

EXAMINATION OF THE GUILDFORD BOROUGH LOCAL PLAN: STRATEGY AND SITES

EXAMINATION STATEMENT ON BEHALF OF THE GUILDFORD HOUSING FORUM

APPENDICES

Matter 2 – Calculation of OAN for Housing

Prepared Jointly by:

*Cameron Austin-Fell BA (Hons) MSc MRTPI
Associate – RPS Planning and Development*

*David Neame BSc (Hons) MSc MRTPI
Director – Neame Sutton Limited*

May 2018



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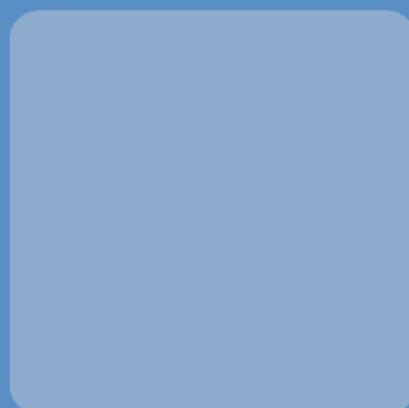
Appendices:

Appendix 1 Report on calculation of OAN – RPS – May 2018

RPS

Guildford Housing Need Technical
Review

RPS for the Guildford Housing
Forum





**GUILDFORD HOUSING NEED TECHNICAL
REVIEW**

**RPS FOR THE GUILDFORD HOUSING
FORUM**

Date: May 2018

Our Ref: JBB8569.C5906

RPS Planning & Development

Highfield House
5 Ridgeway
Quinton Business Park
Birmingham
B32 1AF

Tel: 0121 213 5500

Email: rpsbm@rpsgroup.com

QUALITY MANAGEMENT

Prepared by:	Cameron Austin-Fell
Authorised by:	Cameron Austin-Fell
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1 INTRODUCTION

Report Overview

- 1.1 This report has been prepared by RPS Planning and Development (RPS) on behalf of the Guildford Housing Forum (GHF), in support the Examination of the Guildford Local Plan.
- 1.2 The Guildford Housing Forum is a consortium including housebuilders and land promoters, who have formed to present a common voice through the Local Plan Examination on matters including housing need and supply. The purpose of the forum is to make the Examination as efficient as possible, by limiting the duplication of evidence and streamlining the hearing sessions.
- 1.3 The report responds to Guildford Borough Council's (the Council's) evidence in relation the Objectively Assessed Need for housing (OAN), and the Council's evidence on this matter included within the 2015 West Surrey Strategic Housing Market Assessment (2015 SHMA) and the 2017 Guildford Strategic Housing Market Assessment Addendum (2017 SHMA Addendum).
- 1.4 The Council has used this evidence to inform the housing requirement of 12,426 dwellings across the Plan period 2015-2034, as included within draft Policy H1 of the Submission Local Plan. This equates to 654 dwellings per annum (dpa).
- 1.5 RPS has reviewed in detail the key components of Guildford's OAN in respect of the following topics, which are presented as section headings:
 - Demographic evidence;
 - Household formation evidence;
 - Employment forecasting evidence; and
 - Market signals and Affordable Housing;
- 1.6 Additionally, RPS has also independently modelled the OAN for Guildford, using the RPS Futures model. This is presented in Chapter 5. The modelling from RPS utilises the latest 2014 demographic and household projections, published by the Office of National Statistics (ONS) in May 2016, which has been updated to account for revisions to subsequently published population estimates. This presents the most up-to-date evidence available and provides a starting point for the consideration of OAN.
- 1.7 The findings of this report provide up-to-date evidence in respect of the calculation of OAN. It is an up-to-date assessment of Guildford's current position and also takes account of implications arising from the Examination of the Waverley Local Plan in 2017, which falls within the same Housing Market Area.

Requirement for Objectively Assessed Need

- 1.8 The requirement for Local Plans to meet OAN has been in place since the publication of the National Planning Policy Framework (the Framework). The core planning principles of the Framework are outlined in Paragraph 17, which requires that every effort should be made to objectively identify the need for housing, responding positively to opportunities for growth and market signals. Paragraph 47

of the NPPF requires Local Authorities to use their evidence base to meet the full Objectively Assessed Need (OAN) for market and affordable housing in the housing market area.

- 1.9 There is no one prescribed method for the calculation of OAN for housing, however there are a number of principles set within national policy to ensure all pertinent issues are considered. In the assessment of Guildford's housing need, RPS has utilised Popgroup modelling to create a series of scenarios based on demographic, housing and economic forecasts. Popgroup is industry tested modelling software owned by the Local Government Association (LGA) and is managed by Edge Analytics. It has been used by a number of local authorities and private companies in the determination of robust OAN.

Unmet Need from Neighbouring Authorities

- 1.10 The 2015 SHMA has considered the housing growth within the Housing Market Area (HMA), which includes Guildford, Waverley and Woking. The 2015 SHMA sets out a housing requirement for each of these authority areas, however the SHMA does not provide assurances that the overall figure can be met. This is instead an exercise in judgement that each of the authorities should provide.
- 1.11 The Waverley Local Plan Examination was held in 2017, which acknowledges that there is extant unmet housing need in Woking Borough, whose ability to meet its need is critically constrained. Consequently, the Waverley Local Plan Inspector recognised that it was necessary for Waverley to accommodate some of Woking's unmet need and calculated that the Borough could accommodate 83dpa (half of the unmet need). There is a remaining shortfall from Woking that does not have any planned arrangements to be met within the HMA as part of the plan period.
- 1.12 In addition to this, the Waverley Inspector also determined that it was necessary for the Council to make an allowance for the unmet housing need arising from the Greater London Authorities (GLA). RPS considers that this is also a relevant consideration for Guildford, as detailed within Section 8 of this report.

2 DEMOGRAPHIC NEED PRESENTED IN THE COUNCIL'S EVIDENCE

Baseline Projections

- 2.1 The baseline forecasts of population and housing growth in the Council's evidence are taken from the 2014 Sub-National Population Projections (SNPP) and the Sub-National Household Projections (SNHP). Although the 2015 SHMA was undertaken against older 2012-based projections, it is noted that the 2017 SHMA has taken the opportunity to update the forecasts of population/household change in Guildford to the 2014-based projections.
- 2.2 At the time of modelling, these projections remain the most up to date assessments, though it is noted that the population and household projections are published biennially and the next projections will be expected in summer of 2018. To ensure that the Examination of the Guildford Local Plan does not suffer from delays, it is proposed that the 2014-based projections are used for the purposes of calculating the housing need in Guildford, which will frame the subsequent strategy for distribution and the location of future growth.
- 2.3 Although these baseline projections remain up to date at the time of modelling, it is noted that Mid-Year Population Estimates (MYEs) have been published at a local level for 2015 and 2016. These estimates are published by the Office for National Statistics (ONS), and have recently been retrospectively amended (March 2018) to reflect refinements to the methodology. These provide an updated assessment of the population for these years, as indicated in Table 2.1 below.

Table 2.1 Consideration of Mid-Year Population Estimates

Year	2014-based Population Projections	Mid-Year Population Estimates (Revised March 2018)	Difference
2015	145,473	145,056	-417
2016	147,370	146,845	-525

- 2.4 These MYEs indicate a slight reduction in the forecast population, however these are not significant in the context of the projections (less than -1%) and do not affect the overall robustness of the forecasts.

Adjustments for Household Formation

- 2.5 The National Planning Policy Guidance (NPPG) advises that the household projection-based estimates of housing need may need to be adjusted to account for local factors which may have led to a historic suppression of household formation, including an undersupply in delivery or worsening affordability issues. The purpose of this is to consider the robustness of the household projections and adjust them to account for inconsistencies in past trends which have been carried forward as part of the future projections.

- 2.6 Turning to the Council's evidence, paragraph 7.52 of the 2015 SHMA identifies that the '*deterioration in affordability of market housing and the economic recession over the 2001-2011 decade is likely to have influenced – at least in part – a decline in household formation rates in younger people, particularly amongst those aged 25 and 34*'.
- 2.7 The 2015 SHMA proposes to make an adjustment to the Household Formation Rates (HFRs) in the 25-34 age cohort to account for this suppression. For Guildford, a 6% uplift to the 2012-based projections is made (Table 53 refers), which is considered necessary to account for suppression embedded within these projections.
- 2.8 The 2017 SHMA later reflects on the adjustment made in the 2015 SHMA, drawing on the affordability issues cited as part of the reason for household suppression. The 2017 SHMA also presents an updated view position on the requisite affordability uplift, which is increased from 6% to 9% (paragraph 8.17 refers).
- 2.9 Rather than adjusting the demographic projections, as required by the NPPG, the 2017 SHMA proposes that an uplift is instead made to the projections as part of a market signals adjustment (discussed as part of Section 4 of this report). Although RPS agrees that an adjustment to the 2014-based projections should be made, RPS does not agree with the way in which this adjustment is conflated with affordability. This is recognised in the approach undertaken elsewhere, including other examples by GL Hearn such as the North Derbyshire and Bassetlaw SHMA (October 2017). As part of this SHMA the demographic baseline was adjusted to account for suppression of household formation (paragraphs 2.36 – 2.42 refer) to the 25-34 age cohorts, which were later subject to the necessary uplifts to account for economic projections and affordability pressures. RPS considers that were an adjustment to be made, this should be undertaken as part of the demographic calculations, and not as an affordability uplift.
- 2.10 To do this, an adjustment is proposed by the SHMA which addresses this period of suppression, returning household formation rates for the 25-34 age cohort back to 2001 levels¹, incrementally across the plan period. RPS agrees that this is the correct approach to undertake but considers that the Council should also widen its search to consider affordability related to other age cohorts.

¹ Following the guidance of McDonald N and Williams P (2014). Planning for housing in England: Understanding recent changes in household formation rates and their implications for planning for housing in England. RTP1 Research Report No.1

3 ECONOMIC NEED

- 3.1 RPS has concerns relating to how the SHMA has approached the relationship between the Economy and the future growth in housing need. Given the importance of the area as part of the Enterprise M3 Local Economic Partnership (M3 LEP), this area is given little consideration as part of the 2015 SHMA and 2017 SHMA, and belies the future role of Guildford in supporting the aims of the M3 Local Enterprise Partnership (M3 LEP).
- 3.2 In 2014 the M3 LEP published their Strategic Economic Plan which outlines the aspirations for the growth corridor, which includes the creation of 52,000 new jobs by 2020. RPS recognises that this is a 'policy on' initiative, however this does provide some context to understanding how the economy might grow in the near future, supported by increased growth along the M3 and A3 corridors. The Council has not tested the implications of the M3 LEP strategy, however it would be expected that this should be a consideration as part of the Plan making process.
- 3.3 In terms of translating economic signals into the OAN, the NPPG offers the clearest guidance in this regard, indicating that plan makers should make an assessment of the likely economic growth in the Housing Market Area based on evidence from past trends and/or economic forecasts.

Projecting Future Employment Growth

- 3.4 Section 5 of the 2015 SHMA indicates three economic forecasts have been used for Guildford to estimate the likely job growth over the period 2013-2033. Supporting Appendices E and F confirm that these forecasts have been used (dated 2015) to establish an average growth rate, which has been applied to the estimated job figure in 2013. As indicated in paragraph 5.7, an average growth of 0.9% is presented, based on an average of the three forecasts which varied between 0.5% and 1.1%.
- 3.5 The 2017 SHMA presents an updated position (paragraphs 4.5 and 4.5), which updates the economic forecasts and presenting a downgrade in the forecast job growth, to 0.7% across the period 2015-2034.
- 3.6 RPS would encourage the use of employment forecasts, however this also needs to be tempered against what we know about past delivery and what can reasonably be expected to be delivered. The Council's forecasts in the 2017 SHMA are dated November/December 2016 and are nearing 18 months old. Although these are not completely outdated, they should be treated with caution as employment forecasts are updated on a quarterly basis and may well present meaningful changes from those used in the 2017 SHMA.
- 3.7 As indicated above, the NPPG advises that plan makers should consider past rates of growth and/or forecast employment projections. The Council has not included an assessment of past growth as part of the 2017 SHMA, though this is useful to reflect upon.
- 3.8 Data available from NOMIS indicates that over the past 16 years there has been a 14,000 increase in jobs in Guildford which, as indicated in the table below, represents a 0.96 CAGR (summarised in Table 3.1). This indicates that growth were to follow past trends, this would more closely align with the employment projections as part of the 2015 SHMA.

Table 3.1 Past Job Growth in Guildford

Source	2000	2016	CAGR
NOMIS – Total Jobs	85,000	99,000	+0.96%

- 3.9 As part of the Waverley Local Plan Examination, employment forecasts were considered alongside the context of previous development and the Inspector determined (paragraph 24 of his report refers) that 0.6% employment growth would be reasonable, against the context of past growth.
- 3.10 Under current arrangements, this would place Guildford's housing need at 0.7%, which despite its size and capacity for employment growth, would only be 0.1% higher than the figure used for Waverley. RPS would recommend that the figures used to forecast future employment growth in the Borough are reconsidered, with a view to undertake a sense check against past growth rates and, given the scale of development proposed, what is likely to occur in the plan period.

Economic Activity Rates

- 3.11 In order to translate the economic forecasts into a more detailed understanding of the future workforce, it is appropriate to consider evidence relating to Economic Activity Rates (EARs) of the working age population and the proportion of the workforce who are unemployed.
- 3.12 The 2017 SHMA outlines three scenarios to modelling EARs, which consider using the methodology proposed by the Office of Budget responsibility² (OBR), in addition to EARs provided by Experian and GL Hearn. The OBR rates are used by Government as a tool to assist in making fiscal policy and are considered robust for the purposes of the OAN Report.
- 3.13 RPS supports the use of the OBR methodology, which has gained traction in recent years, though it is unclear why the Council has proposed an adjustment to these projections and what the implication of this change is. The OBR rates are already adjusted to reflect local EARs at a local authority level and it is unclear why a further amendment is necessary.

Commuting and Unemployment

- 3.14 As part of the wider assessment the economic forecasts, it is necessary to consider how many residents can be expected to live and work in Guildford and the likely percentage of the workforce that may be unemployed.
- 3.15 The 2017 SHMA indicates (paragraph 4.22 refers) that adjustments to the rate of commuting should be held constant across the Plan period at 0.9, inferring that there are around 10% of jobs in the Borough which are supported by those from outside of Guildford. RPS draws a similar conclusion (0.91) and supports the fixing of this number across the Plan period.
- 3.16 The SHMA makes fleeting references to unemployment (paragraph 5.28 refers) however it is unclear what figures the document is using in the analysis which should be given further clarification as part of any future updates.

² As part of the annually published Fiscal Sustainability Report

4 MARKET SIGNALS

- 4.1 In addition to the demographic projections and employment trends, the assessment of housing need should take account of market signals, as set out in paragraph 17 of the NPPF. The NPPG suggests (paragraph 2a-019-20140306) that the household projections should be adjusted to reflect market signals, if appropriate, to reflect imbalances in the supply and demand for housing. The NPPG does not offer any precise way in which to make adjustments (2a-020-20140306) however indicates that where upward adjustments are required, a reasonable upward adjustment should be made, depending on the strength of the market signals. It is therefore the remit of the Local Plan to take a view on whether there is sufficient justification of an uplift based on the severity of market signals, evident in recent planning appeals.
- 4.2 The NPPG sets out a series of relevant market signals which are included in the SHMA, based on data available at the time of publication. In addition to this RPS has undertaken an update of the market signals, based on the core authorities in the HMA (Waverley, Woking and Guildford) in addition to the surrounding authorities identified in Section 2 of the SHMA. These are discussed below and replicated as part of **Appendix 1**.

House prices

- 4.3 The 2017 SHMA draws upon median and mean house price information up to Q4 of 2014. The SHMA indicates (paragraph 5.29 refers) that Guildford has house prices above those in the HMA (£345,000), growing strongly over the pre-recession decade.
- 4.4 The information presented by RPS in **Appendix 1** presents an updated position at 2017 using lower quartile data. This includes trend data since 1996, indicating that lower quartile house prices have increased by 392%.
- 4.5 Evidence on housing need indicates that Guildford, like the HMA as a whole is an area of high market value and movement. House prices have grown quite significantly since 1996, indicating that there are market signals in this regard which justify an uplift against the provisions of the NPPG.

Rents

- 4.6 The SHMA observes (paragraph 5.29 refers) that rental values in Guildford remain high, averaging a significant £1,150 per month. This assessment has been framed against Median rental prices. RPS has updated the assessment to the 2016/17 period, based on lower quartile data, which indicates that there has been a 16% increase in rental fees in the period 2010/11 to 2016/17.

Affordability

- 4.7 The lower quartile affordability ratio is the most important market signal indicator as it captures the difficulties faced by first time buyers and others looking for property at the lower end of the market.
- 4.8 Paragraph 5.29 of the 2017 SHMA draws on the figures in the 2015 SHMA, indicating that the lower quartile affordability ratio for Guildford is 10.9 times house price to earnings.
- 4.9 This is further compounded by the latest data published by the Government (April 2017) which indicates a workplace affordability ratio of 12.76 in 2017. Though the SHMA suggests that the

affordability pressures are less severe than in Woking and Guildford, it is clear that affordability is a considerable pressure for the Borough.

- 4.10 As the trend continues to widen in Guildford, there is no indication that the worsening affordability issues in the Borough will abate as this is considered to be a significant negative market signal in the District.

Past Rates of Development

- 4.11 The NPPG advises that Plan makers consider progress to deliver growth against supply targets and where the historic rate of development shows that actual supply falls below planned supply, future supply should be increased to reflect the likelihood of under-delivery of a plan (paragraph 2a-019-20140306).
- 4.12 The 2017 SHMA indicates that the Council has under-provided by 9.3% below planned delivery in the period 2011-2015. RPS has considered this in more detail, represented in Table 4.1 below, which indicates that there has been a significant gulf between the level of net additions to the housing stock, against what should be delivered. This delivers stark evidence to suggest that historical housing delivery has not matched demand and there is likely to be accrued shortfalls in supply, which have contributed towards the worsening of affordability issues.

Table 4.1 Net Completions in Guildford against Plan Targets

Year	Net Housing Completions	Surrey Structure Plan (2001 – 2016: 317dpa)	RSS (2006 – 2026: 422dpa)	Interim Housing Figure (2012 – 2017: 322dpa)	2017 SHMA (2015 – 2034: 654dpa)
2001/02	178	-139			
2002/03	276	-41			
2003/04	365	48			
2004/05	344	27			
2005/06	484	167			
2006/07	421	104	-1		
2007/08	478	161	56		
2008/09	130	-187	-292		
2009/10	227	-90	-195		
2010/11	190	-127	-232		
2011/12	262	-55	-160		
2012/13	234	-83	-188	-88	
2013/14	137	-180	-285	-185	
2014/15	242	-75	-180	-80	
2015/16	388	71	-34	66	-266
2016/17	294		-128	-28	-360
Total	4,650	-399	-1639	-315	-626

Market Signal Conclusions

- 4.13 This section has drawn upon guidance in the NPPG, which invites plan makers to consider any local evidence which may indicate supply/demand imbalances in the housing market. As noted, it is the preserve of the Inspector to determine whether imbalances in market signals have been demonstrated which will, if necessary, lead to an increase to the demographic OAN.
- 4.14 The Council accepts that there is an imbalance in market signals, particularly affordability pressures in the Borough. To address this, the Council has made an adjustment to the household formation rates contained within the 2014-based SNHP. Paragraph 8.16 of the 2017 SHMA indicates that if the household formation rates for the 25-34 age cohort are adjusted (to return to levels experienced in 2001), there would be a 9.0% uplift on the economic-led OAN. As part of the Inspector's Questions and Comments (dated 23 March 2018), there are clear concerns that the proposed method to uplift the projections will reasonably address affordability concerns. Despite this, in the response to the Inspector (dated 10 April 2018), limited qualification is given as to why this adjustment is appropriate, and in RPS' view, the uplift is not commensurate to the affordability pressures in the Borough.
- 4.15 In coming to an appropriate figure to be applied, it is worth reflecting on the approach undertaken as part of the Waverley Local Plan Examination, which relied on a similar approach to uplift and only proposed an increase 5% above the plan targets. As part his report on the Waverley Local Plan, the Inspector reasoned that a 25% uplift for Waverley would be a more appropriate figure, which was commensurate to the evidence of affordability pressures in the Borough and would go some way to address affordability pressures in the Borough.
- 4.16 RPS considers that there is a similar rationale for the same adjustment to be made at Guildford, which has historically struggled to deliver upon the housing targets for the Borough and has seen a deepening disparity between earnings and housing affordability, which is likely to continue as the Council fails to deliver the homes necessary to meet future growth and any shortfalls to date.

5 AFFORDABLE HOUSING

- 5.1 The 2017 SHMA Addendum identifies that there is an affordable housing need of 517 dwellings per annum across the plan period (paragraph 8.11 refers). When set against the proposed affordable housing requirement of 40%, the Council would need to deliver 1,300 dwellings per annum in order for the affordable need to be met in its entirety.
- 5.2 As currently drafted, the Guildford Local Plan does not propose to meet this need in full, though it is acknowledged that increases to the OAN would enable the delivery of additional cross-subsidised affordable housing.

6 RPS MODELLING OF GUILDFORD HOUSING NEED

- 6.1 The Submitted Local Plan include a housing requirement of 654 dwellings per annum (dpa), equating to 12,426 dwellings over the Plan period 2015 to 2034.
- 6.2 The figure of 654 dwellings has been evidenced from the 2017 SHMA Review, which presents this figure as part of a forecast for growth over the period 2015 to 2034.
- 6.3 As indicated above, RPS has a number of concerns with the Council's approach towards establishing the OAN for Guildford, relating to both the adequacy of the data and the assumptions used to calculate the housing need.
- 6.4 In response to this, RPS has modelled the OAN for Guildford, using the RPS Futures model. This model is underpinned by POPGROUP, which is a nationally recognised modelling suite used as part of a number of Local Plan Examinations and Section 78 Appeals.
- 6.5 The approach considers the following areas which are considered below:
- Demographic evidence;
 - Household formation evidence;
 - Employment forecasting evidence;
 - Market signals evidence; and
 - Affordable Housing.

Demographic Evidence

- 6.6 The starting point for Guildford's OAN is to identify the level of population growth over the period 2013 to 2032, from which the dwelling requirement can be established. The most up to date evidence is the Government's 2014 based Sub-National Population data (2014 SNPP), published in May 2016. All of the principal demographic assumptions from the 2014 SNPP data including births, deaths and migration are retained at this stage. It is noted that the 2017 SHMA also relies on this starting point, which reflects the most up to date projections available.
- 6.7 In order to convert the preferred demographic scenario from households into dwellings it is necessary to take account of vacant and second homes. For the purposes of this assessment, a figure of 4% has been used, taken from the 2015 SHMA, and derived from the 2011 Census. Although alternative methods for calculating this adjustment are available, this approach was recommended by the Waverley Local Plan Inspector³ and it is considered that a similar approach should be adopted in Guildford to ensure consistency across the HMA.
- 6.8 When projected forward this model sets out that population will increase by 21,653 people by 2034. This forms the baseline scenario (RPS1a).

³ Footnote 1 to paragraph 19 of the Waverley Local Plan Inspector's Report refers.

Table 6.1 Baseline Projections

		Population Growth	Household Growth	Dwellings Growth	Dwellings Per annum	Job Growth
RPS 1a	Baseline (SNPP)	21,653	10,350	10,781	567	10,271

Source: RPS Futures Modelling

Adjustment for Mid-Year Population Estimates

- 6.9 From the scenario, consideration should be given to whether other adjustments should be made in accordance with the NPPG (NPPG Ref. 2a-017).
- 6.10 The 2014 SNPP has been updated to account for the Mid-Year Estimates (MYE) of population in 2015 and 2016 as a more accurate account of population growth in this year. This provides an up to date starting point. It is noted that the original MYEs published by ONS suggested an increase in population beyond that in the 2014 SNPP. This position has however recently been updated by ONS, who have retrospectively amended projections between 2012 and 2016 to reflect changes in the methodology for estimating population. In the case of Guildford, this includes a slight reduction in the population estimates for 2015 and 2016, however this has had little bearing on the overall projections, affecting mainly those in the younger (0-10) age cohorts.

Table 6.2: Adjusted Baseline

		Population Growth	Household Growth	Dwellings Growth	Dwellings Per annum	Job Growth
RPS 1a	Baseline (SNPP)	21,653	10,350	10,781	567	10,271
RPS 1b	Baseline (MYE Adjusted)	21,545	10,373	10,805	569	10,319

Source: RPS Futures Modelling

Migration

- 6.11 In response to the guidance in the NPPG, RPS has also considered alternative migration projections which look beyond the 2014 SNPP (using data from the past 5/6 years). Instead, a migration profile has been tested which considers growth over a longer period, covering the past 10 years.
- 6.12 As indicated in Section 2, ONS has recently revised the MYEs for the period 2012-2016. These have been modelled to test the impacts of these revised MYEs in the context of the 10-year migration profile for Guildford.
- 6.13 When the 10-migration adjustment is introduced to the baseline (RPS1a), the population in Guildford is estimated to decrease by 1,584 persons. This is the RPS 1c 10 Year Migration Scenario below.

Table 6.3: Consideration of Alternative Migration Scenarios

		Population Growth	Household Growth	Dwellings Growth	Dwellings Per annum	Job Growth
RPS 1a	Baseline	21,653	10,350	10,781	567	10,271
RPS 1b	Baseline (MYE Adjusted)	21,545	10,373	10,805	569	10,319
RPS 1c	10 Year Migration	20,069	10,009	9,676	509	9,517

Source: RPS Futures Model

Household Formation

- 6.14 The NPPG gives the example that household formation rates may have been suppressed historically by under-supply and worsening affordability of housing (NPPG Ref. 2a-015). It sets out that an objective assessment of housing need will need to consider this and as well as any consequences of past under delivery of housing. From this, a view should be taken based on available evidence on the extent to which Household Formation Rates (HFRs) are or have been constrained. The NPPG sets out that the local circumstances should be considered. This is a demographic adjustment, which has been misapplied by the Council as a market signals uplift. By way of example, RPS draw on the example of North Derbyshire and Bassetlaw (paragraph 2.9 refers) in which the household formation adjustment is clearly made to the demographic baseline before the relevance of market signals are considered.
- 6.15 As indicated in Section 4, the purpose of this adjustment is to consider discrepancies that might be embedded within the SNHP, which in Guildford relates to the 25-34 age cohort. This adjustment is limited to this age cohort only and as such, is ineffective as a holistic adjustment to affect affordability.
- 6.16 RPS has considered the implications of uplifting this age cohort, returning formation rates to 2001 levels by 2034. This follows a similar mechanism used in the 2017 SHMA Addendum, albeit the purpose of the adjustment is applied differently. As indicated below, this adjustment has been applied to the adjusted baseline (RPS 1b).

Table 6.4: Migration Led Scenario

		Population Growth	Household Growth	Dwellings Growth	Dwellings Per annum	Job Growth
RPS 1a	Baseline	21,653	10,350	10,781	567	10,271
RPS 1b	Baseline (MYE Adjusted)	21,545	10,373	10,805	569	10,319
RPS 1c	10 Year Migration	20,069	9,288	9,676	509	9,517
RPS 1d	Baseline (adjusted) + Part Return HFRs	21,545	11,077	11,538	607	10,319

Source: RPS Futures Modelling

- 6.17 From the modelling, it is established that Scenario RPS 1d generates 11,077 new households over the plan period, presenting an uplift on the overall dwelling growth.

Summary of Demographic Scenarios

- 6.18 As indicated in this scenarios RPS 1b to RPS 1d, there are adjustments that can be made to the 2014-based SNPP and 2014-based SNHP to account for alternative migration trends, and suppression linked to household formation.
- 6.19 Although the data for the 10-year migration scenario (RPS 1c) indicates a decrease from the starting point in the 2014-based SNHP, this would be balanced out by the uplift required to be made in order to reflect past suppression in the household projections (RPS 1d).
- 6.20 A midpoint between these projections would present a requirement of 558dpa, a figure not dissimilar to the adjusted starting point of 569 under RPS 1b and is not considered to be meaningfully different to warrant a departure from the 2014-based SNHP.
- 6.21 As part of the Waverley Examination, alternative demographic scenarios were also presented, however it was resolved that those to be taken forward as the demographic-OAN, should be the most up to date projections, adjusted for MYEs. RPS proposes that this approach should be taken in Guildford and recommends that scenario demographic OAN, which is subsequently referred to as 'RPS1'.

Employment Growth

- 6.22 The NPPG sets out that assessment should take into account the likely change in job numbers based on past employment trends and/or economic forecasts as appropriate having regard to the growth of the working age population (NPPG Ref. 2a-018 refers). It states further that, where the supply of economically active working age people is less than then projected job growth, it could result in unsustainable commuting patterns, transport accessibility or other sustainable options and could reduce the resilience of local businesses.
- 6.23 To establish the baseline employment growth, RPS proposes that the historical employment growth figure for the Borough (0.96% as referred to in paragraph 3.8 of this statement) is applied to the demographic OAN. This is higher than the figure of 0.7% relied upon by the Council, however these sources are now 18 months old and the figure of 0.96% better reflects the Council's future capability for employment growth, including the role as part of the Enterprise M3 corridor. This data provides a more suitable employment baseline than the Council's method, which does not plan for the right levels of employment growth in the Borough.
- 6.24 To establish the level of the working age population within the employment scenario the following factors have been considered:
- Economic Activity Rates;
 - Unemployment Rates; and
 - Commuting Rate.
- 6.25 As indicated in earlier chapters, RPS considers that the use of the OBR economic activity rates to be an appropriate way of estimating future changes in economic participation rates. This, along with recovering unemployment rates and an unadjusted commuting rate have been used to establish the below forecast, which has been applied to the Demographic OAN.

Table 6.5: Employment Led OAN

		Dwellings Growth	Dwellings Per annum
RPS 1	Demographic OAN	10,805	569
RPS 2	Employment OAN	13,086	689

Source: RPS Futures Modelling

6.26 RPS proposes that this figure represents a reasonable uplift from the Demographic OAN (+21%) and allows for the expected increases in employment (0.9%) to align with the forecast growth in the working age population. It is therefore proposed that the Employment OAN (RPS 2) for Guildford is 689dpa.

Market Signals

6.27 In addition to the demographic projections and employment trends, the assessment of housing need should take account of market signals, as set out in paragraph 17 of the NPPF and detailed below:

- House Prices;
- Rents;
- Affordability;
- Rate of Development; and
- Overcrowding.

6.28 The NPPG suggests (paragraph 2a-019-20140306) that the household projections should be adjusted to reflect market signals, if appropriate, to reflect imbalances in the supply and demand for housing. The NPPG does not offer any precise way in which to make adjustments (2a-020-20140306) however indicates that where upward adjustments are required, a reasonable upward adjustment should be made, depending on the strength of the market signals.

6.29 RPS has undertaken a review of the market signals in Guildford, which has been replicated as part of **Appendix 1** and detailed as part of Section 4 of this report. This indicates that there are acute affordability pressures in the Borough, linked to an imbalance of housing supply, which has worsened the link between house price and earnings over recent years.

6.30 This factor in particular is something that the Government are interested in, and forms a key tenet of the way in which the proposed standardised method is calculated. The proposed methodology, published in March 2018 as part of wider changes to the NPPF/NPPG indicates that Guildford would need to be subjected to a 40% increase on the baseline projections, to account for the current affordability ratio in the Borough. The actual figure for Guildford is 53%, however in highly unaffordable areas such as Guildford, the Government proposes to cap growth at 40%, to avoid extreme uplifts to the calculations.

6.31 In arriving at a suitable calculation to be applied to Guildford, RPS proposes that there should be a 25% uplift to the demographic OAN, which is a similar adjustment to that proposed in Waverley, which is experiencing similar affordability pressures.

- 6.32 When applied to the Demographic OAN, this increases the need to 710dpa over the plan period, which uplifts the Employment-led OAN by a further 3%. This is illustrated in Table 5.6 below. Importantly, the figure adjusted by the market signals uplift is capable of balancing the demand between population and future job growth and will make a sizable contribution towards enabling additional affordable housing in the Borough.

Table 6.5: Market Signals OAN

		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

Source: RPS Futures Modelling

Affordable Housing

- 6.33 As indicated in Section 4 of this report, the 2017 SHMA identifies that an annual need for 517 affordable houses to be delivered in Guildford. This figure represents 79% of the Council's total OAN presented in the 2017 SHMA, indicating that this need is unlikely to be met in full.
- 6.34 The Council is currently proposing an affordable housing target of 40% and on the basis of the proposed OAN (654dpa), around 262dpa could be expected per annum. This is around half of the identified affordable housing need. If the Council were to meet the affordable housing need in full, around 1,300 dpa would be required in the Borough.
- 6.35 Under the OAN proposed by RPS, the Council would be able to meet an additional 22 affordable dwellings per annum (284dpa total). Although the Council still has a significant shortfall, the increased OAN presented by RPS provides additional opportunities for the affordable housing gap to be narrowed.
- 6.36 This gap in affordable housing could be further reduced through accommodating unmet need from outside the Borough, which is expanded upon in more detail as part of Section 8 of this report.
- 6.37 Based on the severity of the affordable housing need in Guildford it is not expected that the Council will be able to meet this need in full. As part of the Plan process the Council should explore additional opportunities to increase the ability to meet this need, however RPS does not propose any additional adjustments for affordable housing at this stage, beyond the Market Signals OAN (RPS 3).

7 OTHER CONSIDERATIONS

Standardised Housing Need

- 7.1 As part of the calculation of OAN, RPS is also aware of an alternative methodology for calculating housing need, which is derived from the Government's proposed *Standard Method*, included as part of the March 2018 consultation draft National Planning Policy Framework (draft NPPF) and accompanying draft National Planning Practice Guidance (draft PPG).
- 7.2 The draft NPPF proposes that from the date of publication (expected in the summer of 2018) authorities should use the Standard Method to calculate local housing need, only deviating from this method where there are exceptional circumstances for doing so. In the case of Guildford Borough, the Standard Method establishes a figure of 789 dwellings per annum. This figure is higher than the current figure proposed by RPS (+11%) and points towards a future increase in housing need that the Borough will need to consider as part of a subsequent Local Plan review.

Other Population Change

- 7.3 In addition to the standard population projections, the 2017 SHMA also refers to growth associated with student housing as a separate component of housing need (paragraphs 8.18-8.20 refer. The 2017 SHMA has made an estimation of future student growth and the proportion of which will not be met by accommodation provided by the University.
- 7.4 Paragraph 8.20 of the 2017 SHMA identifies that there will be a need for 424 additional dwellings in Guildford, arising due to increases in the student population, that will not be met by university provided accommodation. This equates to a need of 23dpa. This figure is separate to the population within the 2014-based SNPP and has not been subjected to the uplifts applied to the projections contained within Section 5 of the report. It is proposed that the 23dpa is added to the Market Signals derived OAN (RPS3) as part of the overall calculation of housing need.

8 MEETING THE NEED OF THE WIDER HMA

- 8.1 The NPPF recognises that housing is a matter that extends beyond administrative boundaries, and required that plan makers use their evidence base to meet the full OAN for market and affordable housing across the HMA (paragraph 47). The 2015 SHMA identifies that for the purposes of Plan making, the core HMA covers the area including Guildford, Woking and Waverley (paragraph 2.54 refers). RPS agrees with this conclusion, and also accepts the evidence of wider demographic linkages to London boroughs (paragraphs 4.67 to 4.78 of the 2015 SHMA refer).
- 8.2 The 2015 SHMA identifies (paragraph 10.37) a housing need for the wider HMA, including Waverley, Woking and Guildford. This identifies a housing need for Woking of 517dpa over the period 2013-2033. This is a substantial increase on Woking's adopted Core Strategy from 2012, which makes provision for 292dpa over the plan period 2010-2027. When set against the 2015 SHMA target, this points towards a shortfall of 3,150 dwellings.
- 8.3 Woking's shortfall was discussed in detail as part of the Waverley Local Plan, where the Inspector resolved that Waverley Council should aim to accommodate a proportion of Woking's unmet need. It was determined to be reasonable that Waverley should be apportioned half of this need, annualised to reflect the differing Plan periods, which was calculated in paragraph 29 of his report to be 83dpa. In the same paragraph, he also acknowledged that as Guildford was at an advanced stage of Plan preparation, there may also be potential for the Council to meet a proportion of Woking's remaining unmet need. RPS agrees that this should be investigated at Guildford with a view to meeting the unmet need from Woking within the HMA where possible.
- 8.4 Since the Waverley Local Plan was adopted, Woking Council has not provided any indication of an immediate review of the 2012 Core Strategy and there remains a significant shortfall (1,575 dwellings) against Plan targets for the HMA.
- 8.5 Although this is a matter that extends beyond the remit of the Council's own OAN, in order to ensure that the housing need for the HMA is met in full, RPS would recommend that the Council seek to accommodate the extant shortfall, which could be delivered at a rate of 83dpa.
- 8.6 When Examining the Waverley Local Plan the Inspector also took the view that there were demonstrable linkages with the West Surrey HMA and the Greater London Authorities (GLA), indicating historical migration between the areas. To reflect these linkages, the Waverley Local Plan Inspector afforded an additional contribution of 12dpa to Waverley's requirement. RPS would recommend that the same provision is made as part of the Guildford Local Plan.

9 CONCLUSIONS

Conclusions on the Council's approach to Housing Need

9.1 Paragraph 47 of the NPPF is clear that Local Authorities should use their evidence base to ensure that they can meet the full Objectively Assessed Need for both market and affordable housing, as far as is consistent with the Framework. As indicated above, RPS has identified a number of technical areas that the Council should address in order to correctly review its OAN, which have been modelled as part of this report. In addition, there are a number of overarching deficiencies in the approach to assessing OAN as part of the West Surrey SHMA:

- The 2017 SHMA has not correctly considered adjustments to household formation rates, which have been applied a market signals adjustment. This does not reflect that affordability is an issue which is spread across all age groups and the adjustment for the 25-34 age group should instead be read in the context of adjustments to the demographic baseline;
- The 2017 SHMA has downgraded the employment forecasts for Guildford, is planning for a significantly lower rate of employment growth, which will lead to a further imbalance in the relationship of jobs growth to households required;
- The Council has not made an appropriate adjustment for market signals as part of the 2017 SHMA, which does not accurately reflect the worsening trends in house price increases and widening affordability gap;
- The Council has not made sufficient provision for unmet housing need arising from Woking and beyond the Housing Market Area; and
- Little consideration has been given as to how the Council proposes to address the significant affordability issues in the district, which appear to be worsening over time.

RPS Approach to OAN

9.2 This summary report has considered the key components of establishing the OAN for Guildford including demographic factors, employment trends and market signals.

9.3 The modelling has identified a demographic housing need of 569dpa over the period 2015 to 2034. Within the employment trends assessment it is concluded that the demographic component is not sufficient to support a labour force associated with any of the past or future employment trends and that uplift to the demographic component of OAN is required.

9.4 The modelling indicates that based upon future employment trends the OAN is 689dpa over the same plan period. The impact of Market Signals has also been applied to the calculations, reflecting the severity of affordability pressures in the Borough. When applied to the Demographic OAN, this takes the Council's OAN to 710dpa, which is sufficient to meet the future labour force demands in Guildford.

9.5 In addition to this, RPS is also aware of that there is a forecast increase in student population, a proportion of which are likely to be accommodated within the general housing stock. The 2017

SHMA indicates that this could lead to a further requirement for 424 dwellings over the plan period, equating to 23dpa.

- 9.6 The Council's final OAN is determined on the basis of the steps to adjust the starting point (2014-based projections) to account for demographic and economic factors, alongside market signals. In addition to this, an additional uplift has been applied to account for the forecast growth in the student population. In total, RPS calculates that Guildford's OAN should be 13,930 (733dpa) across the period 2013-2033.

Table 9.1 Summary of Steps in the Calculation of Guildford's OAN.

		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
TOTAL	Final OAN	13,930	733

Source: RPS Futures Modelling

- 9.7 In addition to the OAN for Guildford, RPS would also recommend that the Council reconsiders the position in relation to meeting unmet housing needs from Woking and from outside the HMA. As indicated in Section 8, there is an outstanding housing need of 1,575 dwellings in Woking that is unlikely to be met within the Plan period, remaining after Waverley has accommodated its share of unmet need. RPS consider that Guildford should plan to meet this shortfall which, if left unchecked, is unlikely to be met by the other HMA authorities. RPS recommend that Guildford should address the shortfall, in full, at a rate of 83dpa. The Waverley Local Plan Examination also recognised that the West Surrey HMA also shared links with the greater London area, whose housing shortfall is well known. The Waverley Local Plan Inspector reasoned that Waverley should accommodate 12dpa to address a proportion of this housing shortfall. RPS recommend that the Guildford Local Plan mirror this contribution which, in addition to the unmet need from Woking, would take their contribution from outside the Borough to 95dpa.
- 9.8 When added to the Council's OAN of 733dpa, RPS conclude that the Council's housing requirement is 828dpa.

APPENDIX 1: MARKET SIGNALS DATA

Guildford Market Signals

Area	House Prices		Rents		Affordability Ratio				Overcrowding	
	Lower Quartile (2017)	Change % (1996-2017)	Lower Quartile Monthly Rent (2016/17)	Change % (2010/11-2016/17)	Work-based Earnings		Residence-based Earnings		% of housing over-occupied	Change 2001-2011 (% points)
					Ratio of Lower Quartile (2017)	Absolute Change (1997-2017)	Ratio of Lower Quartile (2017)	Absolute Change (2002-2017)		
Woking	309,973	417%	£975	30%	14.24	9.00	13.03	5.24	8.9%	2.1%
Guildford	319,950	392%	£925	16%	12.76	7.93	12.64	4.83	7.1%	0.9%
Waverley	325,000	378%	£825	10%	14.71	8.72	12.30	5.99	4.8%	0.2%
Elmbridge	390,000	414%	£1,000	26%	14.64	8.20	15.08	6.44	6.1%	1.1%
Surrey Heath	295,000	331%	£850	13%	13.4	8.84	12.35	4.56	5.1%	1.2%
Rushmoor	235,000	356%	£607	-3%	11.12	7.56	11.32	3.56	10.2%	3.1%
Runnymede	310,000	358%	£950	27%	13.53	9.45	13.09	4.08	8.3%	2.2%
East Hampshire	265,000	350%	£675	8%	12.48	7.46	10.97	5.02	5.0%	0.9%
Hart	315,000	363%	£850	14%	14.43	9.56	12.35	4.87	3.9%	0.4%
England	149,000	273%	£500	11%	7.91	4.34	7.26	3.57	8.7%	1.6%

Rank	House Prices		Rents		Affordability Ratio				Overcrowding	
	Lower Quartile (2014) (H-L)	Change % (1996-2014) (H-L)	Lower Quartile Monthly Rent (2014/15) (H-L)	Change % (2010/11-2014/15) (H-L)	Work-based Earnings		Residence-based Earnings		% of housing over-occupied (H-L)	Change 2001-2011 (% points) (H-L)
					Ratio of Lower Quartile (2017) (H-L)	Absolute Change (1997-2017) (H-L)	Ratio of Lower Quartile (2017) (H-L)	Absolute Change (2002-2017) (H-L)		
1	Elmbridge	Woking	Elmbridge	Woking	Waverley	Hart	Elmbridge	Elmbridge	Rushmoor	Rushmoor
2	Waverley	Elmbridge	Woking	Runnymede	Elmbridge	Runnymede	Runnymede	Waverley	Woking	Runnymede
3	Guildford	Guildford	Runnymede	Elmbridge	Hart	Woking	Woking	Woking	England	Woking
4	Hart	Waverley	Guildford	Guildford	Woking	Surrey Heath	Guildford	East Hampshire	Runnymede	England
5	Runnymede	Hart	Surrey Heath	Hart	Runnymede	Waverley	Surrey Heath	Hart	Guildford	Surrey Heath
6	Woking	Runnymede	Hart	Surrey Heath	Surrey Heath	Elmbridge	Hart	Guildford	Elmbridge	Elmbridge
7	Surrey Heath	Rushmoor	Waverley	England	Guildford	Guildford	Waverley	Surrey Heath	Surrey Heath	Guildford
8	East Hampshire	East Hampshire	East Hampshire	Waverley	East Hampshire	Rushmoor	Rushmoor	Runnymede	East Hampshire	East Hampshire
9	Rushmoor	Surrey Heath	Rushmoor	East Hampshire	Rushmoor	East Hampshire	East Hampshire	Rushmoor	Waverley	Hart
10	England	England	England	Rushmoor	England	England	England	England	Hart	Waverley

Source

HPSSA Dataset 15 Tables 1a & 2a/
CLG Live Table 587
*Denotes equal ranking

Voa Private Market Rental Statistics

ONS Ratio house price to workplace-based earnings
ONS Ratio house price to residence-based earnings

Census 2011 (Table QS408UK)/
Census 2011 (Table UV59)