

RESPONSE TO MHCLG 'FIRST HOMES' CONSULTATION

1. INTRODUCTION

- 1.1 The government is seeking views on the details and operation of a proposed new affordable home ownership tenure, 'First Homes'. The tenure form proposes to combine all of the following features, and it is this combination which makes it 'new':
- Targeted at first time buyers
 - Occupation subject to local connections based on eligibility criteria
 - A more significant discount on market value (30% suggested)
 - The home to be affordable in-perpetuity
- 1.2 In responding to the consultation the target affordable tenure mix in the emerging Local Plan Part One 2016-2036: Planning Strategy (Policy 17) should be considered. It was set by reconciling local evidence of housing costs, local incomes and development viability. The target is 30% affordable home ownership and 70% affordable rental tenures, the latter 50%/50% affordable rent and social rent.
- 1.3 The main aims of the First Homes initiative are laudable: to help more local people buy a home in their own area, rather than being forced to look somewhere else or being locked out entirely due to cost. The First Homes proposal has some merits and it seems likely that the Government will introduce it in some form, but at the pricing levels suggested in the consultation it may not be genuinely affordable.
- 1.4 Due to the way that subsidy is preserved and protected, First Homes are likely to be viewed as a preferable affordable home ownership product to Starter Homes. However concern exists about the extent to which First Homes might be given priority over other tenures of subsidised affordable homes, especially within the context of rented accommodation secured through planning policy. Depending on how First Homes is implemented, it could significantly and adversely affect the Council's ability to provide other affordable housing tenures that help those in greatest housing need.
- 1.5 The consultation proposals are also poorly thought through and lack important detail on how the First Homes scheme would be administered, especially in relation to subsequent occupiers.
- 1.6 A proposed Council response is attached for decision as Appendix 1 with a summary of the key points in section 3 of this report.

2. BACKGROUND

- 2.1 The First Homes concept featured in the Conservatives' general election manifesto last autumn before being confirmed in December's Queen's Speech. Whilst this is not explicitly stated in the consultation, First Homes appear to be a replacement for Starter Homes and may also replace Help-to-Buy and Discounted Market Sale housing in whole or part.

- 2.2 The Housing and Planning Act 2016 introduced a duty on local planning authorities to provide Starter Homes as a new affordable home ownership tenure for first time buyers. NFDC has secured around 100 Starter Homes, but in a slightly different form to the national model. Whilst a success locally in this respect, in the New Forest area the stipulated 20% market price discount for starter homes was insufficient to generate a price genuinely affordable to lower income residents. At the national level the Starter Homes initiative is acknowledged to have failed.
- 2.3 The other main mechanisms to support affordable home ownership is Help-to-buy and Shared Equity housing. Under Help-to-buy buyers receive a repayable equity loan to use as a new home deposit. Whilst successful in supporting housing output, Help-to-buy has been criticised for being insufficiently targeted to first time buyers and for contributing to house price inflation (in that it enabled buyers to purchase a more expensive first or subsequent home that they could not otherwise afford). Consequential changes restrict Help-to-buy to first time buyers only from 2021 and the scheme is currently scheduled to end in 2023, pending any future announcements.

3. THE FIRST HOMES CONSULTATION

- 3.1 There are four main concerns with First Homes proposal that the Council response is recommended to highlight.
- i. **First Homes should not be unduly prioritised in policy or law to the extent that the provision of other affordable tenures that better fit local needs are squeezed out.**
- Affordable housing procured through the planning system continues to be the primary source of subsidised housing for rent and homeownership in the New Forest. If a national requirement for First Home provision (as a proportion of total affordable housing) was set significantly above the NFDC 30% target for affordable home ownership tenures, the Council's ability to meet other housing tenure needs would be compromised. Whilst the First Homes tenure is supported to sit alongside affordable rental and shared equity models, it would be of significant concern if a major shift in national policy resulted in First Homes disproportionately replacing the provision of social rented and more accessible shared-ownership housing.
- ii. **Whilst 'in perpetuity' discounting is welcomed, its operation in what will essentially be private housing is likely to create additional administrative and legal burdens.**
- Local authorities will usually be best places to undertake that administration provided that national policy or regulations define clear expectations that can be incorporated into s106 legal agreements, but this will need to be resourced. The resale and future letting of First Homes will be more complex and would need to be controlled with appropriate legal safeguards (such as a covenant or legal agreement), monitored and if necessary enforced. If a First Homes requirement were to be set high, over time hundreds of First Homes may be resold each year which may require a dedicated staff resource or equivalent arrangement.
- iii. **Tenure mix on entry-level housing exception sites should be a matter for local authority discretion.**
- The validity of providing First Homes on entry-level housing exception sites, alongside other tenures or where it best meets local needs, is supported in principle. The proposal or implication that housing provision on entry-level housing exception sites should exclusively be in the First Homes tenure is not supported. It

would squeeze out other affordable tenures that my better fit local needs and more strongly justify a site being treated as a planning exception in the first place.

- iv. **The current duty to provide Starter Homes should be removed if First Homes are introduced.** Government will also need to clearly clarify the subsequent status (if any) of Starter Homes as an affordable housing tenure.

3.4 The consultation takes the form of a discussion document and embedded questionnaire. A proposed response to the questionnaire and other issues raised in the discussion document is attached as **Appendix One**. The suggested responses are summarised below, noting for information how they differ to the Starter Homes concept.

The level of discount is proposed to be 30% with views also sought on a 20% and 40% discount (the starter home discount was 20%).

3.5 The response recommended is that the level of discount should be at least 30% as a benchmark with the option to set a deeper discount locally through the Local Plan process, having regard to need for First Homes relative to need for other affordable housing tenures and taking into account the viability of development and other demands on developer contributions.

Views are sought on setting a national or regional/county-based price cap for First Home purchases, with figures in the range of £450,000 - £600,000 (before discount).

3.6 Even after First Home discounting the lowest of the range of prices proposed in the consultation would not be remotely affordable to most first-time buyers in NFDC, requiring a household income of at least £71,000 or 2.5 median incomes (assuming 10% deposit and 4x loan to value mortgage to purchase at £450,000 less 30% discount = £315,000). The figures suggested in the consultation significantly exceed lower quartile and median house prices in the New Forest area, respectively £245,000 and £325,000 (all figures ONS September 2018).

3.7 The proposed response is to support a cap provided that it is set as locally as possible with regard to local incomes and housing affordability, with a preference for a standard method or formula using household income and local house price data rather than a set figure. This is to ensure that First Homes provided are genuinely affordable in the locality where they are provided.

3.8 If Government decide to set a fixed cap, the effects of the Covid 19 virus on the housing market would need to be fully understood first. The much lower levels set for Starter Homes (£250,000 in NFDC) would have been more appropriate for NFDC when the First Homes consultation was launched.

It is proposed that First Homes affordability discount would apply to resales in perpetuity.

3.9 Support is recommended whilst noting that administering what would essentially be future private sales could become a significant and complex task. Further guidance is required on how it should operate and to clearly define the responsibilities of the parties involved, including First Home occupiers. There should be a right for Councils or Registered providers to acquire the First Home at the discounted rate if a first-time buyer cannot be found within a reasonable timeframe.

It is proposed that local first-time buyers would be given first refusal on First Homes for a defined period, and local authorities would set the definition of 'local'.

- 3.10 It is suggested that both propositions are welcomed. However, the consultation response should emphasise that it is important that local authorities have the option to set the proportion of new homes that should be First Homes in the first place, as part of their Local Plan affordable housing tenure mix. This would help to minimise the risk of an excess of First Homes relative to need at the expense of other affordable tenures where housing need might be more pressing.

Views sought on the period of local first-time buyer purchase exclusivity.

- 3.11 Of the options proposed it is suggested that for first sales a period of 6 months strikes a balance between meeting the policy objective and not unduly impeding home sales and (for first sales) developer finances. However in the event that on first sale a First Home cannot be sold or re-sold to meet local first time buyer need, local authorities should have the discretion to extend the opportunity to purchase a First Homes to other types of households provided that they have local connections, otherwise a key objective of the model (and the justification for permitting the tenure) would not be met.
- 3.12 In the last instance the Council or a Registered provider should be given the opportunity to acquire the property for use to meet local housing needs in an alternative affordable tenure for which there is current need or demand.

Views are also sought on extending the first-round purchase opportunity to key workers and to serving military personal and veterans.

- 3.13 Both are proposed to be supported provided that the purchasers meet the other relevant financial and eligibility criteria.

4. CONCLUSIONS

- 4.1 On balance the First Homes proposal – with its 'in perpetuity' discount – is supported as an alternative to Starter Homes and Help-to-Buy. Support is qualified by the need to retain evidence-based local discretion on the proportion of homes provided in this tenure, the level of discount applied subject to a minimum level, and on the setting of eligibility criteria and their discretionary variation where necessary.
- 4.2 Given the need and demand for forms of affordable rented housing within the New Forest District, the proportion of First Homes within any given 'threshold' development proposal should not exceed the Local Plan policy target for intermediate affordable housing (30%).
- 4.3 Further guidance is required on administration of the First Home scheme, especially for resales, as this would generate additional administrative and legal costs that will need to be adequately resourced. The setting of clear expectations at national level would help to reduce potential complexity and cost.

5. FINANCIAL IMPLICATIONS

- 5.1 Additional administrative and legal costs would likely be incurred relating to monitoring and managing the re-sale or letting of First Homes.

6. CRIME & DISORDER IMPLICATIONS, ENVIRONMENTAL IMPLICATIONS

- 6.1 None

7. EQUALITY & DIVERSITY IMPLICATIONS

- 7.1 If implemented the First Homes initiative may impact on the Council's ability to secure other affordable housing tenures, in particular for rent, which may adversely affect future residents in the most pressing housing need.

8. RECOMMENDATIONS

- 8.1 It is recommended that the response attached as Appendix One be agreed.

9. PLANNING & INFRASTRUCTURE AND HOUSING SERVICES PORTFOLIO HOLDERS ENDORSEMENT

We have agreed to the recommendation of this report.

Cllr Jill Cleary, Portfolio Holder for Housing Services

Sign: CLLR J L CLEARY **Date:** 1 April 2020

Cllr Edward Heron, Portfolio Holder for Planning and Infrastructure

Sign: CLLR E J HERON **Date:** 1 April 2020

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Background Papers:

Published documents

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Last date for call in – 8 April 2020

Appendix One: MHCLG Questionnaire: DRAFT NFDC response

Q1.

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

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

i. 20% ii. 40% iii. Other (please specify)

NFDC Q1 response (a): “Yes”

NFDC supports the ambition to provide genuinely affordable opportunities for home ownership to local people excluded from their own housing market on the basis of market housing cost. A guideline rate of at least 30% could be published as a starting point, but the appropriate discount should be set in conjunction with the setting of price caps once the effects of the Covid 19 virus on the housing market are fully understood. The much lower levels set for Starter Homes would have been more appropriate for NFDC when the First Homes consultation was launched (which was £250,000 in NFDC).

If a higher percentage discount is necessary to achieve affordability in relation to local incomes this should be set through the Local Plan process having regard to need for First Homes relative to need for other affordable housing tenures, taking into account the viability of development and other demands on developer contributions. This is to ensure that, in accordance with NPPF para 64, the provision of First Homes would not “...*significantly prejudice the ability to meet the identified affordable housing needs of specific groups*”.

Should proposals for First Homes be progressed in some form, legislation and policy in relation to ‘starter homes’ as an affordable housing tenure should be amended or withdrawn.

Q2.

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

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

i. £600,000 ii. £550,000 iii. £500,000 iv. £450,000 v. Other (please specify)

Q3.

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

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)

NFDC response to Q2(a): “No”

Even after First Home discounting at 30% the lowest of the range of prices proposed in the consultation would not be remotely affordable to most first-time buyers in NFDC, requiring a household income of at least £70,000 (assuming 10% deposit and 4x loan to value mortgage to purchase at £450,000 - 30% = £315,000). The price cap figures suggested in the

consultation also significantly exceed lower quartile and median house prices in the New Forest area (respectively £245,000 and £325,000 in 2018).

If Government decide to set a fixed cap, the effects of the Covid 19 virus on the housing market would need to be fully understood first. The much lower levels set for Starter Homes would have been more appropriate for NFDC when the First Homes consultation was launched (which was £250,000 in NFDC).

NFDC response Q3(b): (v) “Other”

National or regional price caps are too blunt an instrument. The affordability of housing locally is a unique relationship between local incomes and local house prices. A ‘default’ figure for the First Home value cap (should instead be set on the basis of a standard definition or method relevant to the circumstances of first time buyers rather than a standard figure or rate e.g. **a price that, after applying the first Homes discount rate, a household with a combined income equivalent to two, lower quartile individual incomes could afford assuming a 5% deposit and a 25-year mortgage of 4 times household income.** This would help to ensure achievement of the policy objectives, that First Homes are genuinely affordable, relative to the locality of provision.

As ONS publish data on lower quartile and median incomes and house prices at local authority level to generate the local housing affordability data used in the NPPF standard housing need methodology a formula-based approach could use this data. Were a pre-determined cap introduced it should be as local and spatially specific as possible, and local planning authorities should have the option to accept the default, or to vary the cap through the Local Plan review process supported by appropriate evidence, to best address affordable housing needs by tenure in their areas.

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?

NFDC Q4 response: Yes, especially if central or default caps are applied.

Q5.

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

NFDC Q5 response: Yes, local authorities already do so in through their affordable housing allocation policies. It has to be taken into account that First Homes will last in perpetuity and any local connection requirements will have to be operable in the long-term, by the both the seller and the local authority, and be acceptable to present and future lenders.

Given the benefits of affordable housing models that follow nationally prescribed criteria, it would be prudent to see certain local connection principles enshrined as a default requirement but with scope for local tailoring, where justified with evidence. Doing so would establish an indisputable national baseline that First Homes is a model to explicitly address local need and demand.

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****NFDC Q6 response: (ii). Around 6 months**

The possibility of an excess of First Homes relative to local need/demand should be minimised in the first place by setting an appropriate proportion/quantity and price cap locally.

In setting a restriction period the distinction between first sales and resales of First Homes needs to be considered, allowing sufficient time for a transaction to take place.

For first sales (by a Developer) there would be no justified reason for the first sale of a First Home to fit within a defined period. In the event that a First Home cannot be sold to meet local first-time buyer need, the opportunity to purchase a First Homes should first be extended to other types of households that have local connections, otherwise a key objective of the model (and the justification for permitting the tenure) would not be met.

For subsequent re-sales the process could become complex. Transactions could take much longer with buyer-seller chains involved. The eligibility of buyers would need to be verified. Mortgage lenders may have concerns e.g. in relation to repossessions. The Government should come up with a workable approach to ensure in-perpetuity affordability is achieved (or re-provided) without trapping households who need to move or compromising the availability of adequate mortgage finance.

After the defined first sale or resale period Councils or Registered providers should also be given the first opportunity to acquire the property, for use to meet local housing needs in an alternative affordable tenure for which there is current need or demand. This may require timely funding support or access to prudential borrowing.

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

NFDC Q7 response: If an excess of First Homes relative to local need arises, before opening up purchase opportunities to a wider geography of demand local authorities should have discretion to use that home for another form of affordable housing tenure, in the first instance to meet local need for first homes another way e.g. shared equity. There may also be specific local housing needs that could be embraced such as rural workers (including New Forest 'commoners').

The above approach would be workable for first sales but would become considerably more complex to administer for subsequent re-sales.

NFDC would support unrestricted access generally to First Homes by first time buyers serving in HM Forces, and to key workers with a local employment connection, both subject to any applied income eligibility threshold and in perpetuity discounting requirement (see Q8).

Q8.

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

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

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

NFDC Q8(a) response: Yes, but it should be based on a national method or formula to define a default income threshold locally rather than a specific figure, to ensure that First Homes provided are genuinely affordable in the locality where they are provided e.g. ONS data as described in the response to Q3.

NFDC Q8(b) response: If a fixed cap were to be introduced, it should be no higher than the income cap applied for shared-ownership housing locally (currently £80,000 household income).

NFDC Q8(c) response: In principle it would be inequitable to make First Homes available to households with significant assets that also happen to have a relatively low income. But it seems unlikely that many first household would fall into this category, and in practice the complexity of assessing assets or policing non-reporting of assets may be a disproportionate effort to manage the risk. Not every local planning authority will have the resources or skills to manage the implications that could arise. It would be more appropriate to require developers to provide satisfactory evidence to local planning authorities (at the point of agreeing each and every first sale) that the proposed buyers meet specific national and any local requirements.

The above approach would be workable for first sales but becomes considerably more complex to administer for subsequent re-sales.

Q9:

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

NFDC Q9 response: Parity should be achieved with shared-ownership eligibility requirements. There should also be discretion to vary eligibility restrictions where there is a valid, housing need-based reason to do so, tested through the Local Plan preparation process.

Q10.

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

b) If no, why?

NFDC Q10 response: Yes in principle assuming there is a robust mechanism in place to enable local authorities to rectify avoidance. The legal and administrative costs could become significant over time.

Q11.

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

NFDC Q11 response: For the initial First Home sale, the onus must be placed upon developers to explicitly meet prescribed requirements with national rules, e.g. around local connection, sales to first time buyers, selling on a first-come first serve basis. Local authorities can then embed these requirements into S106 agreements, coupled with any locally justified elements. The local authority role would then be a matter of policing and enforcing the fulfilment of prescribed processes.

Significant differences in approach must be expected for subsequent sales, given that developers are fulfilling fundamental planning policy requirements which they take on with prescribed and known restrictions, whilst re-sellers (and their private lenders) must be able to sell their property and release capital in the housing market without unreasonable delay or risk.

For re-sales in the event that a First Home cannot be re-sold to meet local first time buyer need, local authorities should have the discretion to extend the opportunity to purchase a First Home to other types of households that have local connections, otherwise a key objective of the model (and the justification for permitting the tenure) would not be met.

In the last instance the Council or a Registered provider should be given the opportunity to acquire the property for use to meet local housing needs in an alternative affordable tenure for which there is current need or demand, or to receive a share of the sale proceeds reflecting the original discount of the sale proceeds based on market price sale .

Q12.

How could costs to Local Authorities be minimised?

NFDC Q12 response: By documenting the rules and processes for First Homes within national policy to the greatest possible extent and then compelling developers to fulfil the requirements on first sale, with the local authorities having a reasonably simple and limited monitoring and enforcement role. A practicable approach needs to be devised for re-sales.

Q13.

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

NFDC Q13 response: Yes, if the form it takes helps to improve mortgage finance availability.

Q14.

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

NFDC Q14 response: Mortgage finance provides a commercial return and loans are offered on the basis of credit scoring to a risk level acceptable to the lender. NFDC understand this to be about mortgage in possession clauses and would be comfortable with such clauses as long as local authorities have an in-built pre-emption right and process to purchase from the lender, and all proceeds arising from the disposal of the released discounted element (e.g. 30%) must be paid to the Local Authority towards affordable housing provision in their area.

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)**

NFDC Q15 response: (i) Never

No set period should be defined as an automatic right. If in-built periods of time are permitted without consent it would be impossible to manage, monitor and enforce. Permission should be granted on a case by case basis and not unreasonably withheld for up to 2 years.

However local authorities are not currently resourced to administer the re-letting of affordable homes in home ownership.

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)**

NFDC Q16 response: This is impossible to prescribe and must be matter for local discretion. However, mechanisms must be in place to prevent First Homes becoming a source of letting income that has been made possible and profitable through a discount to open market value. For example, local authorities could be given a default entitlement to a share of the rent whenever a First Home is let, up to a level proportionate to the original sales price discount, and the discretion to forego that entitlement for a suitable period in

circumstances deemed reasonable (including ensuring the owner can meet their mortgage payments).

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?

NFDC Q17 response: Yes as doing so will achieve consistency of national housing policy for FHs in line with other forms of affordable housing for rent and shared ownership

Q18.

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**

NFDC Q18 response: (iii) “up to 5 years”

As a minimum the veterans entitlement (which also applies to partners of those who die in military service) should be aligned to the model used for shared equity housing, where veterans who have served in the armed forces for a minimum of six years can currently apply to buy within two years of their date of discharge from service.

NFDC would support a longer period subject to the standard first purchaser income/asset caps. Up to five years is a realistic timeframe for a veteran to transition to stable paid employment or self-employment to qualify for a mortgage, and to save a deposit.

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?

NFDC Q19 response: Government assistance with raising a deposit especially for invalidated veterans or the bereaved partners of veterans.

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**

NFDC Q20 response: Option (ii) would appear to be necessary

A balanced approach is required in which the provision of First Homes is accepted and delivered where they are proven to meet local need and demand, alongside other tenures that continue to address the highest priority housing needs.

The following would need to be reviewed if the First Homes requirement is introduced:

- The Housing and Planning Act Chapter 1 ('Starter Homes') and especially section (4) the general duty to promote the supply of starter homes; and
- National Planning Policy Framework, Annex 2 Affordable Housing definition, including considering the deletion of the 'starter homes' definition.

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

NFDC Q21 response: None of the above unless, as NFDC suggest, the percentage requirement for First Homes is set locally through the Local Plan review process - in which case option (i) would be appropriate as part of the standard local plan approach to setting out a target for affordable housing tenure mix as well as quantum.

NFDC would not support a nationally set percentage requirement for First Homes, other than to form part of the current NPPF para 64 standard that '*at least 10% of homes be in the form of affordable home ownership tenures*'. A nationally set percentage requirement for first homes would be likely to adversely affect the Council's ability to secure affordable rented and shared ownership tenures that would better address residents with the most pressing housing needs. The New Forest housing market is typified by higher house prices and a worse affordability ratio than surrounding areas, in what is already a relatively expensive part of Southern England.

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)

NFDC Q22 response: (iv) Other: none of the above and no specific figure.

Section 106 planning obligations can only be sought where they meet the tests of being necessary, reasonable and proportionate in scale and kind to the development (CIL Regulation 122.2). What is 'reasonable and proportionate' for First Home provision can only be assessed case by case with regard to any provision of infrastructure and services by the developer that may be necessary for that development to proceed, and the appropriate balance between need for First Homes and need for other affordable tenures in that area.

The NPPF requirement at paragraph 64 that at least 10% of the homes to be available for 'affordable home ownership', is sufficient as it would encompass First Homes as they are envisaged in this consultation document.

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?

NFDC Q23 response:

The 'Entry-level Exception Site' policy in the NPPF (para 71) is poorly conceived in both housing and planning terms. It adds nothing useful to the tradition rural exceptions site approach.

Fundamentally NFDC does not consider that the distinction between traditional and entry level exceptions sites is useful, and that it is unnecessary. As a higher value proposition will simply crowd out traditional forms of exception site. In affordable housing delivery terms, it introduces hope value expectations for unallocated land that undermines the opportunity to provide genuinely affordable homes for those most in local need, which is the strongest case for making a planning exception in the first place. In doing so it will make it more difficult to secure the more traditional format of rural affordable housing exceptions sites for predominantly affordable or social rent (where 'rural' means in a location outside a defined settlement boundary). NFDC experience is that once the principle of housing use has been established on an affordable housing exception site, commercially minded landowners tend to delay implementation until they have exhausted the exploration of potentially more profitable tenure formats. Developers would certainly not build out a scheme unless they were confident of demand.

In planning terms, the entry level exception site concept sits uncomfortably with the concept of Plan-led system where planning applications should be determined in accordance with the adopted development plan (where as the NPPF states the plan should be meeting identified needs for all forms of housing). It is perverse and illogical to introduce the default acceptability of unallocated sites that, following sustainability appraisal and testing at independent examination, have not been found to be necessary or preferable as local plan allocations to address identified housing needs also tested through the examination process.

If the Government intends to persist with the NPPF entry-level exception site policy, it would be consistent to include the option to provide First Homes on them given they would be a defined affordable tenure.

However NFDC objects in the strongest terms to the suggestion that exception sites be exclusively for First Homes at the expense of other more affordable rental tenures that would help to meet the most pressing rural housing needs to help justify the policy exception being applied in the first place. And the core premise of exception sites must be preserved – that they would deliver affordable housing to meet an identified local need that cannot otherwise be met.

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?

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?

NFDC Q24(a) response: Fundamentally NFDC does not consider that the distinction between traditional and entry level exceptions sites is useful, and that it is unnecessary. If government persists with the policy distinction, then in common with conventional exception site processes, evidence should be submitted to support the local need and demand that will be met through an entry level exception site. If this shows the need for other forms of affordable housing on an entry level exception site - or if the council has evidence that separately proves that to be the case - then the ability to make exceptions and allow other forms of affordable housing on these sites would be supported.

NFDC Q24(b) response: Verifiable evidence of local housing need and demand.

Q25.

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

NFDC Q25 response: Withdraw the 'entry level' exception site concept, which as a higher value proposition will simply crowd out traditional forms of exception site. It would be simpler to instead state that where there is local need traditional exceptions sites can include provision of entry level homes for purchase including first homes. The traditional approach already allows for wider tenure provision where necessary for development viability.

Q26.

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

NFDC Q26 response: Transfer funding support from other subsidised home ownership tenures such as starter homes and help to buy, into the First Homes model. But not from shared equity housing which effectively targets households closer to the affordability margins for home purchase, and not from affordable rental tenures which meet the needs of those in more pressing need who are unable to purchase a subsidised home.

Q27.

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

NFDC Q27 response: This would be consistent with the treatment of other affordable housing tenures, provided that the First Homes pricing scheme is specified to ensure that First Homes are meeting a need that cannot otherwise be met by the market. But if new housing generates a need for additional infrastructure and services without which the development would not be sustainable, this either has to be already available or a mechanism in place to fund and provide it. For example there is likely to be strong correlation between first home provision and the future need for accessible school and nursery places. Section 106 agreements offer an alternative given pooling restrictions no longer apply.

These types of arising demand for infrastructure can best be addressed holistically through local plan review process and would be impossible to adequately plan-for if there was large-scale ad hoc exception sites development.

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?

NFDC Q28 response: This is completely unnecessary. Local plans must include policies to meet identified housing needs, and CIL rates must be set at a level that would not adversely affect the viability of development taking into account the cost implications of all local plan policies - of which affordable housing requirements are almost always the most significant.

Q29.

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

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

NFDC Q29(a) response: Compared to the general population as a whole, it is more likely than not that a higher proportion of those in greater housing need would fall within the protected groups. If a First Homes policy is introduced in a way that reduces the number of affordable homes that will serve that group over time, then First Homes would introduce a significant risk of adversely impacting our ability to assist those in greater housing need. This risk can be avoided by ensuring that First Home provision (quantum and discount rate) is based on evidence of need and tested through local plan examination alongside policies to meet other identified housing needs.

NFDC Q29(b) response: The Government must take steps to ensure that the delivery of First Homes does not unreasonably impact on or unbalance the provision of a range of affordable housing tenures. Within NFDC recent evidence of need, tested and supported at local plan examination, is that S106 affordable housing is needed and should be delivered in a target ratio of 70% rental and 30% affordable home ownership tenures. Where it is shown that First Homes would meet identified local need and are affordable on local incomes, they should form part of the 30% affordable home ownership element. Any stipulation that First Homes should comprise a greater share of affordable housing provision than is supported by a balanced assessment of all local needs would result in adverse impacts on other groups on housing need

Q30.

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

NFDC Q30 response: NFDC reiterates that significantly more work is needed to address the practical operation of the First Homes concept, especially in relation to

- Its appropriate role alongside other affordable housing tenures taking into account how it may impact on the ability to use s106 funding to provide other affordable housing tenures, the provision of which is supported by the NPPF.
- the operation and administration of subsequent re-sales and lettings which may become a significant cost burden on local authorities. Retention or recycling of the public subsidy is an essential consequence of the original planning justification for any exception site approach, but first occupiers also need to be able to move on.