

# Oxfordshire Strategic Housing Market Assessment

## Summary – Key Findings on Housing Need

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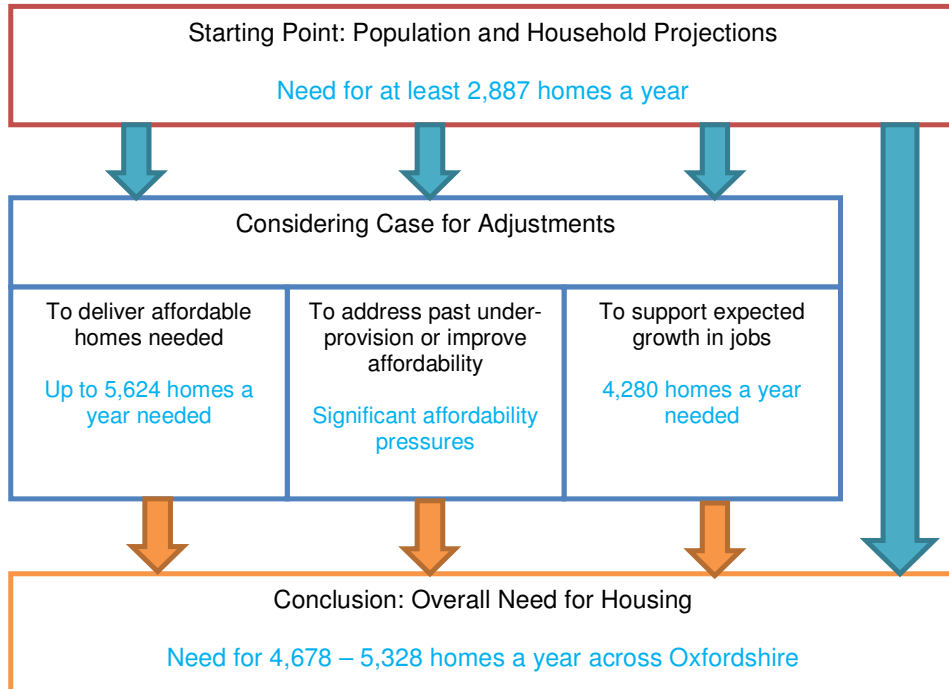


# 1 INTRODUCTION

## Purpose of the Report and Key Findings

- 1.1 This report sets out key findings of the Oxfordshire Strategic Housing Market Assessment relating to the overall need for housing to 2031. It describes the approach and factors considered to identifying overall housing need.
- 1.2 It starts by examining 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.
- 1.3 The SHMA concludes that up to 93,560 – 106,560 additional homes are needed across Oxfordshire in the period 2011-2031 (between 4,678 – 5,328 homes per annum). This is based on meeting the housing need identified, supporting committed economic growth (including the City Deal) and improving housing affordability as required by Government.

**Figure 1: Summary of Assessed Housing Need, Oxfordshire 2011-31**



1.4 The assessed housing need at a local authority level is set out in Figure 2.

**Figure 2: Assessed Housing Need – Oxfordshire Local Authorities, 2011-31**

Housing Needed per Year (2011-31)	Housing Need Per Year (Net)	Midpoint of Range
<b>Cherwell</b>	1090-1190	1140
<b>Oxford</b>	1200 - 1600	1400
<b>South Oxfordshire</b>	725-825	775
<b>Vale of White Horse</b>	1028	1028
<b>West Oxfordshire</b>	635-685	660
<b>Oxfordshire</b>	4678 - 5328	5003

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 summary is however focused on identifying the overall need for housing.

## Context

1.6 The National Planning Policy Framework (NPPF)<sup>1</sup> sets out the Government’s planning policies for England. It outlines that in planning for housing, councils 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, based on the 2011 Localism Act, and a soundness test for plan-making.

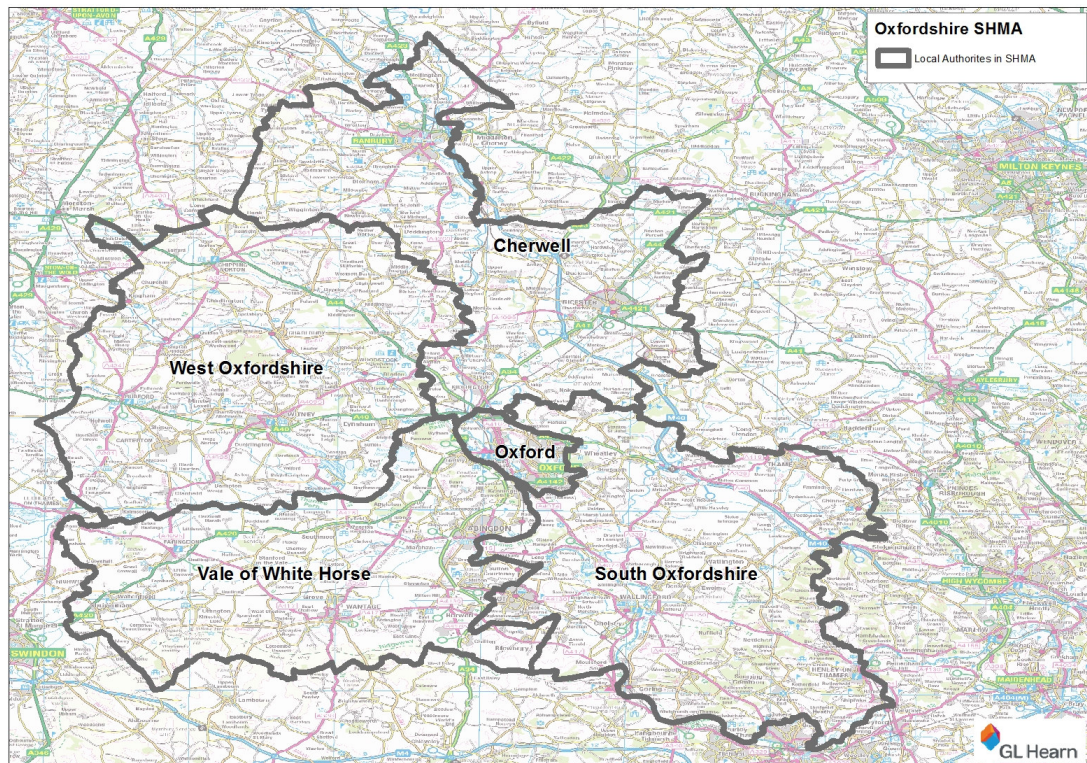
1.7 The SHMA has defined Oxfordshire as the relevant housing market area (Figure 3). This reflects the flows of people moving home and commuting across local authority boundaries, as well as the economic influence of the City.

1.8 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.

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

- 1.9 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.
- 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.

**Figure 3: Oxfordshire Housing Market Area**



- 1.11 Moving beyond the SHMA, the Oxfordshire authorities have agreed to work together to bring together evidence of the capacity of different areas to accommodate new housing development, and to test the deliverability of options for different levels of housing provision. This work will inform the derivation of housing targets, alongside other evidence and testing which will be undertaken by each authority in developing local plans.
- 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.



## 2 CHARACTERISTICS OF OXFORDSHIRE’S HOUSING MARKET

2.1 Oxfordshire is home to 655,000 people and 260,000 households.<sup>2</sup> It has a successful economy built around the universities and high-tech industries and businesses. The natural environment is attractive and varied, with a quarter of the county falling within Areas of Outstanding Natural Beauty. The attractiveness of the county as a place to live and work influences the need for housing and the nature of its housing market.

### The Housing Stock Today

2.2 There were just over 272,000 homes in Oxfordshire in 2011. Of these 84% are owned privately with 16% owned by public bodies including Housing Associations, Councils and the Ministry of Defence. Two thirds (67%) of households in 2011 owned their own home, with 19% living in private rented homes and 14% in social rented housing. A much higher proportion of households in Oxford rent (52%) compared to the other districts, where most households are owner occupiers. However the number of households renting privately has grown significantly at the national level between 2001-11, and in Oxfordshire grew by 37%.

2.3 Detached and semi-detached homes accounted for 61% of the housing stock in 2011. Overall 66% of homes across Oxfordshire had three or more bedrooms. A greater proportion of homes in the City are smaller, with 43% having 1- or 2-bedrooms, as we might expect for a larger urban area. Reflecting the housing costs and mix in the City, as well as its younger population and student numbers, 6.2% of households were identified as overcrowded in 2011 compared to 3.3% across Oxfordshire as a whole.

**Figure 4: Profile of Homes across Oxfordshire, 2011**

<b>Tenure</b>	65.5% Owned; 19.2% Private Rented; 14.2% Social Rented
<b>House Type</b>	29% Detached, 32% Semi-Detached, 22% Terraced, 16% Flat/ Maisonette
<b>House Size</b>	10% 1-bed, 24% 2-bed, 40% 3-bed, 20% 4-bed, 7% 5+ bed
<b>Specialist Housing</b>	Around 6,600 Sheltered and Extra Care homes; and 4,400 bedspaces in Care Homes

*Source:* 2001 Census, Housing LIN

<sup>2</sup> ONS, Mid 2011

## Housing Market Dynamics

- 2.4 The average price of a home sold in Oxfordshire in January 2014 was £253,000: 50% above the national average and 13% above average for the South East region. Over the year to January 2014 house price growth was 4.4%: marginally above the national average.
- 2.5 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. 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.
- 2.6 Private rental costs vary for market homes from on average £425 per month for a room and £550 for a studio through to £1,625 per month for homes with four or more bedrooms. Rental costs have grown for most property sizes over the last three years. Estate agents point to an active lettings market which accommodates a range of tenants.
- 2.7 House prices and rental costs in Oxford are notably higher than in other parts of the County. Rental costs for 2 and 3-bed properties in the private rented sector in the City are on average 18% above the County average. The price of a mid-priced (terraced and semi-detached) housing in the City is 40% above the County average. However the City has more people with lower incomes, and thus affordability pressures are more acute.
- 2.8 House prices are relatively unaffordable for many households. Lower quartile house prices in Oxfordshire are on average 9 times higher than annual lower quartile incomes in the county<sup>3</sup>, indicating that many young households will not be able to afford to buy a home. In Oxford and South Oxfordshire lower quartile house prices are on average over 10 times higher than annual lower quartile incomes. This is significantly above the national average of 6.6. The levels of savings alone which young households would need to put down a new home are putting home ownership beyond the means of many.

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<sup>3</sup> This is the Government's preferred indicator of the affordability of market housing. It seeks to measure the affordability of market housing for young households and allow this to be measured over time. It does not take into account interest rates or deposit requirements.

### 3 FUTURE NEED FOR HOUSING

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

- 3.1 The primary purpose of the SHMA is to objectively establish the future need for housing. 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. This summary report focuses on the overall need for homes.
- 3.2 The NPPF<sup>4</sup> sets out that the SHMA 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.
- 3.3 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).
- 3.4 The Government published National Planning Practice Guidance in draft in August 2013<sup>5</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 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>6</sup>.
- 3.5 Household projections based on past trends are therefore just the starting point for considering housing needs. The draft National Planning Practice Guidance outlines that other factors will also

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<sup>4</sup> CLG (2012) *National Planning Policy Framework, Paragraph 159*

<sup>5</sup> CLG (August 2013) *Draft Planning Practice Guidance - Assessment of Housing and Economic Development Needs*

<sup>6</sup> See <http://planningguidance.planningportal.gov.uk/blog/guidance/assessment-of-housing-and-economic-development-needs/what-methodological-approach-should-be-used/>

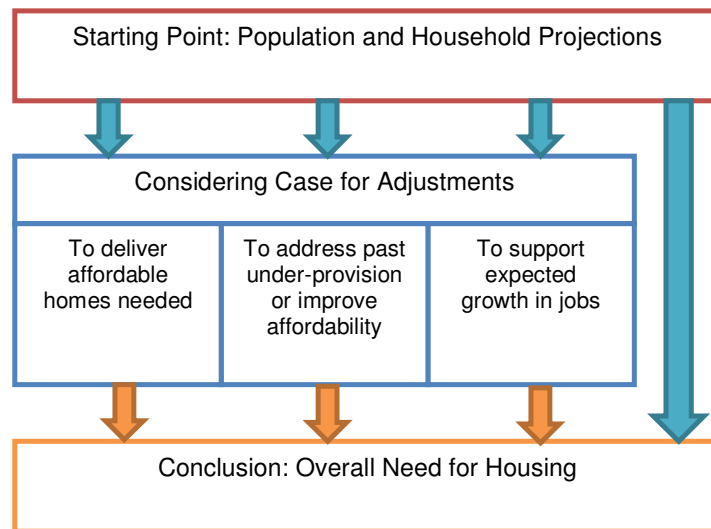
need to be considered, in particular to assess whether higher levels of housing provision might be needed<sup>7</sup>. It identified three key questions:

- 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?

3.6 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.

3.7 The SHMA thus examines these issues to consider whether higher housing provision should be planned for. Figure 5 summarises the approach.

**Figure 5: Summary of Approach to identifying Housing Need**



3.8 This section describes the approach followed, on a step-by-step basis, to draw conclusions on the overall need for housing.

## Projecting Forward Past Population Trends

### *The “Starting Point” - DCLG Household Projections*

3.9 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.

<sup>7</sup> See <http://planningguidance.planningportal.gov.uk/blog/guidance/assessment-of-housing-and-economic-development-needs/what-methodological-approach-should-be-used/>

- 3.10 The latest household projections are a set of ‘interim’ 2011-based Household Projections which Government issued in April 2013. These indicate growth of 18,250 households across Oxfordshire between 2011-21: a 7% increase.

**Figure 6: CLG 2011-based Household Projections**

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

*Source:* CLG 2011-based Household Projections

- 3.11 These are however interim projections rather than official statistics. They only project trends in the numbers of households to 2021. A range of recent research has also indicated that they project forward lower rates of household formation over the 2001-11 decade<sup>8</sup>, 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 who will form new households. Whilst these trends are influenced by declining affordability of housing and the economic recession, it is not reasonable to plan on the basis that we see a further deterioration in household formation. Thus whilst they provide a ‘starting point’ for considering housing need, they need to be treated with a significant level of caution.
- 3.12 There are further issues with the projections in regard to some of the underlying information used to project population growth. These issues with these projections are most clearly demonstrated by what they suggest for Oxford. Set against a trend whereby Oxford’s population increased by over 17,000 persons between 2001-11. They project that the household population will fall by 1,000 persons between 2011-21. It does not make sense that Oxford’s population moving forward will fall and that there will therefore be no need for additional housing.

*Updating the Projections*

- 3.13 The SHMA has therefore been through a process of updating the population projections to provide a robust projection of population and households, based on past trends. This has involved:
- Updating assumptions on future migration to take account of 2011 Census, ONS revisions to population components of change data for the 2001-11 period, and 2012 Mid-Year Population Estimates;

<sup>8</sup> See for instance RTPI (Jan 2014) *Planning for Housing in England: Understanding recent changes in household formation rates and their implications for planning for housing in England*

- Work with Oxford City Council to develop a bespoke projection for the City’s population, taking account of the substantial under-recording of population growth in the City by ONS shown by the 2011 Census. This has looked at detailed population change between 2001-11 by single year of age and sex;
- Remodelling headship rates based on constant headship rates (by age and sex) between 2011-31, as opposed to the 2011 based CLG projections which project reducing household formation rates. This adjustment has effectively removed the trend towards further constraints to household formation in the 2011-based Projections. Rates of household formation derived from this analysis are close to tracking the trends in average household size projected in the 2008-based Household Projections.

3.14 The outputs of these projections (shown in terms of annual need for housing over the 2011-31 period) are shown below:

**Figure 7: Demographic Trend-based Projections to 2031**

	Households 2011	Households 2031	Change in households	% change from 2011	Housing Need, 2011-31	Housing Need (per annum)
<b>Cherwell</b>	56,882	69,219	12,336	21.7%	12,830	641
<b>Oxford</b>	54,999	69,523	14,524	26.4%	15,105	755
<b>South Oxfordshire</b>	54,391	63,610	9,219	17.0%	9,634	482
<b>Vale of White Horse</b>	49,781	58,856	9,074	18.2%	9,365	468
<b>West Oxfordshire</b>	43,509	53,789	10,280	23.6%	10,815	541
<b>Oxfordshire</b>	259,562	314,996	55,434	21.4%	57,748	2,887

3.15 These projections indicate a need for almost 2,900 homes per year across Oxfordshire. This represents the core demographic projection prepared in the SHMA.

3.16 For comparison purposes, Figure 8 below sets out the relevant national household projections (both the 2008-based Household Projections and the 2011-based Interim Household Projections).

**Figure 8: Comparison with National (CLG) Household Projections – Household Growth**

	2008 CLG Household Projections	2011 CLG Household Projections	GLH Demographic-based Projections <sup>9</sup>
	2011-31	2011-21	2011-31
<b>Cherwell</b>	671	688	617
<b>Oxford</b>	302	-138	726
<b>South Oxfordshire</b>	470	360	461
<b>Vale of White Horse</b>	412	388	465
<b>West Oxfordshire</b>	562	527	514
<b>Oxfordshire</b>	2416	1825	2772

<sup>9</sup> These figures are for households whereas those in the final column of Figure 7 are for dwellings and include an allowance for vacant and second homes.

- 3.17 For the Oxfordshire HMA, the core demographic projections indicate a level of household growth based on the most recent demographic evidence which is 15% above the 2008-based CLG Household Projections, and 52% above the 2011-based Household Projections (particularly as a result of the issues identified with the projections for Oxford).
- 3.18 In relating growth in households to need for homes, it is also necessary to make a small allowance for vacant and second homes (3-5% based on the 2011 Census baseline by local authority). This is a standard approach used in identifying housing need.
- 3.19 Figure 9 shows the relationship between housing numbers, population and economic growth. These updated (core demographic) projections indicate a need for 2,887 homes a year across Oxfordshire between 2011-31. Over the 20 year period, Oxfordshire’s population is expected to increase by 16.4%, whilst its housing stock would increase by 21.4%. This would support 13.5% growth in employment.

**Figure 9: SHMA Demographic-based Projections, Per Annum 2011-31**

Projection	Population growth		Housing numbers		Employment growth	
	Per annum	% change	Per annum	% change	Per annum	% change
<b>Cherwell</b>	918	0.6%	641	1.1%	426	0.6%
<b>Oxford</b>	1,840	1.2%	755	1.3%	956	1.4%
<b>South Oxfordshire</b>	821	0.6%	482	0.8%	284	0.4%
<b>Vale of White Horse</b>	873	0.7%	468	0.9%	301	0.5%
<b>West Oxfordshire</b>	922	0.9%	541	1.2%	287	0.5%
<b>Oxfordshire</b>	5,373	0.8%	2,887	1.1%	2,253	0.7%

*Taking account of past Housing Delivery*

- 3.20 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 any past shortfall in housing delivery. Councils would be expected in their plans to ‘make good’ for any past under-provision.
- 3.21 Making good a past shortfall in housing provision will support more affordable housing delivery and workforce growth. It should similarly be recognised that a past shortfall in housing provision is likely to have contributed to meeting the current need for affordable housing.
- 3.22 The South East Plan set out housing targets for the 2006-26 period. These took account of any past under-provision. GL Hearn has used this to identify where there is a past shortfall which would need to be considered in identifying future housing need. This is shown in Figure 10.

- 3.23 By drawing this together with the demographic projections, a revised baseline for future housing provision can be set out.

**Figure 10: Including Provision for Past Housing Delivery Shortfall – Housing Need per Year 2011-31**

	GLH Demographic-based Projections, 2011-31	Past Shortfall	Revised Assessment of Need (Demographic-Driven)
		2006-11	2011-31
<b>Cherwell</b>	12,830	808	13,638 (682 pa)
<b>Oxford</b>	15,105	508	15,613 (781 pa)
<b>South Oxfordshire</b>	9,634	1398	11,032 (552 pa)
<b>Vale of White Horse</b>	9,365	801	10,166 (508 pa)
<b>West Oxfordshire</b>	10,815	0	10,815 (541 pa)
<b>Oxfordshire</b>	57,748	-	61,264 (3063 pa)

- 3.24 West Oxfordshire stands out as having delivered significantly higher housing provision relative to its South East Plan targets over the 2006-11 period. It delivered almost 1,400 additional homes over and above its housing target. This is likely to have influenced past population and demographic trends in the District. The final Planning Practice Guidance, once issued, may provide further guidance on the degree to which this may be taken into account in adjusting estimates of need for future housing provision. This only affects West Oxfordshire.
- 3.25 The above projections are however 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.
- 3.26 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

- 3.27 The draft Planning Practice Guidance sets out 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.”* It sets out in clear terms that market signals may provide a basis for adjusting upwards levels of housing provision.



- 3.28 Analysis of trends in house prices, and how these compare to earnings, point towards a particular imbalance between housing supply and demand in Oxfordshire during the 1997-2002 period in which the affordability of market housing deteriorated significantly.
- 3.29 House prices clearly indicate that Oxfordshire is a relatively high value market. They indicate strong house price growth over the pre-recession decade; and suggest that the housing market has been more resilient and is recovering more quickly than other parts of the region (and England more widely). 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). In relative terms, the evidence points to less market pressure in Cherwell District.
- 3.30 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. This is borne out in levels of overcrowding, very high land values and the high entry-level house prices which are 10 times the annual earnings of young households<sup>10</sup>. Oxford has some of the highest land values in the region. Lower quartile house prices are 10 times that of annual lower quartile earnings.
- 3.31 The deterioration in the affordability of market housing for sale across Oxfordshire 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>11</sup>.
- 3.32 These factors point strongly towards 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 – particularly in Oxford. 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.

### Balancing Jobs and Homes

- 3.33 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 assessment, of and strategies in local plans for, housing and employment need to be integrated.
- 3.34 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

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<sup>10</sup> Using the CLG Lower Quartile House Price to Income Ratio

<sup>11</sup> Using the Census Occupancy Rating measure

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.

- 3.35 Major economic drivers in Oxfordshire include its concentration of high-tech and research activities and growth potential in areas such as space science and satellite technologies, bioscience, the health sector and advanced manufacturing. Major projects which will create new jobs include Science Vale, the expansion of Oxford University, growth around Oxford Airport and the eco-development at North West Bicester.
- 3.36 Economic forecasts<sup>12</sup> 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>13</sup>. This Baseline Scenario results in employment growth of 36,400 across Oxfordshire between 2011-31, equating to between 0.4-0.5% growth in employment each year.
- 3.37 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 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 of 80,000 jobs across Oxfordshire between 2011-31. This represents an annual employment growth rate of 1.0% across Oxfordshire. This compares to annual growth of 1.7% across Oxfordshire between 1981-2000 and 1.2% in Cambridgeshire between 1990-2011.
- 3.38 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).

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<sup>12</sup> Prepared by Cambridge Econometrics and SQW to inform the SHMA and Oxfordshire LEP Strategic Economic Plan

<sup>13</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

3.39 To support the Committed Economic Scenario, the SHMA indicates that provision of 4,280 homes per year over the period to 2031 would be needed. This is a significant 40% uplift on the assessed housing need based on past demographic trends (with the inclusion of provision to redress past shortfalls in housing delivery where applicable).

3.40 This level of housing provision compares to delivery of an average of 2,415 homes per annum between 2002-12, and 2,468 homes per annum over the 2001-8 period prior to the credit crunch. Even compared to the pre credit-crunch figures, it would represent an uplift of over 70% on annual delivery rates. Given that this is likely to be some lead in time to increasing housing supply, in the middle and latter parts of the 20 year period to 2031 significantly higher levels of housing delivery would need to be achieved. Past housing delivery is not however necessarily a good benchmark of future performance; and the projections are based on what is considered to be a realistic scenario for future economic performance.

**Figure 11: Overlaying the Committed Scenario for Employment Growth – Housing Need, 2011-31**

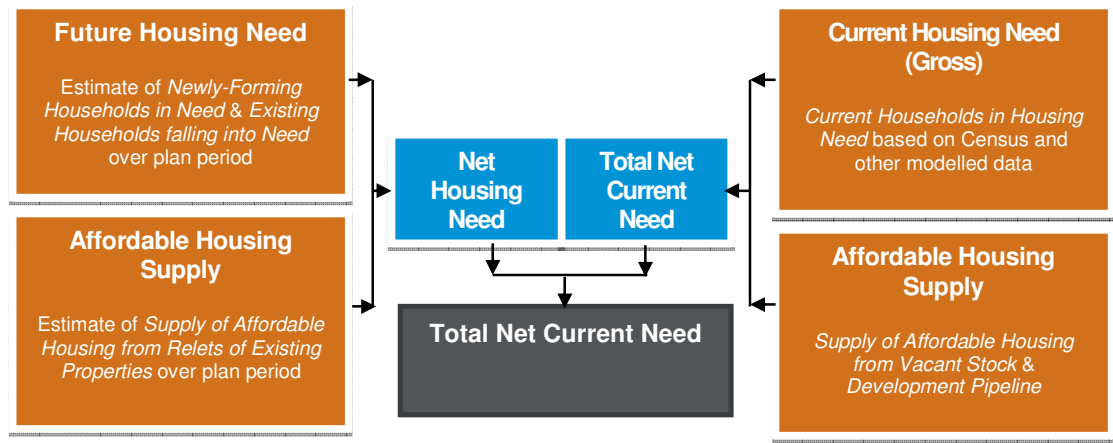
2011-31	Demographic Need + Past Shortfall		Meeting Alternative Population Economic Projection		Supporting Committed Economic Growth	
	2011-31	PA	2011-31	PA	2011-31	PA
<b>Cherwell</b>	<b>13,638</b>	682	<b>14,862</b>	743	<b>22,841</b>	1142
<b>Oxford</b>	<b>15613</b>	781	<b>5,781</b>	289	<b>14,008</b>	700
<b>South Oxfordshire</b>	<b>11,032</b>	552	<b>13,105</b>	655	<b>14,972</b>	749
<b>Vale of White Horse</b>	<b>10,166</b>	508	<b>12,453</b>	623	<b>20,559</b>	1028
<b>West Oxfordshire</b>	<b>10,815</b>	541	<b>11,794</b>	590	<b>13,213</b>	661
<b>Oxfordshire</b>	<b>61,264</b>	3,063	<b>57,996</b>	2,900	<b>85,593</b>	4280

3.41 In relating growth in jobs and homes, it is assumed that the proportion of people aged 16-74 in employment increases slightly 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.

### The Need for Affordable Housing

3.42 The SHMA includes an assessment of the need for affordable housing. The approach follows the Basic Needs Assessment Model, in accordance with the CLG Practice Guidance. This model is summarised in Figure 12.

**Figure 12: Overview of Basic Needs Assessment Model**



3.43 The model 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 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.

3.44 The SHMA provides estimates of the need for affordable housing based on a range of secondary data sources, including information from the 2011 Census, data on households incomes, modelling of population trends, and on lettings and the future supply of affordable housing.

**Figure 13: Estimated level of Housing Need (Per Annum)**

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
<b>South Oxfordshire</b>	37	472	138	647	260	386
<b>Vale of White Horse</b>	28	385	138	551	278	273
<b>West Oxfordshire</b>	28	356	106	491	217	274
<b>Oxfordshire</b>	249	2,604	1,011	3,864	1,494	2,370

Source: Census (2011)/CORE/Projection Modelling and affordability analysis

3.45 The SHMA indicates a need to deliver between 2,370 affordable homes a year if all households who were not able to meet their needs in the housing market were to be allocated an affordable

home. This assumes that households will spend up to 35% of their gross income on housing costs, and that the current housing need (backlog need) is addressed over the period to 2031.

- 3.46 It is clear that there is a shortfall of affordable homes in all parts of the county, with a particularly acute level of affordable housing need evident in Oxford.
- 3.47 The draft Planning Practice Guidance sets out 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 should be considered where it would help to deliver the required number of affordable homes.”*
- 3.48 The reality however is that not all affordable housing is delivered through Section 106 Agreements; and really what needs to be considered is what proportion of overall net completions might be of affordable housing. This is influenced the availability of funding for affordable housing delivery, the type of affordable housing, and the economics of development amongst other factors.
- 3.49 The SHMA has included some indicative modelling based on current policies for affordable housing delivery on what theoretical level of affordable housing might be necessary year-on-year to deliver the affordable housing identified. This assumes 50% of housing delivered in Oxford is affordable housing; 33% in Cherwell District; and 40% in the other Districts (based broadly on the Councils' current affordable housing policies/ viability evidence). The percentage figures used are indicative and used to consider whether there is some case for uplift of the overall assessment of housing need. The results of this analysis are shown in Table 14. The projection linked to supporting Committed Economic Growth is included in the table for comparison.

**Figure 14: Housing Provision Required to Meet Affordable Need in Full – Housing Need per Annum, 2011-31**

Area	Net Need (per annum)	Assumed % Affordable Delivered	Total Annual Delivery Required to Meet Affordable Need in Full	Supporting Committed Economic Growth
<b>Cherwell</b>	407	33%	1233	1142
<b>Oxford</b>	1,029	50%	2058	700
<b>South Oxfordshire</b>	386	40%	965	749
<b>Vale of White Horse</b>	273	40%	683	1028
<b>West Oxfordshire</b>	274	40%	685	661
<b>County</b>	2,370	-	5624	4280

- 3.50 In interpreting the affordable housing evidence, it should however be recognised that the basic needs assessment model from which the figures are derived was designed to assess whether there was a need for affordable housing in the short-term. It needs to be treated with caution in looking at the need for affordable housing over 15-20 year timeframes, recognising that there are a range of factors which could influence the affordability of market housing and mechanisms for delivery of affordable housing over this period.

## 4 CONCLUSIONS

### Conclusions on the Future Need for Housing

- 4.1 Figure 14 overleaf brings together the evidence on housing need. Conclusions on housing need have been drawn using the following staged process in line with the draft Planning Practice Guidance:
- The starting point is the assessment of housing need based on demographic trends, including where applicable provision for addressing the past shortfall in housing delivery against the South East Plan between 2006-11<sup>14</sup> (Column A).
  - Consideration is given to whether there is a need to adjust upwards the level of housing provision in order to support Committed Economic Growth. This is undertaken by comparing Columns A and B;
  - The results of this are then compared against the indicative modelling of the level of housing provision which might be required to meet affordable housing need in full (Column C); as well as the wider evidence of market signals. This is used to assess whether a further adjustment to the assessed housing need is necessary.
- 4.2 This process has been used to derive conclusions regarding housing need in each authority. The specific circumstances of Oxford in regard to both affordability pressures and need for affordable housing justify a substantial upwards adjustment to the assessed need relative to the projections based on past population change and committed economic growth. This upward adjustment aims to improve the supply-demand balance for housing and improve affordability over the longer-term.
- 4.3 A bigger range is identified for Oxford reflecting the difficulty in being precise regarding what scale of adjustment is necessary to support an improvement in affordability; and the difference in scale between the figures in Columns B and C. In the other local authorities, the range is determined by the evidence in Columns A-C. The top of the range is not expected to exceed the highest of the figures shown; whilst the lower end is not expected to fall more than 5% below the Committed Economic Scenario to ensure that the Strategic Economic Plan and City Deal are supported across Oxfordshire.
- 4.4 A single figure is set out for the Vale of White Horse as this is directly aligned committed economic growth scenario and did not require further adjustment in relation to the affordable need scenario unlike the other districts within the housing market area.

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<sup>14</sup> This does not apply to West Oxfordshire

**Figure 15: Conclusions on Future Need for Housing**

Housing Needed per Year (2011-31)	A. Demographic Base + Shortfall	B. To Support Committed Economic Growth	C. To Meet Affordable Housing Need in Full	D. Range: Housing Need per Year	E. Midpoint of Range
<b>Cherwell</b>	682	1142	1233	1090-1190	1140
<b>Oxford</b>	780	700	2058	1200 - 1600	1400
<b>South Oxfordshire</b>	552	749	965	725-825	775
<b>Vale of White Horse</b>	508	1028	683	1028	1028
<b>West Oxfordshire</b>	541	661	685	635-685	660
<b>Oxfordshire</b>	3063	4280	5624	4678 - 5328	5003

- 4.5 The SHMA concludes that across Oxfordshire, there is an identified need for provision of between 4,678 – 5,328 homes a year over the 2011-31 period. This level of housing provision is necessary to support committed economic growth; to support delivery of affordable housing; and to support an improvement in the affordability of housing over time. The figures for individual local authorities are set out in Figure 14.
- 4.6 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; the need to house a growing older population (with people living longer); and the significant drivers – particularly in terms of job creation – which are expected to influence future need for homes.
- 4.7 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).
- 4.8 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 development.
- 4.9 The need for housing identified thus reflects the combined need to support population growth, 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.
- 4.10 The midpoint of the identified range would see housing provision of around 5,000 homes a year across Oxfordshire. This represents a significant 17% uplift on the level of housing provision



identified as necessary to support Committed Economic Growth. This upwards adjustment is principally to the assessed need for Oxford and reflects the particular affordability pressures and acute need for affordable housing within the City. It reflects the need to deliver a substantial scale of increase in housing provision to support an improvement in housing affordability in the City and the wider housing market area over the longer-term.

### Moving Forward

- 4.11 The SHMA does not set housing targets. It provides an assessment of the future need for housing. 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.
- 4.12 The Oxfordshire councils will continue to work together in order to identify the most appropriate locations to accommodate future development and to ensure that infrastructure provision is properly coordinated to address existing issues and support delivery of new homes.
- 4.13 The Oxfordshire authorities have agreed to work together to consider how housing need can be sustainably accommodated. This is to include:
1. Capacity Assessment – assessment of the capacity of different areas, including Oxford City, to accommodate new housing development, taking account of housing expected to be delivered on sites with planning consent and other sites which can accommodate housing;
  2. Testing Spatial Options – drawing the assessment of capacity together to identify what additional land may be necessary to meet housing need, and to identify and test potential options for additional development to accommodate this; and
  3. Deliverability Assessment – considering and testing the deliverability of different levels and options for housing development.
- 4.14 This process will be used to refine and test what level of future housing development can be sustainably planned for across the Oxfordshire housing market area and how this is distributed across different areas.