

WEST OXFORDSHIRE LOCAL PLAN EXAMINATION

INSPECTOR'S PRELIMINARY FINDINGS – PART 1

The Housing Requirement, the needs of Oxford City and the Duty to Co-operate

1. Introduction

1.1 As previously indicated, following the first week of hearings in November, I am publishing these Preliminary Findings to establish how the Examination should proceed. This note focuses on the crucial matters of the housing requirement, the needs of Oxford and the Duty to Co-operate. It focuses on those matters where I have identified shortcomings and on which I consider further work is required. It does not seek to address all points raised on these matters. Part 2 of my Preliminary Findings address, so far as is necessary at this stage, other matters covered in the first week of hearings.

1.2 I conclude in this Note that the housing requirement in the submitted local plan of 10,500 dwellings is not justified and has not been derived from a process which complies with the requirements of the NPPF. Accordingly, further work is required which, if the Council wishes to proceed, will mean a suspension of the Examination. I will confirm arrangements for any suspension once the Council has considered how it wishes to proceed and how long the further work will take.

1.3 The Secretary of State's letter to the then Chief Executive of the Planning Inspectorate of 21 July 2015 and the Minister of State's Written Statement on Local Plans both indicate that Inspectors should be highlighting significant issues at an early stage to give Councils a full opportunity to respond. This Note has been prepared in that context.

2. Background to the Council's justification of the housing requirement

2.1 The National Planning Policy Framework (NPPF) paragraph 159 requires Councils to prepare a Strategic Housing Market Assessment (SHMA), working with neighbouring authorities where housing market areas (HMA) cross administrative boundaries. The Oxfordshire SHMA (G L Hearn Limited, April 2014, HOU2) was produced on behalf of all the Oxfordshire authorities acting together through the Oxfordshire Spatial Planning and Infrastructure Partnership (SPIP), the predecessor to the Oxfordshire Growth Board (OGB). West Oxfordshire Council was the lead authority for this task. The SHMA identifies a HMA for the whole of Oxfordshire, including West Oxfordshire (West Oxon). There is no evidence of substance to come to a different view on the extent of the HMA.

2.2 The Council accepts (eg WOLP29, 4.3 and the Statements of Common Ground, SCG, with the other Councils) that the Oxfordshire SHMA provides the most up-to-date, comprehensive, objective assessment of housing need, including affordable housing needs available for the Oxfordshire HMA and that it is an appropriate basis on which to progress cross-boundary work to identify and accommodate Oxford City's unmet housing need.

2.3 The SHMA identified a range of housing needs for each of the Oxfordshire authorities derived from demographic evidence, economic projections and affordable housing need. Its recommendations are based on the midpoint of the identified range (eg HOU2, Table 90). For West Oxon, the SHMA's recommendation was 660 dwellings

per annum (dpa) which would total 13,200 dwellings over the whole plan period. The local plan's proposed 10,500 dwellings (525 dpa) thus falls significantly short of the SHMA's recommendation. All the other authorities in Oxfordshire have accepted the SHMA's mid-point recommendation as the basis for the progression of their local plans; Cherwell's local plan has already been adopted on this basis. Equally importantly, the SHMA is accepted by all the authorities as the basis for identifying the needs of Oxford City, a substantial portion of which cannot be met within the City's boundaries.

2.4 The starting point for the Council's decision not to follow the SHMA is in 9.17 of the SHMA: *West Oxfordshire stands out as having delivered significantly higher housing provision relative to its South East Plan targets over the 2006-11 period. It delivered almost 1,400 additional homes over and above its housing target. This level of growth was a result of several urban extensions coming forward at the same time, resulting in high levels of in-migration which have influenced household projections moving forward. As such, the District Council may wish to further consider this in light of the Planning Practice Guidance which highlights the need to consider previous over-supply as well as under-supply. No adjustment to figures has been made at the SHMA, but there is potentially a good basis for doing so with reference to previous household projections and needs' assessments alongside the South East Plan targets.*

2.5 It is unfortunate that this issue was not dealt with expeditiously at the time, either as an integral part of the final production of the SHMA, or as an immediately following Supplement, which could have made any necessary technical adjustments to the demographic starting point whilst remaining consistent with all the other assumptions in the SHMA. Any such Supplement could then have been put to the other Oxfordshire Authorities for agreement.

2.6 The Council's approach was to commission further work from other consultants. In particular *An Analysis of West Oxfordshire's future housing requirement (2011-2029)* by Dr K Woodhead, June 2014 (HOU3). This is a wide-ranging piece of work. Amongst other matters, it explores the extent to which the higher rates of house building in the mid-2000s influenced migration rates and thus population projections; it makes various methodological criticisms of the SHMA generally; and seeks to develop household projections based on the then recently published ONS 2012 Sub National Population Projections (SNPP) in advance of the household projections from DCLG. The Council also commissioned a *Validation of Objectively Assessed Housing Need* (Cambridge Centre for Housing and Planning Research, CCHPR, January 2015, HOU4).

2.7 The Council's criticisms of the SHMA and the basis for selecting a different figure is summarised in its *Housing Position Statement* July 2015 (HOU1) with a summary at 2.9. This paper included new demographic modelling from a third consultant (Demographer John Hollis) which compared the most recent DCLG Household Projections with projections based on alternative migration rates. In response to my Preliminary Questions and Comments (July 2015, IN 001) the Council published WOLP1, August 2015.

2.8 The 3 consultants' reports produce a variety of projections and/or recommended figures/ranges for a housing requirement. None specifically explain why the plan's figure of 525 dpa is justified. The Council draws selectively on this evidence. WOLP1, paragraph 2.23 highlights the main elements of HOU3 (Woodhead) and HOU4 (CCHPR) on which it still relies. However, the diversity and complexity of the evidence and the lack of a coherent, single evidential narrative (such as found in the SHMA) has made it difficult to weigh all aspects of the Council's evidence in testing the soundness of the

plan's housing requirement. I have therefore focussed on the main elements in contention. In as much as the Council highlighted national guidance which indicates that the most recent Government projections should be the starting point for housing needs assessments, I have given particular attention to the work of Hollis comparing the DCLG 2012 SNPP based household projections with his alternative migration projections (HOU1, Table at p20 and App1 Table 1).

3. Is the *process* by which the Council developed its housing requirement sound?

3.1 The Council indicates that it had consistently expressed concern about aspects of the SHMA at the OGB, which is co-ordinating joint working on housing across Oxfordshire, and at its predecessor, the SPIP (see WOLP1, 3.4-3.13). I have seen no written reports in which these concerns were set out, but I accept that various concerns were raised, at least orally, with varying weight. I also accept that the Council has consistently been concerned that the demographic starting point used in the SHMA is unreasonable because the methodology projects forward a household migration rate derived from a period when there was a spike in house building. But there is nothing to indicate any formal dissent by the Council when the SHMA was approved by all the Councils for publication as just that, a SHMA for Oxfordshire. Indeed, the Council's SsCG with the other Oxfordshire Councils confirm that West Oxon, along with the other Councils, *signed off the consultant's methodology developed to produce the SHMA* (WOLP 28, 29 and 30, paragraph 4.2). Other documents indicate a long-standing shared commitment to take forward the SHMA in local plans (eg the *Oxfordshire Statement of Cooperation*, SD4, App 3, paragraph 5.3 and the *Oxford and Oxfordshire City Deal* p5, SD11).

3.2 There is no evidence that the Council has shared with its OGB partners the need for new evidence from other consultants; the methodologies to be employed in that new evidence; the Council's decision to rely on matters peripheral to the thrust of the SHMA's recommendations (eg the economic baseline; the 40% income threshold for affordable housing); or the Council's criticisms of some of the methodology of the SHMA. Most importantly, the Council has not explored with its HMA partners the potential implications of the Council's approach for the continued legitimacy of the SHMA as evidence to support local plans in the rest of Oxfordshire.

3.3 Accordingly, there has been a clear failure to accord with the NPPF's requirement to work with neighbouring authorities across the HMA. This is a significant concern for Oxford City, as expressed at the hearing and in its SCG with the Council (WOLP 37, paragraph 3.3). Whatever the technical merits of the various points put forward by the Council, I could not endorse them as a sound basis for the Council's housing requirement unless there had been a clear process of joint working with its partner authorities to consider the implications for the continuing validity of the SHMA's recommendations for those authorities.

3.4 Joint working across an HMA is essential to ensure a reasonably consistent approach and to avoid unintended distortions in the market. In addition, the credibility of the SHMA is the foundation on which much of the current planning work for the rest of Oxfordshire is based. That does not mean it should be beyond criticism, but a Council should be particularly mindful of the wider implications of criticisms and of the reasoning supporting any local adjustments.

4. The demographic starting point and the significance of past high rates of housing delivery

4.1 The demographic starting point identified in the SHMA for West Oxon is 541 dpa. The SHMA was prepared when the latest household projections were the interim DCLG 2011 based SNPP. These covered only a 10 year period and are widely recognised as not as robust as the previous or subsequent projections. The SHMA had to make a number of assumptions and adjustments to produce robust projections for the plan period to 2031. It therefore makes sense to check the SHMA's demographic assumptions against DCLG 2014 household projections (based on the 2012 SNPP). This latest projection indicates annual growth of 458 households per annum (hpa) which, with a vacancy rate of 5.17%¹, equates to 483 dpa. However, the Council's now preferred demographic starting point is 423 hpa/446 dpa (Hearing Statement p4). This is the mid-point of the output of the 2 alternative projections prepared by Hollis (HOU1, Table at p20 and App 1 Table 1). One projection is based on average long term migration trends (2004-2014) and the other on short term migration trends (2009-2014).

4.2 National guidance states: *If a Council has robust evidence that past high delivery rates that inform the projections are no longer realistic – for example they relied on a particular set of circumstances that could not be expected to occur again – they can adjust their projections down accordingly.* (Paragraph: 036Reference ID: 3-036-20140306) The Council's view is that there were abnormally high rates of house building which have unfairly influenced projections, particularly as used in the SHMA. The Council explains this spike in building by reference to a number of large allocations coming on stream at a similar time. However, Table 9 in HOU3 indicates that delivery on previously unidentified sites was also making a significant contribution. I do not regard that particular past situation as one which could not be expected to occur again. Indeed, the plan makes several large allocations which the Council expects to be delivering at the same time (see WOLP14, 15, 16, 17, 18 and 19). In the period before the plan is adopted and any necessary allocations are made, development is also likely to occur on a number of previously unidentified sites. So a spike in housing delivery may well occur again. In part at least, this would be the result of the long gap without an up-to-date plan in place. Nevertheless, bearing in mind that ONS population projections are largely based on the past 5 years, it is right to be alert to any unusual factors in the period which feed into a particular projection. I explore this further below.

4.3 Table 10 in HOU3 compares the number of homes built and the ONS assumptions of net migration for the years 1991-2010.² There has been considerable variation in annual completions³. The 3 years 2005-2007 delivered very high numbers (733, 810 and 865 dwellings respectively), whereas recent years have all been below the overall average and below the current annual housing requirement of 525. In 2013 only 186 dwellings were built. With regard to net migration, peak years were 2002 (1,000 persons) 2005 (1,300) and 2006 (1,500). Other years since 2002 were either 700 or 500 persons per

¹ This figure is taken from the Census 2011. Whilst the Council suggests (WOLP1 2.23), that a lower vacancy rate could be applied, it has not done so in the projections it relies on by Hollis. I see no reason to use a rate lower than that in the most recent evidence.

² More recent figures on completions are included in HOU1, Table 13.

³ It was highlighted at the hearing that the Council's figures for housebuilding HOU3, Table 10/HOU1, Table 13 are generally higher than the figures recorded by DCLG, as set out in the hearing statement from Barton Willmore, Table 2. However, these differences are not material for the reasoning in this Note.

annum (ppa). So there is no simple, direct correlation between the 2 factors. Woodhead demonstrates that to get a reasonable correlation, a 2 year moving average for migration has to be used (HOU3 ,Table 5 6, paragraphs 6.21-2), but his analysis is in danger of making the issue unduly complicated.

4.4 The interim household projections based on 2011 SNPP (which were the starting point used in the SHMA) would have drawn on migration from the years between 2005-6 and 2009-10 (HOU1, App1, paragraph 4.6) so they would have included at least 1 year with the highest migration flow. The ONS 2012 projection would not have included a peak migration year. This change is illustrated in the lowering of the net average migration figure used in these 2 projections from 720ppa to 595ppa (Barton Willmore Hearing Statement, Table 1)⁴.

4.5 But the SHMA did not use the 2011 SNPP uncritically and made a downward adjustment to the migration assumptions used in its projection, giving a revised net migration figure for West Oxon of 593 ppa (SHMA, Table 20), which is almost the same as that in the latest ONS projection. Thus there is not the evidence to support the Council's contention that the SHMA's revised demographic starting point was biased by untypically high migrations flows. The difference in outcomes between the SHMA's adjusted projection and the latest DCLG projection must be the result of other factors, such as different Household Representative Rates (HRR) (see below).

4.6 The PAS Technical Advice Note⁵ indicates (6.24) that it is generally advisable to test alternative scenarios based on a longer reference period of 10-15 years, but not to go back earlier than the 2001 Census. That approach would seem appropriate here to even-out over a longer period the very high numbers for net migration in 2005 and 2006. The projection produced by Hollis based on average migration 2004-2014 serves this purpose (HOU1, Table 1).

4.7 Both Hollis' alternative projections adjust for Unattributable Population Change (UPC) as a component of migration. UPC for West Oxon is an overall negative difference of 527 between 2001-2011. Its inclusion by Hollis will have lowered the net migration figures used in his long and short term projections compared with those in Barton Willmore Table 1. There is no right or wrong answer as to whether an adjustment should be made for UPC. ONS do not include it in its projections because it cannot be ascribed with certainty to any one component of change. In any case, UPC will become less relevant in future projections. The PAS Technical Note (6.33-6.35) advises that the default option is to ignore it, but that this may be overridden by local evidence. UPC is not a substantial factor for West Oxon, but I consider that it is reasonable to have regard to it given that the SHMA (HOU2, paragraph 5.23) took it into account. Consistency of approach across the HMA is important. In any further work arising from this Note it would be best to model projections with and without UPC to test its significance.

4.8 Hollis' projection based on short term trends (2009-2014) should not be used to establish a demographic starting point. The net migration figure for the recent short term period is 472 ppa (excluding UPC). In each year of this period housing delivery

⁴ None of Barton Willmore's figures include any adjustment for Unattributable Population Change (UPC) whereas John Hollis' alternative projections in HOU1 do adjust for UPC as a component of migration. This is discussed later in this Note.

⁵ Planning Advisory Service *Objectively Assessed Need and Housing Targets* Technical advice Note Second Edition July 2015.

was considerably below the housing requirement in the plan. In as much as there is a link between the 2 factors, a projection based on this short term migration figure would be too low, since it would be embedding a significant trough in delivery - the opposite effect to the Council's concern with the SHMA. The selection by the Council of its preferred demographic starting point based on the average outputs of the long term and short term projections is therefore also unjustified, since it skews the outcome too much to a period of very low delivery. The next round of ONS population/DCLG household projections could well be lower than the current figures because of this drop in delivery. A cautionary approach will be needed to avoid low delivery arbitrarily justifying a lower future requirement.

4.9 The DCLG 2012 based household projection results in a need for 483 dpa over the plan period. John Hollis' projection based on migration over 10 years indicates a need for 491 dpa. These outputs are remarkably similar and both avoid being unduly influenced by untypically high migration. Subject to my comments on Household Representative Rates (HRR) below, they indicate that an up-to-date demographic starting point is around 490dpa. Whilst this is a material reduction from the adjusted demographic figure used in the SHMA, there is no evidence to indicate whether the use of such a figure would result in a change to the figure recommended in the SHMA, if all other assumptions had remained constant.

4.10 I am not going to give preference to one of these 2 projections over the other. In part this is because, as modelled by Hollis, the 2 projections produce very different projections for the resident labour force (HOU1, Table 5). This difference raises considerable uncertainties when trying to compare the likely increase in the local labour force with projections for economic growth and jobs. In any further work, the Council needs to be alert to the reasons for this disparity of outcomes.

4.11 Hollis uses the HRRs from the DCLG 2012 based projections and he specifically endorses the appropriateness of their use. The PAS Technical Note (6.36 -6.43) also generally endorses the latest HRRs as a new starting point and discourages any attempt to blend these with earlier rates - a practice that emerged because of the perceived shortcomings of the rates used in the interim 2011 SNPP based projections. Criticism of the 2014 HRRs focuses on the 25-34 age group. This still projects a substantial difference from the 2008 HRR for this group, whereas for all other age groups they are more closely aligned (see Hearing Statement by GL Hearn, Appendix 4). The continued decline in HRR for this younger age group may well reflect some suppression of household formation as a result of the recession, but it is difficult to judge the extent to which structural changes arising from the recession have in fact produced a permanent change to household formation. Recently proposed Government initiatives may have an effect (but these were not discussed at the hearing). There is not the evidence to recommend any specific adjustment, but in any further work the Council should be mindful that a demographic starting point of around 490 dpa may be embedding some suppression of household formation.

4.12 I need to comment on 2 further matters. Woodhead (HOU3, paragraph 6.32) and some other representors suggest that the extent by which West Oxon "over delivered" housing in the period 2006-2011 compared with the requirement applicable at the time in the South East Plan should be taken off the housing requirement. This over delivery amounted to about 1,400 dwellings. I do not consider that any such subtraction would be justified. As already highlighted, the thrust of National Guidance on this point is to

review the appropriateness of projections which might contain periods of unusual high growth. I have already done so. The residents of the additional 1,400 dwellings are now an integral part of the population of West Oxon and need to be included in future projections of population and household change. I note that the SHMA (HOU2, Table 90) added to the demographic starting points the shortfalls in delivery that occurred in the other Oxfordshire districts. However, those additions did not make any material difference to the recommended housing requirements for those districts because the housing needs arising either from the committed economic growth projection or to meet affordable housing needs were much greater. Conversely, subtracting a substantial figure for past "over delivery" from the calculated housing requirement for West Oxon would make a significant difference and mean that assessed needs would not be met. This would be contrary to Government policy.

4.13 Finally, I note that several representors consider that the SHMA is fundamentally flawed and suggest alternative methods for determining a housing requirement, which they consider should be lower than that proposed in the plan. However, much of the reasoning in those radical approaches simply does not reflect the aims of Government policy expressed in the NPPF to meet housing needs of all types (subject only to the test in paragraph 14) or national guidance on the appropriate methodology for assessing housing need.

5. Affordable Housing

5.1 The SHMA identifies a net annual need of **274** affordable dwelling for West Oxon (HOU2, Table 54). The Council recognises that the SHMA provides the most up-to-date, objective assessment of affordable housing need across the Oxfordshire HMA; that the assessment methodology is consistent with national guidance; and was agreed by all partners, including West Oxon (WOLP1, 2.36). However, the Council suggests that the figure for need should be lower, in contradiction to this general endorsement of the SHMA. In particular, the Council considers that it would be reasonable to apply an income threshold of 40%, rather than the 35% which is the basis for the SHMA's recommendation. In my experience, the 35% threshold is higher than thresholds commonly adopted in this type of exercise elsewhere, but is justified for the reasons set out in the SHMA (HOU2, paragraphs 6.17-6.20). I have seen no evidence of substance to suggest that a lower threshold is necessary here.

5.2 The Council highlights the reference in the SHMA (paragraph 6.81) to the fact that, in practice, some households are likely to be adequately housed whilst paying more than 35% of their income on housing and that if a 40% threshold were to be used then the need would be reduced, as shown in SHMA Table 57. However, the fact that some households do spend more than 35% of their income on housing is not a good reason to take a 40% threshold as justified for assessing the need for affordable housing. There is no evidence to indicate that circumstances in West Oxon are so noticeably different to the rest of the HMA as to justify a different threshold here, nor any real assessment by the Council as to whether it is reasonable to do so. In my view it is not, given that it represents such a substantial proportion of income.

5.3 The Council highlights (WOLP1, paragraph 3.39 and at the hearing) that with the inclusion of the pipeline of affordable housing developments, the identified need would be lower (SHMA, Table 55). However, in relying on the pipeline supply identified in the

SHMA there is a considerable risk of double counting and confusion when considering likely affordable housing delivery. I consider delivery further below.

5.4 The SHMA addresses the current backlog of affordable need over the 18 year assessment period. This approach is broadly accepted by most hearing participants in the context of the overall recommendations of the SHMA. In that context, I see no reason to disagree, given the substantial uplift in housing that the SHMA was recommending to address affordable housing need, amongst other matters.

5.5 I consider that the SHMA's recommended figure of a need for 274 affordable dwellings per annum is justified for the period 2013-2031. There are inevitably some weaknesses in a model which uses a detailed assessment of short term needs as part of the assessment of needs over the whole plan period, as acknowledged in the SHMA and highlighted by the Council (eg WOLP1, paragraphs 3.48 -3.49). But the SHMA follows national guidance. In any case, it is inevitable that needs will be reassessed during that period and the figure is not intended to remain fixed for 18 years without review.

5.6 I turn now to affordable housing delivery, to compare with the level of need. The Council's position is set out clearly in WOLP1, paragraphs 3.56-3.79 and accompanying tables. Some key points in using this data are as follows. Firstly, affordable housing delivery should be counted only from 2013, since that is the base date of the SHMA's assessment of such needs. Secondly, if actual provision in 2013-2015 is to be counted along with existing commitments at 1 April 2015 (as per WOLP1, pp19-20) then the pipeline supply referred to in the SHMA must be ignored. Thirdly, I have deferred to later hearings the viability and deliverability of the Strategic Development Areas allocated in the plan. Some of the landowners/promoters of those sites dispute their ability to deliver policy compliant levels of affordable housing as well as major items of infrastructure. Thus the delivery figures in WOLP1 (table at paragraph 3.62) have not been tested at this stage and these figures are accepted only for the purposes of the present calculation. Finally, the implications of the Housing Bill and of the Government's Autumn Statement on the delivery of affordable housing have not yet been taken into account, but will need to be in due course as the consequences of both become clearer.

5.7 The Council's assessment of delivery of affordable housing includes affordable housing expected to be delivered from suitable SHLAA sites (WOLP1, paragraph 3.64). These are not allocated in the plan, but are needed to make-up overall housing delivery to the requirement of 10,500. Assuming that the affordable housing policy remains unchanged, the assumption of delivery from this source is reasonable.

5.8 In addition, the Council has included in its calculation 300 affordable dwellings from large site windfalls (WOLP1, paragraph 3.67)⁶. Before and at the hearings, I indicated that I could not see the justification for large site windfalls. If the SHLAA is robust it should have captured most large sites likely to come forward. In as much as some suitable SHLAA sites might not come forward, alternative large site windfall sites would be a substitute for them and any affordable housing provision they make would be a replacement for any lost from the assessment made in paragraph 3.64. Alternatively, if the SHLAA sites referred to in the plan were translated into allocations (as discussed at the hearing and on which I comment in my Part 2 Note) then any large site windfalls that were permitted would, in effect, be increasing housing provision/delivery above

⁶ These are sites above the SHLAA threshold of 10 dwellings.

10,500. Clearly, if overall housing provision/delivery increases, more affordable housing can be expected. That is the reason national guidance indicates that consideration should be given to such an uplift to boost affordable housing delivery.

5.9 If the Council is confident of large site windfalls then that weighs in favour of an additional uplift to boost affordable housing delivery. For present purposes, I have excluded the 300 figure in paragraph 3.67 from expected delivery. Finally, the Council estimates that 100 additional units will come from "other sources". Given the modest nature of this figure in the overall balance, it was not discussed at the hearing, but I have included it for this calculation.

5.10 Taking off the 300 dwellings for the reasons given above, about 2,689 affordable units are expected to be delivered in the period 2013-2031 (WOLP1, paragraph 3.76, adjusted downwards). This compares with an assessed need for 4,932, based on the SHMA's 35% income threshold. There is clearly a very substantial shortfall. Given the NPPF's definition of affordable housing, private rented accommodation, where households unable to compete in the market may be in receipt of public subsidy (housing benefit), should not be taken into account in determining the need for affordable housing or how to respond to that need.

5.11 I have seen no evidence of any careful, balanced consideration by the Council of the extent to which the gap in affordable housing provision should be narrowed by an uplift in market housing. Any assessment previously made by the Council has been on the basis of a new demographic starting point that is too low (446 dpa, WOLP1, paragraph 3.29); on an unjustified income threshold (40%); and with undue regard to the past limited success in delivering affordable housing (see below). The Council needs to address this matter afresh in the light of these Preliminary Findings and the need for consistency with the SHMA's core assumptions.

5.12 The Council consider that the SHMA adopts a too mechanistic approach in uplifting housing to ensure that the needed affordable housing is delivered. The Council considers that the SHMA's assumption of 40% delivery of affordable housing from all housing development in West Oxon is unrealistic given the policy threshold of 10 dwellings at which the policy takes effect (as proposed in the local plan) and different percentages to be applied in different parts of the district. The SHMA had to make an assumption of the appropriate percentage to apply in advance of local plans coming forward. If the SHMA was too optimistic, it would point to a need for a *greater* uplift to be considered, not a lower uplift as the Council suggest. The Council also highlights relatively low levels of affordable housing delivery in the past (HOU1, Table 13) which have averaged 20% over the past 14 years. However, given that national policy seeks a step-change in housing delivery and for all needs to be met where possible, the limited success of the past should not be used to justify continued under-provision. I have seen no specific evidence, such as from Registered Providers, of insurmountable difficulties in stepping-up delivery and the Council should be actively considering how to maximise the delivery of affordable housing.

6. Economic growth and jobs

6.1 The SHMA took account of housing needs based on securing a sufficient workforce to deliver the jobs anticipated to arise under what it terms the *Committed Economic Growth* scenario (eg SHMA, Table 90). This scenario took account of factors expected to

stimulate above-trend growth in employment in Oxfordshire (SHMA, 4.19-4.20). This scenario was assessed in more detail in *Economic Forecasting to Inform the Oxfordshire Strategic Economic Plan and SHMA* February 2014 (ECON2). This scenario underpins the stated ambitions of the Local Economic Partnership (LEP) and provided the justification for bids for substantial public investment to help bring about this growth (such as through improvements in critical transport infrastructure). A number of strands of such investment are being co-ordinated by the OGB. The Council is part of the LEP and OGB (as already highlighted) and there is no evidence to suggest that the Council is seeking to formally dissociate itself from the economic aims of these bodies.

6.2 Notwithstanding the above, the Council now considers that this *Committed Economic Growth* scenario should not be taken into account in deriving the housing requirement for West Oxon. The Council considers that the plan's housing requirement appropriately aligns with the baseline economic projection. As explained in ECON2, the baseline projections assumes the continuation of the historical relationship between growth in the local area relative to the South East or UK (dependent on the type of business concerned).

6.3 I recognise that, as highlighted by the Council, economic forecasts for Oxfordshire/West Oxon have changed considerably over recent years, must be treated with a degree of caution and will no doubt change again over the plan period. Nevertheless, the Government's aim, as expressed in the NPPF, is that the planning system should facilitate economic growth and Councils must plan positively to secure it. Strategies for housing, employment and other uses should be integrated (NPPF 158). Local Plans should be aspirational, but realistic (NPPF 154). For the following reasons I consider that the Council is not justified in planning on the basis of the economic baseline.

6.4 Firstly, it is inconsistent with its support for the LEP and work of the OGB. As with housing issues across an HMA, so economic issues are best addressed consistently across an economic area, as those bodies seek to do, and as reflected in the recommendations of the SHMA. There is no evidence of the Council seeking, let alone obtaining, the agreement of partner authorities to it assuming a lower rate of economic growth in West Oxon than the rest of the County, or of considering with them the wider implications of doing so. Indeed, the Council states that it remains fully supportive of the LEP and the overall economic ambitions contained in the Strategic Economic Plan (WOLP1, paragraph 3.84). I cannot see how both positions are tenable.

6.5 Secondly, my understanding is that the other emerging local plans in Oxfordshire and Cherwell's adopted local plan are all planning to accommodate the *Committed Economic Growth* scenario. Such commitment across most of Oxfordshire is a strong factor in making that level of growth become a reality and not remain only an aspiration.

6.6 Thirdly, the *Committed Economic Growth* scenario is based on the identification of a range of significant planned projects likely to boost economic development (ECON2, chapter 4). It is not an arbitrary increase over the baseline. In the light of the unique opportunities for economic development in parts of Oxfordshire, it is surely a location where there is considerable economic potential to be realised, but which might be inhibited if not actively planned for. Planning to meet the *Committed Economic Growth* scenario fits well with the NPPF's aim to: *respond positively to wider opportunities for growth* (paragraph 17, 3rd bullet).

6.7 Fourthly, the growth rate in the economic baseline (0.6% to 2021 and 0.5% pa thereafter, ECON2 p9) is below the most recent economic forecasts for West Oxon from 3 leading forecasting bodies. These project rates of 0.8% or 0.9%. These forecasts and related predicted job growth match the predicted 0.8% growth for West Oxon in the *Committed Economic Growth* scenario (Barton Willmore Hearing statement, Tables 4/5).

6.8 Fifthly, in as much as West Oxon has suffered some specific job losses in high profile sectors since the SHMA's assessment⁷, I consider that this negative impact has been more than offset by another opportunity. Employment growth (contractors and indirect effects) has taken place and is likely to continue to arise from major changes at RAF Brize Norton (WOLP32, particularly pp6-7) which are not referred to in the justification for Committed Economic Growth scenario

6.9 The Council has other concerns with the economic modelling in the SHMA. HOU3 and some of the other submissions from the Council contest that the whole model is too circular and is flawed. On reflection, however, the Council did not pursue this fundamental criticism of the SHMA at the hearing. In my view, the SHMA rightly seeks to integrate economic and housing projections. It is nevertheless right to be alert to the fact that the economic projections themselves incorporate a population projection. In this case, the baseline projection incorporates ONS 2011 based SNPPP (ECON 2, p2). A substantial proportion of the predicted economic growth in West Oxfordshire is a product of population growth (eg retail and health sectors). In as much as a revised demographic starting point is now justified and is lower than that used in the SHMA then there would be less growth from this factor.

6.10 The Council emphasises that West Oxon is not closely related to the key locations for growth in Oxfordshire, but this is reflected in the different growth rates for the districts in the *Committed Economic Growth* scenario. For example, the Vale of White Horse has a growth rate of 1.5% compared with West Oxon's 0.8% (ECON2, Table 5.2).

6.11 The Council considers the *Committed Economic Growth* scenario is a "policy-on" position and therefore should not be taken into account in identifying the objective assessment of need. But any necessary distinction between policy-off and policy-on considerations does not change the position on this matter here. In identifying the appropriate housing requirement in the Plan, "policy-on" matters relating to an agreed economic strategy (as expressed by the LEP and OGB) should be taken into account so that there is effective integration between housing and employment strategies.

6.12 I accept that if West Oxon were to plan for 525 dpa rather than the 660dpa recommended in the SHMA, then across Oxfordshire as a whole there would still be sufficient housing to support a labour force consistent with *Committed Economic Growth* because of the additional housing also recommended to meet affordable housing need (WOLP1, paragraphs 3.93-3.94). However, such an argument could be used by any of the other Councils to justify a lower housing requirement. There is no justification for an exception to be made for West Oxon. Collective and consistent action across the HMA would soon unravel if such arguments prevailed.

6.13 The Plan does not contain any figure for job growth. Although I am firmly of the view that the Council should adopt the *Committed Economic Growth* scenario to plan for

⁷ eg the closure of Caterham F1 which was an advanced engineering company highlighted for growth in the Committed Economic Growth scenario (ECON2, p23).

higher growth than the baseline, I am not in a position to specifically endorse the related projection of job growth of 7,900 for West Oxon (ECON2, Table 5.2). If the Council chooses to adopt a new demographic starting point then that projection may be different.

6.14 The baseline scenario now preferred by the Council projects job growth of 5,100 additional jobs. The Council see this as compatible with increase in the local labour force arising from the proposed 10,500 dwellings. The modelling by Hollis (HOU1, App 1, Table 2) projects a resident labour force of just over 6,000 which, allowing for commuting and other adjustments, equates to sufficient local workers to support about 4,755 jobs (Hearing Statement, p15). However, as already highlighted, labour force projections vary widely depending on the particular demographic inputs, even for a similar overall housing figure. Accordingly, in any further work, the Council should be alert to these variations and may need into take account of a range of possible labour force projections in determining whether the plan's housing provision would provide sufficient local workers to support the *Committed Economic Growth* scenario.

6.15 The plan refers (paragraph 6.18) to evidence that around 60ha of employment land is required over the plan-period. The Council's most up to date evidence on employment land requirements is in ECON1 (*West Oxfordshire Economic Snapshot* January 2015). In section 6.5 this sets out employment land requirements based on the SHMA's *Alternative Population Scenario* and then sensitivity tests its conclusions against the *Committed Economic Growth Scenario*. On current evidence, the quantum of 60ha is about right to facilitate the higher growth that I consider should be planned for, but there appear to be issues with the availability of some of the land. The distribution and deliverability of employment land is a matter for later consideration and was not discussed at the November hearings.

7. The needs of Oxford City

7.1 The SHMA identifies substantial housing needs for Oxford City. Very recently the OGB has agreed a working assumption of 15,000 homes to be found outside the City within the adjoining districts to meet the City's unmet needs (WOLP37 and WOLP34). The OGB has been coordinating work to meet the City's needs since the beginning of 2015. Unfortunately, the timetable for completing the various work streams has been progressively slipping. The most recent timetable (WOLP34, Appendix *Post SHMA Strategic Work Programme*) indicates July 2016 for the publication of a statement of cooperation setting out an agreed distribution, but some of the core evidence should be completed by April 2016.

7.2 The submitted plan does not identify or seek to address any unmet needs of Oxford City. The Council envisages a local plan review as the vehicle to address any apportionment made by the OGB next July. The Council is now committed to completing such a review within 2 years and a review is included in the Council's Local Development Scheme (LDS). The Council sees its approach as consistent with that accepted by the Inspector for the Cherwell local plan. However, I can understand the concerns of those, including Oxford City, who consider that such a timescale may easily slip, given how long it has taken to produce the current local plan. Whilst Oxford City considers that the Duty to Cooperate has been *broadly complied with*, it considers the local plan to be unsound in not addressing Oxford's needs in some way (WOLP37, paragraph 2.3c).

7.3 I consider compliance with Duty later in this Note. The NPPF refers to planning strategically across local boundaries in paragraphs 178-181. The soundness test of *positively prepared* states that the plan should be prepared based on a strategy which seeks to meet objectively assessed development and infrastructure requirements, including unmet requirements from neighbouring authorities where it is reasonable to do so and consistent with achieving sustainable development. In my view, this requirement would normally mean that a plan should seek to address the needs of an adjoining area where there is clear evidence of unmet need, as is the case here. However, where well before submission of the plan, the relevant authorities have made a commitment to address those needs; have established a firm mechanism to assess the most sustainable distribution of such needs; and intend to apportion them to the adjoining districts, then it is not unreasonable for plans that are already well advanced not to be delayed whilst that process is completed. That was the position at Cherwell where the plan will have been adopted for a year before the final apportionment is made by OGB.

7.4 Following the process established by the OGB is more likely to lead to the most sustainable pattern of development compared with each local plan independently exploring how to meet some element of the unmet need. The latter would most likely result in the last local plan to be prepared having the largest share of unmet needs to accommodate. Oxford City did not seek provision for any of its needs to be met in West Oxon at an early stage in the plan process⁸. In addition, I have not seen any specific subsequent request from the City to the Council to make provision for a specific figure or share of its needs. In this context, it was not essential for the Council to have included in this plan at the outset a figure for the unmet needs of Oxford, since any such figure would have been fairly arbitrary. Unfortunately the position is more complicated than this.

7.5 The timescales for the adoption of this plan and the finalisation of the apportionment of unmet needs have always overlapped. Prior to submission, the Council should have been alert to the likely difficulties that could arise. When the Council published this local plan in Spring 2015, the OGB timetable for apportioning Oxford's needs was September 2015 (WOLP34, Appendix *Post SHMA Strategic Work Programme*), well before this plan could have been adopted. The Council's LDS of January 2015 (SD6) indicates an adoption date of March 2016. It was only after submission that the OGB reset the timetable with a new deadline for completion of its work by March/April 2016. The date of adoption in the Council's Addendum LDS (DS6a) is now Spring 2016. So the Council should have been conscious that the local plan would not be adopted until after the OGB had made its final apportionment and should have considered the implications. As a result of my conclusions in this note, I cannot see how this plan could be adopted before July 2016, which is the latest date for the final decisions of the OGB.

7.6 In eventually considering the soundness of this plan (following the further work and consultation on the matters of concern in this Note) regard would have to be given to any apportionment to West Oxon made by the OGB. If any such apportionment is made then that would become part of the housing need for the district. Any such apportionment is not immediately a definitive housing requirement, since it must be taken through a local plan process to test its deliverability and environmental impact. Nevertheless, it will be a figure of considerable significance and weight, since it will have

⁸ See for example the letter from Oxford City Council to West Oxon, 16 April 2013 confirming that the Duty is regarded as fulfilled (SD4, App 2).

emerged from an evidence-based process to inform spatial options for growth outside Oxford City. My initial view is that it would need to be taken into account in calculating the 5 year land supply.

7.7 If the local plan were to proceed to adoption without having regard to any apportionment that had been made by the OGB, it would immediately be out of date. Such a plan would be inconsistent with one of the aims of the plan-led system which is to bring more certainty as to where development would take place. In addition, the development strategy of the plan may well not be appropriate to accommodate any significant needs from Oxford and additional new greenfield sites would need to be found. It would not be conducive to planning for sustainable development for potential additional sites to meet West Oxon's needs (arising from an increased housing requirement) to be considered in isolation from sites required for Oxford City's needs. The combination of needs might well result in a different scale/location of site being required, changing the mix of relevant considerations in the choices that have to be made.

7.8 Having identified this problem, I cannot be prescriptive as to how it should be resolved. In WOLP37, paragraph 4.2, the Council and Oxford City Council agree that if I concur with the City's concerns (which, on this point, I largely do) then the matter can be addressed through main modifications to the plan. I recognise that if the OGB were to decide that no share of Oxford's needs should be accommodated in West Oxon and all the City's needs were to be met in other districts then this difficulty would not arise. However, it would be a very high risk strategy to rely on that outcome.

8. Duty to Cooperate

8.1 The Council's position is set out in its *Statement of Compliance with the Duty to Cooperate* (SD4). The only aspects in serious dispute relate to its approach to the SHMA and the unmet needs of Oxford City.

8.2 I consider that the joint commissioning and joint endorsement of the SHMA for the Oxfordshire HMA and the mechanism and work streams put in place (before submission of this plan) by the OGB to address the needs of Oxford City are very important elements in demonstrating compliance with the Duty.

8.3 However, the Council's actions (before submission) in commissioning and using evidence and argument that criticised the methodology of the SHMA in several key respects (as explained above) were in danger of jeopardising the use of the SHMA across the rest of Oxfordshire and thus of undermining the effectiveness of strategic planning in the County. But as I have been largely unconvinced by those arguments, the actual damage caused by the Council's actions in this regard should not be too great. Accordingly, strategic planning can continue to be effective on the basis of the SHMA (or any subsequent joint update). On this basis, I am able to conclude that the Council has fulfilled the Duty. This favourable conclusion does not however change my view that the Council has not sufficiently worked with its neighbours across the HMA in determining its own housing requirement and thus fails soundness in this regard.

9. Other Statutory Matters

Sustainability Appraisal (SA)

9.1 At submission, I consider that the SA had adequately addressed reasonable alternatives for a plan seeking only to address the needs of West Oxon. Two alternative options (a *new village* and *concentration of development along transport corridors*) were dropped following the Issues and Options Stage in 2008 (CD2 paragraphs 4.7-4.10). I consider that the rejection of these 2 options was reasonable for the reasons the Council gives in the context of meeting the needs of West Oxon alone. If any further work undertaken by the Council anticipates some apportionment of Oxford's needs to West Oxon, then the range of alternative strategies to be considered in the SA will need to be reviewed.

9.2 Other, more generic criticisms were made regarding the SA. The Council's response to these criticisms is in WOLP3. For the reasons given by the Council, I am satisfied that the SA is adequate in its general scope and approach. (I am not however commenting here on its assessment of individual sites.)

Habitat Regulations Assessment (HRA)

9.3 In my prehearing questions I sought clarification regarding the HRA and the Oxford Meadows SAC. WOLP31 confirms that Natural England are content with the HRA. To ensure consistency between the assumptions/recommendations made in the HRA and the plan, additional text is needed along the lines proposed by the Council (WOLP38, FMs 1, 21 and 24). These should be included in any future consultation on changes.

9.4 I am satisfied that all other statutory requirements have been met.

10. Overall Conclusion and Way Forward

10.1 The local plan's housing requirement of 10,500 has not been justified. The Council's evidence to support its housing requirement has been worked-up independently of its partners in the rest of the HMA without due regard for consistency across the HMA and the potential wider implications of its actions.

10.2 The Council's new preferred demographic starting point is too low because it has been unduly influenced by recent years of very low delivery (well below the annual rate proposed in the plan).

10.3 The Council has not given explicit consideration, based on appropriate assumptions, to an uplift in housing provision to narrow the substantial gap between the need for affordable housing (as identified in the SHMA) and the likely delivery of affordable housing from the plan's proposed 10,500 dwellings.

10.4 The Council's preference for a *baseline* economic growth rate rather than *Committed Economic Growth* outlined in the SHMA and endorsed by all the other Councils in Oxfordshire is unjustified and out of step with the Government's aims for economic growth. I am not satisfied that the local plan's housing requirement would provide sufficient labour force to support Committed Economic Growth.

10.5 I am unable to identify what the housing requirement should be. It is likely to be between the recommended figure in the SHMA (660dpa) and that in the plan (525dpa).

The SHMA provides a recommended housing figure for West Oxon developed on assumptions that would largely overcome the above shortcomings. If, however, the Council wants to do further work in the light of the above findings, then it is essential that the methodology is first shared with its partner authorities in the HMA and that the Council considers any concerns raised. The conclusions of the Council's work will also need to be shared and the implications considered. If the housing requirement increases, then additional sites and/or changes to the existing site allocations will need to be made.

10.6 In any further work, the Council will need to consider the implications for the plan of any apportionment to West Oxon of Oxford City's unmet housing needs due to be made by the OGB in July 2016. If this is not taken into account the plan would be out of date before it can be adopted (assuming that some apportionment is made to West Oxon).

10.7 Once the Council has reflected on these findings, it will need to decide whether to withdraw this plan or put forward changes to make it sound. If it wishes to proceed with this plan, it should set out an indicative timetable for the further work which is necessary, including public consultation on proposed changes and appropriate recording and commentary on the further representations made. Once I receive that indicative timetable, I will be able to determine for how long I should suspend the Examination.

10.8 Part 2 of my Preliminary Findings comment on matters considered under Issues 3 and 4 at the hearings in November. Some further work will be identified in that Note, although it does not have the strategic significance of the matters in this Note.

Simon Emerson

Inspector

15 December 2015