

Hertsmere Borough Council response to First Homes Consultation

Prepared by Ann Darnell, Senior Planning Officer, in consultation with Portfolio Holders for Planning and for Housing and Transport.

Contact details: ann.darnell@hertsmere.gov.uk 0208 207 2277 ex 5800

Q1.

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

Yes, provided there is flexibility at the local level to set a higher discount because this is where the workings of the local housing market are best understood. Affordability varies considerably over the country so a discount that makes properties affordable in one area will not do so in another where different earnings to house price ratios exist. For areas with high levels of unaffordability the current standard 20% discount for affordable homes is insufficient. In these areas, increasing the discount to 30% or above may bring ownership within reach of those at the better-off end of those currently unable to afford ownership. It is however, also likely to impact the provision of the number and range of types of affordable homes delivered, including those for rent, because development viability may be affected. This will worsen access to the housing market for the lowest earners. There is also the danger that in order to improve development viability prices of market housing on the same sites will be increased, fuelling further decreases in affordability locally.

In areas where affordability is not as significant an issue however requiring a higher level of discount could unnecessarily constrain the overall numbers of affordable homes delivered.

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

i. 20%

ii. 40%

iii. **Other (please specify)** Consideration needs to be given as to whether 30% is required in areas where affordability is not an issue.

Q2.

a) Should we set a single, nationally defined price cap rather than centrally dictate local/regional price caps? No

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? **No**

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) **Price caps should be set locally so as to reflect local circumstances**

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.** There can be significant variation within and between local authority areas in respect of what constitutes 'affordability'. Where a local authority has an up to date Local Housing Needs Assessment, it is best placed to determine an appropriate price cap for its area, taking into account local incomes, house prices, the nature of the current housing stock and levels of need for affordable housing.

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** **Yes.** The local authority is best placed to understand and respond to local market conditions. If a first home is sold to someone without a local connection the test should remain in place for when the house is subsequently re-sold.

Q7.

In which circumstances should the first-time buyer prioritisation be waived? For non-first time buyers who are also key workers moving into an area for work or are current or former members of the Armed Forces (in accordance with the Armed Forces Covenant) but only if local property prices are currently restricting key workers from moving into the area and job vacancy levels indicate this to be the case. Applicants should however be subject to means testing as some will have equity from previous homes and/or average or above average income so should not have priority over lower earners living in an area if they could afford to access housing without a first home subsidy. The local authority should be free to specify the conditions under which the first time buyer prioritisation could be waived – eg only allow first time buyer prioritisation to be waived where there no people with local connections wanting a first home.

Q8.

a) Should there be a national income cap for purchasers of First Homes? No. There is significant variation in incomes nationally. Caps need to be set locally in order that higher earners do not squeeze lower earners out of the market.

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? Yes. Significant discounts should only be available to those that need them. The supply of first homes will be limited and should be available first and foremost to those that need the discount in order to get on the housing ladder.

Q9:

Are there any other eligibility restrictions which should apply to the First Homes scheme? Priority should not be given to key workers at the expense of others with local connections who are in more need

Q10.

a) Are Local Authorities best placed to oversee that discounts on First Homes are offered in perpetuity? Yes but the First Homes discount requirement should be registered as a local land charge and as a restrictive covenant to ensure its existence is brought to the attention of purchasers/conveyancing solicitors. However, there need to remedies in law for local authorities to address any subsequent sales which do not offer the required discount.

b) If no, why?

Q11.

How can First Homes and oversight of restrictive covenants be managed as part of Local Authorities' existing affordable homes administration service? In addition to restrictive covenants and registering as a local land charge, the use of a s106 legal agreement can include mechanisms for restricting how the property is subsequently sold.

Q12.

How could costs to Local Authorities be minimised? Include a modest s106 monitoring fee. In addition, by placing restrictive covenants on the property and a local land charge, there should be less need for local authorities to take action on non-complying vendors/purchasers.

Q13.

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

Q14.

Do you agree that it is appropriate to include a mortgage protection clause to provide additional assurance to lenders? No. If the property is to be re-sold at a 30% discount a lender should not have trouble re-couping their money unless there are no buyers locally wanting a first home property. The aim should be to retain the discount in perpetuity so if lenders are not willing to take the risk themselves there should be another way of underwriting potential losses which does not result in homes being 'lost' from the discount scheme.

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) It may be simplest for the scheme to operate along the same lines as CIL ie the house has to be the primary residence for 3 years. After that the criteria in Q16 could come into play. However the local authority should always be notified of the date and reason for moving out, and temporary contact details provided so that it is possible to check the system is not being abused.

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 Yes

ii. Deployment elsewhere (Armed Forces) Yes

iii. Relationship breakdown **Yes**

iv. Redundancy **Yes**

v. Caring for relative/friend **Yes**

vi. Long-term travelling **Yes**

vii. Other (please specify) **Long term care**

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? **Yes**

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 **Yes**

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?

Q20.

Which mechanism is most appropriate to deliver First Homes?

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

Yes – however see (ii)

ii. Primary legislation supported by planning policy changes **Primary (or secondary) legislation may be required given the implications for how properties are bought and sold and covenants being introduced, otherwise it becomes open to abuse and all sorts of interpretation as is the case with vacant building credit. However specific requirements for % of first homes required should not be set out in legislation. This should be determined through policies at the local level.**

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 **Yes this would be preferable. Local authorities would set percentages appropriate to local housing market area conditions.**

ii. As a percentage of all units delivered on suitable sites **No. This could drastically affect the delivery of other types of affordable homes and other infrastructure contributions.**

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)** This should be determined locally, based on local housing market area conditions. If a percentage has to be set in terms of an ambition (not policy) it should be set at the lowest level. Local authorities would then be able to adopt a policy for delivering that or a higher level, depending on local conditions.

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. Local authorities should be free to determine the best mix of affordable homes on an entry level exception site. Focussing on first homes will be to the detriment of other types of affordable housing. Removing the 1ha/5% of existing settlement size limit runs the risk of driving a coach and horses through local planning policies. The definition of 'small' amount of market housing allowable to make a site viable will also be the subject of debate and challenge.

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?** This flexibility already exists so there is no need to change the policy

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?**

Q25.

What more could the Government do to encourage the use of the existing rural exception site policy? Allow landowners to offset the (existing use) value of any land they gift for affordable housing against tax.

Q26.

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

Q27.

Do you agree that the proposal to exempt First Homes from the Community Infrastructure Levy would increase the delivery of these homes? It might do but it would also compromise the ability of local authorities to meet the infrastructure needs of local communities.

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? No. This is a matter for local authorities.

Q29.

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

Those on lowest incomes who can only access social or rented accommodation will be further squeezed as the emphasis is placed on first homes (to purchase). It is likely that first homes will only be accessible to those at the top end of the gap between those currently able to buy and rent without subsidy. This is likely to disproportionately comprise of those in protected groups who are already disadvantaged.

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

Q30.

Do you have any other comments on the First Homes scheme? Local authorities should have flexibility to set discounts and %/numbers of first homes to be provided within their area. Local authorities/housing authorities need to have the funds to enable more social housing for rent to be provided. Together these would help achieve an appropriate balance of affordable homes to buy and rent to meet the needs of local communities.