

NOTICE OF INDIVIDUAL EXECUTIVE MEMBER DECISION

ITEM NO.	IEMD 2015 - 06
TITLE	Wokingham Borough Council Response to Government Consultation on the Starter Homes Initiative
DECISION TO BE MADE BY	John Kaiser, Executive Member for Highways and Planning
DATE AND TIME OF DECISION	Wednesday 18 March 2015 at 2:00pm
VENUE	FF13 Meeting Room, Council offices, Shute End, Wokingham
REPORT TO BE PUBLISHED ON	Tuesday 10 March 2015

INDIVIDUAL EXECUTIVE MEMBER DECISION
REFERENCE IMD: 2015 - 06

TITLE	Wokingham Borough Council Response to Government Consultation on Starter Homes Initiative
FOR CONSIDERATION BY	Executive Member for Highways and Planning
ON	Wednesday 18 March 2015
TIME	2:00PM
WARD	None Specific
STRATEGIC DIRECTOR	Heather Thwaites, Strategic Director for Environment

OUTCOME / BENEFITS TO THE COMMUNITY

In submitting a formal response to the Government consultation, the Council seeks to ensure that the best mechanisms for the delivery of housing are in place in the borough.

RECOMMENDATION

That the Executive Member for Highways and Planning approves the consultation response for submission

SUMMARY OF REPORT

On Monday 15th December 2014, the Government opened a consultation to look at a proposed new scheme that will offer 100,000 first-time buyers under the age of forty new-build homes with a 20% discount. The system will work using changes to the planning system; making un-used and unviable brownfield land free from planning costs and levies in return for a below market-value sale price of the homes built on the site.

The Council appreciates that the scheme has the potential to bring forward housing in the borough for those struggling to get onto the housing ladder. However, there are concerns that if builders and developers are freed from planning costs and levies for this type of development, this will have a significant impact on the infrastructure and funding needed to support this type of development, when infrastructure funding is already thinly stretched and it is unclear how this shortfall would be met. The Council would also need to identify situations where a developer may be proposing this type of development in order to avoid paying S106 and CIL contributions and ascertain how this situation could be resolved. This initiative is not considered to fit the definitions of affordable housing, as the properties are not discounted in perpetuity, so in our opinion will not contribute to the overall provision of affordable housing in the borough. Furthermore, the proposition that the Starter Homes Initiative should be focused solely on industrial and commercial brownfield sites could have a detrimental impact on the provision of employment land across the borough. At the present time the Council has not yet identified which sites in the borough may be applicable for this type of development as further clarification is needed from the government on the definition of 'commercial' and 'industrial' brownfield

land.

Recent changes to the National Planning Policy Guidance on planning contributions from small scale and self-build development has already had a significant impact in the borough, with the potential for further implications. Freeing developers from planning costs and levies will reduce the ability of the Council to provide the infrastructure required to support new developments and therefore will not mitigate against the development.

The Council's full response to the proposed amendments is included in Appendix 1.

Background

On Monday 15th December 2014, the Government opened a consultation to look at a proposed new scheme that will offer 100,000 first-time buyers new homes with a 20% discount on market sales values. The system will work using changes to the planning system, as un-used and unviable brownfield land will be freed from planning costs and levies in return for a below market-value sale price of the homes built on the site.

The consultation gives an overview of the scheme and the benefits it will bring to potential homeowners.

Analysis of Issues

The main aspects of the scheme are summarised below:

- Aspiring homeowners will be asked to register their interest in the Starter Homes Initiative from early 2015.
- 100,000 homes will be made available to first-time buyers under the age of forty at a 20% discount on the market value of the property.
- The scheme is based on a change to the planning system which will allow house builders to develop these properties on under-used or unviable brownfield land, free from planning costs and levies (S106 contributions, including tariff based contributions to general infrastructure pots, and exemption from CIL), in return for a below market-value sale price on the homes built on the site.
- Under the scheme, the homes will not be permitted to be re-sold at market value for a fixed period, proposed to be between five and fifteen years.
- Building firms have offered their support for the scheme, including three of the country's largest developers.
- A design panel including architects such as Sir Terry Farrell and Sir Quinlan Terry is being established to ensure that the lower cost homes are well-designed and of good quality.
- A cohort of vanguards will roll out the Starter Homes model across the country on both public and private land.

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for this type of development, this will have a significant impact on the infrastructure and funding needed to support this type of development, when infrastructure funding is already thinly stretched and it is unclear how this shortfall would be met. The Council would also need to identify situations where a developer may be proposing this type of development in order to avoid paying S106 and CIL contributions and ascertain how this situation could be resolved. This initiative is not considered to fit the definitions of affordable housing, as the properties are not discounted in perpetuity, so in our opinion will not contribute to the overall provision of affordable housing in the borough. Furthermore, the proposition that the Starter Homes Initiative should be focused solely on industrial and commercial brownfield sites could have a detrimental impact on the provision of employment land across the borough. At the present time the Council has not yet identified which sites in the borough may be applicable for this type of development as further clarification is needed from the government on the definition of 'commercial' and 'industrial' brownfield land.

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FINANCIAL IMPLICATIONS OF THE RECOMMENDATION

The Council faces severe financial challenges over the coming years as a result of the austerity measures implemented by the Government and subsequent reductions to public sector funding. It is estimated that Wokingham Borough Council will be required to make budget reductions in excess of £20m over the next three years and all Executive decisions should be made in this context.

	How much will it Cost/ (Save)	Is there sufficient funding – if not quantify the Shortfall	Revenue or Capital?
Current Financial Year (Year 1)	£0	N/A	N/A
Next Financial Year (Year 2)	£0	N/A	N/A
Following Financial Year (Year 3)	£0	N/A	N/A

Other financial information relevant to the Recommendation/Decision

The implementation of the scheme within the Borough will impact on the level of S106 contributions and CIL received from any new developments containing properties under the starter home initiative. We currently receive approximately £28,000 - £30,000 in S106 contributions per new dwelling built (with a similar amount predicted per unit when we implement CIL in April 2015). If these funds are not received, the Council would have a shortfall in infrastructure budgets required for the delivery of infrastructure in new

developments.

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Cross-Council Implications (how does this decision impact on other Council services and priorities?)

The proposed scheme is likely to have a cross-Council impact on services. It will have an impact on education, transport and highways, countryside, leisure and waste and recycling if there are more households in the borough, yet no additional funding available to mitigate development.

SUMMARY OF CONSULTATION RESPONSES

Not applicable

Reasons for considering the report in Part 2

Not applicable

List of Background Papers

CLG, Consultation on Starter Homes Initiative, December 2014

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Date 10.03.2015	Version No. 3

Starter Homes Initiative – Consultation Response

Questions

Q1: Do you agree in principle with the idea of a new national Starter Homes exception site planning policy to deliver more new low cost homes for first time buyers?

The Council is committed to the provision of affordable housing in the borough and providing assistance to those in housing need. This is in line with the key priorities and objectives of the Housing Strategy 2010-2013 and the Housing Strategy 2015-2018.

Wokingham is a prosperous borough that is often regarded as one of the best places to live in the country. As a result of this, house prices are high and as of November 2014, the average house price in Wokingham was £325,693. This is 84% higher than the national average of £176, 581.

Consequently, there is a significant demand for affordable housing models in the borough. As of November 2014, there were 487 households having registered their interest in a shared ownership property and between January and November 2014, 135 properties in Wokingham were sold under the Help to Buy Scheme. Therefore, it is evident that models to help residents purchase a home in the borough are welcomed.

However, the Council does have concerns with the Starter Homes Initiative in that by freeing house builders from planning costs and levies; there will be a shortfall of funds through which to deliver the infrastructure needed to support these developments and Council infrastructure budgets are already thinly stretched and it is unclear how this shortfall would be met. The Council appreciates that the scheme has the potential to bring forward housing in the borough for those struggling to get onto the housing ladder. However, as outlined previously, the Starter Homes Initiative is not considered to fit under the definition of affordable housing, as the homes brought forward under the scheme are not discounted in perpetuity.

In addition, the scheme is limited to new-build properties and even when incorporating a 20% discount, prices for these properties may still be higher than those under affordable housing models. When considering the 2014 sale price of one and two bedroom new-build properties in Wokingham, even when applying a 20% discount, residents would still require an average deposit of £37,928. Therefore, the scheme may not necessarily be considered as a housing model capable of assisting those in housing need.

Q2: Do you agree that the Starter Homes exception site policy should focus solely on commercial and industrial brownfield land which has not been identified for housing?

The consultation document proposing the Starter Homes Initiative does not define 'commercial' and 'industrial' brownfield land and it is therefore unclear what is meant

by these terms. The Council requests that CLG provides a clear definition of what is meant by commercial and industrial land uses.

Furthermore, the consultation document does not provide a clear definition of what is meant by the term 'identified'. Does this mean sites which have been allocated in the Local Plan, or does this include sites identified in the SHLAA, many of which are windfall sites? Therefore we request that a clear definition of 'identified' is provided as well.

There are concerns that the use of commercial and industrial brownfield land may have a negative effect on employment land in the borough. Under one of the Core Strategy Policies – CP15 Employment Development, paragraph 4.70 states that:

“The Employment Land Study indicates the current level of floorspace for industry and warehousing would need to rise by 51,000sqm to meet forecast employment growth in the Borough over the Plan period [2026].”

CP15 also states that:

“Any proposed changes of use from B1, B2 and B8 should not lead to an overall net loss of floorspace in B Use within the borough. Provision will be made for a range of sizes, types, quality and locations of premises and sites in order to meet incubator/start up, move on, expansion and investment accommodation needs and having regard to the needs of the specific sectors of the business community.”

We are therefore concerned that the proposed Starter Homes Initiative scheme would inhibit the Council's ability to meet the increase of 51,000sqm of employment land in the borough by 2026. In addition, the proposed scheme could also contravene both the quantitative and qualitative elements of CP15 which underpin the policy's objective to provide a sufficient and mixed variety of employment land across the borough up until 2026.

In response to the scheme, landowners of commercial and industrial sites may decide to make their land available for sale, as dwellings are often more economically viable than industrial units. As stated in the previous paragraph, this would affect the quantity and quality of available employment land which would consequently have an impact on the availability of jobs available in the borough.

Finally, the Council would ask all landowners of industrial sites to demonstrate that they have made a significant effort to market the site as an industrial unit over the past year before any planning permission would be granted for a change of use to residential dwellings. Therefore, there would be a significant delay to any schemes under the Starter Homes Initiative using these sites.

Q3: Do you agree that the types of land most suitable for starter homes will be under-utilised or non-viable sites currently (or formerly) in commercial or industrial use?

The Council believes that the Starter Homes Initiative may be a useful way to bring forward under-utilised or non-viable brownfield sites for development that may otherwise be an un-used land resource.

However, there are concerns regarding the sustainability of the location for development, as these sites are unlikely to have sufficient infrastructure to support development. There are also concerns surrounding potential additional costs associated with issues such as the remediation of land contamination on these sites.

Q4: Do you consider it necessary to avoid Starter Homes developments in isolated locations, or where there would be conflicts with key protections in the National Planning Policy Framework?

Yes. It is important that development coming forward under the Starter Homes Initiative does not compromise the objectives of the National Planning Policy Framework, but also any Local Plan. It is essential that this initiative does not lead to new housing in inappropriate and unsustainable locations, and also, that it does not result in new housing that does not meet the standards required for all new development in the borough.

In the event of a planning application being submitted, the Council would still be required to apply all other policies as outlined in our Local Plan and there are concerns that in prioritising the use of brownfield land for bringing forward below market value housing, sites that would normally be refused planning permission may be supported.

Q5: Do you agree that the Starter Homes exception site policy should allow at the planning authority's discretion a small proportion of market homes to be included when they are necessary for the financial viability of the Starter Homes site?

No. If there is a need to improve the financial viability of a site, fewer homes should be built so that all properties brought forward under the scheme are sold for the same discounted price.

Depending on the scale of development under the Starter Homes Initiative, our preference is for the starter homes to be incorporated as part of wider developments, alongside houses of different sizes and tenures in order to promote sustainable and cohesive communities.

For small developments however, the Council's preference would be for sites to be made up exclusively of properties under the Starter Homes Initiative.

Q6: Do you agree starter homes secured through the Starter Homes exception site policy should only be offered for sale or occupation to young first time buyers?

Affordability is a key issue in Wokingham due to the high house prices. Therefore the Council would argue that this scheme should also be open to those over forty, as long as they meet the eligibility criteria of being a first-time buyer.

The Council feel that it may be useful to offer these homes to first time buyers based on an income threshold, rather than an age limit.

Q7: Do you think there are sufficient existing mechanisms in place to police this policy?

The Council has concerns that a developer may propose this type of development in order to avoid paying S106 and CIL contributions. If there was a disagreement with a developer, how would the final decision over the development be made?

The Council also has concerns that a developer could over inflate the market value of the property and profit the difference, therefore how would the market value of the properties be decided?

There is a need for legal agreements to ensure that the properties coming forward under this scheme are not sold at market value in the future.

In addition, more guidance is required on how the policy will be policed. How will it be determined whether someone is a first time buyer? Will there be checks as to whether the person owns properties abroad for example?

The Council believes that the Starter Homes Initiative should use the same approach as is used under Shared Ownership housing models in order to judge whether someone is eligible for the scheme. This is perhaps best dealt with the zone agents who are coordinating shared ownership.

Q8: What is the most appropriate length for a restriction on the sale of a starter home at open market value? How should the sliding scale be set?

The Council believes that the homes should be discounted in perpetuity and that this should be stipulated within the legal agreement. The properties should always be sold for a discounted rate in order to benefit the local community and those in housing need.

Q9: Do you agree that guidance should make clear it is inappropriate for Starter Homes exception site projects to be subject to section 106 contributions for affordable housing and tariffs?

No. Any development should be subject to S106 contributions to mitigate against site specific impact. If the developments are exempt from S106 contributions, this has the potential to undermine the provision of infrastructure such as highways and schools, with the cost then falling to the local authority. Without contributions to

mitigate against the site specific impacts of development, there will be an increased strain on the existing infrastructure and heightened pressure on services such as schools to provide places for children in the borough.

The Council requests clarification as to whether the definition of affordable housing is likely to change in light of this scheme.

Q10: Do you agree that Starter Homes exception site projects should be exempt from the payment of the Community Infrastructure Levy?

No. As this housing does not fall within the definitions of an affordable housing product, starter home exception sites should pay CIL. The payment of CIL helps to provide the necessary infrastructure to support new developments.

Q11: Do you have any views on how this register should work and the information it should contain?

The register should have the names and addresses of applicants, the location of where they would like their starter-home to be and the size of their household. The register should also contain information relating to approximate household income and financial circumstances, such the amount of savings of the applicants.

In addition, there should be a reserve list to operate should the 100,000 households decide not to proceed with the purchase.

There is a need for more guidance on the register. How will the properties be allocated? Will it be on a first-come, first-served basis or will it be in relation to housing need?

Q12: What kind of vanguard programme would be most helpful to support the roll out of Starter Homes?

A vanguard programme should follow a similar format to Help to Buy scheme. Perhaps it may also be appropriate for Housing Associations to look after the register of interest and applications for the scheme. This may be best dealt with by the zone agents dealing with shared ownership schemes.