

Draft Housing Background Paper – Affordable Housing Policy Thresholds

The Council's Affordable Housing Policy LP36 requires affordable housing contributions from all housing sites, which is below the threshold set out in the Written Ministerial Statement dated 28.11.14 and national planning policy guidance.

The High Court judgment in R (on the application of West Berkshire District Council and Reading Borough Council) v Secretary of State for Communities and Local Government [2015] EWHC 2222 (Admin) was published on 31 July 2015. It was that judgement which set out the Secretary of State's position during the High Court Hearing that in the determination of planning applications the effect of the new national policy is that although it would normally be inappropriate to require any affordable housing or social infrastructure contributions on sites below the thresholds stated, local circumstances may justify lower (or no) thresholds as an exception to the national policy. It set out it would then be a matter for the decision-maker to decide how much weight to give to lower thresholds justified by local circumstances as compared with the new national policy. It therefore allowed the Council to take a different approach based on local circumstances in response to the Court of Appeal's judgement of 11 May 2016. This approach is in accordance with paragraph 10 of the NPPF, which states that Local Plans and decisions need to take local circumstances into account so that they respond to the different opportunities for achieving sustainable development in different areas.

House Prices & Affordability Issues

The [Strategic Housing Market Assessment \(SHMA\)](#) (December 2016) (Submission Document 025) confirmed there are high house prices and rental costs in the borough. The central London core area of high house prices extends to much of the eastern parts of the borough. Rental costs on average are similar to Inner London and Wandsworth. The SHMA also recognised affordability is an acute issue in the borough with almost the entire borough having house prices which are more than 10 times income.

Up to date evidence confirms this remains the position. According to Hometrack (Housing Intelligence System, borough key facts – property prices and affordability, July 2017):

The simple average house price in the borough is currently £871,300 (based on sales and valuations over the last 3 months), compared to a regional average of £596,700.

The lower quartile house price in the borough is currently £508,300 (based on sales and valuations over the last 3 months), compared to a regional average of £350,300.

The number of bedrooms is a key determinant of price, current average prices in the borough by bedrooms count and property type are as follows;

- 1 bedroom flat - £370,600*
- 2 bedroom flat - £507,300*
- 2 bedroom house - £661,500*
- 3 bedroom house - £787,800*
- 4 bedroom house - £1,133,800*

The average price of a new build house in the borough is currently £900,000, compared to a regional average of £729,800.

The house price to earnings ratio in the borough is currently 16.8:1 based on data from the latest Annual Survey of Hours and Earnings and sales and valuations over the last 12 months. The regional house price to earnings is 13.9:1

The lower quartile house price to earnings ratio in the borough is currently 16.6:1 based on data from the latest Annual Survey of Hours and Earnings and sales and valuations over the last 12 months. The regional house price to earnings is 14.4:1

The position therefore remains that in the context of high house prices and affordability issues, there is a significant need for affordable housing.

Affordable Housing Needs

Borough-wide evidence clearly identifies the significant and on-going unmet need for affordable housing in the borough, and the issue of affordability. Just over 12% of homes in the borough are in the social rented sector, the fourth lowest in London. The existing housing association stock profile of predominantly smaller units, low turnover of larger social housing dwellings and the needs of overcrowded and homeless households and transfer applicants all drive the need for larger affordable properties.

Evidence on the housing need is set out in the Council's Housing Strategy 2013-17, supported with research by the University of Cambridge and DTZ Consulting for the Tenancy Strategy. The Council considers that the acute need for affordable housing in the borough is clearly evidenced and increasing delivery is set out in the Council's strategic housing objectives. The SHMA demonstrates a net deficit of 964 affordable homes per annum in the borough.

This evidence has been accepted by Planning Inspectors considering appeals on individual small sites within the borough, who have commented for example of "the Council's strong local evidence of affordable housing need" (Appeal Ref: APP/L5810/W/17/3170497 54 White Hart Lane, Barnes SW13 0PZ) and the "evidence of exceptional local affordable housing need" (Appeal Ref: APP/L5810/W/17/3168508, 2 - 4 Heath Road, Twickenham, TW1 4BZ), when finding the Written Ministerial Statement does not outweigh the Council's adopted planning policies seeking affordable housing contributions from small sites.

Since the publication of the SHMA, evidence on homelessness also supports the local needs for genuinely affordable housing. The 2017-18 Homelessness Strategy sets out priorities for the year, including preparation for the Homelessness Reduction Act 2017 coming into force. The changes contained in the Act will have a significant bearing on how local authorities assess and discharge their statutory homelessness duties including a shift of focus to preventing rather than dealing with the consequences of homelessness. By widening the criteria of homelessness and providing more structured support to applicants, in the form of individual plans regardless of their priority need status, the Act is likely to have the effect of an increased demand on housing advice services. The 2017-18 Homelessness Strategy was recently approved by Cabinet¹. The Strategy was informed by the emerging findings from the Homelessness Review 2016, which reports that although the borough has relatively low levels of statutory homelessness when compared to the region, there remains a continuing need for housing that the Council

¹ <https://cabnet.richmond.gov.uk/ieListDocuments.aspx?CIId=163&MIId=4019&Ver=4> Richmond Cabinet 22 June 2017, Item 526: Updating of the Homelessness Strategy

must address. As at 30 April 2017 there were 3048 households on the Housing queues² and the high cost of market housing (for sale and rent) in the area means that opportunities for people who fall within the lower quartile income bracket for the borough to find their own housing solutions are limited. Further, the numbers of decisions and acceptances does not show the true extent of demand from those seeking advice on their housing situation and who are threatened with homelessness.

In common with the rest of London, the main reason for homelessness in the borough is termination of an Assured Shorthold Tenancy (AST) from the Private Rented Sector (PRS); applying to 44% of acceptances this has more than doubled since 2010/11 when it accounted for 21% of acceptances. This highlights both the increasing difficulties in sustaining PRS accommodation in light of the twin challenges of high demand for private rent accommodation and higher rents which are not necessarily covered (fully) by housing benefit. The Council's housing research (available on the website www.richmond.gov.uk/housing_research) therefore shows the PRS is not meeting the needs of those most in need.

The Council considers that the acute need for affordable housing in the borough is clearly evidenced, as described above and increasing delivery is set out in the Council's strategic housing objectives, and is so significant that all sites need to contribute.

Reliance on Small Sites

The supply of large sites fluctuates and in some years completions from large sites have fallen as low as 7%, therefore the Council remains reliant on small site contributions to meet affordable housing policy objectives. The Council's Housing AMR for 2015/16 (Submission Document 026) identifies on average 179 net completions on small sites per annum, which form a significant contribution towards the Council's current housing target of 315. Initial analysis for the 2016/17 AMR housing completions identifies approximately 242 net completions on small sites, 53% of the total net gain of 460 units, and this confirms that this trend is continuing.

The Housing AMR for 2015/16 continued to demonstrate sufficient five year housing land supply totalling 2096 units, of which 806 units are from small sites. Therefore, it is evident that the Council's approach towards requiring affordable housing from all sites (a policy that has been implemented since 2012) has not hindered housing delivery.

This evidence has been accepted by Planning Inspectors considering appeals on individual small sites within the borough, who have commented for example that "the Council is heavily reliant on contributions from small sites to meet local affordable housing need" (Appeal Ref: APP/L5810/W/16/3155064, 24 The Causeway, Teddington, Middlesex, TW11 0HE), when finding the Written Ministerial Statement does not outweigh the Council's adopted planning policies seeking affordable housing contributions from small sites.

To put this into the wider London context, housing capacity figures from the last [London SHLAA \(2013\)](#) allow for a comparison across boroughs of the assumed small sites capacity by borough (for the period 2015-2025) against the total capacity by borough. This shows that Richmond's small sites capacity is 56% of the borough total, the highest of all authorities.

² A revised allocations policy to meet a range of housing need in the borough was approved by Richmond Cabinet 13 October 2016, Item 422: Housing Allocations Policy
<https://cabinet.richmond.gov.uk/ieListDocuments.aspx?Cid=163&Mid=3956&Ver=4>

	Table 3.11. 2013 SHLAA	Table 3.16. 2013 SHLAA	
	Assumed small sites capacity by borough 2015-2025	Total Capacity by Borough 2015-2025	Proportion small sites of total capacity
Richmond upon Thames	1754	3150	55.68
Bromley	3521	6413	54.90
Islington	6624	12641	52.40
Merton	2112	4107	51.42
Sutton	1661	3626	45.81
City of London	644	1408	45.74
Hackney	7285	15988	45.57
Westminster	4667	10677	43.71
Harrow	2505	5927	42.26
Croydon	5923	14348	41.28
Lambeth	6147	15594	39.42
Camden	3489	8892	39.24
Waltham Forest	3331	8620	38.64
Enfield	2587	7976	32.43
Lewisham	4442	13847	32.08
Hillingdon	1740	5593	31.11
Southwark	7461	27362	27.27
Wandsworth	4734	18123	26.12
Bexley	1087	4457	24.39
Kingston upon Thames	1548	6434	24.06
Redbridge	2697	11232	24.01
Ealing	3014	12972	23.23
Haringey	3405	15019	22.67
Kensington and Chelsea	1519	7330	20.72
Hounslow	1611	8222	19.59
Hammersmith and Fulham	1988	10312	19.28
Brent	2629	15253	17.24
Newham	2908	19945	14.58
Barnet	3272	23489	13.93
Tower Hamlets	5108	39314	12.99
Havering	1505	11701	12.86
Greenwich	2260	26850	8.42
Barking and Dagenham	967	12355	7.83
LLDC	332	14711	2.26

Due to the nature of the borough, characterised by large swaths of protected parks and open spaces with the remaining areas being relatively dense low-medium rise towns and villages, the capacity for significant increases in housing supply is limited and the majority of developments, with the exception of very few large sites, already takes place on smaller brownfield sites.

The Council's evidence therefore confirms that small sites make a significant contribution to housing supply, with the supply of large sites fluctuating, but completion rates from them frequently low. This demonstrates the significant reliance on small site contributions to meet the substantial requirement for affordable housing.

Impact on small sites delivery

As set out above, the Council's policy on affordable housing contributions from small sites has been implemented since 2012, and the pipeline of housing delivery from small sites has continued in the pipeline of permissions and completion rates, as set out in the Housing AMR for 2015/16 (*this will be supplemented by 2016/17 figures in due course*). The draft Whole Plan Viability Assessment (Submission Document 024) has also already taken into account contributions from small sites.

During 2016/17 the Council received receipts from over 18 small sites totalling in excess of £1.5million.

The sums collected from individual sites are considered relatively modest in the context of high land values and the average house price of £724,100 for the borough (Hometrack UK Cities House Price Index, London City local authorities - May 2017). The sliding percentage scale acts as a multiplier which reduces the scale of the contribution on the smallest sites.

In accordance with policy, the Council will continue to consider reducing planning obligations if fully justified through financial viability evidence, so that the impact of the policy does not restrict future housing delivery on small sites.

It is worth remembering the intention of the Government consultation in March 2014 and the purpose of the subsequent Written Ministerial Statement in relation to developer contributions from small sites. Government's main reason for limiting affordable housing contributions on small sites is to tackle the disproportionate burden of developer contributions on small scale developers, custom and self-builders by lowering the construction costs. This in turn will help increase housing supply, provide a boost for the small and medium-sized developers and encourage development on smaller brownfield sites.

As can be seen from this background paper on housing, there is no evidence that the application of this policy, which has been in operation for approximately 5 years, has stifled or hindered small-scale development from coming forward within Richmond borough. On the contrary, the figures and data on completions on small sites suggest that the market for small scale developments is strong and viable, with generally all new development taking place on brownfield sites.

Importance of Small Site Contributions to Delivering Affordable Housing

The Council funds a Housing Capital Programme to support the development of affordable housing to meet the needs of borough residents. Capital resources for this programme come from a variety of sources including Council funding and financial contributions to the Affordable Housing Fund.

Support from this funding is made available to help ensure schemes remain viable, particularly to ensure that larger family rented units remain affordable. Since 2010 the Housing Capital

Programme has part funded 259 affordable units³. Additional funding of £14.5m was added to the capital programme in February 2016 which is anticipated to be financed through expected S106 Affordable Housing receipts, potentially totalling over £18m. This could support 330 additional new rented homes, including the provision of temporary accommodation to meet demand and maintain low use of Bed and Breakfast accommodation.

A few examples from the Council's [housing monitoring](#) of sites where Housing Capital Programme funding has contributed to recent or current affordable housing delivery include:

- Queens House, Holly Road, Twickenham ([14/4842/FUL](#) under construction) a contribution of £550,000 enabled delivery of a wholly affordable scheme (45 affordable units) on a former employment site.
- Lock Road, Ham (Land Adjacent To No 48 Mead Road, Ham [13/1934/FUL](#) completed in 2015/16) a contribution of £250,000 towards delivery of an affordable supported housing scheme.
- 101 And 103 And 105 Waldegrave Road, Teddington ([13/0368/FUL](#) completed in 2016/17) a contribution of £270,000 enabled ten intermediate units to be delivered as affordable rented units.
- Craig Road Garage Site, Ham ([17/0396/FUL](#) granted permission 05/06/2017, in progress) a contribution of £250,000 to enable delivery of a supported housing scheme.
- 159 Heath Road, Twickenham ([13/4019/FUL](#) completed in 2016/17) where a contribution of £250,000 supported the delivery of 6 rented homes.
- Express Dairies, Orchard Road, Richmond ([13/4458/FUL](#) completed during 2015/16) where £271,000 supported the delivery of 31 affordable homes as part of a mixed use development on a former employment site.
- Richmond Police Station. 8 Red Lion Street, Richmond ([13/4739/FUL](#) completed in 2016/17) where £250,000 supported the delivery of 8 rented homes in Central Richmond on a former police station site as part of a mixed use development.

The financial contributions from small sites therefore form an important part in this funding stream.

In 2016 the Council also agreed⁴ a variation to the Trust Account Deed between the London Borough of Richmond Upon Thames and Richmond Housing Partnership (the LSVT organisation for the Borough) to manage and apply the capital receipt generated by the voluntary sale of RHP assets, to broaden the ability of the Council and it's Registered Provider partner RHP to better support the delivery of affordable housing that meets local needs. This considered that each new affordable rented home will result in a capitalised cost saving to the Council in providing temporary accommodation for homeless households of around £214,000 per household and in the case of supported housing will result in an average cost saving of £100,000 per annum (this being the current average annual cost per person of funding a residential placement). This illustrates the impact of homelessness and why the affordable housing pressures are such that the Council has to use every avenue to maximise delivery, as part of the Council's corporate approach which can be further expanded upon during the Examination.

³ <https://cabnet.richmond.gov.uk/ieListDocuments.aspx?CI=163&MI=3960&Ver=4> Richmond Cabinet 23 February 2017, Item 487: Capital Programme 2016/17 - 2021/22

⁴ <https://cabnet.richmond.gov.uk/ieListDocuments.aspx?CI=163&MI=3712&Ver=4> Richmond Cabinet 21 July 2016, Item 387: Trust Deed Account – Variation of Terms

Conclusion

In the light of the above evidence, contributions from small schemes toward the delivery of affordable housing in the borough of Richmond, contribute significantly to the ability of the Council to meet its requirements for affordable housing.

The Council's policy seeks on-site affordable housing, where there is no loss of employment, from a threshold of 10 units or more. This reflects the development management definition of a 'Major Application', where there is generally a step change in policy requirements towards on-site contributions such as for assessing children's play space or sustainability requirements. This threshold also reflects the current policy approach in the London Plan.

In this borough applying the threshold in the Written Ministerial Statement would reduce opportunities for maximising affordable housing delivery. This would completely undermine the Council's housing strategy and harm the provision of affordable housing in the borough. The Council's policy threshold of 10 units or more maximises on-site delivery, and financial contributions from small sites provide an intrinsic element to the Council's Housing Capital Programme funding.

Overall the Council considers the policy requirements are a positive approach to increase the supply of affordable housing, given the local circumstances justify lower thresholds, as an exception to national policy, there is a need to maximise contributions on all sites that come forward. The Mayor of London has welcomed and supports Richmond's approach to affordable housing provision (Publication Comment ID 402). The Council considers this approach meets the tests set out in the NPPF, particularly paragraph 10, given regard can be had to financial viability.