
North East Lincolnshire

Technical Advice Note

First Homes

December 2022



Working in partnership

2022-First Homes Technical Advice Note

1	Introduction	4
2	Background	6
3	The discount	8
4	The price cap	10
5	Exemptions to first homes	12
6	Current local plan policy	14
7	Affordable housing contribution	18
8	Financial contribution	22
9	Marketing, disposal and monitoring	24
10	First homes exception sites	26

2022-First Homes Technical Advice Note

Introduction

2022-First Homes Technical Advice Note

- 1.1** This Technical Advice Note (TAN) sets out the council's approach to delivering First Homes in accordance with national guidance and in compliance with the council's adopted Local Plan policies on the delivery of Affordable Housing. In due course, a new Local Plan will be adopted containing the council's refreshed Affordable Housing policies, which will include provisions for the delivery of First Homes underpinned by up-to-date needs and viability evidence. This is being undertaken as part of the Local Plan Review.⁽¹⁾
- 1.2** Until such time that these policies are in place, the council will expect proposals for major developments, for example residential schemes of greater than ten dwellings or more or which have a combined gross floorspace of more than 1,000m², to deliver a proportion as Affordable Housing, 25% of which comprises First Homes, which comply with the First Homes criteria. (Subject to the qualifying thresholds and requirements set out in the North East Lincolnshire Local Plan Policy 18.)⁽²⁾
- 1.3** First Homes are a specific type of discounted sale homes which are considered to meet the definition of Affordable Housing for planning purposes. The TAN also provides guidance on the development of First Homes Exception Sites.

1 Further information about the Local Plan Review is available at: <https://www.nelincs.gov.uk/planning-and-building-control/planning-policy/local-plan-review/>.

2 The 2018 adopted Local Plan is available to view and download at: <https://www.nelincs.gov.uk/planning-and-building-control/planning-policy/the-local-plan/>.

Background

- 2.1** The national guidance is set out in the Written Ministerial Statement⁽³⁾ and the National Planning Practice Guidance (NPPG)⁽⁴⁾, which were both published on 24 May 2021.
- 2.2** **From the 28 June 2021 local authorities are required to deliver First Homes as a proportion (25%) of their usual Affordable Housing delivery through their local plan policies.** (The Government introduced transitional arrangements relating to developments that were 'in-train' but these transitional arrangements ended on the 28 March 2022). **The adoption of this Technical Advice Note therefore marks the point from which the council will formally implement its approach to the delivery of first homes.**
- 2.3** The main criteria of First Homes, as set out in national guidance, are:
- First Homes must be discounted by minimum of 30% against the market value
 - after the discount has been applied, the first sale must be at a price no higher than £250,000. This does not apply to subsequent sales
 - the discount is passed on to future purchasers, secured through a section 106 agreement
 - the home is sold to a person who meets the First Homes eligibility criteria
- 2.4** The First Homes eligibility criteria require the purchaser (or all purchasers if a joint purchase):
- to be a first time buyer, as defined by paragraph 6 of Schedule 6ZA of the Finance Act 2003⁽⁵⁾
 - to have a household annual income of no more than £80,000
 - should have a mortgage or home purchase plan to fund a minimum of 50% of the discounted purchase price
- 2.5** Subsequent sales must also be to a person or persons who meet the First Homes eligibility criteria.

3 <https://questions-statements.parliament.uk/written-statements/>

4 <https://www.gov.uk/government/collections/planning-practice-guidance>

5 <https://www.legislation.gov.uk/ukpga/2003/14/contents>

The discount

2022-First Homes Technical Advice Note

- 3.1** The minimum discount is 30% of the open market value. At this stage the council will not require a higher discount, although this will be reviewed if supported by the findings of the Local Housing Market Assessment (LHMA) and viability evidence in the development of the new Local Plan, an emerging First Homes policy may introduce a higher discount as appropriate, to be adopted as Local Development Plan policy in due course.
- 3.2** Developers may provide First Homes at a higher discount in order to deliver house types which would otherwise exceed the price cap of £250,000 (after discount).
- 3.3** The discount percentage will be applied to all future sales and will be secured in perpetuity through a Section 106 agreement as a planning obligation.

The price cap

2022-First Homes Technical Advice Note

- 4.1** The cost of a First Homes dwelling to the first-time buyer purchaser shall be no more than £250,000 after the discount has been applied. The price cap applies to only the first sale and may be exceeded by future house price rises on subsequent sales.

Exemptions to first homes

2022-First Homes Technical Advice Note

- 5.1** Some categories of Affordable Housing are exempt from the requirement to deliver a proportion as First Homes, including specialist housing, such as housing for older people, supported housing, developments which are Affordable Housing only, self-build and custom built housing, and Build to Rent.⁽⁶⁾
- 5.2** Rural Exception Sites are not specifically exempted from the requirement to provide First Homes, except where all the homes are Affordable Housing (see below Section 10 'First homes exception sites').

6 See also paragraph 65 National Planning Policy Framework (NPPF) <https://www.gov.uk/government/publications/national-planning-policy-framework--2> .

Current local plan policy

- 6.1 This TAN summarises the national guidance on the delivery of First Homes, above, to which the council will have regard in determining planning applications. It also sets out how this national guidance interacts with current Local Plan policy in the delivery of Affordable Housing, below.
- 6.2 The council expects First Homes, as included within the definition of Affordable Housing, to comply with the requirements of Policy 18.⁽⁷⁾

Policy 18

Affordable housing

- 1. The Council will seek, in part, to address the scale of affordable housing need identified in the *Strategic Housing Market Assessment (2013)*, by increasing the provision of affordable homes through the planning system.
- 2. The Council will require contributions to be made in accordance with the following qualifying thresholds and requirements:

Housing market zone ⁽⁸⁾	Percentage of housing units required to be affordable housing		Housing unit threshold
	Greenfield	Brownfield	
High	20	15	Greater than ten units or which have a combined gross floorspace of more than 1,000m ²
Medium	10	10	
Low	0	0	

Table 6.1 Qualifying threshold and requirements for affordable housing

7 A copy of Policy 18 working is provided for information and should not be used in isolation from the other policies in the Local Plan. the adopted Local Plan is available to view and download from the council's website at: <https://www.nelincs.gov.uk/planning-and-building-control/planning-policy/the-local-plan/>.

8 The housing market zones are defined in the justification text accompanying the policy, which are based on variations in viability across the Borough.

3. In applying these requirements the Council will consider:

A. the viability of site development:

- i. in circumstances where specific site viability is raised, the developer will be required to provide a Financial Viability Statement in accordance with Policy 6 'Infrastructure'.

B. the extent of housing need in the settlement:

- i. the Council will consider the type of property and tenure in relation to identified needs.

C. off-site contributions:

- i. where the Council considers that an off-site contribution (in total or in part) is justified, where supported by up-to-date contribution shall be of equivalent value and will be accepted in lieu of on-site provision.

6.3 The above provisions will be secured through a Section 106 agreement.

2022-First Homes Technical Advice Note

Affordable housing contribution

7.1 Paragraph 65 of the NPPF expects at least 10% of all dwellings on major housing developments, unless this would exceed the level of affordable housing required in the area or prejudice the ability to meet the identified affordable housing needs of specific groups, to be available as Affordable Home Ownership, which includes First Homes. (The council will examine housing needs through the commissioning of a new Strategic Housing Market Assessment, this will provide the basis for considering whether an exception should be applied.) Until that evidence is available any shortfall of Affordable Home Ownership dwellings to make up the 10% Affordable Home Ownership will be applied, as the examples below highlight.

Example 1

A residential development 200 dwelling is liable for a 20% Affordable Housing contribution.

Affordable housing (AH) units	$200 \times 20\% = 40$
First homes units	$40 \times 25\% = 10$
10% Affordable home ownership (AHO) units	$200 \times 10\% = 20$
Shortfall of AHO (to be delivered as shared ownership)	$20 - 10 = 10$
Remainder of AH as affordable housing for rent	$40 - (10 + 10) = 20$

Table 7.1 Example 1 - Residential development of 200 dwellings

Conclusion - 10 first homes, 10 shared ownership, 20 affordable homes for rent

Example 2

A residential development 30 dwelling is liable for a 10% Affordable Housing contribution.

Affordable housing (AH) units	$30 \times 10\% = 3$
First homes units	$3 \times 25\% = 0.75$ (rounded to 1)
10% Affordable home ownership (AHO) units	$30 \times 10\% = 3$
Shortfall of AHO (to be delivered as shared ownership)	$3 - 1 = 2$
Remainder of AH as affordable housing for rent	$3 - (1 + 2) = 0$

Table 7.2 Example 2 - Residential development of 30 dwellings

Conclusion - 1 first homes, 2 shared ownership

Example 3

A residential development 12 dwelling is liable for a 20% Affordable Housing contribution.

Affordable housing (AH) units	$12 \times 20\% = 2.4$ (rounded to 2)
First homes units	$2.4 \times 25\% = 0.6$ (rounded to 1)
10% Affordable home ownership (AHO) units	$12 \times 10\% = 1.2$ (rounded to 1)
Shortfall of AHO (to be delivered as shared ownership)	$2 - 1 = 1$
Remainder of AH as affordable housing for rent	$2 - (1 + 1) = 0$

Table 7.3 Example 3 - Residential development of 12 dwellings

Conclusion - 1 first homes, 1 shared ownership

2022-First Homes Technical Advice Note

Financial contribution

- 8.1** All Affordable Housing, including First Homes, is expected to be delivered on-site, unless it can be robustly justified as inappropriate, in which case a financial contribution in lieu, of equivalent value to what would have been provided on-site, may be acceptable. Any financial contribution made in lieu of on site provision will be used towards the funding of additional Affordable Homes. This may be in the form of social rent, shared ownership or a form of discounted sale.

Marketing, disposal and monitoring

2022-First Homes Technical Advice Note

- 9.1** First Homes will be marketed and sold by the developer. The developer will need to ensure First Homes are advertised with all relevant information to ensure eligibility criteria can be met.
- 9.2** The developer will be responsible for paying for all advertising and processing of potential purchasers' applications to the council. The developer selects the potential purchaser(s) and only one purchaser per plot/home is passed through at any one time to the council for the eligibility check and authorisation processes. A prior declaration will need to be completed to confirm the potential purchaser is eligible. Fees will be introduced for the eligibility checks and authorisation processes per sale, as well as for monitoring the purchase and sales activities through initial and subsequent sales.
- 9.3** Any local eligibility criteria, (local connection), if introduced at a future date, will apply for a maximum of three months from when a home is first marketed. If a suitable buyer has not reserved a home after three months, the eligibility criteria will revert to the national criteria set out above, to widen the consumer base.
- 9.4** If, following six months of marketing and having taken all reasonable steps to sell the property (including, where appropriate, reducing the asking price) the property fails to sell it should be expected that the seller (either the developer or a future First Home owner) compensates the council for the loss of the affordable housing unit with a financial contribution.
- 9.5** This financial contribution should be the value of the discount the First Home was to be sold for, as a percentage of the final sale price (or, as much as possible of that value once the value of all lending against the property has been cleared) and net of any additional Stamp Duty liability incurred.
- 9.6** Re-sales of First Homes will be subject to the same discount and eligibility criteria and will need to accord with the same marketing and compensation (in the event of no sale) processes as required on the initial sale by the developer.
- 9.7** The above provisions and related terms for implementation will be secured through a Section 106 agreement and entry on the land registry.

First homes exception sites

- 10.1** Entry level exception sites (paragraph 72 National Planning Policy Framework 2021 (NPPF)), allow for the development of affordable housing on sites under one hectare in size not already allocated for housing and adjacent to existing settlements, excluding Green Belt areas or Areas of Outstanding Natural Beauty. It was intended that they would be suitable for first time buyers.
- 10.2** Entry level exception sites are being replaced by First Homes exception sites, which will be consistent with the provisions applying to entry level schemes, as above, and as set out in the Written Ministerial Statement. Although primarily for the development of First Homes, other types of Affordable Housing can be considered where there is evidence of a significant local need. A small proportion of market housing may be included where it is needed to enable a scheme to proceed, as explained in the First Homes NPPG.
- 10.3** The council will support proposals for First Homes exception sites, where it can be demonstrated that the need for such homes is not being met. Rural Exception Sites are not specifically exempted from the requirement to provide First Homes, except where all the homes are Affordable Housing. Where a small proportion of market housing is included to ensure the economic viability of the development, 25% of the Affordable Housing units should be provided as First Homes where evidence of a local need can be demonstrated.

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