

## Housing affordability and affordable housing

**This topic addresses:**

**SA Objective:**

(3) To meet local housing needs by ensuring that everyone has the opportunity to live in a decent affordable home

**SEA Theme:** Population; Material assets

### Introduction

Buying a home in Oxford costs on average 16 times a person's salary; this makes it the least affordable place in the country. This has many impacts, including on employers and key services who struggle to keep staff, such as schools and hospitals, and on families and communities who might be split up because of housing costs.

High house prices mean that there is a large private rented sector in the city, however rent levels are so high that renting a home on the private market is also out of reach for many people. So 'social rent' of housing (rented from the City Council or a Housing Association, usually at about 40% of market cost) plays an important role in meeting needs in Oxford.

The constrained housing supply and increasing unaffordability of housing are both having significant sustainability impacts for those living and working in the city. It also puts pressure on welfare spending on housing benefit. Housing provision is a well-known key determinant in attracting and retaining workers to support continued economic growth of the city and therefore also impacts the wider region, as does the congestion on roads into and within Oxford as a result of people living further away from their jobs in the city.

This paper focusses on the affordability of housing and factors affecting the delivery of affordable housing, whilst the supply and demand is covered in a Housing Needs and Supply paper. There is also a further housing background paper which considers housing types and sizes.

### Plans, Policies and Programmes

#### National Planning Policy Framework

In the National Planning Policy Framework (NPPF) providing a supply of housing, including affordable housing, is identified as a key element for delivering sustainable development (NPPF paragraph 7).

The NPPF makes clear that local planning authorities should have a robust understanding of housing requirements in their area, and that Local Plans must support delivery of market and affordable housing to meet the needs of their area, unless this would compromise key sustainable development principles.

Planning Practice Guidance then sets out further clarification about how the NPPF should be applied. Particularly relevant to delivering affordable housing are the changes which amend the thresholds for seeking developer contributions towards affordable housing (thereby exempting certain

developments from affordable housing requirements). These changes were temporarily introduced in 2015, reversed as a result of a High Court decision, and then re-introduced in May 2016 as part of measures to incentivise developers to deliver housing. Changes to Permitted Development Rights for conversion of office to residential were also introduced by Government to incentivise housing delivery, initially on a temporary basis but made permanent in April 2016, which has a similar impact of effectively exempting those developments from affordable housing contributions.

### **Housing and Planning Act 2016**

The Housing and Planning Act (2016) introduces a number of changes designed to boost the supply of new housing nationally, to devolve significant new powers to a local level, and to support first time buyers to make home ownership more affordable.

The reforms, which affect the planning system and other policy areas, are likely to have significant implications for affordable housing provision in Oxford but the detail of the changes has not yet been set out in regulations. The Act is potentially bringing in significant changes to the definition, delivery, and supplies of affordable housing. Similarly the changes to the welfare system could affect people's ability to afford to buy or rent properties.

The changes are likely to include:

- Introduction of 'Starter Homes' as part of Section 106 legal agreements, which would sell at 80% of market levels;
- Introduction of 'Pay to Stay' for social housing tenants whose income increases;
- Annual payments by local authorities for the highest value council homes (High Value Property Void levy);
- Caps on Local Housing Allowance/annual rent increases for social rent providers; and
- Extension of voluntary right to buy for social rent tenants.

### **Oxford City Council Corporate Plan 2016-2020**

The City Council identifies housing affordability as a key issue facing the city, both for local people and local employers. This is acknowledged in the Corporate Plan which seeks to help deliver investment in new affordable homes to help key workers, those on low incomes, and the most vulnerable to find a home that they can afford and that meets their needs.

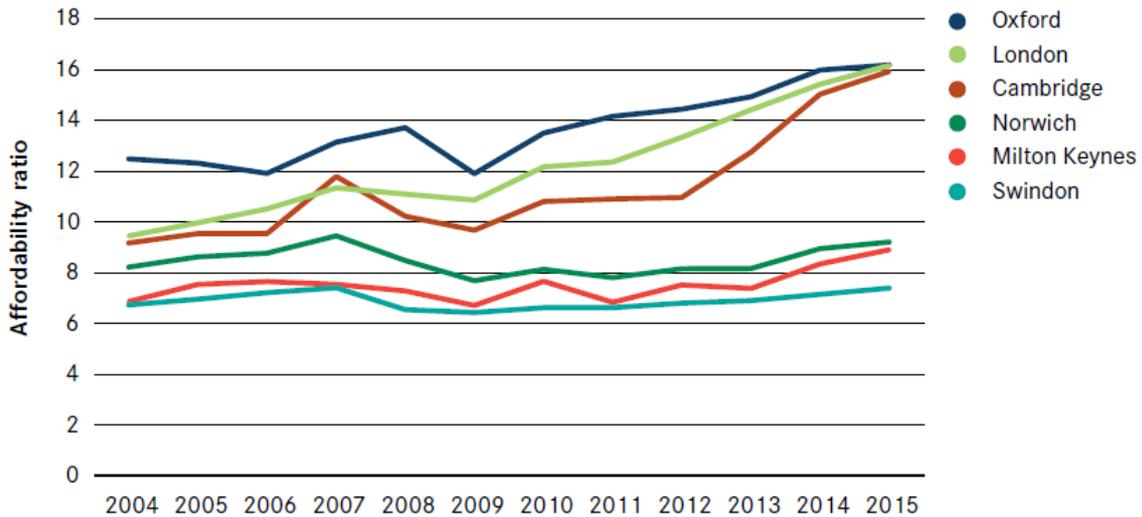
### **Oxford City Council Housing Strategy 2015 - 2018**

Oxford City Council's Housing Strategy 2015-2018 includes objectives to deliver more affordable housing to meet housing needs. It sets out corporate actions to deliver this including delivering new council homes, Barton Park strategic site, and implementing strategies around affordable housing and empty homes.

## Current situation

Oxford currently has the greatest unaffordability of any city in the UK, with average house prices more than 16 times the average wage in the city, making it even less affordable than London as illustrated in Figure 6.1.1. Many people who work in Oxford cannot afford to live here.

Figure 6.1.1 Housing affordability at 2015

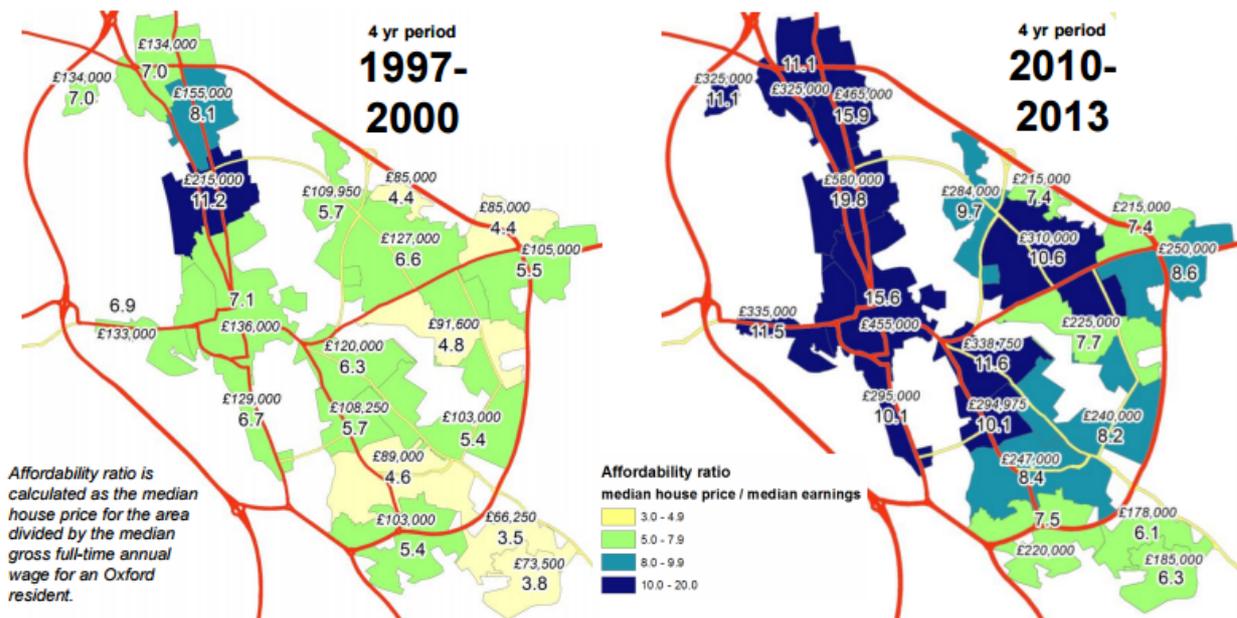


Source: Land registry 2015 market trend data

Source: Centre for Cities 2016

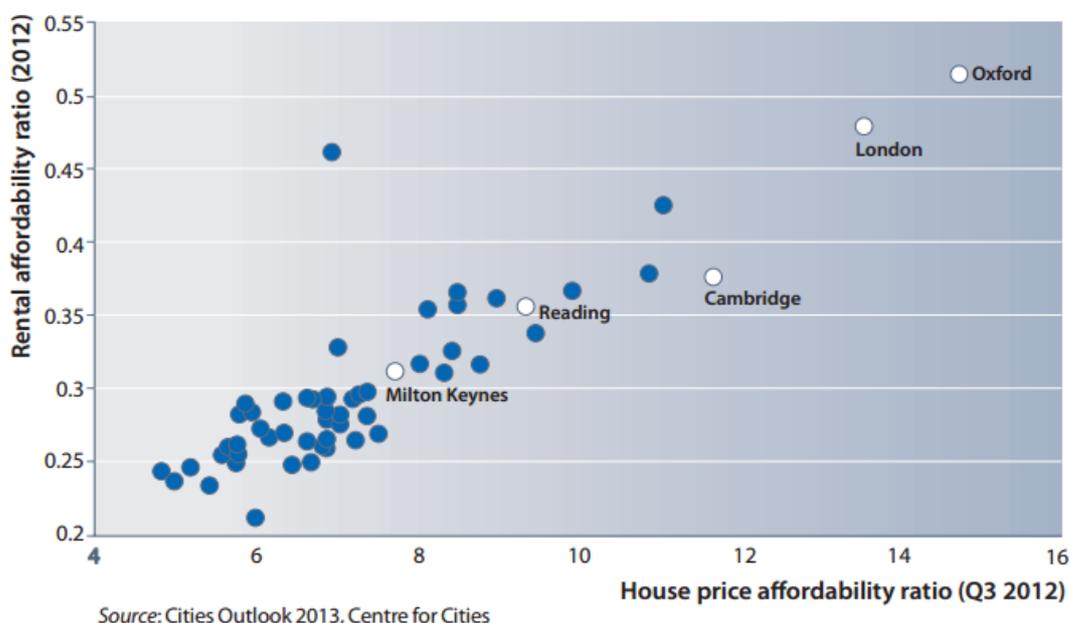
The figure below shows how affordability has changed over time, and across different parts of Oxford. It shows the average house price and affordability ratio for the period 1997-2000 and compares this to the situation in 2010-2013. Since then the house prices have continued to rise and unaffordability further worsened.

Figure 6.1.2 Affordability ratios and median house prices in Oxford



Private rental prices reflect a similar picture, with Oxford scoring as even less affordable than London and other comparable cities in recent years on both the rental and house price unaffordability ratios.

**Figure 6.1.3 Rental affordability and house price affordability for UK cities in 2012**



Affordability is also an important consideration in the Oxfordshire Strategic Housing Market Assessment (SHMA). This shows the indicative income required by households to purchase or rent properties, and shows the contrast with the adjoining districts in the rest of the Housing Market Area.

**Figure 6.1.4 Indicative incomes required to purchase or rent properties in Oxford**

Area	Lower quartile purchase price	Lower quartile private rent	Affordable rent	Lower quartile social rent
Cherwell	£52,900	£24,900	£19,900	£15,600
<b>Oxford</b>	<b>£61,700</b>	<b>£36,900</b>	<b>£29,500</b>	<b>£15,800</b>
South Oxon	£67,100	£30,700	£24,500	£16,700
VoWH	£56,900	£26,600	£21,300	£17,600
West Oxon	£53,700	£26,600	£21,300	£18,000

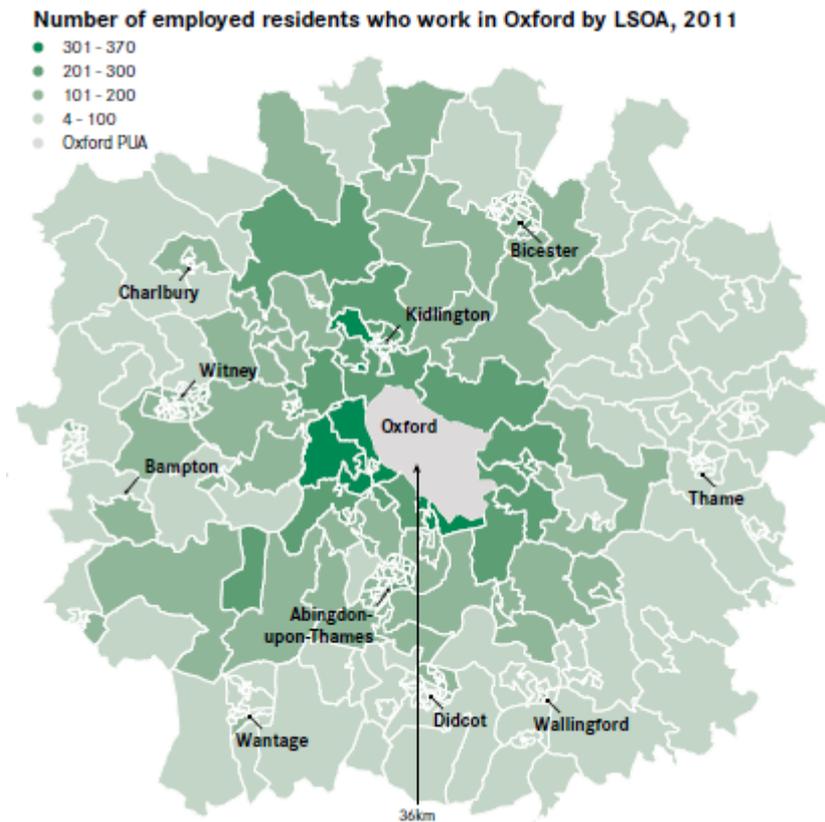
Extract from SHMA, Table 43: Indicative income required to purchase/rent without additional subsidy (based on 2013 data)

This indicates that in 2013 a household income of at least £36,900 was required to afford to rent market housing, or £61,700 to buy a property, even at the lower quartiles of the market. This was significantly higher than the national average cost of £21,800 to rent market housing and also significantly higher than the median household income in Oxford at the time of £30,429. This illustrates why home-ownership, and in many cases market rent levels, is beyond the means of many households in Oxford. Accordingly the SHMA takes an assumption of 35% of household income being used for housing costs, compared to a national average of only 25% (all figures from the SHMA 2014).

The combination of housing unaffordability and lack of supply means that a high proportion of people working in Oxford have to travel in from areas outside of the city in order to be able to afford a home. Around 40,000 people travel into Oxford each day for work. The average distance travelled

by those employed in Oxford is 36km, with people travelling into the City from a range of surrounding towns<sup>1</sup>.

**Figure 6.1.5 Number of employed residents who work in Oxford by LSOA, 2011**



**Main origins of people commuting into Oxford, Extract from Centre for Cities Report 2016**

There are knock-on consequences of more people needing to commute longer distances from their homes outside of Oxford. It places increased pressure on transport infrastructure in and around the City, with potential for increased congestion, on the A34 and A40 roads for example, which could impact on quality of life for people spending time caught up in the congestion and on local businesses. Commuters frequently face long, expensive and unpredictable journey times into Oxford due to the congestion. This contrasts with the patterns for those living and working within Oxford, for whom the cycling levels are amongst the highest in the country. A large proportion of those that live and work within Oxford choose to cycle or walk to work.

Those with irregular working patterns do not necessarily have the choice to travel to work by means other than the car. Improving those travel options will be important. Some Oxford employers including the hospitals, BMW, and Oxford University are reporting having increasingly difficulty recruiting and retaining high quality staff. It is clear that housing provision and affordability are key determinants in attracting and retaining people to support continued economic growth of the City. Promoting new housing in areas where there is good access to these jobs by means other than the car is vital in reducing car travel and the associated congestion and its negative effects.

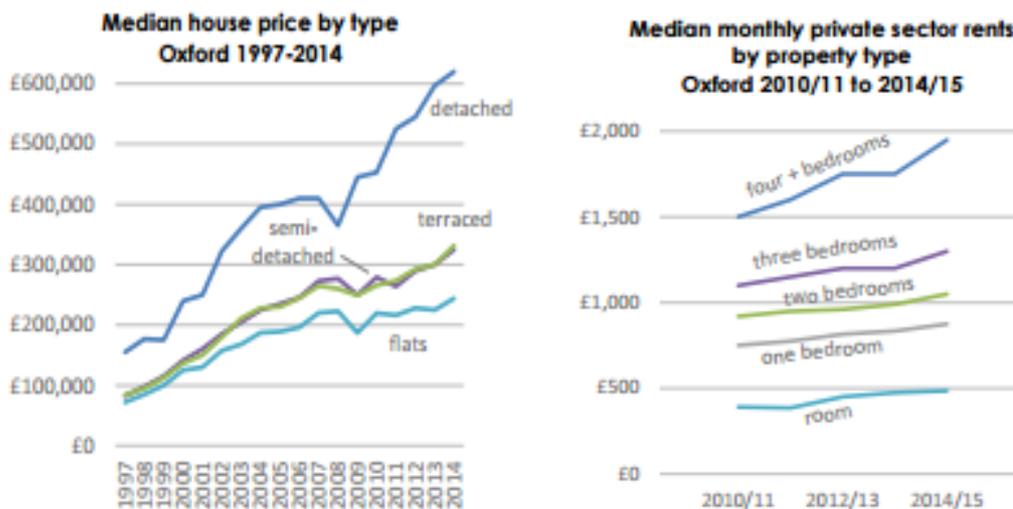
## Likely trends without a new Local Plan

<sup>1</sup> Centre for Cities 2016

The affordability of housing in Oxford is likely to worsen in future as the lack of land for housing and increasing land values push house prices up further. Correspondingly market rental prices are likely to increase as the unaffordability of buying homes puts additional pressure on the rental market, which in turn affects the types of homes required for example more people may turn to HMOs as a more affordable option.

These graphs give an indication of the potential trajectory and rate of increasing prices to buy or rent homes in the private sector:

**Figure 6.1.6: Indication of potential rate of increasing costs of purchase or rental in the private sector**



Source: Oxford City Council statistics 2015, based on Valuation Office Agency

Affordability will also be influenced by government changes around incentivising home ownership, and also the supply of new affordable housing (for rent or purchase). In the local context of Oxford, it is anticipated that the supply of affordable homes is likely to worsen, particularly social rent. This is due to the compounding impact of: losses through Right to Buy, especially since the increased discount introduced in 2012; combined with the lack of land to provide replacement affordable homes and changes to national policy which reduce the opportunities for delivering homes through developer contributions; and caps on rental incomes for local authorities or registered providers which have been introduced as part of the national Welfare Reform programme.

These factors are likely to impact on the overall numbers of affordable housing, as well as the mix and balance of communities in Oxford during the Plan period. The new Housing Company set up by the City Council aims to mitigate some of these impacts, and to ensure that the City Council can still continue to contribute towards provision of additional affordable housing, but it is likely to be more difficult to deliver affordable housing overall which will impact on the general affordability of homes in Oxford.

### **Sustainability/Plan Issues**

- House prices continue to rise and have become unaffordable to the majority of residents in Oxford.
- Housing to rent on the open market is also unaffordable to a significant proportion of people, unless it is at social rent levels of discount.
- Government changes to national policy through the Housing & Planning Act are likely to affect access to affordable housing and the delivery of new affordable housing.