

## Update to OAN Assessment in Guildford as a result of the 2016-based Household Projections

1. The latest sub-national household projections were published by ONS on the 20<sup>th</sup> of September 2018 and are based on published data up to and including 2016. As such they are referred to the 2016-based household projections.
2. These are the first set of sub-national household projections to be produced by the Office of National Statistics (ONS) with the responsibility having transferred to them from the Ministry of Housing, Communities and Local Government (MHCLG).
3. In doing so ONS consulted on changing the methodology for household projections. As a result of the consultation ONS sought to use trends in household representative rates/household formation rates from 2001 onwards whereas previously these drew on trends from 1971.
4. As consequence of using more recent trends from 2001, the influence of periods when household formation rates in younger age groups was higher, in part due to better affordability, was nullified. As a result the household projections effectively locked in this lack of affordability. The net impact of this change was a reduction of some 565,000 additional households forming across England over the 2016 to 2026 period.

### Updated OAN

5. This paper seeks to demonstrate the impact of these changes in Guildford and Woking. It draws on our latest position statement submitted to the Council in late august.
6. **Demographics** – The position statement<sup>1</sup> had already reduced the demographically-based housing need to 405 dwellings per annum (dpa) from 422 dpa. However the latest household formation rates within the latest 2016-based household projections would reduce this further to 313 dpa
7. However given historic and predicted suppression in household formation rates, particularly in younger age groups, GLH believed and still believes it is appropriate to make a further adjustment to household formation rates of younger persons (25-44) back to historic levels to return to the levels seen in 2001.
8. GLH believes that this is an appropriate adjustment given that local authorities should not be planning for a worsening trend in household formation. Furthermore ONS are planning to publish a variant to the household projections in which younger age groups household formation rates are improved. Finally it should be reiterated that this is not the only adjustment in response to market signals.
9. Within the SHMA we had returned household formation rates for those aged 25-34. However the household formation rates within the wider group (25-44) is now subject to the variant forecasts from ONS.
10. Applying the proposed changes to the household formation rates to the 25-44 age group results in the demographic conclusion of 396 dpa (previously 459 dpa). If the same changes are applied to the 25-34 age group then the demographic conclusion would be 374 dpa.

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<sup>1</sup> GBC-LPSS-SoCG-009

11. **Economic Led Housing Need** - The Inspector's guidance note<sup>2</sup> considered it appropriate to plan for a 0.8% per annum growth in employment. As explained in the position statement<sup>3</sup> our assumptions in this field resulted in a housing need of 606 dpa.
12. Updating our figures on a like for like basis, but using the 2016-based household formation rates, reduces the economic led need to 450 dpa (or 539 with an uplift to household formation of the 25-44 age group and 515 dpa if the same changes are applied to the 25-34 age group).
13. **Market Signals and Affordable Housing Need** – While market signals are poor and there is a notable level of affordable housing need, GLH do not believe that there should be a specific further adjustment to the OAN above the economic growth (539 dpa) to address these issues. The GLH approach is now (as it was in the previous position statement) equivalent to a 72% uplift on the starting point (313 dpa).
14. **Students** – Our final OAN included an additional 23 dpa uplift to respond to expected growth at the University. This has not changed and the inspector agreed with this approach in his Guidance Note.
15. **Conclusions - Drawing the above together we have concluded that the OAN for Guildford is 562 dpa. This is some 67 dpa lower than our previous OAN of 629 dpa as set out in our position statement. Please note that this is not the housing requirement.**

### Woking

16. It is also worth noting the impact of the 2016-based sub-national household projection on housing growth in Woking. The inspector in his Guidance Note<sup>4</sup> suggested that the OAN of 671 would meet 25% of Woking's unmet need<sup>5</sup>.
17. Woking's housing need based on the standard methodology would be 263 dpa. This is based on a household growth of 174 per annum (as set out in the 2016-based household projections) uplifted by 51% in response to market signals (263 dpa). No cap is applied as the Woking adopted plan number of 292 dpa is higher than the household growth which a 40% cap would in theory be 409 dpa. As this is higher than the identified need then the OAN of 263 dpa is maintained
18. This is a substantial reduction from the last official assessment set out in the West Surrey SHMA (2015) of 517 dpa. However, that figure, as with Guildford, was based on an economic-led housing need of 471 dpa with adjustments to household formation rates in younger age groups (taking the OAN to 517 dpa).
19. If we were to update the starting point for Woking then the 2016-based projections reduces housing need from 341 dpa (using the 2012-based projections) to 156 dpa over the 2013-33 period. This rises notably with an adjustment to household formation rates in 25-44 year olds to 252 dpa, previously the concluded demographic growth was 384 dpa. If the adjustment is only applied to those aged 25-34 then the need would be 220 dpa.
20. Applying the 2016-based projections, the economic-led housing need would fall from 471 dpa to 324 dpa over the 2013-33 period. This uses a consistent set of assumptions

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<sup>2</sup> ID-6

<sup>3</sup> GBC-LPSS-SoCG-009

<sup>4</sup> ID-6

<sup>5</sup> The Submission Local Plan with Main Modifications includes an allowance for meeting 20% of Woking's unmet need

including on Economic Activity Rates as the 2015 West Surrey SHMA. This increases to 434 dpa based on the adjusted household formation rates in 25-44 groups (previously 517 dpa) and 398 dpa if the 25-34 age group is adjusted.

21. Woking Borough Council has recently undertaken a review of their Core Strategy<sup>6</sup>. This included an assessment of whether the Woking Core Strategy policies were in general conformity with the revised NPPF including the standard methodology for OAN.
22. At the time of the last Core Strategy the SHMA identified an OAN of 594 dwellings per year (subsequently updated to 517 dpa) but the Secretary of State accepted that given the local constraints a housing requirement of 292 dwellings per year was appropriate.
23. The review noted that by applying the standard method to the 2014-based household projections the OAN comes down to 409 dwellings per year.
24. However it is acknowledged that using the 2016-based SNHP and the standard method, which is the current position for Woking albeit that is not made absolutely clear in the paper, this would result in a need for around 266 dpa (it was actually 263 dpa as set out above). This is below the existing figure of 292 dpa in the adopted Woking Core Strategy and demonstrates that there is no unmet need.
25. Given this downward trend, limited land supply and average delivery of around 300 dpa, the Council concluded that the New Plan is likely to have the same housing requirement (292 dpa). It added that any change would only lead to unnecessary delay.

### **The Standard Methodology**

26. At the same time it is also worth noting what impact the 2016-based sub-national household projections have on Guildford's local housing need using the standard methodology. This three state approach takes the household projections over the next ten years (2018-28) and adjusts them on the basis of market signals. However the increase is capped at 40% above the household forecasts in areas which do not have an adopted local plan.
27. In Guildford the 2016-based Household Projections show an annual average growth of 308 households per annum. As the workplace based median affordability ratio in Guildford is 12.53 then the adjustment in response to market signals would be a 53% increase. However as this is capped at 40% then the OAN is 431 dpa ( $308 \times 1.40$ ).
28. The standard methodology is 131 dpa lower than our assessment of OAN (562 dpa) using the previous guidance. However it should be noted that this does not meet the need of the local economy and is trend based thus doesn't respond to the planned growth at the University of Surrey. Adopting this figure could therefore result in suppression of the local economy and/or unsustainable commuting patterns and/or increased shared student households in the general housing stock.
29. The Standard Methodology is also subject a consultation on a potential revision. Within the Planning Practice Guidance at present the MHCLG warn that it is their "intention is to consider adjusting the method to ensure that the starting point in the plan-making process is consistent in aggregate with the proposals in Planning for the right homes in the right places consultation and continues to be consistent with ensuring that 300,000 homes are built per year by the mid 2020s."

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<sup>6</sup> <https://moderngov.woking.gov.uk/documents/s4335/WBC18-021%20-%20Appendix%201%20-%20Review%20of%20the%20Woking%20Core%20Strategy.pdf>

30. There is currently no official published timetable in place for this consultation process. However the chief planner, Steve Quartermain announced that revisions to the method of calculating local housing need are expected to emerge before Christmas.