



First Homes Guidance Note
May 2024



1. Status of this Guidance

The government's First Homes scheme was introduced on 28 June 2021 via Ministerial statement which made substantial changes to planning policy to provide discounted homes to first time buyers in England who otherwise wouldn't be able to afford to purchase their first home.

This guidance is intended to assist developers and potential buyers with an overview of First Homes and details of how they are being progressed in West Lindsey.

This guidance does not supersede any future or further national guidance published by Government on First Homes.

2. What are First Homes?

First Homes are a specific kind of discounted market sale housing offered for sale at a specified discount and meet the definition of 'affordable housing' for planning purposes. Specifically, First Homes are discounted market sale units which:

- Must receive a minimum discount 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 (or £420,000 in Greater London);
- On their first sale, will have a restriction registered on the title at HM Land Registry to ensure the discount (as a percentage of current market value) and certain other restrictions are passed on at each subsequent title transfer; and,
- Can only be sold to a person or persons meeting the First Homes eligibility criteria which includes a household income of below £80,000, for all purchasers to be first time buyers and to require a mortgage of at least 50% of the discounted purchase price.

The national guidance allows for Local Authorities to place local parameters on some of the above criteria, these can be found below in section 3.

Additional national guidance for First Homes can be found here <https://www.gov.uk/guidance/first-homes>



3. National vs West Lindsey First Homes criteria

The national guidance allows Local Authorities to set their own criteria for specific requirements, summarised below:

First Homes Criteria	National position	West Lindsey position
Discount on open market value (in perpetuity)	30% - 50% Can be between 30% and 50% if there is evidence to suggest a higher discount is required locally.	30%
Price cap (on first sale)	£250,000 (after discount)	£179,000 (after discount) with annual revisions – see section 4 below.
Eligibility Criteria	National position	West Lindsey position
Income cap	Total household income of less than £80,000	£80,000 in total in line with national position
Local connection	Local Authorities can apply local connections criteria on sale of the property for a maximum of 3 months from the property being marketed	Priority given to people with a local connection and secured through S106 local connection priority cascade for the first 3 months
Key worker priority	Local Authorities can apply key worker priority criteria	No key worker priority is applied within West Lindsey.
First time buyer	All purchasers must be first time buyers.	All purchasers must be first time buyers.
Mortgage or home purchase plan (if required to comply with Islamic law) for over 50% of the value of the discounted property	This requirement must be met.	This requirement must be met.



4. First Homes in West Lindsey

a) Maximum Sales Price

Policy S22 of the Central Lincolnshire Local Plan (adopted April 2023) sets out the policy on First Homes sales price (on first sale only).

After the 30% discount on full market value has been applied, the maximum asking price for a First Home was set at £160,000. This maximum value price cap is adjusted on 1st April each year, rounded to the nearest £1,000, in line with the % increase or decrease in house prices as established by the preceding September ONS East Midlands House Price Index data. The price cap applicable from 1st April 2024 is £179,000.

The updated price cap will be published on the Central Lincolnshire website annually.

b) Local Connection Criteria

A local connection criteria will be applied to First Homes to ensure that local people are given the best possible opportunity to purchase homes in areas which they have a local connection to. This falls away automatically after 3 months of marketing, but will apply to each subsequent sale of First Home properties and will be secured in the Section 106 agreement.

c) Key Workers

A decision was taken based on evidence available, to not include a key worker priority on the purchase of First Homes in West Lindsey.

The decision determined that adopting a Key Worker priority would significantly disadvantage other important employment sector within the local economy which the scheme aims to assist. This decision and the background evidence for the decision can be found at the following link: [First Homes committee decision](#) .

d) Percentage Discount on Market Value

The minimum national discount level on market value of 30% has been adopted as it has not yet been evidenced robustly within West Lindsey that a higher discount is required to assist first time buyers to access the property ladder.

e) Securing First Homes

All First Homes require a Section 106 agreement to secure the necessary restrictions on the use and sale of the properties, and a legal restriction on the title of the properties at HM Land Registry to ensure that these restrictions are applied to the properties at each future sale, guaranteeing that they remain affordable in perpetuity.

f) First Homes Fee

A charge of £150 is payable to WLDC to cover the Council's administrative costs for each First Home sale, which is payable within 10 working days of the sale completing. On the initial sale of a First Home, this is payable by the developer. On subsequent sales, this is payable by the owner who is selling the First Home.

5. How do First Homes impact on the adopted policies within Central Lincolnshire?

The requirement for First Homes is that:

- a) A minimum of 25% of all affordable housing units secured through developer contributions should be First Homes.
- b) First Homes contribute to the National Planning Policy Framework requirement for a minimum 10% of all homes on a major site to be delivered as affordable home ownership.
- c) Once a minimum of 25% of First Homes has been accounted for, the remainder of the affordable housing tenures should be delivered in line with the proportions set out in the Local Plan policy or in negotiation with the Local Authority.
- d) In line with Local Plan Policy S22, First Homes, like other Section 106 affordable housing obligation products, should be delivered on-site, unless off-site provision or an equivalent financial contribution in lieu can be robustly justified. There may be rare instances where this is necessary for specific reasons agreed with the Local Authority. In the case where cash contributions instead of on-site affordable housing units are secured, a minimum of 25% should be used to secure First Homes. Where a mixture of cash contributions and on-site affordable housing units are secured, 25% of the overall value of affordable housing contributions should be applied to First Homes.

6. First Homes Exception Sites

First Homes exceptions sites are also being introduced under the First Homes initiative. Further guidance for exception sites can be found here <https://www.gov.uk/guidance/first-homes>

It should be noted that a significant number of settlements in West Lindsey are designated rural areas under Section 157 of the Housing Act 1985 and in line with national guidance, First Homes exception sites are not permitted in these settlements.

7. West Lindsey District Council's role in the sale of First Homes

Local Authorities have a role to play in the sales process for First Homes, and below is a diagram of the customer journey which shows where West Lindsey District Council will be involved in the sale process for First Homes within the district.

What is the Customer Journey?

1) Pre-sales

Local Authority sets eligibility criteria; First Home plots identified.
Developer/Estate Agent obtains pre-sale valuations; Marketing commences.

2) Customer enquiry

Qualification process identifies likely Customer;
Developer/Estate Agent works with Customer to complete application pack.

3) Customer reservation

Developer/Estate Agent submits application to Local Authority.
Customer pays reservation fee; Customer selects Conveyancers.

4) Local Authority receives application

Checks against eligibility.
Confirms Customer eligibility and issues Authority to Proceed.

5) Authority to Proceed

Conveyancing begins following standard instruction pack.
Mortgage application submitted to Lender; Lender values property.

6) Authority to Exchange

Mortgage Offer produced.
Conveyancer confirms valuation control. Conveyancer submits legal undertaking to Local Authority that it is a compliant transaction.
Local Authority issues Authority to Exchange.

7) Exchange of Contracts

Customer pays deposit.
Conveyancer proceeds to exchange.

8) Legal completion

Mortgage Lender provides funds; Customer moves in.
Conveyancer carries out final legal confirmations and provides to Local Authority.
Local Authority receives and updates record.

8. Owning a First Home

There are certain rules associated with the legal restrictions on a First Home that affect how the property can be used. These are the key ones:

- Your First Home must be your only or main home for the duration of your First Home ownership.
- You are allowed to let out the First Home for up to 2 years, provided you notify WLDC. The 2 year period is in total and does not have to be continuous or involve the same tenant; all separate rental periods would be added together. However, if the First Home is resold, the 2 year period resets for the new owner. There is no restriction on how much rent may be charged.
- In some exceptional circumstances, the local authority may approve an extension to the rental period allowed to beyond 2 years. Permission for this must be obtained from WLDC who will consider each application on a case-by-case basis.
- Approval from your mortgage lender is also needed to let out the First Home for any period of time.
- Lodgers are permitted, as long as the home remains your only or main residence.

9. Resales – Selling a First Home

The process for selling a First Home is broadly similar to the process for selling any property on the open market. However, there are some important differences due to the First Homes legal restriction on the property, which mean it must be sold to another qualifying First Homes buyer at the same percentage discount, to ensure that the First Home continues to benefit others. The key steps in the sales process are as follows:

- a) The First Homes owner must first notify WLDC that they wish to sell their First Home;
- b) WLDC will issue the First Homes owner with instructions for marketing and confirm the eligibility requirements for a purchaser.
- c) The First Homes owner should then instruct an estate agent – owing to the additional legal requirements involved in selling a First Home, it is not advisable to attempt a private sale. The owner must also give the agent the eligibility requirements for the marketing, which must be used to ensure the property is marketed to eligible purchasers.
- d) The estate agent must endeavour to sell the First Home to buyers who meet any local connection and/or key worker criteria set by WLDC. If after 3 months of active marketing through an estate agent, the sale of the First Home property to a purchaser who satisfies the local criteria has not progressed, the property must be marketed for a further 3 months to buyers who meet the national criteria for purchasing First Homes.
- e) The estate agent will check potential purchasers and complete a First Homes application pack for the new purchaser. The purchaser will need to meet all the eligibility criteria; be able to make an offer (subject to their eligibility); and be, in the estate agent's professional judgement, the most proceedable purchaser.
- f) The First Homes owner then needs to arrange and pay for an RICS valuation demonstrating the sale is at the necessary discount to the prevailing Market Value. The

RICS surveyor will value the home's 100% market value before the First Homes discount percentage is applied. The valuation must be submitted to WLDC for approval.

- g) The price of the First Home cannot be negotiated upwards from the discounted value set and confirmed by the RICS valuation, even if there are a number of potential buyers interested in purchasing the property. The price can be reduced, however, for example to secure a quick sale.
- h) WLDC will consider the purchaser's application and the RICS valuation. If eligible, WLDC will approve the purchaser and issue instructions to the purchaser's and current owners' conveyancers. The conveyancers will then follow WLDC's instructions, and the sale will proceed in the same way as required for a First Home.
- i) To ensure that other people can benefit from the discounted home, the same percentage reduction must be applied when a First Home is sold as was applied when it was first purchased. For example, if it was purchased initially at a 30% discount compared to the open market price, it must be sold for a 30% discount compared to its open market value at the time of sale.
- j) Once the sale of the First Home has completed, the original First Homes owner who has sold the property, must pay the First Homes Fee of £150 to WLDC.
- k) Should no eligible purchaser who meets the local or national First Homes criteria be identified within 6 months of the property being marketed, the owner should notify WLDC to discuss the next steps.

10. Future Reviews

This First Homes Guidance will be reviewed as necessary to ensure it is up to date and is informed by any further national guidance and policy setting. It will also be reviewed where changes are made to the adopted local policies through the Central Lincolnshire Local Plan.

Future reviews to this guidance and policy may also occur as supply and demand for First Homes is established and evidenced. This may include a review of the maximum discount applied by Central Lincolnshire if variances to income and house price increase at a District level can be evidenced, which is limiting first time buyers to purchase suitable properties and access the scheme within West Lindsey.

