Cabinet Report

Report of Head of Planning

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To: CABINET

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Planning: Review of the South East Plan housing target and its relevance to the Vale Core Strategy

Recommendations

Cabinet agree that:

1. On current evidence to continue to rely on the South East Plan housing target beyond its pending revocation, as a basis for progressing the emerging Vale Core Strategy

2. Evidence and planning guidance relevant to the appropriate level of housing provision is kept under review, to refine the core strategy housing target if appropriate.

Background, report purpose and structure

1. On 30 June 2011 the council published a press statement[1] on progress with the emerging Vale core strategy in the light of Government intentions to abolish the Regional Spatial Strategies. This confirmed that the core strategy would be progressed but that there would be an internal review of housing targets and sites, to report in autumn 2011, to clarify how best to progress.

[1] http://tiny.cc/yymo0

After the review the core strategy document will be updated for further public consultation in the first half of 2012.

2. This report addresses the first part of the internal review, the core strategy housing target. It examines how the South East Plan (SE Plan) housing target was founded, and considers whether this target remains relevant to the Vale for plan-making purposes in the context of the pending abolition of regional plans including the SE Plan signalled in the Localism Bill.

3. The first section of the report including Annex A provides an overview of the SE Plan preparation process, evidence base and testing at examination to identify the key factors underpinning the SE Plan housing figure for the Vale. Subsequent sections provide an overview of more recent evidence on the key factors identified, to establish whether the SE Plan housing figure remains appropriate for the emerging Vale Core Strategy to plan for.

Summary of content and conclusions

4. The first part of the report reviews the SE plan process and evidence testing at examination, and finds that

   a) The SE Plan strategy for central Oxfordshire was largely that prepared by Oxfordshire local authorities as advice to the former South East England Regional Assembly (the regional body)

   b) The SE Plan housing target for the Vale is almost the same as the ‘option one’ figure recommended in Oxfordshire advice to the regional body

   c) The reasons identified by the SE Plan examination panel of inspectors for increasing housing targets in Oxfordshire over the level recommended in Oxfordshire advice are reasonable and evidence-based. These include

      (i) insufficient regard to projections of household growth, including inadequate allowance for migration despite higher than average economic potential

      (ii) high levels of need for affordable housing and backlog in meeting it, combined with market housing amongst the least affordable in the South East

      (iii) insufficient weight accorded to supporting the economy including an internationally important science base and, closely linked to this

      (iv) a substantial surplus of jobs over available labour, projected to worsen with similar pressures in surrounding subregional labour markets.

5. The second part of the report assesses whether the SE Plan housing target remains relevant for the Vale as a basis for the core strategy post SE Plan revocation. It does so by examining the available evidence to establish whether the factors the South East Plan examination panel noted as justifying

housing provision above projected rates of household growth (as at paragraph 4a, above) are still apparent and significant.

6. The evidence examined in the report is drawn from various documents that were produced over a period of time and in respect of different geographical levels. It supports general conclusions rather than identifying the precise figure of new homes that the Vale should plan for. With this caveat the report finds that the housing pressures noted by the panel in 2006 are still evident today.

7. This evidence supports a first conclusion: that it remains appropriate for the Vale to plan for housing provision above the projected level of future household growth. Taking into account recent county demographic forecasts, household growth in the Vale is likely to exceed 500 households per year. This supports a second conclusion: that the SE Plan housing target of 578 homes per year remains a plausible target for the Vale core strategy, when housing need, affordability and labour market considerations are taken into account, as upward demand pressures.

8. A further round of county demographic projections is due around the end of 2011. Once the results are available it may be appropriate to 'fine tune' the housing target.

The SE Plan (2009) housing target

9. The SE Plan provides the current strategic context and housing target for the Vale LDF, to provide 11,560 net additional homes 2006-2026, or 578 homes per year (policy H1). Prior to the SE Plan, the Vale worked to the (2005) Oxfordshire 2016 Structure Plan housing target of 7,150 homes 2001-2016, or 477 homes per year.

<u>SE Plan status and revocation</u>

10. The emerging Vale core strategy will be finalised and examined after the expected abolition of regional plans; anticipated[2] by the end of 2011, upon enactment of the Localism Bill. Until then the requirement to be in general conformity with the SE Plan – including its housing target - remains in force.

11. Details of transitional arrangements are awaited. The 'Open Source Planning' Green Paper (2010) suggested that whilst in transition to adopting a local plan, local authorities could rely on the housing figure provided as local advice to the regions that informed the setting of regional housing targets – known as the 'Option 1' figure. For the Vale the Option 1 figure was 575 homes per year, almost the same as the SE Plan target.

[2] Revocation is subject to a sustainability appraisal and might be delayed if found to be detrimental to sustainability.

South East Plan housing target

12. SE Plan preparation was coordinated by a small regional secretariat, but relied heavily on cooperative working and bottom-up input. For Oxfordshire, this work was managed through the Central Oxfordshire Steering Group, led by Oxfordshire County Council with senior officer and member representation from all Oxfordshire authorities. Their task was to provide ‘advice’ to the region – essentially to produce a sub-regional vision and strategy for development, and to recommend district-level housing distributions. The regional body accepted the Oxfordshire strategy and housing advice and incorporated it into the draft SE Plan. Fuller details of this process in Oxfordshire are provided at Annex A.

13. At examination stage the SE Plan panel concluded that the level of housing provision proposed for the south east region as a whole was ‘significantly too low’, and recommended a 10% increase – to a level they still considered to be ‘right at the bottom’ of what their analysis of strategic factors suggested.

14. Similarly, the panel considered[3] the SE Plan housing level proposed for central Oxfordshire (which was based on advice from Oxfordshire to the regional body) was also too low. The rationale for recommending higher housing levels in our sub-region included the following

(i) Household growth: The housing level recommended in the Oxfordshire advice was below the projected increase in the number of households[4], compounded by an insufficient allowance to address the existing backlog of unmet need. It was also below the level in the 2016 Oxfordshire Structure Plan, noted in its own examination panel report to be the absolute minimum level of housing considered necessary. Despite higher than average economic potential, allowances made for accommodating trend migration were significantly less than the regional average

(ii) Market housing affordability and affordable housing: market housing affordability is noted to be amongst the worst in the South East, primarily due to high prices. Affordable housing need exceeded the total amount of housing development proposed and included a high level of backlog (accumulated unmet need)

(iii) The economy: Insufficient weight was accorded to economic factors including the internationally important science based and knowledge economy

(iv) Labour~jobs balance: The scale of imbalance between local jobs and resident workers (then 34,000), and that the excess of jobs over available labour was projected to worsen by a further 15,000, based on SEERA projections. Oxford City was the focus of this imbalance. Surrounding sub-regional labour markets were also noted to be pressured and

[3] Panel Report pp104-105, 337-346
[4] 2004 government household projections

experiencing in-commuting, raising questions as to the source of additional labour central Oxfordshire was projected to need.

15. The final SE Plan housing target for Oxfordshire as a whole is 51,200 homes[5]. This is about 8% higher that the figure recommended to the regional body in the advice from Oxfordshire and 3% higher than the rolled-forward requirement of the 2016 Oxfordshire structure plan.

16. But for the Vale, the housing target of 11,560 is effectively almost identical to the ‘option one’ figure of 11,500 originally recommended to the regional body by the Central Oxfordshire Steering Group.

<u>SE Plan conclusions</u>

17. Whilst SEERA was an ‘imposed’ institution its working processes were inclusive, and the SE Plan strategy for central Oxfordshire is largely that created by Oxfordshire local authorities coordinated by the county, with added economic and housing emphasis.

18. There were reasonable, evidence-based reasons for SE Plan central Oxfordshire housing targets higher than those recommended in local advice to the regional body, and above previous targets and trend rates of household formation. But in any event, following testing at examination the Vale uplift was very modest.

Re-assessment of the key factors underpinning the SE Plan housing figure for the Vale

19. The remainder of this report assesses whether the SE Plan target remains relevant for the Vale as a basis for the core strategy post SE Plan revocation by:

(v) Examining the latest baseline evidence on household growth, then

(vi) Examining the latest evidence to establish whether the factors the panel noted as justifying housing provision above projected rates of household growth are still apparent.

Factor 1: Demographic projections of household growth

20. Expected household growth is the starting point for considering the appropriate level of future housing provision in a given area, with adjustments then made for housing in the planning pipeline and other policy factors or goals as appropriate.

21. The national benchmark household projections are published biannually by Communities and Local Government (CLG), following and based on sub-national population projections published by the Office for National Statistics

[5] After the proposed urban extension of 4,000 homes in the South Oxfordshire greenbelt was struck out of the SE Plan requirement for Oxfordshire following judicial review.

(ONS). The key variables in population projections are natural change: births over deaths; and patterns of migration: national and international. The latter factor is the most 'volatile' and projections are based on trends in the preceding five years rather than the type of long-run data otherwise employed.

22. Household projections build on population projections, modelling household formation rates and factors that impact on average household size. A key national trend is declining average household size. Around 6% more homes would be needed by 2026 to accommodate the number of people housed in the stock existing at 2006, even if the population did not grow.

23. CLG household projections are useful for national and time-series comparison but do not factor in planned housing, and thus understate household formation rates in areas where there is significant housing provision in the planning pipeline – such as the Vale.

South East Plan basis

24. The examination and final drafting of the SE Plan was informed by the 2004-based[6] CLG projections. Figures projected for the Vale from this source were the formation of 450 households per year towards a total 56,000 households by 2026, a 19% increase 2006-2026. A 22% increase was projected for Oxfordshire as a whole.

Data comparators

25. The 2006 round CLG household projections for the Vale were much the same as for 2004. These were published in 2009, but modelling had not yet captured the impact of the housing downturn and recession on household formation and migration levels. The latest 2008-based CLG Household projections (published 2010) do start to capture recessionary effects, and indicate that if recent past trends continue, around 400 households would form per year 2006-2026, a total of 55,000 2006-2026. This is slightly lower than the 2004 base data that informed the South East Plan.

Policy-based household projections

26. In assessing what level of housing to plan for, household projections that also incorporate policy-based assumptions on future housing provision are usually considered. Oxfordshire County Council commissions policy projections on behalf of the city and districts.

27. June 2010 Oxfordshire population projections (OCC 2010) examined likely household formation rates if the SE Plan housing targets were fully realised by 2026, with development phasing as expected at that time. The projection for the Vale was 605 households forming per year 2006-2026, and a 2026 district total of 60,000 households. The 2010 OCC result is likely to slightly overstate formation rates, as housing delivery phasing assumptions employed have proved to be too ambitious (we now think that 1,600 fewer homes will be built

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[6] CLG 2004-based projections, published in 2006, revised 2008. Revised figures shown.

by 2016 than then anticipated). To illustrate this conclusion, the previous OCC 2008 projections used the same methodology with even more optimistic SE Plan house building phasing assumptions, resulting in a projected growth rate of around 650 households per year.

28. The June 2010 OCC projection represents the best currently available in terms of showing how implementing SE Plan targets will affect the Vale's future population profile. But it would be circular to use them as basis for considering future housing targets or corroborating that of the SE Plan, in that this projection already includes assumptions about delivery of the SE Plan target for sites not yet allocated.

29. Upon announcement of the abolition of the SE Plan the OCC 2010 projections were re-run to provide a variant view on the demographic position for plan-making in Oxfordshire 'post SE Plan'[7]. Rather than factoring in the whole SE Plan housing target to 2026, expected housing completions to 2016 only were incorporated[8], and from 2016 onward natural change was modelled without an allowance for extra housing demand from migration[9]. On this basis around 500 households per year are projected to form in the Vale, towards a district total of 58,000 households in 2026.

30. This projection addresses the circularity issue of the June 2010 projections, but is likely to <u>understate</u> household formation in the Vale, as it does not account for around 4,000 homes expected to be completed 2016-2026 on Vale sites that already have a planning permission and/or a Vale Local Plan site allocation.

<u>Demography conclusions</u>

31. The most appropriate demographic starting point for determining a locally based housing target is a household projection that incorporates current Vale housing permissions and allocations, factors in natural change and acknowledges some additional demand from trend migration in the core strategy period after the current housing pipeline is fully developed. None of the available forecasts do all of this.

32. The OCC 2010 projections factor in housing delivery, whilst the CLG forecasts do not and thus are much lower than is realistic. The June OCC 2010 county projection for Vale is the formation of 605 households per year 2006-2026, but the modelling assumptions appear likely to overstate formation rates and are not independent of the SE Plan (thus are circular as a basis for planning targets). The December 2010 OCC variant projection is 500 households per year, and appears likely to understate formation rates in that it does not factor in the full Vale housing pipeline or migration.

[7] Commissioned before SE Plan reinstatement by the courts.
[8] The end date of the last Oxfordshire Structure Plan.
[9] The model constrains demand from migration to the level of new housing planned. Logical in that net migration cannot occur without increase to the housing stock, and the SE Plan housing targets allow for some migration. Factoring out all house building beyond 2016 amounts to assuming nil net migration 2016-2026.

33. The SE Plan annual housing target for the Vale is between the two county projections, and given their likely over- and understatement of household formation respectively, the SE Plan target still appears a reasonable basis for forward planning on demographic grounds.

Factor 2: Local evidence of housing need and demand

The Vale Housing Needs Assessment 2008 (HNA)

34. The HNA is the most recent local evidence of housing need and demand, incorporating local housing market statistics and resident survey findings. It estimates both demand for market housing and need for affordable (subsidised) housing, as well as providing a range of other outputs.

Open market housing

35. The HNA identified an annual market demand for 592 market homes per year[10]. It also indicates that there is concealed demand (as at 2008) for market housing for 1,192 households[11] i.e. 1,192 households then financially able to form a private household would want to do so if suitable market homes were available to rent or buy.

36. The concealed household figure is a snapshot in time but we can approximately update it to enable comparison between the HNA and SE Plan target by adding the subsequent shortfall of completions against subsequent demand. This gives a provisional but probably overstated[12] 'backlog' of 1,872 homes by 2011.

37. Projecting forward the HNA rate of annual market demand to 2026 and adding in the accumulated backlog to 2011 gives a total, probably overstated market housing requirement to 2026 of 10,752 homes[13]. By comparison the residual housing requirement based on the SE Plan target is 9,478 homes[14].

Affordable housing

38. The HNA also identifies need for a further 497 affordable (subsidised) homes per year to accommodate households unable to provide for themselves in the open market. The study acknowledges that provision for housing need at 86% of the identified level of market housing demand cannot all be delivered as there is a need to build viable, sustainable (including mixed tenure) developments[15]. The HNA recommends that 40% of the market housing requirement be provided as affordable housing[16].

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[10] HNA 1.1.9 and table 1-3
[11] HNA 1.1.7
[12] 1,192 concealed households plus 680 (3 years demand at 592 homes =1,776, less 1,096 housing completions 2008-2011 = 680 increased backlog). This assumes that all subsequent shortfalls in housing provision relative to SE Plan target become additional backlog of unmet market demand. In practice some will be resolved through turnover in the existing housing stock or moving away, and new concealed households will since have formed.
[13] 1,872 backlog + (15 years at 592 per year) = 10,752
[14] 11,560 homes to 2026 less 2,082 completions by 2011
[15] HNA 1.10.3
[16] HNA 1.14

Oxfordshire Housing Market Assessment (2007) (HMA)

39. The HMA is a county-wide rather than 'Vale' study. It confirms that Oxfordshire is a highly self-contained city region, with 89% of housing moves between one part of the county and another (thus 11% accommodating inward migration). The HMA notes the close correlation between the Oxford City 'travel to work' area and housing market, and the Oxfordshire administrative area. Towards the periphery of the county other housing and job markets exert some influence, but much less so than those of the county itself.

40. The HMA tests a complex range of housing scenarios at county and district level to identify housing need and demand. The analysis concludes that the Oxfordshire housing market is under some pressure with overall demand exceeding supply by small to moderate levels. The modelled results suggest a stronger conclusion of market housing demand at several times the SE Plan target for all parts of the county.

41. The HMA considers the pressure on affordable homes to be more intense than that for market housing, with the potential for a significant backlog of need for affordable homes developing over the 20 year period to 2026, with a worst case scenario of over four households in need for every one affordable dwelling available.

42. To offset this potential affordable housing shortfall, even at the best estimate, the authors of the HMA suggest a new house building programme would have to be more than twice the level set by the SE Plan. Further, affordable housing would need to be at least 50% of this higher level of development if the need for affordable housing were to be met.

43. The HMA authors state they are 'unclear' whether such commitments could be delivered, and note that the size of the new build programme that would be required to offset the projected affordable housing shortfall appears 'unrealistically large'.

Housing need and demand conclusions

44. The HNA market demand figure of 592 is similar to the SE Plan annualised housing target of 578. But making some 'worst case' assumptions to adjust for their different timescales we can approximate that at 2026 cumulative housing demand based on the HNA 2008 is 13% or 1,274 homes above cumulative SE Plan target.

45. However the HNA is not a fully independent comparator. It utilises the OCC 2008 demographic projections, which already incorporate the full housing requirements of the SE Plan and over-optimistic phasing assumptions (see paragraph 35) - introducing some circularity as a basis for corroborating existing housing targets. It is more useful for its primary purpose, to establish the level of need for affordable housing and other care or specialist housing.

46. It is more difficult to reconcile the very high Oxfordshire HMA conclusions on housing demand with those of the Vale HNA, the latter more closely

resembling the various household growth projections. What is clear is that neither document lends support for housing provision below SE Plan target level.

47. On housing need HMA and HNA findings are of a more similar order of magnitude. Identified need for additional provision of affordable housing at levels well above current rates of delivery provides added support for a housing target that exceeds trend household growth rates.

Factor 3: The affordability of market housing

48. The SE Plan panel pointed to market housing affordability amongst the worst in the South East as a factor in their housing target recommendations for Oxfordshire. Median housing affordability in the Vale remains very similar to where it was when the SE plan was examined in 2006 (figure 1).

<u>Fig 1: Vale ratio of median house price to median full time annual pay</u>
2006: **8.5**
2007: 7.8
2008: 8.4
2009: 7.2
2010: **8.2** *Source: Vale Annual Monitoring Reports*

49. The ratio of lower quartile house prices to lower quartile earnings is a variant measure that better reflects market affordability towards the cheaper end of the market housing spectrum. The 2009 lower quartile ratio for Vale is 9.0 (median ratio 7.2), compared to 8.5 for Oxfordshire, 7.7 for the South East, and 6.3 for England as a whole. Thus Vale remains comparatively unaffordable nationally and regionally. Housing is even less affordable for those on modest incomes (compared to those on median incomes), likely to include newly forming and younger households that are particularly important for maintaining a sufficient and balanced labour supply in the context of an ageing population.

<u>Affordability conclusions</u>

50. Additional housing supply above household formation rate could improve market housing affordability - provided it is achieved unilaterally rather than in a single district. It would also enable additional affordable housing to be secured through planning gain. Affordability remains a valid reason to set a housing target above household formation rate, as to do otherwise would exacerbate housing shortfalls and worsen affordability.

Factor 4: Economic growth and labour supply

<u>Economic growth assumption in the SE Plan</u>

51. An acknowledged weakness of the South East Plan was that its housing figures at best only partially addressed the need for housing provision to support sustainable economic growth, with particular pressures in this regard noted in economic hotspots such as central Oxfordshire.

52. The SE Plan assumed regional GVA (economic output) growth of 3% per year[17] 2006-2026. This informed employment forecasts, allowing the SE Plan examination panel to make broad brush comparisons with estimates of the future workforce that in turn informed their recommendations on increasing levels of housing provision across and within the region.

53. The recent recession has impacted on growth, and is sufficiently severe that the Governor of the Bank of England has described it as a ‘rebalancing’ rather than a cyclical downturn. So it is worth considering current growth expectations against those in the SE Plan.

54. Recent or local GVA data not is available to make a direct comparison. National GDP is used as a proxy, as it can be expected to generally correlate with local GVA[18].

55. In terms of performance and expectations[19], national GDP growth in the decade 2006-2015 is projected to be around 13% total including a contraction of almost 5% in 2009 and slow recovery towards 3% per year growth forecast 2012 onwards (figure 2). In contrast the regional growth expectations that informed the South East Plan housing target were much higher at 3% per year throughout[20] – or 34% cumulative growth 2006-2015.

Figure 2: UK GDP growth 2006-2015[21]

Year	GDP growth
2006	2.7%
2007	2.6%
2008	0.6%
2009	-4.9%
2010	1.3%
2011 forecast	*1.2%*
2012 forecast	*2.0%*
2013 forecast	*2.3%*
2014 forecast	*2.3%*
2015 forecast	*2.3%*

56. On this basis it is probable that the demand side macro-economic pressures to increase housing provision have eased relative to the position when the South East Plan was produced.

[17] The Regional Economic Strategy uses a different measure, a target of at least 3% GVA per capita. This is considered to equate to 3.4-3.5% regional GVA per year when population growth is taken into account.
[18] Factors affecting the national economy strongly influence performance of the local economy, GVA and GDP are similar measures: GDP equals GVA plus taxes on products minus subsidies on products.
[19] Sources: ONS, Office for Budgetary Responsibility
[20] This compares national GDP with regional GVA, the two measures are very similar but not identical.
[21] As at August 2011. Sources: Office for Budgetary Responsibility and *Forecasts for the UK economy: a comparison of independent forecasts* HM Treasury February and August 2011

Future labour demand in the Vale

57. The Vale *Employment Land Review* 2008 (ELR) provides a modelled[22] estimate of long-run employment demand in the Vale: 0.9% growth per year 2006-2026, as a step in forecasting employment land requirements. From a 2006 base of 55,150 local (employee) jobs, the ELR forecasts an increase of almost 10,000 jobs[23] in the Vale by 2026 to 65,140, an 18% increase in 20 years.

58. Given the current national economic picture the ELR forecasts might be considered over-optimistic, especially in the short to medium term. In the period 2006-2009 (specifically in 2009) the number of jobs in the Vale[24] **declined** by 0.2% (or -1,200 jobs) , thus by 2010 employee job levels were around 2,400 jobs short of the 0.9% ELR growth projection.

59. Looking to the near future, growth prospects remain subdued. Forecasts from the range of 15 independent forecasters compiled by the Bank of England estimate that UK employment will grow by 0.25% in 2011 (compared to a 0.2% decline in 2010). Most agree that employment growth will remain slow in 2012 (0.2%), before rising to 0.5% in 2013.

60. We can approximately model the local impact of the recession by incorporating actual employment change 2006-2009 and replacing the ELR local 0.9% job growth expectation with the OBR national forecasts for 2010-2015. This assumes as a worst case scenario that employment in the Vale will follow UK trend, despite particular local economic strengths. On this basis we might expect employment in the Vale to reach 60,000 employees in 2026 against the 65,000 predicted by 2026 in the ELR.

61. Taking a more positive view that the Vale will continue to outperform national average growth and/or will recover faster due to its particular sectoral strengths, them we can still expect to achieve the level of jobs growth anticipated in the ELR – albeit by 2029 rather than 2026.

62. There are other comparators that lend credence to taking the positive view:

- More recent forecasting runs for SEEDA from the Cambridge Econometrics Integrated Policy Forecasting Model (2010) [25] for the South East region for the period 2010-2030 also suggest regional employment growth of 0.9% and GVA growth of 2.7%[26], and

[22] The ELR forecasts draws on forecasts for employment in 30 sectors produced by the former South East England Development Agency (SEEDA), reflecting Regional Economic Strategy growth assumptions broadly comparable to those of the SE Plan. This employment growth rate is slightly higher than the preceding Vale trend rate of 0.7% per year 1998-2006 (ELR pp.63-65). The ELR also forecasts annual jobs growth of 0.7% to 2026 for the wider commercial property market area within which the Vale sits, thus that the Vale is expected to continue to outperform immediately adjoining areas.

[23] Annual Business Inquiry, employees employed by Vale businesses

[21] Ibid

[25] Model outputs reported elsewhere (as below) and taken at face value, assumptions unknown

[26] http://www.seeda.co.uk/_publications/LEA_Cambridge_Econometrics_Results_Jun10.pdf

- Cambridge Econometrics forecast employment growth of 16% in Oxfordshire 2010-2030[27], at 0.75% growth per year. This is similar to ELR expectations of 0.7% for the surrounding commercial property market area within which the Vale is forecast to outperform.

- The growth expectations of the Vale's two largest business parks, Harwell Oxford and Milton Park. Currently home to 11,000 jobs – about a fifth of the district total - based on the development and growth potential of their land holdings the two sites envisage providing an additional 6,500-10,500 jobs by 2026. The range reflects site management expectations and encompasses both scope for different forms of occupier and build-out rates (a figure of 9,400 given transport improvements is also documented[28]). Whilst these expectations may in part be aspirational:

  - parts of these estates comprise a recently announced Enterprise Zone. The flexibilities and benefits that status confers may bring forward up to 8,400 jobs by 2015, and may also increase the total employment created in the district in the core strategy period – or at least restore it to pre-recessionary expectations

  - the Medical Research Council announced in March 2011 that will invest in excess of £60m over the next five years into research, at Harwell

  - the 2011 Budget announcements included £20m for the International Space Innovation Centre, at Harwell.

<u>Labour market balance</u>

63. Part of the rationale for increasing the SE Plan housing target for Central Oxfordshire was to redress the imbalance between working age population and numbers of jobs in the subregion, showing in 2006 that there were 34,000 more jobs than workers.

<u>Figure 3: Ratio of local jobs to local labour supply (2010)</u>

Oxfordshire	**County**	**City**	**Vale**
Total jobs* in locality	375,000	117,000	66,000
Persons aged 16-64 ('working age')	425,100	112,400	75,000
Population in or wanting work aged 16+	355,600	87,200	63,600
Jobs per person aged 16-64	0.89	1.04	0.88
Jobs per person in or wanting work aged 16+	1.05	1.34	1.04
Excess of jobs to those in or wanting work aged 16+	**19,400**	**29,800**	**2,400**
Excess of jobs (%)	5.2%	25.5%	3.6%

Source: NOMIS, 2010 data.
*Total includes employees, self-employed, government-supported trainees and HM Forces – thus the figures are higher than the employee jobs in the preceding and following sections.

27 *Science Vale UK: The Case for Funding to Enable Exceptional Growth Potential*, Optimal Economics Jan 2011
28 IBID

64. Data comparators are available by local authority area for 2010 (figure 3), but not for the SE Plan Central Oxfordshire subregion area. The figure is likely to lie somewhere between the result of 19,400 for the county and 29,800 for the city. This suggests that adequacy of the labour supply remains a concern despite the economic downturn. Although the extent of imbalance has improved, it may worsen again in the short to medium term if the SVUK Enterprise Zone achieves its growth potential.

65. There is also a current imbalance of 2,400 jobs over available labour in the Vale (as defined those aged 16-64 in or wanting work); suggesting local housing provision is also failing to keep pace with economic growth. However there are more local jobs than residents aged 16-64, and some people work beyond age 64.

Future labour market balance

66. The table below compares the June 2010 OCC population projections to the employee job projections from the 2008 ELR as published. The point to note is that due to population ageing, the increase in population is insufficient to grow the resident labour force in step with expected employment growth. This suggests considering additional housing provision above that required to accommodate population change alone, to ensure sufficient local labour supply to meet anticipated local economic growth.

Figure 4: Future labour market balance in the Vale

	2006	2026	change	% change
Population	117,900	138,200	20,300	17%
Working age population (16-64)	61,200	68,900	7,700	13%
Economically active (82%)	50,200	56,500	6,300	13%
Employee jobs	55,100	65,000	9,900	18%
Deficit of jobs to population of working age	-6,100	-3,900	2,200	-36%
Surplus of jobs to economically active population	4,900	8,500	3,600	73%

Data: OCC June 2010 population projections, Vale ELR 2008, economic activity rate ONS 2009

67. On the figures above the excess of employee jobs to workers almost doubles in the 20 years to 2026. The trend is more important than the specific figures, which need to be treated with caution as they come from different sources and may overstate the extent of jobs surplus. Some points to bear in mind and assumptions made.

- Employee job numbers are from the ELR forecast as published, which is an optimistic position (but one in tune with government objectives for planning to support economic growth). They are not directly comparable with the total jobs figure in the previous table, as they exclude self employment and HM Forces.

- The June 2010 OCC projection is used as it contains all the necessary demographic information produced with an internally consistent method.

As noted previously this projection is likely to be on the high side and is not ideal for corroborating housing targets. But it is the best of the available projections of the likely Vale population profile in 2026.

- Working age is held constant at 16-64 in the projections, and the workforce participation rate of those of working age is held constant at 82% (source ONS local statistics 2009). We can anticipate more people working beyond 64 in tune with changes to the pensionable age.

Economic growth and labour supply conclusions

68. The recent recession has significantly pegged back the levels of growth nationally compared to those expected in the SE Plan. The gradual return to growth in progress suggests that the national economy is unlikely to fully make up ground 'lost' relative to have been achieved if growth was at the assumed SE Plan rate of 3%. So it seems probable that the demand side macro-economic pressures to increase housing provision have eased relative to the position when the South East Plan was produced.

69. However it is important to bear in mind that the SE Plan targets included upward adjustments to housing numbers to levels acknowledged by the examination panel to be at best a partial response to identified shortcoming in the draft SE Plan in terms of planning for economic and employment growth.

70. Taking a more positive view of the strengths of the Vale economy including the aspirations of our major business sites, combined with population ageing and proximity to Oxford City, the somewhat surprising statistical finding of a current excess of local jobs to resident active labour supply may significantly worsen.

71. Given that Science Vale UK is a national and Vale strategic priority and partly an Enterprise Zone, and the recent 2011 Budget statement about the need for planning to support economic growth and national economic recovery[29], there remains a strong local economic case for providing housing above purely demographic requirements to support the local economy, improve self-containment and thus reduce reliance on commuting labour and its environmental consequences.

Other factors

72. Planning Policy Statement 3 *Housing* identifies the following matters as relevant to the formulation of development plan housing targets. This section briefly considers those in bold not already covered above.

- evidence of need and demand for housing including demographic projections
- the needs of the economy, having regard to economic growth forecasts
- **availability of suitable land for housing**
- **sustainability**

[29] 'Planning for Growth'

- **infrastructure capacity and provision**
- government ambitions to improve housing affordability and increase housing supply

73. Work on the core strategy to date towards meeting the SE Plan housing target indicates that the following matters identified in PPS3 as relevant to housing targets are not limiting factors on the Vale identifying sustainable sites to meet and potentially exceed the level of housing in the SE plan housing target.

- Land availability: The Strategic Housing Land Availability Assessment (2009) and the range of potential strategic housing sites considered in the core strategy review to date indicate that there is sufficient, potentially suitable and available land for housing to meet the full SE Plan target, including eight years housing supply in the planning pipeline (16 years including core strategy preferred option sites).

- Sustainability: The SE Plan process included sustainability appraisal (SA) testing of its strategy and housing targets. The panel noted that the Vale is relatively unconstrained by the more sensitive environmental/protective designations. Work on the Vale core strategy SA is ongoing, but suggests that development on the sites identified as preferred options to date can be sustainably accommodated with the appropriate combination of mitigation measures and infrastructure and service provision

- Infrastructure requirements: Infrastructure capacity is a known constraint in many parts of the Vale, especially roads (the A34 and junctions in particular), schools and waste water. The viable deliverability of the additional infrastructure necessary to render new development acceptable is a potential constraint to housing provision beyond some level that it would be difficult to quantify. On specific core strategy sites it tends to dictate a scale of development sufficient to fund major mitigation such as relief roads and new schools.

  The emerging core strategy will be accompanied by an Infrastructure Delivery Plan setting out infrastructure to be provided in support of the core strategy including funded by developers on strategic sites. Infrastructure delivery is also supported by the Oxfordshire Local Investment Plan, including the South Central Oxfordshire Transport Strategy package of interventions (SCOTS). Delivery will also be supported by pending Section 106 and Community Infrastructure Levy development plan documents. With regards to the Science Vale UK area, the Homes and Communities Agency are providing technical assistance, and Enterprise Zone status means local business rates are retained and potentially available to support infrastructure delivery in the longer term.

Next Steps

74. The next stage of the internal review of the emerging core strategy is to review the strategic housing site options. This will include a first look at options to plan for the additional homes required to provide 15 years policy coverage

from the anticipated date of core strategy adoption in 2013 i.e. to plan two years further ahead to the end of 2028/9.

75. A further round of county demographic projections is due around the end of the year, Once these are available it may be appropriate to 'fine tune' the housing target.

76. On completion of the internal review the draft core strategy document will be refreshed for further public consultation in the first half of 2012.

Other options

77. It has already been decided to progress the core strategy.

78. The housing target could be varied. Lower government household growth projections might make a case for a lower housing target, but economic and housing need considerations are upwards pressures. The pressures for a higher target have significantly eased since the SE Plan was examined in 2006, but this could be considered to give added support to the local economy.

Risks

79. The National Planning Policy Framework may introduce additional factors to take into account at a late stage in the core strategy process.

Financial Implications

80. No new implications. The review and onward core strategy stages are covered by the planning service budget.

Background Papers

South East Plan (2009)
South East Plan Examination in Public: Report of the Panel (2007)
Vale of White Horse Housing Needs Assessment (2008)
Vale Employment Land Review (2008)
Vale Strategic Housing Land Availability Assessment (2009)
Oxfordshire (Strategic) Housing Market Assessment (2007)

Annex A: The South East Plan process for setting sub-regional strategic priorities including housing targets

A.1. The South East Plan was prepared by the former South East England Regional Assembly (SEERA), comprising 70% councillors nominated proportionately from across the South East, and 30% representatives from key business, economic and environmental partners.

A.2. SE plan preparation was coordinated by a small SEERA secretariat, but relied heavily on cooperative working by local authorities on a sub-regional basis. For Oxfordshire, this work was managed through the Central Oxfordshire Steering Group, lead by Oxfordshire County Council with senior officer and member representation from all Oxfordshire authorities, and representatives of social, environmental and economic interests.

A.3. The sub-regional groups were requested to provide two main reports of advice to SEERA, both of which were agreed by the steering group and informed by public consultation prior to submission to SEERA (as well as later consultation as part of the draft SE Plan).

A.4. The first round of local advice in 2004 was to recommend to SEERA a sub-regional strategy and vision for Central Oxfordshire. The second round of advice in 2005 drilled down further to recommend a district level housing distribution within the county.

SE Plan vision and spatial strategy for central Oxfordshire (the sub-regional strategy)

A.5. The Central Oxfordshire Steering Group examined various options to accommodate future growth. The objectives were to foster the area's uniquely innovative, high-technology economic potential whilst sustaining the high-quality environment considered essential to local quality of life and part of the area's competitive advantage.

A.6. With regards to housing, the strategy recommended to SEERA was that development within existing settlements could accommodate much of the growth required, and that the balance could best be met by 'sustainable urban extensions' to the main towns beyond the Oxford green belt, rather than by extending Oxford into adjoining green belt locations, in surrounding districts.

A.7. The SE Plan examination panel (the panel) supported the approach of 'sustainable urban extensions' to towns. However, it also went ahead and recommended a green belt extension to Oxford, on land in South Oxfordshire, but this was later struck out following judicial review.

Level of housing provision and factors considered

A.8. The first round of Oxfordshire advice to SEERA recommended a housing total to 2016 based on the 2016 County Structure Plan (adopted 2005, reflecting government requirements for the South East in previous Regional Planning Guidance Note 9), and a slightly lower rate thereafter to 2026. This was to plan for a total of 47,200 homes in the county 2006-2026 (2,360 per year). Of this total around 34,000 were proposed in Central Oxfordshire, with the balance to be provided in the more outlying parts of the county. Second round advice identified district totals, including 11,500 for the Vale (equivalent to a build rate of 575 per year). The Vale later argued for 10,800 at the SE Plan examination but SEERA accepted the Steering Group advice and the figure of 11,500 was incorporated into the draft SE Plan.