

# Cheltenham Borough Council

## Cabinet – 17 December 2024

### First Homes Technical Advice Note

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**Accountable member:**

Cabinet Member for Housing & Customer Services, Councillor Flo Clucas

**Accountable officer:**

Housing Strategy and Partnerships Manager, Martin Stacy

**Ward(s) affected:**

All

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**Key Decision: Yes**

**Executive summary:**

In May 2021, the Conservative Government introduced a new type of affordable housing tenure, called 'First Homes' through the publication of its [First Homes Written Ministerial Statement](#) and accompanying [First Homes Planning Practice Guidance](#) (PPG). A 'First Home' is a type of discounted market sale housing provided exclusively to first-time buyers. It offers a minimum 30% discount secured in perpetuity against market values. The PPG also states that 25% of all new affordable housing provided by developers through planning obligations (such as Section 106 agreements) should be First Homes.

In July 2024, the new Labour Government published a [National Planning Policy Framework \(NPPF\) consultation](#). This consultation proposes to keep open the option for local authorities to support the provision of First Homes locally (to reflect local needs and priorities) whilst removing the requirement for 25% of all new affordable housing secured through planning obligations to be First Homes. These proposals are likely to be implemented in the updated NPPF which is expected to be published at the end of this calendar year. They will provide local authorities with much greater freedoms and flexibilities to deliver First Homes in accordance with local housing needs.

In light of the government's proposals, Cheltenham Borough Council (CBC) has

produced a First Homes Technical Advice Note (TAN) which sets out our approach to delivering First Homes within Cheltenham.

### **Recommendations: That Cabinet:**

- 1. approves the First Homes Technical Advice Note (TAN) as set out in Appendix 3; ss**
  - 2. approves setting a £175 administration fee per dwelling to be charged by CBC to developers in respect of the initial sale of First Homes, and to vendors in respect of resales;**
  - 3. delegates authority to the Housing Strategy & Partnerships Manager to undertake any minor updates to the First Homes TAN (including the administration fee) in consultation with the Cabinet Member for Housing.**
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## **1. Implications**

### **1.1 Financial, Property and Asset implications**

As set out in this report, CBC will apply a £175 administration fee on the sale (and resale) of each First Homes dwelling to take account of the administration that CBC will be required to undertake in order to facilitate the sale of First Homes dwellings to prospective purchasers. This fee is considered to be reasonable in light of the administration involved. This fee will be reviewed at least every 3 years.

**Signed off by:** Gemma Bell, Director of Finance and Assets,  
[gemma.bell@cheltenham.gov.uk](mailto:gemma.bell@cheltenham.gov.uk).]

### **1.2 Legal implications**

This First Homes Technical Advice Note will help provide greater clarity for developers on CBC's position with regards to First Homes. Crucially, it will provide some, albeit limited, weight in planning decision making.

This First Homes Technical Advice Note provides clear guidance to applicants ensuring the process of decision-making is transparent and open.

This First Homes Technical Advice Note will assist the Council in meeting its obligations with regard to the delivery of First Homes in the Borough.

**Signed off by:** Charlotte Lockwood, Locum Senior Lawyer,

Charlotte.Lockwood@onelegal.org.uk

### 1.3 Environmental and climate change implications

The First Homes policy is a central government scheme, which therefore means assessing the associated implications through the CIAT is not within the scope of this report, as CBC cannot amend the guidance through the review process. However, CBC's Climate Change Supplementary Planning Document provides metrics on sustainable design to ensure new developments within the borough, in association with this scheme, demonstrate how they are responding to climate change and related issues aiming to reduce the negative environmental impacts on energy and carbon, climate change adaptation, water efficiency, flood prevention, pollution, sustainable transport, biodiversity and waste reduction.

**Signed off by:** Maizy McCann, Climate Officer, [Maizy.mccann@cheltenham.gov.uk](mailto:Maizy.mccann@cheltenham.gov.uk)

### 1.4 Corporate Plan Priorities

This report contributes to the following Corporate Plan Priorities:

- Increasing the number of affordable homes through our £180m housing investment plan
- Being a more modern, efficient and financially sustainable council

### 1.5 Equality, Diversity and Inclusion Implications

Please refer to Appendix 2 of this report.

### 1.6 Performance management – monitoring and review

CBC will keep under review our First Homes TAN in order to take account of any national policy changes and emerging local needs. In the event that significant changes are required to our First Homes TAN, then approval will be sought from Cabinet.

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## 2 Background

2.1 In May 2021, the Government published a [Written Ministerial Statement](#) and accompanying [First Homes Planning Practice Guidance](#) which introduced a new affordable housing product, known as 'First Homes'. [First Homes](#) are sold to first-time buyers at a minimum 30% discount against open market value. This discount is secured forever through a legal restriction passed onto future First Homes buyers. Government policy outlines that 25% of all affordable homes

delivered through planning obligations (i.e. via Section 106 agreements) should be First Homes, and that local authorities should set out how they intend to implement First Homes in line with their existing Local Plan policies. As part of the First Homes proposals, local authorities have the flexibility to implement a number of local criteria to reflect the needs of local communities. These are: setting local connection criteria, prioritising key workers, implementing greater First Homes discounts (i.e. either a 40% or 50% discount against open market values), establishing a local household income cap, and setting a First Homes price cap (i.e. a cap which sets out the maximum value a First Home can be sold for at first sale).

2.2 In July 2024, the new Labour Government published a [National Planning Policy Framework \(NPPF\) consultation](#), which, whilst retaining the option to deliver First Homes on new developments as part of the developers' affordable housing obligations, includes proposals to remove the 25% First Homes delivery requirement, thereby offering local authorities greater scope to implement First Homes in accordance with their local housing needs. As of writing, the Government is currently reviewing consultation responses. It is anticipated that a newly updated NPPF will be published at the end of this calendar year. It is highly likely that the proposed new flexibilities with regards to First Homes will be introduced, and locally we have already seen developers begin to reposition themselves on this type of affordable housing product by seeking views from CBC on whether we would be open to supporting the delivery of shared ownership homes instead.

2.3 In view of the direction of travel being taken by the new government, CBC has produced a First Homes Technical Advice Note (TAN) which sets out our position on First Homes. (Please see Appendix 3.) Essentially, our First Homes TAN makes it clear that CBC supports the provision of shared ownership accommodation in favour of First Homes in most circumstances. CBC does, however, recognise that there may be situations in which the delivery of First Homes is more appropriate, due to site-specific considerations. For example, in circumstances where the provision of shared ownership homes may not be practical on a particular site, and as such a commuted sum in lieu of affordable housing would otherwise need to be provided to CBC by the developer, then the delivery of affordable housing on-site, as First Homes, may be preferable to receiving a commuted sum.

2.4 In situations where First Homes are provided in Cheltenham, our First Homes TAN has included local connection criteria to ensure that local people are prioritised for this type of accommodation. For a local connection to be established, a purchaser will be required to show that they are either living, working, have close family connections living in the Borough, or that they are regularly carrying out voluntary work in the Borough (i.e. on at least a weekly

basis for the last 6 months). It is proposed that CBC will keep open the possibility that a local connection will also be established if the purchaser can demonstrate to CBC's satisfaction that there are other special factors supporting the need to purchase accommodation in the Borough – however, we anticipate that this 'special circumstances' category will only be used very exceptionally.

2.5 In addition, whilst First Homes will be available to households working in any occupation, CBC will be supportive of the take up of First Homes by keyworkers. CBC will monitor any such take-up, which may in turn help to inform any future updates to our TAN.

2.6 CBC does not propose to introduce any other local criteria at this stage.

### **3 Reasons for recommendations**

3.1 Producing a First Homes TAN will help provide greater certainty to developers when negotiating with CBC on its affordable housing obligations. This will in turn help to reduce the amount of time spent on affordable housing negotiations prior to planning decisions being made.

3.2 Whilst CBC has included local connection criteria to ensure that local people are prioritised for First Homes, we are keen to ensure that our criteria is not overly restrictive, as this may result in too few prospective buyers being eligible. (It should be noted that in the event that no eligible buyers are found within the first 3 months of marketing First Homes, then a developer can market them to eligible buyers without any local restrictions.)

3.3 CBC proposes not to include additional local criteria at this stage. At present there is insufficient data available to set a household income cap on prospective purchasers, which leaves open the risk that setting an income cap could overly restrict the market. As CBC implements First Homes, it may become possible to monitor the average household incomes of purchasers accessing these homes. This may in turn help to inform our future position on local household income caps. In addition, in order to set a price cap on the value of a First Home at the initial sale, and/or to increase the level of the First Homes discount from 30% to either 40% or 50%, it will be necessary to go through the local plan examination process. We will therefore consider these options as part of our development of the Cheltenham, Gloucester and Tewkesbury Strategic and Local Plan (SLP).

3.4 To take account of the administrative costs associated with First Homes, our TAN will require that developers (and vendors in the case of resales) will make a payment to CBC following the sale of each First Home. A fee of £175/dwelling will be charged, which is broadly comparable with the charges set by Homes England as part of their 2021-2023 First Homes pilot. (A fee of £150/dwelling was set by

Homes England at that time.) This fee will be reviewed at least every three years to take account of inflationary pressures, etc., and to ensure that it remains reflective of current administrative costs.

#### **4 Alternative options considered:**

4.1 To not produce a First Homes TAN. This option is not considered to be appropriate, in view of current Government policy which outlines the expectation that local authorities must clarify how First Homes will be implemented into existing Local Plan policies. In addition, given the emerging direction of travel under the new Labour Government which offers greater flexibility to local authorities to determine First Homes delivery, it is now essential that we provide clarity to developers on our position regarding this type of affordable housing product.

#### **5 Consultation and feedback**

5.1 The development of our First Homes TAN is informed and supported by CBC's Director of Communities and Economic Engagement and CBC's Head of Planning. Officers have also engaged with a number of local Registered Providers to understand their views on our overall position, and they too are supportive.

#### **6 Key risks**

6.1 The main risks relate to the potential impact First Homes might have on the financial viability of affordable housing schemes. This in turn could impact on the delivery of social rented homes, which are our priority. There are also risks that First Homes may become increasingly unaffordable for lower income households if open market house prices continue to rise. In view of these risks, CBC's First Homes TAN sets out our preference for delivering shared ownership accommodation over First Homes. (Essentially, shared ownership accommodation is a more accessible product for lower incomes households who are aspiring for home ownership due to the lower mortgage and deposit requirements associated with shared ownership). Officers will, however, also explore the potential for increasing the First Homes discount from the standard 30% to either 40% or 50%, as well as potentially implementing a cap on the value of a First Home, as part of the development of the Cheltenham, Gloucester and Tewkesbury Strategic and Local Plan.

6.2 A full breakdown of our risks is set out in Appendix 1.

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**Report authors:**

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**Appendices:**

1. Risk Assessment
2. Equality Impact Assessment
3. First Homes Technical Advice Note
4. First Homes Administration Flowchart

**Background information:**

**N/A**

## Appendix 1: Risk Assessment

Risk ref	Risk description	Risk owner	Impact score (1-5)	Likelihood score (1-5)	Initial raw risk score (1 - 25)	Risk response	Controls / Mitigating actions	Control / Action owner	Deadline for controls/ actions
	If First Homes effectively replaces Shared Ownership dwellings, then Registered Providers (RPs) may struggle to deliver Affordable and Social Rented homes on viability grounds.	Housing Strategy & Partnerships Manager	3	4	12	Reduce	The First Homes TAN clarifies CBC's preference to deliver Shared Ownership over First Homes in the majority of circumstances, as well as clarifying the circumstances whereby First Homes provision would be accepted.	Senior Housing Strategy & Enabling Officer	Date of Cabinet – 17 <sup>th</sup> December 2024
	If market values rise across Cheltenham, then First Homes may be less affordable, thereby reducing the scope of available affordable home ownership options for residents.	Housing Strategy & Partnerships Manager	3	4	12	Reduce	As set out above, our First Homes TAN clarifies the preference to deliver Shared Ownership over First Homes.  Officers will also explore the adoption of higher First Homes discounts	Senior Housing Strategy & Enabling Officer	Date of Cabinet – 17 <sup>th</sup> December 2024  Ongoing, to coincide with the development



							through the Strategic and Local Plan examination.		of the Strategic and Local Plan
	If no eligible local First Home buyer can be found after 3 months of marketing, then developers will be able to sell First Homes free of any local restrictions.	Housing Strategy & Partnerships Manager	<b>3</b>	<b>3</b>	<b>9</b>	<b>Reduce</b>	Ensure CBC's First Homes TAN is not overly restrictive, and for Cabinet to approve the draft TAN as set out in Appendix 1.	Senior Housing Strategy & Enabling Officer	Date of Cabinet – 17 <sup>th</sup> December 2024
	If First Homes initial sales values exceed the national £250k ceiling, then delivering First Homes in higher value areas across the Borough will become unfeasible.	Housing Strategy & Partnerships Manager	<b>2</b>	<b>3</b>	<b>6</b>	<b>Reduce</b>	Affordable Housing negotiations will focus on securing Shared Ownership homes instead of First Homes.	Senior Housing Strategy & Enabling Officer	Ongoing

## Appendix 2: Equality Impact Assessment (Screening )

### 1. Identify the policy, project, function or service change

#### a. Person responsible for this Equality Impact Assessment

Officer responsible: Ewan Wright	Service Area: Place and Growth
Title: Senior Housing Strategy and Enabling Officer	Date of assessment: 22/10/2024
Signature: Ewan Wright	

#### b. Is this a policy, function, strategy, service change or project?

Function

If other, please specify:

#### c. Name of the policy, function, strategy, service change or project

First Homes Technical Advice Note

Is this new or existing?

New or proposed

#### Please specify reason for change or development of policy, function, strategy, service change or project

The First Homes Technical Advice Note (TAN) provides clarification regarding the Councils' interpretation and implementation of the Government's First Homes affordable home ownership tenure in practice, reflecting the Government's current requirement that local authorities should produce guidance to clarify how First Homes will be implemented into their existing local planning policy framework(s).

#### d. What are the aims, objectives and intended outcomes and who is likely to benefit from it?

**Aims:** The aim of the First Homes TAN is to provide developers, officers, Members and residents with clarity around how the Council will approach and implement First Homes delivered through developer contributions (Section 106).

**Objectives:** The primary objectives of the First Homes TAN is to provide clarity to developers and other interested parties in understanding the Council's approach to delivering First Homes in Cheltenham Borough. A secondary

	objective relates to confirming how the Council will introduce First Homes into our existing planning policy frameworks.
Outcomes:	To support the delivery of First Homes in Cheltenham Borough and inform future policy development, officers will monitor key information provided by First Homes buyers relating to buyer occupation(s), household incomes and local connection criteria on an ongoing basis. The Council will also record details surrounding the delivery of First Homes in Cheltenham Borough as part of our ongoing affordable housing monitoring processes.
Benefits:	It is anticipated that the guidance included within the First Homes TAN will provide clarity and certainty to developers, which will enable the timely determination of planning applications and First Homes delivery in line with the Council’s proposed approach. Cheltenham’s prospective purchasers will equally benefit from the delivery of new First Homes as a result of the clarity provided by this guidance note.

**e. What are the expected impacts?**

Are there any aspects, including how it is delivered or accessed, that could have an impact on the lives of people, including employees and customers.

**Yes**

Do you expect the impacts to be positive or negative?

**Positive**

Please provide an explanation for your answer:

By targeting local residents through the use of specific local connection criteria, it is anticipated that local first time-buyers will be positively impacted by the adoption of the First Homes TAN, as it provides another choice of affordable home ownership product for households who may not be able to access other forms of affordable home ownership (such as Shared Ownership). Additionally, the guidance provided by the First Homes TAN should also assist residents in quickly establishing whether they are eligible to buy a new First Home, facilitating a smooth customer experience.

**If your answer to question e identified potential positive or negative impacts, or you are unsure about the impact, then you should carry out a Stage Two Equality Impact Assessment.**

**f. Identify next steps as appropriate**

Stage Two required	<b>Yes</b>
Owner of Stage Two assessment	<b>Ewan Wright</b>
Completion date for Stage Two assessment	<b>1.11.24</b>