



City of Westminster Cabinet Member Report

Meeting or Decision Maker:	Cabinet Member for Built Environment
Date:	26 March 2015
Classification:	General Release
Title:	Update to the residential unit sums for financial contributions in lieu of affordable housing contained within the adopted Unitary Development Plan (2007)
Wards Affected:	All
Better City, Better Lives Summary	<p>Increase in the amount of affordable housing and payments in the affordable housing fund contributes to four priorities of Better City, Better Lives:</p> <ul style="list-style-type: none">• Strong, responsible families which give every child the best start in life.• Enterprising and sustainable local public services that make our funds go further.• Longer, healthier independent lives where all are empowered to play as full a role in society as possible.• Sustainable investment in infrastructure.
Key Decision:	Key Decision included in the Forward Plan of Key Decisions
Financial Summary:	The updated residential unit sums should result in increased contributions to the Affordable Housing Fund
Report of:	Director of Policy, Performance and Communications

1.0 EXECUTIVE SUMMARY

- 1.1 This report seeks Cabinet Member approval to agree the 'per unit sum' for financial contributions in lieu of on-site affordable housing provision, in line with the Westminster City Plan: Strategic Policies (adopted November 2013), paragraphs 3.51 to 3.53 of the Unitary Development Plan (adopted January 2007) and the Interim Guidance Note on Affordable Housing (published November 2013).

2.0 RECOMMENDATION

- 2.1 That the Cabinet Member for Built Environment agrees to increase the 'per unit sum' from 1st April 2015 by 14.2% reflecting the increase in residential values over the previous year and resulting in a new per unit sum of £287,000 (and £383,000 in the designated higher values areas – see map attached at Appendix B).

3.0 REASONS FOR DECISION

- 3.1 It is important to have an up-to-date per unit sum in lieu of affordable housing provision to reflect changes in land prices over the last year, in line with the Westminster City Plan: Strategic Policies (adopted November 2013) and as set out in paragraphs 3.51 to 3.53 of the Unitary Development Plan (adopted January 2007) in order to ensure on-going and market sensitive financial contributions to the Affordable Housing Fund.

4.0 BACKGROUND

- 4.1 The Council's Affordable Housing Fund (AHF) plays an essential role in the provision of affordable housing in Westminster by contributing towards the funding for the Housing Renewal Programme and bridging the 'funding gap' between the GLA funding for affordable units in Westminster and the Registered Providers (RPs) actual costs of those units.
- 4.2 In April 2012, the London functions of the HCA (Homes and Communities Agency) were devolved to the Greater London Authority (GLA). The GLA have indicated that grant is unlikely to be available for future schemes secured by s106 agreements and that local authorities should assume zero grant for such schemes. Without this 'top up' from the AHF, fewer or less suitable affordable

units would be built, e.g. less family-sized units. The AHF is, therefore, essential to delivering affordable homes in Westminster.

5.0 POLICY CONTEXT: UNITARY DEVELOPMENT PLAN / WESTMINSTER'S CITY PLAN

- 5.1 As set out in paragraphs 3.51 to 3.53 of Policy H 4 of the Unitary Development Plan (UDP), adopted January 2007, in cases where a financial contribution instead of on- or off-site affordable residential provision is appropriate, the City Council will expect this to be:
- (A) a financial sum per unit that would have been provided on site, equivalent to the cost of supplying the land that would otherwise be required; plus
 - (B) an increase in the resultant total sum to reflect the increase in market units that will arise from not providing affordable housing on the site.
- 5.2 The UDP states that the sum per unit will be updated annually by the City Council from 1st April each year in line with changes in land prices. Westminster's City Plan: Strategic Policies, Policy S1: Mixed Use in the Central Activities Zone (adopted in November 2013) allows for payments in lieu of affordable housing if on-site or off-site provision is proven to be not practicable or feasible. This reflects both national (National Planning Policy Framework (NPPF) paragraph 47) and regional guidance (London Plan policy 3.12).
- 5.3 The methodology used to calculate payments in lieu (PiL) is set out in the Interim Guidance Note on Affordable Housing Policies which is available at: http://transact.westminster.gov.uk/docstores/publications_store/Interim%20note%20revised%20Autumn%202013.pdf. Where on- or off-site residential provision cannot be provided to comply with City Plan Policy S1, or additionally appropriate alternative uses cannot be provided to comply with UDP policy CENT 3 (paragraphs 1.66 to 1.68) and COM 2 (paragraphs 2.30 to 2.32), the annually updated residential unit sum in lieu of affordable housing will be used to calculate the appropriate financial contribution.
- 5.4 The Council is currently consulting on new affordable housing development management policies within the Affordable Housing consultation booklet. These policies will eventually be inserted, along with any necessary supporting text into Westminster's City Plan: Strategic Policies to form Westminster's City Plan, which will supersede the extant 'saved' UDP policies. The Affordable Housing consultation booklet asks a number of key questions regarding the calculation of the payment in lieu and explores different methodologies for its calculation, taking into account the real cost of affordable housing development. The consultation also explores the possibility of extending the designated higher value areas to

take into account other parts of the City where there is a high prevalence of prime residential properties.

- 5.5 The consultation responses received to these questions will help to form the new affordable housing payment in lieu policy. As required by the NPPF, this new policy will be tested for its effect on the economic viability of development as part of an overall assessment of all proposed policies, before the City Plan is formally adopted. In the meantime, therefore, it is necessary to continue with a 'per unit sum' for financial contributions in lieu of on-site affordable housing provision.

6.0 METHODOLOGY FOR CALCULATING THE PER UNIT SUM

- 6.1 The per unit sum was originally calculated as the land cost element of the Housing Corporation's Total Cost Indicator (TCI) which was updated every year to take account of changes in land and construction costs. The Housing Corporation stopped publishing and using TCIs in 2005. The City Council has, therefore, annually updated the £125,000 figure for 2005/6 (based on the last published TCI) using the [Land Registry House Prices Index \(HPI\)](#) and advice from the Council's retained property consultants to reflect land price inflation in Westminster.
- 6.2 This method of using the annual increase in house prices to inform the per-unit sum is considered to be the most accurate way of determining an appropriate PIL for a number of reasons. Firstly, the price of a house contains within it construction costs as well as embodying the cost of land and, therefore, takes into account the changing value of that land in residential use in the same kind of way the TCI did. Secondly, the HPI is calculated by using the Land Registry's own 'Price Paid Dataset'. This is the most robust method available, based on a record of all residential property transactions made in England and Wales since January 1995. At present it contains details of over 16 million sales. Of these, over six million are identifiable matched pairs, providing the basis for the repeat-sales regression analysis used to compile the HPI. This technique of quality adjustment ensures an 'apples to apples' comparison between properties. If land prices were used instead the value may be distorted by the changing land use values i.e. the value of office land and residential land are different and not comparable over time.
- 6.3 The HPI data is readily available and easy to analyse on a borough by borough basis. This is not the case for other house price indices or land value data. As mentioned above, the Council has updated the PIL figure annually and has previously commissioned its own retained property consultants to analyse the HPI data. As this data is in the public domain and the methodology for calculating the HPI well established, this year the analysis has been undertaken in-house.

7.0 THE 2015/16 PIL FIGURE

- 7.1 Last year there was a 9.82% increase on the previous sum, to give a per unit figure of £251,000 for 2014/15. The City Council has defined four areas where house prices are generally higher and where an increased financial contribution will be required (Knightsbridge, Belgravia, Mayfair and St. James's as defined on Map 3.7 of the UDP and as set out in the UDP (paragraph 3.53) and attached at Appendix B). In these areas the per-unit sum is 33⅓% higher.
- 7.2 The HPI indicates an annual inflation of 14.2% for the period December 2013 to December 2014 (December-December is taken as it enables the council to set a figure for the forthcoming financial year). Applying this increase to last year's per unit sum of £251,000 results in a figure of £286,642 for the average land-cost element per unit. However, in line with the adopted UDP Appendix 3.2 it is recommended that for the coming year (2015/16) a unit sum figure of £287,000 is used (i.e. rounded to the nearest thousand). The per-unit sum for the designated higher value areas will be £383,000 (i.e. £287,000 increased by 33⅓% - a £48,000 increase on the 2014/15 figure of £335,000).

8.0 AFFORDABLE HOUSING FUND (AHF) INTO THE FUTURE

- 8.1 The AHF is essential to the delivery of the Council's Housing Renewal Programme and plays a vital role in the provision of affordable housing in Westminster. For example:
- since 1999, expenditure of approximately £90m from the City Council's AHF has helped to deliver over 1,480 affordable homes in the City;
 - in addition to funding new build affordable housing, part of this expenditure has been used to buy over 300 market flats for use as affordable housing;
 - existing contractual AHF commitments of £47m, combined with future AHF investment decisions totalling £22m, are expected to deliver up to 750 additional affordable homes.
- 8.2 The AHF also provides a wider range of affordable housing choice in the City, including the provision of intermediate housing and will play an increasingly important role in delivering the Government's new Affordable Rent tenure, in the light of the withdrawal of HCA grant on s106 sites.

9.0 CONTRIBUTION OF THE PER UNIT SUM UPDATE TO BETTER CITY, BETTER LIVES

- 9.1 Updating the per unit sum so that it truly reflects the cost of affordable housing delivery in Westminster (and thus increasing payments into the AHF and affordable housing delivery) contributes to Better City, Better Lives.

10.0 FINANCIAL IMPLICATIONS

- 10.1 The update to the per-unit sum will result in an increased payment per unit to the Affordable Housing Fund, in keeping with increases in residential values. This is in line with the adopted Westminster City Plan (Strategic Policies) and the UDP.

11.0 LEGAL IMPLICATIONS

- 11.1 Guidance within the National Planning Policy Framework (NPPF) requires local planning authorities to take into account market signals, such as land prices when developing planning policies for housing (para. 17). It also states that affordable housing policies should be sufficiently flexible to take account of changing market conditions over time (para. 50).
- 11.2 The recommendation in this report has been made taking into account information available in the market, provided by the HM Land Registry based on actual sales of residential properties specifically for the City of Westminster.

12.0 BUSINESS PLAN IMPLICATIONS

- 12.1 In line with the Built Environment Business Plan (2013/14), the updating of the unit sum reflects the desire to provide a high quality Development Management process that facilitates change across the City.

13.0 CONSULTATION

- 13.1 Full consultation was carried out at all stages of UDP preparation and an independent inquiry overseen by a Government Inspector heard objections to the Plan. The policy approach in the UDP has, therefore, been subject to intensive public scrutiny in line with legislation and guidance.
- 13.2 Westminster's City Plan: Strategic Policies and its predecessor the Core Strategy were also subject to extensive consultation and engagement at all stages of its preparation, in line with the adopted Statement of Community Involvement. It was similarly the subject of an independent examination and has been found to be sound, and in line with legislation and national and regional policy.

- 13.3 The per-unit sum figure is based on independent HM Land Registry data and is calculated in a standard mathematical way. It is not, therefore, an appropriate subject of consultation.

If you have any queries about this Report or wish to inspect any of the Background Papers please contact:

Kimberley Hopkins, Principal Planning Officer, City Planning

0207 641 2935 khopkins@westminster.gov.uk

BACKGROUND PAPERS:

1. City of Westminster Unitary Development Plan, adopted 2007
2. Westminster's City Plan: Strategic Policies, adopted November 2013
3. Interim Guidance Note: Affordable Housing Policy, November 2013
4. Affordable Housing Consultation booklet, January 2015

NB: For individual Cabinet Member reports only

For completion by the **Cabinet Member for Built Environment**

Declaration of Interest

I have <no interest to declare / to declare an interest> in respect of this report

Signed:

Date:

NAME: **Councillor Robert Davis**

State nature of interest if any

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(N.B: If you have an interest you should seek advice as to whether it is appropriate to make a decision in relation to this matter)

For the reasons set out above, I agree the recommendation(s) in the report entitled ***Update to the residential unit sums for financial contributions in lieu of affordable housing contained within the adopted Unitary Development Plan (2007)*** and reject any alternative options which are referred to but not recommended.

Signed

Cabinet Member for Built Environment

Date

If you have any additional comment which you would want actioned in connection with your decision you should discuss this with the report author and then set out your comment below before the report and this pro-forma is returned to the Secretariat for processing.

Additional comment:

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If you do not wish to approve the recommendations, or wish to make an alternative decision, it is important that you consult the report author, the Head of Legal and Democratic Services, Chief Operating Officer and, if there are resources implications, the Director of Human Resources (or their representatives) so that (1) you can be made aware of any further relevant considerations that you should take into account before making the decision and (2) your reasons for the decision can be properly identified and recorded, as required by law.

Note to Cabinet Member: Your decision will now be published and copied to the Members of the relevant Policy & Scrutiny Committee. If the decision falls within the criteria for call-in, it will not be implemented until five working days have elapsed from publication to allow the Policy and Scrutiny Committee to decide whether it wishes to call the matter in.

Other Implications

1. Resources Implications

None

2. Risk Management Implications

None

3. Health and Wellbeing Impact Assessment including Health and Safety Implications

None

4. Crime and Disorder Implications

None

5. Impact on the Environment

None

6. Equalities Implications

None

7. Staffing Implications

None

8. Human Rights Implications

None

9. Energy Measure Implications

None

10. Communications Implications

None

