



South Gloucestershire Council

First Homes Technical Advice Note

January 2022

Introduction

This Technical Advice Note (TAN) sets out the Council's approach to delivering First Homes in accordance with national guidance and in compliance with the Council's adopted Local Plan policies on the delivery of Affordable Housing. In due course, a new Local Plan will be adopted containing the Council's refreshed Affordable Housing policies, which will include provisions for the delivery of First Homes underpinned by up-to-date needs and viability evidence.

Until such time that these policies are in place, the Council will expect proposals for major developments, i.e. residential schemes of 10 dwellings or more or where the area of the site is 0.5 hectares or more, to deliver a proportion as Affordable Housing, 25% of which comprises First Homes, which comply with the First Homes criteria.

First Homes are a specific type of discounted sale homes which are considered to meet the definition of Affordable Housing for planning purposes.

The TAN also provides guidance on the development of First Homes Exception Sites.

Background

The national guidance is set out in the [Written Ministerial Statement](#) and the [National Planning Policy Guidance \(NPPG\)](#), which were both published on 24 May 2021.

From the 28 June 2021 local authorities are required to deliver First Homes as a proportion (25%) of their usual Affordable Housing delivery through their local plan policies. The NPPG sets out transitional arrangements for current applications. First Homes will not be required from any applications determined before 28 December 2021 or 28 March 2022 where there have been substantive preapplication discussions relating to the proposed Affordable Housing contribution.

The Council will be flexible in considering revised proposals to include First Homes in applications which will be granted permission before the above dates.

The main criteria of First Homes, as set out in national guidance, are:

- a. First Home must be discounted by minimum of 30% against the market value;
- b. after the discount has been applied, the first sale must be at a price no higher than £250,000. This does not apply to subsequent sales, and
- c. the discount is passed on to future purchasers, secured through a section 106 agreement.
- d. The home is sold to a person who meets the First Homes eligibility criteria.

The First Homes eligibility criteria require the purchaser (or all purchasers if a joint purchase):

- a. to be a first-time buyer, as defined by [paragraph 6 of Schedule 6ZA of the Finance Act 2003](#).
- b. to have a household annual income of no more than £80,000, and
- c. should have a mortgage or home purchase plan to fund a minimum of 50% of the discounted purchase price.

Subsequent sales must also be to a person or persons who meet the First Homes eligibility criteria.

The developer/owner will be expected to enter into a s106 legal agreement to secure the above provisions.

The discount

The minimum discount is 30% of the open market value. At this stage the Council will not require a higher discount, although if supported by the findings of the Local Housing Needs Assessment (LHNA) and viability evidence in the development of the new Local Plan, an emerging First Homes policy may introduce a higher discount of 40% or 50%, as appropriate, to be adopted as Local Development Plan policy in due course.

Developers may provide First Homes at a higher discount in order to deliver house types which would otherwise exceed the price cap of £250,000 (after discount).

The discount percentage will be applied to all future sales and will be secured in perpetuity through a s106 agreement as a planning obligation.

The price cap

The cost of a First Homes dwelling to the first-time buyer purchaser shall be no more than £250,000 after the discount has been applied. The price cap applies to only the first sale and may be exceeded by future house price rises on subsequent sales.

Exemptions to First Homes

Some categories of Affordable Housing are exempt from the requirement to deliver a proportion as First Homes, including specialist housing, such as housing for older people, supported housing, developments which are Affordable Housing only, self-build and custom-built housing, and Build to Rent. See also paragraph 65 National Planning Policy Framework ([NPPF](#)).

Rural Exception Sites are not specifically exempted from the requirement to provide First Homes, except where all the homes are Affordable Housing (see below section on First Homes Exception sites).

Current Local Plan policy

This TAN summarises the national guidance on the delivery of First Homes, above, to which the Council will have regard in determining planning applications. It also sets out how this national guidance interacts with current Local Plan policies and supplementary guidance in the delivery of Affordable Housing, below.

The council expects First Homes, as included within the definition of Affordable Housing, to comply with the requirements of Policy CS18-Affordable Housing of the South Gloucestershire [Core Strategy](#), adopted December 2013, and the [Affordable Housing and Extra Care Housing Supplementary Planning Document \(SPD\)](#), adopted April 2021, including:

- 35% of all dwellings on major sites, i.e. 10 dwellings and above, or 0.5 hectares or more, to be delivered as Affordable Housing, in a mix of house types and tenures which reflects the housing need as assessed by the Strategic Housing Market Assessment (SHMA).
- The Affordable Housing should be delivered on-site, unless it can be robustly justified to deliver off-site or make a financial contribution in lieu.
- Delivery without the use of public subsidy. The First Homes discount will be provided by the developer. Where First Homes dwellings are provided with public subsidy, they will be regarded as additional Affordable Housing and not delivered as a planning obligation.
- Design standards to the same high quality as the market units and to be visually indistinguishable from them. Policy PSP37- Internal Space and Accessibility Standards for Affordable Dwellings, of the Policies, Sites and Places Plan adopted November 2017 requires Affordable Housing to be consistent with the nationally described space standards and meet the accessibility standard M4(2) of the Building Regulations.
- Phasing and distribution. The Affordable Housing, including First Homes, should be built at the same time as the market housing and distributed across the site to be well integrated and indistinguishable by location (see section 5.6 of the Affordable Housing and Extra Care SPD for further detail).

The above provisions will be secured through a Section 106 agreement. The Council awaits the publication by the government of national model clauses following the First Homes pilot schemes.

Affordable Housing contribution

As stated above, the Affordable Housing contribution required by policy CS18 is 35% of all dwellings on major residential developments. The preferred tenure split and housing type mix, supported by the evidence of the [Wider Bristol Strategic Housing Market Assessment \(SHMA\) Update Volume 2](#), and as set out in the [SHMA Guidance Note 2020](#), is:

Social Rent 76%, Affordable Rent 3%, Shared Ownership 21%.

Developments required to provide First Homes should deliver 25% of the Affordable Housing quantum (See below and Appendix 1 for a worked example).

Paragraph 65 NPPF requires at least 10% of all dwellings on major housing developments, subject to the exemptions listed, to be available as Affordable Home Ownership, which includes First Homes. There is, therefore, a shortfall of Affordable Home Ownership dwellings to make up the 10% Affordable Home Ownership.

The Council's preferred tenure to make up this shortfall of Affordable Home Ownership is Shared Ownership, delivered by a Registered Provider, although where this is impracticable the Council will consider other forms of Affordable Home Ownership, including First Homes.

The remaining proportion of 71.43% of the Affordable Housing quantum ($100\% - [25\% = 3.57\%]$) should be delivered as Social Rent, producing a tenure split (rounded) of:

Social Rent 71%, 4% Shared Ownership, 25% First Homes.

Example

A residential development of 200 dwellings is liable for a 35% Affordable Housing contribution.

Affordable Housing (AH) units	$200 \times 35\% = 70$
First Homes units	$70 \times 25\% = 17.5$ rounded 18 units
10% Affordable Home Ownership (AHO) units	$200 \times 10\% = 20$
Shortfall of AHO	$20 - 18 = 2$
Remainder of AH as Social Rent	$70 - (18 + 2) = 50$

Table ① Affordable Housing tenure split

AH tenure	No. AH units	% total units (200)	% Affordable Housing
First Homes	18	9	25
Other AHO*	2	1	2.86
Social Rent	50		71.4
Total	70	10	35

*The other Affordable Home Ownership units may be additional First Homes, other discounted sale, Shared Ownership.

An Affordable Housing contribution proposed with this tenure split should represent a value equivalent to what would have been delivered by CS18, without the introduction of First Homes.

In those cases where a reduced Affordable Housing contribution has been agreed due to viability considerations, 25% of that contribution will be First Homes. The remaining Affordable Housing tenures will prioritise Social Rent and ensure that 10% of all dwellings on site are Affordable Home Ownership.

Financial contribution

All Affordable Housing, including First Homes, is expected to be delivered on-site, unless it can be robustly justified as inappropriate, in which case a financial contribution in lieu, of equivalent value to what would have been provided on-site, may be acceptable. Any financial contribution made in lieu of First Homes will be used towards the funding of additional First Homes.

(See also section 7.6 Affordable Housing and Extra Care Housing SPD)

Marketing/Disposal/Monitoring

See Appendix 2: Application Process

The First Homes will be marketed and sold by the Developer. The developer will need to ensure First Homes are advertised with all relevant information to ensure eligibility criteria can be met.

The developer will be responsible for paying for all advertising and processing of potential purchasers' applications to the Council. The developer selects the potential purchaser(s) and only one purchaser per plot/home is passed through at any one time to the Council for the eligibility check and authorisation processes. A prior declaration will need to be completed to confirm the potential purchaser is eligible. Fees will be introduced for the eligibility checks and authorisation processes per sale, as well as for monitoring the purchase and sales activities through initial and subsequent sales.

Any local eligibility criteria (local connection) will apply for a maximum of three months from when a home is first marketed. If a suitable buyer has not reserved a home after three months, the eligibility criteria will revert to the national criteria set out above, to widen the consumer base.

If, following six months of marketing and having taken all reasonable steps to sell the property (including, where appropriate, reducing the asking price) the property fails to sell it should be expected that the seller (either the developer or a future First Home owner) compensates the Council for the loss of the affordable housing unit with a financial contribution.

This financial contribution should be the value of the discount the First Home was to be sold for, as a percentage of the final sale price (or, as much as possible of that value once the value of all lending against the property has been cleared) and net of any additional Stamp Duty liability incurred.

Re-sales of First Homes will be subject to the same discount and eligibility criteria and will need to accord with the same marketing and compensation (in the event of no sale) processes as required on the initial sale by the developer.

The above provisions and related terms for implementation will be secured through a Section 106 agreement. The Council awaits the publication by the government of associated documents.

Local connection requirement

In addition to the national eligibility criteria for First Homes owner occupiers, the Council will require all applicants and purchasers of First Homes to have a local connection to South Gloucestershire, as set out in paragraph 2.1.1 of the [HomeChoice Lettings Policy and Procedure](#), i.e.:

- Applicant lives in South Gloucestershire and has lived in the district for the last two years.
- Applicant's mother, father, brother, sister or adult child live in South Gloucestershire and have lived continuously in the area for the last five years.
- Applicant is permanently employed in South Gloucestershire, or who need to move to take up a definite offer of paid work, or an apprenticeship and who are unable to commute and:
 - Have signed or have an offer of a contract for a minimum period of 12 months and
 - Work more than 16 hours per week on average and
 - Are based in the district for the majority of that time for the purposes of carrying out their employment (at least 70%).

This local connection requirement is subject to the time limit of three months from when the home is first marketed, after which it will revert to national eligibility criteria, as set out in paragraph 008 [NPPG: First Homes](#).

First Homes Exception sites

Entry level exception sites (paragraph 72 National Planning Policy Framework 2021 ([NPPF](#))), allow for the development of affordable housing on sites under one hectare in size not already allocated for housing and adjacent to existing settlements, excluding Green Belt areas or Areas of Outstanding Natural Beauty. It was intended that they would be suitable for first time buyers.

Entry level exception sites are being replaced by First Homes exception sites, which will be consistent with the provisions applying to entry level schemes, as above, and as set out in the [Written Ministerial Statement](#). Although primarily for the development of First Homes, other types of Affordable Housing can be considered where there is evidence of a significant local need. A small proportion of market housing may be included where it is needed to enable a scheme to proceed, as explained in the First Homes NPPG.

The Council will support proposals for First Homes exception sites, where it can be demonstrated that the need for such homes is not being met elsewhere in South Gloucestershire.

Rural Exception Sites are not specifically exempted from the requirement to provide First Homes, except where all the homes are Affordable Housing. Where a small proportion of market housing is included to ensure the economic viability of the development, 25% of the Affordable Housing units should be provided as First Homes where evidence of a local need can be demonstrated.

Transitional arrangements

The national guidance came into effect on 28 June 2021, with transitional arrangements for sites with planning permission already granted or determined before 28 December 2021, which will not be required to provide First Homes (see paragraphs 020 – 022 [NPPG: First Homes](#))

Applications where significant pre-application discussions on the Affordable Housing contribution have taken place and which are determined before 28 March 2022 will not be required to provide First Homes although the council will consider proposals to amend the tenure mix to include First Homes.

See Appendix 3: Transitional arrangements.

Appendix ①

Affordable Housing tenure split with 25% First Homes

Example

A residential development of 200 dwellings is liable for a 35% Affordable Housing contribution.

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Appendix 2 Application Process

	Pre-sale set-up	Customer reservation	Authority to Proceed and Authority to Exchange	Exchange and completion
 Customer		Customer enquires and chooses to buy specific First Home Conveyancer selected	Completes application pack, including supporting evidence Pays reservation	Submits mortgage application Completes legal declarations with conveyancer
 Local authority	Local eligibility criteria set s.106 agreements		Local authority receives completed application pack, checks criteria are met and issues Authority to Proceed and conveyancer pack	Local authority receives conveyancer's legal undertaking that the transaction is compliant and issues Authority to Exchange
 Developer	Homes identified Pre-sale valuations Marketing s. 106 agreements		Assists in completion of application pack and submits to local authority	
 Mortgage adviser		Assurance that customer can borrow (potentially with DIP)	Assists in completion of application pack	
 Mortgage lender			Mortgage application Lender values for mortgage offer and conveyancer confirms transaction at MV less the discount	Lender provides mortgage funds for legal completion
 Conveyancer		Lender provides mortgage funds for legal completion	Conveyancer follows standard instruction pack Submits full legal declarations and undertaking to the local authority	Exchange of contracts Final legal confirmations Registers restriction at HMLR Informs local authority

Appendix **3**

Transitional arrangements

Determinations before key dates

	28 June 2021	28 December 2021	28 March 2022
No FH	[Grey bar]		
No FH	[Grey bar]		
FH required	[Grey bar]		
Pre-28/3/22 with significant pre-app engagement on AH – no FH required	[Grey bar]		



Strategic Housing Enabling Team

South Gloucestershire Council

✉ HousingEnabling@southglos.gov.uk

☎ 01454 865599

www.southglos.gov.uk