

Key impacts of the proposed changes to planning policy and regulations

As outlined in the Government's white paper 'Planning for the future' and the second consultation document 'Changes to the current planning system' both published in August 2020

Grand Union Housing Group builds over 300 new homes every year across Bedfordshire, Milton Keynes and Northamptonshire. This is an area of the country with high affordability pressures and accessing home ownership is unaffordable for many, with average house prices 8 to 10 times average incomes.

This leaflet highlights how the proposals outlined in the Governments current planning consultation papers could reduce the number of affordable homes built across our region over the next three years.

Summary

Short term proposals will reduce the number of affordable homes built

Increasing the threshold size for when a new development needs to include affordable housing reduces the number of new affordable homes that will be built. Under the proposals, sites will need to be over 40 or 50 homes before any affordable housing has to be provided (currently this threshold is closer to 10 homes). This will result in:



At least **77** fewer affordable homes per year in Milton Keynes
At least **35** fewer affordable homes per year in Central Bedfordshire
At least **34** fewer affordable homes per year in South Northamptonshire

The revised “standard method” for calculating the target number of new homes a local authority should deliver each year will result in Milton Keynes being set a lower target. This is below their current new home build rate and will mean less new homes built across all tenures and therefore less affordable homes as a result:

109 fewer affordable homes will be built per year in Milton Keynes due to the revised “standard method”

The introduction of First Homes threatens the viability of all new sites

Registered Providers contribute to the overall viability of development sites through buying the affordable housing and including First Homes on all sites will reduce the price Registered Providers will pay.

This impact on income, without a balancing cost reduction, will result in sites becoming unviable.



The reduction in prices offered by Registered Providers is significant:

6% less in Milton Keynes

11% less in Central Bedfordshire

14% less in South Northamptonshire

First Homes do not enable those on average incomes to buy a home, making home ownership less accessible

Compared to shared ownership, less people will be able to afford to buy a First Homes and it will cost them more.



First Homes buyers will require double the deposit

First Homes will be over 20% more expensive per month than shared ownership

First Homes are only affordable to those earning over £50,000 in Milton Keynes rising to over £60,000 in South Northamptonshire and Central Bedfordshire

It is essential that changes to the current planning system maintain or increase affordable housing delivery across our region. To achieve this we believe the following key changes are required:

- Retaining current Section 106 affordable housing thresholds
- Ensuring the standard method results in no change, or an increase in delivery numbers required for each local authority area
- First Homes should not replace 'traditional' affordable tenures
- Entry level and First Homes sites should both be available and delivered in line with local needs

Our key findings

Grand Union Housing Group has assessed the impact of the proposed changes to planning across our three key local authority (LA) areas – Milton Keynes (MKC), Central Bedfordshire (CBC) and South Northamptonshire (SNC).

Short term proposals will reduce the number of affordable homes built

Section 106 affordable housing threshold increase

The Governments consultation paper accepts that raising the Section 106 affordable housing threshold to 40 homes would reduce the level of affordable housing delivery by **7%-14%**, while raising it to 50 would reduce delivery by **10%-20%**.

We estimate that this would have the following impact on annual affordable housing delivery numbers in our region:

Local authority	Assumed affordable housing delivery target per year *	Increased to 40 home threshold (-14%)	Increased to 50 home threshold (-20%)
MKC	548	-77 homes pa	-110 homes pa
CBC	249	-35 homes pa	-50 homes pa
SNC	245	-34 homes pa	-49 homes pa

*Based on current local plan annual housing delivery targets and policy level % of affordable housing

Standard method for assessing housing numbers

The revised standard method for calculating housing delivery numbers will result in a reduced target for some local authority areas, including Milton Keynes. The table below notes the impact of the revised standard method:

Local authority	Current Local Plan housing requirement	Average annual delivery (last three years)	Proposed housing requirement under new planning reforms	Affordable housing requirement*
MKC	1,767	1,498 (-269)	1,417 (-350)	31%
CBC	712	1,993 (+1,281)	2,752 (+2,040)	30-35%
SNC	612	766 (+154)	964 (+352)	40-50%

Source: Lichfields 2020, * Variances for location/urban or rural areas



Increase in housing delivery targets in Central Bedfordshire and South Northamptonshire



Reduction in housing delivery target for Milton Keynes to 1,417 homes (**81 homes** less than the average delivery achieved over the last three years)



New Milton Keynes target of 1,417 homes would result in a **loss of over 100 affordable homes per year** in Milton Keynes while this method remains in place (based on the current 31% affordable housing requirement)

The introduction of First Homes threatens the viability of all new sites

Impact of First Homes on current Section 106 affordable tenures

We estimate the First Homes policy will result in the following changes to the existing affordable housing delivery tenures, with First Homes replacing these tenures by the numbers set out below:

	MKC	CBC	SNC
Reduction in affordable & social rented homes pa (Percentage change)	-31 (-7%)	0 (0%)	0 (0%)
Reduction in shared ownership homes pa (Percentage change)	-106 (-100%)	-62 (-93%)	-61 (-84%)

*based on current Local Authority affordable housing policies and the proposed introduction of 25% First Homes requirement



93% of Section 106 shared ownership homes will be replaced by First Homes in Central Bedfordshire and **84%** in South Northamptonshire

100% of Section 106 shared ownership delivery will be replaced by First Homes in Milton Keynes



Milton Keynes will see **7% less rented homes** delivered (-31 pa)

Impact of First Homes on Registered Providers Section 106 offer prices to developers

Registered Providers contribute to the overall viability of development sites through buying the Section 106 affordable housing. Including First Homes on all sites will reduce the price Registered Providers will pay.

The First Home product will be sold at a minimum discounted market price of 30% and unlike shared ownership, no rent is charged on the unsold equity. A lesser offer price can therefore be generated for a First Home than compared to a shared ownership property.

The following table sets out our estimated impact on Section 106 offer prices based on the current annual housing delivery target numbers and current affordable housing policy requirements:

Annual impact on affordable housing Section 106 offer prices:

	MKC	CBC	SNC
RP S106 offer price reduced by* (Percentage change)	£5,251,798 (6%)	£5,025,884 (11%)	£7,142,835 (14%)

*assumes that the RP purchases the First Home units, based on Grand Union's average S106 offer price

Significant price reductions offered by RPs for S106 affordable homes as a result of First Homes could impact on the viability of sites, making sites unviable and developers unable to deliver affordable housing obligations or other section 106 requirements.



The reduction in prices offered by Registered Providers is significant:

- 6% less in Milton Keynes
- 11% less in Central Bedfordshire
- 14% less in South Northamptonshire

Impact of First Homes on 100% affordable housing sites

The consultation papers are unclear on the approach to First Homes on schemes which will deliver 100% affordable housing. We have reviewed the potential impact on our programme, assuming 25% of the affordable housing requirement are changed to First Homes:



Grand Union builds 200 new homes each year through 100% all affordable housing sites.



The introduction of First Homes results in the loss of two shared ownership homes on each of our sites

First Homes are unviable without subsidy

We estimate that each First Home will cost **£27,000** more to build (land purchase and build cost) than the 70% discounted share is worth.

To make these sites financially viable would require an additional £10,000 of Homes England grant per home.

£27k & £10K

Replacement of entry level site affordable housing delivery

Entry level exception sites enable the delivery of 'entry level' housing on sites which are adjacent to existing settlements and are not currently allocated for housing. Development is allowed on these sites because the homes will be provided for affordable housing. Entry level sites will now deliver primarily First Homes, some market sale and a small proportion of affordable homes.

Entry level sites for affordable housing are relatively new. Grand Union's current delivery pipeline of entry level sites has been created in the last year and we have 122 homes that are threatened by the policy change:

GUHG Entry level site pipeline:

	Number of affordable homes on entry level sites
CBC	82
SNC	40

This method of affordable housing delivery will be lost through the proposed changes to entry level sites, which currently represents **15% of our delivery** over the next two years.

First Homes do not enable those on average incomes to buy a home, making home ownership less accessible

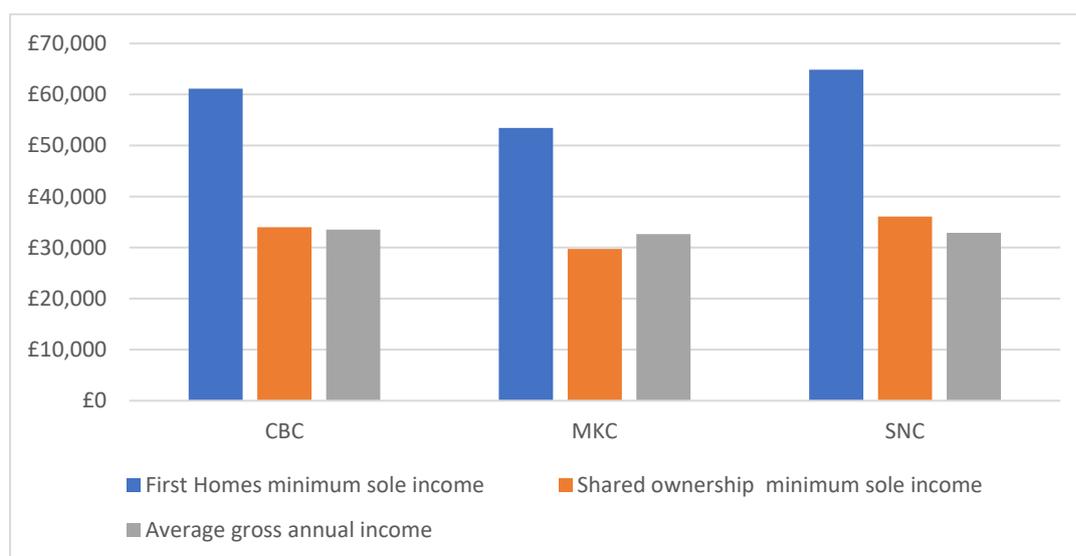
Affordability of First Homes tenure

Compared to shared ownership, less people will be able to buy a First Home and it will cost them more. For first time buyers looking to at a First Home they will need **double the mortgage deposit**, the First Home could be **over 20% more expensive per month** compared to buying a shared ownership home and in the three areas we have assessed, they will **only be affordable to single or joint applicants earning £20,000 to £30,000 above local average salaries**.

The following table is our assessment of the affordability of the new First Homes product:

	CBC	MKC	SNC
Average house price (UK House Price Index May 2020)	£305,577	£267,160	£324,203
Average purchase price (30% discount)	£213,904	£187,012	£226,942
Deposit (5%)	£10,695	£9,351	£11,347
Monthly cost	£1,328	£1,161	£1,409
Minimum sole income required for mortgage	£61,115	£53,432	£64,841
Minimum household income required for mortgage	£71,301	£62,337	£75,647
Average gross income pa (ONS 2019)	£33,508	£32,644	£32,874

The graph below shows that a **single first time buyers** needs to be earning **over £60,000** to buy a First Home in Central Bedfordshire or South Northamptonshire, and **over £50,000** in Milton Keynes.



*Based on average house price (UK House Price Index May 2020) and average gross income pa (ONS 2019)

We believe it is essential that any changes increase affordable housing delivery or at the very least protect the current levels. To achieve this we have a number of key changes we strongly believe are required

Retaining current Section 106 affordable housing thresholds

We operate in an area of high affordability pressures with average house prices between 8 to 10 times the average income. The current affordable

housing thresholds need to be maintained and not increased to either the 40 or 50 homes suggested.

There are more targeted approaches to support smaller developers and SME's and ideas include:

- the planning system breaking up strategic size sites, offering self-build clusters of plots to small local developers
- enabling tenure mix changes to suit each sites requirements within the recognised affordable product range
- encouraging more tenure diversity away from market sale, into intermediate and affordable homes
- providing an extension of help to buy for SME developers
- targeting initiatives to SME builders, such as 'built local, buy local' stamp duty voucher scheme which would encourage local buyers to purchase from local SME builders

Ensuring the standard method results in no change, or an increase in delivery numbers required for each local authority area

Current local plan delivery numbers should be set as the minimum threshold for any new housing delivery targets to protect the delivery of affordable housing in our region.

The revised method for assessing housing numbers should only result in maintaining the same level, or an increase to the level of housing delivery.

First Homes should not replace 'traditional' affordable tenures

The introduction of First Homes should not be at the expense of 'traditional' affordable tenures, this will protect affordable housing delivery levels, ensure home ownership options are affordable for local people on average incomes and to protect sites from viability challenges, which will stall delivery and are likely to reduce levels of affordable housing delivery.

First homes should only be provided in addition to the current policy level requirements for affordable housing.

Entry level and First Homes sites should both be available and delivered in line with local needs

Entry level sites should not be replaced with First Homes sites to ensure this valuable method of delivering affordable housing is retained.

Local housing demand and earnings should always factor into decisions around the most suitable tenures to be provided on exception sites and these sites should still be able to deliver 100% 'traditional' affordable tenures where there is demand.

First Homes sites will meet some need and the policy should enable both forms of delivery.

Affordability statistics for Milton Keynes, Central Bedfordshire and South Northamptonshire local authority areas

Milton Keynes

- The average gross income in Milton Keynes is **£32,644** (Source: ONS 2019)
- The average house price is **£267,160** (Source: UK House Price Index May 2020)
- The average house price is **8 times** the average gross income
- The average market rent is £925 per month, compared to the South East region average of £900 per month (Source: ONS April 2019 to March 2020)
- There are currently 2,638 applicants currently on the housing waiting list for housing at social and affordable rent levels
- 609 households were classed as homeless during Jan 2020 to Mar 2020
- As of 31 March 2020 there were 852 households in temporary accommodation (582 of these are households which include children)

Central Bedfordshire

- The average gross income in Central Bedfordshire is **£33,508** (Source: ONS 2019)
- The average house price is **£305,577** (Source: UK House Price Index May 2020)
- The average house price is **9 times** the average gross income
- The average market rent is £850 per month, compared to the East region average of £795 per month (Source: ONS April 2019 to March 2020)
- There are currently 1,816 applicants currently on the housing waiting list for housing at social and affordable rent levels
- 249 households were classed as homeless during Jan 2020 to Mar 2020
- As of 31 March 2020 there were 168 households in temporary accommodation (95 of these are households which include children)

South Northamptonshire

- The average gross income in South Northamptonshire is **£32,874** (Source: ONS 2019)
- The average house price is **£324,203** (Source: UK House Price Index May 2020)

- The average house price is **10 times** the average gross income
- The average market rent is £850 per month, compared to the East Midlands region average of £600 per month (Source: ONS April 2019 to March 2020)
- There were 242 applicants on the housing waiting list for housing at social and affordable rent levels in January 2019
- 51 households were classed as homeless during Jan 2020 to Mar 2020
- As of 31 March 2020 there were 6 households in temporary accommodation (3 of these are households which include children)