Strategic Land Availability Assessment

Appendix 8 – Local Housing Need Calculation

Introduction

1.1.   The National Planning Policy Framework ('NPPF') sets out that plan-making authorities should follow the standard method for assessing local housing need, as detailed in national planning guidance, unless exceptional circumstances justify an alternative approach[1]. The methodology for calculating Local Housing Need has been published as part of the national planning practice guidance ('PPG')[2].

1.2.   The standard method uses a formula to identify the minimum number of homes expected to be planned for, in a way which addresses projected household growth and historic under-supply. This Appendix sets out the Local Housing Need calculation for Surrey Heath borough, using the standard method assessment.

Step 1 – Setting the baseline

2.1   Set the baseline using national household growth projections (2014-based household projections in England, table 406) for Surrey Heath. As set out in PPG, these projections should be used to calculate the projected average annual household growth over a consecutive 10-year period.

2.2   Projected average annual household growth over a 10 year period with the current year being used as the starting point from which to calculate growth over that period.

- Surrey Heath Housing Projection 2023 = 36.743
- Surrey Heath Housing Projection 2033 = 39,037

2.3   Household growth over 10-year period from the current year (2021) is therefore **2,294**.

2.4   This figure annualised over the 10-year period is **229.4** per annum.

2.   Step 2 – An adjustment to take account of affordability

2.1.   Adjust the average annual projected household growth figure (229) based on the affordability of the area. To do this, use the median workplace-based affordability ratios (2022) for Surrey Heath.

2.2.   No adjustment is applied where the ratio is 4 or below. For Surrey Heath however, the latest affordability ratio figure is 11.58 (2022).

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[1] NPPF (2023) Paragraph 61.
[2] PPG Paragraph: 004, Reference ID: 2a-004-20201216.

2.3.   The calculation as set out in PPG is as follows:

$$Adjustment\ factor = \left(\frac{Local\ affordability\ ratio\ -\ 4}{4}\right) x\ 0.25 + 1$$

2.4.   The worked calculation for Surrey Heath is as follows:

Adjustment factor = $\underline{(11.58 - 4)}$ x 0.25 + 1
                               4

= $\underline{(7.58)}$ x 0.25 + 1
      4

= 1.895 x 0.25 + 1 = 1.47

2.5.   The adjustment factor is therefore 1.47 and is used as:

   a) Minimum annual local housing need figure = (adjustment factor) x projected household growth
   b) Minimum annual local housing need figure = 1.47 x 229
   c) The resulting figure is **336.63**, rounded to 337.

3.   Step 3 – Capping the level of any increase

3.1.   In accordance with PPG, a cap is then applied, which limits the increases an individual local authority can face as a result of the affordability uplift. How this is calculated depends on the current status of relevant strategic policies for housing.

3.2.   Where the relevant strategic policies for housing were adopted more than 5 years ago (at the point of making the calculation), the local housing need figure is capped at 40% above whichever is the higher of:

1.   the projected household growth for the area over the 10 year period identified in step 1; or
2.   the average annual housing requirement figure set out in the most recently adopted strategic policies.

3.3.   Surrey Heath's adopted Local Plan, the Core Strategy and Development Management Policies Development Plan Document 2011-2028 was adopted more than five years ago, in February 2012. The average annual housing requirement figure set out in this document is 191 dwellings per year.

3.4.   The average annual household growth figure identified in Step 1 of the Local Housing Need calculation is 229, which is therefore higher than the adopted Local Plan figure. Accordingly, the figure of 229 should be used in the calculation as the basis for the 40% cap. The calculation is set out as follows:

1.   Average annual household growth over 10 years is 229 (as per step 1)
2.   With the required adjustment to take account of affordability, the minimum annual local housing need figure is **337** (as per step 2)
3.   However, the cap is set at 40% above the household growth figure for Surrey Heath:

Cap Calculation: 231.2 + (229 x 40%) = 320.6, rounded to **321.**

3.5.   The capped figure is therefore lower than the minimum annual local housing need of 337 as calculated with the affordability uplift. Surrey Heath's minimum annual local housing need figure is therefore **321** dwellings per year.