

First Homes Interim Policy Statement

Test Valley Borough Council

December
2021



1. Introduction

This interim policy statement has been produced by Test Valley Borough Council to provide guidance on how First Homes should be delivered in the borough prior to the adoption of the Local Plan which is currently under review. This guidance is based upon the [Written Ministerial Statement](#) dated 24 May 2021; and [Planning Practice Guidance](#), 'First Homes' (published 24 May 2021), and has been approved by the Council's Cabinet on 27th October 2021.

2. What are the key principles of First Homes?

First Homes is a new tenure of affordable low cost home ownership which should account for at least 25% of all affordable homes secured through developer contributions (some exemptions apply)*

The key requirements of First Homes are:-

- At least 25% of affordable homes delivered on each site must be delivered as First Homes. **exemptions apply to developments that provide solely for Build to Rent homes, 100% affordable housing schemes, rural exception sites, developments that provide specialist accommodation for a group with specific needs such as the elderly, and self-build developments.*
- Purchasers (sole and joint) must be first time buyers.
- The discount applied must be at least 30% of open market value. Local authorities can set policies that seek discounts of 40% or 50% if they can evidence the need and viability through the Local Plan process.
- The discount and first time buyer eligibility requirement will be held in perpetuity and secured through legal mechanisms. When First Homes are sold to subsequent

purchasers the same level of discount and first time buyer eligibility criteria will apply.

- There will be a price cap for qualifying properties, and the maximum purchase price after the discount will be £250,000.
- Local authorities can apply their own local connection criteria and other criteria such as giving priority to keyworkers, subject to providing evidence of the need to include such restrictions.
- Purchasers are eligible to purchase a First Home if they have household income of less than £80,000
- Local connection criteria can be applied for the first 3 months of marketing, after which a property can be sold to any purchaser from anywhere in England, subject to meeting the criteria around household income, first time buyer eligibility, and with the discount still being held in perpetuity.
- A First Home must be a purchaser's only home.
- At least 50% of the discounted value of the property must be financed via a mortgage or other similar form of finance.
- In the event that a First Home cannot be sold to a qualifying purchaser within 6 months of marketing, the property can be sold as an open market home and the seller pays the Council a cash contribution in lieu of the 30% discount. This requirement will be secured in the S106 agreement.

3. When do First Homes take effect?

First Homes will not be sought as a mandatory affordable housing tenure until Test Valley Borough Council's Local Plan is updated to reflect that requirement. In the meantime the Council will adopt a flexible approach to the inclusion of First Homes where an applicant wishes to include them in a planning proposal, subject to the proposal complying with the guidance set out in this document. The same approach will be taken with regards to First Homes Exception Sites which do not currently feature in the National Planning Policy Framework or the adopted Local Plan.

4. How do First Homes affect current Local Plan policies?

Adopted Local Plan Policy COM7 requires up to 40% affordable housing, depending on the number of homes being developed, and whether the site is in an undesignated area or a designated area. Test Valley Borough Council's adopted Affordable Housing Supplementary Planning Document 2020 sets out the requirement for at least 70% of the affordable homes to be offered as affordable/social rent and the remaining 30% as an intermediate housing product (shared ownership).

Planning Practice Guidance requires that at least 25% of all affordable homes delivered on a qualifying COM7 site will be delivered as First Homes, with the balance of the affordable units being delivered as per the Local Plan requirements, i.e. 70% rented, 30% intermediate housing. For example, a qualifying site delivering 100 affordable homes would produce a tenure mix of:-

- First Homes 25 units (25%)
leaving a balance of 75 affordable homes comprising:
- Rented units 53 units (70% of 75)
- Shared ownership 22 units (30% of 75)

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In line with the above guidance, Test Valley Borough Council will require affordable housing to be delivered in accordance with the following mix:-

- 25% First Homes
- Remainder of affordable homes split as:-
 - 70% Affordable/Social Rented
 - 30% Intermediate Housing (Shared Ownership)

This mix meets the requirement of NPPF paragraph 65 that at least 10% of the overall number of homes should be affordable home ownership products on major sites.

Adopted Local Plan Policy COM8 deals with rural exception site housing which will not be required to deliver First Homes.

Adopted Local Plan Policy COM9 deals with Community Led Housing which requires affordable housing to be delivered in line with Policy COM7, and for the proposals to be supported by the local community. The exact affordable housing tenure, and inclusion of First Homes, will be considered on a site by site basis, depending on the demonstrable evidence of need and support from the local community.

5. Discounts to be applied to First Homes in Test Valley

The government Guidance sets out a requirement for a minimum 30% discount from open market value, but higher discounts of 40% or 50% may be applied where a need is demonstrated through evidence which can be through the Neighbourhood Plan or Local Plan process.

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First Homes will be sold with a discount of 30% from full open market value. This may be reviewed as and when evidence becomes available through the Strategic Housing Market Assessment and the Local Plan Viability Assessment as part of the Local Plan process.

6. Price Caps for First Homes in Test Valley

Local market evidence suggests that price caps lower than £250,000 would severely limit the range of properties which could be offered as First Homes in Test Valley.

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The Council will therefore maintain the price cap set by the national guidance at £250,000. This is the maximum price that can be paid for a First Home after the discount has been applied.

7. Size Mix for First Homes in Test Valley

Due to the maximum £250,000 price cap and high market values in Test Valley, it is evident that in many areas of the borough it would be a challenge to deliver larger homes as a First Home. Affordability analysis based on the Help to Buy Agent register also demonstrates that there are minimal applicants able to afford a larger home even with 30% discount from market value.

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The First Homes mix will be negotiated on a site by site basis, taking into consideration the market values in the area. As a general guide the Council will be predominantly seeking delivery of First Homes in the form of 1 and 2 bedroom homes in Andover, with smaller numbers of 3 bed homes, subject to affordability and price caps. In the remainder of the borough the First Homes mix will predominantly be 1 and 2 bedroom homes to match affordability and price caps.

8. Local Connection Criteria and Household Income Limits

Local authorities can set their own local connection criteria for the sale of First Homes. Local connection criteria can only be applied for the first three months of advertisement. After 3 months the seller can sell the property to someone with no local connection provided that they still qualify as a first time buyer, and are within the household income limit.

Local authorities can set lower household income caps.

Local authorities can give priority to certain groups, for example keyworkers.

Test Valley Borough Council wishes to prioritise all qualifying applicants who have a local connection to the borough, regardless of their employment status or client group.

Local connection criteria will mirror the residency and employment criteria used for the allocation of affordable/social rented housing, as set out in Section 5.3 of Test Valley Borough Council's Scheme of Allocations

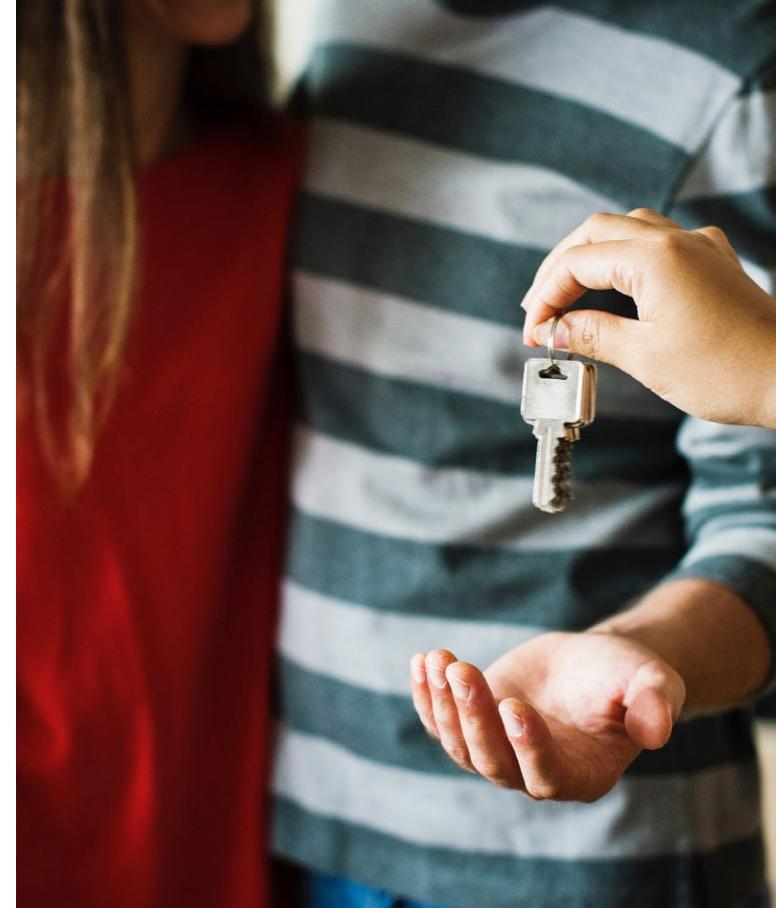
<https://www.testvalley.gov.uk/housingandenvironmentalhealth/housing/applyforahome/test-valley-borough-council-scheme-allocation>

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Local connection criteria will be applied for the first 3 months of advertisement of a First Home. On first sales a marketing strategy will be agreed with the developer to ensure that marketing is targeted at the appropriate audience, and within agreed timescales.

Household income caps will be set at less than £80,000 in line with other low cost home ownership products.

There will be no specific priority given to keyworkers or other specific client groups.



9. On-site delivery

As required by Local Plan Policy COM7 and NPPF paragraph 63, off-site provision of affordable housing will only be permitted in exceptional circumstances. Where financial contributions are secured instead of on-site provision, a minimum of 25% of these contributions will be used to secure First Homes.

10. Securing First Homes

The developer/site owner will be required to enter into a S106 agreement with the Council. In addition to the policy requirements set out in this Interim Policy Statement this agreement will include:-

- Mechanisms for the Council to agree the sales price on first sale and on subsequent sales
- Setting out requirements for the agreement of a marketing strategy on first and subsequent sales to ensure the homes are marketed according to the local connection requirements, and within suitable timeframes.
- Mechanisms to enable the Council to approve an applicant for a First Home as a qualifying buyer
- Ensuring that a legal restriction is registered on the title of a First Home to secure the discount in perpetuity
- Setting out the mechanisms by which the Council can recover the cash contribution in the event that a First Home is sold as an open market dwelling.



11. First Homes Exception Sites Policy

As part of the overarching First Homes policy, the government has introduced First Homes Exception Sites to replace Entry-Level Exception Sites. Exception Sites are small sites outside of settlement boundaries used to deliver affordable housing. In the Test Valley Borough Council Adopted Local Plan 2011-2029, there is an existing rural exception sites policy for affordable housing, (Policy COM8), however this is not specific to a certain type of affordable housing.

First Homes Exception Sites will not apply in designated rural areas, where delivery will be through the rural exception site policy only.

A large proportion of Test Valley falls under a designated rural area, with the exception of the following:-

Andover, Enham Alamein, Charlton, Wellow, Romsey, Romsey Extra, Nursling & Rownhams, North Baddesley, and Valley Park.

The First Homes Exception Sites policy requires homes on qualifying sites to be delivered predominantly as First Homes, but with some flexibility to allow for a small proportion of market homes where this would be necessary to ensure the viability of the development. The policy also allows for the inclusion of other affordable housing tenures where it can be demonstrated that it would assist viability or the sustainability of the development.

12. First Homes Exception Sites – inclusion of market housing and/or other affordable housing tenures

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The inclusion of any open market housing on a First Homes Exception Site will only be considered where there is evidence in the form of a viability appraisal to support the fact that it is necessary to achieve a viable development, and is in proportion to the size of the development.

13. First Homes Exception Sites – size of development

The site size threshold previously applied via the NPPF to Entry Level Exception Sites has been removed for First Homes Exception Sites. A local authority can determine what it considers to be appropriate as a site size threshold.

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Proposals will be considered on a site by site basis taking into consideration the size of the proposed site against the size of the adjacent settlement. Proposals will also need to demonstrate evidence of need in the site location to justify the size of the development, and will need to demonstrate that the development is sustainable in terms of its proximity to local transport networks and amenities.

Annex 1 – Summary of Test Valley Borough Council’s First Homes Interim Policy Position

Criteria	Test Valley Borough Council’s Interim Policy Position
Tenure Mix	25% of all affordable homes on qualifying sites will be sought as First Homes, with the balance of the affordable housing being split as 70% affordable/social rented and 30% shared ownership, in accordance with Adopted Local Plan Policy COM7:Affordable Housing
Discounts	First Homes will be sold with a discount of 30% from full open market value.
Price Caps	The price cap of £250,000 (after discount) will be applied in Test Valley
First Homes Unit Mix	The First Homes mix will be negotiated on a site by site basis, taking into consideration the market values in the area. As a general guide the Council will be predominantly seeking delivery of First Homes in the form of 1 and 2 bedroom homes in Andover, with smaller numbers of 3 bed homes, subject to affordability and price caps. In the remainder of the borough the First Homes mix will predominantly be 1 and 2 bedroom homes to match affordability and price caps
Local Connection Criteria	Local connection criteria will be applied for the first 3 months of advertisement of a First Home. On first sales a marketing strategy will be agreed with the developer to ensure that marketing is targeted at the appropriate audience, and within agreed timescales. Local connection criteria will be the same criteria used in Test Valley Borough Council’s Scheme of Allocations in respect of residency and employment.
Household Income Limits	In order to qualify for a First Home a household must have income below £80,000. This is in line with other low cost home ownership products.
Keyworkers	There will be no specific priority given to keyworkers or other specific client groups.
First Homes Exception Sites – Inclusion of market housing	The inclusion of any open market housing on a First Homes Exception Site will only be considered where there is evidence in the form of a viability appraisal to support the fact that it is necessary to achieve a viable development, and is in proportion to the size of the development.
First Homes Exception Sites – size of development	Proposals will be considered on a site by site basis taking into consideration the size of the proposed site against the size of the adjacent settlement. Proposals will also need to demonstrate evidence of need in the site location to justify the size of the development, and will need to demonstrate that the development is sustainable in terms of its proximity to local transport networks and amenities.

