



Ministry of Housing,
Communities &
Local Government



Homes
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First Homes

MHCLG, Homes England

13 April 2021 – 2-3.30pm



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Thank you for joining.

House Rules:

To help the session run as smoothly as possible, please turn off your microphone and video.

We encourage you to ask questions in the chat box (we are *not* using the Hands Up facility). The presenters will respond to some questions in the session, and we will issue a written response afterwards to ensure that every question receives a reply.

We will aim to try and answer the questions that receive the most likes in the chat, so please interact and 'like' questions you have a keen interest in.





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Agenda



- **Welcome, introductions and housekeeping**
- **Overview: What are First Homes?**
- **Delivery through the planning system**
- **The Customer Journey**
- **How will Local Authorities be supported?**
- **Overview of the Early Delivery Programme**
- **Questions & Close**



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Introduction to First Homes

The story so far...



First Homes is a government policy to promote home ownership. It was included in the 2019 Manifesto and is a major priority for the Department.



An initial Consultation and Analysis phase took place from Feb 2020-Aug 2020. This was followed by a technical consultation, for which the Government has just issued a response.



The LGA and DCN, as well as 100+ local authorities, provided responses to the consultation that ended in May 2020.



Over the last year, we have been heavily engaging with stakeholders, including local authorities, developers, mortgage lenders, RICS, the Law Society, HMRC and HMLR.



First Homes will be delivered at scale through the planning system, with approximately 10,000-20,000 new properties a year. It will be a significant, long-lasting tenure. In advance of that, we have an early delivery programme delivering 1,500 First Homes.



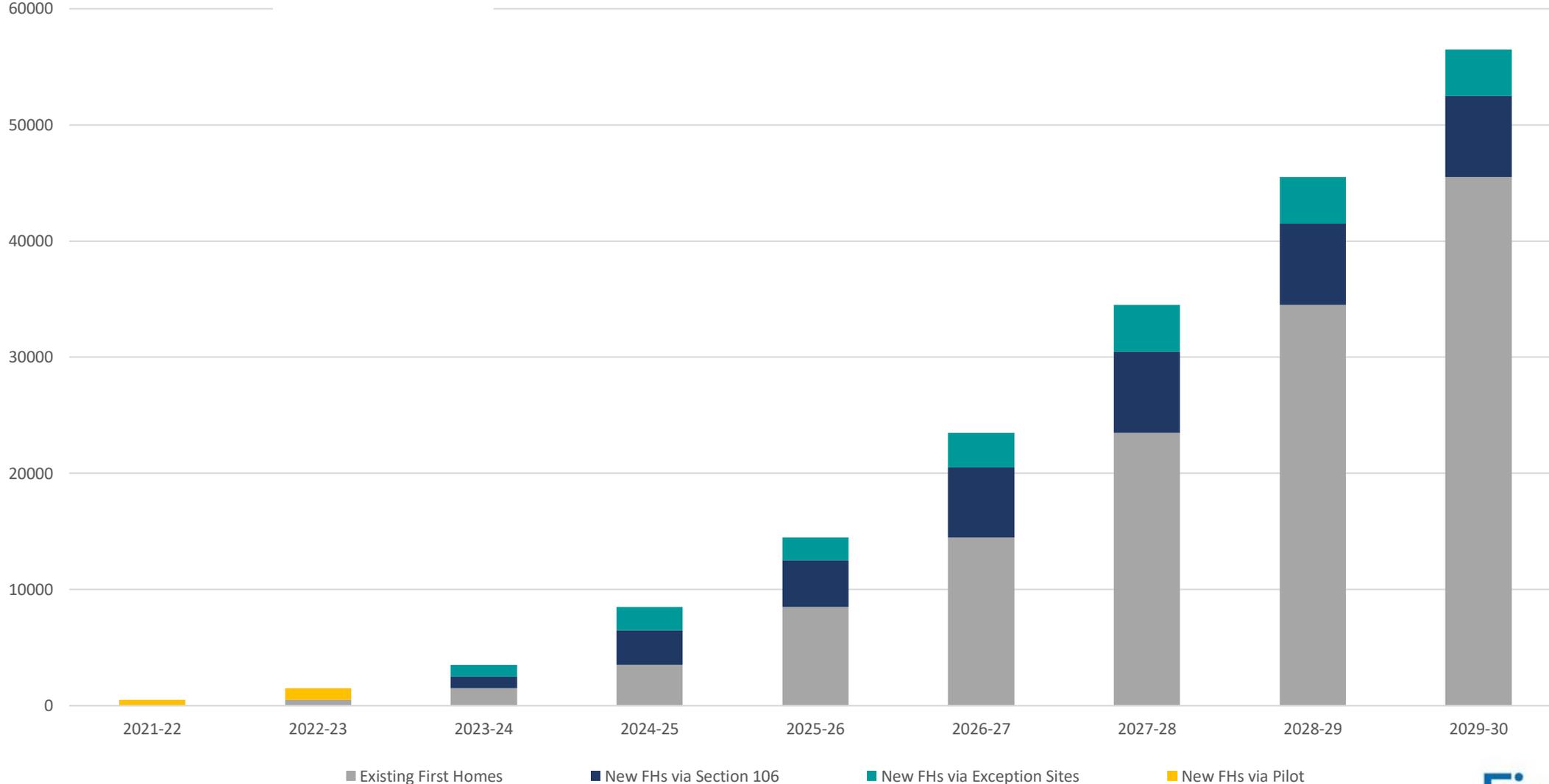


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Illustrative Cumulative First Homes Supply*



*Exception sites figures based on assumptions around ability of local authorities to increase exception sites supply. S106 figures are 25% of projected (as of Autumn 2020) affordable housing units to be delivered via S106 contributions. All estimates are subject to economic conditions and are subject to change.





First Homes – National Criteria



The Homes



- First Homes are sold with a 30% discount on the market price. The percentage discount is kept in perpetuity.
- The value of First Homes, *after the discount has been applied*, will be capped at £250,000, or £420,000 inside London. Price caps only apply on the initial sale.

The Buyers



- Only 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 joint purchases, both parties must meet the first-time buyer criteria.
- A household income of not more than £80,000, or £90,000 in Greater London.
- Buyers must have a mortgage / home purchase plan covering at least 50% of the discounted purchase value.
- The First Home must be the buyer's main residence, and restrictions on lettings apply.



First Homes – Local Criteria

The Homes

- Local authorities can choose to set the discount at 40% or 50%. *(National default is 30%)*
- Local authorities can choose to set lower price caps. Again, these caps only apply on the initial sale. *(National default after the discount is £250,000, or £420,000 in London)*

The Buyers

- Local authorities can choose to set lower household income caps. *(National default is £80,000, or £90,000 in London)*
- Local connection and/or key worker criteria can be applied.
- Members of the Armed Forces, veterans of up to 5 years and their spouses/civil partners in certain circumstances are exempt from any local connection or key worker criteria.



Some local criteria falls away, if a property doesn't sell

- Local criteria in respect to:
 - local connections / key workers
 - household income caps

applies for the **first three months** of marketing. If there is no sale after three months, any such local criteria falls away and the default national criteria applies.

- **Discount levels** and **price caps** set by the local authority do not change.
- If there is still no sale after another three months, local authorities will be able to switch the First Home into a normal market sale home. The discounted amount would be paid back to the local authority.





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Delivery through the planning system

The Government published its response to the most recent consultation on First Homes on 1 April 2021.



This response addresses the questions 8-16 in the 'Changes to the current planning system consultation, which was published on 6 August 2020.

This response also states the Government's intention not to proceed with the proposal to raise the threshold for small sites from 10 units to 40/50 units at this time, as well as our intention to defer consideration of Permission in Principle reform to align with wider reforms to the planning system.



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Written Ministerial Statement



The consultation response describes how we intend to change national planning policy to incorporate First Homes.

The WMS will set out the implementation date for the new national policy requirements, and the transitional arrangements to allow for current plans and applications to continue.

This will be done via a Written Ministerial Statement, with NPPF changes to follow in due course.





What will the policy framework be?

Define a First Home

- Minimum 30% discount
- Price caps at £250k (£420k London)
- Must have in perpetuity restrictions
- Must have a mortgagee protection clause
- Local discretion to lower price caps and raise minimum discount

Eligibility

- First-time buyers
- Earn less than £80k (£90k London)
- 50% Mortgage (purchase price)
- Local discretion to lower income cap, apply key worker and/or local connection criteria (3 month limit)
- Armed Forces exempt from local connection
- Letting restrictions

Developer contributions

- Capture the same value of contribution as before
- 25% of units should be First Homes
- Remaining 75% prioritise social rent as per local plan
- Exemptions from requirement
- Treatment of higher discounts
- CIL exemption – **confirmed by regulations passed through Parliament on 16 Nov 2020**

Exception Sites

- FH exception sites to replace entry-level exception sites
- Removal of site size threshold
- Allow small proportion of market homes and/or other affordable units where needed for viability
- Will not apply in designate rural areas (rural exception sites only)

Transitional arrangements...



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Transitional Arrangements

Local or neighbourhood plans submitted for Examination before the implementation of the policy or that have reached publication stage before implementation and are subsequently submitted for Examination within 6 months of implementation will not be required to reflect the First Homes requirements.

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) within 6 months of implementation of the policy (or 9 months if there has been significant pre-application engagement), although local authorities should allow developers to introduce First Homes to the tenure mix if the developer wishes to do so.

The above arrangements will also apply to entry-level exception sites.





Ensuring discounts and restrictions in perpetuity

How are the discounts and restrictions passed on to future purchasers?

- All restrictions, including discount level and eligibility, are contained in the s106 agreement
- The s106 will require that, at initial point of sale, the seller (developer) must enter a restriction on the title register which ensures that the title cannot be transferred unless the s106 restrictions are adhered to.
- The Local authority will ultimately 'sign off' the title transfer when they are satisfied, and are able to lift the restriction if/when necessary

Why are we using s106? What happens if s106 is abolished?

- It will be there anyway
- It will 'run with the land'
- It allows for negative restrictions
- If s106 is abolished, it can be replaced, for example by a separate restrictions agreement



Our model s106 agreements - overview

Set out what we consider necessary, for example:

- Quantum
- Type and distribution
- Development standards
- Sale and ownership restrictions
- Use restrictions (eg letting)
- Mortgagee protection clause

Allows for flexibility to suit local or site-by-site circumstances

- Most clauses are square-bracketed allowing for edits and alterations
- We expect this to be used as a model and changed/edited as required
- We do not expect all agreements to be the same

Includes specific, HMLR approved wording for the title restriction:

"No disposition of the registered estate (other than a charge) by the proprietor of the registered estate or by the proprietor of any registered charge, not being a charge registered before the entry of this restriction, is to be registered without a certificate signed by [Local Authority] of [address] or their conveyancer that the provisions of clause XX (the First Homes provision) of the Transfer dated [Date] referred to in the Charges Register have been complied with or that they do not apply to the disposition"

Do we have to use them?

- **We cannot force all LAs to use these model clauses, but we strongly recommend it**
- It will reduce negotiation and save time and money
- It will give confidence to lenders that the product meets their requirements
- **Deviation from the standard restriction wording may create future problems**



What is the Customer Journey?

1

Pre-sale set up

Eligibility criteria
Homes identified
Pre-sale valuations
Marketing

2

Customer enquiry

Qualification process identifies
likely customer

3

Customer reservation

Builder submits application
back to local authority
Customer selects conveyancers

4

Local authority receives application

Checks against eligibility criteria
Confirms customer eligibility and
issues Authority to Proceed

5

Authority to Proceed

Conveyancing begins following
standard instruction pack
Mortgage application submitted
to lender, lender values

6

Authority to Exchange

Mortgage offer produced. Conveyancer
confirms valuation control.
Conveyancer submits legal undertaking
to local authority that it is a compliant
transaction. Local authority issues
Authority to Exchange.

7

Exchange of Contracts

Customer pays deposit
Conveyancer proceeds to
exchange

8

Legal completion

Customer moves in
Conveyancer carries out final legal
confirmations and provides to local
authority.
Local authority receives and updates
record.

Homes England and MHCLG preparing standardised First Homes application pack
to be applied in early delivery and through the planning system



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How will local authorities be supported?

Provision of standard documentation

Homes England will provide Local Authorities with the following documents to aid the First Homes sales process:

- S106 draft documents
- Reservation application template
- Authority to Proceed template
- Authority to Exchange template
- Instructions to conveyancers, including legal undertaking to the local authority





Overview of the Early Delivery Programme

First Homes Early Delivery Programme 2021-23

Purpose



Test the key features of the First Homes policy to inform implementation via the planning system:

- Delivery process
- Customer journey
- Mortgage lending and products
- Customer demand and type
- Developer appetite
- Market readiness

Scope



- Up to £150m of grant funding to support the delivery of at least 1,500 First Homes across England (excluding London)
- Funding expected to cover the cost of the discount and support the conversion of homes from market sale to First Homes
- National eligibility criteria on discount level, house price cap and household income will apply, with local eligibility criteria on local connection



Overview of the Early Delivery Programme

First Homes Early Delivery Programme 2021-23

Opportunity for Local Authorities



- Secure additional affordable housing, over and above existing section 106 contributions
- Early engagement with developers to secure early delivery
- Direct delivery via LHCs
- Develop, implement and refine local eligibility criteria in advance of wider rollout
- Test internal processes – eligibility checks etc.
- Identify sites and local markets where First Homes most suitable

Timescales



- 6 April 2021 – Prior Information Notice published (to invite feedback on pilot design)
- April 2021 – Initial prospectus published (to set out key parameters of pilot)
- May 2021 (tbc) – Invitation to Tender published (to invite bids for the pilot)
- September 2021 (tbc) – Initial successful bidders confirmed
- December 2021 – Marketing of First Homes starts





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Questions & Close

We will aim to answer as many questions from the chat as possible.

Any we don't manage to get to will be answered via a Q&A sheet that will be cascaded to all participants following the event today.

We will also offer further opportunities for you to engage with us on this process.

Thank you for joining today's session, with a special thanks to LGA & DCN for coordinating.

Any future questions regarding policy please email firsthomes@communities.gov.uk

Anyone wishing to know more about the early delivery programme, or to register their interest in it, please email first.homes@homesengland.gov.uk

