

## What the First Homes scheme might mean for UK housebuilders



First Homes may not be with us immediately but the requirement to provide them as part of the affordable housing package is looming over the horizon.

### What will First Homes be?

This First Homes scheme is a part of the government's commitment to deliver 1 million homes by 2024.

A recent ministerial statement and [Government guidance](#) has provided more detail on First Homes. What is the eligibility criteria?

- As a form of affordable housing, they will be homes at a discounted market sale. The discount must be at least 30% of market value.
- With the discount applied the first sale cannot be higher than £250,000 (or £420,000 in London).
- They must be sold to first time buyers who must have a combined household income of no more than £80,000 (£90,000 in London).
- The 30% discount is retained on subsequent sales by a restriction on the registered title.

There are other criteria as well.

Councils will be able to apply additional criteria in policy, for example key worker criteria, as well as potentially amending the financial criteria subject to certain safeguards.



There are transitional arrangements relating to the preparation of Local Plans containing policies for First Homes.

In terms of planning applications there are also transitional arrangements. With planning applications, the requirement to provide them will not apply if the planning application is already in place or determined (or where a right to appeal against non-determination has arisen) before 28 December 2021.

The requirement will also not apply to applications determined before **28 March 2022**, provided that there has been significant pre-application engagement.

## So how many First Homes will need to be provided?

This is an interesting issue.

A minimum of 25% of all affordable housing will have to be First Homes and this will be secured in a section 106 agreement. With the rest of the affordable housing, the remaining 75% is to be made up of the full social rent requirement and only then is any balance to be made up by other affordable housing tenures according to the proportionate split that reflects local policy.

For example, if the Local Plan, requires an affordable mix of 50% social rent, 30% affordable rent and 20% shared ownership, the required tenure mix once First Homes are added in to the mix would become 25% First Homes. The 50% social rent and then the remaining 25% would be split 30:20 between affordable rent and shared ownership i.e. 15% affordable rent and 10% shared ownership.

In effect, this will mean a squeeze with less affordable rent and shared ownership being provided. First Homes may result in a reduced proportion of affordable being the “more financially viable tenures”.

## What are the challenges to delivering First Homes?

As well as First Homes being delivered as part of the affordable housing package, guidance also provides scope for rural exception sites on non-allocated sites to come forward if they are First Homes. A small proportion of market housing on such sites may be possible to aid viability.

The financial criteria are clearly going to make the delivery of the First Homes challenging in some areas and may well impact on overall development viability. The criteria may impact the size of dwellings constructed.

It appears that First Homes may be delivered direct by the market developer rather than by a Registered Provider, although the mechanics needs to be worked out. Quite a number of market developers prefer to transfer affordable units to a Registered Provider (thereby securing a receipt of money) and then concentrate on the market housing. Will this still be the case going forward?

It will take a little time to establish exactly how First Homes will operate in practice.

First Homes represent another challenge to the market developer and it isn't certain that they will improve housing availability for those on low incomes by that much.