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Consultation outcome

# Government response to the First Homes proposals in "Changes to the current planning system"

Updated 1 April 2021

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## Introduction

On 6 August 2020, the government published Changes to the current planning system. The consultation paper set out 4 policy proposals to improve the effectiveness of the current system:

- changing the standard method for assessing local housing need, to plan for the delivery of 300,000 new homes a year and plan for more homes in the right places
- securing First Homes, sold at a discount to market price for first time buyers, including key workers, through developer contributions
- temporarily lifting the small sites threshold below which developers do not need to contribute to affordable housing, to up to 40 or 50 units, to support SME builders as the economy recovers from the impact of the COVID-19 pandemic
- extending the current Permission in Principle to major development so that landowners and developers can secure the principle of development for housing on sites without having to work up detailed plans first.

The consultation closed on 1 October 2020. The government responded to the first of the 4 policy proposals (changes to the 'standard method' for assessing local housing need (<https://www.gov.uk/government/consultations/changes-to-the-current-planning-system/outcome/government-response-to-the-local-housing-need-proposals-in-changes-to-the-current-planning-system>)) on 16 December 2020.

This document sets out the government's response to the second of the 4 policy proposals, securing First Homes, which formed questions 8-16 of the consultation. The Secretary of State for Housing, Communities and Local Government will lay a Written Ministerial Statement before Parliament, in due course, which will outline changes to national planning policy in order to ensure First Homes are built. These changes will take effect on a date to be specified.

## Small sites and Permission in Principle

The government consulted on raising the small sites threshold in order to assess if it was necessary in the economic circumstances to provide additional support to SME builders. We have carefully considered the consultation feedback and the situation in the housing market. On balance, we do not consider this measure to be necessary at this stage, particularly in light of the broader way in which the sector has responded to the challenges of the pandemic and the other measures we have available to support SMEs. We therefore do not think any change to existing policy is currently needed.

We will continue to monitor the market closely and will speak to SME representatives about the barriers they face and the kind of support we can offer them, but there are no plans to raise the small sites threshold at this stage. As such, paragraph 63 of the National Planning Policy Framework, will continue to apply. This sets out that provision of affordable housing should not be sought for residential developments that are not major developments, other than in designated rural areas (where policies may set out a lower threshold of 5 units or fewer). For housing, a major development is a development where 10 or more homes will be provided, or the site has an area of 0.5 hectares or more. The government response to the consultation will be published in due course.

We are carefully considering the response to the fourth policy proposal in the Changes to the current planning system consultation: in doing so, we will assess whether extending Permission in Principle is best addressed in the context of our proposals for wider reform.

The detailed conclusions set out in this response have been informed by the responses to the questions directly relating to First Homes, and the responses relevant to First Homes in the question on the equality impacts of the proposals.

## **First Homes overview**

The government's initial consultation on First Homes (<https://www.gov.uk/government/consultations/first-homes>) was published on 7 February 2020 and closed on 1 May 2020. The government published its response to that consultation on 6 August 2020, at the same time that the Changes to the current planning system consultation was published.

First Homes are intended to be homes available to buy with a minimum discount of 30% below their full market value. Local authorities will have the ability to prioritise these homes for local people and / or key workers, as required locally, and require higher discounts if they can demonstrate a local need. Crucially, these homes will be subject to restrictions which ensure that the homes retain their discount in perpetuity (subject to certain specific exclusions) – they will need to be sold on to other eligible purchasers at a discounted price, ensuring communities continue to benefit from these affordable homes for generations to come.

## **Proposed changes to support the delivery of First Homes through the planning system**

The government's response to the February consultation set out an intention to change the planning system to ensure that First Homes are delivered across England. This included an intention to set out in policy that 25% of all homes delivered through developer contributions as part of planning obligations agreed under section 106 of the Town and Country Planning Act 1990 ('section 106') should be sold as First Homes. The government also proposed changes to the current entry-level exception sites policy to provide more land for development of First Homes. The questions on First Homes in the Changes to the current planning system consultation are technical in nature, seeking views on how best to implement these proposals. In summary, the questions asked for views on the following:

- How the remaining 75% of homes delivered through section 106 (after the 25% First Homes requirement is met) should be allocated (Question 8)
- Types of development which may be exempt from the First Homes requirement (Questions 9-11)
- Arrangements to manage the transition to the new requirements (Question 12)
- Arrangements to allow local authorities to require minimum discounts higher than 30% (Question 13)
- The implementation of new First Homes exception sites (Questions 14 and 15)
- How First Homes exception sites interact with rural exception sites in designated rural areas (Question 16).

The government has listened carefully to the feedback on our proposals, through the formal consultation and direct discussions with stakeholders. This response takes all this feedback into account and changes to the planning system in order to ensure First Homes are delivered will be announced via

Written Ministerial Statement in due course. In the interim period we will work towards producing planning practice guidance for developers and local authorities to better understand how to implement these new requirements.

As the name suggests, this consultation only considered changes to the current planning system. The government is also continuing work on wider planning reform, as proposed in the Planning for the future white paper (<https://www.gov.uk/government/consultations/planning-for-the-future>) (which was published on the same day as the Changes to the current planning system consultation). Planning for the future proposes significant reforms to developer contributions, replacing the existing Community Infrastructure Levy (CIL) and section 106 mechanisms with a new Infrastructure Levy to secure affordable housing and infrastructure. These reforms are still under consideration and, depending on the outcome of this, may require new mechanisms to ensure First Homes continue to be developed across the country.

## Summary of actions

### First Homes parameters

The published response to the Consultation on the design and delivery of First Homes established some of the following parameters for the First Homes product:

#### Design

- First Homes must be discounted by a minimum of 30%. Local authorities and neighbourhood planning groups can require higher minimum discounts at 40% or 50% if need can be evidenced through the most appropriate method available to them (either in the local or neighbourhood plan, an emerging policy or, where appropriate, a Supplementary Planning Document).
- After the discount is applied the initial sale price of a First Homes must not exceed £250,000 (or £420,000 in Greater London). Local authorities and neighbourhood planning groups can set lower caps at local level through the most appropriate method available to them (either in the local or neighbourhood plan, an emerging policy or, where appropriate, a Supplementary Planning Document).
- Initial sales of First Homes must contain a legal mechanism to ensure each future sale maintains the discount (as a percentage of current market value). However, a mortgagee enforcing their security against the property will be exempt from this requirement.
- First Homes are not intended to be used for commercial gain and there will be restrictions on letting or sub-letting the property.

#### Eligibility

- Purchasers of First Homes must be first-time buyers and must have a household income not exceeding £80,000 (or £90,000 in Greater London).

- We also stated an intention to publish a list of circumstances under which non-first-time buyers may be eligible for First Homes. We are not publishing such a list at this stage, in the absence of further evidence to support expanding eligibility, but we will continue to monitor the need for further exemptions as the policy is implemented.
- Local authorities and neighbourhood planning groups can apply additional criteria, such as a lower income cap, local connection or prioritisation for key workers) through the most appropriate method available to them (either in the local or neighbourhood plan, an emerging policy or, where appropriate, a Supplementary Planning Document).
- Local criteria is limited to the first 3 months of marketing before reverting to the national criteria.
- Members of the Armed Forces, divorced/separated spouses/civil partners or members of the Armed Forces, the spouses/civil partners of deceased members of the Armed Forces (if their death was wholly or partly caused by their service) or veterans within 5 years of leaving the Armed Forces will be exempt from any local connection criteria.
- A First Home should be the buyers only home and a purchaser will need to use a mortgage or home purchase plan for at least 50% of the purchase price of the home.

## Delivery

- We committed to introducing through planning policy a requirement that a minimum of 25% of homes delivered through developer contributions should be First Homes.
- We committed to amend the entry-level exception site policy to become a new First Homes exception site policy, allowing a small proportion of market homes and/or other forms of affordable housing to support viability.
- We committed to introduce a mandatory exemption from the Community Infrastructure Levy for First Homes. Regulations to achieve this have already passed through the House of Commons and this mandatory exemption became law on 16 November 2020.

The above points under 'delivery' require fairly substantial changes to national planning policy and the government committed to consult on the exact detail of these changes. This document, as a response to the aforementioned consultation, sets out the planning policy changes the government intends to make to support First Homes delivery.

After considering response to the Changes to the current planning system consultation, and as committed to in the government response to the Consultation on the design and delivery of First Homes, the government intends to make changes to national planning policy through the laying of a Written Ministerial Statement in Parliament, which will happen in due course, and with an implementation date to be set out on publication.

In addition to the changes already committed to and set out above, the Written Ministerial Statement will set out the policy framework for First Homes, including:

- policy detail on the process for setting developer contributions for First Homes
- the types of developments that will be exempt from the requirement to provide First Homes

- the transitional arrangements that will apply to local and neighbourhood plans depending on their level of advancement through the plan making process, as well as for planning applications
- the policy framework for First Homes exception sites

## **The remaining 75% of affordable housing secured through developer contributions (consultation question 8)**

The First Homes requirement is that a minimum of 25% of section 106 units should be delivered as First Homes. With regards to the allocation of the remaining 75% of units after the First Homes requirement has been met, national policy will be that:

- The provision for Social Rent as already described in the development plan should be protected.
- Where other affordable housing units can be secured, these tenure-types should be secured in the relative proportions set out in the development plan.
- In situations where the local plan allocates more than 75% of contributions to Social Rent, the 25% First Homes requirement will remain.

## **Exemptions from the First Homes requirement (consultation questions 9-11)**

Paragraph 64 of the National Planning Policy Framework (NPPF) exempts the following types of development from requirements to deliver affordable home ownership units:

- a) Developments which provide solely for Build to Rent homes
- b) Developments which provide specialist accommodation for a group of people with specific needs (such as purpose-built accommodation for the elderly or students)
- c) Developments by people who wish to build or commission their own homes; or
- d) Developments exclusively for affordable housing, entry-level exception sites or a rural exception site

Developments which meet any of these criteria will also be exempt from the requirement to deliver First Homes.

## **Plans and transitional arrangements (consultation question 12)**

The following arrangements will be implemented to support a smooth transition to the new system:

- Local or neighbourhood plans submitted for Examination<sup>[footnote 1]</sup> before the implementation of the policy or that have reached publication stage<sup>[footnote 2]</sup> before implementation and are subsequently submitted for Examination within 6 months of implementation will not be required to reflect the First Homes requirements.
- The new requirement for 25% First Homes will not apply to sites with full or outline planning permissions already in place or determined (or where a right to appeal against non-determination has arisen) within 6 months of implementation of the policy (or 9 months if there has been significant pre-application engagement), although local authorities should allow developers to introduce First Homes to the tenure mix if the developer wishes to do so.
- The above arrangements will also apply to entry-level exception sites

## Level of discount (consultation question 13)

Local authorities and neighbourhood planning groups will be able to require higher minimum discounts of 40% or 50% if they have local need which is evidenced. If they choose to require higher minimum discounts, the First Homes requirement for 25% of section 106 units will remain.

## Exception sites (consultation questions 14 and 15)

Entry level exception sites will be replaced with new First Homes exception sites. A small proportion of market housing and / or other affordable housing tenures will be permitted to support viability and we will remove the site size threshold from the previous entry level exception sites policy.

## Designated rural areas and rural exception sites (consultation question 16)

First Homes exception sites will not apply in designated rural areas.

## Responses to consultation questions

### Overview

There were 2,398 responses to the Changes to the current planning system consultation. Not all respondents answered every question. All responses have been analysed for the First Homes policy questions (questions 8 to 16) and the equality impact question (question 35) and full consideration has been given to them in the preparation of this government response. The Department is grateful to everyone who took the time to respond.

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.

This document provides a summary of the consultation responses received. It does not attempt to capture every point made. It sets out the proposed changes the government is making, having taken the consultation responses into account. Where the government has decided not to make further policy changes, the reasons are explained.

In this section of the consultation, all questions apart from Q8 and Q10 are in the format of a 'Yes/No/Not Sure' response, with the option to leave a supporting comment. It was possible to leave a comment without providing a Yes/No/Not Sure answer, and vice versa. Unless otherwise stated, the percentages quoted below relate specifically to those respondents where their response could be quantified, in other words, those who provided a yes/no/not sure response.

## The remaining 75% of affordable housing secured through developer contributions

Q8: The government is proposing policy compliant planning applications will deliver a minimum of 25% of onsite affordable housing as First Homes, and a minimum of 25% of offsite contributions towards First Homes where appropriate. Which do you think is the most appropriate option for the remaining 75% of affordable housing secured through developer contributions? Please provide reasons and / or evidence for your views (if possible):



- i. Prioritising the replacement of affordable home ownership tenures, and delivering rental tenures in the ratio set out in the local plan policy.
- ii. Negotiation between a local authority and developer.
- iii. Other (please specify).

There were 1,460 responses to this question, with 1,274 respondents providing a comment, and 1,070 choosing either i)/ii)/iii) to this question. The percentages quoted below relate specifically to those respondents where their response could be quantified, in other words, those who provided a i)/ii)/iii) response.

### Preferred option: (Total percentages for i)/ii)/iii) part of the question)

Total	Personal	Organisations
Option i) 32%	i) 29%	i) 34%
Option ii) 25%	ii) 26%	ii) 24%
Option iii) 43%	iii) 45%	iii) 42%

Overall, the highest number of respondents opted for option iii). Those who answered iii) were able to specify an alternative option in the free text box attached to this response in order to specify their answer. These comments are additional to those for the question as a whole.

There were mixed views in comments regarding whether option i), ii) or iii) was more appropriate. Local authorities and community groups / parish councils / neighbourhood fora tended to prefer option i), with the local plan as the central tool used to decide the affordable housing tenure mix. However, developers and housing associations preferred option ii). A number of respondents across all groups preferred iii), another approach.

For those that chose option iii), the points raised through the free text function were varied but tended to focus on wider concerns about the First Homes policy. A relatively small number of respondents suggested a blend of options i) and ii) would be most appropriate, with tenure mix determined by the local plan and negotiation on specific sites where necessary.

The most frequent general points raised under option iii) related to concern about the impact of a requirement for 25% of affordable homes to be First Homes. There was concern that this will reduce the number of affordable homes produced, particularly for social rent which was cited as high need by several local authorities. A number of responses questioned how affordable First Homes would be in their local area. Several pointed to viability impacts of changing the tenure mix.

Other issues which were raised by some respondents included concerns around the impact on registered providers' financial positions – it was suggested that a significant fall in shared ownership provision could reduce cross-subsidisation for affordable homes to rent.

### Government response

In the consultation text, the government explained its preference for option i) – prioritising the replacement of other affordable ownership tenures with First Homes and splitting the rental units as established in the local plan. However, the government is sympathetic to concerns raised in response to the consultation about the mix of homes delivered through section 106 developer contributions and recognises the importance of social rent as part of the affordable housing tenure mix. Therefore, a local authority should prioritise securing their policy requirements on social rent, once they have secured the 25% First Homes requirement. Where other affordable housing units can be secured, these tenure-types should be secured in the relative proportions set out in the development plan.

We expect this to have a more measured and moderate impact on most other tenures, protecting those which have been identified in the consultation as the most important and reducing the overall impact on affordable housing supply.

The government acknowledges concerns that this proposal may reduce the number of Shared Ownership properties delivered through section 106 compared to current volumes, and acknowledges the effect this may have on the finances of registered providers who use Shared Ownership sales to cross-subsidise affordable and social rented units. The government is fully committed to the delivery of Shared Ownership homes, as evidenced by plans to rejuvenate the tenure through a new standard model and investing £12bn in the Affordable Homes Programme to support the development of thousands of Shared Ownership units. We therefore do not expect local authorities to prioritise the replacement of other affordable home ownership tenures (such as Shared Ownership) with First Homes. We will continue to monitor the effect the First Homes policy has on registered providers and their finances, working with the industry to understand the impacts and how they can be mitigated if necessary.

Many responses to this question were in more general terms about the First Homes policy, particularly either in support or opposition to the proposals to ensure that 25% of section 106 housing is sold to first-time buyers with a discount of at least 30%. It is acknowledged that some respondents continue to have concerns about this; however, the government's decision on this point was clearly set out in the response to the Consultation on the design and delivery of First Homes. It remains the government's intention to ensure that First Homes are built across the country: the purpose of this consultation was to gather views on how best to implement this objective through the planning system.

## Exemptions from the First Homes requirement

Q9: With regards to current exemptions from delivery of affordable home ownership products: Should the existing exemptions from the requirement for affordable home ownership products (e.g. for build to rent) also apply to this First Homes requirement?

There were 1,263 responses to this question, with 892 respondents providing a comment, and 1,083 providing a yes/no/not sure response. The percentages quoted below relate specifically to those respondents where their response could be quantified, in other words, those who provided a yes/no/not sure response.

### Level of support: (Total percentages for yes/no/not sure part of the question)

Total	Personal	Organisations
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Total	Personal	Organisations
Yes 40%	Yes 23%	Yes 54%
No 40%	No 53%	No 30%
Not sure 19%	Not sure 25%	Not sure 15%

Organisations were generally in favour of this proposal (54%) while individuals were generally opposed (53%). Overall, this resulted in roughly equal numbers in support and opposition (40% each).

Points raised from those who commented include opposition on the basis that no developments should be excluded from delivering affordable housing. Notably, local authorities, developers, housing associations and business or trade organisations all showed strong support for the exemptions applying to the First homes requirement.

### Government response

Many respondents opposed this proposal on the basis that no development should be exempt from delivering affordable housing; however, this question was specifically referring to the First Homes requirement, rather than requirements to deliver affordable housing more generally. It is important for the government to consider the nature of some types of development and whether the First Homes product is an appropriate tenure for these sites. Exemptions described here do not constitute exemptions from all affordable housing requirements.

Currently, paragraph 64 of the National Planning Policy Framework (NPPF) exempts developments from the requirement to deliver 10% of all units as affordable home ownership tenures which:

- e) provide solely for Build to Rent homes
- f) provide specialist accommodation for a group of people with specific needs (such as purpose-built accommodation for the elderly or students)
- g) are proposed to be developed by people who wish to build or commission their own homes; or
- h) is exclusively for affordable housing, an entry-level exception site or a rural exception site

We believe that the First Homes product will also not be appropriate in such developments and risk threatening the viability of these developments, so we intend to exempt developments which meet these criteria from the requirement to deliver First Homes.

Q10: With regards to current exemptions from delivery of affordable home ownership products: Are any existing exemptions not required? If not, please set out which exemptions and why.

This question did not ask for yes/no/not sure options, it only allowed for free text comments. There were 875 comment responses to this question.

Points raised from those who commented include:

- Agreement that all the existing exemptions to the 10% affordable home ownership requirement should also apply to the First Homes requirement.
- Asserting that there should be no exemptions from delivering affordable housing, or that exemptions should be minimised.
- Highlighting particular situations that should be exempt, the most common of which was Build to Rent developments, likely because they were the ones specifically mentioned in the question.
- Other situations specifically mentioned included specialist accommodation (such as for older people or students), designated rural areas and developments with high levels of affordable housing.

## Government response

As discussed above, certain developments are not appropriate places to deliver certain tenures. For example, very few students are able financially to purchase a home, so tenures for affordable ownership in student accommodation would not be appropriate. As First Homes can only be bought by first-time buyers, they would not be an appropriate tenure within specialist accommodation for older people, as comparatively few older people are first-time buyers. The government recognises that each of the development types described above would not be appropriate to deliver First Homes, therefore we will ensure that all current specified exemptions from the requirement to deliver affordable home ownership will also apply to the First Homes requirement.

Q11: With regards to current exemptions from delivery of affordable home ownership products: Are any other exemptions needed? If so, please provide reasons and /or evidence for your views.

There were 1,157 responses to this question, with 784 respondents providing a comment, and 879 providing a yes/no/not sure response. The percentages quoted below relate specifically to those respondents where their response could be quantified, in other words, those who provided a yes/no/not sure response.

### Level of support: (Total percentages for yes/no/not sure part of the question)

Total	Personal	Organisations
Yes 23%	Yes 11%	Yes 31%
No 47%	No 48%	No 46%
Not sure 30%	Not sure 41%	Not sure 23%

Overall, about half of respondents did not believe that any additional exemptions were required. This was consistent between personal and organisational respondents.

Points raised from those who commented include:

- Comments supporting an existing exemption. Amongst these comments, retirement housing, Build to Rent and rural areas features strongly.
- Assertions that there should be no or limited exemptions.
- Suggestions that exemptions should be locally-led based on evidence or viability, or that community-led housing, or sites developed directly by local authorities or registered providers should be exempt.

## Government response

The government believes that the current exemptions described above are sufficient and appropriate. They are established within planning policy and there is a risk that it may cause confusion between policies to make different arrangements for First Homes than for other affordable ownership tenures. Therefore there is no intention to exempt any schemes beyond those detailed above.

## Plans and transitional arrangements

Q12: Do you agree with the proposed approach to transitional arrangements (as described in paragraphs 56-58 of the consultation document)?

There were 1,193 responses to this question, with 814 respondents providing a comment, and 977 providing a yes/no/not sure response. The percentages quoted below relate specifically to those respondents where their response could be quantified, in other words, those who provided a yes/no/not sure response.

### Level of support: (Total percentages for yes/no/not sure part of the question)

Total	Personal	Organisations
Yes 36%	Yes 19%	Yes 48%
No 38%	No 41%	No 37%
Not sure 25%	Not sure 40%	Not sure 16%

Overall, there was no strong preference expressed in the yes/no/not sure responses to this proposal, with similar results for each option. However, responses amongst organisations were generally more supportive.

Points raised from those who commented include:

- Asking for clarity on how advanced planning applications should be handled.
- Clarity over the position of planning applications during the transitional period and what constituted “significant work” as referred to in the consultation document.

- Suggestions that a longer transition period would be more appropriate, most commonly in the region of 9-12 months.

## Government response

We recognise that there will be a number of local plans and neighbourhood plans that have been prepared based on the existing National Planning Policy Framework and that have reached more advanced stages of the plan-making process. We do not intend for the introduction of the First Homes policy to delay the plan-making process in circumstances where significant work has already been carried out. However, this must be balanced against our strong desire to see First Homes requirements reflected in plans at the earliest opportunity.

Through the upcoming Written Ministerial Statement, we will set out further detail on the transitional arrangements for local plans and neighbourhood plans to ensure that plans at certain stages of preparation will not be required to reflect the First Homes policy requirements in their evidence base. These transitional arrangements will allow for the following:

- Local or neighbourhood plans submitted for Examination<sup>[footnote 3]</sup> before the implementation of the policy or that have reached publication stage<sup>[footnote 4]</sup> before implementation and are subsequently submitted for Examination within 6 months of implementation will not be required to reflect the First Homes requirements.
- The new requirement for 25% First Homes will not apply to sites with full or outline planning permissions already in place or determined (or where a right to appeal against non-determination has arisen) within 6 months of implementation of the policy (or 9 months if there has been significant pre-application engagement), although local authorities should allow developers to introduce First Homes to the tenure mix if the developer wishes to do so.

Where local authorities choose to adopt local plans under the aforementioned transitional arrangements, the First Homes requirements will also not need to be applied when considering planning applications until such time as the requirements are introduced through a subsequent update.

Where local and neighbourhood plans do not benefit from these transitional arrangements, the local planning authority should make clear how existing policies should be interpreted in the light of First Homes requirements using the most appropriate tool available to them, and reflect the First Homes requirements in the updating of plans or the production of new plans.

For planning applications, the consultation also suggested that where significant work has already been undertaken to progress a planning application, the local authority should have flexibility to accept alternative tenure mixes. We have listened to the significant feedback from the development sector that more clarity is needed over the state of planning applications. Therefore we also intend to implement the following transitional arrangements for planning applications:

- The new requirement for 25% First Homes will not apply to sites with full or outline planning permissions already in place or determined (or where a right to appeal against non-compliance has arisen) within 6 months of implementation (or within 9 months if there has been significant pre-application engagement), although local authorities should allow developers to introduce First Homes to the tenure mix if they wish to do so.

Finally, the government has also heard feedback that greater clarity over the transitional arrangements for exception sites would be welcome. Therefore, the transitional arrangements for planning applications set out above will also apply to planning applications and permissions for entry-level exception sites.

## Level of discount

Q13: Do you agree with the proposed approach to different levels of discount (as described in paragraphs 59 and 60 of the consultation document)?

There were 1,226 responses to this question, with 893 respondents providing a comment, and 985 providing a yes/no/not sure response. The percentages quoted below relate specifically to those respondents where their response could be quantified, in other words, those who provided a yes/no/not sure response.

### Level of support: (Total percentages for yes/no/not sure part of the question)

Total	Personal	Organisations
Yes 37%	Yes 21%	Yes 47%
No 39%	No 43%	No 37%
Not sure 24%	Not sure 36%	Not sure 15%

Overall, there was no strong preferences expressed in the yes/no/not sure responses to this proposal, with similar results for each option. However, responses amongst organisations were generally more supportive.

Points raised from those who commented include:

- Agreement that local authorities should have discretion to set discount levels.
- That discount levels should relate to local evidence such as incomes.
- Suggestions that the discounts would still not be sufficient to meet local need.
- Higher discounts would require a reduction of other affordable housing units.
- Requests for guidance on what evidence would be needed to set higher discounts, or how this can be done as part of the local plan-making process.

## Government response

The government has been clear that First Homes should to be a product to benefit local areas and local people, which is why it is important for local authorities and neighbourhood planning groups to have flexibility over how the product works in their local area. Respondents to the Consultation on the design and delivery of First Homes were clear that the ability to vary discount levels to suit local need is a key aspect of this flexibility. The government is also acutely aware that consistency and predictability of



requirements are absolutely essential for both developers and consumers; too much local variation, or conditions that change without prior warning, could threaten the viability of developments and be extremely confusing for consumers. This is a delicate balance to strike and the government is grateful for responses to this question which will assist in getting this right for all parties.

The government maintains that flexibility to set minimum discount on a site-by-site basis is not appropriate. Developers need to know when they purchase land the conditions under which they are required to sell properties and too much variation could be confusing for consumers. To that end, the minimum discount for First Homes should be 30% from market value, which will be set by an independent registered valuer. The valuation should assume the home is sold as an open market dwelling without restrictions. Where evidence justifies it the minimum discount in an area can be increased to 40% or 50% by the local authority or neighbourhood planning group.

Where discounts of more than 30% are applied to First Homes, the requirement for a minimum of 25% of the affordable housing units secured through developer contributions to be First Homes will remain in place. The approach to delivering the remaining 75% is set out above in the response to Question 8.

The government is clear that the discounts at 30%, 40% or 50% represent the minimum discount expected in each local area. Developers who are able to deliver First Homes with even higher discounts should be free to do so, although this cannot be required by the local authority or neighbourhood planning group.

## Exception sites

Q14: Do you agree with the approach of allowing a small proportion of market housing on First Homes exception sites, in order to ensure site viability?

There were 1,264 responses to this question, with 987 respondents providing a comment, and 1,081 providing a yes/no/not sure response. The percentages quoted below relate specifically to those respondents where their response could be quantified, in other words, those who provided a yes/no/not sure response.

### Level of support: (Total percentages for yes/no/not sure part of the question)

Total	Personal	Organisations
Yes 37%	Yes 24%	Yes 46%
No 49%	No 60%	No 41%
Not sure 14%	Not sure 16%	Not sure 12%

In total, about half of respondents disagreed with this proposal, largely driven by individual respondents (60%). Organisational respondents were slightly in favour (46%).

Points raised from those who commented include:



- Having a mixture of tenures would encourage more diverse communities.
- Allowing market homes would mean more sites would become viable and so more schemes could be delivered.
- Views that this would undermine the original purpose of increasing opportunities to develop First Homes.
- Views that developers could abuse this in order to make larger profits.
- The term 'small proportion' needs to be properly defined. Some gave examples, e.g. no more than 10% of houses on the sites.

## Government response

A key priority of this government is to enable as many people as possible to enjoy the benefits of home ownership, and First Homes are a crucial way in which this will be achieved. While the government supports the mechanism of allowing land to come forward outside of the local plan to deliver much needed homes via exception sites, the entry-level exception policy has not delivered affordable housing to the extent originally envisaged. Our engagement with the industry suggests that these sites are often not viable as they must deliver only affordable housing. Therefore, the government is replacing this policy with a 'First Homes exception sites' policy, in order to encourage First Homes-led developments on land that is not currently allocated for housing.

The purpose of allowing a small proportion of market homes on First Homes exception sites is to improve the viability of such sites, encouraging more developers to bring more sites forward. This not only ensures more First Homes are built, but also increases the overall supply of housing, which remains a key priority for this government. Therefore, exception sites with a small proportion of market homes to support viability will be permitted. As described in the response to the Consultation on the design and delivery of First Homes, developers and local authorities can also agree to deliver a small proportion of affordable homes of other tenures on exception sites, if this improves either the viability or the local acceptability.

The government acknowledges concerns that the terminology of a 'small proportion' doesn't provide a specific figure. However, the government considers that local authorities are best placed to determine the appropriate proportion based on local evidence and circumstances, taking into account national policy. A one-size-fits-all approach would not be appropriate and could become a target figure to aim for, rather than a limit. Such a limit would also not necessarily recognise the significant differences in housing markets and site viability across the country. Therefore the government does not intend to set a specific limit on the amount of market housing allowed on exception sites, but will work to develop appropriate and balanced guidance.

Q15: Do you agree with the removal of the site size threshold set out in the National Planning Policy Framework?

There were 1,233 responses to this question, with 924 respondents providing a comment, and 1,108 providing a yes/no/not sure response. The percentages quoted below relate specifically to those respondents where their response could be quantified, in other words, those who provided a yes/no/not sure response.

**Level of support: (Total percentages for yes/no/not sure part of the question)**

<b>Total</b>	<b>Personal</b>	<b>Organisations</b>
Yes 20%	Yes 13%	Yes 24%
No 64%	No 59%	No 68%
Not sure 16%	Not sure 27%	Not sure 8%

Overall, the majority of respondents (64%) disagreed with this proposal, although certain groups were more favourable (particularly the development and construction industry, planning consultancies, and land agents and promoters).

Points raised from those who commented include:

- The term “proportionate” is vague or subjective and needs further clarification.
- Views that this may adversely affect local environment and infrastructure and lead to haphazard development.
- This would encourage sites to come forward outside of the plan-led approach to development.
- Amongst respondents who supported the proposal, feedback that the threshold was arbitrary and should not be allowed to constrain the delivery of First Homes.
- Removing the threshold would provide flexibility in ensuring sites come forward.

**Government response**

The government acknowledges the concerns of some groups about the removal of the site size threshold. However, proposals will need to be proportionate in size to existing settlements, and the government strongly believes that local authorities are best placed to determine what is proportionate on the basis of local evidence as part of the planning decision making process. A strict threshold may be treated as a target and result in a one-size-fits-all approach that fails to take into account local nuances. The removal of the threshold forms a key part of plans and delivery expectations for First Homes and increases in market housing units. The government therefore intends to proceed with this proposal.

In the light of responses to this consultation, however, the government will work with industry groups and stakeholders to produce guidance to ensure that the exception sites policy is not abused and that the removal of the size threshold does not adversely affect local environments.

**Designated rural areas and rural exception sites**

Q16: Do you agree that the First Homes Exception Sites policy should not apply in designated rural areas?

There were 1,212 responses to this question, with 822 respondents providing a comment, and 1,044 providing a yes/no/not sure response. The percentages quoted below relate specifically to those respondents where their response could be quantified, in other words, those who provided a yes/no/not sure response.

### Level of support: (Total percentages for yes/no/not sure part of the question)

Total	Personal	Organisations
Yes 53%	Yes 36%	Yes 67%
No 30%	No 41%	No 21%
Not sure 17%	Not sure 23%	Not sure 12%

Overall, about half of respondents agreed that First Homes exception sites should not apply in designated rural areas, with the exception of respondents from the development industry and those in planning and development consultancy.

Points raised from those who commented include:

- The current definition of designated rural areas is not fit for purpose. There was also some confusion over which definition of designated rural areas would apply.
- It should be for either local authorities or local communities to determine what sort of exception sites would be appropriate in their areas.

### Government response

While the government wants to ensure that home ownership is available to as many people as possible, we recognise that certain rural areas face particular challenges in terms of affordability, and that rural exception sites can be very effective in addressing the lack of affordable housing in these areas. As such, the government has decided that in designated rural areas, which includes some of the more constrained and expensive regions of the country such as National Parks and Areas of Outstanding Natural Beauty, rural exception sites will remain as the sole exception site which can come forward. Elsewhere, First Homes exception sites and rural exception sites can both come forward.

The government also recognises that a common theme among many of those who supported the proposal was concern that areas which shared the characteristics of designated rural areas but were not themselves designated would not benefit from this policy approach. The government has considered these concerns but wishes to reiterate that rural exception sites will remain available to come forward outside of designated rural areas alongside First Homes exception sites. The government believes that this approach strikes the right balance between ensuring that other, non-First Homes affordable housing products can come forward in rural areas, and ensuring that provision is made to give first-time buyers the opportunity to buy their own home in their own community at a price they can afford.

The government will review existing Planning Practice Guidance and update this where appropriate in order to assist local authorities in delivering rural exception sites in order to help assist in their wider uptake.

## Equalities impact

Q35: In light of the proposals set out in this consultation, are there any direct or indirect impacts in terms of eliminating unlawful discrimination, advancing equality of opportunity and fostering good relations on people who share characteristics protected under the Public Sector Equality Duty? If so, please specify the proposal and explain the impact. If there is an impact – are there any actions which the department could take to mitigate that impact?

This question did not ask for Yes/No/Not Sure options. In total, there were 845 comment responses to this question.

It should be noted that this question related to all the policy areas consulted on in the Changes to the current planning system consultation - changes to the standard method; securing First Homes through developer contributions; temporarily lifting the small sites threshold; and extending the current Permission in Principle to major development.

The analysis below concerns only the equality impacts related to First Homes. Those issues related to the remaining policy areas will be considered separately.

Points raised from those who commented include:

- Views about the effect of First Homes on other affordable housing tenures, including social rent and shared ownership.
- Views about the potential effect on other affordable housing tenures for particular groups including older people, people with disabilities, BAME individuals and women.

## Government response

The government has conducted a full equalities impact assessment for our First Homes proposals (<https://www.gov.uk/government/consultations/first-homes>). This assessment summarises the anticipated impact of the First Homes policy, based on both the increase in overall supply and reductions in other forms of affordable housing. This equalities impact assessment was first published in September 2020 on the basis of the policy as described in the response to the previous consultation on First Homes, which ran between February and May 2020. The decisions taken in light of the present consultation will alter the anticipated impact and we have updated the assessment accordingly.

This analysis suggests that there will be a net positive effect on most groups who share protected characteristics for which we have data. This is because these groups are expected to make up a higher proportion of potential purchasers of First Homes than of current first-time buyers. The analysis does expect, however, that people over 55 years of age may be negatively affected; this is because First Homes will be limited to first-time buyers and older people make up a smaller proportion of this group.

The intention of First Homes is to make home ownership more achievable for those who are currently forced to move away from their local area due to high house prices. The government believes that prioritising first-time buyers for First Homes is right and proper in achieving this objective. It is expected

that the exemption from First Homes requirements for specialist developments for older people will help to offset the potentially negative impacts but, as the policy comes into effect, we will monitor the impact on the older population and consider whether any negative effects can be mitigated.

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1. Regulation 15 of the Neighbourhood Planning (General) Regulations 2012 for Neighbourhood Plans.
2. Regulation 19 of the Town and Country Planning (Local Planning) (England) Regulations 2012 for Local Plans; Regulation 14 of the Neighbourhood Planning (General) Regulations 2012 for Neighbourhood Plans.
3. Regulation 15 of the Neighbourhood Planning (General) Regulations 2012 for Neighbourhood Plans.
4. Regulation 19 of the Town and Country Planning (Local Planning) (England) Regulations 2012 for Local Plans; Regulation 14 of the Neighbourhood Planning (General) Regulations 2012 for Neighbourhood Plans.

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