

APRIL 2021 – MARCH 2022

# PROVISION OF AFFORDABLE HOUSING

TECHNICAL DATA TO SUPPORT THE AFFORDABLE  
HOUSING SUPPLEMENTARY PLANNING DOCUMENT

MAY 2021

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# 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 house price to median earnings<sup>1</sup>. For 2020, the ratio for Herefordshire was 9.0, which was markedly higher than the average for the West Midlands and England as a whole (6.8 and 7.7 respectively). Only Solihull had a worse affordability ratio out of the 14 West Midlands Authorities (unitaries, counties and metropolitan boroughs). With a ratio of 4.4, Stoke-on-Trent had the most affordable homes in the region. 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 2019, was £ 242,500<sup>1</sup>; whereas a house at the bottom end of the market (lower quartile house price) was £ 182,000<sup>1</sup>.
- 1.4 Nationally, the Joseph Rowntree Foundation has warned that the extension of the Stamp Duty Holiday and the 95% mortgage guarantee scheme announced in the 2021 Budget are, in the short term, likely to compound the UK housing crisis by driving up house prices further.<sup>2</sup>

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<sup>1</sup> [Office for national Statistics. March 2021. House price to workplace-based earnings ratio.](#)

<sup>2</sup> [Joseph Rowntree Foundation \(March 2021\). JRF Spring Budget 2021 analysis](#)

## 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 April.<sup>3</sup> The average (median) gross annual earnings for a full time worker on adult rates in Herefordshire in 2019 were given as **£27,100**; while earners towards the lower end of the scale (represented by lower quartile earnings) were **£20,700** 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 either a three-bed or four-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 amount<sup>4</sup>.

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 3.3<sup>5</sup> times the total gross household earnings. However, mortgage lenders may offer a loan-to-income ratio of 4.5<sup>6</sup>

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<sup>3</sup> [Office for national Statistics. March 2021. House price to workplace-based earnings ratio.](#)

<sup>4</sup> 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

<sup>5</sup> Based on average observed loan to income ratios (LTIs) during the year ending December 2019 – [UK FINANCE: Mortgage Trends Update February 2020.](#)

<sup>6</sup> 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](#)

for a small number of residential mortgages, serving as an upper limit to what a household can afford.

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

<b>single earner; with a 90 % mortgage</b>	£75,900
<b>dual earner; with a 90 % mortgage</b>	£113,900
<b>dual earner; with an 80 % mortgage</b>	£128,100

*Based on average observed LTIs during the year ending December 2019: UK Finance: Mortgage Trends Update February 2020*

### 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).

- **Affordable private rent housing** is housing that is made available for rent at a level which is at least 20% below local market rent. Eligibility is determined with regards to local incomes and local house prices. Provision should be made to ensure that the affordable private rent housing remains available for rent at a discount for future eligible households or for alternative affordable housing provision to be made if the discount is withdrawn. Affordable private rented housing is particularly suited to the provision of affordable housing as part of the Build to Rent Schemes.
- **Intermediate Housing:** is housing that is provided for sale below market levels 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 a 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.

- **Discounted Market Sales Housing** is housing that is at least 20% below local market value. Eligibility is determined with regards to local incomes and local house prices. It should include provisions to remain at a discount for future eligible households.
- **Low Cost Market Housing:** 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 using the following method;

Lower quartile earnings (table 1) divided by the average open market property value.

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 RPs that is let at an affordable or intermediate rent for a defined period to a household that wishes 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.

- **First Homes:** are a specific kind of discounted market sale housing and should be considered to meet the definition of “affordable housing” for planning purposes. Specifically, First Homes are discounted market sales units which :
  - a) must be discounted by a minimum of 30% against the market value;
  - b) are sold to a person or persons meeting the First Homes eligibility criteria;
  - c) on their first sale, will have a restriction registered on the title at HM Land Registry to ensure this discount (as a percentage of current market value) and certain other restrictions are passed on at each subsequent title transfer; and,
  - d) after the discount has been applied, the first sale must be at a price no higher than £250,000 (or £420,000 in Greater London).

## 4. Assess affordability

- 4.1 We have a duty to assess an applicant's affordability to purchase an affordable property we do this to ensure they are eligible for an affordable property and are unable to purchase on the open market. This assessment is also to ensure they can afford the property.



We do this by providing forms to be completed and asking for documents to evidence the affordability.

We input the details provided into the Homes England calculator to ensure the applicant is eligible.

## 5. Evidence of Need

### 5.1 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 [Housing Market Area Needs Assessment](#) was published in 2021 and replaces the Local Housing Market Assessment. The Housing Market Area Needs Assessment (HMANA) is intended to provide a robust evidence base regarding the need for housing for each of the 7 identified housing market areas across Herefordshire.
- 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.

## 6. Local Authority's preferred Housing Partners with a Development Programme in Herefordshire

Organisation	Name	Job Title	Landline	Mobile	Email Address
<b>Citizen Housing Groups</b>	Jon Wood	Head of New Business	0121 329 0383 ext 1383	07508330569	<a href="mailto:Jon.Wood@citizen.co.uk">Jon.Wood@citizen.co.uk</a>
<b>Platform Living</b>	Mike Baggatt	Head of New Business	01684 579443	07813002405	<a href="mailto:mbaggatt@fortisliving.com">mbaggatt@fortisliving.com</a>
<b>Connexus</b>	Amanda Knowles	Senior Development Manager	0300 7774321 ext 3445	07817864862	<a href="mailto:Amanda.Knowles@connexus-group.co.uk">Amanda.Knowles@connexus-group.co.uk</a>
<b>Stonewater</b>	Clare Bray	Development Manager (West)	01202 319 119	07775543572	<a href="mailto:Clare.bray@stonewater.org">Clare.bray@stonewater.org</a>
<b>Sanctuary Housing Group</b>	Sophie Bell	Assistant Development Manager	01905 334547	07436 269041	<a href="mailto:sophie.bell@sanctuary-housing.co.uk">sophie.bell@sanctuary-housing.co.uk</a>
<b>2 Rivers Housing</b>	Sara Walton	Development Manager	01531 829277	07776661537	<a href="mailto:sara.walton@2rh.org.uk">sara.walton@2rh.org.uk</a>
<b>Bromford Housing</b>	Simon Vick	Head of Development	01454 821165	07800528567	<a href="mailto:simon.vick@bromford.co.uk">simon.vick@bromford.co.uk</a>
<b>Legal &amp; General</b>	Darren Isbell	Area Development Manager	0207 031 8608	07597364904	<a href="mailto:Darren.isbell@landgah.com">Darren.isbell@landgah.com</a>