

**This topic addresses:** Housing numbers, housing size, affordable housing, energy efficiency, minimum size requirements, specialist accommodation and student accommodation.

**SA Objective:** 4. To meet **local housing needs** by ensuring that everyone has the opportunity to live in a decent affordable home.

**SEA Theme:** Material assets.

## Introduction

This 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 with the average rent for properties in Oxford (according to the ONS)<sup>1</sup> being £1,450/ month. This high cost of renting often results 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 NPPF defines Affordable Housing as housing for sale or rent, for those whose needs are not by the market (including housing that provides a subsidised route to home ownership and/ or is for essential local key workers); and which complies with one or more of the following definitions:

- a) Affordable homes for rent including social rented accommodation;
- b) Starter Homes;
- c) Discounted market sales housing;
- d) Other affordable routes to home ownership<sup>2</sup>.

## Plans Policies and Programmes

### **National Planning Policy Framework NPPF**

Affordable housing is discussed at paragraphs 62-64. The NPPF sets a presumption that where affordable housing is required, it should be delivered on site, with at least 10% of the homes to be available for affordable home ownership.

### **National Planning Practice Guidance (NPPG)**

Guidance on housing for needs for different groups includes information on how affordable housing need can be calculated. Paragraph 005 Reference ID 67-005-20190722 states that all households

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<sup>1</sup><https://www.ons.gov.uk/peoplepopulationandcommunity/housing/datasets/privaterentalmarketsummarystatisticsinengland>

<sup>2</sup> <https://www.gov.uk/guidance/national-planning-policy-framework/annex-2-glossary>

whose needs are not met by the market and which are eligible for one or more of the types of affordable housing are considered to be in affordable housing need. The NPPG also provides guidance on calculating affordable housing need; the total supply of affordable housing; and how total annual need for affordable housing is calculated.

### **Planning White Paper: Planning for the Future (2020)**

The White Paper proposes to consolidate developer contributions (S106 payments), the route by which affordable housing is often secured, and Community Infrastructure Levy contributions into a single Infrastructure Levy. In future, the Infrastructure Levy could be used by local authorities to secure new affordable housing. Alternatively, developers would be able to build in-kind affordable homes on sites where they have the capability, or the requirement.

### **First Homes: Summary of Consultation Responses and Government Response**

A consultation looking at “First Homes” was undertaken by Government in 2020. This proposed a scheme to provide homes for first-time buyers with a 30% discount against market value. In April 2021, a document was published by Government which summarised the consultation responses and provided the Government’s response<sup>3</sup>. This sets out how government will structure the First Homes scheme to support first-time buyers to purchase a home in their local area, including affordability, eligibility, administration and delivery details.

### **Oxfordshire Plan 2050**

As part of the work to develop the Oxfordshire Plan an assessment of the housing needs in the county has been carried out. That work will feed into the forthcoming consultation on the Oxfordshire Plan (see the Housing Need Topic Paper). It is likely that affordability, tenure, size and other more detailed areas of housing will remain part of individual Local Plans.

### **Local Plan 2036**

The Oxford Local Plan 2036 includes a number of policies on affordable housing. Policy H2 sets out the priority affordable housing tenure for Oxford (social-rent). Policy H2 of the Local Plan 2036 provides a high level of affordable housing, with at least 40% of the overall number of units on site to be provided as social rented accommodation, as this is the main type of affordable housing needed in Oxford. Policy H2 actually provides for a total of 50% of units to be affordable but focuses on the delivery of socially rented accommodation, given the high level of unaffordability of housing in the city. This is significantly higher than the 10% minimum referenced in paragraph 64 of the NPPF.

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<sup>3</sup> <https://www.gov.uk/government/consultations/first-homes>

Policy H3 introduces a new category of affordable housing, “employer-linked affordable housing”, to help certain organisations to attract and retain staff on institutional land. This is a bespoke local policy responding to the Oxford’s specific needs and circumstances.

### **Oxford City Council “Our Strategy” 2020-2024**

One of the key themes of Oxford City Council’s Strategy is to “Deliver more affordable housing”. The Strategy notes that the City Council has social housing stock of 7,800 properties which is set to increase by more than 1,100 over the next 10 years. This will significantly help reduce the number of households on the housing register. The strategy also highlights the importance of the private-rented sector in meeting demand for housing in the city, stating “a third of properties in Oxford are private rentals compared with 20% nationally.” The strategy also makes reference to the high cost of living in Oxford stating “on average over 40% of monthly salaries are spent on rent.”

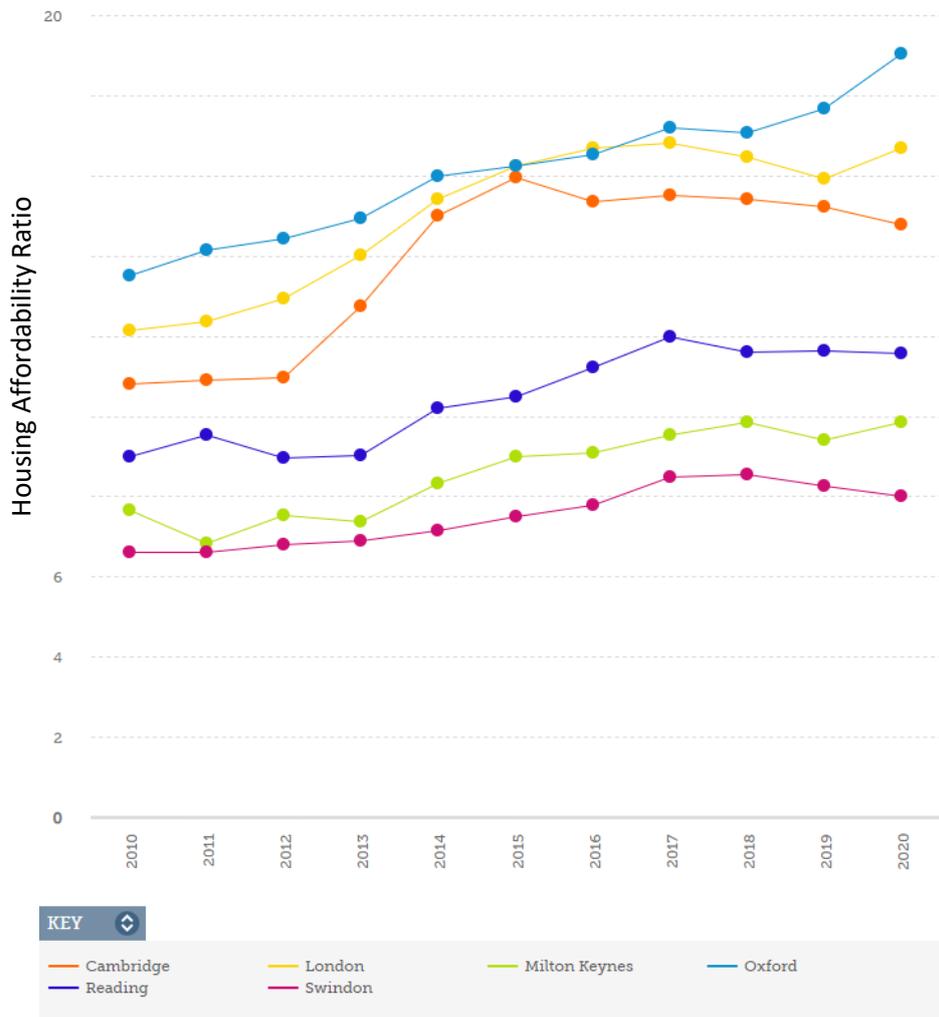
### **Oxford Housing and Homelessness Strategy 2018-2021**

Oxford’s Housing and Homelessness Strategy includes objectives to “*increase housing supply and improve access to affordable housing*” and to “*make best use of private sector accommodation*”. It sets out corporate actions to deliver this, including through the Council-owned housing company as well as through planned schemes such as Barton Park, Littlemore Park, Oxpens and Oxford North.

## **Current situation**

There are a number of different ways to calculate housing affordability ratios, each time in terms of cost of housing divided by earnings: mean average house price to mean average earnings, median average, mean or median lowest quartile. Figure 1 shows the affordability ratios using the Centre for Cities data tool which uses mean average: this suggests a housing affordability ratio of 19.05 in 2020. The Office for National Statistics (ONS) data is for median house prices (£400,000) compared with median gross annual earnings (£34,414), which results in an affordability ratio of 11.72 in 2020.

Figure 1: Affordability Ratios of a number of comparable cities (Land Registry, 2020)



Regardless of the method is used, Oxford is one of the most expensive places to buy a property in comparison with monthly earnings, as a result of high land values, limited land availability, and a shortage of homes. This means that housing is so expensive in absolute terms and compared to average salaries, that many people are priced out of the market.

As a result many people who work in the city are unable to afford to live here. Figure 1 shows the housing affordability ratio for a number of comparable cities including Oxford.

Mean average house prices in Oxford have increased over £200k between 2010 and 2020<sup>4</sup> and in Oxford this currently stands at over £560k, according to the Centre for Cities data tool (although there are other ways of calculating this, for example using median points). Housing affordability in Oxford also stands at an all-time high.

<sup>4</sup> <https://www.centreforcities.org/data-tool/>

## Housing Register

In July 2017 there were over 3,300 households on Oxford’s Housing Register<sup>5</sup>. Over the period to April 2020, Oxford’s housing register reduced to 2,675 households<sup>6</sup>. In the intervening period there has been an increase to 2,852 households on the Housing Register in January 2021.

## Affordable housing delivery

Figure 2 shows how much affordable housing has been delivered in Oxford. In the last two years the annual delivery of new affordable housing has increased, although in the last year this was mainly achieved from two sites including 46 affordable social rent units on Phase 1 of Barton Park.

*Figure 2 showing affordable housing completions in Oxford 2015/16 – 2019/20 (Source: Oxford City Annual Monitoring Report 2019/20)*

Year	Affordable housing completions
2015/16	164
2016/17	20
2017/18	18
2018/19	105
2019/20	104
<b>Total:</b>	<b>411</b>

The supply of affordable housing in Oxford is expected to be further boosted as major schemes are built out. This includes Barton Park Phases 2, 3 and 4 (circa 260 affordable homes), land north of Littlemore Healthcare Trust (total of 70 affordable homes) and Littlemore Park (270 affordable homes expected). As with the overall housing numbers for completions and permissions, it is natural for affordable housing delivery to fluctuate due to the limited number of larger sites available within Oxford.

## Likely trends without a new local plan

One of the biggest issues facing residents in Oxford is the unaffordability of homes, to rent or to buy. According to a Report from the Centre for Cities<sup>7</sup>, social and affordable housing accommodation is likely to need to continue to play an important role for Fast Growth Cities (FGCs) such as Oxford and Cambridge, where overall increases in the housing stock are unlikely to fully address affordability issues alone. The report states:

*If the affordability ratio continues to develop at a similar pace as in the past, most FGCs will face problems in meeting the needs of both their economies and their populations. As they attract a greater pool of workers, those with lower incomes will face particular challenges in affording to live in these places. The increase in housing stock in recent years shows a*

<sup>5</sup> [https://www.oxford.gov.uk/info/20010/housing/370/housing\\_strategies](https://www.oxford.gov.uk/info/20010/housing/370/housing_strategies)

<sup>6</sup> [https://www.oxford.gov.uk/info/20126/housing/458/housing\\_in\\_oxford](https://www.oxford.gov.uk/info/20126/housing/458/housing_in_oxford)

<sup>7</sup> [www.centreforcities.org/wp-content/uploads/2021/03/fast-growth-cities-2021-and-beyond.pdf](http://www.centreforcities.org/wp-content/uploads/2021/03/fast-growth-cities-2021-and-beyond.pdf)

*commitment for growth by the majority of the group to meet the demand for affordable housing. It is important to continue with this commitment in the future. For the most unaffordable, Cambridge and Oxford, although increasing the supply of houses will help reduce unaffordability, it is likely to be insufficient to fully address the root problem, given the extremely high house prices in these places. In these cities and other places in the group, there will continue to be a role for the FGCs to play in providing social and affordable housing to give immediate relief to low-income families, alongside market rate housing.*

The City Council is already committed to an increased rate of delivery of affordable housing. The City Council's Corporate Plan sets out that the City Council owns 7,800 social-rented homes. The City Council has set up Oxford City Housing Limited as a wholly owned company, which has an aim of delivering more affordable housing. Over the next 10 years it has the aim of building 1,891 new homes, in addition to the 354 homes being built at Barton Park. Of these 1,125 will be council homes providing genuinely affordable housing. A further 301 will be in other affordable tenures.

The City Council has also been working with the other Oxfordshire district councils to help deliver homes to address Oxford's unmet need outside the city boundary. Neighbouring Local Plans make provision for these additional homes, including delivery of affordable homes. The City Council has been working with its partners on the allocation and management of those new affordable homes, in particular ensuring that those on Oxford's housing register will be eligible to apply for the new homes. Work will continue between housing officers at the city and the district councils to enable this works smoothly.

The Government is proposing to address the issue of first-time buyers being priced out of the housing market by introducing the *First Homes*<sup>8</sup> scheme. Originally consulted on early last year, the Government has now published a summary of the responses to the First Homes consultation and on 24 May 2021, a Written Ministerial Statement by the Minister of State for Housing was published. It set out the Government's plans for the delivery of First Homes and the new model for Shared Ownership through the planning system.. The Government is proposing that National Planning Policy sets a minimum (25%) of all affordable housing units secured through developer contributions under Section 106 Agreements to be delivered as First Homes. The First Homes must be sold at a discounted rate (in perpetuity) of at least 30% below market value (increased discounts of up to 50% will need to be demonstrated through appropriate viability and local needs evidence). Income Caps will also be applied of £80k outside London). The PPG has been updated<sup>9</sup> to support the Written Ministerial Statement and contains more detailed guidance including when the transitional arrangements apply. The Oxford Local Plan 2036 does not benefit from transitional arrangements, so a statement will be prepared to explain how the policies of that plan should be interpreted in light of the First Homes expectation. The requirement will need to be reflected in the Local Plan 2040.

In Oxford, there is already high demand for shared accommodation in the private rental sector as a lower cost option that renting or purchasing individual properties. The existing Local Plan 2036 introduced an innovative way for employers to address this issue by allowing the creation of "employer-linked affordable housing" as an alternative to the provision of the traditional "market and affordable" split. This unique tenure allowed employers (such as the University of Oxford or the

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<sup>8</sup> <https://www.gov.uk/government/consultations/first-homes>

<sup>9</sup> <https://www.gov.uk/guidance/first-homes>

Hospital Trusts), to provide accommodation for their workers at reduced rents on sites owned by them, where the prospect of socially-rented accommodation coming forward at these sites was prejudicing the delivery of homes for staff who would potentially not be able to afford to live in the city. This policy will continue to apply without the introduction of a new Local Plan until 2036 or until it otherwise becomes out of date.

However, it is anticipated that despite the suite of policies and programmes outlined above, the supply of affordable homes is likely to worsen, partly due to the lack of land to provide replacement affordable homes but also changes to national policy which reduce the opportunities for delivering homes through developer contributions. There is also likely to be a significant impact because of the introduction of a requirement that 50% of affordable housing is delivered as first homes. This will affect the amount of social rented housing delivered, which is the most affordable housing type and which helps provide housing for those in greatest housing need.

## Impacts of Covid and Brexit

The impacts of Covid and Brexit on housing affordability are at present unknown. 2021 has seen property prices rise, but this could be due to factors outside of the planning system such as Stamp Duty Relief.

Construction costs seem to be rising, which is attributable to a shortage of raw materials, with Brexit and Covid-19 impacts leading to delays in importing materials. The full effects and long term impacts are as yet unknown.

## What can a new plan offer?

Given the increase in households on the Housing Register between April 2020 and January 2021, it will be important that the new local plan continues to provide social rented accommodation. According to the Centre for Cities 2021 Report, the provision of social and affordable housing will be an important in enabling the continued growth of Oxford as a “Fast Growth City” by “providing relief” to low-income families, alongside the continued delivery of market housing. The delivery of social-rented accommodation will need to be balanced with the Government’s desire for the delivery of “First Homes”. There are likely to be tensions between the city’s priorities and central government’s ambitions between these two tenures and the right balance for Oxford will need to be examined as we progress the new Local Plan forward.

## Conclusion

From an economic point of view, having a good provision of affordable housing is key to retaining and attracting people in to the city so that the economy can continue to grow and prosper. Should there be a high level of unaffordability in the city, residents will move elsewhere where their wage will be much higher in proportion to the cost of their home.

Being priced out of an area can also be a very sad situation, especially if it means moving away from family or a place that someone would consider their home. Furthermore, with the cost of accommodation being so high the number of people becoming homeless in Oxford will only continue to grow. For all of these reasons, and more, the city council must tackle the issue of housing affordability in Oxford.

Sustainability/Plan issues

- The plan should aim to continue to try and improve the quantity of housing available in the city. However, it must ensure that enough new builds are considered to be 'affordable'.
- Shared accommodation is preferred method of living in the city and therefore this type of living should be considered and planned for too.
- Adopting a plan that seeks to work in partnership with neighbouring authorities is key to delivering affordable housing in the city.
- The plan will have to attempt to balance the need to provide social rented accommodation and "First Homes".