

*Affordable
housing
(including
First
Homes)*

Oxford Local Plan 2040

**BACKGROUND
PAPER 02**

This topic addresses

SA Objective:

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

SEA theme (s):

Material assets, population, human health

1. Introduction

1.1 Affordability (or unaffordability) of housing for people living in Oxford is a key issue to address in LP2040, and is also a corporate priority of the City Council more broadly. It is an issue that goes back many years as a result of the high land values and property prices in Oxford, not being matched by salaries, resulting in many people being priced out of the market to buy or even to rent homes in Oxford.

1.2 The problems cannot be solved by planning policies alone but LP2040 can help to address it, alongside other Council initiatives and programmes including the Affordable Housing Delivery Programme and the Council's housing company OX Place delivering homes.

1.3 This paper explains the key issues relating to affordable housing needs in Oxford. It then explains how LP2040 policies seek to address these needs with policies to deliver affordable housing that reflects the local circumstances in Oxford (especially that they need to be truly affordable to Oxford residents).

1.4 This paper helps to explain the following housing-related policies:

- H2 Delivering affordable homes
- H3 Affordable housing contributions from new purpose-built student accommodation
- H4 Affordable housing contributions from self-contained older persons accommodation
- H5 Employer-linked affordable housing.

1.5 These housing-specific policies are also supported and complemented by key overarching principles in LP2040 such as prioritising housing delivery on new sites and ensuring most efficient use of land to maximise capacity for delivering new homes, and measures to address Oxford's unmet housing needs.

1.6 This paper focuses on the affordability of housing and factors affecting the delivery of affordable housing, whilst the supply and demand is covered in Housing Need Background Paper 1. There is also a further housing-related background paper which

considers specialist housing types and sizes, including homes for older persons and student accommodation.

2. Policy Framework

National Planning Policy Framework and Planning Practice Guidance

2.1 In the National Planning Policy Framework (NPPF), providing a supply of housing, including affordable housing, is identified as a key element for delivering sustainable development (NPPF paragraph 8). The NPPF sets out that Local Plans must support delivery of market and affordable housing to meet the needs of their area, unless this would compromise key sustainable development principles. Planning Practice Guidance (PPG) sets out further clarification about how the NPPF should be applied.

2.2 Elements of national policy and guidance that are particularly relevant to delivering affordable housing in Oxford are:

- The threshold of 10 dwellings for seeking developer contributions towards affordable housing (thereby exempting developments of 1-9 dwellings from affordable housing requirements).
- The Permitted Development Rights for conversion of office to residential, which has a similar impact of effectively exempting those conversion developments from affordable housing contributions.
- The requirement that a minimum of 25% of all affordable housing units secured through developer contributions should be First Homes.

Housing and Planning Act 2016

2.3 The Housing and Planning Act (2016) sets out measures intended to boost the supply of new housing nationally, to devolve significant new powers to a local level, and to support first time buyers to make home ownership more affordable.

2.4 The main implication for the supplies of affordable housing was the introduction of the Starter Homes initiative (which sell at 80% of market levels). There were also various reforms to social housing, which do not directly impact the delivery of new affordable housing but do affect the supply of Social Rent housing available because of initiatives such as right to buy.

Oxford City Council Corporate Plan 2020-2024¹

2.5 The City Council identifies housing affordability as a key issue facing the city, both for local people and local employers. The Corporate Plan identifies delivering affordable housing as one of the key priorities and seeks to help deliver an increased supply of high quality, energy efficient, accessible and affordable housing, including new council housing as well as other types of homes to rent and for sale at different prices.

¹ https://www.oxford.gov.uk/info/20328/our_strategy_2020-24

Oxford City Council Housing, homelessness and rough sleeping strategy 2023-2028²

2.6 Oxford City Council's Housing, homelessness and rough sleeping strategy 2023-2028 sets out intentions to provide more affordable and low carbon homes, alongside wider intentions to improve conditions for those renting homes, and to prevent homelessness and rough sleeping. Providing more, affordable, homes is identified as a key priority, and actions to deliver this include OX Place delivering a build programme, working with housing associations to build new homes including Social Rent, and working with neighbouring councils to ensure that more affordable housing is built in and around Oxford.

3. Current situation

3.1 Oxford is one of the least affordable cities, due to the mis-match between average house prices/rent levels and average salaries (the affordability ratio). This has been the situation for a number of years. The high cost of housing in Oxford, compared to wages, (known as housing affordability) has many impacts and consequences, and many people who work in Oxford cannot afford to live here.

3.2 Buying a home in Oxford costs on average 11.9 times a person's salary³ based on 2023 prices and wages data; this makes it one of the least affordable places in the country. This has consequences for the economy and key services, as employers struggle to attract and retain staff, including essential hospital staff, health and social care workers, teachers, as well as those in retail, hospitality, and office workers. There are also potential social impacts on families and communities who may be split up because of housing costs. Even when applying so-called affordable housing purchase products, such as shared ownership or First Homes, it is still unaffordable for many people in Oxford to own their own home.

3.3 As a consequence of high house prices, there is a large private rented sector in the city. However rent levels are also very high, so renting a home via the private-rented sector is also out of reach for many people. This can result in Oxford's workforce needing to share rented accommodation or needing to commute into the city in order to find suitable accommodation.

3.4 With many of the market-based housing options unaffordable for people, then Social Rent housing plays an important role in meeting affordable housing needs in Oxford. It is estimated that 54% of households cannot afford to buy or rent at market rates in Oxford (HENA Table 9.18).

3.5 Social Rented housing is the lowest cost compared to market values. Tenants rent from the City Council or a Housing Association, usually at about 40% of market cost, thus as the lowest cost option it helps provide housing for those in greatest need. Unsurprisingly,

² https://www.oxford.gov.uk/info/20010/housing/370/housing_strategies

³

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

there is a huge demand for this type of housing in the city yet it is also the most expensive to build (due to the larger discounts on returns). There are also significant numbers of people who do not have sufficient priority on the housing register to be considered for Social Rent (when compared to households in even greater housing need), yet the market housing is also out of reach. So it is also important that intermediate types of housing (such as shared ownership models) continue to be provided for as well.

Oxford City Housing Register

The Oxford City Council Housing Register records how many people have registered to apply for Social Rent housing in the city.

At August 2023 there were 2,780 people waiting on the housing register for social housing but only 490 properties likely to become available.

Oxfordshire Housing and Economic Needs Assessment (HENA, 2022)

The HENA looks at Oxfordshire's housing needs overall, including the need for affordable housing. The HENA calculates a per annum need of 1,010 social or affordable rented units (Table 9.11 in HENA). These housing types meet the needs of those in greatest housing need, who do not have other options. This level of need is greater than the total annual capacity for housing in the city, and well beyond what can be met. The need for affordable home ownership is calculated in the HENA as 492 per annum.

Why is Oxford so unaffordable

3.6 The standard 'planning measure' of housing affordability is the house price-to-workplace earnings ratio. The latest data, for 2021, points to median house prices of 11x earnings across Oxfordshire, with an affordability ratio in Oxford of 12.0 which has been steadily increasing (worsening) over time (HENA para 4.2.7).

3.7 This is explored in the HENA in more detail in Chapter 4, looking at various sources of data on affordability to understand these trends in more detail and the impacts on those trying to buy houses. Note, the assessment of the levels of need for affordable housing is covered within the Housing Need Background Paper, which explains the housing need and requirement policies in the plan.

3.8 To illustrate what this means in practice, the median house price in Oxford for 2023 is £450,000 (ONS4) against a median household income of £44,000 in 2022 (HENA Table 9.3). Or to look at it another way, the HENA makes an assumption of 30% of household income on housing costs as being affordable (although many of course do pay more than this), which from average incomes would be £13,200pa (or £1,100 per month rent). Which is a further illustration of why private sector housing even to rent is beyond the means of many households in Oxford.

3.9 Regardless of the method is used, Oxford is one of the most expensive places to buy or rent a property in comparison with monthly earnings, as a result of high land values, limited land availability, and a shortage of homes. This means that housing is so expensive -

in absolute terms and compared to average salaries that many people are priced out of the market and many people who work in the city are unable to afford to live here.

Affordable housing delivery

3.10 The City Council has been working to increase the delivery of affordable homes through a number of measures. Some affordable housing is delivered through planning permissions on qualifying sites, some is delivered directly by the City Council through the affordable homes programme, and some is now being delivered via the City Council's Housing Company OX Place. There are also various other complementary programmes and initiatives by the City Council to tackle homelessness, reduce empty homes etc.

Year	Affordable housing completions
2016/17	20
2017/18	17
2018/19	105
2019/20	104
2020/21	144
2021/22	274
2022/23	273

Affordable housing completions, taken from Authority Monitoring Report 2022/23

4. Feedback from consultation

4.1 A broad range of comments were received at the 2021 Issues Consultation, and also the 2022 and 2023 Preferred Options (Regulation 18) consultations in relation to affordable housing.

4.2 At the Issues stage of consultation (2021) the responses showed that providing more truly affordable housing was a priority for respondents, and also providing housing for those in greatest need (eg Social Rented). Providing housing for first time buyers was identified as important but not such a priority, and housing for key workers was a priority for a lot of people.

4.3 The Autumn 2022 Preferred Options consultation explored these views in more detail, and responses showed that there was public support to continue to prioritise affordable housing as the main community benefit from developments so that developers are required to provide as much as possible, and also that affordable housing to rent (eg Social Rent) should be a priority over affordable housing for people to buy (shared ownership or First Homes). Comments in relation to First Homes were split opinion, with some querying the proposal to not follow national policy and others supportive and preferring to prioritise other needs rather than ownership. Some comments also questioned whether 50% affordable housing on sites was achievable due to viability.

4.4 In terms of contributions towards affordable housing from student accommodation, some comments queried whether this was appropriate, given that the landowners would

not bring the site forwards for market or affordable housing, and suggested it could put off the universities from developing their own accommodation or fewer sites being developed. they also supported the continuation of exceptions to the policy. Other people questioned the need for additional student accommodation or thought that the threshold for AH contributions should be lowered.

4.5 Comments about the employer-linked housing policy were mixed. Some comments supported and welcomed the idea, whilst others raised concerns such as impacts on the employer/employee relations as a result of linking housing with conditions of employment, or that people would stay in jobs for fear of losing housing if housing is tied to employment. Suggestions to increase the scope of employers which could qualify for the policy. Need careful legal wording to avoid the homes later being sold on for profit.

4.6 The Preferred Options (2023) consultation focussed on the HENA, and so although it references affordable housing it is more about the need for it, and the mix, which are covered in Background Papers for Housing Need and Requirement, and Housing Mix. Comments in that consultation were not so relevant to the policy topics in this background paper. Although the matters are linked, for example the housing mix policies will shape the viability, which in turn could influence the overall level of affordable housing that a site could deliver.

5. Likely trends without a new local plan

5.1 Overall the affordability of housing in Oxford is likely to worsen in future as the lack of land for housing and increasing land values push house prices up further. The supply of affordable homes in Oxford is also likely to worsen, particularly Social Rent, but also market rates and discounted purchase options, such as shared ownership. Market rental prices are also likely to increase as the unaffordability of buying homes puts additional pressure on the rental market. In turn this also affects the types of homes required, for example more people may turn to HMOs as a more affordable option.

5.2 The supply of affordable housing is being challenged due to the compounding impact of: a general lack of land supply for new homes within Oxford, losses through Right to Buy, especially since the increased discount introduced in 2012; changes to national policy which reduce the opportunities for delivering new affordable homes through developer contributions, for example the city is not allowed to secure affordable homes when new homes are delivered via office to residential prior approval B56 permissions, and even with an updated local plan this situation would not change; and caps on rental incomes for local authorities or registered providers set nationally.

5.3 Together these factors are likely to impact on the overall numbers of new affordable homes delivered, as well as the mix and balance of communities in Oxford during the Plan period.

5.4 If the affordability of housing worsens, then there would also be other knock-on effects because it affects not just where people can afford to live and quality of life, and also impacts the economy as employers in key sectors in Oxford have problems recruiting and retaining staff. If economic growth is constrained, then this affects not just Oxford but the wider region and even national economy as Oxford is a net contributor nationally.

5.5 The City Council is committed to increase the delivery of affordable housing through several initiatives which are outside of plan and would happen anyway without the plan. The City Council has set up OX Place as a wholly owned company, which has an aim of delivering more affordable housing. The Council's Affordable Housing Delivery Programme also directly delivers new homes as well as taking on homes from developer contributions. But there also needs to be supply from other sources (through developer contributions and housing associations) so overall it would be more difficult to deliver affordable housing without a plan.

5.6 The City Council has also been working with the other Oxfordshire district councils to help deliver homes to address Oxford's unmet need outside the city boundary. Neighbouring Local Plans make provision for these additional homes, including delivery of affordable homes. The City Council has been working with its partners on the allocation policy and management of those new affordable homes in adjoining districts, in particular ensuring that those on Oxford's housing register will be eligible to apply for the new homes. However without an up-to-date local plan to establish the housing need and housing requirement then it is less certain that unmet need within adjoining districts would be delivered because it would be difficult for those authorities to deliver additional housing over and above their own requirements if it has not been tested by an Inspector.

5.7 Affordability is also influenced by government policies related to incentivising home ownership and house building including delivery of affordable housing, which would influence affordable housing delivery in Oxford with or without a plan.

5.8 Most of these initiatives focus on helping people to purchase homes, however the nature of the housing market in Oxford means that even with those support measures, purchase options are still out of reach for many people in Oxford and/or they are not workable or viable for developers. In particular the First Homes scheme which was introduced nationally post the LP2036 being adopted.

5.9 All major (10+ dwellings) planning applications are subject to the national policy requirement to deliver 25% of the affordable element as First Homes. This requirement is already having a major impact on the amount of Social Rented accommodation (and intermediate housing) that can be delivered in Oxford and is negatively impacting the amount of affordable housing provided for those in greatest need. See further explanation about the local evidence in the next section of this paper.

5.10 So overall these national initiatives in terms of affordable housing delivery, and especially Social Rent, may be fairly limited in terms of take-up and their effectiveness in addressing housing needs in Oxford because the high prices and unaffordability pressures simply do not fit with the national models. Which is why local policies are needed in the

LP2040 which are bespoke to address the particular circumstances and housing needs in Oxford.

5.11 In recent years, external economic factors – including Brexit and the war in Ukraine – have also affected construction costs and availability of materials, as well as rises in the costs of borrowing. These have significantly affected viability of developments, as explained in more detail in the Viability Study. This affects how much value can be captured to deliver public goods, such as affordable housing, and also the supply of housing generally.

6. Policies in LP2040 to address these issues and evidence that has shaped the policies

6.1 To address the issues set out above, and taking into account the evidence base, the LP2040 includes several policies which aim to deliver affordable housing and improve the supply of affordable homes:

- H2 Delivering affordable homes
- H3 Affordable housing contributions from new purpose-built student accommodation
- H4 Affordable housing contributions from self-contained older persons accommodation, and
- H5 Employer-linked affordable housing

6.2 The LP2040 will help to address the issues explained earlier in the background paper, by setting a policy framework to deliver affordable housing through developer contributions as part of qualifying housing sites of 10+ dwellings (or equivalent C2 uses) and also to enable key employers to bring forward affordable housing schemes on their own sites, to help address affordable housing needs of their employees. The plan also sets out the priorities for the types of affordable housing to be delivered (the tenure). Because of the extreme unaffordability issues in Oxford, the plan prioritises those in greatest need, which are those on the housing register waiting for Social Rent homes.

Overall level of affordable housing and tenure split

6.3 For several years, planning policies in Oxford have set ambitious targets of 50% of all major developments to be delivered as affordable housing, reflecting the severity of the affordable housing need in Oxford. However, the Plan needs to demonstrate that any requirements are deliverable and will not fetter the market, and therefore a whole-plan viability assessment was commissioned to enable us to consider the appropriate level of affordable housing for the new local plan. The Viability Study (2023) explores the impacts of different levels of affordable housing contributions, as well as other contributions which might be sought via the Plan including Community Infrastructure Levy (CIL). This has informed the drafting of the affordable housing policies in the Local Plan 2040.

Viability Study 2023

The study tests the ability of developments to accommodate emerging contributions policies, as well as CIL. It assesses at a high level the viability of development typologies

representing sites that are expected to come forward over the life of the 2040 Plan.

6.4 Since the adoption of the OLP2036 (June 2020), several factors have resulted in needing to review the adopted policy approach of seeking 50% affordable housing (H2 in OLP2036) in the OLP2040. These factors include the impacts of the global pandemic and Brexit upon build costs and supply chains, plus the war in Ukraine and global inflation, all of which have added to the finance costs of development. This has impacted on viability and subsequently the capacity for residential development to deliver affordable housing (and other) contributions for the public good. In addition, the introduction of the requirement by Government to deliver First Homes also has an impact upon scheme viability, particularly in the specific context of Oxford where house prices are so high, and these impacts were explored in the Viability Study 2023.

6.5 In preparing the LP2040 there are two key principles that we are seeking to balance in setting the levels in the developer contributions policies:

- To maximise the community benefits from developer contributions but without undermining the delivery of sites/the Plan; and
- To set the levels so that most schemes can viably deliver the policy requirements, whilst also retaining some flexibility to take site-by-site circumstances into account where necessary (but this should be only a minority of schemes, in order to not add unnecessary complexity or delays to the development management process).

6.6 The analysis in the Viability Study illustrates that continuing to seek 50% affordable housing with an 80/20 split of social rented to intermediate housing (or the 25/70/5 split as amended to include First Homes), would be challenging for a significant proportion of the likely types and sizes of residential developments which are expected to happen in Oxford during the plan period.

6.7 There is a strong relationship between the overall level of affordable housing sought and the tenure split of the affordable element, because the tenure affects the overall profits of a development and therefore the overall level of affordable housing that can be sustained. So these elements of the policies cannot be determined in isolation.

6.8 For many years Oxford City Council has prioritised the Social Rent element of affordable housing, for those in greatest need. This is however also the costliest tenure for a development to absorb, so it can mean fewer affordable homes overall, and there is a trade-off to be balanced.

6.9 Another key factor influencing the tenure split of affordable housing is the national policy requirement to deliver First Homes within the affordable element. This initiative is a specific kind of discounted market sale housing, which is limited to first time buyers and there are several other criteria that have to be met for someone to be eligible. After the discount has been applied, the first sale must be at a price no higher than £250,000 (cap set nationally) so in the context of Oxford property prices then this severely limits the type or size of properties which can be delivered under that model. A First Homes Policy Statement

Technical Advice Note (TAN 16)) was published in March 2022 setting out how the First Homes requirements affects policy H2.

6.10 This relationship is particularly evident in reviewing the impacts of the First Homes requirement: the key housing need priority in Oxford is one bed homes at affordable rents, but the criteria for First Homes (including the price cap and discount levels) often skews the housing mix on sites so that most 1-bed homes go to First Homes rather than the rented sector where the need is greatest. This is a concern in addressing affordable housing needs in Oxford, and how the one size fits all national policy does not address the local circumstances in Oxford.

6.11 The introduction of the First Homes requirement has already had a detrimental effect on delivery of Social Rented housing in Oxford (which was formerly 80% of the tenure split of affordable housing), as well as funnelling smaller dwellings to First Homes because of the national price cap policy. To prioritise Social Rented and regain control of delivering the size of properties the city needs, it is concluded to be necessary to remove the requirement for First Homes through the Local Plan, with compelling evidence that the inclusion of First Homes is detrimental to meeting the city’s housing need. Furthermore whilst First Homes are currently a requirement of national policy, it is noted the intentions in the draft revised NPPF which attaches more weight to the delivery of Social Rented housing in new development and remains silent on First Homes. Appendix 1 contains a more in-depth discussion of the reasons for not including First Homes in the tenure split.

6.12 One option considered was whether to continue with the 50% target, recognising it was highly ambitious and that only a limited number of sites would be able to meet the full Local Plan policy requirements whilst many would be seeking an exemption and need assessing on a case-by-case basis. However this would mean more uncertainty to the development industry and could even hinder sites coming forward, neither of which are in the spirit of national policy. So instead various scenarios were modelled in the Viability study to help understand the impacts of variations in the overall level of affordable housing sought (varying from the current LP2036 policy of 50% of units on a site, all the way down to 0%), and also variations in the tenure split (varying from 80% Social Rent as per LP2036 policy H2 to 25%, and various combinations of shared ownership and First Homes alongside that).

6.13 The scenarios and combinations of options tested in the modelling can be summarised as in the table below (each option was modelled at 5% increments):

Option	Overall affordable housing percentage	Of which % Social Rented	Of which % Shared Ownership	Of which % First Homes
1	0% up to 50%	70%	5%	25%
2	0% up to 50%	80%	20%	-
3	0% up to 50%	25%	50%	25%
4	0% up to 50%	50%	50%	-
5	0% up to 50%	50%	25%	25%

6.14 These were then modelled for delivering a range of sizes and typologies of residential development (variables such as scheme size, density and make up), as well as against different sales values for different parts of the city, and for different benchmark land values (i.e., the value of the original use of the site for brownfield or greenfield). The modelling for these scenarios helps us to explore the likely implications of adjusting either the overall percentage of affordable homes sought, and/or adjusting the tenure split. It should be noted that in interpreting the modelling results in the Viability Study, it is not the intention that every single output of the models needs to be 'green' (viable): rather we would expect a mixture of viable and non-viable outputs under each scenario. If a development type is shown as unviable in a scenario, it simply means those sites or land uses are more likely to stay in their existing uses (i.e., it is not viable to redevelop those sites to residential use), and this is a normal result in a Local Plan Viability study. For example, the results show that typically retail is not viable to change to residential, and that is generally the case even if there is very little or no affordable housing; it is simply the case that, at the current time, it is not viable to change from that use to residential use.

Overall level of affordable housing and tenure split conclusions

6.15 These factors have shaped the affordable housing policies so that Policy H2 sets a new target of 40% affordable housing, but still prioritises Social Rent tenures with a split of 80% Social Rent and 20% intermediate. This is the most appropriate balance of sites being policy-compliant whilst maximising community benefit and the priorities to address those in greatest need of housing in Oxford.

6.16 For other types of residential development where the site would have otherwise been suitable for C3 residential development, and therefore assumed to be making a contribution towards affordable housing (purpose-built student accommodation and older persons accommodation), then Policies H3 and H4 set out how an equivalent to 40% contribution will be sought for provision of affordable housing off-site. Overall, the study shows that there are significant variations in the percentages of affordable housing that can be provided from sites, and it is affected by a range of factors including the private sales values, scheme composition (i.e., flats or houses), and benchmark land value of the existing use. The results do not point to any level of AH that all types of schemes can viably deliver. Therefore, it is a judgement to set a level that does not render the majority of potential schemes unviable whilst also considering its commitments and priorities.

6.17 Policy H2 also requires that the provision of affordable housing as part of development, be delivered on-site. This is important in delivering mixed and balanced communities in Oxford where there is so little land availability and few 'strategic' scale housing sites.

6.18 Policies H2, H3, H4 also include flexibility to respond in the event that the policy requirement of 40% affordable housing were to make a development not viable. In that circumstance, there is a cascade to follow (set out in Policy S4) where the affordable housing contribution is reduced until the development becomes viable.

6.19 In considering the options it is important to bear in mind that the planning requirements are not the only determining factor in how much affordable housing or Social

Rent ultimately get delivered on a site. There are also wider influences, including the role of grants from Homes England, in shaping what gets delivered on a site. Although this is not a direct planning policy issue, it is relevant because it changes in the way that Homes England administer grant to local authorities which then impacts the viability for developers. Hence for some sites the developer may opt to deliver 100% affordable housing on a site because the viability works better for them in the current policy (LP2036 and national policy) and financial context for them to do so. Although this is not necessarily a win-win situation for communities in Oxford, because whilst it delivers a higher number of Social Rent units than might be expected, it also then means that those sites do not deliver any CIL contributions to contribute towards essential infrastructure across the city.

6.20 The other significant input into the costings of a development is CIL contributions, so it has also been explored whether reducing or removing CIL could help to deliver affordable housing. The CIL charging schedule is unchanged for residential in the CIL Partial Review process which is ongoing alongside the LP2040 (see separate consultation on CIL Partial Review, also Autumn 2023).

Employer-linked affordable housing

6.21 The other important policy in delivering affordable housing in Oxford to complement the policies above, is the employer-linked affordable housing policy H5, which is also intended to boost the supply of affordable housing where there are willing employers. In Oxford, there is high demand for accommodation in the private rental sector as a lower cost option than renting or purchasing individual properties. The employer-linked policy was first introduced in Oxford in the LP2036 as an innovative way for employers to address this issue by allowing the creation of “employer-linked affordable housing” as an alternative to the provision of the traditional “market and affordable” split. This unique tenure allows employers (such as the University of Oxford or the Hospital Trusts), to provide accommodation for their workers at reduced rents on sites owned by them, where the prospect of Socially-Rented accommodation coming forward at these sites would prejudice the delivery of homes for staff who would potentially not be able to afford to live in the city. Monitoring of the LP2036 policy shows that affordable homes are being delivered in this way, such as at the John Radcliffe site, so the principle has been carried forward into Policy H5 following further engagement with key employers.

7. Conclusions

Policy H2 Delivering affordable homes

Planning permission will only be granted for residential development if affordable homes are provided in accordance with the following criteria:

- a) **On self-contained residential developments (including for example C3 and C4 but excluding student accommodation and employer-linked housing) where sites* have a capacity for 10 or more homes (gross) or exceed 0.5 ha, a minimum of 40% of units on a site should be provided as homes that are truly affordable in the context of the Oxford housing market.**
- b) **At least 80% of the affordable units on the site should be provided as onsite Social Rented dwellings. The remaining element of the affordable housing may**

be provided as intermediate forms of housing onsite provided that they are affordable in the Oxford market.

- c) The affordable homes must be provided as part of the same development (i.e. on site) to ensure a balanced community.
- d) Where affordable housing is provided onsite it should incorporate a mix of unit sizes (see Policy H6 on housing mix for affordable homes).

* site area includes everything within the red line boundary of the planning application, which may include existing properties which are being materially altered.

Where the number of dwellings (including conversions and changes of use) proposed falls below the thresholds set out above, the Council will consider whether the site reasonably has capacity to provide 10 or more dwellings that would trigger a requirement to contribute towards affordable housing. This is to ensure that developers may not circumvent the policy requirement by artificially subdividing sites or through an inefficient use of land.

If an applicant can demonstrate particular circumstances that justify the need for a viability assessment and can through an open book exercise demonstrate the affordable housing requirement to be unviable, a cascade approach should be worked through with the City Council until development is viable, as set out in Policy S4.

Policy H3 Affordable housing contributions from new purpose-built student accommodation

A financial contribution will be sought towards the delivery of affordable housing from proposals for new student accommodation of 25 or more student units (or 10 or more self-contained student units). Alternatively, the affordable housing contribution can be provided on-site where both the City Council and the applicant agree that this provision is appropriate.

Contributions towards affordable housing provision from new student accommodation will not be sought where:

- a) The proposal is within an existing or proposed university or college campus site, as defined in the glossary; or
- b) The proposal is for redevelopment of an existing purpose-built student accommodation site which at the date of adoption of the Plan is owned by a university, and which will continue to be owned by a university to meet the accommodation needs of its students after the redevelopment.

The contribution will be required only from the number of units creating a net gain. For mixed-use developments which include general housing on the site alongside student accommodation, then a pro-rata approach will be used to determine whether a contribution is required, and how much this should be.

The contribution will be calculated using the formula in Appendix 2.1.

Policy H4 Affordable housing contributions from self-contained older persons accommodation

A financial contribution will be sought towards the delivery of affordable housing from proposals for new self-contained older persons accommodation of 10 or more self-contained units. Alternatively, the affordable housing contribution can be provided on-site where both the City Council and the applicant agree that this provision is appropriate.

The contribution will be required only from the number of units creating a net gain. For mixed-use developments which include general housing on the site alongside older persons accommodation, then a pro-rata approach will be used to determine whether a contribution is required, and how much this should be.

Where the number of dwellings or units proposed falls below the relevant thresholds set out above to require affordable housing contributions, the Council will consider whether or not the site reasonably has capacity to provide the number of dwellings that would trigger a requirement to make a contribution towards affordable housing. This is to ensure that developers may not circumvent the policy requirement by artificially subdividing sites or an inefficient use of land. This policy will apply to all types of development including conversions and changes of use.

The contribution will be calculated using the formula in Appendix 2.1.

Policy H5 Employer-linked affordable housing

Planning permission will be granted on the following sites for employer-linked affordable housing for rent.

The sites identified as appropriate for employer-linked affordable housing are:

- Campus sites of the colleges of the University of Oxford and of Oxford Brookes University. These are sites with academic accommodation existing at the time of the adoption of the Local Plan, and where academic institutional use would remain on the site, even with the development of some employer-linked housing
- Edge of Playing Fields Oxford Academy
- Edge of Playing Fields Bayards Hill Primary School
- Slade House
- Manzil Way Resource Centre
- Warneford Hospital
- West Wellington Square
- Osney Mead
- John Radcliffe Hospital
- Churchill Hospital
- Nuffield Orthopaedic Hospital

Where this policy is applied, the standard affordable housing requirements of Policy H2 will not apply, except to any market housing element on the site, or under those circumstances identified under criterion h).

An affordable housing approach will need to be agreed with the Council setting out how the proposed affordable homes will be developed and managed by the employers (or by development partners on their behalf) to meet the housing needs of their employees.

All of the following criteria must be demonstrated as part of the planning application and will be secured through the relevant planning permission:

- a) the employer has an agreed affordable housing approach in place setting out access criteria and eligibility, rent policy and rent levels, approved by the City Council and with an appropriate review mechanism in place; and**
- b) 100% of the housing should be available to be occupied by those employees who meet the requirements of the affordable housing approach agreed with the council and be available in perpetuity; and**
- c) the occupation of the housing will be limited to households where at least one member works for the employer linked to the site (for the duration of their employment). This also applies to social care workers who work for but are not employed directly by Oxfordshire County Council and to some NHS staff; and**
- d) an occupancy register should be kept and made available for inspection by the City Council at any time; and**
- e) planning applications must be accompanied by a detailed explanation and justification of the approach proposed and the mechanisms for securing the requirements of this policy.**

A legal agreement will be required to secure the benefits of this policy. In addition, the legal agreement will be used to:

- f) agree the allocations policy;**
- g) agree an appropriate re-letting of units in the property in the event that there are units vacant for more than 6 months;**
- h) agree that if the employer decides they no longer have a need for the housing, then the affordable housing requirements detailed under Policy H2 will be applied.**

Appendix 1: The Impact of First Homes in Oxford

The policies in LP2040 do not seek to deliver First Homes as part of the affordable housing tenure mix, because the constraints of the national approach do not apply at all well to the local circumstances in Oxford: There are significant implications in terms of delivery and in addressing housing need.

It is considered that Oxford has exceptional circumstances in terms of housing need and affordability, so in order to prioritise Social Rented and regain control of delivering the size of homes the city needs, First Homes are not included in the affordable housing tenure split set out in Policy H2, because of their detrimental effects on meeting the City's housing need.

First Homes do not effectively address affordable housing needs in Oxford

There is a very significant need for affordable housing in Oxford. The HENA calculates a per annum need of 1,010 social or affordable rented units. These housing types meet the needs of those in greatest housing need, who do not have other options. This level of need is greater than the total annual capacity for housing in the city, and well beyond what can be met. It is therefore important to prioritise delivering of it as much as much as possible. There is a more limited number in a position to buy their own homes, even of affordable housing types. The need for affordable home ownership is calculated in the HENA as 492 per annum. The HENA also notes that it seems likely that access to owner-occupation is being restricted by access to capital (e.g. for deposits, stamp duty, legal costs) as well as potentially some mortgage restrictions (e.g. where employment is temporary) rather than being entirely due to the cost of housing to buy (although this will also be a factor). There are likely to be many within the calculated need for affordable housing to buy, who are excluded from being able to access a First Homes product in Oxford.

Shared Ownership is a more deliverable form of home ownership than First Homes in Oxford that better meets local needs

The City Council's wholly-owned housing company, OX Place, working with Oxford City Council, has started a successful programme of shared ownership homes over the last 18 months. Shared ownership offers a flexibility that First Homes does not – allowing customers to buy a level that they can afford (from 10% of the property value with the new lease), increase their share in a property as they are able to, and offering a wider choice of properties than First Homes can do. Shared ownership requires a lower deposit and meets a demand that isn't exclusively first-time buyers, for example, people coming out of a divorce or even upsizing on shared ownership homes.

Lack of homes that can be discounted sufficiently to meet the criteria and detrimental has an impact on the mix of affordable homes

When First Homes were introduced by Government, a First Homes Policy Statement⁵ was published, which relied on viability work to establish whether a 30%, 40% or 50% discount was necessary in order to achieve the cap of a maximum sales price of £250,000. The same discount rate must be applied across a whole local authority area. Many areas of the city require a 40% discount to achieve the maximum sales price cap. With a 40% discount, First Homes will only work on properties with a full market value up to £415,000 which results in a very limited house type or size in Oxford – in some parts of the city this means mainly only one-bed flats, and in most of the city only one and two-bed flats. Even in the areas in the lower quartile of sales in Oxford, 4-bed units have a market value of 489,000 so are completely excluded from being available as First Homes.

There is a need for all sizes of unit for social rented housing, but a particular need for one-bed units. If 25% of affordable homes are First Homes, most likely to be 1-bedroom units because of the price cap, then this reduces the number of these homes for social rent on a development site.

The overall viability of schemes

The requirement for First Homes affects the viability of schemes as it generates less affordable housing revenue (by between 5-8% of the value of the affordable units). This is based on parameters and assumptions made by OX Place for sites in Oxford in recent years. Generally, shared ownership provides a significant cross subsidy for the affordable homes, and moving to a situation where this is reduced, even with the introduction of First Homes, reduces the value of the affordable housing revenue. Other developers are experiencing this impact as well and from their perspective, this is exacerbated because affordable housing revenue traditionally helps cashflow their developments (as they are bought on a staged basis) whereas First Homes will generate 60% on sale of the homes at completion (if the 40% reduction necessary to achieve the required £250,000 sales value is applied). The introduction of First Homes stands to create more challenges on viability which will ultimately reduce the delivery of affordable homes.

The following tables extracted from the Viability Study 2023 demonstrate the overall impacts on delivery of affordable housing. These are chosen as examples, although the point is illustrated much more extensively in the Viability Study 2023. These tables show that in an area of middling value, for sites in existing use as greenfield or undeveloped land can viably deliver most housing types at 40% affordable housing with 80% social rented. However, once First Homes is factored in the viability reduces significantly, so that in a scenario where everything else is equal and the tenure split is 25% First Homes, 70% social rented and 5% shared ownership, some housing types can viably deliver only 10% affordable housing overall.

⁵ https://www.oxford.gov.uk/downloads/file/7907/tan_16_first_homes

BENCHMARK LAND VALUE 4 (GREENFIELD/UNDEVELOPED LAND)		£370,000		Residual land values											
Description	No of units	BLV	0% AH	5% AH	10% AH	15% AH	20% AH	25% AH	30% AH	35% AH	40% AH	45% AH	50% AH		
1 1 House	1	£9,184	206,140	194,078	182,033	170,005	157,995	146,001	134,024	122,065	110,122	98,197	86,289		
2 2 Houses	2	£18,367	412,280	388,156	364,066	340,010	315,989	292,001	268,049	244,130	220,246	196,395	172,579		
3 5 Houses	5	£45,916	1,030,701	970,390	910,165	850,038	789,973	730,004	670,121	610,325	550,614	490,988	431,441		
4 10 houses	10	£91,836	2,061,401	1,940,789	1,820,330	1,700,052	1,579,944	1,460,008	1,340,243	1,220,649	1,101,226	981,975	862,895		
5 30 flats - low density	30	£122,448	3,056,172	3,369,079	3,082,398	2,796,122	2,510,255	2,224,799	1,939,750	1,655,110	1,370,879	1,087,057	803,643		
6 30 flats - medium density	30	£110,203	3,370,802	3,092,844	2,815,282	2,538,116	2,261,345	1,984,971	1,708,995	1,433,410	1,158,223	883,433	609,038		
7 30 flats - high density	30	£78,765	3,168,823	2,897,999	2,629,599	2,361,951	2,093,827	1,826,538	1,559,827	1,293,101	1,026,869	761,189	496,823		
8 100 houses	100	£918,357	19,257,739	18,133,246	17,010,350	15,899,050	14,788,346	13,671,238	12,554,725	11,439,809	10,326,498	9,213,985	8,101,256		
9 100 flats - medium density	100	£367,343	10,480,951	9,606,475	8,730,238	7,870,243	7,002,490	6,135,978	5,270,706	4,406,677	3,543,888	2,681,870	1,813,155		
10 200 houses	200	£1,836,714	36,291,223	34,173,195	32,058,172	29,946,154	27,837,144	25,731,139	23,628,139	21,528,147	19,431,159	17,337,178	15,246,203		
11 200 flats - medium density	200	£734,886	18,334,934	16,799,093	15,205,483	13,644,103	12,084,955	10,528,037	8,963,040	7,398,837	5,836,860	4,277,172	2,711,093		
12 450 houses	450	£4,132,607	89,715,646	85,649,023	81,588,130	77,533,029	73,483,700	69,440,142	65,402,356	61,370,340	57,344,697	53,323,513	49,307,221		
13 450 flats - medium density	450	£1,653,043	35,995,359	32,942,445	29,886,094	26,828,038	23,784,766	20,826,114	17,870,828	14,923,096	11,975,013	9,027,197	6,079,595		
14 Student housing - studios 150 units	-	£118,446	7,199,558	6,458,355	5,717,151	4,975,947	4,234,743	3,493,541	2,752,337	2,011,133	1,269,929	528,725	215,721		
15 Student housing - ensuite 150 units	-	£77,623	4,754,252	4,260,116	3,765,980	3,271,845	2,777,709	2,283,573	1,789,437	1,295,301	801,166	307,030	189,961		
16 Student housing - studios 250 units	-	£199,808	11,999,264	10,763,924	9,528,585	8,293,245	7,057,906	5,822,567	4,587,228	3,351,888	2,116,549	881,209	359,534		
17 Student housing - ensuite 250 units	-	£132,926	8,484,785	7,547,843	6,610,900	5,673,958	4,737,015	3,800,074	2,863,131	1,926,189	1,000,246	500,304	115,361		
18 Student housing - ensuite 300 units	-	£158,808	10,181,743	9,177,411	8,173,081	7,168,750	6,164,419	5,160,088	4,155,757	3,151,426	2,147,095	1,142,764	138,433		
19 C2 care scheme - flats	60	£112,451	2,535,219	2,196,429	1,855,641	1,515,851	1,176,063	836,274	494,500	150,511	-	198,438	-	300,360	
20 Class E (light industrial) development	-	£154,167	864,870	864,870	864,870	864,870	864,870	864,870	864,870	864,870	864,870	864,870	864,870		
21 Class E (retail - convenience) development	-	£185,000	3,750,426	3,750,426	3,750,426	3,750,426	3,750,426	3,750,426	3,750,426	3,750,426	3,750,426	3,750,426	3,750,426		
22 Class E (retail - supermarket) development	-	£111,000	482,378	482,378	482,378	482,378	482,378	482,378	482,378	482,378	482,378	482,378	482,378		
23 Class E (office) development	-	£33,036	1,689,234	1,689,234	1,689,234	1,689,234	1,689,234	1,689,234	1,689,234	1,689,234	1,689,234	1,689,234	1,689,234		
24 Class E (office) development	-	£66,071	3,211,612	3,211,612	3,211,612	3,211,612	3,211,612	3,211,612	3,211,612	3,211,612	3,211,612	3,211,612	3,211,612		
25 Industrial (B2/B8)	-	£1,233,333	19,572,721	19,572,721	19,572,721	19,572,721	19,572,721	19,572,721	19,572,721	19,572,721	19,572,721	19,572,721	19,572,721		
26 Industrial (B2/B8)	-	£91,667	976,636	976,636	976,636	976,636	976,636	976,636	976,636	976,636	976,636	976,636	976,636		
27 Hotel (city centre) 50 rooms	-	£28,906	2,051,794	2,051,794	2,051,794	2,051,794	2,051,794	2,051,794	2,051,794	2,051,794	2,051,794	2,051,794	2,051,794		
28 Hotel (city centre) 75 rooms	-	£43,359	3,077,691	3,077,691	3,077,691	3,077,691	3,077,691	3,077,691	3,077,691	3,077,691	3,077,691	3,077,691	3,077,691		
29 Hotel (city centre) 100 rooms	-	£57,813	4,103,588	4,103,588	4,103,588	4,103,588	4,103,588	4,103,588	4,103,588	4,103,588	4,103,588	4,103,588	4,103,588		
30 Community use/leisure	-	£40,700	1,058,305	1,058,305	1,058,305	1,058,305	1,058,305	1,058,305	1,058,305	1,058,305	1,058,305	1,058,305	1,058,305		

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BENCHMARK LAND VALUE 4 (GREENFIELD/UNDEVELOPED LAND)		£370,000		Residual land values											
Description	No of units	BLV	0% AH	5% AH	10% AH	15% AH	20% AH	25% AH	30% AH	35% AH	40% AH	45% AH	50% AH		
1 1 House	1	£9,096	94,664	87,512	80,391	73,300	66,241	59,212	52,214	45,247	38,310	31,405	24,530		
2 2 Houses	2	£18,192	189,327	175,024	160,781	146,801	132,481	118,424	104,426	90,493	76,621	62,808	49,060		
3 5 Houses	5	£45,481	473,219	437,459	401,953	366,602	331,204	296,093	261,070	226,234	191,581	157,223	122,848		
4 10 houses	10	£90,961	946,636	875,118	803,907	733,003	662,407	592,119	522,139	452,467	383,103	314,047	245,299		
5 30 flats - low density	30	£121,282	922,522	765,189	608,589	452,726	297,596	143,202	10,617	-	163,676	-	627,171		
6 30 flats - medium density	30	£109,154	717,554	566,748	416,439	266,627	117,315	-	31,892	-	332,637	-	779,831		
7 30 flats - high density	30	£78,079	593,977	448,323	303,750	159,398	-	18,447	-	129,037	-	410,710	-		
8 100 houses	100	£909,614	9,896,571	8,226,617	7,563,070	6,897,107	6,234,035	5,573,856	4,916,598	4,262,172	3,610,968	2,962,064	2,310,557		
9 100 flats - medium density	100	£363,845	2,082,540	1,606,143	1,131,307	658,046	-	186,358	-	289,087	-	770,749	-		
10 200 houses	200	£1,819,227	16,860,385	15,601,815	14,348,854	13,100,021	11,851,899	10,609,155	9,371,879	8,140,040	6,913,839	5,685,448	4,461,273		
11 200 flats - medium density	200	£727,691	2,639,034	1,981,413	1,326,630	666,943	-	823,369	-	1,474,632	-	2,345,874	-		
12 450 houses	450	£4,093,291	32,441,255	30,016,354	27,601,576	25,187,829	22,804,026	20,414,916	18,031,693	15,653,419	13,284,910	10,916,692	8,547,626		
13 450 flats - medium density	450	£1,637,305	5,220,816	3,495,963	1,776,814	-	41,484	-	1,716,919	-	3,467,235	-	5,292,137		
14 Student housing - studios 150 units	-	£118,446	7,199,558	6,458,355	5,717,151	4,975,947	4,234,743	3,493,541	2,752,337	2,011,133	1,269,929	528,725	215,721		
15 Student housing - ensuite 150 units	-	£77,623	4,754,252	4,260,116	3,765,980	3,271,845	2,777,709	2,283,573	1,789,437	1,295,301	801,166	307,030	189,961		
16 Student housing - studios 250 units	-	£199,808	11,999,264	10,763,924	9,528,585	8,293,245	7,057,906	5,822,567	4,587,228	3,351,888	2,116,549	881,209	359,534		
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18 Student housing - ensuite 300 units	-	£158,808	10,181,743	9,177,411	8,173,081	7,168,750	6,164,419	5,160,088	4,155,757	3,151,426	2,147,095	1,142,764	138,433		
19 C2 care scheme - flats	60	£112,451	919,781	1,108,935	1,298,289	1,489,014	1,677,799	1,867,504	2,057,248	2,246,993	2,436,738	2,626,483	2,816,227		
20 Class E (light industrial) development	-	£154,167	864,870	864,870	864,870	864,870	864,870	864,870	864,870	864,870	864,870	864,870	864,870		
21 Class E (retail - convenience) development	-	£185,000	3,750,426	3,750,426	3,750,426	3,750,426	3,750,426	3,750,426	3,750,426	3,750,426	3,750,426	3,750,426	3,750,426		
22 Class E (retail - supermarket) development	-	£111,000	482,378	482,378	482,378	482,378	482,378	482,378	482,378	482,378	482,378	482,378	482,378		
23 Class E (office) development	-	£33,036	1,689,234	1,689,234	1,689,234	1,689,234	1,689,234	1,689,234	1,689,234	1,689,234	1,689,234	1,689,234	1,689,234		
24 Class E (office) development	-	£66,071	3,211,612	3,211,612	3,211,612	3,211,612	3,211,612	3,211,612	3,211,612	3,211,612	3,211,612	3,211,612	3,211,612		
25 Industrial (B2/B8)	-	£1,233,333	19,572,721	19,572,721	19,572,721	19,572,721	19,572,721	19,572,721	19,572,721	19,572,721	19,572,721	19,572,721	19,572,721		
26 Industrial (B2/B8)	-	£91,667	976,636	976,636	976,636	976,636	976,636	976,636	976,636	976,636	976,636	976,636	976,636		
27 Hotel (city centre) 50 rooms	-	£28,906	2,051,794	2,051,794	2,051,794	2,051,794	2,051,794	2,051,794	2,051,794	2,051,794	2,051,794	2,051,794	2,051,794		
28 Hotel (city centre) 75 rooms	-	£43,359	3,077,691	3,077,691	3,077,691	3,077,691	3,077,691	3,077,691	3,077,691	3,077,691	3,077,691	3,077,691	3,077,691		
29 Hotel (city centre) 100 rooms	-	£57,813	4,103,588	4,103,588	4,103,588	4,103,588	4,103,588	4,103,588	4,103,588	4,103,588	4,103,588	4,103,588	4,103,588		
30 Community use/leisure	-	£40,700	1,058,305	1,058,305	1,058,305	1,058,305	1,058,305	1,058,305	1,058,305	1,058,305	1,058,305	1,058,305	1,058,305		

Conclusions about First Homes in Oxford

A First Homes requirement has not been included in Policy H2 because it is not clear that this housing type helps to address the housing need of Oxford. In fact, it worsens it, because it reduces the viability of affordable housing overall, and it reduces the amount of social rented housing, which the housing type with the greatest need, and which is available to those in greatest housing need. Furthermore, it skews affordable housing delivery to mainly one-bed units, which reduces choice and which meets a more limited number of needs, and in addition, for First Homes there is likely to be less interest from first time buyers in purchase of one-bed flats.