Impact on the Housing needs in Abingdon

of the Vale of the White Horse Local Plan

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a topic report prepared

on behalf of

The North Abingdon Local Plan Group

Is the Strategic Housing Market Assessment Right?

Our main points

- The Strategic Housing Market Assessment (SHMA) figures are based on just one view of the future;
- So the predicted need for 1,028 extra houses per year until 2031 could be too high;
- The forecast looks too far into the future to be reliable;
- The assumptions about changes in the numbers of jobs may be incorrect;
- Builders may not be able to build as many houses as quickly as planned;
- The housing market may not function properly; and
- We are concerned that the SHMA target might be arbitrarily raised to meet Oxford City's needs[1]
- Given the uncertainty, it would be better to have rolling forecast and plan.

Introduction

1.   The Strategic Housing Market Assessment (SHMA) is the key piece of evidence underpinning the Vale of White Horse Local Plan. This document considers whether the SHMA figures are reasonable.

2.   The SHMA 'Key Findings' report says:

> *1.12 The SHMA provides a **starting point** for this process – identifying the level of housing need. There is a significant level of further work to do to test whether this **can be accommodated**, to identify where housing should go, and to plan for the supporting infrastructure investment which will be needed to ensure that growth is sustainable. This further work will refine the overall level of housing provision which needs to be planned for, and how this is distributed to different parts of Oxfordshire.*

3.   So the SHMA is only a *'starting point'* for work locally to test whether the amount of housing '***can be accommodated'*** locally. In the Vale of White Horse, broadly 40% more houses are necessary according to the SHMA. This means that for every five houses we have, two more would have to be built.

4.   Paragraph 1.9 says that the SHMA *'does not set housing targets in itself'*. However the figures it produces are treated as if they were written on tablets of stone. But do they deserve this reverence? The SHMA continues:

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[1] Oxfordshire Statement of Cooperation, Paragraph 5.3 says other districts must 'seek to accommodate this unmet need' if some districts cannot meet their targets.

> *1.10 Government guidance and advice is explicit that the SHMA itself **must not apply constraints** to the overall assessment of need, such as environmental constraints or issues related to congestion and local infrastructure. This does not mean that these issues are not important. They are very relevant issues in considering how much development can be sustainably accommodated and where new development should be located.*

5. So the SHMA says that it *'must not apply constraints'*. However the Vale is full of constraints on development – areas in the Green Belt, AONB or that are likely to flood. One particularly large and suitable site has been reserved, not for preservation but as a possible site for a huge reservoir, which would meet the needs for more water downstream and in London. Much of the unrestricted area is in the West and North West of the Vale, but these areas are particularly unsuited to development. These rural areas are attractive countryside, with poor access that distances them from anywhere with more jobs or key facilities.

6. Given the many constraints in the Vale, one reasonable outcome of the local planning process would have been to say that the Vale cannot easily accommodate all of the housing growth required by the SHMA. Other areas, with fewer constraints, might have been able to cope.

7. The Vale has however been obliged to meet the SHMA target or else face the very real threat that more or less any unsuitable planning application to build houses, which they would sensibly have refused, will be backed by inspectors at the appeal.[2] Inspectors report to central government ministers in the Department for Communities and Local Government who make the final decision. Central government's hard line about meeting the figures seems to be softening, but the consequence has been that the Vale has had little choice but to respond to ministers requirements when writing its plan.

A summary of the SHMA

8. First, we need an understanding of the SHMA figures and the issues that drive them. The forecast for house building during 2011-31 builds up as follows:

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[2] An example is the application to build 158 houses on the Drayton Road, South of Abingdon, despite the well known, long term traffic problems in that area and in the centre of Abingdon-on-Thames.

Source	Houses per year (pa) in the Vale	Increase to that figure (pa)	Source (KF = Key Findings)
Latest ONS and CLG projections	367		SHMA Table 39
'Core' growth (of the existing population) updates the above figure based on revised assumptions	468	+101	KF Figure 7
To deal with the past shortfall (801 over 20 years)	508	+40	KF Figure 10
Meeting alternative economic projection (job growth likely to be faster than labour force growth)	623	+115	KF Figure 11 Para 3.38
To meet need for affordable houses over 18 years	683	+60	
Supporting the 'Committed Economic Scenario' growth (even more job growth)	1,028	+345	KF Figure 11 Para 3.39

9. So, out of the total growth of 1,028pa planned:

- 46% (468) is to meet the needs of the existing population. We note that this figure represents a substantial increase on the previous value of 367;
- 4% (40) is to deal with a shortfall in housing supply in the past. This amounts to 801 houses over 20 years[3]. This figure is simply calculated as the difference between the SE plan target for the Vale and actual construction[4]. Why is that target considered to be precisely right and should this addition be made at all?;
- 11% (115) is because expected growth in the number of jobs is more than the expected growth in the workforce, so to avoid more in-commuting more people need to live in the Vale;
- Another 60 (6%) is needed to meet affordable housing needed; and
- 34% (345) is a result of the 'Science Vale' developments – bringing more jobs and so more people to the area.

In simple terms, 52%[5] of the growth is to meet the need of the existing population and half is in response to growth in the number of jobs. So growth in the number of jobs is a key factor driving the increasing the number of net migrants to the area[6] and the demand for new housing.

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[3] Coincidentally the same as the 800 extra houses planned for the North Abingdon site
[4] SHMA Table 10
[5] 46% basic need + 6% affordable
[6] See Figure 46 of the SHMA

10.   There are other forecasts of housing demand in the Vale, as follows:

Source	House per year (pa) in the Vale	Period	Source (KF = Key findings)
2009 South East Regional Plan	578	2006-26	Section C
2008 based forecasts	412	2008-18?	KF Figure 8
'Interim' 2011 based forecasts	388	2011-21	KF Figure 6
Based on amended migration levels	420	2011-21	SHMA Table 21
SHMA	1,028	2011-31	KF Figure 2

Previous forecasts of growth for the Vale were on a declining trend, from 578pa in the SE Regional Plan, falling as low as 388pa in the 2011 based forecasts. The SE Regional Plan figures were, in their time, considered to be too high and an imposition by central government. Regional plans were therefore scrapped by the current government. The SHMA is now proposing growth of 1,028 pa, that is 78% more than the SE regional plan figure of 578.

Phasing the house building

11.   Topic paper 4 of the plan sets out how house construction might be phased. Some figures derived from that are as follows:

Period	Houses built or to be built	Years in the period	Average construction rate per year	North Abingdon site TOTAL build
2011/12 - 14/15	2,031	4	508	
2015/16 - 19/20	8,047	5	1609	180
2020/21 – 24/25	7,351	5	1470	450
2025/26 – 29/30	3,238	5	647	170
2030/31	396	1	396	
Total	21,063	20	1,053	800

It is clear that:

- Building rates – at 508pa - have been less than half of the SHMA figure for the first four years;
- During the next five years the building rate of 1,609pa is higher than in any other period – this is 3.16 times more than in the last four years – a huge acceleration for the building industry to achieve;

- The building rate then tapers off for the rest of the 20 year plan period.

Building on the Abingdon North site is planned to start during 2017/18 and run on for 10 years.

12. We question whether building rates can be increased by a factor of more than three in the Vale over the next five years.

What we accept

13. Considering the earlier table in paragraph 8, we accept the SHMA core growth figure of 468 houses per year for the Vale. We are not entirely convinced about the need for an extra 40 houses per year to deal with the past shortfall. Allowances are made for affordability and need and another allowance for a shortfall may mean there is double counting. We consider there could well be more housing need as there are more jobs, so subject to the reservation about the extra 40, we accept the figure of 623 houses per year in the alternative economic projection. As an upper limit a figure of 683 is the building rate that the SHMA considers is needed to resolve the problems of affordable housing over the plan period.

14. We agree that the 2011 figures, with a forecast of 388pa were too low. The 2011 figures apparently forecast that there will be '*further falls in the proportion of young people who will form new households*'[7]. We agree that this is an unreasonable assumption.

15. The Vale has assumed that 35% of the new housing will be 'affordable'[8] and we agree with that figure.

16. We support the 'Design Guide' produced by the Vale. This will help to produce an excellent built environment. We also note that the Vale has set a minimum density of 30 dwellings per Hectare (paragraph 5.48 of Topic Paper 4, Housing). However we note that the apparent density for the North Abingdon site seems to be of the order of 15.5 houses per hectare (800 homes over 53.82 hectares less 2.22 hectares for the primary school). This would give much needed space for buffer zones with the A34 and Lodge Hill and to maintain a 'green infrastructure corridor' across the site following the stream and Bridleway and install new sports fields.

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[7] SHMA, Summary – Key Findings on Housing Need, 2014, paragraph 3.11
[8] Vale Plan, Appendices, Appendix A, page 3, Section 2. GENERAL REQUIREMENTS FOR ALL HOUSING SITE ALLOCATIONS, Provide 35% affordable housing and a suitable mix of housing in line with core policies 24 and 22.

Are other futures possible?

17. The SHMA predicts a very simple scenario, in which existing demand, need and jobs growth leads to a particular amount of growth in the demand for houses. But it is notoriously difficult to predict what the future will hold. Should we just accept figures that predict 17 years into the future? 17 years ago it was 1997 – Tony Blair won the general election, Wales voted for a national assembly and we won the Eurovision song contest (Katrina and the Waves).

18. In 1997, how could we have possibly predicted that in the next 14 years there would be an 'end to boom and bust', a dot.com bubble in 2000, the 9/11 attacks in 2001, two small wars, the banking crash starting in 2007, the MPs expenses scandal in 2009, iPhone technology, the growth of low paid/zero hours/self-employed work, a dysfunctional housing market founded on foreign investment in London - or that we would end the period with a huge deficit and all too many of the people in employment finding themselves worse off than they were five years ago?

19. Faced with clear evidence that the future is hard to predict, will the next fourteen years be any easier to predict?

Are growth in jobs and growth in housing necessarily linked?

20. The high level of demand for housing in the Vale plan relies on an assumption that overall there will be a very large growth in the number of jobs and that more people will be needed to fill them. To get the growth in jobs, no less than eight different job generating factors are put forward (in paragraph 4.20 of the SHMA). Individually, each one seems reasonable, but will all of them happen together?

21. There may be other outcomes:

    - There may be more jobs, but more of them could be taken up by the existing population than the SHMA assumes – by increasing the proportion of people of working age who work and by people working longer as a result of changing retirement ages[9]; or

    - Advances in technology may mean that fewer jobs than expected are created in future and that many existing jobs are lost. This would mean that the existing population would take up any new jobs that were created.

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[9] This feature is included in paragraph 3.41 of the 'Summary – Key Findings on Housing Need' report

22. The second possibility is highlighted in recent research by Deloitte and Oxford University[10]. They say that jobs most at risk are in office and administrative support, sales and services, transportation, construction and extraction, and manufacturing. Jobs paying less than £30,000pa are nearly five times more likely to be lost than those paying over £100,000. They conclude that up to 35% of todays' jobs in the UK are at risk of disappearing over the next two decades.

23. To summarise, many existing jobs taken by residents of the Vale may disappear. They would no doubt wish to take any new jobs at Science Vale. Also, the Science Vale developments might not generate as many jobs as forecast – it might be high in productivity and technology but lower than expected in employment. This is a very real scenario for Oxfordshire. There would be a lot less need for new housing than predicted by the SHMA - existing residents would need any new jobs that were created.

If we zone land, will builders build?

24. Builders can build on land that is zoned, but that's not guaranteed:

- Builders might prefer to build low numbers of houses but keep prices high to maximise profits – so the land could be hoarded;

- The 'Summary – Key Findings, paragraph 3.40 notes that the countywide building rate '*would represent an uplift of over 70% on annual delivery rates'*. We've noted above that according to the plan over three times more houses need to be built per year in the Vale. The local building industry, countywide and particularly in the Vale, would be set a very high target – it is unlikely to have sufficient supply chains, skilled workers and capacity to deliver a tripling of the building rate in such a short time;

- Economic limitations, such as low pay, zero hour contracts and the risks of part time or self-employment may reduce ability to pay for reasonable housing;

- Interest rates rising from present historically low levels might reduce the ability to pay and the ability of banks to fund mortgages, denying access and increasing affordability problems – as has happened after the credit crunch and described in paragraph 3.23 of the SHMA.

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[10] London Futures, Agiletown: the relentless march of technology and London's response. David Sproul, Angus Knowles-Cutler and Chris Gentle of Deloitte, Carl Benedikt Frey and Michael Osborne of the University of Oxford.

- New homes might be bought as 'investments' and left empty, as has happened in London - leading to a dysfunctional market there. Similar problems are emerging in Cambridge.[11] Savills (Cambridge branch) note that:

  > 'Cambridge also attracts keen interest from overseas buyers — up to 30% of the properties sold by our New Homes team are to overseas investors. So Savills unique global profile and the vast range of contacts and services that goes with are key to maximising every opportunity that the market has to offer.'

  There are many empty homes in Oxford – which has almost 1,000 second homes currently.

There may be other things that we need to think about and try to fix in our society - before we can be sure this plan will work.

How should we plan given all the uncertainty?

25. Rather than a fourteen-year forward look based on a single scenario, we suggest that we need a different planning system. This should be based on a five to ten year forward look that is rolled forward each year. This would make the system more responsive to change. It would not be locked into views that were fixed 17 years earlier. The SHMA Appendix, paragraph 6.2 and onward does set out a monitoring process in detail. However it removes none of the SHMA's certainty about its figures, or explains what would happen if its forecasts of the number of houses needed turned out to be too high. Finally, pursuing rapid growth in every part of the country at once may not work very well. It might have been better to plan for rapid growth in some areas but not others.

26. Uncertainty about the SHMA housing figure casts doubt on the need to zone the huge North Abingdon site for 800 houses. Commuters from there could only add to the traffic across Abingdon Bridge to jobs in Culham and round the town and/or down the overcrowded A34 to jobs in Harwell and Milton Park. Pollution in Abingdon-on-Thames would increase. The North Abingdon Green Belt would be irretrievably damaged. Huge amounts of cash would be needed to reduce the traffic impacts of this development. A figure of at least £800m has recently been quoted[12] to add a third lane to the A34 – although it is now

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[11] Savills also have several offices in China, for example http://www.savills.co.uk/people-and-offices/
[12] Oxford Mail, 24 November 2014, 'Third lane to unblock the A34?'

clear that this will not be funded until after 2021 at the earliest[13]. Another Thames bridge is being considered. There can't be many housing developments of 800 houses which need £1m of off-site road infrastructure developments, for each house, to make them viable…

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[13] Road Investment Strategy, December 2014