



Ministry of Housing,  
Communities &  
Local Government

The logo for 'First Homes' features a stylized house outline in blue. The roof is a simple triangle with a chimney on the left side. The front of the house is represented by a vertical line with a horizontal bar across it, resembling a ladder.

# First Homes

## Getting you on the ladder

Backed by HM Government

## **Design and delivery**

Summary of responses to the consultation and the  
Government's response

## Ministerial Foreword

So many young people dream of owning a home of their own in their local area. Whether they grew up or settled there, they feel at home in their local community. Buying a home there should be a natural next step; offering security and stability, somewhere to raise a family, a base to live their lives, to grow, and retire.

Yet for many young people, home ownership can feel just that - a dream. Local property is too expensive, forcing them to move out of their communities to find somewhere they can afford. Key workers are often forced to commute long distances to the communities they serve rather than being able to settle among them. And communities themselves struggle as more and more young people are forced to settle elsewhere.

This must change. I want local first-time buyers to be able to settle where they have ties and raise families of their own. As we promised in our 2019 Manifesto, our flagship First Homes scheme will support them to do so by providing discounts of at least 30% on new-build properties in their area compared to market prices. And Local Authorities, who know their local areas best, will have the flexibility to shape the scheme to support those most in need of help in their area.

I'm ambitious for our First Homes scheme; I want to see thousands of new First Homes developed across England. Government will work closely with developers, Local Authorities and our other partners to support them to deliver First Homes, offering thousands of first-time buyers the chance to buy a home of their own.

And to turn their dream of home ownership into a reality.

## Introduction

1. This Government is committed to supporting people to make the dream of home ownership a reality. We have already taken significant steps forward; since 2010, over 644,000 households have been helped to purchase a home through Government-backed schemes including Help to Buy and Right to Buy. We have supported the delivery of 486,600 new affordable homes since 2010, including delivering 82,000 new shared ownership homes between 2010 and 2019. Over half a million buyers have benefited from stamp duty relief introduced at Autumn Budget 2017.
2. We are continuing to take steps to ramp up the supply of new housing, undertaking the most radical reforms to our planning system since the Second World War and making it easier to build homes where they are most needed. Our £400m Brownfield Land Fund and Home Builders Fund will support the levelling up of home building across England. And our stamp duty holiday, applying to the first £500,000 of property sales before 31 March 2021, will give a much-needed boost to the economy and help even more people to own homes of their own.
3. Yet we know that, for some, home ownership is still out of reach. Young people can struggle to buy a home in the area where they grew up. Key workers, who continue to provide the services essential to helping the nation through the coronavirus (COVID-19) outbreak, can find they are unable to live in the very communities they serve. And Armed Forces veterans can struggle to afford somewhere to live in communities where they wish to settle.
4. Our Help to Buy: Equity Loan programme has already helped over 210,000 first-time buyers to purchase a home of their own. We want to build on this progress to support first-time buyers to buy a home in their local area for a 30% discount on the open market price. This will save first-time buyers around £100,000 on the price of an average new-build property in England.
5. We also want to ensure that the discount will apply in perpetuity so that future buyers of the property, and the community as a whole, will be able to benefit. Every time a First Home is resold, the discount will be passed on to the next generation of homeowners.
6. To maximise the number of First Homes, the scheme will be delivered through two routes within the planning system: through section 106 developer contributions and through an amendment to the policy on exception sites. The Government has published the 'Planning for the Future' consultation alongside this response which sets out plans to undertake a fundamental reform of the planning system. We are also consulting on proposals to improve the immediate effectiveness of the current system and support new development as the economy recovers from the impact of coronavirus (COVID-19) in the shorter-term. This consultation sets out our proposed approach to delivering First Homes through the planning system as it currently stands.
7. In the longer term, the Government's reforms to the planning system to make it more accessible, digital, efficient and transparent will support the delivery of First Homes by bringing more land forward for development and with a new Infrastructure Levy, which covers affordable housing provision and could be used for on-site delivery of First Homes. However, because we want to bring forward First Homes and make them available to first-time buyers as quickly as possible, we will initially secure homes

through the current system of section 106 planning obligations, before transitioning into a new approach.

8. We will establish First Homes as a new tenure in the housing market with a 1,500 homes pilot delivered through the Affordable Homes Programme. We will be announcing more detail on the pilot shortly.
9. We will work closely with developers, Local Authorities and other partners to make First Homes a reality so more first-time buyers can buy a home of their own.

## Summary of actions

10. We received 797 responses to the First Homes consultation from Local Authorities, developers, housing associations, other organisations, and individuals. These provided a clear message that there is considerable support for First Homes to be discounted by 30% compared to properties on the open market.
11. This response sets out how we will structure the First Homes scheme to support first-time buyers to purchase a home in their local area, including affordability, eligibility, administration, and delivery details.

## Design of the First Homes scheme

- To open up the prospect of home ownership to as many first-time buyers as possible while considering the impact of developer contributions, we will specify that **in order to qualify as a First Home, properties must be marketed and sold at a discount of at least 30% below market value.**
- Yet we acknowledge that in some parts of the country where property prices are very high, a 30% discount may not be sufficient to make homes affordable. **Local Planning Authorities will therefore be able to require a higher minimum discount of either 40% or 50% on First Homes built in their local area, provided they are able to evidence the need for and viability of homes at this higher discount rate through the local plan-making process.**

## Local connections restrictions

- Local Planning Authorities are best placed to determine any specific local connection restrictions, but the rationale for the restrictions must be clearly evidenced and available for scrutiny so that people who live or move into an area understand the basis for the restriction and can determine whether they are eligible. **Local Planning Authorities will therefore be able to set specific local connection restrictions provided they are able to evidence the necessity and viability of these restrictions.** Local Planning Authorities should publish this evidence along with a clear statement of the process for assessing local connection restrictions.
- We do not, however, wish to see First Homes remaining unsold. We therefore believe that **specific local connections restrictions should apply for a period of three months from when the property goes on sale.** This will offer local people the opportunity to benefit from specific local connections restrictions while avoiding the risk that properties remain unsold. To ensure that the process is fair, **developers should be able to evidence that they have been actively marketing First Homes to local people before the restrictions can be lifted.** After a period of three months, local connections will fall away and the property will become available to all first-time buyers across England at a 30% discount.

## Price caps, income caps and other eligibility requirements

- To help as many first-time buyers as possible on to the property ladder, **First Homes will be subject to price caps. We will set two regional price caps which will apply after the discount has been applied to all initial sales of First Homes. These will be set at £250,000 across England and £420,000 in London.**

- We understand that in some areas of the country, these price caps may not be an ideal fit for local housing market conditions and it may be challenging to target support for lower income groups where the price cap is high. **Local Planning Authorities will therefore be able to set lower price caps for the first three months of sale of First Homes provided they evidence both local need and the impact on the viability of building new First Homes through the local plan-making process.**
- To provide a clear signal for eligibility, **First Homes will be subject to income caps. We will set two regional household income caps of £80,000 across England and £90,000 in London.**
- We recognise that local housing markets differ and there may be local circumstances where lower caps are necessary; for example where Local Planning Authorities are looking to focus First Homes on supporting key workers. **Local Planning Authorities will therefore have the ability to set lower income caps for the first three months of sale, provided they can evidence both need and viability through their local plan-making process.** These local caps should be specified as part of the First Homes local connections criteria.
- We have been clear that First Homes are intended to support buyers on to the first step of the property ladder. We therefore intend that **First Homes should, as a rule, only be sold to first-time buyers.** To ensure coherence between government initiatives, we intend that **‘first-time buyer’ will have the same definition as that used for Stamp Duty Relief for First-Time Buyers as defined in the Finance Act 2018.**
- We recognise, however, that there are compelling reasons for making allowances in certain, limited circumstances for non-first-time buyers to purchase First Homes. We will therefore **publish a list of circumstances under which non-first-time buyers should be eligible for First Homes.**
- We recognise the challenges Local Planning Authorities may face in routinely inspecting First Homes applicants’ income and assets as part of each transaction. We also understand the difficulties involved in identifying individuals’ asset holdings and have listened to stakeholders’ concerns that those with relatively high levels of savings but low incomes may be discriminated against. **We will therefore empower Local Planning Authorities to be able to take incomes into consideration in instances where First Homes are oversubscribed. They will not take individuals’ assets into consideration.**
- We do not want to see First Homes remaining empty when suitable local buyers cannot be found, as these homes will not benefit the community and will cause problems for developers. **In circumstances where an eligible local buyer cannot be found who fits the local connections criteria and/or any local variations to the price or income caps, these restrictions will fall away after a period of three months.**
- We agree with respondents to the consultation that some further eligibility restrictions are appropriate to ensure that First Homes benefit first-time buyers who would otherwise struggle to buy a home. **We agree that the First Home should be the buyer’s only home.** We will therefore define first-time buyers according to the definition used for assessing stamp duty land tax. This specifies that potential purchasers will only be eligible to buy a home under the scheme if they have never purchased or owned an interest in a property in the United Kingdom or anywhere in the world, and if they intend to occupy the property as their primary residence.
- We also agree that **First Homes should only be purchased using mortgage finance or a home purchase plan which covers at least 50% of the purchase value.** We believe that this is a sensible way of signalling that eligibility to purchase a First Home is focused on first-time buyers who need additional support to access home ownership.

## Supporting the First Homes scheme

- We want to ensure that future buyers and the local community can continue to benefit from discounts to First Homes every time the property is sold. **We therefore intend that First Homes will have a restrictive covenant against the title of the property** to ensure that relevant restrictions, including the original level of discount, are passed on to future purchasers. In order to ensure consistency of approach and ease the administrative burden, **we will produce standardised model covenants** that can be used for this purpose.
- **We agree that it is most appropriate for the covenant process to be overseen by Local Planning Authorities**, due to their local expertise and direct interest in ensuring that First Homes discounts continue to be applied in perpetuity and benefit the community for years to come.
- **We are taking steps to minimise the costs this will incur to Local Planning Authorities by developing standard section 106 clauses that can be used for the sale of any First Home.** We will also encourage the development of model agreements. As part of our ongoing work **we will consider whether it is reasonable for Local Planning Authorities to recover some of the costs they incur by charging the developers and purchasers of First Homes a reasonable fee.**
- However, there are likely to be some new costs which relate to ensuring that potential buyers fully meet the eligibility criteria. **We will work with Local Planning Authorities and other delivery partners to determine how these functions could best be managed and delivered and will provide new burdens funding to Local Planning Authorities if required.**

## Supporting competitive mortgage lending

- We want to ensure that people purchasing First Homes have access to competitive mortgage or home purchase plan finance to turn their dream of home ownership into a reality. **We will therefore create a model agreement for First Homes which provides certainty for lenders.**
- In order to offer mortgage and home purchase plan finance at competitive rates, lenders also need certainty that they will be able to reclaim their money in the rare event of a default on mortgage payments. **We will therefore develop a mortgage protection clause to provide additional assurance to lenders, which will include a waiver on the discount in certain circumstances if a First Home is repossessed.** This will include setting an expectation that once their costs are recouped, lenders should repay any premium to the Local Planning Authority. We will also expect lenders to take a sensible and proportionate approach to First Home owners falling into arrears.

## Restrictions on letting First Homes

- We recognise that there are occasions when it may be necessary for owners of First Homes to let out their property for short periods of time, especially in response to unexpected life events. We are clear, however, that First Homes must not be used as an investment opportunity. **We will therefore specify that First Home owners will be able to let out their home for up to 2 years, for which they will have to notify the relevant Local Planning Authority.**

- We believe that a 2 year period of letting should be long enough to allow a homeowner to make suitable alternative accommodation arrangements or to sell their First Home. We also believe that for these short periods of time, the homeowner should be allowed to let their home at market rent as we recognise that they will need to rent alternative accommodation themselves.
- We do not intend that this will affect homeowners' rights to rent out a room or for short-term holiday lets, **but their First Home must remain their sole residence**. This also does not affect a homeowner's arrangements with their mortgage lender and they may also need to seek their lender's permission prior to letting their property.
- We also recognise that there are reasonable circumstances under which a person may need to let their home for longer than 2 years. Therefore, **where a homeowner wishes to let out their home for a period which is longer than 2 years then they should get explicit permission from their Local Planning Authority with a presumption in favour of permission under the following circumstances:**
  - i. **Short job posting elsewhere**
  - ii. **Deployment elsewhere (Armed Forces)**
  - iii. **Relationship breakdown**
  - iv. **Fleeing domestic violence**
  - v. **Redundancy**
  - vi. **Caring for relative/friend.**
- As above, we will consider whether it is appropriate for Local Planning Authorities to charge a reasonable fee for the administration of this process.

## Delivering the Armed Forces Covenant

- Members of the Armed Forces and recent veterans play a critical role in keeping our nation safe and we all owe them a debt of gratitude for the sacrifices they make. In recognition of their service, the **local connection restrictions for the First Homes scheme will be waived for members of the Armed Forces and recent veterans. This waiver will continue to apply for 5 years after veterans have left the Forces** to give them time to settle into civilian life and still benefit from the First Homes scheme.
- We also recognise the sacrifices made by the families of servicemen and women who give their lives for this country. **Local connections restrictions will therefore also be waived for bereaved spouses and civil partners of service men and women whose deaths have been wholly or partly caused by their service.**

## Setting developer contributions for First Homes

- We want to ensure that the First Homes scheme is delivered in a way that ensures successful implementation across England. We acknowledge that legislation can be restrictive and limit the ability of Local Planning Authorities to accommodate for local needs. Therefore, **we will begin by making planning policy changes through the National Planning Policy Framework and guidance**, to ensure that clear expectations are set. However, to ensure that First Homes are delivered on a consistent basis across England, we are keeping under consideration the option to strengthen the policy through primary legislation at a future date.
- We recognise that it is important to ensure the delivery of market homes and other types of affordable housing alongside First Homes, therefore **we will deliver First Homes as**

**a proportion of section 106 affordable housing contributions.** This will ensure the continued delivery of homes of different tenures.

- We carefully considered the appropriate threshold for section 106 payments alongside consultation responses and in the context of current market conditions. **We will therefore set out in planning policy that a minimum of 25% of all affordable housing units secured through developer contributions under section 106 should be First Homes.** Although not one of the original consultation options, we believe a threshold of 25% supports a smooth introduction of the First Homes scheme and appropriately balances delivery of First Homes with the continued delivery of other tenures of affordable housing in the current market climate. We will consider the proportion of First Homes once they are embedded in the market although, from the outset, Local Planning Authorities will have the flexibility to choose to deliver a higher proportion of First Homes, either on individual sites or across the area. **We will consult on the technical detail of the implementation of this part of the policy.**
- We have **recently announced a pilot of 1,500 First Homes to be delivered via the Affordable Homes Programme and we will be announcing further details in due course.** We will work with delivery partners to develop further detail on how the pilot and the wider First Homes scheme will be delivered.

## Delivery through exception sites

- We note the support from consultation respondents to amending the entry-level exception site policy; **we will therefore amend the entry-level exception site policy to become a First Homes exception site policy.**
- We recognise that a considerable number of Local Authorities favoured the ability to have flexibility on entry-level exception sites to deliver other forms of affordable housing. **We will therefore ensure flexibility for the delivery of a limited number of other forms of affordable housing on these sites.**
- **We will also allow a small proportion of market homes on a site where it has been evidenced as essential for viability,** in addition to the removal of the National Planning Policy Framework threshold on site size, while retaining the requirement to be proportionate to the existing settlement to ensure additional flexibility. **We will produce further guidance on how we expect flexibility in terms of delivering other forms of affordable or market housing should be demonstrated.**
- **We recognise that Rural Exception Sites are important for the delivery of affordable homes in rural areas and will consult on further guidance to provide clarity on policy, with the aim of ensuring that they are used to their full potential.**

## Community Infrastructure Levy exemptions

- First Homes can already be exempt from the Community Infrastructure Levy under discretionary relief, and we would encourage Local Planning Authorities to make use of this. **We also intend to introduce a mandatory exemption from the Community Infrastructure Levy for First Homes.** Further proposals are being developed for an Infrastructure Levy, which would replace the Community Infrastructure Levy and section 106 planning obligations. First Homes will remain integral to this approach, as will the delivery of affordable housing more generally. We will consider the balance of infrastructure and affordable housing as part of this approach.

## Equality impacts of the First Homes scheme

- We have considered the impact of the First Homes scheme on groups with protected characteristics including age, sex, race, and disability, in light of the responses we received to the consultation. Our assessment shows that there will be some impacts on protected groups, both positive (through access to discounted home ownership in the form of First Homes, and homes for market sale that would not otherwise have been built), and negative (through a reduction in the number of homes available in other affordable housing tenures, particularly social and affordable rent, delivered through s106).
- We recognise the concerns of some respondents that delivering First Homes through section 106 will reduce the number of social and affordable rented homes delivered, and that members of some protected groups are more likely to live in these homes. However, our analysis suggests that the reduction in the number of homes delivered in these tenures is likely to be relatively small, compared to the number of First Homes delivered. **The scheme will bring home ownership within reach for many households: and by allowing First Homes to be delivered on exception sites, we will bring forward housing that would otherwise not have been built.** This will allow thousands of people, many of whom may not otherwise have been able to buy, to get on to the housing ladder.
- We believe that First Homes also needs to be seen in the context of the Government's entire housebuilding programme. **We have confirmed that we are investing £12 billion in Affordable Housing. The £12 billion will be spent over five years, with the majority of homes built by 2025-26 and the rest by 2028-29.** This means over the next 5 years Government will make the largest cash investment in affordable housing in a decade. The existing Affordable Homes Programme will be extended by one year, which will save homes that would otherwise have been lost following site closures due to coronavirus (COVID-19).
- We believe that there is a need for discounted market housing which is currently not being met by the market. We believe that developing First Homes will bring this type of housing into the mainstream and help first-time buyers both now and in the future to get on to the property ladder.

## Responses to Consultation Questions

### Overview

12. The First Homes consultation initially ran for eight weeks from 7<sup>th</sup> February 2020. Due to the coronavirus (COVID-19) outbreak, the consultation was subsequently extended for a further four weeks to give Local Authorities and other partners more time to respond while managing the impact of the outbreak. The consultation closed on 1<sup>st</sup> May 2020.
13. The consultation sought views on a range of options for the design and delivery of the First Homes scheme, including questions relating to affordability, eligibility, accessibility, administration, and planning issues. Respondents were invited to reply using an internet survey (SurveyMonkey), by email, or by posting their written responses to the Ministry of Housing, Communities and Local Government.
14. Out of a total of 797 responses received, 50% (402) were organisational responses and 46% (369) were from individuals.<sup>1</sup> A significant proportion of individual respondents were homeowners (23%) and renters in the private rented sector (38%). Respondents did not have to answer all of the questions in the consultation.
15. In this response we provide a breakdown of each question by individual and organisational responses. For some of the tables in the document, the numbers do not total 100% due to rounding or because respondents were able to choose multiple options.
16. It should not be assumed that individuals' or organisations' views are representative of wider stakeholder or public opinion.
17. If you have any questions relating to the consultation or this response, please contact [FirstHomes@communities.gov.uk](mailto:FirstHomes@communities.gov.uk)

### Our respondents:

Total consultation responses	Individual	Organisation	Unspecified	Total
<b>Total</b>	369 (46%)	402 (50%)	26 (3%)	797
<b>Breakdown of categories for all responses</b>				<b>Totals</b>
Own my own home				149 (27%)
Rent my home (social rented)				28 (5%)
Rent my home (private rented)				143 (26%)
Live with friends or family				104 (19%)
Other				123 (22%)
<b>Breakdown of official response categories</b>				
Local Authority				229 (31%)
Councillor				3 (1%) <sup>2</sup>
Housing Developer				38 (5%)

<sup>1</sup> The remaining 26 responses did not specify a category

<sup>2</sup> One Councillor answered in an organisational capacity and 2 as individuals

Housing Association	41 (6%)
Voluntary Organisation	14 (2%) <sup>3</sup>
Business Organisation	52 (7%)
Not an official response	343 (46%) <sup>4</sup>

## Design

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

**b) If not, what should the minimum discount be?**

**i) 20%**

**ii) 40%**

**iii) Other (please specify)**

Question 1 (a)			
Response	Organisations	Individuals	Total
Agree	164 (55%)	232 (71%)	396 (63%)
Disagree	136 (45%)	94 (29%)	230 (37%)
Question 1 (b)			
Response	Organisations	Individuals	Total
20%	45 (76%)	8 (9%)	53 (15%)
40%	14 (24%)	81 (91%)	95 (28%)
Other	166 (78%)	48 (22%)	214 (59%)

18. There was a very strong rate of response to the first part of this question. Of a total of 626 responses, 63% supported a discount of 30% for First Homes. Responses from individuals were particularly supportive, with 71% favouring this option compared to 55% of organisational responses. There was a significant difference of view among organisations on this question; 59% of Local Authorities and 64% of housing associations agreed with a discount of 30%, but 76% of housing developers and 57% of business organisations disagreed.

19. There were a variety of responses to the second part of question 1. Respondents could provide a written response as well as choose a set percentage. A majority of the total of 362 responses received favoured another level of discount, selecting the 'other' option (59%). Of these, about half (49%) said the discount should be set at a local level or include the flexibility to respond to local housing markets. The majority of Local Authorities, housing developers, business organisations and housing associations advocated this approach; and it was the most common response received by some margin. A fifth (21%) of responses to question 1 (b) favoured a higher rate of discount of between 50% and 80%. 18% raised viability concerns relating to a discount of 30%, including the wider impact this would have on the overall housing supply and particularly the provision of other affordable housing tenures.

<sup>3</sup> One voluntary organisation classed their response as an individual response; the rest as organisational responses

<sup>4</sup> 11 received from organisations; 331 from individuals

20. Of the other closed options for the discount level, 28% of total respondents favoured a 40% discount and 15% favoured a 20% discount. 80% of business organisations and 100% of developers preferred a discount of 20%. A number of responses, including 18% of those received from Local Authorities, felt that even a 30% discount would not be sufficient to make First Homes affordable in some parts of the country where property values are high. However, a number of respondents raised concerns about the impact of higher discount rates, including 24% of housing developers who were concerned about other demands on developer contributions, particularly providing homes for social and affordable rent.
21. A number of respondents believed that the discount rate should remain at the current level of 20% for discounted market sales as set out in the National Planning Policy Framework. This included about a third of business organisations (30%) and 29% of housing developers. Not all respondents set out their reasons for advocating this approach, but some felt that the existing discounted market sales approach was already working well.

## Government response

22. We wish to open up the prospect of buying an affordable local home to as many first-time buyers as possible in a way which also considers the impact of developer contributions. We believe that a 30% discount offers the best balance and responses to the consultation demonstrated considerable support for this approach. **In order to qualify as a First Home, properties must therefore be marketed and sold at a discount of at least 30% below market value.**
23. We also acknowledge the concerns that a 30% discount may not be sufficient to make homes affordable in areas of the country where property prices are very high. However, significantly increasing the level of discount offered on First Home properties will impact on the delivery numbers of both these homes and other forms of affordable housing, and will increase the scheme's complexity. Balancing these considerations, we believe that Local Planning Authorities should be able to vary discounts in areas of high affordability pressures within set parameters. **Local Planning Authorities will therefore be able to require a higher minimum discount of either 40% or 50% on First Homes built in their local area, provided they are able to evidence the need for and viability of homes at this higher discount rate through the local plan-making process.**

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

**b) If yes, what is the appropriate level to set this price cap?**

**i) £600,000**

**ii) £550,000**

**iii) £500,000**

**iv) £450,000**

**v) Other (please specify)**

Question 2 (a)			
Response	Organisations	Individuals	Total
Agree	30 (10%)	86 (27%)	116 (19%)
Disagree	267 (90%)	236 (73%)	503 (81%)
Question 2 (b)			
Response	Organisations	Individuals	Total
£600,000	13 (9%)	25 (18%)	38 (13%)
£550,000	0 (0%)	4 (3%)	4 (1%)
£500,000	0 (0%)	26 (19%)	26 (9%)
£450,000	2 (1%)	41 (30%)	43 (15%)
Other	137 (90%)	41 (30%)	178 (62%)

24. A total of 619 respondents answered the first part of this question. Responses expressed strong opposition to a single, nationally-defined price cap (81%). This included 95% of Local Authorities, 81% of housing associations, and 82% of developers.
25. 289 respondents answered the second part of question 2. Overall there was minimal support for each of the price cap options, each receiving between 1% and 15% of total responses. The most popular response was the 'other' option, with 62% of respondents selecting this choice, although there was a significant difference in the numbers of individual (30%) and organisational responses (90%) preferring this option. Among organisations, 95% of Local Authorities, 71% of developers and 79% of housing associations chose 'other'.
26. Of respondents who chose the 'other' option, about half (48%) said the price cap should vary by Local Authority or by region according to local conditions; or there should at least be some flexibility to respond to local markets. This approach received more than double the level of support than any other response received in the free text part of the question, none of which received significant support. 70% of Local Authorities favoured this approach compared to 44% of business organisations and 40% of housing developers. Developers noted that varying price caps by Local Authority or region could introduce added complexities for those developers who work across housing markets.
27. A number of respondents who chose the 'other' option suggested an alternative figure for a price cap (19%). Some outliers of between £100,000 and £1.5m were suggested, but the most common single suggestion was £300,000 (29% of responses), and the majority of responses fell between £200,000 and £400,000 (65%). About 16% of respondents overall said that the suggested caps were too high or inappropriate.

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

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

**i) London and nationwide**

**ii) London, London surrounding local authorities, and nationwide**

**iii) Separate caps for each of the regions of England**

**iv) Separate caps for each county or metropolitan area**

**v) Other (please specify)**

Question 3 (a)			
Response	Organisations	Individuals	Total
Agree	172 (67%)	210 (75%)	382 (71%)
Disagree	84 (33%)	69 (25%)	153 (29%)
Question 3 (b)			
Response	Organisations	Individuals	Total
i) London and nationwide	12 (9%)	44 (16%)	56 (10%)
ii) London, London surrounding local authorities and nationwide	19 (14%)	64 (23%)	83 (15%)
iii) Separate caps for each of the regions of England	53 (38%)	111 (41%)	164 (29%)
iv) Separate caps for each county or metropolitan area	71 (51%)	86 (31%)	157 (28%)
Other	165 (9%)	20 (11%)	185 (32%)

28. A total of 535 responses were received to the first part of this question, with 71% in favour of regional variation in price caps. There was particularly strong support from housing associations (87%), and around two thirds of Local Authorities (65%), housing developers (67%) and business organisations (66%) agreed.

29. The responses to the second part of question 3 were varied. Respondents could choose multiple answers. From a total of 581 respondents, answers were spread across each of the options and no single approach received overwhelming support. 32% of respondents chose the 'other' option; 29% favoured separate caps for each of the regions of England, and 28% preferred separate caps for each county or metropolitan area. Of those who chose 'other', over a third (37%) suggested that price caps should be set at a more local level. Suggestions included district level; by Local Planning Authority area; local housing market area; and even on a site-by-site basis. There was no consensus about the most appropriate geographical level for setting price caps, and some respondents raised concerns that variable price caps would increase the complexity of the First Homes scheme. A number of responses from Local Authorities (31%) and housing developers

(21%) restated their view that price caps should be set at a local level rather than by central Government. Over a quarter of those who chose the 'other' option felt that it was inappropriate for Government to set price caps and that these should be determined at a local level.

**Q4. Do you agree that, within any central price caps, Local Authorities should be able to impose their own caps to reflect their local housing market?**

**Do you have any further comments on ways of making First Homes affordable?**

Question 4			
Response	Organisations	Individuals	Total
Agree	246 (83%)	226 (71%)	472 (77%)
Disagree	50 (17%)	91 (52%)	141 (23%)

30. A total of 613 respondents answered question four, with 77% agreeing that Local Authorities should be able to impose their own caps. However, there were significant differences between organisational views; while 94% of Local Authorities and 85% of housing associations favoured this approach, only 46% of developers agreed. A number of respondents expressed strong views that any local discretion should be evidenced and scrutinised by local plans, and should not be on a site-by-site basis.

31. 361 respondents made further comments on question four. 13% of those who did so suggested that local flexibility could be defined in a standard national approach. Others were concerned that local flexibility could make the First Homes scheme overly complex.

**Government response**

32. The First Homes scheme is designed to support first-time buyers to access suitable discounted homes; we are clear that the scheme should not be used to subsidise the purchase of exceptionally expensive homes. To ensure that the scheme can support as many first-time buyers as possible, **First Homes will therefore be subject to price caps**, in line with other Government home ownership programmes such as Help to Buy and the Shared Ownership programme.

33. We want to make the First Homes scheme as straightforward as possible for both consumers and developers to navigate and plan for. At the same time, we wish to reflect the significant affordability differences between the capital and across England. We will therefore set **two regional price caps** for properties sold under the scheme. **These caps will apply post-discount to all initial sales of First Homes and will be set at £420,000 in London and £250,000 across England.**

34. Yet we also understand that in some areas of the country these price caps may not be an ideal fit for local housing market conditions. and it may be challenging to target support to lower income groups where the price cap is high. **Local Planning Authorities will therefore be able to set lower price caps for the first three months of sale for First Homes provided they evidence both local need and the impact on the viability of building new First Homes through the local plan-making process.**

35. We believe that Local Planning Authorities should be able to prioritise First Homes sales to first-time buyers who meet their local connections criteria. **We therefore believe that**

**Local Planning Authorities should be able to set local connections tests** to establish eligibility criteria for the First Homes scheme. Local Planning Authorities must be able to demonstrate local need for these criteria and that the build-out of new First Homes will be viable with these restrictions in place.

## Eligibility for the First Homes Scheme

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

**Q6. When should local connection restrictions fall away if a buyer for a First Home cannot be found?**

**i) Less than 3 months**

**ii) 3 – 6 months**

**iii) Longer than 6 months**

**iv) Left to Local Authority discretion**

Question 5			
Response	Organisations	Individuals	Total
Agree	266 (89%)	199 (67%)	465 (78%)
Disagree	32 (11%)	99 (33%)	131 (22%)
Question 6			
Response	Organisations	Individuals	Total
i) Less than 3 months	49 (17%)	36 (12%)	85 (15%)
ii) 3 – 6 months	112 (39%)	90 (31%)	202 (35%)
iii) Longer than 6 months	18 (6%)	102 (35%)	120 (21%)
iv) Left to Local Authority discretion	106 (37%)	66 (22%)	172 (30%)

36. 596 responses were received to question 5, with strong support for Local Authorities determining local connection restrictions (78% of total respondents). Organisations were particularly supportive (89%) as were Local Authorities themselves (95%). Housing developers (62%), housing associations (94%), business organisations (78%) and voluntary organisations (67%) also agreed. Of those who disagreed, some respondents set out their reasons for doing so elsewhere in the consultation. The most common themes were fears that this approach could make the First Homes scheme overly complex, or lead to patchy or delayed implementation. Others were concerned that narrow restrictions may limit the viability of First Homes sites for developers, and a number preferred central guidelines and scrutiny of local connections criteria.

37. There was a significant variation in responses to question 6, particularly among individuals. Approximately a third of the 579 responses felt that local connections restrictions should fall away after a period of 3-6 months, and a further third felt the duration should be at the Local Authority's discretion. 15% of responses supported timelines of less than three months, with a similar number (21%) preferring longer than six months. Half of the responses received from Local Authorities favoured retaining

discretion over the duration of restrictions, while a small majority of housing developers (54%) favoured restrictions lasting for less than 3 months. By contrast, individual responses generally favoured longer timeframes.

38. A number of general comments made on the First Homes scheme also related to the duration of local connection restrictions. Many respondents felt that homes could be left empty if restrictions were in place for too long. Others suggested that protective measures are needed to prevent gaming of the system; for example there should be clear evidence that the property has been appropriately marketed before local connections restrictions can fall away. A number of respondents believed restrictions should fall away gradually and cascade to a wider range of local buyers as an intermediary step before the First Home becomes available on the open market.

## Government response

39. We agree that Local Authorities are best placed to determine any specific local connection restrictions; they understand their area best and so can set requirements in a way which most benefits their community. However, it is important that the rationale for any specific local connection restrictions must be clearly evidenced and available for scrutiny so that people who live or move into an area understand the basis for the restriction and can determine whether they are eligible. **Local Planning Authorities will therefore be able to set specific local connection restrictions provided they are able to evidence the necessity and viability of these restrictions.** Local Planning Authorities should publish this evidence along with a clear statement of the process for assessing local connection restrictions.
40. We are sympathetic to the concern that long periods of restrictions could lead to First Homes remaining unsold. This will cause problems both for the developers forced to hold on to unsold stock, and for people who fall slightly outside the criteria but would be keen to purchase a home. We therefore believe that **specific local connections restrictions should apply for a period of three months from when the property goes on sale.** This will offer local people the opportunity to benefit from local connections restrictions while avoiding the risk that properties remain unsold. To ensure that the process is fair, **developers should be able to evidence that they have been actively marketing First Homes to local people before the restrictions can be lifted.** After a period of three months, local connections will fall away and the property will become available to all first-time buyers across England at a 30% discount.

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

41. Several themes emerged from the 482 responses to this open question. The most common theme, cited by 42% of responses, was that there should be waivers for households meeting other criteria, such as where there is a clear financial or social need (including overcrowding, divorce, domestic abuse, disability and health or safety). The majority of responses from Local Authorities (64%) and housing associations (55%) stated this view, and it was the largest theme cited by business organisations and housing developers. Responses from individuals were more varied, with 18% mentioning this theme compared to 26% who felt that prioritisation should not be waived under any circumstances.

42. Smaller numbers of total responses felt that waivers should apply for key workers, including second-steppers who own a home which is no longer suitable for their needs. 15% of overall responses including 17% of Local Authorities, 30% of developers and 15% of housing associations stated this view. 11% of total respondents felt that Local Authorities should have the discretion to decide the circumstances under which first-time buyer prioritisation should be waived.
43. Linking with question six on the duration of local connections restrictions, 18% of respondents stated that prioritisation should fall away if the First Home property is not sold within a specified period of time; including 21% of housing associations, 22% of developers and 16% of Local Authorities. A further 17% of total respondents believed first-time buyer prioritisation should not be waived under any circumstances.

## Government response

44. We have been clear that First Homes are intended to support buyers on to the first step of the property ladder. We believe there are good reasons to exclude previous home owners to help ensure the system is not abused by those looking for a subsidised rental investment. We therefore intend that **First Homes should, as a rule, only be sold to first-time buyers**. To ensure coherence between government initiatives, we intend that **‘first-time buyer’ will have the same definition as that used for the Stamp Duty Relief for First-Time Buyers as defined in the Finance Act 2018**.
45. We recognise, however, that there are compelling reasons for making allowances in certain, limited circumstances for non-first-time buyers to purchase First Homes. We will therefore **publish a list of circumstances under which non-first-time buyers should be eligible for First Homes**. It should be noted, however, that there is no guarantee that under these circumstances, purchasers will also qualify for stamp duty relief.

### **Q8. a) Should there be a national income cap for purchasers of First Homes?**

**b) If yes, at what level should the cap be set?**

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

Question 8 (a)			
Response	Organisations	Individuals	Total
Agree	140 (50%)	154 (52%)	294 (51%)
Disagree	139 (50%)	143 (48%)	282 (49%)
Question 8 (c) <sup>5</sup>			
Response	Organisations	Individuals	Total
Agree	221 (86%)	179 (60%)	400 (72%)
Disagree	37 (14%)	118 (40%)	155 (28%)

46. Respondents were split on whether First Homes should be subject to an income cap; 51% of the total of 576 responses agreed and 49% disagreed. The proportions were reversed for Local Authority responses, and 44% of housing developers were in favour of an income cap compared to 56% opposed. Responses from housing associations and

<sup>5</sup> Data for question 8 (b) is not included as it was an open question

business organisations were less evenly split, with two thirds of housing associations (66%) favouring income caps compared to approximately one third of business organisations (36%).

47. Part (b) asked for views on the appropriate level of income caps with an open response. Of the 394 responses received, the most common view was that caps should depend on local circumstances. This view was stated in 50% of all responses, including 80% of responses from Local Authorities; 67% of business organisations, and 37% of housing developers. There was however a significant difference between types of responses, as this point was mentioned significantly less frequently in individual responses (16%). The second most popular response overall was to specify that the cap should be set at £80,000 per annum (£90,000 in London), with a quarter of responses preferring this approach. Other price levels received less support, with 3% suggesting over £100,000 and 14% preferring £60,000 or under. Individuals tended to prefer lower caps, with almost a third favouring £60,000 or under and 15% preferring £40,000 or under.
48. Of 555 responses received to part (c), there was considerable support for giving Local Authorities the ability to consider an applicant's income and assets when targeting First Homes (72%). The response was more varied between organisations, with 91% of Local Authorities in agreement compared to 50% of housing developers, 84% of business organisations and 85% of housing associations. Almost two thirds of individual responses also supported this approach (60%).
49. 227 respondents provided comments to question 8 (c). A third of Local Authorities used this opportunity to agree to considering income and assets to target First Homes provided it was resourced. A quarter of housing developers raised concerns that considering income and assets would complicate the scheme and cause delays. By contrast, 4% of Local Authorities raised similar concerns. 21% of individual responses raised concerns about discrimination towards those with significant savings but relatively low levels of income.

## Government response

50. We want to ensure the First Homes scheme is focused on helping as many first-time buyers as possible who are struggling to afford a home. First Homes should not be available to those who are readily able to afford a property on the open market or who wish to buy a property to let. An income cap will provide a clear signal for eligibility to purchase a home under the First Homes scheme.
51. We understand that income caps can add complexity. Yet to account for significant differences in property prices across England, we believe it is necessary to set separate caps for London and across England. To make the scheme as straightforward as possible, we will set the caps in line with the caps that already exist for shared ownership homes. **Household income caps for First Homes will therefore be set at £80,000 gross per year across England and £90,000 in London.**
52. We recognise that local housing markets differ and that there may be local circumstances where lower caps are necessary; for example, where Local Planning Authorities are looking to focus First Homes on supporting certain groups of key workers. **Local Planning Authorities will therefore have the ability to set lower income caps for the first three months of sale, provided they can evidence both need and**

**viability through their local plan-making process.** These local caps should be specified as part of the First Homes local connections criteria.

53. We recognise the challenges Local Planning Authorities may face in routinely inspecting First Home applicants' income and assets as part of each transaction. We also understand the difficulties involved in identifying individuals' asset holdings and have listened to stakeholders' concerns that those with relatively high levels of savings but low incomes may be discriminated against. **We will therefore empower Local Planning Authorities to be able to take incomes into consideration in instances where First Homes are oversubscribed. They will not take individuals' assets into consideration.**
54. We do not want to see First Homes remaining empty when suitable local buyers cannot be found, as these homes will not benefit the community and will cause problems for developers. **In circumstances where an eligible local buyer cannot be found who fits the local connections criteria and/or any local variations to the price or income caps, these restrictions will fall away after a period of three months.**

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

55. 366 respondents set out a range of views on other potential eligibility restrictions. 18% of respondents felt there should be no further restrictions, including 36% of housing developers and 23% of Local Authorities. 19% of total responses suggested that a First Home should be the purchaser's only home and that they should have no financial interests in any other properties. 12% believed that First Homes should only be available to purchase with a mortgage. 13% proposed that eligibility criteria should cascade to the wider local area prior to falling away entirely if a buyer cannot be found. 11% felt that Local Authorities should be able to determine their own eligibility criteria.

## **Government response**

56. We agree that some further restrictions are appropriate to ensure First Homes benefit first-time buyers who would otherwise struggle to buy a home. **We agree that the First Home should be the buyer's only home.** We will therefore define first-time buyers according to the definition used for assessing stamp duty land tax. This specifies that potential purchasers will only be eligible to buy a home under the scheme if they have never purchased or owned an interest in a property in the United Kingdom or anywhere in the world, and if they intend to occupy the property as their primary residence.
57. We also agree that **First Homes should only be purchased using mortgage finance or a home purchase plan which covers at least 50% of the home's value.** We believe that this is a sensible way of signalling that eligibility to purchase a First Home is focused on first-time buyers who need additional support to access home ownership.

## Supporting the First Homes scheme

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

**b) If no, why?**

Question 10 (a)			
Response	Organisations	Individuals	Total
Agree	173 (65%)	189 (77%)	362 (71%)
Disagree	93 (35%)	58 (23%)	151 (29%)

58. A total of 513 respondents answered the first part of question 10, with over two thirds agreeing that oversight of perpetual discounts on First Homes was best undertaken by Local Authorities (71%). There was considerable support among Local Authorities themselves (69%) and business organisations (67%), but less than half of housing developers (46%) and housing associations (45%) agreed.

59. Of 263 responses to the second part of question 10, the most common answer was a concern that Local Authorities lack the resources or expertise to undertake this role (47%). About half of Local Authorities themselves cited these concerns, along with 21% of developers and 72% of housing associations. About a quarter of total responses felt this role was better undertaken by another body; either specialist agents or central Government (27%). This approach was favoured by 26% of Local Authorities, 32% of developers and 36% of housing associations. A number of respondents felt covenants should most appropriately be overseen by legal professionals (15%).

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

60. 361 responses were received to question 11, expressing a variety of views. The most frequently cited response was that Local Authorities may not be able to oversee restrictive covenants as part of their existing affordable homes administration service; that not all have the necessary resources or experiences in home ownership products or services to undertake this role (cited by 33% of respondents). About half of Local Authorities and 29% of business organisations expressed this concern.

13% of total responses felt that management of restrictive covenants should be undertaken by conveyancers or agents and acknowledged by lenders, and the same number felt it could be achieved through section 106 agreements or monitoring. A slightly smaller number (11%) believed the oversight work could be undertaken by Local Authorities in partnership or via contracts with other organisations including agents, developers, and Registered Providers.

**Q12. How could costs to Local Authorities be minimised?**

61. A number of common themes emerged from the 380 responses to this question, but none were mentioned by more than a quarter of respondents. The most common suggestion mentioned in 22% of responses was to enable Local Authorities to charge the developer, vendor, and/or buyer a reasonable fee to cover the costs incurred. A third of Local Authorities and housing associations suggested this approach. Housing developers felt that the oversight should be undertaken by other organisations such as HM Land Registry (22%), and 35% of housing associations felt that Local Authorities

should be able to charge a reasonable fee to the developer, vendor and/or buyer to undertake oversight work.

62. 17% of the total responses felt that funding should come directly from Government or from elsewhere, and 23% of Local Authorities and 13% of housing associations favoured this approach. Around 14% felt that although Local Authorities could determine the relevant criteria, the actual administration should be undertaken by another organisation such as Registered Providers or agents, with Local Authorities determining the overarching criteria (14%). 22% of Local Authorities and 17% of housing developers favoured this approach.

## Government response

63. **We intend that First Homes will have a restrictive covenant against the title of the property** to ensure that relevant restrictions, including the original level of discount, are passed on to future purchasers. In order to ensure consistency of approach and ease the administrative burden, **we will produce standardised model covenants** that can be used for this purpose.
64. **We agree that it is most appropriate for the covenant process to be overseen by Local Planning Authorities**, due to their local expertise and direct interest in ensuring that First Homes discounts continue to be applied in perpetuity and benefit the community for years to come.
65. **We are taking steps to minimise these costs by developing standard section 106 clauses that can be used for the sale of any First Home.** We will also encourage the development of model agreements. As part of our ongoing work with Local Planning Authorities to make First Homes a reality, **we will consider whether it is reasonable for Local Planning Authorities to recover some of the costs they incur by charging the developers and purchasers of First Homes a reasonable fee.**
66. However, there are likely to be some new costs which relate to ensuring that potential buyers fully meet the eligibility criteria. **We will work with Local Planning Authorities and other delivery partners to determine how these functions could best be managed and delivered, and will provide new burdens funding to Local Planning Authorities if required.**

## Supporting competitive mortgage lending

**Q13. Do you agree that we should develop a standardised First Home model with local discretion in appropriate areas to support mortgage lending?**

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

Question 13			
Response	Organisations	Individuals	Total
Agree	256 (97%)	203 (90%)	459 (94%)
Disagree	8 (3%)	23 (10%)	31 (6%)
Question 14			
Response	Organisations	Individuals	Total
Agree	228 (88%)	180 (80%)	408 (84%)
Disagree	32 (12%)	45 (20%)	77 (16%)

67. Respondents were strongly supportive of both measures. 94% of a total of 490 responses to question 13 supported the development of a standardised First Home model, including 97% of Local Authorities, housing associations and business organisations; and 96% of housing developers. Of 485 responses to question 14, 84% supported a mortgage protection clause, including 84% of Local Authorities and 94% of business organisations.

68. There was an opportunity to add any other comments on how Government can support competitive mortgage lending following question 14. A total of 287 responses made a variety of suggestions, but no particular option was set out in a majority of responses. 15% of respondents felt there was a lack of interested lenders, with many feeling that additional assurance is necessary, such as a Government guarantee. 11% stated that in cases of default, homes should become available through another affordable tenure and that any benefit accruing to the lender should be reinvested to support affordable housing provision. The same number felt that any loss of perpetuity status for First Homes should be avoided wherever possible by lenders offering reasonable timescales before default. 10% were particularly concerned that lenders could make profits on repossessed homes, and felt there should be appropriate measures in place to ensure that lenders are only able to recoup expenses. 8% felt it was important for Government to deliver clear marketing messages to support lenders to understand the First Homes scheme.

### Government response

69. We want to ensure that people purchasing First Homes have access to competitive mortgage or home purchase plan finance to turn their dream of home ownership into a reality. **We will therefore create a model agreement for First Homes which provides certainty for lenders.**

70. In order to offer mortgage and home purchase plan finance at competitive rates, lenders also need certainty that they will be able to reclaim their money in the rare event of a default on mortgage payments. **We will therefore develop a mortgage protection clause to provide additional assurance to lenders, which will include a waiver on the discount in certain circumstances if a First Home is repossessed.** This will include setting an expectation that once their costs are recouped, lenders should repay

any premium to the Local Planning Authority. We will also expect lenders to take a sensible and proportionate approach to First Home owners falling into arrears.

## Restrictions on letting First Homes

**Q15. For how long should people be able to move out of their First Home and let it out (so that it is not their main or only residence) without seeking permission from the Local Authority?**

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

**Q16. Under what circumstances should households be able to move out of their First Home and let it for a longer time period? (Tick all that apply)**

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

<b>Question 15</b>			
<b>Response</b>	<b>Organisations</b>	<b>Individuals</b>	<b>Total</b>
i. Never	76 (27%)	60 (26%)	136 (27%)
ii. Up to 6 months	27 (10%)	32 (14%)	59 (12%)
iii. 6 – 12 months	42 (15%)	37 (16%)	79 (15%)
iv. Up to 2 years	24 (9%)	50 (22%)	74 (14%)
v. Longer than 2 years	5 (2%)	26 (11%)	31 (6%)
vi. Other	106 (38%)	25 (11%)	131 (26%)
<b>Question 16</b>			
<b>Response</b>	<b>Organisations</b>	<b>Individuals</b>	<b>Total</b>
i. Short job posting elsewhere	150 (55%)	132 (61%)	282 (58%)
ii. Deployment elsewhere (Armed Forces)	186 (69%)	168 (78%)	354 (73%)
iii. Relationship breakdown	120 (44%)	116 (54%)	236 (49%)
iv. Redundancy	113 (42%)	132 (61%)	245 (50%)
v. Caring for relative/friend	149 (55%)	142 (66%)	291 (60%)
vi. Long-term travelling	54 (20%)	70 (33%)	124 (26%)
vii. Other	159 (59%)	39 (18%)	198 (41%)

Note: Respondents were able to choose multiple options for question 16

71. There were a variety of views about letting First Homes, with responses ranged across the options for permitted reasons and duration for potential letting periods. Of the 510 responses to question 15, over a quarter felt that First Homes should never be let out without permission from the Local Authority (27%). This option was preferred by over 30% of Local Authorities, and 28% of housing associations. Where respondents believed lettings should be permitted, there was a slight preference for having a lettings period of up to 12 months rather than a longer time period. Among Local Authorities, the preference was for a 6 month limit on lettings, with housing developers preferring 6 – 12 months.
72. Of those who chose the 'other' option, the majority who entered an alternative time period felt there should be no standard period of lettings but that each case should be evaluated on its merits. This option was also favoured by 10% of those Local Authorities who responded to this question.
73. Many respondents chose multiple options for question 16. Of 590 respondents, there was most support for a longer letting period for First Home owners deployed elsewhere for Armed Forces postings (chosen 354 times, or 73% of responses) and caring for a relative or friend (chosen by 60% of respondents). Long-term travel received significantly less support, chosen by only 26% of respondents. This pattern of prioritisation was replicated in responses from Local Authorities, housing developers, housing associations and business organisations. People who were responding on an individual basis were more likely to see travelling and redundancy as valid reasons for letting when compared to those responding on behalf of an organisation.
74. Some respondents suggested other circumstances in which homeowners could be allowed to let First Homes for longer time periods, including fleeing domestic abuse. 21% of those choosing the 'other' option felt Local Authorities should be able to determine whether or not to permit lettings on a case-by-case basis. A small number (11%) suggested that there should be a presumption in favour of letting once certain conditions had been met, such as living in the First Home for a qualifying period. A small number of respondents also suggested that where letting did take place, the First Home should be let at a below market/affordable rent, thereby ensuring that the homeowner was not profiting from the arrangement. In addition, 13% said that lettings restrictions would be very difficult to oversee and that Local Authorities do not have the capacity to carry out this role.

## Government response

75. We recognise that there are occasions when it may be necessary for owners of First Homes to let out their property for short periods of time, especially in response to unexpected life events. We are clear, however, that First Homes must not be used as an investment opportunity. **We will therefore specify that owners will be able to let out their First Home for up to 2 years, for which they will have to notify the relevant Local Planning Authority.**
76. We believe that a 2 year period of letting should be long enough to allow a homeowner to make suitable alternative accommodation arrangements or to sell their First Home. We also believe that for these short periods of time, the homeowner should be allowed to let their home at market rent as we recognise that they will need to rent alternative accommodation themselves.

77. We do not intend that this will affect homeowners' rights to rent out a room or for short-term holiday lets, **but their First Home must remain their sole residence**. This also does not affect a homeowner's arrangements with their mortgage lender and they may also need to seek their lender's permission before letting their property.
78. We also recognise that there are reasonable circumstances under which a person may need to let their home for longer than 2 years. Therefore, **where a homeowner wishes to let out their home for a period which is longer than 2 years then they should get explicit permission from their Local Planning Authority with a presumption in favour of permission under the following circumstances:**
- i. **Short job posting elsewhere**
  - ii. **Deployment elsewhere (Armed Forces)**
  - iii. **Relationship breakdown**
  - iv. **Fleeing domestic violence**
  - v. **Redundancy**
  - vi. **Caring for relative/friend.**
79. As above, we will consider whether it is appropriate for Local Planning Authorities to charge a reasonable fee for the administration of this process.

## Delivering the Armed Forces Covenant

**Q17. Do you agree that serving members and recent veterans of the Armed Forces should be able to purchase a First Home in the location of their choice without having to meet local connections criteria?**

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

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

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

Question 17			
Response	Organisations	Individuals	Total
Agree	225 (89%)	142 (63%)	367 (77%)
Disagree	27 (11%)	82 (37%)	109 (23%)
Question 18			
Response	Organisations	Individuals	Total
i. 1 year	28 (12%)	76 (38%)	104 (24%)
ii. 2 years	76 (33%)	63 (31%)	139 (32%)
iii. 3 – 5 years	98 (43%)	46 (23%)	144 (34%)
iv. Longer than 5 years	41 (18%)	26 (13%)	67 (16%)

80. Respondents strongly supported an exemption from local connections restrictions for serving members and recent veterans of the Armed Forces. 77% of the 476 responses received supported this view, although there were some differences between types of

response. While 90% of Local Authorities and housing developers supported the exemption, only 63% of responses from individuals agreed.

81. There were a variety of views on an appropriate period for this exemption to remain in place after an individual has left the Armed Forces, with the most popular responses each favoured by about a third of the total of 454 responses. Respondents could choose multiple answers to this question.
82. Local Authorities favoured a 3-5 year period (49%); housing developers were split between 1 year; 2 years and longer than 5 years. Housing associations were split between 2 years and 3–5 years, and business organisations favoured 2 years (55%).
83. Question 19 asked whether there were other ways Government can support members and recent veterans of the Armed Forces to benefit from the First Homes scheme. A total of 256 responses gave a variety of views. 45% of respondents shared views on how First Homes criteria could be further modified, such as through providing a larger discount, priority or deposit to veterans; and requiring veterans to meet other criteria such as income requirements. 18% suggested that Government will need to raise awareness and provide information about the scheme directly to veterans' groups. 17% of respondents felt that further ways of supporting the Armed Forces to benefit from the First Homes scheme should be left to the discretion of Local Authorities.

## Government response

84. Members of the Armed Forces and recent veterans play a critical role in keeping our nation safe and we all owe them a debt of gratitude for the sacrifices they make. In recognition of their service, the **local connections restrictions for the First Homes scheme will be waived for members of the Armed Forces and recent veterans. This waiver will continue to apply for 5 years after veterans have left the Forces** to give them time to settle into civilian life and still benefit from the First Homes scheme.
85. We also recognise the sacrifices made by the families of servicemen and women who give their lives for this country. **Local connections restrictions will therefore also be waived for the bereaved spouses and civil partners of service men and women whose deaths have been wholly or partly caused by their service.**

## Setting developer contributions for First Homes

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

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

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

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

Question 20			
Response	Organisations	Individuals	Total
i. Planning policy	183 (74%)	86 (43%)	269 (60%)
ii. Primary legislation	65 (26%)	113 (57%)	178 (40%)
Question 21			
Response	Organisations	Individuals	Total
i. Percentage of section 106	163 (69%)	56 (28%)	219 (50.11%)
ii. Percentage of all units	72 (31%)	146 (72%)	218 (49.89%)

86. Over 437 responses were received to each question. Responses to question 20 demonstrated considerable support for planning policy as the most appropriate mechanism for delivering First Homes, with almost two thirds of respondents in favour (60%). A majority of organisations were in favour, including 74% of organisations overall, 75% of Local Authorities, 87% of housing associations, 68% of developers, and 60% of business organisations. Individual responses reflected a preference for primary legislation, with 57% of individual respondents favouring this approach.

87. Responses for question 21 were evenly split between the options. 50.11% favoured delivery through a percentage of section 106 affordable housing provided through developer contributions, compared to 49.89% who preferred a percentage of all units delivered on suitable sites. 68% of Local Authorities, 76% of developers and 71% of business organisations preferred option (i) whereas 71% of responses which were not in an official capacity preferred option (ii). There was a similar split between organisational and individual responses, with 69% of organisations preferring option (i) compared to 72% of individuals preferring option (ii).

### Government response

88. We want to ensure the First Homes policy is delivered in a way that ensures successful implementation nationally. We acknowledge that legislation can be restrictive and limit the ability of Local Planning Authorities to accommodate local needs. Therefore **we will begin by making planning policy changes through the National Planning Policy Framework and guidance** to ensure that clear expectations are set. However, to ensure that First Homes are delivered on a consistent basis across England, we will consider options to strengthen the policy through primary legislation at a future date.

89. We recognise that it is important to ensure the delivery of market homes and other types of affordable housing alongside First Homes, therefore **we will deliver First Homes as a proportion of section 106 affordable housing contributions**. This will ensure the continued delivery of homes of different tenures.

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

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

Question 22			
Response	Organisations	Individuals	Total
i. 40% of section 106	34 (12%)	54 (27%)	88 (19%)
ii. 60% of section 106	2 (1%)	66 (33%)	68 (14%)
iii. 80% of section 106	3 (1%)	60 (30%)	63 (13%)
iv. Other	235 (86%)	19 (10%)	254 (54%)

**Q22. (a) Do you have any other comments on how First Homes could be delivered?**

90. A total of 473 responses were received to the first part of question 22, and overall respondents preferred a lower level of First Homes delivery requirement. 19% of all responses favoured a level of 40% of section 106; with the 60% and 80% options each receiving support from less than 15% of responses. The majority of responses (54%) chose the 'other' option and specified an alternative or gave a general comment. Only 1% of organisations supported the option of 80% of section 106 being used to deliver First Homes. The most popular response selected by developers was for 40% (chosen by 27% of respondents); whereas 5% of Local Authorities chose this option.

91. Of those respondents who selected 'other', there was considerable (60%) support among Local Authorities for requirements to be set locally based on local evidence and need. More than half of business organisations selecting this option also made this point. Suggestions from Local Authorities for alternative thresholds for section 106 delivery were in the region of 10-30%. About half of Local Authorities (49%), housing associations (45%), voluntary organisations (50%) and business organisations (48%) highlighted the potential impact of First Homes delivery on other affordable tenures.

92. Respondents were also invited to make any other comments on how First Homes could be delivered. 283 responses were received to the second half of this question. 66% of Local Authorities and 71% of housing associations had concerns about the impact First Homes may have on other affordable housing products such as build to rent, social rented properties and shared ownership properties. Yet this varied across organisations, with only 37% of business organisations and 14% of developers mentioning these concerns. There was considerable support among Local Authorities for local discretion in setting delivery requirements based on evidence of housing need. Among organisations there was considerable support for delivery as a proportion of section 106 rather than

units on sites, due to concerns that delivering as a proportion of total units on site would have significant impacts on viability.

## Government response

93. The Government wants to ensure that the First Homes scheme enables as many people as possible to have the opportunity to buy their own home. However, we understand the concerns raised in the consultation, and want to ensure that Local Planning Authorities are enabled to deliver significant numbers of First Homes alongside other affordable housing tenures, recognising the importance that social and affordable rented homes also play in our communities.
94. We carefully considered the appropriate threshold for section 106 payments alongside consultation responses and in the context of current market conditions. **We will therefore set out in planning policy that a minimum of 25% of all affordable housing units secured through developer contributions under section 106 should be First Homes.** Although not one of the original consultation options, we believe a threshold of 25% supports a smooth introduction of the First Homes scheme and appropriately balances delivery of First Homes with the continued delivery of other tenures of affordable housing in the current market climate. We will consider the proportion of First Homes once they are embedded in the market although from the outset, local planning authorities will have the flexibility to choose to deliver a higher proportion of First Homes, either on individual sites or across the area. **We will consult on the technical detail of the implementation of this part of the policy.**

## Delivery through exception sites

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

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

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

Question 23			
Response	Organisations	Individuals	Total
Agree	106 (48%)	149 (82%)	255 (63%)
Disagree	116 (52%)	32 (18%)	148 (37%)
Question 24 (a)			
Response	Organisations	Individuals	Total
Agree	182 (85%)	126 (69%)	308 (78%)
Disagree	32 (15%)	57 (31%)	89 (22%)

95. There were 403 responses to question 23, with 63% of total responses supporting amendments to exception site policy. There was particularly strong support among

housing developers (87%) compared to business organisations (57%) and Local Authorities (41%). Responses from organisations overall were finely split, with a slight majority disagreeing with amendments to exception site policy (52%). By contrast, individual responses were strongly in favour (82%).

96. 78% of the 397 responses to question 24 (a) supported local authority flexibility, including 85% of organisational responses and 69% of individual replies. Of those who supported flexibility, about a third supported using housing needs evidence to demonstrate the need for flexibility on specific entry level exception sites, with more than half of Local Authorities favouring this approach. Other suggestions included using viability assessments, local plans, and cross-subsidy from market housing to make First Homes financially viable.

## Government response

97. We note respondents' support for question 23; **we will therefore amend the entry-level exception site policy to become a First Homes exception site policy.**
98. We recognise that a considerable number of Local Authorities favoured the ability to have flexibility on entry-level exception sites to deliver other forms of affordable housing. **We will ensure flexibility for the delivery of a limited number of other forms of affordable housing on these sites.**
99. **We will also allow a small proportion of market homes on a site where it has been evidenced as essential for viability**, in addition to the removal of the National Planning Policy Framework threshold on site size, while retaining the requirement to be proportionate to the existing settlement to ensure additional flexibility. **We will produce further guidance on how we expect flexibility in terms of delivering other forms of affordable or market housing should be demonstrated.**

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

100. A total of 250 responses were received to this question including a variety of suggestions. About a third of respondents suggested that more guidance should be made available to clarify rural exception site policy, including over a quarter of Local Authorities and about half of developers and housing associations. A further third wanted to see increased funding or more support for localities to bring forward development on rural exception sites. This included around half of Local Authorities and 43% of housing associations.
101. There was recognition that due to the location of rural exception sites and other factors, these sites are often challenging to build out cost-effectively. There was minimal support overall for measures that could potentially improve viability, such as permitting mixed tenures on these sites. Local Authorities identified that there is often 'hope value' attached to land, where landowner and developer expectations on financial returns act as a barrier to delivery. Suggestions to address these barriers included setting fixed land prices or increasing compulsory purchase powers. About a third of housing associations suggested that financial viability is a barrier for rural exception sites, which could be improved by allowing a limited number of First Homes or market homes on these sites.

## Government response

102. We recognise that Rural Exception Sites are important for the delivery of affordable homes in rural areas and will consult on further guidance to provide clarity on policy with the aim of ensuring that they are used to their full potential.

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

103. A total of 279 respondents used this open question to set out further comments on the First Homes programme and delivery. Many set out their concerns with the scheme, with a number expressing concern that the prioritisation of First Homes will negatively impact the delivery of other forms of affordable housing. Many responses called for different forms of funding for the First Homes scheme to ensure continued availability and viability of sites without competing with the cross-subsidy for other affordable housing tenures. Just under a fifth of respondents recommended improved stakeholder communication particularly with lenders, consumers, Local Authorities, landowners and developers.
104. About a third of business and voluntary organisations called for direct Government intervention in the form of public land sales, providing direct supply from central or local government stock, and the purchase of existing stock. 22% of Local Authority responses called for local discretion regarding delivery of First Homes due to variations in local levels of demand.

## Government response

105. We have recently announced a pilot of 1,500 First Homes to be delivered via the Affordable Homes Programme, and we will be announcing further details in due course. We will work with delivery partners to develop further detail on how the First Homes scheme will be delivered and will plan an appropriate communications plan for launch.

## Community Infrastructure Levy exemptions

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

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

Question 27			
Response	Organisations	Individuals	Total
Agree	166 (73%)	147 (82%)	313 (77%)
Disagree	60 (27%)	32 (18%)	92 (23%)
Question 28			
Response	Organisations	Individuals	Total
Agree	132 (61%)	136 (81%)	268 (70%)
Disagree	85 (39%)	31 (19%)	116 (30%)

106. There was strong support for exempting First Homes from the Community Infrastructure Levy, with 77% of a total of 405 responses received agreeing with this approach. This included 73% of organisational and 82% of individual responses.
107. There were more varied responses to question 28. 70% of the 384 responses agreed that Government should intervene on Community Infrastructure Levy rates, yet there was a clear difference between organisational responses. 90% of developers and 78% of business organisations were in favour of intervention, whereas 54% of Local Authorities opposed Government taking this approach. From the open comments, there was a significant concern across all stakeholders that a decrease in available Community Infrastructure Levy contributions could undermine the delivery of local infrastructure and the Government's Infrastructure First agenda. Some stakeholder groups expressed concerns about how a Community Infrastructure Levy exemption for First Homes will be balanced with requirements under a section 106 agreement and the additional mitigation measures required to support the development. This would have an additional impact on the overall viability of the development and the amount of affordable housing that could be provided on site.

## Government response

108. First Homes can already be exempt from the Community Infrastructure Levy under discretionary relief, and we would encourage Local Planning Authorities to make use of this. **We also intend to introduce a mandatory exemption from the Community Infrastructure Levy for First Homes.** Further proposals are being developed for an Infrastructure Levy, which would replace the Community Infrastructure Levy and section 106 planning obligations. First Homes will remain integral to this approach, as will the delivery of affordable housing more generally. We will consider the balance of infrastructure and affordable housing as part of this approach.

## Equality impacts of the First Homes scheme

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

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

109. Respondents often made a number of suggestions for both parts of this question. A total of 291 responses were received to part (a), setting out concerns that First Homes will impact protected groups. 21% of responses agreed that disabled people and those over 55 would be negatively affected. Over a third, including just over half of Local Authorities, were concerned about the impact on other forms of affordable housing and the protected groups who are more likely to rely on these tenures. 20% were concerned about the impact on people with low incomes, and responses to other questions raised concerns about whether Islamic mortgages would be available for First Homes.
110. 232 responses set out a range of views on how Government can minimise the impact on protected groups. 23% of respondents suggested that the next round of the Affordable Homes Programme should be focused on properties for social rent to mitigate the impact of First Homes. 21% felt that Local Authorities should continue to have the ability to determine what housing should be delivered through section 106 according to local needs. Around a quarter of Local Authorities and a third of housing

associations also made this point. A small number of respondents also said that Government should require all First Homes to be constructed as accessible housing ensuring that disabled people can benefit.

## Government response

111. We have considered the impact of the First Homes scheme on groups with protected characteristics including age, sex, race, and disability, in light of the responses we received to the consultation. Our assessment shows that there will be some impacts on protected groups, both positive (through access to discounted home ownership in the form of First Homes, and homes for market sale that would not otherwise have been built), and negative (through a reduction in the number of homes in other affordable housing tenures, particularly social and affordable rent, delivered through s106).
112. Although the precise impacts of the policy on protected groups are difficult to model and are subject to some uncertainty, we recognise the concerns of some respondents that delivering First Homes through section 106 will reduce the number of social and affordable rented homes delivered, and that members of some protected groups are more likely to live in these homes. However, our analysis suggests that the reduction in the number of homes delivered in these tenures is likely to be relatively small, compared to the number of First Homes delivered. **The scheme will bring home ownership within reach for many households: and by allowing First Homes to be delivered on exception sites, we will bring forward housing that would otherwise not have been built.** This will allow thousands of people, many of whom may not otherwise have been able to buy, to get on to the housing ladder.
113. We believe that First Homes also needs to be seen in the context of the Government's entire housebuilding programme. **We have confirmed that we are investing £12 billion in Affordable Housing. The £12 billion will be spent over five years, with the majority of homes built by 2025-26 and the rest by 2028-29.** This means over the next 5 years Government will make the largest cash investment in affordable housing in a decade. The existing Affordable Homes Programme will be extended by one year, which will save homes that would otherwise have been lost following site closures due to coronavirus (COVID-19).

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

114. A range of views were set out in the 341 responses to this question. The most commonly expressed theme concerned the risk that First Homes may have a detrimental effect on the delivery of other affordable housing tenures (47%). Of these, 62% were Local Authorities and 55% were organisational responses. Nearly a third of Local Authorities and 28% of individuals had concerns about how the scheme is designed, and 17% of respondents said regional disparities in land values need to be considered. 11% were concerned about the impact of setting the discount at more than 30%. Respondents also mentioned the impact of coronavirus (COVID-19) on the housing sector and the challenges of rolling out the First Homes scheme.
115. Respondents also made additional comments on the First Homes scheme throughout the consultation, including in free text responses and where there were opportunities to comment on particular aspects of the scheme's design, such as equality impacts and mortgage finance. Concerns echoed those made to question 30, particularly regarding

the impact on other forms of affordable housing; the viability of First Homes if the discount exceeds 30%; and affordability of homes under the scheme.

## Government response

116. We recognise concerns about the impact of the First Homes scheme on the provision of other affordable housing tenures. **However, as outlined above, we are making the largest cash investment in affordable housing in a decade**, and we will continue to fund the existing range of affordable homes tenures including affordable rent, social rent, shared ownership, rent to buy, and supported housing. The existing Affordable Homes Programme will be extended by one year, which will save homes that would otherwise have been lost following site closures due to coronavirus (COVID-19).

117. We believe that there is a need for discounted market housing which is currently not being met by the market. We believe that developing First Homes will bring this type of housing into the mainstream and help first-time buyers both now and in the future to get on to the property ladder.