



Department for
Communities and
Local Government

Government response to the technical consultation on starter homes regulations



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Contents

Introduction	4
Summary of responses to the consultation	5
What is a starter home?	6
Restrictions on the sale and letting of a starter home	6
Age 40 eligibility	7
The starter homes requirement	9
The starter homes requirement and off-site commuted sums	12
Monitoring and reporting	13
Transitional provisions	15
Equalities considerations	16
Assessment of impact	16

Introduction

1. The Housing White Paper *Fixing Our Broken Housing Market* sets out the Government's plan to help over 200,000 people become homeowners by the end of the Parliament through its programmes. Over the last twenty years the proportion of under 40 year olds who own their home has fallen by over a third, from 61% to 38%. The 2011 Public Attitudes to Housing survey showed that 86% of people say that, if they had a free choice, they would choose to buy. This Government is committed to improving the accessibility of home ownership for a generation of young people.
2. For young aspiring home owners who would be unable to obtain a mortgage for the full market price of a home, the Government is committed to ensuring there is a range of affordable homes to support their aspiration to buy. Starter homes will be an important part of this offer, alongside shared ownership, rent-to-buy, discounted market sale and other innovative products to support first steps to home ownership. Specifically, starter homes will enable more first-time buyers between 23 and 40 years old to buy a brand new home at a discount of at least 20% below market value. After discount each starter home will cost no more than £250,000 outside London and £450,000 in London. We expect starter homes to be entry level properties priced in line with the local first-time buyer market. The average market price for homes bought by first time buyers in November 2016 was £180,000 across England outside London and £422,000 in London.
3. The Housing and Planning Act 2016 provides a statutory framework for the delivery of starter homes. On 23 March 2016 the Government launched the technical consultation on starter homes regulations, which covered the post-sales letting and resale restrictions; the starter homes requirement and exemptions; monitoring arrangements and transitional provisions. The consultation ran from 23 March to 30 June 2016.
4. As announced in the Housing White Paper *Fixing Our Broken Housing Market*, the Government has decided not to implement a compulsory starter homes requirement at this point in time. We will commence the general duty on Councils to promote the supply of starter homes and bring forward regulations to finalise the starter homes definition and monitoring provisions. This will support the development of starter homes as a mainstream home ownership product. We are also consulting on our intention to make clear through the National Planning Policy Framework (NPPF) that starter homes should be available to households with an income of less than £80,000 (£90,000 for London).
5. We remain committed to delivering starter homes through other planning reforms and funding to bring forward more additional homes which may not have otherwise have

come forward. Following our consultation in December 2015, we will change the NPPF to allow more brownfield land to be released for developments with a higher proportion of starter homes. Furthermore, the £1.2 billion Starter Home Land Fund will be invested to support the preparation of brownfield sites for development, and deliver more additional homes. Where we are investing, these sites will include a high proportion of starter homes, alongside other types of affordable home ownership such as shared ownership and rent to buy. Thirty partnerships with local authorities were announced on 3 January 2017. Further partnerships will be developed in due course.

6. Today, we are launching a consultation which proposes amending the NPPF to introduce a clear policy expectation that suitable housing sites deliver a minimum of 10% affordable home ownership units. It will be for local areas to work with developers to agree an appropriate level of delivery of starter homes, alongside other affordable home ownership and rented tenures.

Summary of responses to the consultation

7. There were a total of 370 responses, from a wide range of organisations and individuals, including local planning authorities, house builders, lettings agents, housing associations, mortgage lenders, surveyors, charities, and other professional organisations.
8. The responses are broken down as follows:
 - Of the 370 responses received
 - 45% local authority
 - 13% construction organisations
 - 11% individuals
 - 9% representative bodies
 - 2% financial organisation
 - 19% other (letting agents, housing associations, and similar)
9. This document sets out the responses received to the consultation questions and the Government's response.

What is a starter home?

10. The consultation sought views on the criteria which a person must fulfil to be eligible to purchase a starter home, and what restrictions would apply to the resale and letting of the starter home. It proposed regulations to underpin the new statutory framework for starter homes, covering restrictions on the sale and letting of a starter home, and it proposed limited flexibility on the age 23-40 restriction.

Restrictions on the sale and letting of a starter home

11. The Government aim is for starter homes to be sold to those who are genuinely committed to living in an area and not those who would simply wish to sell on quickly to secure financial uplift. It is important that starter homes are regarded as homes, not as short term investment opportunities, but this has to be balanced against the need for families to move when circumstances change.
12. The consultation sought views on regulations to prevent starter homes being sold at full market value for a restricted period. It sought views on a “tapered” approach to enable the starter home to be sold at an increasing proportion of market value, stepping up to 100% over time. A maximum eight year restricted period was proposed.
13. The consultation also stated the Government’s intention that starter homes should not be used as ‘buy to let’ properties and they should not be rented out during the restricted period. It proposed that the regulations place restrictions on renting out the property.

Summary of consultation responses

14. There was strong support for sales and lettings restrictions in principle. There was wide support for a longer period of restriction than proposed by the consultation, in order to mitigate the risk of market distortion and the risk of starter homes’ being used as an investment tool. Generally, a longer restricted period was favoured: some wanted an *in-perpetuity* discount; otherwise a restricted period between 8 to 15 years was suggested. There was support for a restricted period comprising a fixed discount period followed by a taper rising over a number of years.

Government response

15. Taking into account the widespread support of the responses to the consultation, Government will restrict the sale and sub-letting of starter homes following initial sale and will set out its plans in regulations. With regard to the length of the restricted period, the responses to the consultation found the model proposed by the consultation too short. We have considered carefully the arguments for a longer period and as a result the restricted period will be 15 years. The detailed operation of the restricted period will be set out in the regulations.
16. Following further consideration we will incorporate a mortgage requirement through the regulations. This is a pragmatic measure to ensure starter homes support first time buyers who are genuinely working hard to achieve their first home purchase rather than cash buyers. It brings the additional benefit that all purchasers will go through appropriate lending and affordability checks including residency status. We would require a minimum 25% mortgage and enable the use of home purchase plans in this requirement. We will keep the impacts of this restriction under review.

Age 40 eligibility

17. Starter homes are intended for purchase by first-time buyers under the age of 40, because this group has seen the most significant drop in home ownership over the last 20 years. However, in certain limited circumstances, the Government proposed regulations allowing for some flexibility in how the age cap could be varied. The consultation proposed that in circumstances where joint purchasers are both qualifying first time buyers but one is over the age of 40 and one is under 40, they should be able jointly to buy a starter home.
18. Government also proposed that regulations should allow for injured service personnel and those whose partner has died in service to be exempt from the under age 40 restriction. Government's position in support of the armed forces covenant is that first time buyers who have suffered particular hardship as a result of military service should be given the opportunity to access a starter home irrespective of age.

Summary of consultation responses

19. 86% of respondents supported the flexibility on age 40 cap as proposed in the consultation.
20. 93% of respondents supported the exemption for injured service personnel and those whose partner had died in service. The minority that disagreed with the proposal either objected to the age cap or wanted to widen the exemptions to other groups.

Government response

21. In accordance with the strong support shown in the consultation responses, Government will give flexibility over the age restriction to joint purchasers looking to buy a starter home. When one purchaser is under 40 years old but the other is older than 40 and both are first-time buyers, they will be eligible to buy a starter home.
22. Also in accordance with strong support received, Government will exempt injured military services personnel and those whose partner has died in service from the age restriction. This will mean that someone meeting either or both of these criteria will be eligible to buy a starter home regardless of his/her age, and also means that s/he will be eligible to buy a starter home as a joint purchase with a partner who may be above age 40, as long as they are both first-time buyers.

The starter homes requirement

Statutory provisions

a) Minimum threshold for residential developments subject to the starter home requirement

23. The Housing and Planning Act 2016 provides the Secretary of State with the power to make regulations to require starter homes on all reasonably sized housing sites, by setting a requirement for the provision of starter homes on residential developments.
24. The consultation proposed that the starter home requirement should apply to sites which are either 10 units or more, or 0.5 hectares, as a minimum threshold.

Summary of consultation responses

25. Overall 44% of respondents supported a minimum site size of 10 units or more, or 0.5 hectares. Strong support was offered from developers. Two-thirds of local authorities preferred locally determined thresholds, saying that this would be preferable to a nationally set requirement in order for the requirement to be better tailored to differing local housing needs. Some respondents suggested a threshold of 'more than 10' in order to align the policy with other affordable housing guidance.

b) Percentage requirement for starter homes

26. The consultation proposed that sites meeting the minimum threshold (above) are set a percentage requirement for the number of starter homes required on relevant residential developments. The consultation sought views on a 20% proposed minimum requirement - proposed because evidence suggests that it would be a viable percentage on an average development.
27. Other options considered in the consultation were a lower requirement of 15%, with the ability for councils and developers to agree a larger percentage of starter homes, and a higher percentage of 25%, which would ensure that most sites deliver a higher number of starter homes. A varied requirement was also considered, based on regional differences in viability.

Responses to the consultation

28. On the question of a single requirement across the country, 78% of respondents preferred the requirement be set at a local level; reasons given were that this would

allow for local needs and requirements to be better catered for based on local evidence and requirements, with concern that a universal requirement may affect the viability of other forms of affordable housing including other forms of low cost homeownership such as shared ownership.

29. On setting the requirement at 20%, 82% of respondents favoured a locally set requirement or a lower percentage requirement. Feedback indicated that 20% was considered reasonable in some areas but a challenge in others due to the widely varying housing market across England.

Government response

30. The Government recognises that most respondents felt that this compulsory starter homes percentage requirement was too high and suggested a locally set requirement instead. Following careful consideration of the responses, we will support local authorities to deliver starter homes as part of a mixed package of affordable housing that can respond to local needs and local markets. We will commence the general duty on councils under section 4 of the Housing and Planning Act 2016, to promote the supply of starter homes to support delivery. However, we have taken the decision not to implement a compulsory starter homes percentage requirement on all sites at this point in time.
31. The Government remains committed to helping people onto the housing ladder and today we are launching a consultation on changes to the NPPF which proposes the introduction of a clear policy expectation that suitable housing sites deliver a minimum of 10% affordable home ownership units. It will be for local areas to work with developers to agree an appropriate level of delivery of starter homes, alongside other affordable home ownership and rented tenures.

Exemptions to the requirement

32. The consultation also proposed that some exemptions to the starter home requirement be allowed in the regulations for some forms of residential development and in some circumstances where there are overwhelming viability constraints on a site.

Summary of consultation responses

33. There was widespread support for proposed viability exemptions with 79% of responses in favour. Clearer guidance was requested on how to determine viability, and a prescriptive test to assist negotiations was suggested by some.

34. All types of respondents generally supported the proposed exemptions from the starter home requirement with 87% in favour. Local authorities suggested including the flexibility to introduce local exemptions.
35. There was also broad support at 75% to exempt developments with a very high level of affordable housing such as estate regeneration schemes, but not for exempting custom/self-build developments, which many people felt were a market product that should be subject to normal regulations. Some commented that starter homes should nevertheless be required on these sites where they would be economically viable, or with sufficient flexibility.
36. Further suggestions for exemptions included rural exception sites; sites recently granted planning consent; supported housing including older people's housing; and sites that provide 100% affordable housing.

Government response

37. Given that we are not progressing a compulsory starter homes percentage requirement at this time, the proposed exemptions are no longer needed.

The starter homes requirement and off-site commuted sums

38. The consultation sought views on flexibility for the requirement for on-site provision of starter homes, particularly in high value areas or where development does not easily lend itself to an on-site provision.
39. The Housing and Planning Act 2016 allows for off-site commuted sums to be made in lieu of starter home provision. The consultation proposes that local planning authorities must agree to an off-site contribution for purpose built private rented sector housing and specialist older people's housing.

Summary of consultation responses

40. There was strong support for the use of commuted sums to deliver starter homes where the local planning authority agrees, with 81% of responses in favour. The large majority supported the use of commuted sums to deliver starter homes with appropriate guidance, clarity, and flexibility.
41. Respondents mostly agreed that Private Rented Sector and specialist older people's housing should meet the starter homes requirement through off site contributions, with 67% supportive. Some said that the requirement should not apply to developments that would not already require an affordable housing contribution.

Government response

42. Given that we are not progressing a compulsory starter homes percentage requirement at this time, the proposed commuted sums provisions are no longer needed.

Monitoring and reporting

43. The Housing and Planning Act 2016 requires a local planning authority (LPA) to prepare reports about the actions they have undertaken under the starter home functions. Regulations can set out the content, form and timing of these reports, including whether they should be combined with existing Authority Monitoring Reports (AMR). The consultation sought views on whether the starter homes monitoring reports should be an annex to the AMR. It also asked whether these reports established the key actions taken to support starter home delivery and the outcomes in terms of permissions granted and completions. It also asked if April 2017 is a reasonable date for the first report to be published.

Summary of consultation responses

44. Respondents generally agreed at 78% that starter homes monitoring reports should be an annex to the AMR. Some respondents suggested that one option would be to include the report within the AMR rather than requiring a separate annex.
45. Respondents also generally agreed at 78% that the AMRs establish the key actions taken to support starter home delivery and the outcomes in terms of permissions granted and completions. Respondents noted that this would only be part of the picture for monitoring success, and noted the importance of not over-burdening local planning authorities. Clarification was welcomed on what measurements and reporting requirements would be in place.
46. A majority of respondents (56%) disagreed, however, that April 2017 would be a reasonable date for the first report to be published. Many respondents considered this date too soon, with April 2018 suggested as a more realistic deadline.

Government response

47. Having taken into account the strong support from local planning authorities and others, local planning authorities will have the option to annex the starter homes monitoring requirements to the AMR. Reports must be published on at least an annual basis, but we will not specify the date for the first report to be produced, to give more local flexibility.
48. Given that we are no longer progressing a compulsory starter homes percentage requirement, most of the proposed monitoring requirements are no longer needed. We will include a monitoring requirement on the number of starter homes granted planning permission, and the actions taken by the local planning authority under the

duty to promote the supply of starter homes under section 4 of the Act. This will ensure that there is transparency on the actions taken to support starter homes and their delivery. We will issue planning practice guidance on the operation of the duty, to highlight potential actions.

Transitional provisions

49. The starter homes regulations will apply on planning applications submitted to the local planning authority after the date the regulations come into force. The consultation sought views on whether there is a strong justification for a transitional provision so that there is additional time for local planning authorities to consider the regulations and their application.

Summary of consultation responses

50. There was support for a transitional period with 86% in favour. 6-12 months was frequently suggested by local planning authorities and construction industry respondents, with the Local Government Association and Planning Officers Society suggesting an 18 month transitional period.

Government response

51. Given that we are no longer progressing a compulsory starter homes percentage requirement at this time, the proposed transitional provisions are not needed.

Equalities considerations

52. The consultation sought views on whether there was additional evidence that should be considered when assessing any equalities impacts and on any further actions to mitigate impacts.

Summary of consultation responses

53. Respondents raised concerns about the impact of the starter homes policy on those on low incomes, and on people with disabilities and other protected characteristics. Respondents felt that these groups would be unlikely to be able to pursue starter homes as a housing option, and so would be disproportionately affected by any reduction in other types of affordable housing. Concern was also raised about the impact that the age restriction would have on older people.

Government response

54. The Government recognises that the age restriction prevents people above 40 in most cases from buying a starter home. However, the starter homes policy is aimed at young people over the age of 23 and under the age of 40, who have seen the most significant drop in home ownership over the last 20 years, with the proportion of under 40 year olds who own their home falling by over a third from 61% to 38%.

Assessment of impact

55. The consultation sought views on a number of assumptions which would help to determine the impact on business of the starter homes requirement including: the open market value of starter homes compared with other forms of housing; the proportion of sites that would be able to deliver 20% starter homes without viability being affected; and estimates of the costs incurred by developers in negotiating s106 agreements.

Summary of consultation responses

56. Respondents generally took the view that starter homes would be of higher open market value than other affordable housing. All were of the view that the value of starter homes would be difficult to establish, and the risk of market distortion was raised.

Government response

57. The Government recognises the concerns raised in the responses around the potential for market distortion and valuing a starter home, and continues to engage with lenders, developers, valuers and local authorities to address the concerns raised. Government believes that the steps it is taking around the repayment taper will help to address the risks of market distortion. Allowing more local flexibility by not progressing a compulsory starter homes percentage requirement at this time, will also reduce the likelihood of market distortion.