

Decision Maker: DEVELOPMENT CONTROL COMMITTEE

Date: Wednesday 18 March 2020

Decision Type: Non-Urgent Non-Executive Non-Key

Title: FIRST HOMES CONSULTATION - SUMMARY AND KEY IMPLICATIONS

Contact Officer: Ben Johnson, Head of Planning Policy and Strategy
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Chief Officer: Assistant Director (Planning)

Ward: (All Wards);

1. Reason for report

1.1 This report is to update the Committee on the Government's First Homes consultation which was published in February 2020. First Homes are a new type of affordable housing. The consultation seeks views on how First Homes will work, in terms of the design and delivery of the initiative.

2. **RECOMMENDATION(S)**

- 2.1 **To note the summary of the First Homes consultation document and its implications for the London Borough of Bromley.**
- 2.2 **To note that the Head of Planning Policy and Strategy, in liaison with Planning, Housing and Regeneration colleagues, will submit the formal London Borough of Bromley response by the consultation deadline of 3 April 2020.**

Impact on Vulnerable Adults and Children

1. Summary of Impact: No impact
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Corporate Policy

1. Policy Status: New Policy: The consultation seeks views on a new form of affordable housing which is likely to be legislated for or become national planning policy in future.
 2. BBB Priority: Regeneration
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Financial

1. Cost of proposal: Not Applicable
 2. Ongoing costs: Not Applicable
 3. Budget head/performance centre: Planning Strategy and Projects
 4. Total current budget for this head: ££0.596m
 5. Source of funding: Existing revenue budget 2019/20
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Personnel

1. Number of staff (current and additional): 10 FTE
 2. If from existing staff resources, number of staff hours: N/A
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Legal

1. Legal Requirement: Non-Statutory - Government Guidance
 2. Call-in: Not Applicable
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Procurement

1. Summary of Procurement Implications: N/A
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Customer Impact

1. Estimated number of users/beneficiaries (current and projected): N/A
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Ward Councillor Views

1. Have Ward Councillors been asked for comments? Not Applicable
2. Summary of Ward Councillors comments: N/A

3. COMMENTARY

Summary of proposals

- 3.1 The government launched a consultation on First Homes in February 2020. First Homes is a form of affordable housing known as Discounted Market Sale (DMS). DMS is defined in the National Planning Policy Framework (NPPF) as housing that is “sold at a discount of at least 20% below local market value. Eligibility is determined with regard to local incomes and local house prices. Provisions should be in place to ensure housing remains at a discount for future eligible households.”
- 3.2 The level of discount for First Homes will be at least 30%. The consultation document recognises that this may not be sufficient to ensure affordability in places such as London and the South East, and notes that local authorities would be expected to “seriously consider” setting higher local discounts to address this issue.
- 3.3 The consultation seeks views on how First Homes will work, in terms of the design and delivery of the initiative.
- 3.4 The government intends to prioritise First Homes for local people. Eligible buyers could be local first-time buyers, key workers or military personnel and veterans. The discount is to be preserved in perpetuity so homes remain affordable for future eligible buyers.
- 3.5 In terms of securing delivery of First Homes, the consultation seeks views on two possible routes:
 1. A requirement for a set percentage of overall homes on a development proposal would be provided as First Homes; or
 2. A requirement that a set percentage of overall affordable homes agreed through s106 obligations would be First Homes.
- 3.6 The consultation also seeks views on whether such requirements should be enforced through legislation (and hence become legally binding) or through planning policy (which can be determined on a case-by-case basis).
- 3.7 The discounted sale price of the home will last in perpetuity so that future home buyers can access the discounts; the only proposed exception to this is where mortgage lenders take possession in the event of mortgage defaults. According to the consultation document, the government are minded to leave the details of administration of managing the in perpetuity discount and eligibility restrictions to local authorities.
- 3.8 The scheme must not to be used to subsidise the purchase of exceptionally expensive property; to ensure this is managed effectively, the government propose to introduce a national cap on the value of properties available for this scheme before the discount is applied. This could align with the Help to Buy Equity Loan cap of £600,000, although the consultation document notes that a national cap would not prevent local authorities from introducing a more targeted, lower price cap according to local circumstances. Potential regionally varied price caps are also identified as a possible option.
- 3.9 Purchasers of First Homes will be restricted to using them as their sole or primary residence. However, the consultation notes that the government is 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.
- 3.10 It is proposed that "local people" should get first refusal on First Homes. The definition of "local people" would be at the discretion of councils and can be based on either residency or work

location, as appropriate. Councils should also consider whether they should use the scheme to prioritise allocations to key workers.

- 3.11 The consultation seeks views on introducing an income cap to provide a clear signal for eligibility, but notes that this could introduce complexity and may not accurately reflect local circumstances.
- 3.12 It is intended that First Homes will be exempt from paying the Community Infrastructure Levy (CIL). The government are also mindful of the impact that CIL can have on the overall proportion of affordable housing and the consultation document notes that will also consider amendments to CIL regulations to ensure that CIL 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.
- 3.13 The consultation proposes amending the NPPF in relation to entry level exception sites, which provide entry-level homes suitable for first-time buyers or the equivalent for those looking to rent. Currently, entry level exception sites are suitable on land not allocated for housing that:
- is adjacent to existing settlements and proportionate in size to them (less than one hectare or 5% of the existing settlement size);
 - would not compromise the protection given to areas or assets of particular importance set out in footnote 6 of the NPPF (which includes Green Belt land); and
 - complies with any local design policies and standards.
- 3.14 The First Homes consultation proposes that such sites should deliver First Homes as the specific affordable housing tenure and would allow a small proportion (not defined in terms of a specific quantum or percentage) of market homes where essential to ensure development is deliverable. The consultation also proposes removing the specific site size restrictions, replacing them with a broader requirement to be proportionate in size to the existing settlement.
- 3.15 The consultation does not propose to extend these changes to rural exception sites.

Key implications

- 3.16 The consultation deadline is 3 April 2020 and it is proposed that the Head of Planning Policy and Strategy, in liaison with Planning, Housing and Regeneration colleagues, will submit the formal London Borough of Bromley response by the consultation deadline, responding to the consultation document and questions. The following paragraphs identify the key implications from an early assessment of the First Homes consultation document. These key implications will form the basis of the formal consultation response, although there may be additional implications identified through further analysis and discussion of the consultation document.
- 3.17 Measures which will assist in realising aspirations of home ownership are welcomed, as a variety of options are needed to positively address the acute affordability issues experienced in the borough, which are raised in the consultation document. However, the proposals as described could have significant negative impacts on the ability of the Council to effectively address defined housing need, particularly through the provision of other types of affordable housing.
- 3.18 A 30% discount is unlikely to improve affordability or access to home ownership in Bromley, especially as it provides no assistance with securing a deposit (something which shared ownership does address). This means that greater levels of discount will be required to make the product meaningful, and as this would be funded from planning obligations, other important obligations could become unviable.

- 3.19 There is a distinct lack of detail in terms of the design and delivery of the initiative; it is concerning that the onus seems to be on local authorities to work this out. The consultation document seems determined to push ahead with the initiative before proper consideration has been given to potential issues with design and delivery, which risks the creation of an ad hoc, reactive process. This is not conducive to good outcomes for homeowners, developers, mortgage lenders or local authorities and creates a real risk of myriad problems manifesting in future.
- 3.20 Development proposals should optimise the use of sites to meet local priorities, and it would be concerning if a mandatory element of First Homes means that there is less scope to deliver our priorities on what is a finite land resource. This would mean that priorities are not met at all; or that additional (and otherwise unnecessary) sites will need to be found to address priorities, which could mean the loss of sites with a specific protected designation.
- 3.21 First Homes could also have a significant impact on the business models of registered providers (RPs) who build and operate affordable housing in the borough. RPs often rely on shared ownership to cross-subsidise provision of other tenures; therefore, not only could First Homes 'cannibalise' the entire intermediate provision on individual schemes, it could limit provision of affordable rented accommodation as well.
- 3.22 In summary, the consultation response, based on these key implications, will:
- Note support for the principle of supporting and expanding home ownership;
 - Recognise the issues raised in the consultation document relating to the acute affordability problems experienced in London;
 - Raise concerns about the impact that First Homes could have on the delivery of other affordable housing tenures;
 - Raise concerns about the lack of detail on the design and delivery of First Homes and the risk that local authorities will need to address these in an ad hoc, reactive manner;
 - Raise concerns about the potential for direct and indirect impacts that First Homes could have on the ability of local authorities to plan for and address local priorities; and
 - Identify other potential implications (positive and negative), such as the impact on Registered Providers ability to deliver affordable housing.

4. POLICY IMPLICATIONS

- 4.1 The proposals consulted on could undermine elements of the Development Plan, particularly policies on affordable housing tenure set out in the Local Plan and draft new London Plan.

5. FINANCIAL IMPLICATIONS

- 5.1 The proposals consulted on could mean a reduction in funding through planning obligations and Community Infrastructure Levy (CIL), including any future borough CIL. A reduction in other affordable housing tenures could have indirect financial implications for the council, if less housing is available to accommodate people in need and this necessitates additional spending on temporary accommodation. The First Homes initiative could require significant local authority resources to implement, particularly in terms of staffing.

6. LEGAL IMPLICATIONS

- 6.1 The legal implications of First Homes are currently uncertain. The consultation document seeks views on whether First Homes should be implemented through legislation or through a change to national policy. The former would be binding on all relevant planning applications and would override provisions in the Local Plan. The latter would allow some scope for local flexibility

although national planning policy would be a strong material consideration in the determination of a planning application.

Non-Applicable Sections:	N/A
Background Documents: (Access via Contact Officer)	Consultation on the design and delivery of First Homes, February 2020 Bromley Local Plan 2019 The London Plan 'Intend to Publish' version, December 2019