

Differences between the May 2014 Draft Guildford SHMA Report and December 2014 Draft West Surrey SHMA Report – Objectively-Assessed Housing Need in Guildford

This note seeks to explain the differences between the draft conclusions on Objectively Assessed Need (OAN) for housing in Guildford between the Draft Guildford SHMA Report (GL Hearn, May 2014) and the draft West Surrey SHMA Report (GL Hearn, December 2014).

Conclusions drawn in the May 2014 Draft Report

The May Report concluded in identifying a baseline/ minimum level of housing provision to meet Objectively-Assessed Need (OAN) for housing of 670 homes per annum over the 2011-31 period (Para 8.19). This was based on the demographic projections set out, but then adjusted downwards on the basis of the expected growth in the student population relative to that projected in the demographic projections. This reduced the level of housing need to 652 homes per annum. The report however identified that consideration should be given to higher levels of housing to support improvements in the affordability of market housing and to meet identified affordable housing needs in concluding on the “full need for market and affordable housing” as required by the NPPF.

It set out that market signals pointed towards strong affordability pressures. In addition it highlighted that there was a case for adjusting upwards the assessment of housing need in order to support increased delivery of affordable housing. Taking these factors into account it concluded in Para 8.24 that the Council tests the ability to deliver up to 780 homes per annum within the borough over the plan period to 2031. The uplift from 652 to 780 homes per year was based on supporting improvements in affordability; making a tangible difference to meeting affordable housing needs (although not fully meeting it) as well as meeting the baseline demographic growth in the Borough.

The core demographic projection used was based on a linear projection of migration based on the average level of net migration to the borough over the 2007/8 – 2011/12 period (817 people per annum). The profile of migration was based on ONS information.

An economic-driven scenario was considered based on Spring 2013 Experian forecasts for the Borough. These forecast an annual increase of 717 jobs. This resulted in a housing need for 570 homes per annum. As this fell below the demographic-led projections, there was no need to adjust the assessed housing need to support economic growth. The SHMA did however note that this projection was potentially on the pessimistic side (Para 2.72) taking account of the Borough’s past performance and economic assets.

Conclusions drawn in the December 2014 Draft Report

The December 2014 Draft Report updates the demographic analysis to take account of the 2012-based Sub-National Population Projections (SNPP), issued by ONS in late May 2014. The December 2014 Report tests the new ONS Projections (see Section 4 and Appendix B). These projections seem to address some of the issues which have been raised by local groups regarding previous ONS projections for the Borough, international migration and how the age structure of the population was expected to change. This has been confirmed by Edge Analytics.

The December report therefore updates the base demographic projections which provide the starting point for considering housing need to take account of the 2012-based SNPP and ONS 2013 Mid-Year Population Estimates. The updated projections used were based on the official data.

In projecting future migration, ONS has not adjusted future projections to take account of Un-attributable Population Change in the past – as GL Hearn/ JGC did in the May 2014 Draft Report. Based on the interrogation of the data, GL Hearn no longer consider that it is appropriate make adjustments for UPC. The reasons for this are set out in Section 4 and are consistent with the approach adopted by ONS.

The approach which GL Hearn has adopted to household formation has also been developed. In the May report household formation rates were projected simply on the basis of the midpoint between the 2008- and 2011-based household projections (rebased to 2011). The December Report recognises that accurately projecting household formation rates is difficult, but develops the modelling approach to take account of academic research by Cambridge University suggesting that consideration is given to what impact housing market factors and international migration may have had in different areas on trends in household formation. The projections in the December Report therefore update the modelling assuming a ‘part return to trend’ in household formation. A slightly stronger recovery in household formation rates towards long-term trends is thus projected.

The updated demographic-led projections using the 2012 SNPP and ‘Part Return to Trend’ headship rates result in a need for 549 homes per year. This compares with the base projection of 671 homes per year in the May Report. This principally reflects an expectation of lower migration into the Borough.

The May SHMA report indicated that further work might be needed to understand potential growth in the Borough’s economy. The December report takes account of the emerging Guildford Employment Land Needs Assessment which is being prepared by URS. This report projects employment growth using Summer 2014 Experian growth forecasts. This results in expected employment growth of 21,300 jobs 2012-31. This is equivalent to 1,120 jobs per annum – stronger employment growth than was projected in the previous year’s Experian forecasts. With the lower updated demographic-led projections based on the 2012 SNPP; and higher expected growth in jobs, the December report indicates that housing provision may need to be adjusted upwards from the ‘starting point’ demographic-led in order to support the Borough’s economy. In relating homes and jobs, GL Hearn take account of potential changes in employment rates (assuming more people in work and people working longer). In the December Report an adjustment has also been made on the basis that some people have more than one job, reducing the level of additional people needed to support a given level of jobs by 10%. The resultant projections indicate that 712 homes per year would be needed to support the expected economic growth (an additional 163 homes).

The December Report provides an updated assessment of affordable housing need and market signals. These continue to demonstrate significant affordability pressures in Guildford Borough. The December Report however adopts an improved approach to considering what level of additional housing provision might be needed to address this.

The focus of the new approach is on considering what impact improvements in affordability would have on demographics. It is considered that the key impact would be to reduce levels of concealed

and shared households (including adults living with parents), by increasing household formation rates of those in their 20s and 30s. The updated report therefore uses the demographic modelling to quantify the impact of this, modelling a scenario in which household formation rates for the 25-34 age group return gradually to 2001 levels over the course of the period to 2031. This results in an additional need for 71 homes per annum using the 2012-based SNPP and 79 homes per annum with the higher population growth seen in the economic-led projections.

The December report also reconsiders the adjustment to take account of student growth. In the May report growth in the student population moving forwards was compared to that over the 2001-11 period. This formed the basis of the downward adjustment to the demographic projections. The projections are however based on trends between 2007-12. GL Hearn has re-analysed student growth over this period. Linked to tuition fee changes in particular, student growth at Surrey University over this period was modest. Growth moving forwards is expected to be stronger. It is on this basis that adjusting the 2012-based SNPP to take account of student growth results in a potential need for up to 25 additional homes, taking account of the potential growth in the student population and expected delivery of accommodation in the form of student halls.

The December draft SHMA Report therefore concludes by identifying a need for between 620 – 816 homes per annum in Guildford Borough. The lower end of the range – the minimum figure - is based on the 2012-based SNPP with an adjustment to support improved affordability (549+71). The full OAN is described as up to 816 homes per annum. This includes additional provision (163 + (79-71) = 171 homes pa) to support economic growth and up to 25 homes per annum associated with student growth.