

Housing Delivery Strategy for South Oxfordshire and Vale of White Horse

Background Paper 4: A Profile of the South and Vale Housing Market, Needs and Opportunities

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South Oxfordshire DC and Vale of White Horse DC
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1. Background and Scope of Background Paper

- 1.1 South Oxfordshire and Vale of White Horse Councils are developing a joint Housing Delivery Strategy. This Background Paper forms part of the evidence base, drawing on quantitative and qualitative research to inform the development of a 10 year Housing Delivery Strategy.
- 1.2 The key objective of South and Vale Councils is to accelerate the delivery of housing within South and Vale to meet the needs of the existing community and future residents.
- 1.3 This Background Paper draws on the Oxfordshire SHMA 2014, and in particular the data and information it contains on the characteristics of households in the area and those moving to the area. It has also considered relevant evidence contained in the Joint Strategic Needs Assessment on the needs of vulnerable groups. It has examined to date migration patterns using the ONS migration indicators tool and other data sources selected to shed light on the range of housing required.
- 1.4 The Background Paper presents evidence on:
 - the characteristics of existing households and those who are moving to the area.
 - the nature of the existing stock and how far the homes available in the area are capable of meeting identified needs.
 - house prices, rents and local incomes to identify the cost of accessing different tenures and problems of affordability.
 - the extent to which there is overlap, for example, between private renting and shared ownership and between Starter Homes and market ownership
 - the implications for the demand for different tenures and the achievability of affordable housing policies
 - how far the existing and emerging pattern of housing development is meeting the needs/aspirations of the existing community and those who are likely to come to live in the area
 - where there are gaps in the tenure, type or size of housing required now or in the future
 - sets out initial options for influencing the pattern of development.
- 1.5 This working paper is structured as follows:
 - Section 2 examines the characteristics of households living in and moving to the two authority areas and the implications of this for the type of housing required
 - Section 3 outlines the nature of housing available in South Oxfordshire and The Vale of White Horse in terms of tenure, size, cost and affordability
 - Section 4 identifies the gaps in the housing offer and how these might be addressed by the Council's activities.

2. The Characteristics of Households Living in and Moving to the Area

- 2.1 This section considers the nature of the existing population of South Oxfordshire and the Vale of White Horse and the characteristics of those moving into and those moving out of the area. This is relevant to consideration of the range of housing required in the area since the characteristics of households, their life stage, and, all-importantly, their financial resources, influences the type of housing demanded.
- 2.2 The Oxfordshire SHMA provides comprehensive evidence on the household population and projections of future change. This Background Paper draws out the analysis in the SHMA and other relevant studies and distils the evidence relevant to the range of housing that might be required in the two authorities to meet the needs and demands of the population.
- 2.3 This Background Paper considers how the following key characteristics affect the nature of housing required:
- Age and life stage
 - Migration patterns
 - Employment and skills
 - Income and earnings
 - Affordable housing pressures

Age and Life Stage

- 2.4 The largest proportion of households living in South and Vale comprise families with children. This includes couple and lone parents with children and a small number of 'other' households with dependent children, for example grandparents caring for grandchildren. The proportion of family households is slightly higher in South Oxfordshire than in the South East and England as a whole. There are also relatively high proportions of couple households in South and Vale; this group is made up of both young couples who may go on to start families and older couples where the children are no longer dependent.
- 2.5 There are fewer single adults (non pensioners) in both South and Vale when compared to the South East and England (see Figure 1). In part, this reflects the attraction of Oxford and other major urban centres to young professionals and the limited supply of rented accommodation in South and Vale. There is also a smaller proportion in South and Vale of 'other' households, typically people sharing rented accommodation, than at the regional and national level. This will reflect the same factors that account for lower proportion of single adults in South and Vale.

Figure 1: Household Composition in 2011

	South Oxfordshire		Vale of White Horse		South East	England
	Number	%	Number	%	%	%
Older households	12,407	23%	11,211	23%	22%	21%
• <i>Single pensioners</i>	6,570	12%	5,947	12%	13%	12%
• <i>Pensioner couples</i>	5,695	11%	5,126	10%	9%	8%
Single adults	8,728	16%	8,483	17%	19%	21%
Couples - no children	14,700	27%	13,386	27%	25%	24%
Families with children (including other households)	16,237	30%	14,506	29%	29%	29%
Other households	2,032	4%	1,821	4%	5%	5%
Total	54,104	100%	49,407	100%	100%	100%

Source: Census 2011

- 2.6 In both South and Vale, 18% of the population in 2011 was aged 65 and over. There are around 24,400 older people (those aged 65 and over) in South Oxfordshire and 21,800 in Vale of White Horse. This compares to 17% of people in the South East and 16% in England aged 65 and over. The two authorities have larger population of older people than the regional and national benchmarks.
- 2.7 The Oxfordshire SHMA shows that the greatest growth in the population in recent years has been amongst those aged 60+.¹ The older population is also expected to grow at the fastest rate over the next 20 years.² In both authority areas, the fastest rate of growth is expected amongst those aged 85 and over. The population of those in advanced age will more than double between 2011 and 2031 in South (+135%) and Vale (+143%).
- 2.8 Levels of homeownership are higher amongst this generation of older population (see Figure 63 of SHMA); around 75% of older people in both South and Vale own their own homes. This has implications for their expectations and aspirations as they grow older. The vast majority of older people wish to remain in their own homes and to live independently for as long as possible.
- 2.9 However, the growth in the population of those in advanced old age (85+) is related to corresponding increases in problems of mobility and dementia, highlighted in the Oxfordshire Joint Strategic Needs Assessment. The number of people affected by these health problems is projected to double over the period 2011-31³. The JSNA also shows that there are higher rates of dementia in particular localities, for example in the GP practices covering Berinsfield and Woodcote.
- 2.10 One of the key challenges for housing supply in the next decades will be providing an appropriate range of accommodation that meets the needs of the ageing population, particularly when older households need to access care. The SHMA concludes that an expansion of specialist housing for

¹ See Figures 32 and 33 in SHMA.

² See Table 69 in the SHMA.

³ See Table 72 of the SHMA.

older people is required, based on the growth of the older age groups and expected levels of provision of specialist forms of housing.

Figure 2: Projected Need for Specialist Housing for Older People

Area	@ 133 per 1,000			@ 170 per 1,000		
	Need	Supply	Net need	Need	Supply	Net need
Cherwell	2,657	1,961	696	3,397	1,961	1,436
Oxford	1,568	1,535	33	2,004	1,535	469
South Oxon	2,821	1,512	1,309	3,606	1,512	2,094
VoWH	2,646	1,011	1,635	3,382	1,011	2,371
West Oxon	2,505	614	1,891	3,202	614	2,588
County	12,197	6,633	5,564	15,591	6,633	8,958

Source: Oxfordshire SHMA 2014 – derived from demographic projections

- 2.11 The SHMA has projected how many additional units of specialist housing for older people might be required on the basis of maintaining the existing level of 133 units per 1,000 of the population aged 75+. The SHMA also considers the implications of increasing this to 170 units per 1,000 persons aged 75+ (the national benchmark). The analysis in Figure 2 is based on achieving these levels in all areas by 2031.
- 2.12 Oxfordshire County Council currently works on the basis of seeking to provide 55 units of extra-care housing per 1,000 people aged 75 and over as part of its overall specialist housing offer. The analysis shows that to maintain the current level of provision there would need to be a further 1,309 units provided in South Oxfordshire and 1,635 units in Vale. This figure increases to 2,094 units in South and 2,371 units in Vale if the level of provision were to reach the national average.
- 2.13 The figures in Figure 2 reflect the net need for additional Older Persons housing. They do not take account of any requirement to replace existing specialist accommodation which is no longer fit-for-purpose. It is expected that a proportion of the current specialist housing stock may need replacing or remodelling to meet modern requirements and disability standards. The gross need for specialist housing is therefore expected to be higher than shown in Figure 2.
- 2.14 The range of housing available for older people, particularly specialist housing such as extra-care or assisted-living schemes, impacts on the rest of the housing market. A substantial expansion in the provision of these schemes could facilitate downsizing of older people living in large homes in the mainstream housing stock.
- 2.15 It is important to emphasise that the benefits of providing housing with care for older people are multi-faceted. These benefits are also experienced by a range of organisations and individuals, not just those individuals directly affected. In this respect, the provision of housing with care for older people needs to be viewed as a joint endeavour between local Councils, both the Districts which are responsible for housing and the County which is responsible for social care, and the health sector.

2.16 The key benefits of enhanced provision of Older Persons housing include:

- Improved quality of life for older people needing care: fundamentally, housing with care allows older people to live independently with all of the benefits that this brings in terms of their wellbeing and in particular their physical and mental health.
- Substantial cost savings to the NHS: older people account for 55% of GP visits, 68% of outpatients and 78% of patient bed stays (Personal and Social Services Research Unit, University of Kent). Housing with care reduces hospital admissions amongst older and improves wellbeing. There are huge differences between the costs of providing care in a hospital bed compared to in an 'own home' environment.
- Cost savings to social care: evidence suggests that at least 30% of people in care homes do not need to be there, at least not when they entered it. An East Sussex County Council evaluation found that two out of every three residents in extra care would have been in residential or nursing homes if it were not for the schemes. The evaluation found that extra care provision was 50% cheaper than these alternatives.
- There are economic benefits associated with the delivery of housing with care schemes. These include the jobs provided as part of the construction phase, though this is no different to any housing development, as well as jobs associated with the provision of care and other services on site.
- Increased mobility within the housing market by freeing up family housing: older people aged 75+ are less likely to move home than other age groups in the population (English Housing Survey).
- Downsizing amongst older people also provides them with the opportunity to release equity from their homes. This often results in transfers of funds to the younger generation, particularly grandchildren to help them enter the housing market.

2.15 Nevertheless, the vast majority of older people live in mainstream housing and will continue to do so in the future. This implies the need for the mainstream housing stock to be adaptable and flexible to meet the changing needs of households. The adaptability of new housing is considered further in Background Paper 4.

Migration Patterns

2.16 Migration into and out of the two authorities is a key influence on the characteristics of the population and on the nature of demand for housing. However, it is less easy to measure than more long standing trends such as the ageing of the population, since the underlying data is less robust; and because migration patterns can change significantly from year to year.

2.17 In terms of the volume of movement, both South and Vale have their strongest relationship with each other and with neighbouring Oxford City:

- In terms of moves out of South Oxfordshire, in 2015/16, 841 people moved to the Vale of White Horse, followed by 706 to Oxford and 378 to Reading.

- In terms of moves out of Vale, in 2015/16, 950 people moved to Oxford, followed by 612 into South Oxfordshire and 422 into West Oxfordshire.
- The largest volume of in-migration to South Oxfordshire in 2015/16 was from Oxford (667 people), followed by Vale (612 people) and Wycombe (352)
- The largest volume of in-migration to Vale in 2015/16 was from Oxford (1,078 people), followed by South Oxfordshire (841 people) and West Oxfordshire (370 people).
- Figures 3 and 4 also show the number of moves to and from London, when all the London Boroughs are grouped together. The data shows that moves to and from London and South and Vale account for the highest volume of movements after those with each other and with Oxford City.
- In net terms, there was net in-migration of 108 people to South Oxfordshire from Wycombe, followed by 52 people from Aylesbury Vale (Figure 5). However, the largest volume of net in-migration to South Oxfordshire was from London as a whole (185 people in 2015/16).
- In net terms, there was in-migration of 220 migrants from South Oxfordshire to Vale and 128 from Oxford. This net movement from Oxford maybe influenced by moves from Oxford City into Botley, which is located in Vale but effectively part of Oxford's continuous urban area.

2.18 Both South and Vale experience large volumes of movements to and from London (all Boroughs). In net terms, there was substantial net in-migration (128 people) to South Oxfordshire from London (all Boroughs) in 2015/16. London was South Oxfordshire's highest source of net in-migration in 2015/16. Although the volume of movements to and from London to Vale was substantial, there was net outmigration of 89 people from Vale to London in 2015/16.

2.19 The origin and destination of movements sheds some light on the type of households who might be moving to and from South and Vale. Net movements of households from London into South Oxfordshire suggests there is a substantial flow of households moving from areas of higher house prices who are likely to have significant equity and purchasing power in the local market.

2.20 These households may remain connected to the London labour market and are likely to be able and willing to outbid other households in order to secure housing with easy access to the capital, for example in the villages close to Reading and Didcot and Henley-on-Thames all of which have direct train services to London.

2.21 There is a correspondingly large movement of people from South Oxfordshire to Vale which is suggestive of a net flow of households moving to the relatively less expensive neighbouring area to access housing.

Figure 3: Destination of Out Migrants from South Oxfordshire and Vale (Top 10 Locations in terms of Volume of Movements) 2015

Destination of out-migrants from South Oxfordshire & Vale					
<i>Moves from South Oxon to:</i>			<i>Moves from Vale to:</i>		
South Oxfordshire	5,642	43%	Vale of White Horse	6,038	45%
Vale of White Horse	841	6%	Oxford	950	7%
Oxford	706	5%	South Oxfordshire	612	5%
Reading	378	3%	West Oxfordshire	422	3%
Aylesbury Vale	262	2%	Swindon	343	3%
West Berkshire	246	2%	Cherwell	263	2%
Wycombe	244	2%	Wiltshire	254	2%
Cherwell	232	2%	West Berkshire	189	1%
West Oxfordshire	199	2%	Cotswold	94	1%
Wokingham	156	1%	Aylesbury Vale	93	1%
Wiltshire	132	1%	Bristol	89	1%
London (all Boroughs)	704	5%	London (All Boroughs)	600	4%
Total moves	13,245	100%		13,510	100%

Source: ONS Migration Indicators Tool

Figure 4: Origin of In Migrants to South Oxfordshire and Vale (Top 10 Locations in terms of Volume of Movements) 2015

Origin of in-migrants to South Oxfordshire & Vale					
<i>Move to South Oxon from:</i>			<i>Moves to Vale from:</i>		
South Oxfordshire	5,642	45%	Vale of White Horse	6,038	46%
Oxford	667	5%	Oxford	1078	8%
Vale of White Horse	612	5%	South Oxfordshire	841	6%
Wycombe	352	3%	West Oxfordshire	370	3%
Reading	318	3%	Wiltshire	243	2%
Aylesbury Vale	314	2%	Swindon	234	2%
West Berkshire	229	2%	Cherwell	185	1%
Cherwell	215	2%	West Berkshire	165	1%
Wokingham	172	1%	Reading	69	1%
West Oxfordshire	161	1%	Aylesbury Vale	65	0%
Windsor and Maidenhead	123	1%	City of Bristol	65	0%
London (all Boroughs)	889	7%		511	4%
All Moves in Year	12,617	100%		13,030	100%

Source: ONS Migration Indicators Tool

Figure 5: Net Migration 2015/16

South Oxfordshire	Net	Vale of White Horse	Net
London (all Boroughs)	185	South Oxfordshire	229
Wycombe	108	Oxford	128
Aylesbury Vale	52	Reading	-6
Windsor and Maidenhead	35	Wiltshire	-11
Wokingham	16	West Berkshire	-24
Cherwell	-17	City of Bristol	-24
West Berkshire	-17	Aylesbury Vale	-28
West Oxfordshire	-38	West Oxfordshire	-52
Oxford	-39	Cherwell	-78
Reading	-60	London (all Boroughs)	-89
Vale of White Horse	-229	Swindon	-109

Source: ONS Migration Indicators Tool

- 2.22 Figure 6 provides data on the age of migrants to and from South and Vale in 2015. The data suggests that there was net in-migration of working age households, including families with young children to both South and Vale. There is substantial net out-migration of young people aged 15-19 which will reflect moves of students into higher education in major cities.
- 2.23 Broadly, there is net in-migration to both authorities by people in the older age groups (aged 70+) which suggests that the two areas are attractive to those moving after retirement from work. However, the overall volume of movements is lower amongst the older age groups compared to the younger age groups, reflecting the fact that people are less likely to move home as they enter older age.

Figure 6: Migration by Age in 2015

	South Oxfordshire			Vale of White Horse		
	Inflow	Outflow	Net	Inflow	Outflow	Net
0-4	600	500	100	670	550	120
5-9	360	340	20	430	360	60
10-14	260	300	-40	460	270	190
15-19	380	800	-420	330	710	-380
20-24	1190	1020	170	1220	1090	130
25-29	1040	990	60	1030	900	130
30-34	970	800	170	1000	770	220
35-39	750	620	120	710	520	190
40-44	540	470	80	520	360	150
45-49	440	440	0	410	310	100
50-54	360	380	-10	330	250	80
55-59	290	330	-30	240	220	20
60-64	190	260	-70	180	210	-20
65-69	210	220	-10	160	170	-10
70-74	140	90	50	100	110	-10
75-79	100	90	10	80	60	10
80-84	90	70	20	80	60	20
85-89	70	80	-10	70	60	10
90+	70	60	10	40	50	0

Source: ONS Migration Indicators Tool

Employment and Skills

- 2.24 The existing population of households living in South and Vale has a high level of skills compared to the South East and England as a whole. In South Oxfordshire, 57% of the resident population aged 16-64 has a qualification equivalent to NVQ4 and above (degree level qualification). This compares to 40% in the South East as a whole (Figure 7).
- 2.25 Figure 8 shows that this high level of skills within the population is also reflected in the proportion of the population in managerial and professional occupations. In both authorities, over 40% of the working-age population is employed in managerial and professional occupations – occupations typically associated with higher earnings. This compares to around 33% in these occupations in the South East as a whole.
- 2.26 There is net out-commuting from both local authorities amongst the resident working-age population. This is more pronounced in South Oxfordshire, where residents access jobs in London, Reading and Oxford. This also explains why resident-based earnings are higher than workplace earnings in South Oxfordshire as many residents commute to higher paid jobs in neighbouring cities and the capital.

Figure 7: Qualification Levels in the Resident Population 2015

	South Oxfordshire (%)	Vale Of White Horse (%)	South East (%)
NVQ4 And Above	57.4	47.7	39.8
NVQ3 And Above	69.8	64.6	58.8
NVQ2 And Above	85.0	80.1	76.8
NVQ1 And Above	94.5	91.4	88.5
Other Qualifications	#	#	5.2
No Qualifications	#	4.7	6.3

Source: ONS Labour Force Survey % of resident based population aged 16-64 # sample size too small for reliable estimate

Figure 8: Resident Employment by Occupation (Population Aged 16+) 2015-16

	South Oxon		VoWH		South East	
	Number	%	Number	%	Number	%
Managers, directors and senior officials	10,400	14.0	6,800	10.7	532,900	11.9
Professional occupations	20,400	27.2	20,100	31.6	973,600	21.8
Associate professional & technical occupations	10,900	14.5	11,900	18.7	680,400	15.2
Administrative and secretarial occupations	5,800	7.8	2,400	3.8	477,400	10.7
Skilled trades occupations	7,900	10.5	4,400	7.0	453,000	10.2
Caring, leisure and other service occupations	7,000	9.4	4,200	6.7	402,500	9.0
Sales and customer service occupations	3,500	4.6	3,800	6.0	315,000	7.1
Process, plant and machine operatives	3,600	4.8	4,500	7.1	218,500	4.9
Elementary occupations	5,100	6.8	4,800	7.5	399,100	8.9

Source: ONS Labour Force Survey % of resident based population aged 16-64 # sample size too small for reliable estimate

- 2.27 Average (median) incomes are relatively high in South Oxfordshire compared to the other Oxfordshire Districts and the County as a whole. Just over 10% of households in both authorities have incomes in excess of £100,000; higher than the other Oxfordshire Districts and the County as a whole. There are also fewer households on incomes of £20,000 or less in both South and Vale (21% of households) than in Oxfordshire as a whole (25%) Nevertheless, there is still a substantial proportion of households in both authorities who have incomes that are likely to be insufficient to access market housing to rent or buy.

Figure 9: Household Incomes in Oxfordshire (2013)

Income band	Cherwell	Oxford	South Oxon	VoWH	West Oxon	County
Under £10k	2.30%	4.00%	1.60%	1.80%	2.10%	2.30%
£10k to £20k	22.90%	26.80%	19.70%	20.30%	22.30%	22.50%
£20k to £30k	18.10%	18.50%	18.00%	18.00%	18.10%	18.10%
£30k to £40k	14.30%	13.90%	13.90%	14.10%	14.20%	14.10%
£40k to £50k	10.40%	10.90%	10.50%	10.40%	10.40%	10.50%
£50k to £60k	8.80%	7.30%	9.00%	9.00%	8.90%	8.60%
£60k to £80k	9.40%	7.50%	11.00%	10.70%	9.70%	9.60%
£80k to £100k	4.70%	4.30%	5.50%	5.20%	4.80%	4.90%
Over £100k	9.20%	6.90%	10.90%	10.60%	9.60%	9.40%
Total	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Mean	£45,254	£40,007	£49,477	£48,558	£46,097	£45,800
Median	£34,419	£30,429	£37,632	£36,933	£35,061	£34,729

Source: Oxfordshire SHMA. Data related to 2013

- 2.28 The Shelter report *'Housing Insights for Communities'* provides a segmentation of the household population in each local authority, using the ACORN classification data. Figure 10 summarises this segmentation for South and Vale.
- 2.29 A very significant proportion of households within South and Vale (45%) are described in this classification as *'Wealthy Achievers'*. This group includes both working age people and retired households. This compares to just 25% in this group at the UK national level. In contrast, only 12% of households in South Oxfordshire and 16% in Vale are classified as either having *'moderate means'* or *'hard pressed'* compared to 35% in these groups in the UK as a whole.
- 2.30 This classification emphasises the relatively wealthy nature of the household population in both local South and Vale. Nevertheless, a substantial proportion of households have limited resources or are *'hard pressed'*. Although the proportions in these groups are lower than in the UK as a whole, there is significant contrast between these groups and the majority of households who are either wealthy or comfortably off.
- 2.31 Relatively high incomes amongst a large proportion of the household population, and the large and growing number of older households, are reflected in the patterns of occupancy in the two authorities. Households living in homes they own – either outright or with a mortgage – tend to under-occupy their homes. This means that they buy and occupy properties which are larger than their basic needs require. This is particularly true amongst older households where children have left home and they choose to remain in the family home.

Figure 10: Types of Households in South Oxfordshire and Vale of White Horse, Based on ACORN Classification

	South Oxfordshire	Vale of White Horse	UK
Wealthy Achievers	45%	45%	25.3%
Wealthy executives	25%	26%	8.6%
Affluent greys	11%	10%	7.9%
Flourishing families	10%	10%	8.8%
Urban Prosperity	7%	8%	11.8%
Prosperous professionals	3%	3%	2.1%
Educated urbanites	3%	4%	5.9%
Aspiring singles	1%	1%	3.8%
Comfortably Off	35%	28%	27.2%
Starting out	8%	7%	3.5%
Secure families	19%	15%	14.9%
Settled suburbia	4%	3%	5.8%
Prudent pensioners	3%	3%	3.0%
Moderate Means	4%	6%	13.8%
Asian communities	0%	0%	1.5%
Post-industrial families	3%	4%	4.6%
Blue collar roots	1%	2%	7.7%
Hard Pressed	8%	10%	20.8%
Struggling families	6%	8%	13.0%
Burdened singles	1%	2%	4.2%
High rise hardship	0%	0%	1.6%
Inner city adversity	0%	0%	2.0%

Source: Shelter 'Housing Insights for Communities', using ACORN classification

- 2.32 The type, size and location of housing that households choose to occupy in the market sector is more closely related to income and wealth than it is to household type or size.
- 2.33 The Oxfordshire SHMA estimates the requirement for different sizes of properties to 2031 based on demographic projections and existing patterns of occupancy. The latter provides a proxy for income and wealth and these projections assume that the relationship between household types and occupancy patterns will continue in the future.
- 2.34 Figure 11 estimates the proportion of new dwellings required by number of bedrooms in the market sector. These estimates suggest that around two thirds of the new housing required in South and Vale will be properties of 3 bedrooms or larger. It is important to stress that these projections embed existing trends.

Figure 11: Estimated Dwelling Requirement by Number of Bedrooms (2011-2031) – Market Sector

Sub-area	1 bedroom	2 bedrooms	3 bedrooms	4+ bedrooms
Cherwell	6.2%	23.1%	46.2%	24.6%
Oxford	10.7%	24.0%	38.0%	25.5%
South Oxfordshire	5.7%	26.7%	43.4%	24.2%
Vale of White Horse	5.9%	21.7%	42.6%	29.8%
West Oxfordshire	4.8%	27.9%	43.4%	23.9%
OXFORDSHIRE	7.0%	24.4%	42.9%	25.7%

Source: Housing Market Model

Source: Oxfordshire SHMA

Affordable Housing Pressures

- 2.35 The SHMA also makes similar projections for the size of homes required in the affordable sector. Fundamentally different patterns underpin these projections since affordable homes are allocated according to a household’s basic requirements for space. For example, a couple with 2 young children under the age of 10 would be allocated a 2 bedroom property.
- 2.36 As such, the estimates in Figure 12 reflect the tendency of households in the affordable sector to fully occupy their properties, in line with local authority allocation policies. The main requirement implied by these estimates in both authorities is the need for smaller properties. The largest proportion of households in the future will need 2-bedroom homes. However, there remains a substantial requirement for 3-bedroom and larger properties. Around one third of households will need larger properties according to household projections.

Figure 12: Estimated Dwelling Requirement by Number of Bedrooms (2011-2031) – Affordable Sector

Sub-area	1 bedroom	2 bedrooms	3 bedrooms	4+ bedrooms
Cherwell	28.3%	31.0%	36.9%	3.7%
Oxford	29.0%	32.7%	32.2%	6.1%
South Oxfordshire	32.6%	35.5%	29.3%	2.7%
Vale of White Horse	27.3%	35.1%	33.6%	3.9%
West Oxfordshire	23.3%	43.7%	30.4%	2.6%
OXFORDSHIRE	28.4%	34.7%	32.7%	4.3%

Source: Housing Market Model

Source: Oxfordshire SHMA

- 2.37 Whilst the SHMA analysis considers the need for affordable homes over the longer term, based on demographic projections, it does not consider available supply through lettings. Figure 13 presents analysis of the current pressures on the affordable housing stock by comparing the number of bids to the number of properties available to let. This analysis is based on data for the last available year (2015/16).
- 2.38 The analysis shows the very high pressure on 2-bedroom affordable rented homes in South Oxfordshire. In Vale, the greatest pressure is on 1-bedroom properties. Again, the demand for smaller properties reflects the tight rationing of social/affordable rented housing which means that a range of

different households, including those with children, are only entitled to bid for properties which meet their basic needs.

Figure 13: Number of Bids Per Property Available for Letting, by Size for Social/Affordable Rented Housing (2016)

	South Oxfordshire	Vale of White Horse
1 bedroom	23	26
2 bedroom	37	12
3 bedroom	14	3
4 bedroom	9	7
All properties	27	13

Source: South and Vale Councils

2.39 In summary, there a number of ways that the characteristics of households influence the range of homes required:

- Family households make up the largest proportion of households in both South and Vale and, in the market sector, tend to demand and occupy larger properties. Migration patterns suggest net movement of families with young children into South and Vale, suggesting it is a popular location for those who want to bring up children, including those moving out of London. Family households will continue to account for the largest group, even as the population continues to age over the next 30 years.
- There are slightly larger proportions of older people in both authority areas than in the South East and England as a whole. The population is also ageing and these households will account for a larger share of the population in 20 years' time. Their needs will have a strong bearing on the type of housing required and the choices they make will also impact on other groups in the housing market. The vast majority of older people will continue to live in the mainstream housing stock. But expansion of specialist forms of housing to enable care to be provided to those in advanced old age with mobility problems and greater number of old people with dementia is required.
- There is substantial pressure on the affordable rented stock, particularly 2-bedroom properties in South Oxfordshire and smaller properties in general in Vale. Whilst current pressures indicate the need for 2-bed affordable homes, demographic projections and estimates in the SHMA indicate a continued need in the longer term of properties of 3-bedrooms or larger as part of the mix.
- The majority of households in both authority areas can be described as either wealthy or comfortably off by comparison to households as a whole. The proportion of wealthy and secure households is substantially higher in South Oxfordshire and Vale than in the South East and England as a whole. This impacts upon the type and size of housing demanded and, indeed, the location of these households in the area is also a function of the attractiveness of places and the housing stock.

- Nevertheless, there is a significant proportion of households in both areas who have low incomes and can be described as hard-pressed. To some extent these different groups live in different locations within the authority area. The villages and market towns such as Henley and Wallingford cater for higher income households and the towns of Didcot, Abingdon and Wantage provide accommodation for lower income households. This polarisation is a feature that the Councils are seeking to address through planning policies on affordable housing and through the expansion of Didcot as a garden town.

3. The Characteristics of Housing in South Oxfordshire and Vale of White Horse

- 3.1 This section considers the characteristics of the current stock of housing within the two authorities in terms of tenure, type, size and the cost of home ownership and renting. The section compares the cost of accessing housing given the household incomes of residents as set out in Section 2 and considers the affordability of ownership and renting.
- 3.2 This section also sets out the pattern of recent completions of both market and affordable housing and how these compare to the nature of housing in the existing stock and the characteristics of current and future residents.
- 3.3 This paper considers the following key indicators and how they affect the nature of housing required:
- Tenure
 - Type and size
 - House prices and rents
 - Affordability
 - Completions

Tenure

- 3.4 Home ownership levels are high within both South and Vale - at 73% in South Oxfordshire and 70% in Vale. A further 1% live in shared ownership housing (see Figure 14). Levels of ownership are higher in the two authorities than the South East and England as a whole and reflect the characteristics of the population outlined in Section 2 in terms of income and wealth.
- 3.5 In 2011 the private rented sector accounted for 13.3% and 13.6% of households in South and Vale respectively. This is below the county, regional and England average. In actual numbers this amounts to 7,200 and 6,700 households respectively.

Figure 14: Detailed Tenure Profile, 2011

	Total Households	Owned	Shared Ownership	Social Rented	Private rented	Other
South Oxfordshire	54,104	72.9%	0.8%	11.4%	13.3%	1.5%
Vale of White Horse	49,407	70.3%	1.0%	13.3%	13.6%	1.7%
Oxfordshire	258,855	65.5%	1.1%	14.2%	17.5%	1.7%
South East	3,555,463	67.6%	1.1%	13.7%	16.3%	1.3%
England	22,063,368	63.3%	0.8%	17.7%	16.8%	1.3%

Source: Census (2011)

- 3.6 The private rented sector was the key growth sector in the housing market across England between 2001 and 2011, this being linked to the declining affordability of home ownership and a number of factors that encouraged an increase in supply of rented housing including the availability of mortgage finance and buy-to-let mortgages, and the attractiveness of housing as an investment.
- 3.7 The number of households living in the Private Rented Sector in South Oxfordshire and Vale of White Horse increased 2.8 and 2.5 percentage points during the 10 year period 2001 to 2011, compared to a 5.5 percentage point increase across the South East region and 6.2 percentage points nationally. Home ownership levels in South Oxfordshire fell slightly over the same period, but increased in Vale counter to the national trend.
- 3.8 Whilst the size of the private rented sector in both authorities is small compared to the region and England, there are very high levels of private renting in Oxford City; 28% of households in Oxford rent privately, with a further 21% living in the social rented sector.
- 3.9 Henley on Thames in South Oxfordshire also has a relatively high proportion of private renting compared to other sub-markets within the two authorities. This reflects the high cost of home ownership in the town, which forces some households to rent where in other location would have been able to buy. It also reflects Henley's good connections with London which attract young professionals willing to commute to the capital to access higher paid employment.

Figure 15: Detailed Tenure Profile, 2001-2011

	South Oxfordshire	Vale of White Horse	Oxfordshire	South East	England
Owned - 2001	73.8%	68.9%	65.8%	68.4%	63.7%
Owned - 2011	72.9%	70.3%	65.5%	67.6%	63.3%
Social Rented - 2001	11.4%	12.9%	14.4%	14.0%	19.3%
Social Rented - 2011	11.4%	13.3%	14.2%	13.7%	17.7%
Private Rented - 2001	12.0%	12.8%	15.9%	12.1%	12.0%
Private Rented - 2011	14.8%	15.3%	19.2%	17.6%	18.2%

Source: Census (2001 and 2011)

- 3.10 Private rents have increased significantly at a regional and national level since 2008. The price and affordability of renting is examined further on in this section.
- 3.11 The estimates contained in the Oxfordshire SHMA demonstrate a shortfall of affordable rented homes in both authorities. The estimates take account of affordable housing units in the development pipeline which are used to offset identified needs. The SHMA concludes that there is a need for 331 and 215 affordable rented homes to meet the shortfall of this accommodation each year (2011-2031) in South Oxfordshire and Vale of White Horse respectively. The need would be higher if the supply in the pipeline failed to be delivered as planned.
- 3.12 The focus of SHMA affordable housing need analysis is on those households unable to afford to rent without subsidy. By implication, the vast majority of these households are unable to afford low cost

home ownership products since their incomes are too low to access these options (see Table 60 in the SHMA). The SHMA analysis indicates that around 12% of households in South Oxfordshire and 14% of households in Vale could afford shared ownership/equity products.

- 3.13 The private rented sector plays a substantial role in accommodating households in need, supported through Housing Benefit/Universal Credit. In 2013, the private rented sector accommodated 1,700 households claiming Housing Benefit in South Oxfordshire and 1,400 in Vale. Households supported by Housing Benefit account for 22% of all private renters in South Oxfordshire and 18% in Vale.
- 3.14 Taken together, the evidence is of a relatively small sized private rented sector in both authorities, compared to regional and national levels; and that the shortfall of affordable rented homes suggests that both authorities lack a sufficiently large affordable, high quality rented sector.

Type and Size

- 3.15 The Oxfordshire SHMA shows that there is a bias towards larger properties across the housing market area compared to the South East and England.⁴ The bias towards larger properties is even more pronounced in South and Vale. Around 36% of the stock in both authorities are detached homes. This is a common pattern in the rural hinterlands around large towns or cities where villages and market towns offer larger properties often in desirable locations.
- 3.16 In both authorities, more than one quarter of the housing stock has 4 bedrooms or more. The nature of the stock influences the pattern of migration into the two authorities – selecting those households who are able to afford to buy larger properties, including relatively wealthy families and retired households as described by the ACORN classification in Section 2.
- 3.17 The majority of homes in the stock in both authorities are under occupied – 78% in South and 79% in Vale. This compares to 71% in the South East and 69% in England. In general, this means that households have more bedrooms than required compared to the size of their household. This is common amongst owner occupiers, particularly where households are able to afford more space than they need to fulfil their basic requirements. Research by Christine Whitehead at Cambridge University found that demand for space grows in line with income – with every 1% increase in income translating into more than 1% demand for housing.
- 3.18 Conversely, there are fewer flats and terraced properties in the stock of South and Vale, although there are submarkets within the two authorities where there are larger proportions of smaller homes, for example in Didcot. In part, this reinforces the pattern of households who live in and move to Didcot. The turnover of smaller properties is higher than amongst larger homes so the availability of smaller properties is not as constrained as suggested by the profile of the stock.

⁴ See Figure 3 in the SHMA

- 3.19 Despite the large proportion of larger properties in the housing stock in both authorities, overcrowding has increased over 2001-2011 by around one third, consistent with increases at the regional and national level. The majority of those households living in overcrowded homes are in the social and private rented sectors, where the choices available to these households are limited by their low incomes.
- 3.20 The SHMA also provides an overview of the size of the stock of specialist housing for older people:
- There are 1,500 sheltered housing units in South Oxfordshire and 1,000 in Vale (2014). In many ways, sheltered housing is no different to the mainstream housing stock since households live independently although there may be additional security features and on site wardens.
 - There were just 40 extra-care units in South Oxfordshire in 2014. In recent years, this form of housing with care has been considered good practice in maintaining independent living and reducing the need for older people to move into residential or nursing care homes.
 - There were 940 care home beds in South Oxfordshire in 2014 and 800 in Vale of White Horse.
 - These figures suggest that the two authorities are reliant on somewhat outdated forms of specialist accommodation for older people.

House Prices and Rents

- 3.21 House prices in both authority areas are above the national average. It is worth noting that the highest prices in the HMA are in Oxford City, reflecting high demand and limited supply of housing in the City.
- 3.22 Current average prices in South Oxfordshire (2015/16) are £467,800. Average prices are lower in Vale at £375,000 but remain significantly above those at the regional and national level. There are cheaper pockets of house prices in the urban areas of Wantage, Didcot and Abingdon.
- 3.23 The pattern of average prices reflects the bias towards larger homes in the housing stock of both authorities. Again, the price of properties in the two authorities, in particular South Oxfordshire, will be reflected in the type of households who live in the area; that is, they will be biased towards higher income groups and retired households.
- 3.24 Figure 16 sets out the lower quartile prices of properties in 2015/16. In both authorities, the lower quartile price was over £250,000. Lower quartile flats are cheaper in both authorities, though the data on the housing stock presented earlier in this section shows that these are in more limited supply than other types of housing.
- 3.25 Figure 17 shows mean house prices in South and Vale and Figure 18 shows the pattern of median house prices across Oxfordshire. Figures 19 and 20 show that rents in South and Vale are higher than in the South East region as a whole

Figure 16: Lower Quartile House Prices by Type in 2015/16

Lower quartile	Flats	Terraced	Semi-detached	Detached	All dwellings
South Oxfordshire	£173,000	£258,500	£290,000	£415,000	£280,000
Vale of White Horse	£165,000	£230,000	£270,000	£370,000	£259,000

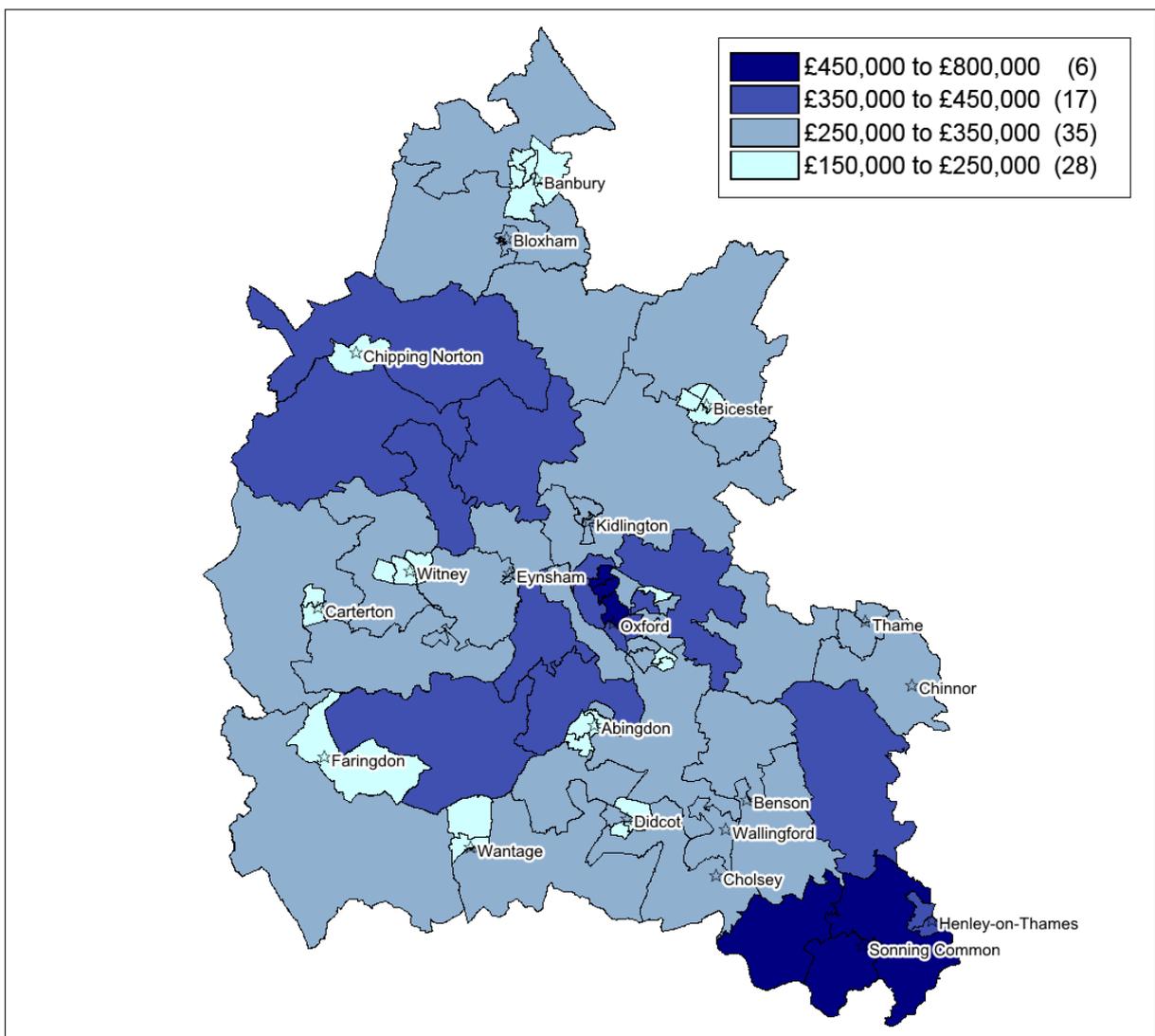
Source: Land Registry Price Paid Data

Figure 17: Average (Mean) Prices by Type in 2015/16

Average prices (mean)	Flats	Terraced	Semi	Detached	All dwellings
South Oxfordshire	£263,692	£358,806	£377,132	£664,843	£467,760
Vale of White Horse	£210,615	£285,151	£330,520	£520,042	£375,029

Source: Land Registry Price Paid Data

Figure 18: Map of Median House Prices 2014



Source: JSNA Figure 41; based on ONS House Price Statistics for Small Areas

Figure 19: Mean Average Rents Per Calendar Month, 2015

Mean average	Room	Studio	1 bed	2 bed	3 bed	4 bed+	All dwellings
South Oxfordshire	~	£576	£751	£972	£1,199	£2,152	£1,149
Vale of White Horse	£483	£597	£748	£904	£1,088	£1,752	£1,012
Oxfordshire	£495	£619	£784	£944	£1,152	£1,870	£1,070
South East	£425	£535	£674	£868	£1,069	£1,897	£959
England	£382	£641	£694	£760	£867	£1,556	£820

Source: Valuation Office Agency Private Rental Series

Figure 20: Lower Quartile Rents Per Calendar Month, 2015

Lower quartile	Room	Studio	1 bed	2 bed	3 bed	4 bed+	All dwellings
South Oxfordshire	~	£550	£695	£850	£930	£1,498	£825
Vale of White Horse	£315	£555	£695	£825	£930	£1,295	£795
Oxfordshire	£468	£550	£675	£800	£950	£1,450	£775
South East	£360	£450	£550	£700	£850	£1,300	£650
England	£325	£395	£435	£495	£575	£850	£495

Source: Valuation Office Agency Private Rental Series

Affordability

- 3.26 The high house prices and rents within the two authority areas feed through into affordability challenges for existing and future residents. Figures 21 and 22 set out the annual income required to access home ownership and renting within South and Vale. The income required to access home ownership (at lower quartile prices) is dependent on assumptions about the level of deposit and income multiple that mortgage lenders are prepared to accept.
- 3.27 However, based on households having access to a 10% deposit and borrowing up to 4 times their income, households in South Oxfordshire would need incomes of £63,000 or above, and in Vale they would need an income of £58,300 or above. These thresholds are substantially above average incomes within the two authorities.
- 3.28 Median average incomes in 2014 were £37,600 in South Oxfordshire and £36,900 in Vale of White Horse. Over 70% of all households in both authorities would be unable to afford to purchase a lower-quartile priced property based on their incomes.

Figure 21: Income Required to Purchase a Lower Quartile Property 2015-16

Income required to purchase	South Oxon	Vale	S. Oxon Flat	Vale Flat
LQ price	£ 280,000	£ 259,000	£ 173,000	£ 165,000
10% deposit	£ 28,000	£ 25,900	£ 17,300	£ 16,500
Mortgage required	£ 252,000	£ 233,100	£ 155,700	£ 148,500
Income required (3.5X income)	£ 72,000	£ 66,600	£ 44,486	£ 42,429
Income required (4X income)	£ 63,000	£ 58,275	£ 38,925	£ 37,125

Source: Land Registry Price Paid Data. Lower quartile prices for the year 2015-16

3.29 The income required to access lower-quartile priced flats are lower and more in line with average incomes in the two authorities. However, these are small properties and unsuitable for many households, including families, who need larger accommodation.

Figure 22: Income Required to Rent (Based on Households Spending 30% of Gross Income on Rent) 2015

LQ	Monthly Rent	Annual Rent	Annual Income Required
South Oxfordshire	£825	£9,900	£33,000
Vale of White Horse	£795	£9,540	£31,800
South East	£650	£7,800	£26,000
England	£495	£5,940	£19,800

Source: Valuation Office Agency Private Rental Series

3.30 The income required to access lower quartile rented properties is above £30,000 in both authority areas. This assumes that households spend 30% of their gross income on rent.⁵ Figure 22 is based on the lower quartile rent for all properties. However, the lower quartile rent for 2 bed properties is of a similar level. Households needing 3 bedrooms or larger would need higher incomes to access renting at an affordable level.

3.31 The SHMA provides income distribution data for households in both authorities (Table 45 of the SHMA). Based on incomes in 2014, around 40% of households in the two authorities would be unable to afford to rent privately.

3.32 It is also worth noting the substantial gap between the income required to afford renting (£31-33,000 per annum) and the income required to afford home ownership (£58-63,000). Households with incomes above £33,000 but below £58,000 are able to rent but unable to buy in the market. This is often described as the intermediate market, where products such as shared ownership and Starter Homes are aimed at extending home ownership to these households.

3.33 Data from Help to Buy South shows that 1,055 households in South Oxfordshire and 605 households in Vale were registered as interested in Help-to-Buy products (intermediate housing options) in October 2016. It is relevant to note:

- The average incomes of applicants on the Help-to-Buy register are below the average incomes of households as a whole. The average income of applicants in South Oxfordshire is around £32,100 – around the level of income required to access a lower quartile rented property. Similarly, the average income of applicants in Vale is around £31,400 – broadly equivalent to the income required to access LQ rented property in the District.

⁵ These figures differ from those in the Oxfordshire SHMA (Table 43) which used 35% of gross incomes as the threshold for accessing private renting and were based on 2013 prices. Nevertheless, they are of the same order of magnitude. WEc has used 30% based on a recent review of the evidence around affordability thresholds. Figures from 25-40% have been used in SHMAs, but the appropriate threshold may depend on local circumstances.

- However, the largest proportion of those registered with Help to Buy have incomes of £20-£30,000. These incomes are substantially below that required to access home ownership. Even lower quartile prices of flats within both authorities require households to have incomes of around £37-£38,000, along with a 10% deposit (and assuming they are able to borrow four times their income from a mortgage lender).
- Over three-quarters of households are under the age of 40, which is relevant given the criteria for accessing the new Starter Homes product.
- The majority of applicants are 1 and 2 person households (70% in South Oxfordshire and 68% in Vale). Household size and the limitation of household incomes means that most of these households are interested in smaller properties, particularly 2-bedroom homes. However, it is important to remember that around 30% of applicants have 3 or more people in their household which demonstrates demand from families who are unable to afford open market homeownership. Around 20% of applicant households require a 3-bedroom property or larger, though in practice supply of these homes is more limited than demand.
- The vast majority of applicants in both authorities are either currently living with friends or family or renting privately. There is broad overlap between the intermediate market and the private rented sector.

3.34 Figure 23 sets out the spectrum of housing tenures within the two authorities and the estimated household income required to afford each tenure. Figure 23 illustrates that shared ownership properties extend home ownership to households unable to afford market prices but are able to afford market rents.

Figure 23: Income Required to Afford Different Tenures in South Oxfordshire and Vale (2 bed and/or Lowest Quartile Property)

Tenure/ Product	South Oxfordshire	Vale of White Horse
Social Rent (2 bed)	Tbc	Tbc
'Living' Rent (2 bed)	Tbc	Tbc
Affordable Rent at 80% of market rent (2 bed)	tbc	Tbc
Market Rent (Lower Quartile 2 bed)	£33,000	£31,800
Shared Ownership (2 bed) – average income of those purchasing	£35,500	£31,200
Starter Home (priced at £250k cap)	£50,000 (mortgage income multiple of 4X income)	£50,000 (mortgage income multiple of 4X income)
Market Ownership (LQ property valued at £280,000 in South and £259,000 in Vale 2015/16)	£63,000	£58,300 (mortgage multiple of 4X income)

3.35 Given the high price of lower quartile market properties in both authority areas, Starter Homes which are priced at the cap of £250k would also extend home ownership to households currently priced out of the market. This is not the case in many other local authority areas, where the potential price of Starter Homes either overlaps with or exceeds lower quartile prices. However, if Starter Homes are priced at or close to the £250k cap, they will not extend home ownership very far. Indeed, in Vale of

White Horse the difference between lower quartile priced properties and Starter Homes appears marginal.

- 3.36 The pricing of Starter Homes will be a complex and important process for both developers, registered providers and local authorities. The price at which it is possible to sell Starter Homes in both authority areas and the high lower quartile price of properties in both areas implies that Starter Homes ought to form part of the mix of *affordable* homes on development sites.
- 3.37 Furthermore, developers will not want to offer Starter Homes at prices with the potential to compete with the market housing on their sites because it will erode the profit from the sale of market homes. Nevertheless, the price at which Starter Homes can be sold in both areas, particularly Vale, means that they may not extend home ownership to most of those households currently unable to buy.
- 3.38 If Starter Homes were priced at a level substantially below that of current lower quartile properties this would ensure that Starter Homes are taken up by households who cannot afford to buy on the open market (unless they have access to significant deposits). However, one implication of this approach might be that these homes require more subsidy to be delivered and that this might have knock on consequences for the subsidy available to other forms of affordable housing, particularly rented homes.
- 3.39 Starter Homes priced at levels which are affordable to those currently priced out of the ownership market are also likely to be in direct competition with the current range of shared ownership products. Starter Homes are likely to be much more attractive to these buyers since they offer the opportunity of full ownership and a guaranteed 20% uplift in value after a number of years (the precise term have yet to be finalised). Since shared ownership often provides cross subsidy for RPs to deliver subsidised rented homes this would present is a significant risk to the current delivery model for rented housing.
- 3.40 Only if Starter Homes are priced substantially below lower quartile property prices will they help those priced out of the market, rather than just those households on the margins of being able to afford to buy and those who can already afford market prices. This issue has been explored by Shelter.⁶ But it is important to note that there is a size and type dimension to this. Lower quartile properties on the open market are typically smaller properties (1 and 2 bedrooms) and more likely to be flats and terraces than larger houses. If Starter Homes are priced purely in relation to the price of lower quartile properties on the open market, it is unlikely that developers will be able to deliver larger Starter Homes. Indeed, the price cap on Starter Homes is likely to limit the delivery of larger properties in the two authorities.

⁶ The Shelter report published in August 2015 'Starter Homes – Will they be affordable?' concludes that this product will help those able to afford to buy in the open market and will not help households in need of affordable housing. The further risk raised by Shelter is that these homes will be delivered at the expense of other forms of affordable housing.

3.41 However, if Starter Homes are priced significantly below lower quartile prices, Starter Homes will overlap with the intermediate shared ownership market and may reduce demand for these products given the significant financial incentive to purchase a Starter Home. This is a risk for shared ownership programmes at a time when Government has set out its ambition and funding to expand the shared ownership market.

Pattern of Completions

3.42 It is useful to examine the pattern of new affordable housing delivery in recent years to review:

- how far it reinforces the characteristics of the existing housing stock
- how far it creates greater choice for buyers
- how far it reflects the needs of existing and future residents

3.43 Figures 24 and 25 set out the number of affordable housing completions over the last 10 years. On average, South Oxfordshire has developed 133 new affordable homes per annum over the 7 year period recorded and Vale has developed 163 new affordable homes per annum over the 9 year period recorded. It is relevant to note that, in the last 5 years this represents 31% of all housing completions in South Oxfordshire and 28% in Vale.

3.44 The mix of affordable homes has been broadly in line with policy which requires 75% of affordable homes to be delivered as social/affordable rented homes and 25% as shared ownership or low cost home ownership products. In practice, the proportion varies from year to year reflecting site specific circumstances.

Figure 24: Affordable Housing Completions by Tenure (Number)

	South Oxon			Vale		
	Rented	S/O	Total	Rented	S/O	Total
2007/08				110	50	160
2008/09				64	13	77
2009/10	63	15	78	144	42	186
2010/11	38	0	38	119	79	198
2011/12	139	55	194	51	12	63
2012/13	107	36	143	93	50	143
2013/14	107	80	187	42	25	67
2014/15	68	46	114	193	57	250
2015/16	138	42	180	241	85	326
Average (all years)	94	39	133	117	46	163
Average (last 5 years)	112	52	164	124	46	170

Source: South and Vale Councils

Figure 25: Affordable Housing Completions by Tenure (Percentage)

	South Oxon			Vale		
	Rented	S/O	Total	Rented	S/O	Total
2007/08				69%	31%	100%
2008/09				83%	17%	100%
2009/10	81%	19%	100%	77%	23%	100%
2010/11	100%	0%	100%	60%	40%	100%
2011/12	72%	28%	100%	81%	19%	100%
2012/13	75%	25%	100%	65%	35%	100%
2013/14	57%	43%	100%	63%	37%	100%
2014/15	60%	40%	100%	77%	23%	100%
2015/16	77%	23%	100%	74%	26%	100%
Average (all years)	71%	29%	100%	72%	28%	100%
Average – last 5 years	68%	32%	100%	73%	27%	100%

Source: South and Vale Councils

3.45 Figures 25-29 present data on the size mix of affordable homes delivered for both rented and intermediate tenures. For all tenures in both districts, the largest proportion of homes delivered have been 2-bedroom properties. This reflects that 2-bedroom properties can be delivered as flats or houses and are therefore versatile to site specific circumstances. It is also likely to reflect the characteristics of households on the waiting list. The greatest pressure is on 2-bedroom properties because of the number of different households entitled to this size of property.

Figure 25: Social/Affordable Rented Homes Completed, by Size in South Oxfordshire

	1 bed	2 bed	3 bed	4 bed	Total
2009/10	33%	62%	3%	2%	100%
2010/11	5%	58%	37%	0%	100%
2011/12	27%	47%	19%	7%	100%
2012/13	25%	41%	27%	7%	100%
2013/14	13%	40%	26%	21%	100%
2014/15	15%	49%	26%	10%	100%
2015/16	41%	38%	16%	5%	100%
Average	25%	45%	21%	8%	100%

Figure 26: Social/Affordable Rented Homes Completed, by Size in Vale of White Horse

Vale	1 bed	2 bed	3 bed	4 bed	Total
2007/08	57%	37%	1%	5%	100%
2008/09	55%	33%	11%	2%	100%
2009/10	12%	60%	28%	0%	100%
2010/11	15%	39%	37%	8%	100%
2011/12	24%	39%	31%	6%	100%
2012/13	25%	38%	32%	5%	100%
2013/14	14%	36%	38%	12%	100%
2014/15	28%	38%	25%	9%	100%
2015/16	13%	46%	26%	15%	100%
Average	25%	43%	25%	8%	100%

3.46 Anecdotally, some Registered Providers have reported difficulty in developing 3-bedroom and larger properties because of the introduction of the benefit cap and the consequent impact on the amount that larger households can afford to spend on rent. This has discouraged some Registered Providers from developing larger properties because of the risk they present to Registered Providers' income.

3.47 However, this does not appear to be reflected in the local data which shows that 3-bed and larger properties have continued to be delivered in the most recent years. It may take some time for these trends to feed through into completions however as even the most recent years reflect Section 106 agreements which were agreed under previous policy environments.

3.48 The majority of intermediate affordable homes have been delivered as 2-bedroom properties. Whilst a proportion of 3-bedroom homes suitable for families have been developed, in absolute terms the numbers are small. On average this equates to around ten 3-bedroom properties each year.

Figure 27: Intermediate Completions, By Size in South Oxfordshire

	1 bed	2 bed	3 bed	4 bed	Total
2009/10	47%	53%	0%	0%	100%
2010/11	~	~	~	~	~
2011/12	18%	69%	13%	0%	100%
2012/13	28%	33%	39%	0%	100%
2013/14	1%	58%	41%	0%	100%
2014/15	4%	61%	35%	0%	100%
2015/16	19%	60%	21%	0%	100%
Average	14%	57%	29%	0%	100%

Figure 28: Intermediate Completions, By Size in Vale of White Horse

	1 bed	2 bed	3 bed	4 bed	Total
2007/08	22%	68%	8%	2%	100%
2008/09	54%	15%	31%	0%	100%
2009/10	14%	86%	0%	0%	100%
2010/11	22%	49%	18%	11%	100%
2011/12	0%	83%	17%	0%	100%
2012/13	16%	64%	20%	0%	100%
2013/14	0%	72%	28%	0%	100%
2014/15	0%	70%	30%	0%	100%
2015/16	6%	69%	25%	0%	100%
Average	13%	65%	19%	2%	100%

3.49 In summary, there a number of factors which merit consideration in shaping the characteristics of future development in South and Vale:

- Levels of home ownership are above the regional and national level. The size of the private and affordable rented sectors is small compared to national benchmarks. This impacts on the ability of the Councils to meet the needs of those on the waiting list and limits the ability of lower income households to afford to live and work within the two districts.
- The existing stock in both authority areas is biased towards larger dwellings, with a relatively high proportion of detached homes. Smaller dwellings are concentrated within the main towns – predominately Didcot in South Oxfordshire and Wantage in Vale. However, in Didcot in particular, there is a desire to change the housing offer as part of plans to shape the image of the Garden Town.
- The desirability of many localities within the Districts and the larger homes available, feeds through into prices and rents and make the barriers to entry into the market very high. Households living within the two authority areas on average incomes are unlikely to be able to afford to buy in the open market.
- High housing costs relative to local incomes results in migration out-flows to cheaper neighbouring authority areas, as shown in the migration data. At the same time, there is a net inflow of households from London, many of whom have higher wages and larger housing equity which enable them to access the local market.
- There is a substantial gap between the cost of renting and the cost of home ownership, with evidence of a significant number of households who are able to rent but unable to buy on the basis of their incomes.
- Completions of affordable homes in recent years have broadly reflected the Councils’ policy requirement to prioritise rented homes. A range of sizes of both rented and intermediate housing has been delivered but the largest proportion of homes developed has been two bedroom properties.

4. Gaps in the Housing Offer

- 4.1 This section identifies the gaps in the range of housing available in the two authorities, based on the evidence reviewed in this working paper. It starts to consider what actions might be taken in the short, medium and long term if the Councils wish to change the pattern of development in the area.
- 4.2 This section summarises the issues under the following themes:
- Tenure
 - Type and Size
 - Price and Affordability

Tenure

- 4.3 South and Vale have a limited rented sector – both private and affordable. This has implications for the ability of younger and lower income households to live in the area, the ability of some businesses to recruit workers and impacts on the ability of the two Councils to house those with identified housing need on their waiting lists.
- 4.4 The size of the private rented sector, as a proportion of all homes in the two authorities, is small compared to the South East and England as a whole. Despite rapid growth in this sector over the last decade at the national and regional level, the sector has not expanded significantly in South Oxfordshire and Vale.
- 4.5 The PRS accommodates a range of different households but is particularly important for young households, including young professionals. It also plays a key role in meeting housing needs by accommodating households on housing benefit in both authorities.
- 4.6 Amongst the young professional cohort of renters who work within the two authorities, there is a reliance on accommodation provided in Oxford. This is both because of the available supply of rented properties and the attractiveness of the City to young professionals because of the cultural and leisure offer. However, rents are high and quality can be poor in some areas.
- 4.7 Discussions with some businesses operating in the two authorities reveal difficulties in recruiting workers in lower paid positions. In part, this reflects the lack of cheaper rented housing (either private or affordable) housing in some areas, for example Henley-on-Thames and Wallingford, which in turn limits the pool of working age people able to take up these jobs. Some of these businesses (for example supermarkets) find themselves reliant to some extent on student labour and sometimes having difficulties in filling shifts.
- 4.8 In the short term, the Councils could consider working with willing land owners and developers to take up opportunities to develop private rented accommodation schemes. This is discussed further in Background Paper 3.

- 4.9 Evidence presented in the Oxfordshire SHMA demonstrates a general shortage of affordable housing for rent (eg social or affordable rented). Some of these households could be accommodated in private rented housing by accessing housing benefit but this does not provide security of tenure and is not defined as affordable housing in planning policy.
- 4.10 In the short term, the evidence indicates that the shortfall of affordable rented accommodation merits the high priority given to securing these new homes through new market developments. Whilst delivery rates are below planned levels (impacting on the overall level of affordable housing secured) and until the obligations on Councils to provide Starter Homes or other forms of affordable housing are made clear there does not appear to be strong evidence to justify a reduction in the commitment to delivery of affordable rented homes.
- 4.11 However, in the longer term, if delivery rates increase to planned levels (as outlined in Background Paper 3) and affordable housing provision expands in line with the delivery of market homes, there may be a case for reviewing the profile of affordable housing provided.
- 4.12 In the medium term, the Councils will need to review and develop their affordable housing policies in response to the Housing White Paper published in February 2017 and subsequent announcements. Clarity is still required (as of May 2017) on the scale and nature of Starter Homes to be provided and the interaction with other affordable housing options. The level of priority given to Starter Home delivery will have knock on implications for other forms of affordable housing.
- 4.13 Despite the scale of need for affordable rented homes, both South Oxfordshire and Vale Councils have faced some difficulty in letting new affordable rented homes in some villages because of their isolation and limited access to services and public transport. This suggests that whilst the overall need for affordable rented housing is high, the location of provision is important to ensure households are able to access jobs, services and support.
- 4.14 In recent years, the two Councils have not always had control or influence over where new affordable housing is provided. The lack of a 5 year land supply in South Oxfordshire has meant some developments have been approved through planning appeals on sites which were not allocated for housing. For this reason, there is a need for flexibility around the type of affordable housing delivered to ensure that the households accessing these properties are capable of accessing jobs and services and to meet particular gaps in the local market.
- 4.15 For example, in some villages, there may not be sufficient demand for affordable rented homes. There is a risk to RPs in these cases of increased void periods, which are often experienced in areas of lower demand. Increased void periods reduce RP income and the ability of RPs to fund their activities, including new development. In such places, shared ownership or Starter Homes may experience more robust demand given that the rural villages are often the most high cost locations.
- 4.16 In the short term, the Councils will need to review what they are obliged to do according to Government policy before considering changes to affordable housing policies. Even with the

publication of the Housing White Paper in February, there is not total clarity on this, because of the lack of detail about implementation of Starter Homes.

4.17 In the medium term, the Councils could work with RPs to identify locations where affordable housing policies merit greater flexibility in their application, to ensure that the mix of new affordable housing developed is appropriate to the site and location.

- The Councils could work to address the location of affordable housing and use their policies and contributions from developers to rebalance supply. There is some evidence of a lack of affordable rented housing in the market towns and larger settlements (eg Henley, Wallingford) where recruitment difficulties have been cited and where the number of bids for each affordable rented homes that becomes available for let is higher than average for the authority as a whole. These areas could be identified for targeted provision of affordable rented homes.
- Conversely, the Councils may wish to prioritise other forms of affordable housing in areas which appear to exhibit lower demand for affordable rent properties and are not particularly well served in terms of access to employment opportunities and public services eg the smaller villages. These may be appropriate locations to provide low cost home ownership, including Starter Homes, where households accessing these options are likely to have more secure jobs and access to their own transport.
- The Councils could also consider the scenario where the delivery of homes meets committed targets and the extent to which it would remain desirable that increased provision of affordable housing is delivered as predominately rented units. In the scenario of a significant expansion of affordable housing supply, the Councils may wish to expand the provision of low cost home ownership options since, in absolute terms, this would not be at the expense of providing rented units for more vulnerable households.

4.18 In the short term, opportunities could also be explored to vary the tenure of existing affordable rented properties in villages that are experiencing lower demand. In the first instance, the Councils may wish to explore with RPs if any low demand properties could be rented on the open market or switched to a rent-to-buy product for intermediate households. The feasibility of this option will depend on the Section 106 agreements in place which may include conditions on tenure and rent levels. In the longer term, the Council may wish to consider establishing flexibility in policy and in Section 106 agreements to allow flexibility to change the tenure of properties if certain criteria are met.

Type and Size

Market Housing

4.19 In the market sector, the type and size of homes required for current and future residents relates to household income, wealth and life stage rather than the size of the household. It is very difficult to be precise about the range of homes required by those households able to access market housing for this

reason. The SHMA models the range of sizes required, based on current occupancy patterns, and suggests over half of properties required in the future are 3-bed or larger.

- 4.20 The nature of the existing stock also shapes migration into the area. The villages in both areas tend to be attractive to higher income households because of perceived quality of life, the attractiveness of the stock and continued accessibility to employment areas or to railway stations to allow commuting to Oxford, Reading and London. This is a very common pattern of demand which is experienced across the country, where towns and cities offer a higher proportion of smaller (and often more affordable) homes with larger properties provided in suburbs or surrounding rural hinterlands.
- 4.21 Conversely, in Didcot there is a higher proportion of smaller properties, including flats. This is a common feature of urban areas but there is also a perception that the current housing offer of the town is less attractive than in the surrounding villages and, in part, this acts as a deterrent to attracting higher skilled and higher income residents. The development of Didcot as a Garden Town aims to change this perception and part of the approach, alongside developing the town's cultural identity and lifestyle offer, will be to provide a greater range of housing.

Affordable Housing

- 4.22 The profile of need for different types and sizes of homes in the affordable housing sector is determined by allocation policies. As such, the size of properties required relates closely to the size of the household, where space is severely rationed. In South Oxfordshire, the highest 'demand' for affordable rented homes is for 2-bed properties. This reflects the higher number of households who are entitled to these properties – including families with two children. In Vale, the greatest pressure appears to be on 1-bedroom properties.
- 4.23 In the short term, there does not appear to be compelling evidence to change the size mix of properties of new affordable rented properties developed. However, the Councils will need to continue to monitor the impact of changes to the benefit system and affordable housing funding regime, in particular the impact of the benefit cap, to see if this starts to feed through into reductions in the number of 3 bedroom properties planned and delivered by Registered Providers.

Specialist Housing

- 4.24 There is clear evidence of a need for expansion of specialist housing for older people to ensure that there is sufficient accommodation which is also capable of providing care for those who need it. However, there are different options for how this expansion is achieved. Whilst the 'extra-care' or 'assisted-living' model is seen as good practice in providing opportunities for maintaining independence and providing care, there is a spectrum of options including providing homes which are adaptable so that care can be provided in the home through outreach services and/or through telecare.

- 4.25 The housing offer for older people has implications for the rest of housing market. Provision of specialist accommodation such as extra-care is often linked to downsizing which frees up larger properties for other households. This is particularly important in the social/affordable rented sector as it allows younger families to access housing of the appropriate size. In contrast, policies which support care and independence in the home envisage older people remaining in the mainstream housing stock for longer.
- 4.26 In the short term, widespread expansion of the 'extra-care' model appears challenging given the need for significant subsidy of these developments (either through land or capital) where they are led by RPs. The Councils may wish to consider how much support they give to such schemes to enable them to be developed in the medium to longer term. This could include identifying and allocating specific sites for extra-care, making public sector land available and/or bridging funding gaps.
- 4.27 There are a number of options to consider if the Councils wish to make more specific provision for specialist housing for older people, in particular extra care housing, in the Local Plan and to enable developers of such schemes to secure sites.
- Allocation of specific sites for specialist housing is likely to be the best approach to securing new accommodation for older people as it safeguards sites from other forms of development, particularly mainstream housing development which may be more profitable to deliver.
 - As part of future employment land reviews, the Councils could consider whether employment allocations which have not been taken up would be suited to the development of housing with care in addition to, or instead of, mainstream housing.
 - The Councils may also have decided that some employment sites should be retained for employment uses but may be willing to consider housing with care on these sites given the jobs created in managing the scheme and caring for residents on an ongoing basis and the potential for this schemes to contain commercial uses eg restaurant, shop, hairdressers, pharmacy etc. It is within local authorities' powers to decide to do this and commentary could be included in Local Plans to give considerations a more formal basis.
 - There may be opportunities to secure more specialist housing as part of the Didcot Garden Town developments and other major developments such as Berinsfield. As such schemes may affect viability, when compared to mainstream housing, there could be some flexibility offered on the development of employment sites within the development boundaries or in the provision of affordable housing.
 - This very much depends on the balance of the Councils' priorities and how well an extra care scheme might deliver other wider benefits eg the opportunity to facilitate downsizing in the social rented sector, or health benefits for occupants which outweigh the costs in terms of loss of employment land or the provision of fewer general needs affordable homes.
 - The two Councils could consider whether, and how far, they might be prepared to accept extra care housing for older people in lieu of general needs affordable housing. This could include a mix of tenures, including for sale as well as rent. This might prove appealing to developers where they are able to demonstrate specific viability reasons where they are unable to provide

extra care in lieu of mainstream market housing eg high level of communal space or services provided onsite resulting in extra development costs which is not fully compensated by higher density development.

- Justification could be made on the ability of extra care schemes to facilitate downsizing as well as the positive impact on the wellbeing of older people including maintaining independence, delaying moves to residential care homes and reducing hospital admissions for falls etc. This kind of flexibility might be referred to in Local Plan but rather than fixing this in policy the Councils will want to determine whether this can be justified on a scheme by scheme basis.
- Schemes that are led by RPs and which deliver predominately subsidised housing are likely to continue to need upfront capital subsidy and/or free land to be viable. Specific consideration could be given to the appropriateness of sites for housing with care when the two Councils and other public sector bodies within the authority areas, including NHS, disposes of land holdings. Participation in One Public Estate is discussed further in Background Paper 3.
- The two Councils could consider the use of exception sites policy in relation to housing with care. The Councils could clarify that developments that propose housing with care will be considered favourably by the Council in this respect. This could allow developers of housing with care to bring forward sites without having to compete for land with developers of mainstream housing who may be able to pay a higher price for the land.
- The Councils might want to restrict the use of an 'exception sites' approach to schemes which deliver a mix of tenures but are predominately affordable schemes and could also set out expectations about the level of communal facilities and onsite services (where justified) to ensure such schemes conform to good practice for extra care schemes. The Councils could consider making explicit reference to criteria for extra care development so that developers are aware of how their schemes will be assessed in terms of location and quality.

4.28 In parallel, the Councils need to ensure new mainstream housing is sufficiently flexible and capable of adaptation to the needs of older people. The design of new homes in this respect is considered in Background Paper 5. The Councils could consider implementing a requirement that a proportion of new market homes should be delivered to 'accessible and adaptable' standards in line with the optional Category 2 in Building Regulations Part M. This will help to ensure that, over time, the mainstream housing stock provides a suitable setting in which older people can continue to live independently and where care can be provided. Background Paper 4 considers this issue further.

Price and Affordability

4.29 Analysis of household incomes and purchase prices within the two authorities show a substantial proportion of households are unable to access home ownership. However, average prices disguise the substantial price variability within each local authority area, reflecting the attributes of different locations.

4.30 Prices and affordability also shape patterns of migration. This is illustrated by significant net in-migration of people from London to South Oxfordshire in 2015. These households are better able to afford the higher prices and rents in the area, having moved from higher priced areas and often

continuing to work in higher paid jobs in the capital. In the same year, a similar number of people moved out of South Oxfordshire and into neighbouring Vale of White Horse. In part, these households are likely to have chosen to move to relatively cheaper locations nearby in order to access more affordable housing.

- 4.31 There is generally a lack of affordable housing – including private rented and affordable rented housing – and this is impacting on the ability of some businesses to recruit, especially at the lower end of the pay scale. There is also a substantial gap between the cost of renting and the cost of accessing home ownership, leaving a large number of households able to rent but unable to buy.
- 4.32 There appears to be a clear role for intermediate forms of housing provision to support lower income households and diversify the range of home available in the area. Generally the thrust of Government Affordable Housing Policy in recent years has seen increased support for Low Cost Home Ownership, but, the Housing White Paper suggests a more balanced approach.
- 4.33 In Wessex Economics' view, LCHO provision should only be expanded at the *expense* of rented housing if:
- Low cost home ownership products can be effectively targeted at households currently living in social/affordable rented homes, thus freeing up these units for households in need. This would need the Councils and RPs to work closely with households who may be able to 'move up' to low cost home ownership.
 - It can be justified in particular locations where affordable rented homes might not be suitable eg in small villages which pose difficulties for RPs to provide a management service.
- 4.34 There may also be a case to expand the provision of low cost home ownership products as and when overall delivery levels meet planned targets. If affordable housing is delivered in line with the expansion of market housing (40% of new homes in South Oxfordshire and 35% in Vale) this would deliver a very large absolute increase in the number of affordable rented homes. As the overall scale of affordable housing increases, there may be justification for expanding the range of products available
- 4.35 There are a number of issues to resolve around the expansion of low cost home ownership provision in general however. Even with the publication of the Housing White Paper there remain issues to be resolved, though it is clear that Starter Homes are being given less prominence than during 2016.
- 4.36 The February 2017 Housing White Paper indicates the ongoing Government commitment to help young aspiring home owners, by providing '*a range of affordable homes to support their aspiration to buy including discounted starter homes*' (Housing White Paper, para 4.13). This wording suggests that Starter Homes will be part of suite of LCHO options, which seems to downgrade the previous position of the Government, where Starter Homes were being given greater prominence.
- 4.37 The Housing White Paper also drops the proposal for a mandatory requirement for Starter Homes to comprise 20% of all new homes on all developments over a certain size. Instead there is a proposal

that NPPF will be amended to introduce a policy expectation that housing sites deliver a minimum of 10% of new homes as affordable home ownership (of which Starter Homes would be one product among others).

- 4.38 In effect it is being left to 'local areas' to determine the mix of affordable home ownership that is appropriate to provide (para 4.17). However, the Housing White Paper indicates that Councils will have a general duty to promote the supply of Starter Homes. At the same time, the Starter Home 'product' has been made less attractive with a 15 year period over which part of the 20% discount on sale value would have to be repaid.
- 4.39 Wessex Economics' reading of the White Paper is that this represents a significant re-casting of the Starter Home initiative. However South and Vale might have to boost the proportion of affordable housing that is delivered in the form of affordable home ownership to meet the requirement to provide at least 10% of new homes as affordable homeownership.
- 4.40 Over the years 2011/12 to 2015/16 affordable home ownership delivery has accounted for 9.8% of total housing completions in South; while in Vale affordable home ownership has accounted for 7.5% of new home ownership. The figures would be better if calculated for only those sites that have been required to deliver affordable housing. The precise method of calculation of the 10% requirement of LCHO will therefore matter in terms of compliance with the White Paper requirement.
- 4.41 The recasting of policy for Starter Homes as one element of a more broadly based policy focused more on LCHO products would appear to give South and Vale more choice in what type of LCHO products it wishes to promote. In particular it appears to allow time for the value of the Starter Home product to be tested in terms of its impact on development viability, and the appetite of both private and RP developers to build Starter Homes.
- 4.42 The commentary on Starter Homes prepared prior to the Housing White Paper is presented in Annex 1 to this Background Paper, since it is no longer directly relevant; but it still has some bearing in terms of the issues that South and Vale would need to consider if the authorities wished to promote Starter Homes or developers bring forward proposals for Starter Homes.

Annex 1: December 2016 Wessex Economics Commentary on Starter Homes

1. Wessex Economics commentary on the issues around Starter Homes as of the position prior to the publication of the Housing White Paper in February 2017 is set out below. Following the Housing White Paper, South and Vale now have more discretion in how they delivery Low Cost Home Ownership products; but it is relevant to the consideration of whether Starter Homes should form part of the Councils' future mix of affordable housing.
2. South and Vale will need to consider the overlap between Starter Homes and shared ownership properties in terms of price and affordability. It is unclear who will have a role in determining the price points at which Starter Homes are delivered and, specifically, whether local authorities will be allowed to influence the price ranges appropriate to ensure Starter Homes are affordable to the target market.
3. It is important to consider how the development of Starter Homes will impact the ability of RPs to deliver shared ownership properties and use their sales to cross subsidise other forms of affordable housing.
4. Savills have assessed the impact of Starter Homes on the provision of affordable rented homes. Savills modelled the impact of Starter Homes across the country (as originally proposed by Government in 2016) to examine to what extent it will be possible to deliver other forms of affordable housing alongside Starter Homes.
5. Savills modelling, reported in its policy response to Starter Homes (April 2016) suggested there would be continued ability to deliver 'traditional' affordable housing alongside 20% Starter Homes in areas where affordable housing delivery has been strong in the past (at levels of 30% or higher traditional affordable housing). Savills suggested that this would leave capacity to deliver 15-20% traditional affordable housing. According to the figures presented in the working paper, this is likely to apply to both Councils.
6. It is also important to consider the impact that Starter Homes could have on delivery rates of market homes. The introduction of this new product will impact on delivery in a number of ways, including through the impact on cash flow to developers (where affordable rented homes provided upfront investment). By contrast, the market for Starter Homes is largely unknown.
7. House builders have also raised concerns about the risk to large sites where they have already committed to providing 'traditional affordable housing' and infrastructure contributions on the basis of assumptions about overall development value from market sales.⁷ Concern has been expressed

⁷ Inside Housing article March 10th 2016 quotes Philip Barnes of Barratt Homes 'If we've got a big site of 600 units and we bought them, signed up to social rent and infrastructure [contributions] and it's got 10 years to run and then [Taylor] Wimpey rock up selling a product with a 20% discount, that is problem for us'

that new sites nearby with Starter Homes would be able to sell market homes at a 20% discount and undermine delivery on a larger, long term site.

8. There are also concerns amongst lenders that buyers will over pay for Starter Homes, in response to the value of a 20% uplift in future years. Savills research in April 2016 *'Policy response on Starter Homes'* states that *'it is clear that the minimum 20% discount that disappears in five (or eight) years is worth something at the point of sale. We have estimated that the value of this 20% that can be realised in five years' time may mean buyers are prepared to pay well over 90% of full market value'*.
9. This makes the process of establishing market value on the basis of comparable properties that are not being sold at a discount critical; but this is not without its challenge for valuers. RICS is advising Government on this issue.
10. Broadly, there are two products which are targeted at first time buyers and those unable to affordable home ownership in the open market – Starter Homes and low cost home ownership products (mainly Shared Ownership). The majority of Government funding for affordable housing is being channelled into these two products. The two Councils need to ensure they maximise the opportunity to secure funding for these products on development schemes within the Districts.
11. A key challenge for the two Councils and RPs is to understand how these two different products will impact upon each other. In particular, how the availability of Starter Homes will impact on demand for shared ownership properties and, in turn, the ability of RPs to develop these properties and use the profits to cross subsidise the development of rented properties.
12. Given the remaining uncertainties around the Starter Home programme and affordable housing policy more generally at the national level it is difficult to make firm policy recommendations. However, there are four actions the Councils should consider:
13. A) Engaging with the Starter Home Pilot programme/HCA initiatives to maximise capital investment in affordable housing. By engaging with the HCA on the Starter Home Pilot scheme, the Councils will be in the best position to take up opportunities to secure funding and to influence the outcome of the investment on the ground.
14. WEC consider that there are two key issues that Councils should prioritise in the design of any Starter Home pilot schemes:
 - i. The opportunity to improve viability of the scheme through the addition of Starter Homes and release funds for other forms of affordable housing including rented homes.
 - ii. The price and affordability of Starter Homes and whether they are more affordable than existing lower quartile properties and how they compare to the price of existing shared ownership options.
15. Engaging with the Starter Home Pilot programme/HCA initiatives to maximise capital investment in affordable housing. By engaging with the HCA on the Starter Home Pilot scheme, the Councils will be

in the best position to take up opportunities to secure funding and to influence the outcome of the investment on the ground.

16. Understanding the impact of Starter Homes on scheme viability: Starter Homes will affect scheme viability and impact on the ability of schemes to provide 'traditional' forms of affordable housing. The two Councils need to develop a more detailed understanding of how Starter Homes affect viability on its allocated sites. Given the scale of housing need, the Councils need to continue to maximise the delivery of affordable housing for rent.
17. There is a significant risk with the introduction of Starter Homes (as currently planned) that developers will seek to reduce the provision of affordable rented housing. The Councils will need to understand whether there is a genuine viability issue on a particular scheme or just the preference of the developer to reduce their affordable housing contributions.
18. This implies the need to invest in expertise either within the Councils – or from specialists outside – in order to scrutinise planning applications in terms of viability. This feeds in to the discussion in Background Paper 3 which recommends increased resourcing to fulfil the Housing Delivery Enabler role.
19. Understanding level of interest for Starter Homes and the overlap with Shared Ownership. This Background Paper has acknowledged the large potential market for low cost home ownership products, including Starter Homes. However, actual interest in this product is not being monitored at the local level.
20. Help to Buy Agents (led by Registered Providers) monitor the interest in and take up of low cost home ownership products because they are directly responsible for developing them. Starter Homes will be delivered directly by developers rather than RPs. Other than a register of interested households collated centrally by the Government to support the case for developing the programme, there is no market intelligence on local households who may take up the product.
21. There are a number of implications arising from the lack of market research to date:
 - House builders are uncertain about the scale of demand for Starter Homes and, in some cases, how these properties might impact on their cheaper market properties. This uncertainty has the potential to affect build out rates on new development schemes.
 - The rate of take up of Starter Homes will impact on the demand for more traditional forms of low cost home ownership. The extent to which Starter Homes will compete directly with shared ownership properties will depend on the price point at which developers deliver them.
 - First time buyers and households unable to afford open market home ownership are likely to prefer Starter Homes because they offer full ownership and the 20% discount provides a substantial financial incentive.

- However, even at substantial discount on open market prices, many households will remain unable to afford a Starter Home and will only be able to access ownership through shared ownership options.
 - Any impact on the demand for shared ownership properties will impact directly on the ability of RPs to deliver their affordable housing schemes.
22. The introduction of Starter Homes (as currently envisaged) presents a significant risk to the development programme for shared ownership and other low cost home ownership products. If demand for shared ownership is affected by the availability of Starter Homes this will undermine the viability of RP led affordable housing schemes and the ability of RPs to deliver other forms of affordable housing.
 23. Since the risks lie with RPs, Wessex Economics understands that many are monitoring this issue closely because of the potential impact on their development programmes. However there is a role for the Councils in monitoring how Starter Homes are being rolled out within new development schemes. This could include the price at which Starter Homes are offered and how this compares to lower quartile market homes and existing shared ownership properties.
 24. This information will reveal the extent to which Starter Homes are affordable to different households and the extent to which they will compete directly with Shared Ownership properties. This will help the Councils and RPs to understand how far the development of affordable housing might be affected by the introduction of Starter Homes.
 25. It is likely this will impact on overall delivery levels and so should be a concern to the Councils in maintaining housing output. Understanding how Starter Homes are being targeted will also help the Councils and RPs to target their Shared Ownership properties and, if necessary, reposition them in relation to Starter Homes.
 26. Finally, monitoring the roll out of Starter Homes and how they are positioned in terms of price and affordability in relation to Shared Ownership products will enable RPs to bid more effectively to HCA for capital investment targeted at low cost home ownership. Government has increased funding available for low cost home ownership in the Autumn Statement 2015, alongside funding for Starter Homes.
 27. There is an opportunity to secure more funding for affordable housing in South and Vale through the increased funds available to low cost home ownership products, but this might involve repositioning shared ownership to ensure that demand is maintained in the face of competition from Starter Homes.