

APRIL 2023 – MARCH 2024

PROVISION OF AFFORDABLE HOUSING

TECHNICAL DATA TO SUPPORT THE AFFORDABLE HOUSING SUPPLEMENTARY PLANNING DOCUMENT

June 2021

Version 1.0

March 2023

CONTENTS

1. Introduction.....	3
2. Local house price affordability.....	4
3. Assessing affordable house prices.....	5
4. Affordable housing.....	6
5. Process for setting and selling Discounted and Low Cost Market.....	9
6. Evidence of need.....	9
7. Local Authority's preferred Housing Partners with a Development Programme in Herefordshire.....	11
8. Affordable Home Ownership terms and conditions.....	12



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1. Introduction

1.1 The purpose of this technical data is to provide additional guidance and processes to support The Affordable Housing Supplementary Planning Document (June 2021) and sets out the following:

- information on local house price affordability;
- how the council assesses affordable house prices;
- the affordable housing tenures supported by the Council;
- where the evidence of need comes from;
- a list of the local authority's preferred housing partners;
- terms and conditions for low cost market and discounted market sale and re-sale (Appendix 1).

1.2 This document is a working document that is updated on an annual basis or when significant changes are required due to changes in legislation.

2. Local house price affordability

- 2.1 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.
- 2.2 A measure of house price affordability is the ratio of median house price to median earnings¹. For 2022, the ratio for Herefordshire was 9.8, which was higher than the average for the West Midlands and England as a whole (7.1 and 8.2 respectively). Herefordshire had the worse affordability ratio out of the 14 West Midlands Authorities (unitaries, counties and metropolitan boroughs). With a ratio of 4.6, 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 (RP's).
- 2.3 The average (median) price in Herefordshire, across all property types, in the year ending September 2022, was £ 270,000; whereas a house at the bottom end of the market (lower quartile house price) was £ 195,000¹.
- 2.4 House prices rose to record levels during the pandemic, adding further to housing affordability pressures, especially in destination areas for the so-called “race for space” and a continuing high demand coupled with a lack of supply. However, more recently the cost-of-living crisis and the increase in mortgage interest rates has started to reverse this trend – the average house price in Herefordshire was 2% lower in 2022 than in 2021.

¹ [Office for national Statistics. March 2023. House price to workplace-based earnings ratio.](#)

3. Assessing affordable house prices

- 3.1 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.
- 3.2 The average (median) gross annual earnings for a full time worker on adult rates in Herefordshire in 2022 were **£27,500**, while earnings towards the lower end of the scale (represented by lower quartile earnings) were **£21,300** per year. ²
- 3.3 Table 1 shows the house prices a household can afford, based on lower quartile 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.

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 3.5³ times the total gross household earnings.

² [House price to workplace-based earnings ratio](#). Office for national Statistics. March 2023.

³ Based on the ONS' [House Price simple averages dataset](#), which uses data from the Regulated Mortgage Survey, the average mortgage advance to income ratio was 3.5 for first time buyers in the West Midlands in 2022.

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	£82,800
dual earner; with a 90 % mortgage	£124,300
dual earner; with an 80 % mortgage	£128,100

Sources: [House price to workplace-based earnings ratio](#). Office for national Statistics. Mar 2023; [House Price simple averages dataset](#). Office for national Statistics. Feb 2023

4. Affordable Housing

- 4.1 Housing that is provided for sale or rent to those whose needs are not met by the open 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 rent: is housing that is let below open market rents by a Local Authority (LA) or Registered Provider (RP) (as defined in section 80 of the Housing and Regeneration Act) to households who are eligible. In Herefordshire affordable housing for rent is allocated via Home Point. These include, affordable rent and social rent. .

- **Affordable rented housing:** is housing that is subject to rent controls that require a rent of no more than 80% of the local open market rent (including service charges, where applicable).
- **Affordable private rented 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.

- **Social rented housing:** is housing whose rent is set based upon guideline target rents determined through the national rent regime based on the guidance and formulae set by homes England on social rents

Intermediate Housing: is housing that is provided for sale (affordable home ownership) 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 Discounted Market, Intermediate Rent, Low Cost Market, Rent to buy and Shared Equity.

- **Discounted Market Sales Housing** is affordable home ownership 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.
- **Intermediate Rent:** is housing that is provided by an RP or private landlord. The housing provided will have the same characteristics as affordable housing for rent 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:** is affordable home ownership housing that is sold at a discount of at least 30% below local market value. In Herefordshire any discount should be sufficient to meet local housing needs. The discount set is applied using the lower quartile 3.2 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.

- **Rent to Buy:** is housing provided by RP's that is let at an intermediate rent for a maximum of 5 years to a household that is looking to buy but are unable to save for a deposit.
- **Shared Ownership:** is affordable home ownership housing in which 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. Shared ownership housing are allocated through the following link:
<https://www.gov.uk/shared-ownership-scheme>

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).

5. Process for setting and selling Discounted and Low Cost Market

- 5.1 Discounted Market and Low Cost Market housing is assessed and allocated in liaison with Herefordshire Council, to local people in housing need;
- 5.2 Herefordshire Council will determine the sale price of each unit;
- 5.3 The initial and subsequent sale price of any of these tenures is determined by two open market valuations, provided by two independent estate agents with the set discount percentage then being applied;
- 5.4 The set discounted percentage is agreed at the planning approval stage and secured within the Section 106. This discount is fixed in perpetuity.

6. 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.
 - The [Housing Market Area Needs Assessment 2021](#)⁴ demonstrates the need for affordable housing and confirms that affordable housing delivery should be maximised where opportunities arise. To drive the delivery of affordable housing, the council will look to develop its own housing stock to provide over 1,000 additional genuinely affordable homes for local people in Herefordshire.
 - A [Herefordshire Gypsy and Traveller Accommodation Assessment](#)⁵ was completed in April 2022 and identified a need for an additional 41 pitches for gypsies and travellers and an additional 9 pitches for travelling showpeople for the period 2021-41.

⁴ [Housing Market Area Needs Assessment](#). Iceni Projects Limited on behalf of Herefordshire Council, July 2021.

⁵ [Herefordshire Council Gypsy and Traveller Accommodation Assessment](#). RRR Consultancy Ltd subcontracted by Iceni Projects Limited on behalf of Herefordshire Council

- 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.

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

Organisation	Name	Job Title	Landline	Mobile	Email Address
Citizen Housing	Jon Wood	Head of New Business	0121 329 0383 ext. 1383	07508 330569	Jon.Wood@citizen.co.uk
Platform Housing Group	Mike Baggett	Regional Head of Land	01684 579443	07813 002405	Michael.Baggett@platformhg.com
Connexus	Amanda Knowles	Head of Development	0300 7774321 ext. 3445	07817 864862	Amanda.Knowles@connexus-group.co.uk
Stonewater	Marc Howard	Development Manager(West)		07717 808311	Marc.Howard@stonewater.org
Sanctuary Housing Group	Sophie Bell	Senior Development Manager	01905 334547	07436 269041	sophie.bell@sanctuary-housing.co.uk
2 Rivers Housing	Sara Walton	Development Manager	01531 829277	07776 661 537	sara.walton@2rh.org.uk
Bromford Housing	Simon Vick	Head of Development	01454 821165	07905 490142	Simon.Vick@bromford.co.uk
Legal & General	Darren Isbell	Area Development Manager	0207 031 8608	07597 364904	Darren.isbell@landgah.com

8. Affordable Home Ownership terms and conditions

Affordable Home Ownership – Low Cost Market/ Discounted Market

Herefordshire is one of the most unaffordable counties in England for home ownership. 2021 saw the highest median income to median house price ratio which was 10.3. This is higher than the average for West Midlands and England as a whole (7.5 and 8.9 retrospectively). This is making house purchasing unaffordable for many.

To help local residents in affordable housing need achieve their home ownership goals, Herefordshire Council supports many affordable home ownership tenures. These tenures are outlined in the council's Provision of Affordable Housing, Technical Data to support the Affordable Housing Supplementary Planning Document (SPD).

Who can apply?

You do not have to be a first time buyer, or on the Herefordshire Council's housing waiting list (Home Point), to apply for these affordable home ownership schemes. Anyone can apply providing they meet the basic occupancy criteria. They must:

- Have a local connection
- Be in need of affordable housing
- Be able to purchase the property at the discounted price, but not at the open market price (subject to a financial assessment completed by the council)
- Have an annual household income of less than £80,000 as a couple, or £40,000 as a single applicant

- Use the property as their only/principle home throughout ownership - it cannot be sublet
- Not own any other property. If you currently own another property, you will have to provide evidence that you are in the process of selling it before you can purchase through this scheme

What size property can I purchase and who has priority?

Applicants can apply for a property, which has one bedroom more than they need. For example, a single person or a couple can apply for a two bedroom property. The number of bedrooms a household requires will be considered as described below plus one bedroom. One bedroom is needed for each:

- Single adult or couple - 1/2 bedrooms
- Single adult or couple with 1 child - 2/3 bedroom
- Single adult or couple with 2 children - 3/4 bedrooms

Priority will be given in the following order:

- People with a local connection.
 - Live
 - Work more than 16 hours a week
 - Family Association
 - Care/ Support
- Social housing tenants
- Serving military personnel or veterans

Where applicants cannot be separated by the methods outlined above, priority will be given to the applicant who provides a fully completed application and all associated documentation for this affordable housing scheme first.

Do I need a mortgage?

You must be able to afford to purchase the property, either through a mortgage, or a lump sum. If purchasing with a mortgage you will need to appoint an independent financial advisor. Most developers will be able to help you locate an independent financial advisor who has a full understanding of the scheme and the Section 106 (s106) affordable housing. It is useful to know that some financial advisors charge a fee for their services and they should advise you of any potential costs at the outset.

What else do I need to consider?

You will need a deposit of at least 5% of the discounted purchase price - your independent financial advisor will be able to tell you exactly how much deposit you need. In addition, you will need to fund all other purchase costs including solicitor fees and stamp duty (if applicable).

You should ensure that you budget for regular outgoings including household bills and buildings insurance. In addition, some apartments and houses may have service and/or management charges. You should discuss all associated costs and ongoing charges with the sales team at each development and/or a solicitor before you agree to buy.

It is important that you keep up with your mortgage payments as your home may be at risk of repossession if you fall into arrears.

Can I sublet my home?

No - you must live in the property throughout your ownership.

What happens if I want to sell my property?

You can sell your property at any time, but you must notify Herefordshire Council of your intention to sell and the property must be sold with the same level of discount that was received when purchased. To enable you to sell your property you will need to obtain two current written valuations (less than one month old) from reputable local estate agents and send them to Hereford Council. The valuations will be assessed by Herefordshire Council, in order to establish the open market value of the property. In the event of a dispute, the open market value will be decided by an independent surveyor whose decision will be final. Please note, there may be a cost associated with this process.

Once the value has been agreed, your property can be advertised through your nominated estate agent at the market value less the level of discount obtained through the original sale. The property will be offered to the qualifying person or qualifying household identified as having the most priority.

What happens if I am in negative equity and I want to sell?

If you are in negative equity, you will still be required to sell the property at the discounted market value, even if it is at a loss to yourself.

Property prices vary according to market conditions and the value of your property may go down as well as up. This could mean that your mortgage exceeds its market value. This is called negative equity, a term commonly used to describe the situation of

having a home that is worth less than your mortgage. Negative equity becomes a problem if you want to sell or are forced to sell your property, as you would still owe money on your mortgage.

If you are in negative equity and need to sell your property, contact your mortgage lender as soon as possible and ask if there are any schemes they run to help with negative equity. Some lenders may be able to help existing borrowers, but usually only if you have a good payment record. For example, there may be a maximum amount of debt on your old mortgage that can be included in your new mortgage. This is not necessarily a cheap option, as the interest rate may be higher and there may be a fee. You are also putting your new home at risk of repossession if you cannot keep up the total mortgage payments on the new home. Payments will be larger than normal because of the shortfall having been included.

Herefordshire Council cannot accept any liability if you find yourself in negative equity after you have purchased a property on this scheme.