

# First Homes

Information for developers, communities and decision-makers. Downloads are available at the bottom of the page.

This webpage is an online version of **First Homes in Craven** (</media/11536/first-homes-in-craven-september-2022.pdf>), which, along with the **Initial First Homes Evidence** (</media/11537/initial-first-homes-evidence-september-2022.pdf>), was approved for publication by the Council's Spatial Planning Sub-Committee on 26th September 2022. The information presented here is intended to assist developers, communities and decision-makers who wish to know more about First Homes and how they relate to the planning system - both nationally and in Craven. It refers to national and local planning policy and policy guidance, but does not constitute policy or guidance itself - for those things please follow the links provided below.

## 1. What are First Homes?

1.1 First Homes are a new type of affordable housing and offer eligible first-time buyers an opportunity to purchase their own home, at a discounted price. They were introduced by the Government in May 2021 and are now a requirement of national planning policy.

## 2. National planning policy and guidance

2.1 National planning policy is contained in the First Homes Written Ministerial Statement (WMS), which must be read alongside the National Planning Policy Framework (NPPF). The full WMS is available **here** (<https://questions-statements.parliament.uk/written-statements/detail/2021-05-24/hlws48>)[1] and a summary of its requirements is provided below:

- a) First Homes must account for at least 25% of all affordable housing provided by developers;
- b) They must be discounted by a minimum of 30% below market value;
- c) They must be sold to people meeting the First Homes eligibility criteria (below);
- d) They must have a restriction registered with the Land Registry to ensure that the discount and other restrictions are passed on to future owners; and
- e) The first owner must not pay more than £250,000 (£420,000 in London) after the discount has been applied.

2.2 National planning policy in the WMS is supported by National Planning Practice Guidance (NPPG), which is available **here** (<https://www.gov.uk/guidance/first-homes>)[2].

## 3. National First Homes eligibility criteria

3.1 In order to purchase First Homes (either as an initial or subsequent purchaser) people must meet all three of the national eligibility criteria[3] and must therefore be:

- a) first-time buyers as defined in the Finance Act 2003 for the purposes of Stamp Duty Relief; and

- b) individuals, couples or groups with a combined annual household income not exceeding £80,000 (£90,000 in London) in the tax year immediately preceding the year of purchase; and
- c) purchasers with a mortgage or home purchase plan (if required to comply with Islamic law) to fund a minimum of 50% of the discounted purchase price.

## 4. Craven Local Plan policy

4.1 The Craven Local Plan contains an affordable housing policy (**Policy H2 (/planning/accessible-craven-local-plan/#AFFORDABLEHOUSING)[4]**), which is supported by supplementary guidance in the **Affordable Housing SPD (/planning/spatial-planning/spds-and-information/affordable-housing/affordable-housing-spd/)[5]**. These are relevant to First Homes, because First Homes are a type of affordable housing.

4.2 Criterion a) of Policy H2 sets requirements for the provision of affordable housing as part of general market housing developments.

4.3 Criterion f) of policy H2 sets requirements for the size, type and tenure of affordable housing. These should reflect the most up to date evidence of affordable housing needs, from the Council's latest Strategic Housing Market Assessment (**SHMA (/planning/spatial-planning/evidence-and-monitoring/core-evidence/)[6]**) and any other sources of robust and up to date evidence, including the Council's housing register. The latest SHMA recommends the following affordable housing tenure split:

- 15% to 25% affordable housing for sale; and
- 75% to 85% affordable housing to rent.

## 5. Decision making

5.1 The starting point for planning decisions is the Craven Local Plan. Where Policy H2 requires the provision of affordable housing, First Homes must be included in accordance with national planning policy contained in the WMS, which is a material consideration. The Council's Affordable Housing SPD and the NPPG must also be taken into account as material considerations. Details of relevant national and local planning policy and guidance are provided above.

5.2 According to the WMS and NPPG, the value captured from a planning application which includes First Homes should be the same amount as would be captured under relevant policies of the Craven Local Plan, including Policy H2; and once a minimum of 25% First Homes has been accounted for, the tenure split of remaining affordable housing should reflect the proportions set out in Policy H2.[7]

5.3 Planning obligations (or section 106 agreements) are the legal means to secure the delivery of First Homes and to ensure that necessary First Homes restrictions are registered with the Land Registry. The Government provides **model First Homes clauses (https://www.gov.uk/government/publications/first-homes-model-section-106-agreement-for-developer-contributions)[8]** for use in section 106 agreements.

## 6. Craven Local Plan evidence base

6.1 Specialist consultants, Arc4, have prepared preliminary evidence to indicate how First Homes may work in the Craven Local Plan area. This evidence is presented in the Council's **Initial First Homes Evidence (/media/11537/initial-first-homes-evidence-september-2022.pdf)** (IFHE) and has been published here[9] on the Council's website. It takes a first look at how forthcoming reviews of the current SHMA[10] and Craven Local Plan will need to take account of First Homes, and covers amongst other things:

- Latest local house price data;
- Likely prices of local First Homes based on 30%, 40% and 50% discounts;
- Likely incomes required to purchase local First Homes based on a 3.5 income multiple; and
- Likely affordability of local First Homes prices relative to local incomes.

6.2 The IFHE suggests that First Homes at a 50% discount are unlikely to be affordable to eligible households generally, but may be affordable to some. However, this will need to be the subject of further analysis in a successor to the current SHMA, which will inform a subsequent review of the Craven Local Plan, including Policy H2. The IFHE also recommends a revised affordable housing tenure split (below) as an update to the one recommended in the current SHMA[11].

## 7. Captured value

7.1 The WMS and NPPG state that the value captured from a planning application which includes First Homes should be the same amount as would be captured under policies of the Craven Local Plan[12]. As First Homes will be discounted less than the other types of affordable housing required by Craven Local Plan Policy H2, they will capture less value[13]. This means that developers providing First Homes under Policy H2 will need to 'top up' their affordable housing contributions in order to satisfy this principle of equal value.

7.2 Suitable mechanisms for determining top-ups are already provided by Policy H2 and the Affordable Housing SPD. These mechanisms are used in determining financial and off-site contributions, based on fixed Transfer Prices, and work well in practice. They provide clarity for developers, who can factor in affordable housing contributions at an early stage, and should help to make top-ups a relatively straightforward matter. Value captured through top-ups can then be used to support affordable housing delivery and improvement across the Craven Local Plan area.

7.3 It is important to note that the WMS, NPPG and approach described above do not seek to require any additional contributions (or capture any additional value) above what is already required (or captured) by current policies of the Craven Local Plan.

## 8. Tenure split

8.1 The WMS and NPPG state that 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 Policy H2 of the Craven Local Plan; and that the remainder of affordable housing tenures should be delivered in line with relative proportions set out in that policy[14].

8.2 Criterion f) of Policy H2 requires the tenure of affordable housing to reflect the most up-to-date evidence of affordable housing needs. This now includes the IFHE, which recommends the following affordable housing tenure split, as an update to the one recommended in the current SHMA, after taking First Homes in account:

- 25% First Homes;
- 10% to 15% affordable housing for sale; and
- 60% to 65% affordable housing to rent.

## 9. Planning applications

9.1 The Council's requirements for planning applications will be based on relevant policies of the Craven Local Plan, including Policy H2, and on the Affordable Housing SPD, WMS and NPPG, which are material considerations. The main requirements may be summarised as follows.

a) **25% First Homes:** a minimum of 25% of all affordable housing secured through developer contributions under Craven Local Plan Policy H2 must be First Homes, in accordance with the WMS and NPPG. Other affordable housing tenures should be provided in the proportions set out at 8.2, above, in accordance with criterion f) of Policy H2, the WMS and the NPPG.

b) **30% discount:** First Homes must be discounted by a minimum of 30% against the market value, in accordance with the WMS and the NPPG.

c) **£250,000 price cap:** after the discount has been applied, the initial sale of First Homes must be at a price no higher than £250,000, in accordance with the WMS and NPPG.

d) **Eligibility criteria:** the national standard eligibility criteria must be applied, in accordance with the WMS and NPPG.

e) **Captured value:** top-up contributions will be required to ensure that the value captured from planning applications is the same amount as would be captured under Craven Local Plan policy, in accordance with the WMS and NPPG.

## 10. First Homes exception sites

10.1 The WMS replaced entry-level exception sites with First Homes exception sites. Guidance in the NPPG[15] has been updated accordingly.

10.2 First Homes exception sites can come forward on land not allocated for development in the Craven Local Plan or any neighbourhood plan, and must deliver primarily First Homes. However, they cannot come forward in designated rural areas, which are listed in **footnote 42 (/planning/accessible-craven-local-plan/#\_ftn42)[16]** of the Craven Local Plan and identified on the **Policies Map (/planning/accessible-craven-local-plan/#POLICIESMAP)[17]**. The WMS requires the Council to support the development of First Homes exception sites unless the need for such homes is already being met within its area.

10.3 The Craven Local Plan establishes a housing requirement of 230 dwellings per annum. A higher rate of growth would be required to deliver 100% of the plan area's affordable housing need, but this was rejected for reasons of sustainability, conflict with the Spatial Strategy and

concerns about deliverability. As a consequence, there is likely to be some unmet affordable housing need in the area, which will include some unmet need for First Homes. The Council will therefore support proposals for First Homes exception sites, in line with the WMS, where they accord with relevant Craven Local Plan policies (and any relevant neighbourhood plan policies), including those that determine the appropriate location and scale of new development.

## 11. Next steps

11.1 The preliminary evidence and recommendations presented in the IFHE will be used in the commissioning of a successor to the current SHMA. This will inform a review of the Craven Local Plan, including Policy H2, or preparation of a new North Yorkshire local plan<sup>[18]</sup>, which will set appropriate local policy requirements for First Homes. In the meantime, the Council will follow the approach set out in sections 9 and 10, above, for dealing with planning applications and First Homes exception sites.

## Contacts

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Development Management (planning applications): [planning@cravencd.gov.uk](mailto:planning@cravencd.gov.uk)  
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[1] <https://questions-statements.parliament.uk/written-statements/detail/2021-05-24/hlws48>

[2] <https://www.gov.uk/guidance/first-homes>

[3] Refer to paragraph 007 of the NPPG (Reference ID: 70-002-20210524)

[4] <https://www.cravencd.gov.uk/planning/accessible-craven-local-plan/#AFFORDABLEHOUSING>

[5] <https://www.cravencd.gov.uk/planning/spatial-planning/spds-and-information/affordable-housing/affordable-housing-spd/>

[6] <https://www.cravencd.gov.uk/planning/spatial-planning/evidence-and-monitoring/core-evidence/>

[7] Refer to paragraph 014 of the NPPG (Reference ID: 70-014-20210524)

[8] <https://www.gov.uk/government/publications/first-homes-model-section-106-agreement-for-developer-contributions>

[9] <https://www.cravencd.gov.uk/planning/spatial-planning/spds-and-information/affordable-housing/first-homes>

[10] The current SHMA is likely to be succeeded by a local housing needs assessment, in accordance with paragraph 61 of the NPPF

**[11]** Refer to paragraphs 17-19 of the IFHE

**[12]** Refer to paragraph 014 of the NPPG (Reference ID: 70-014-20210524)

**[13]** According to the IFHE, a two-bedroom First Homes property with a 30% discount would have an approximate value of £105,000. However, a two-bedroom affordable home provided under Policy H2 would have an approximate value of £70,000, which represents a discount of 53%. This means that the value captured by the First Homes property would be approximately £35,000 or one third less than the value captured by an affordable home provided under Policy H2.

**[14]** Refer to paragraph 015 of the NPPG (Reference ID: 70-015-20210524)

**[15]** Refer to paragraph 024 of the NPPG (Reference ID: 70-024-20210524)

**[16]** [https://www.cravenc.gov.uk/planning/accessible-craven-local-plan/#\\_ftn42](https://www.cravenc.gov.uk/planning/accessible-craven-local-plan/#_ftn42)

**[17]** <https://www.cravenc.gov.uk/planning/accessible-craven-local-plan/#POLICIESMAP>

**[18]** From 01/04/23, Craven will be part of a new North Yorkshire Council, which will aim to prepare a new local plan within 5 years