



# Planning for the Right Homes in the Right Places

---

A response to the DCLG consultation on planning policy and legislation.

## **Q1(a) Do you agree with the proposed standard approach to assessing local housing need? If not, what alternative approach or other factors should be considered?**

We consider that the approach outlined in paragraphs 16 to 21 to be fundamentally flawed, and unsupported by any evidence provided in this document. Furthermore, there is no indication of what effect this approach might have on property prices, or on the supply of affordable housing.

We use Chiltern District as an example, as we are familiar with the housing market in that area.

### **Paragraph 18**

Household *formation* is presumably constrained by the supply of housing affordable to first time buyers currently on the market, rather than the total supply of available properties.

There are other reasons why 'people may want to live in an area in which they do not reside currently', for example –

- To avoid the Air Pollution problems encountered in inner cities
- To afford a larger property for the same outlay
- To be nearer to Green Belt or an AONB
- To take advantage of good transport links to their workplace.
- To take advantage of better education provision, such as grammar schools.

An area with such advantages will prove attractive to property buyers from other areas, and so market forces will increase prices. An increased housing supply will not necessarily result in increased affordability, no matter what steps are taken to increase supply.

### **Paragraph 21**

This appears at best an educated guess.

- Who are the "external commentators", and what is the evidence on which their suggested net additions is based ?

putting Chesham first

- What modelling process was used to derive the coefficients in the Adjustment Factor equation ?
- What effect would provision of these additional houses have on the median house price, and on the supply of affordable housing, and how would this vary between areas of high and low affordability ?

### Paragraph 22

We note that the Affordability Ratios (for 2016) from 346 areas listed in sheet 5c<sup>1</sup> vary from 2.8 (Copeland) to 38 (Kensington and Chelsea), giving adjustment factors in the range 0 to 2.16. 52% of these areas have affordability ratios greater than 8, and thus a Local Housing need exceeding 125% of the projected household growth.

### Paragraph 23

Taking the Chiltern District figures for 2016 as an example, the median house price was £505K and the median income £30.1K, giving an affordability ratio of 16.7 and an adjustment factor of 80% of projected need. Houses sold for more than 4 times the local median income, and in fact for more than 4 times the maximum median income (£55.4K for the City of London area). Clearly the needs of first time buyers have an insignificant influence on the local housing market, and the model on which the adjustment factor is based may not be applicable. The provision of 80% more homes would most probably result in more purchases by London residents moving out of the city, and a small effect on local property prices. Furthermore, if the additional homes lead to a median price drop to anywhere near a figure of 4 times median income, the electoral consequences of such a collapse of the housing market would be severe. This cannot be the expected outcome, but there is no indication of what effect on house prices is anticipated, should this policy be adopted.

### Paragraph 24

The adjustment factor proposed in section 21 may effect some improvement in affordability in a region where affordability is not too far from the target value of 4. If the affordability is significantly higher than 8, then the adjustment factor is unlikely to lead to a significant increase in affordable housing.

To continue the Chilterns example, the lower quartile house price is given as £335K, and an affordable price would be  $4 \times £30.1K = £120K$ , which suggests that only the lowest decile of housing would be classified as affordable. Even a significant reduction in the median price (due to increased supply) would only produce a marginal change in the lower tail of the price distribution.

---

1

<https://www.ons.gov.uk/peoplepopulationandcommunity/housing/datasets/ratioofhousepricetoworkplacebasedearningslowerquartileandmedian>

putting Chesham first

The previous remarks indicate that the proposed policy is unlikely to benefit first time buyers in areas with high affordability ratios, where their needs are greatest.

Rather than dictating the number of houses to be built in each area, a more suitable parameter for variation would be the ratio of affordable to total new build housing. This would be of direct benefit to first time buyers, although less popular with builders. A formula which directly related the number of affordable houses built to the projected household growth and local affordability would guarantee the availability of affordable housing – provided that developers were not allowed to avoid their affordable housing quotas, as is frequently the case.

### Duty to Co-operate

A notable omission from the proposal is any indication of how the growth adjustment factor should be applied when housing need is satisfied in another area, under the duty to co-operate. For example, some part of the Chiltern housing need (90% Green belt/AONB) might be met by housing in Aylesbury Vale – (5% Green Belt/AONB, with an adjustment factor of 10.85). This displaced housing will not serve to lower prices in Chiltern, so the Chiltern adjustment factor would be inappropriate. However, the displaced houses could be considered as part of the 43% additional housing required in Aylesbury Vale, since they would presumably reduce prices in the Aylesbury Vale market.

This would seem to be a logical consequence of the arguments advanced in paragraphs 20-24. Whether it reflects the intentions of the authors is unclear.

### Affordable Housing

If housing need is to be met by an increase in the proportion of affordable housing required, then (in answer to **Question 12**) this must clearly be identified in the local plan. In addition, the various loopholes which allow developers to avoid providing affordable housing (and contributing to infrastructure development) should be closed.

Where a single company develops several small (windfall or infill) sites, each below the threshold for imposing planning obligations, an obligation should be applied to the total provision of housing over all the developments.

### Conclusion

We consider that the proposal to increase the total number of homes by an arbitrary factor is unlikely to produce a significant increase in the availability of affordable housing, particularly in those areas where it is most needed. An increase in the proportion of affordable housing is a more reliable method of addressing this problem.

putting Chesham first