

November 2018 – April 2019

Provision of Affordable Housing

**Technical data to support the
Supplementary Planning Document for
Planning Obligations (April 2008)**

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Provision of Affordable Housing

Technical Data to support the Supplementary Planning Document (SPD) for Planning Obligations (April 2008).

1. LOCAL HOUSE PRICE AFFORDABILITY

- 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 A recognised measure of house price affordability is the ratio of median quartile house price to median quartile earnings¹. For 2017, the ratio for Herefordshire was 9.5, which was the worst affordability ratio out of the 14 West Midlands Authorities (unitaries, counties and metropolitan boroughs). Stoke-on-Trent had the most affordable homes in the region, with a ratio of 4.5. Provision of subsidised housing is therefore a priority for Herefordshire that needs to be addressed through partnership working between Herefordshire Council and Registered Providers.
- 1.3 The average (median) price in Herefordshire, across all property types, in the year ending September 2017, was £ 217,800¹; whereas a house at the bottom end of the market (lower quartile house price) was £ 160,000¹

2. ASSESSING AFFORDABLE HOUSE PRICES

- 2.1 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.
- 2.2 Figures on earnings in Herefordshire are given by the Annual Survey of Hours and Earnings (ASHE), sampled annually in April¹. The average (median) gross annual earnings for a full time worker on adult rates in

¹ [Office for national Statistics. March 2018. House price to workplace-based earnings ratio.](#)

Herefordshire in 2017 were given as **£23,000**; while earners towards the lower end of the scale (represented by lower quartile earnings) were **£18,200** per year.

- 2.3 Table 1 shows the house prices a household can afford, based on lower quartile and median earnings for the following scenarios –
- Single-earner household purchasing a one-bed home with a 10 per cent deposit
 - Dual-earner household purchasing a two-bed home with a 10 per cent deposit.
 - Dual-earner household purchasing a three-bed home with a 20 per cent deposit

It is assumed that for households with two earners, the second earner works part time, earning half the full time amount².

For the purpose of assessing affordable house prices for Herefordshire, a household on the lower end of the earnings scale is considered to be able to afford to purchase a home that costs 3.6³ times the total gross household earnings. However, mortgage lenders may offer a loan-to-income ratio of 4.5⁴ for a small number of residential mortgages, serving as an upper limit to what a household can afford.

² According to the 2001 census, families with dependent children where there are two earners, in nearly three quarters of cases the second earner works part time. Although not directly comparable, figures from the more recent 2011 census show that the relationship between economic activity and household composition had not changed in Herefordshire over the last 10 years. Data from the 2001 & 2011 Censuses is ONS Crown Copyright Reserved

³ Based on average observed loan to income ratios (LTIs) during the year ending August 2018, as reported by [UK Finance](#)

⁴ The Bank of England recommended that mortgages which make up more than 4.5 times a household's income should comprise of no more than 15 per cent of new lending offered by banks and building societies - [Prudential Regulation Authority, Bank of England. Oct 2014. Implementing the Financial Policy Committee's recommendation on loan to income ratios in mortgage lending](#)

Table 1. Most likely affordable house prices for single and dual earner first-time buyers, based on Herefordshire's lower quartile earnings.

single earner; with a 90 % mortgage	£72,800
dual earner; with a 90 % mortgage	£109,200
dual earner; with an 80 % mortgage	£112,900

Based on average observed LTIs during the year ending August 2018, as reported by [UK Finance](#)

3. AFFORDABLE HOUSING

3.1 Housing that is provided for sale or rent to those whose needs are not met by the market (including housing that provides a subsidised route to home ownership and/or is for essential local workers); and which complies with one or more of the following definitions:

Affordable housing for social rent and affordable rent: eligibility is determined with regards to local incomes and local house prices. Affordable housing should include provisions to remain at an affordable price for future eligible households or the subsidy to be recycled for alternative affordable housing provision.

- **Social rent:** is owned by Local authorities (LA's) and Private Registered Providers (RP'S) (as defined in section 80 of the Housing and Regeneration Act) are providing dwellings available for social rent, these rents are in line with guideline target rents which are determined through the Government's rent policy.
- **Affordable rented housing:** is let by LA's or RP's of social housing to households who are eligible for social rented housing. Affordable rent is subject to rent controls that require a rent of no more than 80% of the local market rent (including service charges, where applicable).

Intermediate Housing: is housing that is provided for sale and rent at a cost above social rent, but below market levels. Eligibility is determined with regards to local incomes and local house prices. It should also include

provisions to remain at an affordable price for future eligible households or for any receipts to be recycled for alternative affordable housing provision. These include Shared Ownership, Shared Equity, Low Cost Market (discounted market), Rent to buy and Intermediate Rent.

- **Shared Ownership:** Ownership is under the terms of a lease by which a lessee may acquire a share or shares of the equity from the RP who retains the remainder and may charge a rent.
- **Intermediate Rent:** Is housing that is provided by an RP or private landlord, the housing provided will have the same characteristics as social rented housing except that it is outside the national rent regime, but it is subject to other rent controls that require it to be offered to eligible households at a rent of up to 100% of the Local Housing Allowance (housing benefit for people who rent a home from a private landlord) for Herefordshire.
- **Low Cost Market Housing (discounted market sale):** is housing that is sold at a discount of at least 20% below local market level. In Herefordshire any discount should be sufficient to meet local housing needs. The discount set is applied using the assumptions in 1 – 2 above. Eligibility is determined with regard to local incomes and local house prices. It should include provisions to remain at a discount for future eligible households.
- **Shared Equity:** is housing that 100% of the title is to be transferred to a Qualifying Purchaser at no more than 80% of Open Market Value subject to a legal charge in favour of the Council for 20% of the units' equity value.
- **Rent to Buy:** is housing provided by RP's that is let at an intermediate rent for a minimum of 5 years to a household that is looking to buy but are unable to save for a deposit.





















Starter Homes: is housing as specified in Sections 2 and 3 of the Housing and Planning Act 2016 and any secondary legislation made under these sections. The definition of a starter home should reflect the meaning set out in statute and any such secondary legislation at the time of plan-preparation or decision making. Where secondary legislation has the effect of limiting a household's eligibility to purchase a starter home to those with a particular maximum level of household income those restrictions should be used.

4. EVIDENCE OF NEED

4.1 Herefordshire Housing Needs Studies:

- In line with the requirements of the NPPF, local authorities should have a clear understanding of housing need in their area.
- A [Local Housing Market Assessment](#) was published in November 2013. This provides analysis of the 7 identified housing market areas across Herefordshire. The report proposes an overall target of 35% affordable housing to be provided in new developments across Herefordshire; for individual Housing Market Areas, the targets range from 25% to 40%. This document is due to be update in 2019-2020.
- A [Herefordshire Gypsy and Traveller and Travelling Showperson Accommodation Assessment](#) was published in July 2017 and a needs modelling revision to table 5.1 in July 2018. Based on survey data, a shortfall of 52 pitches (excluding turnover) was identified over the five year period 2018/19 to 2022/23.
- The [Herefordshire Older People's Housing Strategy and Pathway](#), published in March 2015, provides information about the housing and support needs of Older People that can be used for housing, regeneration and planning purposes, and can contribute to supporting investment decisions.

5. LOCAL AUTHORITY'S PREFERRED HOUSING PARTNERS WITH A DEVELOPMENT PROGRAMME IN HEREFORDSHIRE

Organisation	Name	Contact Details
Shropshire Housing Group	Julia Brian Senior Develop manager	 01588 676235
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