

First Homes Briefing Paper for Overview and Scrutiny

A report is being taken to Cabinet to revoke the First Homes Policy as it mandates the requirement for First Homes on all Section 106 sites that have an affordable housing requirement. This can lead to viability issues for registered providers as the shared ownership element which contributes towards the viability of sites is reduced. In additions First Homes can present an affordability issue for households particularly in high value areas such as Hagley.

1. BACKGROUND

1.1 The Government introduced a new affordable housing product known as First Homes to be provided by all local housing authorities from 28th March 2022 as 25% of the affordable housing on Section 106 sites. First Homes are discounted market sale units with the criteria set by legislation. They:

- a) must be discounted by a minimum of 30% against the open market value;
- b) are sold to a person or persons meeting the First Homes eligibility criteria;
- 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).

1.2 An update to the National Planning Policy Framework (NPPF) guidance 2024 has offered an opportunity to review this approach:

“The requirement to deliver a minimum of 25% of affordable housing as First Homes, as set out in 'Affordable Homes Update' Written Ministerial Statement dated 24 May 2021, no longer applies. Delivery of First Homes can, however, continue where local planning authorities judge that they meet local need. Except where a Mayoral, combined authority or high-level joint plan is being prepared as a framework for strategic policies at the individual local authority level; in which case it may be most appropriate for the local authority plans to provide the requirement figure.”

1.3 The First Homes policy was approved by the Council in September 2022 for Section 106 developer led sites. First Homes are restricted to First Time Buyers and are discounted by 30%. The Council included a local connection criterion to ensure that local households were prioritised. However, the increase in new build house prices has meant that first time buyers are less likely to be able to afford this product. Whereas shared ownership properties

sold at say at a 40% or 50% share, are more likely to meet local housing needs.

- 1.4 In addition, conversations with Registered Providers have indicated that the reduction in shared ownership properties in favour of First Homes compromises the viability of section 106 sites as the proportion of shared ownership to social/affordable rent is key to viability. This means that where the developer is also required to provide and sell First Home, Registered Providers are less able to afford to purchase the remaining affordable housing provided on site under Section 106 agreements.
- 1.5 One of the two sites with First Homes requirements in the Section 106 has been built out. Two of the three First Homes properties that were made available through the Section 106 agreement, were sold to applicants without a local connection to Bromsgrove. Subject to the policy being revoked, any section 106's required on future sites will require shared ownership or low cost discounted sale instead of First Homes.
- 1.6 The processing of First Homes places a greater burden on local authorities in terms of processing and agreeing applications from prospective purchasers. By removing the requirement for First Homes, this administrative burden will be removed.

2. FINANCIAL IMPLICATIONS

- 2.1 The Council's charge for administering a variation to the section 106 at £508.00 will be offset by the developer not having the First Homes properties valued by a RICS valuer. The developer will be able to continue to provide them should they so wish but future Section 106's will not include a requirement for First Homes to be provided.
- 2.2 The revocation of the policy will support those on lower incomes to access affordable home ownership and will support the viability of section 106 sites for Registered Providers.

It is recommended that Cabinet is asked to RESOLVE that:-

- 1) the Council's First Homes Policy be revoked with immediate effect;
- 2) and that any development sites that currently include an element of First Homes provision be offered an opportunity to revert to shared ownership and other forms of affordable home ownership.

3. APPENDICES and BACKGROUND PAPERS

Background Papers

Bromsgrove First Homes Policy [Bromsgrove First Homes Policy](#)