

APPENDIX 3: Technical Advice Note

Section 1: Introduction to Cheltenham Borough Council's First Homes Technical Advice Note (TAN)

- 1.1 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'.
- 1.2 The First Homes policy came into effect on 28 June 2021. This outlined the expectation that local authorities' local plans would take account of First Homes requirements, unless falling under 'transitional arrangements.'
- 1.3 Cheltenham Borough Council does not qualify for the First Homes transitional arrangements. Accordingly, the Government expects local authorities to specify how First Homes requirements will be applied under their existing Local Plan frameworks.¹
- 1.4 Following the new Labour government taking power in July 2024, the Council will monitor the impact of new policy developments upon the implementation of First Homes and adapt our policy response accordingly.

Section 2: What are First Homes?

- 2.1 [First Homes](#) are a new affordable home ownership tenure, with homes being sold to local 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.
- 2.2 The key characteristics of First Homes and associated First Homes buyer requirements are captured in Figure 1, below.

Figure 1- First Homes Characteristics and Buyer Requirements

First Homes characteristics	First Homes buyer requirements:
Sales values (after applying discounts) capped at £250,000	Only available to first-time buyers. ²
Sold with a minimum 30% discount on open market value	Household income cannot exceed £80,000

¹ Cheltenham's adopted development plan framework is comprised of the [Gloucester, Cheltenham and Tewkesbury Joint Core Strategy](#) and the [Cheltenham Local Plan](#)

² With first-time buyers being defined within Paragraph 6 of [Schedule 6ZA of the Finance Act 2003](#) for the purposes of Stamp Duty Relief for first-time buyers.

Discount is passed onto all future buyers.	Must be a buyer's main residence
Sales cap only applies on first sale	Must be purchased with at least a 50% mortgage.

- 2.3 First Homes should account for at least 25% of all affordable homes delivered through planning obligations, secured via Section 106. First Homes are exempt from Community Infrastructure Levy (CIL) charges due to their affordable housing classification.
- 2.4 As per Government guidance, homes falling outside Section 106 agreements are exempt from the First Homes delivery requirements, including 100% affordable schemes.
- 2.5 First Homes will be delivered by developers through direct marketing to eligible households without Registered Provider (RP) involvement.

Section 3: Cheltenham Borough Council's Local First Homes Eligibility Criteria:

- 3.4 The [First Homes Written Ministerial Statement](#) and accompanying [Planning Practice Guidance](#) gives local authorities the flexibility to set specific local connection, income, house price and key worker requirements. Cheltenham Borough's approach to these flexibilities is outlined below.

Cheltenham Borough Council Local Connection Criteria:

- 3.5 The Council is keen to ensure that any First Homes delivered in Cheltenham Borough meet the housing needs and aspirations of local residents.
- 3.6 Accordingly, buyers seeking to purchase First Homes in Cheltenham Borough (for first and all subsequent First Homes sales) will need to meet the Council's local connection criteria.
- 3.7 To qualify for a local connection to Cheltenham Borough under the First Homes scheme, eligible buyers only need to demonstrate one of the following local connection criteria:
- 3.8 Eligible buyers must:
- Work in Cheltenham Borough and/or
 - Live in Cheltenham Borough and/or
 - Have close family connections living in Cheltenham Borough and/or

- Be currently undertaking in regular (i.e. at least weekly) voluntary work based in Cheltenham Borough, which has been continuous for at least the last 6 months and/or
- Be able to demonstrate other special factors.

3.9 For clarity, only one member of a household buying a First Home in joint names needs to have a local connection to Cheltenham Borough for all First Homes sales.

3.10 Buyers who meet the criteria outlined within [The Allocation of Housing \(Qualification Criteria for Armed Forces\) \(England\) Regulations 2012](#) will be exempt from the Council's local connection criteria.

Marketing First Homes to Local Key Workers:

3.11 The First Homes Written Ministerial Statement and Planning Practice Guidance encourage local authorities to prioritise First Homes delivery for eligible local residents working in key worker professions, with local authorities defining key workers in line with their local needs.

3.12 The Council is keen to encourage key workers working across a range of public sector and voluntary occupations to apply to secure new First Homes, as set out in Figure 2, below. Although potential buyers working in these occupations are strongly encouraged to apply for First Homes, this does not prevent residents working in other employment sectors from applying to buy new First Homes, provided that potential buyers meet the required national and local eligibility criteria.

Figure 2- Key Worker Occupations

- NHS and Social Care
- Police
- Teachers & Teaching Staff
- Fire & Rescue Service
- Ministry of Defence & GCHQ Employees
- Local Government Employees
- Civil Servants
- Charitable organisations

Level of First Homes Discounts Required

3.13 Local authorities have the discretion to increase the minimum First Homes percentage discount from 30% to 40% or 50% discounts respectively, provided that a need can be demonstrated through the Local Plan process.

- 3.14 Initially, First Homes in Cheltenham Borough will be sold with a minimum 30% discount against open market value, reflecting national standards.
- 3.15 Moving forwards, the feasibility of requiring higher First Homes discounts will be assessed through the forthcoming [Cheltenham, Gloucester and Tewkesbury Strategic and Local Plan](#) examination process.

Approach to Local Household Income Caps:

- 3.16 The First Homes Planning Practice Guidance provides local authorities with discretion to apply household income caps for First Home buyers below the £80,000 national household income ceiling, provided that a need for such price caps can be evidenced.
- 3.17 Cheltenham Borough Council will not apply household income caps to First Home buyers within the Cheltenham Borough administrative area. This is because CBC has limited evidence of local first-time buyer incomes. In the absence of this data, there is a risk that CBC could overly restrict the ability of households to access this type of affordable housing product. Going forward, officers will monitor the income range of households acquiring First Homes within our Borough. This will enable CBC to take a more informed position on whether to impose a Household Income Cap in the future.

Approach to First Homes Price Caps:

- 3.18 A further flexibility offered by the [First Homes Planning Practice Guidance](#) is the option of capping the open market value of new First Homes below the national maximum value (on first sale) of £250,000.
- 3.19 Again, CBC will not be introducing price caps on new First Homes. First Homes Planning Practice Guidance is clear that changes to price caps must be implemented through the Local Plan process, reflecting robust evidence relating to local incomes, house prices and mortgage requirements. Whilst CBC will review the feasibility of First Homes price caps as part of the Strategic and Local Plan examination, it is self-evident that a local price cap will limit the range of properties that could be sold as First Homes, given the high value of homes in our area.

Section 4: Applying First Homes into Cheltenham's affordable housing requirements:

- 4.1 The Council's preference is to deliver Shared Ownership on 25% of affordable homes secured through developer contributions. This stance is justified on the

basis that Shared Ownership represents a more accessible product to lower income households than First Homes.

- 4.2 The remaining 75% of affordable homes secured through developer contributions will be delivered as Social Rent.
- 4.3 There may however be circumstances when First Homes, in preference to shared ownership, is a more appropriate product for on-site delivery due to specific site characteristics. For example, a large single block of flats may not necessarily lend itself to a mixed tenure scheme (i.e. a scheme which includes Social Rented and/or Shared Ownership homes alongside open market homes). Such schemes may receive little to no interest from Registered Providers if they are unable to secure the freehold of the affordable housing, as this would mean that the Register Provider would not have sufficient control over the setting of future service charges for its tenants and shared ownership occupiers. The risk is that these service charges could potentially become unaffordable for lower income households.
- 4.4 Where First Homes are an appropriate affordable housing option, it is anticipated that in all but exceptional circumstances, First Homes will be delivered on-site.
- 4.5 In exceptional circumstances, further guidance regarding the Council's approach to resolving issues relating to development viability impacting upon the delivery of the full (policy compliant) affordable housing requirement can be found within [JCS Policy SD12: Affordable Housing](#).

Section 5: Delivering First Homes in Cheltenham Borough

- 5.1 Where house prices may exceed the First Homes maximum sales value of £250k, officers reserve the right at full or reserved matters stage to seek a review of the sales value of these homes (via a RICS accredited surveyor, acting on behalf of the developer). If there is a change to the sales value, then the new value of the First Homes will need to be included as an addendum to the developer's Affordable Housing Statement (which will have been originally submitted as part of their planning application).
- 5.2 If predicted sales values exceed the £250,000 price cap after applying the 30% discount, these units will not be classified as First Homes. Developers should work with the Council to amend the scheme to support the delivery of on-site First Homes that fall within the cap or explore the provision of Shared Ownership homes instead.
- 5.3 Where on-site First Homes are secured, these should include a range of house types and sizes to meet different purchaser price points.

- 5.4 It is expected that all new First Homes will be built in accordance with the sustainability standards set out within [Cheltenham's Climate Change Supplementary Planning Document](#).
- 5.5 Additionally, the delivery of First Homes should comply with the Council's clustering requirements, namely that affordable housing should be evenly distributed across and throughout the development scheme.
- 5.6 An affordable housing statement should be submitted with all planning applications and should specify the proposed sales value for each First Home, as well as clarifying the type/size and accessibility standards of all First Homes.

Section 6: Securing and delivering First Homes in Cheltenham:

- 6.1 New First Homes will be sold by developers to eligible buyers on a first-come-first serve basis.
- 6.2 First Homes resales will be sold to eligible buyers on a first come-first serve basis.
- 6.3 The Council will expect developers to actively market First Homes for 3 months following the initial marketing date.
- 6.4 If no eligible buyer can be found within 6 months from the initial First Homes marketing date, local authorities will then be offered these First Homes for acquisition at the discounted rates. If the local authority does not acquire these homes, then the developer can sell them on the open market without restriction (with a sum equivalent to the value of the First Homes discount being provided to the local authority).
- 6.5 The Government has released [a First Homes Model Section 106 Agreement](#), which will be used as a template to secure specific First Homes provisions.
- 6.6 The Council will expect developers to follow the active marketing and advertising to be undertaken in accordance with the Local Authority [Government guidance notes](#).

Section 7: First Homes Monitoring and Administration Fees

- 7.1 To take account of the administrative costs associated with First Homes, a fee of £175 will be paid to the Council by the developer for each new First Home delivered. For each First Home re-sale, a fee of £175 will be charged to the Vendor.

- 7.2 The Council commits to reviewing First Home fees every 3 years, to ensure that fees remain reflective of current administration costs.
- 7.3 The First Homes administration process is outlined within the flowchart found in Appendix 1.

Section 8: Contacts

- 8.1 For any other queries relating to First Homes please email the Council's First Homes inbox at: firsthomes@cheltenham.gov.uk

DRAFT