



Overview of Affordable Housing



A report from Overview & Scrutiny





Foreword

By Councillor Ken Wood

Chairman of the Affordable Housing Scrutiny Review Group

7 September 2010



Carried out against a backdrop of the worst recession in generations, this Overview of Affordable Housing sought to establish what the City Council has done to encourage and improve the availability of affordable homes working with housing associations (RSLs) and developers. It also explored possible further innovations and initiatives such as the Birmingham Municipal Housing Trust.

Although the Council holds relatively small amounts of potential housing land when compared to the overall amount of land available in the City, it is able to influence and issue guidance. To this end, it was excellent that we were given the opportunity to provide input into the proposed revised Affordable Housing Policy.

It was however recognised that before comment could really be made, that everyone involved understood exactly what is meant by the term "Affordable Housing" not only by those Members taking part in the Overview, but also to the general public. Our aim is to provide Members not only with an overview, but also hopefully a "Dummies Guide" to the various options open to those people who currently find themselves on the various housing waiting lists.

All the current options were explored from private rented and social housing, through to shared ownership, shared equity, housing cooperatives and straight purchase. The Group also viewed various housing types from traditional build to modular construction, and witnessed the strides taken in building environmentally friendly and fuel efficient homes.

There is no doubt that demand continues to outstrip supply, but what was clear was that the options available are not fully understood by most people, and that Government has not perhaps advertised those options rigorously enough, due to potential cost.

Of course none of the "Affordable" options highlighted are indeed affordable unless access is provided to funding, and it was with this in mind we invited representation from developers and RSLs to see what their experience with the banks in the current market was. We then invited the financial institutions to give evidence, not only from a developer's viewpoint but also the end user seeking funds to get on the housing ladder.

The report shows that Birmingham City Council can indeed be very proud of its achievements in tackling the availability of affordable homes, and is to be commended on its innovative and cooperative approach. However we cannot stop there, and we must continue to encourage our officers to find further innovative solutions and we must accept that one size does not fit all when dealing with housing provision.



Overview of Affordable Housing

I would like to thank those Councillors who took part in this Overview and also the officers, especially Jill Short and Sarah Fradgley from the Scrutiny Office who were always on hand to offer guidance and invaluable input.

I hope you will enjoy reading this report as much as I know those Members who were actively involved enjoyed taking part in the overview.



Contents

Foreword	1
1 Introduction	5
Reason for the Overview	5
Terms of Reference	5
Methodology	6
2 What is “Affordable Housing”?	7
Affordability	7
Birmingham Property Prices	8
Birmingham Rents by Bedsize	8
3 Demand for Affordable Housing in Birmingham	9
4 Affordable Housing Targets and Policies	10
Government National Target and Programmes	10
Regional Spatial Strategy Housing Target	11
The Local Area Agreement Target	11
The Birmingham Housing Plan 2008+	12
5 Affordable Housing Performance in Birmingham	12
6 Affordable Housing Planning Policy in Birmingham	14
The Current Affordable Housing Policy	14
Section 106 Agreements	15
Comparison with Core Cities	15
The Impact of the Recession	16
7 Developing a New Affordable Housing Policy for Birmingham	16
Lessons Learnt from the Existing Affordable Housing Policy	17
Proposed New Affordable Housing Policy	17
8 Quality Homes that are Affordable to Run – Design and Sustainability Standards	18
9 Who’s Involved in the Provision of Affordable Housing	20
The Homes and Communities Agency	20
The City Housing Partnership	22



Overview of Affordable Housing

Registered Social Landlords	23
Birmingham Municipal Housing Trust	24
10 The HomeBuy Agent and HomeBuy Products	26
Eligibility	28
Affordability	28
Public Knowledge of HomeBuy	28
11 Mortgages and Mortgage Provision – Discussions with the Financial Sector	29
12 What More Can Be Done?	31
Co-operative Housing – Mutuality	31
Off-site Manufacturing and Modular Build	32
Other Options	33
13 Summary of Focus Group Findings	34
14 Conclusions	36
15 Suggested Actions	38
Appendix 1: List of Witnesses Contributing Evidence to the Review	41
Appendix 2: Design and Quality Standards that Apply to Affordable Housing	42
Appendix 3: Guide to Affordable Housing Options in Birmingham	44
Appendix 4: Birmingham Local Investment Plan	48
Appendix 5: Homes and Communities Agency and Birmingham City Council Joint Investment 2009/10 – 2010/11	49
Appendix 6: Report of the Affordable Housing Focus Group	50

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Reports that have been submitted to Council can be downloaded from www.birmingham.gov.uk/scrutiny.



1 Introduction

Reason for the Overview

- 1.1 The economic downturn and the so called “credit crunch” has resulted in a slow down of the housing market, a major drop in house building and a more challenging environment for those seeking mortgage lending. All of these factors have created specific challenges for the provision of affordable housing at a time when the need in our City is rising. Delivery of homes through the Section 106 model is not now providing the number of affordable homes it has done in the past, because of the reduction in private sector development activity and investment. Other established models for affordable housing supply will be severely challenged by likely future restrictions in public and private sector funding. At the same time repossessions, mortgage arrears and unemployment are increasing demand for social housing.
- 1.2 For a number of years the City Council has sought to maximise receipts from land sales to assist with programmes such as Decent Homes. Some observers thought this was resulting in less land being available for Housing Association developments. These claims were strongly refuted by the Cabinet Member for Housing and the Birmingham Social Housing Partnership (an umbrella group representing local housing associations). Members felt this was one of the issues which required more in depth discussion.
- 1.3 Given the above, and following a debate about the supply of affordable housing in the City, the Housing and Urban Renewal O&S Committee chose to undertake an Overview of Affordable Housing. Members were keen to explore if the Council and its partners were doing all they could to maximise provision.
- 1.4 In addition, a key issue identified by the Co-ordinating O&S Committee Scrutiny Review of Birmingham’s Growth Agenda (7 April 2009) was the need for an increasing provision of affordable housing in coming years to accommodate forecast population growth. A recommendation arising from the review was to encourage in-depth pieces of scrutiny work to support the achievement of the City’s ambitions for growth and prosperity. This overview was identified as an important piece of work whereby Scrutiny could help with taking forward this agenda.

Terms of Reference

- 1.5 The key objectives for this overview were:
 - To understand the pattern of housing need and demand for affordable housing in the City;
 - To explore the routes through which affordable housing can be delivered, and the regional and City policy targets;
 - To examine the impact of changing funding regimes and the challenges relating to the future provision of affordable housing in the City;



Overview of Affordable Housing

- To look at what has been done by the Council and its partners to achieve affordable housing targets in a changing economic environment; and
- Formally comment on the Council's new draft Affordable Housing Planning Policy.

Methodology

- 1.6 The Overview was conducted by a Review Group comprised of Councillors Ken Wood (Chairman of the Review Group), Emily Cox, James Hutchings, Ziaul Islam, Mike Leddy and Anne Holtom.
- 1.7 The Group gathered evidence through a combination of methods. It met with officers from the Housing and Constituencies and the Planning and Regeneration Directorates. We also met a range of partners involved in the provision of affordable housing in the City including the Homes and Communities Agency, Orbit HomeBuy Agent, registered social landlords, private developers, banks and building societies and the Commission for Co-operative and Mutual Housing. A full list of those who gave evidence to the Overview is set out in Appendix 1.
- 1.8 From the outset it was clear that in order to establish how affordable housing could best be provided it was important to understand what the public perceived affordable housing to be and what they knew about the affordable housing options in the City. We held a focus group comprising of a mixture of housing association and local authority tenants, private renters and existing shared owners which provided us with valuable evidence.
- 1.9 We also visited a number of affordable housing schemes across the City and looked at what was being done in neighbouring Redditch.
- 1.10 The Group was supported by Jill Short and Sarah Fradgley from the Scrutiny Office, Louise Collett, Dan Jackson and Clive Skidmore from the Housing and Constituencies Directorate, and Diane McGurk from Democratic Services.



2 What is “Affordable Housing”?

- 2.1 Our starting point for this Overview was to understand what was meant by the term ‘Affordable Housing’. The official definition is set out in Planning Policy Statement 3 (see box below). Affordable housing according to this interpretation is an umbrella term for particular products outside of the mainstream housing market. It is subsidised housing whereby the cost to the occupier is less than the market cost. Affordable housing is provided to eligible households and includes mechanisms for keeping such housing in perpetuity, or recycling investment for new provision.

Planning Policy Statement 3 (PPS3) 2006

Affordable housing includes social rented and intermediate housing, provided to specified eligible households whose needs are not met by the market.

Affordable housing should:

Meet the needs of eligible households including availability at a cost low enough for them to afford, determined with regards to local incomes and local housing prices; and include provision for

- i) the home to be retained for future eligible households or,
- ii) if these restrictions are lifted, for any subsidy to be recycled for alternative affordable housing provision.

Social rented housing is rented housing owned and managed by local authorities and registered social landlords, for which guideline target rents are determined through the national rent regime.

Intermediate affordable housing is housing at prices and rents above those of social rent, but below market prices or rents, and which meet the affordable housing criteria. These can include shared equity products (e.g. HomeBuy), other low cost homes for sale and intermediate rent.

Affordability

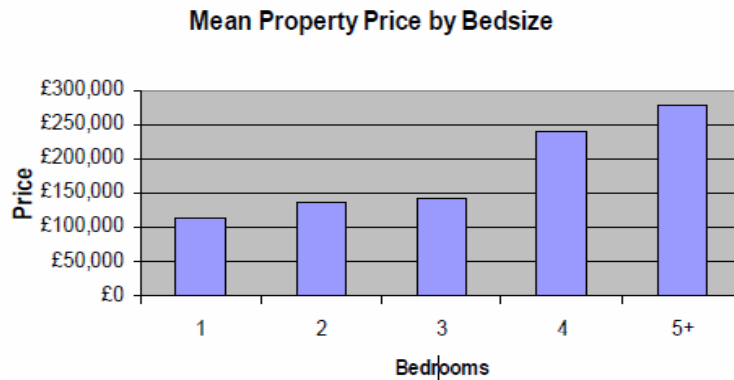
- 2.2 In reality then, under (former) Government policy, affordable housing largely relates to specific products with a predefined assumption regarding what people can afford. Members were interested to explore what people really thought of these options and if they felt they were really at a price they could afford to pay.



Overview of Affordable Housing

Birmingham Property Prices

- 2.3 We were presented with following chart that illustrated the average purchase price by property size in Birmingham in 2007.



- 2.4 We also explored house price affordability in today's market and learnt that although average house prices have fallen since 2007, prices still remain very expensive relative to incomes. We learnt that a significant proportion of households in the City (over 70%) would be unable to afford to purchase the average home in Birmingham at today's prices given their income.

The average 3 bed property in Birmingham at a lower quartile price = £107, 506¹

The minimum household income to buy this = £33,539²

The average household income in Birmingham = £22,827³

- 2.5 In addition, the recent financial crisis has led to a reduction in mortgage availability and lenders are now demanding high deposits. Many high street lenders say they require a 10% deposit and the financial institutions we spoke to told us that deposits of 20-25 % were not uncommon, when previously a 5% deposit was the norm.

Birmingham Rents by Bedsize

- 2.6 The Group was also presented with information about the relative rents in Birmingham (See chart on next page). It is clear that the gap between social rents and market rents are substantial, and significantly higher for 4 bedroom and larger properties. A particular concern is that households who cannot afford to pay market rents for accommodation that is an appropriate size to meet their needs, and cannot access social housing, are likely to be living in unsuitable and overcrowded private rented accommodation.

¹ National Housing Federation – Home Truths (West Midlands) report 2009

² Calculated using the mean house prices 2009 Q3 CLG live table 582 and average percentage advance on loans for house purchases and average lending multiple both from 2009 Q3 CML table MM11 assuming 5% deposit

³ Office of National Statistics Annual Survey of Hours and Earnings 2009 table 8.7a



Birmingham Weekly Rents by Property Size and Tenure⁴

	Local authority rent average	RSL rent average	Private rent average	Government Target Rents ⁵
Bedsit/ 1 bedroom	£49	£59	£125	£54
2 bedrooms	£57	£62	£153	£62
3 bedrooms	£61	£69	£150	£70
4 + bedrooms	£65	£78	£246	£76

- 2.7 The HomeBuy Agent provided the Group with useful comparison of the level of income applicants across the West Midlands region need to be able to afford the various market and intermediate affordable housing options for properties valued at £120,000 and £180,000. These are set out in Appendix 3. Further details on the HomeBuy products are outlined in Section 10 of this report.
- 2.8 Evidence from our focus group (details of which are set out in Section 13 of this report) indicated that people in the group aspired to own their own home. However, not everyone understood what level of income would be required, and given their personal circumstances this was not achievable. For those who were already living in intermediate affordable housing they accepted that this option has been their only route to property ownership. However, it was not just the level of income, but the amount of deposit now required by mortgage lenders (of around 10%-25%) that was the biggest perceived barrier to purchasing an intermediate or open market property.

3 Demand for Affordable Housing in Birmingham

- 3.1 Birmingham has a huge housing challenge. The City's population is increasing and is projected to grow by 100,000 residents to 1.1 million by 2026. Birmingham is a young city and children aged 0-14 are due to increase by 36%. The 25-34 age group is predicted to increase by 21%. Birmingham's 85+ population is also expected to increase by 40%. In total, 90,000 additional households will form by 2026 and these residents will need housing.
- 3.2 With the average city income insufficient to buy an average priced property there is a real need for additional social and intermediate affordable housing across the City.
- 3.3 The Strategic Housing Market Assessment (SHMA) was completed in 2008 and provides an in-depth understanding of the City's housing market. The assessment looked at need and demand across all tenures and its findings are used as an evidence base in the Council's planning policies.
- 3.4 The SHMA analysed the number of homeless households, those in unsuitable housing (due to overcrowding, housing too expensive, home difficult to maintain, harassment etc.), as well as

⁴ Housing Corporation Data March 2007 and Survey of Lettings Agents in Birmingham 2007

⁵ The Government sets a target rent on a formula based on average local wages, the value of the property and the number of bedrooms



Overview of Affordable Housing

those who could not afford to rent or buy market housing. It calculated that 9,025 households were in housing need.

- 3.5 The SHMA identified the greatest demand for was for 4 bed+ affordable properties - with a net requirement for an increased supply of almost 14,500 properties required over a 5 year period.
- 3.6 Birmingham City Council is the largest social landlord in Great Britain with 65,396 dwellings. We learnt that it holds 17% of housing stock in the City. Demand for council housing however significantly outstrips supply. There is a large waiting list for council housing – over 30,000 applicants. We were told that only 18.7% of the registered need for affordable housing can be met through vacancies arising within the Council stock on an annual basis, resulting in a notional average waiting time of almost 6 years for a property. The need for larger properties is unlikely to be met at all, with a notional waiting time for 4 and 5 bed properties of 31 years and in some parts of the City over 100 years.
- 3.7 Other registered social landlords (RSLs) hold 40,579 social rented dwellings in the City.
- 3.8 From the above it is clear that it is not possible for social housing provided by the Council or local registered social landlords to meet the total need for affordable housing in the City, and so an increase in the provision of intermediate affordable housing options are required for those that can afford them.

4 Affordable Housing Targets and Policies

- 4.1 There are a number of national, regional and citywide targets aimed to promote affordable housing supply.

Government National Target and Programmes

- 4.2 In 2007 the former Government made a long-term commitment to build three million new homes by 2020. This target included a pledge to deliver 45,000 social rented homes each year by 2010/11 and 25,000 low-cost homes for ownership and rent each year between 2008 and 2011.
- 4.3 The former Government also announced a series of measures to tackle the impact of the financial crisis on the housing market and deliver growth. This included front-loading funds of £400 million to enable RSLs and local authorities to deliver extra social homes, changing funding arrangements to enable local authorities to build homes, establishing a national clearing house to allow unsold developer homes to be purchased for affordable housing, enabling RSLs to convert unsold low-cost homeownership properties to intermediate rent, as well as providing Kickstart funding for stalled house building schemes.
- 4.4 At the time of drafting this report there was a change of government. This will clearly result in changes to the policies set out above and announcements have already been made that affect



the Homes and Communities Agency programmes and the Regional Spatial Strategy. It has not been possible to anticipate at this point what further policy changes might arise.

Regional Spatial Strategy Housing Target

- 4.5 At the time that we took evidence discussions were underway to review the West Midlands Regional Spatial Strategy (RSS). The RSS proposed a target of 50,600 additional dwellings to be provided in Birmingham during 2006-2026. Following the Public Examination into the draft RSS in June 2009, the panel of inspectors recommended increasing this to 57,500 dwellings. This was significantly more than the 32,400 additional dwellings in the adopted RSS (2001-2021).
- 4.6 The Review Group was told that whilst there were sufficient brownfield sites in Birmingham on which to build this number of dwellings, the City Council owns less than 10% of this land. There would therefore be a heavy reliance on other landowners bringing their land forward for housing development. The Group considered whether building homes in these locations would provide residents with good access to jobs, services and infrastructure. It was also noted that such housing development would be taking up potential sites for new industry and employment.
- 4.7 In 2007/08 the West Midlands delivered 55.7% of the RSS gross housing target, if this trend continues, which is highly likely, the shortfall of additional homes required to meet demand will increase.
- 4.8 At the time of writing the new Government announced the abolition of the Regional Spatial Strategy. It is not yet clear what the implications for housing supply in Birmingham will be as a result of this. We await new guidance with anticipation.

The Local Area Agreement Target

- 4.9 The Local Area Agreement (LAA) is a three-year agreement between the City Council and its partners and central government setting out agreed priorities. It recognises the importance of affordable housing in the City by including targets for both the net number of housing completions across all tenures and the number (gross) of affordable housing completions. It includes the following targets for new affordable housing in the City:
 - 2008/9 – 600 affordable homes
 - 2009/10 – 800 affordable homes
 - 2010/11 – 1000 affordable homesThis is a total of 2,400 additional affordable homes by 2011.
- 4.10 These targets are gross, i.e. new dwellings to be built, and do not take account of affordable dwellings being lost through demolition. Members noted however that demolition removes poor quality obsolete properties.



The Birmingham Housing Plan 2008+

4.11 The Birmingham Housing Plan 2008+ is the City Housing Partnership's shared statement of priorities and actions for the housing sector to deliver the Council's and the Local Strategic Partnership vision and outcomes. It identifies a number of actions for affordable housing in Birmingham. As we were conducting our inquiry the Plan was reviewed to take into account the economic downturn, the predicted reductions in public finances, and regulatory reforms. Actions in the Plan relating to affordable housing are to:

- Increase the number and range of homes via mixed tenure developments and optimising use of existing stock;
- Increase the number and range of affordable homes for households unable to afford market prices or rents (National Indicator 155 – LAA target: 2,400 homes over the period 2008-2011);
- Contribute to the review of the City's Affordable Housing Policy and Core Strategy;
- Provide new affordable housing through the following programmes:
 - Birmingham Municipal Housing Trust (Targets: 129 homes in 2010/11, 101 in 2011/12)
 - National Affordable Housing Programme (Target: 1,000 homes in 2010/11)
 - Kickstart Programme (Targets: 540 homes in 2010/11, 50 homes in 2011/12);
- Progress the Public Sector Land HCA Initiative (Target: 1,250 homes to be provided by 2012);
- Investigate access for young people to affordable housing.

5 Affordable Housing Performance in Birmingham

5.1 Affordable housing provision has historically been achieved through two main routes:

- The development activities of the local authority and its registered social landlord partners - primarily with grant funding from the National Affordable Housing Programme; and
- Section 106 agreements – as a planning obligation on development sites.

5.2 The outputs from these programmes are set out in the tables below.

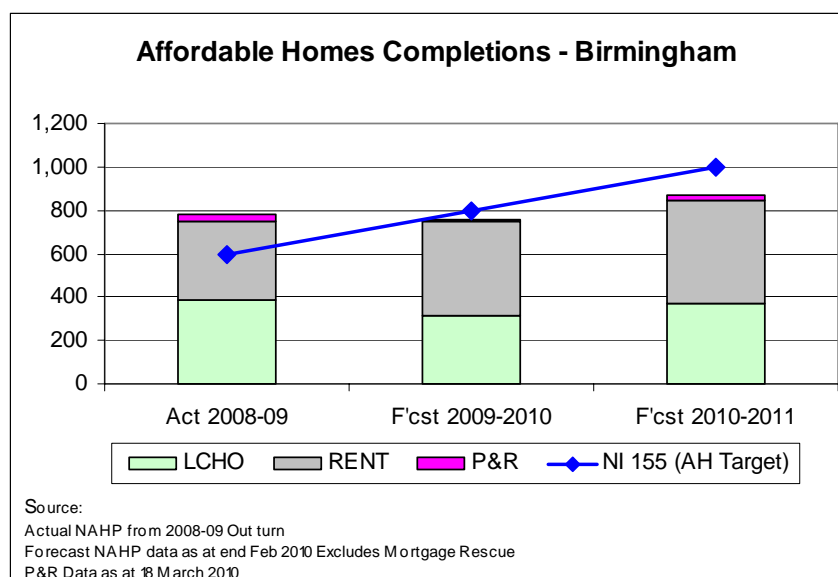
National Affordable Housing Programme (grant funded):				
Year	Social Rent	Shared Ownership	Other Intermediate	Total Dwellings
2004/5	215	21	0	236
2005/6	559	152	18	729
2006/7	332	209	0	541
2007/8	368	276	0	644
2008/09	491	140	98	727
TOTAL	1,965	798	116	2,877



Dwellings Completed in Birmingham through Section 106 Agreements				
Year	Social Rent	Shared Ownership	Other Intermediate	Total Dwellings
2004/5	120	134	64	318
2005/6	60	158	136	354
2006/7	51	60	110	221
2007/8	67	74	73	214
2008/09	90	74	62	226
TOTAL	388	500	445	1,333

'Other intermediate' are discounted sale/ resale units where the property is bought at a percentage of the market value, but can only be sold again at this same percentage market value.

- 5.3 The Group were pleased to learn that during 2008/9 a total of 975 new affordable homes were delivered in the City through these two mechanisms, including 22 council house properties that were funded from capital receipts, thereby exceeding the LAA target of 600 affordable homes.
- 5.4 As we were finalising this report the 2009/10 figures became available which showed a total of 933 affordable homes were delivered, against a target of 800. (857 through the National Affordable Housing Programme and 76 through Section 106 Agreements).
- 5.5 Prior to the change in Government the Homes and Communities Agency (HCA) provided the Group with their forecast for the number of affordable housing completions in Birmingham funded through the National Affordable Housing Programme for 2010-2011 (see chart below).



Key: LCHO = Low Cost Home Ownership, P&R = Property and Regeneration Programme

- 5.6 Members were keen to understand all the delivery mechanisms to increase the supply of affordable housing in the City, including:
- The Birmingham Municipal Housing Trust - The Local Authority New Build programme (see paragraph 9.23 for more details).



Overview of Affordable Housing

- Working Neighbourhood Fund Larger Homes Project – A programme to increase the supply of 4 bed and larger social rented homes through returning long-term void properties back into use, providing ‘top-up’ grants for new build schemes to make larger properties viable, as well as de-converting flats and offices back into family homes. Working Neighbourhood Funding is also being used to retain previously privately owned empty properties for social renting by the Council.
- Empty Properties Strategy – This Strategy has successfully returned empty private sector properties back to use. Whilst this does not strictly meet the definition of affordable housing, the strategy does prioritise action to return family sized homes in Council Tax bands A and C. During 2008/9 64% of the empty properties returned to use as a result of action taken by the Council were of these type.
- Intermediate Rent Project – A joint venture between the City Council and private developers is proposed aimed at building 1,000-1,500 homes over 3-4 years to be let on an intermediate rent basis (between social and market rent levels).
- The Erdington Housing PFI Project - The Council was awarded £100m in Housing PFI credits under the Round 6 Housing PFI Programme. The project focuses on the transformational regeneration of the Lyndhurst Housing estate and development sites in Jarvis Road and Pitts Farm. The scheme will refurbish 337 existing council homes on the Lyndhurst estate and re-convert 176 flats to provide 88 family houses. The PFI will also act as a catalyst for additional housing outputs being facilitated through a Development Agreement with the successful PFI consortia:
 - 262 new council homes for rent
 - 100 shared ownership homes
 - 187 homes for outright sale
 - A range of community benefits, including a new community/youth centre, public open space, play facilities, and training and apprenticeship opportunities.

6 Affordable Housing Planning Policy in Birmingham

- 6.1 A key part of the Overview was to comment on the proposed new affordable housing policy. Officers from the Planning and Regeneration Directorate outlined the current policy and the Group discussed the revisions that could be made.

The Current Affordable Housing Policy

- 6.2 The current City Council's Affordable Housing policy adopted in 2001 seeks to secure 35% affordable housing on sites of 15 dwellings or more. On qualifying sites the Council seeks to negotiate up to 25% social rented and/ or shared ownership and a further 10% for intermediate tenures (usually discounted sale or intermediate rent).



- 6.3 We were advised that a different approach to affordable housing was taken in the City Centre over the last decade. During the initial regeneration of the City Centre in order to encourage the creation of a new housing market, no affordable housing was sought. This changed to securing commuted sums for the delivery of some off-site affordable housing units (this money has been used to bring long term empty homes back into use as social rented family housing). More recently, with the City Centre housing market now established, affordable housing has been sought and secured on site.

Section 106 Agreements

- 6.4 The affordable housing secured through the planning system is delivered without any public subsidy. It is secured as a planning obligation for residential developments granted planning permission and by a legal agreement under Section 106 of The Town and Country Planning Act 1990. Officers in the Housing and Constituencies Directorate advise Planning Officers on housing need, and the type and tenures of affordable housing that should be delivered in individual planning applications. Once built, the social rented and shared ownership properties are purchased by a registered social landlord.
- 6.5 While significant numbers of affordable homes have been delivered, the units secured on many eligible sites represent less than the 35% target and performance is on average 15%. We understand this to mean that had the Council's policy been applied without exception somewhere between 1,000 and 2,000 more new affordable homes could have been secured over the last five years. We were told there were a number of reasons why this was not the case:
- 35% was introduced as an aspirational target when guidance at the time was to seek 25%. Affordable housing is not the only planning obligation that is secured for residential developments. Contributions towards transportation improvements and public open space are also common. The Planning Committee decide on the relative priorities.
 - Developers sometimes submit viability assessments that seek to demonstrate that the proposed development would be unviable if all the planning obligations were provided in full and this can result in the requirement being reduced or waived.
 - The City Council sometimes renegotiates the mix of affordable dwellings to accept smaller or larger dwellings to ensure the affordable housing secured meets housing need. Sometimes the percentage of units is reduced to achieve a greater rate of discount on more expensive properties to ensure their affordability.

Comparison with Core Cities

- 6.6 We were provided with an overview of the approach taken by the Core Cities and their performance in securing affordable housing through S106 Agreements. We were informed that Birmingham had secured more affordable dwellings through Section 106 Agreements than any other Core City.



Overview of Affordable Housing

Core City	Threshold (Number of dwellings)	Percentage Sought	S 106 Performance 2002–2007 (Average number of dwellings)
Birmingham	15	35%	270 per annum
Bristol	25	10-30% variable	220 per annum
Leeds	25	15% city centre 25% elsewhere	180 per annum (includes all grant and RSL resources)
Liverpool	No policy	-	-
Manchester	15	20%	No data available
Newcastle	15	25%	70 per annum (includes all grant and RSL resources)
Sheffield	25	20%	No data available
Nottingham	25 in urban areas 12 in rural areas	15% in regeneration area 20% in other urban areas 40% in rural areas	No data available. S106 contribution minimal.

The Impact of the Recession

- 6.7 The Affordable Housing Policy is dependent on the private sector bringing forward proposals for residential development. Granting of planning permission does not guarantee that a development will be built. In some cases, landowners seek planning permission in order to sell the site, or the site purchaser may apply to amend the planning permission. Planning permission lasts for five years and so its implementation can be significantly delayed.
- 6.8 The recession will impact on the delivery of affordable housing through the planning system over the coming years and has to be taken into account when negotiating for affordable housing. We were told that there has been a steady decline in the number of planning applications for housing development over recent years as well as the number of dwellings being granted permission, resulting in relatively few schemes on which to negotiate. There were very few starts on site during 2009. Small sites, below the 15 dwelling threshold, are expected to come on stream before developers return to large scale house building projects.

7 Developing a New Affordable Housing Policy for Birmingham

- 7.1 The drafting of the new Birmingham Core Strategy (the overarching policy framework for developing Birmingham which is part of the Local Development Framework) has provided the opportunity to develop a new Affordable Housing Policy. The policy will build on the experience gained using the existing policy, so that the Council is capable of increasing the level of affordable housing provision and achieve targets. It is also hoped the new policy will be less susceptible to challenge than previously as it will be based on robust, up to date evidence of housing need, whilst reflecting the current and anticipated market conditions. The new policy is due to be adopted in 2012 following consultation.



Lessons Learnt from the Existing Affordable Housing Policy

7.2 A key part of the review was to comment on the proposed new affordable housing policy. Members discussed in detail the lessons learnt from the current policy and considered the following to be important:

- Birmingham needs to have a **consistent approach and apply the affordable housing policy on all qualifying development proposals**. This is particularly important at the pre-application and outline stages in order to avoid the setting of precedent for non-compliance when the detailed proposals are brought forward. It is important that developers are fully aware of the likely costs and can allow for them when putting together their development proposal.
- **Viability assessments** to determine any reduction in the affordable housing requirement should be standardised. We were told about the Homes and Communities Agency Economic Assessment Tool and that the industry used other viability tools including PodPlan.
- **Clear guidance should be provided to developers and officers** to ensure that the City Council's policy and position is clear and transparent.
- The policy needs to have **robust up to date evidence** of housing need to ensure that it is less susceptible to challenge.

Proposed New Affordable Housing Policy

7.3 On examining the lessons learnt the Group welcomed and supported the proposals for the new policy, but noted that it would still be very challenging to impact substantially on the level of demand for affordable housing in the City in the medium term. The draft policy is currently being produced and will be subject to wide consultation. The proposal is to:

- Retain the **15 dwelling threshold**;
- **Vary the percentage** of dwellings sought by location as follows:
 - 50% on land owned by the City Council's Housing and Constituencies Directorate
 - 35% on land owned by other City Council Directorates
 - 35% on land in all other ownerships outside the city centre thereby maintaining the current policy in these areas
 - 20% on land in all other ownerships inside the city centre. Viability means it is difficult to secure affordable housing in the city centre. However this is still a demanding target;
- Introduce more **flexibility in the city centre** to divert subsidy from on-site apartments to off-site family housing to better meet housing need;
- Include **specialist housing developments**, such as sheltered housing, age restricted housing and special needs housing to assist in meeting affordable housing needs of all members of the community;



Overview of Affordable Housing

- **Fully integrate** affordable homes within developments. In phased housing developments, developers will be expected to provide details of the affordable housing provision in each phase; and
- Use the **HCA Economic Assessment Tool** to assess the ability of the development proposal to provide affordable housing in accordance with the percentages set out in the policy. The level of provision will only be revised where viability has been assessed using this tool. The cost associated with the assessment will be borne by the applicant.

8 Quality Homes that are Affordable to Run – Design and Sustainability Standards

- 8.1 Providing an affordable home is not just about achieving an affordable purchase price or rent, but also about providing good quality housing that is affordable to run in the long term.
- 8.2 Members examined the various design and energy efficiency standards associated with house building and had the opportunity to explore in detail the various sustainable design features when they visited a number of affordable housing developments across Birmingham and Redditch.
- 8.3 The standards are summarised below and more details on these can be found in Appendix 2.

Homes and Communities Agency Design and Quality Standards

All affordable housing funded by the National Affordable Housing Programme (NAHP) must meet these standards and S106 affordable housing must meet the internal standards as a minimum.

- Internal environment (size, layout and provision of services) – Housing and Quality Indicators
- Sustainability – Code for Sustainable Homes
- External environment – Building For Life

Housing and Quality Indicators

Is a system that measures housing schemes on the basis of quality rather than simply cost.

The Code for Sustainable Homes

Is a national standard to guide house builders in design and construction of more sustainable homes. The Code sets six levels of sustainability. RSLs must build to a Code Level 3 or higher. Local authority new build homes must meet Code Level 4.

Building for Life Standard

Is a national standard for well-designed homes and neighbourhoods. Schemes are assessed against 20 building for life criteria. Schemes with high scores can be awarded silver or gold standard accreditation.



The Lifetime Homes Standard

Includes 16 design criteria relating to the interior and external features of a home that enables properties to be adapted as residents' needs change over time. All social rented units must meet the Lifetime Homes Standard.

Secured by Design

Is a police initiative to encourage the building industry to adopt crime prevention measures in the design of developments to reduce the opportunity for crime and the fear of crime, creating a safer environment.

- 8.4 The Group were told that when comparing the Code for Sustainable Homes standard with the current Building Regulations:
- A Code Level 3 home is 25% more energy efficient and 50% more water efficient
 - A Code Level 4 home is 44% more energy efficient and 50% more water efficient
 - A Code Level 5 homes is 100% more energy efficient and 80% more water efficient
 - A Code Level 6 home is classed as a zero carbon home.
- 8.5 In terms of the additional cost of building dwellings to these standards the Group learnt that building to Code Level 4 costs between £5000 and £7000 more per dwelling than to Code Level 3. Building to Code Level 6 costs £26,000 more per dwelling than Code Level 4.
- 8.6 We were told that the building industry was not geared up to building to Code Level 4 yet and there had been calls to relax the standards to reduce build costs. However some developers have seen the benefit of building to the same standard required of social homes (Code 3) should they need to transfer unsold stock to RSLs. We understand that these build costs are expected to reduce over time with technological innovations and as economies of scale develop.
- 8.7 We also learnt that the additional cost of building to the Lifetime Homes Standards above meeting Building Standards ranged from £165 to £545 per dwelling, depending on the size, layout and specification of the property.
- 8.8 The average cost to secure a home to Secure by Design standards was £630, compared to the average household cost of a burglary estimated by the Association of British Insurers at £3,000. Research has also found that Secure by Design housing developments suffer at least 50% less burglary, 25% less vehicle crime and 25% less criminal damage.
- 8.9 The City Housing Partnership Affordable Housing Task and Finish Group (see paragraph 9.11 below), told us that Birmingham's planning policy should require common design and sustainability standards for all housing developments to secure tenure blindness more easily, and thereby integrating the range of tenures and aiding social cohesion.
- 8.10 The Review Group Members saw examples of properties constructed to Code Level 3 for Sustainable Homes. We also saw other initiatives including the 'Home Zone' street design at the Bournville Village Trust Lower Shenley that encourages lower driving speed, and 'Sun



Overview of Affordable Housing

Spaces' at the Waterloo Brandwood End development aimed at capturing heat and cutting energy usage.

- 8.11 Members also saw another housing development that replicated the design and layout of an estate in Liverpool. This had required remedial work when built in Birmingham to adjust designs to local needs and ensure it complied with Secured by Design principles. This highlighted to Members that one design does not fit all and we need to be cautious in assuming what works in one area of the Country can be replicated in another.
- 8.12 On their visit to Redditch Co-operative Homes Members also saw properties constructed with top quality off-site manufactured timber panels from sustainable forests that featured high levels of insulation and external cladding. These homes were designed to cut carbon dioxide emissions by 55%. Members were told that they not only reduced energy waste, but had significantly cut running costs for tenants by up to two-thirds.
- 8.13 Members were also told that all Birmingham Municipal Housing schemes will be:
- built to a minimum of Level 4 of the Code for Sustainable Homes
 - built to the Lifetime Homes Standard
 - comply with the HCA's standards
 - achieve Secure by Design accreditation
 - where possible, achieve Building for Life silver standard accreditation.

9 Who's Involved in the Provision of Affordable Housing

- 9.1 The provision of affordable housing in the City is dependent on a range of partners. The Council holds a strategic housing role as well as a regulatory and house building function. The registered social landlords and the private sector are key partners in delivering affordable housing. The Homes and Communities Agency and the HomeBuy Agent provide finance and co-ordinate the low-cost homeownership schemes. The banking sector finances development and provides residential mortgages. During our inquiry, therefore, we made a particular point of hearing from the various partners to understand both their relationship with the Council and any issues they faced.

The Homes and Communities Agency

- 9.2 The Homes and Communities Agency (HCA) is the housing and regeneration government agency for England. The HCA was formed in December 2008 along with the Tenants Services Authority (the regulatory body for registered providers of social housing).



9.3 The HCA's vision is:

“To create opportunity for people to live in homes they can afford in places they want to live and for local authorities and communities to deliver the ambition they have for their own areas”.

9.4 Its goals are to:

- Accelerate the delivery of housing growth;
- Secure the delivery of new affordable housing and ensure existing social rented stock is made decent;
- Accelerate the regeneration of under-performing areas and the renewal of deteriorating estates; and
- Ensure high standards of design and to embed sustainability.

9.5 Its priorities are delivered through the range of HCA programmes including the National Affordable Housing Programme, Local Authority New Build, Kickstart Housing Delivery, Housing Market Renewal Area Pathfinder (Urban Living) and the Public Sector Land Initiative.

9.6 The Single Conversation is the HCA's business model, developed to co-ordinate discussions and decision-making between the local authority and its partners, across the range of housing and regeneration activities. Increasingly scarce resources need co-ordination to achieve maximum value for communities and so the Single Conversation also seeks to co-ordinate investment from all sources including HCA's investment and other public and private sector investment. The Single Conversation leads to the development of Local Investment Plans (LIP) and Local Investment Agreements.

9.7 We heard that Birmingham had been selected for early development of a LIP. The LIP details how investment in housing regeneration will help to deliver strategic outcomes in a way that is integrated, with investment from other funding streams such as transportation, education and health. The Birmingham LIP thematic priorities for investment and spatial priorities are set out in Appendix 4.

9.8 We were told how the HCA's West Midlands Regional Business Plan for 2010-2014 and the LIP supports Birmingham's targets to:

- Increase the supply of new housing and new affordable homes;
- Develop an investment strategy for the sustainable improvement of existing housing stock to decent homes standard and beyond;
- Deliver a comprehensive Place Making approach and maximise the impact of public and private capital in Local Authority Priority areas; and
- Contribute to the economic well being of the region and the growth of Birmingham as the regional capital.



Overview of Affordable Housing

- 9.9 We heard that the Council has forged an effective working relationship with the HCA and Birmingham has been granted in excess of £200 million HCA funding. The HCA and City Council's joint investment programme for 2009/10 – 2010/11 is set out in Appendix 5. The cumulative effect of partnership working between the HCA and BCC has meant that despite the difficult economic conditions, it has exceeded the affordable housing targets with 975 new affordable homes delivered in 2008/09 and 933 delivered in 2009/10 target.
- 9.10 On 25 May 2010 the HCA announced £230 million cuts from existing programmes as part of the £6 billion package of government savings. It also froze uncommitted funds for the National Affordable Housing Programme, Kickstart Round 2 regeneration schemes and the Local Authority New Build programme. This announcement does not impact on the Birmingham Municipal Housing Trust phases 1 and 2 as contract arrangements were concluded, however it may have implications for future HCA funding in the City.

The City Housing Partnership

- 9.11 The Council has a long tradition to working in partnership with the local housing sector through dialogue with the City Housing Partnership (CHP) and the Birmingham Social Housing Partnership. The CHP is the cross sector housing partnership for Birmingham comprising of the City Council, housing associations, voluntary organisations and the private sector.
- 9.12 We were presented with the findings of the City Housing Partnership Affordable Housing Task and Finish Group, one of a number of groups set up to take forward the actions contained in the Housing Plan 2008+.
- 9.13 The Task and Finish Group consisted of a mix of private contractors/ house builders, RSLs, specialist providers, representatives from the Chartered Institute of Housing, the National Housing Federation, the Homes and Communities Agency and Council officers.
- 9.14 It reviewed the current affordable housing policy framework, assessed the barriers and opportunities, and identified best practice from elsewhere to maximise investment in existing and new affordable housing supply.
- 9.15 **The CHP Affordable Housing Task and Finish Group recommended the following:**
- Make better use of existing stock through targeted investment, de-conversions, a RSL stock disposal protocol and use of local letting plans.
 - Increase the number of new affordable homes by identifying funding priorities with the HCA and others to maximise public and private sector investment. At the same time establishing the role flexible tenures (intermediate rent, try before you buy etc.) can play in the provision of affordable housing, and also opening up discussions with the HCA on the availability of subsidy (Kickstart and NAHP) on Section 106 sites.
 - The new affordable housing policy should use a viability model for assessing S106 contributions and specify space, sustainability and design standards to ensure "tenure blind"



developments. There should be a minimum Code Level 3 on all residential developments and Code Level 4 on all developments over 100 units on sites owned or controlled by BCC.

- Further research into the new tenancy arrangements and options for young people, recommending a planned approach to integrated housing and employment pathways.
- Further research into the links between Planning Policy Statement 3 compliant affordable housing and first time buyer products/ options, to determine what engagement or influence BCC can have on lending institutions and how planning policies could include requirement for provision of shared equity products, yet remain sufficiently flexible to change with market circumstances.

9.16 The Task and Finish Group told us that it saw these recommendations as an opportunity for the Council to play an active role in innovating and influencing latest thinking on affordable housing, not only in the current economic downturn, but also in preparation for when more stable market conditions prevail. The Overview Group supported these recommendations and looked forward to hearing how these have been implemented.

Registered Social Landlords

9.17 We spoke to a number of registered social landlords during the course of our inquiry. We discovered a high level of satisfaction with their relationship with the Council who had welcomed the opportunity to contribute to the Housing Plan and participate in the Single Conversation and the development of the Local Investment Plan with the HCA.

9.18 We explored the role of RSLs and the challenges they face. The delivery of affordable housing in the City has largely relied on RSLs. They told us that the Social Housing Grant RSLs receive had decreased over time and they had met the funding gap by planning gain from private developments, borrowing from the private sector and through reinvesting profits from shared ownership and outright sales. However recent market failures have resulted in increasing costs of borrowing, a slow down in sales, and restrictions on shared ownership mortgage finance. We heard that RSLs are no longer able to cross subsidise their development activities from sales and staircasing receipts at the same rate as before.

9.19 We heard from the banking sector and local RSLs that, whilst RSLs are considered financially sound and continue to have access to lenders, they increasingly had to manage risks to the business in a number of ways. This included carefully examining future developments to assess viability, changing tenure of unsold stock, and introducing different forms of intermediate tenure such as intermediate rent. RSLs and private developers told us that they would like to see government-owned banks offering more and cheaper mortgages for purchasers.

9.20 The RSLs also highlighted to us that a problem in the government's clearing house initiative aimed at buying up market stock built by developers, is that properties do not necessarily meet the required Level 3 of the Code for Sustainable Homes or the HCA space requirements.



Overview of Affordable Housing

- 9.21 We heard how it was increasingly difficult for young people to access the housing market, coupled with student debt rising for those leaving higher education. A recent YouGov Survey commissioned by the National Housing Federation⁶ found that 86% of 18-30 year olds who do not already own their home cannot afford to buy, with 54% saying they will only be able to afford to buy with help from their family. The Council of Mortgage Lenders estimates that 80% of first-time buyers need parental help.
- 9.22 We acknowledge that a significant proportion of young people do not have access to family support and help with finance and we were pleased to hear about the Trinity Court Starter Homes project run by St Basil's and Family Housing Association to help young people who have been homeless, save up to be able to afford a place to live. Support is given to help the tenants start work and then to be part of a contributory savings plan. St Basil's contributes £10 each week of their rent into a savings fund. At the end of the three years, the young person has a lump sum which they can use as a deposit to secure a home. Members welcomed this approach that not only increased housing choice for young people but also helped young people to break out of the cycle of homelessness and unemployment.

Birmingham Municipal Housing Trust

- 9.23 Through joint funding with the Homes and Communities Agency the Council has embarked on an innovative house building programme that aims to provide up to 500 new 2,3,4 and 5 bedroom homes a year for sale, shared ownership and rent.
- 9.24 The Birmingham Municipal Housing Trust (BMHT) was launched in January 2009. When the Government announced its intention to exclude new build council housing from the Housing Revenue Account Subsidy System (HRASS) in April 2009 to allow councils to bid for funding in a similar way as RSLs, the Trust was already planning its development programme. The subsidy system channels a high proportion of council rents (23 pence in the pound) to central Government, leaving insufficient income from rent income to fund the maintenance and management of council homes, or to repay the debt incurred on funding the construction of new council homes. In addition the Council only receives 25% of the receipts from Right to Buy sales, the balance being directed to Government for national re-distribution.
- 9.25 BMHT is a brand identity on which the Council will bid for grant funding. The Council will retain the receipts from Right to Buy and rent collected of these properties and supplement the grant received with prudential borrowing. Crucially the Council is able to retain 100% of the rent collected to fund the prudential borrowing on the new homes, and it is this change that makes the development of new council homes achievable. BMHT may also be able to develop homes using solely prudential borrowing, but this is subject to current consultation on the eventual abolition of the HRASS and Councils taking on responsibility for their debt portfolio.

⁶ YouGov / National Housing Federation March 2010



- 9.26 Funding of £6.7 million has already been secured from the HCA for 129 social rented homes in Phase 1 of development. The total cost of the four schemes is £14 million, with the remaining balance coming from prudential borrowing. Properties were built on land owned by the Council in Kings Norton, Balsall Heath, Hodge Hill and Handsworth. Whilst initially Phase 1 has focused on rented properties, the longer term plan is to create mixed communities by developing homes for rent, sale and shared ownership.
- 9.27 Birmingham also secured a second bid for £5.4 million for Phase 2 and will match this with £8million of prudential borrowing to build 101 units for social rent and 63 units for sale in Northfield, Saltley, Ladywood, Ley Hill, Soho and Longbridge.
- 9.28 All schemes will be:
- built to a minimum of Level 4 of the Code for Sustainable Homes
 - built to the Lifetime Homes Standard
 - comply with the HCA's Standards and Quality in Development guidance
 - achieve Secure by Design accreditation
 - where possible, achieve a minimum of Building for Life silver standard accreditation.
- 9.29 We heard how the provision of outright sale homes, via the BMHT programme, has been carefully developed to allow private developers to continue to operate in the current uncertain times of the economic downturn. The proposals 'de-risk' large elements of the construction of homes for sale in a number of ways:
- the City Council obtains full planning approvals for the scheme;
 - all appropriate site remediation is undertaken by Birmingham City Council; and
 - the payment of the land value is deferred to the point of sale.
- 9.30 The benefits to the City Council in entering such an arrangement are:
- The space standards of new homes for sale are controlled by the City Council, offering purchasers a unique opportunity to buy homes that are significantly larger than the standard market product;
 - The design quality of the new homes is controlled by the City Council and that includes ensuring that homes built for rent are indistinguishable from those for sale - a key element of creating mixed-tenure sustainable communities;
 - The preferred developers are all contractually obliged to provide apprenticeship placements and other training opportunities; and
 - By maintaining a modest but sustained construction programme, there are knock on benefits to local procurement and the local economy.



Overview of Affordable Housing

- 9.31 Under the BMHT model, the building contractor/s will build homes for sale, market these homes and identify a purchaser. The City Council will then sell each home (i.e. the land and the property built upon it) to the purchaser and pay the contractor their agreed sum for construction and fees.
- 9.32 The City Council will receive a minimum land value as part of the agreement and share in any uplift on the estimated final sale price to the occupier. In the event of the contractor not being able to sell all of the homes, a contingency plan is included. Under this provision a long-stop date will be agreed and at the point of this being reached, the City Council would receive its minimum land value or the plot (or unit) would become owned by the City Council and subsequently disposed of.
- 9.33 The Group explored the possibility of the Council taking an equity share in the new homes to enable a purchaser to acquire a property at a reduced price. So for example, if a property had an open market value of £120,000, the Council could retain an equity share in the property to the value of say £30,000 (25%) and the purchaser would only have to raise the cash deposit and mortgage for £90,000. The Council would only get its 25% stake back when the property was sold. If the property was sold after 5 years and had increased in value to £150,000, then the Council would receive 25% of the sale proceeds, £37,500.
- 9.34 However the equity share model relies on the property increasing in value over time and the Council would only get the benefit of this increased value when the property was sold. Some private developers already offer shared equity with a long stop date – i.e. their share has to be paid back at a given point in time (say 10 years) if the owner has not sold before then.
- 9.35 There is clearly a benefit to the purchaser of this approach, in that they are in effect able to buy at a reduced price, as they only have to pay the mortgage for part of a property rather than all of it. However it was highlighted that the disadvantages of this for the Council are two fold. Firstly, the Council has no control at all over when it receives its share of the value of the house (It could have to wait 20 or 30 years). Secondly, under the BMHT model, the Council is reliant upon sales of market housing and receipt of the deferred land value to cross subsidise the development of rented housing. On balance we agreed that for these reasons, this is not an approach which the Council should adopt on a significant scale.

10 The HomeBuy Agent and HomeBuy Products

- 10.1 HomeBuy is a range of low-cost home ownership schemes funded by the Homes and Communities Agency and developers, which aim to make home ownership affordable for people who have been priced out of the market.
- 10.2 The HomeBuy Agent is a registered social landlord appointed by Government to provide a one-stop-shop to people interested in any of the HomeBuy schemes. The Agent processes applications to determine eligibility, promotes HomeBuy generally and liaises with RSLs, local



authorities and developers. Orbit was appointed the HomeBuy Agent for the West Midlands in March 2009.

- 10.3 The schemes that come under the generic heading HomeBuy fall into three broad categories:
- 1) Shared Ownership: Buy part of a property and rent the rest.
 - 2) Shared Equity: Buy the entire property with the help of an 'Equity Share' loan.
 - 3) Intermediate Rent: Rent the property at a discounted rate whilst saving for a purchase deposit.
- 10.4 Below is a summary of the current schemes at the time of publication, together with sales and completions in Birmingham during 2009.

HomeBuy Direct (Shared Equity) – This scheme provides equity loans to help eligible buyers to buy selected new-build properties from one of the HCAs approved private developer partners. The buyer takes out a mortgage to cover at least 70% of the purchase price and this is topped up with an equity loan covering up to 30% of the price with no interest for five years. The equity loan is co-funded by the HCA and the development partner.

Sales and completions in Birmingham during 2009 = 45

Rent to HomeBuy (Also referred to as Try Before You Buy) – This scheme is designed to help buyers onto the homeownership ladder by first renting the home they plan to buy at 20% less than market rent on the understanding that after five years the buyer will purchase through the New Build HomeBuy scheme.

Sales and completions in Birmingham during 2009 =7

Intermediate Rent (Also referred to as Discounted Market Rent) – Available on selected properties where the rent is set at a level between social and market rent. It is an assured shorthold tenancy with no option to buy.

Completions in Birmingham during 2009 =6

Social Home Buy – A scheme that offers eligible RSL and local authority tenants the opportunity to buy a share in their rented homes. Existing tenants can purchase an initial share of 25%, the landlord then charges an affordable rent on the un-owned equity. It is also possible to 'staircase' to full ownership.

Armed Forces Home Ownership Scheme - The HCA in partnership with the Ministry of Defence and the CLG have launched an equity loan scheme pilot designed to assist serving members of the British Armed Forces (with at least four year service) to find a suitable home on the open market, the scheme is expected to run until March 2013.

- 10.5 We were told that previously there was also an Open Market HomeBuy scheme where eligible buyers could part purchase a property on the open market, with a low-interest equity loan to cover the rest. In 2009 the scheme was closed with future funding focussing on schemes that applied to new-build properties in a bid to support the construction industry in the economic downturn.



Overview of Affordable Housing

Eligibility

- 10.6 We heard that most people assisted through HomeBuy are first-time buyers. However those who need to buy a property owing to a situation such as a relationship breakdown or, households who have outgrown their current property and who are in housing need may also be eligible. Applicants must have a household income of less than £60,000 per annum and have a good credit history.

Affordability

- 10.7 The HomeBuy Agent provided the Group with a useful comparison of the level of income applicants need to be able to afford the various market and HomeBuy options for properties valued at £120,000 and £180,000. (These are set out in Appendix 3).

Public Knowledge of HomeBuy

- 10.8 Before meeting the HomeBuy Agent, Members had concerns that the public was not aware of the full range of affordable housing options available. We also felt that the marketing of the HomeBuy products was not targeting potential customers who might be on various housing waiting lists, living in overcrowded private rented accommodation, or staying with family. Anecdotal evidence from our focus group also supports the view that public knowledge and understanding of the options was limited.
- 10.9 It was suggested to us that the products had not been widely advertised because there were insufficient resources to meet any large increase in demand. However the HomeBuy Agent told us about increased efforts to promote HomeBuy through its website, a radio advertising campaign, property newsletters and various events. We acknowledge the work to signpost people and the efforts by the HomeBuy Agent to market the products and we believe the Council could assist further with the promotion of HomeBuy and improve liaison with the HomeBuy Agent.
- 10.10 Our focus group felt that as the HomeBuy products were limited to the purchase of certain new build properties on specific developments, they did not really offer people the full flexibility to purchase the property of their choice or in the area that they required. We recognise that HomeBuy targets new build housing, which in turn supports the construction industry in the economic downturn, but this is not offering people sufficient choice in the type of property they want to purchase. There is little doubt that the intermediate market is likely to grow in the future as the finance to fund full home ownership remains constrained. We feel the Council could play a role in lobbying for the reinstatement of the HomeBuy product that enabled applicants to purchase an affordable home on the open market to ensure that the supply within the City responds to needs.



11 Mortgages and Mortgage Provision – Discussions with the Financial Sector

- 11.1 Housing is not affordable without access to mortgage finance for purchasers and investment in housing developments for developers. The 'credit crunch' has restricted mortgage products and has resulted in lenders requiring significant deposits. It has also restricted the credit available for private sector house building. We felt it was important to hear the perspective of the financial sector and so we met with the corporate lending division of a national bank, a local building society, and a local independent financial adviser who worked with the HomeBuy Agent. This is what they told us:
- 11.2 In relation to the financing of affordable housing schemes and the availability of investment for house building in the current economic climate we were told that:
- Many lenders had returned to conservative levels of lending and loan to value multipliers.
 - As a result of falling land values, some landowners considered it prudent to hold on to their land until values stabilised or rise. The representatives we met felt it was a good time to build because building inflation is low and construction labour is available. It is still a good time to borrow for construction, as the cost of borrowing is low and lenders are generally comfortable with providing fixed rates for long term finance, because it underpins business plans thereby cementing business security.
 - Social housing is considered an attractive asset for lending. It was regarded by lenders as a strong sector with lower risks than the corporate sector. We were told that no bank has lost money lending to an RSL. Lenders were however taking a more robust approach to loan requirements, including detailed assessment of development pipelines and business plans.
 - The supply of shared ownership properties had fallen. Many RSLs have transferred unsold shared ownership properties to intermediate rent, because of the fall in demand as potential purchasers cannot access funds. It is not financially viable for RSLs to sell these properties in the current climate at a loss.
- 11.3 In relation to residential mortgages our discussions with representatives of the banking sector revealed:
- Deposits of up to 15-25% are now required by many lenders to secure a residential mortgage. Previously deposits were about 5%. 100% mortgages have been withdrawn.
 - Lenders stated that in their experience, it was those people who did not have any money to put into a property purchase that were most likely to default, and it was therefore important to encourage people to save.
 - Lenders are now able to cherry-pick applicants. They only tend to lend to those that represent the least risk.



Overview of Affordable Housing

- Lenders look at a mortgage applicant's credit file which contains a credit score (with extra points for employment etc). It is increasingly difficult for people with a poor credit rating to get access to a mortgage.
- Lenders see a lot of clients that are not financially sophisticated, such as not understanding that a poor credit history and relatively minor issues, for example a County Court Judgement for a parking ticket, can have a significant impact on obtaining a mortgage. They believed that people need more education on credit matters to understand what could limit a mortgage application and it would be helpful if the local authority could find a way to assist with this.
- Lenders don't turn down graduates with student loans, but again they still need to have saved a decent deposit.
- As a rough guide we were told that the typical loan multiple was: 4 x one salary or 3 ¼ x joint salaries.
- Re-mortgages have ground to a halt because, at the moment, surveyors are tending to value properties on a forced sale basis.
- In the past there was some reluctance to finance non-traditional build properties, however some lenders do now offer mortgages on these properties, as long as they have construction and insurance guarantees. It was suggested that a round table discussion is required with the construction industry, as modern methods of construction are being used more and these need to be understood better by the financial sector.
- One society stated that it never accepted builders' deposits because if the builder can offer this to the purchaser then the market price of property should be less.

11.4 We had concerns that shared ownership mortgages had started to be viewed as the new sub-prime market by some lenders. Our discussions with the banking sector revealed:

- That a new standard shared ownership lease created by the HCA came into force in April 2010 which offers enhanced protection to lenders, and the opportunity to claim back their loan sooner in the event of repossession. This has gone some way to assure lenders of shared ownership mortgages and might encourage new lenders into the shared ownership market.
- The Financial Services Authority has imposed a cap on building society shared ownership lending to 10% of all lending. The Group were concerned that this could restrict the availability of mortgages for people wanting to purchase a shared ownership property at a time when demand in this sector is likely to grow.
- The credit crunch has also resulted in a significant reduction in the amount of shared ownership staircasing. Our focus group shared owner participants told us that although they aspired to 100% ownership, they had not got the finance to do so and the cost of remortgaging was prohibitive.
- In relation to mortgages for co-operative properties one representative told us about their concerns about those that were not regulated by the Tenant Services Authority. They would



prefer to lend to someone who is independent, such as an umbrella organisation that manages the co-operative, rather than offer individual mortgages on such properties.

12 What More Can Be Done?

Co-operative Housing – Mutuality

- 12.1 Our overview coincided with the publication of research by the Commission for Co-operative and Mutual Housing. Its report argued that the co-operative and mutual housing sector has been largely overlooked by public housing policy in this country and has a potential for growth to respond to needs in the current environment, as well as a means to develop affordable housing with less public subsidy. We invited the Commission to present its conclusions. They told us:
- 12.2 There are different models of co-operative and mutual housing (Housing cooperatives, tenant management organisations, community gateways, and community land trusts). Some models have been state funded, and some privately resourced. The defining characteristic is that residents have a legal right to become members of the organisation which gives them democratic control on a one member one vote basis. Co-operatives are democratically and legally owned and controlled by a service user membership.
- 12.3 Currently the sector makes up less than 1% of the UK's housing stock, compared to 18% in Sweden, 15 % in Norway and 6% in Germany. There are 15 co-operatives in Birmingham, as well as tenant management organisations and a community land trust.
- 12.4 Research by the Tenant Services Authority (TSA) found above average resident satisfaction ratings for co-operatives in that they had a greater sense of community, because the people who live there democratically own and/ or manage their homes, taking responsibility and feeling a sense of belonging, identity and ownership.
- 12.5 The sector complements the wider agenda of providing greater empowerment to local communities in relation to the services they receive and participating in democracy.
- 12.6 There is a high correlation with further civic engagement from co-operative members than other housing model residents.
- 12.7 Co-operative and mutual housing organisations were also found by the TSA to have a good track record for managing rent arrears, having low void rates, maintaining homes to a high standard, getting repairs done efficiently, and experiencing less crime.
- 12.8 The Commission believes co-operatives could be an attractive alternative option not just to state provision, but also market provision. Co-operative and mutual forms of home ownership could provide collective protection from individual risk and market fluctuations, whilst capturing investment gains collectively. Co-operative ownership models enables variable shares to be



Overview of Affordable Housing

purchased with no transaction costs, residents can scale up or down their share. Shares are bought through increases in rent.

- 12.9 The Commission found that promotion of co-operative and mutual housing options was lacking, with little information available to communities, local authorities, housing associations and others interested in exploring these options. In order to develop these models it suggested that a legal, regulatory and support framework needs to be developed, as well as community facilitation and guidance on governance arrangements and management structures.
- 12.10 The Commission was calling for national and local government to work with the private financial sector to work out what resources can be realigned and funding frameworks developed to facilitate expansion of the sector.
- 12.11 We visited Redditch Co-operative Homes which supports 5 neighbourhood co-operatives that are self managed organisations by the people who live in their homes. These co-operatives manage 237 homes. They are part of the Accord Group of RSLs which helps them to raise finance to carry out new developments. The tenants are assured tenants.
- 12.12 One significant difference is that the co-operative tenants do not have the Right to Acquire that RSL tenants do. The difference between the Redditch model and an RSL is essentially the level of influence that the residents have over services such as repairs and maintenance and capital works. There is also scope for residents to volunteer to undertake various services which enables the co-operative to keep its costs lower than other housing providers. The organisation is a co-operative in the sense that they make collective decisions about the management of their properties, however there is no collective ownership of the properties in this case.
- 12.13 We were told that a co-operative model was currently being developed on a project in Digbeth with support from Accord and we would suggest that further examination be undertaken as to the potential for rolling this out further across the City.

Off-site Manufacturing and Modular Build

- 12.14 Redditch Co-operative Homes has built 45 low carbon homes and has a further 79 homes in progress based on the Norwegian Hedalm system. This is a pre-assembled closed panel timber frame building system based on a model of housing developed by a Norwegian Forestry Co-operative.
- 12.15 We heard how the system enables a much faster on-site construction time than traditional methods thereby saving on-site costs. Pre-assembly also ensures greater certainty and quality of components. In waste management terms the Hedalm timber system generates zero timber waste, whereas a typical traditional build would have several tonnes of masonry waste.



- 12.16 Research by the National Audit Office⁷ into using modern methods of construction rather than more established house building techniques concluded that:
- It should be possible to build up to four times as many homes with the same on-site labour;
 - On-site construction time can be reduced by over half;
 - Building performance can be at least as good;
 - Cost ranges are comparable, although they are higher on average than established block and brick techniques. However faster construction and reduced on-site work bring financial benefits;
 - Risks increase compared with conventional build models at early stages of the development so good risk management becomes even more important;
 - Tight liaison with planning authorities is vital; and
 - Projects must be properly planned so not to waste the time benefits of modern construction methods.
- 12.17 We spoke to residents of the Redditch scheme and heard about the positive impact of living in such properties. The construction method allowed greater choice of internal layout and energy bills for a two-bed bungalow were about 50% less than a Code 3 Sustainable Home bungalow, where both homes were occupied by two residents of similar age and energy profile usage.
- 12.18 We were particularly impressed with the speed in constructing the developments using these techniques and suggest that the Cabinet Member for Housing explores the use of off-site modular build construction methods for affordable house building in Birmingham.

Other Options

- 12.19 The Group explored other ways of making properties cheaper and therefore more affordable by reducing the cost of land through discounts, shared equity or taking out the cost of land through a lease arrangement.
- 12.20 We looked at why the purchase price of four bed properties was disproportionately higher than a 3 bed house and were told that the construction cost per m² is roughly the same for houses, however many bedrooms they have. So, the construction cost of a 4 bed house is only higher than for a 3 bed in the same proportion as its floor space is larger and more materials are used. It is therefore the market demand for larger properties that drives up their price at a disproportionate rate.
- 12.21 We were told that the Council was currently discounting the cost of land to RSLs and on average gave a 48% discount on land sales for sites for the development of affordable housing. It also defers payment on BMHT sites.

⁷ Using Modern Methods of Construction to Build Homes More Quickly and Efficiently, National Audit Office (November 2005)



Overview of Affordable Housing

- 12.22 Other ways to take out the cost of land in a development are through the establishment of community land trusts and via shared equity arrangements. With shared equity the land remains the property of another party. This approach would require someone to take on the long term investment, and for Council land, a policy decision whether the Council will give up land value for a longer term return.
- 12.23 The Group also discussed the possibility of leasehold and was told that in valuation terms there is only marginal difference between the freehold value of a piece of land and leasehold value, provided that the lease is for a significant period of time. So a piece of land sold as leasehold on a lease of 99 years, would have a similar value to a piece of land sold as freehold. However a plot of land sold under leasehold with only 10 years to run would have a very low value as there would only be a short period of time before the expiry of the lease when the land would revert to the freeholder. In terms of development of new homes, therefore, because there is little difference in value between freehold and a long leasehold, selling on a leasehold basis does not offer a significant saving to the buyer.
- 12.24 Most flats are leasehold, and it means everyone living within the same building has to split maintenance costs in respect of the common parts of the building and the communal areas.

13 Summary of Focus Group Findings

- 13.1 Members were interested to explore what people really thought of affordable housing options in Birmingham and whether they felt they were really at a price they could afford to pay. To find this out we held a focus group of local residents to:
- Discuss participants' perceptions of the term 'affordable housing';
 - Explore participants' knowledge and understanding of affordable housing options; and
 - Learn about participants' experiences of accessing intermediate affordable housing.
- 13.2 The focus group consisted of residents who lived in intermediate affordable housing, as well as Council and RSL tenants and private renters.
- 13.3 In order to ensure the forum comprised of people who would be possible candidates for such accommodation, participants were selected who had an annual household income between £15,000 and £35,000.
- 13.4 Most participants in the group aspired to home ownership, however some would not be able to afford to do so, based on the income information they provided. Most participants found HomeBuy branding confusing and were more comfortable with the terms "shared ownership" and "shared equity" but none said that their preferred next move would be to these models of housing.
- 13.5 Our study found very limited awareness about intermediate housing options amongst the participants who were social renters, and they considered them to be more relevant to younger



people because of the need to secure a full term mortgage. The group could see the theoretical advantages of the schemes in being able to have a home of one's own and the investment potential, but they also cited the barriers of low incomes and job insecurity and being unable to afford the required deposit. They suggested that to assist with the affordability of schemes longer mortgage repayment periods, options to purchase less than a 25% share, and use of cheaper construction methods and land might need to be used.

- 13.6 Existing shared owners had very positive experiences in practice. Most had been shared owners for 2-5 years. They considered this option was the easiest and only route for them to property ownership. The process for applying for and obtaining shared ownership accommodation was considered relatively simple by the majority of participants, most had received assistance from their Housing Association in this respect. Some found lenders reticent to lend to shared owners. The credit crunch had increased the level of deposit required of shared ownership buyers and had narrowed mortgage choice.
- 13.7 In discussion about the drawbacks of shared ownership the fact that property maintenance and repairs are solely down to the homeowner is a bone of contention. Some claimed this had not been clearly explained up front. A few participants highlighted that those that purchased prior to the credit crunch were now in negative equity, because they felt they had purchased their shared ownership property at the height of the market at a premium. Others now had families and outgrown their property. Most participants ultimately wished to buy a larger share in their property, eventually achieving full ownership, but some could not currently afford it or had the funds to meet the hidden cost of staircasing, which required mortgage arrangement and solicitor fees for each share purchased.
- 13.8 Overall the majority of participants would recommend shared ownership as a mean of getting on the property ladder and judged it affordable.
- 13.9 Some private renters had not heard about these affordable housing options, others had conducted extensive research. They felt that whilst the concept of accruing capital through home ownership was attractive if it could be afforded, they found that intermediate housing did not offer the flexibility that private renting did. They also questioned the emphasis of the schemes on new build housing which they felt restricted their choice.
- 13.10 They considered the HomeBuy branding confusing and felt it unfair that a 25% new build deal should attract 100% liability for repairs and maintenance, when rent was paid on the remainder. They suggested ways to make market housing more affordable might be to bring empty properties back into use and make better use of stock by perhaps subdividing.
- 13.11 A copy of the focus group report is attached at Appendix 6.



14 Conclusions

- 14.1 In undertaking this overview we gathered a wide range of evidence ranging from the funding regime of the Homes and Communities Agency, the views of the banking sector, to the perceptions of the affordability of housing from the 'average person on the street'.
- 14.2 The economic downturn and the so called "credit crunch" has resulted in a major drop in house building and a more challenging environment for those seeking mortgage lending. The restrictions on public funding are also becoming clear. These factors have created specific challenges for the provision of affordable housing at a time when the need in our City is rising.
- 14.3 Birmingham has a huge housing challenge. There is more demand for affordable housing than can be met by the available supply of social housing in the City. We heard evidence that 70% of residents could not afford to purchase the average sized property on their income.
- 14.4 During the course of this exercise it became clear that affordable housing options still might not be affordable in reality. Our focus group study told us that most people want to own their own home, however many are unable to afford to do so given their current level of income. They saw the biggest barrier to property purchase as being the large deposit of 10-25% now required to obtain a mortgage. Residents we spoke to who were currently living in shared ownership properties were happy with this housing option but doubted they could have afforded it with the current mortgage requirements.
- 14.5 The financial crisis and the collapse of sub-prime lending have made banks cautious in their lending. Our discussions with representatives of the banking sector confirmed that high deposits and conservative lending criteria would be a feature of mortgage lending for the foreseeable future.
- 14.6 The banking sector told us that in their experience, people who have not put some of their own money into a property purchase were the most likely to get into financial trouble and default on mortgage payments. They felt that more information should be available on the importance of managing personal finances, including advice on how to avoid a poor credit rating. The example was highlighted to us where the non payment of a relatively minor parking ticket or mobile phone bill resulting in a County Court Judgement could have significant consequences when someone applied for a mortgage. The representatives we met thought it would be helpful if the local authority could find a way to increase advice and awareness of such issues for example, by building upon the work of the Financial Inclusion Partnership Financial Literacy Group, or by encouraging advice giving in neighbourhood offices or other City Council outlets.
- 14.7 We also explored the HomeBuy affordable housing products with our focus group. They told us that these were not well marketed and the different options available were confusing. We believe there is more work to be done to promote the various affordable housing options. If the Council is to support the HomeBuy Agent in doing this, it needs to provide appropriate staff



awareness training on the HomeBuy options. Our focus group also felt that limiting some HomeBuy products to the purchase of certain new build properties on specific sites did not offer the flexibility to purchase the type of property they wanted, in the area of their choice. There is little doubt that the intermediate affordable housing market is likely to grow in the future, therefore the Council needs to ensure with partners that the supply of products available within the City responds to needs. Whilst we accept the need to support the construction industry in the economic downturn, we feel the current focus of the HomeBuy policy on new build properties in specific developments is not offering people sufficient choice in the type of property they want to purchase.

- 14.8 An affordable home is not just about affordable purchase prices, but also about providing good quality housing that is economical to run. Our study looked at the quality of affordable housing and the various design standards that reduce the on going running costs of properties. We saw examples of properties built to high sustainability standards that incorporated the latest energy saving measures.
- 14.9 The Council is leading the field with all Birmingham Municipal Housing Trust schemes being built to a minimum of Level 4 Code for Sustainable Homes, the Lifetime Homes Standards, the HCA Design and Quality Standard, Secure by Design, and Building for Life silver accreditation. We would encourage private developers to build to social housing design standard requirements.
- 14.10 The evidence we received shows the ground breaking work being done in Birmingham to increase the supply of affordable housing. This has been achieved through the positive partnership between the City Council, the Homes and Communities Agency and the City Housing Partnership. Despite the recession 975 new affordable homes were delivered in Birmingham in 2008/09 and 933 in 2009/10.
- 14.11 Although the Council holds relatively small amounts of potential housing land when compared to the overall amount of land available in the City, it is able to influence and issue guidance. We welcomed the opportunity to comment on the proposed new Affordable Housing Policy and are mindful that Birmingham should have a robust policy capable of achieving the targets for affordable housing, which is less susceptible to challenge. We support the adoption of the Homes and Communities Agency Economic Assessment Tool to assess the viability of developments that are to include an affordable housing requirement.
- 14.12 At the point of finalising this report there was a change of government. Announcements have already been made that affect the Homes and Communities Agency programmes and the Regional Spatial Strategy. It is not clear at this stage what further policy changes might arise that will impact on affordable housing and we await new guidance with anticipation.
- 14.13 We realise however there is further work to be done to explore other options to satisfy the growing demand for affordable housing in the City. Whilst we wish to encourage innovative and creative thinking in developing affordable housing, what suits one neighbourhood may not



Overview of Affordable Housing

suit another, and we must be cautious of parachuting in initiatives that have been successful elsewhere without understanding and involving the local community. Different areas will require different interventions. With the forecast of reduced public sector finances and the continuing slow down of the house building industry we have made a number of suggestions for the Cabinet Member for Housing to consider. These include exploring the use of modular construction methods as a means to reduce the construction time and building site costs, the potential for extending co-operative housing in the City, as well as bringing forward alternative sources of private sector investment for affordable housing, such as attracting investment from pension funds.

15 Suggested Actions

1. That the Cabinet Member for Housing supports the proposals in the new Affordable Housing Planning Policy that will be presented to Cabinet as part of the Core Strategy in 2011.
2. That the Cabinet Member for Housing works with the HomeBuy Agent to market and raise public awareness of affordable housing products by:
 - Distributing HomeBuy publicity in reception areas and neighbourhood offices.
 - Explaining HomeBuy schemes to BCC clients or referring them to the HomeBuy agent.
 - Ensuring appropriate staff awareness training of the HomeBuy options is in place for BCC officers.
 - Adding a link to the HomeBuy agent website on the BCC website.
 - Informing the HomeBuy agent about new affordable housing developments.
 - Encouraging RSLs to notify the HomeBuy agent when properties complete.
3. That the Cabinet Member for Housing lobbies Central Government to widen the scope of the HomeBuy products beyond new build properties on selected developments to include a option to purchase on the open market. This will extend the choice for applicants seeking a low-cost homeownership property.
4. That the Cabinet Member for Housing explores the potential to increase the advice available on affordable housing options and skills for budgeting through neighbourhood offices and other outlets.



5. That the Cabinet Member for Housing promotes as a model of good practice the partnership working between the Council, the Homes and Communities Agency and the City Housing Partnership and the innovations that have been implemented to increase the supply of affordable housing in the City.
6. That the Cabinet Member for Housing brings a report to the Housing and Urban Renewal O&S Committee on how Birmingham shares best practice and learning from other authorities about the supply of affordable housing.
7. That the Cabinet Member for Housing considers the possibility to further increase the supply of affordable housing by exploring innovations in additional areas such as:
 - Co-operative housing.
 - Long-term deferring of land payments and identifying other funding streams e.g. pension funds.
 - Further models of mixed tenure options for the Birmingham Municipal Housing Trust.
 - Off-site modular build construction methods for affordable house building in the interests of accelerating development.
 - How to ensure delivery of affordable housing takes account of worklessness and seeks to maximise local employment opportunities and the local supply chain.
8. That the Cabinet Member for Housing brings on behalf of the City Housing Partnership a report to the Housing and Urban Renewal O&S Committee on how the Affordable Housing Strategy Task and Finish Group recommendations are being embedded.
9. That the Cabinet Member for Housing reports progress towards achievement of these Suggested Actions to the Housing and Urban Renewal O&S Committee in March 2011. The Committee will schedule subsequent progress reports thereafter.



Overview of Affordable Housing



Appendix 1: List of Witnesses Contributing Evidence to the Review

We are very grateful for the contributions we received from the following.

Barclays	David Glover, Relationship Director Social Housing Matt Weaver, Director Property Finance
Birmingham City Council	Head of Housing Strategy and Commissioning Head of Housing Regeneration and Development Development Manager (BMHT) Design Out Crime Officer Head of Planning Service Development Head of Planning Strategy Principal Planning Officer – Housing
Bournville Village Trust	Alan Shrimpton
Bromford Housing Group	Helen Collins, Group Executive Director
Castle Vale Community Housing Association	Ian Bingham
Commission on Co-operative and Mutual Housing	Chris Handy OBE, Chief Executive Accord Housing Group
Central Financial Services	Peter Edmunds
Dudley Building Society	Geoff Caves, Chief Executive
Homes and Communities Agency	Lindsey Richards, Head of Place Making West Midlands David Rhead, Birmingham and Solihull Team Leader
National Housing Federation	Liz Larkin, Regional Policy Officer
Orbit HomeBuy Agent	Margaret Snook, Stakeholder Relations Manager Olwen Ryan
Opinion Research Services	Dale Hall, Chris Broughton, Kelly Lock
Redditch Co-operative Homes	Carl Taylor, Director
St. Basil's	Jean Templeton, Chief Executive
Waterloo Housing Association	Chris Jones, Director of Development and Regeneration Helen Newbury, Development Manager Roy Mowbary
Wates Living Space	Paul O'Driscoll, Business Development Manager
Westbury Partnerships	David Palmer

The Birmingham residents who participated in our focus group on 2nd March 2010.



Appendix 2: Design and Quality Standards that Apply to Affordable Housing

Homes and Communities Agency Design and Quality Standards

Affordable housing funded by the National Affordable Housing Programme must meet these standards:

- Internal environment (size, layout and provision of services) – Housing and Quality Indicators
- Sustainability – Code for Sustainable Homes
- External environment – Building For Life

Housing and Quality Indicators

Is a system that measures housing schemes on the basis of quality rather than simply cost. It contains 10 indicators against which a development is scored.

1. Location
2. Visual impact, layout and landscaping of the site
3. Open space
4. Routes and movement
5. Unit size
6. Unit layout
7. Unit noise, light, services and adaptability
8. Accessibility within the unit
9. Sustainability of the unit – Code for Sustainable Homes
10. External environment – Building for Life

The Code for Sustainable Homes

Is a national standard to guide house builders in design and construction of more sustainable homes. It sets six levels of sustainability for new build housing. RSLs must build to Code Level 3 or higher and Local Authority New Build must meet Code 4.

Building for Life Standard

Is a national standard for well-designed homes and neighbourhoods. It is administered through CABE. There are 20 building for life criteria across four best practice design categories:

- Environment and Community – ease to public transport, appropriate tenure and accommodation mix, community facilities.
- Character –architectural quality, a variety of buildings related to local setting.



- Roads, parking and pedestrianisation - priority of building layout over roads, pedestrian and cycle friendly streets, well integrated car parking
- Design and construction – scheme-specific design, well designed and managed public space, internal design and layout allows for adaptation, conversion or extension.

New developments are scored against the 20 criteria to assess their quality of design. Building for Life Standards are awarded to schemes with scores of more than 14. Schemes with 14 or 15 receive a silver standard, schemes with a score of 16 or more receive a gold standard. Birmingham Municipal Housing Trust is aiming for a minimum of silver standard accreditation.

The Lifetime Homes Standard

The Standard includes 16 design criteria relating to the interior and external features of a home that enables properties to be adapted as residents' needs change over time.

1. Car parking width
2. Access to car parking
3. Approach gradients
4. Entrances
5. Communal stairs and lifts
6. Doorways and hallways widths
7. Wheelchair accessibility
8. Entrance level living room
9. Entrance level bedspace
10. Entrance level WC and shower drainage
11. Bathroom and WC walls suitable for handrails
12. Stair lift/ through-floor lift space
13. Tracking hoist route from main bedroom to bathroom
14. Bathroom layout allowing ease of access
15. Window height specifications
16. Controls, fixtures and fittings heights

Secured by Design

Is a police initiative to encourage the building industry to adopt crime prevention measures in the design of developments to reduce the opportunity for crime and the fear of crime, creating a safer environment. Planning policy guidance and the HCA Design and Quality Standards refer to Secured by Design principles which include natural surveillance of public areas from nearby buildings, carefully located footpaths, secure property boundaries and appropriate use of lighting.



Appendix 3: Guide to Affordable Housing Options in Birmingham

In 2006 the Government set out to simplify the low-cost home ownership market and combine the all the products into a single programme and brand called HomeBuy. Below is a summary of the options available at the time of publication.

What are HomeBuy Agents?

A number of housing associations have been appointed by the Homes and Communities Agency as HomeBuy agents to administer the scheme on a regional basis. HomeBuy agents act as the first point of contact for applicants and assess their eligibility. They are also responsible for marketing HomeBuy in the region.

Orbit HomeBuy is currently the agent for the West Midland region. Contact details are:

Telephone: 03458 50 20 50

Fax: 024 7643 8034

Website: www.orbithomebuyagents.co.uk

The HomeBuy Products:

New Build HomeBuy (Formally Shared Ownership) - Allows purchase of a share in a new-build leasehold property on a part-buy/ part-rent basis with payment of a subsidised rent on the remaining share. The buyer can purchase an initial share of between 25% and 75% and is able to buy additional shares until they own the property outright. This is known as 'staircasing'. The cost of additional shares is based on the current market value.

If an owner wants to sell the property they must sell to another nominated household eligible for low cost home ownership, or if they own outright they can sell on the open market.

HomeBuy Direct (Shared Equity) – This scheme provides equity loans to help eligible buyers to purchase selected new-build properties from one of the HCAs approved private developer partners. The buyer takes out a mortgage to cover at least 70% of the purchase price and this is topped up with an equity loan covering up to 30% of the price with no interest for five years. The equity loan is co-funded by the HCA and the development partner.

Rent to HomeBuy (Also referred to as Try Before You Buy) – This scheme is designed to help buyers onto the homeownership ladder by first renting the home they plan to buy at 20% less than market rent on the understanding that after five years the buyer will purchase through the New Build HomeBuy scheme.

Intermediate Rent (Also referred to as Discounted Market Rent) – Available on selected properties where the rent is set at a level between social and market rent. It is an assured shorthold tenancy with no option to buy.



Social Home Buy (BCC scheme referred to as Social Shared Ownership) – A scheme that offers eligible RSLs and local authority tenants the opportunity to buy a share in their rented homes. Existing tenants can purchase an initial share of 25%, the landlord then charges an affordable rent on the un-owned equity. It is also possible to 'staircase' to full ownership. In Birmingham the Home Ownership Team manages the application process (Telephone: 0121 303 7926 or 0121 303 7928)

Armed Forces Home Ownership Scheme - The HCA in partnership with the Ministry of Defence and the CLG have launched an equity loan scheme pilot designed to assist serving members of the British Armed Forces (with at least four year service) to find a suitable home on the open market, the scheme is expected to run until March 2013.

Eligibility

Most people assisted through HomeBuy are first-time buyers but people may also be eligible who need to buy in situations such as a relationship breakdown or if their household has outgrown their property and they are in housing need.

Applicants should:

- Have a household income of less than £60,000 a year.
- Have a good credit history.
- Not be able to buy a suitable home on the open market within reasonable travelling distance of where they currently live or work.
- Have some money saved for a deposit and also money to cover the cost of buying a property such as solicitor fees and valuation fees (normally around £1,500).



Overview of Affordable Housing



Comparison Table Property Value £120,000



Scheme	Deposit	Subsidy Required	Mortgage required	Percentage purchased	Term (years)	Rate	Mortgage cost pm*	Rent/Interest charge pm	Details of Rent/charge	Total pm	Household income required
Outright Purchase	£18,000	£0.00	£102,000	100%	25	6.00%	£657.19	£0.00	No rent/charge	£657.19	£25,036
New Build HomeBuy	£9,000	£60,000	£51,000	50%	25	6.00%	£328.59	£137.50	Assumed 2.75% rent on unsold equity	£466.09	£17,756
New Build HomeBuy	£4,500	£90,000	£25,500	25%	25	6.00%	£164.30	£206.25	Assumed 2.75% rent on unsold equity	£370.55	£14,116
HomeBuy Direct	£12,600	£36,000	£71,400	100%	25	6.00%	£460.03	£0.00	None for first 5 years**	£460.03	£17,525
Intermediate Rent	£480.00	n/a	n/a	n/a	n/a	n/a	n/a	£480.00	Assumed 6% rental yield	£480.00	£19,600
Private Rent	£600.00	n/a	n/a	n/a	n/a	n/a	n/a	£600.00	Assumed 6% rental yield	£600.00	£24,500

*Assumes a mortgage rate of 6% for 25 years with a 15% deposit (where required), excluding service charges.

** Interest is payable after 5 years at 1.75% pa.

Household Income Based on HC Affordability Guidelines of 45% of Net Income on Housing Costs.

Outright Purchase means that you buy and own the entire home of your choice, subject to affordability.

HomeBuy Direct is being marketed by private developers on selected new homes developments. You will need to buy at least 70% of the property, with the remainder provided by an equity loan funded jointly by the government and the developer.

New Build HomeBuy – this shared ownership option offers brand new homes on a part-buy/part-rent basis. You purchase the share that you can afford and pay a subsidised rent to the housing association on the remainder. Shares between 25% and 75% are usually available. You can usually buy more shares in the property at a later stage if you wish to.

Orbit HomeBuy Agents

Garden Court, Harry Weston Road
Binley Business Park, Binley
Coventry CV3 2SU

Telephone: 03458 50 20 50
Fax: 024 7643 8034

www.orbithomebuyagents.co.uk

Orbit HomeBuy Agents is managed by Orbit Homes (2020) Limited, a member of Orbit Group Limited which is an exempt charity registered under the Industrial and Provident Societies Act 1965.



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Comparison Table Property Value £180,000

Scheme	Deposit	Subsidy Required	Mortgage required	Percentage purchased	Term (years)	Rate	Mortgage cost pm*	Rent/interest charge pm	Details of Rent/charge	Total pm	Household income required
Outright Purchase	£27,000	£0	£153,000	100%	25	6.00%	£985.78	£0.00	No rent/charge	£985.78	£37,554
New Build HomeBuy	£13,500	£90,000	£76,500	50%	25	6.00%	£492.89	£206.25	Assumed 2.75% rent on unsold equity	£699.24	£26,634
New Build HomeBuy	£6,750	£135,000	£38,250	25%	25	6.00%	£246.45	£309.38	Assumed 2.75% rent on unsold equity	£555.82	£21,174
HomeBuy Direct	£18,900	£54,000	£107,100	100%	25	6.00%	£690.05	£0.00	None for first 5 years**	£690.05	£26,287
Intermediate Rent	£720	n/a	n/a	n/a	n/a	n/a	n/a	£720.00	Assumed 6% rental yield	£720.00	£27,429
Private Rent	£900	n/a	n/a	n/a	n/a	n/a	n/a	£900.00	Assumed 6% rental yield	£900.00	£34,286

*Assumes a mortgage rate of 6% for 25 years with a 15% deposit (where required), excluding service charges.

** Interest is payable after 5 years at 1.75% pa.

Household Income Based on HC Affordability Guidelines of 45% of Net Income on Housing Costs.

Outright Purchase means that you buy and own the entire home of your choice, subject to affordability.

HomeBuy Direct is being marketed by private developers on selected new homes developments. You will need to buy at least 70% of the property, with the remainder provided by an equity loan funded jointly by the government and the developer.

New Build HomeBuy – this shared ownership option offers brand new homes on a part-buy/part-rent basis. You purchase the share that you can afford and pay a subsidised rent to the housing association on the remainder. Shares between 25% and 75% are usually available. You can usually buy more shares in the property at a later stage if you wish to.

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Appendix 4: Birmingham Local Investment Plan

Birmingham Local Investment Plan: Thematic Priorities

- Supported Housing
- Older People (Extracare facilities, increasing independence & releasing existing homes)
- People with Learning Disabilities (greater housing options, links with employment)
- Gypsies & Travellers (16 pitches & 15 transit pitches)
- PSA 16 Groups (increase proportion into settled accommodation – shift from care homes to independent living)
- Economic well-being and worklessness
- Support current initiatives, programme opportunities– Green New Deal, Future Jobs Fund, Working Neighbourhoods Fund
- Sustainable improvement of existing stock
- Retrofitting –Current Low Carbon projects. Opportunity to develop comprehensive business plan for private & public stock

Birmingham Local Investment Plan: Spatial Priorities

Priority Area	Deliverability	Area Board
Longbridge	A/B	South West
Egg Hill	A	South West
Hagley Road Extra-care	A	South West
Kings Norton	A	South West
Druids Heath	C	South West
Snow Hill Hostel redevelopment	A	City Centre
Icknield Port Loop/ Ladyport	B	North West
Newtown	A	North West
Lozells	A	North West
Lyndhurst (Erdington) (PFI)	A/B	North West
Birchfield	C	North West
Aston (South)	C	North West
Shard End Urban Village	A	East
Lea Hall/ Meadway	A/B	East
Alum Rock Road	B	East
Yardley Brook Former Sewage Works	C	East

(A = 0-3 years, B = 3-6 years, C = 7+ years)



Appendix 5: Homes and Communities Agency and Birmingham City Council Joint Investment 2009/10 – 2010/11

Programme	2009/10 (£m)	2010/11 (£m)	Estimated Housing Outputs
Local Authority New Build Round 1 & 2	8.2	5.6	230
Homebuy Direct	6.9	0	304
Mortgage Rescue	0.3	0	5
Kickstart Round 1	17.6	1.6	540
National Affordable Housing Programme	29.1	15.3	1339
Property & Regeneration	0.6	11.1	206
Community Infrastructure Fund	1.2	3.8	N/A
Low Carbon Infrastructure	2.3	0	218
Growth Point	2.4	2.8	N/A
Housing Market Renewal	9.9	11	381
Gypsies & Travellers	0	0	N/A
Places for Change	0	5.3	150 (includes refurbishments)
Birmingham City Council	11.6	6.9	TBC
Total	90.1	63.4	3373

On 25 May 2010 the Homes and Communities Agency announced spending cuts of £230 million. It also froze uncommitted funds for the National Affordable Housing Programme, Kickstart Round 2 and Local Authority New Build programme. This announcement does not impact on the Birmingham Municipal Housing Trust phases 1 and 2 as contract arrangements were concluded, however it may have implications for future HCA funding in the City.



Overview of Affordable Housing

Appendix 6: Report of the Affordable Housing Focus Group

Birmingham City Council Intermediate Affordable Housing Forum 2010

Report of Findings
March 2010



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Contents

Section 1: Study Aims and Method	5
Study aims	5
The Commission	5
Why is it important to study demand for intermediate affordable housing?	5
What is intermediate affordable housing?	6
What intermediate affordable housing products are available locally?	6
Study method	7
Forum Participants	7
Conduct of the Forums.....	7
Qualitative Research	8
Organisation of the Report.....	8
Section 2: Background information	9
Introduction.....	9
Information from the SHMA	9
The estimated requirement for intermediate affordable housing	9
Intermediate affordable housing price range compared to social rents and market rents	10
Incomes and Earnings.....	11
Information from the HomeBuy agent.....	11
Conclusion from this section	12
Section 3: Report from Questionnaires	14
Introduction.....	14
Reason for moving to present home.....	14
Reason for wanting to move to next home	14
Preferred tenure of next home and the extent to which a HomeBuy type product will be considered or preferred	15
Current tenure and age	15
Household income savings and debt	15
Section 4: Report of Discussions	17
Introduction.....	17
Intermediate Affordable Housing Residents.....	17
Introduction.....	17

Choosing Shared Ownership	17
Applying for Shared Ownership.....	17
Benefits of Shared Ownership.....	18
Drawbacks of Shared Ownership	19
Staircasing.....	20
Properties	21
Overall	21
Social Renters	22
Introduction.....	22
Awareness of Shared Ownership/Shared Equity Schemes	22
Impressions of Intermediate Schemes	23
Possible Improvements to Affordable Schemes.....	24
Other Issues.....	25
Private Renters	25
Introduction.....	25
Cost, value and options	26
Quality	26
Flexibility.....	26
Fairness.....	27
Complexity and access.....	27
Overall	27
Section 5: Conclusions and Overall Comments	28
Social renters.....	28
Existing shared owners.....	28
Private renters.....	29
Cross cutting findings	29
Section 6: Appendix - Definitions	30
PPS3 definitions.....	30
PPS 3 Annexe B definitions relating to affordable housing.....	30

Chapter 1: Study Aims and Method

Study aims

The Commission

- 1.1 Birmingham City Council's (BCC)'s Housing and Urban Renewal Overview and Scrutiny Committee is undertaking a scrutiny overview of intermediate affordable housing, examining how the Council and its partners can deliver the affordable housing required to meet housing need in Birmingham given the current economic climate. The scrutiny review is gathering a range of evidence from key stakeholders and BCC is keen to supplement this with views from the public.
- 1.2 As such, Opinion Research Services (ORS) was commissioned to facilitate and report one Public Forum (in March 2010) to:
 - Discuss people's perceptions of the term 'affordable intermediate housing';
 - Explore participants' knowledge and understanding of affordable housing options; and
 - Learn about participants' experiences of accessing affordable housing.
- 1.3 The Forum was designed to be qualitative and deliberative in order to encourage members of the public to reflect in depth about their experiences of, and views on, intermediate affordable housing.
- 1.4 ORS worked in collaboration with BCC to devise a background presentation and discussion agenda, facilitate the discussions and prepare an independent report of people's opinions.

Why is it important to study demand for intermediate affordable housing?

- 1.5 Full home ownership is becoming increasingly less affordable to first time buyers. At the same time social housing is in short supply. Consequently, some households are in the situation where they are unlikely to get access to social housing yet cannot reasonably afford home ownership.
- 1.6 A reason why full home ownership is not affordable to this group is because the spending power of existing home owners is boosted by equity in their present home. This is due to increases in the value of housing and to the effect of mortgage repayments. Households who do not own housing cannot compete with existing home owners unless they have savings and assistance in some form, whether public subsidy or help from their extended family. Repayment of student loans or other debts and the need to save for a deposit all affect a non home owning households ability to afford home ownership.
- 1.7 Intermediate affordable housing, if shared ownership or shared equity based, has the potential to give households a more affordable route into home ownership and take pressure off waiting lists for social housing.

- 1.8 A recent assessment of housing need and demand has demonstrated that 1,000s of Birmingham's households could potentially afford intermediate affordable housing but not decent market housing. There is an increasing supply of intermediate affordable housing due to Government and City of Birmingham initiatives to support the market for new build housing in the wake of the credit crunch.
- 1.9 Therefore, a study to explore the attitudes of potential customers for intermediate affordable housing to this type of tenure is timely. The study aims to understand the factors that give rise to or suppress effective demand for intermediate affordable housing.

What is intermediate affordable housing?

- 1.10 In 2004 The Government published Planning Policy Statement 3 (Housing) (PPS3). This statement contains important definitions used in this paper. It is important that the terms affordable housing and intermediate affordable housing are understood and that they should be distinguished from the concept of the general affordability of housing. Some of our findings and conclusions are based upon an understanding of these terms. The full text of these definitions is included in the appendix for ease of reference, however, short definitions are as follows;
- Affordable housing; housing that is subsidised and is affordable to households at below market prices;
 - Social housing; housing provided by Councils and Housing Associations and is normally let at the cheapest rents available locally;
 - Market housing; housing for sale or rent that is bought and sold at prices determined by the market in step with supply and demand;
 - Intermediate affordable housing; housing that costs more than social housing but less than market housing; and
 - Affordability; a measure of whether housing may be afforded by certain groups of households.
- 1.11 A further point that should be made is according to PPS3, the affordability of affordable housing should be determined with regard to local incomes and local house prices. See the full definition in the appendix.

What intermediate affordable housing products are available locally?

- 1.12 There are three main types of product;
- Shared ownership; an owner will part buy and part rent with an ability to buy a larger share in the ownership in the future. This is called 'staircasing'. An owner can also sell all or part of the share;
 - Shared equity; an owner will part buy but not part rent, instead, any future increase in the value of the home will be shared pro rata if and when it is sold; and
 - Intermediate rent; a dwelling let at a rent around 80% of local market rents.
- 1.13 It should be noted that where ownership is involved a deposit and a mortgage will normally be required. Lenders have criteria for lending in that a household should have adequate income to afford repayments and other obligations and have a good credit history. Households will be required to pay for insurance and repairs and any service charges required by the co-owner.

- 1.14 The main types of product have been developed into a number of related products and are marketed as HomeBuy;
- New build HomeBuy; a shared ownership product for new build housing;
 - HomeBuy direct; a shared equity product for new build housing;
 - Rent to HomeBuy; up to five years at a discounted rent then if the household has not fully purchased shared ownership terms will apply;
 - Intermediate rent; as above; and
 - Social HomeBuy; Council and housing association homes sold at a discount according to the length of tenancy, shared or full ownership. Purchasers must sell back to the former owner if sold within 10 years of purchase.
- 1.15 It should be noted that currently the first 3 of the products available above are aimed at new build housing as part of The Government's initiative to support the house building industry as it faced collapse following the credit crunch. A HomeBuy product for second-hand housing is currently not available via the HomeBuy Agent but can occasionally be found offered privately via estate agents.

Study method

Forum Participants

- 1.16 A total of 27 members of the public took part in the forum, including;
- 13 people already resident in intermediate affordable housing;
 - 2 people who are renting from the Local Authority;
 - 6 people who are renting from a Registered Social Landlord (RSL) or Housing Association (HA); and
 - 6 private renters.
- 1.17 In order to ensure that the forum comprised either of people already living in intermediate affordable housing or those who would be plausible candidates for such accommodation, ORS was asked to recruit only those whose annual household income falls between £15,000 and £35,000.
- 1.18 Private renters and those renting from a Local Authority, a RSL or a HA were recruited by ORS via Birmingham City Council's People's Panel, whereas those already resident in affordable intermediate housing were invited to express an interest in attending by their HA, and subsequently recruited to the forum by ORS.
- 1.19 The participants were recruited from the ORS Social Research Call Centre. Having been initially contacted by phone, they were then sent letters to confirm the invitation and the arrangements. Those who agreed to come then received telephone or written reminders shortly before each meeting. They were paid for their participation and expenses incurred in taking part in the forum, which lasted for three hours.

Conduct of the Forums

- 1.20 Background information was provided at the forum in order to inform the meetings without leading them. ORS prepared a detailed presentation about intermediate affordable housing covering the following range of issues;

- What is meant by the term intermediate affordable housing;
- The different types of intermediate affordable housing schemes available and what they entail;
 - Shared Ownership (New build HomeBuy; Rent to HomeBuy and Social HomeBuy)
 - Shared Equity (HomeBuy Direct)
 - Intermediate Rent
- The levels of income required to enter into intermediate affordable housing; and
- The intermediate affordable housing schemes available in the Birmingham area.

^{1.21} The forums were then given the opportunity to ask questions and seek points of clarification, before being sub-divided into groups (based on tenure) to consider the issues in some detail.

^{1.22} In order to obtain a fuller picture of their circumstances and prospects (in respect to entering the property market), participants were also asked to complete a short questionnaire during the session.

Qualitative Research

^{1.23} **Given the nature of forums, caution must be exercised in generalising views from this work to represent those of the whole population.** The sample size was small and the views expressed were the personal opinions of the participants which mean that the findings presented here must be viewed within that context. However, this does not preclude the fact that common themes emerge and the findings have validity in their own right as articulating the views of a group of local people. They provide a range of common perspectives that have been explored in-depth, something that large-scale quantitative studies cannot achieve.

Organisation of the Report

^{1.24} This is a concise report of the findings, which reviews the sentiments and judgements of participants about intermediate affordable housing. Some verbatim quotations are used, not in order to endorse them, but to illustrate different points of view vividly. While quotations are used, the report is not just a transcript of the discussions but an interpretative summary of the issues raised by participants. However, while summarising the main themes and highlighting the key points, this report seeks to be faithful to what was said. Direct quotations always appear in italics (but without quotation marks).

Chapter 2: Background information

Introduction

- ^{2.1} It is helpful to briefly consider the background information presented to the Forums and further information needed to assess findings of the study in an informed way. There are two sources of information.
- ^{2.2} Firstly during 2009 ORS finalised a Strategic Housing Market Assessment (SHMA) for Birmingham City Council. A SHMA is an evidence base that describes the local housing market and forecasts the requirement for market and affordable housing over the next 5 years. In order to arrive at this finding an assessment is made of the supply of housing and the extent to which it is affordable to those likely to be in need of it.
- ^{2.3} Secondly we have obtained information from the HomeBuy agent that enables us to have a better understanding of the affordability of intermediate affordable housing products. The HomeBuy agent is a housing association appointed by the government to assist households into HomeBuy related products. They will promote HomeBuy, advise and assist potential purchasers. The HomeBuy agent for Birmingham and the West Midlands Region is Orbit First Step; <http://www.orbithomebuyagents.co.uk>

Information from the SHMA

The estimated requirement for intermediate affordable housing

- ^{2.4} PPS3 defines intermediate affordable housing in terms of local market prices and social rents. The SHMA uses these definitions and local prices. It also uses the loan to income and rent to income affordability ratios quoted in Government guidance.
- ^{2.5} It estimates the proportion of housing that is likely to become available and affordable to local households that are newly forming or otherwise need to move home. A key output of the SHMA is an overall assessment of the requirement for additional housing by tenure in Birmingham over the next 5 years.

Figure 1

Summary of 5-Year Housing Requirements by Housing Type (Source: ORS Housing Market Model, Birmingham Strategic Housing Market Assessment 2007. Note: Figures may not sum due to rounding)

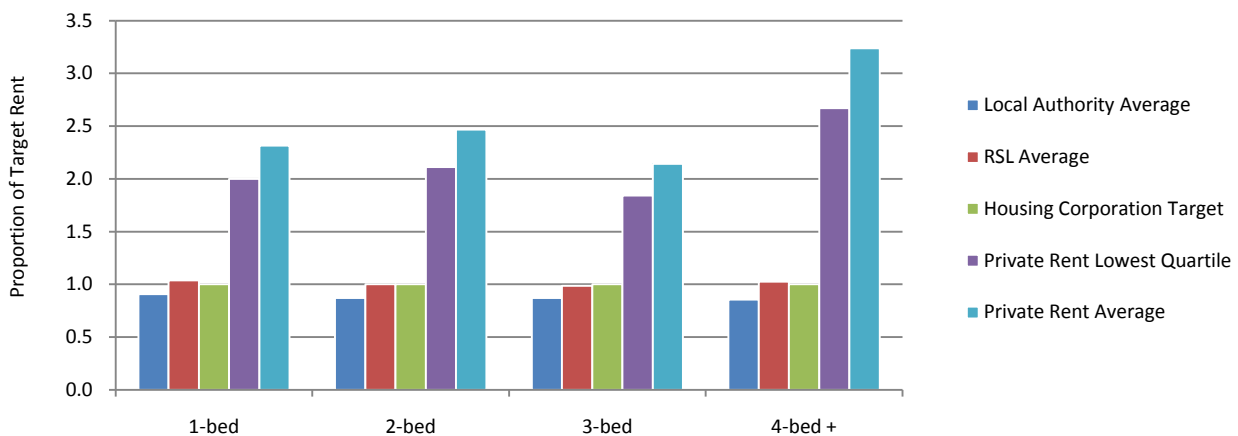
Housing Type	Gross Housing Requirement	Housing Supply	Net Housing Requirement (Surplus)	
			N	%
5-Year Requirement				
Market Housing	133,358	112,520	20,838	72.9%
Intermediate Housing	36,844	29,117	7,727	27.1%
Social Rented Housing	21,728	30,125	(8,397)	-
Total	191,929	171,761	20,168	100.0%

2.6 These are headline results and are explained in more detail in the SHMA report. It is readily apparent that over the 5 year period there is estimated to be a substantial requirement for intermediate affordable housing. The apparent surplus of social housing should not be taken literally. If intermediate affordable housing is not provided on this scale then the shortfall will translate into demand for social housing. This is because, by definition, these households cannot reasonably afford market housing. Further, a large requirement for 4 bedroom social rented homes is masked by the apparent surplus of smaller social rented homes. This in itself is a very important finding as large households on low incomes have little choice but to seek social housing as market prices for large homes are more expensive than smaller homes.

Intermediate affordable housing price range compared to social rents and market rents

2.7 The SHMA also contains important information about the relative cost of housing in Birmingham for each tenure.

Figure 2
Rents Relative to Target Rent by Property Size



2.8 Note that average sale prices are not quoted here. This is because PPS3 does not distinguish between market prices for sale and rent. On a like for like basis market rents are more affordable than house purchase costs. In practice the upper limit of the intermediate affordable housing costs are defined by market rents rather than purchase prices. Entry level market rents are hard to define as the cheapest rents may be for housing that could be described as not decent. In practice lower quartile (the lowest 25%) of all rents across the City is used.

2.9 From Figure 2 it is clear that the gap between social rents (local authority, RSL and social ‘target’ rents) and lower quartile market rents is;

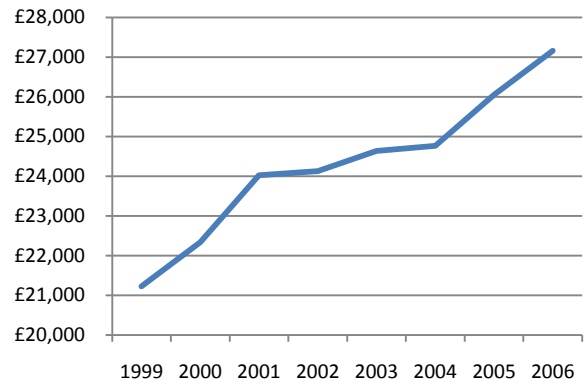
- substantial - over double in all cases; and
- significantly higher still for 4 bedroom and larger homes.

Incomes and Earnings

2.10 There are two separate ways to analyse average earnings in a local authority. Employee based: the earnings of people employed in Birmingham who may or may not live in Birmingham and Residence based: the earnings of people who live in Birmingham but may or may not work there.

2.11 Since 1999 the New Earnings Survey (NES) and subsequently the Annual Survey of Hours and Earnings (ASHE) has recorded incomes for all local authorities. Figure 3 shows the average gross annual full-time earnings for employees in Birmingham. This shows that average full-time earnings have risen by around 30% over the last seven years an average of almost £27,200. This is for those in full time employment.

Figure 3
Mean Gross Annual Earnings for Birmingham Employees for Full-time Employees (Source: ASHE 1999-2006)



2.12 The average Birmingham resident based income is around £4,000 p.a. less than the average employee based income.

Information from the HomeBuy agent

2.13 Illustrative Information provided by the HomeBuy agent clearly demonstrates that new build HomeBuy and HomeBuy direct are more affordable than outright purchase. The figure shows the income required to service housing costs across a range of products using the government guideline income to loan benchmarks.

Figure 4
Household income required to service various market and HomeBuy options using government affordability benchmarks (Source: HomeBuy agent, ORS)

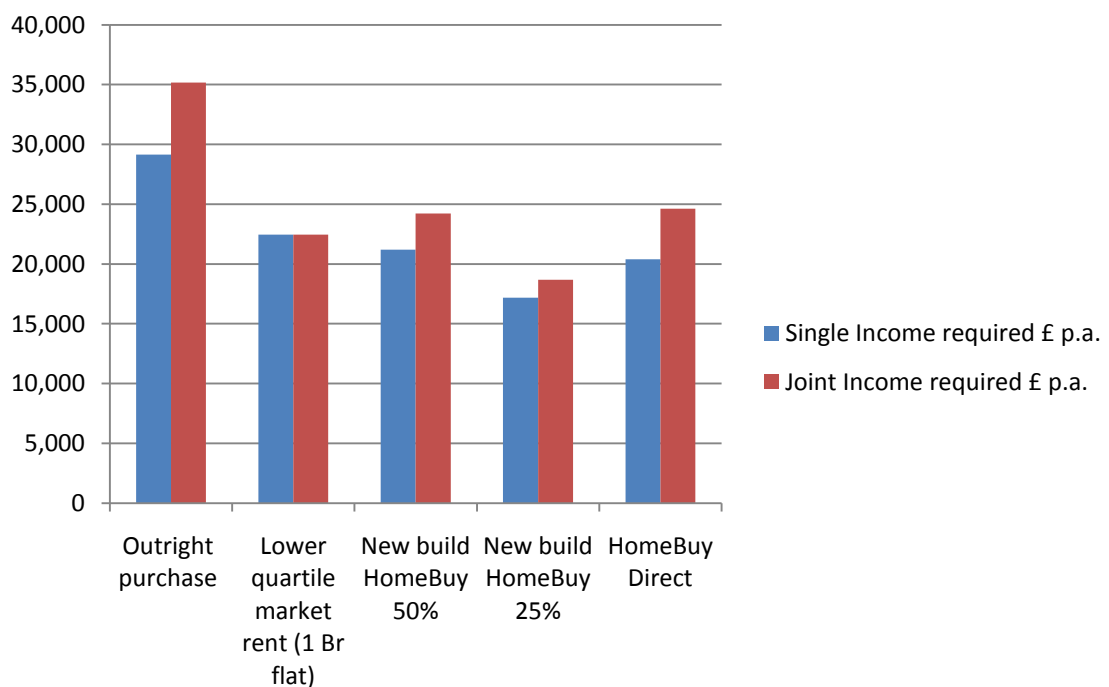


Figure 5

Data table of household income required to service various market and HomeBuy options using government affordability benchmarks (Source: HomeBuy agent, ORS)

	Single Income required £ p.a.	Joint Income required £ p.a.
Outright purchase	29,143	35,172
Lower quartile market rent (1 bedroom flat)	22,464	22,464
New build HomeBuy 50%	21,195	24,210
New build HomeBuy 25%	17,174	18,681
HomeBuy Direct	20,400	24,621

- 2.14 In the example given, government guideline affordability benchmarks have been used. This is to ensure consistency with SHMA estimates of requirements;
- Government single income means that the loan can be up to 3.5 times gross income of a household with a single source of income
 - Government joint income means the loan can be up to 2.9 times the total gross income of a household with more than one source of income.
- 2.15 The example is for new build HomeBuy with a £120,000 purchase price, a deposit equivalent to 15% of the value of the share purchased and a rent of 2.75% p.a. of the value of the part rented. In the example given there is no service charge. The addition of a service charge will narrow the gap between the cost of HomeBuy products and outright purchase. This illustration has been chosen as there would appear to be good supplies of 1 and 2 bedroom new build apartments on the market at or below this asking price.
- 2.16 In the example given for new build HomeBuy, on the basis of government affordability guidelines a 25% share of a £120,000 new home would require a minimum income of £17,174 p.a. if a single income or £18,881 p.a. if more than one household income is available. In addition a £4,500 deposit would be needed as well as funding for legal fees and insurance. In practice borrowing limits are a decision for the lender.
- 2.17 The level of lower quartile market rents in relation to the HomeBuy option is particularly noteworthy and when participants' views are taken into account leads to some interesting conclusions.

Conclusion from this section

- 2.18 It is clear that in Birmingham there is estimated to be a significant requirement for intermediate affordable housing and that there is a significant difference between social rents and market rents.
- 2.19 What can be afforded by these households depends upon their individual circumstances.
- 2.20 It is clear that shared ownership and shared equity have the potential to deliver a more affordable route into home ownership than outright purchase.

^{2.21} However, requirements based upon affordability criteria are only part of the picture. Household preferences, aspirations and choice all need to be considered before conclusions can be reached about turning requirements into demand for housing products.

Chapter 3: Report from Questionnaires

INTRODUCTION

- 3.1 A short questionnaire was designed for participants to complete. The purpose of the questionnaire was to;
- Capture personal information especially regarding income savings and debt;
 - Ensure that information was collected from participants who found it difficult to fully contribute to the discussion; and
 - Provide an element of reality checking of forum contributions.
- 3.2 26 questionnaires were completed. These were not exhaustively analysed but after examining the questionnaire responses the following information is likely to be of greatest value to the study;
- Reason for moving to present home;
 - Reason for wanting to move to next home;
 - Preferred tenure of next home and the extent to which a HomeBuy type product will be considered or preferred;
 - Household tenure by age; and
 - Household income savings and debt.
- 3.3 This information forms a profile of the group of participants it should not be interpreted as being representative of Birmingham residents. Nevertheless, several findings are noteworthy.

Reason for moving to present home

- 3.4 Most participants who moved to a shared ownership dwelling mainly moved to get a foot on the property ladder. The other notable reasons in descending order of frequency were relationship breakdown, poor quality of previous housing and a desire to live independently.
- 3.5 Participants who moved to social rented housing did so because their previous home was too small.
- 3.6 Other reasons cited (all tenures) were relationship breakdown and to escape harassment.

Reason for wanting to move to next home

- 3.7 About a quarter of participants had no plans to move. These were mainly older person households who had lived at their present home a long time.
- 3.8 Of the rest, the reasons cited were (main reason) more space, to live with partner, better quality housing, better quality neighbourhood.

Preferred tenure of next home and the extent to which a HomeBuy type product will be considered or preferred

- 3.9 Most participants who intended to move cited full home ownership as their intended tenure. Some of these households would not be able to afford such a move on the basis of the income information they had supplied.
- 3.10 None cited shared ownership or shared equity as their preferred tenure although there was evidence that some were aware of it and had considered it seriously.

Current tenure and age

This tabulation was undertaken to see if tenure was potentially associated with age.

Figure 6
Current tenure by age of participant (Source: ORS)

Age range:	Under 20	20-24	25-29	30-34	35-39	40-44	45-49	50-54	55-59	60-64	65+	Total
Social Rent				1	3		1			3	1	9
Rented from a private landlord			1									1
Rented from an employer								1				1
Shared ownership			1	4	1	3	1			1		11
Shared Equity												0
Owner occupier												0
Other						1					1	2
	0	0	2	5	4	4	2	1	0	4	2	

- 3.11 Figure 6 tells us that participants that were shared owners tended to be under 50 years of age with most under 40.

Household income savings and debt

- 3.12 The income distribution of participants can be compared to SHMA findings.

Figure 7
Income distribution by age of participant (Source: ORS)

Income range:	Up to £5,199	£5,200 to £10,399	£10,400 to £15,599	£15,600 to £20,799	£20,800 to £25,999	£26,000 to £31,199	£31,200 to £36,399	£36,400 to £41,599	£41,600 to £46,799	£46,800 to £51,999	Total
Under 20											0
20-24											0
25-29					1		1				2
30-34		1			1	2		1			5
35-39	1			1		1	1				4
40-44		1	1		1					1	4
45-49				2							2
50-54				1							1
55-59											0
60-64	1				2		1				4
65+			1		1						2
	2	0	3	5	6	3	3	1	0	1	

3.13 From Figures 7 and 8 in general terms only a small number of household had income of under £16,000. These were most likely to be social tenants, a shared owner or ‘other’ tenure. On closer examination of the questionnaires it was apparent that some households stating their intention to become owner occupiers (not shared owners) did not presently have sufficient income to finance a mortgage even at entry level prices.

Figure 8
Income distribution by current tenure (Source: ORS)

Income band:	Up to £5,199	£5,200 to £10,399	£10,400 to £15,599	£15,600 to £20,799	£20,800 to £25,999	£26,000 to £31,199	£31,200 to £36,399	£36,400 to £41,599	£41,600 to £46,799	£46,800 to £51,999
Social rented	1			2	3	1	1	1		
Rented from a private landlord				1	1					
Rented from an employer				1						
Part owned from a housing association	1		2	2	2	2	2			
Other			1							1
	2	0	3	6	6	3	3	1	0	1

3.14 From Figure 8 it seems that shared owners and social tenants in the group had relatively high incomes.

3.15 There is very little information generally available about the impact of student loans and the potential for repayments to limit spending power on housing.

Figure 9
Value of student loan monthly repayment by tenure (Source: ORS)

Range:	Under £50	£50 to £99	£100 to £149	£150 to £199	£200 to £249
Social Rented	1			1	
Rented from a private landlord					
Rented from an employer					
Shared Ownership	1	1	1		
Shared Equity					
Owner occupied					
	2	1	1	1	0

3.16 From Figure 9 it is clear that a minority of participants had student loans and that monthly repayments were significant.

Chapter 4: Report from Questionnaires

Introduction

- 4.1 This chapter is arranged in the following sequence and the views of each sub-group are reported under the relevant headings;
- Intermediate Affordable Housing Residents;
 - Social Renters; and
 - Private Renters.

Intermediate Affordable Housing Residents

Introduction

- 4.2 This group comprised two males and nine females, all of whom are resident in shared ownership properties, nine in a house and two in an apartment. Participants have lived in shared ownership for between one and eighteen years, most for between two and five years. Two participants own 25% of their property, one owns 40%, seven own 50% and one owns 60%.

Choosing Shared Ownership

- 4.3 Participants had heard of shared ownership (none referred to it by the term Newbuild HomeBuy) by various means, principally word of mouth, advertisements in the local paper and advertisements in estate agents' windows. Others were generally aware of such schemes and had researched them further on the internet prior to making enquiries:

I was aware of shared ownership as a scheme so I went online and had a look to see what was available in the areas I wanted to live in

- 4.4 As for why they chose to enter the shared ownership scheme, it was essentially considered to be the only available route to buying a property, especially for most first time buyers in Birmingham:

If you want to own your home you've got to...it's the easiest way

It's the only way to get on the ladder, especially if you're on a low income...there's nowhere else to go

It's either private rent or shared ownership

Applying for Shared Ownership

- 4.5 The process of applying for and obtaining shared ownership accommodation was considered relatively simple by the majority of participants. Indeed, most had received great deal of assistance from their Housing Association in this respect:

It was really easy. The Housing Association was really helpful, filling in all the forms for us and chasing things up. There was nothing we had to do but sit back and wait

- 4.6 One issue raised at this point was the sometime requirement to complete the housing purchase in what was thought to be an unreasonable amount of time:

The only thing I found was that they wanted to complete within six weeks and I couldn't get everything together in that time. It was really hard and they kept pushing me...and I had to wait on solicitors

- 4.7 Further, it was claimed that lenders are reticent to lend to shared owners as they are deemed a risk, although the situation was acknowledged to be better now than it was years ago:

They don't tell you that certain banks won't accept you because you're a risk...if your property has to be repossessed it's really complicated so some don't like to touch it

- 4.8 A couple of participants noted that, to obtain a shared ownership property, the mortgage application process is somewhat intrusive. It was suggested that because of the dual nature of the scheme (i.e. part-mortgage/part-rent), applicants are checked and vetted more thoroughly than someone applying for an 'outright' mortgage. This was not, however, considered negatively and participants recognised that such thorough checks ensure people do not end up with a property they can ill-afford.

- 4.9 The so-called 'credit crunch' has apparently impacted upon the level of deposit required of shared ownership buyers. Prior to the current difficult financial climate, they were apparently expected to have a deposit of around 5% and were thus able to purchase, on average, a 50% share in their property. However, this has now risen to around 15%, the amount paid by the participant who has been in a shared ownership property for a year and who, as a result, was unable to purchase any more than 25%:

That's why we only got 25%, because we couldn't afford to buy a 50% share and pay a 15% deposit

- 4.10 Most of those who had purchased at a time when deposits were set at a lower level could not afford to do so now due to an inability to afford the higher deposit required.

- 4.11 Another alleged effect of the credit crunch is that Housing Associations are finding it far more difficult to sell their properties and so are offering potential shared ownership buyers more 'perks' such as free carpets and the payment of deposits and solicitors' arrangement fees:

They are desperate to get rid of their properties just like anyone else...they're offering to pay your deposits, solicitors fees or buy your carpets

We did it a year ago and we got all of the carpets free. The different Associations were offering different things but we chose the carpets

They're much more helpful because of the credit crunch...they want to get rid of the houses

Benefits of Shared Ownership

- 4.12 Participants were generally positive about the shared ownership scheme. Most did not regret using it as a means to get on the property ladder which was, of course, considered to be its chief benefit.

- 4.13 One participant was particularly pleased that home improvements are not taken into account when staircasing. That is, the purchase price is based on what the property was worth rather than what it is valued at subsequent to the upgrades being made:

If you go to buy another share off them, any improvements you make are not taken into account. So if your property is 20 years old it's valued as a property with, for example, a 20 year old heating system etc. It's basically valued to reflect how it was...it's at market value but not taken into account any improvements you have done...and that way you would gain if you were to carry on purchasing.

4.14 The ability to recoup home improvement costs when selling a shared ownership property was thought to be another benefit of the scheme. However, one participant argued that whilst alterations are supposed to be taken into account in theory, this is not always the case in practice.

4.15 One Housing Association apparently requires its shared owners to pay a small fee prior to making any alterations to their home and only after doing so are they entitled to gain on their percentage:

It protects you and if you make any improvements they don't profit from it...you gain on your percentage

Drawbacks of Shared Ownership

4.16 One perceived negative associated with shared ownership is that permission is needed to alter any aspect of a property; this renders some people less likely to consider it 'home'. Also, the fact that property maintenance and repairs are solely down to the homeowner is a bone of contention. It was suggested that the Housing Association should contribute an amount to the maintenance of the property that is equal to the share they own:

The downside is that you are responsible for all your repairs

It's wrong that you have to pay 100% of the repair cost

My boiler went and I phoned them up thinking 'you own half this house' but I was told 'you fix it, you live in the house it's your problem'

4.17 A minority claimed to have not been properly and clearly informed of their maintenance and repair obligations prior to purchasing their property and felt this knowledge may have affected their decision to enter into shared ownership:

It's in the lease but who reads a great big thing like that...so it came as a bit of a shock when things needed doing

4.18 Most, however, were provided with all of the relevant information and entered into the scheme in the full knowledge that the responsibility for maintenance and repairs would be theirs.

4.19 A few participants stated that they feel financially 'trapped' in their shared ownership property, particularly those who purchased prior to the credit crunch. They argued that as shared ownership properties are so sought after, they are often sold at a premium, meaning that those who bought at such a premium two or more years ago are now in negative equity and are unable to move elsewhere on the open market:

I'm finding that I can't get out of it because I'm in negative equity. You can't get the mortgage to move on to the open market

4.20 Others feel trapped in the sense that they want to purchase more shares in their property and cannot yet afford to do so, a feeling that was especially prevalent amongst those living alone:

I want to buy more shares but I can't yet...it's getting a bit frustrating

I would have loved to have bought the other half of my house but unless I find husband number two and get another income to help then I can't!

Staircasing

- 4.21 The fact that shared owners can staircase up and eventually own their property outright was viewed as an extremely important aspect of the scheme:

If it was down to choice everyone would buy outright...no-one would go onto shared ownership. The reason you do is that it's a way to get on the ladder and the ultimate game is to own your own home

- 4.22 Although none have yet done so, most participants ultimately wish to buy a larger share in their current property, eventually achieving full ownership. This was deemed a realistic ambition for several, although a couple questioned how realistic full ownership is given that the other half is based on what it's worth now not what you paid for it and house prices are still too high:

You start off with the dream that you will...but in reality you probably won't

- 4.23 It was generally agreed, however, that a person's ability to staircase will depend on their financial situation and their age. A younger person (or couple) can reasonably expect their salary to increase over time, improving their finances sufficiently that they will be in a position to purchase additional shares in their property:

I went to the bank about a year ago and they did actually offer me another 25% which would have taken me up to 75% because my salary had gone up significantly...at the time the recession was taking off and I didn't want to make a commitment at that time but I think I will soon because I'm at a point where my career is going where I want it to and my salary will probably keep increasing for the next three years or so

- 4.24 Further, those who were more positive about being able to staircase were either in a relationship or currently single but anticipating being in a relationship at some stage. A double income, it was felt, makes a huge difference:

I think me and my husband will ...we are hoping to do it in the next couple of years...if all goes to plan we will be 100% soon

- 4.25 At present, it would appear that most Housing Associations allow shared owners to buy further property shares in 25%, 50% or 75% portions. When asked whether reducing the increments would be beneficial (that is, allowing people to purchase, say, a 10% portion), participants answered in the negative due to the cost associated with staircasing. In effect, each time a person wishes to purchase another stake in their property they have to pay (again) for the mortgage arrangement and solicitor fees, surveyors etc.:

It's like applying for a mortgage every time...you have to pay for surveyors and solicitors and all that each time

- 4.26 As such, they felt it better to wait and buy as large a share as possible at one time rather than buy smaller shares more frequently.

- 4.27 With respect to the above issue, participants desired more financial assistance from The Government when staircasing:

If The Government takes part in a scheme like this they should have something in place to give you more help to buy some more shares...otherwise you're paying another £1500 for all the arrangements

If The Government could give some more help to people after they've moved in...

Properties

- 4.28 All but two participants had purchased a share in a house as opposed to a flat.
- 4.29 It was argued that the cost of a flat or apartment works out the same as a house when the various maintenance and service charges are taken into account. As such, it was argued that unless you specifically wanted an apartment, *why wouldn't you just go for a house?*
- 4.30 One participant, who had purchased a share in a flat some years ago, had done so because *I only needed a flat at the time*. However, their circumstances have now changed and, with a growing family, they need to move to a larger property and can neither afford the deposit that would enable them to do so, nor sell their current home. They also feel unable to find the relevant information that could help their situation.
- 4.31 Whilst most agreed that their shared ownership properties are generally speaking in the right areas for them, one participant disagreed and felt that *the houses are in areas that are not as desirable as other areas...they are either way out of Birmingham or they are not very nice areas*.
- 4.32 It was also argued by one participant that *you are prepared to compromise on location to an extent when you go into shared ownership because you don't have as many options as you would in outright buy*.

Overall

- 4.33 The majority of participants would recommend shared ownership as *a means of getting on the property ladder – primarily for the very reason that you can buy a house*. Further, the properties themselves were considered positively. However, one participant attached a caveat to their recommendation, suggesting that *you should do it when you're young and so have more time to pay off your mortgage and staircase...I did it when I was 48 and it was a big mistake...I'm retired now and I'm struggling*.
- 4.34 It was strongly suggested that those looking to enter into shared ownership think it through to see what you might want in the future so you don't feel trapped. In essence, it was considered prudent not to choose a property based on what is appropriate for current circumstances, but to consider the future and whether the property will be suited to, for example, a family.
- 4.35 The shared ownership option was certainly judged positively in comparison to private renting in that the occupant has a stake in their property and can eventually staircase up to own a greater share. Indeed, although shared ownership does entail a rental payment that is, in the words of one participant, dead money, it is counterbalanced by the fact that a percentage of the property is owned.
- 4.36 All but one of the eleven participants views their home as their own, despite not fully owning it (and in one case owning only a quarter of it). The remaining group member reasoned that because they

must ask permission from the Housing Association to make any alterations to the property, they do not feel it is fully theirs and, as such, they are actually less inclined to make changes anyway:

At the back of your mind you're always thinking 'it's not mine shall I bother' and any changes have to go through certain regulations

4.37 Participants are generally happy with their 'joint owner' (i.e. their Housing Association). Bromford Housing Association in particular was praised for the assistance, support and information it provides to its customers. Only one participant diverged from this view: they feel like the forgotten shared owner that gets no support or contact, in their opinion because they bought so long ago in 1992 and live in an area where there are not many shared ownership properties.

4.38 Finally, most participants who had entered into shared ownership judged it affordable. Indeed, although the scheme does entail a rental commitment alongside mortgage payments, it was largely maintained that the rent on the Housing Association's share is at a heavily discounted rate, and is therefore good value. The exception to this was thought to be those who reach retirement age without purchasing the property outright, then, it was felt, it becomes a struggle:

It is more affordable but I think if you get to retirement age and you haven't been able to buy your property then it ceases to be affordable housing...then it starts to become a problem

Social Renters

Introduction

4.39 There were ten people in the discussion group from a wide range of backgrounds. Two rent from the Council, five rent from a housing association and one is a soldier living in army barracks but also sharing social rented accommodation with his partner. There was also a couple who have lived happily for more than ten years under a joint ownership arrangement with Bromford Housing Association. After retiring, they bought a 50% share in their home outright, and since then have paid rent on the remaining half without staircasing. Although strictly speaking in the 'wrong' discussion group, the participation of the couple in joint ownership with an association was helpful in aiding other participants to understand such schemes and to have testimony of their potential relevance.

Awareness of Shared Ownership/Shared Equity Schemes

4.40 Prior to the forum, the group generally had little awareness of shared ownership and equity schemes. Only one of the eight social renters had heard a bit about such schemes. Therefore, the discussion began with some basic questions;

- *Why should one want to rent 75% - what's the advantage;*
- *Can you pass on your share when you die;*
- *What if the property falls in value but you want to sell;*
- *Can you just sell up and move;*
- *If it fell in value and you died, would the debt be recovered from your estate;*
- *Can you get housing benefit on the proportion you rent if your income is low;*
- *Could you get housing benefit on a 75% rental share;*

- *Why do they keep changing the names of the schemes;*
 - *Aren't the names of the schemes just confusing to people who don't know anything about buying houses; and*
 - *Why does it only last five years?*
- 4.41 There were also numerous questions about the 'small print' and complexities of the schemes. The Council renters had limited awareness of housing associations, while those renting from housing associations tended to know only the products and services of their own association without seeing such providers as a 'marketplace' in which to find a range of products.
- 4.42 However, some members recommended the Midlands Heart Housing Association as one that contained a lot of helpful information about a wide range of matters.
- 4.43 Overall, it was clear that none of the social renters had actively investigated intermediate affordable purchase options, so no one could report how easy or difficult such enquiries had been.
- 4.44 Although 'out of date' by more than ten years, the experience of the couple in shared ownership was telling. They said they had lived in tied accommodation until their retirement and knew nothing of shared ownership ; but they were lucky in that they got very expert advice from a work colleague who had pointed them towards shared ownership through the one-off purchase of a 50% share. Otherwise, they would have sought social renting but felt they might have been excluded due to their assets.
- 4.45 If awareness of affordable schemes via housing associations was low, awareness of the possibility of accessing schemes via private sector housing developers was non-existent.

Impressions of Intermediate Schemes

- 4.46 When the main features of affordable intermediate schemes were better understood, the social renters remained sceptical that such schemes were relevant to them. For example, despite the example in the group of a retired couple living successfully for over 10 years in shared ownership, the group concluded that intermediate housing schemes are aimed at younger people. They felt people over 50 are too old, mainly because they;
- Would be unable to get a full term mortgage;
 - Might not have a deposit; and
 - Were disinclined to move from their current housing (even though it was not always ideal).
- 4.47 The younger members of the group could see theoretical advantages in affordable schemes (having a home of one's own and the investment potential), but they doubted that they;
- Would have sufficient incomes; and
 - Could afford the required deposits.
- 4.48 Overall, the biggest perceived barriers were to intermediate schemes were;
- Low incomes/job insecurity;
 - Lack of a deposit; and

- Need for more than one-bedroom – meaning that the necessary home would be unaffordable.

4.49 One person summed up the sense of pessimism vividly:

Having to get £5,000 deposit makes intermediate housing unaffordable to most social tenants!

4.50 Another person said that an income of £15,000 to £25,000 might be theoretically sufficient for shared ownership/equity schemes – but in practice anyone with children would need an income of more than £25,000 per annum.

4.51 However, one woman said she was currently giving up her job to go to university for a three year degree, with a view to becoming a social worker and she looked forward to then accessing the housing market through a shared ownership/equity scheme. Nonetheless, the lesson of the discussion group was that there are few people in social housing with the same awareness, qualifications, income and ambition to do the same.

Possible Improvements to Affordable Schemes

4.52 A key problem is that the marketing of affordable intermediate schemes has not ‘broken through’ in making a big impression on most social renters. The group members thought there were three main reasons for this;

- No one tells you about the schemes or why they are important – *You have to ask all about them!*;
- The names of the schemes are confusing; and
- The schemes seem irrelevant to social renters on low incomes or needing more than one bedroom accommodation.

4.53 The main potential improvements that could assist with the affordability of such schemes were;

- Longer mortgage repayment periods (more than 25 years);
- Options to purchase less than 25% share;
- Options to purchase without a deposit – for example, for debt-free social renters with good track records of prompt rent payments; and
- Less expensive housing – though the use of cheaper materials/construction methods and land.

4.54 It was also pointed out that some housing association renters are not allowed to buy their existing homes, so they would have to use their resources to purchase less desirable properties in less attractive areas.

4.55 It was acknowledged that people renting from the Council and housing associations become dependent on their low-rent position and have little or no incentive to improve their conditions by taking out mortgages; as a consequence, it was said, they become unable to move. For example, one woman said:

I want to pass my home on to my children. I had £8,500 saved once – but I had to spend it when my rented house was damaged by sewerage leaks – so I’m stuck where

I am. I've been on the waiting list for a transfer to another home for eight years, but I've had no offers.

4.56 Overall, the discussion group felt that affordable intermediate schemes should be actively targeted towards social renters with significant incomes.

4.57 The retired couple living in a shared ownership schemes said the biggest improvement they could envisage was:

For the housing association to be much less bureaucratic about changes to the property - it has taken over a year and we still cannot get permission to change the windows by using a Birmingham City Council scheme to undertake the work.

4.58 Overall, though, the couple felt their one-off shared ownership purchase had been very successful and that the rent was reasonable.

Other Issues

4.59 Some members of the discussion group complained that they were aware of groups of people forming networks to rent each others' homes and claiming substantial housing benefits while living as renters rather than in their own homes. A situation was described in which person A rents the home of person B (with housing benefit), while person B does the same from person C...and so on...until person N rents the home of person A to complete the circle.

Private Renters

Introduction

4.60 6 people attended this group, one of whom was a private landlord and two were currently living with family and friends and were considering their options.

4.61 The shape of the discussion was very different to the other groups. All participants had considered intermediate affordable housing – mostly shared ownership/HomeBuy but rejected it in favour of their current tenure or were likely to reject it. Discussion was case study based rather than issue based but to respect confidentiality our report will seek to draw out issues.

4.62 It was apparent from the outset that respondents had clear reasons for seeking housing in the private rented sector.

4.63 Participants had very different personal circumstances;

- a divorcee;
- a married couple expecting their first child living with parents;
- a single person undecided about the future and considering options one of which was to live outside the UK; and
- a property owner considering letting self contained housing and a spare room to a lodger.

Cost, value and options

- 4.64 Most participants perceived HomeBuy options to be particularly attractive to households who had been home owners but had separated or divorced. The divorcee said the option could not be made to work for them as the sharing of equity and reduction in income would not sustain both in shared ownership. Their decision was for one partner to continue living in the marital home the other to find private rented housing.
- 4.65 Participants all questioned the emphasis on new build housing. They felt that this restricted their choice and would lead to a difficult decision to move away from current social networks. They also felt that most dwellings on offer were flats and apartments which restricted choice for households with children.
- 4.66 Many participants disliked the methods used to construct new build housing and said that they thought that older, more solidly constructed terraced homes offered better value home. They also pointed out that there was a plentiful supply of such housing in Birmingham across many parts of the City.
- 4.67 Regarding cost, many participants felt that the trade off between cost savings and outright ownership was not worth having. They questioned the entire point of owning 25% of something. Furthermore, they thought that staircasing costs based upon current value rather than historic value was very difficult to accept.
- 4.68 Participants felt that even based upon a 25% share it was difficult to see how this could be affordable to young low paid workers unless they shared costs with friends or partners.

Quality

- 4.69 The quality of new homes was brought into question. Participants felt that car parking was too limited in new build housing especially for the younger participants who needed to be mobile for work purposes.
- 4.70 Another perception was the lack of durability of new build with dry linings rather than solid walls. Again participants questioned why older housing was no longer eligible for HomeBuy.
- 4.71 It was noted that these were new build issues rather than HomeBuy issues per se.
- 4.72 One participant felt that the design specification and architecture of much new-build housing in this country compared badly to housing in other Countries and this might be an important factor in his decision.

Flexibility

- 4.73 Participants who were not already tenants were particularly concerned that shared HomeBuy worked against them. Whilst the concept of accruing capital through home ownership was attractive if it could be afforded it was felt that HomeBuy was unduly restrictive. Younger participants cited the eventuality that they had to be flexible if they were to retain employment and this may require temporary re-location. It was against the rules to sublet the HomeBuy dwelling if a second home was needed. There was felt to be little point in selling stakes in HomeBuy dwellings as the equity was shared and fees could be significant. Therefore HomeBuy would only work if it was a long term proposition.

- 4.74 Participants contrasted this to the relative flexibility and choice available from the private rented sector.

Fairness

- 4.75 The rules for of staircasing was returned to which led to the identification of other factors that were perceived as unfair.
- 4.76 The major issue here was repair liability. Participants asked how it could be fair that a 25% new build HomeBuy deal should attract 100% liability for repairs and maintenance when rent was paid on the remainder.
- 4.77 Participants also considered that it was unreasonable to be deemed a home owner and restricted in what alteration they could make to their home.

Complexity and access

- 4.78 There was unanimous agreement that the HomeBuy agent was extremely helpful and knowledgeable about the products and options.
- 4.79 However those participants who had looked at the products fully considered the entire buying process to be bureaucratic and time consuming.
- 4.80 Some thought the HomeBuy branding was confusing.

Overall

- 4.81 Participants asked if there was a better way of enabling housing to become more affordable to a wider range of people. Suggestions included;
- Building more homes to bring prices down;
 - Making better use of existing buildings;
 - Dealing with long term empty homes;
 - Sub-dividing larger houses; and
 - Basing shared ownership on older rather than new build housing.
- 4.82 Two statements in particular sum up the discussion;
- 'who wants to buy half a house'?*
- 'this is the least preferred option for everyone'*

Chapter 5: Conclusions and Overall Comments

- 5.1 It is clear that in Birmingham there is estimated to be a significant requirement for intermediate affordable housing and that there is a significant difference between social rents and market rents.
- 5.2 What is affordable for these households depends upon their individual circumstances.
- 5.3 It is clear that shared ownership and shared equity have the potential to deliver a more affordable route into home ownership than outright purchase.
- 5.4 However, requirements based upon affordability criteria is only part of the picture. Household preferences, aspirations and choice all need to be considered before conclusions can be reached about turning requirements into demand for housing products.
- 5.5 Participants' views were strongly associated with their present tenure. A high level summary of views is as follows:

Social renters

- » Very limited awareness
- » Lots of questions about "small print" issues
- » Feeling that relevant to younger people rather than elderly – due to length of loan and not wanting to move on
- » Low incomes/job insecurity the big barrier
- » Improvements = no deposit; longer repayment periods; less than 25% purchase share; cheaper materials for building (cheaper houses); cheap land used
- » Several interested "in a few years"
- » One retired couple in shared ownership scheme – 10.5 years – outright purchase of 50% share – good investment but bureaucratic

Existing shared owners

- » Very positive about experiences in practice – all in shared ownership schemes for 1-18 years – most 2-5 years
- » Chosen as easiest and only route to property ownership
- » No problems getting on to the schemes – but some had to complete quickly (6 weeks) and difficulty getting a mortgage – with limited mortgage choice
- » Credit crunch has increased deposits from 5% → 15% deposits

- » Down side = responsibility for ALL repairs – not clearly explained up front – feeling trapped if circumstances change (family growth) – shared ownership properties often sold at a premium (negative equity now) – hidden costs of staircasing
- » Good side = investment via improvements – feels like own home (but need permissions and miss outright ownership) – rent seems reasonable (but dead money)
- » Not realistic to buy 100%
- » Reducing increments – have to buy in 25% chunks – too big – but expensive to arrange new mortgage with each extra share purchased
- » Locations of properties – compromise necessary but OK
- » Would recommend it to others – best when young – it is affordable housing!
- » Need more help with whole process

Private renters

- » Cynical! Disliked bureaucracy and rules about selling – seemed less attractive – so preferred cheaper house purchase at 100%
- » Discussion reflected on all of the negative factors listed by other groups, were cynical about the positives
- » Did not support dwellings being limited to new build
- » Suggestions to make market housing more affordable – better use of stock, subdividing stock, and etc – and not just new build housing (it seems a bail out for developers)
- » Concerns about shortage of housing – want to bring prices down by supply

Cross cutting findings

^{5.6} It is significant that;

- Most participants found HomeBuy branding confusing and were more comfortable with the terms shared ownership and shared equity;
- None said that their next move would be to shared ownership or equity, most that intended to move stated their intention to become home owners but not shared owners; and
- The HomeBuy agent was helpful and knowledgeable about a very complicated product.

Chapter 6: Appendix - Definitions

PPS3 definitions

PPS 3 Annexe B definitions relating to affordable housing

Affordable housing

Affordable housing includes social rented and intermediate housing, provided to specified eligible households whose needs are not met by the market.

Affordable housing should:

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

Social rented housing is:

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

Intermediate affordable housing is:

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

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

Affordability

The terms 'affordability' and 'affordable housing' have different meanings. 'Affordability' is a measure of whether housing may be afforded by certain groups of households. 'Affordable housing' refers to particular products outside the main housing market.