Intermediate Housing Strategy for South West London

February 2007
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1. Summary

Background

The issue

In South-West London, current housing supply cannot meet demand. There is a big shortage of affordable housing[1] and private sector housing (for rent and for sale) is expensive and well above affordability levels for many people. As a result there are increasing numbers of households who cannot afford the private housing market (42.7% in SW London cannot afford the cost of market housing[2]) and for whom social rented housing is now virtually impossible to obtain.

This situation has many consequences. Life is difficult for people who cannot have their housing needs met. There are social repercussions – commentators have remarked that London is "fast becoming a ghetto for either the very rich or very poor"[3] which leads to unstable and unsustainable communities. It also means that low-moderately paid workers in key services find meeting their housing needs difficult which could affect the delivery of those services in South West London.

The response

There are a number of ways that local authorities within the South West London Housing Partnership, together with their partners, can deal with this challenge, including:

- ensure that more affordable housing is produced;
- make better use of the housing that exists; and
- provide people with the widest range of housing options we can to meet their needs.

Whilst the emphasis on new provision is for social rented housing, there is also a need to provide solutions for those who fall in between the private market and the social rented sector and who need "intermediate housing".

What is intermediate housing?

Intermediate Housing costs less than open-market housing but more than renting from a council or housing association. It covers low-cost home ownership (LCHO), an umbrella term for a range of options available to help households on low to moderate incomes to enter the home-ownership market, and also intermediate renting where rents fall between social and market rents.

This strategy concentrates on the development of that intermediate housing market in South West London.

Current activity, funding and need

South West London boroughs have supported the development of an intermediate market for many years:

- They have supported and funded the development of Low Cost home ownership schemes (for example shared ownership and cash incentive schemes);

[1] An annual shortfall of 15,000 affordable homes in SW London (source: South West London Housing Strategy, April 2004)
[2] Fordham's London and Sub-regional Strategy Support Studies, 2005 3 "Key Worker Housing: The issue explained" The Guardian, 25/5/04
[3] "Key Worker Housing: The issue explained" The guardian, 25 May 2004

- some boroughs (Wandsworth and Kingston) have set up their own low cost home ownership units;
- boroughs have participated in central government initiatives to help key workers into home ownership or rented accommodation;
- boroughs have included intermediate housing options in their strategies for meeting the needs of households with special circumstances – for example, those including a household member with a physical disability.

The current level of funding for intermediate (LCHO and intermediate rent) housing in the sub-region (2006/08 National Affordable Housing Programme) is £45,146,233.

Levels of Need[4]

South West London has identified, through research, that there is a market for intermediate housing. For example, 80,000 households in SW London (around 10%) could afford intermediate but not market housing. However, we have found that homes at the lower end of the intermediate market in terms of cost are needed most – over half of the 80,000 households, for example, can only afford the *cheapest* intermediate products – at just above the level of social rented outgoings.

Affordability of intermediate housing SW London		
Housing type	Total households	% of households who can afford each type of housing
Social housing only	207,929	30.9%
Cheapest intermediate housing	42,102	6.3%
Middle-priced intermediate housing	25,529	3.8%
Most expensive intermediate	11,986	1.8%
Market housing	385,843	57.3%
TOTAL	673,390	100.0%

Source: London & sub-regional strategy support studies project (2005)

For BME households, most can afford only the lower cost band of intermediate housing, although the "Mixed" and "Other" groups are more likely to afford the middle-priced band than other BME groups.

Intermediate housing and housing need

For households in the sub-region identified as being in housing need, around 30% (10,300) can afford intermediate housing. However, just over half of these (5,300) can only afford the lowest cost band of intermediate housing; a third (3,380) can afford the mid-range, while just over 15% (1,625) can afford the highest band. We therefore need to help to develop an intermediate market which focuses on the lowest and mid-range cost bands – a difficult task in many parts of South West London where land and house prices are very high.

South West London's strategic approach to and objectives for intermediate housing

The sub-region's overall approach is to seek to increase the supply of and access to intermediate housing ***for low to middle income households generally,*** rather than specific key workers, on the basis that all people in employment are key workers because they contribute to the local and wider economy. Whilst recognising the importance of assisting the more obvious key workers, such as teachers and nurses, in some of our boroughs retail staff, for example, also have a key role to play.

[4] Figures are from the Fordham's London and Sub-regional support studies research, July 2005

The housing provided should include both shared ownership, for those who aspire to owning some equity, and intermediate rent, for those who wish to retain greater mobility. We will also look for ways of making the intermediate market a solution for households that need family sized homes, not just the usual one and two bed properties that are provided through this type of housing.

For the purposes of the strategy, we have banded household incomes as low, middle and higher as follows:

Low:	less than £30,000 household income;
Middle:	over £30,000 - £45,000 household income;
Higher:	above £45,000 but unable to afford the market housing

The LHS states: The top of the income range for low cost home ownership should increase to the equivalent of the joint salary of two basic rate tax payers in London for people unable to buy on the open market.

Individual borough policies take precedence at present. The bandings may be revised as the strategy develops.

However, our work on the intermediate market will always be done within the context of a much bigger agenda to increase the supply of affordable housing, meet housing need, tackle deprivation and build communities.

The sub-region will continue to improve its knowledge of the need for intermediate housing. As well as making the most use of the grant funding available from central government for intermediate housing, we will also look for non-grant funding opportunities that are not subject to the central government's key worker definitions, thus enabling us to target low to middle income households generally. We should bear in mind, however, that on the evidence of the London and Sub-Regional Strategy Support Studies project (2005) (Appendix 2 in the full strategy document), we are looking at a relatively small number of households in the sub-region that can afford intermediate (and not market) housing (10%); and that most of those households can only afford the lower cost band of intermediate housing. This reinforces the Partnership's main strategy of increasing the supply of affordable housing generally and social housing for rent in particular.

Note: we will have more up to date information from our sub-regional housing market assessment.

Objectives

To achieve the approach outlined above, the sub-region has identified three principal objectives for its strategy:

1. A) Provide greater intermediate housing option for low-middle income households, including measures to a) encourage the development of more family sized accommodation and b) emphasise initiatives which increase the overall supply of housing in SW London; and
   B) Create more opportunities for households in SW London to gain equity;

2. Assist households currently in intermediate housing or outright ownership to deal with the current economic crisis without losing their home; and

3. Work to prevent the lack of appropriate affordable housing being a barrier to delivering key services.

As well as our principal objectives, we have recognised that in order to achieve these outcomes we have to address a number of other issues, and have devised three secondary objectives to support the achievement of the principal ones. These are:

Secondary objectives

1. Obtain and maintain a good base of information on intermediate and key worker housing needs;

2. Continue to develop and review partnership working between key stakeholders to improve effectiveness; and

3. Ensure that the sub-region's approach addresses diversity issues

In addition, the work on intermediate housing will be tied into the sub-region's drive to reduce overcrowding. We will also ensure that the strategy is in line with the sub-region's work on climate change issues.

This strategy sets out a range of actions that will help us achieve our objectives over the coming years.

2. Introduction and Background

The concept of an "intermediate housing market" was first put forward by the Mayor's "Housing Commission for London"[5], because of growing pressure to provide homes for key workers: nurses, teachers and police officers. The Commission argued that staff on lower wages in other public service jobs, such as cleaners, ports and classroom assistants should be recognised as key workers, and that many other workers on moderate incomes could not afford the high cost of housing. Its long-term view was that "London should develop a new intermediate housing market".

In South West London, as in other parts of the capital and the wider South East region, current housing supply cannot meet demand:

- there is a marked shortage of affordable housing;
- the overall number of social rented homes provided by councils and housing associations for families on low incomes has declined, while the need for this type of home has grown; and
- in the private sector the gap between the supply of homes and the increasing demand for them has led to a massive rise in house prices and a significant increase in rents in recent years.

As a result there are an increasing number of households who cannot afford the private housing market and for whom social rented housing is now virtually impossible to obtain. This has many social implications, indeed commentators have remarked that London is "fast becoming a ghetto for either the very rich or very poor" – those on average incomes excluded[6] - and the conclusion drawn that this will lead to unstable and unsustainable communities.

The key priority for the South West London Housing Partnership[7] is to increase the supply of affordable housing within the area, and it recognises that the majority need is for affordable housing to rent. However, a good intermediate market is also essential to ensure housing needs can be met, that communities are mixed and balanced and that key services have people to deliver them.

Research[8] carried out on behalf of the Partnership has provided a clearer picture of the potential need for intermediate housing. The evidence suggests that a minority of households can afford intermediate housing – 10% (just under 80,000), and over half of those can only afford the *cheapest* intermediate products – just above the level of social rent outgoings. There is a strongly held view within the sub region that boroughs would like to see the Key Worker definition to be broader, and more income related. There is growing evidence, for instance, of a recruitment problem in some parts of the sub-region[9], for Environmental Health Officers.

When central government funding is providing the intermediate housing, the client groups to be assisted are prescribed (e.g. the definition of key workers (see Appendix 4). But for other funding sources and affordable housing local authorities can make available in other ways, e.g. through Section 106 Agreements[10], there is greater flexibility. But there is limited scope for such development. The announcement in April of the 2004/06 National Affordable Housing Programme by the Housing Corporation, surprisingly provided a considerable element of

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[5] The Commission met over three months in 2000 and produced the report *Homes for a World City* in November 2000
[6] "Key Worker Housing: The issue explained" The Guardian, 25/5.04
[7] Comprising the boroughs of Croydon, Kingston, Lambeth, Merton, Richmond, Sutton and Wandsworth, and partner housing associations
[8] The London and Sub-Regional Support Studies Project 2005 (Fordham Research Ltd)
[9] For the purposes of housing investment by government, London is divided into 5 sub regions: North, West, East, South East and South West, formed of groupings of local authorities.
[10] S.106 Agreements are legally-binding agreements or planning obligations, with a land developer over a related issue. Also known as planning gain, planning benefits, or community benefits, they are a means by which the local authority can require the provision of some affordable housing as part of a development.

funding for the development of newbuild intermediate housing for *non*-keyworkers. The current criteria for this funding is:

- people in employment below a maximum gross annual household income bracket of £49,000 (in line with the London Plan);
- people with a local connection – living or working in the area and serving a community in the area of nearby

The boroughs in the sub-region see it as vital that the intermediate housing produced in *affordable* and therefore the majority of the housing will have to be targeted at the lower cost level within the intermediate hand.

Intermediate and Key Worker Housing explained

The Government has responded to this situation by creating a different type of supply solution – *intermediate housing*, which costs less than open-market housing but more than renting from a council or housing association. The term *intermediate housing* is used to cover low-cost home ownership (LCHO), an umbrella term for a range of options available to help households on low to moderate incomes to enter the home-ownership market and also access *intermediate renting* where rents fall between social and market rents.

A related issue affecting London and the South East over the past few years have been recruitment and retention difficulties in certain *key* public service jobs – teaching, nursing, social work, police and other essential jobs. It is believed that part of this problem is the lack of affordable housing, which some believe has driven many households to move out of the region and has also deterred people from entering into these jobs in the first place. Many of these "key workers" fall within a low to moderate income bracket and for whom intermediate housing would be a solution.

National and Regional Policy

A quarter (£490 million) of the funding from the Housing Corporation's[11] Affordable Housing Programme for 2006-08 in London is dedicated to providing housing for the intermediate market, including key workers.

The Key Worker Living Scheme

The Key Worker Living scheme was introduced in 2004 for a defined group of occupations, seen to be most essential by central government. The scheme offered LCHO (more widely available) options and intermediate renting, with priority given to those in social housing in order to free up homes, as well as to help people onto the home ownership ladder.

Following consultation during 2005 on the available home ownership schemes, the Government has announced the products available under the Key Worker Living scheme from April 2006:

Open Market HomeBuy – an "Equity loan" of up to £50,000 to help key workers buy a home on the open market;

Higher-value equity loans of up to £100,000 for a small group of school teachers with the potential to become leaders of London's education system in the future;

New Build HomeBuy – shared-ownership of newly-built properties where the applicant buys at least 25% of the home and pays a rent on the remaining share;

"Intermediate Renting" where the rent is set at a level between that charged by social and private landlords and a registered social landlord provides the accommodation.

[11] The government agency which funds and regulates Registered Social Landlords (including housing associations) in England

From November 2005 the Key Worker Living eligibility criteria was expanded for all shared ownership and intermediate rent homes, and for Open Market HomeBuy once new funding is made available in April 2006, to include:

- all *clinical* NHS staff;
- teachers in schools, further education and sixth form colleges;
- police officers and community support officers;
- *uniformed* staff in Fire and Rescue services;
- prison and probation service staff;
- social workers, occupational therapists, educational psychologists, speech and language therapists, rehabilitation officers for the visually impaired and qualified nursery nurses;
- local authority planners

In May 2006 the key worker programme and the non-key worker intermediate housing programme were merged under the National Affordable Housing Programme. This enables a wider range of households to be assisted by the programme and is an approach which helps the SW sub region to deliver its strategy.

Homebuy Agents

A number of housing associations were appointed by the Housing Corporation as "Homebuy Agents" to oversee and promote the Key Worker Living scheme in a zoned area. The five zoned areas in London match the five sub-regions. Two housing associations successfully bid as Homebuy Agents in London – Metropolitan Home Ownership and Tower Homes. Tower Home will continue as Homebuy Agent in South West London, taking on an expanded role from April 2006 to cover *all* LCHO schemes funded by the Housing Corporation. This is intended to provide a simplified one-stop-shop for potential applicants.

Within SW London, the boroughs of Kingston and Wandsworth have been operating successful in-house home ownership units, and these will continue to operate in conjunction with Tower.

Social HomeBuy

Social HomeBuy is a *voluntary* scheme for local authorities and housing associations, although the Government is keen to see the scheme put into operation. It will be available from April 2006 to enable tenants to buy, at a discount, a share (minimum 25%) in their home, with the local authority or housing associations who have been public sector tenants for a minimum of two years[12] (five years for tenancies granted after 18 January 2005), which is regarded as a demonstration of their commitment to the local neighbourhood. This is further intended to ensure that the scheme contributes to the creation of stable, sustainable communities.

First-time Buyers Initiative

The Government is keen to encourage independent and innovative proposals enabling other landowners or potential housing providers to provide affordable housing.

English Partnerships (EP)[13] will continue development of the First Time Buyers Initiative, which will form a discrete part of New Build HomeBuy. Launched in January 2005, this shared equity scheme enables eligible first time buyers to buy a share (at least 50% of the total market price), in a new home that is affordable to them, with EP retaining the unsold equity. After living in the home for three years buyers will pay a charge to EP based on a percentage of the equity they do not own. The scheme aims to deliver up to 15,000 homes across England by 2010, and work is underway to identify where first time buyer homes are most needed, and how they can be best made available to eligible people. EP will use three channels to create the new homes:

[12] Social landlords will also have discretion to require longer tenancies
[13] English Partnerships was created in 1999 with the merger of the Commission for the New Towns and the Urban Regeneration Agency. It is the national regeneration agency, helping the Government support high quality sustainable growth in England

- through the current EP projects such as the Hospital Sites Programme;
- via private sector schemes, where developers could receive FTBI funding to allow them to sell a portion of their market sale homes at discounted prices to first-time buyers
- surplus public sector land not in EP's ownership could be used to deliver FTBI homes through developments with other public agency partners

Around 50% of the homes will be for Key Workers. The rest will be for those groups identified as priorities by the London (Regional) Housing Board[14]. A maximum household income of £60,000 is likely to form part of the eligibility criteria, with priority to people in private rented or temporary accommodation and unable to take advantage of other shared equity schemes.

Tower Homes, as Homebuy Agent, will be the first point of contact for first time buyers and to assess eligibility and help buyers find a suitable home in their local area.

NHS provision

The NHS also provides some short-term intermediate rented accommodation for all key workers. This is managed through the NHS accommodation website: www.nhs.uk/accommodation.

Private Financing

It was announced in December 2005 that three[15] mortgage lenders will offer home buyers the chance to obtain a home loan (Open Market HomeBuy) for 75% of the property's value. The remaining 25% will be split equally between the lender and the Government, who will also bear the brunt of any negative equity.

Details of exactly how the scheme will operate and the precise eligibility criteria, are still being worked out but it is likely to begin operating in October 2006 on a pilot basis. It will be open to key public sector workers, social tenants, those on the housing register and other first-time buyers identified as priority cases by regional housing boards.

Mayor's London Plan

The Mayor's Housing Commission for London's long-term view was that "London should develop a new intermediate housing market".

It proposed that the level of unmet need was so high that 50% of all new homes in London should be affordable: 35% social rented and 15% intermediate housing. These criteria were subsequently adopted by the Mayor's London Plan[16] published in 2004 and as targets in the London Housing Strategy (July 2005).

Developing an Intermediate Housing Strategy for SW London

In light of the increasing focus on the part that intermediate housing can play in meeting housing needs – for key worker and others, and the levels of funding being directed to intermediate solutions, local authorities and their sub-regional partnerships need to develop their own approaches to intermediate housing as part of their strategic housing role.

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[14] The Board was established in February 2003 following a requirement that all regions in England would establish regional housing boards to produce regional housing strategies and advise Ministers on the allocation of funding from the Single Regional Pot for housing investment

[15] HBOS, which includes the Halifax, the Nationwide and Yorkshire Building Society

[16] In February 2004, the Mayor published the London Plan – the Mayor's Spatial Development Strategy, replacing the previous strategic planning guidance for London issued by the Secretary of State. He committed to reviewing the London Plan within this electoral term; this process began in December 2005 and is expected to continue until early 2008, with the publication of a revised London Plan

Accordingly, this strategy sets out our proposals within the ~SW London sub region for harnessing the intermediate market and using it to best meet the housing needs of our communities.

This strategy takes into account the requirements of the London Plan and the approach set out in the London Housing Strategy (published in 2005) and will inform and supplement the revision to the SW London Housing Strategy, to be published later in 2006. It begins by providing an assessment for the need for intermediate housing and key worker housing within the sub region. Deriving from this, the strategy sets out a number of goals or strategic outcomes that it seeks to achieve. These are then supported, in chapter 4, by a detailed action plan. The final chapter briefly sets out proposals for monitoring the delivery of the strategy and its future review.

3. The Need for Intermediate and Key Worker Housing

In order to gauge the level of need for intermediate housing, one has to consider affordability – by looking at income levels and the proportion of income *reasonable* to allocate to housing costs, whilst leaving enough for people to comfortably live one. The level of household savings is also an important factor in being able to access both the home ownership and private rented markets.

The assessment of the need for intermediate and key worker housing presented in this chapter is based primarily on two sources of research:

- The London and Sub-Regional Support Studies project which borough together the findings of individual borough housing needs surveys
- A study carried out by the Association of London Government (ALG) on behalf of the sub-region into key worker housing and recruitment and retention issues.

Income Levels and Savings

There are 673,400 households living in the seven boroughs in SW London. Research[17] carried out for the sub region during 2005 indicates that incomes in the sub region are quite polarised, with almost a quarter of households having a net (of NI and income tax) income of less than £8,000, whilst over 15% earn more than £40,000. The median (midpoint) net income of privately renting households is £15,568 compared those in the social rented sector, who earn on average around £6,500.

Households often rely on building up savings in order to pay a deposit on a property purchase, yet over half of households in the social and private rented sectors either have no savings, or are in debt. This is a major stumbling block in terms of having any prospect of getting onto the property ladder, and the longer the delay in making that step, costs continue to rise at a level which, for many, remain beyond reach.

Ability to Afford Market Housing

The researchers regarded private sector housing as unaffordable if the cost exceeded 25% - 35% of net household income. On this basis, 287,547 (42.7%) households in the sub-region are unable to afford the cost of market housing.

Black and Ethnic Minority (BME) Households

BME households make up just over 30% (80,000) of the households that cannot afford market housing. Just as they are over-represented within the social housing sector, BME households are under-represented in the home-ownership market, although the extent of this varies between groups: 80% of Black African households would be unable to afford home ownership, almost double the percentage of Indian households, which is near the overall average.

Special Needs

It is also estimated that over 60% of households with special needs would not be able to afford market housing.

[17] The London and Sub-Regional Support Studies Project 2005 (Fordham Research Ltd)

Ability to Afford Intermediate Housing

The research indicated that there are just under 80,000 households (11.8%) that can afford intermediate (but not market) housing across South West London and that those households were more likely to be:

- living in the private rented sector;
- single non-pensioner households
- intending to move in the next five years

Affordability *within* the intermediate housing range

Three equal price bands were identified within the boundaries for intermediate housing, with social rented outgoings forming the lower threshold, and minimum market prices forming the upper threshold.

The table below demonstrates that of the 673,390 households in the sub region, just over 57% can afford market housing while over 30% can only afford social housing.

80,000 households (10%) can afford intermediate but not market housing. More significantly, over half of those can only afford the *cheapest* intermediate products – those within the lowest cost-band – just above the level of social rented outgoings. This clearly indicates that the cost of the intermediate housing that is produced in the sub region needs to be predominantly within that lower cost band.

Affordability of intermediate housing		
Housing type	Total households	% of households
Social housing only	207,929	30.9%
Cheapest intermediate housing	42,102	6.3%
Middle-priced intermediate housing	25,529	3.8%
Most expensive intermediate	11,986	1.8%
Market housing	385,843	57.3%
TOTAL	673,390	100.0%

Source: London & sub-regional strategy support studies project (2005)

For BME households the researchers identified that most could also afford only the lower cost band of intermediate housing, although the “Mixed” and “Other” groups were more likely to afford the middle-priced band than other BME groups.

Intermediate Housing and Housing Need

For those households in the sub-region identified as being in housing need, over 70% (24,600) can only afford social rented property, while almost 30% (10,300) could afford intermediate housing. Within the latter group, just over half (5,300) could only afford the lowest cost band of intermediate housing; a third (3,380) could afford the mid-range, while just over 15% (1,625) could afford the highest band.

BME Housing Need

Based on a small sample, the data indicated that Black Caribbean households are most likely to be able to afford social rented accommodation only, whilst Pakistani households were most likely to be able to afford intermediate housing.

Households with Special Needs

The researchers found that only 10% of special needs households in housing need would be able to afford intermediate housing.

Intermediate Housing Need and Property Size

Of the 10,300 households in housing need that can afford intermediate housing:

- almost half (5,030) require a one-bed home;
- a third (3,350) require a two-bedroom home;
- 14% (1,400) require a three-bedroom home; and
- under 5% (490) require four bedrooms or more.

The research also found that households in need able to afford intermediate housing were more likely to require a one-bed home than households in need only able to afford social renting.

This information is vital to feed into the planning of new housing to be developed in the sub region.

BME households

In terms of BME groups, the picture is somewhat different here, with a greater proportion of Pakistani and Bangladeshi households in need of 3-bedroomed properties rather than one bedroom, because of family size.

Special Needs

For all special needs groups the predominant need is for a one-bedroom property.

Targeting the supply of intermediate housing to address recruitment and retention problems in key public services

In order to be able to help address areas of staff shortage in various key public services in the sub region, the SW London boroughs commissioned the ALG's research wing – London Housing – to carry out research to provide information on recruitment and retention issues experienced by public service employers.

The research method included:

- desk top analysis of existing data on pay scales
- postal survey of thirteen employers
- in-depth interviews with eight employers from a range of occupational groups and locations

Although employers felt on the whole that they did suffer from recruitment and retention problems, it was difficult to assess the role of housing in relation to these.

The research revealed anecdotal evidence suggesting that the impact might be more significant in terms of retention where families grow, and larger accommodation is required. This has implications for the development of key worker homes, as current programmes primarily benefit single people and couples, as the accommodation produced is always in the form of one or two bedroom units, larger family units being too expensive because of the cost of provision. The 95 prioritised bids for housing developments under the Housing Corporation's Key Worker

Programme for 2006/08 include 28% that will accommodate three people or more, with 8.5% accommodating four people or more.

There is clearly a need for continuing work to improve our understanding of the recruitment and retention problems, and the extent to which affordable housing can alleviate them.

Case Studies

Intermediate Renting at Chandler Court, Thornton Heath

(A diverse Tower Homes' development offering a selection of 1, 2 and 3 bedroom apartments available through Tower's part-buy part-rent scheme).

Key worker Emma Bockarie is over the moon since she and her family moved into her Tower Homes' rented apartment at Chandler Court in Thornton Heath in November last year.

The rent for her previous flat was proving too expensive at £650 per month, but Emma is now paying almost a hundred pounds less and enjoying the benefits of her new 2-bedroom home!

She now only has a five minute bus journey to Mayday University Hospital where she works as a nurse. The high street and train station is nearby and it is just three miles away from Croydon town centre. Emma is relishing her new location – "It's got everything you need to really live", she said.

"The process was so quick" Emma says. "I went along to see the show home and within the same week I was offered my home! I was very happy – very, very happy!"

Solomon Kukubor is a nurse at the St Helier Hospital in Carshalton. Having shared an NHS residence with four other people in Hammersmith, Solomon decided it was time for a change; to be closer to work and to regain his independence.

Having applied in October, he completed in December last year. He is now enjoying living in his one bedroom apartment at Chandler Court, for as little as £390 per month in rent. "I didn't need to put down a deposit, which was very good" he remarks.

Speaking highly of his new pad, Solomon says "the kitchen is excellent and it's great to have the use of a communal area". He also enjoys having a supermarket nearby and he says "there are good bus routes and I'm close to Croydon".

Homebuy

Amy Walker is a secondary school teacher at Chestnut Grove School in Wandsworth, and has been teaching music for nearly two years.

"I love music and wanted to pass it on, and thought teaching was the best way. I like getting to know students and the pastoral side to teaching".

Photo: Pete Cronin/Tower Homes

After living in shared accommodation with two friends, Amy wanted her own space. Like many people, she dreamt of owning her own home. Having head about the Key Worker Living scheme through other teachers and through friends she had trained with, Amy applied to Tower in September 2004. As she had already found a property she liked before receiving a letter and attending a presentation, the actual buying process was very smooth.

Through the Key Worker Homebuy scheme, Amy received a loan of £27,000 and was able to buy a one-bedroom apartment in Brixton worth £107,000. The apartment was fully furnished with a fitted kitchen. The development even had a swimming pool! "It's really nice…. I can walk to work, the neighbours are nice and I can decorate however I want!"

"I couldn't live in a better location. I am within walking distance of zone 2 transport, so I am close to the ~West End as well as having a good selection of bars, cinemas and restaurants in Brixton".

Amy would not have been able to buy her home in the central location she wanted without the help of the Key Worker Living scheme. "I'd have had no money to live off! And now I can use the washing machine whenever I want!" (Don't do it Amy!)

4. Strategy Goals and Outcomes

There are a number of key drivers for the sub-region having a strategy specifically dealing with intermediate housing:

- Given the *overall* shortage of affordable housing it is important that the boroughs have a strategy for developing and implementing this form of housing solution, as part of the bigger picture;
- The sub-region needs to have a strategy for ensuring it maximises its funding opportunities from the current key worker/intermediate programmes, and that those programmes are delivered well;
- As part of our strategic aim of building and maintaining sustainable communities, we need to explore ideas for giving people more of a stake and more security in their community;
- As the Government actively considers new approaches to and types of LCHO, the sub-region needs to be part of the LCHO debate and ensure that the new solutions and products on offer meet the needs of its households;
- In light of the recent expansion of the eligibility criteria, the sub-region needs to maintain an awareness of changing needs, including ensuring that the needs of those key workers who do not qualify for assistance are also taken into account.

This strategy is a key element in the delivery of SW London's *overall* housing strategy. It relates in particular to the following strategy priorities:

- maximising the supply of housing in the sub-region;
- meeting housing need, and
- tackling deprivation / building communities[18].

In developing its intermediate housing strategy, the sub-region is aware that it needs to continue to improve its knowledge of the need for intermediate housing products relative to social housing for rent. We are aware, for instance that the affordability levels for the target group, are marginally higher than social renting costs, and that needs to be borne in mind in constructing a development programme that will match needs.

In recognition that "one size does not fit all", and in line with the Government's *Choice* agenda, the sub-region appreciates the importance and value of *intermediate renting* for many households and that it should not be underestimated. Indeed it is clearly understood that home ownership is not the only way of securing a stake in the community.

Arising from the above we have identified three main goals or outcomes that the sub-region hopes to achieve through its intermediate housing strategy:

1. **Provide greater intermediate housing options for low-middle income households, including measures to encourage the development of more family sized accommodation and an emphasis on initiatives which increase the overall supply of housing in SW London;**

2. **Create more opportunities for households in SW London to gain equity; and**

3. **Work to ensure that a lack of appropriate affordable housing is not a barrier to delivering key services**

As well as these we have recognised that in order to achieve these outcomes we have to address a number of other issues.

[18] South West London Housing Strategy, April 2004

Secondary objectives

4. Obtain and maintain a good base of information on intermediate and key worker housing needs;

5. Continue to develop and review partnership working between key stakeh9olders to improve effectiveness; and

6. Ensure that the sub-region's approach addresses diversity issues.

In addition, the work on intermediate housing will be tied into the sub-region's drive to reduce overcrowding. We will also ensure that the strategy is in line with the sub-region's work on climate change issues – our developing approach to avoid negative environmental impact.

This strategy sets out a range of actions that will deliver those outcomes over the coming years.

5. Action Plan

The table below sets out the range of actions agreed against each of the three strategic outcomes or goals

Objective	Actions	Timescale	Target/Outcome	Resources	Lead
1a. To provide greater intermediate housing options for low-middle income households in SW London, including measures to encourage the development of more family sized accommodation and favouring initiatives which increase the overall supply of housing.	**1.1** Make best use of the existing funding available by:				
	1.1.1 Ensuring that the LCHO homes and grants provided through the NAHP are delivered and maximum numbers of grants and homes are achieved; and	2009/11 programme period	Original grant allocation is spent and number of grants given meets target	Intermediate Housing sub-group (working with key partners – HC and Homebuy Agent);	Intermediate Housing sub-group
	1.1.2 Influencing the client groups prioritized for intermediate housing and monitoring the client groups assisted by the NAHP intermediate housing programme, striving to ensure that existing social tenants (and those on waiting lists) are targeted as well as key workers. Review income levels of those assisted to assess the level of low-moderate households who are benefiting.	Monitor 6 monthly	The sub-region has a clear picture of the types of households assisted and can work with our Homebuy Zone agent and other partners to improve performance if too few social housing tenants and low-income families are being assisted.		
	1.2 Review the success of any pilot schemes in the sub-region (in terms of levels of equity). Examine pilots like Wandsworth's hidden homes for LCHO and consider possibility for other boroughs to follow suit.	End March 2010	Report on range of pilots in the sub-region March 2010. A sub-regional best practice booklet is produced by March 2010	IHG with development managers	IHG reps in individual boroughs/ development managers sub group
	1.3 Examine local planning policies in order to identify how best to facilitate the provision of intermediate housing, ensuring the best product.		Proposals put together in paper to IHG and Partnership. A strategy for the sub-region agreed	IHG with development managers and planners	Development Managers sub-group
	1.4 Consider options and put together a proposal for increasing the number of family and large units within the IH programme			IHG with development managers	Development Managers sub-group

Objective	Actions		Timescale	Target/Outcome	Resources	Lead
1b. To create more opportunities for households in SW London to gain equity;	1b.1	Monitor the impact of the First Steps Housing Programme and its ability to meet the needs of SW London residents		1b.1 Monitoring report produced and impact evaluated	Individual LA and Intermediate Housing sub-group in partnership with Homebuy Agent	Intermediate Housing sub-group
	1b.2	Examine sub-regional activity on tenants' assisted purchase schemes to establish scope for expansion, and identify best practice	ASAP when vacant properties lead to cascade system	1b.2 Expansion plans developed		Intermediate Housing sub-group
	1b.3	Market 09/11 LCHO schemes beyond key workers at the local level and to the national criteria		1b.3 Marketing successfully reaching non KW h/h too – monitor 6 monthly		Intermediate Housing sub-group/individual LAs
	1b.4	To use the evidence we have to lobby the HC, GLA and DCLG	Ongoing			Homebuy Agent and developing HAs
2. Assist households currently in intermediate housing or outright ownership to deal with the current economic crisis without losing their home						

Objective	Actions	Timescale	Target/Outcome	Resources	Lead
3. Work to prevent the lack of appropriate affordable housing being a barrier to delivering key services	3.1 Monitor the take up of the intermediate programme by different categories of workers	Quarterly monitoring	3.1 Take up all allocation by end 2009/11	LAs working with RSLs	Affordable Housing & Development sub group
	3.2 Ensure that developing HAs carry out adequate and effective marketing in the sub-region to achieve 100% take up of the programme	Quarterly monitoring	3.2 Minimal vacancy levels (as reported to Intermediate Housing sub-group via Homebuy Agent monitoring report)	Intermediate Housing sub-group separate meetings with Homebuy Agent and developing HAA	Homebuy Agent and developing HAs
	3.3 Work with key worker employers at both a sub-regional and local level to: • identify where there are problems • increase their awareness of housing options • develop joint options • encourage contributions replicating the NHS protocol as a good practice example	Agree meeting date to discuss with Homebuy Agent			Intermediate Housing Group, Homebuy Agent
	3.4 Investigate the possibility of pooling resources with SE sub-region for working with employers (developing information links etc.)				Intermediate Housing Group

The following table sets out further actions which have been identified as necessary to support our strategic aims:

Objective	Actions		Timescale	Target/Outcome	Resources	Lead
1b. To create more opportunities for households in SW London to gain equity;	1b.1	Monitor the impact of the First Steps Housing Programme and its ability to meet the needs of SW London residents		1b.1 Monitoring report produced and impact evaluated	Individual LA and Intermediate Housing sub-group in partnership with Homebuy Agent	Intermediate Housing sub-group
	1b.2	Examine sub-regional activity on tenants' assisted purchase schemes to establish scope for expansion, and identify best practice	ASAP when vacant properties lead to cascade system	1b.2 Expansion plans developed		Intermediate Housing sub-group
	1b.3	Market 09/11 LCHO schemes beyond key workers at the local level and to the national criteria		1b.3 Marketing successfully reaching non KW h/h too – monitor 6 monthly		Intermediate Housing sub-group/individual LAs
	1b.4	To use the evidence we have to lobby the HC, GLA and DCLG	Ongoing			Homebuy Agent and developing HAs
2. Assist households currently in intermediate housing or outright ownership to deal with the current economic crisis without losing their home						

Objective	Actions	Timescale	Target/Outcome	Resources	Lead
4. Obtain and maintain a good base of information on intermediate and key worker housing needs	Sub-region (including Homebuy Agent) to consider how best to identify unmet needs, both in terms of residual waiting lists and in dealing with key workers currently not eligible, whom employers would like to see included. • Liaise with other sub-regions • Research to be carried out		Improve the targeting of the Programme		Intermediate Housing sub-group
5. Continue to develop and review partnership working	5.1 Monitor funding programmes on a sub-regional basis 5.2 Work with the SE London sub-region on issues of mutual interest, including 5.3 Hold IHG of RSLs and Homebuy Agent in SW London	Quarterly Ongoing Quarterly	Ensure progress against start of year plan Establish SLA, and agreement for future contact/work		Intermediate Housing sub-group Intermediate Housing sub-group
6. Ensure that the sub-region's approach addresses diversity issues	6.1 Monitor data on BME IH/KW housing need and take up of programmes 6.2 Establish the demand for adapted intermediate worker housing and promote accessible housing solutions	Quarterly	Use census data as minimum targets		Homebuy Agent/developing HAs, overseen by Intermediate Housing sub-group

6. Monitoring and Review

Main purpose of the KWL programme

The Key Worker Living programme is designed to assist access to affordable housing for either rent or purchase by frontline key workers, particularly in the health and education sectors, whose services are essential to local communities and who need to live within a reasonable "travelling to work" distance of those communities. The initiative is targeted at those areas where there are clear recruitment and/or retention difficulties, linked to the cost of housing.

In addition to groups like health workers, teachers and police, the KWL programme supports others such as social workers. This is to reflect the importance Government attaches to improving standards, by tackling recruitment and retaining essential skills to support services in areas where key workers cannot afford to live. The Institute of Policy Studies in Education found that for teachers in a sample of seven London Local Education Authorities the overwhelming incentive to leave London was the cost of housing. In addition, ODPM's Evaluation of the Key Worker Living Programme: Early Findings, published in August 2005 quoted research (from 2003) for *Keep London Working*[19] which shoed that lack of affordable housing can be associated with 50% of key worker shortages. The majority of employer interviewees considered the main current labour market problem to be one of retention rather than recruitment of key workers.

A measure of improvement

The bottom-line measure of the success of the programme will be an improvement in the recruitment and retention of key workers, which can be linked to the provision of KWL housing. This will require an analysis of the experience of key worker employers, and research into the views of key workers who have taken up the opportunity to acquire key worker housing. ODPM has an ongoing evaluation project that will provide findings for the programme *overall,* and London-wide.

South-West London

The measures we will be able to use locally, will be based largely on the information provided by Tower, as the Homebuy Agent:

- successful take-up of the programme by key workers
- successful take-up of the individual programmes
- satisfaction with the different products and process by successful applicants.

It will also be important to ensure that the Homebuy Agent and provider housing associations are successfully marketing homes, so that there is no delay in homes becoming occupied as they become available, and ODPM's Early Findings report contained examples of best practice in marketing.

The sub-regional intermediate housing sub-group is currently made up of local authority officers with prime responsibility for overseeing the development of intermediate housing in South-West London. There will shortly be housing association representation on that group, and an employers' representative. Tower, as Homebuy Agent, will also be invited to be represented. This group will oversee the Housing Corporation funded KWL programme for 2006-08 and monitor and review the progress of the action plan, as part of its wider work-plan for the coming year.

[19] *Keep London Working* was an SRB action research project, funded by the LDA, with Peabody Trust acting as the accountable body. Its Board was made up of employers, housing providers and developers, local authorities and lobby groups, which was constituted formally in January 2001.

The group will take account of the findings of ODPM's research, and consider the need for any further research that will be necessary to usefully inform the further development of the programme. This will include the possibility of joint work with the South-East sub-region, where this is seen to be mutually beneficial.

Income and Affordability Data

London and Sub-Regional Support Studies Project 2005

The following information is taken from a research project carried out by Fordham Research Ltd., call the London and Sub-Regional Strategy Support Study 2005. The project, which brings together 27 housing needs surveys in one database, was commissioned by the GLA and London's five housing sub-regions. It completed in July 2005. The database provides information on incomes and affordability in South West London, which provides useful background for this strategy.

Household Incomes in SW London[20]

The database estimates that the average annual gross household income (excluding all non-housing benefits) in South West London is £30,035. This figure is a mean; the database indicates that the median (mid-point) income is £21,784 suggesting that the mean is skewed upwards by very high incomes at the top end.

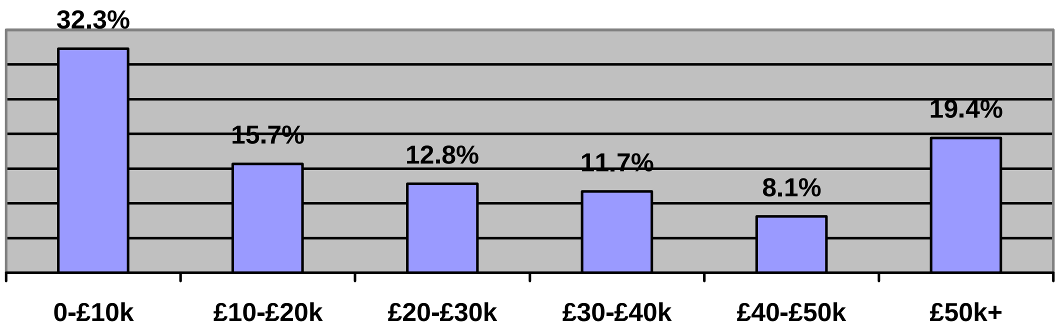
Table 4 Average household Income 2004

Household income	Mean	Median
Annual gross household income (excluding non-housing benefits)	£30,035	£21,784
Annual net household income (including non-housing benefits)	£23,154	£16,291

Source: London & Sub Regional strategy support studies project: final report (2005)

The figures below indicate that incomes in South West London are quite polarised. It is estimated that almost a third of households have a gross income of below £10,000 per annum whilst 19.4% have gross incomes above £50,000 per year. The disparity displayed for net household income including non-housing benefits is, as would be expected, reduced.

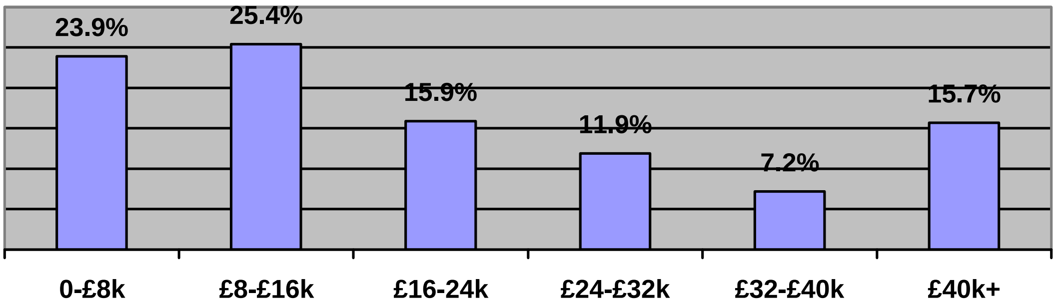
Figure 3 Distribution of annual gross household income (excluding benefits)



Source: London & sub-regional strategy support studies project: final report (2005)

[20] **Gross Income:** is that received by the head of household/spouse/partner and other household members from employment (wages and salaries) and investments (including interest and dividends from investments and private pensions) before any deductions for income tax and National Insurance are made. **Net income:** is gross income minus National Insurance contributions and tax at the appropriate rate. The main tax allowances were applied.

Figure 4 Distribution of annual net household income (including non-housing benefits)



Source: London & sub-regional strategy support studies project: final report (2005)

Table 5 Household Income by tenure

Tenure	Annual Gross income excluding benefits		Annual net income including benefits	
	Mean	Median	Mean	Median
Owner-occupied (no mortgage)	£24,617	£12,723	£21,710	£14,874
Owner-occupied (with mortgage)	£46,139	£38,170	£32,494	£25,970
Council	£6,485	£0	£8,462	£6,500
RSL	£8,644	£1,676	£10,005	£6,657
Private rented	£28,672	£22,902	£21,288	£15,568

Information was collected on the amount of savings that the household head and their partner (if appropriate) had. The mean household savings across South West London is £4,752; however, the median level of savings is £500 suggesting that ***the majority of households have a small amount of savings.***

The table below shows the differences in mean and median household savings by tenure. The households with the lowest mean savings are those who rent from the council or an RSL, with the highest belonging to those owner-occupiers that do not have a mortgage. ***Over half of households in the Council, RSL and private rented sectors have no savings or are in debt.***

Table 6 Household savings by tenure

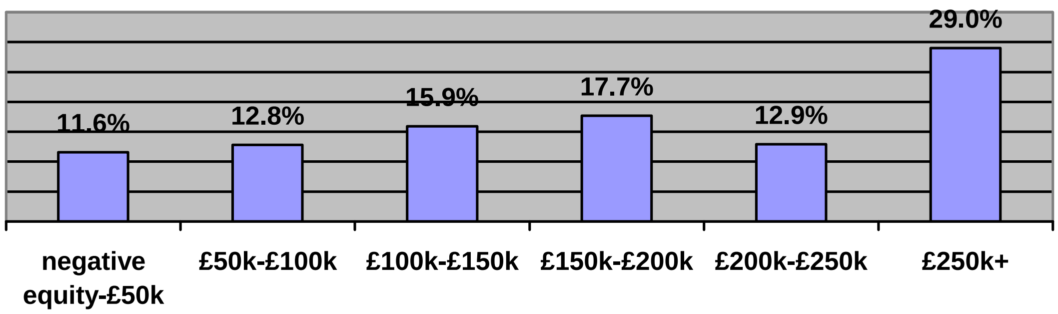
Tenure	Mean	Median
Owner-occupied (no mortgage)	£9,534	£6,500
Owner-occupied (with mortgage)	£5,260	£1,.500
Council	£705	£9
RSL	£580	£0
Private rented	£2,365	£0

Levels of Equity

Households who owned their own home were asked to estimate the level of equity that they had in their home. The mean equity for owner-occupier households in South West London is £197,981, which equates to £120,971 across all households in South West London. ***The median is lower than the mean suggesting that there are more households with equity lower than £197,981 than there are households with a higher equity.***

The distribution of equity level is shown in the figure below. ***An estimated 11.6% of owner-occupied households have equity of less than £50,000 whilst 29.0% have equity of over £250,000***

Figure 5 Distribution of household equity



Source: London & sub-regional strategy support studies project final report (2005)

Ability to afford market housing[21]

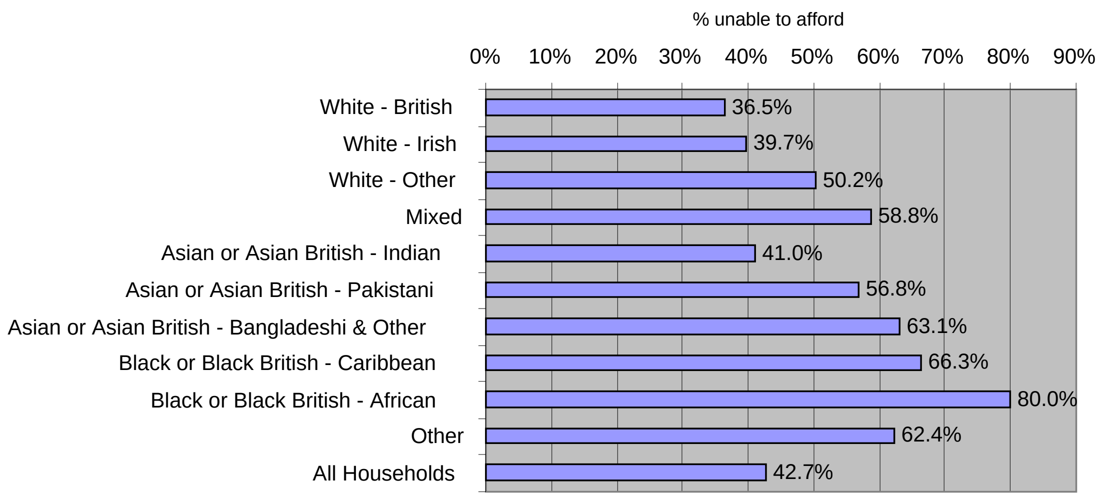
Overall, 287,547 households in South West London would be unable to afford the cost of market housing without subsidy (if they were to move home now within their current Borough), which equates to 42.7% of households.

[21] In summary, the measure of affordability used in the survey is defined: ***Overall affordability:*** A household is unable to afford private sector housing if the cost of housing (either to rent or to buy – whichever is the cheaper) exceeds 25-25% of net household income.

Ethnicity and ability to afford market housing

The figure below shows how ability to afford varies by ethnicity of household head. The data indicates that only three groups are more likely to be able to afford than the South West London-wide average – White British, White Irish and Indian, which reflects the favourable economic circumstances of this group. Black African households display the worst affordability profile, with 4 out of 5 households in this group being unable to afford market housing if they were to move home within their existing Borough.

Figure 6.1 Affordability and ethnic group

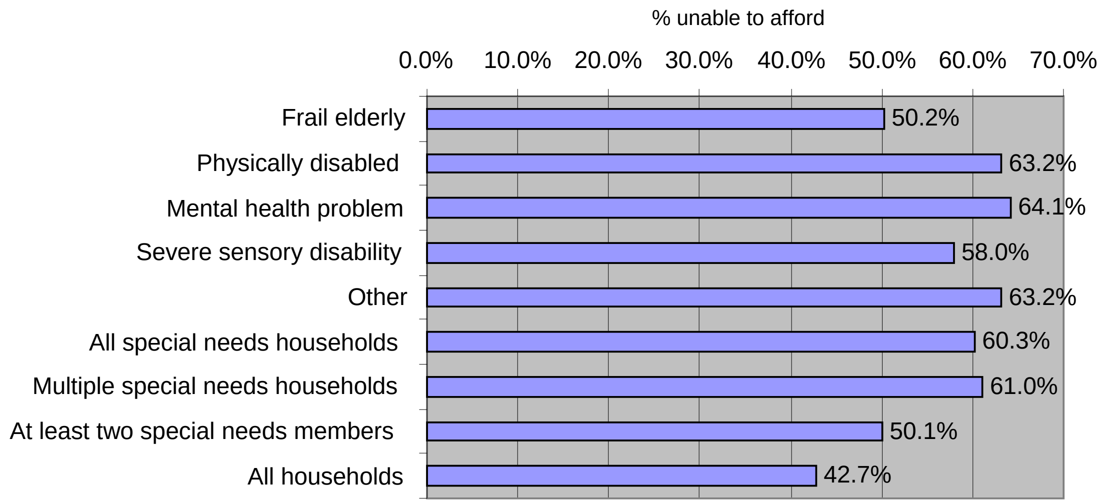


Source: London & sub-regional strategy support studies project: final report (2005)

Special needs and ability to afford market housing

The figure below shows the proportion of each special needs group unable to afford. The data shows that 60.3% of all special needs households would not be able to afford if they moved home within their current Borough and that all groups of special needs households are less likely to be able to afford than non-special needs households. Affordability is worst amongst "*mental health problems"* households – 64.1% of this group could not afford market housing of an appropriate size without subsidy. *"Frail elderly"* households and households with at least two special needs members are the groups most likely to be able to afford a dwelling with sufficient bedrooms (were they to move within their current Borough).

Figure 6.2 Affordability and special needs group



Source: London & sub-regional strategy support studies project: final report (2005)

Size of home required – for those unable to afford market housing

It is possible to look at the size of home required (in terms of number of bedrooms needed) for those households that are unable to afford market housing. This allows us to identify which dwelling sizes are most unaffordable for households currently resident in South West London. Again, this analysis takes no consideration as to whether the household is likely to move home. The table below shows the size of dwelling required by households unable to afford market housing. It shows that 48.6% of households require a one-bedroom property, 29.8% a two-bed home, 16.1% a three bedroom home and 5.5% a four-bed dwelling.

Table 8.1 Dwelling size required by households unable to afford

Size of dwelling required	Total households	% of households
One bed	139,767	48.6%
Two bed	85,550	29.8%
Three bed	46,281	16.1%
Four bed	15,949	5.5%
TOTAL	287,547	100.0%

Source: London & sub-regional strategy support studies project: final report (2005)

The table below shows the size of dwelling required by all those that cannot afford market housing by ethnic group. This shows that the dwelling size required most commonly by households that cannot afford market prices is one bedroom properties for all groups with the exception of Pakistani and Bangladeshi & Other households. Indian and Bangladeshi & Other households that cannot afford market housing most commonly require a three bedroom property, largely due to the higher average household size witnessed in these groups.

Table 8.2
Dwelling size required by those households that cannot afford market housing by ethnicity

	Number of bedrooms required				
Ethnic group	One	Two	Three	Four or more	Total
White – British	91,938	48,187	25,327	6,508	171,960
White – Irish	4,615	2,700	814	243	8,372
White – Other	13,215	9,246	4,454	1,374	28,289
Mixed	3,222	3,152	697	483	7,554
Asian or Asian British – Indian	2,571	2,055	1,107	844	6,577
Asian or Asian British – Pakistani	1,195	1,004	1,501	632	4,332
Asian or Asian British Bangladeshi/Other	2,270	2,472	2,589	1,905	9,236
Black or Black British – Caribbean	9,386	7,982	4,333	1,424	23,125
Black or Black British – African	7,136	6,199	3,977	1,769	19,081
Other	4,219	2,553	1,482	767	9,021
All households	139,767	85,550	46,281	15,949	287,547

Source: London & sub-regional strategy support studies project: final report (2005)

This analysis can also be presented by special needs. The table below shows the size of dwelling required by all those that cannot afford market housing by special needs. This shows that the dwelling size required most commonly by households that cannot afford market prices is one bedroom properties for all groups of special needs households.

Table 8.3 Dwelling size required by those households that cannot afford market housing by special needs

	Number of bedrooms required				
Special needs group	One	Two	Three	Four or more	Total
Frail elderly	9,437	1,537	328	288	11,590
Physically disabled	17,825	5,657	3,512	1,396	28,390
Mental health problem	3,751	1,019	774	216	5,760
Severe sensory disability	3,673	1,201	411	0	5,285
Other	6,452	4,164	2,847	898	14,361
All special needs households	29,183	10,338	6,298	2,290	48,109
Multiple special needs households	9,194	1,969	1,374	469	13,006
At lest two special needs members	1,565	1,256	677	177	3,675
All households	139,767	85,551	46,281	15,949	287,548

Source: London & sub-regional strategy support studies project: final report (2005)

Appendix 2

Intermediate Housing

London and Sub-Regional Support Studies Project 2005

Summary

The study considered the affordability of intermediate housing for all households in South West London. The analysis assumed that the term intermediate housing covers any housing provided at a cost that is between social rented housing and minimum market prices (the threshold for need). 57.3% of households in South West London can afford market housing, *intermediate housing would be appropriate for 11.8% of households,* with social housing required for the remaining 30.9%.

Indian and Pakistani households that could not afford market housing were more likely than others to be able to afford intermediate housing. Black Caribbean households unable to afford the market were lest likely to afford intermediate housing. 10.5% of all special needs households unable to afford the market could afford some form of intermediate housing, compared to 27.7% of all South West London households.

The study sought to provide more information by looking at three categories of "intermediate" housing based on price. This is based on identifying three equal bands within the boundary for intermediate housing. The data showed that 6.3% of all South West London households could afford the cheapest intermediate housing market, 3.8% could afford mid-priced intermediate housing and 1.8% could afford the most expensive form of intermediate housing.

The study also looked at the extent that intermediate housing would be appropriate for households in need. The data indicates that 70.6% of households in need would require social rented property and *29.4% would be able to afford some form of intermediate housing.* 15.1% of households would be able to afford intermediate housing within the lowest band, 9.7% would be able to afford middle-priced intermediate housing and 4.7% would be able to afford the most expensive intermediate housing.

The data indicates that of all households in need, Black Caribbean households in need are most likely to only be able to afford social rented accommodation. Pakistani households are most likely to be able to afford some form of intermediate housing. This result should be treated with caution however as it is based on a small sample. Special needs households in need are less likely than all non-special needs households in need to be able to afford market housing.

Characteristics of households able to afford intermediate housing

The report presented details of the households that could afford intermediate housing (but could not afford market housing). This is presented in the table below. *The results show that the households suitable for intermediate housing are more likely than all South West London households to be living in private rented sector.* They are also more likely to be single non-pensioner households and are more likely to intend to move in the next five years.

Table 12.5 Characteristics of "intermediate" households			
Characteristics	Intermediate Households		All South West London Households
	Total Households	% of households	
Tenure			
Owner-occupied (no mortgage)	1,058	1.3%	22.7%
Owner-occupied (with mortgage)	27,403	34.4%	38.4%
Council	8,769	11.0%	12.4%
RSL	8,905	11.2%	8.3%
Private rented	33,456	42.0%	18.2%
Household type			
Single pensioners	2,430	3.1%	11.9%
2 or more pensioners	889	1.1%	5.4%
Single non-pensioners	25,098	31.5%	22.8%
2 or more adults – no children	26,114	32.8%	33.2%
Lone parent	2,728	3.5%	5.7%
2+ adults 1 child	11.125	14.0%	10.1%
2+ adults 2+ children	11,232	14.1%	11.0%
Minimum size requirement			
1 bedroom	40,031	50.3%	56.6%
2 bedrooms	23,430	29.4%	27.0%
3 bedrooms	12,559	15.8%	12.9%
4 bedrooms	3,597	4.5%	3.5%
Moving intention			
Now	6,444	8.1%	6.3%
Within a year	9,831	12.3%	8.7%
In 1 to 5 years	21,861	27.5%	18.0%
No need/not likely to move	41,482	52.1%	67.0%
TOTAL	79,617	100.0%	100.0%

Source: London & sub-regional strategy support studies project: final report (2005)

Affordability within the intermediate category

The analysis indicated that there are 79,617 households that can afford intermediate housing across South West London, representing 11.8% of all households. The analysis has not however implied any particular type of intermediate housing.

The study therefore sought to provide some more information by looking at three categories of "intermediate" housing based on price. This is based on identifying three equal bands within the boundaries for intermediate housing identified previously, for each property size within each Borough. Set out below is an example of the bandings used in one of the London Boroughs in East London – Barking & Dagenham. It will be noted that social rented outgoings form the basis of the lower threshold and minimum market prices form the basis of the upper threshold.

Table 12.6 Example of the approximate outgoings for different types of intermediate housing – Barking & Dagenham			
Size requirement	Cheapest intermediate housing	Middle band	Most expensive
1 bedroom	£48-£71	£72-£96	£97-£120
2 bedrooms	£66-£90	£91-£115	£116-£140
3 bedrooms	£68-£99	£100-£133	£134-£165
4+ bedrooms	£70-£107	£108-£147	£148-£185

Source: London & sub-regional strategy support studies project: final report (2005)

Using this information it is possible to further differentiate the number of households able to afford housing at a variety of costs. This is presented in the table below. The data shows that whilst 6.3% of households can afford the cheapest intermediate housing market, 3.8% can afford mid-priced intermediate housing and 1.8% could afford the most expensive form of intermediate housing.

Table 12.7 Affordability of intermediate housing		
Housing type	Total households	% of households
Social housing only	207,929	30.9%
Cheapest intermediate housing	42,102	6.3%
Middle-priced intermediate housing	25,529	3.8%
Most expensive intermediate housing	11,986	1.8%
Market housing	385,843	57.3%
TOTAL	673,390	100.0%

Source: London & sub-regional strategy support studies project: final report (2005)

The tables below consider the affordability of the different types of intermediate housing for all households unable to afford the market by ethnic group. Due to the smaller sample of households used as the baseline (only households that would be suitable for intermediate housing) it is necessary to amalgamate the ethnic groups together to ensure the data is reliable.

The data indicates that for all groups of households that would be appropriate for intermediate housing with the exception of Mixed and Other, households are most likely to only be able to afford the cheapest form of intermediate housing and are least likely to be able to afford the most expensive band. Mixed and Other households suitable for intermediate housing are most likely to be able to afford the middle-priced band of housing.

Intermediate housing and housing need

We can examine the extent to which intermediate housing would be suitable for all households in housing need. The table below shows the type of housing that households in need would be able to afford. The data indicates that 70.6% of households in need would require social rented property and 29.4% would be able to afford some form of intermediate housing. 15.1% of households would be able to afford intermediate housing within the lowest band, 9.7% would be able to afford middle-priced intermediate housing and 4.7% would be able to afford the most expensive intermediate housing.

Table 12.12 Affordability of intermediate housing for existing households in need		
Housing type	Total households	% of households
Social housing only	24,645	70.6%
Cheapest intermediate housing	5,281	15.1%
Middle-priced intermediate housing	3,377	9.7%
Most expensive intermediate housing	1,625	4.7%
TOTAL	34,928	100.0%

Source: London & sub-regional strategy support studies project: final report (2005)

The table below shows the type of housing that households in need would be able to afford by ethnic group. The sample is not large enough to differentiate between the types of intermediate housing that would be suitable. The data indicates that of all households in need, Black Caribbean households in need are most likely to only be able to afford social rented accommodation. Pakistani households are most likely to be able to afford some form of intermediate housing. This result should be treated with caution however as it is based on a small sample.

Table 12.13 Affordability of various housing options for households in need by ethnic group				
	Affordability of households in need			
Ethnic group	Afford intermediate housing	Only afford social rented	Total unable to afford market	% able to afford intermediate housing
White – British	5,994	11,238	17,232	34.8%
White – Irish*	243	439	682	35.6%
White – Other	1,440	2,937	4,377	32.9%
Mixed*	187	929	1,116	16.8%
Asian or Asian British – Indian*	256	459	714	35.8%
Asian or Asian British – Pakistani*	330	582	912	36.2%
Asian or Asian British Bangladeshi/Othr	368	1,341	1,710	21.5%
Black or Black British – Caribbean	446	2,608	3,054	14.6%
Black or Black British – African	798	3,065	3,864	20.7%
Other*	220	1,047	1,267	17.3%
All households	10,283	24,646	34,929	29.4%

Source: London & sub-regional strategy support studies project: final report (2005)
* The sample of these households in need is small, so they should be treated with caution

The table below shows the type of housing that households in need would be able to afford by special needs. The data indicates that only 10.6% of special needs households in housing need would be able to afford intermediate housing compared to 33.5% of all non-special needs households in need in South West London.

Table 12.14 Affordability of various housing options for households in need by special needs				
	Affordability of households in need			
Special needs group	Afford intermediate housing	Only afford social rented	Total unable to afford market	% able to afford intermediate housing
Special needs households	659	5,563	6,222	10.6%
Non-special needs households	9,623	19,082	28,706	33.5%
All households	10,283	24,645	34,928	29.4%

Source: London & sub-regional strategy support studies project: final report (2005)

Size of Dwelling required

The size of dwelling required by households in need able to afford intermediate housing is presented in the tables below, alongside the size of dwelling required by those households in need only able to afford a social rented property. These figures are based on the gross bedroom requirement of existing households in need and the bedroom requirement of households in newly arising need.

Table 12.15 Bedroom requirement by housing type for all households in need – total households					
	Number of bedrooms required				
	1	2	3	4 +	Total
Households suitable for intermediate housing	5,028	3,353	1,411	490	10,282
Households only able to afford social rented housing	10,228	7,690	4,403	2,324	24,645
All households in need (gross)	15,256	11,043	5,815	2,813	34,927

Source: London & sub-regional strategy support studies project: final report (2005)

Table 12.16 Bedroom requirement by housing type for all households in need – proportions					
	Number of bedrooms required				
	1	2	3	4 +	Total
Households suitable for intermediate housing	48.9%	32.6%	13.7%	4.8%	100.0%
Households only able to afford social rented housing	41.5%	31.2%	17.9%	9.4%	100.0%
All households in need (gross)	43.7%	31.6%	16.6%	8.1%	100.0%

Source: London & sub-regional strategy support studies project: final report (2005)

Appendix 3

Key worker housing and affordability research

Summary of research produced by London Housing at ALG 2005 for the SW sub-region

The SWL Key Worker Strategy group commissioned London Housing (part of the Association of London Government) to carry out research on key workers. The main purpose of the research was to provide robust information on key workers and the recruitment and retention issues experienced by public sector employers in the sub-region, including local authorities, in order to assist in the development of the sub-regional key worker strategy.

London Housing used a range of methods to gather data. They carried out a desk-top analysis of existing data on national pay scales etc., and they carried out a postal survey of thirteen participating employers and in-depth interviews with eight employers representing a range of occupational groups and locations.

The underlying assumption behind the Government's programmes to provide low cost housing for key workers (Starter Home Initiative, Challenge Fund, Key Worker Living) is that recruitment and retention problems have a severe impact on public services, especially health, education and policing, and particularly in London because of high house prices. However, at the conclusion of the research, its findings revealed that, whilst employers felt on the whole that recruitment and retention issues did have an impact, it was difficult to assess the role of housing in recruitment problems, without undertaking further work. The report did refer to anecdotal evidence suggesting that the impact might be more significant in terms of retention where families grow and larger accommodation is required. This has significant implications on the development of key worker homes as current programmes only benefit singe people and couples as the accommodation produced is always in the form of one and two bedroom units, larger family units being too expensive because of the cost of provision.

Whilst being unable to establish any direct causal link between recruitment and retention problems for the designated key workers and the lack of affordable housing, the research did provide much useful information which has informed our strategy. This is summarised below.

Definition

There is no universally agreed definition of "key worker". The ALG noted that all the sub-regions in the development of their strategies have adhered to the government's definition of key worker, but suggested that the sub-region should consider adding further key worker categories to their strategies – to have wider remit than the government's definition. They go further to recommend that the KW strategy form part of wider intermediate housing strategy.

Turning briefly to the interviews, there were some interesting comments; for instance, in several of the interviews, the view was expressed that all staff are key in providing the service and that defining some as key and other correspondingly as not key could be perceived as divisive. A fairly general view was that the definition needed to be flexible and responsive to changing needs. Whilst all the employers interviewed had recruitment and/or retention issues to differing degrees, several noted that it was lower paid support staff that were hardest to recruit or retain. One employer asked how the Government had set the rules and criteria – what evidence had they based it on and why didn't they consult?

Affordability analysis

The affordability analysis showed that an average-priced property in the sub-region was £292,208 for a terraced property and £206,068 for flats and maisonettes. This would require an income of about £79,000 for the former and about £56,000 for the latter. For a lower quartile property, an income of over £46,000 would be required (these figures are based on a 95% mortgage and 3.5 x earnings).

The report showed that there is a huge range of prices across the seven boroughs. The highest prices for both terraced property and flats and maisonettes were in Wandsworth; the cheapest terrace properties were in Croydon and the cheapest flats and maisonettes were in Sutton. Lower quartile prices in the boroughs range from £140,000 in Sutton to over £217,000 in Richmond. This means that a minimum salary of £38,000 would be required to access lower quartile properties in the cheapest area of the sub-region. The table below, reproduced from the research, shows the lower quartile prices by borough for terraces and flats/maisonettes, the percentage change since June 2003 and the salary required to purchase:

Borough	Lower Quartile Price June 2004*	Percentage change on June 2003	Salary required to purchase**
Croydon	£145,500	+10	£39,493
Lambeth	£162,625	+8	£44,141
Kingston	£178,825	+5	£48,538
Merton	£165,000	+7	£44,786
Richmond	£217,063	+8	£58,917
Sutton	£140,000	+2	£38,000
Wandsworth	£195,000	+13	£52,929
Sub region average	£172,002	+8	£46,686

** Information from Land Registry Data April-June 2004*
*** based on a 95% mortgage and 3.5 x earnings*

The cheapest property to rent would be a bedsit in the Sutton or Croydon area at £519 per calendar month; at an affordability ration of 40% (i.e. no more than 40% of net incomes to be spent on rent), a net income of £15,570 would be required. The report concludes that comparing these prices with the individual key worker incomes collected in the study shows a considerable affordability gap, whilst acknowledging that information on household composition and income would give a more realistic picture of what key worker households can afford in the sub-region.

The following table, reproduced from the research, shows the rental prices in the sub-region:

Area	Bedsit		1 bed flat		2 bed house		3 bed house	
	£ pcm	**Net** Household Income Required*	£ pcm	**Net** Household Income Required*	£ pcm	**Net** Household Income Required*	£ pcm	**Net** Household Income Required*
Wimbledon and Merton	641	19,230	826	24,780	1,106	33,180	1,329	39,870
Twickenham, Teddington and the Hamptons	655	19,650	811	24,330	1,108	33,240	1,281	38,430
Tooting, Balham and Streatham	548	16,440	775	23,250	962	28,860	1,158	34,740
Sutton and Croydon	519	15,570	832	24,690	860	25,800	1,399	41,970
Richmond, Kew and Barnes	806	24,180	1,039	31,170	1,334	40,020	1,965	58,950
Putney and Wandsworth	753	22,590	954	28,620	1,301	39,030	1,776	53,280
Kingston and nearby	628	18,840	798	23,940	973	29,190	1,212	36,360

Source: Average prices from Findaproperty.com based on advertised sales over the last three months at 10 Sept.2004. Information provided by area but not by borough

*Net household income required based on an affordability ration of rent being 40% of net income calculated by London Housing.

The table below shows key worker incomes in each occupation group, the resultant mortgage accessibility and the affordable level of rent payment. As stated above, no data is available on actual key worker household composition and therefore all the calculations are based on individual incomes.

Occupational Group	Gross Income £pa	Net Income £pa	Mortgage Accessible* + 5% £pa	Affordable level of rent payments £pcm
Prison Officers				
Minimum				
Top Rate	20,986	15,867	77,317	529
Higher Rate	20,086	15,264	74,001	509
Maximum				
Top Rate	28,686	21,026	105,685	701
Higher Rate	27,786	20,423	102,369	681
Nurses / Midwives				
Grade D				
Inner London	21,183	15,999	78,044	533
Outer London	20,430	15,495	75,270	517
Grade F				
Inner London	24,470	18,202	90,152	607
Outer London	23,717	17,697	87,378	590
Grade H				
Inner London	31,091	22,638	114,546	755
Outer London	30,338	22,133	111,772	738
Teachers				
Bottom of Main Scale				
Inner London	22,059	16,586	81,270	553
Outer London	20,862	15,784	76,860	526
Top of Main Scale				
Inner London	30,750	22,409	113,289	747
Outer London	29,424	21,521	108,404	717
Bottom of Upper Scale				
Inner London	34,851	25,470	128,398	849
Outer London	31,689	23,038	116,749	768
Top of Upper Scale				
Inner London	40,071	28,783	147,630	959
Outer London	36,282	26,547	133,674	885
Police				
On completion of 18 weeks training	28,383	20,823	104,569	694
After three years	29,517	21,583	108,747	719
After six years	31,869	23,174	117,412	772
Social Workers				
Occupations Therapists				
Planners				
Probation Officers				

Sources:
Prison Officers: Prison Service Pay Review Board. Third Report on England & Sales 2004
Nurses: www.nhscareers.nhs.uk
Teachers: www.teachernet
Police: www.metpolicecareers.co.uk
Net income calculated by London Housing, taking off income tax and national insurance.
Mortgage available calculated as 3.5 x gross income, plus 5% deposit
Rent affordable calculated as 40% of net income.

The research showed that in most of the boroughs, open market average or lower quartile property is unaffordable. In terms of renting a property, apart from certain expensive areas, renting a bedsit is affordable to all groups but beyond this, renting a property becomes unaffordable for a greater number of groups.

Recruitment and retention

Information from the local authorities and the ALG showed an extremely varied picture with no overall pattern to R&R issues; overall, however, a number of the employers said that R&R issues did have an impact on some aspects of service delivery, but not others.

In the postal survey, of those who responded, the majority of the health trusts and PCTs stated that they had an issue with recruitment and retention whilst the police and probation stated that they did not. In fact, one of the PCTs in an area of very high house prices stated that they did not have an R&R problem. The research stresses the importance of looking at the vacancy and turnover rates and seeing to what extent the shortage of affordable housing is a factor but the employers would have to include relevant questions in their exit interviews for this to be feasible. The research concluded that there may be a complex and eclectic mix of reasons for high turnover and vacancy rates in the public sector in South West London.

Geography

The research found that there was a difference between boroughs in terms of recruitment and retention. For example, in the field of social work Kingston appeared to be suffering from a high turnover rate suggesting that there is more of a retention problem rather than a recruitment problem. Meanwhile in Wandsworth, evidence suggested that there seems to be more of a recruitment problem than a retention problem.

In addition to this, London Housing found that there is likely to be cross-borough and cross-sub regional movement of staff between place of work and home. Furthermore, that key workers generally travelled up to an hour to get to work.

The importance of Housing

Turning specifically to housing factors in recruitment and retention, the research revealed that there is a lack of detailed evidence about the nature of the housing issues or its relative importance compared to other factors. One interesting aspect, however, is that St Thomas' carried out a "quality of life" survey in 2002 in which 50% of those who filled in the questionnaire said that it was very difficult or impossible to find accommodation near their place of work and significant numbers of staff said that it was impossible to find affordable housing in the area; however, both hospitals in the Trust are based in central London which means that it is inevitably an area of expensive accommodation. Transport links are good, however, enabling staff to live in more affordable areas.

Most of the employers noted housing as an issue for its staff; however, there was no overriding response or pattern as to whether housing played more of a role in recruitment or retention problems. Several respondents felt that the impact was similar in both whereas in another couple of responses, anecdotal evidence suggested that the impact might be more significant in retention where families grow and larger accommodation is required. The research recommended that exit interviews for public service employers be standardised to ask questions about affordable housing and that applicants who ask for, yet fail to return, completed application forms for advertised posts be routinely asked whether or not a perceived lack of affordable housing was a factor in their decision.

Conclusions

The key conclusion of the research is that vacancy and turnover rates varied between occupations and between boroughs. There did not appear to be a direct correlation between high rates and high house prices, indicating that, although housing is a factor, there appear to be other factors that play a role too. Though employers noted housing s a factor within their recruitment and retention problems, there is a lack of detailed evidence on the nature of these housing issues or the relative importance of the issue compared to other factors. The researchers recommended further work in a number of areas but the sub-regional group agreed that it did not want to pursue this route, given that it had subsequently decided to recommend a broader intermediate housing strategy with a quite flexible key worker definition that did not seek to assign priority between different key workers nor assess which occupations contribute to the local economy.

A number of recommendations were made in the research and these have informed the development of this strategy.

Appendix 4

Summary of the Government's new Homebuy Scheme

published 14 September 2005

In April 2005 ODPM consulted on a range of proposals relating to HomeBuy, including proposals for an extended HomeBuy scheme. Research was carried out to explore consumer reactions to the new Homebuy products, to inform their final design and implementation.

In September 2005, the Government responded to the consultation, setting out the details of the new HomeBuy scheme, through which is proposes to help over 100,000 new households into home ownership by 2010.

What is available under the Key Worker Living Programme (now merged with the other Intermediate Housing programme in the NAHP)?

The products available will be:

- Open Market HomeBuy – An "Equity loan" of up to £50,000 to help key workers buy a home on the open market;
- Higher-value equity loans of up to £100,000 for a small group of school teachers with the potential to become leaders of London's education system in the future;
- New Build HomeBuy – shared ownership of newly built properties (you buy at least 25% of the home and pay a rent on the remaining share);
- "Intermediate renting" where the rent is set at a level between that charged by social and private landlords and the accommodation is provided by a registered social landlord.

The NHS also provides some short term intermediate rented accommodation for all key workers. This is managed through the NHS accommodation website: www.nhs.uk/accommodation.

Initial Purchases

For Social HomeBuy and New Build HomeBuy there will be a minimum initial purchase of 25%.

For Open Market HomeBuy, purchasers will be expected to buy around 75%. Equity loan support will be provided to a maximum of £50,000. The Government believes that around 75% is appropriate given that it wants to ensure that HomeBuy has a strong focus on new build properties to increase supply. It is satisfied that this level of assistance has already been proved to be appropriate for a product that is primarily targeted at key workers.

Purchasers will be required to buy as much as they can afford and sustain. Applicants will be assessed to ensure that the level of help given is related to need and to ensure best use of Government subsidy.

Changes to terms and conditions

Two important changes to the terms and conditions are that:

- For any Open Market HomeBuy loans provided from 1 April 2006 onwards, a modest rent may be charged on the un-owned equity;
- Purchasers of New Build HomeBuy will have five years, instead of two, in which to sell their share in the property they purchased or staircase to full ownership, if they leave a qualifying key worker employment.

Key Worker Eligibility

The eligibility criteria was expanded from 14 November 2005 for all shared ownership and intermediate rented homes, and for Open Market HomeBuy once new funding is made available in April 2006, to include:

- all clinical NHS staff;
- teachers in schools, further education and sixth form colleges;
- police officers and community support officers;
- uniformed staff in Fire and Rescue services;
- prison and probation service staff;
- social workers, occupational therapists, educational psychologists, speech and language therapists, rehabilitation officers for the visually impaired and qualified nursery nurses;
- local authority employed clinical staff (e.g. nurses); and
- local authority planners

Private sector key workers are **not** included within the eligible groups because the purpose of the Key Worker Living programme is to support improvements in *public* services. It is the responsibility of the private and voluntary sectors to deal with their own recruitment and retention issues.

The revised eligibility criteria will be applied retrospectively to all Key Worker Living units funded under the programme since 1 April 2004, unless restricted by local planning agreements.

Social Homebuy

Social Homebuy is for local authority and housing association tenants to buy, at a discount, a share in their home, with the local authority or housing association holding the remaining share, and share in increases or decreases in value of the home ("equity sharing").

Eligibility

Social HomeBuy will mirror the arrangements for Right to Buy/Acquire and be available to tenants of local authorities and housing associations who have been public sector tenants for a minimum of two years (five years for tenancies granted after 18 January 2005), demonstrating their commitment to the local neighbourhood. This is intended to ensure that the scheme contributes to the creation of stable, sustainable communities. Social landlords will have discretion to require longer tenancies. Social HomeBuy will be a voluntary scheme and social landlords will have discretion over whether to offer it to their tenants. Some landlords may want to run a Social HomeBuy scheme in selected areas – for instance, to create a more mixed community as a priority in support of wider regeneration objectives. Where this is the case landlords will be expected to publish their disposal strategy so that it is clear which tenants live in homes that are eligible for Social HomeBuy.

Charging

For Social HomeBuy and New Build HomeBuy:

- a maximum cap on rental charges of 3% on all remaining equity, chargeable from day one;
- a target average for rental charges of 2.75% was set to inform funding decisions under the National Affordable Housing Programme bidding round, but it was hoped that some providers would reduce this further;
- a maximum limit on the annual increase of rental charges of RPI plus 0.5%

For Open Market HomeBuy:

- a modest rental charge on the equity loan will be introduced at a level to be confirmed. The proceeds from any rental charge will offset some of the administrative costs of the scheme.

Staircasing

- Under HomeBuy, buyers will be able to increase their share of ownership in minimum 10% tranches, based on the open market value of the home at the time;
- Buyers should be encouraged to increase their share of ownership in tranches that are affordable and sustainable;
- Buyers should meet the costs that they would normally be expected to meet when purchasing, such as stamp duty, valuation and solicitor's fees. Providers should not pass on their administrative costs to buyers. In the RSL sector, the Housing Corporation guidance allows deductions for eligible administrative costs;
- Staircasing to 100% will not be restricted, as the Government wants purchasers to have the opportunity to move to full ownership wherever possible and sustainable;
- Housing providers are encouraged to allow Social HomeBuy and New Build HomeBuy purchasers to reduce their share of ownership if they encounter financial difficulties, building upon current arrangements. This will be an option only in exceptional circumstances, at the discretion of the lender and the housing provider. Finance support for RSLs to buy back properties under these arrangements will be available through the Recycled Capital Grand Fund;
- Under Social HomeBuy, in very exceptional circumstances and at the discretion of their provider and lender, buyers may be able to revert to renting their property as tenants.

Receipts from Sales

For Social HomeBuy

- In the RSL sector, receipts will be recycled into the Disposal Proceeds Fund, allowing deductions for administrative costs and original cost of provision;
- Proceeds must be invested in the creation of social lets (newbuild; open market purchase) and mechanisms to encourage tenants to free up units;
- Local authorities may retain Social Homebuy proceeds for investment in social lets as above, or in other housing priorities where this would be more appropriate; and to cover the costs of running the scheme.

For Open Market and Newbuild HomeBuy

- The original grant will be recycled into the Recycled Capital Grant Fund and spent in line with the objectives of the National Affordable Housing Programme. Surpluses will be used for permitted purposes, and allowances for administrative expenses and to cover the costs of staircasing will be permitted, as currently.
- KWL proceeds will be recycled to fund further key worker provision

Sustaining Provision

- Providers of Newbuild and Social HomeBuy will have rights to nominate new purchasers from their waiting lists, or to buy back properties. Within eight weeks of an occupier confirming their intention to sell, the provider may nominate a new purchaser or decide whether to buy back the property;

- RSLs will be able to use their Disposal Proceeds Fund and Recycled Capital Grant Fund for this purpose, and local authorities will be able to use capital receipts retained for affordable housing provision, in addition to their other resources including borrowing;
- Local authorities will be able to use receipts from Social Homebuy sales to fund Cash Incentive Schemes. RSLs would be able to fund similar products;
- Social HomeBuy remains voluntary, with providers able to select appropriate locations;
- Properties exempt from the Right to Acquire scheme, including housing for those with long term disabilities or special needs, or housing specifically provided for the elderly are exempt from Social HomeBuy.

Homebuy Agents

The role of HomeBuy Agents is to be extended to cover *all* LCHO schemes funded by the Housing Corporation from April 2006 onwards. This is intended to provide a simplified one-stop-shop for potential applicants.

For the funding period 2006-2008 HomeBuy Agents will continue to be RSLs with experience in the marketing and delivery of LCHO products. Current legislation around the provision of equity loans by local authorities to purchase a property restricts the local authority's ability to perform the HomeBuy Agent role. The Government will pursue options to enable the opening up of the Homebuy Agent role to non-RSLs.

HomeBuy Agents will operate across sub regional zones and are encouraged to link into the Choice Based Lettings areas and initiatives.

The Role

The role of the HomeBuy Agent will be focused on marketing, managing and monitoring the sale of properties under HomeBuy. Regional Housing Boards and local authorities retain responsibility for planning strategically to meet regional and local housing needs. This strategic housing role will not be diminished. But HomeBuy Agents will have good knowledge and experience of market demand, which others are expected to draw on, including the Housing Corporation, when making investment decisions.

Responsibilities

- Holding the waiting list for applicants for Government supported LCHO schemes funded through the NAHP from 2006/07;
- Processing applications using a single standard application form;
- Assessing initial eligibility for assistance, and maintaining a database of all eligible applicants;
- Managing all non-specialist Open Market HomeBuy programmes and holding Government's equity share;
- Providing applicants with information on all the available schemes in their area funded from April 2006 (can be extended where local partners come on board);
- Headline marketing of pre-2006 schemes, where a service level agreement already operates;
- Providing developing RSLs with information on eligible applicants from the waiting list who have expressed an interest;
- Liaising with local authorities, other RSLs, Regional Housing Boards and local employers to ensure effective targeting of assistance to eligible groups, particularly in relation to freeing up of social lets.
- Ensuring that clawback is initiated on the Key Worker Living aspect of Open Market Homebuy;
- Collecting any rental charge levied on Open Market Homebuy equity loans;

- Providing the Housing Corporation, employers, local authorities, Regional Housing Boards and ODPM with detailed monitoring information on the progress of the scheme as required.

HomeBuy agents will be able to provide additional locally-defined services, subject to local negotiation.

To address concerns over assessing the performance of some Homebuy Agents, they will be subject to a new system of performance indicators relating to their reporting functions and service provision to other LCHO deliverers.

HomeBuy Agents are expected to work closely with local authorities and social landlords on freeing up social lets. Local authorities or those holding the waiting list will be able to nominate tenants for LCHO schemes.

Sustainability Assessments

Applicants will be subject to a rigorous series of affordability checks by HomeBuy Agents and providers offering Social HomeBuy. Suitability will be based on a standard application form, with income multiples an important determining factor, as well as savings and overall outgoings.

Sinking funds

The Government believes it should be mandatory for providers of flats purchased under New Build HomeBuy to set up a sinking fund and collect regular contributions from leaseholders. This will allow purchasers to stagger maintenance costs and avoid paying unexpected large bills.

Local Authorities offering Social HomeBuy will have discretion over whether to set up a sinking fund.

ODPM will work with the Housing Corporation and the National Housing Federation to produce good practice guidance, which local authorities will be invited to contribute to, to establish and manage sinking funds.

Service Charges

Landlords of Social HomeBuy will be required to give applicants notice of the estimated service charges during the first five years of ownership, and to ensure that the actual service charges don’t exceed those estimates, allowing for an additional amount for inflation. These estimates will be taken into account as part of the affordability assessment.

ODPM will work with the Housing Corporation to disseminate good practice guidance to local authorities and RSLs in tailoring service charge payment options to the circumstances of different groups of leaseholders.

Providing Key Information

In the RSL sector, provision of information to prospective buyers about the initial and ongoing costs of home ownership will be required as a condition of grant. In the local authority sector, for Social HomeBuy sales, provision will be required as a condition of the Secretary of State’s consent to dispose of the property.

Information to Buyers

The essential information to be provided to prospective buyers:

- Initial costs – stamp duty, legal and survey fees, mortgage and valuation fees;

- Ongoing costs – mortgage repayments, buildings and contents insurance, council tax, utility charges and the costs of upkeep including service charges.

The Government will implement new legislation to ensure that, for marketed sales, key information about the home and its condition is made available to prospective buyers, from 2007 through Home Information packs. Social landlords will be encouraged to provide Home Information Packs for Social HomeBuy on a voluntary basis.

Further Assistance

Where an individual's circumstances change and they face financial difficulties, they may be eligible for benefits – Housing Benefit and Income Support for Mortgage Interest.

In extreme circumstances, Social HomeBuy and New Build HomeBuy purchasers may reduce their share of ownership, at the discretion of the housing provider and their mortgage lender.

Innovation

The Government is keen to encourage independent and innovative proposals enabling other landowners or potential housing providers to provide affordable housing.

English Partnerships continues development of the First Time Buyers Initiative, which will form a discrete part of New Build HomeBuy.

Private Financing

Discussions with the Council of Mortgage Lenders and lenders on the proposals for public-private financing of equity loans resulted in an announcement in December 2005 that three[22] of Britain's biggest mortgage lenders will offer home buyers the chance to obtain a home loan (Open Market HomeBuy) for 75% of the property's value. The remaining 25% would be split equally between the lender and the Government, who would also bear the brunt of any negative equity.

Details of exactly how the scheme will operate, and the precise eligibility criteria, are still being worked out. However, it is expected to begin operating in October 2006 on a pilot basis, and will be open to key public sector workers, social tenants, those on the housing register and other first-time buyers identified as priority cases by regional housing boards.

The mortgages offered to people participating in the scheme "will have a particular price-tag attached", and would not be the cheapest on the market.

Some commentators have estimated that it will only benefit an estimated 20,000 households between now and 2010, and would therefore "hardly make a dent in the problem".

Legal Framework

There will be two different HomeBuy legal models – shared ownership leases and equity loans.

A shared ownership lease model, where the provider retains the freehold and grants a long lease, will be used for New Build Homebuy and Social Homebuy. This will provide flexibility, loan security and allow RSLs to lever appropriate finance at competitive rates to supplement public funding. A model lease will be produced to make leases as standardised as possible for ease of use by all parties involved in the purchase process.

An equity loan model will be used for Open Market Homebuy. This model is favoured by buyers who are able to buy a 75% share and own the freehold, and by mortgage lenders, for its simplicity.

[22] HBOS, which includes the Halifax, the Nationwide and Yorkshire Building Society