

# Oxfordshire Strategic Housing Market Assessment

## Non-Technical Summary Report for Vale of White Horse District Council

February 2014

### Prepared by

GL Hearn Limited  
20 Soho Square  
London W1D 3QW

T +44 (0)20 7851 4900  
F +44 (0)20 7851 4910  
glhearn.com

## **Contents**

<b>Section</b>		<b>Page</b>
<b>1</b>	<b>INTRODUCTION</b>	<b>3</b>
<b>2</b>	<b>POLICY AND PLANNING CONTEXT</b>	<b>4</b>
<b>3</b>	<b>CHARACTERISTICS OF THE VALE'S HOUSING MARKET</b>	<b>5</b>
<b>4</b>	<b>FUTURE NEED FOR HOUSING</b>	<b>6</b>
<b>5</b>	<b>CONCLUSIONS ON THE OVERALL NEED FOR HOUSING</b>	<b>13</b>

## 1 INTRODUCTION

### Purpose of the Report

- 1.1 This report has been prepared in advance of the finalisation of the Oxfordshire Strategic Housing Market Assessment to present key findings relating to the Vale of White Horse District. It is intended to support consultation on a Draft Local Plan for the District.
- 1.2 This summary explains, in a non-technical way, the methodology and factors considered in the Oxfordshire Strategic Housing Market Assessment (SHMA) to identify the future need for housing in the Vale of White Horse District.
- 1.3 It starts by briefly outlining the policy and planning context (section two) and characteristics of the Vale of White Horse housing market (section three). Section four examines what level of housing would be needed on the basis of past population trends, and then considers the degree to which this needs to be adjusted to take account of the identified need for affordable housing, to improve housing affordability and to support committed economic growth in line with the approach Government expects councils to follow. Section five sets out the SHMA study conclusions on objectively assessed need.
- 1.4 This summary does not discuss housing needs in other parts of the Housing Market Area. The full SHMA document for the whole of the Oxfordshire Housing Market Area is expected to be published shortly.
- 1.5 As well as considering the overall need for housing, the SHMA considers what mix of housing is needed. It assesses the need for different types of affordable housing, for different sizes of homes (both market and affordable) and the needs of specific groups in the population, including older people. This information will be set out in the full SHMA report.

## **2 POLICY AND PLANNING CONTEXT**

- 2.1 The Vale of White Horse District Council is preparing a new Local Plan which will set out policies for new development over the period to 2031. There are many strands of work which are informing this, including considering the future need for housing in the District.
- 2.2 The National Planning Policy Framework (NPPF)<sup>1</sup> sets out the Government's planning policies for England. The Council is required to take the NPPF into account in preparing its new Local Plan. Indeed the consistency of the plan with the requirements of the NPPF will be tested by an Inspector appointed by the Government.
- 2.3 The NPPF sets out that to inform policies for housing within the Plan, the Council must work with neighbouring councils to prepare a Strategic Housing Market Assessment (SHMA) for the housing market area, and must also cooperate to ensure the needs of the housing market area are met (unless it is unsustainable to do so). The "Duty to Cooperate" is both a legal requirement and a soundness test for plan-making.
- 2.4 The Vale of White Horse District falls within an Oxfordshire Housing Market Area. This reflects patterns of people travelling to work and moving home, which cross local authority boundaries. The six Oxfordshire Councils have therefore been working together to develop the SHMA.
- 2.5 The NPPF outlines that the SHMA should provide an objective assessment of the full need for market and affordable housing within the housing market area (para 47). The presumption in favour of sustainable development within the NPPF (para 15) sets out that plans should be based on meeting the need identified in full, where it is sustainable to do so. If one Council is not able to meet all of its own identified housing need, it is required by legislation (in the 2011 Localism Act and NPPF paras 178-182) to work with adjoining local authorities to consider where any shortfall can be met.
- 2.6 The SHMA does not set housing targets in itself. It provides an assessment of the future need for housing based on facts and unbiased evidence.
- 2.7 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. These considerations are taken into account in the preparation of

---

<sup>1</sup> CLG (2012) *National Planning Policy Framework*

the local plan itself, in drawing together various evidence and testing development options as the local plan is prepared.

### 3 CHARACTERISTICS OF THE VALE'S HOUSING MARKET

3.1 The Vale lies between the successful large economic centres of Oxford, Reading and Swindon. It has a dynamic economy in its own right, with Science Vale (which extends from Culham and Didcot to Wantage and Grove) recognised as an internationally significant location for innovation and science-based research and business. It is also an attractive place to live. These factors influence the demand for housing and nature of the District's housing stock.

#### The Vale's Housing Stock

3.2 There were 50,980 homes in the Vale in 2011 of which 85% were owned privately, with 15% owned by public bodies including Housing Associations and the MOD. 70% of households owned their home in 2011; with 15% of households renting privately and 13% living in social rented housing. The proportion of households living in the private rented sector increased by 2.5 percentage points between 2001-11. Levels of renting are higher in the urban areas, particularly Faringdon, Abingdon and Botley, than in other parts of the District.

3.3 An above average proportion of homes are detached (36%) or have four or more bedrooms (31%) compared to Oxfordshire or the South East region. Proportions of detached housing are highest in the rural settlements in the District. Over a third of dwellings in the District (35%) are in Council Tax Band E or above.

**Figure 1: Housing Stock Profile in the Vale of White Horse, 2011**

<b>Tenure</b>	70.3% Owned, 15.3% Private Rented, 12.8% Social Rented
<b>House Type</b>	36.4% Detached, 32.3% Semi-Detached, 18.8% Terraced, 13.4% Flat/ Maisonette
<b>House Size</b>	7.9% 1-bed, 21.1% 2-bed, 39.9% 3-bed, 23.1% 4-bed, 7.8% 5+ bed
<b>Specialist Housing</b>	Around 1,000 Sheltered homes; and 940 bedspaces in Care Homes

Source: 2001 Census, Housing LIN

#### Housing Market Dynamics

3.4 The District's housing offer and its attractiveness as a place to live is borne out in high house prices. The average price of a house sold between April and June 2013 in the District was £302,000, 7% above the South East average but around 3% below the average for Oxfordshire.

3.5 Over the period since 2007 the housing market has been influenced by the credit crunch, with households finding it more difficult to access mortgage finance, as well as the wider economic

climate. House prices fell in 2008 and 2009 but have since recovered and now exceed their previous peak. Sales volumes currently remain below the long-term average, although the evidence suggests that market activity and sales have increased notably during the course of 2013 supported by an improving economic climate and Government initiatives such as the Help-to-Buy Scheme which has supported sales of new-build homes. The mix of buyers of homes varies across the District and includes local people trading up or down, people working in the District and surrounding areas and military personnel.

- 3.6 Private rental costs vary for market homes from on average £410 per month for a room and £545 for a studio through to £1,525 per month for homes with four or more bedrooms. Rental costs have particularly grown for larger family homes over the last three years. Estate agents point to an active lettings market which accommodates a range of tenants.

## 4 FUTURE NEED FOR HOUSING

### How is the future need for housing identified?

- 4.1 The primary purpose of the SHMA is to objectively establish what the housing need is. It considers how many homes will be needed, what mix of homes are required – including both market and affordable housing - and whether there are particular groups in the population (such as older people) who have specific housing needs.
- 4.2 The NPPF<sup>2</sup> sets out that the Strategic Housing Market Assessment should identify the scale, mix and type of housing which the local population is likely to need over the plan period (to 2031) which:
- Meets household and population projections, taking account of migration and demographic change;
  - Addresses the need for all types of housing, including affordable housing and the needs of different groups in the community; and
  - Caters for housing demand and the scale of housing supply necessary to meet this demand.
- 4.3 The Assessment is required to consider the need for both market and affordable housing, to take account of market signals (such as land prices and the affordability of housing) and expected levels of economic growth (recognising that people may move to the area to work) (NPPF para 159).
- 4.4 The Government published National Planning Practice Guidance in draft in August 2013<sup>3</sup> which sets out how the future need for housing should be assessed. This outlines that the starting point for considering future housing need is the latest Government household projections, but cautions

---

<sup>2</sup> CLG (2012) *National Planning Policy Framework, Paragraph 159*

<sup>3</sup> CLG (August 2013) *Draft Planning Practice Guidance - Assessment of Housing and Economic Development Needs*

that these are trend-based and do not attempt to predict the impact which for instance changes in market or economic circumstances could have. These need to be considered with projections for housing need adjusted to take these into account. It sets out that the projections may also require adjustment to take account of factors affecting population trends and rates of household formation locally including housing market circumstances or past under-delivery of housing which may have inhibited household formation<sup>4</sup>.

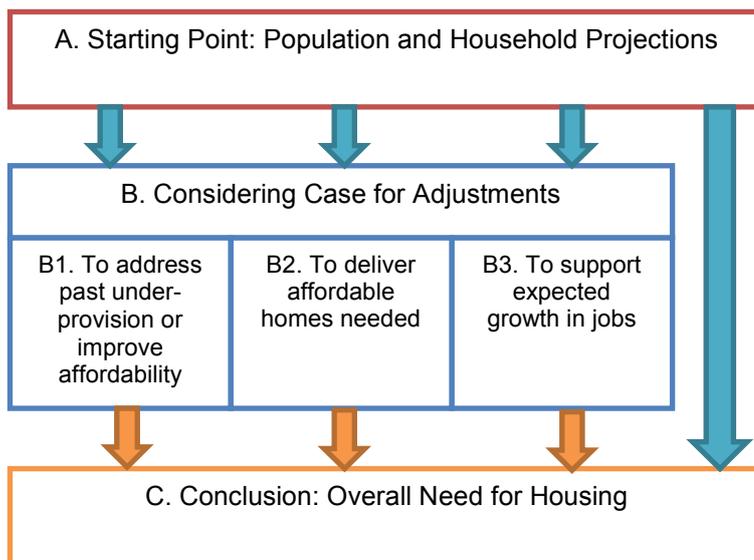
4.5 Household projections based on past trends are therefore just the starting point for considering housing needs. The Practice Guidance outlines that other factors will also need to be considered, in particular to assess whether higher levels of housing provision might be needed<sup>5</sup>. It identified three key questions:

- Could more homes be needed to support expected growth in jobs?
- Does housing development need to increase to deliver more affordable homes?
- Do market signals point to a need to increase housing supply to improve affordability?

4.6 Where these point towards a need for higher levels of housing provision, it is expected that the overall assessment of need for housing is adjusted to take this into account.

4.7 Figure 2 summarises the steps to objectively assessing housing need. The emerging Oxfordshire SHMA follows this process, which is set out in the Government's draft Planning Practice Guidance. This section describes the approach followed, on a step-by-step basis, to draw conclusions on the overall need for housing.

**Figure 2: Summary of Approach to identifying Housing Need**



<sup>4</sup> See <http://planningguidance.planningportal.gov.uk/blog/guidance/assessment-of-housing-and-economic-development-needs/what-methodological-approach-should-be-used/>

<sup>5</sup> See <http://planningguidance.planningportal.gov.uk/blog/guidance/assessment-of-housing-and-economic-development-needs/what-methodological-approach-should-be-used/>

## Step A: The 'Starting Point' - DCLG Household Projections

- 4.8 The draft Planning Practice Guidance indicates that the starting point for identifying housing need is the latest set of official household projections. These projections are based on a continuation of past population trends. The Vale of White Horse District's population grew by 5% over the 2001-11 period. This was the lowest growth of the Oxfordshire Districts, and below levels of population growth across Oxfordshire, the South East Region and England (all of which saw 8% population growth).
- 4.9 The 2011-based Household Projections indicate a growth of 388 households per year over the 2011-21 period. Over the ten year period the number of households is projected to increase by 7.8% compared to 10.8% growth across the South East and 10.0% nationally.

### *Adjusting the Demographic Projections for Suppressed Household Formation (Step A)*

- 4.10 The projections are influenced by trends in household formation between 2001-11, a period in which the affordability of housing deteriorated (in the Vale, Oxfordshire and nationally), with more people in their 20s and 30s living with parents or in shared houses. The projections only run to 2021 and project further falls in the proportion of young people in the District who will form new households. They are lower than the previous 2008-based Household Projections which indicated growth of 419 households per annum. The falling household formation rates have been influenced by an under-provision of housing in the past (a supply-demand imbalance) as well as the impact of the recession on household formation between 2008-11. The SHMA indicates that it would not be appropriate to plan on the basis of these trends continuing, as this would represent planning for the affordability of housing deteriorating further and increasing numbers of concealed or shared households (the implications of this are explained in para 3.15).
- 4.11 The SHMA has, taking account of the latest information, considered population dynamics and rates of household formation in detail and used this to develop longer-term population projections. These indicate a need for 468 homes per annum over the 2011-31 period. This includes an upward adjustment to the 2011 interim Household Projections to ensure that household formation rates (by age group) are not projected to deteriorate in the future. The projections assume that the proportion of people in different age groups who are a head of a household remains stable.

## Step B: Considering the Case for Adjustments

### *Adjusting for Supply Backlog (Step B1)*

- 4.12 The above adjustments ensure that projected rates of household formation are not artificially constrained into the future by past under-supply or supply-demand imbalance. However they do not

correct for the actual past shortfall in housing delivery. The delivery of new homes in the District fell 801 homes short of the housing targets for the District over the 2006-11 period. The Council would be expected to 'make good' this past housing shortfall, which over the SHMA period of 2011-2031 equates to an extra 40 homes per annum meaning that at least 508 homes a year would be needed between 2011-31 (508 = 40 + 468).

- 4.13 These projections are based on a continuation of past population trends. They do not consider how many homes would be needed to support growth in jobs, or to deliver the affordable housing which is needed.
- 4.14 The SHMA has thus gone on to consider (following the approach in the draft Planning Practice Guidance) whether higher levels of housing provision would be needed in order to improve housing affordability, deliver more affordable housing or support growth in jobs.

#### *Considering the Affordability of Housing (Step B1)*

- 4.15 Entry-level house prices in 1997 were on average 4.35 times the earnings of young people in the District<sup>6</sup>. Affordability deteriorated such that in 2007 this ratio has increased to 9.24. We have seen some improvements in affordability, such that in 2012 the ratio had fallen slightly to 8.45. However this is significantly above the England average of 6.59.
- 4.16 The deterioration in the affordability of market housing for sale has resulted in an increasing proportion of households renting homes for longer, and more young people in their 20s and 30s living with families or in shared accommodation. Between 2001-11 we also saw a 30% increase in households living in overcrowded homes<sup>7</sup>.
- 4.17 These factors provide a strong market signal pointing to a need to delivering more homes in the future in order to ensure that young households can form a home or get a foothold on the housing ladder. This provides strong evidence of the need to adjust the household formation rates as considered above and more generally to increase levels of future housing provision.

#### *Delivering the Affordable Homes Needed (Step B2)*

- 4.18 The SHMA includes an assessment of the need for affordable housing. This considers households who are currently living in unsuitable housing, the proportion of newly-forming households who cannot afford to buy or rent market housing without financial support, and existing households who fall into housing need. It includes overcrowded households and those who are for instance at risk of becoming homeless as they cannot afford to pay their rent. These households would be classified

---

<sup>6</sup> Using the Government's preferred Lower Quartile Price to Income Ratio

<sup>7</sup> Using the Census Occupancy Rating measure

as in need of affordable housing. The need for affordable housing is compared against the current affordable housing supply, which is principally related to the re-letting of existing homes owned by Housing Associations. This is used to derive a net need for affordable housing.

- 4.19 The SHMA indicates a need to deliver between 273 – 347 affordable homes per year if all households' need were to be met. This is based on an assumption that households will spend up to 35% of their gross income on housing costs. Delivery of the higher end of the range (347 affordable homes per year) would see affordable housing need met over a 5 year period to 2018, whilst deliver at the lower end (273 affordable homes per year) would see the backlog of housing need eliminated over the plan period to 2031. Figure 3 sets out how this has been calculated:

**Figure 3: Need for Affordable Housing**

	<b>Households</b>
<b>Current Need for Affordable Housing (in 2013)</b>	508
<b>Newly-Arising Need for Affordable Housing per Year</b>	523
<b>Supply of Affordable Housing from Existing Stock</b>	278
<b>Net Annual Need if Current Need addressed over:</b>	
<b>5 Years</b>	347
<b>10 Years</b>	296
<b>18 Years (2013-2031)</b>	273

- 4.20 The identified need for 347 affordable homes a year over the 5 year period (2013-18) is almost identical to the need for 348 affordable homes a year (calculated on a similar basis) which was identified in the Council's 2011 Housing Needs Assessment Update<sup>8</sup>.
- 4.21 The analysis indicates that there is a significant shortfall of affordable housing in the District. This is why the Council seeks provision of affordable housing in new development schemes. It is also necessary to consider how this level of affordable housing will be delivered.
- 4.22 The Council is proposing that 40% of new housing is affordable housing on sites with a net gain of 3 or more homes, based on an assessment of the viability of residential development undertaken in accordance with national policy<sup>9</sup>. Assuming that affordable housing accounts for 40% of new homes, taking the identified need for between 273-347 affordable homes a year, a total of between 683-868 homes would be needed each year to deliver all of the affordable housing needed (if 683 homes were provided with a 40% affordable housing requirement, 273 would be affordable. Similarly 40% of 868 homes would provide 347 as affordable housing).

<sup>8</sup> DCA (2011) *Housing Needs Assessment Update*

<sup>9</sup> BNP Paribas Real Estate (2010) *Affordable Housing Viability Study*

### *Supporting Expected Growth in Jobs (Step B3)*

- 4.23 The next step is to consider what level of housing would be needed to support committed growth in jobs over the 2011-31 period. The Government has clearly set out in the NPPF that the assessment of, and strategies in local plans for, housing and employment need to be integrated.
- 4.24 The local authorities across Oxfordshire and the County's Local Enterprise Partnership signed a City Deal with Government in January 2014 to deliver innovation-led economic growth, building on the area's world class economic assets which include the universities and research and development activities. This will deliver new infrastructure, investment and support to economic growth across the County. The programme includes support to accelerate housing delivery, to support small business growth, investment in new transport schemes and creation of new innovation and incubation centres including an Innovation Hub at Harwell Oxford Campus.
- 4.25 Science Vale, which extends from Culham and Didcot to Wantage and Grove, is expected to continue to develop as an internationally significant location for innovation and science-based research and business. The Government has designated land at Harwell Oxford Campus and Milton Park as an Enterprise Zone supporting investment in infrastructure and providing incentives for business investment. This will support significant economic growth, particularly in research activities, space science and satellite technologies, and advanced manufacturing.
- 4.26 The Oxfordshire local authorities have worked together to quantify future employment growth to inform both the Oxfordshire Local Enterprise Partnership's emerging Strategic Economic Plan as well as the Strategic Housing Market Assessment<sup>10</sup>. This is important as the NPPF (para 158) clearly sets out that planning for housing and economic development should be integrated.
- 4.27 Economic forecasts have been developed and then tailored to the structure of the Oxfordshire economy. This has included reviewing projections for growth in the education sector to reflect the influence of Oxford and Oxford Brookes University on this sector. The assumptions regarding population growth have also been reviewed to take account of the detailed analysis of population trends undertaken in developing the SHMA<sup>11</sup>. These 'baseline' projections indicate an increase of around 10,600 jobs in the Vale of White Horse District between 2011-31.
- 4.28 However rolling forward past trends again underplays the expected growth in the local economy. There are a range of committed policy initiatives and investments (both public and private) that will change the structure of the economy over the 2011-2031 period. A 'Committed Economic Growth'

---

<sup>10</sup> Cambridge Econometrics and SQW (2014) *Economic Forecasting to inform the Oxfordshire Strategic Economic Plan and Strategic Housing Market Assessment*

<sup>11</sup> This particularly influences Oxford. The impact of this is on sectors where employment is influenced by population trends, such as health, education and consumer-related services

Scenario has then been developed to capture the effects of these initiatives including the Oxfordshire City Deal, the Science Vale Enterprise Zone and planned (mostly funded) infrastructure investment. This has involved an extensive programme of work to understand the impact of planned investments from both Government and industry, and the growth potential in different parts of the local economy. Committed economic growth projects are expected to result in employment growth in the District of 23,000 jobs between 2011-31. Within this total, around 13,800<sup>12</sup> jobs would be in the business use classes, and 9,200 jobs in other sectors.

- 4.29 The National Planning Practice Guidance sets out that scale of job growth should be assessed against growth in the labour force. Where job growth is greater than the expected growth in the labour force based on the population projections, it advises that higher housing provision should be considered to ensure that a lack of housing does not reduce the resilience of local businesses or result in unsustainable commuting patterns. The NPPF is clear that strategies for housing and employment in local plans should be integrated (Para 158).
- 4.30 The SHMA identifies that 1028 homes per year are needed to support growth in the Vale economy in the Committed Economic Growth Scenario. Over the 2011-31 period this would represent an increase in the housing stock of 20,560 homes or 40%, which would support 41.5% growth in population and 37.8% growth in employment.
- 4.31 In relating growth in jobs and homes, it is assumed that the proportion of people aged 16-74 in employment increases slightly from 71.6% to 73.2% between 2011-31 (as a result of more women working and both men and women working for longer as a result of changes to pensionable ages); but that commuting patterns remain consistent in relative terms<sup>13</sup>.

---

<sup>12</sup> Similar to the 14,300 B-class jobs figure in the 2013 draft Local Plan Part 1 (Policy CP4)

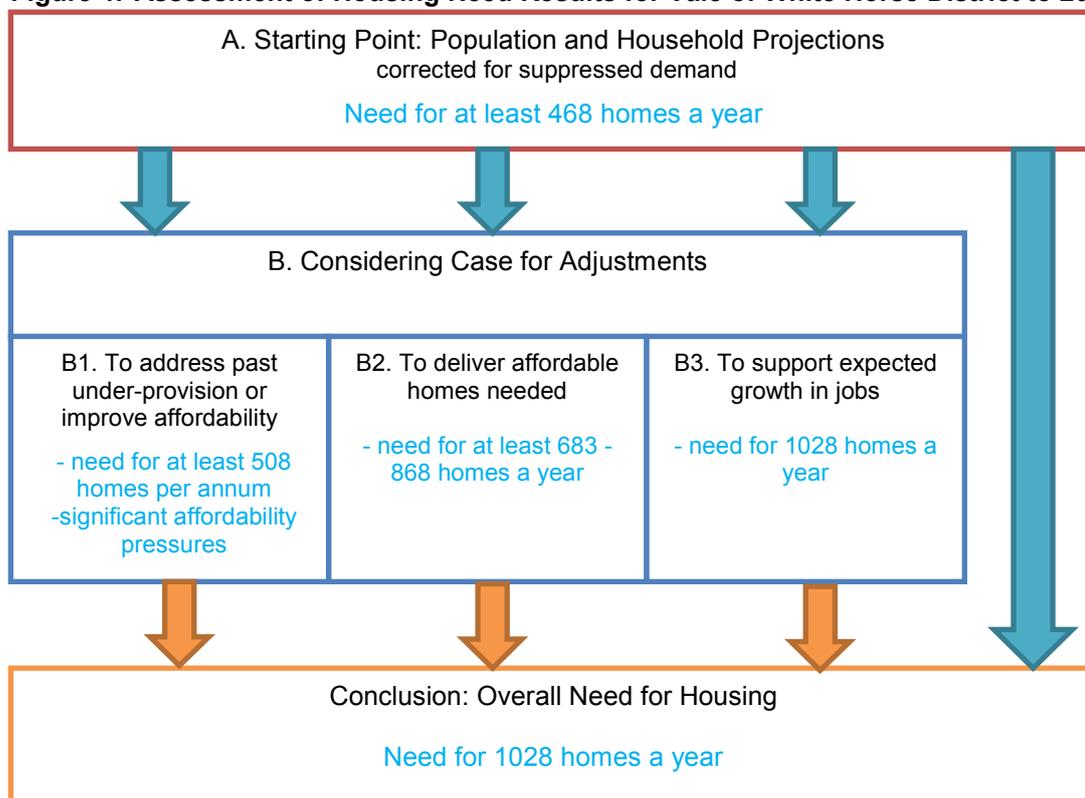
<sup>13</sup> With a 4% net flow out of the District to work. This is consistent with the 2001 Census and takes account of the District's proximity to larger employment centres such as Oxford and Swindon

## 5 STEP C: CONCLUSIONS ON THE OVERALL NEED FOR HOUSING

5.1 The evidence in the SHMA indicates that an average of 1,028 homes a year (net) are needed over the 2011-31 period to support committed economic growth, deliver the affordable housing needed in the District and support the expected growth in population and households. The NPPF and draft Planning Practice Guidance are both clear that housing provision should support this.

5.2 Figure 4 summarises the results of the assessment stages discussed in section four.

**Figure 4: Assessment of Housing Need Results for Vale of White Horse District to 2031**



5.3 The level of need for housing identified is quite different from that delivered in the past. This reflects evidence that housing provision in the past has not kept pace with that needed; and the significant drivers – particularly in terms of job creation – which are expected to influence future need for homes.

5.4 The NPPF clearly sets out that the Government expects the planning system to do “everything it can to support sustainable economic growth” and that significant weight should be placed on the need to support economic growth through the planning system (Para 19).

- 5.5 The draft Planning Practice Guidance reaffirms this and outlines why the homes need to be provided to support the committed economic growth. It sets out that where there is an imbalance, this will result in unsustainable commuting patterns and could reduce the resilience of local businesses. An imbalance between housing need and supply over the longer-term could also reduce affordability and the ability of young households to form and get on the housing ladder. This is not compatible with achieving sustainable economic growth.
- 5.6 The need for housing identified thus reflects the combined need to support growth in the District's population, to ensure that young people are able to form new households, that businesses are able to grow and recruit new staff who will be able to live locally, and to ensure that those households who need affordable housing are able to find it.