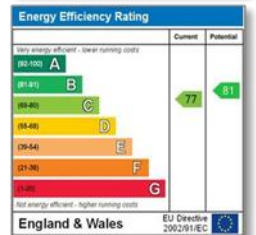




Review of the Assessments of Affordable Housing Needs and OAN for Oxford City

Report of Findings

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Summary

- ^{1.1} The Oxford City SHMA Update 2018 (2018 Update) concludes that the objectively assessed housing need (OAN) for Oxford City is 776 dwellings per annum (dpa). Whilst this is not explicitly stated in the 2018 Update it can be conclusively deduced. 776 dpa was stated as the OAN in a late draft of the 2018 Update obtained through a Freedom of Information Request. **As we said in our January 2019 Report, and at the Cherwell Partial Review EiP, this figure (776 dwellings per annum) is, and should be adopted as, the objectively assessed housing needs (OAN) of Oxford City.**
- ^{1.2} There is a fundamental error in the calculation of affordable housing need in the 2018 Update. The error arises because those falling into need are counted, whereas those moving out of need are not. This means that the figure given for affordable housing need of 678 dpa is around double the correct value.
- ^{1.3} As the figure of 678 dpa is around double what it should be, the 'nominal' figure of 1,356 dpa 'to meet affordable need in full' at a delivery rate of 50% is therefore also wrong by a similar factor.
- ^{1.4} The figure of 1,356 dpa which is almost double what it should be has been taken by Oxford City Council as being close to the 1,400 dpa identified in the Oxfordshire SHMA 2014 and has therefore been used to justify the ongoing use of 1,400 dpa as a housing target. This is not justifiable, nor is GL Hearn's claim, in their Clarification Note, that the SHMA Update figure of 1,356 dpa is the 'like-for-like figure' to the 2014 SHMA OAN of 1,400 dpa. Using such a figure to represent OAN would be contrary to case law and would be an approach without precedent across the country.
- ^{1.5} The growth rate implied by the 1,400 dpa in the previous 2014 SHMA is out of line with other adopted plans in the South East and East of England and GL Hearn's claim in their clarification note that a "2% [compound] growth rate ... in a "policy off" basis could be considered achievable" is categorically wrong. There is no such thing as a policy off position which is driven by achievable outcomes. In Runnymede, GL Hearn concluded that a compound annual growth rate of 2% "would exceed all reasonable expectations".
- ^{1.6} The OAN of 776 dpa as identified (although not explicitly stated) in the 2018 Update is more plausible as an achievable target although the implied growth rate is still amongst the highest of other authorities in the South East.

Introduction

- ^{1.7} Opinion Research Services (ORS) were commissioned by the Cherwell Development Watch Alliance to review the level of Objectively Assessed Need (OAN) identified in HOU.5: Oxford City SHMA Update 2018 (GL Hearn (for Oxford City Council), Oxford City – Objectively Assessed Need Update, October 2018: referred to herein as Oxford City SHMA Update 2018) with a particular emphasis on the calculation of affordable housing need.
- ^{1.8} The figures have also been compared with those found for Oxford City in HOU.3 the Oxfordshire SHMA 2014 (GL Hearn (for the Oxfordshire Authorities) Oxfordshire Strategic Housing Market Assessment, Final Report, April 2014)
- ^{1.9} As part of the review we have also found it necessary also to consider the following documents:
- (i) the clarification document included as Appendix 1 to OCC.1A: (GL Hearn, Clarification Note, Oxford City 2018 Housing Need Update, July 2019: referred to herein as the Clarification Note). This was issued by the Council as part of its initial response to Inspectors' initial questions and comments, Question 1
 - (ii) a draft version of the Oxford SHMA Update 2018 (Oxford City – Objectively Assessed Need Update, Final Draft, August 2018: referred to herein as the Draft 2018 SHMA Update). The draft included tracked changes and was provided to CDWA following a Freedom of Information request. This document is appended to CDWA's pre-hearing statement and contains notably different conclusions from the final Oxford City SHMA Update, 2018.
- ^{1.10} We would note that we originally reviewed the Oxford City SHMA Update 2018 and the Oxfordshire SHMA 2014 in January 2019 as part of the Examination into the Cherwell Local Plan 2011-2031 (Part 1) Partial Review – Oxford's Unmet Housing Need. We understand that this earlier report (review of the Oxfordshire SHMA 2014 and Oxford City SHMA Update 2018, Report of Findings, January 2019) will be included as an appendix to the Hearing Statement from CDWA.
- ^{1.11} In this review we will consider the information provided in the Oxford City SHMA Update 2018 and the Oxfordshire SHMA 2014, explore why the figures have varied over time and assess the plausibility of the outputs. In particular we focus upon the following areas:
- » Comparisons with Other Local Authority Areas
 - » Policy on Housing Needs and Policy on Housing Requirements
 - » Calculating Affordable Housing Needs
 - » The Link Between Jobs and Workers within the Oxford City SHMA Update 2018

ORS' Experience

- ^{1.12} ORS has extensive experience of preparing housing needs assessments. Since 1994, we have prepared housing needs assessments for 145 local planning authorities (including 129 in England, 15 in Wales and one in Scotland) and also the States of Guernsey and States of Alderney Housing Authorities. Of the assessments in England, ORS has undertaken work for a total of 67 local planning authorities during the past three years. This includes an assessment of overall housing need (OAN) for 58 authorities, and an assessment of affordable housing need and housing mix (but no assessment of OAN) for the other 9 authorities.
- ^{1.13} ORS has successfully defended its SHMA methods and assumptions at all Examinations and Inquiries that we have attended. Evidence from our SHMA work has been endorsed by 15 Local Plan Inspectors (including two where examinations were adjourned and we were commissioned at short notice to replace unsatisfactory work); and we have supported local authorities at 30 public inquiries with a perfect record of success.

Overview

- ^{1.14} To begin we will reiterate and update some of the points made in our earlier report for CDWA submitted to the hearing sessions into the Cherwell Local Plan 2011-2031 (Part 1) Partial Review – Oxford's Unmet Housing Need. The table below compares the outputs from the Oxfordshire SHMA 2014 and Oxford City SHMA (Objectively Assessed Need) Update 2018 for Oxford City. The figures have been annualised to aid the comparison and it should be noted that the Oxfordshire SHMA 2014 covered the period 2011-2031, while the Oxford City SHMA Update covered the period 2016-2036. However, this difference in time periods appears to have had a very limited impact on the outputs.

Stage	Oxford 2011-2031 from SHMA 2014: Annual Figure	Oxford 2016- 2036 from SHMA Update 2018: Annual Figure
HOUSEHOLDS		
Dwellings linked to baseline Demographic starting point Includes adjusted migration trends, adjusted headship rates and a vacancy rate	755	554
Adjustment for previous shortfall. SHMA Update 2018 correctly acknowledges this is not valid due to Winchester v Zurich	+27	0
Additional Dwellings required for jobs uplift (The Demographic starting points exceed the housing requirement for planned economic growth in each assessment)	0 (700 dpa sufficient)	0 (527 dpa sufficient)
Housing need based on demographic and employment projections	782	554
Uplift for market signals and affordable housing	79% = 618dpa	40% = 222 dpa
Full Objectively Assessed Need for Housing	1,400	776

- ^{1.15} The table shows that the OAN for Oxford City has fallen from 1,400 dwellings per annum to 776 dwellings per annum between the two studies. A drop of this magnitude requires explanation and there are a number of factors behind the changes:

Demographics – The Oxfordshire SHMA 2014 utilised the household representative rates from the 2008 based CLG household projections. The Oxford City SHMA Update 2018 uses the figures from the 2014 based CLG household projections. It was already known in 2014 that the 2008 based CLG household projections were too high, so they should not have been used. Therefore, the Oxford City SHMA Update 2018 is perfectly correct to move to the 2014 based rates.

Backlog - The Oxfordshire SHMA 2014 added under-delivery from the previous plan to the OAN figures. However, as noted in the Oxford City SHMA 2018, the Winchester v Zurich judicial review confirmed that this approach is not correct and the Oxford City SHMA Update 2018 is correct not to add these dwellings to the figures.

Market Signals/Affordable Housing Need response - The Oxfordshire SHMA 2014 added an uplift of 79% to the demographic baseline (as increased for previous shortfall) to address market signal pressures and as an uplift for affordable housing. Because the previous shortfall should not have been included, the uplift on the true demographic baseline was 85%. This was on top of upward adjustments to the demographic base for household representative rates, migration rates and a vacancy rate. The scale of the uplift in the Oxfordshire SHMA 2014 was unprecedented at the time and never repeated in any further SHMAs across the country. In fact, a reading of the Oxfordshire SHMA 2014 (para 9.59) suggests that the uplift was in reality designed to achieve a 2% compound annual growth in housing stock. As such, it represented a policy-on position although it has been taken by the Oxfordshire authorities to be the OAN, which should be a policy off figure. We return to this later.

- ^{1.16} Therefore, the Oxfordshire SHMA 2014 has always stood alone in terms of the rate of growth identified in the context of other SHMAs across the country. The Oxford City SHMA Update 2018 proposes a 40% uplift, which is still high compared to similar authorities, but is more plausible than the 79-85% proposed by the previous study. Indeed, the authors of the Oxford City SHMA Update 2018 note that the previous study was produced at a time when the authors' understanding of the issues was less developed, as stated in the following extract from page 126 of the Oxford City SHMA Update 2018:

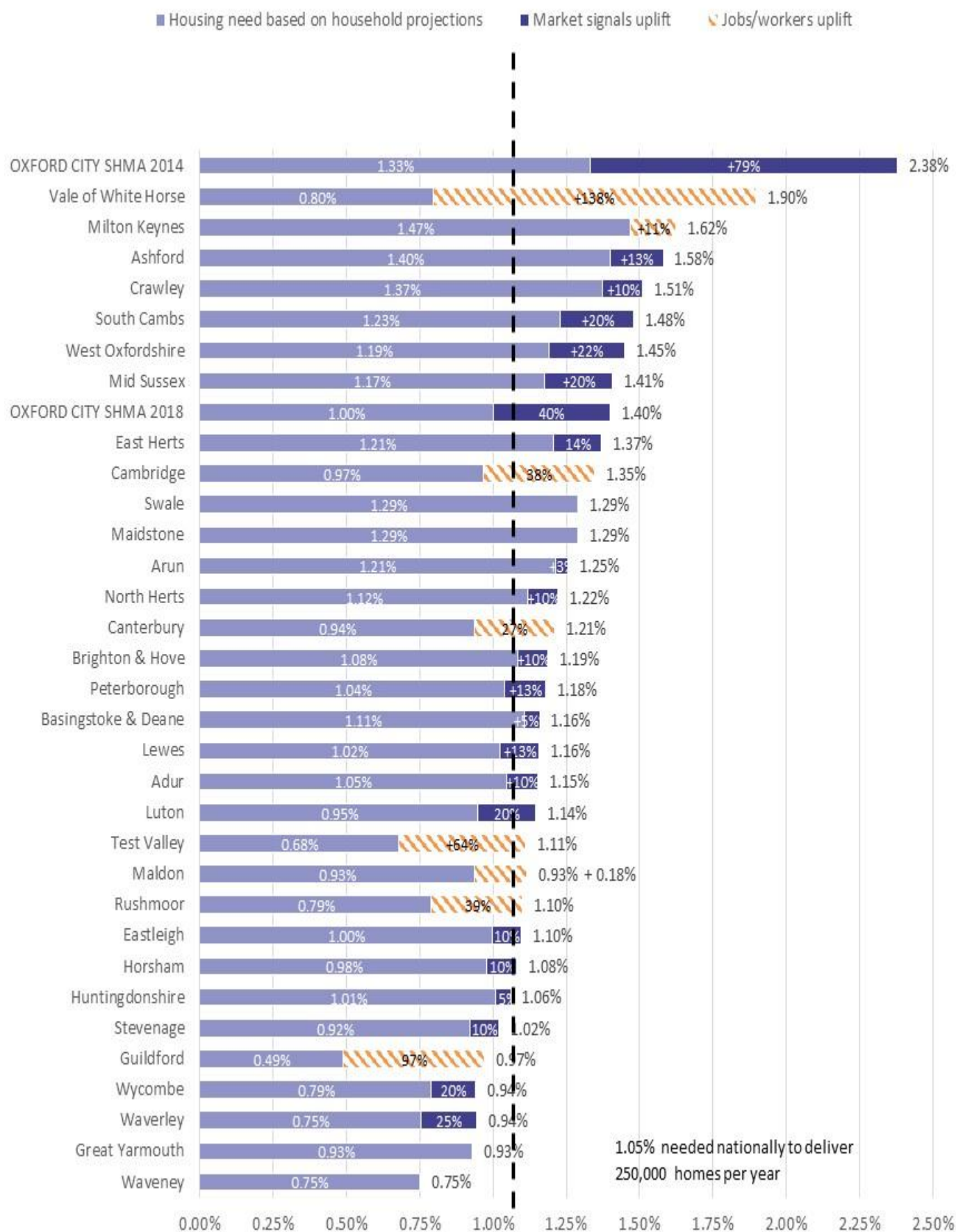
"9.40 It is worthwhile to briefly make a comparison between the findings in this report and the last assessment of affordable housing need which was written under a less evolved understanding of its relationship with OAN as previously defined."

- ^{1.17} On the basis of the above analysis, the OAN of 776 dwellings per annum identified in the Oxford City SHMA Update 2018 represents a much more plausible and realistic figure than the 1,400 dwellings per annum found in the Oxfordshire SHMA 2014.

- ^{1.18} We would also note that the government introduced a new standard methodology for assessing housing need in the National Planning Policy Framework July 2018, paragraph 60. Based upon the consultation draft of this method in September 2017, the housing need for Oxford City was 746 dwellings per annum; and incorporated the maximum allowed uplift for affordability of 40%. (Based upon a revised consultation issued by MHCLG in October 2018, the figure would be 743 dwellings per annum). The figure in the Oxford City SHMA Update 2018 of 776 dwellings per annum is in line with this figure, which is not surprising as both include an uplift of 40% to reflect market signals, although GL Hearn in the Oxford City SHMA Update 2018 note that this is "purely coincidental" (para 9.38, 2018 SHMA Update). **For clarity we repeat here what we proposed, in our January 2019 Report, and at the Cherwell EiP, that this figure (776 dwellings per annum) is, and should be adopted as, the objectively assessed housing needs (OAN) of Oxford City.**

Comparisons with Other Areas

- ^{1.19} The only effective way to compare the OAN across different authorities is to consider the overall rate of growth of dwellings in relation to the existing dwelling stock. The chart on the following page identifies the rate of growth in dwellings necessary to meet the housing need based on household projections together with the uplifts applied for market signals (including suppressed household formation) and aligning jobs and workers. The areas chosen are all adopted Local Plans across the South East and East of England since 2015, or areas which are currently seeing their Local Plans examined and the inspector has confirmed acceptance of their housing figures.
- ^{1.20} The numbers relate only to the OAN for the area and not their adopted housing target which may be higher or lower due to land supply constraints or accepting overspill from other areas. The percentages are the average annual housing need expressed as a percentage of total dwelling stock at a base year, in other words a simple average annual growth rate. They are not compound growth rates and base years vary across local authorities. The uplifts are shown as a percentage increase on the need based on household projections.
- ^{1.21} It is clear that the rate of growth identified for Oxford City based on the Oxford City SHMA Update 2018 OAN of 776 dpa (1.4% per year) is in the upper end of those in the wider South East, but it is not out of line with other adopted figures. For example, the 1.4% growth per annum is similar to those seen in West Oxfordshire, Cambridge City and South Cambridgeshire despite the 40% uplift for affordability and market signals being higher than that used anywhere outside of Oxfordshire.
- ^{1.22} However, the 1,400 dwellings per annum (equivalent to a simple average annual growth rate of 2.38%) identified in the Oxfordshire SHMA 2014 for Oxford City is completely out of line with any adopted plan. The next highest rate is in Vale of White Horse which also has an exceptional uplift for economic growth which we also consider is exaggerated for reasons outlined later in paragraph 1.70. It should be noted that Oxford City itself is assessed as requiring no uplift for jobs growth. Therefore, the figure which has been taken as the Oxford City OAN from the Oxfordshire SHMA 2014 should be seen as a complete outlier which has never been repeated elsewhere.



Policy off Housing Needs and Policy on Housing Requirements

- ^{1.23} The concept of policy off housing needs and policy on housing requirements has been established in case law since 2013 by the Solihull MBC v Gallagher Homes and St Albans v Hunston Court of Appeal decisions.
- ^{1.24} Oxford City Council's draft local plan (page 34, para 3.7) quotes the need figure of 1,356 dwellings per annum to meet their full affordable housing need. The council now appears to consider (for example in OCC BGP3, para 16 and GL Hearn Clarification Note, OCC.1A, Table 1) that the figure of 1,356 dwellings per annum is equivalent to the figure of 1,400 dwellings per annum in the Oxfordshire SHMA 2014. **For clarity, this is incorrect. This point is addressed at paragraphs 9.46 and 9.47 of the Oxford City SHMA Update 2018 which state, in relation to the 2014 SHMA:**

"9.46 The SHMA then went on to identify a housing need of 2,058 dpa to meet affordable housing need in full based on a policy of 50% delivery. The equivalent figure using the latest assessment of affordable housing need (678 affordable dpa) would be 1,356 dpa.

9.47 The SHMA report then went on to consider the range of housing need taking into account the above plus an adjustment to address local affordability issues/market signals. For Oxford a range of 1200-1400 dpa was identified."

- ^{1.25} These paragraphs clearly show that 1,356 dpa in the SHMA Update 2018 is considered equivalent to a figure of 2,058 dpa in the SHMA 2014 and that the range of 1200-1400 (this should have said 1200-1600) was arrived at by a different process.
- ^{1.26} It is even more clearly addressed in the **draft** SHMA Update 2018 (August 2018, see Appendix to CDWA statement) which stated (before the tracked changes were made) in paragraph 8.31 that:

*"8.31 Applying this level of uplift to the starting point figure of 554 dpa **results in an OAN of 776 dpa**. We consider that provides a strong basis for planning positively and takes into account demographic trends, economic growth and local affordability issues." (emphasis as in original)*

And then in paragraphs 8.43 to 8.46:

"8.43 It should be reiterated that the OAN figure is not the housing target. It is an input to determining or reviewing housing targets in local plans alongside wider evidence. Housing targets in local plans will be informed by the OAN but will also take into account wider factors such as sustainability, infrastructure constraints and land availability; together where appropriate with unmet needs of other areas.

8.44 Nor will the OAN take into account local aspiration for additional employment, affordable housing need supply or housing growth; these are policy on positions. This would include such policies as the housing and growth deal.

8.45 The housing and growth deal for Oxfordshire includes a secured £215m of Government investment for new homes and infrastructure across the County including £60m for affordable housing. It is intended to support the ambition of building 100,000 new homes across Oxfordshire between 2011 and 2031.

8.46 *This figure is very similar to the level of growth identified in the 2014 Oxfordshire SHMA. It would therefore seem reasonable that the City Council consider maintaining the previous figures as a housing requirement even if the OAN of 776 dpa set out herein is retained."*

1.27 The draft SHMA Update 2018 very clearly indicates that GL Hearn consider the OAN to be 776 dpa in August 2018 and that the figure of 1,400 dpa should be considered as a policy on target to reflect the Oxfordshire Housing and Growth Deal. The City Council, in para 3.7 of the submission plan, argues that the plan's housing target of 1400dpa "remains as it was in the 2014 SHMA" because of the Oxfordshire authorities' commitment to the Oxfordshire Growth Deal. However the Growth Deal figure for the County of 100,000dpa is itself justified by the SHMA 2014. This is a circular argument whereby the Council justifies retaining the SHMA 2014 target because of the Growth Deal which itself is justified by the SHMA 2014. Both the Growth Deal and Oxford City's figure of 1400 dpa are based on the OAN in the SHMA 2014 and this figure, as we have shown, is incorrect. Furthermore, the 1,400 dpa figure is now openly conceded by the consultant who produced it as being wrong (see para 1.16 above and the quote from para 9.40 of the Oxford City SHMA Update 2018).

1.28 An important point to note is that GL Hearn very clearly and correctly understood the distinction between policy off housing needs and policy on housing requirements in August 2018 when the draft was completed. However, that was changed in the final report and the accompanying tracked changes in the draft SHMA Update 2018 suggest that this was at the behest of the Council.

1.29 At Page 3 of their Clarification Note GL Hearn state that:

The affordable housing issues were (and still are) so significant that it justified doing as much as could be considered deliverable to help meet affordable housing need. In the case of Oxford it was considered that 2% growth rate would achieve this and in a "policy off" basis could be considered achievable.

(Note that here 2% appears to represent a compound growth rate)

1.30 **This statement is categorically wrong.** There no such thing as a policy off position which is driven by achievable outcomes. This has been clear since the case of Solihull MBC v Gallagher Homes. The claim that 1,356 (or 1,400) dpa is the policy off housing need is contrary to case law.

1.31 Further to this point it is then also necessary to ask if the affordable housing needs in Oxford City really are so high that they require a drastic policy intervention to deliver more housing at the level suggested in the Oxford City SHMA Update 2018. The table below contains a range of OAN and affordable housing needs figures from GL Hearn and ORS studies that have been used in recently adopted plans, or ones which are currently under examination. They are not taken from an exhaustive search of all GL Hearn or ORS studies. It should be noted that affordable housing as a percentage of OAN tends to be significantly higher in the GL Hearn studies, and we will return later to an explanation for this.

1.32 The table on the following page shows that in the GL Hearn studies affordable housing need as a percentage of OAN is higher in several authorities than that for Oxford City. Therefore, the findings for Oxford City are not in any way exceptional in GL Hearn studies, **but the policy response suggested for them is exceptional.** There was no suggestion by GL Hearn that the OAN should be increased in areas such as Guildford and Rushmoor, and indeed they argued for a lower figure in Guildford.

Local Authority	OAN per Annum	Affordable Housing Need Per Annum	Affordable Housing as a Percentage of OAN
GL HEARN SHMAs			
Runnymede	498	471	95%
Guildford	562	517	92%
Rushmoor	436	390	89%
Oxford City	776	678	87%
Waverley	495	314	63%
Peterborough	972	559	58%
Ashford	844	368	44%
ORS SHMAs			
Stevenage	380	172	45%
Milton Keynes	1,725	510	30%
North Hertfordshire	690	220	32%
Central Buckinghamshire	2,150	430	20%

^{1.33} In the Runnymede SHMA 2018¹ (published in January 2018), on page 112 GL Hearn concluded:

9.25 Using the available information, GL Hearn has calculated a net need for 471 affordable homes per annum in Runnymede for the 2013-36 period. On a like for like basis this represents a small increase in the Borough's affordable housing need from that set out in the 2015 SHMA.

9.26 This calculation is particularly sensitive to the assumptions relating to the percentage of household income which is spent on housing costs. The figures above assume that it is reasonable to spend up to 25% of income on housing costs. Changing this assumption to 40% of household income on housing need reduces the affordable housing need to 280 homes per annum.

9.27 Delivering just 280 affordable homes per annum on the current policy basis of 30%-35% (mid-point of 32.5%) would require an overall delivery of 862 dwellings per annum. This equates to a compound annual growth rate of 2.0%.

9.28 Such a level of growth would exceed all reasonable expectations for Runnymede and would be akin to the growth seen in Milton Keynes and Tower Hamlets in their peak periods of growth.

^{1.34} Therefore, in January 2018, in relation to Runnymede, GL Hearn concluded that a compound annual growth rate of 2% per annum was implausible, however, the same figure is promoted for Oxford City. The affordability ratio for Oxford City in the Standard Method is 11.1, while it is 11 in Runnymede. There is no reason why homes cannot be delivered in Runnymede while being deliverable in Oxford City.

¹ <https://www.runnymede.gov.uk/article/15552/Strategic-Housing-Market-Assessment-SHMA>

- ^{1.35} This issue has also been considered by a number of planning inspectors in recent years. For example, in Waverley (Waverley Borough Local Plan Part 1 Examination Inspector's Report on 1 February 2018) the inspector concluded that:

"23. In respect of affordable housing need, the West Surrey SHMA identifies a need for 314 affordable dwellings per annum in Waverley. At a delivery rate of 30% affordable housing on eligible sites, a total of 1,047 dpa would be needed to meet affordable housing needs in full. This is a serious position which again serves to highlight the severity of housing unaffordability in the Borough. Owing to the limitations of site availability and the market, it would not be realistic to expect this level of housing delivery in Waverley. However, market signals, discussed above, point to an uplift to 495 dpa and this would go some way to accommodating affordable housing need." (The uplift represented 25% on baseline - see earlier chart]

- ^{1.36} Meanwhile, in Ashford the inspector concluded that (Report on the Examination of the Ashford Local Plan 2030 January 2019):

"54 Applying a policy target of 30%, an uplift of 56% over and above the demographic need of 786 dwellings per annum would be required to meet affordable housing needs in full. Increasing this figure to take account of market signals should assist in addressing these needs to some extent but would still fall short of the overall affordable housing need. However, aside from the likely environmental impacts, it is unlikely that the market would be able to deliver that amount of housing in its entirety. So, whilst having regard to the PPG (ID: 2a-029-20140306), a further increase is not warranted."

- ^{1.37} As the table above shows, studies by GL Hearn typically show affordable housing need as a percentage of OAN to be higher than in studies by ORS. ORS have noted, however, that it is only in Oxford that this has been translated into what could be considered an extreme and unprecedented policy response. We now consider why the assessment of affordable need in the Oxford City SHMA Update 2018 yields such a high figure.

Calculating Affordable Housing Need

- ^{1.38} To this point we have not considered the affordable housing figures in detail. The entire basis of the policy on figure of 1,356 dpa is that the affordable housing need for Oxford City is 678 dpa (when combined with a policy requirement for 50% of new housing to be affordable).
- ^{1.39} ORS very strongly dispute that the correct figure for affordable housing need is 678 dwellings per annum and consider that this figure is around double the correct number. The figure of 678 dwellings per annum affordable housing need amounts to 87% of the OAN for Oxford City and is more than demographic growth before the market signals adjustment is applied. To explain this in more detail we will first set out the standard approach to modelling housing need and then examine how this has been implemented in the GL Hearn Oxford City SHMA Update 2018.

Standard Practice in Modelling Affordable Housing Need

^{1.40} The standard approach to modelling affordable housing need was originally set out in the 2000 DETR Guide to Good Practice and is reflected by current Planning Practice Guidance (PPG). The unmet need for affordable housing is usually calculated by taking the:

- » **Established households** (who already live in market or affordable housing that is unsuitable for their needs); together with
- » **Suppressed households** (such as concealed families or homeless households) who need their own home; plus the
- » **Projected future housing need** for affordable housing (i.e. newly arising need), which is based on a proportion of future household growth; less the
- » **Supply of affordable housing.**

^{1.41} In more detail, the standard approach covers five key groups of households: two relating to assessing current need and three relating to assessing future need. The table below describes each of these groups and sets out their impact on the gross need for affordable housing and on the net need. The net need takes account of the impact of each group on the supply of affordable housing.

Group	Impact on gross need for affordable housing	Impact on supply of affordable housing (and therefore net need)
Current homeless and concealed households	These households should have a dwelling at the start of the Plan period. However, they do not and they are unable to afford market housing.	There is no supply of affordable dwellings associated with this group. However, there may be empty affordable homes at the start of the plan period which could offset against all affordable housing needs.
Existing households in unsuitable housing	These households have a dwelling at the start of the Plan period. However, it is not suitable for their needs (for example, due to overcrowding) and they are unable to afford market housing.	The needs of these households should be counted as affordable housing need but if they occupy an affordable dwelling already then they should be removed from the net need (because if they move to a more suitable dwelling, an affordable dwelling is released).
Future new households unable to afford: Newly forming and dissolving households	These new households are projected to form based on past trends but they are unable to afford market housing. This will represent the gross need.	The net need is calculated by subtracting those existing households previously assessed to need affordable housing that are projected to dissolve (either as existing households combine or following death of all household members). Such households no longer need a dwelling so they should also be discounted from the affordable housing need. It is important that this need is discounted regardless of whether the dissolving household previously occupied affordable housing.
Future new households unable to afford: Migrant households	These new households are projected to move to the area based on past trends (in-migrant households) but they are unable to afford market housing. This will represent the gross need.	The net need is calculated by subtracting those existing households previously assessed to need affordable housing that are projected to move away from the area (out-migrant households). Such households no longer need a dwelling in the area so they should also be discounted from the affordable housing need. It is important that this

		need is discounted regardless of whether the out-migrant household previously occupied affordable housing.
Households who, in future, fall into, or move out of, need	Households falling into need currently have a suitable dwelling that they can afford but their circumstances change such that their existing dwelling is no longer suitable, and they are unable to afford market housing. This will represent the gross need.	<p>The net need is calculated by subtracting those existing households previously assessed to need affordable housing whose circumstances improve such that they move out of need and no longer need affordable housing.</p> <p>Such households will continue to occupy a dwelling in the area but no longer need affordable housing. It is important that this affordable housing need is discounted if they are not in affordable housing already. However, it is not possible to assume that households already in affordable housing will move out if they are no longer in need because they typically have secure tenancies and they should not be discounted from need.</p>

- ^{1.42} It is appropriate to recognise that PPG does not explicitly state that the needs of dissolving households and out-migrant households that would previously have been counted within the gross need for affordable housing should be discounted from the net need, regardless of whether or not the household ever occupied affordable housing. Nevertheless, such households will not need housing in the housing market area, so it stands to reason that they will no longer need affordable housing either – otherwise these households would be counted within the affordable housing need despite not being counted in the overall housing needs. Any household that does not need a dwelling will not need an affordable dwelling – so these needs must be discounted when establishing the total need for affordable housing, which should be based on the “*total net need*”.
- ^{1.43} Similarly, PPG does not explicitly state that the needs of existing households climbing out of need should be discounted, regardless of whether or not the household ever occupied affordable housing. Nevertheless, PPG identifies that “*care should be taken ... to include only those households who cannot afford to access suitable housing in the market*”; so it is evident that the needs of households whose circumstances improve such that they can “*afford to access suitable housing in the market*” should not be included when assessing the overall need for affordable housing.
- ^{1.44} Whilst PPG does not provide any specific guidance about the treatment of households that no longer need housing in the housing market area that have previously been counted in the gross need for affordable housing, it is evidently necessary for their needs to be discounted from the overall affordable housing need.
- ^{1.45} The framework set out above requires the implementation of professional judgement to implement the relevant parts of the NPPF and PPG. However, this is no different from other parts of the PPG and this has been helpfully clarified in the case of the Borough Council of Kings Lynn and West Norfolk v Elm Park Holdings Ltd Judgement. Mr Justice Dove discussed in detail the issue of allowing a second and vacancy allowance in the calculation of the Objectively Assessed Needs of Kings Lynn and West Norfolk on the grounds that they are not included in PPG. He noted that:

“39 This is all background to answering the question of whether or not the Inspector was correct to include second homes and vacancies in his assessment of the FOAN in this case. I am satisfied that he was. These elements were empirically based from the 2011 census and indicated a trend whereby a certain portion of the housing in the district was not in fact being used by the indigenous population, and therefore was not available to meet housing need. He was therefore entitled to form the view as a matter of judgment based on the

empirical material that an allowance should be made for the prospect of that trend continuing.

It is true that this involves a judgment about applying the census-based figure as a trend, but that in my view is precisely the kind of statistical judgment which is involved in determining the FOAN and the Inspector was right to countenance it.

40. Mr Leader contended that it was in reality the application of a policy, namely the perpetuation of the existing quantum of existing homes and vacancies in the housing stock, and therefore as the implementation of a policy it was not a legitimate exercise pursuant to paragraph 47 [of the 2012 NPPF]. That argument is ingenious but in my view clearly puts the matter the wrong way round. In the two-stage process envisaged by paragraph 47, (that is to say in summary, firstly, determining the FOAN and secondly applying policy to it), it will be entirely open to the claimant to impose a policy in the second stage to arrest or reverse the number of vacancies or affordable homes in their planned housing stock and that could potentially lead to a reduction in housing requirements. But taking account of the existing extent of vacancy and second homes and projecting it forwards is clearly part of the statistical assessment of housing needs and part and parcel of the FOAN equation at the first stage.

41. The PPG does not provide any specific guidance on this point related to vacancies and second homes. That is to my mind unsurprising, as it could not begin to address every conceivable point which might arise in this exercise. However, I have no doubt that the inclusion of vacancies and second homes is an adjustment based on statistical data of a kind similar to those which are contemplated in the PPG. The absence of this issue from the PPG does not therefore dissuade me from the view which I have reached.

42. As I have indicated above, my attention was drawn to the fact that the PPG in paragraphs reference ID3-012-20140306 and 3-039-20140306 does address the question of vacancies but in the context of them forming an element of potential supply. It permits an allowance for bringing homes back into use if that is supported by robust evidence from the planning authority. The existence of that guidance does not however assist in answering the question which arises in this case. Simply because a reduction in vacant homes has the potential to provide an element of supply does not render it illegitimate or inadmissible to account for the existing trend of vacant or second homes as a factor influencing the statistical exercise of determining the FOAN before supply questions arise.

43. As I have indicated, the elements of the PPG which address the question of the calculation of the FOAN support the interpretation that finding the FOAN requires an analysis of the relevant statistical and econometric data and trends. Against that background, there is no difficulty in concluding that census data about vacancies and second homes are a species of the data to be taken into account in the calculation.”

^{1.46} Mr Justice Dove is therefore very clear that to implement the relevant paragraphs of the NPPF and PPG to calculate OAN requires professional judgement at many stages, rather than a simple mechanistic following of guidance. ORS are clear that PPG provides the potential framework for understanding affordable housing needs, but professional judgments are required to ensure that the modelled outputs reflect reality.

- ^{1.47} We will now explore each of the elements of the GL Hearn Oxford City SHMA Update 2018 to assess how it has treated the needs, how professional judgments have been applied and whether these are plausible and realistic.

The Calculation of Affordable Housing Need within the Oxford City SHMA Update 2018

Backlog of Need

- ^{1.48} Table 31 of the Oxford City SHMA Update 2018 identifies a net backlog of affordable housing need of 2,666 households. This is then spread over 19 years in the housing need model, to give a needs figure per annum to address the backlog of 140 dwellings per annum. This is a perfectly plausible figure for Oxford City, particularly as most are either homeless, in temporary accommodation or in the private rented sector.

Newly Arising Need

- ^{1.49} The Oxford City SHMA Update 2018 assumes at Table 32 (page 78) that 51.5% of the 1,300 newly forming households are unable to meet their housing costs. That is a very high figure compared to the findings of ORS in similar areas such as Buckinghamshire and Bedfordshire **where the figures are more typically between 20% and 35%**, and it implies that more than half of all newly forming households require affordable housing. Paragraphs 6.28 and 6.29 of the Oxford City SHMA Update 2018 state that:

“6.28 The number of newly-forming households has been estimated through the demographic modelling, with consideration then given to the proportion who fall into affordable housing need. This has been undertaken by considering the changes in households in specific 5-year age bands relative to numbers in the age band below, 5 years previously, to provide an estimate of gross household formation. This differs from numbers presented in the demographic projections which are for net household growth. The numbers of newly-forming households are limited to households forming who are aged under 45. There may be a small number of household formations beyond age 45 (e.g. due to relationship breakdown) although the number is expected to be fairly small when compared with formation of younger households.

6.29 The estimates of gross new household formation have been based on outputs from the core demographic projection. Surveys indicate that typically the average income of newly-forming households is around 84% of the figure for all households. We therefore adjust the overall household income data to reflect the lower average income for newly-forming households. The adjustments have been made by changing the distribution of income by bands such that average income level is 84% of the all household average. In doing this it is possible to calculate the proportion of households unable to afford market housing without any form of subsidy. The assessment indicates that overall around half of newly-forming households will be unable to afford market housing (to rent) and that a total of 669 new households will not have their basic needs met by the market in each year to 2036.”

- ^{1.50} There are two potential explanations for the high proportion of newly forming households unable to meet their housing costs. Firstly, while the 1,300 does refer to newly forming households, it includes a high number of recent graduates. Areas with large student populations can see average income levels which appear to be low, but when the students graduate their incomes quickly improve, so they should not be

counted in need. We have no clarity in the document about how students were treated in the affordability calculations.

- ^{1.51} The second possibility is that the figures for newly forming households also include new households arriving from elsewhere, but do not take account of their greater ability to afford housing. Such households would typically have higher income or equity and are thus able to afford more in the housing market, but may be treated in the model as having the same income level as the resident population. Again, from looking at the published information, it is not possible to be certain about this.

Migrant Households

- ^{1.52} These don't appear to be considered separately at all in the Oxford City SHMA Update 2018 or the Oxfordshire SHMA 2014 studies. There is no data for the new in-migrant households in need, or for households who are in the backlog of need leaving Oxford City.

Changing Household Circumstances

- ^{1.53} The second key figure is shown at paragraph 6.32 of the Oxford City SHMA Update 2018 which shows 331 households fall into need each year, which is nearly half of the net need for affordable housing. These are households who were previously meeting their housing costs, but are now unable to do so for reasons such as having lost a source of income. However, there is absolutely no allowance in the model for any households leaving need when their circumstances have improved, and our experience elsewhere has shown that this group frequently offset the numbers falling in to need.
- ^{1.54} As an example, a single person may have been paying their own private rent in Oxford City, but they then lose their job and are unable to keep up their rent payments. They can then be assisted with their rent payments through the Local Housing Allowance granting them housing benefit support. This household would have fallen in to need. However, the same person may then get a new job and start to be able to pay their own rent again. This household would have climbed out of need.
- ^{1.55} The model used in the Oxford City SHMA Update 2018 counts their need as they lose their job but does not count their improved circumstances as they find a new job. Therefore, it is an unbalanced model which is over-counting affordable housing need. If those climbing out of need were counted, the level of affordable housing need in Oxford City would fall sharply; to around half of the 678 dwellings per annum figure.
- ^{1.56} As an example, the table below shows some recent figures from ORS studies which have been supported in adopted Local Plans. If those climbing out of need were not counted then the affordable housing need would be much higher and in line with those produced by GL Hearn. For example, the actual affordable housing need figure for Milton Keynes was 510 dpa, so adding a further 566 dpa to this would produce a figure of 1,076 dpa, which would in turn amount to 62% of the OAN.

Local Authority	Falling in to need	Climbing out of need	Net
ORS SHMAs			
Milton Keynes	397	566	-169
North Hertfordshire and Stevenage	369	453	-84
Central Buckinghamshire	418	644	-226

- ^{1.57} Because the Oxford City SHMA Update 2018 fails to take into account those climbing out of need we consider that the figure of 678 dwellings per annum for affordable housing need is a substantial overstatement, by a factor of approximately two. Therefore, a figure of 1,356 dwellings per annum to meet this affordable need is also a substantial overstatement.

Summary of the Affordable Need Calculation in the Oxford City SHMA Update 2018

- ^{1.58} The table below summarises how we believe the model used in the Oxford City SHMA Update 2018 works from the available information. There are clearly very large data gaps which would require filling to complete the model. We consider, therefore, that the assessment of affordable housing need is incorrect. The most significant deficiency is the failure to take account of households climbing out of need.

Group	Impact on gross need for affordable housing	Impact on supply of affordable housing (and therefore net need)
Current homeless and concealed households	Counted	Counted
Existing households in unsuitable housing	Counted	Counted
Future new households unable to afford: Newly forming and dissolving households	Counted based upon a very high rate of unaffordability. We think a key factor in this may be students forming households who subsequently see strong growth in their incomes.	Counted by considering the supply of affordable housing as measured by affordable housing stock turnover rates
Future new households unable to afford: Migrant households	No consideration given to the needs of this group as they arrive in Oxford City	No consideration given to this group as they leave the backlog of need in Oxford City
Households who, in future, fall into, or move out of, need	Counted	Not counted in the Oxford City SHMA Update 2018 as they leave the backlog of need. This omission accounts for most of the overstatement of net need

- ^{1.59} We also note the comment made by GL Hearn concerning our previous criticism of our methodology on page 7 of their Clarification Note, para 2. We do not disagree with what they say about "*households in market accommodation but paying too much for their accommodation*" and we would also allow for this in our studies. This issue is a red herring because they do not address our fundamental concern that their estimate counts people falling into need but does not balance this with people moving out of need, which makes such a large difference to their overall need.

Housing Requirement

- ^{1.60} At the end of Chapter 6, the Oxford City SHMA Update 2018 considers the housing requirement and whether it should be above the OAN.

“6.49 Any increase above the OAN would contribute to increased delivery of affordable housing. Based on current affordable housing policy of 50% the identified affordable housing need of 678 dpa would require a nominal supply of 1,356 dpa.

6.50 However this is a nominal figure based on a certain calculation. It does not for example take into account the fact that some of the households identified affordable housing need would release their current property if provided with suitable accommodation, thus there is no net need for an additional home.

6.51 It also does not take into account the fact that the OAN also includes newly forming households, thus would be double-counted in such a scenario. Finally the figure does not take into account development which may contribute a higher percentage of affordable homes. However, this is very likely to be balanced out by smaller sites providing less than 50% because only sites of 10 units or more are required to provide onsite affordable housing.

6.52 The figure of 1,356 dpa, while based on robust calculation, represents a nominal figure based on existing policy which may over-estimates the true housing need in the City. This issue is considered further in the concluding chapter including a review of the relevant case law.”

- ^{1.61} It should be noted that these paragraphs correctly identify that any uplift for affordable housing need based on existing policy is ‘policy on’ and leads to a figure above the OAN. This contradicts statements subsequently made in GL Hearn’s Clarification Note and quoted earlier in this document in the discussion of policy on and policy off positions.

- ^{1.62} GL Hearn are also incorrect in stating that there is double counting between the OAN and the affordable housing need. There is no double counting and the examples they cite around households having their own home already or newly forming households being double counted are incorrect. Each of these factors is counted once in the OAN and once in the affordable housing need assessment. There is no double counting. This has been best summarised by the Cornwall Local Plan inspector at paragraph 3.17 of “Cornwall Local Plan Strategic Policies - Examination Preliminary Findings Following the Hearings in May 2015”:

“3.17 The assessment of affordable housing need is separate from the objective assessment of need arising from demographic projections. The existing households in need of affordable housing are not included in the demographic projection. But if such households were able to move from their existing unsuitable private rented accommodation to suitable affordable housing their existing accommodation would become available for others (for whom it may be suitable). So there is no need for this element to be added to the overall OAN. Equally, this element should not be subtracted from the total affordable housing need as suggested by the Council.”

- ^{1.63} Critically however, there is substantial over-counting of affordable housing need because the model counts households falling in to need, but not those climbing out of need as their incomes improve.

Case Law Relating to OAN Uplifts for Market Signals and Affordability.

- ^{1.64} We would also note that the Oxford City SHMA Update 2018 covers some of the case law around affordable housing need. We would note that OAN and FOAN are used interchangeably in SHMAs and High Court judgments and both may include uplifts for market signals/affordability and/or planned economic growth. The Kings Lynn and West Norfolk v Elm Park Holdings case outlined at paragraph 9.27 of the Oxford City SHMA Update 2018 is particularly important because at paragraphs 33 and 34 it states:

33 This consideration of an increase to help deliver the required number of affordable homes, rather than an instruction that the requirement be met in total, is consistent with the policy in paragraph 159 of the Framework requiring that the SHMA “addresses” these needs in determining the FOAN. They should have an important influence increasing the derived FOAN since they are significant factors in providing for housing needs within an area.

34 Insofar as Hickinbottom J in the case of Oadby and Wigston Borough Council v Secretary of State [2015] EWHC 1879 might be taken in paragraph 34(ii) of his judgment to be suggesting that in determining the FOAN, the total need for affordable housing must be met in full by its inclusion in the FOAN I would respectfully disagree. Such a suggestion is not warranted by the Framework or the PPG for the reasons which I have just set out.

- ^{1.65} A further High Court judgment, Hinckley and Bosworth Borough Council v Jelson Ltd is even more clear at paragraphs 40 and 52:

“40. Like the other figures in the column headed “Annual Housing Need” in Table 48, the figure of 980 dwellings per annum is the product of arithmetic driven by current development plan policy for the provision of affordable housing as a percentage of the total number of dwellings in a proposal above a given size. The “need” here is elastic. The figure of 980 dwellings per annum is the notional amount of housing that would have to be delivered to bring forward the number of dwellings in the column headed “Affordable Need” – 245 dwellings per annum – on the basis of an average requirement of 25% affordable housing in relevant developments under the current applicable policy in the development plan. If that policy was changed, the arithmetic would change too, and different figures would emerge in the columns headed “Annual Housing Need” and “Total Housing Required Based on Current Policy”: the lower the percentage requirement in the policy, the higher the total “need” for housing – potentially far beyond the “full, objectively assessed needs” for housing to which NPPF policy refers.

52. The outcome of the proceedings in Oadby and Wigston Borough Council turned on the lawfulness of the approach taken by the inspector in the particular circumstances of that case. I should add, however, that it makes no difference here that the figure of 800 dwellings per annum for “Annual Housing Need” for Oadby and Wigston in Table 48 was not put forward in that case as representing the “full, objectively assessed needs” for housing. But one can well understand why it was not. Like the figure of 980 dwellings per annum for Hinckley and Bosworth, in the same column in the same table, it was the product of arithmetic based on policy: the level of housing delivery that would theoretically be required each year to meet an “Affordable Need” of 160 dwellings assuming an “Affordable Housing Policy (Mid-Point)” of 20%. It had no better claim to be regarded as representing the “full, objectively assessed needs” for housing in the borough of Oadby and Wigston than did the

figure of 980 dwellings per annum in the borough of Hinckley and Bosworth. That was the gist of Green J.'s relevant conclusions (in paragraphs 60 and 61 of his judgment)."

- ^{1.66} Therefore, the approach proposed by Oxford City Council in which it is claimed that 1,356 dpa to meet affordable need in full represents OAN is not justifiable. High Court judges have been very clear that this approach does not provide the OAN. Indeed, it is an approach without precedent across the country. No council that we are aware of has sought such a large uplift to their OAN or Local Housing Need to meet their affordable housing need. In addition, GL Hearn have never proposed such an uplift in areas with very similar levels of affordability pressure to Oxford.

The Link Between Jobs and Workers

- ^{1.67} During the hearings at the Cherwell Local Plan 2011-2031 (Part 1) Partial Review – Oxford's Unmet Housing Need some participants suggested that the findings of the Oxford City SHMA Update 2018 should be set aside because they were only a partial review of the Oxfordshire position. It was argued that the analyses for the five Districts were inter-related and, if the whole of Oxfordshire was considered, then if Oxford's need was reduced, the impact of the balance between jobs and workers could see the needs of other local authorities rise.
- ^{1.68} The table given earlier in this report (in para 1.14) shows that the assessed level of housing needed in Oxford to accommodate workers fell from 700 dpa in the Oxfordshire SHMA 2014 to 527 dpa in the Oxford City SHMA Update 2018.
- ^{1.69} In Table 4 and supporting text of the GL Hearn Clarification Note they state that the jobs forecast used in the Oxfordshire SHMA 2014 for Oxford was 1,216 per annum growth, while in the Oxford City SHMA Update 2018 it was 850 jobs per annum growth. This would certainly explain some of the drop in the number of dwellings required to support the workforce.
- ^{1.70} However, it is the case that the Oxfordshire SHMA 2014 utilised a combination of:
- » Very optimistic jobs forecasts across the whole of Oxfordshire;
 - » Very pessimistic forecasts for changes in economic activity rates compared to past trends, so fewer workers would be available to fill these jobs; and
 - » 2008 based headship rates which would see lower household sizes, so more dwellings would be required to accommodate any workers.
- ^{1.71} The application of 2014 based headship rates, as opposed to 2008 based rates, would see housing needs fall across Oxfordshire when considering the balance between jobs and workers. This is because the workforce would be housed in slightly larger household sizes. Similarly, more realistic assumptions around economic activity rates would see more workers being available to fill jobs, so fewer people and households would be required. Both of these changes would see housing needs across the whole of Oxfordshire fall.
- ^{1.72} Furthermore, it appears that in the Oxfordshire SHMA 2014, individual housing need assessments were first undertaken separately for each District and only subsequently summed to give County totals. In making the District calculations, account was taken of commuting patterns and these were projected forward, thereby recognising the inter-relationship between jobs growth and housing need across the County. Nevertheless, the individual District figures for 2014, including Oxford's, stand alone. The Oxford City SHMA Update 2018 uses the same methodology as in the SHMA 2014 (as stated in CSD.1, para 3.6) and therefore

is a valid stand-alone assessment of Oxford's need. Crucially, the Oxford City SHMA Update 2018 also uses much more recent data than the 2014 report and, as acknowledged by its authors, who make reference to their '*previously less evolved understanding*', it also corrects some of the errors made in their Oxfordshire SHMA 2014 report.

^{1.73} As noted above (para 1.15), the original conclusion in the draft of the Oxford City SHMA Update 2018 is that the OAN for Oxford is 776 dpa and therefore provides a more accurate and up to date assessment than its Oxfordshire SHMA 2014 predecessor. For whatever reason the final Oxford City SHMA Update 2018 report was edited to make this finding less obvious. However, as demonstrated by the above analysis, an OAN of 776 dpa remains the only logical conclusion of the Oxford City SHMA Update 2018.