

## Local Government Association (LGA) submission to DCLG technical consultation on Starter Homes regulations

May 2016

The Local Government Association (LGA) welcomes the opportunity to respond to the DCLG technical [consultation](#) on implementation of planning changes.

The LGA is here to support, promote and improve local government. We will represent local government and support councils through challenging times by making the case for greater devolution, helping councils tackle their challenges and assisting them to deliver better value for money services. [www.local.gov.uk](http://www.local.gov.uk)

This response has been agreed by the LGA's Environment, Economy, Housing and Transport (EEHT) Board. The EEHT Board has responsibility for LGA activity in relation to the economy and environment, including: transport, employment and skills, economic development and business support, housing, planning, waste and climate change.

### Restrictions on the sale and lettings of a starter home

Local government fully supports the government's ambition to increase overall housing supply, and we want to ensure starter homes can contribute alongside other housing options.

Local government is also committed to efficient use of public funds, and creating affordable products that benefit as many families as possible in each local area. Therefore, we do not support restrictions on the sale of starter homes at open market value for only 5 years following initial sale. This creates a time restriction on the period that the home can be defined as affordable, and misses an opportunity to pass on the benefit to other families.

Councils pioneered the delivery of low cost home-ownership schemes, and almost universally offer the discount in perpetuity. We suggest that the government extend the benefits of starter homes as far as possible by either retaining the discount in perpetuity, extending it for a longer period (for instance 20 years), or enabling local planning authorities to negotiate a discounted time period on a site by site basis.

Government might also explore requiring purchasers of discounted starter homes to purchase the remaining stake of the property over time as a taper. The receipts could be retained by councils to invest in infrastructure and new homes, a model that could be trialled through the devolution deal process.

There should also be flexibility for councils to require any starter homes that are provided under planning policy to be subject to a local connection test, where there is a demonstrated local need for those starter homes.

# Submission

It is likely that the vast majority of first-time starter homes buyers will need to secure some level of mortgage in order to purchase a starter home. Therefore, it will be vital that any approach introduced is supported by the mortgage industry and that they are able to offer appropriate mortgage products.

We welcome the Government's emphasis that starter homes are to be regarded as homes and not opportunities for short-term investment, and therefore agree with the intention of placing restrictions on renting out starter homes properties.

The Government should make clear the mechanisms for 'enforcing' any of the occupancy and restricted period rules which are eventually determined. These responsibilities should not be passed to councils unless the full costs are identified and mechanisms for the recovery of these costs established.

#### Age 40 eligibility

We agree with the proposal that flexibility over the age 40 restriction should be given when joint purchasers are looking to buy a starter home, with one purchaser being under 40 years old but the other older than 40.

Local government is fully committed to the armed forces covenant. We therefore support the proposal that there should be an exemption from the age 40 restriction for injured military services personnel and those whose partners has died in service.

#### The Starter Homes requirement

Starter homes could make a valuable contribution to the mix of housing options, but local planning authorities must maintain the levers to deliver them alongside other housing products in a way that addresses need identified locally as part of the planning process.

We have concerns where proposals to strengthen the national presumption in favour of starter homes may not fit with local housing need. Requiring a proportion of starter homes on all sites over a particular size does not take account of specific local circumstances and restricts the ability of the local planning authority to address local housing need. There is a risk that such a nationally set requirement may displace other discounted-market products, particularly affordable homes for rent of which there is an undersupply in many local authority areas.

A national requirement will undermine councils' ability to meet the requirements of paragraph 50 of the National Planning Policy Framework (NPPF) to deliver a wide choice of high quality homes, widen opportunities for home ownership and create sustainable, inclusive and mixed communities by planning for '*a mix of housing based on current and future demographic trends, market trends and the needs of different groups in the community*' and by identifying '*the size, type, tenure and range of housing that is required in particular locations, reflecting local demand.*'

Our view is that councils through their Local Plans should determine any site size thresholds and any proportion of starter homes that are required, taking into account local housing need as identified in their Strategic Housing Market Assessments (SHMAs) and site viability. Locally led delivery will enable councils and developers to balance the delivery of starter homes alongside other discounted-market products, including those for affordable rent, on a site by site basis.

The proposal outlined in the consultation to require a proportion of starter homes (20 per cent) on all sites of 10 units or more (or 0.5 hectares) would reduce the supply of affordable rented homes. Analysis for the LGA by Savills suggests the supply of affordable rented homes through Section 106 agreements will fall by around 45 per cent as a result of this requirement

Councils already apply rigorous testing to developer's viability assessment as part of the process of agreeing section 106 agreements for affordable housing, taking into account the specific issues on individual sites. It is therefore unnecessary to introduce a prescriptive 'general viability exemption' test in regulations.

If there is to be a nationally set starter homes requirement this should be set at a level below the range of existing affordable housing requirements in each local authority. The consultation document identifies that nationally the range is between 15 and 40 per cent. On that basis, we would propose any national requirement for starter homes be set at no more than 10 per cent per site. This will guarantee a level of starter home delivery to contribute towards the government's ambitious target of 200,000 starter homes by 2020, whilst also enabling councils and developers (viability permitting) to agree a mix of other types of affordable housing to respond as best possible to local need.

Councils should also have flexibility to negotiate down any nationally set starter homes requirement or to include other home ownership products where it can demonstrate that the requirement might reduce overall housing supply in an area, for example where it might have an adverse impact on viability of schemes across a housing market area.

Analysis for the LGA by Savills suggests there will be difficulties in meeting the proposed 20 per cent starter homes requirement in some local housing markets. There are 118 local authorities that delivered 5 per cent or less of their large sites as nil grant section 106 affordable housing in 2014/15, and a further 48 local authorities that delivered 5 to 10 per cent. Some of these areas will have seen section 106 affordable housing with partial grant but the result highlights the difficulties faced in some development markets. Such local authorities include urban areas in the north of England, but there are sufficient numbers across the country to suggest it may not just be an issue in areas with weak housing markets.

#### Other exemptions from the Starter Homes requirement

The housing and planning act defines that rural exception sites will be exempt from the starter homes requirement, which is welcome. The consultation seeks views on exempting other types of development from any national starter homes requirement including:

- dedicated supported housing which provides specialist accommodation for a particular group and which includes an element of support, such as residential care homes
- estate regeneration schemes and other affordable housing led developments, where a very high proportion of shared ownership and affordable rent units are delivered by housing associations, local authorities and other providers
- student housing
- custom-build developments

Whilst blanket national exemptions can help protect investment in certain tenures they cannot take into account local market conditions. Where there are genuine cases where required contributions could render development unviable this

should be addressed through negotiation locally. Councils should also have flexibility to introduce exemptions at a local level to reflect site or development-type specific situations.

#### The Starter Homes requirement and off site commuted sums

We support the proposal for the use of off site contributions (commuted sums), rather than on-site delivery of starter homes where the local planning authority agrees. However, regulations and guidance should make it clear that on-site provision will be expected on general needs residential developments in the vast majority of cases. Only in very exceptional circumstances and where the council is in agreement, should commuted sums be accepted to secure off-site starter homes provision.

The use of the commuted sum should not be restricted to starter home provision with councils having flexibility to use it to meet need as identified by the SHMA.

We agree that on site provision of starter homes within private rented sector housing (for institutional investment) schemes and specialist older people's housing scheme (those with no additional support required) are not likely to be appropriate and that they should be able to meet any starter homes requirement through off-site contributions.

#### Transitional provisions

We support the proposal for a transitional provision for the starter homes regulations. Transitional arrangements will be required for the proposed change in the definition of affordable housing to include starter homes. The changes will place extra duties on already stretched council departments, and will slow down the preparation of existing plans unless extra duties are funded. To allow councils to undertake the necessary local plan partial review of their affordable housing policies to take into account starter homes policy, a transitional period of 18 months should be allowed before a local plan becomes out of date. This is the minimum period it is possible to undertake such a review. Transitional arrangements will also need to safeguard against the Starter Homes policy having an adverse impact on development pipelines, in order to avoid the risk of a potential hiatus in development proposals coming forward.

We would encourage government to regularly and openly consult with councils and our partners in developing the detail of starter homes implementation, including appropriate transitional arrangements.