

GGG comments for Resumed Hearings**Guildford Borough Council Local Plan 12 and 13 February 2019****Matters and Issues- GGG responses**

Prepared by Susan Parker, chair of Guildford Greenbelt Group, on behalf of Guildford Greenbelt Group

1. The appropriateness of using 2016-based household projections for the basis of Guildford's Local Plan.

Note The Government's recent consultation regarding the continued use of 2014-based household projections is directed solely at plans which use the standard method for calculating OAN and which are being examined under the 2018 NPPF. The consultation has not been directed at transitional plans like the Guildford Local Plan, which are being examined against the policies of the 2012 NPPF and are based on a different approach to OAN calculation. Paragraph 158 of the 2012 NPPF states that Local Plans should be based on adequate, up-to-date and relevant evidence; the 2016-based household projections constitute the most recent evidence.

GGG considers that (as indicated in the question) that the 2016 based household projections constitute the most recent reliable evidence for anticipated population forecasts and should therefore be the basis for Guildford's Local Plan. As noted in the question, the government guidance does not apply to this plan.

Any more subsequent data tends to the view that population will in fact be lower rather than higher than anticipated; as a result the ONS figures are (if anything) an overstatement, as has historically been the case. The projections should therefore be regarded as a maximum or at best a mid-point and so a target, certainly not a minimum. Inflation of the projections related to growth, housing affordability etc has been queried effectively in the past.

Growth and housing affordability cannot both be delivered. Affordability will be constrained by the developers; as historically has been the case development will be "Drip-fed" to ensure maintenance of profitability, so any impact of additional houses to produce supply-led price-falls will not arise. If prices cannot be maintained, the homes will not be built.

Similarly, economic growth is not forecast for the short, medium or long term that will need higher than forecast population growth (see GBC's papers produced for the GBC Overview and Scrutiny committee on 15 January, in relation to the impact of Brexit

<http://www2.guildford.gov.uk/councilmeetings/documents/g772/Public%20reports%20pack%2015th-Jan-2019%2019.00%20Overview%20and%20Scrutiny%20Committee.pdf?T=10>

- see pages 5-12, particularly para 2.4-2.9, and 2.13 – matter of public record but copies can be supplied if required). Inter alia this notes:

"Housing Development - ongoing uncertainty could lead to an increase in inflation in materials, skills shortages and labour costs. In addition, according to the Bank of England scenarios, there could be a significant fall in house prices. This combination could put pressure on development projects and result in a possible slow-down in new house building as developers will only build if they have confidence they can sell

their product. We will need to monitor movements in the market such as delays in development completions that might be early warning signs of problems and what the Implications are for the delivery rate of the Local Plan. “

As a result, to produce a Local Plan now which knowingly overstates medium to long term unforeseen housing need, is inappropriate. The plan must focus on realistic and achievable housing numbers, and these should be (in the current circumstances) under- rather than over-stated. Within GGG we would therefore support GBC’s response to Qu 1 as set out in <https://www.guildford.gov.uk/newlocalplan/CHttpHandler.ashx?id=29243&p=0> (GBC-LPSS-036: GBC STATEMENT IN RESPONSE TO MATTERS AND ISSUES AS PER THE INSPECTOR’S ID-12)

2. Whether the calculation set out in the Council’s paper “Update to OAN Assessment in Guildford as a result of the 2016-based Household Projections” (GBC-LPSS-033b) is an appropriate basis for calculating the OAN.

GGG would submit that this is *not* an appropriate basis for calculating OAN.

As noted on page 1 of the GL Hearn statement, demographically-based housing need has now fallen to 313 dpa. **We would support the level of 313 dpa as indicated by ONS, but not more.**

As noted in the Overview and Scrutiny paper produced by Guildford Borough Council on 15 January, there is a prospect for slowdown in housebuilding completions and indeed demand. Furthermore, as noted elsewhere in that paper, the immediate local prospects are for a fall not a rise in economic activity. A *wish* for increased activity is insufficient justification for local planning; there has to be a reasonable *expectation* that it will arise, and there is (as of 15 January) no such expectation. As a result, it is not clear that any uplift in housing projections due to economic activity is likely. Similarly, given the crisis in housing finance (*not* provision – there are plenty of physical buildings, but the young cannot obtain mortgages) –excess homes built to meet supposed household formation rates will stay empty, and then act as a block on future development (see response to 1 above).

We cannot see the logic in the GL Hearn uplift from an agreed demographic need of 313 dpa.

The two main drivers for uplift are a) economic uplift and b) an increase in provision to accommodate increased household formation among the young. In both cases, the thinking is unexamined and seems to us to be flawed.

There seems to be a failure of “joined up government” here. The Overview and Scrutiny Committee, on 15 January 2019, agreed with the conclusions prepared by council officers which were as follows:

“2.7 Inward investment – it is difficult to judge how Brexit will affect inward investment and how this will affect the town as we try to attract companies to move into the

borough. The lack of certainty over the future particularly with the larger multi-national companies could affect growth and investment decisions in the short term and there is the risk that they may transfer jobs elsewhere or relocate. There is also the risk that companies will relocate out of the borough, which would potentially have a negative impact on income from investment property rents. For example, one of Britain's leading satellite companies based in Guildford is to move sensitive work on the Galileo navigation project to Germany to ensure it can deliver on a contract after Brexit and there is uncertainty over any future joint working on the project.

2.8 Economic Future - the Bank of England has published the potential economic scenarios for Brexit covering the next 5 years. These include the possibility of recession, rising unemployment, a rise in inflation, currency fluctuation and a fall in commercial property and house prices. The figures are speculative due to the level of uncertainty over the final terms of the Brexit negotiations but we need to look at the potential impact of the worst case scenarios. Any economic downturn and uncertainty can cause budget pressures, which we will have to manage. There could be a knock-on effect on investment and growth and increased pressure on public finances and, therefore, there may be further squeezing of public sector budgets. We also need to be aware of the implications on currency and interest rates, which could affect the financial markets and our investments strategies. This might not only have a potential impact on our financial status but could also affect pension funds. "

On this basis, it does not seem prudent to anticipate substantially increased housing need arising from economic growth – the Council's own direct predictions are that there will, in all probability, be lower economic growth in the future. There is no justification on the basis of the council's own forecasts for a higher growth projection and to inflate the housing need projections from the ONS forecast of 313 dpa. A consistent trajectory of economic growth is implied by the ONS projections, and there is no anticipated incremental growth to justify incremental housing provision in this area.

Furthermore there is a substantial uplift in the GL Hearn/GBC projections arising from anticipated housing formation from younger people. As noted above, we would contend that the shortage of finance, not the shortage of housing, is the critical factor in reduced housing formation from younger people. An economic downturn (see above) is likely to increase the strain on mortgage provision and make affording such homes less feasible – if they can't be sold, they won't be built. As a result, it is fatuous to plan to build homes which are not likely to be built due to economic factors. If the economy changes, we can review the matter (see 5 below). (See PWC report <https://www.pwc.co.uk/services/economics-policy/insights/uk-economic-outlook.html>)

Note

Construction sector output has also fallen back since early 2017 and looks set to remain relatively weak in the short term, given the uncertainty around Brexit...

Brexit and global protectionism could be negative factors for the decade ahead...

..the housing market has also slowed, particularly in London..

Construction, as ever, has been volatile, with growth dropping dramatically to just 0.6% in 2018 according to our latest estimates. We expect some recovery in 2019

though this is partly just due to a statistical bounce back from the lows seen in early 2018 rather than strong underlying growth in the sector. This is also a sector where confidence is critical, and which is therefore exposed to any loss of this related to a less-favourable Brexit outcome. [Note that PWC discounts any possibility of a no-deal outcome as very improbable].

Many recent commentators, including the Bank of England, have become increasingly concerned about the state of households' finances ..we noted that by mid-2018 lending criteria appeared to be tightening for both mortgages and consumer credit, as noted by the Bank of England in its most recent credit conditions survey.

See also Oxford Economics report for the Redfern Review into the decline of Home Ownership:

<https://d2rpq8wtqka5kg.cloudfront.net/351906/open20161206034200.pdf?Expires=1548083416&Signature=fxr1SrCB6ceuetMIDgH~EMUZOt~8QkWVM9twcjS3-v8AyK9Vs8KNptLDpHkr3TQOJYCzi1~bC45cqhz6uwLZbW1Z9fHefD4iEYsngfj8J3k5z-UNA7eTA3hT9Gi49-T13vFeUZfjTEm2S15GASu2PuwifeMyYWO9yWud18HlaQCFbfwfL95s1gNcuFPP9BB0nk545XUvcRGj9sr02IjB776ekWu~yrAsVA0spTcBQ--KGrM~L3uvdNQs2xPR5EHtMeuLURidY4THBaMzJT1HOasYaOAbgPaJcDX59DIMF6zDprswKZ-jT64v-Q79yeZQ~u4MqyfmCcfzk0ugkNaIQ &Key-Pair-Id=APKAJVGCNMR6FQV6VYIA>

“housing supply constraints did not make any material contribution to price growth”..

“ In the market sector alone, the decline in home ownership was driven by the higher cost of credit for first-time buyers, higher house prices and lower relative earnings for younger people. Using the model, we see that the biggest contribution came from the higher cost of, and restrictions on, mortgage lending for first-time buyers.:

.. as can be seen, the difference in interest rate on first-time buyers' mortgages.. and other mortgages jumped from an almost negligible level before the housing crisis to a spread of some three percentage points in its wake..

..”additional housing stock does not appear to improve home ownership rates..

..a third driver of the fall has been the decline in the earnings of younger people aged 28-to-40 relative to those of people aged 40-plus... This reduced the relative buying power of would-be first time buyers, pulling down the home ownership rate over the period by around 1.4 percentage points

Finally it is worth noting that the contribution of housing stock per household on home ownership is negligible. ..even if supply had been outstripped by household formation eating into the surplus stock of dwellings, the impact on the home ownership rate is likely to have been negligible.

For policymakers this implies that additional housing stock is unlikely to shift the home ownership rate.

Since 2010, however, it is the declining relative earnings of younger people that appears to have been to blame for the continued fall in ownership rates.

Most notably we have found that the very rapid house price increases of the past 20 years do not appear to have been the result of insufficient supply. .. It is possible that a liberalised planning regime might have dampened the 151 per cent price increase in the decade from the end of 1996, but our results suggest that the effect, at any realistic rate of new supply, would have been limited.

As discussed, the impact on housing costs is unlikely to be affected by supply; the impact on new household formation by younger people is much more affected by increased mortgage rates (a matter of policy) rather than supply; and this is not therefore a factor that should determine local planning policy for Guildford. There is no justification for increasing the housing supply number in order to accommodate new household formation among the younger cohort since this is not likely to help. On this basis, there should not be an uplift in the housing target as a result, and we should adhere to the core number of 313.

3. The implications of the Council's paper "GBC note on OAN following the 2016- based Household Projections" (GBC-LPSS-033a) for

- the overall housing requirement set by the plan
- the housing trajectory
- the 5-year housing land supply
- the need for the additional sites included in the main modifications.

See above. We agree that the ONS based demographic assessment of housing need is 313 dpa. We dispute

- a) the justification for increasing projected housing formation for younger persons. As noted in the answer to 2 above, and as supported by scholarly professional studies, this is not correlated to supply but to mortgage provision, which is outwith GBC's competence.
- b) As noted above, GBC itself anticipates no incremental increase in employment, but in fact is concerned to mitigate the downturn arising from potentially falling employment. It is therefore not clear that it is appropriate to uplift the housing number

We agree with GBC that there is no need for incremental housing provision for students as noted in their submission paper

Two sites have been granted planning permission for student accommodation since the last set of hearings and are expected to be delivered in full in the first 5 years of the plan period. These permissions provide a material increase in the number of units allocated in the plan. These student units are likely to result in the release of some accommodation into the housing market, which, in accordance with the PPG, should be counted towards the 5 year housing land supply position. Whilst not

seeking to re-open the issue of student accommodation, which is not on the agenda for the forthcoming hearings, it is submitted that this gives greater confidence that the 5 year housing land supply position is robust, without the need for the additional sites included within the main modifications

We would actually go further and contend that as a result of this provision – and further anticipated sites arising, including on University property – that there is no need in the general housing provision for a further 23 dpa allocation.

The overall housing requirement set by the plan should therefore, we submit, be in the region of the 313 ONS demographic requirement.

Given the current political instability and uncertainty triggered by Brexit, we submit that the housing target is far too high and will generate substantial local oversupply. Furthermore there will be no budget for the required infrastructure improvements which such an uplift would necessitate. As a result, we consider that a **deferred, back-end loaded trajectory** (such as that originally proposed by GBC in the original draft of the Local Plan) would in fact **be more sound than a flat trajectory** that is currently being considered.

We don't consider that there would be any need for any of the additional sites, and this is also the submission of Guildford Borough council. We do consider – especially in the light of the current proposals to emphasise residential development in the North Street area – that **the 5-year housing supply is more than adequate for the proposed housing need.**

Guildford Borough Council now proposes to increase the residential element of the North Street housing and it could, in fact, be increased still further.

<https://www.guildford.gov.uk/article/22281/Town-Centre-transformation-latest-update-on-North-Street>

“ Like any sensible Council, we have also looked again at the retail market and both agreed to now progress with a primarily residential-based scheme. This will mean changes to the balance of homes, retail and other uses”

This is a substantive change from the draft plan and should amend the proposed site allocations within the current plan.

Housing availability for the plan period includes extant built homes; planning permissions; an allowance for windfall sites (including in the urban area, including the revised proposals for North Street); a proportionate element of student accommodation. This more than exceeds the proposed housing need, and there is certainly no justification for further uplift. **There is no legitimate justification for the inclusion of any additional sites.** In fact, given that the proposal involves taking land out of Green Belt, and there is in fact no justification or reason given for this (let alone very special or exceptional circumstances), some of the proposed key sites and Green Belt sites could be withdrawn from the plan and the plan could still be sound. **There is insufficient legitimate justification, in the light of the revised information, for the key sites as currently proposed.** The situation that pertained when the Inspector made his preliminary comments has changed. The political environment is different; the economic environment is wildly different; the housing need figure is different. As a result there is a case for reviewing the soundness of the current plan and withdrawing some of the greenfield sites from the plan.

It cannot be justifiable to allow developers' future profits, deferred to the end of the plan period because current housing will not be built since it isn't viable, to be the only consideration in the context of this Local Plan.

4. Whether it is possible at this point in time to come to conclusions on the issue of Woking's OAN and any unmet need.

We completely endorse the position of Guildford Borough council (as expressed in their responses to the Inspector) that

“as Woking have expressly and publically recognised, there is no unmet need arising from their Borough”

and

“The potential that Woking may have unmet need at some undefined time in the future simply does not warrant increasing the housing requirement in Guildford's Local Plan. This is particularly the case given that it would entail taking land out of Guildford's Green Belt (in the form of the additional sites included in the main modifications) to meet a need from Woking which currently does not exist and where there can be no confidence that it will exist in the future. Such speculative need comes nowhere near to the exceptional circumstances required to justify amendments to the Green Belt. “

This argument is, in our opinion, sound.

5. Whether in view of current uncertainties (especially with regard to item 4) it would be appropriate to insert a review mechanism into the plan and if so, how it would be phrased.

We think that there are profound current uncertainties affecting our Local Plan.

Some of these are local. As noted in the Examination in Public, Guildford was in breach of the requirement to produce a brownfield register at the time when the Council endorsed submission of the Local Plan to the Inspector. While a brownfield register of sorts was cobbled together at the last minute, before submission, it was never subject to any consultation nor even ratification by councillors. Within the Examination in Public it was noted by the Inspector that the town centre of Guildford has a very attractive heart, but a very short way outside the historic centre there is very much undistinguished, poor quality land which is very suitable for redevelopment and regeneration (this is a paraphrase but I believe this was the gist of the Inspector's comment). As a result, and especially in view of

Guildford's reconsideration of the proposals for North Street, it seems that there are no exceptional nor very special circumstances for taking any land out of the Green Belt; and certainly not biasing the development so that around 60% of new development is on Green Belt land.

More generally, we are at a time of unprecedented economic crisis – potentially our current economy trajectory could result in a a profound recession/depression akin to the 1930s (see PWC paper quoted above etc). We have lost major economic drivers for the economy and are likely to lose more, and there is little indication that the government's ability to plan for Brexit will contain the downside. Given the profound uncertainty that we currently face, it must be appropriate to plan conservatively for probable economic circumstances, and build in a review mechanism for the future so that – at five year rests for example- the plan and its projections are subject to review.

For both local and wider economic reasons, strategic intermittent review, from a low base, would seem to be a prudent and sane measure for this Local Plan.