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First Homes

Ministry of Housing, Communities & Local Government consultation

Response from the Rural Services Network (RSN)

General response

The Consultation document states: “The Government is committed to making the dream of home ownership a reality for everyone and we recognise that for many this simply feels out of reach.” It goes on to state: “We believe that First Homes are a key means of helping local people, especially young first-time buyers, into home ownership and maintaining strong communities.”

The First Homes proposals could certainly help to meet the challenge faced by first-time buyers in rural areas. However, it is important to acknowledge that other tenures, in particular social and affordable rent, are also of critical importance to allow many households in need to find a home in their community. The current covid-19 pandemic is demonstrating the huge value placed on public services, the food supply chain (from production through to retailing – large and small), care services and many other key areas of society. Key workers in these sectors, often on low incomes, need to be adequately housed and it is critical that all tenures play their part in meeting this need.

It is also critical to ensure that policies such as those proposed in this consultation are properly ‘rural proofed.’ This is required by government policy and is set out in specific Defra guidance provided to government departments.

Specific questions raised

The consultation poses a range of questions in relation to how First Homes could be delivered including:

- Discount levels, price caps and restrictions on use
- The identification of eligible buyers
- Maintaining discount levels in perpetuity
- Levels of section 106 developer contributions to be utilised
- Using Entry-Level Exception Sites to support the delivery of First Homes
- The mitigation of any negative impacts on different social groups

The RSN response to a number of the questions posed is set out below.

Ensuring First Homes are affordable

- The consultation document should specifically recognise the affordability issues which exist in many rural areas with local people, including key workers, often priced out of living in the communities where they work and have relatives.
- There will clearly be significant local variations in price, and it is right that local authorities are given the discretion to set discount levels to reflect local circumstances. The discount level should reflect locally earned income levels, rather than average incomes of local households, as in rural areas these are frequently impacted by high levels of commuting.
- It is critical that discount levels are set at the plan making stage locally in order to ensure that this is taken into account by landowners and developers when negotiating land values.
- It will be important that independent valuations are carried out at each sale by RICS approved professionals in order to ensure a consistent methodology is applied and avoid any abuse of the system.
- In addition, it will clearly be important to establish a robust mechanism to ensure that discount levels remain in place in perpetuity. This needs to be tested legally to ensure the correct mechanism is utilised.

Eligibility for the First Home scheme

- Local authorities are well placed to determine the detail of local connection restrictions, in the same way as is currently the case in relation to ‘cascade’ systems on Rural Exception Sites. These normally operate with homes first being made available to households with a connection to the parish (or local group of parishes) and, if not taken up, then offered to the next group of parishes and so on.
- It is important to recognise that, in rural areas, many existing householders are unable to move and would also benefit from access to such homes. For example, many older people in rural areas are in homes which are no longer suitable for their needs but unable to find appropriate alternatives. Such households should also have access to proposed first homes where this issue is recognised by the local authority.
- The definition of ‘Key Workers’ should reflect the economy of rural areas and should reflect the widely agreed definition adopted during the covid-19 pandemic to include care workers, shop/pub workers and people involved in occupations supporting the local land economy. The First Homes policy should allow local discretion as to the definition of key workers to reflect local economies and services.

Supporting the First Homes scheme

- If administration of the scheme is to be the responsibility of local authorities, it is critical that the costs of this administration are considered and catered for in the approach to First Homes. Local authorities are under severe pressure at present and, if sufficient consideration is not given to funding the administrative costs associated with the scheme, it may prove difficult to implement.

Supporting competitive mortgage lending

- The suggested approach to establish a standardised agreement for first homes that is accepted by lenders is welcomed. This will help to address existing issues often associated with accessing mortgage lending on shared ownership properties in rural areas.

Restrictions on letting First Homes

- Provisions such as those proposed will be helpful. However, it is important to consider how such restrictions will be policed. Furthermore, consideration should be given to ensuring that any properties rented out under this provision should be at the same level of discount as applies to the house purchase.

Delivering the Armed Forces Covenant

- Supporting members and veterans of the armed forces in the ways outlined is fully supported.

Delivering First Homes and setting developer contributions

- The statement that “The Government recognises the important role of affordable housing and supplying new homes of all affordable tenures” is welcome. However, there is a real danger that affordable rented homes are squeezed by the proposals regarding First Homes. The document is silent on how this will be avoided, and this issue must be properly addressed. In rural areas the greatest need is for truly affordable rented homes and the need to focus on delivery of such homes should not be lost. Only in this way can the army of key workers on whom everyone depends, be adequately housed.
- One way to ensure more First Homes are built in rural areas would be to follow the example set by the NPPG revision which allows Local Planning Authorities to set their own site thresholds for affordable housing contributions – i.e. not restricted to sites of 10 dwellings or more. Changing the definition of designated rural areas to all parishes of 3000 population or less would also have a significant impact on delivery numbers.

Delivery through Exception Sites

- Entry-level exception sites are likely to command a higher development and land value than mixed affordable tenure Rural Exception Sites. This could have serious impacts on the delivery of Rural Exception Sites and should be properly considered as part of this consultation. This risk could be mitigated by targeting Entry-level exception sites at larger communities (e.g. over 5000 or 10,000 population) to avoid ‘competition’ with Rural Exception Sites.
- Highlighting the need to encourage more widespread use of Rural Exception Site policy is welcomed.
- Rural Exception Sites tend to be small and in areas of high landscape value and with high infrastructure costs, making development costs per unit high. Increased use of Rural Exception Sites would be encouraged by allowing a rural uplift to grant rates in such locations for affordable homes.
- In addition, the consultation document rightly points to the use of Rural Housing Enablers to assist rural delivery. The number of such Enablers has decreased dramatically since the withdrawal of government grant to help fund such posts. The reintroduction of financial support would potentially have a major impact, not only on the use made of Rural Exception Sites, but also on the delivery of rural affordable housing more generally.