

Written Ministerial Statement – Affordable Homes Update

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On the 24th May 2021, the Minister of State for Housing (Christopher Pincher) published a Written Ministerial Statement setting out the Governments' plans for the delivery of **First Homes** and a new model for **shared ownership** through the planning system, following on from the consultation events of April 2021.

The Statement sets out a series changes to planning policy, which are intended to come into effect on the 28th June 2021.

The issues covered in the Statement include:

- **The definition of a First Home;**
- **Eligibility criteria for First Homes;**
- **Setting developer contributions for First Homes;**
- **How the remaining 75% affordable housing will be secured through developer contributions;**
- **Plans, development management and transitional arrangements;**
- **Levels of discount;**
- **Exception sites; and,**
- **Delivering shared ownership homes.**

First Homes Criteria

From 28th June 2021, a home meeting the criteria for a First Home will be considered to meet the definition of affordable housing for planning purposes, this being as follows:

- A First Home must be **discounted by a minimum of 30% against the market value**, although individual **Local Planning Authorities will also be able to set a greater minimum discount** of either 40% or 50%, and impose lower price caps, **if a need can be demonstrated and justified**. The discount below market value **must then apply to the home each time it is sold**, in perpetuity; and,
- After the discount has been applied, **the first sale of the home must be at a price no higher than £250,000** (or £420,000 in Greater London).

All First Homes will need to comply with other applicable planning policy or building regulations **and be sold exclusively to first-time buyers**, and to not to any household with a combined annual income in excess of £80,000 (or £90,000 in Greater London) and purchased using either a mortgage or home purchase plan which equates to at least 50% of the discounted value.

LPA's will be able to apply additional criteria such as lower income thresholds, or prioritise key workers. Neighbourhood Plans also will be able to set additional criteria.

LPA's are also encouraged to set definitions for key workers and local connections in relation to First Homes. If LPA's and Neighbourhood Plans introduce their own restrictions **these can only take effect for 3 months**, after which time they will revert back to the national criteria.

To support LPA's a **model section 106 obligation is being developed for First Homes.**

Developer Contributions for First Homes

A national threshold of a minimum of 25% of all affordable housing units secured through developer contributions should be First Homes. As set out with paragraph 62 of the Framework the provision of First Homes **should be on site**, unless alternative arrangements can be justified. Where cash contributions are secured, **a minimum of 25% of these contributions should be used to secure First Homes.**

The remaining 75% of affordable housing secured through developer contributions

The Government recognises the value of social rent as part of the affordable housing tenure mix and as such LPA's should prioritise securing their policy requirements for social rent once they have secured the 25% First Homes requirement. Where other affordable units are secured these tenure types should be achieved in proportions relative to the Development Plan.

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Exemptions from requirements to deliver affordable home ownership products

At paragraph 64 of the Framework, major residential developments are required to provide a minimum 10% affordable home ownership product, unless the exceptions set out in the Framework apply. If found to be exempt **this also provides exemption for the requirement to deliver First Homes.**

Plans, Development Management and Transitional Arrangements

Local and Neighbourhood Plans **should take into account the First Homes requirement from 28th June 2021**, and as such, there may be a requirement for LPA's to review the tenure mix for the remainder of the affordable housing requirement they are seeking to secure. However, **this does not mean** that there is a requirement for all Local and Neighbourhood Plans under examination to re-open and delay the plan-making process. In this instance, **transitional arrangements** will be put in place as follows:

- Local plans and neighbourhood plans that have been submitted for Examination before 28th June 2021 are not required to reflect the First Homes policy requirements.
- Local plans and neighbourhood plans that have reached publication stage by 28th June 2021 will also not be required to reflect the First Homes policy requirement, as long as they are submitted for Examination before 28th December 2021.
- Inspectors should consider through the Examination whether a requirement for an early review of the local plan might be appropriate.

If they do not benefit from the transitional arrangements, **the onus is on the LPA to clearly show how existing policies should be interpreted** in light of the First Homes requirement.

- Across all LPA's, the requirement for 25% First Homes **will not apply to 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 (or 28 March 2022 if there has been significant pre-application engagement). However, LPA's **should allow developers to introduce First Homes** to the tenure mix if they wish to do so. This

transitional allowance also applies to permissions and applications for entry-level exception sites.

Level of discount

Set by an independent registered valuer, **the minimum discount for a first home should be 30%** from market value. However, LPA's have the option to increase the minimum discount where the evidence justifies this.

Community Infrastructure Levy (CIL)

New Community Infrastructure Levy (CIL) regulations have been introduced to allow the developers of First Homes **to be exempt from the requirement to pay CIL.** These regulations came into force on 16 November 2020.

Exception Sites

As a means of making First Homes more readily available, **they will also be delivered via exception sites.** However, the Government have acknowledged that the entry-level exceptions sites have not delivered to the level expected so far. To overcome this issue, this policy will be replaced by **'First Homes exception sites'** which will be **on land not currently allocated for housing**, with the onus being **on the LPA to support such schemes**, unless the demand is already being met within the LPA. A small proportion of market homes may be allowed on a site as a funding mechanism, at the local authority's discretion, for example, where essential to enable the delivery of First Homes without grant funding.

In the more constrained areas, including Green Belt, National Parks and Areas of Outstanding Natural Beauty, rural exception sites will be the sole exception site and First Homes exception sites cannot come forward in these areas.

Delivering Shared Ownership homes

The final section of the update relates to Shared Ownership, with Government seeking to create a new model for *Shared Ownership*, which can be delivered through grant funding/the planning system.

The principle changes to the shared ownership system are as follows:

- i) Minimum share to be purchased will be lowered to 10%, with the maximum share at initial purchase remaining unchanged at 75%.
- ii) The purchase of further shares ('staircasing') in 1% increments for 15 years enabling shared owners to purchase up to 15% through this route and will also benefit from reduced fees. Larger increments will be possible with the minimum additional share purchase reduced to 5%. Owners seeking to staircase with 5% increments will be liable to pay fees such as valuation, legal and mortgage costs.
- iii) End the provider's resale nomination period at the four week point if they wish to pursue a sale on the open market.
- iv) Introduce a 10-year period during which the Shared Ownership Leaseholder will receive support from landlords in regard to cost of repair and maintenance in new build homes. After this 10-year period the shared owner takes on full responsibility, which is in addition to any works covered by the new build warranty.
- v) All new leases are issued with a minimum lease length term of 990 years.

Homes England are due to publish a model lease shortly.

The requirement for the new Shared Ownership model will not apply to 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 (or 28 March 2022 if there has been significant pre-application engagement). Local authorities should allow developers to introduce the new Shared Ownership model if they wish to do so. The transitional arrangements for First Homes also apply in regard to Shared Ownership.

For further information please do not hesitate to contact Simon James (simon.james@dlpconsultants.co.uk).