

April 2017 – March 2018

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 lower quartile house price to lower quartile earnings¹. For 2016, the ratio for Herefordshire was 8.6, 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 4.0. 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 quarter three of 2016, was £203,000¹; whereas a house at the bottom end of the market (lower quartile house price) was £155,000¹.

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 April². The average (median) gross annual earnings for a full time worker on adult rates in

¹ [Ratio of house price to workplace-based earnings \(lower quartile and median\). March 2017. Office for National Statistics](#)

² [Annual Survey of Hours and Earnings: 2016 provisional results. October 2016. Office for National Statistics](#)

Herefordshire in 2016 were given as **£22,800**; while earners towards the lower end of the scale (represented by lower quartile earnings) were **£18,000** 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 amount³.

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 3.5⁴ times the total gross household earnings (see column two of Table 1). However, mortgage lenders may offer a loan-to-income ratio of 4.5⁵ for a small number of residential mortgages, serving as an upper limit to what a household can afford (this figure is shown in brackets in Table 1).

³ 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

⁴ As of February 2016, the average income to mortgage ratio for first time buyers in the UK was 3.5 - [Council of Mortgage Lenders. Press release. April 2017](#)

⁵ 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. Affordable house prices for single and dual earners based on loan to income ratios (LTIs) provided by the Council of Mortgage Lenders. An upper limit to affordability, based on limits set by the bank of England, is shown in brackets.

	based on Herefordshire's lower quartile earnings £18,000*	based on Herefordshire's median earnings of £22,800**
single earner; with a 90 % mortgage	£70,800 (£90,000)	£89,700 (£114,000)
dual earner; with a 90 % mortgage	£106,200 (£135,000)	£134,500 (£171,000)
dual earner; with an 80 % mortgage	£112,700 (£151,900)	£142,800 (£192,400)

*Based on average observed LTIs during February 2017, as reported by the Council of Mortgage Lenders

**The Bank of England set an LTI constraint at or above 4.5 to no more than 15% of the total number of new mortgage loans

3. Low Cost Market Housing

- 3.1 Where it is considered appropriate to provide low cost market housing, the assumptions in the previous section 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.
- 3.2 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. The housing should be built to all relevant standards or any equivalent/replacement appropriate at the time of the planning application.
- 3.3 As the sale price has regard to house prices and earnings, it is considered that this falls within the government definition of Intermediate Affordable Housing as outlined in National Planning Policy Framework (NPPF).

4. Rented or Intermediate Housing

- 4.1 *Social Rent* - Where Registered Providers (RP's) are providing dwellings available for social rent, these rents are in line with guideline target rents which are determined through the national rent regime⁶.
- 4.2 *Intermediate Rent* - Where RP's are providing dwellings available for Intermediate rent, 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.
- 4.3 *Affordable Rent* - Where RP'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% of local market rents⁷.
- 4.4 *Shared Ownership* - 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 33% of the gross earnings using the assumptions in 1 – 3 above. Should this figure of 33% be exceeded, the subsidised housing (for rent) will be requested. 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.
- 4.5 The figure of 33% follows on from guidance from the Homes and Communities Agency⁸ provided in the form of a calculator. This guidance uses the assumption that a household's income after tax will be (on average) 74% of gross income, and that housing costs should not exceed

⁶The 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)*.

⁷There is further guidance on Affordable Rent in the [Homes and Communities Agency 2011-15 Affordable Homes Rent Programme Framework](#).

⁸[Homes and communities Affordability Calculators](#)

45% of their **net** income. Multiplying these two factors together (74% multiplied by 45%) gives 33%, which means that the housing costs for shared ownership should not exceed 33% of the gross income.

- 4.6 Where developers seek the “best price” from the preferred RP 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

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.
- 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 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%.
- A [Herefordshire Gypsy and Traveller and Travelling Showperson Accommodation Assessment](#) was published in November 2015. Based on survey data, a shortfall of 50 pitches (excluding turnover) and six pitches (including turnover) was identified over the five year period 2014/15 to 2018/19. There is an estimated additional need of 18 pitches for households currently living in bricks and mortar. The study identified a shortfall of five Travelling Showperson plots in Herefordshire over the five year period 2014/15 to 2018/19.

- 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.

5.2 Home Point, Herefordshire

- [Home Point Herefordshire](#) is the County's Choice-Based Letting Agency, a partnership between Herefordshire Council and Herefordshire's largest RP's covering over 90% of affordable housing stock.
- Home Point responsibilities include operating the Common Housing Register, providing nominations, and advertising all the partners' affordable housing in the County.
- The total number of housing applications on the housing register as of 10 April 2017 was 1,488.

Table 2. Housing Register as of the 10 April 2017






















Green	Amber	Red	Total
776	534	178	1,488

Table 3. Total Number of offers accepted during the year ending March 2017

Green	Amber	Red	Total
461	146	29	636

As of July 2014 Home Point no longer operated under the Gold, Silver and Bronze banding system. It has been replaced with two main bands and a reduced preference band. The two main bands are Green (high need to be re-housed) and Amber (those with a need to be re-housed). The Red band is for those that have a reduced preference. There is no priority status under the new policy.

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

Organisation	Name	Contact Details
Shropshire Housing Group	Matthew Hill Head of Development	 01588 674419  01588 676280  matthew.hill@sshropsha.co.uk
WM Housing Group for West Mercia Homes	Emma Webster Business Development Manager	 0121 329 0407  07979 154754  emma.webster@wmhousing.co.uk
Fortis Living	Sharon Rivers Development Manager	 01684 579436  07918 160916  srivers@fortisliving.com
Herefordshire Housing Ltd	Amanda Knowles Development Manager	 01432 384013  01432 384198  aknowles@hhl.org.uk
Stonewater	Matthew Crucefix Regional Development Officer	 01179 709296  07500 556949  matthew.crucefix@stonewater.org
Sanctuary Housing Group	Sophie Bell Assistant Development Manager	 01905 334547  07436 269041  sophie.bell@sanctuary-housing.co.uk
The Wrekin Housing Trust Ltd	David Garratt Senior Development Manager	 01584 875476  07816 510053  david.garratt@wrekinhousingtrust.org.uk