

GUILDFORD BOROUGH LOCAL PLAN EXAMINATION

Matter 2. Calculation of the Objectively Assessed Need 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 Migration trends and Unattributable Population Change.

The HBF broadly supports the approach taken by the Council with regard to migration trends and UPC. Our only concern is that no account has been taken in response to the likely pressure on migration due to the failure of the Mayor and London Borough's to meet housing targets. Since the adoption of the Further Amendments to the London Plan in 2013 there has been a collective failure to deliver the 42,000 that the Mayor said was needed. London had its best year for completions since the onset of the recession when in 2015/16 38,553 net completions were secured (see the London Plan Annual Monitoring Report 2015/16¹). In the previous year - 2014/15 - net housing completions (conventional and non-conventional) were 31,894 (London Plan AMR 2014/15). This failure will lead to growing pressure on the need for housing in areas such as Guildford though increased outmigration from the capital and a reduction of in-migration to London from Guildford – something the Council should have taken into account.

2.2 Student migration and its impact on the housing market.

The HBF supports the approach taken with regard to student migration.

2.3 Market signals and the issue of housing affordability.

Guildford is facing a worsening situation with regard to the affordability of housing in its area. Whilst this situation is evident in the update to the SHMA published in 2017 the situation is one that is worsening rather than improving. In our submission we identified this and noted that there had been a recent rise in house prices and affordability since 2013. The ONS have recently published the data for 2017² which shows that this trend has continued with the lower quartile work place based income to house price ratio increasing from 12.22 to 12.76. This more recent picture is part of a longer term trend of that has seen significant increases in house prices and worsening affordability since the turn of the century. Between 2000 and 2017 lower quartile house prices have risen from £112,000 to £325,000, a 290% increase. Affordability has also decreased with the ratio of lower quartile house prices to income rising from 7.25 in 2000 to 12.76 in 2017, the

¹ https://www.london.gov.uk/sites/default/files/amr_13.pdf

² <https://www.ons.gov.uk/peoplepopulationandcommunity/housing/datasets/ratioofhousepricetoworkplacebasedearningslowerquartileandmedian>

highest it has been during this period. Whilst we recognise that there are worse performing Borough's in Surrey and the South East, this should not detract from the fact that Guildford is facing severe affordability pressures in both house prices and the rental market. PPG established in paragraph 2a-020 that the larger the improvement in affordability needed the larger the additional supply response should be.

Planning Practice Guidance (PPG) established the principle of a market signals uplift the Government but does not elaborate as to what an appropriate uplift would be, other than stating in paragraph 2a-020 that it should be "reasonable". Because of this there have been discussions at many local plan examinations as to what an appropriate uplift should be. Uplifts have generally ranged from 5% to 20% depending on market signals, but it would seem that more recently inspectors, and LPAs, have been choosing higher uplifts where market signals are worst. However, there have been examples of uplifts above this level. Cambridge agreed an uplift of 30% and the Inspector's decision at Waverley BC to require a 25% uplift address the considerable affordability concerns in that Borough are the most recent examples.

However, there is other evidence to suggest that even this level of uplift will be insufficient to address affordability. For example, evidence submitted by the Treasury to the House of Lords Select Committee on Economic Affairs suggested that in order to stabilise house price growth and prevent affordability from worsening would require between 250,000 and 300,000 new homes to be built each year. This roughly translates to a 1.26% increase per annum to existing national housing stock³. Given the variability of house prices and incomes across the country, for this level of house building to have an impact on affordability would require greater increases above existing stock in those areas which are least affordable.

It is evident is that in order to deliver the homes needed, and also improve affordability, the uplifts to baseline demographic projections of household growth must be greater than have been applied since the publication of the PPG. For example, to increase housing stock in Guildford by 1.26% per annum would require the delivery of 722 homes⁴ each year. This position is also consistent with paragraph 2a-020 of PPG which states that:

"The more significant the affordability constraints (as reflected in rising prices and rents and worsening affordability ratio and the stronger the indicates of high demand (e.g. the differential between land prices), the larger the improvement in affordability needed and, therefore, the larger the additional supply response should be."

This degree of response to market signals suggested above would also supported stated commitments by the Government with regard to housing delivery. This commitment has been made not only in statements by the Prime Minister and Secretary of State for

³ Dwelling stock for England in 2016 was 23,733,000(DCLG live table 100 on dwelling stock <https://www.gov.uk/government/statistical-data-sets/live-tables-on-dwelling-stock-including-vacants>)

⁴ Current housing stock in Guildford of 57,340 (DCLG live table 100 on dwelling stock <https://www.gov.uk/government/statistical-data-sets/live-tables-on-dwelling-stock-including-vacants>)

MHCLG at the launch of the consultation on the NPPF but also by the Chancellor of the Exchequer in the 2017 Autumn Statement where he said:

“I’m clear that we need to get to 300,000 units a year if we are going to start to tackle the affordability problem, with the additions coming in areas of high demand.”

If the Government are to achieve its aims of delivering this level of housing and addressing affordability uplifts for market signals must be higher than have been provided for in the past. The standard methodology being proposed by the Government indicates that they consider increases of 40% in those areas with the worst affordability will be necessary, and as such this degree of uplift should begin to be considered as reasonable. However, the 40% cap on the uplift above demographic projections, alongside the lack of a floor to prevent authorities such as Barrow in Furness ending up with a zero target, means that total delivery would still only be 266,000 new homes per annum. So whilst the Government might consider 40% to be the ceiling it will potentially prevent them from meeting their own target.

The standard methodology and new NPPF are not material considerations with regard to the examination of the Guildford Borough Local Plan but it is important to ensure, as required by paragraph 2a-020 of PPG, that any planned supply be increased by:

“... an amount that, on reasonable assumptions and consistent with principles of sustainable development, could be expected to improve affordability”

We would therefore suggest that a 9% adjustment is insufficient given the affordability indicators set out in the NPPF and the fact that these are worsening. Any uplift must be higher and reflect the level of delivery the Government expect is required to improve affordability.

2.4 The need for affordable housing.

We have no comment on the assessment of need for affordable housing other than to state that a higher level of delivery would enable the Council to deliver more affordable housing in the Borough. As such it is an important consideration with regard to OAN and in particular the decision by the Council to reduce this figure.

2.5 Employment growth.

PPG recognises that the level of housing growth being proposed by an area should support the level of employment growth, in order to reduce the potential for a rise unsustainable commuting patterns. Therefore, where an OAN based on demographic projections with a market signals uplift is lower than the housing need to support expected levels of employment growth then this should be reflected in the OAN. The approach taken by Council's in considering employment growth varies. Many consider the outcomes of employment growth and market signals separately. However, the Council's SHMA includes an additional uplift to take account of employment growth. This approach has meant that where employment growth is forecast to reduce the OAN has reduced.

However, where such projections are lower than expected does not mean the OAN should be reduced. Whilst ensuring housing growth supports employment expectation it is important for Guildford, we would suggest, to consider the main driver of housing need in the their area is affordability, and the fact that supply has not met the need for housing within the Borough. We therefore consider it unjustified to reduce OAN on the basis of lower employment growth forecasts. Greater consideration should have been given to the worsening affordability, a key priority of Government policy, in the Borough and the degree to which the higher uplift would have had an impact on this situation.

Conclusions on Matter 2

In considering the Council's assessment of housing need we have taken into account the Council's statements to the inspector's initial questions that the overall uplift being proposed represents a 17% increase on the demographic starting point. The approach taken by the Council has been to make a series of cumulative adjustments for economic growth, market signals and student housing. Such an approach is not inappropriate but we do not consider that even these cumulative adjustments will have the impact on affordability required by PPG and which is also a key tenet of Government policy. In order to have the impact required by PPG we would suggest that an uplift of more than 20% will be necessary.

3. Unmet Need in the Housing Market Area (HMA)

Is the plan sound in not making any allowance for unmet need arising elsewhere in the HMA? Relevant aspects include: the allowance of 83 dpa already contained within the Waverley Local Plan and the constraints imposed by Green Belt and other designations, and the fact that it appears necessary for the plan to release substantial sites from the Green Belt in order to meet its own identified OAN.

The Council argue in part 2 of GBC-LPSS-001 that the considerable constraints faced by Guildford would mean that it would be unreasonable and inconsistent with the principles of sustainable development to meet the needs of another Borough. In particular the Council raise concerns regarding the scale of unmet needs, the period in which it will be met and the need for Woking to undertake a comprehensive review of its own Green Belt.

Firstly, we would question whether it is necessary in these considerations to differentiate between Guildford's need and Woking's needs. Given that both these authorities are in the same HMA the housing needs of one authority can be considered as the needs of the whole HMA. Both authorities also consider themselves to be in the same Functional Economic Market Area (FEMA) and have shown that there are strong economic links and commuting patterns between the two authorities. These strong links both in terms of housing and economic markets suggests that there should be little distinction made between where housing needs arise and where they should be met. The responsibility of meeting these needs rests with the HMA and it should be considered reasonable to meet these in any part of the HMA.

Secondly, in relation to the scale of unmet needs in Woking, we appreciate that this will be a moving feast and not made any easier where plan periods have not been synchronised and Government policy is in a state of flux. However, a methodology for considering Woking's unmet need was established at the Waverley examination in public. Whilst the level of unmet need in the HMA was then apportioned across Waverley's plan period, which we recognise goes beyond Woking's plan period, we do consider it to provide a reasonable approach to identifying the scale of unmet needs in the HMA. The Council suggest in paragraph 2.21 of GBC-LPSS-001 that the level of under provision in Woking will be reduced should the standard methodology be introduced as well as due to improved delivery in Woking.

With regard to the standard methodology it must be remembered that this is a minimum figure and that in some circumstances a higher OAN will need to be adopted – for example where growth strategies are in place (page 26 of Draft Planning Guidance, MHCLG March 2018). Given that Woking has been identified as a Growth Town by the Enterprise M3 LEP it is reasonable to expect the higher target established in the SHMA should remain in place. Improved delivery in Woking is to be welcomed but the statement referred to by the Council does not indicate whether there is an ability to go beyond the total level of delivery indicated in the Woking Core Strategy. It is more likely that development has come forward earlier in the plan period than expected rather than additional housing supply has come forward above the housing target for the plan period. If it is considered appropriate to reflect on Woking's need arising from the standard methodology then it must be noted that Guildford would be required to deliver 789 dwellings per annum.

Finally, it must be remembered that Woking (63.6km²) is more geographically constrained than either Guildford (270.9km²) and Waverley (345km²) and that they were required to amend their Green Belt boundary in order to meet their relatively modest target of 4,964 homes by 2027 (292 dpa). This would suggest that Woking's capacity to meet the development needs of the HMA is more constrained compared to the other authorities. Therefore whilst we consider it vital that Woking move forward with a review of their Green Belt there must be significant doubts as to whether they will be able to meet in full the remaining needs of the HMA. Such circumstances could be considered exceptional and supports the further release of Green Belt in Guildford.

The danger is that without the unmet needs of Woking being taken on board by Guildford in this plan there is the very real risk of these homes never being delivered. We would suggest that these circumstances are exceptional and could warrant the further release of Green Belt in Guildford to ensure the need for market housing in the housing market area are met in full. It is therefore essential that these needs are not forgotten and Guildford must make some contributions towards meeting these needs if its plan is to be considered sound.

4. Housing Trajectory

Is the plan's housing trajectory, which starts at a low level and rises towards the later years of the Plan period, a sound basis for meeting housing need? Relevant topics include:

4.1 The ability or otherwise of increasing the rate of delivery in the early years.

4.2 Whether the housing trajectory is realistic and deliverable, and whether there are any identifiable threats to delivery.

4.3 The key infrastructure improvements influencing the housing trajectory.

The HBF as a rule does not comment on the suggested delivery rates of individual allocations within housing trajectories. However, in looking to meet housing needs we consider it important that the backlog in housing needs is met wherever possible the first five years of the plan. Given this position we do consider that more should have been done to address this situation with additional small sites being allocated to be delivered earlier in the plan period – in particular the ability of those villages removed from the Green Belt to deliver further growth with minimal impact on the Green Belt whilst improving the long term sustainability of services in these villages.

5. Five Year Housing Land Supply

5.1 Is the methodological basis for calculating the 5 year housing land supply sound? (The Council's calculations are based on a 20% buffer, the Liverpool methodology and a rising trajectory – see 3.50 of the Council's response to initial questions.)

We would agree with the Council's position that a 20% buffer is required. Not only have the Council delivered significantly less than previous targets but have also failed to bring forward a development plan that would enable them to have met past targets and current housing needs since their last plan was adopted in 2003. However, we do not consider the Liverpool methodology to be a sound approach to calculating housing needs especially when it is combined with stepped housing target against which delivery will be monitored. The Liverpool methodology pushes any backlog accrued to much later in the plan period with the risk that such needs remain unmet. When combined with a stepped trajectory this increases the risk that the plan will not be delivered as it too takes needs that should be delivered early in the plan period with the aim of delivering these much later. Instead of delivering 4,605 new homes required to meet OAN during this period the Council will deliver 3,582 new homes. If there are any delays in the delivery of the strategic sites then there is the real risk of the plan not being delivered. Such an approach will also exacerbate the affordability concerns being faced by residents of Guildford and reduce the effectiveness of the plan with regard to this key issue.

5.2 How many years' supply of deliverable housing land exist at present, having regard to the housing trajectory, the current supply position, and the plan's housing allocations?

On the basis of the stepped annual target in the trajectory and the use of the Liverpool method and a 20% buffer the Council would appear to have a five year land supply. If the Council's delivery expectations are correct the Council would have a 5.4 year housing land supply. If the Council looked to use the Sedgfield method against the proposed stepped trajectory the Council has a 4.2 year housing land supply.

6. Homes for All

Are the plan's policies sound and effective in delivering a wide variety of quality homes to provide for the needs of all the community? Relevant issues are:

6.2 The delivery of affordable homes (having regard to Item 14 of my Initial Questions).

The Council have provided no relevant justification for departing from paragraph 23b-031 of Planning Practice Guidance and the ministerial statement published on the 2 March 2015 with regard to affordable housing contributions on small sites in part 2 of policy H2. The history behind the Government's small site exemption policy and the Ministerial Statement that brought it into national policy is long and tortured. However, what must be remembered is that following the various legal challenges the final decision was that the Government were able to introduce new policy in this manner and that it should be given the same weight as if it were in the National Planning Policy Framework. However, as the final judgement rightly addressed this is one material consideration amongst many that the Council must consider but, having said that, significant weight must be attached to national policy. This means that in order to depart from such a key part of the Government's policy framework the bar must be set very high.

Before considering the Council's evidence base it is worth reiterating why the Government introduced this particular policy. The Ministerial Statement is clear that the reason for introducing this policy was to "ease the disproportionate burden of developer contributions on small scale developers". This is distinct from whether or not such contributions will, in general, make a development unviable. A disproportionate burden on a specific sector is a separate consideration and should take account of any differential in development costs that are not reflected in general viability assessments. These costs have led to a reduction in the number of small and medium (SME) sized house builders. Analysis by the HBF⁵ shows that over the last 30 years changes to the planning system and other regulatory requirements, coupled with the lack of attractive terms for project finance, have led to a long-term reduction of total SME house builder numbers by about 70% since 1988. The Government is very anxious to reverse this trend and increase the number of small businesses starting up and sustaining this activity. Improving business conditions for SME home builders is the key to long-term supply responsiveness.

It is also important to consider the Government's broader aims for the housing market. This is most clearly set out in the Housing White Paper (HWP). Their aims are not just to support existing SME house builders but to grow this sector again which was hit hard by the recession with the number of registered small builders falling from 44,000 in 2007 to 18,000 in 2015⁶. To grow the sector one key element has been to simplify the planning system in order to reduce the burden to new entrants into this market. Therefore, the focus of the Council should be on freeing up this sector of the house building industry rather than seeking to place financial burdens that the Government have said should not be implemented.

⁵http://www.hbf.co.uk/?eID=dam_frontend_push&docID=25453&filename=HBF_SME_Report_2_017_Web.pdf

⁶ Fixing our Broken Housing Market, Department for Communities and Local Government, February 2017

In conclusion, the Council's focus on the general viability of affordable housing delivery on small sites and the impact of the previous policy is, in part, missing the broad scope of the Government's policy. As such we do not consider the Council to have justified a departure from national policy with regard to the small site exemption. The policy will continue to be a burden to SME house builders and in particular to new entrants into the market. As such part 2 of this policy should be amended to accord with PPG.

6.3 The provision of accessible homes.

We note that the Council's policy requires a proportion of market homes to be wheelchair accessible. However, such a requirement is not consistent with paragraph 56-009 of PPG which states that:

"Local Plan policies for wheelchair accessible homes should be applied only to those dwellings where the local authority is responsible for allocating or nominating a person to live in that dwelling."

We would therefore recommend that part 3 of policy H1 be amended to read:

"... 5% of new affordable housing will be required to meet Building Regulations M4(3)(b) category 3 wheelchair user accessible dwellings a standard or any subsequent legislation on making homes accessible and adaptable."

We would also recommend that paragraph 4.2.10 be amended. The last sentence of this paragraph which suggests that the percentage required may be altered to reflect the figures in the SHMA should be deleted as it is unsound. Any such amendments can only be made through a review of the local plan at which the impact of any changes can be adequately considered by relevant parties to ensure that any change to the policy is justified.

9. Spatial Strategy, Green Belt and Countryside Protection

9.4 Having regard to the extent to which it is proposed to release Green Belt land and develop greenfield sites, do the plan's policies strike the right balance (in terms of housing provision) between the use of urban and previously developed land and urban extensions?

The Council have established that they cannot meet their housing needs from previously developed land – whether this is in the urban area or within the Green Belt. On the basis of this position the Council is required to consider alternatives options with regard to meeting needs – which given the constraints faced by Guildford would inevitable require the release of greenfield sites or Green Belt land either in the form of urban extensions or through the development of a new settlement. Whilst we disagree with the overall level of need being planned for we broadly consider the balance of delivery between previously developed land and greenfield development to be reasonable.

9.9 What are the reasons that have led the Council to propose including new land in the Green Belt around Ash and Tongham, and can the circumstances be regarded as exceptional? What are the implications for the future housing needs of this Urban Area?

We do not consider there to be the required exceptional circumstances to extend the Green Belt around Ash. The Council's principle circumstances for doing so are to:

- maintain separation between Ash and Tongham and Ash Green,
- the amount of piecemeal development being directed to Ash and Tongham
- To protect an area of great landscape value and candidate AONB

Firstly it is important that where it is proposed that the Green Belt boundary is being extended that these amendments fulfil the purposes of Green Belt as established in paragraph 80 of the NPPF. The Council refer to the need to maintain the separation between the Ash and Tongham urban area and the village of Ash Green. However, the NPPF is very clear that the purposes of Green Belt is "*to prevent neighbouring towns merging into one another*" (our emphasis). Its purpose is not to main the separation between a town and what the Council describes as a small village but to prevent towns from merging. The proposed Green Belt extension cannot be considered to be meeting this purpose as the Council have suggested and as such it cannot be considered to be an exceptional circumstance

It is also important to ensure that it is not used as mechanism for preserving areas of landscape value or beauty. Other designations exist to protect such landscapes and the Green Belt should not be used in such a manner which strays beyond its intended purposes. If it is required to protect an area because of it landscape value or natural beauty then the correct mechanisms should be used.