



## BRIEFING PAPER

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# Starter Homes for First-Time Buyers (England)

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## Summary

Rising house prices and restricted access to mortgages have seen falling levels of home ownership in recent years. Younger households in particular have been disproportionately affected by this decline. Nevertheless, the aspiration to buy and own a home remains strong for the majority of households.

### Coalition Government Policy on Starter Homes

In December 2014 the Coalition Government announced a starter homes initiative which was intended to deliver 100,000 discounted starter homes for first-time buyers. The Government subsequently implemented a **starter homes exception site policy** to encourage the provision of starter homes on under-used or unviable commercial and industrial land. The policy exempted developers from certain planning requirements on these sites, in return for offering starter homes at a discount to younger first-time buyers.

### Conservative Government Policy on Starter Homes

Policies intended to increase home ownership and drive up housing supply featured prominently in the Conservative Party Manifesto 2015, including a commitment to expand the starter homes initiative to deliver 200,000 homes by 2020. The Government's 2015 Productivity Plan set out a range of measures to fulfil this commitment, including "bringing forward proposals to ensure every reasonably sized housing site includes a proportion of starter homes".

### The Housing and Planning Act 2016

*The Housing and Planning Act 2016* provides the statutory framework for the delivery of starter homes. The Act defines starter homes as new homes costing up to £250,000 (£450,000 in London), to be available at a minimum 20% discount on market value to eligible first-time buyers. The legislation includes provisions to introduce a general duty on planning authorities in England to promote the supply of starter homes, and a specific duty to require a minimum number or proportion of starter homes on certain residential development sites. **The starter homes legislative provisions are not yet in force.**

Much of the detail of the statutory starter homes scheme will be set out in regulations. The Government consulted on the content of the Starter Homes Regulations between 23 March and 30 June 2016. Views were sought on a number of issues including: elements of the definition of a starter home; requirements relating to the provision of starter homes (e.g. the number of starter homes and the type of site on which they should be delivered); and restrictions on the resale of starter homes. The Starter Homes Regulations will need to be approved by both Houses of Parliament.

### Starter Homes Commentary

The starter homes provisions in the 2016 Act were subject to much debate and challenge as the legislation progressed through Parliament. A broad range of organisations have expressed concerns about starter homes. Issues that have been raised include: the importance of supplying a mix of housing tenures to provide for people on lower incomes; the need for flexibility to reflect housing needs in different areas; the potential reduction in the delivery of other types of affordable housing; the extent to which starter homes will be genuinely affordable; and the impact of starter homes on local housing markets.

## Housing White Paper 2017

The 2015 Conservative Government published its Housing White Paper on 7 February 2017, together with its response to the consultation on the Starter Homes Regulations. The White Paper marked a shift in the Government's housing policy from a strong focus on starter homes, to delivering a wider range of affordable housing.

The Government has emphasised that it expects starter homes to be delivered alongside shared ownership, rent-to-buy, and other innovative affordable housing products. Reflecting this policy, it expects to help over 200,000 people become homeowners through a range of Government programmes by 2020.

The White Paper announced that the Government:

- would **commence the general duty on local authorities to promote the supply of starter homes.**
- had decided not to implement a statutory starter homes requirement at that point in time. Instead it proposed to amend the National Planning Policy Framework (NPPF) to **introduce a policy expectation that housing sites of 10 units or more deliver a minimum of 10% affordable home ownership products.**
- proposed to **introduce a household income eligibility cap of £80,000 (£90,000 for London) on starter homes.** The cap is intended to ensure that starter homes are available to households that genuinely need support to purchase a new home.
- would **introduce restrictions on the resale and letting of starter homes,** to deter people buying them for rental investment or short-term speculation.
- would **require first-time buyers to have a minimum 25% mortgage,** to assist first-time buyers who need support to achieve their first home purchase rather than cash buyers.
- would **bring forward regulations to finalise the starter homes definition and monitoring provisions.**

Commentators welcomed the Housing White Paper's new focus on a wider range of housing tenures, and the decision not to implement a minimum statutory starter homes requirement on residential developments.

The Government has published a draft revised NPPF for consultation. The draft text includes: a new definition of affordable housing that includes starter homes; a minimum requirement of 10% affordable housing on certain developments; and proposals to encourage the release of more land for affordable housing. The consultation closed on 10 May 2018, and the Government is analysing feedback.

## Delivery of Starter Homes

The Government introduced a Starter Homes Land Fund (SHLF) to provide £1.2 billion to remediate brownfield land for the development of starter homes, alongside other types of affordable home ownership.

Commentators have expressed concern at the slow progress with delivering starter homes. By May 2018, some £250 million of the SHLF had been spent, with media reports that no starter homes have yet been built.

The Government is reviewing the operation of the SHLF, and is expected to make an announcement on the next steps for starter homes following the consultation on the draft revised NPPF.

# 1. Background

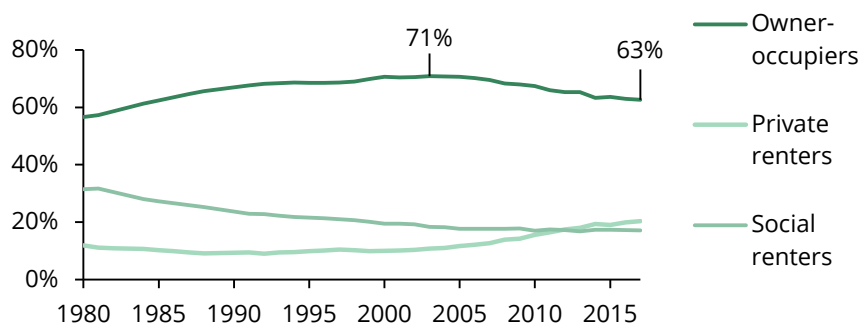
Rising house prices and restricted access to mortgages have seen falling levels of home ownership in recent years. Younger households in particular have been disproportionately affected by this decline. This section considers some of the trends in home ownership, numbers of first-time buyers, and housing affordability for first-time buyers.

## 1.1 Home ownership

The proportion of all households in owner occupation increased steadily from around 55% in the early 1980s to a peak of 71% in 2003. Since then the proportion has gradually declined: around 63% of households were in owner occupation in 2016-17.<sup>1</sup> The chart below shows the trends in housing tenure from 1980 to 2016-17. Despite the decline in rates of home ownership, the British Social Attitudes Survey has found that 86% of people aspire to own a home.<sup>2</sup>

### HOME OWNERSHIP HAS DECLINED SINCE 2003

Households by tenure group (%), England



**Source:** MHCLG, [English Housing Survey Headline Report 2016-17](#), Annex Table 1.1

The long-term downward trend in owner occupation has disproportionately affected younger households. The chart overleaf shows how the proportion of people in different age groups has changed between 2003-04 and 2016-17. 32% of households led by someone aged under 35<sup>3</sup> were homeowners in 2016-17, compared to 52% in 2003-04. Households in this age group are now more likely to be renting privately than buying their own home: 50% were renting privately in 2016-17 compared to 26% in 2003-04.<sup>4</sup>

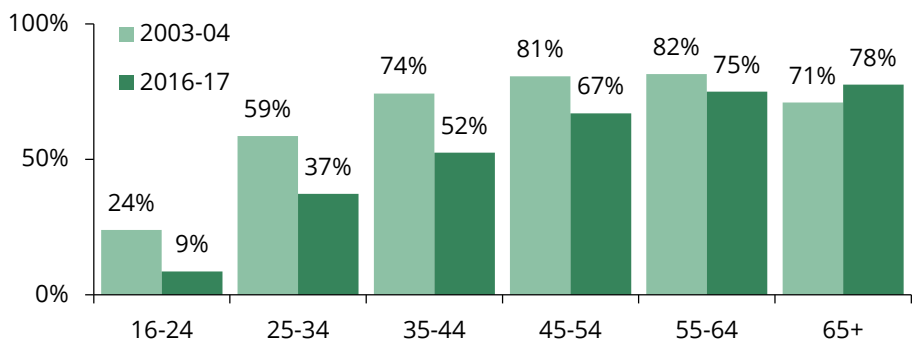
<sup>1</sup> MHCLG, [English Housing Survey Headline Report 2016-17](#), Annex Table 1.1

<sup>2</sup> National Centre for Social Research, [British Social Attitudes 28 – Edition 2011-2012](#), 2012, Chapter 8 Housing

<sup>3</sup> The English Housing Survey looks at the age of the Household Reference Person (HRP). This is the person responsible for the accommodation, or the oldest person in the case of joint owners or tenants.

<sup>4</sup> MHCLG, [English Housing Survey Headline Report 2016-17](#), Annex Table 1.4

**YOUNG PEOPLE ARE LESS LIKELY TO BE HOMEOWNERS**  
 % home ownership by age of household reference person



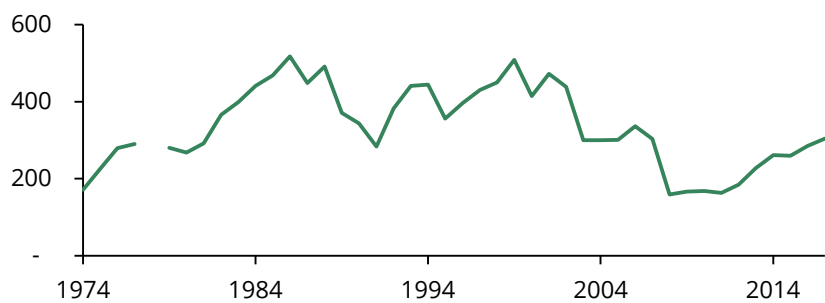
**Source:** MHCLG, [English Housing Survey Headline Report 2016-17](#), Annex Table 1.4

## 1.2 First-time buyers

The number of first-time buyers, as measured by the number of mortgages issued to first-time buyers in England, has fallen over the last 15 years.

The number of loans made was at its highest in the mid-1980s and late 1990s (see chart below). It declined sharply at the start of the 2008-09 recession: the number of loans in 2008 (159,000) was 48% lower than the year before (303,300). Lending started to pick up again in 2012 and is now approaching pre-recession levels: 303,700 new loans were made in 2017.

**FIRST-TIME BUYERS DROPPED AFTER THE FINANCIAL CRASH BUT HAVE SINCE RISEN**  
 Number of first-time buyer mortgages, England (thousands)



**Source:** UK Finance, Mortgage Industry Data Table ML2

The above mortgage lending figures are from the UK Finance, formerly the Council of Mortgage Lenders (CML). According to their analysis, the average age of a first-time buyer has risen from 26 in 1974 to 30 in 2017.<sup>5</sup>

The English Housing Survey (EHS) also looks at first-time buyers, which they define as buyers who had bought for the first time in the last three

<sup>5</sup> UK Finance, Mortgage Industry Data Table ML2

years. Their analysis puts the average age of a first-time buyer at 33 in England overall and 34 in London.<sup>6</sup>

### 1.3 Affordability for first-time buyers

The financial crash and the subsequent fall in house prices after the end of 2007 had only a limited impact on affordability for first-time buyers. Lenders have tightened their criteria for mortgage approvals and mortgage products themselves are more expensive.

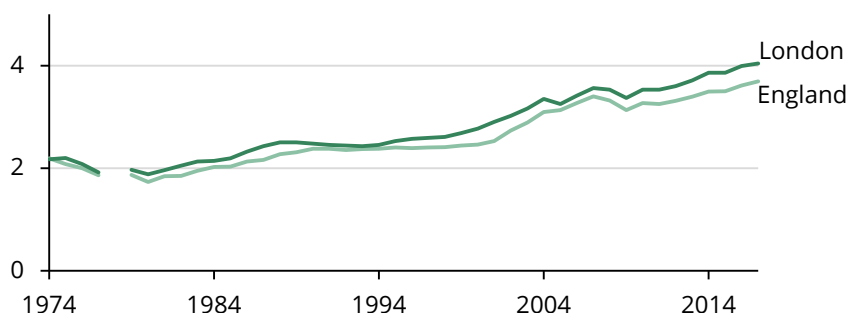
In addition to relative mortgage scarcity, there is the issue of incomes failing to keep pace with house price increases. Shelter published an analysis of [Housing affordability for first time buyers](#) in March 2015. This compared changes in affordability for first-time buyers between 1969 and 2013:

Over the decades since 1969, house prices for first time buyers have increased by 48 times, far out-pacing incomes which have only grown 29 times. The average first time buyer house price of £4,136 in 1969 has grown to £198,039. By comparison, first time buyers' incomes have grown from £1,624 in 1969 to £47,574 in 2013. While this trend is played out across England, it is most stark in London. There, house prices are 59 times higher than in 1969, while incomes are only 34 times higher.<sup>7</sup>

House price increases mean that first-time buyers need to save larger deposits and borrow more, relative to their income. According to Shelter's analysis, the average size of deposits increased four-fold from 25% of first-time buyers' annual income in 1996 to 100% by 2004, before reaching a peak of 137% in 2010.<sup>8</sup> The most recent English Housing Survey found that the majority of first-time buyers were in the upper income quintiles; 56% were in the fourth and fifth income quintiles.<sup>9</sup>

The CML also record the income multiples of first-time buyers, shown in the chart below. Income multiples have grown, particularly in London. In 2017, first-time buyers in England were borrowing 3.7 times their income on average, compared to 4 times in London.

#### INCOME MULTIPLES FOR FIRST-TIME BUYERS HAVE RISEN MORE IN LONDON



<sup>6</sup> MHCLG, [English Housing Survey Headline Report 2016-17](#), Annex Table 1.7

<sup>7</sup> [Housing affordability for first time buyers](#), Shelter, February 2015, p3

<sup>8</sup> [Housing affordability for first time buyers](#), Shelter, February 2015, p7

<sup>9</sup> MHCLG, [English Housing Survey Headline Report 2016-17](#), Annex Table 1.8



## 8 Starter Homes for First-Time Buyers (England)

**Source:** UK Finance, Mortgage Industry Data Table ML2

NatCen Social Research, commissioned by Yorkshire Building Society, has researched the perceptions, aspirations and expectations surrounding home ownership amongst young adults (aged 18 to 40) living in the UK. The study asked potential first-time buyers about the factors preventing them from buying a home. The majority of respondents pointed to the largely financial constraints that they felt prevented them from buying a home. These included:

- Not being able to afford mortgage payments (46%)
- Not earning enough money (45%)
- The required deposits being too high (38%)
- Property in their area being too expensive (25%)
- Not thinking they'd be given a mortgage (13%)
- Lack of job security (10%)
- The additional costs involved with buying a property, such as solicitors' fees, mortgage arrangement fees or stamp duty (6%)<sup>10</sup>

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<sup>10</sup> NatCen Social Research, [First-time buyers - An early life crisis: Britain's homeownership aspirations](#), 26 March 2016, p.16. Note: respondents were able to select more than one reason, and so totals add up to more than 100%.



## 2. Coalition Government Policy on Starter Homes

### 2.1 Starter homes consultation 2014

In December 2014, the Prime Minister, then David Cameron, [announced](#) a new initiative to offer 100,000 first-time buyers new starter homes with a 20% discount.<sup>11</sup> The scheme would allow house builders to develop under-used or unviable brownfield land and would exempt them from certain planning costs and levies. In return, house builders would offer homes at a minimum 20% discount exclusively to first-time buyers, under the age of 40. The scheme would include restrictions to ensure that the homes could not be re-sold at market value for a fixed period.

The Prime Minister also announced that a new Design Advisory Panel, involving leading industry experts, would develop a set of exemplar designs for starter homes, to “ensure that new homes are not only lower cost but also high quality and well-designed”.<sup>12</sup>

The Government conducted a [consultation exercise](#) on the starter home scheme between December 2014 and January 2015.<sup>13</sup> Detailed information on the questions posed and consultation responses can be found in the Commons Library Briefing Paper (07310) [2014 Consultation on Starter Homes for Young First-Time Buyers](#) (September 2015).

The general response to the proposal was positive, with strong support from prospective first-time buyers. 78% of respondents were in favour of the policy, including the majority of individuals, developers, financial organisations, local authorities and representative bodies.<sup>14</sup> A number of specific points were raised, predominantly falling into three areas:

- what would constitute suitable land;
- potential conflict with existing planning policy; and
- how the discount would be implemented.<sup>15</sup>

### 2.2 New national planning policy - starter homes exception sites

Following the consultation, the Government published a [written ministerial statement](#) on 2 March 2015 outlining the key elements of a

The Coalition Government announced proposals for a new initiative to offer 100,000 first-time buyers new starter homes with a 20% discount.

<sup>11</sup> Prime Minister’s Office, [20% discount on your first home announces PM](#), 15 December 2014

<sup>12</sup> Prime Minister’s Office, [20% discount on your first home announces PM](#), 15 December 2014

<sup>13</sup> Department for Communities and Local Government, [Stepping onto the property ladder – a consultation](#), December 2014

<sup>14</sup> Department for Communities and Local Government, [Government response to starter home consultation](#), March 2015, p11

<sup>15</sup> Department for Communities and Local Government, [Government response to starter home consultation](#), March 2015

## 10 Starter Homes for First-Time Buyers (England)

new starter homes exception site policy.<sup>16</sup> The statement said that starter homes exception sites were to be given special freedom from normal planning restrictions, in order to encourage the release of land for starter homes.

Under the new planning policy, starter homes exception sites would not be required to make section 106 affordable housing or tariff-style contributions. Section 106 agreements<sup>17</sup> (sometimes known as “affordable housing levies”) are agreements made between a developer and the Local Planning Authority (LPA) designed to meet the concerns an LPA may have about meeting the cost of providing new infrastructure for an area or about the impact on the local area. These agreements might require, for example, a developer to build a number of affordable homes for an area, or to make a financial payment, in order to secure planning permission for a development. In return for the exemption from section 106 contributions, developers would be obliged to offer starter homes on the site at a minimum 20% discount exclusively to younger first-time buyers.

The ministerial statement announced the following addition to the Government’s planning practice guidance:

Local planning authorities should work in a positive and proactive way with landowners and developers to secure a supply of sites suitable for housing for first time buyers. In particular, they should look for opportunities to create high quality, well designed starter homes through exception sites on commercial and industrial land that is either under-used or unviable in its current or former use, and which has not currently been identified for housing.

Where applications for starter homes come forward on such exception sites, they should be approved unless the local planning authority can demonstrate that there are overriding conflicts with the National Planning Policy Framework that cannot be mitigated.

Planning obligations should be attached to permissions for starter homes on Starter Homes exception sites, requiring that the homes are offered for sale at a minimum of 20% below open market price, to young first time buyers who want to own and occupy a home. They should also prevent the re-sale and letting of the properties at open market value for a 5 year period.

In view of their contribution to meeting housing needs, Starter Homes exception sites should not be required to make section 106 affordable housing or tariff style contributions.

Exception sites may include a small proportion of market homes, at the planning authority’s discretion, where this is essential to secure the required level of discount for the starter homes on the site.<sup>18</sup>

The new [planning practice guidance on starter homes](#) was published on 18 March 2015. The guidance states that a starter home should be well designed and the discounted price should not be significantly more than

Following public consultation, in March 2015 the Coalition Government implemented a starter homes exception site policy to encourage the provision of starter homes on under-used or unviable commercial and industrial land.

Planning practice guidance on starter homes states that eligible first-time buyers should be under the age of 40, and the discounted starter home price should be no more than £250,000 (£450,000 in London).

<sup>16</sup> Department for Communities and Local Government, [Written statement to Parliament- Starter homes](#), 2 March 2015

<sup>17</sup> Commons Library Briefing Paper [Planning Obligations \(Section 106 Agreements\)](#) (May 2016) provides further information about section 106 agreements.

<sup>18</sup> Department for Communities and Local Government, [Written statement to Parliament- Starter homes](#), 2 March 2015

the average price paid by a first-time buyer. This means the discounted price should be no more than £250,000 outside London and £450,000 in London.

The [ministerial statement](#) also set out the Government's intention to amend the Community Infrastructure Levy<sup>19</sup> regulations in the 2015-2020 Parliament to exempt discounted starter home developments from the levy, and consider how the development of more starter homes could be encouraged through further planning reforms, including the opportunity to use other forms of land.

Alongside the ministerial statement the Government published a [document setting out an initial set of starter home design exemplars](#)<sup>20</sup> and launched a starter home website to allow young people to register their interest in buying one of the new starter homes and be kept up to date with the scheme.<sup>21</sup> By 10 May 2016 more than 85,000 young people had registered their interest in a starter home.<sup>22</sup>

The Government launched a website to enable young people to register their interest in buying a starter home and be kept up to date with the scheme.

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<sup>19</sup> The Community Infrastructure Levy is a locally based development tax introduced to help finance the infrastructure needed to increase the supply of housing. Commons Library Briefing Paper [Community Infrastructure Levy](#) (February 2014) provides more information.

<sup>20</sup> Department for Communities and Local Government, [Starter Homes Design](#), March 2015

<sup>21</sup> Department for Communities and Local Government, [Young first-time buyers can register online for 100,000 cut-price homes](#), 28 February 2015

<sup>22</sup> [HL Deb 10 May 2016 c1678](#)

## 3. Conservative Government Policy on Starter Homes

### 3.1 Conservative Party Manifesto 2015

Measures intended to increase home ownership and drive up housing supply featured prominently in the [Conservative Party Manifesto 2015](#), including a commitment to expand the starter homes initiative to deliver 200,000 starter homes over the course of the Parliament:

As the party of home ownership, we want to go further and faster – and this manifesto sets out our plan. At its heart, a clear objective to build affordable homes, including 200,000 Starter Homes which will be sold at a 20 per cent discount, and will be built exclusively for first time buyers under the age of 40.<sup>23</sup>

The 2015 Conservative Government committed to building 200,000 quality starter homes exclusively for younger first-time buyers at a 20% discount on market value.

### 3.2 The Productivity Plan 2015

In July 2015 the Government published its Productivity Plan to increase UK productivity growth over the next decade. The Plan, [Fixing the foundations: Creating a more prosperous nation](#), outlined a range of measures intended to fulfil the Government's commitment to deliver 200,000 starter homes by 2020:

- requiring local authorities to plan proactively for the delivery of Starter Homes
- extending the current exception site policy, and strengthening the presumption in favour of Starter Home developments, starting with unviable or underused brownfield land for retail, leisure and institutional uses
- enabling communities to allocate land for Starter Home developments, including through neighbourhood plans
- bringing forward proposals to ensure every reasonably sized housing site includes a proportion of Starter Homes
- implementing regulations to exempt these developments from the Community Infrastructure Levy, and re-affirming through planning policy that section 106 contributions for other affordable housing, and tariff-style general infrastructure funds, will not be sought for them
- putting in place new arrangements to monitor their delivery<sup>24</sup>

The 2015 Productivity Plan outlined a range of measures intended to enable the delivery of 200,000 starter homes by 2020.

The Plan also committed the Government to “take further steps to re-focus Department for Communities and Local Government [now the Ministry of Housing, Communities and Local Government] budgets, focussing on supporting low cost home ownership for first-time buyers”.<sup>25</sup>

<sup>23</sup> Conservative Party, [Conservative Party Manifesto 2015](#), 14 April 2015, p51

<sup>24</sup> HM Treasury, [Fixing the foundations: Creating a more prosperous nation](#), CM 9098, July 2015, para 9.23

<sup>25</sup> Ibid, para 9.25

## 4. Housing and Planning Act 2016

In October 2015 the Government published the *Housing and Planning Bill*, which included measures to expand the starter homes scheme and place it on a statutory basis. On publication of the Bill the Government said it would kick-start a “national crusade to get 1 million homes built by 2020” and transform “generation rent into generation buy”.<sup>26</sup>

The starter homes provisions in the Bill were subject to much debate and challenge as the legislation progressed through Parliament. Attempts to amend the Bill to give local authorities more flexibility around the inclusion of starter homes on development sites resulted in the Bill passing between the Lords and Commons in a process known as ‘ping pong’. The Bill documents and Commons Library Briefing Papers on the Bill’s progress can be found on the [UK Parliament website](#).

[The Housing and Planning Act 2016](#) received Royal Assent on 12 May 2016. Chapter 1 of Part 1 of the Act provides the statutory framework for the delivery of new starter homes, sold at a discount, for qualifying first-time buyers. The Act introduces a new general duty on Local Planning Authorities (LPAs) to promote the supply of starter homes, and a specific duty to grant planning permission for certain residential developments only if specific starter homes requirements (to be set out in later regulations) are met.

The main provisions of the Act are summarised below.

**Section 1 (Purpose of this Chapter)** sets out the purpose of the legislation, which is “to promote the supply of starter homes in England”.<sup>27</sup>

**Section 2 (What is a starter home?)** defines a ‘starter home’ as a new dwelling which is only available for purchase by qualifying first-time buyers, and which is sold at a price which is at least 20% less than the market value.<sup>28</sup> A ‘qualifying first-time buyer’ is defined as an individual who is a first-time buyer (as defined in section 57AA(2) of the Finance Act 2003<sup>29</sup>) and is at least 23 years old but under the age of 40. Section 2 also specifies a maximum price at which a starter home may be sold to a first-time buyer: the price cap is £250,000 outside Greater London and £450,000 in Greater London.<sup>30</sup> The price cap reflects the maximum threshold for the Help to Buy ISA.<sup>31</sup>

Section 2 gives the Secretary of State powers to make regulations to: place restrictions on the sale or letting of starter homes;<sup>32</sup> amend the

The *Housing and Planning Act 2016* provides the statutory framework for an expanded starter homes scheme.

The Act defines a ‘starter home’ as a new dwelling which is only available for purchase by qualifying first-time buyers, and which is sold at a price which is at least 20% below market value.

<sup>26</sup> Department for Communities and Local Government, [Historic Housing and Planning Bill will transform generation rent into generation buy](#), 13 October 2015

<sup>27</sup> [The Housing and Planning Act 2016](#), Part 1, Chapter 1, Section 1

<sup>28</sup> *Ibid*, Section 2(1)

<sup>29</sup> *Ibid*, Section 2(4)

<sup>30</sup> *Ibid*, Section 6

<sup>31</sup> The Stationery Office, [Explanatory Notes – Housing and Planning Act 2016 – Chapter 22](#), 2016, para 53

<sup>32</sup> [The Housing and Planning Act 2016](#), Part 1, Chapter 1, Section 2(1)e

definition of a qualifying first-time buyer;<sup>33</sup> or specify additional characteristics, for example, relating to nationality<sup>34</sup>; and amend the price caps and set different price caps for different areas.<sup>35</sup>

### **Section 3 (Power to require payments or discounts on resale)**

enables restrictions to be applied to the resale of starter homes, to ensure that starter homes are purchased by people who wish to own their home rather than by people who wish to use the property for short-term speculation. The Section provides for two resale models:

- A 'payment model' whereby the person selling the starter home would be required to make a payment to a specified person on completion of the sale; and
- A 'sales model' whereby the person selling the starter home would be required to sell to another qualifying first-time buyer at a discount.

Both models must have a taper mechanism under which the amount of the payment due or the discount would be reduced over time. The detail of the resale restrictions, for example for how many years they will apply and how the payment or discount will be calculated, will be set out in regulations.

### **Section 4 (General duty to promote supply of starter homes)**

places a general duty on all planning authorities in England to promote the supply of starter homes when carrying out their planning functions.<sup>36</sup> These functions include, for example, preparing local plans, co-operating with neighbouring areas on strategic planning matters, and determining planning applications. LPAs will also have to have regard to any guidance issued by the Secretary of State about the carrying out of this duty.<sup>37</sup>

### **Section 5 (Planning permission: provision of starter homes)**

contains a specific duty that applies to decisions on planning applications. The Section provides that a LPA will only be able to grant planning permission for certain residential developments if specified requirements relating to starter homes are met.<sup>38</sup> These requirements will be set out in regulations and could include, for example, the provision of a particular number of starter homes on site or the payment of a commuted sum to the LPA for the provision of starter homes.<sup>39</sup>

The Secretary of State has the flexibility to apply different starter home requirements to different types of residential developments and different areas, and confer discretions on LPAs. Thus, the regulations could specify, for example, that certain types of residential development should be exempt from the starter homes requirement, or that certain

The Act enables restrictions to be applied to the resale of starter homes.

The Act requires local planning authorities to promote the supply of starter homes. It also includes a provision to ensure that specific starter home requirements are met before planning permissions are granted on certain residential developments.

<sup>33</sup> Ibid, Section 7(a)

<sup>34</sup> [The Housing and Planning Act 2016](#), Part 1, Chapter 1, Section 2(3)

<sup>35</sup> Ibid, Sections 8 and 9

<sup>36</sup> Ibid, Section 4(1)

<sup>37</sup> Ibid, Section 4(2)

<sup>38</sup> Ibid, Section 5(1)

<sup>39</sup> Ibid, Section 5(5)



areas should have a higher or lower starter homes requirement, or that LPAs should have discretion about certain requirements. The regulations must give LPAs discretion on the starter homes requirement on rural exception sites.<sup>40</sup>

**Section 6 (Monitoring)** requires an LPA to prepare reports about the actions they have taken under the starter homes duties<sup>41</sup> and to make the reports available to the public.<sup>42</sup> This is intended to provide transparency about how an LPA is delivering starter homes in its area.

The Secretary of State can make regulations about the form, content and timing of reports, including whether they should be combined with the existing statutory Authority Monitoring Report for local plans.<sup>43</sup>

**Section 7 (Compliance directions)** provides that if a local authority is failing to comply with its starter homes duties and has a policy contained in a local development document which is incompatible with these duties, then the Secretary of State may make a compliance direction directing that the incompatible policy should not be taken into account when certain planning decisions are taken.<sup>44</sup>

The compliance direction must set out the Secretary of State's reasons for making the compliance direction and must be published.<sup>45</sup>

**Regulations** (made under powers contained in the Act) regarding: the definition of a starter home and qualifying first-time buyer; the starter home price cap; restrictions on the resale of starter homes; the general duty to promote the supply of starter homes; and requirements relating to the provision of starter homes, will need to be made by a statutory instrument approved by both Houses of Parliament.<sup>46</sup>

The [Explanatory Notes to the Housing and Planning Act 2016](#) provide further detail on the starter homes legislation.<sup>47</sup>

The Government has not published a timetable for bringing the starter homes legislation into force. A letter from Lord Bourne of Aberystwyth to Peers, dated 9 January 2017, regarding implementation of the provisions in the *Housing and Planning Act 2016*, indicated that regulations made under the Act were expected to come into force in summer 2017.<sup>48</sup>

Local planning authorities will be required to prepare and publish reports about the actions they have taken under the starter homes duties.

Much of the detail of the statutory starter homes scheme will be set out in regulations which will need to be approved by both Houses of Parliament.

<sup>40</sup> The Stationery Office, [Explanatory Notes – Housing and Planning Act 2016 - Chapter 22](#), 2016, p21

<sup>41</sup> [The Housing and Planning Act 2016](#), Part 1, Chapter 1, Section 6(1)

<sup>42</sup> Ibid, Section 6(4)

<sup>43</sup> Ibid, Section 6(2)

<sup>44</sup> Ibid, Sections 7(1) and 7(2)

<sup>45</sup> Ibid, Sections 7(4) and 7(5)

<sup>46</sup> [The Housing and Planning Act 2016](#), Part 9, Section 214

<sup>47</sup> The Stationery Office, [Explanatory Notes - Housing and Planning Act 2016 – Chapter 22](#), 2016

<sup>48</sup> [Deposited Paper \(DEP2017-0016\)](#): Letter dated 09/01/2017 from Lord Bourne of Aberystwyth to Peers regarding update on implementation of the provisions in the Housing and Planning Act 2016.



## 4.1 Consultation on the Starter Homes Regulations

On 23 March 2016 the Government published [Starter Homes Regulations - Technical Consultation](#)<sup>49</sup>. The consultation sought views on the detail of the regulations to be made under powers contained in the *Housing and Planning Act 2016*, in particular:

- restrictions on the sale and lettings of starter homes for a set period of time;
- exemptions to the age eligibility criteria for starter homes;
- a minimum statutory requirement that at least 20% of all homes delivered on a residential development site (larger than 10 units) should be starter homes;
- exemptions to the starter homes requirement; and
- the reporting arrangements for starter homes delivery.

The consultation on the Starter Homes Regulations closed on 30 June 2016. The Government published its [response to the consultation](#) in February 2017<sup>50</sup>, alongside the Housing White Paper. The response is discussed in detail in section 6 of the paper.

The Government has consulted on the details of the scheme to be included in the Starter Homes Regulations.

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<sup>49</sup> Department for Communities and Local Government, [Starter Homes Regulations – Technical Consultation](#), 23 March 2016

<sup>50</sup> Department for Communities and Local Government, [Government response to the technical consultation on starter homes regulations](#), 7 February 2017

## 5. Starter Homes Commentary

Whilst the Government's commitment to increase housing supply has been widely welcomed, commentators have expressed a range of concerns about the proposed statutory starter homes scheme. The main areas of concern raised in Parliament and by stakeholders are outlined below.

A wide range of organisations have raised concerns about the statutory starter homes scheme.

### 5.1 The Opposition

The Opposition has been highly critical of many provisions in the *Housing and Planning Act 2016*. The Shadow Housing Minister, John Healey, is reported to have said the legislation is "extreme and entirely unbalanced", and that starter homes will lead to a "huge public subsidy" and "choke off other types of housing" and "still be out of reach for most people on ordinary incomes".<sup>51</sup> The Opposition raised many concerns about starter homes during the passage of the *Housing and Planning Bill* through Parliament, in particular regarding: their affordability; the centralist one-size-fits all approach; the potential for abuse of the scheme; and the impact on affordable homes to rent and buy.<sup>52</sup> The following sections of the paper discuss these issues in more depth.

### 5.2 Policy focus on home ownership

Many commentators criticised the Government's focus on home ownership, contending that it is essential to deliver a mix of housing tenures (including shared ownership, private and social rent) to provide for people on lower incomes that cannot afford to buy, even at a discounted price.<sup>53</sup> This concern was also raised by the Treasury Select Committee's report on the [Spending Review and Autumn Statement 2015](#) (February 2016):

The Committee is concerned about the focus of the Government's housing policy. Addressing the "home ownership crisis" must not come at the expense of a shortage of homes to rent. The Chancellor should make clear what he intends to do to help those who want or need to rent, and to ensure a healthy supply of properties in the private rented sector.<sup>54</sup>

During debates on the *Housing and Planning Bill* Ministers rejected the charge of a disproportionate focus on home ownership; for example:

Some noble Lords suggested that the provisions in Chapter 1 mean that we no longer believe in anything other than home ownership, which is not the case. As I have said before, there is a

Many commentators expressed concern that a focus on home ownership overshadowed the need for other housing tenures, such as shared ownership and social rent.

<sup>51</sup> '[Housing Bill: Labour's John Healey Condemns 'Extreme' Reforms](#)', *Huffington Post*, 3 May 2016

<sup>52</sup> See for example: [HC Deb 2 November 2015 c738](#)

<sup>53</sup> See for example: '[Starter homes will be out of reach for majority of families in need of affordable homes in England](#)', *Local Government Association*, 17 February 2016; '[Chartered Institute of Housing \(CIH\) Responds to Housing and Planning Bill](#)', *CIH*, 13 October 2015 [subscription required]

<sup>54</sup> House of Commons Treasury Committee, [Spending Review and Autumn Statement 2015 - Sixth Report of Session 2015-16](#), HC 638, 12 February 2016, para 124

gap in the market. An additional product is required to fill that gap and that is why we are legislating for starter homes. We are helping people to access homes that they can afford in a number of different ways and this Bill should not be seen in isolation. The Government have committed £4.1 billion in spending reviews to deliver 135,000 shared ownership homes and £1.6 billion to deliver 100,000 affordable homes for rent.<sup>55</sup>

### 5.3 Interaction with National Planning Policy Framework

Many commentators criticised the decision to implement starter homes through legislation, and considered that local authorities should have the flexibility to determine the appropriate mix of affordable housing according to objectively assessed local needs.<sup>56</sup> A one-size-fits-all approach was regarded as being at odds with the National Planning Policy Framework, which is intended to strengthen local decision-making. The Chartered Institute of Housing said:

... it undermines the government's often-stated commitment to localism and to planning decisions being taken at a local level, with the involvement of local communities. Councils in different parts of the country are operating in extremely different housing markets and both the level of demand for starter homes and the impact of providing them on the viability of developments will vary considerably. A single, straight-forward quota applied across the whole of England fails to recognise this and will reduce both the councils' and communities' ability to have a say in the types of housing that are provided in the area.<sup>57</sup>

The National Housing Federation similarly emphasised the importance of a flexible approach to reflect different local circumstances:

Local authorities should be given the flexibility to define the requirement for starter homes locally, having regard to their Strategic Housing Market Assessments, population growth data, market conditions, and taking into consideration the need for other affordable tenures including shared ownership and rented homes (both market and sub-market).<sup>58</sup>

Several attempts were made to amend the *Housing and Planning Bill* to give LPAs flexibility over the starter homes requirement. The House of Lords agreed to an amendment to give LPAs the opportunity, where they could demonstrate a need, to meet all of the starter homes requirement through alternative forms of affordable home ownership. The amendment did not survive into the Act.

Commentators emphasised the importance of giving local planning authorities the flexibility to determine the appropriate mix of housing tenures for their local areas.

There was widespread concern that a national starter home requirement would override local housing needs.

<sup>55</sup> [HL Deb 3 March 2016 c954](#)

<sup>56</sup> See for example: National Housing Federation, [Member briefing on the Housing and Planning Bill](#), October 2015; Royal Town Planning Institute, [Response to starter homes regulations: technical consultation](#), 18 May 2016; Local Government Association, [LGA submission to DCLG technical submission on Starter Homes regulations](#), May 2016

<sup>57</sup> Chartered Institute of Housing, [Starter homes: CIH's view](#), 20 May 2015

<sup>58</sup> National Housing Federation, [Starter homes regulations: technical consultation – Response from the National Housing Federation](#), 18 May 2016, question 5

## 5.4 Impact on the development of affordable housing

There was widespread concern that the starter homes requirement, and the broadening of the affordable housing definition in national planning policy to include starter homes, would lead to starter homes being prioritised over traditional affordable housing (e.g. for rent or shared ownership).

Commentators considered that developers would have a greater financial incentive to build starter homes, and this could result in less traditional affordable housing being delivered as part of their section 106 planning obligations. The National Housing Federation, for example, said that:

The requirement to deliver a particular number or proportion of Starter Homes to be granted planning permission and the ability of developers to use Starter Homes to meet their section 106 affordable housing obligations, risks having a significant impact on the delivery of traditional affordable housing. Starter Homes should give developers a higher return (80% of market value) than traditional forms of affordable housing (closer to 60% to 70%). This difference may be higher following the introduction of the rent reduction.

There is a risk developers will increasingly deliver Starter Homes, at the expense of homes for affordable rent or shared ownership...<sup>59</sup>

The Communities and Local Government (CLG) Committee also expressed concern about the delivery of affordable housing in its report on [Housing associations and the Right to Buy](#) (February 2016):

Home builders will understandably seek to build the products with the highest return, and we are concerned that the Government's policy should not lead to fewer truly affordable homes to rent being built. There is a finite amount of money available from developers to deliver affordable housing, and the duty placed on councils is likely to mean that building Starter Homes could be prioritised over other types of affordable housing. Local authorities will be under pressure to satisfy their legal obligations, and this could make negotiations with developers extremely difficult and could undermine Local Plans. Starter Homes should not be built at the expense of other forms of tenure; where the need exists, it is vital that homes for affordable rent are built to reflect local needs. The definition of affordable housing should better reflect individual and local circumstances.<sup>60</sup>

[...]

... Starter Homes will suit some people, but not all. We are particularly concerned that the requirement to include them in the homes that can be provided for through s106 agreements could change the balance of affordable housing and could put it out of reach for people on low or unstable incomes. Starter Homes

Commentators expressed concern that the starter homes requirement, and the broadening of the affordable housing definition in national planning policy to include starter homes, would impact on the delivery of traditional affordable housing (e.g. for rent or shared ownership).

<sup>59</sup> [NHF Member briefing on the Housing and Planning Bill](#), October 2015 [accessed on 17 October 2015]

<sup>60</sup> House of Commons Communities and Local Government Committee, [Housing associations and the Right to Buy - Second Report of Session 2015-16](#), HC 370, 10 February 2016, p.47, Recommendation 28

should be built in addition to homes for affordable rent where the need exists locally.<sup>61</sup>

The CLG Committee urged the Department for Communities and Local Government (now the Ministry of Housing, Communities and Local Government) to monitor the impact of starter homes on the availability of other types of affordable housing.<sup>62</sup>

The extent to which other affordable housing can be delivered alongside starter homes is likely to vary across the country. Analysis by Savills suggested that where there has been relatively high delivery of affordable housing (e.g. more than 30%) then there would be capacity to continue to deliver some affordable housing (at least 15-20%) in addition to the proposed 20% starter homes requirement. However, in areas with a relatively low delivery of affordable housing, there would be limited, or even no capacity, to continue to deliver affordable housing in addition to the 20% starter homes requirement.<sup>63</sup> The Home Builders Federation reportedly warned that developments could become unviable if councils required too high a proportion of affordable housing.<sup>64</sup>

The Government's impact assessment on proposed changes to national planning policy acknowledged that the proposed starter homes requirement could reduce the number of affordable housing products being built.<sup>65</sup> On the basis of the impact assessment data, the Local Government Association suggested that for every 100 starter homes built through section 106 agreements, between 56 and 71 affordable or social rented homes (and a small proportion of low-cost home ownership) homes would not be built.<sup>66</sup>

The Local Government Association estimated that for every 100 starter homes built through section 106 agreements, between 56 and 71 affordable or social rented homes (and a small proportion of low cost home ownership) homes would not be built.

### 5.5 Impact on local infrastructure

Associated infrastructure connected with new developments, such as the provision of schools, health services, transport, recreation facilities etc. is often provided by local authorities with receipts from developers coming from section 106 planning obligations and/or the Community Infrastructure Levy.

Government planning policy in the planning practice guidance encourages Local Planning Authorities (LPAs) not to seek section 106 affordable housing and tariff-style contributions that would otherwise apply to starter home exception sites.<sup>67</sup> The Government also intends to

<sup>61</sup> House of Commons Communities and Local Government Committee, [Housing associations and the Right to Buy - Second Report of Session 2015-16](#), HC 370, 10 February 2016, p47, Recommendation 30

<sup>62</sup> House of Commons Communities and Local Government Committee, [Department for Communities and Local Government's consultation on national planning policy - Third Report of Session 2015-16](#), HC 703, 22 March 2016, Recommendation 24

<sup>63</sup> Savills World Research, [Policy Response Starter Homes](#), April 2016

<sup>64</sup> 'Starter homes eat up affordable supply', [Inside Housing](#), 19 May 2016

<sup>65</sup> Department for Communities and Local Government, [Consultation on proposed changes to national planning policy- Equalities Statement](#), December 2015, p5

<sup>66</sup> Local Government Association, [House of Lords short debate, Starter Homes and the extension of Right to Buy - 22 February 2016](#), 19 February 2016

<sup>67</sup> Planning Practice Guidance, [Starter Homes](#), Paragraph: 001 Reference ID: 55-001-20150318, Revision date: 18 03 2015

amend the Community Infrastructure Levy (CIL) regulations to exempt discounted starter home developments from the levy.<sup>68</sup>

Some commentators have expressed concern about the knock-on impact of these exemptions on the provision of associated infrastructure around starter home sites. The British Property Federation (BPF), for example, expressed concern that exempting developers of starter homes from providing necessary infrastructure could result in a shortfall in amenities, putting sites in the surrounding area under pressure and holding back development. The BPF Chief Executive said:

Infrastructure is vital for places to succeed – not only transport infrastructure, but space for people to work and relax, and the right social infrastructure for a healthy society. Many brownfield sites are lacking in amenities, so we would urge government to act carefully to make sure that starter homes do not hamper the wider growth of their surrounding areas.<sup>69</sup>

In response to this criticism, the Government confirmed that LPAs will continue to be able to seek site-specific infrastructure improvements through section 106 agreements, if they are necessary to make the development acceptable in planning terms.<sup>70</sup>

## 5.6 Affordability for first-time buyers

The extent to which starter homes will be affordable for first-time buyers has been the subject of much debate. The Local Government Association (LGA) has expressed concern that the starter homes scheme will not be genuinely affordable:

...it will help the fewest numbers of people in areas where the housing affordability crisis is most acute and will be out of reach for many people in need of an affordable home in the majority of local areas.<sup>71</sup>

Analysis carried out by Savills, on behalf of the LGA<sup>72</sup>, found that a couple on average salaries would struggle to buy a home at a 20% discount in almost half of all council areas in England:

According to Savills, buyers on median incomes would face a cash shortfall in 48% of areas – and virtually all of London and the South East – when buying a Starter Home.

[...]

Savills' research shows a couple seeking a mortgage up to a maximum of 3.5 times their income would come up short in every London borough, and in two-thirds of the capital, they would face a shortfall of more than 30%.

Commentators expressed concern that exempting starter homes from section 106 contributions and the Community Infrastructure Levy could impact on the provision of infrastructure around starter homes sites.

Commentators have questioned the genuine affordability of starter homes, particularly for people with low or average incomes.

<sup>68</sup> HM Treasury, *Fixing the foundations: Creating a more prosperous nation*, CM 9098, July 2015, para 9.23

<sup>69</sup> ['BPF warns Starter Homes initiative could create infrastructure shortfall'](#), *British Property Federation*, 6 February 2015

<sup>70</sup> [HL Deb 11 April 2016 c54](#)

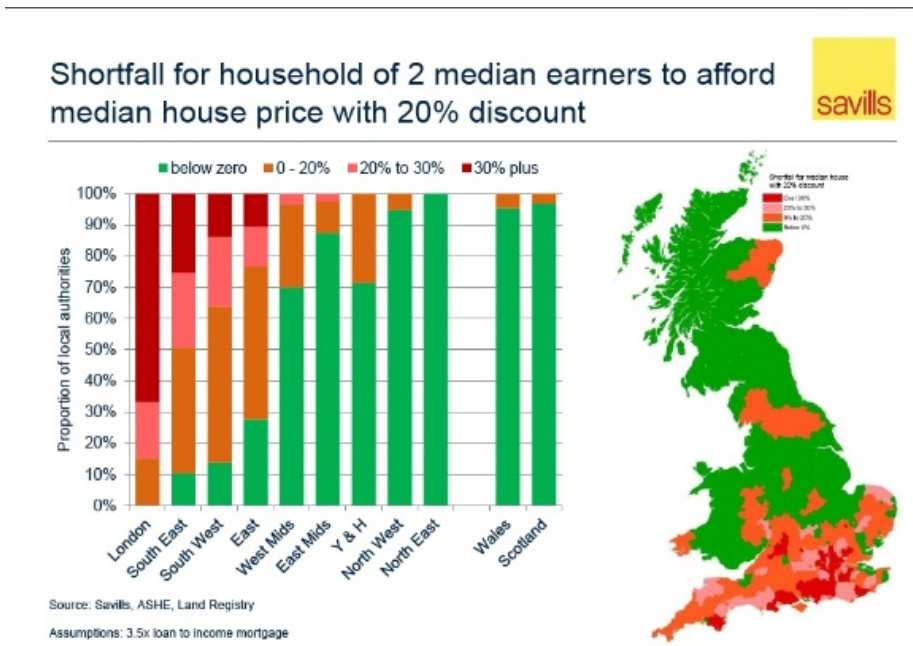
<sup>71</sup> ['Starter homes will be out of reach for majority of families in need of affordable homes in England'](#), *Local Government Association*, 17 February 2016

<sup>72</sup> *Ibid*



## 22 Starter Homes for First-Time Buyers (England)

In the South East, buyers would come up short in 90% of areas, with shortfalls of more than 20% in half of all areas.<sup>73</sup>



Research commissioned by the Local Government Association predicts that a couple on average salaries would struggle to buy a starter home in 48% of council areas in England.

Savills is forecasting that the product will be affordable to a couple with average salaries in almost all areas north of the Midlands. However, Savills point out that the caps could mean effective discounts of much more than 20% in London and the South East, which might make the product more affordable than their modelling suggests.<sup>74</sup>

Similarly, [an analysis published by Shelter](#) compared the median house price in each local authority at a 20% discount against the amount different types of households on varying wages in the area could afford to borrow. The analysis suggests that starter homes will only be affordable for a small proportion of the people who aspire to home ownership:

- Starter Homes for families earning average wages will be unaffordable in over half (58%) of local authorities across the country in 2020.
- Families on the National Living Wage will only be able to afford a Starter Home in two percent of local authorities.
- Single people on low or average wages will struggle to afford a Starter Home in 2020 in the majority of local authorities. Even those on a higher than average salary would be restricted from affording to buy in three quarters of local authorities.
- London, the South East and the East have the lowest number of areas where affordable Starter Homes under the schemes threshold could be built, despite high demand in these areas.<sup>75</sup>

An analysis by Shelter suggests that starter homes will only be affordable for a small proportion of people who aspire to home ownership.

Shelter's analysis [Starter Homes– will they be affordable?](#) (August 2015) concluded:

<sup>73</sup> "[Couples will struggle to buy Starter Homes](#)", *Inside Housing*, 8 October 2015

<sup>74</sup> "[Couples will struggle to buy Starter Homes](#)", *Inside Housing*, 8 October 2015

<sup>75</sup> Shelter, [Starter Homes: will they be affordable?](#), August 2015, Summary



... the Starter Homes programme will not help the majority of people on the new National Living Wage or average wages into home-ownership in England by 2020. It won't even help many people on higher than average wages in many areas of England. The only group it appears to help on a significant scale will be those already earning high salaries who should be able to afford on the open market without Government assistance.<sup>76</sup>

During their [one-off evidence session on the Housing and Planning Bill](#) the Communities and Local Government Select Committee expressed concern that the price of starter homes will be high relative to what many people can afford, and that the scheme will just attract people who would have bought a home anyway without Government assistance. In response the Minister of State for Housing and Planning, then Brandon Lewis, stressed that the price caps are maximums, and the Government expects starter homes to be delivered right across the price band.<sup>77</sup>

The Government has emphasised that it expects starter homes to be offered at prices lower than the cap of £250,000 (£450,000 in London).

The affordability of starter homes attracted a good deal of attention as the Bill progressed through Parliament. The Minister for Housing, then Brandon Lewis, dismissed Shelter's research, saying:

Much was said on Second Reading about the affordability of starter homes. Research on affordability by Shelter was based on median house prices in each region, but I challenge whether first-time buyers actually access the market at the average house price.<sup>78</sup>

He emphasised that the Government expected starter homes to be entry level properties priced in line with local first-time buyer markets:

The average market price for homes bought by first-time buyers in 2014 was £173,000 in England, excluding London. That compares with an average house price for England last year of £243,000. In London, first-time buyers paid £364,000 on average compared with an average house price for London of £470,000.

We expect starter homes to be an entry-level property, valued at below the average first-time buyer price for the local area. We have examined affordability of homes for those who are currently in the private rented sector. If they were to buy in the lower quartile of the first-time buyer market, outside of London, up to 64% of households currently renting privately would be able to secure a mortgage on a typical starter home, compared with just 50% who could buy a similar property now at full market value.

Within London, up to 55% of households currently renting privately would be able to secure a mortgage on a starter home in the lower quartile of the first-time buyer market, compared with 43% who could buy a similar property now priced at full market value.<sup>79</sup>

The Government expects starter homes to be entry level properties priced in line with local first-time buyer markets.

The Government's rationale for setting a price cap framework is to ensure that "there is a clear and consistent product that first-time buyers, lenders and developers all understand".<sup>80</sup> Under the *Housing*

<sup>76</sup> Shelter, [Starter Homes- will they be affordable?](#), August 2015

<sup>77</sup> Communities and Local Government Committee, [Oral evidence: Housing Bill](#), HC 529, 9 November 2015, Q6

<sup>78</sup> [PBC 19 November 2015 c165](#)

<sup>79</sup> [PBC 19 November 2015 c165-6](#)

<sup>80</sup> [HL Deb 3 March 2016 c968](#)

and *Planning Act 2016* the Secretary of State has the power to amend the price cap through affirmative regulations, in order to be able to respond to property market conditions.

## 5.7 Eligibility for starter homes

Some commentators have highlighted concerns over the starter homes age limit, suggesting that this will disadvantage prospective first-time buyers who are 40 years and older, many of whom face similar challenges to younger first-time buyers, particularly in areas with the greatest affordability issues, such as London and the South East.<sup>81</sup> The National Housing Federation has suggested that “the removal of the age threshold would also promote diverse neighbourhoods, and ensure that communities are not made up of just one age cohort”.<sup>82</sup> Some commentators have suggested that the starter homes eligibility criteria should be tied to income rather than age,<sup>83</sup> or that the criteria should include a local connection test.<sup>84</sup>

The Government contends that the starter homes policy should be aimed at younger first-time buyers as this group has been disproportionately affected by the rise in the house price to earnings ratio over the last 20 years.<sup>85</sup>

## 5.8 Restrictions on the resale of starter homes

There is widespread support for placing restrictions on the resale of starter homes to discourage speculative investment. Some commentators expressed concern that individuals would profit from a cash windfall when selling the starter homes at full market value, whilst the affordable home would then become unavailable to others in need.<sup>86</sup> The Government’s acceptance of a tapered approach has, to some degree, mitigated this concern. The Local Government Association has proposed that the discount should apply in perpetuity (enabling it to be passed on to other households) or for a longer period of time such as 20 years, or alternatively, that local planning authorities should be allowed to negotiate a discounted time period on a site by site basis.<sup>87</sup>

Some commentators expressed concern that the starter homes age limit will disadvantage first-time buyers who are 40 years old and over.

There is widespread support for placing restrictions on the resale of starter homes, although some commentators consider restrictions should be in place for a longer period than the maximum eight years proposed by the Government.

<sup>81</sup> Department for Communities and Local Government, [Government response to starter home consultation](#), March 2015, para 3.6

<sup>82</sup> National Housing Federation, [Starter homes regulations technical consultation: Response from the National Housing Federation](#), 18 May 2016, para 2

<sup>83</sup> For example, Royal Town Planning Institute, [Response to starter homes regulations: technical consultation](#), 18 May 2016

<sup>84</sup> For example, Local Government Association, [LGA submission to DCLG technical submission on Starter Homes regulations](#), May 2016

<sup>85</sup> The Stationery Office, [Explanatory Notes – Housing and Planning Act 2016 - Chapter 22](#), 2016, p13, para 7

<sup>86</sup> For example: Royal Town Planning Institute, [Response to starter homes regulations: technical consultation](#), 18 May 2016

<sup>87</sup> Local Government Association, [LGA submission to DCLG technical submission on Starter Homes regulations](#), May 2016

The Government does not want the resale of a starter home to be restricted in perpetuity, as this would make it more difficult for the first-time buyer to move on to a new home, for example as their family grew and their circumstances changed.<sup>88</sup>

There is also a concern that if the restriction period is too short, resales of starter homes could distort the market, which would affect lender and developer confidence. The Council for Mortgage Lenders proposed that resale restrictions should apply for at least eight years:

This would help avoid the potential for disruption to the market caused by buyers gaining a rapid uplift in equity in their homes, and wanting to sell their property to benefit from it. The longer the period at which a home is sold at less than full market value, the less likely a buyer is to benefit from rapid equity growth and the greater the likelihood therefore that individual lenders may decide to support the scheme.<sup>89</sup>

It has also been suggested that starter homes resales could be allowed at full market value, on condition that the seller makes a full or partial payment of the initial discount, which could then be used for the provision of more affordable housing.<sup>90</sup>

## 5.9 Quality of starter homes

The initial starter homes exception sites policy said that starter homes developments are “expected to be well designed and of a high quality, contributing to the creation of sustainable places where people want to live, work and put down roots to become part of the local community”.<sup>91</sup> The Royal Institute of British Architects (RIBA) reported in February 2016 that the Design Advisory Panel, which was originally set up by the Coalition Government, had been reconvened to advise on, amongst other things, design standards for starter homes.<sup>92</sup>

However, it has been suggested that the quality of starter homes may be put at risk in the drive to build more homes at discounted prices. The Chartered Institute of Housing has urged the Government to clarify how it intends to ensure high build standards:

We would therefore welcome more clarity on how government will ensure that starter homes are built to highest standards, in terms of size, energy efficiency and adaptability, and that discounts are not achieved by reducing standards in any of these areas.<sup>93</sup>

The Government considers that restricting the resale of starter homes in perpetuity would make it difficult for first-time buyers to move on to a new home when their circumstances change.

Commentators want starter homes to be built to high quality design standards.

<sup>88</sup> [HL Deb 11 April 2016 c26](#)

<sup>89</sup> [‘CML responds to starter homes initiative’](#), Council of Mortgage Lenders, 18 May 2016

<sup>90</sup> National Housing Federation, [Starter homes regulations: technical consultation – Response from the National Housing Federation](#), 18 May 2016

<sup>91</sup> Department for Communities and Local Government, [Starter Homes exception sites – Guidance](#), 2 March 2015, p3

<sup>92</sup> [‘Design Advisory Panel returns with expanded brief’](#), RIBA, 4 February 2016

<sup>93</sup> Chartered Institute of Housing, [CIH Response to: Starter homes regulations, technical consultation](#), May 2016

## 5.10 Impact on local housing markets

Commentators have emphasised the importance of objective starter home valuations, to ensure that local house prices do not become inflated. The National Housing Federation stated that:

It will be important to ensure that the market is not distorted – particularly where the demand for starter homes exceeds supply – and avoid the value for Starter Homes becoming the proxy for open market value in a particular market.<sup>94</sup>

The Council of Mortgage Lenders has expressed concern that strong demand for discounted starter homes on a development could result in a lack of demand for properties on the same development being sold at the full market price.<sup>95</sup> The Home Builders Federation has similarly suggested that there is potential for local market distortion if large numbers of starter homes come onto the market in a short time.<sup>96</sup>

There is some concern that starter homes could distort local housing markets.

## 5.11 Interaction with other Government home ownership initiatives

The interaction between starter homes and other Government home ownership initiatives is another area of concern. The National Housing Federation considers that:

It will also be important for the Government to give consideration to the interaction between the range of affordable home ownership products – shared ownership, Help to Buy: equity loan and Starter Homes. Whilst shared ownership is the most long-standing of these options and provides the most affordable and sustainable route into affordable home ownership, in many areas there will be considerable overlap between target markets and the customers they help. This has the potential to not only create sales risk, as housing providers compete for the same purchasers, but is also likely to impact on mortgage availability for each.<sup>97</sup>

The Council of Mortgage Lenders (CML) has suggested that the interaction with other measures, such as the Help to Buy equity loan scheme, might make it more complicated for first-time buyers to understand the transaction, and what their equitable interest and obligations are in the property. The CML also expressed concern that the potential to combine incentives could deliver a larger increase in the value of the property over a relatively short period, which could boost demand and contribute to instability in property prices.<sup>98</sup>

The interaction between starter homes and other Government home ownership initiatives is another area of concern.

<sup>94</sup> National Housing Federation, [Starter homes regulations: technical consultation – Response from the National Housing Federation](#), 18 May 2016, Question 18

<sup>95</sup> 'CML responds to starter homes initiative', *Council of Mortgage Lenders*, 18 May 2016

<sup>96</sup> Public Bill Committee, [Housing and Planning Bill – Session 2015-16](#), 24 November 2015, c203

<sup>97</sup> National Housing Federation, [Starter homes regulations: technical consultation – Response from the National Housing Federation](#), 18 May 2016

<sup>98</sup> 'CML responds to starter homes initiative', *Council of Mortgage Lenders*, 18 May 2016

## 6. Housing White Paper and Starter Homes Regulations

### 6.1 Housing White Paper 2017

The 2015 Conservative Government published its Housing White Paper, [Fixing our broken housing market](#) on 7 February 2017.<sup>99</sup> The White Paper set out the Government's plans to reform the housing market and boost the supply of new homes in England.

The White Paper marked a shift in the Government's housing policy from a strong focus on starter homes, to delivering a wider range of affordable housing. The Government made it clear that it expects starter homes to be delivered alongside shared ownership, rent-to-buy, and other innovative affordable housing products. Reflecting this policy shift, the Government expects to help over 200,000 people become homeowners by 2020:

The result of these changes means we will change our focus from starter homes to a wider range of affordable housing. **Through this wider range of Government programmes, we expect to help over 200,000 people become homeowners by the end of the Parliament.** Starter homes will be an important part of this offer alongside our action to build other affordable home ownership tenures like shared ownership and to support prospective homeowners through Help to Buy and Right to Buy.<sup>100</sup>

The White Paper also announced that the Government:

- would **commence the general duty on local authorities to promote the supply of starter homes.**<sup>101</sup> This is intended to support the development of starter homes as a mainstream home ownership product.
- had decided not to implement a statutory starter homes requirement at that point in time. Instead it proposed to amend the National Planning Policy Framework (NPPF) to **introduce a policy expectation that housing sites of 10 units or more deliver a minimum of 10% affordable home ownership products.**
- proposed to **introduce a household income eligibility cap of £80,000 (£90,000 for London) on starter homes.** The cap is intended to ensure that starter homes are available to households that genuinely need support to purchase a new home, and is in line with that used for shared ownership products. The eligibility cap will be set out in the NPPF.
- would **introduce restrictions on the resale and letting of starter homes,** to deter people buying them for rental investment or short-term speculation.

The 2017 Housing White Paper marked a shift in the Government's housing policy from a strong focus on starter homes, to delivering a wider range of affordable housing.

The 2017 Housing White Paper includes a commitment to help over 200,000 people, through a range of Government programmes, to become homeowners by 2020.

<sup>99</sup> Department for Communities and Local Government, [Fixing our broken housing market](#), February 2017

<sup>100</sup> Department for Communities and Local Government, [Fixing our broken housing market](#), February 2017, para 4.21

<sup>101</sup> [The Housing and Planning Act 2016](#), Part 1, Chapter 1, Section 4

- would **bring forward regulations to finalise the starter homes definition and monitoring provisions.**

These measures are discussed in more detail in the following sections of the paper.

Following a consultation on the proposals in the White Paper, on 5 March 2018 the Government published [a summary of the consultation responses and its view on the way forward](#).<sup>102</sup>

## Reactions to the White Paper

Commentators welcomed the Housing White Paper's new focus on a wider range of housing tenures to help more people afford homes.<sup>103</sup>

In its response to the White Paper, the Local Government Association welcomed the Government's decision not to introduce a minimum requirement for the proportion of starter homes on residential developments:

This White Paper includes some encouraging signs that government is listening to councils on how to boost housing supply and increase affordability. We are pleased it has taken on board a number of recommendations made in our recent Housing Commission final report.

[...]

All types of homes - including those for affordable and social rent – have to be built to solve our housing crisis and flexibility around starter homes is much-needed recognition of this. It is important that councils have powers to ensure a mix of homes are built, alongside the infrastructure to support strong communities.<sup>104</sup>

Commentators have welcomed the Government's new focus on a wider range of housing tenures to help more people afford homes.

## 6.2 Starter Homes Regulations

Alongside the Housing White Paper, the Government published its [response to the technical consultation on Starter Homes Regulations](#) on 7 February 2017.<sup>105</sup> The consultation ran from 23 March to 30 June 2016, and sought views on the detail of the regulations to be made under powers contained in the *Housing and Planning Act 2016*. The Government's response is outlined below.

### Restrictions on resale and lettings

The consultation on the Starter Homes Regulations sought views on the restrictions that should apply to the resale and letting of starter homes. The Government wants to ensure that starter homes are purchased by people who wish to own their home rather than by people who wish to

The Government published its response to the consultation on the Starter Home Regulations on 7 February 2017.

<sup>102</sup> Ministry of Housing, Communities and Local Government, [Government response to the housing white paper consultation: Fixing our broken housing market](#), 5 March 2018

<sup>103</sup> See for example: Royal Town Planning Institute, [Housing White Paper: RTPI response](#), Media Release, 7 February 2017; Royal Town Planning Institute, [Housing White Paper: RTPI response](#), Media Release, 7 February 2017; and London Councils, [London Councils statement on Housing white paper](#), 7 February 2017

<sup>104</sup> Local Government Association, [Councils respond to Housing White Paper](#), Media Release, 7 February 2017

<sup>105</sup> Department for Communities and Local Government, [Government response to the technical consultation on starter homes regulations](#), 7 February 2017



use the property for rental investment or short-term speculation, but it also recognises that families need to be able to move when their circumstances change.

The consultation showed strong support for sales and lettings restrictions, with wide support for a longer period of restriction than the eight years proposed in the consultation document.

Taking the consultation views into account, the Government decided:

- **A 15 year restricted period will apply to starter homes**, so that if the home owner sells the property during this period, some or all of the discount is repaid. There will also be restrictions on renting out the property during this period. The detailed operation of the restricted period will be set out in regulations.<sup>106</sup>
- **Eligible first-time buyers will be required to have a minimum 25% mortgage**. This measure is intended to ensure that starter homes “support first-time buyers who are genuinely working hard to achieve their first home purchase rather than cash buyers”. It will also ensure that buyers go through appropriate lending, affordability and residency checks. This requirement will be set out in regulations.<sup>107</sup>

The Government will introduce restrictions on the resale and letting of starter homes, to deter people buying them for rental investment or short-term speculation.

## Age 40 eligibility

To qualify as a first-time buyer for a starter home, the individual must be under the age of 40. However, the consultation sought views on specific exemptions to the age cap. In light of the strong support shown in the consultation responses, the Government decided that the regulations will allow for exemptions from the age restriction in the following cases:

- In the case of joint purchasers who are both qualifying first-time buyers but one is over the age of 40 and one is under 40; and
- In the case of injured military services personnel and those whose partner has died in service.<sup>108</sup>

## The starter homes requirement

The Government intends to commence the general duty on local authorities under Section 4 of the *Housing and Planning Act 2016* to promote the supply of starter homes.<sup>109</sup>

The Government intends to commence the general duty on local authorities to promote the supply of starter homes.

<sup>106</sup> Department for Communities and Local Government, [Government response to the technical consultation on starter homes regulations](#), 7 February 2017, para 15

<sup>107</sup> Department for Communities and Local Government, [Government response to the technical consultation on starter homes regulations](#), 7 February 2017, para 16

<sup>108</sup> Department for Communities and Local Government, [Government response to the technical consultation on starter homes regulations](#), 7 February 2017, paras 21-22

<sup>109</sup> [The Housing and Planning Act 2016](#), Part 1, Chapter 1, Section 4



### Percentage requirement for starter homes and minimum threshold

Section 5(1) of the *Housing and Planning Act 2016* gives the Secretary of State the power to specify requirements for the provision of starter homes on residential developments.<sup>110</sup>

The consultation on Starter Homes Regulations sought views on the Government's proposal that at least 20% of all homes delivered on a residential development should be starter homes. The Government considered that this requirement would be viable on an average development, and would deliver a high number of starter homes, whilst enabling other forms of affordable housing to continue to be delivered alongside starter homes.<sup>111</sup>

Consultation responses showed a strong preference for the starter homes requirement to be set at a local level, taking into account local needs and circumstances. In particular, there was a concern that a universal requirement might affect the viability of other forms of affordable housing. 82% of respondents favoured a locally set requirement or a lower percentage requirement.<sup>112</sup>

In light of the consultation responses, the Government decided that it would not implement a compulsory starter homes requirement at that point in time.<sup>113</sup> Instead, it wants local authorities to deliver starter homes as part of a "mixed package of affordable housing of all tenures that can respond to local needs and local markets".<sup>114</sup>

The Government proposes to make it clear in national planning policy that local authorities should ensure that a minimum of 10% of all homes on suitable housing sites are affordable home ownership products. It will therefore be for local areas to work with developers to agree an appropriate level of delivery of starter homes, alongside other affordable housing products such as shared ownership, and rent-to-buy.

The proposal for a 10% affordable homes requirement is discussed further in section 7.2 of the paper.

### Exemptions and off-site commuted sums

The consultation on the Starter Homes Regulations also sought views on i) potential exemptions to the starter home requirement and ii) the provision of commuted sums to local authorities for the off-site provision of starter homes in certain circumstances. However, given that

The Government decided not to implement a statutory requirement for a minimum number of starter homes to be delivered on all suitable residential developments.

<sup>110</sup> [The Housing and Planning Act 2016](#), Part 1, Chapter 1, Section 5(1)

<sup>111</sup> Department for Communities and Local Government, [Starter Homes Regulations – Technical Consultation](#), 23 March 2016, p12

<sup>112</sup> Department for Communities and Local Government, [Government response to the technical consultation on starter homes regulations](#), 7 February 2017, para 29

<sup>113</sup> Department for Communities and Local Government, [Government response to the technical consultation on starter homes regulations](#), 7 February 2017, para 4

<sup>114</sup> Department for Communities and Local Government, [Fixing our broken housing market](#), February 2017, Annex A, para A.124

the Government decided not to introduce a compulsory starter homes requirement, these measures are no longer needed.<sup>115</sup>

## Monitoring and reporting

*The Housing and Planning Act 2016* requires a Local Planning Authority (LPA) to prepare reports about the actions they have taken under the starter homes duties<sup>116</sup> and make the reports available to the public.<sup>117</sup>

The consultation on the Starter Homes Regulations sought views on the content, form and timing of the report, including whether it should be combined with the existing statutory Authority Monitoring Report (AMR).

Having taken into account the strong support from consultation respondents, the Government decided that LPAs will have the option to annex the starter homes monitoring requirements to the AMR. Reports must be published on at least an annual basis. However, to give more local flexibility, the Government will not specify the date for the first report to be produced.<sup>118</sup>

To ensure transparency on LPAs' actions to support the delivery of starter homes, the Government will include a monitoring requirement on the number of starter homes granted planning permission, and the actions taken to promote the supply of starter homes under Section 4 of the Act. It will issue planning practice guidance on the operation of the duty to highlight potential actions.<sup>119</sup>

## Implementation of the starter homes regulations

The Starter Homes Regulations will be subject to the affirmative procedure which means that they will be subject to approval by both the House of Commons and the House of Lords. The Government proposes that the regulations will apply to planning applications submitted to the LPA after the date on which the regulations come into force.<sup>120</sup>

The Government has not published a timetable for bringing the starter homes legislation into force. A letter from Lord Bourne of Aberystwyth to Peers, dated 9 January 2017, regarding implementation of the provisions in the *Housing and Planning Act 2016*, indicated that

Local planning authorities will have the option to annex their starter homes monitoring reports to the existing Authority Monitoring Reports.

The Starter Homes Regulations will need to be approved by both Houses of Parliament.

<sup>115</sup> Department for Communities and Local Government, [Government response to the technical consultation on starter homes regulations](#), 7 February 2017, paras 37 and 42

<sup>116</sup> *The Housing and Planning Act 2016*, Part 1, Chapter 1, Section 6(1)

<sup>117</sup> *Ibid*, Section 6(4)

<sup>118</sup> Department for Communities and Local Government, [Government response to the technical consultation on starter homes regulations](#), 7 February 2017, para 47

<sup>119</sup> Department for Communities and Local Government, [Government response to the technical consultation on starter homes regulations](#), 7 February 2017, para 48

<sup>120</sup> Department for Communities and Local Government, [Government response to the technical consultation on starter homes regulations](#), 7 February 2017, para 49

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regulations made under the Act were expected to come into force in summer 2017.<sup>121</sup>

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<sup>121</sup> [Deposited Paper \(DEP2017-0016\)](#): Letter dated 09/01/2017 from Lord Bourne of Aberystwyth to Peers regarding update on implementation of the provisions in the Housing and Planning Act 2016.

## 7. Planning Reform to Support Starter Homes

### 7.1 Definition of affordable housing

Currently, the most commonly referred to definition of affordable housing is set out in Annex 2 to the [National Planning Policy Framework](#) (NPPF). This is the definition that Local Planning Authorities (LPAs) apply when making provision within their areas to meet local demand/need for affordable housing.

In 2015 the Government consulted on changes to the NPPF. This included a proposal to broaden the definition of affordable housing in planning policy, to include a wider range of low cost home ownership products for eligible households whose needs were not met by the market.<sup>122</sup> As discussed in section 5 of this briefing, some commentators criticised the classification of starter homes as affordable housing.

*The Housing and Planning Act 2016* amended the definition of “affordable housing” with regards to section 106 planning obligations under the *Town and Country Planning Act 1990* (as amended) to include starter homes (as defined in Part 1 of the Act).<sup>123</sup> To date (15 May 2018) the relevant section of the 2016 Act has not been commenced and the existing definition of affordable housing continues to apply.

The Housing White Paper 2017 confirmed the Government’s intention to expand the definition of affordable housing in planning policy to include starter homes. In addition, it proposed to introduce a household income eligibility cap of £80,000 (£90,000 for London) on starter homes, to “ensure that starter homes are available to households that genuinely need support to purchase a new home”.<sup>124</sup>

The Government’s response to the Housing White Paper consultation confirmed these changes would be included in the revised NPPF.<sup>125</sup>

A [consultation on the draft revised NPPF](#) was launched on 5 March and closed on 10 May 2018. The [draft text for consultation](#) incorporates policy proposals previously consulted on in the Housing White Paper consultation, including a new definition of affordable housing that includes starter homes.<sup>126</sup> The Government is currently analysing

*The Housing and Planning Act 2016* amended the definition of affordable housing (for planning obligation purposes) to include starter homes. The relevant section has not yet been commenced.

The Government has consulted on a revised National Planning Policy Framework which expands the definition of affordable housing to include starter homes, and introduces a household income eligibility cap of £80,000 (£90,000 for London) on starter homes.

<sup>122</sup> Department for Communities and Local Government, [Consultation on proposed changes to national planning policy](#), 7 December 2015, paras 6-12.

<sup>123</sup> [Housing and Planning Act 2016](#), Part 6, Section 159, Subsection (4). Section 106 planning obligations are discussed in the Commons Library briefing [Planning Obligations \(Section 106 Agreements\)](#) (CBP 07200, 24 May 2016).

<sup>124</sup> Department for Communities and Local Government, [Fixing our broken housing market](#), February 2017, Annex A, para. A.120

<sup>125</sup> Ministry of Housing, Communities and Local Government, [Government response to the housing White Paper consultation: Fixing our broken housing market](#), 5 March 2018, pp56-58

<sup>126</sup> MHCLG, [National Planning Policy Framework: Draft text for consultation](#), March 2018: See Annex A for the affordable housing definition

feedback and, subject to the consultation, intends to publish the final NPPF in summer 2018.<sup>127</sup>

The Commons Library briefing [What is Affordable Housing?](#) provides more information on affordable housing policy.<sup>128</sup>

## 7.2 Affordable homes minimum requirement

As discussed in section 6.2 of this briefing, the Government decided that it would not implement a compulsory starter homes requirement at this time.<sup>129</sup> Instead, it wanted local authorities to deliver starter homes as part of a “mixed package of affordable housing of all tenures that can respond to local needs and local markets”.<sup>130</sup>

The Government’s Housing White Paper set out its intention to amend the NPPF to introduce a clear policy expectation that housing developments of over 10 units or 0.5 hectares should deliver a minimum of 10% affordable home ownership units.<sup>131</sup> Under this policy, it would be for local authorities to work with developers to agree an appropriate level of delivery of starter homes, alongside other affordable housing products such as shared ownership and rent-to-buy.

The [Housing White Paper 2017 consultation](#) sought views on the proposed affordable homes minimum requirement. The [Government’s consultation response](#), published on 5 March 2018, reported that under half (44%) of respondents agreed with the proposal for a minimum 10% affordable housing requirement, whilst just over a third (37%) agreed that the policy should only apply to developments of over 10 units or 0.5 hectares. In particular, respondents were concerned that: the policy was inflexible; it could affect the viability of some sites; and developers might seek to avoid the policy by sub-dividing sites.

A [consultation on the draft revised NPPF](#) was launched in March 2018. Paragraph 65 of the [draft text for consultation](#) implements the minimum 10% affordable homes requirement, with certain exemptions:

Where major housing development is proposed, planning policies and decisions should expect at least 10% of the homes to be available for affordable home ownership,<sup>132</sup> unless this would exceed the level of affordable housing required in the area, or significantly prejudice the ability to meet the identified affordable housing needs of specific groups. Exemptions should also be made where the site or proposed development:

- a) provides solely for Build to Rent homes;

The draft revised National Planning Policy Framework introduces a clear policy expectation that suitable housing sites should deliver a minimum of 10% affordable home ownership units.

<sup>127</sup> [MHCLG letter to chief planning officers: NPPF timetable update etc](#), 30 January 2018

<sup>128</sup> CBP 07747, 19 March 2018

<sup>129</sup> Department for Communities and Local Government, [Government response to the technical consultation on starter homes regulations](#), 7 February 2017, para. 4

<sup>130</sup> Department for Communities and Local Government, [Fixing our broken housing market](#), February 2017, Annex A, para. A.124

<sup>131</sup> Department for Communities and Local Government, [Fixing our broken housing market](#), February 2017, Annex A, para. A.126

<sup>132</sup> As part of the overall affordable housing contribution from the site.

- b) provides specialist accommodation for a group of people with specific needs (such as purpose-built accommodation for the elderly or students);
- c) is proposed to be developed by people who wish to build or commission their own homes; or
- d) is exclusively for affordable housing, an entry level exception site or a rural exception site.<sup>133</sup>

### 7.3 Release of land for starter homes

In order to support the building of new starter homes, in the November [2015 Autumn Statement](#) the Government said that it would amend planning policy to encourage the release of certain types of land for starter homes:

to ensure the release of unused and previously undeveloped commercial, retail and industrial land for Starter Homes, and support regeneration of previously developed, brownfield sites in the greenbelt, by allowing them to be developed in the same way as brownfield sites elsewhere, providing it delivers Starter Homes.<sup>134</sup>

In its December 2015 [consultation on proposed changes to national planning policy](#), the Government sought views on changing the NPPF to make clear that unviable or underused employment land should be released unless there was significant evidence to justify why such land should be retained for employment use.<sup>135</sup> It also asked whether this should be extended to include unviable or underused retail, leisure and non-residential institutional brownfield land.

The consultation also proposed to amend national planning policy so that Neighbourhood Plans could allocate “appropriate small-scale sites” in the Green Belt specifically for starter homes, with neighbourhood areas having the discretion to determine the scope of a small-scale site.<sup>136</sup>

Another proposal was to change policy to support the regeneration of previously developed brownfield sites in the Green Belt. This would be done by allowing these sites to be developed in the same way as other brownfield land, providing this contributed to the delivery of starter homes, and subject to local consultation.<sup>137</sup>

The Government’s response to the consultation was published in February 2017.<sup>138</sup> Alongside it, the Housing White Paper confirmed the Government’s intention to make these changes:

The Commons Library briefing [Green Belt](#) examines some of the controversy about the Green Belt in England and how policy towards the Green Belt might change (SN 00934, 17 November 2017)

<sup>133</sup> Ministry of Housing, Communities and Local Government, [National Planning Policy Framework: Draft text for consultation](#), 5 March 2018, para 65

<sup>134</sup> HM Government, [Spending review and autumn statement 2015](#), 27 November 2015, section 12

<sup>135</sup> Department for Communities and Local Government, [Consultation on proposed changes to national planning policy](#), 7 December 2015

<sup>136</sup> HM Government, [Consultation on proposed changes to national planning policy](#), December 2015, pp.19-20

<sup>137</sup> HM Government, [Consultation on proposed changes to national planning policy](#), December 2015, p. 20

<sup>138</sup> HM Government, [Proposed Changes to NPPF \(Dec 2015\) - Summary of Consultation Responses](#), February 2017

4.18 Following our consultation in December 2015, **we will also change the NPPF to allow more brownfield land to be released for developments with a higher proportion of starter homes by:**

a) bringing forward more vacant, unviable and unused employment land by introducing new rules for retaining employment land. We will make it clear that any proposal on employment land that has been vacant, unused or unviable for a period of five years, and is not a strategic employment site, should be considered favourably for starter home-led development.

b) extending the current starter home exception site policy to include other forms of underused brownfield land – such as leisure centres and retail uses – while retaining limited grounds for refusal;

c) allowing development on brownfield land in the Green Belt, but only where it contributes to the delivery of starter homes and there is no substantial harm to the openness of the Green Belt.

4.19 **We will clarify that starter homes, with appropriate local connection tests, can be acceptable on rural exception sites.**<sup>139</sup>

The [draft text for consultation on the revised NPPF](#) incorporates some of the Housing White Paper commitments, including proposals to:

- allow the development of exception sites to provide entry-level homes suitable for first-time buyers (or those looking to rent their first home), where a local need is identified. (para 72)
- make it easier to convert retail and employment land to housing where this would be a more effective use. (para 121)
- allow brownfield land in the Green Belt to be used for affordable housing, where there is no substantial harm to openness. (para 114g)<sup>140</sup>

The draft revised National Planning Policy Framework includes some proposals to encourage the release of more land for affordable housing.

## 7.4 Community Infrastructure Levy

The Community Infrastructure Levy (CIL) is a locally-based development tax introduced to help finance the infrastructure needed to increase the supply of housing. The Productivity Plan 2015 included a commitment to amend the CIL regulations to exempt starter homes.<sup>141</sup>

In November 2015 the Government [announced](#) that Liz Peace, former chief executive at British Property Federation, would chair an independent group to conduct a review of the CIL. The Group submitted its [final report](#) in October 2016 and the Government then published it alongside the Housing White Paper in February 2017.

The final report summarised some of the policy changes in relation to starter homes and noted that, as these policy changes were ongoing

The Commons Library briefing [Community Infrastructure Levy](#) provides more background on the levy (SN 03890, 26 February 2014)

<sup>139</sup> Department for Communities and Local Government, [Fixing our broken housing market](#), February 2017, p.60

<sup>140</sup> Ministry of Housing, Communities and Local Government, [National Planning Policy Framework: Draft text for consultation](#), 5 March 2018

<sup>141</sup> HM Treasury, [Fixing the foundations: Creating a more prosperous nation](#), CM 9098, July 2015, para. 9.23. See also the Written Ministerial Statement at [HC Deb 2 March 2015 c43WS](#).



throughout the review, the review team had not been able to consider fully what the impact of these changes might be on the way CIL and section 106 planning obligations might operate in the future.<sup>142</sup>

The Government announced a package of reforms to developer contributions at Autumn Budget 2017 in response to the CIL Review.<sup>143</sup> The [Autumn Budget 2017 document](#) set out how the Government wished to proceed in amending the CIL and section 106, subject to a further consultation. The proposals were concerned with removing the restriction on section 106 pooling; speeding up the process for setting and revising CIL; allowing local planning authorities to set rates better reflecting the uplift in land values between an existing and proposed use; changing the indexation of CIL; and giving Combined Authorities and planning joint committees the option to levy a Strategic Infrastructure Tariff (SIT). They did not, though, mention starter homes.<sup>144</sup>

On 5 March 2018 the Government published a consultation document - [Supporting housing delivery through developer contributions](#) - setting out detailed reform proposals, intended to make the system of developer contributions more transparent and accountable. The consultation document did not refer to starter homes.

The consultation ran to 10 May 2018, alongside the Government's consultation on the draft revised NPPF. The Government is currently analysing consultation responses.

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<sup>142</sup> A Report by the CIL Review Team, [A new approach to developer contributions](#), submitted to Government October 2016, para 3.6.3

<sup>143</sup> HM Treasury, [Autumn Budget 2017](#), HC 587, 22 November 2017, para 5.14

<sup>144</sup> HM Treasury, [Autumn Budget 2017](#), HC 587: pages 61-2

## 8. Delivery of Starter Homes

In order to accelerate delivery of starter homes, [the Government announced](#) a one-off funding package of £36 million on 10 August 2015. £26 million was made available for housebuilders to acquire brownfield sites to provide land for exemplar starter homes. According to the press notice, money from the sale of these sites would go back to the Government, thereby “securing good value for the taxpayer”.<sup>145</sup> Following purchase and preparation of the sites, building was expected to start in 2016/17 and 2017/18.

In addition, £10 million of capital funding was made available through a [Starter Homes Local Authority Funding Programme](#) to help local authorities prepare vacant and underused brownfield land for starter homes.<sup>146</sup> Local authorities were invited to bid for grant funding and allocations were announced in December 2015.<sup>147</sup>

In the [Spending Review and Autumn Statement 2015](#) the Government announced a £2.3 billion fund to support the delivery of up to 60,000 starter homes by 2020/21, in addition to those delivered through reform of the planning system.<sup>148</sup> The [Prime Minister announced](#) in January 2016 that £1.2 billion of this funding was for a Starter Homes Land Fund to prepare more brownfield land for starter homes. The fund was expected to:

fast-track the creation of at least 30,000 new starter homes and up to 30,000 market homes on 500 new sites by 2020 – helping deliver the commitment to create 200,000 starter homes over the next 5 years.<sup>149</sup>

### 8.1 Starter Homes Land Fund

In the [Spring Budget 2016](#) the Government launched the Starter Homes Land Fund prospectus, inviting local authorities to access £1.2 billion of funding to remediate brownfield land to be used for housing, to deliver at least 30,000 starter homes.<sup>150</sup>

The Starter Homes Land Fund is intended “to support the acquisition, remediation and de-risking of suitable land for starter home developments that can then be built out by developers by 2020”.<sup>151</sup> The

In the 2015 Autumn Statement the Government announced a £2.3 billion fund to support the delivery of up to 60,000 starter homes by 2020/21.

The Starter Homes Land Fund provides £1.2 billion to remediate brownfield land for the development of starter homes, alongside other types of affordable home ownership.

<sup>145</sup> Department for Communities and Local Government, [Greg Clark gives starter home boost to first-time buyers](#), 10 August 2015

<sup>146</sup> Ibid

<sup>147</sup> Homes and Communities Agency, [Starter Homes Local Authority Funding Programme](#), 8 December 2015

<sup>148</sup> HM Treasury, [Spending Review and Autumn Statement 2015](#), CM 9162, November 2015, para. 1.146

<sup>149</sup> The Prime Minister’s Office, [PM: the government will directly build affordable homes](#), 4 January 2016

<sup>150</sup> HM Treasury, [Budget 2016](#), HC 901, March 2016, para. 1.118

<sup>151</sup> Department for Communities and Local Government website, [Starter Homes: unlocking the land fund](#) [Accessed 02/06/2016]

Ministry of Housing, Communities and Local Government (MHCLG) will recover these investments as the sites are developed.<sup>152</sup>

The [Starter Homes Land Fund prospectus](#), published on 16 March 2016, invited expressions of interest from local authorities outside of London to form partnerships with the Homes and Communities Agency (now Homes England) to use the Fund.<sup>153</sup>

On 3 January 2017 the Housing Minister, then Gavin Barwell, [announced](#) the first wave of 30 local authority partnerships, which were expected to commence delivering starter homes in 2017. The Minister said:

This government is committed to building Starter Homes to help young first time buyers get on the housing ladder.

This first wave of partnerships shows the strong local interest to build thousands of Starter Homes on hundreds of brownfield sites in the coming years. One in three councils has expressed an interest to work with us so far.<sup>154</sup>

The Government's [Housing White Paper](#)<sup>155</sup>, published on 7 February 2017, marked a shift in the Government's housing policy from a strong focus on starter homes, to delivering a wider range of affordable housing. The White Paper confirmed that the £1.2 billion Starter Homes Land Fund would be invested to support the preparation of brownfield sites for the development of a high proportion of starter homes, alongside other types of affordable home ownership.<sup>156</sup>

As of the end of February 2017, the Homes and Communities Agency (now Homes England) had invested £61 million in 27 sites across the country, which have the capacity to deliver over 1,600 starter homes and other affordable home ownership units.<sup>157</sup>

In response to a written question on 1 May 2018, the Housing Minister, Dominic Raab, said that the operation of the Starter Homes Land Fund was being reviewed:

We estimate that some £250 million of the Starter Homes Land Fund has been spent to date. Following the announcement of the new Land Assembly Fund at Budget 2017<sup>158</sup> we are reviewing the operation of the Starter Homes Land Fund. The new Fund is part of a package of housing measures announced to ensure our Housing White Paper commitments are delivered.<sup>159</sup>

By May 2018, some £250 million of the £1.2 billion Starter Homes Land Fund (SHLF) had been spent.

The Government is reviewing the operation of the SHLF.

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<sup>152</sup> [Written PQ 62793 \[Starter Home Initiative\] 9 February 2017](#)

<sup>153</sup> Department for Communities and Local Government and Homes and Communities Agency, [Starter Homes: unlocking the land fund](#), 16 March 2016

<sup>154</sup> Department for Communities and Local Government, [Green light for construction of thousands of new Starter Homes](#), 3 January 2017

<sup>155</sup> Department for Communities and Local Government, [Fixing our broken housing market](#), February 2017

<sup>156</sup> Department for Communities and Local Government, [Government response to the technical consultation on starter homes regulations](#), 7 February 2017, para. 5

<sup>157</sup> [Written PQ 68287 \[Starter Home Initiative\] 23 March 2017](#)

<sup>158</sup> HM Treasury, [Autumn Budget 2017](#), HC 587, 22 November 2017, para 5.16

<sup>159</sup> [Written PQ 137022 \[Housing: Construction\] 1 May 2018](#)

## 8.2 Commentary

Commentators have expressed concern at the slow progress with delivering starter homes.<sup>160</sup>

As at 1 May 2018, £250 million of the £1.2 billion Starter Homes Land Fund had been spent.<sup>161</sup> MHCLG surrendered £329 million of the starter homes budget for 2017/18 to the Treasury.<sup>162</sup> The Housing Minister, Dominic Raab, confirmed that this would reduce the total number of starter homes originally expected to be built:

...There remains funding for the Starter Home Land Fund which we are reviewing following the announcement of a new £1.1 billion land assembly fund in the Autumn Budget. This change in the starter homes budget will reduce the number of starter homes expected to be delivered through funding compared to the original estimates. But, as the Housing White Paper made clear, the Government's aim is to ensure young people have a range of housing products they can choose from to support their aspiration into homeownership, including Help to Buy, shared ownership and rent to buy, as well as discount market sales like starter homes. The additional funding for the affordable housing programme is expected to deliver at least 25,000 additional affordable homes, including homes at a social rent.<sup>163</sup>

A number of Parliamentary Questions have been tabled in order to probe progress in delivering starter homes, for example:

**John Healey:** To ask the Secretary of State for Housing, Communities and Local Government, what estimate his Department has made of the number of new starter homes which will be built in each of the next five years.

**Dominic Raab:** We are supporting people's aspirations to buy through a range of initiatives including Help to Buy, Right to Buy, greater funding for Shared Ownership and Rent to Buy, and our plans for starter homes. Since Spring 2010 Government-backed schemes have helped over 460,000 households to buy a home and the number of first-time buyers is at a nine-year annual high. At Autumn Budget, the Government announced a stamp duty exemption for most first-time buyers.

The definition of a starter home is currently being finalised as part of the revised draft National Planning Policy Framework which we are consulting on. The consultation ends on 10 May and can be found at <https://www.gov.uk/government/consultations/draft-revised-national-planning-policy-framework>

Following this, we expect to make an announcement on the next steps for starter homes.<sup>164</sup>

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<sup>160</sup> See for example: '[Ministers are accused of failure on housing crisis as it emerges NO 'starter homes' have been built THREE YEARS after government unveiled scheme and pledged 200,000](#)', *Mailonline*, 21 November 2017

<sup>161</sup> [Written PQ 137022 \[Housing: Construction\] 1 May 2018](#)

<sup>162</sup> HM Treasury, *Supplementary Estimates 2017-18*, HC 808, 7 February 2018

<sup>163</sup> [Written PQ 129934 \[Housing: Construction\] 8 March 2018](#)

<sup>164</sup> [Written PQ 139958 \[Housing: Construction\] 8 May 2018](#)

In an article dated 2 May 2018, The Guardian reported that no starter homes had been built yet. The article also quotes a spokesperson for the Ministry of Housing, Communities and Local Government as saying:

We have spent £250m buying land to build affordable properties, and work is underway getting them ready for development. It is important we get starter homes right and we aim to introduce regulations on them alongside our new planning policy before building gets underway.<sup>165</sup>

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<sup>165</sup> ['£25m spent but no starter homes yet built under flagship fund'](#), *The Guardian*, 2 May 2018

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