



	Cabinet Member Report
Date:	March 2011
Subject:	Annual update to the residential unit sum used in financial contributions in lieu of affordable housing contained within the adopted Unitary Development Plan (2007)
 Summary This report asks the Cabinet Member to review the 'per unit sum' for financial contributions in lieu of on-site affordable housing provision, referred to in paragraphs 3.51 to 3.53 of the Council's Unitary Development Plan (adopted January 2007) for application from 1 st April 2011. Recommendation That the Cabinet Member for Built Environment agrees to an increased 'per unit sum' figure of £195,000 (and £260,000 for the designated higher value areas) reflecting a 5.3% increase in residential values over the previous year.	

Cabinet Member:	Councillor Robert Davis, DL Cabinet Member for Built Environment
Date:	March 2011
Classification:	For General Release
Title of Report:	Update to the residential unit sums used for financial contributions in lieu of affordable housing contained within the adopted Unitary Development Plan (2007)
Report of:	Strategic Director Built Environment
Wards involved:	All
Policy context:	Adopted Unitary Development Plan - paragraphs 3.51-3.53 London Plan - policy 3A.11
Financial summary:	The updated residential unit sum should result in increased contributions to the affordable housing fund
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1. Background Information

- 1.1 The Affordable Housing Fund plays an essential role in the provision of affordable housing in Westminster by funding the Council's Housing Renewal projects and bridging the funding gap between the Homes and Communities Agency (HCA) funding for affordable units in Westminster and the actual Registered Social Landlords' (RSL) build costs of those units. Without this 'top up' from the Affordable Housing Fund, fewer or less suitable affordable units would be built, e.g. less family-sized units.

Unitary Development Plan

- 1.2 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-site affordable residential provision, is appropriate, the City Council will expect this to be:

(A) a 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.

- 1.3 The Unitary Development Plan 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.

- 1.4 As set out in paragraphs 1.66 to 1.68 of UDP policy CENT 3 and paragraphs 2.30 to 2.32 of UDP policy COM 2, the residential unit sums in lieu of affordable housing set out in paragraphs 3.51 to 3.53 (updated annually), will also be used in mixed use schemes where on-site or off-site residential provision or appropriate alternative uses cannot be achieved.

Core Strategy

- 1.5 The Core Strategy Policy CS16 Affordable Housing allows for payments in lieu of affordable housing if on-site or off-site provision is proven to be not practical or feasible. This reflects both national and regional guidance. The methodology used to calculate Payments in Lieu (PiL) is set out in the 'Note on implementation of affordable housing policy in Westminster in the interim period between the adoption of the Core Strategy and the adoption of City Management Plan'. It is anticipated that the new affordable housing threshold of 1000 sqm of additional residential floorspace will mean a greater number of smaller schemes will be required to provide affordable housing. It is likely, therefore, that more payments in lieu will be provided, due to the impracticability, in some cases, of providing one or two affordable units.

City Management Plan

- 1.6 A new more area based approach to calculating payments in lieu is being devised for inclusion in the forthcoming City Management Plan, which will reflect the financial benefit the developer would get from not providing affordable housing. Research on a new formula is currently being undertaken by consultants DTZ. This study will support the drafting of City Management Plan policy.

2. Calculation of Per Unit Sum

- 2.1 The sum per unit 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. Because the

Housing Corporation stopped publishing and using TCIs in 2005, the City Council has annually updated the £125,000 figure for 2005/6 (based on the last published TCI) using advice from specialist consultants to reflect land price inflation in Westminster. Last year (2010/11), there was a 3.2% increase to the 2009/10 per unit sums, to give a per unit sum of £185,000, and £247,000 in the designated higher value areas.

- 2.2 In order to calculate the percentage change for 2011/12, the City Planning Delivery Unit commissioned Knight Frank to update the annual per unit sum figure. Knight Frank examined three alternative published residential property value indices and advised that the most robust data was that provided by HM Land Registry specifically for the City of Westminster (Appendix 1). This indicated an annual inflation of 5.3% for 2010. Applying this increase to the 2010/11 figure of £185,000 provides an imputed figure of £194,805 for an average land-cost element per unit for 2011/12. The credibility of this figure was checked by Knight Frank using Land Registry data to calculate the increase in land prices which had occurred in the 72 months from the publication of the original 2005/06 baseline figure of £125,000. This method produced a similar but slightly lower figure of £193,200. However, the UDP in paragraph 3.52 states that the new figure will be updated annually based on the previous year's figure - rather than on the original 2005/06 baseline figure.
- 2.3 It is recommended that for 2011/12 the unit sum of £195,000 is adopted (£194,805 rounded to the nearest thousand), as indicated in UDP Appendix 3.2. This reflects a 5.3% increase on the previous figure of £185,000.
- 2.4 The UDP defines four areas: 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) where house prices are generally higher and where an increased financial contribution (an additional 33 $\frac{1}{3}$ %) will be required. The 2011/12 unit sum for these areas will therefore be £260,000, a 5.3% increase on the previous figure of £247,000.

3. The Affordable Housing Fund into the Future

3.1 The Affordable Housing Fund plays a vital role in the provision of affordable housing in Westminster:

i) it will be essential to the delivery of the Council's Housing Renewal Strategy;

ii) Since 1999, expenditure of £70.5m from the City Council's Affordable Housing Fund (AHF) has so far helped deliver over 1,200 affordable homes in the City.

ii) Part of this expenditure has been used to buy around 146 market flats for use for social housing in the 'Settled Homes' initiative, previously 'temporary to permanent' (DCLG also provides £35,000 per flat towards this); and

iii) it 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.

4. Financial Implications

4.1 The update to the unit sums will result in an increased payment per unit to the

Affordable Housing Fund.

5. Legal Implications

- 5.1 Guidance within Planning Policy Statement 3 (“PPS 3”) requires local planning authorities to take into account market information when developing planning policies for housing.
- 5.2 The Recommendation in this report has been made taking into account information available in the market.

6. Staffing Implications

- 6.1 Not applicable.

7. Business Plan Implications

- 7.1 In line with the Built Environment Strategic Commissioning Plan for 2010/11, the updating of the unit sum reflects the desire to provide an up to date and effective policy context for the management of development.

8. Consultation

- 8.1 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. The Core Strategy was also subject to extensive consultation and engagement at all stages of its preparation, in line with the adopted Statement of Community Involvement (SCI). Public consultation on the City Management Plan affordable housing policy, including payments in lieu, will be carried out later this year, in line with the SCI.

9. Crime and Disorder Act 1998

- 9.1 No issues arising

10. Health and Safety Issues

- 10.1 No issues arising

11. Human Rights Act 1998

- 1.1 No issues arising

12. Conclusions and Reasons for the Proposed Decision

- 12.1 This report asks the Cabinet Member to review the ‘per unit sum’ for financial contributions in lieu of on-site affordable housing provision, referred to in paragraphs 3.51 to 3.53 of the Council’s Unitary Development Plan (adopted January 2007) for application from 1st April 2011. 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, as set out in paragraphs 3.51 to 3.53 of the Unitary Development Plan (adopted January 2007), and to ensure adequate financial contributions to the Affordable Housing Fund.

If you have any queries about this report or wish to inspect one of the background papers please contact Margaret Handovsky on 020 7641 1818, fax 020 7641 3050, email mhandovsky@westminster.gov.uk.

Appendices

1. Letter from Knight Frank, 4 March 2011

Background Papers

- City of Westminster Unitary Development Plan 2007
- City of Westminster Core Strategy, adopted January 2011

For completion by Cabinet Member

Declaration of Interest

- I have no interest to declare in respect of this report

Signed Date
NAME:

- I have to declare an interest

State nature of interest
.....

Signed Date
NAME:

(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 **(to be completed by report author)** and reject any alternative options which are referred to but not recommended.

Signed

Cabinet Member for

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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NOTE: 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 Director of Legal and Administrative Services, the Director of Finance and, if there are staffing implications, the Head 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 Overview & 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 Overview and Scrutiny Committee to decide whether it wishes to call the matter in.