



First Homes scheme consultation
Home Ownership Division
Ministry of Housing, Communities and
Local Government
3rd Floor, Fry Building
2 Marsham Street
London
SW1P 4DF

[By email]

Friday 1 May 2020

Dear Consultation Team,

- 1 I am writing on behalf of Greater Manchester Combined Authority in my role as Portfolio Holder for Housing, Homelessness and Infrastructure. I attach the detailed response to your consultation on the First Homes scheme drawing on views from the ten local authorities in Greater Manchester.
- 2 The COVID-19 emergency situation has highlighted the enormous humanitarian crisis facing our communities. As the impact of coronavirus has worsened, it is those in most acute housing need that are among the most vulnerable to infection. In Greater Manchester we have been working on an urgent response to house 1,300 rough sleepers, homeless and those living in temporary shared accommodation in hotels and provide them with essential services to help them during the coronavirus crisis. However this is not a permanent solution and the transition out of this emergency accommodation will be a real task, one that urgently needs the support of investment in truly affordable housing to support those in the most acute housing need. There are also the ongoing and increasing pressures on those in temporary and settled accommodation who are facing new levels of social and economic hardship as a result of COVID-19 that will require enhanced support.
- 3 At this time the top priority for Government should be to support these vulnerable households through the provision of more social and affordable homes. Whilst we welcome commitment to support local first-time buyers and increase home ownership, we think this priority should not be at the expense of building homes for people most in need. Even before COVID-19 struck we were already struggling to find solutions for the almost 100,000 households currently on the Housing Register in Greater Manchester, 30,000 of which are in priority housing need. We must urgently suspend Right to Buy to protect our current social stock and embark on an accelerated programme of building new social housing as a priority – using the opportunity to



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From the office of the City Mayor



Salford City Council

adopt modern methods of construction to drive innovation, sustainability and quality in the homes we build and for the construction sector as a whole. This, together with an urgent investment in retrofitting our existing homes to respond to the climate emergency we all face, would be a powerful early step on the route to economic recovery.

- 4 At present, almost a fifth of new affordable homes come through developer contributions negotiated by councils under section 106 of the Planning Act in Greater Manchester. We're concerned that diverting this funding to First Homes will make it more difficult to provide homes for people on lower incomes and those who rely on support from the welfare system through the delivery of social and affordable rented homes. First Homes will inevitably reduce the number of this tenure that can be provided through the planning system. If these proposals go ahead, there needs to be a significant increase in government funding for truly affordable housing (social and affordable rents) to prevent the loss of future affordable homes. This is especially significant given that more than 95,000 homes have been purchased through Right to Buy in Greater Manchester since 1980 with very few ever replaced. Only 64 social rented homes were provided in Greater Manchester last year and at the same time 1,418 social homes were lost under Right to Buy, resulting in a net loss of 1,354 social homes. The cumulative impacts of this are exacerbating the housing crisis.
- 5 Many residents in Greater Manchester are living in precarious conditions and would not be able to participate in the First Homes scheme. As we've seen across the city-region, in-work poverty is increasingly prevalent and over a quarter of our residents rely on tax credits to support their incomes. Before the COVID-19 emergency, around 69,000 households were claiming Local Housing Allowance (LHA) to support housing costs and more than half of these households have children and nearly half were working. More worryingly, there were 3,765 households benefit capped, of which an estimated 1,393 of these were families living in the private rented sector. With the increase in Universal Credit and LHA rates coming into force last month it is likely that more families will be subject to the benefit cap and therefore not benefit from these increases. Many families are also impacted by the two-child limit to Universal Credit and are at further risk of falling into real hardship. We fear the impact of the ongoing pandemic will only serve to heighten the financial pressures for these households who are already struggling to afford monthly rents and are unlikely to ever benefit from the First Homes scheme.
- 6 A major concern of the First Homes proposals is they are based on the assumption of the availability of section 106 contributions to fund the scheme. There is limited value in many schemes in Greater Manchester due to abnormal development costs and low values which means securing section 106 contributions to pay for less than market cost housing is already a significant challenge. In Greater Manchester over 60% of our land supply is brownfield with a further 10% of sites being a mix of brownfield and greenfield land. This presents a number of challenges including remediation, site clearance, contamination and land assembly. Often the costs of these works present viability challenges which in turn reduce the ability for local planning authorities to secure the full amount of section 106 contributions in relation to the proposed development. This is generally the case across the north of England as a whole and especially in post-industrial parts of the country (outside of London) and is not considered in the proposals.

- 7 It is important to note that the First Homes policy will be difficult and costly to administer and place a burden on our already overstretched local authorities, who have experienced unprecedented cuts since 2010 and have seen central government funding cut by almost 50% in real terms. If funding was provided to cover the complex administration of First Homes, it would divert further public spending to a scheme which does little to provide truly affordable homes for those most in need within our city-region.
- 8 We welcome support to local first-time buyers however are concerned that the First Homes policy will divert funding from building homes for those in most need. We believe the first priority for Government should be to support households in acute housing need through the provision of more social and affordable homes including longer term funding for Housing First pilots and supported accommodation. This includes protecting our existing social stock through scrapping Right to Buy. We need to explore policy options for more equitable rents in highly stressed neighbourhoods and redesigning our welfare system to ensure it supports those in need as a result of the COVID-19 pandemic.
- 9 In our enclosed consultation response we provide further details to the issues outlined in this letter. Where we make recommendations on the operational details of the policy, these do not imply our endorsement of the approach rather we are seeking ways to make the First Homes proposals work as effectively as possible, with the minimum of detriment to positive outcomes for Greater Manchester. We look forward to reading your responses to the points raised.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'P. Dennett', with a stylized flourish at the end.

Paul Dennett
City Mayor of Salford and Greater Manchester Combined Authority Portfolio Holder
for Housing, Homelessness and Infrastructure

Enclosed:

- Greater Manchester Combined Authority (GMCA) consultation response

Greater Manchester Combined Authority (GMCA) response to the First Homes consultation

Q1.

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

No.

A higher discount will increase the impact on the viability of a marginal site, where low values combine with high abnormal development costs. Increasing the discount removes even more value from the scheme which will reduce the number of viable sites compared to not having the First Homes scheme in place.

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

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

20% - this has been found to be a sufficient discount to stimulate open market sale units through Homebuy.

Q2.

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

No. The market varies considerably across the country and so local price caps would be more appropriate linked to household income in those local areas. There should be local determination of caps at a Local Authority level.

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): £150,000**

The estimated cost to build a new affordable property in Greater Manchester is around £130,000, far removed from the suggested levels for the price caps outlined above. The maximum price of new building properties is unlikely to reach levels above £450,000 in Greater Manchester. To ensure that the highest value new build homes do not benefit from the First Homes discount, the price cap should be £150,000 – this is the upper end of the first-time buyer price bracket in lower value areas in Greater Manchester. Price caps above this level would not prioritise those most in need.

It is important to note we are not endorsing this approach, rather seeking ways to make your proposals work as effectively as possible, with minimum detriment to Greater Manchester.

Q3.

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

Yes, regional price caps would be more appropriate and should be linked to household income levels however there should be local determination of caps at a Local Authority level.

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): separate caps for each local authority area**

Even within regions there can be vast differences in markets and average price. The cap should be applied at district level as a minimum.

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

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

Yes. Local authorities should determine priority groups and local connection in accordance with own concerns/priorities. However, in doing so this is a considerable administrative burden that local authorities are not resourced to carry out.

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?

The prioritisation should be waived if a first-time buyer cannot be found, and determined locally having regard to housing needs in the area.

Q8.

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

No. A national income cap for purchasers of First Homes is not appropriate. This would not reflect local circumstances and would result in some households being eligible for a First Home even though they could afford the full open market value of the dwelling. In order to better reflect local circumstances it is most appropriate for any income cap to be set out at the local authority level.

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

It should reflect average household income in a local authority, but should be up to the local authority to decide the cap.

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

Agree it is appropriate to consider applicants' income and assets in order to target First Homes. However, this is a massive administrative burden that local authorities are not resourced to carry out.

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

No

Q10.

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

If resources were provided to cover all costs, local authorities could be best placed to oversee that discounts on First Homes in line with existing affordable homes administration.

However this would place an administrative burden on local authorities and be extremely time consuming and difficult to manage, particularly the issue of ensuring homes are offered in perpetuity which is a legal matter rather than one that the local authority will directly oversee.

It is important to note that some local authorities in Greater Manchester do not have existing schemes or staff, so would need funding to establish this resource.

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?

Funding to provide this additional service would be needed in local authorities, as some of our Greater Manchester districts do not have an existing scheme or staff to manage.

The covenants need to be clearly registered from the outset at both the Land Registry and at the local authority.

We also have concerns over the management of covenants over time and how enforceable they are. Anecdotally we are told that compensation is often paid on covenants on land to nullify their implications. Over time, the same may happen with First Homes covenants.

Q12. How could costs to Local Authorities be minimised?

Central government support must be provided to cover anticipated administrative costs of this scheme.

Consideration should be given to the role of organisations such as Zone Agents and Private Registered Providers as they could potentially support managing First Homes.

It is important to note that even if funding was provided to cover the administration of First Homes, it would be further public costs for a scheme which does little to provide truly affordable homes that will address the needs of Greater Manchester. Instead priority should be given to providing social homes for the almost 100,000 households currently on the

Housing Register in Greater Manchester. We also need to protect our current social stock from Right to Buy, where we have already lost 95,000 homes since 1980.

First Homes will divert valuable resource that could support the delivery of much needed social and affordable rented properties.

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

If government agrees to pursue this policy, a standardised First Home model with local discretion should be developed to support mortgage lending.

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

Yes. This would help provide lender confidence in the product.

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)**

Owners should not be allowed to let out their homes for any length of time as this would be extremely difficult to monitor and is open to abuse. However, exceptions could be made for serving members of the Armed Forces on assignment and, owners at risk of re-possession where re-sale is not an option, with agreement from the local authority.

There is a clear risk that buyers of First Homes could seek to rent out the homes at the market rate as a way of securing a financial benefit. This would remove the home from affordable housing supply.

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)

This is open to abuse without strict enforcement and monitoring that local authorities are not resourced to do. Any application to let a First Home property would be time consuming and resource intensive; there would need to be very detailed guidance on which to assess circumstances and it is unclear as to whether this guidance would be provided by Government.

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

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?

Publicity is key and could be part of the housing options service when having the exit interview.

It is also important to link with Armed Forces Covenants in districts and any officers with responsibilities for Armed Forces within local areas.

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

Planning policy through changes to the NPPF and guidance is the most appropriate mechanism for delivery. Local decision-making and balancing material interests are inherent parts of the planning system and the ability to take a view on a case by case basis should be retained. In order to increase overall delivery of affordable housing (including First Homes), the Vacant Building Credit policy should be withdrawn as it is reducing affordable housing delivery and is a blunt tool to provide an incentive to develop where no incentive may be needed.

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

The section 106 approach is preferred because viability is taken into account when setting policy on developer contributions/dealing with applications. Contributions are not required, or are lower, where they are not viable. Requiring a percentage to be delivered on all sites could impact on viability and reduce the delivery of other forms of affordable housing, reduce contributions needed for other forms of infrastructure, or ultimately prevent the site coming forward. Given the viability concerns in Greater Manchester, this policy could have significant implications for other aspects of section 106, resulting in other services and infrastructure financed via developer contributions through CIL/section 106 not being delivered.

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)**

The appropriate level of First Home delivery will vary depending on local housing needs evidence – as per NPPF para 64, the delivery of First Homes must not significantly prejudice the ability to meet the identified affordable housing needs of specific groups.

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?

Broadly the amendments are welcomed but it is inappropriate to remove the site threshold for exception sites. For larger settlements and major urban areas a “proportionate” site size could be of almost any size that could prove detrimental to a Local Planning Authorities ability to secure the sustainable development of its area.

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, if a principle is in place that a site can be considered suitable for housing development, the opportunity for a flexible approach to the mix of affordable housing on site in order to secure a viable development would be supported.

It could be helpful particularly where sites have significant abnormal development costs in low value markets. In Greater Manchester over 60% of our land supply is brownfield with a further 10% of sites being a mix of brownfield and greenfield land and this presents a number of viability challenges including remediation, site clearance, contamination and land assembly.

It may also be appropriate to support regeneration initiatives and to offer a balance of housing types and tenures.

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?

The essence of an exception site would be that the site’s development for housing is contrary to the current policy approach of the local authority. Given this, it should be for an applicant to demonstrate why they consider their proposal fulfils a demand for First Homes in the local area or some other form of unmet affordable housing need. The local authority would consider such evidence against its latest housing needs assessment and other available evidence of affordable housing requirements.

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

No view

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

To fund the policy centrally using new money in the same way it has supported Homebuy.

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

Although the proposal to exempt First Homes from the Community Infrastructure Levy (CIL) would potentially increase the delivery of such homes, this would be at the expense of the contributions that enable local authorities to provide the infrastructure (such as walking and cycling infrastructure, roads and highways, contributions to green spaces, school provision, public realm and sustainable drainage) to support developments. A failure of new development to contribute to local infrastructure is more likely to engender local resistance to development than a lack of affordable housing.

An exemption from CIL may support increased delivery but it can be assumed this would have the potential to undermine the sustainable development of an authority's area.

Offering CIL relief to First Homes should increase the delivery of these homes. However, some local authorities in Greater Manchester do not offer discretionary social housing relief. Developers can only apply for mandatory social housing CIL relief meaning that CIL relief is only offered for social housing that meets the definition within regulation 49 of the CIL Regulations as amended (2019).

If the proposals were to go ahead, it would therefore be beneficial for the definition of social housing within the CIL Regulations to be expanded to include 'First Homes' in order to ensure such developments can be offered mandatory social housing relief.

However, the CIL Regulations should only be extended if local flexibility and eligibility are met. The Regulation 49 should also only be extended to include 'First Homes' and not other discounted sales schemes such as Starter Homes.

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?

The flexibility to set CIL rates at a level appropriate to the local authority based on that authority's knowledge and understanding of its area, scrutinised through the examination process should be retained. Rules regarding fixed levels of section 106 for affordable housing would run counter to this principle.

In accordance with the CIL Regulations, CIL rates must be informed by a viability assessment which takes into account the development proposed as part of the adopted Local Plan. Such a viability assessment takes into account development costs such as land prices, building materials and the cost of section 106 contributions – including affordable housing contributions. Therefore as affordable housing contributions have been taken into account in the setting of the CIL rates, there should be no need for a charging authority to change CIL rates in order to make a development viable. Any changes to CIL rates would need to be supported by such a viability assessment therefore changes to section 106 contributions for affordable housing would be considered and the CIL rates set accordingly.

There is therefore no need to take steps to prevent CIL rates being set at a level that would reduce section 106 obligations.

Q29.

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

The impacts of First Homes on protected groups is only briefly considered in the proposals. It fails to account for the income, deposit and credit ratings required to access First Homes which will very clearly have a negative and disproportionate impact on protected groups, such as BAME communities, vulnerable and disabled groups, those aged over 55 and households on lower incomes. These groups are more likely to use other affordable housing tenures and less likely to be able to participate in the scheme.

The proposals will also adversely impact protected groups through diverting funding available for social and affordable housing. In 2018/19 in Greater Manchester almost 20% of new affordable homes (289 homes) came through developer contributions negotiated under section 106 of the Planning Act. Diverting this funding to First Homes will make it more difficult to provide homes for these groups.

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

The government should prioritise the delivery of affordable dwellings of a rented tenure (social and affordable) as part of future national affordable housing programmes.

This needs to compensate for the poor delivery of social rented homes over recent years, where only 169 social homes were delivered in Greater Manchester over the last four years.

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

Promoting low cost home ownership at the expense of social and affordable rent and shared ownership options is short sighted and risks undermining a local authority's ability to meet local housing need. There is limited value in many schemes in Greater Manchester and the north of the country more generally due to abnormal development costs and comparatively low sales value such that securing section 106 contributions to pay for less than market cost housing is already a significant challenge.

The greatest pressure is on housing for social and affordable rent, and First Homes will inevitably reduce the number of this tenure that can be provided through planning gain. The COVID-19 crisis will unfortunately heighten this pressure and exacerbate our existing housing crisis.

The policy will be difficult and costly to administer and open to abuse and, depending upon the finalised delivery option, may divert much needed monies not only from truly affordable housing products, but from schools and other infrastructure (such as walking and cycling infrastructure, roads and highways, contributions to green spaces, public realm and sustainable drainage) that is needed in order to mitigate the impacts of new development.