

Local Plan 2040 Preferred Options

Housing Affordability Background Paper

1. Introduction

The high cost of housing in Oxford, compared to wages, (known as housing affordability) has many impacts and consequences. There are consequences for the economy as employers struggle to attract and retain staff. Impacted employers include hospital staff, including NHS workers, as well as teachers and office workers. There are also potential impacts on families and communities who may be split up because of housing costs. The high cost of housing also has an impact on the private-rented sector, often resulting in Oxford's workforce needing to share rented accommodation or needing to commute into the city in order to find suitable accommodation. The high cost of rented accommodation in the city can also mean that the private-rented sector is out of reach for some people.

The most affordable type of accommodation is social rented housing which helps provide housing for those in greatest need. Unsurprisingly, there is a huge demand for this type of housing in the city but due to it being heavily discounted, it is the most expensive to deliver. In addition, there are those who do not meet the eligibility criteria to be considered for social rent but where market housing is out of reach, therefore it is also important that intermediate types of housing (such as shared ownership) are also provided for.

Topic Paper 5 Housing Affordability from the Issues consultation 2021 set out the key issues which need to be explored in the new Plan, and some approaches to consider. This paper sets out the updates since that consultation in relation to housing affordability including the requirement for First Homes.

2. Context including feedback from Issues consultation

2.1 Summary of 2021 Issues Consultation

The Council published its initial issues consultation for the new Local Plan in the summer of 2021 and as part of the consultation we included a background paper which addressed the issue of managing housing affordability. The paper set out the relevant national, regional and local policy context for this topic; then went on to set out the key issues of relevance to the city; before highlighting some potential approaches that could be pursued in developing new policies. This paper should be considered as a continuation of that issues paper, as such for brevity, other than the summary below, it does not repeat content here.

The 2021 background paper acknowledged that the cost of housing in Oxford is very high, especially when compared to wages. The current Local Plan 2036 provides a high level of affordable housing, with 50% of units on all major schemes to be delivered as affordable. The current policy also emphasises the need for social rented accommodation in the city with 80% of the affordable element to be provided as social rent, with the remaining 20% as intermediate. This is significantly higher than the minimum 10% of total homes to be delivered as affordable as referred to in paragraph 65 of the National Planning Policy Framework (NPPF). With the ongoing cost of living crisis, it is likely that they will be more

and more people in need of social rented accommodation as many struggle to cope with increasing costs of inflation that are not matched with an equivalent raise in wages, further worsening housing affordability.

At the time of publishing the previous background paper, the Government had published a Written Ministerial Statement which came into effect on 28 June 2021 regarding the requirement of First Homes on all major planning applications from this date. (The exceptions being where applications had obtained full or outline planning permission prior to 28 December 2021, or 28 March 2022 if it could be demonstrated that significant pre-application engagement had been undertaken with the council. These dates have now passed therefore all major planning applications for housing are subject to this requirement which is that at least 25% of the affordable element of homes to be delivered on-site must be First Homes. This affordable housing product is limited to first time buyers and there are a number of other criteria that have to be met before someone can be eligible. Consequently, this will have a major impact on the amount of social rented accommodation (and intermediate housing) Oxford would be able to deliver and could see a reduction in the amount of housing provided for those in greatest housing need.

The previous background paper identified that there had been an increase in households on the Housing Register between April 2020 and January 2021 and that it will be important for the new Local Plan to continue to provide social rented accommodation. This will need to be balanced with the Government's desire for First Homes but clearly, there are likely to be tensions between the city's priorities and central government's ambitions. The right balance for Oxford will need to be examined as we progress the new Local Plan forward.

2.2 Feedback received from 2021 Issues Consultation

There were a wide variety of comments covering a broad range of issues and concerns and these are summarised below:

- Too much housing being focused around students (where these properties lie empty for half the year) rather than those in need and the homeless;
- Reduce number of HMOs that are predominantly occupied by students to free up housing for others;
- Housing needs to be truly affordable for people working in Oxford. Housing is currently unaffordable for most, even those on good wages;
- Need much more social housing;
- Those in greatest need should also include early career academics who are generally paid poorly by a college and struggle to find decent accommodation in the city;
- Don't build affordable housing on the least attractive parts of the site;
- Do key workers want to live in Oxford? The focus should be on providing a less crowded environment for existing families who are local to Oxford;
- Affordable housing should be available for everyone who wants to make Oxford their home - shouldn't depend on whether you are local;
- Main problem is not enough housing full-stop. Increasing the numbers with more infill, more brownfield redevelopment and more densification is more important than who the housing is targeted at;

- Having affordable and stable places to rent is key. Making more houses available to purchase should be a low priority;
- Schools struggle to hire good teachers due to lack of affordable housing;
- Most NHS staff have to commute a fair distance as they cannot afford to live in the city;
- Re-use empty offices and shops in the city centre for affordable housing;
- No mention in consultation of Build to Rent and limited reference to other affordable housing products such as Co-Living.

2.3 Updates to national/ local policy since 2021 Issues Consultation

The 2021 Housing Affordability background paper set out the key national and local policy context for this topic and is still of relevance for the purposes of this background paper. However, since that paper was written, the final version of the NPPF (2021) has been published. Updates to the national policy context will be considered first, followed by updates to the local policy context.

National policy changes since 2021

The previous housing background paper set out the key national policy context for this topic (as at summer 2021) and is still relevant. Since that time, the main change to national policy which are relevant to the policy options in the Local Plan 2040, is the introduction of the First Homes requirement.

Since the consultation in 2021, the national First Homes Requirement has come into effect. First Homes are a new form of affordable housing, introduced in a Ministerial Statement in May 2021, intended to help with home ownership. First Homes are offered for sale at a discounted rate but must meet certain criteria set out in national policy: First Homes are discounted (40% discount required in Oxford) to a sales price of no more than £250,000 and are available to first-time buyers/households earning no more than £80,000.

As such there is now a requirement for First Homes to be provided as an element of any affordable housing secured. As set out in national policy, a minimum of 25% of all affordable housing units secured using developer contributions for a site should be First Homes. Where a development cannot provide affordable housing units on site, 25% of the financial contribution should be used to provide First Homes elsewhere. The First Homes requirement has only recently come into effect, so there is less evidence available to inform the delivery of this element. However, we are aware that there is strong risk that the First Homes delivered in Oxford will be mostly one-bed homes owing to the combination of the (nationally-set) price cap and the high house price values in Oxford, which has the potential to skew housing mix on sites and produce fewer one-bed socially rented flats on a site, thus not meeting the housing needs of single people and couples that would require such accommodation in Oxford.

A Technical Advice Note sets out more details about how the First Homes requirement is being implemented in Oxford¹.

Local policy changes since 2021

At the local level, the key significant change is that the Oxfordshire Plan 2050 is no longer being progressed and as such the Oxford Local Plan 2040 will need some additional evidence on issues previously covered by the Oxfordshire Plan 2050. Some of the strategic high-level policies would have been provided by the Oxfordshire Plan 2050 and some of the evidence base would also have formed part of the Local Plan 2040 evidence base. Given these changing circumstances a specific detailed assessment of housing and employment needs for Oxford has had to be commissioned to support the Local Plan 2040. More information on this can be found in the Housing Need & Requirements Background Paper.

3. How are current Local Plan 2036 policies performing?

3.1 Analysis from 2020/21 Authority Monitoring Report (AMR)

At the end of 2021, the Council published its first AMR reporting upon performance of policies within the Local Plan 2036 since its adoption in 2020. While there was limited monitoring data, as the policies had not been in force for a full year upon publication, the AMR was able to present some analysis in relation to the key policies that address affordable housing – policies H2 (Delivering affordable homes) and H3 (Employer-linked affordable housing).

Analysis in the AMR highlighted 144 affordable dwellings had been completed in this monitoring period. This was an increase of around 40 more units than the previous two years. Of the 144 units, 110 were social rent and 34 were shared ownership (76% and 24% respectively, so almost meeting the 80%, 20% split of the policy requirement. 57 of the total units were built on council owned land (the two Rose Hill schemes and Barton Park).

The majority of permissions in the 2020/21 monitoring year were for small scale developments that did not meet the threshold for applying Policy H2. There were five residential permissions that did meet the threshold, providing a net total of 181 new homes. Three of these schemes are to provide 50% affordable housing provision as per the policy requirement whilst the other two schemes are for key worker housing.

Policy H3 allows planning permission to be granted on specific sites for employer-linked affordable housing. As referenced in the above paragraph, over the 2020/21 monitoring year two applications were permitted for the provision of employer-linked affordable housing (providing for a total of 53 units). Both of these applications were originally submitted in 2019 and were considered under the previous development plan documents, namely the Local Plan 2016, the Core Strategy and the Sites and Housing Plan, therefore to date no applications have been assessed against the most recent policy.

3.2 Summary of any key feedback from Development Management and Specialist discussions

Discussions with members of the development management team, who have experience of applying the existing policies, as well as specialists within the Council have highlighted several wider issues for the new Local Plan to address including:

- Affordable housing policy generally works well
- Have yet to receive any applications for employer-linked housing under the current Local Plan so unsure of how successful this policy would be as it hasn't been tested. Good idea in principle.
- Cascade approach of Policy H2 the right approach, but the cascade could include more steps before going to a contribution, to increase other types of affordable housing over social rented, for example.
- Concern in the Housing team that First Homes would take up all the 1-bed proportion, leaving not enough one bed units to meet other affordable housing needs (in greatest demand for social rented housing currently).
- Concern from the Housing team that First Homes would not fully meet needs.

4. What does all this mean?

It is clear that housing in Oxford is not affordable for many, and that this has negative knock-on impacts. Delivering housing, and in particular affordable housing, is a key priority for the Oxford Local Plan 2040.

There are several variables in terms of delivering affordable housing that must be considered. In particular, the plan may set the threshold at which affordable housing is required (i.e. from what kind of development and developments of what size), it may set the amount of affordable housing that is delivered (e.g., the % of a scheme that should be affordable housing) and the tenure split (i.e., the proportion of each affordable housing type required including social rented and First Homes).

Viability evidence will be required in order to help set the appropriate levels and types of affordable housing, whilst considering needs and priorities. This work is being commissioned so that it can inform drafting of the plan and later support it. There have been changes to costs, particularly build costs, since the viability report was undertaken for the previous Local Plan, and the inputs will need to be updated. However, this helps to set the scene for developing policy approaches.

5. Potential approaches for policy options

The overall proportion of affordable housing that is required will need to be balanced against the tenure split, in particular the amount of social rented housing that is required, because this generally has the greatest cost to schemes, so a high proportion of social rented homes required may mean that a lower proportion of affordable housing overall can be delivered. Social rented housing meets the needs of those in greatest housing need, as rents are considerably below market rents. However other forms of affordable housing are still important and help to meet a variety of needs.

Since the Local Plan 2036, the Government has introduced a requirement for First Homes, as outlined above. In Oxford, the discount needed to achieve the maximum price for a First Home is 40% and this only allows 1-bed First Homes in many parts of the city. First Homes do not meet the housing needs of those in greatest housing need. Therefore, an option is included not to include First Homes, although this is a departure from Government policy. Significant justification for this would be required, and the approach may still fail.