West of England

"OPENING DOORS"

Improving Access to Affordable Home Ownership

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1. INTRODUCTION, BRIEF, and EXECUTIVE SUMMARY

1.1 Introduction and Brief

1.1.1 Ark has been commissioned by Bristol City Council on behalf of all West of England local authorities to conduct a study with the following study objectives:

- To evaluate the affordability of the shared ownership schemes secured through S.106 agreements and delivered by RSLs in 2004/5 and 2005/6, and schemes secured through S.106 agreements and still in the development pipeline.

- To evaluate the affordability of HC and LA funded shared ownership schemes delivered in 2004/5, 2005/6, 2006/7 and proposed schemes for delivery in 2007/8.

- To investigate and make recommendations on options for ensuring the affordability for WoE residents of intermediate housing for single people, couples and families secured through the planning system.

- To investigate and make recommendations on options for ensuring the affordability for WoE residents of intermediate housing for single people, couples and families on HC and LA funded schemes and compare against HC agreed guidance.

- To monitor and provide regular reports on the delivery of alternative LCHO pilot schemes:

    - Improvement for Sale 50/50 retained equity model (Bristol)
    - Citywide Assisted Purchase (Bristol)
    - Open Market Homebuy in rural areas (North Somerset)
    - Very Sheltered Housing (North Somerset)
    - Community Land Trust (North Somerset)
    - LCHO without subsidy (North Somerset)
    - Discounted Market Retained Equity (Bath & North East Somerset)

1.1.2 This represents a final report (excluding the delivery of pilot schemes) that draws on a wide range of evidence gathering and analysis. The intention is to consider different issues so that the four councils can agree a joint approach to policy in terms of defining affordable intermediate home ownership and delivering an affordable product that is attractive to households with low to mid incomes.

1.1.3 Ark would like to acknowledge the large input into this study from the Enabling Managers of the four authorities as well as data collection from other team members. In particular thanks must go to Phil Spooner of Bristol City Council who helped create the methodology that underlies Appendix B.

1.2 Executive Summary

1.2.1 The study carried out by Ark and the resulting recommendations will have a significant impact on improving the affordability of intermediate home ownership opportunities delivered through S.106 planning obligations in the West of England. The key points and recommendations are listed below as bullet points for ease of reference:

- It is Ark's opinion that it is correct to apply an affordability criteria of 25% of gross income as maximum household expenditure that should be spent on mortgage and rent costs for intermediate home ownership.

- This affordability criteria is in line with national guidance issued through the Strategic Housing Market Assessment Practice Guidance, 2007, version 2.

- PPS3 states that: "*Affordable housing includes social rented and intermediate housing, provided to specified eligible households whose needs are not met by the market.*" Intermediate housing must be below market price or market rent, therefore if a household can afford to market rent then they should not be regarded as in need of intermediate housing.

- RSLs take the affordability of intermediate market housing seriously and are trying to respond to this issue by selling lower tranches of equity and where possible lower rental charges.

- Most sales are made to households who appear to be able to afford the product on offer, and all the RSLs will interview prospective purchasers to ensure they are comfortable with the financial commitment.

- However, there is a lack of consistency between RSLs as to how they measure the affordability of intermediate home ownership. This inconsistent approach to defining affordability makes a significant difference to the target household income expected for a particular property.

- RSLs charge different rent levels on different schemes, and occasionally on the same site. This affects affordability levels and must make marketing the units with higher rents more difficult whilst confusing applicants.

- Whilst RSLs are responding to the affordability issue, there are various individual schemes planned where high market values and/or high rentals prevail and may make the scheme unaffordable.

- At present market rents are significantly lower than the cost of buying outright in the WoE. In the recent report from Steve Wilcox, "Can't Buy: Can Rent, the affordability of private housing in Great Britain" 2007, appendix 2, schedule 4 compares the cost of monthly mortgage costs for first time buyers in the open market with the monthly cost of market rents. This analysis shows that in the WoE market rents are approximately 60% of mortgage costs.

- It is therefore a strong line of argument to use the market rent levels to establish the upper threshold of the intermediate housing. To put it simply those households who can afford to market rent can meet their housing need in the market and so the intermediate market will help households between social and market rents.

- The four authorities should adopt the methodology used by Ark to achieve the correct level of affordability with a lower threshold of affordability established for each SHMA zone across the sub region. It is expected that households earning less than this lower threshold would be best accommodated in social rented housing unless they have substantial savings or capital assets.

- Likewise the four authorities should adopt the methodology used by Ark to establish an upper threshold of affordability for intermediate home ownership for each SHMA zone across the sub region. It is expected that households earning more than this level could afford to rent a property in the open market.

- The average price that the intermediate home ownership is made available to purchasers should be the mid point between the upper and lower income thresholds.

- Table 9 of this report, paragraph 5.3.1, demonstrates the fact that the level of rent charged on intermediate housing makes a significant impact on the weekly housing costs for any household and the resulting affordability levels.

- The RSL or AHP can charge rent based on a sliding scale as per the table 10 in 5.3.7 of this report in order to repay a loan over 30 years to cover its on-costs.

- In many situations it will be appropriate for each local authority to take into account the impact of service charges when assessing affordability of intermediate home ownership properties.

- RSLs should adopt a more consistent approach to setting rental charges and service charges on intermediate home ownership products.

- In a joint approach the four local authorities should engage with the Housing Corporation and partner RSLs to establish whether grant funded Newbuild Homebuy can achieve similar levels of affordability as the S.106 schemes.

- The four local authorities should review their planning policies on affordable housing as a result of this study and consider the impact of entry level market rents as a method to establish the upper threshold of intermediate home ownership products.

- It will be necessary for the four authorities to regularly review the raw data contained in this report as this establishes the lower and upper thresholds for the intermediate housing market as a whole.

2. CONTEXT

2.1 Current Local Policy

2.1.1 Currently, the four local authorities are experiencing delivery of affordable intermediate housing that increasingly requires relatively high income levels in order for a household to purchase.

2.1.2 Given that property values in the sub region have until very recently continued to rise, many traditional shared ownership homes are at the margins of affordability for households identified in the West of England Affordable Housing Needs Assessment (WoE HNA) as in need of intermediate housing. The current work on the Strategic Housing Market Assessment (SHMA) will update the evidence base for housing need across the four authorities and its findings will be published in mid 2008.

2.1.3 The affordable housing requirements relating to intermediate housing delivered in the WoE either through Local Plan policy or Supplementary Planning Documents (SPD), tend to relate to a percentage of market values. The difficulty this presents is that as market values rise the affordable intermediate housing price will increase. Therefore setting a target of shared equity at say 40% might be affordable based on the current market value but in 18 months time when the units are sold values may have risen so that the intermediate housing becomes unaffordable to the households whom the four Councils are trying to help. In a falling market these fixed percentages may well underestimate how large a tranche of equity a household in need of intermediate housing may be able to buy. (Please note that the South Gloucestershire Council SPD is currently a draft and not formally adopted)

2.1.4 North Somerset Council for example has tried to address affordability by insisting that on a S.106 negotiation a developer will be paid 40% of the open market value for intermediate housing and the property then sold to the shared owners at 40% of market value with a rent set at 1% of the unsold equity. South Gloucestershire Council has a similar policy of 40% of market value and rent to be fixed at 1% of unsold equity, whilst the matrix for shared ownership provided by Bristol City Council states that an RSL can pay a developer 50% of market value with a rent set at 2% of unsold equity in most areas of the city but applies a percentage of 40% of market value with a rent set at 1.5% of unsold equity in the city centre where property prices are generally higher. Bath and North East Somerset Council does not specify a price to be paid to developers for shared ownership on S.106 schemes.

2.1.5 Whilst the policy of North Somerset Council is helping keep affordability levels at a reasonable level, the price to be paid to the developer remains linked to market values, i.e. if you are delivering affordable housing in a high value area of the sub-region, and/or market values rise, the current policy will still produce a home that may be unaffordable to those households identified in the housing needs assessment. Take for example, a high value 2 bed waterside apartment with a market value of £240,000 which even at 40% of market value will result in a shared ownership purchase price of £96,000 plus rent of £1,440 per annum at 1% of unsold equity. This will be unaffordable to many households who form the intermediate housing market in the WoE, particularly if service charges on flatted developments such as these are high.

2.1.6 It could be argued that this policy could lead to all intermediate housing secured for S.106 requirements being sold at a similar price, i.e. at 40% of market value. This may be inflexible as there are some households who are in need of shared ownership but can afford a higher proportion of market value whilst other households can only afford a lower initial tranche of equity. Furthermore, there will be a lack of balance in the new community as a typical scheme would see the affordable housing being a mix of social rent or shared owners of a certain income bracket. There is a need to meet a range of intermediate housing needs on each large site in order to create balanced and sustainable communities.

2.1.7 The affordable housing planning policy should set out the costs that the purchaser can afford to pay for intermediate housing as this is the most important output from a Local Authority perspective. These calculations will enable each authority to calculate an indicative price a RSL will buy the units at which acts as a guide for developers in assessing their viability assessment.

2.2 Affordability and Poverty in Owner Occupation

2.2.1 The expansion of home ownership and poverty are rarely linked as the prevailing view of home ownership associates the tenure with affluence. However, this is only a partial picture as a study produced by Roger Burrows in conjunction with the Joseph Rowntree Foundation titled "Poverty and home ownership in contemporary Britain", 2005, demonstrated that half of all households living in poverty are home owners.

2.2.2 It is well known that the vast majority of households in employment aspire to owning their home. There is therefore an aspirational pressure from households for local authorities and RSLs to achieve forms of shared ownership that are affordable even for households on relatively low levels of income. Central Government also supports the principle of encouraging as many households as possible to own their own homes. These pressures may result in shared ownership being targeted at households who cannot afford this tenure and lead to the creation of poverty traps.

2.2.3 At the lower end of income levels there does need to be some realism that not every household in work can afford a shared ownership property particularly if they wish to live in a high value area.

2.2.4 Affordability for individual households is a complex issue. One simple model often used is to take mortgage provider standard multipliers of income as a limit of borrowing capacity. However for those on low incomes other costs such as rent, service charges, community tax, electricity, gas, insurance, and water charges consume a large proportion of net income. Therefore whilst in theory someone earning £15,000 can borrow a mortgage of £52,500 it is likely that this individual would not be able to finance monthly mortgage repayments, rent and service charges on an apartment and still be left with sufficient net income not to be defined as living in poverty.

2.2.5 A second methodology used to assess the affordability of intermediate housing is that a household should use a maximum of 25% of gross income to pay for their mortgage and rent as proposed in the Strategic Housing Market Assessment Practice Guide (SHMA PG), 2007.

2.2.6 <u>It is this benchmark that Ark will use to assess the affordability of intermediate housing in the WoE in line with national guidance.</u>

2.2.7 This affordability criteria must also be compared to the reality of household budgets. If you take a couple with 1 child who wish to buy a 2 bed house on a shared ownership basis, and they have a joint income of £25,000 (one partner £17,000, second £8,000 - part time post). A typical household budget would be as follows:

<u>Table 1</u> – Family Budget based on 25% Gross Income to pay Housing Costs

Income/Expenditure	**£'s**
Household Income	**£25,000**
Household Expenditure & Costs	
Tax and NI	4,581
Mortgage and rent (25% of gross income)	6,250
Service charge	200
Council Tax	1,050
Water/sewage rates	320
Services (electric/gas)	940
Property Insurance	420
Maintenance/sinking fund major repairs	800
Transport	2,000*
Food	2,450*
Household goods and services	820*
Clothing	900*
Communication	400*
Social life, alcohol, restaurants	800*
Recreation, culture, and holidays	1,000*
Education/child care	2,080
Health	260
Total Household Outgoings	**25,271**
Surplus/Deficit	**(£271) deficit**

* denotes that budget figures shown are significantly lower than the average family spending in 2006 identified by the Office for National Statistics.

2.2.8 This demonstrates that using 25% of gross income, to pay for mortgage and rental costs, is barely affordable based on the assumption that households are prudent in many areas of household expenditure compared to the national average and do not have any significant debt or outstanding credit card balances nor do they have the ability to save for a rainy day. There are other affordability criteria that can be used but if you assume 30% of gross income can be used to meet the mortgage and rent then household outgoings would rise by another £1,250 per annum and may trap these families into a life of poverty. <u>This reinforces Arks opinion that it is correct to apply an affordability criteria of 25% of gross income as a maximum</u> <u>should be spent on mortgage and rent costs</u> and not force households to over stretch themselves in their attempt to get on the property ladder.

2.2.9 The data from the Council of Mortgage Lenders (CML) shows that in 2006 the median first time buyer borrowed 90% loan to value. Ark will assume a 10% deposit is achievable for those in need of intermediate home ownership, however it should be noted that when appraising individual schemes or updating this report each authority may gather from other data sources that different levels of deposit can be anticipated for those on the waiting list for intermediate home ownership. Where there is evidence that those households buying on a shared ownership basis cannot afford any deposit the Local Authority may adjust the figures modelled by Ark and contained in Appendices A and B accordingly.

Table 2 – Figures for median first time buyers 2006 (CML)

Loan Advance £	Household Income £	Age of Borrower	Percent Advance %	Income Multiplier
113,000	34,813	29	90	3.27

2.2.10 It is clear that there is a lower income limit, below which it is not possible to acquire a home even on a shared ownership basis, unless a household has substantial capital assets. It is important that the West of England agrees what this lower limit should be and accepts that any household earning less than this lower limit should ordinarily expect to be offered social rented housing. Certainly affordable home ownership should be more expensive than social rented housing as it is intended to meet the needs of the intermediate housing market, and therefore households acquiring on an affordable home ownership basis would be expected to have a higher income than those who are in very low paid or no employment and qualify for social rented housing.

2.2.11 There are other factors to take into account, and one of the most important issues is making affordable home ownership attractive to lenders.

2.2.12 There is anecdotal evidence that lenders are reluctant to lend to any household acquiring less than a 35% share of market value in low to mid value areas. The lenders may consider providing mortgages on a 25% or 30% equity share in high value areas, and this could apply to areas such as Central Bath or Bristol City Centre. However having approached the CML and a few lenders it is clear that there is not consistent specific policies on this point and their positions on acceptable minimum equity levels could change. The impact of the international lending crisis may make lenders more cautious when it comes to mortgages on intermediate housing.

2.2.13 The implications of this are that a lower limit of property value sold on a shared ownership basis may be effectively established by lenders' policy. However we cannot state that there is a major problem at present as currently purchasers are able to get mortgages for the intermediate housing products on offer in the WoE.

2.3 Planning Policy and Guidance

2.3.1 The concept of affordable housing has become more significant in recent years in terms of central government planning policy. A community's need for affordable housing is a material consideration which can be taken into account when formulating local policies.

2.3.2 Policies are contained in local plans or in the emerging Local Development Frameworks which carry weight and once fully adopted are legitimate planning policy. In addition, affordable housing policy can be considered in its own right as part of Supplementary Planning Guidance or a Supplementary Planning Document.

2.3.3 It is also important to note that local planning authorities must try to achieve the objective of contributing to the delivery of sustainable development as per government guidance in Planning Policy Statement 3 – Housing (PPS3).

2.3.4 The key policy guidance produced by central government relating to affordable housing requirements on residential developments has previously been PPG3 and circular 6/98.

2.3.5 Now PPS3 has been issued and adopted, which updates the policy guidance on affordable housing.

2.3.6 **PPS3 states that the definition of affordable housing**, for planning purposes, is as follows:

"*Affordable housing includes 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 low enough cost for them to afford, determined with regard to local incomes and local house prices;*
- *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."*

Intermediate affordable housing is:

"*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, other low cost homes for sale and intermediate rent*."

2.3.7 Three key points arise from this definition in terms of this particular research. They are:

- Affordable housing should be non-market housing. Ark would interpret this to mean all affordable housing should be available at a price below its market price 9for rent or sale). Therefore when a developer is offering low cost housing that is cheap because it is small (say a studio of $25m^2$), the local authority is entitled not to view this as part of the affordable housing provision unless a significant discount from its market value is offered.

- Intermediate housing must be below market price or market rent. In essence the affordable housing is there to help those households who can not meet their need in the market place. Therefore if a household can afford to market rent then they should not be regarded as in need of intermediate housing.

- As regards affordable housing being available to households at a cost they can afford with regard to local incomes and market prices/rents, PPS3 does not provide an agreed methodology, but nonetheless clearly states that the affordable housing must meet the needs of local people. Therefore it is legitimate for local authorities to define the affordability of the units based on local incomes market rents and house prices.

2.3.8 PPS3 also states that:

"*Separate targets should be set for social rented and intermediate housing where appropriate. A sufficient supply of intermediate housing can help meet the needs of key workers and those seeking a first step on the housing ladder, reduce the call on social-rented housing, free up existing social-rented homes, provide wider choice for households and ensure sites have a balanced mix of tenures*."

2.3.9 Certain key points arise:

- A separate target for intermediate housing is needed. This is currently established in the WoE four authorities, but now needs to be defined in terms of affordability.

- In order to successfully reduce the call on social rented housing, or free up existing social rented stock, some of the intermediate housing will need to be available at the lower income end of the intermediate market. It is very unlikely that those households currently occupying, or which are on the waiting list for, social rented housing will benefit from high household income.

- Ensuring sites have a balanced mix of property size/type/and tenure is very important as the desire to create sustainable communities is strong. Therefore Ark would recommend that wherever possible a range of intermediate housing is provided. This range will be attractive to households with differing needs and income levels, as well as on large sites different intermediate market products may be offered. For example on a large site a local authority could ask for x% intermediate housing, which should cater for an income range of say £15-£30k. This will include a range of products and tenures such as some fixed equity, shared ownership, and sub-market rent.

2.3.10 PPS3 confirms intermediate housing as:

"*housing at prices or rents above those of social rented housing but below market prices or rents, ……... 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."*

2.3.11 This states quite clearly that small units at market value (low cost market housing) are not intermediate (affordable) housing. One point to note is that intermediate housing is regarded as above the price of social rented housing. Ark suggests that it is therefore reasonable for a landowner to expect a higher payment for land/property for intermediate housing compared to social-rented units in S.106 negotiations. No matter how low local income levels may be, it would not be reasonable to expect Intermediate Home Ownership to be as cheap as or cheaper than social rented housing.

2.4 The West of England Housing Need and Affordability Model, Bramley 2005 (WoE HNA)

2.4.1 The report produced by Professor Bramley provided results of a study of housing affordability and housing need for the West of England sub region. It is this report that underpins the affordable housing policies of three local authorities, and as such it is highly significant. South Gloucestershire has used a Housing Needs Study produced by John Herrington Associates to underpin its affordable housing policy.

2.4.2 Therefore Ark has used the Bramley report to help define the affordability of intermediate home ownership. Extracted from the Bramley report, some of the key assumptions and findings relevant to defining the affordability of the intermediate market are as follows:

- About 15% of new households in the sub region could afford intermediate housing.
- About 25% of net need in the sub region could be met by intermediate forms of provision.
- The model shows that 10% lower house prices would increase affordability by 5.6% points which would result in approximately 30% of identified housing need capable of being met by the intermediate market, and higher prices would roughly have equal but opposite effects.
- Shared ownership numbers are sensitive to financing arrangements and the minimum tranche offered.
- Threshold prices are based on lower quartile prices from the land registry, adjusted for size.
- House prices peak in 2004 and are subject to a real terms 'correction' (i.e. reduction) of 15% thereafter. (This projection has not proved to be accurate and this will now be remodelled in the 2008 West of England SHMA which will reappraise entry level house prices).

- The most affordable zones for house purchase are Yate, Sodbury, Weston-Super-Mare and North Fringe.

- The least affordable zones are Bath City, Portishead-Gordano and Bristol Inner NW.

2.4.3 These findings highlighted that there are different levels of affordability between different areas (zones) within the sub region. There is an argument that the entry level price of property for the sub region as a whole should be as for the cheapest sub-area, which when this study was complete was the Bristol Outer North East zone.

2.4.4 It is possible that when viewing the sub region as a complete housing market area anyone who can afford to buy outright in Bristol Outer North East should not need intermediate housing.

2.4.5 However, the sub region is quite large, with many households not able or willing to move far from their current location and as such it is important to set affordability thresholds for each individual zone. Furthermore it is important to allow households in need of intermediate housing to live throughout the sub region in order to reduce the impact on travel to work distances and help achieve balanced sustainable communities. It is important to be realistic about not defining the intermediate market too tightly simply based on the cheapest area in the whole sub region.

2.5 Local Employment and Incomes

2.5.1 It is important to recognise that the intermediate market is realistically going to help households in certain jobs and be unlikely to assist those who earn too little.

2.5.2 According to information contained on the West of England Learning and Skills Council website, individuals work in the following employment sectors and with the 2003 salary ranges outlined in Table 3 overleaf:

Table 3 – Typical Industry Income Levels in the WoE

Employment Sector	**Numbers Employed Locally**				**Annual Salary Range (Average for 2003)**	**Will Intermediate Housing be Attractive?**
	BANES	**Bristol**	**N.Somerset**	**S.Glos**		
Building & Construction	3,100	12,100	3,000	9,400	18k-36k	Yes
Catering & Hospitality	6,500	13,800	5,400	6,700	11k-22k	No (majority)
Computers & IT	2,100	5,330	1,300	8,800	16k-45k	Yes
Engineering & Manufacturing	8,500	23,900	8,200	16,200	14k-38k	Yes (majority)
Environment, Animals & Plants	1,400	500	1,600	2,000	15k-27k	Yes (some)
Financial Services	2,000	23,000	2,900	3,500	17k-59k	Yes
Health & Social Care	11,000	24,200	7,800	7,500	14k-63k	Yes (majority)
Leisure, Sport & Tourism	1,500	4,100	3,300	1,700	15k-26k	Yes (some)
Motor Industry	1,500	6,600	1,900	3,300	20k-22k	Yes
Retail & Customer Service	11,500	31,600	12,300	5,800	11k-39k	Yes (some)
Public Services	WoE Total 16,700				22k-45k	Yes

2.5.3 It is likely that intermediate housing will be attractive to first time buyers in all employment sectors who earn in excess of say £15,000 and that would represent the majority of workers based on the earnings table above. This will help key workers such as nurses and fire officers through to bricklayers buy a share in their own home or rent at sub-market values.

2.5.4 There are many people employed in the West of England who will have annual earnings so low that they could not afford intermediate market housing. This is particularly an issue in the catering and retail sectors which employ large numbers in all four authority areas.

2.5.5 Note that this table is only used to help set the context of local income levels for different industries prevalent in the WoE. This should be reviewed regularly, but will not have a material impact on the affordability modelling carried out by Ark later in this report.

3. EXAMPLES OF GOOD PRACTICE

3.1 The WoE authorities are facing similar issues to most other planning authorities, and others have attempted to define the affordability of LCHO. Listed below are some of the other examples that were current in January 2007, forming part of adopted affordable housing policy elsewhere in England.

3.2 Kerrier DC (KDC)

3.2.1 In the "Pricing Structure for Affordable Dwellings" KDC states the following:

"The sale price of affordable dwellings delivered by a private developer will be determined by a multiplier of the average earnings of different local household types and assuming availability of a 5% deposit. Earnings data are taken from ONS ASHE (National Statistics, Annual Survey of Hours and Earnings). Current Kerrier mean figures are used, although it must be remembered that these figures will fluctuate in line with ASHE."

3.2.2 This definition results in a table as follows:

Property	Size	Sale Price
1 Bed	(Less than 42m sq)	£54,892
1 Bed	(Greater than 42m sq)	£69,806
2 Bed	(More than 66m sq)	£91,743
3 Bed +	(More than 80m sq)	£124,667

3.2.3 KDC has made assumptions regarding the earnings of "typical households":

- 1 bed studio 3 x £17,373 plus 5% deposit
- 1 bed flat 3 x £22,105 plus 5% deposit
- 2 bed house 3 x £22,105 plus 3 x £6,947 plus 5% deposit
- 3 bed house 3 x £22,105 plus 3 x £17,373 plus 5% deposit.

3.2.4 Ark's comments on this are as follows:

- The model is simple and transparent
- The assumed household types and their incomes related to property type cannot be fully justified
- Total household income is sometimes higher than household earnings so the use of ASHE may not provide a complete picture
- No reference is made to the ability of households to meet their housing need in the private rented sector

3.3 Wyre Forest District Council (WFDC)

3.3.1 WFDC has devised a table of affordable values that make assumptions over the income levels of households requiring shared ownership and calculate the value that an RSL can pay a developer for these properties.

3.3.2 The table produced figures as follows:

Property Type	Min Area m²	Incomes which require s/o	Value for s/o properties
1b2p flat	45	-	-
2b3p flat	55	£16,500	£60,000
1b2p house	50	£16,500	£60,000
2b3p house	65	£20,000	£75,000
2b4p house	71	£20,000	£75,000
3b4p house	75	£22,000	£80,000
3b5p house	81	£22,000	£85,000
4b6p house	96	-	-

3.3.3 Ark's comments on this approach are as follows:

- A simple methodology creating a matrix structure
- The household incomes which require shared ownership are not fully justified
- This methodology does not relate entry level market values or market rents to required income levels for the acquisition or renting of property on the open market which would establish the upper end of the intermediate market

3.4 Greater London Supplementary Planning Guidance and Housing Requirements (Mayor of London)

3.4.1 Intermediate provision is sub-market housing where costs including service charges are above target rents for social housing but are affordable by households on incomes of less than £49,000 (as at September 2005). This figure will continue to be reviewed on an annual basis to reflect changes in income : house price ratios.

3.4.2 This category can include shared ownership, sub-market rent, and market provision for outright purchase, including key worker provision, where this affordability criterion is met.

3.4.3 For the criterion that provision is affordable, the purchase price must be no greater than 3.5 times the household income limit specified (i.e. no greater than £171,500 at September 2005), or the annual housing costs including rent and service charge should be no greater than 40% of net household income.

3.4.4 Local planning authorities should seek to ensure that intermediate provision provides for households with a range of incomes below the upper limit, and provides a range of dwelling types in terms of a mix of unit sizes, and that average housing costs, including service charges, to households on annual incomes of £32,700 p.a. (i.e. the midpoint of the £16,400-£49,000 range). On this basis, average housing costs would be about £765 a month or £190 a week (housing costs at 40% of net income, net income being assumed to be 70% of gross income).

3.4.5 Ark's comments on the Greater London SPG are as follows:

- A sound methodology to create a London-wide policy.
- Assumes a lower and upper limit to income levels requiring intermediate housing and then asks for a range of products and prices within that band.
- Establishes a mid point of the intermediate housing income range to evaluate the typical price to be paid.
- A good justified policy, but needs to be broken down by each local authority area.
- It does not take into account the impact of market renting on meeting housing need
- The definition allows for market housing that is within the affordability criteria, i.e. market housing costing less than £171,500 will be classified as affordable. This seems to be contrary to PPS3 guidance, and Ark's view that affordable housing must be at a price below its market value.

3.5 Tower Hamlets (TH)

3.5.1 The definition of affordability in the TH Unitary Development Plan is as follows:

"As a guide affordable housing should have a weekly housing cost to the occupier, in rental or mortgage payments which does not normally exceed 30% of the lowest decile of employee average gross weekly earnings (full time, adult rates) in Greater London."

3.5.2 Ark's comments on the Tower Hamlets policy are as follows:

- The definition is income driven, and relatively simple
- However, there is no apparent difference between the weekly housing cost of social rent or LCHO. Ark feels this could be challenged as the LCHO should be more expensive than social rented housing
- The policy does not specify what the average gross weekly earnings are in Greater London, nor is this capitalised to guide developers as to what they can expect to be paid for LCHO affordable housing
- It does not try to define the intermediate housing market in terms of a range of affordability levels, and therefore the policy may not help create a balanced community, delivering all affordable housing at a similar price.
- There is no reference to the local housing market values or market rents

3.6 Carrick District Council (CDC)

3.6.1 CDC has produced a document entitled "Strategy and Policy Guidance on Delivering Affordable Housing". It states that all forms of intermediate housing must not exceed the district's price threshold.

3.6.2 The current district price thresholds are:

- Sub-market renting
  1 bed £378 pcm, 2 bed £478 pcm, 3 bed £500 pcm, and 4 bed £600 pcm.
- Housing for sale
  1 bed £57,145, 2 bed £86,105, 3 bed + £112,631.
- Shared ownership
  1 bed £48,522, 2 bed £72,138, 3 bed £95,403.

3.6.3 These price thresholds are based on entry level purchase prices and assuming a lending multiple of 3 x gross income for a typical household and assuming the availability of a 5% deposit.

3.6.4 Ark's comments on this approach are as follows:
- It provides figures for what a developer can achieve
- The thresholds are simple and explicit
- The assumptions made on the income levels for a "typical household" are difficult to justify and do not cross reference with the cost of market renting

3.7 Plymouth City Council (PCC)

3.7.1 PCC in its "Delivering Affordable Housing" document states the following:

3.7.2 "……. . Affordable housing for sale will therefore be taken as that which is available at no more than three times mortgage available on an income of £18,200 (2003) (i.e. £54,600). This represents the income level of approximately 49% of full time wage earners in Plymouth. It will not be acceptable for a developer to offer small cheaper units by way of provision of low cost homes".

3.7.3 Ark's comments on this policy are as follows:
- a simple and explicit definition of affordability
- calculates the price to be paid to a developer
- using this methodology does create an income driven approach but it is difficult to justify why an annual income of £18,200 was established.
- There is no reference to local entry level market values or market rents which effectively establish the upper income threshold for those in need of intermediate housing

4. ANALYSING THE AFFORDABILITY OF THE CURRENT SHARED OWNERSHIP PROGRAMME

4.1 All RSLs operating in the WoE who delivered a shared ownership programme in 2004/05 and 2005/06 were asked to complete a questionnaire giving basic information on the sales achieved. Those RSLs expected to deliver various forms of intermediate home ownership in 2006/07, 2007/08 and 2008/09 filled in a separate form.

4.2 A summary of the programme of intermediate home ownership as per the RSL returns is contained in the table below:

Table 4 – Summary of Intermediate Home Ownership (IHO) Programme in WoE

	IHO Programme – Year of Delivery					
IHO Type	**2004/05**	**2005/06**	**2006/07**	**2007/08**	**2008/09**	**Total**
Grant Free S.106	49	71	47	12	12	191
Grant Aided S.106	9	0	131	4	16	160
Grant Free Acquisition + Works	0	0	22	0	15	37
Grant Aided Acquisition + Works	33	76	67	137	172	485
Other	0	8	0	0	0	8
Total	**91**	**155**	**267**	**153**	**215**	**881**

4.3 Table 5 - A simple analysis of the programme delivered by RSLs in the WoE in 2004/05 and 2005/06:

Size of property	No. of units	Average market value	Average rent, as % of unsold equity	Average equity sold	Lowest outgoings per month	Highest outgoings per month	Average outgoings per month
1 bed	41	£128,219	2.9%	48%	£115	£702	£548 (£6,576 p.a.)
2 bed	125	£138,960	2.7%	43%	£375	£940	£635 (£7,620 p.a.)
3 bed	31	£180,290	2.1%	41%	£560	£869	£681 (£8,172 p.a.)

Table 6 - Profile of Households who acquired the shared ownership homes in the WoE 2004/05/06:

Lowest household income	Highest household income	Average household income	Age range of Adult Household members				No. of single households	No. of couple households	No. of h/h with dependents	Average savings used as % of Acquisition
			16-30	31-40	41-50	50+				
£4,285	£41,000	£22,681	147	65	19	19	111	72	108	16%

4.4 Ark's observations and comments on the analysis raise some issues for consideration:

- The majority of units produced are 2 beds. It is not clear if this is due to the housing needs of households, or patterns of demand, or some other reason.

- 60% of shared ownership purchasers are single person households. This suggests some of these households are willing to pay for a second bedroom even if they do not need it.

- The average savings used by those acquiring on a shared ownership basis was 16% of the acquisition price.

- The reality of shared ownership is that homes are sold to households with a wide range of income levels. At the lower end of the scale one property was sold to a household with an income of just £4,285 p.a. Presumably this household had substantial savings, or a divorce settlement.

- At the upper end, the highest household income was £41,000 p.a. At face value this household could afford to buy or rent in the open market, but they may have had significant debts.

- The average household income of £22,681 seems to be in the mid range of those RSLs are aiming to help.

4.5 Table 7 - The WoE intermediate home ownership programme 2006/07, 2007/08, 2008/09

Property Type	No. of units	Estimated Market Values			Average tranche % to be sold	Average rent as % of unsold equity	Average outgoings (mortgage, rent + S/C)	Predicted Household Incomes		
		Lowest	Highest	Average				Lowest	Highest	Average
1 bed	128	£110,000	£205,000	£152,742	46%	2.03%	£ 5,085	£16,000	£25,000	£19,000
2 bed	281	£100,000	£235,000	£161,139	40%	2.1%	£ 7,044	£13,000	£34,000	£22,000
3 bed	49	£135,000	£220,000	£179,592	58%	2.7%	£10,119	£23,000	£45,000	£36,000
4 bed	1	£220,000	£220,000	£220,000	50%	1.5 %	£10,088	£33,000	£33,000	£33,000

4.6 When the 2006/2009 shared ownership programme is compared to the programme of 2004/05 and 2005/06, some trends appear to be happening. They are as follows:

- Average market values continue to rise (this may not continue in the immediate future), which will impact on affordability levels.

- The average tranche sold has fallen a little in terms of 1 bed (48% to 46%) and 2 bed (43%) to 40%) units. However, 3 beds have seen a marked rise in the average equity sold from 41% to 58%.

- The average rent charged as a percentage of retained equity is reducing for all types. *This may have occurred as a result of the four authorities' attempts to contain the rental on the unsold equity to below 2%.*

- Despite the increasing property values, the outgoings are predicted to fall for 1 and 2 bed units, but rise for 3 beds. This reflects the fact that RSLs are planning to offer smaller tranches of equity and lower rents when expressed as a percentage of retained equity.

- As a result, RSLs still aim in the future programme to offer a 2 bed property to households on an average income of £22,000 p.a. which is within the mid range of the intermediate home ownership market.

4.7 Ark did carry out further analysis and compared the views on affordability amongst the different RSLs. Some of the key findings were:

- RSLs take the affordability of intermediate market housing seriously and are trying to respond to this issue by selling lower tranches of equity and where possible lower rental charges.

- Most sales are made to households who appear to be able to afford the product on offer, and all the RSLs will interview prospective purchasers to ensure they are comfortable with the financial commitment.

- However, there is a lack of consistency between RSLs as to how they measure the affordability of intermediate home ownership. For example, Raglan tries to target households spending approximately 30% of their net income, whilst Sovereign use 30% of gross income and some such as Aster or BCHF use 35% of gross income.

- This inconsistent approach to defining affordability makes a difference to the target household income expected for a particular property. Take for example the following comparison on 2 bed units in Bristol:

  Solon - Predicted housing costs £5,840 p.a.
  Predicted income required £23,500 - £27,000

  Somer - Predicted housing costs £6,509 p.a.
  Predicted income required £22,000

- RSLs charge different rent levels on different schemes, and occasionally on the same site. For example, Sovereign have 2 bed flats available on the same site with similar market values but with two different rent levels (1.5% and 2.29%). This affects affordability levels and must make marketing the units with higher rents more difficult whilst confusing applicants.

- Whilst RSLs are responding to the affordability issue, there are various individual schemes planned where high market values and/or high rentals prevail. As a result it is difficult to envisage households earning less than £35,000 p.a. being able to afford them.

- There is no evidence that RSLs return to their shared owners to see if they are coping in financial terms after they have purchased. It may be possible that some households who have acquired on a shared ownership basis are facing problems associated with on going poverty.

5. MODELLING AND DEFINING THE AFFORDABILITY OF INTERMEDIATE HOME OWNERSHIP

5.1 Establishing the Lower Limit of the Intermediate Home Ownership Market in WoE

5.1.1 Ark has carried out modelling to establish the lower income threshold required for intermediate housing in the West of England, with detailed figures included for each property size broken down by SHMA zone included in Appendix A. The social rents were rounded to the nearest £, and using the 25% of gross income criteria to assess affordability resulted in the detailed findings. To give a guide the average household income required to afford social rented housing without any benefit (the lower threshold of intermediate housing) across the sub-region as a whole for all property types is £16,300, rounded to the nearest £100.

5.1.2 As a typical example it can therefore be argued that any household requiring a 1 bed apartment in Kingswood (SGC) earning less than £12,514 should be encouraged to apply for social rent. If the household requires a 2 bed house the income threshold rises to £14,808, with a minimum of £16,685 for a 3 bed and £19,187 for a 4 bed.

5.1.3 Ark would suggest that the target income for the lower shared ownership threshold should be as per the analysis contained in Appendix A. In reality households who earn below the lower threshold may be able to access substantial savings or other capital assets so that they can afford to buy an intermediate home. These are likely to be a relatively small number of households and so can be ignored from a modelling and policy perspective.

5.2 Establishing the Upper Limit of the Intermediate Home Ownership Market in WoE

5.2.1 To establish the methodology to be applied to each SHMA zone Ark suggests the following:

5.2.2 It is clear that PPS3 states that intermediate housing should be for those households unable to buy or rent in the market place. Ark interprets this to mean that it is reasonable to assume that if a household can afford to buy or rent in the open market they will not be eligible for affordable housing. This will practically result in whichever of the two market options, market rent or market sale, generates the lowest housing costs determining the upper limit of the intermediate housing market.

5.2.3 At present market rents are significantly lower than the cost of buying outright in the WoE.

5.2.4 In the recent report from Steve Wilcox, "Can't Buy: Can Rent, the affordability of private housing in Great Britain" 2007, appendix 2, schedule 4 compares the cost of monthly mortgage costs for first time buyers in the open market with the monthly cost of market rents. This analysis shows that in the WoE market rents are approximately 60% of mortgage costs for similar properties in the same locality. The figures for each of the four authorities are listed in table 8 below:

Table 8 – Cost of market renting compared with mortgage costs for owner occupation in the WoE

Area/Region	Monthly market rent	Monthly mortgage cost	Rents as a percentage of mortgage costs
Bath & NES	797	1,246	63.9
Bristol	676	1,213	61.6
North Somerset	579	1,014	57.1
South Glos	608	1,020	59.6
South West region	648	1,082	59.9

5.2.5 It is therefore a strong line of argument to use the market rent levels to establish the upper threshold of the intermediate housing. To put it simply those households who can afford to market rent can meet their housing need in the market and so the intermediate market will help households between social and market rents.

5.2.6 This approach has been tested recently by SGC at recent planning appeals and found to be acceptable by the Planning Inspector. An extract from paragraph 10.49, page 82 of the Planning Inspector's report for the Filton Northfield Planning Inquiry, reference APP/PO119/A/06/2019118, is shown below:

"*10.49 Another key indicator is the income levels of households in need and the proportion of income available for shared ownership. I regard the Council's locally derived uplift of 13.9% on the 2003 HHNS annual income figures as preferable to the appellants' slightly lower compounded growth at 3.5% pa. The proportion of income available has traditionally been accepted as 30% of net income, and both parties have used this in their assessments. Draft Government guidance on Housing Market Assessments suggests that 30% of gross income may be more appropriate for shared equity, based on the investment benefits of part ownership and its greater attractiveness compared to renting. Moreover, using 30% of gross incomes more closely reflects the lending criteria for market housing. At this stage the draft guidance has little weight, though it does suggest that there may be some scope for flexibility at the upper end of the affordability range. On the other hand, it is important that income levels are not raised to the level that would enable households to afford market rents, for at this point they would no longer qualify for affordable housing. [6.116]*"
N.B. The SHMAPG version 2 now confirms that 25% of gross income is the correct affordability criteria, whereas at the time of this appeal Version 1 used 30%.

5.2.7 Each local area or zone within the WoE sub region will have different figures as market rents do vary. The data used by Ark included in Appendix A takes the typical market rent levels required for each property within all the separate zones in the sub-region.(This data has been obtained by approaching local letting agents in order to assess the level of market rents applicable at December 2007 within each zone. A minimum of 3 agents were contacted for every zone, all of which would have local knowledge. The figures quoted by the agents were then averaged within each property type per zone. Each authority did also check where possible the rent data provided by the rent service to act as a check against the information provided by letting agents). The average household income across the sub-region as a whole and for all property types required to access market renting properties is £32,800, rounded to the nearest £100.

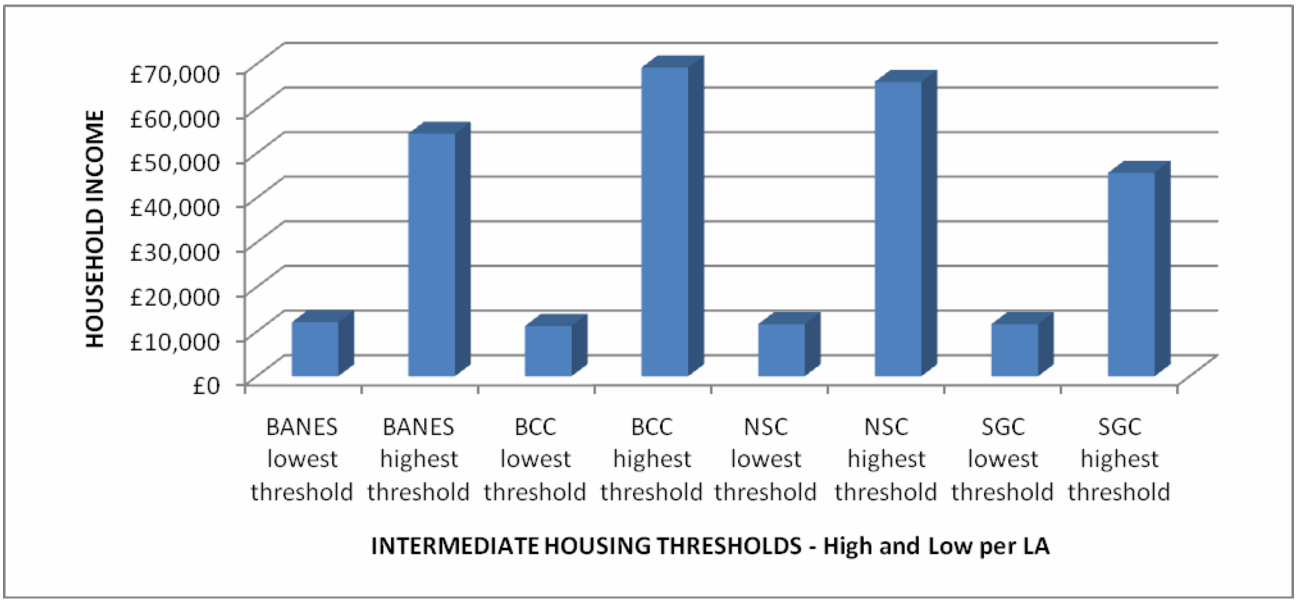
5.2.8 To illustrate these calculations, using the Kingswood local area figures for a 2 bed flat:

- Social rent £68pw
- Household income required £14,182pa to afford social rent without Housing Benefit
- Market rent £538 pcm
- Household income required to afford market rent is £25,824pa
- Intermediate market targeted at households with income between £14,182 and £25,824

5.2.9 Appendix A includes the median point of the intermediate market, which gives a target household income of £20,003 per annum for a 2 bed flat in Kingswood. <u>The median point is in Ark's view where the intermediate housing produced through the planning system should be targeted in terms of affordability</u>. It is not acceptable to produce a product that is aimed at households just below the upper threshold of the intermediate market. In Kingswood for example there needs to be a range of £14,182 to £25,824. If developers and Affordable Housing Providers (AHP) work on delivering intermediate housing at the mid point this will allow the product to be affordable to the full range of intermediate households.

5.2.10 To give an idea of the theoretical range of the intermediate market in the WoE Ark has taken the lowest income threshold for each authority (based on social rent levels for a studio in the most affordable SHMA zone) and the highest upper threshold (based on market rent levels for a 4 bed house in the most desirable SHMA zone). The chart in Figure 1 below helps illustrate how wide an income group it will be possible to help with the provision of intermediate home ownership delivered through affordable housing planning obligations in the WoE.

<u>Figure 1</u> – Intermediate Housing Income Thresholds by LA



5.3 The Impact of Rental Charges and Service Charges on Affordability

5.3.1 Table 9 - Weekly Housing Costs (mortgage rent and service charge), assuming:

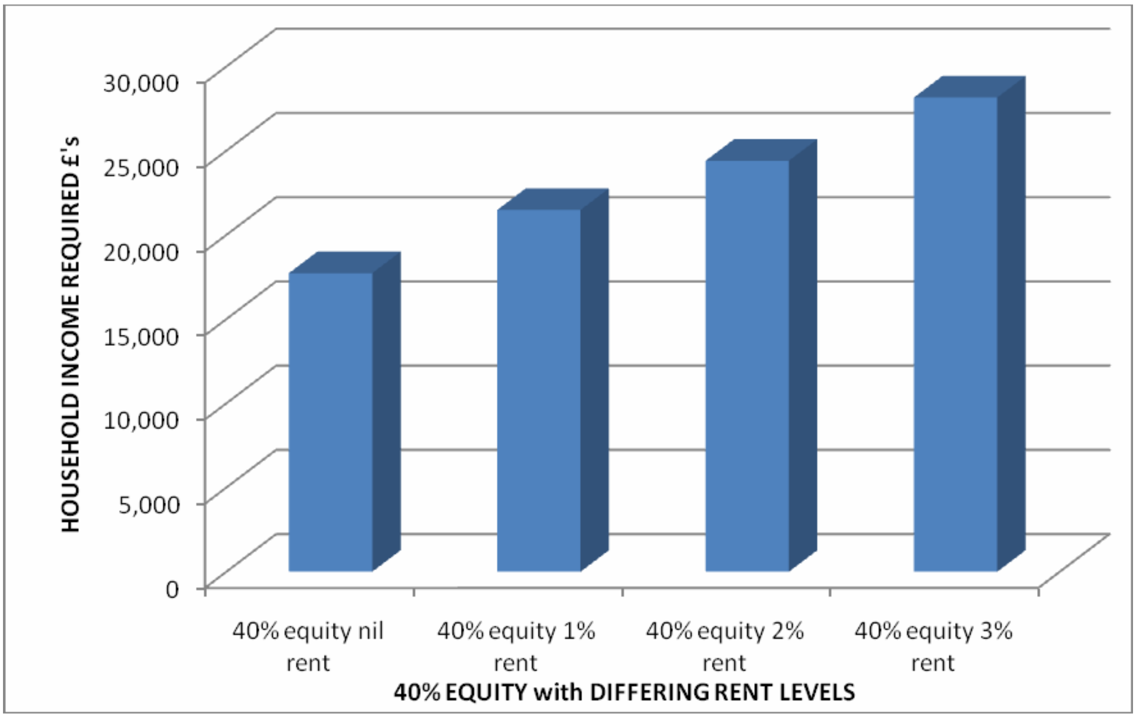
- 2 bed 3 person flat
- Market price £140,000, purchaser has 10% deposit
- Mortgage at 6.25%, 30 year full repayment on an annuity basis
- Service charge of £10 per week per flat
- Household income required, based on 25% of gross income
- Likely type of intermediate home ownership highlighted: Red – fixed equity, nil rent; Blue – S.106 policy sites, rents typically between 0.5% and 1% of retained equity; Green – HC/LA grant funded projects, rents typically between 1.5% and 3% of retained equity

	Weekly Outgoings on mortgage rent and service charge, (dependent on rent charged at differing proportions of retained equity)								
Tranche sold	Nil Rent Fixed equity	Rent 0.5% S.106 Sites	Rent 1% S.106 Sites	Rent 1.5% HC/LA Grant	Rent 2% HC/LA Grant	Rent 2.25% HC/LA Grant	Rent 2.5% HC/LA Grant	Rent 2.75% HC/LA Grant	Rent 3.0% HC/LA Grant
30% £42,000	£64	£74	£83	£92	£102	£106	£111	£116	£120
Income Required	£13,348	£15,433	£17,310	£19,188	£21,273	£22,107	£23,150	£24,193	£25,027
35% £49,000	£73	£82	£91	£99	£108	£112	£117	£121	£125
Income Required	£15,225	£17,102	£18,979	£20,647	£22,525	£23,358	£24,402	£25,236	£26,070
40% £56,000	£85	£95	£103	£111	£119	£123	£127	£131	£135
Income Required	£17,728	£19,813	£21,481	£23,150	£24,818	£25,653	£26,487	£27,321	£28,156
45% £63,000	£97	£104	£112	£119	£126	£130	£134	£137	£141
Income Required	£20,230	£21,690	£23,359	£24,819	£26,279	£27,113	£27,947	£28,573	£29,407
50% £70,000	£107	£113	£120	£127	£133	£137	£140	£143	£147
Income Required	£22,316	£25,652	£25,027	£26,487	£27,738	£28,572	£29,198	£29,824	£30,658
55% £77,000	£116	£122	£128	£134	£140	£143	£146	£150	£154
Income Required	£24,193	£25,444	£26,696	£27,947	£29,198	£29,824	£30,450	£31,284	£32,118
60% £84,000	£126	£131	£137	£142	£148	£150	£153	£156	£158
Income Required	£26,279	£27,321	£28,572	£29,698	£30,867	£31,284	£31,910	£32,535	£32,952

N.B. The weekly outgoings shown in table 8 are rounded to the nearest £1

5.3.2 This demonstrates the fact that the level of rent charged on intermediate housing makes a significant impact on the weekly housing costs for any household and the resulting affordability levels. Figure 2 below gives a more visual assessment of how the rent levels impact on affordability for a 2 bed flat with a market value of £140,000.

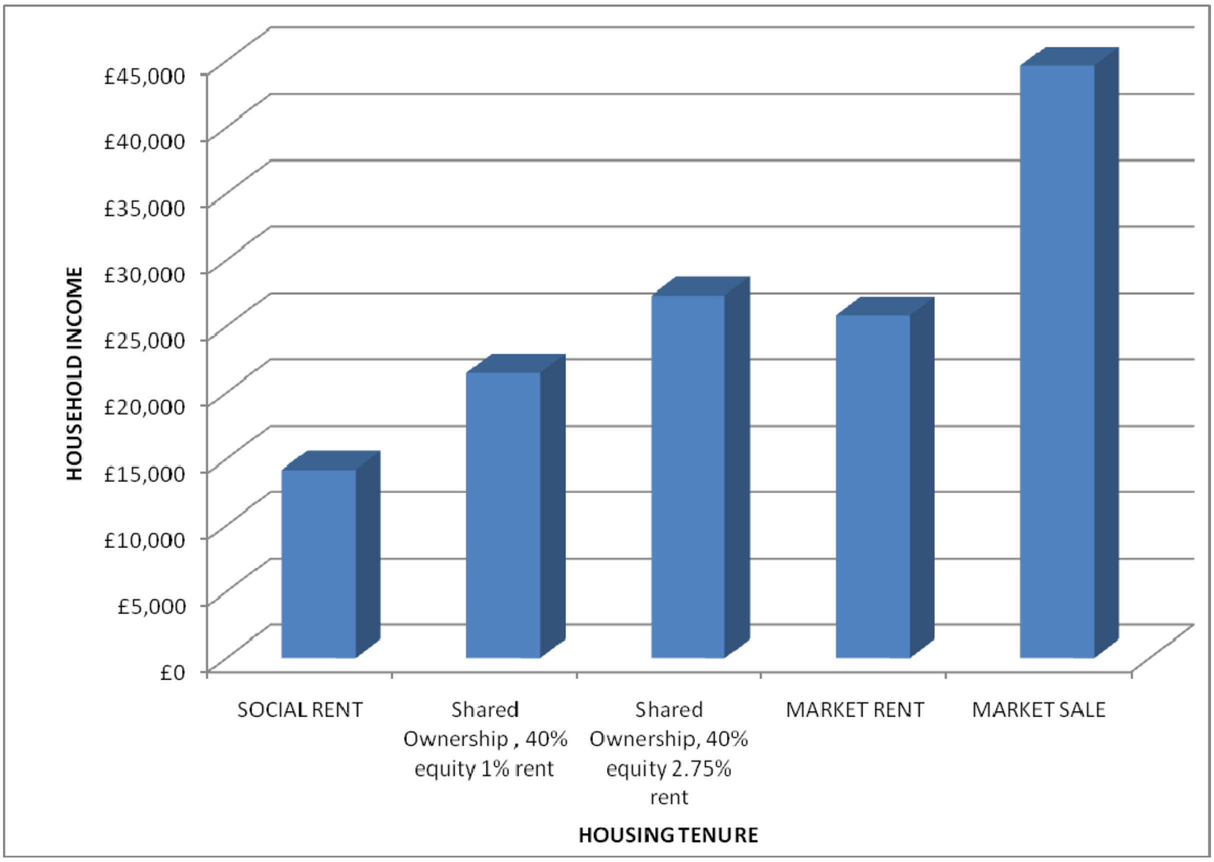
Figure 2 – Household Income Required – 40% equity share and different rent levels



5.3.3 The rental charge will have a more significant impact on the units which are either high value or those sold with a low share of equity and therefore a higher retained equity. Comparing the 30% equity newbuild homebuy with the 60% option, the difference in housing costs between nil rent and 3% of unsold equity is £54 pw for the 30% share, and £32 pw for the 60% share. As a percentage the difference is a 87.5% increase of weekly housing costs compared to a 25.4% increase (30% and 60% options respectively.)

5.3.4 The chart overleaf (Figure 3) shows how the change in rent levels on intermediate home ownership from 1% of retained equity to 2.75% would impact on household income required for a 2 bed apartment in Kingswood with a market value of £140,000 and compares these costs with that of social rent, market rent and market sale. Figure 3 illustrates that in this example by raising the rent to 2.75% of retained equity results in the Newbuild Homebuy product being more expensive than the option of market renting in the local area.

Figure 3 – Shared Ownership Costs Compared With Other Tenures



5.3.5 Therefore given that until recently market values have continued to rise, there is an increased need to sell shared ownership at low equity shares and in turn the rent policies of RSLs and the Housing Corporation become increasingly significant in terms of affordability. This will be of particular importance when grant funded Newbuild Homebuy is seen to be more expensive than market rented housing.

5.3.6 If intermediate home ownership is to be affordable and financially attractive to the target households then rental charges can have a significant impact on the ability of households to afford their outgoings. To achieve housing costs at 25% of gross income any rent charge will reduce the ability of a household to repay a mortgage.

5.3.7 RSLs do need to charge a rental element sufficient to cover their on-costs. Ark has estimated in the table below what are reasonable on-costs for a RSL to charge on S.106 intermediate (home ownership) units, then translated this into a rent required to repay the loan over 25 years and assessed how much this rent should be as a percentage of retained equity. RSLs charge a management fee to cover their administration costs for which Ark has allowed £2 per week as part of the service charge.

Table 10 – Typical RSLs on-costs for intermediate home ownership

RSL ON-COSTS PER UNIT		
Employers Agent	£1,250 + VAT =	£1,468.75
Legals	£ 750 + VAT =	£ 881.25
Marketing		£1,500
Development Administration		£4,000
LA enabling fee		£ 400
Valuation	£ 100 + VAT =	£ 117.50
HQI Assessment		£ 100
Eco Homes Assessment		£ 100
Specification Uplift		£2,500
Capitalised Interest		£ 3,500
	TOTAL	**£14,567.50**

- A RSL will need a rent @ approximately £15 per week (£782 per annum) to repay a loan of £14,568 adopting the normal RSL early years deficit approach to business planning with a cumulative breakeven in year 30.
- Assume a RSL needs to achieve a rent of £782 p.a. to repay a loan covering their on-costs.
- The rent required as a proportion of unsold equity varies dependent on the market value and equity tranche that is sold. The impact is shown in the table below:

Table 11 – Rent required to repay loan of £14,567.50, to cover RSL on-costs, expressed as a % of unsold equity

Property Market Value	Rental Required as % of Unsold Equity			
	30% Tranche Sold	**40% Tranche Sold**	**50% Tranche Sold**	**60% Tranche Sold**
£125,000	0.9%	1.0%	1.2%	1.5%
£150,000	0.7%	0.8 %	1.0%	1.2%
£175,000	0.6%	0.7%	0.9%	1.1%
£200,000	0.6%	0.7%	0.8%	1.0%
£225,000	0.5%	0.6%	0.7%	0.9%

5.3.8 Ark therefore feels that in terms of rental charges a sliding scale based on market values between 0.5% and 1.5% of retained equity could be introduced on S.106 intermediate home ownership units, and that it is reasonable that RSLs will be expected to charge a rent at 1% of retained equity or less as typically most new schemes result in properties with a market value in excess of £150,000 and an equity share of 50% or less. Should any local authority prefer, it could establish a single average rental charge of 0.75% of retained equity on all intermediate home ownership dwellings and accept that with different schemes there are some winners and losers from a RSL perspective.

5.3.9 A similar pattern as the table 5.3.1 above will apply to the impact of service charges on affordability. There are currently a wide variety of service charges on affordable apartments in the WoE, ranging from £5 per week up to over £25 per week.

5.3.10 Service charges have not been included in the affordability assessment as they can vary considerably on a scheme-by-scheme basis even within each LA sub-area. It has been established through the Filton Northfield and Harry Stoke Inquiries in South Gloucestershire that it is legitimate to include service charges as part of whole housing costs, and they should be taken into account on individual schemes if appropriate and particularly where they are deemed to have a material impact on the affordability of the intermediate housing.

5.3.11 It will be important for the four authorities to ensure that all three elements of cost, i.e. mortgage/rent/service charge are controlled and kept as low as possible. When assessing the affordability of intermediate housing schemes all three factors should be taken into account.

5.4 The Income Driven Approach

5.4.1 Given that for modelling purposes in Kingswood households needing a 2 bed apartment who earn in excess of £25,824 can rent in the open market, and those earning less than £14,182 cannot afford shared ownership housing, then there is a narrow band of household income that will define the intermediate housing market. This band of the intermediate housing market will vary from one SHMA zone to another dependent on local levels of social rent levels and market rents.

5.4.2 If this is translated for each housetype on every scheme into what equity share a household can afford to buy on a shared ownership basis you end up with a sliding scale as follows in Table 11:

Assume:

- 2bed flat in Kingswood
- Market value £140,000
- Target household income £14,182 - £25,824 say £15,000 – £25,000
- 1% rental charged on retained equity
- Mortgage at 6.25%, 30 year full repayment loan
- 10% deposit
- 25% of gross household income to be used to pay for mortgage and rent

Table 12 – Value of affordable intermediate home ownership tranche, dependent on household income levels

Household Income Level	Value of Affordable Shared Ownership Tranche	Tranche as % of market value
£15,000	£44,380	32%
£20,000	£63,840	46%
£25,000	£83,300	60%

5.4.3 Whilst table 12 is for guide purposes only, it highlights that in terms of a 2 bed flat in Kingswood with a market value of £140,000, an AHP would be expected to offer intermediate housing ranging from a 32% equity share up to a maximum 60% share in order to meet the affordability criteria for intermediate housing.

5.5 The Implications for Affordable Housing Policy in the WoE

5.5.1 There is an argument that each local authority should on S.106 sites be aiming to offer a range of intermediate housing attractive to households earning between the upper and lower thresholds of the intermediate market. These figures have been calculated for each SHMA zone across the sub-region to give specific targets based on local market rents as per Appendix A

5.5.2 Ark believes that the methodology that takes 25% of gross income, as a maximum to be spent on mortgage and rent costs, is the most accurate and effective way to assess affordability and this is in line with the SHMA PG. It must be noted that service charges have a material impact on affordability, so where appropriate (particularly on schemes with high service charges) these should also be taken into account when assessing the affordability of intermediate housing.

5.5.3 It is anticipated that each local authority will work closely with its RSL partners in order to ensure that any intermediate housing product is affordable to those earning between the upper and lower thresholds, and that the combination of mortgage and rent costs must be taken into account.

5.5.4 Whilst the price to be paid by the AHP to the developer is not of concern to the four authorities it is helpful to give developers a guide to what can be expected for intermediate home ownership products. Appendix B calculates the full market value of properties that can be sold to the target household income level, dependent on the equity share and rental charge on offer. The Kingswood SHMA zone example shows that the target household income for a 2 bed intermediate home ownership flat is £20,003 per annum. If a developer is offering a 2 bed flat with a market value of £147,000 then it would need to be sold at 40% equity and rent at 1% of retained equity to be affordable. If however the market value was higher at £185,000 then the flat would need to be sold at 30% equity plus rent at 1% of retained equity to remain affordable to a household with an annual income of £20,003.

5.5.5 An important implication of this income driven approach is that some schemes that are grant funded by the Housing Corporation may struggle to meet the same affordability thresholds. Take for example, a 2 bed flat in Kingswood, with a market value of £140,000, 50% equity share, and rent at 2.75% of retained equity. This will result in outgoings being affordable to those households earning £26,500 per annum, and these households could afford to rent a 2bed flat in the open market, as illustrated in Figure 3 of this report.

5.5.6 This will need to be discussed with the Housing Corporation and RSLs to ensure all intermediate home ownership in the WoE is affordable, comparable and an attractive proposition for purchasers.

5.5.7 In addition the affordability of any intermediate home ownership units in high value areas will be difficult to make work on non S.106 sites where rents are at 2.75% of retained equity. If you take a property with a market value of £260,000, sell 50% equity, and charge 2.75% rent, you require a household income of £49,990 per annum. This would be at the margins of affordability to those in need of the intermediate market and households with an income of approximately £50k pa should be able to meet their housing needs in the market place within the sub-region.

5.5.8 RSLs and the HC may have to consider if grant funded intermediate home ownership is likely to be provided only in low to medium value areas, and how schemes can be funded in high value areas so that RSLs charge a competitive rent and achieve a product that is attractive to the intermediate market.

5.5.9 This may lead to an effective programme of S.106 Intermediate Home Ownership being deliverable in all areas, with grant funded schemes be targeted towards low to mid value areas in order to ensure the product is affordable to those households in need of the intermediate housing market.

5.5.10 In summary the main policy and delivery implications are:-

- The WoE will aim for intermediate housing products that are attractive to those households with an income between the lower and upper thresholds of the intermediate market (this will vary dependent on property size and from one SHMA zone to another).

- Typical market rents have been based assessed by SHMA zone and property size and it will be possible for each LA to review entry level market values and typical market rents for every property type in order to regularly update the upper income thresholds for the intermediate market.

- The RSL or AHP can charge rent based on a sliding scale as per the table 10 in 5.3.7 of this report in order to repay a loan over 30 years to cover its on-costs.

- Developers or RSLs can offer a similar product (such as shared equity) so long as it remains affordable to the same target households. Shared equity without any rental element may be sold at a slightly higher equity tranche compared to Newbuild Homebuy (the standard HC grant funded product).
(Continued overleaf...........)

- It may be challenging to deliver affordable HC grant funded schemes in high value areas which are equally as affordable as S.106 schemes.

- RSLs should be encouraged to ensure that intermediate housing products on grant funded schemes are competitive and attractive to those households in need of the intermediate housing market.

- The four LAs will need to consider how best to utilise its own capital funding in order to achieve these levels of affordability on grant funded schemes.

6. PROGRESS REPORTS FOR ALTERNATIVE PILOT SCHEMES

6.1 Attached in Appendix C, is a draft progress report to be completed for each of the six alternative pilot schemes. It includes a scoring system and a SWOT analysis that can be completed at an initial stage (pre-contract) and re-appraised at outturn stage.

6.2 Ark will complete this in conjunction with the local authority, the developer and the RSL (where relevant).

6.3 Once the information is gathered, Ark will liase with the developer and/or the RSL for regular updates so that WoE can be kept informed as to progress and identify known issues and agreed solutions.

6.4 It will then be possible to draw on the outturn reports to help further refine the definition of affordability of intermediate home ownership and identify which pilot schemes are likely to be successfully repeated.

7. RECOMMENDATIONS

7.1 Ark would recommend the following in terms of defining the affordability of intermediate housing on residential sites that require affordable housing as part of S.106 requirements:-

(i) All of the four LAs to specify on S.106 requirements what proportion of affordable housing should be intermediate housing as defined in each LDF. This will be further evidenced as part of the SHMA that is currently underway and may result in varying tenure splits for different zones within the sub-region.

(ii) RSLs and AHPs must use reasonable endeavours to provide a range of intermediate housing in terms of price, size, and type, dependent on there being a proven housing need. This will help create balanced sustainable communities with a range of household income levels being catered for on larger sites, although it is accepted that on small sites with only two or three intermediate home ownership units this wide range may be difficult to achieve.

(iii) In conjunction between housing enabling and planning policy teams the four authorities should ensure that affordability criteria for intermediate housing are established within robust planning policy. This will also impact on affordable housing negotiations, officer consultation responses, committee reports and S.106 agreements.

(iv) The four authorities should ensure that any affordability criteria within planning policy and guidance should relate to the outputs (housing costs to the end user) and not stipulate the price to be paid by a RSL to a developer for the dwellings. As long as the end product is affordable to targeted households then the authority should be relaxed as to how negotiations proceed between other parties, provided the scheme is delivered on a grant free basis. However a guide price might be included in supplementary planning documents to help inform developers as to what price they can expect to receive based on the data included in appendix B.

(v) The local authorities should move away from a fixed approach, say 40% equity plus 1% rent on all schemes, as this is a relatively crude measure of affordability and is not truly affordability driven. In its place each authority is advised to adopt the Ark approach and adopt the table included in Appendix A. The market rent data should also influence the SHMA.

(vi) The four authorities should adopt the methodology used by Ark to achieve the correct level of affordability with a lower threshold of affordability established for each SHMA zone across the sub region. It is expected that households earning less than this lower threshold would be best accommodated in social rented housing unless they have substantial savings or capital assets.

(vii) Likewise the four authorities should adopt the methodology used by Ark to establish an upper threshold of affordability for intermediate home ownership for each SHMA zone across the sub region. It is expected that households earning more than this level could afford to rent a property in the open market.

(viii) The average price that the intermediate home ownership is made available to purchasers should be the mid point between the upper and lower income thresholds. In the current Kingswood 2bed flat example the mid point creates a target income of £20,003. This being an average intermediate household income will enable the AHP to offer a product to households with a variety of income levels, ranging from the lower up to the upper threshold, in order to help create balanced sustainable communities.

(ix) To translate the direct housing costs into affordability levels the four authorities and all RSLs working in the sub region should assume that 25% of a households' gross income can be spent on mortgage and rent costs.

(x) In many situations it will be appropriate for each local authority to take into account the impact of service charges when assessing affordability of intermediate home ownership properties. On schemes where service charges are high then these costs must definitely be taken into account and assessed as part of the direct housing costs.

(xi) On S.106 sites the RSLs or AHPs are recommended to charge a rent that will repay their borrowing costs over 30 years to cover development and marketing on-costs based on the sliding scale in table 11 at 5.3.7 in this report, which range from 0.5% to 1.5% of retained equity. There will be few new build schemes delivered in the WoE with market values below £150,000 and an equity share above 50% and therefore in reality the rent will typically vary between 0.5% and 1% of retained equity. This reflects the need to keep intermediate housing affordable and attractive whilst allowing RSLs to repay a loan that will cover their on-costs.

(xii) Developers wishing to act as the AHP and sell intermediate housing directly must achieve the same affordability criteria. Their product needs to be affordable to those households on the mid point of the intermediate income range assuming a maximum of 25% of gross household income can be spent on direct housing costs. If the developer were to sell on a fixed equity basis with no rental element, then they can sell at a slightly higher equity share than comparable units sold on a shared ownership basis that include a rental charge but the affordability of the fixed equity product must be approved by the Council.

(xiii) RSLs and AHPs should adopt a consistent approach to defining affordability and aim to dispose of properties so that purchasing households spend up to a maximum of 25% of their gross income on mortgage and rent charges. The RSL/AHP will take into account existing savings, capital assets, and debts which means that flexibility over household income levels are possible. Where households agree to spend more than 25% of their gross income on housing costs then the RSLs/AHPs must satisfy themselves the households are not over committing themselves and justify this to the local authority.

(xiv) RSLs should adopt a more consistent approach to setting rental charges and service charges on intermediate home ownership products. This process can be led by the four HomesWest RSL partners as a result of this research, with high inputs from other RSLs and in particular the Homebuy Agent. On going monitoring from both the RSLs and the four authorities of this matter is also recommended.

(xv) In a joint approach the four local authorities should engage with the Housing Corporation and partner RSLs to establish whether grant funded Newbuild Homebuy can achieve similar levels of affordability as the S.106 schemes.

(xvi) On an individual basis the four local authorities must consider how best to use their own capital funding in order to ensure that grant funded Newbuild Homebuy is equally affordable as the intermediate housing delivered on S.106 sites.

(xvii) The four local authorities should discuss a shared strategy for responding to sites with exceptionally high market values which will make any form of intermediate housing difficult to achieve whilst maintaining reasonable affordability levels. Any policies will therefore need to allow for some flexibility, and in exceptional circumstances alternative mechanisms of delivery may need to be considered.

(xviii) The four local authorities should review their planning policies on affordable housing as a result of this study and consider the impact of entry level market rents as a method to establish the upper threshold of intermediate home ownership products.

(xix) It will be necessary for the four authorities to regularly review the raw data contained in this report as this establishes the lower and upper thresholds for the intermediate housing market as a whole. Ark would recommend that this review be on an annual basis. In the event of falling house prices it may be that in the future the upper threshold of intermediate housing is determined by market values and not market rents.

7.2 The four authorities should apply this affordability methodology to all intermediate housing schemes where possible, but not to other forms of LCHO such as the First Time Buyers Initiative. There may be exceptional circumstances where there is a case to vary these affordability requirements on intermediate housing schemes, such as in relation to regeneration projects in low value areas or on rural exceptions policy sites, where authorities have wider sustainability priorities that take precedence over the findings of this report.

7.3 In terms of monitoring alternative intermediate housing schemes, Ark recommends that WoE adopts the process and protocol forming section 6 of this report.

GLOSSARY OF KEY TERMS

Shared Ownership - Traditional shared ownership, where a purchaser buys an equity share and then a rental element on the retained equity. Previously this was regarded as the standard product on offer via the HC, but will now be applied in the WoE to grant free intermediate home ownership units delivered through S.106 schemes.

Newbuild Homebuy - Currently the standard new build product on offer via the HC effectively replacing traditional shared ownership for grant funded schemes.

Intermediate Housing - Housing that meets the need of households who cannot afford to buy or rent on the open market, and yet earn too much to be likely to qualify for social rented housing.

Intermediate Home Ownership - Housing for sale that is affordable to households in need of intermediate market housing.

Intermediate Rent - Housing for rent that is affordable to households in need of intermediate market housing.

Low Cost Home Ownership - A general term applied to any product that can be classified as low cost and may not necessarily be regarded as sub-market housing.

RSL - Registered Social Landlord or housing association that will typically be involved in delivering any intermediate housing product. Note, private developers may be able to offer some intermediate housing directly and a small number are approved by the HC to receive Social Housing Grant.

On-Costs - Administration costs incurred by a RSL in delivering affordable housing.

SHMA - Strategic Housing Market Assessment is currently being carried out on behalf of the WoE to assess the housing need, demand, and context of the housing market.

SHMAPG - Strategic Housing Market Assessment Practice Guidance, version 2, issued by CLG in August 2007

AHP - Affordable Housing Provider

APPENDIX A – Intermediate home ownership income thresholds

BATH AND NORTH EAST SOMERSET COUNCIL:

HMA Zones and Housetypes	**Lower threshold of intermediate market –** Indicative social rent levels £ pw	**Lower threshold of intermediate market –** Household income required £ pa	**Upper threshold of intermediate market** – Typical market rent levels £ pcm	**Upper threshold of intermediate market -** Household income required £ pa	**Median point of intermediate market –** Household income £ pa
Bath North					
Studio	66	13,765	495	23,760	18,763
1bed flat	73	15,851	658	31,584	23,718
2bed flat	98	20,439	800	38,400	29,420
2bed house	112 Rent cap(RC)	23,358	833	39,984	31,671
3bed house	119 (RC)	24,819	925	44,400	34,609
4bed house	125 (RC)	26,070	1,133	54,384	40,227
Bath South					
Studio	64	13,347	433	20,784	17,066
1bed flat	69	14,391	550	26,400	20,396
2bed flat	79	16,476	685	32,880	24,678
2bed house	87	18,144	735	35,280	26,712
3bed house	101	21,065	797	38,256	29,661
4bed house	125 (RC)	26,070	900	43,200	34,635
Keynsham					
Studio	59	12,305	422	20,256	16,281
1bed flat	64	13,347	515	24,720	19,034
2bed flat	76	15,851	600	28,800	22,326
2bed house	83	17,310	643	30,864	24,087
3bed house	91	18,979	733	35,184	27,081
4bed house	109	22,733	892	42,816	32,775
Norton-Radstock					
Studio	58	12,096	373	17,904	15,000
1bed flat	61	12,722	462	22,176	17,449
2bed flat	68	14,182	560	26,880	20,531
2bed house	73	15,225	599	28,752	21,989
3bed house	88	18,353	688	33,024	25,689
4bed house	104	21,690	845	40,560	31,125
Bathavon					
Studio	64	13,347	404	19,392	16,370
1bed flat	70	14,599	570	27,360	20,980
2bed flat	94	19,605	643	30,864	25,235
2bed house	106	22,107	737	35,376	28,742
3bed house	119 (RC)	24,819	877	42,096	33,458
4bed house	125 (RC)	26,070	1042	50,016	38,043
Rural					
Studio	67	13,973	No comparables	-	-
1bed flat	73	15,225	510	24,480	19,853
2bed flat	96	20,022	573	27,504	23,763
2bed house	110	22,942	627	30,096	26,519
3bed house	119 (RC)	24,819	748	35,904	30,362
4bed house	125 (RC)	26,070	870	41,760	33,915

BRISTOL CITY COUNCIL:

HMA Zones and Housetypes	**Lower threshold of intermediate market -** Indicative social rent levels £ pw	**Lower threshold of intermediate market -** Household income required £ pa	**Upper threshold of intermediate market –** Typical market rent levels £ pcm	**Upper threshold of intermediate market -** Household income required £ pa	**Median point of intermediate market –** Household income £ pa
Bristol IE					
Studio	63	13,139	448	21,504	17,322
1bed flat	68	14,182	504	24,192	19,187
2bed flat	78	16,268	590	28,320	22,294
1bed house	74	15,433	No data	-	-
2bed house	87	18,144	625	30,000	24,072
3bed house	106	22,107	746	35,808	28,958
4bed house	125 (RC)	26,070	900	43,200	34,635
Bristol INW					
Studio	69	14,391	481	23,088	18,740
1bed flat	76	15,851	626	30,048	22,950
2bed flat	91	18,979	752	36,096	27,538
1bed house	85	17,727	625	30,000	23,864
2bed house	103	21,482	827	39,696	30,589
3bed house	119 (RC)	24,819	1093	52,464	38,642
4bed house	125 (RC)	26,070	1442	69,216	47,643
Bristol OE					
Studio	56	11,679	No data	-	-
1bed flat	59	12,305	508	24,384	18,345
2bed flat	68	14,182	572	27,456	20,819
1bed house	63	13,139	600	28,800	20,970
2bed house	75	15,642	609	29,232	22,437
3bed house	85	17,728	798	38,304	28,016
4bed house	100	20,856	1084	53,203	37,030
Bristol N					
Studio	54	11,262	No data	-	-
1bed flat	58	12,096	511	24,528	18,312
2bed flat	66	13,765	624	29,952	21,859
1bed house	62	12,931	No data	-	-
2bed house	70	14,599	548	26,304	20,452
3bed house	83	17,310	721	34,608	25,959
4bed house	98	20,439	975	46,800	33,620
Bristol NW					
Studio	54	11,262	393	18,864	15,063
1bed flat	58	12,096	625	30,000	21,048
2bed flat	68	14,182	722	34,656	24,419
1bed house	62	12,931	No data	-	-
2bed house	73	15,225	800	38,400	26,813
3bed house	85	17,728	1010	48,480	33,104
4bed house	100	20,856	1192	57,216	39,036

Continued……..

BRISTOL CITY COUNCIL: continued

HMA Zones and Housetypes	**Lower threshold of intermediate market -** Indicative social rent levels £ pw	**Lower threshold of intermediate market -** Household income required £ pa	**Upper threshold of intermediate market –** Typical market rent levels £ pcm	**Upper threshold of intermediate market -** Household income required £ pa	**Median point of intermediate market –** household income £ pa
Bristol S					
Studio	55	11,471	No data	-	-
1bed flat	59	12,305	529	25,392	18,849
2bed flat	67	13,973	604	28,992	21,483
1bed house	63	13,139	No data	-	-
2bed house	72	15,016	698	33,504	24,260
3bed house	83	17,310	762	36,576	26,943
4bed house	98	20,439	No data	-	-

NORTH SOMERSET COUNCIL:

HMA Zones and Housetypes	**Lower threshold of intermediate market -** Indicative social rent levels £ pw	**Lower threshold of intermediate market -** Household income required £ pa	**Upper threshold of intermediate market –** Typical market rent levels £ pcm	**Upper threshold of intermediate market -** Household income required £ pa	**Median point of intermediate market –** household income £ pa
Weston-S-Mare					
Studio	56	11,679	401	19,248	15,464
1bed flat	60	12,514	575	27,600	20,057
2bed flat	68	14,182	595	28,560	21,371
1bed house	65	13,556	575	27,600	20,578
2bed house	74	15,433	625	30,000	22,717
3bed house	85	17,727	693	33,264	25,496
4bed house	100	20,856	759	36,432	28,644
Portishead-Gordano					
Studio	57	11,888	538	25,824	18,856
1bed flat	61	12,722	598	28,704	20,713
2bed flat	72	15,016	682	32,736	23,876
1bed house	65	13,556	631	30,288	21,922
2bed house	79	16,476	750	36,000	26,238
3bed house	96	20,021	911	43,728	31,875
4bed house	114	23,776	1,105	53,040	38,408
Nailsea-Backwell					
Studio	59	12,305	475	22,800	17,553
1bed flat	62	12,931	575	27,600	20,266
2bed flat	77	16,059	680	32,640	24,350
1bed house	68	14,182	619	29,712	21,947
2bed house	86	17,936	825	39,600	28,768
3bed house	94	19,605	841	40,368	29,987
4bed house	111	23,150	1,375	66,000	44,575
Clevedon-Yatton					
Studio	57	11,888	485	23,280	17,584
1bed flat	60	12,514	503	24,144	18,329
2bed flat	71	14,808	666	31,968	23,388
1bed house	66	13,765	585	28,080	20,923
2bed house	77	16,059	655	31,440	23,750
3bed house	90	18,770	786	37,728	28,249
4bed house	106	22,107	1,275	61,200	41,654

SOUTH GLOUCESTERSHIRE COUNCIL:

HMA Zones and Housetypes	**Lower threshold of intermediate market -** Indicative social rent levels £ pw	**Lower threshold of intermediate market -** Household income required £ pa	**Upper threshold of intermediate market –** Typical market rent levels £ pcm	**Upper threshold of intermediate market –** Household income required £ pa	**Median point of intermediate market –** Household income £ pa
Chipping Sodbury-Yate					
Studio	57	11,888	435	20,880	16,384
1bed flat	61	12,722	463	22,224	17,473
2bed flat	67	13,974	569	27,312	20,643
1bed house	64	13,348	499	23,952	18,650
2bed house	71	14,808	575	27,600	21,204
3bed house	84	17,519	650	31,200	24,359
4bed house	99	20,647	950	45,600	33,124
Thornbury					
Studio	58	12,096	313	15,024	13,560
1bed flat	61	12,722	436	20,928	16,825
2bed flat	71	14,808	511	24,528	19,668
1bed house	65	13,557	498	23,904	18,731
2bed house	77	16,059	590	28,320	22,189
3bed house	86	17,936	650	31,200	24,568
4bed house	101	21,065	799	38,352	29,709
Rural					
Studio	60	12,514	319	15,312	13,913
1bed flat	65	13,556	435	20,880	17,218
2bed flat	72	15,016	511	24,528	19,772
1bed house	67	13,974	498	23,904	18,939
2bed house	77	16,059	590	28,320	22,189
3bed house	94	19,605	650	31,200	25,403
4bed house	112	23,359	799	38,352	30,856
Kingswood					
Studio	56	11,679	356	17,088	14,383
1bed flat	60	12,514	455	21,840	17,177
2bed flat	68	14,182	538	25,824	20,003
1bed house	65	13,557	544	26,112	19,835
2bed house	71	14,808	631	30,288	22,548
3bed house	80	16,685	741	35,568	26,127
4bed house	92	19,187	856	41,088	30,138
North Fringe					
Studio	56	11,679	406	19,488	15,583
1bed flat	60	12,514	486	23,328	17,921
2bed flat	69	14,391	588	28,224	21,308
1bed house	64	13,348	525	25,200	19,274
2bed house	73	15,225	606	29,088	22,156
3bed house	81	16,893	704	33,792	25,343
4bed house	95	19,813	850	40,800	30,307

APPENDIX B - Affordable Full Market Values on Intermediate Home Ownership,

(rounded to nearest £1,000): Dependent on the level of equity share and rent on offer

BATH AND NORTH EAST SOMERSET COUNCIL:

HMA Zones and Housetypes	Median point of intermediate market – Household income £ pa	Full market value – If S/Owner is offered property @ 40% tranche, Rent @ 1% retained equity	Full market value – If S/Owner is offered property @ 40% tranche, Rent @ 0.5% retained equity	Full market value – If S/Owner is offered property @ 30% tranche, Rent @ 1% retained equity	Full market value – If S/Owner is offered property @ 30% tranche, Rent @ 0.5 % retained equity
Bath North					
Studio	18,763	£138,000	£151,000	£174,000	£199,000
1bed flat	23,718	£174,000	£191,000	£219,000	£252,000
2bed flat	29,420	£217,000	£237,000	£272,000	£313,000
2bed house	31,671	£232,000	£255,000	£293,000	£337,000
3bed house	34,609	£254,000	£279,000	£320,000	£368,000
4bed house	40,227	£296,000	£324,000	£372,000	£428,000
Bath South					
Studio	17,066	£125,000	£137,000	£158,000	£181,000
1bed flat	20,396	£150,000	£164,000	£188,000	£217,000
2bed flat	24,678	£181,000	£199,000	£228,000	£262,000
2bed house	26,712	£196,000	£215,000	£247,000	£284,000
3bed house	29,661	£218,000	£239,000	£274,000	£315,000
4bed house	34,635	£255,000	£279,000	£320,000	£368,000
Keynsham					
Studio	16,281	£120,000	£131,000	£150,000	£173,000
1bed flat	19,034	£140,000	£153,000	£176,000	£202,000
2bed flat	22,326	£164,000	£180,000	£206,000	£237,000
2bed house	24,087	£153,000	£194,000	£223,000	£256,000
3bed house	27,081	£199,000	£218,000	£250,000	£288,000
4bed house	32,775	£241,000	£264,000	£303,000	£348,000
Norton-Radstock					
Studio	15,000	£110,000	£121,000	£139,000	£159,000
1bed flat	17,449	£128,000	£140,000	£161,000	£185,000
2bed flat	20,531	£151,000	£165,000	£190,000	£218,000
2bed house	21,989	£162,000	£177,000	£203,000	£234,000
3bed house	25,689	£189,000	£207,000	£237,000	£273,000
4bed house	31,125	£229,000	£251,000	£288,000	£331,000
Bathavon					
Studio	16,370	£120,000	£132,000	£151,000	£174,000
1bed flat	20,980	£154,000	£169,000	£194,000	£223,000
2bed flat	25,235	£185,000	£203,000	£233,000	£268,248
2bed house	28,742	£211,000	£231,000	£266,000	£306,000
3bed house	33,458	£250,000	£269,000	£309,000	£356,000
4bed house	38,043	£280,000	£306,000	£352,000	£404,000
Rural					
Studio	-	£	£	£	£
1bed flat	19,853	£150,000	£160,000	£183,000	£211,000
2bed flat	23,763	£175,000	£191,000	£220,000	£253,000
2bed house	26,519	£195,000	£213,000	£245,000	£282,000
3bed house	30,362	£223,000	£244,000	£281,000	£323,000
4bed house	33,915	£249,000	£273,000	£313,000	£361,000

BRISTOL CITY COUNCIL:

HMA Zones and Housetypes	Median point of intermediate market – Household income required £ pa	Full market value – If S/Owner is offered property @ 40% tranche, Rent @ 1% retained equity	Full market value – If S/Owner is offered property @ 40% tranche, Rent @ 0.5% retained equity	Full market value – If S/Owner is offered property @ 30% tranche, Rent @ 1% retained equity	Full market value – If S/Owner is offered property @ 30% tranche, Rent @ 0.5 % retained equity
Bristol IE					
Studio	17,322	£127,000	£139,000	£160,000	£184,000
1bed flat	19,187	£141,000	£154,000	£177,000	£204,000
2bed flat	22,294	£164,000	£179,000	£206,000	£237,000
1bed house	-	£	£	£	£
2bed house	24,072	£177,000	£194,000	£222,000	£256,000
3bed house	28,958	£213,000	£233,000	£268,000	£308,000
4bed house	34,635	£255,000	£279,000	£318,000	£368,000
Bristol INW					
Studio	18,740	£138,000	£151,000	£173,000	£199,000
1bed flat	22,950	£169,000	£185,000	£212,000	£244,000
2bed flat	27,538	£202,000	£222,000	£254,000	£293,000
1bed house	23,864	£175,000	£192,000	£221,000	£254,000
2bed house	30,589	£225,000	£246,000	£283,000	£325,000
3bed house	38,642	£284,000	£311,000	£357,000	£411,000
4bed house	47,643	£350,000	£384,000	£440,000	£506,000
Bristol OE					
Studio	-	£	£	£	£
1bed flat	18,345	£135,000	£148,000	£170,000	£195,000
2bed flat	20,819	£153,000	£168,000	£192,000	£221,000
1bed house	20,970	£154,000	£169,000	£194,000	£223,000
2bed house	22,437	£165,000	£181,000	£207,000	£239,000
3bed house	28,016	£206,000	£226,000	£259,000	£298,000
4bed house	37,030	£272,000	£298,000	£342,000	£394,000
Bristol N					
Studio	-	£	£	£	£
1bed flat	18,312	£135,000	£147,000	£169,000	£195,000
2bed flat	21,859	£161,000	£176,000	£202,000	£232,000
1bed house	-	£	£	£	£
2bed house	20,452	£150,000	£165,000	£189,000	£217,000
3bed house	25,959	£191,000	£209,000	£240,000	£276,000
4bed house	33,620	£247,000	£271,000	£311,000	£357,000
Bristol NW					
Studio	15,063	£111,000	£121,000	£139,000	£160,000
1bed flat	21,048	£155,000	£169,000	£194,000	£224,000
2bed flat	24,419	£180,000	£197,000	£226,000	£260,000
1bed house	-	£	£	£	£
2bed house	26,813	£197,000	£216,000	£248,000	£285,000
3bed house	33,104	£243,000	£266,000	£306,000	£352,000
4bed house	39,036	£287,000	£314,000	£361,000	£415,000

Continued……..

BRISTOL CITY COUNCIL: continued

HMA Zones and Housetypes	**Median point of intermediate market** – household income required £ pa	**Full market value –** If S/Owner is offered property @ 40% tranche, Rent @ 1% retained equity	**Full market value –** If S/Owner is offered property @ 40% tranche, Rent @ 0.5% retained equity	**Full market value –** If S/Owner is offered property @ 30% tranche, Rent @ 1% retained equity	**Full market value –** If S/Owner is offered property @ 30% tranche, Rent @ 0.5 % retained equity
Bristol S					
Studio	-	£	£	£	£
1bed flat	18,849	£139,000	£152,000	£174,000	£200,364
2bed flat	21,483	£158,000	£173,000	£199,000	£228,000
1bed house	-	£	£	£	£
2bed house	24,260	£178,000	£195,000	£227,000	£258,000
3bed house	26,943	£198,000	£217,000	£249,000	£286,000
4bed house	-	£	£	£	£

NORTH SOMERSET COUNCIL:

HMA Zones and Housetypes	**Median point of intermediate market** – household income required £ pa	**Full market value –** If S/Owner is offered property @ 40% tranche, Rent @ 1% retained equity	**Full market value –** If S/Owner is offered property @ 40% tranche, Rent @ 0.5% retained equity	**Full market value –** If S/Owner is offered property @ 30% tranche, Rent @ 1% retained equity	**Full market value –** If S/Owner is offered property @ 30% tranche, Rent @ 0.5 % retained equity
Weston-S-Mare					
Studio	15,464	£114,000	£124,000	£143,000	£164,000
1bed flat	20,057	£147,000	£161,000	£185,000	£213,000
2bed flat	21,371	£157,000	£172,000	£197,000	£227,000
1bed house	20,578	£151,000	£166,000	£190,000	£219,000
2bed house	22,717	£167,000	£183,000	£210,000	£241,000
3bed house	25,496	£187,000	£205,000	£236,000	£271,000
4bed house	28,644	£211,000	£231,000	£265,000	£304,000
Portishead-Gordano					
Studio	18,856	£139,000	£152,000	£174,000	£200,000
1bed flat	20,713	£152,000	£167,000	£191,000	£220,000
2bed flat	23,876	£175,000	£192,000	£221,000	£254,000
1bed house	21,922	£161,000	£176,000	£203,000	£233,000
2bed house	26,238	£193,000	£211,000	£243,000	£279,000
3bed house	31,875	£234,000	£257,000	£295,000	£339,000
4bed house	38,408	£282,000	£309,000	£355,000	£408,000
Nailsea-Backwell					
Studio	17,553	£129,000	£141,000	£162,000	£186,000
1bed flat	20,266	£149,000	£163,000	£187,000	£215,000
2bed flat	24,350	£179,000	£196,000	£225,000	£259,000
1bed house	21,947	£161,000	£177,000	£203,000	£233,000
2bed house	28,768	£211,000	£232,000	£266,000	£306,000
3bed house	29,987	£220,000	£241,000	£277,000	£319,000
4bed house	44,575	£328,000	£359,000	£412,000	£474,000
Clevedon-Yatton					
Studio	17,584	£129,000	£142,000	£162,000	£187,000
1bed flat	18,329	£135,000	£148,000	£169,000	£195,000
2bed flat	23,388	£172,000	£188,000	£216,000	£249,000
1bed house	20,923	£154,000	£168,000	£193,000	£222,000
2bed house	23,750	£175,000	£192,000	£219,000	£252,000
3bed house	28,249	£208,000	£227,404	£261,000	£300,000
4bed house	41,654	£306,000	£335,000	£385,000	£443,000

SOUTH GLOUCESTERSHIRE COUNCIL:

HMA Zones and Housetypes	**Median point of intermediate market** – Household income required £ pa	**Full market value –** If S/Owner is offered property @ 40% tranche, Rent @ 1% retained equity	**Full market value –** If S/Owner is offered property @ 40% tranche, Rent @ 0.5% retained equity	**Full market value –** If S/Owner is offered property @ 30% tranche, Rent @ 1% retained equity	**Full market value –** If S/Owner is offered property @ 30% tranche, Rent @ 0.5 % retained equity
Chipping Sodbury-Yate					
Studio	16,384	£120,000	£132,000	£126,000	£174,000
1bed flat	17,473	£128,000	£141,000	£161,000	£186,000
2bed flat	20,643	£152,000	£166,000	£191,000	£219,000
1bed house	18,650	£137,000	£158,000	£172,000	£198,000
2bed house	21,204	£156,000	£171,000	£196,000	£225,000
3bed house	24,359	£179,000	£196,000	£225,000	£259,000
4bed house	33,124	£243,000	£267,000	£306,000	£352,000
Thornbury					
Studio	13,560	£100,000	£109,000	£125,000	£144,000
1bed flat	16,825	£124,000	£135,000	£155,000	£179,000
2bed flat	19,668	£145,000	£158,000	£182,000	£209,000
1bed house	18,731	£138,000	£151,000	£173,000	£199,000
2bed house	22,189	£163,000	£179,000	£205,000	£236,000
3bed house	24,568	£181,000	£198,000	£227,000	£261,000
4bed house	29,709	£218,000	£239,000	£275,000	£316,000
Rural					
Studio	13,913	£102,000	£112,000	£129,000	£148,000
1bed flat	17,218	£127,000	£139,000	£159,000	£183,000
2bed flat	19,772	£145,000	£159,000	£183,000	£210,000
1bed house	18,939	£139,000	£152,000	£175,000	£201,000
2bed house	22,189	£163,000	£179,000	£205,000	£236,000
3bed house	25,403	£187,000	£205,000	£235,000	£270,000
4bed house	30,856	£227,000	£248,000	£285,000	£328,000
Kingswood					
Studio	14,383	£106,000	£116,000	£133,000	£153,000
1bed flat	17,177	£126,000	£138,000	£159,000	£183,000
2bed flat	20,003	£147,000	£161,000	£185,000	£213,000
1bed house	19,835	£146,000	£160,000	£183,000	£211,000
2bed house	22,548	£166,000	£181,000	£208,000	£240,000
3bed house	26,127	£192,000	£210,000	£241,000	£278,000
4bed house	30,138	£222,000	£243,000	£278,000	£320,000
North Fringe					
Studio	15,583	£115,000	£125,443	£144,000	£166,000
1bed flat	17,921	£132,000	£144,000	£166,000	£191,000
2bed flat	21,308	£157,000	£172,000	£167,000	£227,000
1bed house	19,274	£142,000	£155,000	£178,000	£205,000
2bed house	22,156	£163,000	£178,000	£205,000	£236,000
3bed house	25,343	£186,000	£204,000	£234,000	£269,000
4bed house	30,307	£223,000	£244,000	£280,000	£322,000

APPENDIX C

INTERMEDIATE HOME OWNERSHIP
Pilot Scheme Monitoring

1. ORGANISATION DETAILS
Organisation:
Address:
Contact Name:
Telephone No:
E-mail address:

2. PILOT SCHEMES - PROJECT INFORMATION
SCHEME NAME & ADDRESS:

(i) Programme Year:

(ii) S. 106:

Yes ☐ No ☐

(iii) Grant Funded:

Yes ☐ No ☐

(iv) If Yes, source of funding:

Average grant per unit:

(v) Product available:

(vi) Target Client Group:

2. PILOT SCHEMES - PROJECT INFORMATION Cont'd

(vii) Pilot schemes - affordability levels

Property Type	No of Units	Estimated Market Value	Equity % to be Sold	Monthly Rent to be Charged	Rent as % of Unsold Equity	Annual Outgoings for Purchase (mortgage, rent, service charge)	Predicted Income Levels of Purchasers
Studio							
1 bed flat							
2 bed flat							
3 bed flat							
2 bed house							
3 bed house							
4 bed house							
2 bed bungalow							
Other							
TOTAL							

Notes: 1. For mortgage purposes, assume a 30 year repayment mortgage with an interest rate of 6.25%, if prior to marketing stage.

2. PILOT SCHEMES - PROJECT INFORMATION Cont'd

(viii) Affordability levels and outgoings, as achieved.

Address	Property Type (eg 1 bed flat)	Full Market Value	% Equity Sold	Cost of Repayment Mortgage per month (a)	Rental Charge per month (b)	Rent as % of unsold equity	Other Costs (Property insurance, service charge) per month (c)	Total Outgoings per month (a)+(b)+(c)	Purchaser Information	
									Gross Household Income	Occupation of each purchaser

* Complete for all delivered schemes 2004/05 and 2005/06

Notes: 1. Cost of repayment mortgage – use actual costs incurred by purchaser, if known.
2. Full market value, to be the total value inclusive of extras such as white goods or carpets.

2. PILOT SCHEMES - PROJECT INFORMATION Cont'd

(ix) Purchaser profiles:

Property Type	Age Range 16-30	31-40	41-50	50+	No of Single Income Households	No of Double Income Households	No. of dependents	Average Household Income	Average Savings Used as Deposit	Average Savings as a Percentage of Purchase Price
Studio										
1 bed flat										
2 bed flat										
3 bed flat										
2 bed house										
3 bed house										
4 bed house										
2 bed bungalow										
Other										

3. PILOT SCHEMES - SWOT ANALYSIS	
STRENGTHS	**WEAKNESSES**
OPPORTUNITIES	**THREATS**

4. PILOT SCHEMES - SCORING	
Score of 1 – 10 (10 being the highest score) for the following factors:	
	Predicted Score Outturn Score
i. Deliverability	
Planning	
Funding	
Viability	
Legals	
ii. Quality	
Construction	
Programme/timescale	
Regeneration objectives	
Design and eco/sustainability	
iii. Affordability	
Mortgage	
Rent	
Service Charge	
Other Housing Costs	
iv. Marketability	
Attractive product to purchaser(VFM)	
Competitive with other LCHO products	
Lenders requirements	
Sales rate	
v. Total Score	

5. ALTERNATIVE PILOT SCHEMES - OUTTURN REPORT (To cover deliverability, quality, affordability, marketability)