

## First Homes

### Introduction

First Homes are a specific type of discounted sale homes which are considered to meet the definition of Affordable Housing for planning purposes. They have been introduced to increase the supply of Affordable Home Ownership. The council's preferred Affordable Home Ownership tenure is Shared Ownership as it is considered to be to meet assessed housing need better than First Homes, for which needs evidence is not yet available. The council has compared both tenures and found Shared Ownership to be more affordable for households who cannot meet their housing requirements in the market.

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, the Council's preference for the delivery of Affordable Home Ownership (10% of all units) is the delivery of Shared Ownership.

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<sup>th</sup> May 2021.

From the 28 June 2021 local authorities should deliver First Homes as a proportion (25%) of their usual Affordable Housing delivery through their local plan policies.

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

- a) 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.

The above provisions will be secured through a Section 106 agreement.

## 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%.

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. In South Gloucestershire, this is equivalent to 28% (27.86%) of the Affordable Housing.

The council's preferred Affordable Home Ownership tenure is Shared Ownership, delivered by a Registered Provider from the HomesWest panel. It has proved to be a successful and popular tenure for a wide range of households, including first-time buyers, and can be viably delivered in a wider range of house types and sizes than First Homes.

**The Council's preferred tenure split of Affordable Housing is 72% Social Rent, 28% Shared Ownership**

## Developments with First Homes

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

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 72.14% of the Affordable Housing quantum should be delivered as Social Rent, producing a tenure split (rounded) of:  
 Social Rent 72%, 3% 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

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.

## House types

House types for First Homes will be dependent on the price cap of £250,00 after discount has been applied. First Homes can be delivered at a higher discount than 30% in order to deliver house types which would otherwise exceed the price cap. The council will not accept any reduction in Social Rent to mitigate any resulting impact on scheme viability. The council will seek an appropriate range of house types to meet identified need.

## 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 Affordable Housing will be used towards the provision of additional Affordable Housing in South Gloucestershire.

(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.

Please refer to the National Planning Policy Guidance (NPPG) <https://www.gov.uk/guidance/first-homes> for information and guidance.

The provisions and related terms for implementation will be secured through a Section 106 agreement.

See also [First Homes scheme: discounts for first-time buyers - GOV.UK \(www.gov.uk\)](https://www.gov.uk/guidance/first-homes) for advice on the application and purchasing process.'

## 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](#).

This local connection requirement is subject to the time limit of 3 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.

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## Appendices

Appendix 1: Affordable Housing tenure split with 25% First Homes

Appendix 2: Application Process

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Social Rent	50		72.14
Total	70	10	35

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

The resulting tenure split (rounded up) is 72% Social Rent and 28% Affordable Home Ownership

## Appendix 2: Application Process

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