

## Written evidence submitted by The Local Government Association

### Re: Starter Homes

The Local Government Association (LGA) as the national voice of local government welcomes the opportunity to submit evidence to the Committee's inquiry on Starter Homes. In this letter I have focused on the measures and reforms that would support councils to deliver a step-change in council housebuilding and our concerns about the impact of recently proposed government reforms on the provision of affordable housing.

### Delivery of affordable housing

The COVID-19 pandemic will inevitably have a significant impact on the delivery of new homes across England. Whilst the vast majority of construction sites across the country have reopened, many have suffered delays or are operating at reduced capacity and this includes housing associations and local authorities. There is no doubt that this could serve to dramatically impede the provision of an increased and improved housing supply, which is of such high priority in the UK.

It is widely accepted that in many areas there needs to be a significant increase in the number of new homes delivered per year to keep up with population growth and tackle years of under-supply. The Government are committed to increasing the number of homes that are being built towards their target of 300,000 homes a year by the mid-2020s.

In order to tackle the national housing shortage, councils need to be empowered to build more affordable, good quality homes at scale, and fast, where these are locally needed. A genuine renaissance in council housebuilding is required to boost housing supply, help families struggling to meet housing costs, and tackle housing waiting lists. It also presents an opportunity to mainstream the use of Modern Methods of Construction (MMC) in UK housing delivery, as well as an accelerated switch to sources of renewable energy in a new generation of social rented homes.

With [research](#) for the LGA and partners showing that investment in a new generation of social housing could return £320 billion to the nation over 50 years, the arguments for investment in social housing as an economic stimulus will grow stronger in a post COVID-19 world. Increasing construction would not only help boost the economy very quickly, it would also provide much needed affordable homes for people across the country reeling from the economic impact of the pandemic.

Councils have been proactively addressing the challenge of building more homes, and with more help they could make a significant contribution. There is a combination of factors that currently limit their ability to deliver. Through a proactive response in the wake of the pandemic, the Government can be instrumental in delivering to councils the tools, powers and flexibilities that they need to deliver homes for their communities, supported by the required infrastructure and services.

Analysis undertaken in 2019 showed that councils were planning to build more than [77,000 homes in the next five years](#). Planning for the "new normal" provides an opportunity for councils to realise their potential to deliver this and much more.

In the LGA's paper '[Delivery of council housing: a stimulus package post-pandemic](#)', published in June, we set out the steps, measures and reforms that would support councils to work towards delivering a new generation of 100,000 high quality social homes per year. The COVID-19 response by key workers provides a powerful call to action to redouble efforts to scale-up supply of low-cost homes to rent and to buy, right across the country.

With only around 4 per cent of the current 2016-21 Shared Ownership and Affordable Homes Programme being used to fund homes for social rent, we are calling for the Government to increase the focus on this tenure in the new programme. This also needs to include increased grant levels per home to maximise the number of viable schemes. Another quick but significant national policy change would be allowing Right to Buy receipts to be combined with Affordable Homes grant and other government grant funding streams.

Whilst Right to Buy has helped many families to get on the housing ladder, the current policy, including restrictions around the use of Right to Buy receipts, is a significant barrier to the replacement of homes sold under the scheme. The size of the nationally-set discount has led to a surge in the number of homes sold under Right to Buy – [with more than 79,000 homes sold between 2012/13 and 2018/19](#). The current restrictions on use of receipts has meant that councils have only been able to replace around a quarter of those homes in the same period. Councils need to be able to retain 100 per cent of Right to Buy receipts and be given flexibility to set discounts locally in order to invest in new and existing stock.

### **Changes to the planning system**

Councils are committed to ensuring new homes are built and communities have quality places to live. It is vital that these are delivered through a locally-led planning system with public participation at its heart which gives communities the power to ensure new developments are of a high standard, built in the right places, and include affordable homes.

The Government has recently published new proposals to overhaul the planning system, in the [Planning for the Future White Paper](#), and the [Changes to the current planning system](#) consultation.

To date we have heard a number of concerns from councils about the proposals, including the implications of a new 'zoning' system, the implications of a new system of developer contributions on the provision of affordable homes and infrastructure, and the impact of transitioning to a new planning system on investment and housing delivery in the short to medium term, amongst other things. I have outlined specific concerns around the First Homes proposals and the proposal to raise the small sites affordable housing threshold in more detail below.

The LGA continues to campaign for a locally led planning system and this is particularly important as we rebuild and recover from COVID-19. Any loss of local control over developments would be a concern. It would deprive communities of the ability to define the area they live in and risks giving developers the freedom to ride roughshod over local areas. With [9 in 10 planning applications approved by councils](#), and [more than a million homes given planning permission but not yet built](#), it is clear that it is the housing delivery system that is broken, not the planning system.

A radical overhaul of the planning system will not support the Government's ambitions to build 300,000 homes a year, or the much needed 100,000 social homes a year. We are calling on the Government to fully engage with and take advantage of the expertise in local government to ensure that their aspirations of an improved system work in practice.

### **First Homes proposals**

The First Homes scheme appears to be a replacement for the Starter Homes scheme, albeit First Homes will be for first-time buyers at a minimum discount of 30% from open market value (compared to 20% for Starter Homes). The LGA broadly supports the principle of First Homes, as a discounted home-ownership product, which could assist first-time buyers to purchase a home they can afford in their own communities. We also welcome the proposal to place an in-perpetuity discount on First Homes through restrictive covenants, which we also advocated for during the Government's consultations on the Starter Homes policy.

However, we do not support the proposal for a mandatory requirement for First Homes as a percentage of section 106 affordable housing contributions, despite the Government reducing the mandatory requirement from the proposals consulted on earlier in the year. Even with a mandatory requirement set at 25%, there will be a displacement of other discounted-market products, particularly affordable and social homes for rent, of which there is already an under supply in many local authority areas.

It is absolutely vital therefore that councils have the ability to deliver First Homes alongside other housing products in a way that addresses need identified locally as part of the planning process. Ensuring the right mix of tenures across the country creates balanced and mixed communities, as well as supporting first time buyers and those who prefer or need to rent, and the needs of different groups.

To illustrate why it is important that councils have the flexibility to determine the mix of affordable housing tenures available as well as the levels of discount, the LGA undertook [analysis](#) that found that there are just four local authorities where the median income household could afford to buy the average new build home at a 30% discount with a 5% deposit. Furthermore, in more than half of local authorities, or approximately 171 in total, the discount would need to be greater than 50% to be affordable to the median income household.

When comparing incomes by tenure, our analysis also suggests that a 30% First Homes discount will only make the median new build home affordable to a small proportion of households. In a third of local authorities, or approximately 115 in total, a 30% First Homes discount will make home ownership accessible for less than 10% of non-owner households who could not afford to buy already.

### **Extending the small sites policy**

Councils are also extremely concerned about the Government's proposal to raise the small sites affordable housing threshold to 40 or 50 homes. Councils are keen to support the delivery of small housing sites to both meet local housing needs and support local economic growth. This includes working with developers to negotiate section 106 contributions on a case-by-case basis, so that wherever possible development can be brought forward. Councils also need to support delivery of

affordable housing – to rent and to buy – to meet the needs of local residents who cannot afford to rent or buy on the open market. With an excess of one million households on council waiting lists and almost 93,000 households in temporary accommodation, there is a need to significantly scale-up, not scale-down, affordable housing delivery.

The proposed approach will remove the ability of councils to make judgments about balancing these aims at a local level, which is why thresholds for affordable housing should be determined based on assessment of local need for affordable housing.

To illustrate the potential impact on affordable housing delivery of the proposed approach, [research](#) carried out by Glenigans for the LGA found that between 2015/16 and 2019/20 there were 119,505 homes completed on sites between 10-49 units. Based on a conservative average of 25% section 106 affordable housing contribution (this will of course vary across the country), this could have resulted in the loss of almost 30,000 affordable homes over five years had the proposed policy been in place during that period.

Introducing a 40- or 50-unit threshold would also create an incentive for developers to game the system by putting forward proposals of 39 or 49 or less units respectively, on sites that are capable of accommodating more to circumvent any affordable housing requirement. This would not only reduce the amount of affordable housing coming forward but also risks reducing the total number of homes delivered overall, frustrating the Government's ambitions to deliver 300,000 homes per year.

October 2020