



Forest of Dean

— DISTRICT COUNCIL —

Guidance Note
on
Interpretation of Policy CSP5
(Forest of Dean District Council
Local Plan 2006-2026)
following the introduction of
First Homes

1.0 Introduction

- 1.1 In May 2021, the Government released a Written Ministerial Statement (WMS) and Planning Practice Guidance (PPG) setting out national planning policy for a new affordable housing product called First Homes. The PPG (Paragraph: 001 Reference ID: 70-001-20210524) sets out that First Homes meet the definition of affordable housing for planning purposes.
- 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 is intended to be 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 Policy CSP 5 and the provision of affordable housing in the adopted Local Plan 2006 -2026.

2.0 What are First Homes?

- 2.1 First Homes are 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.
- 2.2 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.

A First Home must be sold to an individual or individuals which 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.

2.3 The WMS and PPG identify a range of additional local criteria that can be applied to First Homes. Forest of Dean District Council will consider the potential for adopting a local lower market discount, lower value cap and lower household income threshold, including through work on the new Forest of Dean Local Plan. The national criteria for First Homes will be implemented until such time as appropriate evidence to support local criteria is available.

Local Eligibility Criteria

- 2.4 First Homes are designed to allow people to get on the housing ladder in their local area. The Government's guidance states that local authorities can apply a local connection criteria to help achieve this ambition. Any local eligibility criteria will apply for a maximum of 3 months from when a home is first marketed. If a suitable buyer has not reserved a home after 3 months, the eligibility criteria will revert to the national criteria.
- 2.5 The local connection criteria that will apply to First Homes sold in the Forest of Dean 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 three months if the home has not been reserved or sold.

3.0 First Homes discount

- 3.1 The PPG makes it clear that First Homes should not be physically different from the equivalent market homes in terms of quality and size. The Forest of Dean Affordable Housing SPD also requires that any affordable homes are well integrated into any development.
- 3.2 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 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.

4.0 Interpretation of Policy CSP 5 to Reflect the Introduction of First Homes Policy

- 4.1 As First Homes are defined as ‘affordable housing’ for planning purposes, their delivery must be considered within the pre-existing affordable housing requirements of Policy CSP 5 - Housing, as defined in the adopted Core Strategy.
- 4.2 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 Core Strategy Policy CSP 5 should be interpreted to ensure compliance with national and local requirements.
- 4.3 Policy CSP 5, in line with the National Planning Policy Framework (NPPF), seeks a 40% affordable housing contribution on sites which deliver 10 dwellings or more in non designated rural areas and on sites which deliver 5 dwellings or more in designated rural areas. The Council endeavours to achieve a tenure split of 70% rented accommodation and 30% affordable home ownership accommodation on all sites eligible for an affordable housing provision.
- 4.4 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.
- 4.5 Therefore, in line with Policy CSP 5 and we would typically expect that First Homes would account for 25%, with rented homes accounting for 70% and the remaining 5% for other subsidised homeownership products. 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 after accounting for First Homes 70% = 4 affordable 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 rented homes

5.0 First Homes Policy Timeframe: The Transitional Period

- 5.1 The First Homes Policy comes into effect from 28 June 2021.
- 5.2 However, the 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;
 - 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).
- 5.3 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.

6.0 First Homes Exception Sites

- 6.1 An exception site is an exception to normal planning policy, where planning policy would prevent the site's use for housing. First Homes exception sites, are developments on land which is not already allocated for housing, is adjacent to existing settlements and comprises of First Homes. Any 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.

- 6.2 First Homes exception sites cannot come forward in areas designated as Green Belt or in designated rural areas¹ and therefore for most of the rural parishes a First Homes exception site will not be an option. First Homes exception sites will only be considered in the following Parishes of Cinderford, Coleford, Lydbrook, Lydney, Mitcheldean, Newent, Tidenham and West Dean that are non – designated rural areas.
- 6.3 A First Home exception site should be proportionate in size to the existing settlement and the Council requires proposals for 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.
- 6.4 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.
- 6.5 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. The Forest of Dean District Council Affordable Housing SPD sets out further guidance on viability assessments.
- 6.6 Where proposals to deliver First Homes exception sites are accompanied by evidence that demonstrates that there is an identified need then the Council will look to include that the local criteria identified in Appendix A relates to the parish in which the First Homes exception site is proposed.

¹ **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.

Appendix A

Local connection criteria for First Homes built in the Forest of Dean

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

- **Normally be resident in Forest of Dean.**

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 Forest of Dean.**

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 Forest of Dean.**

Reflecting the Local Government Association guidelines this is normally defined as the applicant, or a member of their household has parents, adult children or brothers or sisters who have been resident in Forest of Dean 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.

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 three months if the home is not sold or reserved.

First Homes Exception Sites

For First Homes exception sites the relevant local connections identified above to the Forest of Dean will be replaced by the requirement for connection to the parish in which the First Homes exception site is proposed.