

SAVE OUR GREEN BELT

PROTECT OUR COUNTRYSIDE



Campaign to Protect
Rural England
NOTTINGHAMSHIRE

Plans are being drawn up by Councils to build 52,000 houses in Greater Nottingham over 17 years to meet Government targets

The following briefing, which covers the whole of the East Midlands region, where the government is seeking to increase the number of new dwellings by nearly 528,000, attempts to address some of the more common myths around housing and planning, in particular the common misperceptions that the region needs significantly increased new housing and that building more houses will make houses in general more affordable.

Affordable Homes Not More Homes - Addressing Housing Myths in the East Midlands

CPRE in the East Midlands accepts that there is a need to build more houses, to accommodate a growing population and falling household sizes. However, we consider the 20-year housing target for the East Midlands proposed by Central Government is an over-provision and unsustainable. Instead of more market homes, i.e. those bought and sold on the open market, we believe there is a very real need for more affordable homes (social rented homes and intermediate homes for key workers etc) in certain locations. While exceeding the annual targets for market homes, the East Midlands is building only one third of the affordable homes needed annually.

Myth 1: There is a need for 3 million more homes in the UK and half a million new homes in the East Midlands by 2026

CPRE says: The Government predicts there will be 3 million new households by 2026. In the East Midlands the Government has set a target of 528,000 new houses by 2026.

However the future is notoriously difficult to predict, particularly 20 years hence. Any forecast of household numbers that extends to 2026 will have an extremely wide band of uncertainty. Many of the assumptions on which these numbers are based are extremely uncertain and unstable. A small change in factors such as numbers of people per dwelling, for example, can lead to very large differences (both higher and lower) in the predicted household number required. Figures on immigration are extremely uncertain, at best plus or minus 50%. Work commissioned by CPRE shows that small changes in assumptions can lead to estimated figures as low as 285,000 or as high as 506,000 new homes between now and 2026. CPRE believe that it is better to plan for the houses we actually need rather than the numbers we might need in the future.

In addition in 2005/06 there were over 59,000 vacant dwellings in the East Midlands. If more of these dwellings could be filled, this would help to reduce the number of new homes needed in a cost-effective and sustainable way.

Myth 2. Increasing housing supply is needed to reduce house prices

CPRE says: Since the early 1990s up until recently house prices have been increasing more quickly than earnings, making purchasing a home seem progressively more difficult, particularly for young people and those not yet on the housing ladder.

However the supply of new housing makes only a very small contribution to house price trends. Typically new homes represent only 10% of the houses on the market at any time. There would

need to be an extraordinary and unsustainable increase in housebuilding to impact significantly on prevailing house prices. Analysis by CPRE has shown that the rate of dwelling completions in four selected areas of England bore no relation to house prices or affordability.¹

The rise in house prices over the last few years is due to an increase in demand rather than a shortfall in supply. Demand factors include low interest rates, the unattractiveness of alternative investments (such as stocks and shares) and a boom in 'buy to let' properties in recent years. In short, high expectations about house prices and a period of easy credit have fuelled house prices nationally and in parts of the East Midlands.

Indeed, in recent months house prices have been falling and the number of house transactions has collapsed.² The Royal Institute of Chartered Surveyors have stated "*It is clear that price falls are being driven by the inability of many to secure finance rather than an influx of supply into the market.*"³ In the East Midlands, up to July 2008, house prices have declined for the nineteenth consecutive month.⁴

Myth 3: Without significant new housing development, many people will not be able to afford their own home

CPRE says: It is true that average house prices rising faster than average earnings in the past few years has made it harder for new households to afford the cost of a mortgage. However, as shown above, increasing housing supply will make very little difference to housing affordability.

Across the East Midlands households which have low earnings or depend on state benefits are unable to afford to buy or rent a house on the open market. No conceivable increase in market housebuilding will change that. There remains an urgent need for more housing which people on low incomes can afford – not just newly forming households but the backlog of existing low income households living in temporary or overcrowded accommodation. This type of housing, previously known as council housing, is now referred to as social housing and intermediate housing (e.g. shared equity for housing key workers). There is a large difference between providing true "affordable housing" and making housing more affordable generally.

CPRE agrees there is an urgent need for increased supply of affordable homes for people who cannot afford homes on the open market. The current regional target is to build nearly 7,000 affordable homes a year. However, the region consistently fails to meet this target by a wide margin. In 2006-07 the number of new houses in the East Midlands was 22,025, exceeding the housing targets. By contrast the number of new affordable houses was only 2,513, some 4,026 short of the target. This is an area where the Government can assist directly by increasing the funding allocated to the regions for affordable housing.

Myth 4: The lack of affordable homes is due to the planning system holding up developments

CPRE says: The chronic lack of affordable houses nationally and regionally is due to three factors: a collapse in the building of new social housing, with particularly low levels since the 1980's⁵; a fall in the total stock of social housing caused by the government's policy of 'right to

¹ CPRE, Planning for Housing Affordability, 2007.

² In May 2008 the Royal Institute of Chartered Surveyors (RICS) house price balance dropped for the ninth month in succession. RICS UK housing market survey, April 2008.

http://www.rics.org/Practiceareas/Property/Residential/Market/market_surveys.htm

³ RICS UK housing market survey, March 2008.

http://www.rics.org/Practiceareas/Property/Residential/Market/hms_march2008_r_150408.htm

⁴ RICS UK housing market survey, February 2008. http://www.rics.org/NR/rdonlyres/F1D8EC6B-085D-4DD7-980B-AECAAB4C8F74/0/hms_feb2008.pdf

⁵ Since 1994 output has been declining with each passing year, from 31,492 social housing completions in England that year to just 13,006 in 2003. In 2003 construction of subsidised housing was 84% **below** the average for the past 50 years.

buy' in the 1980s which resulted in much of the existing stock of council houses being transferred to private owners (and subsequently sold at market prices); and demolitions.

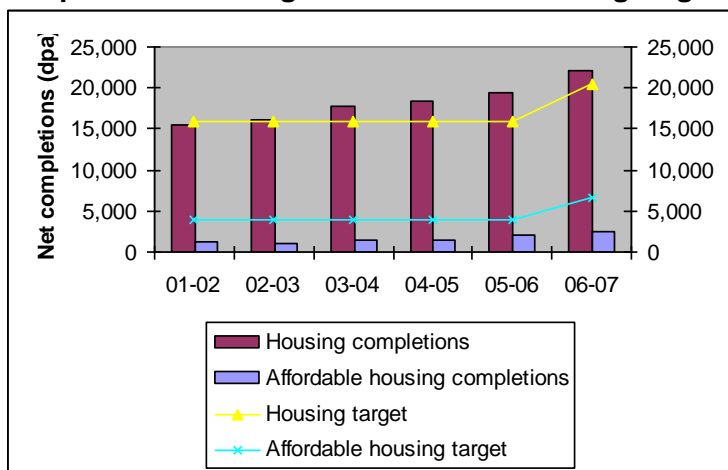
The majority of the funding for affordable housing comes from the Government directed to the regions. While the Government's direct expenditure on new social housing has grown slightly in recent years, funding still falls far short of what is necessary in all regions, and particularly the East Midlands. The funding provided to the East Midlands for affordable housing this year was the second lowest amount of funding of all the regions and will only deliver one third of the social rented units required.⁶ The shortfall is expected to be met by homes built on the back of market housing developments.

Myth 5: Affordable homes are best provided on the back of market housing developments.

CPRE says: Under Section 106 Agreements Local Authorities can negotiate a contribution towards affordable housing from a developer in return for granting planning permission for a market housing development. These affordable homes are either built on the site in question, usually for a Housing Authority landlord, or the developer gives a sum of money which funds social housing construction elsewhere in the area.

It is argued by developers that increasing the provision of market housebuilding with Section 106 Agreements is the best way to increase the provision of affordable housing. The East Midlands has targets for both overall housing provision and affordable housing provision in the region. Since 2001 levels of overall housing provision have exceeded targets. However levels of affordable housing have been significantly below target suggesting that higher levels of housebuilding generally are NOT guaranteed to provide more affordable housing.

Figure 1: Completions of all housing and affordable housing in the East Midlands 2001-2006 compared to housing and affordable housing targets (a).



(a) note that the housing and affordable housing targets increased in the 2006 draft Regional Plan as shown by the increase in the graph above.

Section 106 Agreements need to be implemented better to ensure that the maximum number of affordable homes are provided as part of a development, and that such houses are affordable in perpetuity. There are good examples from around the region of Local Authorities that have used their planning powers to improve the supply and quality of affordable homes in their district using both Section 106 Agreements and other means. Even in rural areas, where there is less or even no

⁶ The East Midlands regional allocation from the Regional Housing Pot 2008-11 (which is provided to the regional assembly by central government to fund affordable housing, local authority decent homes and private sector decent homes and regeneration) was £437 million. The regional housing pot will deliver an average of 1,800 affordable social rented homes.

market housing development, some Local Authorities have managed to provide large numbers of affordable homes.⁷

Myth 6. There is insufficient land being released for development

CPRE says: Often planning permission is granted for development on a site, but the land is not developed for various reasons, such as market conditions not being right. In 2005/06 there were over 94,000 potential new dwellings with outstanding planning permission in the region, equivalent to over 6 years of supply. This indicates that there is no shortage of land being released. The fact that the region is exceeding its market housing targets also suggests that more than sufficient land is being released.

Myth 7. Only urban areas need affordable houses. Everyone in rural areas is wealthy enough to afford their own home.

CPRE says: There are many people in rural areas that cannot afford housing at market prices. Thousands of people are priced out of villages and market towns where homes are valued at more than ten times local average salaries. Rural areas need affordable homes as much as urban ones. This does not mean building large housing developments in rural areas – often just five or six much-needed homes per village will help keep schools open and local economies working.

There are currently no targets or figures for how many rural affordable homes are built in the East Midlands but given that the total number of affordable homes is so much lower than the target and most affordable homes tend to be built in the urban areas, it is likely that there is a significant shortfall in rural affordable housing.

Conclusion

CPRE believes that the significantly increased housing levels for the East Midlands proposed by the Government would cause real, needless and permanent damage to the environment and the East Midlands countryside. At the current rates of housing proposed, assuming that 40% of them are built on greenfield land, would lead to a loss of 444 hectares⁸ (equivalent to over 1,000 football fields) of unspoilt countryside, largely productive farmland, and cause significant loss of tranquillity. Currently 50% of the East Midlands is blighted by the sight and sound of nearby roads, urban areas and other major infrastructure, an increase from 26% in the early 1960s.⁹ At current rates of loss, countryside free from major disturbance could disappear in the East Midlands before the end of the century.

What needs to be done?

1. Plan new housing on the basis of need, not demand, recognising environmental constraints – by careful monitoring of need against shorter-term housing targets
2. Increase the supply of subsidised and affordable housing – by increased Government funding, and through greater use of their planning powers and adoption of best practice by Local Authorities
3. Make better use of existing buildings and previously developed land – by reducing the number of vacant dwellings and increasing the proportion of houses built on brownfield land
4. Implement demand-side measures which would make housing more affordable and prices less volatile.

⁷ EMRAF, 2007, Rural Affordable Housing, Good Practice Guide. www.ruralaffairs.org.uk

⁸ Assuming a density of 30 dwellings per hectare.

⁹ CPRE's area of intrusion maps for the early 19650's, early 1990's and 2007 show the places which are close enough to towns and cities and major infrastructure to be classed as disturbed by visual and noise intrusion.

<http://www.cpre.org.uk/library/results/intrusion>

More information

More detailed analysis can be found in the following CPRE reports found at www.cpre.org.uk

Building on Barker, 2005

Deconstructing Barker, 2007

Planning for Housing Affordability, 2007