

## **Report to Oxfordshire Growth Board Scrutiny Panel**

### **Growth Deal Affordable Housing Programme**

#### **Report Purpose**

- 1) To introduce the Scrutiny Panel to the Growth Deal Affordable Housing Work stream and consider how to address some of the key issues in building a successful programme.

#### **Background**

- 2) The Scrutiny Panel will be aware of the high levels of need for affordable housing in Oxfordshire. The median average earnings per year required to purchase an entry level market house is 12 times average salary. Consequently, there are currently 9228 people in housing need on the council's housing registers.
- 3) The performance of council partners in response to this need has been encouraging with levels of affordable housing provided rising in recent years as overall house build levels increase. On average councils in Oxfordshire have provided just over 1000 new affordable homes per annum in the last three years. This still however leaves a significant annual shortfall each year which grows as each year passes and demand exceeds supply.
- 4) These figures also mask the fact that many of the Affordable Homes provided include low cost home ownership initiatives such as Starter Homes and Affordable Rented homes with rents that are significantly higher than traditional social housing rent levels. Whilst these are valid response to identified tranches of housing need, there remains therefore a need to provide both increased levels of affordable housing and to attempt to respond to the needs of the most vulnerable of our residents.
- 5) In response to this identified local priority a key part of the Housing and Growth deal was a bespoke Oxfordshire Programme of Affordable Housing, tailored to identified local need

#### **Definition of Affordable Housing**

- 6) The definition of Affordable Housing is set out by Government and contained within the National Planning Policy Framework. The appendix of this report contains the full definition.
- 7) As the Growth Deal Affordable Housing Programme is funded through Homes England, the Programme must comply with these definitions. Within this umbrella however there is some flexibility to consider a locally tailored definition to reflect a locally identified priority.

## **The Affordable Housing Programme**

- 8) Within the Housing and Growth Deal there are two elements to the housing delivery commitment made by the partners, these are;
- Homes from Infrastructure (HFI)- the acceleration of circa 6500 planned housing units- facilitated by the development of strategic infrastructure.
  - Within the overall planned homes commitment, the provision of at least 1320 additional affordable homes.
- 9) The focus of the affordable housing element of the work stream is on supporting increased housing delivery through the deployment of a £60 million affordable housing fund. In effect the fund will be used to make a greater proportion of the planned homes affordable by providing grant funding for them to relevant partners.
- 10)The £60m funding supports a bespoke Oxfordshire-wide Affordable Housing Programme(AHP) that will support delivery of at least 1320 affordable homes across a range of tenures to achieve contractual start on site by 2021. The fund is in addition to the existing Homes England Affordable Homes Programme.
- 11)To demonstrate the ability to deliver the programme, the partners were asked to provide an indicative AHP over three years. This programme was not designed to be our final commitment. It was however meant to demonstrate that there was capacity within the existing affordable housing ambitions of the councils to deliver a programme of additional affordable housing of this size.
- 12)The indicative AHP was developed in a relatively short space of time and of necessity, largely consists of existing or planned schemes that the partners are either working upon delivering or are aware of. It was also based upon an estimate of developers and Registered Providers (RPs)to deliver affordable housing, over and above that which we would expect to secure through the planning process.
- 13)The indicative totals for the AHP was set out in the Deal Delivery Plan. It is split by indicative tenure, together with the average grant rates agreed within the Deal for each tenure as follows.

Tenure and Split	2018/19	2019/20	2020/21	Total starts on site by 2021	Avg. Grant rates per unit
Social Rent	49	272	383	704	£55,000
Affordable Rent	67	124	199	390	£40,000
Shared ownership	32	68	128	228	£25,000
Total	148	464	710	1322	

14) The milestones agreed with Homes England for the AHP are:

- Agreement of the Year One AHP- March 2018.
- Agreement of the Years 2-3 AHP, end of September 2018.
- Quarterly review and reporting of progress against the agreed targets leading to agreement of the final year end position at the third quarter meeting in January.

## **Current Position**

15) The agreed milestone for the delivery of the years 2-3 programme was met in September 2018.

16) Officers will be reporting in detail on the progress towards delivery of the year one programme to the Growth Board on 29<sup>th</sup> January. In summary, we are hopeful that we are on track to meet the target of delivering 148 affordable homes by March 2019 but recognise that more work is needed to ensure that these homes move to the trigger for completion agreed in the Deal, contractual Start on Site.

## **Key issues**

### **Developing a Gross programme**

17) The partners have developed a Gross indicative AHP from which to draw the commitments agreed in the table above. For 2018/19 this originally totalled 329 homes across the county compared to the required 148 homes. Similarly, across the three-year programme partners have constructed an indicative gross programme, that currently totals 1651 units from which to draw the required 1320.

18) Whilst the totality of these programmes should provide partners with confidence that there is a population of homes from which we can draw our required targets, officers are aware that the delivery each scheme is a project, with issues and challenges that must be addressed to ensure it reaches fruition.

19) The experience of year one, with the gross programme only yielding some two thirds as actually deliverable should also serve as a reminder that the gross AHP developed need to be of sufficient size to withstand the drop off rates or movement of schemes between years we are experiencing.

20) The reasons for this movement broadly fell into two categories:

- Firstly, challenges are financial, i.e. the scheme is struggling to be viable at the agreed grant rates. This is an ongoing challenge for the AHP.
- Secondly, the challenges were one of timing. The year one AHP had been developed from a standing start and many of the schemes were required to gather a pace they were not anticipating upon inception. This posed significant challenges, for example to get planning and procurement processes in place by 31st March 2019. Where these challenges were considered achievable they remained in the year one AHP, otherwise they had been earmarked for year two.

21) The task for officers is therefore to include sufficient schemes within the AHP to ensure delivery against target, whilst at the same time steering the schemes included towards Deal Completion, contractual start on site.

### **Building Partnerships**

22) The Scrutiny Panel will be aware that the Affordable Housing provided in Oxfordshire is through either local housing companies in Oxford and Cherwell, wholly owned development arms of the councils or through Registered Providers taking up affordable housing secured through the S106 planning obligations imposed by councils on developers, with the latter providing much of the affordable housing.

23) In this context, and with the Deal requiring the ultimate owner of the homes to be a Registered Provider, the councils need to secure long term strategic partnerships to deliver the programme. Securing these partnerships is a key challenge for the programme.

24) Discussion and engagement with existing partners is underway. This included a successful launch event held in September 2018 and subsequent meetings with interested parties that are ongoing. Scrutiny will be aware that to assist in these conversations we have developed a prospectus for the Oxfordshire Affordable Housing Programme available on the Growth Board website.

25) The intention of this promotion and subsequent conversations is to present the programme as an exciting opportunity for the councils and partners to deliver the first step in what is hoped to be a step change in affordable housing development.

26)The key messages are:

- (i) The Councils are looking to build long term key strategic partnerships with Registered Providers and others to deliver Oxfordshire's affordable housing requirements over the long term and will be seeking commitment to such arrangements.
- (ii) We want to provide additionality in the AHP, not just additional numbers from those we would secure through S106 arrangements but an AHP that is responding to the identified local needs that the mainstream affordable housing programmes are not able to.
- (iii) We have worked hard to make the AHP as attractive as possible financially, recognising that potential partners are already working with Homes England on their programmes and we need to divert part of their attention towards the Oxfordshire AHP.

27)The Deal Team have been encouraged by their discussions to date with several new Registered Providers, keen to work with us on the deal and to explore longer term partnership arrangements. Engagement with developers and landowners has been more challenging however and building this needs to be a focus for the work of the Deal team.

28)In responding to this, one aspect of potential partnership work that needs further examination is how the councils, as planning authorities can offer a service that smooths the processes of affordable housing negotiation and provides greater certainty of outcome at an early for developers and Registered Providers. Councils need to reflect upon this clear wish from potential partners and consider what arrangements could be put in place to meet this aspiration, whilst at the same time maintaining the probity of the planning process

### **Innovation**

29)Our commitment to Government made it clear that innovation is key to the success of the AHP and we need to scope and understand how we can work in partnership to promote and facilitate innovation, both in terms of the product and the delivery vehicles that bring it forward.

30)The Scrutiny panel will recall that in previous meetings we have discussed for example promoting modular build housing and self-build as two examples where we would like the AHP to be able to focus.

31)When the officers met to discuss the AHP they identified the issue of land assembly as one key aspect that would underpin a range of potential innovations. This is because one of the biggest barriers to any innovation is the competitive nature of the housing land market.

- 32) Almost all housing land is optioned to developers who then land bank and bring land forward for development when they believe it's most financially advantageous. Once land is brought forward for planning a developer will seek, often at short notice a partner to take the affordable housing units they have developed to meet their planning obligations from them at the most competitive price.
- 33) This usually means that the units are largely a fait-accompli for the Registered Provider and sold at a cost that leaves little room for flexibility in, for example design
- 34) If the partners could secure land for affordable housing by, for example buying the plots from the developer and then selling on to an RP or developing through in-house arrangements, they would buy themselves the space to consider a raft of innovative approaches to design, management, and tenure.
- 35) Inevitably there would be a cost to this for the partners but it could be seen as the cost of providing the types of affordable housing product or communities that we might aspire to. More work is required to scope this potential innovation and understand its costs and benefits more clearly

## Conclusions

- 36) The Oxfordshire AHP is an exciting opportunity for the county to respond to the high levels of housing need we experience in Oxfordshire.
- 37) Whilst the initial fund may be modest when compared to the total costs of meeting Oxfordshire's affordable housing need, and the grant levels within it not game changers for partners, officers believe that this could be the first of a series of such funding streams if we can prove that we are able to deliver against the agreed targets.
- 38) In this context, and with the opportunity to build longer term strategic partnerships and secure innovative methods of delivery and product, the AHP is an opportunity to secure a step change in affordable housing delivery in the county.

## Appendix- Definition of Affordable Housing

### Definition of Affordable Housing

**Affordable housing:** housing for sale or rent, for those whose needs are not met by the market (including housing that provides a subsidised route to home ownership and/or is for essential local workers); and which complies with one or more of the following definitions:

a) **Affordable housing for rent:** meets all of the following conditions: (a) the rent is set in accordance with the Government's rent policy for Social Rent or Affordable Rent, or is at least 20% below local market rents (including service charges where applicable); (b) the landlord is a registered provider, except where it is included as part of a Build to Rent scheme (in which case the landlord need not be a registered provider); and (c) it includes provisions to remain at an affordable price for future eligible households, or for the subsidy to be recycled for alternative affordable housing provision. For Build to Rent schemes affordable housing for rent is expected to be the normal form of affordable housing provision (and, in this context, is known as Affordable Private Rent).

b) **Starter homes:** is as specified in Sections 2 and 3 of the Housing and Planning Act 2016 and any secondary legislation made under these sections. The definition of a starter home should reflect the meaning set out in statute and any such secondary legislation at the time of plan-preparation or decision-making. Where secondary legislation has the effect of limiting a household's eligibility to purchase a starter home to those with a maximum level of household income, those restrictions should be used.

c) **Discounted market sales housing:** is that sold at a discount of at least 20% below local market value. Eligibility is determined with regard to local incomes and local house prices. Provisions should be in place to ensure housing remains at a discount for future eligible households.

d) **Other affordable routes to home ownership:** is housing provided for sale that provides a route to ownership for those who could not achieve home ownership through the market. It includes shared ownership, relevant equity loans, other low-cost homes for sale (at a price equivalent to at least 20% below local market value) and rent to buy (which includes a period of intermediate rent). Where public grant funding is provided, there should be provisions for the homes to remain at an affordable price for future eligible households, or for any receipts to be recycled for alternative affordable housing provision, or refunded to Government or the relevant authority specified in the funding agreement.

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