



South
Cambridgeshire
District Council

Affordable Housing Glossary

A handy reference guide.

November 2016



This guide has been developed to explain what affordable housing is, the different tenure models available, who it is aimed at and how it is allocated.

Contents

What is Affordable Housing?	2
Importance of Affordable Housing in South Cambridgeshire	2
The Council's Policy on Affordable Housing	2
Affordable Housing Providers	3
Types of Affordable Housing	3
Social Rented Housing.....	4
Pay to Stay	4
Affordable Rented Housing	5
Intermediate Housing - Intermediate Rent	5
Intermediate Housing – Shared Ownership	5
Intermediate Housing – Fixed Equity	5
Intermediate Housing – Rent to Buy	6
Intermediate Housing – Rentplus	6
Starter Homes	7
Housing Benefit for those renting in the private and public sector	7
Allocation of Affordable Homes	8
Home-Link.....	8
Help to Buy East and South East.....	8
Other support available to help households into homeownership	9
Help to Buy – Equity Loans.....	9
Help to Buy – ISA.....	9
Ladder of Affordability – weekly housing costs	10
Publications of Interest	11



What is Affordable Housing?

The Government defines affordable housing as social rented, affordable rented and intermediate housing, provided to eligible households whose needs are not met by the market. Eligibility is determined with regard to local incomes and local house prices.

Affordable housing should include provisions to remain at an affordable price for future eligible households or for the subsidy to be recycled for alternative affordable housing provision.

The Housing and Planning Act 2016 outlines that 'Starter Homes' will also be included within an updated affordable housing definition, to be determined by regulations. It is anticipated that the regulations will be published shortly and are likely to include a broader definition to include other home ownership schemes, such as rent to buy as well as Starter Homes.

The importance of Affordable Housing in South Cambridgeshire

For many households looking for a home in South Cambridgeshire, affordability is a huge issue. House prices are out of reach for many on an average income in the District. A common rule of thumb to measure affordability is that house prices of 3 to 3.5 times income are considered affordable, in South Cambridgeshire for a lower quartile house price to lower quartile income it is currently at 12.4 (June 2016, Housing Market Bulletin).

For those that can't afford to buy on the open market, an alternative in the private sector is to rent privately. Private rentals at the lower end of the market are few and far between, and for those relying on housing benefit to help pay their rent, the difference between the Local Housing Allowance Rate and the rent payable, on average is around a shortfall of £260 per month (June 2016, Housing Market Bulletin).

Everyone needs a home, and if purchasing on the open market or privately renting is unaffordable, the only option available for many is to seek affordable housing. The demand for affordable housing is ever increasing, with over 1,700 people currently on the Council's housing register for affordable rented accommodation and 860 applicants on the Home Buy Register seeking intermediate housing. With the changes to housing benefit as part of welfare reform beginning to impact, this will put further pressure on the demand for affordable housing, specifically the need for one and two bedroom properties [see page 7 for further details on the Local Housing Allowance and changes to housing benefit].

The Council's Policy on Affordable Housing

Within the emerging Local Plan submitted in July 2013, on all developments which increase the net number of homes on a site by 3 or more the Council will seek to achieve 40% of the homes on site to be affordable [Policy H/9: Affordable Housing].



The Council is also very pro-active in bringing forward Rural Exception Sites for affordable housing. These are developments to meet identified local housing needs on small sites adjoining a development framework boundary. Rural Exception sites should provide 100% affordable housing but a small element of market housing may be permitted where it can be demonstrated it is required to enable the scheme to be developed. All affordable homes built on a Rural Exception Site will have a local lettings policy to ensure the homes are offered to local people in the first instance. [Policy H/10: Rural Exception Site Affordable Housing]

Affordable Housing Providers

A Registered Provider is the name given to all social housing providers (as defined in Section 80 of the Housing and Regeneration Act 2008). The Homes & Community Agency, as regulator, maintains a statutory register of all social housing providers.

Most not for profit Registered Providers are commonly known as housing associations and alongside the District Council provide the majority of affordable homes in the District.

There are currently 28 Registered Providers who own and manage affordable housing in the District, with an estimated 3,200 rented homes and 940 shared ownership homes.

South Cambridgeshire District Council has retained its housing stock and currently owns and manages just over 5,200 rented homes and 460 leasehold/equity share homes.

Since 2012 the Council also has a small new homes development programme as well as supporting housing associations to bring forward new affordable housing through its enabling role.

Types of Affordable Housing

The Council seeks to provide a 'basket of options' to meet the varying needs of those looking for affordable housing. It acknowledges the need to provide choices to those pushed out of the private market across the spectrum from those requiring social rented homes to those aspiring to own their own home.

Affordable housing can be split into two categories:

- Rented housing – which includes Social Rented and Affordable Rented
- Intermediate housing – which includes homes for rent and sale provided at a cost above social rent but below market levels.

The term low cost home ownership is used to collectively describe a variety of schemes that are aimed at helping those that cannot afford to buy a home on the open market. These fall within the definition of Intermediate housing.

On all new developments that provide an affordable housing contribution, the Council seeks to achieve 70% rented and 30% intermediate. Each scheme is looked at on an individual



basis and the tenure mix flexed where viability is an issue or local circumstances dictate a different mix.

The 'Ladder of Affordability – weekly housing costs' [page 10] provides further details on who can afford what in terms of housing.

Social Rented Housing

Social rented housing is owned by local authorities and Registered Providers, for which guideline target rents are determined through the national rent regime. The rent is calculated using a set formula that takes into account the value of the property, the average earnings in the area and the number of bedrooms. Social Rented properties are the most affordable tenure type, typically around 60% of an open market rent. Housing Benefit is available to qualifying households where they are unable to pay their Social Rent.

The majority of tenancies are offered as fixed term tenancies or assured tenancies for no less than five years.

Social Rented properties are allocated through the Sub Regional Choice Based Lettings Scheme known as Home-Link and applicants have to be registered on the Housing Register.

It is unlikely that new developments will include an element of Social Rent but will instead provide Affordable Rented properties. This is due to the changes in funding for affordable housing. Social Rented properties therefore only become available when existing Social Rented properties become vacant. Registered Providers do also have the ability to convert some of their Social Rented properties to Affordable Rent, as agreed with the Homes & Communities Agency.

Pay to Stay

Pay to Stay is a policy introduced as part of the Housing and Planning Act 2016 which will see rents increased up to market rents for tenants with incomes over £31,000 per year. The policy will be mandatory for Council tenants and voluntary for housing associations. Before Pay to Stay can come into effect, the government will make regulations which set out how it will work and when it will start. These regulations have not been published yet.

A briefing paper published in May 2016 gives some indication how Pay to Stay is likely to work:

- If a tenants' household income exceeds £31,000 per year, and they are not in receipt of housing benefit or universal credit, they may have to pay an additional 15p rent per week for every £1 that the household earns over this figure. This would mean that for each £1,000 extra in household income, the rent will increase by £2.88 per week (£12.50 a month or £150 a year) until it reaches market rent. If a household earns over £31,000 but an increase in rent would qualify them to receive housing benefit, they will also be exempt from the policy.
- 'Household' income means the gross income received by tenants or joint tenants and their partners or spouses. Other people living in the home, such as adult children, will not count towards the household income. Pay to Stay will take the two highest

earning gross income figures from this 'household' group to produce the household income figure.

Affordable Rented Housing

Affordable Rented housing is let by local authorities or Registered Providers to households who are eligible for Social Rented housing. The majority of tenancies are offered as fixed term tenancies or assured tenancies for no less than five years.

Affordable Rent is subject to rent controls that require a rent of no more than 80% of the local market rent (*including service charges, where applicable*) [Source: NPPF]. The Council seeks to achieve that Affordable Rent is also kept within the Local Housing Allowance Rates (LHA) to ensure that where a household qualifies for housing benefit, all of their rent will be covered.

Affordable Rented properties are allocated through the Sub Regional Choice Based Lettings Scheme known as Home-Link and applicants have to be registered on the Housing Register.

Intermediate Housing - Intermediate Rent

An Intermediate Rent is aimed at people who have difficulty affording market rents on the open market and for those who lack a mortgage deposit and therefore cannot buy a home just yet. Intermediate Rents are generally set around 80% of the market rate and are normally offered on an Assured Shorthold Tenancy with an initial commitment of six months.

The target group for Intermediate Rents is different from those looking for Social/Affordable Rented housing. Generally these are targeted at working households, such as those identified as 'keyworkers', such as nurses, teachers, etc.

The allocation of Intermediate Rent is through the Help to Buy Agent.

Intermediate Housing - Shared Ownership

Shared ownership is a scheme that enables households to buy a share in a property (*usually between 25% and 75% of the home's value*). A subsidised rent is payable on the remaining share held by the Registered Provider, with the ability to purchase additional shares. The combined monthly cost of mortgage and rent will normally be less than if purchasing a property outright.

To be eligible for a shared ownership property, the annual household income can be no more than £80,000 and applicants must be registered on the Home Buy Register.

Intermediate Housing – Fixed Equity

Similar to Shared Ownership, properties are sold at a fixed equity (generally 75%) with no rent payable on the remaining share held by the Registered Provider. Further shares in the property cannot be purchased and therefore the home will remain affordable in perpetuity.



This model may be particularly attractive to older people who are equity rich but cash poor. This gives the opportunity for households to downsize to release some of their capital to help pay for living costs/care costs and move into more suitable accommodation.

The Council will agree with the Registered Provider the marketing and allocations strategy for these properties.

Intermediate Housing – Rent to Buy

A Registered Provider may offer some homes for rent for around 20% less than the market rent values (similar to an Intermediate Rent). The tenant(s) will have the option to purchase shares in the property in the future using the shared ownership model. This is aimed at those who do not have a deposit to put down on a property, but would like to buy their own home in the future.

To be eligible, the annual household income can be no more than £80,000 and applicants must be registered on the Home Buy Register.

Intermediate – Rentplus

This is a new approach to providing a different offer of affordable housing to persons who currently do not have the means to purchase a property on the open market. It is a hybrid product offering an opportunity to purchase a home through a combination of Affordable Rent and a 10% gifted deposit.

Properties are let to a Registered Provider on a 20 year lease and then rented out. Tenants will have five-year renewable tenancy agreements at an Affordable Rent (capped at LHA rates) and they are offered the ability to purchase the property after 5, 10, 15 or 20 years. If they decide to purchase, they will receive a 10% gifted deposit of the market value of the property. If they cannot purchase the property after 20 years, the Registered Provider will use their 'best endeavours' to find alternative accommodation, either within their own stock or within the private rented sector.

All Rentplus properties are sold after 20 years. If the occupier does not decide to take up the option of buying it, the Registered Provider will have the opportunity to purchase at a 10% discount. Where this option is not taken up, the property is sold on the open market with 7.5% of sale proceeds provided to the local authority to reinvest in affordable housing.

Rentplus is funded by institutional investors or pension funds seeking ethical investment.

The Council will agree with the Registered Provider the marketing and allocations strategy for these properties.

To date, the Rentplus product has not been tested in South Cambridgeshire but does offer an alternative for those wishing to purchase in the future but unable to provide a deposit at the current time. In particular, this scheme may suit those who are at the start of their careers who cannot afford to purchase a home and would find it difficult to save for a deposit if paying private sector rents.



Starter Homes

Introduced as part of the new Housing and Planning Act 2016, the Starter Homes initiative is aimed at first time buyers aged between 23 and 40, offering homes for sale with a discount of at least 20% of the property value, capped at £250,000.

The Act creates a new duty on all local authority planning departments to promote the supply of Starter Homes in their area and allows the government to set regulations requiring Starter Homes to be included on residential sites as a condition of securing planning permission. Developments on rural exception sites may be exempt from the Starter Homes requirement.

Although the Housing & Planning Act 2016 includes a new broader definition of affordable housing to include Starter Homes, this cannot be implemented until secondary legislation is passed. It is anticipated that this will be published shortly, along with further details as to how Starter Homes will be marketed/allocated.

Housing Benefit for those renting in the private and public sector

For those that are renting either privately or in the public sector and are unable to meet their rent in full, they may be entitled to housing benefit to help pay for their rent.

For those renting in the private sector, the housing benefit is calculated based on the Local Housing Allowance (LHA) and is based on bedroom entitlement, rather than the cost of the actual rent. LHA rates are set in line with the bottom 30% of average market rents within a Broad Market Rental Area (BRMA). South Cambridgeshire is set within three BRMA's – Cambridge, Huntingdon and Stevenage + North Herts, with the majority of properties falling within the Cambridge BRMA. This would mean that a family with one child would be entitled to a two bedroom allowance and the amount applicable would be based on the average rent for the bottom 30% of two bedroom properties in the relevant BRMA.

It is the Government's intention to align housing benefit in the public sector to LHA rates from April 2018 (for all new tenancies starting from April 2016). This will mean that housing benefit will be capped to LHA rates for those living in council or housing association properties and will not be based on the amount of rent charged by the housing association/local authority. For example, a single person under the age of 35 will only receive benefit up to the shared room rate, and couples of any age will be entitled to a one bedroom room rate. This follows the implementation of the under-occupancy charge for housing association and council tenants in 2013 which meant those considered to have one spare bedroom faced a reduction of 14% in housing benefit entitlement and 25% for two or more spare bedrooms.

It should also be noted that from 7th November 2016, the benefit cap was reduced to £20,000 per year (£13,400 for single people) for those living in South Cambridgeshire. The cap limits the amount of benefit people who are able to work could receive whilst not working. This does not apply to people aged 65 and over. Some of the main benefits included in the cap comprise child benefit, housing benefit, incapacity benefit, income support and job seekers allowance (although this is not an exhaustive list).



Allocation of Affordable Homes

The rented element of the affordable housing provision is allocated through the Sub Regional Choice Based Lettings Scheme known as Home-Link and applicants have to be registered on the Housing Register.

The Intermediate housing is generally administered through the Government's appointed Help to Buy Agent for the East and South East.

Home-Link

Home-Link is the choice based lettings scheme for all council and housing association homes in Cambridgeshire and West Suffolk. Properties that are available to rent are advertised each week on the website (www.home-link.org.uk) and applicants 'bid' for properties that they are interested in.

To participate in Home-Link applicants need to have a local connection to the local authority who they wish to register their application with. Allocations are let in accordance with the Council's Lettings Policy and all applicants will be assessed to determine their eligibility to be placed on the housing register. This is to ensure homes are let to those in highest assessed need and ensures that the Council meets its legal obligations as set out in the Housing Act 1996 (as amended).

Once an applicant has been assessed they will be placed in one of the following banding categories dependent on their housing need.

- Band A – Urgent Housing Need
- Band B – High Housing Need
- Band C – Medium Need
- Band D – Low Housing Need

The emphasis is for applicants to 'bid' on properties of their choosing. Applicants are only able to 'bid' for properties that they are eligible for, such as relevant property size. Properties will then be allocated to those who have 'bid' and are in the highest banding who have been waiting the longest.

Where properties have a local connection requirement that is village specific (eg. schemes on Rural Exception Sites), priority is given to those applicants who either live, work or have family connections to the village. In these circumstances the banding priority is secondary to local village connection.

Help to Buy East & South East

Help to Buy agents are Registered Providers appointed by the Government's Homes and Communities Agency (HCA) to support the administration of the majority of the Intermediate



products. The local Help to Buy Agent for South Cambridgeshire is operated by Bedfordshire Pilgrims Housing Association (BPHA). Further details of the various Help to Buy products can be found on their website at <https://www.helptobuyese.org.uk>.

Applicants interested will need to register on the Help to Buy Register.

Other support available to help households into homeownership

As well as the Intermediate products listed above that fall into the definition of affordable housing, there are various Government initiatives that can also help households into homeownership. Primarily these are supported by the Help to Buy Agents and include equity loans and Help to Buy ISAs

Help to Buy - Equity Loans

Through the Equity Loan scheme, the Government will lend to a household up to 20% of the cost of a newly built home, with only a 5% deposit required and a 75% mortgage.

No loan fees are charged on the 20% loan for the first five years of owning the property. The loan is paid back either at the end of the mortgage term, or when the property is sold.

The scheme is open to both first time buyers and existing home owners, with no maximum household income to qualify. Applicants do not need to be registered with Help to Buy but will need to receive '*Authority to Proceed*' by the Help to Buy Agents. Properties are only available under this scheme through participating registered builders.

Help to Buy – ISAs

This scheme offers first time buyers the opportunity to save into a Help to Buy ISA, in which the Government will boost their savings by 25%. This means that if £200 is saved, the top up eligible for receipt is £50. The most that each first time buyer (*not household*) can receive from the Government bonus is £3,000 - two savers from one household could therefore receive up to £6,000.

Each first time buyer can save up to £200 per month and an initial deposit of up to £1,200 can be put into the ISA in the first month. The minimum Government bonus is £400, meaning that the first time buyer would need at least £1,600 before the bonus could be claimed. To receive the maximum bonus of £3,000 the first time buyer would need to save £12,000.

Help to Buy ISAs are administered by many high street banks. Further details can be found on the Help to Buy website.



Ladder of Affordability – weekly housing costs

The following ladder demonstrates the weekly housing costs for the different housing products in South Cambridgeshire.

Average earnings (gross) for those on a lower quartile income are £21,000, with those on a median income of £38,500 (as of 2015). As a rough guide, based on the measure of 3.5 times income for affordability, those on a lower quartile average income would be able to afford all housing products above the red line only, and those on average incomes of £38,500 could afford all those above the blue line.

£/wk	£/annum	Income required based on 3.5 times income	Housing Type	Key
£80	£4,160	£14,560	① HA Rent ① LA Rent	<p>Denotes the number of bedrooms ① ② ③</p> <ul style="list-style-type: none"> HA 'Aff' Rent = housing association 'Affordable Rent', set at up to 80% of private rents capped at LHA rates HA Rent = low cost Social Rent (approx. 60% of market rent) Homebuy = shared ownership based on buying a 40% share Intermediate Rent = intermediate rent, representing 80% of the median private rent advertised in the local area LA Rent = Local Authority rented LQ = lower quartile (proxy for 'entry level') NewBuild = weekly cost of newly built home Private Rent = median private rent Resale = weekly cost of 'second hand' home <p>[Note: Starter Homes up to 20% discount, capped at £250,000, are likely to be in region of a lower quartile newbuild property]</p>
£90	£4,680	£16,380	② LA Rent	
£100	£5,200	£18,200	③ LA Rent ② HA Rent ① HA 'Aff' Rent	
£110	£5,720	£20,020		
£120	£6,240	£21,840	③ HA Rent	
£130	£6,760	£23,660	② HA 'Aff' Rent ① Homebuy ① Intermediate Rent	
£140	£7,280	£25,480		
£150	£7,800	£27,300	③ HA 'Aff' Rent ② Homebuy	
£160	£8,320	£29,120	② Intermediate Rent ① LQ Resale ① Private Rent	
£170	£8,840	£30,940		
£180	£9,360	£32,760	③ Intermediate Rent	
£190	£9,880	£34,580	① Average Resale	
£200	£10,400	£36,400	② LQ Resale ② Private Rent	
£210	£10,920	£38,220		
£220	£11,440	£40,040	③ Private Rent	
£230	£11,960	£41,860	③ Homebuy ② Average Resale	
£240	£12,480	£43,680	② LQ Newbuild	
£250	£13,000	£45,500	② Average Newbuild	
£260	£13,520	£47,320		
£270	£14,040	£49,140		
£280	£14,560	£50,960		
£290	£15,080	£52,780		
£300	£15,600	£54,600		
£310	£16,120	£56,420	③ LQ Resale	
£320	£16,640	£58,240		
£330	£17,160	£60,060	③ LQ Newbuild	
£340	£17,680	£61,880		
£350	£18,200	£63,700	③ Average Resale	
£360	£18,720	£65,520	③ Average Newbuild	

Source: Housing Market Bulletin (June 2016)



Publications of interest

Affordable Housing SPD

<https://www.scams.gov.uk/sites/default/files/documents/Adopted%20Affordable%20Housing%20SPD%20FINAL.pdf>

Supplementary Planning Document expanding on the affordable housing policies within the Local Plan

Emerging Local Plan – Chapter 7, Delivering High Quality Homes

https://www.scams.gov.uk/sites/default/files/documents/Proposed%20Submission%20Document%20-%20Chapter%207%20Delivering%20High%20Quality%20Homes_0.pdf

Future planning policies and proposals to guide affordable housing development

Housing Statistical Information Leaflet

https://www.scams.gov.uk/sites/default/files/housing_statistical_information_leaflet_2016.pdf

Providing a summary of key housing statistics and information relating to affordable housing in the District

Quarterly Housing Market Bulletin

<http://cambridgeshireinsight.org.uk/Housingmarketbulletin>

Local housing market trends, comparing local figures to East of England and England figures, such as average sales prices, private rents and affordability ratios.

SCDC Lettings Policy

https://www.scams.gov.uk/sites/default/files/lettings_policy_2015.pdf

How SCDC in partnership with Registered Providers will allocate their properties in the District through the Home-Link Choice Based Lettings Scheme

For further information on affordable housing, please contact the Housing Strategy Team
Email: Strategic.Housing@scams.gov.uk
Tel: 01954 713336 / 01954 713356