership = 12
NPPF requirement of 10% of homes for affordable home ownership	10% of 100 = 10 homes
Conclusion	The NPPF requirement of 10 affordable homes for ownership is met because there will be 12

Paragraph 65 of the National Planning Policy Framework (NPPF) stipulates that where major development involving the provision of housing is proposed, at least 10% of the total number of homes should be available for affordable home ownership.

As detailed in the PPG (Paragraph: 023 Reference ID: 70-023-20210524), if a planning application for a major housing site in which 25% of the affordable homes are First Homes does not deliver enough First Homes to meet the 10% affordable home ownership expectation in the NPPF, additional affordable home ownership homes may be provided on top of the First Homes provision, in order to meet this expectation.

Exception Sites

The Written Ministerial Statement (WMS) and Planning Practice Guide introduce a First Homes Exception Sites policy in place of the national Entry-Level Exception Sites policy. For more information on First Homes Exception Sites, please see the WMS and PPG (Paragraph: 024 Reference ID: 70-024-20210524 to Paragraph: 029 Reference ID: 70-029-20210524).

Exemptions from the First Homes requirement

The [Government's consultation response](#) issued on 1st April 2021, relating to First Homes as part of proposed planning changes, explains that currently, paragraph 65 of the National Planning Policy Framework (NPPF) exempts developments from the requirement to deliver 10% of all units as affordable home ownership tenures which:

- Provide solely for Build to Rent homes
- Provide specialist accommodation for a group of people with specific needs (such as purpose-built accommodation for the elderly or students)
- Are proposed to be developed by people who wish to build or commission their own homes; or
- Is exclusively for affordable housing, an entry-level exception site or a rural exception site

The consultation response document then explains the Government's belief that First Homes "will also not be appropriate in such developments and risk threatening the viability of these developments", and its resulting intention "to exempt developments which meet these criteria from the requirement to deliver First Homes". It goes on to clarify that "we will ensure that all current specified exemptions from the requirement to deliver affordable home ownership will also apply to the First Homes requirement". (All quotations in this paragraph are found under the third heading ("Exemptions from the First Homes requirement") of the final section ("Responses to consultation questions") of the [Government's consultation response](#).)

It can be concluded that, at the time of publication, the Government intended that schemes already established within planning policy as exempt from affordable home ownership requirements would equally be exempt from First Homes requirements.

As a result of this, Wokingham Borough Council's intention is that developments which fall into one of these four categories above will be exempt from the First Homes requirement. This position is subject to further guidance from the Government.

This statement will be updated when further guidance is published.