

# Thirty-First Report of Session 2019-21

## Ministry of Housing, Communities and Local Government

### Starter Homes

#### Introduction from the Committee

The Ministry of Housing, Communities & Local Government (the Department) aims to support the delivery of a million new homes in England between April 2015 and the end of 2020, half a million more by the end of 2022, and be on track to deliver 300,000 net additional homes per year by the mid-2020s. These ambitions have been expressed in an extensive array of policies. The government announced one such policy in April 2015 when it committed to delivering 200,000 Starter Homes to be sold at a 20% discount and available exclusively for first-time buyers under the age of 40. The November 2015 Spending Review provided £2.3 billion to support the delivery of 60,000 of these planned homes. From 2015, the Home Builders Federation administered a register of people interested in buying a Starter Home. But despite the Department having spent £192 million by July 2019 on remediating land intended for Starter Homes, none have been built because the Department has not enacted the necessary secondary legislation following the Housing and Planning Act, 2016. The spending is, however, supporting the development of homes more generally, including some affordable housing. In January 2020 the Department announced that the Starter Homes policy was no longer being pursued. In February 2020 it launched a new initiative, First Homes, which also aims to deliver discounted homes for first-time buyers, while differing from Starter Homes in some significant ways.

Based on a report by the National Audit Office, the Committee took evidence, on 22 October 2020 from the Ministry of Housing, Communities and Local Government. The Committee published its report on 9 December 2020. This is the Government response to the Committee's report.

#### Relevant reports

- NAO report: [Investigation into starter homes](#) – Session 2019-21 (HC 275)
- PAC report: [Starter Homes](#) – Session 2019-21 (HC 88)

#### Government responses to the Committee

**1: PAC conclusion: *We deplore the time and resources wasted by the Department as it let the Starter Homes policy drift out of existence.***

**1: PAC recommendation: *The Department should be open with Parliament and the public when policies change or are abandoned. Such announcements should be made to Parliament and the public in a timely manner to reduce uncertainty and disappointment for those looking to the government to help them; in this case, to find a home they can afford.***

1.1 The government agrees with the Committee's recommendation.

#### Recommendation implemented

1.2 The Ministry of Housing, Communities and Local Government (the department) informed both the public and Parliament regarding the de-prioritisation and conclusion of the Starter Homes policy. Starter Homes was a policy of a previous administration that was announced in 2014. There was a change in administration in 2016. The administration at that time set out its strategy in the 2017 housing and planning White Paper, Fixing Our Broken Housing Market, which informed the public of their policy decision to focus on a wider range of affordable housing products, of which Starter Homes was one. Following this, the department engaged with stakeholders on the design of the Starter Homes product. In 2019, there was a change of administration which was followed by a General Election. In that election, the Conservative Party Manifesto set out its priorities for government, which did not include Starter Homes. In 2020, the new administration informed Parliament that the Starter Homes policy was not going ahead and members of the public who had registered their interest in the policy were contacted. While the conclusion of the policy may have been disappointing to some, Starter Homes was one of a suite of products on offer to support

prospective home owners. Since 2010, the government has helped 666,500 households onto the housing ladder through schemes such as Help to Buy or Shared Ownership. In that time, the government have also delivered over 508,000 new affordable homes, including over 360,000 affordable homes for rent (affordable rent and social rent).

**2: PAC conclusion: *The Department's reliance on developer contributions to fund First Homes is a complex mechanism lacking transparency and risks less money being available to local authorities for housing and infrastructure.***

**2: PAC recommendation: *As part of the First Homes pilot, the Department should model the effect of funding First Homes from developer contributions on local authorities' ability to fund local infrastructure and other housing needs, such as social housing, and what the opportunity cost is of using developer contributions in this way. It should also set out clearly how the secondary resale market will work.***

2.1 The government agrees with the Committee's recommendation.

### **Recommendation implemented**

2.2 Under the new First Homes policy, developments will be expected to capture the same amount of value for affordable housing as they do now. The First Homes requirement will not be in addition to current value capture for affordable housing but will change the mix of affordable housing which is delivered. As such the government does not expect First Homes to have any effect on the level of funding available to local authorities to fund other priorities such as infrastructure.

2.3 The department published a detailed Equalities Impact Assessment for the First Homes programme as described in the response to the 'Consultation on the design and delivery of First Homes', which includes modelling on the effect of the policy on the number of homes expected to be delivered through developer contributions, broken down by tenure. The department notes that there has been a further consultation, which considers aspects of the policy that will affect the mix of affordable housing delivered through developer contributions and will update an impact assessment accordingly when these decisions are made.

2.4 The department has worked with HM Land Registry to develop a legal framework to ensure the discounts and restrictions are passed on to future purchasers and has already started testing this process with parts of the industry and will set this out clearly and publicly in due course. The department will continue to work with local authorities, conveyancers, estate agents, consumers and others to ensure the secondary market works smoothly and purchasers are fully aware of their requirements and restrictions.

**3: PAC conclusion: *We are disappointed that the Department remains unable or unwilling to clarify how it will achieve its ambition of 300,000 new homes per year by the mid-2020s.***

**3a: PAC recommendation: *We are frustrated that once again we must repeat our recommendation that the Department should clarify how its range of housing schemes, including First Homes, will each contribute to its ambition of building 300,000 new homes per year by the mid-2020s.***

3.1 The government disagrees with this recommendation.

3.2 The department has and continues to be transparent about its objectives, and the progress towards them. In June 2019, the department published its latest Single Department Plan, including strategic objectives to increase supply. The Departmental Plan will be updated in line with the wider timetable, to be agreed with Cabinet Office and HM Treasury. The department publishes quarterly data on the progress towards raising net housing supply to 300,000 a year, meeting Conservative Party manifesto commitments.

3.3 This government is determined to level up opportunities across the country, building the homes this country needs.

3.4 The department has made significant progress having delivered over 1.8 million new homes since 2010, including 508,000 affordable homes and around 244,000 additional homes last year - the highest level in over 30 years.

3.5 COVID-19 and associated economic conditions have significantly impacted supply. To support house building, the government announced initial funding of £7.1 billion for a new National Home Building Fund, unlocking up to 860,000 homes. This includes £2.2 billion of new loan finance to support housebuilders across the country.

3.6 This forms part of the nearly £20 billion in multi-year capital investment announced in the 2020 Spending Review, including the new £11.5bn Affordable Homes Programme will provide up to 180,000 new homes.

3.7 The [Planning for the Future White Paper](#) in August 2020 proposed reforms to streamline and modernise the planning process, with enough land and the long-term conditions for increased supply.

**3b: PAC recommendation: *The department should write to us within three months, including an assessment of how many homes of each tenure it expects will be delivered and what types of homes count towards its 300,000 ambition.***

3.8 The government disagrees with this recommendation.

3.9 In terms of which types of home count towards the 300,000, the official measure used is the 'Net Additional Dwelling Statistics', which is published annually. This includes all new house building completions plus gains or losses from conversions and change of use and demolitions (also referred to as Net Supply of Housing). The definition of the types of homes that contribute to these statistics is available on page 15 of the publication, [Housing supply; net additional dwellings, England: 2019-20](#).

**4: PAC conclusion: *We welcome Homes England's commitment to provide us with regular updates on its progress delivering affordable housing, but we are concerned that it and the Department has yet to clarify what 'affordable' actually means, and how much it costs to deliver affordable housing.***

**4a: PAC recommendation: *The Department should write to us within one month setting out a clear definition of 'affordable housing', whether this definition means they are for sale, shared ownership or rent, and whether, and how, the definition may vary for different circumstances and geographies.***

4.1 The government agrees with the Committee's recommendation.

### **Recommendation implemented**

4.2 The government defines affordable housing in the [National Planning Policy Framework, Annex 2](#). This applies to a range of tenures including affordable housing for rent, starter homes, discount market sale housing and other routes into home ownership. It links affordability to local market rates taking into consideration housing costs in different geographies. The government sets this definition and expects local authorities to consider this in relation to their own local need and prepare local plans and policies which reflect local circumstances.

4.3 The government is committed to delivering affordable homes of a variety of tenures to support a range of people in different circumstances and stages in their lives. The government is investing over £12 billion in affordable housing over 5 years, the largest investment in affordable housing in a decade. This includes the new £11.5 billion Affordable Homes Programme, which will provide up to 180,000 new homes across the country, should economic conditions allow. The new Affordable Homes Programme will deliver more than double the social rent than the current programme, with around 32,000 social rent homes due to be delivered.

**4b: PAC recommendation: *As agreed, Homes England should write to us every 6 months to update us on the numbers of affordable homes created, and of what type and tenure.***

4.4 The government agrees with the Committee's recommendation.

#### **Recommendation implemented**

4.5 Homes England [wrote to the Committee on 1 December 2020](#) sharing the latest affordable housing statistics from Homes England and will keep the Committee updated on progress. Homes England publishes its [affordable housing statistics](#) every six months on GOV.UK. The Greater London Authority publishes data on affordable housing statistics for London on a quarterly basis on [its website](#).

**5: PAC conclusion: *The long-term success of the Department's housing policies depends on it being able to engage effectively with organisations across the housing sector and provide clarity on funding, without losing sight of the needs of those who are unlikely to be able to buy or rent their own home without support.***

**5a: PAC recommendation: *The Department should write to us within three months to explain how it is addressing the problems of homelessness, rough sleeping, and families in temporary accommodation.***

5.1 The government agrees with the Committee's recommendation.

**Target implementation date:** April 2021

5.2. The department accepts the Committee's recommendation to explain how it is addressing the problems of homelessness, rough sleeping and families in temporary accommodation, and will update the Committee within three months.

**5b: PAC recommendation: *the Department should increase its efforts to work more closely with local authorities and developers to:***  
***i) embed space and light standards in legislation to ensure housing is of decent quality.***

5.3 The government disagrees with the Committee's recommendation.

5.4 The department primarily sets its standards for housing design quality through the planning system, and planning policy is the most appropriate mechanism for securing appropriate space and light in development. The [National Design Guide](#) notes that well-designed homes should provide a good standard and quality of internal space, including sunlight, daylight and ventilation, which is a material consideration in determining planning applications. The department engages with local planning authorities (LPA) through the [National Planning Policy Framework](#), guidance in the National Design Guide and the forthcoming National Model Design Code, which will enable local authorities to create their own local design guides. LPAs can apply technical Nationally Described Space Standards in their local plans, subject to demonstrating viability and need. The department has also introduced changes so that in the future all new homes delivered through permitted development will be required to meet the Nationally Described Space Standards; and apply to proposals from 6 April 2021.

5.5 Homes England has a strategic priority to improve build quality and design, and continuously engages with developers to embed the principles of good design and placemaking in their schemes. Ministers also raise concerns about standards with developers as appropriate. The department also remains in touch with the New Homes Quality Board on proposals for a code of practice and redress for homebuyers. The department's Charter for Social Housing Residents announced a review of the Decent Homes Standard, to ensure it is delivering what is needed for the safety and decency of housing.

**5c: PAC recommendation: *the Department should increase its efforts to work more closely with local authorities and developers and ii): make greater use of innovative methods such as modular forms of housing... to ensure housing is of decent quality.***

5.6 The government agrees with the Committee's recommendation.

5.7 **Target implementation date:** Autumn 2021

5.8 The department is clear that new technology and innovation have improved productivity, quality and choice across a range of sectors and the government wants to see the same happen in housing. Some of the potential benefits of modern methods of construction (MMC) have not yet been realised in the housing sector, because it has not reached scale.

5.9 The department is focused on tackling the barriers to increasing the use of MMC; interventions so far have included Homes England funding and eight 'showcase' housing sites; working with industry on warranties and accreditation; and procuring research into the safety of modular housing. The department is also supporting the creation of a pipeline of opportunities, which is key to give confidence to the sector and investors, for instance, the Affordable Homes Programme recently adopted a 25% target for MMC within the Strategic Partnerships. The department is committed to continuing to work with the sector to address systemic issues and achieve sustainable growth.