

Introduction

This consultation is led by the government and seeks views on the First Homes policy which aims to deliver discounted homes for local people. The consultation process is considering both the design of the policy and options for its implementation. More information can be found here: <https://www.gov.uk/government/consultations/first-homes>

Design

A) Affordability

- 30% minimum discounts. Local authority can set higher %s. No maximum.
- Discount retained in perpetuity, through restrictive covenants.
- Independent valuation on initial and subsequent sales.
- Cap on the (pre-discount) value of eligible homes to avoid subsidising very expensive homes.

Q1. a) Do you agree with a minimum discount of 30% (but with local flexibility to set a higher one)?

YES

Q1. 1b) If not, what should the minimum discount be?

- 20%
- 40%
- Other (please specify)

N/A

Q2. a) Should we set a single, nationally defined price cap rather than centrally dictate local/regional price caps?

NO

Q2. b) If yes, what is the appropriate level to set this price cap?

- £600,000
- £550,000
- £500,000
- £450,000
- Other (please specify)

N/A

Q3. a) If you disagree with a national price cap, should central Government set price caps which vary by region instead?

YES

Q3. b) If price caps should be set by the Government, what is the best approach to these regional caps?

i. London and nationwide

ii. London, London surrounding local authorities, and nationwide

iii. Separate caps for each of the regions in England

iv. Separate caps for each county or metropolitan area

v. Other (please specify)

In principle, we agree with point **iv** – ‘**Separate caps for each county or metropolitan area**’, but there can be significant variations within local authority boundaries so these should not be the sole determinant and there should be the ability to flex within these.

Q4. Do you agree that, within any central price caps, Local Authorities should be able to impose their own caps to reflect their local housing market?

YES

B) Eligibility

- *Priority for local people (this will encourage house building by reducing local opposition to new development). Definition of a ‘local person’ to be left to local authorities.*
- *First time buyers.*
- *Key workers.*
- *Possibly an income cap to target those most likely to find market sales unaffordable.*
- *Recognise the potential pitfalls of the above:*
 - *Local people priority hampers labour mobility and may result in unsold homes remaining empty*
 - *‘First time buyers’ fails to recognise existing owners stuck in unsuitable homes and unable to afford to move*
 - *Some homes may be unsuitable for first time buyers (sheltered)*
 - *How to define key workers*
 - *Income cap introduces complexity, bureaucracy etc., but proposes that local authorities are “best placed” to deal with all this.*

Q5. Do you agree that Local Authorities are best placed to decide upon the detail of local connection restrictions on First Homes?

YES

Q6. When should local connection restrictions fall away if a buyer for a First Home cannot be found?

- i. Less than 3 months
- ii. 3 - 6 months
- iii. Longer than 6 months
- iv. Left to Local Authority discretion**

Q7. In which circumstances should the first-time buyer prioritisation be waived?

Part ownership of less than the full capital value (e.g. following relationship breakdown, death of a partner). Shared ownership. Negative equity. Inappropriate for first time buyers, e.g. sheltered, subjects to safeguards that prevent First Homes being used to free up capital. Overall, an asset as well as income cap could manage these. The scheme could also facilitate downsizing to free up larger family homes.

Q8. a) Should there be a national income cap for purchasers of First Homes?

YES

Q8. b) If yes, at what level should the cap be set?

Along with discount levels and price caps (above) this should be flexible and reflect local (lower 30%ile?) average market prices so that those genuinely unable to afford to buy at full market value are prioritised.

Q8. c) Do you agree that Local Authorities should have the ability to consider people's income and assets when needed to target First Homes?

YES

Q9. Are there any other eligibility restrictions which should apply to the First Homes scheme?

Key workers - but we suggest that a complete overhaul of key worker definitions is long overdue, and the current coronavirus crisis has highlighted just how many key workers have not previously been recognised as such, for example care workers.

C) Supporting First Homes

- *Subsequent sales at discount and to eligible buyers will require administration.*
- *Improvements will be subject to the discount (i.e. owners will lose 30% of any enhanced value)*
- *"We are minded to leave the details of administration to local authorities". They could outsource to CLTs, HAs or private sector.*
- *Potential need for that administration to include managing demand: determining relative priorities, avoiding direct buyer to seller negotiations (which might undermine principles of the scheme), maintain lists of interested eligible purchasers.*
- *Risk that lenders will be reluctant and may charge higher interest or require larger deposits. This can be overcome by*
 - *A model agreements for First Homes*
 - *A mortgagee protection clause, protecting lenders' interest following repossession (where the debt may be greater than the discounted value)*

Q10. a) Are Local Authorities best placed to oversee that discounts on First Homes are offered in perpetuity?

YES

Q10. b) If no, why?

N/A

Q11. How can First Homes and oversight of restrictive covenants be managed as part of Local Authorities' existing affordable homes administration service?

Although best placed to take the lead, local authorities may wish to contract out the administration of the service. The requirements are very similar to the management of shared ownership staircasing, something local authorities have limited experience of.

Q12. How could costs to Local Authorities be minimised?

The costs should first of all be recognised and quantified. We know from our experience managing shared ownership that they are not inconsiderable – and there will be no rental element to meet that cost. There will need to be some form of income, through grant, or perhaps a % levy on any capital gain for sellers.

Q13. Do you agree that we should develop a standardised First Home model with local discretion in appropriate areas to support mortgage lending?

YES

Q14. Do you agree that it is appropriate to include a mortgage protection clause to provide additional assurance to lenders?

YES

D) Restrictions on letting

- *Sole or primary residence only.*
- *Time limited exceptions, allowing letting for up to two years only, longer at discretion of local authority. This recognises short term work or care commitments elsewhere.*
- *Longer letting period may be appropriate when householder is in residential care.*

Q15. For how long should people be able to move out of their First Home and let it out (so it is not their main or only residence) without seeking permission from the Local Authority?

- i. Never**
- ii. Up to 6 months**
- iii. 6- 12 months**
- iv. Up to 2 years**
- v. Longer than 2 years**
- vi. Other (please specify)**

Up to 2 years but for specified reasons only, and approval should always be sought (deemed approval up to 2 years) in order to manage this properly.

Q16. Under what circumstances should households be able to move out of their First Home and let it for a longer time period? (Tick all that apply)

- i. Short job posting elsewhere**
- ii. Deployment elsewhere (Armed Forces)**
- iii. Relationship breakdown**
- iv. Redundancy**
- v. Caring for relative/friend**
- vi. Long-term travelling**
- vii. Other (please specify)**

Apart from these circumstances there should also be a period *before* which letting is permitted.

E) The Armed Forces Covenant

- *Serving and "recent" members of the armed forces will meet eligibility criteria by default*
- *Service member of the armed forces on assignment >50 miles away will be able to let their home for the duration of their assignment.*

Q17. Do you agree that serving members and recent veterans of the Armed Forces should be able to purchase a First Home in the location of their choice without having to meet local connections criteria?

No view.

Q. 18 What is the appropriate length of time after leaving the Armed Forces for which veterans should be eligible for this exemption?

- i. 1 year**
- ii. 2 years**
- iii. 3-5 years**
- iv. Longer than 5 years**

No view.

Q19. Are there any other ways we can support members of the Armed Forces and recent veterans in their ability to benefit from the First Homes scheme?

No view.

Delivery

A) Developer contributions

- *Make use of existing S106 obligations to deliver First Homes. Either through a prescribed % of affordable homes delivered through S106 homes or through a prescribed % of all homes on eligible sites (>10 units) to be First Homes. Former makes First Homes reliant on S106 contributions and there is no legal obligation on local authorities to deliver these. Latter may impact scheme viability and other developer contributions under S106.*
- *Recognises the potential impact ("trade off") this may have on affordable rented homes, and on shared ownership. Various scenarios, 40% to 80% (at 80% it could cut existing supply of new affordable homes by half – NHF)*
- *Commits to renew existing Affordable Homes programme. Suggests that the "tenure mix" in that programme may be reviewed.*

- *Recognises that above proposals are reliant on planning considerations and decisions. Considers the possibility of legislation to "ensure that this (First Homes) policy cannot be sidestepped".*

Q20. Which mechanism is most appropriate to deliver First Homes?

i. Planning policy through changes to the National Planning Policy Framework and guidance

ii. Primary legislation supported by planning policy changes

Q21. Which do you think is the most appropriate way to deliver First Homes?

i. As a percentage of section 106 affordable housing through developer contributions

ii. As a percentage of all units delivered on suitable sites

Q22. What is the appropriate level of ambition for First Home delivery?

i. 40% of section 106

ii. 60% of section 106

iii. 80% of section 106

iv. Other (please specify)

B) Exception sites

- *Two types of exceptions site: "entry level" and "rural". Entry level presumes support for small sites that provide affordable housing and meet certain design criteria.*
- *"Entry level" criteria to be amended so that*
 - *The affordable homes must be First Homes*
 - *A proportion of market homes will be permitted*
 - *The site size criteria is removed (but proportionality to existing settlements retained)**Consider discretion for local authorities to allow other forms of affordable housing in exceptional circumstances only.*
- *No changes proposed to rural exception sites*

Q23. Do you agree with these proposals to amend the entry-level exception site policy to a more focused and ambitious First Homes exception site policy?

No view.

Q24. a) Do you think there are rare circumstances where Local Authorities should have the flexibility to pursue other forms of affordable housing on entry-level exception sites, because otherwise the site would be unviable?

We feel there should be consistency which is lacking in the interpretation of NPPF at present: with an element of sale at full price to cross subsidise the entry level exception housing, some local authorities interpret this as the financial benefit going to the landowner to make sites available whereas other local authorities look at this as the ability to provide cross subsidy.

Q24. b) If yes, what would be an appropriate approach for Local Authorities to demonstrate the need for flexibility to allow other forms of affordable housing on a specific entry level exception site?

See Q24. a) response

Q25. What more could the Government do to encourage the use of the existing rural exception site policy?

A presumption that rural exception sites should be at social rent, not affordable rent, to reflect local incomes which tend to be lower.
Encourage lease schemes where landowners provide land to be built on and they get the reversionary interest of the asset.

Q26. What further steps could the Government take to boost First Home delivery?

No view.

C) Community Infrastructure Levy exemptions

- Currently, affordable housing is exempt from CIL, but exemption for 'discount market sale' is discretionary.
- Amendments to the CIL regulations will ensure that First Homes are always exempt from CIL.
- Under existing arrangements, local authorities can determine the balance between S106 and CIL: in other words they can choose whether to require developers to contribute via one or the other. There is a risk that LAs may choose to alter that balance and levy more CIL at the expense of S106 and First Homes. To address that government could legislate to prescribe S106 levels are maintained.

Q27. Do you agree that the proposal to exempt First Homes from the Community Infrastructure Levy would increase the delivery of these homes?

NO

Q28. Do you think the Government should take steps to prevent Community Infrastructure Levy rates being set at a level which would reduce the level of affordable housing delivered through section 106 obligations?

YES

Equality impacts

- *First Homes will open up home ownership to those unable to afford it currently.*
- *First Homes "could impact" on other affordable housing tenures under S106.*
- *Increased number of 'entry level' exception sites using land that would not have otherwise been developed "will mitigate" impact on other affordable tenures.*
- *Analysis suggests no gender or ethnicity impacts, but potential negative impact on elderly and disabled people. First time buyers are more likely to be under 55. Disabled people are more likely to use other affordable tenures.*

Q29. a) What equality impacts do you think the First Homes scheme will have on protected groups?

We would go further than the government's view that First Homes "could impact" on other affordable tenures and suggest that they *will* have that impact. Currently, a large part of the new affordable homes we collectively provide each year come through the S106 route.

Q29. b) What steps can the Government take through other programmes to minimise the impact on protected groups?

It will impact of affordable rent tenures of all types, and consequently on the many who will be unable to afford a First Home, even at the discounts on offer. Those least able to afford First Homes will also be those who struggle already with levels of Affordable Rent. Therefore, mitigation will need to focus not only on additional funding to replace S106, but also on prioritising social rent.

Q30. Do you have any other comments on the First Homes scheme?

Thought must be given to the impact of the 'in perpetuity' discount principles on both loan to value lending ratios and the impact of any mortgagee protection clause. If purchasers are potentially able to borrow a full 70% of value, with the mortgagee able to dispose at full market value on repossession this could be detrimental to the long-term viability of First Homes. In the event of declining house prices this could become more significant.

We also have concerns about the potential impact on shared ownership homes. As a product, they will become unattractive; buying a 50% share at 50% of market value does not look attractive against buying a 100% share at 70% market value. Whilst that may, at first sight, seem like simply a better offer, there are two potential consequences. Firstly, for us, it will reduce surpluses and this increases the negative impact on new affordable rent products which require those surpluses to make viable. Secondly, the re-sale market for shared ownership homes will look very unattractive and it may leave existing shared owners unable to sell.

Finally, there is a real danger that this change will affect the viability of sites and reduce the amount of new homes being produced. In effect a guaranteed income to a developer of around 70% of value made through staged payments from a housing association will be replaced by additional sales risk to achieve the same income.