

Planning Policy Team

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# First Homes Policy Statement

**Technical Advice Note (TAN)16**

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# Impact of the First Homes requirement on Oxford City Council's Planning Policies and Decision Making

## 1. Introduction

- 1.1.** The Government has introduced changes to the National Planning Practice Guidance, following a Written Ministerial Statement, that affect affordable housing planning policies and decision making within Oxford. There is now a requirement for First Homes to be provided as an element of any affordable housing secured. This policy statement explains how the First Homes requirements affects Policy H2. It advises on the tenure mix that will be sought, that includes 25% of the affordable housing to be provided as First Homes.

## 2. What are First Homes?

- 2.1.** First Homes are a new form of affordable housing. They are offered for sale at a discounted rate, but must meet the following criteria:

- a) must be discounted by a minimum of 30% against the market value. Discounts of 40% or 50% may also be applied. The discount must be the same across the authority area. **The viability assessment carried out to inform the requirement for First Homes in Oxford has shown that it is necessary to apply a 40% discount in order to achieve a sales price of £250,000 as required by d);**  
*the market value will be established through a registered "valuer" acting in an independent capacity in accordance with the Royal Institute of Surveyors red-book valuation guidance of new-build homes.*
- b) are sold to a person who meets the eligibility criteria  
*the buyers should be first time buyers, not have a combined income exceeding £80,000, and have a mortgage or home purchase plan to fund a minimum of 50% of the discounted purchase price.*
- c) have a legal restriction on their title at the Land Registry to ensure the discount is passed on for each subsequent sale and a section 106 agreement to secure the necessary restrictions on the use and sale of their property; and
- d) after the discount is applied, the first sale price must not exceed £250,000

## 3. Impact on Policy H2

- 3.1.** A minimum of 25% of all affordable housing units secured using developer contributions should be First Homes. Where a development cannot provide affordable housing units on site, 25% of the financial contribution should be used to provide First Homes elsewhere.
- 3.2.** Once a minimum of 25% of the affordable housing has been attributed to First Homes, social rented housing should be secured at the same percentage set out in policy. However, Policy

H2 of the Oxford Local Plan currently sets social rent at 80% of the affordable housing, so this is not possible in Oxford.

- 3.3. The guidance also states that applications affected by the First Homes requirement should seek to capture the same amount of value as would otherwise be captured by the Council's current policy. Therefore, we commissioned a review of Local Plan's Viability Assessment to determine the level of discount needed in order to achieve the maximum cost to purchase a First Home (£250,000), and then to work out the difference between what the Council would have secured under the current policy, and what will be secured under the First Homes Requirement at 25% and 75% social rented. Other changes to the tenure mix were then factored in to achieve a mix that captures the same value as in the original H2 policy.
- 3.4. This affects the amount of social rented that can be required, beyond simply reducing it to 75%. The tenure split of affordable housing (still required to be 50% of homes delivered on sites of over 10 units, as set out in Policy H2) to be applied will instead be 25% First Homes, 70% Social Rented and 5% intermediate housing forms (most likely to be shared ownership).
- 3.5. The Community Infrastructure Levy cannot be levied on affordable housing, and so First Homes would remain exempt from contributing towards it.

#### 4. Implementation of revised policy approach

- 4.1. The First Homes policy and guidance came into force immediately; however, there are transition periods for applications (and local plans, but they do not apply to the Oxford Local Plan 2036). The following sites within Oxford **do not** have to provide First Homes:
  - a) Sites with full or outline planning permission in place or determined (or where a right to appeal against non-determination has arisen) prior to 28 December 2021; and
  - b) Applications for full or outline planning permission where there has been "significant pre-application engagement"<sup>1</sup>, which are determined prior to 28 March 2022.
- 4.2. For those sites affected by the new guidance, the Council will need to prepare and negotiate legal agreements that secure First Homes as 25% of the affordable housing contribution. In order to assist Local Planning Authorities, the Government is to publish template planning obligations to cover the requirements for the provision and retention of First Homes, which they can use as a basis for agreements prepared locally.
- 4.3. The guidance also advises that a local eligibility criteria for First Homes including lower income caps, a local connections test, or criteria based on employment status can be created. In Oxford, a local connections test will be applied. For the first three months of marketing, first homes will be available only to those meeting a local connection test. To qualify, a prospective purchaser of the First Homes should be able to demonstrate that they meet the Local Connection is defined in Part VII of the Housing Act 1996:

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<sup>1</sup> 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. Currently resident or previously resident in Oxford City for six of the last 12 months or 3 out of the past 5 years
2. In employment in Oxford City on a fixed term contract for a minimum of 16 hours per week
3. With a family connection to the local area through either parent, brother, sister or child (over the age of 18 years) who themselves have lived in Oxford City for the past 5 years
4. A member of the Armed Forces who have a local connection to their area of choice

After the initial 3 months of marketing, if a suitable buyer has not reserved a First Homes, eligibility criteria will revert to the national criteria (i.e as set out within this Policy Statement 2.1b but without the local connection test).