Planning for Real NEED not Speculator GREED in Oxfordshire

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NNGO response to Cherwell Local Plan 2040 Consultation October 2023

About Need Not Greed Oxfordshire

Need Not Greed Oxfordshire (NNGO) is a coalition of 36 groups from across the county, together representing thousands of community members. Our campaign is committed to:
- A restoration of planning principles, with a proper balancing of economic, environmental and social considerations;
- Local democracy, with planning control in the hands of locally elected and accountable representatives; and
- Environment and rural sustainability, ensuring that our landscape, nature and rural communities are at the heart of decision-making.

Overview

The housing numbers contained in the Plan are exaggerated and the underlying evidence to support them is flawed. This will put unnecessary pressure on Cherwell's countryside, Green Belt and rural communities.

Overriding issues around the environment and carbon zero are not simply to be addressed after a level of growth has been chosen (after more or less ignoring both) – but rather the determination of the properly sustainable level of growth should be *absolutely focussed* on them.

We see no evidence of this having taken place, with the housing numbers in the Plan lifted directly from the Housing & Economic Needs Assessment (HENA) without any qualification. This is despite consistent, credible and robust criticism of the methodology adopted by the HENA from both statutory and non-statutory stakeholders. As far as we are aware, no rebuttal of this criticism has yet been published.

The conflation of genuine housing need with a policy choice of seeking to carry on an aggressive growth strategy, seemingly in perpetuity, is unjustified in the light of the climate and nature emergencies and the importance of the levelling up agenda.

An alternative approach

We invite Cherwell District Council (CDC) to consider an alternative approach – one based on assessing growth in the context of broader environmental and social considerations. This could be achieved by using '*decision-making wheels*', such as in Doughnut Economics, where there is a transparent and traceable process for assessing impacts and justifying decisions across a broad range of criteria. This is not revolutionary or rocket science but would be in line with an increasing number of local authorities across England including areas such as Cornwall, Devon and Bath.

Specific comments on housing numbers and the Housing & Economic Needs Assessment (HENA)

Based on the Government's standard methodology, Cherwell's need would be 742 dwellings per annum (dpa), or 14,840 over 20 years. This is increased by the HENA to 1,009 dpa, plus 284 dpa for Oxford, giving a total housing need of 1,293 dpa, or 25,860 over 20 years. **This equates to 11,020 additional houses over this period.**

NNGO understands the affordability problems associated with the housing market but building large numbers of expensive new houses will demonstrably *not* solve the affordability problem. Therefore additional housing on this scale must be justified by clear and robust evidence which we believe has not been provided.

1. These companies have a track record of over-estimating.
The companies behind the HENA are the same that produced the 'transformational' figures in their previous analysis (the OGNA). This suggested that the number of jobs in Oxfordshire would increase by 171,200 by 2050, we would need one new house for every two that we have now and around 11,000 net migrants into the County every year for 30 years. When NNGO questioned this assumption and the level of net migration assumed, we were dismissed. However, now this trajectory is rightly rejected in the HENA as being over-optimistic.

2. The new projected growth figures are still wildly exaggerated.
Cherwell District Council is proposing to use the trajectory underpinned by a special Cambridge Econometrics (CE) model outlined in the HENA. This puts the Oxfordshire-wide need at 4,406 dwellings per annum. **This trajectory would expect to see Oxfordshire's population growing by nearly 27% by 2040**, compared to Office for National Statistics estimates of a UK population increase of less than 5%.

3.   The figures are not based on the Government's Standard Methodology. They arbitrarily extrapolate conclusions from the 2021 Census.

NNGO agrees that the Census figures for Oxfordshire show that our population has grown faster than predicted (not surprising given the Oxfordshire Housing & Growth Deal, by which our local authorities agreed to a level of housing development well above local need). However, population figures are not the same as household projection figures. For example, the Census indicated that household numbers in Oxford actually dropped slightly from 2011.

NNGO's view is that the Government's Standard Methodology remains the upper limit of what would be acceptable in terms of housing growth (3,388 dwellings per annum, compared to the 4,406 dpa proposed). Even this will place significant strain on our environment, services and infrastructure, and a trajectory based purely on meeting affordable housing need should be considered.

New standard methodology figures are expected in 2025, when the Office for National Statistics (ONS) is due to publish its household projection figures based on the 2021 Census. Further census data still to be published also includes information on commuting, household formation and recently on student numbers. *Until then, a highly precautionary approach is required.*

We note that the Government itself has already considered changes to the standard methodology and has ruled this out in advance of this Census information becoming available.[1]

It is inappropriate for a set of private consultants to over-rule this position based on its own methodology that is not open for transparent public scrutiny.

4.   The growth is based on carrying forward recent high levels of growth in perpetuity.

The population projections assume that comparatively high net migration rates into Oxfordshire during the five years 2015-2020 – 2,752 per year - will continue for the next 20 years. Given our current economic difficulties, this remains unlikely (see pt 2). It would certainly be more reasonable to base the projections on the ten-year period from 2010 to 2020 – this is 2,287 a year, 17% less.

5.   Oxford City Council continues to exaggerate its housing need. There is no justification for Cherwell to accept Oxford's inflated overspill. This would be better accommodated by making more efficient use of land within the City's boundaries, including prioritising city centre sites for housing rather than employment.

Cherwell's Local Plan should prioritise meeting the genuine housing needs of its existing local residents.

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[1] Para 16, Levelling-up and Regeneration Bill: reforms to national planning policy
Published 22 December 2022:

6.   **Net migration.**

The HENA assumes that net migration will continue at +5,426 per year to the end of the plan period (Table 3.11). That is based on figures for the last five years. The result would be 108,512 net migrants over 20 years. The past net migration figures are being reviewed by ONS at the moment, so they will change. NNGO suggested that a figure for the last ten years (4,961) would be more sensible and representative of what is likely over the next two decades. That brings the total over 20 years down to 99,212 migrants. Also, we know that the rate of increase in the numbers of households in ONS household projections tapers off over time, whereas the HENA does not allow for that. That change reduces the total by 20.73%, to 78,643. Overall, these two changes reduce population growth due to migration by 29,869. That would be around 13,500 fewer households (at an average household size of 2.2). Additionally, in future, ONS is expected to release more 2021 Census data which should tell us more about where migrants to Oxfordshire come from – a question that the HENA does not answer - and about their age structure.

Details about student flows are also very important as many students come to Oxfordshire, then after finishing their courses leave. They do not stay in the area adding to the pressure on housing as the age structure of these students in the County does not change over time. Very recent Census 'Alternative population' data suggests that Oxford itself may have 14,400 students aged 18 to 22, with a home elsewhere in England and Wales (foreign students are not included in that figure). But in addition there are another 1,479 aged 23 and 24 who may be mature students or possibly on post graduate courses or training.

7.   **Household Representative Rates (HRRs)**.

These rates are multiplied by the population projections to give numbers of households. The HENA picks and chooses from past HRRs to maximise growth, using 2014 based figures. Alternative and more realistic figures are available, including recently from the 2021 Census. Using past higher rates is inappropriate. It does not allow for the considerable changes in the housing market and the economy generally since 2014. House prices have risen until recently. Recently, rising interest rates make expensive new houses less affordable and put extreme stress on people with existing mortgages. Changes in the job market where pay has generally not kept pace with inflation need to be considered. Job insecurity has also increased. It is hard to get, or then take on a mortgage if you only have a temporary, insecure job, maybe with a zero hours contract… How will the HENA overcome these obstacles to get to higher HRRs? Building more expensive new houses has not helped in the past, why should it work in the future?

8.   **The conclusions around the relationship between housing growth, jobs growth and affordability need further questioning.**

Appendix C of the HENA makes it clear that "*housebuilding alone will not be sufficient to tackle affordability pressures*". We agree.

However, some of the data here is very selectively interpreted and push Oxfordshire into being defined as a 'high performing area'. Please see Appendix 1 for our full critique.

9.   **Climate change**.
The Oxfordshire Net Zero Route Map & Action Plan Final Report directs us to 'embed climate change into decision making across Oxfordshire's local authorities'. This is especially relevant to plans to build houses and to build roads where the scope 1,2 and 3 carbon emissions must be calculated and minimised. This will act as a limiting constraint to the amount of development we can allow; but there are other approaches to increasing the number of homes within the city and surrounding districts. Much of the predicted population growth, whether it be the inflated numbers proposed by Cambridge Economics, or smaller numbers based on other more up-to-date projections, may be accommodated by increasing the number of people who live in existing buildings and encouraging conversions and extensions to achieve this. Where new builds are required, these should be genuinely affordable, well-designed, high density developments to reduce the carbon impact. GDP driven scenarios to maximise the number of larger more expensive market value houses are no longer a viable option.

10.   **Overall, the HENA conclusions on growth are not compatible with the [Oxfordshire Strategic Vision](#) which commits all our authorities to planning for 'good growth' that is both sustainable and inclusive.**

What is the associated carbon budget, both embedded and ongoing, for this level of growth?
What are the implications for Oxfordshire's emerging nature recovery strategy?
How will the City's off-loading of growth onto surrounding Districts impact on the County's Transport Strategy and the commitment to reducing car journeys?
How will applications which adversely affect current services or facilities for existing communities be handled eg increased pressure on GP practices?

Overall, the planned growth would have major consequences for Oxfordshire's environment and quality of life and for the overall Levelling Up agenda, since it is based on pulling in migrants from less affluent parts of the UK.

We note that a number of Oxfordshire's other local authorities already appear to have rejected this approach as unsustainable and not in line with the wishes of the majority of its residents (as demonstrated at the ballot box).

Need not Greed Oxfordshire therefore asks Cherwell District Council to re-visit its evidence base and take the full environmental, social and economic implications of proposed policies into account through an inclusive and transparent decision-making process.

Appendix 1 The relationship between housing growth, jobs growth and affordability

This is NNGO's commentary on <u>Appendix C Understanding Affordability Implications</u> of the <u>Housing & Economic Needs Assessment</u> (HENA)[2], which looks at housing delivery, jobs growth and affordability.

Appendix C is only mentioned in one paragraph in the main HENA document. It seems to be a reference to chart CO:15:

> *7.4.36 In the 2021 OGNA report, an analysis labour demand and housing supply identified a relationship between job to dwelling ratios and house prices. This showed that as the number of jobs increased at a faster rate than the level of house building, the ratio increased in line with house prices, while a fall in the ratio coincided with an easing of house price inflation. This is explored in research by Cambridge Econometrics of housing market effects of employment and economic growth, which is set out in ==appendix C.==*
>
> *7.4.37 This is similar in theory to the house price adjustment mechanism applied to the standard method, where the ratio of earnings to house prices is used to indicate a level of additional housing demand when the ratio is above regional or national averages.*
>
> *7.4.38 The housing market effect for the scenarios in this HENA consider the ratio of jobs to dwellings and shows the percentage change in the ratio between 2020 and 2040, based on the housing need indicated by each scenario. A change in the ratio represents a shift in the housing supply and demand balance.*

These paragraphs take the findings in Appendix C as a given. NNGO disagrees.

Appendix C makes the point that if there is growth in the number of jobs in an area but the provision of housing falls behind that, then there is more competition for the available housing and that tends to push up its price, making it less affordable.

Whilst this might seem logical, there is also evidence to challenge this assumption.

- **The employment market can and should be allowed to adjust over time, leading to the transfer of jobs/skills to new areas ('levelling up') rather than seeking to extend high growth areas in perpetuity.**

- **The Government's standard housing methodology already makes significant allowance for affordability.**

- **Building new houses does not of itself improve affordability.**

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[2] Housing and Economic Needs Assessment – Cherwell District Council and Oxford City Council – Final Report (December 2022)

We agree with the report's conclusions when it says:

"there is actually a positive correlation between housing delivery and house price growth: <u>the LEP areas that have built the most houses are also amongst those to have experienced the fastest growth in house prices</u>"

"<u>LEP areas that have built more homes have typically seen a greater increase in affordability ratios (decrease in affordability)</u>. Again, this shows us that within local areas, <u>housebuilding alone will not be sufficient to tackle affordability pressures</u>."

- **The role of national and local government policies is overlooked.**
  Appendix C notably omits discussion of the effects of government policies (such as Help to Buy and changes to stamp duty) and the state of the economy generally. Local factors – such as Oxford's tendency to use available land for businesses rather than housing - are not considered.

- **Extreme values have had an undue influence on claimed correlations ie remove one or two outlying areas, and the conclusions might change.**
  The simplistic two-dimensional charts used fail to summarise all the complexities of the housing market. Correlations are identified, but often one or two extreme values have produced much of the claimed relationship. The correlations do not prove that there is a link between variables or establish which variable causes the other variable to change.

- **Is Oxfordshire a 'Reinvented commuting destination' not a 'High Performing Area'? How should that inform the Local Plan strategy?**
  Chart CO:14, which covers 2009-19, shows that changes in the Oxfordshire jobs:dwelling ratio against change in house prices is very close to the England average. Chart CO:15 shows Oxfordshire's position as more distant to the national average but only uses data for one year, 2019 (pre-lockdown and significant shifts in the economy). *Why was this year, which appears to be an outlier, chosen?*

  In the HENA itself, the affordability ratio for Oxfordshire is given as 11.08 in 2021 (Table 4.3). Figures for four previous years are all lower than that. Thus, the figure used in CO:15 of just over 13, supposedly for 2019, looks distinctly dubious. Using the 2021 figure of 11.08 would shift Oxfordshire's point on chart CO:15 below the trend line.

  This would appear to shift Oxfordshire into CE's definition of a 'Reinvented commuting destination' rather than a 'High Performing Area'.
  CE tells us that '*such categorisations can be beneficial for understanding local housing markets, and resultantly the effective shaping of local housing strategies*'. So, how should this inform the Local Plan approach?

- **There is no discussion about the quality of the jobs created** (well paid, part-time, low pay, zero hours?)

Overall, we – residents of Oxfordshire and our representatives, **do have a choice** about how to respond to these issues. We do not have to accept that there will be vast increases in employment and that far more housing will be needed to provide staff. We can instead consider the environmental and climate consequences of this approach and instead focus on delivering the much-needed genuinely affordable housing for existing Oxfordshire residents.

NNGO's Detailed comments

Appendix C of the [Housing & Economic Needs Assessment](#) (HENA)[3] looks at 'Understanding Affordability' and discusses housing delivery, jobs growth and affordability. Data for Local Enterprise Partnerships (LEPs) are used.

Figure C0:8 follows:

Figure C0:8: Housing delivery and house price growth across England, 1971-2019
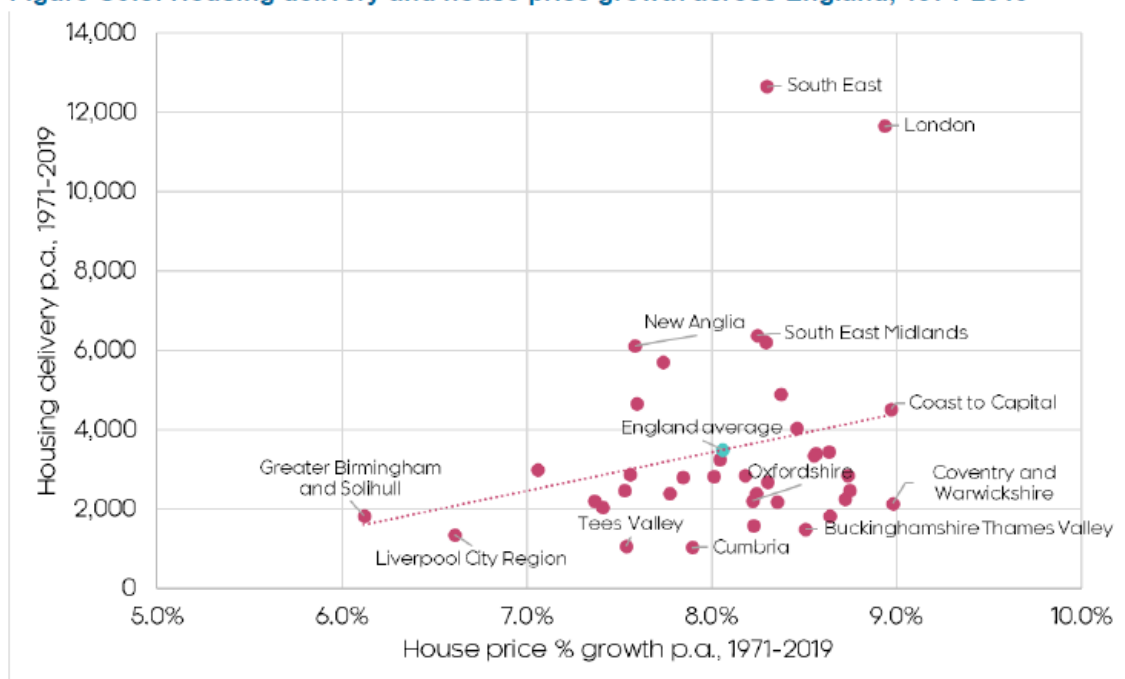
Source: ONS, MHCLG, Cambridge Econometrics

Cambridge Econometrics (CE) then say:

> *One frequently proposed solution to counteract or at least subdue rapid local house price growth and decreasing affordability is to increase local housing delivery. However, as Figure C0:8 shows, it should be emphasised that <mark>there is actually a positive correlation between housing delivery and house price</mark>*

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[3] Housing and Economic Needs Assessment – Cherwell District Council and Oxford City Council – Final Report (December 2022)

In short, building a lot more expensive new houses does not improve affordability.

House builders buy land at a price related to house prices nearby. Then they only build houses if they can sell at that price. Affordability is also related to other factors including government programmes, interest rates and employment policy.

CE then continue:

> *Of course, this doesn't mean that building more homes will increase the rate of house price growth and further decrease affordability - high house prices likely attract and incentivise further housing growth, though the relationship is probably bi-directional. But this doesn't help the argument that increased local housing delivery it(sic) is an effective method of reversing or even slowing it – as with many things, it is much more complicated than that.*

This is a bit garbled, as if there was such a correlation and a relationship, then increasing housing delivery *would* increase house prices. But it is true that developers prefer to build in high house price areas – as the cost of building there is not much higher than building in a low house price area – so profits are more in expensive areas.

NNGO's view is that we don't think CE understand how 'correlations' can be produced (or distorted) by a few extreme values. The correlation or trend line (actually a regression line) on the chart is placed to minimise the distances between the line and all of the points on the chart. But the 'distance' is the actual distance multiplied by itself (it is the distance squared). This means that one or two extreme values can pull the line toward themselves, giving a false impression of a correlation. This has clearly happened in this case – there is a cloud of points in the area towards the centre and bottom of the chart, with a 7% to 9% increase. Outside that cloud, there are two extreme examples which pull the correlation line up.

This could be checked by running the correlation calculation again, but leaving out the two extreme values.

The extreme values are:

- **London**, in the top right corner. Its figures have pulled up the correlation line on the chart, giving a distorted impression. It is the most successful region in the country economically and has been for decades. Land is short and house prices are very high. It does have a mixture of very successful and unsuccessful places, but overall it is very wealthy. Considerable public capital investments have been made in London compared to other areas, for example the Elizabeth Line (Cross Rail). Many expensive flats have been built there since the 1970s, for example along the Thames. London is a

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[4] Oxfordshire is very near to the England Average figure on this chart. So it is hard to find fault with our local performance?

property market for very, very expensive property, often owned by overseas investors. In other words, London is exceptional!

- **'South East'** is similarly exceptional LEP and in effect, like London, it produces the correlation. It consists of East Sussex, Essex, Kent, Medway, Southend and Thurrock (there are some poor areas therefore). It is close to London so there is much commuting. High prices spill over from the capital. It has a high-speed rail line to London and the Continent. It is also exceptional.

- Most other LEPs cluster in a bit of a blob on the chart. If you just look at them, there is no clear apparent line through them. Other exceptions at the lower end of the scale are Greater Birmingham and Liverpool. These are urban areas at the other end of the spectrum from London and the South East

The following diagrams illustrate the effect on a trend line of including one extreme value. First a case where there is no correlation, shown by the dotted blue trend line:
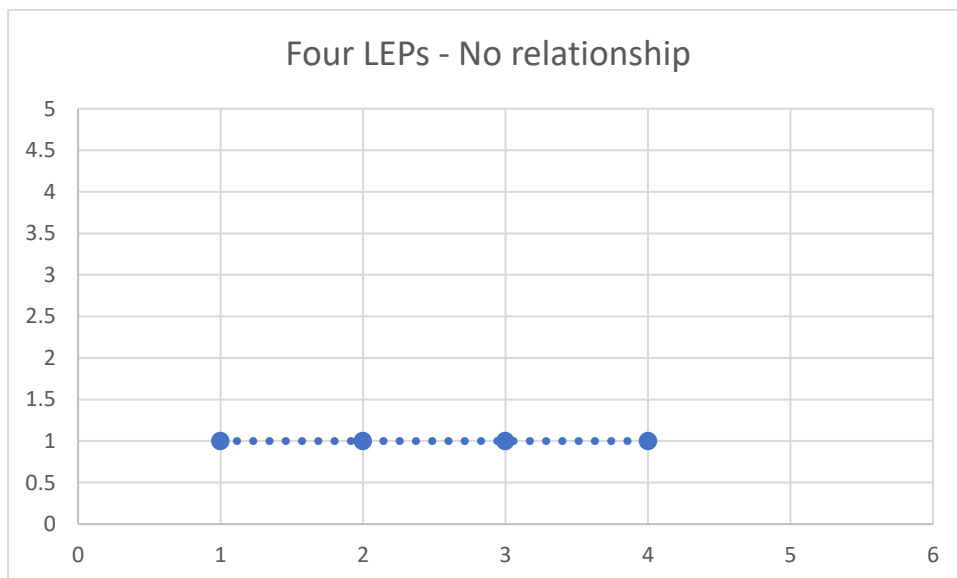
But if one more extreme point is added, correlation appears, shown by the dotted red trend line:

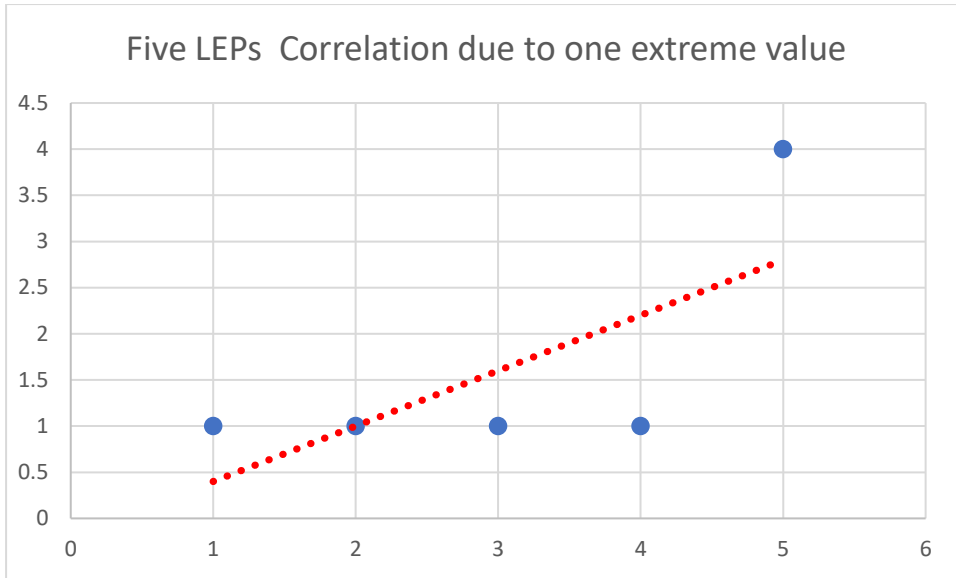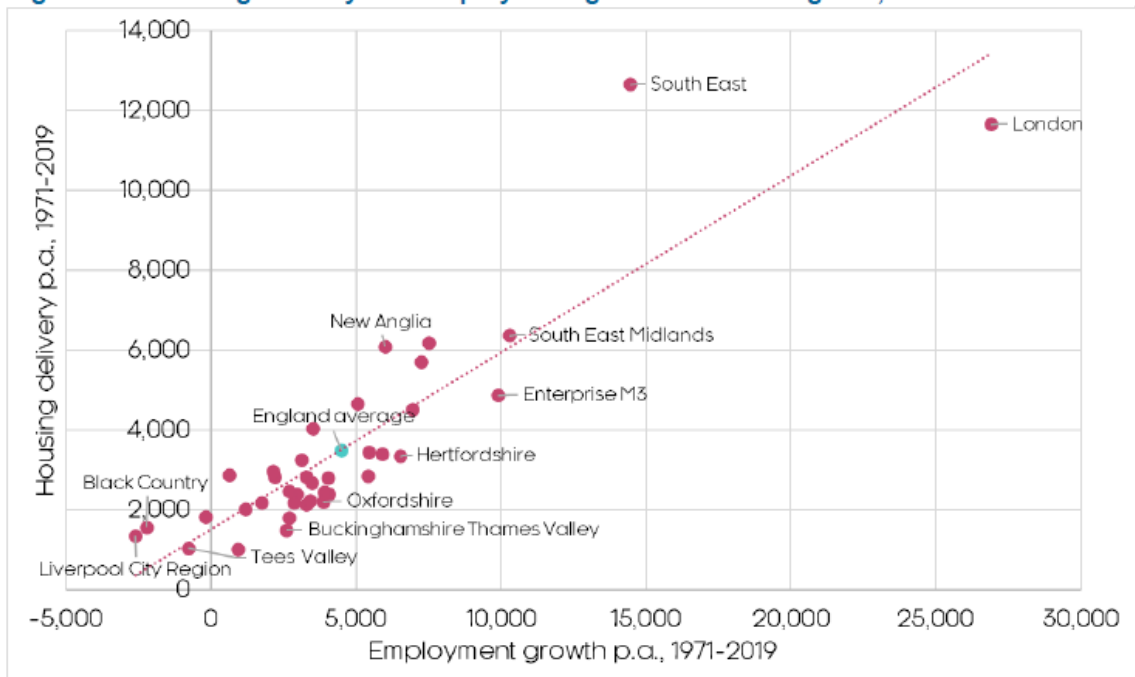Five LEPs Correlation due to one extreme value

Figure C9

CE's next chart follows:

Figure C9: Housing delivery and employment growth across England, 1971-2019

Again, the London and the South East LEPs are exceptional.

However, a more important point is that both variables, 'housing delivery' and 'employment growth' are linked by being proxies for (that means very strongly related to) population growth in the area. So, the chart is saying there is a correlation between:

- Housing delivery - which is linked to population growth; and
- Employment growth - which is also to linked to population growth.

A correlation between two variables that are both linked to population growth is pretty well inevitable and it tells us little!

There is also the question of causation – what causes what? The chart does not prove that delivering housing will produce employment growth. It could be the other way round, that in areas where employment increases there is more pressure to build housing and it is easier to sell it. Probably both things happen and are linked to perceptions by various groups. If separate groups of people, such as developers, people and business managers, all think that an area is developing, then it will. Economies tend to get into a cycle of either:

- Everything is improving so that keeps going (eg London); or
- It isn't, like Liverpool and the North

NNGO thinks that the relationship between relevant variables such as house building, job creation, government policy, the economy generally, developers' behaviour, local construction costs and house prices is very complicated. There are multiple links that can't be teased out using charts comparing just two variables. A far more sophisticated economic model would be needed to do that.

Figure C0:9

This claims a correlation between employment growth and house price growth:

Figure C0:9: Employment growth and house price growth across England, 1971-2019
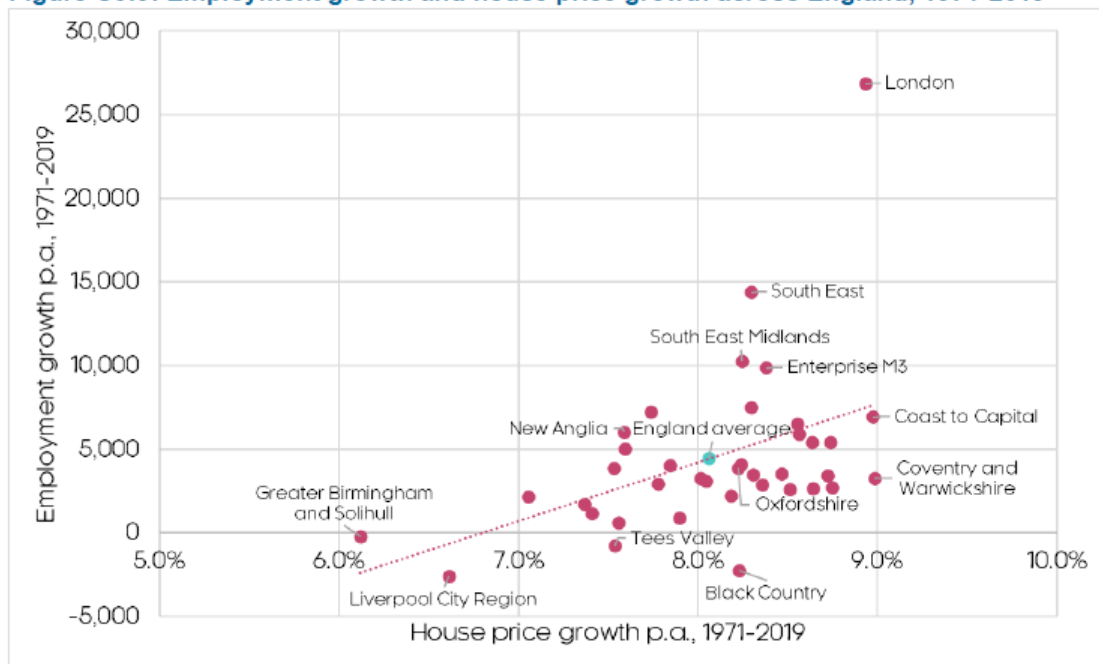
The arguments against this are similar:

- London and the South East LEP figures distort the picture and exaggerate the upward slope of the correlation line. Taking them out would weaken the correlation.

- As before, both variables are proxies – direct measures of economic growth, so inevitably there is a correlation. It is not easy to separate out what is causing what. What comes first, employment growth or house price growth? Or is house price growth more linked to interest rates?

- Just looking at two variables is not sufficient to explain the complex interactions between several variables that we have already mentioned.

Excluding the two extreme values would show that generally there is a weak relationship between housing delivery and changes in affordability:

CO:10

Figure C0:10: Housing delivery and changes in house price affordability across England, 1971-2019
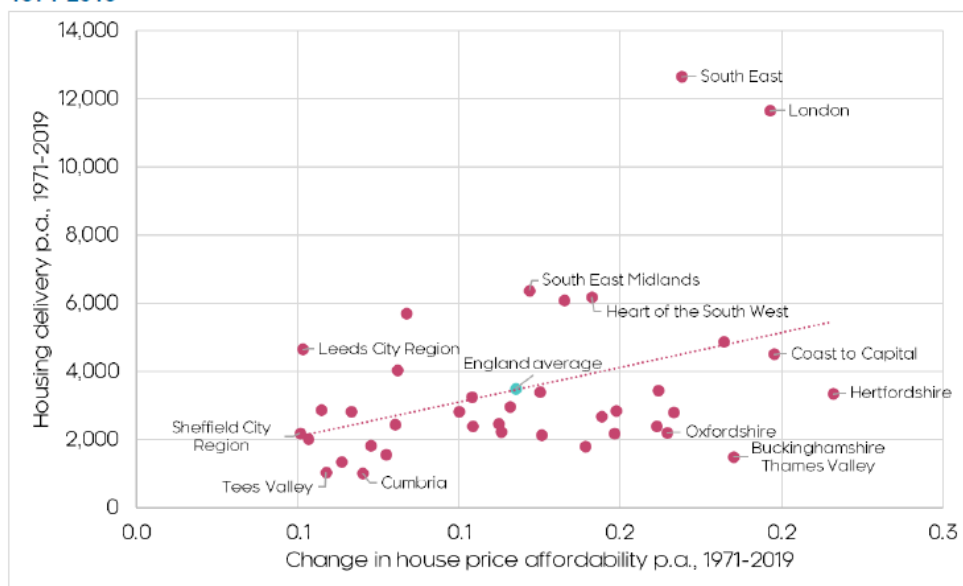
Source: ONS, MHCLG, Cambridge Econometrics

CE comments:

As Figure C0:10 shows, the same positive correlation that is seen between an areas housing delivery and house price growth is also seen between an areas housing delivery and its change in affordability (ratios); LEP areas that have built more homes have typically seen a greater increase in affordability ratios (decrease in affordability). Again, this shows us that within local areas, housebuilding alone will not be sufficient to tackle affordability pressures.

If anything this seems like an advert for not building more expensive houses, as this tends to make areas less affordable (by pushing up the un-affordability ratio).

It does show a fairly weak relationship between housing delivery over 48 years from 1971 to 2019 and changes in price affordability during that period.

It has the usual problems with including two extreme values for London and the South East LEPs.

CO:11

CE suggest that there may be a lag in house building and the effects on affordability. It comments as follows:

> *Across the time series, we continue to see a clear and positive relationship between higher housing delivery in an area and an increase in housing affordability ratios (a decrease in affordability). Generally, this relationship has also become more significant over time, though this has not been a continuous process, with the relationship weakening slightly in the 1990's and 2000's – a time where many areas saw rapid increases in their affordability ratios, as housing and financial markets became increasingly liberalised.*

NNGO disagrees. Four more charts are presented, claiming relationships between:

Housing delivery in: Change in affordability in:

1970s and the   1980s
1980s and the   1990s
1990s and the   2000s
2000s and the   2010s

All four charts have the usual problems of taking a partial view of what caused change in the markets and including extreme values that do seriously affect where the trend lines appear, as we have demonstrated using a simple example. Only in the case of the second chart (1980s to 1990s) is there any area where there was increase in affordability (shown by negative changes in the affordability ratio). **This suggests an long-term ongoing policy failure on a massive scale rather than a relationship.**

If there is a relationship, then it contradicts current beliefs, as it would suggest that higher housing delivery nearly always leads to less affordability. NNGO could argue strongly that delivering less housing would lead to more affordability on the basis of this. But we think other explanations are more likely, and they may be different in different decades.

Recently, one explanation might be that in economically successful areas there is more housing delivery as that is more profitable for developers, but affordability suffers as developers profits increase pushing up the prices. No council housing and little affordable property is built. Pay does not rise, lagging behind inflation. Low interest rates push up property asset prices making the property owning rich, richer. Profits in property diverts investment to that from investments in businesses…

Surely this suggests that the overall government policy and not responding to problems as they emerged caused an environment that has built in increasing unaffordability?

NNGO does not agree that there was, or could be, a ten-year lag between house construction and affordability. At a basic level it is implying that when say 100 houses are built in a field around a town, then ten years later there is less affordability in that area? This seems odd but maybe it is true? Or is it just that affordability was worsened by government policies and a failure to act?

NNGO does not think the housing market operates in a simple, two-dimensional way. Far more variables are involved and more of the changes are due to government policies such as:

- Help to buy, which just pushed up prices;

- Continuing 'Right to Buy' and not allowing councils to renew their housing and build new houses;

- Low interest rates, based on printing money for years pushing up property prices and diverting investment from businesses and productivity improvements;

- Enabling and encouraging 'Buy to let' as a get rich quick scheme; and

- Allowing dubious foreign buyers who conceal their ownership and identity to invest in UK property which was wrong…

CO:12

Figure C0:12: Employment growth and housing delivery growth across England, 1971-2019
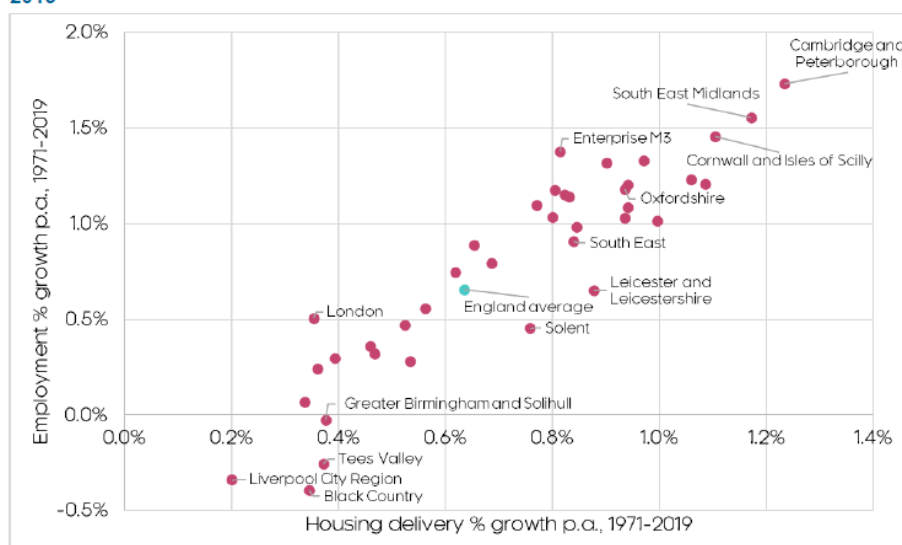
Source: ONS, MHCLG, Cambridge Econometrics

CE say:

> *As we have seen previously, there is a strong correlation between housing growth and employment growth. So what areas have grown the fastest since 1971, and how might this have impacted on affordability? As Figure C0:12 shows, Cambridge and Peterborough and neighbouring South East Midlands have emerged as the two fastest growing areas. Notably, Southern or rural LEP areas have seen faster growth than Northern or urban LEP areas, whilst London has grown comparatively slowly over this time period.*

This is a reference back to chart CO:9 on Page 5, which we have already commented on. In brief, comments on this chart are:

- There is less of a problem with extreme figures in this case.

- But, as before, housing growth and employment growth are both proxies for population growth, so inevitably there is a correlation between them.

- It is not easy to decide what is causing what. What comes first, employment growth or house price growth?

- What about all the other economic events, government policy changes and variables that affected housing in the 48-year period? It is clearly far too long to claim that these other key factors were consistent during that time (they were not)

- Just looking at two variables and ignoring government policies is not sufficient to explain the complex interactions between several variables, events and policies that NNGO has mentioned.

CO:13

Figure C0:13: Employment growth and housing delivery growth across England, 2009-2019

Source: ONS, MHCLG, Cambridge Econometrics

This is the same sort of chart as CO:12, but focussing on the ten years 2009 to 2019.

Oxfordshire is shown as having a high housing delivery percentage growth per year of over 1.0%. Only SE Midlands and 'Cambridge and Peterborough' are higher.

Oxfordshire's employment growth per year is just under 1.5% per year. But Greater Birmingham and Solihull, Greater Manchester, Hertfordshire, London, Coventry, SE Midlands and 'Cambridge and Peterborough' are higher. So, for some Northern cities, employment growth per year was well above average.

Over the ten years leading up to the Covid crisis Oxfordshire's employment growth rate per year was higher than the growth rate in housing.

But this was a time when employment conditions were undermined with increasing inequality. There were more low paid jobs and poor-quality jobs with dubious self-employment or zero hours contracts. More 'delivery' jobs were also emerging. More people (and households) needed two jobs to get by.

NNGO holds to its view that the two variables are interlinked, both tied into the population of the area.

CO14

Figure C0:14: Changes to jobs-dwellings ratios and house price affordability across England, 2009-2019
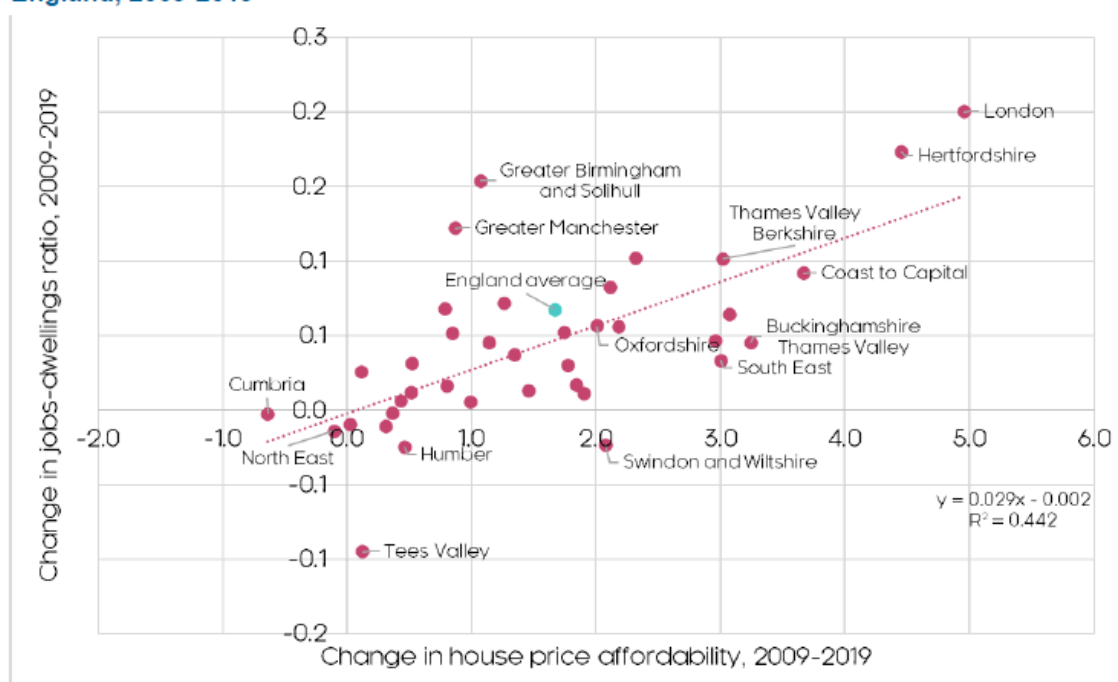
Source: ONS, MHCLG, Cambridge Econometrics

This links back to chart CO:8 on page 1. It is not quite clear how the jobs to dwellings ratio is calculated. Presumably it is the number of jobs created divided by the number of dwellings built. So, if 110 jobs were created but only 100 houses, the ratio would be 1.1 and the change +0.1?

On the chart, Oxfordshire, over the ten years, comes out very close to the England average, with a change in jobs to dwellings ratio of 0.1 (as in the assumed example above). Oxfordshire is also very close to the England average change in house price affordability of 2.0. So, it is hard to find fault with our local performance.

CE comment that:

> *Indeed, as shown in Figure C0:14, LEP areas that have created jobs faster than they have built houses over the past decade have on average seen an increase their affordability ratio (that is, a decrease in affordability). Therefore, when considering the role of local effects in determining prices, it is the interaction between employment growth and housing delivery that can contribute to determining the affordability of an area. Therefore, even given the trends identified at the national level, local economic context still matters for affordability.*

NNGO considers that various factors contribute to increasing unaffordability, notably government policy and low interest rates which push up property prices. It is not surprising that having more new jobs than housing could have the same effect. But the amount of new jobs provided is not the only factor.

NNGO is concerned about the quality of the jobs created. Having more lower paid jobs and pay rises frozen or less than inflation (in other words a cost of living crisis) is likely to reduce affordability, other things being equal. Having low paid jobs means that people may have to take on two or even three jobs to survive (thus mopping up the jobs surplus).

Other factors drive rising house prices, such as low interest rates and developers increasing their profit margins, making affordability get worse.

It is not clear what CE mean when it mentions the 'trends identified at the national level'. Previous charts have focused on information at the LEP level.

CO:15

Figure C0:15: Jobs-dwellings ratios and house price affordability across England, 2019
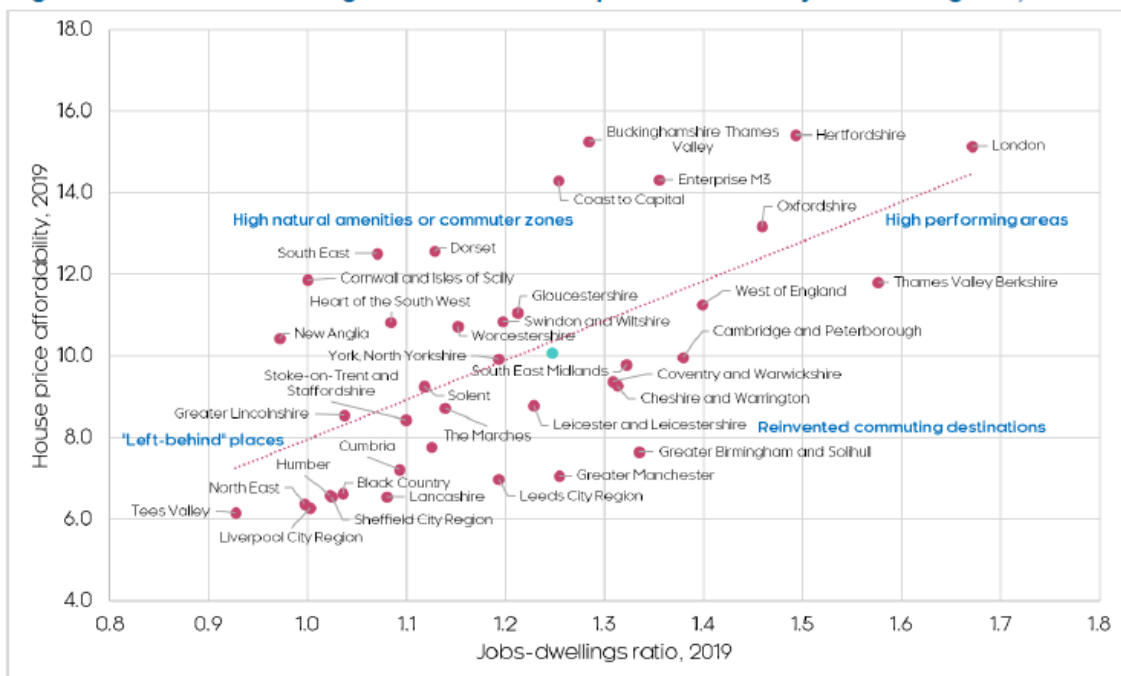
Source: ONS, MHCLG, Cambridge Econometrics

This uses the un-defined Jobs to Dwellings ratio but just for one year, from CO:14. This is compared to the House price affordability figures for 2019.

The figures seem to be for a single year. So, the chart could pick up large short-term local variations in jobs or dwellings and will not be representative. It is easy to imagine jobs increasing a lot in one year due to a large development but house building running on a smoother path (or vice versa).

As an example, Oxfordshire is changed from an area very near the England average over the period 2009 to 2019 (CO:14), to a position more distant from the national

average in the above chart. Why is that? Oxfordshire was been moving in line with the national average during that period. That is not a bad record.

On the chart, Oxfordshire has affordability just over 13 and a jobs to dwellings ratio of around 1.46. The chart is a comparison of a variable that does not measure a change (affordability) with a variable that does change (jobs:dwelling ratio in a single year).

The chart could imply that areas where more jobs are created than dwellings built are more likely to be unaffordable – or vice versa. But it could be the other way round, that areas are more unaffordable are more likely to be creating more jobs than dwellings were built. Or it could even be that in areas where more jobs are created than dwellings that there are changes in affordability, but we can't see that because the affordability variable is fixed. Freezing one variable but allowing the other to change just confuses the issue!

Again NNGO asks, are the jobs any good or just poor quality / part-time / environmentally friendly? Are any dwellings built clearly helping to improve affordability, or – as usual - are they less affordable than the existing stock?

NNGO also notes that in the HENA itself, the affordability ratio for Oxfordshire is given as 11.08 in 2021 (Table 4.3)[5]. Figures for four previous years are all lower than that. Thus, the figure used in CO:15 of just over 13, supposedly for 2019, looks distinctly dubious. Using the 2021 figure of 11.08 would shift Oxfordshire's point on chart CO:15 below the trend line. We seem to be more a 'Reinvented commuting destination' than a 'High Performing Area'.[6]

What about the effects of other local changes affecting what happens in each area? Shortage of land, infrastructure problems, congestion, protected areas, green belt, AONB, flood risk areas? What if the effects of government policies are impacting differently in different areas?

CE then go on to use this chart (based on an unclear jobs to dwellings figure) to classify areas into four broad groups. Oxfordshire is considered to be a:

> ***High performing areas***: *areas with highly successfully and competitive economies, typically regional commuting centres, resulting in very high jobs densities. This drives substantial demand for dwellings, which alongside typically high local amenity values, results in higher prices (relative to wages). Largely found in the South, examples include London, Oxfordshire, and Hertfordshire.*

Which recognises the many favourable aspects of Oxfordshire, but does not mention infrastructure problems and capacity, water shortages and concerns about avoiding

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[5] Also, Paragraph 4.2.8 quotes the 'Nationwide' figure of 10.1 for 2021.

[6] Its not quite clear where the Jobs:Dwellings ratio comes from, either

global warning and other planetary boundaries. It is not an area in need of 'levelling up'. We do wish and must maintain our 'high local amenity' values. And there are problems with the level of pay and cost of living problems.

As noted earlier, we may be more a 'Reinvented commuting destination' than a 'High performing area'.

Generally, NNGO does not think that a two-dimensional set of data should be used to classify all areas in the country. Should 'High performing areas' be expected to continue in that role indefinitely, why can't we develop all areas of the country together?

Links to Appendix C in the HENA

Appendix C is only mentioned in one paragraph in the main HENA document. It seems to be a reference to chart CO:15. It is as follows:

> **7.4.36** *In the 2021 OGNA report, an analysis labour demand and housing supply identified a relationship between job to dwelling ratios and house prices27. This showed that as the number of jobs increased at a faster rate than the level of house building, the ratio increased in line with house prices, while a fall in the ratio coincided with an easing of house price inflation. This is explored in research by Cambridge Econometrics of housing market effects of employment and economic growth, which is set out in appendix C.*

> **7.4.37** *This is similar in theory to the house price adjustment mechanism applied to the standard method, where the ratio of earnings to house prices is used to indicate a level of additional housing demand when the ratio is above regional or national averages.*

> **7.4.38** *The housing market effect for the scenarios in this HENA consider the ratio of jobs to dwellings and shows the percentage change in the ratio between 2020 and 2040, based on the housing need indicated by each scenario. A change in the ratio represents a shift in the housing supply and demand balance.*

These paragraphs take the findings in Appendix C as a given. NNGO disagrees.

Broadly this is making the point that if there is growth in the number of jobs in an area but the provision of housing falls behind that, then there is more competition for the available housing and that tends to push up its price, making it less affordable. But…

NNGO has good reasons to disagree with this approach. Appendix C and chart CO:15 have been extensively criticised above. In summary:

- If there was a shortage of housing, Employers will realise that getting enough staff is a problem and make adjustments to cope. These could either be

investing to make their processes more efficient (nearly always a good thing) so needing less labour (eg the automated Mini factory). Or they could move to their next best area instead. And people can commute to work. In other words, the market will adjust to cope. Having too many jobs in an area will sort itself out!

- Also, we know that there can be more than one worker in a household. Slight changes in that relationship could produce more or fewer workers to fill the available jobs if they are attractive enough.

- We know that the standard method already makes significant allowances for unaffordability, so that is allowed for.

- We know that other factors are driving up unaffordability. Many government policies and interventions have done this, as example help to buy and changes to stamp duty – where benefits which seem to benefit buyers but can simply be mopped up by sellers increasing prices. Also, the long period of low interest rates and 'quantitative easing' (once explained as 'like putting imaginary petrol in your tank'!) are key pressures. That supply of large amounts of cash (printed money really) and low borrowing costs pushed up asset prices, notably property. Mostly this benefited the well-off, who could find the funds to invest. As wages were not always keeping pace with inflation, property took a larger share of wages for working people. These policies and factors are likely to affect some areas more than others.

- Appendix C notably omits discussion of the effects of government policies and the state of the economy generally. Local factors – such as Oxford's tendency to use available land for businesses rather than housing, are not considered.

- We are very unhappy with the use of simplistic two-dimensional charts to summarise all the complexities of the housing market as explained earlier. As CE say, 'it is much more complicated than that'. (page 2)

- Correlations are identified, but often extreme values have produced much of the claimed relationship. CE don't seem to appreciate this effect.

- Correlations do not prove that there is a link between variables or establish which variable causes the other variable to change.

- The chart discussed (CO:15) appears to only have data for one year, 2019. This may not be representative. Why is that year chosen – it is before the lockdowns which have had dramatic and continuing effects on the economy. In CO:15 Oxfordshire is some way from the England average in 2019. Are there results for other years?

- An earlier chart (CO:14) which covers ten years, 2009-2019 shows the change in the jobs:dwellings ratio against change in house prices. That shows Oxfordshire as very close to the England average in that ten-year

period. If the 2019 figures are accepted, then what has happened to produce a very different result in 2019 compared to the previous ten years?

- NNGO is concerned about the quality of the jobs created. There may be more jobs but are they well paid or part-time, low pay, zero hours contract. Do more people need to take two jobs to survive? Were economic activity rates rising? Are both members of a couple now having to work to make ends meet? These trends would take up extra jobs without needing more households.

- It is notoriously difficult to predict how many jobs there will be in the future. What trends do we think will continue? What will be the effects of Artificial Intelligence? What other technological changes will there be? Will we get a better trade deal with the EU? Will Amazon be broken up into a market place and a separate provider? Will BMW stay in Oxford? Who knows? It is much more difficult that projecting populations and households. The results are uncertain, but key if we are to accept a plan for the County that proposes vast increases in employment that can only be met by even more housing than we have already committed to.

- What does this suggest (not tell us) we should do? We – residents of Oxfordshire and our representatives, **do have a choice** about how to respond to these issues. Do we just accept that there will be vast increases in employment and that far more housing will be needed to provide staff? Do we just accept even more houses than are already committed? Do we think that much more growth can be accommodated in the County? Can we ignore the environmental consequences, the extra CO_2 and the breaching of planetary boundaries? NNGO thinks not.