

**WEST OXFORDSHIRE DISTRICT COUNCIL**

**COUNCIL: WEDNESDAY 24 FEBRUARY 2016**

**NOTICE OF MOTION RELATING TO AFFORDABLE HOUSING**  
**REPORT OF THE HEAD OF PLANNING AND STRATEGIC HOUSING**

**(Contact: Simon Wright, Tel: (01993) 861533)**

**1. PURPOSE**

To consider the views of the Cabinet in relation to the motion received at the Council meeting held on 21 October 2015, regarding the potential impact of the Government's Starter Homes Initiative on the overall delivery of affordable housing in West Oxfordshire.

**2. RECOMMENDATION**

That the Council considers the Motion taking into account the Cabinet's comments.

**3. BACKGROUND**

**Notice of Motion – Affordable Housing**

3.1. The following motion was proposed by Mr G Saul and seconded by Ms E P R Leffman at the meeting of the Council on 21 October 2015. The motion stood referred to Cabinet to enable more information to be gathered prior to debate at a future Council meeting:-

*“In his speech to his party's annual conference, the Prime Minister confirmed that planning laws would be changed to allow developers to fulfil their obligation to build affordable homes by offering starter homes priced at 20% below market rate in place of building affordable homes for rent or for sale through “intermediate” housing schemes such as shared ownership.*

*As the National Housing Federation has stated, this is likely to lead to fewer homes being built for social rent or affordable rent at a time when the extension of right to buy to housing association tenants is also likely to reduce the available stock of social housing.*

*In the light of the above, this Council:*

*1. Confirms its support for the creation of mixed tenure developments that recognise the District's significant need for affordable rented accommodation in contributing towards the District's identified affordable housing needs as set out in the provisions of Policy H3 in the Council's emerging Local Plan 2031; and*

*2. Requests that in promoting schemes to encourage new starter homes for sale the government should also introduce measures that encourage the building, in at least equal numbers, of a combination of (a) affordable, secure homes for rent and (b) affordable shared ownership properties in the various forms that Housing Associations have developed (e.g. rent to buy; part buy part rent; shared equity) so that the creation of new starter homes is not at the expense of these latter forms of social housing.”*

3.2. The Cabinet considered the report of the Head of Planning and Sustainable Housing at its meeting held on 10 February 2016 as follows:

**Starter Homes Initiative**

3.3. The Starter Homes Initiative is a recent scheme aimed at providing discounted market housing on commercial and industrial land that is either under used or unviable in its current or former use, and which has not currently been identified for housing.

- 3.4. The starter home initiative was created with the aim of “unlocking home ownership for a generation”. The Prime Minister’s goal is to provide 200,000 new build homes for first time buyers, with a discount made available by relaxing levies and charges that come with securing planning to build on certain land sites.
- 3.5. The initiative is in direct response to the crisis among younger people’s experience of being priced out of even the lower quartile value for homeownership. This initiative will give many working people the opportunity to move out of rented accommodation, or their parental home in many cases.
- 3.6. Where applications for starter homes come forward on such exception sites, they should be approved unless the local planning authority can demonstrate that there are overriding conflicts with the national planning policy framework that cannot be mitigated.
- 3.7. Planning obligations should be attached to permissions for starter homes on such exception sites, requiring that the homes are offered for sale at a minimum of 20% below open market price, to first- time buyers under the age of 40. Obligations should also prevent the re-sale and letting of the properties at open market value for a five year period.
- 3.8. Mr Osborne has said the commitment to increase housing supply would be "delivered by a government committed to helping working people who want to buy their own home, for we are the builders." In the region of £2.3 billion pounds has been pledged by the Chancellor to ensure the delivery of the 200,000 starter homes over a five year period.
- 3.9. Importantly, the intention of Government is to include starter homes within the national definition of affordable housing. At a meeting of Full Council on 21st October 2015, Cllr Saul suggested that the Government’s proposals regarding the inclusion of starter homes within the definition of affordable housing require a rethink, however it was acknowledged that more detail was needed before a meaningful debate could be undertaken.
- 3.10. It was resolved that: the motion be referred to a future Cabinet meeting for consideration and report back to Council.

#### **Potential Implications of the starter home initiative**

- 3.11. The provisions for the implementation of the Starter Home Initiative will be enacted through the Housing & Planning Bill, which is currently in early stages of reading in the Lords.
- 3.12. Multiple suggested amendments have been proposed and are subject to on-going discussion. Suggested amendments include for example restricting the duty to promote starter homes to exception sites, ensuring that starter homes do not constitute the whole of a developer’s affordable housing offer, that starter homes are available at locally-determined rates of income, and that local authorities should be enabled to seek planning gain measures to provide for a range of affordable homes other than starter homes.
- 3.13. The Starter Home Initiative will make it more affordable for first time buyers under 40 to purchase a house. Nationally there has been a decline in the proportion of households who are owner occupiers and this indicates that there is a significant issue with housing affordability for first time house buyers. Oxfordshire has relatively high house prices in the national context so this issue may be more significant here. For example Oxford City has been recognised as the least affordable city in the United Kingdom to live in as

houses sell for 11 times local salaries. It is likely that Starter Home products will be popular in West Oxfordshire and allow first time buyers to build equity which will then allow them to progress up the housing ladder.

- 3.14. Some in the development industry have expressed concerns about the Government's proposals. The 20% discount might distort housing markets and lead to purchasers being encouraged to over-pay to access potential future uplifts in value. Some economists have also stated that this might increase exposure to risk of future market downturn. There may be added risk and complexity in combining starter homes with the separate 'Help to Buy' scheme (whereby the Government provide a loan to enable purchasers to offer a 25% deposit when purchasing a home). Some have called for the 20% market value discount to be transferable in perpetuity.
- 3.15. Starter homes will affect house builders existing products, possibly making their own smaller units look less appealing to purchasers. Hometrack consultancy has suggested that starter homes may not be viable in certain areas. Two and three bedroom homes of the size and type that housebuilders typically produce, may need to be redesigned in order to prove viable, and this may require changes to building standards. There are also some concerns that the house building industry does not have sufficient time, capacity or skills to meet the Government's house building targets.
- 3.16. Some local authorities have raised the issue that imposing a duty to promote starter homes is contrary to the principles of localism.
- 3.17. The main concern of Housing Strategy Team is to ensure that starter homes do not serve to displace other forms of affordable housing that meet identified local needs, including forms of housing suitable for meeting low income housing need. The principle of a share of affordable housing being discounted market housing is fully accepted (and indeed has been successfully delivered within the District) but this form of housing is just one of a mix of different affordable housing tenures needed to help meet a variety of needs.
- 3.18. Until such time as the Bill receives Royal Assent, it is not possible to predict the impact of the starter home initiative with any degree of certainty. The final bill may take a different form in response to stakeholder views.
- 3.19. If starter homes are included within the definition of affordable housing that they have the potential to be attractive to developers and buyers and might serve to 'displace' other forms of affordable housing such as affordable rent and intermediate housing products.
- 3.20. It will be essential for the Council to ensure through the emerging Local Plan that a balanced approach is achieved, whereby the role of starter homes is properly recognised and supported alongside the delivery of other forms of affordable housing which help meet identified housing needs.
- 3.21. After discussion the Cabinet resolved:  

'That the Council be advised that the Cabinet is of the opinion that the motion be rejected for the reasons set out above.'
- 3.22. A copy of the relevant minute is attached as an [Appendix](#) to this report.

#### **4. ALTERNATIVES/OPTIONS**

None.

## **5. FINANCIAL IMPLICATIONS**

The Council will have to forego income from both the Community Infrastructure Levy (CIL) and Section 106 contributions on the starter homes as they are proposed to be exempt from both. This is similar to the position with other forms of affordable housing.

## **6. RISKS**

The Council may fail to meet local housing need if starter homes are to represent the sole provision of affordable housing on key development sites as well as brownfield sites. As is currently proposed they will return to full market value after a period of 5-years, and will no longer constitute 'affordable homes'. A reduction in affordable housing stock may have implications for the Council's overall housing target. The National Planning Policy Framework requires Councils to consider the levels of general housing required in order to deliver identified affordable housing need. If the future affordable housing stock is predicted to be lower this could mean that the overall housing target should be adjusted upwards to compensate.

## **7. REASONS**

To ensure Council is aware of the potential implications of the Government starter homes initiative for overall affordable housing provision in West Oxfordshire.

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Background Papers:  
None

99. NOTICE OF MOTION – AFFORDABLE HOUSING

Consideration was given to the report of the Head of Planning and Strategic Housing regarding a Notice of Motion received at the Council meeting on 21 October 2015 in respect of matters relevant to the potential impact of the Government's Starter Homes Initiative on overall delivery of affordable housing in West Oxfordshire.

Sir Barry invited Mr Saul to expand upon his Motion.

Mr Saul expressed his concern over the lack of detail in the Housing and Planning Bill, indicating that it was unclear how the Government's proposals were to operate. His intent in proposing the Motion had been to stimulate debate within the Authority and seek to ensure that the Council did not want to see the provision of starter homes at the expense of affordable housing for rent. The majority of those on the Housing Waiting List would be unable to purchase a starter home even with a 20% discount. There were gaps in the legislation and there should be provision for local flexibility to allow local authorities the discretion to determine the proportion of starter homes they considered appropriate rather than see a percentage dictated nationally. There should be a commitment to the provision of affordable homes for rent as these remained an important part of the housing mix.

Ms Leffman advised that the Charlbury Town Council had expressed concern to the local Member of Parliament over the potential impact of extending the right to buy to housing association properties on small communities. Whilst the funding secured from a sale might be used to provide a replacement property, there were few, if any, suitable sites within small settlements where replacement dwellings could be built.

In consequence, local residents would be forced to move away from their roots. There was a need for a mix of owned and rented property and it was important to recognise that it was far easier to build replacement dwellings in some parts of the country where numerous brownfield sites could be found than it would be in West Oxfordshire. The provisions of the Housing Bill had to reflect the needs of local communities.

Mr Howard expressed some concern over the size of starter homes to be constructed, indicating that there was a requirement for larger family homes. In West Oxfordshire, the cost of such larger properties would remain unaffordable to many regardless of the proposed Government incentives.

Mr Langridge acknowledged the concerns expressed, indicating that these were matters still under consideration by the Government. However, he expressed his support for the principle of extending home ownership which he believed to be key to social mobility.

Mr Dingwall commended the intention of the Motion but considered that the provision of housing was best left to the social housing providers. The Government was seeking to develop new affordable housing models to meet a wide range of housing need. It was preferable for housing associations to have a variety of affordable housing models at their disposal to be used and enjoyed as appropriate. By increasing rental levels for new tenants, the additional income generated could be used to create more affordable housing for rent.

Mr Postan noted that, even with a discount, starter homes would be expensive in West Oxfordshire. He suggested that the Council could explore ways in which applicants could gain access to more affordable funding as many were unable to secure commercial mortgages since the banking crash in 2007.

Mr Howard sought confirmation that existing housing association tenants could not see their rents increased to market rent. The Chief Executive indicated that he understood this to be the case and Mr Dingwall confirmed that existing tenants were currently protected. However, the Government was considering the introduction of limited term tenures which could see those able to afford to do so being required to move on to free up properties for those in greater need.

Sir Barry suggested that, when compared to the total number of residents within the District, the limited number of those on the Housing Waiting List in priority need suggested that there was a significant underlying demand for affordable properties to buy.

Mr Courts thanked Mr Saul and Ms Leffman for the Motion and expressed his sympathy for its motivation. However, he was unable to support the Motion and recommended that the Council be advised that the Cabinet does not agree that the change in planning laws is likely to lead to fewer homes being built for social or affordable rent.

Mr Courts indicated that Council house starts are at the highest level for 20 years, with more being built between 2010/2015 than in the entire period of the previous Government.

He did not consider that the extension of right to buy was likely to reduce the available stock of social housing. The right to buy extension works on the basis of at least a "one to one" replacement. Housing Associations remain committed to building affordable houses, supported by the Council. Mr Courts suggested that the fundamental problem in the supply of affordable housing is lack of capital. The right to buy addresses this problem due to the capital receipts and is therefore the right policy.

Mr Courts invited the Cabinet to ask the Council to remember that the definition of affordable is whether a property can be afforded, be that bought, rented or a combination. It does not necessarily mean rental. In many cases it is more expensive for families to rent rather than buy properties once the various incentives are taken into account, to say nothing of the overall benefit of families investing in their own property rather than paying rent to a social landlord. This investment in property increases social mobility rather than leaving families dependent upon social sector housing.

Mr Courts stressed that the Cabinet was aware of the potential impact of the planning changes and had made representations to that effect, as outlined at minute No. 108 above but believed the amendment of planning laws to be the right policy at the right time to address the overall policy aim of achieving social mobility and property ownership.

Mr Mills seconded the recommendation.

Mr Dingwall indicated that the new arrangements would end the dichotomy between those former Council tenants who retained the right to buy and those whose first tenancy had commenced directly with the housing association.

Ms Leffman reiterated her concern that the proposed direct one for one replacement would not work in small villages. She also advised that many former Council properties had found their way onto the buy to let market and expressed her concern that, once sold on, many former housing association properties would also come onto the rental market. It would be impossible to replace properties within the communities out of which they had been sold and many residents would be unable to afford the necessary deposit to purchase a property. There was a need to think more broadly.

Mr Saul agreed that there was a need for a variety of different housing models but expressed concern that, as framed, the legislation did not add to but supplanted other forms of tenure. It was likely that shared ownership/joint equity properties would be less attractive to developers and Government impact analysis suggested that, from 100 projected starter homes only 56 to 70 would be built.

Mr Saul suggested that former housing association properties ought not to be sold into the private sector stock but rather arrangements made to lock in the discount.

Sir Barry reiterated that there was a significant demand for properties to purchase and indicated that it was unlikely that anyone would buy a property with the intention of exploiting the financial uplift five years hence. Any subsequent sales were more likely to be for personal reasons and he contended that those unable to meet the full cost ought not to be precluded from property ownership.

In conclusion, he acknowledged the need for social rented housing but asked Members to recognise the importance of addressing other markets.

Ms Leffman sought to clarify that her concern was not that individuals would seek to exploit an uplift in value of their property but rather a concern that, in time, such properties would fall into the private rented sector in the same way as many former local authority homes.

**DECISION:** That the Council be advised that the Cabinet is of the opinion that the motion be rejected for the reasons set out above.

**REASONS:** The reasons behind the Cabinet's decision are set out above.

**OPTIONS:** None appropriate