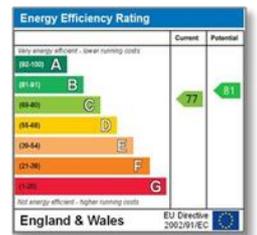




## Independent Review of the Oxfordshire Housing and Economic Needs Assessment prepared for Cherwell District and Oxford City Councils

## Report of Findings for South Oxfordshire and Vale of White Horse Councils

Opinion Research Services  
December 2023





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# Independent Review of the Oxfordshire HENA 2022

1. Opinion Research Services (ORS) was commissioned by South Oxfordshire and Vale of White Horse District Councils to review the methodology, analysis and conclusions of the Oxfordshire Housing and Economic Needs Assessment 2022 that was prepared for Cherwell District and Oxford City Councils (the 'HENA 2022').
2. It is unusual for a local authority to commission a review of a neighbours assessment; but the HENA 2022 is itself very unusual in that it not only considers the housing and economic needs of Cherwell District and Oxford City (the commissioning local authorities) but also seeks to identify needs for the rest of Oxfordshire, despite the county's other local planning authorities (including South Oxfordshire and Vale of White of Horse) not being commissioning partners.
3. The aim of this review is to provide a succinct overview of the study. In doing so we also reference the Oxfordshire Growth Needs Assessment 2019 and 2021 update (OGNA 2019 and OGNA 2021), the Oxford City Strategic Housing Market Assessment 2018 (Oxford City SHMA 2018) and the Oxfordshire Strategic Housing Market Assessment 2014 (Oxfordshire SHMA 2014). All of these reports contain information which provide useful comparators for information presented in the HENA 2022. In particular, the HENA 2022 can be viewed as a direct successor to the OGNA 2019 and 2021, which were prepared by the same consultants.
4. The HENA runs to over 200 pages and we therefore do not intend to undertake a line-by-line review of the study. If we have not commented upon a particular issue in the report, this should not be taken as ORS agreeing with it. Furthermore, we have not commented upon any issues relating to the Duty to Cooperate or any political choices on which the HENA 2022 is based, as these will be separately addressed by South Oxfordshire and Vale of White of Horse District Councils. Instead, we have focused exclusively upon key technical points of disagreement with the HENA 2022 and its assumptions.

## Overview of the HENA 2022

5. The key objectives of the HENA 2022 were to:
  - » Update housing and economic baselines and provide updated demographic and policy reviews;
  - » Update, and remodel economic scenarios from the OGNA 2019 and 2021, including accounting for new economic baselines and post pandemic working from home patterns;
  - » Bring together the evidence to draw conclusions on the appropriate housing need in Cherwell and Oxford City;
  - » Update affordable housing needs including the consideration of the need for different types of affordable housing including First Homes;
  - » Update employment land needs and draw strategic conclusions on the need for employment land in Cherwell and Oxford City.

6. For this analysis, we will consider the employment projections, demographic projections, and affordable housing assessment which underlie the overall housing needs assessment. Initially, we summarise how the overall housing need assessment was calculated in the HENA 2022.
7. The HENA 2022 identifies an overall housing need for Oxfordshire based upon four scenarios:
  - » **Standard Method (SM) = 3,388 dpa:** the standard method set out in national planning guidance which all local planning authorities are expected to use, unless there are exceptional circumstances;
  - » **Census Adjusted (CA) = 4,721 dpa:** an adjusted assessment based on the standard method calculation, using different inputs based on bespoke analysis derived partly from 2021 Census data;
  - » **CE Baseline (CE-B) = 4,406 dpa:** a baseline employment-led housing need which seeks to align with the jobs growth identified by a forecasting model produced by Cambridge Econometrics; and
  - » **Economic Development-led (ED) = 5,830 dpa:** an economic development-led scenario based on the target set out in the Local Investment Plan (LIP) to add £1.2bn to Oxfordshire's annual GVA by 2030.
8. For each of the four scenarios, the overall housing need identified for Oxfordshire is distributed between the constituent local authorities based upon three different methods of apportionment:
  - » **Distribution of housing need (Table 7.10):** Oxfordshire housing need apportioned based on the local housing need figure identified by the Government's standard method for each local area;
  - » **Distribution of employment 2021 (Table 7.11):** Oxfordshire housing need apportioned based on the estimated proportion of jobs in each area in 2021; and
  - » **Distribution of employment 2040 (Table 7.12):** Oxfordshire housing need apportioned based on the forecast proportion of jobs in each area by 2040.
9. It is important to recognise that all of the HENA scenarios are based on a countywide assessment of housing need which is subsequently apportioned between local areas. The only output that is based on data for the specific local authority area is the first column of Table 7.10 which sets out the Local Housing Need identified by the Government's standard method calculation for each local area.
10. All other data presented in these tables has been derived by calculating overall figures for Oxfordshire, and then using different methods to apportion the countywide figures to the individual local authority areas. None of the figures are calculated using a local area-based assessments. Therefore, any figures presented for Cherwell and Oxford City (with the exception of the Government's standard method calculation presented in the first column of Table 7.10) are based upon Oxfordshire data being apportioned; they are not based on the specifically identified needs of those two local authority areas.

11. The key housing need outputs from the HENA 2022 are set out in the tables which are reproduced below.

**Table 7.10: Distribution of District Housing Need by 2014 based Standard Method**

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

**Table 7.11: Distribution of District Housing Need by Distribution of Employment in 2021**

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

**Table 7.12: Distribution of District Housing Need by Distribution of Employment in 2040**

CE Baseline Trend Employment Based Distribution Projected (2040) Distribution		SM	CA	CE-B	ED
<b>Oxfordshire</b>	<b>100%</b>	<b>3388</b>	<b>4721</b>	<b>4406</b>	<b>5830</b>
<b>Cherwell</b>	22.9%	776	1081	1009	1335
<b>Oxford City</b>	30%	1016	1416	1322	1749
<b>South Oxfordshire</b>	18%	610	850	793	1049
<b>Vale of White Horse</b>	16.2%	549	765	714	944
<b>West Oxfordshire</b>	12.8%	434	604	564	746

12. The preferred housing need figure for the Oxford Local Plan 2040 is derived from the CE Baseline (CE-B) scenario which identified an overall need for 4,406 dpa for Oxfordshire, which has then been apportioned based on the forecast distribution of employment by 2040 (Table 7.12) which assumes that 30% of all jobs (and therefore 30% of the housing need) will be in Oxford City.
13. This yields a need of 1,322 dpa (4,406 x 30%) but it is not based upon a calculation of employment-based housing need for Oxford City.

14. The forecasts suggest that 30% of the total employment in the county will be in Oxford City by 2040, and on that basis (and it seems on that basis alone) 30% of the countywide housing need has essentially been “allocated” to the City. There is no regard to existing patterns of commuting within the county or any other considerations – simply 30% of jobs are in Oxford, so 30% of the housing need is assumed to be there too.

## Housing Need based on Employment Projections

15. When employment projections are used to estimate the need for new housing in an area, there are two key questions to ask when determining whether they are robust enough. These are:
  - » (1) How plausible are the employment projections? and
  - » (2) How plausibly are the employment projections then linked to the demographic projections to calculate the need for new housing?
16. We will consider these two points in turn.

## Modelling Employment Trajectories

17. Within the OGNA 2019, Section 8.5 set out the main findings in relation to the models for economic trajectories. The models were provided by Cambridge Econometrics (CE) and were described as follows:

*CE has prepared three sector-led growth trajectories for the Oxfordshire economy (set within its MDM-E3 macroeconomic model). One of these trajectories, the business as usual trajectory, is the extension of Oxfordshire’s recent trend of accelerated growth, as observed in Figure 8.4.1.*

*The Standard method (adjusted) trajectory presents an estimate of the level of employment growth enabled by the level of housing growth calculated using the Standard method, adjusted for the revised demographic baseline explored in Chapter 3 Demographic Trends.*

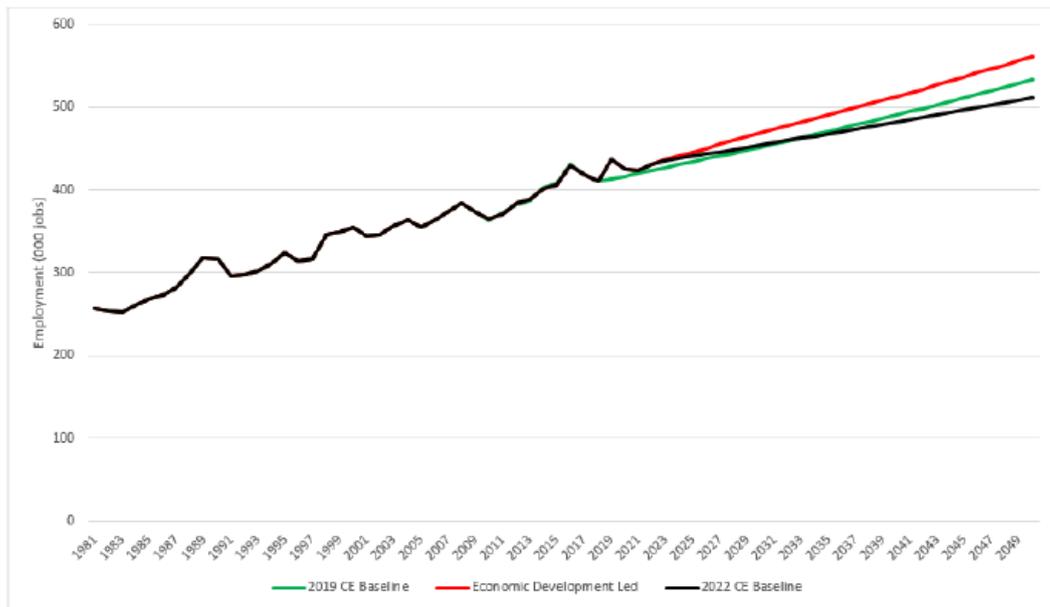
*The transformational trajectory is a straightforward update to the LIS “go-for growth” trajectory. The latter two projections sit either side of the business as usual trajectory, representing relatively more constrained or unconstrained versions of future growth prospects.*

18. A conventional modelling approach would use a single model to give a **central trajectory** together with high or low variants based on conservative or more optimistic assumptions, but this was not included in either the OGNA 2019 or OGNA 2021 Update.
19. This issue has been addressed in the HENA 2022, with one central forecast from the Cambridge Econometrics model being used. It is possible to compare the outputs of the OGNA 2019 Business as Usual (BAU) Scenario and HENA 2022 baseline model, and this was done in Figure 7.2 of the HENA 2022.
  - » The OGNA 2019 BAU Scenario at Table 9.4.1 shows a 20 year jobs growth 2020 to 2040 of 74,590 jobs across Oxfordshire, or 3,730 jobs per annum.

» The HENA 2022 at Figure 7.6 shows a 19-year growth (2021-2040) of 57,870 jobs, equivalent to an average of 3,046 per year.

20. Therefore the jobs growth forecast in the HENA 2022 is lower by 684 fewer jobs per year than forecasted in earlier drafts of the OGNA, a reduction of 18%.

**Figure 7.2: Cambridge Econometrics Baseline Projection 2019 vs 2022 vs Economic Development Led Scenario**



21. However, whilst the HENA 2022 concludes a housing need of 4,406 dpa based on the 2022 CE baseline, the OGNA 2019 concluded a need for 4,113 dpa based on the 2019 CE baseline.
22. In other words, the jobs growth forecast is lower (684 fewer jobs per year, a reduction of 18%), but the associated housing need is higher (293 extra dwellings per year, an increase of 7%). The forecasts suggest that there will be around 13,000 fewer jobs across Oxfordshire over the 19-year period 2021-2040, but the HENA 2022 concludes that 5,567 more dwellings will be needed.
23. To place this into even further context, the SHMA 2014 concluded at paragraph 4.4 that projected jobs growth in Oxfordshire was 4,400 per annum (1,354 per year higher than the HENA 2022) and Table 88 showed that this generated a need for 4,280 dwelling per annum (126 dpa lower than the HENA 2022).
24. Clearly, the changes in the modelled need to support employment growth between SHMA 2014, OGNA 2019 and HENA 2022 are not just down to changes in the employment projections, but are instead down to other assumptions around economic activity rates and commuting.
25. Table 7.6 of the HENA 2022 summarises these assumptions.

**Table 7.6: Overview of Ratio Assumptions used in Scenarios**

	Ratio Used	Basis
1. Residents per Dwelling	2.36	Average ratio of population to household 2020-2040, from 2018 SNPP
2. Dependency Ratio	0.63	Current ratio of working age population in Oxon
3. Economic Activity Ratio	0.77	Current ratio of working-age to working people in Oxon
4. Job to worker ratio	0.955	Number of workers per job
5. Home based working	20% Remote 30% Hybrid 50% Workplace	CE Analysis
6. Commuting (Employment Led scenarios)	9,000 in commuters	Return to 2011 Levels

26. There are two assumptions that are important to focus upon: the Economic Activity Ratio at (3) and the assumptions surrounding Commuting at (6).

## Economic Activity Ratio

27. The economic activity rate assumed by the HENA 2022 was 0.77 and this implies that 77% of all working-age people (aged 16-66 years) will be working and will form part of the labour force.
28. The justification for this is set out in paragraphs 7.4.15-7.4.17:

*7.4.15 As is seen in Figure 7.3 however, local labour market activity rates are volatile such that selecting a single point in time figure cannot be a robust basis to use in the scenarios given the level of variation from data point to data point. The local Oxfordshire figure as variously fallen below and above the average regional rate which is less volatile.*

*7.4.16 Overall, it was considered more appropriate and statistically reliable to use an average of the regional economic activity rate for the scenarios, over the full period since the Annual Population Survey has been in use. This gives a long-term average that aligns more closely with the 20-year time frame of the plan period and minimises variation.*

*7.4.17 The number of working residents can then be compared to estimates of workplace employment to determine the surplus or deficit of working residents necessary to meet local labour demand. This surplus or deficit represents a proxy for likely net commuting flows.*

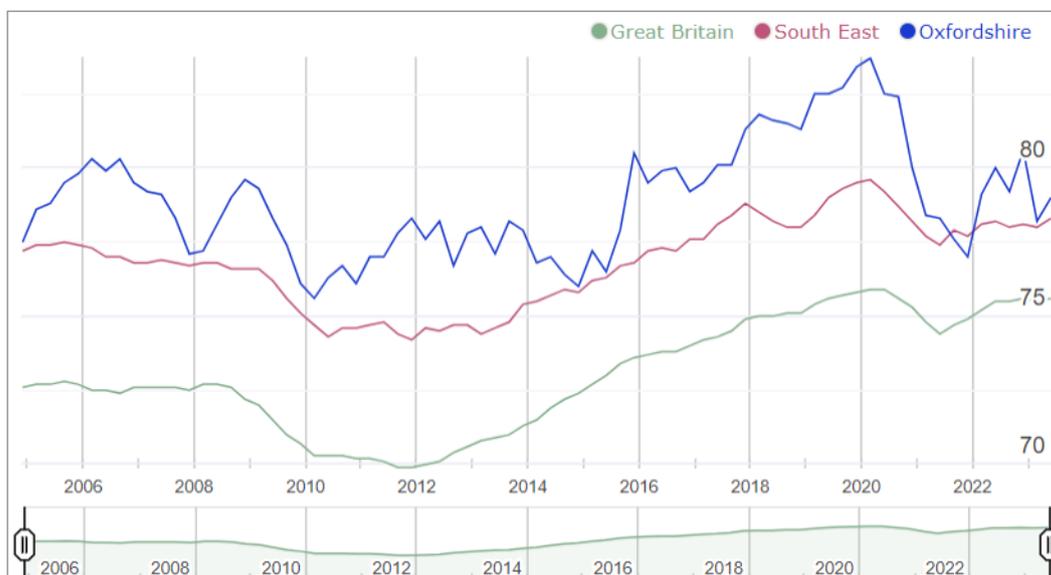
29. However, if we look at the data for economic activity rates set out in Figure 7.3 of the HENA 2022 (reproduced below) the South East and Oxfordshire economic activity rates have never been below 77% since 2004 and in general are running at over 80%.

**Figure 7.3: ONS Economic Activity Rates: Annual Population Survey**



30. We have reviewed and confirmed the underlying data, and the most recent economic activity data for the 12-month period July 2022 to June 2023 shows a rate of 81.6% in Oxfordshire, 81.2% in the South East and 78.6% in Great Britain.
31. Given the extent of the difference, it is possible that the consultants had intended to refer to the employment rate, rather the economic activity rate. The employment rate is the economic activity rate minus those unemployed. The chart below shows the employment rate. From this we can see how a South East average since 2005 of 77% could be derived, but the chart shows that the rate in Oxfordshire only briefly fell below the South East figure during the pandemic and was consistently at 80% or higher prior to the pandemic.

**All people - Economically active - In employment  
Oxfordshire**

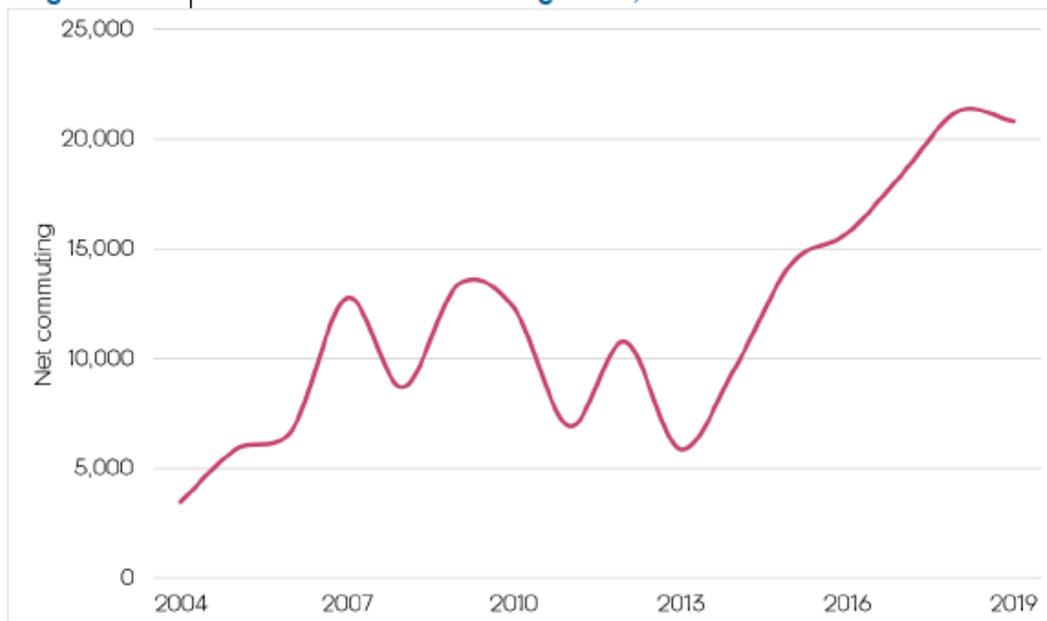


32. Giving the benefit of the doubt, assuming that the employment rate, not economic activity rate, will be 77% in 2040 implies that at least 3% more of the working age population will not be in the workforce compared to recent data. However, the rates have also been growing over time, so the more natural assumption would be that they continue to rise. This would give a figure of around 81 or 82% in Oxfordshire and close to 80% in the South East.
33. We have checked the data in the report and a 77% economic activity rate (or employment rate) has been used. For example, the population given in Table 7.8 is 875,522. Multiplying this by the 63.2% dependency rate and 77% employment rate gives a workforce of 426,764 and the figure given in Table 7.8 is 425,411 which is close given that both 0.632 and 0.77 are likely to be rounded figures.
34. We simply do not understand how the 77% figure could have been arrived at based upon Table 7.3 and reported ONS data. The Oxfordshire has consistently outperformed the South East average, and the HENA 2022 reports that the economic prospects for Oxfordshire are incredibly good. A natural assumption would be that the employment rate for Oxfordshire would be over 80%.
35. To illustrate why this is so important, the standard method scenario in Table 7.8 assumes a population of 875,522 in 2040 with a workforce of 425,411. However, if we multiply 875,522 by 0.632 for the dependency rate and then 0.81 for an 81% employment rate then this sees the workforce being 448,197 in 2040, which is very close to the jobs forecast jobs forecast of 460,026. **Therefore, there would be only a small shortage of workers at the standard method housing figures without changing any other assumptions.**
36. Meanwhile, Table 7.9 assumes a population in 2040 in Oxfordshire of 918,763, with a labour force of 446,422. Using an employment rate of 81% instead of 77% would give a labour force of 470,333 ( $918,763 \times 0.632 \times 0.81$ ). This would move Oxfordshire from having a deficit of 13,846 workers to having a surplus of 10,307 workers. Therefore, if 4,400 homes were to be built a year this would support around 70,000 jobs over the 19-year period 2021-2040 (a growth of 44,000 based on the HENA 2022 data, plus around 25,000 more based on assuming a more plausible employment rate).
37. **Therefore, simply setting a more plausible economic activity rate for Oxfordshire than that used in the HENA 2022 brings the jobs-led housing need down to close to the figure identified by the Government's standard method calculation.**

## Commuting

38. The HENA 2022 assumes that net in-commuting to Oxfordshire will be 9,000 workers in 2040.
39. Figure 7.4 of the HENA 2022 shows that the most recently recorded level of net commuting into Oxfordshire is around 21,000, so 12,000 higher than this net target.

**Figure 7.4: Oxfordshire's net commuting flows, 2004-19**



Source: ONS, Cambridge Econometrics.

40. Reducing commuting to an area is a policy decision, and the HENA 2022 is assuming that commuting patterns at the baseline date of the needs assessment won't remain the same, but rather are going to change.
41. The concept of policy off housing needs and policy on housing requirements has been established in case law since 2013 by the Solihull MBC v Gallagher Homes and St Albans v Hunston Court of Appeal decisions. Housing need assessments must always be undertaken "policy off".
42. The assumption relating to changes to commuting patterns are "policy on" and therefore these do not provide an assessment of housing need (though could relate to a housing requirement figure which takes account of policy ambitions).
43. It is also likely to be a failure of Duty to Cooperate if this kind of cross-boundary assumption hasn't been discussed and agreed with neighbouring areas outside Oxfordshire, as clearly it would impact on their plan making too.
44. Again to place the impact of this assumption in the context of the identified housing need. To reduce inward commuting by 12,000 would require an additional 12,000 workers to live in Oxfordshire, and that in turn would increase the number of households needing homes in the area. It is likely that at least 8,000 more dwellings would be needed to enable these workers to move to Oxfordshire. However, if 20% of all workers are working remotely, then this figure could increase to around 10,000 more homes needed overall. Therefore, of the housing need identified by the HENA 2022, around 8,000-10,000 dwellings (400-500 dpa)

are associated with the assumption that net commuting will reduce. We would note that this change is in addition to the impact of economic activity rates, so is not incorporated as part of that change.

## Apportioning of the need of a countywide basis

45. Even if the countywide figure provided a realistic assessment of housing need (which we don't consider it to be, given the inappropriate assumptions on economic activity and the "policy on" assumptions relating to commuting) the housing need of 1,322 dpa identified for Oxford City is an apportionment of that figure.
46. That apportionment is not a needs-based assessment but a policy choice that 30% of housing need should be associated with Oxford because 30% of the total jobs are forecast to be in the City. This fails to take account of established commuting patterns within the county, there is net in-commuting to Oxford from other districts in the county, and any needs-based assessment would have to take account of that existing evidence – if that evidence is ignored and anything different assumed (i.e. it is assumed that the future will be different) then that is also a policy choice, so another "policy on" influence.
47. While no Oxford City or Cherwell specific models are produced in the HENA 2022, The 2018 SHMA update was a needs-based assessment for Oxford City. That identified a jobs-led housing need figure of 527 dpa for Oxford City based on a growth of 852 jobs per year.
48. The HENA 2022 identifies a growth of 784 jobs per year at Figure 7.6 for the City (less the 852 identified by the 2018 SHMA) therefore, all things being equal, a genuine needs-based assessment for Oxford City is likely to identify a housing need below the 527 dpa identified by the 2018 SHMA.

## Demographic projections and the "Standard Method"

49. While, demographic change has not been relied upon in the HENA 2022 to justify a higher build target for Oxford City and Cherwell, given that the jobs-led model appears to be based on a number of erroneous or flawed assumptions, it seems likely that the Councils may instead seek to justify a higher housing target based upon their alternative demographic modelling and/or their assessment of affordable housing needs.
50. We have therefore considered these issues below.
51. The Government published the National Planning Policy Framework (the Original NPPF) in 2012. This set out the planning policies for England and how these were expected to be applied. Housing Need Assessments were to be carried out through a Strategic Housing Market Assessment (SHMA) for which Planning Practice Guidance was issued to assist in their completion, but this guidance was not prescriptive.
52. A revised version of the National Planning Policy Framework was published in September 2023. Under that version of the NPPF, local planning authorities are still responsible for assessing their local housing needs; however, Paragraph 61 identifies that "*strategic policies should be informed by a local housing need assessment, conducted using the standard method in national planning guidance – unless exceptional circumstances justify an alternative approach*". This represents a significant change, as the standard method sets out a formulaic approach to determine the minimum Local Housing Need (LHN) figure and prescribes

the use of specific data for the calculation. Therefore, whilst the responsibility for establishing housing need continues to rest with the local planning authority, this is now constrained to a minimum figure that is determined centrally by the Government unless exceptional circumstances apply.

53. As noted in the HENA 2022, there are circumstances set out in Planning Practice Guidance (PPG) when a higher figure should be considered:

**2.1.11** Specifically, Planning Practice Guidance in Para 2a-010 sets out that there will be circumstances when it is appropriate to consider if housing need is higher than the Standard Method indicates, stating that:

***When might it be appropriate to plan for a higher housing need figure than the standard method?***

*The government is committed to ensuring that more homes are built and supports ambitious authorities who want to plan for growth. The standard method for assessing local housing need provides a minimum starting point in determining the number of homes needed in an area. It does not attempt to predict the impact that future government policies, changing economic circumstances or other factors might have on demographic behaviour. Therefore there will be circumstances where it is appropriate to consider whether actual housing need is higher than the standard method indicates.*

*This will need to be assessed prior to, and separate from, considering how much of the overall need can be accommodated (and then translated into a housing requirement figure for the strategic policies in the plan). Circumstances where this may be appropriate include, but are not limited to, situations where increases in housing need are likely to exceed past trends because of:*

- » *growth strategies for the area that are likely to be deliverable, for example where funding is in place to promote and facilitate additional growth (e.g. Housing Deals);*
- » *strategic infrastructure improvements that are likely to drive an increase in the homes needed locally; or*
- » *an authority agreeing to take on unmet need from neighbouring authorities, as set out in a statement of common ground;*

*There may, occasionally, also be situations where previous levels of housing delivery in an area, or previous assessments of need (such as a recently produced Strategic Housing Market Assessment) are significantly greater than the outcome from the standard method. Authorities will need to take this into account when considering whether it is appropriate to plan for a higher level of need than the standard model suggests.*

PPG Reference ID: 2a-010-20190220

## Changes to the Standard Method

54. Since the publication of the original standard method figures in September 2017 a range of new data has been released, including:

- » New affordability data released each year;
- » New 2016-based and 2018 based sub-national population projections (SNPP);

- » New 2016-based and 2018 based household projections;
  - » Detailed data from the 2021 Census;
  - » Revised mid-year population estimates for the period mid-2012 to mid-2020; and
  - » Population estimates for mid-2021 and mid-2022.
55. The national housing need produced using these new data is lower than previous estimates, falling short of the Governments stated 300,000 dwelling per year target. As a consequence, the Ministry for Housing, Communities and Local Government (MHCLG, now DLUHC) published *“Technical consultation on updates to national planning policy and guidance October 2018”*.
56. The Government has made it clear that it does not doubt the accuracy of the ONS 2016-based and 2018-based projections, as stated in the consultation. Nevertheless, at paragraph 19 of the consultation document, MHCLG explicitly stated that the lower housing numbers that are derived from application of the standard method to the ONS produced 2016-based household projections should not be used; these more recent projections do not qualify as an exceptional circumstance to warrant deviation from the standard method outputs using the CLG 2014-based projections.
57. Instead, the Government made three proposals:
- For the short-term, to specify that the 2014-based data will provide the demographic baseline for assessment of local housing need.*
- To make clear in national planning practice guidance that lower numbers through the 2016 based projections do not qualify as an exceptional circumstance that justifies a departure from the standard methodology; and*
- In the longer term, to review the formula with a view to establishing a new method by the time the next projections are issued.*
58. On this basis, it would appear that any deviation from the standard method should only be considered if exceptional local circumstances can be demonstrated. Nevertheless, the revisions to PPG [ID 2a-015-20190220] clarify that an alternative approach that identifies a need higher than using the standard method will be considered sound, providing that it adequately reflects current and future demographic trends and market signals, given that it will have exceeded the minimum starting point. Any figure lower than that identified using the standard method will need to be justified through exceptional local circumstances.
59. Therefore, local authorities can exceed the standard method figure based upon a range of circumstances, including new data, provided that this is consistent with future demographic trends and market signals.
60. Chapter 7 of the HENA sets out the figures for housing need for Oxfordshire given by the Government’s standard method noting that this is a minimum figure for establishing local housing need. This is reasonable as Government guidance states that *“There is an expectation that the standard method will be used and that any other method will be used only in exceptional circumstances.”* (PPG Paragraph: 003 Reference ID: 2a-003-20190220).

61. Table 7.4 of the HENA 2022 sets out the current official standard method figures for Oxfordshire which are 3,388 dwellings per annum (dpa) capped and 3,482 dpa uncapped.
62. We would recommend that the local planning authorities in Oxfordshire should plan based on the uncapped figures, as using the capped figures would likely require an early review of any plan, and, given that the difference between the capped and uncapped figures is very small, it would be appropriate to focus on the uncapped figures. The uncapped figure of 3,482 dpa is not a figure that would normally be disputed unless there really were exceptional circumstances in any of the local areas.
63. However, having set out the standard method figures, the HENA 2022 then goes on to produce an estimate for housing need based on what is described as "Census Adjusted Scenario Housing Need". This makes use of an alternative demographic baseline created by the consultants which largely uses 2021 Census data. The calculation is described as being based on demographic projections produced by the consultants themselves using a series of adjustments which result in a much higher projected population for the County compared to the 2014-based household projections.
64. The justification for using an adjusted baseline is set out at page 73 which is:

*7.3.5 In the 2021 OGNA report, the rationale for the adjustment to the standard method was both to recognise any uncertainties surrounding the ongoing use of 2014 household projections, and in particular to recognise and respond to evidence pointing to stronger population growth particularly for Oxford. This was assessed in detail in the 2021 OGNA Report.*

*7.3.6 Since that report, the completion of the 2021 Census and the release of the population results from it in June 2022, has clarified some of the issues surrounding Oxfordshire's population estimates. Indeed, as the analysis in Section 3 has shown, the Census has shown the County's population to be 18,700 higher than projected in the ONS 2014-based population projections which feed into the standard method, with weaker population growth in Oxford and stronger population growth in other parts of the County (with the exception of West Oxfordshire).*

*7.3.7 The release of new census data provides the opportunity to create a new, Census based scenario that makes a more robust assessment of recent population trends and also population projections. A full analysis of the new census results is set out in section 3, including an outline of the approach to developing revised projections.*

*7.3.8 The Census adjusted scenario calculates housing need by taking the revised projection of household growth of 3,274 households per annum over the 2022-32 period, as calculated in Section 3. It then applies a consistent 44% uplift to this based on affordability characteristics in Oxfordshire. This generates a need for 4,721 dpa.*

65. We review the approach that has been taken below – but at this point, we would note that we fail to understand why these projections have been produced, as we do not consider the approach taken to be either necessary or relevant. However, the following section considers the approach that was adopted.

66. The standard method is not a number which is normally adjusted. It is either accepted or completely disregarded because of exceptional circumstances, such as clear errors in the 2014-based projections which were evident when they were originally released.
67. In assessing the countywide needs (assuming that was justified) we would have expected the consultant to start with the official standard method output of 3,388 dpa (capped) and 3,482 dpa (uncapped) for Oxfordshire, but would then have considered if the data for any local authority displayed exceptional circumstances such as the balance between jobs and workers (as discussed earlier) and affordable housing need (as discussed below) to warrant an alternative approach being adopted.
68. We see no clear reason or justification for the approach adopted by the consultants. Furthermore, we would note three specific concerns about the logic behind this model, namely;
- » Adjusting migration trends in light of Census data;
  - » Retaining the 2014 based household representative rates for Oxfordshire; and
  - » The apportioning of the need of a countywide basis, rather than preparing and publishing separate outputs for each local authority area.

## Adjusting Data in Light of the Census 2021

69. A key phrase used in the HENA 2022 is at paragraph 7.3.6:

*Indeed, as the analysis in Section 3 has shown, the Census has shown the County's population to be 18,700 higher than projected in the ONS 2014-based population projections which feed into the standard method, with weaker population growth in Oxford and stronger population growth in other parts of the County (with the exception of West Oxfordshire).*

70. Even if this approach to explore alternatives to the standard method was correct (which we don't agree with) the ONS 2014-based population projections were never a prediction, but a projection of what would have happened if population trends at that time were to continue. The period that informed that projection was 2008-2014, a period when fewer than 1,700 homes were delivered each year in Oxfordshire. This increased to over 4,300 homes being delivered annually on average from 2014-2021, well over double the previous levels.
71. It is inherently wrong to take this higher level of population growth, which follows as a direct consequence of the higher number of homes that were planned and delivered, as a baseline for justifying yet another step-change in housing need.
72. Effectively, the 2014-based household projections and the standard method modelled a need to increase housing delivery in Oxfordshire and the local authorities have successfully done so through the Growth Deal.
73. This has already resulted in a higher level of migration to Oxfordshire, which in turn would increase the migration that would be identified by any new trend-based projections based on the 2021 Census data –

thereby resulting in higher population projections overall. Therefore, if the approach in the HENA 2022 was to be adopted, the outcome of the Oxfordshire authorities increasing housing supply and meeting their housing needs would be to generate even higher future needs.

74. The Standard Method already takes account of the need for increases to housing supply through the affordability adjustment that is applied to the 2014-based projections. Any justification for moving away from the standard method should either have focussed on errors with the underlying data that informed the 2014-based projections or been based on the alignment between jobs and workers or the affordable housing need.
75. There is no justification for taking an alternative approach in Oxford or the rest of Oxfordshire.

## 2014 Based Household Representative Rates

76. Paragraph 3.6.2 of the HENA 2022 states that:

*3.6.2 In projecting forward, data about household representative rates (HRRs) has been drawn from the 2014-based subnational household projections (SNHP). HRRs can be described in their most simple terms as the number of people who are counted as heads of households (or in this case the more widely used Household Reference Person (HRP)). The 2014-based figures are used as these underpin the Standard Method and generally have attracted less criticism in terms of building in a suppression of household formation than more recent projections.*

77. If the Census 2021 data is to be used to explore the potential change to migration which will be made in the forthcoming (currently scheduled for April or May 2025) 2022-based household projections, then the impact of changes to household representative rates should have also been considered. The 2022-based projections are currently expected to use a similar methodology to the 2016-based and 2018-based, and they will not revert to the legacy approach that was used for 2014-based projections that the ONS did not consider to be fit for purpose.
78. It is possible to compare the impact of using 2014-based and 2016-based household formation through analysing the sensitivity analysis that was released with the 2016-based projections by the ONS. The data is set out in the tables below for each local authority in Oxfordshire.
79. The 2016-based principal projections show a lower projected growth than the 2014 based projections for all authorities in Oxfordshire. However, Sensitivity Analysis 1 and 2 allow us to compare how much of this change is due to changing household representative rates and how much is due to changing population projections.
80. Sensitivity Analysis 1 uses the 2014 based population projections and the 2016 based household formation. Any change between the 2014-based household projections and Sensitivity Analysis 1 in 2016 will therefore only be due to changing household representative rates.

Household projection	Underlying population projection	Household formation method	Household growth 2022-2032				
			Cherwell	Oxford City	South Oxfordshire	Vale of White Horse	West Oxfordshire
<b>CLG 2014-based household projection</b>	<b>2014-based</b>	<b>2014-based</b>	<b>5,327</b>	<b>5,695</b>	<b>4,091</b>	<b>4,815</b>	<b>3,982</b>
ONS 2016-based household projection	2016-based	2016-based	3,859	1,685	3,570	4,258	2,157
<b>ONS 2016-based Sensitivity analysis 1</b>	<b>2014-based</b>	<b>2016-based</b>	<b>5,183</b>	<b>4,830</b>	<b>4,019</b>	<b>4,759</b>	<b>3,966</b>
Impact of introducing the new household formation method			-144 -2.7%	-865 -15.2%	-72 -1.8%	-56 -1.2%	-16 -0.4%
ONS 2016-based Sensitivity analysis 2	2016-based	2014-based	4,008	2,303	3,531	4,267	2,109
Impact of updating the underlying population projection			-1,319 -24.8%	-3,392 -59.6%	-560 -13.7%	-548 -11.4%	-1,873 -47.0%

81. The data shows that for Cherwell, South Oxfordshire, Vale of White Horse and West Oxfordshire, there is almost no change to the data due to changing household representative rates (all below 3.0%) but the impact of Oxford City is large at 865 households over the 10-year period (15.2% of the previously identified growth). Therefore, all other things being equal, the 2022-based household projections are likely to reduce projected growth in Oxford City compared to the 2014-based projections, due to changes with the household representative rates – albeit that the overall level of growth will depend on the underlying population.

### Apportioning of the need of a countywide basis

82. Notwithstanding the point set out above, we simply don't understand why the difference between the 2014-based projections and the Census 2021 outcome is expressed only as an Oxfordshire figure. It is evident that the analysis will have been undertaken individually for each local authority area, yet the HENA 2022 does not publish any outputs for the individual local areas. Even if there was justification for an alternative projection, the HENA 2022 should have restricted its consideration to exploring what the difference is in the population of Oxford City and Cherwell, the area that the evidence base and local plans cover.
83. The HENA 2022 actually shows that Oxford City had a slower rate of growth than had been projected by the ONS 2014-based population projections, so it follows that any adjustment to the standard method would in all likelihood result in a housing need figure that was lower than the Government's calculation. Table 3.6 shows that by 2021 the 2014-based sub-national population projection had projected 166,400 persons resident in Oxford City, while the 2021 Census estimated the population to be around 162,100 persons, a difference of 4,300 persons. Therefore, the approach adopted in the HENA 2022 would actually reduce the level of need in Oxford City. For a study for Cherwell and Oxford City, it is curious that the data for these two local authorities has not been reported.

## Affordable Housing Need

84. Finally, we would draw attention to the fact that the HENA 2022 affordable need analysis is based on the consultants' own demographic model which rejects ONS central projections and, as explained earlier, is likely to over-estimate future population growth. It also gives a very different population distribution between the districts with a much greater increase in Oxford City than there would have been if the ONS central projections had been used.
85. Unlike the SHMA 2014, the HENA 2022 does not seek to use the identified affordable housing need as a justification for increasing the overall housing need for Oxfordshire. However, we have still reviewed the analysis of affordable housing in the HENA 2022 and summarised the key issues, noting that more detail may be required in the future if any suggestion is made that overall housing numbers should rise in response to the affordable housing need assessment.
86. In summary, the affordable housing need model used in the HENA 2022 follows the definition of affordable housing used in the NPPF to consider two separate groups. The first is those who cannot afford market rents. The HENA 2022 identifies a need for 2,767 affordable homes per annum for this group, which is a huge rise on the need identified in the OGNA 2019 of 1,714 affordable homes per annum for the same group. Much of the increase between the two studies appears to arise from the different demographic projections used, and, as set out above, we do not consider this alternative projection to be appropriate or justified.
87. However, whilst the HENA 2022 assumes that households can fall into housing need through reasons such as losing a job or separation from a relationship, it does not recognise that a household's circumstances can also improve such that they "climb out" of housing need. In the real world, households who are in housing need in the private rented sector could see their income rise or could combine with another household (e.g. two single-person households forming a couple) and that could cause them to cease being in housing need. The HENA 2022 takes no account of this.
88. Whilst we have not undertaken a detailed analysis, we would expect the affordable housing need figure of 2,767 homes per year is more realistically likely to be in the range of 1,000-1,150 affordable homes per year once households climbing out of need are properly accounted for. This still represents a very significant level of affordable housing need, albeit nowhere near as high as is set out in the HENA 2022.
89. Annex 2 of the NPPF 2019 widened the definition of affordable housing need to include those households who aspire to own, but are unable to afford to do so. This issue is considered in Chapter 9 of the HENA 2022 which calculates a figure of 1,120 dwellings per annum for households who can afford to rent but not buy (see Tables 9.20 and 9.21). It is unclear how these numbers have been derived but we believe this is a very large overstatement of this element of need and includes substantial double counting. As such, this figure is completely implausible and it is likely that a more accurate figure would be below 500 dpa for the whole of Oxfordshire.
90. It is also interesting to note that Table 9.21 provides local authority level figures with local data for each area, which implies that local authority models have clearly been established to inform the needs assessment, despite them not being included in the final report for either the employment or demographic-led scenarios.

## HENA 2022: Conclusions

91. In summary, the Government's standard method calculation sets out the minimum local housing need for every local authority area, unless there are exceptional circumstances that can be demonstrated which justify an alternative approach and a different number.
92. The HENA 2022 includes an employment scenario, which shows a much lower level of growth than previous projections for Oxfordshire. However, this HENA 2022 concludes a notably higher level of housing need. This is primarily due to the use of extremely implausible assumptions around economic activity rates, which assume a large drop in economic activity in Oxfordshire at the same time as job numbers are growing strongly.
93. A further issue with the HENA 2022 employment-led model of housing need is that it adopts a policy-on approach to commuting, and a policy-on approach to apportioning need between the local authority areas. In practice, the level of housing need generated in Oxford City from the modelling will inevitably be lower than the Government's standard method figure of 784 dpa without the policy on apportioning of need.
94. The approach adopted in the HENA 2022 to the standard method through calculating a "Census adjusted" figure is unusual and unjustified. The standard method calculation uses prescriptive inputs which provide a fixed number for housing need, and these do not need to be changed. An alternative method should only be used where there is evidence that exceptional circumstances apply in the local authority area. No exceptional circumstances have been demonstrated for Oxford City or Cherwell District, or any of the other Oxfordshire local authority areas.
95. Unlike the Oxfordshire Strategic Housing Market Assessment 2014, at this stage it does not appear that affordable housing need is being used as a justification for higher overall housing numbers in Oxfordshire, but of course this may change over time.
96. For households who cannot afford market housing, the HENA 2022 identifies a net need for 2,767 affordable homes per year. This figure is unrealistically high given the failure to recognise that household circumstances can improve. The correct figure is more likely to be in the range 1,000-1,150 affordable homes per year. For households aspiring to own the HENA 2022 concludes that there is an overall need for 1,120 dpa for households who can afford to rent but who aspire to own. The figures appear to include a range of very large over/double counts and the correct figure should probably be below 500 dpa for the whole of Oxfordshire.
97. In conclusion, the standard method calculation identifies the Local Housing Need mandated by Government for every local authority area. Based upon the demographic and employment data for Oxford City and Cherwell (and the rest of Oxfordshire) the HENA 2022 does not provide any justification for using an alternative approach or different housing need figure anywhere in Oxfordshire.
98. The local housing need of 4,405 dpa for Oxfordshire that forms the basis for the Oxford City preferred figure is primarily driven by economic activity rates which are entirely implausible and would appear to simply be a mistake. Correcting that one mistake brings the figures in line with the standard method (762 dpa) and it is that figure that should be used to inform the Oxford Local Plan 2040 and any discussion of unmet need.