

WOKINGHAM BOROUGH COUNCIL

**AN INDIVIDUAL EXECUTIVE MEMBER
DECISION**

BY Leader of the Council

RELATING TO Wokingham Borough
Council Response to the Government
Consultation on Starter Homes Regulations
Technical Guidance

WILL BE MADE IN FF14

ON

18 May 2016

AT

11:00AM

YOU ARE WELCOME TO ATTEND

**NOTICE OF
INDIVIDUAL EXECUTIVE MEMBER DECISION**

ITEM NO.	IMD 2016/20
TITLE	Wokingham Borough Council Response to the Government Consultation – Starter Homes Regulations Technical Guidance
DECISION TO BE MADE BY	Leader of the Council
DATE AND TIME OF DECISION	18 May 2016 at 11:00am
VENUE	FF14
REPORT TO BE PUBLISHED ON	11 May 2016

INDIVIDUAL EXECUTIVE MEMBER DECISION
REFERENCE IMD: 2016/20

TITLE	Wokingham Borough Council Response to the Government Consultation – Starter Homes Regulations: Technical Consultation
FOR CONSIDERATION BY	Leader of the Council
ON	18 May 2016
TIME	11:00am
WARD	All
DIRECTOR	Heather Thwaites, Director of Environment

OUTCOME / BENEFITS TO THE COMMUNITY

In submitting a formal response to the Government consultation, the Council seeks to ensure that the implementation of the proposed “Starter Homes” policy addresses specific factors affecting the Borough, including high house prices and acute housing need for existing affordable housing products.

RECOMMENDATION

That the Leader of the Council approves the consultation response for submission.

SUMMARY OF REPORT

The Government is introducing a new policy whereby first time buyers aged 40 or under may purchase designated new build properties (known as a Starter Homes) for a 20% discount. A price cap of £250,000 outside Greater London and £450,000 in Greater London is specified in the Bill. This cap is after the discount has been applied. After a specified period (5 years is currently proposed in the Housing and Planning Bill), the purchaser will own the property outright. On 23rd March 2016, the Government opened an 8-week consultation on the Starter Homes Regulations Technical Guidance. The consultation closes on 18th May 2016.

Whilst the Council supports the Government’s aspiration with Starter Homes to boost home ownership, the Council is concerned that the 5 year time horizon is too short. The initial 20% discount is only likely to benefit one household and provide no longer term assistance to future occupiers. The Council’s response strongly supports some kind of taper that benefits residents proportionally for the time they have resided in the property

The draft response seeks local discretion for Councils to set the percentage requirement and thresholds for Starter Homes through their Local Plans, based on robust evidence of need and demand.

Background

The Government is introducing a new policy whereby first time buyers aged 40 or under may purchase designated new build properties (known as a Starter Homes) for a 20% discount. A price cap of £250,000 outside Greater London and £450,000 in Greater London is specified in the Bill. This cap is after the discount has been applied. After a specified period (5 years is currently proposed in the Housing and Planning Bill), the purchaser will own the property outright. On 23rd March 2016, the Government opened an 8-week consultation on the Starter Homes Regulations Technical Guidance. The consultation closes on 18th May 2016.

Analysis of Issues

The main aspects of the “Starter Homes Regulations Technical Guidance” consultation are summarised below:

- The Government is seeking views on a tapered approach which enables the starter home to be sold at an increasing proportion of market value, stepping up to 100% over time. The Government does not support extending the restricted period beyond the first 8 years of occupation, believing this would unreasonably limit people’s ability to move on.
- Starter homes will be required on all reasonably sized housing sites. A local planning authority may only grant planning permission for these developments if the starter homes requirement is met. The Government’s consultation document proposes a single national minimum requirement of 20% of all homes to be delivered on residential developments to be starter homes. The Government requirement would apply to sites which meet at least one of the following criteria: 10 units or more or 0.5 or more hectares.

Whilst the Council supports the Government’s aspiration with Starter Homes to boost home ownership, the Council is concerned that the 5 year time horizon is too short. The initial 20% discount is only likely to benefit one household and provide no longer term assistance to future occupiers. Major lenders have also expressed concern that the 5 year discount period could distort market values and result in buyers over-paying for Starter Homes. The Council’s response strongly supports some kind of taper that benefits residents proportionally for the time they have resided in the property

The draft response seeks local discretion for Councils to set the percentage requirement and thresholds for Starter Homes through their Local Plans, based on robust evidence of need and demand. Delivery of a 20% Starter Homes requirement (as proposed) will be at the expense of rented and shared ownership forms of affordable housing, for which there is an acute and evidenced need in the Borough.

The Council’s full response to the consultation is included in Appendix 1.

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	Yes	Not Applicable
Next Financial Year (Year 2)	£0	Yes	Not Applicable
Following Financial Year (Year 3)	£0	Yes	Not Applicable

Other financial information relevant to the Recommendation/Decision

The introduction of Starter Homes is likely to require additional officer time in revising the Council's planning policies on affordable housing and reporting annually on Starter Home delivery.

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

The proposed policy is likely to impact on other service areas. Any Starter Home requirement (on-site or off-site) imposed on retirement, specialist or supported housing will have a negative impact on older people and those with disabilities.

SUMMARY OF CONSULTATION RESPONSES

Director - Resources	No comment
Monitoring Officer	No specific comments
Leader of the Council	No comment received

List of Background Papers

CLG, Consultation on "Starter Homes Regulation: Technical Guidance"
<https://www.gov.uk/government/consultations/starter-homes-regulations-technical-consultation>

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Date 10 May 2016	Version No. 0.3

**WOKINGHAM BOROUGH COUNCIL RESPONSE TO THE 'STARTER HOMES
REGULATIONS: TECHNICAL GUIDANCE' CONSULTATION**

Q1: Do you support restrictions on the sale and sub-letting of starter homes for 5 years following initial sale? Do you support allowing individuals to sell at a higher proportion of market value as the number of years they have lived in the home increases? If not, what other approaches can we adopt to meet our objectives?

No. Whilst the Council supports the Government's aspiration with Starter Homes to boost home ownership, the Council is concerned that the 5 year time horizon is too short. The initial 20% discount is only likely to benefit one household (assuming most purchasers will stay in the home for 5 years) and provide no longer term assistance to future occupiers. Major lenders have also expressed concern that the 5 year discount period could distort market values and result in buyers over-paying for Starter Homes. The Council would strongly support some kind of taper that benefits residents proportionally for the time they have resided in the property. A taper would be a fairer system, whilst still allowing buyers to accumulate equity in their home. It would also avoid the discount period "trapping" people in a property and promote housing and labour mobility.

Q2: Do you agree that flexibility over the age 40 restriction should be given when joint purchasers are looking to buy a starter home, one purchaser being under 40 years old but the other older than 40?

Yes, it would be reasonable that the age criteria is met if one purchaser is 40 years old or under. Similar rules apply to age restricted accommodation for older people.

Q3: Do you agree that there should be an exemption from the age 40 restriction for injured military services personnel and those whose partner has died in service?

Yes. The Council supports exemption from the age criteria for injured military services personnel and those whose partner has died in service. There may be other groups who should also benefit from this exemption – for example, key workers, those leaving tied accommodation and people with disabilities.

Q4: Would a site size of 10 units or more (or 0.5 ha) be an appropriate minimum threshold for the starter home requirement? If not, what threshold would be appropriate and why?

No. The Council does not support a threshold of 10 units (0.5 ha) or more applied nationally. The threshold is considered too low and should be set locally within Council's Local Plans. Average house prices in Wokingham Borough are over £379,000 (Land Registry, March 2016). The 80% cap of £250,000 outside London will mean that in most parts of the Borough, Starter Homes will only provide 1 and 2-bedroom apartments. Smaller developments often deliver schemes of family homes, so a threshold set at 10 or more will constrain the form of development that can be built. The Council believes that a more appropriate threshold for its area would be between 25 and 50 units.

Q5: Should the minimum percentage requirement be applied uniformly on all sites over 10 units to provide a single requirement across the country?

No. Local authorities should have discretion to set the threshold locally through their Local Plans.

Q6: If so, do you agree that 20% represents a reasonable requirement for most areas?

No. Local authorities should have discretion to set the percentage requirement locally through their Local Plans, based on robust evidence of need and demand. As previously stated, Wokingham Borough is a high value area and therefore, only 1 and 2-bedroom apartments are likely to meet the Starter Homes criteria. This is likely to limit demand for the product. Affordability will also be a significant issue even with the discount. Analysis undertaken by the Council suggests that a household will need an income of at least £29,500 to afford a 1-bedroom Starter Home and at least £45,000 to afford a 2-bedroom Starter Home in the Borough. Given that new build properties normally attract a premium, it is likely that buyers who can afford a Starter Home could also afford to purchase 100% of a second-hand property.

Delivery of a 20% Starter Homes requirement will be at the expense of rented and shared ownership forms of affordable housing, for which there is an acute and evidenced need in the Borough. A national requirement does not address issues of local need/demand, affordability and development viability. However, if a national requirement is set, it should be lower (maximum of 10%).

Q7: Do you support an exemption from the Starter Homes requirement for those developments which would be unviable if they had to deliver any affordable housing including Starter Homes? If so, how prescriptive should the viability test be in the regulations?

Yes, there will need to be a viability exemption/relief, as there is with affordable housing, where there is robust evidence that Starter Homes would render a development unviable. Viability should be reviewed on a site-by-site basis in accordance with the RICs guidance. The Council believes that where there is a genuine viability case, both the affordable housing and Starter Home requirement should be negotiable (rather than the affordable housing requirement being reduced first).

Q8: Do you support the proposed exemptions from the starter home requirement? If not, why not?

Yes. The Council agrees that certain types of development should be exempt from the Starter Homes requirement. These should include supported, specialist and retirement housing. These schemes normally have additional financial burdens (communal areas, adaptations, etc.) which adversely impact development viability. The additional requirement for Starter Homes could reduce the number of these schemes coming forward and indirectly discriminate against older people and those with disabilities in need of this accommodation.

Q9: Should group custom build developments and developments with a very high level of affordable housing such as estate regeneration schemes be exempt? If not, why not?

Yes. Regeneration/affordable housing-led schemes should not be subject to the requirement. These schemes have enough viability challenges and delivery partners will need to consider the right tenure mix for each scheme (rather than have a requirement imposed on them).

Q10: Are any further exemptions from the starter home requirement warranted, and why?

No. Market custom self-build developments could deliver Starter Homes through a commuted sum payment if on-site delivery is not practical. Affordable self-build schemes should be exempted as above.

Q11: Do you support the use of commuted sums to deliver starter homes where the local planning authority agrees?

Yes. Where on-site delivery is not practical, commuted sums are an effective way to deliver alternatives schemes elsewhere.

Q12: Do you support the proposal that private rented sector housing (for institutional investment) and specialist older people's housing should meet the requirement through off-site contributions?

Partially. The Council supports the proposal that private rented sector housing deliver Starter Homes through off-site contributions. However, it does not support this approach for Older Person's Housing. It would be unfair and discriminatory to take resources planned for older people and redirect them towards people aged 40 or under (without clear evidence of the need for this re-distribution). Older Person's Housing should be exempt from the Starter Home requirement.

Q13: Do you agree that Starter Homes monitoring reports should be an annex to the Authority Monitoring Report?

Yes.

Q14: Do you agree that these reports establish the key actions taken to support starter home delivery and the outcomes in terms of permissions granted and completions?

Yes.

Q15: Do you agree that April 2017 is a reasonable date for the first report to be published? If not, do you have alternative suggestions and why?

No. The first report should be published in April 2018. Given the delays in bringing forward the legislation and guidance on Starter Homes, there is unlikely to be much to report on in April 2017.

Q16: Do you support a transitional provision for the starter home regulations?

Yes. There will need to be a 6-12 month transitional period whereby local planning authorities gear up for the new Regulations and perhaps more importantly, whereby

developers can review their pipeline of planning applications to address the new Starter Home requirement. Without a transition period, there is likely to be a delay to planning applications being submitted and consented.

Q17 Is there further evidence we should be considering in our assessment of equalities implications?

The proposed definition of starter homes immediately excludes those over the age of 40 from participating in the scheme. With the average age of first time buyers continually rising especially in areas of high house prices, such as the South East, this will exclude a significant section of the population who would benefit from this type of accommodation. Any Starter Home requirement (on-site or off-site) imposed on retirement, specialist or supported housing will have a negative impact on older people and those with disabilities.

Q 18 (i): How do you anticipate the open market value of Starter Homes would compare to other affordable housing products such as social rent, affordable rent and affordable home ownership?

Lenders have expressed concerns that the open market value of Starter Homes may be inflated (particularly with the 5 year time horizon) and is therefore likely to be higher than for other affordable products. This, coupled with a general premium for new-build properties, means there is a higher risk of buyers falling into negative equity.

(ii): How do you envisage the market value of Starter Homes when compared to the market value of full priced new build homes bought by first time buyers?

As above. The draw of 20% equity being gifted to purchasers after 5 years is likely to fuel demand and result in buyers over-paying for the product. We would expect the open market value to be higher for Starter Homes than comparable new build homes with an increased risk of negative equity.

(iii): What is your view on the proportion of sites that would be able to deliver 20% Starter Homes without viability being affected? How would this affect other developer contributions?

This will vary across the Country. Wokingham Borough has a particularly strong housing market and viability is less of an issue. Starter Homes are less costly to deliver than traditional affordable housing and therefore assuming Starter Homes are counted as affordable housing (as proposed in the NPPF), we would expect development viability to be improved in most instances. As CIL is a mandatory charge, it would not be affected by any viability issues resulting from Starter Homes. Traditional affordable housing secured through planning obligations will however be greatly reduced.

(iv): Do you agree that in most instances s106 negotiations occur on residential sites of 10 or more units, regardless of whether a s106 agreement is ultimately put in place? And do you agree that before the April 2015 pooling restrictions on Section 106, infrastructure contributions (as a proportion of development activity) tended to be higher in authorities that secured relatively low s106 affordable housing contributions?

All residential sites of 10 or more units in Wokingham Borough will involve a S106 negotiation and agreement. This is because the threshold for affordable housing in the Council's Core Strategy is 5 units/0.16 hectares. Furthermore, much of the Borough is affected by the Habitats Regulations avoidance measures for the Thames Basin Heaths SPA. All new dwellings that are likely to affect the Thames Basin Heaths SPA are required to make payment towards Strategic Access Management & Monitoring (SAMM) secured through a Section 106 agreement (whilst SANG provision is paid for through CIL).

The Council does not agree that Section 106 infrastructure contributions were in any way connected to an authority's affordable housing requirements prior to April 2015. Section 106 infrastructure contributions will have depended on local viability factors and the contributions meeting the three tests (i.e. necessary to make the development acceptable in planning terms; directly related to the development; and fairly and reasonably related in scale and kind to the development).

(v) To what extent do you think the starter home requirement and associated exemptions will affect site viability, if at all?

As above. This will vary across the Country. Wokingham Borough has a particularly strong housing market and viability is less of an issue. Starter Homes are less costly to deliver than traditional affordable housing and therefore assuming Starter Homes are counted as affordable housing (as proposed in the NPPF), we would expect development viability to be improved in most instances.

(vi) We would welcome (a) any estimates of the costs incurred by developers in negotiating s106 agreements on sites of different sizes, for example time costs, consultants or legal fees, and (b) views on the extent these costs might change as a result of the 20% starter homes requirement.

The Council is unable to comment on the costs incurred by developers in negotiating s106 agreements. However, it would not expect these costs to change as a result of Starter Homes, as in most instances, qualifying sites would already require a S106 agreement.