

## Appendix 2 – Proposed Response to Consultation – March 2020

Proposed responses are highlighted in red

### First Homes

#### Getting you on the ladder

This consultation is designed so that you can share your views on the First Home scheme and how we can best ensure that it supports local buyers into home ownership. More detail can be found in the First Home consultation document available at <https://www.gov.uk/government/consultations/first-homes>.

We have listened to concerns about the use of online surveys in the past and have made a number of adjustments to this consultation. You can save your progress and return to edit your response at any time before you submit or before the consultation closes. To do so, you will need to ensure that cookies are enabled on your system. Then:

- Make sure that your responses on the current page are saved by clicking the 'Next' button at the bottom; then close your browser window.
- You can return to the survey by using the link <https://www.surveymonkey.co.uk/r/FirstHomes>.

Question 30 provides an opportunity for you to pass on any additional comments, information or evidence you wish to submit.

#### i. Respondent details

Name **Wayne Forrest**

Email address **[wayne.forrest@pendle.gov.uk](mailto:wayne.forrest@pendle.gov.uk)**

#### ii. Are you responding as an individual or on behalf of an organisation?

- Organisation**
- Individual

#### iii. Is this an official response? If so, from whom?

- Local Authority**
- Councillor
- Housing Developer
- Housing Association
- Voluntary Organisation

- Business Organisation
- Not an official response

Name **Pendle Borough Council**

**iv. Which of the following applies to you?**

- Own my home
- Rent my home (social rented)
- Rent my home (private rented)
- Live with friends or family
- Other (please specify)**

Comment **Local Authority**

## Ensuring First Homes are affordable

The Government believes that First Homes should be available at a minimum of 30% discount off full market price. Local Authorities have the discretion to set higher levels of discount on a site-by-site basis, and the Government expects them to seriously consider this when determining local discounts.

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

- Yes
- No**

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

- 20%**
- 40%

Other (please specify)

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

- Yes
- 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)

*Not an applicable question based on Q2a response*

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

- Yes
- No

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

- London and nationwide
  - London, London surrounding local authorities, and nationwide
  - Separate caps for each of the regions in England
  - Separate caps for each county or metropolitan area
- Other (please specify)

*There needs to be opportunity to set caps to what could be considered the 'local housing market' area. Pennine Lancashire has a quite distinct housing market in relation to the wider Lancashire county area and First Homes should recognise this in order to ensure its success in our area.*

**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
- No

**Do you have any further comments on ways of making First Homes affordable?**

No

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## Eligibility for the First Home scheme

In order to support new development, the Government intends to ensure that local people are prioritised for First Homes. The definition of 'local people' will be at the

discretion of the Local Authority and can be based on either residency or work location, as appropriate.

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

- Yes
- No

It is also essential that restrictions on First Homes do not hamper labour mobility, nor lead to units remaining unsold if eligible buyers cannot be found. We are therefore clear that any prioritisation of local connections should be time-limited to allow for homes to be made available more widely if local buyers cannot be found.

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

- Less than 3 months
- 3 - 6 months
- Longer than 6 months
- Left to Local Authority discretion

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

Whilst the First Homes scheme is specifically aimed at first-time buyers, local authorities need flexibility to alter criteria on a scheme by scheme basis, where required, in order to ensure that developers are able to secure sales. Prioritisation could therefore be waived as a result of

- applicants who are not a first-time buyer, having exceptional circumstances
- applicants buying as individuals following a relationship breakdown who may have previously had a property in joint names
- specialist housing schemes
- clear indication that demand for the scheme is insufficient from first time buyers.

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

- Yes
- No

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

*Not an applicable question based on Q8a response*

We recognise that even with homes prioritised for local first-time buyers and key workers, there may be more people interested in purchasing a First Home than there are homes available under the scheme. In these circumstances it will be important to ensure that decisions about who is prioritised are made in a fair and transparent way, which avoids price inflation through offers and counter-offers. There are a number of approaches that could be used, such as allocating on a first-come, first-served basis or using local eligibility criteria (which could include household income and assets).

**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  
 No

Comments

The Government's stated primary objective of First Homes is to support people who wish to purchase a home in their local area but are unable to afford a property on the open market. With this in mind, there needs to be a mechanism that allows local authorities to prioritise those who, it can be evidenced, can't afford a property on the open market.

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

No

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## Supporting the First Homes scheme

Sellers of First Homes will be required to sell at the same level of discount to market price that applied at the initial purchase, and to another eligible First Homes purchaser. This will ensure that the benefit of these homes lasts in perpetuity.

We are minded to leave the details of administration to Local Authorities, and welcome views on how we can best support them in this process and whether this will lead to any additional costs.

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

- Yes  
 No

**b) If no, why?**

*Not an applicable question based on Q10a response*

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

The Council would seek to agree specific criteria for eligibility for Homes First across Pennine Lancashire housing market area (5 local authorities) and utilise the cross-borough B-with-us choice-based lettings scheme to manage where possible, administrative tasks related to Homes First. Individual local authorities Housing Needs services would manage oversight of restrictive covenants in conjunction with legal services.

**Q12. How could costs to Local Authorities be minimised?**

Economies of scale would be achieved by delivering this scheme across the five borough local housing market area and utilising the existing cross-borough choice-based lettings scheme where possible. Also, a standard form of wording for restrictive covenants would cut down on legal costs as the buyers solicitor would be aware that this was not a matter of negotiation

## **Supporting competitive mortgage lending**

We know that currently the market for lending on discount homes is small, partly due to the limited number of homes available and partly due to the variety of different models used. This often means people need relatively high deposits and/or are charged a higher interest rate on mortgages for this type of property.

To address the diversity of local models, the Government proposes to create a model agreement for First Homes which still allows local discretion where appropriate. This standardised approach will make it easier for mortgage lenders to move into this sector.

We are also minded to introduce a 'mortgagee protection clause' within the model agreement. This would allow restrictions on the property, including the policy requirement to sell the home at a discount, to be waived if lenders are forced to take possession in the event of a default on mortgage payments. We will seek to ensure that this system cannot be abused. Mortgage defaults are rare, but we recognise that this means a small number of these homes may not remain affordable in perpetuity. We consider this to be a reasonable and necessary compromise in order to maximise the number of people who can afford to purchase First Home properties.

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

- Yes
- No

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

- Yes
- No

**Do you have any other comments on ways to support competitive mortgage lending?**

No

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## Restrictions on letting First Homes

The Government is clear that properties sold under the First Homes scheme should be purchased by people who intend to live in them and not be used as a subsidised investment opportunity. However, we recognise that there are occasions when people need to spend some time away from their home, perhaps due to work commitments or to care for family members.

Therefore, we are minded to make allowances for owners of First Homes to move out and let their property for a time-limited period, not exceeding two years, without having to seek permission from the Local Authority. We do not intend that this restriction will impact on other rights homeowners have, such as the right to let out a room to a lodger, as long as the First Home remains the homeowner's sole or primary residence.

**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?**

- Never
- Up to 6 months
- 6 - 12 months
- Up to 2 years
- Longer than 2 years

Other (please specify)

Where individuals need to let the property for a longer period, we believe that they should be required to make an application to the Local Authority for permission which would be assessed on a case-by-case basis.

**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)**

- Short job posting elsewhere
- Deployment elsewhere (Armed Forces)
- Relationship breakdown
- Redundancy
- Caring for a relative/friend
- Long-term travelling
- Other (please specify)

There needs to be a case by case approach which will consider all reasons listed above.

**Do you have any other comments on letting restrictions for First Homes?**

Where a Local authority has given permission for a person to 'let' their First Home property up to a particular date, the person must not subsequently issue a tenancy agreement which extends beyond this date.

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## Delivering the Armed Forces Covenant

We recognise the special circumstances of members and veterans of the regular and reserve Armed Forces. As part of our commitment to the Armed Forces Covenant, we intend to make special allowances for serving members and recent veterans of the Armed Forces in purchasing First Homes. These will include:

- a. Serving members and recent veterans of the Armed Forces will be taken to have met the local eligibility criteria for any local area under any circumstances;
- b. A serving member of the Armed Forces placed on an assignment more than 50 miles from their home will be able to let out all or part of their property for the duration of that 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?**

- Yes
- No

**Q18. What is the appropriate length of time after leaving the Armed Forces for which veterans should be eligible for this exemption?**

- 1 year
- 2 years
- 3-5 years
- Longer than 5 years

**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

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## Delivery

The Government is committed to helping people achieve their aspiration of home ownership.

We are conscious that planning policy alone does not always guarantee delivery of homes. Local Planning Authorities must balance all material considerations when considering planning applications, and national policy is only one of these - other factors such as local plans and site viability can mean that national policy requirements for affordable homes are not met. We are clear that we want significant numbers of First Homes to be delivered and are considering legislative options to ensure that this policy cannot be sidestepped. We are, however, supportive of empowering local decision-makers and conscious of reducing discretion to respond to local circumstances. We welcome views on whether legislation would be appropriate, or whether planning policy changes are sufficient.

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

- Planning policy through changes to the National Planning Policy Framework and guidance

- Primary legislation supported by planning policy changes

The process should be introduced through planning policy. The tendency with planning policy changes has been to apply it as applying equally across the country as if there are no disparities between the performance, needs and viability across regions. Clearly this is not the case and any policy changes must allow flexibility so that the policy is applied according to the needs of the area it is in.

Developer contributions are an established method for ensuring that local communities benefit from new development. In 2018-19, around 28,168 affordable homes were delivered through contributions from development via planning obligations under section 106 of the Town and Country Planning Act 1990 (s106). To support people to realise the dream of home ownership, the Government wishes to ensure that more developer contributions are used to deliver homes sold at a discount. There are two broad options:

- Prescribe that a percentage of affordable homes delivered through section 106 planning obligations should be First Homes; or
- Prescribe that a percentage of **all** units delivered on suitable sites (over 10 units) are to be sold as First Homes.

The first option means in some cases Local Authorities may not use section 106 contributions to deliver affordable housing, including First Homes, and there is no legal obligation for them to do so. This may have an impact on the number of First Homes delivered overall and in different regions.

A set percentage of all units sold on suitable sites would provide greater assurance of delivery and allow wider section 106 affordable housing delivery to continue. However, this has a risk of impacting on the viability of specific sites (at least in the short term) which could have negative consequences for other developer contributions and/or lead to developments on these sites being delayed.

Viability is an issue. Also how does this relate to housing need where not everyone can afford a mortgage, even if discounted?

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

- As a percentage of section 106 affordable housing through developer contributions
- As a percentage of all units delivered on suitable sites

The first issue is to recognise if in fact First Homes are appropriate for an area. Many areas already have cheap housing that are available to first time buyers at prices that would reflect the cost of A First Home.

It is also an issue in many areas that any form of loss of profit from a scheme could make that scheme unviable.

In these areas it is often that the need is for other affordable products. If a set percentage is given that all sites must achieve that could a) prevent any development coming forward due to impact on viability and b) prevent other forms of affordable property coming to the market that would be needed more than a First Home.

The Government is ambitious in terms of First Homes delivery to reflect the scale of the home ownership challenge faced by people across the country. In 2018-19, just under 40% of section 106 affordable housing units were for affordable home ownership (largely shared ownership).

Taking this as a baseline, analysis of potential delivery under different scenarios is set out below. Please note that the percentages shown in the table are illustrative examples only and do not represent any Government intentions at this stage:

	Percentage of section 106 units required as First Homes		
	40%	60%	80%
First Homes delivered through section 106	8,000	12,000	15,000
First Homes delivered through exception sites	4,000	4,000	4,000
<b>Total First Homes Delivery</b>	<b>12,000</b>	<b>16,000</b>	<b>19,000</b>

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

- 40% of section 106
- 60% of section 106
- 80% of section 106
- Other (please specify)

This is a randomly thought out question. What percentage of a S106 agreement is made up of many factors. To arbitrarily plump for one figure would not get to a properly considered number.

**Do you have any other comments on how First Homes could be delivered?**

The purpose of First Homes is to provide the housing that is needed in an area. The needs in the south east will be different to the north east which will be different to where we are in Lancashire. The proposal is a one size fits all policy yet again which will work in some areas and not in others. The reasons that home owned homes have not been delivered in large numbers is because those in need cannot afford them but they are equally in need. What this policy will do is potentially deprive those in the most serious housing need of housing in the face of a policy that may well not be appropriate in all areas. The requirement should be based on housing needs assessments.

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## Delivery through exception sites

Exception sites provide a streamlined route to releasing appropriate land. They are small sites brought forward outside the local plan to deliver affordable housing. There are two types of exception site set out in the National Planning Policy Framework (NPPF): entry-level exception sites, which apply across the country; and rural exception sites, which are intended to meet identified local needs in rural areas.

### Entry-level exception sites

Entry-level exception sites are aimed at entry-level housing suitable for first-time buyers (or those looking to rent). However, so far use of this policy has been limited and there has been a lack of clarity about application.

The Government therefore proposes to re-focus the policy to use it as a direct delivery vehicle for First Homes. We propose amending the existing policy to:

- a. Specify that the affordable homes delivered should be First Homes for local, first-time buyers;
- b. Allow a small proportion of market homes on a site where essential to ensure the development will be deliverable; and
- c. Remove the threshold on site size set out in footnote 33 of the National Planning Policy Framework but retain that they should be proportionate in size to the existing settlement.

The Government also recognises that there could be rare circumstances where there may not be sufficient demand amongst local people for additional First Homes, leading to viability issues for the entry-level exception site (for instance if a large number of First Homes have already been delivered in the local area). This could run counter to our objective of delivering more homes. For this reason, the Government is considering if there is a case for allowing other forms of affordable housing on entry-level exception sites in specific circumstances. In these circumstances, the Local Authority would have to demonstrate that focusing on First Homes as the sole affordable tenure would make a site unviable.

**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?**

- Yes  
 No

The content of this question shows the complexity of this issue. The exception sites should only be used when there is a proven need for such housing. In that case the sites should be brought forward only when they actually deliver a significant proportion of First Homes. If cross subsidy is needed the sites are not likely to led to deliver what they are meant to. It is also apparent that in areas where there is limited viability the provision will be on greenfield sites. That has environmental consequences not dealt with in policy.

**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?**

- Yes  
 No

No. On sites where viability is marginal all forms of affordable housing are likely to be marginal. It is questionable why consideration should be given to unviable sites.

**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?**

### Rural exception sites

Rural exception sites are small sites used to provide affordable housing and can already include an element of market housing at the Local Authority's discretion. These sites are explicitly focused on meeting the needs of the local community by accommodating households who are either current residents or who have an existing family or employment connection.

The Government does not propose to adjust the rural exception site policy to directly support the delivery of First Homes. However, recognising that rural exception sites are currently under-used and in the past stakeholders have asked for further policy clarity, the Government proposes providing further guidance on these sites, as well as how the rural exception site policy sits alongside the policy on entry-level exception sites. We welcome feedback on what support would further encourage use of this policy.

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

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

The danger here is that by putting in a one size fits all policy that in areas such as Pendle it will slow down delivery per se. This is because if there are no exemptions then already challenging sites will simply become viable. We urge the Government not to do what has happened continually in the past and put a single policy in place that does not recognise that there are significant disparities in viability. Simply delivering houses in many areas, without any contributions of any sort, has been difficult.

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## **Community Infrastructure Levy exemptions**

The Community Infrastructure Levy (CIL) is a planning charge that Local Authorities can use to raise revenue from developments to fund the delivery of local infrastructure. This is an important tool alongside section 106 contributions to ensure that Local Authorities can provide the infrastructure needed to support developments.

Most affordable housing is currently exempt from the Community Infrastructure Levy, because when developers provide affordable housing they are providing homes to meet a social need and will receive lower returns. Charging the Community Infrastructure Levy on these units would reduce developers' ability to provide much needed affordable housing.

Currently, Local Authorities can apply discretionary Community Infrastructure Levy relief to homes sold under the 'Discounted Market Sale' principle. This could generate considerable variation between Local Authorities as to whether and how reliefs are applied to these homes.

The Government therefore proposes amending the Community Infrastructure Levy regulations to specify that the First Homes element of developments in England will benefit from an exemption from the Community Infrastructure Levy. This will ensure consistency with other affordable tenures (e.g. shared ownership) and provide the certainty needed to support delivery.

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

- Yes
- No

Clearly if there is less to pay on the development there would be more viability and hence more First Homes could be delivered.

Given the option to set a policy requirement that a proportion of section 106 homes are delivered as First Homes, the Government is aware that this may affect Local Authority decision-making on the relative balance between the Community Infrastructure Levy and section 106. For instance, Local Authorities may choose to levy more Community Infrastructure Levy for infrastructure at the cost of affordable housing and First Homes.

The Government could take steps to address this risk. For example, we could consider amendments to the Community Infrastructure Levy regulations and guidance to ensure that Community Infrastructure Levy rates in England are not set at a level that would prevent current levels of affordable housing delivered through section 106 obligations from being secured in future.

**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
- No

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## Equality impacts of the First Home scheme

The Equality Act 2010 requires public authorities to have due regard to the need to eliminate unlawful discrimination, advance equality of opportunity, and foster good relations. It relates specifically to groups with protected characteristics including age, disability, sex, race, religion or belief, sexual orientation, gender reassignment, pregnancy, and maternity.

Our delivery analysis suggests that a First Homes policy would have a positive impact on both females and Black, Asian, and Minority Ethnic groups. Under some delivery scenarios there could be a negative impact on disabled people and people aged 55 and over. This is because disabled people are more likely to use other affordable housing tenures and because first-time buyers are more likely to be under 55.

The Government is determined that the First Homes policy opens up the dream of home ownership to as many people as possible and will explore all avenues to mitigate these equality risks. At the same time, current planning guidance is clear that Local Authorities should consider the needs of different groups when granting planning permission, and First Homes should support this principle. Local Authorities will be expected to consider the needs of groups such as older people and those with disabilities when granting permission for developments that include First

Homes. For instance, Local Authorities will want to ensure First Homes are built which meet the specific needs of people with physical or mental disabilities. We want to empower Local Authorities to take proactive decisions to support this principle and welcome views on how this can be achieved.

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

It is agreed that under some scenario's there could be a negative impact on disabled people and people aged 55 and over for the reasons stated above. However, additionally, in areas where developers may be reluctant to build due to 'viability' issues, houses would presumably be favoured rather than bungalows which aren't always seen as the most valuable use of a building plot. Thus, the policy may indirectly favour development of accommodation for those who do not require bungalows / specialist accommodation.

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

The Government could provide greater incentive through other programmes for developers to build more ground floor accommodation.

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

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No