

Consultation response

DCLG consultation

National Planning Policy: consultation on proposed changes

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Shelter helps millions of people every year struggling with bad housing or homelessness. We provide specialist advice and support on the phone, face to face and online, and our legal teams can attend court to defend people at risk of losing their home.

However at Shelter we understand that helping people with their immediate problems is not a long-term solution to the housing crisis. That's why we campaign to tackle the root causes, so that one day, no one will have to turn to us for help.

We're here so no one has to fight bad housing or homelessness on their own.

Introduction

Summary

Thank you for the opportunity to respond to this consultation. The comments in this response focus exclusively on the proposal to amend the definition of affordable housing in planning policy as this is the part of the consultation that we are best-placed to comment on and have the most serious concerns about.

We are concerned that if the definition of affordable housing is amended as proposed, it will have the following consequences:

- **The public purse will get worse value for money**, because it will require sustained investment to maintain a stock of homes that are only discounted temporarily
- **Government subsidy will be misdirected to those who don't need assistance to buy**, due to the absence of any income-related eligibility criteria for Starter Homes
- **It will be more difficult for planning authorities to deliver homes that people on low to middle incomes can actually afford**, because the link between types of affordable housing and incomes will be further diluted

We also believe that the equality statement that was released with the consultation document has underestimated the potential impact of the proposed change on protected characteristics. This is because it only considers the initial impact instead of what the impact will be over the long-term. As an example, we show that the negative impact on disabled households for every hundred homes over a thirty year period increases from 25-32 to 65-83 households who are unable to access an affordable home.

We urge the government to make the following changes to its current approach:

- Retain the principle of affordable homes remaining as such in perpetuity/for subsidy to be recycled on sale; And maintain a link with income in eligibility criteria for affordable housing
- If the above is considered unacceptable given existing commitments on Starter Homes, to make the Starter Homes policy an explicit exception from the normal definition of affordable homes
- Take this review as an opportunity to reintroduce a greater link between the definition of affordable housing and local incomes
- Revise the equality assessment of the Starter Homes policy to estimate the long-term impact of the policy on the protected characteristics

Response to specific consultation questions

Question 1: Do you have any comments or suggestions about the proposal to amend the definition of affordable housing in national planning policy to include a wider range of low cost homes?

The change in definition of affordable housing proposed in this consultation will make building the mix of new homes that England needs significantly more difficult.

This is for three reasons.

- The principle that homes must be affordable 'in perpetuity' – or that the subsidy used to build them must be recycled into new affordable homes – is fundamental to the public purse getting value for money. The proposal to broaden the definition to include homes that are only temporarily available at below-market prices will mean that limited public resources are spent less effectively, with a less enduring impact.
- Second, although not directly addressed in the consultation, we are concerned that there is an implicit intention to abandon the current requirement that eligibility for affordable housing be "determined with regard to local incomes..." If abandoned, there is a serious risk that scarce

government subsidy will be spent on households that don't need it because they would have been able to buy anyway.

- Finally, broadening the definition to include more types of home that have no link to incomes in how they are priced (rent levels, etc.) will make it less likely that planning authorities will be able to deliver homes that are actually affordable for people on low and middle incomes. At a time when there has been a marked public loss of faith in what politicians, planners and developers call affordable homes, people want the definition of affordable housing to more closely reflect ability to pay in their area, not less.

Value for money

The first of these points – on value for money and scarce resources – is easy to explain. Currently, affordable homes are required to remain as such forever, or that the subsidy from their sale is recycled. This ensures that there is a stock of affordable homes that are available over the long-term without the need for sustained or substantial new investment. In contrast, were homes only temporarily affordable, it would require constant new investment to retain exactly the same level of stock.

For example, the government has identified around £2.3 billion to directly fund the development of 60,000 new Starter Homes. Assuming these homes are discounted for only five years, in line with current plans, at least £2.3 billion would need to be found from the public purse every five years to maintain a stock of 60,000 discounted Starter Homes. If the discount were maintained in perpetuity, however, the money would only have to be found once. Money in subsequent years could be directed towards expanding the stock so that other people can have the same opportunity to access the Starter Homes discount, or spent on other priorities.

We realise that the government is committed to developing Starter Homes as a part of its manifesto and further that the principle that people who buy Starter Homes should be able to sell them on at full value after five years is currently considered fundamental. However, these homes can still be treated as an exception to the general rule on affordable housing perpetuity. It is not necessary to scrap the vital principle of getting good and long-lasting value for money from all affordable homes in general to implement the Starter Homes policy specifically.

Eligibility based on income

Our second area of concern is on the potential loss of a link between eligibility for affordable housing and incomes. Although it is not addressed directly in the consultation, we are concerned that the absence of any income limit on eligibility for Starter Homes will be allowed for other new types of affordable home. If this happens, it will open up the possibility for scarce government subsidy to be given to high income households that could have afforded to buy anyway.

The income limit on eligibility currently ensures that affordable homes are prioritised for those who actually need them. However, the proposed eligibility criteria for Starter Homes do not include an income limit. Instead, they focus on age (the under 40s) and being a first-time buyer. This will mean that a large number of households on high or very high incomes will under current plans be eligible for Starter Homes who are able to buy a home on the market already, without subsidy. They will have a strong incentive to do so in order to cash in on the discount after five years.

Although it has become substantially more difficult for people to get on the ladder in recent years, there were still more than 400,000 first time buyers last year who are 34 years old or younger.¹ So hundreds of thousands of households who would be eligible to buy a Starter Home are already able to buy and may take the place of those who genuinely need help to buy. For example, there have already been reports in the press of mortgage analysts advising people who can currently afford to buy their first home to hold off until Starter Homes are introduced, so that they can buy a home at a discount.² Without

¹ CML

² See *I'm a first-time buyer. Should I wait for the new discounted starter homes?*, The Telegraph 05/04/2015

any income criteria there is a risk they would buy Starter Homes and use up subsidy that should have been spent on those who genuinely needed it.

This runs in baffling contradiction to other areas of government housing policy, such as the Pay-to-Stay policy, which sets an income limit for social housing of just above the new minimum wage for a two-earner household.

As with our first area of concern, we understand that the government is committed to build Starter Homes and has a fixed idea of what they should be like. However, it would be a serious error to abandon the link between eligibility and local incomes for affordable homes in general. If an absence of income limit on eligibility is considered essential for Starter Homes, this should be made an explicit exception and not carried forward as a general rule for new types of affordable housing.

The link between the price of affordable homes and local incomes

Our final point on this consultation regards broadening the definition of affordable housing to increase the number of different types of affordable home with no price link to local incomes. The problem with this is that where market prices are high, 'affordable homes' can still be actually unaffordable for people on ordinary local incomes.

Social rented housing is currently the only form of affordable housing that has any link to local incomes, but even this link is now very, very tenuous due to successive arbitrary rent changes. All the new forms of affordable housing that have come forward in recent years have instead been solely linked to market house prices and rents, without any link to incomes. For example, there has been extensive news coverage of different types of homes that have been officially 'affordable homes', but have nevertheless been very expensive in areas where market prices are high, particularly London. These include Affordable Rent properties such as those on the old Mount Pleasant sorting office with rents at up to £2,800 a month, and shared ownership properties in the capital valued at more than £1 million. Furthermore, there has been significant news coverage of how difficult it will be for people on ordinary incomes to buy Starter Homes.

This review of the definition of affordable housing should be used as an opportunity to recommit to a link between local incomes and the prices that affordable housing are rented or sold at to restore the public loss of faith in the expression 'affordable homes'. As well as the old social rent formula, a number of innovative different attempts have been made to link affordable housing products to local incomes. For example:

- the National Housing Federation, Joseph Rowntree Foundation and Savills last year proposed a living rent that linked rents to earnings on a local authority basis
- Dolphin Living have adopted a new rent policy on the New Era Estate of Personalised Rents that links rents charged directly to household income and ability to pay
- the East London Community Land Trust proposes to sell homes on the St Clements Hospital site at a price dictated by median local incomes

The consultation is correct to identify that this review is an opportunity to consider whether innovative new models such as these should be included under the definition of affordable housing. However, models linked with local earnings must be prioritised. The risk of allowing a whole new raft of types of housing model linked only to market prices to be considered affordable housing is that it makes it much more difficult for planning authorities to secure income-linked homes through planning obligations.

There is still an opportunity to respond to the three areas of concern above by:

- ensuring that the general principle of 'in perpetuity' or recycling subsidy is maintained, so that the public purse gets good value for money;
- maintaining a link between eligibility and incomes, so that subsidy is not spent on those who don't need it and
- responding to public concerns about affordability by using this review to re-emphasise a link with local incomes in the pricing of affordable homes.

We urge the government to take this opportunity.

Q2. Do you have any views on the implications of the proposed change to the definition of affordable housing on people with protected characteristics as defined in the Equalities Act 2010? What evidence do you have on this matter?

There is a significant flaw in the equalities statement that complements the consultation. It is that the assessments that are made only compare the initial effect of Starter Homes on the protected categories and do not take into account the impact that the policy will have over the long-term. This is significant, because the benefit of Starter Homes to first-time buyers under 40 will normally only be felt by the initial occupier, due to their ability to sell on at full price after 5 years. Most Starter Homes will therefore only be occupied by one household before the discount expires. In contrast, the benefit for protected categories from other forms of housing is felt by successive occupiers, because they remain affordable in perpetuity.

For example, it would be possible to estimate the impact on households that include at least one person with a disability over a period of thirty years. The impact assessment currently estimates that 25-32 such households per 100 homes will initially lose out by not being able to access other forms of affordable housing and that 19 will benefit by being able to move into a Starter Home. In order to estimate how many households will lose out over a thirty year period we can multiply the initial impact by the anticipated number of households that would have occupied each home on average over that period. The number of households benefitting by accessing a Starter Home will remain the same.

Although it is not directly equivalent to the average tenancy length for the social sector, the best available alternative is the average amount of time that social residents have lived in their home, which is 11.5 years.³ This means that over a thirty year period, on average 2.6 households would occupy each home. Over a thirty year period, therefore, 65-83 households including a person with a disability will lose out on the opportunity to access a different affordable home. However, only the initial 19 households will have benefitted from accessing a Starter Home.

Table 1: the initial and 30 year impact on households including a person with a disability of substituting affordable homes for Starter Homes in s106 agreements

	Initial impact	30 year impact
Number of households moving into a Starter Home	19	19
Potential reduction in households moving into new build affordable rented, social rented or low cost home ownership (as currently defined) properties	25-32	65-83

We recommend that the impact assessment on all protected categories be updated to reflect the serious long-term impact of the Starter Homes policy. We recommend the use of a 30 year timescale as an absolute minimum.

³ English Housing Survey, Household Report, 2013/14

Conclusion

There has been a concerning loss of faith in what politicians and planners call affordable homes and this is something that we have observed through our qualitative research. This loss of faith can and has fed through into opposition to new development and is thus a barrier to housebuilding more widely.

This review is an opportunity to markedly improve the definition of affordable housing in planning to reflect ability to pay at a local level and to give planning authorities an effective tool to deliver the homes needed by their residents. However, doing so will require several changes in approach to ensure that the government achieves:

- value for money and a lasting impact;
- correct direction of subsidy and
- the delivery of affordable homes that people on ordinary incomes can actually afford.