

GLA response to *Consultation on the design and delivery of First Homes*

April 2020

Responses to consultation questions

Ensuring First Homes are affordable

Q1. a) Do you agree with a minimum discount of 30% (but with local flexibility to set a higher one)?

b) If not, what should the minimum discount be? i. 20% ii. 40% iii. Other (please specify)

First Homes, at any level of discount, would be inappropriate for London. London has an acute affordability crisis, with house prices around 12 times average earnings. This means that with a discount of 30 per cent, First Homes would be unaffordable to the vast majority of Londoners. Analysis by the GLA suggests that, based on the average price of a new build home in London, an income of at least £76,000 would be required to afford a First Home at a discount of 30 per cent¹. Only two per cent of households in London would have the required income and savings to afford this, meaning that the policy would only support the very wealthy, many of whom are likely to be able to access home ownership in future without additional support. Even if the discount were increased to 40 per cent, an income of at least £65,000 would be required, meaning that the product would still only be available to the top four per cent of households (by income) in London.

The consultation cites key workers such as ‘nurses, teachers and police’ as potential beneficiaries of the scheme. However, the typical salary for these professions in London ranges from £25,000 to £35,000². Even on the assumption that a household includes two key worker salaries at the top of this range, this would not be enough to afford a First Home at the average sale price in London.

In comparison, the average income of households purchasing shared ownership in 2017/18 was £47,000³. Offering a range of intermediate products such as shared ownership is a more effective way to broaden home ownership and support households to achieve this aspiration in London’s challenging housing market.

Offering a discount deeper than 40 per cent on the homes in order to improve affordability would make the product more expensive for developers to deliver which is likely to have a negative impact on the supply of affordable homes which are desperately required to meet London’s housing needs. This is because, if developers are required to deliver a fixed proportion of First Homes as part of Section 106, or as a proportion of all units, then delivering homes at a steeper discount (one which would bring the product in line with affordability for shared ownership) would reduce the financial headroom for developers to deliver other forms of publicly subsidised housing, in particular social rented housing.

If the Government implements this policy which does not recognise the acute need for genuinely affordable homes in London, the Mayor’s statutory responsibilities for housing

¹ This calculation is based on the median price of a London new build home at June 2019 which was £518,450.

² The Get Into Teaching website says the main pay range for a teacher is between £27,596 (as the minimum in Outer London) and £40,372 (as the maximum in Inner London). The midpoint of these ranges is £33,984. NHS Employers states that for Band 5 staff (i.e. a hospital ward nurse) would earn between £30,153 in Outer London and £31,464 in Inner London. The Police Federation website provides pay scales for police constables. The midpoint of the payscale is £25,728.

³ Analysis of MHCLG 2017/18 CORE data

investment and planning in the capital mean that he is best placed to navigate the trade-offs which will be required in London under the First Homes policy. As such, he should have flexibility to set the level of discount required for First Homes in London.

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

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)

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

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

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?

Please note we have combined our answers to questions two, three and four to avoid repetition.

The GLA does not support the proposal to set a single, nationally defined price cap. London's housing market is very different to the housing market in the rest of England, with the average house price in the capital being nearly double that in the rest of the country. As such, any cap set nationally, without due regard to London's unique context and higher house prices would be likely to make the homes more costly for developers to deliver in many of the more expensive boroughs in London, thereby increasing the impact on supply of genuinely affordable homes.

In addition, while it is clear that a regional cap for London would be preferable to a national price cap, the GLA does not agree that this should be set by the Government. As outlined in the response to Question 1, the Mayor's statutory responsibilities for housing investment and planning in London mean that he would be best placed to decide at what level a regional cap for London should be set. The level of the cap would need to be determined based on a range of factors including London's housing market, buyer demand and affordability.

While there may need to be some variation across different boroughs to account for different local housing markets, the Mayor's strategic view of London's housing needs mean that decisions regarding if/how the cap is applied across different areas of London would be best decided by the Mayor in conjunction with boroughs.

Eligibility for the First Homes Scheme

Q5. Do you agree that Local Authorities are best placed to decide upon the detail of local connection restrictions on First Homes?

The Mayor has the power to set eligibility and prioritisation criteria (including local connection criteria) for intermediate homes in London. The Mayor also allows local authorities to set their own prioritisation criteria for the first three months of a home being marketed. As such, the Mayor should also decide on the detail of prioritisation and eligibility criteria, including local

connection criteria, for First Homes. This would ensure consistency with intermediate housing products and provide greater clarity for developers, buyers and local authorities.

Q6. When should local connection restrictions fall away if a buyer for a First Home cannot be found? i. Less than 3 months ii. 3 - 6 months iii. Longer than 6 months iv. Left to Local Authority discretion

In line with the response to Question 5 of this consultation and given the Mayor's strategic oversight of London's housing market, decisions about when prioritisation criteria, including local connection criteria, fall away should be made by the Mayor.

Q7. In which circumstances should the first-time buyer prioritisation be waived?

London has a severe housing crisis, caused by an historic failure to build enough new homes to keep up with the growing economy and population. In this context, public subsidy should not be used to support those households who either already own their own home or could afford to do so without public support, particularly when it will be at the expense of much needed social housing. As such, there are no circumstances in which first-time buyer prioritisation should be waived.

Furthermore, first-time buyer status should be part of basic eligibility criteria rather than a prioritisation criterion. This will ensure that the policy is only targeted at those it is intended to help. If it becomes clear that there is a lack of demand from first-time buyers for First Homes then the policy should be reviewed, and the proportion of First Homes to be delivered should be reduced or converted to affordable tenures such as shared ownership. This would avoid public subsidy being used to support households who already own a home.

**Q8. a) Should there be a national income cap for purchasers of First Homes?
b) If yes, at what level should the cap be set?**

Income caps are important in order to ensure that intermediate homes delivered through direct and indirect public subsidy are benefitting those who are most in need of support to purchase a home rather than those who can already afford to buy on the open market. However, the GLA does not agree that there should be a national income cap for purchasers of First Homes. This is because setting income caps is complex and deciding the right level – both initially and in future reviews – depends on a range of dynamic factors, which relate to the circumstances of the local housing market. London's unique housing market means that any cap applied nationally is unlikely to be suitable in London.

Given the Mayor's strategic oversight of housing in the capital, the GLA should set the eligibility income cap for First Homes in London. This would be consistent with the way in which the eligibility income cap for intermediate housing products in London is currently managed, thereby providing more clarity for buyers, developers and local authorities. In addition, the GLA holds the detailed understanding and data on London's housing market which are necessary to set an appropriate income cap.

Any income cap would also need to change over time to ensure that increases in property prices do not result in owners having to offering a deeper discount than the original one they received in order to secure a buyer within the eligibility income cap. This could have the potential to negatively impact mortgage availability and demand for the product. Again, given the Mayor's strategic oversight of London's housing market, he would be best placed to decide on the initial eligibility cap, and any changes to it going forward.

c) Do you agree that Local Authorities should have the ability to consider people's income and assets when needed to target First Homes?

Assessing the eligibility of potential purchasers of First Homes will place a significant administrative burden on local authorities at a time when resources are already severely stretched. As such, the GLA does not agree that local authorities are best placed to carry out this function.

While local authorities have responsibility for allocation of social housing, this is undertaken according to a legal framework based on housing need and is a very different process to assessing financial eligibility for intermediate housing. For shared ownership homes, which account for the majority of low-cost home ownership delivery in London, assessment of eligibility is largely carried out by housing associations. Housing associations have teams dedicated to management of sales of shared ownership, including assessment of eligibility and income checks. Similarly, some private providers of discounted market sale in London have specific teams dedicated to carrying out this function.

It is unreasonable to expect local authorities to undertake this role for First Homes without providing additional resource to enable them to build up similar skills, teams and structures to manage the process effectively. Requiring local authorities to manage this process without adequate resource will lead to confusion and frustration amongst potential purchasers of First Homes and would likely damage the reputation of the product.

The Government needs to consider in more detail how to resource the significant administrative effort that the First Homes scheme will require.

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

No. Setting eligibility criteria on income and home ownership status is consistent with other publicly subsidised home ownership products.

As outlined earlier in this response, the eligibility criteria, and any additional prioritisation criteria, for First Homes in London should be set by the Mayor, with input from local authorities where appropriate.

Supporting the First Homes Scheme

Q10. a) Are Local Authorities best placed to oversee that discounts on First Homes are offered in perpetuity?

b) If no, why?

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

Q12. How could costs to Local Authorities be minimised?

Please note we have combined our answers to questions 10, 11 and 12 to avoid repetition.

Local authorities are not best placed to oversee that discounts on First Homes are offered in perpetuity. Oversight and enforcement of the proposed restrictive covenants to ensure First Homes are affordable in perpetuity will require a significant amount of resource which is not currently available to local authorities. It would be impractical (and in most cases unworkable) to expect local authorities to provide effective oversight and enforcement without the additional resource required to manage this effectively.

It would be inappropriate for this function to be managed as part of local authorities existing affordable homes administration service. The role that the majority of local authorities play in the administration of affordable homes is very different to the role they would be required to play under these proposals. Local authorities' management of affordable housing is focused on allocating affordable rented homes according to a legal framework, and the management and maintenance of any local-authority owned homes. The skills, knowledge and resources required to oversee the effective enforcement of restrictive covenants on a low-cost home ownership product are very different. As such, this would not easily be absorbed into existing functions.

Given the above, it is unlikely that the costs of administering the First Homes scheme could be minimised as it would necessitate Local Authorities building specific teams to manage the service. Without sufficient resource, this could lead to households circumventing restrictive covenants to sell the homes on the open market, thereby resulting in an inefficient use of public funds and a loss of affordable housing.

In addition, it is unclear that the Government has adequately considered how First Homes would interact where there are leasehold arrangements in place. In London, the vast majority of new housing is sold on a leasehold basis so, although the Mayor does not believe that First Homes are suitable for the capital, if they were to be introduced further consideration of this issue is required. For example, the consultation does not outline who would be the freeholder of the First Homes in leasehold blocks and therefore who would have responsibility for upholding covenants that apply to these units, especially where these are different to other units in a block. The Government must make clear how such arrangements would interact with building management and leasehold structures so that clear lines of accountability and redress are available to leaseholders and landlords. As previously highlighted, the GLA does not believe local authorities are adequately resourced to carry out this management and stewardship function.

As outlined in the response to Question 8(c), the Government needs to consider in more detail how to resource the significant administrative effort that the First Homes scheme will require.

More broadly the Government should not underestimate the practical difficulties of accurately and fairly valuing First Homes to ensure that the discount remains in perpetuity. Valuations of the homes should be carried out in accordance with the RICS Red Book, and more than one valuation would need to be sought to ensure that the process is fair and transparent. The Government need to consider how this would be resourced, to prevent additional costs falling onto purchasers of First Homes.

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?

Q14. Do you agree that it is appropriate to include a mortgage protection clause to provide additional assurance to lenders?

If the policy is implemented, the GLA agrees that there should be a standardised model for First Homes and a mortgage protection clause. The model lease and mortgage protection clauses for shared ownership have been beneficial in supporting mortgage lending and providing consistency and transparency for buyers. In addition, the Mayor should be responsible for setting the eligibility criteria (in consultation with local authorities) as this would also enable further standardisation of the product at a pan-London level which would support mortgage lending.

Restrictions on letting First Homes

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?

i. Never ii. Up to 6 months iii. 6- 12 months iv. Up to 2 years v. Longer than 2 years vi. Other (please specify)

To protect public subsidy for affordable housing and ensure that households are not purchasing First Homes for commercial gain, there should be no circumstances in which households are allowed to let their First Home without seeking permission. This is in line with arrangements for shared ownership set out in the model lease, which only allows the registered provider to agree to sub-letting arrangements in exceptional circumstances.

However, as outlined in the response to Questions 10,11 and 12, the GLA does not believe that responsibility for enforcement of the letting of First Homes should sit with local authorities as they are unlikely to have the resource to monitor occupancy of First Homes effectively. Government should consider in more detail how the administration of the scheme should be managed.

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)

i. Short job posting elsewhere ii. Deployment elsewhere (Armed Forces) iii. Relationship breakdown iv. Redundancy v. Caring for relative/friend vi. Long-term travelling vii. Other (please specify)

As outlined in the response to Question 16, households should not be able to let their home for any length of time without permission. Sub-letting should only be allowed, with permission, in exceptional circumstances related to unforeseen changes in circumstances rather than through lifestyle choices. This could include job postings, armed forces deployment or caring for a sick friend or relative however ultimately, discretion would need to lie with the organisation managing the scheme.

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?

The GLA agrees that serving members and recent veterans of the Armed Forces should be exempt from local connection criteria. This is because those who do not have a local connection with an area where they wish to live due to service in the Armed Forces should not be disadvantaged by this.

Implementation of this exemption should be in line with The Allocation of Housing (Qualification Criteria for Armed Forces) (England) Regulations 2012, which specify that local authorities should not disqualify specified current and former members of the Armed Forces from applying for social housing on the grounds that they lack local connection.

The GLA also supported proposals set out in the Government's consultation in early 2019, including the proposal that divorced or separated spouses or civil partners of Service personnel who are required to move out of accommodation provided by the Ministry of Defence should not be subject to residency requirements when seeking social housing. The Government's response to that consultation should also set out how these groups would be exempted from any local connection requirements for First Homes.

Q18. What is the appropriate length of time after leaving the Armed Forces for which veterans should be eligible for this exemption?

i. 1 year ii. 2 years iii. 3-5 years iv. Longer than 5 years

Current regulations on the allocation of social housing state that specified Armed Forces veterans should be exempt from local connection criteria for five years after discharge. Consistency with this policy would provide clarity and consistency.

Q19. Are there any other ways we can support members of the Armed Forces and recent veterans in their ability to benefit from the First Homes scheme?

The Government could work with organisations who support Armed Forces personnel with access to affordable housing such as the Joint Service Housing Advice Office and Veterans UK to ensure that Armed Forces personnel and veterans are aware of the scheme and their exemption from local connection criteria.

Setting developer contributions for First Homes

Q20. Which mechanism is most appropriate to deliver First Homes?

i. Planning policy through changes to the National Planning Policy Framework and guidance ii. Primary legislation supported by planning policy changes

If the First Homes policy is introduced, then it should be implemented through the National Planning Policy Framework (NPPF). This is consistent with how affordable housing is currently delivered and would provide flexibility to enable the policy to be responsive both to changes in the housing market over time, and to the different regional and local housing markets, such as London's, which exist across England.

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

**i. As a percentage of section 106 affordable housing through developer contributions
ii. As a percentage of all units delivered on suitable sites**

Neither of the approaches outlined are appropriate for the delivery of First Homes in London. Publicly subsidised housing products should be designed and delivered in response to evidence of housing need. The GLA's 2017 Strategic Housing Market Assessment makes clear that in London there is an overwhelming need for social rented homes⁴. While discounted market sale products can, and do, play a marginal role in meeting housing need in London, mandating the

⁴ Greater London Authority, Strategic Housing Market Assessment, 2017

delivery of these homes through either of the options outlined above would have a significant and damaging impact on London's supply of social rented homes.

Rather than mandating that First Homes be a fixed proportion of Section 106 or of all units on a site, the product should be included with affordable housing products in the NPPF, and available as part of a mix of products and tenures determined by the local planning authority according to local context and the individual circumstances of each development.

If the Government insists on an approach which would see First Homes delivered as a fixed proportion of homes, then both options (a proportion of Section 106 and a proportion of all units on a site) should be kept available, and local planning authorities should be able to decide which is the most appropriate approach based on local need, development pipelines and demand. This would enable them to balance the delivery of First Homes with the continued delivery of affordable housing most effectively.

Q22. What is the appropriate level of ambition for First Home delivery?

i. 40% of section 106 ii. 60% of section 106 iii. 80% of section 106 iv. Other (please specify)

As outlined above, mandating a specific proportion of Section 106 to be delivered as First Homes would be inappropriate for London and forcing any 'level of ambition' upon local planning authorities will have a damaging impact on their ability to ensure that affordable housing provision is meeting housing need. In 2019 the GLA published a report setting out what would be required to enable London to deliver enough affordable housing meet its housing needs. Introducing First Homes into this model at 60 per cent of Section 106 (assuming a discount of 50 per cent) shows that for every three First Homes delivered, two social rented homes could be lost, though direct diversion of developer contributions and loss of cross-subsidy from shared ownership homes. There would also no longer be any intermediate homes delivered through s106 in this scenario. Given that First Homes at any level will require a trade-off with other forms of publicly subsidised housing, the GLA believes that none of the options outlined above would be appropriate as a one-size fits all approach in London, and that local planning authorities should have discretion to determine what proportion of affordable housing delivery should be First Homes as part of a justified, evidenced approach to delivery.

If the Government does decide to mandate a fixed proportion of affordable housing to be delivered as First Homes then this should only apply to developer-led housing schemes, and not to housing association or local authority-led schemes. This is because First Homes (with a 30 per cent discount) will only be affordable to Londoners those with the top two per cent of households based on income and savings, and therefore delivery of these homes is unlikely to align with the objectives of housing associations and local authorities in meeting housing need. This action risks reducing appetite for new development, particularly in the context of the range of other pressures currently facing housing associations and local authorities, such as challenges around building safety and meeting net zero carbon targets. Mandating delivery of First Homes as part of new schemes could simply serve to incentivise the sector to focus already limited resource on management of existing stock rather than new development. This would have a negative impact on overall supply, and a particularly damaging impact on affordable housing supply.

Similarly, the policy should not apply to Build to Rent schemes. This is because Build to Rent schemes are generally in single ownership, and the viability of the schemes is based on long-term rental income which increases over time rather than the immediate capital receipts provided by market sale homes. As part of the London Plan (Intend to Publish version) a new

policy approach to deliver affordable housing through discounted market rent homes has been developed for the Build to Rent sector. Requiring Build to Rent schemes to deliver First Homes would have a negative impact on delivery of these affordable homes and introduce uncertainty at a time when the Build to Rent sector is taking an increasingly important role in increasing London's housing supply.

For similar reasons, student accommodation should also be exempt. This is because these types of development are, by their nature, purpose built and are generally in single ownership. This would not be compatible with individual sale of homes. Mandating the delivery of First Homes through these types of development could reduce viability and dampen development appetite.

For mainstream developer-led schemes, if the Government decide to mandate a fixed proportion of First Homes then this should be set at 10 per cent, and First Homes should be one of the options for delivering low-cost home ownership (alongside shared ownership) as part of the current requirement for low-cost home ownership products in the NPPF.

Delivery through exception sites

Q23. Do you agree with these proposals to amend the entry-level exception site policy to a more focused and ambitious First Homes exception site policy?

Q24. a) Do you think there are rare circumstances where Local Authorities should have the flexibility to pursue other forms of affordable housing on entry-level exception sites, because otherwise the site would be unviable?

b) If yes, what would be an appropriate approach for Local Authorities to demonstrate the need for flexibility to allow other forms of affordable housing on a specific entry level exception site?

Q25. What more could the Government do to encourage the use of the existing rural exception site policy?

Please note that the answers to questions 23, 24, and 25 are combined to avoid repetition.

While there may be some circumstances in which it is appropriate for First Homes to be delivered on exception sites, decisions over what type of housing should be pursued on these sites should remain with local planning authorities. This is because local planning authorities are best placed to assess local need and demand, and will be able to ensure that the sites are used effectively. This is particularly important in London where land supply is limited.

Q26. What further steps could the Government take to boost First Home delivery?

As outlined elsewhere in this response, First Homes are an inappropriate response to London's severe unmet housing need and as such should play only a marginal role in housing delivery in the capital. Given the unaffordability of these homes across London, local planning authorities should be given maximum flexibility regarding how and at what level the homes are delivered. Mandating a one-size fits all policy, and aiming to maximise delivery of First Homes at any cost, will cause long-lasting damage to London's affordable housing supply.

Mandating the delivery of First Homes could also have a negative impact on overall housing supply. The 'Independent review of build out' carried out by Sir Oliver Letwin in 2018 concluded that the "homogeneity of the types and tenures of the homes on offer on large sites,

and limits on the rate at which the market will absorb such homogenous products, are the fundamental drivers of the slow rate of build out”.⁵ Given this, mandating the delivery of high levels of First Homes could slow delivery and hamper the Government’s ability to meet its own target of delivering 300,000 homes per annum.

Community Infrastructure Levy exemptions

Q27. Do you agree that the proposal to exempt First Homes from the Community Infrastructure Levy would increase the delivery of these homes?

Q28. Do you think the Government should take steps to prevent Community Infrastructure Levy rates being set at a level which would reduce the level of affordable housing delivered through section 106 obligations?

Please note that answers to Questions 27 and 28 have been combined to avoid repetition.

Community Infrastructure Levy (CIL) is a relatively minor development cost and when looked at in isolation, has a limited impact on development viability. However other factors such as market values, when combined with CIL, can determine if a scheme is viable or unviable. It is therefore not possible to say whether exempting First Homes from the Community Infrastructure Levy (CIL) would increase delivery of First Homes, as it would depend on a range of factors individual to each scheme.

The importance of CIL and Section 106 in ensuring local authorities have the infrastructure in place to support development is highlighted in the consultation. It is also recognised that local planning authorities currently have the ability to exempt discounted market sale homes from the Community Infrastructure Levy (CIL) at their discretion. The GLA believes that decisions which impact the planning of infrastructure sufficiency should continue to rest with local planning authorities. This is because local planning authorities have a detailed knowledge of local housing and infrastructure needs and are therefore best placed to strike an appropriate balance between securing funding for vital infrastructure and viability of development. In setting CIL rates, the charging authority must take account of developer costs, including costs associated with wider planning policy compliance. Also, the Local Plan and CIL Charging Schedule are subject of an independent examination prior to adoption, and provides appropriate checks and balances and so it is unnecessary to include additional steps to prevent CIL being set at a level which would reduce affordable housing delivery through Section 106 obligations.

Equality impacts of the First Homes scheme

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

As outlined elsewhere in this response, the First Homes schemes will have a significant and negative impact on the delivery of genuinely affordable homes, including social rented homes required to meet London’s housing need. This is also acknowledged in the consultation itself. The extent of the impact will depend on the final proposals, however any reduction in social rented homes will have a negative impact on those groups who are most in need of this housing.

⁵ Ministry of Housing, Communities and Local Government and HM Treasury, Independent review of build out, October 2018

GLA analysis of data on lettings to affordable showing shows that just over half of those households new to social housing in 2017/18 were previously homeless, and that social housing disproportionately assisted demographic groups with particularly high housing needs such as female-headed and BAME households. In addition, analysis published by the GLA last year shows that those on lower incomes are likely to benefit from social housing⁶. As outlined in Question 1, the unaffordability of First Homes means that those on lower incomes will inevitably be disadvantaged in favour of the wealthiest Londoners (those in the top 12 per cent in terms of household earnings).

The assessment of equalities impacts set out in the consultation suggests that the First Homes policy will have a positive impact on 'females and Black, Asian and minority ethnic groups' however it does not provide any analysis as to how this conclusion was reached. The Government should urgently publish the equalities analysis carried out for the First Homes consultation to enable a full understanding of the assumptions under which it is basing this assessment.

Furthermore, the full Equalities Impact Assessment for the policy will need to include detail on the Government's assumptions about the impact that First Homes will have on other tenures. Without this, it will not be possible to undertake a full and comprehensive assessment which will accurately reflect the potential impact on groups with protected characteristics.

The consultation seeks to explore how First Homes can deliver homes for older people, and those with disabilities. In London, anecdotal evidence suggests that the affordable housing contribution on specialist and supported housing schemes tends to be affordable rented (including social rented) homes, rather than intermediate homes. Mandating the delivery of First Homes on these schemes would therefore be likely to have a particularly negative impact on the supply of affordable rented homes available for these groups. The lack of affordability of First Homes means that they would only be likely to benefit those who may be able to buy privately without any kind of discount.

Moreover, specialist and supported housing schemes can also be complex and costly to deliver, and often experience particular viability challenges which could be exacerbated by a requirement to deliver First Homes. To ensure that older people and people with disabilities are not disadvantaged by the policy, specialised and supported housing development should be exempt from providing First Homes.

b) What steps can the Government take through other programmes to minimise the impact on protected groups?

GLA analysis suggests that the number of social rented homes which could be lost under the First Homes policy equates to around a fifth of the social housing delivered in London in 2018/19. In order to mitigate the impact of First Homes on protected groups, the Government needs to ensure that the policy does not displace any social rented homes. This could be done through re-designing the policy or, if the Government insists on moving ahead with the proposals set out in this consultation, the only way to mitigate this impact would be to provide a substantial uplift in the next Affordable Homes Programme for social rented homes.

In 2019, the GLA published analysis setting out the funding requirement for London if London's housing requirements are met. This estimated that a seven-fold increase in current

⁶ Greater London Authority, Housing in London 2019, September 2019

funding levels would be required (totally £4.9 billion a year)⁷. If the First Homes policy were to be introduced, then the grant requirement would need to increase beyond this to enable delivery of the social rented and intermediate homes which would be lost under the current proposals.

As outlined in the response to Question 29 (a), the Government should also provide an exemption for developments which are delivering supported and specialist housing for protected groups.

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

The First Homes scheme is inappropriate for London and does not take account of London's severe unmet housing need, as evidenced in the 2017 Strategic Housing Market Assessment. In pursuing this policy, the Government risks significant damage to London's supply of genuinely affordable housing, in particular social rented housing. While First Homes may help some Londoners on higher incomes, the policy will have a negative impact on the many households currently trapped in the private rented sector, or in temporary accommodation who need access to social rented homes.

However, London's unique housing market means that if the Government pursues this policy, then the Mayor and the GLA should have maximum flexibility to implement it in a way which minimises the damage to London's housing supply. The GLA would welcome further discussions on how this can be achieved.

⁷ Greater London Authority, Affordable Housing Funding Requirement, 2019