

Annex 1

Telford & Wrekin Council First Homes - **Policy Position Statement**

The purpose of this policy position statement is to provide guidance to (planning) applicants on applying the government's First Homes scheme to planning applications in Telford & Wrekin. The Council has created and applied local eligibility criteria to help deliver homes that are affordable for local people.

What is a First Home?

First Homes are a new form of discounted market housing for first-time buyers delivered through the planning system via developer contributions and exception sites. First Homes also meet the definition of affordable housing for planning purposes. A minimum of 25% of all affordable housing provided by developers on sites should be First Homes.

First Homes are not a form of 'Right to Buy' or shared ownership housing where another party retains a share of the equity.

When will First Homes be required?

The First Homes scheme was introduced in May 2021 through a Written Ministerial Statement and planning practice guidance.¹ First Homes will not apply to sites with full or outline planning permissions already in place or determined before 28 December 2021, or 28 March 2022 where there has been significant² pre-application engagement.

If an applicant wishes to amend a submitted application to include First Homes, they should discuss this with the Council before the application is determined. Where applications have agreed a resolution to grant permission subject to signing a S106 agreement and other issues are delaying the grant of permission, the Council may extend beyond the above dates, subject to developer agreement.

What level of discount will apply in Telford & Wrekin?

The Council are seeking to provide housing that is as affordable as possible for residents most in need. The Council have flexibility on the level of discount to be applied to First Homes and the price cap for the initial (first) sale, the following will apply:

- **Discount on Open Market Value** - The Council will apply a 40% discount³ to the open market value of First Homes.

¹ [Planning Practice Guidance – First Homes](#), 24 May 2021

² Any substantive discussions between the Council and the applicant relating to the proposed quantity or tenure mix of the affordable housing contribution associated with that application.

³ Where a developer can clearly demonstrate a viability case the Council may agree to reduce the level of discount to the national minimum discount.

- **Price cap on initial sale** - The initial sale of a First Home cannot be at a price greater than £180,000 after the discount has been applied (this does not apply to resales). The initial price cap will also include an uplift for Consumer Prices Index Housing (CPIH) to reflect inflation.

The discount on First Homes is maintained when the property is sold, meaning that new first time buyers are able to benefit in the future.

The price discount applies to the first sale and each subsequent sale of a First Home, across the entire borough. While First Home owners may be permitted to extend or improve their homes, when sold, they may not realise the full value of this as the entire home will be sold at the same percentage discount as applied on their initial purchase.

Both the discount on OMV and the price cap remain in place for the full 6 month marketing period for First Homes.

Who is eligible to purchase a First Home?

First Homes must be sold to first-time buyers⁴ who may be individuals or joint purchasers. Local residents will get priority in accessing First Homes through the local eligibility criteria set out below which includes a local connections test as well as ensuring that First Homes are affordable for key workers.

The local eligibility criteria would remain in place for 3 months after the start of the marketing period. At the end of the initial 3 month period the local eligibility criteria falls away and the national criteria would apply. This process would also apply to all future re-sales of First Homes.

First time buyers should have a mortgage or home purchase plan to fund the balance of the discounted purchase price. First Homes will initially be marketed for first-time buyers who meet the following local eligibility criteria:

- **Income cap:** Individuals or joint purchasers should have a **combined annual household income not exceeding £60,000** in the tax year immediately preceding the year of purchase. The income cap will be indexed to CPIH to take account of inflation.
- **Local connection test:** First-time buyers must complete a form to demonstrate their eligibility and how at least one of the eligible purchasers meet one or more of the following:
 - Has lived in the borough for 6 out of the last 12 months or 3 out of the last 5 years
 - Needs to live nearer to close relatives (parents, children, siblings or grandparents) who have lived in the borough of Telford & Wrekin for at least 5 years; or
 - Are permanently in full-time or part-time employment (working a minimum 16 hours a week) in the borough of Telford & Wrekin

⁴ 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

- **Key workers⁵:** The Council will, where possible, give priority for First Homes to key workers. Key workers are defined locally as public sector employees who provide services in areas including - doctors, nurses, paramedics, social care and other frontline health and social care staff, teachers, police, firefighters and military personnel, and childcare workers.

Armed Forces - Local connection criteria will be waived 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. This is In line with the Councils commitments through the Armed Forces Covenant.

How does this relate to the Council's local plan?

The Council's Local Plan Policy HO 5 requires proposals for 11 dwellings or more (or with a gross floor space greater than 1,000 sqm) to provide affordable housing as follows:

- 25% for schemes in Telford; and
- 35% for schemes in Newport or the rural area.

The government requires that, where affordable homes are secured through Section 106 agreements, a minimum 25% of the contribution is First Homes.

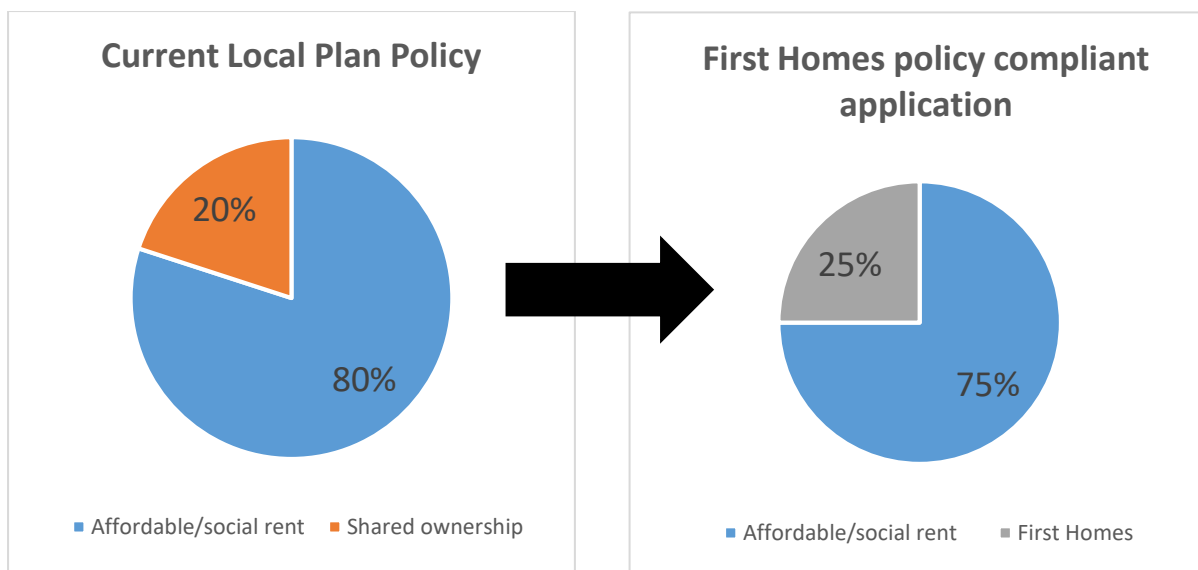
Since 2011 the Council have delivered on average over 300 affordable homes per annum. Since 2015 around 40% of those homes have been delivered through Section 106 agreements so based on past delivery the Council anticipate delivery of around 30 homes per annum through the First Homes scheme.

Where affordable homes on sites are provided by other means, such as Homes England grant, these affordable homes will not be subject to First Homes requirements. In these instances the Council will seek, through negotiations with developers and Registered Providers, a mix of rented and shared ownership tenures.

Therefore following introduction of the First Homes requirements the Council will secure a tenure mix of 25% First Homes and 75% social or affordable rented on applicable sites, this will apply to full or outline applications. In exceptional circumstances other tenures may be considered on a site by site basis and applicants should discuss this with the Council.

The first chart below set out the current split of tenures secured through the Telford & Wrekin Local Plan. The second chart demonstrates the impact of the introduction of the First Homes scheme including the displacement of shared ownership tenure and reduction in the number of homes available for affordable / social rent.

⁵ National Planning Policy Framework, essential local worker definition, page 67.



For example, on a 100-dwelling scheme in Telford, a policy compliant (where affordable housing is secured through a Section 106 agreement) application would comprise 25 affordable dwellings, of which 6.25 would be First Homes and 18.75 social or affordable rent (with financial contributions for the fractions of a dwelling, ensuring that 25% of all affordable housing is First Homes). Where financial contributions are secured for fractions of homes the Council will determine the most appropriate means of deploying this funding to secure, for example, a greater level of discount on future First Homes.

Are there any exemptions from First Homes?

The following types of development are exempt from the First Homes policy⁶:

- Build to rent developments
- Specialist accommodation (such as purpose-built accommodation for older people, disabled or students)
- Self-build or custom house building; or
- 100% affordable housing schemes, entry-level exception sites or a rural exception site.

What is the process for marketing First Homes?

First Homes will be sold on the open market, initially by developers or Registered Providers of new build dwellings and then via estate agents for resale properties. Developers will be expected to contribute to the net costs in administering the First Homes scheme in the borough through a monitoring fee per development, paid through the S106 legal agreement. They will also be responsible for obtaining a current (no more than six months old) independent valuation for the property by a qualified member of the RICS⁷.

⁶ Paragraph 65 National Planning Policy Framework

⁷ Royal Institute of Chartered Surveyors.

First Homes will be marketed to buyers meeting the local eligibility criteria, including local income cap and local connection test, for **3 months**. Properties should be advertised as First Homes with the eligibility criteria made clear. If no buyer is found after 3 months, the local eligibility criteria falls away and First Homes will be marketed to first time buyers with an £80,000 household income cap (the national threshold) for a further 3 months. However, the discount levels and initial (first sale only) house price cap set by the Council, through a S106 agreement, do not change during the 6 months.

First Homes will be marketed to eligible buyers on a first come, first served principle. The buyer, together with their estate agent, conveyancer and mortgage adviser, will be responsible for completing an **application pack** to prove that the eligibility criteria is met. The Council will check that criteria have been met and give authority to proceed.

The Council will monitor delivery of First Homes in the borough and review its local eligibility criteria on an annual basis and consider whether any revisions are required.

The Council will consider enforcement action if First Home restrictions are not followed.

How will First Homes be secured on sites?

First Homes should be delivered on-site unless off-site provision or a financial contribution in lieu can be robustly justified. Any cash contributions for affordable housing should ensure a minimum 25% are used to secure First Homes. The cash contribution will be based on the difference in value between an open market and affordable dwelling on-site, in this instance an affordable First Home with the 40% discount on open market value.

Using the 100-dwelling example in Telford, 6.25 First Homes would be secured in a policy compliant scheme, with the 0.25 dwelling would be secured as a cash contribution.

First Homes should not be physically different from equivalent market housing provided on a site, in terms of quality and size. They should also be proportionately integrated across sites in small clusters. The nationally described space standards will apply to First Homes in accordance with Policy HO 4 of the Local Plan.

The developer or landowner should enter into a S106 legal agreement to secure First Homes and ensure that a legal restriction is registered onto a First Home's title on its first sale. This will appear on conveyancing checks as part of the sales process and ensure the **discount on market value is secured in perpetuity**. The government will publish a template legal agreement.

During the initial sale of a First Home, the builder/developers will commission an independent valuation from an RICS registered surveyor which will be shared with the local authority under the S106 agreement. Any further valuation undertaken by a lender as a part of the buyer's mortgage application will take precedence if it is lower than the RICS valuation.

Can First Homes be rented out?

In exceptional circumstances First Homes could be rented out on a short term basis, where circumstances require the owner to stay away from their First Home. This is limited to no more than two years under one ownership and the Council must be notified. This will not affect restrictions on letting a property prescribed by a mortgage lender and permission from them should be sought. Restrictions would be in place to ensure that First Homes are not acquired as buy-to-let properties.

What protections are in place for lenders?

A Mortgagee Exclusion Clause should be included in planning obligations for First Homes. Its purpose is to ensure appropriate protection for lenders in the event that they are enforcing their security against the property. Where a lender repossesses the property, the outstanding mortgage balance together with any associated costs and interest will be deducted before the payment is made to the local authority in compensation for the loss of a First Home. The payment to the authority will also be net of any additional stamp duty liability. The Mortgagee Exclusion Clause should provide that the property can be sold to anyone on the open market at open market value and the property will cease to be a First Home.

Can First Homes ever be sold without restriction?

First Homes are intended to be used as a person's sole or primary residence and should not be used for investment or commercial gain. There may, however, be instances where a suitable buyer cannot be found, even after the 6 month marketing period. If no buyer is found at the end of this period, an application may be made to the local planning authority for the home to revert to market sale.

The seller should compensate the Council for the loss of the affordable housing unit, based on the value of the discount the First Home was to be sold for, as a percentage of the final sale price. There should also be a requirement to market the home for at least 6 months in total and that all reasonable steps have been taken to sell the property (including, where appropriate, reducing the asking price). Such circumstances would be exceptional and the Council expects First Homes to be suitably marketed to eligible purchasers across the borough. Suitable marketing includes:

- Advertising the property as a First Home (with local and national eligibility criteria clearly stated on the advert/webpage)
- Adverts placed on the developer's website, and at least one other property website (local or national) with evidence of the dates and duration of marketing
- Contact with local housing associations and providers prior to the commencement of marketing (based on the list available at: https://www.telford.gov.uk/info/20781/housing_association) ; and
- At each stage (3 months and 6 months from the commencement of marketing) a statement summarising the marketing efforts and any enquiries received, including reasons why any enquiries did not proceed.

What are First Homes exception sites?

First Homes exception sites are an exception site (a site that comes forward outside of local or neighbourhood plan allocations to deliver affordable housing) that delivers primarily First Homes. In the case of the Telford & Wrekin Local Plan this would be sites in the rural area outside of key settlements⁸. They can come forward on unallocated land outside of a development plan and should:

- Comprise First Homes; and
- Be adjacent to existing settlements, proportionate in size to them, not compromise the protection given to areas or assets of particular importance in the National Planning Policy Framework⁹, and comply with any local design policies and standards.

What constitutes a proportionate development will be considered on a case-by-case basis depending on local circumstances. The Council will consider:

- The Local Plan spatial strategy – which directs most new development to Telford and Newport. In the rural area Policy HO 10 supports a limited amount of housing in Edgmond, High Ercall, Lilleshall, Tibberton and Waters Upton. Elsewhere in the rural area small scale rural exception sites may be supported through Policy HO 11.
- The scale and physical relationship in relation to the settlement in which it is located; and
- The availability of local services and facilities and overall sustainability.

Applicants should proactively engage with the Council at the earliest opportunity to discuss their proposals.

A small proportion of market homes may be allowed on the exception site at the Council's discretion, for example where essential to enable the delivery of First Homes without grant funding. The inclusion of market housing must be evidenced on viability grounds based on government guidance for viability assessments¹⁰ to be simple, transparent and publicly available.

A small proportion of other affordable homes may be allowed on First Homes exception sites where there is significant identified local need.

In both of the above instances, a small proportion will mean much **less than the amount and proportion of First Homes being delivered** (well below half).

Resale of First Homes

For future resales the discount on open market value will be secured through by a planning obligation under section 106 of the Town and Country Planning Act 1990 enforceable by the local planning authority that ensures that a legal restriction is registered onto a First Home's title on its first sale.

⁸ See Policy HO11, Telford & Wrekin Local Plan, page 86.

⁹ Footnote 7 of the NPPF

¹⁰ <https://www.gov.uk/guidance/viability#standard-inputs>

When the home is resold in future, the seller should secure a valuation in accordance with RICS's guidance.

When a mortgage or home purchase plan offer is being considered, the lender will also value the property in the usual way. The sale price of the property should not change unless this valuation is lower than the agreed sale price. In this case, the lender's valuation (after the discount has been applied) should act as a price cap for the sale of the property.

I want to discuss First Homes?

Purchasers should contact the developer where First Homes are proposed to discuss their eligibility and the procedure for completing an application pack.

For queries regarding the Council's local criteria or the provision of First Homes on individual sites (including planning applications or pre-application enquiries) please contact the Development Management Team at: 01952 380380 or email:

planning.control@telford.gov.uk

Monitoring and review

The Council will monitor roll out of First Homes and reserve the right to review the local criteria for the scheme. This includes potential to vary the level of discount, income caps and initial price caps in the future.