



Ministry of Housing,
Communities &
Local Government



First Homes

Getting you on the ladder

Backed by HM Government

Consultation on the design and delivery of First Homes

February 2020



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February 2020

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Scope of the consultation

Topic of this consultation:	<p>This consultation seeks views on the First Homes scheme. It covers the following areas:</p> <p>Design</p> <ul style="list-style-type: none"> • Ensuring First Homes are affordable • Eligibility for the First Homes scheme • Supporting the First Homes scheme • Supporting competitive mortgage lending • Restrictions on letting First Homes • Delivering the Armed Forces Covenant <p>Delivery</p> <ul style="list-style-type: none"> • Setting developer contributions for First Homes • Delivery through exception sites • Community Infrastructure Levy exemptions • Equality impacts of the First Homes scheme
Scope of this consultation:	The Ministry of Housing, Communities and Local Government is seeking the views of all interested parties in the proposal, so relevant opinions and evidence can be taken into account when shaping the way forward.
Geographical scope:	These proposals relate to England only.
Impact Assessment:	The purpose of this consultation is to gather evidence and seek views on First Homes. Any policy changes brought forward as a result of the consultation would be subject to appropriate assessment.

Basic Information

To:	This consultation is open to everyone. We are keen to hear from a wide range of interested parties from across the public and private sectors, as well as from the general public.
Body/bodies responsible for the consultation:	This consultation is being run by the Home Ownership Division of the Ministry of Housing, Communities and Local Government.
Duration:	This consultation will last for 8 weeks from Friday 7 February 2020 until Friday 3 April 2020.
Enquiries:	For any enquiries about the consultation please contact FirstHomes@communities.gov.uk
How to respond:	You may respond by completing an online survey at: https://www.gov.uk/government/consultations/first-homes

We strongly encourage responses via the online survey, particularly from organisations with access to online facilities such as Local Authorities, representative bodies and businesses. Consultations on housing and planning policy receive a high level of interest across many sectors. Using the online survey greatly assists our analysis of the responses, enabling more efficient and effective consideration of the issues raised for each question.

We have listened to concerns about the use of online surveys in the past and have made a number of adjustments ahead of this consultation. The online survey will allow respondents to save and return to the survey later; and submit additional information or evidence to support their response to this consultation. Further advice on how to use these new features is available on the home page of the online survey. Should you be unable to respond via the online survey we ask that you complete the pro forma found on the webpage. Additional information or evidence can be provided in addition to your completed pro forma.

Alternatively, you can email your response to the questions in this consultation to FirstHomes@communities.gov.uk

If you are responding in writing, please make it clear which questions you are responding to.

Written responses can be sent to:
First Homes Consultation,
Home Ownership Division, 3rd Floor, Fry Building, 2 Marsham Street, London SW1P 4DF

When you reply it would be very useful if you confirm whether you are replying as an individual or submitting an official response on behalf of an organisation and include:

- your name,
- your position (if applicable),
- the name of the organisation (if applicable),
- an address (including postcode),
- an email address, and
- a contact telephone number

The Case for Change

1. The Government is committed to making the dream of home ownership a reality for everyone and we recognise that for many this simply feels out of reach.
2. We are building more homes of all types, delivering 241,000 last year alone,¹ the highest in over 30 years; and we have committed to delivering at least a million more over this parliament. However, we know further action is needed to support home ownership and ensure that young people today have the same opportunity as their parents and grandparents.
3. That is why we have already introduced Government-backed Help to Buy schemes which have been used nearly 600,000 times to help households into ownership² and we have cut stamp-duty for the majority of first-time buyers, helping over 400,000 people.³ These schemes are working and last year we saw the number of first-time buyers reach an eleven-year high.
4. However, more needs to be done to help people buy their own home in their local area. First Homes will give

people the opportunity to buy a discounted home, rather than be forced to look elsewhere due to rising prices. The scheme will lower deposit and mortgage requirements – saving first-time buyers around £100,000 on the price of an average a property.

5. We will be setting out further steps to help people into home ownership over the coming months.

Affordability

6. Affordability is the biggest barrier to home ownership – and while this is partly due to a shortage of housing supply, low interest rates and high rents have limited the ability for young people to save the deposit they need to buy a home.
7. Over the last 23 years, the average house price in the UK has increased from £58,854 in August 1996 to £235,298 in November 2019, quadrupling the deposit needed to buy.⁴
8. More young people are spending longer renting their home, often paying a higher amount in monthly rent than a monthly mortgage payment would be.⁵ And those that

¹ MHCLG, Housing supply; net additional dwellings, England: 2018-19 (13 December 2019)

² Help to Buy: Equity Loan statistics to 30 June 2019: <https://www.gov.uk/government/statistics/help-to-buy-equity-loan-scheme-statistics-april-2013-to-30-june-2019-england>; Help to Buy: mortgage guarantee statistics to 30 June 2017: <https://www.gov.uk/government/statistics/help-to-buy-mortgage-guarantee-scheme-quarterly-statistics-october-2013-to-30-june-2017>; Help to Buy: ISA statistics to 30 June 2019: <https://www.gov.uk/government/statistics/help-to-buy-isa-scheme-quarterly-statistics-december-2015-to-30-june-2019>

[isa-scheme-quarterly-statistics-december-2015-to-30-june-2019](https://www.gov.uk/government/statistics/help-to-buy-isa-scheme-quarterly-statistics-december-2015-to-30-june-2019)

³ HMRC Quarterly Stamp Duty Land Tax Statistics - https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/862381/Quarterly SDLT 2019Q4 Main.pdf

⁴ Land Registry UK House Price Index; <http://landregistry.data.gov.uk/app/ukhpi>

⁵ Valuation Office Agency Statistical Release, October 2016 – September 2017; <https://www.gov.uk/government/statistics/private-rental->

can't rent are staying with their parents for longer; unable to start a home and put down roots in their community.

Locality

9. Although a lack of affordability is most acute in London and the South East, it is an issue across the country. High house prices in many areas are forcing young people to move out of the communities where they grew up in order to buy a home. In 1996, 93% of young people would have been able to buy their first home with a mortgage for 4.5 times their salary providing they had a 10% deposit; by 2016 this fell to 61%.⁶ The average home in Penzance in Cornwall now costs £257,808:⁷ nearly nine times the average household's annual full-time income⁸ and therefore unaffordable to many young people.
10. With new homes priced beyond the means of many people, communities have little incentive to support new housing developments in their areas. Yet by contrast, when the benefits to local first-time buyers are clear, local support for development is high: almost 3 in 4 (73%) of people in England support the building of more affordable homes in their local area.⁹

[market-summary-statistics-october-2016-to-september-2017](#) and Office for National Statistics, cited by Money Advice Service;

<https://www.moneyadviceservice.org.uk/blog/how-much-does-the-average-mortgage-cost>

⁶ Institute for Fiscal Studies 'Barriers to Homeownership for Young Adults', Oct 2018;

<https://www.ifs.org.uk/publications/13475>

⁷ As of 30/01/20 <https://www.zoopla.co.uk/house-prices/>

⁸ Median income figures from Office for National Statistics; Provisional Average household income UK: Financial year ending 2019, <https://www.ons.gov.uk/peoplepopulationandcommunity/personalandhouseholdfinances/incomeandwealth/bulle>

Government Action

11. The Government will support people to realise the dream of home ownership. A key strand of this work is ensuring that more new homes are available at a discount to local people who would otherwise struggle to buy a home on the open market. Some housing is already provided in this way, although it remains at a relatively small scale. Referred to as 'Discounted Market Sale Housing',¹⁰ these properties are offered at a discount of at least 20% off open market prices, and eligibility to purchase is determined by local markets and circumstances.
12. Currently we estimate that only about 1,000 of these types of homes are built each year.¹¹ This is nowhere near enough. We believe that this low level of delivery is due to a number of factors including a lack of detail about 'Discounted Market Sale Homes'; a lack of prioritisation in the planning system; and a complex design which can deter developers and mortgage lenders from understanding and engaging with the concept.

[tins/householddisposableincomeandinequality/financialyearending2019provisional](#)

⁹ Shared Ownership Consultation, August 2019; https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/827588/A_New_National_Model_for_Shared_Ownership_discussion_document.pdf

¹⁰ Defined in the National Planning Policy Framework; https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/810197/NPPF_Feb_2019_revised.pdf

¹¹ Derived from live tables on social housing sales. table 1, using reasonable assumptions about delivery of other types of housing tenures <https://www.gov.uk/government/statistical-data-sets/live-tables-on-social-housing-sales>

First Homes: Getting you on the ladder

13. We believe that First Homes are a key means of helping local people, especially young first-time buyers, into home ownership and maintaining strong communities. We are committed to developing more homes through our First Homes scheme. This will help widen the range of affordable options for people who are locked out of purchasing homes at the market price. However, we understand that changes need to be made to the way discount market sales schemes operate in order to have the biggest impact.
14. We propose that local people should get first refusal on First Homes sold through this scheme; ensuring they are not priced out of the communities where they live and work. The discounted sale price of the home will also last in perpetuity so that future home buyers can access the discounts and the homes can deliver long-term community benefit.
15. We are assessing the most appropriate means of delivering the scheme and will consider both legislative and non-legislative options to facilitate delivery. We are committed to delivering attractive, affordable First Homes to support more local people on to the property ladder in their area.



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Ensuring First Homes are affordable

16. The primary objective of First Homes is to support people who wish to purchase a home in their local area but are unable to afford a property on the open market. The National Planning Policy Framework currently defines discounted market sales homes as those made available at a minimum discount of 20% off full market value.¹² We do not believe that this level of discount is sufficient.
17. We believe that a 30% discount off market price should be the **minimum** level of discount under this scheme.
18. A 30% discount may not, however, be sufficient to ensure First Homes are affordable to local people in areas where affordability is particularly challenging, such as London and the South East. Local Authorities have the discretion to set higher discounts on properties on a site-by-site basis, and we expect them to seriously consider this when determining local discounts.
19. To provide this flexibility, we do not propose setting a maximum level of discount. This will be a matter to be determined through agreement between developers and Local Authorities.
20. For First Homes to encourage local development and deliver long-term benefits for local communities, we intend to ensure the discount is retained on the property in perpetuity – if a purchaser received a 30% discount from the market price when they bought their home, they must sell it for 30% below market price.
21. Discounts in perpetuity will be achieved by placing restrictive covenants on these homes, which will require that the property is sold at the original percentage discount in each subsequent resale. These covenants will be re-established with every new purchaser of the property. When the property is sold, buyers will not be able to secure good title over the property unless the covenants enforcing the discount are met. Conveyancers and mortgage lenders will therefore have a strong interest in enforcing the use of these covenants.
22. The Government is committed to banning the sale of new leasehold houses other than in exceptional circumstances and we do not consider leases necessary to achieve discounts in perpetuity on houses under this scheme. We recognise, however, that flats sold under this scheme will usually be sold as leasehold, as is common practice.
23. An independent valuation of homes sold under the scheme will be

¹² National Planning Policy Framework Annex 2; https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/810197/NPPF_Feb_2019_revised.pdf

required to ensure purchasers receive a genuine discount to comparable homes on the open market. We propose that an independent valuation of the First Home property should be undertaken both on the initial sale and on all subsequent resales. The valuation should compare the discounted property price with the value the home would be worth on the open market without any restrictions.

24. The Government is clear this scheme is not to be used to subsidise the purchase of exceptionally expensive property, and to ensure the scheme supports as many people as possible into home ownership, we are minded to introduce a cap on the value of properties available for this scheme **before** the discount is applied. We consider there are options for achieving this and we welcome views on these approaches.
25. One option is to set a single, nationally defined price cap in line with the approach under the existing Help to Buy Equity Loan scheme. This system is simple to understand, however it requires the cap to be set at a high level to ensure First Homes are available in areas of the country with high house prices. The Help to Buy Equity Loan cap is £600,000, which is above the average first-time

buyer newbuild house price in all but three Local Authority areas, and this is the maximum cap we would consider setting. Setting a national cap would not prevent Local Authorities from introducing a more targeted, lower price cap according to local circumstances if they chose to do so.

26. An alternative approach is to set regionally varied price caps. There are choices about how regional caps are designed. We could create a national cap with a higher cap for London. This accommodates higher house prices in the capital but not in areas on the London fringe or in other high-value areas such as Oxford and Cambridge. Introducing more regional caps, like the proposed approach for the future Help to Buy scheme, would ensure caps were more reflective of the local market; however there would still be places within regions which would be more expensive than surrounding areas. This approach could reduce Local Authorities' flexibility to accommodate each area's unique circumstances. Setting price caps at a more targeted geographical level, such as by county or metropolitan area, would help solve the problem of outliers within regions. However, this approach may be too prescriptive and inflexible.

Questions

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)

Q2.

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

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

- i. £600,000
- ii. £550,000
- iii. £500,000
- iv. £450,000
- v. Other (please specify)

Q3.

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

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

- i. London and nationwide
- ii. London, London surrounding local authorities, and nationwide
- iii. Separate caps for each of the regions in England
- iv. Separate caps for each county or metropolitan area
- v. Other (please specify)

Q4.

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

Eligibility for the First Homes scheme

27. Local communities are less likely to oppose new home-building programmes when the homes built are affordable for local first-time buyers.¹³
28. In order to support new development, we intend to ensure that local people are prioritised for First Homes.
29. We understand that local circumstances differ and that Local Authorities need the flexibility to be able to meet local needs, so the definition of 'local people' will be at the discretion of the Local Authority and can be based on either residency or work location, as appropriate.
30. It is also essential that restrictions on First Homes do not hamper labour mobility, nor lead to units remaining unsold if eligible buyers cannot be found. We are therefore clear that any prioritisation of local connections should be time-limited to allow for homes to be made available more widely if local buyers cannot be found.
31. We believe it is appropriate to prioritise first-time buyers as this will target First Homes at the people who are most in need of support to access home ownership. As with the local connection tests, it will be important that this does not lead to units remaining unsold; therefore, we propose that this restriction should also fall away if interested buyers cannot be found.
32. However, we also recognise there will be some existing first homeowners or previous homeowners who are currently stuck in unsuitable housing and cannot move because the next step is unaffordable. There may also be some developments which are not suitable for first-time buyers such as specialist older people's housing. We would therefore welcome views on the circumstances in which Local Authorities should allow non-first-time buyers to access First Homes on the same basis as first-time buyers.
33. 'Key workers' (also referred to in the National Planning Policy Framework as 'essential local workers') provide frontline public sector services including health, education and community safety.¹⁴ We understand that sometimes these individuals are unable to afford to buy property in the local areas they serve. We believe that Local Authorities should also consider whether it is appropriate to use the First Homes scheme to also prioritise these workers – including police officers, nurses, and teachers – in their local areas. This is in line with the Government's commitment to deliver infrastructure such as schools and GP surgeries before developments are populated – First Homes offer a real opportunity for local areas to attract the people needed to staff these vital public services.
34. We want to help as many people as possible to access First Homes. This means it is important that these homes are targeted at people who

¹³ Shared Ownership discussion paper, August 2019; https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/827588/A_New_National_Model_for_Shared_Ownership_discussion_document.pdf

¹⁴ As defined by the National Planning Policy Framework; https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/810197/NPP_F_Feb_2019_revised.pdf

would otherwise struggle to purchase an appropriate home in their local area. The Government is therefore considering setting a household income cap for these homes to provide a clear signal on eligibility. This is a finely balanced decision – such a cap would target the scheme at those who need it most, but we recognise that income caps introduce complexity (for instance for self-employed individuals), and that a single national income cap cannot reflect local circumstances.

35. Even if we implement an income cap, there may still be circumstances where there are more households interested in purchasing these homes than there are homes available within a particular area. In these circumstances it will often be appropriate for Local Authorities to consider applicants' income and assets in more detail, to target these homes at those most in need of support.

Questions

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**

Q7.

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

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?

Q9:

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

Supporting the First Homes scheme

36. Sellers of First Homes will be required to sell at the same level of discount to market price that applied at the initial purchase, and to another eligible First Homes purchaser. This will ensure that the benefit of these homes lasts in perpetuity as discussed above.
37. We also intend that homeowners will be free to make the same kinds of improvements to their home that purchasers of market homes routinely make – for example, new kitchens and bathrooms, extensions and loft conversions (subject to securing planning permission where appropriate). However, homeowners will need to be aware that they may not realise the full value uplift of these improvements due to the need to sell the home at a discount.
38. We are minded to leave the details of administration to Local Authorities. We also anticipate that the need to secure good title to a property will be a strong motivational factor in most buyers' willingness to enter into a restrictive covenant. Local Authorities could

assume these functions themselves as part of their affordable homes provision; or outsource to the private sector, Community Land Trust, or a Housing Association. We welcome views on how we can best support Local Authorities in this process and whether this will lead to any additional costs.

39. We recognise that even with homes prioritised for local first-time buyers and key workers, there may be more people interested in purchasing a First Home than there are homes available under the scheme. In these circumstances it will be important to ensure that decisions about who is prioritised are made in a fair and transparent way, which avoids price inflation through offers and counter-offers. There are a number of approaches that could be used, such as allocating on a first-come, first-served basis or using local eligibility criteria (which could include household income and assets). We would welcome views on the merits of different approaches and the best way to operationalise this both for first and subsequent sales.

Questions

Q10.

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

b) If no, why?

Q11.

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

Q12.

How could costs to Local Authorities be minimised?

Supporting competitive mortgage lending

40. We know that currently the market for lending on discount market homes is small, partly due to the limited number of homes available and partly due to the variety of different models used. This often means people need relatively high deposits and/or are charged a higher interest rate on mortgages for this type of property. To support the delivery of First Homes, we intend to improve the availability and competitiveness of mortgage finance. We propose to take three steps to address this challenge.

41. Firstly, we know that the diversity of local models for discount market homes is a barrier to effective mortgage lending at present. Therefore, informed by the responses to this consultation, we propose to create a model agreement for First Homes which still allows local discretion where appropriate. This standardised approach will make it

easier for mortgage lenders to move into this sector by reducing the need for them to interpret and then approve a variety of local models.

42. Secondly, we are minded to introduce a “mortgagee protection clause” within the model agreement. This would allow restrictions on the property, including the policy requirement to sell the home at a discount, to be waived if lenders are forced to take possession in the event of a default on mortgage payments. We will seek to ensure that this system cannot be abused. Mortgage defaults are rare, but we recognise that this means a small number of these homes may not remain affordable in perpetuity. We consider this to be a reasonable and necessary compromise in order to maximise the number of people who can afford to purchase First Home properties.

43. Finally, we believe that as First Homes provide a significant discount over market prices, homes purchased under the scheme should not be eligible for support under the Help to Buy Equity Loan programme.

Questions

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?

Restrictions on letting First Homes

44. The First Homes scheme is designed to benefit people who are unable to purchase a property at the market price in their local area. We are clear that properties sold under the scheme should be purchased by people who intend to live in them and not be used as a subsidised investment opportunity. Therefore, purchasers of First Homes will be restricted to using them as their 'sole or primary residence'. This is an established legal test and is used for determining council tax liability.

45. We recognise that there are occasions when people need to spend some time away from their home; perhaps due to work commitments such as a short posting to another location, or to care for family members. In such circumstances it would not be sensible to prevent people from letting out their home. Therefore, we are minded to make allowances for owners of First

Homes to move out and let their property for a time-limited period, not exceeding two years, without having to seek permission from the Local Authority. Lettings periods in excess of two years will be at the discretion of the relevant Local Authority.

46. We do not intend that this restriction will impact on other rights homeowners have, such as the right to let out a room to a lodger, as long as the First Home remains the homeowner's sole or primary residence. In line with normal practice, it will be important for homeowners to ensure any lettings do not breach the terms of the mortgage on their First Home.

47. Where individuals need to let the property for a longer period, we believe that they should be required to make an application to the Local Authority for permission which would be assessed on a case-by-case basis. One circumstance in which it is likely to be appropriate to grant this permission is when householders are in long term residential care.



Questions

Q15.

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

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

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)



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Delivering the Armed Forces Covenant

48. We recognise the special circumstances of members and veterans of the regular and reserve Armed Forces. The Armed Forces defend our nation with commitment and courage, often at great personal sacrifice. The Government believes that the entire nation has a moral obligation to the members of these services, veterans, and their families. As part of our commitment to the Armed Forces Covenant, we intend to make special allowances for serving members and recent veterans of the

Armed Forces in purchasing First Homes. These will include:

- a. Serving members and recent veterans of the Armed Forces will be taken to have met the local eligibility criteria for any local area under any circumstances;
- b. A serving member of the Armed Forces placed on an assignment more than 50 miles from their home will be able to let out all or part of their property for the duration of that assignment.

Questions

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?

Delivering First Homes

49. This Government is committed to helping people achieve their aspiration of home ownership. Important changes have already been made to the planning system that have focused on delivering more homes in the right places. We are also committed to making the planning system more efficient and will set out our proposals to accelerate the planning system shortly.

50. However, we want to go further to address the specific barriers that aspiring homeowners face. As already set out, for many people this aspiration is not realistic in the current housing market. By delivering the First Homes scheme we can make this aspiration a reality for more people. The planning system is a key tool in

making this happen, but we are also considering options to legislate to ensure delivery.

51. This consultation explores two routes for supporting the delivery of First Homes through the planning system:

- a. To create a new requirement for developers to deliver First Homes alongside market housing, either through changes to planning policy or legislation.
- b. To amend the existing entry-level exception site policy to a First Home exception site policy.

52. In addition, we are minded to amend secondary legislation to exempt First Homes from the Community Infrastructure Levy (CIL).



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Setting developer contributions for First Homes

53. Developer contributions are an established method for ensuring that local communities benefit from new development. In 2018-19, around 28,168 affordable homes were delivered through contributions from development via planning obligations under section 106 of the Town and Country Planning Act 1990 (s106).¹⁵ Around 17,800 were for rent – including affordable rent and social rent – and around 10,300 were for affordable home ownership (including shared ownership).

54. To support people to realise the dream of home ownership, the Government wishes to ensure that more developer contributions are used to deliver homes sold at a discount. There are two broad options;

- a. Prescribe that a percentage of affordable homes delivered through section 106 planning obligations should be First Homes; or,
- b. Prescribe that a percentage of **all** units delivered on suitable sites (over 10 units) are to be sold as First Homes.

55. The first option means in some cases Local Authorities may not use section

106 contributions to deliver affordable housing, including First Homes, and there is no legal obligation for them to do so. This may have an impact on the number of First Homes delivered overall and in different regions.

56. A set percentage of all units sold on suitable sites would provide greater assurance of delivery and allow wider section 106 affordable housing delivery to continue. However, this has a risk of impacting on the viability of specific sites (at least in the short term) which could have negative consequences for other developer contributions and/or lead to developments on these sites being delayed.

57. We are clear that it is not our expectation that our First Homes policy will have a negative impact on home building rates.

58. The Government is ambitious in terms of First Homes delivery to reflect the scale of the home ownership challenge faced by people across the country. In 2018-19, just under 40% of section 106 affordable housing units were for affordable home ownership (largely shared ownership). Taking this as a baseline, analysis of potential delivery under different scenarios is set out overleaf. Please note that the percentages shown in the table are illustrative examples only and do not represent any Government intentions at this stage:

¹⁵ Affordable Housing Statistics 2018-19;
https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/847217/Live_Table_1000.xlsx

	Percentage of section 106 units required as First Homes		
	40%	60%	80%
First Homes delivered through section 106	8,000	12,000	15,000
First Homes delivered through exception sites	4,000	4,000	4,000
Total First Homes Delivery	12,000	16,000	19,000

59. The capacity to deliver First Homes will likely be affected by a variety of factors including broader economic conditions and the commitment to deliver Infrastructure First. This commitment ensures key infrastructure, including roads, schools and GP surgeries, comes before people move into new homes. This may impact on the delivery of First Homes on some sites. We will consider how best to align the two approaches to maximise delivery of infrastructure and First Homes.

60. The Government recognises the important role of affordable housing and supplying new homes of all affordable tenures, an approach complimented by the provision of Housing Benefit. Affordable homes will help support people into home ownership; reduce the impact of high rents in the private rented sector where people struggle to afford it; and mitigate the risk of homelessness.

61. Currently, affordable homes are provided through two main routes: grant funding through the Government's Affordable Homes Programme and developer contributions via section 106. We are mindful of the trade-off between the level of ambition for First Homes, funded through developer contributions, and the supply of other affordable housing tenures.

62. Since 2016 the Government has provided £9bn through the Affordable Homes Programme; delivering over 250,000 homes across a range of tenures, supporting people alongside generating a high level of additional supply, and contributing to the Government's plan to build 300,000 homes per year. We are committed to renewing this programme so it can continue to support the delivery of hundreds of thousands of affordable and social homes. As part of the design of this renewed programme we will consider the provision of affordable housing in the round, including the mix of tenures delivered through developer contributions, to reflect the Government's priorities and meet the housing needs of local communities across the country.

63. We are conscious that planning policy alone does not always guarantee delivery of homes. Local Planning Authorities must balance all material considerations when considering planning applications, and national policy is only one of these – other factors such as local plans and site viability can mean that national policy requirements for affordable homes are not met. We are clear that we want significant numbers of First Homes to be delivered and are considering legislative options to ensure that this policy cannot be sidestepped. We are, however, supportive of empowering local decision-makers and conscious of reducing discretion to respond to

local circumstances. We welcome views on whether legislation would be appropriate, or whether planning policy changes are sufficient.

64. We will consider appropriate transitional arrangements for implementing whichever policy approach we take forward to minimise the short-term impacts.

Questions

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**

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)**



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Delivery through exception sites

65. Exception sites provide a streamlined route to releasing appropriate land. They are small sites brought forward outside the local plan to deliver affordable housing. There are two types of exception site set out in the National Planning Policy Framework (NPPF): entry-level exception sites, which apply across the country; and rural exception sites, which are intended to meet identified local needs in rural areas.
66. Both types of exception site can make a key contribution to the delivery of additional affordable homes, particularly where plans are up-to-date and an adequate land supply exists, as land values are likely to be below those for allocated sites. They offer opportunities for developers, landowners, Local Authorities, housing associations or community groups to take the initiative in delivering much-needed homes.
67. The current exception site policies in the National Planning Policy Framework, particularly the rural exception site policy, have played an important role in delivering affordable homes. Exception sites currently deliver around 1,000 units per year, but we believe that they have the potential to deliver many more homes. We are therefore proposing changes that seek to maximise the effectiveness of these policies.
68. We have set out proposals below to help boost delivery of homes on exception sites specifically for First Homes and to enable new land to be brought into the system quickly to meet the urgent need. We are not proposing to make changes to the

existing rural exception site policy but welcome views on what we can do to help encourage more widespread use of this policy.

Entry-level exception sites

69. The revised National Planning Policy Framework, published in July 2018, introduced a new exception site policy aimed at entry-level housing suitable for first-time buyers (or those looking to rent). It is set out at paragraph 71 of the National Planning Policy Framework and makes clear that Local Authorities should support entry-level exception sites unless the need for these homes is already being met. These sites should:
 - a. Comprise entry-level homes providing affordable housing as defined in the National Planning Policy Framework; and
 - b. Be adjacent to existing settlements; proportionate in size to them; not compromise assets or areas of strategic importance; and comply with local design policies.
70. However, so far use of this policy has been limited and there has been a lack of clarity about application. Therefore, we propose to re-focus this policy to use it as a direct delivery vehicle for First Homes. We propose amending this policy and addressing the barriers to its uptake, to increase its scale and scope so that it makes a more substantial contribution to meeting housing needs.
71. We propose amending the existing policy to:
 - a. specify that the affordable homes delivered should be

First Homes for local, first-time buyers;

- b. allow a small proportion of market homes on a site where essential to ensure the development will be deliverable; and
- c. remove the threshold on site size set out in footnote 33 of the National Planning Policy Framework but retain that they should be proportionate in size to the existing settlement.

72. The Government is committed to supporting both additional housing supply and home ownership through our changes to entry-level exception sites. We recognise that there could be rare circumstances where there may not be sufficient demand amongst local people for additional First Homes, leading to viability issues for the entry-level exception site; for instance if a large number of First Homes have already been delivered in the local area. This could run counter to our objective of delivering more homes. For this reason, the Government is considering if there is a case for allowing other forms of affordable housing on entry-level exception sites in specific circumstances. In these circumstances, the Local Authority would have to demonstrate that focusing on First Homes as the sole affordable tenure would make a site unviable.

73. We propose that additional guidance should support these amendments to ensure this policy is utilised effectively across the country. We welcome feedback on other policy amendments or specific issues which could be clarified through guidance that would

increase uptake of entry-level exception sites.

Rural exception sites

74. Rural exception sites are small sites used to provide affordable housing and can already include an element of market housing at the Local Authority's discretion. These sites are explicitly focused on meeting the needs of the local community by accommodating households who are either current residents or who have an existing family or employment connection.

75. In 2017-18, 41 Local Authorities saw development take place on rural exception sites, delivering 790 homes. Cornwall has made extensive use of rural exception sites, delivering almost 180 homes in 2017-18, but this level of delivery has not been matched by other authorities. The Government has supported the delivery of housing in rural exception sites through the Community Housing Fund which funds, for example, Community Land Trusts and Rural Housing Enablers who work to secure affordable housing for local people in rural communities.

76. We are not proposing to adjust the rural exception site policy to directly support the delivery of First Homes. However, recognising that rural exception sites are currently under-used and that in the past stakeholders have asked for further policy clarity, the Government proposes providing further guidance on rural exception sites and on securing affordable housing on them, as well as how the policy sits alongside the policy on entry-level exception sites. We welcome feedback on what support would further encourage use of this policy.

Questions

Q23.

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

Q24.

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

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

Q25.

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

Q26.

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



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Community Infrastructure Levy exemptions

77. The Community Infrastructure Levy (CIL) is a planning charge that Local Authorities can use to raise revenue from developments to fund the delivery of local infrastructure. This is an important tool alongside section 106 contributions to ensure that Local Authorities can provide the infrastructure needed to support developments.

78. Most affordable housing is currently exempt from the Community Infrastructure Levy. This is due to the fact that when developers provide affordable housing, they are providing homes to meet a social need and will receive lower returns. Charging the Community Infrastructure Levy on these units would reduce developers' ability to provide much needed affordable housing.

79. Currently, Local Authorities can apply discretionary Community Infrastructure Levy relief to homes sold under the 'Discount Market Sale' principle. To do this, the Authority must publish a policy setting out what is required to qualify for this relief, including the criteria governing who is eligible to occupy the homes and how these will be allocated. This could generate considerable variation between Local Authorities as to whether and how reliefs are applied to Discount Market Sale homes.

80. Providing a national exemption in England from the Community Infrastructure Levy for developments providing First Homes according to a national standard would ensure consistency with other affordable tenures (e.g. shared ownership) and provide the certainty needed to support delivery. Therefore, the Government proposes amending the Community Infrastructure Levy regulations to specify that the First Homes element of developments in England will benefit from an exemption from the Community Infrastructure Levy.

81. Given the option to set a policy requirement that a proportion of section 106 homes are delivered as First Homes, the Government is aware that this may affect Local Authority decision-making on the relative balance between the Community Infrastructure Levy and section 106. For instance, Local Authorities may choose to levy more Community Infrastructure Levy for infrastructure at the cost of affordable housing and First Homes. The Government could take steps to address this risk. For example, we could consider amendments to the Community Infrastructure Levy regulations and guidance to ensure that Community Infrastructure Levy rates in England are not set at a level that would prevent current levels of affordable housing delivered through section 106 obligations from being secured in future.

Questions

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?

Equality impacts of the First Homes scheme

82. The Equality Act 2010 requires public authorities to have due regard to the need to eliminate unlawful discrimination, advance equality of opportunity, and foster good relations. It relates specifically to groups with protected characteristics including age, disability, sex, race, religion or belief, sexual orientation, gender reassignment, pregnancy, and maternity. The central purpose of the First Homes scheme is to open up home ownership to those who are struggling to buy a home including first-time buyers and essential local workers.

83. Contributions under Section 106 of the Town and Country Planning Act 1990 (s106) are used to finance a range of affordable housing, including affordable rent and shared ownership homes. The number of properties which can be delivered by section 106 contributions is restricted by the overall number and size of developments, so increasing the number of First Homes delivered through these means could impact the numbers of homes delivered for other affordable housing tenures.

84. However, increasing contributions through entry-level exception sites will lead to the development of additional First Homes as this land would not otherwise have been used to build housing in the short or medium term. This will increase the development of First Homes while mitigating the impact on provision of other types of affordable housing tenures.

85. Our delivery analysis suggests that a First Homes policy would have a positive impact on both females and

Black, Asian and Minority Ethnic groups. Under some delivery scenarios there could be a negative impact on disabled people and people aged 55 and over. This is because disabled people are more likely to use other affordable housing tenures and because first-time buyers are more likely to be under 55.

86. The Government is determined that the First Homes policy opens up the dream of home ownership to as many people as possible and will explore all avenues to mitigate these equalities risks. As discussed earlier in this document, we are keen to explore circumstances in which the prioritisation for first-time buyers should be waived, which could include age-specific housing for older people, and we welcome further views on how we can mitigate the potential impact on older people.

87. Current planning guidance is clear that Local Authorities should consider the needs of different groups when granting planning permission, including older people and those with disabilities. The First Homes policy should support, rather than counteract, this principle; so Local Authorities will be expected to consider the needs of these groups when granting permission for developments that include First Homes. For instance, Local Authorities will want to ensure First Homes are built which meet the specific needs of people with physical or mental disabilities. We want to empower Local Authorities to take proactive decisions to support this principle and welcome views on how this can be achieved.

Questions

Q29.

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

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

Q30.

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



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About this consultation

This consultation document and consultation process have been planned to adhere to the Consultation Principles issued by the Cabinet Office.

Representative groups are asked to give a summary of the people and organisations they represent and, where relevant, who else they have consulted in reaching their conclusions when they respond.

Information provided in response to this consultation, including personal data, may be published or disclosed in accordance with the access to information regimes (these are primarily the Freedom of Information Act 2000 (FOIA), the Data Protection Act 2018 (DPA), the General Data Protection Regulation, and the Environmental Information Regulations 2004.

If you want the information that you provide to be treated as confidential, please be aware that, as a public authority, the Department is bound by the Freedom of Information Act and may therefore be obliged to disclose all or some of the information you provide. In view of this it would be helpful if you could explain to us why you regard the information you have provided as confidential. If we receive a request for disclosure of the information we will take full account of your explanation, but we cannot give an assurance that confidentiality can be maintained in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not, of itself, be regarded as binding on the Department.

The Ministry of Housing, Communities and Local Government will process your personal data in accordance with the law and in the majority of circumstances this will mean that your personal data will not be disclosed to third parties. A full privacy notice is included at Annex A.

Individual responses will not be acknowledged unless specifically requested.

Your opinions are valuable to us. Thank you for taking the time to read this document and respond.

Are you satisfied that this consultation has followed the Consultation Principles? If not or you have any other observations about how we can improve the process please contact us via the [complaints procedure](#).



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Annex

Personal data

The following is to explain your rights and give you the information you are be entitled to under the Data Protection Act 2018.

Note that this section only refers to your personal data (your name address and anything that could be used to identify you personally) not the content of your response to the consultation.

1. The identity of the data controller and contact details of our Data Protection Officer

The Ministry of Housing, Communities and Local Government (MHCLG) is the data controller. The Data Protection Officer can be contacted at dataprotection@communities.gov.uk

2. Why we are collecting your personal data

Your personal data is being collected as an essential part of the consultation process, so that we can contact you regarding your response and for statistical purposes. We may also use it to contact you about related matters.

3. Our legal basis for processing your personal data

The Data Protection Act 2018 states that, as a government department, MHCLG may process personal data as necessary for the effective performance of a task carried out in the public interest. i.e. a consultation.

3. With whom we will be sharing your personal data

We will not share your personal data with organisations outside of MHCLG without contacting you for your permission first.

4. For how long we will keep your personal data, or criteria used to determine the retention period.

Your personal data will be held for two years from the closure of the consultation

5. Your rights, e.g. access, rectification, erasure

The data we are collecting is your personal data, and you have considerable say over what happens to it. You have the right:

- a. to see what data we have about you
- b. to ask us to stop using your data, but keep it on record
- c. to ask to have all or some of your data deleted or corrected
- d. to lodge a complaint with the independent Information Commissioner (ICO) if you think we are not handling your data fairly or in accordance with the law. You can contact the ICO at <https://ico.org.uk/>, or telephone 0303 123 1113.

6. The Data you provide directly will be stored by Survey Monkey on their servers in the United States. We have taken all necessary precautions to ensure that your rights in terms of data protection will not be compromised by this

7. Your personal data will not be used for any automated decision making.

8. Your personal data will be stored in a secure government IT system. which will be transferred from Survey Monkey shortly after the consultation closes.