

For General Release

REPORT TO:	CABINET 15 September 2014
AGENDA ITEM:	8
SUBJECT:	Monitoring Report – Increasing Affordable Housing outside the Croydon Opportunity Area
LEAD OFFICER:	Jo Negrini, Executive Director of Development and Environment Mike Kiely, Director of Planning
CABINET MEMBER:	Cllr Alison Butler, Cabinet Member for Homes and Regeneration
WARDS:	All

CORPORATE PRIORITY/POLICY CONTEXT:

The Croydon Local Plan: Strategic Policies, which was adopted by the Council on 22 April 2012, and forms part of the statutory development plan for the borough under s.38 of the Planning and Compulsory Purchase Act 2004, states that the minimum on-site requirement for affordable housing on schemes of ten or more dwellings outside of the Croydon Opportunity Area will be reviewed annually and the new target published in the Croydon Monitoring Report.

FINANCIAL IMPACT

None

FORWARD PLAN KEY DECISION REFERENCE NO: This report is not a key decision.

The Leader of the Council has delegated to the Cabinet the power to make the decisions set out in the recommendations below

1. RECOMMENDATIONS

The Cabinet is recommended to:

- 1.1 Agree the *Croydon Monitoring Report – Minimum requirement for on-site provision of affordable housing on sites of ten or more units outside the Croydon Opportunity Area* for publication; and
- 1.2 Note that pursuant to Policy SP2.4 of the Croydon Local Plan: Strategic Policies 2013, by publishing the *Croydon Monitoring Report – Minimum requirement for on-site provision of affordable housing on sites of ten or more units outside the Croydon Opportunity Area*, the minimum requirement for on-site provision of affordable housing on schemes of ten or more dwellings outside of the Croydon Opportunity Area will increase from 15% to 30%.

2 EXECUTIVE SUMMARY

- 2.1 The Croydon Local Plan: Strategic Policies, adopted by the Council on 22 April 2013, sets out a minimum level of affordable housing on sites with ten or more dwellings. Policy SP2.4 of the Croydon Local Plan requires that outside of the Croydon Opportunity Area this minimum requirement is to be reviewed annually through monitoring changes to the Halifax House Price Index (HPI) and the Build Cost Information Service (BCIS) Construction Cost Index. The policy sets a three year interval for the review of the minimum level of affordable housing on sites within the Croydon Opportunity Area.
- 2.2 The Halifax HPI in Greater London has increased by over 16% since autumn 2009 (the base date for the policy) and the BCIS Construction Cost Index has increased by over 8% in the same period.
- 2.3 Policy SP2.4 of the Croydon Local Plan: Strategic Policies shows the minimum requirement for affordable housing if the existing value of a site (which is the value of land without permission for residential development) either stays the same or falls in value by 10% in value. Any other change to the existing use value affects the viability of affordable housing. A reliable proxy for the existing use value is provided by the value of industrial land. Between 2009 and 2013 the value of industrial land in Croydon rose from £650,000/acre (Valuation Office Property Market Report (2009) to £750,000/acre (Capita Industrial Property Price Map) representing an increase of over 15%.
- 2.4 In accordance with Policy SP2.4 of the Croydon Local Plan: Strategic Policies the minimum requirement for on-site provision of affordable housing should increase to 30% outside of the Croydon Opportunity Area.
- 2.5 The new minimum requirement needs to be published in the Croydon Monitoring Report, which itself requires approval for publication.
- 2.6 The current review was not included in the 2012/13 Monitoring Report that was reported to the Cabinet on the 20 January 2014 as officers wished to take a full review of the new minimum requirement as it is a significant change from that which currently applies.

3 DETAIL

- 3.1 Recognising the need for more affordable housing in Croydon, the administration's Manifesto "Ambitious for Croydon" pledged that "We will increase the proportion of affordable housing as a planning requirement of developers to a minimum of 30%". This report does that. There is also a need to ensure a fair distribution of affordable housing across all parts of the borough to enable the delivery of mixed and balanced communities.

- 3.2 The Croydon Local Plan housing policy (SP2) sets a minimum level of affordable housing (currently 15%) and has built within the policy a mechanism to review that minimum in response to market changes. Croydon Council is unique in this regard and it underlies the Council's "open for business" approach to development but balanced against meeting the needs of our communities.
- 3.3 Market conditions have changed since the policy was put in place. In particular house prices have increased in Croydon and this means that viability conditions have improved. This change supports an increase in our policy's minimum requirements from 15% to 30%.
- 3.4 Whilst the policy change only applies to developments outside the Croydon Metropolitan Centre, the change in viability conditions applies across the borough. The policy requires all development that offers less than 50% affordable housing to be justified by a viability assessment. These changes will mean that the Council will expect developments to achieve a much higher level of affordable housing and generally this would be around 30% on all sites.
- 3.5 The Council are currently partially reviewing the policies in the Croydon Local Plan in response to the Mayor's Further Alterations to the London Plan and producing detailed policies and proposals to supplement the strategic policies in the Plan. As part of this process we will look at changes to policy that will result in a consistent approach to affordable housing provision across the borough (both within the Croydon Opportunity Area and beyond) to ensure that the Council maximises the amount of affordable housing provided through developments.
- 3.6 The planning policy for delivering affordable housing is set out in Policy SP2.4 of the Croydon Local Plan: Strategic Policies and this report seeks the endorsement to publish the *Croydon Monitoring Report – Minimum requirement for on-site provision of affordable housing on sites of ten or more units outside the Croydon Opportunity Area*, which will enable the new minimum requirement for on-site provision of affordable housing on sites of ten or more units outside of the Croydon Opportunity Area to be implemented. The approach cannot be implemented if it is not published in the Croydon Monitoring Report 2012/13.
- 3.7 Policy SP2.4 of the Croydon Local Plan: Strategic Policies sets out the mechanism for reviewing the minimum requirement for affordable housing. Specifically for those locations outside of the Croydon Opportunity Area it states that the minimum requirement will be "15% for the first financial year of the plan period post adoption and thereafter reviewed annually in the Croydon Monitoring Report via a Dynamic Viability Model set out in Table 4.2".
- 3.8 Three factors are used to judge whether the minimum requirement for the provision of affordable housing should be increased. These are:
- a) Change in the price of homes
 - b) Change in construction costs
 - c) Change in the value of land in Croydon

3.9 The policy contains a matrix that applies factors (a) & (b) and then an adjustment is made to that result depending on any increase or decrease in factor (c)

3.10 The first financial year of the plan period post adoption ended in April 2014 and so a review of the minimum requirement is now due in accordance with the policy.

3.11 The current review was not included in the 2012/13 Monitoring Report that was reported to the Cabinet on the 20 January 2014 as officers wished to take a full review of the new minimum requirement as it is a significant change from that which currently applies. The indices used are those as at November 2013 as these were those available at the time of preparing the 2012/13 Monitoring Report. Officers are satisfied following this review that the change does reflect the current housing market in Croydon and will not undermine the delivery of new homes.

3.12 The table below is an extract of Table 4.2 from the Croydon Local Plan: Strategic Policies showing the minimum affordable housing requirement at given percentage changes in house prices and construction costs.

		Price of homes change (Halifax HPI)							
		HPI	641.6	667.3	692.9	718.6	744.3	769.9	795.6
Change in (BCIS Index) construction costs	BCIS Index	%	0%	4%	8%	12%	16%	20%	24%
	287.4	0%	15%	25%	35%	45%	50%	55%	60%
	298.9	4%	0%	15%	30%	35%	45%	50%	55%
	310.4	8%	0%	5%	20%	30%	40%	45%	50%
	321.9	12%	0%	0%	10%	25%	35%	40%	45%
	333.4	16%	0%	0%	0%	10%	25%	35%	40%
	344.9	20%	0%	0%	0%	0%	15%	30%	35%

3.13 The table below shows the same table with the change in house prices and construction costs as at:

- Quarter 4 in 2009 (the point at which house price and construction cost changes were both at 0%);
- September 2012 (when the current affordable housing requirement was determined at the examination in public for the Croydon Local Plan: Strategic Policies); and
- November 2013 (for the current review).

		Price of homes change (Halifax HPI)							
		HPI	641.6	667.3	692.9	718.6	744.3	769.9	795.6
Change in (BCIS Index) construction costs	BCIS	%	0%	4%	8%	12%	16%	20%	24%
	287.4	0%	15%	25%	35%	45%	50%	55%	60%
	298.9	4%	0%	15%	30%	35%	45%	50%	55%
	310.4	8%	0%	5%	20%	30%	40%	45%	50%
	321.9	12%	0%	0%	10%	25%	35%	40%	45%
	333.4	16%	0%	0%	0%	10%	25%	35%	40%
	344.9	20%	0%	0%	0%	0%	15%	30%	35%

Sept 2012

Nov 2013

3.14 The Halifax HPI in Greater London has increased by over 16% to 745.4 since autumn 2009 (the base date for the policy). In the same period the BCIS Construction Cost Index has increased by over 8% (the actual index number cannot be published under the terms of the licence agreement with the BCIS).

3.15 The changes in the Halifax HPI and the BCIS General Building Cost Index combined with the increase in the existing use values in the borough result in a new minimum requirement for the on-site provision of affordable housing on schemes of ten or more units outside of the Croydon Opportunity Area. If the existing use value of land in Croydon had not changed or had fallen slightly in value the new minimum requirement would have been 40% of units or habitable rooms to be affordable. The impact of changes to existing use values is shown in full in the Croydon Affordable Housing Viability Assessment – additional analysis (2011) available to download from the Council’s website at www.croydon.gov.uk/contents/departments/planningandregeneration/pdf/evidence/homes/housingadd. An extract from this table (below) shows the variation in the minimum requirement for affordable housing as a result of changes to the existing use value at the current positions of the Halifax HPI and BCIS General Building Cost Index.

% change in value of industrial land (2011-2013)	Minimum requirement for affordable housing based on position of Halifax HPI and BCIS General Building Cost Index in November 2013
More than 30% fall	50%
20-30% fall	50%
10-20% fall	45%
No change or fall of less than 10%	40%
Up to a 10% increase	35%
10-20% increase	30%
20-30% increase	25%

30-40% increase	20%
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3.16 The table shows that as the existing use value of land in Croydon has risen by over 15% a minimum requirement of 40% would not be viable on many sites in the borough and instead a minimum requirement of 30% of units or habitable rooms to be affordable would be viable.

3.17 If publication of the *Croydon Monitoring Report – Minimum requirement for on-site provision of affordable housing on sites of ten or more units outside the Croydon Opportunity Area* is approved the change to the minimum requirement will take effect immediately and will apply to all planning applications not yet determined (excluding those approved subject to the signing of a Section 106 agreement).

4 CONSULTATION

4.1 Policy SP2.4 including Table 4.2 and the Dynamic Viability Model was subject to full consultation as part of the preparation of the Croydon Local Plan: Strategic Policies. It was also subject to examination by an independent planning inspector appointed by the Secretary of State, where representations on the proposed policy and its review mechanism were considered by the planning inspector. The planning inspector endorsed the policy and its review mechanism and the policy was adopted by the Council on 22 April 2013, following which there was a six week opportunity for any judicial review proceedings to be brought, however there were no challenges to the Plan. The annual revision to the minimum requirement outside of the Croydon Opportunity Area is referenced in the policy and the new value is based upon changes to publically available indices. Therefore, no further consultation is required on the revised minimum requirement for affordable housing.

5 FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS

5.1 Risks

There are no identified risks anticipated as a direct result of this report.

5.2 Options

The approach is already set out in Policy SP2.4 of the Croydon Local Plan: Strategic Policies therefore no options are presented.

5.3 Future savings/efficiencies

There are no financial implications coming from this report.

(Approved by: Graham Oliver, Business Partner) on behalf of the Director of Finance and Assets & S151 Officer)

6 COMMENTS OF THE COUNCIL SOLICITOR AND MONITORING OFFICER

- 6.1 The Council Solicitor comments that s35(4) Planning and Compulsory Purchase Act as amended by s113(1) and (5) Localism Act 2011 requires monitoring reports to be available to the public on the Council's website. .

(Approved by: Gabriel MacGregor, Head of Corporate Law), on behalf of the Council Solicitor and Monitoring Officer)

7 HUMAN RESOURCES IMPACT

- 7.1 There are no direct HR implications arising from this report.
- 7.2 (Approved by Adrian Prescod, HR Business Partner), for and on behalf of Interim Director of Human Resources, Chief Executive department.

8 EQUALITIES IMPACT

- 8.1 The equalities impact of the proposed increase to the minimum requirement for the on-site provision of affordable housing outside of the Croydon Opportunity Area were considered as part of the Equalities Impact Assessment of the adopted Croydon Local Plan: Strategic Policies.

- 8.2 That assessment found that:

- Older people are more likely to be living in poverty and suffering the associated effects of low quality and inappropriate housing. There is a shortage of sheltered and specialised accommodation for older people.
- Poverty can also lead to overcrowded and poor quality housing conditions, often in deprived areas where there are insufficient social facilities. A lack of access to free and inclusive play space and open space can hinder mental and physical development and independence.
- The high cost of market housing and larger family size of some BME communities can mean that overcrowding and poor housing conditions can be a problem. Overcrowded Asian families are more highly represented on the transfer register amongst households requiring four or more bedrooms. Overcrowded Black families on the housing and transfer register are more highly represented amongst families that are overcrowded by two or more bedrooms according to the Croydon standard and require family homes of three or more bedrooms
- Because of the lower wages and higher level of part time working, women have a more restricted choice and quality of housing accessible to them and are more likely to rely on social housing.
- Lone parents experience some of the greatest levels of economic and housing need, their household incomes are only about a third of the average income and they are far poorer than couples with children; they are more than three times as likely to be dependent on benefits than the average household; they are twice as likely to be in unsuitable housing than others.

- There is a shortage of accessible housing for disabled people, leading to lack of choice and inappropriate housing. Many who attended the consultation workshops raised the need for more accessible housing and monitoring of 10% criteria for Lifetime.

8.3 The Equalities Impact Assessment of the adopted Croydon Local Plan: Strategic Policies also found the strategic policies overall very supportive of equality groups addressing spatial inequality in the borough, and considering the needs and priorities of all sections of the community by seeking to provide a choice of housing, such as affordable housing to meet people's needs at all stages of life. The supply of suitable new homes is important issue for all groups within society with the supply of affordable housing being beneficial for those with limited means, particularly single people with children, disabled people, young adults and older people. The Croydon Local Plan: Strategic Policies promotes new [affordable] homes with minimum proportions for affordable housing.

9 ENVIRONMENTAL IMPACT

9.1 The environmental impact of the proposed increase to the minimum requirement for the on-site provision of affordable housing outside of the Croydon Opportunity Area were considered as part of the Sustainability Appraisal of the adopted Croydon Local Plan: Strategic Policies.

10 CRIME AND DISORDER REDUCTION IMPACT

10.1 There are no impacts on crime and disorder reduction arising from the recommendations in this report.

11. REASONS FOR RECOMMENDATIONS/PROPOSED DECISION

11.1 Preparation of the Croydon Local Plan: Detailed Policies and Proposals is the only way for the Planning Service to secure a five year supply of housing land in the medium to long term.

12. OPTIONS CONSIDERED AND REJECTED

12.1 There are no alternative options to the timely development of the Croydon Local Plan: Detailed Policies and Proposals.

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BACKGROUND DOCUMENTS: none

APPENDICES

Appendix 1: The Croydon Monitoring Report – Minimum requirement for on-site

provision of affordable housing on sites of ten or more units outside the Croydon Opportunity Area

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