

Local Housing Needs Assessment

Surrey Heath Borough Council

May 2020

Prepared by

GL Hearn
65 Gresham Street
London EC2V 7NQ

T +44 (0)20 7851 4900
glhearn.com

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DATE
May 2020

ORIGINATORS
David Leyden

APPROVED
Paul McColgan
Director





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EXECUTIVE SUMMARY

1. GL Hearn has been commissioned by Surrey Heath Borough Council to carry out a Local Housing Needs Assessment in light of the publication of the National Planning Policy Framework (NPPF (2018 and subsequently 2019) to inform the development of their new Local Plan.

Market Signals

2. The median house price in Surrey Heath in 2018 was £400,000. This is lower than the Surrey median price at £425,000 but above the South East price (£318,000) and the national equivalents (£230,000). A similar trend is also seen for each type of housing.
3. Over the last year there has been a decline in house prices across Surrey Heath although, over the last 5 years, price growth in Surrey Heath (3.1%) followed a similar trend to that of the County and the South East.
4. The median rental price in Surrey Heath is £1,000 per month. These are slightly lower than Surrey County (£1,150) and higher than the South East (£850). Median rental values in Surrey Heath have increased by 14% since 2011. However, this is below the County (28%) and national equivalent (20%).
5. The ratio of median house price to median gross annual workplace-based earnings for Surrey Heath is 12.99 (at 2018). Since 2002, affordability in Surrey Heath has deteriorated by 89.9%; this compares to the County (70.2%) and South East of England (56.3%).
6. Between 2011/2012 and 2018/2019, there has been a net total of 1,958 dwellings completed. Of this total, 192 have been Affordable Housing.

Housing Need and Population Growth

7. The Standard Method housing need for Surrey Heath results in a need for 332 dwellings per annum.
8. As per paragraph 6 of PPG the application of the "affordability adjustment" within the standard method is justified as a way to reduce the constraint on household formation rates and households' ability to move to an area as a result of lack of suitable housing. For this reason, the modelling to convert the standard method LHNF into a future population in this report assumes enough population to occupy these homes (i.e., the purpose of the "affordability adjustment" is fulfilled)
9. Our modelling shows growth of approximately 13.7% in total population over the period to 2040. The greatest population growth is expected in older persons.

Economic Growth and Housing Need

10. We have examined the link between housing and employment in Surrey Heath drawing on several assumptions.
11. The economic activity rates in Surrey Heath are expected to increase to 2040, with the gap between 2019 and 2040 rates particularly evident for females of working age.
12. Surrey Heath is a net out-commuter which means the total number of people living and working in Surrey Heath is around 2% higher than the total number who work in Surrey Heath.

13. Linked to population growth, the age profile, commuting patterns, double jobbing and economic activity rates, the housing need associated with the standard method (332 dpa) would support an increase in jobs of 4,704 jobs over the 2019-2040 period.
14. We have also calculated the population associated with Economic forecasts for Surrey Heath. These show housing need both below and above the standard methodology suggesting there is broad alignment between these factors.

Affordable Housing Need

15. Analysis has been undertaken to estimate the need for affordable housing in the period to 2040. The analysis is split between a 'traditional' need (which is mainly for social/affordable rented accommodation) and is based on households unable to buy or rent in the market and households who can rent in the market but not buy. The subcategory of households who can rent but not buy has been expanded in the revised NPPF/PPG, to include a range of affordable routes into home ownership.
16. The analysis suggests a net need for 159 of affordable rented housing per annum to be provided in Surrey Heath over the period to 2040. The net need of affordable rented housing is 87 per annum in the Western Urban and Deepcut Sub-area and 72 per annum in the Rest of Borough Sub-area.
17. These numbers are relatively high compared to overall need; This justifies the Council seeking to secure as much additional affordable housing as viably possible.
18. When looking at the need for affordable home ownership products (i.e. the expanded definition of affordable housing in the NPPF) the net need in Surrey Heath is around 102. At a Sub-area level, the net need for net affordable home ownership is 73 in the Western Urban and Deepcut Sub-Area and 30 in the Rest of the Borough Sub-area.
19. If the Council seek to provide 10% of housing as affordable home ownership, then it is suggested that shared ownership is the most appropriate option.
20. Where other forms of affordable home ownership are provided (e.g. Starter Homes or discounted market), it is recommended that Council consider setting prices at a level which (in income terms) are equivalent to the levels needed to access private rented housing. At a Sub-area level, these prices are presented below.

Sub-area		1-bedroom	2-bedroom	3-bedroom	4+-bedroom
Western Urban and Deepcut	Lower limit	£131,000	£158,000	£197,000	£277,000
	Upper limit	£146,000	£200,000	£327,000	£483,000
Rest of Borough	Lower limit	£135,000	£163,000	£206,000	£291,000
	Upper limit	£156,000	£213,000	£349,000	£515,000

21. This would ensure that households targeted by the new definition could access affordable home ownership products – although this might mean greater than 20% discounts from Open Market Value for some types/sizes of homes in some locations.
22. Overall, the evidence does not show any strong basis to increase the provision of affordable home ownership above the 10% figure currently suggested in the NPPF. This is because any additional

delivery would reduce the supply of other forms of affordable housing which are greater in number and address a more acute need.

Housing Mix

23. There is a range of factors which will influence demand for different sizes of homes, including demographic changes; future growth in real earnings and households' ability to save; economic performance and housing affordability.
24. The analysis linked to long-term (2040) demographic change modelled the appropriate mix of affordable and market homes based on the standard method. This suggests:

	1-bed	2-bed	3-bed	4+-bed
Market	5-10%	20-25%	40-45%	25-30%
Affordable home ownership	10-15%	45-50%	30-35%	5-10%
Affordable housing (rented)	30-35%	25-35%	25-35%	5-10%

25. The housing mix identified above should inform strategic policies. In applying these to individual development sites regard should be had to the nature of the development site and character of the area, and evidence of need as well as the existing mix and turnover of properties at the local level.
26. The analysis of an appropriate mix of dwellings should also inform the 'portfolio' of sites which are considered by the local authority through its local plan process. Equally, it will be of relevance to affordable housing negotiations.

Specific Groups

27. It is estimated that 9% of Surrey Heath's population is 75+ years old at 2018, which is lower than the trend across the Surrey (10%) but higher than the rest of the country (8%).
28. Linked to the housing need of 332 dpa the projections show an increase in the population aged 75 and over of 6,339 people (72%), compared to an overall increase of 14% in the total population.
29. Drawing on assumptions from the Shop@ tool and based on the projected population growth to 2040 these are expected to be:
 - A deficit of 188 rental units of housing with support;
 - A deficit of 559 leasehold units of housing with support;
 - A deficit of 97 rental units of enhanced sheltered housing;
 - A deficit of 141 leasehold units of enhanced sheltered housing;
 - A deficit of 122 rental units of extra care housing;
 - A deficit of 176 leasehold units of extra care housing; and
 - A surplus of 20 care bed spaces
30. Across Surrey Heath, some 25% of households contain someone with an LTHPD. It is estimated that the total number of people with a range of disabilities will increase by around 4,141 (a 41% increase).

31. The population with mobility problems is expected to grow by approximately 90%. This is followed by the growth in the population of those with dementia(69%) by 2040. The estimated total wheelchair user need by 2040 is expected to be around 334 homes to 251 homes (over 21-years).
32. There is expected to be a decrease of around 5.2% in the total number of people with mental health issues by 2035 in Surrey Heath.
33. Such is the extent of the issues identified the Council may wish to consider a policy which seeks as much M4(2) compliant housing as viably possible. The Council may wish to consider a policy ensuring that around 5-10% of new homes comply with M4(3) building standards for wheelchair accessible units.
34. According to the British Property Federation, there are no build-to-rent schemes located within Surrey Heath. Correspondingly there are currently no build-to-rent schemes listed in Surrey Heath Borough Council's registered planning applications, and none with approval either.
35. As of May 2019, there were 335 people on the Self and Custom Build register in Surrey Heath.
36. MOD statistics report that at April 2018, there were a total of 1,240 military and civilian personnel located in Surrey Heath. This is a 19% decrease from 2012. At present, there are no service families on the Council's housing register.
37. In the period April to June 2019, according to MCLG statistics 72 persons were assessed as having a homelessness duty owed to them. In 2019, 12 people in Surrey Heath were considered to be sleeping rough.

1 INTRODUCTION

- 1.1 GL Hearn has been commissioned by Surrey Heath Borough Council to carry out a Local Housing Needs Assessment in light of the publication of the National Planning Policy Framework (NPPF (2018 and subsequently 2019) to inform the development of their new Local Plan.
- 1.2 The current Core Strategy and Development Management Policies document was adopted in 2012, however, the Council is currently preparing a new Local Plan for the Borough that will cover the period 2019-2037. This document reflects the need within that period.

NPPF (2019) and PPG

- 1.3 The methodology used in this report responds to the NPPF (2019) at the time of publication which sets out the Government's objective to significantly boost housing supply, and the current Planning Practice Guidance (PPG) on *Housing and Economic Needs Assessments*.
- 1.4 Chapter 5 of the NPPF (2019) relates to delivering a sufficient supply of homes with Paragraph 60 setting out that "To determine the minimum number of homes needed, strategic policies should be informed by a local housing need assessment, conducted using the standard methodology". This report fulfils this requirement. However, in exceptional circumstances, an alternative approach could be justified.
- 1.5 In addition to the local housing need figure, any needs that cannot be met within neighbouring areas should also be taken into account in establishing the amount of housing to be planned for. This, however, would be the housing requirement rather than the housing need.
- 1.6 Paragraph 61 of the NPPF (2019) sets out that "Within this context, the size, type and tenure of housing needed for different groups in the community should be assessed". It adds these specific groups include but are not limited to:
- "those who require affordable housing, families with children, older people, students, people with disabilities, service families, travellers, people who rent their homes and people wishing to commission or build their own homes".*
- 1.7 It is clear from the NPPF (2019) and the PPG that local housing need (LHN) derived from the standard methodology is to act as a minimum and there is scope for local authorities to provide housing in excess of this.

- 1.8 Paragraph 10 of the PPG¹ sets out the circumstances when a higher figure than the standard method needs to be considered which include but are not limited to:

“growth strategies for the area that are likely to be deliverable, for example where funding is in place to promote and facilitate additional growth (e.g. Housing Deals);

strategic infrastructure improvements that are likely to drive an increase in the homes needed locally; or

an authority agreeing to take on unmet need from neighbouring authorities, as set out in a statement of common ground”

- 1.9 It should be emphasised that this report does not set housing targets. It provides an assessment of housing need, based on Government guidance at the time of writing, which is intended to provide input to plan-making alongside wider evidence including land availability, environmental and other development constraints and infrastructure.

Report Structure

- 1.10 Following this introductory section, the remainder of the report is structured as follows:

- Section 2:Market signals
- Section 3: Housing need and population growth
- Section 4:Economic growth and housing need
- Section 5:Affordable housing need
- Section 6:Housing mix
- Section 7:Needs of specific groups
- Section 8:Summary and conclusions

¹ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/687239/Draft_planning_practice_guidance.pdf

2 MARKET SIGNALS

Introduction

- 2.1 This section of the report assesses the key market signals in Surrey Heath. Where possible, we have benchmarked the local authority figures against the County (Surrey), regional (South East) and national (England) equivalents. The analysis considers local house prices, rental value and commentary on market trends based on agent consultation.
- 2.2 The study breaks the Surrey Heath Borough Council area down into two sub-areas; the Western Urban and Deepcut Sub-area and the Rest of Borough Sub-area. For the purposes of this study:
- The Western Urban and Deepcut Sub-area include the settlements of Camberley, Frimley, Frimley Green, Mytchett and Deepcut.
 - The Rest of Borough Sub-area covers Bagshot, West End, Bisley, Lightwater and Chobam.

House Prices

- 2.3 The table below reports house prices in Surrey Heath against the wider comparators at different price points for all house types. The median house price in Surrey Heath in the last complete calendar year (2018) was £400,000. This is lower than the Surrey County median price at £425,000 but above the median South East price (£318,000) and the national equivalent (£230,000). As part of Surrey (a place of high demand but limited supply) prices exceed those for England and the wider South East. This has policy implications around the delivery of entry-level affordable market housing.

Table 1: House Prices, 2018

	Median	Mean	Lower Quartile
Surrey Heath	£400,000	£473,814	£291,279
Surrey County	£425,000	£588,772	£315,000
South East	£318,000	£421,679	£232,500
England	£230,000	£347,892	£145,000

Source: Land Registry 2018

- 2.4 The lower quartile house price is also greater in Surrey County (£315,000) than Surrey Heath (£291,279), the South East (£232,000) and England (£145,000). Although at £291,000 entry-level house prices in the Borough are considerably higher.
- 2.5 The table below reports the house price change in Surrey Heath, Surrey County, the South East and England from 1998 to 2018. Over the last 12 months, house price growth has been declining across Surrey, but this bucked the trend in the South East (3.2% growth) and at the national level (2.2% growth). Surrey Heath declined slightly by 1.2% which aligned with the performance of the County.

- 2.6 Over the last 5 years, price growth in Surrey Heath followed a similar trend to that of the County and the South East. Surrey Heath experienced an annual change in house price growth at 3.1% which is slightly higher than the County (3.0%) and slightly below the South East (3.2%). It was however greater than the national equivalent (2.2%).

Table 2: Median House Price Growth 1998-2018

	2018	1 Year Change	5-year annual change %	10-year annual change %	15-year annual change %	20-year annual change %
Surrey Heath	£400,000	-1.2%	3.1%	4.2%	3.9%	6.3%
Surrey County	£425,000	-1.2%	3.0%	4.3%	4.5%	6.8%
South East	£318,000	3.2%	3.2%	4.0%	4.5%	7.1%
England	£230,000	2.2%	2.2%	2.9%	3.9%	6.6%

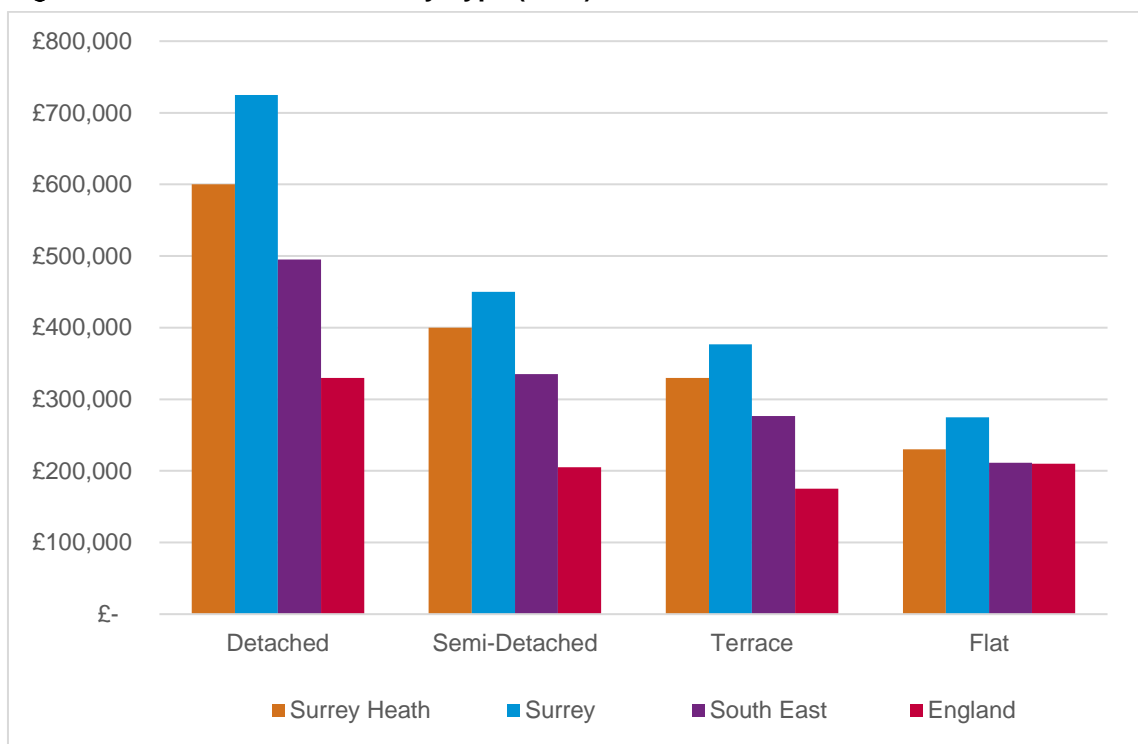
Source: ONS Median house price by local authority

- 2.7 Over the ten years, annual change was strong in Surrey Heath (4.2%) and the County (4.3%) which aligned with the growth trends of the South East (4%) but again exceeded the national figure (2.9%).
- 2.8 Over the longer period, the annual change in Surrey Heath has been 6.3% since 1998, which is on par with the growth experienced in the County (6.8%), yet slightly lower than the South East (7.1%).

House Prices by Type

- 2.9 The figure below illustrates the median prices by type of house in Surrey Heath and across its wider comparators. Across all typologies, house prices in Surrey Heath are below the County but slightly higher than the prices seen across the South East.
- 2.10 The median house price for a detached house in Surrey Heath is £600,000 which compares to the Surrey median price of £725,000 demonstrating the area's role within the County in providing relatively more reasonably priced accommodation. These are much higher than the median price of the South East (£495,000) and the nation (£330,000) for the same property type.
- 2.11 For semi-detached houses, the median price in Surrey Heath is £400,000. This is lower than the median value for the County (£450,000) and greater than the South East (£335,000). Again, the national median is lower across all geographies at £205,000.
- 2.12 The median house price of terraces in Surrey Heath is £330,000 which is below the County value of £376,000. Both geographies, however, are well above the South East median (£276,000) and the national median (£175,000). Flats in Surrey Heath are more reasonably priced (£230,000) than the County median (£275,000), however still above the South East and the nation.

Figure 1: Median House Price by Type (2018)

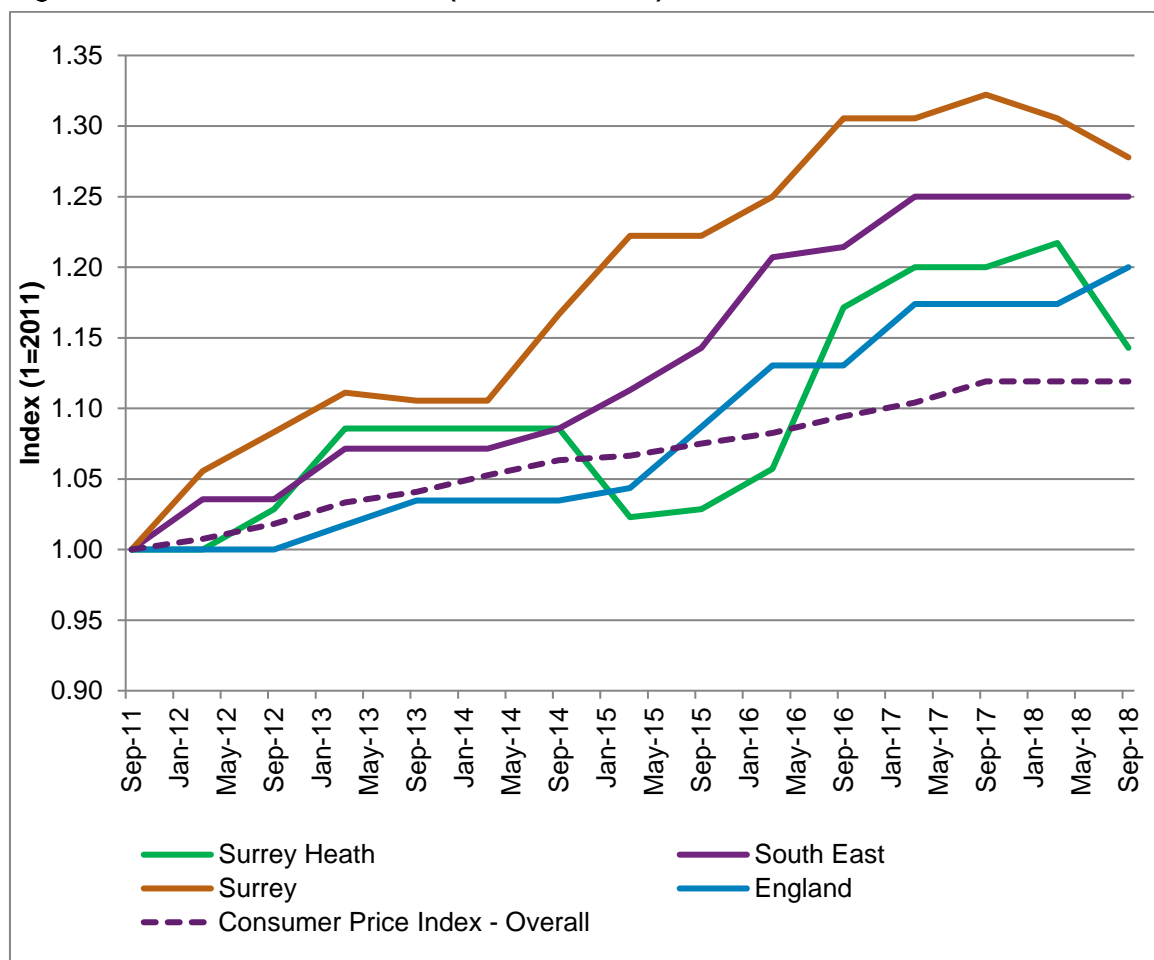


Source: Land Registry, 2018

Rental Values

- 2.13 The median rental price in Surrey Heath is £1,000 per month for the calendar year ending September 2018. This was achieved through 670 transactions recorded by the Valuation Office Agency. Rental values in Surrey Heath are slightly lower than Surrey County (£1,150) and higher than the South East (£850).
- 2.14 Median rental values in Surrey Heath have increased by 14% since 2011. This growth is below the County (28%) and national equivalent (20%). More recent trends (over the last three quarters) show a reduced rental cost. This is probably related to the mix of housing being sold but also an excess of supply. This has important policy implications and is worth investigating further.
- 2.15 As illustrated in the figure below, since 2011, the median rental value of properties in Surrey Heath increased above both the Consumer Price Index (CPI) of inflation until 2015. However, in 2016, the rental value of Surrey Heath growth regained momentum and grew faster than both CPI and Housing CPI. This means that rents have increased in real terms.

Figure 2: Indexed Rental Growth (Indexed to 2011)



Source: VOA, 2018

- 2.16 The table below looks at the median rental values of Surrey Heath at a finer grain, reporting the median rental value for the Western Urban and Deepcut, and Rest of Borough Sub-areas. The Surrey Heath lower quartile rent is also reported.

Table 3: Lower Quartile Market Rents (per month) by Sub-market

Type	Western Urban and Deepcut	Rest of Borough	Surrey Heath
1-Bedroom	£715	£740	£725
2-Bedrooms	£865	£895	£875
3-Bedrooms	£1,080	£1,130	£1,100
4+ bedrooms	£1,520	£1,595	£1,550
All Sizes ²	£760	£965	£825

Source: Valuation Office Agency and on the market price search

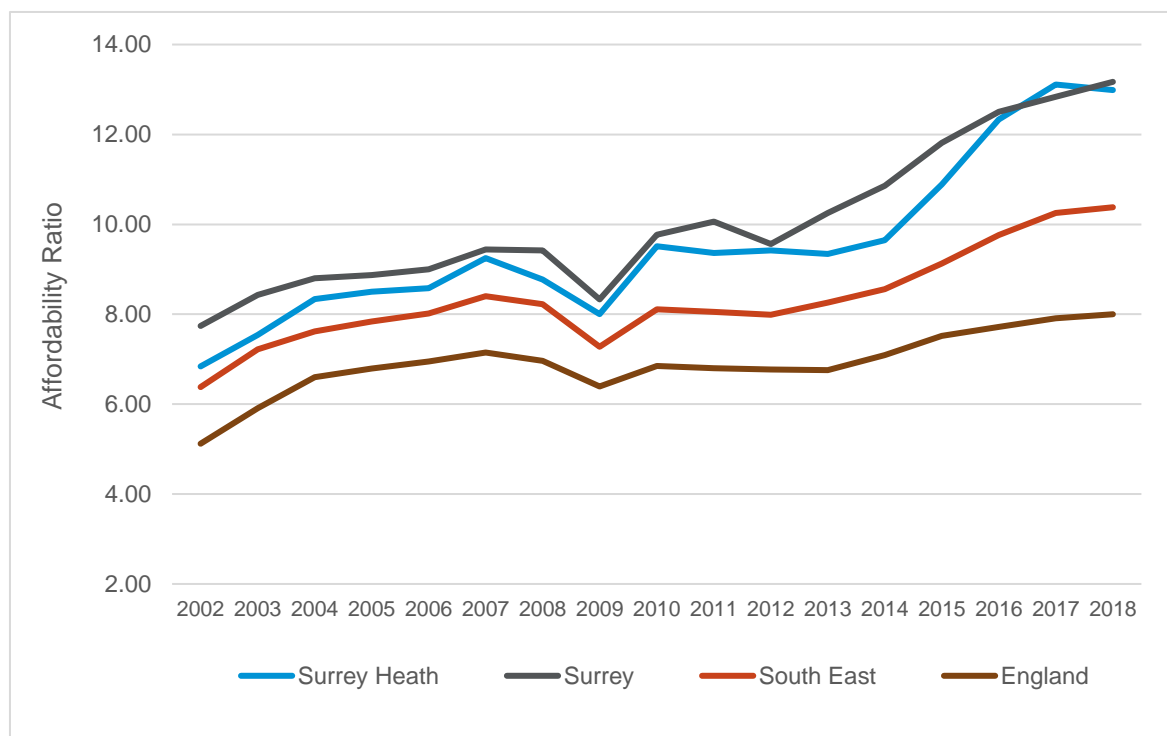
² The median figure for “all sizes” is based upon an average for each subarea whereby the number of properties of each size is considered. As there is a higher quantum of 1 and 2-bedroom properties within the rental market that would drive the median figures down from once based on the average of four stated figures.

- 2.17 The Rest of Borough Sub-area has the highest lower quartile rental values at £965 per month and for all size of rental homes. In this sub-area, rental values range from £740 per month for a 1-bedroom property to £1,595 for a 4-bedroom property.
- 2.18 In comparison, the average rental value for all property types in the Western Urban and Deepcut Sub-area is £760. A 1-bedroom property in the Western Urban Sub-area is £715 per month, increasing to £1,520 per month for a 4-bedroom property.

Affordability

- 2.19 The ratio of median house price to median gross annual workplace-based earnings for Surrey Heath is 12.99 (in 2018). This illustrates the difficulty for lower-earning households to get on the housing ladder without a considerable deposit.
- 2.20 Since 2002, affordability in Surrey Heath has deteriorated by 89.9%. This includes a recessionary adjustment from 2007 to 2009 and a four-year period of stagnation from 2009 to 2013. There was also a slight improvement over the last 12 months.

Figure 3: Affordability ratio – median house price to median gross annual workplace-based earnings, 2002-2018



Source: ONS 2018

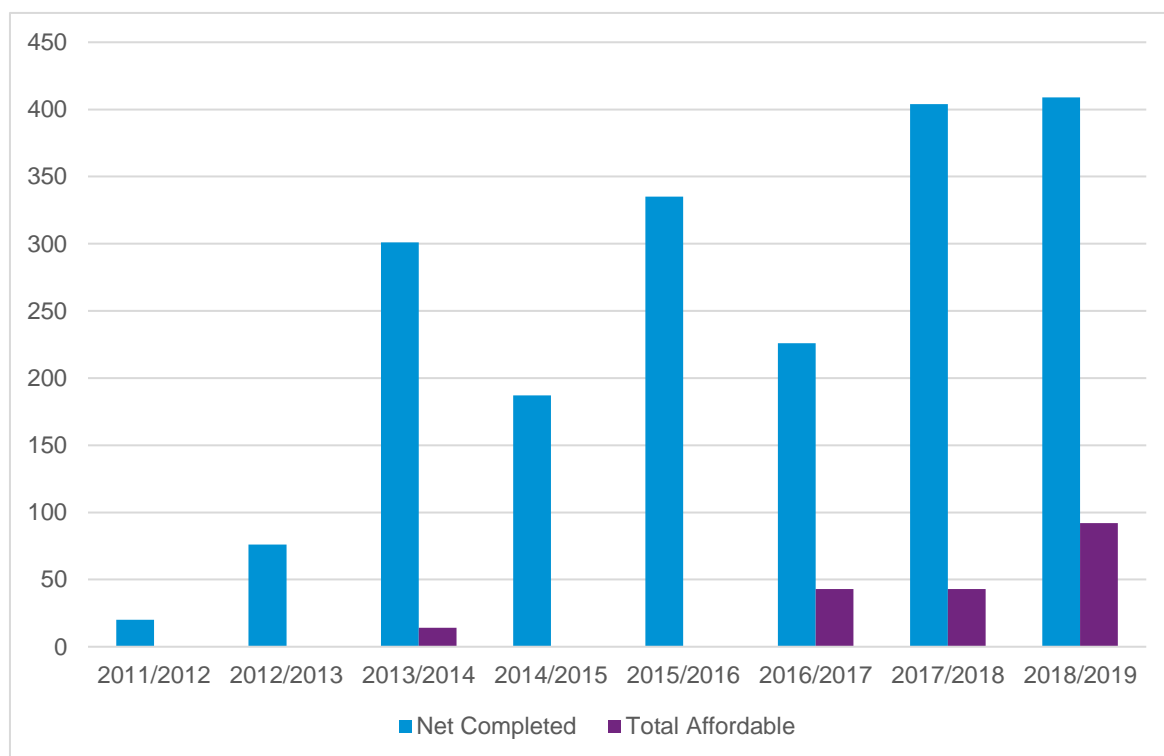
2.21 This compares to the County deterioration of 70.2% and the South East 62.7%. Over the same period, the national affordability ratio grew by 56.3%.

Housing Completions

2.22 Data on dwelling completions has been provided by the Council covering the period 2011/2012 to 2018/2019. Since 2011/2012, there has been a net total of 1,958 dwellings completed. Of this total, 192 are Affordable Housing.

2.23 The Affordable Housing delivered over the last two years can be broken down by sub-sector. Delivery has included 64.7% Affordable Intermediate housing³ and 35.3% Social Rented housing. Notably, the data indicates no Affordable Housing completions in four of the eight years examined.

Figure 4: Housing Completions in Surrey Heath



2.24 135 units of Affordable Housing were completed between 2017 and 2019. These years accounted for 70% of affordable houses completed in Surrey Heath over the period.

³ as defined in the government's definitions of general housing terms: Intermediate housing is homes for sale and rent provided at a cost above social and affordable rent, but below market levels. - <https://www.gov.uk/guidance/definitions-of-general-housing-terms#social-and-affordable-housing>

- 2.25 In terms of dwelling size of the affordable completions, since 2017/2018, a large proportion (58%) have been 2-bedroom houses. Further, 6% have been 1-bedrooms, 27% have been 3-bedrooms and 9% have been 4+bedrooms.

Market Engagement

- 2.26 Engagement with local agents in Surrey Heath has found the state of the market (both sales and lettings) is strong with high demand for properties across the Study Area. The analysis to follow discusses the housing issues identified through consultation for the Western Urban and Deepcut Sub-area and the Rest of Borough Sub-area.
- 2.27 As identified above, there are two sub-markets including the Western Urban and Deepcut Sub-area and the Rest of Borough Sub-area. To reiterate the Western Urban and Deepcut Sub-Area includes the settlements of Camberley, Frimley, Frimley Green, Mytchett and Deepcut and the Rest of Borough Sub-Area covers Bagshot, Lightwater, West End, Bisley and Chobam.

Western Urban and Deepcut Sub-area

- 2.28 Engagement with local agents found that buyers search for properties within a one-mile radius. This highlights that Camberley is a single market in Surrey Heath defined as the Western Urban and Deepcut Sub-area. It was indicated that there has historically been a shortage of housing⁴, reflecting the high demand for both sales and lets.
- 2.29 Feedback from local estate agents indicates that the year 2019 has seen a reduction in sales volumes and house prices (house prices fell 1.6% in the last quarter). Generally, properties on the market in Camberley average a 5-month to 6-month sales period. Properties below £450,000 sell almost immediately and anything at the higher end of the market (above £750,000) often take a longer period to sell.
- 2.30 First-time buyers are the main market in Camberley, accounting for 40-50% of property sales. They are mostly seeking 1 and 2-bedroom properties and sometimes 3-bedroom properties. The first-time buyer market tends to mostly be those residing in Surrey Heath already (or immediately surrounding areas) with some moving to Camberley from London. However, Camberley has seen a shift in the last 12 months with more representation from local buyers as the London market has stagnated, resulting in fewer people moving out to the home counties.
- 2.31 Currently, there is significant demand in Camberley for family houses with the consultation highlighting a shortage of three-bedroom properties (including bungalows). Demand for this type of product is not so much driven by people relocating from London but by existing local households up-

⁴ This is largely due to the designation of the Thames Basin Heaths Special Protection Area in 2005, which has impacted housing delivery due to the protection of three endangered bird species.

sizing. It was suggested that the sales value of 3-bedroom properties in Camberley start at around £285,000 to £300,000 although many are sold at far higher rates.

- 2.32 The Atrium development in the town centre has been a strong catalyst for housing growth and growing demand in Camberley. The development consists of four separate apartment buildings. Around 40% of the apartments in this development were sold to individual private investors and approximately 40% to a private equity firm. However, the investment market has since slowed in Camberley, largely impacted by stamp duty changes. Today, it accounts for approximately 10% of the sales in Camberley.
- 2.33 The buy to let market is not as evident in Camberley as other parts of the Western Urban and Deepcut Sub-area, with local agents suggesting the buy to let market is stronger in Frimley as more new developments are coming through the pipeline.
- 2.34 However, it was suggested that if there were an increase in the supply of buy to let houses in Camberley, then there would still be demand for the scheme. Further, engagement with agents found that the demand in the housing market in the West of Surrey Heath focuses more on the quality of the stock rather than who builds and lets it.
- 2.35 Engagement with agents outlined that a future challenge for the Camberley property market may be a shortage of bungalows and an oversupply of units that do not meet the needs of family households.
- 2.36 Frimley saw the greatest activity from the Nepali community within Surrey Heath with some agents and mortgage advisors specialising in Nepali speaking advisors. Although it was noted that while mortgage advice was located here this was for properties all over the country. They did, however, add that Farnborough and Aldershot was the focus of the community's interest rather than Surrey Heath

New-Build Sales

- 2.37 The only current strategic development with planning permission in the sub-area with a sales office was the development at Mindenhurst in Deepcut on the southern boundary in Surrey Heath's Western Urban and Deepcut Sub-area market. The development plans for the delivery of 1,200 new homes with Cala Homes currently delivering 79 homes as part of phase one.
- 2.38 The price of 2-bedroom apartments (720 sq. ft) in this development vary from £289,000 to £295,000. Three-bedroom semi-detached family homes (1,054 sq. ft) vary from £449,950 to £465,000 and 4-bedroom detached family homes (1,648 sq. ft) range from £649,950 to £699,950.

- 2.39 The development is not delivering 1-bedroom products and local agents believe there is no demand for 1-bedroom products in the area.
- 2.40 Consultation with Cala Homes identified the greatest demand has been for 2-bedroom products. Down-sizers are the primary market purchasing 2-bedroom products and the majority of these people are local, down-sizing from larger houses elsewhere in Surrey Heath.
- 2.41 The profile of the market purchasing the larger homes at the Cala site (3 and 4-bedrooms) are mostly first-time buyers and young families. This profile of buyers is attracted to the area as they can commute to London from Farnborough or Brookwood train stations (both outside the Study Area).
- 2.42 First-time buyers are attracted to purchasing as they have access to the help to buy; here, the Government provides a loan worth up to 20% of the value of the dwelling. The majority of buyers are purchasing under this arrangement.

Rental Properties

- 2.43 In terms of the rental market, demand for all types of properties has been high in the Western Urban and Deepcut Sub-area, driven by the desire to locate near the town centre and Camberley train station.
- 2.44 The increased level of demand for rental properties in the Camberley and Frimley market has been driven by changes to tenant fees in June 2019, making it easier and more attractive for rental tenants to move.
- 2.45 The state of the economy and the uncertainty around Brexit are also contributing to more people letting property rather than committing to a mortgage. An example of this is a recent development by Lodgecrest where 36 units were delivered with the original plan to sell the flats once constructed, however in light of the current real estate climate, all units are being rented out.
- 2.46 It was identified that rental values in Camberley and Frimley have decreased slightly in 2019. Median rental values in Camberley are around £700-£800 per month for 1-bedroom, £850-£1,200 for 2-bedroom, £1,200-£1,500 for 3-bedrooms and £1,500-£2,000 for 4-bedroom properties.
- 2.47 Properties with a garage and on-site parking often have a premium. Car parking is a standard requirement as often people commute out of Surrey Heath to work and need easy access to the M3 and A31 and other strategic roads.
- 2.48 The length of lets is typically 6 months for 1-bedroom properties and 24 months for 2-bedroom and 3-bedroom properties in Camberley.

- 2.49 Local agents have indicated that 1 and 2-bedroom properties are experiencing the greatest take-up. The consultation found that there is not as much demand for larger family homes for rent, which sit on the market for longer periods compared to 1 and 2-bedroom properties.
- 2.50 This reflects the average profile of renters in Camberley with most typically in the 20-30 years age group. It was suggested that this profile of renters is attracted to Camberley as it is a central location for couples where one may be employed in Reading and the other in London.
- 2.51 Rental property demand for service families is more apparent in the Western Urban and Deepcut Sub-area compared to the rest of the Surrey Heath. Agents have suggested that housing owned by service personnel or their families make-up around 20% of rental management portfolio, mostly residing in Frimley and Camberley.
- 2.52 Frimley had a slightly different rental market with demand being driven by contractors working on NHS contracts at Frimley Park Hospital and MOD contracts in Farnborough.

Rest of Borough Sub-area

- 2.53 The Rest of the Borough Sub-area is comprised of a series of sometimes connected villages. Bagshot is a village settlement and considered to have lower house prices compared to neighbouring Lightwater and markets in the west and south. Chobham is a village environment and is one of the more affluent parts of Surrey Heath.
- 2.54 Engagement with local agents in Bagshot has identified a high demand for properties for sale; however, the volume of properties on the market was unusually low for this time of year (summer). For instance, there are currently 42 properties on the market in Bagshot and usually there are around 95 as early summer is very active for the property market. The Bagshot market has also seen a reduction in the number of investment buyers with no sales in the last six months compared to around 5% this time last year.
- 2.55 Proximity to jobs in Reading, Heathrow Airport and London via nearby strategic roads is an advantage drawing people to reside in Bagshot. Access to the M3 and the A30 strategic road is particularly attractive to those employed at Heathrow Airport with local agents suggesting around 1 in 5 buyers commute to Heathrow.
- 2.56 There is a greater presence of terraces and semi-detached properties in Bagshot, whereas, in Lightwater, there is a greater supply of detached dwellings. Bagshot is experiencing a lot of demand for 3-bedroom properties with families (between 30-40 age group) accounting for a large proportion of the sales. Agents have suggested that the family market is made up of a mix of locals moving within Surrey Heath and some relocating from London.

- 2.57 There has not been a lot of development activity⁵, as a result, there are not enough 3-bedroom to keep up with this demand. Agents in Bagshot have indicated that there has not been a huge amount of demand for smaller houses and flats that are on the market in Bagshot are difficult to sell. The slow sales rate of flats was attributed firstly to the reduction in investment buyers and, secondly, to changes to the rates of stamp duty payable by the buyer.
- 2.58 Bagshot was identified as an attractive location for single-person households to buy a dwelling suited to down-sizing. The retirement market in Bagshot is driven by current residents of Surrey Heath who have sold the family home.
- 2.59 As identified, flats are difficult to sell in Bagshot, yet there is a strong supply of retirement accommodation on the northern fringe of Bagshot village. Within this area, there is a proposed McCarthy and Stone development on London Road; this includes extra care accommodation.
- 2.60 Demand from service families for accommodation in Bagshot is very low as most service family accommodation is in the Western Urban and Deepcut Sub-area. Engagement with local agents found there to be only one service family letting a family house in Bagshot
- 2.61 There is a lack of supply of Affordable Housing and less expensive market accommodation in Bagshot and it was advised that often landlords do not accept potential tenants in receipt of Housing Benefit.
- 2.62 The housing stock in Lightwater is more mixed and considered to have slightly higher values than Bagshot because of access to good schools. Engagement with local agents in Lightwater has found that the property market is performing well with both sales and rentals on the market for a short period.
- 2.63 Chobham accommodates a considerable demand for larger homes (3-4 bedrooms) with the greatest demand mostly from families with children. The sale prices in Chobham are influenced by the performance of the London market with demand arising from people wanting to locate in a village that is commutable to the Capital.
- 2.64 Despite prices slowing in the last five years in Chobham, values have begun to increase in the last 12 months and are noticeably higher than surrounding villages in the sub-market. An issue in Chobham is the lack of smaller houses and bungalows. Most demand for dwellings of these types comes from older persons already living locally who are seeking to downsize.

⁵ This is in part due to lack of available Suitable Alternative Natural Green Space capacity in the area in recent years. Although SANGs capacity has since become available in the Bagshot area.

Market Signals : Summary Points

- The median house price in Surrey Heath in 2018 was £400,000. This is lower than the Surrey County median price at £425,000 but above the median South East price (£318,000) and the national equivalent (£230,000). A similar trend is also seen for each type of housing.
- Over the last year there has been declining house prices across Surrey although over the last 5 years, price growth in Surrey Heath (3.1%) followed a similar trend to that of the County and the South East.
- The median rental price in Surrey Heath is £1,000 per month for the calendar year ending September 2018. This is slightly lower than Surrey County (£1,150) and higher than the South East (£850).
- Median rental values in Surrey Heath have increased by 14% since 2011. This growth below both the County (28%) and national equivalents (20%).
- The ratio of median house price to median gross annual workplace-based earnings for Surrey Heath is 12.99 (in 2018). Since 2002, affordability in Surrey Heath has deteriorated by 89.9%.
- Since 2011/2012, there has been a net total of 1,958 dwellings completed. Of this total, 192 are Affordable Housing.

3 HOUSING NEED

Introduction

- 3.1 Paragraph 214 of the revised NPPF (2019) states that any plans submitted after the 24th of January 2019 should be based on the 2019 version of the NPPF including the standard method. As Surrey Heath Borough Council is currently preparing a new Local Plan for the Borough (2019-2037), the revised NPPF framework to calculate housing need applies.
- 3.2 In assessing housing need and deriving a housing target, the three-step standard method is adopted. This is set out in the Planning Practice Guidance (PPG) in relation to Housing and Economic Needs Assessment. The PPG was revised in July 2018, again in September 2018 and most recently in February 2019.
- 3.3 Our approach below sets out the standard method for assessing the housing need in Surrey Heath using the worked example set out in the PPG.

Standard Method

- 3.4 Paragraph 214 of the revised NPPF (2019) states that any plans submitted after the 24th of January 2019 should be based on the 2019 version of the NPPF including the standard method. As the Surrey Heath Borough Council is currently updating the Local Plan and working towards adoption in 2022, then the revised framework applies. This means adopting the three-stage standard methodology set out below.
- 3.5 Paragraph 4 in the PPG revised Housing Need Assessment sets out the standard method for assessing housing need. This is outlined in the steps below.

Step 1 - Setting the baseline

- 3.6 The PPG advises that “the projected average annual household growth over a 10-year period (this should be 10 consecutive years, with the current year being the first year)” should be used. We have interpreted the “current year” as 2019 to align with the start of the plan period.
- 3.7 Surrey Heath’s household projections (2014-based projections) are:
- 35,753 households in 2019
 - 38,125 households in 2029
- 3.8 This is a total of 2,372 new households over the 10 years, equivalent to an average household growth of 237 per year.

Step 2 - An adjustment to take account of affordability

- 3.9 Step 2 then adjusts step 1 based on the affordability of the area. This draws on the most recent median workplace-based affordability ratios. The formula for the adjustment is calculated as below:

$$\text{Adjustment factor} = \left(\frac{\text{Local affordability ratio} - 4}{4} \right) \times 0.25$$

- 3.10 Surrey Heath's median workplace-based affordability ratio is 12.99 (2018). Using the above formula results in an adjustment factor of 0.56 or 56% and is used as below:

- Minimum annual local housing need figure = (1 + adjustment factor) x projected household growth

- 3.11 For Surrey Heath this means:

$$(1 + 0.56) \times 237 = 1.156 \times 237 = 370 \text{ dwelling per annum (dpa).}$$

Step 3 - Capping the level of any increase

- 3.12 Stage 3 of the standard method applies a cap that limits the increases an individual local authority can face. The cap depends on the status of relevant strategic policies for housing. In practice, this only affects local authorities who have an adjustment greater than 0.4. This is the equivalent of an affordability ratio of 10.4.

- 3.13 The local housing need figure is capped at 40% above the lower of the average housing requirement in local plans or the output from Step 2. In this instance, Surrey Heath is in the process of producing a new Local Plan and give this, we have assumed no Local Plan. Therefore, capping the level of any increase is as follows:

- Cap = 237 + (40% x 237) = 237+ 95 = 332 dpa

- 3.14 The capped figure is a 40% uplift on the output of stage 1 and **therefore the minimum OAN figure for Surrey Heath is 332 dpa.**

Population Growth

- 3.15 To input into later parts of this study, we have translated the level of household growth from the standard methodology into a population projection. While the population projections are an input to stage 1 of the standard method how the 40% additional homes (from steps 2 and 3) are occupied still needs to be calculated.

- 3.16 An indication of how this should be tackled is set out in Paragraph 6 of the PPG which relates to the affordability adjustment:

“An affordability adjustment is applied as household growth on its own is insufficient as an indicator of housing demand because:

- *household formation is constrained to the supply of available properties – new households cannot form if there is nowhere for them to live; and*
- *people may want to live in an area in which they do not reside currently, for example, to be near to work, but be unable to find appropriate accommodation that they can afford.”*

- 3.17 In other words, if the additional homes are to be filled and to address the issues set out above then a combination of reasonable improvements to household formation and changes to migration must occur.

- 3.18 Our two-step process therefore firstly improves household formation rates to a level that might be reasonable based on historic trends. The second step then adjusts migration (link to underlying assumptions in the 2016 Sub-National Population Projections (SNPP) which utilises more recent data and based on the same methodology as 2014-based) to a point where household growth matches the number of homes in the scenario the additional homes are occupied.

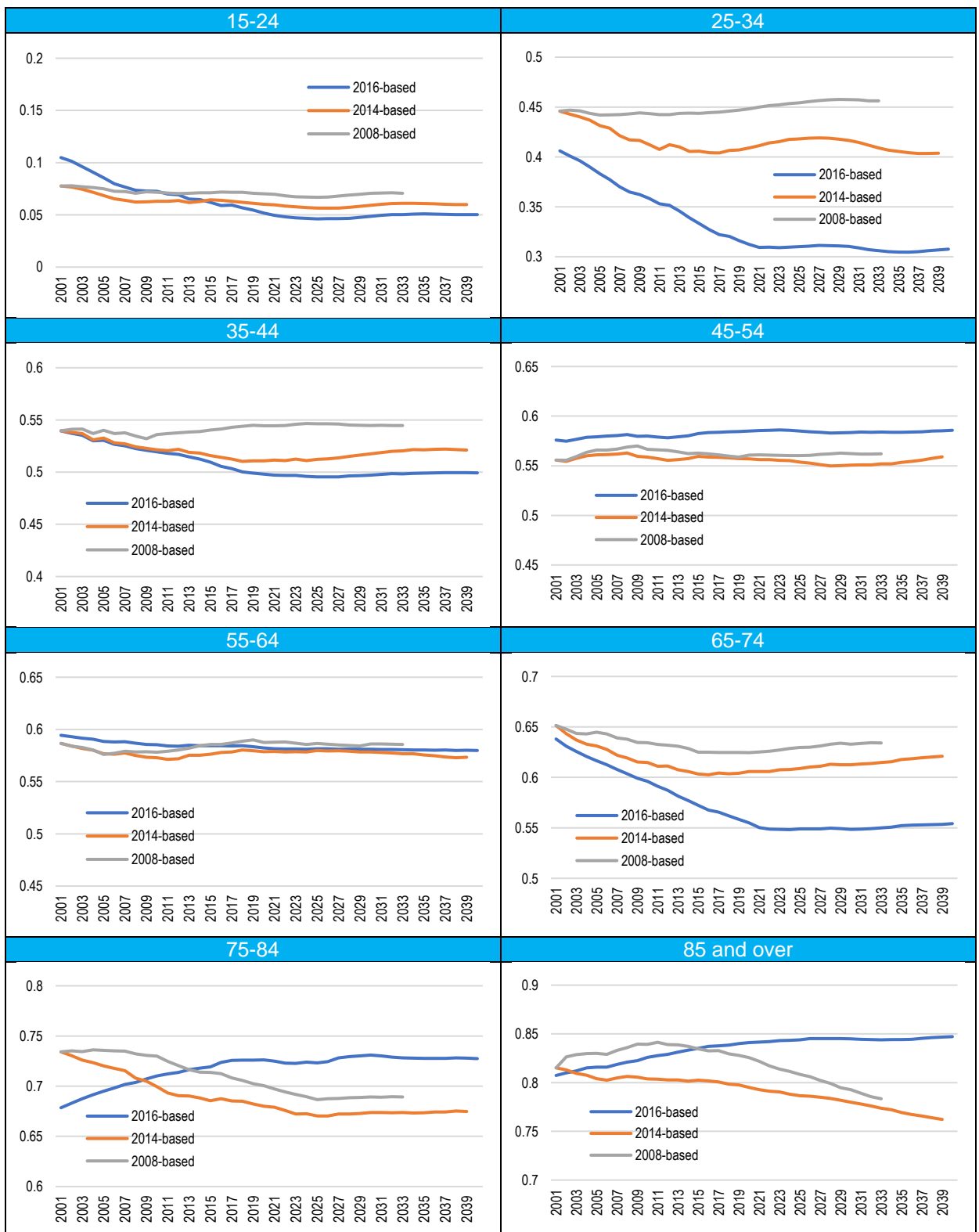
Household Formation Rates

- 3.19 As set out above our approach in response to the PPG is to improve household formation rates as well as increasing migration. This sub-section firstly identifies what a reasonable improvement to household formation rates entails. The latest Households Representative Rates (HRRs) are contained in the ONS 2016-based sub-national household projections (SNHP) published in September 2018.

- 3.20 The 2016-based SNHP has come under some heavy criticism, this is largely because they are based only on data in the 2001-11 Census period and arguably build in the suppression of household formation experienced in that time. The criticism of the 2016-Based HRR resulted in the standard method being updated to ensure the 2014-based Household projections are used as set out earlier in this report.

- 3.21 The previous (2014-based) projections used a longer time-series (all Census points back to 1971) and therefore do cover a wider housing market cycle. However, while the 2014-based projections are more positive than the 2016-based projections for those aged 25-34, there is still a clear and considerable deterioration in the ability to form a household since 1991 but particularly from 2001 onwards which is projected to continue.

Figure 5: Projected Household Representative Rates by Age of Head of Household



Source: Derived from ONS and CLG data

- 3.22 Also, when compared to the pre-recession 2008-based HRRs both the 25-34 and 35-44 age groups are much more positive. These were based on pre-recession trends and are therefore reflective of a more positive housing environment.
- 3.23 If either the 2014-based or 2016-based HRR figures are used it would be clear that the objective of the affordability adjustment would not be met as households in these age groups would still not be able to form in the way that they once did and arguably should.
- 3.24 In such circumstances, it would be reasonable to consider a further adjustment to HRR, as otherwise, residents in these younger age groups would not be able to form in the way in which they would perhaps like to or had done so historically.
- 3.25 A sensitivity test has thus been developed to model an increase in the household formation rates of the population aged 15-85 years and over. This links back to the 2014-based SNHP and can be termed a 'part-return-to-trend', where the rate of household formation sits somewhere between figures in the 2014-based projections and those in an older 2008-based version.
- 3.26 However, this adjustment will not fill the additional homes brought about by steps 2 and 3 in the standard method. Therefore we have adjusted our migration assumptions to ensure these additional homes are occupied.

Migration

- 3.27 The changes to migration have been applied on a proportionate basis; the methodology assumes that the age/sex profile of both in- and out-migrants is the same as underpins the 2016-based SNPP with adjustments being consistently applied to both internal (domestic) and international migration. Adjustments are made to both in- and out-migration (e.g. if in-migration is increased by 1% then out-migration is reduced by 1%).
- 3.28 This changes the overall level of growth away from the 2016-based SNPP but also changes the age structure. The higher population growth typically results in much stronger growth in what might be considered as 'working-age' groups. This arises because ONS data shows that migrants are heavily concentrated in those age groups (along with their associated children).
- 3.29 The tables below show the age structure of the population projected to be consistent with the housing need associated with the standard method housing need.
- 3.30 As identified above, calculating the standard method results in a housing need of 332 dpa. The table below reports the projected population change in Surrey Heath between 2019 and 2040. The population is forecast to increase by 12,231 or approximately 13.7%. This scenario forecasts the population to reach 101,405 by 2040.

Table 4: Projected population change in Surrey Heath

	Population 2019	Population 2040	Change in population	% change
0-4	4,746	5,420	674	14.2%
5-9	5,568	5,690	121	2.2%
10-14	5,681	5,961	280	4.9%
15-19	4,861	5,493	631	13.0%
20-24	4,258	4,298	40	0.9%
25-29	4,504	5,375	871	19.3%
30-34	4,705	5,463	758	16.1%
35-39	5,613	5,392	-221	-3.9%
40-44	5,897	6,323	426	7.2%
45-49	7,031	6,437	-594	-8.4%
50-54	7,006	6,481	-525	-7.5%
55-59	6,460	6,295	-166	-2.6%
60-64	5,209	5,911	702	13.5%
65-69	4,325	5,964	1,639	37.9%
70-74	4,542	5,797	1,256	27.6%
75-79	3,444	5,301	1,857	53.9%
80-84	2,611	4,165	1,555	59.5%
85 & over	2,713	5,640	2,928	107.9%
Total	89,174	101,405	12,231	13.7%

Source: Demographic projections SNHP

- 3.31 By 2040, older persons age groups are forecast to experience the most significant proportional growth with ages 70-74 increasing by 27.6%, ages 75-79 increasing by 53.9%, ages 80-84 increasing by 59.5% and 85 years and over increasing by 107.9%.
- 3.32 Currently, working professionals make-up a large proportion of Surrey Heath's population with 45-49 and 50-54 age groups the most populous age groups. However, these groups are forecast to experience decline by approximately -8.4% and -7.5% by 2040.
- 3.33 Amongst young adults, the 25-29 and 30-34 age groups are forecast to increase by approximately 19.3% and 16.1%. This is linked to the profile of the additional migrants coming as a result of the affordability uplift. In contrast, the 35-39 age group is expected to experience negative growth at -3.9%.

Housing Need and Population Growth: Summary Points

- The Standard Method housing need for Surrey Heath results in 332 dpa based on the 2014-based household projections.
- In response to the PPG and to ensure these homes are occupied our approach to population growth improves household formation rates and increases migration to a point when there is enough population to occupy these additional homes.
- Our modelling shows growth of approximately 13.7% in total population over the period to 2040. The greatest population growth is expected in older person age groups with 85 years and over forecast to increase by approximately 107.9% and 75-79 and 80-84 age groups increasing by 53.9% and 59.5% respectively.

4 ECONOMIC GROWTH AND HOUSING NEED

4.1 In this section, consideration is given to economic growth and how this may influence the level of housing need. While the standard method removes any consideration of economic growth within the calculation of housing need, there is still a requirement for local authorities to align their economic and housing strategies.

4.2 This section of the report seeks to understand the employment level generated by the standard method and compares this to the most recent economic forecasts supporting the Council's strategy.

Number of Jobs Supported by the Standard Method

4.3 As set out in the previous chapter, the three-stage approach to calculating housing need using the standard method results in a total need for 332 dpa and population growth of 12,231 in Surrey Heath. However, to translate this into a labour force growth and job growth, a series of assumptions need to be made.

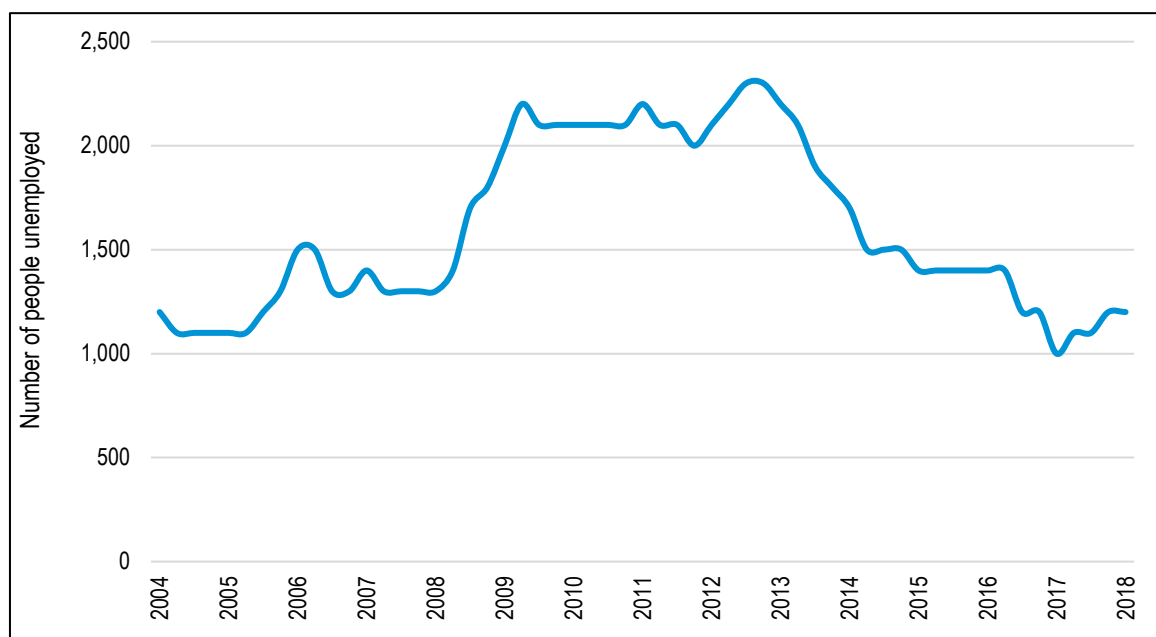
4.4 The first step is to understand how economic activity might change and therefore what the resident labour force would be. There are several factors concerning the economic activity including age profile, unemployment and changing pensionable ages.

4.5 Unemployment in Surrey Heath was also analysed to identify changes over time. As the figure below illustrates, the rates are somewhat in line with broader economic cycles. The level of unemployment in each area has remained similar relative to each other.

4.6 During the Global Financial Crisis, the unemployment rate in Surrey Heath reached 2,200 persons in 2009. This rate decreased slightly in the immediate years following, however it increased in 2013 to reach a peak unemployment rate of 2,300 persons.

4.7 In the years following 2013, the number of unemployed persons decreased to 1,000 in 2017, the lowest rate since 2004. In 2018 it reached 1,200 persons. The data assumes no further changes moving forward as current rates of unemployment are low.

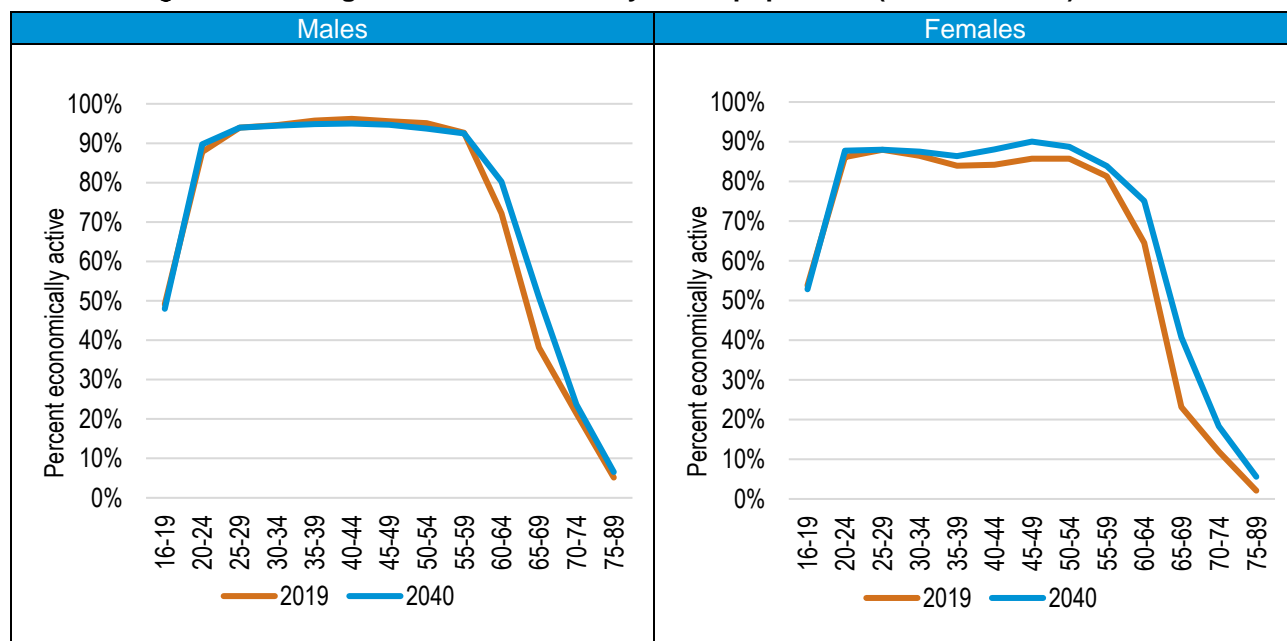
Figure 6: Number of people unemployed in Surrey Heath (2004-2018)



Source: Annual Population Survey

- 4.8 We next considered how economic activity may change between 2019 and 2040. From this, we drew on from the Office of Budget Responsibility (OBR) Summer 2017 Fiscal Sustainability Report and made adjustments to reflect the start point and age structure in Surrey Heath. The figure below illustrates changes to economic activity rates for both males and females in Surrey Heath.
- 4.9 For most age groups, the percentage of economically active males is forecast to continue in the same trend to 2040. However, linked to longevity and changes to the pensionable age there will be a slightly higher percentage of the population that is economically active over the age of 60 in 2040. For women, the change is slightly more apparent with the gap more apparent from the 35-39 age group (approximately 2.5% change) and in age groups above. This is linked to more marked changes to the pensionable age.

Figure 7: Changes to the economically active population (2019 and 2040)



Source: OBR and Census 2011

4.10 Applying these assumptions to the population growth emanating from the standard methodology and the other scenarios makes it possible to assess the growth in the economically active population. This can then be compared to the projected job growth from other sources such as the Employment Land Technical Paper.

4.11 This estimated change to the economically active population is presented in the table below. Under the standard method housing need, an additional 4,626 economically active persons will be created. The table also reports the change in the economically active persons derived from the Sub-National Population Projections; this indicates a much lower change in the number of economically active people and illustrates the uplift in potential jobs associated and supported with the standard method.

Table 5: Estimated change to the economically active population (2019-2040)

	Economically active (2019)	Economically active (2040)	Change
SNPP	48,598	48,869	270
SNPP (+MYE)	48,565	48,836	272
Standard Method	48,565	53,191	4,626

Source: GL Hearn modelling

Commuting Patterns

- 4.12 The table below shows the commuting ratio for Surrey Heath. This is calculated by the number of people living in an area (and working) divided by the number of people working in the area (regardless of where they live).
- 4.13 There is a fairly high number (23,295) of people commuting into Surrey Heath for employment. A small number of the population are considered home workers (6,317). However, given access to employment opportunities in Farnborough, London, Heathrow and Reading, there is also a high number of people commuting out of Surrey Heath to employment (24,340).
- 4.14 As illustrated in the table below, Surrey Heath is a slight net out-commuter which means the total number of people living and working in Surrey Heath is around 2% higher than the total number who work in Surrey Heath.

Table 6: Commuting Patterns (2011)

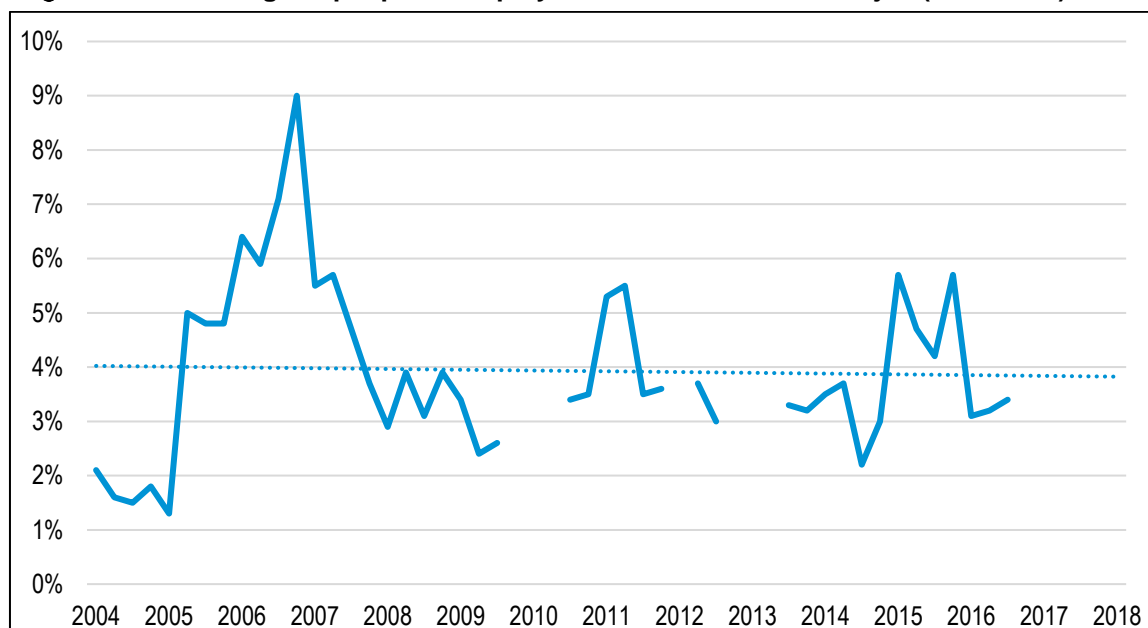
	Surrey Heath
Live and work in Local Authority (LA)	10,888
Homeworkers	6,317
No fixed workplace	3,758
In-commute	23,295
Out-commute	24,340
Total working in LA	44,258
Total living in LA (and working)	45,303
Commuting ratio	1.024

Source: Census 2011

Double-Jobbing

- 4.15 The next stage in this analysis is to consider double-jobbing. Where data is available, double jobbing has been analysed to show the percentage of people with multiple jobs at once. The figure below identifies the people that have a second job in Surrey Heath between 2004 and 2018.

Figure 8: Percentage of people in employment who have a second job (2004-2018)



Source: Annual Population Survey

- 4.16 The peak in the proportion of residents' double-jobbing was in the years just before the recession, reaching the highest of 9% in 2007. Notably, this period of higher proportions of double jobbing does not reflect the unemployment trends reported in the figure above.
- 4.17 The commuting ratio is multiplied by the double-jobbing rate to get to an adjustment factor which translates economically active population to the number of jobs that could be supported in a given area.
- 4.18 As illustrated in the table below, the standard method would support an additional 4,704 jobs over the 2019 to 2040 period. In contrast, the number of jobs supported by the Sub-national Population Projections is significantly lower than the standard method.

Table 7: Jobs supported by different scenarios in Surrey Heath (2019-2040)

	Total change in economically active	Allowance for net commuting	Allowance for double jobbing (= jobs supported)
SNPP	270	264	275
SNPP (+MYE)	272	266	277
Standard Method	4,626	4,519	4,704

Source: GLH Analysis including use SNPP and MYE, OBR, Census and APS⁶

⁶ Census, APS and MYE can be accessed at Nomis (<https://www.nomisweb.co.uk>) and the SNPP through ONS websites (<https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/populationprojections>)

- 4.19 The Council will need to align their economic and housing strategy to ensure there is enough of a workforce to meet their aspirations. We have therefore undertaken a calculation to understand the housing implication of the Borough's potential economic growth.

Housing to support job growth

- 4.20 The data set out in Table 8 below sets out the baseline forecast for Surrey Heath and are drawn from the Employment Land Technical Paper being undertaken concurrently with this work. The Employment Land Technical Paper uses baseline forecasts from both Cambridge Econometrics and Oxford Economics.
- 4.21 As the table below sets out, these forecasts show a range over the 2019 to 2040 period of 30,18 to 5,619 jobs. This standard method shows a job growth of 4,705 which is similar to the mid-range of these forecasts (4,319 jobs).

Table 8: Forecast job change (2019-40)

	2019	2040	Change
CE	65,055	68,073	3,018
OE	68,382	74,001	5,619

Source: CE/OE

- 4.22 To translate these into a population and housing growth, we effectively undertake the above calculations but in reverse. The change in economically active population required to service the forecast level of growth is calculated by applying an adjustment to take account of double jobbing and net commuting.

Table 9: Change in economically active population needed to meet job forecasts (2019-40)

	Forecast job change	Allowance for net commuting	Allowance for double jobbing (=change in economically active)
CE	3,018	3,089	2,968
OE	5,619	5,752	5,526

Source: GLH Analysis including use SNPP and MYE, OBR, Census and APS

- 4.23 The economically active population is then translated into an overall population growth by taking account of unemployment and economic activity rates. This population growth is then translated into household growth through the use of the adjusted HFR rates as set out in the previous chapter.
- 4.24 We then apply an allowance to the household growth to reflect vacancy within the existing stock. This is based on Council Tax Records. As the table below sets out these results in a housing need for between 283 and 360 dpa.

Table 10: Housing need associated with different economic forecasts

	Households 2019	Households 2040	Change in households	Per annum	Dwellings per annum
CE	35,540	41,316	5,776	275	283
OE	35,540	42,873	7,333	349	360

Source: GLH analysis of forecasts including use SNPP and MYE, OBR, Census and APS

- 4.25 At 332 dpa the standard method sits in the middle of these two economic forecasts and therefore broadly aligns with the economic potential of the area. When developing a Local Plan policy the Economic and Housing Strategy should be aligned. However, these also need to be aligned with other considerations such as the capacity to meet the identified need for both. If it is not possible to meet this growth then the local authority may wish to make alternative assumptions tested through the duty to cooperate.

Economic Growth and Housing Need: Summary Points

- We have examined the link between housing and employment in Surrey Heath drawing on several assumptions.
- The economic activity rates in Surrey Heath are expected to increase to 2040, with the gap between 2019 and 2040 rates particularly evident for females of working age.
- Surrey Heath is a net out-commuter which means the total number of people living and working in Surrey Heath is around 2% higher than the total number who work in Surrey Heath.
- Linked to population growth and age profile, commuting patterns, double jobbing and economic activity rates, the standard method (332 dpa) housing need would support an increase in jobs of 4,704 jobs over the 2019-2040 period.
- We have also calculated the population associated with Economic forecasts for Surrey Heath. These show a housing need both below and above the standard methodology suggesting there is broad alignment between these factors.

5 AFFORDABLE HOUSING NEED

Introduction

- 5.1 Affordable housing is defined in Annex 2 of the NPPF (2019). The new definition is slightly wider than the previous NPPF (2012) definition; a series of 'affordable home ownership' options are considered to be affordable housing.
- 5.2 The Planning Practice Guidance relating to the measurement of affordable housing need was updated in February 2019, although it is similar to that set out in draft in March 2018. The PPG describes the calculation of affordable housing need as relating to *'the current number of households and projected number of households who lack their own housing or who cannot afford to meet their housing needs in the market'*.
- 5.3 A methodology is set out in the PPG to look at affordable need, this is largely the same as the previous PPG method and does not address the additional (affordable home ownership) definition other than to identify "the number of households from other tenures in need and those that cannot afford their own homes, either to rent or to own, where that is their aspiration".
- 5.4 Due to the lack of any detailed guidance, the analysis below is therefore split between the established definition of affordable need and the expanded definition. This section of the report below deals with the established definition of affordable need with the following section considering the expanded NPPF definition.

Affordable Housing Need (established definition)

- 5.5 The method for studying the need for affordable housing has been enshrined in Strategic Housing Market Assessment (SHMA) guidance for many years (now PPG for Housing and Economic Needs Assessment), with an established approach to look at the number of households who are unable to afford market housing (to either rent or buy). The analysis below follows the methodology and key data sources in guidance and can be summarised as:
- Current need (an estimate of the number of households who have a need now and based on a range of data modelled from local information) this includes homeless and concealed households and those in temporary, unsuitable or overcrowded housing;
 - Projected newly forming households in need (based on projections developed for this project along with an affordability test to estimate numbers unable to afford the market);
 - Existing households falling into need (based on studying the types of households who have needed to access social/affordable rented housing and based on study past lettings data);
 - These three bullet points, added together, indicates the gross need (the current need is divided by 21 to meet the need over the 2019-2040 period);

- Supply of affordable housing (an estimate of the likely number of lettings that will become available from the existing social housing stock – drawing on data from CoRe⁷); and
- Subtracting the supply from the gross need provides an estimate of the overall (annual) need for affordable housing

5.6 Each of these stages is described below. Also, much of the analysis requires a view about affordability to be developed. This includes looking at house prices and private rents along with estimates of local household incomes. The following sections, therefore, look at different aspects of the analysis.

Local Prices and Rents

5.7 An important part of the affordable needs model is to establish the entry-level costs of housing to buy and rent. The affordable housing needs assessment compares prices and rents with the incomes of households to establish what proportion of households can meet their needs in the market, and what proportion require support and is thus defined as having an ‘affordable housing need’.

5.8 To establish affordable housing need, the analysis focuses on overall housing costs (for all dwelling types and sizes). Later in the report, this information is expanded to present a consideration of the types of affordable housing that might meet local needs. This section focuses on establishing, in numerical terms, the overall need for affordable housing.

5.9 The analysis below considers the entry-level costs of housing to both buy and rent across Surrey Heath Borough Council. The approach has been to analyse Land Registry and Valuation Office Agency (VOA) data to establish lower quartile prices and rents – using a lower quartile figure is consistent with the PPG and reflects the entry-level point into the market.

Entry Level Purchase Costs

5.10 Data from the Land Registry for the year to March 2019 presents estimated lower quartile property prices across Surrey Heath Borough Council by dwelling type. Across all dwelling types in Surrey Heath, the data shows a lower quartile average price of £301,000 for all dwellings.

5.11 As outlined in the table below, the estimated lower quartile average price of a flat in Surrey Heath is £196,000. This value increases to £300,000 for a terraced and £344,000 for a semi-detached dwelling. The estimated lower quartile average price for a detached dwelling in Surrey Heath is £499,000.

⁷ The continuous recording of lettings and sales in social housing in England (referred to as CoRe) is a national information source that records information on the characteristics of both private registered providers and local authority new social housing tenants and the homes they rent

Table 11: Lower quartile cost of housing to buy (1 April 2018 and 31 March 2019)

	Lower quartile price
Flat/maisonette	£196,000
Terraced	£300,000
Semi-detached	£344,000
Detached	£499,000
All dwellings	£301,000

Source: Land Registry, 2019

- 5.12 Analysis has been undertaken at a sub-area level to identify the varying price points in Surrey Heath. Table 12 below reports the lower quartile house prices for the type of house for the Western Urban and Deepcut and the Rest of the Borough Sub-areas.
- 5.13 The lower quartile median price for all dwellings in the Rest of Borough Sub-area is £361,000 and £272,000 for the Western Urban and Deepcut Sub-area. The data in the table below illustrates that property values across most house types are higher in the Rest of Borough Sub-area. This is with the exception of flats, where the lower quartile price in the Western Urban and Deepcut Sub-area is £197,000 which is higher than the Rest of Borough (£190,000).
- 5.14 In the Western Urban Sub-area, the lower quartile cost of a terrace is £297,000, this increases to £335,000 for a semi-detached property and £483,000 for a detached. In comparison, the lower quartile price of a terrace in the Rest of Borough Sub-area is £311,000. The cost of semi-detached homes is £379,000 and detached homes are £514,000.

Table 12: Lower quartile cost of housing to buy – year to March 2019 – by Sub-area

	Western Urban (and Deepcut)	Rest of Borough	Surrey Heath
Flat/maisonette	£197,000	£190,000	£196,000
Terraced	£297,000	£311,000	£300,000
Semi-detached	£335,000	£379,000	£344,000
Detached	£483,000	£514,000	£499,000
All dwellings	£272,000	£361,000	£301,000

Source: Land Registry, 2019

- 5.15 The table below reports the lower quartile cost of purchasing by house size for the sub-areas and Surrey Heath. Across all house sizes, lower quartile property prices are higher in the Rest of the Borough sub-area than in the Western Urban and Deepcut Sub-area.
- 5.16 In the rest of borough Sub-area, 1-bedroom properties cost £156,000, this value increases to £213,000 for 2-bedrooms, £349,000 for 3-bedrooms and £515,000 for 4+ bedrooms. The sub-area values are higher across all house sizes than the Surrey Heath Borough figure.

- 5.17 In the Western Urban and Deepcut Sub-area, property prices are lower than both the Rest of Borough Sub-area and the Surrey Heath average. The lower quartile price of a 1-bedroom property is £146,000, increasing to £200,000 for 2-bedrooms, £327,000 for 3-bedrooms and £483,000 for 4+ bedrooms.

Table 13: Lower quartile cost of housing to buy by size – year to March 2019

	Western Urban (and Deepcut)	Rest of Borough	Surrey Heath
1-Bedroom	£146,000	£156,000	£150,000
2-Bedrooms	£200,000	£213,000	£205,000
3-Bedrooms	£327,000	£349,000	£335,000
4+ Bedrooms	£483,000	£515,000	£495,000
All dwellings	£272,000	£361,000	£301,000

Source: Land Registry, 2019

- 5.18 While the analysis is based on the 2019 figures (as it is an assessment of current affordability) it is worthwhile noting that over the last five years price growth across all types of homes has increased by 11% in Surrey Heath. There was particularly strong growth in the price of semi-detached properties which suggests a demand for modest family sized accommodation.

Entry Level Rental Costs

- 5.19 A similar analysis has been carried out for private rents using Valuation Office Agency (VOA) data – this covers a 12-month period to March 2019. For rental data, information about dwelling sizes (by bedroom) is provided rather than types.
- 5.20 The data in the table below shows that the average lower quartile rents across all dwellings in Surrey Heath is £825 per month. The lower quartile rental value for a 1-bedroom dwelling is £725 per month and increases to £875 for 2-bedrooms, £1,100 for 3-bedrooms and £1,550 for 4+bedrooms.
- 5.21 Rental values are lower in the Western Urban and Deepcut Sub-area. The rental value of a 1-bedroom property is £715 which increases to £1520 per month for the Western Urban and Deepcut Sub-area.

Table 14: Lower Quartile Market Rents (pcm) - 1 April 2018 and 31 March 2019

	Western Urban (and Deepcut)	Rest of Borough	Surrey Heath	Number of Transactions
Room only	-	-	£415	30
Studio	-	-	£450	10
1-bedroom	£715	£740	£725	190
2-bedrooms	£865	£895	£875	350
3-bedrooms	£1,080	£1,130	£1,100	190
4-bedrooms	£1,520	£1,595	£1,550	100
All properties	£760	£965	£825	860

Source: Valuation Office Agency, 2019 and on the market search (Numbers may not add due to rounding)

- 5.22 Although the above data is based on the 2019 figures, it is recognised that rental prices have likely increased further since March 2019. Analysis of property to rent at the beginning of December 2019 indicate that there may be a current lack of homes that can be accessed by many of those in affordable housing need.
- 5.23 Anecdotally, there was particularly strong growth in the price of semi-detached properties which suggests a demand for modest family sized accommodation. This would indicate a potentially greater supply response.
- 5.24 It should also be noted that the figures are calculated at a local authority level and disaggregated to the sub-areas based on a snapshot of rents in those areas relative to the Borough. This may mean that a limited number of rents could skew the figures one way or another.
- 5.25 For example, there may be a limited supply of 2-3 bedroom properties in the rest of the borough sub-area which are of a poor quality at the time of the snapshot. The low cost of these properties may skew these figures below what is normally available at any given point in time. The focus should, therefore, be on the Borough-wide figure.
- 5.26 We also recognise that location is an issue for low income and benefit dependent families as the Local Housing Allowance (LHA) varies significantly across the Borough. Those areas such as West End and Chobham which fall within the Guildford Broad Rental Market Area (BRMA) receive £758 per month for a one-bedroom home whereas those in Camberley, Frimley and Bagshot which fall in the Blackwater Valley BRMA only receive £628 per month. This equates to a £1,560 per annum difference and provides a more attractive offer to would-be claimants thus increasing demand.
- 5.27 LHA room rates in the borough range from £342 per month in the Blackwater Valley BRMA to £385 per month in the Guildford BRMA. However, these are lower than the rents across the Borough for rooms and studio apartments and there is also very limited supply.

- 5.28 This difference in cost and allowance makes it difficult for the Council to address specific needs like rough sleepers and other single homeless particularly those aged under 35 who can only claim room rates. The limited stock is also an important consideration as it pushes demand into one-bedroom properties.

What is Affordable?

- 5.29 A household is considered able to afford market rented housing in cases where the rent payable would constitute no more than a particular percentage of gross income. The choice of an appropriate threshold is an important aspect of the analysis, CLG guidance (of 2007) suggested that 25% of income is a reasonable start point but also notes that a different figure could be used.
- 5.30 Further, analysis of current letting practice suggests that letting agents typically work on a multiple of 40%. Government policy (through Housing Benefit payment thresholds) would also suggest a figure of 40%+ (depending on household characteristics).
- 5.31 The threshold of income to be spent on housing should be set by asking the question “what level of income is expected to be required for a household to be able to access market housing without the need for a subsidy (e.g. through Housing Benefit)?” The choice of an appropriate threshold will to some degree be arbitrary and will be linked to the cost of housing rather than income.
- 5.32 Income levels are only relevant in determining the number (or proportion) of households who fail to meet the threshold. It would be feasible to find an area with very low incomes and therefore conclude that no households can afford housing, alternatively, an area with very high incomes might show the opposite output. The key here is that local income levels are not setting the threshold but are simply being used to assess how many can or can't afford market housing.
- 5.33 Rent levels in Surrey Heath are higher in comparison to those seen nationally (a lower quartile rent of £500 per month across England). This suggests that a proportion of income to be spent on housing would be at the top end of the range.
- 5.34 The previous Hart, Rushmoor and Surrey Heath SHMA (2016) assumed 30%. Considering the 8% increase in lower quartile rental values since this point in time (£825 compared to £760), we have therefore assumed a maximum 33% of income spent on housing for it to be deemed affordable. However, in reality, there will be many households that spend a higher proportion of their income on housing.

Income Levels and Affordability

- 5.35 Following the analysis of local prices and rents, it is important to understand local income levels as these (along with the price/rent data) will determine levels of affordability (i.e. the ability of a household to afford to buy or rent housing in the market without the need for some sort of subsidy).
- 5.36 Data on total household income has been based on ONS modelled income estimates, with additional data from the English Housing Survey (EHS)⁸ being used to provide information about the distribution of incomes (see appendix for more information on local earnings). The analysis assumes 10% for a deposit and 4.5 times multiple to buy and 33% of income spent on rent.
- 5.37 Based on this, the estimated household income for Surrey Heath in 2018 is presented in the table below. To buy a house in Surrey Heath, an estimated household income of £60,200 is required and £30,100 to rent.
- 5.38 The estimated household income required is higher in the Rest of Borough Sub-area to buy (£72,200) and rent (£35,200). This is compared to the Western Urban and Deepcut Sub-area where the required household income to buy is £54,400 and £27,700 to rent.

Table 15: Estimated household income in Surrey Heath (2018)

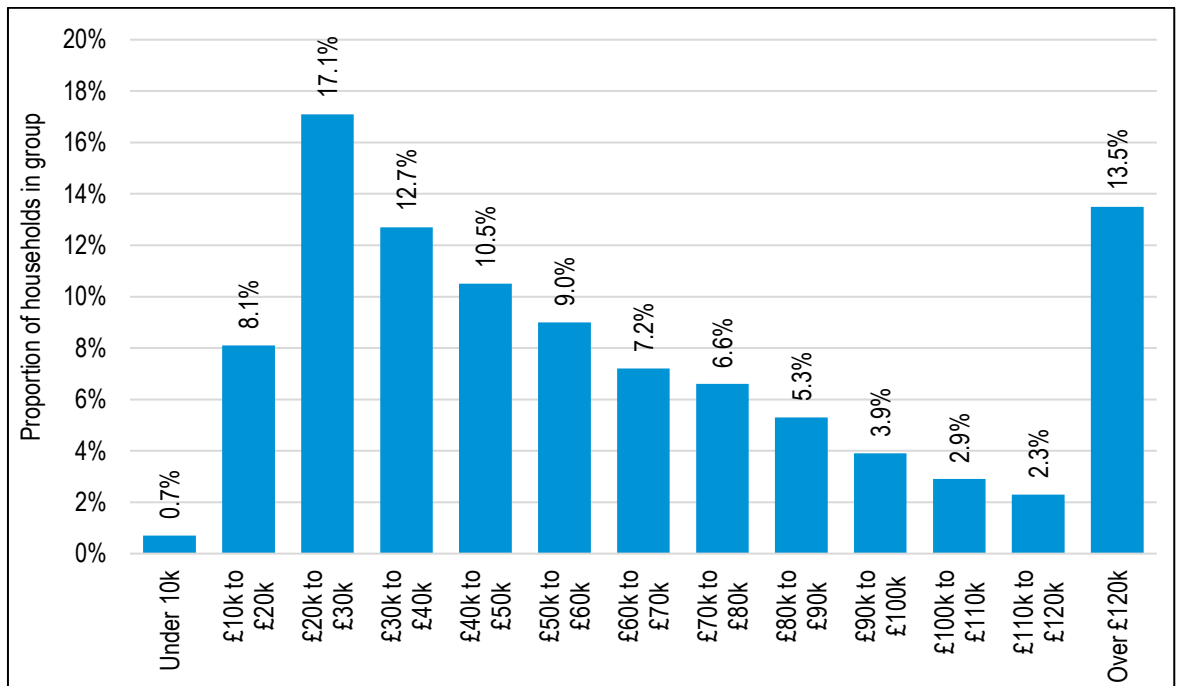
	To Buy	To Rent
Western Urban (and Deepcut)	£54,400	£27,700
Rest of Borough	£72,200	£35,200
Surrey Heath	£60,200	£30,100

Source: GLH Analysis

- 5.39 The figure below illustrates the distribution of household income in Surrey Heath. Currently, 17% of households in Surrey Heath have an annual household income ranging between £20,000 to £30,000. This is followed by approximately 13% of households in the £30,000 to £40,000 household income bracket.

⁸ <https://www.gov.uk/government/statistics/english-housing-survey-2017-to-2018-home-ownership>

Figure 9: Distribution of Household Income in Surrey Heath (mid-2018 estimate)



Source: Modelling derived from EHS and ONS data⁹

- 5.40 Based on the income distribution (Figure 9) and estimated household income (Table 15) comparisons, around a quarter of Surrey Heath’s households cannot afford renting property across the Borough and around 60% of the households cannot afford to buy one.

Current Affordable Housing Need

- 5.41 In line with PPG Paragraph 2a-020, the current need for affordable housing has been based on considering the likely number of households with one or more housing problems. The table below sets out the categories in the PPG and the sources of data being used to establish numbers.
- 5.42 The PPG also includes a category where households cannot afford to own a home despite it being their aspiration. This category is considered separately later in this report (under the title of the expanded definition of affordable housing need).

⁹ The English Housing Survey can be found on the ONS websites (<https://www.gov.uk/government/collections/english-housing-survey>) and can Household Income estimates (<https://data.gov.uk/dataset/5c4a083f-a8c6-42d8-ad40-36a9719a634c/household-income-estimates-for-small-areas>) and the Annual Survey of Hours And Earnings can be found on Nomis (<https://www.nomisweb.co.uk/>)

Table 16: Main Sources for Assessing the Current Unmet Need for Affordable Housing

Category	Source	Notes
Homeless households and those in temporary accommodation	CLG Live Table 784 ¹⁰	Total where a duty is owed but no accommodation has been secured PLUS the total in temporary accommodation
Households in overcrowded housing	Census table LC4108EW ¹¹	The analysis was undertaken by tenure and updated by reference to national changes (from the English Housing Survey (EHS))
Concealed households	Census table LC1110EW ¹²	Number of concealed families
Existing affordable housing tenants in need	Modelled data linking to past survey analysis	Excludes overcrowded households – tenure estimates updated by reference to the EHS
Households from other tenures in need	Modelled data linking to past survey analysis	

5.43 It should be noted that there may be some overlap between categories (such as overcrowding and concealed households, whereby the overcrowding would be remedied if the concealed household moved). The data available does not enable an analysis to be undertaken to study the impact of this and so the figures presented may include a small element of double counting. Additionally, some of the concealed households may be older people who have moved back in with their families and might not be considered as in need.

5.44 The table below shows the initial estimate of the number of households within the study area with a current housing need. These figures are before any ‘affordability test’ has been applied to assess the ability of households to meet their own housing needs, and has been termed ‘the number of households in unsuitable housing’. Overall, the analysis suggests that there are currently around 2,260 households living in unsuitable housing (or without housing).

¹⁰ <https://www.gov.uk/government/statistical-data-sets/live-tables-on-homelessness>

¹¹ <https://www.nomisweb.co.uk/home/search.aspx?context=&term=LC4108EW>

¹² <https://www.nomisweb.co.uk/home/search.aspx?context=&term=LC1110EW>

Table 17: Estimated Number of Households Living in Unsuitable Housing

	Western Urban (+Deepcut)	Outside of Western Urban	Borough-wide
Homeless/concealed households	354	128	482
Households in overcrowded housing	779	192	971
Existing affordable housing tenants in need	54	16	69
Households from other tenures in need	499	234	733
Total	1,685	571	2,256

Source: CLG Live Tables, Census 2011 and Data Modelling

5.45 In taking this estimate forward, the data modelling next estimates housing unsuitability by tenure. From the overall number in unsuitable housing, households living in affordable housing are excluded (as these households would release a dwelling on moving and so no net need for affordable housing will arise). The analysis also excludes 90% of owner-occupiers under the assumption (which is supported by analysis of survey data) that the vast majority will be able to afford housing once savings and equity are taken into account. A final adjustment is to slightly reduce the unsuitability figures in the private rented sector to take account of student-only households – such households could technically be overcrowded/living in unsuitable housing but would be unlikely to be allocated affordable housing (student needs are essentially assumed to be transient) – this only reduces the estimated need by 1 household in total. Once these households are removed from the analysis, the remainder are taken forward for affordability testing.

5.46 The table below shows it is estimated that around 1,240 households were living in unsuitable housing (excluding current social tenants and the majority of owner-occupiers).

Table 18: Unsuitable Housing by Tenure and Number to Take Forward into Affordability Modelling – Surrey Heath

	In Unsuitable Housing	Number to Take Forward for Affordability Testing
Owner-occupied	666	67
Affordable housing	418	0
Private rented	690	689
No housing (homeless/concealed)	482	482
Total	2,256	1,238

Source: CLG Live Tables, Census 2011 and Data Modelling

5.47 Having established this figure, it needs to be considered that a number of these households might be able to afford market housing without the need for subsidy. To consider this, the income data

has been used, with the distribution adjusted to reflect a lower average income amongst households living in unsuitable housing – for the purposes of the modelling an income distribution that reduces the average household income to 88% of the figure for all households has been used to identify the proportion of households whose needs could not be met within the market (for households currently living in housing). A lower figure of 42% has been used to apply an affordability test for the concealed/homeless households who do not currently occupy housing.

5.48 These two percentage figures have been based on a consideration of typical income levels of households who are in unsuitable housing (based mainly on estimates in the private rented sector) along with typical income levels of households accessing social rented housing (for those without accommodation). The figures have been based on analysis of the English Housing Survey (mainly looking at relative incomes of households in each of the private and social rented sectors) as well as consideration of similar information collected through household surveys (across the country) by JGC. These modelling assumptions are considered reasonable and have not been challenged through the Local Plan process in other locations (where the same assumptions have been used).

5.49 Overall, just under half of the households with a current need are estimated to be likely to have insufficient income to afford private rented housing and so the estimate of the total current need is from 554 households in the study area. The table below also shows how this is estimated to vary by sub-area.

Table 19: Estimated Current Affordable Housing Need

	In unsuitable housing (taken forward for affordability test)	% Unable to Afford Market Housing (without subsidy)	Revised Gross Need (including Affordability)
Western Urban (+Deepcut)	917	42.7%	391
Outside of Western Urban	321	50.7%	163
Borough-wide	1,238	44.8%	554

Source: CLG Live Tables, Census 2011 and Data Modelling

Newly-Forming Households

5.50 The number of newly-forming households has been estimated through demographic modelling with an affordability test also being applied. This has been undertaken by considering the changes in households in specific 5-year age bands relative to numbers in the age band below, 5 years previously, to provide an estimate of gross household formation. Estimates of the volume of newly forming households has been based on a projection linking to the Standard Method level of housing growth in the period from 2019 to 2040.

- 5.51 The numbers of newly-forming households are limited to households forming who are aged under 45 – this is consistent with CLG guidance (from 2007) which notes after age 45 that headship (household formation) rates ‘plateau’. There may be a small number of household formations beyond age 45 (e.g. due to relationship breakdown) although the number is expected to be fairly small when compared with the formation of younger households.
- 5.52 In looking at the likely affordability of newly-forming households, data has been drawn from previous surveys. This establishes that the average income of newly-forming households is around 84% of the figure for all households. This figure is remarkably consistent across areas (and is also consistent with the analysis of English Housing Survey data at a national level).
- 5.53 The analysis has therefore adjusted the overall household income data to reflect the lower average income for newly-forming households. The adjustments have been made by changing the distribution of income by bands such that the average income level is 84% of the all household average. In doing this it is possible to calculate the proportion of households unable to afford market housing without any form of subsidy (such as LHA/HB). The assessment suggests that overall around a third of newly-forming households will be unable to afford market housing (to rent) and that a total of 229 new households will have a need on average in each year to 2040.

Table 20: Estimated Level of Affordable Housing Need from Newly Forming Households (per annum)

	No. of new households	% unable to afford	Total in need
Western Urban (+Deepcut)	459	31.5%	144
Outside of Western Urban	219	38.7%	85
Borough-wide	678	33.8%	229

Source: Projection Modelling/affordability analysis

Existing Households falling into Affordable Housing Need

- 5.54 The second element of newly arising need is existing households falling into need. To assess this, information from CoRe has been used. This looked at households who have been housed over the past three years – this group will represent the flow of households onto the Housing Register over this period.
- 5.55 From this newly forming households (e.g. those currently living with family) have been discounted as well as households who have transferred from another social/affordable rented property. An affordability test has also been applied.
- 5.56 The numbers over this period or indeed in future could be influenced by changes to government policy or if there is a substantial increase in unemployment resulting from the closure of a major employer.

- 5.57 This method for assessing existing households falling into need is consistent with the 2007 SHMA guide which says on page 46 that '*Partnerships should estimate the number of existing households falling into need each year by looking at recent trends. This should include households who have entered the housing register and been housed within the year as well as households housed outside of the register (such as priority homeless household applicants)*'.
- 5.58 Following the analysis through suggests a need arising from 77 existing households each year from 2019 to 2040.

Table 21: Estimated Level of Affordable Housing Need from Existing Households falling into need (per annum)

	Total additional need	% of the total
Western Urban (+Deepcut)	58	75.2%
Outside of Western Urban	19	24.8%
Borough-wide	77	100.0%

Source: CoRe/affordability analysis

Supply of Affordable Housing

- 5.59 The future supply of affordable housing is the flow of affordable housing arising from the existing stock that is available to meet future need. This focuses on the annual supply of social/affordable rent relets.
- 5.60 The Practice Guidance suggests that the estimate of likely future relets from the social rented stock should be based on past trend data which can be taken as a prediction for the future. Information from the CoRe system has been used to establish past patterns of social housing turnover, along with data from Local Authority Housing Statistics about past lettings within the social rented stock. The figures include general needs and supported lettings, but exclude lettings of new properties and also exclude an estimate of the number of transfers from other social rented homes. These exclusions are made to ensure that the figures presented reflect relets from the existing stock.
- 5.61 Based on past trend data it has been estimated that 173 units of social/affordable rented housing are likely to become available each year moving forward.
- 5.62 The table below shows the estimated supply of affordable housing from relets in each sub-area. The sub-area figures have been based on the size of the stock in each sub-area as of 2011 (Census data) – the analysis shows that about three-quarters of all relets are expected to arise in the Western Urban (+Deepcut) area.

Table 22: Estimated supply of affordable housing from relets of existing stock by sub-area (per annum)

	Annual supply	% of supply
Western Urban (+Deepcut)	134	77.3%
Outside of Western Urban	39	22.7%
Borough-wide	173	100.0%

Source: CoRe/LAHS/Census (2011)

5.63 The PPG model also includes the bringing back of vacant homes into use and the pipeline of affordable housing as part of the supply calculation. These have however not been included within the modelling in this report. Firstly, there is no evidence of any substantial stock of vacant homes (over and above a level that might be expected to allow movement in the stock). Secondly, with the pipeline supply, it is not considered appropriate to include this as to net off new housing would be to fail to show the full extent of the need, although in monitoring it will be important to net off these dwellings as they are completed.

What Types of Affordable (rented) Housing?

5.64 The analysis above has studied the overall need for social and affordable rented housing with a focus on households who cannot afford to rent in the market. These households will, therefore, need some form of rented housing at a cost below typical market rates. Typically, there are two types of rented affordable accommodation (social and affordable rented) with the analysis below considering what a reasonable split might be between these two tenures.

5.65 An analysis has been undertaken to compare the income distribution of households with the cost of different products. For affordable rented housing, it has been assumed that this would be available at a cost which is 80% of the established lower quartile costs set out earlier in this section. Any household able to afford a rent between 80% of the market and the market is assumed able to afford an affordable rent, with other households only able to afford social rent.

5.66 The analysis identifies that between 20% and 27% of the group of households unable to afford market housing to rent fall in the gap between the market and 80% of the market depending on location (and 24% for the whole Borough). It is therefore suggested that a target of 25% (i.e. a quarter) of all rented affordable housing as affordable rents would be reasonable (and therefore three-quarters of rents to be social rents). There were some differences in the areas with the income profile of the 'Outside of Western Urban' area suggesting a potentially higher need for social rented housing than in the Western Urban (+Deepcut) area.

5.67 The actual price of any affordable rented housing offered should be considered when deciding if it is genuinely affordable, and how much of any particular product is needed. The table below also

shows the maximum rent for a 2-bedroom home to be considered as affordable under the analysis carried out. Any further reduction in rent below this level would potentially see additional households able to afford an affordable rented product.

Table 23: Estimated need for affordable rented housing – figures as % of those unable to afford to rent privately

	% need for affordable rented (80% of market rents)	Assumed maximum rent (2-bed)
Western Urban (+Deepcut)	27%	£692
Outside of Western Urban	20%	£716
Borough-wide	24%	£700

Source: Affordability analysis

5.68 In addition, on build to rent schemes (for which there is limited demand see Chapter 7), the local authority should seek a minimum of 20% of units (viability permitted) to be brought forward as affordable private rents. These units according to the PPG concerning build to rent¹³ should be:

- Discounted in perpetuity;
- managed collectively by a single build to rent landlord
- minimum rent discount of 20% relative to local market rents
- discounts applied on initial occupation and when the tenancy is removed; and
- The rent on the discounted homes should increase on the same basis as rent increases for market tenancies within the development.

5.69 As per paragraph 64 the NPPF developments solely for build to rent homes are exempt from providing 10% of the homes to be available for affordable home ownership.

Net Affordable Housing Need

5.70 The table below shows the overall calculation of affordable rented housing need. This excludes supply arising from sites with planning permission (the 'development pipeline') to allow for a comparison with the net housing need set out in the report.

5.71 The analysis has been based on meeting affordable housing need over the period from 2019 to 2040, which means using the current need as the starting point. Whilst most of the data in the model are annual figures, the current need has been divided by 21 to make an equivalent annual figure. The net need is calculated as follows:

$$\text{Net Need} = \text{Current Need} + \text{Need from Newly-Forming Households} + \text{Existing Households falling into Need} - \text{Supply of Affordable Housing}$$

5.72 The analysis in the table below calculates an overall net need of affordable rented (social/affordable) housing per annum in Surrey Heath over the years to 2040.

¹³ <https://www.gov.uk/guidance/build-to-rent>

- 5.73 As identified in the table below, the total net need for social/affordable rented housing in Surrey Heath is 159 per annum under the standard method. The net need of rented affordable housing in the Western Urban and Deepcut Sub-area is 87 per annum and 72 per annum in the Rest of Borough Sub-area.

Table 24: Estimated Annual Level of Affordable Housing Need (rented housing) 2019-40

	Western Urban	Rest of Borough	Surrey Heath
Current need	19	8	26
Newly forming households	144	85	229
Existing households falling into need	58	19	77
Total Gross Need	221	112	332
Re-let Supply	134	39	173
Annual Net Need	87	72	159

Source: Census (2011)/CoRe/Projection Modelling and affordability analysis

- 5.74 The level of net housing need in the Borough is considerable particularly concerning overall housing need (332 dpa). As a result, the Council should seek the maximum affordable housing allowance as is viably possible.

Widened definition of Affordable Housing

- 5.75 As set out above, the previously established method to look at affordable need estimates that there is a need for around 159 dwellings per annum – this is for subsidised housing at a cost below that to access the private rented sector (i.e. for households unable to access any form of market housing without some form of subsidy) using the standard method. It would be expected that this housing would be delivered primarily as social/affordable rented housing.
- 5.76 AS noted earlier in this report, the NPPF (2018) introduced a new category of household in affordable housing need and widens the definition of affordable housing (as found in the NPPF (2018 and 2019) – Annex 2). It is considered that households falling into the definition would be suitable for Starter Homes or Discounted market sales housing, and other forms of affordable home ownership such as shared ownership.
- 5.77 This section considers the level of need for these types of dwellings in Surrey Heath. The NPPF (2019) states “Where major development involving the provision of housing is proposed, planning policies and decisions should expect at least 10% of the homes to be available for affordable home ownership, unless this would exceed the level of affordable housing required in the area, or significantly prejudice the ability to meet the identified affordable housing needs of specific groups.” (NPPF (2019), paragraph 64).

Establishing a Need for Affordable Home Ownership

- 5.78 As we have seen, Planning Policy Guidance of February 2019 confirms a widening definition of those to be considered as in affordable need; now including *'households from other tenures in need and those that cannot afford their own homes, either to rent, or to own, where that is their aspiration'*. However, there is no further guidance about how the number of such households should be measured.
- 5.79 The methodology used in this report to quantify this need, therefore, draws on the current standard method and includes an assessment of current needs and projected need (including housing need for newly forming and existing households). The key difference is that in looking at affordability, an estimate of the number of households in the 'gap' between buying and renting is used. There is also the issue of establishing an estimate of the supply of affordable home ownership homes – this is considered separately below.
- 5.80 The first part of the analysis seeks to understand what the gap between renting and buying means in Surrey Heath – establishing the typical incomes that might be required.
- 5.81 Just by looking at the relative costs of housing to buy and to rent, there will be households in Surrey Heath who can currently rent but who may be unable to buy. In the year to March 2019, the 'average' lower quartile private rent for Surrey Heath is £825 a month (VOA, 2019), assuming a household spends no more than 33% of income on housing, this would equate to an income requirement of about £30,300.
- 5.82 For the same period, Land Registry data records a lower quartile purchase price in Surrey Heath of about £301,000, which (assuming a 10% deposit and 4 times mortgage multiple) would equate to an income requirement of approaching £60,200.
- 5.83 Therefore, based on these costings, it is reasonable to suggest that affordable home-ownership products would be pitched at households with an income between £30,300 (able to afford to privately rent) and £60,200 to buy. These households would largely require discount market sales and shared ownership property, with the latter likely to meet a wider group. The level of discount is also an important consideration as this will allow this to meet the needs of this group as much as possible. (see Table 27).
- 5.84 Using the income distributions developed (as set out earlier in this section) it has been estimated that of all households living in the private rented sector, around 36% already have sufficient income to buy a lower quartile home, with 32% falling in the 'rent/buy gap.' The final 32% are estimated to have an income below which they cannot afford to rent privately (i.e. would need to spend more than a third of their income on housing costs).

- 5.85 In reality, it should be noted that many households will spend a higher proportion (than a third) of their income on housing. These figures have been based on an assumption that incomes in the private rented sector are around 88% of the equivalent figure for all households (a proportion derived from the English Housing Survey) and are used as it is likely that affordable home ownership products would be targeted at households within private rented housing.
- 5.86 The finding that a significant proportion of households in the private rented sector (up to 36%) are likely to have an income that would allow them to buy a home is also noteworthy and suggests that for many households, barriers to accessing owner-occupation are less about income/the cost of housing and more about other factors (which could, for example, include the lack of a deposit or difficulties obtaining a mortgage (for example due to a poor credit rating or insecure employment)). However, some households will choose to privately rent, for example as it is a more flexible option that may be more suitable for a particular household's life stage (e.g. if moving locations with employment).
- 5.87 To study current need, an estimate of the number of households living in the private rented sector (PRS) has been established, along with the same (rent/buy gap) affordability test described above. The start point is the number of households living in private rented accommodation; as of the 2011 Census, some 4,073 households were living in this sector.
- 5.88 Data is not available at a Local Authority level. However, the Survey of English Housing (EHS) suggests that since 2011, the number of households in the PRS has risen by about 26% nationally. If the same proportion is applied to Surrey Heath, then the number of households in the sector would now be around 5,132.
- 5.89 Additional data from the EHS suggests that 60% of all PRS households expect to become an owner at some point (3,079 households if applied to Surrey Heath) and of these some 25% (770 households) would expect this to happen in the next 2-years.
- 5.90 The figure of 770 is therefore taken as the number of households potentially with a current need for affordable home ownership before any affordability testing.

Potential Supply of Housing to Meet the Affordable Home Ownership Need

- 5.91 As with assessing the need for affordable home ownership, it is the case that at present, PPG does not include any suggestions about how the supply of housing to meet these needs should be calculated.
- 5.92 In projecting forward, the analysis can consider newly forming households and the remaining existing households who expect to become owners further into the future.

- 5.93 The method has applied the same affordability test (albeit on a very slightly different income assumption for newly forming households). To clarify, the supply range maximum is based on the number of homes sold at below the lower quartile price.
- 5.94 The table below shows a range of need and therefore the analysis has rationalised by assuming that half of the lower quartile (LQ) supply would be able to meet the needs. This is just a broad assumption on the basis that some of the properties in the lower quartile range will not be fit for habitation or will be age-restricted. The analysis identifies a gross need for around 274 affordable home ownership dwellings per annum in Surrey Heath over the period 2019 to 2040.
- 5.95 At a Sub-area level, the current need is lower, however, the figure is slightly higher in the Western Urban and Deepcut Sub-area (9) compared to Rest of Borough Sub-area (4).
- 5.96 Once the supply position is taken into account under the standard methodology, there is a net need for 73 low-cost home ownership dwellings in the Western Urban and Deepcut Sub-area and 30 in the Rest of Borough Sub-area.

Table 25: Estimated Annual Level of Affordable Home Ownership, 2019 - 2040

	Western Urban	Rest of Borough	Surrey Heath
Current need	9	4	13
Newly forming households	144	76	220
Existing households falling into need	28	12	40
Total Gross Need	182	92	274
Supply (50% LQ supply)	109	62	172
Net need	73	30	102

Source: Census (2011)/CoRe/Projection Modelling and affordability analysis (numbers may not sum due to rounding)

- 5.97 These figures should be used to demonstrate the scale of potential supply for households in the rent/buy gap and it should be noted that this stock is not necessarily available to those households in need (i.e. market housing is not allocated and so theoretically all the sales could go to households who could afford a more expensive home or potentially to investment buyers).
- 5.98 There may also be issues with the quality of the stock at the very bottom end of the market. That said, there is a reasonable level of stock that is potentially affordable to those households falling into the Government's revised definition of affordable housing need.

How Much Should Affordable Home Ownership Homes Cost?

- 5.99 The analysis and discussion above suggest that there are 102 households per annum likely to fall under the new PPG definition of affordable housing need (i.e. in the gap between renting and buying) but that the potential supply of housing to buy makes it difficult to fully quantify how many additional

homes may be required to meet this need. However, given the NPPF, it seems likely that the Council will need to seek 10% of additional homes on larger sites as some form of affordable home ownership.

- 5.100 Forms of housing such as Starter Homes, Shared Ownership and discounted market sale are considered to be appropriate forms of affordable home ownership. Another option is providing support for deposits (either through a grant or more likely loan). It will be important for the Council to ensure that such homes are sold at a price that is genuinely affordable for the intended target group.
- 5.101 On this basis, it is worth discussing what sort of prices affordable home ownership properties should be sold for. The Annex 2 (NPPF) definitions suggest that such housing should be made available at a discount of at least 20% from Open Market Value (OMV).
- 5.102 The problem with having a percentage discount is that it is possible in some locations or types of property that such a discount still means that housing is more expensive than that typically available in the open market.
- 5.103 The preferred approach in this report is to set out a series of affordable purchase costs for different sizes of accommodation. These are based on equivalising the private rent figures into a house price so that the sale price will meet the needs of all households in the gap between buying and renting (lower limit). Setting higher prices (e.g. lower quartile – upper limit) would mean that such housing would not be available to many households for whom the Government is seeking to provide an ‘affordable’ option.
- 5.104 The table below, therefore, sets out a suggested purchase price for affordable home ownership in the Western Urban and Deepcut Sub-area, Rest of Borough Sub-area and Surrey Heath. As noted, the figures are based on trying to roughly equate a sale price with an equivalent access point to the private rental market.
- 5.105 The table below identifies a lower limit of a 1-bedroom property in Surrey Heath at an ‘affordable’ price of about £132,000 and increasing to an upper limit of £150,000. For 4+ bedrooms, the lower limit cost is £283,000 and increases to an upper limit of £495,000.
- 5.106 Affordable home ownership prices are slightly higher in the Rest of Borough Sub-area compared to Surrey Heath and the Western Urban and Deepcut Sub-area. The lower limit price of a 1-bedroom is £135,000 and reaching an upper limit price of £156,000. This increases to a lower limit of £291,000 for 4+ bedrooms to an upper limit of £515,000.
- 5.107 These prices compare to the Western Urban and Deepcut Sub-area which suggests a lower limit price of £131,000 and upper limit of £146,000 for a 1-bedroom and £277,000 (lower limit) and

£483,000 (upper limit) for 4+ bedrooms. These figures can be monitored and updated every six months by reference to VOA and Land Registry data¹⁴.

Table 26: Affordable home ownership prices –2018 base

		1-Bedroom	2-Bedroom	3-Bedroom	4+Bedroom
Western Urban and Deepcut	Lower limit	£131,000	£158,000	£197,000	£277,000
	Upper limit	£146,000	£200,000	£327,000	£483,000
Rest of Borough	Lower limit	£135,000	£163,000	£206,000	£291,000
	Upper limit	£156,000	£213,000	£349,000	£515,000
Surrey Heath	Lower limit	£132,000	£160,000	£201,000	£283,000
	Upper limit	£150,000	£205,000	£335,000	£495,000

Source: derived from VOA data and Land Registry data

- 5.108 If the Council seek some additional housing to be in the affordable home ownership sector, it is recommended that they set up a register of people interested in these products (in a similar way to the current Housing Register). This will enable any properties to be ‘allocated’ to households whose circumstances best meet the property on offer.
- 5.109 Alternatively, if the Council are seeking discounted market sale they should seek to introduce mechanisms to recycle the discount such as that restricting the early sale of these homes i.e. when the property is sold within 15 years on to a new, some or all of the discount is repaid.
- 5.110 In promoting shared ownership, the Council should consider the equity share and the overall cost once the rent and any service charges are included – this will be necessary to ensure that such homes are meeting the target group of households (i.e. those with an income in the gap between renting and buying).
- 5.111 The table below examines the potential affordable equity share by the size of the dwelling. This shows that the larger the home the smaller the equity share required to make it affordable. It may be that equity shares as low as 18% would be needed to make shared ownership affordable (although this does have the additional advantage of a lower deposit) given that such homes would need to use Open Market Value as a start point.

¹⁴ <https://www.gov.uk/government/collections/price-paid-data> and <https://www.ons.gov.uk/economy/inflationandpriceindices/bulletins/indexofprivatehousingrentalprices/march2018/relateddata>.

Table 27: Estimated affordable equity share by size of dwelling – Surrey Heath

	1-bedroom	2-bedrooms	3-bedrooms	4+-bedrooms
OMV	£172,500	£235,750	£385,250	£569,250
Share	54%	40%	23%	18%
Equity bought	£93,495	£95,243	£88,222	£99,903
Mortgage needed	£84,146	£85,719	£79,400	£89,913
Monthly cost of mortgage	£444	£453	£419	£475
Retained equity	£79,005	£140,507	£297,028	£469,347
Monthly rent on retained equity	£181	£322	£681	£1,076
Service charge	£100	£100	£0	£0
Total cost	£725	£875	£1,100	£1,550

Source: Modelling based on VOA and HMLR data, 2019

- 5.112 This is something that should be monitored on a case by case basis and could vary by location and property type/size. There is also a risk with lower equity share as households would only own a small percentage but be liable for 100% of the upkeep.
- 5.113 The Council could also seek a percentage of low-cost home ownership housing to be made available with some initial upfront capital payment (such as a deposit contribution loan) from those developers offering a straight discount on open market value (OMV).
- 5.114 Such a payment could cover the deposit and other initial costs and would potentially need to be protected in some way so that the money is not lost if a household chooses to sell their property (i.e. to ensure that any subsidy is held in perpetuity). There are no examples of this but its potential could be investigated. This would also sit outside the definition of affordable housing.

Implications of the Analysis

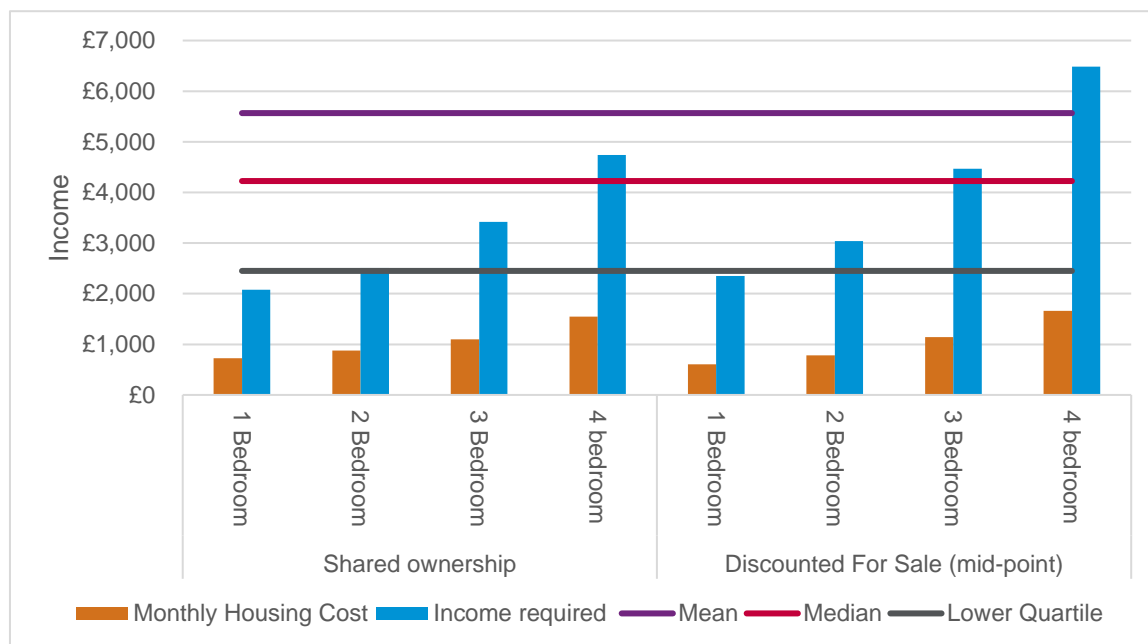
- 5.115 Given the analysis above, it would be reasonable to conclude that there is a potential need to provide housing under the new definition of 'affordable home ownership'. Whilst there are some households in the gap between renting and buying, there is also a potential supply of homes within the existing stock that can address this need.
- 5.116 However, it does seem that there are some households in Surrey Heath (particularly the Western Urban and Deepcut Sub-area) who are unable to access the owner-occupied sector. This has been seen in the number of households in Surrey Heath living in rented accommodation increasing by 63% between 2001 and 2011 and there have likely been further increases since. Over the same period, the number of owners with a mortgage dropped substantially by around 25%.

- 5.117 The buy to let market is likely to have had an impact in Surrey Heath, as it has nationally. This has typically seen cash buyers outbid other would-be buyers and rent those properties out. This has both exacerbated and facilitated the growth of the PRS sectors. Agents suggest this was most common in Frimley. However, they also suggested that the buy to let market has slowed in recent times as a result of changes to stamp duty and income tax.
- 5.118 Of the affordable routes to home ownership housing types, shared ownership is likely the most appropriate option in Surrey Heath. This is due to the lower deposit requirements and lower overall costs (given that the rent would also be subsidised). Although we understand that at present there is limited demand for this tenure. The Council may, therefore, wish to consider a policy which seeks a broader mix of tenures but with the focus on shared ownership or setting the cost of these at a more affordable rate (see tables 26 and 27 below).
- 5.119 From the outset of this analysis, it should be noted that the Council should seek a broad suite of options to meet the demand for the different types of affordable home ownership products. However, some products such as starter homes have historically failed to delivery any homes.
- 5.120 To provide some high-level guidance to the Council as to an appropriate split between shared ownership and discounted market sale dwellings, the data relating to housing costs contained in this report and the income required to afford these costs is presented in Figure 10.
- 5.121 The required income to afford shared ownership has been calculated by dividing the mortgage amount required by 4.5 to reflect typically borrowing limits. The monthly payment has been obtained by assessing an online mortgage calculator¹⁵. This amount has been added to the income needed (based on the expenditure of 33% of income) to afford the rent element, as set out in Table 27.
- 5.122 As noted previously, the suitability of discounted market sale dwellings is determined in part by the level of discount achievable. To identify an appropriate value between within the “Upper” and “lower” limits set out in Table 26 below, we have considered, a mid-point.
- 5.123 The income required to afford dwellings at these price points is calculated by dividing the mortgage amount required (cost minus 10% deposit) by 4.5 to reflect typically borrowing limits. As with shared ownership, the monthly payment has been obtained by assessing an online mortgage calculator.
- 5.124 Where the blue bars (income required) fall below the horizontal line (income at different bandings) this indicates that that particular product is affordable to those on that income. As can be seen the income required to afford shared ownership homes, as a result of the relative affordability of the rental element, is lower than an equivalent discounted market sale product.

¹⁵ <https://www.moneyadvice.service.org.uk/en/tools/mortgage-calculator>

5.125 One bedroom dwellings of all three tenures would be affordable to households on lower quartile incomes. At least a median income would be required to afford a two or three-bedroom home. For those households seeking a four-bedroom home, at least an income around the average for the Borough is needed.

Figure 10: Cost of Shared Ownership and Discounted Market Sale against income at different points



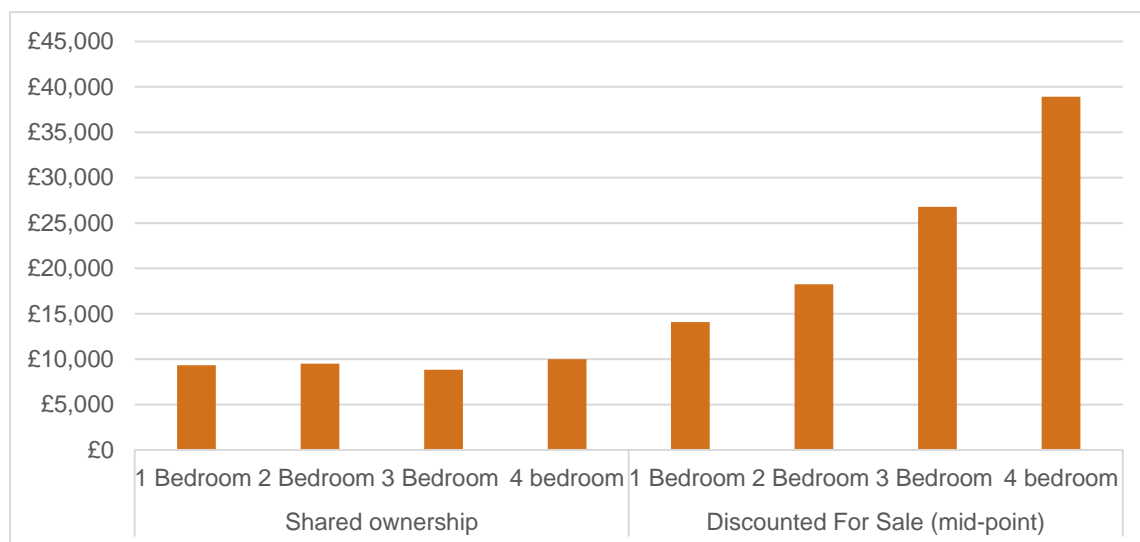
Source: GL Hearn Calculations

5.126 Based on the analysis above the average income required for shared ownership is around £3,200 per month or £38,400 per annum. In contrast, the equivalent for discounted market sales is around £4,100 per month or £49,200 per annum.

5.127 Based on the district’s income distribution (Figure 9) this would mean that around 28% of those that fall in the gap between buying and renting (see table 15) would be able to afford discounted market sales. However, this assumes that all households can afford to raise a mortgage.

5.128 As the figure below illustrates there is a pronounced difference between the tenures when the cost of raising a deposit is examined. Based on a 10% deposit on the value of the equity purchased discount market sales dwellings require a far greater deposit than shared ownership. This may mean that discounted market sales would still be prohibitive to some of the 28% of households in the gap between renting and buying identified based on income alone.

Figure 11: Deposit requirements (Shared Ownership and Discounted Market Sale)



Source: GL Hearn Calculations

- 5.129 Taking this evidence into consideration, it is appropriate for policy seeking to support households into home ownership to express a preference for shared ownership. However, in the interests of choice, the Council should still support a limited number of discounted market dwellings.
- 5.130 In the event the Council seeks to fulfil the policy expectation set out in paragraph 64 the NPPF that at least 10% of all new dwellings that are affordable home ownership, we suggest 80% should be for shared ownership and 20% discounted market sales. Other affordable home ownership tenure types should also be considered on their merits including the potential introduction of “first homes”.
- 5.131 However, these findings should ultimately be tested through viability. At this stage, there will likely be a choice for the Council and its members to take regarding the delivery of more affordable units versus delivering fewer units but addressing the needs of those on lower incomes and thus arguably in more of an acute need.
- 5.132 Schemes such as Help-to-Buy should be taken into consideration in arriving at a balance of market and affordable tenures to meet housing need. This would still be targeted at the same group of households (likely to mainly be those currently privately renting but who would like to buy). If this could be achieved, then it may be reasonable for up to 10% of homes to fall into the affordable home ownership category.
- 5.133 We would consider there is little to no basis to increase the provision of affordable home ownership above the 10% figure currently suggested in the NPPF. Increases above this level would result in a

reciprocal reduction in the delivery of social/affordable rental products the need for which is greater and also more acute than for low-cost home ownership.

- 5.134 It could also be that paragraph 64 of the NPPF suggests that 10% delivery of affordable home ownership products should be expected “unless this would exceed the level of affordable housing required in the area, or significantly prejudice the ability to meet the identified affordable housing needs of specific groups”. It could be argued that those specific groups would include those in the longstanding definition of affordable housing need
- 5.135 In addition to 10% of affordable home ownership (or some alternative measure such as capital payments), the Council should be seeking to provide additional Social and Affordable Rent housing. Such housing is cheaper than that available in the open market and can (subject to eligibility) be accessed by many more households (some of whom may be supported by benefit payments).
- 5.136 It should also be noted that the finding of a ‘need’ for affordable home ownership does not have any impact on the overall need for housing. As is clear from both the NPPF and PPG, the additional group of households in need is simply a case of seeking to move households from one tenure to another (in this case from private renting to owner-occupation); there is, therefore, no net change in the total number of households, or the number of homes required.

Affordable Housing Need: Key Messages

- Analysis has been undertaken to estimate the need for affordable housing in the period to 2040. The analysis is split between a 'traditional' need (mainly social/affordable rented accommodation) based on households unable to buy or rent in the market and the widened definition of households who can rent in the market but not buy.
- The analysis has taken account of local housing costs (to both buy and rent) along with estimates of household income. Additionally, consideration is given to household projections and estimates of the supply of social/affordable rented housing through relets.
- The analysis suggests a net need for 159 affordable rented housing per annum to be provided in Surrey Heath over the period to 2040. This is split to 87 pa in the Western Urban and Deepcut Sub-area and 72 pa in the Rest of Borough Sub-area. The affordable housing need is relatively high compared to overall need, this justifies the Council seeking as much additional affordable rented housing as viably possible.
- When looking at the need for affordable home ownership products (i.e. the expanded definition) our analysis suggests a net need in Surrey Heath is around 102. At a Sub-area level, the net need for affordable home ownership is around 73 in the Western Urban and Deepcut sub-Area and around 30 in the Rest of the Borough Sub-area.
- If the Council seeks to provide 10% of housing as affordable home ownership, then shared ownership is the most appropriate option. Our analysis based on the respective costs suggest that 80% should this tenure with the remaining 20% as discounted market sales. However, this should be viability tested.
- Where other forms of affordable home ownership are provided (e.g. discounted market), it is recommended that Council consider setting prices at a level which (in income terms) are equivalent to the levels needed to access private rented housing. These prices are presented below.

Sub-area		1-bedroom	2-bedroom	3-bedroom	4+-bedroom
Western Urban and Deepcut	Lower limit	£131,000	£158,000	£197,000	£277,000
	Upper limit	£146,000	£200,000	£327,000	£483,000
Rest of Borough	Lower limit	£135,000	£163,000	£206,000	£291,000
	Upper limit	£156,000	£213,000	£349,000	£515,000

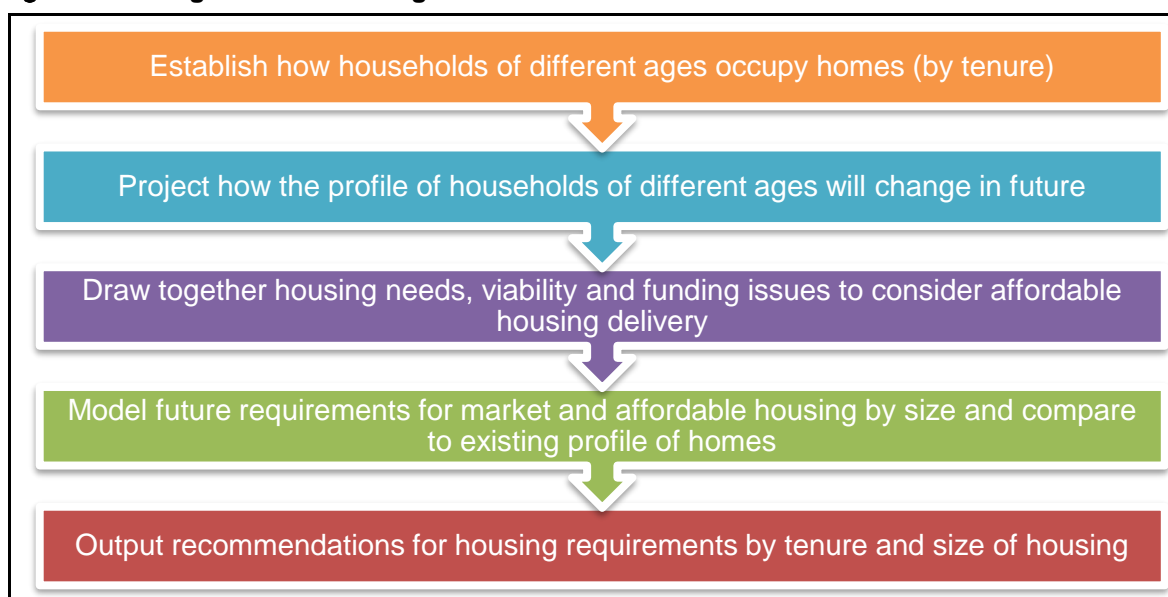
- This would ensure that households targeted by the new definition could access affordable home ownership products – although this might mean greater than 20% discounts from Open Market Value for some types/sizes of homes in some locations.
- Overall, the evidence does not show any strong basis to increase the provision of affordable home ownership above the 10% figure currently suggested in the NPPF. This is because any additional delivery would reduce the supply of other forms of affordable housing which should be greater in number to meet required needs, and address a more acute need than affordable home ownership housing.
- It does, however, need to be stressed that this report does not provide an affordable housing target; the amount of affordable housing delivered will be limited to the amount that can viably be provided.

6 HOUSING MIX

Introduction

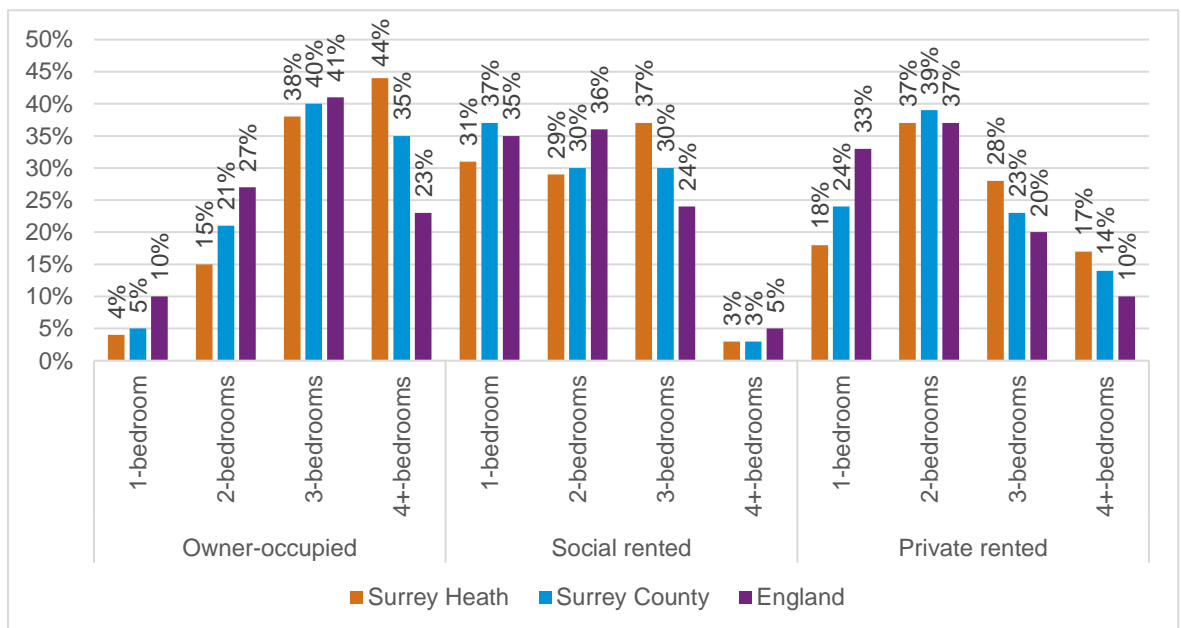
- 6.1 There is a range of factors which influence housing demand. These factors play out at different spatial scales and influence both the level of housing demand (in terms of aggregate household growth) and the nature of the demand for different types, tenures, and sizes of homes. It is important to understand that the housing market is influenced by macro-economic factors, as well as the housing market conditions at a regional and local level.
- 6.2 This section assesses the need for different sizes of homes in the future, modelling the implications of demographic drivers on need/demand for different sizes of homes in different tenures. The assessment is intended to provide an understanding of the implications of demographic dynamics on need and demand for different sizes of homes.
- 6.3 The analysis in this section seeks to use the information available about the size and structure of the population and household structures in Surrey Heath. This informs the consideration of what impact this may have on the sizes of housing required in the future.
- 6.4 The figure below describes the broad methodology employed in the housing market model which is used to consider the need for different sizes of market and affordable homes. Data is drawn from a range of sources including the 2011 Census and demographic projections.

Figure 12: Stages in the Housing Market Model



- 6.5 It should be noted that the current stock of housing (by size) can have a notable impact on the outputs of the modelling. The table below shows a comparison of the size profile of accommodation in Surrey Heath, Surrey and England in three broad tenure groups.
- 6.6 It is worth noting that Surrey Heath has a high supply of 3-bedroom houses (approximately 37% of total houses) which is perhaps unsurprising given the suburban nature and the good quality environment of the local authority area that makes it very attractive to families.
- 6.7 The Figure below identifies that the profile of housing in Surrey Heath exhibits a broadly similar trend to that seen in Surrey County. Surrey Heath has a much higher proportion of 4+ bedrooms in the owner-occupier (44%) and the private sector (17%) compared to the County and England. However, in the social rented sector, the proportion is lower in both Surrey Heath and Surrey County (3%) than England at 5%.

Figure 13: Number of bedrooms by tenure



Source: Census 2011

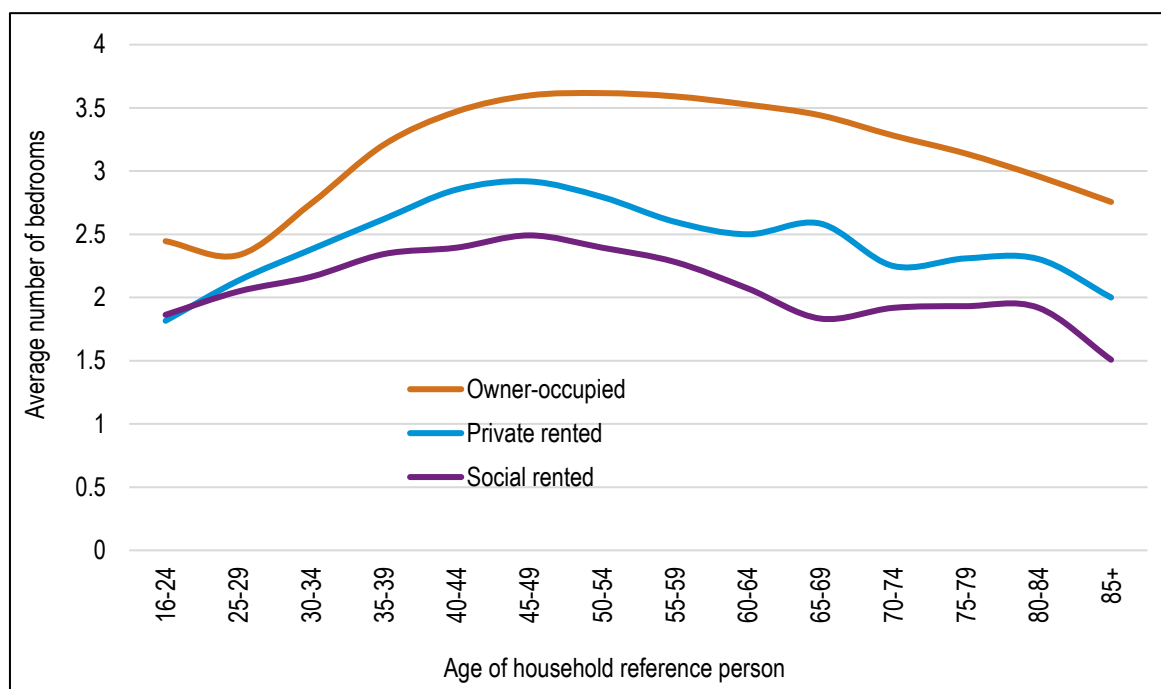
- 6.8 The private rented sector in Surrey Heath has a lower proportion of 1-bedroom dwellings at 18% compared to Surrey (24%) and significantly lower than the national proportion (33%). The proportion of 1-bedroom dwellings in the owner-occupier sector in Surrey Heath (4%) is more aligned with the County (5%) than the nation (10%).

Understanding how Households Occupy Homes

- 6.9 Whilst the demographic projections provide a good indication of how the population and household structure will develop, it is not a simple task to convert the net increase in the number of households into a suggested profile for additional housing to be provided.
- 6.10 The main reason for this is that in the market sector, households can buy or rent any size of property (subject to what they can afford) and therefore knowledge of the profile of households in an area does not directly transfer into the sizes of property to be provided.
- 6.11 The size of housing which households occupy relates more to their wealth and age than the number of people which they contain. For example, there is no reason why a single person cannot buy (or choose to live in) a 4-bedroom home if they can afford it and hence projecting an increase in single-person households does not automatically translate into a need for smaller units.
- 6.12 This issue is less relevant in the affordable sector (particularly since the introduction of the social sector size criteria) although there will still be some level of under-occupation moving forward regarding older persons and working households who may be able to under-occupy housing.
- 6.13 The approach used is to interrogate information derived in the projections about the number of household reference persons¹⁶ (HRPs) in each age group and apply this to the profile of housing within these groups. The data for this analysis has been formed from a commissioned table by ONS (Table CT0621 which provides relevant data for all local authorities in England and Wales from the 2011 Census).
- 6.14 The figure below shows an estimate of how the average number of bedrooms varies by different ages of HRP and broad tenure group. In the owner-occupied sector, the average size of accommodation rises over time to typically reach a peak around the age of 45-49 and remain steady through to 55-59. After this peak, the average dwelling size decreases as some households downsize as they get older.

¹⁶ HRPs is the individual within a household who act as a reference point for the whole household. This is sometimes used interchangeably with "head of a household". It is used to produce further derived statistics and for characterising a whole household according to characteristics of the chosen reference person.

Figure 14: Average Bedrooms by Age and Tenure in Surrey Heath



Source: Derived from ONS Commissioned Table CT0621

- 6.15 The social and private rented sector sees a different pattern, peaking at the same age (45-49), however decreasing in the average number of bedrooms more rapidly compared to the owner-occupier sector.
- 6.16 These outputs have been segmented into three broad categories including market housing, owner-occupier, private rented and affordable (rented) housing.
- 6.17 Market housing follows the occupancy profiles in the owner-occupied sector, affordable home ownership is taken to follow the occupancy profile in the private rented sector as the data is not available for the AHO tenure (this is seen as reasonable as the Government’s desired growth in home ownership looks to be largely driven by a wish to see households move out of private renting) and affordable (rented) housing is taken to follow the occupancy profile in the social rented sector. The affordable sector in the analysis to follow includes affordable rented housing.
- 6.18 These are applied to the following projected change in age groups, with most of the absolute growth in households headed by someone in the older age groups (aged 65 and over). Although those in the younger age categories are expected to see the stronger percentage growth. The tables below present the projected change in households by age of household reference person in Surrey Heath.

- 6.19 Using the standard method, total households in Surrey Heath are forecast to increase by approximately 19% over the period to 2040 (6,769 households). The greatest proportional growth (104%) is forecast to occur in the households headed by someone aged 85 and over, this equates to 1,801 households.

Table 28: Projected change in households by age of household reference person

	Households 2019	Households 2040	Change in households	% change
16-24	561	573	12	2.2%
25-29	1,447	1,794	347	24.0%
30-34	2,163	2,649	486	22.5%
35-39	2,766	2,745	-22	-0.8%
40-44	3,019	3,337	319	10.6%
45-49	3,873	3,541	-331	-8.6%
50-54	3,908	3,608	-300	-7.7%
55-59	3,760	3,679	-81	-2.2%
60-64	3,007	3,387	380	12.6%
65-69	2,518	3,629	1,111	44.1%
70-74	2,793	3,678	885	31.7%
75-79	2,218	3,353	1,135	51.2%
80-84	1,772	2,800	1,028	58.0%
85 & over	1,735	3,536	1,801	103.8%
Total	35,540	42,309	6,769	19.0%

Source: Demographic projections

- 6.20 Households in the working-age groups including 45-49, 50-54 and 55-59 age groups are forecast to experience negative growth over the period, declining by approximately 9%, 8% and 2%. However, the younger working-age groups are expected to experience relatively strong growth. This is evident in the 25-29 age group (24%), 30-34 (approximately 23%) and 40-44 (approximately 11%).
- 6.21 The analysis below also looks at projected changes to households by household type. The analysis is based on the standard method household representative rates using 2014-based household projections (with or without a part-return to trend HRR analysis), which are the projections that feed into the standard method at the time of this report's preparation. Stage 1 figures are used as these are the main figures driving the projections. The projections do also contain Stage 2 (i.e. projections by Household Type) figures which indicate household types.
- 6.22 We have examined growth in a range of household typologies with three categories for dependent children depending on the number of children. The findings indicate the number of family households. Unfortunately, the CLG projections no longer look at projecting lone parent households separately from couples.

- 6.23 The table below shows the change in households in Surrey Heath. The data shows relatively strong growth across all households, except for couple (aged under 65) households which are forecast to decline by approximately -24%. Yet, couples (aged 65 years and over) households are forecast to increase by approximately 67%. This is linked to life expectancy improvements.

Table 29: Change in household types in Surrey Heath 2019-2040

	2019	2040	Change	% change
One-person household (aged 65 and over)	3,979	4,774	795	20.0%
One-person household (aged under 65)	4,220	4,415	195	4.6%
Couple (aged 65 and over)	5,352	8,950	3,598	67.2%
Couple (aged under 65)	5,216	3,983	-1,233	-23.6%
A couple and one or more other adults: No dependent children	3,410	4,340	930	27.3%
Households with one dependent child	4,549	5,150	601	13.2%
Households with two dependent children	5,061	5,679	618	12.2%
Households with three dependent children	1,552	1,617	64	4.1%
Other households	2,200	3,402	1,202	54.6%
Total	35,540	42,309	6,769	19.0%
Total households with dependent children	11,163	12,446	1,283	11.5%

Source: GLH Analysis of demographic projections

- 6.24 Total households with dependent children are forecast to increase by approximately 12% over the period. This would suggest a modest increase in demand for family housing.
- 6.25 "Other households" are forecast to experience the greatest proportional growth increasing by approximately 55% over the period to 2040. This can be primarily attributed to the growth of HMO, suggesting there will be growing demand in the market sector for a slightly smaller profile of housing to help people move out of this type of accommodation.

Mix of housing

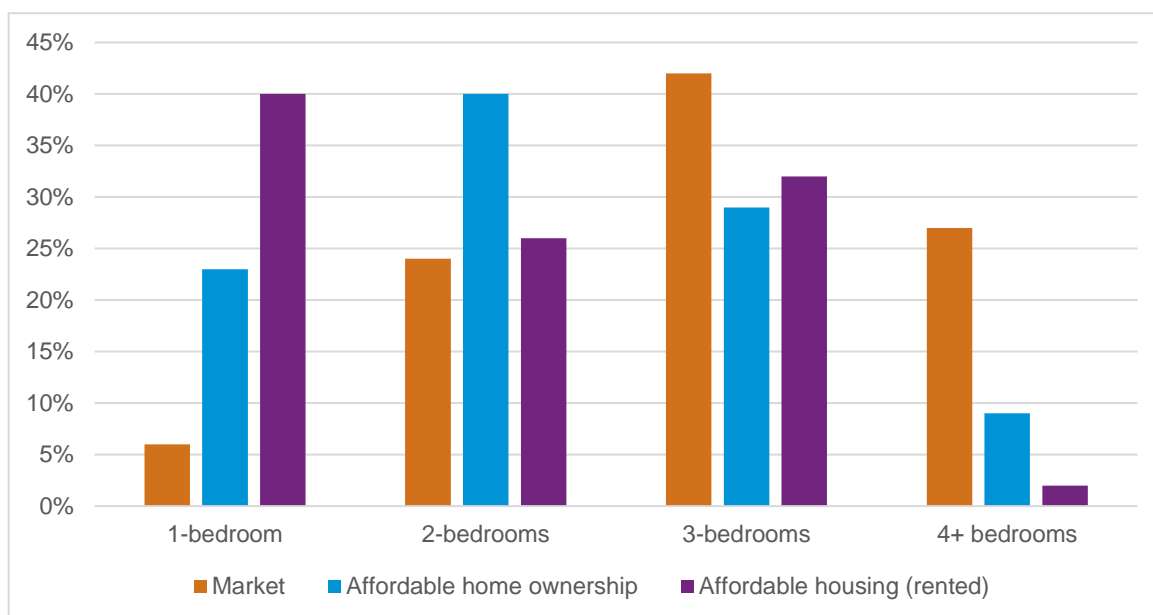
- 6.26 This is linked to the housing need identified under the standard method. It should be noted that these projections will not necessarily be translated into policy but have been used to indicate the likely need for different sizes of homes moving forward.
- 6.27 It is necessary on this basis to make some judgement for modelling purposes on what proportion of net completions might be of market and affordable housing. Each of the tenures is modelled separately and we need to make assumptions about the scale of delivery in each tenure.

- 6.28 To confirm, for **modelling purposes only**, it has been assumed that the following proportions of different tenures will be provided moving forward:
- 10% affordable home ownership based on the NPPF target;
 - 30% social/affordable rented based on typical policy target in medium to higher-value areas; and
 - 60% market based on the residual
- 6.29 It should be stressed that these figures are not policy targets. Furthermore, not all sites deliver policy-compliant affordable housing provision, whilst some delivery is on sites below affordable housing policy thresholds. If the affordable housing need is to be met in full then this would result in a higher level of delivery and thus a different mix.
- 6.30 Equally, some housing development is brought forward by Registered Providers and local authorities and may deliver higher proportions of affordable housing than in current policy. The figures used are not a policy position and has been applied simply to provide outputs from the modelling process.
- 6.31 There is a range of factors which can influence demand for market housing in different locations. This analysis focuses on considering long-term needs, where changing demographics are expected to be a key influence. It uses a demographic-driven approach to quantify demand for different sizes of properties over the period to 2040.

Key Findings and Recommended Mix

- 6.32 The figure below provides the output of the modelling by the size of the home by tenure under each scenario in both the market and affordable sectors under the modelling exercise.
- 6.33 The analysis shows the Surrey Heath market is skewed towards larger houses, suggesting 42% for 3-bedrooms and 27% for 4+ bedrooms. The affordable housing (rented) sector is more heavily skewed towards smaller dwellings (40% for 1-bedroom), which is a similar trend for affordable home ownership (23% for 1-bedroom). This reflects the increase in older households and the need to downsize but with no family-sized houses becoming available on the market.

Figure 15: Mix of housing by size and tenure in Surrey Heath



Source: Housing Market Model

- 6.34 Whilst the output of the modelling provides estimates of the proportion of homes of different sizes that are needed, there is a range of factors which should be considered in setting policies for provision.
- 6.35 This is particularly the case in the affordable sector where there are typically issues around the demand for and turnover of 1-bedroom homes (as well as allocations to older person households) – e.g. 1- bedroom homes provide limited flexibility for households (e.g. a couple household expecting to start a family) and as a result, can see relatively high levels of turnover – therefore, it may not be appropriate to provide as much one-bedroom stock as is suggested by the modelling exercise.
- 6.36 However, this should be tempered with a recognition that there is a lack of smaller homes in the Borough which is driving demand for single rooms/HMOs. There is also a need for smaller homes for the specific single person needs groups including young people, rough sleepers, single homeless and other special needs groups who are often single occupiers e.g. those with mental health & learning disabilities.
- 6.37 At the other end of the scale, conclusions also need to consider that the stock of 4+-bedroom affordable housing is very limited and tends to have a very low turnover. As a result, whilst the number of households coming forward for 4+-bedroom homes is typically quite small the ability for these needs to be met is even more limited. There are also localised issues about the stock of different sizes of homes which need to be considered in conclusions (the relative lack of 2-bedroom affordable accommodation).

- 6.38 For these reasons, it is suggested in converting the long-term modelled outputs into a profile of housing to be provided (in the affordable sector) that the proportion of 1-bedroom homes required is reduced slightly from these outputs with a commensurate increase in 4+-bedroom homes also being appropriate.
- 6.39 There are thus a range of factors which are relevant in considering policies for the mix of affordable housing (rented) sought through development schemes. At the local authority level, the analysis from derived from the housing need under the standard method would support policies for the mix of affordable housing (rented) of:
- 1-bed properties: 30-35%
 - 2-bed properties: 25-35%
 - 3-bed properties: 25-35%
 - 4-bed properties: 5-10%
- 6.40 The strategic conclusions recognise the role which delivery of larger family homes can play in releasing supply of smaller properties for other households; together with the limited flexibility which one-bed properties offer to changing household circumstances which feed through into higher turnover and management issues.
- 6.41 The need for affordable housing of different sizes will vary by area (at a more localised level) and over time. In considering the mix of homes to be provided within specific development schemes, the information herein should be brought together with details of households currently on the Housing Register in the local area and the stock and turnover of existing properties.
- 6.42 In the affordable home ownership and market sectors, a profile of housing that more closely matches the outputs of the modelling is suggested, although some consideration of the current stock profile is also relevant.
- 6.43 Based on these factors, it is considered that the provision of affordable home ownership should be more explicitly focused on delivering smaller family housing for younger households. On this basis the following mix of affordable home ownership is suggested:
- 1-bed properties: 10-15%
 - 2-bed properties: 45-50%
 - 3-bed properties: 30-35%
 - 4-bed properties: 5-10%

- 6.44 Finally, in the market sector, a balance of dwellings is suggested that takes account of the demand for homes and the changing demographic profile. The findings show larger recommended proportions for larger houses compared with other tenure groups. The following mix of market housing is suggested:
- 1-bed properties: 5-10%
 - 2-bed properties: 20-25%
 - 3-bed properties: 40-45%
 - 4-bed properties: 25-30%
- 6.45 Although the analysis has quantified this based on market modelling and an understanding of the current housing market, it does not necessarily follow that such prescriptive figures should be included in the plan-making process.
- 6.46 The 'market' should also be taken into consideration when determining what is the most appropriate profile of homes to deliver at any point in time, and demand can change over time linked to macro-economic factors and local supply. The figures can, however, be used as a monitoring tool to ensure that future delivery is not unbalanced when compared with the likely requirements as driven by the demographic change in the area.

Housing Mix (Size of Homes Needed): Key Messages

- There is a range of factors which will influence demand for different sizes of homes, including demographic changes; future growth in real earnings and households' ability to save; economic performance and housing affordability.
- The strategic conclusions in the affordable sector recognise the role which delivery of larger family homes can play in releasing supply of smaller properties for other households; together with the limited flexibility which one-bed properties offer to changing household circumstances which feed through into higher turnover and management issues. The conclusions also take account of the current mix of housing in Surrey Heath (by tenure).
- Based on the evidence, it is expected that the focus of new market housing provision will be on 3-bedroom properties. Continued demand for family housing can be expected from newly forming households. There may also be some demand for medium-sized properties (2 and 3-bedrooms) from older households downsizing and looking to release equity in existing homes, but still, retain flexibility for friends and family to stay.
- The analysis linked to long-term (2040) demographic change modelled the appropriate mix of affordable and market homes based on the standard method. This suggests:

	1-bed	2-bed	3-bed	4+-bed
Market	5-10%	20-25%	40-45%	25-30%
Affordable home ownership	10-15%	45-50%	30-35%	5-10%
Affordable housing (rented)	30-35%	25-35%	25-35%	5-10%

- The housing mix identified above should inform strategic policies. In applying these to individual development sites regard should be had to the nature of the development site and character of the area, and evidence of need as well as the existing mix and turnover of properties at the local level.
- The analysis of an appropriate mix of dwellings should also inform the 'portfolio' of sites which are considered by the local authority through its local plan process. Equally, it will be of relevance to affordable housing negotiations.

7 NEEDS OF SPECIFIC GROUPS

Introduction

- 7.1 This section of the report examines the housing needs for specific groups in Surrey Heath, focusing on the need for housing for older persons, those with disabilities and service families. The analysis will also look at self-build and custom-build housing.
- 7.2 The analysis in this section draws on a range of statistics, including those suggested in the PPG (for which the Government has provided a summary data sheet 'Guide to available disability data') – termed the Guide in the analysis to follow. The discussion below begins by looking at older persons' needs.
- 7.3 Additionally, for some analysis, it is necessary to project the population forward. Reference for this is made to the demographic projections developed in this study (linking to an OAN of 322 dwellings per annum based on aligning housing and economic growth).
- 7.4 The table below provides baseline population data for older persons in Surrey Heath and compares this with Surrey County and England. The data has been taken from the published ONS mid-year population estimates and is provided for age groups from 65 and older with specific emphasis on 75+ which is the starting point of housing need for the elderly population. The data is for 2018 to reflect the latest published data for local authority areas and above.
- 7.5 The data illustrated in the table below shows that the population distribution of older persons in Surrey Heath is very similar to the trend in the County with a slightly higher proportion of the population aged under 75 compared to the rest of the country.

Table 30: Older Person Population (2018)

	Surrey Heath		Surrey County	England
	Population	% of population	% of population	% of population
Under 65	71,500	80%	81%	82%
65-74	8,900	10%	10%	10%
75-84	5,900	7%	6%	6%
85+	2,500	3%	3%	2%
Total	88,800	100%	100%	100%
Total 65+	17,300	19%	19%	18%
Total 75+	8,400	9%	9%	8%

Source: ONS Mid-Year Population Estimates¹⁷

¹⁷ MYE can be obtain on Nomis (<https://www.nomisweb.co.uk/>)

- 7.6 It is estimated that 9% of Surrey Heath’s population is 75+ years old in 2018, which is similar to the trend across the County at 10% and higher than the rest of the country (8%).
- 7.7 As well as providing a baseline position for the proportion of older persons in the Surrey Heath, population projections can be used to indicate how the numbers might change in the future compared with other areas. The data presented below uses the population projection linked to the housing need of 332 dpa.
- 7.8 In total population terms, the projections show an increase in the population aged 75 and over of 6,339 people (72%), this is against a backdrop of an overall increase of 14% in total population and an increase in the population aged under 65 of 4%.

Table 31: Projected Change in Population of Older Persons (2019 to 2040) based on the Standard Method

	2019 population	2040 population	Change in population	% change
Under 65	71,539	74,539	3,000	4%
65-74	8,867	11,761	2,894	33%
75-84	6,055	9,466	3,411	56%
85+	2,713	5,640	2,928	108%
Total Population	89,174	101,405	12,231	14%
Total 65+	17,635	26,867	9,232	52%
Total 75+	8,768	15,106	6,339	72%

Source: GLH amendments to ONS subnational population projections (2016-based)

Housing for older people

- 7.9 Planning Practice Guidance note 56 (Housing: optional technical standards) sets out how local authorities can gather evidence to set requirements on a range of issues (including accessibility and wheelchair housing standards, water efficiency standards and internal space standards). This section looks at the first two of these (i.e. accessibility and wheelchair housing) as well as considering the specific needs of older people.
- 7.10 The PPG sets out that the reason for the approach to setting standards is designed to ‘rationalise the many differing existing standards into a simpler, streamlined system which will reduce burdens and help bring forward much needed new homes’ (56-001) and that ‘local planning authorities will need to gather evidence to determine whether there is a need for additional standards in their area’ (56-002).
- 7.11 The PPG sets out that local authorities should be using their assessment of housing need (and other sources) to consider the need for M4(2) (accessible and adaptable dwellings), and/or M4(3) (wheelchair user dwellings), of the Building Regulations. It sets out that there is a range of published statistics which can be considered, including:

- the likely future need for housing for older and disabled people (including wheelchair user dwellings);
- size, location, type and quality of dwellings needed to meet specifically evidenced needs (for example retirement homes, sheltered homes or care homes);
- the accessibility and adaptability of existing housing stock;
- how needs vary across different housing tenures; and
- the overall impact on viability.

7.12 This section of the report draws on a range of statistics, including those suggested in the PPG (for which the Government has provided a summary data sheet 'Guide to available disability data') – termed as the Guide in the analysis to follow. The discussion below begins by looking at older persons' needs.

7.13 For some analysis, it is necessary to project the population forward. Reference for this is made to the demographic projections developed in this study (linking to an OAN of 332 dwellings per annum based on aligning housing and economic growth).

Need for Specialist Accommodation

7.14 Given the ageing population and higher levels of disability and health problems amongst older people, there is likely to be an increased requirement for specialist housing options moving forward. The analysis in this section draws on data from the Housing Learning and Information Network (Housing LIN) along with demographic projections to indicate the potential level of additional specialist housing that might be required for older people in the future.

7.15 The data for need is calculated by applying prevalence rates to the population aged 75+ and as projected forward. The prevalence rates have been taken from a toolkit developed by Housing LIN, in association with the Elderly Accommodation Council and endorsed by the Department of Health.

7.16 This database includes the need across the following categories (discussed in more detail below): sheltered housing, enhanced sheltered housing, extra care, residential care and nursing care. Additionally, the analysis draws on current supply estimates from HOPSR (Housing for Older People Supply Recommendations) – a database developed by Sheffield Hallam University along with data from the Elderly Accommodation Counsel (EAC) which indicates the current tenure mix of such accommodation.

Definitions of Different Types of Older Persons' Accommodation

Retirement/sheltered housing (Housing with Support), C3 Use Class:

A group of self-contained flats or bungalows typically reserved for people over the age of 55 or 60; some shared facilities lounge, garden, guest suite, laundry; plus, on-site supportive management. A regularly visiting scheme manager if s/he is available to all residents when on site. An on-call-only service does not qualify a scheme to retirement/sheltered housing. Developments usually built for either owner occupation or renting on secure tenancies.

Enhanced sheltered housing (Housing with Care), C3 Use Class:

Sheltered housing with additional services to enable older people to retain their independence in their own home possible. Typically, there may be 24/7 (non-registered) staffing cover, at least one daily meal will be provided additional, along with some shared facilities. Also called assisted living and very sheltered housing.

Extra care housing (Housing with Care), C3 Use Class:

Schemes where a service registered to provide personal or nursing care is available on site 24/7. Typically, meals will be provided and there will be additional shared facilities. Some schemes specialise in dementia care or may have a dementia unit.

Care beds, C2 Use Class:

Care homes: Residential settings where a number of older people live, usually in single rooms, and have access to personal care services (such as help with washing and eating).

Care homes with nursing: These homes are similar to those without nursing care, but they also have registered nurses to provide care for more complex health needs.

Source: HOPSR (Housing for Older People Supply Recommendations, the University of Sheffield and Sheffield Hallam University¹⁸)

- 7.17 As well as setting out overall prevalence rates for different types of housing, the Housing LIN provides some suggestions for the tenure split between rented and leasehold accommodation (essentially public vs. private provision respectively), this varies depending on an area's level of deprivation.
- 7.18 The data draws on assumptions from the Shop@ tool with adjustments based on the relative health of older people locally (from 2011 Census data) and a tenure split based on local deprivation levels (2015 IMD).
- 7.19 Consideration has also been given to overall levels of disability in the older person population; given that these are slightly higher than the national average a small upwards adjustment has been made.
- 7.20 The tables below report the older person's dwelling requirements for Surrey Heath. The dwelling requirements use two categories of accommodation (in addition to care beds). These are a) Housing with Support (which covers retirement/sheltered housing) and b) Housing with Care (which includes the enhanced sheltered and extra-care housing).

¹⁸ <https://www4.shu.ac.uk/research/cresr/news/housing-older-people-supply-recommendations-hopsr>

- 7.21 The 2019 demand is based on the estimated population derived from published sources and updated to 2019 based on the standard method (see Table 31). This same population is applied to all types and tenures.
- 7.22 The data in the table below suggests a current deficit of 434 dwellings (rented and leasehold) for housing with support, enhanced sheltered, and extra care and what would be considered an oversupply in care-bed spaces.

Table 32: Older Person Housing Requirements (2019 to 2040) - Surrey Heath

		Housing demand per 1,000 75+	Current supply	2019 Demand	Current shortfall Need/surplus	Additional demand to 2040	Shortfall Need/surplus by 2040
Housing with support	Rented	33	308	288	-20	208	188
	Leasehold	66	434	576	142	417	559
Enhanced Sheltered	Rented	6	0	57	57	41	97
	Leasehold	9	0	82	82	59	141
Extra Care	Rented	8	0	71	71	51	122
	Leasehold	12	0	102	102	74	176
Total Dwellings		134	742	1,176	434	850	1,284
Care bedspaces		87	1,331	761	-570	550	-20

Source: Derived from demographic projections and Housing LIN/HOPSR/EAC/CQC (numbers may not add due to rounding)

- 7.23 Projecting these prevalence rates forward the changing and ageing population results in a high deficit of 1,284 in housing with support, enhanced sheltered, and extra care by 2040. The majority (58%) of this should be for Housing with Support, while enhanced sheltered equates to 19% and extra care 23%. Leasehold property should also be delivered in greater numbers (68%) with rented (affordable) making up the remaining 32%.
- 7.24 The need for care beds over the 2019-2040 period will be 550 spaces. Although the current surplus (570) means that the future need in care bed spaces over this period will reduce the surplus to 20 dwellings.
- 7.25 It should be noted that the Care Quality Commission (CQC), which regulates all care homes, provided this assessment of capacity as at 1 April 2019. According to their data there were 387 bed

spaces at care homes without nursing support and 944 bed spaces at care homes with nursing support in Surrey Heath, providing a total of 1,331 bed spaces.

- 7.26 This compares to a figure of 895 provided by the Elderly Accommodation Council, which has provided the capacity for the other typologies. If the EAC data was applied instead of the CQC data, this would result in a need for 416 additional care bedspaces across the period 2019 to 2040. Surrey County Council believe that the CQC data for care bedspaces in Surrey is more robust and reliable, as every care home or nursing home must be registered with the CQC to operate. The need figure for bedspaces in Surrey Heath is therefore based on the CQC data.
- 7.27 In recent years Camberley Town Centre has seen significant growth in the number of older person accommodation being built. To rebalance this, the Council may wish to identify sites in other suitable locations with good access to public transport and services. This will also allow for the Town Centre supply to be rebalanced to support the evening economy.

Surrey County Council Commissioning Statement, April 2019

- 7.28 We have also compared the analysis herein with Surrey County Council Commissioning Statement April 2019 which sets out the County Council's expectations for the market to respond to the Accommodation with Care & Support Strategy in terms of older people's services within the Surrey Heath Borough Council area.
- 7.29 The range of accommodation options that are covered by the commissioning statement includes extra care settings across all tenures; close care settings (which are mixed sites comprised of extra care setting next to a care home); and care homes, whether residential or nursing and including specialisms.
- 7.30 However, there are several methodological differences between the GLH work and the SCC which should be kept in mind when comparing the two, these include:
- There is a difference between the timeframes of GL Hearn's approach (GLH) and Surrey County Council Commissioning Statement (SCC). GLH provide a need assessment to 2040 and SCC provide an assessment to 2035.
 - GLH has used a projected population growth based on the standard method (6,339 people from 2019 to 2040) and SCC has projected population growth of 4,100 people (over 75 years old) change to 2035 based on the official projections.
 - In terms of the prevalence rates for care bedspaces, GLH estimated prevalence rates based on current supply using demographic projections, Housing LIN, HOPSR and EAC sources. In contrast, the SCC approach includes the Care Quality Commission directory of regulated services and compares the local ratio to the national one. Then the forecasts derived based on achieving national ratio and deducting rental demand as Surrey County focus on identifying and supporting older people who would benefit from accessing rental extra care through nominations processes to eliminate a need for future residential care as much as possible. SCC also reduce demand over time whereas GLH are static.

- In terms of extra care (or housing with care) need, both GLH and SCC approaches use the Housing LIN definition.

7.31 As a result of these methodological difference, the identified need differs from that set out above. The SCC Commissioning Statement outlines the following need in Surrey Heath to 2035:

- 237 additional Rental Extra Care Units;
- 325 additional Leasehold Extra Care Units;
- 98 additional residential Care Bedspaces;
- A surplus of 344 nursing care Bedspaces;

7.32 If the Council are unable to deliver the level of growth identified within the standard methodology then the overall need for older person accommodation would be to be reduced. This may bring the need more in line with the Surrey County Council estimates.

7.33 It is also worth noting that Surrey County Council's Accommodation with Care Strategy "is highly ambitious in shifting away from residential and nursing care being the default models of care beyond mainstream housing and so, in these calculations, the rental figures should be regarded as minimal targets to be achieved. While Surrey County Council will be actively engaging with providers to achieve these targets, it would welcome any approach by developers interested in contributing to the rental target in their site tenure mixes."

7.34 We also recognise that the GLH approach uses static prevalence rates which might change in future as technology and policy alters. In particular the County Council have noted that with telehealth and telecare advancements, the development of additional housing with care models like extra care and the efforts of public sector partners and government agencies to support people to live at home for longer, it is considered that demand for care bedspaces will reduce over the plan period. This might bring it more in line with the County Council assessment and show an even greater surplus.

Use Classes and Contribution to Housing Delivery

7.35 As per the recently updated PPG (Paragraph: 014 Ref: 63-014-20190626) it will be for the "Local planning authority to consider into which use class a particular development may fall. When determining whether a development for specialist housing for older people falls within C2 (Residential Institutions) or C3 (Dwellinghouse) of the Use Classes Order, consideration could, for example, be given to the level of care and scale of communal facilities provided".

7.36 The housing with support and housing with care units form part of the standard method figure as these are self-contained units and form part of the household projections (C3). The care bed spaces (C2) can also contribute towards housing need although as per the housing delivery test rulebook

for every 1.8 bed spaces then this would contribute 1 unit towards housing delivery¹⁹. The equivalent ratio for Surrey Heath is 1.94.

People with Disabilities

- 7.37 The CLG Disability data guide provides data about households with a long-term illness or disability from the English Housing Survey. Whilst this provides a national perspective, the source cannot provide more localised data. Hence the analysis below has drawn on the 2011 Census (which has a definition of long-term health problem or disability (LTHPD)).
- 7.38 The table below shows the proportion of people with a long-term health problem or disability (LTHPD) and the proportion of households where at least one person has an LTHPD. The data suggest that across Surrey Heath some 25% of households contain someone with an LTHPD.

Table 33: Households and people with Long-Term Health Problem or Disability (2011)

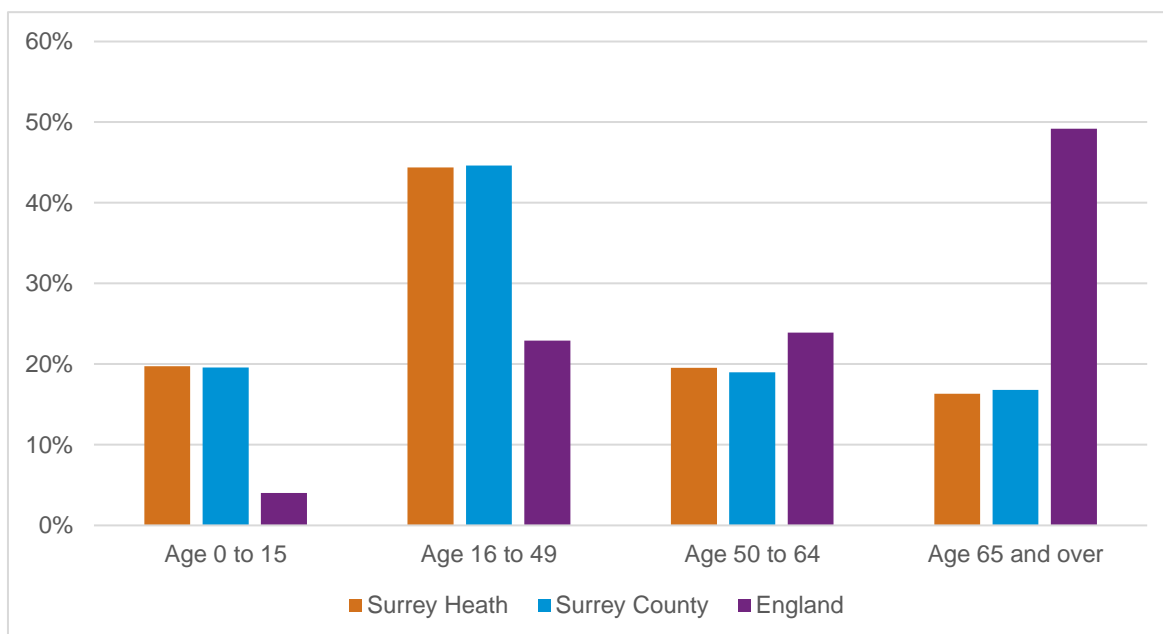
	Households containing someone with a health problem		Population with a health problem	
	Number	%	Number	%
Surrey Heath	8,323	25%	10,033	12%
Surrey County	117,913	26%	142,107	13%
England	7,217,905	33%	9,352,586	18%

Source: 2011 Census

- 7.39 This figure is lower than the national trend and broadly in-line with the South East average. The figures for the population with an LTHPD show a similar pattern in comparison with the County (an estimated 12% of the population of the Borough have an LTHPD) although slightly less than the rest of England.

¹⁹ Housing Delivery Test Measurement Rule Book, July 2018:
https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/728523/HDT_Measurement_Rule_Book.pdf

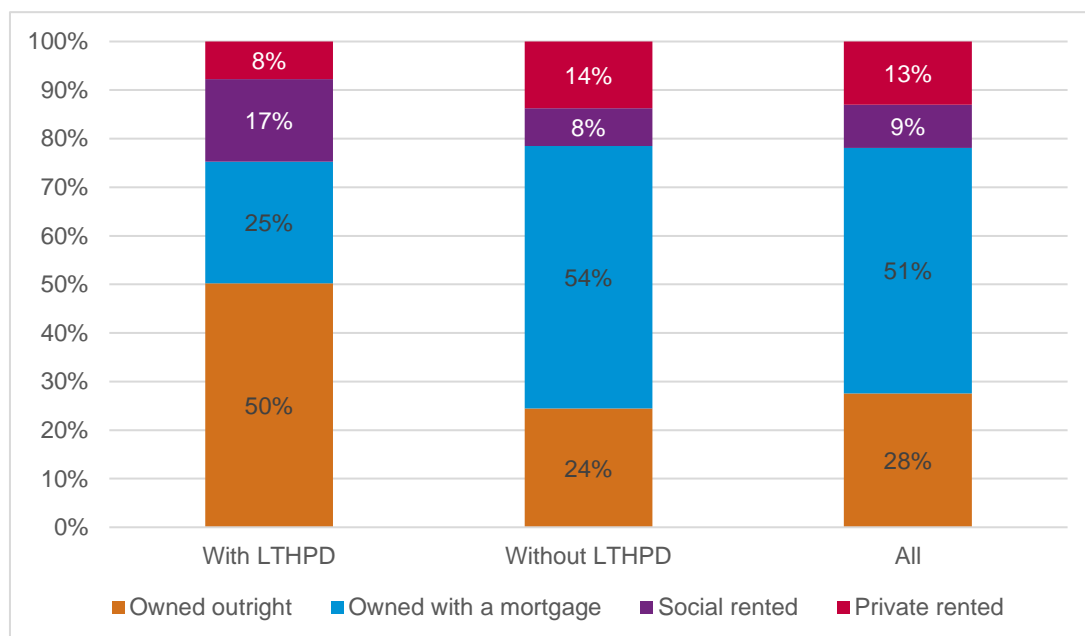
Figure 16: Population with Long-Term Health Problem or Disability in each Age Band



Source: 2011 Census

- 7.40 The age profile will likely impact upon the numbers of people with an LTHPD, as older people tend to be more likely to have an LTHPD. Therefore, the figure below shows the age bands of people with an LTHPD. It is clear from this analysis that those people in the oldest age bands are more likely to have an LTHPD, greater than London.
- 7.41 The figure below shows the tenures of people with an LTHPD. It should be noted that the data is for the population living in households rather than households. The analysis clearly shows that people with an LTHPD in Surrey Heath are more likely to live in owned outright housing (50%) which will be linked to the age profile of the population with a disability.
- 7.42 There is also a higher proportion that live in social rented housing (17%) compared to those with good health (8%). Given that typically the lowest incomes are found in the social rented sector and to a lesser extent for outright owners, the analysis would suggest that the population/households with a disability are likely to be relatively disadvantaged when compared to the rest of the population.

Figure 17: Tenure of people with LTHPD



Source: 2011 Census

- 7.43 As a further sensitivity, we have also examined the growth of people with disabilities which are likely to directly impact their demand for housing. This is drawn from projections from Projecting Older People Population Information (POPPI).
- 7.44 The age-specific prevalence rates shown above can be applied to the demographic data to estimate the likely increase over time of the number of people with a range of disabilities. In applying this information to the demographic projections, it is estimated that the total number of people with a range of disabilities in Surrey Heath will increase by around 4,141 (a 41% increase).
- 7.45 The population with mobility problems is expected to experience the greatest growth (approximately 90%). This is followed by the growth in the population of those with dementia, increasing by approximately 69% to 2040.

Table 34: Estimated change in population with a range of disabilities (2019-2040)

Disability	Age range	2019	2040	Change	% change
Dementia	65+	1,365	2,308	943	69.1%
Mobility problems	65+	3,100	5,904	2,804	90.4%
Autistic Spectrum Disorders	18-64	524	541	17	3.2%
	65+	164	253	89	54.3%
Learning Disabilities	15-64	1,353	1,402	49	3.7%
	65+	366	553	187	50.9%
Challenging behaviour	15-64	25	26	1	3.5%
Impaired mobility	16-64	3,083	3,135	51	1.7%

Source: Derived from POPPI/PANSI and demographic modelling

7.46 Those with a learning disability are expected to increase modestly (3.7%) in the population aged 15-64. However, the increase in those aged 65 and over is expected to be much more significant (50.9%).

7.47 Such is the extent of the issues identified in the table above the Council may wish to consider a policy which seeks as much as M4(2) compliant housing as viably possible.

Mental Health

7.48 This assessment is based on data derived from Projecting Adult Needs and Service Information (PANSI) which uses data from the Adult Psychiatric Morbidity Survey: Survey of Mental Health and Wellbeing, England, 2014²⁰.

7.49 The Survey has categorised Mental Health related issues into the following categories:

- Common mental disorders (CMDs) comprise different types of depression and anxiety. They cause marked emotional distress and interfere with daily function, but do not usually affect insight or cognition. Although usually less disabling than major psychiatric disorders, their higher prevalence means the cumulative cost of CMDs to society is great. They comprise different types of depression and anxiety and include obsessive-compulsive disorder.
- Antisocial personality disorder (ASPD) is characterised by a disregard for and violation of the rights of others. People with ASPD have a pattern of aggressive and irresponsible behaviour which emerges in childhood or early adolescence. It is associated with increased morbidity and mortality, due, among other things, to increased rates of assaults, suicidal behaviour, road accidents, and sexually transmitted infections. People with the disorder account for a disproportionately large proportion of crime and violence committed.
- Borderline personality disorder (BPD) is characterised by high levels of personal and emotional instability associated with significant impairment. People with BPD have severe

²⁰ <https://digital.nhs.uk/data-and-information/publications/statistical/adult-psychiatric-morbidity-survey/adult-psychiatric-morbidity-survey-survey-of-mental-health-and-wellbeing-england-2014>

difficulties with sustaining relationships, and self-harm and suicidal behaviour are common.

- Psychotic disorders produce disturbances in thinking and perception severe enough to distort the perception of reality. Psychoses can be serious and debilitating conditions, associated with high rates of suicide and early mortality.
- Psychiatric comorbidity - or meeting the diagnostic criteria for two or more psychiatric disorders - is known to be associated with increased severity of symptoms, longer duration, greater functional disability and increased use of health services. Disorders included the most common mental disorders (namely anxiety and depressive disorders) as well as: psychotic disorder; antisocial and borderline personality disorders; eating disorder; posttraumatic stress disorder; attention deficit hyperactivity disorder; alcohol and drug dependency; and problem behaviours such as problem gambling and suicide attempts.

7.50 Table 35 presents the number of people aged 18-64 who are predicted to have a mental health issue within Surrey Heath to 2035, unfortunately, this is the longest period projected within this data source. Overall PANSI project a decrease of around 5% in the total number of people (-883 people) with mental health issues by 2035 in Surrey Heath and for each of the categories.

Table 35: Projected Mental Health Issues (Aged 18-64), Surrey Heath 2019-2035

	2019	2035	Change	% change
Common mental disorder	9,881	9,366	-515	-5.2%
Borderline personality disorder	1,255	1,189	-66	-5.3%
Antisocial personality disorder	1,754	1,665	-89	-5.1%
Psychotic disorder	366	347	-19	-5.2%
Two or more psychiatric disorders	3,765	3,571	-194	-5.2%
Total	17,021	16,138	-883	-5.2%

Source: PANSI, 2018

7.51 Within this number, the greatest decrease (-515 people) is expected to be for those with a common mental health disorder. It is unlikely that any of these conditions will merit a specific housing response but it does suggest a potentially reduced demand for temporary accommodation.

Accessible and Adaptable and Wheelchair-Accessible Dwellings

7.52 Information about the need for housing for wheelchair users is difficult to obtain (particularly at a local level) and so some brief analysis has been carried out based on national data within a research report by Habinteg Housing Association and London South Bank University (Supported by the Homes and Communities Agency) – *Mind the Step: An estimation of housing need among wheelchair users in England*. This report provides information at a national and regional level although there are some doubts about the validity even of the regional figures; hence the focus is on national data.

7.53 The report identifies that around 84% of homes in England do not allow someone using a wheelchair to get to and through the front door without difficulty and that once inside, it gets even more restrictive. Furthermore, it is estimated (based on English House Condition Survey data) that just 0.5% of homes

meet criteria for 'accessible and adaptable', while 3.4% are 'visitable' by someone with mobility problems (data from the CLG Guide to available disability (taken from the English Housing Survey)) puts the proportion of 'visitable' properties at a slightly higher 5.3%.

- 7.54 Overall, the report estimates that there is an unmet need for wheelchair user dwellings equivalent to 3.5 per 1,000 households (this is described in the Habinteg report as the *number of wheelchair user households with unmet housing need*).
- 7.55 We use Census 2011 data on household composition by the number of people in the household with a long-term health problem or disability (DC1301EW), to identify localised disability issues and provide a spatial sense check.
- 7.56 Table 36 shows that 25% of households in Surrey Heath have at least one person with a long term health problem or disability with similar percentages have been recorded across the two subareas: Western Urban and Deepcut (25%) and Rest of the Borough (24%).

Table 36: Households with long term health problems or disability

	All Households	Household with no long-term health problem or disability	Households with people with a long term health problem or disability	
Western Urban (and Deepcut)	22,040	16,433	5,607	25%
Rest of Borough	11,506	8,790	2,716	24%
Surrey Heath	33,546	25,223	8,323	25%
Surrey County	455,791	337,878	117,913	26%
South East	3,555,463	2,506,576	1,048,887	30%
England	22,063,368	14,845,463	7,217,905	33%

Source: Census 2011 DC1301EW²¹

- 7.57 The table also shows that the equivalent rate for England is 33%. The Surrey Heath rates are therefore around 25% lower than the national rates. If the Habinteg rates are reduced accordingly this would provide a rate of 2.625 wheelchair users per 1,000 persons.
- 7.58 If we were to apply the national rate of 3.5 per 1,000 In Surrey Heath, as of 2019, this would represent a current need for about 125 wheelchair user dwellings. If the locally derived rate of 2.625 is applied then this would represent a current need for about 94 wheelchair user dwellings
- 7.59 Moving forward, the report estimates a wheelchair user need from around 3% of households. Again this is a national rate which could be reduced to a local rate by taking a 25% reduction to 2.25% of households

²¹ <https://www.nomisweb.co.uk/home/search.aspx?context=&term=DC1301EW>

- 7.60 If 3% is applied to the household growth linked to the standard method (2019-40) then there would be an additional need for around 209 adapted homes. If this figure is brought together with the estimated current need then the total wheelchair user need would be for around 334 homes (over 21-years).

Table 37: Estimated need for wheelchair user homes – Linked to 332 dpa (2019-2040)

	Current need	Projected need	Total	Per Annum
National Rates	125	209	334	16
Local Rates	94	157	251	12

Source: Derived from demographic projections and Habinteg prevalence rates

- 7.61 If 2.25% is applied to the household growth linked to the standard method (2019-40) then there would be an additional need for around 157 adapted homes. If this figure is brought together with the estimated current need then the total wheelchair user need would be for around 251 homes (over 21-years).
- 7.62 Information in the CLG Guide to available disability data also provides some historical national data about wheelchair users by tenure (data from the 2007/8 English Housing Survey). This showed around 7.1% of social tenants to be wheelchair users, compared with 2.3% of owner-occupiers (there was insufficient data for private renting, suggesting that the number is low).
- 7.63 This may impact on the proportion of different tenures that should be developed to be for wheelchair users (although it should be noted that the PPG (56-009) states that '*Local Plan policies for wheelchair accessible homes should be applied only to those dwellings where the local authority is responsible for allocating or nominating a person to live in that dwelling*').
- 7.64 The Council, therefore, may wish to consider a policy ensuring that around 5-10% of new homes complying with M4(3) building Standards for wheelchair accessible units. However, this should not be applied to all sites. There are some sites that due to topography, site layout or other contextual characteristics would make this impossible to provide this kind of units.

Private Rented Sector

- 7.65 This section looks at a range of statistics concerning the private rented sector (PRS) in Surrey Heath. This is split out between traditional rental accommodation and the build to rent sector. Where possible, comparisons are made with other tenures (i.e. owner-occupied and social rented) as well as contrasting data with other areas. The aim is to bring together a range of information to inform the need for additional private rented housing in Surrey Heath.

Size of the Private Rented Sector

7.66 The table below shows the tenure split of housing in 2011 in Surrey Heath, Surrey County and England. The data identifies approximately 4,000 households living in private rented housing in Surrey Heath– 12% of all households. This proportion is on par with the proportion in Surrey County (13%) and yet much lower than the national rate of 24%.

7.67 In Surrey Heath, there are approximately 346 households (1%) recorded as living in ‘other’ PRS accommodation which is likely to be housing linked to employment. This split is aligned with the proportion across the County and England (1%).

Table 38: Households by Tenure in Surrey Heath (2011)

	Surrey Heath	Surrey County	England
Owns outright	11,668	158,719	689,898
Owns with mortgage/loan	14,101	173,465	886,309
Social rented	3,089	52,086	785,993
Private rented	4,073	61,409	775,591
Other	346	5,449	43,494
Total	33,277	451,128	3,181,285
% Private rented	12%	13%	24%

Source: Census (2011)

7.68 In addition to looking at the current tenure profile, it is of interest to consider how this has changed over time. The table below shows the change in tenure for Surrey Heath from the 2001 and 2011 Census.

Table 39: Change in tenure (2001-11) – Surrey Heath

	2001 households	2011 households	Change	% Change
Owns outright	9,976	11,668	1,692	17%
Owns with mortgage/loan	15,621	14,101	-1,520	-10%
Social rented	2,861	3,089	228	8%
Private rented	2,725	4,073	1,348	49%
Other	614	346	-268	-44%
Total	31,715	33,277	1,562	5%

Source: 2001 and 2011 Census

7.69 There has been significant growth in the number of households living in privately rented accommodation (49% or 4.1% per annum) and only a slight increase in outright owners (17%). Increase in outright owners is attributed to mortgages being paid off, which may have been assisted by a period of low-interest rates.

7.70 There has been a decline in the number of owners with a mortgage (-10%) and a decrease in the number of other households (44%).

7.71 If the trend in those privately renting continues then the number of households privately renting in Surrey Heath would increase to around 6,000 households by 2021. This would be an increase of almost 2,000 households compared to the 2011 Census which is a substantial increase but this can be tempered through the provision of additional affordable home ownership products and other affordable products to address the top and bottom end of the PRS market.

Young Persons Accommodation

7.72 The table below presents the tenure for young person households in Surrey Heath and the County. In particular, Table 40 presents tenure information for households with the household reference person being 35 years old or younger.

Table 40: Tenure for young person accommodation – Household reference person aged below 35 years old

	Western Urban Area (and Deepcut)		Rest of the Borough		Surrey Heath		Surrey County %	South East %	England %
	No.	%	No.	%	No.	Surrey Heath %			
Owns outright	105	4%	48	5%	153	4%	5%	4%	4%
Owns with mortgage/loan	1189	40%	475	47%	1,664	42%	38%	33%	30%
Social rented	554	19%	119	12%	673	17%	15%	17%	20%
Private rented	1117	38%	366	36%	1,483	37%	42%	46%	46%
Total	2,965	100%	1,008	100%	3,973	100%	100%	100%	100%

Source: 2011 Census, DC4201EW

7.73 A higher proportion (17%) of young person households are in the social rented sector in Surrey Heath compared to 15% in the County. However, wider comparators are similar or higher with 17% in the South East and 20% across the country. In terms of the private rented sector, there is a higher proportion of households across all the wider comparators (42%-46%) renting privately than Surrey Heath (37%).

Build to Rent sector

7.73 The UK Government defines the build to rent sector as purpose-built housing that is typically 100% rented out. It can form part of a wider multi-tenure development comprising either flats or houses but should be on the same site and/or contiguous with the main development. Schemes usually offer longer tenancy agreements of three years or more, and will typically be professionally managed stock in single ownership and management control.

- 7.74 Build to rent schemes can be important in supporting housing delivery in times like these with economic and housing market uncertainty as investors base their investment decisions on the long-term prospects for housing demand.
- 7.75 Unlocking the Benefits and Potential of Build to Rent (British Property Federation, 2017) identifies that the build to rent model offers an additional sales outlet from the build to sell model. It provides more certainty of an end-buyer for housing developments which helps de-risk schemes.
- 7.76 It is particularly helpful on larger sites, where there are multiple phases of development. Often build to rent sites require substantial capital commitment and without substantial third-party investment, they do not progress.
- 7.77 Build to rent can accelerate delivery because a developer or house builder can deliver stock for both open market sale and market rent concurrently. However, barriers to build to rent scheme include:
- Access to suitable stock for conversion or land;
 - Low risk-adjusted yields in the form of capital growth rather rental income;
 - As an emerging sector there is a lack of investor experience in the sector; and
 - The need for scale with around 250-unit scheme minimum likely.
- 7.78 The British Property Federation reports build to rent schemes across the UK every quarter. Currently, there is 152,071 build to rent units either completed or planned across the UK, including 40,181 completed, 35,415 under construction and a further 75,663 with planning permission. In London, there are 76,404 units and outside of London, there are 75,633 units. Built to rent is a growing market for a number of large hedge funds although at present the focus is on major urban locations. However, according to the British Property Federation none of these schemes are located within Surrey Heath. The Council have confirmed that there are no build-to-rent schemes listed in Surrey Heath's registered planning applications, and none with approval either. Although there are nearby developments in Woking, Aldershot and Arborfield Green (Wokingham).
- 7.79 This may change, as it is expected to do in elsewhere in the country as the Government has been targeting financial backing for purpose-built Private Rented Sector (PRS) schemes since 2012. This has helped to expand this sector in a range of cities and towns across the country. Further policy might also be put in place through the recently announced Renters Reform Bill.
- 7.80 To conclude, there is no need for the Council to allocate land for build to rent accommodation, but it should develop a policy for any development being proposed. The policy should judge the proposed development on its merits including the proportion of affordable private rent being provided (seeking a minimum 20%) alongside a local assessment of demand.

Student Accommodation

- 7.81 In terms of planning to meet the needs of student accommodation, the PPG (Paragraph 017) outlines that strategic policy-makers need to plan for sufficient student accommodation whether it consists of communal halls of residence or self-contained dwellings.
- 7.82 It is recognised that encouraging more dedicated student accommodation may take pressure off the private rented sector and increases the overall housing stock. The table below shows that the number of student households in the County increased by approximately 86% from 2011 to reach 455,791 in 2011.
- 7.83 Over the same period, the number of student households declined by half in Surrey Heath. However, the key finding should be that there are only 4 all student households in the Borough demonstrating virtually no demand for student housing, purpose-built or otherwise.

Table 41: Change in student households (2001 to 2011)

	2001	2011	Change (%)
Surrey Heath	8	4	-50%
Surrey County	1,061	1,971	85.8%
England	79,143	124,285	57%

Source: 2001 and 2011 Census

- 7.84 Of the very few student households in Surrey Heath, two own the property in which they live, one household is in the private rented sector and one household lives rent-free. It is difficult to compare the make-up of students by tenure to the County given the low volume of households.

Self and Custom-build

- 7.85 Housing Needs Assessments should investigate the contribution that self-build makes toward the local supply. Laying the Foundations – a Housing Strategy for England 2010 sets out that only one in 10 new homes in Britain was self-built in 2010 – a lower level than in other parts of Europe. It identifies barriers to self or custom-build development as including:
- A lack of land;
 - Limited finance and mortgage products;
 - Restrictive regulation; and
 - A lack of impartial information for potential custom home builders.
- 7.86 The government aspires to make self-build a ‘mainstream housing option’ by making funding available to support self-builders and by asking local authorities to champion the sector. Up to £30m of funding has been made available via the Custom Build programme administered by the HCA to provide short-term project finance to help unlock group custom build or self-build schemes. The fund

can be used to cover eligible costs such as land acquisition, site preparation, infrastructure, S106 planning obligations etc.

- 7.87 As of May 2019, there were 335 on the Self and Custom Build register in Surrey Heath. Of this total, 67 individuals have passed a local connection test and 268 have not passed the local connection test, however, meet the national requirements.
- 7.88 Notwithstanding this, the Council is considering updating its Local Connection Test for entrants to the Self Build and Custom Housebuilding Register. Consideration will also be given to the introduction of a Financial Solvency Test for entrants and an annual charge for individuals and organisations to remain on the Register. It is anticipated that these changes will result in a more robust indication of the need for this type of housing.
- 7.89 The Council may also wish to adopt an affordable housing policy specifically for qualifying self-build and custom-build sites, to meet affordable housing needs for this type of housing. Alternatively, specific reference could be included within overall affordable housing policy, outlining the requirements for self-build and custom-build proposals in relation to affordable housing provision.

Service Families

- 7.90 MOD statistics report that at April 2018, there were a total of 1,240 military and civilian personnel located in Surrey Heath. This is a 19% decrease from 2012 where there were 1,540 personnel.
- 7.91 The number of service people located in Surrey Heath is quite high given the location of the Royal Military Academy at Sandhurst and Deepcut Barracks. Engagement with local agents identified the current housing needs of military personnel and service families in Surrey Heath and has been reported earlier in this report.
- 7.92 Surrey Heath Borough Council has a duty to ensure service personnel and their families are accommodated in suitable accommodation should they wish to live in not military stock. As part of this, in addition to accommodating the current need, the Council should engage with neighbouring local authorities through the Duty to Co-operate for any matter relating to housing need for service families.
- 7.93 The Allocation of Housing (Qualification Criteria for Armed Forces) (England) Regulations ensure that Service personnel (including bereaved spouses or civil partners) can establish a 'local connection' with the area in which they are serving or have served.
- 7.94 This means that ex-service personnel would not suffer disadvantage from any 'residence' criteria chosen by the Local Authority in their allocations policy. Also, any ex-armed forces personnel with

mental health issues who present themselves to the Council as homeless would be assisted as a vulnerable group and will be given priority need for housing.

- 7.95 At present, there are no service families on the Council's housing register. The Council will continue monitoring the register to identify any future need.

Homelessness

- 7.96 In the period April to June 2019, according to MHCLG statistics²², there were 73 households assessed in Surrey Heath to determine whether there was a statutory duty owed. The vast majority of which (72 households) were assessed as having a duty owed to them.
- 7.97 Where this data was collected the vast majority of representations were from the UK or Irish citizens (64 persons). Single males (27 persons) was the most common household types followed by single females (9) although five households had dependent children.
- 7.98 The data also sets out the reasons for loss of last settled home and this main reasons given were the end of their private rental tenancy (21 persons), family and friends no longer willing and able to accommodate them (18) and non-violent relationship breakdown with a partner (11).
- 7.99 It is also worth noting that those presenting themselves as homeless also had a high level of mental health issues (21 persons) and other physical ill health or disability (11).

Surrey Heath Borough Council has undertaken the Homelessness and Rough Sleeping Strategy (2019 to 2023).

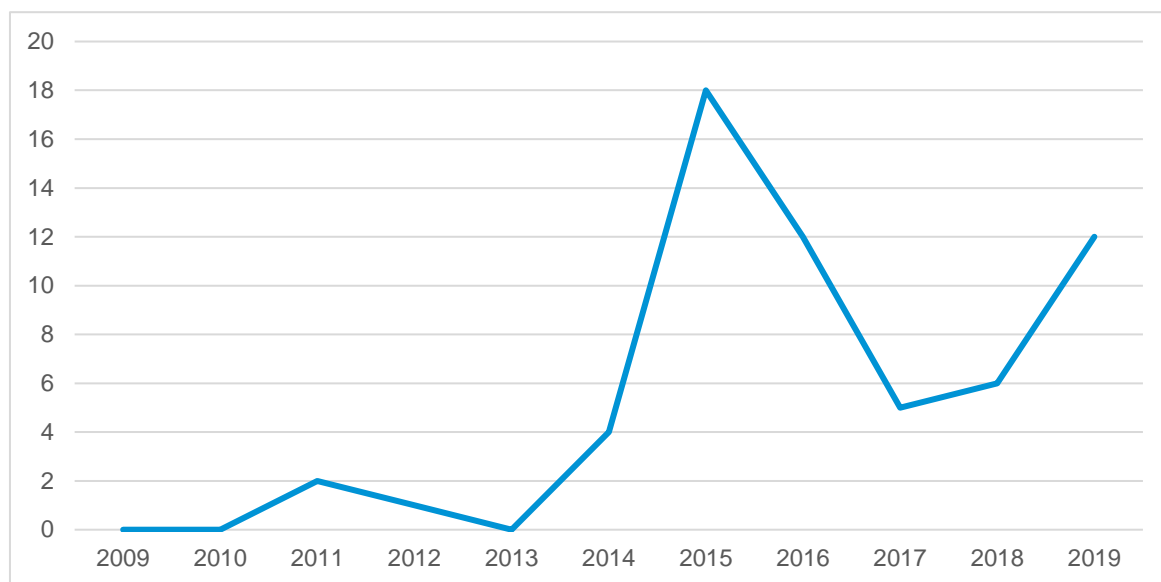
- 7.100 The Strategy identifies that since 2012, the main reason for the loss of last settled home has consistently been due to an end of assured shorthold tenancy. This is followed by eviction (by parents and or friends) and relationship breakdown. Homelessness due to domestic violence has been a consistently low reason over the years.
- 7.101 The figure below illustrates the number of rough sleepers as per Council data. The data shows a significant increase (approximately 300% since 2014) in the number of people sleeping rough over the period with the greatest increase notable between 2014 and 2015.
- 7.102 In 2019, 12 people in Surrey Heath were considered to be sleeping rough²³. The strategy noted that several single homeless people were returning to the local authority from other areas to access a voluntary sector provision that was actively encouraging inward migration. Further, it is recognised

²² <https://www.gov.uk/government/statistical-data-sets/live-tables-on-homelessness>

²³ Housing Services data records, Surrey Heath Borough Council

that whilst this may distort the scale of the local problem, it cannot be used to explain away an increasing local issue.

Figure 18: Number of Rough Sleepers in Surrey Heath (2010-2019)



Source: MCLG Statistics

- 7.103 At May 2019, there were 260 single people and couples on the Housing Register (55% of total applicants), yet the availability of housing association on bedroom homes at the year 2018/2019 was a total of 52. These are included with the affordable housing need calculations in this report.
- 7.104 The Strategy outlines that several initiatives are in place to reduce the number of homelessness in Surrey Heath. Council successfully received funding to establish the Team Around the Person Project (TAPP). Further, in 2016, Council hosted Single homeless Forum with service providers and housing providers to understand the current position and identify the local need and way forward. As an outcome, it was recognised that accommodation is difficult to deliver as the ongoing welfare reform agenda left revenue funding uncertain for supported and homeless person accommodation.
- 7.105 The Hope Hub has moved to premises provided by the Council. The purpose of the group is to support vulnerable people who are homeless or at risk of homelessness and are specifically funded by the Housing Solutions Team for their work with single homeless residents using Flexible Homelessness Grant from MHCLG.

Specific Groups: Summary Points

- It is estimated that 9% of Surrey Heath's population is 75+ years old at 2018, which is similar to the trend across Surrey (10%) but higher than the rest of the country (8%).
- Linked to the housing need of 332 dpa the projections show an increase in the population aged 75 and over of 6,339 people (72%), compared to an overall increase of 14% in total population.
- Drawing on assumptions from the Shop@ tool and based on the projected population growth to 2040 there is expected to be:
 - A deficit of 188 rental units of housing with support;
 - A deficit of 559 leasehold units of housing with support;
 - A deficit of 97 rental units of enhanced sheltered housing;
 - A deficit of 141 leasehold units of enhanced sheltered housing;
 - A deficit of 122 rental units of extra care housing;
 - A deficit of 176 leasehold units of extra care housing;
 - A surplus of 20 care bed spaces;
- Across Surrey Heath some 25% of households contain someone with a LTHPD. It is estimated that the total number of people with a range of disabilities will increase by around 4,141 (a 41% increase).
- The population with mobility problems is expected to grow by approximately 90%. This is followed by the growth in population of those with dementia(69%) by 2040. The estimated total wheelchair user need would by 2040 is expected to be around 334 homes to 251 homes (over 21-years).
- There is expected to be a decrease of around 5% in the total number of with mental health issues by 2035 in Surrey Heath.
- Such is the extent of the issues identified the Council should consider a policy which seeks as much as M4(2) compliant housing as viably possible. The Council may wish to consider a policy ensuring that around 5-10% of new homes comply with M4(3) standards for wheelchair accessible units.
- According to the 2011 Census, there were 4,173 homes in the private rented sector in Surrey Heath. This is expected to increase by around 2,000 homes by the 2021 Census. There is no need for the Council to allocate land for build to rent accommodation but it should develop a policy for any development being proposed. The policy should judge the proposed development on its merits including the extent of affordable private rent being offered (seeking a minimum 20%).
- As of May 2019, there were 335 people on the Self and Custom Build register in Surrey Heath.
- As of April 2018, there were a total of 1,240 military and civilian personnel in Surrey Heath. This is a 19% decrease from 2012. At present there are no service families on the Council's housing register.
- In the period April to June 2019, 72 persons were assessed as having a homelessness duty owed to them. In 2019, 12 people in Surrey Heath were considered to be sleeping rough.

8 SUMMARY AND CONCLUSIONS

8.1 The Surrey Heath Local Housing Needs Assessment follows the standard methodology approach to assess housing need as set out by the Government in the NPPF (February 2019). This study will inform the development of relevant housing policies in the emerging new Local Plan.

Housing Need

8.2 The standard methodology seeks to simplify the approach to housing need and has three components:

- Starting Point or Baseline;
- Market Signals Adjustment; and
- Cap.

8.3 The starting point is the 2014-based household projections and we have examined the growth in the period 2019-29. The 2014-based projections show a household growth of 237 households per annum.

8.4 The standard methodology then seeks to adjust the demographic baseline based on market signals. In 2018, the median workplace affordability ratio in Surrey Heath was 12.99. The adjustment factor is therefore 0.56 or 56%. Applying this to the 2014-based household projections over the 2019-2029 period would take the housing need to 370 dwellings per annum.

Table 42: Housing Need Derived from Baseline and Affordability Adjustment

	Household Change (19-29)	Household Change Per Annum	Step 1 Increase	Step 2 Output
2019-2029	2,372	237	56%	370

Source: ONS and DHCLG, 2016 and 2018

8.5 The final stage of the standard methodology is to cap the OAN to a deliverable level. In the case of Surrey Heath, a 40% cap is applied to the Stage 2 uplift, therefore, the 56% uplift is reduced to 40%.

This results in a housing need for 332 dpa.

8.6 We have also calculated the population associated with Economic Forecasts for Surrey Heath. These show housing need both below and above the standard methodology. The mean average of the OE and CE forecasts would equate to 322dpa. The standard method derived a figure of 332 dpa for Surrey Heath would, therefore, plan for above the average of the economic forecast figures in respect of housing need.

Affordable Housing Need

8.7 The report has considered the net need for affordable rented housing; using the Basic Needs Assessment Model recommended in the PPG. Based on a housing need of 332 dpa, the analysis

calculates an overall net need of 159 affordable dwellings per annum. This breakdown includes 87 in Western Urban and Deepcut Sub-area and 72 in the Rest of Borough Sub-area.

- 8.8 The analysis suggests a net need for 159 of affordable rented houses per annum to be provided in Surrey Heath over the period to 2040. The net need of affordable rented housing is 87 per annum in the Western Urban and Deepcut Sub-area and 72 per annum in the Rest of Borough Sub-area.
- 8.9 These numbers are relatively high compared to overall need; This justifies the Council seeking to secure as much additional affordable housing as viably possible.
- 8.10 When looking at the need for affordable home ownership products (i.e. the expanded definition of affordable housing in the NPPF) the net need in Surrey Heath is around 102. At a Sub-area level, the net need for net affordable home ownership is 73 in the Western Urban and Deepcut Sub-Area and 30 in the Rest of the Borough Sub-area.

Tenure Mix

- 8.11 In analysing the need for housing of different tenures, it needs to be recognised that there are a series of choices to be made regarding the provision of new affordable housing; essentially a trade-off between the affordability of accommodation and the number of homes that can viably be provided.
- 8.12 To aid the decision-making process regarding these choices, the following breakdown of tenure could be used as a starting point.
- 60% market
 - 10% affordable home ownership
 - 30% social/affordable rented
- 8.13 However, this comes with a series of caveats including the viability of providing different types of affordable housing. Further, the cost of affordable home ownership properties can sometimes exceed those of lower-cost market homes and thus cannot be truly considered as “affordable”, albeit they might be recognised as such by the government. As well as viability the final affordable housing requirement should also take account of the sub-area need.

Need for Different Types and Sizes of Homes

- 8.14 The modelling outputs provide an estimate of the proportion of homes of different sizes that are needed, there is a range of factors which should be considered in setting policies for provision. Taking these into account we have recommended the following mix.

Table 43: Recommended Housing Mix by Size

	1-bed	2-bed	3-bed	4+-bed
Market	5-10%	20-25%	40-45%	25-30%
Affordable home ownership	10-15%	45-50%	30-35%	5-10%
Affordable housing (rented)	30-35%	25-35%	25-35%	5-10%

- 8.15 The strategic conclusions recognise the role which delivery of larger family homes can play in releasing supply of smaller properties for other households.
- 8.16 The figures can be used as a monitoring tool to ensure that future delivery is not unbalanced when compared with the likely requirements as driven by the demographic change in the area or linked to macro-economic factors and local supply.
- 8.17 The identified housing mix should inform strategic planning and housing policies. In applying recommended housing mix to individual development sites, regard should be had to the nature of the development site and character of the area, and up-to-date evidence of need as well as the existing mix and turnover of properties at the local level.

Older Persons Housing Need

- 8.18 The Housing Needs Assessment indicates that the number of residents aged over 65 in Surrey Heath is forecast to increase by 52% over the period to 2040 based on the standard methodology. Due to a growing older population and increasing life expectancy, there is a clear need to accommodate households that require adaptations to properties to meet their changing needs whilst others may require more specialist accommodation or support.
- 8.19 Based principally on the expected growth in the population of older persons, by 2040, there is an expected a need for additional housing with support, enhanced sheltered and extra care housing (a total need of 1,284 homes), but based on existing capacity from the Care Quality Commission a surplus of 20 care bed spaces.

Table 44: Need for Specialist Housing for Older People in Surrey Heath 2019-2040

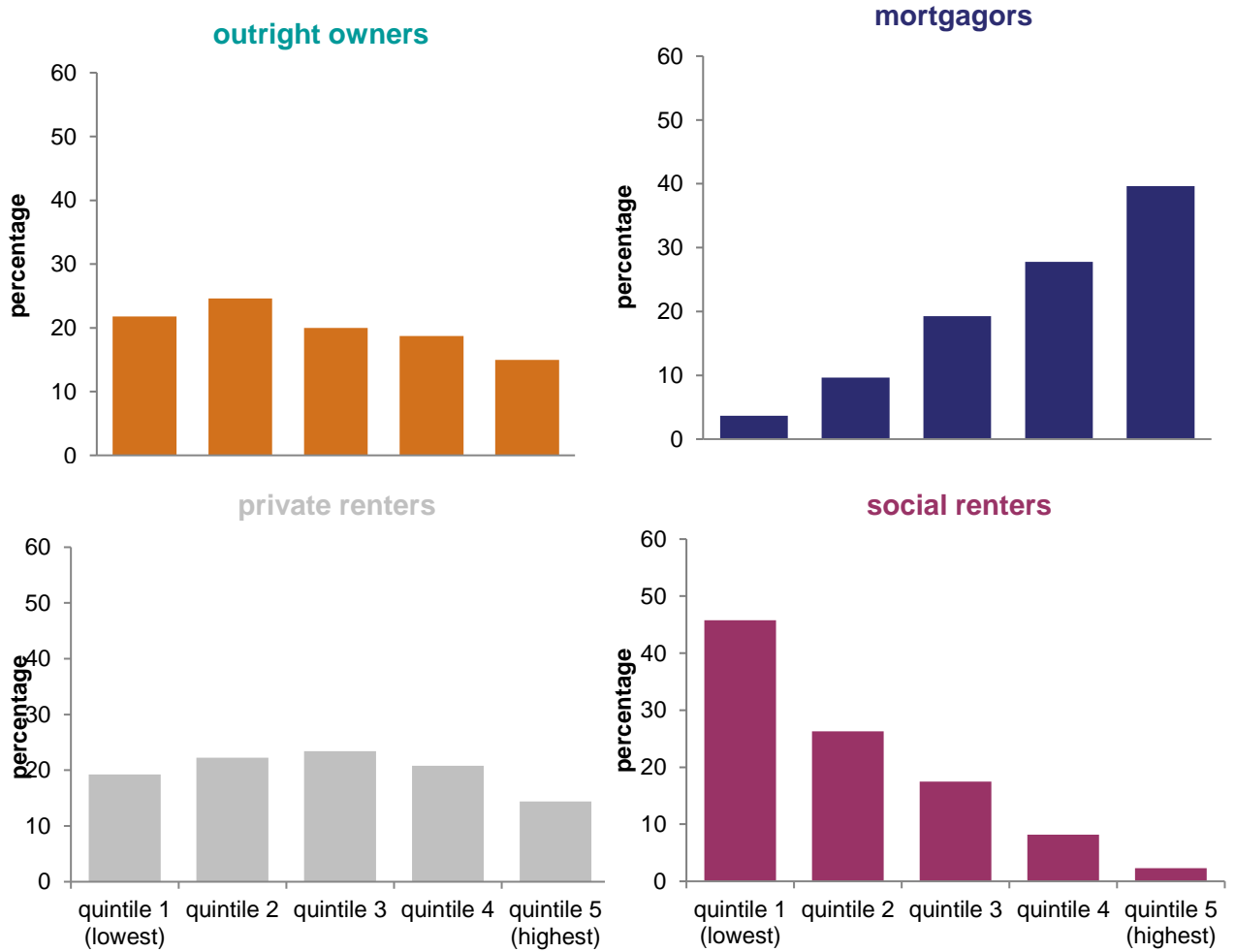
		Housing demand per 1,000 75+	Current supply	2019 Demand	Current shortfall Need/surplus	Additional demand to 2040	Shortfall Need/surplus by 2040
Housing with support	Rented	33	308	288	-20	208	188
	Leasehold	66	434	576	142	417	559
Enhanced Sheltered	Rented	6	0	57	57	41	97
	Leasehold	9	0	82	82	59	141
Extra Care	Rented	8	0	71	71	51	122
	Leasehold	12	0	102	102	74	176
Total Dwellings		134	742	1,176	434	850	1,284
Care bedspaces		87	1,331	761	-570	550	-20

Source: Derived from demographic projections and Housing LIN/HOPSR/EAC

- 8.20 Decisions about the appropriate mix of specialist housing should take account of the current stock, other local needs evidence as appropriate, and policies regarding accommodation and care for older persons.
- 8.21 GL Hearn recommends that the Council should consider how best to deliver the identified specialist housing need, including, for instance, the potential to identify sites in accessible locations for specialist housing or to require the provision of specialist housing for older people as part of larger strategic development schemes.
- 8.22 Given the evidence, the Council could consider (as a start point) requiring all dwellings to meet the M4(2) standards (which are similar to the Lifetime Homes Standards) and around 5-10% of homes meeting M4(3). It should, however, be noted that there will be cases where this may not be possible (e.g. due to viability or site-specific circumstances) and so any policy should be applied flexibly.

APPENDIX A: Income Information

Figure 19: English Housing Survey Household income quintiles, by tenure, 2017-18



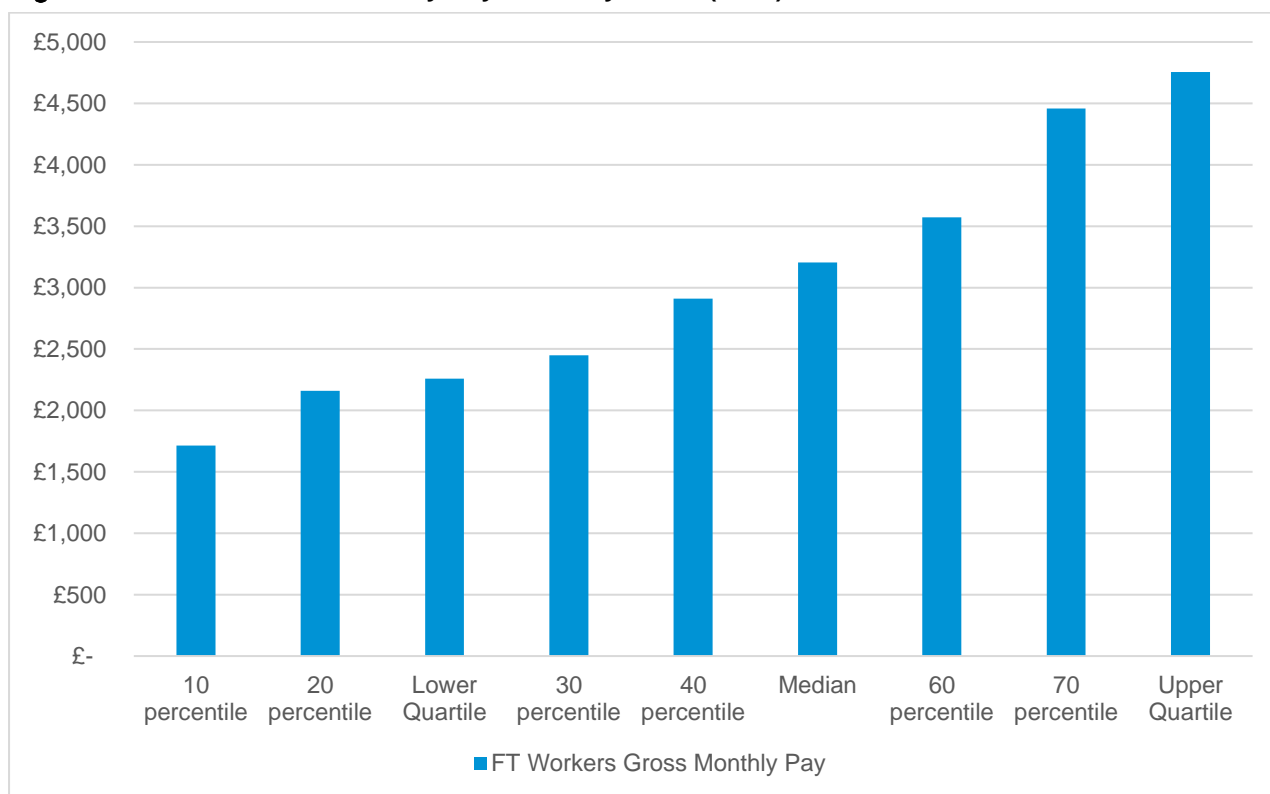
Source: English Housing Survey (2019)

Table 45: Net Annual Income Levels (2015/16)

MSOA code	MSOA name	Net annual income (£)
E02006416	Surrey Heath 001	£48,900
E02006417	Surrey Heath 002	£44,400
E02006418	Surrey Heath 003	£48,800
E02006419	Surrey Heath 004	£41,000
E02006420	Surrey Heath 005	£51,900
E02006421	Surrey Heath 006	£53,300
E02006422	Surrey Heath 007	£49,300
E02006423	Surrey Heath 008	£40,400
E02006424	Surrey Heath 009	£47,300
E02006425	Surrey Heath 010	£44,200
E02006426	Surrey Heath 011	£43,800
E02006427	Surrey Heath 012	£43,500

Source: ONS, Small area income estimates for MSOA, 2015/16

Figure 20: Gross Monthly Pay in Surrey Heath (2019)



Source: ONS, Annual Survey of Hours and Earnings, 2019

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