
Development Management Advice

Note 6: First Homes

Purpose of the advice note

1. This note is one of series of advice notes produced to assist applicants and their agents when considering proposals for new homes in Elmbridge during the preparation of the new Local Plan.
2. The Council is committed to responding positively to the challenge of housing and affordability in Elmbridge and is working hard to progress a new Local Plan. The emerging outcomes from the plan preparation, and in particular the new evidence on affordable housing need and tenure, are material considerations in the determination of current development proposals. The National Planning Policy Framework (NPPF) (2021) is also a material consideration in planning decisions and, must be taken into account when preparing a local plan.
3. The Government's policy on First Homes and how it should be implemented is set out in the Government's [Written Ministerial Statement \(24 May 2021\)](#) and Planning Practice Guidance (PPG) . The purpose of this Advice Note is to set out the key information relating to First Homes and how this relates to the implementation of Policy CS21 (Affordable Housing) of the Elmbridge Core Strategy (2011).

Background information

4. The Government's intention to implement a requirement for the provision of First Homes as a proportion of affordable homes was published on 24 May 2021 through a [Written Ministerial Statement](#). At the same time, the Government updated the [Planning Practice Guidance](#) (PPG) to advise all stakeholders of the context in which First Homes should be provided. In Elmbridge, the First Homes requirements should be taken into account from 28 June 2021, however there is a transitional period for decision-making that is discussed below.



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Transition Period for Decision Making

5. PPG confirms¹ that the new First Homes policy requirement does not apply to the following:
 - 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 engagement² which are determined before 28 March 2022; and
 - sites where local and neighbourhood plans are adopted/made under the transitional arrangements, as detailed in paragraphs 018 (Reference ID: 70-018-20210524) and 019 (Reference ID: 70-019-20210524) of the PPG. These transitional arrangements will also apply to permissions and applications for entry-level exception sites.
6. If an applicant wishes to amend a planning application to include First Homes which is already submitted and likely to be granted before these dates, the local planning authority should be flexible in accepting First Homes as an alternative type of tenure.
7. Local authorities should have flexibility to accept alternative tenure mixes for planning applications that are determined within the timescales identified above, although they should consider whether First Homes could be easily substituted for another tenure, either at 25% or a lower proportion.
8. PPG explains that the First Homes policy does not apply to applications made under section 73 of the Town and Country Planning Act 1990, to amend or vary an existing planning permission unless the amendment or variation in question relates to the proposed quantity or tenure mix of the affordable housing in the development.

First Homes Definition

9. First Homes are a specific kind of discounted market sale housing and should be considered to meet the definition of 'affordable housing' for planning purposes. Specifically, First Homes are discounted market sale units which:
 - a) must be discounted by a minimum of 30% against the market value;

¹ PPG Paragraph: 020 Reference ID: 70-020-20210524

² For the purposes of the First Homes policy, 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.



- b) are sold to a person or persons meeting the First Homes eligibility criteria;
- c) on their first sale, will have a restriction registered on the title at HM Land Registry to ensure this discount (as a percentage of current market value) and certain other restrictions are passed on at each subsequent title transfer; and,
- d) after the discount has been applied, the first sale must be at a price no higher than £250,000.

First Homes – National and Local Criteria

10. The following national criteria for the provision of First Homes apply:

- Minimum 25% of all affordable housing contributions secured through developer contributions must be First Homes;
- To be sold at a minimum 30% discount from the open market valuation of the home, as determined by an independent valuation carried out in accordance with Royal Institution of Chartered Surveyors (RICS) standards;
- The value of First Homes is capped at £250,000 after the discount is applied. This cap will apply only to first sales.
- First Homes discount (as a percentage of the open market value) will be held in perpetuity through a restriction on the title and secured via the Section 106 agreement;
- Developers will have to market properties as First Homes for six months before consideration will be given to changing of the tenure.

11. The Council's approach is that no additional local criteria will apply. In line with the nationally set requirements, a minimum proportion of 25% of all affordable housing contributions will be First Homes at a minimum discount rate of 30%.

First Homes Contributions

12. In accordance with paragraph 62 of the NPPF, affordable housing is expected to be delivered on-site unless off-site provision or a financial contribution in lieu can be robustly justified, and the agreed approach contributes to the objective of creating mixed and balanced communities.
13. Where financial contributions for affordable housing are secured instead of on-site units, which should occur only in exceptional circumstances, a minimum of 25% of these contributions should be used to secure First Homes. This could be achieved, for example, by acquiring additional First Homes from market development, paying the developer a sum to offset the discount from market price, and securing the tenure through section 106 planning obligations. Where a mixture of financial contributions towards affordable housing and on-site units



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are secured, 25% of the overall value of affordable housing contributions should be applied to First Homes³.

Delivery of Other Forms of Affordable Homes

14. PPG advises that once of 25% of First Homes has been accounted for, social rent should be delivered in the same percentage as set out in the local plan. The remainder of the affordable housing tenures should be delivered in line with the proportions set out in the local plan policy. However, Policy CS21 'Affordable Housing' of the adopted Core Strategy, does not set out percentages of the affordable housing tenures. It states that *'the target tenure mix of affordable housing and housing types and sizes shall be in accordance with those identified in the most up to date Strategic Housing Market Assessment or Supplementary Planning Document.'*
15. The latest evidence base document, the Local Housing Needs Assessment 2020 published in January 2021, indicates that the approximate split between the rented affordable tenures and the intermediate tenures, which could include elements of home ownership, should be circ. 70% and 30% respectively. Social rented tenure forms circ. 17% of the required rented affordable tenures. Therefore, since 28 June 2021 (subject to transitional arrangements) the tenure mix for affordable housing under Policy CS21 should be:
 - **First Homes – 25%;**
 - **Social rented tenure – 17%;**
 - **Other rented tenure – 31%; and**
 - **Intermediate tenure – 27%.**
16. In addition, however, paragraph 65 of the NPPF sets a requirement that where major development is proposed, at least 10% of homes should be available for affordable home ownership. First Homes will contribute in this regard. Exemptions to this 10% requirement should be made where the site or proposed development:
 - provides solely for Build to Rent homes;
 - provides specialist accommodation for a group of people with specific needs (such as purpose-built accommodation for the elderly or students);
 - is proposed to be developed by people who wish to build or commission their own homes; or
 - is exclusively for affordable housing, an entry-level exception site or a rural exception site.

³ PPG Paragraph: 012 Reference ID: 70-012-20210524



Worked examples:

Example 1: A development site delivering 10 homes (where 30% affordable housing contribution applies)⁴

Policy requirement	Calculation
30% affordable housing requirement in accordance with Policy CS21 – 10 x 30%	3 homes
Tenure mix: 25% First Homes 17% social rented tenure 31% other rented tenure 27% intermediate tenure	25% = 0.75 home (rounded to 1) 17% = 0.51 homes (rounded to 0) 31% = 0.93 homes (rounded to 1) 27% = 0.81 homes (rounded to 1)
The NPPF requirement for 10% of total number of homes to be affordable home ownership – 10% of 10 dwellings	1 home
Result	One First Home meets the NPPF 10% requirement.

Example 2: A development site delivering 90 homes (where 40% affordable housing contribution applies)⁵

Policy requirement	Calculation
40% affordable housing requirement in accordance with Policy CS21 – 90 x 40%	36 affordable homes
Tenure mix: 25% First Homes 17% social rented tenure 31% other rented tenure 27% intermediate tenure	25% = 9 homes 17% = 6.12 homes (rounded to 6) 31% = 11.16 homes (rounded to 11) 27% = 9.72 homes (rounded to 10)
The NPPF requirement for 10% of total number of homes to be affordable home ownership – 10% of 90 dwellings	9 homes
Result	9 First Homes meet the NPPF 10% requirement.

⁴ In accordance with Policy CS21 sites of 10 to 14 gross units shall provide 30% of these as affordable housing

⁵ In accordance with Policy CS21 sites of 15 and more gross units shall provide 40% of these as affordable housing

Delivery of First Homes and Viability Implications

17. Due to the exceptionally high house prices in Elmbridge Borough⁶ and a First Homes price cap of £250,000, it is likely that First Homes product will be delivered only in the form of smaller units. It is expected that the cost of 3-bedroom or larger homes prohibits their delivery at the set discount of 30% from the open market value. Applicants are encouraged to take this on board when developing their proposals.
18. Applicants are strongly encouraged to enter into early discussions with the Council's Planning and Housing Services in respect of schemes where affordable housing, including First Homes, is to be provided. Applicants should be aware of the price cap in place and take it into account when designing and appraising schemes and in agreeing a price for the land with the landowner.
19. First Homes must comply with all relevant space standards (notably the Nationally Described Space Standards) and be indistinguishable in quality and size from market homes on the same development. Applicants are discouraged from designing First Homes (and other affordable dwellings) with excessive floor areas, as this will impact on viability and increase the likelihood of schemes not complying with Policy CS21 in terms of delivering the percentage target for affordable homes.

Community Infrastructure Levy

20. As First Homes are affordable homes, developers will be able to obtain an exemption from having to pay the Community Infrastructure Levy (CIL).

⁶ Please see [Statement on Affordable Housing Provision on Small Sites \(update\) October 2021](#)

