

WEST OXFORDSHIRE DISTRICT COUNCIL
FINANCE AND MANAGEMENT OVERVIEW AND SCRUTINY COMMITTEE
WEDNESDAY 6 JUNE 2018

CONSIDERATION OF PETITION – AFFORDABLE HOUSING

REPORT OF CHIEF FINANCE OFFICER

(Contact: Jenny Poole: - Tel. 01993 861171)

1. PURPOSE

To consider the petition presented to Council on 28 February 2018.

2. RECOMMENDATION

That the Committee considers the petition, and the information contained within this report, in order to provide its views to the Council.

3. BACKGROUND

3.1. At the Council meeting on 28th February 2018, Ms Rosa Bolger and Mr Owen Collins presented a petition in the following terms:- “With residents spending months in unsuitable emergency accommodation, families separated by a lack of homes for the next generation and a spiralling rental market...we call on West Oxfordshire District Council to commit to using some of its reserves to build council provided housing to meet the crisis levels of need that currently exist”. Further supporting information was provided and is attached in the [Appendix](#) to this report.

3.2. Council referred the petition to the Finance and Management Overview and Scrutiny Committee for consideration. The Committee, on 11 April 2018, noted that an initial report on the petition would be submitted to the next meeting and Members were invited to highlight any specific information that they would wish to see incorporated into that report. The following points were raised:

- Mr Cooper questioned whether it would be necessary to re-establish a Housing Revenue Account and suggested that it would be useful to know how other authorities had responded to such requests and to discover the difficulties that they had encountered and the benefits they had achieved.
- Mr Dorward suggested that the report should provide information on the extent of the difficulties outlined in the report experienced in West Oxfordshire; and
- Mr Harvey indicated that it should also incorporate details of the likely impact of the emerging Local Plan.

3.3. This report considers the points raised by the Committee on 11 April 2018 and also includes the link with the Oxfordshire Growth Deal.

4. SUPPORTING INFORMATION

The extent of the difficulties experienced in West Oxfordshire

4.1. Housing affordability is a key issue in West Oxfordshire because of the relationship between property prices and household incomes. Even relatively small, modest properties are beyond the reach of most single income households and as a result, there are around 2,300 households on the Council’s waiting list for affordable housing.

- 4.2. Affordable housing is defined as that which is affordable to those who cannot afford market priced housing locally to rent or purchase. It is housing provided with either public or private subsidy for people who would otherwise be unable to meet their housing requirements in the local housing market because of the relationship between housing cost and local incomes.
- 4.3. There are a number of different forms of affordable housing including social rented, affordable rented and intermediate housing. Social rented housing is owned by local authorities and private registered providers (such as housing associations) and has a guideline target rent market determined through the national rent regime. Affordable rented housing is let by local authorities or private registered providers to households who are eligible for social rented housing. It is subject to controls that require a rent of no more than 80% of the local market rent. Intermediate housing is for sale and rent provided at a cost above social rent, but below market levels. It includes shared equity (shared ownership and equity loans), other low cost homes for sale and intermediate rent. Other models of provision such as Build to Rent, Rent to Buy and Help to Buy are also being explored in West Oxfordshire.
- 4.4. In addition to social rented, affordable rented and intermediate housing, the Housing and Planning Act 2016 broadened the definition of affordable housing to also include 'starter homes'. These are a new form of affordable housing intended for first time buyers between the ages of 23 and 40. Starter homes will be sold at no more than 80% of open market value, capped at £450,000 in Greater London and £250,000 across the rest of England.
- 4.5. There is a significant need for more affordable housing in West Oxfordshire. The Oxfordshire SHMA (2014) identified a need for 274 affordable homes each year (excluding existing commitments). Further evidence commissioned by the Council more recently identifies a very similar level of affordable housing need. Increasing the number, type and distribution of affordable housing for both rent and subsidised sale is therefore a key priority for West Oxfordshire.
- 4.6. There are two main ways in which new affordable housing has been delivered in West Oxfordshire; the first is through market housing developments (either as part of the development or in the form of a commuted sum towards off-site provision) and the second is through the delivery of rural exception sites (RES) which are essentially small sites used for affordable housing that would not normally be released for development.
- 4.7. The Council has been working with Blenheim to develop a new model of affordable housing delivery. In this model the affordable housing is directly owned and managed by Blenheim. The model has the potential to deliver greater benefits in terms of affordable housing numbers, or rent levels, than conventional schemes delivered as part of market developments. In the first scheme of this type Blenheim will provide affordable housing at 20% lower rents than could be secured by Housing Associations by conventional means.
- 4.8. Officers will shortly be commissioning an independent review of the Blenheim model to understand how the model could be applied to other sites, for example, land in ownership of Oxford Brookes University.

Impact of the emerging Local Plan and Oxfordshire Growth Deal

- 4.9. The Council's emerging Local Plan covers the period up to 2031 and is expected to be adopted this year. The Local Plan specifies an overall housing target of 15,950 homes. The proportion of affordable housing required on larger sites will vary according to

location reflecting the fact that in some parts of the District, development will have a greater value and be able to make a larger contribution. The Council's evidence suggests that the District falls into three zones. Having regard to viability and identified affordable housing need, the Council considers it reasonable and justifiable to seek on-site provision of 50% affordable housing in the high value zone, 40% in the medium value zone and 35% in the low value zone.

- 4.10. The Council is also part of the Oxfordshire Growth Deal which has been agreed with national government to support the delivery of 100,000 homes in Oxfordshire by 2031. The ambition to plan for and support the delivery of 100,000 new homes by 2031 is recognised as significantly in excess of the Local Housing Need figures set out in the Government consultation paper 'Planning for the right homes in the right places' (DCLG September 2017). National government is providing £215m of funding for the following:

Infrastructure	£150m
Affordable Housing	£60m
Capacity Funding (including Joint Statutory Spatial Plan)	£5m

- 4.11. Homes England has already played a key role within the development of the Oxfordshire Housing and Growth Deal. Homes England will play an integral role within the deal process as it moves forward. By employing its wide range of powers, and deploying its expertise in managing large scale and multi-site infrastructure and development programmes, Homes England will support and enhance the potential of the Oxfordshire deal to bring forward stalled sites and ensure that the volumes of land needed for development across the county are brought forward in good time. A local example of this could be the involvement of Homes England in helping unlock the REEMA site at Carterton.
- 4.12. The Growth Deal commits the Government and the Oxfordshire partners to work together to explore further opportunities to drive innovation in partnership, design and construction, including new partnership models for affordable housing delivery. A local example of this is the new affordable housing model being developed with Blenheim Estate.

Affordable Housing Delivery Options

- 4.13. Affordable housing can be delivered through various models:

- The Council could directly provide social housing which would require the establishment of a Housing Revenue Account
- the Council can enable social housing to be provided through the use of Registered Providers (RPs) operating within the district. There are 8 RPs within the district managing 5,099 affordable or social rented housing units
- The Council can enable the provision of affordable housing or shared ownership through the application of its planning policy, particularly the use of Section 106 Agreements and through working directly with developers or other housing providers (for example, Blenheim Palace)
- The Council could establish one or more housing companies to deliver housing (all forms of social and private housing)

- 4.14. If the Council decided to invest in the direct provision of social housing, each £1m invested (funded by borrowing) would have a revenue impact of £52,300 each year, which is the equivalent of an additional £1.22 on band D council tax.

How other authorities have responded, the difficulties encountered and the benefits achieved

- 4.15. The provision of housing is a national issue and increased provision is a key focus of national government. Local government has responded in a variety of ways including:
- Through the development of Planning Policy including Local Plans and Joint Core Strategies which set targets for housing growth and identify housing sites;
 - Increasing housing units provided via the Housing Revenue Account;
 - The establishment of new housing companies, some of which are RPs providing social housing. Others focus upon providing a mix of affordable homes for rent, market rent properties, shared ownership and market ownership properties. Profits generated from the private sector elements being used to fund the affordable properties.
- 4.16. During 2017 South East England Councils established a Housing Delivery Network for the sharing of learning amongst Councils in the South East of England. Although the Network has only been established for a limited period of time, it is a good source of information on the difficulties encountered and the benefits gained through the use of Housing Companies.
- 4.17. Some of the difficulties encountered, or areas which need careful consideration include:
- Registering new Housing Companies with Homes England as a for-profit Registered Provider has been time consuming and difficult;
 - Corporation tax is payable on profits and VAT on services such as housing management;
 - A Housing company is a 'contracting authority' so is subject to EU procurement rules;
 - Housing companies which are not Registered with Homes England cannot access government funding, development is funded through developer contributions or borrowing (using Council access to Public Works Loan Board borrowing);
 - The impact of changes to government policy needs to be carefully considered;
 - The governance and financial arrangements need to be clearly established;
 - Directors need to be clear regarding their roles and responsibilities to the company and the Council, clear segregation of duties will be required.
- 4.18. Some of the benefits of using a housing company include:
- Enables the build-up of an asset base;
 - The creation of an income stream;
 - Enables borrowing against assets to build more houses;
 - For-profit RPs company can access government funding for housing development;
- 4.19. Some examples of housing companies established by local authorities include:
- The Royal Borough of Windsor and Maidenhead has established its own private property company RBWM Property (www.rbwmproperty.co.uk). This enables the Borough to provide Key Worker and other private sub-market housing outside the Choice Based Lettings system. It currently has 11 properties at sub-market rents and its ambition is to deliver 200 units of Key Worker and other sub-market housing. It

also has secured approval by the Secretary of State for its activities. It has major projects in the pipeline to deliver 3,500 mixed affordable housing units.

- Wokingham Borough Council has established three separate Housing Companies. The current housing delivery programme includes: 41 social rent, 78 affordable rent, 34 intermediate rent and 14 shared ownership properties. In addition, 39 social rent, 13 affordable rent, 22 intermediate, 23 shared ownership, 29 outright ownership and 19 private rented sector homes are in the pipeline.
- Locally Oxford City Council has established its own Housing Company. Negotiations are in progress with HM Government regarding the management/ownership of the homes in the Housing Growth Deal.

5. FINANCIAL IMPLICATIONS

- 5.1. The Council includes funding for investment in affordable housing within its Capital Programme and 10-year Medium Term Financial Strategy (MTFS). The 2017/18 Capital Programme included £300,000 for investment in affordable housing and £500,000 for a Local Authority Partnership Purchase scheme to help key workers purchase their own home. The affordable housing funding remains available in 2018/19.
- 5.2. The Council will update its MTFS later in the year. The update will include the forecast implications of the Growth Deal, in particular the funding available to the Council to deliver its share of the overall housing growth target and affordable housing.
- 5.3. The Council's Capital Programme for the next five years anticipates capital expenditure of £19.5m. Of this programme £2.7m is being funded from General Fund revenue contributions, a further £1.6m is being funded from revenue reserves, £4.7m from external contributions, £0.8m from capital receipts and £9.7m is forecast to be funded from borrowing. Increasing the capital programme would require further borrowing and this has an impact upon the Council's operational revenue budget in terms of interest payments and provision for repayment of the debt.
- 5.4. In terms of General Fund Revenue Reserves, the Council held £11.7m as at 31 March 2017. This balance will be maintained at the end of 2017/18. The Council holds its General Fund balance to smooth out peaks and troughs between financial years and to provide for unforeseen financial impacts. The Council's (MTFS) sets out the forecast revenue income and expenditure for the Council over a ten year period. The latest update, February 2018, identified a key risk to the level of central government funding which will be available from 2020/21 onwards. From 2020/21 there will be financial implications for the Council from the following:
 - Central government Spending Review (allocating the overall central government budget to Departments);
 - Fairer funding review (allocating funding to individual Councils from the Ministry for Housing and Local Government);
 - Move to 75% Business Rate Retention scheme (from current 50% scheme);
 - Business Rates baseline reset (possibility of growth in West Oxfordshire under the 50% Business Rates Retention Scheme to be lost);
- 5.5. The Council's MTFS makes some provision for further reductions to central government funding resulting from the above changes. However, it is unclear at this point in time if the provision is sufficient. Should the financial cliff-edge be more acute, the Council's General

Fund Reserve will be available to support the Council for a period of time as it responds to reduced central government funding.

- 5.6. Should the Council wish to consider increased investment in social or affordable housing, a business case would need to be developed setting out the Council's objectives, the options available, the costs, expected benefits and risks. The outcome of the business case would feed into the Council's Corporate Plan, Medium Term Financial Strategy, Capital Strategy and Treasury Management Strategy.

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Background Papers:
None

Housing Petition Talking Points	
Housing	The Petition
- There is a burgeoning housing crisis in West Oxfordshire, and too many residents have no hope of getting on the housing ladder, even to rent.	- Thank you for cross party support of this petition, issue that is affecting and is supported by a huge variety of people across our community.
- There are no council-owned housing stock in West Oxfordshire and it is something we believe should return.	- The community have used their voice in this unprecedented way and it is the responsibility of the district council to use their position and influence to think creatively about how to use the reserves they have to better the lives of those they're elected to represent. This issue is pressing, vital and affects all.
- Houses are being built, but in the wrong place (greenfields, not brownfields) and at a price that is inaccessible to many who really need it - it's not solving the problem.	- That this petition has got further than any other illustrates what a crucial issue it is and how much feeling there is locally.
- WODC is in the unique position of having money available to it - it should be investing in house-building, thereby providing safe, secure, affordable homes, as well as a boost to the local economy, and a guaranteed source of future revenue.	- It is the first ever petition to make it to this stage and therefore has the chance to reinvent the process by which we conduct politics in West Oxfordshire. The people are asking for change.
- Housing is NOT affordable, and the plan to simply build more expensive houses will not solve the problem.	- The petition has been groundbreaking - we hope for a similarly groundbreaking response to the issues and questions raised in it.
	- What we are asking now is that you, our representatives, creatively find a way to use the success of this petition to access reserves and deliver what our community is asking for. Safe, Secure, Affordable Housing.