

**Beyond the Affordable Housing Study Stage II: A
review and analysis of changes in the intermediate
housing market in the East of England 2004-2007**

**Final report to the East of England Regional Assembly
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Summary

Purpose of the Research

The purpose of the research is to identify the changes in the intermediate housing market since the Affordable Housing Study was published in 2004, both in terms of need/demand and supply, and to consider the implications for regional policy formulation and investment in the future.

Objectives

1. To provide an overview of how the intermediate housing market has matured and changed since the Affordable Housing Study Stage II was carried out;
2. To undertake an analysis of the need, demand and supply of HomeBuy products in the region to establish trends and provide a trajectory, identifying gaps, inconsistencies and examples of good practice;
3. To identify HomeBuy priority groups for assistance and recommend alternative prioritisation models, e.g. income based;
4. To recommend changes to the HomeBuy product design and application to achieve improved investment outputs and outcomes for the region;
5. To recommend mechanisms for the establishment of consistent data collection and monitoring systems across HomeBuy agents to better support the regional evidence base, in particular the Regional Housing Strategy and East of England Plan (RSS).

The Project

- In 2004 the East of England Regional Assembly (EERA) published the Affordable Housing Study Stage II. It identified the regional requirement for housing within the intermediate tenure, including Key Workers, and built on Stage 1 (2003) which identified the need for social rented housing in the region. Both studies underpinned the draft Regional Spatial Strategy (EERA, 2004) and Regional Housing Strategy (EERA, 2005).
- The Assembly has now commissioned CCHPR to undertake an update of the 2004 study, with a focus on the Government's HomeBuy programme (see Glossary). The HomeBuy programme only addresses the needs of one part of the intermediate market, specifically social tenants, those on the housing register and public sector workers. Since April 2006, other first time buyer groups identified by the Regional Housing Board have also been eligible for priority assistance. The groups identified for priority assistance by the former Regional Housing Board (RHB) are: medical secretaries, medical receptionists, teaching assistants, learning assistants, care workers employed by local authorities with a maximum household income of £60,000. These groups are also eligible for priority assistance under the First Time Buyers'

Initiative (FTBI) in the region, together with social tenants, people on the housing register and public sector workers.

- Following an invitation from Communities & Local Government (CLG) to revise these “regional” groups, a key objective of this study is to identify other first time buyer groups who should receive priority assistance from the HomeBuy programme in the region. The project is timely as there is now much more available data on the groups that are accessing the intermediate tenure.

Conclusions

- Affordability as measured on a range of indicators has worsened across the region.
- It cannot be assumed that all those who might be eligible for intermediate housing would necessarily demand it. Using the same methodology as in the 2004 study shows that the likely demand for intermediate housing has risen from 2,400 to 6,000 units p.a. across the region. The increase reflects worsening affordability.
- Estimating the size of the requirement for intermediate tenure homes in the region is problematic because there is a supply constraint. The intermediate tenure comprises less than one percent of the total housing stock, although more than 30% of new affordable housing completions are intermediate
- Affordable housing completions generally in the region are increasing but are not meeting Regional Spatial Strategy targets.
- The profile of HomeBuy applicants is little different to the profile of households in need of intermediate housing identified in the 2004 study. The majority of HomeBuy applicants are single people with no children; 45% of applicants are Key Workers; most were previously living with family/friends or private renting; more than half of applicants are aged between 20-29 years and a further third are 30-39 years; and most applicants who are accepted have an income between £20,000 and £29,000.
- Those in the intermediate market with lower incomes are not currently benefiting from the products as they are only affordable to those on higher incomes within the intermediate market.
- The main problem is not necessarily the structure of the products but their application and the consequent impact on affordability. There is concern that HomeBuy products are becoming less affordable as house prices continue to rise. The percentage charged as rent on the unsold share varies across the region and is sometimes higher than the prevailing limit set by the Housing Corporation. This reflects the regime under which they were funded and whether it was within the National Affordable Housing Programme (NAHP).

- It is possible to sell small shares of the equity of a property, but the problems of marginal home ownership such as repairs and maintenance and the rental payments make ownership less attractive.
- The products do not currently offer affordable options for a range of incomes. The average income needed to afford intermediate rented properties is lower than the income needed to afford New Build HomeBuy (NBHB). Intermediate rented housing may, therefore, help to provide a product that meets the needs of those on lower incomes, not just key workers.
- There is a potential issue over whether the surplus public land intended for units developed through the First Time Buyers' Initiative (FTBI) is located in areas where there is high potential demand from first time buyers.
- The data suggests that the current system allows accommodation to be less fully occupied than is the norm for social rented housing. This under-occupation is historic and reflects the hybrid nature of the product, as although subsidy is involved, the properties are also partially market units and so the product has to meet aspirations in addition to fulfilling need. The HomeBuy products are therefore helping to meet the government aims of home ownership and sustainability rather than targeting only housing need.
- Whilst national research suggests that Key Worker Living benefits key public sector workers, our study shows that public sector employers do not generally assess whether access to intermediate housing by their employees is of benefit. There is insufficient data to assess the impact of the 'regional' priority groups identified by the former Regional Housing Board (all public sector workers) on recruitment and retention. Therefore, it is difficult to assess whether the 'regional' priority groups for assistance are still appropriate and whether there are any specific spatial dimensions to this.
- The evidence of this study shows that affordability is now a widespread problem in the region, suggesting that a more sophisticated approach to defining priority groups (other than by employment) for HomeBuy assistance is needed in the future.
- The data about HomeBuy applicants and intermediate products is not collected in a uniform way, nor is it capturing all relevant information.

Recommendations

- There is a need to target a range of incomes to ensure that those on lower incomes are able to access the intermediate market.
- Greater use should be made of intermediate rental housing so that people on lower incomes can access intermediate housing even if they cannot afford intermediate home ownership products.
- Local authorities should play a stronger role in determining the affordability of intermediate products and should provide more evidence-based direction for providers. They could define what rent would be affordable in their area based

on their Strategic Housing Market Assessment (SHMA), and could define affordability within Section 106 agreements

- Building on the stronger direction from local authorities in determining what is affordable locally, housing sub-regions could identify priority groups based on house to income ratios being above certain limits within the sub-region.
- Research could be conducted on the impact of intermediate housing on the recruitment and retention of key workers in the region, including whether there are any specific spatial dimensions, in order to assess the schemes over a longer time scale and inform any future review of the region's priority groups for Key Worker Living.
- In order to improve the data for future analysis the region needs:
 - a uniform template that captures key data from different sources and all schemes including non-grant funded and 'second-hand' shared ownership
 - improved communication between developing housing associations and HomeBuy agents
 - To capture a true picture of occupancy, data should be collected on all schemes including non-grant funded and 'second-hand' shared ownership. Sources include: HomeBuy Agents, housing associations, other developers, the Continuous Recording System (CORE), Housing Strategy Statistical Appendix (HSSA). This could be achieved by agreement across housing sub-regions and in turn at regional level that this data will be collected.
 - Electronic recording of the data similar to CORE or HSSA will help monitoring across the region and over time.

1. Introduction

Defining the Intermediate Market

The intermediate housing market is defined as existing between the market for traditional social rented housing and the market for privately rented or owner occupied accommodation. 'Intermediate housing' is housing for households unable to afford to purchase on the open housing market but able to afford more than the rents charged for social rented housing. Modestly earning households find themselves in this market – not usually a priority for social housing (although they may be on the council's housing register) but they cannot afford to access suitable self-contained accommodation by renting or buying privately.

HomeBuy Programme

The HomeBuy programme is the government's low cost home ownership programme. The table below sets out the range of products available. A full description of each product is available in the Glossary.

Social tenants, those on the housing register and key public sector workers are all eligible for assistance under the HomeBuy programme. Key Workers, such as nurses or teachers can be assisted to rent or buy through the Key Worker Living programme (KWL). KWL is only open to specific key workers in London, the South East and the East of England. A full list of those who are eligible for HomeBuy assistance in the region, including key workers, is set out in Appendix H.

Since April 2006, other first time buyer groups identified by the Regional Housing Board have also been eligible for priority assistance under the HomeBuy programme. The groups identified for priority assistance by the former Regional Housing Board (RHB) are: medical secretaries, medical receptionists, teaching assistants, learning assistants, care workers employed by local authorities with a maximum household income of £60,000.

Product	Description
New Build HomeBuy (NBHB)	Traditionally known as shared ownership, part buy-part rent and shared equity. The buyer owns a minimum share of 25 % (maximum of 75%) of the property and pays rent, typically 2-3%, on the unsold equity share
Open Market HomeBuy or Expanded OMH (eOMHB)	An 'equity loan' product where the buyer gets an equity loan worth 25% of the value of their home. An 'equity' loan is one which does not need to be served by regular payments, and on which interest is not formally charged. The value of the loan rises (or falls) with the value of the home and is repaid only when the home is sold The Expanded Open Market HomeBuy product has two equity loans each worth approx. 12.5% of the value of the property. One provided by a lender, the second by the Government

Social HomeBuy	A scheme that enables tenants of existing social rented homes (from housing associations) to buy their home at a discount.
First Time Buyers' Initiative	Similar to New Build HomeBuy.
Intermediate Rent	New build homes with rents set between 70% and 80% of the market rents in the area the properties are located. Generally only available to key workers as part of the Key Worker Living Programme

HomeBuy Agents

HomeBuy Agents (HBAs) are housing associations providing a one-stop shop for the marketing of the HomeBuy suite of products. There are four HomeBuy agents in the East of England covering the six counties: Bedfordshire Pilgrims Housing Association (Bedfordshire and Cambridgeshire); Orbit (Norfolk and Suffolk); Moat (Essex); Aldwyck Housing Association (Hertfordshire).

HBAs will assess that an applicant is unable to buy on the open market and check that they fall within one of the eligible groups, e.g. existing tenant, housing register applicant or key worker. HBAs may also have allocations policies that give priority to applicants in a particular order, e.g. social rented tenants first, followed by applicants who are homeless/threatened with homelessness. However, in practice although these groups may have higher priority they may not be able to afford the products available (see Glossary).

Other Intermediate Market Housing

Some intermediate market housing is funded entirely by developer's Section 106 contributions (see Glossary) without direct subsidy from the Housing Corporation. These products are sometimes identical to New Build HomeBuy, sometimes variations of it. While low cost market housing remains outside the government's definition of affordable housing, some developers are marketing their own products aimed at first time buyers and are pressing local authorities to accept these as contributing to affordable housing targets (e.g. Redrow's *Debut* range and Barratt's *IPad* – a new concept in apartment living).

Previous Studies

In 2004 the East of England Regional Assembly published the Affordable Housing Study Stage II. The study was undertaken by the Cambridge Centre for Housing and Planning Research (CCHPR) and built on Stage I – *The Provision of Affordable Housing in the East of England 1996-2021*. Published in 2003, Stage I identified a need for 7,200 new units of social rented housing per annum. Stage II identified the unmet need for social rented housing in the region and the need for intermediate market housing, including key worker housing. The study reviewed definitions of key workers and suggested that 2,400 dwellings a year should be for the intermediate market, of which at least 720 intermediate housing units a year should be identified as key worker housing. It was noted that 80 percent of this identified need comes from the health and education sectors alone. The study also reviewed existing

studies and conducted more qualitative research on key worker housing needs in five very different case study areas within the region.

Reviewing Changes in the Intermediate Market Since 2004

The Regional Assembly, in partnership with the Housing Corporation, has now commissioned CCHPR to review the changes in the intermediate housing market in the region since 2004. The review is clearly timely as house price increases have continued relentlessly and affordability problems have worsened across the region. In particular, the intermediate market has matured and developed, and it is timely to examine the progress of the HomeBuy suite of products that was introduced to help address the needs of key workers and other first time buyers in the region.

Estimating demand for intermediate housing products is problematic for a number of reasons. There is a supply constraint in terms of availability of New Build HomeBuy dwellings and access to Open Market HomeBuy finance. Intermediate tenures comprise less than one percent of the total housing stock. Although New Build HomeBuy now amounts to about one third of all new affordable housing construction, the units appear to be lost from intermediate tenures as shared owners 'staircase up' to full ownership when they come to sell if not before. However incomes are recycled by housing associations and put back into the intermediate sector.

Evidence on demand for intermediate market housing, including key worker housing, is beginning to emerge from Strategic Housing Market Assessments that are being conducted across the region. Evidence is also available from the HomeBuy agents who manage the HomeBuy product range across the region. This evidence suggests that there may be some misalignment between product design and application and the actual needs/demands of the intermediate market. The implication is that changes in the product range might deliver improved and more cost effective outcomes.

Purpose of the Research

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1. To provide an overview of how the intermediate housing market has matured and changed since the Affordable Housing Study Stage II was carried out;
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5. To recommend mechanisms for the establishment of consistent data collection and monitoring systems across HomeBuy agents to better support the regional evidence base, in particular the Regional Housing Strategy and East of England Plan (RSS).

It is important to note that the present study is concerned with the intermediate housing market as a whole, not just key workers. It is thus wider than the previous study.

Outcome

The outcome will:

- enable the region to assess how effectively the HomeBuy product range is responding to need/demand;
- identify priority groups for assistance to inform the region's advice to Ministers in autumn 2007.

Methods

The research team has been guided by a Steering Group comprising a HomeBuy agent and representatives from the Housing Corporation, GO-East, NHF and EERA.

The approach taken was divided into a number of elements:

1. Statistical analysis of secondary data, using the same methodology, to enable the earlier work published in 2004 to be updated and to provide a picture of how the housing markets across the region have changed since that date.

2. Statistical analysis of HomeBuy agent data on applications for the different HomeBuy products, together with analysis of Continuous Recording System (CORE) data on actual take-up of HomeBuy products. Given the inconsistency in data collection methods between HomeBuy agents, it was agreed by the Steering Group that the HomeBuy data should be a snapshot at 31 August 2007.
3. Brainstorming, both within the research team and together with a wider stakeholder group comprising representatives of each of the HomeBuy agents and housing sub-regions on:
 - a. criteria for targeting priority groups;
 - b. potential for new or adapted products to meet the needs of groups within the intermediate market;
 - c. how data collection may be improved. The main points from these workshops are presented in the Appendix.
4. In addition, two case studies were undertaken of the Cambridgeshire housing sub-region and the Greater Norwich housing sub-region, These two areas were selected for a number of reasons: their Strategic Housing Market Assessments were near to completion, they are both areas of rapid growth and they have been experiencing increasing problems of affordability. The case studies explored stakeholders' experience of the intermediate market in these districts and their views about the problems. Telephone interviews were held with HomeBuy agents and officers from local authorities and housing associations. The key points are presented in Appendix E.

See the Glossary for an explanation of key terms and definitions.

2. Overview of How the Intermediate Housing Market has Changed: Affordability, Need, Demand and Supply

A) Affordability

Worsening Affordability

The data shows that affordability has worsened over the past few years. House prices have risen much faster than incomes so that buying a house is increasingly expensive.

The *East of England Plan Annual Monitoring Report 2005-2006* describes how the housing market has changed considerably since 2001 and affordability has become an increasingly acute problem. In the first quarter of 2001, the average house price in the region was £114,300. By the first quarter of 2006 this had increased by 76% to £201,000.

In some districts prices have increased by more than 100% in just five years. For example:

Fenland 118%
Peterborough 115%
Great Yarmouth 110%
North Norfolk 106%
Southend-on-Sea 106%
Forest Heath 100%

Most of these districts have historically recorded low house prices and consequently there are clear signs of a 'catch-up' and a reduction in the spread of prices across the East of England.

At the county level, Norfolk had the highest increase with average prices rising by 95%. Hertfordshire saw the lowest percentage increase at 57%. But in 'money' terms the increase per dwelling in Hertfordshire was £93,600 – almost the same as the dwelling price increase of £94,050 recorded in Norfolk (EERA AMR 2006).

Indicators of Affordability

There are a number of indicators that can be used to judge the opportunities for first time buyers:

- The lower quartile price
- The percentage of all sales involving properties costing under £120,000
- An estimate of the basic entry level price band

1) Lower quartile price

This is a price threshold below which 25% of all sales occurred. In the first quarter of 2001 the lower quartile price was £65,000. By the first quarter of 2006 this had doubled to £130,000 for the region as a whole (EERA AMR 2006).

Again, there were variations around the region with particularly high percentage increases as described above in districts that have previously had low house prices. There were increases of 120% or more in the lower quartile price in Fenland, Peterborough, Basildon, Southend-on-Sea, Great Yarmouth, Kings Lynn, North Norfolk and Waveney.

The districts that record relatively low increases in lower quartile prices tended to be those with the highest lower quartile prices namely St Albans and Dacorum (both +61%), Three Rivers (+66%) and Hertsmere (+64%) (EERA AMR 2006).

The smallest properties are likely to be properties with one bedroom, and are likely to be the most affordable. The data does not break down properties by bedroom size, but the prices of flats can be taken as an indicator of smaller dwellings that are likely to be the least expensive. Even on these properties, house prices are as much as 6 times the average income in some sub-regions (Figure 1), showing that even this type of property is not affordable in many areas.

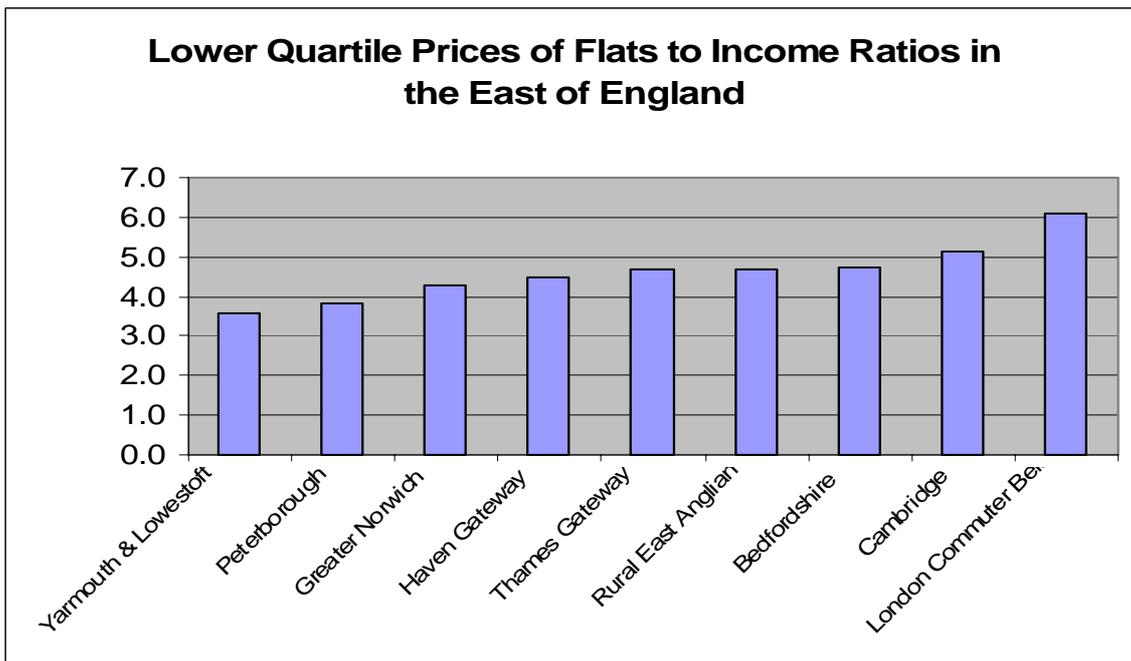


Figure 1: Lower Quartile Prices of Flats to Income Ratios in the East of England Housing Sub-Regions. (Source: Land Registry)

See Appendix A for lower quartile house price to income ratios for all authorities in the region.

2) Percentage of properties selling for under £120,000

This is “the maximum that a couple with two average incomes might obtain a regular repayment mortgage on” (EERA AMR 2006, paragraph 5.21, page 28). In the region as a whole just under 20% of all sales fell into this category (EERA AMR 2006, page 28).

3) Basic entry level price band

This involves an analysis of the lowest price band where 20 or more dwellings were sold and the results are very similar to that produced by the previous measure. The authorities with the lowest entry levels are shown in Table 1. All other districts recorded the basic ‘entry level’ as £100,000 or more which “effectively excludes anyone on average earnings entering the housing market without a very substantial deposit” (EERA AMR 2006, page 28).

Authority	‘Entry Level’
Great Yarmouth Southend-on-Sea	£60,000 - £70,000
Waveney Peterborough Luton Tendring	£70,000 - £80,000
Bedford Fenland Braintree Colchester Breckland King’s Lynn Norwich Ipswich	£80,000 - £90,000
South Bedfordshire Huntingdonshire Basildon Thurrock	£90,000 - £100,000

Table 1: Lowest Entry Levels into Home Ownership in the East of England.
(Source: EERA AMR 2006)

Recent Research Assessing Affordability

The recent report *Can’t buy: Can rent – the Affordability of Private Housing in Great Britain* by Professor Steve Wilcox of the University of York 2007, uses Hometrack¹ data to present a comprehensive and detailed analysis of the state of housing affordability across every local authority in Great Britain. It sets out average house price to income ratios, together with an analysis of the proportion of younger working households in each area that cannot afford to buy, and identifies the potential market for ‘intermediate’ housing market products and policies to assist working households with incomes at the margins to enjoy access to some form of home ownership.

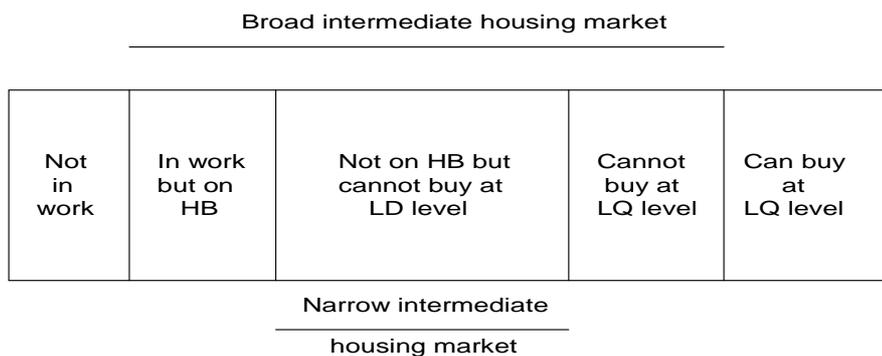
¹ Hometrack is a private supplier of data on house prices using valuation techniques.

For more detailed information about this study and the assumptions on which the analysis is based, see Appendix B.

The report sets out two Intermediate Housing Market (IHM) measures – based on broad and narrow definitions:

- The **broad** definition of the IHM is the proportion of working households in each local authority area unable to purchase at **lower quartile** house prices for two and three bedroom dwellings.
- The **narrow** definition of the IHM in each local authority area is the proportion of working households in each area that can afford to pay a social rent without recourse to housing benefit but cannot purchase at **lowest decile** (bottom 10%) house prices for two and three bedroom dwellings (Figure 2).

Broad and narrow intermediate housing markets



HB - Housing Benefit
LD - Lowest Decile
LQ - Lower Quartile

Figure 2: Defining the Intermediate Market
(Source: Wilcox, 2007)

Broad and Narrow Intermediate Housing Market in 2006

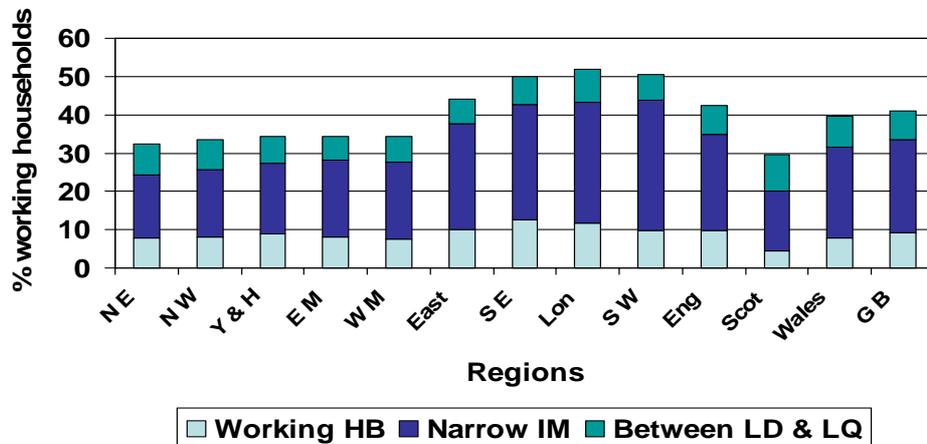


Figure 3: The Broad and Narrow Intermediate Market
(Source: Wilcox, 2007)

The summary regional results of the IHM analysis are shown in Figure 3 above. Wilcox calculates that 44.1% of young households fall within the intermediate housing market overall in the East.

Figure 4 below is based on the Wilcox data for young households who are single earners, since the majority of HomeBuy applicants fall into this category. It shows the weekly income needed by a single earner to be able to afford to purchase a house at the lower decile against median average incomes in each authority. It is clear that in most cases people would not be able to afford to buy because the average income is lower than required.

Figure 4 also shows that the situation varies greatly between different housing sub-regions. This suggests that the need for intermediate housing varies across the region. However although the sub-regional figures show diversity across the region, affordability is a problem almost everywhere in the region.

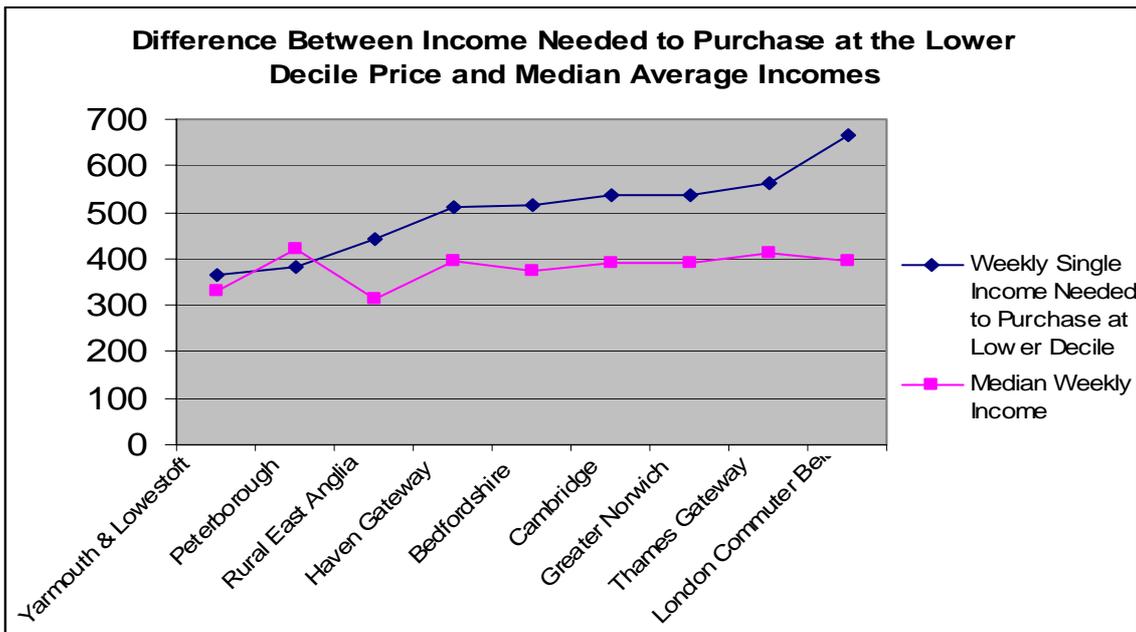


Figure 4: Income Needed to Purchase at the Lower Decile and Median Incomes
(Source: Wilcox 2007)

B) Need

There are different ways of assessing affordability as outlined above and of estimating the need for intermediate housing.

The 2004 affordability study used an estimate of need as described in Box 1. The 2004 assessment showed a need for 2,400 intermediate homes p.a. The current (2007) analysis shows an increase in need to 6,000 intermediate homes p.a. This reflects the rise in house prices across the region in relation to incomes.

The same assumptions were used as in the previous study to allow comparability. The estimation of need is based around the assumption that 30% of net income is used for housing, although the Housing Corporation now use 45% of income in their calculations. For more information about how this figure is calculated and data sources, see Appendix C.

Need for intermediate housing is defined in terms of income, an income range with an upper and a lower boundary. The **upper boundary** is defined in terms of the ability to afford the 'user cost' (mortgage repayment plus interest foregone on the deposit plus house insurance of a house equal to the lower quartile house price for the region, or other area) with 30 percent of net income. 'Net income' is gross income of the household head and spouse or partner (where there is one) net of income tax and employee's National Insurance contribution.

Payment of 30 percent of net income also defines the **lower boundary**, the income from which a payment of 30 percent of net income would meet average housing association rents plus £25 a week. The reason for this £25 a week addition is that without it some households would need almost as much subsidy to take up intermediate housing as housing association rented housing. Part of the point of intermediate housing is that it should be more lightly subsidised than mainstream housing association new building.

Box 1: Calculating the Need for Intermediate Housing (Source: Holmans 2007, Appendix C)

C) Supply

Completions

Based on the Affordable Housing Studies previously carried out, EERA set a target in the draft East of England Plan of 7,200 social rented housing units per annum or 30% of overall provision. The Government's Proposed Changes (December 2006) increased overall provision to 26,830 per annum for the period 2006-2021 and indicated that, at the regional level, the delivery of all affordable housing should be monitored against a target of 35% of overall provision i.e. 9,390 per annum.

The data shows that completions of affordable housing have not been sufficient to meet these regional targets. Between 2001 and 2005/6, about 14,000 affordable dwellings were built in the region. This represents about 13% of overall completions in that time.

There has, however, been an increase in the number of affordable dwelling completions. In 2005/06 completions were just over 4000, double those achieved in 2001/02 (EERA AMR 2006) but still only 16% of the overall number of completions. If the regional target is to be achieved there will need to be a significant increase in affordable completions.

For more information about housing completions see Appendix D.

Affordable Housing Completions

Affordable housing completions rose between 2003/4 and 2005/6 in line with total housing completions (Figure 5).

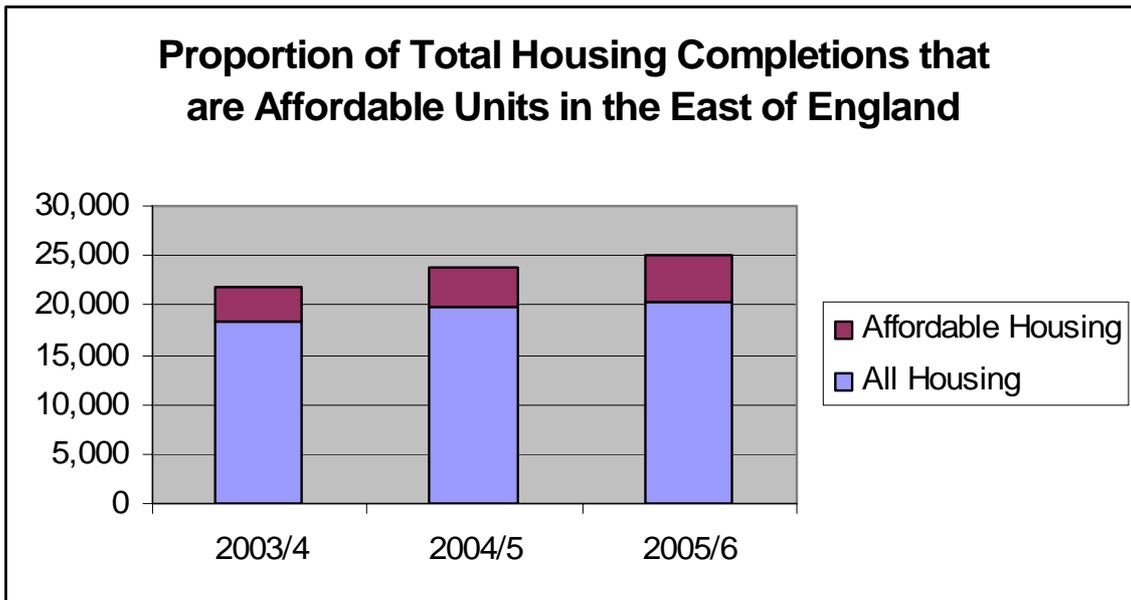


Figure 5: Proportion of Total Housing Completions that are Affordable Units.
(Source: HSSA 2006)

The data for this period show a marked increase in shared ownership, including New Build HomeBuy (NBHB), units being delivered relative to the number of social rented units (Figure 6).

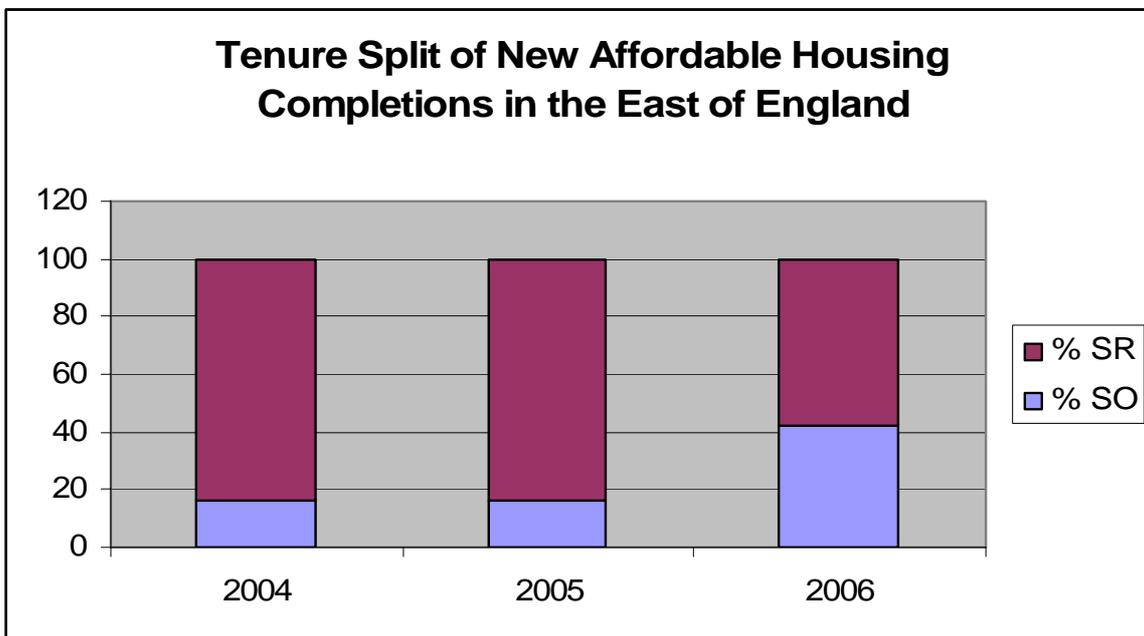


Figure 6: Tenure Split Between Social Rented (SR) and Shared Ownership (SO) of New Affordable Housing Completions (Source: HSSA 2006)

The CORE data show that the overall number of HomeBuy units increased in 2005-6 (Figure 7). Data show wide variation across the region – and also over time. In contrast to previous years, the amount of NBHB was far greater than the amount of OMHB in 2005-6.

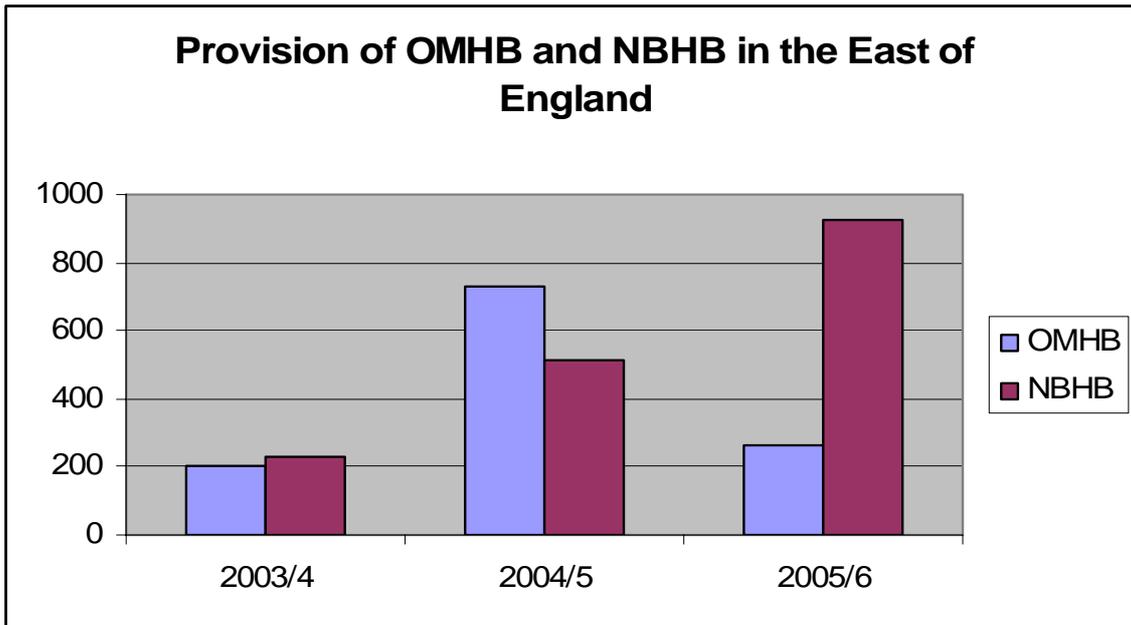


Figure 7: Total HomeBuy Provision in the East
(Source: CORE)

Open Market HomeBuy (OMHB) is overwhelmingly houses, reflecting that people generally purchase houses rather than flats (Survey of English Housing). Whilst NBHB is predominantly delivered as a mixture of flats and houses, the proportion of houses is increasing over time to reflect these preferences.

D) Demand for HomeBuy Products

Applicants

In order to analyse the nature of applicants for HomeBuy, it was decided to take a snap-shot overview by using HomeBuy data for applicants accepted on August 31st 2007 from the different housing sub-regions.

The number of applicants varies across the housing sub-regions, reflecting the different sizes of the sub-regions (Figure 8).

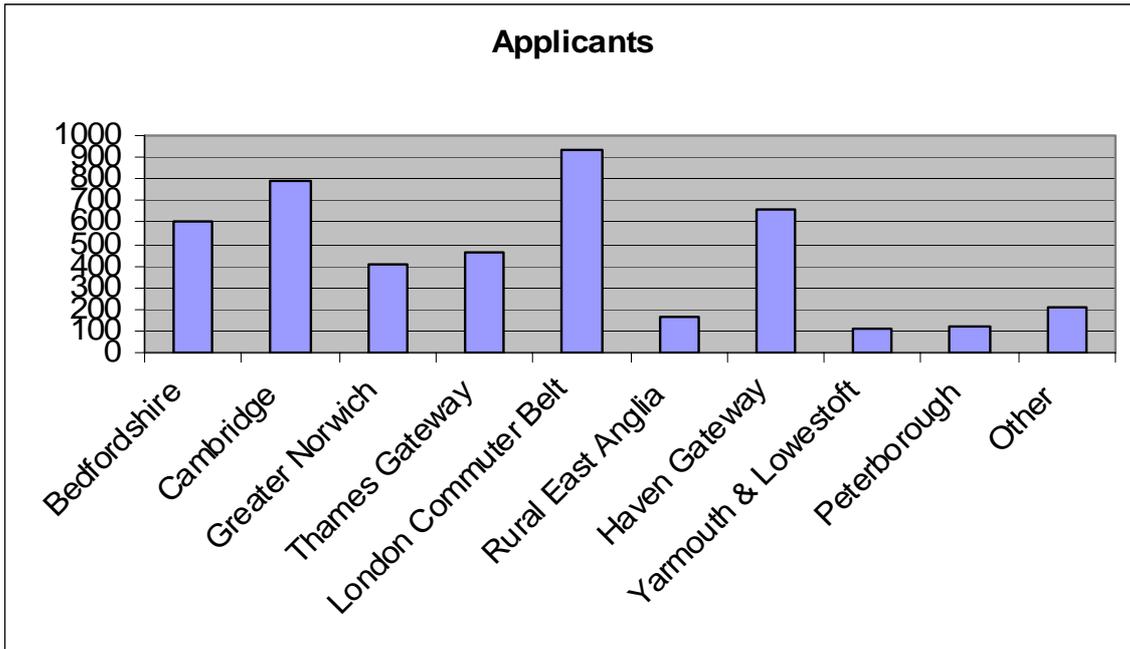


Figure 8: Home Buy Applicants Accepted on August 31st 2007 by Sub-Region
(HomeBuy data)

The HomeBuy data on applications show that applicants were most commonly previously living with family/friends or in private rented accommodation (Figure 9). This does not change year to year.

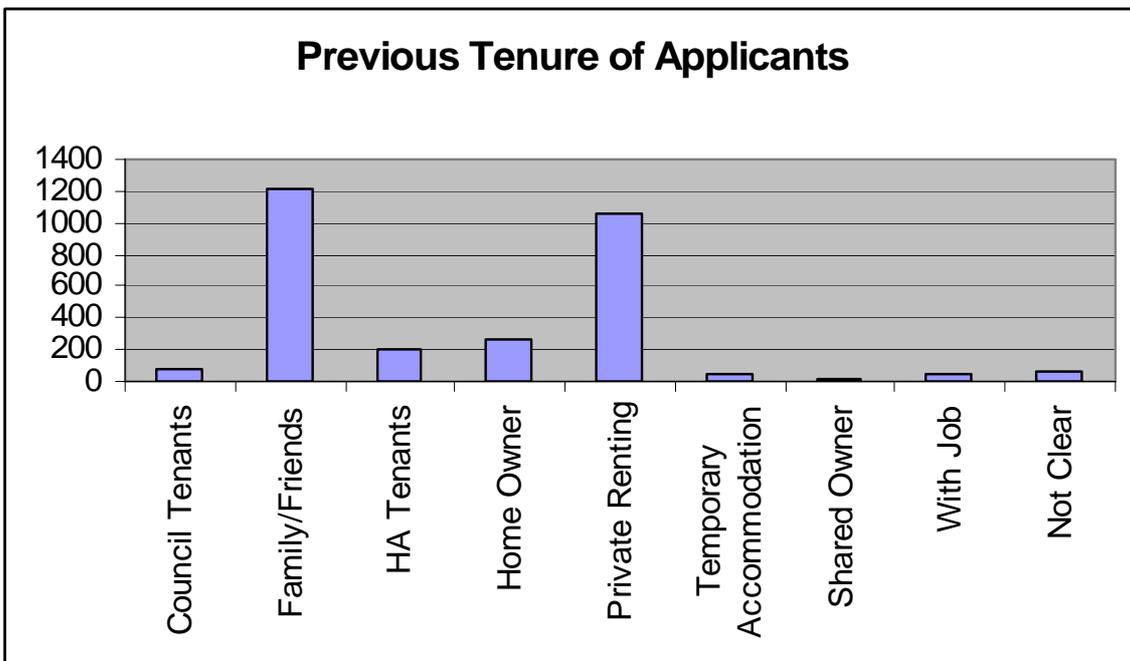


Figure 9: Previous Tenure of Housing Association Applicants
(HomeBuy data)

More than half of applicants are aged between 20-29 years and a further third are 30-39 years (Figure 10). There is no change since the previous study to the age of applicants.

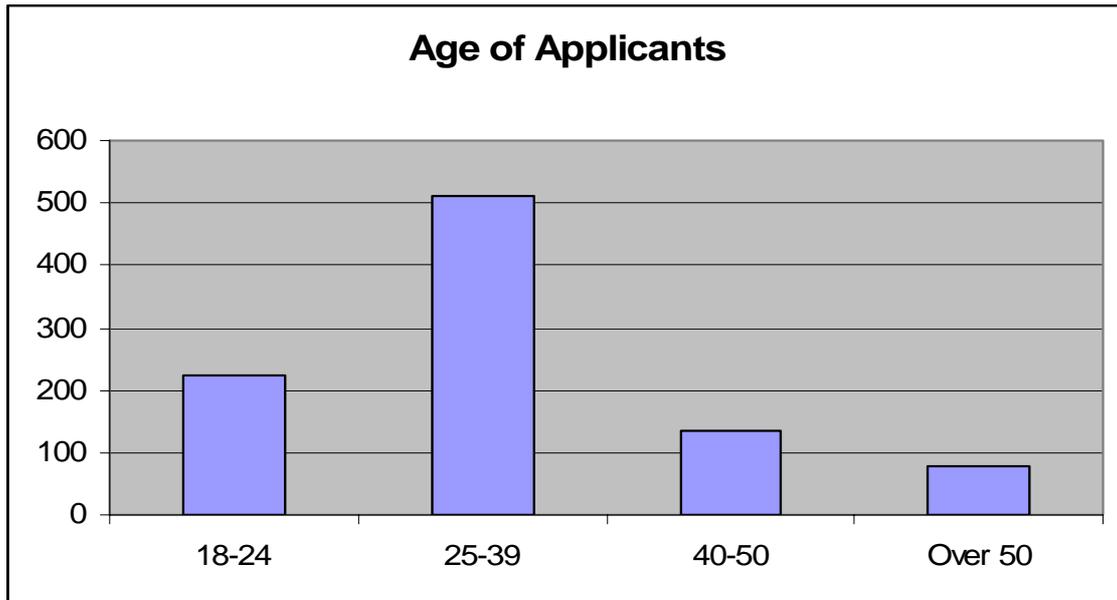


Figure 10: Age of Applicants
(HomeBuy data)

The applicants are overwhelmingly White British. The majority of applicants are single people with no children. 45% of applicants are Key Workers. Most who are accepted have an income between £20 000 and £29 999 (Figure 11)

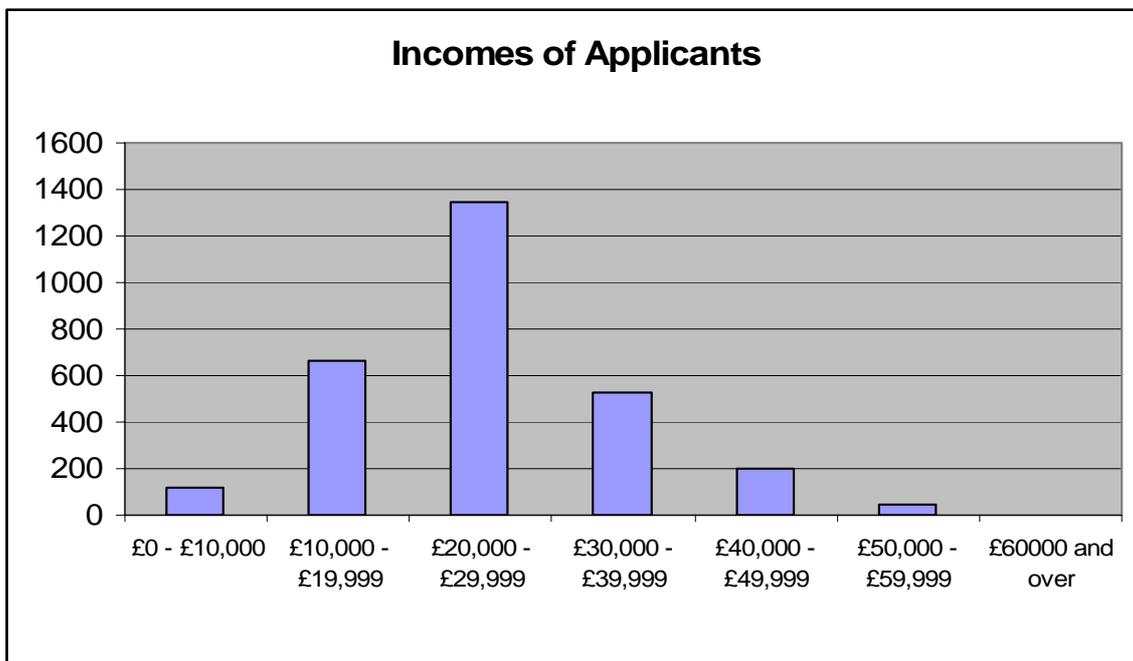


Figure 11: Income of Applicants
(HomeBuy data)

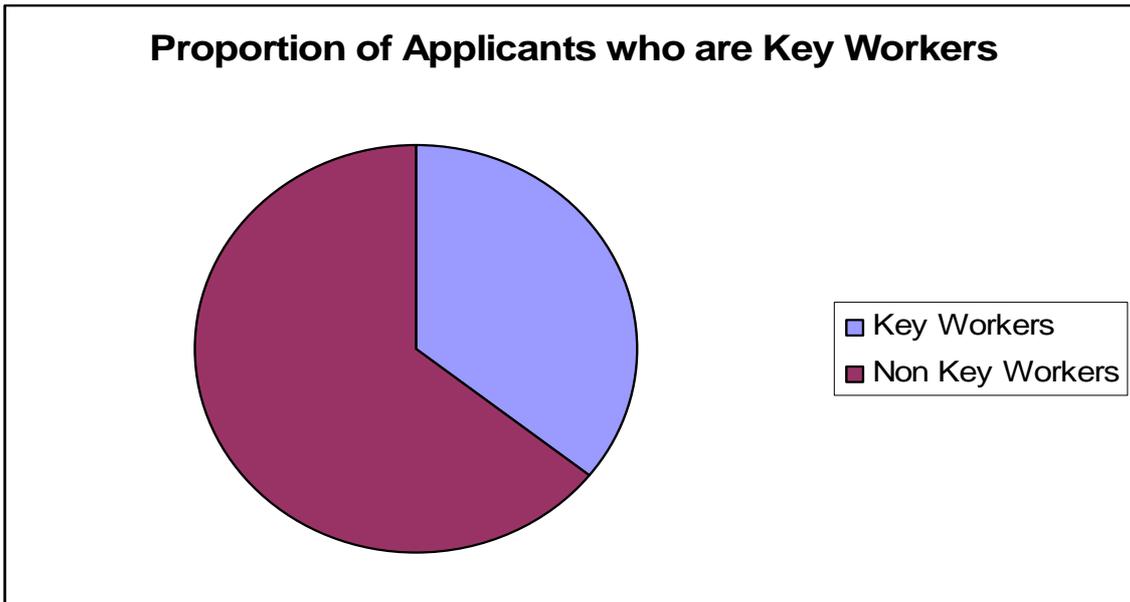


Figure 12: Proportion of HomeBuy Applicants who are Key Workers
(HomeBuy data)

84% of those purchasing OMHB are Key workers, whilst they only purchase 11% of NBHB, reflecting a combination of factors such as the funding available to them (Figure 13). This may also reflect the fact that it does not offer the same degree of choice as OMHB in terms of where applicants can buy - not all key workers wish to live in “key worker communities”.

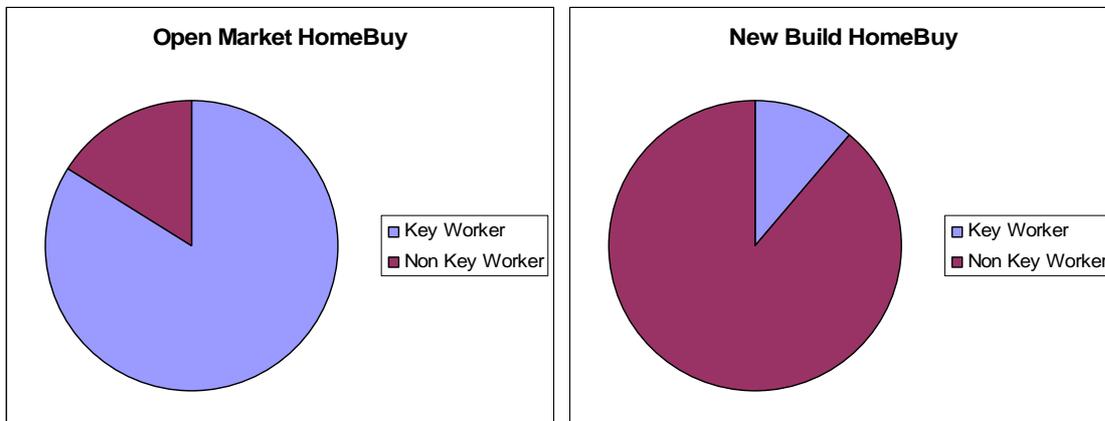


Figure 13: Proportion of Key Workers Purchasing OMHB and NBHB
(HomeBuy data)

The data show that NBHB is purchased by households that are smaller than the property they buy, so the majority of 2 bedroom NBHB properties are bought by either single adults or couples with no children. This creates households with a spare bedroom. In contrast in social housing 2 bedroom dwellings are used to house families with children (see Figures 14 and 15 below).

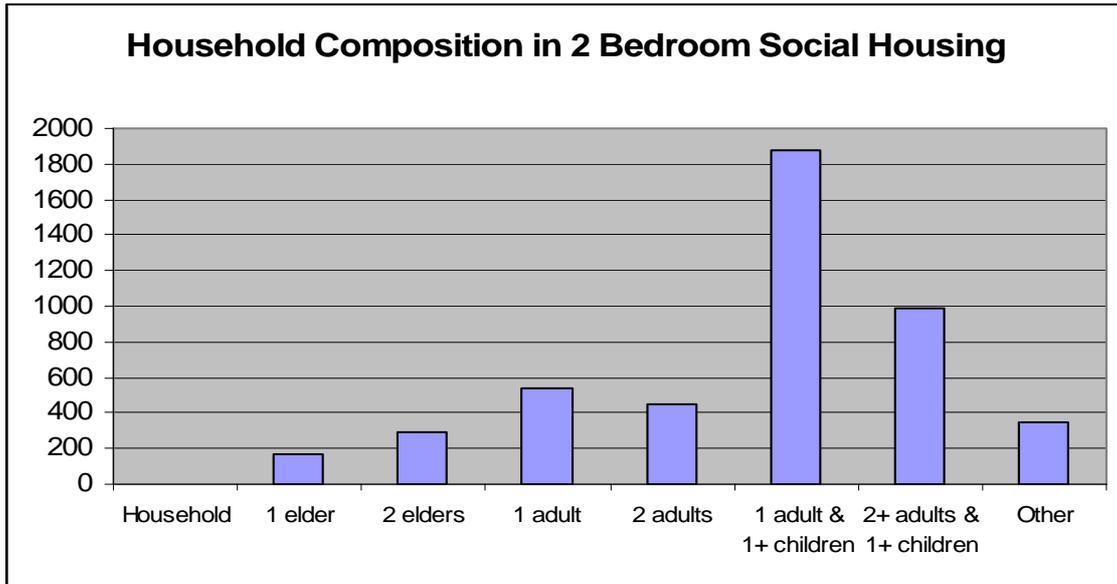


Figure 14: Household Composition in 2 Bed Social Housing
(Source: CORE)

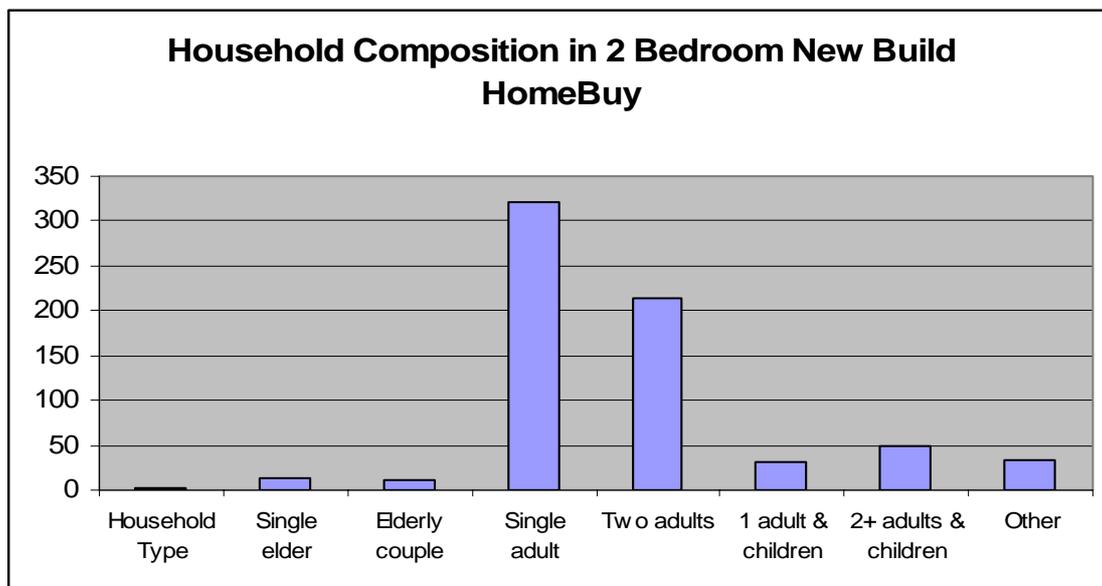


Figure 15: Household Composition in 2 Bed NBHB
(Source: CORE)

The data suggests that the current system is enabling childless single people and couples to access larger accommodation than the minimum according to the bedroom standard² and allows it to be less fully occupied than is the norm for social tenants. Low Cost Home Ownership has historically permitted this ‘under – occupation’ and perhaps plays part of a wider role in the creation of balanced

² The bedroom standard classifies the number of bedrooms a household requires so that no one has to share a bedroom unless they are:

- a) A couple
 - b) Both aged under 10, or
 - c) Both aged under 21 and of the same sex
- No more than two people may share a bedroom.

NB sometimes the age of 16 is used rather than 21.

communities. It also reflects the hybrid nature of the product, as although subsidy is involved the properties are also partially market units and so the product has to meet aspirations in addition to fulfilling need. The HomeBuy products are therefore meeting the government aims of home ownership and sustainability rather than only targeting housing need.

Conclusions

- Affordability as measured on a range of indicators has worsened across the region.
- It cannot be assumed that all those who might be eligible for intermediate housing would necessarily demand it. Using the same methodology as in the 2004 study shows that the likely demand for intermediate housing has risen from 2,400 to 6,000 units p.a. across the region. The increase reflects worsening affordability.
- Estimating the size of the requirement for intermediate tenure homes in the region is problematic because there is a supply constraint. The intermediate tenure comprises less than one percent of the total housing stock, although more than 30% of new affordable housing completions are intermediate
- Affordable housing completions generally in the region are increasing but are not meeting Regional Spatial Strategy targets.
- The profile of HomeBuy applicants is little different to the profile of households in need of intermediate housing identified in the 2004 study. The majority of HomeBuy applicants are single people with no children; 45% of applicants are Key Workers; most were previously living with family/friends or private renting; more than half of applicants are aged between 20-29 years and a further third are 30-39 years; and most applicants who are accepted have an income between £20,000 and £29,000.

3. The Products

‘Stakeholder’ Views

To help explore some of the perceived problems with the existing products, interviews were conducted with relevant stakeholders, including representatives of the housing sub-regions and HomeBuy agents. Appendix E gives more details of their responses.

The interviews suggested that the products are no longer affordable for lower income working households, particularly NBHB. This is due to the rents charged on the portion of the un-sold equity, and because as house prices have risen it is more expensive to purchase the equity share. Box 2 below describes the interviewees’ main concerns about the products.

Finance

- As house prices have risen the price of a share of the equity of a dwelling has increased, meaning that people need to be earning higher incomes to be able to afford them. Rather than helping people into homeownership with incomes around £20 000 as has previously been the case, HomeBuy agents reported that the required income of those able to afford HomeBuy is rising.
- Those on lower incomes are being priced out of accessing intermediate housing. This leaves a gap between those who are eligible for social rented housing and those who can actually now afford intermediate products.
- In order to try and help those who can no longer afford the products, housing associations are selling smaller proportions of the equity to some applicants.
- However, there are concerns that lowering the equity share will not be financially viable over the longer term for housing associations, and will not be financially viable for applicants as the rent on the unsold share will be too high to make the product a sensible option given the additional costs of repairs and maintenance.
- The rent charges were described as making the products less affordable, as do the service charges in flatted developments.
- It was discussed that housing associations do not have to charge a high rent, and could in fact charge less with the use of grant. The fact that it is possible to set rents at 2.75% means that some housing associations do so, in order to ‘save’ grant and cross subsidise the rental units. Some stakeholders said that some Housing Associations are charging higher rents than the current ceiling set by the Housing Corporation as a result of historic approvals.

Products

- NBHB units tend to be smaller properties. There is unmet demand for larger units.
- Participants suggested that increasing the availability of intermediate rent may help those who can afford more than social rent but who cannot afford home ownership

- Participants said that some Housing Associations struggle to market properties effectively, as they have little marketing experience.

Administration and Marketing

- It was suggested that there are benefits to be gained from Housing Associations making more of marketing units off-plan in order to avoid the difficulties of selling all the units provided through Section 106 at once
- The procedures involved in applying for intermediate housing were described as being very bureaucratic; simplification of the product range and the system was suggested.

Box 2: Participants' Views about the HomeBuy Products

The First Time Buyers' Initiative

The First Time Buyers' Initiative (FTBI) was announced in 2005 and is being delivered by English Partnerships. It is a new build scheme, and it will take time for the new dwellings to become available under the initiative. It is similar to shared equity (NBHB) and aims to enable eligible first time buyers to buy a new home that is affordable to them, defined as at least 50% of the market price. Buyers also have to provide a 5% equity deposit. English Partnerships retains an entitlement to a share of the future sale proceeds, and after living in the home for three years buyers will pay a monthly fee to English Partnerships based on the agency's remaining entitlement (1% rising to 3% after five years). Buyers can staircase up (in 10% shares) at any time.

The first phase of the FTBI has come forward via developers. There are currently two FTBI schemes in the East of England, one in Watford and one in Ely.

These initial projects are high spec and at the upper end of the price range for this type of property. As the Initiative develops, it is felt that it ought to target a broader price range if it is to be fully successful.

The next phase of the FTBI is due to be announced shortly, and this will focus on projects on surplus publicly owned land. In the East of England this could include sites in the following locations:

- Colchester
- Basildon, Bedford, Epping, Ipswich, and Tendring.

There is a potential issue here over whether the surplus public land is located in areas where there is high potential demand from first time buyers. In addition to key workers, EP will be asked to target priority groups so there is a further issue about how tightly the priority groups in the region are defined.

The Rental Charge on New Build HomeBuy

In positing that the products are not affordable enough, interviewees said that some Housing Associations charge rents that are higher than the Housing Corporation's 'cap' of 2.75% of the unsold share.

This is supported by data provided by one of the housing sub-regions and is illustrated in Table 2 below. These figures are district averages of actual sales as a snapshot in April 2007.

The data show that rents are being charged as high as 3.75%. However, some of these properties may pre-date the Housing Corporation cap of 2.75% or may have been delivered through planning gain rather than grant, in which case the cap does not apply.

Full details for all the examples shown in this section are given in Appendix F.

Rent on the unsold share	Authority A	Authority B	Authority C	Authority D	Authority E	Authority F	Authority G	Authority H
One Bed Flat	3.75%	2.69%	3.00%	2.00%	2.5%	2.45%	3.10%	3.7%
Two Bed Flat	3.75%	2.28%	3.00%	2.00%	2.3%	2.5%	3.00%	1.92%

Table 2: Rent Charged on the Unsold Share

(Source: HomeBuy data)

It does suggest that some housing associations are charging rents that make the product unaffordable to many eligible applicants. If lower rents were charged, a wider range of households in terms of incomes might be encouraged to take up shared ownership or be realistically able to afford it.

A worked example of purchasing a shared ownership flat is shown below (Table 3). The rental percentage that is charged is varied to show the impact of varying the rental charge. It shows that lowering the percentage does make the property affordable to people on lower incomes. However, even for a one bed flat with a relatively minimal rental charge of 1%, an income of between £23,500 and £27,500 is needed to be able to afford to purchase a 50% share of a one bed flat. This means the product is still unaffordable to those on lower incomes in the intermediate market. The table shows that the way in which most providers calculate the salary required to afford the properties mean that purchasers are expected to spend up to 43% of their income on paying for their housing. This is clearly not affordable for many households. Intermediate rent may be a more affordable tenure for those in the lower income brackets.

Property type

1 bed flat

Open Market Value	£152,000.00			
Share available %	50%			
Value £	£76,000			
Rent £	£237.50	£174.17	£126.67	£63.33
Rental charge as % of unsold share	3.75%	2.75%	2.00%	1.00%
Service Charge £	£83.08			
Monthly Mortgage based on 5.5% over 25 years	£494.00			
Total out goings per month £	£814.62	£751.25	£703.75	£640.41
Income required based on 28% gross³	£34,912.18	£32,196.29	£30,160.57	£27,446.29
Income required based on 3.5 X + rental charge and [outgoings/gross salary%]⁴	£25,554.00	£24,798.00	£24,222.00	£23,469.00
	[38%]	[36%]	[35%]	[32%]

2 bed flat

Open Market Value	£170,000.00			
Share available %	50%			
Value £	£85,000.00			
Rent £	£265.63	£194.79	£141.67	£70.83
Rental charge as % of unsold share	3.75%	2.75%	2.00%	1.00%
Service Charge £	£102.27			
Monthly Mortgage based on 5.5% over 25 years	£559.00			
Total out goings per month £	£1,040.90	£856.06	£802.94	£732.10
Income required based on 28% gross	£44,610.00	£36,688.36	£34,411.57	£31,375.86
Income required based on 3.5 X + rental charge and [outgoings/gross salary%]	£28,690.00	£27,874.00	£27,024.00	£26,362.00
	[43%]	[37%]	[36%]	[33%]

Table 3: Income needed to purchase 50% of a flat at different rental rates (Source: HomeBuy data)

The data show the importance of having a cap on the rental element of NBHB. Local authorities could play a stronger role in determining what is affordable locally. They could also consider more guidance on affordability on units delivered through planning gain, rather than leaving it to be determined by housing associations.

Intermediate Renting

Intermediate renting is one element of the Key Worker Living programme and has until recently has been confined to this market. However, in its 2008-11 Prospectus, the Housing Corporation has indicated it can be available for other groups. The data on intermediate renting in the East of England suggests that at present this is very limited, although the information is not complete.

³ The figures in Table 3 include estimates of the income required on the assumption that repayments would amount to no more than 28% or 25% of gross salary. Total monthly outgoings are converted into annual outgoings, and these are then divided by 0.28 to get the income for which annual outgoings are 28%.

⁴ Most of the providers will actually use 3.5 x multiplier [or even 4 x] plus rent and service charge to derive the salary. This equates to an average of 35 or 36% of gross salary.

Whilst as shown previously most applicants for NBHB have incomes between £20,000 and £29,999, applicants for intermediate rent have incomes between £10,000 and £30,000. For example, in terms of completions out of the 56 in Hertfordshire, 28 were in the income range £20,000-£30,000 and 15 in the range £10,000 to £20,000. The other key role that it has is to assist those unable to secure mortgage finance such as some key workers from overseas.

While these are only examples, they suggest that intermediate renting is able to assist those on lower incomes who might not be able to afford New Build HomeBuy.

Comparisons between New Build HomeBuy, Intermediate Renting and FTBI

The income required to rent a one bed flat based on 28% of gross income in April 2007 was between £16,071 and £21,970 in the region, and between £20,571 and £27,679 to afford the intermediate rent on a two bed flat. Comparing the average income needed to access the products (see Appendix F) supports the suggestion that intermediate rent can better help those on lower incomes than NBHB.

Based on data from one Housing Association in the region the average income needed to purchase a 50% equity share of a one bed flat through NBHB at x3.5 joint income is £26,400 and £22,636 on a single income, but the average income needed to access a one bed intermediate rented flat is £17,888.

A similar comparison can be made with the English Partnership's First Time Buyers' Initiative in Hertfordshire. As shown in Table 4 the income required for a one-bed flat is considerably higher than the income needed for NBHB or intermediate rent on the same sized property. This is the case even though for the first three years, no rent is charged on the un-owned share.

1 bed flat	
Joint income required based on a 3.5 multiplier	£39,900
Single income required based on a 3.5 multiplier	£34,200

Table 4: Income required to purchase a one bed flat available under the First Time Buyer Initiative in Hertfordshire (Source: HomeBuy data)

This suggests that intermediate rent may be a very viable alternative product for key workers and others on low incomes which supports the findings of the Evaluation of Key Worker Living (Final Report) published by CLG in 2006. This found that intermediate renting appears to offer an affordable housing solution for key workers at an earlier stage in their career when they do not expect to remain in the same job for long. For example, major teaching hospitals provide training and experience for ambitious key workers who always intend to move away for a permanent position. If intermediate renting can encourage such mobile staff to remain a little longer in post, for example a second year, this would have major positive impacts on turnover and on the numbers of more experienced staff available.

Open Market HomeBuy

While the study has focused on new build products – New Build HomeBuy, Intermediate Renting and the FTBI – until recently OpenMarket HomeBuy (OMHB) represented a greater proportion of the programme (Figure 7). However, stakeholders noted that affordability is increasingly a problem in marketing OMHB as the proportion of equity that applicants need to buy is fixed at 75%. Nonetheless, it should be noted that a high proportion of people who access home ownership through this route purchase property on the second-hand market and so benefit from the lack of new-build premium.

In its report '*A foot on the ladder*' (2006), the Audit Commission recommended that CLG and the Housing Corporation should further develop the choice of low cost home ownership products available for lower income groups. The report noted that households who could not afford the 75% fixed equity share were limited to NBHB or, if a social tenant, Social HomeBuy. It suggests that choice for these households would be increased if there was a further low cost homeownership product which allowed a lower share of such a property (A Foot on the Ladder, Recommendation 2, p.30).

Example: The Cambridge Sub-Region

As part of the Strategic Housing Market Assessment in the Cambridge sub-region, research was conducted to explore intermediate housing market in the summer of 2007. Below is a summary of some of the interim findings.

- Incomes of eventual purchasers are generally higher than the incomes of applicants. This is true across the range – so lower quartile incomes of purchasers exceed the lower quartile household incomes of applicants.
- Consistency across the sub-region of the incomes of applicants of between £24,000 and £25,000. The exception is Fenland, where the mean is considerably lower at just under £20,000.
- Savings have a major impact on affordability. Of those applicants with savings, the mean figure in the sub-region as a whole is just under £8,700.
- A significant number of purchasers who have low incomes but have high savings for a deposit. In some cases the deposit has been used to purchase a full 50% share, with a relatively low rent paid on the remaining equity share. It appears that some former owner-occupiers have acquired such deposits after a relationship break-up.
- Relatively few applicants or purchasers are from the social rented sector, under 10%.
- Information on purchasers indicates that a minimum of 42% were on a local authority housing needs register, suggesting that the HomeBuy programme is meeting this target, at least in part.
- 35% of applicants are in key worker occupations and 30% of purchasers in 2006/07 were covered by the Key Worker Living scheme or similar. However, demand varies significantly across the sub-region.
- In the first half of 2007 the register of applicants for intermediate housing increased

significantly, rising from around 600 in December 2006 to around 1,100 in June 2007. Further publicity of the options, alongside ever rising house prices, indicates that the number of households registering will grow.

- The intermediate housing arrangements allow households to buy properties with a spare bedroom and this is what most households do. There is a clear demand from purchasers to buy a home with a 'spare' bedroom. There is very little demand for one-bedroom accommodation, even amongst single people. Affordability issues mean that some single people will only be able to afford a one-bedroom property. This is particularly true of Cambridge, where there is a high demand from single people. It is also important in areas with low household incomes and few small private sector dwellings.
- As most applicants are young there is the likelihood that a proportion of couples will have children and consequently would have to move if unable to purchase a two bedroom property or a home capable of easy extension. This can be very difficult due to the shortage of shared ownership properties on the market.
- The very steep drop-off in purchases under the open market HomeBuy scheme has occurred throughout the sub-region. In 2005/06 they accounted for 55% of intermediate sales, (122 dwellings); in 2006/07 the share had fallen to just 14%.
- The 'Open Market' HomeBuy product introduced in April 2006 has not been very attractive to applicants for intermediate housing living in the Cambridge sub-region. Faced with requiring the income and capital to buy an initial 75% share of a property, the numbers of households taking up this option have not even fulfilled the modest quota approved by the Housing Corporation. With a 'lower quartile' open market house price of around £180,000 in the Cambridge and South Cambridgeshire area this requires an income of around £33,750 to buy a 75% share, (with a mortgage 4 times gross household income). This is above the upper quartile income of both applicants and purchasers in these districts. Even in Fenland, where the lower quartile house price is a much lower £112,000, this scheme requires a mortgage /deposit of £84,000, or an annual income of £21,000. This exceeds the mean household income of applicants living in Fenland, currently £19,700.
- The new HomeBuy product offering a 17.5% interest-free loan is unlikely to be very attractive in the sub-region. This will require a purchaser to support a deposit/mortgage of £157,500 on a property priced at the lower quartile level of £180,000 in the immediate Cambridge area. In Fenland a lower quartile property costing £112,000 requires a deposit/mortgage to cover £93,500, or a gross household income exceeding £23,300. It is most likely to be of interest to the few applicants with large savings.
- Consequently most intermediate housing growth in future in the sub-region will rest on new build shared ownership unless a far more generous 'open market' HomeBuy product is introduced.
- It is critical to keep the additional rent payment down to a maximum of 2.5% on the unsold share when people purchase smaller equity shares. Although this is the 'norm' for rents charged on new build shared ownership, there are some landlords charging at least 3.5%.

Box 3: The Cambridge Housing Sub-Region Research on the Intermediate Housing Market (Source: CCC Research Group 2007)

The Cambridge sub-region research supports the findings from this broader regional study. The products are helping those at the top end of the intermediate market;

those on lower incomes cannot afford the products. Significant savings are needed to pay for the deposit. The rent charged on the unsold equity share is often above the Housing Corporation 'cap'. People prefer to purchase a property with a spare bedroom; hence there is demand for larger units.

Conclusions

- Those in the intermediate market with lower incomes are not currently benefiting from the products as they are only affordable to those on higher incomes within the intermediate market.
- The main problem is not necessarily the structure of the products but their application and the consequent impact on affordability. There is concern that HomeBuy products are becoming less affordable as house prices continue to rise. The percentage charged as rent on the unsold share varies across the region and is sometimes higher than the prevailing limit set by the Housing Corporation. This reflects the regime under which they were funded and whether it was within the National Affordable Housing Programme (NAHP).
- It is possible to sell small shares of the equity of a property, but the problems of marginal home ownership such as repairs and maintenance and the rental payments make ownership less attractive.
- The products do not currently offer affordable options for a range of incomes. The average income needed to afford intermediate rented properties is lower than the income needed to afford New Build HomeBuy (NBHB). Intermediate rented housing may, therefore, help to provide a product that meets the needs of those on lower incomes, not just key workers.
- There is a potential issue over whether the surplus public land intended for units developed through the First Time Buyers' Initiative (FTBI) is located in areas where there is high potential demand from first time buyers.
- The data suggests that the current system allows accommodation to be less fully occupied than is the norm for social rented housing. This under-occupation is historic and reflects the hybrid nature of the product, as although subsidy is involved, the properties are also partially market units and so the product has to meet aspirations in addition to fulfilling need. The HomeBuy products are therefore helping to meet the government aims of home ownership and sustainability rather than targeting only housing need.

Recommendations

- There is a need to target a range of incomes to ensure that those on lower incomes are able to access the intermediate market.

- Greater use should be made of intermediate rental housing so that people on lower incomes can access intermediate housing even if they cannot afford intermediate home ownership products.

4. Priority Groups for HomeBuy Assistance

A key objective of this study is to identify which first time buyer groups in the East of England should be given priority for HomeBuy assistance. Therefore, the analysis has considered whether the existing 'regional' priority groups, informed by the Affordable Housing Stage II (2004), are still relevant. These are the following groups of public sector workers: medical secretaries, medical receptionists, teaching assistants, learning assistants, care workers employed by local authorities with a maximum household income of £60,000.

As illustrated in the table below, these 'regional' groups are in addition to those first time buyer groups identified by Government. See Appendix G for full details of the eligibility criteria.

Current Priority Groups

Product	CLG defined Groups	'Regional' Groups (East of England)
OMHB	Key workers, existing social tenants, people on the housing register	Medical secretaries, medical receptionists, teaching assistants, learning assistants, care workers employed by local authorities. Maximum household income of £60,000.
NBHB	Key workers, existing social tenants, those in priority housing need	As above
FTBI	Key Workers, existing social tenants and people on the housing register	As above
Intermediate Rent	Key Workers	

Other regions have very broad regional priority groups that would include many households on lower incomes. For example the South East Regional Housing Board recommended groups include all those "making a direct contribution to the local economy". Box 6 contains the South East's priority groups.

Social tenants. People on the local authority waiting list in demonstrable need. Those making a direct contribution to the local economy, including other workers essential to providing frontline public services (not already covered by Key Worker Living). This is not singling out public service workers but indicating they are not excluded.

Within the above groups, prioritise applications that would free-up social family housing. Maximum household income of £60K. The aim is to help families not just smaller households.

Additional comments: Building in areas where affordability pressures and house prices are highest does not best meet housing need or achieve value for money. FTBI units should be built in areas within sub-regional housing markets where prices are more affordable. This would allow people to live within the boundaries of a sub-regional housing market of their choice whilst avoiding building in the most expensive areas. Geographical focus for HomeBuy should be as set out in SE Regional Housing Strategy.

Box 4: the South East Regional Housing Board Recommended Groups (SE Regional Housing Strategy 2007).

In principle key workers do not get priority over existing social tenants and are subject to clawback if they change their job. HomeBuy agents report that the Housing Corporation Cascade has helped by enabling them to allow key workers to switch to renting or extend their eligibility, or allowed HomeBuy agents to exchange key worker units for general needs units where there are extended vacancies. If housing associations have new build units intended for key workers but cannot fill the properties, the Housing Corporation permits them to be released to other groups or to be used for intermediate rent rather than shared ownership, if the housing association can fulfil certain criteria, such as showing that efforts were made to market the units. For a more detailed explanation of this 'cascade' system, see Appendix H.

Stakeholder Views

Eligibility Criteria

During the project, discussions took place around some of the general problems with existing eligibility criteria. Participants at the workshops raised a number of issues about priority groups and outlined changes they would like to see in the future (Box 4). For more detail see Appendix E.

"All those that can't afford to purchase without assistance should be eligible."

"Priority to anyone contributing to the local economy, which amounts to anyone who cannot afford to buy a home."

"The priority should be existing social tenants, because this frees up social renting as suggested by the Hills review." Social tenants would have priority if there was an over-demand for properties.

"Applicants could be given additional assistance e.g. to help with the costs of moving and legal fees." This was suggested as offering good value for money. Currently applicants need

savings of £3,500 to cover legal fees etc. (This varies according to the HA). So a grant of £5,000 to cover this plus removal costs would be a big incentive to take up HomeBuy.

“People who are equity rich but income poor could be helped by intermediate housing but sometimes they are turned away by HAs because they don’t have any income, this can apply for example to divorcees and people with disabilities.” If they were targeted this would capture anyone threatened with homelessness as part of the wider homeless prevention agenda, e.g. as a result of relationship breakdown.

“Existing shared owners should be able to purchase another intermediate property, enabling them to trade-up to a larger property.”

“Initially, employers had to demonstrate that intermediate housing has assisted with recruitment and retention, but they no longer have to do so.” Some participants questioned the value in including KWs any longer as a priority group. Most participants believed that there should be a review of the inclusion of key workers as priority groups.

Many participants said they would prefer if priority groups were defined according to income bands rather than key workers.

“A waiting list of households interested in HomeBuy products may enable need to be met more effectively and should prevent units remaining empty.”

Box 4: Participants’ Views on Priority Groups for HomeBuy

Assessing the impact of Priority groups on recruitment and retention

Stakeholders could not assess whether the regional additions to priority groups described above had made an impact on recruitment and retention and suggested that employers would need to be consulted to explore this further.

During this study the research team contacted a number of employers whose employees are key workers who have accessed intermediate housing. None of the employers had any information or monitoring about whether the intermediate housing provision has been of benefit to recruitment or retention. They felt that it would be impossible to monitor any benefit to recruitment and retention in isolation given that there are so many factors involved. It was also questioned how this could be monitored effectively. Employers do not have resources available for monitoring, and one interviewee commented that they would be unlikely to use resources to monitor Key Worker Living given that they have no control over its provision.

However, a national study concluded that the Key Worker Living Programme is making a positive contribution towards improving recruitment and retention of key workers (Evaluation of Key Worker Living CLG 2006). The findings of the study are summarised in Box 5.

Nearly a quarter (23%) of those accessing Homebuy agreed with the statement “without Key Worker Living I would have left the specific post I am currently in”; of those accessing New Build the figure for those agreeing is higher (32%).

12% of those accessing Homebuy agreed with the statement “without Key Worker Living I would have changed my occupation” – i.e. ended their career as a ‘key worker’; the figure for New Build is higher at 22%.

62% of those accessing Homebuy and 58% of those accessing New Build stated that they are more likely to remain in their occupation as a result of KWL.

Slow uptake in some areas was attributed to marketing and promotion techniques, and competition from more Homebuy and Shared Ownership schemes that do not have a clawback element. Other factors cited included the location of developments in less desirable areas, and key workers’ reluctance to live in clusters of key workers.

Box 5: Main Findings from the Evaluation of Key Worker Living (CLG 2006)

Conclusions

- Whilst national research suggests that Key Worker Living benefits key public sector workers, our study shows that public sector employers do not generally assess whether access to intermediate housing by their employees is of benefit. There is insufficient data to assess the impact of the ‘regional’ priority groups identified by the former Regional Housing Board (all public sector workers) on recruitment and retention. Therefore, it is difficult to assess whether the ‘regional’ priority groups for assistance are still appropriate and whether are any specific spatial dimensions to this.
- The evidence of this study shows that affordability is now a widespread problem in the region, suggesting that a more sophisticated approach to defining priority groups (other than by employment) for HomeBuy assistance is needed in the future.

Recommendations

- Local authorities should play a stronger role in determining the affordability of intermediate products and should provide more evidence-based direction for providers. They could define what rent would be affordable in their area based on their Strategic Housing Market Assessment (SHMA), and could define affordability within Section 106 agreements
- Building on the stronger direction from local authorities in determining what is affordable locally, housing sub-regions could identify priority groups based on house to income ratios being above certain limits within the sub-region.
- Research could be conducted on the impact of intermediate housing on the recruitment and retention of key workers in the region, including whether there are any specific spatial dimensions, in order to assess the schemes over a longer time scale and inform any future review of the region’s priority groups for Key Worker Living.

5. The Data

Discussions were held with stakeholders about the problems with current data and collection methods, and a numbers of suggestions were made for improvement. The key problems raised are presented in Box 7; more detail is included in Appendix E.

Data on both applications and completions is patchy because developing housing associations do not provide HomeBuy agents with relevant information.

Non-grant funded new build schemes are not included, even in CORE.

Tenure details are not recorded in the same place. It is difficult to get comparable data across the region.

Applicants have to complete several different forms which are then incompatible so it is difficult for HomeBuy agents to produce consistent data that covers the entire region and provides an overall picture.

Box 7: Participants' Views on the Problems of Data Collection

Participants suggested a number of solutions, shown in Box 8.

A template is needed to capture key data from different sources and on all schemes including non-grant funded and 'second-hand' shared ownership. Sources include: HBAs, housing associations, other developers, CORE, HSSA.

HomeBuy agents as a one stop shop needs to be more established in order for more consistent and comparable data systems to operate.

Set up a template that works across the region.

Separate reporting meeting with HomeBuy Agents and region.

Box 8: Participants' Views on Solutions to the Problems of Data Collection

Conclusions

- The data about HomeBuy applicants and intermediate products is not collected in a uniform way, nor is it capturing all relevant information.

Recommendations

- In order to improve the data for future analysis the region needs:
 - a uniform template that captures key data from different sources and all schemes including non-grant funded and 'second-hand' shared ownership
 - improved communication between developing housing associations and HomeBuy agents
 - To capture a true picture of occupancy, data should be collected on all schemes including non-grant funded and 'second-hand' shared ownership. Sources include: HBAs, housing associations, other developers, the Continuous Recording System (CORE), Housing Strategy Statistical Appendix (HSSA). This could be achieved by agreement across housing sub-regions and in turn at regional level that this data will be collected.
 - Electronic recording of the data similar to CORE or HSSA will help monitoring across the region and over time.

6. Conclusions

- Affordability as measured on a range of indicators has worsened across the region.
- It cannot be assumed that all those who might be eligible for intermediate housing would necessarily demand it. Using the same methodology as in the 2004 study shows that the likely demand for intermediate housing has risen from 2,400 to 6,000 units p.a. across the region. The increase reflects worsening affordability.
- Estimating the size of the requirement for intermediate tenure homes in the region is problematic because there is a supply constraint. The intermediate tenure comprises less than one percent of the total housing stock, although more than 30% of new affordable housing completions are intermediate
- Affordable housing completions generally in the region are increasing but are not meeting Regional Spatial Strategy targets.
- The profile of HomeBuy applicants is little different to the profile of households in need of intermediate housing identified in the 2004 study. The majority of HomeBuy applicants are single people with no children; 45% of applicants are Key Workers; most were previously living with family/friends or private renting; more than half of applicants are aged between 20-29 years and a further third are 30-39 years; and most applicants who are accepted have an income between £20,000 and £29,000.
- Those in the intermediate market with lower incomes are not currently benefiting from the products as they are only affordable to those on higher incomes within the intermediate market.
- The main problem is not necessarily the structure of the products but their application and the consequent impact on affordability. There is concern that HomeBuy products are becoming less affordable as house prices continue to rise. The percentage charged as rent on the unsold share varies across the region and is sometimes higher than the prevailing limit set by the Housing Corporation. This reflects the regime under which they were funded and whether it was within the National Affordable Housing Programme (NAHP).
- It is possible to sell small shares of the equity of a property, but the problems of marginal home ownership such as repairs and maintenance and the rental payments make ownership less attractive.
- The products do not currently offer affordable options for a range of incomes. The average income needed to afford intermediate rented properties is lower than the income needed to afford New Build HomeBuy (NBHB). Intermediate rented housing may, therefore, help to provide a product that meets the needs of those on lower incomes, not just key workers.

- There is a potential issue over whether the surplus public land intended for units developed through the First Time Buyers' Initiative (FTBI) is located in areas where there is high potential demand from first time buyers.
- The data suggests that the current system allows accommodation to be less fully occupied than is the norm for social rented housing. This under-occupation is historic and reflects the hybrid nature of the product, as although subsidy is involved, the properties are also partially market units and so the product has to meet aspirations in addition to fulfilling need. The HomeBuy products are therefore helping to meet the government aims of home ownership and sustainability rather than targeting only housing need.
- Whilst national research suggests that Key Worker Living benefits key public sector workers, our study shows that public sector employers do not generally assess whether access to intermediate housing by their employees is of benefit. There is insufficient data to assess the impact of the 'regional' priority groups identified by the former Regional Housing Board (all public sector workers) on recruitment and retention. Therefore, it is difficult to assess whether the 'regional' priority groups for assistance are still appropriate and whether there are any specific spatial dimensions to this.
- The evidence of this study shows that affordability is now a widespread problem in the region, suggesting that a more sophisticated approach to defining priority groups (other than by employment) for HomeBuy assistance is needed in the future.
- The data about HomeBuy applicants and intermediate products is not collected in a uniform way, nor is it capturing all relevant information.

Recommendations

- There is a need to target a range of incomes to ensure that those on lower incomes are able to access the intermediate market.
- Greater use should be made of intermediate rental housing so that people on lower incomes can access intermediate housing even if they cannot afford intermediate home ownership products.
- Local authorities should play a stronger role in determining the affordability of intermediate products and should provide more evidence-based direction for providers. They could define what rent would be affordable in their area based on their Strategic Housing Market Assessment (SHMA), and could define affordability within Section 106 agreements
- Building on the stronger direction from local authorities in determining what is affordable locally, housing sub-regions could identify priority groups based on house to income ratios being above certain limits within the sub-region.

- Research could be conducted on the impact of intermediate housing on the recruitment and retention of key workers in the region, including whether there are any specific spatial dimensions, in order to assess the schemes over a longer time scale and inform any future review of the region's priority groups for Key Worker Living.
- In order to improve the data for future analysis the region needs:
 - a uniform template that captures key data from different sources and all schemes including non-grant funded and 'second-hand' shared ownership
 - improved communication between developing housing associations and HomeBuy agents
 - To capture a true picture of occupancy, data should be collected on all schemes including non-grant funded and 'second-hand' shared ownership. Sources include: HBAs, housing associations, other developers, the Continuous Recording System (CORE), Housing Strategy Statistical Appendix (HSSA). This could be achieved by agreement across housing sub-regions and in turn at regional level that this data will be collected.
 - Electronic recording of the data similar to CORE or HSSA will help monitoring across the region and over time.

Glossary

Open Market HomeBuy (OMHB)

Open Market HomeBuy is a government-backed product that aims to help certain groups of people who cannot afford to buy a home on the open market without assistance. The scheme provides access to additional money called equity loan(s), which run alongside a conventional mortgage loan.

There are two Open Market HomeBuy products available. Expanded Open Market HomeBuy (EOMHB), which started on 2 October 2006 and Open Market HomeBuy (Government loan only) (OMHB), which started on 23 July 2007.

Expanded Open Market HomeBuy

Two equity loans – each worth around 12.5% of the value of the property – are provided:

- the first is provided by the same participating lender that is selected to provide the conventional mortgage loan; and
- the second is provided by the Government and administered by a HomeBuy Agent – a housing association in England that has been appointed to operate the product.

Open Market HomeBuy (Government Loan Only)

One equity loan - worth up to a maximum of 17.5% of the value of the home or £50,000 - whichever is lower - is provided.

This loan is provided by the Government and administered by a HomeBuy Agent.

For both products there is no charge, interest or monthly payments levied on the equity loan provided by the HomeBuy Agent.

For the Extended Open Market HomeBuy (EOMHB) product there is no charge or interest levied on the loan by the participating lender for the first five years

However, when repaying the equity loans, the homeowner will have to share any increase in the property's value with the lender (for EOMHB) and the HomeBuy Agents.

(Source: Housing Corporation)

New Build HomeBuy

New Build HomeBuy has traditionally been known as Shared Ownership, part buy/part rent and shared equity.

Homes are sold as leasehold properties on shared ownership terms – they can be flats or houses. The minimum share you can purchase is 25%, and 75% is the usual maximum. Purchasers will need to be able raise a mortgage for the share they want to purchase, and they will pay rent on the share they don't own. Rents are calculated to be affordable.

As they become able to afford it, purchasers can buy additional shares until they own 100%. This is known as 'staircasing'. When they want to sell the property they can sell the share they own to another household nominated by their landlord or they can staircase to 100% and sell it in the normal fashion.

However, the landlord may want to buy the property back from to offer to other households who want to take-up low-cost home ownership. The property is sold at market value and sellers will benefit from any equity which has built up on the share that they own.

All key workers, existing social housing tenants and those in priority housing need are eligible.

(Source: Housing Corporation)

Key Worker Living Programme

Key public sector workers, such as a nurses or teachers, can get help to buy or rent a home as part the Key Worker Living Programme.

If they are eligible, the Key Worker Living Programme means they can get help with home ownership if they:

- are a first time buyer
- are a homeowner and need to buy a larger property to meet their household needs (eg family sized homes)
- need to take part in shared ownership schemes
- need to rent at affordable prices.

The scheme is only open to a specific keyworkers in London and the South East and East of England.

The programme offers three different kinds of help:

1) Open Market HomeBuy

A loan to help buy a home on the open market. Key workers are expected to raise a mortgage of around 75 per cent of the property's value.

2) New Build HomeBuy

If they are eligible they can buy at least 25 per cent of the cost of their home and pay a reduced rent on the remaining share.

3) Intermediate renting

Rent is set at a level between that charged by social and private landlords and the

accommodation is provided by a landlord registered with the Housing Corporation (Registered Social Landlord).
(Source: Directgov)

First Time Buyers' Initiative (FTBI)

The FTBI is similar to Newbuild HomeBuy and enables eligible first-time buyers to buy a new home that's affordable to them (at least 50 per cent of the total market price), with English Partnerships (EP) retaining an entitlement to a share of the future sale proceeds after providing assistance to the buyer to purchase the property. First time buyers can staircase up to full ownership, which would reduce EP's entitlement to a share of the future sales proceeds and the monthly fee payable by buyers

Lower Quartile

This is a price threshold below which 25% of all sales occurred.

There are two main reasons why this report often uses lower quartile values when considering affordability. Firstly, to ensure consistency with EERA's Annual Monitoring Report. Secondly, it is one of the indicators used by CLG in the methodology to determine the regional division of housing capital investment - "ratio of lower quartile housing prices to lower quartile earnings". The indicator reflects the number of local authorities in each region where the ratio of lower quartile house prices to lower quartile earnings is greater than 7. CLG consider this to be a key measure of housing affordability.

Lower Decile

This is a price threshold below which 10% of all sales occurred.

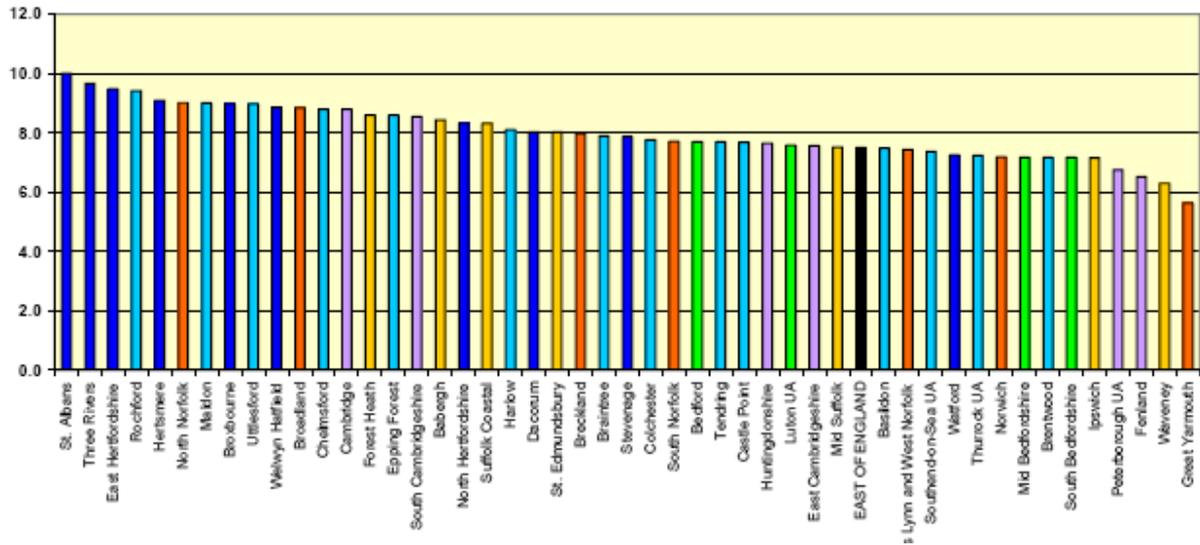
HomeBuy Agent

A HomeBuy Agent is a registered social landlord (commonly known as Housing Association) that markets housing schemes including those for key workers across an area. HomeBuy Agents provide a one stop shop and point of contact for potential purchasers of the HomeBuy products. They deal with applications and arrange the help that key workers need.

Appendix A

House Price to Income Ratios

Fig. 2: Ratio of Lower Quartile Gross Annual Earnings (Full-time) to Lower Quartile House Prices, East of England, Jan - March 2006



Source: East of England Plan Annual Monitoring Report 2005-2006 House Price Background Paper Pg 6, data from HM Land Registry; Annual Survey of Hours & Earnings, ONS

Appendix B

Wilcox Research on Affordability

Can't buy: Can rent – the Affordability of Private Housing in Great Britain by Professor Steve Wilcox of the University of York

There are a number of distinctive characteristics to this series of analyses. They are based on household earnings not individual earnings; they are based on house prices for two and three bedroom dwellings; they reflect local data on the distribution of earnings, and they have established a new approach to defining potential 'intermediate' housing markets.

This focus on second hand two and three bedroom dwellings ensures that the local analyses provide a 'like for like' measure of house prices as between one area and another. They also represent the types of dwelling that make up most of the UK's housing stock.

Like the analyses of national and regional affordability trends the local analyses are based on the household incomes of working households, rather than individual earnings. *The local analyses, however, are based on the younger households that comprise the vast majority of first time entrants to the home owner sector.* In more technical terms the income analyses are for households with a 'household representative person' aged from twenty to thirty nine years old.

The Intermediate Housing Market (IHM) analysis essentially relies on the same data sources as the ratios analysis. However it uses lowest decile and lower quartile house price figures for two/three bedroom dwellings rather than the mean house price figures used in the ratios analysis.

However the report emphasises that this is a needs based assessment of the requirement for intermediate housing market products, rather than a demand based assessment. Analysis of the Survey of English Housing suggests that many young households who currently cannot afford to buy would not demand low cost home ownership, preferring to wait until they had saved up a deposit or were earning more so that they could purchase on the open market. There is also evidence that the proportion of those within the identified income bands for intermediate housing nevertheless manage to buy, often with help from family or through inheritance.

The analysis assumes a maximum mortgage of 3.75 times household income for the working households with a single earner, and 3.25 times household income for households with two (or more) adult earners. This is based on 2004 data showing that only a quarter of all first time buyers were able to secure advances at higher levels relative to their incomes. For comparison the mortgage to income ratios of HomeBuy purchasers from a housing association in the East of England are shown below. They are generally slightly lower than the ratios used in the Wilcox analysis.

Bedrooms	LCHO Type	2004/05	2005/06	2006/7
1	HomeBuy	3.42	3.57	3.37
1	Shared Ownership	2.8	2.42	2.59
2	HomeBuy	3.19	3.34	3.15
2	Shared Ownership	2.57	2.44	2.6
3	HomeBuy	3.26	3.36	3.32
3	Shared Ownership	2.57	2.5	2.79

4+	HomeBuy	3.67	3.66	3.41
4+	Shared Ownership	2.36	2.89	2.61

Figure 1: Mortgage to Income Ratios of HomeBuy Purchasers in a Housing Association in the East of England (Source: HomeBuy data)

However, the IHM analysis does already assume an 18% deposit, based on the recent average level for deposits by first time buyers. The breakdown of the results for the East of England is shown in figure 2 below.

	Intermediate Housing market Percentages			
	Requires Housing Benefit	Narrow IHM	Can buy at LD prices; but not at LQ prices	Total IHM
East	10.1	27.6	6.4	44.1
Babergh	11.1	35.2	8.3	54.6
Basildon	13.4	23.1	6.1	42.7
Bedford	15.4	25.2	5.5	46.1
Braintree	6.6	28.8	7.0	42.4
Breckland	7.3	30.8	9.8	47.9
Brentwood	10.9	22.7	5.8	39.4
Broadland	1.4	38.8	5.7	45.9
Broxbourne	15.5	34.0	4.8	54.3
Cambridge	14.6	33.7	8.2	56.6
Castle Point	6.1	25.1	5.2	36.4
Chelmsford	9.1	28.3	6.0	43.4
Colchester	15.9	24.9	4.8	45.5
Dacorum	7.9	24.6	7.8	40.4
East Cambridgeshire	10.3	23.4	3.3	37.0
East Hertfordshire	4.8	37.8	6.6	49.1
Epping Forest	14.4	28.1	7.4	49.8
Fenland	6.2	17.0	4.7	27.9
Forest Heath	17.8	23.0	7.9	48.6
Great Yarmouth	11.4	22.4	8.0	41.7
Harlow	9.3	31.1	5.1	45.5
Hertsmere	14.8	37.0	9.1	60.8
Huntingdonshire	6.9	21.8	4.2	32.9
Ipswich	5.7	24.7	5.5	35.8
King's Lynn and West Norfolk	8.3	21.6	12.1	42.1
Luton UA	9.8	29.8	5.6	45.2

Maldon	9.0	26.6	4.3	40.0
Mid Bedfordshire	7.8	25.2	5.8	38.8
Mid Suffolk	7.5	26.9	7.1	41.5
North Hertfordshire	8.8	29.4	6.5	44.7
North Norfolk	11.1	36.7	13.1	60.8
Norwich	15.8	24.5	5.7	46.0
Peterborough UA	5.9	18.5	7.0	31.5
Rochford	6.5	27.4	8.9	42.8
South Bedfordshire	10.6	18.2	5.4	34.2
South Cambridgeshire	11.7	29.4	5.3	46.4
South Norfolk	4.7	32.2	5.3	42.3
Southend-on-Sea UA	8.8	31.5	7.2	47.5
St. Albans	8.3	38.9	6.7	53.8
St. Edmundsbury	5.5	29.8	4.7	40.0
Stevenage	7.4	27.9	4.2	39.4
Suffolk Coastal	15.2	26.5	5.9	47.6
Tendring	14.5	23.5	5.0	43.0
Three Rivers	13.0	31.6	8.5	53.0
Thurrock UA	11.0	26.1	6.1	43.2
Uttlesford	4.9	28.2	7.5	40.6
Watford	18.1	29.1	4.4	51.6
Waveney	17.6	12.9	5.9	36.4
Welwyn Hatfield	9.2	32.0	5.0	46.2

Figure 2: Proportion of Households in the Intermediate Market. Analysis based on 2/3 bedroom house prices and household earnings (Wilcox, 2007)

The table below (Figure 3) shows for each local authority in the East of England the incomes that single and multiple earner households require in order to afford to purchase properties at the lowest decile and lowest quartile price assuming an 18% deposit (from Wilcox 2007). The table also shows the average income and housing benefit thresholds (from Wilcox 2007).

Income Thresholds for Purchase

	At Lowest Decile Price		At Lower Quartile Price		Housing Benefit	Average Household Incomes
	Single Earner £ pa	Dual Earner £ pa	Single Earner £ pa	Dual Earner £ pa	Threshold £ pa	£ pa
Babergh	26,131	30,151	29,848	34,440	11804	34,208
Basildon	26,459	30,529	29,916	34,519	13104	41,683
Bedford	25,147	29,015	28,140	32,469	12324	36,830
Braintree	28,367	32,731	31,707	36,585	12584	42,652
Breckland	24,272	28,006	27,265	31,460	10452	33,841
Brentwood	36,468	42,079	42,640	49,200	17368	57,533
Broadland	28,314	32,670	30,859	35,607	8840	39,857
Broxbourne	35,643	41,126	38,595	44,532	15496	45,807
Cambridge	34,440	39,738	39,688	45,794	14976	42,948
Castle Point	31,160	35,954	34,440	39,738	13624	47,578
Chelmsford	31,379	36,206	34,877	40,243	14456	47,318
Colchester	26,695	30,802	30,067	34,692	12584	41,265
Dacorum	31,668	36,540	36,189	41,757	15756	48,699
East Cambridgeshire	27,465	31,690	29,957	34,566	13104	44,337
East Hertfordshire	36,263	41,842	40,781	47,055	13624	50,932
Epping Forest	34,877	40,243	40,235	46,425	17108	52,702
Fenland	21,539	24,852	24,381	28,132	11232	39,131
Forest Heath	21,976	25,357	25,215	29,094	12324	30,767
Great Yarmouth	18,586	21,446	21,648	24,978	10712	30,447
Harlow	27,443	31,665	30,067	34,692	13624	36,398
Hertsmere	39,442	45,510	44,769	51,657	18200	39,884
Huntingdonshire	25,912	29,898	28,796	33,226	12844	46,049
Ipswich	22,566	26,038	25,065	28,921	11492	36,095
King's Lynn and West Norfolk	20,290	23,411	24,860	28,684	10452	32,114
Luton	26,071	30,081	28,864	33,305	12324	36,129
Maldon	30,329	34,995	33,620	38,792	13936	48,536
Mid Bedfordshire	29,629	34,188	32,909	37,972	13936	47,306
Mid Suffolk	26,240	30,277	28,973	33,431	11804	39,062
North Hertfordshire	31,379	36,206	35,643	41,126	14196	48,655
North Norfolk	24,725	28,529	28,943	33,396	10192	27,247
Norwich	23,220	26,793	25,853	29,831	11232	32,294
Peterborough	19,986	23,061	22,960	26,492	10712	35,710
Rochford	31,204	36,004	36,080	41,631	14196	47,871
South Bedfordshire	26,568	30,655	30,067	34,692	13936	47,753
South Cambridgeshire	32,986	38,061	36,517	42,135	14976	51,247
South Norfolk	27,005	31,160	29,616	34,172	10452	38,962
Southend-on-Sea	28,853	33,292	31,983	36,903	12584	41,231
St Albans	43,154	49,793	48,653	56,138	17888	58,999
St Edmundsbury	24,801	28,617	27,880	32,169	10712	35,618
Stevenage	29,012	33,475	31,160	35,954	14976	45,199
Suffolk Coastal	26,237	30,273	29,274	33,778	12844	37,079
Tendring	25,693	29,646	29,083	33,557	12064	37,972
Three Rivers	38,835	44,810	44,463	51,304	17628	49,000
Thurrock	28,208	32,548	31,324	36,143	13936	40,808
Uttlesford	33,565	38,729	38,157	44,028	14196	55,431

Watford	35,041	40,432	39,010	45,012	16588	43,875
Waveney	19,516	22,518	23,288	26,871	11492	33,125
Welwyn Hatfield	35,214	40,632	38,444	44,358	15756	47,743

Figure 3: Incomes Needed to Purchase at Lower Decile and Lower Quartile House Prices, average household incomes and the housing benefit threshold by Local Authority in the East of England (from Wilcox 2007).

Appendix C

Calculating the need for intermediate housing in the East of England

Introduction

'Intermediate housing' is housing for households unable to afford house purchase in the housing market but able to afford more than the rents charged by housing associations. It became recognised as a category of housing need as a result of the steep increases in house prices relative to income in the late 1990s and early 2000s which put house purchase beyond the reach of many households who previously would have been able to buy a house or flat. New households, and would-be new households unable to afford to live independently, were widely regarded as those most likely to be in this situation.

Need for intermediate housing is defined here in terms of an income range with an upper and a lower boundary. The **upper boundary** is defined in terms of the ability to afford the 'user cost' (mortgage repayment plus interest foregone on the deposit plus house insurance of a house equal to the lower quartile house price for the region, or other area) with 30 percent of net income. 'Net income' is gross income of the household head and spouse or partner (where there is one) net of income tax and employee's National Insurance contribution.

Payment of 30 percent of net income also defines the **lower boundary**, the income from which a payment of 30 percent of net income would meet average housing association rents plus £25 a week. The reason for this £25 a week addition is that without it some households would need almost as much subsidy to take up intermediate housing as housing association rented housing. Part of the point of intermediate housing is that it should be more lightly subsidised than mainstream housing association new building.

Households most likely to need intermediate housing are new households and households moving to parts of the UK where house prices are high. Private sector tenants in poor quality accommodation for which they pay high rents might also be interested in intermediate housing if it were available to them. Information is not available about the incomes of households moving to places where house prices are high owing to the small sample sizes used in housing surveys such as the Survey of English Housing. The focus here is therefore on new households.

Not all new households with incomes within the range defined as described above would necessarily want intermediate housing. Considerable numbers are already owner occupiers (see Table 1 below). They may have managed this with assistance from gifts or loans from family and friends, or may be spending more than 30 percent of their net income on housing. Equally, some private sector tenants within the income range for intermediate housing may well be content to remain tenants of private landlords, perhaps through paying comparatively low rents.

New households in the East of England with incomes in the range for intermediate housing

The lower quartile house prices in the East of England in 2003/04, 2004/05 and 2005/06 were respectively £112,500, £127,000 and £130,000 (source: Land Registry); and average weekly housing association rents were £63.09, £64.96 and £67.56 (source: Dataspring using the Regulatory and Statistical Return) The weekly 'user costs' derived from the lower quartile house prices were, respectively, £162.50, £199.00 and £206.25 per week, which average to £189.25 for the three years (source: Dataspring). The average housing association rents in the three years plus £25 amounts to £90.20. With payments of 'user cost' and rents plus

£25, a maximum of 30 percent of net income would imply £630 a week as the upper boundary of the range and £300 a week as the lower boundary for intermediate housing. The gross income equivalent depends on whether there are two earners or one, and if two, on how the income is divided between them. The approximate gross weekly equivalent for the upper and lower boundaries of the intermediate range would be £400 and £900 a week.

Information about the incomes of new households, analysed by tenure, in the East of England is taken from the Survey of English Housing (SEH). The size of the sample presents problems, however, because new households, in the sense of having formed in the previous 12 months, are not much more than 2 percent of all households. Even if data for 3 years are pooled together there would be about 1,200 sample new households for England as a whole. The East of England has 11 percent of the total of households in England, and hence an expected sample size of about 130 new households in 3 years' data from the SEH. We have therefore used the data for England to check whether figures for the East of England might be affected by sampling quirks.

The grossed estimate of new households in the East of England in 2003/04, 2004/05 and 2005/06 combined is 38,000 p.a.. This looks slightly low in relation to the figure of 400,000 new households in England. The number of new households aged under 30, (28,000), is in line with what would be expected from the East of England's share of the total of new households of that age, but the number aged 30-44, (7,000), is lower than the 10,000 that there would be pro rata to the total households aged 30-44. With 3,000 households aged 45 and over, the total number of new households for the East of England that would be consistent with a figure of 400,000 for England would be about 41,000. Both figures understate the number of new households formed, because SEH respondents are asked about their housing tenure before their most recent move. If within the 12 months before the SEH interview a household forms and then moves, a move from one address to another will be counted in SEH, but forming a new household will not. Another question asks for the number of times a household has moved within the previous year. This suggests that the number of new households formed could be under-stated by between 15 and 20 percent. An addition of 15 percent for new households not reported by SEH for the reasons stated would bring the annual number of new households in the region to 47,000 a year which looks more reasonable. This total has to be apportioned by ranges of income below the lower boundary for intermediate housing, within the intermediate housing range, and above the upper boundary – and cross divided by tenure: owner occupied, social rented and private rented.

The division of new households by range of income and housing tenure is derived from the grossed data for the East of England from the SEH, supplemented with data for England as a whole for dividing households into the income ranges. The larger sample for England allows this to be done more accurately. Table 1 shows the analysis of new households by income and housing tenure.

Table 1. Tenure of new households in the East of England by range of income
(thousands)

Gross weekly income	Owner occupiers	Social renters	Private renters	All new households
Below range (under £400 a week)	4	6	11	20
Within range (£400 to £900 a week)	11	1	8	20
Above range (£900 a week and over)	6	0	1	7
All ranges of income	20	7	20	47

Source: Tables from SEH and see text below.

About one half of all new households in the income range for intermediate housing (not including intermediate renting, which is currently a very marginal part of intermediate provision), are owner occupiers, who may be spending more than 30 percent of their net income on housing, or may have financial help from family and friends. They are not likely to want intermediate housing, though a few may be stretched financially to buy their homes and would take up intermediate housing if it were available. Not all the private tenants would necessarily prefer intermediate housing, for reasons mentioned above. In estimates of housing demand and need in other regions (South East, East Midlands, West Midlands) an assumption was made that one- third of private sector tenant new households in the intermediate income range would prefer to rent and two-thirds would prefer intermediate housing if it were available⁵. The 1,000 social sector tenants in the intermediate income range are an overlap. The figure is far from firm, owing to rounding as well as sampling. Information for England suggests that the figure for social tenants wanting intermediate housing could be a few hundred a year rather than 1,000.

The figures in Table 1 and the discussion of how many new households in the intermediate income range would want intermediate housing point to a figure of about 6,000 tenant households (both sectors). This is made up as follows:

- two –thirds of private renters in the income range = 5,000
- all social renters in the income range = 1,000

The estimate for both these groups may be an over-estimate, but there will also be some financially stretched owner occupiers and some looking for affordable housing following relationship breakdown. We have no figures for these latter groups but they would be catered for within the 6,000 p.a. estimate.

In addition there may be some financially pressed home owners, and there could also be people who want to live independently and currently cannot afford to do so, but who would form new households if they could acquire accommodation in an intermediate housing tenure. They are a ‘known unknown’ in that they are very likely to exist, but in unknown numbers. However, the 6,000 estimate is probably sufficient to include these as well. This estimate is the best possible from the data available

⁵ There is no statistical justification for this assumption because since there is a supply constraint and probably also an information constraint, we cannot know what the demand might be if a greater supply were available. However, given that there are other sources of demand that cannot be included here, the figure of 6,000 p.a. looks reasonable.

Summary

This method of estimation, based on survey data, suggests that about 6,000 newly forming households a year would both be in the income range for intermediate housing and would want it, if it was available.

Need for Intermediate Housing in the East of England Region 2006-2026 Apportionment Between Districts and Unitary Authorities

Table 2 below shows the apportionment of the estimated need for 6,000 units of intermediate housing p.a. between districts and unitary authorities. It is apportioned pro rata to the difference between the weekly user cost of buying a house with the lower quartile price (in 2003/04, 2004/05, and 2005/06) and the average rent for housing association dwellings in the same years plus £25 a week combined with the number of households with heads under age 30 (mean of projected figures for 2006 and 2026).

Households with heads under age 30 are a proxy for new households. In the East of England as a whole the proportion of all households with heads under age 30 is 8.5 percent. But in the university towns of Cambridge and Norwich the proportions are much higher, 16 and 17 percent respectively. The high proportions are probably due to their being university towns with substantial numbers of young people who will move away when their studies are complete. They are unlikely to constitute a need for intermediate housing to the same extent as other new households, so the average proportion of households under age 30 for the East of England (8.5 percent) was substituted for the projected figures for Cambridge and Norwich.

In Table 2, the figures are for 20 year totals (i.e. the regional total of 6,000 units a year is multiplied by 20 = 120,000). This improves the accuracy of the district and unitary estimates.

The difference between lower quartile user cost and weekly rent plus £25 was greatest in St Albans (£200.2 per week) and smallest in Great Yarmouth (£43.2 per week). Most of the inter-area variation is due to house prices, not rents.

Table 2. Need for Intermediate Housing by District and Unitary Authority 2006-2026

	<u>Households under 30 (thousands)</u>	<u>Difference between user cost and rent (£/week)</u>	<u>Intermediate housing (thousands)</u>
Bedfordshire			
Bedford	6.6	85.1	3.0
Luton	8.2	76.1	3.2
Mid Bedfordshire	5.1	125.8	3.4
South Bedfordshire	4.4	94.0	2.2
County Total	24.3		11.8
Cambridgeshire			
Cambridge	4.9 (a)	154.2	4.1

East Cambridgeshire	3.0	109.6	1.8
Fenland	3.3	62.1	1.1
Huntindonshire	6.6	95.5	3.5
Peterborough	8.9	60.8	2.9
South Cambridgeshire	4.7	144.3	3.6
County Total	31.4		17.0

Essex

Basildon	8.4	91.5	4.1
Braintree	4.4	103.2	2.4
Brentwood	2.6	163.5	2.3
Castle Point	2.1	111.8	1.2
Chelmsford	6.6	137.5	4.8
Colchester	8.5	91.0	4.1
Epping Forest	3.9	153.6	3.1
Harlow	3.9	90.6	1.9
Maldon	1.5	123.5	1.0
Rochford	1.9	140.0	1.4
Southend	7.4	72.6	2.9
Tendring	3.7	72.6	1.4
Thurrock	7.0	93.5	3.5
Uttlesford	1.8	155.2	1.4
County Total	63.7		35.5

Hertfordshire

Broxbourne	3.0	137.1	2.2
Dacorum	4.7	139.1	3.5
East Hertfordshire	4.7	161.9	4.0
Hertsmere	3.0	177.4	2.9
North Hertfordshire	4.8	138.6	3.5
St. Albans	4.9	200.2	5.2
Stevenage	3.8	102.3	2.0
Three Rivers	2.4	170.8	2.2
Watford	3.6	128.5	2.5
Welwyn Hatfield	4.6	154.7	3.7
County Total	39.5		31.7

Norfolk			
Breckland	5.0	78.7	1.9
Broadland	3.7	106.6	2.0
Great Yarmouth	3.5	43.2	0.8
Kings Lynn and West Norfolk	5.1	72.6	1.9
North Norfolk	2.6	84.8	2.0
Norwich	5.5(a)	72.0	1.2
South Norfolk	3.2	112.3	1.9
County Total	28.6		11.7

Suffolk			
Babergh	2.6	101.7	1.4
Forest Heath	3.7	87.9	1.6
Ipswich	7.3	70.0	2.6
Mid Suffolk	2.8	96.9	1.4
St. Edmundsbury	4.2	105.3	2.3
Suffolk Coastal	3.2	109.5	1.8
Waveney	3.9	53.9	1.1
County Total	27.7		12.2

Note: (a) See text above for the basis of the figures for new households in Cambridge and Norwich

The need for intermediate housing by housing sub-region is obtained by summing the totals for the relevant districts within each housing sub-region. This is shown in Table 3. Obviously, the totals are based on different house prices in each district, and therefore different user costs. The resulting figures reflect these differences within housing sub-regions, but also provide a reasonable picture for each housing sub-region as a whole.

Table 3. Need for intermediate housing by housing sub-region 2006-2026

	Households under 30 (thousands)	Intermediate housing need (thousands)	Annual equivalent
Bedfordshire	24.3	11.8	590
Cambridge	30.4	18	900
Greater Norwich	12.4	5.1	255
Haven Gateway	34	16.1	805
London Commuter Belt	58.3	45.2	2,260
Peterborough	8.9	2.9	145
Rural East Anglia	12.7	5.8	290
Thames Gateway	26.8	13.1	655
Yarmouth & Lowestoft	7.4	1.9	95
	215.2	119.9	5,995

As already noted, these figures are not robust because without sufficient available supply it is impossible to know whether those in the relevant income band would actually take up intermediate housing if it was available. There is also survey evidence to suggest that many people are not aware of intermediate products, including those who are eligible for the current HomeBuy schemes. However, we believe that the estimates are the best that can be produced given the limited evidence that is available.

Appendix D

Housing Completions

<http://www.eera.gov.uk/Documents/About%20EERA/Policy/Planning%20and%20Transport/PlanHome/RPG/MonRPG/AMR06/2007-02%20AMR.pdf>

Source: East of England Plan Annual Monitoring Report 2005-2006

Slightly over 24,500 dwellings were built in the region in 2005/06, about 2,500 more than in the previous year and 6,000 more than were built in 2001/02 (source). There has been an upward trend in dwelling completions since 2001 and the total for 2001-06 is about 105,800, an annual average of nearly 21,200. The Government's Proposed Changes to the draft East of England Plan requires the provision of 508,000 dwellings between 2001 and 2021 or 25,400 per annum. Given the number of completions by March 2006, the region needs not only to sustain the recent upward trend but to increase its completions rate to about 26,800 dwellings a year if the 2021 target is to be met. The required rate will continue to increase if underperformance against the target continues.

Appendix E

Key Points from Interviews

Participants:

Cambridge x 4

Norwich x 2

Moat HA

Bedford Pilgrims HA x 2

Interviewee comments have been divided into themes indicated by the headings below, quotes are indented.

Estimating who needs LCHO

It's made up of the people who fall into the gap between those able to afford to buy and those eligible for social rented housing.

The affordability gap

As house prices have continued to rise more people are facing affordability issues in securing housing on the open market. Those for whom intermediate housing products were initially developed to target can no longer easily afford the products. Instead people on relatively higher incomes want intermediate housing as they are priced out of the open market. This leaves a group of people who are not likely to access social rented housing, but who now struggle to afford intermediate housing:

Shifts in the market have made the products less affordable. More people with relatively higher incomes can no longer afford to buy in the market and so need S/O products, whilst people with lower incomes find it more of a struggle to afford the proportion of the equity they have to buy.

The problem is the gap is increasing between those who can afford intermediate housing and those who still don't have enough points to be housed by the council or a housing association, in fully rented social housing.

We have concerns about the future demand for intermediate housing products as the affordability gap increases. The HomeBuy Agent and developing housing associations are having to look at lower initial equity stakes for purchasers in order to get an affordable product. Clearly there is a point below which the product is not viable or affordable.

Some people are missed out by these properties and packages; the increasing gap between the social renters and people in intermediate housing is an argument for bringing in intermediate rents.

I'm concerned that some people who get it don't always need it- there's an issue with the larger properties which are not affordable to those who need them most. For example, the average price of a two bedroom house here is £120,000, so many couples on a £25,000 wage are very easily able to afford to buy on the open market, and yet are eligible for shared ownership. Because of the market here; it's not like Cambridge.

We need to change the products by reducing the rent, although this makes it difficult to make the products work financially. We need to reduce the share people can buy. Service charges need reducing but this is problematic.

Housing associations have to turn people away as they cannot afford the products now the market has changed. The products are now helping people on relatively high incomes.

Purchasing lower shares of the equity

With just 17% of the home value being loaned, fewer people are able to afford it.

The costs keep going up. When they buy a share the value is so high now that even 25% of many properties is too expensive for most families. Housing associations are working to reduce the percentage you can buy to say, 10%, but is this going to be useful to people? 10% of a house?

Mortgage problems

Extended OMHB is very unpopular- there are restricted lenders.

OMHB is good as it has no rent component, but where 4 lenders are involved, the products attracts a higher mortgage rate and people are often tied in for 5 years, making it unpopular. Or people can only borrow about 25% and it is not enough.

Unit size

Mainly single people and couples, or couples with 1 child only, because of the stock type- i.e. they are small two bedroom properties. There are few new builds suitable for large families although there is a lot of interest.

Everybody wants 2 beds at least. Families want more, and in the centre of a town it will go no matter what it is. That's just market forces. A lot of people prize a driveway and back garden, but they usually can't have both, the way places are built. People's aspirations tend to match what's possible in their area.

Simpler packages

The packages need to be simplified.

All open market products are popular and it causes problems because they need to be simplified- people don't understand the packages. I've worked in the field years and I find them confusing to explain! They're impossible and need simplifying.

Lack of social rented new build

Certainly Developers favour a greater % of intermediate housing on sites as the affordable housing contribution than social rented ones. Many are still of the view that the social rented units have the effect of making the market housing less marketable and potential to reduce their overall profit (although there is no evidence to support this view). As a result the council has to stick to its guns on the tenure split we expect and seek to achieve on S106 sites.

There does seem to be a lot of intermediate housing on the sites for the number of people who want it, in comparison with the amount of new housing built as social rented housing.

The new-builds: too-high profits required by the developers mean they are just too dear for first time buyers.

How are prices determined? (Numbers in bold refer to answers from different respondents)

1) For new build shared ownership the housing association gets a market valuation from a RICS registered chartered surveyor.

Open Market HomeBuy purchasers have the option to get the property valued independently if they wish. Generally if they are taking out a mortgage the lender will confirm the valuation.

2) Open market value by RICS member

3) Market value by independent

How is the share and rent determined?

1) The share is determined according to affordability on an individual basis. People are assessed and matched to either a NBHB or OMHB product. They are asked to visit a financial advisor who assesses their income, credit, debt, outgoings etc and works that up into a maximum share that they should purchase.

The housing association has to maximise people's income to equity. The Audit Commission report of 2006 'A Foot on the Ladder' criticised housing associations for not maximising what people can afford and therefore not using grant in the most effective way. If people want to purchase a lower share in order to buy a car etc, they are not permitted under the housing association rules.

The rent is set on a portion of the equity share not sold. The Housing Corporation has guides to maximum rents. They recommend 2.75% or lower with a maximum of 3%. Some providers set rents higher than this.

2) Share calculated by housing associations using financial appraisal estimating what individuals can afford. Rent on the unsold share capped at 2.7%.

3) The developers decide the minimum share they will sell. If someone is assessed and can afford more they have to buy more. The rent is set according to HC guides though some housing associations go lower, other AH providers charge more.

OMHB has a fixed equity share of 75%.

How do people qualify? What has changed? Are the products less affordable/are you turning people away?

1) Shifts in the market have made the products less affordable. More people with relatively higher incomes can no longer afford to buy in the market and so need NBHB products, whilst people with lower incomes find it more of a struggle to afford the proportion of the equity they have to buy. This is particularly the case for OMHB as they cannot afford the fixed 75%.

OMHB has become less affordable as it is set at a rigid 75%. People on lower incomes can no longer afford 75% given the rise in house prices. Under the previous system HAs had the flexibility to give more grant to those on lower incomes and therefore make the product more affordable but they no longer have this flexibility.

NBHB is more flexible. The housing association aims to sell an average of 50% equity across a site. This means they can vary what they sell, those on higher incomes can buy 75% whilst those on lower incomes can buy 25%, therefore the product can target a range of incomes and the product is more affordable. However the NBHB product is less attractive as the new homes are often where people do not want to live, and tend to be flats. With OMHB people can choose where to live, perhaps buying on older property that is larger for the money.

The housing association produces guides to income qualifiers. They set a maximum household income of £60 000. There is no Housing Corporation minimum. The housing association sets a minimum of £18 000 as a household income unless the applicant has a large deposit.

2) Not affordable as market has risen pricing people lower people out of the market for NBHB and OMHB and meaning people on higher incomes need to use them instead. Housing associations have had to turn people on lower incomes away.

3) Previously the rent and the mortgage were supposed to be less than what would be paid for a mortgage on the open market. Now there is little difference between the two. But does still allow people to get a foot on the ladder. Should cost about 75% of buying on the open market. Rent has actually decreased as was 4% before and is less now.

4) When shared ownership was developed it was aimed at tenants in social rented housing and those on very low incomes. Now house prices have increased so much that combined with high rents the products are not affordable to these people. The Housing Corporation has now capped rents but this does not help the problem of service charges on flats, which tend to be built in great numbers now.

We cannot help people earning less than £30k. Those earning £15k to the high £20ks are missed by these products.

We need to change the products by reducing the rent, although this makes it difficult to make the products work financially. We need to reduce the share people can buy. Service charges need reducing but this is problematic.

Workshops with Stakeholders - Key Points

1) Priority Groups

Discussions took place around some of the problems with existing group definitions. The outcome of the discussions led to the following recommendations about priority groups:

- Those that can't afford to purchase without assistance.
- In SE, priority to anyone contributing to the local economy, which amounts to anyone who cannot afford to buy a home.
- We need a way of deciding – local connection, actual housing need of that family, e.g. people with disabilities.

- The priority should be existing social tenants, because this frees up social renting. The Hills review suggested this. Social tenants would have priority if there is an over-demand for properties.
- Should they get additional assistance e.g. costs of moving? This could offer very good value for money – help with legal fees etc. Currently you have to have savings of £3,500 to cover legal fees etc. (This varies according to the HA). So a grant of £5,000 to cover this plus removal costs would be a big incentive.
- People who are equity rich but income poor. Intermediate housing could help them but sometimes they are turned away by HBAs because they don't have any income.
- Existing shared owners – should be able to purchase another intermediate property.
- Should people with equity with a medical problem that means they are unable to work be a priority group? May be only solution for some people to go into intermediate housing? People with equity with special needs, e.g. disability
- Now employers don't have to demonstrate that intermediate housing has assisted with recruitment & retention – so how much value is there in including Key Workers as a priority group? Review Key Worker groups.
- Define according to income band anyone threatened with homelessness as part of wider homeless prevention agenda, e.g. relationship breakdown. We consider them as first time buyers so get considered anyway. Can get housing benefit on rental element and can often bring equity from previous home.

Suggestions to alter priority groups

- Those who can't afford to buy without assistance (rules out £60 000+?)
- Existing social tenants to free up social housing + additional assistance to help with start up costs, e.g. legal fees, etc.
- Identify groups with equity, previous home-ownership experience, such as people getting divorced
- People with disability/special needs with equity
- Reconsider key workers. Do not want to identify particular employees – feel uncomfortable because definitions are constantly changing and there is a poorer lease for key workers with claw back.
- Consider applicants in terms of income bands.
- Existing owners of intermediate housing looking to trade-up to a larger property
- Local/sub-regional connection operating on cascade basis – live or work in area, household in housing need, plus making a contribution to local economy
- Those threatened with homelessness linked to prevention agenda

- Regional Economic Strategy and Regional Housing Strategy to be merged – need to consider housing and employment together. What should be the relationship between housing and jobs? Need to signal this even if can't answer the question.

2) The products

- Reduce the rent element of NBHB.
- Change it into an interest free equity loan similar to OMHB but larger.
- Use grant to subsidise the rental element.
- Need a single web gateway to aid Google search.
- Continual change and launching new schemes is confusing – better to make existing schemes more flexible e.g. in terms of % share and easier to understand.
- Encourage flexibility of the equity share sold, allowing some people to have a maximum share, which would allow others to buy a smaller share, and still achieve 50% overall.
- Improve marketing to eligible groups.

3) The Data

Data on both applications and completions is patchy because developing housing associations do not provide HomeBuy agents with relevant information. Non-grant funded new build schemes are not included, even in The Continuous Recording System (CORE). Tenure details are not recorded in the same place. It is difficult to get comparable data across the region

Suggestions for improvement

- Need template to capture key data from different sources and on all schemes including non-grant funded and 'second-hand' shared ownership. Sources include: HBAs, housing associations, other developers, CORE, Housing Strategy Statistical Appendix (HSSA).
- Inquiries and applications – need level of income, sources of income, number of earners and employment type, savings, other debt, house price, form of mortgage, service charge.
- Monitoring / checking – need a unique individual identifier so can track applicants over time.
- For shared ownership, need rent payments and any staircasing details.
- Quarterly analysis of applicants data, including start date of inquiry, application date and when end up buying so can track who drops out – so combine applicants with completions?
- So need anonymous data (delete name and address, add identifier and code for location).

- Could use Moat template for applicants but only gives income ranges, better to have exact income so can calculate affordability ratio (price to income) – also needs unique identifier and lacks mortgage data.
- Details of all tenures are not recorded in one place.
- Homebuy agents as a one stop shop needs to be more established.
- Input from developing housing associations – could work with them on our regular liaison meetings – but they are not as good as they should be – attendance and reporting is patchy.
- Need to include non-grant funded schemes as well. Get CORE to include these.
- LAs could also help on reporting back and on non-grant schemes.
- Separate reporting meeting with HB agents and region.
- It is the feedback from other housing associations illustrates the problems. E.g. there should be just one application form, but LAs insist on registering all applicants, so yet another form. Need one form that everyone accepts.
- One HA has an arrangement to send the same form to other HAs so people don't have to complete it more than once.
- Set up a template that works right across the region. Need one form that everyone accepts, that is used by all HAs sent between different HAs
- The template should capture key data from different sources and on all schemes including non-grant funded and 'second-hand' shared ownership. Sources include: HBAs, housing associations, other developers, CORE, HSSA.
- Separate reporting meeting with stakeholders
- Improved coordination between housing associations and HomeBuy agents

Appendix F

Income Required for Intermediate Products

Property Types	A	B	C	D	E	F	G	H
1 bed flat								
Open Market Value	£152,000.00	£165,000.00	£140,000.00	£160,000.00	£162,000.00	£144,000	£140,000.00	£110,000.00
Share available %	50%	50%	40%	50%	40%	50%	30%	30%
Value £	£76,000	£82,500.00	£56,000	£80,000	£64,800.00	£72,000	£42,000.00	£33,000
Rent £	£237.50	£185.13	£210.00	£133.33	£202.50	£222.00	£200.00	£198.65
Rent as % of unsold share	3.75%	2.69%	3.00%	2.00%	2.50%	3.70%	2.45%	3.10%
Service Charge £	£83.08		£83.33	£79.31	£52.00	£140.00	£65.00	£19.96
Monthly Mortgage based on 5.5% £	£494.00	£506.62	£364.00	£520.00	£397.93	£442.14	£273.00	£214.50
Total out goings per month £	£814.62	£691.75	£657.36	£732.66	£652.43	£804.14	£538.02	£433.14
Joint income required at x 3	£26,600.00	£27,500.00	£20,000.00	£27,500.00	£21,600.00	£24,000.00	£15,100.00	£12,000.00
Single income required at x 3.5 £	£22,800.00	£23,572.00	£17,000.00	£23,600.00	£18,514.00	£20,571.00	£13,000.00	£10,500.00
2 bed flat								
Open Market Value	£170,000.00	£178,000.00	£180,000.00	£188,000.00	204,000.00	£178,000	£144,000.00	£145,000.00
Share available %	50%	50%	40%	50%	50%	40%	50%	50%
Value £	£85,000.00	£89,000.00	£72,000.00	£94,000.00	£102,000.00	£71,200	£72,000.00	£72,500
Rent £	£265.63	£169.17	£270.00	£156.67	£195.50	£171.00	£150.00	£181.00
Rent as % of unsold share	3.75%	2.28%	3.00%	2.00%	2.30%	1.92%	2.50%	3.00%
Service Charge £	£102.27		£108.33	£79.31	£65.00	£90.00	£59.15	£20.76
Monthly Mortgage based on 5.5% £	£559.00	£546.54	£468.00	£611.00	£626.37	£437.23	£468.00	£471.25
Total out goings per month £	£1,040.90	£715.71	£846.36	£847.00	£886.87	£698.23	£677.18	£673.04
Joint income required at x 3	£29,800.00	£29,666.00	£25,500.00	£32,300.00	£34,000.00	£23,733.00	£25,000.00	£25,000.00
Single income required at x 3.5	£25,500.00	£25,428.00	£22,000.00	£27,700.00	£29,143.00	£20,350.00	£21,300.00	£21,400.00

Property available for intermediate rent, October 2007

	1	2	3	4	5	6
1 bed flat						
Rent	366.17	470.04	375.00	433.33	256.54	No data
Service charge	51.65	42.60	0	30.77	80.21	
Total outgoings	417.82	512.64	375.00	464.10	336.75	
Income required	17,096	21,970	16,071	19,870	14,432	
2 bed flat						
Rent	594.19	564.07	480.00	520.00	507.03	455.62
Service charge	51.65	45.20	0	34.67	66.25	75.61
Total outgoings	645.84	609.27	480.00	554.67	573.25	531.23
Income required	27,679	26,112	20,571	23,771	24,568	22,767

Properties available under First Time Buyer Initiative

1 bed flat	
Open Market Value	£237,995
Share available	50%
Value of share	£118,887.50
Service charge	£66.58
Mortgage at 5.5%	£772.76
Total outgoings	£839.34
Joint income required based on a 3 multiplier	£39,900
Single income required based on a 3 multiplier	£34,200

Appendix G

Eligibility Criteria for HomeBuy

CLG Definitions

1) Social tenants

2) Those on the housing register

3) Key Workers:

All clinical staff employed by the NHS including social workers and qualified nursery nurses.

Qualified teachers in maintained primary and secondary schools and teachers in further education establishments. Children's social workers and qualified nursery nurses who work for the LEA are also eligible.

Uniformed staff, below principal level, in Fire and Rescue Services. The whole of the East of England is eligible.

Police officers and community support officers. Currently included in this definition are the following Police Authorities. The whole of the East of England is eligible.

The inclusion of any frontline civilian staff will be determined individually with each Police Authority.

Planning Officers employed in Local Planning Authorities delivering statutory planning services.

Applicants from the Prison Service in one of the following disciplines:

- Prison Officers and related grades;
- Nursing Staff;
- Operational Support Grades (OSGs);
- Industrials;
- Instructional Officers;

and employed in one of the following establishments:

- Brixton;
- Belmarsh;
- Wandsworth;
- Wormwood Scrubs;
- Feltham;
- Latchmere House;
- Pentonville;
- Holloway;
- Huntercombe;
- Send;
- Highdown;
- Downview;
- Coldingley;
- Aylesbury;
- Reading;
- Woodhill;

- Bullingdon;
- Grendon/Springhill;
- Winchester;
- Lewes;
- The Mount;
- Chelmsford;
- Bullwood Hall;
- Bedford

Within the Probation Service, Senior Probation Officers, Probation Officers, Probation Service Officers and for intermediate rent only Trainee Probation Officers.

British Transport Police Officers and Community Support Officers based at stations in:

- Norwich
- Peterborough
- Cambridge
- Ipswich
- Southend

Police Officers in the Civil Nuclear Constabulary based at sites in Kent, Oxfordshire and Suffolk.

Local authority employed clinical staff, nursery nurses, occupational therapists, social workers, speech and language therapists and educational psychologists.

Other First Time Buyer Groups Recommended by the Regional Housing Board

All the above plus: Medical secretaries, medical receptionists, teaching assistants, learning assistants and care workers employed by LAs.

Appendix H

Housing Corporation Cascade for KWL New Build

<http://sharepoint.bromley.gov.uk/Public%20PDF/10-App1-SCHHPDS-1904.pdf>

Cascade Principles

Every reasonable effort should be made to market Key Worker Living funded units to eligible key worker groups. Developing housing associations should ensure new build units are marketed prior to the formal handover and that although they should work closely with the HomeBuy Agent it is the developing housing association's responsibility, not the HomeBuy Agent's, to market schemes appropriately. Units developed by s.106 arrangements would need to have regard to any restrictions in the agreement.

Where units have been void for more than three months or where the Housing Corporation and/or the housing association identifies that units will be unlikely to sell/let within three months due to local market conditions the following options are available to the Housing Corporation to deal with this:

Cascade Options

1. Housing associations should provide the Housing Corporation with evidence of the marketing activity that has taken place, an evaluation of why the units are not attracting eligible key workers based on local housing market intelligence, and an analysis of the demand from any other groups for the units.
2. The Housing Corporation will then work with the housing association to identify options to deal with the units based on the evidence provided. Decisions can either be made on a scheme by scheme basis or to cover a group of schemes in a location dependant on local market conditions.
3. Options can include:
 - 'Key Worker Living grant neutral' switching between shared ownership and intermediate renting.
 - Extending the eligibility criteria for the units to include all permanent employees (including administrative staff) of eligible organisations within the current groups.
 - Exchanging KWL units for general needs units. The Housing Corporation will, of course, need to consider the impact of any such changes on its ability to achieve its overall Key Worker Living targets.