

The First Homes consultation

Briefing for housing associations

Summary

- We want to hear members' views on the potential impacts of the government's First Homes policy, which is currently open to consultation.
- First Homes are new properties to be sold for at least 30% below market value, mostly to first time buyers, with the discount preserved in perpetuity.
- The discount is to be largely funded through developer contributions secured by local planning authorities via Section 106. This mechanism currently provides half of housing associations' new affordable homes.
- The Government is consulting on the implementation of First Homes, including the potential diversion of between 40-80% of Section 106 contributions away from social and affordable rent and shared ownership. The consultation also proposes removing local planning authorities' discretion to prioritise according local need.
- We are concerned that diverting funding to First Homes will make it more difficult to provide homes for people on lower incomes.
- We're also aware of the impact these proposals may have on development pipelines, and housing associations' ability to plan for the future.
- Our priority is to explore these implications further, and put forward a strong sector-wide response.
- Please share your views by [emailing Duncan Neish](#).

What are First Homes?

First Homes were proposed in the Conservative manifesto as a means of extending “the dream of home ownership”. The government is now consulting on the detail of implementation. The full consultation is [available on the Government’s website](#).

First Homes are to be sold at a discount of at least 30%. 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.

The government believes that including First Homes in new housing schemes would help reduce opposition to development as communities see that the homes will be affordable to local people.

Why are First Homes relevant to housing associations?

It is proposed that most First Homes will be secured through developer contributions secured by local planning authorities under Section 106 of the Planning Act.

Section 106 allows planning authorities to secure contributions towards infrastructure, community facilities and affordable housing. In recent years, Section 106 homes have accounted for around half of new homes added to housing associations’ stock.

The First Homes consultation seeks views on diverting much or most of such contributions towards First Homes instead of current social or affordable rent, or shared ownership homes. This would reduce housing associations’ ability to provide homes for people in greatest need.

The government recognises that “increasing the number of First Homes delivered through [Section 106] could impact the number of homes delivered for other affordable tenures”, but does not currently propose any specific mitigation.

Consultation questions

The consultation poses a wide range of questions about how First Homes could be delivered. It asks about:

- Discount levels, maximum price caps, and restrictions on use (e.g. temporary letting).
- How eligible buyers should be identified, including their income, and what happens if there aren't enough buyers in a local area.
- How discounts can be maintained in perpetuity, and how to encourage lenders to support First Homes.
- The detail of Section 106 policy, including - as "illustrative examples" - diversion of 40%, 60% or 80% of developers' affordable housing contributions towards First Homes.
- Revamping the Entry-Level Exception Sites policy to support delivery of First Homes. This would be additional to those secured through Section 106.
- What the impacts on different social groups might be, and how to mitigate negative impacts.

Further detail on the modelling and proposals

The consultation's modelling of potential First Homes delivery provides three example scenarios of diverting 40%, 60% or 80% of developers' affordable housing contributions towards First Homes. If this upper percentage scenario is used, it could cut the overall supply of existing - and desperately needed - affordable homes from all sources by almost half.

The consultation also makes it clear that allowing local planning authorities to set their own tenure priorities is unacceptable. Discount sale housing is already recognised in planning policy but is rarely prioritised by planning authorities, securing only around 1,000 such homes a year (in contrast to over 20,000 homes for other affordable tenures). The consultation says this is "nowhere near enough". The consultation even suggests compelling planning authorities to secure First Homes in cases where affordable housing would not otherwise be required.

Other points of note in the proposals are the revamp of the Entry-Level Exception Site policy, and the use of standard mortgage protection clauses – both of which could be usefully extended to other affordable tenures.

Our initial view

The NHF supports efforts to extend home ownership. Housing associations have an excellent record of supporting home ownership through shared ownership, which allows people to become part owners with as little as a 25% ownership share in their home, which they can increase to 100% over time.

We don't oppose the principle of First Homes, but we are very concerned that the current proposal to divert Section 106 contributions away from social and affordable rent, and shared ownership, will make it more difficult to provide homes for people on lower incomes.

We believe that First Homes proposals should also be seen in the context of possible reforms to Right to Buy and proposals for a Right to Shared Ownership. The combined effect of these schemes could be a significant reduction in affordable rented homes.

We expressed our concerns in press coverage of the consultation launch, which you can read in [our press statement](#). Similar issues have been raised by the Local Government Association and the Building Societies Association.

What we're doing – and how you can help

As we continue our engagement with the new government and parliament over the coming weeks, we'll make the case that new First Homes must not come at the expense of social housing. Our intention is to ensure that the possible impacts of the proposals are understood, and to assess whether they can be managed without undermining the aims of First Homes.

We want to hear from our members, so we can further understand the potential impact of the First Homes proposals, in particular how they might impact on your organisation's ability to deliver new affordable homes.

Please get in touch to share your feedback by emailing [Duncan Neish](#), so we can use your feedback in our upcoming conversations with stakeholders.