

Interim First Homes Policy Statement

This policy statement provides interim guidance on the First Homes requirement in South Tyneside. It provides additional guidance to the Affordable Housing Policy set out in the South Tyneside Local Development Framework - our current Local Plan.

1. What is a First Home?

- 1.1 First Homes is a government recognised affordable housing product and is their preferred discounted for sale product. The [First Homes scheme](#) is designed to help first-time buyers and key workers in England purchase a discounted new-build property.
- 1.2 First Homes are a specific kind of discounted market sale housing and fall under the 'affordable housing' definition for planning purposes as set out in the National Planning Policy Framework (NPPF).
- 1.3 The Government published a [Written Ministerial Statement](#) on 24 May 2021, outlining plans for the introduction and delivery of First Homes. As a statement of Government policy, it is a material consideration in the determination of planning applications. The Written Ministerial Statement details the approach that South Tyneside Council are expected to follow to incorporate First Homes into the existing affordable housing requirements set out in our Local Development Framework - our current Local Plan.
- 1.4 The Government have also published supplementary [Planning Practice Guidance](#) on First Homes.
- 1.5 First Homes are intended to be used as a person's sole residence.
- 1.6 First Homes are of the same type and quality, and meet the same standards, as other properties in the same development. First Homes will look exactly the same as homes sold normally on the open market.
- 1.7 Specifically, First Homes are discounted market sale units which (the national criteria):
 - a) Must be discounted by a minimum of 30% against the market value.
 - b) Are sold to a person or persons meeting the First Homes eligibility criteria.
 - c) On their first sale, will have a restriction registered on the title at HM Land Registry to ensure this discount (as a percentage of current market value) and certain other restrictions are passed on at each subsequent title transfer.
 - d) After the discount has been applied, the first sale must be at a price no higher than £250,000.
 - e) A purchaser (or, if a joint purchase, all the purchasers) should have a combined annual household income not exceeding £80,000.

- 1.8 To qualify as a First Home, a section 106 agreement (an agreement under the powers of section 106 of the Town & Country Planning Act 1990) will be required to secure the necessary restrictions on the use and sale of the property, and a legal restriction on the title of the property to ensure that these restrictions are applied to the property at each future sale, guaranteeing perpetuity.
- 1.9 For every sale of a First Home, a valuation is conducted by a valuer qualified by the Royal Institution of Chartered Surveyors (RICS). On the initial sale, the mortgage lender's valuation satisfies this requirement.

2. Why First Homes?

- 2.1 South Tyneside Council is committed to enhancing the quality of life in the Borough. Housing is a key enabler in delivering improved wellbeing and driving economic growth. Mixed-tenure development has the potential to help the Council maximise the delivery of these benefits for all sections of society.
- 2.2 Mixed tenure housing development is residential development which combines a range of tenure options, which can include owner-occupier housing, affordable home ownership (including First Homes) and rental properties (social, intermediate, and private).
- 2.3 The focus of mixed-tenure housing development is fostering greater social, economic and community mix to support thriving and sustainable communities.
- 2.4 The Council supports the delivery of First Homes as part of a range of low-cost home ownership products that can help residents get onto the housing ladder.
- 2.5 The Council recognise that providing a wider range of products within the local housing market will encourage mixed communities and reduce the number of households needing to move out of the Borough to find a home. The provision of First Homes will therefore support a more balanced housing market that offers greater choice and complement several existing South Tyneside Council Strategies, including the Local Development Framework - our current Local Plan.

3. Who is eligible for a First Home in South Tyneside (Local Eligibility Criteria)?

- 3.1 As part of the Section 106 agreements, local authorities can apply eligibility criteria in addition to the national criteria described above.
- 3.2 First Homes are designed to allow people to get on the housing ladder in their local area, and in particular to ensure that key workers providing essential services are able to buy homes in the areas where they work. To be eligible for a First Home in South Tyneside:

- a) Purchasers (or, if a joint purchase, all the purchasers) must be first-time buyers.
 - b) In higher value areas of the Borough (Cleadon, East Boldon and Whitburn) First homes must be discounted by a minimum of 40% against the market value.
 - c) In the rest of South Tyneside First Homes must be discounted by a minimum of 30% against the market value.
 - d) The first sale must be at a price no higher than £250,000 after the discount is applied. The price cap will not apply to any subsequent sales.
 - e) A purchaser (or, if a joint purchase, all the purchasers) should have a combined annual household income not exceeding £80,000.
 - f) Purchasers must use a mortgage or home purchase plan (if required to comply with Islamic law) to fund at least 50% of the discounted purchase price.
 - g) The home will be used as the purchasers sole or primary residence.
 - h) Purchasers must have a local connection to South Tyneside (or in the case of a joint purchase at least one of the joint purchasers meets the Local Connection Criteria). This usually means being a person within at least one of the following categories:
 - (i) A person who has had their main place of residence locally for at least 6 months of the preceding 12 months.
 - (ii) A person who has had their main place of residence locally for at least 3 of the preceding 5 years.
 - (iii) A person who is employed locally or is to be employed locally or has retired from employment locally and wishes to remain in the local area.
 - (iv) A person whose work provides local services and who needs to live locally.
 - (v) A person who is a former member of the armed forces who is returning to live in the local area upon discharge.
 - (vi) A person who has long standing connections with the local area, such as the child of a local resident or elderly person, who needs to move back to the local area to care for or be cared for by relatives or other carers.
- 3.3 Any local criteria that apply to the buyer – local connection, key worker or a lower household income cap – falls away if a First Home has not been sold within 3 months of marketing, and national criteria would then apply, as indicated in the Written Ministerial Statement. Local criteria that apply to the First Home – discount levels and price caps – do **not** change after the first 3 months of marketing.
- 3.4 Please note that in recognition of the unique circumstances of the Armed Forces, local connection criteria will not be applied for all active members of the Armed Forces, divorced/separated spouses, or civil partners of current members of the Armed Forces, spouses or civil partners of a deceased member of the armed forces (if their death was wholly or partly caused by their service) and veterans within 5 years of leaving the armed forces.
- 3.5 The following are acceptable evidence to demonstrate eligibility:

Income caps

- P60 form.
- Payslips.
- Copy of signed contract with employer.
- Employer's letter confirming recent pay agreement.

Local connection criteria (either for the individual or connection through relatives)

- Rent books.
- Landlord references.
- Utility bill.
- Council tax bill.
- Bank statement.
- Driving Licence.

Armed Forces criteria

- Payslips.
- Armed Forces ID Card.
- Death certificate (in the case of buyers who are related to those Armed Forces members who have passed away because of their service).

3.6 Appendix 1 in this interim policy statement clearly illustrates the process for buying/selling a First Home.

4. Planning - application of the First Homes policy in South Tyneside

4.1 Local Development Framework (LDF) Policy SC4 discusses housing needs, mix and affordability in South Tyneside:

Policy SC4 Housing Needs, Mix and Affordability

A range and choice of good quality, energy-efficient and affordable homes will be provided for all. Development proposals will be assessed according to how well they meet the identified needs and aspirations of the Borough's individual Housing Market Areas, as shown on the Key Diagram, by:

- A Creating a more balanced mix of tenure and housing types, focusing primarily on:
 - i) Jarrow/Hebburn urban area: 2-bed starter and 3 and 4-bed family/executive homes; semi-detached and terraced houses, bungalows and upper-floor flats; for owneroccupation;
 - ii) South Shields urban area: 2-bed starter and 3 and 4-bed family/executive homes; detached, semi-detached and terraced houses, bungalows and upper-floor flats; for owner-occupation and social-renting;
 - iii) the Urban Fringe villages: 2-bed starter and 3 and 4-bed family/executive homes; detached, semi-detached and terraced houses and bungalows; for owneroccupation.
- B Requiring a minimum of 25% of all new dwellings to be genuinely affordable. This will apply to all developments of 15 dwellings or more or 0.5ha or more (whichever gives the greatest number of dwellings) – or on sites of 5 dwellings or more within the Urban Fringe villages. This target will, however, be negotiable within reason between sites to ensure genuine affordability and to reflect local housing needs; and
- C Ensuring that housing meets the requirements of special needs groups where there is a genuine and proven need and demand.

We will promote and facilitate opportunities for individual and community self-build housing developments, particularly where they will contribute to meeting local housing needs, including encouraging commercial house builders to set aside serviced plots for self-build housing where appropriate.

- 4.2 First Homes should account for at least 25% of all affordable housing units secured through developer contributions and be implemented in conjunction with affordable housing requirements set out in our Local Development Framework (LDF) - our current Local Plan. The new policy requirement for 25% of affordable homes to be First Homes contributes to, but does not replace, the existing policy expectation that 10% of all homes delivered should be for affordable home ownership (NPPF paragraph 66).
- 4.3 In accordance with paragraph 64 of the NPPF, 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.
- 4.4 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.
- 4.5 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. **Our priority is to ensure new affordable homes are delivered on site.**

- 4.6 The Written Ministerial Statement states that social rent should be delivered in the same percentage as set out in the local plan.
- 4.7 Paragraph 66 of the NPPF sets out that for major development involving the provision of housing, at least 10% of all homes on site should be affordable home ownership products unless this would exceed the level of affordable housing required in the area, or significantly prejudice the ability to meet the identified affordable housing needs of specific groups. Exemptions to this 10% requirement should also be made where the site or proposed development:
- a) Provides solely for Build to Rent homes.
 - b) Provides specialist accommodation for a group of people with specific needs (such as purpose-built accommodation for the elderly or students).
 - c) Is proposed to be developed by people who wish to build or commission their own homes.
 - d) Is exclusively for affordable housing, an entry-level exception site or a rural exception site.
- 4.8 First Homes are an affordable home ownership product. Where specific developments are exempt from delivering affordable home ownership products under paragraph 66 of the Framework, they shall also be exempt from the requirement to deliver First Homes.
- 4.9 The new First Homes policy requirement does not apply for the following:
- 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.
 - Applications for full or outline planning permission where there has been significant pre-application engagement which are determined before 28 March 2022.
- 4.10 If a planning applicant wishes to amend a planning application to include First Homes which is already submitted and likely to be granted before these dates, South Tyneside Council will be flexible in accepting First Homes as an alternative type of tenure.
- 4.11 South Tyneside Council will accept alternative tenure mixes for planning applications that are determined within the timescales identified above, although we will consider whether First Homes could be easily substituted for another tenure, either at 25% or a lower proportion.

First Homes exception sites

- 4.12 A First Homes exception site is an exception site (a housing development that comes forward outside of local or neighbourhood plan allocations to deliver affordable housing) that delivers primarily First Homes.

- 4.13 **Green Belts are exempted from First Home Exception Sites.**
- 4.14 Applications for First Homes exception sites that propose the inclusion of a small proportion of market housing will be expected to provide evidence that the site would be unviable without such housing being included, for instance in situations where the development faces significant and unexpected delivery costs. Evidence would typically be in the form of a detailed viability assessment.
- 4.15 Where local evidence suggests that a significant local need exists for one or more other forms of affordable housing on a proposed First Homes exception site, applicants may alter the proportions of affordable housing to include small quantities of other affordable housing products. Applicants will be expected to provide evidence of this need in the form of a Local Housing Needs Assessment, local authority Housing Register, or other sufficiently rigorous local evidence.

5. Monitoring and Review

- 5.1 First Home application referrals and future sales of First Homes will be monitored by the Housing Strategy team. This team will also review the local eligibility criteria (including household income and price caps) at least annually. The Housing Strategy team will also have responsibility for issuing certificates, instructions and application/conveyancer packs e.g. including sending Authority to Proceed, Eligibility, Authority to Exchange and Compliance certificates when necessary.
- 5.2 The Planning team will ensure that any further government guidance or ministerial statements and best practice is reflected in this policy statement and emerging Local Plan.
- 5.3 This statement will be reviewed every year by the Housing Strategy team. Any major changes will be discussed with Council Planning and Legal Teams and approved by the Councils Cabinet.

Appendix 1

Process for buying a First Home

In summary, the following steps should be taken to purchase a new build First Home from a house builder:

1. Visit the house builder selling First Homes to see what is available to purchase.
2. If there is a First Home that you would like to buy, the house builder, and probably a mortgage advisor, will initially check your eligibility to buy against the local and national criteria.
3. **If you have not already done so, it is strongly recommended that you seek financial advice about mortgage availability from a mortgage advisor. You should also have a solicitor/conveyancer to advise you on the purchase. The builder may suggest some names for you to try but you are free to choose your own advisors.**
4. If it looks like you could be eligible, the builder will assist you to complete a First Homes application to South Tyneside Council. **The house builder and mortgage advisor are responsible (not South Tyneside Council) for ensuring that only fully completed and evidenced applications are submitted to the Council.**
5. The builder and mortgage advisor will need information and evidence from you to:
 - a. Check local and national eligibility.
 - b. Check household income.
 - c. Determine whether you are likely to be able to obtain a mortgage, through for example a “decision in principle” from a mortgage bank or building society.
6. Once the application information has been completed you will then:
 - a. Sign the legal declarations on the application form, including confirmation that you and anyone you are purchasing with are first time buyers.
 - b. Reserve the home from the builder and pay a reservation fee to the builder (maximum of £500). **This is refundable if you are found not to be eligible.**

It is very important that all buyers make this reservation commitment with their application. Applications cannot be considered by South Tyneside Council if you have not reserved your First Home, or if any required information is missing.

7. The completed application is then sent by the builder to South Tyneside Council for our consideration.
8. **South Tyneside Council will check your application. If you meet the eligibility requirements we will issue a First Homes ‘Authority to Proceed’ and Eligibility Certificate to you, the builder, mortgage advisor and your conveyancer. Your conveyancer will also receive instructions from the Council. You can usually expect South Tyneside Council to issue the Authority to Proceed certificate within five working days of application receipt (if applicants are deemed to meet the eligibility criteria). It is very important that your application is completed in full before being submitted to South Tyneside Council because we will not be able to consider partial applications, and this will cause delay.**
9. You can now apply for your mortgage. **It is very important that you do not submit your full mortgage application until you have the Authority to Proceed.** Securing a ‘decision in principle’ can be done before this but submitting a full mortgage application will incur cost and you must not do this until you know you are approved to buy.

10. Your conveyancer will work on your purchase and follow South Tyneside Council's instructions. You will have to make a further legal declaration that you are eligible and understand the terms of the First Homes scheme and that you can only resell the home in the future to another eligible First Homes buyer.
11. Once your mortgage offer is made and the contract agreed with the builder, your conveyancer will request approval to exchange contracts from South Tyneside Council.
12. South Tyneside Council will check the conveyancer's request and, if it is a compliant sale, will issue an Authority to Exchange and Compliance Certificate to your conveyancer. It is very important that you keep the Compliance Certificate. This shows you are eligible and entitled to be a First Homes owner.
13. With the Authority to Exchange, you should now pay your deposit and exchange contracts to buy. At this point you are legally committed to buy. **PLEASE TAKE GREAT CARE WHEN IT COMES TO PAYING YOUR DEPOSIT TO YOUR CONVEYANCER.** Fraudsters can impersonate conveyancers and request payment. Follow your conveyancer's instructions very carefully when you reach this stage. You are recommended to use the "Take 5" advice to avoid fraud. <https://takefive-stopfraud.org.uk/advice/general-advice/>
14. At the point of exchange your builder will have confirmed how long it will take to complete your home so that you can move in. This is usually done by agreeing a short period of notice that they will give you. In any event, the time between exchange and legal completion (when you move in) should be no more than six months.
15. Once the builder has given notice of legal completion, your conveyancer will get your mortgage money from your lender to pay the builder. On the date of legal completion, you will get the keys and can move into your First Home.

Process for selling a first home

The process for selling First Homes is broadly similar to the process for selling properties on the open market. However, there are some differences:

1. You must first notify South Tyneside Council that you wish to sell your First Home by emailing Housing.StrategyTeam@southtyneside.gov.uk
2. South Tyneside Council will issue you with instructions for marketing and confirming the eligibility requirements. These must be used by your estate agent to ensure they can market to eligible purchasers. **Please note that it is South Tyneside Council's eligibility requirements at the time of sale that would apply – these may differ from the requirements that existed when you bought your First Home.**
3. You should then instruct your estate agent and give them the eligibility requirements for their marketing. Owing to the additional legal requirements involved in selling a First Home, it is not advisable to attempt a private sale.
4. You must initially attempt to sell your First Home to buyers who meet any local connection criteria set by South Tyneside Council. If, after 3 months of active marketing through an estate agent, you are unable to sell your First Home, you must then attempt for a further 3 months to sell your property through an estate agent to buyers who meet the national criteria for purchasing First Homes.
5. Your estate agent will check potential purchasers and complete an application pack (like the one you completed when you bought the First Home) for the new purchaser:
 - The purchaser would need to meet all the eligibility criteria; be able to make an offer (subject to their eligibility); and be, in the estate agent's professional judgement and advice to you, the most proceedable purchaser.

- You must also submit at this point to South Tyneside Council a valuation demonstrating the sale is at a discount to the prevailing Market Value. The valuation must be from a valuer who is qualified by the Royal Institution of Chartered Surveyors (RICS). You must pay for this. The RICS surveyor will value the home's 100% market value before the First Homes discount percentage is applied.
- 6. The price of your First Home cannot be negotiated upwards from the discounted value confirmed by your valuation. You can reduce the price, for example if you wish to secure a quick sale, but the price may not be increased even if there are a number of potential buyers.
- 7. **South Tyneside Council will consider your purchaser's application and your valuation. If eligible, South Tyneside Council will approve the purchaser and issue instructions to their conveyancer, very similar to the process followed when you purchased the First Home. Your purchaser's conveyancer will then follow South Tyneside Council's instructions and the sale will proceed in the same way.**
- 8. To ensure that other people can benefit from the discounted home, the same percentage reduction must be applied when you sell your First Home as was applied when you made your purchase. For example, if you purchased your home at a 30% discount compared to the open market price, you must also sell it for a 30% discount compared to its open market value at the time of sale.

What if I can't sell it?

If you are unable to sell your First Home to an eligible buyer, after six months, you should notify South Tyneside Council's Housing Strategy team by emailing Housing.StrategyTeam@southtyneside.gov.uk which then has the option of:

- (i) Requiring you to continue to market the property for a further period up to a maximum of six months.
- (ii) Buy the property itself at the discount market value
- (iii) Releasing the First Homes restrictions.

If South Tyneside Council does not wish to buy your home and any additional marketing period has come to an end without an eligible buyer having been found, you will then be able to sell it on the open market at the open market price; the discounted portion of the sales receipts would then be returned to South Tyneside Council.

In this situation, a further stamp duty return to HMRC may be required dating back to your original purchase. However, any additional stamp duty payable would be deducted from the amount that you are asked to return to South Tyneside Council, meaning you would not have to pay back more than the discounted value of the home. Should this situation arise, please seek advice from your conveyancer.

Lettings

First Homes **should not** be used as an investment opportunity. First Homes owners may let out their First Homes for an aggregate of up to 2 years. This is to offer owners the ability to respond to changes in their circumstances, such as unexpected life events. The period of renting does not have to be continuous and can be to different tenants.

Owners may let their home at the market rate. However, before letting the First Home, owners should first notify South Tyneside Council by emailing Housing.StrategyTeam@southtyneside.gov.uk. The Council will maintain a record of letting periods so that individuals can be informed if they have reached the end of their aggregate 2-year allowance. This 2-year period is allowed for each span of ownership; if the First Home is resold, or inherited, the 2-year period resets.

Owners are allowed to let out their First Homes for longer than 2 years **in exceptional circumstances**. Our consent will not be unreasonably withheld in certain circumstances, as follows, where the owner:

- Is required by their employment to live elsewhere.
- Is an active member of the Armed Services and is deployed elsewhere.
- Is at risk of harm and so has to live elsewhere.
- Has to let the First Home due to the breakdown of a relationship.
- Has to live elsewhere due to redundancy.
- Has to live elsewhere to offer care and assistance to another person.

Even if South Tyneside Council agrees to an owner's request for letting to take place, the owner will still be subject to the terms of their mortgage. **South Tyneside Council strongly recommends that owners check with their mortgage lender to ensure that they allow the home to be let.**

Please note that South Tyneside Council's permission to let has no bearing on the restrictions that may be in place as a result of the mortgage agreement.

First Homes owners can have one or more lodgers in their home without restriction, as long as the home remains the owner's only or main residence. If, however, the owner moves out during the letting period, then they would need to inform South Tyneside Council and the duration of letting would count towards the 2-year aggregate as described above. Again, all such matters would also be subject to the rules of the mortgage agreement.

Changes in circumstances

The First Home should be the owner's only or main residence, and restrictions on lettings are in place as described above. Should either of these stipulations not be adhered to, South Tyneside Council can take steps to remedy the situation just as it would in any other breach of a section 106 agreement. This may, for example, involve issuing a warning and, if this is not heeded, an injunction.

Mortgage lenders typically place limits on lettings, which may help ensure that owners do not abuse the terms of the scheme.

There is no requirement on owners to continue adhering to the eligibility criteria under which they purchased the First Home, and correspondingly there is no need for South Tyneside Council to try to monitor this. For example, if an owner's household income increases above the cap after the purchase, there is no requirement for the Council to take any action, for you to inform South Tyneside Council or to sell the First Home. Likewise, if you purchased the First Home on the basis of meeting any key worker criteria set by South Tyneside Council, or on the basis of the Armed Forces criteria, you will not have to sell your home if you no longer meet that criteria (by, for example, changing your job) after completion of the purchase. In addition, if you re-mortgage the First Home during the period of your ownership, this can be for less than 50% of the discounted purchase price.

Inheritance

First Homes owners can leave their First Home to any recipient in their Will, subject to any outstanding mortgage or home purchase plan payments. The recipient does not have to meet any First Homes buyer eligibility criteria. The recipient could sell the home according to the resales process to an eligible purchaser. Alternatively, they could keep the First Home, but would then have to abide by the terms of owning a First Home. This means it would need to be their only or main residence and they would not be able to let out the home for more than 2 years in aggregate without permission from South Tyneside Council. If they do not abide by these conditions, they will be in breach of the section 106 and South Tyneside Council can take action accordingly.