

# City of London

## Draft Planning Obligations Supplementary Planning Document

### ~~Issues and Options~~ Further Options Consultation Paper

July 2013



## CONSULTATION

The City of London Corporation is consulting on Further Options for a Planning Obligations Supplementary Planning Document (SPD).

This consultation is being undertaken alongside consultation on the City's Community Infrastructure Levy Draft Charging Schedule.

A consultation on Issues and Options for a s106 SPD took place between 25<sup>th</sup> March 2013 and 13<sup>th</sup> May 2013. Changes to the draft s106 SPD document have been made in response to the consultation. These changes are highlighted in this document by underline, for new text, and ~~strikethrough~~, for deleted text.

Consultation will be undertaken in accordance with the procedures set out in The Town and Country Planning (Local Planning) (England) Regulations 2012 and the requirements of the City Corporation's Statement of Community Involvement.

Copies of the documents are available:

- Online at: [www.cityoflondon.gov.uk/CIL](http://www.cityoflondon.gov.uk/CIL)
- From the Department of the Built Environment in the Guildhall (at the address given below).
- From public libraries in the City of London.

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All comments will be made public. All those who comment will be informed when the Draft Planning Obligations SPD is published.

If you would like to receive a copy of this publication in an alternative format such as Braille, large print, or audio tape, or would like to receive it in an alternative language, please contact the Development Plans Team on telephone number 020 7332 1710, minicom number 020 7332 3929 or email [localplan@cityoflondon.gov.uk](mailto:localplan@cityoflondon.gov.uk)

যদি আপনি এই ডকুমেন্ট অন্য ভাষায় অনুবাদিত আকারে পেতে চান অথবা যদি আপনি এই তথ্য অন্য ফরমেটে পেতে চান, তাহলে আপনার নাম, ঠিকানা, প্রথম ভাষা এবং কোন ডকুমেন্ট আপনি পেতে আগ্রহী তা জানিয়ে নিম্নের ঠিকানায় লিখুন।

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## INTRODUCTION

1. The legislative basis for s106 planning obligations is contained within the Town and Country Planning Act 1990. The Community Infrastructure Levy Regulations 2010 (as amended) set out three statutory tests for the use of planning obligations, indicating that (Regulation 122):

“A planning obligation may only constitute a reason for granting planning permission for the development if the obligation is-

- (a) necessary to make the development acceptable in planning terms;
- (b) directly related to the development; and
- (c) fairly and reasonably related in scale and kind to the development.”

2. Regulation 123 further indicates that, from 6<sup>th</sup> April 2014, or the adoption of a Community Infrastructure Levy (whichever is sooner), the pooling of contributions from five or more planning obligations towards a specific type or piece of infrastructure will not be permitted<sup>1</sup>. From this date, the Community Infrastructure Levy will be the principal means of generating developer contributions towards new infrastructure provision.
3. A broad definition of infrastructure, for the purposes of CIL funding is set out in the Planning Act 2008 (section 216(2)) and includes:
  - (a) roads and other transport facilities,
  - (b) flood defences,
  - (c) schools and other educational facilities,
  - (d) medical facilities,
  - (e) sporting and recreational facilities,
  - (f) open spaces.
4. CIL Regulation 63 specifically excludes the use of CIL to fund affordable housing, which will continue to be funded through s106 planning obligations.
5. CIL is intended to fund the provision, improvement, replacement, operation or maintenance of capital infrastructure. It is not intended to provide a means of funding revenue projects which are currently funded via s106, e.g. support for training and skills activities. Such projects will continue to be funded via s106.
6. Site specific mitigation to make a development acceptable in planning terms will also continue to be provided through s106 planning obligations.

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<sup>1</sup> In May 2013 the Government consulted on CIL Further Reforms which proposed changing the date from which restrictions on s106 planning obligations would take effect, to April 2015

## **CITY OF LONDON S106 PLANNING OBLIGATIONS SUPPLEMENTARY PLANNING GUIDANCE 2004**

7. The City Corporation adopted Supplementary Planning Guidance (SPG) on Planning Obligations in June 2004. This outlined the City's approach to the negotiation of s106 planning obligations to deliver the planning vision set out in the Unitary Development Plan (UDP) 2002. The local policy framework for planning obligations has been updated with the adoption of the City of London Core Strategy in 2011. Policy CS4 sets out the justification for continued s106 planning obligations and identifies the City's infrastructure priorities. Although the SPG relates specifically to the UDP, it remains a material consideration to which the City Corporation will have regard when determining planning applications.

### Core Strategy Policy CS4: Planning Contributions

To manage the impact of development, seeking appropriate contributions, having regard to the impact of the contributions on the viability of development, by:

1. Requiring contributions on or off site, in kind, or through financial contributions, which address the City of London's priorities, including:

- (i) local community facilities;
- (ii) environmental improvements, including street scene improvements;
- (iii) measures to adapt to climate change or mitigate its impacts;
- (iv) affordable housing delivery;
- (v) transport infrastructure and service improvements;
- (vi) training, skills provision and local procurement in the City and City Fringe.

2. Requiring qualifying development to make an additional contribution to meeting the costs of Crossrail construction in accordance with the provisions of the London Plan.

8. The SPG sets an indicative size threshold for planning obligations from commercial development of 10,000m<sup>2</sup> gross total floorspace provided that there is also a floorspace increase of 2,000m<sup>2</sup> gross or more. Contributions are sought on qualifying schemes at a rate of £70 per m<sup>2</sup>.
9. The SPG identifies the City Corporation's general priorities for planning obligations, setting out an average distribution of planning obligations benefits that is expected:

Type of Benefit	Average Distribution of Planning Obligations
Local community facilities and the environment	50%
Affordable housing provision	30%
Transport improvements	15%
Training and skills provision in the City and City fringe	5%

10. For affordable housing, the Core Strategy, policy CS21 Housing, sets a threshold of a net increase of 10 or more dwellings. For qualifying development provision of 30% on-site affordable housing or 60% off-site equivalent is required. Commuted sum payments are currently based on £151,584 per unit.

## CITY OF LONDON COMMUNITY INFRASTRUCTURE LEVY

11. The City Corporation is preparing a Community Infrastructure Levy (CIL) to replace much of the infrastructure funding mechanism currently provided through s106 planning obligations. Consultation on a CIL Preliminary Draft Charging Schedule took place between March and May 2013 and the City Corporation is now consulting on a Draft Charging Schedule, having taken account of comments received. The Draft Charging Schedule is accompanied by a -has been prepared setting out the proposed level of the CIL, with an accompanying Regulation 123 list identifying the types of infrastructure that the City will seek to fund through CIL, an Infrastructure Delivery Plan identifying the infrastructure required to meet the requirements of the City's Development Plan, and an Economic Viability Study, which considers the combined impact of CIL and s106 planning obligations on development viability in the City.

## NEED FOR PLANNING OBLIGATIONS SUPPLEMENTARY PLANNING DOCUMENT

12. In line with the legislative and regulatory requirements underpinning CIL and s106 planning obligations, the CIL is not able to address developer contributions towards:
- affordable housing
  - revenue contributions, e.g. for training and skills provision and related initiatives.
13. These elements will continue to be funded through s106 planning obligations, alongside any site specific mitigation measures necessary to make a development acceptable in planning terms.
14. Statutory CIL guidance, issued by the Department for Communities and Local Government in ~~December 2012~~ April 2013, states (paragraph 87):

“When a charging authority introduces the Community Infrastructure Levy, section 106 requirements should be scaled back to those matters that are directly related to a specific site, and are not set out in a regulation 123 list. For transparency, charging authorities should have set out at examination how their section 106 policies will be varied ...”

15. An Issues and Options paper, outlining how the City Corporation’s existing s106 Planning Obligations SPG would be scaled back to sit alongside the CIL, was published for consultation alongside the CIL Preliminary Draft Charging Schedule between 25<sup>th</sup> March and 13<sup>th</sup> May 2013.
16. This Issues and Options Paper outlined those elements of developer contributions that would continue to be sought via s106 planning obligations and provided information on the level at which these planning obligations would be sought. By providing this information alongside the CIL Preliminary Draft Charging Schedule, the City Corporation aimed to provide greater certainty to the development industry and others on the combined level of City CIL and s106 planning obligations that would be expected by the City Corporation.
17. No specific comments were received on the proposed level of s106 planning obligations sought or the categories of infrastructure that would continue to be funded via s106. However, a number of comments were made concerning the relationship between the proposed CIL and scaled back s106 and the ability of the City Corporation to adjust s106 rates in response to concerns about the impact of the combined CIL and s106 charge on development viability. These comments are reported in full in the CIL Preliminary Draft Charging Schedule Consultation Statement and have been considered in the context of changes to the CIL documentation.
18. This paper outlines Further Options for scaling back s106 planning obligations following the introduction of CIL. With the exception of revised proposals for the level of cash-in-lieu contribution sought when off-site affordable housing is proposed, no changes have been made to the earlier Issues and Options Paper. The proposals for scaled back s106 planning obligations are repeated in full in this Further Options paper to ensure that respondents to the CIL Draft Charging Schedule are aware of the City Corporation’s proposals for s106 and the likely total combined level of CIL and s106 planning obligations that will be expected.
19. Following this consultation, a full draft Planning Obligations Supplementary Planning Document will be prepared for consultation during autumn 2013. This will be available to inform the CIL Public Examination later in 2013. The Supplementary Planning Document will be adopted alongside the City of London CIL in early 2014.

## **SCOPE OF PLANNING OBLIGATIONS**

20. To address the limitations imposed by the CIL Regulations, s106 planning obligations in the City will be scaled back and used to seek financial and non-financial obligations as set out below. These scaled back obligations have been

taken into account in the Economic Viability Study which underpins the CIL Draft Charging Schedule:

### **Financial Obligations**

#### **a) Affordable Housing from Commercial Development**

21. The current Planning Obligations SPG seeks contributions at 30% of the £70 obligation, equivalent to a rate of £21 per m<sup>2</sup>.
22. Affordable housing contributions are sought from commercial development in the City in accordance with the London Plan which allows the City dispensation from the Mayor's policy requirement for mixed use development to include housing in the Central Activities Zone. This planning obligations approach will need to continue in order to retain the City's predominantly commercial character, while also ensuring that commercial development in the City continues to contribute to affordable housing delivery in London.
23. It is proposed that the SPD continues to seek contributions towards affordable housing from commercial development at a rounded rate of **£20 per m<sup>2</sup>**.

#### **b) Affordable Housing from Residential Development**

24. The Core Strategy, policy CS21, seeks affordable housing contributions from new residential development at a rate of 30% on-site and 60% equivalent off-site.
25. The SPD will provide further guidance on the application of this policy, including the level of commuted sum sought per unit of accommodation where off-site provision is proposed. This is currently set at £151,584 per unit, a figure derived from the former Housing Corporation Total Cost Indicator (TCI) for the City. However, this figure but has not been updated since 2006 the Planning Obligations SPG was adopted.
26. It is proposed that the commuted sum figure be updated to reflect both the previous annual rate of uplift in TCIs applied by the Housing Corporation (5% per annum) and the average rate of house price increase in the City (as measured by the Land Registry). This suggests that the commuted sum should be increased to a figure of **£161,500 per unit**. The methodology underpinning this increase is set out an Annex to this Further Options document.
27. The City Corporation's viability consultants have applied this revised commuted sum figure to the Economic Viability Study underpinning the CIL and conclude that the proposed increase will not impact on the overall viability of residential development in the City of London.

#### **c) Local Training, Skills and Job Brokerage**

28. The 2004 SPG seeks contributions from commercial development for training, skills and job brokerage at 5% of the £70 obligation, equivalent to £3.50 per m<sup>2</sup>.



29. It is proposed that the SPD continues to seek contributions for training, skills and job brokerage at a rounded rate of **£3.00 per m<sup>2</sup>**. Contributions will be sought from both commercial and residential development.
30. The SPD will provide further guidance on how developers should prepare and submit local training, skills and job brokerage strategies.

**d) Site Specific Mitigation**

31. The SPD will identify that s106 planning obligations will be used for site specific mitigation necessary to make a development acceptable in planning terms, in line with the requirements set out in Regulation 122 of the CIL Regulations 2010 (as amended). The nature and amount of contributions under this heading will be determined by the individual circumstances of each development proposal. The City's viability consultants have confirmed that the need for site specific mitigation has been reflected within estimates of construction costs and exceptional costs within the viability modelling underpinning the proposed CIL rate.

**e) S278 Agreements and Highways Works**

32. Section 278 Agreements are legal agreements between a developer and the local authority made under s278 of the Highways Act 1980. The agreements ensure that highways works necessary to make a development acceptable in principle are either undertaken by the developer directly or funded by the developer and implemented by the local authority. As such they are a necessary cost on development and will continue to be sought by the City Corporation in addition to any CIL or scaled back s106 planning obligation.
33. As with site specific mitigation under s106, the level of any s278 Agreement will vary according to the individual circumstances of the development. The City Corporation's viability consultants have confirmed that the potential need for s278 funding is reflected in the overall development costs assumed by the Economic Viability Study and has therefore been taken into account in the viability modelling underpinning the proposed CIL rate.

**f) Crossrail Contributions**

34. The London Plan 2011 (policy 6.5, Funding Crossrail and Other Strategically Important Infrastructure, and policy 8.2, Planning Obligations) require contributions towards the cost of the construction of Crossrail through s106 planning obligations. In April 2013, the Mayor adopted Supplementary Planning Guidance: 'Use of Planning Obligations in the Funding of Crossrail, and the Mayoral Community Infrastructure Levy'. This SPG sets out the requirement for s106 contributions from office, retail and hotel development in the City of London. Contributions are required at a rate of £140 per square metre for office development, £90 per square metre for retail development and £61 per square metre for hotel development. The cost to developers of meeting these requirements has been factored into the viability study underpinning the CIL. These contributions are payable to the Mayor, but collected on his behalf by the City Corporation.

## **Non-Financial Obligations**

35. The SPD will also address the requirements for non-financial planning obligations in support of the City's Core Strategy and emerging Local Plan including, but not limited to, the following.

### **a) Local Procurement Strategy**

36. The City Corporation currently seeks planning obligations on appropriate schemes, requiring developers to prepare a Local Procurement Strategy and use reasonable endeavours to source 10% of goods and services from SMEs in the City or City fringe.

37. The SPD will include further guidance on how this will operate, such as standard wording for obligations.

### **b) Travel Plans**

38. The SPD will set out requirements for the submission and review of travel plans.

### **c) Delivery and Servicing Management Plans**

39. The SPD will set out requirements for the submission and review of Delivery and Servicing Management Plans.

### **d) Sustainability, Zero Carbon and Carbon Offsetting Fund**

40. The SPD will set out requirements for the submission of BREEAM and Code for Sustainable Homes assessments and details of the carbon reduction technology proposed in new development.

41. The Government has set targets to achieve zero carbon emissions in new residential development by 2016 and in new commercial development by 2019. The Government recognises that this may not always be feasible on-site and is setting up a mechanism for 'Allowable Solutions', under which developers who are unable to achieve zero carbon on-site can offset their contributions by making provision for carbon reduction elsewhere. Such provision would be a necessary part of the development process and would be required for the development to be acceptable in planning terms.

42. London Plan 2011, Policy 5.2, requires new development to contribute towards the Mayor's aim to minimise carbon emissions and sets targets for improvements above 2010 Building Regulation requirements. Carbon emission reductions should be delivered on site, but where this cannot be achieved the shortfall must be provided off site or through a cash-in-lieu contribution to the relevant borough to be ring fenced to secure delivery of carbon emission savings elsewhere.

43. The SPD will set out principles for how this will operate in the City and identify the use of s106 planning obligations as a means of delivery. Further information on potential offsetting options will be set out in a separate SPD, including information on the price of carbon, or methodology for calculating the price of carbon, that will be adopted by the City Corporation. Any additional costs arising out of this process will be subject to viability testing alongside the City CIL and

scaled back s106 planning obligations to ensure that there is no adverse impact on the overall viability of development across the City.

**e) Open Spaces**

44. The SPD will set out requirements for the provision and retention of open spaces, including the provision of publicly accessible open space and access ways.

**f) Utility Connections to the Development**

45. The SPD will set out requirements for the provision of details of utility connections to new development.

**g) Wind Audit**

46. The SPD will set out the requirement to submit a Wind Audit Assessment Scoping Report, if required, to the City Corporation for approval.

**h) Television Survey**

47. The SPD will set out the requirement to submit a Television Interference Survey, if required, to the City Corporation for approval.

## **PLANNING OBLIGATIONS THRESHOLDS**

48. The SPD will outline the thresholds that will apply to s106 planning obligations.

### **Affordable Housing from Residential Development**

49. In line with the Core Strategy and the London Plan, affordable housing contributions will continue to be sought on residential schemes where there is a net increase of 10 or more residential units.

### **Commercial Development**

50. S106 planning obligations will be required where there is a net increase in the Gross Internal Area of development of 500m<sup>2</sup> or more.
51. This threshold is in line with that adopted by the Mayor in his 2013 Supplementary Planning Guidance, 'Use of Planning Obligations in the Funding of Crossrail, and the Mayoral Community Infrastructure Levy'.

## **EXEMPTIONS TO S106 PLANNING OBLIGATIONS**

52. The CIL regulations provide a national exemption from CIL for:
- development by charities for charitable purposes;
  - development of social housing.
53. The City of London Draft Charging Schedule proposes setting a nil rate of CIL for:
- development used wholly or mainly for the provision of medical or health services, except the use of premises attached to the residence of the consultant or practitioner;

- development used wholly or mainly for the provision of education as a school or college under the Education Acts or as an institution or higher education;
  - development used wholly or mainly for the operational purposes of the emergency services.
54. The City Corporation is seeking views on whether the proposed SPD should offer exemption from s106 Planning Obligations for the same categories of uses (except for non-financial obligations and those obligations that are necessary to provide site specific mitigation).

## **INDEXATION**

55. S106 planning obligations are currently inflation indexed for the period between committee resolution and payment, but there is no indexation of the headline requirement from the date of publication of the SPG.
56. It is proposed that the s106 planning obligations charge identified in the SPD be inflation indexed from the date of adoption of the SPD to the date of payment. This is a similar approach to that required for CIL.
57. Currently inflation indexation is on the basis of the Baxter Indices published by BCIS, except for Local Training, Skills and Job Brokerage and s106 monitoring costs, where the Consumer Price Index is used. The City Corporation is seeking views on whether these indices should be retained or replaced with the All-in Tender Price Index, used for CIL, or the Consumer Prices index, used for Mayoral planning obligations.

## **ADMINISTRATION AND MONITORING**

58. The City Corporation requires monitoring and administration charges to be applied to s106 planning obligations, currently set at 1% of the agreed s106 payments for monitoring purposes, plus £500 per head of terms.
59. A charge is also applied to cover the Comptroller and City Solicitor's costs in drafting and signing s106 agreements.
60. A further charge is applied to cover the costs of monitoring and administering the collection of contributions towards Crossrail on behalf of the Mayor.
61. The new SPD will retain and review these administration and monitoring charges to ensure that they remain at a level which reflects the actual costs incurred by the City Corporation.

## Evidence Paper

# Updating the figure used in the calculation of cash-in-lieu monies for affordable housing in the City of London

July 2013



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## 1.0 Introduction

- 1.1 The City Corporation's policy on affordable housing was originally contained in the Unitary Development Plan (UDP) which was adopted in 2002. Policy HOUS 8 (Appendix A) sought a proportion of affordable housing in accordance with Strategic Guidance. In situations where off-site cash-in-lieu was accepted instead of affordable units, a formula for calculating the required cash-in-lieu amount was set out in the Planning Obligations Supplementary Planning Guidance (SPG) 2004 (Appendix B). The affordable housing section of the SPG became defunct in 2011 upon the adoption of the City of London Core Strategy.
- 1.2 The formula in the SPG stated that payments in lieu of on-site affordable housing were to be calculated using the Total Cost Indicator (TCI), published by the Housing Corporation. This estimated the cost of enabling a new affordable unit in central London as £151,584 and included land costs, build costs and other associated costs. This calculation assumed no government grant was involved.
- 1.3 The City Corporation's affordable housing policy is now contained in Policy CS21 of the Core Strategy, with amendments set out in the emerging City of London Local Plan (Appendix C). Policy CS21 seeks to ensure that sufficient affordable housing is provided to meet the City's housing needs, with residential developments of 10 or more units providing 30% affordable housing on-site. In exceptional circumstances 60% of housing off-site may be provided, or equivalent cash-in-lieu.

## 2.0 Methodology

- 2.1 The Housing Corporation stopped updating the TCI figures in 2006. The TCI figures (and the Housing Corporation) are now defunct. Local authorities have subsequently dealt with this change by updating the TCI figures using their own methodologies.
- 2.2 There is no Government or widely recognised guidance, as to how affordable housing contributions should be calculated or set.
- 2.3 The City Corporation has not updated its TCI figure since 2005 due to uncertainty over plan making in the light of changing Government guidance on planning matters.
- 2.4 The City Corporation encompasses a very small geographical area with extremely high land and housing prices. The City is unique amongst local authorities in that the majority of its affordable housing contribution is achieved through cash-in-lieu payments, which are pooled and used to enable housing in neighbouring boroughs. Officers have found that in practice a TCI figure in cash-in-lieu calculations can act simply (and positively) as a starting point for negotiations rather than necessarily being the precise route through which final contributions are rigidly calculated and agreed.
- 2.5 In practice there are many ways of reaching and justifying particular figures in calculations for cash-in-lieu contributions. It was felt that a simple method which required minimal resourcing and updating would be suitable for the City's context.
- 2.6 Some local authorities have updated their TCI figure by having reference to changes in development land values and build costs in their area. This would involve calculating how much it would cost to go elsewhere and replace the land on which the affordable housing would have been provided on-site. There are however difficulties in devising a simple and timely method of tracking land value price changes over time. For this

reason it has been decided to track house price inflation as the adopted methodology for updating the City Corporation’s cash-in-lieu figures, rather than land value inflation.

2.7 The key factors of an appropriate approach to updating the City’s contribution figure include:

Clarity	Certainty for developers, landowners, their advisors and others when looking at opportunities and exploring scheme feasibility
Usability	Ease of explanation, calculation and understanding
Viability	Meaningful contributions without protracted negotiations delaying applications that don’t harm viability of schemes
Simplicity	Simple to monitor and review/update

2.8 In seeking to meet these key, factors officers first considered whether it would be possible to set a fixed commuted sum per additional market dwelling, which would not be subject to individual scheme viability testing and which would then be pooled to enable affordable housing to be built outside the City, as some central London authorities have done. On balance it was felt that whilst this might be simple and remove the need for viability studies and negotiations, it would not offer any proportionality. Dependant on where the standard level of contribution were set, smaller or lower value dwelling types might be stretched for viability in some cases whilst larger schemes/dwelling types might effectively under-pay. It was difficult to envisage an equitable approach founded on such a basis, especially one that would reliably produce meaningful housing contributions.

2.9 It was therefore considered appropriate to retain the current approach which specifies an amount of money in lieu of on-site housing provision, based on local house prices, which is payable on a proportion (60%) of units, subject to an assessment of the impact on viability.

2.10 All figures have been rounded down.

### 3.0 Findings

3.1 Between 2002 and 2005 the Housing Corporation updated the TCI by 16% or on average by 5% each year. The figure of £151,584 has not been updated since.

Year	TCI for City of London (£)	% increase
2002	129, 800	
2003	132, 400	2
2004	141,668	7
2005	151,584	7

3.2 The City Corporation aims to uplift the 2005 figure by referring to house price inflation. There are various sources of house price data. The most robust source for a small geographical area such as the City of London are the figures produced by HM Land Registry. The Land Registry dataset captures changes in the value of residential



properties using sales data collected on all residential housing transactions in England and Wales.

3.3 The following table shows house price inflation in the City since 2000.

Year	Average house prices (£)
2000	191,498
2001	237,950
2002	200,769
2003	312,000
2004	292,000
2005	290,000
2006	375,376
2007	480,576
2008	413,779
2009	225,224
<b>2010</b>	<b>516,875</b>
<b>2011</b>	<b>537,559</b>
<b>2012</b>	<b>532,976</b>

3.4 The table shows considerable house price variation between 2005 and 2009, in part due to the low sample size (numbers of transactions) which underpins the data. The table also shows the significant increase in house prices in the City since 2009. The City is part of a prime residential market which has seen dramatic price increases in recent years. Prime central London house prices have increased dramatically since 2009 with the “prime” end of the market resisting the volatility in demand and price stagnation that is evident elsewhere in Greater London and the rest of the U.K. Factors fuelling these price rises during the economic downturn include demand from overseas buyers, limited supply, and the perception that prime areas of London are a ‘safe haven’ for investment.

3.5 It is expected that the prime residential market will remain buoyant in the short to medium term despite changes in the tax regime or charges levied against prime properties and a downturn in financial services in the City.

3.6 Due to the volatility in prices recorded by the Land Registry prior to 2009 and the significant increase between 2009 and 2010, it was decided to use inflation in house prices between 2010 and 2012 as the basis for the calculation of the increase in the cash-in-lieu figure.

3.7 The housing inflation rates for the City are outlined below:

Source	Location	Period	Starting value (£)	End value (£)	% growth
HM Land Registry	City of London	24 months from December 2010 to December 2012	516,875	532,976	3.1

3.8 Applying the 3.1% growth rate in house prices would result in the following TCI uplifts:

Period	Base figure (£)	Inflation figure	Figure for 2011/12 (£)
2005 TCI figure increased by 24 months price inflation covering the period December 2010 to December 2012	151,584	3.1%	151,584 + 4,699 ----- <b>156,283</b>

3.9 If the TCI was increased by 5% based on the previous yearly uplift by the Housing Corporation each year the results would be as follows:

Period	Base figure (£)	Inflation figure	Figure for 2011/12 (£)
2005 TCI figure increased by 24 months by 5% per year covering the period December 2010 to December 2012	151,584	10%	151,584+ 15,158 ----- <b>166,742</b>

3.10 It was decided to take a blended average of both the inflation figures based on house prices and previous TCI inflation to calculate a revised figure to be used in affordable housing calculations.

Period	Base figure (£)	Inflation figure	Figure for 2011/12 (£)
2005 TCI figure increased by 24 months by 6.5% covering the period December 2010 to December 2012	151,584	3.1% + 10% ----- 13.1 ÷ 2 ----- 6.5%	156,283 + 166,742 ----- 323,025 ÷ 2 ----- <b>161,512</b>

## 4.0 Recommendation

- 4.1 Based on the preceding analysis it is recommended that the TCI figure of £151,584 is updated to a rounded figure of **£161,500** to reflect the increase in house prices since 2010. The figure should be updated on the 1<sup>st</sup> of April each year based on the December house price figures as compiled by the Land Registry. December figures are not available until the end of March.
- 4.2 If house prices in the City of London decrease, consideration will be given to whether the decrease is part of a long term trend and a decision made as to whether the contribution figure should be decreased.

## 5.0 Equalities Impact

- 5.1 Equalities Impact Assessments are required for any new policy or procedure to ensure the impacts of the change do not unfairly discriminate against any equalities group. Updating the contribution figure to increase it will benefit those equalities groups who may find it more difficult to access suitable housing as an increased amount of cash-in-lieu monies will be raised which will enable more affordable housing to be built.

## Appendix A: Unitary Development Plan 2002

### POLICY HOUS 8

**To seek a proportion of affordable housing in accordance with Strategic Guidance. Affordable housing will be located in suitable locations which are predominantly residential or mixed use in character.**

- 3.31 The importance of providing housing for people on lower and middle incomes is emphasised in Strategic Guidance. Planning Policy Guidance Note No. 3 states that a community's need for affordable housing is a material planning consideration which may properly be taken into account in development plans. Circular 6/98 gives detailed guidance on affordable housing and encourages local authorities to adopt an enabling role, to ensure that everyone in their area is adequately housed, but not necessarily by the authorities themselves.
- 3.32 The provision of affordable housing in or near central London is particularly important because of the general shortage of low cost and rented accommodation. This shortage will create particular problems for people who need to live in or near the City because, for example, they need to be close to their work place or are part of a local community. Furthermore, private housing in the City, including the Corporation's Barbican estate is available mainly to higher income groups.
- 3.33 Where housing is provided in accordance with policies HOUS 1 and HOUS 2, the Corporation will seek the provision of affordable housing in suitable locations which are predominantly residential or mixed use in character (see paragraphs 3.2 and 3.15). If up-to-date evidence shows that there is a demonstrable lack of affordable housing in the City, the Corporation will seek an appropriate proportion of affordable housing in developments of 15 or more dwellings, or residential sites of 0.5 of a hectare or more, irrespective of the number of dwellings. Affordable housing means that which is accessible to people whose incomes are insufficient to enable them to afford adequate housing locally on the open market. It includes "social", rented or shared ownership housing provided by housing associations or local authorities.
- 3.34 In order to ensure that affordable housing remains permanently available, developers will be encouraged to enter into agreements with the Corporation in accordance with policy IMP 3, chapter 13: Implementation and Monitoring, to enable another body such as a housing association or a housing trust to build, purchase or manage affordable dwellings.
- 3.35 The Corporation recognises that due to high land values it is often difficult to achieve affordable housing within housing development sites. As land within the City is a limited resource, the Corporation has for centuries provided public housing on sites throughout contiguous boroughs and has, more recently enabled a number of affordable housing schemes to be built outside the City, using Corporation funds. In return for its financial support the Corporation receives a number of nomination rights. This system allows more affordable housing to be provided due to the lower land costs outside the City's boundaries and ensures that people on the City's housing list are accommodated. In this way any existing links that people have with the City, such as jobs or family relationships, can be maintained as the housing is developed near the City's boundaries. Similarly, where it is not possible to accommodate affordable housing within private developments it should be provided in appropriate fringe areas of the City and its environs.

## **Appendix B: Planning Obligations Supplementary Planning Guidance**

### **(Appendix 1: Affordable Housing)**

1. Government guidance (PPG3 and Circular 6/98) advises planning authorities to seek a proportion of affordable housing on residential sites larger than 0.5 hectares or 15 or more units where there is a demonstrable need for affordable housing. The Corporation's Housing Strategy Statement, which includes a detailed analysis of housing supply and demand in the City, concludes that there is a clear need for additional affordable housing in the City or City fringes. The London Housing Statement 2002 and the London Housing Strategy 2003 also comment that London as a whole faces a severe shortage of affordable housing which is hampering the recruitment of key workers, especially in the public services. Therefore, there is recent evidence of the need for more affordable housing which the Corporation will seek in accordance with UDP policy HOUS8. Planning obligations can play a role in achieving the provision and ensuring the long-term availability of affordable housing through management and nomination agreements.
2. Government guidance suggests criteria which should be taken into account when considering the suitability of a site for affordable housing. These include the site size, proximity to transport and services, exceptional costs such as unexpected contamination, and whether affordable housing on a site would prejudice the realisation of other planning objectives. The UDP 2002 states that suitable locations for affordable housing would be predominantly residential or mixed use in character. In practice these areas are mostly located around the fringes of the City away from the main commercial core.
3. The Mayor's London Plan sets a strategic target that 50% of new housing provision should be affordable (35% social renting and 15% intermediate housing including shared ownership and key worker renting). The London Plan also suggests that office developments in the Central Activities Zone should normally be mixed use including housing on-site, though he accepts that increased emphasis on mixed use will not apply in parts of the City where such a mix would demonstrably undermine strategic policy for other development. In such areas the Mayor suggests that off-site provision of housing on suitable land will be required as part of a planning agreement. Therefore the Mayor is recognising that cash-in-lieu for off-site affordable housing provision could be a suitable planning obligation from City office developments.
4. London Plan policy 3A.7 advises that UDP policies should set an overall target for affordable housing provision for their area based on an assessment of all housing needs and a realistic assessment of supply. In setting targets boroughs should take account of regional and local assessments of housing need, the Mayor's 50% strategic target, and the promotion of mixed and balanced communities. London Plan paras 3.41-42 also advise that boroughs should take account of economic viability and recognises that some sites will not be capable of meeting the 50% strategic target. The Mayor states that he wishes to encourage and not restrain residential development and advises that boroughs should take a reasonable and flexible approach on a site-by-site basis. Therefore the Mayor recognises that there is scope for local discretion in implementing his strategic target for affordable housing provision.
5. The flexible approach advocated in the London Plan is relevant to the local circumstances of the City. Insistence on 50% affordable housing provision could lead to developers opting to provide non-housing uses, which may be more profitable, instead. Therefore a lower proportion of on-site affordable housing or cash-in-lieu for off-site provision is likely to be more appropriate to the circumstances of most proposed housing sites in the City. This approach is more likely to encourage some provision of additional affordable housing and is consistent with the Mayor's comment, stated in London Plan para 3.42, that his 50% strategic target is intended to encourage, not restrain residential development.
6. UDP policy HOUS8 states that the Corporation will seek a proportion of affordable housing in accordance with Government guidance. This SPG supplements that policy by indicating the proportion that will be sought. For City housing sites considered suitable for affordable housing, the Corporation will seek 25% of the units on-site to be affordable (leading to a market:affordable ratio of 3:1). If no affordable housing is proposed on-site then the Corporation is expecting to

maintain the ratio of 3:1 for total units provided on and off-site. Therefore the number of off-site affordable housing units should equate to 33% of the market units provided on-site. This could be in the form of direct provision of affordable units off-site or cash-in-lieu which is sufficient to fund the affordable housing units off-site. The higher number of affordable units expected off-site reflects the increased value for the developer that would result from all units on the facilitating development being market units. Viability figures provided by the developer should assume that no social funding from the Housing Corporation or the Corporation of London will be available for the development of affordable housing.

7. When calculating the appropriate cash-in-lieu contribution to be sought from a housing developer for off-site affordable units regard will be had to the 33% affordable units figure and to the Housing Corporation's periodically updated total cost indicator for the type of units being proposed. The Housing Corporation's total cost indicator for 2004-05 and 2005-06 is £141,668 per 1-bedroom unit (45-50 square metres in size). Therefore, for example, provision of 24 1-bedroom market units on-site would generate an expectation of 8 affordable units off-site. This could be met by a cash-in-lieu contribution in 2004-05 of approximately £1.1 million (8 times £141,668). The figures given are an example only and will be subject to periodic review.

## **Appendix C: Draft Local Plan (January 2013)**

### **Policy CS21: Housing**

To protect existing housing and amenity and provide additional housing in the City, concentrated in or near identified existing residential areas communities, as shown in Figure 24 Z, to meet the City's needs, securing suitable, accessible and affordable housing and supported housing, by:

1. Exceeding the London Plan's minimum annual requirement of 110 additional residential units in the City up to 2026:
  - (i) guiding new housing development to and near identified residential areas existing communities;
  - (ii) protecting existing housing;
  - (iii) refusing new housing where it would prejudice the primary business function of the City and the comprehensive redevelopment of potential large office sites;
  - (iv) exceptionally, allowing the loss of isolated residential units where there is a poor level of amenity.
2. Ensuring sufficient affordable housing is provided to meet the City's housing need and contributing to London's wider housing needs by requiring residential developments with the potential for 10 or more units to:
  - (i) provide 30% affordable housing on-site or;
  - (ii) exceptionally, provide 60% equivalent of affordable housing units offsite, (aiming to achieve an overall target of 30% affordable housing across all sites). These targets should be applied flexibly, taking account of individual site and scheme viability; or equivalent cash-in-lieu, if a viability study demonstrates to the City Corporation's satisfaction that on-site provision is not viable. These targets should be applied flexibly, taking account of individual site and scheme viability;
  - (iii) provide 60% of affordable units as social rented housing and 40% as intermediate housing, including key worker housing.
3. Providing affordable housing off-site, including the purchase of existing residential properties on the open market to meet identified housing needs, such as large units for families.
4. Requiring all new and, where possible, converted residential units to meet Lifetime Homes standards and 10% of all new units to meet Wheelchair Housing Standards (or be easily adaptable to meet these standards).