

APRIL 2024 – MARCH 2025

# PROVISION OF AFFORDABLE HOUSING TECHNICAL DATA TO SUPPORT THE AFFORDABLE HOUSING SUPPLEMENTARY PLANNING DOCUMENT

April 2024

## CONTENTS

1. Introduction.....	3
2. Local house price affordability.....	4
3. Assessing affordable house prices.....	5
4. Affordable housing.....	6
5. Process for setting and selling Discounted and Low Cost Market.....	9
6. Income caps .....	9
7. Local connection criteria.....	9
8. Evidence of need.....	10
9. Local Authority's preferred Housing Partners with a Development Programme in Herefordshire.....	12
10. Affordable Home Ownership terms and conditions.....	13
11. First Homes buyers guide.....	18



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# 1. Introduction

1.1 The purpose of this technical data is to provide additional guidance and processes to support The Affordable Housing Supplementary Planning Document (June 2021) and sets out the following:

- information on local house price affordability;
- how the council assesses affordable house prices;
- the affordable housing tenures supported by the Council;
- the process for setting and selling affordable homes;
- income caps;
- local connection criteria;
- where the evidence of need comes from;
- a list of the local authority's preferred housing partners;
- terms and conditions for low cost market and discounted market sale and re-sale (Appendix 1).
- buyers guide for First Homes. (Appendix 2)

1.2 This document is a working document that is updated on an annual basis or when significant changes are required due to changes in legislation.

## 2. Local house price affordability

- 2.1 To assess affordability, both house prices and incomes have been taken into account to ensure that local households have the ability to access the properties being delivered. The figures provided will be updated on an annual basis to ensure that the data remains up to date.
- 2.2 A measure of house price affordability is the ratio of median house price to median earnings<sup>1</sup>. For 2023, the ratio for Herefordshire was 9.8, which was higher than the average for the West Midlands and England as a whole (7.2 and 8.3 respectively). Herefordshire had the worse affordability ratio out of the 14 West Midlands Authorities (unitaries, counties and metropolitan boroughs). With a ratio of 4.6, Stoke-on-Trent had the most affordable homes in the region. Provision of subsidised housing is therefore a priority for Herefordshire that needs to be addressed through partnership working between Herefordshire Council and Registered Providers (RP's).
- 2.3 The average (median) price in Herefordshire, across all property types, in the year ending September 2023, was £294,000, whereas a house at the bottom end of the market (lower quartile house price) was £210,000<sup>2</sup>.
- 2.4 Affordability ratios in 2022 and 2023 are a return to the long-term trend, following a sharp rise in 2021. The sharp rise in 2021 coincided with a period of high demand fuelled by a stamp duty holiday earlier in the year and an influx of interest in the market following the lifting of Covid-19 restrictions.

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<sup>1</sup> [House price to workplace-based earnings ratio](#). Office for national Statistics. March 2024.

<sup>2</sup> [Lower quartile house prices for administrative geographies: HPSSA dataset 15](#). Office for national Statistics. September 2023. *Note that data is for the year ending March 2023.*

### 3. Assessing affordable house prices

- 3.1 To ensure that local people are able to access the housing market, it was considered appropriate to make assumptions on incomes and the likely occupancy of the various sizes of property.
- 3.2 The average (median) gross annual earnings for a full time worker on adult rates in Herefordshire in 2023 were **£29,900**, while earnings towards the lower end of the scale (represented by lower quartile earnings) were **£24,000** per year.<sup>3</sup>
- 3.3 Table 1 shows the house prices a household can afford, based on lower quartile earnings for the following scenarios -
- Single-earner household purchasing a one-bed home with a 10 per cent deposit
  - Dual-earner household purchasing a two-bed home with a 10 per cent deposit.
  - Dual-earner household purchasing either a three-bed or four-bed home with a 20 per cent deposit

It is assumed that for households with two earners, the second earner works part time, earning half the full time amount.

For the purpose of assessing affordable house prices for Herefordshire, a household on the lower end of the earnings scale is considered to be able to afford to purchase a home that costs 4.12<sup>4</sup> times the total gross household earnings.

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<sup>3</sup> [Annual Survey of Hours and Earnings - workplace analysis](#). Office for national Statistics. November 2023.

<sup>4</sup> Based on the ONS' [House Price simple averages dataset](#), which uses data from the Regulated Mortgage Survey, the average mortgage advance to income ratio was 4.12 for first time buyers in the West Midlands in 2023.

Table 1. Most likely affordable house prices for single and dual earner first-time buyers, based on Herefordshire's lower quartile earnings.

<b>single earner; with a 90 % mortgage</b>	£109,900
<b>dual earner; with a 90 % mortgage</b>	£164,900
<b>dual earner; with an 80 % mortgage</b>	£185,500

Based on the ONS' [House Price simple averages](#) dataset, which uses data from the Regulated Mortgage Survey, the average mortgage advance to income ratio was 4.12 for first time buyers in the West Midlands in 2023.

## 4. Affordable Housing

- 4.1 Housing that is provided for sale or rent to those whose needs are not met by the open market (including housing that provides a subsidised route to home ownership and/or is for essential local workers); and which complies with one or more of the following definitions:

**Affordable housing for rent:** is housing that is let below open market rents by a Local Authority (LA) or Registered Provider (RP) (as defined in section 80 of the Housing and Regeneration Act) to households who are eligible. In Herefordshire, affordable housing for rent is allocated via Home Point. These include affordable rent and social rent. .

- **Affordable rented housing:** is housing that is subject to rent controls that require a rent of no more than 80% of the local open market rent (including service charges, where applicable).
- **Affordable private rented housing** is housing that is made available for rent at a level, which is at least 20% below local market rent. Eligibility is determined with regards to local incomes and local house prices. Provision should be made to ensure that the affordable private rent housing remains available for rent at a discount for future eligible households or for alternative affordable housing provision to be made if the discount is withdrawn. Affordable private rented housing is particularly suited to the provision of affordable housing as part of the Build to Rent Schemes.
- **Social rented housing:** is housing whose rent is set based

upon guideline target rents determined through the national rent regime based on the guidance and formulae set by homes England on social rents

**Intermediate Housing:** is housing that is provided for sale (affordable home ownership) and rent at a cost above social rent, but below market levels. Eligibility is determined with regards to local incomes and local house prices. It should also include provisions to remain at an affordable price for future eligible households or for any receipts to be recycled for alternative affordable housing provision. These include Discounted Market, Intermediate Rent, Low Cost Market, Rent to buy.

- **Discounted Market Sales Housing** is affordable home ownership housing that is at least 20% below local market value. Eligibility is determined with regards to local incomes and local house prices. It should include provisions to remain at a discount for future eligible households. In Herefordshire, discounted market sale is set at 30% below local market value.
- **Intermediate Rent:** is housing that is provided by an RP or private landlord. The housing provided will have the same characteristics as affordable housing for rent except that it is outside the national rent regime, but it is subject to other rent controls that require it to be offered to eligible households at a rent of up to 100% of the Local Housing Allowance (housing benefit for people who rent a home from a private landlord) for Herefordshire.
- **Low Cost Market Housing:** is affordable home ownership housing that is sold at a discount below local market value. In Herefordshire, any discount should be sufficient to meet local housing needs. The discount set is applied using the lower quartile earnings at 3.2 above. Eligibility is determined with regard to local incomes and local house prices. It should include provisions to remain at a discount for future eligible households.

- **Rent to Buy:** is housing provided by RP's that is let at an intermediate rent for a maximum of 5 years to a household that is looking to buy but are unable to save for a deposit.
- **Shared Ownership:** is affordable home ownership housing in which ownership is under the terms of a lease by which a lessee may acquire a share or shares of the equity from the RP who retains the remainder and may charge a rent. Shared ownership housing are allocated through the following link:  
<https://www.gov.uk/shared-ownership-scheme>

**First Homes:** are a specific kind of discounted market sale housing and should be considered to meet the definition of “affordable housing” for planning purposes. Specifically, First Homes are discounted market sales units which:

- 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; and
- d) after the discount has been applied, the first sale must be at a price no higher than £250,000 (or £420,000 in Greater London).



## **5. Process for setting and selling Discounted and Low Cost Market**

- 5.1 Discounted Market and Low Cost Market housing is assessed and allocated in liaison with Herefordshire Council, to local people in housing need;
- 5.2 Herefordshire Council regulates the sale price of each unit;
- 5.3 The initial and subsequent sale price of any of these tenures is determined by two open market valuations, provided by two independent RICS estate agents with the set discount percentage then being applied;
- 5.4 The discounted percentage is agreed at the planning approval stage and secured within the Section 106. This discount is secured in perpetuity.

## **6. Income Cap**

- 6.1 When assessing eligibility for affordable homeownership, the Government has set national criteria in relation to income caps that require a household income of no more than £80,000, or £90,000 in London when purchasing affordable housing.
- 6.2 However, local authority guidance allows local authorities to set lower income caps as part of local policy. In Herefordshire, income caps are set at £40,000 income for a single household and £80,000 income for a joint household.

## 7. Local Connection Criteria

7.1 Affordable housing in Herefordshire is protected through a Section 106 Agreement and it is usually a requirement that it is allocated in accordance with a local connection criteria.

7.2 When assessing households in accordance with local connection criteria, affordable housing should be allocated in the following order:

- Live in the area; then
- Work in the area for more than 16 hours; then
- Family association; then
- Proven need to give or receive support.

However, there may be occasions where in the view of the council, a special circumstance may give rise to a Local Connection (this shall not normally apply, but if such a circumstance arises then this can surpass all other local connections.)

## 8. Evidence of Need

### 8.1 Herefordshire Housing Needs Studies:

- In line with the requirements of the NPPF, local authorities should have a clear understanding of housing need in their area.
- The [Housing Market Area Needs Assessment 2021](#)<sup>5</sup> demonstrates the need for affordable housing and confirms that affordable housing delivery should be maximised where opportunities arise. To drive the delivery of affordable housing, the council will look to develop its own housing stock to provide over 1,000 additional genuinely affordable homes for local people in Herefordshire.
- A [Herefordshire Gypsy and Traveller Accommodation Assessment](#)<sup>6</sup> was completed in April 2022 and identified a need for an additional 41 pitches for gypsies and travellers and an additional 9 pitches for travelling show people for the period 2021-41.
- The [Herefordshire Older People's Housing Strategy and Pathway](#), published in March 2015, provides information about the housing and support needs of Older People that can be used for housing, regeneration and planning purposes, and can contribute to supporting investment decisions.

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<sup>5</sup> [Housing Market Area Needs Assessment](#). Icen Projects Limited on behalf of Herefordshire Council, July 2021.

<sup>6</sup> [Herefordshire Council Gypsy and Traveller Accommodation Assessment](#). RRR Consultancy Ltd subcontracted by Icen Projects Limited on behalf of Herefordshire Council

## 9. Local Authority's preferred Housing Partners with a Development Programme in Herefordshire

Organisation	Name	Job Title	Landline	Mobile	Email Address
<b>Citizen Housing</b>	Jon Wood	Head of New Business	0121 329 0383 ext. 1383	07508 330569	<a href="mailto:Jon.Wood@citizen.co.uk">Jon.Wood@citizen.co.uk</a>
<b>Platform Housing Group</b>	Mike Baggett	Regional Head of Land	01684 579443	07813 002405	<a href="mailto:Michael.Baggett@platformhg.com">Michael.Baggett@platformhg.com</a>
<b>Connexus</b>	Amanda Knowles	Head of Development	0300 7774321 ext. 3445	07817 864862	<a href="mailto:Amanda.Knowles@connexus-group.co.uk">Amanda.Knowles@connexus-group.co.uk</a>
<b>Stonewater</b>	Marc Howard	Development Manager(West)		07717 808311	<a href="mailto:Marc.Howard@stonewater.org">Marc.Howard@stonewater.org</a>
<b>Sanctuary Housing Group</b>	Sophie Bell	Head of Development (Midlands)		07436 269041	<a href="mailto:sophie.bell@sanctuary-housing.co.uk">sophie.bell@sanctuary-housing.co.uk</a>
<b>2 Rivers Housing</b>	Sara Walton	Development Manager	01531 829277	07776 661 537	<a href="mailto:sara.walton@2rh.org.uk">sara.walton@2rh.org.uk</a>
<b>Bromford Housing</b>	Simon Vick	Head of Development	01454 821165	07905 490142	<a href="mailto:Simon.Vick@bromford.co.uk">Simon.Vick@bromford.co.uk</a>
<b>Legal &amp; General</b>	Darren Isbell	Area Development Manager	0207 031 8608	07597 364904	<a href="mailto:Darren.isbell@landgah.com">Darren.isbell@landgah.com</a>

## 10. Affordable Home Ownership terms and conditions

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### Affordable Home Ownership – Low Cost Market/ Discounted Market

Herefordshire is one of the most unaffordable counties in England for home ownership. 2023 saw the highest median income to median house price ratio, which was 9.8. This is higher than the average for West Midlands and England as a whole (7.2 and 8.3 retrospectively). This is making house purchasing unaffordable for many.

To help local residents in affordable housing need achieve their home ownership goals; Herefordshire Council supports many affordable home ownership tenures. These tenures are outlined in the council's Provision of Affordable Housing, Technical Data to support the Affordable Housing Supplementary Planning Document (SPD).

### Who can apply?

You do not have to be a first time buyer, or on the Herefordshire Council's housing waiting list (Home Point), to apply for these affordable home ownership schemes. Anyone can apply providing they meet the basic occupancy criteria. They must:

- Have a local connection
- Be in need of affordable housing
- Be able to purchase the property at the discounted price, but not at the open market price (subject to a financial assessment completed by the council)
- Have an annual household income of less than £80,000 as a couple, or £40,000 as a single applicant

- Use the property as their only/principle home throughout ownership - it cannot be sublet, enforcement action may be taken if it is proven to be sublet.
- Not own any other property. If you currently own another property, you will have to provide evidence that you are in the process of selling it before you can purchase through this scheme

## **What size property can I purchase and who has priority?**

Applicants can apply for a property, which has one bedroom more than they need. For example, a single person or a couple can apply for a two-bedroom property. The number of bedrooms a household requires will be considered as described below plus one bedroom. One bedroom is needed for each:

- Single adult or couple - 1/2 bedrooms
- Single adult or couple with 1 child - 2/3 bedroom
- Single adult or couple with 2 children - 3/4 bedrooms

Priority will be given in the following order:

- People with a local connection.
  - Live
  - Work more than 16 hours a week
  - Family Association
  - Care/ Support
- Social housing tenants
- Serving military personnel or veterans

Where applicants cannot be separated by the methods outlined above, priority will be given to the applicant who provides a fully completed application and all associated documentation for this affordable housing scheme first.

## **Do I need a mortgage?**

You must be able to afford to purchase the property, through either a mortgage, or a lump sum. If purchasing with a mortgage you will need to appoint an independent financial advisor. Most developers will be able to help you locate an independent financial advisor who has a full understanding of the scheme and the Section 106 (S106) affordable housing. It is useful to know that some financial advisors charge a fee for their services and they should advise you of any potential costs at the outset.

## **What else do I need to consider?**

You will need a deposit of at least 5% of the discounted purchase price - your independent financial advisor will be able to tell you exactly how much deposit you need. In addition, you will need to fund all other purchase costs including solicitor fees and stamp duty (if applicable).

You should ensure that you budget for regular outgoings including household bills and buildings insurance. In addition, some apartments and houses may have service and/or management charges. You should discuss all associated costs and ongoing charges with the sales team at each development and/or a solicitor before you agree to buy.

It is important that you keep up with your mortgage payments as your home may be at risk of repossession if you fall into arrears.

## **Can I sublet my home?**

No - you must live in the property throughout your ownership.

## **What happens if I want to sell my property?**

You can sell your property at any time, but you must notify Herefordshire Council of your intention to sell and the property must be sold with the same level of discount that was received when purchased. To enable you to sell your property you will need to obtain two current written valuations (less than one month old) from reputable local estate agents and send them to Hereford Council. Herefordshire Council will assess the valuations, in order to establish the open market value of the property. In the event of a dispute, an independent surveyor whose decision will be final will decide the open market value. Please note there may be a cost associated with this process.

Once the value has been agreed, your property can be advertised through your nominated estate agent at the market value less the level of discount obtained through the original sale. The property will be offered to the qualifying person or qualifying household identified as having the most priority.

## **What happens if I am in negative equity and I want to sell?**

If you are in negative equity, you will still be required to sell the property at the discounted market value, even if it is at a loss to yourself.

Property prices vary according to market conditions and the value of your property may go down as well as up. This could mean that your mortgage exceeds its market value. This is called negative equity, a term commonly used to describe the situation of



having a home that is worth less than your mortgage. Negative equity becomes a problem if you want to sell or are forced to sell your property, as you would still owe money on your mortgage.

If you are in negative equity and need to sell your property, contact your mortgage lender as soon as possible and ask if there are any schemes they run to help with negative equity. Some lenders may be able to help existing borrowers, but usually only if you have a good payment record. For example, there may be a maximum amount of debt on your old mortgage that can be included in your new mortgage. This is not necessarily a cheap option, as the interest rate may be higher and there may be a fee. You are also putting your new home at risk of repossession if you cannot keep up the total mortgage payments on the new home. Payments will be larger than normal because of the shortfall having been included.

Herefordshire Council cannot accept any liability if you find yourself in negative equity after you have purchased a property on this scheme.

## **11. First Homes scheme: first-time buyer's guide**

### **1. Overview**

If you are a first-time buyer, you may be able to buy a home for 30% to 50% less than its market value. The home must be your only or main residence.

This offer is called the First Homes scheme.

The home can be:

- a new home built by a developer
- a home you buy through an estate agent, which someone else bought before through the scheme

The First Homes scheme is only available in England.

### **Find out if you are eligible**

You must:

- be 18 or older
- be a first-time buyer
- be able to get a mortgage for at least half the price of the home
- not earn more than £80,000 a year before tax (£90,000 if the property is in London). In Herefordshire you must not earn more than £40,000 sole and £80,000 joint income - this is your income from the previous tax year.

If you are buying with others:

- you must all be first-time buyers
- you must apply together, even if you're not all getting a mortgage
- your joint income cannot be more than £80,000 a year before tax (£90,000 if the property is in London)

Your joint income is the total of what you all earned in the previous tax year.

### **Local eligibility criteria**

Councils may set local eligibility criteria. For example, some councils may prioritise giving First Homes discounts to:

- people who already live in the area
- people who already work in the area
- people who have family in the area
- those on lower incomes

If you are buying with others:

- you must all meet any local income criteria
- only one of you needs to meet any other local criteria

These local criteria only apply for the first 3 months that a property is on sale.

### **Local exemptions for armed forces and their families**

You do not have to live in the area if you are:

- a member of the armed forces
- a former spouse or civil partner who's divorced or separate from a member of the armed forces
- a widow or widower of a deceased member of the armed forces (if their death was caused wholly or partly by their service)
- a veteran who left the armed forces in the last 5 years

You still need to meet all other First Homes eligibility criteria.

## **2. How the scheme works**

You can look for new homes in your area that are advertised by developers or estate agents through the First Homes scheme.

Developers offer these homes to first-time buyers with at least 30% of the market value taken off the price.

Unlike [shared ownership](#), there is no rent to pay.

Every home that is sold is valued by an independent surveyor to make sure the discount is based on actual market value.

New build First Homes cannot cost more £250,000 (or more than £420,000 if the property is in London) after the discount has been applied. The local council can lower this maximum price.

You can decorate or improve your property but if you let or sell your property, you will need to follow First Home scheme rules.

## **3. How to apply**

Contact the developer or estate agent (if you're buying from a previous First Homes buyer) and tell them you want to buy a property through the First Homes scheme.

They will check you meet the eligibility criteria and help you to complete the application. They will submit your application to the local council.

You may have to pay a reservation fee if the property you want to buy is a new build. You will get the fee back if your application is unsuccessful.

The developer can offer you incentives such as free goods or cash back. These should not be worth more than 5% of the discounted purchase price.

## **Find a conveyancer**

Your application will need to include the name and contact details of your conveyancer. A conveyancer is either a conveyancing solicitor or a licensed conveyancer.

You can:

- find a conveyancing solicitor on the [Law Society website](#)
- find a licensed conveyancer on the [Council for Licensed Conveyancers website](#)

Contact the conveyancer to check they will be able to work for you and to find out what they will charge you.

## **Getting a mortgage**

If your application is successful, you will need to arrange a mortgage. The mortgage must cover at least half of the purchase price.

You can find out about getting a mortgage on the [Money Advice Service's Money Helper website](#).

## What happens next

The local council will check your application. They will tell you whether you are eligible for the scheme. They will also contact:

- the developer or estate agent
- your mortgage adviser, if you have one
- your conveyancer

## If the council agrees you are eligible

Follow these steps:

1. Hire your conveyancer
2. Apply for your mortgage. If you have [a Lifetime ISA](#) or [a Help to Buy ISA](#), you might be able to use it to buy your First Home.
3. Complete any legal documents that your conveyancer sends you.

After you have a mortgage offer and completed the legal documents, your conveyancer will ask the local council if you can exchange contracts.

The council will tell you when they have decided on your application.

## 4. If your application is approved

The council will issue a certificate that shows you can be a First Homes owner.

## **Exchanging contracts**

You need to pay your deposit at the same time as you exchange contracts with the developer or seller. After you do this, you are legally committed to buying the home.

Fraudsters sometimes pretend to be conveyancers when deposits are due. You can find advice on how to avoid scams on the [Take Five website](#).

Check with your conveyancer before you agree to exchange contracts. You should tell them if your circumstances have changed and you no longer meet the First Homes eligibility criteria.

When you have exchanged contracts, the developer will set a completion date or your conveyancer will agree one with you and the seller. This is the date when the home will be ready for you to move in.

## **Completing the purchase**

On the completion date, your conveyancer transfers the remaining money to buy the property to the seller's solicitor; you get the keys and can move in.

## **Paying stamp duty**

The amount of [Stamp Duty Land Tax](#) you pay is based on how much you paid for your home after the discount was applied.

## **5. Owning the property**

Once you have bought the home, you no longer have to meet First Homes eligibility criteria. You do not have to sell your home, for example, if your income increases.

### **If you fail to make mortgage payments**

Your mortgage lender may take legal action to get their money. For example, they could repossess the home.

## Leaving a property as inheritance

You can leave your home to someone in your will. They will need to follow [First Homes rules on lettings](#) and the home must be their only or main residence. If they cannot follow these rules, they might need to sell the property.

## 6. Letting the property

You can usually let your entire property for no more than 2 years in total during the time you own it.

Before letting it, you need to:

- tell the local council you want to let it
- check with your mortgage lender

The 2-year limit resets if you sell the home to someone else.

### Letting for longer than 2 years

You may be able to let out your entire property for longer than 2 years in some circumstances, including if:

- the location of your job changes
- a marriage or long-term relationship ends
- you're moving to get away from a situation that involves domestic abuse
- you've been made redundant
- you're caring for a relative or friend

You must have permission from the local council. You may also need to ask your mortgage lender.



## Letting a room

You can rent a room to someone for as long as you want, so long as:

- the home is still your only or main residence
- you live in the home while they're renting

## 7. Selling the property

You can usually only sell the property to someone who is eligible to buy a First Home.

You must give them the same percentage discount that you were, based on the home's market value at the time of sale.

### How to sell

Follow these steps:

1. Tell your local council that you want to sell.
2. Find an estate agent to sell your property under the First Homes scheme.
3. Get the property valued by a surveyor who is registered with the [Royal Institution of Chartered Surveyors \(RICS\)](#).

The amount the surveyor values it for minus the percentage discount you originally got is what you can sell for. You cannot sell the property for more but you can choose to sell it for less.

#### Example

You originally got a 30% discount.

A RICS surveyor values your property at £200,000. You must take off a 30% discount (£60,000).

You can sell for up to £140,000.

Your buyer will need to meet First Homes eligibility criteria, including any local criteria. Once your property has been on the market for more than 3 months, your buyer will no longer have to meet local criteria.

### **Selling your property on the open market**

You can ask your local council for permission to sell your property at the full market price to any buyer if either:

- you've tried unsuccessfully to sell your property as a First Home for 6 months or more
- selling it as a First Home will cause you severe difficulties, such as bankruptcy

The council can:

- agree to let you sell it on the open market
- offer to buy your home at the discounted price
- ask you to continue trying to sell for a further 6 months - if you still cannot sell it after this time, the council must let you sell it on the open market

### **If the council agrees to selling on the open market**

You will need to return the percentage discount to the local council. This means giving the council the same percentage of the sale price as the percentage taken off when you bought your home.

Example

You buy a First Homes property worth £250,000 for £175,000 after getting a 30% discount.

You later sell it on the open market for £300,000.

You must return to the council 30% of the money you sold the home for, which is £90,000.