

Note to Oxfordshire Growth Board Scrutiny Panel on how Oxfordshire councils ensure Affordable Housing is genuinely affordable

Introduction

1. Scrutiny will recall that at its July meeting it asked for data to identify whether affordable housing developed in Oxfordshire by partner councils and Registered providers was indeed affordable for local people.
2. Scrutiny's request was:

That the Growth Board in its reporting for the Housing Sub-group categorise Affordable Housing in two sub-categories

- *Affordable Housing: 80% market rate (NPPF)*
- *Affordable Housing: 5 x median income (mortgage rates)*

Thus, giving the actual number of truly affordable houses as per the median income in Oxfordshire

3. Officer investigations soon concluded that partner councils- particularly those that did not own housing stock- did not keep this level of detail and that meeting this specific request would not be possible.
4. In conversations with the Chair, officers discussed if an alternative to providing the information would be instead to ask partners councils about what policies/procedures are in place to ensure that the rented and shared ownership affordable housing delivered is affordable and how this is ensured through ongoing monitoring.

Securing Affordability through Policy

5. There are two broad policy routes for securing affordable housing for councils.
 - The first is via a planning policy in a local plan or supplementary planning documents (SPD). All affordable housing must comply with the NPPF but local plans can prescribe additional requirements of affordability whilst supplementary planning documents such as Technical Advice Notes although non-statutory advisory documents can set out further detail that developers and RPs must have regard to.
 - The second is via a strategy document, for example a Tenancy Strategy which is guidance for Registered Providers setting out the council's position on the provision of affordable housing including the use of Flexible Tenancies, Affordable Rents and related matters. Councils may also produce housing strategies that set out their ambitions for addressing identified housing need in their districts.
6. A summary of what is in place for each of the Oxfordshire councils is as follows

	Local Plan Affordability Policies	Supplementary Planning Documents	Tenancy Strategy	Housing Strategy
Cherwell	Yes	No	Yes	Yes
Oxford	Yes	Yes*	Yes	Yes
SODC	Yes	No	Yes	Yes
Vale	Yes	No	Yes	Yes

WODC	Yes	Yes*	No	No
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*In development

7. As we can see from the table Oxfordshire councils will state their policies on affordability in a variety of strategies as well as in local plans. However, even when these strategies are required by statute, they do not carry the weight of planning policy and a developer or Registered Provider would only need to have regard to them.
8. Within these policy umbrellas however, the ability of councils to enforce their chosen affordability regime also depends upon the method by which the property is provided. If it is for example secured through the planning process then the requirement can be included in S106 agreements and enforceable, although clearly subject to challenge through the planning appeals process if it is felt to impact upon viability.
9. For other homes, for example those secured through the Homes England Affordable Housing Programme the requirement could only be non-statutory although councils would expect that both Registered Providers and Homes England would show regard to our policies in determining any grant applications and seek our opinion on applications. For example, councils are asked to issue a letter of support to Homes England for each scheme's grant application, and councils can use this process to secure the appropriate mix of affordable housing on a scheme as a condition of that support.
10. Whichever route is available the primary challenge is always the ability of the development to deliver the desired levels of affordable housing and remain viable. This is particularly true of social rented housing which is a larger drain upon the value of the site and inevitably leads to sharpened discussions about the trade off between the numbers of affordable units and their tenure

Setting Rent Levels- rented housing

11. Within these policy umbrellas for delivering affordable housing, the specific regulations for setting rents levels then depends upon the type of rented property. There are two types of social housing tenures, Social Rented Housing and Affordable Rented Housing and the different methods for securing an appropriate rent level for these different tenure types is detailed below.

Social Rented Housing

12. Social Rented Housing is affordable housing that is, since 2001 let at what is defined as a social rent. These properties (which constitute a majority of rented social housing properties) have a rent set locally but based on a formula set by government. This creates a 'formula rent' for each property that is calculated based on the relative size and value of the property together with relative local income levels. The aim of this formula-based approach is to ensure that similar rents are charged for similar social rent properties in any one locality.

Affordable Rented Housing

13. In contrast with the relatively tightly defined social rented housing, affordable rented housing is subject to a wider definition and therefore ensuring that this type of affordable rented housing is genuinely affordable in the local context is more challenging.
14. This is because affordable rents are not set at a specific rate but instead are permitted to be set at a maximum of up to 80% of market rent (inclusive of service charges).

15. It's generally recognised by all councils in Oxfordshire that market rents are at a level where a charge of 80% of these would not be considered genuinely affordable and all attempt to ensure that affordable rented housing developed is at either the maximum cap for the Local Housing Allowance or 80% of market rents, whichever is the lower.
16. Oxford take a slightly stronger approach to establishing affordable rent levels. They set out in their Tenancy Strategy that affordable rents should be no more than a third of a person's net income- equating to a rent level of about 65% of market rates.
17. Other councils have also considered whether they would like to take a more interventionist approach to establishing what an genuinely affordable local rent level is for their district, for example by setting what is often termed a living rent based upon local information of rent levels and average salaries. WODC have for example commissioned such a study.
18. Finally, a related challenge is that the market rent benchmark used to calculate the rent level is not set by the council but is instead gleaned from market information provided by the developer/Registered Provider. Although developers/registered providers are required to use an agreed RICS methodology, inevitably this interpretation of the market rate can vary.

Monitoring Affordability

19. For both social and affordable rented housing, once an appropriate level of rent is secured the councils rely upon the government control of the levels of increase of both Social and Affordable Rents set out in the Rent Standard and monitored by the Social Housing Regulator. A link to the current Rent Standard is set out below:
<https://www.gov.uk/government/publications/rent-standard/rent-standard-april-2020>
20. Although this is the primary route for enforcement of affordability councils will also monitor affordability through for example their annual monitoring reports- for stockholding councils. For non-stock holding authorities the monitoring would only be on an individual property basis when that property comes up for re-let and is advertised through the council's housing allocations system.

Affordable Home Ownership

21. Affordable Home Ownership is of course not subject to rent controls and until the recent proposed introduction of First Homes by Government there had never been any attempt to control the affordability of Affordable Home Ownership by manipulating the total costs of the property. Instead the securing of affordability has been via allowing people to purchase only the amount of the property that is affordable for them- with the rest held by a Registered Provider- so called Shared ownership or by assistance with deposits.
22. For shared ownership an applicant will need to prove via an individual income assessment, similar to than carried out when a mortgage application is made to a bank but here usually carried out by the Registered Provider, that the property is affordable for them. All councils will rely upon that assessment as proof that the property is affordable for the applicant.
23. Oxford, in addition to that will also require S/O properties to be marketed at a specific minimum percentage- 25%- to reflect the high costs of purchasing housing in the city. Once again this is set out in the Tenancy Strategy and secured where possible through the S106 process.

24. Scrutiny will be aware that Government are promoting changes to the regime to control Affordable Home ownership, discussed in its report at the last cycle.
25. For Shared Ownership government have reduced the eligible share of a property required for both the initial and subsequent purchases with the intention of bringing shared ownership within the reach of more low-income households.
26. Government are also consulting on a new form of affordable home ownership called First homes- this would be a departure from previous policy in that this would be a housing product whose price is reduced and held at that lower level in perpetuity. This proposal and its implications were also highlighted at the last meeting of Scrutiny.

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