

Statement

Matters and issues for examination (resumed hearings)

15267521/Land owner of Hornhatch Farm

Final

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

1. In October 2018, the Government reiterated its priorities are to deliver more and better designed homes and to do so faster. This has been the theme of reforms undertaken over the last 18 months, from the White Paper Fixing the Broken Housing Market to the revision of the National Planning Policy Framework ('NPPF'). Last year over 217,000 new homes were supplied, the highest number for more than ten years. This is a good start, and means more people have a choice when it comes to deciding where to live. But more must be done.
2. The recent household projections release, published by the Office of National Statistic ('ONS') has led some areas, including Guildford, to reconsider the number of homes they were planning for. However, as the ONS has confirmed, lower household projections do not mean fewer homes need to be built. If more homes are planned for and delivered, more people will be able to own or rent their own home.
3. At Budget 2017, the Government announced that it would enable the housing market to deliver 300,000 homes a year on average by the mid 2020's. The NPPF makes clear that to support the Government's objective of significantly boosting the supply of homes, it is important that a sufficient amount and variety of land come forward where it is needed and to achieve this the Government has always intended to keep the standard method under review.
4. The Government has decided that it is not right to change its aspirations for housing supply in light of the new housing projections (MHCLG, October 2018). First, the annual change in household projections comprises two aspects: a reduction arising from lower population projections and a reduction arising from changes in the method for converting population change into estimates for household formation. Methodological changes are not a reason why local planning authorities should reduce their housing supply. In addition:
 - a) Household projections are constrained by housing supply. If new, additional homes are not supplied, then households cannot form as there would be nowhere for them to live. This means that actual household growth cannot exceed the number of additional homes which are actually supplied;
 - b) The historic under-delivery of housing means that there is case for public policy supporting delivery in excess of household projections, even if those projections fall. Given that households cannot form if new houses are not built for them to move into, this undersupply will have resulted in pent-up demand;
 - c) Other things being equal a more responsive supply of homes through local authorities planning for more homes where we need them will help to address the effects of increasing demand, such as declining affordability, relative to a housing supply that is less responsive. Published econometric research consistently finds that in the UK supply is less responsive to demand relative to other countries;
 - d) The above factors have led to declining affordability, as evidenced by the decrease in the number of people living in an area with an affordability ratio of 4 or less.
5. Furthermore, population changes are only one aspect of the driver for housing supply. Rising incomes, changing social preferences and factors such as real interest rates and credit availability contribute to demand for housing.

6. The ONS has made the following statements about the updated household projections:

“They do not take account of how many people may want to form new households, but for whatever reason aren’t able to, such as young adults wanting to move out of their parents’ house, or people wanting to live on their own instead of in a house share. Therefore, household projections are not a measure of how many houses would need to be built to meet housing demand: they show what would happen if past trends in actual household formation continue.”

“Although the latest household projections are lower than the previously published projections, this does not directly mean that fewer houses are needed in the future than thought. This is because the projections are based on recent actual numbers of households that are not adjusted to take into account of where homes have been needed in recent years but have not been available. Therefore, if more homes are built, the increased availability of homes may result in more households forming. The opposite is also true – if fewer homes are built then fewer households are able to form.”

7. The standard method for assessing minimum housing need was designed to identify an appropriate level of need in a straightforward, transparent way. It does not represent a mandatory target for local authorities to plan for, but the starting point for the planning process. In view of the forthcoming 2016 household projections the Government made a commitment on 14 September 2017 that:

“The standard methodology is a key part of the Government’s ambition to deliver the right number of homes in the right places. The methodology is based on population growth projections which can change. We propose to keep the methodology under review to ensure that the quality and approximate distribution of need that is established by the standard methodology remains appropriate.”

8. Clearly, the Government has been aware for some time that the lower numbers through the 2016 based projections should not reduce housing numbers and it reaffirmed its position in October 2018, with three principles:

- a) For the short term, to specify that the 2014 based data will provide the demographic baseline for assessment of local housing need;
- b) To make clear in national planning practice guidance that lower numbers through the 2016 based projections do not qualify as an exceptional circumstance that justifies a departure from the standard methodology; and
- c) In the longer term, to review the formula with a view to establishing a new method that meets the principles of providing stability and certainty; ensuring that planning responds not only to movements in projected households but also to price signals and ensuring planning policy supports a housing market that works for everyone.

9. Under the transitional arrangements set out in the NPPF, the Guildford Local Plan does not need to be informed by a housing need assessment using the standard method and on the basis of the consensus between the Government and ONS that the 2016 household projections do not mean that fewer homes are needed it is inappropriate for Guildford to use these projections to challenge previous conclusions. Revising its housing needs on 2016 household projections would move Guildford fundamentally away from the Government’s

policy intentions to significantly boost the supply of new homes, which in itself would render the plan unsound as it would no longer be consistent with national policy.