

GREATER LONDON AUTHORITY

First Homes

Practice Note July 2021

What are First Homes?

First Homes are a type of discounted market sale (DMS) housing introduced by national planning policy as an affordable housing product that meets the definition set out in the NPPF (2019).

To qualify as First Homes, homes must have a minimum discount of 30% to market value, secured in perpetuity through legal agreement. On first sale, these homes must have a purchase price that does not exceed £420,000 (in London) after the discount has been applied.

First Homes are to be sold to first time buyers with an annual gross household income no greater than £90,000 (in London) and a minimum of 50% of the purchase price must be met through obtaining a mortgage.

Further detail on can be found in the national [First Homes Planning Practice Guidance](#).

What is the requirement for First Homes and where does it come from?

The requirement to reflect First Homes in development plans and planning applications was introduced by a [Written Ministerial Statement](#) (WMS) on 24 May 2021.

This states that First Homes should account for at least 25 per cent of affordable housing units delivered through planning obligations, which is a material consideration for decision making from 28th June 2021.

The transitional arrangements set out in the Written Material Statement and Planning Practice Guidance provide that the First Homes requirement will not apply to developments determined by 28th December 2021, or 28th March 2022 for schemes where there has been significant pre-application engagement. Transitional arrangements have also been introduced for emerging plans.

How does London Plan policy interact with the national First Homes requirement?

Decision Making

The London Plan 2021 is the Spatial Development Strategy for Greater London and forms part of the statutory Development Plan for decision making in London. First Homes is a national policy requirement, like others set out in the NPPF or introduced through Written Ministerial Statements. This means that the First Homes requirement is a material consideration for decision makers to take into account alongside policies of the Development Plan and any other

relevant material considerations. It does not alter the position of the Development Plan as the starting point for decision-taking.

Following the end of the transitional arrangements for planning applications, it will be for decision makers to determine the weight to be given to Development Plan policies and other material considerations, including First Homes, alongside other national policies and relevant matters.

In determining the weight to be given to Development Plan policies (including those of the London Plan), First Homes and other material considerations, decision makers should consider:

- Affordable housing needs at a local and strategic level
- The delivery of affordable housing by tenure against local and strategic targets
- The deliverability and affordability of First Homes in a local and strategic context
- The discount to market value required to enable First Homes to be provided at or below the £420,000 cap and the relevance of this to scheme deliverability and the provision of other affordable housing tenures
- All other relevant national and Mayoral requirements, including eligibility criteria, for First Homes and intermediate housing.

Plan making

The WMS states that local plans and neighbourhood plans that have reached advanced stages of preparation will benefit from transitional arrangements. Local plans and neighbourhood plans submitted for examination before 28 June 2021, or that have reached publication stage by 28 June 2021 and subsequently submitted for examination by 28 December 2021, will not be required to reflect the First Homes policy requirement.

In London, Local Plans must be in general conformity with the London Plan. Following the end of the transitional arrangements for Local Plans, Local Planning Authorities bringing forward revised plans in London should take into account the issues referred to under decision-making above when developing affordable housing policies, including evidence of affordable housing need and deliverability, alongside national policy.

What are the London Plan tenure requirements for affordable housing delivery?

The London Plan 2021, sets out in policy H6, the following affordable housing tenure requirements for planning applications:

- **A minimum of 30 per cent** of the affordable housing must be delivered as **low-cost rented** homes: London Affordable Rent or Social Rent, allocated according to need and for Londoners on low incomes
- **A minimum of 30 per cent** of the affordable housing should be delivered as **intermediate** homes which meet the definition of genuinely affordable housing, including London Living Rent and London Shared Ownership

- The remaining **40 per cent** of the affordable housing should be determined by the borough as low-cost rented homes or intermediate housing in accordance with need.

There is a presumption that the 40 per cent to be decided by the borough will focus on Social Rent and London Affordable Rent given the need for these types of tenure across London, while also taking into account viability constraints and the objective of delivering mixed and inclusive communities. This should be determined through the Development Plan process or through supplementary planning guidance.

First Homes is a DMS product that falls within the category of intermediate housing where it meets national and Mayoral affordability and eligibility criteria. London Plan policy does not preclude the delivery of DMS homes as part of the intermediate affordable housing component, however it does not contain a specific requirement for First Homes or DMS products and does not allow for the prioritisation of First Homes above the tenures set out in Policy H6. This policy was published recently as part of the London Plan 2021 following Examination in Public and is based on evidence of affordable housing need in London.

The London Plan makes clear that intermediate home ownership products should be affordable to households on incomes of up to £90,000 (as an upper limit) and boroughs should seek to ensure that intermediate provision provides for households with a range of incomes below £90,000.

What are London's affordable housing needs?

[The 2017 Strategic Housing Market Assessment](#) (SHMA) which forms part of the evidence base for the London Plan 2021, demonstrates that there is a significant need for low-cost rental housing across the capital. Of the 66,000 new homes needed in London annually for the next 20 years, around 47 per cent would need to be provided as low-cost rent, and 18 per cent as intermediate products, to tackle acute affordability issues found within the capital.

What issues are relevant when considering the deliverability and affordability of First Homes in London?

Based on the criteria set out in the WMS and PPG, in many cases properties discounted by 30 per cent from market value are likely to exceed the £420,000 cap. Where the value is below the cap, homes are likely to be smaller or in lower value areas, and accessible to a limited proportion of households at the upper end of the eligible income range.

In many cases a discount to market value in excess of 30 per cent would be required to ensure that the cap was not exceeded. This would have a detrimental impact on development viability and the provision of other affordable tenures, particularly social rent and London Affordable Rent for which there is greatest need.

Local Planning Authorities are encouraged to consider the deliverability and affordability of First Homes for their areas taking into account market values, the discount needed to meet national and Mayoral criteria, and local incomes.