

# MINISTRY OF HOUSING COMMUNITIES AND LOCAL GOVERNMENT

## FIRST HOMES - Getting you on the ladder - A consultation

### UNISON RESPONSE

APRIL 2020

#### INTRODUCTION

UNISON welcomes the opportunity to respond to the First Homes consultation. Housing is one of the biggest issues facing the workforce in England, affecting where they can work and live and the opportunities they can access.

For many of our members who provide essential public services to local communities, the high costs of housing and affordability means that even with the help of a scheme such as First Homes, they will still struggle to get onto the property ladder. With housing costs now the largest single demand on household incomes, it is important that there are different housing options that can be accessed by low to middle income households who are not able to buy their own home, as the coronavirus pandemic has shown.

That is why UNISON's [housing manifesto](#) is calling for a holistic housing strategy, which makes the case for an adequate supply of social and genuinely affordable housing, among other key policy measures, to meet housing need and tackle the housing crisis.

#### QUESTIONS

**i. Respondents details**

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**ii. Are you responding as an individual or on behalf of an organisations?**

☒ Organisation

☐ No 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

☒ Other (please specify)

**Trade union.**

UNISON is the UK's largest public service trade union with 1.3 million members. Our members include frontline staff and managers working full or part-time in public services and for private contractors providing public services. They provide a range of essential public services working in local authorities, the NHS, colleges and schools, the police service, the utilities (electricity, gas and water industries), transport and the community and voluntary sector.

UNISON is also the largest trade union in the UK that represents people that work in housing. Approximately 100,000 members are employed by Local Authorities and private registered providers (housing associations) delivering a range of services for people living in a variety of tenures, for people in housing need or substandard housing for people requiring assistance in meeting their housing costs.

**iv. Which of the following applies to you? N/A**

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

**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

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

- I. 20%
- II. 40%
- III. Other (please specify)

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

- ☒ Yes
- ☐ No

**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

If the policy is implemented, there should be a national cap. Local Authorities should have the discretion and flexibility to set the price cap to reflect the local housing need as well as set the discount level to reflect house prices in their local area.

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

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

- 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 – **LAs should have the discretion to set their own price caps**

**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?**

Local authorities should have the discretion to determine the number of new First Homes that are built on a site-by-site basis (including where the number is zero), having regard to their Local Plans to ensure the right mix or right balance of different types of homes are built, along with the right infrastructure. This will ensure that developers do not substitute First Homes for other types of housing, for example social and affordable rented housing – managed by councils and housing associations - which are in more demand to meet local housing needs.

UNISON would also urge the government to set aside separate funding that is additional to the existing housing budgets for the scheme, so that the new homes built are additional to, rather than a replacement of, social housing supply, as was the case with Starter Homes.

### **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

**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?**

If local buyers cannot be found then the scheme should be allocated to:

- Public service workers, regardless of their role within the organisation, who work or live in the area;
- people who are trapped in unsuitable housing, for example, because they have a disability or mobility issue;
- Existing home-owners who are in unsuitable housing or need to move because their circumstances have changed
- People fleeing domestic violence / relationship breakdown
- LAs should have the discretion to convert First Homes to homes for social rent

**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?**

A cap should be set by Local Authorities where possible. A national cap does not take into account regional variations in housing costs, sale prices and income, mortgage ratios.

**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

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

Yes, the scheme should not be accessible to foreign investors who are not permanently resident in the UK, who do not live in the First Home as their only home.

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

☒ Yes

☐ No

If no, why?

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

Sales should be managed in line with Local Authorities' own housing teams (where they may develop new homes and have experience of managing shared equity relationships and re-sales) as they have experience of managing their own stock. Where a Local Authority does not have stock or expertise, this additional capacity will need to be funded centrally so it can be developed in-house.

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

Managing the scheme will likely lead to additional costs. If the scheme is implemented, then local authorities should be supported financially, to ensure that they have adequate funding, staffing and resources to administer the scheme.

**Supporting competitive mortgage lending**

**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

**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)

Local Authorities who are landlords to leaseholders have as part of their agreements a provision that homes may be let for a specified period of time, only if the landlord is informed. A similar principle exists for shared ownership and may be enforced by either the landlord or lender. We oppose the idea that First Homes should be let without permission from a local authority in principle.

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.

Where this is the case, it should be on the understanding that the property will automatically be offered to the Local Authority to be let as temporary accommodation whilst suitable permanent accommodation is found for households who otherwise meet local criteria in terms of housing need.

**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 relative/friend
- ☐ Long-term travelling
- ☒ Other (please specify)

**Please see above for suggested process.**

**Do you have any other comments on letting restrictions For First Homes? No.**

### **Delivering the Armed Forces Covenant**

**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 supporting members of the Armed Forces and recent veterans in their ability to benefit from the First Homes scheme?**

#### **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

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

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

UNISON believes that separate funding is needed to avoid further reduction in the amount of S106 developer contributions to deliver genuinely affordable housing.

**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)

If developed, First Homes should not be funded through S106 developer contributions – see Q21 above.

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

UNISON believes the design of the First Homes scheme is deeply flawed. Much like the now abandoned Starter Homes, which introduced a 20% rather than 30% discount, it is the union's position that First Homes will do little to tackle the housing crisis.

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 heavy discounts on privately owned new properties, will further deplete already declining social housing stock. Although a restrictive covenant in perpetuity places restrictions on the forward sale of the property, in practice the policy draws off already limited public funding and assets, privatising homes built and any future uplift in value on 70% of the new home. This is echoed by sector bodies including housing associations, the National Housing Federation (NHF) and the Local Government Association (LGA). Section 106 funds are currently the primary mechanism to fund development of new social and affordable rented housing since the Government cut capital funding grant for social housing in 2011. The design of the scheme will therefore make it difficult for social housing providers to provide homes for households on low incomes.

The consultation says the Government is: "mindful of the trade off between the level of ambition for First Homes, funded through developer contributions, and the supply of other affordable housing tenures". Given the fact that the scheme will lower the amount of new social and affordable housing, UNISON is opposed to the use of developer contributions to fund the scheme. We urge the Government to develop alternative funding for the scheme, with ringfencing of Section 106 for social and affordable home provision.

### **Delivery through exception sites (Q23 – Q28 N/A)**

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

The consultation states: "*delivery analysis shows that the scheme would have a positive impact on both females and Black, Asian and minority ethnic groups*". However, this is not likely to be borne out, due to such groups often employed in lower income jobs, with less opportunity to access home-ownership. Around two-thirds of UNISON's members are women, who again are often in roles where their incomes mean that even with a discount, they would not be eligible for First Homes, which nominally is intended to meet their needs.

The Government's own Integrated Communities Strategy Green Paper (published in 2018) referenced Ethnicity Facts and Data sets which highlighted the equality disparities in housing policy. It showed that ethnic minorities have lower access to home-ownership and social housing due to a range of factors including lack of affordable housing in areas such as London. The First Homes policy may therefore give rise to more racial, gender based and economic disparities in housing policy.

#### **Q29b. What steps can the Government take through other programmes to minimise the impact on protected groups?**

UNISON strongly recommends Government carries out a full Equality Impact Assessment of the scheme on low to middle income households, women and ethnic minority groups, before any policy is implemented. The National Audit Office's 2019 investigation into the failed Starter Homes policy found that three-fifths of purchasers who accessed Help to Buy could have afforded a home without Government subsidy. Furthermore, almost £175 million was



ringfenced to this very similar policy, which could have more usefully been allocated to developing social and affordable homes to meet existing need.

UNISON is calling on the Government to adopt the key measures in its Housing Manifesto. This calls for eight key policy measures to address the housing crisis to ensure that everyone, including ordinary citizens and workers, have access to safe, decent and affordable housing:

- A national house-building programme to construct 340,000 new homes a year, including 150,000 for social rent;
- A new definition of affordable housing, linked to people's incomes rather than market rents;
- An end to the loss of social rented homes through schemes such as the Right to Buy, which has already been ended in Scotland and Wales;
- Welfare reforms so families are properly supported to meet their housing costs;
- A system which ensures no loss of social housing in regeneration schemes;
- A new 'consumer regime' in housing to raise standards and make homes safe, post Grenfell;
- Affordable and stable private rents, permanent tenancies and an end to no-fault evictions;
- Investment in the housing workforce to deliver a well-funded and resourced housing service

The full manifesto can be accessed here:

<https://www.unison.org.uk/content/uploads/2020/01/UNISON-Housing-Manifesto-JANUARY-2020-FINAL.pdf>

A summary of key recommendations is also available here:

<https://www.unison.org.uk/content/uploads/2020/02/Manifesto-key-recommendations-summary.pdf>

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

#### **Housing affordability / funding of the scheme**

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 is ready - or able - to buy their own home. The Government's prioritisation of home-ownership above social housing and other forms of genuinely affordable housing is disproportionate and will lead to even fewer homes for workers on low to middle incomes.

[UNISON's Housing Affordability Tool](#), which looks at the relative costs of housing and calculates how long it will take for workers to save and purchase in their local area, shows that public service workers in England are effectively priced out of First Homes:

<b>Occupation</b>	<b>Teaching assistant</b>	<b>Care Worker</b>	<b>Librarian</b>
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%, the scheme will fail to help the very people it claims to target – "key workers" and other essential public service workers, unless

they are on very high incomes; those who are on higher incomes are, as the NAO report outlined in 2019, in a position to buy a home without public subsidy. It is therefore likely that, just like the Help to Buy, the scheme will end up benefiting better paid public service workers and compound the lack of permanent, secure housing options for lower paid workers, for whom affordability is a huge problem. At a time when workers are struggling to afford expensive insecure private rents, and a still-increasing number of the homeless and rough sleepers, it is UNISON's view that the scheme is likely to worsen the housing crisis.

As already highlighted in Question 22 above, UNISON believes that the design of the scheme is deeply flawed. We are opposed to plans to divert Section 106 developer contributions intended to provide social rented and affordable homes in England. Section 106 is the primary means of funding a range of housing options, including social rented housing. 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 plans to fund the scheme with S106 contributions will not enable development of homes in the social rented sector. We are further concerned that the scheme is open to exploitation by developers, who 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.

The proposed scheme hands over decision-making powers around Local Plans, for example identified need for affordable homes, from Local Planning Authorities to private developers, while at the same time restricting Local Authorities' ability to use well considered planning policies to insist on genuinely affordable and social rented homes. The scheme further damages the social rented sector, putting jobs, pay and conditions within the sector at risk, as the policy diverts much-needed funds going to private developers and not the providers of social and affordable housing such as Local Authorities and Housing Associations.

With 1.15m people on the social housing waiting list, the Government needs to rethink the First Homes policy and introduce a holistic housing strategy such as that outlined in our [housing manifesto](#) that meets actual housing within communities. Our response to question 29b above focuses on investing in significant numbers of social and affordable rented homes which are desperately needed.

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 low to middle incomes can afford. Government should also introduce measures, such as rent stabilisation or 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.

### **Eligibility criteria**

With regards to the eligibility criteria for the scheme, UNISON notes that 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.

The outbreak of the coronavirus pandemic has clearly demonstrated the deficiency of such a restrictive definition of key worker, the majority of whom would not benefit from the proposed First Homes scheme.

UNISON discourages its use and instead advocates the use of "public service workers" to cover the breadth of workers on low to middle incomes for whom public policy on housing need and delivery should be a focus for Government.

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For more information contact:

Email: [policy@unison.co.uk](mailto:policy@unison.co.uk)

UNISON Housing resources:

UNISON Housing Website: <https://www.unison.org.uk/at-work/community/key-issues/housing/>