

**Response by GRA to the draft SHMA published
by Guildford Borough Council
on 27 January 2014**



Summary

- The draft SHMA suggests that the Council should test the borough's ability to deliver 800 homes per annum – compared with the current target of 322, the rejected target of 422 in the South East plan and the GRA submission target of about 300. There is no explanation of what has changed so much. *Building on this level equates to two major housing developments per year, every year.*
- The SHMA suffers from *multiple stage inflation* – ranges are given and then arbitrarily inflated – all adjustments are *upwards*, suggesting the report is written to justify a pre-conceived target, not the other way round.
- The baseline demographics projects are heavily distorted by inclusion of students, and in particular student international migration, in future need; elimination of these distorting factors would reduce demographics led need to a more sensible *400 dwellings per annum*. The impact of student numbers on the town is in *GBC's own hands*, in the approach they adopt to the university's needs.
- The assessment of employment related housing need ignores the impact of commuting. Adjusting for this *reduces the target* to less than 200, *accommodated within the demographics driven target*.
- Further errors are made in the assessment of affordable housing need. Whilst this is a complex matter, true need is likely to be nearer *150 dwellings per annum* rather than the 743 quoted, and so *accommodated within the mix of the 400 dwellings per annum* implied by the adjusted demographics led projections.
- A number of other assertions are made in an attempt to support target inflation still further. That housing numbers should increase to *promote affordability* – there is *no basis* for GBC to conduct an experiment in national planning policy to the detriment of residents; and that GBC should *meet shortfalls in neighbouring boroughs' targets*, despite these being lower than those proposed in the SHMA. It is noted that GBC has already confirmed to neighbouring boroughs that it will not seek to share its shortfall, effectively an open ended commitment in the absence of final figures.
- The draft SHMA allows for only 25 days consultation with respondents. This is too short a time for the 170 page study that requires detailed understanding and analysis prior to discussion and deciding what the responses should be. This is particularly so for community based organisations that have to consult widely and then arrange to meet so as to develop a collective response.
- We suspect that practice guidance and standard methodologies may have been applied in the GL Hearn study allowing for market pricing of houses, the way in which allowance is made for errors on the data sets and local circumstances. If this is the case, the study is a missed opportunity to propose realistic and proportionate estimates. To readers, there appears to be confusion regarding the definition of need, in relation to the impact of demand and how constraints are taken into account. The latter is stated as 'not to be considered' in the covering note when published by Guildford Borough Council.

Context

Guildford is emerging in a healthy state from the last five years of relative austerity. The Guildford area now seems to be in good balance with low unemployment and jobs density showing 98 jobs per 100 residents less than 64 years old (para. 2.69). The ten year annual average houses built is 321 over the last ten years. This compares with the target in recent years of 322, which was publically tested when the UK South East Plan was scrutinised in the last few years. Again this implies confirmation that a degree of balance exists between plan and outcome when it comes to house building.

Viewed in this context, it is quite extraordinary to now read a study proposing a revised need for new dwellings of up to 800 per annum for the next twenty years. This need is stated uncritically without clear and explicit identification and robust challenge of the factors and reasons why the past should no longer be a reliable guide for future needs. Adoption of this target would lead to major irreversible changes to the character of Guildford, as well as putting its infrastructure under impossible strain, as it implies an increase in the housing stock of 30% over that period.

The work done by GRA as part of the consultation on the Issues and Options Consultation identified a target figure of dwellings per annum of less than 50% of this figure, of which one third would be affordable housing. The draft SHMA has therefore been reviewed to identify why the proposed target is so radically different from both the actual numbers from recent years and the GRA thinking.

This review has identified a number of major flaws in the methodology and fact base adopted in the draft SHMA. These go much of the way to explaining the major discrepancy between the past and these SHMA projections.

Our response to Guildford Borough Council regarding the need for future housing is based on analysis of the three main drivers of demographics, employment and affordable housing.

Demographics

- The first problem with the demographics figures is that fact based targets are derived and then inflated without fact based reason or justification. The demographics led target is stated as 470 – 666 homes per annum at table 12 in paragraph 4.7. Yet by paragraph 8.7 the figure has been further inflated to 671; this is subsequently shown as a baseline minimum figure which is described as a “robust starting point”, only subject to upward adjustment. This process of inflating the figures without justification makes no sense, and no factual evidence is presented to support this.
- The demographics range of 470 – 666 presented in paragraph 4.7 is itself seriously flawed. There appears to be no attempt to look behind and interpret the past several years’ demographics figures with a view to understanding the true drivers of population movement over the next twenty years. G L Hearn preferentially select projections based on the most recent five years yet ignore major distorting factors which need to be understood and corrected for.

- GBC’s own report “How Many New Homes” on page 10 identifies “*International migration is estimated to have had the most significant impact upon population in recent years..... The robustness of this trend is important as it can have a very significant impact on any trend projection that is developed for the Borough.*” The Edge Analytics Report of July 2013 commissioned by GBC in 6.14 states “*Adopting long term growth assumptions for Guildford Borough based on uncertain estimates of international migration is not recommended, particularly given the evidence suggested by the 10 year migration history, with a lower annual net impact evident.*” Thus GBC’s own reports already identify that the major component of demographic growth derives from the changes over a short period in student numbers. 2008 – 11 was a period of particularly high growth for the university. This is partly as a result of UK students seeking to mitigate the impact of changes to the fee structure by applying in increased numbers, and partly as a result of the subsequent substantial increase in foreign students, considerably inflating the international in-migrant figures. The draft SHMA appendices in 1.5 quote an average net international migration figure of 1,536 in this period of which over half (57%) of the international in-migrants are thought to be students.
- As Edge Analytics have already warned, it is quite wrong on several counts to consider these figures as indicative of future trends. Reasons include the fact that a substantial proportion of these students will not be able or indeed wish to stay after completion of their studies and thus their numbers do not actually increase net migration. Student numbers too have in fact fallen in both 2011-12 and 2012-13 and so it is wrong to bias the analysis of future trends preferentially using years where the student population is rapidly increasing. This student related growth “blip”, which will not be present in the future, is therefore unrealistically inflating the 5 year based projection.
- The preferred option is to exclude the effect of student population change completely as this is likely to result in a more accurate prediction of the true needs of the town. A suitable rider can then be added solely dealing with student numbers. The ten year figure of 470 homes per annum is considered a much more robust starting point for the analysis, as it is relatively less affected by the “blip”. Proper and robust analysis of demographic drivers should be undertaken which remove the effect of the “blip” and which seek to quantify the effect on future growth of identified population trends; this is expected to reduce the true need from the “raw” starting point of 470 to a figure around 400.
- No mention is made of the impact GBC policy aspirations will have on housing need arising from demographics. It is legitimate and appropriate for the SHMA to propose targets which reflect GBC policy to, for example, prioritise local rather than in-migrant (eg from London) demographic changes, rather than blindly accepting demand driven by unmet housing need outside the borough.
- The impact student numbers has on Guildford as a University town has already been mentioned. The University has 2,000 students in off campus accommodation, and so

GBC policy aspirations designed to encourage the University to take accommodation on campus and free up accommodation (much of which would have affordable housing status) again should figure explicitly in setting demographic based targets. In addition the university has approval to build 2400 student units which they are at liberty to utilise and which should be taken into consideration.

Employment

- There are some fundamental problems with the analysis presented. Jobs are equated with households, in fact (incredibly) the preferred numbers in paragraph 4.13 show 495 jobs giving rise to the need for 502 homes. However previous studies have established that approximately 50% of workers in Guildford commute from elsewhere. Of those who live in Guildford, many / most of those households will have two (or more) people in employment. Therefore the jobs based housing requirement presented in the draft SHMA is massively inflated.
- The realistic position is that each new job should be regarded as giving rise to some percentage – say 30 - 40% - of the requirement for a new home. On this basis, using a job based criterion of 495 jobs would result in a job related need of between 148 and 198 dwellings per annum.
- The employment growth rate used of 1.7% seems very high; higher than in any historical period since 1997. A reduced rate would seem more appropriate given that employment in the region, but outside the borough, has fallen by 2%, that both public sector and retail employment are expected to fall and that the interconnected nature of Guildford is such that even ambitious growth does not require or equate to growth in the resident population.

Affordable Housing

- Again, there are fundamental flaws with the analysis. This is confirmed by the startling assertion made in Table 19 that 50% of households are unable to afford market rate housing. This illustrates neatly the point that the draft SHMA clearly has not yet received the level of critical review appropriate for such an important document. If this assertion were in fact correct, Guildford would be in the grip of a major housing crisis, yet the actual picture is one of relative stability. We must not confuse support for those in want of affordable housing (an issue which the GRA responded to positively in its Issues and Options Consultation response) with the critical assessment of overall market need.
- G L Hearn's analysis contains basic errors of principle. The first problem is that they have equated household earnings with individual earnings. However the appendices give the average household size to be 2.4 – 2.5. Most of those households will have two earners, particularly at low income levels (through necessity) and for young people where the affordability issue is most acute. However, if it is assumed each lower quartile earning individual is partnered with another such individual, the

average household income at the lower quartile earnings level would be 2 x £23,939. Using the relatively modest income multiple used by G L Hearn of 3.5, and recognising the reduced deposit requirement under Help to Buy of 5%, demonstrates that a purchase of £191,000 is feasible.

- Therefore a couple on median lowest quartile earnings can in fact afford a home, thus suggesting that the affordable housing need identified in the draft SHMA is severely over-estimated. In addition, in paragraph 5.66, G L Hearn state that private rented accommodation is not affordable housing. However the objective is to predict the true need for new affordable housing stock and so it must be correct to take account of the delivery of affordable accommodation by other means, particularly where it is such a substantial factor comprising 200 plus dwellings per annum.
- The evidence from comparing the housing list with the figures quoted in paragraph 5.36 suggests that in fact, the current position is close to equilibrium and can be met through new additions, possibly of up to 150 dwellings per annum. However it is recognised that this is a complex balance and therefore the preferred approach is to undertake a more robust analysis. This has to balance need computed on an accurate basis with all sources of supply including the private rented sector, the 235 units expected to become available on an ongoing basis referred to in 5.36, and the potential for HMOs currently occupied by students to be freed up for affordable housing purposes.

Other

- The draft SHMA incorporates further factors in supporting the proposal that 800 dwellings per annum is an appropriate target. One of these is that to increase the supply of dwellings would “support improvements in affordability”. We do not believe that this case has been made. Given the influence of London house values on the local market, inflating the housing figure in an attempt to reduce prices would be arbitrary. Guildford would simply draw in more migrants from London where house prices are and will always be higher. The London housing problems will not be stopped by topping up the Guildford SHMA figure. All you would achieve is a major increase in the housing figure in Guildford.
- Where is the basis in either the NPPF or NPPG for this? In what circumstances would it be appropriate for GBC to conduct what amounts to an experiment in national planning policy using the scarce, geographically constrained land in the borough? This is considered a completely inappropriate basis to increase the number of dwellings required per annum.
- Paragraph 8.25 makes the extraordinary assertion that GBC should consider increasing the target dwellings per annum still further to accommodate unmet need in adjoining authorities. This does not make sense when targets in neighbouring boroughs are substantially lower than that in the draft SHMA. It would be expected that the GBC target should reduce through sharing with Guildford’s neighbours rather

than increase still further, except that it is understood that GBC has written to neighbouring boroughs stating that it will not be seeking to mitigate its targets in this way. How can this decision sensibly have been made in the absence of any concrete understanding of need for new housing?

- It is unacceptable that the decision on the dwellings per annum target should be based to any significant extent on proprietary, unverifiable and unauditible G L Hearn methodology. Data sources should be identified and the modelling methodology explicitly stated and made transparent.

There are many other points of detail that can be made and some that will be made by others on both methodology and statistical rigour on the review of the draft SHMA, but the above issues are highlighted as fundamental to the assessment of the appropriate dwellings per annum target. It can be seen that the proposed target is in fact inflated by well over 100% from the reasonable 400 dwellings per annum figure, which is consistent with correct analysis and with trends from prior years. It is very disappointing that these critical aspects do not seem to have been properly considered and taken into account. We therefore conclude that the draft SHMA needs very substantial reworking before it can in any sense be regarded as a robust basis for assessment of future dwelling needs.

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21th February 2014