

HOUSING

REQUIREMENT AND AFFORDABLE HOUSING

Joint Local Plan

Preferred Options Consultation
(Regulation 18 Part 2)



This topic paper supports the Joint Local Plan 2041.

We have prepared topic papers to present a coordinated view of the evidence that has been considered in drafting the Joint Local Plan 2041. We hope this will make it easier to understand how we have reached our current position.

The topic papers will be revised following the 'Preferred Options' consultation to inform the next stage of plan preparation, which is known as the 'Publication' stage. Final versions of the topic papers will be published alongside this final stage, which is timetabled for publication in Autumn 2024.

Contents

Section 1: Introduction and background	4
Section 2: National planning policies and guidance	6
Affordable housing need	8
First Homes	9
Section 3: Evidence.....	11
Joint Housing Needs Assessment	11
JHNA: Overall housing needs	11
JHNA: Affordable housing needs	12
The overall need for affordable housing	12
The need for different types of affordable housing.....	15
First Homes	18
Section 4: Policy Options	19
Policy HOU1 - Housing Requirement.....	19
Our preferred option	19
Alternative option B.....	21
Alternative option C	22
Alternative option D	23
Policy HOU3 - Affordable housing	23
Justification for preferred option	24
Section 5: Conclusions.....	27
Appendix One: Standard method calculations	29
Step one: Setting the baseline	29
Step two: An adjustment to take account of affordability.....	29
Step three: capping the level of any increase	30
Standard method conclusions.....	30

Section 1: Introduction and background

- 1.1 This topic paper explains two key policy areas in our emerging Joint Local Plan (JLP); the housing requirement (Policy HOU1) and affordable housing (Policy HOU3). It sets out how national planning policies and guidance advise us how to develop these policies, what evidence we have gathered to justify our position, and then what alternative options we have considered in reaching our preferred position.
- 1.2 Housing supply and affordable housing are important topics for both national and local planning policies. The Government has set an objective of significantly boosting the supply of housing across the country, with an aim of delivering 300,000 homes a year in England¹. The National Planning Policy Framework (NPPF) supports this objective, and sets a requirement for local plans to assess, and plan for, the minimum housing needed in their area.
- 1.3 Furthermore, national policies require our plan to assess and plan for the size, type and tenure of housing that different groups need, including (but not limited to) those who require affordable housing, families with children, old people, students, people with disabilities, service families, travellers, people who rent their home, and people who wish to commission or build their own home.
- 1.4 In both South Oxfordshire and the Vale of White Horse, house prices (both to rent and to buy) are high compared to local incomes. We want the Joint Local Plan to do what it can to address these affordability issues. Objective 8 of the Joint Local Plan sets out that we will:
- “...plan for enough new homes to meet our needs, including significant numbers of homes that are genuinely affordable to rent or buy, and different kinds of homes to meet the needs of our communities, including older people, those with care needs and younger people getting their first home.”*
- 1.5 Our districts are attractive places to live and work with good transport links, National Landscapes (previously known as Areas of Outstanding Natural Beauty), historic market towns and a thriving economy. However, what has made our areas an attractive place to live has also contributed to us

¹www.gov.uk/government/publications/reforms-to-national-planning-policy-report-government-response/reforms-to-national-planning-policy-report-government-response#the-national-housing-target

becoming one of the least affordable areas to rent or buy a home in the country.

- 1.6 We know that many people face difficulties finding a genuinely affordable home in our districts, with median house prices and monthly rents in both districts being well in excess of national averages. A lack of affordable housing can have a detrimental effect on our economy, environment and the social well-being of our communities. This includes employers finding it harder to recruit and retain staff, increased emissions as people potentially commute further to work here, and the breakdown of social networks as people move away from friends, family and the communities they grew up in.
- 1.7 The paper explains and justifies the key requirements of Policy HOU3 - Affordable housing where they relate to the evidence on overall need and need for specific tenure types of affordable housing. Other elements of the policy are not discussed in this document as they do not directly link to housing need but are instead based on best practise.
- 1.8 The policy is aimed at increasing the supply of lower cost housing through the provision of affordable housing; however this form of housing is only available for eligible households who have either applied through the Councils' Housing Register or who meet the requirements for affordable homeownership. This does not mean that the homes sold on the open market will be more affordable, with the councils having little to no ability to regulate the sale cost of these properties.

Section 2: National planning policies and guidance

Overall housing need and requirement

- 2.1 The National Planning Policy Framework (NPPF) states that local plans should determine the minimum number of homes needed in an area. They should do so through undertaking a local housing need assessment, conducted using the Government’s “standard method” for assessing need. In exceptional circumstances, local plans can follow an alternative approach to working out their housing need. If a local planning authority does so, the alternative approach should also reflect current and future demographic trends and market signals.²
- 2.2 In addition to assessing their own housing need, each local plan should consider whether their own housing need should include any needs that neighbouring councils cannot meet in their own area.³
- 2.3 The Planning Practice Guidance (PPG) gives further advice to local authorities on how to work out their housing need, including how to conduct a standard method assessment, and what can qualify as “exceptional circumstances” for not following the standard method.
- 2.4 As of January 2024, the annual housing need set by the standard method is 605 and 628 homes per year for South Oxfordshire and the Vale of White Horse respectively⁴.
- 2.5 The standard method works by taking Government’s 2014-based household projections for each district over a 10 year period (using the current year, so 2023/24, as the start year). It then adjusts these to take account of the latest affordability ratios for the district. These ratios are a comparison of median workplace-based earnings to local house prices. This uplift however is capped to prevent the housing need figure exceeding 40% of the current housing target in the adopted South Oxfordshire Local Plan and the higher of 40% of the current housing target in the adopted Vale of White Horse Local Plan Part 1 or 40% of the household projections referenced above. For Vale of White Horse, the Local Plan Part 1 figure is the higher figure and so is used.. For the top 20 most populated urban areas (which our districts do not fall within), the standard method requires a further 35% uplift of the need. We have set out

² NPPF, Paragraph 61

³ NPPF, Paragraph 61

⁴ Please note, the standard method figure will change each monitoring year (1 April to 31 March). They will also change based on ONS’ latest median workplace affordability ratios. The figures of 605 and 628 homes per annum use the 2023/24 base date for their input data. We will review the data that feeds into these ahead of the Regulation 19 version of the JLP (proposed submission consultation).

how the standard method calculation works for our districts in appendix one to this topic paper.

- 2.6 Planning Practice Guidance reiterates that the National Planning Policy Framework expects local plans to following this standard method in assessing their housing need⁵. It continues to emphasise that local plans should only deviate from this in exceptional circumstances, and that a Planning Inspector will scrutinise any alternative approach more closely when they examine the plan⁶.
- 2.7 Planning Practice Guidance (not yet updated to reflect changes to the December 2023 NPPF) goes on to set out the exceptional circumstances where it may be appropriate to plan for a housing need that is higher than the standard method. These 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;
- 2.8 Once a local plan has established its housing need, it should set out to what extent it can address this need over the plan period. This is known as the “housing requirement”. The NPPF states that the “outcome of the standard method is an advisory starting point for establishing the housing requirement”⁷. This could be higher than the housing need if it includes housing provision for neighbouring areas or reflects growth ambitions linked to economic development or infrastructure investment⁸. Where the final housing requirement is lower than the housing need, that council would be generating “unmet housing need” and will need to discuss how this can be addressed with neighbouring councils through the Duty to Cooperate⁹.

⁵ Planning Practice Guidance, ‘*Housing and Economic Needs Assessment*’, Paragraph: 002 Reference ID: 2a-002-20190220

⁶ Planning Practice Guidance, ‘*Housing and Economic Needs Assessment*’, Paragraph: 003 Reference ID: 2a-003-20190220

⁷ NPPF, Paragraph 67

⁸ NPPF, Paragraph 67

⁹ Planning Practice Guidance, ‘*Plan Making*’, Paragraph: 012 Reference ID: 61-012-20190315

2.9 The NPPF states that local plans should include a trajectory showing the expected build rate of housing delivery over the plan period and how this will address the housing requirement set out above. The councils will be required to identify a specific supply of specific, deliverable housing sites to provide a minimum of five years' worth of housing against the housing requirement in the plan at the point that the examination of the local plan concludes.¹⁰

Affordable housing need

2.10 Within the context of establishing the minimum housing need for the plan area the NPPF requires that planning policies reflect the size, type and tenure of the housing needed for different groups in the community. This includes, but is not limited to those who require affordable housing¹¹.

2.11 National policy states that our local plan policies should set out the type of affordable housing that we require on developments, applying the definition in Annex 2 of the Framework. The NPPF expects this affordable housing to be delivered within the development unless:

a) the developer can robustly justify providing the council with funds to provide affordable housing elsewhere, in lieu of providing the affordable housing on site (hereafter referred to as a "financial contribution"), or,

b) an alternative approach to providing affordable housing would contribute to creating mixed and balanced communities¹².

2.12 National policies restrict councils' ability to secure affordable housing contributions from smaller developments. In most instances councils can only require developers to provide affordable housing (or financial contributions towards providing it) where the development would result in a gain of ten or more new homes. However, where a development is within designated rural areas (as defined in Annex 2 of the NPPF) our planning policies may set out a lower threshold for requesting developers to provide affordable housing (or financial contributions toward it)¹³.

2.13 Government policies encourage the delivery of affordable home ownership. Consequently, the NPPF requires us to set policies that require a minimum of 10% of affordable homes on major development sites to be available for affordable home ownership. In certain circumstances, councils can make an exemption to this 10% requirement as set out in paragraph 66 of the NPPF.

¹⁰ NPPF, Paragraph 69

¹¹ NPPF, Paragraph 63

¹² NPPF, Paragraph 64

¹³ NPPF, Paragraph 65

- 2.14 Planning practice guidance sets out how affordable housing need should be assessed taking account of ‘the current number of households and projected number of households who lack their own housing or who cannot afford to meet their housing needs in the market’¹⁴.
- 2.15 Guidance on assessing affordable housing need also explains how supply of affordable homes should be taken account of in the assessment of need¹⁵.
- 2.16 Further guidance is then provided on how the need figure should be converted into an annual need for affordable housing. The PPG goes on to state how ‘the total affordable housing need can then be considered in the context of its likely delivery as a proportion of mixed market and affordable housing developments, taking into account the probable percentage of affordable housing to be delivered by eligible market housing led developments’¹⁶.
- 2.17 When setting requirements through the Joint Local Plan for the delivery of affordable housing they ‘should be expressed as a single figure rather than a range’ and ‘different requirements may be set for different types or location of site or types of development’¹⁷. This is to provide certainty about what is required to be delivered.

First Homes

- 2.18 First Homes are a specific tenure of affordable housing that government introduced in May 2021. First Homes are a specific kind of discounted market sale housing that fall under government’s definition of affordable housing.¹⁸
- 2.19 The planning practice guidance provides advice on First Homes and how our planning policies should address this form of affordable housing. The minimum national standards to qualify as a First Home are: that the house is sold at a minimum discount of 30% against the market value, the first sale must be at a price no higher than £250,000 and sold to a person who meets the First Homes eligibility criteria¹⁹.

¹⁴ Planning Practice Guidance, ‘Housing Needs of Different Groups’ Paragraph: 006 Reference ID: 67-006-20190722

¹⁵ . Planning Practice Guidance, ‘Housing Needs of Different Groups’ Paragraph: 007 Reference ID: 67-007-20190722

¹⁶ . Planning Practice Guidance, ‘Housing Needs of Different Groups’ Paragraph: 008 Reference ID: 67-008-20190722

¹⁷ Planning Practise Guidance, ‘Viability’ Paragraph: 001 Reference ID: 10-001-20190509

¹⁸ www.gov.uk/guidance/first-homes

¹⁹ Planning Practise Guidance, ‘First Homes’ Paragraph: 002 Reference ID: 70-002-20210524

- 2.20 The PPG on First Homes specifies a minimum target for the delivery of this tenure type; 'Policies for First Homes should reflect the requirement that a minimum of 25% of all affordable housing units secured through developer contributions should be First Homes'²⁰.
- 2.21 The guidance confirms local authorities and neighbourhood planning groups 'can require a higher minimum discount of either 40% or 50% if they can demonstrate a need for this'. However, the 'minimum discounts should apply to the entire local plan area (except if Neighbourhood Plans are in place in certain areas)²¹. Meaning that First Homes coming forward in accordance with the Joint Local Plan would be discounted at the same level in both South and Vale, unless a Neighbourhood Plan was in place that sought an alternative level of discount.

²⁰ Planning Practise Guidance, 'First Homes' Paragraph: 013 Reference ID: 70-013-20210524

²¹ Planning Practise Guidance, 'First Homes'

Section 3: Evidence

Joint Housing Needs Assessment

- 3.1 The Councils' commissioned Opinion Research Services (ORS) to prepare a Joint Housing Needs Assessment 2023 (JHNA) to assess the affordable and specialist housing needs of the districts.
- 3.2 We have published the first part of this JHNA alongside the Regulation 18 preferred options consultation. This first stage focuses on two elements: the overall housing need, and the need for affordable housing need in the districts. ORS will prepare a second stage report to supplement this, assessing the other elements of specialist housing need in our district early in 2024 (such as the need for different sizes of homes and homes for elderly and disabled people). This evidence will help us prepare our policies on this where we have currently left standards and requirements empty in the preferred options consultation²² for our proposed submission draft of the plan in the summer of 2024.

JHNA: Overall housing needs

- 3.3 As we have set out above, national policies and guidance expect the councils to follow the standard method in assessing the housing need for our districts unless exceptional circumstances justify a departure from this. The JHNA does not provide an alternative assessment of housing need for our districts, but instead uses the most recent 2018-based household projections but as applied to the ONS 2021 mid-year population estimates²³ (instead of the 2014-based household projections used by the standard method) to forecast what the make-up of our population will be by 2041. We need to know the forecast population make up as one of the first steps of identifying the need for specialist housing in the districts.
- 3.4 This exercise demonstrates that the household growth derived from the latest population projections will easily be accommodated by us planning for the standard method in our districts:

²² Policies HOU5 Housing for older people

²³

www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/populationestimates/bulletins/populationestimatesforenglandandwales/mid2022#local-area-population-change<https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/populationestimates/bulletins/populationestimatesforenglandandwales/mid2022>

Table 1: Comparison of the 2018-based household projections applied to 2021 mid-year population estimates with the standard method outputs'		
	South Oxfordshire	Vale of White Horse
Total number of new households from the latest household/population growth figures	8,375	9,649
Total standard method housing need	12,100	12,560
Difference	+3,725	+2,911

- 3.5 The evidence therefore demonstrates that using the standard method as the basis of our housing need will sufficiently accommodate demographic trends within the districts.

JHNA: Affordable housing needs

The overall need for affordable housing

- 3.6 The assessment considers the need of households that aspire to own their own home but are unable to afford market housing, as well those households unable to afford to own or rent which have formed the longstanding basis for assessing affordable housing need.
- 3.7 The assessment uses a range of primary and secondary data sources to identify the current need for affordable housing and then projects the future need for affordable homes through the plan period to 2041 using local demographic and housing market trends. Chapter 4 of the JHNA sets out the various component parts of the affordable housing need and how it has assessed them.
- 3.8 Figures 72 and 73 for South Oxfordshire and the Vale of White Horse respectively identify the core need for affordable housing during the plan period based on household projected growth. For South Oxfordshire, this is a need for 1,900 affordable rented homes and 875 First Homes, and for the Vale of White Horse, the figure is 2,663 affordable rented homes and 1,207 First Homes.
- 3.9 The need for affordable homes identified in chapter 4 is then rationalised within the overall standard method based housing need figure in chapter 5. This report assesses this as there is a difference between the projected household growth (8,375 in South Oxfordshire and 9,649 in the Vale of White

Horse) and the local housing need figure that forms our housing need (12,100 in South Oxfordshire and 12,560 in the Vale of White Horse)²⁴. The affordability adjustment means that the standard method figure is higher than the household projection-based estimate of housing need. This increase will help respond to potential suppression of household formation in past years caused by slower housing delivery.

- 3.10 To establish the different types of affordable homes we need, the assessment establishes demographic projections that align with the number of homes derived from government's standard method calculation. This is to ensure the need for specific types of housing aligns with the total housing need in the districts. The uplift to the identified need results in a higher supply of homes for affordable ownership, but doesn't affect the need for affordable rented tenures. Figures 80 and 81 identify the uplift to the number of First Homes needed for South Oxfordshire and the Vale of White Horse.
- 3.11 As well as aligning the number and type of homes needed with the standard method figure, chapter 5 of the JHNA refers to dwellings rather than households that were identified in earlier sections. The study translates the number of households into a number of affordable homes we need to plan for. To do so, it needs to make an allowance for vacant / unoccupied homes. The study applies a vacancy rate to the different types of housing, and adjusts the need figures across the tenure types, to take account of homes that are unoccupied. The effect of this on the number affordable homes is relatively modest with an additional 19 affordable homes needed in South Oxfordshire, and 34 in the Vale of White Horse. The JHNA shows it vacancy rates within the need figure for the different tenures in figures 82 and 83. The vacancy rate for affordable homes uses data from Regulator of Social Housing - Statistical Data Return 2019, and is different to the rate used for market housing.
- 3.12 The JHNA then subjects this adjusted affordable housing need to sensitivity testing, to consider the effect on the gross need under different scenarios. Paragraph 5.22 of the report sets out how the JHNA assesses these different outputs, with the effect on net need set out in the following section and shown within figures 86 to 89.
- 3.13 Chapter 5 of the report provides the overall conclusions on housing need. It presents this as a range of figures for the affordable housing need for each district with an upper and lower limit over the plan period. The figures are provided as a range, as the gross need will vary as different factors and policy decision affect the net outputs. These figures are set out within figures 82 to 89 in chapter 5 of the report and are summarised below in table 2.

²⁴ As we have set out in the summary of the overall housing need in the JHNA above

Table 2: Upper and lower limit of identified Affordable Housing need in South Oxfordshire and Vale of White Horse (figures have been rounded)

	South Oxfordshire		Vale of White Horse	
Scenario	Number of Affordable dwellings identified as being needed	As proportion of the overall Local Housing Need (standard method) (12,100)	Number of Affordable dwellings identified as being needed	As proportion of the overall Local Housing Need (standard method) (12,560)
Scenario 1: Unable to afford market rents + effective demand for First Homes at 30% discount	2,332	19%	3,296	26%
Scenario 2: Unable to afford market rents + effective demand for First Homes at 50% discount	2,890	24%	3,953	31%
Scenario 3: Unable to afford market rents including households in receipt of housing benefit in the private sector + effective demand for First Homes at 50% discount	4,657	39%	5,454	43%
Scenario 4: Unable to afford market rents including households in receipt of housing benefit in the private sector + effective demand for First Homes at 50% discount + Others Aspiring to Own, but unable to access First Homes	10,082	83%	11,483	91%

- 3.14 As set out within table 2 above, the JHNA identifies a significant range in affordable housing need in each district ranging between 19% and 83% of the total local housing need in South and 26% and 91% in Vale. The JLP will need to balance the aspiration of addressing this need in full alongside how we meet other aspirations of our plan. This is because; it may not be viable for housing sites to deliver 80% to 90% of homes as affordable homes, it could affect our ability to achieve our other objectives (such as higher standards to mitigate the impact of climate change), and it could result in imbalanced communities with limited amounts of market housing.

The need for different types of affordable housing

- 3.15 As well identifying the overall need for affordable housing the assessment identifies the tenure type of affordable housing in accordance with government policy that is required to ensure it is affordable to those who need it. As with the overall need for affordable housing the tenure mix will vary as different factors and policy decisions affect the net outputs. The implications of including different households within the need on the tenure mix are set out within figures 82 to 89 of the JHNA and are summarised below in table 3.
- 3.16 The JHNA uses demographic and local housing market data to identify different household circumstances and determine whether their housing need could be met by the market. Where those households were unable to afford market housing to rent or buy the assessment identified the appropriate affordable housing tenure to meet their need in accordance with the Government definition of affordable housing contained within the National Planning Policy Framework.
- 3.17 The Government definition of affordable housing identifies those in need of affordable housing as unable to afford to rent or buy on the market. Specific products are then identified which can required to address that need. The JHNA used this definition to identify the number of units falling into each tenure that are required in the plan period.

Table 3: Upper and lower limit of identified Affordable Housing need in South Oxfordshire and Vale of White Horse by tenure type and as a proportion of the overall local housing need (figures have been rounded)

	Social Rent		Affordable Rent		First Homes		Other affordable ownership options	
	SODC	VOWH	SODC	VOWH	SODC	VOWH	SODC	VOWH
Scenario 1: Unable to afford market rents + effective demand for First Homes at 30% discount	1,735 (14%)	2,338 (19%)	177 (1%)	348 (3%)	419 (3%)	610 (5%)	0 (0%)	0 (0%)
Scenario 2: Unable to afford market rents + effective demand for First Homes at 50% discount	1,735 (14%)	2,338 (19%)	177 (1%)	348 (3%)	977 (8%)	1,267 (10%)	0 (0%)	0 (0%)
Scenario 3: Unable to afford market rents including households in receipt of housing benefit in the private sector + effective demand for First Homes at 50% discount	3,503 (29%)	3,840 (31%)	177 (1%)	348 (3%)	977 (8%)	1,267 (10%)	0 (0%)	0 (0%)
Scenario 4: Unable to afford market rents including households in receipt of housing benefit in the private sector + effective demand for First Homes at 50% discount + Others Aspiring to Own, but unable to access First Homes	3,503 (29%)	3,840 (31%)	177 (1%)	348 (3%)	977 (8%)	1,267 (10%)	5,088 (42%)	6,029 (48%)

- 3.18 The tenure types identified through the JHNA are set out below along with a summary of the identified need.

Social rent: a form of low-cost rent, which is set using a government formula. They are typically between 50-60% of local market rent and are generally for those on lowest incomes. The JHNA identified a significant core need (scenario 1 & 2) for this tenure type in both districts, with nearly all those unable to afford to rent on the market requiring social rents. The inclusion of households in the private rented sector on housing benefits into the need for affordable housing significantly increases the need for this tenure with an increase from 14% to 29% of the local housing need being needed in South and 19% to 31% in Vale.

Affordable rent: a form of discounted rent which is set using a government formula. They must be rented with at least a 20% discount on market rents. The JHNA identified a relatively small need for this form of rent of 1% and 3% respectively in South and Vale, which doesn't change through the different scenarios. The relatively small need for this product reflects the high cost of renting in the plan area compared to local incomes meaning, a 20% discount is not sufficient to address the housing need for many households.

First Homes: a form of affordable homeownership where a property is sold at a discount on market value which remains in perpetuity. To qualify as a first home the initial sale value of a property must not exceed £250,000. JHNA considers the effective demand for this product at varying levels of discount. Unsurprisingly the bigger the discount the more households are identified as being able to afford this product, with level of need identified in scenario 2 being approximately double that in scenario 1 for both councils.

Other routes to affordable homeownership: this includes shared ownership where an initial share of a property (from 10% up to 75%) is purchased and rent is paid on the remaining share and rent to buy where a property is rented for a set period during which time the tenant saves enough for a deposit to purchase the property. Given the significant variables in the cost of these types of products the process of identifying a figure for the number of households that could realistically afford them is not possible in the same way it is for first homes. However, the assessment did identify the aspirational demand for ownership of those who could afford to rent but not buy on the market. The aspirational need is added in scenario 4 in table 2 above and result in a potentially significant number of households whose need could potential be addressed through other routes to affordable homeownership if suitable priced alternative to first homes could be delivered.

- 3.19 Table 3 above identifies the significant variations in net outputs in the different scenarios, which impact on the tenure mix of affordable housing that is needed. How much of the need identified for different tenure types in each of

the scenarios can be addressed will largely depend on the overall level of affordable housing that can be secured, the viability of that requirement and the council preferred approach to delivering affordable homes. This is explained further in the following section on policy options.

First Homes

- 3.20 As identified above, the JHNA through the process of identifying tenure mix of affordable housing considers the impact on affordable housing need of varying levels of discount on market value for First Homes. In addition to this, the report also considers the size of properties that could potentially be delivered in the district under the initial maximum price cap of £250,000.
- 3.21 The JHNA identifies the lower quartile house prices by bedroom size for South Oxfordshire (figure 33) and Vale of White Horse (figure 34). The lower quartile price for new builds is used to show entry level house prices, the type of house that would more likely be purchased by a first time buyer.
- 3.22 The size of homes that could potentially be delivered as first homes is considered in paragraph 4.73 of the JHNA. In South 4 bedroom properties cannot be delivered as first homes as even with a 50% discount they are above the price cap. A better than minimum discount of 30% would be required to deliver 4 bedroom properties in Vale and 3 bedroom properties in South. 1 and 2 bedroom properties in South and 1, 2 and 3 bedroom properties in Vale could be delivered with a 30% discount.
- 3.23 In helping to address the need for affordable homeownership and provide for a range of properties sizes to come forward the JHNA identifies a case to consider a 50% discount for First Homes.

Section 4: Policy Options

Policy HOU1 - Housing Requirement

Our preferred option

- 4.1 Our preferred option is to set a housing requirement which aligns with our standard method-based housing need, with an uplift for each district to address the unmet need for Oxford that is in our existing, adopted Local Plans. This results in a housing requirement for each council as follows:

South Oxfordshire	Annual requirement 2021/22 to 2035/36	Annual requirement 2036/37 to 2040/41	Total requirement
	935	605	17,050

Vale of White Horse	Annual requirement 2021/22 to 2030/31	Annual requirement 2031/32 to 2040/41	Total requirement
	811	628	14,390

- 4.2 As set out above, each council will have its own, separate housing requirement. This means that each council will continue to monitor its own, separate 5 year housing land supply as we do under our current local plans. It also reflects that each council has different mechanisms in place for addressing the already agreed unmet need from Oxford; South Oxfordshire is accommodating 4,950 homes between 2021/21 and 2035/36, and the Vale of White Horse is accommodating 2,200 homes between 2019/20 and 2030/31.
- 4.3 For South Oxfordshire, the housing requirement for the first 15 years of the plan period comprises the standard method housing need of 605 homes per year, plus an uplift of 305 homes a year to accommodate our agreed unmet need from Oxford. This takes the total to 935 homes a year for this period. After this, when the agreed unmet need period has finalised, the housing requirement will equate to the standard method figure of 605 homes a year.

- 4.4 For the Vale of White Horse, the housing requirement for the first 10 years of the plan period comprises the standard method housing need of 628 homes per year with an uplift of 183 homes per year to accommodate our agreed unmet need from Oxford. The Vale of White Horse figure for unmet need is 2,200 homes to be delivered over the period 2019/20 to 2030/31. This equates to 183 homes per year, but the first of these two years fall before the start of the Joint Local Plan Period in 2021/22. The total requirement for the period 2021/22 to 2030/31 is therefore 811 homes per year. After this, when the agreed unmet need period has finalised, the housing requirement will equate to the standard method figure of 628 homes a year.
- 4.5 On 22 December 2023, Oxford City Council formally wrote to both South Oxfordshire and the Vale of White Horse District Councils requesting whether we would be able to accommodate further unmet housing need. This request is currently being considered by the Councils. However, our responses to their Regulation 19 consultation²⁵²⁶ make it clear that we believe that Oxford City Council has so far failed to engage adequately under the duty to cooperate in relation to the identification of Oxford's housing needs, the extent to which those needs can be met within the Oxford City area, and the extent to which there are any remaining unmet needs. Consequently, at the present time, we do not expect to be able to accept that further unmet housing need exists that we need to accommodate, above what has already been agreed. We will be addressing this matter further with Oxford City Council through a statement of common ground, and it is anticipated to be considered through Oxford City's examination of its Local Plan.
- 4.6 The Councils recognise that where there is an agreement to meet unmet needs from another area, the amount of any agreed uplift should be added to the local housing need (as derived from the standard method) when establishing the housing requirement. This uplift does not involve a departure from the use of the standard method or amount to exceptional circumstances for using an alternative method to identify needs, but is simply an addition to the need figure derived from the standard method in setting our housing requirement. At this time, we do not consider there are any exceptional circumstances that justify a departure from the standard method in setting our housing need.
- 4.7 Our preferred option is for a higher housing requirement in the first 10 and 15 years for the Vale of White Horse and South Oxfordshire respectively, uplifting above the standard method to accommodate the agreed levels of unmet housing need. Our current housing delivery trajectory demonstrates that the housing sites in our area will provide a supply of homes to meet this need year on year. However, due to high level economic forces at play currently,

²⁵ www.southoxon.gov.uk/south-oxfordshire-district-council/planning-and-development/local-plan-and-planning-policies/external-planning-consultations-our-response/

²⁶ www.whitehorsedc.gov.uk/vale-of-white-horse-district-council/planning-and-development/local-plan-and-planning-policies/external-planning-consultations-our-response/

there is a lot of uncertainty in the housing market, which may cause some of our larger, longer term sites to start delivering housing later than we currently expect. We will continue to monitor the forecast housing trajectories of the housing sites in our districts, and consider if any projected slowdown in build out rates would justify an alternative, stepped housing requirement. This would mean lower housebuilding targets in the short term, escalating to higher targets later in the plan period.

Alternative option B

4.8 Alternative Option B set out in the preferred options consultation would be for the Joint Local Plan to maintain and extrapolate the housing need and requirement from the current local plans. Our current local plans derive their housing targets from the Oxfordshire Strategic Housing Market Assessment (SHMA) (2014). This identified an annual housing need for South Oxfordshire of 775 homes per annum, and 1,028 homes per annum for the Vale of White Horse. Over a 20 year plan period, this would result in a housing need for each of the councils as follows:

- a) South Oxfordshire: 15,500
- b) Vale of White Horse: 20,560

4.9 However, as we have set out under our preferred option, we would need to add our agreed unmet housing need from Oxford to this need. For South Oxfordshire this is 4,950 homes, and for the Vale of White Horse this is 2,200 homes. Over a 20 year plan period, this would result in a total housing need for each of the councils as follows:

- a) South Oxfordshire: 20,450
- b) Vale of White Horse: 22,390

4.10 To make sure that we deliver Oxford's agreed unmet housing need in line with our existing timetables, we would need a stepped housing requirement that is as follows for each Council:

South Oxfordshire	Annual requirement 2021/22 to 2035/36	Annual requirement 2036/37 to 2040/41	Total requirement
	1,105	775	20,450

Vale of White Horse	Annual requirement 2021/22 to 2030/31	Annual requirement 2031/32 to 2040/41	Total requirement
	1,211	1,028	22,390

- 4.11 We do not think this should be the basis for our housing need and housing requirement in the Joint Local Plan. Since the Oxfordshire councils published the SHMA in 2014, the Government has significantly changed how councils work out their housing needs for local plans. Furthermore, the information and population projections that informed the SHMA are now out-of-date, with some of these going as far back as 2011.
- 4.12 We do not therefore believe that the existing housing need and requirement from the current local plans are appropriate to carry over into the new Joint Local Plan.

Alternative option C

- 4.13 Alternative Option C set out in the preferred options consultation would be for us to base our housing need solely on the outputs of the standard method. Under this option, we would not uplift our housing need to take account of the unmet housing need from Oxford that our current local plans accommodate. This would result in a housing need and requirement for each council as follows:

South Oxfordshire	Annual requirement 2021/22 to 2040/41	Total requirement
	605	12,100

Vale of White Horse	Annual requirement 2021/22 to 2040/41	Total requirement
	628	12,560

- 4.14 The councils do not consider this approach to be suitable because that would not honour the previous agreement. Furthermore, the NPPF advises that we

should uplift our housing requirement above the standard method based housing need where we have already agreed to accommodate unmet housing need from a neighbouring authority (Oxford)

Alternative option D

- 4.15 Alternative Option D set out in the preferred options consultation would be for us to undertake a new housing needs assessment, departing from the standard method. This would be on the basis that Oxfordshire Housing and Growth Deal, signed in 2017, would justify a departure from the standard method. However, the Councils do not consider that the Growth Deal, which is itself derived from a housing need in the Oxfordshire SHMA 2014, would justify this.
- 4.16 Our preferred approach for identifying our housing need and requirement – standard method plus our agreed unmet housing needs from Oxford, in combination with the houses already built in our districts between 2011 and 2021, ensures a significant contribution from our two districts towards the Growth Deal’s target of 100,000 new homes between 2011 and 2031.
- 4.17 In addition to this, both district’s projected housing supply over the plan period significantly exceeds our proposed housing requirement. Therefore, we continue to anticipate our districts will make a significant contribution towards the Growth Deal target.
- 4.18 Furthermore, government funding for, and monitoring of, the Oxfordshire Growth Deal will end following the end of financial year 2024/25.²⁷ This means that by the time we expect to adopt the joint local plan, the Growth Deal would have come to a conclusion.
- 4.19 We do not therefore believe that the Oxfordshire Growth Deal justifies exceptional circumstances to depart from the standard method in setting our housing need or requirement.

Policy HOU3 - Affordable housing

- 4.20 The Joint Local Plan preferred options consultation document is to require most new housing sites of 10 or more homes (with some exceptions) to deliver 50% of homes on site as affordable homes. The consultation document also considers two alternative options for addressing the affordable housing need in the JHNA.

²⁷ mycouncil.oxfordshire.gov.uk/documents/s65155/CA_MAR2123R12%20Housing%20Growth%20Deal.pdf

- 4.21 The issues and drivers of housing unaffordability are complex and many of these problems cannot be resolved through policies in the Joint Local Plan. However, the Joint Local Plan can influence some areas of the housing market by requiring the delivery of affordable housing. This can only be the types of affordable housing defined by the Government within the National Planning Policy Framework²⁸.
- 4.22 The majority of affordable housing is expected to be secured through a policy which requires the provision of affordable housing as a proportion of the overall development. The policy would also require the delivery of specific affordable housing tenure types (social rent, affordable rent, First Homes and other affordable ownership) expressed as a proportion of the overall development. These policy requirements should be informed by evidence of affordable housing need.
- 4.23 As identified earlier in this paper the JHNA doesn't produce a single outcome for the affordable housing need of the district, as different factors and policy decisions affect the net outputs. The 3 options presented in the plan reflect the range of affordable housing need identified through the JHNA.
- 4.24 The main difference between the options is the proportion of homes to be provided as affordable which in turn effects the tenure mix as more or less affordable homes can be delivered meaning certain needs are prioritised differently. For example, priority is given to addressing the needs of those that cannot afford to rent or buy as there is no suitable alternative accommodation available to them. Where sufficient numbers of affordable homes can be delivered, we would look to address the needs of those that can afford to rent but not buy. We start by prioritising the needs of those households where an effective demand for First Homes is established as this is the governments preferred discounted market tenure and then as more homes are delivered seek to deliver other routes to homeownership.
- Option A - sets out a 50% affordable housing requirement,
Option B - sets out a 40% affordable housing requirement and
Option C - sets out a 75% affordable housing requirement.
- 4.25 We have carefully considered these 3 options before concluding our preferred option is option A which sets out a 50% affordable housing requirement for both South Oxfordshire and the Vale of White Horse

Justification for preferred option

- 4.26 Our emerging evidence base is showing that there are high levels of affordable housing need in the districts. There is a core need, amounting to

²⁸ NPPF Annex 2

around 24% and 32% of the total local housing need in South Oxfordshire's and the Vale of White Horse respectively. The core need is the need arising from those unable to afford to rent or own plus the effective demand for First Homes if a 50% discount on market value was applied.

- 4.27 The affordable housing need rises to around 40% for each Council if we are to include households receiving housing benefits while living in private rented homes. We think this uplift would be justified because the housing market is clearly not meeting these households' needs. Additionally, if their housing need is to be met within the affordable sector this would result in more lower cost housing being delivered which in turn is more genuinely affordable to the occupier meeting a key objective of the plan.
- 4.28 In addition to this, national planning guidance states that we should consider the needs of those "...that cannot afford their own homes, either to rent, or to own, where that is their aspiration". Our housing needs assessment has considered the needs of households who can afford to rent privately, aspire to own their own home, but cannot afford to do so. If these households are included in our affordable need, then our affordable housing need would rise to 83% and 91% of our local housing need for each council. A significant proportion of these affordable homes would need to be offered as affordable routes to home ownership; such as shared ownership, relevant equity loans for custom and self-build housing, homes for sale at a price equivalent to at least 20% below local market value and rent to buy (which includes a period of intermediate rent).
- 4.29 However, as the housing need assessment states in paragraph 4.70:
"It is important to recognise that the figures for those who aspire to home ownership are based upon those households who currently can afford market rent. However, these households would not necessarily choose new build Affordable Home Ownership if it was available, as some may prefer to secure full ownership in the less expensive second-hand housing market. Similarly, some households may not ultimately need affordable home ownership if their circumstances change to such a degree that they are eventually able to buy without financial assistance. It is also important to recognise that the identified demand could only be realised if Affordable Home Ownership products can be delivered at prices that are truly affordable in the area, in line with local house prices and incomes".
- 4.30 While the NPPF seeks to address the needs of those whose needs are not met by the market for housing for sale, the JHNA acknowledges that these households can currently afford their living costs and potentially have other housing options available. They can therefore be viewed as a lower priority than those who require affordable rented tenure types..

- 4.31 The housing needs assessment also acknowledges in paragraph 5.26:
“In practice, not only does First Homes not meet the needs of many of the households who aspire to own, there is no alternative product currently in South Oxfordshire and Vale of White Horse which would do so either. Therefore, many of the households are likely to remain in private rent. This however does not rule out Shared Ownership or Rent to Buy schemes from meeting the needs of some households”.
- 4.32 Therefore the JHNA acknowledges it would not be possible to meet the needs of all those who aspire to ownership as no product currently exists that could deliver suitably affordable ownership options. It does however acknowledge that some of this need could be met and that there is a role for other affordable ownership products in addressing this additional aspiration need.
- 4.33 We therefore consider it appropriate to uplift the affordable housing requirement by 10% to an overall target of 50% to help address some of this additional demand for affordable home ownership models. Any further uplift as presented in option C is likely to negatively impact on the viability of development in our area. Our viability assessment will consider the impact of the affordable housing policy on housing delivery.
- 4.34 Furthermore, national guidance expects 25% of all affordable housing to be delivered as “First Homes”. These are a type of affordable housing that is offered for sale at a discounted market rate (which must be no more than £250,000) to eligible first-time buyers. The Stage 1 Joint Housing Needs Assessment demonstrates there are sufficient households in the plan area who could benefit from this product to match the government target for First Homes. Under the government’s First Homes scheme, developers must offer these homes to first-time buyers with a 30% to 50% discount on the market value. In our districts, the Joint Housing Needs Assessment has shown that developers would need to sell these at a 50% discount, in order to deliver a range of homes of different sizes across the plan area. Our proposed policy reflects this. However, we acknowledge that such a high discount could constrain development viability, particularly given our ambitious targets for the delivery of high levels of social rent. We will therefore test the viability of providing First Homes at this level of discount ahead of our next local plan consultation.

Section 5: Conclusions

- 5.1 The preferred options consultation of the Joint Local Plan identifies policies for our housing requirement and affordable housing that reflect national planning policies and guidance. Our proposed policies respond to the evidence in our joint housing needs assessment, as well as considering whether exceptional circumstances exist to justify a departure from the standard method.
- 5.2 This standard method is what government expects local plans to follow in setting their housing need, and should only be deviated from in exceptional circumstances. Our Joint Local Plan does not consider there are any exceptional circumstances, but has identified one circumstance that justifies adding to the local housing need derived from the standard method in setting our housing requirement – an uplift to accommodate the agreed unmet housing from Oxford’s Local Plan 2036. This results in a housing requirement for South Oxfordshire of 17,050, and for the Vale of White Horse of 14,390.
- 5.3 Policy HOU3 is justified through a robust assessment of the need for affordable housing in South Oxfordshire and the Vale of White Horse.
- 5.4 The policy delivers on the key objective of the plan to ensure enough new homes are delivered to meet our needs, including significant numbers of homes that are genuinely affordable to rent or buy.
- 5.5 The approach to seeking provision of 50% supports more households being able to meet their housing need through the provision of affordable housing. This includes those households living in the private rented sector in receipt of housing benefits and those that aspire to homeownership but are unable to afford on the market. Policy HOU3 will provide opportunities for more of these households as well as those making up the core longstanding need for affordable housing to access housing that is more affordable to rent or realise their dream of homeownership.
- 5.6 Policy HOU3 also prioritises more lower cost forms of affordable housing. Social rented properties which are the most affordable tenure type are being prioritised, with half of all affordable homes expected to be provided being in this form. Currently in South 35% of affordable homes are expected to be delivered as social rented, while in the Vale 56% of affordable homes are to be delivered as either social or affordable²⁹. The lack of a clearly defined target for the provision social rented homes in the Vale has made it very difficult to secure any social rented homes. Therefore, the policy should result in more of this tenure type which is the most affordable tenure being delivered

²⁹ South Oxfordshire and Vale of White Horse First Homes Interim Policy Statement Table 2 Tenure split, post 28 June 2021,

in both district, which will especially benefit households in need of more lower cost housing in the Vale where no defined target currently exists.

- 5.7 Additionally, we are seeking significant discounts on affordable ownership properties, with the policy requiring a 50% discount on market value, which will make homeownership a realistic prospect for more households. We acknowledge that this may still not be enough and support other forms of affordable ownership to come forward like shared ownership. This form of affordable homeownership generally have lower deposit and mortgage requirements than First Homes, and may represent a more affordable and achievable option for some household, enabling more households to realise their aspiration of homeownership.

Appendix One: Standard method calculations

Step one: Setting the baseline

Using government's national household projections³⁰ to determine the projected difference in households between 2023 and 2033 to set a baseline³¹.

	South Oxfordshire	Vale of White Horse
Projected total households 2023	59,509	56,154
Projected total households 2033	63,570	60,907
Projected change 2023-2033	+4,061	+4,753
Annualised average (the baseline)	406.1	475.3

Step two: An adjustment to take account of affordability

Using the most recent Office for National Statistics median workplace-based affordability ratios³² to identify an adjustment factor to apply to the baseline.

	South Oxfordshire	Vale of White Horse
Median affordability ratio	11.83	9.15
Affordability adjustment factor*	1.489375	1.321875

³⁰ www.gov.uk/government/statistical-data-sets/live-tables-on-household-projections, table 406

³¹ We will review the data that feeds into these ahead of the Regulation 19 version of the JLP (proposed submission consultation), and update these to use either the 2024-2034 or 2025-2035 data depending on the year of submission.

³² www.ons.gov.uk/peoplepopulationandcommunity/housing/datasets/ratioofhousepricetoworkplacebasedearningslowerquartileandmedian, table 5c

Adjusted standard method figure for affordability factor	605	628
--	-----	-----

* derived from the planning practice guidance as follows:

$$\text{Adjustment factor} = \left(\frac{\text{Local affordability ratio} - 4}{4} \right) \times 0.25 + 1$$

Step three: capping the level of any increase

Where these policies were adopted within the last 5 years (at the point of making the calculation), the local housing need figure is capped at 40% above the average annual housing requirement figure set out in the existing policies. Where the relevant strategic policies for housing were adopted more than 5 years ago (at the point of making the calculation), the local housing need figure is capped at 40% above whichever is the higher of:

- a. the projected household growth for the area over the 10 year period identified in step 1; or
- b. the average annual housing requirement figure set out in the most recently adopted strategic policies (if a figure exists).

The South Oxfordshire Local Plan 2035 was adopted less than 5 years ago, and the average housing requirement figure is more than the 605 figure identified in step 2. Therefore, no cap is needed.

The Vale of White Horse Local Plan 2031 Part 1 identified the housing requirement for the district. The average housing requirement figure of that plan is higher than the household projections identified in step 1. The housing requirement figure is higher than the 628 figure identified in step 2. Therefore, no cap is needed.

Standard method conclusions

As no cap is applied to the outputs from step 2, the standard method identifies an annual local housing need for each district as follows:

	South Oxfordshire	Vale of White Horse
Annual local housing need derived using the standard method	605	628

Alternative formats of this publication, a summary of its contents or specific sections, are available on request.

These include large print, Braille, audio, email, easy read and alternative languages.

Please contact customer services to discuss your requirements on 01235 422422.

Planning Policy Team

Abbey House, Abbey Close

Abingdon, OX14 3JE

Tel: 01235 422422

Email: planning.policy@southandvale.gov.uk

www.southoxon.gov.uk

www.whitehorsedc.gov.uk



INVESTOR IN PEOPLE