

**GBC's RESPONSE TO TABLES PRODUCED BY GUILDFORD HOUSING FORUM AND BARTON
WILLMORE**

Summary: There are apparently significant flaws in both documents. Whilst the Council would be prepared to discuss them further to see if common ground can be identified it does not presently consider that is likely to be of assistance given the contents of the Inspector's most recent note.

Guildford Housing Forum: "Assessing the Council's 'new' Position on OAN"¹

1. On the morning of 7th June, the Guildford Housing Forum handed in a document titled as above. As understood, this appears to misrepresent the Council's position in two respects.
2. First, the Council's position was not new: it reflected (and reflects) the position in respect of OAN which was set out in the Statement of Common Ground agreed between the parties on 5th June 2018.²
3. Second, on the Council's approach the market signals uplift is subsumed by the economic-led need figures as these are higher for Guildford than the need based on applying the market signals uplift to the demographic starting point. The 594 dpa on the Council's case thus includes market signals, and the second line³ is incorrect. The 737 dpa figure should therefore be disregarded.
4. The Forum's position within its response to the Matters and Issues⁴ was that the market signals were not added on top of the economic-led need. Its position set out in para 2.20 therein was as follows:

A	Demographic OAN	569 dpa
B	Employment OAN	689 dpa
C	Market Signals OAN	710 dpa
D	Student Growth	23 dpa
E	Final OAN	733 dpa

5. It is clear that the "final OAN" put forward by the Forum comprised the addition of the 23 dpa student element (D above) to the 710 dpa market signals figure (C above). It did not add the 25% market signals adjustment to the employment OAN of 689 dpa (B). The same methodology was employed by the Forum in the Statement of Common Ground with the Council.

¹ REP-11458241-006

² Indeed it is the Forum's position which is 'new'.

³ In the table entitled 'Guildford Borough Council Revised OAN'

⁴ REP- 11458241-001 'Matter 2 – Calculation of OAN'

6. The Forum's new position – of adding a market signals uplift to the economic-led projections/Employment OAN – appears opportunistic. In any event, for the reasons advanced in the Council's earlier note⁵, there is no justification for this changed approach.

Barton Willmore: 'Range of OANs expressed using GBC demographic and employment-led figures'⁶

7. There are a number of apparently significant flaws inherent within the assumptions made that led to the Barton Willmore table and undermine its utility, quite apart from it not presenting the full range of OAN figures before the examination.
8. In particular, the portrayal of the assessment of the impact on affordability⁷ in the Barton Willmore table must be treated with a significant degree of caution, essentially for similar reasons as set out in the Council's previous note.
9. Barton Willmore have confirmed to GL Hearn that the affordability analysis is based on the Reading/OBR affordability model which uses the University of Reading's house price elasticity research along with OBR house price and earnings forecasts from the March 2017 Economic and Fiscal Report.
10. Barton Willmore have further confirmed the following assumptions:
 - Base (2017) house prices and earnings are median workplace-based earnings and median house prices published by the ONS as part of their 26 April 2018 release on Housing Affordability in England and Wales.
 - House price and earnings growth rate assumptions taken from OBR March 2017 Economic and Fiscal Outlook. Earnings growth assumed at 3.1% pa and house price growth assumed at 4.8% based on 2017-2022 average.
11. Firstly, there appears to be an error in the Barton Willmore modelling in how it calculates the effects of different levels of housing provision on house prices. The workings of Barton Willmore's modelling are shown in their 'Affordability Analysis' Report', which is appended to the Matters Statement received from Martin Grant Homes.⁸ The modelling is shown in Figure 3.2 on Page 7 therein.
12. GL Hearn has first replicated Barton Willmore's modelling. But in doing so, it has become clear that the "Median House price including reduction" (on which the affordability model is calculated) does not take into account cumulative changes. Thus, for instance, the 16.34 median affordability figure in 2034 shown in Barton Willmore's

⁵ GBC-LPSS-010

⁶ REP-8944737-002

⁷ Row entitled '% change in AR from 2017'

⁸ Affordability Analysis Technical Note, prepared by Barton Willmore LLP (May 2018). Appendix 1 to Further Written Statement submitted on behalf of Martin Grant Homes (REP-8944737-001)

Affordability Analysis apparently captures the increase in supply between 2033-34 only, not the cumulative impact of the increase year-on-year from the 2017 baseline.

13. Correcting this, GL Hearn calculates that, holding other assumptions equal to the Barton Willmore modelling, 654 dpa would result in a median affordability ratio of 13.55 in 2034 (as opposed to 16.34). It is therefore clear that this apparent error results in a significant over-estimation of the affordability ratio.
14. Secondly, and in any event, as the Council has previously set out, the modelling is very sensitive to the base assumptions on earnings and house price growth; and Barton Willmore have not used the latest data. Figure 3.2 in Barton Willmore's Affordability Analysis Paper shows that they have assumed 3.1% earnings growth pa; and 4.8% house price growth pa, derived from the OBR March 2017 Economic and Fiscal Outlook Report. Barton Willmore has separately confirmed this to GL Hearn.
15. The OBR's latest Economic and Fiscal Outlook Report was published in March 2018. This forecast house price growth of 3.1% pa between 2017/18 – 2022/23. This is consistent with the figure used by Barton Willmore. However it forecast earnings growth of 3.1% as well (as opposed to 4.8%) to 2022/3. The Barton Willmore modelling, for some reason, is not using the latest data.
16. Making an adjustment for the latest data (i.e. a base assumption of 3.1% pa income growth), 654 dpa results in an improvement in the affordability ratio from 12.53 in 2017 to 10.26 in 2034.
17. The evidence would thus suggest that there is a reasonable assumption that on the plan's original requirement, an improvement in affordability could be expected. In any event, it serves to further demonstrate the extreme sensitivity of the Reading/OBR affordability model to the input assumptions on price and income growth.
18. Thirdly, we would also question the justification for the base assumption of 1% stock growth per annum (which is implicit within one of the columns), and specifically its applicability at a local level. This has not been specifically set out and justified by those representors who rely on the model's analysis.
19. The above analysis serves to illustrate that:
 - a. There is an error in the Barton Willmore modelling which inflates the results;
 - b. That applying the latest input data from the OBR to the modelling would result in lower affordability ratios on an OAN of 654dpa; and
 - c. That the modelling is very sensitive to core assumptions on house price, earnings and stock growth.
20. Lastly, the Barton Willmore table quantifies a market signals uplift relative to a 475 dpa figure, when it should do so to a 422 dpa figure. It the Council's position that the 594 dpa figure includes provision for market signals.