

Tenancy Strategy 2018-2023



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The Tenancy Strategy 2018-23 was approved by Council on 23 July 2018.

1. Introduction

As a strategic housing authority, Oxford City Council is required to have a Tenancy Strategy in place to set out the Council's requirements and expectations of social housing providers operating within the City, to ensure that housing is provided to meet local housing need. Therefore this Tenancy Strategy 2018-23, should be taken into account when Registered

Providers and other social housing providers (including Oxford City Housing Limited – the Council's Housing Company) who develop and let dwelling houses in the City, adopt or review their own tenancy policies and operating procedures. This document also incorporates the Tenancy Policy for Oxford City Council in its role as a social housing landlord.



The Tenancy Strategy and appended Tenancy Policy have been developed following an evaluation of the Council's Tenancy Strategy and Policy Statement 2013-18; consultation with other Local Authorities, social housing providers, tenants and the public; and a review of the changes in legislation and Government policy. Production of this strategy meets with the agreed priorities and objectives set out in the Council's Housing and Homelessness Strategy 2018-2021, and is in conjunction with the development of Oxford's Local Plan 2036.

The ambition of the Housing and Homelessness Strategy 2018-21 is:

Oxford to be a City where people have access to affordable and high quality homes that enable them to build settled, safe and healthy lives, within sustainable and thriving communities.

To achieve this ambition, it is expected that all social housing providers will meet with the requirements set out in this Tenancy Strategy and ensure that truly affordable housing is provided to meet demand.

Oxford City Council's Tenancy Policy has been provided as Appendix A and is reflective of the aims of the Tenancy Strategy whilst incorporating legislative requirements i.e. the Housing Act 1985, Housing Act 1996, Localism Act 2011, Homelessness Act 2002 and, pending further government guidance, the Housing and Planning Act 2016.

The key objectives of the Tenancy Strategy are:

- To promote Oxford City's housing vision with a focus to provide social rented tenancies
- To ensure that affordable housing providers adhere to the new Tenancy Strategy to the benefit of the local community
- Affordable housing providers are to let any new tenancies in Oxford at genuinely affordable rents i.e. in line with social rent or at Affordable Rents capped at Local Housing Allowance (or equivalent measure) levels.
- To create sustainable, mixed and balanced communities.

2. Oxford City Council Tenancy Strategy 2018-2023

This is the Tenancy Strategy for Oxford City. At the time of writing (May 2018), local authorities are awaiting Government guidance with regards to the changes introduced in the Housing and Planning Act 2016, in particular, the implementation of Flexible Fixed Term Tenancies (FFTT) (see Appendix D for more information). It is anticipated that as legislation is enacted and statutory guidance is published, this Tenancy Strategy will be updated to reflect any mandatory requirements. **Fig 2.1** on page 6 demonstrates how this Tenancy Strategy links with other strategies, policies and tenant involvement activities.

Social responsibility

Oxford City Council expects all housing providers that own or manage stock in Oxford to meet their social obligations and regulatory requirements some of which are set out in Appendix B of this Tenancy Strategy. In addition, the Council wants to ensure affordable housing – existing or new – meets Oxford’s housing needs, is truly affordable and provides good quality, energy efficient accommodation. The Housing and Homelessness Strategy 2018-2021 sets out that in addition to providing more affordable homes, preventing homelessness and meeting the needs of vulnerable people is a top priority for the Council. Moreover, the Council wants to promote homes – not just housing – where people can build lives, gain access to education, training, work and secure better health and well-being. By providing such homes the City Council, along with other social housing providers and partner agencies, can help to build successful, stable neighbourhoods and communities.



Best use of housing stock

The Housing and Homelessness Strategy 2018-21 sets out how the City Council will work in partnership to make best use of social, affordable and private sector housing stock. There are good reasons to use the limited resource of social and affordable housing in the most effective way. These include:

- A severe shortage of genuinely affordable accommodation which cannot be met in the private sector as private sector rents are too high (even with the availability of housing benefit) and the general demand for affordable housing exceeds supply.
- An expectation to see social housing occupied by tenants who need the size, type and tenure of accommodation they occupy.

- Given the affordability pressures within Oxford, the Strategic Housing Market Assessment 2014 estimates that around 1,029 additional affordable homes would need to be delivered each year 2016-2031 to meet the backlog and future affordable housing need.
- There are around 2,500 households on the Housing Register, the majority of whom may never be offered a council or Registered Provider (also known as a housing association) tenancy.
- A need for move-on accommodation for vulnerable people who are building settled lives, moving from hostels or living in unsuitable accommodation. Lack of move-on housing can result in access to much needed specialist accommodation being blocked from those who need it.

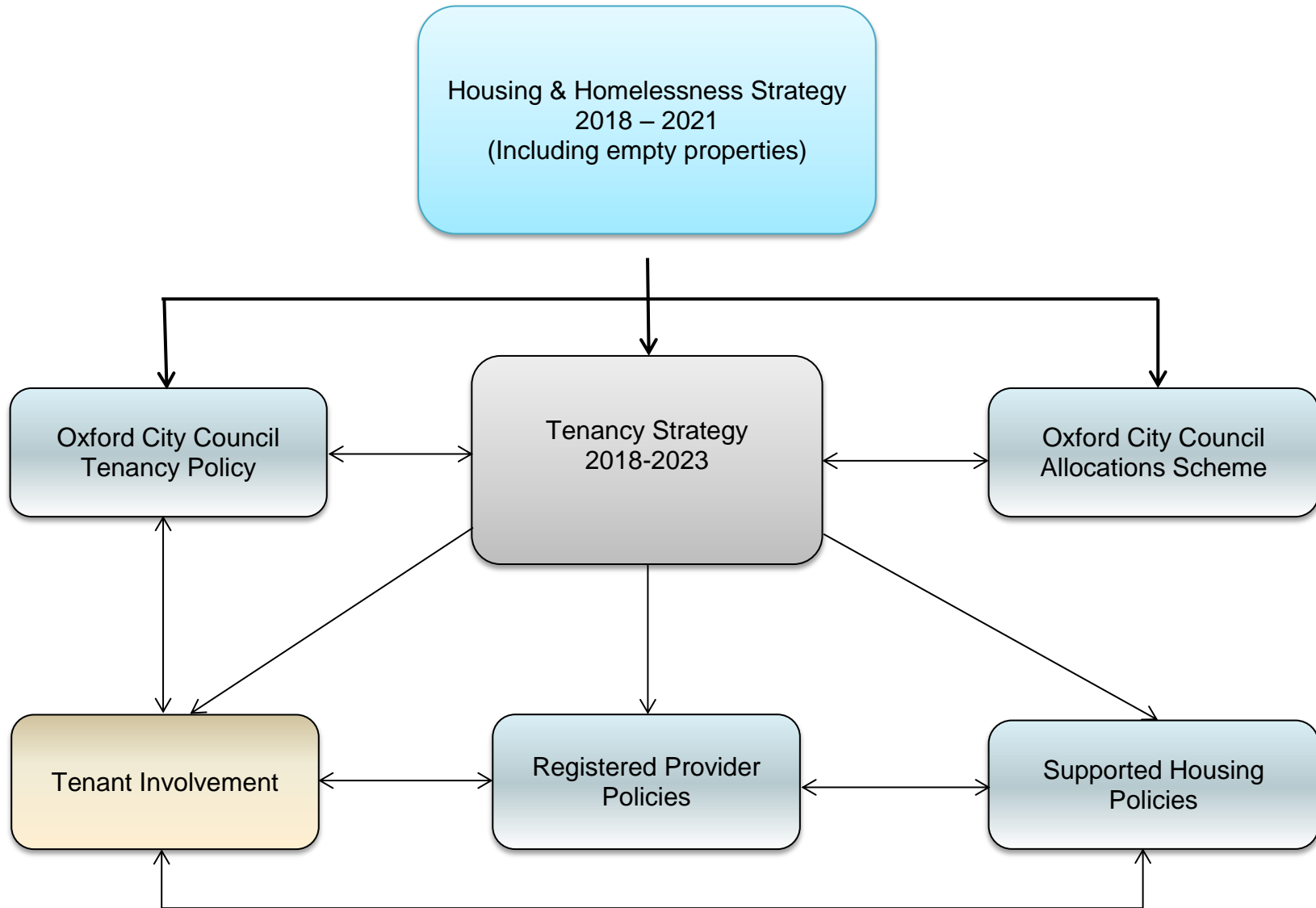
To ensure that social housing is allocated appropriately, Oxford City Council has formed a partnership with the major Private Registered Providers of social housing who operate within the City. This is the Oxford Register for Affordable Housing (ORAH) Partnership and the Council maintains a common register of social housing applicants on behalf of the Partnership (details can be found in the ORAH Partnership Agreement¹). ORAH Partners have agreed to give 90% - 100% of all lettings to Housing Register applicants nominated by the Council.

In line with the obligations set by the ORAH Partnership Agreement, S.106 Agreements², and in accordance with the City Council's Allocations Scheme, the City Council requires that all social housing providers who own or manage stock in the City to make best use of that stock and provide suitable and genuinely affordable accommodation for those who need it. Under the ORAH Agreement, Registered Providers (RPs) have agreed not to dispose of any of their social housing stock in the city without the express consent of the Council. It is expected that RPs and all social housing providers in receipt of capital from sales of affordable housing units will use the receipt to build at least "one for one" replacement property within Oxford, preferably at social rent levels.

¹ ORAH Partnership Agreement June 2011

² S.106 of the Town and Country Planning Act 1990.

FIG 2.1 Where the Tenancy Strategy fits



Tenancy Management

Effective management of all conditions of the tenancy agreement, including tackling tenancy fraud, managing tenancy changes, mutual exchanges (e.g. Home Swapper Scheme or equivalent) and the Right to Buy process, will ensure that social housing tenants act appropriately and in accordance with their tenant responsibilities. The City Council expects social housing providers who own or manage stock within the City, to provide effective Tenancy Management services in order to assist in reducing the risk of homelessness and to support the development of sustainable neighbourhoods.

Tenancy Sustainment

To ensure that tenants, who are vulnerable or who need additional support to help them sustain their tenancy, can access support when needed, Oxford City Council encourages all housing providers to invest resources to provide suitable tenancy sustainment services. Such support can assist tenants to remain living in the community where they have settled and where they are able, to access other support networks.

Valued investment in tenancy sustainment services has proven to give long term benefits to both the tenant and the landlord. The tenant is supported, and can feel more confident and empowered to take control and improve their circumstances. In turn, this can lead the tenant to better manage their accommodation, sustain rent payments, and reduce the risk of them becoming homeless through loss of tenancy. Therefore the landlord is more assured of a regular rental income and knows that their property is more likely to be looked after.

Tenant Involvement

Oxford City Council has taken the initiative to develop an award winning Tenant Involvement Team which actively encourages its 8,000 Council tenants to get involved with issues that impact upon them such as the design, delivery or scrutiny of the City Council's landlord services. The Team operates in an inclusive, accessible and collaborative manner to encourage tenants with all skills and abilities to get involved. Involving tenants in this way contributes towards ensuring that the City Council is a tenant-led, effective and efficient landlord that delivers good quality housing and landlord services to its customers. It also ensures that the Tenant Involvement and Empowerment Standard are being met.

All housing providers in the City are encouraged to ensure their regulatory requirements are being met and to invest in quality tenant involvement activities. This can help housing providers to continuously improve, develop quality landlord services and to also meet the needs of Oxford's communities.

Lifetime Tenancies

Until new guidance has been received from Government in relation to the mandatory use of fixed term tenancies, the City Council's preference is that social housing tenants are offered "lifetime tenancies" - either secure or assured - as such

tenancies help to build and support sustainable communities. The Council also acknowledges the use of Introductory Tenancies where appropriate, and that some specialist supported housing may be let on different tenancy terms.

Successions

Successions to tenancies should be applied in line with legislation and Government guidance applicable at the time of the Succession application. Where a person succeeds to a tenancy but needs to move, please refer to the Council's Allocations Scheme for more details.

Using Flexible Fixed Term tenancies

Although the Housing and Planning Act 2016 introduced mandatory use of Flexible Fixed Term Tenancies (FFTT) for new local authority tenancies, Government guidance is awaited to clarify the details about the length of tenancy to be granted and any discretionary powers awarded to Local Authorities. Further explanation of how FFTT could potentially work in Oxford is set out in Appendix D. However, until the guidance on mandatory use of such tenancies has been published, the City Council will continue to support the use of lifetime tenancies.

Fixed term tenancies are normally specifically prohibited for any homes provided via Section 106 agreements – including conversion to this tenure at the point of re-letting of the property (churn of housing lets), as there is a need to provide long term security of tenure.

The City Council requires all social housing providers providing homes within the city to offer lifetime (secure or assured) tenancies.

However, if the RP or social housing provider does offer a fixed term tenancy, the City Council would expect:

- Clear information about the tenancy to be provided to prospective tenants before the start of a tenancy (i.e. when the property is advertised/before the property is allocated)
- The RP/social housing provider to adopt an agreed protocol with the City Council to make clear the respective roles at the end of a fixed term tenancy e.g. Pre- eviction protocol; the provision of advice to the tenant regarding the appeal process, accessing independent legal advice and how to secure suitable alternative accommodation (including property purchase should the household's financial circumstances allow).
- The RP/social housing provider policies should conform to the Regulator's requirements on Tenancy Standards and the tenancy offered should usually be for a minimum of 5 years after³ the probationary period unless there are proven and agreed exceptional circumstances to offer a 2 year fixed term instead, in addition to any probationary tenancy period (see also the City Council's Allocations Scheme).

³ Homes and Communities Agency (March 2012) The regulatory framework for social housing in England from April 2012, paragraph 2.2, page 23 (http://www.homesandcommunities.co.uk/sites/default/files/our-work/regulatory_framework_2012.pdf)

- A presumption that fixed term tenancies will be renewed if the circumstances of the household are broadly similar to those when the original letting was made.
- Between 12 and six months prior to the end of the fixed term, the landlord will undertake an assessment to ascertain:

1. How has the tenant conducted their tenancy?
2. How has the tenant managed their property?
3. Is the property still suitable to meet the housing needs of the household?
4. Does the tenant have the means to move to alternative accommodation?

In determining if the tenant has the means to move to alternative accommodation, an affordability assessment will need to be undertaken prior to any decision being made to end a tenancy. This should include consideration of the tenant's monthly or weekly income, capital savings, rent payments and other reasonable expenditures.

Victims of Domestic Abuse

With regards to the security of tenure for victims of domestic abuse, the Secure Tenancies (Victims of Domestic Abuse) Bill 2017-19 introduced on 19 December 2017⁴, states that it requires all local authorities and Private Registered Providers of social housing in England, that, when re-housing an existing lifetime tenant who needs to move or has recently moved from their social home to escape domestic abuse, to grant such tenant a lifetime tenancy in their new home.

This will ensure that the victims will not fear losing security of tenure and will provide their families with stability and security in their new home. Whilst this may have some impact on slowing the churn of social housing stock, the impact is expected to be minimal and any impact offset by subsequent eviction of the perpetrator from the victims former home, therefore freeing up another social rented property.

Should the Bill (or an amended version) become legislation, the City Council will expect all social housing providers to meet with new legislative requirements.

Appeal

Oxford City Council requires all RPs and social housing providers offering flexible fixed term tenancies to ensure a robust appeal process is in place for those tenants on whom a "notice to end their tenancy" has been served, and the tenant is advised to seek independent legal advice as needed.

Affordable Rent

In accordance with Oxford City Council's Local Plan Affordable Housing Policies⁵, the Council expects that of the total proportion of affordable housing being provided on new developments, at least 80% would be provided and let as Social Rent

⁴

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/671215/Note_of_Impacts_of_the_Bill.pdf

⁵ As at May 2018

properties. Affordable Rent can be provided as part of the remaining 20% intermediate tenure housing (see also page 14 and Appendix C). However, Affordable Rent at 80% of market rent is not considered to be affordable for the many people receiving low/median level incomes in Oxford.

This is because:

- Affordable housing is for people in housing need where their needs cannot be met within the general rental market. Charging higher rents will exacerbate problems with accommodation affordability and could limit access and choice of housing for those receiving low or below median incomes.
- Affordable Rent homes (set at 80% of market rent values) will be outside the reach and unsustainable for many homeless households and those on the Council's Housing Register, with or without Universal Credit (see Fig 2.2 and Appendix C for affordability examples).
- Where Affordable Rents are set above Local Housing Allowance (LHA) rates, this could result in those who are in receipt of low incomes, becoming reliant upon Universal Credit or Discretionary Housing Payments (DHPs) and still not have the ability to bridge the gap of the shortfall between income and contractual rent. The reliance of claiming Universal Credit or DHPs therefore increases the cost to the public purse.
- Within Oxford postcode areas, LHA does not cover the full cost of Affordable Rents if set at the maximum of 80% of median rent levels. FIG 2.2 shows the shortfall that households would need to pay to make up the difference between a rent at 80% of median rent (for all Oxford postcodes) and the maximum assessed LHA rate.

FIG 2.2 Summary of private rents per calendar month (pcm) recorded for different property types between 1 October 2016 and 30 September 2017 for Oxford (all postcodes)⁶

Property type	Oxford Median Rent (£pcm)	Rent at 80% of median rent (£ pcm)	LHA rate (£pcm)	£ shortfall between 80% rent and LHA rate (£pcm)
Room	510	408	360	48
1 bed	975	780	690	90
2 bed	1,175	940	836	104
3 bed	1,425	1,140	1000	140
4 bed	2,100	1,680	1300	380

If rent costs are calculated at 35% of net household⁷ income, a rent cost at 80% of median market rent in Oxford would require an estimated net annual household income of between £13,988 for a room only and £50,760 for a 4 bedroom home (See Fig C.5 Appendix C). The **median gross** earnings for employees in Oxford is around £32,517 (approximately £25,397 **net** per annum) and therefore a single person would need to pay a higher proportion of their income on rent (reducing the residual income available to pay other household bills), earn a higher than median annual **net** salary, or be able to share the costs with a partner in order to be able to afford the

⁶ Valuation Office Agency

⁷ Household income – the income earned and other income received by the main householder e.g. resident tenant, owner occupier. It could include the income of their partner or spouse but does not include income from non-dependents or children living with them.

cost of renting anything larger than 'room only' accommodation (see also Fig C.5 in Appendix C). Given this, all social housing providers should align to, and **not** exceed the LHA rates. This will ensure that the rent will be genuinely affordable for local people and will ensure future community sustainability within Oxford. There are further details regarding LHA rates shown in Appendix C.

Although the City Council does not generally support Affordable Rent as a default tenure in place of Social Rent, it acknowledges that in exceptional circumstances Affordable Rent is appropriate i.e.:

- Affordable Rents may be applied to new homes funded by the Homes and Communities Agency (HCA, now known as Homes England) where Affordable Rent is expected in order to comply with grant funding requirements. Hence not to offer properties with Affordable Rents could limit the availability of grant funding and the opportunities to build new affordable homes in the area (**In this case, the rent should be capped and not exceed Local Housing Allowance (LHA) Rates**). Charging above LHA rates will exacerbate financial problems for the household and could result in loss of tenancy due to rent arrears.
- Affordable Rents (with rents capped to not exceed LHA rates) could be acceptable as intermediate tenure i.e. the additional affordable housing units offered over and above the required proportion of social rented tenure homes required through planning policy on suitable development sites (see Oxford Local Plan policies).
- Affordable Rent properties (with rents capped at LHA levels) may be applied to some new-build units where there are exceptional viability circumstances on a development site i.e. where site viability has been tested and this clearly demonstrates that the site cannot deliver the required proportion of social rented tenure but it could be viable with a small element of Affordable Rent tenure as part of the overall affordable housing provision (any proposals would need to meet with current and future Oxford Local Plan Policies).
- For further guidance on how affordable housing provision is governed through the planning system refer to Oxford City Council Planning Policies or the Royal Institution of Chartered Surveyors (RICS)⁸ guidance on valuation for Affordable Housing and Rent

Whilst the City Council strongly supports the delivery of a high proportion of social rented tenure it recognises that, not all who apply to be added to the Council's Housing Register will be successful in securing accommodation at social rent levels. Therefore, as the strategic housing authority and a good landlord, the Council will encourage and support social housing providers to bring forward, in line with Oxford's existing and emerging Local Plan policies, new and genuinely affordable intermediate housing options to meet the aspirations of those who are looking to secure alternative models of tenure, ensuring that these options are promoted to housing applicants and social housing tenants. This will enable households with the financial ability, to have a wider choice of housing tenure other than social rent, thus promoting the opportunity to make best use of the limited supply of social rented

⁸ <http://www.rics.org/uk/knowledge/professional-guidance/guidance-notes/valuation-of-land-for-affordable-housing-2nd-edition/>

housing. Mobility schemes (e.g. Home Swapper Scheme) will also be promoted where appropriate.

Affordable Housing models

The Housing and Planning Act 2016 placed significant emphasis on broadening home ownership as a means to address the nation's housing problems. However, the Housing White Paper 2017 indicated a change in emphasis towards a wider range of tenures. In particular the White Paper proposed to update the Government definition of affordable housing to include:

- Social rent (guideline target rents determined by the Government's rent policy),
- Affordable Rent (up to 80% of local area market rent),
- Starter homes (at a cost of not more than £250,000, to be sold at 20% discount on open market value, for households with annual incomes less than £80,000),
- Discounted market sale housing – sold at least 20% below local market value,
- Affordable private rent (at least 20% below local market rent) - suitable for provision of affordable housing as part of Build to Rent Schemes,
- Intermediate housing – shared ownership (part rent, part buy), discounted market sales and intermediate rent housing that is sold or rented at a price that is above social rent but below market levels⁹.

The Draft Revised National Planning Policy Framework (published for consultation on 5 March 2018) also supports the categories of affordable housing for rent; Starter Homes; discounted market sale housing; and other affordable routes to home ownership such as rent to buy.

Rent to Buy Scheme⁽¹⁰⁾

- Rent to Buy is a Government scheme designed to ease the transition from renting to buying a home by providing subsidised rent.
- With Rent to Buy, the tenant rents a newly built home at approximately 20% below the market rate for up to five years (exact period of time varies by property – see also Appendix B).
- Rent to Buy can also be called Rent to Save or Intermediate Rent.
- During the rental period, there is an option to buy the property or to buy part of the property under a Shared Ownership scheme.
- At the end of the rental period, the tenant should decide as to whether to buy part of the property or move on.
- To be eligible the household should:
 - Earn £80,000 a year or less. A household can be one person, or a couple whether in a relationship or not;
 - Be a first time buyer, or used to own a home but can't afford to buy one on the open market now;
 - Have sufficient savings to cover deposit and rent up front;
 - Be able to demonstrate the ability to save towards a deposit while benefiting from a reduced rent; and

⁹ Housing and Homelessness Strategy 2018-2021

¹⁰ https://www.helptobuysouth.co.uk/docs/HtBS_RenttoBuy_March2017.pdf

- Depending upon the Registered Provider (RP) requirements there could be additional eligibility criteria but additional priority may be given to existing RP and social housing tenants, people with local connections to an area as well as being first time buyers.

A benefit of the scheme is that it may give tenants access to properties that otherwise would not be affordable. However if house prices rise during the rental period, the cost of buying the property might rise beyond the financial reach of the household. A longer rental period could place the household at greater risk of this happening, especially in high demand and high value areas such as Oxford.

Rent to Buy may be a suitable option for those households who are able to sustain the rent (and in future a mortgage payment) but currently do not have the level of savings to support the necessary deposit required by mortgage lenders in order to buy a property in the short term.

Build to Rent Scheme¹¹ (supported by the Home Building Fund)¹²

- The Government created a £3 billion fund to increase the number of homes to be built in England. The fund is administered by Homes England.
- Small builders, community builders, custom builders and regeneration specialists, as well as larger builders and developers can apply for loans to build large scale housing which is purpose built for market rent.
- The advantages of this type of scheme are that it could encourage development to happen more quickly and could support regeneration within the local economy as well as providing more rented accommodation for families.
- The scheme aims to introduce more family friendly tenancies i.e. for a longer term.
- Delivery of the scheme within Oxford, as with any other new development, is dependent upon securing appropriate premium land to be used for building.

Whilst private rented accommodation is one housing option, it is unaffordable for the majority of earners who receive a median level income in Oxford.

Community-led Housing¹³

As stated in the overarching Housing and Homelessness Strategy 2018-2021, Oxford City Council secured Government funding to support community-led housing initiatives. Using the allocated funds, the Council has commissioned research that will identify the need for, and viability of, providing community-led housing in the City.

- Community-led housing can be designed and managed by local people and built to meet the needs of the community – not for private profit.
- It is a way for local communities to provide their own decent and affordable homes.

¹¹ <https://www.gov.uk/government/publications/fixing-our-broken-housing-market>

¹² <https://homebuildingfund.campaign.gov.uk/>

¹³ <http://www.communityfirstoxon.org/housing-community-planning/community-led-housing/>

- Community-led housing is often designed to help certain groups – for example young people, older people, or those in need of affordable family homes. It's often eco-friendly and sustainable.
- Housing can be rented to local people at affordable rates which are kept low over the long-term, or the property can be sold to create income or subsidy to be recycled into other new housing developments to benefit the local community.
- As with a Build to Rent scheme, delivery of a Community-led Housing Scheme is largely dependent upon securing appropriate premium land or assets to be used for building.

Shared Ownership (part rent, part buy)

Appendix C, FIG C.8, demonstrates in detail that shared ownership within Oxford is also unattainable and unaffordable where the income required to support the purchase of a two bedroom flat for example, exceeds the local annual median earnings (i.e. £32,517 gross per annum or estimated £25,397 net per annum). Purchasing a share of a larger property is far beyond the reach of many local people unless the gross household income is much higher i.e. >£47,000 per annum to purchase a 2+ bedroom accommodation, and there are sufficient capital savings to accommodate a >£9,000 deposit. Given this, the City Council generally does not support shared ownership tenure as the default intermediate affordable housing option unless:

- The % rent charge on unsold equity is reduced e.g. to a maximum of 2% of unsold equity (where viable).
- The social housing provider agrees to recycle capital receipts from the sale of shared ownership units to provide additional genuinely affordable homes within the City.
- Service charges for shared ownership units are kept to an affordable level (see below).

More details and information about other forms of intermediate affordable housing are discussed in Appendix C.

Service Charges

Service charges are subject to separate legal requirements (as set by The Service Charges (Summary of Rights and Obligations, and Transitional Provision) (England) Regulations 2007 No1257 Reg. 3)¹⁴, including tenancy agreements. The cost of service charges in addition to rent and/or any mortgage payments in the case of shared ownership, can make accommodation unaffordable for those households receiving a lower income. It is expected that affordable housing providers that let or manage properties within Oxford City, will endeavour to keep service charges to a minimum and any increases within the Guideline Limit. Social and affordable housing providers should therefore, properly distinguish between rents and service charges in any rental or sale documentation or property advert. If an affordable housing provider proposes additional services that may not be covered by the housing element of Universal Credit or Housing Benefit (potentially leading to a significant

¹⁴ <http://www.legislation.gov.uk/uksi/2007/1257/regulation/3/made>

increase in the level of costs that would have to be paid by the tenant), the Provider should discuss this with the local authority in the first instance. Providers are reminded that the Rent Standard¹⁵ requires tenants to be supplied with clear information on how service charges are set.

The Council's Affordable Housing Planning Policy and homes secured through S.106 agreements.

Locally the **Sites and Housing Plan 2011-2026'** (Policies HP3 & HP4) sets out the City Council's requirement for affordable housing provision on development sites in the City. In general, any new development site of 10 or more dwellings will require 50% to be affordable housing, of which a minimum of 80% of the affordable stock should be provided as social rent homes, and the remaining 20% to be intermediate housing (NB* the Sites and Housing Plan policies will be reviewed as part of the new draft Local Plan 2036, due to be considered in 2019). The National Planning Policy Framework 2012 (NPPF) defines what Affordable Housing, Social Rent, Affordable Rent and Intermediate Housing is¹⁶ (NB* this may be revised following the consultation on the Draft Revised NPPF published 5 March 2018).

Where properties have been secured as Affordable Housing via S.106 Agreements, the terms of those agreements will continue to apply and will normally prohibit the provision of, or conversion to, Affordable Rent tenure on initial or subsequent letting unless this is a requirement of the Homes England grant funding scheme.

The key point is that to make affordable housing genuinely affordable for local people, having regard to local incomes and property prices, accommodation should be offered for rent or purchase at prices that are affordable for those who receive median/lower level incomes.

¹⁵

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/419271/Rent_Standard_Guidance_2015.pdf

¹⁶ <https://www.gov.uk/guidance/national-planning-policy-framework/annex-2-glossary>

Summary

To summarise the key points of Oxford City Council's Tenancy Strategy, it expects all social housing providers:

- To provide a minimum 80% of the Affordable Housing proportion on new development sites as Social Rent tenure and, through sufficient subsidies, keep any intermediate rented tenure at Local Housing Allowance (LHA) rates where viable, and keep intermediate housing to purchase at affordable levels having regard to lower/median annual incomes and lower quartile property prices.
- Keep service charges to a minimum to ensure affordability for occupiers.
- Not to change the tenure (churn) of any property from Social Rented to Affordable Rent within the City (unless it is a requirement associated with the allocation of any grant funding) as charging higher rents will reduce the number of properties that would be affordable locally.
- When setting Affordable Rents, to align to, and **not** exceed the LHA rate, or provide the units at Social Rent levels. This will ensure that the rent will be genuinely affordable for local people and will ensure future community sustainability within Oxford.
- To offer lifetime (secure or assured) tenancies to social housing tenants as this provides security of tenure and helps to build sustainable, settled communities.
- To provide quality Tenancy Management, Tenancy Sustainment and Tenancy Involvement practices to ensure all social housing tenants are supported appropriately and to reduce the risk of homelessness through loss of tenancy.
- When in receipt of capital from sales of affordable housing, to use the funding received, to build at least "one for one" replacement property within Oxford at Social Rent levels to meet housing need.
- To ensure all legislative guidance and obligations are adhered to.

APPENDIX A

Tenancy Policy 2018-2023

Introduction

Oxford City Council, as a social housing landlord, is obliged to have a Tenancy Policy in place that sets out how it will operate and deliver the requirements of the Council's overarching Tenancy Strategy 2018-2023.

Oxford City Council provides 7,746 affordable homes in the City plus 209 outside the City. Registered Providers supply a further 3,753 over which the City Council has at least 90% nomination rights in conjunction with the ORAH Partnership Agreement.

Tenancy Policy

In its social housing landlord role, the Council supports and will have full regard of the requirements set out in the over-arching Tenancy Strategy 2018-2023 for Oxford.

Until Government guidance has been published with regards to the change introduced by the Housing and Planning Act 2016 i.e. introduction of mandatory flexible fixed term tenancies, the City Council will continue to provide Introductory and Secure tenancies as the default tenancy type, for both new build and relets. This will apply to those tenants who have a housing need, who continue to pay their rent on time and are not in breach of their tenancy agreement.

Should Government guidance be published on the mandatory requirement to provide flexible fixed term tenancies, then the City Council will update this Tenancy Policy to allow the necessary flexibility and compliance with legislation.

In accordance with the City Council's Allocations Scheme (*compiled in accordance to PART VI of Housing Act 1996*), any available City Council properties will be advertised on the Council's Choice Based Lettings system¹⁷ stating the tenure terms on offer. Upon successful selection, the prospective tenant will be given clear guidance and advice on the Council's responsibilities and the new tenant's rights and responsibilities in relation to the property and the tenancy agreement.

Introductory tenancies

(Ref: PART V of 1996 Housing Act, Chapter 1, s124 & s125)

For those tenants who have not held a social tenancy previously they will initially be offered an Introductory Tenancy for a term of up to 12 months (see Oxford City

¹⁷ Oxford City Council Choice Based Lettings system:
<http://www.oxfordcitycbl.org.uk/Data/ASPPages/1/5317.aspx>

Council's Allocation Scheme for criteria). This will be an opportunity for both the tenant and the City Council to establish if the tenancy arrangements are suitable for the tenant and if the tenancy and property are being managed appropriately. The Introductory Tenancy will be reviewed during the 12 month term in line with the tenancy agreement. The review aims to establish answers to the following questions:

1. How has the tenant conducted their tenancy?
2. How has the tenant managed their property?
3. Is the property still suitable to meet the needs of the household?

Assuming a successful completion of the 12 month Introductory Tenancy, and that the tenant has adhered to the terms of their tenancy agreement, the tenant will automatically become a secure tenant (subject to no other restrictions being in place) with a lifetime tenancy, extending their rights within the tenancy agreement.

Victims of Domestic Abuse

The City Council will operate in line with current legislation in relation to accommodating victims of domestic abuse. Should the Secure Tenancies (Victims of Domestic Abuse) Bill 2017-19 that was introduced on 19 December 2017¹⁸ (or an amended version) become legislation, the City Council will adhere to the new legislation to ensure that, when re-housing an existing lifetime tenant who needs to move, or has recently moved from their social home to escape domestic abuse, a lifetime tenancy is to be granted for their new home.

This will ensure that the victims will not fear losing security of tenure and will provide their families stability and security in their new home.

Affordable Rents

Oxford City Council's preferred rent option is Social Rent. The Council does not support the provision of Affordable Rent tenure at 80% of market rent rates and will not offer tenancies on an Affordable Rent basis unless it is a requirement of any allocation of grant for new homes with part funding from Homes England, or it meets one of the 'exceptional criteria' set out in the Tenancy Strategy 2018-23 (see page 11).

Best use of social housing stock

Flexible tenancies may offer an opportunity to increase the number of re-lets (churn) in social housing stock. However, due to the significant lack of alternative affordable and appropriately sized accommodation in Oxford to meet housing needs, and in order to give security of tenure to Council Tenants, the City Council will, until further Government guidance has been received regarding the mandatory implementation of flexible fixed term tenancies, continue to offer lifetime tenancies and will make best use of existing housing stock as described in the Housing and Homelessness

18

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/671215/Note_of_Impacts_of_the_Bill.pdf

Strategy 2018-21. This will include cyclical property maintenance, asset improvement and management programmes, and the continuation of the Removals and Expenses Move-on incentive scheme (REMS) offered to Council Tenants who are under-occupying their current home and who wish to downsize. This would allow their current home to be offered to a family and be fully occupied.

Tenancy Management

To ensure all Council Tenants meet the terms of their tenancy agreement, the City Council will continue to identify and tackle tenancy fraud in addition to dealing with any neighbourhood issues or anti-social behaviour. The City Council will also manage tenants and their requests for tenancy changes, mutual exchanges (home swapper scheme), and the Right to Buy with the aim of managing any impact of changes on the local community.

Tenancy Sustainment

The City Council will continue to assist those tenants who require further support or who are vulnerable and need support to sustain their tenancy, enabling them to remain as part of the community where they live and to receive continued assistance from their own support network (see the Housing and Homelessness Strategy for more details).

Tenant Involvement

In accordance with the Tenancy Strategy 2018-2023 and also the Housing and Homelessness Strategy 2018-2021, the City Council will continue to actively encourage Council Tenants to get involved with issues that affect them. This will assist the Council in developing quality accommodation and a tenant-led, effective housing landlord service to customers. Tenants will receive relevant training, and involvement activities will be inclusive and supported.

Successions

Successions to tenancies will be applied in line with legislation and any Government guidance applicable at the time of the Succession application. Where a person succeeds to a tenancy but needs to move, please refer to the Council's Allocations Scheme for more details.



Monitoring and review

The City Council will monitor the implementation of the Tenancy Strategy and the Tenancy Policy during the period 2018-2023, including the impact upon Oxford City Council and its partner social housing providers. Monitoring will be via the Oxford Register of Affordable Housing (ORAH) Partnership and through annual reviews undertaken with individual Registered/social housing providers. Where there are legislative changes that prescribe necessary or mandatory actions, the City Council will adhere to legislation and published guidance, and will revise this Tenancy Policy in line with new legislative obligations. Appendix C will be updated annually (in December) to reflect latest statistical data and to ensure that local affordability details are up-to-date.

APPENDIX B

Legislative requirements and changes

The Council has a duty to publish a Tenancy Strategy in accordance with the Localism Act 2011 and in addition, take into consideration the following legislation:-

- The Housing Act 1985
- The Housing Act 1996
- Homelessness Act 2002
- The Housing and Planning Act 2016
- Homeless Reduction Act 2017

Since the City Council's 5-year Tenancy Strategy was produced in 2013, there have been changes to Government policy and new legislation has been published. The national and local context is explained further in Appendix C of the City Council's Housing and Homelessness Strategy 2018-21.

The Localism Act 2011 specifically sets out the scope of a local authority tenancy strategy and the matters to which social housing providers for its district are to give regard to in formulating their own policies i.e.:

- i. The kinds of tenancies they grant.
- ii. The circumstances in which they will grant a tenancy of a particular kind.
- iii. Where they grant tenancies for a term, the lengths of the terms and
- iv. The circumstances in which they will grant a further tenancy on the coming to an end of an existing tenancy.

One of the key changes introduced by the Localism Act 2011 was in relation to the introduction of fixed term tenancies (FTT) for social housing providers. FTT tenancies can be offered in addition to lifetime tenancies.

The Tenancy Standard (Homes and Communities Agency (Homes England), 2012)

The Localism Act 2011 also brought about the revised Tenancy Standard which states that all Registered Providers (RPs) shall let their homes in a fair, transparent and efficient way. They shall take into account the housing needs and aspirations of tenants and potential tenants. They shall demonstrate how their lettings:

- (a) Make the best use of available housing
- (b) Are compatible with the purpose of the housing
- (c) Contribute to local authorities' strategic housing function and sustainable communities.

Registered Providers (RPs) of social housing are able to offer assured tenancies, but if they choose to use fixed term tenancy it is expected that they will normally be for a minimum term of 5 years (although 2 years can be offered in exceptional circumstances) and offer broadly the same tenancy conditions as those for secure tenants except for the fixed term period. RPs must also have a clear, published procedure for the appeals process, should their tenant wish to question the fixed term.

The Housing and Planning Act 2016 introduced new regulations. A summary is set out below:

The Housing and Planning Act 2016 (with associated chapter references)

- Introduction of Starter Homes as affordable housing (discounting new homes by up to 20%) (**Part 1 Chapter 1**)
- Promotion of self-build and custom house building (**Chapter 2**)
- Measures to address rogue landlords and property agents in the private rented sector in England (**Part 2**)
 - Banning orders (**Chapter 2**)
 - Rent repayment orders (**Chapter 4**)
- Recovering abandoned premises in England (**Part 3**)
- Housing, Estate Agents and rent charges (**Part 5**)
- Planning powers (**Part 6**)
- Compulsory Purchase powers (**Part 7**)
- Social Housing (**Part 4**)
 - including Right to Buy on a voluntary basis (**Chapter 1**)
 - vacant higher value local authority housing (**Chapter 2**)
 - rents for high income social tenants (“Pay to stay”) (**Chapter 3**)
 - reducing regulation of social housing (**Chapter 4**)
 - insolvency of Registered Providers of social housing (**Chapter 5**)
 - Mandatory use of flexible fixed term tenancies – Secure/‘Lifetime tenancies’ no longer to be awarded by Local Authorities (**Chapter 6**)

Government Guidance is still awaited in relation to some of these regulations however, the conclusions and recommendations of the Select Committee - Housing and Right to Buy Response (April 2017)¹⁹ are included in the details below:-

- i. **Extension of the Right to Buy (RTB) to RP’s** on a voluntary basis.
This would allow Registered Provider tenants to be given the same right as council housing tenants to the right to buy the home they rent. However, any RP selling its property through “RTB” would need to use the funding received to build at least “one for one” replacement property within the district (this could include ‘starter homes’).

This is likely to prove difficult in areas like Oxford where land prices and cost of development are high. The provision of starter homes may also be cost-prohibitive given the high price of property even at lower quartile levels.

¹⁹ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/606204/CM9416_-_Select_Committee_Housing_and_Right_to_Buy_Response_Web_.pdf

However, outcomes from the consultation on the Government's Housing White Paper published earlier in 2017 (ref. starter homes) are awaited²⁰.

The government has also stated that any RP should ensure that it provides advice and support to its customers to ensure that an informed choice is offered with regards to homeownership.

In addition, to limit the amount of properties purchased under the RTB being sold on into the private rented sector, investigations are to be made to establish that any RTB properties re-sold within ten years should be offered to the RP or local authority to purchase.

NB: The Government has initiated a pilot scheme and will update in due course when and if the full scheme will be rolled out.

- ii. **Sale of vacant higher value local authority housing** – under the new legislation, local authorities will be required to make a payment to the Secretary of State based on the value of their vacant high value housing – this may be in the form of an assumption of this value even if the actual vacancies or sales do not take place. However, agreement may be sought with the Secretary of State for a local authority to retain a portion of its sales to fund the delivery of at least one home for every other home sold.

The Government is still considering the definition of “higher value” and therefore the City Council will await further guidance. The Housing Minister announced that implementation of Right to Buy for Registered Provider (RP) tenants, along with forced sale of high value council homes, will be delayed until at least 2019 and possibly longer²¹.

- iii. **Introduction of “Pay to Stay”** – Rents for high income social tenants otherwise known as “Pay to stay” was proposed within the Housing and Planning Act 2016 however, the Government decided in November 2016 to abandon the mandatory scheme. Local authorities and RPs will continue to have the discretion to implement a ‘Pay to Stay’ policy for tenants with incomes over £60,000. Oxford City Council has decided not to pursue this at present due to the unaffordability of alternative accommodation in Oxford.
- iv. **Reducing regulation of social housing** – Proposals to de-regulate RPs and return them to the private sector could provide opportunities for RPs to secure alternative funding for housing development in the future.
- v. **Insolvency of Registered Providers of social housing** – A housing administrator has two objectives: Firstly to keep normal administration; and secondly to keep social housing in a regulated sector.
- vi. **Removal of secure tenancies** – this requires local housing authorities in England to apply a mandatory use of Flexible Fixed Term Tenancies for all new

²⁰ <http://researchbriefings.parliament.uk/ResearchBriefing/Summary/CBP-7643>

²¹ Source NHAS, Posted 28th November, 2016

tenancies (a flexible fixed term tenancy is a tenancy existing for a fixed number of years). Most new tenancies will be granted for a period between 5 and 10 years and the local authority will be required to carry out a review of the household's circumstances prior to the end of the fixed term.

The legislation is also expected to have an effect upon "Succession rights" to existing secure tenancies i.e. where immediate family members who would normally succeed to secure tenancies, may only be granted a 5 year tenancy. This is an amendment to the Housing Act that will be applied across the board, not just for new tenants.

Local authorities are awaiting Government guidance on the key issues highlighted above as to whether they may use their discretion for particular tenancies. In respect of this Tenancy Strategy and Tenancy Policy, Oxford City Council will comply with the legislation as it is enacted and will operate in accordance with the relevant Government guidance as issued.

Right to Buy (RTB) for Council tenants²²

From 5th April 2012 the Government amended the levels of RTB discount that Council Tenants could receive. Currently there is a **35% discount** for a public sector tenant who has had a social tenancy between 3 and 5 years. After 5 years, the discount increases by **1%** for every extra year, up to a maximum of **70%** – or **£80,900** whichever is the lower, across England.

From May 2015 (i.e. since the Council's Tenancy Strategy 2013-18 was produced), the eligibility criteria also changed, reducing the requirement of 5 years public sector tenancy to 3 years, enabling more tenants to be eligible for the RTB much sooner. Oxford has generally seen a decrease in the number of successful RTB applications since 2014/15 (see FIG B.1). One of the reasons for this is that even after applying the maximum RTB discount the house prices in Oxford continue to remain high. Therefore, there would still be a significant amount to pay for the property – thus requiring a substantial deposit and income in order to support a large mortgage.

FIG B.1 Right to buy properties sold

Year	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018
Number of properties sold through RTB	3	8	45	46	32	25	38

Source – Oxford City Council internal records

²² <https://www.gov.uk/right-to-buy-buying-your-council-home/discounts>

Homes and Communities Agency (HCA)²³ Affordable Homes Programme

In January 2017 the Government announced an extension to the Homes and Communities Agency (HCA) Affordable Homes Programme 2011-15, offering a wider range of ways to help people into home ownership and to provide support for those that need affordable housing. The variety of tenures available, now includes Affordable Rent (tenancies let with rents of up to 80% of local market rents); Shared Ownership; and Rent to Buy (which will be let with rents set at or below 80% of the local market rent for a set time period, giving tenants the opportunity to save for a deposit and then the option to buy their current home).

It is a general requirement that any additional homes that are part funded by HCA under the programme will generally be let at Affordable Rents (although allowances are made to support social rents where there is a demonstrable need) and that Registered Providers may also elect to re-let a proportion of existing homes using the Affordable Rent regime when a property becomes vacant.

Definition of Affordable Housing²⁴

The Glossary of Terms set out in the National Planning Policy Framework (NPPF)(2012) defines Affordable Housing as: *‘Social rented, affordable rented and intermediate housing, provided to eligible households whose needs are not met by the market. Eligibility is determined with regard to local incomes and local house prices. Affordable housing should include provisions to remain at an affordable price for future eligible households or for the subsidy to be recycled for alternative affordable housing provision’*. Further clarity and detail is provided in the NPPF document. However, the Housing White Paper 2017 suggests a different definition to include a wider range of tenures i.e. starter homes. In March 2018, the Draft Revised National Planning Policy Framework was published for consultation. This includes affordable housing for rent, Starter Homes, discounted market sale housing and other affordable routes to home ownership. The outcome of the consultation is awaited.

Any Affordable Housing provided in Oxford will need to meet with the planning policies and Affordable Housing definitions available at the time of any planning application.



²³ Homes and Communities Agency (HCA) became ‘Homes England’ in January 2018 but funding and development programmes introduced in 2011 and 2015 were launched under the HCA title.

²⁴ <https://www.gov.uk/guidance/national-planning-policy-framework/annex-2-glossary>

Oxford city context

Oxford city has become one of the fastest growing cities in England with a current population of approximately 155,300 (ONS 2016 revised mid-year estimate), predicted to grow to an estimated 172,000 by 2031²⁵. Land is limited and at a premium within the city boundary. Therefore, Oxford has become one of the least affordable cities to live in England.

The number of people who own their own home in Oxford is well below national average at 47% compared to 63% in England as a whole. The City has a large private rented sector (28%) compared to the South East and England (both approximately 16%), and a sizeable social rented sector (21%). Around 2% of households are living rent free.

Median gross income for Oxford employees²⁶

In 2017, the median gross annual workplace-based earnings for employees in Oxford were **£32,517** which equates to weekly gross earnings of £625. **FIG C.1** demonstrates how the median gross annual workplace-based earnings have increased in Oxford since 2015 in comparison to the rest of England.

FIG C.1 Median gross annual workplace earnings comparison

Median gross annual (where available) workplace-based earnings in Oxford compared to England, 2015 to 2017 (£)

	2015	2016	2017
Oxford	31,165	31,799	32,517
England	27,841	28,496	29,079

What is affordable?

Generally, if a property is considered to be **affordable**, it's usually reasonably priced (with or without subsidy) and the individual will have enough money to buy or rent it.

With regards to household income, a household needs to establish that from their GROSS earnings or income they are expected to pay national insurance and tax, after which, the household is left with a NET income from which they would expect to pay towards the following as an example (the list is not exhaustive):

²⁵

https://insight.oxfordshire.gov.uk/cms/system/files/documents/2%20Population%20JSNA%202018_0.pdf

²⁶

<https://www.ons.gov.uk/peoplepopulationandcommunity/housing/datasets/ratioofhousepricetoworkplacebasedearningslowerquartileandmedian>

- Pension contributions (sometimes this is taken from wages at source)
- Rent / Mortgage (housing costs)
- Council Tax
- Food
- Utilities
- Insurances
- Transportation
- Clothing
- Health and Wellbeing

When it comes to paying for housing costs, the Oxfordshire Strategic Housing Marketing Assessment (SHMA 2014) report uses the assumption that no more than 35% of gross income should be spent on housing costs for rented properties. For social rents, the SHMA estimated a figure of 30% of income. This was to reflect the lower residual income linked to lower housing cost.²⁷ The SHMA practice guidance (withdrawn in March 2014) also indicated that local circumstances could justify other figures being used to calculate affordability.

Feedback from stakeholders and public during the consultation on the draft Tenancy Strategy 2018-23²⁸ indicated a clear preference to calculate affordability based on NET household income. FIG C.5 set out in this appendix, clearly shows a comparison of the NET and GROSS income that is required to pay a typical private rent or an Affordable Rent at 80% of market rent values.

Whilst this Tenancy Strategy suggests that an affordable level of spend on housing cost (i.e. rent and/or mortgage for affordable home purchase) would be around 35% of net annual income²⁹, it is the responsibility of each household to ascertain what they can afford, comparing their respective income with their outgoings and prioritising their rent/mortgage to minimise the risk of losing their home.

Affordability of home ownership in Oxford

During 2015-2016 house prices in Oxford rose by 8.5%³⁰ compared to 3.2% nationally. In 2016-2017 the increase in house prices slowed to just 7.6% compared to a rise nationally to 3.8%. When compared to other UK cities, house price inflation in Oxford (March 2017 to March 2018) was running at 3.9% compared to a UK average of 5.5% and sales in Oxford do not appear to be keeping up with the number of new homes coming on the market³¹. Although house prices have slowed, they are still beyond the affordability reach of many lower income households in the city and this may be contributing to the longer sales periods.

The Housing and Homelessness Strategy 2018-2021 refers to the Cities Outlook (Centre for Cities) 2017 report, which looks at the '**average**' house price and income

²⁷ https://www.oxford.gov.uk/downloads/file/1753/shma_final_report

²⁸ Stakeholder Workshop 4 April 2018

²⁹ See also House of Commons Briefing Paper #07747 "What is Affordable Housing" 19/3/18

³⁰ Cities Outlook 2018 - Centre for Cities (Jan 2018) report

³¹ <https://www.hometrack.com/uk/insight/uk-cities-house-price-index/march-2018-cities-index/>

levels in Oxford rather than the **median**. The 2018 report continues to highlight the gap in affordability stating that in Oxford, the average house price (£523,200) is 17 times higher than the average annual earnings (£30,200).

For the purpose of developing this strategy, the **median** rather than **average** income and house price figures have been used. Highlighted below in **FIG C.2** and **FIG C.3** are the figures from the Office of National Statistics (ONS) to demonstrate how the **median** house price has increased for period 2015 – 2017 along with the ratio of **median** house price to **median** gross annual earnings.³²

FIG C.2 Median house price comparison

Median house price comparison between Oxford and England, for periods Q3-2015 to Q3-2017(£)³³

	Q3 – 2015	Q3 - 2016	Q3 - 2017
Oxford	340,000	370,000	400,000
England	209,500	220,000	230,000

Whether using the ‘average’ or ‘median’ calculation, both methods support the case that purchasing a home in Oxford is beyond the financial reach of the majority of Oxford households and employees earning lower level incomes.

Median House Price

House Price data sets are part of the House Price Statistics for Small Areas (HPSSAs) release, produced by Office of National Statistics (ONS). These statistics report the count and median price of all dwellings sold and registered in a given year. They are calculated using open data from the Land Registry, a source of comprehensive record level administrative data on property transactions.

According to these statistics, the median house price paid in Oxford in September 2017 was £400,000. The median price paid for a detached house was £700,000; for a semi-detached house £420,000; for a terraced house £410,000; and for a flat/maisonette £305,000.³⁴ House prices have generally increased over the last five years³⁵. However, the house price data for September 2017 shows a drop in median prices paid for detached properties.

³²

<https://www.ons.gov.uk/peoplepopulationandcommunity/housing/methodologies/housepricestatisticsforsmallareasqmi>

³³

<https://www.ons.gov.uk/peoplepopulationandcommunity/housing/datasets/ratioofhousepricetoworkplacebasedearningslowerquartileandmedian>

³⁴

<https://www.ons.gov.uk/peoplepopulationandcommunity/housing/datasets/medianhousepricefornationalandsubnationalgeographiesquarterlyrollingyearhpssadataset09>

³⁵ See Appendix A: Evidence Base – Oxford City Council Housing and Homelessness Strategy 2018-2021

FIG C.3 Median house price to median gross earnings ratio comparison

Ratio of median house price to median gross annual (where available) workplace-based earnings in Oxford compared to England, 2015 to 2017

	2015	2016	2017
Oxford	10.91	11.64	12.30
England	7.52	7.72	7.91

Looking at **lower quartile** house prices for Oxford (i.e. £308,500 in September 2017), these are around 12.18 times higher than the lower quartile gross annual workplace-based earnings (£25,325 pa). Whether median or lower quartile figures are used, the multiplier of income to house price makes buying or renting a property in the City unaffordable for many people on lower incomes.

Affordability to buy and minimum mortgage deposit³⁶

Mortgage lenders traditionally require at least 5% of a property's sale price to be provided by the purchaser as a deposit before they will lend a mortgage on the remaining property value e.g. a property purchase price of £300,000 in Oxford would require the purchaser to provide a deposit of at least £15,000, with the remaining balance of £285,000 being provided as a mortgage. Using this example, the monthly mortgage repayment would be approximately £1351 per calendar month, assuming 3 % interest over a 25 year term^{**}. Assuming that the monthly mortgage repayment was 35% of net household earnings, the **net** annual household income would need to be approximately £46,320 (or £3,860 pcm). The figures calculated above are estimated and do not include any other household costs, living expenses or allow for a possible mortgage interest rate increase.

Depending on individual circumstances, a mortgage lender may require the purchaser to provide a much larger deposit from the outset. In addition, the lender may limit the amount of mortgage borrowed i.e. may not lend as much as the £285,000 mortgage required in the example above (see paragraphs below).

Loan-to-income ratio to qualify for a mortgage³⁷

In the past, if an annual gross household income was £50,000, it may have been possible to borrow up to five times this amount, giving a mortgage of up to £250,000. However, mortgage lenders may cap the loan to income ratio and are obliged to complete a full affordability assessment.^{**}

The affordability assessment ascertains what level of monthly payments can be afforded, taking into account income minus various living and personal expenses.

³⁶ <https://www.which.co.uk/money/mortgages-and-property/mortgages/guides/mortgages-and-deposits-the-basics/how-much-deposit-do-you-need-for-a-mortgage#minimum>

³⁷ <https://www.moneyadvice.service.org.uk/en/articles/how-much-can-you-afford-to-borrow>

^{**} NB. This is an example only and should not be taken as financial or mortgage advice. Such advice should be sought from a professional qualified and regulated (by the Financial Conduct Authority) mortgage adviser or financial adviser who will consider individual circumstances and will advise accordingly.

This assessment change was brought into effect following a full review of the mortgage market by the Financial Conduct Authority in 2014.

The lender must also look ahead and consider the impact of future changes in circumstances on the borrower’s ability to repay the mortgage. The lender will take into account the effect of possible interest rate rises and possible changes to lifestyle, such as:

- Redundancy
- Having a child, or
- Taking a career break

If the lender thinks the household will not be able to afford the mortgage payments in those circumstances, it might limit how much can be borrowed and therefore require purchasers to fund a much larger cash deposit.

In addition the borrower must take into consideration mortgage arrangement and legal fees, and possibly Stamp Duty Tax. However it was announced in the autumn 2017 budget, that with immediate effect, the Stamp Duty would be abolished for first time buyers purchasing a property up to £300,000.

Affordability of the Private Rental Market in Oxford³⁸

Oxford’s private rented sector appears to remain buoyant with an increasing demand from a large student population, potential owner occupiers who have been priced out of the market, and a lack of social housing for those on low incomes. The city has a large private rented sector (28%) compared to the South East and England (both approximately 16%).³⁹

Despite a relatively buoyant market, affordability of private rented accommodation is becoming increasingly unaffordable for many households on lower incomes. Fig C.4 provides a comparison of median private rents across Oxford, Oxfordshire and England.

FIG C.4 Private Rental Market Statistics

Summary of private rents per calendar month (pcm) recorded for different property types between 1 October 2016 and 30 September 2017 for Oxford (all postcodes), Oxfordshire and for England.			
Accommodation Type	Oxford Median Rent (£pcm)	Oxfordshire Median Rent (£pcm)	England Median Rent (£pcm)
Room only	510	509	377
1 bedroom	975	775	595
2 bedroom	1,175	925	650
3 bedroom	1,425	1,200	750
4 bedroom min	2,100	1,850	1,300

³⁸ <https://www.gov.uk/government/statistics/private-rental-market-summary-statistics-october-2016-to-september-2017>

³⁹ Oxford City Council Housing & Homelessness Strategy 2018-2021

The Oxfordshire Strategic Housing Marketing Assessment (SHMA 2014) report uses the assumption that no more than 35% gross income should be used to cover housing costs.⁴⁰ However, it should also be noted that within the National Housing Federation briefing paper: “How affordable is housing for people in lower-income occupations?”⁴¹ those working in care, leisure and other service occupations, are cited as having to spend up to 40% of their earnings on local median rents in some areas.

Using the Oxford Median Private Rent calculations in FIG C.4, the table FIG C.5 estimates the minimum income required to afford such rents. The calculation assumes that rent payments would be around 35% of the household’s net income; this excludes any other household bills and the deposit to secure the property.

FIG C.5 Private Rental and net household income comparison figures

Reference SHMA 2014 - rent assumed at 35% of gross income. The table below shows annual household income required to pay median rent per calendar month (pcm) (both standard private rent and 80% of market rent) in Oxford (all postcodes).

Property Type	Private Rent (pcm) (£)	Minimum annual <u>net</u> household income required (£)	Approx. Gross annual household income required (£)	80% Market Private Rent (£ pcm)	Minimum annual <u>net</u> household income required (£)	Approx. Gross annual household income required (£)
Room Only	510	17,485	20,937	408	13,988	15,821
1 bed	975	33,428	44,408	780	26,742	34,524
2 bed	1,175	40,285	56,095	940	32,228	42,640
3 bed	1,425	48,857	70,784	1,140	39,084	54,023
4 bed	2,100	72,000	>95,000	1,680	50,760	74,095

Source for earnings conversion: www.thesalarycalculator.co.uk

FIG C.5 demonstrates that even for a 1 bedroom property, the cost of private or Affordable Rent (at 80% of market rent) tenure would require an income exceeding the median gross annual workplace-based earnings in Oxford i.e. £32,517, just to afford the rent costs.

⁴⁰ https://www.oxford.gov.uk/downloads/file/1753/shma_final_report

⁴¹ National Housing Federation: <https://www.housing.org.uk/resource-library/browse/how-affordable-is-housing-for-people-in-lower-income-occupations/>

Local Housing Allowance (LHA) ⁴²

The housing cost element of Universal Credit is capped at Local Housing Allowance (LHA) rates for the rental market area. Private rented sector tenants who are in receipt of Universal Credit may find that there is a significant shortfall between their contractual rent and the LHA rate (see FIG C.6 for 2018/19 LHA rates). The tenant will be required to pay the shortfall from their household income or, if eligible for additional assistance, the tenant may be able to apply for and receive discretionary housing payment top-ups.

FIG C.6 Local Housing Allowance Shortfall

Accommodation Type	Private Rent (pcm)(£) all Oxford postcodes	LHA Weekly Allowance (£)	Shortfall against standard Private Rent (pcm)
Room Only	510	82.97	149.48
1 bedroom	975	158.90	284.54
2 bedroom	1,175	192.48	338.63
3 bedroom	1,425	230.14	422.99
4 bedroom	2,100	299.18	799.99

FIG C.6 demonstrates that private rented accommodation in Oxford is unaffordable for many people receiving Universal Credit or low level incomes.

Social Housing

The social and affordable rented accommodation in Oxford includes:

- 7,746 Council-owned dwellings and
- 3,753 dwellings that are owned, let and managed by Registered Provider partners, over which the Council has over 90% nomination rights.
- Since April 2013, there have been 186 Council properties sold under the Right to Buy.

FIG C.7 shows the estimated amount of annual net (and gross) household income required to pay a social rent in Oxford City. The estimate assumes that rent payments are 35% of net household income after tax and National Insurance. It does not account for any pension payments or household bills such as Council Tax, utilities, telephone, water, food etc.

⁴² <https://www.entitledto.co.uk/help/Local-Housing-Allowance-Rates>

FIG C.7 Social Rent and minimum income

Estimated annual household income required to pay a monthly social rent per accommodation type

Number of bedrooms	Average Weekly Rent (£)	Average Monthly Rent (£)	Est. annual net household income required (£)	Est. net income £ pcm	Est. gross annual household income required (£)
Bedsit	100.07	433.64	14,868	1,239	17,056
1	103.72	449.45	15,408	1,284	17,760
2	117.49	509.12	17,460	1,455	20,937
3	119.24	516.71	17,712	1,476	21,292
4	137.86	597.39	20,484	1,707	25,350
5	141.07	611.30	20,964	1,747	26,056
6	144.78	627.38	21,504	1,792	27,760

Source: Conversion of net to gross earnings: www.stafftax.co.uk

Source – Average Weekly rent figures are from Oxford City Council database

Clearly, social rented tenure is much more affordable for those households receiving an annual income at or below the gross local median level of £32,517 pa.

Shared ownership (Part Rent / Part Buy)⁴³

With a shared ownership/part rent part buy a home, the share to purchase can generally start from as little as 25% and the rent on the remaining share is usually set in the region of 2.75% - 3% on the unsold equity (although this can vary).

Typically, as the mortgage sought to buy the equity share is low, the deposits that are required to purchase the property are lower and can be as little as 5% of the share price. For First time buyers, there is no stamp duty to pay if the property is less than £300,000. Another feature of the part rent/part buy scheme in Oxford and elsewhere is that there is an established second hand market of shared ownership homes. Although most properties are available on a new build basis, over time, these properties can be sold on to new buyers and if the owner has not yet bought 100% of the property, the occupiers can offer their existing share for sale on a second hand basis in a process known as a 'resale'. To give an example of other housing options available for those wishing to live in Oxford and to purchase an equity share (namely 25% in the examples provided) see FIG C.8. The figures exclude legal and mortgage arrangement fees, and other household bills such as Council Tax, utilities, TV, insurances etc. **

⁴³ (FIG C.8 also) <https://www.shareto-buy.com/shared-ownership/in/Oxford>

** These are examples only and should not be taken as financial or mortgage advice. Such advice should be sought from a professional qualified and regulated (by the Financial Conduct Authority) mortgage advisor or financial advisor who will consider individual circumstances and provide advice accordingly.

FIG C.8 Shared Ownership example

Estimated annual net household income required to pay monthly shared ownership costs where the total monthly costs are 35% of net household income.						
Property Type	Property price (£)	Share price (£)	Min. deposit (£)	Est. monthly cost (£) (incl. rent, service charge & est. mortgage)	Est. Net annual household income required (£)	Est. Gross annual household income required (£)
1-bed flat	197,000	49,250	4,925	688	23,590	29,930
2-bed flat	395,000	98,750	9,875	1021	35,004	46,989

The estimated monthly cost as set out in the example above for a 1-bedroom flat, assumes a mortgage of approximately £196, a rent of £350 and service charges of £142. This would suggest a mortgage rate of approximately 2.5% to 3% over a 25 year term but mortgage rates can vary⁴⁴. It also assumes a rent charge of around 2.85% on the unsold equity. A reduced % rent charge on the unsold equity would make the shared ownership more affordable to the purchaser and therefore it will be important for the City Council to promote and support a reduced level (%) of rent charge on the unsold equity in the interest of purchasers. However, consideration will need to be given to the impact that a reduced level rent charge may have upon the viability of the units being provided on new-build development schemes.

The availability of mortgages and the cost of mortgage payments will also be influenced by a purchaser's available deposit and income (the maximum annual household income needed to purchase a shared ownership unit is £80,000 outside of London); the current mortgage interest rates; and the range of mortgage lenders who are able to lend on shared ownership properties (which can be a limited number of lenders in the market). As can be seen in FIG C.8, the income required to support the purchase of a two bedroom shared ownership flat in Oxford can be high. Some households may wish to spend a higher proportion of their income on housing costs, however, if a more affordable proportion was applied i.e. 35% of net income to be spent on rent/mortgage, then a single purchaser buying a 2 bed flat would need to earn around £50,000 pa gross, or have a joint household income to this level, in order to cover rent/mortgage and have sufficient income remaining (65%) to cover the cost of other household bills such as the cost of food, furniture, clothing, Council Tax, transport/travel, utility bills, insurances, healthcare etc.

Another concern of providing shared ownership properties in Oxford is that the likelihood of low income earners being able to staircase ownership to 100% is

⁴⁴ <https://www.money.co.uk/mortgages/shared-ownership-mortgages.htm>

minimal, given the high market value of property and the additional mortgage required for owners to increase their equity share. However, as the City needs more than 1000 additional affordable homes per annum up to 2031, it is of some benefit that shared ownership homes are not often 'lost' to the open market through 100% equity staircasing.

Other intermediate models

In addition to shared ownership/part rent part buy tenure, models of intermediate affordable housing can also include Rent to Buy, Affordable Rent and Starter Homes as described earlier in this document. Other models of intermediate tenure can include Restricted Resale Covenants, where a new build property is sold to eligible persons at a discounted price – usually discounted around 30%. This discount can be applied to subsequent sales to ensure that the properties remain affordable in perpetuity. Due to the high property values in Oxford, freeholders of such schemes would need to offer much higher discounts in order to make them truly affordable for local earners e.g. discounts of as much as 50 – 60% of market price on first and subsequent sales.

Discounted market sale properties are not included in the current National Planning Policy Framework definition of Affordable Housing (2012), therefore would not be acceptable to the Council as an alternative intermediate tenure. Should the Government policy position change in the future (i.e. following consultation on the Draft NPPF document published in March 2018, then careful consideration will need to be given as to the affordability of any proposed discounted market sale homes in Oxford.

Additional challenges for Oxford.

More housing, in particular more affordable housing, is needed to accommodate and support the projected growth in population and the growth of the local economy. However there are limited opportunities to develop the significant number of properties needed, due to the lack of suitable and available land within the City boundary. Local people want to live in a property where they can feel settled and have reasonable access to work, education, support to improve their health and well-being, and to live in a thriving and sustainable community.

In addition:

- There is an increasing number rough sleepers on Oxford's streets
- Given the affordability pressures within Oxford, the SHMA⁴⁵ estimates that around 1,029 affordable homes would need to be delivered each year 2016-2031 to meet the backlog and future affordable housing need.
- There are over 2,500 households currently on the Housing Register.
- There are an increasing number of people who require social housing and who are vulnerable or have complex support needs.

⁴⁵ Strategic Housing Market Assessment (SHMA) 2014 for Oxfordshire

More information about Oxford’s housing challenges and the actions being taken by the City Council to address them, can be found in the Housing and Homelessness Strategy 2018-2021.

Overall earnings and tenure cost comparison example

Throughout Appendix C, consideration has been given to the affordability of the various tenures for different property sizes. FIG C.9 highlights the various tenure costs for a 1 bedroom property in Oxford and indicates the estimated household income required to support the purchase or rent in each case. Rent and/or mortgage at 35% of NET household income has been used to calculate housing affordability, however the last row of FIG C.9 also considers the GROSS annual income required to cover housing costs.

FIG C.9 Earnings and tenure cost comparison for a 1 bed property in Oxford

1-Bedroom Property Tenure Type	Private Rented	80% Market Private Rent (Affordable Rent)	Shared Ownership (25% share of property priced at £197,000)	Social Rent
Cost (£pcm)	975	780	688*	450
Est. Annual income required if 35% of GROSS income was used for rent.	33,428 (£2,785 pcm)	26,742 (£2,228 pcm)	23,590 (£1,966 pcm)	15,428 (£1,286 pcm)
Est. Annual income required if 35% of NET income was used to pay rent.	44,408 (£3,701 pcm)	34,524 (£2,877 pcm)	29,937 (£2,495 pcm)	17,760 (£1,480 pcm)

*Includes monthly rent, service charge and estimated mortgage for 25% share, but no other household bills. Rents will increase annually based on formula rent increase.

Tenure costs and residual income

FIG C.10 summarises the different tenure costs by bedroom size within Oxford city as set out earlier in Appendix C. It shows that if using 35% of net median income for housing costs (i.e. rent and/or mortgage), as the costs of rent or shared ownership rise, there will be an increased need to use a higher proportion of the household’s residual net income which would normally be used to pay other bills such as food, utility bills, council tax, insurances, clothing, travel, health costs, pensions etc. (see orange highlighted cells in FIG C.10). It therefore follows that to reduce impact on residual income, a household will need to have a larger annual salary or another joint

household income to afford the higher cost of rent and/or mortgage. Alternatively the household may become reliant on Universal Credit or have a need to apply for a discretionary housing payment to top up the shortfall between income and contractual housing cost.

It is important to ensure that the risk of poverty and homelessness is reduced, and that the residual net income of a household is sufficient to support an adequate standard of living. Therefore it is generally considered that where possible, a household receiving a median or lower quartile level income should pay no more than 35% of their net household income on housing costs. This proportion is also supported through other national research⁴⁶.

FIG C.10 Tenure costs and residual income

No. of Beds	35% of NET income* (£) pcm	Residual Net Income to pay bills	LHA Rate (£) pcm	Social Rent (£) pcm	Affordable Rent (£) pcm	Private Rented (£) pcm	Shared Ownership (£) pcm
Room Only	740	1376	360	434**	408	510	***
1	740	1376	690	449	780	975	688
2	740	1376	836	509	940	1175	1021
3	740	1376	1000	517	1140	1425	***
4	740	1376	1300	597	1680	2100	***

* £32,517 gross median income per annum calculates to an estimated £25,397 net income per annum or **£2116** net per calendar month (pcm), of which 35% to be used on rent and/or mortgage costs.

** Oxford City Council does not offer room only accommodation within its social housing stock, instead it offers self-contained Bedsit/Studio type accommodation giving a tenant access to their own kitchen and bathroom. Room only in the private sector usually comprises of a room for private use and access to shared kitchen, bathroom and lounge area.

*** Costs not available at time of research

In summary, it is evident from the data set out in this Appendix, that for those receiving median level income (£32,517 pa) or less, the cost of affording a shared ownership, Affordable Rented (at 80% of market rent), or a home in the private rented sector in Oxford, is unaffordable. With high demand for housing in Oxford and high property and rent values, the unaffordable cost of housing could potentially lead to lower wage earners (such as service industry staff) who have essential or key skills to support Oxford's local community and economy, moving to more affordable areas outside of the City.

⁴⁶ See some of the data and research sources listed in the Bibliography.

APPENDIX D

Flexible Fixed Term Tenancies (FFTT), how will they potentially work in Oxford?

A Flexible Fixed Term Tenancy is a tenancy existing for a fixed number of years.

Appendix B of this Tenancy Strategy sets out the requirements of the Housing and Planning Act 2016 in relation to the proposal to introduce a mandatory requirement for all Local Authorities to offer Flexible Fixed Term Tenancies (FFTT). This section looks at how FFTT could be applied in Oxford by the City Council (subject to Government guidance being published). Where a FFTT is to be offered by a social housing provider, the broad principles set out in this section would also apply to the relevant landlord.

If FFTTs are to be offered, it is anticipated that they will normally be offered on a 5-year term with discretion to offer a different term based on individual household circumstances, some examples of which are set out below:

- **2 year fixed term** - where there has been previous evidence of poor tenancy performance.
- **Predetermined fixed term** – a tenure term could possibly be fixed for a different duration in the following circumstances:
 - A term up until the oldest child within the household reaches the age of 19 to ensure the child has secure accommodation whilst at school.
 - If the property type is in limited supply but there is high demand for such property within the local area
 - If the property has been adapted specifically to meet the needs of a household.
 - Other exceptional circumstances (case by case basis)

Secure tenancies

Where mandatory use of FFTT applies, it is possible that the Council may still be able to give further discretion to offer a Lifetime (secure) Tenancy in the new home for those in the following circumstances:

- If someone has fled domestic violence / abuse
- A tenant is downsizing
- An existing tenant who has been affected by a regeneration project

When a property becomes available to rent, the advert on the Choice Based Lettings website will clearly state the type of tenancy on offer and the successful tenant will be advised and guided by the Council about the duration of the FFTT in conjunction with procedures and the terms set by the tenancy agreement or, unless it is an exceptional case as suggested above, they may be awarded a Lifetime (secure) Tenancy.

Between 12 and six months prior to end of the fixed term, an assessment will be completed by the social housing landlord to ascertain:

1. How has the tenant conducted their tenancy?
2. How has the tenant managed their property?
3. Is the property still suitable to meet the housing needs of the household?
4. Does the tenant have the means to move to alternative accommodation?

There is a presumption that where the circumstances of the household have not changed, a new FFTT will be offered (subject to all other criteria having been met). If, after an assessment, the decision is NOT to issue a new FFTT at the end of the period, then a minimum of 6 months' notice, with a written explanation as to the reasons why the tenancy is not being renewed should be given to the tenant. This will allow time for any appeal process and for the tenant to seek the appropriate advice (and where necessary, support) to make a planned move or look for alternative accommodation (including property to purchase where the financial circumstances of the household allow). Such advice and /or support can be offered by the Council.

During the last 6 months of the tenancy period -

- If the tenant has proven NOT to be engaging with the planned move approach and then makes a homeless application to the local authority due to not having found and sustained suitable alternative accommodation, then an "intentionally homeless" decision could be made having regard to legislation.
- If the tenant is engaging/co-operating with a planned move approach but there is no suitable or alternative accommodation available, then an assessment and decision would need to be made by the Council or social housing provider in terms of how to proceed (e.g. offer a new tenancy or, seek possession of the current home and provide temporary accommodation whilst referring the customer to the available advice and assistance to access the Private Rented sector etc.).

The Council and social housing providers will be required to regularly review FFTTs. This is likely to increase the caseload of staff and increase demand on other resources in order to ensure that tenants are supported appropriately.

The Impact of Flexible Fixed Term Tenancy (FFTT) on:

Households

It is clear that legislation is driving the policy change in terms of social housing tenancies. By having mandatory FFTT (i.e. no longer Lifetime Tenancies), households may become more transient and whilst this may be unsettling for some tenants, those who are particularly vulnerable may require further support from support agencies to maintain their tenancies or to make planned moves.

The **Housing and Homelessness Strategy 2018-2021** further highlights the issues within Oxford City in terms of the limitations with regards to costs of living and what households can reasonably afford, and the limited available and affordable accommodation that is on offer, therefore increasing pressure on households to establish how they can retain their FFTT and ensure stability for themselves.

Given the limited available and affordable housing options in Oxford, households may have no other choice than to move out of the area to more affordable locations. This may in turn, negatively impact upon the household's reliance on their support network.

A positive side is that a change of perspective may enable a household to manage and take control of their aspirations – deciding where they want to live and what tenure they can afford.

Communities

Highlighted earlier, households may become more transient which in turn may impact upon the infrastructure of the community and its support network. There may be a lack of stability and a risk of communities becoming fractured, impacting upon social networks, any networks with police, social and care services, and general goodwill and neighbourliness. People may become less committed in investing their time within their local community.

Health and wellbeing

The reliance of a local support network to ensure good health and wellbeing may be impeded by using only FFTT's due to the reduced security of tenure for social housing tenants over the longer term. Accessibility to hospitals, medical health centres, education establishments, social and care services will determine where people wish to live and where and what they can afford.

Resource

Managing FFTTs will require additional resource to ensure successful management of tenancy and property, within a timeframe that allows for the Council, social housing provider/Registered Provider and tenant to consider their options as highlighted below:

Council, social housing provider/Registered Provider (RP):

- Should a new FFTT be offered assuming the tenant has adhered to all elements of the tenancy agreement and the property has been managed appropriately?
- Is the size or type of property still appropriate for the household to use? If not, will another FFTT be offered on a different property?
- Is there vulnerability, health or an exceptional circumstance that requires a tenant to be further supported with a new FFTT?
- If the FFTT is to be terminated, a minimum 6 months' notice should be given with a written explanation as to the reasons why, allowing the tenant to appeal the decision if appropriate.

Tenant:

- Is the property "fit for purpose" to meet their current household needs?
- Is it a requirement to live elsewhere to support access to jobs, social support networks etc.?
- A change of household income may instigate the tenant to consider other housing options available to them.

The review of the FFTT will require the Council and other social housing landlords to ensure efficient and effective use of properties and to minimise void rent loss thereby enabling a property to be reused for someone with a priority housing need.

There could also be reduced investment in home improvements as tenants may feel less inclined to make improvements for their own benefit, therefore potentially this could increase costs to the social housing provider to ensure the property continues to meet the Decent Homes Standard and is fit to re-let.

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