

London Councils

The voice of London local government

Housing & Planning Bill Report stage, Monday 11 April Clauses 1 - 7 Starter homes

London Councils

London Councils represents London's 32 boroughs and the City of London. We make the case to government, the Mayor and others to get the best deal for Londoners and to ensure that our member authorities have the resources, freedoms and powers to do the best possible job for their residents and local businesses.

Priority concerns and recommendations

Recent research from Ipsos MORI shows that the housing crisis is Londoners' number one issue. London Councils recognises the government's ambition – outlined in this Bill – to boost home ownership. London boroughs are keen to promote home ownership in the capital. Some boroughs are already promoting their own home ownership schemes locally, for example directly building homes for shared ownership or offering home purchase grants to tenants.

However, we are concerned that the starter homes policy as designed does not take account of London's distinct housing market and of the need for a wide range of different housing tenures to be delivered. Indeed any urban area facing housing pressures will want to retain the decision-making and flexibility to address their housing needs. We have two main concerns about the legislative requirements around Starter Homes in relation to the affordability of the product and its potential impact on viability.

We ask for your support on the following two amendments

Clause 3. Support amendment 6.

This amendment would ensure that other types of social and affordable housing are promoted alongside starter homes so as to ensure that the tenure of affordable housing provided can be responsive to the needs of the population.

Affordability – meeting housing need

This new asset class could potentially help some into home ownership in London. However, there is a risk that it could reduce the provision of other products better suited to meet the housing needs of Londoners, including support of home ownership. Boroughs are already required to meet objectively assessed housing needs, and it is important that centrally-imposed targets do not get in the way of their ability to secure the tenure mix most reflective of their local areas.

Starter Homes will not be an appropriate or affordable product for many households who are looking

to buy a home in London. At prices of up to £450,000, Starter Homes are likely only to be affordable to those with significant household incomes. Analysis by Shelter suggests that London households could need an income of £77,000 with a deposit of £98,000 to buy even an average starter home at £395,000 – well below the upper cap. The median annual salary in London is approximately £34,000 and this shows this product may not be accessible to even those median incomes. It is essential that boroughs still have the local discretion and flexibility to deliver Starter Homes alongside other products appropriate to accommodate a range of incomes.

In a committee stage debate, Baroness Williams stated that local authorities will still be 'expected to plan their housing development around the needs of their communities'. However, the Government's Impact Assessment states that developers may adjust the level of affordable housing in relation to the number of Starter Homes they will be developing. This may reduce or alter the mix of affordable housing provided which could impact on those individuals seeking affordable housing. A reduction in the supply of homes for people on lower incomes would risk exacerbating unaffordability and potentially increasing the housing benefit bill as more households may need to stay in the private rented sector or expensive temporary accommodation as a result.

Starter homes contain no local eligibility requirements and these have played an important role in the local community acceptance of housing development in London, allowing local communities and their representatives to accept significant increases in density in return for affordable housing provision to meet local needs. Removing this link risks making planning for housing in London much more locally contested in communities, drawn out and less certain for all involved.

London already houses over 50,000 households in temporary accommodation at considerable cost to the public purse. Starter Homes should therefore be additional to other forms of housing products, so that councils can still secure the necessary tenure mix in accordance with the needs in their area and discharging their homelessness responsibilities.

Clause 4. Support amendment 8.

This amendment would ensure that the provision of starter homes and other affordable housing on development sites would be reflective of local assessments of housing need and the viability schemes.

Viability – ensuring supply

It is likely that Starter Homes delivery will affect the viability of sites, particularly in higher-value areas such as much of inner and central London. A £450,000 property – although expensive in relation to many Londoners' incomes – is far below the current average values of new build properties in some inner London boroughs, where in some cases average new build properties sell for over £900,000

In the committee stage debate Baroness Williams stated that "housing markets and needs differ across the country but the aspiration to own a new home does not." However, viability problems on specific sites in London may lead to further reductions in affordable housing delivery. This is compounded by the potential additional sales risk for developers compared to the usual off-plan sales of traditional affordable housing products to housing association. A greater mix of tenures, including homes for rent, can help developers manage absorption rates and therefore help speed up delivery overall, whereas the over provision of starter homes may increase risk for developers and led to longer build out rates. Local discretion will be key to ensure the right products are delivered in relation to local affordability and viability .

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London Councils represents all 32 London boroughs and the City of London. The Mayor's Office for Policing and Crime and the London Fire and Emergency Planning Authority are also members.