
Decision Maker: DEVELOPMENT CONTROL COMMITTEE
EXECUTIVE

Date: Thursday 21st June 2018
Wednesday 11th July 2018

Decision Type: Non-Urgent Executive Non-Key

Title: LB BROMLEY LOCAL INTERMEDIATE HOUSING INCOME
THRESHOLD REVIEW

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Chief Officer: Chief Planner

Ward: (All Wards)

1. Reason for report

This report seeks Members agreement to raise the existing local income thresholds for 1-3 bedroom units for intermediate housing to reflect changes primarily in house prices over the past 3 years (increases of 40% on average for one and two bedroom units in lower quartile house prices).

Intermediate housing can be defined as sub-market housing available to people on moderate incomes who cannot afford to buy or rent housing generally available on the open market. Intermediate housing may take the form of shared ownership, low cost home ownership or sub market rented housing.

2. **RECOMMENDATION(S)**

(i) **That Development Control Committee recommends to Executive that:**

the amended local upper limit intermediate housing (intermediate ownership) household income thresholds for 1, 2 and 3 bedroom units be as follows:

1 bedroom units £55,000

2 bedroom units £68,800

3 bedroom units £73,400

4 bedroom units apply GLA household upper limit of £90,000 to 4 bedroom units (intermediate ownership);

(ii) **GLA household upper limit of £60,000 applies to intermediate rent products;**

(iii) **the amended Addendum to accompany the Council's Supplementary Planning Documents on Affordable Housing (2008) and Planning Obligations (2010) be as attached at Appendix 2 and 3 of this report.**

Impact on Vulnerable Adults and Children

1. Summary of Impact: N/A
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Corporate Policy

1. Policy Status: Existing Policy:
 2. BBB Priority: Children and Young People Excellent Council Quality Environment Supporting Independence Vibrant, Thriving Town Centres Regeneration Not Applicable:
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Financial

1. Cost of proposal: No Cost:
 2. Ongoing costs: N/A
 3. Budget head/performance centre: N/A
 4. Total current budget for this head: £N/A
 5. Source of funding: N/A
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Personnel

1. Number of staff (current and additional): N/A
 2. If from existing staff resources, number of staff hours: N/A
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Legal

1. Legal Requirement: Non-Statutory - Government Guidance:
 2. Call-in: Not Applicable:
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Procurement

1. Summary of Procurement Implications: N/A
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Customer Impact

1. Estimated number of users/beneficiaries (current and projected): N/A
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Ward Councillor Views

1. Have Ward Councillors been asked for comments? No
2. Summary of Ward Councillors comments: N/A

3. COMMENTARY

Background

3.1 Local intermediate housing income thresholds currently exist for new 1-3 bedroom intermediate housing units in the Borough. There are also thresholds set by the GLA that apply London-wide (for details see paragraphs 3.4 – 3.8 below). The local thresholds help to ensure that the intermediate housing units can be accessed initially by people on lower incomes compared to applying the London-wide thresholds from the outset.

3.2 It is considered that there is a need to review the Council's existing local intermediate housing income thresholds to ensure current local house prices are adequately reflected. The Council's Supplementary Planning Documents on Affordable Housing and Planning Obligations specify that the figure will be reviewed regularly. The existing income thresholds are as follows:

1 bedroom units, £38,500

2 bedroom units, £50,500

3 bedroom units, £62,500

4 bedroom units – existing Greater London Authority limit applies of £90,000 for intermediate ownership and £60,000 for intermediate rent products.

The proposed income thresholds are as follows:

1 bedroom units, £55,000

2 bedroom units, £68,800

3 bedroom units, £73,400

4 bedroom units, existing Greater London Authority limit applies of £90,000 for intermediate ownership and £60,000 for intermediate rent products.

3.3 The proposed income thresholds were derived using a similar calculation to that used in 2015 for the existing thresholds. In summary, the proposed income thresholds were calculated using the following methodology:

(i) to establish upper limit gross income thresholds it was considered that finding the midpoint between social-rented capitalized values for different sized units (1-4 bedrooms) and lower quartile house prices for different sized units was appropriate;

(ii) social-rented capitalized values were uplifted (to reflect increases in house prices) from 2014 to 2017 by increasing the values by 10% for years 2013/14 and 2014/15 (based on information from Home.co.uk). For 2015/16 and 2016/17 an uplift of 6% was used based on information from the Office for National Statistics;

(iii) the midpoint between the resultant social-rented capitalized values and the lower quartile house prices was then found and divided by 3.5 to help establish the gross income needed to access the units.

(iv) the above figures are included in Table 1 below.

3.4 An example for 1 bedroom units is as follows:

Midpoint of £145,335 (2017 social-rented capitalized value) and £240,000 (lower quartile house price) = £192,667. The latter figure divided by 3.5 results in a gross income threshold of £55,047.

- 3.5 The Draft Local Plan (2017) sets out the existing thresholds in paragraph 2.1.35. A minor modification to this paragraph is proposed that states:

“Intermediate housing income thresholds will be updated every three years”.

In light of the fact that the existing thresholds were agreed in 2015 it is considered that they are in need of updating.

Policy Context

National Planning Policy Framework (March 2012) (NPPF)

- 3.6 To deliver a wide choice of high quality homes, widen opportunities for home ownership and create sustainable, inclusive and mixed communities, local planning authorities should:

“Where they have identified that affordable housing is needed, set policies for meeting this need on site, unless off-site provision or a financial contribution of broadly equivalent value can be robustly justified (for example to improve or make more effective use of the existing housing stock) and the agreed approach contributes to the objective of creating mixed and balanced communities. Such policies should be sufficiently flexible to take account of changing market conditions over time” (paragraph 50, bullet 3).

The London Plan (2016) and GLA Homes for Londoners Affordable Housing and Viability SPG (2017)

- 3.7 The definition of affordable housing within Policy 3.10 states that affordable housing is social-rented, affordable rented and intermediate housing provided to eligible households whose needs are not met by the market. Eligibility is determined with regard to local incomes and local house prices. Paragraph 3.61 specifies that intermediate housing should meet the criteria outlined in Policy 3.10 and be homes available for sale or rent at a cost above social rent but below market levels. These can include shared equity other low cost homes for sale and intermediate rent, but not affordable rent. Households whose annual income is in the range of £18,100 - £66,000 should be eligible for new intermediate homes. For homes with more than two bedrooms, which are particularly suitable for families, the upper end of this eligibility range will be extended to £80,000. These figures will be updated annually in the London Plan Annual Monitoring Report.
- 3.8 Paragraph 3.62 specifies that eligibility criteria for intermediate housing may be set locally to recognise the individual characteristics of local housing markets but should not compromise Policy 3.11 to maximise affordable housing provision. If boroughs wish to set eligibility criteria below the levels set out above planning conditions or agreements should secure them at the reduced levels for no more than three months from the point of initial marketing (whether that be when new or at re-sale or re-let) and they should then be offered without further restrictions to those who meet the London-wide eligibility criteria as set out in the London Housing Strategy.
- 3.9 The GLA Homes for Londoners Affordable Housing and Viability SPG (2017) makes reference to intermediate products including London Living Rent and / or shared ownership being the default tenures assumed in this category (paragraph 2.40).
- 3.10 The latest update set out in the GLA 2015/16 London Plan Annual Monitoring Report (LPAMR, 2017) sets the upper threshold at £90,000 for intermediate ownership products and £60,000 for intermediate rented products. For information paragraphs 3.62 – 3.63 of the LPAMR specifies that:

“3.62 Therefore from April 2017 the costs, including service charges of intermediate ownership products such as London Shared Ownership and Discounted Market Sale (where they meet the NPPF and London Plan definition of affordable housing) , should be affordable to households on incomes of £90,000 or less. From April 2017 the costs, including service charges for all intermediate rented products (including London Living Rent, Discounted Market Rent, Affordable Private Rent and Intermediate Rent) should be affordable to households on incomes of £60,000 or less.

3.63 For dwellings to be considered affordable, annual housing costs, including mortgage (assuming reasonable interest rates and deposit requirements), rent and service charge, should be no greater than 40% of net household income, based on the household income limits set out above. Further guidance is provided in the draft Affordable Housing and Viability SPG.”

3.11 Paragraph 3.64 of the LPAMR expands on the above specifying that:

“3.64 Local planning authorities should seek to ensure that intermediate provision provides for households with a range of incomes below the upper limit, and provides a range of dwelling types in terms of a mix of unit sizes (measured by number of bedrooms), and that average housing costs, including service charges for Shared Ownership and Discounted Market Sale are affordable by households on annual incomes of £56,200 pa. On this basis, average housing costs, including service charges, would be about £1,311 a month or £303 a week (housing costs at 40% of net income, net income being assumed to be 70% of gross income). For intermediate rent products average housing costs, including service charges should be affordable by households with an annual incomes of £41,200, resulting in housing costs of £11,536 a year or £961 a month and £222 a week.”

2015-18 GLA Housing Investment Programme

3.12 The Council agreed with the GLA the inclusion of the following clause within its 2015-18 GLA Programme which refers to local affordability criteria and thus, will be applicable to any scheme within a Registered Provider GLA programme during this timescale:

“The borough will expect intermediate units to adhere to local affordability criteria set out within local planning guidance (currently under review). These criteria will cascade, pan London, to London Plan affordability levels after 6 months of exclusive marketing to Bromley residents. All homes must be marketed at least 9 months before completion.

The provider of the shared ownership units will be required to notify the Council’s Housing Needs team of the availability of units 4 weeks in advance of the exclusive Bromley marketing period and to provide detailed marketing literature that may be placed on the Council website”.

3.13 Any schemes included within the above Programme/Framework would need to adhere to the above clause. The clause would also need to be included within relevant S106 agreements.

Homes for Londoners Affordable Homes Programme 2016-21 Funding Guidance (November 2016)

3.14 With reference to the above 2015-2018 Programme, this has been replaced by the 2016 – 2021 Programme. The above clauses are now included in the 16-21 Programme and will need to be reflected in relevant S106 agreements. They are subject to any local criteria level review.

Affordable Housing (2008) and Planning Obligations (2010) Supplementary Planning Documents (SPDs)

3.15 An addendum attached at Appendix 2 should accompany the above SPD's to set out the revised thresholds.

Review of LB Bromley Local Intermediate Housing Affordability Threshold

3.16 To establish an upper limit gross income threshold for intermediate housing (for intermediate ownership products) it is considered that finding the midpoint between social-rented unit capitalised values (Strategic Housing Market Assessment 2014, uplifted from 2013) and lower quartile house prices (November 2016, Southwark Housing Market Trends Bulletin 54, Table 5B, February 2017) would be appropriate (see Table 1 below) to establish a value upon which to work out the income level.

3.17 Social rented capitalised values (SHMA 2014) were used as a basis and then uplifted. An uplift of 10% was used for 2 years from 2014 – 2015 (2013/14 and 2014/15) based on information from Home.co.uk . For 2016 – 2017 an uplift of 6% was used for 2 years (2015/16 and 2016/17) based on information from the Office for National Statistics (house price index reports).

	Social rented units (SHMA 2014)	Social rented capitalised value uplifted from 2014 - 2017	Lower quartile house prices (Southwark Housing Bulletin February 2017)	Midpoint between social rented capitalised uplifted values and lower quartile house prices
1 bed unit	<£106,900 capitalised value	£145,335	£240,000	£192,667
2 bed unit	<£133,700 capitalised value	£181,771	£300,000	£240,885
3 bed unit	<£142,600 capitalised value	£193,871	£320,000	£256,935
4 bed unit	<£151,500 capitalised value	£205,971	£419,496	£312,733

Table 1: Price thresholds used for the affordability calculation (SHMA 2014, UPLIFTED) and Lower quartile house prices (Southwark Housing Bulletin 54, February 2017)

3.18 The mid-point values can then be divided by 3.5 to establish the gross income that would be needed to access the units. Additionally, the GLA advise that for dwellings to be considered affordable, annual housing costs, including mortgage (assuming reasonable interest rates and deposit requirements), rent and service charge, should be no greater than 40% of net household income. The annual household income required to access the units (based on the above) is set out below:

- 1 bedroom £55,047 (£192,667 / 3.5 = £55,047), 40% net income = £1322 / month
- 2 bedroom £68,824 (£240,885 / 3.5 = £68,824), 40% net income = £1574/month
- 3 bedroom £73,410 (£256,935 / 3.5 = £73,410), 40% net income = £1670/month
- 4 bedroom £89,352 (£312,733 / 3.5 = £89,352)

3.19 The GLA upper limit of £90,000 is considered applicable for 4+ bedroom units in light of the fact that the annual income threshold is calculated at £89,352.

3.20 The table attached to this report in Appendix 1 illustrates that current share to buy units could be accessed on the suggested income ranges based on 40% net income being available for annual housing costs, including rent and service charges.

3.21 To reflect the advice in the LPAMR in relation to intermediate rent products it is considered that using the GLA threshold of £60,000 is most appropriate (as opposed to using the individual annual income thresholds set out above for intermediate ownership products that range from £55,047 - £73,410). This will allow the units to be more accessible to households on incomes up to £60,000.

Involvement from Registered Providers

3.22 Registered Providers were informed of the general approach taken when the previous thresholds were established in 2015. In light of the fact that the approach has not changed further consultation has not been undertaken for this review.

4. POLICY IMPLICATIONS

4.1 Any changes to the intermediate income thresholds as set out in this report would need to be taken into account in the negotiation of S106 agreements for planning applications proposing affordable housing. The thresholds can be set out in an Addendum and attached to the Affordable Housing SPD (2008) and the Planning Obligations SPD (2010).

5. LEGAL IMPLICATIONS

5.1 Any change to the local intermediate income threshold would need to be reflected in any future legal agreements. If the threshold is not reviewed there is likely to be an increase in deeds of variations on a case by case basis.

Non-Applicable Sections:	Impact on Vulnerable Children and Adults Personnel Procurement Financial
Background Documents: (Access via Contact Officer)	2006 Unitary Development Plan SPDs on Affordable Housing (2008) and Planning Obligations (2010) Sub regional SHMA 2014 National Planning Policy Framework (March 2012) The London Plan (2016) GLA Annual Monitoring Report 2017 Homes for Londoners Affordable Housing and Viability SPG 2017 2015-18 GLA Framework/Programme Homes for Londoners Affordable Homes Programme 2016-21 Funding Guidance Southwark Housing Market Trends Bulletin 54, February 2017 House Price Index reports – Office for National Statistics Data from home.co.uk in relation to house price increases 2013/14 and 2014/15 Share to buy website (providing details of Borough intermediate schemes) www.sharetobuy.com/sharedownershipproperties