

1. INTRODUCTION

- 1.1 Oxford has acute housing pressures that need to be addressed. The city has an urgent need for more housing, and it is widely recognised that demand continues to outstrip supply. Meeting the needs of those in high housing need, or those who may struggle to afford to remain in the city, is important in order to meet social objectives such as overcoming inequalities and improving health and wellbeing. Equally, Oxford is an international city with a world-renowned university and hospitals, and it is an important part of the knowledge economy; increasing the supply of available and affordable housing is a priority in supporting the economy, including the healthcare and education sectors, because it means that staff can be both attracted and retained more readily. It is also important in terms of sustainability, as providing homes near to jobs minimises the need to travel by less sustainable modes.
- 1.2 The National Planning Policy Framework (NPPF) makes it clear that the Government has an objective to boost the housing supply and that to achieve this sufficient land must come forward for homes where it is needed. A local housing needs assessment should determine the minimum number of homes needed, which should then inform strategic policies. This needs assessment should be conducted using the Standard Method that the government sets out in national planning guidance, unless exceptional circumstances justify an alternative approach. Any alternative approach must reflect current and future demographic trends and market signals.
- 1.3 The Oxford Local Plan 2040 was to be informed by the Oxfordshire Plan 2050. Housing need for each Oxfordshire authority was to be set by the Oxfordshire Plan. After work on the Oxfordshire Plan ceased, work was commissioned jointly by Oxford City Council and Cherwell District Council to determine the housing need in Oxfordshire and from that the need for Oxford and Cherwell. The Housing and Economic Needs Assessment 2022 (Cambridge Econometrics, Icen, JG Consulting) (HENA) has informed and is published alongside this consultation paper.

2. ASSESSING OUR HOUSING NEED

Standard Method for assessing housing need

2.1 The Government sets out a Standard Method for calculating housing need.

Paragraph 61 of the NPPF says: ‘To determine the minimum number of homes needed, strategic policies should be informed by a local housing need assessment, conducted using the Standard Method in national planning guidance – unless exceptional circumstances justify an alternative approach which also reflects current and future demographic trends and market signals.’ The Standard Method projects forward household growth, and factors in an affordability ratio.

Reason for using an alternative approach to the Standard Method

2.2 There is clearly a housing crisis in Oxford. The housing crisis exacerbates inequalities by leading to high property prices (to buy and rent) and a limited supply of affordable housing. It can result in some residents being forced into overcrowded and unsuitable accommodation. Many are unable to access housing in the city, which for some, means moving out of the city and commuting in to work, which has associated environmental impacts and additional costs. For others, it means leaving the area altogether in search of a more affordable area to live and work. As such, some employers experience high staff turnover and vacancy rates which can affect their operation. This is particularly apparent in the city’s schools, hospitals, care homes, public transport services, the building industry, the service and retail sectors and the universities.

2.3 The Standard Method, by looking mainly at demographic factors in the city and historic household formation, effectively factors in historic suppression of household growth (i.e. households that would have formed but were unable to because of the unaffordability or unavailability of suitable housing, which is an effect particularly seen within Oxford. The Standard Method does not yet reflect the releases of updated demographic information from the 2021 Census. Equally, the Standard Method does not account for actual economic trends or strategies that reflect the importance of Oxford and Oxfordshire to the regional and national economy.

2.4 The HENA begins by comparing the mid-year population estimates that the Standard Method relies on to what has actually happened in terms of population growth (as shown by the Census). This shows that population growth in Oxfordshire is not as had been predicted in the ONS 2014-based population projections that feed into the Standard Method, but is 18,700 higher. This in itself is an exceptional circumstance that justifies a departure from the Standard Method, as it is clearly not based on up-to-date demographic data.

Alternative scenarios for calculating need

2.5 The HENA has considered 4 scenarios for calculating the housing need. These scenarios look at the need for housing based on the anticipated additional population and formation of households. The first two scenarios are based on demographic projections, with affordability considerations also factored in. The projected population increase is then used to estimate the number of additional households. The other two scenarios consider how many additional jobs may be created. From this, the population needing homes is estimated (with an assumption about how many will be commuting into the county and therefore not needing homes in the county), and from that the number of additional households and therefore homes required is calculated.

2.6 The HENA scenarios calculate housing need at an Oxfordshire level. This is because Oxfordshire operates as a Functional Economic Market Area (FEMA) and Housing Market Area (HMA). The individual districts do not operate as self-contained areas within which people live and work and carry out their daily lives- instead the labour and housing markets function over the whole Oxfordshire area (with some commuting into and out of the county also). The other advantage of calculating need for Oxfordshire is that this irons out issues with calculations by individual district. Applying the two demographic projection scenarios to each district individually factors in part suppression of household formation. This is very evident in Oxford particularly, where the limited land supply has suppressed household formation over a long period of time. Looking at Oxfordshire as a whole provides a far more robust figure of need. The scenarios explored in the HENA are:

2.7 **The Standard Method** The Standard Method was introduced by Government in 2018. It uses a formulaic approach to calculate housing need. The Standard Method takes data from the 2014-based Household Projections for individual districts, which is used to calculate the average annual household growth. A percentage uplift is then applied based on the latest median house price-to-income ratio for the area, based on the extent to which an area's median house price-to-earnings ratio is above 4 (it is 12 in Oxford). A cap is applied to this affordability uplift in some circumstances to ensure the figures derived are deliverable. This Standard Method collated figure for Oxfordshire shows a need for **3,388 dwellings per annum**

2.8 **The Census-adjusted Standard Method** This scenario adjusts the Standard Method to reflect the release of the population results from the 2021 Census. The 2021 census data has shown issues surrounding Oxfordshire's population estimates. The Census has shown the County's population to be 18,700 higher than projected in the ONS 2014-based population projections which feed into the Standard Method. The Census-adjusted Standard Method scenario Oxfordshire shows a need for **4,721 dwellings per annum**

2.9 Cambridge Econometrics baseline trend scenario Cambridge Econometrics have used their model to forecast jobs growth from which the level of associated housing need is derived. This looks at the performance of a very broad range of economic sectors and makes an individual forecast for each of these, which is then aggregated. The 2022 update of Cambridge Econometrics' (CE) projection of economic growth for Oxfordshire, which is what has been applied, takes into account the level of uncertainty associated with the current downturn and the unpredictability of the recovery. The new projection, while accounting for the County's strong past performance (and as a general rule, factors that lead to strong local economic performance such as high skill labour markets, high rates of innovation and investment tend to remain strong and support ongoing growth), also reflects negative GDP shock of the Covid-19 pandemic, plus the economic uncertainties surrounding 'Brexit'. The CE baseline trend scenario for Oxfordshire shows a need for **4,406 dwellings per annum**

2.10 Economic development-led scenario. This scenario starts with an anticipated jobs growth based on the Local Investment Plan (LIP) that supplements the Local Industrial Strategy (LIS). From the predicted jobs growth, the level of associated housing need is derived. The NPPF, in Para 82, says that in setting out an economic vision, planning policies should have regard to local policies for economic development and regeneration. It is a valid exercise to assess the needs of a growth-focussed development strategy.

2.11 The LIS was pre-Covid, but the more recent Local Investment Plan (LIP) followed the LIS in late 2020. That means it was produced before the more recent economic downturn. The LIP cites a modest goal to add £1.2bn to Oxfordshire's annual GVA by 2030. In effect, the LIP halves the GVA growth target originally outlined in the LIS. This £1.2bn increase is based upon only the more concrete economic development and investment plans in the area that have either already begun or are close to coming forward. The £1.2bn increase in GVA by 2030 has been modelled within Cambridge Econometrics projections to produce corresponding growth and employment outputs, aiming to show the housing and employment impacts of a realistic, growth-led scenario. The Economic Development-led scenario for Oxfordshire shows a need for **5,830 dwellings per annum**

2.12 The four scenarios tested cover the realistic range. The Standard Method represents the low end of the range and the economic development-led scenario represents the highest realistic level of growth, and there are two scenarios in between.

Q1-Are there other ways of identifying housing need that should have been considered?

Q2-Do you have any comments on the methodologies used in the HENA?

Q3-Do you have any other comments on the Scenarios?

Most appropriate housing need scenario

2.13 The new Census data shows there has been a clear underestimate of population growth in Oxfordshire over the period since the previous Census. The Standard Method is based on the now shown to be inaccurate 2014 household projections. The Census-Adjusted Standard Method for Oxfordshire is a much better estimate of need than the Standard Method. The Standard Method is not considered to lead to a good approximation of need in Oxford (or Oxfordshire). The Standard Method, based on out of date demographic data and also, when applied strictly to each district rather than the whole FEMA and HMA, does not give a good estimate of housing need, so there are exceptional circumstances for departing from it.

2.14 The HENA considers two employment-led scenarios for identifying housing need. One of these is the economic development-led scenario, the objective of which is to estimate and understand the development needs associated with a realistic expectation of Oxfordshire's economic development goals and projects set out in the LEP's Investment Plan. These projects are important to Oxfordshire and of national significance and value. However, there are potential downside risks to economic growth and it remains possible that macro-economic events and funding constraints may slow projects down or lead to some not progressing. Given the current economic uncertainties, this scenario is not considered to be the most appropriate housing need scenario.

2.15 The two middle scenarios- the Census-adjusted Standard Method and the CE Baseline Trends forecast- give very similar results. The robustness of these scenarios is demonstrated by their similarity. Either could be selected as an appropriate scenario for identifying Oxfordshire's housing need. On balance, because the Census releases are not complete, and because one exceptional circumstance that justifies departing from the Standard Method is because it does not directly account for economic needs and therefore runs the risk of making existing housing shortages worse, the economic baseline trend scenario is the most appropriate scenario.

Q 4 -Do you have any comments about the reasoning for selecting the most appropriate scenario of housing need?

2.17 Once a need figure for Oxfordshire is established, it is necessary to apportion that to each district, in order for it to inform development of local plans. There are a

number of possible ways to apportion the need. When the Oxfordshire Plan was still in progress, the intention was that a need figure would be calculated for Oxfordshire and then assigned to districts based on the spatial strategy that was to be developed. In the absence of an Oxfordshire Plan, and in order to try and assign the need to where it arises, alternative means of apportionment have been developed as part of the HENA.

2.18 The HENA explores ways of apportioning need. One of these is based on the proportion of each district's Standard Method need calculation. This approach essentially apportions need by existing patterns of development. This builds-in the flaws of the Standard Method and therefore misdirects housing need towards the districts because of household formation suppression. The alternative approach to apportionment is to apportion need by the distribution of jobs. The HENA explores two ways of apportioning by jobs, one is to look at the current distribution of jobs and the other is to look at the forecast distribution of jobs in 2040. The employment led distributions represent a fairer approach of those considered for distributing Oxfordshire's housing need, given that the geography of employment growth will influence that of housing need and the link to balancing the provision of homes and jobs. Assumptions about homeworking have been factored into the forecasts. The homeworking assumption made in the HENA is that 20% of workers are fully remote, 30% are hybrid and 50% are fully workplace based. This is based on an ONS survey, recognising that that was carried out in 2020 when lockdowns were implemented, and also recognising that fewer people in Oxford and Cherwell, where jobs are weighted, are home-based. Whilst the shift to modern working practices expedited through the Covid pandemic has changed many working patterns, there are still a vast range of jobs in Oxfordshire where travelling to the workplace is essential (e.g. hospitals, laboratories, drivers, those in service industries, etc.) or has continued.

2.19 While the Standard Method and current employment-based distribution are similar, the assumption of a static distribution through the plan period does not reflect the dynamic nature of the labour market and geography of expected employment growth. Specifically, it does not account for the baseline forecast that Oxford and Cherwell are set to further develop as the drivers of the wider FEMA economy. The two districts are projected to represent well over half of the FEMA's employment by 2040. Furthermore, given that the Local Plan is looking to 2040, and that it has been forecast how jobs will be distributed at this time, it makes sense for housing need to be distributed in the same pattern, putting the housing need where the jobs are. This recognises the role which the geography of future job creation will have on that for housing need. Table 2.1 shows the results of apportioning the housing need calculated by each of the four scenarios to all the districts by forecast job distribution in 2040. Appendix A shows the results of the two alternative means of apportioning that were explored in the HENA.

Table 2.1: Distribution of District Housing Need by Distribution of Employment in 2040

CE Baseline Trend Employment Based Distribution Projected (2040) Distribution		Housing Need Scenario			
		Standard Method	Census-Adjusted SM	CE-Baseline	Econ Dev't-led
Oxfordshire	100%	3,388	4,721	4,406	5,830
Cherwell	22.9%	776	1,081	1,009	1,335
Oxford City	30%	1016	1,416	1,322	1,749
South Oxfordshire	18%	610	850	793	1,049
Vale of White Horse	16.2%	549	765	714	944
West Oxfordshire	12.8%	434	604	564	746

Q 5 -Do you have any comments about the methods for dividing the Oxfordshire housing need between the districts, leading to the need figure of 1,322 for Oxford?

Specialist housing need

2.20 As well as assessing overall need for housing, the NPPF also asks that: *...the size, type and tenure of housing needed for different groups in the community should be assessed and reflected in planning policies (including, but not limited to, those who require affordable housing, families with children, older people, students, people with disabilities, service families, travellers, people who rent their homes and people wishing to commission or build their own homes (paragraph 62).* It goes on to say that: *Where a need for affordable housing is identified, planning policies should specify the type of affordable housing required, and expect it to be met on-site unless: a) off-site provision or an appropriate financial contribution in lieu can be robustly justified; and b) the agreed approach contributes to the objective of creating mixed and balanced communities.*

2.21 In addition to the overall need for housing, the HENA considers the appropriate mix of housing needed, with a particular focus on the sizes of homes required in different tenure groups for new development, and considering affordable housing. Separately to the HENA, assessments of the need for gypsy and traveller accommodation, boat dwellers and student accommodation are underway and these will inform the drafting of policies in the Oxford Local Plan 2040.

Affordable housing need

2.22 The HENA works through various stages of analysis to estimate the need for social/affordable housing, based on the methodology in the PPG. Final figures are provided as an annual need (including an allowance to deal with current need), and compared with likely delivery. The current need for affordable housing has been based on considering the likely number of households with one or more housing problems. Analysis also includes consideration of the number of households who

cannot afford to own, despite it being their aspiration. The affordable housing need is shown in table 2.2.

Table 2.2: Affordable housing need per annum

	Current need	Newly forming households	Existing households falling into need	Total Gross Need	Relet Supply	Net Need
Cherwell	128	659	161	948	288	660
Oxford	255	567	188	1,010	270	740
South Oxon	91	520	88	700	199	501
VoWH	79	567	110	756	259	497
West Oxon	76	365	69	510	142	368
Oxfordshire	629	2,678	616	3,924	1,157	2,767

2.23 Oxford has a very high need for affordable housing. Standard Method calculations are intended to factor in the need because of the application of an affordability ratio. Affordability is different to affordable housing need. The affordability is measured by the ratio of house prices to earnings. The affordable housing need assesses how many households require affordable housing to be able to live in the area. A cap is applied in the Standard Method in some circumstances (including in Oxford) to ensure that the housing need number remains deliverable. Only a small proportion of homes can realistically be added to the housing stock in any year.

2.24 Affordable housing need is not used as the basis of a scenario. Now that affordable housing can only be required on larger sites of 10 or more units, there are fewer schemes overall that deliver affordable housing. Delivery of affordable housing generally only happens when required as part of a scheme that also includes market housing (although sometimes grant funding and other resources may allow 100% affordable schemes). The number of homes overall that would need to be delivered in order to achieve the 740 per annum affordable units required would clearly be well over the 1,749 units that the top-end scenario of maximum economic/jobs growth would need to be supported by. The affordable need is not the basis of a scenario because of the challenges of creating a housing need scenario based on affordable housing need it is not used as the basis of a scenario, but it is an important 'check and challenge' that does enable consideration of the degree to which each scenario could meet affordable housing need.

Housing mix

2.25 The HENA also looks at the spread of different sized units (by bedrooms) needed for market and affordable housing. It uses a model that starts with the current profile of housing in terms of size and tenure. Information is available about

the age of households and the typical sizes of homes they occupy. By using projections for demographic growth linked to core scenarios it is possible to see which age groups are expected to change in number, and by how much. On the assumption that occupancy patterns for each age group (within each tenure) remain the same, it is therefore possible to assess the profile of housing needed over the assessment period (Table 2.3, below).

Table 2.3: Mix of dwelling size need

	1-bedroom	2-bedrooms	3-bedrooms	4+-bedrooms
Market	11%	36%	37%	16%
Affordable home ownership	26%	39%	22%	14%
Affordable housing (rented)	32%	37%	25%	6%

Source: Housing Market Model (with adjustments)

2.26 Older and disabled persons housing need

The housing needs of the elderly and those with some form of disability are also considered in the HENA. Table 1.4 shows that, once existing supply is taken into account, there broadly remains a significant future need in all areas. However, whilst there is a significant future need for most types of accommodation, there is an over-supply of affordable housing with support in Oxford and Cherwell. An important consideration that will inform policy is whether this existing stock, which should be enough in terms of quantity, is fit for purpose.

Table 1.4: Net need for specialist housing for older people (2022-2040)- CE Baseline

	Tenure	Cherwell	Oxford
Housing With Support	Affordable	-577	-272
	Market	1,693	924
Housing With Support Total		1,116	652
Housing with Care	Affordable	93	164
	Market	1,021	700
Housing with Care Total		1,114	863
Residential Care		244	25
Nursing Care		98	37
Care Bedspaces		342	62

Q 6 -Do you have any comments about the housing mix including the need for specialist housing and affordable housing?

3. ASSESSING OUR CAPACITY FOR HOUSING

3.1 We may not be able to meet all the housing need in Oxford so the calculated need won't necessarily be the housing requirement that is set as the housing target in the Plan. The Oxford Local Plan 2040 must set out a total housing requirement for the plan period, setting out the number of homes that are required to be delivered each year. Currently, the Government checks delivery of housing in each planning authority in the Housing Delivery Test and there are sanctions if the requirement is not met.

Capacity constraints

3.2 The Secretary of State's statement about planning reform has said that the housing need figure is a starting point, and there may be legitimate reasons not to use this figure as the ultimate target in the plan. In Oxford successive plans have set a housing requirement less than the identified need because of capacity constraint, and this has been justified through local plan examinations.

3.3 An interim Housing and Economic Land Availability Assessment (HELAA) was undertaken to inform the Preferred Options consultation that took place in October-November 2022. This was an interim HELAA, with a new draft to be produced to support the draft Oxford Local Plan to be consulted on towards the end of 2023. The updated HELAA will need to reflect the proposed policies of the Plan. The interim HELAA relied on existing policies, but the proposed policy approaches in the Preferred Options do not suggest that an update as we draft policies for the Oxford Local Plan 2040 will result in significant changes to the capacity estimate of the HELAA.

3.4 The Government is consulting currently on reforms to the Planning System, including plan-making. However, currently the proposals do not seem to impact on the approach suggested for calculating housing need or using an assessment of capacity to set a lower housing requirement in the local plan.

3.5 The HELAA currently rejects sites for a number of reasons, for example because they are functional flood plain, because they are of biodiversity interest, because they are sports pitches where no alternative means of provision has been proposed, parks and allotments. The densities assumed for calculating capacity are the highest possible to make efficient use of land, whilst taking account of the need to maintain character, and are based on an assessment of best practice and examples across the city.

3.6 Green Belt has been assessed to inform the update to the HELAA and the site allocations. The Green Belt assessment is published alongside this consultation paper. None of the sites assessed are considered suitable for development.

3.7 Most Green Belt parcels were not included in the assessment because they are protected for reasons in addition to the Green Belt, such as because they are playing pitches (that had not been promoted with proposals for their replacement), of biodiversity value, or of functional flood plain. This means that few parcels were assessed. 9 sites (some of which are divided into smaller parcels) were reassessed to check the results from the previous Green Belt assessment were still applicable. 10 new sites were assessed.

3.8 Nearly all sites were assessed to have a moderate-high or high negative impact on the Green Belt if they were to be removed. The negative impacts their removal would have on remaining Green Belt are not considered to be outweighed by the need for housing, therefore none of these sites are proposed for removal from the Green Belt. Three of the sites were found to make a low or moderate contribution to the Green Belt. However, the nature of these sites means that they are not being considered for a Green Belt review, as explained in Table 1.5. Therefore, the intention is to propose no review of Green Belt boundaries in the draft plan.

Table 1.5: Sites with low or moderate impact on Green Belt if removed

Site name and GB assessment conclusion	Comments	Conclusion
153-a Wildlife corridor at River Cherwell (moderate)	Site 153 is a long thin site adjacent to the River Cherwell, to the east of Summer Field School playing fields. For the purposes of the Green belt assessment it is divided into two parcels because of a variation in character. 153a was assessed as making a less important contribution to the Green Belt. However, the parcel is small and without clear access.	Do not consider review of Green Belt in this location.
118 Land rear of Wolvercote Social Club (low)	The majority of this site is not in Green Belt. A review of the Green Belt could not be justified to release the tiny amount of Green Belt within this site as it would not be needed to unlock the site and it would not itself deliver homes as it is too small.	Do not consider review of Green Belt in this location.
159 Wildlife corridor adjacent to Duke's Meadow (moderate)	This is a narrow strip of land adjacent to the railway and with no means of achieving access.	Do not consider review of Green Belt in this location.

Q7 -Do you have any comments about the assessment of housing capacity?

Conclusion

The housing need in Oxford is for 1,322 dwellings per annum. This need is greater than the capacity of the city to deliver this need. The interim assessment of capacity is c.9,147 over the plan period, or 457 dwellings per annum. If it is appropriate, a stepped trajectory will be proposed whereby a greater number of homes are required in some years of the plan than others.

Delivery of housing is a priority, and in drafting policies and allocating sites for the Oxford Local Plan 2040 we will maximise housing delivery, while meeting other needs and protecting what is important. The assessment of housing capacity in the HELAA will be refined as policies are drafted. The housing requirement set out in the draft Oxford Local Plan 2040 will match this assessment of capacity.

We will be monitoring further updates from the Government on planning reforms and the implications for unmet housing need. Most if not all of the proportion of unmet need implied by the need figure compared to the estimated capacity is likely to have been already provided for in existing allocations in neighbouring Council's local plans. This will depend on the deliverability of those sites, and the quantum of housing and timescales for delivery, which is a matter for the relevant Local Planning Authority. The City Council will work closely with our neighbours as we and they continue to refine proposals for our respective local plans.

We will continue to look to maximising our capacity within the city. This will be achieved by:

- a) making site allocations in the Plan
- b) promoting the efficient use and development of land/sites, including highest appropriate densities and building heights in appropriate locations; and
- c) ensuring that all new housing developments contribute to the creation and/or maintenance of mixed and balanced communities.

Q8 -Do you have any comments about this conclusion to our approach to assessing housing need and setting a housing requirement in the Oxford Local Plan 2040?

Appendix A

Results of 2 alternative approaches to distributing Oxfordshire's housing need between the districts

Table A.1: Distribution of District Housing Need by 2014 based Standard Method

2014 Based Standard Method Distribution		Housing Need Scenario			
		Standard Method	Census Adjusted	CE Baseline	Econ. Dev't Led
Oxfordshire / FEMA	<i>100%</i>	3388	4721	4406	5830
Cherwell	21.9%	742	1034	965	1277
Oxford City	22.5%	762	1062	991	1311
South Oxfordshire	18.9%	641	893	834	1103
Vale of White Horse	19.5%	661	921	860	1137
West Oxfordshire	17.2%	582	811	757	1001

Table A.2: Distribution of District Housing Need by Distribution of Employment in 2021

CE Baseline Trend Employment Based Distribution Current (2021) Distribution		Housing need Scenario			
		SM	CA	CE-B	ED
Oxfordshire	<i>100%</i>	3388	4721	4406	5830
Cherwell	21.5%	728	1015	949	1253
Oxford City	26.7%	905	1261	1176	1557
South Oxfordshire	19.5%	661	921	857	1137
Vale of White Horse	18.5%	627	873	817	1079
West Oxfordshire	13.8%	468	651	607	805