

## West Oxfordshire LP Examination Issue 2: Overall housing requirement & Issue 3: Housing delivery - CPRE Oxfordshire Hearing Statement, Sept 2015

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CPRE Oxfordshire questions the overall methodology and findings of the Oxfordshire SHMA. Nonetheless, we support West Oxfordshire District Council's position of adjusting the SHMA figures to suit its local need. Whatever the overall figures, this seems to us a valid and necessary step which other local planning authorities should also be undertaking.

### 1. Introduction

All parties, including CPRE, are agreed that the whole County of Oxfordshire is appropriately defined as the housing market area (HMA). The conclusions of the 2014 SHMA have therefore been the starting point for the examination of overall housing needs at each of the Oxfordshire Districts Local Plan Inquiries to date. However, the SHMA itself has not been subject to public examination, nor have the serious criticisms of it published by Oxfordshire CPRE in May 2014<sup>1</sup>.

West Oxfordshire Council has cast some doubts on the SHMA, and the Inspector has sought clarification of these. While the Inspector in the Cherwell examination was "... fully satisfied that the methods used in, and the scenario outcomes arising from, the 2014 SHMA are consistent with the requirements of the NPPF and the PPG"<sup>2</sup>, this narrowly addresses only the procedural adequacy of the SHMA. The SHMA's evidence and analysis have not themselves been publicly tested at the HMA level, there or elsewhere.

While we attempt in this statement to focus on West Oxfordshire, it needs to be recognised that seeking to confine the housing needs discussion to individual Districts is artificial - neither housing nor labour markets recognise such boundaries. It flies in the face of the logic of an HMA, breaks the link with county-wide agreements on economic matters, prevents proper consideration of transport needs, and is inconsistent with the planning principles set out in NPPF that stress the interdependence of these factors<sup>3</sup>. It is also inconsistent with the government's increasing acceptance of the need for a 'wider than local' dimension.

The 'fix' attempted by the SHMA (following PPG) is to treat past patterns of inter-District migration and net commuting as representing 'norms' to be continued. In our submission the continuation of such patterns is improbable in the context of a period of deep-seated and continuing economic and social change. It is

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<sup>1</sup> Urban & Regional Policy (2014) *Unsound & unsustainable – why the SHMA will increase greenfield use but not meet housing needs: A critique of the SHMA*, Report to CPRE

<sup>2</sup> Cherwell Inspector's Report, para 47

<sup>3</sup> Eg NPPF para 8: "... 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".

particularly improbable when combined with wholesale changes in the amount and location of housing land and static or shrinking resources (public and private) to build houses, provide infrastructure and deliver services.

Our evidence therefore draws heavily on CPRE's earlier report on the overall housing requirement proposed by the SHMA. We urge that this is treated as a core document for this Inquiry so that our concerns can be addressed.

## 2. Key criticisms of SHMA at HMA level

The most significant of our reservations concerning SHMA methodology are explained and evidenced in the CPRE report referenced, and are summarised below for the County (Table 1, attached relates the County figures to corresponding figures for W Oxfordshire):

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 from 1,900 pa over 10 years to 5,003 pa over 20 years (3,100 pa)*<sup>4</sup>.
2. *Adjustments to the demographic baseline (almost 1,000 additional homes pa)*: about 2/3rds of these depend upon assignment of international migration, and the remainder on a putative recovery of new household formation rates following recession. The migration proposals are arbitrary assumptions and untestable with the available data, while the higher household formation rate depends upon a highly optimistic view of income and indebtedness in the 25-34 age group.
3. *A relatively minor adjustment (177 pa)* is made for past shortfalls against SE Plan targets. Given the elapse of time since that plan it is far from clear how much of any such shortfall is accounted for by other adjustments. Exceptionally, W Oxfordshire actually over-delivered, and this issue is taken up in Section 3.
4. *The largest increase (over 1200 pa - nearly half the total)* is for housing needs arising from 'planned economic growth'. This comprises a baseline (trend) element (with similar housing needs arising to those already accommodated above), plus a policy component that depends on categorising a range of development proposals as 'trend' or 'above trend'. Both components are based upon view of the global economy that might now be thought rather rosy<sup>5</sup>, and neither has properly considered the dynamics of economic change or impact of declining sectors. The reference period for the baseline trend (1996-2011) includes the same kind of active economic development policies now being proposed, thus assignment of developments to 'above trend' is highly arbitrary. The labour demand projection resulting is not a robust basis for estimating housing needs.
5. *Addition to overall provision to enable affordable housing (over 700)*. This is in many ways the least justifiable addition because it is not valid (or feasible) to attempt to build additional houses over and above overall demographic or

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<sup>4</sup> in terms of land to be identified across the County, implying an overall increase from 19,000 to 100,060 sites.

<sup>5</sup> Cambridge Economics (2014), Personal communication "*medium term accelerating slowly ... strong growth in China, India and the oil-producing countries ... modest EU15 growth; ... long-term world GDP accelerating to 4.5% pa*"

economic needs simply to secure provision of affordable housing: affordable housing is a component of overall need, not an addition to it. Such additional housing could only be sold if it was meeting these needs itself, which is a logical inconsistency.

Thus at HMA level there are very serious objections to the levels of overall housing needs estimated by the SHMA. The DCLG 2012-based household projections have reduced the trend demographic requirement in all Oxfordshire districts (except for Oxford City, where it is significantly increased), but this is minor compared with the effect of the other adjustments described above. The next section considers the implications of this in the context of the West Oxfordshire LDF.

### 3. Housing needs in West Oxfordshire

Because Oxfordshire forms a single HMA, the objections noted above concerning the increase in overall needs is the context for consideration of individual Districts' needs as well. However, around 90% of overall annual needs of households are met by the turnover of existing homes ('churn'), with only about 10% being accounted for by new dwellings. This has a crucial bearing on the amount and location of new housing within the HMA at both District and settlement scales:

1. No reduction has been made for W Oxfordshire's 1400 over-provision relative to RSS for 2006-11, even though additions have been made for under-provision by other Districts. Logically the past overprovision will have fed through to higher demographic forecasts, for W Oxfordshire, reducing the pressure on other Districts. Though perhaps academic in terms of future needs (RSS was a long time ago, and has been abandoned by government as a policy instrument) this ought to be corrected as a matter of justice, reducing W Oxfordshire's requirement by 70 pa.
2. In Table 1 we note that DCLG's 2012-based household projection reduces the baseline for W Oxfordshire's housing requirements by as much as all the SHMA's upward adjustments put together (-106 pa). On this basis, the only case for a requirement of more than 450 pa would arise from an agreement to meet some part of Oxford City's shortfall. The local plan provision for 525 pa seems generous in this context (even without taking into account the past 'overprovision' issue). This point is strengthened further by relative locations, and by point 3 following.
3. The commuting ratios described by the SHMA (5.55-6) are a crude overall measure, and say little about the 'need to travel', yet the default is to hold them constant. In the case of West Oxfordshire the ratio of 1.18 (SHMA Table 25) implies 18% net out-commuters: more local jobs or less local housing might reduce this ratio - but the actual amount of travel will depend far more on churn of both jobs and homes, and on a broader view of 'place-making'.

Considerations affecting the relationship of housing provision and needs at District level that apply equally to West Oxfordshire and other Districts include the following

1. While a 'steady state' might require net additions in homes numerically equal to net additions in households, it is seriously misleading to assume that one satisfies the other. Housebuilders' preferred market is those with resources to buy because they are selling their present home, and given a choice will build

fewer houses at higher price and margin, favouring the most attractive locations. Newly-forming households will only very rarely access new housing, because it is too expensive; they depend rather on the churn of existing housing, especially in cheaper areas.

2. Co-location of new jobs and new houses has only a weak influence on travel demand. Both new and existing households choose from within the whole stock of dwellings, and journey to work is only one factor amongst many affecting their choices - other factors such as price, house-type, local services, and neighbourhood ambience will also be important.
3. The effect of builders' preferences will be a more dispersed pattern of new development, stretching the capacity of infrastructure (particularly transport) and services (particularly schools). To the extent that these demands are met there will be less in the way of public resources for reinvestment in existing settlements and poorer areas, reinforcing the tendency towards dispersal. If not met, there will be congestion and supply problems. Planning Obligations and CIL are insufficient to resolve these problems.
4. The definition of 'affordable housing' is up to 80% of market price/rent. Builders' incentive is clearly to get as close to this qualifying level 80% as they can. Thus the needs of households that could not afford 80% will not be met. Whether 25%, 35% or some other proportion of income is taken as the cut-off, this is likely to be an increasing proportion of new households, who will therefore look to churn of existing stock to meet their needs. The capability of local authorities to upgrade the environment, services and infrastructure of their existing settlements will dictate the housing options of such households more than the number of 'affordable homes' they secure through planning obligations.

These considerations provide the context for examining WODC's proposals for the overall housing requirements which have evolved as summarised in Table 1.

#### **4. Implications**

For W Oxfordshire some contribution to meeting Oxford City's needs may be required, but in the light of the foregoing the provision proposed (525 pa) seems over-generous.

While the LDF should provide long-term spatial guidance, the validity of such numbers depends on:

- The projected levels of need actually arising, in spite of the criticisms noted above;
- There being sufficient effective demand in terms of household income levels and finance;
- Delivery on the same scale from builders, infrastructure and service providers.

If any of these conditions are not met there will be over-allocation of land. This will tend to drive dispersion, undermining the contribution of much larger volume of housing opportunities provided by churn, to the serious detriment of all households (but especially those on lower incomes), and compromising the labour force available to the economy. Steps should be taken to avoid such serious consequences, for example by

1. Adopting more realistic projections, allowing substantial reduction in overall provision;
2. Monitoring the actual course of events to permit review of provision (up or down) as necessary;
3. Phasing provision of greenfield land and prioritising brownfield developments.

**Table 1: SHMA housing needs projection methodology: Oxfordshire and W Oxfordshire**

Projection	Housing requirement pa <sup>1</sup>		Comment
	Oxfordshire <sup>2</sup>	W Oxfordshire <sup>2</sup>	
1. <b>DCLG 2011-based household projection</b> (SHMA Table 83)	1900	555	“The household projections produced by DCLG 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.” (NPPF Practice Guidance on adjusting the national household projections, 6 March 2014). Note that 2012- based forecast reduces the baseline by as much as all the SHMA’s upward adjustments put together.
2. (DCLG 2012-based projection) <sup>3</sup>	(2237)	(449)	
3. <b>SHMA PROJ 1: DCLG extended to 2031</b> (SHMA Tables 31, 41)	1900 (no change)	541 (-14)	The main change from DCLG is the extension to 2031. This incorporates some general increases in inward migration over the period 2021-31 compared with the previous decade (SHMA para 5.29-32 and Figure 48). <b>This makes very little difference to future housing requirements.</b>
4. <b>SHMA PROJ 2: Updated demographic baseline</b> (SHMA Table 84)	2887 (+987)	541 (-14)	This adds nearly 1000 dwellings pa to the requirements of Oxford City and the County. There is no direct effect on W Oxfordshire, but <b>should Oxford be unable to make provision, some part of the increase would fall to W Oxfordshire to accommodate.</b> The bulk of the County increase comes from the substitution of local estimates of migration in and out of Oxford City for the 5 years 2006-11, which are then projected forward for the next 20 years. For the reasons set out in CPRE (2014) on the Oxfordshire SHMA <b>this procedure is unsafe and unsatisfactory.</b>
5. <b>Adjustment for 2006-2011 shortfall</b> (SHMA Table 86)	3064 (+1164)	541 (-14)	Guidance makes provision for additional provision to be planned to compensate past shortfalls against targets. W Oxfordshire over-provided by 1400 (2006-11), but the SHMA proposes no adjustment for this. However <b>the same logic should apply as to past over-provision, reducing provision by 70 pa over 20 years.</b>
6. <b>SHMA PROJ 3: Economic Baseline</b> (SHMA Table 87)	2900 (+1000)	590 (+35)	Housing needs are derived from job and economic activity projections, assuming continuation of past patterns of commuting. The jobs projection is based upon an optimistic view of the UK and global economies, and extra service jobs are added for the PROJ 2 population increase, even though many of these are in the public sector, projected to suffer further cuts. <b>Cannot be treated as confirming similar results of PROJ 2, since both are unsafe</b>
7. <b>SHMA PROJ 4: Committed Growth</b> (SHMA Table 88/89)	4280 (+2380)	661 (+106)	The largest projected increase, this projection relies on cases made by promoters seeking support for a catalogue of development projects, and conversion to housing needs by the same process as PROJ 3. The estimation of net job increases from gross site capacities appears arbitrary, and pays no attention to underlying dynamics of change affecting all sectors of the economy. <b>The largest component of increased need, but lacking all credibility</b> (CPRE (2014) paras 2.29-30)

8. <b>Additional for affordable housing</b> (SHMA Table 90)	5003 (+3103)	660 (+105)	<b>The projections above already meet overall demographic or economic needs. Provision of affordable housing by planning obligations cannot therefore justify additional overall provision.</b>
1. Household projections increased to allow for vacancy and second homes (+4.2% in Oxfordshire, +5.2% in W Oxfordshire – SHMA Table 26) 2. Comparisons are cumulative effect on housing requirements of all preceding adjustments 3. DCLG 2012-based household forecast (27 Feb 2015): 20 years 2012-2032			