

Background Paper E: Maintaining a Balanced Housing Supply

1 Level of Housing Growth and Timing of Delivery: Policy CS24

Strategic Housing Requirements

- 1.1 In January 2005, the draft South East Plan¹ (SEP) was published for consultation and said that 7,000 new dwellings should be built in Oxford between 2006 and 2026. This equates to an annual average of 350 dwellings.
- 1.2 In November 2005, the Oxford Local Plan 2001-2016² was adopted. It set a target of 6,500 dwellings over the Plan period (433 per annum). This was based upon Oxford's figure set out in the Oxfordshire Structure Plan 2016³.
- 1.3 In March 2007, the Core Strategy Preferred Options⁴ considered a range of options (350, 433, 550 and >550 dwellings per annum). This enabled the final policy some flexibility in case an amended target was allocated to Oxford in the Panel Report and final SEP.
- 1.4 In August 2007, the Panel Report⁵ to the draft SEP recommended that Oxford's target be 8,000 dwellings (400 per annum). As the 400 per annum figure is between two of the tested options, it is considered that the Preferred Options adequately covered a 400 per annum target. This approach was confirmed as acceptable by GOSE. This target has now been supported by the Secretary of State in her Proposed Changes to the South East Plan.⁶
- 1.5 Oxford has been identified as one of 29 New Growth Points (NGP). As a NGP, Oxford is expected to achieve 20% above the RPG9 target (433 dwellings per annum) for the first 10 years. The evidence provided to support the bid suggested that Oxford could built around 5,692 dwellings by 2016 equating to an annual average of 569 dwellings between 2006 and 2016. This was based upon Oxford's Urban Potential Study 2005⁷. The Panel Report increased Oxford's target by 1,000 dwellings in recognition of it being a NGP.

Housing demand

- 1.6 The population in Oxford is forecast to increase. The Oxfordshire Housing Market Assessment⁸ (HMA) estimates that Oxford will see a 17.0%⁹ increase in its population between 2006 and 2026. Data released more recently estimates an increase of 20.4%¹⁰

¹ Draft South East Plan (Mar 2006) SEERA

² Oxford Local Plan 2001-2016 (Nov 2005) Oxford City Council

³ Oxfordshire Structure Plan 2016 (Oct 2005) Oxfordshire County Council

⁴ Core Strategy Preferred Options (Mar 2007) Oxford City Council

⁵ Draft South East Plan Panel Report (Aug 2007) The Planning Inspectorate

⁶ The Secretary of State's Proposed Changes to the Draft Regional Spatial Strategy for the South East (July 2008) Government Office for the South East

⁷ Oxford's Urban Potential Study (2005) Oxford City Council

⁸ Oxfordshire Housing Market Assessment (Dec 2007) Tribal Group

- 1.7 The HMA assessed the demand for affordable and market housing in Oxford. The demand for affordable housing comprises three elements: almost all of the current affordable housing need is assumed to be met within 10 years; newly arising need; and need and demand for affordable housing from existing households in other tenures. The demand for market housing is estimated from: the current need; demand from newly arising households; and demand from households currently in other tenures but needing to move.
- 1.8 As a result of population increases, migration, household formation and economic drivers, housing demand in Oxford is very high, as **Table 1** indicates. It shows the housing demand data for Oxford over the next 10 years by taking a mid point of the data in Tables B1 and C1 of the HMA. The HMA provides estimates for years 16-20 but less confidence should be attached to such projections further into the future, although the HMA suggests that there is likely to be a continued and increasing demand. The HMA concludes that there is a need for 64,189 new dwellings in Oxford over the next 10 years in order to meet demand. This equates to an annual average demand of 6,418 dwellings. Considering that the current number of dwellings in Oxford is 54,546¹¹ dwellings, to meet demand would mean at least doubling the size of Oxford as it currently stands.

Table 1: Housing demand (market and affordable) in Oxford

	Years 1-5 (2006-11)	Years 6-10 (2011-16)	Total Years 1-10	Annual average	%
Market housing	15,257	19,435	34,692	3,469	54.1
Affordable housing	9,540	19,957	29,497	2,949	45.9
Total	24,797	39,392	64,189	6,418	100

Source: Appendices B and C, Oxfordshire Housing Market Assessment (Dec 2007)

- 1.9 In the context of the other Oxfordshire authorities, the housing need in Oxford is much higher, as **Table 2** indicates.

⁹ Table 2.6, *Oxfordshire Housing Market Assessment* (Dec 2007) based upon ONS 2004-based sub national population projections

¹⁰ ONS. 2006 based sub-national population projections. They project forward the 2006 mid year population estimates giving an indication of future trends in population for the next 25 years from 2006 to 2031. This is a trend based projection for household growth not the number of dwellings to be built. Assumptions for future levels of births, deaths and migration are based on observed levels over the previous five years. They show what the population will be if recent trends in these continue. The projections do not take into account any future policy changes that have not yet occurred.

¹¹ Table 4.1, *Oxfordshire Housing Market Assessment* (Dec 2007)

Table 2: Housing demand (market and affordable) in the Oxfordshire authorities

	Years 1-5	Years 6-10	Total Years 1-10	Annual average
Cherwell	13,434	14,132	27,566	2,756
Oxford	24,797	39,392	64,189	6,418
South Oxfordshire	11,620	12,287	23,907	2,390
Vale of White Horse	10,457	10,862	21,319	2,131
West Oxfordshire	8,955	9,400	18,355	1,835

Source: Appendices B and C, Oxfordshire Housing Market Assessment (Dec 2007)

- 1.10 The evidence base used at the Preferred Options stage was an estimate in the absence of the final HMA. The Preferred Options evidence used a basic calculation of estimated population increase divided by average household size. The population of Oxford in 2006 was estimated to be 150,100 and the projected population in 2026 was expected to be approximately 176,100¹². With the average household size in Oxford being 2.32¹³, this was calculated as a need for around another 11,000 dwellings in Oxford by 2026 (550 per year) to keep pace with future rates of births, deaths and migration.
- 1.11 The HMA data in **Table 1** is more refined. Whilst it does consider the population forecasts, it also considers household size forecasts (which are predicted to decrease), and gross household formation projections by age group, which is critical to understanding the extent and range of housing that will be required¹⁴. Whilst the HMA evidence provides us with information on predicted household (market and affordable) requirements (6,418 per annum), any housing target set for Oxford would never been able to match this need due to its scale.

Monitoring and progress so far

- 1.12 We regularly monitor the number of completed dwellings in Oxford and this data has been published in the Annual Monitoring Report since 2005. It compares completions with the current Local Plan target. Oxford's recent past rate of housing completions has exceeded targets, as **Table 3** shows. We consider that Oxford will continue to exceed its current target in the future due to windfalls. However, PPS3 requires a special case to be made for including an allowance for windfalls which will be made later in this section.

¹² ONS. 2004 based sub-national population projections. They project forward the 2004 mid year population estimates giving an indication of future trends in population for the next 25 years from 2005 to 2029. This is a trend based projection for household growth not the number of dwellings to be built. Assumptions for future levels of births, deaths and migration are based on observed levels over the previous five years. They show what the population will be if recent trends in these continue. The projections do not take into account any future policy changes that have not yet occurred.

¹³ ONS, dataset KS19

¹⁴ Paragraph 2.3.11, *Oxfordshire Housing Market Assessment* (Dec 2007) Tribal Group

Table 3: Housing completions in Oxford

Year	Housing completions in Oxford	Cumulative Oxford completions	Local Plan target	Cumulative Local Plan target
2001/02	439	439	433	433
2002/03	267	706	433	867
2003/04	578	1,284	433	1,300
2004/05	669	1,953	433	1,733
2005/06	943	2,896	433	2,167
2006/07	821	3,717	433	2,600

Source: Oxford City Council monitoring database/AMR2007

1.13 Also collected from monitoring are the number of commitments as shown in **Table 4**. These are the number of dwellings with planning permission at 31st March 2007 but that had not been completed.

Table 4: Commitments at 31st March 2007

Large sites (10 dwellings or more)	450
Small sites (< 10 dwellings)	689
Total	1,139

Source: Oxford City Council monitoring database

Land availability

1.14 Oxford's final Strategic Housing Land Availability Assessment¹⁵ (SHLAA) was published alongside the Core Strategy Proposed Submission consultation document. It follows Government guidance in its production and gives evidence to assess the available land in Oxford and its suitability for housing. It uses monitoring data up to 31st March 2007. Stage 8 of the SHLAA contains a summary of Oxford's land availability without relying on windfalls and Stage 10 goes on to include the impact of windfalls. Data from these stages and the Executive Summary are referred to below.

PPS3 and the South East Plan targets

1.15 PPS3 requires that we identify sufficient deliverable sites for the first 5 years from adoption of the relevant DPD¹⁶. The Core Strategy is due to be adopted in 2009 so the 5-year period will relate to 2009-14.

1.16 The proposed target of 400 dwellings per annum equates to 2,000 dwellings over 5 years. The SHLAA shows that there are enough *deliverable* sites in Oxford to provide 2,644¹⁷

¹⁵ *Strategic Housing Land Availability Assessment (SHLAA)* (Aug 2008) Oxford City Council

¹⁶ Paragraph 54, *PPS3* (Nov 2006) CLG

dwellings over the first 5 years, which is 32.2% greater than the target required. This is without relying on windfalls.

- 1.17 It should be noted that PPS3 requires that for sites to be considered *deliverable*, they must be *available* now; *suitable* for housing and *achievable* within 5 years¹⁸. PPS3 does not allow for sites that are *suitable* and *achievable* but that are not *available* at this moment in time. This seems unrealistic as the availability of a site can come about over a short timeframe and it is likely that there will be sites anticipated to be available between 2009-14 but not technically available at this moment in time. PPS3 forces us to put such sites into the second 5-year period (2014-19) whereas in reality they will probably come forward during the earlier period (2009-14). Therefore the SHLAA has included a category of *developable* sites for the first 5 years. This is considered to be a realistic and sensible approach. This does not interfere with the assessment of what *deliverable* sites exist over the first 5 years. The SHLAA shows that there are *developable* sites for 728¹⁹ dwellings over years 1-5 (2009-14)²⁰.
- 1.18 PPS3 requires that we should identify a further supply of specific *developable* sites for years 6-10²¹ (2014-19). The SHLAA shows that there are *developable* sites for 1,272²² dwellings over this period. This is also without relying on windfalls. **Table 5** sets out the figure for years 1-10.

Table 5: Land availability in Oxford

Actual years	PPS3 years	Land availability (dwellings)	Total	Annual average
2009 – 14 (<i>deliverable</i>)	1-5	2,644	3,372	464
2009 – 14 (<i>developable</i>)	1-5	728		
2014 – 19 (<i>developable</i>)	6-10	1,272	1,272	

Source: SHLAA (Sept 2008)

- 1.19 PPS3 says that, where possible, sites should be identified for years 11-15²³ (2019-24). The SHLAA²⁴ shows that only one site can be identified for years 11-15. There is no requirement in PPS3 to identify sites for years 16-20 (2024-29) and in any event this period extends beyond the plan period of the Core Strategy.

¹⁷ Table 18, *SHLAA* (Aug 2008) Oxford City Council

¹⁸ Paragraph 54, *PPS3* (Nov 2006) CLG

¹⁹ Table 18, *SHLAA* (Aug 2008) Oxford City Council

²⁰ Table 18, *SHLAA* (Aug 2008) Oxford City Council

²¹ Paragraph 55, *PPS3* (Nov 2006) CLG

²² Table 18, *SHLAA* (Aug 2008) Oxford City Council

²³ Paragraph 55, *PPS3* (Nov 2006) CLG

²⁴ Table 18, *SHLAA* (Aug 2008) Oxford City Council

- 1.20 The SHLAA evidence suggests that there is enough land in the first 10 years to meet PPS3 requirements with a target of 400 dwellings per annum. In numerical terms, as **Table 5** shows, there is land available to meet a target of 464 dwellings per year over the first 10 years but this does not allow for potential problems in the delivery of any of the sites. It is perfectly reasonable to assume that there may be as yet unknown reasons why one or more of the identified sites is not ultimately developed. Reasons could include the landowner changing their mind, market factors affecting the release of the land and housebuilding, unforeseen environmental/ecological issues or, delays in gaining planning permission due to design or other issues not being resolved. It is considered important not to assume all sites will come forward for development, and to take a cautious approach when setting the most appropriate target.
- 1.21 The proposed South East Plan 400 per annum target therefore is considered the most sensible in terms of what Oxford could physically achieve based upon land availability.

The Core Strategy target

- 1.22 As well as determining the most appropriate target to satisfy PPS3, we must also demonstrate how Oxford would achieve its targets over the Core Strategy period of 2006-2026.
- 1.23 The SHLAA concludes that, taking into completions in 2006/07 and expected windfalls prior to the start of the Core Strategy period of 2007/08 and 2008/09, we would be 2,108²⁵ dwellings short of achieving the Core Strategy target. But PPS3 is clear in that it does not expect Local Authorities to be able to identify every site that is going to make up its target over the whole DPD period²⁶. It says that only where possible sites should be identified for years 11-15, and it does not refer to identifying sites for years 16-20. The Panel Report is also clear on this point, "*we would not expect any District Council at this stage to be able to predict exactly how a 20 year provision figure would be met*"²⁷. It also allows for an exception whereby Local Authorities can provide evidence of genuine local circumstances preventing sites being identified²⁸. The SHLAA provides the evidence of this as it is considered to be a comprehensive assessment of Oxford. Appendix 12 of the SHLAA demonstrates the physical extent of the assessment.

Windfalls

- 1.24 The SHLAA establishes that without windfalls during the years from the adoption of the Core Strategy (from 2009), Oxford would fall short of its targets. Stage 8 of the SHLAA illustrates the position without windfalls during years 2009 onwards²⁹. The Panel Report makes reference to PPS3's comment of the reliance on windfalls: "*we anticipate that quite a few*

²⁵ Table 19, *SHLAA* (Aug 2008) Oxford City Council

²⁶ Paragraph 55, *PPS3* (Nov 2006) CLG

²⁷ Paragraph 7.51, *Draft South East Plan Panel Report* (Aug 2007) The Planning Inspectorate

²⁸ Paragraph 59, *PPS3* (Nov 2006) CLG

²⁹ Table 19, *SHLAA* (Aug 2008) Oxford City Council

local authorities in this region will be able to provide “robust evidence of genuine local circumstances that prevents specific sites being identified”, and will be able to demonstrate expected future trends in windfall delivery rates”³⁰. It is considered that the SHLAA gives robust evidence of genuine local circumstances why Oxford should be allowed to rely upon windfalls in order to meet its target³¹. In order to meet the Core Strategy’s 8,000 dwelling target, 26.3% of the dwellings would need to be from windfalls³² or 124 dwellings per year from 2009. This is a considerably lower proportion than has been achieved in recent years as **Table 6** shows.

Table 6: Proportion of all dwelling completions on windfall sites

Year	Windfall completions	% of all completions
2004/5	305	45.6%
2005/6	410	43.5%
2006/7	390	47.5%

Source: Oxford City Council monitoring database

New Growth Point

- 1.25 Oxford was identified as a Growth Point in Oct 2006. On this basis Oxford is expected to provide at least 20% more units than its allocation in RPG9 which was established in the Oxfordshire Structure Plan and Oxford Local Plan as 433 dwellings per annum³³. A 20% increase equates to 519 dwellings per annum. As a Growth Point we are committed to providing 519 dwellings per annum in the period 2006-2016 (5190 over the 10 years). The SHLAA shows that Oxford could deliver 5,111 dwellings between 2006-16, which is just 85 dwellings short of the target required for being an NGP (without reliance on windfalls from 2009).

Housing distribution

- 1.26 The sites suitable for housing identified in the SHLAA are mapped in **Figure 1**.

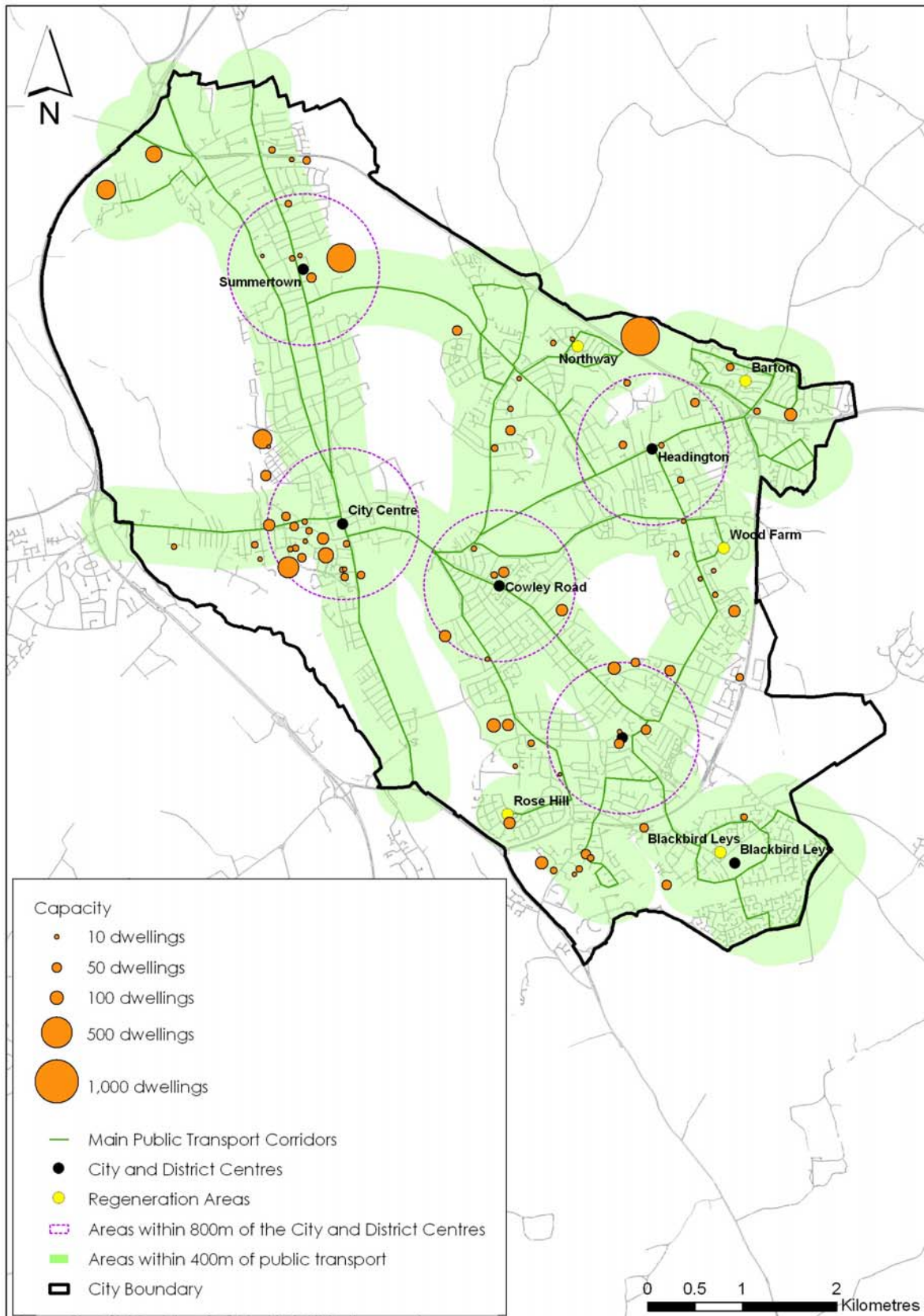
³⁰ Paragraph 7.54, *Draft South East Plan Panel Report* (Aug 2007) The Planning Inspectorate

³¹ Stage 10, *SHLAA* (Aug 2008) Oxford City Council

³² Paragraph 11.7, *SHLAA* (Aug 2008) Oxford City Council

³³ Policy H1, *Oxfordshire Structure Plan 2016* (Oct 2005) Oxfordshire County Council

Figure 1 Housing distribution of suitable sites from the SHLAA



Conclusion

- 1.27 The public consultation on the level of housing growth provided a good response³⁴. A significant proportion of respondents disagreed or strongly disagreed with the greater two options (550 and >550 dwellings per annum). The lesser two options (350 and 433) generated more of a spread of responses from strongly agree to strongly disagree but with 350 dwellings edging it as the favourite.
- 1.28 The Sustainability Appraisal³⁵ of these four options concluded that 550 dwellings per annum was most sustainable as it scored highly regarding social objectives in meeting housing need and sustaining mixed communities. 350 dwellings per annum was the least sustainable as it scored poorly on social objectives and is less than the target set out in the Panel Report. The Preferred Options document was consulted upon before the full survey work had been completed in the SHLAA.
- 1.29 Evidence in the SHLAA is that there are currently not enough identifiable sites to meet the overall 8,000 target without counting windfalls. Due to the constraints within a tight urban area of Oxford and the ongoing potential of small PDL sites, it is considered that there is a strong case for windfalls being relied upon in Oxford making the 8,000 target achievable. 26.3% of the dwellings (or 124 dwellings) would need to be from windfalls. If the target for Oxford were to be increased, then a greater reliance on windfalls would be required. However, the SHLAA estimates that Oxford could deliver an annual average of 200 windfalls so a greater target could still be achievable provided that the current housing market downturn eventually improves, which is likely over the whole Core Strategy period. An element of caution is required though in case the housing market downturn continues longer than expected.
- 1.30 Considering the land availability evidence in the SHLAA, the target in the Panel Report and the strong feeling against the higher levels of growth generated during public consultation, 400 dwellings is considered the most appropriate target for the Core Strategy. Policy CS24 is worded in such a way so that the target is a minimum not a maximum which allows for dwelling completions to exceed this target if sites become available. This approach is supported in the Panel Report which says that "*RSS housing levels should not be treated as ceilings*"³⁶

2 Mix of Housing Types and Sizes: Policy CS25

- 2.1 PPS3 is clear that in order to create mixed communities, a variety of housing is required for different households including families, single people and older people³⁷.

³⁴ Page 13, *Core Strategy Preferred Option Public Consultation Report* (Aug 2007) Oxford City Council

³⁵ *Final Sustainability Appraisal Report of the Core Strategy* (Sept 2008) Oxford City Council

³⁶ *Draft South East Plan Panel Report* (Aug 2007) The Planning Inspectorate

³⁷ Paragraph 20, *PPS3* (Nov 2006) CLG

- 2.2 The draft South East Plan, supported by the Panel Report and Secretary of State's Proposed Changes³⁸, says that Local Authorities should identify a full range of existing and future housing requirement needs and that Local Development Documents should require an appropriate range and mix of housing opportunities.
- 2.3 Local Plan policy HS.8 requires a balanced mix of dwelling types and sizes across sites and localities. The Balance of Dwellings SPD supports this policy and sets out the proportions required of different sizes of dwellings. As evidence for the SPD, a study³⁹ assessed the mix of the existing stock, demographic changes, the supply of housing and concluded on the most appropriate mix of dwelling sizes to be sought through new residential developments.
- 2.4 Policy CS25 of the Core Strategy requires a mix of dwelling types and sizes. It is intended that the Balance of Dwelling SPD will supplement the Core Strategy policy and will be reviewed regularly. This policy approach is considered to accord with guidance in PPS3⁴⁰ and the draft South East Plan as amended by the Panel Report and Proposed Changes. The policy refers to specialist housing needs which could include delivering Extra Care Housing and people with physical and learning disabilities for which there is an identified need.
- 2.5 The Affordable Housing SPD⁴¹ also sets out a mix of affordable dwellings that is required and works in tandem with the Balance of Dwellings SPD. The viability of such a mix was tested on a variety of sites⁴² and showed that in the majority of cases development was viable.

3 Delivering New Affordable Housing: Policy CS26

Strategic Affordable Housing Requirements

- 3.1 In January 2005, the draft SEP required at least 50% of new housing in the Central Oxfordshire sub-region to be affordable⁴³.
- 3.2 In August 2007, the Panel Report recommended the SEP target for Central Oxfordshire be reduced to "at least 40%" as it recognised that the target is a proportion of all new housing and hence a higher percentage would need to be achieved on some qualifying sites. It considered that the target should be expressed as "at least..." so as to avoid any weakening of the negotiating position within Oxford city.⁴⁴ The Secretary of State's Proposed Changes supported this wording.⁴⁵

³⁸ Policy H4, *Secretary of State's Proposed Changes to the Draft South East Plan* (July 2008) SEERA

³⁹ *Balance of Dwellings Study* (July 2007) Fordham Research Ltd

⁴⁰ Paragraph 24, *PPS3* (Nov 2006) CLG

⁴¹ *Affordable Housing Supplementary Planning Document* (Nov 2006) Oxford City Council

⁴² *Planning Obligations Viability Study* (2007) Valuation Office Agency

⁴³ Policy CO4, *Draft South East Plan* (Jan 2005) SEERA

⁴⁴ Paragraph 22.100, *Draft South East Plan Panel Report* (Aug 2007) The Planning Inspectorate

⁴⁵ Policy CO3, *Secretary of State's Proposed Changes to the Draft South East Plan* (July 2008) SEERA

- 3.3 The Oxford Local Plan currently requires generally a minimum of 50% of affordable dwellings on sites of 10 or more dwellings or sites exceeding 0.25ha⁴⁶.

Affordable housing need

- 3.4 **Table 1** shows the need for affordable housing in Oxford as 2,949 affordable dwellings per annum over the next 10 years. The need is greater than the total number of dwellings delivered in the city – both market and affordable - by some margin. This means that each year, there is a growing supply deficit; the mismatch between demand and supply is compounded. With this in mind, we need to ensure that any new development that places additional pressure on the housing issues facing the city contributes towards alleviating that pressure through mitigation.
- 3.5 In comparison with the annual land availability in Oxford (excluding windfalls) of 464 dwellings (**Table 6**), this need far exceeds what could actually be built as it would require an increase of land availability of 635%.
- 3.6 In 2006, the gross median salary for employees in Oxford was £21,266⁴⁷ and the average house price in 2007 was £311,000⁴⁸. Therefore someone on the average salary, as well as a large proportion of those with an above average salary, would not be able to afford a property in Oxford. House prices in Oxford as a whole have increased 91% since April 2000, from an average of £155,346 to around £295,406 across Oxford⁴⁹. In the same period, wages have risen at about 4% annually.

Monitoring and progress so far

- 3.7 The AMR monitors the number of affordable dwelling completions as a proportion of all completions. The latest information is in **Table 7**.
- 3.8 Apart from a dip in 2005/06, there has been a general upward trend in the overall proportion of affordable dwellings completed. It is likely that 2007/08 data will also show a dip. This is because previous years had seen completions on a number of large phased sites where completions were focussed upon 2004/05 and 2006/07 and further large phased schemes are not due to be completed until 2008/09 resulting in a much smaller amount in 2007/08.

⁴⁶ Policy HS.5, *Oxford Local Plan 2001-2016* (Nov 2005) Oxford City Council

⁴⁷ Table 2.3, *Oxfordshire Housing Market Assessment* (Dec 2007) Tribal Group

⁴⁸ Figure 4.5, *Oxfordshire Housing Market Assessment* (Dec 2007) Tribal Group

⁴⁹ Figure 4.2 *Oxfordshire Housing Market Assessment* (Dec 2007) Tribal Group

Table 7: Affordable housing completions in Oxford

Year	Local Plan requirement	Net total dwelling completions	Net affordable completions	Proportion affordable
2001/02	433	439	71	16.2%
2002/03	433	267	46	17.2%
2003/04	433	578	141	25.7%
2004/05	433	669	186	27.6%
2005/06	433	943	167	17.7%
2006/07	433	821	267	32.5%
Total	2,598	3,721	878	23.6%

Source: Oxford City Council monitoring database/AMR 2007

3.9 If **Table 7** is compared with the **Table 1**, it can be seen that even with current Local Plan policies requirements of 50% affordable housing on sites of 10 or more dwellings (or >0.25ha), the overall proportion of affordable housing still falls short of the identified need.

3.10 **Table 8** shows the percentage permitted on sites where a proportion of affordable housing has been provided due to a policy requirement. This table differs from the Annual Monitoring Report⁵⁰ as it excludes sites where housing was provided by RSLs and the Local Authority (who often provide greater than 50% and could distort the figures).

Table 8: Affordable housing permitted on sites required to provide affordable housing as a policy requirement (excluding RSL/LA sites)

	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07
Policy requirement	30%	30%	30%	30%	30%/50%	50%
Average % of affordable housing permitted on all sites	21.0%	29.3%	43.3%	34.5%	42.6%	37.6%
Average % of affordable housing permitted on sites (excluding reserved matters)	21.0%	26.0%	43.3%	34.2%	48.8%	48.9%

Source: Oxford City Council monitoring database

3.11 The Local Plan was adopted in Nov 2005 and during 2005/06 and 2006/07 almost 50% provision was reached when excluding reserved matters (reserved matters would have

⁵⁰ Indicator 7, *Annual Monitoring Report (2007)* Oxford City Council

had to accord with their outline permissions from a previous year where the percentage would have been lower).

Contribution from residential development – Percentage from residential sites

- 3.12 Oxford's Local Plan policies are quite demanding compared to other areas but, even so, overall proportions do not meet the overall need identified in the HMA (**Tables 1 and 7**). To do so would require policy changes of either increasing the percentage or reducing the threshold. In considering the percentage of affordable housing required on qualifying sites we need to ensure that a balanced mix of tenures is provided, and that sites remain viable.
- 3.13 With regards to ensuring viability, a number of studies have been produced testing the current Local Plan policy requirement of 50% on sites of 10 or more (or >0.25ha). Viability was tested in the Housing Viability Study⁵¹ which concluded that, overall, the policy could be applied on a zero grant basis to the majority of sites. This evidence was accepted by the Local Plan inspector and the policy supported.
- 3.14 Since then, further research has been undertaken into viability of development. The Valuation Office undertook a Planning Obligations Viability Study⁵² of a sample of developments. This Study identified that schemes were still viable with the 50% affordable housing requirement and the planning obligations as set out in the SPD. Some of the sites tested included an element of commercial use that allowed assessment of the policy requiring a contribution from commercial.
- 3.15 Developers are expected to take into consideration the policy requirements when purchasing land to avoid paying too much for the land. There is considered no reason to reduce the 50% figure because, as the viability evidence suggests, the majority of sites are viable. If a site is genuinely unviable with the required provision of affordable housing, there is a mechanism in the SPD⁵³ for reducing the percentage until the site becomes viable. This ensures the site can still be developed, even if with a lower amount of affordable housing, and should not prevent sites from being developed. We welcome negotiations provided that the viability evidence has been produced. If developers choose not to provide the evidence when proposing lower percentages, we have no basis on which to negotiate, resulting in a refusal of planning permission and no development taking place. The onus is on developers to provide us with the evidence to ensure development of their sites.
- 3.16 An example of where negotiations would have helped a site come forward was at St Ebba's. The site was required to provide 50% affordable housing due to its size but the developer proposed no affordable housing with no evidence to allow negotiation. The application was refused and went to appeal. During the appeal, viability evidence was produced by the appellants and scrutinised by an independent advisor (Valuation Office

⁵¹ *Oxford Housing Viability Study* (Apr 2004) Fordham Research

⁵² *Planning Obligations Viability Study* (2007) Valuation Office Agency

⁵³ Paragraph 36, *Affordable Housing Supplementary Planning Document* (Nov 2006) Oxford City Council

Agency) and the Inspector. The Inspector concluded that some affordable housing could have been provided and retain a viable development and the appeal was dismissed⁵⁴. Had these negotiations taken place at pre-app or application stage and notwithstanding any other material considerations to overcome, the site may now have planning permission to allow development, albeit with a lower percentage of affordable housing.

- 3.17 In conclusion, it is not considered appropriate to amend the 'generally a minimum of 50%' target as the viability evidence suggests the majority of sites should be viable and in any event we are willing to negotiate down the percentage when non-viability is proven, the mechanism for which is set out in the Affordable Housing SPD. The Core Strategy policy therefore remains as per the Local Plan policy in the sense that the requirement is generally a minimum of 50%. We see no need to alter this as the requirement. The SPD will be retained to assist in the application of the policies and will be reviewed during the production of the Development Management DPD.

Contribution from residential development – Threshold on residential sites

- 3.18 The other method by which to increase the overall proportion of affordable housing is to reduce the threshold. The Local Plan Inspector, based on the Housing Viability Study, concluded that viability is likely to be an issue on sites below 10 dwellings when 50% affordable housing was required so he concluded that the threshold should be set at 10 dwellings.
- 3.19 In order to increase deliver of affordable housing, a more sophisticated approach is likely to be the most appropriate method. Considering that a large proportion of windfall sites are small sites (see **Table 4**) this could include having a graded requirements where small sites are required to deliver a smaller percentage or perhaps via a financial contribution instead. The forthcoming Development Management DPD is considered the most appropriate location to explore the options for a more sophisticated approach to thresholds.
- 3.20 Policy CS26 therefore refers to the threshold being as set out in the Local Plan to continue the 10 dwelling threshold but it also allows for the consideration of threshold in the Development Management DPD where other, perhaps more sophisticated thresholds could be assessed and tested.

Contribution from commercial development

- 3.21 This part of Policy CS26 follows on from Local Plan Policy HS.7, adopted West End AAP Policy WE17, and the Affordable Housing SPD. Certain commercial development in Oxford may worsen the existing housing situation by encouraging employees in housing need to move to Oxford. There is a huge need for affordable housing in Oxford and a proportion of those employed by businesses in Oxford are unlikely to be able to afford housing in Oxford.

⁵⁴ Appeal decision APP/G3110/A/06/2031506 (1st Oct 2007) The Planning Inspectorate

47.4%⁵⁵ of Oxford's workforce commute in from outside of Oxford and so providing more affordable housing as a result of new commercial development would help more people live closer to their place of work. The principle of taking contributions towards affordable housing from commercial development to mitigate this pressure was established in the Local Plan 2001-2016 and has continued through to the West End AAP.

- 3.22 Policy CS26 does not apply to retail developments or non-profit-making public-sector projects. The vast majority of employees of retail development are part-time and sourced locally. It would be uncommon for workers to travel to an alternative town or to move house in order to be closer to a retail job as similar jobs are often available in the vicinity of a place of residence. This issue was raised by the Local Plan Inspector regarding Policy HS.7 and the City Council agreed with the Local Plan Inspector's reasoning on this point⁵⁶.

Relating pressure to new commercial development

- 3.23 A contribution must be "*related to a proposed development*"⁵⁷ so it is important to understand to what extent new employment development would generate new demand for affordable housing. Affordable housing is for those in housing need and who would otherwise be accommodated by the City Council. Everybody over the age of 16 (with some specific exceptions relating to immigration status and unacceptable behaviour) is eligible to go on the register to be awarded graded priority. Households with sufficient funds to house themselves are given reduced priority, but are still eligible to go in the housing register.
- 3.24 In his report to the Local Plan, in reference to Policy HS.7, the Inspector stated that "*I would expect that contributions could be sought where the need for affordable housing is directly related to the development proposed. This could occur, for example, where there would be an acknowledged creation of jobs for lower paid workers for which there was no affordable housing.*"⁵⁸ Affordability is therefore a key tool in assessing affordable housing need.
- 3.25 **Figure 2** shows the average property price in Oxford against mortgages achievable on single incomes of Oxford workers. It shows that even a single person household in the 75th percentile⁵⁹, as well as those earning greater amounts, would not be able to afford a 1-bed flat in Oxford. By doubling the mortgage amount to reflect a joint income (which reflects a best case scenario, in reality a lower amount would be offered), it is shown in **Figure 3** that a couple would need to be earning in the 75th percentile to afford a 1-bed flat but could not quite afford a 2-bed flat.

⁵⁵ *Travel to work in Oxfordshire comparisons between 1991 and 2001* (Aug 2004) Oxfordshire County Council

⁵⁶ Recommendation 7.3/14 *Inspector's Report to the Oxford Local Plan 2001-2016*

⁵⁷ Paragraph B5, *Circular 05/2005 Planning Obligations* (July 2005) ODPM

⁵⁸ Paragraph 7.3.41 *Inspector's Report to the Oxford Local Plan 2001-2016*

⁵⁹ A percentile is the value of a variable below which a certain percent of observations fall. So the 75th percentile is the income below which 75 percent of the observations are found.

Figure 2: Single household mortgages compared to average property prices in Oxford

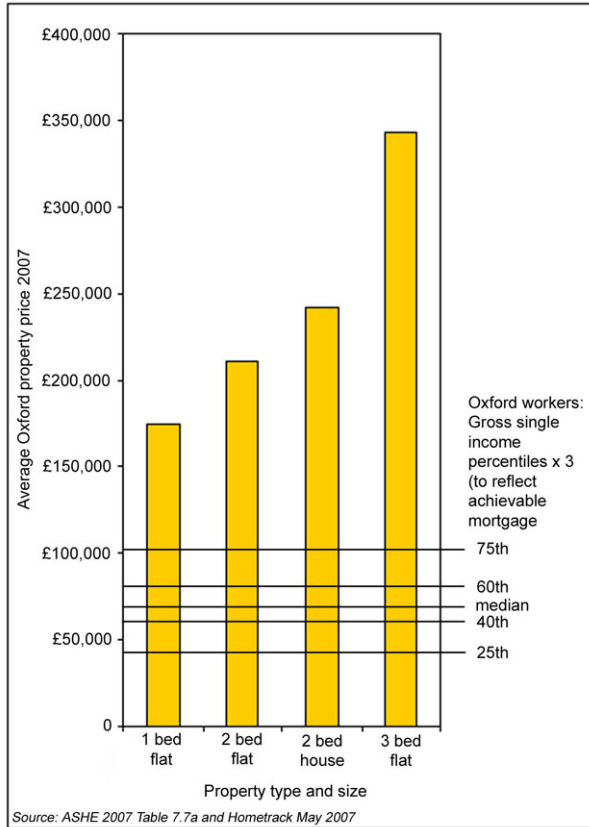
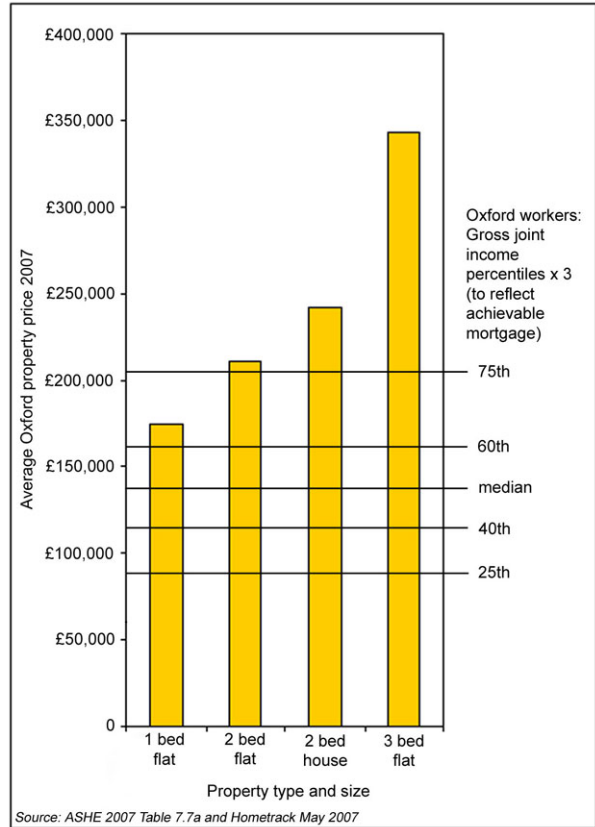


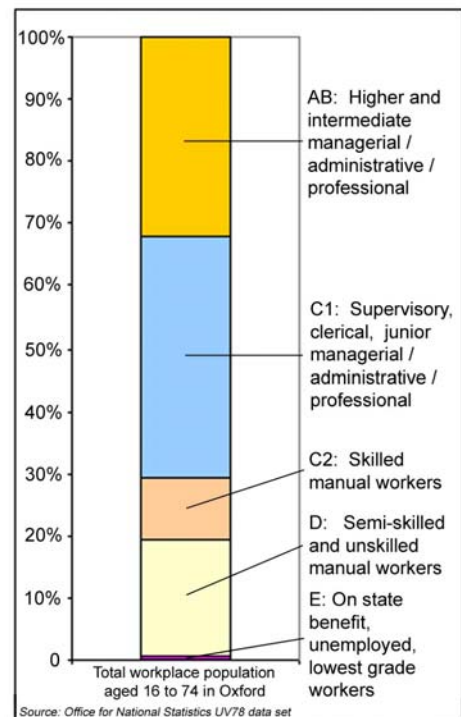
Figure 3: Joint household mortgages compared to average property prices in Oxford



3.26 Many commercial developments are speculative and so it is not possible to know the exact make up of employees and what range their incomes would cover. Even non-speculative commercial development is not likely to have such detailed information on the employees of their future occupiers. Therefore the range of income levels must be estimated from existing data.

3.27 **Figure 4** shows the spread of approximate social grades of Oxford's workforce. Percentile and proportions are not entirely comparable but they can give a general comparison. The spread of social grades in **Figure 4**, if compared with the percentiles in **Figure 2** suggest that even at the highest social grades (except perhaps at the extreme) single households would not be able to afford a 1-bed flat. Oxford has a significant proportion of AB grades, but even with this high

Figure 4: Approximate social grades of workplace population of Oxford



proportion, the higher percentiles of achievable mortgages in single households are likely to be significantly below being able to afford a property.

- 3.28 Joint households of workers in the AB grade and a proportion of those on grades C1 could potentially afford a 1 bed-flat. In **Figure 3**, the price of a one-bed flat would cross at approximately the 65 percentile suggesting that 65% of households could not afford a one-bed flat. This would also suggest that a much higher proportion of single income households would not be able to afford a one-bed flat. This is very approximate but gives a general indication.
- 3.29 The majority of large employers comprise staff who cover a range of social grades and it is assumed that the average employer has employees that are in line with **Figure 4**. Certainly a B1(a) use may follow this pattern closely. A B2 or B8 is likely to show a skew towards lower social grades whereas a research and development employer may show a skew towards higher social grades. But regardless of the particular use class, there would be expected to be a range of social grades within an organisation and, considering the evidence of income and property prices, there would be expected to be a significant proportion of employees who could not afford a property in Oxford, perhaps at least 65% depending on the employee type. It may be argued that some new employees might already live and have an existing job in Oxford but upon leaving their current job opens up the requirement for a new employee who stands a high chance of having to travel from outside of Oxfordshire judging by the travel to work statistics.

Calculating the contribution

- 3.30 Following the discussion on affordability, the level of contribution must be calculated on the assumption that a significant proportion of employees in a new commercial development would be in housing need and eligible for affordable housing.
- 3.31 When seeking contributions towards affordable housing, it is important to reach the right balance in terms of requirements made, as too onerous demands can make new development unviable financially, and may push economic growth to neighbouring areas. It is important to ensure that commercial developments remain viable in Oxford to ensure a continued supply of jobs and a diversity in employment opportunities. With that in mind, Policy CS26 seeks affordable housing contributions from commercial development in order to meet additional demand created. This policy continues Local Plan policy HS.7.
- 3.32 Therefore a level of contribution had to be determined that would provide as many affordable homes as possible to offset additional need created but without making the development unviable. Economic values involved in commercial development are much lower than residential development, and this needed to be taken into account when devising a contribution framework.

- 3.33 The Affordable Housing SPD supports current Local Plan policy HS.7 and sets out the level of contribution at “between 1 and 5% of the estimated number of employees”⁶⁰. In drafting the SPD there was no guidance from Government in how to calculate a contribution from commercial development, nor were there any other Local Authorities who were developing a similar policy. Considering the evidence on affordability above, this suggests that at least 65% of new employees would require affordable housing. Requiring a contribution that would be the equivalent to providing affordable homes for 65% of its workforce would be far in excess of what a commercial development could afford. Initial demand calculations indicated that of 1-5% staff in qualifying use classes could be provided for. Although this was seen as a reasonable level, it was hoped that the consultation for the Affordable Housing SPD would enlighten discussion on the contribution to inform whether or not it was an appropriate amount. Whilst the consultation raised concern regarding viability, there was no suggestion offered for a more acceptable figure.
- 3.34 Following the concerns raised during the SPD consultation, further calculations were undertaken to re-test the impact of this contribution on commercial development. Whilst it was fully expected that a commercial developer or agent would object to any new contribution, whatever its level, it is responsible for the City Council to fully investigate the validity of their concerns following a consultation.
- 3.35 To ensure that any requirement was sound, the impacts of the policy have been tested for viability. The method of contribution is detailed in Appendices 4 and 5 of the Affordable Housing SPD.
- 3.36 The Planning Obligations Viability Study⁶¹ (POVS) tested the requirements of both the Planning Obligations SPD and the Affordable Housing SPD, to ensure that the requirements of each SPD could be met with sites remaining viable. For commercial development, 4 sites were tested and it was shown that these sites could deliver the required affordable housing contribution at around the ‘1%’ level. The sites tested are listed in table 4.6 of the POVS; the uses are a mix of B1 (a), B1 (b), and A3.
- 3.37 The study shows that of the 4 sites being redeveloped for commercial use, all posted residual land values above their existing use value; to remain viable, the site value needs to remain above that of its current use, otherwise the owner is not likely to bring the site to market. Para. 6.2 of the POVS shows that the introduction of an affordable housing requirement reduces the site value by a marginal amount compared to that before the introduction of the affordable housing and other planning obligations requirements (more detail is listed in table 6.1 of the POVS); the conclusion of this is that land owners will not be encouraged to keep their sites as they are, and that development is likely to continue.

⁶⁰ Paragraph 56, *Affordable Housing Supplementary Planning Document* (Nov 2006) Oxford City Council

⁶¹ *Planning Obligations Viability Study* (2007) District Valuer Services

- 3.38 The viability testing did reveal that with the addition of planning obligations, which include affordable housing, some of the other sites tested come close to being unviable; on this basis, it was felt that the lower percentage for contribution should be used, with a view to moving towards the higher 5% should market conditions indicate that this would be possible. Testing would be done to ensure that the sites remained viable if this step were to be taken. As the life of the Core Strategy is 20 years, the range of contribution levels is kept within the SPD to allow for adaptation to future market conditions, and the current level will be monitored for viability and updated if it is deemed appropriate.
- 3.39 An example of a site where Policy HS.7 has been successfully been applied is DHL, Sandy Lane West (Application number 07/02809/FUL). The policy was applied to where there was an increase in floorspace and a change of use that would have increased employee/workspace density. A sum of £67,968 was received which equated to 1% level of contribution.

4 Student Accommodation: Policy CS27

- 4.1 This policy seeks to ensure that any increase in student numbers (at both Universities) is linked to an equivalent increase in purpose built student accommodation. This policy will be applied each time the Universities (or the Colleges of the University of Oxford) seek an increase in academic floorspace.
- 4.2 Students living outside purpose built student accommodation live in rented houses in Oxford. This has two adverse effects. Firstly, this removes houses from the normal market, and therefore reduces supply. Clearly this is a bad thing for Oxford in a time of housing shortage nationally. Secondly, the impact of students renting private houses artificially increases the rental values of houses in Oxford. This in turn prices out normal families from the housing market who would be otherwise able to access the housing market.
- 4.3 In addition, there are a couple of secondary issues. The transient nature of students means that little effort is made to build/join the communities where they live. And in addition, students try to bring cars into Oxford, which cannot be controlled in private houses, which causes traffic and on-street parking problems.
- 4.4 The Core Strategy sets a limit of 3,000 students per unit who can 'live out' of purpose built accommodation. This brings forward the policies of the adopted Oxford Local Plan 2001-2016 (Policies ED.6 and ED.8). It is important to have a figure on the policy in order to monitor the implementation of the policy.
- 4.5 At the Preferred Options stage it was considered whether the limit of 3,000 should be reduced further. Following further consideration, including responses from both Universities, it was considered appropriate to maintain the 3,000 limit. This was in part an understanding

that there would need to be a reduction in new housing delivery to make available sites for student accommodation. This would lead to a perverse situation. It was therefore considered appropriate to maintain the 3,000 limit.