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Research Discussion Note: House Prices and Local Plans

1 Summary

- 1.1.1 This piece of work examines the relationship between the average house prices in Local Authorities in England and whether or not they have an Adopted Local Plan.
- 1.1.2 The findings were that:
 - ❖ The average house price for those *with* an Adopted Local Plan: £205,300
 - ❖ The average house price for those *without* an Adopted Local Plan: £175,800

2 Introduction

- 2.1.1 This note was prompted by a publication by the Office for National Statistics on house prices. The information, released on 5th August 2015¹ looked at affordability by comparing house prices and average earnings.
- 2.1.2 The headlines included “In England and Wales, average house prices were 8.8 times annual earnings in 2014, up from 6.4 in 2002. Housing affordability was typically lowest in areas where average earnings were highest.”
- 2.1.3 The publication prompted the question of whether there might be any relationship between the average house price in a Local Authority and whether the Local Authority had an Adopted Local Plan. This note looks at that relationship.
- 2.1.4 There is a section on method giving information on how the calculations were made. This is followed by a short discussion on analytical issues. There are two short Appendices, one giving more information on data from the Planning Inspectorate on Adopted Core Strategies / Local Plans; the other being more detail on the method by which the results were produced.

¹ <http://visual.ons.gov.uk/affordability-housing/> (visited on 29th August 2015).

² See <https://www.gov.uk/government/statistical-data-sets/live-tables-on-housing-market-and-house-prices>

3 Method

3.1.1 Two data sets were used. The source for data on house prices was that published by the Department for Communities and Local Government². The specific data used was from Table 586. This gave the average (median) house price by Local District or Unitary Authority. These are both responsible for drawing up and adopting Local Plans.

3.1.2 This house price data comes from the Land Registry and relates to the actual price of the sale (not the “offer” price). The median house price is used as the average. It works by ranking all house prices from lowest through to highest. The median is the price achieved on sale of by the middle property. It is considered to give a better reflection of an average price than the more traditional “mean”, which can be distorted by a few large values.

3.1.3 The second information set was whether Local Planning Authorities had Local Plans in place. This came through the Planning Portal³ where the Planning Inspectorate maintains a national database of Local Plan progress. Data as at July 2015 was used. For each Local Planning Authority in England this gave information on the date on which the Local Plans (through strategic issues or core strategies) had been:

- ❖ last updated,
- ❖ published,
- ❖ submitted,
- ❖ found sound, or
- ❖ adopted.

3.1.4 There are 326 Local Planning Authorities in England. Of these 208 (63.8%) had an Adopted Core Strategy. Conversely 118 (32.6%) did not.

3.1.5 The next step was simply to calculate the average of the median prices for those Local Authorities who had an Adopted Local Plan and those who did not⁴.

² See <https://www.gov.uk/government/statistical-data-sets/live-tables-on-housing-market-and-house-prices> (visited on 29th August 2015).

³

http://www.planningportal.gov.uk/wps/portal/portalhome/unauthenticatedhome!/ut/p/c5/04_SB8K8xLLM9MSSzPy8xBz9CP0os3gjtXBnJydDRwMLbzdLA09nSw_zsKBAIwN3U_1wkA6zeHMXS4gKd29TRwNPI0s3b2e_AGMDAwOIVAE04Gig7-eRn5uqX5CdneboqKglAGUwqho!/dl3/d3/L2dBISEvZ0FBIS9nQSEh/

⁴ A more exact approach would have been to extract the prices for properties of in each of the two classes of Local Authority, rank these and then produce the median value for each of the two data sets.

- 3.1.6 The average of the median prices for those Local Planning Authorities who had an Adopted Local Plan was £205,300 and for those Local Planning Authorities without an Adopted Local Plan was £175,800.
- 3.1.7 This is a short piece of exploratory analysis and clearly there are many reasons why there might be a difference in the average price.

4 Discussion

- 4.1.1 One matter for caution in comparing house prices between two areas is that the average prices might be distorted by the type of houses for sale. So if an area has significantly more detached houses than another then the average house price might be higher, even if a house of the same type might sell for a similar price in each. This would normally be accounted for by comparing house prices for similar types of houses. This was not done for this exercise, but the effect should not be too big given the relatively large size of Local Authorities compared to smaller areas such as neighbourhoods.
- 4.1.2 The difference in median house price by Local Authority with and without an Adopted Local Plan is not as simple as every Local Authority with an Adopted Plan having a higher median house price than every Local Authority without an Adopted Local Plan (this is shown through the examples in Table 1).

Table 1. Examples of average Local Authority House prices with and without an Adopted Local Plan

Local Plan Status	Name of Local Authority	2012 Median House Price
No Adopted Local Plan	Waverley	£335,000
No Adopted Local Plan	Windsor and Maidenhead UA	£332,500
No Adopted Local Plan	Guildford	£310,000
Adopted Local Plan	Blackburn with Darwen UA	£96,000
Adopted Local Plan	Hyndburn	£88,000
Adopted Local Plan	Stoke-on-Trent UA	£87,500

Source: CLG Table 586, House Prices; Planning Inspectorate for Adopted Plans. **Note:** the average in this table is the median

- 4.1.3 The information on the Adoption of the Local Plan also gave the date when the Plan was adopted. It is reasonable to assume that any influence the Adoption of a Local Plan has on house prices might take some time to have an affect. Further analysis could take this into account, for example by only using those Authorities which had Adopted a Plan more than a certain number of years ago.
- 4.1.4 While Local Plans are produced by Local Authorities (with a duty to co-operate), relationships between house prices and wages might make a case for looking at

travel to work areas rather than Local Authorities. With the difficulty here being that a travel to work area might contain some Local Authorities with Adopted plans and some without.

5 Conclusions

5.1.1 Correlation does not prove causality. So it cannot be said from this that having an Adopted Local Plan causes higher average house prices. Nor can it be said that having higher average house prices has enabled the Adoption of Local Plans.

5.1.2 There is plenty of scope for further work.

[end]

APPENDIX 1:

DEFINITIONS OF TERMS USED IN REPORTING ON STAGES TOWARDS LOCAL PLAN ADOPTION

Term	Definition
Publication	Council formally publishes the Local Plan for consultation. Consultation must be for a minimum of 6 weeks. The council will need to be able to show how it has taken account of the views (representations) given through the consultation, and may make changes to the Local Plan before proceeding to the next stage.
Submission	The council submits the Local Plan, alongside the consultation representations and other required documents, to the Planning Inspectorate. The Inspectorate then arrange for the Local Plan to be scrutinised through an Examination in Public. During the Examination, the Inspector will be testing the Local Plan for soundness; legal procedural compliance and whether the Council has met the duty to co-operate. The Inspector will consider any representations made on the plan. The National Planning Policy Framework contains further information on the Government's policy for sound Local Plans.
Found Sound	The Inspector will write a report, setting out whether he or she is satisfied that the Local Plan is sound; meets the legal procedural requirements and the duty to co-operate. The report may recommend main modifications (changes) to the submitted plan, where requested by the Council, to make the Local Plan sound and compliant with the legal procedural requirements. Note: the Inspector cannot make main modifications in relation to the duty to co-operate.
Adoption	After the council has received the Inspector's report, it must formally adopt the Local Plan before it can become part of the Development Plan for the local area.

Source: Planning Inspectorate Local Plans (strategic issues/'core strategies') progress - 31 July 2015.

Appendix 2**DETAIL ON METHOD**

From the Communities and Local Government “Table 586 Housing market: median house prices based on Land Registry data, by district, from 1996 “, the median house prices for years before 2012 were removed.

The Local Authorities which did not have responsibility for Local Plans were removed. These were County Councils, Metropolitan and Local Authorities in Wales. This left a list of 326 Local Authorities. They were placed in alphabetical order.

For the data on Local Plans (strategic issues/'core strategies') progress - 31 July 2015 from the Planning Inspectorate, the first step was to “unhide” the hidden columns.

The data sheet contained information for 366 Councils. These were “Councils” were then sorted into alphabetical order. One reason for there being information for 366 Councils is that National Park Authorities were listed (e.g. Northumberland National Park). Also if a Council which had an Adopted Local Plan was undertaking a review, but this review was not yet adopted, then it appeared twice. Care was taken to count such a Local Authority as having an Adopted Plan. The duplicates and National Parks Authorities were both removed. This left the same list of (326) Local Authorities as the list for which house price information was available.

The two lists were put together, sorted by Adopted Local Plan date and an average (mean) of the medians for each calculated.

To facilitate further analysis each Local Authority was ranked according to the median value of the house prices in 2012, with 1 being the highest value. Secondly each Local Authority with an adopted Local Plan was given an indicator value = 1. This information allowed all Local Authorities to be sorted according to the two criteria (whether they had an Adopted Local Plan and by median 2012 house price) this allowed an easy comparison between lower house prices for Local Authorities with a Local Plan and Local Authorities with high median house prices who did not have an Adopted Local Plan.