

April 2011 – March 2012

Provision of Affordable Housing

**Technical data to support the SPD
Planning Obligations (April 2008)**

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1. Local Affordability Levels

- 1.1 To assess affordability, both house prices and incomes have been taken into account to ensure that local households have the ability to access the properties being delivered. The figures provided will be updated on an annual basis to ensure that the data remains up to date.
- 1.2 The preferred measure for house price affordability is the ratio of lower quartile house price to lower quartile earnings. These ratios are published annually on the DCLG (Department for Communities and Local Government) web site. For 2009, the ratio for Herefordshire was 8.5 which was the worst affordability ratio out of the 14 West Midlands Authorities (unitaries, counties and metropolitan boroughs). The ratios range from 3.7 (Stoke on Trent) to 8.5 (Herefordshire). Therefore there will be a greater reliance to provide subsidised housing through working in partnership with Registered Social Landlords’.
- 1.3 In this document the term ‘market price’ refers to the average house prices which are reported in the Quarterly Economic Report published by the Herefordshire Partnership in conjunction with the Council (accessed via www.herefordshire.gov.uk/factsandfigures). This data is derived from statistics received from HM Land Registry.
- 1.4 The average (median) prices in Herefordshire, across all property types, for the period July – September 2010 was £190,000 (Land Registry figures published by DCLG¹).
- 1.5 To ensure that local people are able to access the housing market, it was considered appropriate to make assumptions on incomes and the likely occupancy of the various sizes of property.

2. Earnings

- 2.1 Figures on Herefordshire earnings are given by ASHE (Annual Survey of Hours and Earnings), sampled annually in April, and published annually by the Office for National Statistics in November. The median gross annual earnings for a full time worker on adult rates in Herefordshire in 2010 is given as **£19,851** (That is, 50% of workers earn more than this figure, and 50% earn less). In assessing affordable house prices for the County, the following assumptions have been made based on research with Mortgage Lenders:
 - The purchaser will obtain a 90% mortgage.
 - Where there is one earner in the household, the amount borrowed will be 3.5 times his/her gross earnings. This is the multiplier recommended by the DCLG in their document “Strategic Housing Market Assessments –

¹ DCLG states that this figure is provisional, i.e. it could be subject to slight change. The latest available figure which is not marked as provisional is a median price of £195,000 for the period April-June 2010.

Practice Guidance” dated March 2007. It is also backed up by current information obtained from mortgage calculators available on-line e.g. <http://www.guardian.co.uk/money/property>.

- Where there are two earners in the household, the amount borrowed will be 2.9 times their joint gross earnings. This is the multiplier recommended by the DCLG guidance as referenced above, and is also backed up by current web-site information, as above. A further assumption is that where there are 2 earners, the second earner works part time, earning half the full time amount (*census figures for Herefordshire show that in families with dependant children where there are 2 earners, in nearly three quarters of cases the second earner works part time*).
- However, where the dual earners are seeking 3 bed accommodation an assumption has been made that through natural progression, applicants are better able to secure a larger deposit. Therefore, calculations for 3 bed have been based on a 20% deposit.

2.2 Based on this information, the following occupancy assumptions will be made when considering the affordability of individual developments.

- 1 bed Single-earner household with 10% deposit.
- 2 bed Dual earner household with 10% deposit.
- 3 bed Dual earner household with 20% deposit.

3. Affordability

3.1 Using the assumptions in 2 and based on the median incomes as at April 2010.

- A single-earner household could afford to buy a dwelling priced at £77,000.
- A dual-earner household (first time buyer) could afford to buy a dwelling priced at £96,000.
- A dual-earner household (moving up to a 3 bed house) could afford to buy a dwelling priced at £108,000.

4. Low Cost Market Housing

4.1 Where it is considered appropriate to provide low cost market housing, the assumptions in 1 - 3 above will apply. Therefore, any discount should be sufficient to meet local housing needs. Where it is agreed between the developer and the council that the level of discount would not enable a viable scheme, alternative affordable housing options will need to be provided i.e. subsidised housing. It should be noted that no grant will be available to subsidise a scheme of this nature.

4.2 Where Low Cost Market Housing is provided, the house type should be developed to no less a standard than other market housing types being provided on the development.

- 4.3 As the sale price has regard to house prices and earnings, it is considered that this falls within the government definition of Intermediate Housing as outlined in PPS3.

5. Rented or Intermediate Housing

- 5.1 Where RSL's are providing dwellings available for social rent, these rents are seen to be rents that are within the Homes and Communities Agency (HCA) Guidelines for the County. An indication of affordable rents can be obtained by contacting the preferred RSL partners of the Council. The Council's expectation is that these rents will not exceed the guideline target rents as determined through the national rent regime².
- 5.2 Where RSL's are providing dwellings available for affordable rent, the housing provided will have the same characteristics as social rented housing except that it is outside the national rent regime, but is subject to other rent controls that require it to be offered to eligible households at a rent of up to 80 per cent of local market rents³.
- 5.3 To ensure that developments are sustainable and provide a range of housing to meet various needs, subsidised housing in the form of shared ownership will be encouraged where the housing costs do not exceed 30% of the gross earnings using the assumptions in 1 – 3 above. Should this figure of 30% be exceeded, the subsidised housing (for rent) will be requested.
- 5.4 The figure of 30% follows on from guidance from the Homes and Communities Agency – see website <http://www.cfg.homesandcommunities.co.uk/affordability-calculator-and-guidance>. This guidance uses the assumption that a household's net income will be (on average) 74% of their gross income, and that their housing costs should not exceed about 45% of their **net** income. Applying both these assumptions, it is necessary to multiply these two factors together (74% multiplied by 45%) giving 33%, which means that the housing costs for shared ownership should not exceed 33% of the gross income. This can be seen in a worked example linked from the web page referenced above.
- 5.5 The figure of 30% of gross earnings is also indirectly backed up by the DCLG document "Strategic Housing Market Assessments – Practice Guidance" dated March 2007. This document takes a figure of 25% of gross earnings as the maximum that a household can afford to spend on rental (see Chapter 5 under the heading "Assessing whether a household can afford market renting"). Shared ownership is designed to cater for households whose income is higher than those for whom renting is the only option, but not sufficiently high to allow them to purchase 100% of a property. It is therefore assumed that such households will be able to allocate a slightly higher percentage of their income to housing costs, therefore the figure is raised from 25% for renting to 30% for shared ownership.

² *The national rent regime is the regime under which the social rents of tenants of social housing are set, with particular reference to the Guide to Social Rent Reforms (March 2001) and the Rent Influencing Regime Guidance (October 2001).*

³ *There is further guidance on Affordable Rent in the Homes and Communities Agency Affordable Homes Rent Framework document.*

- 5.6 Where developers seek the “best price” from the preferred RSL partners the Council may seek confirmation of the rent levels and shared ownership costs that are to be charged, and will monitor these levels to ensure they remain affordable as defined above.

6. “Affordable Market” Housing for Rent (Intermediate)

- 6.1 The Council is keen to provide a range of affordable housing types and has undertaken research into the provision of market housing for rent that can be sustained by local people in housing need. Research suggests that 80% of the Local Housing Allowance will enable a reasonable proportion of single and dual earner households to access this type of accommodation. For more information please contact the Housing Needs and Development Team.

7. Evidence of Need

7.1 Herefordshire Housing Needs Studies:

- In line with the requirements of Planning Policy Statement 3 (PPS3), policies for the provision of affordable housing must be based on evidence of need.
- In 2008 a Strategic Housing Market Assessment was undertaken across the West Housing Market area (inc. Shropshire and Herefordshire). The Assessment provides a detailed sub-regional market analysis of housing demand and housing need, identifying the key drivers in the West Housing Market Area. In addition it provides a robust evidence base for current and future requirements in terms of market and affordable housing to inform local policies and strategies. A Local Market Housing Assessment is currently being prepared, to be published in 2011, which will provide a more detailed analysis of the 7 identified local market areas across Herefordshire.
- A Gypsy and Travellers Accommodation Assessment was completed in July 2008 with Shropshire, Telford and Wrekin and Powys which identified a need for 83 pitches to 2012 with a further 26 pitches to 2017 for Herefordshire.
- A study of support needs of older people in Herefordshire is currently being undertaken and should be published in May 2011. It is intended to produce information about the housing and support needs of Older People that can be used for Housing, Planning, Regeneration and support planning purposes. This information is also intended to support investment decisions.
- Housing Plans for Mental Health and Learning Disabilities are currently being developed and should be completed in 2011.
- A rolling programme of parish level Housing Needs Surveys ensures housing needs data remains up to date and accurately reflects the housing situation within the rural hinterlands of the County.
- This information should be read in conjunction with the Local Housing Market Assessment and the Housing Needs Surveys to gain a full understanding of housing needs in Herefordshire to aid delivery.

7.2 Home Point, Herefordshire

- Home Point, Herefordshire is the County's Choice-Based Letting Agency, a partnership between Herefordshire Council and Herefordshire's largest Registered Social Landlords covering over 97% of all affordable housing stock.
- Home Point responsibilities include operating the Common Housing Register (housing waiting list), providing nominations, running the Mutual Exchange Register and advertising all available affordable housing in the County.
- The total number of housing applications on the waiting list on 30/09/2010 was 4,983.

Waiting List 30/09/2010

Priority/Other	Priority/ Homelessness Duty	Gold	Silver	Bronze	Total
39	66	837	2,143	1,898	4,983

Total Number of offers accepted 01/01/2010 – 30/09/2010

Priority/Other	Priority Homelessness with Duty	Gold	Silver	Bronze	Total
49	122	208	190	52	621

8. Local Authority's preferred RSL Partners with an Active Development Programme in Herefordshire

Organisation	Name	Contact Details
South Shropshire Housing Association	Adrian Regan Head of Development and Regeneration	 01588 676278  01588 676280  adrian.regan@sshropsha.co.uk
West Mercia Housing Group for Kemble Housing Ltd	Kat La Tzsar New Business Area Manager	 07966710712  01527 556401  kat.latzsar@wmhousing.co.uk
Festival Housing Group	Gwenda Cope Head of Development	 01684 579430  01684 579440  gcope@festivalhousing.org
Herefordshire Housing Ltd	Peter Brown Chief Executive	 01432 384001  01432 384199  pbrown@hhl.org.uk
Marches Housing Association Ltd	Jonathan Brookes New Business Manager	 01568 619602  01568 615611  jonathan.brookes@marchesha.co.uk
Two Rivers Housing	Richard Finney Development Manager	 01594 546282  01594 546164  richard.finney@2rh.org.uk
Sanctuary Housing	Gareth Scannell Senior Development Manager	 07554115635  gareth.scannell@sanctuary-housing.co.uk

10. List of Completed Housing Need Studies (in the main UDP villages and smaller settlements)

Copies of the Surveys can be downloaded at

<http://www.herefordshire.factsandfigures/housingresearch.aspx>,

or by contacting Richard Wilding, Researcher, Plough Lane, PO Box 4, Hereford HR4 0XH

2010-2011	Bromyard and Winslow, Burghill, Canon Pyon, Cradley/Storrige, Credenhill, Colwall, Gorsley/Linton, Kingsland, Llanwarne Group, Sutton St. Nicholas, Stapleton Group, Upton Bishop
2009-2010	Bartestree/Lugwardine, Bishopstone + District, Brampton Bryan, Goodrich, Holme Lacy, Lea, Monkland, Mordiford, Moreton-on-Lugg, Much Dewchurch, Peterstow, Shobdon, Staunton-on-Wye, Weston under Penyard, Whitbourne, Wigmore, Withington
2008-2009	Almeley, Ashperton, Bishops Frome, Bosbury, Clehonger, Cusop/Clifford, Dilwyn, Eardisland, Ewyas Harold, Fromes Hill, Hope Under Dinmore, Little Dewchurch, Luston, Marden, Orleton, Pembridge, Longtown, Much Birch, Much Marcle, Pontrilas, Richards Castle, Stretton Sugwas/Swainshill, Tarrington, Wellington Heath, Yarpole
2007-2008	Bodenham, Brimfield, Eardisley, Garway, Humber/Ford & Stoke Prior, Kingstone, Leintwardine, Lyonshall, Madley, Peterchurch, St Weonards, Wellington.
2006-2007	<i>Burghill, Colwall, Linton (including Gorsley), Weobley, Whitchurch</i>