



Interim Policy Guidance Note: First Homes (December 2021)

1.0 Introduction

- 1.1 This interim Policy Guidance Note sets out key information relating to First Homes and how it will relate to the implementation of relevant Cherwell Local Plan policies, as follows:

Local Plan	Policy	Aim
Adopted Cherwell Local Plan 2011-2031 Part 1 (2015)	Policy BSC 3 Affordable Housing	The policy sets out the affordable housing requirements for sites of 11 or more dwellings including a breakdown of affordable housing tenure mix (70% affordable rent/social rent and 30% as other forms of intermediate affordable homes).
Adopted Cherwell Local Plan 2011-2031 Part 1 Partial Review (2020)	Policy PR2 Housing Mix, Tenure and Size	The policy sets out the requirements for the provision of affordable housing to be 80% affordable rent or social rented dwellings and 20% as other forms of intermediate affordable homes.
	Policy PR6a – Land East of Oxford Road	These policies require a provision of 50% of the homes as affordable housing for each site.
	Policy PR6b – Land West of Oxford Road	
	Policy PR7a – Land South East of Kidlington	
	Policy PR7b – Land at Stratfield Farm	
	Policy PR8 – Land East of the A44	
Policy PR9 – Land West of Yarnton		

2.0 Background and overview of approach set out in PPG

- 2.1 On 24 May 2021, the Government published a Written Ministerial Statement¹ to set out the Government's plans for the delivery of First Homes and how they define this tenure of housing as part of delivering a range of affordable housing products. To support the future

¹ Written Ministerial Statement - <https://questions-statements.parliament.uk/written-statements/detail/2021-05-24/hlws48>

development of First Homes, the Government also set out changes to planning policy within an update to Planning Practice Guidance (PPG) published on 24 May 2021. The PPG provides further detail on First Homes and their implementation². These changes came into effect from **28 June 2021** with a series of transitional arrangements (see section 3).

- 2.2 The National Planning Policy Framework (NPPF) was updated on 20 July 2021, however this did not update the National Policy to First Homes³.

First Homes criteria

- 2.3 First Homes are a specific tenure of discounted market sale housing and should be considered within the definition of 'affordable housing' for planning purposes. First Homes are discounted market sale 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.

First Homes eligibility criteria

- 2.4 A purchaser (or, if a joint purchase, all the purchasers) of a First Home should be a first-time buyer as defined in paragraph 6 of schedule 6ZA of the Finance Act 2003 for the purposes of Stamp Duty Relief for first-time buyers.
- 2.5 Purchasers of First Homes, whether individuals, couples or group purchasers, should have a combined annual household income not exceeding £80,000 in the tax year immediately preceding the year of purchase.
- 2.6 A purchaser of a First Home should have a mortgage or home purchase plan (if required to comply with Islamic law) to fund a minimum of 50% of the discounted purchase price.
- 2.7 These national standard criteria should also apply at all future sales of a First Home.
- 2.8 In recognition of the unique circumstances, members of the Armed Forces, divorced or separated 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 should be exempt from any local connection testing restrictions.

Setting developer contributions for First Homes

- 2.9 The PPG requires a minimum of 25% of all affordable housing units secured through developer contributions to be First Homes. It is expected that First Homes (and the mechanism securing the discount in perpetuity) will be secured through section 106 planning obligations.

² <https://www.gov.uk/guidance/first-homes>

³ <https://www.gov.uk/government/publications/national-planning-policy-framework--2>

- 2.10 In accordance with paragraph 62 of the National Planning Policy Framework (NPPF), affordable housing is expected to be delivered on-site unless off-site provision or a financial contribution in lieu can be robustly justified, and the agreed approach contributes to the objective of creating mixed and balanced communities.
- 2.11 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. This could be achieved, for example, by acquiring additional First Homes from market development, paying the developer a sum to offset the discount from market price, and securing the tenure through section 106 planning obligations.
- 2.12 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.

Remaining 75% of affordable housing secured through developer contributions

- 2.13 The Written Ministerial Statement on affordable homes (24 May 2021) recognises the importance of social rent as part of the affordable housing tenure mix which is reflected in the PPG, therefore once a minimum of 25% of First Homes has been accounted for, social rent should be delivered in the same percentage as set out in the local plan⁴. The remainder of the affordable housing tenures should be delivered in line with the proportions set out in the local plan policy. The working examples below are provided in the PPG (Paragraph: 015 Reference ID: 70-015-20210524).

PPG example 1: If a local plan policy requires an affordable housing mix of 20% shared ownership units, 40% affordable rent units and 40% social rent units, a planning application compliant with national policy would deliver an affordable housing tenure mix of 25% First Homes and 40% social rent. The remainder (35%) would be split in line with the ratio set out in the local plan policy, which is 40% affordable rent to 20% shared ownership, or 2:1. 35% split in this way results in 12% shared ownership; and 23% affordable rent.

PPG example 2: If a local plan policy requires 80% of units to be shared ownership and 20% to be social rent, a policy compliant application would deliver 25% First Homes units, 20% social rent and 55% shared ownership.

- 2.14 If a local authority has an up-to-date policy on cash contributions in lieu of onsite contributions, then a planning application compliant with national policy will align with this approach.

3.0 Transition period for plan-making?

- 3.1 The requirement of First Homes will not be applied for the following:
 - a) Sites with full or outline planning permissions in place or determined (or where a right to appeal against non-determination has arisen) before **28 December 2021**;

⁴ Paragraph: 015 Reference ID: 70-015-20210524

- b) Applications for full or outline planning permission where there has been ‘significant pre-application engagement’⁵ which are determined before **28 March 2022**; and
 - c) Sites where local and neighbourhood plans are adopted/made under the transitional arrangements, as detailed in paragraphs 18 and 19 of the PPG. These transitional arrangements will also apply to permissions and applications for entry-level exception sites⁶.
- 3.2 If an applicant wishes to amend a planning application to include First Homes which is already submitted and likely to be granted before these dates, the local planning authority should be flexible in accepting First Homes as an alternative type of tenure.
- 3.3 Local authorities should have flexibility to accept alternative tenure mixes for planning applications that are determined within the timescales identified above, although they should consider whether First Homes could be easily substituted for another tenure, either at 25% or a lower proportion.
- 3.4 The Cherwell Local Plan 2011-2031 Part 1 was adopted in 2015, which is now over five years old. The process for reviewing the Local Plan has already started, and policies such as affordable housing for an example will be reviewed in due course. For further information on the Local Plan Review please visit <https://www.cherwell.gov.uk/info/83/local-plans/729/local-plan-review-2040---planning-for-cherwell-to-2040>.

4.0 Application of First Homes Policy at Cherwell

- 4.1 A minimum of 25% of all affordable housing units secured through developer contributions should be First Homes.
- 4.2 Provision of affordable housing is expected to be delivered on-site unless off-site contribution or a financial contribution in lieu can be robustly justified. An open book financial analysis of proposed developments will be expected so that an in house economic viability assessment can be undertaken.
- 4.3 In accordance with national policy, First Homes must be sold at a discount of at least 30% of the market value i.e. the national minimum discount. However, this may be subject to change through the development of Cherwell District Council’s Local Plan Review which will consider the viability of implementing greater discounts for First Homes, having regard to local incomes and affordability.
- 4.4 The current national eligibility criteria for purchasers of First Homes will be applied, but a local connection test will be considered through the process of developing Cherwell District Council’s Local Plan Review.
- 4.5 The national guidance will be followed in assessing purchaser eligibility, administration and approvals of First Homes purchase which will be undertaken by the Council’s Housing Team.

Policy BSC 3 Affordable Housing (2015 adopted Local Plan Part 1)

⁵ Significant pre-application engagement means any substantive discussions between the local planning authority and the applicant relating to the proposed quantity or tenure mix of the affordable housing contribution associated with that application.

⁶ A site that provides entry-level homes suitable for first time buyers (or equivalent, for those looking to rent), in line with paragraph 72 of the NPPF.

- 4.6 Policy BSC 3: Affordable Housing in the adopted Local Plan 2011-2031 (Part 1) requires that all proposed developments that include 11 or more dwellings will provide at least 30% (in Banbury and Bicester) or at least 35% (Kidlington and rural areas) of new housing as affordable homes on site. All qualifying developments will be expected to provide 70% of the affordable housing as social/affordable rented dwellings and 30% as other forms of intermediate affordable homes.
- 4.7 The introduction of the First Homes policy means that 25% of affordable housing provision should be for First Homes, with 75% remaining for other tenures. Policy BSC 3 does not provide a breakdown of the 70% for social or affordable rent. It is the Council's aspiration as part of the Housing Strategy and the Tenancy Strategy that where viable, social rent is preferred on qualifying developments. Evidence of housing need and local affordability supports that Social Rent should be the default tenure. The Council's approved Tenancy Strategy sets out the circumstances where Affordable Rent may be considered appropriate. Therefore, from 23 December 2021 the preferred tenure mix for affordable housing under Policy BSC 3 will be:
- a) 25% First Homes
 - b) 70% Social/Affordable Rented housing
 - c) 5% Intermediate housing
- 4.8 Paragraph 65 of the NPPF sets a requirement that where major development involving the provision of housing is proposed, planning policies and decisions should expect at least 10% of the total number of homes to be available for affordable home ownership, 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. If this requirement cannot be met, the PPG advises:
- "If a planning application for a major housing site in which 25% of the affordable homes are First Homes does not deliver enough First Homes to meet the 10% affordable home ownership expectation in the NPPF, additional affordable home ownership homes may be provided on top of the First Homes provision, in order to meet this expectation."* (Paragraph: 023 Reference ID: 70-023-20210524)
- 4.9 It is therefore expected that where additional affordable home ownership homes are needed to meet the minimum 10% NPPF requirement, then applicants are encouraged to provide the additional affordable home ownership products such as shared ownership home to enable those in housing need to access an alternative affordable home ownership model.

Examples relating to developments at Banbury and Bicester (30% affordable housing requirement)

EXAMPLE 1 - A development of 11 dwellings at Banbury/Bicester

Method	Result
At least 30% affordable housing requirement through Policy BSC 3: 11 x 30%	3.3 (4 affordable homes)
Tenure mix of 25% First Homes, 70% social/affordable rented and 5% intermediate homes	25% = 1 70% = 2 5% = 1
NPPF requirement for at least 10% of homes to be affordable home ownership: 10% of 11 dwellings	1.1 (2 dwellings rounded)
Conclusion	The single First Home plus the single intermediate home provided as shared ownership would meet the NPPF 10% requirement.

EXAMPLE 2 - A development of 35 dwellings at Banbury/Bicester

Method	Result
At least 30% affordable housing requirement through Policy BSC 3: 35 x 30%	10.5 (11 affordable homes)
Tenure mix of 25% First Homes, 70% social/affordable rented and 5% intermediate homes	25% = 3 70% = 7 5% = 1
NPPF requirement for at least 10% of homes to be affordable home ownership: 10% of 35 dwellings	3.5 (4 dwelling rounded)
Conclusion	The 3 no. First Homes and 1 no. intermediate home provided as shared ownership would meet the NPPF 10% requirement.

EXAMPLE 3 - A development of 150 dwellings at Banbury/Bicester

Method	Result
At least 30% affordable housing requirement through Policy BSC 3: 150 x 30%	45 affordable homes
Tenure mix of 25% First Homes, 70% social/affordable rented and 5% intermediate homes	25% = 11 70% = 32 5% = 2
NPPF requirement for at least 10% of homes to be affordable home ownership: 10% of 150 dwellings	15 dwellings
Conclusion	In order to meet the NPPF minimum 10% requirement 2 further affordable home ownership products would be expected (i.e. one shared ownership home and one additional First Home). This would change the split as follows: 12 First Homes 30 social/affordable rented homes 3 intermediate homes

Examples relating to developments at Kidlington and rural areas (35% affordable housing requirement)

EXAMPLE 1 - A development of 11 dwellings at Kidlington/rural areas	
Method	Result
At least 35% affordable housing requirement through Policy BSC 3: 11 x 35%	3.85 (4 affordable homes)
Tenure mix of 25% First Homes, 70% social/affordable rented and 5% intermediate homes	25% = 1 70% = 3 5% = 0
NPPF requirement for at least 10% of homes to be affordable home ownership: 10% of 11 dwellings	1.1 (2 dwellings rounded)
Conclusion	In order to meet the NPPF minimum 10% requirement 1 further affordable home ownership products would be expected (i.e. one additional Shared ownership home). This would change the split as follows: 1 First Home 2 social/affordable rented homes 1 intermediate home

EXAMPLE 2 - A development of 45 dwellings at Kidlington/rural areas	
Method	Result
At least 35% affordable housing requirement through Policy BSC 3: 45 x 35%	15.75 (16 affordable homes)
Tenure mix of 25% First Homes, 70% social/affordable rented and 5% intermediate homes	25% = 4 70% = 11 5% = 1
NPPF requirement for at least 10% of homes to be affordable home ownership: 10% of 45 dwellings	4.5 (5 dwellings rounded)
Conclusion	The 4 First Homes and 1 Intermediate home meets the NPPF 10% requirement.

EXAMPLE 3 - A development of 125 dwellings at Kidlington/rural areas	
Method	Result
At least 35% affordable housing requirement through Policy BSC 3: 125 x 35%	43.75 (44 affordable homes)
Tenure mix of 25% First Homes, 70% social/affordable rented and 5% intermediate homes	25% = 11 70% = 31 5% = 2
NPPF requirement for at least 10% of homes to be affordable home ownership: 10% of 125 dwellings	12.5 (13 dwellings rounded)
Conclusion	The 11 First Homes and 2 Intermediate homes meets the NPPF 10% requirement.

Policy PR2 Housing Mix, Tenure and Size and site Policies PR6 to PR9 (2020 adopted Local Plan Part 1 Partial Review)

4.10 The sites allocated in the adopted Local Plan 2011-2031 (Part 1) Partial Review are as follows:

- Policy PR6a – Land East of Oxford Road
- Policy PR6b – Land West of Oxford Road
- Policy PR7a – Land South East of Kidlington
- Policy PR7b – Land at Stratfield Farm
- Policy PR8 – Land East of the A44
- Policy PR9 – Land West of Yarnton

4.11 Site Policies PR6 to PR9 requires each site to provide 50% of the homes as affordable housing. Policy PR2 Housing Mix, Tenure and Size then requires this to be split between 80% for social/affordable rented dwellings and 20% for other forms of intermediate affordable homes.

4.12 Following the approach set out in paragraph 4.7, the preferred tenure mix for affordable housing under Policy PR2 and PR6 to PR9 will be:

- a) 25% First Homes
- b) 75% Social/Affordable Rented housing

Examples relating to developments at the allocated sites in the Local Plan Partial Review (50% affordable housing requirement)

EXAMPLE 1 - A development of 120 dwellings at Partial Review allocations	
Method	Result
50% affordable housing requirement through Policy PR6-PR9: 120 x 50%	60 affordable homes
Tenure mix of 25% First Homes and 75% social/affordable rented	25% = 15 75% = 45
NPPF requirement for at least 10% of homes to be affordable home ownership: 10% of 120 dwellings	12 dwellings
Conclusion	The 15 First Homes meets the NPPF 10% requirement.

EXAMPLE 2 - A development of 540 dwellings at Partial Review allocations	
Method	Result
50% affordable housing requirement through Policy PR6-PR9: 540 x 50%	270 affordable homes
Tenure mix of 25% First Homes and 75% social/affordable rented	25% = 68 75% = 202
NPPF requirement for at least 10% of homes to be affordable home ownership: 10% of 540 dwellings	54 dwellings

Conclusion	The 68 First Homes meets the NPPF 10% requirement.
------------	--

EXAMPLE 3 - A development of 1950 dwellings at Partial Review allocations

Method	Result
50% affordable housing requirement through Policy PR6-PR9: 1950 x 50%	975 affordable homes
Tenure mix of 25% First Homes and 75% social/affordable rented	25% = 244 75% = 731
NPPF requirement for at least 10% of homes to be affordable home ownership: 10% of 1950 dwellings	195 dwellings
Conclusion	The 244 First Homes meets the NPPF 10% requirement.