

## UNISON MEMBER BRIEFING

### GOVERNMENT CONSULTATION: FIRST HOMES – GETTING YOU ON THE LADDER, ENGLAND

MARCH 2020

#### INTRODUCTION

The UK Government has launched a new home-ownership scheme, First Homes, which it says will offer potential first-time buyers in **England** the opportunity to buy a new built home at a discount of one-third off the market price, making it easier and cheaper for more people to get onto the property ladder.

This briefing outlines to UNISON members the Government's proposed First Homes policy and [consultation](#) on it. The briefing also outlines UNISON's policy position on the scheme and what members can do to influence it.

#### WHAT IS THE FIRST HOMES SCHEME?

The First Homes scheme aims to offer first-time buyers and key workers (as defined in the National Planning Policy Framework), who struggle to afford a home, the opportunity to purchase a new build home at a discount of at least 30% below the full market price in their local area. The scheme was first mentioned in the Conservative manifesto and brought forward in the Queen's Speech. The Government has indicated that tens of thousands of homes could be built under the scheme, as part of its overall ambition to develop 300,000 new homes per year over the next five years.

On 7 February 2020, the Government published a consultation on the scheme, which closes on **3 April 2020**, and is seeking views on it. Launching the [scheme](#), Robert Jenrick, Housing Secretary, said: *"Lower deposit and mortgage requirements for 'local' first-buyers would, along with the discount, save buyers an average of £100,000"*.

#### HOW WILL THE DISCOUNT WORK?

First Homes, which will be newly built flats or houses, will be sold at a minimum discount of 30% off the full market value to first-time buyers. This is the level of discount that the Government believes is appropriate. First Home buyers will be able to secure a traditional mortgage. However, even with a discount and lower deposit most people on low to middle incomes would still struggle to purchase a home.

The discount will be secured through a covenant and retained on the property in perpetuity. This means that it will be locked into homes and passed on to future first-time buyers when sold on. The consultation says, *"If a purchaser received a 30% discount from the market price when they bought their home, they must sell it for 30% below market price"*.

#### ELIGIBILITY FOR THE FIRST HOMES SCHEME

The First Homes scheme will be offered to local people who want to stay in the areas where they live or work. They will get first refusal on the homes sold through the scheme. The scheme will also be prioritised for potential first-time buyers who are veterans of the Armed Forces and key workers or essential local workers.

The Government defines ["key workers"](#) as *"public sector employees who provide frontline services in areas including health, education and community safety – such as NHS staff, teachers, police, firefighters*

*and military personnel, social care and childcare workers*". UNISON believes that the term key workers is not reflective of the breadth of public sector workers as it primarily relates to professional staff such as nurses and teachers and not to other roles such as healthcare assistants, hospital cleaners and porters who contribute to the effective running of public services. Such a narrow definition is counterproductive. UNISON has discouraged its use and instead advocates the use of "public service workers" to cover the broad economic group of workers on low to middle incomes who need assistance with their housing.

### **WHO WILL ADMINISTER THE SCHEME?**

The Government proposes that local authorities will have responsibility for administering the scheme. This will involve defining "local connection" and who counts as a local; allocating new homes to first-time buyers; and prioritising key workers and veterans. Local authorities will also be able to set a higher level of discount than the one imposed by Government, as well as set price caps for First Homes to reflect their local housing market to "ensure that homes are affordable to local communities".

### **HOW WILL THE SCHEME BE FUNDED?**

The Government plans to fund the scheme mainly through Section 106 (S106) developer contributions as part of the planning system - [see points 53-64 of consultation](#). Section 106 is the main way of funding social rented and affordable housing. This is delivered by housing developers, as a condition of their planning permissions. Over the past decade the supply of social housing has declined. Last year just 6,287 social rented homes were built – 57% of which were funded via S106.

UNISON, alongside housing organisations, is concerned that using s106 contributions to fund the scheme will reduce the number of social and affordable rented homes built. Much like the now-abandoned Starter Homes policy of the last Government which introduced a 20% rather than 30% discount. We remain concerned that First Homes is effectively the previous scheme simply rebranded. With no additional funding, the introduction of First Homes funded via substitution rather than additional S106 monies, will further erode the supply of social rented homes in England.

### **ABOUT THE CONSULTATION (APPLIES TO ENGLAND ONLY)**

The consultation sets out the proposals of the scheme in more detail. It applies only to England and is open to everyone. The consultation and ways to respond can be found here:

<https://www.gov.uk/government/consultations/first-homes>

The Government is seeking views on its proposals, including how the discount part of the scheme will work; what the minimum discount level should be; if local authorities should have the flexibility to set a higher discount; whether there should be national, local or regional price cap(s), and if local authorities should be able to impose their own caps to reflect their local housing markets; funding the scheme through developer contributions; how the eligibility criteria based on residency or local connection might work; and what circumstances the first-time buyer prioritisation may be waived if interested eligible buyers cannot be found.

UNISON is encouraging members, especially those who are affected by the housing crisis, work for social housing providers – councils and housing associations – or are interested in housing, to respond to the consultation to influence it.

### **UNISON COMMENTS**

The Government claims that the First Homes scheme will be life changing by giving more people, who would otherwise not have been able to afford to buy a home, the opportunity to do so in their local area with a saving of "up to £100,000". However, the average cost of a new build home is £314,000. Even with a 30% discount on a new home, which would reduce the cost by £94,000, most potential first-time buyers would struggle to purchase a new home under the scheme.

Research by Shelter shows that nearly two-thirds (63%) of private renters have no savings for a mortgage deposit, and the proposed scheme will be out of reach of average earners in 96% of England. [UNISON's Housing Affordability Tool](#), which looks at the relative costs of housing and calculates how long it will take for workers to save enough for a house deposit in their local area, shows that public service workers in England will be effectively priced out of the Government's scheme.

Occupation	Teaching assistant	Care worker	Librarian
Annual starting salary	£15,607	£18,795	£23,369
Average sale price of a home in 2018	£314,000.00	£314,000.00	£314,000.00
Reduced price	£219,800.00	£219,800.00	£219,800.00
Deposit of 15%	£32,970.00	£32,970.00	£32,970.00
10% saving per year	£1,399.20	£1,616.40	£1,927.20
<b>Years needed to save deposit</b>	<b>23.6</b>	<b>20.4</b>	<b>17.1</b>

Our analysis shows that even with a discount of 30% applied, the scheme will fail to help the very people it claims to target – “key workers”, unless they are on very high incomes. It is therefore likely that, just like the Help to Buy, the scheme will end up benefiting better paid public service workers and do nothing for poorer paid workers, for whom housing affordability is a huge problem. At a time when workers are struggling to afford expensive insecure private rentals and rough sleeping and homelessness are on the rise, the scheme is likely to worsen the housing crisis.

UNISON believes that the design of the scheme is deeply flawed. We are concerned that plans to fund the scheme through developer contributions by diverting Section 106 funds away from the provision of social and affordable rented homes, and instead use it to offer discounts on new properties, will fail to enable the development of homes in the social rented sector where there is an acute housing shortage. This is echoed by sector bodies including the National Housing Federation (NHF) and the Local Government Association (LGA). Section 106 funds are the predominant way of funding the development of new social and affordable rented housing since the Government's cut to capital funding for social housing in 2010. The design of the scheme will make it difficult for social housing providers – local authorities and housing associations - to provide homes for households on low incomes.

There are concerns that the scheme could be exploited by large property developers who may seek to profit financially from the policy, for example by inflating property prices, as has been the case with the Help to Buy scheme. Research by [Shelter](#) found that Help to Buy had contributed to house price inflation, adding around £8,250 to the average house price. There are further concerns that the First Homes scheme will hand over decision-making powers on the development of affordable homes to large house-building corporations, restricting the ability of local authorities' discretion to use their planning policies to insist on genuinely affordable and social rented homes. It risks damaging the social rented sector and may also endanger jobs, pay and conditions within the sector, as the policy will see much needed funds going to private developers and not the providers of social and affordable housing.

With 1.15m people on social housing waiting lists, the Government needs to rethink the First Homes policy. Rather than siphoning public funds out of new social housing development into the private sector, the Government should be introducing holistic policy measures – [as outlined in UNISON's housing manifesto](#) - to increase the supply of all types of housing, particularly social rented housing for people who are unable to buy or rent at market prices. This will require rebalancing and re-prioritising Affordable Housing budgets to ensure that adequate funding is set aside to build “a generation of quality social rented homes” at prices that people on modest incomes can afford. The Government also needs to introduce measures, such as a system of rent controls and secure tenancies, to improve affordability, security, rights, protections and standards in the Private Rented Sector (PRS) making it an affordable, long-term option.

## NEXT STEPS

UNISON believes that housing policy should address the housing needs of the whole population, including those faced by people who aspire to own their own homes. However, not everyone will be able to afford home-ownership. The Government's prioritisation of home-ownership above social housing and other forms of genuinely affordable housing is disproportionate and will lead to fewer safe, secure and affordable homes for workers on low to middle incomes.

UNISON will submit a national response to the consultation, in which we will highlight our concerns about the design, delivery, eligibility and affordability of the First Homes scheme, which we believe is a sticking plaster solution and, like its predecessor Starter Homes, does little to tackle the affordable housing crisis.

In our response we will call for:

- Measures to ensure that homes built under the scheme are additional to – and not a replacement of – social housing supply
- Alternative funds to be set aside for the First Homes scheme, if it is implemented, with ringfencing of S106 for social and affordable home provision
- Local authorities to be supported with additional funding to administer the scheme
- Local authorities to be empowered to determine the number of new First Homes (including where that number is zero), having regard to their local housing plans to ensure the right balance of different types of homes are built along with the right infrastructure
- A new definition for “key workers” for housing development which is broad and includes all public service workers
- An equality impact review of the scheme on low to middle income households and ethnic minority groups, as they have lower access to [home-ownership](#) and social housing
- The Government to adopt the key policy measures outlined in [UNISON's housing manifesto](#)

## WHAT UNISON MEMBERS CAN DO:

- Download and share the UNISON briefing
- Find out more about the Government consultation, including how to respond and download the [consultation document](#)
- Use UNISON's [Housing Affordability Campaign Tool](#) to find out how the housing crisis will impact you and your family. Make sure you share your result on social media and email your MP
- [Tweet your MP](#): and ask them to support the policies in our [housing manifesto and summary](#), using the hashtag #UNISONHousingManifesto
- Find out more about UNISON's Housing Campaign: <https://www.unison.org.uk/at-work/community/key-issues/housing/>

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