



National Audit Office

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## **Report**

by the Comptroller  
and Auditor General

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**Ministry of Housing, Communities & Local Government**

# Investigation into Starter Homes

# What this investigation is about

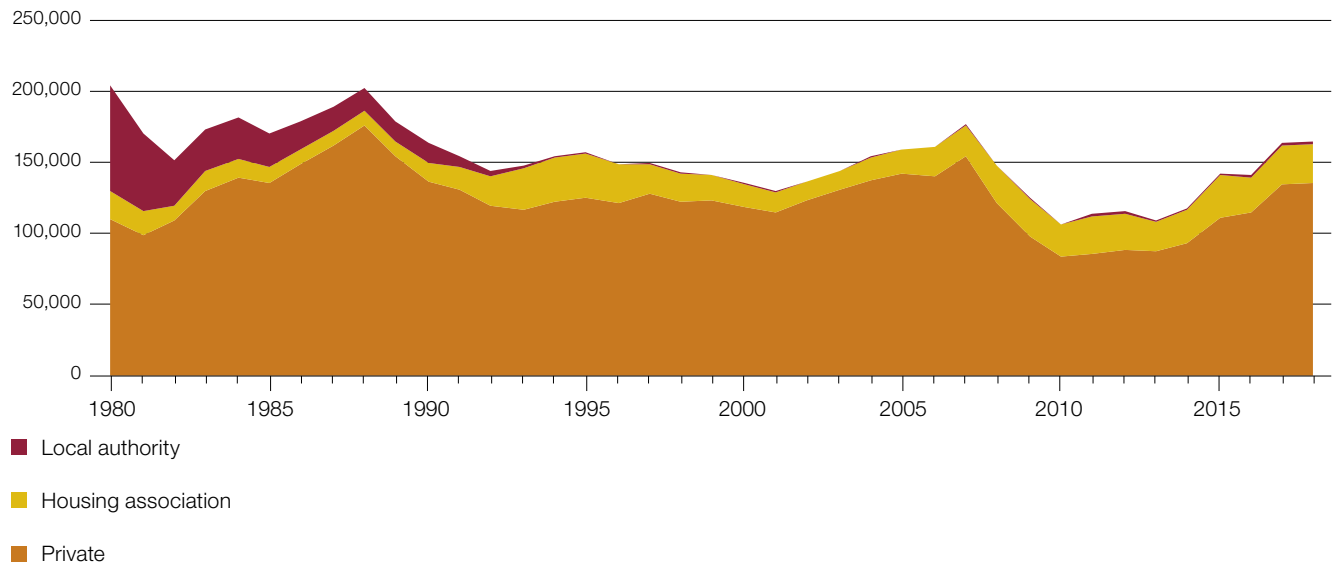
## Housing policy

1 The Ministry of Housing, Communities & Local Government’s (the Department’s) overarching objective for new housing in England is to “support the delivery of a million homes by the end of 2020 and half a million more by the end of 2022 and put us on track to deliver 300,000 net additional homes a year on average”. Since 2015, the number of new homes built has grown year on year but remains lower than in the 1980s (Figure 1).

**Figure 1**  
New housebuilding in England since 1980

Housebuilding in recent decades continues to be lower than in the 1980s

Dwellings completed in year



Thousands	1980	1990	2000	2010	2015	2018
Private	110	136	118	83	111	135
Housing association	19	14	17	23	30	27
Local authority	75	14	0	1	2	3

**Note**

1 Private dwellings include those where the tenure of the dwelling is not known at the time of completion.

Source: Ministry of Housing, Communities & Local Government

**2** The ambition to deliver 300,000 net additional homes is supported by an extensive and complex array of policies (**Figure 2** on pages 6 and 7), many of which pre-date this Parliament and have been carried over from previous housing programmes. The programme to create Starter Homes is one of these and was first publicised in 2014.

**3** In recent years, the National Audit Office (NAO) has published a series of reports on housing in England, beginning with *Housing in England: Overview* in 2017.<sup>1</sup> Appendix Two presents an overview of relevant reports, drawing out findings relevant to the government's ambition for 300,000 new homes a year from the mid-2020s.

## **Starter Homes**

**4** In April 2015, the Conservative Party manifesto committed to “200,000 Starter Homes, which will be sold at a 20% discount and will be built exclusively for first-time buyers under the age of 40”. The November 2015 Spending Review subsequently provided £2.3 billion to support the delivery of 60,000 Starter Homes (of the 200,000 previously announced). The Housing and Planning Act (2016) set out the legislative framework for Starter Homes and the Department ran a consultation on Starter Homes Regulations (the regulations) between March and June 2016.

**5** Between 2015 and 2018, government's policy towards Starter Homes shifted. In May 2018, the Minister of State for Housing and Planning stated that the government had spent an estimated £250 million of the Starter Homes Land Fund. In July 2018, the Department clarified that it had spent £250 million buying land to build affordable properties from two funds, the Starter Homes Land Fund and the Land Assembly Fund, with work under way to get the land ready for development, but that building had not yet started.

**6** Following media articles that criticised the progress made towards Starter Homes, we undertook an investigation with the aim of establishing:

- the status of Starter Homes policy and legislation; and
- the impact of the Department's investment in Starter Homes.

<sup>1</sup> Comptroller and Auditor General, *Housing in England: Overview*, Session 2016-17, HC 917, National Audit Office, January 2017.

**Figure 2**

## The government's housing programmes

Government's current and recent programmes aim to increase housing supply and home ownership

Programme	Strategic objective	
	Driving up housing supply	Increasing home ownership
<b>Accelerated construction</b> Support to increase the number of homes that are completed by encouraging medium-sized builders, new developers and those using innovative methods of construction into the housebuilding market, and making the most of public land assets.	X	
<b>Brownfield land</b> Local authorities must produce and maintain up-to-date, publicly available registers of brownfield sites available for housing.	X	
<b>Estate regeneration</b> Loans to begin regeneration of up to 100 estates with funding available over five years from 2016 to 2021.	X	
<b>Extending Right to Buy to housing association tenants</b>	X	X
<b>Garden Communities</b> Supporting the delivery of locally led garden communities across the country.	X	
<b>Help to Buy: Equity Loans</b> Loans of up to 20% of the value of new homes (40% in London).	X	X
<b>Help to Buy: Mortgage Guarantee Scheme<sup>1,2</sup></b>		X
<b>Help to Buy Individual Savings Account (ISA)<sup>1</sup></b> First-time buyers receive a government bonus of up to £3,000 towards their first home. The bonus contributes towards their deposit just before completion.		X
<b>Home Building Fund</b> Funding to private sector organisations of up to £2.5 billion in total for at least 52,000 homes by 2022-23. Intention to put in place, by 2020-21, long-term funding for 160,000 to 200,000 homes.	X	
<b>Housing Infrastructure Fund</b> Providing infrastructure funding to local authorities targeted at unlocking new private housing in areas where housing need is greatest to deliver up to 650,000 new homes.	X	
<b>Land Assembly Fund</b> Used by Homes England (and, within London, the Greater London Authority) to acquire land needing work and to prepare it for the market.	X	
<b>Large sites and Housing Zones Capacity Fund</b> Supporting the delivery of large (more than 1,500 units) and complex sites within eligible Housing Zones outside of London.	X	
<b>Lifetime ISA<sup>1</sup></b> Government to add 25% to savings to help first-time buyers save for a deposit.		X

**Figure 2** *continued*

## The government's housing programmes

Programme	Strategic objective	
	Driving up housing supply	Increasing home ownership
<b>New Homes Bonus</b>		
Financial incentives for local authorities to encourage housing growth in their areas.	X	
<b>Planning reforms</b>		
Included requiring local authorities to produce local plans and revisions to the National Planning Policy Framework in 2018.	X	
<b>Public sector land disposal</b>		
Releasing public sector land for 160,000 homes to developers.	X	X
<b>Right to Buy</b>		
Allows council tenants the right to buy their homes at a discount. In 2012, the then Department for Communities and Local Government committed to ensuring that for every additional council home sold, a new home was built or acquired for affordable rent.	X	X
<b>Shared Ownership and Affordable Homes Programme 2016–2021:</b>		
Capital funding to support:	X	X
<ul style="list-style-type: none"> <li>● Help to Buy: Shared Ownership.</li> <li>● Rent to Buy.</li> <li>● Supported and older people's rental accommodation.</li> </ul>		
In the 2016 Autumn Statement the government announced that it would relax restrictions on grant funding to allow providers to deliver a mix of homes for affordable rent and low-cost ownership.		
Funded in part by the Stamp Duty Land Tax surcharge on purchases of second homes and buy-to-let properties. <sup>3</sup>		
<b>Single Land Programme</b>		
Land acquired by Homes England from the private sector, other government departments and legacy land holdings. Expected to provide more than 60,000 new homes.	X	
<b>Starter Homes</b>		
A minimum discount of 20% on 200,000 new homes worth up to £250,000 (£450,000 in London) for first-time buyers aged between 23 and 40. The Department and its agencies have financed preparations for Starter Homes through three main sources of funding: Starter Homes 2015 funding, the Starter Homes Local Authority Funding Programme, and the Starter Homes Land Fund.	X	X

**Notes**

- 1 These programmes are the responsibility of HM Treasury.
- 2 The scheme closed on 31 December 2016.
- 3 Recent changes to Stamp Duty Land Tax were driven by fiscal and economic objectives. However, they were also intended to support home ownership and the government's wider housing objectives by, for example, contributing to the affordable homes budget.

Sources: National Audit Office. Department for Communities and Local Government, *Single departmental plan: 2015 to 2020*, March 2016. House of Commons Library, *Stimulating housing supply – Government initiatives (England)*, Briefing paper 06416, June 2016

# Summary

## Key findings

### Starter Homes progress

**7 No Starter Homes have been built to date.** The funding originally intended for Starter Homes has instead been spent on acquiring and preparing brownfield sites for housing more generally, some of which is affordable housing. It is possible that developers have built and sold homes that conform to the intended Starter Home specifications as outlined in the Housing and Planning Act (2016), although the exact specifications are not yet defined. However, legally these cannot be marketed as Starter Homes until the necessary secondary legislation is enacted (paragraphs 1.3, 2.3, 2.9, 2.11, 2.12 and 2.14).

### Progress of policy and legislation

**8 The Starter Homes legislative provisions are not yet in force.** The statutory framework for Starter Homes, the Housing and Planning Act (2016), received Royal Assent on 12 May 2016, although the relevant sections of the Act have not yet come into force. The Ministry of Housing, Communities & Local Government (the Department) expected to introduce the secondary legislation and planning guidance required for Starter Homes in 2019 but it is yet to lay the regulations in Parliament. Developers can, and do, market discounted properties as ‘starter homes’ as part of their contribution to affordable housing, but such properties do not necessarily conform to all the intended requirements of Starter Homes as defined in the Housing and Planning Act (2016) (paragraphs 1.2 and 1.3).

**9 The Department no longer has a budget dedicated to the delivery of Starter Homes.** The concept of Starter Homes was first introduced at the Conservative Party conference in September 2014. The Housing and Planning Act (2016) set out the legislative framework for Starter Homes. However, the housing white paper in 2017 marked a shift in housing policy, replacing the target of 200,000 Starter Homes with a target to help 200,000 households into home ownership through a range of government-backed schemes, including Starter Homes, shared ownership, Right to Buy and Help to Buy products. The November 2017 Autumn Budget reallocated funding earmarked for Starter Homes to the £9 billion Shared Ownership and Affordable Homes Programme and the Land Assembly Fund (LAF) (paragraphs 1.1 to 1.5).

## Impact of the Department's investment

**10 Between 2015-16 and 2017-18, the Department spent almost £174 million preparing sites originally intended for building Starter Homes.** The Department and its agencies have financed preparations for Starter Homes through three main sources of funding: Starter Homes 2015 funding; the Starter Homes Local Authority Funding Programme (the Programme); and the Starter Homes Land Fund (SHLF) (paragraph 2.1).

**11 In 2015-16, Homes England spent £15.4 million of the Starter Homes 2015 funding preparing brownfield land.** Although £26 million of funding had been made available by the Department, the full amount was not spent because Homes England did not identify enough sites within 2015-16, the year when the funding was available, and the unspent funding was returned to HM Treasury. Homes England is forecasting that the funding will generate 379 new homes, of which it expects 98 to be affordable, although the forecasts are subject to change depending on the progress of the individual developments. The Department is forecasting that it will spend an additional £1.3 million (from the SHLF) on the seven acquisitions and four existing sites being prepared. The Department is forecasting receipts of £8.5 million from the onward sale of the land and had received £4.8 million of this expected income as at 31 March 2019. Net of estimated receipts from the sale of the land to developers, Homes England's forecast spend equates to around £21,600 per home (paragraphs 2.2 to 2.6).

**12 Since August 2015 the Department has spent £6.45 million supporting local authorities through the Programme.** Homes England awarded 19 grants to 14 local authorities outside of London, and the Greater London Authority (which administered the funding for Starter Homes in London) awarded a grant to one London borough, for the preparation of vacant and underused brownfield land for Starter Homes. The local authorities are forecasting that the funding will generate 444 new homes in total, of which it expects 374, nearly 85%, to be affordable. The spend equates to around £14,500 per home (paragraphs 2.7 to 2.10).

**13 In 2016-17 and 2017-18, the Department spent £151 million under the SHLF, but the spending has not supported the building of Starter Homes.** The Department used the SHLF to acquire and remediate suitable land to then sell on to developers. The Department forecasts the spending will create 1,268 affordable homes and 3,907 market homes; however, without the necessary secondary legislation, the homes cannot be marketed as Starter Homes. The Department is forecasting receipts of £137.2 million from the onward sale of the land and had received £8.9 million of this expected income as at 31 March 2019. The SHLF ended in March 2018. By July 2019, the Department had spent a further £19 million on remediation of the sites acquired under the SHLF, and forecasts that an additional £15 million will be spent on the sites before they are disposed of, with the funding drawn from other funds. Net of estimated receipts, Homes England's forecast spend equates to around £9,200 per home. The November 2017 Autumn Budget reallocated unused funding from the SHLF to the LAF, intended to support housing more generally (paragraphs 2.11 to 2.13).

**14 In 2017-18, the Department spent £97 million from the SHLF, but under LAF criteria, on acquiring land needing work and preparing it for the market.** This spend makes up the remainder of the £250 million spend referred to by the Minister of State for Housing and Planning to Parliament in May 2018. However, it was not spend that was dedicated to the delivery of Starter Homes, but to the acquisition and assembly of land to support the provision of housing more generally. The funding was used to acquire four sites on which the Department expects to deliver more than 4,500 homes. The Department does not have proposed numbers of affordable homes for the four sites purchased as they are still subject to planning applications. However, Homes England aims to provide levels of affordable housing on all sites consistent with applicable housing policy, subject to the decisions of local planning authorities (paragraphs 2.14 to 2.17).