

## **8 FUTURE HOUSING PROVISION IN DERBYSHIRE DALES DISTRICT AND HIGH PEAK BOROUGH**

8.1 This section draws together a range of evidence to inform the mix of dwellings in the future. The evidence considered in this section is as follows:

- The profile of current and future households (drawing on Section 4 and further evidence on future households) and what this implies for the mix of dwellings;
- The nature of the existing stock of dwellings, and the type and size of completions and whether there are any particular imbalances in different areas (drawing on Section 6);
- The drivers in the development industry and how these affect the mix of dwellings that developers deliver;
- Occupancy and overcrowding (drawing on Section 6) and whether the current stock of dwellings is meeting the needs and demands of residents;
- The profile of households in need and the pattern of re-lets within the social rented stock (drawing on sections 6 and 7).

8.2 One of the key policies in PPS3 is concerned with achieving a mix of housing to support mixed communities. PPS3 describes the characteristics of a mixed community as a *'variety of housing, particularly in terms of tenure and price and a mix of different households such as families with children, single person households and older people.'* PPS3 requires local planning authorities to plan for a mix of households on the basis of different types of households that are likely to require housing over the plan period, having regard to demographic profiles and the requirements of specific groups.

8.3 Specifically, local planning authorities should set out in their local development documents the proportion of households requiring market and affordable housing, the profile of different household types to inform the provision of market housing and the size and type of affordable housing required. Developers are expected to bring forward proposals for market housing which reflects demand and the profile of households requiring market housing, in order to support mixed communities. This section provides evidence to support development documents in these policy areas.

8.4 However, PPS3 policy also raises a number of questions. For example, how can local planning authorities plan for a mix of households without seeking to control the type and size of market housing? Should a local planning authority turn down an application on the basis of the dwelling mix? These questions are in many respects no different to those that planners have faced in the past as planning falls into the difficult territory between influence and control where planners are expected to influence outcomes without seeking to control the market.

8.5 For the avoidance of doubt, we do not necessarily recommend that authorities seek to control the size and type of dwellings provided by the private sector (though in the Peak District National Park the control of size and type is key to attaining relative affordability "in perpetuity"). However, there is a role in influencing the mix of dwellings where there are gaps in the choice of dwellings available to local residents within the market area, or where there are problems with particular towns and villages, which might be tackled through changes to the types of dwellings available. We recommend that the principles of an approach to this issue are as follows:

- Recognise that planning for a mix of housing is not a precise science and therefore setting targets for particular types and sizes of market dwellings is likely to present difficulties in practice;
- The objective should be to identify and address bias and broad imbalances in the housing market and the existing stock of dwellings through new development, subject to other constraints such as concern for affordable housing;
- Mindful of the above, a range of evidence needs to be considered by the planning authorities in addition to projections of future household types, and appropriate weight needs to be given to these factors depending on the circumstances of the site and the characteristics of the existing neighbourhood.

### The Profile of Current and Future Households

- 8.6 Section 4 of this report provided detailed evidence and analysis of demographics within the HPDD Sub-Area.
- 8.7 Planning Policy Statement 3 states that local authorities are expected to plan for the range of household types that will be accommodated in the sub-region when preparing their Local Development Documents, specifically mentioning the need to identify the overall balance of change in terms of families, single person and multi-person households. How this requirement should be translated into policy is discussed in more detail in the policy recommendations section of this report.
- 8.8 To fulfil this element of the SHMA process, in the absence of any adopted sub-regional level forecasts by household type, we have constructed indicative forecasts for the HPDD Sub-Area. In order to do this, we have combined forecasts from both local authorities on the absolute number of households, with regional forecasts for changes in the composition of household types in the period to 2021. Table 8.1 presents the forecasts for total household numbers. The household projections follow the policy based assumptions of EMRA that are attached to the planned number of dwellings, rather than the higher migration trend based projections of the Office of National Statistics.

**Table 8.1: Forecast for Total Households**

	Household Projections						%
	2001	2006	2011	2016	2021	2026	Change 2001 to 2026
High Peak	36,900	38,300	39,600	41,000	42,300	43,700	18%
Derbyshire Dales	28,900	29,900	30,900	31,900	32,900	33,900	17%
HPDD Sub-Area <sup>1</sup>	65,900	68,200	70,600	72,900	75,300	77,600	18%
Derbyshire	309,000	323,100	337,300	351,500	365,800	380,000	23%
East Midlands	1,737,200	1,833,800	1,934,400	2,037,600	2,141,100	2,244,400	29%
England (ONS) 000's	20,500	21,500	22,600	23,700	24,800	25,700	26%

Source: 2001 Census / EMRA Population Projections

<sup>1</sup> NB: The total figure for the HPDD Sub Area, and the figures for the two component local authority areas, have been rounded to the nearest hundred, and so the HPDD projections are not the exact sum of those for the two component areas

- 8.9 As shown, the total number of households in the HPDD Sub-Area is forecast to grow from approximately 68,000 to 78,000 over the period 2006 to 2026 (an increase of 13%). This represents growth of around 500 households per annum. In proportional terms, the growth in household numbers in the sub-region is similar to Derbyshire as a whole (15% growth over the same period).
- 8.10 The CLG produce forecasts of changes in household composition at regional level. The East Midlands figures are presented in Table 8.2. The figures show that the proportion of one-person households is forecast to increase from 30% in 2006 to 35% in 2021. The proportion of lone parent and 'other multi-person' households is forecast to remain relatively constant, whilst the proportion of households consisting of couples, families and pensioners is forecast to decline, though this may be altered if additional family dwellings are either developed or released in the future (Refer, for example, to emerging government policy expressed through the *Homes for the Future* Housing Green Paper, which advocates increasing the provision of family housing) – and bought by families rather than couples or singles.

**Table 8.2: Household Composition forecasts for the East Midlands**

Household Type	2006	2011	2016	2021
Couple/Family/Pensioner households	57.4%	55.6%	53.9%	52.4%
Lone parent	7.1%	7.1%	7.0%	6.8%
Other multi-person	5.7%	5.8%	5.9%	5.9%
One person	29.8%	31.5%	33.2%	34.8%

Source: CLG

- 8.11 In order to project growth, by household type, in the HPDD Sub-Area, we have:
- First, established a base position Household Type profile for the HPDD Sub-Area for 2006. In doing so we have presumed the profile is the same as recorded for the Sub-Area in the 2001 Census, the most recently available information source;
  - Second, projected changes (see Table 8.3, below) to the household type profile of the HPDD Sub-Area to 2021 by applying the East Midlands (the lowest geographical area for which data is available) projected household composition profile for the period (Table 8.2) to the HPDD Sub-Area Household Projections in Table 8.1. However, it should be borne in mind that this approach may underestimate the growth in smaller, older, households in the HPDD Sub-Area, as the population of the Sub-Area is forecast to age at a faster rate than the East Midlands (See Section 4).

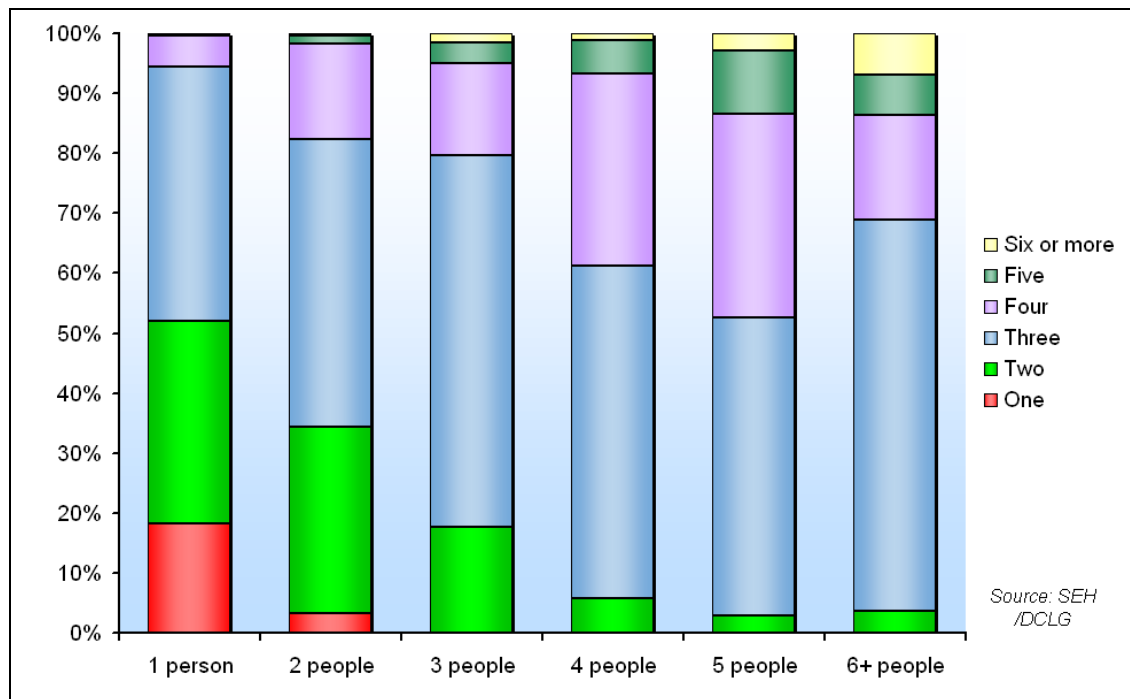
**Table 8.3: Projection of Household by type for the HPDD Sub-Area**

	2006	2011	2016	2021	2026	Change 2006- 2026	% Change 2006- 2026
Couple/Family Pensioner	39,157	39,287	39,355	39,514	39,610	453	1%
Lone parent	4,853	5,001	5,065	5,122	5,206	353	7%
Other multi-person	3,927	4,132	4,322	4,495	4,654	727	19%
One Person	20,301	22,180	24,194	26,203	28,096	7,795	38%
Total	68,237	70,600	72,935	75,335	77,566	9,328	14%

Source: DTZ

- 8.12 As shown, since the total number of households is not forecast to grow significantly over the period, gains are forecast mainly for one and multi person households. The fastest growing groups in proportional terms are one-person and 'other multi-person' households, since these groups are increasing in share of all households in the sub-region.
- 8.13 The analysis presented in Tables 8.2 and 8.3 enables an estimate to be made of the broad magnitude of change in household type (and thus size) between 2006 and 2026. The data suggests that across the HPDD Sub-Area the highest growth will be in one person households, with around 8,000 additional single person households in this period. Many of these will comprise older people (pre-pension age). Single person households are a key driver of household growth in the future, though this may be altered if additional family dwellings are either developed or released in the future (Refer, for example, to emerging government policy expressed through the *Homes for the Future* Housing Green Paper, which advocates increasing the provision of family housing) – and bought by families rather than couples or singles.
- 8.14 An extension of this analysis is to establish the mix of housing that will be required in the sub-region given the levels of household growth shown above. The relationship between household size and type and dwelling size and type is not straightforward. The conventional logic that household size and dwelling size have a direct correlation is misleading.
- 8.15 The following figures present CLG data on the size of dwellings by the size and type of household. This data was produced at regional level, using results from the Survey of English Housing. Figures 8.1 and Table 8.4 show that generally smaller dwellings accommodate small households – 18% of one-person households live in one bed dwellings and 3% of two-person households live in one-bed dwellings.
- 8.16 However, the link between household size and dwelling size is complex. Almost half of the one-person households in the East Midlands live in dwellings with three or four bedrooms. Two-thirds of two person households live in dwellings with three+ bedrooms.

**Figure 8.1: Household Size (number of people) by Dwelling size (number of Bedrooms)  
East Midlands Region**

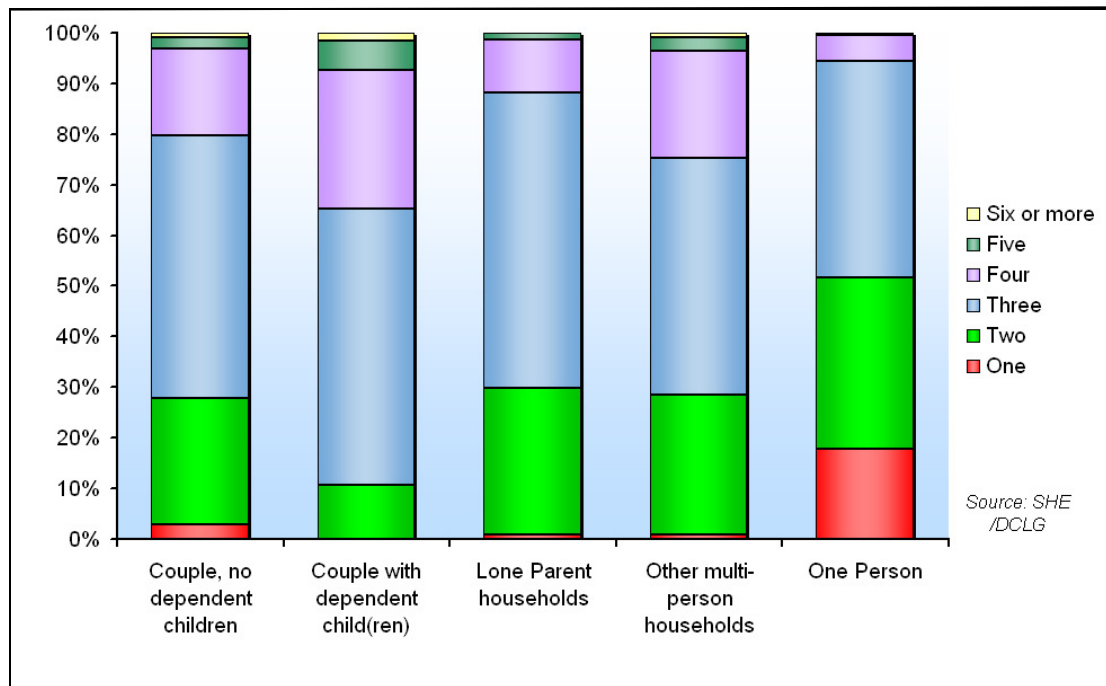


**Table 8.4: Household Size by Dwelling Size East Midlands Region.**

	One Bed	Two Bed	Three Bed	Four Bed	Five Bed	Six or more beds	All
One Person	18%	34%	42%	5%	0%	0%	100%
Two People	3%	31%	48%	16%	1%	0%	100%
Three People	0%	18%	62%	15%	3%	2%	100%
Four People	0%	6%	56%	32%	6%	1%	100%
Five People	0%	3%	50%	34%	10%	3%	100%
Six+ People	0%	4%	65%	17%	7%	7%	100%
<b>All</b>	6%	25%	50%	16%	2%	1%	100%

8.17 Figures 8.2 and Table 8.5 present data on dwelling size by household type. There are a significant number of couples without children living in four/five/six bed dwellings. Table 8.5 shows that while slightly over half of all single person households live in one or two bed dwellings, slightly under half live in properties with three bedrooms or more. The implications are that it is very hard to translate projections of particular household types into forecasts of what the market demand will be for particular types of property, not least because the figures presented include both market housing and social housing.

**Figure 8.2: Dwelling Size by Household Type (East Midlands region)**



Source: SEH / CLG

**Table 8.5: Dwelling Size by Household Type (East Midlands region)**

	One Bed	Two Bed	Three Bed	Four Bed	Five Bed	Six or more beds	All
Couple, no dependent children	3%	25%	52%	17%	2%	1%	100%
Couple with dependent child(ren)	0%	11%	55%	28%	6%	1%	100%
Lone Parent households	1%	29%	58%	10%	1%	0%	100%
Other multi-person households	1%	28%	47%	21%	3%	1%	100%
One Person	18%	34%	43%	5%	0%	0%	100%
Total	6%	25%	50%	16%	2%	1%	0%

**Size of Dwelling Stock in the Study Area**

8.18 In this section we have presented forecasts for growth in the number of households in the HPDD Sub-Area by type, and size requirements of different types of households in terms of the number of bedrooms. In order to derive an estimate as to the number of dwellings of each size required in the period to 2021 (see Table 8.6), we have combined the datasets shown above. The calculation works as follows:

- Confirm the regional level dwelling size profile by a household type. For example, 43% of one person households occupy a three bed dwelling (Table 8.5) (However, it should be borne in mind that this approach may underestimate the average occupancy requirements of smaller households in the HPDD Sub-Area, as there is a greater

incidence of under-occupancy in the Sub-Area than in the wider East Midlands. (See Section 6).

- Apply the appropriate % representation (e.g. 43%) to the projected number of households of the selected type in 2026 (e.g. 28,096 for one person households – See Table 8.3)
- The new provision figure is the figure derived by the calculation above for 2026, less the provision of the house size for the household type in 2006.

8.19 Table 8.6, below, is based on our household forecasts by type; it shows the estimated requirement for dwellings of each size that would need to be delivered in order for the mix of dwelling sizes in each household type group to remain constant. The analysis shows that in order to meet dwelling size requirements, almost 50% of the new dwellings delivered in the period will need to have three bedrooms (or 4,000 in absolute terms). Only 15% (or 1,400) of the new dwellings required will need to have one bedroom with only 8% to be of four or more bedrooms (750 total).

**Table 8.6: Dwelling Requirements by size**

Household Type	Growth in Households 2006-26	Number of Bedrooms					
		One	Two	Three	Four	Five	Six+
Couple/Family	453	9	89	240	95	16	5
Lone parent	353	3	102	206	37	5	0
Other multi-person	727	7	201	340	153	19	6
Single Person	7,795	1,388	2,643	3,328	404	18	13
<b>Total</b>	<b>9,328</b>	<b>1,407</b>	<b>3,036</b>	<b>4,114</b>	<b>689</b>	<b>58</b>	<b>24</b>
<b>% of Total</b>	<b>14%</b>	<b>15%</b>	<b>33%</b>	<b>44%</b>	<b>7%</b>	<b>1%</b>	<b>0%</b>

8.20 These results are indicative and should be interpreted with caution, for two reasons. First, the household type projections (Table 8.2), and the data profiling dwelling size against household size, are for the East Midlands region (Table 8.5); as we have highlighted, applying this data (which is the lowest level available) to HPDD Sub-Area level datasets raises the likelihood of, respectively, underestimating the growth of smaller households in the HPDD Sub-Area, and underestimating the degree of under-occupancy amongst these households, and it is not possible to judge the degree to which these trends offset each other. Secondly, we have not accounted for the fact that demand for different sizes of dwelling from each household type may change. The course of research for the SMHA has revealed a number of trends and characteristics of the HPDD Sub-Area that suggest that the house size profile for different household types may change over time, and how households are composed may change in response to increasingly acute affordability issues.

8.21 Whilst the growth in single person households will be significant, *we suspect that these projections may overstate the level of growth of single person households and hence the need for one bed dwellings.* If affordability problems remain as severe as they have over the last few years in the HPDD Sub-Area, one might expect to see more households comprising unrelated individuals (other multi person households) rather than single person households.

8.22 We have noted a strong desire (Section 7) amongst older age groups to remain in their current housing. The propensity to remain in existing housing into and through retirement / old age and the “empty nesting” stage may be especially high amongst the current 45-64 cohort, which has significantly expanded through in-migration. Many members of this group have had the wealth to buy excess household space and are likely to have the wealth to maintain it. As a

partner dies, it is quite possible that the remaining partner will remain in the family home – pushing up the representation of single people in the largest sizes of housing.

- 8.23 Whilst the number of such households may not be large, it would have a notable relative effect on the current proposed numbers of the largest housing (five bed plus), which is in overall short supply across all tenures (Section 6). *We suggest that this method of projection underestimates the future need for larger dwellings in the HPDD housing market area generally; though we must also consider that it is the natural inclination of the market to build larger family homes anyway, especially in Derbyshire Dales District (See Section 6), and these are likely to particularly appeal to in-migrants. Hence developers in Derbyshire Dales District should be encouraged to develop smaller, 2 and 3 bedroom, housing over 4 bedroom homes, with the emphasis on 4 bedroom housing being built mainly for social rent.*
- 8.24 The representation of families in three bed housing may be artificially high, and is likely to contain a significant amount of households in over-occupied social housing, and owner occupiers in three bed housing who aspire to larger housing but cannot afford the significant cost of stepping up the housing ladder (See Section 6). *We suggest that this method of projection underestimates the future need, and, in the case of existing owner occupiers, demand, for four bed dwellings in the HPDD Sub-Area housing market generally. Though, as suggested above, the development of houses of four bedrooms and more in Derbyshire Dales District should be skewed towards social rented housing.*
- 8.25 The over representation of families in three bed housing also relates to findings in Section 6, which revealed that the stock turnover of market housing was lower than the regional and England averages in the Housing Market Area, and especially so in Derbyshire Dales District. The limited availability was particularly acute for entry level one bed and four bed market housing for owner occupation. This is compounded by the low level of rental opportunities for dwellings of this size, and the low turnover of one bed and four bed social housing. *This may mean that the latent demand (if not an actual housing need) for four bed housing from families in owner occupation or rental accommodation further down the house size ladder, or for example key workers<sup>2</sup> from within or outwith the HPDD Sub-Area may be proportionately substantially greater in the HPDD Sub-Area than it is regionally and nationally. A shared ownership four bedroom housing product might assist some of the higher income households, though the logic of using scarce public resources to provide what will be an expensive affordable housing product to provide for households that are not necessarily in housing need is, of course, questionable. However, as prices continue to rise in the long term (See Section 9), there may be an emerging, if very small, economic driven, need for such housing in order to assist in the recruitment and retaining of workers in high level occupations who wish for four bedroom housing, who can afford it elsewhere, and whose ultimate purchasing decision may pivot on this factor; the Housing Needs Survey featured anecdotal evidence of an employer who “reported that he is moving out of the Peak District in order to buy a four bedroom house which he could not afford in the Peak”<sup>3</sup>. This might be an isolated case, but the fact the fact that it has been mentioned is significant in itself.*
- 8.26 The table below compares the DTZ estimated distribution of overall requirement, as in Table 8.6, with the distribution of the affordable housing requirement, as suggested by the 2007 Housing Needs Study by John Herington Associates (JHA).

<sup>2</sup> The broader definition, as set out in the Housing Needs Survey, which includes care assistants, social workers and other healthcare workers, and also workers perceived to be in short supply locally, by employers, as well as those in the Government defined “Key Worker” occupations

<sup>3</sup> Page 152, Paragraph 11.25; Derbyshire Dales & High Peak Joint Housing Needs Survey, Final Report March 2007



**Table 8.7: Comparison of projected dwelling size requirements: All tenures versus affordable**

% distribution of forecast additional requirement	Size of Dwelling (bedrooms)					
	1	2	3	4	5	6
All dwellings (DTZ)	15%	33%	44%	7%	1%	0
Affordable (JHA)	34%	43%	20%	3%		

- 8.27 It is important to bear in mind that the size of the home occupied or demanded is dependent on household income and wealth. Table 8.6, which displays the projected dwelling size requirements by household type, assumes that households in the future will have access to broadly the same amount of space as households (which may not hold true if affordability continues to decline or, conversely, if affordability is restored by a marked housing correction).
- 8.28 Section 6 revealed that the stock turnover of social rented housing was generally very low across all sizes of general needs social rented housing. In such an instance, it might seem logical to prioritise the dwelling sizes with the highest expressed and future arising need, which is 1 and 2 bed accommodation. However, the following issues should be considered, *which point towards favouring two bed units over one bed units, and more three and four bed units over one and two bed units:*
- Where possible, it makes sense to secure the type and size of new affordable homes that best fit into a wider lettings strategy. For example, some authorities have been able to create a chain of lettings and house a number of households through the targeted provision of certain types of dwellings (e.g. by delivering one large home, authorities may be able to house a number of smaller households or by providing attractive alternatives for older people authorities may be able to re-let a number of larger properties to families in priority need).
  - Housing lists, which contribute to Housing Needs Assessments (such as the JHA Housing Needs Survey), will tend to be skewed to housing on the smaller side of acceptability due to allocations policies and are based on numbers applying, not those who are likely to be housed. The apparent bias towards smaller dwellings reflects allocation policies – the rationing of affordable housing resources means couples are only entitled to one bedroom and families are entitled to much less space than they would have available in the owner occupied sector (with young children often required to share bedrooms and significant numbers of families living in flats).<sup>4 5</sup>
  - Consideration of those *in need* (rather than all applicants on the housing lists) suggests a proportion require larger properties, often because they are young families with children and/or are not considered suitable for flats because of the lack of a garden or play space for children.
  - There is also a case for avoiding over delivery of one bed properties (even though the numbers on the housing list suggest there is a large need for these). These are the least flexible dwellings (Such inflexibility is usually reflected in a high lettings turnover, and the fact that this is not the case in the HPDD Sub-Area might be due to the shortage in

<sup>4</sup> As evidenced by the applicants on the waiting list

<sup>5</sup> It is also worth considering that if allocation policies entitled households to similar amounts of space as owner occupiers, the main requirement would be for 2 and 3 bedroom properties

lettings, and hence transfer, opportunities across the stock of social housing overall. In many cases, the additional cost of an extra bedroom is marginal so, for example, delivering two bed rather than one bed flats need not necessarily impact on the numbers of affordable homes delivered. Furthermore, our contact with national housebuilders has revealed a shying away from providing flats for owner occupation. Therefore, the extensive development of one bed units, which can only really be provided in the form of flats, could detract from the aim<sup>6</sup> of “tenure blindness” in new housing developments. Building in extra space in the social rented stock (a two bed house instead or a one bed apartment) would have benefits in terms of limiting further polarisation between sectors.<sup>7</sup> If this can be achieved at limited additional cost it could have additional benefits in terms of the flexibility of the stock and stability of communities.

- The size and type of affordable housing delivered also needs to take account of neighbourhood character e.g. in terms of design and density considerations. One bed flats might not be appropriate in many cases.
- Finally, and not least, emerging government policy expressed through the *Homes for the Future* Housing Green Paper, advocates increasing the provision of family housing within a wider push to increase the provision of affordable homes to rent and to buy.

8.29 There is, therefore, a case for securing a mix of different sizes of affordable homes but also attaching a level of priority to the delivery of different sizes at different points in time. This might, for example, involve a short term emphasis on providing three, four and even some five bed properties (to help create chains of lettings (See 8.27, above), within a provision profile that delivers smaller (one and two bed properties) over the long term.

8.30 There is also a case for delivering a greater proportion four bed affordable properties, essentially for social rented housing, but also as intermediate housing in some cases (See paragraph 8.24).

8.31 Historic household growth in HPDD Sub-Area has been accommodated by growth in the owner occupied and the private rented sectors. The stock of social rented housing in the HPDD Sub-Area declined between 1991 and 2001, in contrast to the East Midlands region where the stock increased marginally over this decade. Whilst it is acknowledged that only a proportion of existing households may be able to access intermediate housing products at present, the development of this market in the area, which seeks to bridge the gap between social renting and open market home ownership, has the potential to make a significant contribution to meeting housing need in the area in the future. Estimates of the scale of potential demand for intermediate housing products in the HPDD Sub-Area have been derived from the JRF (2005) report ‘Affordability and the Intermediate Housing Market’.

8.32 The report sets out two measures of the intermediate housing market:

- **The broad definition:** the proportion of working households in each local authority area unable to purchase at lower quartile house prices for two and three bed dwellings.

<sup>6</sup> Integration of tenure (sometimes referred to as “tenure blindness”) is advocated by the Housing Corporation (Design and Quality Strategy 2007), and English Partnerships (English Partnerships’ Quality Standards Delivering Quality Places). These two organisations are the “component” elements of the proposed Homes and Communities Agency, and hence their policy stance in this area might be interpreted as de-facto Government Policy.

<sup>7</sup> See DTZ’s research for the South East Regional Assembly and SEEDA (2007) on Housing Type and Size in the South East

- **The narrow definition:** the proportion of working households in each local authority area that can afford to pay a social rent without recourse to housing benefit but cannot purchase at lowest decile house prices for two and three bed dwellings.

8.33 PPS 3 defines intermediate housing as:

*“housing at prices and rents above those of social rent, but below market price or rents. These can include shared equity products (e.g. Homebuy), other low cost homes for sale and intermediate rent”.*

8.34 Estimates of the scale of the intermediate housing market in the study area in terms of both the broad and narrow definition are presented in Table 8.8. The data suggests that within Derbyshire Dales there are around 1,100 households that could afford to pay a social rent without recourse to Housing Benefit but who could not afford to purchase at lowest decile house prices for two and three bed dwellings. The same figure for High Peak is 1,600. We believe that the narrow definition of the intermediate housing market to be a more robust indication of the scale of potential intermediate housing demand. The equivalent figures for the East Midlands equate to 17.6% of the working population compared to around 20% in the study area. We have also included data for the neighbouring regions, in which employees in the study area often live for comparison.

8.35 It should, however, be appreciated that the publication of PPS3 enables local councils to apply their own interpretation and criteria concerning the qualification for intermediate housing products. It may therefore be appropriate to re-visit this issue to see if applying different criteria to the narrow definitions used within the HNS could improve the overall position.

8.36 The data indicates that there is significant scope to introduce further intermediate housing products in to the study area. The Peak National Park Authority already has a “more affordable” category tied to a restricted occupancy condition that satisfies the intermediate housing definition in PPS3, and has the potential to serve as a useful element as part of a wider intermediate housing provision “tool kit”.

8.37 The Park Authority has adopted Supplementary Planning Guidance that gives additional information to people wishing to provide affordable housing in the National Park. Implementation is through a more robust Section 106 agreement to ensure affordability ‘in perpetuity, for smaller homes’. Derbyshire Dales District Council and High Peak Borough Council have both also published Supplementary Planning Documents on affordable housing, which set out the detailed operation of Local Plan policy.

8.38 Reiterating the principle advocated in paragraph 8.26 for the whole of the HPDD Sub-Area, above, we believe that there may, in the National Park, be a limited role for additional larger (four bed plus) homes available through shared ownership to complement the initiatives mentioned above, so providing access to four bed housing to families that might not otherwise be able to access it and thereby releasing smaller, lower priced stock.

**Table 8.8: Estimates of Scale of Intermediate Housing Market**

	<b>% Working Households in Broad Definition</b>	<b>% Working Households in Narrow Definition</b>	<b>No. Working Households in Broad Definition</b>	<b>No. Working Households in Narrow Definition</b>
<b>Derbyshire Dales</b>	36.1	23.4	1,765	1,142
<b>High Peak</b>	43.8	19.0	3,807	1,657
<b>East Midlands</b>	33.4	17.6	138,965	73,069
<b>North West</b>	28.0	9.5	184,53	62,157
<b>Yorkshire and Humber</b>	30.1	10.8	152,529	54,577

Source: JRF

- 8.38 The rest of this section examines intermediate housing products, exploring how partners in the HPDD Sub-Area could use intermediate housing products to help address housing need.

### **Intermediate Housing Market Schemes**

- 8.39 Over the last 15 years, intermediate housing schemes have been launched, then discontinued when priorities have changed or resources have been used up. Eligibility criteria have varied – sometimes with anyone on the Housing Register being able to apply, at other times, eligibility being limited to key workers. Equally, at various points in the housing market cycle, shared ownership and other forms of intermediate housing have not appeared to provide value for money to purchasers.
- 8.40 The current suite of mainstream products subsidised through the Housing Corporation and English Partnerships are set out below as identified within Section 6 of this report. These schemes were only launched at the beginning of 2006, though they build on the experience of the Key Worker Living scheme, and prior to that a variety of low cost home ownership schemes, mainly shared ownership. Generally, schemes have operated on a very modest scale and have had mixed success.
- 8.41 The stop-start approach to intermediate housing initiatives and constant rebranding has had a number of consequences.
- There is very little consumer understanding of what shared ownership involves, still less the concept of shared equity (where the part-owner will secure their return through taking a share of the increased value of the property upon sale), and a degree of suspicion given people’s overwhelming desire to become owners (though shared equity can be a stepping stone to achieving this).
  - There are few organisations dedicated to developing intermediate housing products. Some housing associations have a track record, and some developers have dabbled in the market, but there is not the same expertise or market knowledge as in the development of housing for sale or social renting. The current system of Zone Agents is of fairly recent origin but should, if maintained, build up marketing expertise
  - The limited volume of past activity means that there is, in practice, a very limited market in the sense that people cannot readily sell a shared ownership dwelling in one location and buy another elsewhere. There is no volume provision, such as might drive cost reductions and provide the funds for marketing further developments in the market. The new emphasis on these products in government thinking may address this issue – but will

policy survive the housing market downturn, when the demand for such products might fall?

- There is the problem of product leakage, in the sense that with shared ownership schemes, owners can, depending on the nature of the Section 106 agreement, staircase to 100% ownership and then sell on the open market. In some senses, of course, this can be deemed a success, in that someone has been helped into full ownership. The receipts can also be reinvested, but there is no guarantee that receipts will be reinvested locally or even into more intermediate housing provision. Even if staircasing is appropriately addressed in the Section 106 agreement, there remains, however, a financial problem if the increased value of a property means that a social provider cannot afford to buy back the private share and no other purchaser is available from within the locality.

- 8.42 However, there are positives with regard to the development of a market in intermediate housing products. The need for intermediate housing products is becoming more apparent. According to JRF, outside London, the South East and the South West have the highest proportion of younger working households falling into an intermediate housing market. This position is backed up by recent analysis by Professor Glen Bramley that suggests that there is a potential national market of around 33,000 units a year for LCHO among new households in England. However, this need is found to be overwhelmingly concentrated in the southern regions, particularly in London, the South East and the South West.
- 8.43 The HPDD Sub-Area has in some respects more in common with the South East than the rest of the East Midlands, having higher prices on average than the East Midlands. But, compared to London and the majority of the South East and South West, house prices are lower. Earnings are also lower.
- 8.44 However, it makes sense for the authorities in HPDD to plan to secure intermediate housing where there is the demand for such products.
- 8.45 Often funds are allocated for low cost home ownership through separate processes to those allocated for social rented housing. A policy that acknowledges the scope for intermediate housing keeps open the possibility of drawing in additional resources for affordable housing that would not be otherwise available.
- 8.46 A policy that allows for an element of the affordable housing component to be met by provision of intermediate housing, and not necessarily fixed at a 20% of affordable provision<sup>8</sup>, provides a degree of flexibility in negotiation with developers over affordable housing provision. If the development economics on a particular site look like they may preclude provision of a certain quota of social housing, it may still be possible to deliver the level of affordable housing if there is a mix of social rented and intermediate housing. This flexibility may be important to achieving the aspiration to ensure significant volume of development on brownfield sites.
- 8.47 There are also indications that some developers would prefer to see shared ownership schemes, rather than social rented housing, developed as part of their schemes. If the presence of social rented housing is believed to depress values then it should be possible to extract more land value (and hence enhance deliverability) through a scheme involving shared ownership than social rented housing. Put simply, it should be possible by negotiation to secure a larger number of affordable housing by including shared ownership properties in the development

<sup>8</sup> On the basis that the Housing Needs Survey calculated that 20% of backlog and emerging households could afford shared ownership.

mix than it would be if the provision was only through social rented properties. However, the merits of this approach should be considered on a case by case basis.

- 8.48 In our view, the most attractive product on offer is Open Market Home Buy and this is likely to generate the most interest. Whilst Home Buy initiatives nationally have so far had limited success, by developing local targets local authorities can maximise levels of Open Market Home buy in their area. Research we have undertaken in London indicates that this product is vastly more attractive than other forms of intermediate housing product. We do recognise, however, that locally within the HPDD Sub-Area, Open Market Home Buy may only make a very limited contribution to the affordable housing needs of local people but, none the less, feel that the opportunity to provide this product should, where appropriate, be encouraged to improve overall housing options and choice.
- 8.49 Open Market Home Buy allows eligible first time buyers (key public sector workers, social tenants or those seeking affordable housing and other priority first time buyers) the opportunity to arrange a mortgage through one of the participating lenders for between 15% and 50% of the value of the house they wish to buy. They will then be eligible for an interest free loan, provided by a combination of the lender and the Government, to cover the remaining value of the house. It may, however, be a deterrent that those taking up the scheme have to arrange their main mortgage through the private sector partner taking the equity share. This may make the scheme less attractive than the previous version of open Market HomeBuy.
- 8.50 Currently, a family on a combined income of £35,000 could typically obtain a mortgage of £122,500. But, if eligible for Open Market HomeBuy and assuming a 50% value mortgage, they could potentially buy a home for twice that value. The scheme is run as a joint venture between the Government and the Nationwide Building Society, Yorkshire Building Society, Advantage, and Bank of Scotland. The financial institutions make their return when the property is sold, through capturing part of the increase in the value of the dwelling.
- 8.51 It is important to realise that shared equity schemes are only now being launched into the housing market. They depend for their success on rising house prices – otherwise the lenders do not secure a return. It is quite possible therefore that if expectations of future house prices growth changed, that these products could be withdrawn, or become much more reliant on government funding. The key issue as to whether this happens is over what length of time the financial institutions have assumed that that their investment will be tied up.
- 8.52 To summarise, intermediate housing potentially has a role to play in meeting housing need and delivering mixed communities. In principle an increased use of intermediate housing products should be a more cost effective way of assisting those who are unable to afford market prices or rents than delivery of social rented housing. Yet it is not the tenure of choice of most households and will not generally house those in priority housing need. Moreover there are uncertainties about the scale of demand for such products, therefore, for the time being, it needs to be regarded as an add-on to the core element of affordable housing provision that should continue to be social rented housing.
- 8.53 It will be important for the take up of such products to be monitored so that if there is shown to be limited demand, the dwellings can be switched back to social rented dwellings; but also to indicate which types of product in which locations are most attractive. This is an area in which much improved market intelligence is needed, and the development of specialist providers. Nationally, there is a widespread need to establish consumer confidence in the

products now available, which may involve local housing authorities and zone agents working together more closely.