



COTSWOLD
DISTRICT COUNCIL

Guidance Note
on
Interpretation of Policies H1 and H2 :
Affordable Housing
Cotswold District Council
Local Plan 2011-2031
following the introduction of
First Homes

Introduction

- 1.1 In May 2021, the Government released a [Written Ministerial Statement \(WMS\)](#)¹ and [Planning Practice Guidance \(PPG\)](#)² setting out national planning policy for a new affordable housing product called First Homes. The PPG sets out that First Homes meet the definition of affordable housing for planning purposes³.
- 1.2 The WMS and PPG set out the potential for First Homes to be provided through the planning system from **28 June 2021**, before becoming a requirement for planning applications from **28 December 2021** (or **28 March 2022** if there have been significant pre-application discussions).
- 1.3 This note provides interim guidance and will be updated in due course. The guidance note sets out the key information relating to First Homes and how it will relate to the implementation of Policies H1 and H2 and the provision of affordable housing in the adopted [Cotswold District Local Plan 2011-2031 \(the Local Plan\)](#)⁴.

What are First Homes?

- 1.4 First Homes is an affordable home ownership product, intended to offer eligible first-time buyers discounted market sale housing in their local area. The WMS and the PPG set out national criteria in relation to both the dwelling and the purchaser of a First home.
- 1.5 The following criteria must be satisfied in order for a dwelling to qualify as a First Home:
 - The purchase price of the property must be discounted by a minimum of 30% against the market value, and;
 - Once the discount outlined above has been applied, the price at first sale of the property must not exceed £250,000. (*Price cap only applies on the initial sale*).
 - The discount is retained for every future sale and is secured through a S106 agreement.

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

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

³ As set out in paragraph: 001 Reference ID: 70-001-20210524 of the PPG on First Homes

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<https://www.cotswold.gov.uk/media/k2kjqv3b/cotswold-district-local-plan-2011-2031-adopted-3-august-2018-web-version.pdf>

A First Home must be sold to an individual or individuals who meet the First Homes Eligibility Criteria, as defined below:

- The purchaser (or, if a joint purchase, all the purchasers) must qualify as 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.
- First Homes cannot be sold to any household with a combined annual income above £80,000 in the tax year preceding the year of purchase.
- Any purchaser of a First Home should have a mortgage or a home purchase plan (if such is required to comply with Islamic law) to fund a minimum of 50% of the discounted purchase price.

1.6 The WMS and PPG identify a range of additional local criteria that can be applied to First Homes. Cotswold District Council will consider the potential for adopting a local lower market discount, a lower value cap and a lower household income threshold, through the ongoing [partial update to the Local Plan](#)⁵. This could also include the option to include criteria based on employment status to prioritise Key Workers for First Homes in a local area. The national market discount, value cap and income threshold criteria for First Homes will be implemented until such time as appropriate evidence to support local criteria is available.

Local Eligibility Criteria

1.7 First Homes are designed to allow people to get on the housing ladder in their local area. The PPG states that local authorities can apply local connection criteria to help achieve this ambition. Any local eligibility criteria will only apply for a maximum of 3 months from when a home is first marketed. If a suitable buyer with a local connection has not reserved a home after 3 months, the eligibility criteria will revert to the national criteria.

1.8 The local connection criteria that will apply to First Homes sold in the Cotswold District is set out in Appendix 1. The local connection criteria will apply via a Section 106 Agreement upon the first and every successive sale of a First Home, although the criteria will be lifted after 3 months if the home has not been reserved or sold. A template S106 agreement has been provided by the government.

First Homes discount

1.9 The PPG makes it clear that First Homes should not be physically different from the equivalent market homes in terms of quality and size. Local Plan Policy H2 also

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<https://www.cotswold.gov.uk/planning-and-building/planning-policy/local-plan-update-and-supporting-information/>

requires that any affordable homes are tenure-blind and well integrated into any development.

- 1.10 A First Home must be sold with a discount of at least 30% of the market value; this is the minimum discount and remains the same at each subsequent sale. Developers should obtain a market valuation from a registered valuer acting in an independent capacity, and that valuation should be in accordance with the Royal Institution of Chartered Surveyors (RICS) red-book valuation guidance for new-build homes. When the home is resold in future, the seller should obtain a valuation in the same way in accordance with RICS's guidance.

Interpretation of Policies H1 and H2 to Reflect the Introduction of First Homes Policy

- 1.11 As First Homes are defined as a type of 'affordable housing' for planning purposes, their delivery must be considered within the pre-existing affordable housing requirements of Local Plan Policies H1 (Housing Mix and Tenure to Meet Local Need) and H2 (Affordable Housing).
- 1.12 The WMS details the approach that councils are expected to follow in order to incorporate First Homes into their existing affordable housing requirements. In light of this, it is appropriate to define how Local Plan policies H1 and H2 should be interpreted to ensure compliance with national and local requirements.
- 1.13 Policy H2 seeks a 30% affordable housing contribution on all brownfield sites and 40% on all other sites, which deliver 11 or more dwellings (net). For designated rural areas, all housing developments that provide 6 to 10 new dwellings (net) are required to make a financial contribution by way of a commuted sum. The Council endeavours to achieve an affordable tenure split of 70% rented accommodation and 30% affordable home ownership accommodation, on all developer-led sites eligible for an affordable housing contribution.
- 1.14 First Homes is the Government's preferred discounted market tenure and needs to account for at least 25% of all affordable housing units delivered by developers as part of planning obligations (Section 106 Agreements). In accordance with national policy, a minimum of 25% of all affordable housing units secured through developer contributions should now be First Homes. Therefore, First Homes will be allocated to the first 25% of all affordable housing units secured through developer contributions.
- 1.15 In line with Policy H2, the Council will typically expect that First Homes will account for 25% of affordable housing provision, with rented homes accounting for 70% and the remaining 5% being other subsidised homeownership products (such as shared ownership). An example of how the split might work in practice is set out below:

Example 1: A scheme for 15 dwellings

METHOD	RESULT
40% affordable housing requirement	6 affordable homes
Tenure mix of 25% First Homes, 5% shared ownership or first homes 70% affordable housing for rent	25% = 1.5 First Homes (this would be rounded to 2 units) 5% = no provision for other types of affordable home ownership, such as shared ownership, after accounting for First Homes 70% = 4 affordable rent or social rented homes

Example 2: A scheme for 50 dwellings

METHOD	RESULT
40% affordable housing requirement	20 affordable homes
Tenure mix of 25% First Homes, 5% shared ownership or first homes 70% affordable housing for rent	25% = 5 First Homes 5% = 1 shared ownership or First Home 70% = 14 affordable rent or social rented homes

First Homes Policy Timeframe: The Transitional Period

1.16 The national planning policy for First Homes came into effect from 28 June 2021.

1.17 The national First Homes policy requirements do not apply in the following circumstances:

- 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; or

- Applications for full or outline planning permission where there has been significant pre-application engagement which are determined before 22 March 2022 (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).

1.18 The First Homes requirement does not apply to applications to amend or vary an existing planning permission, unless the amendment or variation in question relates to the proposed quantity or tenure mix of affordable housing for that development.

First Homes and CIL Exemption

1.19 The Community Infrastructure Levy (CIL) Regulations 2010 (as amended) make provisions for charging authorities to give relief or grant exemptions from the levy. These regulations allow developers of First Homes to obtain an exemption from the requirement to pay CIL.

1.20 Mandatory social housing relief can apply in respect of dwellings where the first and subsequent sales are for no more than 70% of their market value. To be eligible, a planning obligation must be entered into prior to the first sale of the dwelling designed to ensure that any subsequent sale of the dwelling is for no more than 70% of its market value. This relief will therefore be available for First Homes. Regulations 49-54 of the Community Infrastructure Levy Regulations (as amended) defines where social housing relief applies.

First Homes Exception Sites

1.21 Under the NPPF, Rural Exception Sites are defined as “Small sites used for affordable housing in perpetuity where sites would not normally be used for housing”

1.22 First Homes exception sites are developments on land which is not already allocated for housing, are adjacent to existing settlements and primarily comprise First Homes. Proposals to deliver First Homes exception sites should be accompanied by evidence that demonstrates that the need for First Homes is not already being met within the local authority’s area.

1.23 First Homes exception sites cannot come forward in areas designated rural areas⁶, such as the Cotswolds Area of Outstanding Natural Beauty (the AONB), or in the Green Belt. The First Homes exception site policy will therefore not apply to the

⁶ **Designated Rural Areas:** These areas were set out in the Housing Act 1985 and are National Parks, Areas of Outstanding Natural Beauty and other areas laid down by the Secretary of State. These areas are important as they provide exemptions from areas of policy such as First Homes.

many parishes in Cotswold District that are within the AONB or the small part of the district that is within the Green Belt.

- 1.24 First Home exception sites should be proportionate in size to the existing settlement and the Council requires proposals for these exception sites to be of an appropriate scale. The size of an exception site will be considered on a case-by-case basis, taking into account the scale proposed in relation to the settlement and need; together with considerations such as the sustainability of the settlement, local services and facilities and other relevant factors. Applicants are encouraged to engage with the Council to discuss their proposals to ensure the site is proportionate before submitting a planning application.
- 1.25 Where local evidence suggests that a significant local need exists for one or more other forms of affordable housing, applicants may alter the proportions of affordable housing to include small quantities of other affordable housing products on First Home exception sites.
- 1.26 First Home exception sites can include a small proportion of market housing, where it can be demonstrated that this is necessary to ensure the overall viability of the site. Proposals containing an element of market housing on viability grounds should be supported by an open book viability assessment. This will need to demonstrate that the proposed number of market dwellings is essential for the successful delivery of the development and is based on reasonable land values as an exception site. There is an expectation that cross-subsidy should not inflate land values. Local Plan Policy H2 provides further guidance on viability assessments.
- 1.27 Where proposals to deliver First Homes exception sites are accompanied by evidence that demonstrates that there is an identified need, the local criteria identified in Appendix A will be required to ensure the proposal delivers the local need for First Homes in the parish in which the First Homes exception site is proposed.

APPENDIX A

1. Local connection criteria for First Homes built in the Cotswold District

To demonstrate a local connection (defined in Part VII of the Housing Act 1996), applicants for First Homes that are built in Cotswold District will:

- **Normally be resident in Cotswold District**
Local Government Association guidelines define this as having resided in the area for six of the last twelve months, or three out of the last five years, where residence has been out of choice; or
- **Work in Cotswold District**
The Local Government Association guidelines define this as employment other than of a casual nature. For the purposes of this policy this will be defined as having had permanent work with a minimum of a 16 hour contract per week for the previous 6 months, and without a break in the period of employment for more than three months; or
- **Have family connections in the Cotswold District**
Reflecting the Local Government Association guidelines this is normally defined as when the applicant for the affordable home, or a member of their household, has parents, adult children or brothers or sisters who have been resident in Cotswold District for at least the last 5 years. Only in exceptional circumstances would the residence of relatives other than those listed above be taken to establish a local connection, but the circumstances may be sufficient and all cases will be considered individually.
- **Armed Forces**
Members of the Armed Forces, the divorced or separated spouse or civil partner of a member of the Armed Forces, the spouse or civil partner of a deceased member of the Armed Forces (if their death was caused wholly or partly by their service) or veterans within five years of leaving the Armed Forces will be exempt from these local connection criteria.

The local connection criteria will be applied every time a First Home is marketed, but will be lifted after 3 months if the home is not sold or reserved.

2. First Homes Exception Site Local Connection Criteria

For First Homes exception sites, the relevant local connections identified above to the Cotswold District are replaced by the requirement for a connection to the parish in which the First Homes exception site is proposed.