

## Section 10: Affordable Housing Options

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### Introduction

- <sup>10.1</sup> The SHMA assessment of housing requirements is grounded in PPS3 definitions of housing need and affordability. Estimates of affordable housing requirements based upon trends and modelling may differ from the choices that households make regarding their housing.
- <sup>10.2</sup> It is evident that people in housing need do not necessarily seek a solution through social housing. Their options are to share housing, seek intermediate affordable housing, live in the private rented sector or pay more than they can reasonably afford in order to live in market housing. People who can afford more than social rents apply for and are occasionally able to access social housing if they are in housing need and some that can afford market housing occupy intermediate affordable housing.
- <sup>10.3</sup> Housing choice is not just about its price and affordability, there is a strong aspirational influence on choice that can encompass factors such as social status, travel to work, access to services such as schools, shops and healthcare as well as quality of life factors such as crime and cultural amenities.
- <sup>10.4</sup> It is beyond the scope of this report to study the housing choices and pathways taken by households or, at the other end of the scale, consider 'what or who is social housing for'. Discussion and analysis of this topic can be found in the Hills Report; 'Ends and means: The future roles of social housing in England', (John Hills (The ESRC Research Centre for Analysis of Social Exclusion (CASE) February 2007)).
- <sup>10.5</sup> This chapter has two main aims. Firstly it seeks to compare SHMA findings in respect of social housing requirements to waiting lists. Secondly a key finding of the report concerns an apparent gap in providing affordable housing to lower income households not in urgent housing need and we explore the role and demand for existing intermediate affordable housing products.

### Housing definitions presented in PPS3

**Housing Need:** The quantity of housing required for households who are unable to access *suitable housing without financial assistance*.

**Housing Demand:** The quantity of housing that households *are willing and able to buy or rent*.

**Affordable Housing:** Social rented and intermediate housing, provided to specified eligible households whose needs are not met by the market. Affordable housing should;

- meet the needs of eligible households including availability at a cost low enough for them to afford, *determined with regard to local incomes and local house prices*; and
- include provision for the home to remain at an affordable price for future eligible households or, if these restrictions are lifted, for the subsidy to be recycled for alternative affordable housing provision.

#### **Social rented housing**

Rented housing owned and managed by local authorities and registered social landlords, for which guideline target rents are determined through the national rent regime. The proposals set out in the Three Year Review of Rent Restructuring (July 2004) were implemented as policy in April 2006. It may also include rented housing owned or managed by other persons and provided under equivalent rental arrangements to the above, as agreed with the local authority or with the Housing Corporation as a condition of grant.

#### **Intermediate affordable housing**

Housing at prices and rents above those of social rent, but below market price or rents, and which meet the criteria set out above. These can include shared equity products (e.g. HomeBuy), other low cost homes for sale and intermediate rent. These definitions replace guidance given in Planning Policy Guidance Note 3: Housing (PPG3) and DETR Circular 6/98 Planning and Affordable Housing.

The definition does not exclude homes provided by private sector bodies or provided without grant funding. Where such homes meet the definition above, they may be considered, for planning purposes, as affordable housing. Whereas, those homes that do not meet the definition, for example, 'low cost market' housing, may not be considered, for planning purposes, as affordable housing.

## Local Housing Registers

- <sup>10.6</sup> Data from the Housing Registers of the six Boroughs have been analysed. It is acknowledged that there are some limitations to the use of Housing Registers, as stated in Chapter 6 and Annex B of CLG's SHMA Practice Guidance. These relate particularly to data consistency and double counting. In addition some households on the register may not be in housing need whilst some households in need may not apply to be on the register.
- <sup>10.7</sup> For background information, a Choice Based Lettings (CBL) scheme is operated by all six Councils. CBL allows eligible applicants to select properties that they are interested in (both within their respective borough and in partner boroughs). The scheme aims to help applicants make informed choices about where they want to live and the type of property they would prefer.
- <sup>10.8</sup> Since May 2009, Hertsmere, St Albans, Three Rivers, Watford and Welwyn Hatfield Council's formed a consortium (Herts Choice Homes) within which to operate their CBL scheme. Dacorum has operated a separate CBL scheme since 2005, with authorities outside the LCB (West) group. All six Council's have their own allocations policies, but allocate a proportion of homes to a 'cross partner pool', within their respective consortia.

- 10.9 Having reviewed all six Council's allocation's policies however, each use very similar criteria to determine need within each band. These criteria also include matters like overcrowding and homelessness that are noted in Figure 157. Applicant's are separated into one of the following five bands, depending on the level of housing need identified;

Figure 157  
Local Authority housing priority bands

<b>Band A = Urgent housing need</b>
<b>Band B = Very high housing need</b>
<b>Band C = High housing need</b>
<b>Band D = Recognised housing need</b>
<b>Band E = No housing need</b>

- 10.10 Households are assessed and placed into Bands A to E according to their circumstances. The banding mechanism is used to highlight those households who have the most pressing need to move. Band E includes those households not considered to be in housing need and this Band is therefore not included in Figure 158.
- 10.11 In May 2009, ORS collected waiting list, and transfer list data from each district. The LCB (West) local authorities use the term 'home-seeker' for households on the list who are not already social renting tenants. The transfer list is made up of households who are already social renting tenants needing more suitable accommodation. This data is displayed in Figure 158 below.

Figure 158  
Combined total of Home-seeker and Transfer list data as at May 2009 (Source: supplied by LCB West Authorities)

	One Bedroom	Two Bedroom	Three Bedroom	Four Bedroom	Five Bedroom	Total in Band	Total in Band (%)
<b>Dacorum</b>							
Band A	0	0	0	0	0	0	0
Band B	47	34	42	13	1	137	4
Band C	335	120	68	16	1	540	15
Band D	1,686	413	763	30	1	2,893	81
Total by Bedroom	2,068	567	873	59	3	3,570	100
<b>Hertsmere</b>							
Band A	1	2	0	0	0	3	0
Band B	4	31	8	1	0	44	6
Band C	19	27	34	8	0	88	12
Band D	248	147	129	80	1	605	82
Total by Bedroom	271	205	171	89	1	740	100
<b>St Albans</b>							
Band A	11	1	0	0	0	12	1
Band B	42	26	6	0	0	74	6
Band C	65	166	114	25	2	372	30
Band D	469	237	67	28	1	802	64
Total by Bedroom	587	430	187	53	3	1,260	100
<b>Three Rivers</b>							

Band A	1	2	0	1	0	4	1
Band B	17	11	3	0	0	31	4
Band C	51	53	41	11	0	156	21
Band D	225	170	153	11	0	559	75
Total by Bedroom	294	236	197	23	0	750	100
<b>Watford</b>							
Band A	0	1	0	0	0	1	0
Band B	33	17	4	1	0	55	6
Band C	22	227	25	15	0	289	30
Band D	251	169	150	39	1	610	64
Total by Bedroom	306	413	179	55	1	955	100
<b>Welwyn Hatfield</b>							
Band A	19	18	4	3	0	44	2
Band B	25	41	34	21	2	123	5
Band C	80	309	146	7	0	542	24
Band D	1,283	164	131	14	0	1,592	69
Total by Bedroom	1,388	514	311	42	2	2,301	100
<b>LCB West</b>							
Band A	32	24	4	4	0	64	1
Band B	168	160	97	36	3	464	5
Band C	572	902	428	82	3	1987	21
Band D	4162	1300	1393	202	4	7061	74
Total by Bedroom	4934	2386	1922	324	10	9,576	100

<sup>10.12</sup> This gives a total of 9,576 households in the LCB (West). Some of these households may not be in considerable housing need but overall the data can be considered to be a measure of effective demand for social housing in the area. This may be because these households consider that no realistic alternatives appear to exist, due to fear of unemployment or because the housing stock itself is considered to be of good quality and offers security of tenure. Conversely, there is likely to be a number of households who are in housing need but have not registered with any of the local authorities for a variety of reasons. Typically, they assume there is little chance of being housed or because they do not aspire to be a social housing tenant.

<sup>10.13</sup> Based on Figure 158, 9,576 households were on waiting or transfer lists as of May 2009. The bulk of these (74% for all of LCB West) were in Band D, the least urgent category. The fact that there are very few households in Band A does not mean that there are not many urgent cases but the most urgent needs are defined within the context of limited supply. Consequently, Band A is rigorously managed to help those who need to be re-housed most quickly, do so from the limited vacancies that arise in the social rented dwelling stock.

<sup>10.14</sup> Dacorum, Welwyn Hatfield and St Albans have the highest numbers of households on homeseeker and transfer lists, whilst Hertsmere has the lowest. This generally correlates with the levels of deprivation in these borough's, as well as the number of households.

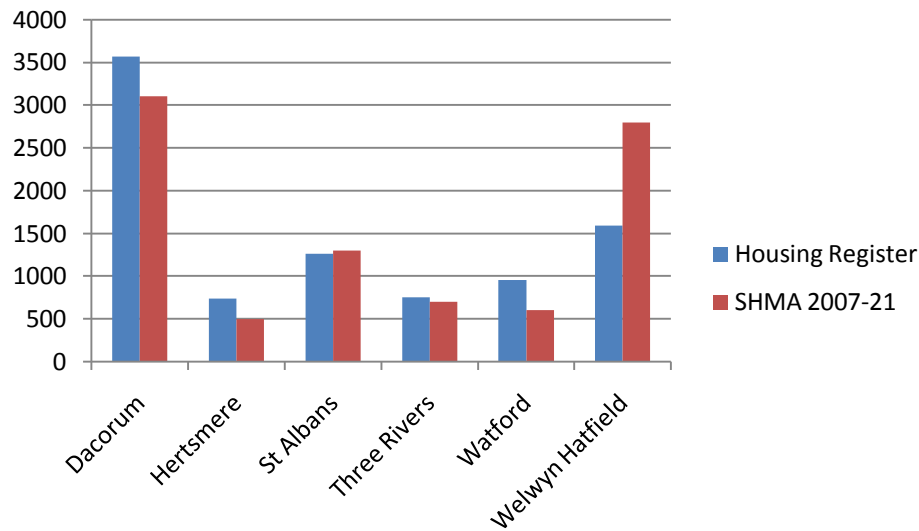
<sup>10.15</sup> Note also that half of the demand is from households requiring 1 bedroom and these tend to be in the lower priority bands.

<sup>10.16</sup> Double counting is minimised, as all six borough's do not operate separate RSL and Local Authority Transfer Lists. There is still likely to be some double counting however as households are encouraged to apply to registers in all Borough's within a consortium.

### Comparing housing register data and the SHMA estimates of the requirement for social housing

<sup>10.17</sup> Having established that these measure different things using different methodologies it is nevertheless interesting to compare the outcomes.

Figure 159  
Comparison of the estimated quantity of need and demand for social housing by Local Authority (SHMA and HSSA)



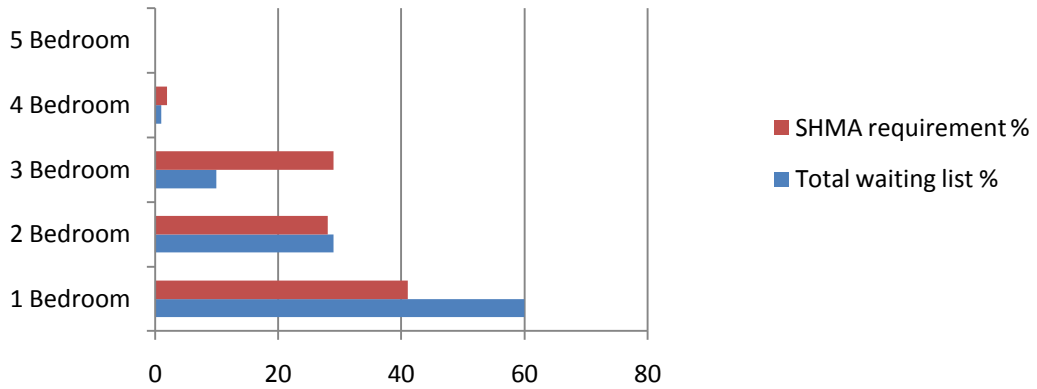
<sup>10.18</sup> It is important to note that the SHMA uses PPS3 definitions for unsuitability and affordability. The financial assistance element of housing need may not be rigorously applied to waiting list applicants and as explained above there is a question mark over the extent to which waiting list data can be compared to SHMA results and the figure is for information only.

### Comparing SHMA social size mix housing requirements to housing register data

<sup>10.19</sup> Total numbers were converted to the proportion of households in each priority band by bedroom requirement. This enabled a comparison to be made with the estimate of the SHMA estimated size mix requirement in Figure 151. It should be noted that this is to compare current demand with the estimate of the required additions to the social rented stock in the period 2007-21. No account is taken of the likelihood of dwellings of different sizes within the current stock becoming available for re-letting over the 2007-21 period. Nevertheless, any mismatches that this analysis revealed could potentially be of policy significance.

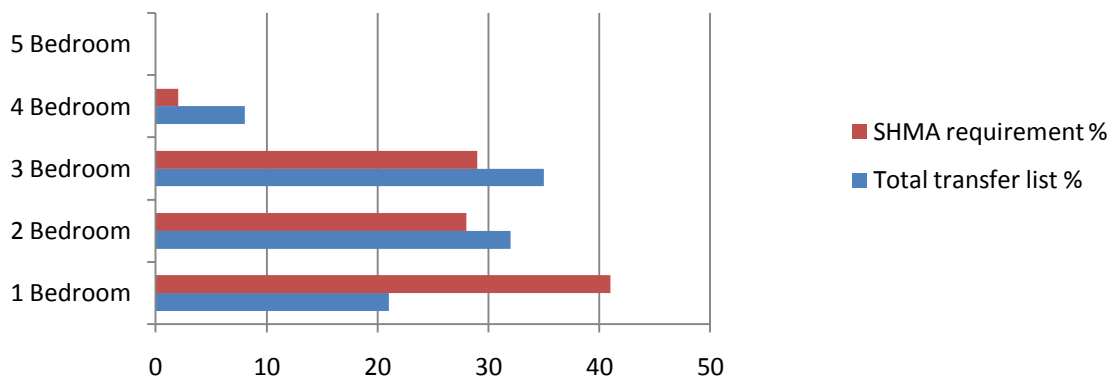
<sup>10.20</sup> Comparisons are drawn in the following tables and charts. Waiting lists and transfer lists have different size mix requirements with the requirement being skewed toward larger household requirements for households already renting social housing and needing to move to more suitable social rented housing. However, both lists are skewed towards smaller household requirements than the SHMA estimated size mix.

Figure 160  
 Chart and data table comparing the proportion of households requiring social rented housing by bedroom size according to WAITING list and SHMA estimates, Sub-regional level (Local Authority data May 2009 and ORS)



	1 Bedroom	2 Bedroom	3 Bedroom	4 Bedroom	5 Bedroom	Total in Band
Band A	0	0	0	0	0	0
Band B	33	50	16	1	0	100
Band C	12	70	17	2	0	100
Band D	72	19	8	1	0	100
Total waiting list	60	29	10	1	0	100
SHMA requirement	41	28	29	2	0	100

Figure 161  
 Chart and data table comparing the proportion of households requiring social rented housing by bedroom size according to TRANSFER list and SHMA estimates, Sub-regional level (Local Authority data May 2009 and ORS)

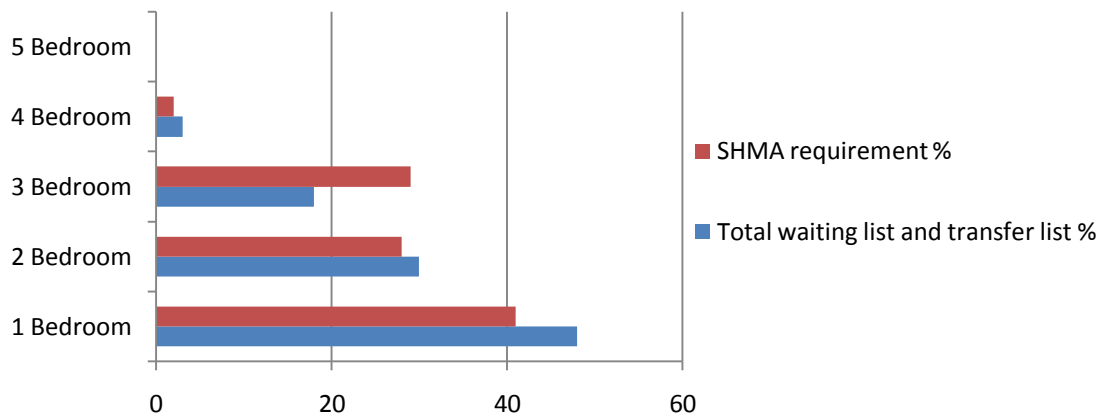


	1 Bedroom	2 Bedroom	3 Bedroom	4 Bedroom	5 Bedroom	Total in Band
Band A	48	41	5	5	0	100
Band B	43	22	18	16	1	100
Band C	20	38	34	7	0	100
Band D	21	30	41	7	0	100
Total transfer list	21	32	35	8	0	100
SHMA requirement	41	28	29	2	0	100

10.21 However when both lists are combined any correlation between them and the SHMA requirements can be considered.

Figure 162

Chart and data table comparing the proportion of households requiring social rented housing by bedroom size according to combined WAITING list and TRANSFER list and SHMA estimates, Sub-regional level (Local Authority data May 2009 and ORS)



	1 Bedroom	2 Bedroom	3 Bedroom	4 Bedroom	5 Bedroom	Total in Band
Total waiting list and transfer list	48	30	18	3	0	100
SHMA requirement	41	28	29	2	0	100

10.22 There is a good correlation between combined waiting list and transfer list size mix requirements and the SHMA estimate. Social tenants needing more suitable social housing tend to be larger households.

## Intermediate Affordable Housing Options

### Introduction

<sup>10.23</sup> The SHMA housing requirements and affordability modelling, using PPS3 definitions (stated at the head of this chapter) and CLG affordability benchmarks, has concluded that:

- there is a considerable shortage of housing for households that have income between £20k and £35k per annum;
- the requirement for intermediate affordable housing (using the above definitions) is 11,900 additional dwellings by 2021 (Figure 133); and
- The income distribution of households that do not already own housing is skewed towards the lower income bands (Figure 99).

<sup>10.24</sup> The continued emphasis on PPS3 definitions is vital to the rationale for the SHMA and the Practice Guidance regarding this topic. It is our understanding that what is driving affordable housing definitions within PPS3 is the need to ensure that public and private sector subsidy provides a permanent additional supply of housing for the groups for whom it is intended.

<sup>10.25</sup> This chapter considers a number of questions that arise from the SHMA conclusions. These are:

- what is the role and function of intermediate affordable housing?
- what housing products are typically currently available to this group and how do they compare to CLG affordability benchmarks?
- to what extent is intermediate affordable housing being delivered? and
- how affordable are intermediate affordable housing products in relation to other options?

### What is the role and function of intermediate affordable housing?

<sup>10.26</sup> The definition of intermediate affordable housing according to PPS3 is clear, but the role it fills in providing housing appears to be perceived differently. There are apparently two roles:

- to provide a further option (other than the cheaper end of the private rented sector or social housing) for those who can afford more than a social rent but not market prices; and
- where products are shared ownership or shared equity based, they can provide access to home ownership for those households that aspire to, prefer not to rent but cannot afford market prices.

<sup>10.27</sup> There are other advantages to providing intermediate affordable housing. It requires fewer subsidies than social rented housing and therefore more affordable homes can be funded from finite resources. A further important advantage is that it blurs the often sharp contrast between social renting and home ownership. This is desirable and helps to deliver the policy aim of achieving better social mix and community cohesion in our communities and neighbourhoods.

<sup>10.28</sup> The difference in perception is that the distinction made in PPS3 between intermediate affordable housing and low cost market housing is often blurred. The term 'intermediate housing' is often used to describe the combination of the two. Each has a different role and function. Whilst this is perfectly clear from PPS3 definitions the boundaries are less clear in practice:



- the threshold for market prices is uncertain and is constantly changing;
- some housing in the private rented sector fulfils the role in practice either because it is very cheap or Housing Benefit provides some subsidy; and
- some new build housing not subject to public subsidy is offered at relatively affordable terms through shared equity schemes but may not continue to offer this over the lifetime of the dwelling.

<sup>10.29</sup> In a large complex housing market where housing is in short supply for some household groups all low cost housing is important. Our aim is to assist Local Authorities to distinguish between Intermediate affordable and Low Cost Market housing in planning negotiations and subsequent monitoring of delivery.

### **What housing products are typically currently available to households who can only afford intermediate affordable housing and how do they compare to CLG affordability benchmarks?**

<sup>10.30</sup> There are a number of housing products and schemes available, or that have been available, in the LCB (West). It is apparent that many fulfil the role of helping people to get on the home ownership ladder. Again, attention must be drawn to PPS3 and the requirement that intermediate affordable homes must *“include provision for the home to remain at an affordable price for future eligible households or, if these restrictions are lifted, for the subsidy to be recycled for alternative affordable housing provision.”* Thus schemes that permit stair-casing to full ownership must pass an additional test before they can be regarded as intermediate affordable housing. It is considered likely that first six schemes (marked ‘\*’) in the following list of current or recent schemes are the only ones that are capable of meeting the PPS3 definition of intermediate affordable housing in Hertfordshire at this time. These are forms of shared ownership and we are informed that arrangements exist for recycling subsidy. Regarding the remaining schemes, these are dwellings initially offered on Shared Equity terms, even if they could be regarded as affordable within PPS3 paragraph 29, there would appear to be no mechanism for them to be offered permanently on this basis unless agreements exist to the contrary. Therefore, intermediate affordable housing designation should be considered on a case by scheme by scheme basis.

<sup>10.31</sup> The local HomeBuy agent is Lea Valley Homes, but other RSLs are providers of intermediate housing. The range of products and schemes include the following:

- New Build HomeBuy\*: (previously known as shared ownership). Part buy, part rent, plus services charges. Minimum purchase share is 25%, maximum is 75% although most shares tend to be around 40%. The owner/tenant may ‘stair-case’ up to 100% or sell on with share;
- Re-sales\*: A former New Build HomeBuy or Shared Ownership property that has been put on the market to sell;
- Intermediate Rent\*: Rental properties available under Assured Short Hold tenancies with rents between 70% to 80% of the local private market rent for similar properties;
- Rent to HomeBuy\*: A pilot scheme offering certain new homes to rent at subsidised levels for a fixed period of time with an opportunity to purchase a share between 25% and 75% at the end of that period or before with the option to ‘stair-case’ to 100% ownership;
- Ownhome: An equity loan of between 20% and 40% to be used in conjunction with a conventional mortgage from a specified lender. Funding is no longer available for this product;

- Social HomeBuy\*: Available to social housing tenants whose landlords have applied for funding for the scheme. Allows some social tenants to purchase between 25% (minimum) and 100% of their current home with discounts commensurate with the Right to Acquire discount;
- H.O.L.D. \*(Home Ownership for people with Long-term disabilities): A type of home ownership involving part rent, part buy. Ownership stages are usually between 25% and 75%. Stair-casing and outright purchase is permitted. Purchasers can buy new or older properties. Funding is limited for this scheme;
- MyChoiceHomeBuy (New Build Shared Equity): A government funded low cost home ownership programme involving an equity loan scheme designed to help those earning between £20-60,000 to buy their own home on the open market. Equity loans of between 15% and 50% are made available on a low interest rate. Funding is no longer available for this product;
- HomeBuy Direct: A shared equity product to help certain households buy a new property from a builder/developer on designated schemes. A 15-30% equity loan is provided jointly between the government and the developer on an interest free basis for 5 years; and
- First Time Buyers Initiative: A stepping stone to assist buyers into full home ownership. The FTB funds a minimum of 50% of the property purchase price. Nothing to pay for 3 years on the outstanding amount then repayments become due on a sliding interest scale. This scheme is no longer available in Hertfordshire.

<sup>10.32</sup> Many, but not all, of these products can lead to full home ownership. Together, these products and schemes provide opportunities for households meeting their housing requirements through low cost routes other than social rented housing.

### **How affordable are intermediate affordable housing products in relation to other options**

<sup>10.33</sup> The HomeBuy agent has provided information on recent transactions. We have analysed the information with the aim of testing affordability in relation to CLG benchmarks used in the SHMA estimates of housing requirements.

#### New Build HomeBuy and re-sales

<sup>10.34</sup> There were a considerable number of transactions for this product. Therefore, in Figure 163 we have only listed examples of the range of sales according to value for each Local Authority area.

Figure 163  
Examples of New Build HomeBuy based upon 105 transactions (HomeBuy Agent and ORS)

Dwelling type and location	Share of full value purchased %	Value of share purchased in £	Total monthly rent and service charges	Income required to fund rental element	Income required to fund mortgage element	Total income required
<b>1 bedroom flats</b>						
Dacorum	0.4	£56,000	£298	£14,327	£16,000	£30,327
Dacorum	0.4	£60,000	£362	£17,390	£17,143	£34,533
Welwyn Hatfield	0.25	£36,875	£215	£10,338	£10,536	£20,873
Welwyn Hatfield	0.3	£45,000	£307	£14,731	£12,857	£27,588
St Albans	0.4	£70,000	£175	£8,400	£20,000	£28,400
St Albans	0.5	£87,500	£146	£6,990	£25,000	£31,990
Hertsmere	0.25	£38,750	£295	£14,169	£11,071	£25,240
<b>2 bedroom flats</b>						
Hertsmere	0.25	£61,250	£410	£19,682	£17,500	£37,182
Three Rivers	0.25	£78,750	£650	£31,200	£22,500	£53,700
Three Rivers	0.125	£23,744	£538	£25,824	£6,784	£32,608
Dacorum	0.5	£125,000	£373	£17,900	£35,714	£53,614
Dacorum	0.35	£63,700	£299	£14,374	£18,200	£32,574
Watford	0.5	£95,000	£325	£15,582	£27,143	£42,725
Watford	0.45	£63,000	£225	£10,822	£18,000	£28,822
Welwyn Hatfield	0.3	£50,400	£376	£18,065	£14,400	£32,465
Welwyn Hatfield	0.45	£78,750	£346	£16,618	£22,500	£39,118
Hertsmere	0.25	£44,750	£333	£15,969	£12,786	£28,754
Hertsmere	0.5	£120,000	£426	£20,468	£34,286	£54,753
St. Albans	0.5	£86,500	£250	£11,999	£24,714	£36,713
St. Albans	0.5	£120,000	£426	£20,468	£34,286	£54,753
<b>2 bedroom houses</b>						
Hertsmere	0.25	£51,250	£287	£13,788	£14,643	£28,431
Hertsmere	0.6	£129,000	£212	£10,195	£36,857	£47,052
Welwyn Hatfield	0.25	£61,250	£390	£18,739	£17,500	£36,239
<b>3 bedroom houses</b>						
Welwyn Hatfield	0.4	£130,000	£401	£19,250	£37,143	£56,393
Welwyn Hatfield	0.25	£63,750	£350	£16,788	£18,214	£35,002
Hertsmere	0.25	£62,500	£344	£16,488	£17,857	£34,345
Hertsmere	0.425	£129,625	£440	£21,143	£37,036	£58,179

<sup>10.35</sup> From analysis of the full data for this product we found that between April 2007 and July 2009 there were 105 sales for which data was available. 54 were outside prices that could be afforded by households within the SHMA intermediate affordable housing income band. Note that we have calculated the affordability of individual sales above using exactly the same criteria for assessing the intermediate affordable housing requirement as defined in paragraph 9.47 above. This is because our aim is to assess the degree to which existing products meet the SHMA estimate of requirements. It has been impossible to test affordability using Practice Guidance criteria for intermediate housing as data has not included all of the information needed. Page 59 of the Practice Guidance suggests that

25% of gross income would be a suitable benchmark. In all cases either monthly mortgage costs or gross income is missing. It is notable from the full data set and Figure 163 that affordability is being managed by reducing the share purchased and the larger homes tend to be outside the intermediate affordable income band some by a considerable margin.

### HomeBuy Direct

<sup>10.36</sup> Transactions for the periods indicated are given in Figure 164 and Figure 165. The figures compare the minimum income needed using CLG affordability ratios to actual income. A negative figure suggests that the household is able to reasonably afford the cost of the dwelling according to the CLG income to loan ratio and income to rent ratio. Note that dwelling sizes indicate the number of bedrooms and the number of person that the dwelling is designed to accommodate i.e. 1.2 = 1 bedroom 2 person.

Figure 164  
Affordability of HomeBuy Direct using CLG affordability criteria July-November 2009 (HomeBuy Agent and ORS)

Local Authority area	Size	H/H Income	Income to fund mortgage	Income to fund service charge	Total income needed	Income needed minus actual income
Hertsmere	1.2	£26,794	£30,000	£4,000	£34,000	£7,206
Hertsmere	1.2	£19,650	£21,429	£3,784	£25,212	£5,562
Hertsmere	1.2	£24,835	£28,857	£6,240	£35,097	£10,262
Hertsmere	1.2	£28,446	£30,571	£3,980	£34,552	£6,106
Watford	1.2	£29,500	£30,857	£4,000	£34,857	£5,357
Watford	1.2	£34,900	£32,000	£4,272	£36,272	£1,372
Watford	1.2	£44,940	£39,429	£4,000	£43,428	−£1,512
Watford	1.2	£35,076	£32,143	£4,000	£36,143	£1,067
Watford	1.2	£35,000	£32,083	£4,000	£36,083	£1,083
Watford	1.2	£31,500	£32,857	£4,000	£36,857	£5,357
Watford	1.2	£24,212	£26,286	£4,320	£30,605	£6,393
Watford	1.2	£21,318	£23,429	£4,272	£27,701	£6,383
Watford	1.2	£31,176	£34,857	£4,320	£39,177	£8,001
Watford	1.2	£30,200	£33,429	£4,000	£37,428	£7,228
Watford	1.2	£36,624	£30,857	£4,000	£34,857	−£1,767
Watford	1.2	£31,000	£34,000	£4,344	£38,344	£7,344
Dacorum	2.4	£33,251	£33,429	£4,000	£37,428	£4,177
Dacorum	2.4	£40,400	£34,000	£4,800	£38,800	−£1,600
Dacorum	2.4	£56,500	£52,857	£0	£52,857	−£3,643
Hertsmere	2.4	£40,000	£38,286	£7,200	£45,486	£5,486
Hertsmere	2.4	£45,952	£40,571	£4,000	£44,571	−£1,381
Hertsmere	2.4	£38,170	£37,143	£4,000	£41,143	£2,973
Hertsmere	2.4	£42,937	£42,000	£4,000	£46,000	£3,063
Hertsmere	2.4	£45,364	£41,141	£4,000	£45,141	−£223
Hertsmere	2.4	£46,522	£40,857	£4,000	£44,857	−£1,665
Hertsmere	2.4	£50,000	£42,213	£5,280	£47,493	−£2,507
Hertsmere	2.4	£45,112	£37,429	£4,000	£41,428	−£3,684
Hertsmere	2.4	£35,076	£36,286	£4,032	£40,318	£5,242
Hertsmere	2.4	£46,000	£37,599	£4,800	£42,399	−£3,601
Hertsmere	2.4	£52,000	£41,999	£5,280	£47,279	−£4,721

Hertsmere	2.4	£35,000	£38,571	£4,000	£42,571	£7,571
Hertsmere	2.4	£45,000	£41,143	£4,000	£45,143	£143
Hertsmere	2.4	£48,000	£43,285	£7,348	£50,632	£2,632
Three Rivers	2.4	£28,000	£33,714	£0	£33,714	£5,714
Watford	2.4	£42,000	£38,857	£4,000	£42,857	£857
Watford	2.4	£32,610	£35,429	£6,000	£41,429	£8,819
Watford	2.4	£36,396	£40,000	£5,664	£45,664	£9,268
Watford	2.4	£42,037	£41,429	£5,280	£46,709	£4,672
Watford	2.4	£42,154	£38,571	£5,280	£43,851	£1,697
Watford	2.4	£43,000	£46,429	£4,320	£50,749	£7,749
Watford	2.4	£44,308	£39,714	£5,280	£44,994	£686
Watford	2.4	£43,500	£40,857	£5,280	£46,137	£2,637
Watford	2.4	£55,946	£40,000	£5,280	£45,280	£-10,666
Watford	2.4	£40,738	£36,571	£5,664	£42,235	£1,497
Watford	2.4	£45,250	£38,857	£5,712	£44,569	£-681
Watford	2.4	£50,000	£48,000	£4,320	£52,320	£2,320
Watford	2.4	£43,000	£35,500	£5,280	£40,780	£-2,220
Watford	2.4	£34,167	£39,143	£5,280	£44,423	£10,256
Watford	2.4	£35,345	£37,429	£5,280	£42,709	£7,364
Watford	2.4	£41,000	£43,143	£0	£43,143	£2,143

<sup>10.37</sup> Of the 50 sales between July and November, 13 could be considered affordable. None can be regarded as affordable housing within the PPS3 definition as there is no provision within the scheme to 'remain at an affordable price for future eligible households'. The aim of the scheme is to assist developers and purchasers in difficult market conditions. Maintaining the capacity of the development industry during the recession was a priority in order to ensure that housing growth could be delivered when market conditions become more favourable.

### Intermediate Rented Housing

Figure 165  
Affordability of intermediate rent using CLG affordability criteria 2008 and 2009 (HomeBuy Agent and ORS)

Local Authority area	Bedrooms	Household Income	Rent and service charge	Min income reqd.	Income needed minus actual income
St Albans	1.2	£38,400	£580	£27,840	£-10,560
St Albans	1.2	£25,000	£678	£32,532	£7,532
Three Rivers	1.2	£54,434	£592	£28,403	£-26,031
St Albans	1.2	£28,575	£580	£27,840	£-735
St Albans	2.3	£21,700	£603	£28,957	£7,257
Watford	2.3	£26,000	£760	£36,480	£10,480
St Albans	2.3	£20,225	£603	£28,957	£8,732
Dacorum	2.3	£23,296	£698	£33,484	£10,188
St Albans	2.3	£25,000	£603	£28,957	£3,957
St Albans	2.3	£22,692	£603	£28,957	£6,265
Welwyn Hatfield	2.3	£24,103	£585	£28,080	£3,977
St Albans	2.3	£32,977	£531	£25,509	£-7,468
Dacorum	2.3	£27,434	£518	£24,875	£-2,559
Dacorum	2.3	£27,434	£518	£24,875	£-2,559

St Albans	2.4	£55,876	£718	£34,445	-£21,431
Dacorum	2.4	£20,970	£718	£34,440	£13,470
Dacorum	2.4	£19,700	£718	£34,440	£14,740
St Albans	2.4	£39,254	£718	£34,445	-£4,809

- <sup>10.38</sup> There were relatively few (18 no) lettings over the period of which 8 could be considered to be affordable. There is no information regarding whether lower income households were able to claim housing benefit.
- <sup>10.39</sup> Assessing the affordability of these products to individual households is problematic as some products require both mortgage and rent/service charge to be assessed. In calculating the minimum household income required we have applied affordability multipliers to both mortgage (3.5x) and rent (25%) elements and added them together.
- <sup>10.40</sup> The local HomeBuy Agent has advised that an affordability assessment is carried out for all applicants to ensure that mortgage costs, service charges and other debts combined, where relevant, do not generally exceed 45-50% of the household's net income. However, we were unable to ascertain the household's net income from the information supplied.
- <sup>10.41</sup> The greater the household income, the more options will become affordable to that household. Obviously, if a household has a gross income of around £60,000, for example, but only requires a 1 bedroom flat, then the open market is likely to offer sufficient choice in the sub-area. If however, that same household income supports a family and requires a large house, then such an income is likely to be insufficient to access suitable housing on the open market and therefore an intermediate option may become attractive, if affordable.
- <sup>10.42</sup> In Figure 98 we highlight that across the LCB (West), 61.4% of non-owners have an income of less than £35,000. The volume of open market transactions affordable to those with an income of between £20,000 and £35,000 is extremely limited and prices generally mean that there are little or no open market options available to this group.
- <sup>10.43</sup> However, even higher income groups form part of the "demand" for intermediate housing products if the market fails to provide a sufficient range of options.
- <sup>10.44</sup> The average price of property across the LCB (West) varies significantly. Of particular importance is the fact that larger homes will cost more than smaller homes and this point is picked up in our detailed analysis below and in our conclusions.
- <sup>10.45</sup> If households can afford to rent or purchase on the open market, then this is often the preferred form of tenure. If however, the cost of homeownership for the type and size of property required is significantly out their reach, then an intermediate market may have an important role to play in the overall market.
- <sup>10.46</sup> Of course not all households will be looking to buy housing, indeed some will not have the financial status to be eligible for a home loan. In practice small low income households in low housing need will seek housing in the private rented sector.

### Further information from the HomeBuy agent

- <sup>10.47</sup> The local HomeBuy Agent monitors the previous tenure of households with approved applications. As a proportion of all approved applications between July 2007 and July 2009, across a range of intermediate products, around 45% of the householders' previous living status was "living with family / friends", just over 37% were living in the private rented sector, just under 9% were living in the social sector (housing association tenants, 6.7%; and Council tenants, 2%), 6.6% were home owners and just over 2% were renting from an employer.
- <sup>10.48</sup> Hometrack (using CORE data) (produced by St Albans City and District Council under license with Hometrack) supports this and indicates that the previous tenure of shared owners is predominantly those living with family and friends followed by those living in the private rented sector. It also indicates that with the exception of Dacorum, less than 30% of shared owners were previously registered on a Local Authority waiting list. In Dacorum the figure was 42.4%, in St Albans the figure was 10.5%.
- <sup>10.49</sup> The local HomeBuy Agent for intermediate housing products also monitors the demand. There are substantially more applicants than the number of completed applications.

Figure 166

Number of applicants and application status for intermediate products (HomeBuy Agent data)

	July 2007/ June 2008	July 2008/June 2009
No. of applicants (may apply for more than one product)	2040	2182
No. of approved applications	630	813
No. of applications awaiting additional information	380	643
Closed applications e.g. rejected, found housing elsewhere	830	434
Pending status (started to apply but process not completed)	200	292

- <sup>10.50</sup> Note that data collection methodology by the HomeBuy Agent changed in July 2007 so is not comparable before this date.
- <sup>10.51</sup> Hometrack (using CORE data) (produced by St Albans City and District Council under license with Hometrack) indicates that the household composition of shared ownership households is likely to be single adults, followed by two adult households. However, St. Albans, Watford and Welwyn Hatfield show that between 7.5% and 10.5% of households are likely to be small families (1 adult and 1 child or 2 adults and 1 child).
- <sup>10.52</sup> To be eligible for an intermediate housing option, where a mortgage is required as part of the product, in the LCB (West), the general requirement is that a household should not have to spend more than 45 - 50% of their net monthly income on housing costs.
- <sup>10.53</sup> In the LCB (West) intermediate housing options have become available for households with gross income as low as £14,500. The upper limit is usually £60,000. Occasionally this may be raised to £62,000 for dual income key worker households. This level of income generates spending power of

£217,000. Approximately 40% of all housing for sale would have been affordable to households in this income band in 2007/8 (Figure 92).

<sup>10.54</sup> However, from the examples provided by the local HomeBuy Agent, the average household income for HomeBuy Direct is £38,833, the average household income for MyChoice HomeBuy is £34,760, the average household income for Rent to HomeBuy is £29,757 and the average household income for Intermediate Rent is £28,322. Whilst these are more or less in line with the SHMA income bands for intermediate affordable housing it should be noted that these average prices are toward at the upper end of the income band.

<sup>10.55</sup> In addition to financial considerations, each scheme offered will have different eligibility criteria, for example, whether or not an applicant works, or intends to work, in the locality, whether an applicant provides a local service or whether an applicant is a key worker. Each scheme is different and the eligibility criteria will depend upon how it has been funded and provided. For example, according to the HCA buyer's guide for HomeBuy Direct, applicants:

- must be a qualifying buyer unable to afford a home in their local market;
- must not be able to buy a home suitable for their housing needs within a reasonable travelling distance of their work place without assistance;
- must be able to demonstrate access to savings or sufficient funds to pay, if required, a deposit (which may be 5% or more of the purchase price), legal fees, stamp duty and other costs of moving;
- must be able to sustain home ownership in the longer term;
- will be, typically, employed on a permanent contract of employment (there are exceptions for key workers);
- if self-employed, must be able to provide accounts for the last three years;
- must not already be home owners or named on a home mortgage;
- will have to provide evidence, where relevant, that their name has been, or is in process of being, removed from a previous mortgage;
- must have a good credit history - if applicants have rent arrears during the last 12 months, are in breach of their current tenancy agreement or have an adverse credit history which means they are unlikely to be able to sustain ownership, they will not be eligible for HomeBuy Direct; and
- Must take out a first mortgage with a qualifying lender.

### **The historic supply of intermediate affordable housing**

<sup>10.56</sup> CLG publishes data on the supply of additional intermediate affordable housing since 1991/92. Between 1991 and 2001, an additional 760 intermediate affordable homes were provided across the sub-area, an average of 76 units per annum. Since 2002/03, the annual supply has increased. Figure 167 sets out the additional number of intermediate affordable homes provided by each local authority area from 2001 to 2007/08. Note this does not include information about stair-casing to full ownership or re-sales so the net gain is uncertain.



Figure 167  
Additional intermediate affordable housing provided by Local Authority area (CLG live data table 1007)

Local Authority Area	2001/2002	2002/2003	2003/2004	2004/2005	2005/2006	2006/2007	2007/2008	Total
Dacorum	0	40	70	40	50	80	110	390
Hertsmere	10	40	80	30	60	80	60	360
St. Albans	0	10	30	50	100	20	40	250
Three Rivers	30	40	60	50	40	80	30	330
Watford	10	70	90	50	120	40	60	440
Welwyn Hatfield	0	30	40	40	70	90	150	420
<b>Totals</b>	<b>50</b>	<b>230</b>	<b>370</b>	<b>260</b>	<b>440</b>	<b>390</b>	<b>450</b>	<b>2,190</b>

### Relating the future Requirement for Intermediate Housing to Supply and Demand

<sup>10.57</sup> In Section 8 (Figure 133), we set out the "requirement" for intermediate affordable housing based on long term house price trends and PPS3 definitions. The requirement for the LCB (West) totals 11,900 additional intermediate units between 2007 and 2021. Therefore, over a period of 15 years, this would translate to an average annual delivery rate of 793 units across the LCB (West).

<sup>10.58</sup> The CLG table above indicates that supply, as an average, over the period 2001 to 2008, was around 313 units per annum across the LCB (West). If this trend were to continue, there would be a potential undersupply of 480 units per annum across the LCB (West).

<sup>10.59</sup> If we look at the "peak market" requirements, set out in Section 8 (Figure 134), the differential would be much more pronounced with 26,200 additional intermediate housing units being required in total, which translates to 1,747 per annum. Again, if compared to existing trends, there would be a potential net annual undersupply of 1,434 intermediate units.

<sup>10.60</sup> Over the last 2 years, there has been an average of 2,111 applications made per annum via the HomeBuy Agent for intermediate affordable housing options. This does not mean that there has been 2,111 applicants per annum, as applicants may register their interest in more than one intermediate product. However, the number of approved applications is much lower, at around 720 per annum, and this reflects the number of applicants that are considered to be eligible for the range of intermediate affordable homes that are available in the area.

<sup>10.61</sup> On this basis, it may be the case that at the present time, there is insufficient demand from eligible applicants for the projected market role of intermediate housing, based either on long-term house price trends (860 per annum) or at peak prices (1,747 per annum).

<sup>10.62</sup> Currently therefore, there would appear to be a mis-match between the estimated requirement for intermediate housing, as set out in Section 8 of this report, the supply trends and the current demand levels. However, it is worth noting that the SHMA has drawn attention to a number of factors to account for this:

- the majority of households are in the lower end of the intermediate affordable housing band and cannot afford shared ownership based products;
- long term affordability trends means that the number of households that can afford home ownership will decline;

- households will in practice house themselves in the private rented sector; and
- there is a very limited supply of intermediate rented housing so demand for it will be small.

<sup>10.63</sup> The local authorities will therefore need to consider whether any scope exists to increase the deliverability and marketability of affordable intermediate products, or indeed use PPS3 to negotiate subsidy levels to ensure that it is more in step with local incomes. Of course, the impact of this would be that fewer additional units would be achieved. Households on the social housing register might be targeted but again the key issue is affordability. In Section 8 we highlighted that some of the existing social housing stock is occupied by households with incomes higher than £20,000 per annum. However, there is limited scope to achieve this. Social renting tenants enjoy good levels of service and security of tenure for minimal rents.

### Key Workers

<sup>10.64</sup> A key worker survey was undertaken for the whole of Hertfordshire in 2003 by DCA. The survey sought the views of employers and employees as well as examining house prices, incomes, volume of sales and rental costs. The survey concentrated on those earning up to £30,000 although joint households were also included. Occupations surveyed were teachers, social-care workers, fire-fighters, police officers, nurses, other health-care personnel and paramedics who lived and worked in the county or lived outside the county but worked within it.

<sup>10.65</sup> Employers considered that the high cost of housing in Hertfordshire was a barrier to recruitment and retention. The employee survey revealed a high level of staff intending to leave the county because of high housing costs and a high proportion of key workers who already lived outside the county because of housing issues.

<sup>10.66</sup> In April 2004, the Key worker living programme was launched in London, the East and the South East, to assist the recruitment and retention of key public sector workers. From April 2006, support for key workers was mainstreamed through the National Affordable Housing Programme and has been extended across all 9 government office regions of England. The Programme provides the opportunity for Key Workers to access intermediate housing for rent and shared ownership/Newbuild HomeBuy (Homes and Communities Agency, Shared Ownership, Joint Guidance for England, March 2009).

<sup>10.67</sup> Key Workers in Hertfordshire are currently defined under the government initiative for Key Worker Living as:

- Clinical NHS staff (except doctors and dentists);
- Teachers in state-funded schools and certain further education colleges;
- Police Officers and Police Community Support Officers;
- Uniformed staff in Herts Fire and Rescue Services (below Principal level);
- Prison Services staff (in specific roles);
- Probation Services staff (in specific roles);
- Social Workers (ACS) Social Workers (CSF), Educational Psychologists, various Therapists, Rehabilitation Officers for the visually impaired and qualified Nursery Nurses employed by Local Authorities or the NHS;

- Local Authority employed Clinical staff (e.g. Nurses);
- Local Authority Planners ( including Tree & Conservation Officers);
- C.A.F.C. A.S.S. employed Social Workers (Guardians);
- Connexions Personal Advisors (employed by Connexions Partnership or Local Authority only);
- Highways Agency Traffic Officers; and
- Environmental Health Practitioners.

<sup>10.68</sup> The above list of key workers are defined as the Key Worker priority group for New Build HomeBuy (shared ownership) and Intermediate Rent (Intermediate renting – where rent costs are fixed between levels charged by private and social landlords) (Lea Valley Homes).

<sup>10.69</sup> A snapshot of data collected by the HomeBuy Agent for August 2009, for approved applications, indicates that of all the Key Worker applicants:

- 71% live within the 6 SHMA local authority areas; and
- 29% live outside the 6 SHMA local authority areas but work within them.

<sup>10.70</sup> Of the Key Worker applicants who live within the 6 SHMA local authority areas:

- 46% live and work in the same local authority area;
- 82% live and work within the 6 SHMA local authority areas; and
- 18% live in the 6 SHMA local authority areas but work outside them.

<sup>10.71</sup> When looking at the type of households, of all Key Worker applicants:

- 47% of applications were from single persons;
- 22% of applications were from joint applications with no children;
- 16% were from single parents; and
- 15% were from couples with children.

Also:

- the highest number of single applications were from individuals living in Welwyn Hatfield;
- the highest number of joint applications (with no children) were from households living in St Albans;
- the highest number of single parent families were from households living in Watford; and
- the highest number of joint applications with children were from households living in Watford.

<sup>10.72</sup> In Hertfordshire, guidelines are that Key Workers choice of property location should not be more than 45 minutes travelling time to their place of work, which can, incidentally, translate to different distances at different times of day or night.

## Conclusion

<sup>10.73</sup> There would appear to be a mis-match between the estimated requirement for intermediate housing, as set out in Section 8 of this report, the supply trends and the current demand levels considered in this section.

<sup>10.74</sup> The SHMA has drawn attention to a number of additional factors:

- the majority of households are in the lower end of the intermediate affordable housing band and cannot afford shared ownership or shared equity based products;
- long term affordability trends mean that the number of households that can afford home ownership will decline;
- households will in practice house themselves in the private rented sector; and
- there is a very limited supply of intermediate rented housing so demand for it will be small.

<sup>10.75</sup> The local authorities will, therefore, need to consider whether any scope exists to increase the deliverability and marketability of affordable intermediate products, or indeed use PPS3 to negotiate subsidy levels to ensure that it is more in step with local incomes. Of course, the impact of this would be that fewer additional units would be achieved. Households on the social housing register might be targeted but again the key issue is affordability. In Section 8 we highlighted that some of the existing social housing stock is occupied by households with incomes higher than £20,000 per annum. However there is limited scope to effect movement from social housing to intermediate. Tenants are unlikely to give up security of tenure and cheaper rents unless they perceive a benefit from doing so.

<sup>10.76</sup> It would appear that intermediate rent is the only model capable of delivering intermediate affordable housing to lower income households in this group.

<sup>10.77</sup> Failure to provide intermediate affordable housing for lower income groups will result in increasing demand for social rented housing and private rented sector housing.

## Summary of key findings

### Affordable housing options

- Households in housing need do not necessarily seek a solution through social housing, their options are to share housing, seek intermediate affordable housing, live in the private rented sector or pay more than they can reasonably afford in order to live in market housing.
- Households who can afford more than social rents apply for and are occasionally able to access social housing if they are in housing need.
- A HNS normally uses household survey data to estimate housing need by taking into account data from existing households in unsuitable housing and seeking to move and who cannot afford market housing. Components of overall need are classified as backlog need and newly arising need. The estimate of housing need, according to HNA Practice Guidance includes a factor to eliminate the backlog of need within 10 years. The estimate is not constrained by likely future supply it is a measure of unmet need from existing supply
- The LCB (West) SHMA has been conducted using secondary data to establish trends from a baseline of 2001. It uses population and household projections together with recent data on household income, house prices and supply to estimate the future requirement across all tenures. The future supply is that envisaged by the East of England Plan. Backlog need was factored into the East of England minimum targets. The SHMA estimates the best tenure and size mix of the future supply in relation to the nature of the estimated demographic change.

### Intermediate affordable housing

- The target group of households for intermediate affordable housing varies according to market conditions. As at 2008 peak house prices, households with an income of between £20,000 and £35,000 can be regarded as the target group of households that can afford intermediate affordable housing. If long term prices are applied the income band narrows to £20,000 and £30,000 as house prices are lower than peak and more households can afford market housing. These households have few housing options on the open market and are a target group for intermediate housing options in the LCB (West).
- The potential exists to provide a range of intermediate affordable housing products but costs will vary from location to location and eligibility criteria will vary on a development and scheme basis.
- Current income eligibility for new build HomeBuy is up to £60,000 and in the LCB (West), given the relationship between property prices and incomes, households with an income of between £35,000 and £60,000 are likely to form part of the market for low cost market housing products.
- The previous tenure of shared owners is more likely to be from those living with friends and family or those living in the private rented sector, rather than those living in social rented housing or those that are already owner occupiers.
- Shared ownership households in the LCB (West) are most likely to comprise 1 or 2 adults. A small proportion of shared owner households will however contain families. The affordability of shared ownership is managed by altering the share of the value that is purchased. Smaller homes are more likely to be affordable under this scheme.
- The number of applicants for intermediate housing, via the HomeBuy agents, far exceeds the number of approved applications.
- The Key Worker Living Programme in Hertfordshire provides the opportunity for eligible key workers to access shared ownership and intermediate rented housing schemes.

