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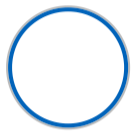
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Affordable Homes Update

Statement made on 24 May 2021

Statement UIN HCWS50

Statement made by



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Statement

On 1 April 2021 the Government published responses to two consultations: delivering First Homes and the new model for Shared Ownership. This statement sets out the Government's plans for the delivery of First Homes and our new model for Shared Ownership through the planning system.

This statement issues substantial changes to planning policy which will come into effect on 28 June 2021.

The issues covered in this statement include:

- The definition of a First Home
- Eligibility criteria for First Homes
- Setting developer contributions for First Homes
- The remaining 75% of affordable housing secured through developer contributions
- Plans, development management and transitional arrangements
- Level of discount
- Exception sites
- Delivering Shared Ownership homes

Introduction

The Government is committed to supporting people to own their home and make home ownership a reality for households and families. Since spring 2010 almost 709,000 households have been helped by Government schemes, including Help to Buy and Right to Buy, and we are taking steps to increase the supply of new housing. The Government is undertaking the most ambitious reforms to our planning system since the Second World War, making it easier to build homes where they are most needed, and the stamp duty holiday (applying to the first £500,000 of property sales) has given a much-needed boost to the economy. Ensuring access to home ownership remains a key priority and challenge for this Government. However, rising prices, high deposits and difficulty accessing mortgage finance still mean that far too many people are denied the opportunity to own a home of their own. Polling shows that 87% of people would prefer to own their home given a free choice. Therefore, the Government is determined to ensure that there is an adequate supply and variety of options to help hard-working people onto the housing ladder across England.

First Homes

The Government first consulted on First Homes, the new scheme to provide homes for first-time buyers at a discount of a minimum of 30%, in February 2020. This consultation made proposals around both the design of First Homes and changes to the planning system to support their delivery.

We received nearly 800 responses to this first consultation. There was considerable support for our proposals for a minimum discount of 30% and strong support for proposals to develop a national standard model with discretion for local areas to set their own criteria. Many local authorities, housing developers and business organisations gave very helpful comments about how our proposed changes to planning policy could be introduced and we are very grateful for this. The Government published its consultation response on 6 August 2020, which is available [online](#). On the same day, the Government published a consultation, *Changes to the current planning system*, which included proposals on the detail of changes to planning policy to deliver First Homes. We received nearly 2,400 responses to this second consultation. The Government published its response to the First Homes part of that consultation on 1 April 2021, and a copy of that response will be placed in the Library of the House. It is also available online at: <https://www.gov.uk/government/consultations/changes-to-the-current-planning-system/outcome/government-response-to-the-first-homes-proposals-in-changes-to-the-current-planning-system>

After careful consideration of all the responses to both these consultations, the Government is today setting out its plans for the delivery of First Homes, defining the product and changes to planning policy as set out below.

First Homes Criteria

From 28 June 2021, a home meeting the criteria of a First Home will also be considered to meet the definition of 'affordable housing' for planning purposes. The First Homes Criteria means:

- A First Home must be discounted by a minimum of 30% against the market value; 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).

Local authorities will be able to set a deeper minimum discount at either 40% or 50% and impose lower price caps, if they can demonstrate a need for this through evidence. However, the same level of discount as a percentage below market value must apply to the home each time it is sold in perpetuity (subject to certain specific exclusions), so that communities continue to benefit from the homes for years to come. The discount in perpetuity should be secured through a planning obligation. First Homes should, as a matter of course, comply with any other applicable planning policies and / or building regulations, for example those relating to space, accessibility, energy efficiency or carbon emissions. This includes avoiding the sale of homes as leasehold where this is not necessary.

In order to ensure that suitable mortgages are available for First Homes, local authorities should provide for a mortgage lender enforcing its security over a First Homes to be able to realise the full market value of the property, returning any surplus up to the value of the First Homes discount to the local authority.

First Homes Eligibility Criteria

First Homes must be prioritised for first-time buyers (as defined in paragraph 6 of schedule 6ZA of the Finance Act 2003 for the purposes of Stamp Duty Relief for first-time buyers) and not be sold to any household with a combined annual income in excess of £80,000 (or £90,000 in Greater London). Local authorities will be able to apply additional criteria at a local level. For example, they may wish to set a lower income cap, prioritise key workers (who also meet the first time buyer definition) and / or specify a particular local connection requirement based on work or current residency. Neighbourhood plans will also be able to apply these additional criteria at neighbourhood level. We do not intend to set out a national definition for key workers or local connections for the purposes of First Homes, but instead empower local authorities to take these decisions in the best interests of their areas and residents.

In recognition of the unique nature of their circumstances, members of the Armed Forces, the divorced or separated spouse or civil partner of a member of the Armed Forces, the spouse or civil partner of a deceased member of the Armed Forces (if their death was caused wholly or partly by their service) or veterans within five years of leaving the Armed Forces should be exempt from any local connection testing restrictions.

A person who can afford to purchase a First Home without a mortgage should not be eligible to purchase a First Home. As a deterrent against the use of First Homes for investment, all purchasers of First Homes must use a mortgage or home purchase plan (if required to comply with Islamic law) for at least 50% of the discounted purchase value.

If local authorities or neighbourhood planning groups choose to introduce their own eligibility restrictions, these will be time-limited to the first three months from the start date of marketing of the property. Upon expiry of the three-month period, any homes which have not been sold or reserved will revert to the national standard criteria set out above. This is to ensure that homes do not remain unsold if suitable buyers in the local area cannot be found.

To support developers and local authorities in using First Homes we are currently developing model section 106 obligations that can be used to secure First Homes at the planning stage. These will make it easier for developers to meet national requirements, for local authorities to consider imposing their own time-limited restrictions and will protect the interest of mortgage lenders by ensuring they can realise the full market value of the property in defined exceptional circumstances. These model obligations will also contain wording for a model title restriction, which will be recognised by HM Land Registry and will ensure the homes retain their discount in perpetuity.

We are clear that 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. However, we also recognise that there are occasions when it may be necessary for owners of First Homes to let out their property for short periods of time, especially in response to unexpected life events. Therefore, a First Homes owner can only rent out their home for a maximum period of two years, as long as the relevant local authority is notified. Recognising that certain circumstances require a unique response, local authorities should be willing to grant permissions to rent out for longer periods under the following circumstances: deployment elsewhere (for members of the Armed Forces); primary caring responsibilities for relative/friend; short job posting elsewhere; redundancy; domestic abuse; and relationship breakdown. This will not affect restrictions on letting a property prescribed by a mortgage lender and permission from them would likely also be required.

Changes to planning policy

In order to support the future development of First Homes, the Government is today also setting out changes to planning policy as set out above and below. These changes will come into effect from 28 June 2021.

Setting developer contributions for First Homes

A minimum of 25% of all affordable housing units secured through developer contributions should be First Homes. This is a national threshold which should be applied for England.

In accordance with paragraph 62 of the National Planning Policy Framework, affordable housing is expected to be delivered on-site unless off-site provision or an appropriate financial contribution in lieu can be robustly justified; and the agreed approach contributes to the objective of creating mixed and balanced communities.

Where cash contributions for affordable housing are secured instead of on-site units, a minimum of 25% of these contributions should be used to secure First Homes. Where a mixture of cash contributions towards affordable housing and on-site units are secured, 25% of the overall value of affordable housing contributions should be applied to First Homes.

Local authorities should already have affordable housing policies set out in their development plan, which will include the amounts of affordable housing to be sought, and the tenure mix of this housing. Paragraph 57 of the National Planning Policy Framework currently states that where up-to-date policies have set out the contributions expected from development, planning applications that comply with them should be assumed to be viable. Under the approach set out in this Written Ministerial Statement, therefore, it is necessary to define the criteria for policy compliance, under which a development is assumed to be viable.

Under the new system, a policy compliant planning application should seek to capture the same amount of value as would be captured under the local authority's up-to-date published policy. In addition to capturing the same amount of value towards affordable housing as the existing policy, where on-site affordable housing is required, a policy compliant application will have a minimum of 25% of affordable housing units on-site as First Homes.

The remaining 75% of affordable housing secured through developer contributions

The Government recognises the importance of social rent as part of the affordable housing tenure mix. A local authority should prioritise securing their policy requirements on social rent, once they have secured the 25% First Homes requirement. Where other affordable housing units can be secured, these tenure-types should be secured in the relative proportions set out in the development plan.

If an application aligns with a local authority's up-to-date policy on cash contributions in lieu of on-site provision, then it will be a policy compliant application in that regard.

Local planning authorities should use the most appropriate method available to them to set out how these requirements impact on their current affordable housing tenure mix policies.

Exemptions from requirements to deliver affordable home ownership products

Paragraph 64 of the National Planning Policy Framework sets out that for major development involving the provision of housing, 10% of all homes on site should be affordable home ownership products, unless one of the exceptions applies. First Homes are an affordable home ownership product. Where specific developments are exempt from delivering affordable home ownership products under paragraph 64 of the Framework, they shall also be exempt from the requirement to deliver First Homes.

Plans, Development Management and Transitional Arrangements

Local plans and neighbourhood plans should take into account the new First Homes requirements from 28 June 2021. Local authorities may therefore need to review the tenure mix for the remainder of the affordable housing that they are seeking to secure. However, we also recognise that there will be a number of local plans and neighbourhood plans that have been prepared based on the existing National Planning Policy Framework and that have reached more advanced stages of the plan-making process. We do not intend that the evidence base for these should be re-opened, thus delaying the plan-making process. The following transitional arrangements will therefore apply.

Local plans and neighbourhood plans that have been submitted for Examination^[1] before 28 June 2021 are not required to reflect the First Homes policy requirements. Additionally, local plans and neighbourhood plans that have reached publication stage^[2] by 28 June 2021 will also not be required to reflect the First Homes policy requirement as long as they are submitted for Examination before 28 December 2021. However, reflecting our desire to introduce First Homes requirements at the earliest possible opportunity, Planning Inspectors should consider through the Examination whether a requirement for an early update of the local plan might be appropriate.

Where local and neighbourhood plans are adopted under the aforementioned transitional arrangements, the First Homes requirements will also not need to be applied when considering planning applications in the plan area until such time as the requirements are introduced through a subsequent update.

Where local and neighbourhood plans do not benefit from the aforementioned transitional arrangements, the local planning authority should make clear how existing policies should be interpreted in the light of First Homes requirements using the most appropriate tool available to them.

We also recognise that many developers will have been preparing planning applications under different assumptions. Across all local authorities, the new 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), although local authorities should allow developers to introduce First Homes to the tenure mix if they wish to do so. This transitional allowance will also apply to permissions and applications for entry-level exception sites.

The Government will continue to monitor the effectiveness of these transitional arrangements in light of emerging economic circumstances.

Level of discount

The minimum discount for First Homes should be 30% from market value, which will be set by an independent registered valuer. The valuation should assume the home is sold as an open market dwelling without restrictions. Where evidence justifies it (either in the local or neighbourhood plan, an emerging policy or, where appropriate, a Supplementary Planning Document), the minimum discount in an area can be increased to 40% or 50%.

Where discounts of more than 30% are applied to First Homes, the requirement for a minimum of 25% of the affordable housing units secured through developer contributions to be First Homes will remain in place. The approach to delivering the remaining 75% of affordable housing is set out above.

Community Infrastructure Levy (CIL)

The Government has introduced new Community Infrastructure Levy (CIL) regulations which allow the developers of First Homes to obtain an exemption from the requirement to pay CIL, in line with other affordable housing products. These regulations came into force on 16 November 2020.

Exception Sites

A key priority of this Government is to enable as many people as possible to enjoy the benefits of home ownership, and First Homes are a crucial way in which this will be achieved. In order to maximise the number of First Homes made available to those keen to get on the housing ladder, the Government is also seeking to deliver First Homes via exception sites. Exception sites are small sites brought forward outside of development plans in order to deliver affordable housing, and currently consist of rural exception sites and entry-level exception sites.

While the Government supports the mechanism of allowing land to come forward outside of the development plan to deliver much-needed homes via exception sites, the entry-level exception site policy has not delivered affordable housing to the extent originally envisaged. Following the consultation, the Government is replacing this policy with a 'First Homes exception sites' policy, in order to encourage First Homes-led developments on land that is not currently allocated for housing. Local authorities should support the development of these First Homes exception sites, suitable for first-time buyers, unless the need for such homes is already being met within the local authority's area. Local connection criteria may be set where these can be supported by evidence of necessity and will not compromise site viability. First Homes exception sites should be on land which is not already allocated for housing and should:

a) comprise First Homes (as defined in this Written Ministerial Statement)

b) 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 Framework[3], and comply with any local design policies and standards.

A small proportion of market homes may be allowed on the site at the local authority's discretion, for example where essential to enable the delivery of First Homes without grant funding. Also, a small proportion of other affordable homes may be allowed on the sites where there is significant identified local need.

While the Government wants to ensure that home ownership is available to as many people as possible, we recognise that certain rural areas face particular challenges in terms of affordability, and that rural exception sites can be very effective in addressing the lack of affordable housing in these areas. As such, the Government has decided that in designated rural areas[4], which includes some of the more constrained and expensive regions of the country such as National Parks and Areas of Outstanding Natural Beauty, rural exception sites will remain as the sole exception site which can come forward. Elsewhere, First Homes exception sites and rural exception sites can both come forward.

Delivering Shared Ownership homes

This Government believes Shared Ownership has a vital role to play in supporting people from all backgrounds to become homeowners. By purchasing a share of a property, aspiring homeowners can overcome the income and deposit barriers that can stand in their way. This is why the Government is making Shared Ownership work better by introducing a new model for Shared Ownership which will be delivered through grant funding and through the planning system.

On 28 August 2019, we ran a discussion paper to consult on several proposed changes to the Shared Ownership model. In the Government's response to the consultation, published in September 2020, we confirmed the outline of the new model of Shared Ownership and committed to set an expectation for Shared Ownership homes secured through the planning system to be based on the new model.

The [new model for Shared Ownership: technical consultation](#), which ran from 19 November to 17 December 2020, set out further details of the new model of Shared Ownership, including the proposal that we will expect all Shared Ownership homes delivered through obligations under Section 106 of the Town and Country Planning Act 1990 to be based on the new model. We consulted on potential transitional arrangements.

We are today confirming that this expectation will come into effect from 28 June 2021. The principal changes to the Shared Ownership model are summarised as follows:

i) Minimum share to be purchased

The minimum share for initial Shared Ownership purchases will be lowered to 10% from the current 25%. The maximum share at initial purchase will remain unchanged at 75%.

ii) The purchase of further shares ('staircasing')

New shared owners will be able to staircase in 1% increments for 15 years enabling shared owners to purchase up to 15% through this route. This option will be accompanied by reduced fees. It will still be possible to staircase in larger increments with the minimum additional share purchase reduced from 10% to 5%. Shared owners wishing to staircase in 5% increments or more will have to pay the range of fees as currently, such as a valuation fee, legal and mortgage costs as appropriate.

iii) Shared ownership resales

The new Shared Ownership model will end the provider's resale nomination period at the four week point if they wish to pursue a sale on the open market.

iv) Responsibility for repairs and maintenance

The new shared ownership model introduces a new 10-year period during which the Shared Ownership Leaseholder will receive support from their landlord with the cost of repairs and maintenance in new build homes. Only after 10 years will the shared owner take on full responsibility for any repairs and maintenance costs. This 10-year period is in addition to any repairs or maintenance covered by the new build warranty to cover any works required that the warranty does not cover.

v) Shared Ownership lease term

All new leases must be issued with a minimum lease length term of 990 years. These longer leases will provide long term security for shared owners and save them from paying for multiple lease extensions.

We believe these reforms will make the scheme more consumer friendly, easier to access and fairer, leading to a better experience for a future generation of shared owners.

The Government response to the new model for Shared Ownership: technical consultation, that we published in April 2021, sets out further details on these changes. You can also consult the Homes England Capital Funding Guide (<https://www.gov.uk/guidance/capital-funding-guide/1-help-to-buy-shared-ownership>), or the GLA Capital Funding Guide for homes in London, for further guidance on how to implement Shared Ownership.

Later this month, Homes England will publish a model lease which can be used as a basis for leases under the new model of Shared Ownership.

We recognise that many developers will have been preparing planning applications under different assumptions. The new 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), although local authorities should allow developers to introduce the new Shared Ownership model if they wish to do so.

The local and neighbourhood plan transitional arrangements set out above for First Homes also apply to the new requirement for the new Shared Ownership model.

[1] Regulation 15 of the Neighbourhood Planning (General) Regulations 2012 for Neighbourhood Plans, and Regulation 22 of Town and Country Planning (Local Planning) (England) Regulations 2012 for Local Plans.

[2] Regulation 14 of the Neighbourhood Planning (General) Regulations 2012 for Neighbourhood Plans, and Regulation 19 of the Town and Country Planning (Local Planning) (England) Regulations 2012 for Local Plans.

[3] i.e. the areas referred to in footnote 6 of the National Planning Policy Framework. First Homes exception sites should not be permitted in National Parks (or within the Broads Authority), Areas of Outstanding Natural Beauty, land designated as Green Belt, or areas designated as rural under s. 157 of the Housing Act 1985.

[4] As set out in Annexe 2 of the National Planning Policy Framework

Statement from

Ministry of Housing, Communities and Local Government



Linked statements

This statement has also been made in the House of Lords

Ministry of Housing, Communities and Local Government >

Affordable Homes Update



[Lord Greenhalgh](#)

Minister of State for Building Safety and Communities

Conservative, Life peer

Statement made 24 May 2021

HLWS48

Lords

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