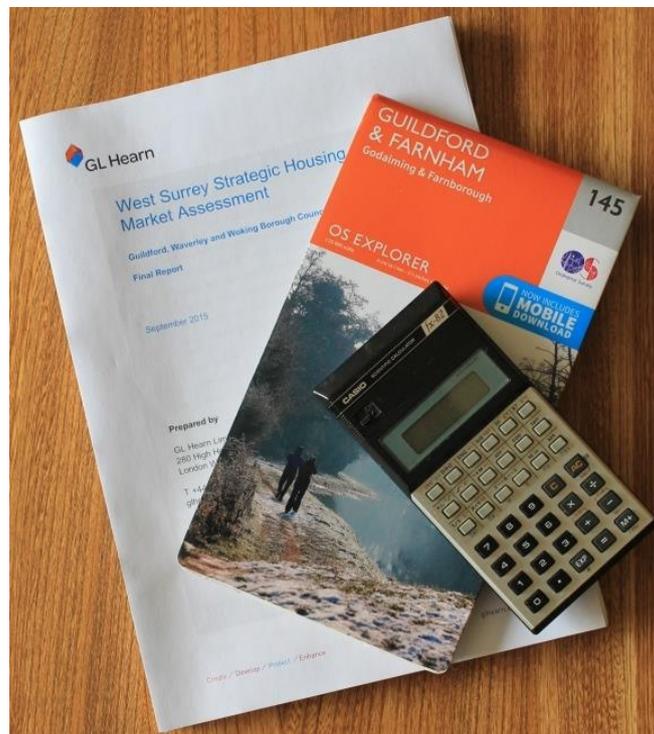


REVIEW OF WEST SURREY STRATEGIC HOUSING MARKET ASSESSMENT



Green Balance
for
CPRE Surrey

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SUMMARY OF RECOMMENDATIONS

1. Migration from London

We agree with GL Hearn that there should be no increase in the projected population of West Surrey by 2033 to reflect the net movement of people out of Greater London. A London Migration Sensitivity Analysis by GL Hearn did suggest that a 4% increase in the dwelling requirement might arise, but there was a high degree of uncertainty associated with this figure. We consider there are three further reasons for making no change.

2. Vacancy rate

Not all dwellings are or can be occupied all the time, so there is a vacancy rate element in the housing stock. This is presented in the SHMA as 4.2% in Guildford, 4.7% in Waverley and 3.1% in Woking. These are too high for two reasons. First, the vacancy rate figures should be taken from local government annual records rather than from the 2011 Census. This would reduce vacancy rates to 2.9% in Guildford, 3.0% in Waverley and 2.6% in Woking. Second, local authorities should aim to bring back into use by 2033 all dwellings currently vacant for more than six months. Doing this would further reduce vacancy rates to 2.5% in Guildford, 2.7% in Waverley and 2.0% in Woking. Both changes would achieve a reduction of 90 dwellings annually needed in West Surrey.

3. The need for affordable housing: concealed households

The dwelling requirement to house currently 'concealed households' is estimated in the SHMA without an allowance for households who choose to occupy dwellings that way rather than are economically forced to do so. Unless identified, the SHMA's estimate of the number of additional affordable houses needed should be viewed as a maximum.

4. Responding to market signals

There should be no increase in dwelling supply to allow for an alleged suppression of household formation in recent years amongst those aged between 25 and 34. Specifically there should be no assumption made that the household formation rate by this group will return to what it was in 2001. Seven arguments are presented to support our position. The 'sensitivity analysis' in the SHMA to explore this is misconceived and the modelling work to apply it is purely fanciful. Furthermore, there should be no assumption that, even if land for an extra 103 dwellings annually was released in West Surrey, the dwellings built would enable this age group to return to its 2001 household formation rate. Proposals for 31 dwellings annually in Guildford, 26 in Waverley and 46 in Woking should be dropped.

5. Student housing

GL Hearn assumes that 55% of the University of Surrey's intended expansion in student numbers to 2033 should be accommodated in halls of residence. To make up the shortfall in requirements, it calculates that students will take over an additional 500 houses over 20 years, and that this number should be built within Guildford Borough in consequence. We

consider it unrealistic that the University should be allowed to exert such substantial pressure on the domestic housing market. We consider that 100% of additional students requiring separate accommodation should be accommodated in halls of residence. This would require the building of 1,985 more rooms than the 2,425 already intended. Also, the University should construct additional rooms to reduce pressure in the local market.

6. Economic-driven forecasts

Future employment rates can be forecast and converted into dwelling requirements, with the results compared with demographic projections. However, we advise strongly against the use of the economic-based employment forecasts as a basis for calculating Objectively Assessed Need (OAN). Economic-driven employment forecasts are shaped by major forces which are difficult to foresee. In the detail, the economic forecasts used in the SHMA are unreliable in their estimates of employment in 2013 (the start of the assessment period). There are also substantial differences between the growth estimates provided by different forecasting firms. The SHMA contains hardly any sensitivity analysis of the results despite significant opportunities for the assumptions used to be wrong.

The dwelling estimates derived from the employment forecasts at district level are used in a biased and clearly unacceptable way. The SHMA in effect prefers the use of employment-led forecasts in Guildford and Woking where these result in dwelling needs of 250pa higher than the demographic projections, but rejects them in Waverley where they result in dwelling needs 174pa lower than the demographic projections. If the employment-led forecasts are considered to be more reliable than the household projections, against our recommendation, the total dwelling requirement for all three districts should be distributed by agreement amongst the three authorities. The very substantial changes from the district housing requirements generated by the demographic projections should not be necessary within a Housing Market Area like West Surrey. There should be little real difference for housing market and employment opportunity purposes whether people live in Waverley or Guildford or Woking to occupy jobs in the West Surrey Housing Market Area. We recommend abandoning use of the use of employment-led forecasts and using the household projections instead. This would lead to a reduction in proposed housing requirements of 120pa in Guildford and 130pa in Woking.

Taken together from (1) to (6) above, the dwelling requirements for West Surrey 2013-2033 should be 1,261 per annum, derived and distributed as shown in Table 1.

Table 1: Summary of reductions recommended to OAN in the West Surrey SHMA (2013-33)

<i>Annual dwelling supply</i>	Guildford	Waverley	Woking	West Surrey
OAN recommended in the SHMA	693	519	517	1,729
Vacancy rate	-36	-37	-17	-90
Responding to market signals	-31	-26	-46	-103
Student housing	*-25	0	0	*-25
Economic-driven forecasts	-120	0	-130	-250
Recommended revised OAN	481	456	324	1,261

* Students transferred to institutional population: halls of residence to be constructed instead.

INTRODUCTION

(i) The Surrey Branch of the Campaign to Protect Rural England wishes to ensure that there is a sound basis for the preparation of Local Plans and for considering housing development proposals in the local authority areas of Guildford, Waverley and Woking. These are the three authorities comprising the West Surrey 'Housing Market Area', for whom the consultancy GL Hearn prepared a 'Strategic Housing Market Assessment' (SHMA) in September 2015. CPRE Surrey has asked Green Balance to advise on the SHMA's recommendations for the scale of housing development in each of the three local authorities over the period 2013-2033.

(ii) This report is not a comprehensive review of the SHMA and the full extent of its assumptions. In particular, the report does not for the most part address the assumptions used in the population projections for West Surrey: absence of comment on those should not be viewed as acceptance. Instead, the objective of this report is to concentrate on the way the SHMA treats just six key topics which are important in building up a picture of 'Objectively Assessed Need' in West Surrey.

(iii) The topics covered in each of the sections which follow are:

1. Migration from London (following the adoption of the Further Alterations to the London Plan);
2. Vacancy rate;
3. The need for affordable housing: concealed households;
4. Responding to market signals;
5. Student housing;
6. Economic-driven forecasts.

(iv) For most (but not all) topics, the matters covered in each section include:

- a background explanation of the significance of the issue to provide some context;
- information on how the topic applies in West Surrey;
- a description and review of how the SHMA tackles the topic; and
- where appropriate, an alternative approach with recommendations, which Green Balance proposes instead.

An aim has been to make accessible this inevitably technical material.

(v) This study only covers the objectivity of the SHMA in assessing housing need. It advises on the number of houses for which each local authority should be planning. It does not address environmental or planning constraints on development which might prompt a Local Plan to prepare for the supply of a smaller number of dwellings. Nor does it provide planning advice on housing 'delivery' – where to build the houses, how to plan for commuting between homes and workplaces, where to site student halls of residence, how many of the proposed dwellings should be subsidised affordable homes, or the wide range of other planning topics covered in Local Plans. Decisions on those matters are for later, once it is clear how many homes should be supplied. The SHMA is but one consideration in the whole plan-making process.

1 MIGRATION FROM LONDON

1.1 The West Surrey SHMA includes a review of migration between London and the West Surrey authorities (paragraphs 4.67-78). GL Hearn presents information on the pattern of movements each way to and from the three local authorities between 2001/02 and 2012/13, and then examines some options for projecting the levels of movement to 2033. A key feature found was that the net out-flow of population from London changed with the recession: this dropped sharply in Guildford, discernibly in Waverley and there was no real change (fractionally greater net outflow) in Woking. Net outflows across West Surrey have not yet recovered fully. GL Hearn then enquired into the likely pattern of migration to 2033.

1.2 The starting point for this was the 2012-based Sub-National Population Projections (SNPP) adjusted to include the impact of the mid-2013 population estimates. However, The Greater London Authority had used its own population (and household) projections which differed from the SNPP, so GL Hearn carried out a London Migration Sensitivity Analysis (LMSA) which used similar assumptions to the GLA's modelling. The SNPP base population estimates are given in the SHMA Table 13 and the LMSA estimates in Table 24. These are compared in Table 2 below.

Table 2: Projected population growth in West Surrey (2013-2033): SNPP and LMSA

	Population 2013	Model	Population 2033	Change in population	% change
Guildford	141,009	SNPP	162,188	21,179	15.0
		LMSA	164,881	23,872	16.9
Waverley	122,426	SNPP	138,729	16,303	13.3
		LMSA	139,394	16,968	13.9
Woking	99,567	SNPP	111,531	11,964	12.0
		LMSA	111,314	11,747	11.8
West Surrey	363,002	SNPP	412,448	49,446	13.6
		LMSA	415,590	52,588	14.5

1.3 GL Hearn calculated that using the LMSA results would raise the dwelling requirement in West Surrey by 4%, from 1,352 to 1,411 dwellings per annum with most of the increase in Guildford (see their Table 25), but they did not recommend any change to the use of the baseline SNPP figures. They commented in their paragraph 4.78 that "There is a degree of uncertainty regarding future migration dynamics to/from London, and indeed it could be that changes in housing market circumstances have implications on out-migration from each of the authorities to other parts of the Country (with thus an increase in both in- and outmigration)." We agree, and consider that changes to the population projections are not justified in the face of that uncertainty.

1.4 We also consider GL Hearn were wise not to propose changes to the net migration assumptions from London for the following additional reasons.

(i) The Greater London Authority (GLA) carried out its own population and household projections which were used to create the latest version of the London Plan (following a programme of Further Alterations to the London Plan [FALP] on which an Inspector reported in November 2014). The GLA assumed a larger population in London than did the SNPP, so the migration figures consequently tended to be larger also. There are risks involved in mixing the assumptions from two projection methods in the same location. As the differences in the estimated population changes in West Surrey over the 20 years to 2033 were small (see Table 2 above), we consider that there was no justification for the complication of including the impacts of the different projection methodology.

(ii) The model which the Greater London Authority used for FALP could not explicitly pull out future flows to individual local authorities outside of London. The best it was able to do for that set was provide a breakdown of assumed flows to the South East and East regions as individual bodies. We consider that this is far too broad brush an output from the GLA model to justify changing the population estimates in West Surrey, none of whose three authorities even share a boundary with London. The model used by GL Hearn to produce figures as far ahead as 2033 is therefore substantially aspirational rather than grounded.

(iii) The Inspector who Examined FALP also highlighted the great uncertainty about likely future population movements across the London boundary. He said in his report: “The GLA accepts that there is a significant degree of uncertainty regarding the impact of the recession and recovery on migration. Net domestic out migration from London fell from around 70-80,000 per annum (pa) pre 2008 to 32,000 pa the year after. Levels have begun to increase as the economy has recovered but the trend is difficult to predict. The reasons for this are set out in the SHMA18 and are far too long and complicated to go into in detail here but are mainly due to difficulties in obtaining accurate/reliable data and the volatility of migration flows which can be affected significantly by changes in the economy, government policy and world events” (paragraph 26).

2 VACANCY RATE

Background

2.1 Not every dwelling is available to be occupied by a household all the time. Some are empty, or temporarily unoccupied, or used only intermittently. A proportion of the dwelling stock is in effect not available for wider use at any particular moment in time, even though the number of dwellings in an area usually exceeds the number of households. This is termed the 'vacancy rate'. The higher the vacancy rate the larger the number of dwellings not immediately available. Planning authorities are often keen to bring back into use such vacant dwellings where there is no good reason for the vacancy, both to invigorate an area and to avoid the need to provide land elsewhere for new dwellings instead.

2.2 The primary reason for vacancy is to allow for the movement of households around the housing stock, as there can be delays between the date when one occupant ceases to be resident and the next occupant moves in. For example, this allows for resolving the property affairs of a lone resident who moves into a care home or dies, renovation of property between successive occupants, and households who own more than one property temporarily as they move from one to the other. Vacancy rates can also be significant when the stock on offer in an area exceeds the demand from the number of households there ('low demand' areas), though Surrey is clearly not one of these.

2.3 In addition, households can have two or more homes available to them. Apart from their main residences, households may own holiday homes. Households or employers may also own or occupy an additional dwelling for work purposes. Amongst other examples, work homes may be a private pied-a-terre for week-day occupation far from home, a company-owned property available to a succession of staff, or a private home for a household whose job provides accommodation. Second homes are also included in the overall 'vacancy rate'.

2.4 A vacancy rate is assumed in the dwelling stock in order to estimate future housing supply requirements. This is expressed as an additional percentage which converts the number of households to numbers of dwellings required.

Vacancy in the West Surrey SHMA

2.5 In the West Surrey SHMA, September 2015, GL Hearn assumes that the vacancy rates will be as follows (paragraph 4.59):

- Guildford – 4.2%
- Waverley – 4.7%
- Woking – 3.1%

We consider these vacancy rates assumptions to be too high.

2.6 First, the figures are said to be based on 'analysis of 2011 Census data about unoccupied household spaces'. However, the supporting data provided on this by GL Hearn are lower. Their Table 9 on 'Vacant and Second Homes (2011)' adds lower

percentages to the numbers of households in each local authority, even though they are apparently equally based on the 2011 Census. The Table 9 figures are:

- Guildford – 4.0%
- Waverley – 4.5%
- Woking – 3.0%

Unless the differences between Table 9 and paragraph 4.59 can be adequately explained, we consider the higher assumed vacancy rates in paragraph 4.59 to be unjustified.

2.7 Second, we consider that the data provided by the 2011 Census overstate the vacancy rate for planning purposes. The Census data refer to dwellings with ‘no usual residents’ rather than actually ‘vacant’. The relevant definition used in 2011 Census Table QS417EW is: “A household space with no usual residents may still be used by short-term residents, visitors who are present on census night, or a combination of short-term residents and visitors.” So far as second homes are concerned, the 2011 Census does not provide a separate count of ‘second homes’ as such. Instead of ‘second homes’ the term ‘household spaces with no usual residents’ includes within it ‘household spaces which are used only as second addresses’ (at which a person stayed for more than 30 days per year). (The latter do not appear to be separately tabulated.)

2.8 There are various ways of occupying property which are caught by the ‘no usual residents’ definition in the Census, which increase the figures above both genuinely ‘vacant’ and ‘second homes’. For example, the definition would include someone resident in the country for six months of the year for work purposes (a short term resident) and renting their accommodation. The approach to ‘no usual residents’ is likely to be the principal cause of over-statement of the number of vacant dwellings.

2.9 An indication of the impact of the approach used in the 2011 Census is given by comparing the results with the 2001 Census. The 2001 Census specifically identified vacant dwellings and second residences (Table S048). Table 3 below shows an overall increase in vacancy of 61% in West Surrey. This appears unrealistic and is challenged by other data sets (see below), reinforcing the likelihood that it is the new ‘no usual resident’ approach in the 2011 Census rather than actual practice which is the underlying explanation for the change in 2011.

Table 3: Vacancy levels in West Surrey in the 2001 and 2011 Censuses

	2001 (S048)			2011 (QS417EW)	Gain 2001-11 (%)
	Vacant	Second	Total	(No usual residents) Categories combined	
Guildford	1,071	142	1,213	2,247	1,034 (85)
Waverley	1,175	213	1,388	2,317	929 (67)
Woking	889	98	987	1,224	237 (24)
West Surrey	3,135	453	3,588	5,788	2,200 (61)

Preferred vacancy data

2.10 We consider that the vacancy rate should be taken from local authority sources rather than the Census. Data are provided in DCLG's Live Table 615 'Vacant dwellings by local authority district: England, from 2004' and from the record of second homes provided in the DCLG records of the Council Tax Base. For compatibility with GL Hearn's assumptions based on Census year 2011, we use the Table 'Council Taxbase local authority-level data 2011'. The numbers of homes identified in these two sources for 2011 are set out in Table 4 below:

Table 4: Vacancy data from local authority information sources in 2011

	Vacant homes (LT615)	Second homes (CTB)	Total
Guildford	1,312	305	1,617
Waverley	1,553	387	1,940
Woking	811	236	1,047
West Surrey	3,676	928	4,604

2.11 Taking the same figures for numbers of households in 2011 as in GL Hearn Table 9, these generate vacancy rates as follows (with the GL Hearn figures in brackets):

- Guildford – 2.9% (4.2%)
- Waverley – 3.0% (4.7%)
- Woking – 2.6% (3.1%)

2.12 DCLG provides data each year for vacant homes, second homes and the dwelling stock in each local authority. This is an added advantage of using DCLG rather than Census information, as the figures do not become progressively more out-of-date until the next Census. Data for 2011, 2012, 2013 and 2014 are provided in Appendix 1. Using our method for calculating vacancy rates, and updating to 2013 (the base year used in the West Surrey SHMA calculations), the assumed vacancy rates can be taken from the final entries in the 2013 columns in Table 12 in Appendix 1 (with GL Hearn's in brackets):

- Guildford – 3.5% (4.2%)
- Waverley – 3.8% (4.7%)
- Woking – 2.7% (3.1%)

2.13 Our vacancy rates are reasonable starting points for planning for Local Plan periods, but they are not targets. In our view an objective of the Local Plans in the three authorities should be to reduce the number of empty dwellings wherever practicable. As a minimum we would expect authorities to eliminate long-term vacant dwellings (defined by DCLG as unoccupied for more than 6 months) by the end of their Plan periods (or 2033 as used in the GL Hearn analysis in the West Surrey SHMA, which we follow). The numbers of long-term vacant dwellings is provided in DCLG Live Table 615 and so is compatible with the other data used in Table 12 in Appendix 1. We make the assumption that the backlog of long-term vacant properties will be cleared by 2033. The figures are given for each authority in Table 5 below, summing to 1,216 in 2013.

2.14 Vacant dwellings other than long-term vacant dwellings are likely to be more challenging to bring back into use (or more rapidly back into use). For the purposes of assessing future vacancy rates we therefore assume that this will not happen. The deduction of long-term vacant dwellings from ‘total empties’ leaves behind the other vacant dwellings and second homes (called ‘other vacant’ in Table 5 below) from which our preferred vacancy rates can be calculated. Table 5 shows the results using 2013 data for the West Surrey districts. We consider that the vacancy rate in these remaining empty (‘other vacant’) dwellings is a reasonable target for 2033: this gives 20 years to clear the backlog of long-term vacant dwellings. Using the same calculation method as above, the target vacancy rates for 2033 are reduced to those in the final column of data of Table 5 below. They broadly reflect current rates of vacancy due to stock turnover and second home ownership in each of the authorities.

Table 5: Long-term vacant dwellings, and vacancy rates based on remaining vacants, 2013

	Dwelling stock	Total empties	Long term vacant	Other vacant	Vacancy target
Guildford	56,620	1,898	470	1,428	2.5%
Waverley	51,900	1,892	476	1,416	2.7%
Woking	41,100	1,088	270	818	2.0%
W Surrey	149,620	4,878	1,216	3,662	2.4%

2.15 The overall effect of the different assumptions about vacancy on dwelling requirements can now be calculated. Our method is as follows:

- (i) We have used the same estimated numbers of households in 2013 and in 2033 as did GL Hearn (their Table 19).
- (ii) For each of the three authorities GL Hearn applied the same three vacancy rates in both 2013 and 2033, assuming that these were both accurate and fixed.
- (iii) We recommend instead using more realistic current vacancy rates (for 2013 for compatibility) and reduced vacancy rates for 2033 (based on clearing the backlog of long-term vacant dwellings).
- (iv) The vacancy rates are applied to the household numbers in each case, giving dwelling requirements in both 2013 and 2033. (Although this gives different estimates of dwelling numbers in 2013 from the different vacancy assumptions, that is a [minor] consequence of the method used.)
- (v) The extra dwellings assumed to be needed to house the additional households arising between 2013 and 2033 can be found by subtraction using each pair of assumptions.
- (vi) The differences between the calculated extra dwelling requirements represent the reduction in number of dwellings needed by 2033 under our vacancy assumptions compared with GL Hearn’s.

Table 6: Additional dwellings required by 2033 under different vacancy rate assumptions

	Households 2013	Vacancy rate 2013	Dwellings 2013 (est.)	Households 2033	Vacancy rate 2033	Dwellings 2033	Extra dwellings	Reduction (20 years)
Guildford	55,351	4.2	57,676	65,279	4.2	68,021	10,345	
		3.5	57,288		2.5	66,911	9,623	722
Waverley	49,691	4.7	52,026	59,108	4.7	61,886	9,860	
		3.8	51,579		2.7	60,704	9,125	735
Woking	39,757	3.1	40,989	46,380	3.1	47,818	6,829	
		2.7	40,830		2.0	47,308	6,478	351
W Surrey	144,798	n/a	n/a	170,767	n/a	n/a	n/a	1,808

2.16 Compared with the GL Hearn approach, the impact of our proposed approach to vacancy across West Surrey would be to reduce the need for new dwelling construction by 1,808 dwellings by the year 2033. Across the 20 years of the assessment 2013-2033, 1,808 dwellings represents a reduction of 90 dwellings annually needed in West Surrey. The local reductions which we recommend would be:

- 36 dwellings annually in Guildford,
- 37 dwellings annually in Waverley and
- 17 dwellings annually in Woking.

3. THE NEED FOR AFFORDABLE HOUSING: CONCEALED HOUSEHOLDS

Background

3.1 A 'concealed household' is a separate household residing within a host household in a dwelling. The detailed definition of a concealed household has changed over the years (see Box), variously including or excluding single adults and households concealed by their own choice. Typical examples of concealed households are: a married couple living with one of the couple's parents, a single mother (and child) living with her mother, and older couples living with an adult child and their family. The definition currently used by the Office for National Statistics excludes single people, so concealed households are synonymous with concealed families (whether married or cohabiting).

Definitions of 'concealed households'

"A *concealed household* is a household that currently lives within another household but has a preference to live independently and is unable to afford appropriate market housing", in *Strategic Housing Market Assessments: Annexes*, DCLG, April 2007.

Concealed households "are married couple, cohabiting couples or lone parents who are not part of a separate household", in *Updating Communities and Local Government's household projections to a 2006 base: Methodology report*, DCLG, March 2009.

Concealed households are categorised as:

Concealed married couple household: a married couple family living within a household where another person is household representative.

Concealed cohabiting couple household: a cohabiting couple family living within a household where another person is household representative.

Concealed lone parent household: a lone parent with dependent child(ren) living within a household where another person is household representative."

In *Household Projections to 2031, England* [the 2006-based household projections], DCLG Housing Statistical Release 11 March 2009.

"Concealed households are family units or single adults living within other households, who may be regarded as potential separate households which may wish to form given appropriate opportunity", in *Estimating housing need*, Glen Bramley et al for DCLG, November 2010.

A concealed family is "a couple or single parent family, living in a multi-family household, where the Family Reference Person is not the Household Reference Person", *2011 Census*, ONS.

"A concealed family is one that does not include the Household Reference Person" [formerly Head of Household], Nomis for ONS, Table *LC1110EW - Concealed family status by family type by dependent children by age of Family Reference Person (FRP)*, 23 January 2014.

"Concealed families are married, cohabiting (with or without children) or lone parent families that exist within the parental household but are treated as a separate family", in *Young adults living in concealed families by age group and family type, UK, 2014*, ONS, 2016.

3.2 Concealed households matter when estimating the need for additional dwellings because many of them aspire to occupy a separate dwelling. A proportion will lack the financial means to do so and will therefore require affordable housing with some kind of state assistance, which will necessitate the provision of an additional dwelling. Concealed

households therefore contribute to the backlog of unmet housing need. Typically around 30% of lettings in the social housing sector may be concealed households (Glen Bramley et al, 2010, *Estimating housing need*, DCLG, para. 3.11).

3.3 The Planning Practice Guidance on *Housing and economic development needs assessments* advises at paragraph 24: “Plan makers should establish unmet (gross) need for affordable housing by assessing past trends and recording current estimates of... the number of concealed households.” The only detailed source of information on concealed households is the decennial Census. The 2011 Census is becoming increasingly out-of-date. Information is not collected annually on a comprehensive basis, and information from the English Housing Survey is not available at district level due to sample sizes.

3.4 The 2006-based household projections, published in March 2009, were the last set of DCLG household projections to include projections for concealed households. Since then DCLG has dropped their use, arguing that its Steering Group “was concerned that the implied number of concealed households produced by the model could partly be an artefact of the projections process and felt that more suitable measures of backlog of need could be provided by other data sources” (*Proposed changes to the National Statistics publication on household projections: Summary of responses to consultation*, DCLG, 2010). It also noted that concealed households from the CLG projections model were not used by other key models of housing need. In addition to those reasons, there has long been difficulty in knowing what proportion of concealed households are occupying dwellings that way from choice rather than out of economic necessity.

3.5 Estimates of concealed households were omitted from the DCLG household projections based on data from 2008, 2011 and 2012. The principal consequences of doing so on the estimates of household numbers were to:

- increase household sizes (e.g. identifying additional extended families); and
- reduce household formation rates.

In effect, households previously identified as concealed now only come to exist in the statistics when they are able to set themselves up in a separate dwelling.

Concealed households in the West Surrey SHMA

3.6 The 2011 Census identified 276,000 concealed families in England, representing about 1.8% of all families in households. The numbers in West Surrey are given for each authority in Table 48 of the West Surrey SHMA, and reproduced in Table 7 below with an additional breakdown by family type:

Table 7: Concealed families by type in West Surrey, 2011 Census

	Lone parent family	Couple family	All concealed families	All families	% of families concealed
Guildford	122	340	462	37,283	1.2%
Waverley	107	267	374	34,839	1.1%
Woking	162	404	566	28,335	2.0%
West Surrey	391	1,011	1,402	100,457	1.4%

Source: Table LC1110EW, Nomis

3.7 GL Hearn's Table 48 shows that the bulk of current households without housing are concealed households. It also suggests that about four fifths of current households without housing will require assistance through affordable housing as they cannot afford open market dwellings (though the assumptions are not well explained). Conversely, about one fifth of concealed households appear to have chosen to occupy a dwelling in this way, even though they could have afforded to move away to form a separate household. There will additionally be some households who wish to occupy a dwelling this way even though they could not in any event have afforded to move away as a separate household.

Preferred information on concealed households

3.8 In conclusion, we would have preferred to see in the SHMA:

- (a) Clearer justification for the proportions of concealed households able or not able to access the open market (to rent or buy).
- (b) A reduction in the number of concealed households for whom affordable housing provision should be made, to allow for households who choose to occupy a dwelling this way and do not need a separate one (even though in any event be unable to afford that). The evidence to support any particular number is limited, but we do not accept the GL Hearn assumption that 100% of concealed households in this category should be assumed to wish to move away to form a separate household in a separate dwelling.

4. RESPONDING TO MARKET SIGNALS

Background

4.1 The National Planning Policy Framework (2012) contains encouragement to local planning authorities to take into account 'market signals' in their housing strategies and elsewhere (paragraphs 17 and 158). Planning Policy Statement 3 *Housing* beforehand had also contained such advice. Detailed guidance was provided with the publication in March 2014 of the Planning Practice Guidance on *Housing and economic development needs assessments*. The Strategic Housing Market Assessment has been the vehicle for applying the policy and the guidance.

4.2 Paragraph 19 of the PPG responds to the question 'How should market signals be taken into account?', and paragraph 20 to the question 'How should plan makers respond to market signals?' The relevant signals to investigate include the area's relative performance in relation to land prices, house prices, rents, affordability, rate of development and overcrowding. Paragraph 20 then states that "A worsening trend in any of these indicators will require upward adjustment to planned housing numbers compared to ones based solely on household projections..... In areas where an upward adjustment is required, plan makers should set this adjustment at a level that is reasonable. The more significant the affordability constraints (as reflected in rising prices and rents, and worsening affordability ratio) and the stronger other indicators 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." It then advises that local authorities "should increase planned supply by an amount that, on reasonable assumptions and consistent with principles of sustainable development, could be expected to improve affordability, and monitor the response of the market over the plan period."

Preferred use of market signals

4.3 Our view is that increasing housing land supply as a means of improving the affordability of housing in West Surrey (i.e. by causing the supply of housing to increase and thereby the price of housing to fall) simply will not work. The policy is economically misconceived and the housing market does not operate in relation to the planning system in the way that the Treasury and DCLG think it should (as expressed in the PPG). Our key arguments are outlined in Appendix 2. We consider the planning system could play its part better in contributing to the housing supply the nation needs if those issues which it can affect were not skewed by an obligation to respond to market signals.

Preferred response to market signals

4.4 Chapter 7 of the West Surrey SHMA assesses market signals in line with Government guidance. The results are summarised in paragraph 7.47: "Overall the analysis of market signals and affordable housing needs points clearly to higher affordability pressures in the HMA than in other parts of the country. The demographic analysis indicates that levels of household formation, particularly for younger households, have fallen." We agree with that analysis.

4.5 GL Hearn argues in response to the circumstances which they identify “It is important to consider how these housing market trends relate through to demographic projections in considering, as the Planning Practice Guidance recommends, whether there is a case for adjusting levels of housing provision in effect to improve affordability over the longer-term” (paragraph 7.50). Their approach is to consider whether affordability constraints have been stifling household formation, for which there should be some revision in the estimate of future household numbers and therefore dwellings.

4.6 The effect of GL Hearn approach is therefore to argue that the DCLG household projections failed to take into account household numbers constrained by affordability. There is just one incidence of this which they claim merits an adjustment to the household numbers. This is that “a decline in household formation rates in younger people, particularly amongst those aged between 25 and 34. This is the one age group identified earlier as showing some degree of suppression when balancing past trends and the future projection” (paragraph 7.52). Their sensitivity analysis “models the implications of returning household formation rates over the period to 2033 back to levels seen in 2001 (i.e. before the rate started to decrease). If achieved, the effect would be to reduce the proportions of shared households, concealed households and persons within this age group living with parents” (paragraph 7.54).

4.7 We disagree with the GL Hearn analysis on suppressed demand in two important respects which we explain below:

- we do not consider that a return to 2001 household formation rates amongst the age group 25-34 is realistic; and
- we do not accept that releasing land for 103 additional dwellings per year in West Surrey would have the effect of enabling the 25-34 age group to return to its 2001 household formation rate.

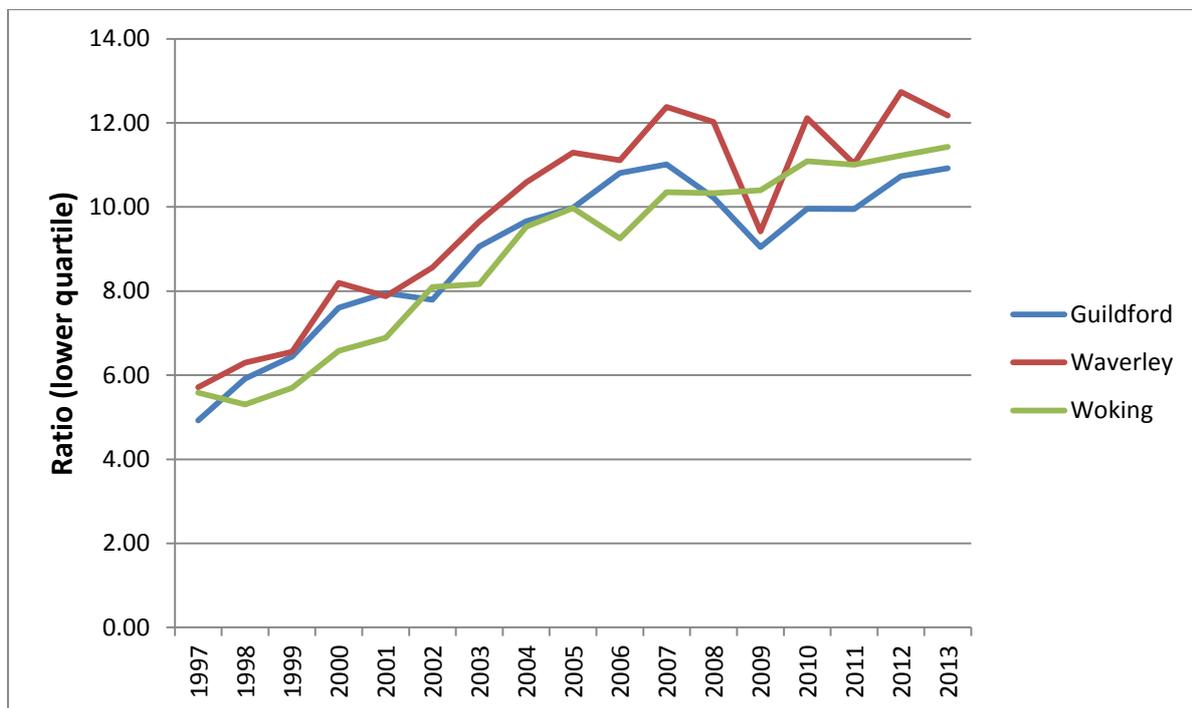
4.8 Our evidence on likely future household formation rates is as follows:

- (i) The basis for GL Hearn’s interest in possible suppression of household formation in the 25-34 age group derives from the charts in their Figure 26. This compares household formation rate for each age group using the DCLG household projections based on data from 2008, 2011 and 2012. The formation rates projected from 2011 and 2012 data are invariably lower than from the 2008 data, and this is especially apparent in the 25-34 age group. GL Hearn suggest in their paragraph 7.53 that this reduction prompted their interest in assessing a return to 2001 household formation rates. We consider it important that the 2008-based projections are ignored as a comparator for the 2012-based projections. This is because the 2011 Census demonstrated that they were wrong. The 2011 Census showed that long term trends in household formation changed sharply between 2001 and 2011. Net additional household formation was down by about 20%. That had not been anticipated by the 2008-based projections. The 2012-based projections are more realistic, using up-to-date information. These do of course confirm that there was a decline in household formation rates between 2001 and 2012 in the 25-34 age

group, but there is no reason to believe there is an implied 'shortfall' against the 2008-based projections.

- (ii) The chart for the 25-34 age group in the SMHA Figure 26 suggests that the decline in household size began in 2001 (see 2012-based household projection). That is, the decline began well before the recession, which took hold in 2008. Young adults have increasingly been living within a parental home for longer, or living in other shared accommodation rather than separate accommodation, since 2001. Therefore 'reversing the effects of the recession' will not return household formation in this age group back to 2001 levels.

Figure 1 Ratio of house prices to earnings in West Surrey



Source: DCLG Live Table 576

- (iii) So far as housing affordability is concerned, evidence suggests that the recession should generally have increased household formation for younger adults. The assumption behind the GL Hearn analysis is that 'improved affordability' resulting from extra house building (facilitated by extra land supply) will enable household formation amongst 25-34 year olds to return to 2001 levels. However, Figure 1 shows that the affordability of housing deteriorated between 2001 and 2007, improved with the recession in Guildford and Waverley (though not in Woking) and has fitfully deteriorated since 2008. Houses were fractionally more affordable in 2013 than they had been in 2007 in both Guildford and Waverley (though not in Woking). (The figures are based on lower quartile house prices and lower quartile earnings, which are the most appropriate for the age group under study.) These findings suggest that any decline in household formation amongst young adults since 2008 can have had little to do with the impact of the recession on housing

affordability (other than slightly in Woking). Falling incomes and the credit crunch may well have inhibited some people from forming separate households during the recession, but additional land supply of the kind proposed by GL Hearn would have no impact on that. Recessions are usually beneficial for housing affordability per se.

- (iv) Recent academic opinion suggests that lower household formation rates amongst young adults are not a temporary deviation but broadly here to stay. This was addressed by Professor Ludi Simpson in December 2014 (*Whither household projections?*, Town and Country Planning, TCPA). He commented that higher household formation rates seemed unlikely: “The causes of reduced household formation are varied, began before the recession, and mostly are likely to continue with or without recession.... In the 2000s there was a sustained increase among young people not leaving home, and in those returning home. The increased number living with their parents began at the turn of the millennium; the increase did accelerate after 2008. The introduction of student fees from 1998, and the increase in precarious employment, including the rapid growth of part-time work, could both change in the future. But they appear at the moment as fixed circumstances of the policy and economic environment.”

He continued: “Whether young adults aged 25-34 will recover to their previous levels of household formation when the economic situation improves is arguable, and is dependent on the success of ‘Help to Buy’ schemes and the impact of high affordability ratios, high rental prices, welfare retrenchment, and increased student fees and debts. The housing market and government policies to provide or stimulate affordable housing will affect future household formation.” Given the improbability of the majority of these circumstances improving soon, our own view is that a return to 2001 household formation rates by young adults is implausible, and certainly will not be achieved by land releases.

Professor Simpson concluded “the experience of the past two decades, and not just the economic crisis of the late 2000s, does suggest that we are not in a position to expect further increases in household formation rates of the same kind [as before].... The future in the UK is likely to be a continuation of precarious household formation. It will probably be lower than once projected and carry more uncertainty, until further structural shifts occur.”

- (v) Neil McDonald and Professor Christine Whitehead (*New estimates of housing requirements in England, 2012 to 2037*, November 2015, Town and Country Planning, TCPA) have recently specifically endorsed the findings of Professor Simpson. In a section enquiring ‘Are the changes in household formation rates a temporary deviation from past trends or an indication of a new long-term trend?’, they conclude: “although economic growth might be expected to increase the household formation rate, there are both longer-term structural changes and other factors still in the pipeline (such as welfare reforms) that could offset any such increase.” They note that increasing levels of student debt and welfare reform affect the capacity of younger households to form separate households, and these

have not been fully reflected in the 2012-based household projections and are likely to serve to reduce household formation rates further.

They offer three arguments in support of this additional to Professor Simpson's:

- The falling household formation rates of couples especially in the 25-34 age group have been observed since at least 1991. They comment: "Thus the economic crisis at the end of the 1980s, not that of 2008, was the start of the downward trend in household formation among younger people – and the trend was not reversed as the economy improved later in the 1990s and 2000s. Indeed, rather the opposite occurred – the rate of decline in the Household Representative Rates of the 25-29 and 30-34 year old age groups increased markedly between 2001 and 2011 to the point where the household formation rate of the 25-29 year old age group appears to have fallen to the same level as the 20-24 year old age group in 2011." (In short, the decline in household formation for young adults between 2001 and 2011 was not so much of an aberration requiring attention after all.)
- "The differences in household numbers arising from more people living in couples than envisaged in the 2008-based projections are unlikely to reverse. Had the Census found fewer couples than projected, it might have been reasonable to query whether economic conditions had delayed couple formation, but, as the reverse is the case, it seems unlikely that economic factors are a major driver of this change."
- "The 2012-based projections envisage reasonably sharp changes in the trajectories of the household formation rates for some groups and areas (... [they suggest] that the trajectories of the Household Representative Rates of younger couples will change direction fairly abruptly after 2011). It is questionable how plausible these changes are, which may suggest that household numbers will turn out to be lower than projected."

4.9 We conclude that the evidence strongly challenges the notion that there is any prospect of returning household formation rates in the 25-34 age group to 2001 levels. The 'sensitivity analysis' to explore this (SHMA paragraph 7.54ff) is therefore misconceived and the modelling work to apply it (not explained) is purely fanciful. Household formation rates lower than in 2001 are here to stay. There is therefore no basis whatever for suggesting an 'affordability uplift' in the annual dwelling supply in West Surrey of 98 (SHMA Table 53) or 103 (SHMA Figure 63) as a means of achieving the reversion. Furthermore, the forces currently driving household formation rates are not related to town planning, and housing affordability would most certainly not be resolved by extra housing land supply. We conclude also that in terms of paragraph 20 of the PPG, the amount by which planned supply should be increased, "on reasonable assumptions and consistent with principles of sustainable development, could be expected to improve affordability" is nil.

4.10 We strongly recommend that the adjustments to the demographic projections "to improve affordability (stronger household formation)" proposed in the SHMA paragraph

10.36 be deleted. This would reduce the annual dwelling requirement to meet Objectively Assessed Need in West Surrey as indicated in Figure 63 by the following amounts:

Guildford – 31 dwellings annually,

Waverley – 26 dwellings annually,

Woking – 46 dwellings annually.

5. STUDENT HOUSING

Background

5.1 A large number of students live in and around Guildford particularly during term time. Here the University of Surrey is by far the largest higher educational establishment, but others are Guildford School of Acting, the University of Law, Guildford College (including Merrist Wood), and the Academy of Contemporary Music. In Waverley, the University of the Creative Arts has a campus at Farnham. Students attending the various Universities and Colleges may live locally or within travelling distance at their parental or other usual place of residence, live in halls of residence or other purpose-built premises provided by their institution, or live in dwellings which would otherwise be available to the non-student population. The last category includes lodgings within other people's homes and dwellings occupied entirely by students where each has their own study/bedroom (houses in multiple occupation). Resident married students may occupy whole dwellings as a single household.

5.2 There is competition for dwelling space between students and other potential residents especially in and around Guildford. This is likely to intensify as the number of resident households in the area grows and the University of Surrey (in particular) expands. The number of students which the University can accommodate in halls of residence is clearly a significant factor affecting the availability of dwellings for the wider population.

5.3 The housing needed for students is unlikely to be greatly different between students resident permanently for the duration of their work (e.g. some post-graduates and researchers) and those present only during term time. This is because space available during the university holidays can only be offered on a very temporary basis and not to households needing permanent dwellings. The housing needs of part-time students is not wholly clear. Many part-time students are likely to commute from residences elsewhere to attend University in Guildford, rather than require a property to be available to them at any time throughout the academic year. In order not to overstate student residential requirements, we assume that part-time students do not need any accommodation. Referring to the housing needs only of 'full-time' students, who will certainly need accommodation (at least in term time), is the most convenient approach to this, but will tend to understate total student housing needs.

5.4 The way in which students are accounted for demographically depends on where they live. In halls of residence they are part of the 'institutional' population, whereas in dwellings that could otherwise be occupied by other people they are in the 'household' population. The household projections only include the projected requirements of households, with students in halls of residence omitted. The household projections account for students at their location during term, not where they live in holidays (e.g. with parents).

5.5 The Planning Practice Guidance *Housing and economic development needs assessments* advises: "Local planning authorities should plan for sufficient student accommodation whether it consists of communal halls of residence or self-contained

dwellings, and whether or not it is on campus. Student housing provided by private landlords is often a lower-cost form of housing. Encouraging more dedicated student accommodation may provide low cost housing that takes pressure off the private rented sector and increases the overall housing stock. Plan makers are encouraged to consider options which would support both the needs of the student population as well as local residents before imposing caps or restrictions on students living outside of university-provided accommodation. Plan makers should engage with universities and other higher educational establishments to better understand their student accommodation requirements” (paragraph 21).

5.6 The PPG goes on at paragraph 38 to tackle the question: ‘How should local planning authorities deal with student housing?’: “All student accommodation, whether it consists of communal halls of residence or self-contained dwellings, and whether or not it is on campus, can be included towards the housing requirement, based on the amount of accommodation it releases in the housing market. Notwithstanding, local authorities should take steps to avoid double-counting.” Irrespective of the way students are counted demographically, this advice makes clear that student accommodation needs as a whole should be addressed through the planning system.

5.7 The current published response by Guildford Borough Council is given in the consultation draft Guildford Local Plan in July 2014. Paragraph 4.30 states that “To minimise the pressure on the existing housing stock it is important that any increase in full time student numbers on higher education courses attributed to increases in academic floor space is matched by the provision of purpose built student accommodation. This will enable the higher education establishments to grow at a sustainable rate whilst minimising the impact on the local housing market”. However, Policy 3 *Homes for All* contains a paragraph on students which falls well short of this: “We will expect a minimum of 60 per cent of the University of Surrey eligible student population (full time equivalent) to be provided with student accommodation on their campus or on university owned land. Should other higher education establishments expand through new development of academic floor space they will be expected to make student accommodation provision of up to 30 per cent of their increased eligible student population (full time equivalent).”

5.8 Questions for consideration include whether all additional full-time students should be housed in purpose-built accommodation, or just a percentage, or whether the current requirement from students for residential property in and around Guildford can be reduced in order to increase its availability to the wider household population.

Student housing in West Surrey

5.9 Numbers of students resident in Guildford are identified in the SHMA. GL Hearn use 2011 Census data to suggest that there were 10,714 full time students aged 18 and over living in Guildford Borough in 2011. The University of Surrey’s records show that there were 12,679 full-time students in the academic year 2011-12 (and 13,576 full-time equivalent with part-time students) – though figures for 2010-11, covering Census night, are not on the University’s website. If the 2011-12 figures are consistent with the Census, then 12,679 of the 16,755 students in West Surrey, or 76%, were from the University of

Surrey. The 2011 Census provides data not only on numbers of full-time students resident in each local authority but also the type of accommodation they occupied. Census Table LC4411EW provides accommodation data for students, reproduced in Table 8 below for those 18 years and older.

Table 8: Student accommodation by type in West Surrey, 2011

Student accommodation (FT)	Guildford	Waverley	Woking	West Surrey
Living with parents	1,567	1,432	1,600	4,599
Living communally: University	3,818	321	0	4,139
Living communally: other	119	373	10	502
Living in all-student household	3,439	680	168	4,287
Student living alone	233	84	60	377
Living in other household type	1,551	544	756	2,851
Total	10,727	3,434	2,594	16,755

5.10 The figures show that the further and higher education establishments based in West Surrey accommodated at 4,139 students in halls of residence in 2011 and a further 502 students lived communally. Most of the rest lived in residential accommodation of one kind or another. That year, students living in all-student households, living alone or in other household types (e.g. as lodgers) amounted to 5,223 in Guildford, 1,308 in Waverley, and 984 in Woking, making a total of 7,515 in West Surrey.

5.11 The likelihood is that multiple students occupy properties in ‘all-student households’, typically 3-8 depending on the type of property, so the number of family homes taken up by students in 2011 would have been much less than 7,515. The University of Surrey website states that the majority of houses in Guildford used by students are 4 bedroom houses, so if the average is four students per all-student household, the 4,287 students in West Surrey would have taken up around 1,070 dwellings in multiple occupation in 2011. Lone students would have occupied separate (probably small) accommodation in 377 properties, and taken up modest accommodation in 2,851 other household types. This accommodation taken together would have been suited to a range of household sizes in the local residential market, comprising space for of the order of 4,300 local households. The bulk of this accommodation is likely to have been taken by students of the University of Surrey.

5.12 However, the Census figures appear to be out of date. Compared with the 4,139 students in halls of residence in 2011 plus 502 students living in other communal arrangements, the University of Surrey alone provided 5,064 purpose-built student rooms in and around Guildford in 2014/15 (including 98 flats for families, virtually entirely for postgraduates). GL Hearn, working with the University, estimated that about 4,700 University students lived off-campus in rented accommodation in Guildford and neighbouring boroughs in 2013/14, compared with our estimate of 4,300 in 2011. University accommodation provision was virtually unchanged between 2013/14 and 2014/15. About 52% of the University’s students requiring accommodation for their studies therefore had their needs met in University accommodation. (Categories of student assumed not to require provision of accommodation included those living at

home, part-time students, those taking a year out, and those using distance-learning.) These figures exclude information from other further and higher educational establishments in West Surrey, though some of the University of Surrey's provision would have been made in Waverley and Woking rather than Guildford alone.

Preferred response to student housing

5.13 Looking ahead to student housing requirements in future years, the principal considerations are overall student numbers and the proportion of these who are full-time. Student numbers at the University of Surrey fell for three consecutive years to 2013/14, but rose again in 2014/15. The proportion of full-time students rose slightly but continuously through the period, and the University is targeting a higher proportion of full time students in future. This suggests a greater propensity to require accommodation. Historic trends to 2012/13 are indicated by GL Hearn in their Figure C2. Furthermore, if the proportion of overseas students were to increase, and the proportion of domestic students therefore decline, there would be additional accommodation requirements as 100% of overseas students could be expected to require housing (whereas a proportion of domestic students could be expected to live at home). GL Hearn reports that in 2013/14 approximately 30% of students at the University of Surrey were international, although the University expects this figure to grow over the next few years (SHMA pages 190 and 191). The need for student accommodation can therefore be expected to rise additionally in the coming years. GL Hearn also reports that overseas students are more likely than domestic students to reside in halls.

5.14 GL Hearn reports (SHMA page 197 and paragraphs 4.80 and 10.57) that the University of Surrey proposes to increase its student numbers (compared with 2013/14) by 3,300 by 2023/24 (2,800 Full Time Equivalent) and up to 6,300 students by the end of the Guildford Plan period 2033/34 (4,800 FTE). Allowing for the balance between full-time and part-time students, and a rising proportion of international students, GL Hearn and the University estimate that accommodation requirements about 2013/14 levels will rise by:

- 2,300 additional students by 2023/24, and a total of
- 4,410 additional students by 2033/34.

GL Hearn argues that “typically only 50%-60% of students eligible for halls will choose to reside in them”, (assuming 55%) so 2,425 students would require halls and the remaining 1,985 persons would fall within the household population (as opposed to those in halls who are part of the institutional population), see paragraphs 4.80 and 10.57. It suggests that up to 500 additional dwellings may be needed in the period up to 2033 to accommodate these 1,985 students (4.81, key message on page 119, 10.16 and 10.36). GL Hearn assumes that because the demand for accommodation would all be generated in Guildford, the entirety of the supply of dwellings should be within this Borough. 500 dwellings for students over 20 years would imply an average rate of building of 25 per annum.

5.15 Whether or not the proposed number of students is a sound base for planning, we do not accept that the accommodation of them need necessarily take the form proposed. In our view, the University of Surrey and other FHE institutions should not be considered for planning purposes as able to impose their desires without question upon the pattern of

housing supply in Guildford and the surrounding area. There are other issues to be taken into account, notably the already stressed local residential housing market and the option of erecting purpose-built accommodation for students. Some options are set out below, based so far as practicable on figures available for 2013/14 for comparison with GL Hearn.

5.16 Some other options for accommodating future student housing requirements (4,410 by 2033/34) include:

(a) Requiring the University of Surrey to ensure that the proportion of its eligible students living on campus, predominantly in halls of residence, in all future years is 60%. This is the proportion to which the University made a commitment during the preparation of the Guildford Local Plan 2003 and also the proportion currently set out in Policy 3 *Homes for All* in the draft Local Plan. Eligible students refers to those who specifically need accommodation, excluding those living at home, part-time students, those taking a year out, and those using distance-learning. This would require an additional 440 dwellings to be provided in West Surrey (22 annually for 20 years), the existing 1,175 houses in multiple student occupation to remain so used, and about 2,650 rooms to be built in halls of residence.

(b) Limiting the number of dwellings in the West Surrey area used by students from the University of Surrey to the number used in 2013/14. GL Hearn estimated this at about 1,175, accommodating about 4,700 students. Any growth in student numbers requiring accommodation would have to be met by the construction of halls of residence. This would be the effect of applying paragraph 4.30 of the draft Local Plan, which states that “it is important that any increase in full time student numbers on higher education courses attributed to increases in academic floor space is matched by the provision of purpose built student accommodation”. The existing 1,175 houses in multiple student occupation would remain so used, and about 4,410 rooms would need to be built in halls of residence.

(c) Increasing the supply of campus accommodation such as halls of residence so that by the end of the Guildford Plan period the entirety of the eligible student population is housed on campus. This would progressively allow about 1,175 residential dwellings to become available to households in Guildford and the surrounding area. To achieve this, 9,110 rooms would need to be built in halls of residence.

(d) Requiring no significant expansion of the University of Surrey in Guildford: expansion would have to be by construction of a satellite campus in an appropriate location, in all likelihood well out of area. This might even be in the country from which the predominant group of overseas students is being attracted to the University. The existing 1,175 houses in multiple student occupation would remain so used, but no additional student accommodation would need to be built on campus (unless the University chose to substitute this for houses in multiple student accommodation).

(e) Options (a), (b) and (c) might be applied to other FTE institutions in Guildford too.

5.17 The options clearly show that the larger the quantity of student accommodation which the University can provide on campus, the greater the reduction in pressure on the

residential housing market in Guildford and the surrounding area. In view of the great stress in the local housing market, we can see no case for the University of Surrey adding to it by creating a demand for an additional 500 dwellings to be commandeered by students in the period to 2033 (as GL Hearn proposes). Raising the proportion of eligible students housed on campus from 55% to 60% would effect a minor improvement (440 dwellings required), but the real need is to avoid any further pressure on the domestic residential market. The University of Surrey should commit as a minimum to housing all additional eligible students (above the 2013/14 base) on campus or in purpose-built accommodation on land it owns – essentially in halls of residence – and this should be written into the Local Plan in a revised policy. This would bring the policy into line with the intention set out in the supporting text.

5.18 The University of Surrey is in the fortunate position of having the capacity to accommodate substantial numbers of students if halls of residence are built on its own land. The bulk of this student housing could be provided at Manor Park. There is already an intention in the development brief for Manor Park (from 2002) to build about 1,000 flats here. The University was allocated more than 20 hectares additional to its medium term needs at Manor Park, and this too could be used for accommodation. There are also large areas of surface-level car parks at the Stag Hill and Manor Park campuses which could be reconfigured (as multi-storey car parks or beneath other development) to release substantial land for student housing. The potential would be further enhanced to release land from car parking use if the University of Surrey adopted a more positive approach to controlling the use of cars by students, such as restricting their use on campus other than in exceptional circumstances.

5.19 We recommend that the University of Surrey adopts a substantial building programme for halls of residence. This should primarily avoid increased pressure on the local residential market by ensuring that, if student numbers rise as planned, all will be accommodated in halls of residence throughout their stay. This would require the construction of 4,410 rooms by 2033 (which is 1,985 more than the University currently intends). We also recommend that the University should go beyond this, constructing additional rooms to reduce the existing scale of need to accommodate students in domestic property in Guildford and elsewhere.

6. ECONOMIC-DRIVEN FORECASTS

Background

6.1 The Planning Practice Guidance *Housing and economic development needs assessments* states: “Plan makers should make an assessment of the likely change in job numbers based on past trends and/or economic forecasts as appropriate and also having regard to the growth of the working age population in the housing market area.... Where the supply of working age population that is economically active (labour force supply) is less than the projected job growth, this could result in unsustainable commuting patterns (depending on public transport accessibility or other sustainable options such as walking or cycling) and could reduce the resilience of local businesses. In such circumstances, plan makers will need to consider how the location of new housing or infrastructure development could help address these problems” (para. 21). Employment growth figures can be converted with the aid of suitable assumptions to households and dwelling requirements. The West Surrey SHMA addresses these matters in its section 5.

6.2 A key point about projected job growth is that the methodologies which generate employment figures are wholly different from the methodologies used to generate household numbers demographically. Both should start from the same starting point (the number of households and employed people should be the same), but there is no reason why they should produce results which mesh with each other (and they rarely do). Even the same outcome from the different methods would be purely coincidental. Using the results is then a matter of judgement rather than logic. When both demographic projections and economic forecasts are available, users of the results must decide which to apply to calculate ‘Objectively Assessed Need’ for housing. Alternatively, a judgement could be reached that some other figure between the different outcomes could be used.

6.3 Employment forecasts are awkward and inevitably unreliable: there is understandably great uncertainty about how much employment will be generated in different areas when estimating many years ahead. The state of the economy, the future of major employers, and the forces shaping employers’ decisions can all have major effects but cannot be foreseen reliably. Even with the best evidence, employment forecasts are an exercise in sophisticated crystal-ball gazing! Employment forecasts also tend to suffer from aspirations: there is a tendency to hope that local economic conditions offer a very positive outlook to potential investors (no-one wants to talk-down the economy to discourage them), while economic forecasts rarely build-in the cyclical nature of the economy and the likelihood of future recessions. Our view is that economic (employment) forecasts should be treated with great caution, at most giving indicators of possible deviation from demographic projections but not being treated as superior.

Economic-driven forecasts in the West Surrey SHMA

6.4 Appendices E and F of the SHMA outline how workplace employment has been calculated for Woking and Guildford respectively, both for the 2013 starting date and 2033. These were prepared by the consultancy Aecom for the two Borough Councils. Likewise, the consultancy Atkins provided calculations for Waverley Borough Council. The

assessments provided by these consultants all take 2013 as the starting date. Table 9 compares the consultants' figures with those provided by the 2011 Census.

Table 9: Employment in West Surrey at the base date (workplace employment)

Area	2011 Census ¹	Consultants' estimates, 2013	Difference (%)
Guildford	78,311	(Aecom) ² 89,608	+14%
Waverley	52,757	(Atkins) ³ 41,390	-22%
Woking	44,568	(Aecom) ⁴ 53,483	+20%
West Surrey	175,636	184,481	+5%

Sources:

1. Total working in area, from SHMA Table 27
2. SHMA Appendix F
3. SHMA Table 26
4. SHMA Appendix E

6.5 Table 9 shows that there were substantial differences in estimates of employment, using different methods, between the survey in the 2011 Census and the figures derived for 2013 by the consultants. The differences at local authority level, of up to 22%, are unlikely to be explained by actual employment changes over so short a period (two years) between the figures, suggesting more fundamental disagreements between the methods. These differences need to be explained. GL Hearn deflected attention from the absolute figures for employment at the start of the study period by using only data for the increment in employment between 2013 and 2033 (paragraph 5.10).

6.6 There are also differences in the growth in the workforce calculated by the consultants in each local authority area over the 20 years to 2033, compared with the growth anticipated by the household projections. These are shown in Table 10 below, expressed as additional annual dwelling requirements for comparison. The differences in growth between the employment-led and demographic methods are broadly similar proportionately to the differences in the workforce assumptions at the starting point (Table 10 above). There needs to be a close examination of the links between the outturn dwelling requirements from the employment-led methodology and the assumed level of employment at the start of the study period.

Table 10: Annual dwelling requirements 2013-33 from demographic and economic models

Area	Demographic model (SHMA Table 20)	Economic model (SHMA Table 31)	Difference (%)
Guildford	517	637	+23%
Waverley	493	319	-35%
Woking	341	471	+38%
West Surrey	1,352	1,427	+6%

6.7 Aecom made clear recommendations about the employment growth they anticipated in Guildford and Woking, and Atkins did the same in Waverley. Atkins

recommended the use of its 'Scenario 3' (SHMA paragraph 5.14), but GL Hearn carry forward both Scenario 2 and Scenario 3 and then take the average outcome from them both (Table 28 and paragraph 5.24). We would have expected Scenario 2 to be dropped for the purposes of making subsequent calculations of Objectively Assessed Need, but Scenario 2 still contributes to the calculation of jobs growth in SHMA Table 28.

6.8 We challenge the reliability of the economic models used to estimate employment in the West Surrey authorities in 2033. First, Aecom relies on a 'Compound Annual Growth Rate' (CAGR) which they report as "rounded to three decimal places here but no rounding used in the calculation" – i.e. it had at least four decimal places. This may be statistically interesting but applies far too high a level of precision to employment rates which in reality fluctuate significantly in the short term, as clearly illustrated in Figure 29 of the SHMA between 1994 and 2014. Only a small change would be needed to the CAGR to have a significant impact on the results, showing that the method is unstable.

6.9 Second, GL Hearn admits that the employment forecasting methodologies from the three main forecasting firms (Cambridge Econometrics, Experian and Oxford Economics) available to use in the SHMA offer substantially different assumptions about growth rates in Guildford and Woking (paragraphs 5.6 and 5.7). (We note that two are 'forecasts' whereas one is a 'projection': these are distinctly different concepts.) In Guildford, the growth rate proposed by one of the three firms was nearly twice the growth rate proposed by one of the others: the choice of which one to use (GL Hearn simply opted for the average of the methods) must have had a very major impact on the assumed employment rate in 2033. In Waverley, the two most plausible options considered by Atkins (its Scenarios 2 and 3) differ by 21% in the amounts of total job growth they foresee (Table 26). Such volatile outcomes should not be relied upon to dictate the Objectively Assessed Need for housing in West Surrey.

6.10 The SHMA fails to present sufficient information for readers to understand how the growth in the number of jobs in each authority between 2013 and 2033 (Table 28) resulted in the number of houses assumed to be needed in 2033 (Table 31, 2nd data row). We have to take this on trust, but would like to see the workings. Paragraph 5.26 also acknowledges that figures in one of the intermediate stages – employment rates by age and sex (Table 29) – are based on "consideration of assumptions from a range of different forecasting houses and trends shown between the 2001 and 2011 Census". We would expect to see sensitivity analysis of these matters, considering the likely effects on the outcomes.

6.11 The results of the employment rate forecasting, expressed in terms of households and dwellings (for comparison with the demographic projections), are set out in SHMA Table 31. Table 11 below reproduces the main findings alongside those from GL Hearn's household projections (SHMA Table 20).

Table 11: Household and dwelling growth using demographic and economic methodologies

	Households 2013	Model	Households 2033	Change in households	Additional dwellings pa
Guildford	55,351	Demographic	65,279	9,928	517
		Economic	67,579	12,229	637
Waverley	49,691	Demographic	59,108	9,417	493
		Economic	55,775	6,084	319
Woking	39,757	Demographic	46,380	6,623	341
		Economic	48,900	9,143	471
West Surrey	144,798	Demographic	170,767	25,969	1,352
		Economic	172,254	27,456	1,427

Preferred response to economic-driven forecasts

6.12 The findings in Table 11 above show that the employment forecasts indicate a need for significantly more dwellings in Guildford and Woking than do the household projections, but that this position is reversed in Waverley. GL Hearn note that in Waverley that is the outcome whether Scenario 2 or Scenario 3 (see above) is used. Paragraph 5.32 then makes the extraordinary statement: “Therefore both Scenario 2 and 3 result in continuation of the demographic led need, i.e. 493 homes per annum.” That statement reveals an extensive misunderstanding of the evidence, and results in a very large and unjustified rise in the calculated Objectively Assessed Need.

6.13 GL Hearn has made the error of assuming that the demographic projections and parts of the employment rate forecasts can be treated as additive. The amounts by which the employment forecasts are higher than the demographic projections (120 dwellings per annum in Guildford and 130 in Woking) are simply added to the demographic outturns in Figure 63. As explained in paragraph 6.2 above, the different methodologies cannot be mixed-and-matched that way.

6.14 Treating employment growth as an upwards-only adjustment to the demographic projections in West Surrey is statistically unacceptable. It assumes that a workforce can be conjured from somewhere (not stated) to take up the forecast numbers of extra jobs. Extra jobs will not affect the birth rate (there would be a 20 year delay in providing the workers!), so only inward migration could fill the jobs. Other than additional international immigration, which the Government is not anticipating, filling the jobs would only be practicable if other authorities nearby were deliberately planning for a reduction in their own populations at the same time. Housing provision in nearby authorities would then have to decline by an equivalent amount to the rise in Guildford and Woking. There is no evidence for this. Otherwise, there will simply not be enough workers and their households to go around all the jobs in all the districts.

6.15 At the same time, GL Hearn ignores the forecast shortfall in jobs in Waverley, assuming that dwelling requirements there will be fixed instead by the projected growth in the number of households. There would be substantial unemployment created in Waverley, as large numbers of households (and some of their workforce) go without jobs.

Workers without jobs in Waverley are assumed not to travel to Guildford or Woking to take up the extra job opportunities there, because the GL Hearn recommendation is that sufficient additional dwellings are built in Guildford and Woking to meet the needs of the extra workers calculated by the employment model. Households in Waverley are allowed to grow, but the job needs of some of the extra labour force there are neglected.

6.16 The GL Hearn proposal could be recast as selecting the employment forecast as a basis for calculating Objectively Assessed Need in Guildford and Woking, but using the demographic projection in Waverley (though it does not express its recommendation that way). However, that would be wholly biased in favour of picking whichever method offered the highest housing numbers and be clearly unacceptable. If the economic forecasts are to be used as the deciding feature (and we strongly contest that), then the increases in housing requirements in Guildford and Woking should be paired with a lower housing requirement in Waverley. The reduction in the number of dwellings needed annually in Waverley would be 174.

6.17 That conceptualisation of the findings would have its own logic but defy common sense. The whole purpose of defining a housing market area is to 'reflect the key functional linkages between places where people live and work' (to use the term in the PPG at paragraph 10). In West Surrey, the same three authorities comprise the Housing Market Area and, according to Aecom (SHMA paragraph 5.3), the Property Market Area for employment purposes. In other words there should be little real difference for housing market and employment opportunity purposes whether people live in Waverley or Guildford or Woking to occupy jobs in this Housing Market Area. If, therefore, the view were to be taken (against our advice) that the employment projections were more reliable than the household projections, the correct basis for the OAN would be to use the overall West Surrey figure derived by that method for the whole area. Workplaces and housing would be distributed among the three districts as the local authorities collectively saw fit.

6.18 Using the employment forecasts at the West Surrey scale would raise the underlying annual dwelling requirement from 1,352 derived from the household projection to 1,427 on GL Hearn's calculation (less with a reduced vacancy rate), i.e. by 6% (see Table 11 above). There is no basis for assuming that the underlying annual dwelling requirement from the household projections should be raised instead from 1,352 to 1,602 (i.e. by adding 120 for Guildford and 130 for Woking but subtracting nothing for Waverley), which would be an 18% increase.

6.19 For the reasons given in paragraphs 6.3 and 6.8-10 above, we advise strongly against the use of the economic-based employment forecasts as a basis for calculating Objectively Assessed Need. We consider the household projections are superior to those. We recommend deleting the additional 120 dwellings per annum proposed for Guildford and 130 dwellings per annum for Woking for the claimed purposes of 'Supporting Economic Growth' (SHMA Figure 63), for which there is no justification.

6.20 The Planning Practice Guidance argues that, where the supply of working age population that is economically active is less than the projected job growth, this could result in unsustainable commuting patterns, and this should be addressed by the local

authority e.g. by more local housing supply or by infrastructure improvements. In the case of West Surrey, we consider there is no need for the local authorities to take any action at all, for two sets of reasons as follows.

6.21 The economic forecasts for the three local authorities lack credibility and cannot be considered superior to the household projections here:

- all three assume a number of households at the start of their forecasting periods which is substantially different from the 2011 Census;
- the assumed economic growth in each of the three authorities appears unduly tied to the over- or under-estimation of workforce size at the start of the period: this requires a review;
- the growth rate assumed in Guildford and Woking relies on a wholly unrealistic compound annual growth rate calculated statistically to at least four decimal places – even though employment growth is highly volatile and small changes to the assumptions would have big impacts on the numbers of dwellings needed;
- the employment forecasting methodologies from the three main forecasting firms (Cambridge Econometrics, Experian and Oxford Economics) offer substantially different scenarios for the future in West Surrey (one was nearly twice one of the others), and should not be relied upon to explain future housing needs more accurately than the household projections; and
- a range of assumptions have been used to generate the employment estimates and consequential housing estimates, but there has been no sensitivity analysis of these assumptions at any point: we consider the chance of substantial error is high.

6.22 Even if these serious problems were overlooked, there is no basis for applying the household projections in Waverley but the economic projections in Guildford and Woking:

- Surplus labour from Waverley could take up the extra jobs in Guildford and Woking to a substantial extent: in a locality that is a functional area for both housing and employment, there is no need for Guildford and Woking each to meet the entire dwelling requirements generated by their respective economic forecasts;
- GL Hearn has failed to explain where the labour force will come from to take up the jobs claimed from the additional economic growth: the proposals are an unsustainable fiction in the real world; and
- there is an inherent bias in assuming that economic projections can offer an upwards only adjustment to housing needs: applying the household projections in Waverley but the employment projections in Guildford and Woking lacks any credibility.

APPENDIX 1 DATA ON VACANCY RATES IN WEST SURREY

Table 12 below give figures on vacancy rate since 2011 for each of the three West Surrey districts, providing a more up-to-date indication of vacancy than the West Surrey SMHA. The share of the dwelling stock that is empty (or largely so) is calculated for each authority (we call the sum of vacant dwellings and second homes ‘total empties’ for convenience). (Note that the overall vacancy rate is calculated as a percentage of the approximate household numbers [dwellings minus the sum of vacant and second homes]. Note also that the number of households in 2011 differs between the Census and the DCLG/local authority sources.) Information on dwellings and vacant dwellings comes from DCLG Live Tables and on second homes from the Council Tax Base.

Table 12: Recent vacancy data for the three West Surrey districts (DCLG/LA sources)

Guildford	2011	2012	2013	2014
Dwellings (LT 125)	56,080	56,390	56,620	56,750
Vacants (LT 615)	1,312	1,335	1,484	1,360
Second homes (CTB)	305	334	414	334
Total empties	1,617	1,669	1,898	1,694
Vacancy rate	3.0%	3.1	3.5	3.1

Waverley	2011	2012	2013	2014
Dwellings (LT 125)	51,550	51,670	51,900	52,030
Vacants (LT 615)	1,553	1,491	1,472	1,456
Second homes (CTB)	387	424	420	398
Total empties	1,940	1,915	1,892	1,854
Vacancy rate	3.9%	3.8	3.8	3.7

Woking	2011	2012	2013	2014
Dwellings (LT 125)	40,650	40,830	41,100	41,470
Vacants (LT 615)	811	901	850	877
Second homes (CTB)	236	286	238	250
Total empties	1,047	1,187	1,088	1,127
Vacancy rate	2.6%	3.0	2.7	2.8

APPENDIX 2: HOUSING LAND SUPPLY AND HOUSING AFFORDABILITY

The Government's Planning Practice Guidance promotes the view that increasing housing land supply will increase the rate of house building and thereby improve the affordability of housing. Our view is that this simply will not work. The key flaws in the concept are:

- (i) An increase in housing land supply will not necessarily increase the rate of house building. Even if this were to happen on a significant scale in one location, it would tend to cause a reduction in building rates elsewhere. This reluctance amongst builders to greatly increase the overall supply of dwellings is a straightforward economic response in the market: no supplier deliberately floods the market with their own product with the intention of lowering their own selling price. The business model of the volume house builders, who dominate the market, relies on house prices (and the land prices which follow them) generally increasing or at least not falling discernibly.
- (ii) Building more houses in a locality does not necessarily cause their price to drop. Prospective purchasers are alert to the relative prices of dwellings, so, in the unlikely event of 'cheap' homes being on offer, buyers would rush to that locality. In practice, the impact of supply and demand is to even out the prices of comparable properties across areas. The main effect of an increase in building rates in a popular area would therefore be to draw in more buyers, not drop the price of homes. Affordability would remain barely changed. The theoretical solution to this – to increase the supply of land in all competing areas at the same time (acknowledged as necessary by GL Hearn at paragraph 7.58 and in the third 'Key message – market signals' after paragraph 7.46) – does not work either: it would simply expose the problem noted in (i) above.
- (iii) An insufficiency of land is not the primary reason the house building industry is not building more (and therefore potentially cheaper) houses. The main drivers are financial. There is a complex web of economic forces around the ability and willingness of purchasers to buy, mortgagors to lend and developers to build. (This is acknowledged by GL Hearn in the West Surrey SHMA at paragraph 7.55.) The rising incidence of unused planning permissions and land allocations in the last couple of years is a clear indicator that greater land supply is not a solution to the housing affordability problem the country continues to face. The Local Government Association released research results on 7 January 2016 showing that over 475,000 homes in England had planning permission but have not yet been built (compared with 381,000 in 2012/13). Alternatively, during the recession years from 2008, the affordability of housing improved not due to an increased amount of housing land available (it changed little) but due to lower house prices (caused by changes in financial circumstances).
- (iv) Building houses is an extraordinarily inefficient way of reducing their price. This was closely examined by Kate Barker in her report for the Treasury in 2004. Taking the rising house prices at the time, she demonstrated that the increase in real house prices could be reduced to 1.8% annually if 70,000 additional houses were

built annually in England, or to 1.1% annually by building an additional 120,000 houses annually. The house builders were not thinking of anything like this quantity anyway, but the remarkably small affordability benefit from such a huge investment is apparent. The economic model for house prices and house building only shows a real drop when the market has been flooded with dwellings, and there are not enough households to occupy them: an absurd proposition.

- (v) The building industry is ill-equipped to increase substantially the rate of building everywhere even if it wanted to. There have recently been materials shortages (notably bricks), but labour shortages are inherently much more significant. With the boom and bust cycle in the industry, a skilled workforce is too easily lost in the downturns so that skills can only be replaced slowly (annual growth in the industry rarely exceeds 10%), and there is an insufficiency in labour as the boom periods grow. This is being experienced now (even at a lower rate of house building than in previous booms). Also, as boom periods progress, companies in the industry become increasingly alert to the risks of their bubble bursting, and tend to hold back on their scale of investment so as not to expose themselves should a crash happen.
- (vi) The pressure applied by the PPG on local authorities to increase housing land supply in areas of relatively 'unaffordable' housing is being felt throughout the South East region and beyond. In each case the intention is deliberately to increase the land supply above the quantity which the demographics of an area can support. This has the aim of encouraging extra house building. With most areas undergoing an 'upwards only' adjustment, it is obvious that insufficient households will exist to occupy the extra houses that are intended to be built. That is one reason why they will not be built. The PPG gives an illusion of supporting house building which can only generate surplus building land.
- (vii) Finally, what are house prices measuring? The planning system has surprisingly little impact through land supply on the overall supply and price of housing, yet house prices vary considerably according to an array of attributes: the location and the size/quality of dwellings are clearly of great importance, but so also are proximity to facilities and the quality of the surrounding environment. Building on open spaces, Green Belt and protected landscapes, for example, or ruining the settings of historic or other locally valued features, will tend to reduce local house prices, other things being equal. No mechanism has yet been found to discern whether slightly reduced house prices from building in such places (if that could be measured reliably) should be attributed to the increased supply or to the deterioration in the quality of the location caused by the additional building.

A report by Green Balance at the height of the last housing boom in July 2007, published by CPRE, explores many of these issues in more depth: *Planning for housing affordability: Why providing more land for house building will not reduce house prices.*