

## EXAMINATION OF THE GUILDFORD BOROUGH LOCAL PLAN: STRATEGY AND SITES

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### EXAMINATION STATEMENT ON BEHALF OF THE GUILDFORD HOUSING FORUM

#### *Matter 2 – Calculation of OAN for Housing*

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May 2018

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10 May 2018

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#### **1.0 Introduction**

- 1.1 This Examination Statement provides a response on behalf of the Guildford Housing Forum ("the Forum"), to those Questions raised by the Inspector (dated 20 April 2018), relating to the Calculation of the Objectively Assessed Need for Housing ("OAN") contained within Guildford Borough Local Plan: Strategy and Sites ("the Plan") and its supporting evidence base.
- 1.2 In addition to the above, this Statement specifically highlights which areas of the Plan are considered to be unsound, and the basis upon which it fails the tests of soundness, and the changes sought.
- 1.3 This Statement has been prepared jointly by Neame Sutton and RPS on behalf of the Forum.

#### **2.0 Matter 2 – Calculation of OAN for Housing**

##### ***Are the calculations contained in the West Surrey SHMA Guildford Addendum Report an appropriate basis for establishing the OAN for Guildford?***

- 2.1 The Forum has several concerns with the Council's current approach towards identifying Objectively Assessed Need for Housing (OAN). The Forum does not consider that the Council's approach adequately reflects the current significance of issues including affordability and future employment growth. Additionally, the Forum has concerns with the Council's approach towards meeting unmet needs from outside the Borough. These are addressed in more detail as part of Matter 3.
- 2.2 In summary, the Forum considers that the Council's proposed OAN is not justified or effective in meeting the housing need for Guildford and requires a number of adjustments before the Plan can be found sound.

(i) *Migration trends and attributable population change*

- 2.3 The National Planning Practice Guidance (NPPG) is clear (Reference ID: 2a-015-20140306) that the Government household projections should provide the starting point for the estimate of overall housing need. At the point of Examination, the most recent projections are the 2014-based Sub National Household Projections (SNHP). The Forum is aware that the Office of National Statistics (ONS) are due to publish updated household projections (2016-based), however these are expected around September 2018. It is recommended that the 2014-based SNHP is used for the purposes of determining the Council's OAN to avoid potential delay in producing a sound plan.
- 2.4 The Council has proposed a number of adjustments to the demographic starting point (2014-based SNHP) in order to reflect new data available and the impact of historical migration profiles. The Council has included a 10-year migration scenario, which draws upon migration profiles which extend beyond the period drawn on by the 2014-based SNHP. In addition to the 10-year scenario, the Council has also considered a 10-year + Unattributable Population Change (UPC) option, and in drawing conclusions on the most appropriate scenario, a mid-point is taken between these two datasets. The Forum does not consider that using data that relies on UPC is appropriate or robust for the purposes of setting the OAN, as this includes embedded discrepancies recorded for the period 2001-2011. This is acknowledged in the 2015 SHMA (paragraph 4.65 refers) and is therefore not considered to form an appropriate basis for consideration as part of a preferred demographic scenario.
- 2.5 The Forum is mindful that in March 2018 the ONS has revisited its Mid-Year Estimates (MYEs) at a local level which, for Guildford, points towards a downward adjustment in the population for years 2014-2016, which vary between 0% and 1%. It is recognised that the scale of this adjustment is not significant and within appropriate margins of error.
- 2.6 It is noted that in the past, adjustments have been made to the demographic baseline to reflect suppression of household formation rates. The NPPG advises that this can be done (paragraph 2a-015-20140306 refers), and the Council has modelled such a change, albeit this has been applied as an adjustment for affordability and if such an adjustment were to be made, this should be applied as a demographic adjustment. Accounting for the latest Mid-Year Estimates, the Forum calculates that the demographic OAN should be 568dpa, as indicated as part of Appendix 1.

(ii) *Market signals and the issue of housing affordability*

- 2.7 The 2017 SHMA Addendum indicates that an adjustment has been made to the employment-led OAN to reflect worsening affordability in the District. In their response to the Inspector's Initial Questions [GBC-LPSS-001], the Council does recognise that affordability in the Borough has deteriorated (paragraph 1.23), however holds to the belief that the proposed adjustment in the 2017 SHMA Addendum is sufficient to address affordability concerns.
- 2.8 The 2017 SHMA Addendum proposes a 9% uplift to the employment-OAN (paragraph 8.17 refers), an uplift which is made via adjustment to the household formation rates to the 25-34 cohort. Notwithstanding earlier comments made in relation to the nature of this uplift as a demographic adjustment, the Forum does not agree with this measure as a means to reflect affordability. As indicated in the Inspector's Report for the Waverley Local Plan (paragraph 21 refers) this mechanism is restrictive to one age group only and is not capable of addressing the worsening problem of affordability. This is not an effective means of addressing this indicator and as such, the Council should revisit this calculation. Since the Council published its response to the Inspector's Initial Questions, the affordability ratio data for 2017 has been published. For Guildford, this indicates that the gap between earnings and house prices is continuing to worsen, and the lower quartile ratio (workplace) now stands at 12.76 in 2017. It is clear from the latest affordability data, that the gulf between housing affordability and wages continues to widen, which should be addressed through increases to supply, over and above the current 9% increases proposed by the Council.
- 2.9 At present, there is no standardised formula to calculating the scale of affordability uplift, however this is recognised as a key feature in the Government's standard housing need methodology, proposed as part of the revisions to the NPPG recently out for consultation. This proposes that the household projections are increased by 0.25% for every 1pt increase in the affordability ratio (above 4). Using the latest 2017 data, this would increase Guildford's household projections by 53%, although the methodology proposes a cap for 40% in such cases. This indicates that Guildford falls within the top tier of authorities with the most significant affordability concerns.
- 2.10 This matter was discussed at length as part of the Waverley Examination, where the extent of the Council's affordability pressures were tested and it was concluded that an uplift in the region of 25% was necessary to address affordability concerns. As expressed within the supporting appendices to this statement, this figure is also considered to be an appropriate uplift for the purposes of Guildford. The Forum has modelled this as part of the accompanying Appendix 1, which is summarised in the table at the bottom of this statement.

*(iii) The need for affordable housing*

- 2.11 The 2017 SHMA Addendum recognises the significant gulf between affordable need and completions, which has led to the requirement for 517 affordable dwellings per annum (paragraph 8.12 refers). When set against the Council's affordable target of 40%, it is suggested that 1,300 dwellings are required in total for this need to be met. Despite this, the Council has not offered any realistic measures in which the affordable need can be met, indicating instead that increases to affordability will address affordable housing needs in the Borough.
- 2.12 Whilst increases to the overall OAN will allow for a higher proportion of affordable housing to be delivered, the 2015 SHMA has conflated the two issues and does not provide any practical solutions to meeting the need, which is likely to increase further as the plan period progresses.
- 2.13 The Forum highlight that the severity of affordable housing concerns in the Borough suggest that a further uplift to the OAN is required and whilst it may be unrealistic that this figure can be met in full, the OAN should go some way to increasing the opportunities for additional affordable housing to be delivered.

*(iv) Employment growth*

- 2.14 The relationship of the employment projections to the OAN are of great importance (NPPG paragraph 2a-018-20140306 refers). The NPPG advises as it is important to consider whether the baseline household projections can satisfy the forecast working age population and taking a view of the likely increase in employment is necessary.
- 2.15 The differences in the employment-led OAN approach for the Forum and the Council are set out in Appendix 1. RPS considers that the current job forecast proposed by the 2017 SHMA Addendum for Guildford is insufficient to meet the demographic-led OAN and does not conform to the requirements of the NPPG. This is a critical component of the OAN calculation which should be revised in line with the approach set out by RPS.
- 2.16 The Council's current employment forecasts have been revised downwards since the 2015 SHMA was published, decreasing from 0.9% to 0.7% over the plan period. As a consequence, the Council's OAN is only marginally affected by the employment uplift, which does not reflect previous rates of growth in the Borough, nor does it provide for a positive strategy in the future. As indicated in the 2017 SHMA Addendum, when the 0.7% employment projections are applied to the demographic OAN, this only uplifts the housing need by 22 dwellings per annum from the baseline 2014-based projections.

- 2.17 The reason for this downward adjustment is linked to the employment forecasts that the Council is relying upon. The 2015 SHMA indicates that between 2013-2033, Guildford's employment would grow between 0.6% and 1.1%, presenting an average rate of 0.9% (paragraph 5.6 refers). These forecasts were underpinned by 2015 data from three sources<sup>1</sup> between 2013 and 2033. The Council's Plan Period has since been adjusted to now commence from 2015, potentially sterilising two years' worth of employment data. The largest change however is that the Council has updated its employment forecasts (November 2016), indicating a lower growth range (paragraph 4.5 of the 2017 SHMA Addendum refers) between 0.5% and 0.9%.
- 2.18 The Council does not appear to have considered the impact of past growth rates, a feature clearly indicated within the NPPG (paragraph 2a-018-20140306 refers). This indicates that plan makers should consider historical employment growth, in addition to forecasts of future employment need. Data on historical job growth is well documented and NOMIS hold job data for the last 16 years. For Guildford, this indicates that between 2000 and 2016 there has been an increase of 14,000 jobs. This figure does change over a year to year basis, though across this period as a whole, the Borough has experienced a CAGR of 0.96% employment growth. This figure contrasts with the Council's adopted figure of 0.7%, suggesting that the Council's 2016 forecasts (now dated) may not capture the full extent of future job growth. This is particularly true in the context of Guildford's role within the Enterprise M3 Local Economic Partnership (M3 LEP) and as such is expected to grow by 52,000 new jobs by 2020.
- 2.19 The Forum recommend that the Council revisit their assumptions in relation to future employment growth, which takes account of past growth rates and the role of Guildford as part of the Enterprise M3 LEP. The rate of 0.96% is considered more robust for the purposes of the Council's OAN and has been modelled as part of Appendix 1, which indicates an uplift from the demographic OAN to 689dpa.
- 2.20 The detail behind the components of change are explored in more detail as part of Appendix 1, however a summary of the Forum's steps are indicated in the table below:

		Dwellings Growth	Dwellings Per annum
RPS 1	Demographic OAN	10,805	569
RPS 2	Employment OAN	13,086	689
RPS 3	Market Signals OAN	13,506	710
	Student Growth	424	23
<b>TOTAL</b>	<b>Final OAN</b>	<b>13,930</b>	<b>733</b>

Source: RPS Futures Modelling

<sup>1</sup> Oxford Econometrics, Experian and Cambridge Econometrics

### 3.0 Changes Sought

3.1 The Forum seeks the following changes to the Plan:

1. The OAN be updated to reflect the position set out in this Statement and its accompanying appendix, namely an OAN of 710 dpa as a minimum; and,
  2. The relevant housing supply policies in the Plan be updated to reflect the minimum housing requirement of 710 dpa.
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