



MID SUSSEX DISTRICT COUNCIL

Assessing the Scale and Nature of Starter
Homes in Mid Sussex District

Addendum Report

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1. INTRODUCTION

Overview

- 1.1 In January 2016 Chilmark Consulting Ltd. (CCL) was instructed by Mid Sussex District Council (MSDC) to undertake a focused analysis of the overall potential scale and characteristics of delivering Starter Homes in the District and to consider the potential effects of delivering Starter Homes on the supply of other forms of affordable housing.
- 1.2 CCL's report was completed just prior to the publication of the *Starter Homes Regulations – Technical Consultation* in March 2016 by the Department for Communities and Local Government (DCLG). MSDC has instructed CCL to prepare a short addendum update to reflect the latest technical regulations publication.

Purpose and Scope

- 1.3 The purpose of this Addendum Report is to provide an update and addition to the original work. The Addendum therefore covers:
 - a summary of the main points and guidance on Starter Homes set out in the *Starter Homes Regulations – Technical Consultation*; and
 - an updated calculation of the effects of Starter Homes provision in Mid Sussex resulting from the application of the approach and provisions laid out in the Regulations.
- 1.4 It is intended that this Addendum Report is read alongside the original report and the wider policy and analytical context from that report is not reiterated herein.

2. THE STARTER HOMES REGULATIONS

- 2.1 The *Starter Homes Regulations – Technical Consultation* was published in March 2016.
- 2.2 The purpose of the Regulations is to set out greater technical detail about the mechanisms and procedures to support Starter Homes clauses in the *Housing and Planning Bill (2016)*.
- 2.3 The proposed regulations relate only to England and are, at the time of writing, subject to an eight-week public consultation ending on 18th May 2016.
- 2.4 Section 1 of the Regulations summaries the Government’s commitment to increasing home ownership and widening housing opportunities, particularly for young first time buyers. It re-states the objective to deliver 200,000 Starter Homes in England and confirms that such homes should be exclusively available for first time buyers under the age of 40 years and sold at a discount of at least 20% of the market price.
- 2.5 The Housing and Planning Bill proposes a statutory framework to deliver the objectives, including:
- a statutory definition of a starter home;
 - a general duty on local planning authorities to promote the supply of starter homes when carrying out their planning functions;
 - the ability to set a starter homes requirement, meaning that local planning authorities may only grant planning permission for residential development if the starter homes requirement is met;
 - reporting arrangements to ensure local communities, and especially first time buyers, are aware of what action local planning authorities are taking to support the delivery of starter homes; and
 - powers for the Secretary of State to intervene if local planning authorities fail to carry out their functions related to starter homes.
- 2.6 Section 2 reconfirms the definition of a Starter Home as a new dwelling only available for purchase by qualifying first-time buyers and which is made available at a price which is at least 20% less than its market value but which is below a price cap. The relevant price cap for Mid Sussex District is £250,000 as specified in the Housing and Planning Bill.
- 2.7 The proposed technical regulations include the imposition of a restriction on the re-sale of Starter Homes at full market value for a specified period. A tapered approach to sale value over time is also being considered, stepping up to 100% market value sale over time and the Government has indicated that it does not support extending the restricted sale period beyond eight years from occupation. Further restrictions to prohibit Starter Homes to be used as Buy-to Let properties are suggested with the Regulations noting that these properties are intended for owner occupation.

- 2.8 Section 2 of the Regulations considers the age eligibility criteria and states that buyers must be under the age of 40 but where there are joint purchasers and both are qualifying first time buyers but one is over 40 years, they should be able jointly to buy a Starter Home. The Regulations propose that injured service personnel (and those whose partner has died in service) should be exempt from the age restriction.
- 2.9 Section 3 considers the requirements for Starter Homes. The Housing and Planning Bill provides the Secretary of State with the power to make regulations to ensure that Starter Homes are developed on all reasonably sized housing sites.
- 2.10 Starter Home requirements could therefore include the provision of a specific number or proportion of such homes on a site or the payment of a commuted sum to the planning authority for provision off-site.
- 2.11 Critically, the Regulations recognise the importance of continuing local flexibility to secure additional S106 planning obligations that support shared ownership and other forms of affordable housing where it is viable and where there is a demonstrable local need.
- 2.12 The Regulations therefore propose that the Starter Homes requirement applies to sites which meet at least one of the following criteria as a minimum:
- 10 units or more; or
 - 0.5 hectares site size.
- 2.13 Section 3 also sets out the Government's intention that there will be a clear percentage requirement for the number of Starter Homes to be delivered on relevant residential developments. The requirement would be secured by S106 agreement.
- 2.14 The proposal is for a national minimum requirement of **20%** of all homes to be delivered as Starter Homes on relevant residential sites.
- 2.15 There are some exemptions to this requirement proposed and the Regulations suggest that this could include situations where it can be demonstrated that the Starter Homes requirement would render a site unviable. Clear evidence from the developer that the scheme could not support Starter Homes and that no other affordable housing contributions are being provided would be needed. The Government intend to introduce flexibility in the Regulations to allow lower percentages of Starter Homes to be provided.
- 2.16 The Regulations also identify that in most cases, the Starter Homes requirements should be an on-site provision. However, some flexibility is anticipated and the Housing and Planning Bill does allow for off-site, commuted sums in lieu of on-site provision. Such sums would be used for Starter Homes provision elsewhere. The off-site contribution should be based on the cost to the developer of meeting the Starter Homes requirement.

3. EFFECTS OF STARTER HOMES PROVISION ON AFFORDABLE HOUSING

Introduction

- 3.1 While the Technical Regulations summarised in Section 2 remain in draft form and subject to changes following the current consultation process, it is clear that the Government intend to adopt a percentage requirement approach to the provision of Starter Homes on relevant housing sites.
- 3.2 This Section reviews the implications for Mid Sussex of a 20% Starter Homes target imposed on the planned housing requirement for the District. This gives a good indication of the level and potential effects on other affordable housing supply arising from the Government's proposed approach.

Effects Arising from an Imposed Starter Homes Target

- 3.3 The previous CCL Report considered, at Section 4, the possible effects for Mid Sussex of an imposed Starter Homes target set by the Government and applied to the District.
- 3.4 The Mid Sussex *Focused Amendments District Plan* identifies a planned housing requirement (OAN + contribution to un-met needs arising in other local authority areas) of 800 dwellings per annum (dpa).
- 3.5 The District Plan's proposed affordable housing policy seeks to secure 30% affordable housing contributions from the total planned requirement. This equates to 240 dpa.
- 3.6 If Mid Sussex District sought to ensure that its modelled affordable housing needs (as set out in the HEDNA) were met in full, then the District would need to ensure the delivery of between 191 and 294 affordable dwellings per annum.
- 3.7 Table 4.1 of the previous CCL report set out the number of Starter Homes to be delivered per year for Mid Sussex based on various targets ranging from 10% up to 50% of the planned housing requirement.
- 3.8 If the Starter Homes Technical Regulations proposal to adopt a 20% target for the delivery of Starter Homes is applied to Mid Sussex's planned housing requirement, then there will be a need to supply 160 Starter Homes per annum over the plan period.
- 3.9 Table 4.2 of the previous CCL report identified the outcomes with respect to the effects of imposed Starter Homes targets on the supply of other forms of affordable housing in the District.
- 3.10 Assuming that the delivery of the requisite proportion of Starter Homes is a priority as the Government intends, Table 4.2 modelled the resulting 'residual' affordable housing supply available. It also showed how this would be pro-rated on a 75:25 sub-split (to account for the District's current

policies seeking 75% Affordable Rent and 25% Intermediate tenure affordable housing).

- 3.11 Table 3.1 below brings the analysis together and summaries the effects of applying a 20% Starter Homes requirement at various levels of affordable housing contribution.
- 3.12 The table shows that at the 20% target level and set against the current affordable housing policy of 30% contribution, there would be a residual supply of 80 dpa to meet other affordable housing needs. This residual would be split 60 dwellings: 20 dwellings (75% : 25% according to policy DP29) in terms of the Affordable Rent to Intermediate tenure split. This would result in an under-supply of other affordable homes measured against the HEDNA's assessment of needs.
- 3.13 Alternative scenarios assessing the effects of an imposed Starter Homes target on other affordable housing delivery were also modelled in CCL's previous report. The effects of raising the District's affordable housing contributions policy to either 35% or 40% were assessed and the results are also summarised in Table 3.1 (and as shown in Appendix A3.1 and A3.2 of the previous CCL report).
- 3.14 These sensitivity analyses highlighted that for a 20% Starter Homes target:
- A 35% affordable housing contribution policy would result in a supply of 280 affordable homes per annum and that there would be a 'residual' supply of 120 dwellings to meet other affordable housing needs (Affordable Rent or Intermediate). Based on the HEDNA's modelled requirements this would result in an under-supply of affordable housing of between -20 and -130 dwellings per annum.
 - With a 40% affordable housing contribution policy would result in a supply of 320 affordable homes each year and there would be a 'residual' supply of 160 dwellings to meet other affordable housing needs. Based on the HEDNA's modelled requirements this would result in a more modest under-supply of between +20 and -90 dwellings per annum.
- 3.15 If the same assessment is carried out based on a 50% affordable housing policy contribution, then an under-supply of other affordable housing would still result in relation to the HEDNA's assessment of needs.
- 3.16 This is because a 50% affordable housing contribution would result in 400 dwellings per annum, which net of 160 Starter Homes provision, would leave a residual supply of 240 affordable homes. 240 affordable homes would be sufficient to meet the HEDNA's need at the low end of its range (191 dpa) but not enough to meet the high end (294 dpa).

Table 3.1: Effects of 20% Starter Homes Requirement at Various Affordable Housing Policy Requirements

A	B	C	D	E	F	G	H	I
Affordable Housing Policy Requirement	Total Planned Housing (DPA)	Total Affordable Housing Supply	Starter Homes Supply Delivered (20%)	Non-Starter Home Affordable Housing Supply	Affordable Rent Supply	Shared Ownership Supply	Residual Affordable Housing Need	Over/Under Supply of Affordable Rent and Intermediate Housing
	District Plan	B x A	B x 20%	C - D	E x 75%	E x 25%	HEDNA Needs minus 44 to 51 dpa (<i>Table 3.18</i>)	E - H
30%	800	240	160	80	60	20	140 to 250	-60 to -170
35%	800	280	160	120	90	30	140 to 250	-20 to -130
40%	800	320	160	160	120	40	140 to 250	+20 to -90

Source: CCL calculation

- 3.17 The conclusion that can be drawn from this analysis is that if a 20% Starter Homes target is applied to the planned housing requirement and Starter Homes form part of the affordable housing supply then the District's current affordable housing policy (30%) contribution would be insufficient to ensure that other forms of affordable housing (Affordable Rent and Intermediate tenures) can be supplied to meet the HEDNA's modelled range of housing needs. A raised policy contribution would be necessary to more closely meet the identified affordable housing needs in full.
- 3.18 Seeking to meet the affordable housing needs of the District is an important objective and policy of the District Council and accords with national planning policies. The provision of Starter Homes, alongside other forms of affordable housing, is a key component of meeting affordable housing needs overall and there is a need to ensure flexibility in securing contributions to Starter Homes delivery as well as shared ownership and other forms of affordable housing where it is viable and there is local need. The Government recognises this issue clearly within the current Technical Regulations consultation (see page 11).
- 3.19 It is therefore critical that Mid Sussex District considers the potential for raising the affordable housing supply policy contribution, subject to viability, in order to continue to ensure that affordable housing is supplied that meets identified needs. These needs, measured in the HEDNA's range (191 – 294 dpa) include Starter Homes in parallel with Affordable Rent and Intermediate tenures.