

**Council Report: Overview and Scrutiny Management Board 21 April 2016**

**Title: Response to Central Government Consultation on Starter Homes Regulations**

**Is this a Key Decision and has it been included on the Forward Plan? No**

**Director Approving Submission of the Report**

Dave Richmond, Assistant Director of Housing and Neighbourhood Services

**Report author(s):**

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**Ward(s) Affected**

All wards

**Executive Summary**

The report seeks endorsement of the Council's response to central Government on proposed changes to national planning policy.

**Recommendations**

That the Council's consultation response attached at Appendix 1 is endorsed for submission to central Government before the consultation deadline of 18 May 2016.

**List of Appendices Included**

Appendix 1 – Proposed response to central Government consultation on Starter Homes Regulations

**Background Papers**

DCLG March 2016 -Starter Homes Regulations Technical consultation

<https://www.gov.uk/government/consultations/starter-homes-regulations-technical-consultation>

**Consideration by any other Council Committee, Scrutiny or Advisory Panel**

None

**Council Approval Required: No**

**Exempt from the Press and Public: No**

## **Title: Response to Central Government Consultation on Starter Homes Regulations**

### **1. Recommendations**

- 1.1 That the Council's consultation response attached at Appendix 1 is endorsed for submission to central Government before the consultation deadline of 18 May 2016.

### **2. Background**

- 2.1 The Government have committed to building 200,000 high quality starter homes exclusively for young first time buyers under 40, to be sold at a minimum of 20% below the open market value and subject to the buyer occupying the property for 5 years.
- 2.2 The Housing and Planning Bill, currently going through Parliament sets out the statutory framework for the delivery of starter homes, and will be supported by changes to national planning policy, which were subject to public consultation ending on 22 February 2016 (the response to which was considered by Overview and Scrutiny Management Board 22 January 2016).
- 2.3 This technical consultation document, published in March 2016, seeks our views on the details for the regulations to be made under powers contained in the Housing and Planning Bill. The deadline for consultation responses is 18 May 2016.

### **3. Key Issues**

- 3.1 The consultation document sets out a number of questions on which views are sought. Appendix 1 sets out the consultation questions, along with a proposed response.
- 3.3 In brief, the Council's proposed response:
  - Support restrictions on the sale and subletting of the properties in the first five years.
  - Agree that injured military services personnel and those whose partner has died in service be exempt from the 40 year age restriction.
  - Agree to support and exemption from Starter homes on the grounds of viability, if this is proven by an independent evaluation of the viability appraisal.
  - Agree that group custom build developments and developments with a very high level of affordable housing such as estate regeneration schemes be exempt from the requirement for starter homes. We have stated that the Developer and LPA should have the flexibility to agree to use starter homes as an intermediate tenure if the inclusion of starter homes will meet housing need in these cases
  - Suggest that a mechanism be in place to ensure to ensure that developers do not artificially inflate prices before applying the 20% discount.

#### **4. Options considered and recommended proposal**

4.1 Alternative options considered are set out below:

##### **Do not respond to the government consultation**

4.2 Rotherham Council could provide no response to the current consultation. However, this would miss the opportunity to register the concerns that the Council has with some of the proposed changes to national planning policy. The Council is also broadly supportive of some of the proposed changes and would wish to encourage these changes to be implemented. On balance, it is worth the effort to respond.

#### **5. Consultation**

5.1 Consultation on the Council's response to the Government's proposed changes to national planning policy has been undertaken with the Council's Planning services.

#### **6. Timetable and Accountability for Implementing this Decision**

6.1 Consultation on the proposed changes to national planning policy closes on 18 May 2016. It is important that the Council's response is submitted before this deadline to ensure that it is taken into account.

#### **7. Financial and Procurement Implications**

7.1 There are no financial implications arising from this report.

#### **8. Legal Implications**

8.1 There are no legal implications arising from this report.

#### **9. Human Resources Implications**

9.1 There are no Human Resources implications arising from this report.

#### **10. Implications for Children and Young People and Vulnerable Adults**

10.1 There are no direct implications for children and young people and vulnerable adults arising from this report.

#### **11. Equalities and Human Rights Implications**

11.1 There are no equalities or human rights implications arising from this report.

#### **12. Implications for Partners and Other Directorates**

12.1 There are potential implications for the Council's Planning Service as the regulations relate to changes to national planning policy. Changes to national planning policy were subject to a separate consultation earlier in the year.

### **13. Risks and Mitigation**

13.1 There is a risk that any particular concerns the Council may have about the planning policy changes proposed by Government would not be taken into account if a consultation response is not submitted by the deadline.

### **14. Accountable Officer(s)**

Dave Richmond,  
Assistant Director of Housing and Neighbourhood Services

Approvals Obtained from:

Strategic Director of Finance and Corporate Services: N/A

Director of Legal Services: N/A

Head of Procurement (if appropriate): N/A

This report is published on the Council's website or can be found at:-

## Appendix 1: Proposed response to central Government consultation on Starter Homes Regulations

Starter Homes Regulations – Technical Consultation – April 2016
Responses.
<p>Q1: Do you support the 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?</p> <p>Firstly, the LOCAL Planning Authority (LPA) believes that Starter homes should be for owner occupation only and supports the restriction that they cannot be sub-let. Five years is a reasonable length of time for the homes to be occupied before they can be sold on. Whilst the “tapering” of the restriction seems logical the authority would prefer that starter homes can only be sold within 5 years in extreme proven circumstances – such as the need to move to another area to take up an employment opportunity. If starter homes are sold in these circumstances then values could be increased under the taper system proposed. We agree that they should only be sold on to other qualifying first time buyers. R.M.B.C. believes that a re-sale restriction of at least 5 years will contribute to more stable and sustainable communities which contribute to the “place-making” agenda.</p>
<p>Q2: Do you agree that flexibility over the age of 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?</p> <p>Agree. This mirrors the Council current policy on S106 “discount for sale properties”.</p>
<p>Q3: Do you agree that there should be an exemption from the age of 40 restrictions for injured military services personnel and those whose partner has died in service?</p> <p>Agree.</p>
<p>Q4: Would a site size of 10 units or more (or 0.5ha) be an appropriate minimum threshold for the starter homes requirement? If not, what threshold would be appropriate and why?</p> <p>Agree that these thresholds are appropriate – but both should be included in the policy as an “either or” option. This would prevent developers circumventing the legislation by building just a few houses (usually large higher values homes) on a larger site. This situation often arises in the highest value areas where there is the greatest need for affordable homes.</p>
<p>Q5: Should the minimum percentage requirement be applied uniformly on all sites over 10 units to provide a single requirement across the country?</p> <p>Agree.</p>
<p>Q6: If so do you agree that 20% represents a reasonable requirement for most sites?</p> <p>In our local authority area 15% starter homes may be more appropriate. This will allow the authority to negotiate 10% of the Affordable Housing requirement (total 25% AH) as other tenures to meet housing need. Our recent SHMA evidences the need for rented housing as well as home ownership products.</p>
<p>Q7: Do you support an exemption from the Starter homes requirement for those developments</p>

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?

Agree to support and exemption form Starter homes on the grounds of viability, if this is proven by an independent evaluation of the viability appraisal. This reflects how most affordable housing policies currently work. We would welcome strict and prescriptive guidelines to assess viability appraisals. This is a difficult and time consuming area for both developers and LPA's. Greater comprehensive governance of this would make the current system more straightforward, quicker and provide national standards which all parties would work within.

Q8: Do you support the proposed exemptions from the starter homes requirement?

Yes.

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 group custom build developments should be exempt as the schemes are usually developed for long term owner occupation by residents who are committed to living in the locality. Agree that developments with high levels of affordable housing (although this needs to be prescribed to prevent ambiguity) should also be exempt although the Developer and LPA should have the flexibility to agree to use starter homes as an intermediate tenure if the inclusion of starter homes will meet housing need.

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

No.

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

The local authority would prefer to use commuted sums to believe affordable rented housing – to be added to the Council stock or to help to fund new build RP rented housing. We anticipate that most developers will bring forward starter homes via S106 AH planning obligations. Consequently, the proportion of rented homes will be significantly reduced. Our SHMA and Council house waiting list demonstrates that we have a significant unmet need for more rented homes. Using commuted sums to help fund these will enable the future development of rented homes.

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?

Agree that off-site contributions are more appropriate in these circumstances. However, the Local Authority should have the discretion to use such commuted sum contributions to bring forward affordable homes of all tenures – to meet housing need. As outlined in the response to Q11 above.

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

Agree that this is a suitable reporting mechanism. However, there has to be an obligation placed on developers to provide this information to the LPA when requested and in a format and with sufficient level of detail as requested by the Local Authority.

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?

Agree.

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?

Agree.

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

Yes.

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

No.

Q18 (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?

We believe the open market value of Starter Homes will be significantly more expensive than other affordable Housing products. This means that even with a 20% discount the homes will still be more expensive to purchase. However, that said for residents wishing to purchase their own homes the "Help to Buy" product has been utilised to great effect – and the premium OMV for new homes is applicable to this product.

Q18 (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?

The market homes should be offered for sale and the price (per sq m) as other new build market homes in the local area. It would be beneficial if this restriction was included in the legislation and a mechanism whereby a LPA could challenge if developers artificially inflate the prices of Starter Homes. There would also need to be a Dispute Resolution mechanism if this was found to be the case.

Q18 (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?

Our current AH policy is 25% affordable housing. This level of AH is being achieved on most greenfield sites. Brownfield sites are more challenging and routinely achieve around 15% affordable housing. Currently an average 75% of S106 Planning gain units are delivered as Rented units. The blended average transfer values for Affordable Homes range between 50% and 60% of the open market value. Because the level of Developer discount for Starter homes is 20% delivering Starter homes in place of rented or shared ownership units will increase the level of profit developers achieve and have a positive effect on viability, making schemes easier to deliver.

At the present time all S106 contributions are being achieved alongside Affordable Housing delivery. Because starter homes will mean a reduction in the level of Developer discount for affordable housing and a greater level of available profit then there should be no adverse effect on other S106 contributions.

Q18 (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 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?

Agree on both points.

Q18 (v): To what extent do you think the starter home requirement and associated exemptions will affect site viability if at all?

Given that the level of Developer discount required to support AH delivery is reduced the introduction of Starter Homes should have a positive effect on viability.

Q18 (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 requirements.

We do not hold this information for developers but the viability process is a lengthy time consuming exercise for LPA officers.