



Department for
Communities and
Local Government

Stepping on the ladder: High quality Starter Homes for first time buyers

Consultation response



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1. Introduction

- 1.1 The Government is determined that more people have the opportunity to buy their own home, and is keen to ensure first time buyers find it easier to take their first steps onto the property ladder.
- 1.2 In 2013, the Government introduced the Help to Buy mortgage guarantee and equity loans schemes intended to help first time buyers without access to a large deposit secure mortgages and purchase their own home. It has also rejuvenated the Right to Buy to enable council tenants to buy their home and in the 2014 Autumn Statement the Chancellor announced the most far reaching reform of stamp duty for a generation to cut the costs of purchasing a home.
- 1.3 However, the challenges facing first time buyers in many areas of the country still remain significant: the average house price in England was £285,000 in December 2014, up from £193,000 in March 2009 when the recession was at its worst, while average wage increases have not kept pace.¹
- 1.4 On 15 December 2014, the Prime Minister launched the Starter Homes consultation about proposals for a new national exception site policy to free up the planning system to deliver more low cost, high quality homes for first time buyers without burdening the tax payer.
- 1.5 This consultation proposed:
 - To make planning permission easier through an exception site planning policy for the development of new well-designed Starter Homes on under-used or unviable commercial or industrial sites that would not otherwise be released for housing on both public and private sector land;
 - That these Starter Homes will only be available to first time buyers under 40 years old to be sold at a minimum 20% below open market value (with a resale restriction period to ensure the policy does not lead to short term speculation); and
 - To help enable developers to deliver the minimum 20% discount, the removal of any obligations to pay section 106 affordable housing and tariff-style contributions for Starter Homes, and their exemption from the Community Infrastructure Levy.
- 1.6 Starter Homes sites will still need to obtain planning permission in line with usual planning policies, including section 106 contributions for the infrastructure needed to make the development acceptable in planning terms. This will ensure we also continue to provide protection to our Green Belt and countryside while enabling new sites and additional homes to be brought forward.

¹ Source: www.ons.gov.uk/ons/rel/hpi/house-price-index/december-2014/stb-december-2014.html

- 1.7 The Government stated its intention to champion the good design of Starter Homes developments and houses through the creation of a Design Advisory Panel. The Panel met for the first time in January 2015.
- 1.8 The Government, working with industry, launched a website on 2 February where first time buyers can register their interest in Starter Homes to identify and stimulate demand.
- 1.9 The consultation also sought views on a vanguard programme to support the roll out Starter Homes across the country on both private and public sector land.
- 1.10 Full details of the consultation, which closed on 9 February 2015, can be found at: www.gov.uk/Government/consultations/stepping-onto-the-property-ladder.

2. Overview

- 2.1 The Government received 258 responses to the consultation. There was a high number of responses from individuals, including many prospective first time buyers.
- 2.2 There was also strong representation from local authorities, representative bodies, (including mortgage lenders) and the construction industry. The following is a breakdown of the profile of responses:
- Individuals, 129 responses (50%)
 - Local authorities, 85 responses (33%)
 - Representative bodies, 17 responses (7%)
 - Construction industry, 13 responses (5%)
 - Financial Sector, 6 responses (2%)
 - Voluntary sector, 4 responses (1.5%)
 - Others, 4 responses (1.5%)
- 2.3 Not all respondents responded to each of the questions in the consultation and some expressed mixed views. The Government has therefore given a broad sense of support or opposition in relation to the proposals in the summary of responses.
- 2.4 In addition to written responses to the consultation, the Government has held a number of discussions with key external partners about the proposals.
- 2.5 In evaluating the responses to the consultation, the Government has carefully considered the arguments respondents have made and given appropriate weight to the comments received.
- 2.6 This response sets out a summary of responses to the questions set out in the consultation and detail on the Government's response and proposals for taking the Starter Homes policy forward in light of these.
- 2.7 All responses have been considered and the Government would like to thank everyone who took the time to respond.

3. The way forward

- 3.1 There was strong support from prospective first time buyers for discounted Starter Homes. Developers, lenders and local authorities were also generally supportive in principle but raised a number of specific points. The Government has considered and sought to address the issues raised in its recommendations.
- 3.2 In light of the strong support for Starter Homes, the Government will take steps to immediately enable Starter Homes exception sites to be brought forward. The Government is proposing to work with key external partners over the coming months to further develop details of the policy and ensure smooth implementation.

Suitable land and locations for Starter Homes

- 3.3 Consultation responses, especially from developers, raised views that the type of land being proposed for the national exception site policy may be too restrictive and not always appropriate for delivering the intended discount. In addition, points were raised about Starter Homes being developed on unsustainable or isolated sites with inadequate access to facilities and services. Respondents were also keen to understand the impact on the Green Belt and designated areas, such as Areas of Outstanding Natural Beauty.
- 3.4 Reflecting these views the Government will retain the current approach but consider the impact of the policy and if there are opportunities to expand the definition in future. The policy also makes clear that this should be read in the context of the National Planning Policy Framework as a whole. This will ensure safeguards are in place to ensure development does not occur in unsustainable locations or areas with designated protections where there are overriding conflicts with the National Planning Policy Framework that cannot be mitigated.

Including market homes on Starter Homes exception sites

- 3.5 The majority of respondents agreed that including a small proportion of market homes on a site was acceptable where necessary to make the development viable. The Government will ensure the policy enables local authorities to use their discretion to include a small proportion of market homes on Starter Homes exception sites where it is necessary for the financial viability of the site. The market homes on the site will attract section 106 or Community Infrastructure Levy contributions in the usual way.

Eligibility for Starter Homes

- 3.6 Responses highlighted views that restricting access to Starter Homes to those under 40 years old would mean the policy would disadvantage prospective first time buyers who are 40 years and older, many of whom face similar challenges to younger first time buyers. Specific points were raised in relation

to those areas with the greatest affordability issues, for example in London and the South East.

- 3.7 The aim of the Government's policy is to advance equality of opportunity and to help prospective homeowners who are in the age group which has been disproportionately affected by the rise in the house price to earnings ratio over the last 20 years. In light of this aim the Government is clear that these homes should be targeted at younger first time buyers who are under 40 years old. To support this, a Starter Home is not expected to be priced after the discount significantly more than the average price paid by a first time buyer. This would mean no more than £250,000 outside London and £450,000 in London.

Mechanism to ensure discounts and restrictions are applied fairly

- 3.8 Responses to this question were finely balanced between confidence in the existence of potential mechanisms and views about the ability of these mechanisms to apply effectively in these circumstances.
- 3.9 The Government believes it will be important to work closely with external partners in taking forward the detailed development of the policy. Testing these mechanisms, in particular the use of section 106 agreements, in practice and ensuring that they are fit for purpose will be a crucial part of this programme of work.

Re sale restrictions

- 3.10 Respondents on this issue highlighted a number of areas where the implementation of the policy needs careful consideration. Issues raised, mainly by lenders and local authorities, include ensuring properties have an accurate valuation, the length of any restriction and what happens if a home is repossessed. Many respondents were in favour of restrictions lasting in perpetuity.
- 3.11 The Government is keen to strike a fair balance between helping first time buyers secure a starter home and ensuring these homes are available for future generations of first time buyers. The Government remains keen to ensure that this policy does not lead to short term speculation by allowing purchasers to make an immediate windfall profit from their starter home. However, it also recognises the drawbacks to creating an intermediate housing product, which may impact on lending and require more 'hands on' management over the longer term. To reach a balance, the policy will enable Starter Homes to be sold or let at open market value five years after first purchase.
- 3.12 The Government will establish a working group with developers, lenders and local authorities to develop further technical supporting material about resale restrictions for Starter Homes as well as the use of section 106 agreements as detailed above.

Approach to funding the 20% discount

- 3.13 The majority of respondents supported proposals to remove section 106 and Community Infrastructure Levy contributions to enable more housing. However, a number of local authorities expressed views about the loss of these contributions and the potential impact on infrastructure.
- 3.14 Reflecting the support for this proposal, to deliver the minimum 20% discount the Government will remove the obligations for developers to pay section 106 affordable housing contributions, including any tariff-based contributions to general infrastructure pots. In the next Parliament, Government will look to exempt Starter Homes from the Community Infrastructure Levy. Local authorities will still be able to seek section 106 contributions to mitigate the impact of development to make it acceptable in planning terms, including addressing any necessary infrastructure. Local authorities will also be eligible for the New Homes Bonus on Starter Homes.

Starter Homes register

- 3.15 There was broad support for a national Starter Homes register which would take a light touch approach to understanding demand in different areas.
- 3.16 The Government has worked with the Home Builders Federation to establish a register which is now live at: <http://www.new-homes.co.uk/starter-home-scheme>.

Vanguard programme

- 3.17 There was a strong interest in Government working with individuals and a wide range of bodies to ensure smooth implementation of the policy. The Government will establish a working group with developers, lenders and local authorities to develop further technical supporting material including resale restrictions for Starter Homes. The Government will also take a keen interest in the first starter developments and meet with local authorities, developers and others who have been involved in delivery of the initial developments to ensure lessons are learned.

Supporting well designed developments and homes

- 3.18 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. A new Design Advisory Panel set up by the Government, involving leading industry experts, is developing an initial set of exemplar designs for Starter Homes which we expect to publish shortly for wider comment. While recognising the need for local flexibility, we would expect these designs over time to become the default approach to design to be considered for Starter Homes developments.

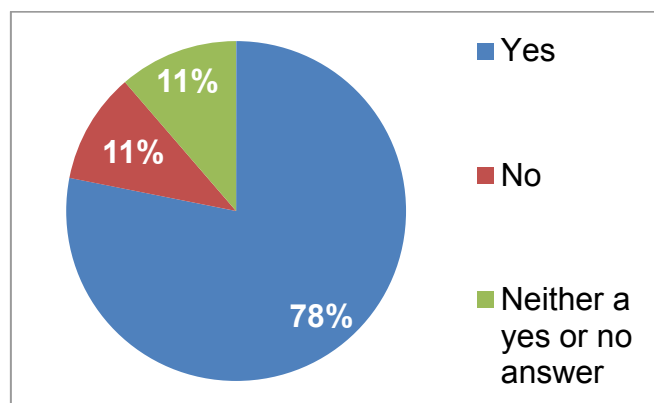
Next steps

3.19 In light of the analysis and proposals set out above, the Government:

- Has published a Written Ministerial Statement which outlines key elements of the Starter Homes policy.
- Will establish a working group with developers, lenders and local authorities to develop further technical supporting material about resale restrictions for Starter Homes.
- Will continue to work with the Design Advisory Panel to develop exemplar designs for Starter Homes.
- Will seek to amend the Community Infrastructure Levy Regulations in the next Parliament to exempt Starter Homes developments from the Levy.

Summary of consultation responses

Q1: Do you agree in principle with the idea of a new national Starter Homes exception site planning policy to deliver more new low cost homes for first time buyers?

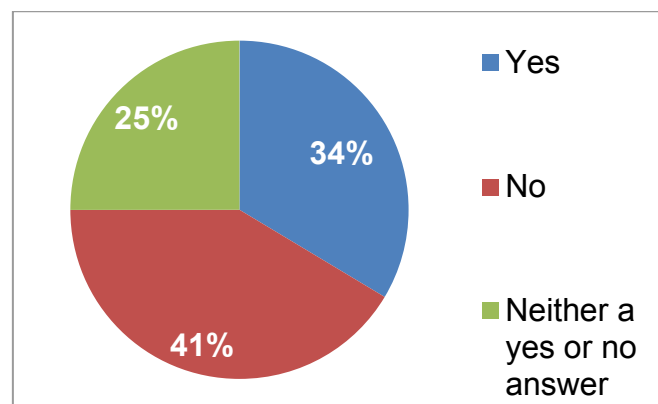


- 3.20 There were 228 responses and 164 comments to this question, which was the highest response rate of any of the questions. The majority of respondents (78%) agreed to the proposal of a Starter Homes exception site policy including the majority of individuals, developers, financial organisations, local authorities and representative bodies.
- 3.21 There was a strong endorsement for a Starter Homes exception site policy from respondents. First time buyers commended the policy as a route for young people to achieve their aspiration of a home of their own.
- 3.22 In general, all respondents agreed to the proposals in principle but noted views on specific areas of the policy. Respondents across all groups raised similar views about three key areas, namely suitable land, potential conflict with planning policy and how the discount will be implemented. These key areas will be covered in detail in subsequent questions but are briefly discussed here.
- 3.23 In summary, respondents supported the principle of a Starter Home exception site policy; however, they raised views about the potential loss of strategic land and the supply of industrial or commercial land suitable for housing. Respondents supported the need for housing for first time buyers; however, they noted views about the potential conflict of the Starter Homes scheme with current housing and planning policies including the National Planning Policy Framework, other first time buyer products, affordable housing and the brownfield proposals. Respondents supported offering discounted housing to first time buyers; however, they noted views about whether this discount could be achieved through the removal of planning obligations, the consequential potential pressure on infrastructure and how the discount could benefit first time buyers in perpetuity.

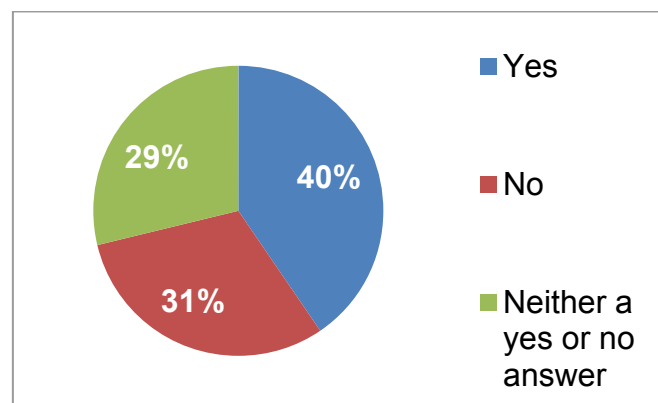
Government response

- 3.24 The Government will implement the Starter Homes exception site policy given the strong endorsement from respondents. Responses indicated a need for a discounted housing product for first time buyers and that there is support from partners in delivering this product.
- 3.25 The Government received helpful feedback on a broad range of aspects of the policy and has made a number of modifications following the consultation as described in this document.

Q2: Do you agree that the Starter Homes exception site policy should focus solely on commercial and industrial brownfield land which has not been identified for housing?



Q3: Do you agree that the types of land most suitable for Starter Homes will be under-utilised or non-viable sites currently (or formerly) in commercial or industrial use?



- 3.26 There were 158 comments in response to question 2, slightly more than the 148 received on question 3. Both questions attracted a mixture of views, with similar themes emerging. A third of those replying to question 2 agreed that the policy should be limited to previously-developed commercial and industrial land; a common view – especially among developers and local authorities –

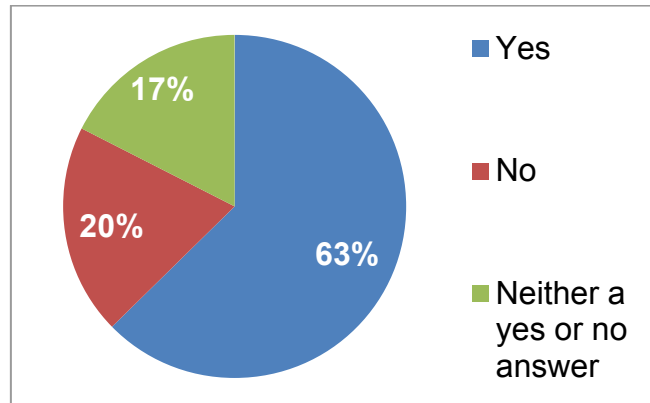
was that other brownfield land not in residential use could be suitable and should be included (such as land used for defence, healthcare or utilities).

- 3.27 At the same time, the most common response to question 3 was that under-utilised or non-viable commercial and industrial sites were likely to be the most suitable locations for the Starter Homes policy to apply – although this was not a universally-held view. A common reservation expressed in response to both questions 2 and 3, particularly among some housing developers and local authorities, was that under-utilised or unviable commercial and industrial sites should already gain permission for housing in line with the National Planning Policy Framework (with section 106 and Community Infrastructure Levy expectations being adjusted to achieve viable schemes). In addition, where brownfield land is not currently considered suitable for housing, some of these respondents noted that a 20 per cent discount on the sale price could make Starter Homes developments unviable, even with exemptions from certain section 106 and Community Infrastructure Levy obligations, because the land is likely to have above-average development costs and be in locations with below-average sales values.
- 3.28 In the light of this, respondents questioned whether the policy would bring forward many additional homes. Against this background a number of developers argued that the Starter Homes policy should apply also to undeveloped land at the edge of settlements, and/or to existing housing sites where development has stalled, to allow Starter Homes to come forward in greater numbers.
- 3.29 Most local authorities and a number of representative bodies expressed views about the potential impact on employment land and local economies. There were several aspects to this: that long-term regeneration schemes could be deterred by a focus on short-term viability; that sufficient employment land of different types and sizes is needed to maintain balanced local economies; that in some areas lost employment land cannot easily be replaced because of constraints such as Green Belt; and that some developers could ‘game’ the system by claiming falsely that particular employment sites are no longer viable, in areas where Starter Homes could generate greater returns. A number of responses, across all sectors, called for a clearer definition of what should be regarded as under-utilised or unviable – whether to prevent this type of gaming or in response to views that planning authorities could use a lack of viability evidence to block Starter Homes schemes.
- 3.30 There was support, from a number of respondents across different groups, for stronger criteria on the types of site that may be suitable for Starter Homes developments – such as access to services and being a suitable environment for residential use (this was the biggest single concern among individuals who disagreed with the proposal in question 3). Several wanted to ensure that local authorities could retain control of design and the ability to manage impacts on the environment and heritage. There was also concern that the proximity of Starter Homes developments to retained industrial land might prevent expansion or diversification necessary for business development and local employment.

Government response

- 3.31 The Government is keen to ensure that, in line with the exception site approach, the definition of land used for Starter Homes does not become too broad. However the Government accepts that there may well be previously-developed land which is not in commercial or industrial use and that is either under-utilised or unviable for its current or previous purpose which could appropriately be used for Starter Homes. The Government will consider the impact of the policy and if there are opportunities to expand the definition in future.
- 3.32 While the National Planning Policy Framework does encourage the re-use of employment sites that are no longer required for that purpose, the Government believes that local planning authorities are not always as positive or proactive as they could be in releasing brownfield land for housing; and that scope does exist to bring forward well-designed and viable Starter Homes schemes on land that would not otherwise have been made available.
- 3.33 At the same time, employment land which is being used productively – or which is allocated and remains viable for employment purposes – is not the focus of the new policy, and guidance will be published alongside it to make clear some tests that should be applied in identifying suitable land for Starter Homes.
- 3.34 Appropriate land adjoining existing settlements can already make a contribution to local affordable housing needs through being made available as rural exception sites; similarly, existing housing schemes can already make contributions to affordable housing requirements unless this would undermine their viability. The Starter Homes policy does not, therefore, extend to these locations (and doing so would not deliver the additional homes for first time buyers that many areas need).
- 3.35 The Government agrees that there should be a limited number of key safeguards to ensure that Starter Homes developments do not occur in locations where living conditions would be unsuitable or there would be no access to facilities, or where the scheme would be poorly-designed. The policy will be adjusted to make this clear.

Q4: Do you consider it necessary to avoid Starter Homes developments in isolated locations, or where there would be conflicts with key protections in the National Planning Policy Framework?



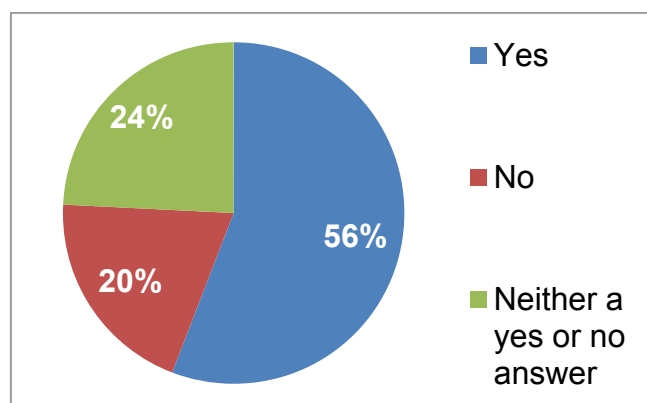
- 3.36 There were 212 direct responses and 137 comments to question 4 and 63% of total respondents agreed that Starter Homes development should be avoided in isolated locations or where there were conflicts with key protections (including Green Belt) in the National Planning Policy Framework.
- 3.37 Respondents in favour of the proposal consistently commented that development should not take place in locations with poor infrastructure, poor access to transport and no access to local services. Furthermore, those respondents considered it important to avoid inappropriate development in the Green Belt, Areas of Outstanding Natural Beauty and other designated areas. Some respondents, particularly local authorities, added that Starter Homes in isolated areas would not create adequate social infrastructure or mixed communities.
- 3.38 A number of respondents, and particularly organisations, commented that there was unlikely to be demand for homes in isolated areas and that it may be too costly to provide the necessary infrastructure.
- 3.39 Local authorities in particular suggested that Starter Homes developments should be treated in the same way as other proposed development in rural locations, and therefore considered against wider considerations than those set out in the proposed policy.
- 3.40 The majority of those who disagreed that development should be avoided in certain areas were individuals. Respondents against the proposal believed that the policy should not be overly prescriptive and that all land should be considered as potential sites for Starter Homes given the purpose of the initiative was to help more people climb onto the property ladder. Some responses suggested ways in which Starter Homes in isolated locations might be acceptable, including local councils volunteering multiple smaller sites for development as a group, or for parish councils to select a handful of sites for development in smaller communities.

- 3.41 Many respondents, regardless of their views, requested further clarity on the Government's intention should this policy be adopted. For example, respondents questioned what was meant by an "isolated" site and whether it referred to distance from local amenities? Others sought a better understanding of the Government's approach to Starter Homes development in designated areas. Three organisations thought that Starter Homes on previously-developed land in the Green Belt would be acceptable, especially as not every Green Belt location is necessarily isolated.
- 3.42 Whether in favour or against the proposed policy, respondents from across all groups considered that small sites in rural locations could be suitable for Starter Homes – either if considered in the same way and to the same scale as rural exception sites – or if they were well connected to or could be used to sustain existing local services.

Government response

- 3.43 The Government agrees that there should be safeguards in place to ensure that Starter Homes development does not occur in locations that are not sustainable. This includes areas where there is poor access to infrastructure and local services, and areas where the National Planning Policy Framework indicates that development should be restricted. In particular the Government does not consider that previously-developed commercial and industrial sites in the Green Belt should be developed for Starter Homes. However, the Government believes that sites for Starter Homes may be brought forward on commercial and industrial land in both urban and rural areas. The policy will be adjusted to make the role of safeguards and the importance of sustainability clear.

Q5: Do you agree that the Starter Homes exception site policy should allow at the planning authority's discretion a small proportion of market homes to be included when they are necessary for the financial viability of the Starter Homes site?



- 3.44 There were 195 responses to this question and 135 comments indicating interest in the proposal to offer market housing on Starter Home sites. There was broad support for this proposal with 56% of all respondents agreeing that a small proportion of market homes might be included at the local authorities'

discretion when they are necessary for the financial viability of the Starter Homes site.

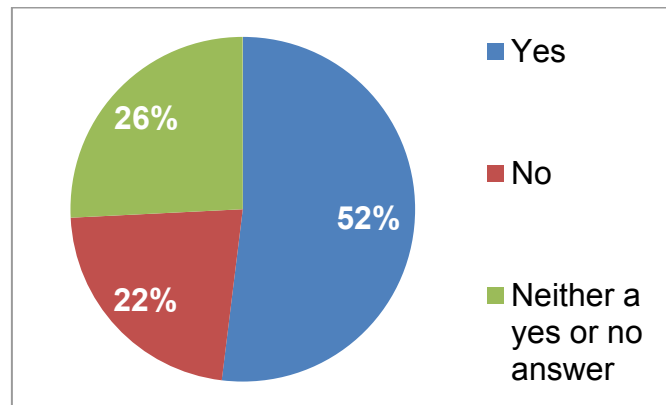
- 3.45 Where respondents commented, there was evident support for the proposal in all types of organisations with the exception of local authorities whose responses were more mixed.
- 3.46 Supporters of the proposal felt that allowing a small proportion of market housing would support the National Planning Policy Framework aim of developing mixed communities, particularly on larger sites. Giving local discretion to planning authorities was also welcomed, recognising that viability of sites would vary according to different areas. It was felt that any market homes brought forward should be ones for which there was an established local need.
- 3.47 Other supporters suggested that market housing could be used to deliver a greater than 20% discount in areas where affordability is a particular problem, or that other forms of tenure such as social housing could be used to support starter home sites. It was also suggested that a locally-determined proportion of Starter Homes could be required on sites allocated for residential development in the local plan. In addition, consideration was sought for further incentivising Starter Homes, for example through an enhanced New Homes Bonus allowance.
- 3.48 Both supporters and those with views about the policy had some common issues: that they wanted to see a clear demonstration of viability if market homes were proposed; that market homes on a Starter Homes site should be subject to section 106 and Community Infrastructure Levy requirements; and understanding what was meant by “a small proportion”.

Government response

- 3.49 Having considered the responses to the consultation, the Government intends to allow a small proportion of market homes to be included when they are necessary for the financial viability of a Starter Homes site at the planning authority’s discretion.
- 3.50 The reference to “a small proportion” mirrors the current wording of the rural exceptions site policy. The Government does not propose to set a cap on a percentage of market homes centrally and instead will allow planning authorities to have the discretion to consider proposals on a site by site basis, taking account of local circumstances.
- 3.51 The Government does not accept the argument that allowing for a small percentage of market housing to come forward on some sites amounts to an undermining of the policy, leading to inflated land prices and market development coming forward on sites that would not otherwise be considered appropriate. Evidence of lack of viability will need to be provided if market homes are sought, and we do not expect this requirement to be the norm.

- 3.52 In addition, where market housing is proposed on a starter home site, that market housing will be subject to section 106 and Community Infrastructure Levy developer contributions in the same way they would apply to sites allocated for residential development in a local plan.
- 3.53 The Government agrees that on larger sites a mix of development type and tenure would support the National Planning Policy Framework's support for mixed communities. It also agrees that market homes brought forward on a Starter Homes site should relate to established local need.
- 3.54 At this stage, the Government does not plan to extend this proposal to other types of tenure such as social housing, or to look at alternative incentives such as the New Homes Bonus to further prioritise Starter Homes, though it will continue to keep such options under review.

Q6: Do you agree Starter Homes secured through the Starter Homes exception site policy should only be offered for sale or occupation to young first time buyers?



- 3.55 There were 191 responses to this proposal, with just over half of respondents favouring restricting the policy to young first time buyers.
- 3.56 A number of local authorities agreed with the proposal and also suggested the potential for additional limitations to be imposed, for example restricting access to Starter Homes to those with a connection to the local area, as is the case for rural exception sites.
- 3.57 Many respondents were concerned about the policy providing an opportunity for people to invest and make a quick profit. There was support for the policy bringing forward properties that could only be offered to people who have a financial need for a discounted property, and who intend to buy and occupy the home themselves.
- 3.58 Many respondents who disagreed with the proposals were concerned that it would be unfair to those who are 40 years of age or older. It was suggested that Starter Homes should be available to all first time buyers, in line with other Government first time buyer schemes.

- 3.59 A large majority of respondents highlighted that a significant proportion of first time buyers are people who are over 40 who have experienced a life-changing event, such as a relationship breakdown, disability, the death of a partner, or are looking to secure a stable form of accommodation and/or to downsize. The general consensus was that Starter Homes should be available only to first time buyers but that including an age restriction might be unfair to those who have not yet been able to get on the housing ladder, for whatever reason.
- 3.60 A number of respondents highlighted the challenges faced by older first time buyers in areas where housing is particularly expensive in relation to earnings, for example London and the South East.
- 3.61 Many respondents raised views that setting an upper limit of 40 years old would exclude many older people who may aspire to own their own home but have not had the opportunity to do so. Respondents suggested that enabling older first time buyers to buy a starter home would help to encourage the development of mixed and balanced communities on Starter Homes sites, which would provide an opportunity for home ownership to a wider range of people (such as key workers on a low income who have not been able to buy a property on the open market) who may similarly benefit, and contribute to the vitality of a community.

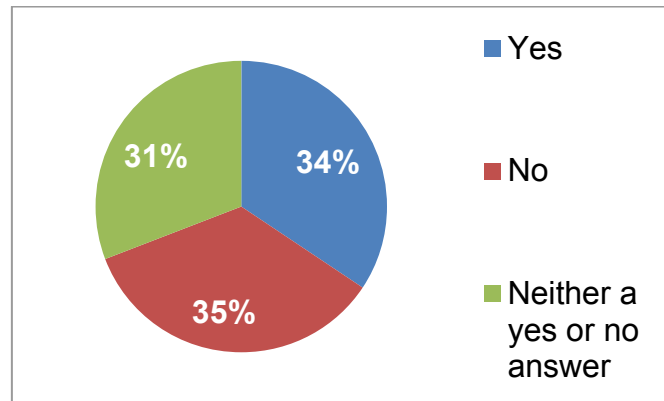
Government response

- 3.62 Given the support from the majority of respondents for helping young first time buyers access home ownership the Government will target Starter Homes at young first time buyers.
- 3.63 The Government acknowledges that there will be prospective first time buyers who are 40 years of age and older who have not yet had the opportunity to purchase a home whether owing to a life changing event or otherwise. The Government also recognises that this is a particular issue in areas where affordability problems are greatest.
- 3.64 The aim of the Government's policy is to advance equality of opportunity and to help many to become homeowners who are in the age group which has been disproportionately affected by the rise in the house price to earnings ratio over the last 20 years. While the Government will continue to make available support for all first time buyers through its existing schemes, the Government considers that the priority under the Starter Homes scheme must be to focus support on the age group of those under 40 years old, given the disproportionate impact of the rising house prices to earnings ratio over the course of the adult lives of that age group, with the result that a substantial majority do not own a home.
- 3.65 To achieve its aim of helping younger first time buyers the Government will make it clear in guidance that these homes should be targeted at younger first time buyers who are under 40 years old. To support this, a Starter Home is

not expected to be priced after the discount significantly more than the average price paid by a first time buyer. This would mean no more than £250,000 outside London and £450,000 in London.

3.66 In addition to considering the responses to the consultation the Government has undertaken an Equality Impact Assessment of these proposals and considered its responsibilities to have due regard to the Public Sector Equality Duty and Family test.

Q7: Do you think there are sufficient existing mechanisms in place to police this policy?



3.67 There were 178 responses to this question and 142 comments. The responses were finely balanced between those who agreed that there were sufficient existing mechanisms in place to police the discount and other restrictions underpinning the policy, and those who did not.

3.68 The construction industry, lenders and trade body representatives generally agreed that existing mechanisms could be readily adapted to police the policy building on the approaches already adopted for investment programmes such as Help to Buy, Home Buy Direct and Shared Ownership. Some suggested that the use of covenants would be sufficient to enforce and manage the policy in the future. Others emphasised that there needed to be an independent third party enforcing the restrictions, with housing associations and Help to Buy agents suggested as a possible third parties.

3.69 Many of the local authorities responding to this question were concerned about whether the planning system could adequately enforce the policy. Some stated that the use of planning conditions would be both insufficient and inconsistent with the general policy in the National Planning Policy Framework and planning guidance about planning conditions. Some thought the use of planning obligations through section 106 would be appropriate while others disagreed. Almost all local authorities presumed that they would become responsible for policing restrictions and this would be a significant additional enforcement burden.

3.70 Some points were raised on potential occupant's ability to get a mortgage from lenders, if a high number of restrictions were placed on the property. It

was considered that lenders may be hesitant to offer mortgages as it is unclear what happens when an occupant defaults on their mortgage, and the restrictions would therefore have an impact on the lenders' ability to sell on the property.

- 3.71 The construction sector also considered that this may impact on their ability to sell properties and finance their developments.

Government response

- 3.72 The Government recognises that there needs to be a sufficiently robust enforcement mechanism to ensure that the Starter Homes policy is not abused. It believes that the best way of achieving this is through the use of planning obligations by the local planning authority to ensure the developer offers Starter Homes with appropriate restrictive covenants covering the resale of the property.
- 3.73 In doing so, it is important that there is a common approach taken nationally to critical technical issues, such as determining the open market valuation for the new Starter Homes, so lenders have the confidence to lend to first time buyers seeking to purchase these homes. The Government will accordingly establish a working group with developers, lenders and local authorities to consider these technical issues, including the merits of developing model section 106 agreements which can be readily used by local planning authorities and developers.

Q8: What is the most appropriate length for a restriction on the sale of a starter home at open market value? How should the sliding scale be set?

- 3.74 There were 200 responses to this question about the length of time restrictions should be placed on a Starter Home before it could be sold on the open market. The responses were mixed, with many different views given about the appropriate length.
- 3.75 For the purposes of the consultation analysis, the Government has categorised the views from the respondents who provided a clear preference for the length of the restricted period into four broad categories: 0-5years; 5-10 years; 10-15 years; and in perpetuity. 37 respondents to this proposal did not state a preference for a specific restricted period.

3.76 A summary of the preferences is set out below.

	0-5 years	5-10 years	10-15 years	In perpetuity	Not Stated	Left Blank	Total
Local Authorities	0	3	12	45	15	10	85
Individuals/ members of the public	32	27	7	8	20	35	129
Construction Industry	1	2	1	4	4	1	13
Financial Sector	0	0	0	5	1	0	6
Voluntary sector	0	1	0	1	2	0	4
Representative Bodies	1	2	1	6	3	4	17
Other	1	0	2	1	0	0	4
Total	35	35	23	70	45	50	258

3.77 Responses from individuals generally indicated a preference for the shortest period of restricted ownership, with no penalty for selling a discounted Starter Home on the open market. Their responses also called for greater clarity about how the restricted period would be monitored to prevent fraud or misrepresentation.

3.78 Local authority responses clearly favoured either a lengthy period of restriction, or for the Starter Home to be retained as an asset by the local authority in perpetuity. Local authority responses also set out the difficulty in creating “sliding scale” time frame and in implementing and monitoring the scheme.

3.79 Responses from the construction industry generally focused upon views over purchasers’ access to finance and the support that lenders would offer the scheme in light of restriction periods. To ensure the success of the scheme they considered it will be important to establish that any restriction is acceptable to lenders.

3.80 Lenders generally believed that the resale covenant for any Starter Homes should remain in perpetuity and that this will guarantee Starter Homes as an asset for the future and prevent windfall profit.

3.81 Many of the comments from local authorities, lenders, developers and representative bodies expressed the need for clarity about the details of any resale restrictions, especially about resale market valuation, enforcement and compliance. Lenders, for instance, emphasised the need for a cascade mechanism to enable lenders to sell the property in the open market as a last resort in event of repossession.

Government response

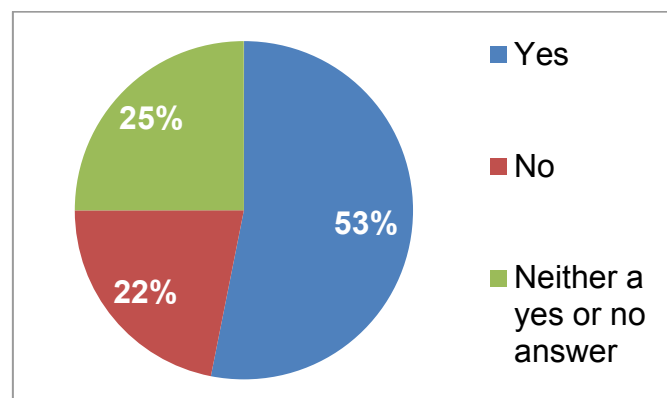
3.82 In view of the different consultation responses on this important issue, the Government has considered carefully the best way forward. It is particularly keen to strike a fair balance between helping this generation of first time buyers secure a starter home and ensuring they are available for future generations of first time buyers.

3.83 The Government want to ensure that this policy does not lead to short term speculation by allowing purchasers to make an immediate windfall profit from their starter home. However it also recognises the drawbacks to creating an intermediate housing product, which may impact on lending and require more 'hands on' management over the longer term.

3.84 To reach a balance, the Government has decided that the best approach is to enable Starter Homes to be sold or let at open market value five years after purchase.

3.85 The Government will also establish a working group with developers, lenders and local authorities to develop further technical supporting material about resale restrictions for Starter Homes.

Q9: Do you agree that guidance should make clear it is inappropriate for Starter Homes exception site projects to be subject to section 106 contributions for affordable housing and tariffs?



3.86 There were 193 responses to this question and 135 comments. There was support for the proposal from a wide range of organisations with the exception of local authorities, from whom the response was more mixed.

- 3.87 A clear majority of respondents agreed that it was appropriate for section 106 affordable housing and tariff style contributions to be removed for Starter Homes. There was particularly strong support for the proposals from the construction industry, although the industry did express caution that this approach must not lead to local authorities seeking subsidisation from other developments in the area by demanding greater affordable housing contributions elsewhere.
- 3.88 Many respondents felt that this proposal would lead to more homes being provided overall, helping to meet demand for homes. It was also suggested that Starter Home sites should count towards affordable housing targets. Whilst a clear majority supported the proposals, many nevertheless felt it was still crucial that the occupants of these homes, who may well be less well-off, still have adequate transport and infrastructure provision. Furthermore, steps should be taken to ensure these proposals don't lead to increased pressure on existing local services.
- 3.89 There were a range of questions and views about the proposal. Many local authorities felt that an unfair financial burden might fall on them since a reduction in developer contributions could increase financial burdens on local and national Government because they would need to look at other ways of funding infrastructure. It was highlighted that any potential shortfall in infrastructure contributions will also have a subsequent impact on local services impacting on the development of sustainable neighbourhoods.
- 3.90 Many respondents, particularly local authorities, suggested that rather than a blanket approach each site should be assessed on its own merits. This would enable any Section 106 exemption to be justified on a site by site basis and leave the decision to be made locally. It would also allow consideration of variable local land values to be built into the process. Respondents from the construction industry also thought that there could be an unintended consequence in that they would face a higher burden of infrastructure requirement on sites without Starter Homes, which could have a negative effect on the viability of other schemes.

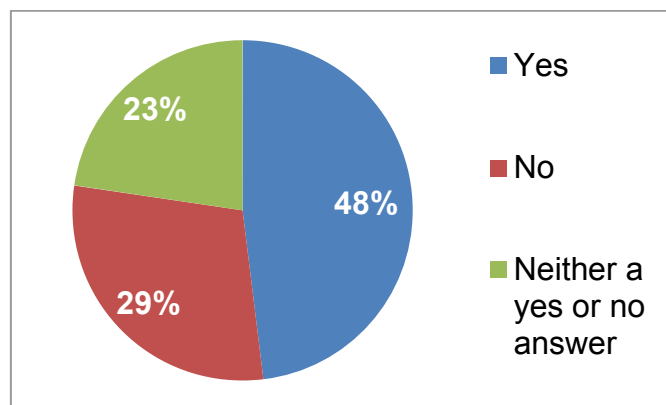
Government response

- 3.91 Having considered the responses to the consultation and the high level of support for the proposals, we intend to introduce a policy that section 106 affordable housing and tariff style contributions should not be sought for Starter Homes exception sites.
- 3.92 Whilst welcoming the wide level of support for this proposal, we also note the various views that have been expressed, particularly about potential impacts and shortfalls in existing infrastructure and local services which might make sustainable neighbourhoods more difficult to achieve. However, local planning authorities will still be able to seek section 106 contributions to mitigate the impact of the development to make it acceptable in planning terms, in line with the three tests set out in regulations and national planning policy. They will

also receive additional New Homes Bonus monies for accepting the additional Starter Homes.

3.93 The Government also notes the views, especially from the construction sector, that local authorities may seek subsidisation from other developments in the area by demanding greater affordable housing contributions elsewhere, thus affecting the viability of those sites. Local authorities should seek section 106 contributions in line with Local Plan policies. Government guidance is clear that section 106 planning obligations should be fully justified and evidenced, and where affordable housing contributions are being sought, obligations should not prevent development from going forward.

Q10: Do you agree that Starter Homes exception site projects should be exempt from the payment of the Community Infrastructure Levy?



3.94 There were 199 direct responses to this question with 123 supporting an exemption and 75 respondents disagreeing. Most prospective applicants/buyers and those that represent other development interests welcomed the exemption whilst many who disagreed were local authorities.

3.95 Respondents in favour of the exemption expressed support for anything that keeps the cost of development down and commented that a reduction in taxation should benefit everyone, not just developers. Local authorities supporting the proposal considered the exemption would likely prove crucial in ensuring that the Starter Homes scheme is sufficiently equipped to have a significant impact but sought clarification within the policy wording on how improvements to infrastructure would be provided for, where required in accordance with the development plan.

3.96 There was a general understanding among respondents that an exemption would encourage development on land that may not have otherwise been used. Within this context a number of issues were raised, principally around the funding of infrastructure. Many local authorities highlighted that these sites may be in need of significant infrastructure improvements and that the targeted market of young first time buyers, a proportion of whom are likely to be looking to start families, would have a direct impact on infrastructure as

they are directly related to increases in population, not a fixed cost or amount. It was also emphasised that some types of infrastructure are not only essential to make development acceptable but crucial to provide a good quality of life for the occupiers of new developments.

- 3.97** Local authorities highlighted that the levy has been methodically worked out and examined based on what is required to pay for local infrastructure and must be in accordance with the development plan. They were keen to ensure that the proposal does not undermine the principle that the levy spreads the burden of infrastructure provision fairly across developments. There were several recommendations for alternatives to the proposal.

Government response

- 3.98** The Government welcomes the support for this proposal and notes potential issues that have been raised, particularly around infrastructure provision.
- 3.99** The Government remains committed to the levy as a fair and transparent means of raising funds from developers undertaking new building projects in their area in order to help provide vital infrastructure, based on local priorities.
- 3.100** Having considered the responses to the consultation and the significant level of support for the proposals, the Government will seek to amend the Community Infrastructure Levy Regulations in the next Parliament to exempt Starter Home developments from the levy.

Q11: Do you have any views on how this register should work and the information it should contain?

- 3.101** Of the 156 responses received to this question, 76 were from local planning authorities, 47 from individuals and 33 were from other organisations including developers, and representative bodies such as the Home Builders Federation and the Council of Mortgage Lenders.
- 3.102** There was broad support for the concept of a register with only 10 of the respondents opposing it. Of these, the majority were local planning authorities who were concerned about the costs if they were required to set up and run a local register. The Royal Institution of Chartered Surveyors opposed the register on the grounds that demand for Starter Homes had already been established.
- 3.103** A number of respondents wanted the register to be used to collect additional information over and above that already collected through the webpage established and maintained by the Home Builders Federation. Suggestions for possible additional information included the prospective buyers' budget, required type of home, financial position, date of birth and local connection.

- 3.104 A number of respondents suggested ways in which the register could act as part of an overall qualification process as opposed to simply indicating demand.
- 3.105 A number of respondents took the view that the register should be run by a body other than the Home Builders Federation. Suggestions focused on Help to Buy agents and local planning authorities.
- 3.106 There were 32 responses (17 local planning authorities, 13 individuals and 2 other organisations including the National Housing Federation and the Council of Mortgage Lenders) whose responses to this question included proposals for the wider running of the scheme, for instance around prioritisation of applicants and how best to communicate information and guidance about the scheme.
- 3.107 There were 20 respondents (17 local planning authorities and 3 other organisations) who envisaged the register taking the form it currently has.

Government response

- 3.108 The Government is pleased that the majority of respondents see the benefits of a register to identify demand for Starter Homes.
- 3.109 Having carefully considered suggestions that the register might be used as a mechanism to test eligibility for Starter Homes, the Government does not think that it makes sense to extend the role of the register in this way. That function would be better carried out by developers as Starter Homes start to become available. For that reason, and taking account of the views about costs expressed even by local planning authorities in favour of the general idea of a register, the Government also believes that it makes sense for the Home Builders Federation to continue to host the register as they do now. Subject to permission being granted by those registering, details of those on the register will be shared with local authorities and developers as appropriate. A nationally run webpage will also make it easier for those interested in accessing housing through the scheme to find out about the scheme and potential Starter Homes as they become available.
- 3.110 The Government understands the attraction of requiring those registering through the webpage to provide as much detail as possible. The existing webpage already requires potential buyers to provide contact details, age, whether or not they are first time buyers and the location(s) in which they are interested. However, the Government considers that this data is sufficient to assess initial demand. Additional data of the type suggested by some respondents would, in some cases, be onerous to input and potentially sensitive in data protection terms. It would also rapidly go out of date as people's circumstances changed. For this reason, the Government believes it is more appropriate for house builders and lenders to collect this data later in the process if and when required.

Q12: What kind of vanguard programme would be most helpful to support the roll out of Starter Homes?

- 3.111 There were 117 responses to this question, including 52 local authorities, 34 individuals and 13 construction firms. The majority of the respondents who expressed a view indicated the vanguard programme should test implementation of the policy as it was rolled out. Just over a third of respondents were more cautious, including many planning authorities, and wanted vanguards to test the programme in advance or instead of a national roll out. Fewer than 10 per cent of respondents did not want vanguards at all, mainly because they did not support the wider policy.
- 3.112 Individuals who responded were keen for the vanguard programme to include the customer experience: who will buy the homes; how the full 20% discount will be passed on to the customer; and how it will be promoted.
- 3.113 Local authorities expected vanguards to cover a wide range of housing markets, including rural and urban areas and places where prices are highest compared to incomes. Local authorities also proposed that the vanguards consider the viability of the discount with different land types, including publicly owned sites and with or without the Community Infrastructure Levy. They expect vanguards to include the role of the register, the design panel and whether homes in high value areas could be delivered at a price appropriate for first time buyers even at a 20% discount.
- 3.114 Developers focused on the need for vanguards to involve collaborative working with local authorities, and getting the right, additional, sites to come forward. There was support for including Homes and Community Agency public sector land sites. Developers also highlighted that they believed it would take 18 months to see the first Starter Homes completed, given planning and build out time scales.
- 3.115 Financial organisations highlighted the need to test lender appetite for the proposal, and the need to work with lenders on the detail of the proposals.

Government response

- 3.116 The Government agrees that good engagement with a broad range of individuals and bodies is needed to ensure smooth implementation of the policy. The Government will establish a working group with developers, lenders and local authorities to develop further technical supporting material about resale restrictions for Starter Homes. The group will also learn from implementation of the policy - from planning through to sale - and to share that learning with Government and the sector.
- 3.117 The Government does not agree that the policy requires piloting locally, which would cause delay. It believes the best course of action to deliver more new homes at pace is to implement the policy nationally, as it believes the risks of doing so are low.