

August 2015

working locally and nationally to
protect and enhance a beautiful,
thriving countryside for everyone to
value and enjoy

CAMPAIGN FOR THE PROTECTION OF RURAL ENGLAND - OXFORDSHIRE

VALE OF THE WHITE HORSE LOCAL PLAN 2031 PART 1 STRATEGIC SITES AND POLICIES

EXAMINATION STAGE 1 - MATTERS AND QUESTIONS

REPRESENTATIONS OF CPRE OXFORDSHIRE

MATTER 2: Objectively Assessed Needs for Housing and Employment Land

1. Matter 2: 2.1: The figure of 20,560 new dwellings (an average of 1,028 per year) in CP 4 is lifted directly from the SHMA 1.4 Figure 2: Assessed Housing Need - Oxfordshire Local Authorities 2011-31: Vale of the White Horse 1028 pa. The outcome of the SHMA is untested; and contrary to CLG policy in Appendix 2, the figure has been inserted without justification into the Plan as a proxy for the final housing requirement without consideration, among other things, of social and environmental constraints.
2. The SHMA economic growth strategy underlying the figure:
 - has not been tested under any form of independent review;
 - is not supported by an appropriate evidence base contrary to NPPF 158 and NPPF 182 ('positively prepared');
 - is based on aspirational employment growth and is therefore not policy-off contrary to NPPF 47 (FOAN) and High Court authority;
 - has implications for development that have not been balanced against environmental and social aims as required by NPPF 8, 152;
 - assumes alleged employment effects that are grossly overstated (Appendix 5: 'Unsound and unsustainable - why the SHMA will increase

greenfield use but not meet housing needs' (Urban and Regional policy: Alan Wenban Smith 21 May 2014); and

- is unsupported by any compelling evidence that it is deliverable in conflict with NPPF 182 ('Effective'). The figure of 1,028 homes in CP4 a year proposed for 2011-2031 is 2½ + times that achieved in the Vale 2011-2014 (400pa).
- The claim that the 1.5%pa employment growth proposed in the Vale isprecedented (SHMA Para 4.24) is contradicted by official labour market statistics which show that the number of people employed in the Vale actually fell from 60,000 (Jan-Dec 04) to 58,100 (Jan-Dec 14) - a drop of 3.3%.

See:

http://www.nomisweb.co.uk/reports/lmp/la/1946157326/subreports/ea_time_series/report.aspx?

- The anticipated growth rate also appears unrealistic in the context of the anticipated employment growth rate for South East (0.5%pa) and the UK as whole (0.6%pa). See Table 5.2 SQW & CE report - Examination Library ref: ECO02.

3. Figures given in the 2015 West Oxfordshire District Council's Housing Position Statement of July 2015 (see Appendix 6) reinforce CPRE's position on the SHMA and the economic growth strategy. Paras 3.19-3.20, incl. Table 4, demonstrate that the 2012 CLG household projections for the Vale of White Horse give **67 houses per annum fewer** than the adjusted 2011 interim projections that form the key starting point of the SHMA. Over the 20 year period (2011-2031), this amounts to 1,340 houses - almost the entire allocation currently proposed within the North Wessex Downs Area of Outstanding Natural Beauty. The later SHMA workings are based on this initial figure, so the over-calculation is apparently carried through.



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19th December 2014

Dear Simon,

Strategic Housing Market Assessments

I am writing to ensure our existing policy position on emerging evidence in the form of Strategic Housing Market Assessments is clear.

We have set out in our recent guidance that a Strategic Housing Market Assessment is just the first stage in developing a Local Plan and councils can take account of constraints which indicate that development should be restricted (http://planningguidance.planningportal.gov.uk/blog/guidance/housing-and-economic-land-availability-assessment/stage-5-final-evidence-base/#paragraph_045).

The extent of constraints will be justified on a case by case basis for each Local Plan, depending on particular local circumstances, within a housing market area.

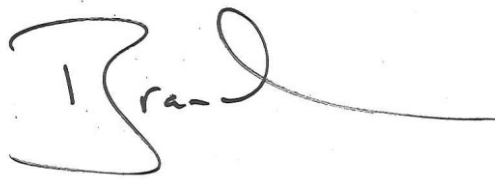
Many councils have now completed Strategic Housing Market Assessments either for their own area or jointly with their neighbours. The publication of a locally agreed assessment provides important new evidence and where appropriate will prompt councils to consider revising their housing requirements in their Local Plans. We would expect councils to actively consider this new evidence over time and, where over a reasonable period they do not, Inspectors could justifiably question the approach to housing land supply.

However, the outcome of a Strategic Housing Market Assessment is untested and should not automatically be seen as a proxy for a final housing requirement in Local Plans. It does not immediately or in itself invalidate housing numbers in existing Local Plans.

Councils will need to consider Strategic Housing Market Assessment evidence carefully and take adequate time to consider whether there are environmental and policy constraints, such as Green Belt, which will impact on their overall final housing

requirement. They also need to consider whether there are opportunities to co-operate with neighbouring planning authorities to meet needs across housing market areas. Only after these considerations are complete will the council's approach be tested at examination by an Inspector. Clearly each council will need to work through this process to take account of particular local circumstances in responding to Strategic Housing Market Assessments.

As you are aware, the Secretary of State can recover appeals, for example where he considers that they raise issues of national importance. This is important to support the application of relevant policies at national level.

A handwritten signature in dark ink, appearing to read 'Brandon', with a long horizontal flourish extending to the right.

BRANDON LEWIS MP

Unsound & unsustainable – why the SHMA will increase greenfield use but not meet housing needs

A critique of GL Hearn's April 2014 Oxfordshire Strategic Housing Market Assessment (SHMA)

Final Report

To CPRE Oxfordshire

21 May 2014

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Unsound and unsustainable – why the SHMA will increase greenfield use but not meet housing needs

Critique of Oxfordshire Strategic Housing Market Assessment

Final Report – Contents

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Unsound and unsustainable

Why the SHMA will increase greenfield use but not meet housing needs

Critique of Oxfordshire SHMA: Report to CPRE Oxfordshire

Executive Summary

I have examined the Oxfordshire Strategic Housing Market Assessment (SHMA) prepared by GL Hearn Associates, related reports and relevant Government policy and guidance. My analysis, evidence and findings are contained in the following pages. Key conclusions I would particularly draw to readers' attention are summarised below, with links to the more detailed content of this report.

Methodology (Chapter 2)

1. National policy allows for adjustment of official household projections for local data and market signals, but the SHMA is effectively a wholesale replacement. Housing needs are increased in five steps from 1,900 pa over 10 years to 5,003 pa over 20 years (2.7).
2. Each step is subject to serious criticism
 - a. **The 'Oxford adjustment'** accounts for about 20% of the increase. Trends in migration are derived from past differences between population change and natural change and build in the error ranges and assumptions of both. Allocation to local and international components is almost entirely arbitrary; (2.13 - 2.16)
 - b. **Adjustments for household formation and past delivery shortfall** amount to a further 16% of the difference. Both depend on an economic recovery that makes up lost ground without continuing the past decade's increasing inequality of income. (2.20 - 2.21)
 - c. The **economic baseline projection** is based on very optimistic views about global and national growth, and does not allow for the large part of the Oxfordshire economy that depends upon public sector expenditure; (2.25 - 2.27)
 - d. The **adjustment for planned jobs growth** accounts for 44% of the overall change. It relies on cases made by promoters for a catalogue of development projects, pays no attention to underlying economic dynamics, and lacks all credibility; (2.29 - 2.30)
 - e. The **'affordability' adjustment** (20%) is the largest overall number, and thus dictates provision of land. However, it is not valid (or feasible) to attempt to build additional houses over and above *overall* demographic or economic needs simply to secure provision of affordable housing. If such additional housing could be sold, it would be because it was meeting such needs itself. The treatment of the affordable housing figure of 5,003 pa as the overall target for housing provision in the SHMA, and so the benchmark for local planning, is therefore invalid. (2.36 - 2.40)
3. In my opinion, for the reasons set out above, the adjustments are not compliant with NPPF policy, which requires such adjustments to be 'reasonable'. (2.2)

Strategic implications (Chapter 3)

4. The level of completions implied at national level is completely outside the range of post WW2 experience. This casts considerable doubts on the reliability of the economic modelling and/or the relationship between the model and projected household formation (3.13);
5. Few new households can afford to buy or rent new houses at market prices. New build may help to free-up existing homes, but the impact on the quality and price of existing 'entry level' housing depends greatly on the planning context (3.163.19);
6. National research suggests that even if outputs of new housing more than double recent levels were achieved, housing would still become less affordable, not more. 'Help to Buy' does not address the cause and runs the risk of inflating another housing bubble (3.19, 3.21);
7. Because of the way the housing industry acquires land it has become dependent on rising house prices, and cannot viably build for sale except on the basis that price rises continue (3.31, 3.32);
8. Major new housing areas such as New Towns and urban expansions may have a place in spatial strategy but are not a panacea for increasing housing output – costs are high and lead times long (3.33, 3.34);

Risk analysis and implications for sustainable development (Chapter 4)

9. The SHMA contains no analysis of the risks associated with its proposed housing need targets and the risk analysis in the CE/SQW report on economic forecasting is trivial (4.16);
10. The strategic risks of acceptance of the SHMA are very high: allocation of housing land in Local Plans is essentially irrevocable and immediate, and acceptance would therefore pre-empt the local planning process (4.25);
11. NPPF requires that development planning promotes sustainable development, and specifies that this entails the pursuit of economic, social and environmental gains ‘jointly and simultaneously’. By pre-empting such joint consideration the SHMA contravenes NPPF, and makes trade-offs between economic, social and environmental aims that should receive democratic consideration in the local planning process (4.26);
12. The risk of serious harm from over-allocation is very great. Builders’ preference for greenfield land would lead to a more dispersed pattern of development and diversion of interest and investment in towns. This would be damaging to Oxfordshire as an attractive business location and as a place to live. It would particularly degrade the housing choices available to new households at market entry levels (4.29, 4.30);
13. An approach built on the NPPF references to maintaining a 5-year supply could provide a more robust strategic framework if operated within a ‘plan, monitor and manage’ approach (4.33).

1 Introduction

This commission

- 1.1 G L Hearn (GLH) was commissioned by a consortium of the local authorities in Oxfordshire to carry out a Strategic Housing Market Assessment (SHMA) for the county. I have been commissioned by CPRE Oxfordshire to critically examine the basis of the SHMA, because of the major implications for housing land across all districts. The SHMA (dated 14 April 2014) is already being used by a number of District Councils to update Local Plans that are in the course of preparation, so this critique has been required as a matter of urgency.

Materials considered

- 1.2 The scope of this critique has been constrained to some extent by the timescale noted above. However, in addition to the SHMA itself (full and summary versions), I have taken into account the following closely related documents and reports:
- a) Cambridge Econometrics and SQW (Feb 2014), *'Economic forecasting to inform the Oxfordshire Strategic Economic Plan and SHMA'*, report to Vale of White Horse District Council and partners;
 - b) SQW (Oct 2013), *'Oxfordshire Innovation Engine'*, report to University of Oxford and Science Oxford, supported by Oxfordshire local Economic Partnership (LEP);
 - c) Oxfordshire LEP (March 2014) *'Oxfordshire Strategic Economic Plan'* submission.
- 1.3 The most significant of the many relevant Government publications considered are:
- a) Department for Communities & Local Government (DCLG, 2012), *'The National Planning Policy Framework'* (NPPF), and related Planning Policy Guidance¹ on assessment of housing needs;
 - b) Office for National Statistics (ONS, Sept 2012), *'Methodology: interim 2011-based subnational population projections for England'*;
 - c) DCLG (April 2013), *'Interim 2011-based household projections for England'*, and related notes and definitions.

National policy context

- 1.4 The role of SHMAs in the local planning process is set out in the NPPF and related Planning Policy Guidance. The relevant NPPF policies are:
- a) Local Plans are required to make provision for *'full, objectively assessed needs for market and affordable housing in the housing market area'* (as far as is consistent with NPPF as a whole, particularly respecting the overarching importance of the principles of sustainable development – see 1.7 below);
 - b) Identify and annually update a supply of *'specific deliverable sites'* sufficient for 5-years' worth of housing at the required annual rate, and a supply of *'specific, deliverable locations'* for years 6-10 and (where possible) years 11-15;
 - c) Set out an *'implementation strategy for the delivery of land for the full range of housing'*, and *'a housing trajectory for the plan period'* illustrating the expected rate of delivery.
- 1.5 The Planning Policy Guidance sets out a methodology for SHMAs comprising, in essence, the following steps:

¹ DCLG (2014) www.planningguidance.planningportal.gov.uk 'Methodology: assessing housing need' (revised 6 March 2014)

- a) The starting point is specified as the official household projections produced by the Department of Communities & Local Government (DCLG). Sensitivity testing against alternative assumptions about underlying demographics may be considered, but any local changes would need to be clearly explained and justified;
 - b) Employment trends for the housing market area should be assessed, and implications for cross-boundary migration and commuting considered under the duty to cooperate;
 - c) Housing needs suggested by the household projections may be adjusted to reflect a range of 'market signals', including land prices, house prices, rents, affordability, past over- or under-delivery against plans, and overcrowding.
- 1.6 Adjustments for market signals indicating worsening affordability trends will require upward revision relative to the official projection (and the larger the problem, the larger the adjustment). However, plan makers should *'set this adjustment at a level that is reasonable'*. Plan makers *'should not attempt to estimate the precise impact of an increase in housing supply'*, but rather should *'increase planned supply by an amount that, on reasonable assumptions and consistent with the principles of sustainable development could be expected to improve affordability, and monitor the response of the market over the plan period'*.
- 1.7 NPPF headlines the five 'guiding principles' of sustainable development from The UK Sustainable Development Strategy as: living within the planet's environmental limits; ensuring a strong, healthy and just society; achieving a sustainable economy; promoting good governance; and using sound science responsibly. The NPPF makes clear that the SHMA (and consequent housing provision in Local Plans) must be read in this context. It stresses (para. 8) that because of the mutual dependence of the economic, social and environmental roles of planning, *'to achieve sustainable development, economic, social and environmental gains should be sought jointly and simultaneously through the planning system'* which *'should play an active role in guiding development to sustainable solutions'*.

Structure of this report

- 1.8 Chapter 2 examines in detail the evidence for each of the major adjustments the SHMA proposes to the official household projections:
- a) The revised demographic baseline for 2011 and its effect on the 2021 and 2031 projections;
 - b) The adjustment for shortfall against SE Plan delivery targets 2006-2011;
 - c) The adjustment for planned economic growth;
 - d) The adjustment for affordable housing.
- 1.9 Chapter 3 considers the implications of the SHMA on the following strategic questions:
- a) The implications of the scale of projected housing needs in Oxfordshire as a whole and the wider South East;
 - b) The deliverability of the projections of housing need in terms of the characteristics of the building and call on public resources;
 - c) Whether adoption of the SHMA projections help or hinder new households and those in housing need to secure decent housing;
 - d) The implications of the scale and deliverability issues for achieving sustainable development through the local planning process.
- 1.10 Chapter 4 considers the risks involved in accepting the SHMA projections, and summarises the analytical conclusions of the report as a whole.

2 Critical examination of SHMA methodology

Summary

- 2.1 National policy allows for adjustment of official household projections for local data and market signals, while the SHMA proposes a wholesale replacement. The effect is to increase the need for housing from 1,900 to 5,003 pa over the 20 years 2011-31. The critique in this chapter of the 'adjustment' process draws attention to several serious methodological problems and deficiencies:
- The 'Oxford adjustment'** accounts for about 20% of the increase in needs. It abandons official migration statistics in favour of a higher local estimate. Most of the increase is arbitrarily allocated to net international in-migration, thus increasing the population of Oxfordshire as a whole. Net migration is not a robust statistic (however estimated) and projection forward to 2031 multiplies the uncertainties. The allocation of the net migration figure between local and international components is almost entirely arbitrary. Since it is such a large component of the adjustment to the official projections it casts doubt on all subsequent figures that rely upon it, not just for Oxford, but for the whole Oxfordshire market area;
 - The **adjustments for household formation and past delivery shortfall** amount to a further 16% of the difference. Both depend on an economic recovery that makes up lost ground without increasing inequalities. They also discount effects of economic pressures on household formation, which would not be considered an acceptable approach in any other field of policy analysis;
 - The **economic baseline projection** has a similar housing requirement to the demographic adjustment, and is treated as confirming them. It is based on very optimistic views about global and national growth, and does not allow for the large part of the Oxfordshire economy that depends upon public sector expenditure;
 - The **adjustment for planned jobs growth** accounts for 44% of the overall change. It relies on on cases made by promoters for a catalogue of development projects, pays no attention to underlying economic change, and lacks all credibility;
 - The **'affordability' adjustment** (20%) is not a valid addition to overall housing needs at the very high levels proposed. Pressure to deliver additional housing land through the planning process is not the answer to the real social problems that the affordability problem represents.

Introduction

- 2.2 National policy requires the SHMA to be carried out within the framework set by NPPF and related Practice Guidance. In this Chapter we consider the technical underpinning of the projections, particularly whether the adjustments proposed to official household projections are *'reasonable...consistent with the principles of sustainable development and could be expected to improve affordability'*, as required by the Practice Guidance.
- 2.3 The household projections by DCLG that provide the baseline for adjustments are in turn based on population projections for local authorities by the Office for National Statistics (ONS). When considering adjustments we need to be aware of what assumptions and trends are already incorporated, so these are summarised below.

Current DCLG projections

- 2.4 ONS and DCLG projections are 'policy neutral'; they take past trends and project them forward on the assumption that the same policies and processes are in place in both the past 'reference' period and the future 'projection' period. The DCLG projection therefore takes account of the reduction in new household formation following the global economic events of 2007/8 (as shown by the 2011 Census), mitigated by the 20 year reference

period it uses. The net effect is that the household projection reflects the population projection more than the past pattern of decreasing average household sizes.

ONS subnational (local) population projections (SNPPs)

- 2.5 SNPPs are produced every 2 years, based on mid-year estimates of population by local authority, and going forward incorporate trends in fertility, mortality and migration over the previous 5 years. These local estimates are added up and adjusted pro rata ('controlled') to the estimated totals at national level. Crucial points for the present purpose are:
- a) The major 'surprise' of the 2011 Census was that population was significantly higher than expected, but the number of households was significantly lower. This was also true at subnational levels;
 - b) The migration trends used in SNPPs are based on international travel statistics, Higher Education student statistics and NHS registrations over the reference period (2006-2011);
 - c) The national population projected for 2021 is some 1.24m higher than the 2008-based series because of the 2011 Census results;
 - d) The smaller the area, the more significant local migration becomes as a proportion of population change. NHS and Higher Education statistics are used to study local migration, but it is recognised as the most difficult component of change to estimate;
 - e) Provision of housing is a particularly important driver of local migration, meaning there is a danger of circularity; a projection of households based on past population trends will tend to embody past housing provision.

DCLG local household projections

- 2.6 DCLG's current subnational household projection takes the corresponding population projection (2011-based SNPP) as its base and applies local 'headship rates' to each 10-year age cohort. Trends in headship rates for each age, sex and marital status group are projected forward from 1991, 2001 and 2011 Censuses and Labour Force Survey data, and applied to the SNPP projected local population. Key points are:
- a) The headship rates in the household projections rely on much longer-term trends than the corresponding population projection (20 years compared with 5 years);
 - b) The 2011 Census marked a significant turning point in household formation; the long-term decline in average household size appeared to have ended (at least temporarily). The projection predicts only a slight further decline, from 2.36 in 2011 to 2.33 in 2021, compared with 2.23 in the 2008-based series.

SHMA adjustments to DCLG projections

- 2.7 **Where national policy speaks of using the official household projections as a base, considering 'sensitivity testing' for alternative assumptions, and 'adjustment' for market signals, the SHMA proposes a wholesale replacement.**
- 2.8 **Figure 1 below identifies a series of major 'adjustments', leading to a 'midpoint' projection of annual housing needs 2.7 times the DCLG projection that is supposed to be the base.**
- 2.9 The four main adjustments proposed by SHMA are:
1. Revision of the demographic baseline for 2011, and the effect of carrying this through to 2021 and 2031 (there are two distinct components: a change to net migration from Oxford, and an adjustment for suppression of headship rates in 2011);
 2. Adjustment for a shortfall in housing in 2006-11 against the SE Plan delivery targets;
 3. Adjustment for housing to support planned economic growth above trends;
 4. Adjustment to secure the supply of affordable housing.

Figure 1: GLH adjustments to DCLG projections of housing need

Steps in the adjustment	Housing needs pa ¹
Starting point: DCLG household projections (2011-21)	1,900
1. Adjustment for reduced net migration from Oxford (GLH Tables 20, 21), and for suppression of headship rates in 2011 (GLH 5.64, Table 30)	+987
2. Adjustment for shortfall 2006-2011 against SE Plan targets (GLH Table 86)	+177
3. Adjustment for planned economic growth (GLH Table 88)	+1,216
4. Adjustment for affordable housing ('midpoint' – GLH Table 90)	+723 ²
End point: overall housing needs projection (2011-31)	5,003
Notes: 1. The Housing Need figures add 4.2% to household projections to allow for vacancy and second homes (SHMA Table 26). 2. This is derived from the figure of 5,003 in the final row, which itself is the midpoint of a range of affordable housing needs from 4,678-5,328 pa, commented on later in this chapter.	

Adjustments to the demographic baseline

- 2.10 Almost 30% of the increase from 1,900 homes pa (DCLG) to 5,003 pa (GLH) is accounted for by adjustments to the demographic baseline and making up past shortfall against the SE Plan. These adjustments comprise the following distinct elements:
- Adjustment of net future migration into Oxford City to correct the apparent anomaly of a decline in households in the DCLG 2011-21 projection, extended for a further 10 years to 2031, and across Oxfordshire (+600pa);
 - Correction for suppression of household formation between the 2007 credit crunch and the 2011 Census (+387pa);
 - Provision to make up for the shortfall in past delivery compared with 2006-2011 South East Plan targets (+177pa).

The effect of these three adjustments is a projected need of 3,064 pa for 20 years, compared with 1,900 pa for 10 years based on DCLG's projection, amounting to 61,280 additional homes between 2011 and 2031 (SHMA Table 86).

Oxford City migration and revised household projection

- 2.11 The population of Oxford City increased by 14,736 net between the 2001 and 2011 Censuses, while (as nationally) household changes in Oxford were much lower. The SHMA suggests that the low 2011 number of households is anomalous, and that the DCLG trend household projection of a decline in households in the City 2011-21 must be mistaken.
- 2.12 SHMA proposes (paras. 5.13-21) a very significant change to the 'baseline' demographic projection. The argument is very convoluted, depending essentially on replacing the *future migration trends* used by DCLG/ONS (based on the national statistical series listed at 2.5b) with a local estimate. Although based on a discussion of migration in and out of Oxford City it adds significantly to the projections of housing need for Oxfordshire as a whole. The steps in the argument are:
- ONS figures for migration flows in and out of Oxford over the period 2001-2021 (SHMA Figure 43 and 44) show a discontinuity between the past estimates and future projections – a past net *inflow* of 300 pa turning into a future net *outflow* of 1000 pa:
 - 2001-11 net inflow of 300pa (about +1900 international; -1600 within UK);
 - 2011-21 net outflow about 1000 pa (about +1000 international; -2000 within UK).
 - An alternative projection is proposed which is based upon net migration 2001-11 calculated as the difference between overall population change between the Censuses

(+14,736) and estimated births and deaths (+8,469 – Table 19). The difference of 6,267 (+630 people pa) is attributed to net migration and carried forward (SHMA 5.21):

- International net migration going forward is adjusted from the ONS estimate of about +1,000 to +2,200 pa, a gain of 1,200 pa compared with ONS;
- Migration loss within the UK is adjusted from -2,000 pa to -1,600 pa, a gain of 400 pa compared with ONS;
- The overall difference between SHMA and ONS is thus some 1,600 people (650 households) pa, or an additional 32,000 (about 13,000 households) 2011-31;
- Because the argument depends so heavily on international migration, the whole of the difference is assigned to Oxford, but boosts the County total by a similar amount.

Critique of the Oxford adjustment

- 2.13 In introducing the topic the SHMA (5.10) refers to the Oxford household projection as ‘not realistic’ given the level of demand shown by rising prices and rents. Since these factors would tend to depress household formation, the realism of the projections might be thought validated rather than undermined. In reality, the population of Oxford increased more in the decade 2001-11 than in any preceding decade since records began, and at around 5 times the rate from 1971-2001.² Interpreting this as evidence of housing shortage highlights the highly theoretical nature of the GLH interpretation of an ‘*objective assessment of need*’. Detachment from most real-world considerations appears the hallmark. This is the first of many such examples.
- 2.14 It is important to recognise that *net* figures for population, migration and natural change are the differences between much larger *gross* flows. For example, the net internal migration of -1,600 pa 2001-2011 is the difference between two numbers about ten times their size; an inflow of about 15,000 pa and an outflow around 16,500 pa. These are independently arrived at estimates (mainly NHS registrations), each subject to error. Only small differences in either (5-10%) would be sufficient to wipe out the difference, and variations and errors of this size are well within the normal range for these data.
- 2.15 The lack of robustness necessarily attaching to net change in the past (and still more to projected net changes into the future), needs to be borne in mind since the SHMA relies heavily on such techniques, and this is particularly the case for Oxford. The alternative projection derives past net migration from the difference between natural change (net excess of births over deaths) and overall change (net difference between Census counts). Each of these factors is the net effect of much larger flows. For example:
- a) Oxford has an exceptionally high level of population turnover – around 25% pa,³ implying a high level of volatility in population-related statistics. While the totals may be precise, very slight changes in the make-up of in-flows and out-flows would have a major effects on resident population characteristics (including housing needs);
 - b) The balance between components of natural change affects housing needs; a net increase due to fewer deaths will have a different effect from the same increase due to higher births.
- 2.16 The SHMA attributes the whole of the difference between its net migration estimate (+600 pa) and the ONS equivalent (+300 pa) to additional international migration (which would go up from +1,900 pa to 2,200 pa). No rationale is given for this allocation, other than casting doubt on ONS data by reference to a balancing category for ‘Unattributable Population Change’ (5.19-20). The allocation of this new net migration figure to local and international components is thus almost entirely arbitrary. Since it is such a large

² Oxford City Council (Feb 2004) ‘*Oxford’s population is growing at its fastest ever*’

³ http://www.oxford.gov.uk/PageRender/decC/Population_statistics_occw.htm

component of the adjustment to the official projections it casts doubt on all subsequent figures that rely upon it, not just for Oxford, but for the whole Oxfordshire market area.

- 2.17 The DCLG household projection excludes institutional population (such as those in student accommodation – about 18,000). This is obviously significant in Oxford (with 45,000 students, around 32,000 full-time), and for 10 years academic expansion has been conditional on commensurate student provision. Students account for about half the population increase 2001-11, but for this reason only exceptionally add to housing needs.

Suppression of household formation and making up past shortfall

- 2.18 GLH have adjusted the projected average household size for Oxfordshire from the CLG trend (declining from 2.52 in 2011 to 2.47 in 2031) to a 2008-based (pre-crunch) trend to 2.41 in 2031 (SHMA Figure 51, Table 29, and para. 5.64). By itself, this adjustment would add about 380 pa to housing needs. Added to the +650 pa ‘Oxford adjustment’ already discussed this would give a total ‘demographic adjustment’ of 1,030pa (though the overall adjustment given in SHMA Table 30 is 987).
- 2.19 In addition it is assumed that a deficiency in delivery of some 3,500 homes in 2006-2011 will also be made good (SHMA Table 10). This contains the fairly heroic assumption that the economic impact of the global economic crisis will be fully corrected, and ‘business as usual’ will be resumed for the whole of the 2011-31 projection period. The effect of this adjustment is to add 177 pa to housing needs over the 20 years.

Critique of assumptions on household formation and past shortfall

- 2.20 As remarked above (para. 2.9) *‘full, objectively assessed needs’* is interpreted by GLH as discounting any reduction in household formation arising from economic pressures. However, it is likely that households that might have formed in more prosperous times will not be able to achieve their housing aspirations, and will continue to be suppressed or concealed. In the past the influence of such factors on household formation has been explicitly recognised, and is far from trivial. On Government figures given in relation to an earlier set of national household projections⁴, an increase in interest rates of 1% would reduce growth in household formation by 6% and lower growth by 0.25% would reduce it by 5%. These are factors to bear in mind when considering SHMA’s economic growth adjustments, dealt with below.
- 2.21 The suppression of household formation as a result of economic hardship is a real, serious and increasing social problem, but the provision of housing land is not an answer to this problem. Indeed, as discussed later (4.30), over-provision of housing land could actually make matters worse for poorer households. Action on widening income disparities, urban regeneration, and direct provision of social housing are more important than planning policies for housing land.

Adjustments for economic growth

- 2.22 Moving on from demographic adjustments, the SHMA next considers the implications of economic growth for housing. The underlying rationale is that if housing does not keep up with the demand for labour from the local economy, growth will be inhibited. London and the South East form an economic agglomeration, much of the strength of which derives from a high degree of inter-connectedness and labour mobility. Oxfordshire is a only a small part of the whole, and any conclusions regarding economic impacts of housing shortages would need to bear this in mind. It is equally likely that increases in housing provision would attract more people to live there from elsewhere in the Greater South East.
- 2.23 The SHMA considers two economic scenarios:

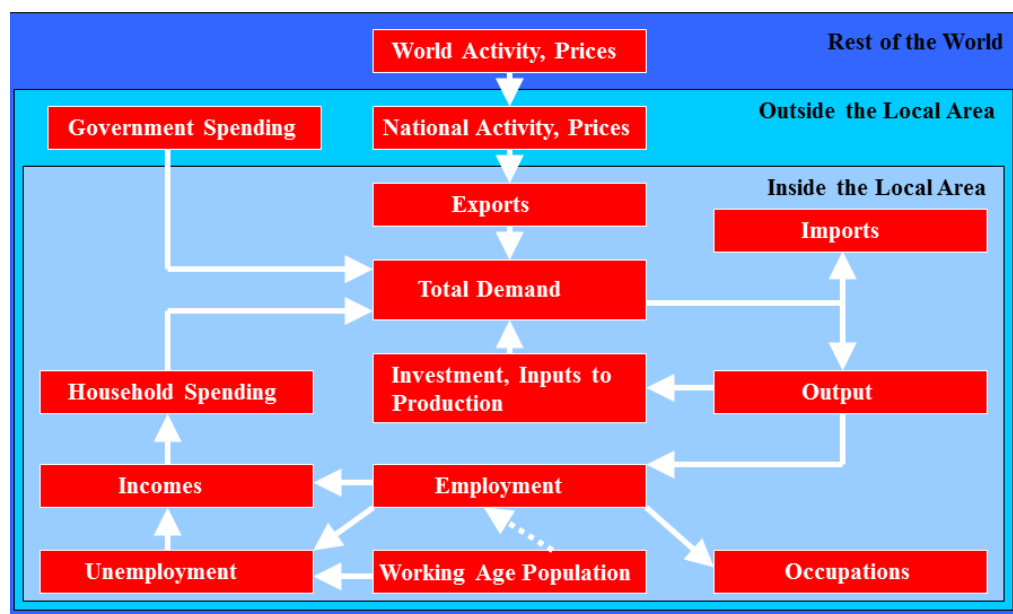
⁴ : DETR (2000) Evidence to Commons Select Committee

- a) 'Baseline growth', based upon an economic model which incorporates observed economic relationships over the last 15 years. This gives similar housing needs to the adjusted demographic base already criticised (ie around 3,100 pa); and
- b) 'Above trend' adds to the baseline growth assumed to be the consequence of currently committed initiatives. This gives a much higher requirement i.e., 4,280 pa.

Economic modelling

- 2.24 The SHMA draws on the Cambridge Econometrics/SQW (CE/SQW) report for an examination of the relationship between population and housing growth and jobs growth. This uses CE's Local Economic Forecasting Model (LEFM – described in CE/SQW, Appendix A), to produce a 'Baseline' forecast of jobs on the basis of trends embedded in inter-sector relationships over the preceding 15 years. The structure of the LEFM model is illustrated in Figure 2.

Figure 2: Structure of LEFM



- 2.25 As with the population and household projections, we must note that a major discontinuity took place towards the end of the 15 year reference period. There must be serious concerns about how well a model which is based upon continuation of relationships over this period can represent the future, particularly as the repercussions are still being played out. The assumptions built into the LEFM are:⁵
- a) In the medium term, global growth is expected to accelerate slowly from the historically low levels of 2012 and 2013, with strong growth in China, India and the oil-producing countries making a greater contribution to the global economy. GDP growth in Europe will accelerate very slowly, with the EU15 economies expected to a return to modest growth (1¼%) in 2015;
 - b) Over the long term, world GDP growth is expected to accelerate to 4½% pa, with emerging Asia, the EU12 and the economies of some other developing countries leading the way. The US will be just behind, growing at 2-2¼% pa, with the EU15 and Japan much further behind;
 - c) Within the UK employment is expected to fall until 2016 as a consequence of public spending cuts;

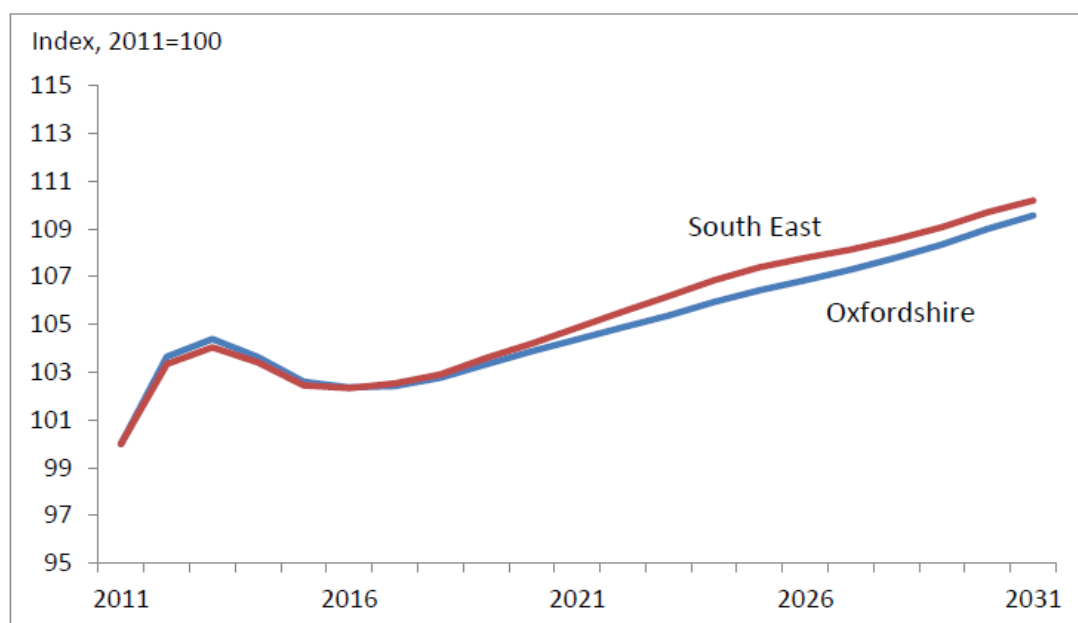
⁵ information received from Cambridge Economics on 19 May 2014

- d) Productivity (output per head, and so indirectly, wages) are expected to grow in line with historic trends.

Baseline growth

- 2.26 There are some further important points to note about the LEFM:
- 'Employment' is measured in terms of 'jobs', whether full-time or part-time and includes self-employment. It is not clear what the implications would be of recent trends towards more part-time jobs and more self-employment (and more of both involuntary);
 - The LEFM assumes no constraints on labour supply; it assumes that if additional labour is needed, housing and transport links would allow this;
 - Employment in Higher Education in Oxfordshire was increased by 11,000 from the model predictions. Most of this represents the view that Oxford University will suffer less from public expenditure cuts and gain more from private investment than the HE sector nationally. This may or may not be true, but no evidence is offered;
 - A large proportion of employment in Oxfordshire is 'population-related' (such as retail, leisure, education, personal services and health) so the adjustments made to the baseline population projections feed through into increased employment.
- 2.27 The results of the 'baseline' LEFM for Oxfordshire (Figure 3) have some surprising features:
- The fall in 2014-16 has been explained as being the result of continuing public spending cuts, but the sharp rise from 2011 to 2014 remains unexplained;
 - The continuing steady rise in local jobs from 2016 to 2031 reflects the optimistic view about world growth embedded in the model, and insulation from the relatively poor European prospects (2.25a), 2.25b)). In addition most of 20 year rise (46,798, +14% (SHMA Table 28)) takes place over the last 15 years.

Figure 3: Baseline job projections 2011-31 (Oxfordshire and South East, 2011=100)



Planned growth

- 2.28 The CE/SQW report examines the prospects for growth above the economic baseline, arising from planned growth such as the Science Vale proposal and the Oxfordshire City Deal. It seeks to avoid double-counting with the growth already incorporated within the

baseline – which obviously includes the effect of policies applied during the 15 year reference period (1996-2011).

- 2.29 The ‘planned growth’ scenario (also described as ‘committed growth’ in the SHMA) is essentially a catalogue of development proposals in the pipeline. Gross job generation is estimated (essentially the capacity of the site or building at an assumed job density), part of which is then labelled as net growth (i.e., above baseline). There are a number of significant criticisms to be made of this procedure:
- a) The focus on individual projects confuses economic development with property development. As with housing, the turnover of existing firms within existing premises is hugely more significant in overall employment terms than the relatively small number of new buildings and new companies. The trends observed during the reference period would of course include both, and (subject to the observations in the preceding section) that baseline is inherently more robust;
 - b) A specific example is 2,200 additional jobs ascribed to various retail developments. Though CE/SQW accept that High Streets are in decline, no reference is made to the losses to internet trading, or to the fact that retail development does not of itself increase trade, merely redistributes it (usually with more efficient – i.e., less labour);
 - c) In addition to the general observation about the validity of a project focus, the process of arriving at a net figure for above trend job creation (CE/SQW, section 4.1) is far from transparent, and rests heavily on the involvement of developers, local authorities and consultants whose interests are served by a generous interpretation of the value of their activities;
 - d) An example is the Science Vale EZ: the figures of 8,400 gross, 5,400 net are taken from the bid for funding by the Oxfordshire LEP. This (and many other such claims) ignore the findings of research into previous rounds of EZs,⁶ which show modest additionality, high cost per job, and a large proportion of the benefit going to landlords not occupiers;
 - e) Where job losses are known to be in the pipeline they are given little weight. For example at Culham ‘The Joint European Torus (JET) facility will be moving to France within the next few years, but employment growth on the site seems assured due to its strong and distinctive science base’ and a net growth of 500 jobs is assigned;
 - f) Even the NHS, which enjoyed significant growth in the reference period, is assigned an additional 2,500 above trend jobs, in spite of the current and prospective cuts to the sector (N.B. this does not include the additional 2,500 bioscience jobs);
 - g) The final Annual Report of the South East Development Agency (SEEDA)⁷ identified 86 inward investment projects in 2010-11, while it was closing down and at a time of great economic uncertainty. Within Oxfordshire, SEEDA led the establishment of the International Space Innovation Centre, and over the years invested some £15m in space technologies. Jobs growth in these industries is therefore part of the reference period trend, and they should not be claimed as ‘above trend’ wins;
 - h) Finally, the period 1996-2011 cannot be thought of as a neutral ‘policy-off’ background in regional development terms. Only about a quarter of the resources applied by RDAs have been transferred to LEAs, and local authorities were also more active than they can now be. It seems highly unlikely that much better results will be achieved in future with such reduced resources.
- 2.30 The employment growth forecast on this basis is an increase of 87,049 jobs (+26% 2011-31 (SHMA Table 28)) – some 40,000 above the economic baseline projection, giving rise to a housing requirement of 85,593 between 2011 and 2031 (SHMA Table 30). Even

⁶ ODPM (1995) ‘*Urban Research Summary No 4 1995: Final evaluation of Enterprise Zones*’ (archived)

⁷ SEEDA (2011), ‘*Annual Report and Accounts, 2010-11*’, HC 1365, HMSO

more than the baseline projection, the forecast presented as ‘planned’ or ‘committed’ growth is highly aspirational, and does not provide a sound basis for housing provision.

Adjustments for provision of affordable housing

Process

- 2.31 The housing need figures projected so far are for all sectors, and pay no attention to the question of affordability. While housing land policy has for several decades been predicated upon private sector housing for sale as the main provider, this has become less and less supportable as house prices have increased faster than incomes (as discussed in Chapter 2). Lord Best, an authoritative commentator on housing and social matters, has commented recently: *“Leaving housing provision to the market will deliver only half what is needed”*.⁸
- 2.32 Since the ending of large scale social housing in 1979, provision of new housing for those who cannot afford open market prices and rents has become the responsibility of Housing Associations, and other ‘registered providers’. Their contributions to new stock is relatively small (see Figure 2), and with the sale of much local authority stock since 1979 the private rented sector has recently overtaken social renting as the last resort.
- 2.33 Since the early- to mid-2000s central Government has increasingly attempted to use Planning Obligations to secure ‘affordable housing’ as a component of private housing developments of more than a few houses. For this purpose ‘affordable housing’ is defined as a rent less than 80% of open market for similar property. The process of assessment of needs for affordable housing specified in Planning Practice Guidance involves:
- a) The current and future distribution of local house prices and incomes;
 - b) Any backlog of unmet need (waiting lists, unsatisfactory housing, etc);
 - c) Existing households falling into need;
 - d) The flow of new households generated by demographic and economic change;
 - e) The proportion of new households that would not be able to afford market prices.
- 2.34 These need factors are compared with the flow of re-lets from existing social housing stocks, and the difference is the requirement for additional affordable housing. This may be supplied by Registered Providers such as Housing Associations, or by builders under a Planning Obligation.⁹
- 2.35 The procedure adopted in the SHMA mainly follows this guidance, but with a significant variation; the level at which housing is considered unaffordable by a particular household is set at 35% of household income, rather than the 25% in previous guidance (SHMA paras. 6.16-19). This is justified as ‘realistic’ given the relatively high incomes and housing costs in Oxfordshire – but it is unclear whether the realism is on behalf of developers or occupiers.¹⁰ The difference would be substantial – an additional 1,000 pa affordable housing, more than doubling the allowance made in the SHMA.

Comments on affordable housing results

- 2.36 The net need for affordable housing in Oxfordshire (after allowing for re-lets) is 2,370 pa (3,346 pa at the 25% threshold – SHMA Table 57). Local authorities have not been

⁸ Richard Best is President of the Local Government Association, chairs the Hannover Housing Association and the All-party Parliamentary Group on Housing and Care for Elderly people, and is a former Chief Executive of the Joseph Rowntree Foundation. He was speaking at a Lunar Society meeting in Birmingham on 15 April 2014.

⁹ Between 80 and 100% is ‘intermediate’ housing typically targeted by shared equity schemes; this does not qualify as affordable housing for planning purposes.

¹⁰ Possibly reflects nervousness by GLH at the sheer scale of need for non-market housing – as a potential call on developer clients.

- significant builders for 30 or more years, and while Housing Associations have provided about 25% of completions over the last 5 years, their ability to expand their programmes is severely constrained by the shift of subsidy from capital grants to revenue. The SHMA does not attempt to resolve this problem, merely referring to the private rented sector as the balancing force.
- 2.37 The SHMA (9.39-47) estimates that total provision of 5,624 pa market housing would be needed to meet the total affordable housing requirement by way of Planning Obligations¹¹ (SHMA Table 89), compared with 4,280 to support 'committed growth'. While pointing to even higher levels of need this is regarded as likely to be an over-estimate, and the adopted target of 5,003 pa is the midpoint of a range between 4,678 and 5,624 pa. The derivation of this range is set out in SHMA 9.48-52 and Table 90, and is a complex mix of District by District estimates based on a range of premises about affordability, need and economic growth.
- 2.38 However, it is important to remember that affordable housing need is not an *additional category of need* to add to those previously considered. Rather it is an indication of the *proportion of these additional needs* that might have to be supplied by other means than building for sale on the open market. To the extent that market prices are unaffordable, other means of provision will be needed. The numbers delivered by way of Planning Obligations applied to market-priced housing depend on how much such housing is built, and what proportion of affordable housing they provide. At the 'planned growth' level of housing provision (4,280 pa), the application of existing policy percentages by District would deliver 1,702 affordable homes pa. The rest will depend on public providers.
- 2.39 It is clearly not valid (or feasible) to attempt to build additional houses over and above demographic or economic needs already set at the extremes of probability, simply to secure provision of affordable housing. If such additional housing could be sold, it would be because it was meeting such needs itself. In reality two factors combine to make this last adjustment academic:
- a) The increasing resistance of house-builders to providing affordable housing at the percentages suggested (2.37), even at the low overall levels of output currently achieved; and
 - b) House prices must continue to increase if builders are to increase their output at all, and this is likely to suppress both effective demand and new household formation.
- 2.40 The treatment of the affordable housing figure of 5,003 pa as the overall target for housing provision in the SHMA, and so the benchmark for local planning, is therefore invalid.

¹¹ Assuming current affordable housing policies (50% in Oxford, 33% in Cherwell and 40% elsewhere).

3 SHMA content: strategic implications

Summary

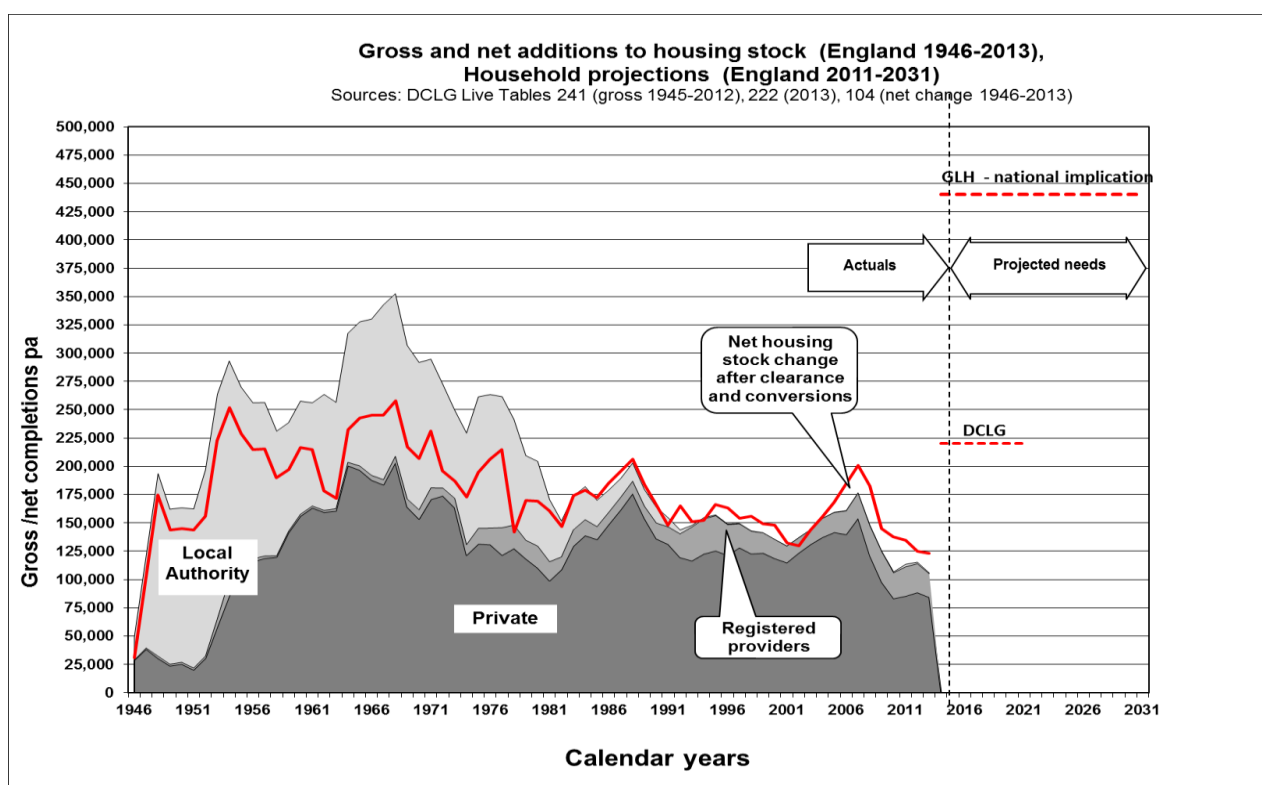
- 3.1 The level of completions implied at national level is completely outside the range of post WW2 experience. This casts considerable doubts on the reliability of the economic modelling and/or the relationship between the model and projected household formation.
- 3.2 New households are overwhelmingly formed by younger age groups, most of whom will not have the resources to buy or rent new houses in the market. New build may help by freeing up existing homes through 'churn', but the impact on the quality and price of existing 'entry level' housing of such 'trickle-down' depends greatly on the planning context.
- 3.3 At national level the research suggests that housing would still become less affordable, even if outputs of new housing more than double past levels were achieved, .
- 3.4 Because of the way the housing industry acquires land it has become dependent on rising house prices, and cannot viably build for sale except on the basis that price rises continue. In any case, volume builders have no reason to raise their output to levels which would adversely affect the prices they could get.
- 3.5 Expectations of rising house prices are built into the prices builders have paid for land, and they cannot afford to crystallise their losses by building and selling at lower prices, regardless of how much land is allocated through the local planning process.
- 3.6 To the extent that it is fuelled by increased private debt, 'Help to Buy' runs the risk of inflating another housing bubble. Such mortgages are (almost by definition) 'subprime', and if Government guarantees are called in, public as well as private indebtedness will rise. When mortgage rates eventually rise (as they must) 'Help to Buy' could easily lead to rising repossession.
- 3.7 Major new housing areas such as New Towns and urban expansions may have a place in spatial strategy but are not a panacea for increasing housing output. On average, New Towns delivered about 5% of national output, and only occasionally exceeded 10%. Lead times are long and in major new development areas the costs of servicing and infrastructure are of the same order as the cost of building the houses.
- 3.8 Allocation of housing land in Local Plans is essentially irrevocable, and the risk of serious harm from over-allocation is very great. Builders' preference for greenfield land would lead to a more dispersed pattern of development and diversion of interest and investment in towns. This would be damaging to Oxfordshire as an attractive business location and as a place to live. It would particularly degrade the housing choices available to new households at market entry levels.
- 3.9 The financial, social and environmental costs of running a large housing land surplus might be an acceptable trade-off if it could be shown to be essential for growth. This has not been demonstrated.

Wider implications of the scale of the SHMA projections

- 3.10 It could perhaps be argued that the very large adjustments proposed by the SHMA are the consequence of an exceptional level of housing needs in Oxfordshire. Though not stated in such terms, the subtext of much of the SHMA is that the unique attractions of Oxfordshire, arising from the catalytic properties of Oxford University and the array of advanced scientific establishments in the County, such as Harwell and Culham will increase the demand for labour and housing and justify the satisfaction of this demand in the national economic interest.

- 3.11 A critique of the projections was given in Chapter 2. The wider strategic issue to note here is that the employment projections for Oxfordshire are not exceptional: the growth projected for Oxfordshire is 0.8% pa, only slightly above the projections (on the same basis) for the UK and the South East (0.7% pa – CE-SQW Table 3.1). Therefore the Oxfordshire results must be seen in the context of applying the same conclusions at the national level.
- 3.12 The DCLG national household projection for 2011-2 gives a net increase of 220,000 pa, on the same basis as Oxfordshire's 1,825 pa. Applying the adjustments from the Oxfordshire SHMA that are equally relevant at national level¹² would imply a multiplier of 2.0, or provision of 440,000 additional dwellings per annum. Figure 4 puts this figure into the context of past housing provision at national level, both gross output and net change taking account of clearance and conversions.

Figure 4: Housing provision (England, 1947-2013, 000s pa) and projected needs 2011-21



- 3.13 It can be seen that the level of completions implied at national level is completely outside the range of post WW2 experience. This casts considerable doubts on the reliability of the economic modelling and/or the relationship between the model and projected household formation. Note that this is before any special case for planned growth (in Oxfordshire or elsewhere) is taken into account. The methodological criticisms of the Oxfordshire SHMA have been dealt with in Chapter 2, but there are also strategic implications arising from deliverability, from the role of existing housing in meeting housing needs, and for securing sustainable development through the local planning process, as required by NPPF.

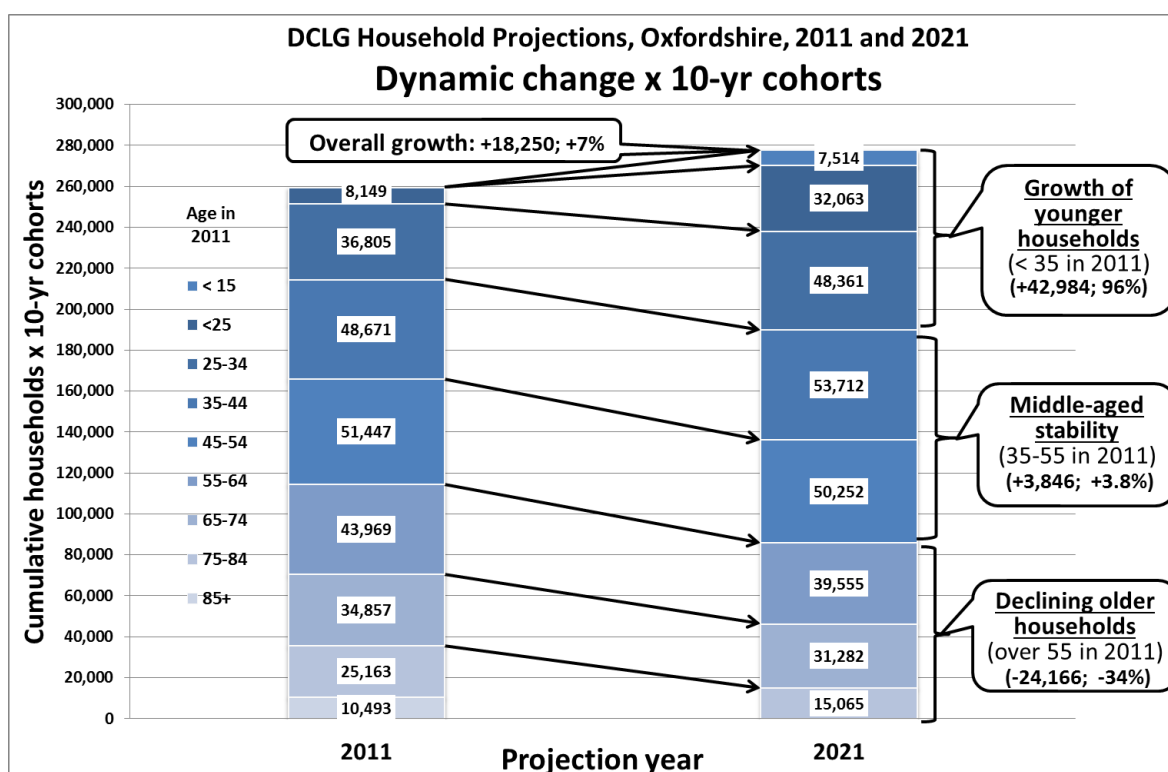
¹² The 'affordable housing' requirement is not a consequence of the projected additional 'planned growth', but the SHMA only provides an adjustment after that is allowed for. Given that the population and catch-up components (Notes 1 and 2) add up to 1,176 jobs, compared with 1,200 'planned growth' it seems reasonable to allow for half the combined affordability adjustment ($1344/2 = 672$) – an additional 1848 pa in all.

SHMA projections and affordability

New houses and new households

- 3.14 The crisis in affordability has become intense since 2007/8 as a result of the very rapid rise in house prices since the mid-1990s, combined with static or declining real incomes for most people since. But what is the evidence that increased output of new houses will help meet the needs of the newly-forming households projected by SHMA? This is crucial to the argument that previous environmental constraints on development of greenfield and Green Belt land must be abandoned to meet the social objective of affordable housing for all.
- 3.15 New households in Oxfordshire will come mainly from younger age groups, The DCLG projections for 2011-21 (Figure 5) show an overall growth in households of 18,250. Nearly 43,000 new households are expected to be formed by those under 35 in 2011 (<45 in 2021), an increase of nearly 100%. By contrast households over 55 in 2011 (>65 in 2021) decline by some 24,000. It should be noted here that the higher projections proposed in the SHMA will be even more heavily weighted towards younger age groups.

Figure 5 Household projections for Oxfordshire (DCLG, 2011-21)

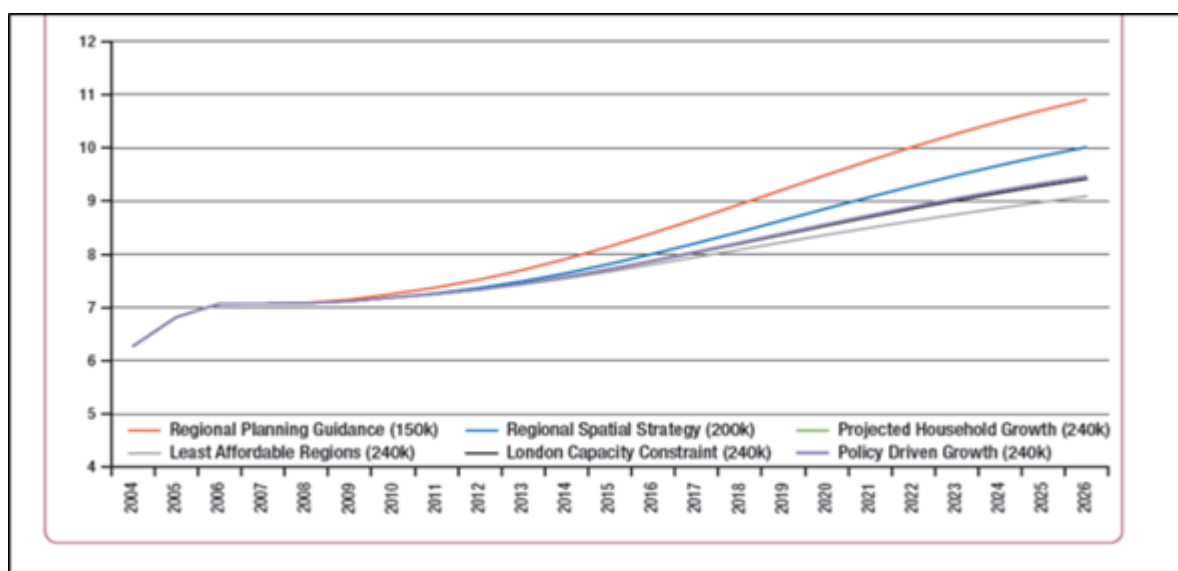


- 3.16 The details of the SHMA household projections were considered in Chapter 2; we are concerned here with the relationship between the projected new households and new houses that are built. 90% of the housing demand arising each year is met by churn within the existing housing stock. Very few of these young households will have the resources to buy or rent new houses in the market. New build may help new households by stimulating movement in other parts of the housing market, freeing up existing homes through churn. The impact on the quality and price of existing 'entry level' housing of such 'trickle-down' depends greatly on the planning, services and infrastructure context in both existing settlements and new areas of development, and is an important test of policies to stimulate new build (as discussed in the next section).

New housing output and affordability

- 3.17 The 2004 Barker Report proposed a major increase in new housing in order to improve affordability. However, it estimated that a 50% increase in building for sale (+70,000 for England at that time) would only 'price into the market' an additional 5,000 households pa – and then only after 10 years at that rate.¹³
- 3.18 The National Housing & Planning Advisory Unit (NHPAU) set up under Labour reported on the relationship of house prices to levels of new house building at national level.¹⁴ Figure 6, taken from that report, shows that (even if delivered) the volume of new building has only a very weak influence on housing 'affordability'. It is striking that none of the levels of house-building discussed (150-240,000 pa for England, across all tenures) were expected to bring affordability levels down from the 2007 starting level, already considered unacceptably high. DCLG nevertheless used this as evidence to promote more greenfield land releases in Regional Spatial Strategies (RSSs).

Figure 6: Effects of new housing on affordability (ratio of lower quartile prices to lower quartile earnings, England, 2007-2026)



- 3.19 This graph was intended to encourage local authorities to release much more land, permitting higher levels of output, and thus allow more households to buy their own homes. What it in fact shows is something quite different; that *housing would still become less affordable, even if outputs of new housing more than double past levels were achieved*. Indeed, it is difficult to see why the volume builders would raise their output to levels which would adversely affect the prices they could get. In the next section of this chapter we discuss why they could not do so, even if they wanted to.

Fiscal measures to improve affordability

- 3.20 Incentives to house buyers have been a large component of current Government policy. Initially in the form of support to mortgages for new housing (thus benefiting builders), over the last year the scope has extended to all housing transactions up to £600,000. The Government's 'Help to buy' guarantee on the difference between loan and value reduces the deposit buyers need to find – and the total amount of lending with low deposits that could be supported in this way is some £130bn.

¹³ ODPM (2004) 'Barker Review, Final Report', para 1.37, Table 1.1

¹⁴ NHPAU (2007), 'Developing a target range for the supply of new homes across England'

- 3.21 While there may be an initial boost to house-building, the figures so far are modest, and recent history suggests that such a boom may be short-lived. To the extent that it is fuelled by increased private debt 'Help to Buy' is a hostage to fortune; there is an obvious danger of inflating another housing bubble. Such mortgages are (almost by definition) 'subprime', and if Government guarantees are called in, public as well as private indebtedness will rise. When mortgage rates eventually rise (as they must) 'Help to Buy' could easily lead to rising repossession.
- 3.22 The Government has sought to persuade communities to withdraw their objections to new housing development by promoting direct 'planning gain' payments towards local projects by builders. Local authorities also now benefit from payments related to housing output in their area in the preceding year; since 2011 some £2bn has been paid to local authorities through the 'New homes bonus'.
- 3.23 New Homes Bonus is essentially a re-badging of part of declining central support. The Community Infrastructure Levy, Planning Obligations and other 'community' payments are small in relation to the actual costs of additional service and infrastructure requirements (see below (3.35)). They are also under increasing pressure for downward renegotiation on grounds of viability.

Deliverability of SHMA projections

Past approaches

- 3.24 The aim of increasing output of new homes has been a constant theme of Government policy since at least 1945, with added emphasis in the post-WW2 reconstruction period, during the Thatcher administration, and following the 2004 Barker Report. It can be seen from Figure 5 that from the 1970s to 2007 private sector provision has mainly remained in the range 120-150,000 with only brief peaks above this level. The significantly higher overall output between 1950 and 1970 was the result of large scale local authority programmes, which is not amongst the policies currently under consideration.
- 3.25 A wide range of approaches to delivery of housing through the planning system have been tried. Most relevant in the current context are:
- a) Actively using the planning system to make more land available (including setting targets for development planning and promoting new large-scale areas of housing);
 - b) Passively providing more land by general removal of planning constraints;
 - c) Stimulating the market (incentives to house buyers, local authorities and builders);
 - d) Promoting new building and urban regeneration within major urban areas.
- 3.26 Current policies give most emphasis to (a), (b) and (c), while the previous administration favoured (a) and (d). Both sets of policies have in common the underlying assumptions that:
- a) the supply of land through the planning system is the main constraint on the output of new housing; and
 - b) that building more new houses for sale will in itself make housing more affordable through market processes of supply and demand.

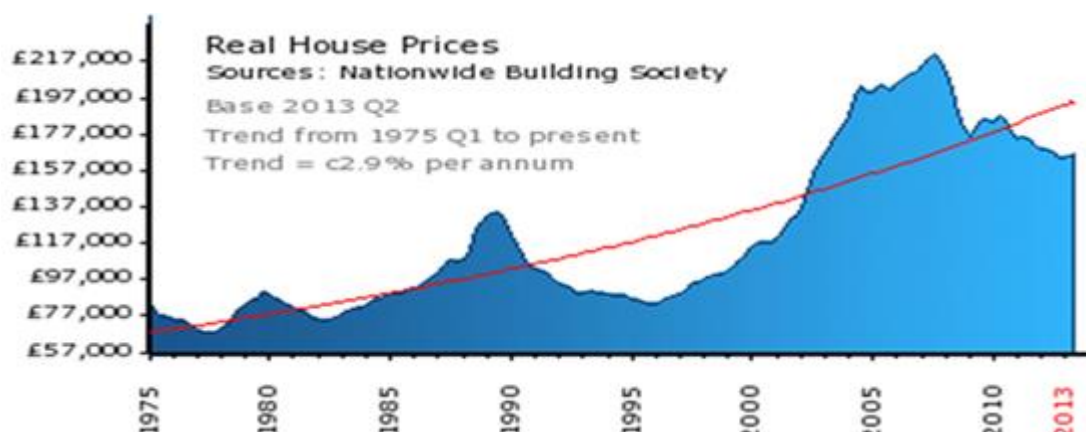
Why large allocations of housing land do not lead to large increases in housing

- 3.27 Target-setting for housing land by Government has been a constant since the 1970s (from 2000 via centrally-approved Regional Spatial Strategies (RSSs)). However, it is apparent from inspection of Figure 5 that these measures have not had a significant and sustained impact on delivery. The underlying reasons are essential to an understanding of why making large allocations of housing land through the local planning process does not

secure delivery of large increase in housing,¹⁵ and how this affects the housing needs of everybody – not just the would-be occupiers of new houses.

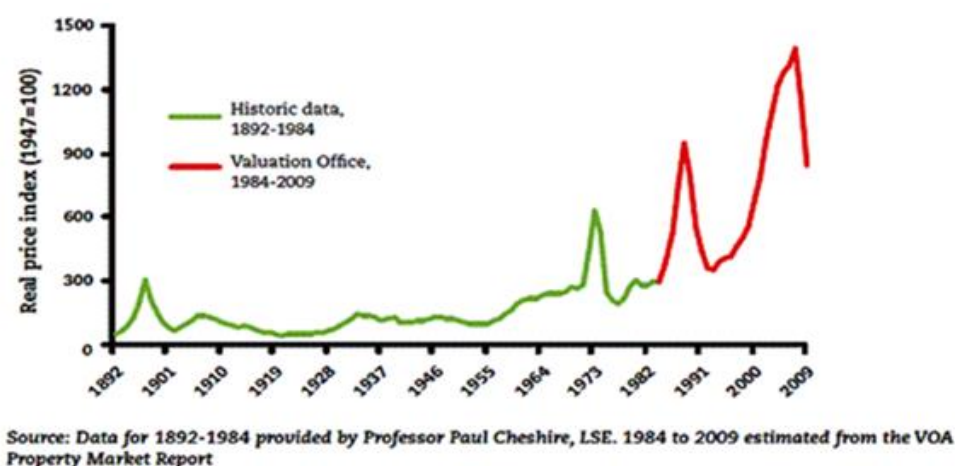
- 3.28 House prices in a market area are generally set by the turnover of existing housing ('churn'), which comprises around 90% of the annual supply. The prices house buyers have been prepared to pay depends on their expectations of future growth in value, and ability to access loan finance. This has led to a series of 'booms' and 'busts' in recent years, but the underlying trend is upwards (Figure 7).

Figure 7: Real house prices (England, 1975-2013)



- 3.29 The price builders are willing to pay for land depends on their expectations for house prices when they come to sell. The value of land to them is thus a residual after construction costs and profit. In housing price booms (eg: 1997-2007) landowners are able to demand extremely high prices from developers, and because landowners seldom need to sell in slacker times, prices are ratcheted upwards. It can be seen that land prices (Figure 7) reflect closely the trends in house prices (Figure 8), but the fluctuations in recent years have been more extreme, reflecting the huge expansion of credit in the early 2000s, and the subsequent credit crunch.

Figure 8: Real price of housing land (England, 1892-2009, indexed to 1947=100)



¹⁵ Eg: IPPR (2011) 'We must fix it: Delivering reform of the building sector to meet the UK's housing and economic challenges'.

- 3.30 The dysfunctional character of the housing land market is made worse by three further features:
- a) Much of the land market takes the form of option agreements between landowners and builders. These agreements to buy at a future date incorporate a house price expectation which tends to drive land prices still higher in an unstable positive feedback loop;
 - b) Mergers motivated by acquisition of land-banks (and options) have led to the domination of the sector by a handful of major volume builders.¹⁶ This has created a major barrier to market entry by the medium and smaller builders that used to provide most new housing;
 - c) This is compounded by the planning system as gatekeeper; the complexities of continually shifting legislation and local policies require builders to have and maintain analytical expertise and knowledge of local and national planning issues. Smaller builders seldom have the resources for this. The continual shifting of the goalposts by Whitehall in its efforts to get more land allocated has had a serious unintended side-effect on land allocation.
- 3.31 The effect of these features of the house building industry is that continually rising prices are built in to the development process, regardless of how much land is allocated through the local planning process. Expectations of rising house prices have been built into the high prices builders have paid for land, and they cannot afford to crystallise the losses that would be entailed by building and selling at lower prices.
- 3.32 This has crucial implications for the deliverability of large increases in housing output, such as proposed by the SHMA. Unless they are confident that house prices will continue to rise, builders have little incentive (or ability) to build, however much land they have under option (and no incentive whatsoever to build in sufficient numbers to cause prices to stabilise or fall). In this respect their motivation mirrors that of existing and prospective home owners; they all want a housing price escalator – provided they are on it.

New Towns and Garden Cities

- 3.33 Some have called for a revived New Towns programme as a means of breaking out of the difficulties described above, with the public sector taking the risks of providing housing land. In the 50 years following the 1946 New Towns Act, English New Towns housed an additional 1.4 million people in their designated areas. At an average household size (then) of 2.8 this equates to 10,000 houses pa, or less than 5% of the total output for England over that period (11.3 million). Even at its peak, the New Towns programme rarely accounted for more than 10% of output. New Towns may have a place in a wider national or regional spatial strategy, but not as a means of radically increasing national or local housing output.
- 3.34 Moreover the lead times are very long and the service and infrastructure costs considerable. The South East Growth Areas proposal (2003) provides an indication of some of the public sector costs of additional greenfield housing; for 13,300 houses pa these costs amounted to some £5.4bn over three years, or about £135,000 per additional dwelling – similar to the costs at the time of the housing itself, even though this sum excluded health and education.¹⁷

Infrastructure and services

- 3.35 To the extent that new housing is not situated within or next to existing centres of population (or is located within settlements where current capacity thresholds have been

¹⁶ Barratt, Taylor-Wimpey, Persimmon, Bellway, Redrow, Bovis, and Berkeley (the first 3 accounted for over a third of national output in 2007, and the process of concentration has continued since).

¹⁷ Source: ODPM (2003) *'Sustainable Communities Plan'*, Annex A.

reached), there will be additional costs. Much of these costs fall on the public purse, though there has been increasing interest in securing contributions by developers as part of a Planning Obligation agreement and the Community Infrastructure Levy.¹⁸ However, such measures have seldom been sufficient to cover more than a small part of such costs, and those made in the boom years are increasingly being subjected to renegotiation downwards to secure viability. Cost issues are obviously only part of a range of planning considerations affecting spatial policy choices.

¹⁸ The rate and application of CIL has to be set out in an adopted Local Plan, so upheavals in the planning process have slowed implementation

4 Risk analysis and conclusions for sustainable development

Summary

Process

- 4.1 **The scale of housing provision in Oxfordshire applies equally across the country. This is completely outside the range of post WW2 experience, casting doubts on the reliability of the economic modelling and its relationship to household formation.**
- 4.2 The SHMA is not in conformity with the National Planning Policy Framework in the following respects:
 - a) The household projections are a wholesale replacement rather than an adjustment to the official base, as required by Practice Guidance; and
 - b) NPPF requires Local Plans to seek sustainable development through joint and simultaneous pursuit of economic, social and environmental gains. The scale and immediate effect of SHMA housing need projections has pre-empted an integrated local planning process.
- 4.3 While the projections cover a 20 year period, their effect is immediate. The NPPF delivery mechanism requires a 5-year supply at the projected rate, and the doubling or tripling of this rate means that most Oxfordshire Districts will not meet this criterion.
- 4.4 If it were the necessary price of high economic growth, the citizens of the county might agree the costs of a large surplus of housing land as an acceptable trade-off. Indeed, if Oxfordshire were to offer economic opportunities of national significance, not achievable elsewhere, then the citizens of the county might need to suffer such costs in the national interest.

Policy objectives

- 4.5 **‘Committed’ economic growth seems beyond the ability of Oxfordshire to accommodate in terms of the consequent housing requirements, particularly for younger and poorer people. This calls into question the wisdom of promoting economic growth in the county in isolation from the social and environmental context – and in direct contravention of the NPPF.**
- 4.6 Even more than the baseline projection, the forecast presented as ‘planned’ or ‘committed’ growth is highly aspirational. While we might applaud if it came to pass, it would be unwise to make costly or irrevocable commitments on such a basis.
- 4.7 Large allocations of housing land give builders *carte blanche* in their choice of which sites to develop. While this might lead to some more housing output, the increases will be modest. The main effects will be on *where* housing is built and for *what market sector*.

Delivery

- 4.8 **The case for the level of housing provision depends upon the unique suitability of Oxfordshire to accommodate economic growth, but could not be delivered by the house building industry as currently structured, even if this growth was forthcoming.**
- 4.9 Unless they are confident that house prices will continue to rise, builders have little incentive (or ability) to build (regardless of how much land they have) because of the high prices they have paid for land (and options). But if prices do continue to rise, demand from new households will be choked off.
- 4.10 New Towns may have a place in subnational spatial strategy, but will not radically increase national housing output. The service and infrastructure costs of additional greenfield housing are similar to the direct costs of the housing itself, and lead times are long.

Affordability

- 4.11 Even if outputs more than double recent levels were achieved, housing would still become less affordable, not more.
- 4.12 'Help to Buy' may improve affordability in the short run, but risks inflating another housing bubble. When mortgage rates eventually rise 'Help to Buy' could lead to repossessions.
- 4.13 Households that might have formed in more prosperous times may not be able to achieve their housing aspirations, and will continue to be suppressed or concealed. This is a real and serious emerging social problem, to which the provision of housing land is not an answer.

Risk analysis

- 4.14 At several points in the discussion it has been noted that the chosen projections of need are based upon optimistic views about economic growth and housing delivery. If the allocation of land on the scale implied by such views was necessary to securing such a future, and if the costs attaching to such provision were not too high, it might be seen as an acceptable risk. This is the issue addressed here.

SHMA risk analysis

- 4.15 The SHMA itself contains no risk assessment, but the final chapter of the CE/SQW report (chapter 6, pp 36-41) is devoted to the subject. The risks to the forecast of an additional 88,200 jobs can be summarised as follows:
 - a) **Market conditions:** recent indications of recovery are reckoned to presage above forecast growth over the next 5 years, after which booms and busts will even out;
 - b) **Labour market competition:** increasing competition from London could inhibit growth, but is compensated by access to the West Midlands and Thames Valley;
 - c) **Infrastructure delivery:** some firms might go elsewhere, but other areas will have similar problems, and the major investments are not highly infrastructure dependent;
 - d) **Housing requirements:** areas with comparably high past growth¹⁹ did not seem to have been constrained by lower levels of housing;
 - e) **Site capacities:** there is adequate flexibility.
- 4.16 This seems less a risk assessment than a list of 'reasons to be cheerful'. However, the only issue treated at any length is the link to housing. Housing delivery in Oxfordshire over the last 10 years (1,811 pa) was similar to Cambridgeshire, which had nevertheless enjoyed a significantly higher growth rate over the period. Since this figure is also similar to the DCLG-based need projection for Oxfordshire (1,900 pa), this evidence would suggest that the additional housing put forward in SHMA is not needed to support economic growth.

Uncertainties surrounding SHMA housing need projections

- 4.17 The housing need projection presented in the SHMA rests on a number of dubious assumptions. Those concerning methodology were reviewed in Chapter 2, while the more strategic implications have been discussed in this Chapter. Together they add up to a formidable set of reasons for care in making irrevocable commitments on this basis:
 - a) **Housing need projections do not have long-term stability and reliability** – official projections are revised every two years, and the large increase between the current set and its 2008 predecessor shows how volatile they can be;
 - b) **The assumption that land is the most critical constraint on housing output is false** – the experience of recent years has demonstrated that availability of finance is far more

¹⁹ Oxfordshire itself, Cambridge, Huntingdon, Buckinghamshire, Aylesbury and Milton Keynes.

important, both in increasing effective demand when sub-prime credit is easily available, and reducing effective demand in a credit crunch;

- c) ***The related assumption that house builders will make timely use of all the land that is allocated through the development planning system is also false***; in reality they will only build when profitable to do so, and are heavily constrained in this regard by option agreements with land-owners that build in large increases in house prices;
- d) ***The ability to buy or rent is not directly related to the overall level of employment in the local economy*** – affordability depends critically on the distribution of income and the availability of family money to help with deposits – and both are rapidly changing in the direction of greater inequality;
- e) ***The output of new housing is not the most significant component of the price and affordability of housing*** – 90% of the market is supplied by the churn of existing stock, and this is the major determinant of the price at which new stock can be sold;
- f) ***Over-provision of land in the short- and medium-term is not a no cost option*** - in reality, the order in which land is developed is hugely significant for investment in infrastructure and services (public and private), and so for the evolution of towns, villages and neighbourhoods.

4.18 For all these reasons it must be regarded as highly likely that projections of housing need in Oxfordshire will vary widely during the period covered by the SHMA. Allocations of housing land made in response to the present very high projections will have the effect of giving builders *carte blanche* in their choice of which sites to develop. While this might lead to some more new housing output than with lower housing land allocations, past experience and research on the issue suggests strongly that the increases will be modest. The main effect is likely to be on *where* market housing is built and for *what market sector*.²⁰

4.19 Ever since the policy guidance on Transport (PPG13, 1994) planners have relied on co-location of housing and employment land to reduce travel needs. However, there is no evidence that this has more than very limited influence on actual travel behaviour. Given the range and volume of locational choices of housing and business premises offered by existing stock, any constraint on labour availability in any likely employment growth location in the region is the result of house price inflation, and lack of affordable housing rather than total housing provision. As has been discussed these issues are not susceptible to influence through provision of land for new houses.

Risks of over-allocation of housing land

4.20 A greater risk to the economy arises from the potential for over-allocation of housing land relative to the building industry's ability to deliver and households' ability to pay. With an effectively unconstrained supply of land builders will not build much more, but will build preferentially in greenfield locations. The unintended side-effects were discussed in depth in Chapter 3 (3.31) and include:

- a) Diversion of resources for services, infrastructure and environmental improvements from existing towns, reducing their attractions as places to live; increasing difficulty in recruitment, especially in international markets for workers with scarce skills and a wide choice of places to live and work; and
- b) A more dispersed pattern of activity and locational choice (within existing as well as new stock), increasing car-dependency and congestion and undermining the economic advantages of agglomeration.

4.21 Allocation of land for housing is essentially a one-way process; once included in a development plan, there is no going back – only *under-provision* can be corrected later,

²⁰ David Ritchie (Bovis Chief Executive) stated on BBC 'Today' (24 Feb 2014) that they expect to increase output by 20% in 2014/5, but expect also to realise 15% higher prices.

by making further allocations if the projection turned out to be too low. If there was *over-provision*, either because the projection was too high, or because land came forward more quickly than expected, no corrective action is possible. As well as being more difficult to correct, the risks associated with over-provision of housing land are very much more serious than for under-provision, as summarised in Figure 10 below.

Figure 10: Summary of risks of over- and under-provision of housing land²¹

Risks of over-allocation	Risks of under-allocation
<ul style="list-style-type: none"> • increased vacancy, concentrated in most marginal existing stock • accelerating decay and dereliction in the poorest neighbourhoods • removing decent entry point housing in all tenures by concentrating deprivation and low demand • unnecessary greenfield development, leading to increased travel demands and loss of countryside • inability to take corrective action 	<ul style="list-style-type: none"> • reduction of land banks and less certainty about long-term pattern of development • higher land prices and increased pressure on marginal sites • possibility of ‘town cramming’ • upward pressure on the price of new housing, especially in areas of high demand and high restraint • corrective action is possible

- 4.22 However difficult it may be to identify a supply of housing land adequate for a period of 15-20 years, new land that has not been identified in advance is continually being brought forward in places consistent with development plans. Within urban areas, so-called ‘windfall’ sites are continually being identified, both through small-scale renewal of the urban fabric and large-scale shifts in the needs of industry, services and infrastructure. Thus even in a high-pressure area like Oxfordshire, a medium-term surplus can (and does) coexist with a projected longer-term shortage. Planned allocations of new land are in addition to processes that continually recycle ‘old’ land. It may be easier to over-allocate than is general appreciated.
- 4.23 It would be naïve not to recognise the political pressures. Since the 2004 Barker Report the central desire to drive land supply has taken precedence over responsiveness and flexibility. However, the impact of top down pressure to allocate more land through the planning system has been disappointing in terms of housing output. The 2007 Housing Green Paper led to large increases in housing land requirements in Regional Spatial Strategies,²² but little of this has found its way into Local Plans because RSSs were abandoned by the present government, which also carried out a radical overhaul of the local planning system. In the meantime the credit crunch and recession have decimated effective demand.
- 4.24 Following the 2004 Barker report there was a Government panic about housing delivery; demands for more land from the planning system; a re-write of the planning system that prevented a timely response; the emergence of random pieces of land uncoordinated with infrastructure or services; and housing delivery below expectations and needs, and in the wrong places. We seem well on the way to repeating this history.

²¹ A Wenban-Smith (2002) ‘A better future for development plans: making ‘plan, monitor and manage’ work’, Planning Theory and Practice Volume 3 No1, pp 33-51

²² Examples are the West Midlands where the amount of land to be found was doubled, and Yorkshire & Humber where it was almost tripled from that in the existing regional strategy’. In each case the increase was almost equally from a combination of a longer plan period and a higher annual requirement.

Implications for sustainable development

Pressures on local planning process

- 4.25 While the projections cover a 20 year period, their effect is immediate. The housing land delivery mechanism set out in NPPF requires a 5-year supply at the rate implied by meeting '*full, objectively assessed needs*'. The doubling or tripling of the annual rate means that most Oxfordshire Districts are likely to be in the position of not meeting this criterion, and therefore faced with the choice of either:
- a) Accelerating adoption of Local Plans which include such provision (the government's aim); or
 - b) Losing appeals against refusal of planning permissions for housing.
- 4.26 Either way, they are not in a position to carry out the overriding directive of NPPF in favour of sustainable development. As noted earlier (para. 1.7) the mutual dependence of economic, social and environmental gains requires that they are sought jointly and simultaneously through the planning system. In effect the housing requirement has been allowed to pre-empt this central requirement of NPPF.

Risks of 'greenfield first'

- 4.27 Unsurprisingly builders will choose the easiest and most profitable sites from those offered by the planning system. These are not necessarily those most conducive to the vision of 'sustainable development' set out in NPPF. 'Brownfield first' was an important element of national policy from 1998 to 2007, and crucial to urban regeneration across all sizes of settlement. It can be seen from Figure 4 that this was also a period of increasing overall housing output.
- 4.28 What is less well-known is that the proportion of housing on brownfield land soon exceeded the initial target of 60%, rising to 78% by 2008. In addition, the supply of brownfield land increased in spite of the higher rate of use – or perhaps because the policy emphasis encouraged sites to be brought forward.²³ Brownfield land is a flow of sites arising from urban change processes which are not necessarily predictable in detail and in advance. It follows that large increases in land immediately identifiable in the short-term *must* mostly be greenfield, not brownfield. Greenfield is preferred by builders, so a large increase in provision inevitably means changing the successful brownfield first policy to 'greenfield first'.
- 4.29 One consequence of 'greenfield first' is a more dispersed pattern of new development, likely to lead to more personal travel and increased car-dependency. There are also likely to be additional service and infrastructure costs once local capacity thresholds are exceeded. While planning obligations may make contributions to some such costs, there are many other calls (not least affordable housing) and developers have been seeking (and getting) reductions on viability grounds.
- 4.30 A connected consequence of 'greenfield first' is the diversion of resources and attention from renewal of infrastructure and services within existing settlements. Brownfield development is like cell replacement in the body; an essential part of the continuing health of towns. Conversely, the failure to make proper use of brownfield land is a leading cause of urban decline. This has crucial housing, social and economic impacts. As noted previously, 90% of the housing market is churn, so the continuing attractiveness of existing stock is the dominant factor in the quality of housing choice that Oxfordshire offers. The environment, services and infrastructure of existing communities need renewal and reinvestment to maintain their attractions, or they will suffer selective out-migration, leading to further deterioration. This is particularly crucial for newly forming households who depend overwhelmingly on existing entry-level homes.

²³ Bate, R. (2011) '*Building in a small island: why we still need the brownfield first approach*', report for CPRE.

‘Predict and provide’ versus managing uncertainty

- 4.31 Strategic planning requires long-term forecasts for context, but should not depend upon them. Undue rigidity in the treatment of initial forecasts gives only the illusion of certainty, and can inhibit necessary adaptations to new problems and unforeseen opportunities. It is important that a strategic sense of policy direction can be maintained in the face of varying circumstances, unless departures from forecast are so large as to require a strategic re-think.
- 4.32 Central government has relied for the last 30+ years on ‘predict and provide’, with household projections built into development plans, requiring a review of the plan itself to vary. Ironically, the 5-year land supply now featured in NPPF started life as a way of ensuring that the release of housing land through the planning system was sensibly related to real-world pressures and uncertainties such as those reviewed in Chapter 3 – and was supported by CPRE in its response to the South East Plan.²⁴ This proposed rolling release of a 5-year forward supply from planned provision, in the light of annual monitoring of *both* land supply *and* housing needs.
- 4.33 ‘Plan, monitor and manage’ was briefly adopted by Government in the late 1990s, but in a form hamstrung by continued reliance on an initial set of household projections, to guide land release in 5-year blocks. The 5-year supply in NPPF is a remnant of this approach, as is the Practice Guidance requirement to monitor the response of the market to measures to improve affordability. Both aspects need to be revived and built on to create a more responsive and less risky approach to land allocation.
- 4.34 Rejection of the SHMA would be a good starting point.

²⁴ Wenban-Smith, A. (1999), *‘Plan, monitor and manage: making it work’*, CPRE, London).

West Oxfordshire Pre-Submission Draft Local Plan 2031

Housing Position Statement

July 2015

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Executive Summary

- E1. The purpose of this position statement is to explain how the proposed pre-submission draft local plan housing target of 525 homes per annum has been derived and how it is considered to be consistent with the Government's practice guidance for assessing housing need.
- E2. In line with the practice guidance, the statement considers four main elements:
- Demographic projections
 - Alignment of homes and jobs
 - Market signals
 - Affordable housing need

- E3. The findings can be summarised as follows:

Demographic Projections

- E4. The latest 2012 CLG household projections were published in February 2015 and suggest household growth in West Oxfordshire of 458 households per annum in the period 2011 – 2031. Independent sensitivity testing¹ using long term-migration trends (2004 – 2014) suggests an increase of 466 households per annum over the same period. Short-term migration trends (2009 – 2014) suggest an increase of 379 households per annum.
- E5. Taking account of vacancies and second home ownership, the demographic-led projection for West Oxfordshire in the period 2011 – 2031 therefore ranges from 400 homes per annum (short-term migration trend) to 483 per annum (2012 CLG household projection) up to 491 per annum (long-term migration trend). The mid-point of this range is 446 homes per annum.
- E6. The 2011 interim household projections used in the SHMA are known to have a number of limitations but were the most recent projections available at that time. The SHMA itself acknowledges that the projections for West Oxfordshire were directly affected by a particularly high-period of house building and in-migration and suggests that the District Council might wish to consider this further in light of the Practice Guidance which suggests consideration should be given both to past under-supply and over-supply of housing.
- E7. For this reason, the Council considers that the 2011 interim projections should be afforded limited weight in determining the District's OAN in favour of the more recent 2012 projections and the related sensitivity testing undertaken on behalf of the Council (see Appendix 1).

¹ See Appendix 1 – West Oxfordshire Demographic Advice (John Hollis July 2015)

Alignment of jobs and homes

- E8. The practice guidance states that plan makers should make an assessment of the likely change in job numbers based on past trends and/or economic forecasts as appropriate and also having regard to the growth of the working age population in the housing market area.
- E9. Where the supply of working age population that is economically active (labour force supply) is less than the projected job growth, this could result in unsustainable commuting patterns (depending on public transport accessibility or other sustainable options such as walking or cycling) and could reduce the resilience of local businesses. In such circumstances, plan makers will need to consider how the location of new housing or infrastructure development could help address these problems.
- E10. To help support future economic growth in the District and the wider sub-region, the District Council acknowledges that it is necessary to consider an appropriate uplift in housing provision from the demographic starting point.
- E11. The District Council's independent analysis suggests that the provision of at least 10,500 new homes (2011 – 2031) will support an increase in the resident labour force of at least 6,000 people.
- E12. Taking account of unemployment and out-commuting rates (assuming these remain constant) this level of housing provision would therefore support at least 4,775 new jobs. If the housing target were to be exceeded (e.g. as a result of a greater number of windfall schemes coming forward than expected) and/or there were to be a reduction in out-commuting to other areas, the number of potential jobs that could be supported would be higher.
- E13. This anticipated level of job growth is broadly in line with the 'baseline' projection of 5,100 jobs (2011 – 2031) set out in the Cambridge Econometrics (CE) report that fed into the Oxfordshire SHMA².
- E14. Whilst it falls below the alternative population projection prepared by CE (6,100 jobs) it is not significantly lower - a difference of around 70 jobs per year over the plan period. It is also relevant to note that the CE projection was based on the 2011 interim household projections and thus inevitably encapsulate some of the 'inflationary' effect of past growth in the District.
- E15. Whilst the supported level of jobs also falls below the CE 'planned economic growth' scenario (7,900 jobs) the District Council considers this higher-growth estimate to represent a 'policy-on' judgement about job growth.
- E16. The District Council's independent analysis suggests that to sustain this level of job growth, the District's resident workforce would need to increase by over 9,000 people (2011 – 2031) which implies net immigration growth of over 1,200 per year (a rate which has only twice

² Economic Forecasting to Inform the Oxfordshire Strategic Economic Plan and Strategic Housing Market Assessment (February 2014) Cambridge Econometrics and SQW

been exceeded in recent years). It is therefore not considered to be an appropriate basis upon which to derive the local plan housing requirement.

- E17. The proposed housing target of 525 homes per annum provides for a suitably positive response in line with the practice guidance, seeking to align future housing provision with projected job growth having regard to anticipated labour force supply. In particular the target will support an increase in the resident labour force of at least 6,000 people over the plan period to 2031.

Market Signals

- E18. The Government's practice guidance suggests that the housing need number suggested by household projections (the starting point) should be adjusted to reflect appropriate market signals, as well as other market indicators of the balance between the demand for and supply of dwellings.

- E19. In line with the practice guidance, the SHMA (2014) considered a number of market signals and from this the following observations can be drawn.

- House prices in West Oxfordshire were found to be below the County average and significantly below Oxford, South Oxfordshire and the Vale of White Horse.
- In the pre-recession decade (1998 – 2007) house prices in West Oxfordshire increased at a lower rate than any other Oxfordshire authority (157% compared to over 200% across Oxfordshire as a whole).
- This was largely a reflection of strong past housing supply in West Oxfordshire which helped to minimise the imbalance between supply and demand and therefore suppress house price increases.
- Past shortfall of housing delivery in other parts of Oxfordshire is likely to have increased the affordable backlog and market signals case for adjustment.
- The strongest demand pressures are in Oxford followed by the south of the county (Vale of White Horse and South Oxfordshire).
- There is less market pressure in Cherwell District and West Oxfordshire.
- Whilst the SHMA makes an upward adjustment for past 'under-delivery' of housing in other Oxfordshire authority areas, it makes no downward adjustment for past 'over-delivery' in West Oxfordshire.
- The SHMA makes no adjustment to the demographic projection for West Oxfordshire based on market signals (although does uplift it for jobs/affordable housing need).

- E20. The District Council is of the view that the proposed target 525 homes per annum represents a significant increase from the demographic starting point that does not need to be further uplifted to take account of market signals which are less significant in West Oxfordshire compared to other parts of the HMA.

Affordable Housing Need

- E21. The fourth main element in deriving an objective assessment of housing need is the level of affordable housing need with local authorities being encouraged to meet the full, objectively assessed need for market and affordable housing and give consideration to an increase in overall housing numbers where it could help deliver the required number of affordable homes.
- E22. In line with the NPPF and NPPG the SHMA identifies the level of affordable housing need on a per annum basis for the Oxfordshire HMA as a whole and by individual authority. It then derives an overall indicative dwelling requirement by making some broad assumptions about the likely percentage delivery of affordable housing from market-led residential schemes.
- E23. Whilst the District Council fully acknowledges there is an identified need for affordable housing in West Oxfordshire, it has concerns about the 'mechanistic' manner in which the SHMA uplifts overall housing numbers to secure affordable housing as a 'by-product' as well as some of the specific assumptions set out in the SHMA.
- E24. In particular the following observations can be made:
- The NPPG requires consideration to be given to an increase in total housing numbers where it could help deliver the required number of affordable homes. It does not require an automatic increase.
 - The SHMA identifies an overall affordable housing need for Oxfordshire of 2,370 affordable dwellings per annum. However, this excludes pipeline development, the inclusion of which reduces the need to 2,054 per annum.
 - For West Oxfordshire, taking account of pipeline development reduces the overall affordable housing need from 274 per annum to 257 per annum.
 - The District Council's previous housing needs assessment (2011) identified a need for 220 affordable units per annum.
 - In identifying the overall level of need (2,370 per annum) the SHMA adopts a 35% threshold of income for affordability. Sensitivity testing within the SHMA suggests that when this ratio is increased to 40% (which is not unreasonable) the level of affordable housing need falls to 1,969 affordable dwellings per annum.

- To derive an overall housing requirement, the SHMA adopts a simplistic approach whereby a certain percentage of affordable housing is expected to be delivered on all market housing schemes (40% in the case of West Oxfordshire).
- This is not realistic as most authorities including West Oxfordshire, apply thresholds with only larger residential schemes required to provide affordable housing.
- The ability to secure affordable housing from market-led residential schemes has been further reduced since the SHMA was published by the introduction of a new national threshold for on-site provision of 11 or more dwellings. This is of particular relevance to West Oxfordshire which has seen strong supply of market housing from small unidentified sites in the past.
- Since April 2013, Government policy has also enabled developers to appeal against affordable housing requirements even in existing planning consents.
- Historic data demonstrates that in West Oxfordshire during the 14-year period 2001 – 2014 the average percentage of affordable housing delivered as a proportion of total housing completions was 20% and the average number of affordable units completed per year was just over 100.
- During the three strongest years of housing delivery in recent times (2005 – 2007) when total housing completions in West Oxfordshire averaged 803 dwellings per annum, affordable housing completions averaged 172 dwellings per annum.
- It is therefore questionable whether a housing target of 660 or 685 per annum as identified in the SHMA would deliver 274 affordable homes per annum.
- Market-led housing schemes are not the only way of delivering additional affordable housing and other initiatives might include freeing up under-occupied social units, bringing empty properties back into use and bringing social sector stock up to Decent Homes Standard.

E25. Whilst the District Council accepts that some degree of uplift from the demographic starting point is needed to help address affordable housing need, it does not consider it appropriate to mechanistically uplift the overall housing number to meet affordable housing need in full as a by-product of market housing schemes.

E26. The provision of 525 homes per annum represents a significant uplift from the demographic starting point and would make a strong contribution towards affordable housing delivery in the District alongside the use of other measures to increase supply.

1. Introduction

- 1.1 West Oxfordshire District Council formally published its pre-submission draft Local Plan for consultation from 27 March – 8 May 2015.
- 1.2 The plan covers the period 2011 – 2031 and includes a proposed housing target of 10,500 homes (525 per year). The District Council considers that this requirement represents the ‘objectively assessed need’ (OAN) for housing in West Oxfordshire over the plan period.
- 1.3 Notably, this is lower than the overall housing need figure of 660 homes per year identified in the Oxfordshire Strategic Housing Market Assessment - SHMA (April 2014).
- 1.4 A large number of respondents to the consultation (primarily landowners, developers and their representatives) have objected to the plan on the basis that the proposed housing target is less than identified in the SHMA.
- 1.5 The District Council led the commissioning of the SHMA through the Oxfordshire Spatial Planning and Infrastructure Partnership (SPIP) and was content to agree the SHMA as a basis for further testing and moderation through the plan-making process in accordance with Government guidance. The District Council considers that it is perfectly reasonable to test and challenge the assumptions set out in the SHMA in light of more recently available data, guidance and planning case law. Indeed, the Government’s practice guidance states that **‘wherever possible, local needs assessment should be informed by the latest available information’**³. In this regard, it is relevant to note that new 2012 household projections were published in February 2015 and supersede the 2011 interim projections that informed the SHMA.
- 1.6 Furthermore, whilst the District Council acknowledges that the SHMA is an important material consideration and forms an important part of the evidence base for plan making in Oxfordshire, it is only one component of the evidence base and as has been made clear by Government⁴, **‘the outcome of a Strategic Housing Market Assessment is untested and should not automatically be seen as a proxy for a final housing requirement in Local Plans’**.
- 1.7 Importantly, there are specific references to West Oxfordshire in the SHMA confirming that past trends in housing delivery within the District have affected the demographic projections that form the starting point of the study.
- 1.8 The authors state that **‘No adjustment has been made at the SHMA, but there is potentially a good basis for doing so with reference to previous household projections and needs assessments alongside the South East Plan targets’**⁵.

³ Paragraph: 016Reference ID: 2a-016-20150227

⁴ Ministerial statement from Brandon Lewis MP (December 2014)

⁵ Oxfordshire SHMA (2014) paragraph 9.17

1.9 The SHMA also recognises that strong past housing provision in West Oxfordshire is likely to have influenced the economic forecasts to some degree, because they ***‘take account of population trends in projecting employment growth in sectors where the population base influences demand’***⁶.

1.10 The SHMA suggests that ***‘the District Council may wish to further consider this issue in line with the Planning Practice Guidance which highlights the need to consider previous over-supply and provides some scope for adjustments to projections to take account of this’***⁷.

1.11 Specifically, the Government’s practice guidance provides the following advice:

‘The household projection-based estimate of housing need may require adjustment to reflect factors affecting local demography and household formation rates which are not captured in past trends’⁸.

‘The household projections produced by the Department for Communities and Local Government are statistically robust and are based on nationally consistent assumptions. However, plan makers may consider sensitivity testing, specific to their local circumstances, based on alternative assumptions in relation to the underlying demographic projections and household formation rates. Account should also be taken of the most recent demographic evidence including the latest Office of National Statistics population estimates. Any local changes would need to be clearly explained and justified on the basis of established sources of robust evidence.’

Issues will vary across areas but might include:

- ***migration levels that may be affected by changes in employment growth or a one off event such as a large employer moving in or out of an area or a large housing development such as an urban extension in the last five years;***
- ***demographic structure that may be affected by local circumstances or policies eg expansion in education or facilities for older people’***⁹

1.12 In light of the advice contained in the SHMA and Government Practice Guidance, in preparing its Local Plan, the District Council has sought to critically consider whether the inputs into, and therefore outputs arising from, the SHMA (2014) reflect the best evidence available. This has included two independently commissioned reports which were published as part of the supporting evidence base alongside the pre-submission draft local plan¹⁰ plus a further, more recent analysis which has been prepared in response to a number of the issues raised through the pre-submission plan consultation (see Appendix 1).

⁶ Oxfordshire SHMA (2014) paragraph 9.62

⁷ SHMA (2014) paragraph 9.62

⁸ Paragraph: 015Reference ID: 2a-015-20140306

⁹ Paragraph: 017Reference ID: 2a-017-20140306

¹⁰ Analysis of West Oxfordshire's future housing requirement 2011-2029 (Keith Woodhead June 2014) and Validation of Objectively Assessed Housing Need (Cambridge Centre for Housing and Planning Research January 2015)

- 1.13 The purpose of this report is to collate the District Council's analysis into a single position statement to enable the Inspector to understand why the Council is proposing a lower housing target than identified in the Oxfordshire SHMA and how the target relates to national guidance on the assessment of housing needs.

2. Background

- 2.1 The District Council published an informal draft Local Plan in November 2012. The housing target at that time was based on the South East Plan (2006 – 2026) albeit extended on a pro-rata basis and taking account of existing commitments. The proposed target was 5,500 homes in the period 2011 – 2029 (306 per year).
- 2.2 The intention was to submit the plan for examination in mid-2013 however in May 2013, a consultant team led by GL Hearn were appointed to prepare a new Strategic Housing Market Assessment (SHMA) for Oxfordshire to update the previous assessment published in 2007.
- 2.3 West Oxfordshire District Council led the commissioning process on behalf of the Oxfordshire authorities through the Oxfordshire Spatial Planning and Infrastructure Partnership (SPIP). A steering group was established to guide the process and the final SHMA report was published in April 2014.
- 2.4 In accordance with the NPPF and NPPG, the SHMA considered four main elements in arriving at its recommendations including:
- Demographic projections (based on the 2011 interim CLG household projections)
 - Employment projections (based on a 'baseline' and 'policy-on' type scenario)
 - Market signals; and
 - Affordable housing need
- 2.5 The overall SHMA recommendations for Oxfordshire are summarised in the table overleaf alongside the previous south east regional plan housing requirements for comparison purposes.

	Regional Plan Requirement Per Year	Regional Plan Requirement Total (20 years)	SHMA Recommendation Per Year (midpoint)	SHMA Recommendation Total (20 years)
Cherwell	670	13,400	1,140	22,800
Oxford City	400	8,000	1,400	28,000
South of Oxford SDA ¹¹	200	4,000	n/a	n/a
South Oxfordshire	412	8,240	775	15,500
Vale of White Horse	512	10,240	1,028	20,560
West Oxfordshire	365	7,300	660	13,200
Oxfordshire	2,559	51,180	5,003	100,060

- 2.6 It is evident that in providing an assessment of housing need, the SHMA recommendations are considerably in excess of the previous regional plan housing requirements (almost double across Oxfordshire as a whole).
- 2.7 For West Oxfordshire, the SHMA recommendation is 660 homes per year which is the mid-point of an identified range of 635 – 685 homes. It is also very closely aligned to one of the economic projections within the SHMA (661 homes per annum).
- 2.8 Whilst the District Council does not dispute the overall approach adopted by GL Hearn and their consultant team, it is considered that certain elements of the SHMA (and in particular its figure for West Oxfordshire) are open to debate and have in some cases been superseded by more recent information. The SHMA should therefore be fully tested before any decision is taken to base a housing target upon its final recommendations.
- 2.9 The District Council's concerns can be summarised as follows:
- The SHMA is based on the 2011 interim household projections to 2021 which are known to have had a number of limitations and have in any case, now been superseded by more robust 2012 household projections to 2037.
 - The 2011 interim household projections for West Oxfordshire used in the SHMA were unquestionably affected by an abnormally high period of house building and in-migration during the 5-year reference period that informed them. This is acknowledged in the SHMA itself.

¹¹ Strategic Development Area

- This 'inflationary' effect is demonstrated by the more recent 2012 household projections which show a per annum reduction in anticipated household growth of around 15%.
- The economic projections used in the SHMA are themselves population based and have also therefore been affected by past growth rates in the District (albeit to a lesser extent than the demographic projections).
- The 'committed economic growth' scenario used in the SHMA is a 'policy-on' judgement which takes account of potential job growth associated with the local enterprise partnership and strategic economic plan. This is contrary to established case law which suggests that the OAN should be 'policy neutral' but has nonetheless heavily influenced the final mid-point SHMA recommendation for West Oxfordshire.
- The SHMA economic projections are based on a job-led model (JLM) whereby future anticipated job increases are translated into anticipated growth in employed residents using fixed commuting ratios. This approach appears to run counter to more recent guidance on establishing OAN, published by Peter Brett Associates on behalf of the Planning Advisory Service in May 2014, after the SHMA was published.
- Whilst the SHMA follows established CLG guidance to identify the level of affordable housing need, it adopts a rather 'mechanistic' approach to the uplift of overall housing numbers to meet affordable housing need.
- Whilst the Council fully accepts that some consideration should be given to uplifting overall housing numbers to assist with the delivery of affordable housing, this should not necessarily be determined solely on the basis of an assumed percentage of affordable housing being delivered as a 'by-product' of market housing schemes, particularly in light of recent challenges to S106 affordable housing commitments on viability grounds and the new national threshold for on-site provision.
- Finally, whilst the SHMA makes an upward adjustment to the other Oxfordshire authorities to take account of the past 'under-supply' of housing (relative to regional plan targets and earlier household projections) it makes no downward adjustment to West Oxfordshire to take account of the past 'over-supply' of housing (relative to regional plan targets and earlier household projections).

2.10 These concerns are explored in more detail in Section 3.

3. Assessment of Housing Need

3.1 In this section of the report consideration is given to the extent to which the four main components of the SHMA are reasonable in the West Oxfordshire context and taking account of the Government's practice guidance. The four main components considered are as follows:

- Demographic projections
- Employment-led projections
- Market signals
- Affordable housing need

Demographic Projections

3.2 When the SHMA was being prepared, the most up to date household projections were the CLG 2011 interim household projections to 2021. Whilst the projections are acknowledged to have had a number of limitations, they were the latest available projections when the SHMA was being prepared and as such, formed the primary starting point for the assessment of housing need in line with national guidance.

3.3 Table 1 below taken from the SHMA (2014) sets out the 2011 interim household projections for each of the Oxfordshire local authorities:

Area	Households 2011	Households 2021	Change in households	% change from 2011
Cherwell	56,881	63,765	6,884	12.1%
Oxford	54,997	53,613	-1,384	-2.5%
South Oxfordshire	54,387	57,989	3,602	6.6%
Vale of White Horse	49,781	53,656	3,875	7.8%
West Oxfordshire	43,510	48,784	5,274	12.1%
Oxfordshire	259,556	277,807	18,251	7.0%

Table 1 – CLG 2011 interim household projections

3.4 It can be seen that the projections for both West Oxfordshire and Cherwell were much higher than the other Oxfordshire authorities at just over 12%. For West Oxfordshire, the projections suggested an increase of 527 household per annum (5,274 in total).

3.5 GL Hearn then made a number of adjustments to take account of some migration data anomalies relating mainly to Oxford City and also to extend the projections to 2031. Two main projections were produced (Proj1 and Proj2) which GL Hearn described as follows:

- **Proj1** - uses the latest ONS and CLG population/household projections and extends the projection period from 2021 through to 2031. This can be considered as the start point for considering housing need, in line with the guidance.

- **Proj2** - uses the baseline information in PROJ 1 but updates key demographic trend data (around migration) to take account of new ONS Mid-Year Population Estimates. In Oxford this projection looks at actual population change in the 2001-11 period and develops a bespoke model (recognising that the ONS migration estimates for Oxford look to be substantially inaccurate).

3.6 Making an allowance for vacancies and second home ownership in each District¹², GL Hearn then converted anticipated household growth into a demographic based dwelling requirement as per Table 2 below.

Area	Proj 1 – housing numbers (per annum)	Proj 2 – housing numbers (per annum)
Cherwell	656	641
Oxford	-2	755
South Oxfordshire	366	482
Vale of White Horse	367	468
West Oxfordshire	512	541
Oxfordshire	1,899	2,887

Table 2 – SHMA (2014) demographic based projections of housing need

- 3.7 It can be seen that Proj 1 (which GL Hearn describe as ‘the start point for considering housing need’) suggests a need for 512 homes per annum in West Oxfordshire in the period 2011 – 2031. Under Proj 2, the need increases to 541 homes per annum. GL Hearn then went on to use Proj 2 in formulating their final recommendations.
- 3.8 Notably, since the SHMA was prepared, more recent and robust population and household projections have become available and whilst it is accepted that the release of new data does not automatically render housing assessments out of date, local needs assessments should be informed by the latest available information.
- 3.9 In May 2014, shortly after the SHMA was finalised, ONS released 2012 based sub-national population projections (SNPP). For West Oxfordshire, these showed a marked reduction from the previous 2011 SNPP due to a reduction in the migration assumptions following incorporation of the full results of the 2011 Census into the projections. In particular, the 2012 SNPP suggested 1,400 fewer people resident in the District at 2021 than identified in the previous 2011 SNPP.
- 3.10 The clear inference from this was that the 2012 household projections (which had not been released at that time) would be significantly lower than the 2011 interim household projections. Therefore, in order to sensitivity test the demographic assumptions used in the SHMA, the District Council commissioned Keith Woodhead¹³ to model the potential outcome of the 2012 SNPP in terms of additional household creation.

¹² Based on the 2011 Census

¹³ Analysis of West Oxfordshire's future housing requirement 2011-2029 (Keith Woodhead June 2014)

- 3.11 Using two different household representative rates (HRRs)¹⁴ Woodhead calculated the potential increase in households between 2011 and 2031. The results are summarised in Table 3 below.

	Households (2011)	Households (2031)	Total difference	Difference per annum
2012 SNPP (2011 HRR)	43,508	52,172	8,664	433
2012 SNPP (2008 HRR)	43,508	53,888	10,380	519

Table 3 – Woodhead Analysis of 2012 ONS SNPP

- 3.12 The analysis suggested an increase of between 433 and 519 households per annum respectively, the mid-point of which is 476 households. Taking account of vacancies and second home ownership at 5.17% this equates to between 455 and 546 dwellings per annum, the mid-point of which is just over 500 dwellings.
- 3.13 A second report, commissioned by the Council from the Cambridge Centre for Housing and Planning Research¹⁵ (January 2015) also sought to pre-empt the outcome of the 2012 CLG household projections using the 2012 SNPP.
- 3.14 Two scenarios were modelled both using 2011 household formation rates. The first scenario (unadjusted) identified an increase of 380 households per annum to 2031 and the second scenario (adjusted by drawing on long-term population trends) identified an increase of 319 households per annum.
- 3.15 Both the Woodhead and Cambridge Centre reports were published as part of the pre-submission draft Local Plan consultation in March 2015.
- 3.16 On 27 February 2015, CLG published their 2012 based household projections to 2037, which the Government's practice guidance describes as 'the most up-to-date estimate of future household growth'.
- 3.17 The 2012 household projections convert the 2012 ONS SNPP to households each year to 2037. The process first splits the SNPP populations (by five-year age groups and gender) by relationship status, that is persons living in a couple, formerly in a couple (i.e. widowed, divorced, separated) and single. Each of these groups is then divided between persons resident in communal establishments and persons resident in households.
- 3.18 The final step calculates households by applying household representative rates (HRRs) to the household population aged 15+ by gender / age / relationship.

¹⁴ Pre-recession 2008 based HRRs and post-recession 2011 based HRRs

¹⁵ Validation of an objectively assessed housing need (Cambridge Centre for Housing and Planning Research) January 2015

- 3.19 Table 4 below sets out the 2012 CLG household projections for Oxfordshire and compares them to the 2011 interim projections (both unadjusted and as adjusted through the SHMA process).

Area	A) Interim 2011 household projections (per annum 2011 - 2021)	B) Interim 2011 household projections (per annum 2011 - 2031) as adjusted in the SHMA	C) 2012 household projections (per annum 2011 – 2031)	Difference between B and C
Cherwell	688	617	545	-72
Oxford	-138	726	401	-325
South Oxfordshire	360	461	407	-54
Vale of White Horse	388	465	398	-67
West Oxfordshire	527	514	458	-56
Oxfordshire	1,825	2,772	2,209	-563

Table 4 – Household Projections for Oxfordshire

- 3.20 It can be seen that across Oxfordshire as a whole, the latest 2012 projections exceed the 2011 interim projections (largely as a result of a more sensible figure for Oxford City) but are significantly lower than the adjusted 2011 interim projections that form the key starting point of the SHMA. This is primarily a result of a much lower projection for Oxford City but there is a notable reduction across all authorities.
- 3.21 For West Oxfordshire, the household projections fall from 527 per annum (unadjusted) and 514 per annum (adjusted¹⁶) to 458 per annum. This represents a reduction of 13.1% and 10.9% respectively. This lends considerable support to the Council's view that the earlier 2011 interim projections were 'inflated' by an abnormal period of house building and immigration.
- 3.22 It is notable that the 2012 CLG household projections for West Oxfordshire (458 per annum) are below the mid-point of 476 per annum predicted in the Keith Woodhead report (range of 433 – 519 per annum). They are however somewhat higher than that predicted in the Cambridge Centre report (319 – 380 per annum).
- 3.23 Whilst the 2012 projections are the latest available, they themselves have some potential data limitations and to test the extent to which they appear reasonable, the District Council invited leading consultant demographer John Hollis to provide an independent analysis to inform this position statement. The analysis is attached to this position statement as Appendix 1.

¹⁶ 514 households per annum represents GL Hearn's adjusted version of the official 527 households per annum estimate provided by the interim 2011 projections. Taking account of vacancies and second home ownership (5.2%) the SHMA translates the figure of 514 households per annum into a dwelling requirement of 541 homes per annum (i.e. 514 + 5.2%).

3.24 Hollis has modelled a number of scenarios including:

- 2008 ONS/CLG projections (an indicative dwelling requirement based on the 2008 population/household projections)
- 2011 ONS/CLG projections (an indicative dwelling requirement based on the interim 2011 projections)
- 2012 ONS/CLG projections (an indicative dwelling requirement based on the 2012 projections)
- 2004 – 2014 migration trends (an indicative dwelling requirement that has regard to long-term migration trends in the period 2004 - 2014)
- 2009 – 2014 migration trends (an indicative dwelling requirement that has regard to short-term migration trends in the period 2009 - 2014)

3.25 The purpose of the fourth and fifth scenarios (both of which utilise the most recent ONS mid-2014 population estimates) is essentially to ‘sensitivity test’ the official ONS/CLG figures. They also have the advantage of including the impact of unattributable population change (UPC) as a migration correction factor in the earlier years of their base periods.

3.26 Hollis’ modelling also provides a projection of the resident labour force for three of the scenarios in order to understand the potential impact of different levels of household growth on the future size of the workforce and the ability to support new job creation. The results are summarised in Table 5 below. The shaded row identifies the indicative dwelling requirement (per annum) in the period 2011 – 2031 for each of the scenarios (except the 2011 projections which extend to 2021 only).

	ONS/CLG 2008	ONS/CLG 2011	ONS/CLG 2012	2004-14 Trends	2009-14 Trends
Population					
2001	95.7				
2011	105.0	105.4	105.4	105.4	105.4
2021	115.1	116.7	115.3	115.1	113.5
2031	124.2		122.7	125.2	120.8
Households					
2001	38.5				
2011	43.2	43.5	43.5	43.5	43.5
2021	48.9	48.8	48.5	48.1	47.5
2031	54.4		52.7	52.8	51.1
Annual Averages					
2001-11	464	496	496	496	496
2011-21	573	528	496	460	402
2021-31	551		420	472	356
2011-31	562		458	466	379
New Homes (@ 5.167% Net Vacancy/2nd Homes)					
Annual Averages					
2011-31	593		483	491	400
Resident Labour Force					
2011			58.8	58.8	58.8
2021			60.5	61.6	60.4
2031			61.2	64.2	61.1
Annual Averages					
2011-31			118	269	113
Resident Labour Force per Household					
2011			1.352	1.352	1.352
2031			1.162	1.215	1.196

Table 5 – John Hollis Analysis (July 2015)

- 3.27 A number of observations can be made.
- 3.28 Under the 2008 projection, the indicative dwelling requirement over the plan period (2011 – 2031) is 593 homes per annum.

- 3.29 The 2011 projections showed a more rapid population growth but a reduced household growth compared to the 2008 projections¹⁷. No figure is provided in Table 5 because the projections only extend to 2021 but over the 10-year period 2011 – 2021, the indicative dwelling requirement would be 554 dwellings per annum (i.e. 527 + 5.2%).
- 3.30 The most recent 2012 projections suggest an indicative dwelling requirement of 483 homes per annum over the plan period 2011 - 2031. Under this projection, the resident labour force is anticipated to increase by 118 per year (2,400 in total).
- 3.31 The projection based on long term migration trends (2004-14) suggests an indicative dwelling requirement of 491 homes per annum. This is similar to the 2012 projection but is 2,500 higher in overall population terms. This is reflected in the more significant anticipated growth in the resident labour force (5,400 in total or 269 per year).
- 3.32 The projection based on short-term migration trends (2009 – 2014) suggests an indicative dwelling requirement of 400 homes per annum over the plan period (2011 – 2031).
- 3.33 To provide a useful comparison, Hollis has also modelled the housing numbers from the West Oxfordshire pre-submission draft Local Plan (10,500) and the Oxfordshire SHMA (13,200).
- 3.34 Hollis' methodology is set out in full in the analysis attached at Appendix 1 but to summarise, in relation to the local plan housing target, the projection starts at mid-2014 and the estimated increase in households between 2011 and 2014 is converted to homes using the 2011 Census figure of 5.167% of homes being either vacant or second homes.
- 3.35 This calculation requires a further 8,910 new homes in the remaining 17 years. These are assumed to be provided at an even rate with the same levels of vacancy and second homes (arguably therefore providing a high estimate by virtue of the fact that new stock is unlikely to include as many second homes as the older, established stock).
- 3.36 The second projection converts the requirement for 13,200 net new homes as proposed by the Oxfordshire SHMA. It is prepared in a similar way to the above projection and requires the provision of 11,610 new homes evenly spread over the 17 years 2014-31.

¹⁷ Note: the extra population was partly due to an over projection of natural change and partly to migration being based on the years 2005-06 to 2009-10 that incorporated years of both high levels of building and, therefore, high net migration

3.37 The results for all seven scenarios are shown in Table 6 below.

	ONS/CLG 2008	ONS/CLG 2011	ONS/CLG 2012	2004-14 Trends	2009-14 Trends	10,500	13,200
Population							
2001	95.7						
2011	105.0	105.4	105.4	105.4	105.4	105.4	105.4
2021	115.1	116.7	115.3	115.1	113.5	115.6	118.3
2031	124.2		122.7	125.2	120.8	125.6	131.9
Households							
2001	38.5						
2011	43.2	43.5	43.5	43.5	43.5	43.5	43.5
2021	48.9	48.8	48.5	48.1	47.5	48.5	49.5
2031	54.4		52.7	52.8	51.1	53.5	56.0
Annual Averages							
2001-11	464	496	496	496	496	496	496
2011-21	573	528	496	460	402	499	604
2021-31	551		420	472	356	497	648
2011-31	562		458	466	379	498	626
New Homes (@ 5.167% Net Vacancy/2nd Homes)							
Annual Averages							
2011-31	593		483	491	400	525	660
Resident Labour Force							
2011			58.8	58.8	58.8	58.8	58.8
2021			60.5	61.6	60.4	62.0	63.6
2031			61.2	64.2	61.1	64.8	68.3
Annual Averages							
2011-31			118	269	113	301	477
Resident Labour Force per Household							
2011			1.352	1.352	1.352	1.352	1.352
2031			1.162	1.215	1.196	1.212	1.220

3.38 Several observations can be made in relation to these additional two scenarios.

3.39 The pre-submission draft local plan housing target (10,500) would provide a significant increase in the District's population by 2031 compared to the 2012 ONS/CLG projections. It is anticipated that it would lead to an increase in the resident labour force of around 6,000 people which is considerably in excess of the 2012 projection (2,360 people) and the long term migration scenario (5,380 people).

- 3.40 The SHMA projection suggests a significant increase in the District's population by 2031 (just over 9,000 more people than identified in the 2012 CLG/ONS projection). It also suggests the most significant increase in the District's resident labour force at 9,540 compared to 6,000 under the local plan pre-submission draft local plan.
- 3.41 However, the Hollis analysis attached at Appendix 1 suggests that the SHMA projection implies net immigration growth of over 1,200 per year. This is considerably in excess of past average trends in the District and has only been exceeded twice in recent years.

Summary

- 3.42 In summary, the 2011 interim household projections used in the SHMA are known to have a number of limitations and as is acknowledged in the SHMA, for West Oxfordshire were directly affected by an abnormal period of house building and in-migration into the District during the 5-year reference period that fed into the projections.
- 3.43 This 'inflationary' effect is demonstrated by the more recent 2012 CLG household projections which show a significant reduction in the anticipated number of households per annum. Taking account of vacancies and second home ownership the 2012 projections suggest a dwelling requirement over the plan period of 483 homes per annum.
- 3.44 To provide a sensitivity test, independent demographer John Hollis has modelled two alternative scenarios based on short term and long-term migration trends. The long-term migration scenario identifies a dwelling requirement of 491 homes per annum and the short-term migration scenario identifies a dwelling requirement of 400 homes per annum. The mid-point of the two scenarios is 446 homes per annum.
- 3.45 The outcome of this sensitivity testing suggests that the 2012 projections represent a reasonable assessment of future household growth in West Oxfordshire over the period of the Local Plan albeit there is a suggestion that more recent migration trends could lead to a further fall in anticipated household numbers in the 2014-based projections when they are released. As such there is no case for an upward adjustment of the 2012 projections to reflect local migration or demographic factors.
- 3.46 Notably, all three demographic scenarios summarised above are well below the 541 per year demographic-led dwelling requirement used as the primary starting point for assessing housing need in the SHMA.

Employment-led projections

3.47 The NPPF requires local authorities to integrate their assessment of and strategies for housing and employment.

3.48 In recognition of this, the Practice Guidance states that:

‘Plan makers should make an assessment of the likely change in job numbers based on past trends and/or economic forecasts as appropriate and also having regard to the growth of the working age population in the housing market area.

Where the supply of working age population that is economically active (labour force supply) is less than the projected job growth, this could result in unsustainable commuting patterns (depending on public transport accessibility or other sustainable options such as walking or cycling) and could reduce the resilience of local businesses. In such circumstances, plan makers will need to consider how the location of new housing or infrastructure development could help address these problems’.¹⁸.

3.49 Accordingly, the Oxfordshire SHMA was informed by an economic forecasting report prepared by Cambridge Econometrics (CE) with input from SQW¹⁹. The CE report provided three main economic forecasts:

- **Baseline projection** assuming that historical trends in relative growth in Oxfordshire compared with the wider South East (or UK) economy (on an industry-by-industry basis) seen over the past 15 years or so continue into the future.
- **Alternative population-based projection**, in which the baseline population projections (ONS 2011-based SNPP) for Oxfordshire are replaced with an alternative set that correct particular anomalies (relating to the student population) in the ONS projections.
- **Planned Economic Growth projection**, which reflects policy influences on economic growth such as proposals relating to the Science Vale Enterprise Zone, Oxfordshire City Deal, NW Bicester Eco Town and other planned infrastructure investment.

Baseline Projection

3.50 The starting point for CE was their baseline projection which was described as ‘policy neutral’ insofar as it does not take into account a new policy that favours a particular sector in the local area, or a decision to release land for economic development at a different rate than in the past.

3.51 The baseline projection effectively assumes that historical trends in relative growth in Oxfordshire compared with the wider South East (or UK) economy (on an industry-by-industry basis) seen over the past 15 years or so continue into the future.

¹⁸ Paragraph: 018Reference ID: 2a-018-20140306

¹⁹ Economic Forecasting to Inform the Oxfordshire Strategic Economic Plan and Strategic Housing Market Assessment (Cambridge Econometrics and SQW February 2014)

- 3.52 The projection was developed using CE's Local Economy Forecasting Model (LEFM) tailored to the economy of Oxfordshire and its component districts. In particular, an adjustment was made in relation to the education sector following discussion with Oxfordshire County Council and the local authorities (a predicted increase of around 11,000 jobs compared to the unadjusted baseline).
- 3.53 The input assumptions for population growth in the baseline projection were the ONS 2011-based interim sub-national population projections (SNPP) but as these only cover the period to 2021, for 2022 onwards the projected trends in the 2010-based SNPP were assumed to continue and growth rates from the 2010-based SNPP were applied.
- 3.54 Importantly, these inputs to the LEFM have an impact on projected growth in population-related industries such as retailing, public administration, health, education, residential & social care, as well as on other services through household spending.
- 3.55 In terms of outputs, the baseline projection suggested that in the period 2011 – 2031 employment in Oxfordshire would increase by 36,400 (approximately 1,800 jobs per annum, or 0.4-0.5% pa). This was identified as, on average, being considerably slower than seen over 2001-11 (about 2,900 jobs pa, or 0.8% pa).
- 3.56 For West Oxfordshire the baseline projection identified forecast employment growth of 5,100 jobs in the period 2011 – 2031 (equivalent to 0.6% pa over 2011-21 and 0.5% pa over 2021-31).

Alternative Population Based Projection

- 3.57 For the alternative population based projection, CE replaced the baseline population projections with the alternative population projections developed for the Oxfordshire SHMA.
- 3.58 The alternative projections showed much faster growth than the baseline population projections with population in Oxfordshire projected to be 45,000 (6%) higher in 2031 under the alternative projection. Overall, population in Oxfordshire was projected to increase by 62,000 (9%) over 2011-31 in the baseline projection and by 107,000 (16%) over the same period in the alternative population-based projection.
- 3.59 For West Oxfordshire, the alternative projection assumes an increase of 1,100 people by 2031 compared to the baseline projection. In terms of job creation, the alternative projection suggested an increase of 6,100 jobs or 0.6% pa (2011 – 2031) compared to 5,100 jobs or 0.5% pa under the baseline scenario.

Planned Economic Growth Scenario

- 3.60 The third scenario modelled by CE is described as a 'planned economic growth' scenario which as stated in the report is designed to 'reflect policy influences on economic growth such as proposals relating to the Science Vale Enterprise Zone, Oxfordshire City Deal, and planned infrastructure investment'.

- 3.61 The scenario sought to take account of the net change in jobs (i.e. excluding displacement) resulting from planned economic growth over and above what could be expected on the basis of past trends.
- 3.62 Across Oxfordshire as a whole, the planned economic growth scenario modelled by CE suggests an increase of around 88,800 jobs from 2011 – 2031 or 4,400 per year (1% pa). This compares with growth of around 3,000 pa (0.8% pa) seen over 2001-11.
- 3.63 This represents an increase of 38,000 jobs over the alternative population projection and an increase of 51,600 jobs over the baseline projection.
- 3.64 For West Oxfordshire, the planned economic growth scenario suggests an increase of 7,900 jobs in the period 2011 – 2031 (395 jobs per annum or 0.8%). This represents an increase of 1,800 jobs over the alternative population projection, consisting of 600 direct jobs and 1,200 indirect jobs.

Incorporation of the economic projections into the Oxfordshire SHMA

- 3.65 The CE economic forecasting report was commissioned to inform the SHMA and GL Hearn duly incorporated its findings into their analysis. It should be noted however that the CE baseline projection was not modelled in terms of a future dwelling requirement.
- 3.66 Instead, GL Hearn focused on the alternative population projection and planned economic growth scenarios contained in the CE economic forecasting report. These were described in the SHMA as Proj 3 and Proj 4:
- **Proj 3** - This projection takes a baseline forecast for future employment growth, based on the alternative population scenario developed by Cambridge Econometrics and SQW. It estimates the likely population and household growth required to meet the potential labour demand. The projection includes assumptions around commuting patterns – assuming these to remain at a constant level (as indicated in the 2001 Census).
 - **Proj 4** - This projection is based on the committed (planned) economic growth scenario for employment growth developed by Cambridge Econometrics and SQW. This reflects policy influences which provide potential to support higher economic growth than indicated in the baseline forecasts. It considers the level of housing need which might be necessary to support this level of employment growth.
- 3.67 The forecast job numbers and changes to residents in employment are summarised in Table 7 below which is taken from the SHMA.

Area	Commuting ratio	Baseline Job growth (2011-31)	Growth in residents in employment	Committed economic growth (2011-31)	Growth in residents in employment
Cherwell	1.07	10,752	11,505	21,580	23,091
Oxford	0.70	8,768	6,138	24,325	17,028
South Oxfordshire	1.20	9,113	10,936	11,455	13,746
Vale of White Horse	1.04	10,628	11,053	22,982	23,901
West Oxfordshire	1.18	6,074	7,167	7,867	9,283
Oxfordshire	-	45,335	46,798	88,209	87,048

Table 7 – Oxfordshire Forecast Job Numbers 2011 - 2031

- 3.68 Across Oxfordshire as a whole, the committed economic growth scenario (Proj 4) identifies potential job growth of just over 88,000 (2011 – 2031) compared to just over 45,000 under the adjusted baseline forecast (Proj 3). This is a considerable increase and would require a significant increase in the resident labour force.
- 3.69 For West Oxfordshire, the baseline job growth of 6,074 jobs would require a growth in the labour force of 7,167 people and the committed economic growth scenario of 7,867 jobs would require a growth in the resident labour force of 9,283 people.
- 3.70 Taking into account commuting patterns (which are assumed to remain constant) and future employment rate assumptions, the SHMA produces an estimate of the population size and age/sex profile of the population which is then converted into households using headship rates (derived from the 2008-based projections, re-based to 2011).
- 3.71 An allowance is then made for vacancies and second home ownerships using Census information in order to derive a dwelling requirement.
- 3.72 The results for Oxfordshire and by individual authority are summarised in the table below which is taken from the SHMA. The table also includes the demographic projection for comparison purposes.

2011-31	Demographic Need + Past Shortfall		Meeting Alternative Population Economic Projection		Meeting Committed Economic Growth Forecasts	
	2011-31	PA	2011-31	PA	2011-31	PA
Cherwell	13,638	682	14,862	743	22,841	1142
Oxford	15,633	782	5,781	289	14,008	700
South Oxfordshire	11,032	552	13,105	655	14,972	749
Vale of White Horse	10,166	508	12,453	623	20,559	1028
West Oxfordshire	10,815	541	11,794	590	13,213	661
Oxfordshire	61,284	3,064	57,996	2,900	85,593	4280

Table 8 – Oxfordshire SHMA Demographic and Employment Led Dwelling Numbers

- 3.73 For Oxfordshire as a whole, the findings suggest that the Proj 2 demographic need (taking account of past shortfalls in supply where applicable) is around 61,000 dwellings, which falls to around 58,000 dwellings under Proj 3 but increases to around 85,500 dwellings under Proj 4.
- 3.74 For West Oxfordshire, the Proj 2 requirement is 10,815 (541 per annum) which increases to 11,764 (590 per annum) under Proj 3 and to 13,213 (661 per annum) under Proj 4.
- 3.75 The District Council has a number of concerns with the outcome of this analysis which are summarised below.

Population Inputs to the CE Modelling

- 3.76 Importantly, the modelling used in the CE economic forecasting report that fed into the SHMA is population based. The input assumptions in the baseline projection were the ONS 2011-based interim sub-national population projections to 2021 (with the 2010-based SNPP assumed to apply from 2022 onwards).
- 3.77 Importantly, these assumed inputs have an impact on projected growth in population-related industries such as retailing, public administration, health, education, residential & social care, as well as on other services through household spending.
- 3.78 Although the population assumptions were varied for the two other economic scenarios modelled by CE, they were nonetheless drawn from the same starting point (i.e. the 2011 interim projections). This is particularly important to West Oxfordshire because those projections have been directly affected by an atypical period of house building completions and net in-migration.
- 3.79 Whilst the effect of this on economic projections is less pronounced than the demographic projections, there is still an impact. This is acknowledged in the SHMA which states in relation to West Oxfordshire that:

‘Strong past housing provision is likely to have influenced both the demographic projections and the economic forecasts, to some degree, as these take account of population trends in projecting employment growth in sectors where the population base influences demand’²⁰

Use of Job-Led Models (JLM) to derive a dwelling requirement

- 3.80 The SHMA uses a job-led model (JLM) to derive an estimate of housing need from future anticipated increases in the labour force. Specifically, taking into account commuting patterns (which are assumed to remain constant) and future employment rate assumptions, the SHMA produces an estimate of the population size and age/sex profile of the population which is then converted into households using headship rates (derived from the 2008-based projections, re-based to 2011). Allowing for vacancies and second home ownership, a dwelling requirement can then be identified.

²⁰ Oxfordshire SHMA paragraph 9.62

- 3.81 The Woodhead report (June 2014) identifies a number of concerns with the use of such models and the District Council is also aware of technical guidance published by Peter Brett Associates (PBA) on behalf of the Planning Advisory Service (PAS) in June 2014²¹ which advises that some caution should be applied when using such models.
- 3.82 Whilst the guidance has no official status it is based on good practice, the experience of PBA and on the recommendations of planning Inspectors, both from formal reports and the many informal documents (letters, notes, preliminary observations etc.) associated with Local Plan examinations.
- 3.83 The guidance highlights that in order to predict future employment change many authorities rely on econometric forecasts, either standard or bespoke to reflect alternative macroeconomic expectations or policy aspiration.
- 3.84 It suggests that this is often deeply flawed because population is both an input and an output to the process. The modelling uses the expected future population (usually taken from CLG projections) as an input, and also produces future population as an output which is then used to calculate future housing need.
- 3.85 Importantly however the input population already assumes a given amount of housing development and the guidance suggests that at best the process is logically circular, but generally the model is internally inconsistent, because the population that is output does not equal the population that is input. The guidance describes this as ‘self-defeating prophecy’.
- 3.86 This is illustrated in Figure 1 below.

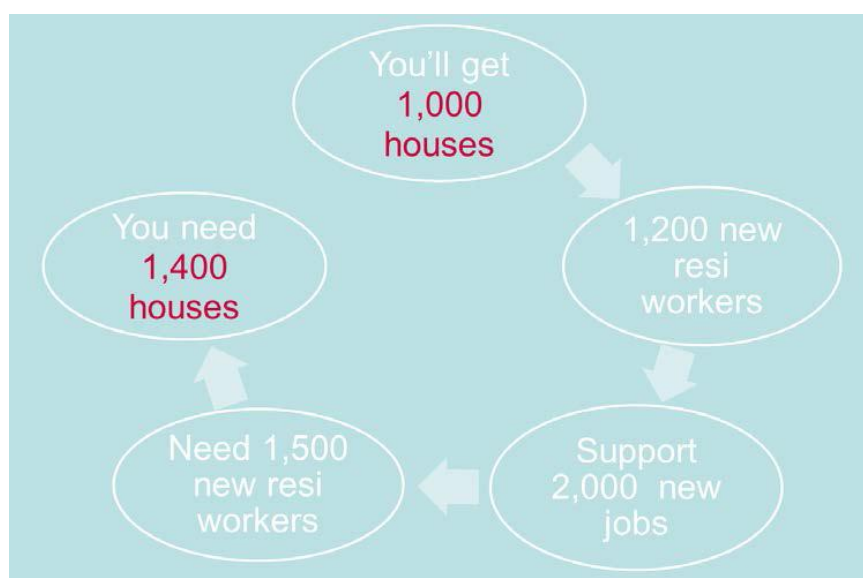


Figure 1 – Self-Defeating Prophecy (as taken from PBA/PAS Guidance June 2014)

²¹ Objectively Assessed Need and Housing Targets Technical advice note (PBA/PAS June 2014)

- 3.87 There are considered to be some direct parallels with the approach taken in the Oxfordshire SHMA which suggests a considerable increase in the County's population by 2031 associated with the committed economic growth scenario in particular. This is illustrated in Table 9 below.

	2011	2016	2021	2026	2031
PROJ 1 – SNPP	654,791 0.0%	675,719 3.2%	694,287 6.0%	713,456 9.0%	731,554 11.7%
PROJ 2 – SNPP (updated)	654,791 0.0%	683,477 4.4%	711,360 8.6%	737,657 12.7%	762,255 16.4%
PROJ 3 – Economic baseline	654,791 0.0%	684,856 4.6%	711,254 8.6%	739,771 13.0%	764,386 16.7%
PROJ 4 – Committed economic growth	654,791 0.0%	707,241 8.0%	761,557 16.3%	802,318 22.5%	838,724 28.1%

Table 9 – Anticipated Population Growth in Oxfordshire

- 3.88 It is evident that despite the same input population assumptions for Proj 2, 3 and 4, the anticipated population outputs vary, with a particularly marked increase under Proj 4 which envisages an increase in the County's population of almost 184,000 people in a 20-year period (9,200 people per year).

- 3.89 To put this in context, in the 10-year period 2001 – 2011, the population of Oxfordshire increased by around 46,000 people (4,600 per year). The rate of increase would therefore need to double to achieve the population growth envisaged in the SHMA under Proj 4.

'Policy-On' approach to OAN

- 3.90 Case law has established that the derivation of an objective assessment of housing need should be 'policy neutral'. The District Council has concerns that the committed economic growth scenario used in the SHMA could be considered to represent a 'policy-on' judgement relating to potential additional job growth associated with the Local Enterprise Partnership and Strategic Economic Plan.
- 3.91 Whilst the District Council endorses the Oxfordshire drive for economic growth, it considers that some caution needs to be applied in terms of the extent to which future housing provision is wedded to potential future job growth, particularly over a long-term period where fluctuations will inevitably occur.
- 3.92 The CE/SQW report that fed into the Oxfordshire SHMA acknowledges that the third 'planned economic growth scenario (which GL Hearn refer to as 'committed economic growth') reflects policy influences on economic growth such as proposals relating to the

Science Vale Enterprise Zone, Oxfordshire City Deal, NW Bicester Eco Town and other planned infrastructure investment.

- 3.93 Conversely, the baseline projections used in the CE/SQW report are described as ‘policy neutral’. For example, they would not take into account a new policy that favours a particular sector in the local area, or a decision to release land for economic development at a different rate than in the past.
- 3.94 The Council takes the view that a baseline scenario should be used to inform judgements on future housing need rather than the policy-driven scenario that forms the basis of the SHMA’s final recommendations.

The need for realism

- 3.95 The final point of concern for the District Council is the extent to which the projected increases in the SHMA are realistically likely to happen. The District Council’s analysis for example suggests that to achieve the 9,500 increase in the resident labour force needed to support potential growth of 7,867 jobs, net immigration of over 1,200 people per year would be needed.
- 3.96 To put this in context, the long-term migration rate for West Oxfordshire in the period 1990 – 2010 was 455 per annum. It would therefore need to treble.

Summary

- 3.97 In summary, the District Council is fully committed to supporting economic growth both within West Oxfordshire and the wider area and recognises the importance of aligning future housing provision with anticipated job growth to avoid unsustainable commuting patterns and constraining economic growth.
- 3.98 However, there are a number of concerns relating to the approach taken towards this alignment within the Oxfordshire SHMA including:
- The fact that the economic models used to inform the SHMA are population based and draw from the 2011 and 2010 sub-national population projections which are considered to have been affected by an atypical period of housing delivery and immigration – as acknowledged in the SHMA.
 - The use of a job led model which considers future job creation (based on certain input population assumptions) and translates this into a requisite labour force increase using fixed-commuting ratios, in the process converting this to a much higher output population.
 - The fact that the committed or planned economic growth scenario that drives many of the SHMA’s final recommendations represents a ‘policy-on’ judgement as opposed to the ‘policy neutral’ position presented by the baseline scenarios.

- The need for a degree of realism and the fact that to sustain the job growth and increased labour force anticipated for West Oxfordshire under the committed economic growth scenario, the long-term average rate of in-migration would need to treble.

- 3.99 For the reasons set out above, the District Council considers it more appropriate to align the Local Plan housing target with the baseline level of job growth identified for the District in the CE/SQW report²² (5,100 jobs from 2011 – 2031).
- 3.100 The Council's independent analysis (see Appendix 1) suggests that the proposed housing target of at least 10,500 new homes would support an increase in the labour force of at least 6,000 people. Taking account of unemployment and out-commuting (assuming the current commuting ratio remains unchanged) this would support job growth of at least 4,775 jobs over the plan period 2011 – 2031. This is broadly commensurate with the baseline projection identified by Cambridge Econometrics²³ (5,100 jobs).
- 3.101 In summary, the proposed housing target at 525 homes per annum is well in excess of the level of need identified by the demographic analysis (483 homes per annum²⁴) and will provide for a significant increase in the District's resident labour force that will help to support new job growth of at least 4,775 jobs in the period to 2031.

Market Signals

- 3.102 The NPPG states that, ***'the housing need number suggested by household projections (the starting point) should be adjusted to reflect appropriate market signals, as well as other market indicators of the balance between the demand for and supply of dwellings. Prices or rents rising faster than the national/local average may well indicate particular market undersupply relative to demand.'***²⁵
- 3.103 The guidance goes on to state that, ***'In areas where an upward adjustment is required, plan makers should set this adjustment at a level that is reasonable. The more significant the affordability constraints (as reflected in rising prices and rents, and worsening affordability ratio) and the stronger other indicators of high demand (e.g. the differential between land prices), the larger the improvement in affordability needed and, therefore, the larger the additional supply response should be.'***²⁶
- 3.104 In accordance with the NPPG, the Oxfordshire SHMA gives some consideration to relevant market signals in order to determine whether an uplift from the demographic starting point is necessary.

²² Economic Forecasting to Inform the Oxfordshire Strategic Economic Plan and Strategic Housing Market Assessment (Cambridge Econometrics and SQW February 2014)

²³

²⁴ Based on the 2012 household projections

²⁵ Paragraph: 019Reference ID: 2a-019-20140306

²⁶ Paragraph: 020Reference ID: 2a-020-20140306

3.105 Consideration is given to house prices and associated trends, sales volumes and sales by type, rental trends, land values (albeit based on limited data availability) past housing delivery, over-crowding and under-occupation and the affordability of market homes as well as some qualitative research undertaken with local estate and letting agents.

3.106 The following observations can be drawn from the SHMA analysis.

- In Oxfordshire the market signals point towards a need for an upward adjustment to housing provision at the HMA level but not for all districts (SHMA para 3.64)
- House prices in West Oxfordshire were found to be below the County average and significantly below Oxford, South Oxfordshire and the Vale of White Horse (SHMA Table 7).
- In the pre-recession decade (1998 – 2007) house prices in West Oxfordshire increased at a lower rate than any other Oxfordshire authority (157% compared to over 200% across Oxfordshire as a whole) (SHMA para 3.30).
- This was largely a reflection of strong past housing supply in West Oxfordshire which helped to minimise the imbalance between supply and demand and therefore suppress house price increases.
- Past shortfall of housing delivery in other parts of Oxfordshire is likely to have increased the affordable backlog and market signals case for adjustment (SHMA para 3.65).
- Overcrowding is below average in the Oxfordshire housing market area with the exception of Oxford where 6.2% of households are overcrowded (SHMA para 3.103).
- In relative terms the analysis suggests that the strongest demand pressures are in Oxford followed by the south of the county (Vale of White Horse and South Oxfordshire) (SHMA para 9.34).
- In relative terms, the market signals suggest that there is less market pressure in Cherwell District and West Oxfordshire (SHMA para 9.34).
- In Oxford in particular the analysis points towards significant affordability pressures, both in regard to the (un)affordability of market housing and in terms of an acute shortage of affordable housing. Oxford has some of the highest land values in the region. Lower quartile house prices are 10 times lower quartile earnings (SHMA para 9.35).
- Whilst the SHMA makes an upward adjustment for past ‘under-delivery’ of housing in other Oxfordshire authority areas, it makes no downward adjustment for past ‘over-delivery’ in West Oxfordshire.

- The SHMA makes no upward adjustment to the demographic projection for West Oxfordshire based on market signals (although does uplift it for jobs/affordable housing need).

3.107 The District Council is of the view that in providing a significant uplift from the demographic starting point, the proposed housing target of 525 homes per annum will not only provide for predicted baseline job growth but also represents an appropriate response to market signals.

3.108 National guidance²⁷ states that:

‘Market signals are affected by a number of economic factors, and plan makers should not attempt to estimate the precise impact of an increase in housing supply. Rather they should increase planned supply by an amount that, on reasonable assumptions and consistent with principles of sustainable development, could be expected to improve affordability, and monitor the response of the market over the plan period’.

3.109 The proposed uplift to 525 homes per annum represents a significant increase from both the demographic starting point and also in relation to long term build rates in the District (474 dwellings per annum 1991 – 2011). It is anticipated that it will therefore contribute to an improvement in affordability and this will be kept under review.

Affordable Housing Need

3.110 The fourth main element in deriving an objective assessment of housing need is the level of affordable housing need. The NPPF paragraph 47 states inter alia that to boost significantly the supply of housing, local planning authorities should use their evidence base to ensure their Local Plan meets the full, objectively assessed needs for market and affordable housing in the housing market area as far as is consistent with the policies set out in the NPPF.

3.111 Further guidance is provided in the NPPG²⁸ which states that the total affordable housing need should be considered in the context of its likely delivery as a proportion of mixed market and affordable housing developments, given the probable percentage of affordable housing to be delivered by market housing led developments. An increase in the total housing figures included in the local plan **should be considered where it could help deliver the required number of affordable homes** (WODC emphasis). This approach is also reflected in a recent high court judgment²⁹.

²⁷ Housing and Economic Development Needs Assessments: Paragraph: 020 Reference ID: 2a-020-20140306

²⁸ Housing and economic development needs assessments

²⁹ Satnam Millennium Ltd v Warrington BC (2015) EWHC 370 (Admin)

- 3.112 In line with the NPPF and NPPG, the Oxfordshire SHMA calculates total affordable housing need on a per annum basis for the HMA and each authority. The results are summarised in Table 10 below.

Area	Backlog need	Newly forming households	Existing households falling into need	Total Need	Supply	Net Need (per annum)
Cherwell	44	491	153	688	280	407
Oxford	111	900	476	1,488	459	1,029
South Oxon	37	472	138	647	260	386
VoWH	28	385	138	551	278	273
West Oxon	28	356	106	491	217	274
County	249	2,604	1,011	3,864	1,494	2,370

Table 10 – Estimated Level of Housing Need (per annum)

- 3.113 It can be seen that the highest level of affordable housing need is in Oxford City with the lowest levels in the Vale of White Horse and West Oxfordshire. The net need identified for West Oxfordshire is 274 affordable homes per annum.³⁰
- 3.114 It should be noted that these figures are based on a 35% threshold of income for affordability (i.e. how much income a household would be prepared/able to put towards meeting their housing costs). If the threshold is increased to 40% which is not unrealistic, the level of net need across Oxfordshire on a per annum basis falls from 2,370 to 1,969³¹.
- 3.115 It should also be noted that these figures do not take into account the supply of affordable housing in the development pipeline which as stated in the SHMA can be taken off the net need figures shown above to provide an indication of the number of additional homes required to meet need.

³⁰ Nb. The net need per annum figures assume backlog need is addressed over an 18-year period.

³¹ Table 57 – Oxfordshire SHMA (2014)

- 3.116 The table below taken from the SHMA shows the estimated level of need taking account of the development pipeline in the period to 2031.

	Gross Current Need	Supply of Affordable Housing in Development Pipeline	Net Backlog	Annual Newly-Arising Need	Annual Supply through Relets	Net Need per Annum
Cherwell	793	2602	-1809	644	280	264
Oxford	2,003	722	1281	1376	459	988
South Oxon	668	1019	-351	610	260	331
VoWH	508	1054	-546	523	278	215
West Oxon	510	292	218	462	217	257
County	4,483	5689	-1208	3615	1494	2054

Table 11 - Assessed Affordable Housing Need (2013-31) – including Development Pipeline

- 3.117 Taking account of pipeline developments, the level of need falls for all areas and across Oxfordshire as a whole. For West Oxfordshire, the net need reduces from 274 per annum to 257 per annum.
- 3.118 By way of comparison the District Council's previous housing needs assessment from 2011³² identified a level of need in the District of 220 affordable units per annum.³³
- 3.119 The identified level of need for affordable housing in West Oxfordshire can therefore be seen to range from 220 units per annum to 274 per annum (the latter of which reduces to 257 per annum taking account of the development pipeline.)
- 3.120 To derive a dwelling requirement, the SHMA considers the likely percentage of affordable housing delivery from market housing schemes in each authority area. The analysis assumes 50% of all housing delivered in Oxford City is affordable, 33% in Cherwell District and 40% in the other Districts including West Oxfordshire.

³² West Oxfordshire Housing Needs Assessment Update (2011 – David Couttie Associates)

³³ When addressed over a 15-year period

3.121 The results are summarised in Table 12 below.

Area	Net Need (per annum)	Assumed % Affordable Delivered	Total Annual Delivery Required to Meet Affordable Need in Full
Cherwell	407	33%	1233
Oxford	1,029	50%	2058
South Oxfordshire	386	40%	965
Vale of White Horse	273	40%	683
West Oxfordshire	274	40%	685
County	2,370	-	5624

Table 12 - Housing Provision Required to Meet Affordable Need in Full – Housing Need per Annum, 2011-31

- 3.122 In other words, assuming all market housing schemes in West Oxfordshire make provision for 40% on-site affordable housing, in order to deliver 274 affordable homes per annum an overall housing target of 685 homes would be needed.
- 3.123 The requirement is particularly pronounced in Oxford City despite the backlog need being addressed over an 18-year period and an assumption that all market housing schemes will deliver 50% on-site affordable housing.
- 3.124 The key issue is therefore the extent to which an increase in total housing figures should be considered where it could help deliver the required number of affordable homes.
- 3.125 Whilst the District Council fully acknowledges that some degree of uplift is likely to be needed to help deliver more additional housing, this uplift needs to be reasonable and achievable.
- 3.126 The District Council does not consider that a mechanistic uplift should necessarily be applied without question.
- 3.127 The SHMA adopts a relatively simplistic approach towards this element of the OAN by making a number of broad-brush assumptions regarding on-site affordable housing delivery from market housing schemes within the HMA. Thus it is assumed that all market housing schemes in West Oxfordshire provide 40% on-site affordable housing in full.
- 3.128 However, this is not the case for a number of reasons. For example the Council has traditionally applied a threshold approach whereby only schemes of a certain size are required to provide affordable housing. Furthermore, the percentage requirement has also been varied by location rather than a blanket assumption of 40%.

- 3.129 Table 13 below illustrates affordable housing delivery in West Oxfordshire as a percentage of total housing completions from 2001 – 2014.

	Affordable completions	All completions	Affordable as % of total
2001	118	392	30.1
2002	11	450	2.4
2003	75	567	13.2
2004	53	629	8.4
2005	218	733	29.7
2006	113	810	14.0
2007	186	865	21.5
2008	94	578	16.3
2009	22	384	5.7
2010	163	424	38.4
2011	181	359	50.4
2012	28	278	10.1
2013	41	186	22.0
2014	105	396	26.5
Total	1,408	7,051	20.0
Average	100.6	503.6	20.0

Table 13 – Total and Affordable Housing Completions in West Oxfordshire

- 3.130 It is evident that over this 14-year period, the average percentage of affordable housing delivered as a proportion of total housing completions was 20% and the average number of affordable units completed per year was just over 100.
- 3.131 Even during several peak years of housing delivery (2003 - 2007) affordable housing completions fell significantly below the 274 per annum level of need identified in the SHMA.
- 3.132 Since the SHMA was published, the Council's ability to secure affordable housing from market housing has been diminished through the introduction of a new national threshold for on-site provision of affordable housing. The threshold (which is reflected in the pre-submission draft Local Plan) means that from now on, the Council will only be able to seek on-site affordable housing provision on larger residential schemes of 11 or more homes.
- 3.133 This is of particular relevance to West Oxfordshire District which has historically seen a strong level of supply from small, windfall schemes of 10 or less dwellings.
- 3.134 It is also becoming increasingly common practice for developers to negotiate away or significantly reduce their affordable housing obligations on the grounds of viability. Since April 2013, Government policy has enabled developers to appeal against affordable housing requirements even in existing planning consents.

- 3.135 It is also relevant to note that market-led housing schemes are not the only way of delivering additional affordable housing. Other initiatives might include:
- Freeing up under-occupied social units making best use of the existing stock;
 - Bringing empty properties back into use; and
 - Bringing social sector stock up to Decent Homes Standard
- 3.136 During the three strongest years of housing delivery in recent times (2005 – 2007) when total housing completions in the District averaged 803 dwellings per annum, affordable housing completions averaged just 172 dwellings per annum.
- 3.137 It is therefore highly questionable whether a housing target of 660 or 685 per annum as identified in the SHMA would deliver the 274 affordable homes per annum identified in the SHMA, particularly in light of the introduction of a new national threshold which will clearly inhibit potential delivery from small-scale sites which have traditionally made up a large proportion of overall housing supply in the District.
- 3.138 In light of the above, whilst the District Council accepts that some degree of uplift from the demographic starting point is needed to help address affordable housing need, it does not consider it appropriate to mechanistically uplift the overall housing number to meet affordable housing need in full as a by-product of market housing schemes.
- 3.139 The provision of 525 homes per annum represents a significant uplift from the demographic starting point and would make a strong contribution towards affordable housing delivery in the District alongside the use of other measures to increase supply.

West Oxfordshire Demographic Advice

Report by John Hollis

July 2015

1. Introduction

- 1.1 This report provides an independent analysis and sensitivity testing of the most recent CLG 2012 based household projections for West Oxfordshire published in February 2015.
- 1.2 The report also considers the potential outcomes of the different levels of housing provision identified for West Oxfordshire in the period 2011 – 2031 in both the emerging Local Plan (10,500 homes) and the Oxfordshire SHMA (13,200 homes).

2. Approach

- 2.1 This advice splits the work as follows:
 - Data inputs to the ONS/CLG 2012 projections and any subsequent concerns
 - Comparison of the results of the ONS/CLG 2012 projections with updated projections based on the ONS mid-2014 population estimate
 - Labour force led scenarios

3. ONS/CLG 2012 Projections

- 3.1 The ONS 2012 projections were the first to fully exploit data from the 2011 Census. The Interim 2011 projections merely used the post-census mid-2011 population estimates but in all other respects were a shoddy re-run of the ONS 2010 projections. This is principally because none of the fertility, mortality and out-migration probabilities had been recalculated on revised population estimates between 2005 and 2010.
- 3.2 The revised population estimates (on the basis of the results of the 2011 census) were only available about 6 months after the Interim 2011 population projections were published. As a result of this issue local authorities that had had a 2011 estimate that was inconsistent with previous estimates had very poor projections of natural change and out migration. All local authorities suffered problems with the migration inflows particularly if there was a significant flow from another authority with a much revised population.
- 3.3 The main inputs to the ONS 2012 projection are:
 - ONS mid-2012 population estimates
 - Local births and deaths in the five years up to mid-2012 leading to the calculation of local age-specific adjustments when local rates are compared to England rates.
 - Migration within England by age and gender averaged over the previous five years

- Cross-border migration from and to England with Wales, Scotland and Northern Ireland by age and gender averaged over the previous five years
 - International migration by age and gender averaged over the previous 6 years.
 - Results for England from the ONS 2012 national population projections used as constraints on all calculations.
- 3.4 While there are no particular issues in regard to fertility and mortality, which are projected to conform to the national assumptions about future levels of age-specific birth and survival rates, there is still uncertainty regarding migration. Migration within England appears to be reasonably projected from appropriate starting points and with very little variation in the projected levels of net inflow to West Oxfordshire over the projection period.
- 3.5 Both the inflow and the outflow increase by about 300 over the period between 2012 and 2031. Cross-border migration is of little concern to West Oxfordshire. The flows are small and the projection is a constant annual net loss of 100. However, since 2012 the average net inflow to the district from the rest of the UK has fallen to about 200 per year. This will be reflected in the updated projections
- 3.6 There is more concern over the future course of international migration. The projections show a balance between the two flows of about 400 in each direction. In the reference period used by ONS there was a net inflow to West Oxfordshire of about 100 per year. Between 2012 and 2014 ONS estimated a net international flow into the district of about 150 per year reflecting the significant rise in the net international flow to the UK that is well above the ONS projection.
- 3.7 In the most recent year (2013-14) the projection assumed there would be a net inflow to England of 151.8 thousand while the latest figures from the ONS mid-year estimate change analysis shows there to have been a net inflow of 243.6 thousand. Therefore the risk is that the projections understate the likely growth of West Oxfordshire. This is investigated in the updated projections using trends between 2009 and 2014.
- 3.8 ONS did not include in the projections the unattributable population change (UPC) that is included in the annual change analyses between 2001 and 2011. UPC is in effect a correction factor between the start and finish mid-year estimates (based on the censuses) and the ONS estimates of the components of change – notably migration. It could be correcting for errors in any or all of the 2001 and 2011 populations and the UK and International migration estimates. It is usually considered to be due to the estimated international inflow to the UK being both poorly estimated in total and poorly distributed between local authorities. For West Oxfordshire UPC amounted to a population loss of 572 over the decade.
- 3.9 The ONS argument for not considering UPC in the projections was based on the improvement in counting international immigrants since 2009 as well as the difficulty in assessing the age structure of the UPC 'flow'. This analysis fails to recognise that UPC was as much an ongoing local issue of distribution as a national one of volume, which may now be solved. This is also investigated in the updated projections.

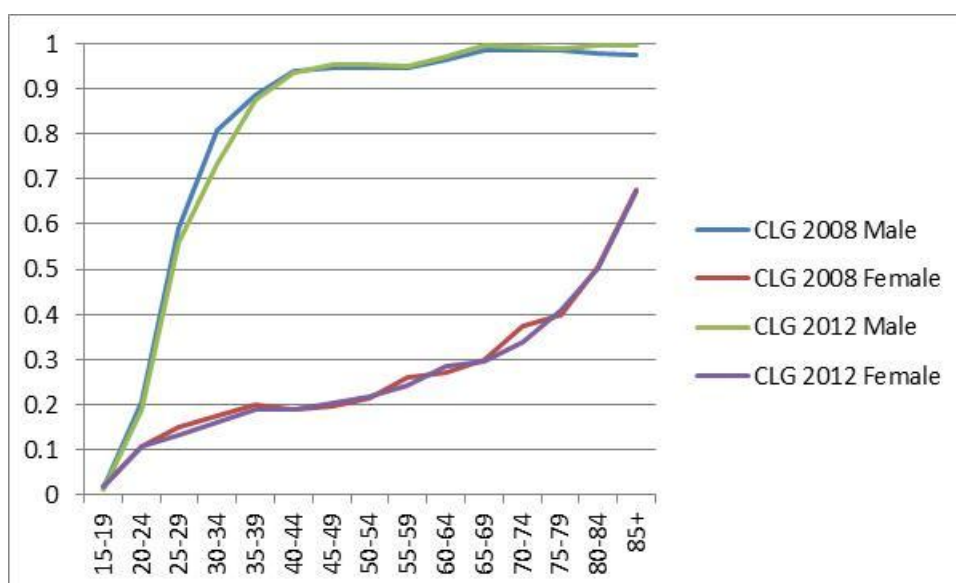
- 3.10 Therefore the ONS 2012 projection could be understating international migration into the district while overstating UK net inflows and ignoring the negative impact of UPC up to 2011. The 2009-14 migration trends projection updates and corrects for each of these factors.
- 3.11 The CLG 2012 household projections convert the ONS 2012 SNPP to households each year to 2037. The process first splits the SNPP populations (by five-year age groups and gender) by relationship status, that is persons living in a couple, formerly in a couple (ie widowed, divorced, separated) and single. Each of these groups is then divided between persons resident in communal establishments and persons resident in households. The final step calculates households by applying household representative rates (HRRs) to the household population aged 15+ by gender/age/relationship. This is the Stage 1 process that calculates total households. The Stage 2 process allocates the Stage 1 totals to 17 different household types using household headship rates (HHRs). Stage 2 has not yet been published by CLG.
- 3.12 CLG uses the latest – but still 2006-based - ONS national projection of the population by marital status to forecast the proportion of each age/gender group by relationship status in each local authority. This process is guided by the actual marital status of people as recorded in the 2011 Census.
- 3.13 In projecting the HRRs CLG 2012 was able to utilise more 2011 Census data than were available for the Interim 2011 projections, but still could not include the essential data that enables the calculation of the HRRs for 2011³⁴. The 2011 HRRs are considered by most demographers to be essential to feed into the projection process that uses Census HRRs back to 1971 and projects them using two models – Simple Logistics Trend and Dampened Logistics Trend. The results are then combined by weighted summation.
- 3.14 To overcome the lack of full data the 2011 HRRs were estimated from the HRRs for 2011 used in the CLG 2008 household projections together with 2011 data for England using the Labour Force Survey (LFS) and the 2011 Census totals of households in each authority. The required HRRs are specific to gender, age (5 years) and relationship (marital) status. The LFS data are only specific to gender and age. Therefore, while the 2011 HRRs are the best that could be used at the time, they are still not perfect and, by necessity, contain a large element of change at the national level rather than specific local data. CLG used fuller, but not complete, data on the size of the communal establishment population and its gender/age distribution. Therefore the size and structure of the household population was better estimated than in the Interim CLG 2011 projections.
- 3.15 While still not definitive, the 2011 HRRs used in the CLG 2012 projections are more complete than their predecessors in the Interim 2011 projections and have been projected according to the same rules and methods. The projection goes to 2037, rather than to 2021 in the Interim 2011 projections, and so focuses attention on a

³⁴ At the British Population Studies Society meeting on 18 May 2015 it was stated by CLG that it will not now be doing more work on the 2011 Census data to finalise the Stage 1 household representative rates due to the different definitions used in the 2011 Census.

single, traditionally produced, projection of future rates rather than opening up the possibility of a range of assumptions such as have been made in the past few years for local plans by authorities and planning consultants. Such projections beyond 2021 have been prepared based on 'trend', 'index', 'static', 'catch-up', 'partial catch-up' and 'blend' methods based on linking the CLG 2008 and Interim 2011 HRRs to forecast HRRs beyond 2021.

- 3.16 Finally, the projections are constrained by the results at regional and national levels.
- 3.17 The HRRs used in the CLG 2012 projections do not recover to the levels shown by the CLG 2008 projection, which was prepared with only limited data consequent to the start of the recession. Even so the Labour Force Survey was already showing declines in HRRs, mainly among younger adults. Trends that were confirmed by the 2011 Census.
- 3.18 The process of modelling the HRRs to 2037 tends to increase most of the initial 2011 rates upwards but the linking of the two separate models ensures that the recent declines in rates seen amongst younger people are not projected to increase to the levels projected in the 2008 work. Figure 1 shows that the CLG 2008 projection has generally slightly higher rates, particularly at younger ages. At most ages the differences are small.

Figure 1: HRRs for West Oxfordshire in 2031



Source: CLG 2008 and 2012 household projections © Crown Copyright

- 3.19 While there may be disagreement with the resulting numbers of projected households at local level this may invariably be put down to the (perceived) failings of the ONS SNPP. However, CLG publishes unrounded results for modelling purposes that enable its HRRs to be used with alternative district level population scenarios. Locally this is the real value of the CLG projections. The CLG 2012 projection of HRRs, despite not being definitive, should be taken as the baseline for any forecasting of future levels of households. These HRRs have been used in the updated projections.

4. Alternative Projection Scenarios

- 4.1 In this section the results of the ONS/CLG 2012 projections are compared to the two previous ONS/CLG projections³⁵ (2008 and Interim 2011) as well as to four updated projections based on the ONS mid-2014 population estimates by single years of age and gender. The four updated projections are:
- 2004-14 migration trends
 - 2009-14 migration trends
 - 10,500 net new homes 2011-31 – the proposed Local Plan
 - 13,200 net new homes 2011-31 – the Oxfordshire SHMA
- 4.2 In preparing the OAN the guidance states that the starting point is the latest set of ONS/CLG subnational population and household projections while more recent demographic intelligence may inform an updated projection - in this case 2009-14. This projection may be sensitivity tested against other – often longer-term – demographic projections. This is usually tackled with a ten-year period – in this case 2004-14.
- 4.3 The two migration trends projections perform these roles and include the impact of UPC as a migration correction factor in the earlier years of their base periods. The conversion from population to households in all four additional projections uses the CLG 2012 HRRs by age, gender and relationship status.
- 4.4 The results of the four updated projections and the ONS 2012 projection have been converted to projections of the resident labour force. This is described in an Appendix.
- 4.5 Table 1 presents the main results of all seven projections. The 2011 Census showed that the ONS/CLG 2008 projection was about 400 persons and 300 households too low. Compared to other local authorities these results are very close. However, the more optimistic 2008 projection of HRRs produced the highest level of household increase between 2011 and 2031 of 562 per year.
- 4.6 The Interim 2011 projections showed a more rapid population growth but a reduced household growth compared to the 2008 projections. The extra population was partly due to an over projection of natural change and partly to migration being based on the years 2005-06 to 2009-10 that incorporated years of both high levels of building and, therefore, high net migration.
- 4.7 The ONS/CLG 2012 projection has better natural change and broadly reflects the average annual net migration between 2006-07 and 2011-12, although it does exclude UPC. Net migration is projected to average 620 per year but households are projected to rise at 458 per year and the resident labour force by just 118 per year; that is by about 2,400 over the 20 years.

³⁵ All ONS and CLG estimates and projections data are © Crown Copyright

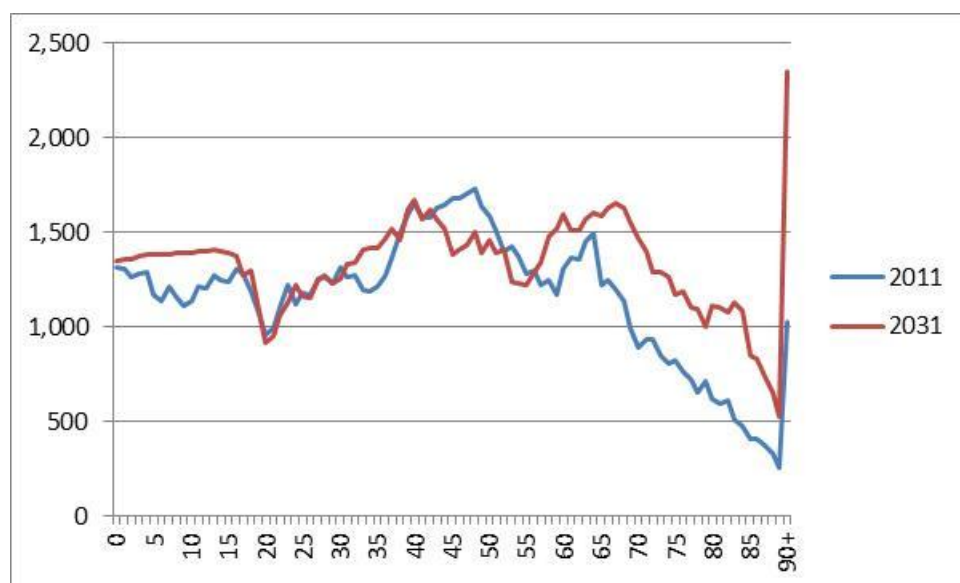
- 4.8 The projection based on longer term (2004-14) migration trends has a similar result in terms of households to the CLG 2012 projection but is 2.5 thousand higher in overall population terms, most of this difference being in the working ages. This is reflected in the 5.4 thousand growth in the resident labour force. Net migration averages 830 per year to 2031.

Table 1: Projections Summary for West Oxfordshire (mostly thousands)

	ONS/CLG	ONS/CLG	ONS/CLG	2004-14	2009-14	10,500	13,200
	2008	2011	2012	Trends	Trends		
Population (k)							
2001	95.7						
2011	105.0	105.4	105.4	105.4	105.4	105.4	105.4
2021	115.1	116.7	115.3	115.1	113.5	115.6	118.3
2031	124.2		122.7	125.2	120.8	125.6	131.9
Households (k)							
2001	38.5						
2011	43.2	43.5	43.5	43.5	43.5	43.5	43.5
2021	48.9	48.8	48.5	48.1	47.5	48.5	49.5
2031	54.4		52.7	52.8	51.1	53.5	56.0
Annual Averages							
2001-11	464	496	496	496	496	496	496
2011-21	573	528	496	460	402	499	604
2021-31	551		420	472	356	497	648
2011-31	562		458	466	379	498	626
New Homes (@ 5.167% Net Vacancy/2nd Homes)							
Annual Averages							
2011-31	593		483	491	400	525	660
Resident Labour Force (k)							
2011			58.8	58.8	58.8	58.8	58.8
2021			60.5	61.6	60.4	62.0	63.6
2031			61.2	64.2	61.1	64.8	68.3
Annual Averages							
2011-31			118	269	113	301	477
Resident Labour Force per Household							
2011			1.352	1.352	1.352	1.352	1.352
2031			1.162	1.215	1.196	1.212	1.220

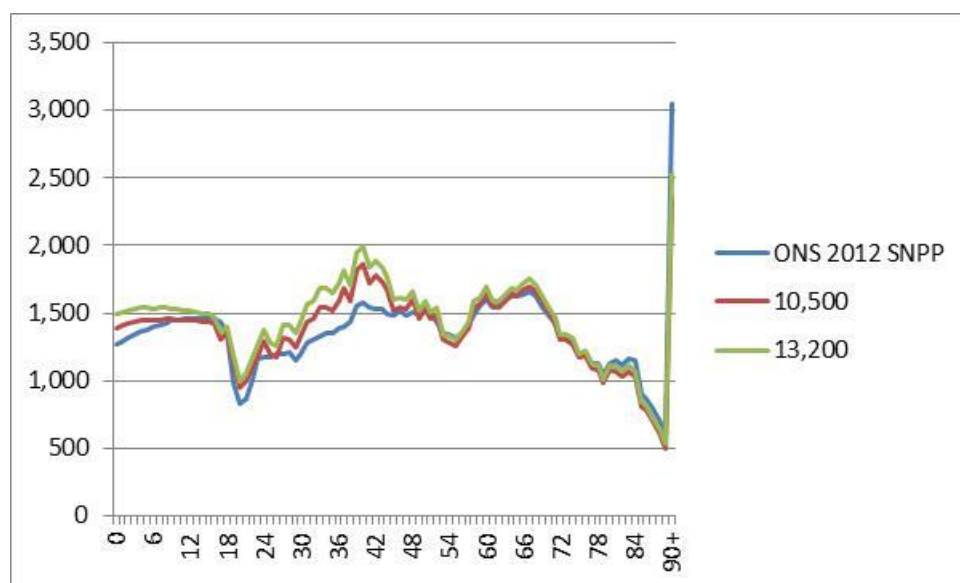
- 4.9 The short-term migration trends reflected in the 2009-14 projection are somewhat lower than the two previous projections reflecting the estimated reduction in net inflows to West Oxfordshire since 2012 to an average of 350 per year. However, the international net flow to West Oxfordshire in 2013-14 was estimated to be 229 – the second highest after 2005-06 in all years since 2001. It is, therefore, not surprising that the results of this updated projection are the lowest of all the projections considered here. Given that the base period is similar to that likely to be used by the ONS 2014 projection – expected sometime in 2016 – it is perhaps an indication that the signals point to future ONS/CLG projections for West Oxfordshire being lower.
- 4.10 The proposed local plan is to have a net new build of 10,500 homes between 2011 and 2031. The projection starts at mid-2014 and the estimated increase in households between 2011 and 2014 is converted to homes using the 2011 Census figure of 5.167% of homes being either vacant or second homes. This calculation requires a further 8,910 new homes in the remaining 17 years.
- 4.11 These are assumed to be provided at an even rate with the same levels of vacancy and second homes. The key results are that it implies net immigration averaging over 860 per year and growth in the resident labour force of just over 6.0 thousand between 2011 and 2031.
- 4.12 The final projection converts the requirement for 13,200 net new homes as proposed by the Oxfordshire SHMA. It is prepared in a similar way to the above projection and requires the provision of 11,610 new homes evenly spread over the 17 years 2014-31. It implies net immigration growth of over 1,200 per year and an increase in the resident labour force of 9,500 between 2011 and 2031. Since 2001 net migration into West Oxfordshire has only exceeded 1,200 in two years: 2005-06 and 2006-07.
- 4.13 One common feature of the projections is the decline in the number of economically active residents (resident labour force) per household between 2011 and 2031. This decline reflects the ageing of the population. The projections assume that as more homes are made available the more likely that the occupants will have a younger age profile than the population already present. This analysis is on the basis of the make-up of migration streams by age and gender and does not reflect any particular mix of housing development or whether homes are being specifically provided for older age groups.
- 4.14 The ageing of the population is common to all projections. Figure 2 presents a specific example.

Figure 2: West Oxfordshire age structure: 2011 and 2031. 2009-14 Trends projection



4.15 Population change over the 20 years is characterised by more children, fewer people in their 30s, 40s and early 50s and major gains in the later years.

Figure 3: West Oxfordshire age structure: 2031. Projections compared



4.16 Figure 5 shows that by increasing the housing supply the resulting age structure will contain more working families in their 20s, 30s and early 40s together with more children. The projection based on building 10,500 new homes shows that the population aged 25-49 would be greater by about 3,500 compared to the ONS 2012 SNPP.

- 4.17 In summary, it appears that net migration from overseas will be higher than projected in the ONS 2012 SNPP and that the net inflow from the rest of the UK may be lower. If the proposed local plan to provide 10,500 new homes in the 20 years to 2031 is achieved this is likely to lead to an increase of 6,000 resident economically active persons.
- 4.18 Updated demographic projections place the need for additional homes 2011--31 to be in the range 400-491 a year. The ONS/CLG 2012 projection is at the top of this range.
- 4.19 Should the SHMA level of new homes provision be achieved it would require net immigration into West Oxfordshire averaging over 1,200 a year for the next 17 years. This level has only been exceeded twice in the past 13 years. Such a projection would lead to a growth of 9,500 in the resident labour force. This compares to the SHMA 'committed economic growth' scenario of 7,867 additional jobs. The commuting allowance brings this figure to 9,283 additional economically active residents.

5. Resident Labour Force led Scenarios

- 5.1 The 525 net new homes per year projection results in an additional 6,011 resident labour force. Building 660 homes a year raises the labour force by 9,539. It is possible to interpolate between these two projections to see the effect of an increase in 7,000 and 8,000 resident economically active.
- 5.2 These calculations ignore the commuting ratio that may mean that the number of locally created jobs would be somewhat less. They also ignore any influence of reducing the number of unemployed economically active residents.

Table 2: 2011-31 Labour force led projections for West Oxfordshire

	10,500	7,000	8,000	13,200
	Homes	RLF	RLF	Homes
Δ Resident Labour Force	6,011	7,000	8,000	9,539
Δ Households	9,957	10,678	11,405	12,518
Δ Dwellings	10,500	11,260	12,026	13,200
Δ Dwellings per year	525	563	601	660
2031 Labour Force per Household	1.212	1.215	1.217	1.220

- 5.3 In the two dwellings-led projections the process is:
- Dwellings imply households given vacancy levels
 - Households lead to adjusting migration levels to fill the households using the household representative rates

- Population by age converted to economically actives (resident labour force) by economic activity rates
 - Implies RLF/Hh
- 5.4 Starting with change in the resident labour force the projection builds on the relationships between the two dwellings led projections. The process is:
- Calculate RLF/Hh – assumed to vary linearly with the change in the increase in the resident labour force
 - Calculate households in 2031 based on total RLF and the RLF/Hh ratio
 - Calculate dwellings based on vacancy rate
- 5.5 The result of these simulations is that an increase in the building rate of about 38 homes a year results in an additional 1,000 resident labour force over 20 years.
- 5.6 On this basis the SHMA level of 'committed growth' of 9,283 additional residents in employment would require 13,005 additional homes i.e. 650 per year.

Appendix A: Labour Force Projections

Figure A1: West Oxfordshire: Economic activity rates by age and gender: 2011 and 2031

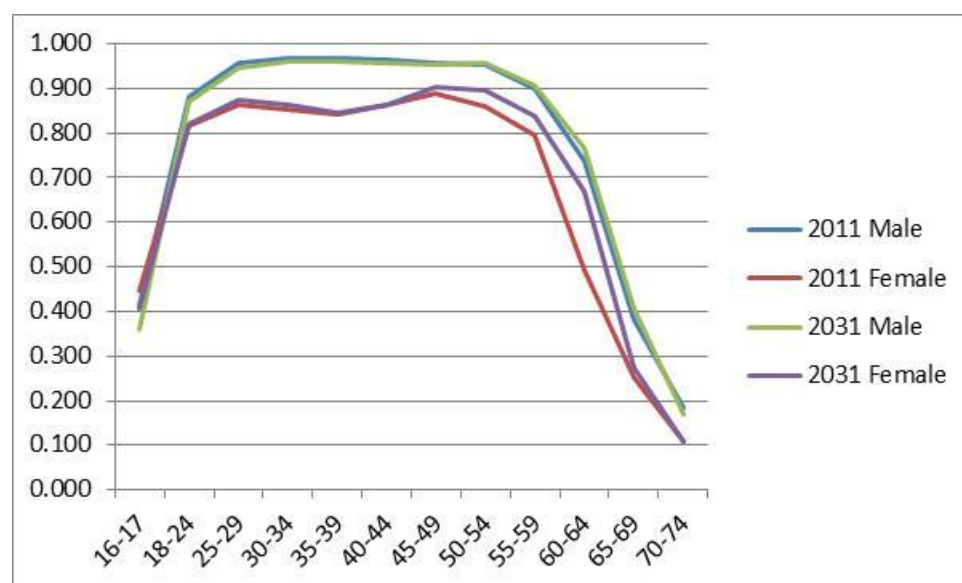


Figure A1 shows the rates used to project the resident labour force. There is very little change for males or for younger females but the impact of the raising of the State Retirement Age (SRA) is seen mainly for older women and to a lesser extent for older men.

ONS no longer has responsibility to project the national labour force. The last ONS projection was published in 2006 (*Labour Market Trends*, January 2006). It projected rates to 2020 on the basis of the raising of the female SRA to 65 by April 2020.

In October 2011 Kent County Council extended this projection to 2036 to account for further planned changes to SRA, including the accelerated change for female SRA to match male SRA at 65 by April 2018 and for the SRA to reach 66 by April 2020 for both males and females (*Research and Evaluation Technical Paper: Activity Rate Projections to 2036*).

West Oxfordshire 2011 activity rates have been calculated for males and females aged 16-17, 18-24, 25-29, ...70-74 using the following 2011 Census tables:

- DC6107 Males & Females Fine age groups
- KS602 Males 16-74
- KS603 Females 16-74
- DC6205 Males & Females Broad age groups
- DC 6208 Males & Females Very fine age groups – for England

The resulting 2011 rates were then extended to 2031 following the changes shown in the two above sources.

Appendix B: Projection Charts

Chart 1: West Oxfordshire: Total Population: estimates and projections at mid-year: 2001-37 (thousands)

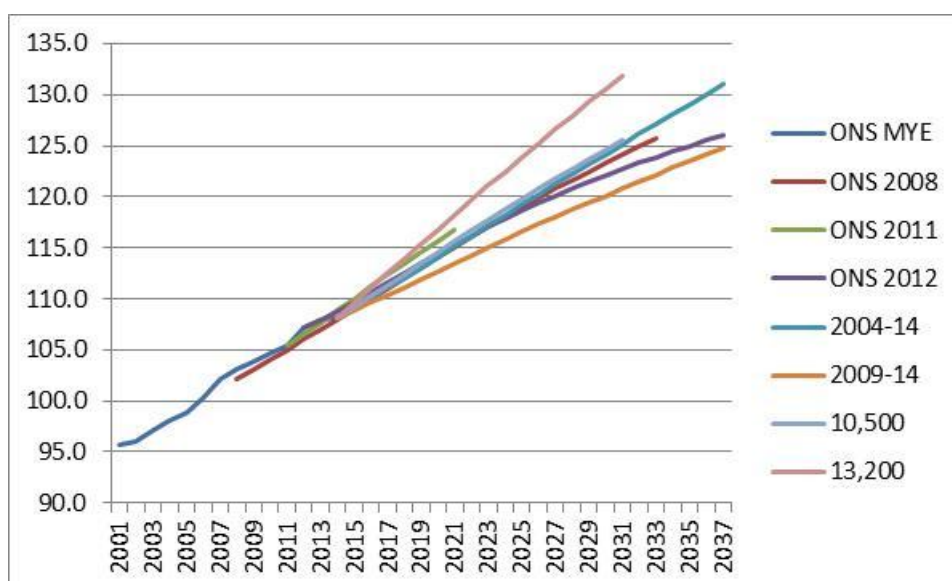
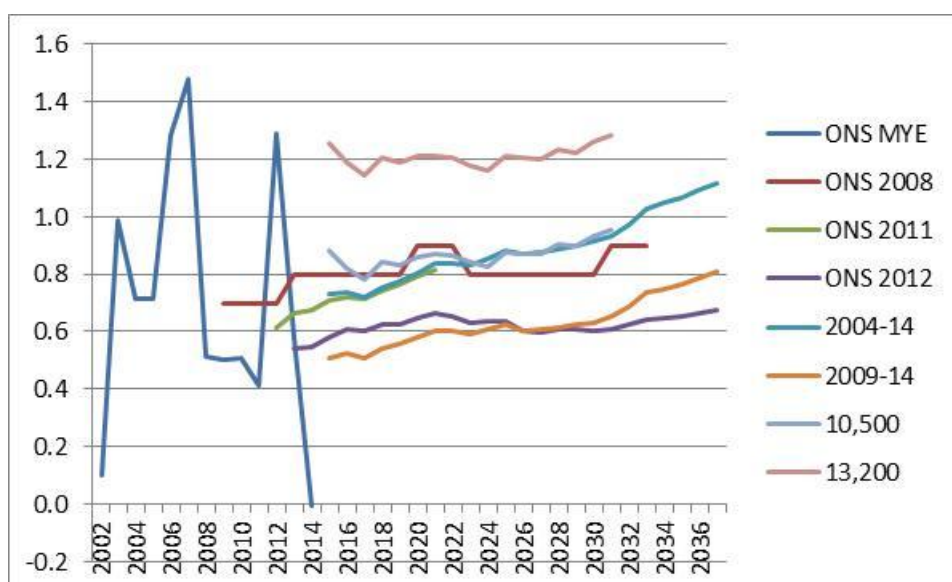


Chart 2: West Oxfordshire: Migration and Other Changes³⁶, estimates and projections: 2001-02 to 2036--37 (thousands)



³⁶ Estimates (2001-14) include Other Changes, projections do not.

Chart 3: West Oxfordshire: Natural Change, estimates and projections: 2001-02 to 2036--37 (thousands)

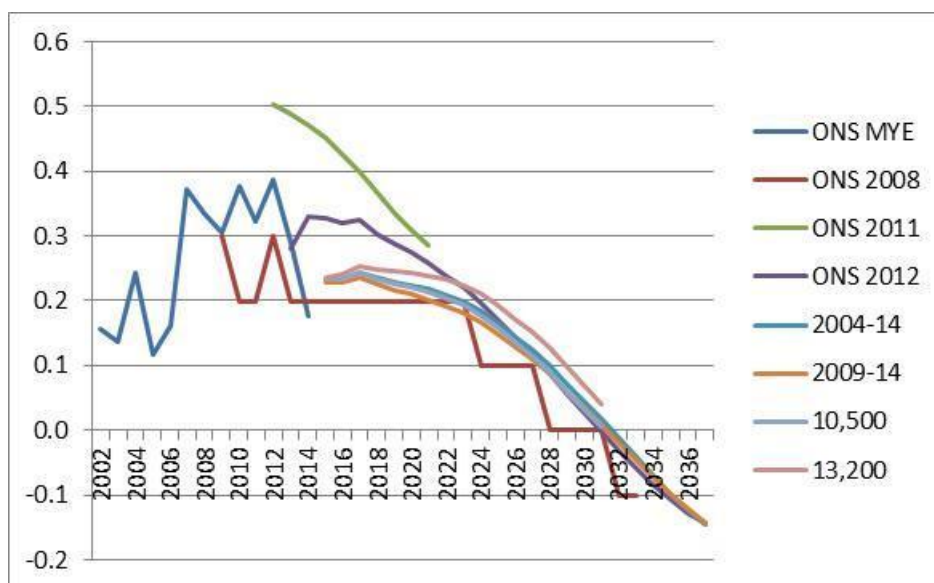


Chart 4: West Oxfordshire: Total Households: estimates and projections at mid-year: 2001-37 (thousands)

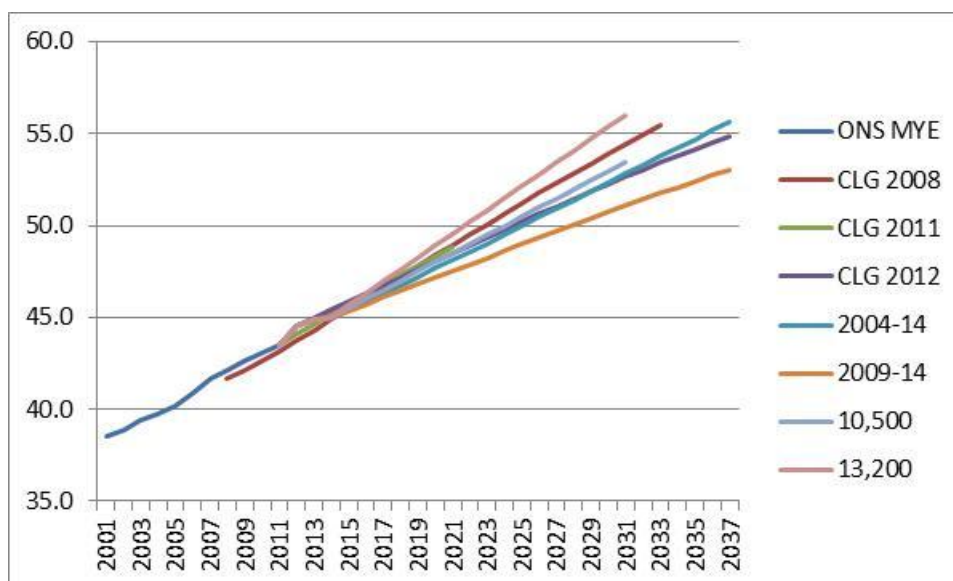


Chart 5: West Oxfordshire: Resident Labour Force (Economically Active Residents: projections at mid-year: 2011-31 (thousands)

