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APPENDIX 3 – Environment, Health and Housing Committee 17th March 2020

Dear Sirs

Ensuring First Homes are affordable

Q1: Minimum discount - We believe that the minimum discount should be 20%, but with local flexibility. Fylde Council have been working on an Affordable Housing SPD that for each market area within the borough the amount of discount to be applied to discounted market sales units has been calculated to (approximately) ensure affordability for the lower-quartile worker in the borough. The actual discount applied has then been moderated, to ensure that provision of such housing remains viable.

We therefore feel the level of discount should be set by local authorities as opposed to a national set target.

Q2, Q3 and Q4: Price cap – The appropriate price cap levels set ranging from £450,000 to £600,000, bear no relevance to the housing market in the North West. The price caps should be set at a local level to reflect local circumstances, the local housing and employment market. Across the NW region there are massive disparities in the housing market and in some areas in boroughs house prices are further affected by local circumstances such as being in a commuter belt or tourism area.

Eligibility for the First Homes scheme

Q5: Local connection restrictions – A national definition is required to avoid disagreements at the local level to be defined within national planning guidance related to First Homes.

Q6: Local connection restrictions fall away – we would suggest a period of 3 to 6 months give flexibility for the housing market to source buyers with a local connection prior to widening the connection area.

Q7: First time buyer prioritisation waived – First Homes should be available for first time buyers. There are other circumstances that need to be reflected such as marital breakdown and period of time in tied accommodation prior to being eligible for a First Home. An important issue is being able to access the housing market. The key factor should be that households need to live in the

properties as their principal and only home and have no equity in any other property in the UK and abroad.

Q8: National income cap – We agree with a national income cap that reflects other forms of intermediate tenure as defined in NPPF, for example shared ownership. This would provide households choice in the type of affordable intermediate tenures that would best fit their financial circumstances. Local authorities need to have the ability to consider people's income and assets to ensure First Homes are achieving the purpose they were created for, to target households on low to middle incomes excluded from the market housing.

Q9: Eligibility restrictions – Should be around local connection (resident, employment and family in the area), income levels and affordability of the chosen tenure. Households should not have equity in another property and are required to live in the property as their principal and only home. The tenure is operating in the housing market therefore is need to be an attractive option for mortgage lenders.

Supporting the First Homes scheme

Q10: Local Authorities best placed to oversee discounts – Local Authorities have a part, but the conveyancing market has a key role in ensuring the discounts are applied for first and subsequent resales by registering a restrictive covenant around discount and eligibility requirements with the land registry.

Q11: Managing oversight of restrictive covenants – Local Authorities affordable homes administration services have a role to play, however the conveyancing market and the work undertaken by Solicitors is essential. The placing of restrictive covenants is outside the role of the Local Authority.

Q12: Minimising costs to Local Authorities – It is inevitable there will be a cost to local authorities to administer and manage the First Homes scheme. Within Fylde the administration of discounted market re-sales was a burden as a local authority we have accepted in order to provide a basket of tenures on developer sites.

Supporting competitive mortgage lending

Q13: Standardised First Home Model to support mortgage lending – This is essential, eligibility restrictions for intermediate housing creates a risk to mortgage lenders and engagement of the mortgage lenders in promoting and lending on the scheme is required.

Q14: Mortgage Protection Clause – It would be impossible to enable a First Homes Scheme without a Mortgage Possession Clause as it acts as a route to minimise risk to mortgage lenders. It would assist in negotiating with Developers to have a recognised mortgage possession clause as part of the guidance for the scheme.

Restrictions on letting First Homes

Q15 and Q16: Ability to rent out First Homes – Never, the tenure no longer serves the initial purpose it was created to undertake. The properties would be lost to the private rented market, creating tenure insecurity. Why would local authorities be interested in such a scheme if after a period of time, the properties become part of the private rented market. The option would make the scheme open to abuse, which would be impossible for local authorities to monitor. People's circumstances change and as with the current discounted market sale properties in Fylde the units need to be resold to provide an affordable intermediate tenure to newly forming households.

Delivering the Armed Forces Covenant

Q17, Q18 and Q19: First Homes for serving and recent veterans of the Armed Forces - Fylde Council support any initiatives that assist serving and veterans from the Armed Forces. The requirement to live in the properties as principal and main home should assist in relaxing local connection requirements. The appropriate length of time for households leaving the forces and being able to access First Homes should be 5 years and longer in order to provide intermediate tenures. However, there will need to be a cut off point which we would suggest should be 10 years.

Q19: Supporting Armed Forces personnel to access First Homes – The key way would be liaison with the mortgage lenders to ensure their products recognise the need to think flexibly for serving and veteran Armed Forces personnel who wish to lend.

Setting developer contributions for First Homes

Q20: Appropriate mechanism to deliver First Homes – We agree that First Homes needs to become a recognised intermediate tenure via the NPPF and guidance. Changes to legislation will be required to deal with the management and detectivity of suitable sites where the tenure can be enabled.

Q21: Option to use S106 affordable housing delivery requirements on sites – The S106 affordable housing requirement on site of 10 units or more would be a workable approach if the properties as First Homes remain in perpetuity with restrictive covenants registered with Land Registry. If affordable in perpetuity is not protected, then the S106 affordable housing requirement is not a suitable option. If the option is as a percentage of all units delivered on suitable sites this needs to be outside of the Section 106 affordable housing requirement, to ensure the tenure does not negate or reduce the need to provide affordable rented and shared ownership accommodation.

Q22: Appropriate level of ambition for First Homes delivery – If we are assuming, contrary to Q21 that First Homes are to be delivered as part of the S106 affordable housing delivery requirements on sites, the % of units would need to be as low as possible to not compromise delivery of other affordable tenures. We would expect this tenure to replace discounted market sale and in Fylde the current approach for the S106 affordable requirement is 60% affordable rented and 40% intermediate and First Homes would be part of the intermediate option along with Shared ownership. First Homes would become the equivalent of the discounted market sale units already being delivered in Fylde.

Delivery through exception sites

Q23: Amend entry level exceptions site policy to become First Homes exception site policy – This would not be appropriate. Exception sites are around meeting housing need within a local area and the option for exception sites as First Homes should not be confused with exception site policy.

Q24: Local Authorities have the flexibility to pursue other forms of affordable tenure on entry-level exception sites – The requirement to prescribe tenure to be delivered on exception sites, to avoid conflict with developers would be welcomed. Exception sites are not a main delivery option for affordable housing in Fylde.

Q25: The use of rural exception sites – Rural exception sites are not suitable for First Homes as outside of sustainable development boundaries. An approach to amend the policy could act as a loop-hole in existing planning policy.

Q26: Further steps Government could take to boost First homes Delivery - Covenant legislation to ensure the Conveyancing industry have a formal role to play in registering the restrictive covenants,

negotiation with mortgage lenders to ensure flexibility and willingness to lend on First Homes, legislative changes to the NPPF with associated guidance and administrative support for Local Authorities in enabling the provision on site of First Homes. Within Fylde the First Homes tenure is similar to discounted market sale units already enabled and we would welcome the option as a specific form of intermediate affordable housing.

Community Infrastructure Levy exemptions

Q27: Exempt First homes from the Community Infrastructure Levy – We would support this approach if to be delivered as part of the S106 requirement, but not if as a percentage of all units delivered. CIL is there for a reason to enable infrastructure investments required for new homes provision. First Homes households would still require health services, education service and transport infrastructure.

Q28: Government to take steps to prevent CIL being set at a level to reduce affordable housing delivered through section 106 obligations – We would not support this approach. There is a need for a basket of tenures on site and to maximise affordable housing options for households on the lower quartile income levels.

Equality impacts of the First Homes scheme

Q29: Equality impacts on protected groups – First Homes if delivered instead of other affordable tenures would impact on the secure housing choices of less well-paid households and will reduce their accessibility to secure and affordable housing. In many local authorities the ability to deliver social rented accommodation is limited and the main tenure registered providers are enabling is affordable rent and shared ownership, so we are already in a situation as the most affordable social rented option is difficult to deliver.

Q30: Other comments – A definition is required as to what is a First-Time buyer in relation to available assets and income is required and included in NPPF guidance. First Homes need to be considered as affordable in perpetuity and measures need to be in place to ensure this.

If you have any enquiries in relation to our response, please do not hesitate to contact us.

Yours faithfully

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Fylde Council

