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Surrey Heath Local Housing Needs Assessment

Final Version

Iceni Projects Limited on behalf of
Surrey Heath Borough Council

March 2024

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BOROUGH COUNCIL

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1. Executive Summary

- 1.1 Iceni Projects and Justin Gardner Consulting have been appointed by the Surrey Heath Borough Council (the Council) to produce this evidence base document which will be a key consideration when formulating policies within the Local Plan. However, this document does not set policies in itself.

Housing Stock

- 1.2 As of 2023 there were 38,364 dwellings in Surrey Heath. Completions since 2011 have averaged 267 dpa although in the last five years this has been closer to 374 dpa.
- 1.3 Owner occupation (inc. shared ownership) accounts for 75% of all households in Surrey Heath. This is far in excess of the other comparators with the England equivalent only 62.3%.
- 1.4 Conversely, there are far fewer households which are in Social Rent (9.6%) and Private Rental accommodation (15.4%) than the wider comparators.
- 1.5 Since 2011, the PRS has expanded from 12.1% to 15.4% an increase of 3.3% points. This is linked to wider affordability issues.
- 1.6 Surrey Heath has a disproportionately high number of detached dwellings (43.7%) in comparison to even Surrey (32.2%) but significantly so against the national picture (22.9%).
- 1.7 Reflecting this, at 38% the Borough also has a greater percentage of larger (4+ bedroom homes) in comparison to the wider county (31%), region (25%) and country (21%).

- 1.8 Housing delivery in the ten years between the Census has focused on larger homes reflecting and consolidating the borough's role as an affluent location for family homes.
- 1.9 The vacancy rate in Surrey Heath is 4.2% which is similar to that across Surrey, but below those of the South East and England.
- 1.10 The Borough's vacancy rate has increased by 0.8% points since 2011. Although this level of growth is far lower than has been seen nationally (+2% points).
- 1.11 Around 48% of homes in Surrey Heath are under-occupied. This compares to around 41% in Surrey, 38% in the South East and 35% nationally.
- 1.12 There are comparatively very few (2.5%) households in the Borough that are over-occupied/overcrowded.

Housing Market Dynamics

- 1.13 In the year to September 2022, the median house price in Surrey Heath was £450,000. This was significantly higher than that of the South East (£370,000) and England (£275,000).
- 1.14 Compared with the South East, the median price of all types of housing is around 14-15% higher in Surrey Heath. Compared with England, it is around 64%-73% higher.
- 1.15 Over the last ten years house price growth in Surrey Heath (4.8% per annum) was stronger than what has been seen nationally (4.2% per annum) but below the South East (5.1% per annum).
- 1.16 Over the shorter-term (five year) view at 2.6% per annum the growth in Surrey Heath has been below both the regional and national rate of

growth (3.6% per annum).

- 1.17 Surrey Heath now has an affordability ratio of 11.58 which is above the South East (10.75) and England (8.28).
- 1.18 Although circumstances have improved, the affordability ratio still illustrates the notable difficulty of securing a mortgage in Surrey Heath for households that do not already have considerable equity.

Housing Need

- 1.19 The Standard Method for assessing housing need shows a need for 321 dwellings per annum. This is based on household growth of 229 per annum and a (capped) uplift for affordability of 40%.
- 1.20 The report has considered whether there are exceptional circumstances to move away from the Standard Method (either in an upward or downward direction).
- 1.21 Firstly the report tested the data used in the 2014-projections as ONS has subsequently revised key trend data for migration. In Surrey Heath, the revisions were very minor and unlikely to have any notable impact on the projections.
- 1.22 The report then looks at more recent demographic trends – taking account of 2021 Census data and ONS mid-year population estimates up to 2021. Again this did not point to any exceptional circumstances.
- 1.23 Overall, it was therefore concluded that the Standard Method is a reasonable assessment of housing need for Surrey Heath (noting the premise of the method itself has not been challenged in this report).
- 1.24 On that basis a bespoke demographic projection was developed to look at how the population might change if 321 homes per annum were

delivered over the 2021-40 period. This showed continued strong population growth (+12,000 people).

- 1.25 These projections show a continued ageing of the population, although growth in the number of people of 'working-age' is also projected.
- 1.26 We have also examined whether this level of population growth would support the level of jobs growth set out in the Employment Land Review (2023).
- 1.27 The standard method would support up to 6,000 additional jobs against baseline scenarios ranging from 3,900 to 6,900 additional jobs. In order to support this level of jobs growth then the borough would need to deliver between 250 dpa and 354 dpa.
- 1.28 The economic led housing need outputs (250 dpa and 354 dpa) span the standard method (321 dpa). However, given the uncertainty with economic forecasts this would suggest that the standard method is an appropriate level of housing development to meet economic growth.

Affordable Housing Need

- 1.29 When looking at needs from households unable to buy OR rent, the analysis suggests a need for 184 affordable homes per annum across the Borough. This is slightly higher than the figure estimated in the 2020 Housing Needs Assessment (159 dwelling per annum) and this looks to mainly be due to a reducing supply of relets from the existing affordable housing stock.
- 1.30 Despite the level of need, it is not considered that this points to any requirement for the Council to increase the Local Plan housing requirement due to affordable needs.
- 1.31 That said, the level of affordable need does suggest the Council should

maximise the delivery of such housing.

- 1.32 The analysis suggests there will be a need for both social and affordable rented housing – the latter will be suitable particularly for households who are close to being able to afford to rent privately and possibly also for some households who claim full Housing Benefit.
- 1.33 However, it is clear that social rents are more affordable and could benefit a wider range of households – social rents could therefore be prioritised where delivery does not prejudice the overall delivery of affordable homes.
- 1.34 When looking at AHO products, the analysis is less conclusive about the scale of the need, although it is certainly much lower than the need for rented affordable housing.
- 1.35 The evidence does suggest that there are many households in Surrey Heath who are being excluded from the owner-occupied sector (as evidenced by increases in the size of the private rented sector).
- 1.36 It is likely that a key issue in the Borough is about access to capital (e.g. for deposits, stamp duty, legal costs) as well as potentially mortgage restrictions (e.g. where employment is temporary) rather than simply the cost of housing to buy (although this will be an important factor for many households).
- 1.37 The study also considers different types of AHO as each will have a role to play – shared ownership is likely to be suitable for households with more marginal affordability as it has the advantage of a lower deposit and subsidised rent.
- 1.38 However, given the cost of housing locally, it may be difficult for some affordable home ownership products to be provided and be considered as ‘genuinely affordable’. This again points to the need for the Council to prioritise delivery of rented affordable housing where possible.

- 1.39 In deciding what types of affordable housing to provide, including a split between rented and home ownership products, the Council will need to consider the relative levels of need and also viability issues (recognising for example that providing AHO may be more viable and may therefore allow more units to be delivered, but at the same time noting that households with a need for rented housing are likely to have more acute needs and fewer housing options).

Private Rental Sector

- 1.40 The private rented sector has been the key growth sector in the housing market for the last 15 years and now makes up just over 20% of all UK households.
- 1.41 In the Borough, the private rented sector is relatively small in comparison to the wider region and country but at 15.4% of all households in 2021 it does still comprise a significant proportion of the market.
- 1.42 Median Private rents in Surrey Heath for all property sizes (£850 -per calendar month are below the South East (£995), and above the median in England for all sizes (£793).
- 1.43 Local agents suggest there is a notable lack of supply within the PRS which is pushing up rents. They have grown by 14% since 2015.
- 1.44 On the basis of our analysis of the size and nature of the private rented sector in the Borough, there is indication that the high demand for rental properties in the Borough could be met through build to rent development.
- 1.45 In preparing a new Local Plan, the Council should include a policy on Build-to-Rent development in order to set out parameters regarding how schemes would be considered with the expectation that there is likely to be some activity moving forward – and this policy should also deal with

how affordable housing policies would be applied to such schemes.

Housing Mix

- 1.46 The proportion of households with dependent children in Surrey Heath is relatively high with around 31% of all households containing dependent children in 2021 (compared with around 29% regionally and nationally).
- 1.47 There are notable differences between different types of household, with married couples (with dependent children) seeing a high level of owner-occupation, whereas lone parents are particularly likely to live in social or private rented accommodation.
- 1.48 There are 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.
- 1.49 The analysis linked to future demographic change concludes that the following represents an appropriate mix of affordable and market homes.
- 1.50 This takes account of the current mix of housing by tenure, the size requirements in the housing register, household changes and the ageing of the population and for there to be a modest decrease in levels of under-occupancy (which is notable in the market sector).

Table 1.1 Recommended Housing Mix

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

- 1.51 The analysis points to a particular need for 2-bedroom accommodation across all sectors, with varying proportions of 1-bedroom and 3+ bedroom homes.
- 1.52 For rented affordable housing there is a clear need for a range of different sizes of homes, including 40% to have at least 3-bedrooms.
- 1.53 The strategic conclusions in the affordable sector recognise the role which delivery of larger family homes can play in releasing a supply of smaller properties for other households.
- 1.54 Also recognised is the limited flexibility which 1-bedroom properties offer to changing household circumstances, which feed through into higher turnover and management issues.
- 1.55 The mix identified above could inform strategic policies although a flexible approach should be adopted.
- 1.56 Additionally, in applying the mix to individual development sites, regard should be had to the nature of the site and character of the area, and to up-to-date evidence of need as well as the existing mix and turnover of properties at the local level.
- 1.57 The Council should also monitor the housing pipeline and the mix of housing delivered and respond accordingly.

- 1.58 Given the nature of the area and the needs identified, the analysis suggests a likely need for both flats and houses although consideration will also need to be given to site specific circumstances.
- 1.59 There is potentially a demand for bungalows, although realistically significant delivery of this type of accommodation may be unlikely.
- 1.60 It is however possible that delivery of some bungalows might be particularly attractive to older person households downsizing and may help to release larger (family-sized) accommodation back into family use.

Older and Disabled Persons Need

- 1.61 Surrey Heath has a slightly older age structure and lower levels of disability compared with the national average.
- 1.62 The older person population shows high proportions of owner-occupation, and particularly outright owners who may have significant equity in their homes (82% of all older person households are outright owners).
- 1.63 The older person population is projected to increase notably moving forward. An ageing population means that the number of people with disabilities is likely to increase substantially.
- 1.64 Key findings for the 2021-40 period include:
- a 42% increase in the population aged 65+ (potentially accounting for around 63% of total population growth);
 - a 62% increase in the number of people aged 65+ with dementia and 52% increase in those aged 65+ with mobility problems;
 - a need for around 735 housing units with support (sheltered/retirement housing) – three-quarters within the market sector;

- a need for around 510 additional housing units with care (e.g. extra-care) – the majority (around three-quarters) in the market sector;
- a need for additional residential care home bedspaces but sufficient nursing care home bedspaces (arguably an over-supply); and
- a need for up to 430 dwellings to be for wheelchair users (meeting technical standard M4(3)).

1.65 This would suggest that there is a clear need to increase the supply of accessible and adaptable dwellings and wheelchair user dwellings as well as providing specific provision of older persons housing.

1.66 Given the evidence, the Council could consider (as a start point) requiring all dwellings (in all tenures) to meet the M4(2) standards (which the government is consulting on to become mandatory in any case) and around 5% of homes meeting M4(3) – wheelchair user dwellings in the market sector (a higher proportion of around a tenth in the affordable sector).

Specific Groups

Service Personnel

1.67 Although there are 720 MOD personnel located within Surrey Heath most of these are service personnel at Sandhurst Military Academy. As such there are very few settled servicemen and women in the Borough and even fewer with families.

1.68 There is little demand from military personnel stationed in the Borough to remain there and only 11 households on the housing register are current or former service families.

Self and Custom Build

- 1.69 If assessed over 7.83 base periods, there has been a total of 470 registered expressions of interest in a serviced plot of land. If this level continues then in line with the PPG and legislation, the Council will have to permit an average of 60 plots per annum. Although based on Part 1 of the register the local need will be closer to 19 plots per annum.

Students

- 1.70 There are no higher education establishments in the borough and as such there is limited demand for student housing. The 2021 Census suggests only two all student households in the Borough.

Homeless Households

- 1.71 Between June 2018 and December 2022, an average of 87 households per quarter were owed a homelessness duty in Surrey Heath
- 1.72 The most common household type presenting themselves as homeless were single males (35%), woman with dependent children (28%) and single woman (20%).
- 1.73 Almost half (48% of representations) are aged between 25 and 44. Less than 1% of representations are aged under 18 and 6.1% are of a retirement age.
- 1.74 The most common reason for homelessness are the end of a private rental tenancy (26%) and family or friends no longer willing or able to accommodate them (24%).
- 1.75 Many homeless households require support and the most common forms required include those with mental health problems (19%), ill health or disability (16%) or had experienced abuse (10%).

Children in Care

- 1.76 There is only likely to be a limited need to provide additional care homes for children above that already committed to by the County Council. Any which are required are likely to be small “ordinary homes” and provide specialist support such as for autistic children.
- 1.77 There will be a need to provide additional supported accommodation for young adults and other care leavers. Opportunities to provide this should be explored with the County Council and Registered Providers.

2. Introduction

- 2.1 Iceni Projects and Justin Gardner Consulting have been appointed by the Surrey Heath Borough Council (the Council) to produce this evidence base document which will be a key consideration when formulating policies within the Local Plan. However, this document does not set policies in itself.
- 2.2 Surrey Heath Borough Council adopted its Core Strategy in February 2012 and are working towards a new Local Plan.
- 2.3 The need for a new Local Plan is driven by a number of factors including an NPPF mandated need to review and assess whether “policies in local plans and spatial development strategies” need updating at least once every five years.
- 2.4 The housing target set in the Core Strategy is more than five years old and is therefore considered out of date for the purposes of calculating housing land supply.
- 2.5 Although in the interim the Council have been using the standard method (321 dwellings per annum) minus an unmet need being met in Hart of 41 dpa (283 dpa) as a basis for calculating need.
- 2.6 This Local Housing Needs Assessment will act as a building block for the Local Plan in relation to housing policies including mix and the need for specific groups.
- 2.7 However, it is worthwhile setting out the national policy context before examining the evidence in any detail. This is set out below.

National Planning Policy Framework (December 2023)

- 2.8 The latest version of the National Planning Policy Framework (NPPF) was published by Government on in December 2023. Paragraph 7 in the NPPF states that the purpose of planning is to contribute to the achievement of sustainable development. It sets out that planning policies and decisions should play an active role in guiding development towards sustainable solutions, but in doing so should take local circumstances into account, to reflect the character, needs and opportunities of each area.
- 2.9 Development plans must include strategic policies to address each local planning authority's priorities for the development and use of land in its area. Plans should apply a presumption in favour of sustainable development. For plan-making, this means that plans should positively seek opportunities to meet the development needs of their area and be sufficiently flexible to adapt to rapid change and strategic policies should, as a minimum, provide for objectively assessed needs for housing and other uses, as well as any needs that cannot be met within neighbouring authorities, where it is sustainable to do so.
- 2.10 Specifically, Paragraph 11 states that "strategic policies should, as a minimum, provide for objectively assessed needs for housing and other uses, as well as any needs that cannot be met within neighbouring areas, unless...the application of policies in this Framework that protect areas or assets of particular importance provides a strong reason for restricting the overall scale, type or distribution of development in the plan area." This includes for example National Parks and environmental and heritage designations.
- 2.11 In order to support the Government's objective of significantly boosting the supply of homes, Paragraph 60 in the NPPF states it is important that a sufficient amount and variety of land can come forward where it is needed, that the needs of groups with specific housing requirements are

addressed and that land with permission is developed without unnecessary delay.

- 2.12 Paragraph 61 sets out that in order to determine the minimum number of homes needed, strategic policies should be informed by a local housing need assessment, conducted using the standard method in national planning guidance – unless exceptional circumstances justify an alternative approach which also reflects current and future demographic trends and market signals.
- 2.13 Paragraph 63 goes on to set out that within this context, the size, type and tenure of housing needed for different groups in the community should be assessed and reflected in planning policies including, but not limited to, those who require affordable housing, families with children, older people, students, people with disabilities, people who rent their homes and people wishing to commission or build their own homes.
- 2.14 Paragraphs 64 – 66 address affordable housing provision. They set out that where an affordable housing need is identified, planning policies should specify the type of affordable housing required and expect it to be met on-site unless off-site provision or a financial contribution in lieu can be robustly justified, or the agreed approach contributes to the objectives of creating mixed and balanced communities.
- 2.15 Paragraph 65 states that the provision of affordable housing should not be sought for residential developments that are not major developments, other than in designated rural areas.
- 2.16 Paragraph 66 sets out that where major development involving the provision of housing is proposed, planning policies and decisions should expect at least 10% of the total number of 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.

In addition, other exemptions to this 10% requirement include instances where a site or proposed development:

- Provides solely for Build to Rent homes;
- Provides specialist accommodation for a group of people with specific needs (such as purpose-built accommodation for the elderly or students);
- Is proposed to be developed by people who wish to build or commission their own homes; or
- Is exclusively for affordable housing, an entry-level exception site or a rural exception site.

2.17 The NPPF's Glossary (Annex 2) provides a definition of affordable housing; as well as definitions of Build to Rent development, local housing need, older people; and self-build and custom housebuilding.

2.18 In relation to Economic Growth, Chapter 6 of the NPPF sets out how the framework seeks to achieve building a strong competitive economy. In Paragraph 85 this is explained as "Planning policies and decisions should help create the conditions in which businesses can invest, expand and adapt. The approach taken should allow each area to build on its strengths, counter any weaknesses and address the challenges of the future."

2.19 Paragraph 86 provides more specific advice stating that "*Planning policies should:...*

*c) seek to address potential barriers to investment, such as inadequate infrastructure, services or **housing**, or a poor environment"*

2.20 This last sentence is the justification for considering economic-led housing need.

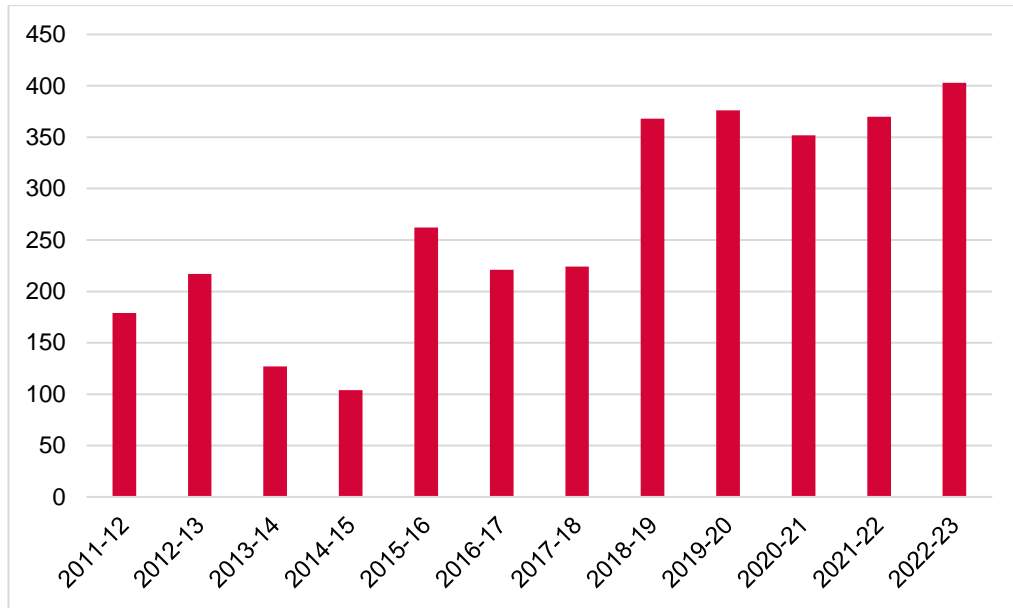
3. Housing Stock

- 3.1 This section of the report provides an updated baseline position for the borough's housing stock including by tenure, by type and by size. It largely draws on data using the 2021 Census although more up to date information is used where available.
- 3.2 To benchmark the Borough we have also examined the same data for Surrey, the South East region and England. We have also sought to examine how each factor has changed since 2011.

Overall

- 3.3 As of 2023 there were 38,364 dwellings in Surrey Heath. This accounts for around 7% of all dwellings in Surrey.
- 3.4 Since 2011 the housing stock has increased by around 8.2% (or 2,858 dwellings) which is a slower rate of increase than the South East (9.0%) and England (8.5%), although it is greater than the Surrey growth (7.0%).
- 3.5 Completions since 2011 have averaged 267 dwellings per annum (dpa), although in the last five years (to 2023) this has increased to 374 dpa. This compares to the Core Strategy Housing Target of 191 dpa.

Figure 3.1 – Annual Net Completions (2011-2023) – Surrey Heath

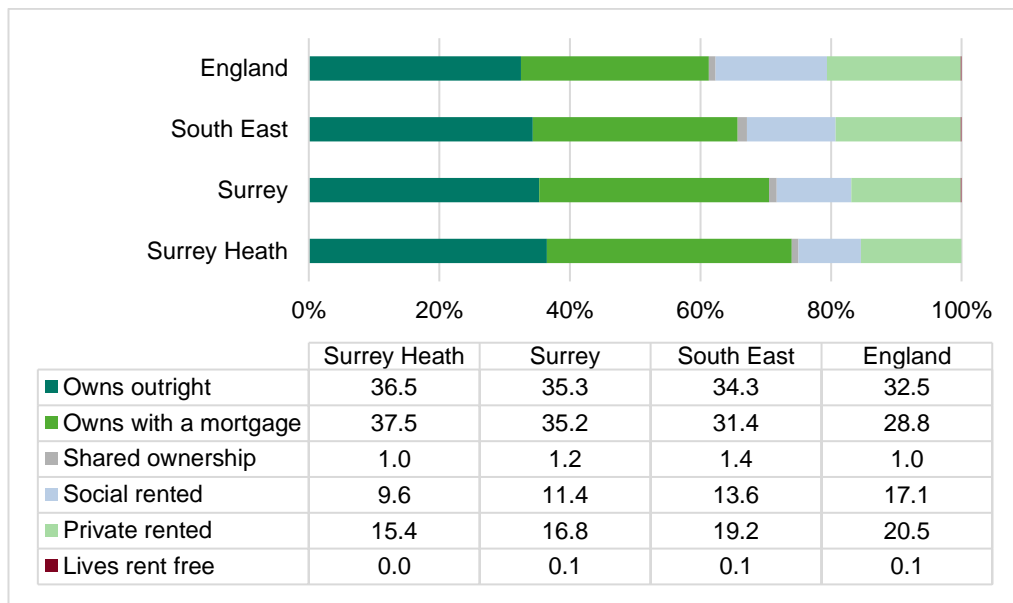


Source: DLUHC and SHBC, 2023

Tenure

3.6 Owner occupation (including Shared Ownership) accounts for 75% of all households in Surrey Heath. This is far in excess of the other comparators with the England equivalent at 62.3%.

Figure 3.2 Households by Tenure (2021)



Source: ONS 2021 Census

3.7 Conversely, there are far fewer households which are in Social Rent (9.6%) and Private Rent (15.4%) tenures than the wider comparators.

3.8 Since 2011, there has been a notable reduction in all areas of owning homes with a mortgage, more so in Surrey Heath than elsewhere. This is linked to affordability but also the aging of the population as they pay off their mortgage, hence the increase in those owning outright.

Figure 3.3 - Change in Tenure Profile (2011-2021)



Source: ONS 2021 Census

3.9 The Private Rental Sector has also expanded notably over this period (as fewer people can afford to buy). In Surrey Heath, the PRS has grown from 12.1% to 15.4% an increase of 3.3% points. Although this growth is similar to Surrey and above the South East (2.9% points) it is below the national growth (3.7% points).

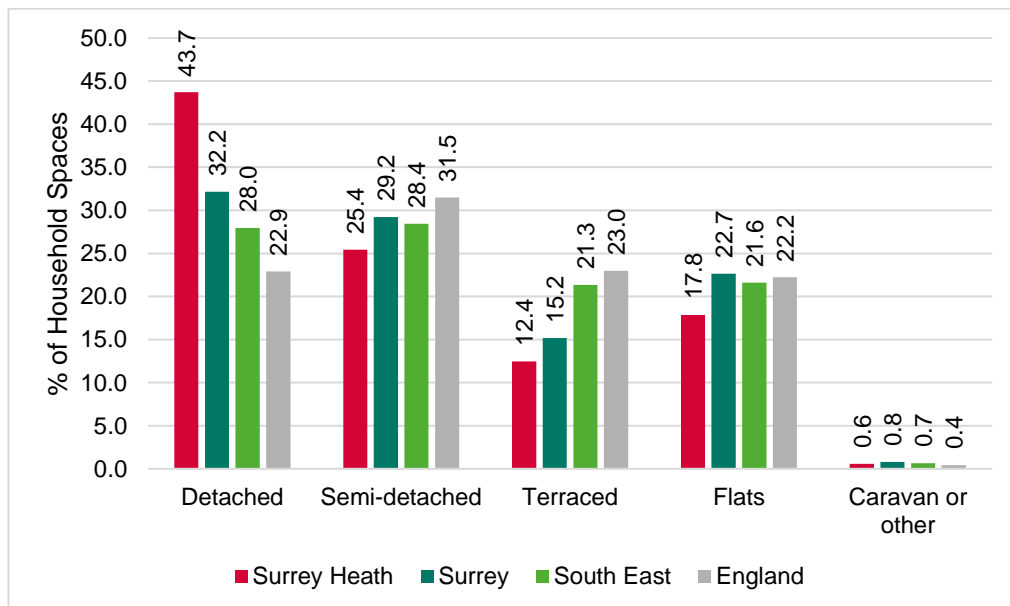
3.10 Social renting has also increased in Surrey Heath by 0.4% points (or 360 households). This is at odds with the rest of Surrey which stayed the same and the South East and England which declined as a percentage but not in absolute terms.

3.11 The national decline in social housing is linked to right to buy sales and a lack of replacement while delivery has focused on private housing.

Type

- 3.12 Surrey Heath has a disproportionately high number of detached dwellings (43.7%) in comparison to even Surrey (32.2%) but significantly so against the national figure (22.9%).
- 3.13 Conversely, the borough has a smaller percentage of all other traditional types of dwellings than the wider comparators but especially terraced homes.

Figure 3.4 - Household Spaces by Type (2021)



Source: ONS 2021 Census

- 3.14 At 0.6% Surrey Heath has a slightly higher percentage of caravans and other types of accommodation than England. This has decreased by 4 household spaces since 2011.
- 3.15 The largest growth in dwelling type (which may be different to delivery as these are net changes) is in flats (+739 flats or 58% of all change) and semi-detached (+534 homes or 42% of all change).

Table 3.1 Change in Household Spaces by Type (2011-2021)

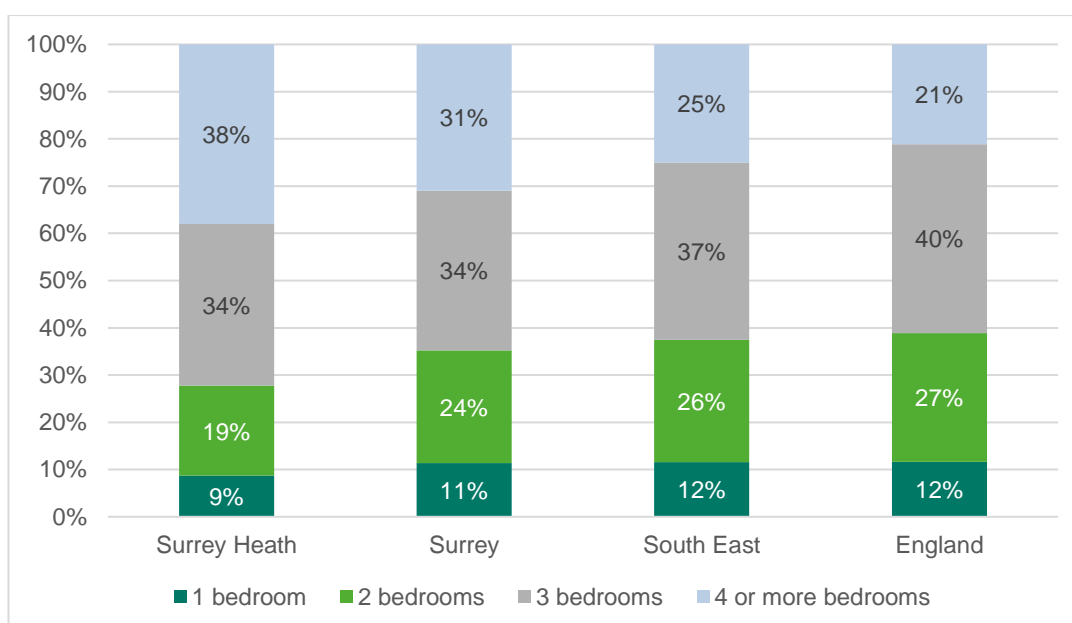
	2011	2021	Change	% of Total Change
Detached	15,722	15,738	16	1.3%
Semi-detached	8,618	9,152	534	42.0%
Terraced	4,518	4,481	-37	-2.9%
Flats	5,684	6,423	739	58.1%
Caravan or other	215	211	-4	-0.3%
All	34,733	36,005	1,272	100.0%

Source: ONS Census 2011 and 2021

- 3.16 There was also a modest increase in detached homes (+16 homes or +1.3%) while the number of terraced homes decreased (-37 homes or -2.9%).

Size

- 3.17 Reflecting the greater number of detached homes, at 38% the Borough also has a greater percentage of larger homes (4+ bedroom homes) in comparison to the wider county (31%), region (25%) and country (21%).

Figure 3.5 Dwellings by Number of Bedrooms (2021)

Source: ONS Census 2021

- 3.18 Housing delivery in the ten years between the Census has also focused on larger homes (although not detached homes) reflecting and consolidating the borough's role as an affluent location for family accommodation.

Table 3.2 Change in Household Spaces by Bedrooms (2011-2021)

	2011	2021	Change	% of Total Change
1 bedroom	2,686	3,136	450	18.3%
2 bedrooms	6,260	6,865	605	24.6%
3 bedrooms	12,252	12,323	71	2.9%
4 or more bedrooms	12,348	13,684	1,336	54.3%
Total	33,546	36,008	2,462	100.0%

Source: ONS Census 2011 and 2021

- 3.19 Despite 42% of delivery being in 1- and 2-bedroom homes the borough still has far fewer smaller homes than the wider comparators. This is important benchmark when considering what type of homes to deliver in future. This is particularly in a context where the population is aging and as we see later in this section the stock is largely under-utilised.

Vacancy Rate

- 3.20 The number of vacant homes can be derived by examining the difference in the number of household spaces against the number of households in the same area. In order for the housing market to function properly a vacancy rate of between 3% and 5% is expected.
- 3.21 As Table 3.3 shows the vacancy rate in Surrey Heath is 4.2% which is similar to that across Surrey but below those of the South East and England.
- 3.22 The Borough's vacancy rate has increased by 0.8% points since 2011. Although this level of growth is far lower than what we have seen nationally (+2% points).

Table 3.3 Change in Vacancy Rate (2011-2021)

Area	Year	Household Spaces	Households	% Vacant
Surrey Heath	2021	37,591	36,008	4.2%
Surrey Heath	2011	34,733	33,546	3.4%
Surrey	2021	506,236	481,816	4.8%
Surrey	2011	473,154	455,791	3.7%
South East	2021	4,026,340	3,807,966	5.4%
South East	2011	3,694,388	3,555,463	3.8%
England	2021	24,927,591	23,436,085	6.0%
England	2011	22,976,066	22,063,368	4.0%

Source: ONS Census 2011 and 2021

- 3.23 At a national level, the vacancy rate increase has been aided by growth in short-term lets on sites such as Vrbo and AirBnB. Nationally the growth in short-term lets has been reported¹ as being over 250,000 homes and in some places, such as Cornwall there has been a reported 661% increase in the five years to September 2021.

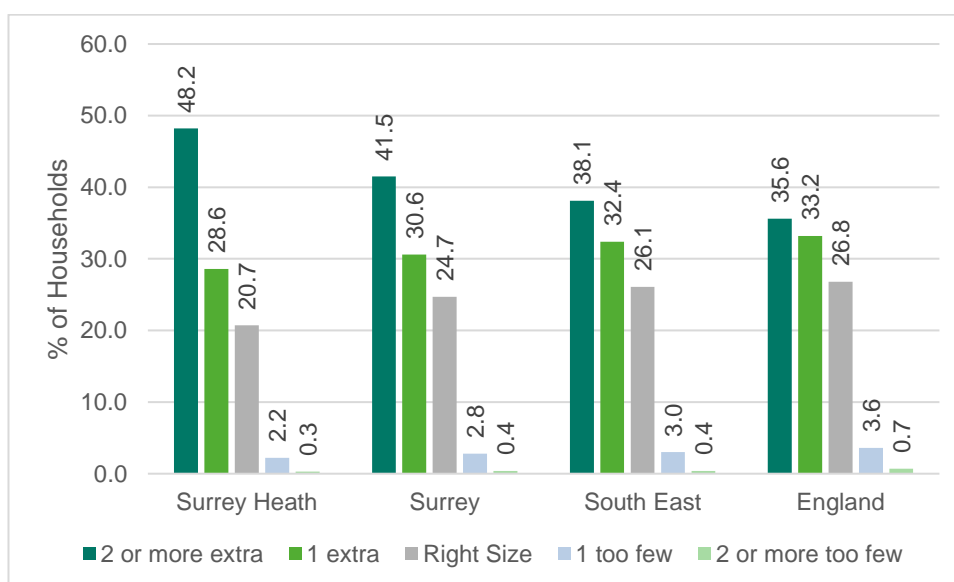
Occupancy Rates

- 3.24 Occupancy rates provide a view of the level of overcrowding and under-occupancy within the housing stock. This is calculated by comparing the number of bedrooms in a home compared to the number of bedrooms needed by the household. The number of bedrooms needed is calculated based on the age, sex and relationship of members of the household.
- 3.25 To be classed as overcrowded a home will need to have at least one bedroom less than the household requires. However, to be classed as under-occupied the home will need to have at least two bedrooms more than the household requires. This is to allow relatives to stay, as well as having space for live-in support.

¹ <https://researchbriefings.files.parliament.uk/documents/CBP-8395/CBP-8395.pdf>

- 3.26 The reasons for under-occupancy can be varied but a high level of under-occupied homes can be symptomatic of older households, whose family have left home i.e. empty-nesters. It can also reflect a degree of affluence with households buying more than their household needs.
- 3.27 As illustrated in the figure below, around 48% of homes in Surrey Heath are under-occupied. This compares to around 41% in Surrey, 38% in the South East and 35% nationally.

Figure 3.6 Bedroom Based Occupancy Rating (2021)



Source: ONS, Census 2021

- 3.28 In contrast, around 2.5% of households in the Borough are over-occupied/overcrowded. This is lower than the comparator areas and particularly nationally (4.3%).

Table 3.4 Change in Occupancy Rating (2011-2021) – Surrey Heath

	2011	2011 %	2021	2021 %	Change
Under- Occupied	16,170	48%	17,373	48%	1,203
Right Size	6,381	19%	7,455	19%	1,074
Overcrowded	938	3%	897	3%	-41

Source: ONS Census 2011 and 2021

- 3.29 Areas with high levels of overcrowding are often associated with large numbers of smaller units and also BME population. This is because some

ethnic groups live in multi-generational households which increase the bedrooms needed figure. While technically overcrowded often this can be a choice for these households.

3.30 Since 2011 the number of overcrowded households in the Borough has fallen by around 41 households. In contrast, the number of under-occupied households have increased by over 1,200. This should be a consideration when examining the mix of homes that need to be delivered in the borough and how the existing stock can be best utilised.

Housing Stock – Summary

- As of 2023 there were 38,364 dwellings in Surrey Heath. Completions since 2011 have averaged 267 dpa although in the five years between 2018/19 and 2022/23 this has been closer to 374 dpa.
- Owner occupation (inc. shared ownership) accounts for 75% of all households in Surrey Heath. This is far in excess of the other comparators with the England equivalent only 62.3%.
- Conversely, there are far fewer households which are in Social Rent (9.6%) and Private Rental accommodation (15.4%) than the wider comparators.
- Since 2011, the PRS has expanded from 12.1% to 15.4% an increase of 3.3% points. This is linked to wider affordability issues.
- Surrey Heath has a disproportionately high number of detached dwellings (43.7%) in comparison to even Surrey (32.2%) but significantly so against the national picture (22.9%).
- Reflecting this, at 38% the Borough also has a greater percentage of larger (4+ bedroom homes) in comparison to the wider county (31%), region (25%) and country (21%).
- Housing delivery in the ten years between the census has focused on larger homes reflecting and consolidating the borough's role as an affluent location for family homes.
- The vacancy rate in Surrey Heath is 4.2% which is similar to that across Surrey, but below those of the South East and England.

- The Borough's vacancy rate has increased by 0.8% points since 2011. Although this level of growth is far lower than what we have seen nationally (+2% points).
- Around 48% of homes in Surrey Heath are under-occupied. This compares to around 41% in Surrey, 38% in the South East and 35% nationally.
- There are comparatively very few (2.5%) households in the Borough that are over-occupied/overcrowded.

4. Housing Market Dynamics

- 4.1 This section of the report updates housing market dynamics in the Borough with a review of house prices, transactions and affordability. Its focus is on the purchase market with a separate section on the PRS later in this report.

House Prices

- 4.2 In the year to September 2022, the median house price in Surrey Heath was £450,000. This was significantly higher than that of the South East (£370,000) and England (£275,000). The median price in the Borough was around 35% higher than across the South East and 64% higher than England as a whole.

Table 4.1 - Median House Prices (Year ending September 2022)

Area	Price
Surrey Heath	£450,000
South East	£370,000
England	£275,000

Source: ONS Median House price for Administrative Geographies

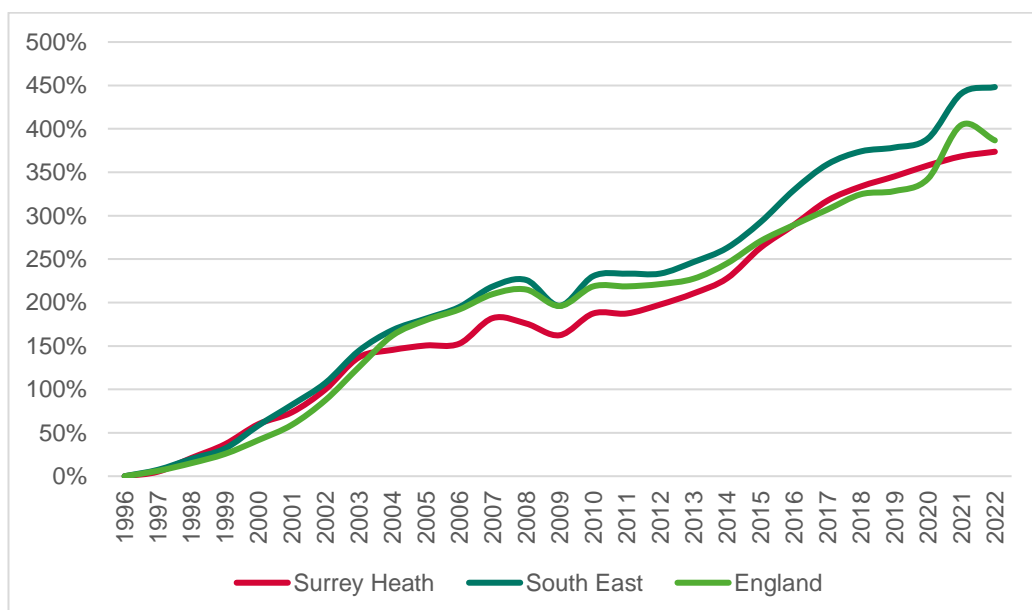
- 4.3 An important feature of the South East regional housing market is the influence of London including long-distance commuting and household movements out of London. This pattern produces a 'commuter effect', increasing demand for housing in specific locations, hence increasing prices.
- 4.4 This pattern is evident in Surrey Heath where those commuting from railway stations in Frimley, Camberley and Bagshot can reach London in around 1 hour although the service is infrequent. This reduces to around 45 minutes if they commute from Farnborough which is on a quicker line to London and just outside of the borough boundary.

- 4.5 In addition, the change in working patterns following COVID-19 has included a shift towards more regular working from home which has meant people commute less frequently and greater distances are more acceptable.
- 4.6 It is also the case that the Borough is an attractive place to live for those seeking a better work-life balance with a combination of good services and access to open countryside.

House Price Change

- 4.7 Median house prices in Surrey Heath have grown by 374% since March 1996 which is below the rate of growth seen in the South East (448%) and England as a whole (387%).
- 4.8 However, the starting median house price in Surrey Heath was notably higher and therefore absolute growth has been stronger. It is also notable that the median house price growth in Surrey Heath experienced limited growth in the pre-recessionary period.

Figure 4.1 Median House Price Growth Over Time (Year to September 1996 – 2022)



Source: ONS, Median House price for Administrative Geographies

- 4.9 Over the last ten years house price growth in Surrey Heath (4.8% per annum) has been stronger than what was seen nationally (4.2% per annum) but below the rest of the South East (5.1% per annum).
- 4.10 Over the shorter-term (five year) view at 2.6% per annum the growth in Surrey Heath has been below both the regional and national rate of growth (3.6% per annum).
- 4.11 In the last two years, the data shows that the median house price in the borough (2%) has continued to increase at a slower pace than the South East (11%) and England (14%).
- 4.12 During the pandemic period (2020-21), house price growth was driven by the Stamp Duty Holiday as well as increased demand for larger housing with outdoor space and a general move away from larger cities such as London. However, the impact was evidently not as clear in Surrey Heath whose higher house prices were prohibitive.
- 4.13 Nevertheless, in the last year (2021-22), the median house price at a national level has fallen by 4% whereas both Surrey Heath and the wider South East has experienced an increase.
- 4.14 The reason for a decline across England will be partly due to the ending of the Stamp Duty Holiday but also because there are fewer buyers as a result of interest rate increases.

Median Price By Type

- 4.15 In looking at median prices by property type, Surrey Heath exhibits prices above the South East region and country as a whole for all types of property.
- 4.16 Compared with the South East, the median price of all types of housing is around 14-15% higher in Surrey Heath. Compared with England, it is

around 64%-73% higher.

Table 4.2 Median price by type (Year to March 2022)

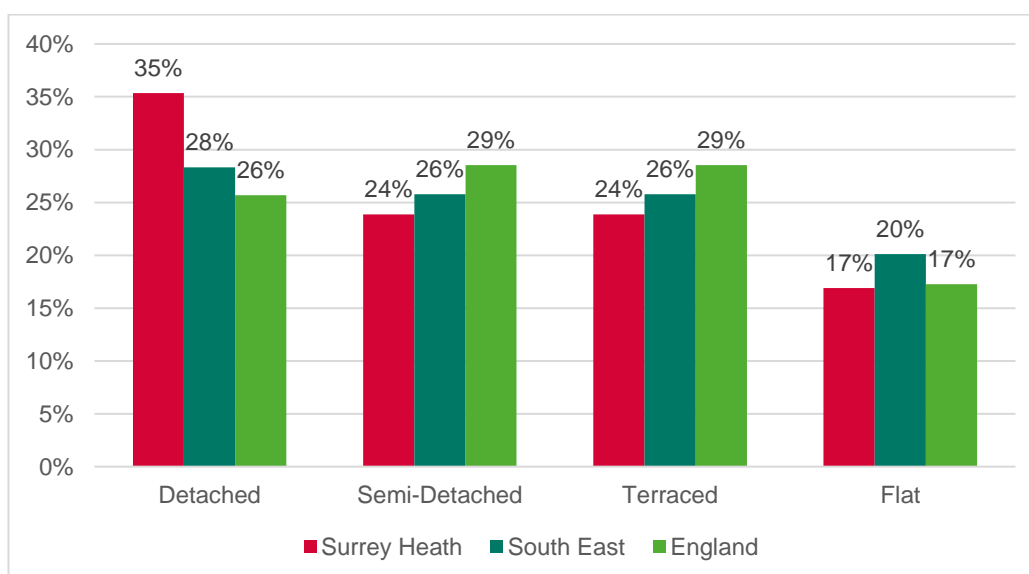
Area	Detached	Semi-Detached	Terraced	Flats
Surrey Heath	£710,000	£450,000	£370,000	£229,000
South East	£617,500	£395,000	£323,000	£220,000
England	£425,000	£260,000	£225,000	£220,000

Source: ONS data, Median House price for Administrative Geographies

4.17 The Figure below demonstrates property sales by type in Surrey Heath and its comparators based on an average across the 2018-22 period. The proportional split in property sales is influenced by the existing dwelling stock in the Borough which is comprised of a greater proportion of detached properties.

4.18 As is clear, there is a significant difference in this context between Surrey Heath and the comparators with over a third of sales (35%) comprising detached homes.

Figure 4.2 - Property Sales by Type (Avg 2018-22)



Source: Iceni analysis of HM Land Registry Price Paid Data

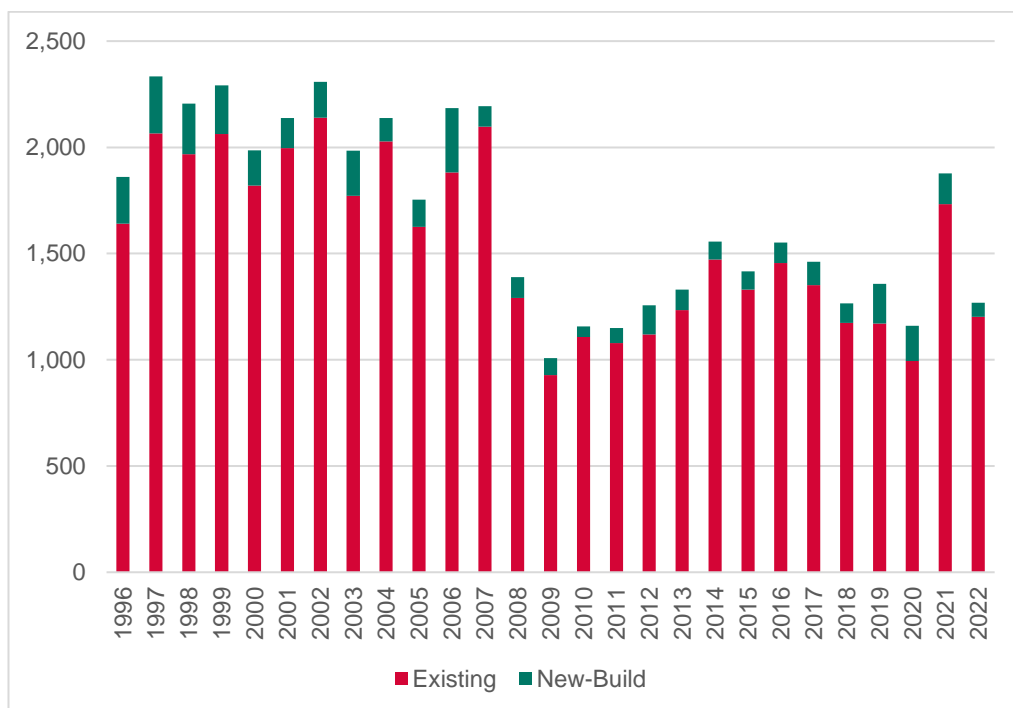
4.19 Conversely, around 17% of sales were flats which is in line with the national average but below the rest of the South East at 20%. Although

much of the new build development is flats this still represents a small percentage of all stock.

4.20 In respect of overall transaction levels and the split between new-build sales and existing home sales, Figure 4.3 below shows that the vast majority of sales are of existing stock. Over the last five years, new-build sales have accounted for around 9% of all sales on average which is slightly higher than the long-term average (8%).

4.21 The figure also illustrates a notable dip at the start of the economic downturn in 2009 to 2022, since which times sales have been at around 1,345 per annum. This compares to 2,059 per annum over the period 1996 to 2008.

Figure 4.3 - Overall Transaction Levels & New-Build vs Existing, Surrey Heath



Source: Iceni analysis of HM Land Registry Price Paid Data

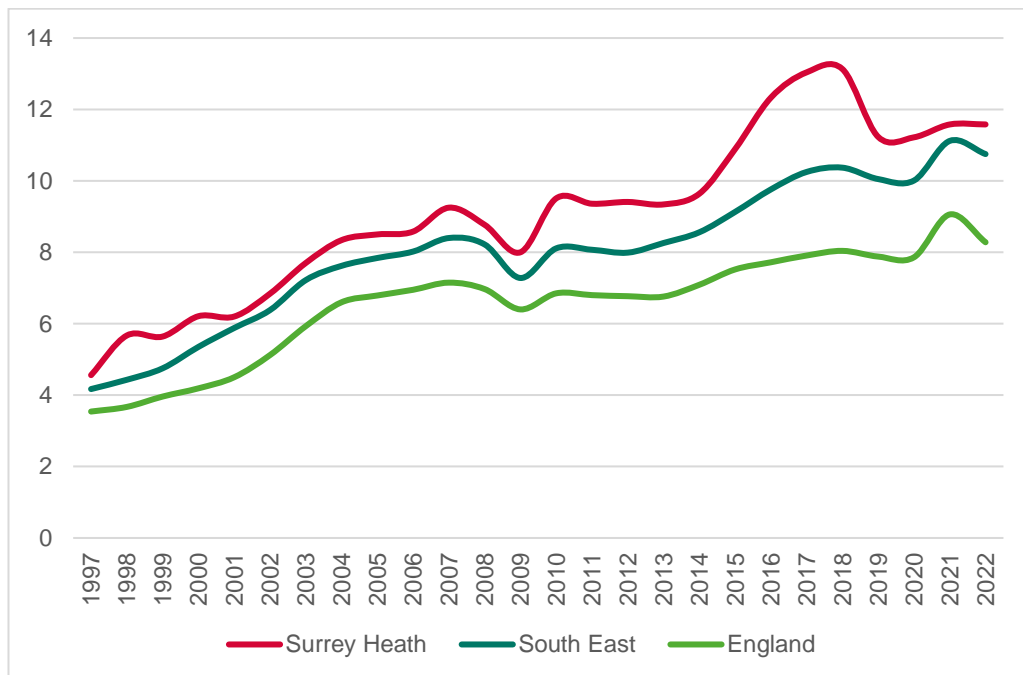
4.22 Transaction levels have hit a high of 1,878 in 2021 driven by a resurgence in the market following COVID-19 and the Stamp Duty Holiday; however, levels have since fallen.

Affordability

4.23 Figure 4.4 shows median workplace-based affordability ratios over time. This is the ratio between median house prices and median earnings of those working in Surrey Heath.

4.24 As is clear, in all areas affordability has worsened between 1997 and 2022. Surrey Heath now has an affordability ratio of 11.58 which is above the South East (10.75) and England (8.28).

Figure 4.4 - Median Affordability Ratio (1997-2022)



Source: ONS, *Housing Affordability in England and Wales*

4.25 Over the period 2018-22, the median workplace-based affordability ratio has fallen in the Borough from a high of 13.13 to 11.58. This decline has been driven by a relatively strong increase in the median earnings of those working in the Borough set against relatively weak house price growth. This reversed a period of worsening affordability between 2009-2018 which was more severe than the wider comparators.

4.26 Although circumstances have improved in the Borough, the affordability ratio still illustrates the notable difficulty of securing a mortgage in Surrey

Heath for households that do not already have considerable equity with lenders only willing to consider mortgages of 4-4.5 times income.

Engagement with Local Agents

4.27 Targeted telephone engagement with local estate and letting agents took place in June 2023. The following section collates these views although it should be caveated that not all views were universally held, and that they must be regarded as anecdotal.

4.28 The agents spoken to were:

- Romans Agents, Camberley
- Chancellors, Lightwater
- Gasgoine-Pees, Camberley
- Seymours Estate Agents, Camberley

4.29 Agents reported that the market has been “fairly good” but also “challenging” in terms of more recent performance largely due to higher mortgage rates. There are buyers who are cautious, but the market remains moderate to busy.

4.30 All agents agreed that the majority of moves are local with particularly strong demand for 2-3 bedroom terraced and semi-detached homes. One agent noted that larger homes (i.e. 4 or more bedrooms) were currently slower in respect of sales.

4.31 In respect of who is buying, agents agreed that the majority are couples and families with some families looking to downsize. One agent noted that around 40% of transactions were first-time buyers whereas another noted that there is little activity from first-time buyers. The picture is therefore mixed.

- 4.32 All agents agreed that prices had been falling recently, driven largely by the cost of living and impact of higher interest rates.
- 4.33 That said, the market had been sustained by the amenities present in the Borough with strong links to London and Woking via public transport and the motorway.
- 4.34 All agents recognised that there is an aging population in the Borough; however, the majority noted that demand was being met by supply noting there was a lot of ongoing specialist development and a number of existing care homes in the area.

Housing Market – Summary

- In the year to September 2022, the median house price in Surrey Heath was £450,000. This was significantly higher than that of the South East (£370,000) and England (£275,000).
- Compared with the South East, the median price of all types of housing is around 14-15% higher in Surrey Heath. Compared with England, it is around 64%-73% higher.
- Over the last ten years house price growth in Surrey Heath (4.8% per annum) was stronger than what has been seen nationally (4.2% per annum) but below the South East (5.1% per annum).
- Over the shorter-term (five year) view at 2.6% per annum the Growth in Surrey Heath has been below both the region and national rate of growth (3.6% per annum).
- Surrey Heath now has an affordability ratio of 11.58 which is above the South East (10.75) and England (8.28).
- Although circumstances have improved, the affordability ratio still illustrates the notable difficulty of securing a mortgage in Surrey Heath for households that do not already have considerable equity.

5. Demographics and Housing Need

Introduction

- 5.1 This section of the report considers overall housing need set against the framework of Planning Practice Guidance (PPG) – specifically the Standard Method for assessing housing need.
- 5.2 The section also considers demographic trends; with the publication of new 2021 Census data in 2022 it is possible to reset some of the previous population estimates from ONS.
- 5.3 The Census data has also been used, alongside other data, to test and develop alternative trend-based population projections, which can be considered within the framework of the standard method and used to consider whether exceptional circumstances for diverging from the standard method exist.

Standard Method

- 5.4 The analysis below considers the level of local housing need for Surrey Heath using the Standard Method. The methodology for calculating housing need is clearly set out by Government in Planning Practice Guidance and follows a four-step process worked through in the following sub-sections.

Step One: Setting the Baseline

- 5.5 The first step in considering housing need against the Standard Method is to establish a demographic baseline of household growth. Reflecting

the PPG² this baseline is drawn from the 2014-based Household Projections and should be the annual average household growth over a ten-year period, with the current year being the first year i.e. 2023 to 2033. This results in growth of 2,294 households (229 per annum) over the ten-year period³.

- 5.6 Although this figure is calculated over a ten-year period from 2023 to 2033, Paragraph 12 of the PPG states that this average household growth and the local housing need arising from it can then “be applied to the whole plan period” in calculating housing need.

Step Two: Affordability Adjustment

- 5.7 The second step of the standard method is to consider the application of an uplift on the demographic baseline, to take account of market signals (i.e. relative affordability of housing). The adjustment increases the housing need where house prices are high relative to workplace incomes. It uses the published median affordability ratios from ONS based on workplace-based median house price to median earnings ratio for the most recent year for which data is available. The formula for the adjustment is as follows.

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

- 5.8 The latest (workplace-based) affordability data is for 2022 and was published by ONS in March 2023. The Government’s Guidance states that for each 1% increase in the ratio of house prices to earnings, above 4, the average household growth should be increased by 0.25%, with the calculation being shown below.

² <https://www.gov.uk/guidance/housing-and-economic-development-needs-assessments>

³ Note that this report was largely produced in 2023 and the 2024-34 standard method figure is 320 dpa

- 5.9 For Surrey Heath, the ratio for 2022 was 11.58, giving an uplift of 47% - this leads to a housing need of 338 dwellings per annum.

Step Three: The Cap

- 5.10 The third step of the Standard Method is to consider the application of a cap on any increase and ensure that the figure which arises through the first two steps does not exceed a level which can be delivered. There are two situations where a cap is applied:

- The first is where an authority has reviewed their plan (including developing an assessment of housing need) or adopted a plan within the last five years. In this instance the need may be capped at 40% above the requirement figure set out in the plan.
- The second situation is where plans and evidence are more than five years old. In such circumstances a cap may be applied at 40% of the higher of the projected household growth (step 1) or the housing requirement in the most recent plan, where this exists.

- 5.11 The Surrey Heath Local Plan was adopted in February 2012 (i.e. over 5 years ago). The cap is therefore calculated as the higher of 40% above the housing target in that plan (191 dwellings per annum) or 40% above household growth (229 dwellings per annum). A cap is therefore applied to the household growth which equates to 321 dwellings per annum (229×1.4).

- 5.12 As the cap is lower than the output in Step 2 (338 dpa) then the need is capped to 321 dpa. It should be noted that Paragraph 6 of the PPG states that

“The cap reduces the minimum number generated by the standard method, but does not reduce housing need itself. Therefore strategic policies adopted with a cap applied may require an early review and updating to ensure that any housing

need above the capped level is planned for as soon as is reasonably possible.

Where the minimum annual local housing need figure is subject to a cap, consideration can still be given to whether a higher level of need could realistically be delivered. This may help prevent authorities from having to undertake an early review of the relevant policies.”

Step Four: Urban Uplift

- 5.13 The fourth and final step in the calculation means that the 20 largest urban areas in England are subject to a further 35% uplift. This uplift is intended to ensure that the Governments stated target of 300,000 dwellings per annum is met and that “homes are built in the right places, to make the most of existing infrastructure, and to allow people to live nearby the service they rely on, making travel patterns more sustainable.” (Paragraph: 035 Reference ID: 2a-035-20201216).
- 5.14 Surrey Heath is not within the top 20 urban areas in the country and therefore is not subject to this additional uplift. **The standard method therefore results in a housing need of 321 dwellings per annum for the Borough.** The table below works through the Standard Method calculations for the Borough.

Table 5.1 Standard Method Housing Need Calculations using 2014-based Household Projections

	Surrey Heath
Households 2023	36,743
Households 2033	39,037
Change in households	2,294
Per annum change	229
Affordability ratio (2021)	11.58
Uplift to household growth	47%
Uncapped need (per annum)	338
Capped need	321
Urban Uplift	n/a
OVERALL HOUSING NEED	321

Source: Derived from a range of ONS and MHCLG sources *the latest figure for 2024 -2034 is 320 dpa

Divergence from the Standard Method (Exceptional Circumstances)

- 5.15 The table above sets out housing need using the Standard Method and whilst this is a relevant consideration Planning Practice Guidance does allow for divergence from these figures (in both an upward and downward direction) where exceptional circumstances can be demonstrated.
- 5.16 An important starting point is to understand Government Guidance on this topic. We have also set out below some key quotes from the PPG for the purposes of this document in relation to identifying a housing need figure below the standard method:

“Is the use of the standard method for strategic policy making purposes mandatory?”

No, if it is felt that circumstances warrant an alternative approach but authorities can expect this to be scrutinised more closely at examination. There is an expectation that the standard method will be used and that any other method will be used only in exceptional circumstances.” - Paragraph: 003 Reference ID: 2a-003-20190220.

“If authorities use a different method how will this be tested at examination?”

Where an alternative approach results in a lower housing need figure than that identified using the standard method, the strategic policy-making authority will need to demonstrate, using robust evidence, that the figure is based on realistic assumptions of demographic growth and that there are exceptional local circumstances that justify deviating from the standard method. This will be tested at examination. Any method which relies on using household projections more recently published than the 2014-based household projections will not be considered to be following the standard method.” - Paragraph: 015 Reference ID: 2a-015-20190220 (whole paragraph not replicated).

- 5.17 Paragraph 2a-010 also sets out circumstances where it might be appropriate to plan for a higher housing need figure than the standard method indicates; this includes noting that the method *‘does not attempt to predict the impact that future government policies, changing economic circumstances or other factors might have on demographic behaviour.*

Therefore, there will be circumstances where it is appropriate to consider whether actual housing need is higher than the standard method indicates'.

- 5.18 Regarding demographic trends and projections, the guidance is therefore quite clear: there is an expectation that the 2014-based sub-national household projections (SNHP) should be used but that an alternative approach can be applied where relevant.
- 5.19 When using an alternative approach, it is necessary to take account of demographic growth and market signals, but this cannot include using more recent versions of published SNHP.
- 5.20 The PPG does not specifically set out examples of exceptional circumstances but it is considered that there are likely to be two main considerations:
- Firstly, that demographic data on which projections are based is demonstrably wrong and cannot realistically be used for trend-based projections on which the Standard Method is based; and
 - Secondly that demographic trends have changed so much that it is unrealistic to use a set of projections based on information in a trend period to 2014, which is now over 8-years old.
- 5.21 The analysis below principally focuses on the second of the two bullet points above before moving on to look at what might be seen as a reasonable trend-based projection using available information.
- 5.22 The focus is particularly on population projections and the report does not seek to challenge the market signals element of the Standard Method with the latest affordability ratio figures published by ONS being used to generate estimates of need. The first analysis below briefly considers the validity of the 2014-based projections.

5.23 The NPPF consultation of December 2022 points to there being greater flexibility for local authorities to consider exceptional circumstances and also suggests that consideration will be given to 2021-based projections when these are published in 2024. Given that all data for the 2021-based projections has now been published, this report seeks to estimate what a reasonable 2021-based projection might look like.

Data used in 2014-based projections

5.24 On the 22nd of March 2018 ONS released revised population estimates for England and Wales: mid-2012 to mid-2016. The main justification ONS listed for this were that improvements had been made to international emigration and foreign armed forces dependents and that the distribution of people aged in their 20s and 30s has changed more than for other age groups.

5.25 By updating previous estimates of population change and migration (including in the period 2011-14) ONS were essentially changing the data used to underpin part of the 2014-based projections.

5.26 It is therefore worthwhile seeing how significant these changes were for Surrey Heath and if updated information points to the 2014-based projections as being substantially wrong.

5.27 The table below shows estimated population in 2014 from the original and revised MYE. For the whole of the Borough the revised population estimate for 2014 is slightly higher than for previous data (data used for the 2014-SNPP).

Table 5.2 Original & Revised Estimate of Population in 2014

	Original estimate	Revised estimate	Difference
Surrey Heath	87,533	87,814	-281

Source: ONS

5.28 This would actually suggest the 2014-based projections slightly underestimated population growth. However, the scale of difference is not at all substantial and would be unlikely to have a notable impact on projections.

Population Trends

5.29 The analysis below looks at population trends across the Borough. Two main sources are initially used, these are:

- MYE (unadjusted) – unadjusted ONS mid-year population estimates (MYE) – these are estimates of population made by ONS through its tracking of births, deaths and migration from 2021. This is an important source as the data contained within this data source (notably about migration) is likely to be used by ONS as part of the next round of population projections (2021-based SNPP); and
- MYE (Census adjusted) – these are estimates of population in 2021 that take account of 2021 Census data. Essentially, ONS use the Census (which dates from March 2021) and roll forward to a mid-year estimate based on births, deaths and migration in the 3 month period. The Census adjusted MYE replace the unadjusted figures as the ONS view of population in 2021.

5.30 Eventually, ONS will revise the full back series of data from 2011 to take account of the new 2021 MYE. However, at the time of writing this had not been done and so there are only two reasonable data points (2011 and 2021) – much of the analysis to follow therefore looks at trends in this 10-year period.

5.31 Above it was noted that one exceptional circumstance might be that the 2014-based subnational household projections (SNHP) that underpin the Standard Method are clearly wrong – in this instance we are looking to

consider if the trends that have actually occurred are substantially different from those projected back in 2014 and that this is locally exceptional.

- 5.32 One way of considering this is to compare data for 2021 with recently published Census data and also MYE data (prior to a Census adjustment). Comparisons are made for both population (as this underpins the household projections) and household estimates.
- 5.33 The table below shows population figures for 2011 and 2021 from these sources. The data shows the 2014-based projections had projected the population of the Borough to reach 90,254 by 2021 and ONS in their monitoring of data had actually estimated a slightly lower population figure (89,205).
- 5.34 Following publication of the 2021 Census, ONS has revised upwards its estimate of population in 2021 to 90,645, a figure slightly above where the 2014-SNPP had projected.

Table 5.3 Estimated Population in 2011 and 2021 -range of sources

	2011	2021	Change	% change
2014-based SNPP/SNHP	86,378	90,254	3,876	4.5%
MYE (unadjusted)	86,378	89,205	2,827	3.3%
MYE (Census adjusted)	86,378	90,645	4,267	4.9%

Source: ONS

- 5.35 There is clearly a difference between the projections as used in the Standard Method and the reality of what seems to have happened in the 2011-21 period. This is not considered to be 'exceptional' – as nationally there is also a difference in the figures – for England both MYE estimates sit slightly below the 2014-SNPP figures.

Table 5.4 Estimated Population in 2011 and 2021 -range of sources – England

	2011	2021	Change	% change
2014-based SNPP/SNHP	53,107,200	57,248,400	4,141,200	7.8%
MYE (unadjusted)	53,107,200	56,536,400	3,429,300	6.5%
MYE (Census adjusted)	53,107,200	56,334,700	3,227,600	6.1%

Source: ONS

- 5.36 From the analysis above it can be seen that the two MYE estimates sit both below and slightly above the projected population in 2021 from the 2014-SNPP and below we seek to test which of the two MYE figures is likely to be most realistic as this will help to confirm the trend in population growth in the 2011-21 decade.
- 5.37 For this we are particularly interested in how population has changed rather than absolute numbers and one source we can look at is the Patient Register (PR) data. The PR measures the number of patients registered at NHS GP surgeries.
- 5.38 Typically the PR shows higher estimates of population than other sources as some people are registered in more than one place (e.g. if they have moved home, registered with a new GP but not de-registered with a previous one). The PR can however be a good source to look at changes over time.
- 5.39 The table below shows estimated population growth in both the MYE and the PR for Surrey Heath along with the South East region and England – the data for this analysis covers the 2011-20 period.
- 5.40 For the whole of the Borough, the data shows an increase in the number of people on the PR of 7,100 over the 9-year period, compared with 2,800 in the MYE. For the region and England the PR also consistently shows higher population growth than the MYE.

Table 5.5 - Comparing ONS mid-year population estimates with estimates of population from the Patient Register

		2011	2020	Change	% change
Surrey Heath	MYE	86,400	89,200	2,800	3.2%
	Patient Register	89,070	96,190	7,120	8.0%
South East	MYE	8,652,820	9,217,270	564,450	6.5%
	Patient Register	8,937,030	9,813,070	876,040	9.8%
England	MYE	53,107,200	56,550,160	3,442,960	6.5%
	Patient Register	55,312,750	60,870,990	5,558,240	10.0%

Source: ONS

- 5.41 Although the analysis is not definitive, looking at the relationship between the PR and the MYE across areas would arguably point to the Census based MYE as showing a more realistic level of population change. This is the higher of the two estimates, but with historic population growth of 4.9%, compared with 4.5% projected in the 2014-based figures it is not considered this is significant or exceptional.

Household Trends

- 5.42 In terms of more recent trends, we can also look at household changes as projected in the 2014-SNHP and as now shown by the Census, this is shown in the table below. This shows across the Borough that household growth in the 10-year period to 2021 was projected to be higher in the 2014-SNHP than the Census has now shown to be the case.

Table 5.6 Estimated Households in 2011 and 2021 – range of sources

		2011	2021	Change	% change
Surrey Heath	2014-based SNHP	33,664	36,259	2,595	7.7%
	Census	33,546	36,008	2,462	7.3%
South East	2014-based SNHP	3,563,050	3,946,235	383,185	10.8%
	Census	3,555,463	3,807,966	252,503	7.1%
England	2014-based SNHP	22,103,878	24,371,273	2,267,395	10.3%
	Census	22,063,368	23,436,085	1,372,717	6.2%

Source: ONS

- 5.43 As with the population data, this is not considered to be an exceptional finding with the table below also showing lower household growth than projected across both the South East and England – indeed the difference between projections and the figures now recorded in Surrey Heath is not as notable as other areas.

Developing a Projection linking to the Standard Method

- 5.44 The data above suggests the Standard Method is a reasonable number to use in estimating housing need for the Borough and it is worthwhile looking at how population might change if providing this level of homes.
- 5.45 To do this a bespoke projection has been developed, linking to the provision of 321 dwellings per annum, and this projection is then used for other analysis in the report (including looking at the mix of housing).
- 5.46 A scenario has been developed which flexes migration to and from the Borough such that there is sufficient population for 321 additional homes each year.

- 5.47 The modelling links to 2018-based population and household projections and also rebases population and households to the levels shown in the 2021 Census.
- 5.48 Within the modelling, migration assumptions have been changed so that across the Borough the increase in households matches the housing need (including a standard 3% vacancy allowance). 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%).
- 5.49 The projection covers the 2021-40 period to fit with the emerging Local Plan. In developing this projection a population increase of around 12,000 people is shown, with particularly strong population growth shown in the 65 and over age band.

Table 5.7 Population change 2021 to 2040 by broad age bands – Surrey Heath (linked to Standard Method)

	2021	2040	Change in population	% change from 2021
Under 16	16,593	17,401	808	4.9%
16-64	56,045	59,618	3,573	6.4%
65 and over	18,007	25,578	7,571	42.0%
Total	90,645	102,597	11,952	13.2%

Source: Demographic Projections

Exceeding the Standard Method

- 5.50 The PPG is clear that the standard method is a minimum level of housing need and that there are circumstances when a higher housing need figure is appropriate. Paragraph 10 outlines some of these circumstances which include:
- 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;
- Where previous levels of housing delivery in an area, or previous assessments of need (such as a recently-produced Strategic Housing Market Assessment) are significantly greater than the outcome from the standard method.

5.51 In addition Paragraph 24 of the PPG states that affordable housing need can be:

“considered in the context of its likely delivery as a proportion of mixed market and affordable housing developments, taking into account the probable percentage of affordable housing to be delivered by eligible market housing led developments. An increase in the total housing figures included in the plan may need to be considered where it could help deliver the required number of affordable homes”

5.52 Surrey Heath has been approached to meet the unmet housing needs of neighbouring authorities however to this point the borough has been unable to meet its own need. Indeed, Hart District Council are committed to meeting 41 dpa of Surrey Heath’s need in their District up until 2032.

5.53 The previous Housing Needs Assessment (HNA) for Surrey Heath was published in 2020 and used the standard method (resulting in a need for 332 dpa).

5.54 Between 2011/12 and 2022/23 housing delivery in the Borough has averaged 267 dwellings per annum (dpa), although in the last five years (to 2023) this has increased to 374 dpa. Generally, these figures would point to a housing need of 321 per annum as being reasonable – supply has not consistently exceeded the Standard Method and the current Standard Method looks to be deliverable based on recent trends.

5.55 We have provided a discussion in Chapter 7 in relation to the link between affordable housing and overall housing need.

5.56 In the Surrey Heath context there are no growth strategies or infrastructure which will drive growth above the standard method.

5.57 We have however considered the level of jobs growth supported by the standard method and the level of housing need required to meet economic growth. These calculations are set out in the section below.

Relationship between Housing and Economic Growth

5.58 To estimate the job growth to be supported (and in reverse the number of homes required to support jobs growth), a series of stages are undertaken. These can be summarised as:

- Estimate changes to the economically active population (this provides an estimate of the change in labour-supply);
- Overlay information about commuting patterns, double jobbing (i.e. the fact that some people have more than one job) and potential changes to unemployment; and
- Bringing together this information will provide an estimate of the potential job growth supported by the population projections.

5.59 Where projections are used or developed in this section a time period of 2021-40 is again used. This is to be consistent with the emerging plan period and also to align with economic forecasts.

Growth in Resident Labour Supply

5.60 The approach taken in this report is to derive a series of age and sex specific economic activity rates and use these to estimate how many

people in the population will be economically active as projections develop.

5.61 This is a fairly typical approach with data being drawn in this instance from the Office for Budget Responsibility (OBR) – July 2018 (Fiscal Sustainability Report) – this data has then been rebased to information in the 2021 Census (for an updated estimate of the number of people who are economically active).

5.62 The table below show the assumptions made for the Borough. The analysis shows that the main changes to economic activity rates are projected to be in the 60-69 age groups – this will to a considerable degree link to changes to pensionable age, as well as general trends in the number of older people working for longer (which in itself is linked to general reductions in pension provision).

Table 5.8 Projected changes to economic activity rates (2021 and 2040) – Surrey Heath

Age	Males 2021	Males 2040	Males Change	Females 2021	Females 2040	Females Change
16-19	45.5%	45.4%	-0.1%	49.9%	49.8%	-0.1%
20-24	85.2%	85.0%	-0.2%	82.8%	82.6%	-0.2%
25-29	89.0%	89.0%	0.0%	82.9%	82.9%	0.0%
30-34	89.7%	89.5%	-0.2%	81.9%	82.5%	0.5%
35-39	90.2%	89.8%	-0.4%	80.0%	81.5%	1.5%
40-44	91.2%	89.9%	-1.3%	80.0%	83.1%	3.1%
45-49	90.4%	89.7%	-0.7%	80.8%	85.1%	4.2%
50-54	89.7%	88.8%	-0.9%	80.2%	83.8%	3.6%
55-59	88.0%	87.6%	-0.4%	77.5%	79.1%	1.6%
60-64	69.7%	76.3%	6.6%	63.1%	71.2%	8.1%
65-69	36.9%	48.9%	12.0%	24.5%	39.2%	14.7%
70-74	20.2%	22.6%	2.3%	10.9%	17.6%	6.7%
75-89	5.4%	6.2%	0.8%	2.5%	5.4%	2.9%

Source: Based on OBR and Census data

5.63 Working through an analysis of age and sex specific economic activity rates it is possible to estimate the overall change in the number of economically active people in the study area – this is set out in the table below. The analysis shows that the projection linked to the Standard Method results in growth in the economically-active population of 5,700 people – a 12% increase.

Table 5.9 Estimated change to the economically active population (2021-40)

	Economically active (2021)	Economically active (2040)	Total change in economically active	% change
Surrey Heath	47,452	53,174	5,722	12.1%

Source: Derived from demographic projections

Linking Changes to Resident Labour Supply and Job Growth

5.64 The analysis above has set out potential scenarios for the change in the number of people who are economically active. However, it is arguably more useful to convert this information into an estimate of the number of jobs this would support. The number of jobs and resident workers required to support these jobs will differ depending on three main factors:

- Commuting patterns – where an area sees more people out-commute for work than in-commute it may be the case that a higher level of increase in the economically active population would be required to provide a sufficient workforce for a given number of jobs (and vice versa where there is net in-commuting);
- Double jobbing – some people hold down more than one job and therefore the number of workers required will be slightly lower than the number of jobs; and

- Unemployment – if unemployment were to fall then the growth in the economically active population would not need to be as large as the growth in jobs (and vice versa)

Commuting Patterns

- 5.65 The table below shows summary data about commuting to and from Surrey Heath from the 2011 and 2021 Census which remains the best available dataset although we recognise that the former is dated. We have included both as commuting during the 2021 Census is influenced by pandemic related patterns
- 5.66 Overall, the data shows the Borough now having a small level of net in-commuting having previously had a small out-commute. This is likely to be influenced by significant reduction in out commuting and increase in home working.
- 5.67 In Surrey Heath the number of people resident in the area who are working being about 4% lower than the total number who work in the area. Previously this was 2% higher. This number is shown as the commuting ratios in the final row of the table and is calculated as 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).

Table 5.10 Commuting patterns (2011 and 2021)

	2011	2021
Live and work in Local Authority (LA)	10,888	7,792
Home workers or No fixed workplace	10,075	24,033
In-commute	23,295	15,593
Out-commute	24,340	13,522
Total working in LA	44,258	47,418
Total living in LA (and working)	45,303	45,347
Commuting ratio	1.024	0.956

Source: 2011 and 2021 Census

- 5.68 In translating the commuting pattern data into growth in the labour-force, a core assumption is that the commuting ratio remains at the same level as shown by the 2011 Census (due to uncertainty with the 2021 Census).
- 5.69 A sensitivity has also been developed where commuting for new jobs is assumed to be on a 1:1 ratio (i.e. the increase in the number of people working in the area is equal to the number of people living in the area who are working).

Double Jobbing

- 5.70 The analysis also considers that a number of people may have more than one job (double jobbing). This can be calculated as the number of people working in the local authority divided by the number of jobs. Regional data from the Annual Population Survey (available on the NOMIS website) for the past 5-years suggests that typically about 4.0% of workers have a second job and this has been used in the assessment. For Surrey Heath the data for double jobbing is quite variable and missing for a number of years, hence the use of a regional figure.
- 5.71 For the purposes of this assessment it has been assumed that around 4% of people will have more than one job moving forward. A double jobbing figure 4% gives rise to a ratio of 0.96 (i.e. the number of jobs supported by the workforce will be around 4% higher than workforce growth). It has been assumed in the analysis that the level of double jobbing will remain constant over time.

Unemployment

- 5.72 The last analysis when looking at the link between jobs and resident labour supply is a consideration of unemployment. Essentially, this is considering if there is any latent labour force that could move back into employment to take up new jobs. This is particularly important given there is likely to have been notable increases in unemployment due to Covid-19, although it will be difficult to be precise about numbers. Given the

estimates of economic activity and job growth are taken from 2021 it is considered that there is no need to include a further adjustment to take account of the pandemic. Essentially it is assumed that people who lost employment through the pandemic will now be back in work (where they are seeking work) and so there is no latent labour supply available to fill additional jobs.

Jobs Supported by Growth in the Resident Labour Force

- 5.73 The table below shows how many additional jobs might be supported by population growth under the Standard Method projection. Given different assumptions about commuting patterns and estimates about double jobbing, it is estimated that around 5,800-6,200 additional jobs could be supported by the changes to the resident labour supply over the period.

Table 5.11 Jobs supported by demographic projections (2021-40)

	Total change in economically active	Allowance for double jobbing	Allowance for net commuting (= jobs supported)
2011 Census commuting	5,722	5,960	5,823
2021 Census commuting	5,722	5,960	6,232
1:1 commuting	5,722	5,960	5,960

Source: Derived from a range of sources

Economic Growth and Housing Need – Job Forecasts

- 5.74 To look at estimates of the numbers of homes required to support jobs growth, the method which is followed is identical to that set out for translating homes into jobs but completed in reverse to get to a population growth.
- 5.75 This level of population growth is then applied to the household formation rates developed earlier in this report to get to a household growth. A final

adjustment to reflect a level of vacancy in the housing stock is applied to the household growth to get to dwelling growth. The stages can be summarised as:

- Start with estimates of job growth;
- Estimate changes required to the economically active population to meet the jobs growth – this takes account of information about commuting patterns, double jobbing (i.e. the fact that some people have more than one job) and potential changes to unemployment;
- Flex levels of migration within the demographic model so that the change in the economically active population equals the change required to meet the number of jobs (migration can be ‘flexed’ up or down with stronger economic growth resulting in higher net in-migration as more people are required in the labour-supply); and
- Apply household representative rates to the resulting population projection and apply a vacancy allowance to calculate the number of households and dwellings needed.

5.76 Two baseline job forecasts have been used from the 2023 Employment Land Review which suggest a potential increase in the range of between 3,912 and 6,887 jobs in the 2021-40 period.

Economic Growth and Housing Need

5.77 The demographic model developed to look at housing need has been used to consider the link between jobs and housing. Within the modelling, migration assumptions have been changed so that the increase in the economically active population matches the increase in the resident workforce required. 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%).

- 5.78 In line with earlier assumptions on changes in economic participation and commuting, we assume an increase in the resident workforce in line with the growth in people in employment (i.e. a 1:1 ratio between growth in people working in Surrey Heath and residents in work) as well as modelling a continuation of commuting dynamics shown by the 2011 Census. The analysis also assumes that 4% of people hold down more than one job.
- 5.79 Once the level of economically active population matches the job growth forecast, the population (and its age structure) is modelled against household representation (i.e. the changes of a person of a particular age group being the 'head of household').
- 5.80 Finally, a 3% vacancy allowance is included in relating household growth to housing need, consistent with the approach earlier in this report.
- 5.81 The first part of the analysis estimates what level of growth in the labour supply would be needed for the job growth forecasts to be met. This calculation is shown in the table below and shows growth in the resident labour supply of between 3,600 and 6,800 people depending on the forecast used and the commuting assumption applied.

Table 5.12 Forecast job growth and change in resident workforce

Forecast	Commuting assumption	Total additional jobs	Allowance for commuting	Allowance for double jobbing (=change in economically active)
OE Baseline	2011 Census commuting	6,887	7,050	6,768
	2021 Census commuting	6,887	6,584	6,321
	1:1 commuting	6,887	6,887	6,612
CE Baseline	Census commuting	3,912	4,004	3,844
	2021 Census commuting	3,912	3,740	3,590
	1:1 commuting	3,912	3,912	3,756

Source: Derived from a range of sources

5.82 Drawing through the modelling assumptions the table below shows estimates of housing need set against the job growth scenarios. It also provides sensitivities around commuting patterns but these show a very narrow range as both the 2011 and 2021 commuting patterns show a broad balance.

5.83 The analysis shows the economic-led housing need at a level (250 dpa to 354 dpa) which spans the Standard Method (321 dpa).

Table 5.13 Economic-led Housing Need – Surrey Heath

Forecast	Commuting assumption	Households 2021	Households 2040	Change in households	Dwellings Per Annum
OE Baseline	2011 Census commuting	36,109	42,641	6,532	354
	2021 Census commuting	36,109	42,370	6,261	339
	1:1 commuting	36,109	42,546	6,437	349
CE Baseline	2011 Census commuting	36,109	40,868	4,759	258
	2021 Census commuting	36,109	40,714	4,605	250
	1:1 commuting	36,109	40,815	4,706	255

Source: Demographic projections

5.84 Given this range and the uncertainty around the economic forecasts it would be reasonable to assume that the standard method is an appropriate level of development to meet economic growth in the borough.

Housing Need - Summary

- The Standard Method for assessing housing need shows a need for 321 dwellings per annum. This is based on household growth of 229 per annum and a (capped) uplift for affordability of 40%.
- The report has considered whether there are exceptional circumstances to move away from the Standard Method (either in an upward or downward direction).
- Firstly the report tested the data used in the 2014-projections as ONS has subsequently revised key trend data for migration. In Surrey Heath, the revisions were very minor and unlikely to have any notable impact on the projections.
- The report then looks at more recent demographic trends – taking account of 2021 Census data and ONS mid-year population estimates up to 2021. Again this did not point to any exceptional circumstances.
- Overall, it was therefore concluded that the Standard Method is a reasonable assessment of housing need for Surrey Heath (noting

the premise of the method itself has not been challenged in this report).

- On that basis a bespoke demographic projection was developed to look at how the population might change if 321 homes per annum were delivered over the 2021-40 period. This showed continued strong population growth (+12,000 people).
- These projections show a continued ageing of the population, although growth in the number of people of 'working-age' is also projected.
- We have also examined whether this level of population growth would support the level of jobs growth set out in the Employment Land Review.
- The standard method would support up to 6,000 additional jobs against baseline scenarios ranging from 3,900 to 6,900 additional jobs. In order to support this level of jobs growth then the borough would need to deliver between 250 dpa and 354 dpa.
- The economic led housing need outputs (250 dpa and 354 dpa) span the standard method (321 dpa). However, given the uncertainty with economic forecasts this would suggest that the standard method is an appropriate level of housing development to meet economic growth.

6. Affordable Housing Need

Introduction

- 6.1 This section provides an assessment of the need for affordable housing in Surrey Heath. The analysis specifically considers general needs housing, with further analysis of specialist housing (e.g. for older people) being discussed later in the report.
- 6.2 The analysis follows the PPG (Sections 2a-018 to 2a-024) and provides two main outputs, linked to Annex 2 of the NPPF – this is firstly an assessment of the need from households unable to buy OR rent housing and secondly from households able to rent but not buy.
- 6.3 For convenience these analyses are labelled as a need for ‘social/affordable rented housing’ and ‘affordable home ownership’ although in reality it is possible for a home ownership product to fit into the rented category (as long as the price is sufficiently low) or for a rented product (such as rent-to-buy) to be considered as affordable home ownership.
- 6.4 The analysis also considers First Homes, which is a new tenure (potentially replacing other forms of affordable home ownership). Further information about First Homes was set out in a Planning Practice Guidance⁴ in May 2021.

⁴ <https://www.gov.uk/guidance/first-homes>

Methodology Overview

- 6.5 The method for studying the need for affordable housing has been enshrined in Government practice guidance for many years, with an established approach to look at the number of households who are unable to afford market housing (to either rent or buy) – it is considered that this group will mainly be a target for rented affordable homes (social/affordable rented) and therefore the analysis looks at the need for *'affordable housing for rent'* as set out in Annex 2 of the NPPF.
- 6.6 The methodology for looking at the need for rented (social/affordable) housing considers the following:
- **Current affordable housing need:** an estimate of the number of households who have a need now, at the point of the assessment, based on a range of secondary data sources – this figure is then annualised so as to meet the current need over a period of time;
 - **Projected newly forming households in need:** using demographic projections to establish gross household formation, and then applying an affordability test to estimate numbers of such households unable to afford market housing;
 - **Existing households falling into need:** based on studying past trends in the types of households who have accessed social/affordable rented housing; and
 - **Supply of affordable housing:** an estimate of the likely number of lettings that will become available from the existing social/affordable housing stock.
- 6.7 The first three bullet points above are added together to identify a gross need, from which the supply of relets of existing properties is subtracted to identify a net annual need for additional affordable housing. For the

purposes of this assessment, this analysis is used to identify the overall (net) need for social/affordable rented housing.

- 6.8 This approach has traditionally been used to consider the needs of households who have not been able to afford market housing (either to buy or to rent). As the income necessary to afford to rent homes without financial support is typically lower than that needed to buy, the ability of households to afford private rents has influenced whether or not they are in need of affordable housing.
- 6.9 The NPPF and associated guidance has expanded the definition of those in affordable housing need to include households who might be able to rent without financial support but who aspire to own a home, and require support to do so. The PPG includes households that “*cannot afford their own homes, either to rent, or to own, where that is their aspiration*” as having an affordable housing need.
- 6.10 This widened definition has been introduced by national Government to support increased access to home ownership, given evidence of declining home ownership and growth in private renting over the last 20 years or so.
- 6.11 However, the PPG does not provide specific guidance on how the needs of such households should be assessed and so this study adopts a broadly consistent methodology to that identified in the PPG, and considers a current need; a newly-arising need on an annual basis; existing households falling into need; and an annual estimate of supply.
- 6.12 The analysis of affordable housing need is therefore structured to consider the need for rented affordable housing, and separately the need for affordable home ownership. The overall need is expressed as an annual figure, which can then be compared with likely future delivery (as required by 2a-024).

- 6.13 Whilst the need for social/affordable rented housing and affordable home ownership are analysed separately, there are a number of pieces of information that are common to both assessments. In particular, this includes an understanding of local housing costs, incomes and affordability. The sections below therefore look at these factors.

Local Prices and Rents

- 6.14 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 are thus defined as having an 'affordable housing need'. For the purposes of establishing affordable housing need, the analysis focuses on overall housing costs (for all dwelling types and sizes).
- 6.15 The analysis below considers the entry-level costs of housing to both buy and rent across the Borough. The approach has been to analyse Land Registry and ONS 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 recognising that the very cheapest properties may be of sub-standard quality.
- 6.16 Data from the Land Registry for the year to December 2022 shows estimated lower quartile property prices by dwelling type. The data shows that entry-level costs to buy are estimated to start from about £195,000 for a second-hand flat and rising to £600,000 for a detached home. Looking at the lower quartile price across all dwelling types, the analysis shows a lower quartile price of £330,000. The figures are all based on cost of existing homes in the market although newbuild prices are considered later in this section when looking at potential costs of affordable home ownership properties.

Table 6.1 Estimated lower quartile cost of housing to buy by type (existing dwellings) – year to December 2022

	Surrey Heath
Flat/maisonette	£195,000
Terraced	£336,000
Semi-detached	£408,000
Detached	£600,000
All dwellings	£330,000

Source: Land Registry

- 6.17 It is also useful to provide estimates of property prices by the number of bedrooms in a home. Analysis for this draws together Land Registry data with an internet search of prices of homes for sale (using sites such as Rightmove). The analysis suggests a lower quartile price of about £165,000 for a 1-bedroom home, rising to £600,000 for homes with 4-bedrooms.

Table 6.2 Estimated lower quartile cost of housing to buy by size (existing dwellings) – year to December 2022

	Surrey Heath
1-bedroom	£165,000
2-bedrooms	£230,000
3-bedrooms	£400,000
4-bedrooms	£600,000
All dwellings	£330,000

Source: Land Registry and Internet Price Search

- 6.18 A similar analysis has been carried out for private rents using ONS data – this covers a 12-month period to March 2023. For the rental data, information about dwelling sizes is provided (rather than types); the analysis shows an average lower quartile cost (across all dwelling sizes) of £900 per month.

Table 6.3 Lower Quartile Market Rents, year to March 2023

	Surrey Heath
Room only	-
Studio	-
1-bedroom	£775
2-bedrooms	£925
3-bedrooms	£1,200
4-bedrooms	£1,650
All properties	£900

Source: ONS

- 6.19 It is of interest for this study to see how prices and rents vary by location. The table below shows an estimate of the overall lower quartile house price and private rent in each of the two sub-areas; this is based on Land Registry data for prices and analysis of online data on available lettings which has then been adjusted to be consistent with the data from ONS. The analysis shows some variation in prices and rents, with prices (and rents) estimated to be higher in the Rest of Borough area.

Table 6.4 Lower Quartile Prices and Market Rents, by sub-area

	Lower quartile price (existing dwellings)	Lower Quartile rent, pcm
Western Urban	£310,000	£860
Rest of Borough	£365,000	£985
TOTAL	£330,000	£900

Source: Internet private rental cost search and Land Registry

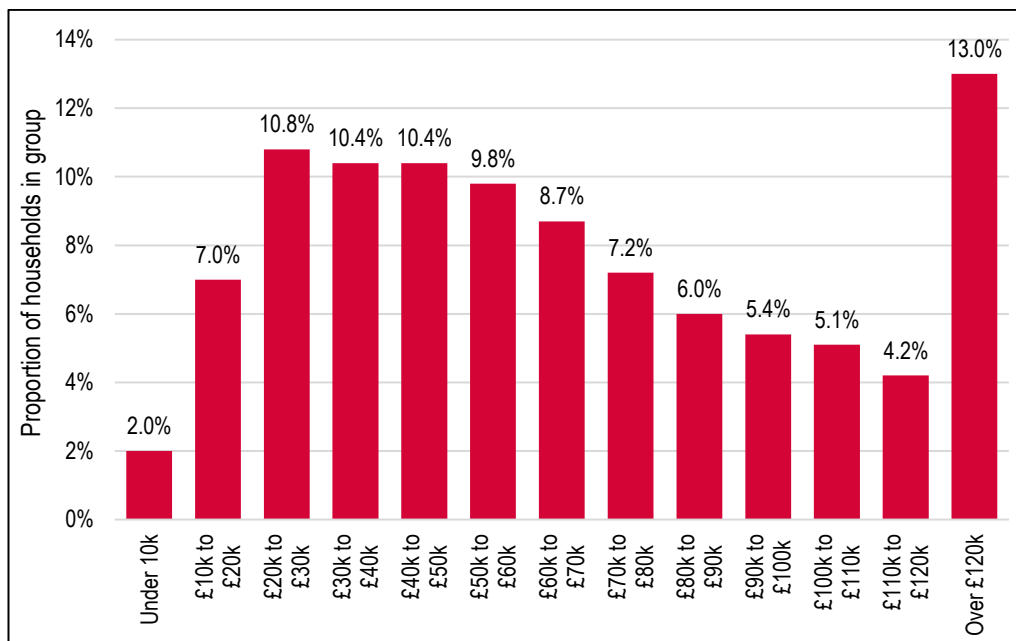
Household Incomes

- 6.20 Following on from the assessment 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). Data about total household income has been based on ONS modelled income estimates, with additional data from the English

Housing Survey (EHS) being used to provide information about the distribution of incomes.

6.21 Drawing this data together an income distribution for the Borough has been constructed for 2022. The figure below shows that around a fifth of households have incomes below £30,000 with a further fifth in the range of £30,000 to £50,000. Overall, the average (mean) income is estimated to be around £69,200, with a median income of £59,600; the lower quartile income of all households is estimated to be £34,800.

Figure 6.1 Distribution of household income (2022) – Surrey Heath



Source: Derived from range of data sources

6.22 Analysis has also been undertaken to estimate how incomes vary by sub-area, with the table below showing the estimated median household income in each location, the table also shows the variance in incomes from the Borough average. There is some modest variation in the estimated incomes by area, ranging from £58,800 in Western Urban, up to £61,000 in the Rest of Borough area.

Table 6.5 Estimated average (median) household income by sub-area (2022)

	Median income	As a % of Borough average
Western Urban	£58,800	99%
Rest of Borough	£61,000	102%
TOTAL	£59,600	-

Source: Derived from a range of data

Affordability Thresholds

- 6.23 To assess affordability two different measures are used; firstly to consider what income levels are likely to be needed to access private rented housing (this establishes those households in need of social/affordable rented housing) and secondly to consider what income level is needed to access owner occupation (this, along with the first test helps to identify households in the ‘gap’ between renting and buying). This analysis therefore brings together the data on household incomes with the estimated incomes required to access private sector housing.
- 6.24 Additionally, different affordability tests are applied to different parts of the analysis depending on the group being studied (e.g. recognising that newly forming households are likely on average to have lower incomes than existing households).
- 6.25 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 – the PPG does not provide any guidance on this issue. CLG SHMA guidance prepared in 2007 suggested that 25% of income is a reasonable start point, it also noted that a different figure could be used. 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).

- 6.26 At £900 per calendar month, lower quartile rent levels in Surrey Heath are above average in comparison to those seen nationally (a lower quartile rent of £625 for England in the year to March 2023). This would suggest that a proportion of income to be spent on housing could be higher than the bottom end of the range (the range starting from 25%). On balance, it is considered that a threshold of 30% is reasonable in a local context, to afford a £900 pcm rent would imply a gross household income of about £36,000⁵ (and in net terms the rent would likely be around 38% of income).
- 6.27 In reality, many households may well spend a higher proportion of their income on housing and therefore would have less money for other living costs – for the purposes of this assessment these households would essentially be assumed as ideally having some form of subsidised rent so as to ensure a sufficient level of residual income.
- 6.28 Generally, the income required to access owner-occupied housing is higher than that required to rent and so the analysis of the need for social/affordable rented housing is based on the ability to afford to access private rented housing. However, local house prices (and affordability) are important when looking at the need for affordable home ownership.
- 6.29 For the purposes of this assessment, the income thresholds for owner-occupation assume a household has a 10% deposit and can secure a mortgage for four and a half times their income. These assumptions are

⁵ $900/0.3 * 12$

considered to be broadly in line with typical lending practices although it is recognised that there will be differences on a case by case basis.

- 6.30 The table below shows the estimated incomes required to both buy and rent (privately) in each sub-area. This shows a notable 'gap' in all areas across both areas, particularly Rest of Borough where house prices are higher. The information in the tables below is taken forward into further analysis in this section to look at affordable needs in different locations.

Table 6.6 Estimated Household Income Required to Buy and Privately Rent by sub-area

	To buy	To rent (privately)	Income gap
Western Urban	£62,000	£34,400	£27,600
Rest of Borough	£73,000	£39,400	£33,600
TOTAL	£66,000	£36,000	£30,000

Source: Based on Housing Market Cost Analysis

Need for Social/Affordable Rented Housing

- 6.31 The sections below work through the various stages of analysis to estimate the need for social/affordable housing in the Borough. Final figures are provided as an annual need (including an allowance to deal with current need). As per 2a-024 of the PPG, this figure can then be compared with likely delivery of affordable housing.

Current Need

- 6.32 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 estimates of the number of households within each need category. This shows an estimated need from around 2,300 households – mainly in the Western Urban area. The data draws on a number of sources, including the 2021 Census.

Table 6.7 Estimated housing need by category of household

	Western Urban	Rest of Borough	TOTAL
Concealed and homeless households	467	162	629
Households in overcrowded housing	719	248	966
Existing affordable housing tenants in need	56	20	75
Households from other tenures in need	506	237	743
TOTAL	1,691	646	2,338

Source: Derived from a range of sources

6.33 In taking this estimate forward, the data modelling next estimates the need by tenure and considers affordability. The affordability in different groups is based on estimates of how incomes are likely to vary, for owner-occupiers there is a further assumption about potential equity levels. For homeless and concealed households it is assumed incomes will be low and households will be unlikely to be able to afford in the private rented sector without the need for some form of subsidy (such as Housing Benefit). The table below shows around half of those households identified above are unlikely to be able to afford market housing to buy OR rent and therefore there is a current need from 1,133 households.

Table 6.8 Estimated housing need and affordability by tenure

	Number in need	% unable to afford	Current need after affordability
Owner-occupied	621	3.1%	19
Affordable housing	379	69.7%	264
Private rented	708	31.1%	220
No housing (homeless/concealed)	629	100.0%	629
TOTAL	2,338	48.4%	1,133

Source: Derived from a range of sources

6.34 Finally, from these estimates, 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 total current need is therefore estimated to be around 868. For the purposes of analysis, it is assumed that the local authority would seek to meet this need over a period of time. Given that this report typically looks at needs in the period from 2021 to 2040, the need is annualised by dividing by 19 (to give an annual need for around 46 dwellings across all areas). This does not mean that some households would be expected to wait 19-years for housing as the need is likely to be dynamic, with households leaving the current need as they are housed but with other households developing a need over time.

6.35 The table below shows this data for the two sub-areas – this includes the number in need (once taking account of affordability), the number once those in affordable housing are excluded and the annual figure this represents.

Table 6.9 Estimated current housing need by sub-area

	Number in need	Excluding those in affordable housing	Annualised
Western Urban	827	637	34
Rest of Borough	305	231	12
TOTAL	1,133	868	46

Source: Derived from a range of sources

Newly-Forming Households

6.36 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.

6.37 The number of newly-forming households is 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 formation of younger households.

- 6.38 In assessing the ability of newly forming households to afford market housing, data has been drawn from previous surveys undertaken nationally by JGC. 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 analysis of English Housing Survey data at a national level).
- 6.39 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 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. For the purposes of the need for social/affordable rented housing this will relate to households unable to afford to buy OR rent in the market.
- 6.40 The assessment suggests overall that around a third of newly forming households will be unable to afford market housing (to rent privately) and this equates a total of 189 newly forming households will have a need per annum on average across the Borough.

Table 6.10 Estimated Need for Social/Affordable Rented Housing from Newly Forming Households (per annum)

	Number of new households	% unable to afford	Annual newly forming households unable to afford to rent
Western Urban	384	32.1%	123
Rest of Borough	184	35.8%	66
TOTAL	568	33.3%	189

Source: Projection Modelling/Affordability Analysis

Existing Households Falling into Affordable Housing Need

- 6.41 The second element of newly arising need is existing households falling into need. To assess this, information about past lettings in social/affordable rented has been used. The assessment looked at households who have been housed in general needs housing over the past three years – this group will represent the flow of households onto the Housing Register over this period. 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. Data has been drawn from a number of sources, including Local Authority Housing Statistics (LAHS) and Continuous Recording of Sales and Lettings (CoRe).
- 6.42 In the absence of any guidance in the PPG, 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)’*. Following the analysis through suggests a need arising from 34 existing households each year across the Borough.

Table 6.11 Estimated Need for Social/Affordable Rented Housing from Existing Households Falling into Need (per annum)

	Total Additional Need	% of Total
Western Urban	24	70.0%
Rest of Borough	10	30.0%
TOTAL	34	100.0%

Source: Derived from a range of sources

Supply of Social/Affordable Rented Housing Through Relets

- 6.43 The future supply of affordable housing through relets is the flow of affordable housing arising from the existing stock that is available to meet future need. This focusses on the annual supply of social/affordable rent relets.
- 6.44 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 a range of sources (mainly LAHS and CoRe) has been used to establish past patterns of social housing turnover.
- 6.45 The figures are for general needs 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.
- 6.46 On the basis of past trend data it has been estimated that 85 units of social/affordable rented housing are likely to become available each year moving forward for occupation by households in need.

Table 6.12 Analysis of Past Social/Affordable Rented Housing Supply, 2019/20 – 2021/22 (average per annum)

	Total Lettings	% as Non-New Build	Lettings in Existing Stock	% Non-Transfers	Lettings to New Tenants
2019/20	176	76.7%	135	61.9%	84
2020/21	109	91.7%	100	73.4%	73
2021/22	209	73.7%	154	64.1%	99
Average	165	78.7%	130	65.4%	85

Source: CoRe

- 6.47 The table below shows the estimated supply of affordable housing from relets in each sub-area – figures varying from 22 per annum in the Rest of Borough area, up to 63 in Western Urban.

Table 6.13 Estimated supply of affordable housing from relets of existing stock by sub-area (per annum)

	Annual supply	% of supply
Western Urban	63	74.0%
Rest of Borough	22	26.0%
TOTAL	85	100.0%

Source: CoRe and 2021 Census

- 6.48 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.

Net Need for Social/Affordable Rented Housing

- 6.49 The table below shows the overall calculation of affordable housing need. The analysis shows that there is a need for 184 dwellings per annum

across the area – an affordable need is seen in both sub-areas. The net need is calculated as follows:

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

Table 6.14 Estimated Need for Social/Affordable Rented Housing (per annum)

	Current need	Newly forming households	Existing households falling into need	Total Gross Need	Relet Supply	Net Need
Western Urban	34	123	24	180	63	118
Rest of Borough	12	66	10	88	22	66
TOTAL	46	189	34	269	85	184

Source: Derived from a range of sources

The Relationship Between Affordable Need and Overall Housing Numbers

- 6.50 The PPG encourages local authorities to consider increasing planned housing numbers where this can help to meet the identified affordable need. Specifically, the wording of the PPG [2a-024] states:

‘The total affordable housing need can then be considered in the context of its likely delivery as a proportion of mixed market and affordable housing developments, given the probable percentage of affordable housing to be delivered by market housing led developments. An increase in the total housing figures included in the strategic plan may need to be considered where it could help deliver the required number of affordable homes’

- 6.51 However, the relationship between affordable housing need and overall housing need is complex. This was recognised in the Planning Advisory

Service (PAS) Technical Advice Note of July 2015. PAS conclude that there is no arithmetical way of combining the OAN (calculated through demographic projections) and the affordable need. There are a number of reasons why the two cannot be 'arithmetically' linked.

- 6.52 Firstly, the modelling contains a category in the projection of '*existing households falling into need*'; these households already have accommodation and hence if they were to move to alternative accommodation, they would release a dwelling for use by another household – there is no net need to provide additional homes. The modelling also contains '*newly forming households*'; these households are a direct output from the demographic modelling and are therefore already included in the overall housing need figures.
- 6.53 This just leaves the '*current need*'; much of this group will be similar to the existing households already described (in that they are already living in accommodation) although it is possible that a number will be households without housing (mainly concealed households) – these households are not included in the demographic modelling and so are arguably an additional need, although uplifts for market signals/affordability (as included in the Government's Standard Method) would be expected to deal with such households.
- 6.54 The analysis estimates an annual need for 184 rented affordable homes, which is notionally 57% of a Local Housing Need of 321 dwellings per annum (as calculated using the Standard Method). However, as noted, caution should be exercised in trying to make a direct link between affordable need and planned delivery, with the key point being that many of those households picked up as having a need will already be living in housing and so providing an affordable option does not lead to an overall net increase in the need for housing (as they would vacate a home to be used by someone else).

- 6.55 It is possible to investigate this in some more detail by re-running the model and excluding those already living in accommodation. This is shown in the table below which identifies that meeting these needs would lead to an affordable need for 137 homes per annum across the Borough – notionally 43% of the Standard Method. This figure is theoretical and should not be seen to be minimising the need (which is clearly acute). It does however serve to show that there is a substantial difference in the figures when looking at overall housing shortages.
- 6.56 The analysis is arguably even more complex than this – it can be observed that the main group of households in need are newly forming households. These households are already included within demographic projections and so the demonstrating of a need for this group again should not be seen as additional to that estimated through demographic projections (including the Standard Method).

Table 6.15 Estimated Need for Affordable Housing
(social/affordable rented) excluding households already in
accommodation

	Including existing households	Excluding existing households
Current need	46	33
Newly forming households	189	189
Existing households falling into need	34	0
Total Gross Need	269	222
Re-let Supply	85	85
Net Need	184	137

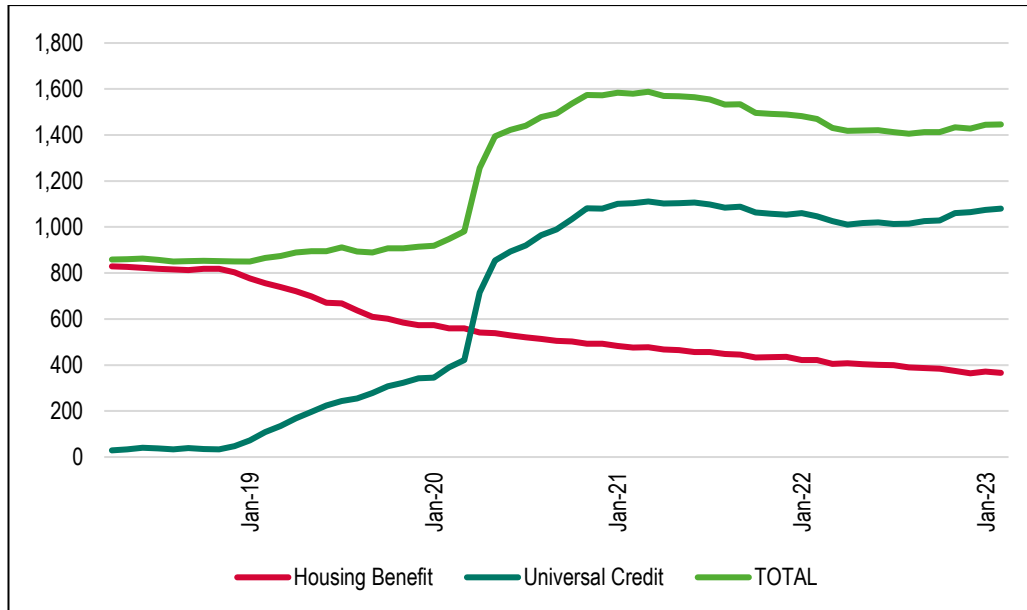
Source: Derived from a range of sources

- 6.57 Additionally, it should be noted that the need estimate is on a per annum basis and should not be multiplied by the plan period to get a total need. Essentially, the estimates are for the number of households who would be expected to have a need in any given year (i.e. needing to spend more than 30% of income on housing). In reality, some (possibly many)

households would see their circumstances change over time such that they would 'fall out of need' and this is not accounted for in the analysis.

- 6.58 One example would be a newly forming household with an income level that means they spend more than 30% of income on housing, as the household's income rises they would potentially pass the affordability test and therefore not have an affordable need. Additionally, there is the likelihood when looking over the longer-term that a newly-forming household will become an existing household in need and would be counted twice if trying to multiply the figures out for a whole plan period.
- 6.59 The discussion above has already noted that the need for affordable housing does not generally lead to a need to increase overall provision (with the exception of potentially providing housing for concealed households although this should be picked up as part of an affordability uplift).
- 6.60 It is however worth briefly thinking about how affordable need works in practice and the housing available to those unable to access market housing without Housing Benefit. In particular, the role played by the Private Rented Sector (PRS) in providing housing for households who require financial support in meeting their housing needs should be recognised.
- 6.61 Whilst the Private Rented Sector (PRS) does not fall within the types of affordable housing set out in the NPPF (other than affordable private rent which is a specific tenure separate from the main 'full market' PRS), it has evidently been playing a role in meeting the needs of households who require financial support in meeting their housing need. Government recognises this, and indeed legislated through the 2011 Localism Act to allow Councils to discharge their "homelessness duty" through providing an offer of a suitable property in the PRS.

- 6.62 It is also worth reflecting on the NPPF (Annex 2) definition of affordable housing. This says: *'Affordable housing: housing for sale or rent, for those whose needs are not met by the market'* [emphasis added]. Clearly where a household is able to access suitable housing in the private rented sector (with or without Housing Benefit) it is the case that these needs are being met by the market (as within the NPPF definition). As such the role played by the private rented sector should be recognised – it is evidently part of the functioning housing market.
- 6.63 Data from the Department of Work and Pensions (DWP) has been used to look at the number of Housing Benefit supported private rented homes. As of February 2023, it is estimated that there were over 1,400 benefit claimants in the private rented sector in Surrey Heath. From this, it is clear that the PRS contributes to the wider delivery of 'affordable homes' with the support of benefit claims, and further complicates any attempts to find a relationship between affordable need and overall housing need.
- 6.64 The figure below shows the trend in the number of claimants in the Borough. This shows there has been a notable increase since March 2020, which is likely to be related to the Covid-19 pandemic. However, even the more historical data shows a substantial number of households claiming benefit support for their housing in the private sector (typically around 900 households).

Figure 6.2 Number of Housing Benefit claimants in PRS

Source: Department of Work and Pensions

- 6.65 Whilst housing delivery through the Local Plan can be expected to secure additional affordable housing it needs to be noted that delivery of affordable housing through planning obligations is an important, but not the only means, of delivering affordable housing; and the Council should also work with housing providers to secure funding to support enhanced affordable housing delivery on some sites and through use of its own land assets.
- 6.66 Overall, it is difficult to link the need for affordable housing to the overall housing need; indeed, there is no justification for trying to make the link. Put simply the two do not measure the same thing and interpreting the affordable need figure consideration needs to be given to the fact that many households already live in housing, and do not therefore generate an overall net need for an additional home. Further issues arise as the need for affordable housing is complex and additionally the extent of concealed and homeless households needs to be understood as well as the role played by the private rented sector.
- 6.67 Regardless of the discussion above, the analysis identifies a notable need for affordable housing, and it is clear that provision of new

affordable housing is an important and pressing issue across the Borough. 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. As noted previously, the evidence does however suggest that affordable housing delivery should be maximised where opportunities arise.

- 6.68 Finally, whilst there is no direct link between the affordable need and overall housing need, it is the case that the levels of affordable need across areas can feed into considerations about the distribution of housing for different locations, along with an understanding of demographic trends and economic growth.

Split Between Social and Affordable Rented Housing

- 6.69 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 have a need for some form of rented housing at a cost below typical market rates. Typically, there are two main types of rented affordable accommodation (social and affordable rented) although increasingly delivery in many local authorities (including Surrey Heath) is focussed on affordable rents. The analysis below considers what a reasonable split might be between these two tenures.
- 6.70 The table below shows current rent levels in the Borough for a range of products along with relevant local housing allowance (LHA) rates. The area is split across a number of Broad Rental Market Areas (BRMA) for the purposes of LHA, with the main settlements all being within the Blackwater Valley BRMA and so this is used for comparative purposes.
- 6.71 Data about average social and affordable rents has been taken from the Regulator of Social Housing (RSH) and this is compared with lower

quartile and median market rents (from ONS data). This analysis shows that social rents are significantly lower than affordable rents; the analysis also shows that affordable rents are only slightly lower than lower quartile market rents.

6.72 The LHA rates for all sizes of home are below lower quartile market rents and some way below median figures. This does potentially mean that households seeking accommodation in many locations may struggle to secure sufficient benefits to cover their rent. It is notable that LHA rates are also below affordable rents (other than for 4-bedroom homes).

Table 6.16 Comparison of rent levels for different products – Surrey Heath

	Social rent	Affordable rent (AR)	Lower quartile (LQ) market rent	Median market rent	LHA*
1-bedroom	£418	£704	£775	£850	£698
2-bedrooms	£485	£912	£925	£1,050	£873
3-bedrooms	£549	£1,125	£1,200	£1,391	£1,097
4-bedrooms	£605	£1,384	£1,650	£1,985	£1,446
All	£496	£917	£900	£1,100	-

Source: RSH, ONS and VOA – *Local Housing Allowance for Blackwater Valley*

6.73 To some extent it is easier to consider the data above in terms of the percentage one housing cost is of another and this is shown in the tables below. Caution should be exercised when looking at the overall averages as these will be influenced by the profile of stock in each category and so the discussion focusses on 2-bedroom homes. This shows that social rents are significantly cheaper than market rents (and indeed affordable rents) and that affordable rents (as currently charged) represent 99% of a current lower quartile rent (88% if comparing with a median rent).

Table 6.17 Difference between rent levels for different products –
Surrey Heath

	Social rent as % of affordable rent	Social rent as % of LQ market rent	Social rent as % of median market rent	Affordable rent as % of LQ market rent	Affordable rent as % of median market rent	LQ market rent as % of median market rent
1-bedroom	59%	54%	49%	91%	91%	91%
2-bedrooms	53%	52%	46%	99%	88%	88%
3-bedrooms	49%	46%	39%	94%	86%	86%
4-bedrooms	44%	37%	30%	84%	83%	83%
All	54%	55%	45%	102%	82%	82%

Source: RSH, ONS and VOA

6.74 For the affordability test, a standardised average rent for each product has been used based on the proportion of stock in each size category. The table below suggests that around 8% of households who cannot afford to rent privately could afford an affordable rent, with a further 64% being able to afford a social rent (but not an affordable one). A total of 29% of households would need some degree of benefit support to be able to afford their housing (regardless of the tenure).

Table 6.18 Estimated need for affordable rented housing (% of households able to afford)

	% of households able to afford
Afford affordable rent	8%
Afford social rent	64%
Need benefit support	29%
All unable to afford market	100%

Source: Affordability analysis

6.75 The finding that only 8% of households can afford an affordable rent does not automatically lead to a policy conclusion on the split between the two types of housing. For example, many households who will need to access rented accommodation will be benefit dependent and as such could technically afford an affordable rent – hence a higher proportion of

affordable rented housing might be appropriate. On the flip side, providing more social rents might enable households to return to work more easily, as a lower income would potentially be needed to afford the lower social (rather than affordable) rent.

- 6.76 There is a further issue in relation to affordable rents, particularly in higher rental cost areas such as Surrey Heath. This is the finding (confirmed by the Council to be an issue locally) that some households in low incomes can be refused an affordable rent on affordability grounds – this may also be the case for households who are fully benefit dependent. The Council also confirmed the point above that affordable rents can be a barrier to households moving off benefits to take up employment.
- 6.77 There will be a series of other considerations both at a strategic level and for specific schemes. For example, there may be funding streams that are only available for a particular type of housing, and this may exist independently to any local assessment of need. Additionally, there will be the consideration of the balance between the cost of housing and the amount that can be viably provided, for example, it is likely that affordable rented housing is more viable, and therefore a greater number of units could be provided. Finally, in considering a split between social and affordable rented housing it needs to be considered that having different tenures on the same site (at least at initial occupation) may be difficult – e.g. if tenants are paying a different rent for essentially the same size/type of property and services.
- 6.78 On this basis, it is not recommended that the Council has a rigid policy for the split between social and affordable rented housing, although the analysis is clear that both tenures of home (and particularly socially rented housing) are likely to be required.

Establishing a Need for Affordable Home Ownership

- 6.79 The Planning Practice Guidance confirms a widening definition of those to be considered as in affordable need; now including households *‘that cannot afford their own homes, either to rent, or to own, where that is their aspiration’*. However, at the time of writing, there is no guidance about how the number of households with a need for affordable home ownership should be measured.
- 6.80 The methodology used in this report therefore draws on the current methodology, and includes an assessment of current needs, and projected need (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.
- 6.81 The analysis has been developed in the context of First Homes with national policy now requiring that 25% of all affordable housing secured through developer contributions should be within this tenure. A definition of First Homes (from the relevant PPG (70-001)) can be found later in this document.

Gross Need for Affordable Home Ownership

- 6.82 The first part of the analysis seeks to understand what the gap between renting and buying actually means in the Borough – in particular establishing the typical incomes that might be required. The information about incomes required to both buy and rent in different locations has already been provided earlier in this section and so the discussion below is a broad example.
- 6.83 Using the income distributions developed (as set out earlier in this section) along with data about price and rents, it has been estimated that

of all households living in the private rented sector, around 38% already have sufficient income to buy a lower quartile home, with 31% falling in the rent/buy 'gap'. The final 31% are estimated to have an income below which they cannot afford to rent privately (i.e. would need to spend more than the calculated threshold of their income on housing costs) although in reality it should be noted that many households will spend a higher proportion of their income on housing.

- 6.84 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 clear that affordable home ownership products are likely to be targeted at households living in or who might be expected to access this sector (e.g. newly forming households).

Table 6.19 Estimated proportion of households living in Private Rented Sector able to buy and/or rent market housing

	Can afford to buy OR rent	Can afford to rent but not buy	Cannot afford to buy OR rent
Western Urban	40%	30%	30%
Rest of Borough	33%	34%	33%
TOTAL	38%	31%	31%

Source: Derived from Housing Market Cost Analysis and Affordability Testing

- 6.85 The finding that a proportion of households in the private rented sector are likely to have an income that would allow them to buy a home is also noteworthy and suggests for some households, barriers to accessing owner-occupation are not just about income/the cost of housing but also 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 location with employment).

- 6.86 To study current need, an estimate of the number of household living in the Private Rented Sector (PRS) has been established, with the same (rent/buy gap) affordability test (as described above) then applied. The start point is the number of households living in private rented accommodation; as of the 2021 Census there were some 4,611 households living in the sector across the Borough (renting from private landlord or letting agency).
- 6.87 Additional data from the EHS suggests that 60% of all PRS households expect to become an owner at some point (2,767 households if applied to Surrey heath) and of these some 40% (1,107 households) would expect this to happen in the next 2-years. These figures are taken as the number of households potentially with a current need for affordable home ownership before any affordability testing.
- 6.88 As noted above, on the basis of income it is estimated that around 31% of the private rented sector sit in the gap between renting and buying (varying by location). Applying this proportion to the above figures would suggest a current need for around 342 affordable home ownership units (18 per annum if annualised over a 19-year period).
- 6.89 In projecting forward, the analysis can consider newly forming households and also the remaining existing households who expect to become owners further into the future. Applying the same affordability test (albeit on a very slightly different income assumption for newly forming households) suggests an annual need from these two groups of around 206 dwellings (179 from newly forming households and 27 from existing households in the private rented sector).
- 6.90 Bringing together the above analysis suggests that there is a need for around 224 affordable home ownership homes (priced for households

able to afford to rent but not buy) per annum across the Borough. This is before any assessment of the potential supply of housing is considered.

Table 6.20 Estimated Gross Need for Affordable Home Ownership (per annum)

	Current need	Newly forming households	Existing households falling into need	Total Gross Need
Western Urban	12	117	19	149
Rest of Borough	6	62	8	76
TOTAL	18	179	27	224

Source: Derived from a range of sources

Potential Supply of Housing to Meet the Affordable Home Ownership Need and Net Need

- 6.91 As with the need for social/affordable rented housing, it is also necessary to consider if there is any supply of affordable home ownership products from the existing stock of housing. As with assessing the need for affordable home ownership, it is the case that at present the PPG does not include any suggestions about how the supply of housing to meet these needs should be calculated.
- 6.92 One source is likely to be resales of low cost home ownership products with data from the Regulator of Social Housing showing a total stock in 2022 of 382 homes. If these homes were to turnover at the same rate seen for the social housing stock then they would be expected to generate around 9 resales each year. These properties would be available for these households and can be included as the potential supply.
- 6.93 In addition, it should be noted that the analysis looks at households unable to afford a lower quartile property price. By definition, a quarter of all homes sold will be priced at or below a lower quartile level. According to the Land Registry, in the Borough there were a total of 1,194 resales

(i.e. excluding newly-built homes) in the last year (year to December 2022) and therefore around 299 would be priced below the lower quartile. This is 299 homes that would potentially be affordable to the target group for affordable home ownership products and is a supply higher than the estimated gross need.

6.94 It is then possible to provide a best estimate of the supply of lower quartile homes that are bought by the target group of households (assumed to be first-time buyers). Whilst dated, a report by Bramley and Wilcox in 2010 (Evaluating requirements for market and affordable housing) noted that around 40% of first-time buyer with a mortgage buy at or below the lower quartile⁶. Other recent data suggests that first time buyers account for around half of home purchase loans⁷ with a total of around 65% of all homes being bought with a loan (35% as cash buyers⁸).

6.95 Bringing this together would point to 32.5% of homes being bought by first-time buyers and around 13% of all homes being a lower quartile home bought by a first-time buyer (32.5% × 40%) – this would point to around half of all lower quartile sales as being to first-time buyers (as half of 25% is 12.5%). Therefore, for the purposes of estimating a ‘need’ half of all lower quartile sales are included in the supply.

6.96 We can therefore now provide three supply estimates which can be considered in the context of the estimated need. These are:

- Only count the supply from affordable home ownership resales (9 per annum);
- Include the supply from affordable home ownership and half of resales of lower quartile homes (158 per annum (149+9)); and

⁶ https://thinkhouse.org.uk/site/assets/files/1614/2010_20nhpau_202.pdf

⁷ <https://www.mortgagesolutions.co.uk/news/2022/01/24/first-time-buyer-numbers-rose-to-nearly-410000-in-2021/#:~:text=First%2Dtime%20buyers%20accounted%20for,39%20per%20cent%20in%202009>

⁸ <https://www.ft.com/content/e0ad2830-094f-4e61-acaa-d77457e2edbb>

- Include the supply from affordable home ownership and all resales of lower quartile homes (307 per annum (299+9)).

6.97 The table below shows the estimated net need from applying these three supply scenarios. Only including the resales of AHO shows a need for 216 dwellings per annum and this reduces to 66 if 50% of lower quartile sales are included. If all lower quartile sales are included in the supply, then there a surplus need for affordable home ownership shown.

Table 6.21 Estimated Net Need for Affordable Home Ownership (per annum)

	AHO resales only	AHO resales plus 50% of LQ sales	AHO resales plus 100% of LQ sales
Total gross need	224	224	224
LCHO supply	9	158	307
Net need	216	66	-83

Source: Derived from a range of sources

6.98 Focussing on the middle of the three scenarios above (50% of lower quartile sales) the table below shows a need for affordable home ownership in both areas, although the 'need' is much lower than for rented products.

Table 6.22 Estimated Need for Affordable Home Ownership by sub-area (per annum)

	Total Gross Need	Supply	Net need
Western Urban	149	104	44
Rest of Borough	76	54	22
TOTAL	224	158	66

Source: Derived from a range of sources

Implication of the Analysis

- 6.99 Given the analysis above, it would be reasonable to conclude that there is a need to provide housing under the definition of ‘affordable home ownership’ – although it is difficult to fully quantify this ‘need’.
- 6.100 Regardless, it does seem that there are many households in Surrey Heath who are being excluded from the owner-occupied sector (although they can afford private rented housing). This can be seen by analysis of tenure change, which saw the number of households living in private rented accommodation increasing by 35% from 2011 to 2021 (following a much higher increase in the 2001-11 period. Over the same period (2001-11 and 2011-21), the number of owners with a mortgage has decreased by around 4%. That said, 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).
- 6.101 On this basis, and as previously noted, it seems likely in the Borough that access to owner-occupation is being restricted by access to capital (e.g. for deposits, stamp duty, legal costs) as well as potentially some mortgage restrictions (e.g. where employment is temporary) rather than simply being due to the cost of housing to buy (although this will be a factor for some households).
- 6.102 The NPPF (last updated in December 2023) gives a clear direction that 10% of all new housing (on larger sites) should be for affordable home ownership (in other words, if 20% of homes were to be affordable then half would be affordable home ownership) and it is now the case that policy compliant planning applications would be expected to deliver a minimum of 25% affordable housing as First Homes (as a proportion of the total affordable housing), with Councils being able to specify the requirement for any remaining affordable housing (subject to at least 10% of all housing being for AHO).

- 6.103 Firstly regarding the 10%, it is not clear that this is the best solution in the Borough. The NPPF does provide some examples of where the 10% might not be required (paragraph 66), most notably that the 10% would be expected unless this would '*significantly prejudice the ability to meet the identified affordable housing needs of specific groups*'. In Surrey Heath, the clear need for additional rented housing would arguably mean that providing the affordable home ownership would 'prejudice the ability' to meet the needs of the 'specific group' requiring rented accommodation.
- 6.104 Regarding the 25% of affordable housing as First Homes, it is not clear whether there is any scope to challenge the 'minimum of 25%', nor what role other tenures of affordable home ownership (such as shared ownership) might play. It is possible that provision of First Homes could squeeze out other forms of LCHO such as shared ownership, although it is likely that there will still be a role for this type of housing given typically lower deposit requirements.
- 6.105 Whilst there are clearly many households in the gap between renting and buying, they in some cases will be able to afford homes below lower quartile housing costs. That said, it is important to recognise that some households will have insufficient savings to be able to afford to buy a home on the open market (particularly in terms of the ability to afford a deposit) and low-cost home ownership homes – and shared ownership homes in particular – will therefore continue to play a role in supporting some households.
- 6.106 The evidence points to a clear and acute need for rented affordable housing for lower income households, and it is important that a supply of rented affordable housing is maintained to meet the needs of this group including those to which the authorities have a statutory housing duty. Such housing is notably cheaper than that available in the open market and can be accessed by many more households (some of whom may be supported by benefit payments).

- 6.107 There may also be a role for AHO on any 100% affordable housing schemes that may come forward (as well as through Section 106). Including a mix of both rented and intermediate homes to buy would make such schemes more viable, as well as enabling a range of tenures and therefore potential client groups to access housing.
- 6.108 In addition, 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. It seems clear that this group of households 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.

How Much Should Affordable Home Ownership Homes Cost?

- 6.109 The analysis and discussion above suggest there are a number of households likely to fall under the PPG definition of needing affordable home ownership (including First Homes) – i.e. in the gap between renting and buying – but that the potential supply of low-cost housing to buy makes it difficult to fully quantify this need. However, given the NPPF, the Council may need to consider some additional homes on larger sites as some form of affordable home ownership (AHO).
- 6.110 The analysis below focusses on the cost of discounted market sale (which would include First Homes) to make them genuinely affordable before moving on to consider shared ownership (in this case suggestions are made about the equity shares likely to be affordable and whether these shares are likely to be offered). It is considered that First Homes and shared ownership are likely to be the main affordable home ownership tenures moving forward although it is accepted that some delivery may be of other products. This section also provides some comments about Rent to Buy housing.

6.111 The reason for the analysis to follow is that it will be important for the Council to ensure that any affordable home ownership is sold at a price that is genuinely affordable for the intended target group – for example there is no point in discounting a new market home by 30% if the price still remains above that for which a reasonable home can already be bought in the open market.

Discounted Market Sales Housing (including First Homes)

6.112 In May 2021, MHCLG published a new Planning Practice Guidance (PPG) regarding First Homes. The key parts of this guidance are set out below:

First Homes are a specific kind of discounted market sale housing and should be considered to meet the definition of ‘affordable housing’ for planning purposes. Specifically, First Homes are discounted market sale units which:

- a) must be discounted by a minimum of 30% against the market value;*
- b) are sold to a person or persons meeting the First Homes eligibility criteria (see below);*
- c) on their first sale, will have a restriction registered on the title at HM Land Registry to ensure this discount (as a percentage of current market value) and certain other restrictions are passed on at each subsequent title transfer; and,*
- d) after the discount has been applied, the first sale must be at a price no higher than £250,000 (or £420,000 in Greater London).*

First Homes are the government’s preferred discounted market tenure and should account for at least 25% of all affordable housing units delivered by developers through planning obligations.

6.113 In terms of eligibility criteria, a purchaser should be a first-time buyer with a combined annual household income not exceeding £80,000 (or £90,000 in Greater London) and a mortgage needs to fund a minimum of 50% of the discounted purchase price. Local authorities can set their own eligibility criteria, which could for example involve lower income caps, a local connection test, or criteria based on employment status. Regarding discounts, a First Home must be sold at least 30% below the open market value. However, local authorities do have the discretion to require a

higher minimum discount of either 40% or 50% (if they can demonstrate a need for this).

6.114 As noted above, 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 the discounted housing is more expensive than that typically available in the open market. This is often the case as new build housing itself attracts a premium. The preferred approach in this report is to set out a series of purchase costs for different sizes of accommodation which ensure these products are affordable for the intended group. These purchase costs are based on current lower quartile rental prices and also consideration of the income required to access the private rented sector and then estimating what property price this level of income might support (assuming a 10% deposit and a 4.5 times mortgage multiple). Below is an example of a calculation based on a 2-bedroom home in Surrey Heath:

- Previous analysis has shown that the lower quartile rent for a 2-bedroom home in Surrey Heath is £925 per month;
- On the basis of a household spending no more than 30% of their income on housing, a household would need an income of around £3,080 per month to afford ($£925/0.3$) or £37,000 per annum; and
- With an income of £37,000, it is estimated that a household could afford to buy a home for around £185,000. This is based on assuming a 10% deposit (mortgage for 90% of value) and a 4.5 times mortgage multiple – calculated as $£37,000 * 4.5 / 0.9$.

6.115 Therefore, £185,000 is a suggested purchase price to make First Homes/discounted home ownership affordable for households in the rent/buy gap in Surrey Heath. This figure is essentially the equivalent price that is affordable to a household who can just afford to rent privately. In reality, there will be a range of incomes in the rent/buy gap and so some households could afford a higher price; however, setting all homes

at a higher price would mean that some households will still be unable to afford.

- 6.116 On this basis, it is considered reasonable to look at the cost of First Homes as a range, from the equivalent private rent figure up to a midpoint of the cost of open market purchase and the relevant private rented figure (for a 2-bedroom home this is £230,000, giving a midpoint of £207,500). The use of a midpoint would mean that only around half of households in the rent/buy gap could afford, and therefore any housing provided at such a cost would need to also be supplemented by an equivalent number at a lower cost (which might include other tenures such as shared ownership).
- 6.117 The table below set out a suggested purchase price for affordable home ownership/First Homes. The table also shows an estimated Open Market Value (OMV) and the level of discount likely to be required to achieve affordability. The OMV is based on taking the estimated lower quartile price by size and adding 15% (which is the typically newbuild premium seen nationally). It should be noted that the discounts are based on the OMV as estimated, in reality the OMV might be quite different for specific schemes and therefore the percentage discount would not be applicable. For example, if the OMV for a 2-bedroom home in Surrey Heath were to actually be £350,000 (rather than the modelled £264,500) then the discount would be up to 47%.
- 6.118 On the basis of the specific assumptions used, the analysis points to a discount of at least 30% being required for all sizes of accommodation. Given there is a cap of £250,000 on the purchase price (and looking at the estimated pricing below), it may be difficult for 3+-bedroom homes to be provided as First Homes.

Table 6.23 Affordable home ownership prices – 2022/23 – Surrey Heath

	LQ rent – equiv. purchase price	Midpoint purchase price	Estimated newbuild OMV	Discount required - midpoint	Discount required – PRS
1-bedroom	£155,000	£160,000	£189,800	16%	18%
2-bedrooms	£185,000	£207,500	£264,500	22%	30%
3-bedrooms	£240,000	£320,000	£460,000	30%	48%
4+-bedrooms	£330,000	£465,000	£690,000	33%	52%

Source: Derived from a range of sources

Key Points in Relation to First Homes

6.119 The paragraphs below seek to answer a series of questions in relation to First Homes. This should help the Council in deciding the appropriate approach, although ultimately there will be choices and decision to be made by the Council that this report can only comment on. Whilst the analysis above has focussed on pricing, the discussion below also draws on this information to consider whether there are any specific local criteria that could be applied or if the existing policy is adequate.

- *Is there a justification for a discount of greater than 30%, if so, what should it be?*

6.120 There is certainly a case to seek a discount in excess of 30% - a higher discount will make homes cheaper and therefore potentially open up additional households as being able to afford. However, providing a higher discount may have an impact on viability, meaning the Council will not be able to provide as many homes in other tenures (such as rented affordable housing which is likely to be needed by those with more acute needs and fewer choices in the housing market). The Council could therefore investigate higher discounts, but it is not recommended to seek a higher figure unless this can be proven to not impact on overall affordable delivery.

- *Is the maximum price of £250K after discount an appropriate maximum sales value?*

6.121 In Surrey Heath the answer to this is certainly, yes. Surrey Heath is a high price area and there is really no scope for this price cap to be lowered (it cannot be increased). As can be seen from previous analysis, a 30% price discount on a 3-bedroom home would still lead to an estimated purchase price of around £322,000, a figure in excess of the cap.

- *Is the national threshold of £80,000 for household income appropriate?*

6.122 Given the conclusions regarding the price cap, and the fact that there is likely to be a link between prices and incomes it seems reasonable that the upper end threshold is maintained. However, the analysis in this report assumes a household could secure a 4.5 times mortgage multiple (and a 10% deposit). Applying these figures to a £250,000 home would actually lead to an income of £50,000, however it is likely that many households with a higher income are currently unable to afford to buy a home and therefore the higher figure is reasonable. Additionally, it is unclear at this stage what size of mortgage or multiple lenders might offer against a First Home.

- *What is the level of need for such products?*

6.123 In some ways, this is a difficult question to answer. The analysis is clear that there are likely to be a number of households whose incomes sit in the range of being able to afford to privately rent, but not being able to buy a home. It can be concluded that as long as First Homes are made available for an affordable price, it is likely there will be a strong demand (although some households in the rent/buy gap may not choose a discounted product given that the discount is held in perpetuity). Alternatively, it is possible that First Homes will see demand from those who can technically afford housing in the existing market – this would not

be meeting a need but would arguably provide some demand for this type of home.

6.124 Regardless of the need/demand, it is not recommended that the Council seek to reduce the amount of social/affordable rented homes by prioritising First Homes. The evidence does not support the Council in seeking more than 25% of affordable housing as First Homes.

- *Should the Council set local eligibility criteria?*

6.125 First Homes are designed to help people to get on the housing ladder in their local area, and in particular to ensure that key workers providing essential services are able to buy homes in the areas where they work. The Council can therefore prioritise key workers for First Homes (for the first three months of marketing), and are encouraged to do so, especially if they have an identified local need for certain professions.

6.126 To ensure First Homes are available to local residents and workers a local connection eligibility criteria could be used. This could be in-line with any criteria within local allocations policy and for example could require potential purchasers to demonstrate that they:

- Live in the Borough (for a period of time (possibly 2-years));
- Work over 16 hours a week in the area, or
- Have a close relative (parent, adult son or daughter or adult sibling) who has lived in the area for a period of time

6.127 Additional preference could be given to essential workers. Annex 2 of the NPPF also includes the needs of essential local workers *'Affordable housing: housing for sale or rent, for those whose needs are not met by the market (including housing that provided a subsidised route to home ownership and/or is for essential local workers' [emphasis added]. Essential local workers are defined as *'Public sector employees who provide frontline services in areas including health, education and**

community safety – such as NHS staff, teachers, police, firefighters and military personnel, social care and childcare workers’.

Shared Ownership

- 6.128 Whilst the Government has a clear focus on First Homes, they also see a continued role for Shared Ownership, launching a ‘New Model for Shared Ownership’ in early 2021 (following a 2020 consultation). This includes a number of proposals, with the main one for the purposes of this assessment being the reduction of the minimum initial share from 25% to 10%. A key advantage of shared ownership over other tenures is that a lower deposit is likely to be required than for full or discounted purchase. Additionally, the rental part of the cost will be subsidised by a Registered Provider which keeps monthly outgoings down.
- 6.129 For the purposes of the analysis in this report it is considered that for shared ownership to be affordable, total outgoings should not exceed that needed to rent privately.
- 6.130 Because shared ownership is based on buying part of a property, it is the case that the sale will need to be at open market value. Where there is a large gap between the typical incomes required to buy or rent, it may be the case that lower equity shares are needed for homes to be affordable (at the level of renting privately). The analysis below therefore seeks to estimate the typical equity share that might be affordable for different sizes of property with any share lower than 10% likely to be unavailable. The key assumptions used in the analysis are:
- Open Market Value at Lower Quartile price plus 15% (reflecting likelihood that newbuild homes will have a premium attached and that they may well be priced above a Lower Quartile level) – it should be noted that this is an assumption for modelling purposes and consideration will need to be given to the OMV of any specific product;

- 10% deposit on the equity share;
- Rent at 2.75% pa on unsold equity;
- Repayment mortgage over 25-years at 4% (this is based on typical longer-term interest rates and it is noted at the time of writing that such a figure is unlikely to be achieved);
- Service charge of £100 per month for flatted development (assumed to be 1- and 2-bedroom homes); and
- It is also assumed that shared ownership would be priced for households towards the bottom end of the rent/buy gap and so the calculations assume that total outgoings should be no higher than the equivalent private rent (lower quartile) cost for that size of property.

6.131 The tables below show that to make shared ownership affordable, equity shares in the region of 35% could work for 2-bedroom homes with potentially much higher shares for 1-bedroom and figures closer to 10% for 3+-bedrooms. Where such shares cannot be achieved the Council could consider additional affordable rental accommodation instead.

6.132 As with conclusions on First Homes, it should also be noted that the analysis below is predicated on a particular set of assumptions (notably about likely Open Market Value). In reality costs do vary across the area and will vary from site to site. Therefore, this analysis should be seen as indicative with specific schemes being tested individually to determine if the product being offered is genuinely (or reasonably) affordable.

Table 6.24 Estimated Affordable Equity Share by Size – Surrey

Heath

	1- bedroom	2- bedrooms	3- bedrooms	4- bedrooms
Open Market Value	£189,800	£264,500	£460,000	£690,000
Share	51%	34%	13%	4%
Equity Bought	£97,500	£88,900	£59,300	£27,900
Mortgage Needed	£87,800	£80,000	£53,400	£25,200
Monthly Cost of Mortgage	£463	£422	£282	£133
Retained Equity	£92,200	£175,600	£400,700	£662,100
Monthly Rent on Retained Equity	£211	£402	£918	£1,517
Service Charge per month	£100	£100	£0	£0
Total Cost per month	£775	£925	£1,200	£1,650

Source: Data based on Housing Market Cost Analysis

6.133 In policy terms, whilst the analysis has provided an indication of the equity shares possibly required by size, the key figure is actually the total cost per month (and how this compares with the costs to access private rented housing). For example, whilst the table suggests a 34% equity share for a 2-bedroom home, this is based on a specific set of assumptions. Were a scheme to come forward with a 34% share, but a total cost in excess of £925 per month, then it would be clear that a lower share is likely to be required to make the home genuinely affordable. Hence the actual share can only be calculated on a scheme-by-scheme basis. Any policy position should seek to ensure that outgoings are no more than can reasonably be achieved in the private rented sector, rather than seeking a specific equity share.

Rent to Buy

6.134 A further affordable option is Rent to Buy; this is a Government scheme designed to ease the transition from renting to buying the same home. Initially (typically for five years) the newly built home will be provided at

the equivalent of an affordable rent (approximately 20% below the market rate). The expectation is that the discount provided in that first five years is saved in order to put towards a deposit on the purchase of the same property. Rent to Buy can be advantageous for some households as it allows for a smaller 'step' to be taken on to the home ownership ladder.

6.135 At the end of the five-year period, depending on the scheme, the property is either sold as a shared ownership product or to be purchased outright as a full market property. If the occupant is not able to do either of these then the property is vacated.

6.136 In order to access this tenure it effectively requires the same income threshold for the initial phase as a market rental property although the cost of accommodation will be that of affordable rent. The lower-than-market rent will allow the household to save for a deposit for the eventual shared ownership or market property. In considering the affordability of rent-to-buy schemes there is a direct read across to the income required to access affordable home ownership (including shared ownership). It should therefore be treated as part of the affordable home ownership products suggested by the NPPF.

Summary

- Analysis has been undertaken to estimate the annual need for affordable housing. The analysis is split between a need for social/affordable rented accommodation (based on households unable to buy or rent in the market) and the need for affordable home ownership (AHO) – this includes housing for those who can afford to rent privately but cannot afford to buy a home.
- The analysis has taken account of local housing costs (to both buy and rent) along with estimates of household income. Additionally, when looking at rented needs, consideration is given to estimates of the supply of social/affordable rented housing. For AHO, consideration is given to the potential supply of resales of low-cost home ownership properties (such as shared ownership) and lower quartile sales of existing homes.

- When looking at needs from households unable to buy OR rent, the analysis suggests a need for 184 affordable homes per annum across the Borough, with a need shown in both sub-areas.
- Despite the level of need, it is not considered that this points to any requirement for the Council to increase the Local Plan housing requirement due to affordable needs. The link between affordable need and overall need (of all tenures) is complex and in trying to make a link it must be remembered that many of those picked up as having an affordable need are already in housing (and therefore do not generate a net additional need for a home). That said, the level of affordable need does suggest the Council should maximise the delivery of such housing at every opportunity.
- The analysis suggests there will be a need for both social and affordable rented housing – the latter will be suitable particularly for households who are close to being able to afford to rent privately and possibly also for some households who claim full Housing Benefit. It is however clear that social rents are more affordable and could benefit a wider range of households – social rents could therefore be prioritised where delivery does not prejudice the overall delivery of affordable homes.
- When looking at AHO products, the analysis is less conclusive about the scale of the need, although it is certainly much lower than the need for rented affordable housing. The evidence does suggest that there are many households in Surrey Heath who are being excluded from the owner-occupied sector (as evidenced by increases in the size of the private rented sector). It is likely that a key issue in the Borough is about access to capital (e.g. for deposits, stamp duty, legal costs) as well as potentially mortgage restrictions (e.g. where employment is temporary) rather than simply the cost of housing to buy (although this will be an important factor for many households).
- The study also considers different types of AHO (notably First Homes and shared ownership) as each will have a role to play – shared ownership is likely to be suitable for households with more marginal affordability (those only just able to afford to privately rent) as it has the advantage of a lower deposit and subsidised rent.
- However, given the cost of housing locally, it may be difficult for some affordable home ownership products to be provided and be considered as ‘genuinely affordable’. This again points to the need for the Council to prioritise delivery of rented affordable housing where possible.
- In deciding what types of affordable housing to provide, including a split between rented and home ownership products, the Council

will need to consider the relative levels of need and also viability issues (recognising for example that providing AHO may be more viable and may therefore allow more units to be delivered, but at the same time noting that households with a need for rented housing are likely to have more acute needs and fewer housing options).

7. Private Rental Sector

- 7.1 This section considers the Private Rental Sector and within it the build to rent sub-sector. These market segments are an important consideration as they represent a sector which is increasingly meeting housing demand.

Size of the PRS Market

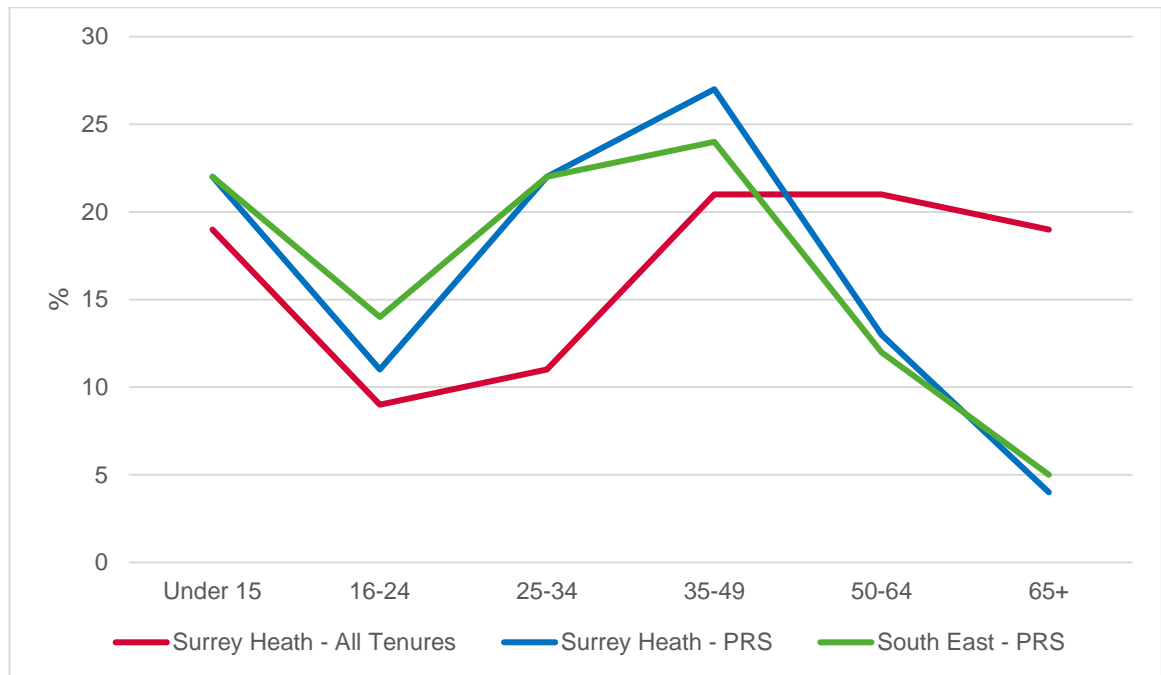
- 7.2 The private rental sector (PRS) has been the key growth sector in the housing market for the last 15 years and now makes up just over 20% of all UK households. Since 2011, the private rented sector has been the second largest housing tenure in England behind owner-occupation, overtaking social housing.
- 7.3 There has been a reported short-term contraction in the PRS, however the scale of that contraction is still unknown. At a national level it is reported⁹ that up to 400,000 rental homes have been lost since 2016.
- 7.4 The reason landlords are selling their property is a combination of increased interest rates and the planned introduction of the Renters (Reform) Act. The contraction in supply with no let-up in demand has resulted in strong rental growth which is giving rise to affordability issues.
- 7.5 In the context of the private rental sector's growth over the last 20 years and a national housing shortage, successive Governments have looked to the private rental sector to play a greater role in providing new build

⁹ <https://www.cbre.co.uk/insights/articles/why-are-landlords-leaving-the-rental-market>

housing and have sought to encourage “Build to Rent” development and to a lesser degree “Co-Living” development schemes.

- 7.6 As set out in Section 3 of this report, in Surrey Heath, 15.4% of the housing stock in 2021 was in the private rented sector which is some way behind the South East with 19.2% and England with 20.5%.
- 7.7 While the sector is not as significant in Surrey Heath as elsewhere it clearly plays a major and growing role in the market having increased by 3.3% points since 2011.
- 7.8 As is shown in the figure below, the age of those renting at the point of the 2021 Census in Surrey was significantly comprised of those aged 35 to 49. The tenure has a relatively high percentage of 35-49 year olds when compared with all tenures in Surrey Heath and the South East.
- 7.9 In comparison to the rest of the South East there are fewer people aged 16-24 in the PRS. This may be due to the fact that there is no university in the Borough.
- 7.10 The most significant difference was in the 25-34 age bracket, where Surrey Heath had a significantly higher proportion of private renters compared with across all tenures in Surrey Heath. This reflects the unaffordability of housing to buy, particularly for younger people.

Figure 7.1: Age Profile of Private Rented Sector Tenants, Surrey Heath



Source: 2021 Census

7.11 Turning to household composition, the Table below profiles those living in the private rented sector in Surrey Heath set against wider comparators.

Table 7.1 Household Composition of Private Renters in Surrey Heath

Composition	Surrey Heath		South East	England
	No.	%	%	%
One-person household: Aged 66 years and over	4408	12%	13%	13%
One Person Household: Other age groups	4659	13%	15%	17%
Single family household: All aged 66 years and over	3987	11%	10%	9%
Single family household: Married or civil partnership couple: No children	4230	12%	11%	10%
Single family household: Married or civil partnership couple: Dependent children	7083	20%	16%	14%
Single family household: Married or civil partnership couple: All children non-dependent	2531	7%	6%	6%
Single family household: Cohabiting couple family: No children	2069	6%	6%	6%
Single family household: Cohabiting couple family: With dependent children	1355	4%	4%	4%
Single family household: Cohabiting couple family: All children non-dependent	223	1%	1%	1%
Single family household: Lone parent family: With dependent children	1811	5%	6%	7%
Single family household: Lone parent family: All children non-dependent	1270	4%	4%	4%
Single family household: Other single family household: Other family composition	162	0%	1%	1%
Other household types: With dependent children	928	3%	2%	3%
Other household types: Other, including all full-time students and all aged 66 years and over	1293	4%	4%	4%
Total Households	36,009			

Source: Census 2021

7.12 The analysis shows that broadly the composition of private renters in Surrey Heath is comparable to the South East and England averages.

- 7.13 Surrey Heath has a lower composition of one person households under 65 (13%) when compared with the South East and England, which were composed of 15% and 17% respectively.
- 7.14 Conversely, Surrey Heath has a notably higher proportion of single family households with dependent children at 20%, compared to 16% for South East and 14% nationally.
- 7.15 The largest household group in Surrey Heath living in the PRS is single family households with children, accounting for a fifth (20%) of all households.
- 7.16 The largest disparity in private rental composition is in the “One-person household: Other” category, with Surrey Heath being composed of 13% of this type of renters, and the South East and England being composed of 15% and 17% respectively making it the largest sector nationally.

Rental Market Statistics

- 7.17 Median Private rents in Surrey Heath for all property sizes (£1,100 -per calendar month are above both the South East (£998), and England median for all sizes (£825). Although these figures do not pick up the continuing trends in rental growth since March.
- 7.18 This also represents a notable increase from the previous results from the year to September 2022 (29%). There were also far fewer transactions in the latter period. (950 as opposed to 1,260)

Table 7.2 Monthly Median Rents vs Wider Comparators, October 2021 to March 2023

	Surrey Heath Count	Surrey Heath Rent	South East	England
Room	10	£598	£525	£460
Studio*	10	£650	£650	£625
1-bed	210	£850	£800	£725
2-bed	390	£1,050	£1,000	£800
3-bed	220	£1,391	£1,250	£900
4+ bed	120	£1,985	£1,800	£1,500
All Lettings	950	£1,100	£998	£825

Source: Iceni analysis of ONS Private Rental Market Statistics (studio rent from Sept 22 as none were recorded in March 2023 data).

- 7.19 The most common size of property let have 2 bedrooms followed by 3 bedroom properties – with monthly rents 68% higher than the national average for 2 bed properties, and 32% above the national average for 3 bedroom properties. In the context of a Build to Rent products, the rental values are slightly above average for the region.
- 7.20 Median rents have increased by 19% over the last eight years. There has been a particular growth in the cost of studio properties (33%) and room rents (22%).
- 7.21 This reflects the lack of availability of homes for single people on a low income in the Borough. This also partly explains why over half of households on the Council’s Housing Register are either single people or couples.

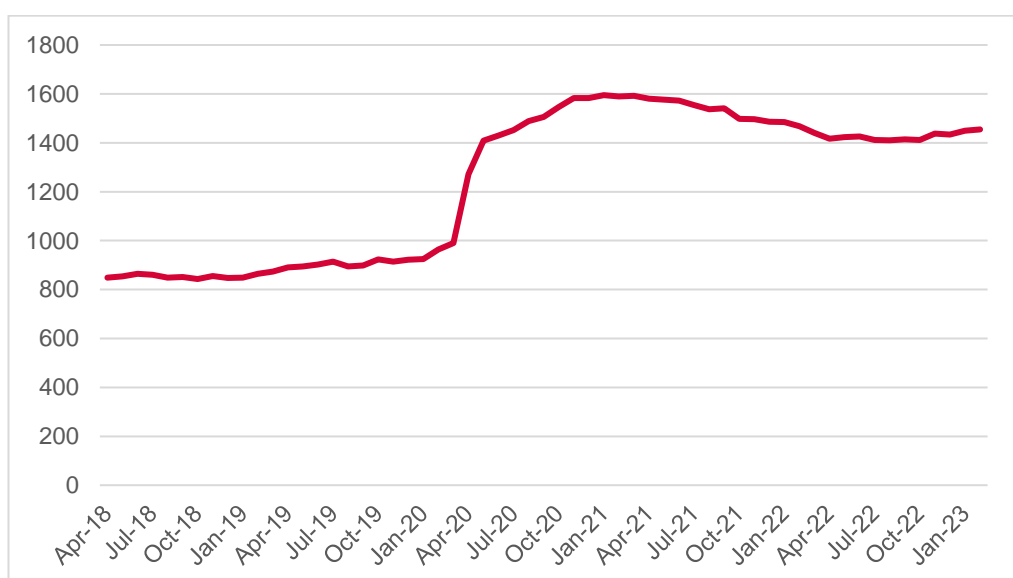
Table 7.3 Rental Growth in Surrey Heath, 2015 – 2023

	2015	2023	Change	% Change
Room	£465	£598	£133	22%
Studio	£438	£650	£212	33%
1-bed	£725	£850	£125	15%
2-bed	£895	£1,050	£155	15%
3-bed	£1,150	£1,391	£241	17%
4+ bed	£1,800	£1,985	£185	9%
All Lettings	£895	£1,100	£205	19%

Source: Iceni analysis of ONS Private Rental Market Statistics

Benefit Claimants

7.22 The private rented sector also has an important role in providing affordable housing through tenants claiming Housing Benefit or Universal Credit (with housing element). There are currently 1,455 households in the borough claiming either of these benefits.

Figure 7.2 - Housing Benefit claimants (2018 – 2023)

Source: Iceni analysis of DWP Stat-Xplore

7.23 Since 2018, the number of claimants has increased significantly. This is primarily due to a large increase of new claimants caused by the first COVID-19 lockdown. Since May 2020 the number of claimants has

steadily risen and has not fallen below 1,400, where previously it fell between 800 and 1000.

- 7.24 The continuation of raised levels of claimants indicates that Surrey Heath's economy and employment structure have still not fully recovered from the effects of the pandemic and that those on low incomes are continuing to need to claim some benefits to maintain accommodation.
- 7.25 A further complication is that while market rents have risen significantly Local Housing Allowance have not. At present these rates are frozen at the 30th Percentile Rent levels seen in 2020 and will continue to be frozen until April 2024 when they will be pegged to 30th Percentile Rents seen at that time.
- 7.26 This puts a severe strain on the finances of those households who rent privately with the assistance of benefits and whose landlord has increased rents. The result of which is likely to be many more evictions and homelessness cases for the Council.
- 7.27 It also makes it difficult for the Council to place people locally at these rates and as a consequence the households are being relocated out of the borough to more affordable locations such as Rushmoor.

Engagement with Local Agents

- 7.28 Targeted telephone engagement with local estate and letting agents took place in June 2023. The following section collates these views although it should be caveated that not all views were universally held, and that they must be regarded as anecdotal. As such they may contradict each other and data presented elsewhere in this report.
- 7.29 The agents spoken to were:
- Belvoir Estate & Lettings Agent, Camberley

- Knights Property Services - Camberley
- Prospect Estate Agents & Letting Agents, Camberley
- Seymours Estate Agents, Camberley

7.30 All agents indicated that the rental market is currently very busy, and that the availability for rental properties does not meet the high demand.

7.31 Broadly the agents indicated that the rental market was most popular with existing residents of Surrey Heath, with a notable number of renters moving from London and other locations in the south of England due to relocating for employment.

7.32 Agents suggested that all property types and sizes were currently in high demand, however 2- and 3-bedroom properties are particularly in high demand. These properties particularly suit couples who are moving into their first property together, and smaller families looking to move into a property with more space.

7.33 It was noted by agents that family-sized rental properties are not in high demand comparatively, however, there is a gap in the market for meeting the interest. It was suggested that the key gap in the rental market was for 2 and 3 bed room properties, as these are the most popular in the Borough.

7.34 Locations that were considered most popular with renters included Frimley and Camberley. It was suggested these locations are popular due to having a reputation for good schools, transport links, and access to amenities.

7.35 Agents suggested that tenants are renting longer on average due to market uncertainty, with residents opting to stay in their current rental properties due to a perception of significantly increasing rental prices.

- 7.36 The typical length of tenancy was suggested to be 12 months, however, it is common for renters to renew their contracts. The commonality of renters renewing their contracts was due to a perception that moving into new rental property would result in a significant rise in rent compared with renewing their current tenancy.
- 7.37 Nevertheless, all agents agreed that there is a general lack of available properties across the market, which is something build to rent may be able to address.

Build to Rent: The Policy Context

- 7.38 In respect of Build to Rent, the Housing White Paper (February 2017) was clear in 2017 that the Government wanted to build on earlier initiatives to attract new investment into large-scale scale housing which is purpose-built for market rent (i.e., Build to Rent).
- 7.39 At that time, the Government set out that this would drive up overall housing supply, increase choice and standards for people living in privately rented homes and provide more stable rented accommodation for families – particularly as access to ownership has become more challenging.
- 7.40 This was realised through the publication of the revised Framework (initially published in February 2019 by most recently updated in December 2023) which recognises the emergence of the strength of the private rented sector. The Framework (paragraph 63) says the size, type and tenure of housing needed for different groups in the community should be assessed and reflected in planning policies including those people who rent their homes (as separate from those in affordable housing need).
- 7.41 The Framework’s glossary also introduces a definition for Build to Rent development, thus recognising it as a sector:

“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”.

7.42 It represents development which is constructed with the intention that it will be let rather than sold.

Benefits of Build to Rent

7.43 The benefits of Build to Rent are strong and are best summarised in the Government’s A Build to Rent Guide for Local Authorities which was published in March 2015. The Guide notes the benefits are wide ranging but can include:

- Helping local authorities to meet demand for private rented housing whilst increasing tenants’ choice “as generally speaking tenants only have the option to rent from a small-scale landlord”.
- Retaining tenants for longer and maximising occupancy levels as Build to Rent investment is an income focused business model;
- Helping to increase housing supply, particularly on large, multiple phased sites as it can be built alongside build for sale and affordable housing; and
- Utilising good design and high-quality construction methods which are often key components of the Build to Rent model.

7.44 This Build to Rent Guide provides a helpful overview of the role that Build to Rent is intended to play in the housing market, offering opportunities for those who wish to rent privately (i.e. young professionals) and for those on lower incomes who are unable to afford their own home.

- 7.45 Over recent years there has been a rapid growth in the Build to Rent sector backed by domestic and overseas institutional investment. Turning to the present and the latest market insight on Build to Rent as it begins to mature and strengthen as a development sector, the Savills UK Build to Rent Market Update¹⁰ for Q1 2023 states that the market now had 82,500 completed units, 49,500 under construction and 119,300 in the development pipeline, a total of 251,200 units.
- 7.46 The report notes that the number of build to rent homes under construction has grown by nearly a third in the past 24 months, and construction now covers 25% of local authorities.

The Profile of Tenants

- 7.47 The British Property Federation (“BPF”), London First and UK Apartment Association (“UKAA”) recently published (November 2022) a report¹¹ profiling those who live in Build to Rent accommodation in England.
- 7.48 Around 40% of residents were aged between 25 and 34 compared, which is broadly similar to the in the wider private rented sector market.
- 7.49 The survey based data identified that incomes are similar to those in private rented sector accommodation with 18% earning between £26,000 and £32,000, and 23% earning between £32,000 and £44,000. Typically, Build to Rent residents spend between 28% and 33% of their income on accommodation.
- 7.50 The report noted that Build to Rent has comparable levels of affordability but is notably more affordable for couples and sharers. This is perhaps

¹⁰ https://www.savills.co.uk/research_articles/229130/347183-0

¹¹ <https://bpf.org.uk/our-work/research-and-briefings/who-lives-in-build-to-rent-2022/>

reflected in the higher incidence of these household types within the Build to Rent sector.

- 7.51 The report also identified a broadly similar balance of people working in the public and private sectors with 17% of residents employed in the public sector living in Build to Rent accommodation compared with 19% in the private rented sector.

The Existing Provision

- 7.52 It is our understanding that there has been limited activity in the way of existing or forthcoming Build to Rent development in the Borough. The Council do handle planning applications for private rented housing; however, to date there is only one operational unit in the Borough. The “Magna Vita” build to rent development¹² was completed in 2019 and comprises 91 units.

The Recommended Policy Response

- 7.53 The PPG on Build to Rent recognises that where a need is identified that local planning authorities should include a specific plan policy relating to the promotion and accommodation of Build to Rent. On the basis of our analysis of the size and nature of the private rented sector in the Borough alongside the rental values being achieved, there is indication that some demand for rental properties in the Borough could be met through the uptake of build to rent development.
- 7.54 It is clear that the PRS is growing, and rental values are increasing, which means there is potential for a Build to Rent product in the Borough, especially in areas which are supported by strong public transport connections such as Camberley and Frimley.

¹² Also known as Absolute House in Lyon Way, Frimley which is a converted office building

- 7.55 In preparing a new Local Plan, the Council could therefore include a policy on Build-to-Rent development in order to set out parameters regarding how schemes would be considered with the expectation that there is likely to be some activity moving forward – and this policy should also deal with how affordable housing policies would be applied.
- 7.56 The Framework’s definition of Build-to-Rent development sets out that schemes will usually offer tenancy agreements of three or more years and will typically be professionally managed stock in single ownership and management control.
- 7.57 Given that the sector is still evolving, we would recommend that the Council is not overly prescriptive on the mix of dwelling sizes within new Build to Rent development.
- 7.58 The Council will also need to consider affordable housing policies specifically for the Build-to-Rent sector. The viability of Build to Rent development will however differ from that of a typical mixed tenure development in the sense that returns from the Build to Rent development are phased over time whereas for a typical mixed tenure scheme, capital receipts are generated as the units are completed.
- 7.59 If an affordable housing contribution is possible then the Council will need to consider how affordable private rental tenancies are allocated to ensure they are meeting local need. This will involve the housing team working with developers/managers to manage the process including agreement on tenancy length and management costs etc.
- 7.60 One approach would be to consider the options set out in the GLA’s Affordable Housing and Viability Supplementary Planning Guidance¹³ (2017). This includes level of discount, eligibility criteria, design, viability

¹³ https://www.london.gov.uk/sites/default/files/ah_viability_spg_20170816.pdf

and clawback, ensuring the units are affordable in perpetuity, management standards and circumstances when a payment in-lieu would be considered.

7.61 In general terms, it is expected that a proportion of Build to Rent units will be delivered as 'Affordable Private Rent' housing. Planning Practice Guidance¹⁴ states that:

“The National Planning Policy Framework states that affordable housing on build to rent schemes should be provided by default in the form of affordable private rent, a class of affordable housing specifically designed for build to rent. Affordable private rent and private market rent units within a development should be managed collectively by a single build to rent landlord.

20% is generally a suitable benchmark for the level of affordable private rent homes to be provided (and maintained in perpetuity) in any build to rent scheme. If local authorities wish to set a different proportion, they should justify this using the evidence emerging from their local housing need assessment, and set the policy out in their local plan. Similarly, the guidance on viability permits developers, in exception, the opportunity to make a case seeking to differ from this benchmark.

National affordable housing policy also requires a minimum rent discount of 20% for affordable private rent homes relative to local market rents. The discount should be calculated when a discounted home is rented out, or when the tenancy is renewed. The rent on the discounted homes should increase on the same basis as rent

¹⁴ ID: 60-002-20180913

increases for longer-term (market) tenancies within the development”.

Private Rented Sector and Build to Rent: Summary

- The private rented sector has been the key growth sector in the housing market for the last 15 years and now makes up just over 20% of all UK households.
- In the Borough, the private rented sector is relatively small in comparison to the wider region and country but at 15.4% of all households in 2021 it does still comprise a significant proportion of the market.
- Median Private rents in Surrey Heath for all property sizes (£850 - per calendar month are below the South East (£995), and above the median in England for all sizes (£793).
- Local agents suggest there is a notable lack of supply within the PRS which is pushing up rents. They have grown by 14% since 2015.
- On the basis of our analysis of the size and nature of the private rented sector in the Borough, there is indication that the high demand for rental properties in the Borough could be met through build to rent development.
- In preparing a new Local Plan, the Council should include a policy on Build-to-Rent development in order to set out parameters regarding how schemes would be considered with the expectation that there is likely to be some activity moving forward – and this policy should also deal with how affordable housing policies would be applied.

8. Housing Mix

Introduction

- 8.1 This section considers the appropriate mix of housing across Surrey Heath, with a particular focus on the sizes of homes required in different tenure groups. This section looks at a range of statistics in relation to families (generally described as households with dependent children) before moving on to look at how the number of households in different age groups are projected to change moving forward.

Background Data

- 8.2 The number of families in Surrey Heath (defined for the purpose of this assessment as any household which contains at least one dependent child) totalled 11,200 as of the 2021 Census, accounting for 31% of households; this proportion is slightly higher than that seen across the region and nationally, but is similar to the figure for Surrey. Compared with the region and England, Surrey Heath sees a higher proportion of married couple households (with dependent children) and a low proportion of lone parents.

Table 8.1 Households with dependent children (2021)

	Surrey Heath		Surrey	South East	England
	No.	%	%	%	%
Married couple	7,083	19.7%	19.8%	16.3%	14.4%
Cohabiting couple	1,355	3.8%	3.7%	4.4%	4.5%
Lone parent	1,811	5.0%	5.2%	6.0%	6.9%
Other households	928	2.6%	2.3%	2.5%	2.7%
All other households	24,832	69.0%	68.9%	70.9%	71.5%
Total	36,009	100%	100%	100%	100%
Total with dependent children	11,177	31.0%	31.1%	29.1%	28.5%

Source: Census (2021)

- 8.3 The table below shows the same information for each of the sub-areas. Both areas have a similar proportion of households with dependent children, but it can be observed that the proportion of married couples is slightly higher in the Rest of Borough, with Western Urban seeing slightly higher proportions in other groups (including lone parents).

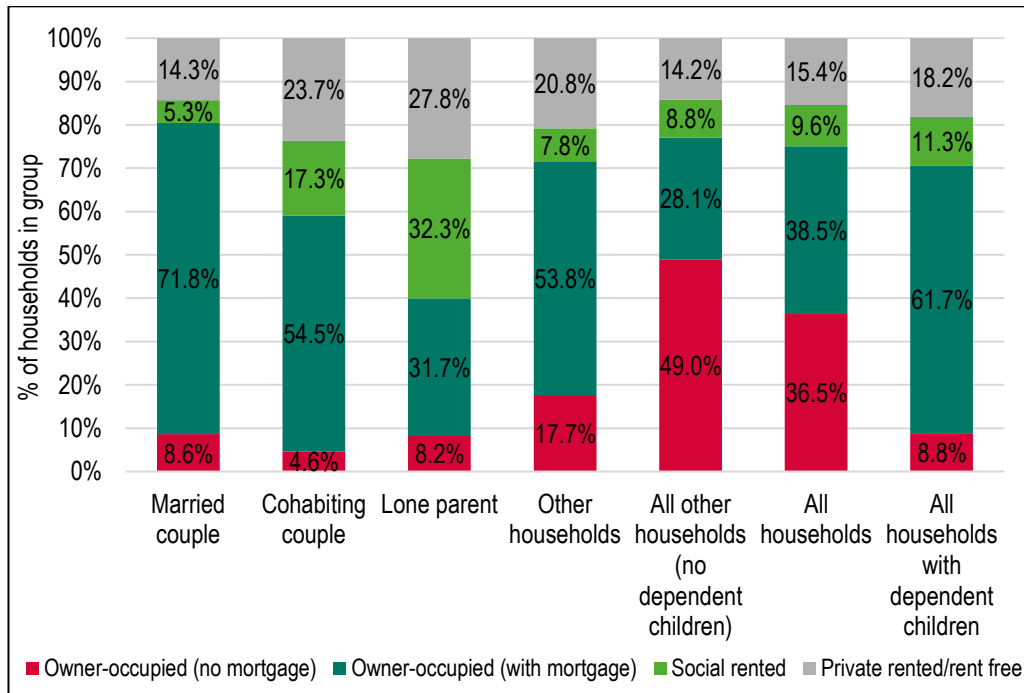
Table 8.2 Households with dependent children (2021)

	Western Urban		Rest of Borough	
	No.	%	No.	%
Married couple	4,529	19.3%	2,555	20.4%
Cohabiting couple	911	3.9%	445	3.6%
Lone parent	1,207	5.1%	606	4.8%
Other households	684	2.9%	243	1.9%
All other households	16,170	68.8%	8,660	69.2%
Total	23,501	100.0%	12,509	100.0%
Total with dependent children	7,331	31.2%	3,849	30.8%

Source: Census (2021)

- 8.4 The figure below shows the current tenure of households with dependent children. There are some considerable differences by household type with lone parents having a very high proportion living in the social rented sector and also in private rented accommodation. In Surrey Heath, only 40% of lone parent households are owner-occupiers compared with 80% of married couples with children.

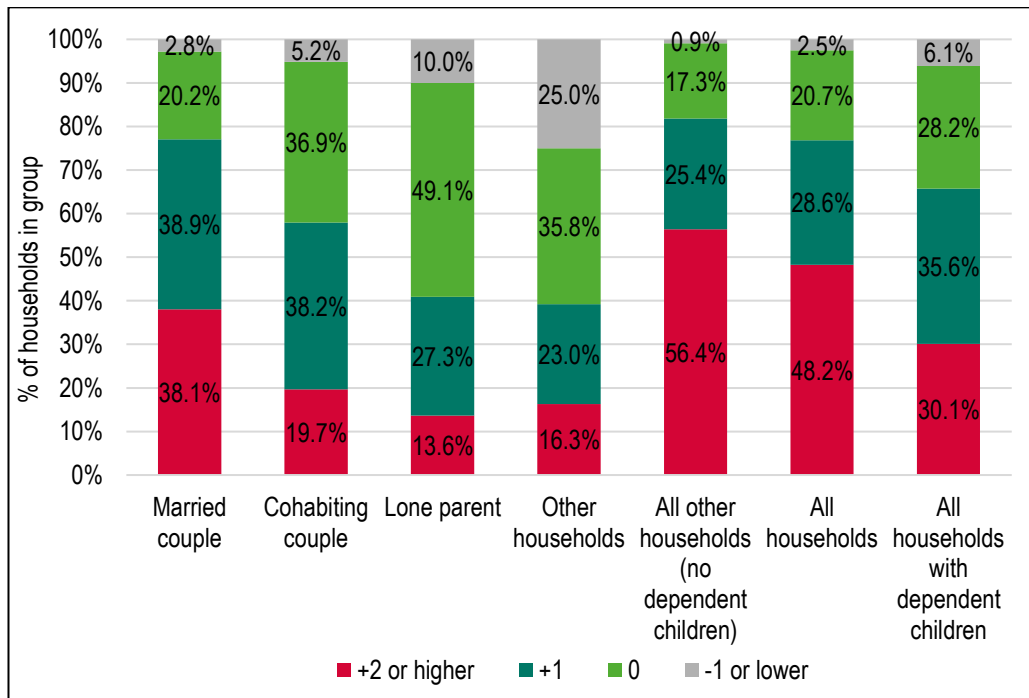
Figure 8.1: Tenure of households with dependent children (2021) – Surrey Heath



Source: Census (2021)

8.5 The figure below shows levels of overcrowding and under-occupancy of households with dependent children. This shows higher levels of overcrowding for all household types with dependent children with 10% of all lone parents and 25% of ‘other’ households being overcrowded. Overall, some 6% of households with dependent children are overcrowded, compared with 0.9% of other. Levels of under-occupancy are also notably lower in households with dependent children.

Figure 8.2: Occupancy rating of households with dependent children (2021) – Surrey Heath



Source: Census (2021)

The Mix of Housing

8.6 A model has been developed that starts with the current profile of housing in terms of size (bedrooms) and tenure. Within the data, information is available about the age of households and the typical sizes of homes they occupy. By using demographic projections linked to the local housing need calculated though the standard method, it is possible to see which age groups are expected to change in number, and by how much.

8.7 On the assumption that occupancy patterns for each age group (within each tenure) remain the same, it is therefore possible to assess the profile of housing needed over the assessment period (taken to be 2021-40 to be consistent with demographic projections developed in this report).

8.8 An important starting point is to understand the current balance of housing in the area – the table below profiles the sizes of homes in different tenure groups across areas. The data shows a market stock (owner-occupied) that is dominated by 3+-bedroom homes (making up 83% of the total in this tenure group, a higher proportion to that seen in other areas). The profile of the social rented sector is broadly similar across areas as is the private rented sector. Observations about the current mix feed into conclusions about future mix later in this section.

Table 8.3 Number of Bedrooms by Tenure, 2021

		Surrey Heath	Surrey	South East	England
Owner-occupied	1-bedroom	4%	5%	4%	4%
	2-bedrooms	14%	18%	19%	19%
	3-bedrooms	35%	36%	41%	45%
	4+-bedrooms	48%	42%	36%	32%
	Total	100%	100%	100%	100%
	Ave. no. beds	3.27	3.14	3.08	3.06
Social rented	1-bedroom	31%	36%	31%	29%
	2-bedrooms	31%	31%	35%	36%
	3-bedrooms	34%	30%	31%	31%
	4+-bedrooms	3%	4%	4%	4%
	Total	100%	100%	100%	100%
	Ave. no. beds	2.09	2.01	2.08	2.10
Private rented	1-bedroom	19%	24%	24%	21%
	2-bedrooms	36%	39%	38%	39%
	3-bedrooms	29%	23%	27%	29%
	4+-bedrooms	16%	14%	12%	11%
	Total	100%	100%	100%	100%
	Ave. no. beds	2.42	2.28	2.27	2.30

Source: Census (2021)

Overview of Methodology

- 8.9 The method to consider future housing mix looks at the ages of the Household Reference Persons and how these are projected to change over time. The sub-sections to follow describe some of the key analysis.

Understanding How Households Occupy Homes

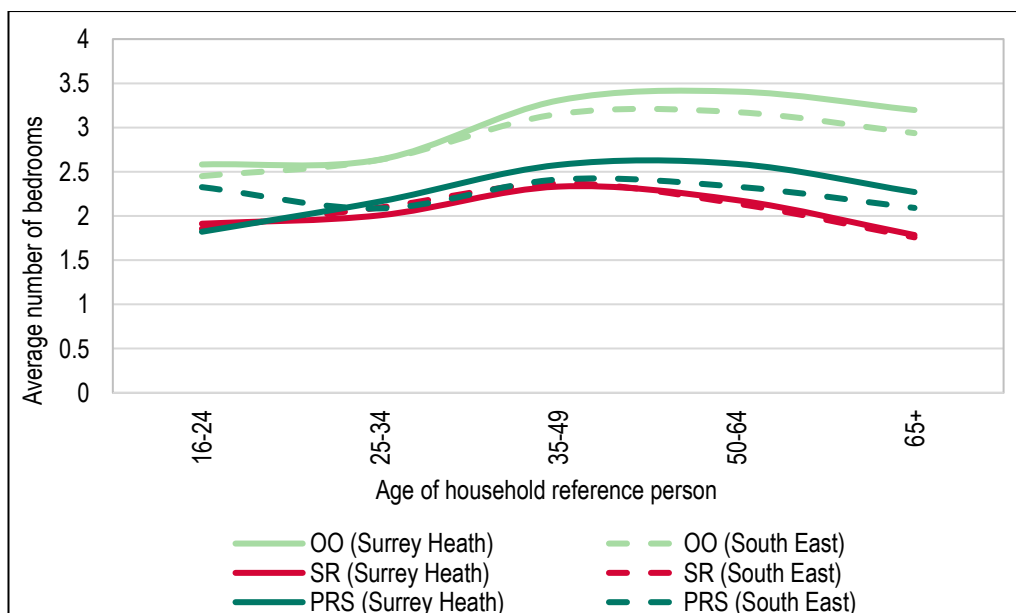
- 8.10 Whilst the demographic projections provide a good indication of how the population and household structure will develop, it is not a simple task to convert the net increase in the number of households into a suggested profile for additional housing to be provided. The main reason for this is that in the market sector, households are able to 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.
- 8.11 The size of housing which households occupy relates more to their wealth and age than the number of people they contain. For example, there is no reason why a single person cannot buy (or choose to live in) a 4-bedroom home as long as they can afford it, and hence projecting an increase in single person households does not automatically translate into a need for smaller units.
- 8.12 That said, issues of supply can also impact occupancy patterns, for example it may be that a supply of additional smaller level access homes would encourage older people to downsize but in the absence of such accommodation these households remain living in their larger accommodation.
- 8.13 The issue of choice is less relevant in the affordable sector (particularly since the introduction of the social sector size criteria) where households are allocated properties which reflect the size of the household, although there will still be some level of under-occupation moving forward with

regard to older person and working households who may be able to under-occupy housing (e.g. those who can afford to pay the spare room subsidy ('bedroom tax')).

8.14 The approach used is to interrogate information derived in the projections about the number of household reference persons (HRPs) in each age group and apply this to the profile of housing within these groups (data being drawn from the 2021 Census).

8.15 The figure below show an estimate of how the average number of bedrooms varies by different ages of HRP and broad tenure group for Surrey Heath and the South East region. In all sectors the average size of accommodation rises over time to typically reach a peak around the age of 50. After peaking, the average dwelling size decreases – as typically some households downsize as they get older. The analysis identifies some differences between Surrey Heath and the region with dwellings in Surrey heath typically being larger for older age groups, although the general pattern of average dwelling sizes by age of HRP are similar in both areas.

Figure 8.3: Average Bedrooms by Age and Tenure in Surrey Heath



Source: Census (2021)

8.16 The analysis uses the existing occupancy patterns at a local level as a start point for analysis and applies these to the projected changes in Household Reference Person by age discussed below. The analysis has been used to derive outputs for three broad categories. These are:

- **Market Housing** – which is taken to follow the occupancy profiles in the owner-occupied sector;
- **Affordable Home Ownership** – which is taken to follow the occupancy profile in the private rented sector (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 or potentially to move to home ownership rather than privately renting in the case of newly-forming households); and
- **Rented Affordable Housing** – which is taken to follow the occupancy profile in the social rented sector. The affordable sector in the analysis to follow would include social and affordable rented housing.

Changes to Households by Age

8.17 The tables below present the projected change in households by age of household reference person, this shows growth as being expected in many age groups and in particular older age groups. The number of households headed by someone aged 50-64 is projected to see a decline over the period studied.

Table 8.4 Projected Change in Household by Age of HRP in Surrey Heath (linked to Standard Method)

	2021	2040	Change in Households	% Change
Under 25	425	489	64	15.1%
25-34	3,185	3,968	783	24.6%
35-49	9,666	10,051	384	4.0%
50-64	11,452	11,146	-305	-2.7%
65-74	4,999	6,468	1,468	29.4%
75-84	4,410	6,435	2,025	45.9%
85+	1,972	3,474	1,502	76.2%
TOTAL	36,109	42,030	5,921	16.4%

Source: Demographic Projections

Initial Modelled Outputs

- 8.18 By following the methodology set out above and drawing on the sources shown, a series of outputs have been derived to consider the likely size requirement of housing within each of the three broad tenures at a local authority level. Two tables are provided, considering both local and regional occupancy patterns. The data linking to local occupancy will to some extent reflect the role and function of the local area, whilst the regional data will help to establish any particular gaps (or relative surpluses) of different sizes/tenures of homes when considered in a wider context.
- 8.19 The analysis for rented affordable housing can also draw on data from the local authority Housing Register with regards to the profile of need. The data shows a pattern of need which is focussed on 1- and 2-bedroom homes but with around a sixth of households as requiring 3+-bedroom accommodation.

Table 8.5 Size of Social/Affordable Rented Housing – Housing Register Information (March 2023)

	Number of households	% of households
1-bedroom	214	58%
2-bedrooms	75	21%
3-bedrooms	68	19%
4+-bedrooms	8	2%
TOTAL	365	100.0%

Source: LAHS

8.20 The tables below show the modelled outputs of need by dwelling size in the three broad tenures. Tables are providing by linking to local and regional occupancy patterns with a further table combining the outputs from the two models. There are some differences in the two models, most notably for larger market housing where the regional data points to a smaller profile. Market housing focusses on 3+-bedroom homes, affordable home ownership on 2-bedroom accommodation and rented affordable housing showing a slightly smaller profile again.

Table 8.6 Modelled Mix of Housing by Size and Tenure (linked to local occupancy patterns)

	1- bedroom	2- bedrooms	3- bedrooms	4+- bedrooms
Market	5%	18%	38%	40%
Affordable home ownership	22%	38%	27%	13%
Affordable housing (rented)	35%	30%	32%	3%

Source: Housing Market Model

Table 8.7 Modelled Mix of Housing by Size and Tenure (linked to regional occupancy patterns)

	1- bedroom	2- bedrooms	3- bedrooms	4+- bedrooms
Market	5%	26%	43%	26%
Affordable home ownership	26%	39%	25%	10%
Affordable housing (rented)	35%	33%	28%	4%

Source: Housing Market Model

Table 8.8 Modelled Mix of Housing by Size and Tenure (combining methodologies)

	1- bedroom	2- bedrooms	3- bedrooms	4+- bedrooms
Market	5%	22%	40%	33%
Affordable home ownership	24%	39%	26%	11%
Affordable housing (rented)	35%	32%	30%	3%

Source: Housing Market Model

Adjustments for Under-Occupation and Overcrowding

- 8.21 The analysis above sets out the potential need for housing if occupancy patterns remained the same as they were in 2021 (with differences from the current stock profile being driven by demographic change). It is however worth also considering that the 2021 profile will have included households who are overcrowded (and therefore need a larger home than they actually live in) and also those who under-occupy (have more bedrooms than they need).
- 8.22 Whilst it would not be reasonable to expect to remove all under-occupancy (particularly in the market sector) it is the case that in seeking to make the most efficient use of land it would be prudent to look to reduce this over time. Indeed, in the future there may be a move away from current (2021) occupancy patterns due to affordability issues (or eligibility in social rented housing) as well as the type of stock likely to be provided (potentially a higher proportion of flats). Further adjustments to the modelled figures above have therefore been made to take account of overcrowding and under-occupancy (by tenure).
- 8.23 The table below shows a cross-tabulation of a household's occupancy rating and the number of bedrooms in their home (for owner-occupiers). This shows a high number of households with at least 2 spare bedrooms who are living in homes with 3 or more bedrooms. There are also a small number of overcrowded households. Overall, in the owner-occupied

sector in 2021, there were 23,700 households with some degree of under-occupation and just over 300 overcrowded households.

Table 8.9 Cross-tabulation of occupancy rating and number of bedrooms (owner-occupied sector)

Occupancy rating	Number of bedrooms				
	1-bed	2-bed	3-bed	4+-bed	TOTAL
+2	0	0	5,371	10,595	15,966
+1	0	2,926	2,982	1,786	7,694
0	935	805	1,064	244	3,048
-1	48	82	129	53	312
TOTAL	983	3,813	9,546	12,678	27,020

Source: Census (2021)

8.24 For completeness the tables below show the same information for the social and private rented sectors. In both cases there are more under-occupying households than overcrowded, but differences are less marked than seen for owner-occupied housing.

Table 8.10 Cross-tabulation of occupancy rating and number of bedrooms (social rented sector)

Occupancy rating	Number of bedrooms				
	1-bed	2-bed	3-bed	4+-bed	TOTAL
+2	0	0	315	39	354
+1	0	311	328	24	663
0	1,017	631	445	36	2,129
-1	61	137	98	8	304
TOTAL	1,078	1,079	1,186	107	3,450

Source: Census (2021)

Table 8.11 Cross-tabulation of occupancy rating and number of bedrooms (private rented sector)

Occupancy rating	Number of bedrooms				
	1-bed	2-bed	3-bed	4+-bed	TOTAL
+2	0	0	476	577	1,053
+1	0	1,055	649	226	1,930
0	984	807	405	84	2,280
-1	91	111	65	14	281
TOTAL	1,075	1,973	1,595	901	5,544

Source: Census (2021)

8.25 In using this data in the modelling an adjustment is made to move some of those who would have been picked up in the modelling as under-occupying into smaller accommodation. Where there is under-occupation by 2 or more bedrooms, the adjustment takes 25% of this group and assigns to a '+1' occupancy rating and a further 12.5% (i.e. an eighth) to a '0' rating. For households with one spare bedroom, 12.5% are assigned to a '0' rating (with the others remaining as '+1'). These do need to be recognised as assumptions, but can be seen to be reasonable as they do retain some degree of under-occupation (which is likely) but does also seek to model a better match between household needs and the size of their home. For overcrowded households a move in the other direction is made, in this case households are moved up as many bedrooms as is needed to resolve the problems (this is applied for all overcrowded households).

8.26 The adjustments for under-occupation and overcrowding lead to the suggested mix as set out in the following table. It can be seen that this tends to suggest a smaller profile of homes as being needed (compared to the initial modelling) with the biggest change being in the market sector – which was the sector where under-occupation is currently most notable.

Table 8.12 Adjusted Modelled Mix of Housing by Size and Tenure

	1- bedroom	2- bedrooms	3- bedrooms	4+ bedrooms
Market	9%	35%	37%	20%
Affordable home ownership	25%	42%	24%	9%
Affordable housing (rented)	35%	33%	26%	5%

Source: Housing Market Model (with adjustments)

8.27 A further analysis of the need for rented affordable housing is to compare the need with the supply (turnover) of different sizes of accommodation. This links back to estimates of need in the previous section (an annual need for 184 dwellings per annum) with additional data from CoRe about the sizes of homes let over the past three years.

8.28 This analysis is quite clear in showing the low supply of larger homes relative to the need. For 4+-bedroom accommodation, it is estimated the supply is only around 12% of the need arising each year, whereas for 1- and 2-bedroom homes just over a third of the need can be met.

Table 8.13 Need for rented affordable housing by number of bedrooms

	Gross Annual Need	Gross Annual Supply	Net Annual Need	Supply as a % of gross need
1-bedroom	100	35	65	35.2%
2-bedrooms	92	31	61	34.2%
3-bedrooms	66	17	49	25.7%
4+-bedrooms	11	1	10	12.3%
Total	269	85	184	31.6%

Source: Derived from a range of sources

Indicative Targets for Different Sizes of Property by Tenure

8.29 The analysis below provides some indicative targets for different sizes of home (by tenure). The conclusions take account of a range of factors, including the modelled outputs and an understanding of the stock profile

in different locations. The analysis (for rented affordable housing) also draws on the Housing Register data as well as taking a broader view of issues such as the flexibility of homes to accommodate changes to households (e.g. the lack of flexibility offered by a 1-bedroom home for a couple looking to start a family).

Social/Affordable Rented

8.30 Bringing together the above, a number of factors are recognised. This includes recognising that it is unlikely that all affordable housing needs will be met and that it is likely that households with a need for larger homes will have greater priority (as they are more likely to contain children). That said, there is also a possible need for 1-bedroom social housing arising due to homelessness (typically homeless households are more likely to be younger single people).

8.31 As noted, the conclusions also consider the Housing Register and also take account of the current profile of housing in this sector. In taking account of the modelled outputs, the Housing Register and the discussion above, it is suggested that the following mix of social/affordable rented housing would be appropriate:

- 1-bedroom: 30%
- 2-bedroom: 30%
- 3-bedroom: 30%
- 4+-bedroom: 10%

Affordable Home Ownership

8.32 In the affordable home ownership and market sectors a profile of housing that closely matches the outputs of the modelling is suggested. It is considered that the provision of affordable home ownership should be more explicitly focused on delivering smaller family housing for younger households and childless couples. Based on this analysis, it is suggested

that the following mix of affordable home ownership would be appropriate:

- 1-bedroom: 20%
- 2-bedroom: 45%
- 3-bedroom: 25%
- 4+-bedroom: 10%

Market Housing

8.33 Finally, in the market sector, a balance of dwellings is suggested that takes account of both the demand for homes and the changing demographic profile (as well as observations about the current mix when compared with other locations and also the potential to slightly reduce levels of under-occupancy).

8.34 The conclusions have also slightly boosted figures for larger (4+-bedroom) homes and away from 1-bedroom accommodation to provide more flexibility and to recognise the potential for a general increase in home working (and therefore households seeking an extra room/bedroom to use as office space). This sees a slightly larger recommended profile compared with other tenure groups:

- 1-bedroom: 5%
- 2-bedroom: 35%
- 3-bedroom: 35%
- 4+-bedroom: 25%

8.35 Although the analysis has quantified this on the basis of the 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 (although it will be useful to include an indication of the broad mix to be sought across the Borough) – demand can change over time linked to macro-economic factors and local supply. Policy aspirations could also influence the mix sought.

- 8.36 The suggested 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 demographic change in the area.
- 8.37 The recommendations can also be used as a set of guidelines to consider the appropriate mix on larger development sites, and the Council could expect justification for a housing mix on such sites which significantly differs from that modelled herein. Site location and area character are also however relevant considerations in the appropriate mix of market housing on individual development sites.
- 8.38 The recommended housing mix represents a slight shift from the 2020 Housing Needs Assessment. In the market there is a greater focus on 2-bedroom homes with fewer three beds. Within the affordable home ownership tenure there is a shift towards 1-bedroom homes with fewer three bedrooms. In the affordable rental sector the mix is broadly the same.

Smaller-area Housing Mix

- 8.39 The analysis above has focussed on overall Borough-wide needs with conclusions at the strategic level. It should however be recognised that there will be variations in the need within areas due the different role and function of a location and the specific characteristics of local households (which can also vary over time). This report does not seek to model smaller-area housing mix although the report does contain a range of data that can help inform specific local issues (including data about household composition, current housing mix and overcrowding and under-occupation). Below are some points for consideration when looking at needs in any specific location:

- a) Whilst there will be differences in the stock profile in different locations this should not necessarily be seen as indicating

particular surpluses or shortfalls of particular types and sizes of homes;

- b) As well as looking at the stock, an understanding of the role and function of areas is important. For example, areas traditionally favoured by family households might be expected to provide a greater proportion of larger homes;
- c) That said, some of these areas will have very few small/cheaper stock and so consideration needs to be given to diversifying the stock; and
- d) The location/quality of sites will also have an impact on the mix of housing. For example, brownfield sites in the centre of towns may be more suited to flatted development (as well as recognising the point above about role and function) whereas a rural site on the edge of an existing village may be more appropriate for family housing. Other considerations (such as proximity to public transport) may impact on a reasonable mix at a local level.

8.40 Overall, it is suggested the Council should broadly seek the same mix of housing in all locations but would be flexible to a different mix where specific local characteristics suggest. The Council should also monitor what is being built to ensure that a reasonable mix is provided in a settlement overall. For example, if a recent housing site has provided nothing but 4+-bedroom 'executive' homes, then it could be expected that the next site to come along might provide a mix which includes more homes for younger/smaller family households and childless couples.

8.41 Additionally, in the affordable sector it may be the case that Housing Register data for a smaller area identifies a shortage of housing of a particular size/type which could lead to the mix of housing being altered from the overall suggested requirement.

Built-form

- 8.42 A final issue is a discussion of the need/demand for different built-forms of homes. In particular this discussion focusses on bungalows and the need for flats vs. houses.

Bungalows

- 8.43 The sources used for analysis in this report make it difficult to quantify a need/demand for bungalows in the Borough as Census data (which is used to look at occupancy profiles) does not separately identify this type of accommodation. Data from the Valuation Office Agency (VOA) does however provide estimates of the number of bungalows (by bedrooms) although no tenure split is available.
- 8.44 The table below shows a proportion of homes in Surrey Heath are bungalows (7% of all flats and houses. The majority of bungalows have 2- or 3-bedrooms bedrooms (77% of the total). A slightly higher proportion (9%) of homes across England are bungalows.

Table 8.14 Number of dwellings by property type and number of bedrooms (March 2020)

	Number of bedrooms					All
	1	2	3	4+	Not Known	
Bungalow	160	920	1,050	420	-	2,550
Flat/Maisonette	2,730	3,610	320	40	20	6,710
Terraced house	210	1,510	3,010	450	0	5,180
Semi-detached house	20	1,160	5,990	940	-	8,110
Detached house	10	400	3,760	9,660	10	13,830
All flats/houses	3,130	7,600	14,130	11,510	30	36,380
Annexe						170
Other						260
Unknown						440
All properties						37,250

Source: Valuation Office Agency

- 8.45 In general, discussions with local estate agents (discussions nationally) find that there is a demand for bungalows and in addition, analysis of survey data (in other locations) points to a high demand for bungalows (from people aged 65 and over in particular).
- 8.46 Bungalows are often the first choice for older people seeking suitable accommodation in later life and there is generally a high demand for such accommodation when it becomes available (this is different from specialist accommodation for older people which would have some degree of care or support).
- 8.47 As a new build option, bungalows are often not supported by either house builders or planners (due to potential plot sizes and their generally low densities). There may, however, be instances where bungalows are the most suitable house type for a particular site; for example, to overcome objections about dwellings overlooking existing dwellings or preserving sight lines.

- 8.48 There is also the possibility of a wider need/demand for retirement accommodation. Retirement apartments can prove very popular if they are well located in terms of access to facilities and services, and environmentally attractive (e.g. have a good view). However, some potential purchasers may find high service charges unacceptable or unaffordable and new build units may not retain their value on re-sale.
- 8.49 Overall, the Council could consider the potential role of bungalows as part of the future mix of housing. Such housing may be particularly attractive to older owner-occupiers (many of whom are equity-rich) which may assist in encouraging households to downsize. However, the downside to providing bungalows is that they are relatively land intensive and this is likely to limit opportunities for development – particularly in more urban locations.
- 8.50 Bungalows are likely to see a particular need and demand in the market sector and also for rented affordable housing (for older people as discussed in the next section of the report). Bungalows are likely to particularly focus on 2-bedroom homes, including in the affordable sector where such housing may encourage households to move from larger ‘family-sized’ accommodation (with 3+-bedrooms).

Flats versus Houses

- 8.51 Although there are some 1-bedroom houses and 3-bedroom flats, it is considered that the key discussion on built-form will be for 2-bedroom accommodation, where it might be expected that there would be a combination of both flats and houses. At a national level, 82% of all 1-bedroom homes are flats, 38% of 2-bedroom homes and just 5% of homes with 3-bedrooms.
- 8.52 The table below shows (for 2-bedroom accommodation) the proportion of homes by tenure that are classified as a flat, maisonette or apartment in Surrey heath, the South East and England. This shows a relatively high proportion of flats in Surrey Heath (49% of all 2-bedroom homes). This

would arguably point to a broad split between flats and houses for 2-bedroom homes in the future although this will to some extent depend on site characteristics. The analysis does also show a higher proportion of flats in the social and private rented sectors.

Table 8.15 Proportion of 2-bedroom homes that are a flat, maisonette or apartment (by tenure)

	Surrey Heath	South East	England
Owner-occupied	38%	29%	25%
Social rented	62%	50%	48%
Private rented	64%	56%	52%
All (2-bedroom)	49%	40%	38%

Source: 2021 Census

- 8.53 For completeness, the table below shows the proportion of flats in Surrey Heath for all sizes of accommodation and different tenures. Of particular note is the very small proportion of 3+-bedroom homes as flats – particularly in the market sector.

Table 8.16 Proportion of homes that are a flat, maisonette or apartment (by tenure and dwelling size)

	1- bedroom	2- bedrooms	3- bedrooms	4+- bedrooms
Owner-occupied	75%	38%	1%	0%
Social rented	87%	62%	12%	8%
Private rented	84%	64%	10%	6%
All	82%	49%	3%	1%

Source: 2021 Census

- 8.54 As noted, this analysis would suggest that 2-bedroom homes might be expected to be split between houses (or bungalows) and flats given the nature of the current stock. Any decisions will have to take account of site characteristics, which in some cases might point towards flatted development as being most appropriate.

- 8.55 The analysis would suggest that the affordable sector might be expected to see a higher proportion of flats than for market housing although the Council should ensure there is a mix of both built-forms in all tenures.

Housing Mix - Summary

- Analysis of the future mix of housing required takes account of demographic change, including potential changes to the number of family households and the ageing of the population. The proportion of households with dependent children in Surrey Heath is relatively high with around 31% of all households containing dependent children in 2021 (compared with around 29% regionally and 29% nationally). There are notable differences between different types of household, with married couples (with dependent children) seeing a high level of owner-occupation, whereas as lone parents are particularly likely to live in social or private rented accommodation.
- There are 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 analysis linked to future demographic change concludes that the following represents an appropriate mix of affordable and market homes, this takes account of both household changes and the ageing of the population – the analysis also models for there to be a modest decrease in levels of under-occupancy (which is notable in the market sector).
- In all sectors the analysis points to a particular need for 2-bedroom accommodation, with varying proportions of 1-bedroom and 3+-bedroom homes. For rented affordable housing there is a clear need for a range of different sizes of homes, including 40% to have at least 3-bedrooms. Our recommended mix is set out below:

	1- bedroom	2- bedrooms	3- bedrooms	4+- bedrooms
Market	5%	35%	35%	25%
Affordable home ownership	20%	45%	25%	10%
Affordable housing (rented)	30%	30%	30%	10%

- The strategic conclusions in the affordable sector recognise the role which delivery of larger family homes can play in releasing a supply of smaller properties for other households. Also recognised is the limited flexibility which 1-bedroom 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 by tenure and also the size requirements shown on the Housing Register.
- The mix identified above could inform strategic policies although a flexible approach should be adopted. For example, in some areas Registered Providers find difficulties selling 1-bedroom affordable home ownership (AHO) homes and therefore the 1-bedroom elements of AHO might be better provided as 2-bedroom accommodation. That said, this report also highlighted potential difficulties in making (larger) AHO genuinely affordable.
- Additionally, in applying the mix to individual development sites, regard should be had to the nature of the site and character of the area, and to up-to-date evidence of need as well as the existing mix and turnover of properties at the local level. The Council should also monitor the mix of housing delivered.
- Given the nature of the area and the needs identified, the analysis suggests that there is likely to be a need for both flats and houses although consideration will also need to be given to site specific circumstances (which may in some cases lend themselves to a particular type of development – particularly in urban locations). There is potentially a demand for bungalows, although realistically significant delivery of this type of accommodation may be unlikely. It is however possible that delivery of some bungalows might be particularly attractive to older person households downsizing and may help to release larger (family-sized) accommodation back into family use.

9. Older and Disabled Persons Need

Introduction

- 9.1 This section studies the characteristics and housing needs of the older person population and the population with some form of disability. The two groups are taken together as there is a clear link between age and disability. It responds to Planning Practice Guidance on *Housing for Older and Disabled People* published by Government in June 2019. It includes an assessment of the need for specialist accommodation for older people and the potential requirements for housing to be built to M4(2) and M4(3) housing technical standards (accessibility and wheelchair standards).

Understanding the Implications of Demographic Change

- 9.2 At a national level, the population of older persons is increasing, and this will potentially drive a need for housing which is capable of meeting the needs of older persons. Initially below a series of statistics about the older person population of Surrey Heath are presented.

Current Population of Older People

- 9.3 The table below provides baseline population data about older persons in Surrey Heath and compares this with other areas. The table shows that the Borough has a slightly older age structure than other areas with 20% of the population being aged 65 and over, this compares with 19% nationally. The proportion of people aged 75 and over and 85 and over is also slightly above equivalent figures for other areas.

Table 9.1 Older Persons Population, 2021

	Surrey Heath	Surrey	South East	England
Under 65	80.1%	81.0%	80.5%	81.5%
65-74	9.9%	9.5%	10.1%	9.8%
75-84	6.8%	6.4%	6.6%	6.2%
85+	3.1%	3.0%	2.8%	2.5%
Total	100.0%	100.0%	100.0%	100.0%
Total 65+	19.9%	19.0%	19.5%	18.5%
Total 75+	10.0%	9.4%	9.4%	8.7%

Source: ONS

Projected Future Change in the Population of Older People

- 9.4 Population projections can next be used to provide an indication of how the number of older persons might change in the future with the table below showing that Surrey Heath is projected to see a notable increase in the older person population. The projection linked to the Standard Method shows a projected increase in the population aged 65+ of around 42% - the population aged Under 65 is in contrast projected to increase by a more modest 6%.
- 9.5 In total population terms, the projections show an increase in the population aged 65 and over of 7,600 people. This is against a backdrop of an overall increase of 12,000 – population growth of people aged 65 and over therefore accounts for around 63% of the total projected population change.

Table 9.2 Projected Change in Population of Older Persons, 2021 to 2040 – Surrey Heath (linking to Standard Method)

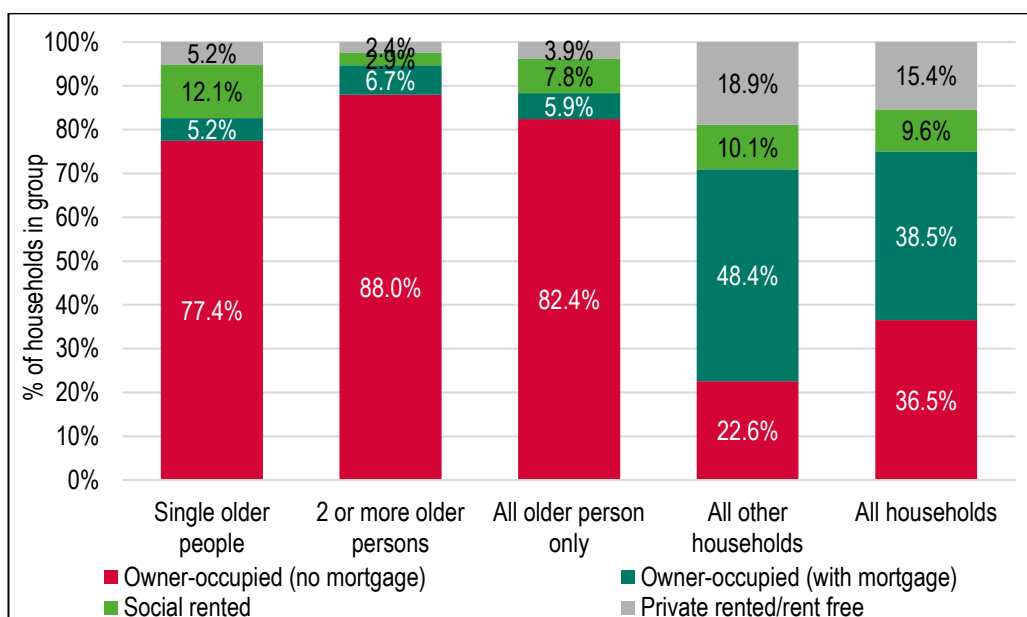
	2021	2040	Change in population	% change
Under 65	72,638	77,019	4,381	6.0%
65-74	8,970	11,520	2,550	28.4%
75-84	6,186	9,009	2,823	45.6%
85+	2,851	5,049	2,198	77.1%
Total	90,645	102,597	11,952	13.2%
Total 65+	18,007	25,578	7,571	42.0%
Total 75+	9,037	14,058	5,021	55.6%

Source: Demographic projections

Characteristics of Older Person Households

- 9.6 The figures below show the tenure of older person households. The data has been split between single older person households and those with two or more older people (which will largely be couples). The data shows that the majority of older persons households are owner occupiers (88% of older person households), and indeed most are owner occupiers with no mortgage and thus may have significant equity which can be put towards the purchase of a new home. Some 8% of older persons households live in the social rented sector and the proportion of older person households living in the private rented sector is relatively low (about 4%).
- 9.7 There are also notable differences for different types of older person households with single older people having a lower level of owner-occupation than larger older person households – this group also has a much higher proportion living in the social rented sector.

Figure 9.1: Tenure of Older Persons Households in Surrey Heath, 2021



Source: 2021 Census

Prevalence of Disabilities

9.8 The table below shows the proportion of people who are disabled under the Equality Act drawn from 2021 Census data, and the proportion of households where at least one person has a disability. The data suggests that some 26% of households in the Borough contain someone with a disability. This figure is similar to that seen across Surrey but below the regional and national average. The figures for the population with a disability show a similar pattern when compared with other locations – some 14% of the population having a disability.

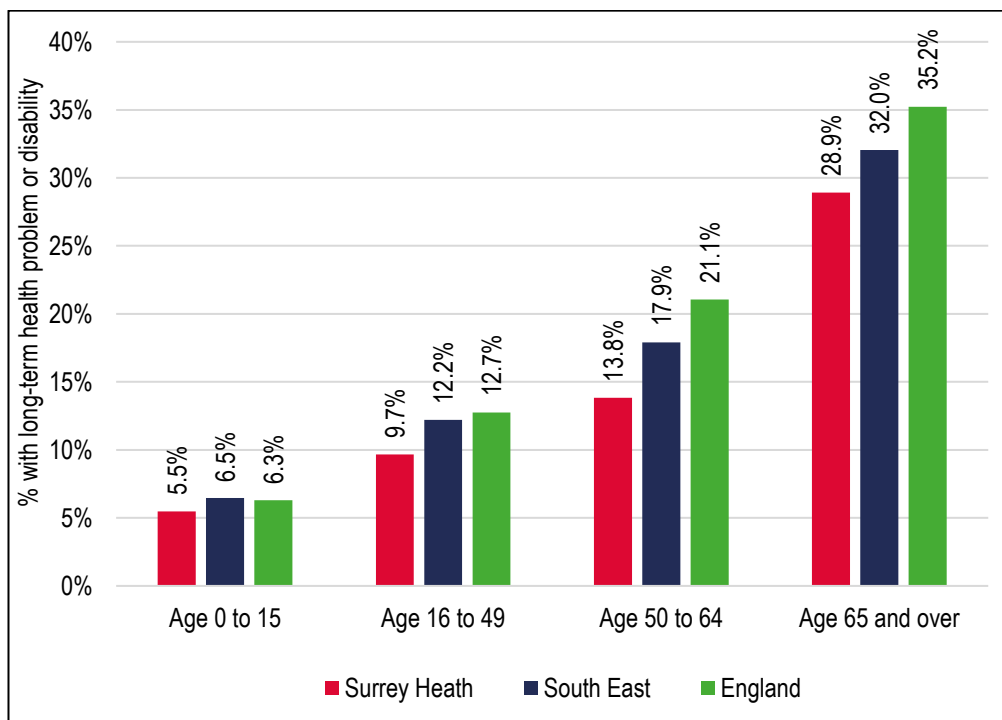
Table 9.3 Households and People with a Disability, 2021

	Households Containing Someone with a Disability		Population with a Disability	
	No.	%	No.	%
Surrey Heath	9,314	25.9%	12,268	13.6%
Surrey	126,690	26.3%	166,101	13.8%
South East	1,144,084	30.0%	1,496,340	16.1%
England	7,507,886	32.0%	9,774,510	17.3%

Source: 2021 Census

9.9 As noted, it is likely that the age profile will impact upon the numbers of people with a disability, as older people tend to be more likely to have a disability. The figure below shows the age bands of people with a disability. It is clear from this analysis that those people in the oldest age bands are more likely to have a disability. The analysis also typically shows lower levels of disability in each age band within Surrey Heath when compared with the regional and national position.

Figure 9.2: Population with Disability by Age



Source: 2021 Census

Health Related Population Projections

9.10 The incidence of a range of health conditions is an important component in understanding the potential need for care or support for a growing older population. The analysis undertaken covers both younger and older age groups and draws on prevalence rates from the PANSI (Projecting Adult Needs and Service Information) and POPPI (Projecting Older People Population Information) websites. Adjustments have been made to take account of the age specific health/disabilities previously shown.

- 9.11 Of particular note are the large increases in the number of older people with dementia (increasing by 62% from 2021 to 2040 and mobility problems (up 52% over the same period). Changes for younger age groups are smaller, reflecting the fact that projections are expecting older age groups to see the greatest proportional increases in population. When related back to the total projected change to the population, the increase of people aged 65+ with a mobility problem represents around 12% of total projected population growth.

Table 9.4 Projected Changes to Population with a Range of Disabilities – Surrey Heath

Disability	Age Range	2021	2040	Change	% Change
Dementia	65+	1,104	1,784	680	61.6%
Mobility problems	65+	2,845	4,320	1,475	51.9%
Autistic Spectrum Disorders	18-64	384	410	26	6.7%
	65+	137	196	59	43.1%
Learning Disabilities	15-64	1,001	1,066	64	6.4%
	65+	307	433	126	41.0%
Impaired mobility	16-64	2,271	2,310	39	1.7%

Source: POPPI/PANSI and Demographic Projections

- 9.12 Invariably, there will be a combination of those with disabilities and long-term health problems that continue to live at home with family, those who chose to live independently with the possibility of incorporating adaptations into their homes and those who choose to move into supported housing.
- 9.13 The projected change shown in the number of people with disabilities provides clear evidence justifying delivering ‘accessible and adaptable’ homes as defined in Part M4(2) of Building Regulations, subject to viability and site suitability. The Council should ensure that the viability of doing so is also tested as part of drawing together its evidence base

although the cost of meeting this standard is unlikely to have any significant impact on viability and would potentially provide a greater number of homes that will allow households to remain in the same property for longer.

Need for Specialist Accommodation for Older People

- 9.14 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 box below shows the different types of older persons housing which are considered.

Definitions of Different Types of Older Persons' Accommodation

Age-restricted general market housing: This type of housing is generally for people aged 55 and over and the active elderly. It may include some shared amenities such as communal gardens, but does not include support or care services.

Retirement living or sheltered housing (housing with support): This usually consists of purpose-built flats or bungalows with limited communal facilities such as a lounge, laundry room and guest room. It does not generally provide care services, but provides some support to enable residents to live independently. This can include 24-hour on-site assistance (alarm) and a warden or house manager.

Extra care housing or housing-with-care (housing with care): This usually consists of purpose-built or adapted flats or bungalows with a medium to high level of care available if required, through an onsite care agency registered through the Care Quality Commission (CQC). Residents are able to live independently with 24-hour access to support services and staff, and meals are also available. There are often extensive communal areas, such as space to socialise or a wellbeing centre. In some cases, these developments are known as retirement communities or villages - the intention is for residents to benefit from varying levels of care as time progresses.

Residential care homes and nursing homes (care bedspaces): These have individual rooms within a residential building and provide a high level of care meeting all activities of daily living. They do not usually include support services for independent living. This type of housing can also include dementia care homes.

Source: Planning Practice Guidance [63-010]

- 9.15 Although the table above, which is taken directly from the PPG, has a single definition of Residential care homes and nursing homes these are distinct formats of housing with the latter providing more intensive levels of care. In our analysis below the need for each is set out.

- 9.16 The need for specialist housing for older persons is typically modelled by applying prevalence rates to current and projected population changes and considering the level of existing supply. There is no standard methodology for assessing the housing and care needs of older people. The current and future demand for elderly care is influenced by a host of factors including the balance between demand and supply in any given area and social, political, regulatory and financial issues. Additionally, the extent to which new homes are built to accessible and adaptable standards may over time have an impact on specialist demand (given that older people often want to remain at home rather than move to care) – this will need to be monitored.
- 9.17 There are a number of ‘models’ for considering older persons’ needs, but they all essentially work in the same way. The model results are however particularly sensitive to the prevalence rates applied, which are typically calculated as a proportion of people aged over 75 who could be expected to live in different forms of specialist housing. Whilst the population aged 75 and over is used in the modelling, the estimates of need would include people of all ages.
- 9.18 Whilst there are no definitive rates, the PPG [63-004] notes that *‘the future need for specialist accommodation for older people broken down by tenure and type (e.g. sheltered housing, extra care) may need to be assessed and can be obtained from a number of online tool kits provided by the sector, for example SHOP@ for Older People Analysis Tool)’*. The PPG does not specifically mention any other tools and therefore seems to be indicating that SHOP@ would be a good starting point for analysis. Since the PPG was published the Housing Learning and Information Network (Housing LIN) has removed the Shop@ online toolkit although the base rates used for analysis are known.
- 9.19 The SHOP@ tool was originally based on data in a 2008 report (More Choice Greater Voice) and in 2011 a further suggested set of rates was published (rates which were repeated in a 2012 publications). In 2016,

Housing LIN published a review document which noted that the 2008 rates are 'outdated' but also noting that the rates from 2011/12 were 'not substantiated'. The 2016 review document therefore set out a series of proposals for new rates to be taken forward onto the Housing LIN website.

- 9.20 Whilst the 2016 review rates do not appear to have ever led to an update of the website, it does appear from reviewing work by Housing LIN over the past couple of years as if it is these rates which typically inform their own analysis (subject to evidence based localised adjustments).
- 9.21 For clarity, the table below shows the base prevalence rates set out in the various documents described above. For the analysis in this report the age-restricted and retirement/sheltered have been merged into a single category (housing with support).

Table 9.5 Range of suggested baseline prevalence rates from a number of tools and publications

Type/Rate	SHOP@ (2008) ¹⁵	Housing in Later Life (2012) ¹⁶	2016 Housing LIN Review
Age-restricted general market housing (Use Class C3)	-	-	25
Retirement living or sheltered housing (housing with support) (Use Class C3)	125	180	100
Extra care housing (also known as Enhanced Sheltered) or housing-with-care (housing with care) (Typically Use Class C3 although in some circumstances C2)	45	65	30-40 ('proactive range')
Residential care homes (Use Class C2)	65	(no figure apart from 6 for dementia)	40
Nursing homes (care bedspaces), including dementia (Use Class C2)	45		45

Source: Housing LIN

9.22 In interpreting the different potential prevalence rates it is clear that:

¹⁵ Based on the More Choice Greater Voice publication of 2008

(https://www.housinglin.org.uk/assets/Resources/Housing/Support_materials/Reports/MCGVdocument.pdf). It should be noted that although these rates are from 2008, they are the same rates as were being used in the online toolkit when it was taken offline in 2019.

¹⁶

https://www.housinglin.org.uk/assets/Resources/Housing/Support_materials/Toolkit/Housing_in_Later_Life_Toolkit.pdf

- The prevalence rates used should be considered and assessed taking account of an authority's strategy for delivering specialist housing for older people. The degree for instance which the Council want to require extra care housing as an alternative to residential care home provision would influence the relative balance of need between these two housing types;
- The Housing LIN model has been influenced by existing levels of provision and their view on what future level of provision might be reasonable taking account of how the market is developing, funding availability etc. It is more focused towards publicly commissioned provision. There is a degree to which the model and assumptions within it may not fully capture the growing recent private sector interest and involvement in the sector, particularly in extra care; and
- The assumptions in these studies look at the situation nationally. At a more local level, the relative health of an area's population is likely to influence the need for specialist housing with better levels of health likely to mean residents are able to stay in their own homes for longer.

9.23 These issues are considered to provide appropriate modelling assumptions for assessing future needs. Nationally, there has been a clear focus on strengthening a community-led approach and reducing reliance on residential and nursing care homes – in particular focussing where possible on providing households with care in their own home. This could however be provision of care within general needs housing; but also care which is provided in a housing with care development such as in extra care housing.

9.24 We consider that the prevalence rates shown in the 2016 Housing LIN Review is an appropriate starting point; but that the corollary of lower care home provision should be a greater focus on delivery of housing with care. Having regard to market growth in this sector in recent years, and

since the above studies were prepared, we consider that the starting point for housing with care should be the higher rate shown in the SHOP@ report (this is the figure that would align with the PPG).

- 9.25 Rather than simply taking the base prevalence rates, an initial adjustment has been made to reflect the relative health of the local older person population. This has been based on Census data about the proportion of the population aged 65 and over who have a long-term health problem or disability (LTHPD) compared with the England average. In Surrey Heath, the data shows better health in the older person population and so the prevalence rates used are decreased slightly from the figures shown above.
- 9.26 A second local adjustment has been to estimate a tenure split for the housing with support and housing with care categories. This again draws on suggestions in the 2016 Review which suggests that less deprived local authorities could expect a higher proportion of their specialist housing to be in the market sector. Using 2019 Index of Multiple Deprivation (IMD) data, the analysis suggests Surrey Heath is the 309th most deprived local authority in England (out of 317) – i.e. a lower than average level of deprivation – this suggests a greater proportion of market housing than a local authority in the middle of the range (for housing with support and housing with care).
- 9.27 The table below shows estimated needs for different types of housing linked to the population projections. The analysis is separated into the various different types and tenures although it should be recognised that there could be some overlap between categories (i.e. some households might be suited to more than one type of accommodation).
- 9.28 Overall, the analysis suggests that there will be a need for housing with support (retirement/sheltered housing) – around three-quarters in the market sector and housing with care (e.g. extra-care) – again around three quarters as market housing. The analysis also suggests a need for

some additional residential care home bedspaces but a surplus of nursing care home bedspaces due to the large current supply.

Table 9.6 Specialist Housing Need using adjusted SHOP@Review Assumptions, 2021-40 – Surrey Heath

		Housing demand per 1,000 75+	Current supply	Current demand	Current shortfall / surplus (-ve)	Addition -al demand to 2040	Shortfall /surplus by 2040
Housing with support	Market	72	501	655	154	364	517
	Affordable	38	314	342	28	190	217
Total (housing with support)		110	815	996	181	553	735
Housing with care	Market	30	46	267	221	148	369
	Affordable	10	0	92	92	51	143
Total (housing with care)		40	46	359	313	199	512
Residential care home bedspaces		35	253	319	66	177	243
Nursing care home bedspaces		40	871	359	-512	199	-313
Total bedspaces		75	1,124	677	-447	376	-70

Source: Derived from Demographic Projections and Housing LIN/EAC

9.29 The provision of a choice of attractive housing options to older households is a component of achieving good housing mix. The availability of such housing options for the growing older population may enable some older households to downsize from homes which no longer meet their housing needs or are expensive to run. The availability of housing options which are accessible to older people will also provide the opportunity for older households to 'rightsize' which can help improve their quality of life.

9.30 It should also be noted that within any category of need there may be a range of products. For example, many recent market extra-care schemes have tended to be focused towards the 'top-end' of the market and may

have significant service charges (due to the level and quality of facilities and services). Such homes may therefore only be affordable to a small proportion of the potential market, and it will be important for the Council to seek a range of products that will be accessible to a wider number of households if needs are to be met.

9.31 This approach shows a need for residential care home bedspaces but a surplus of nursing care bedspaces. This could necessitate some repurposing. Alternatively an increased supply of housing with care and housing with support (and to a lesser degree M4(2) and M4(3) housing) would slow the demand for residential care home bedspaces as these are earlier interventions in the “care pyramid”. This shortfall is therefore only nominal.

9.32 There is also a considerable pipeline supply which would help address the identified need. This includes:

- 12/0546 - Princess Royal Barracks Brunswick Road, Deepcut Camberley, GU16 6RN - includes a 60 bed care home
- 18/0613 - Land at 84 - 100 Park Street, Camberley, GU15 3NY - 61 sheltered units
- 18/1083 - 42-44 London Road, Bagshot, GU19 5HL - 46 extra care apartments
- 17/0647 - Orchard Cottage, Shepherds Lane, Windlesham, Surrey, GU20 6HL - 65 bed care home
- 20/0921/CEU - Pinewood, 93 College Ride, Bagshot, GU19 5E9 - 69 bed care home
- 19/2318 - 156 Mytchett Road Mytchett Camberley Surrey GU16 6AA - two additional bedrooms in care home

9.33 Finally, this approach is also policy-off and it may well be the case that Surrey County Council policy interventions result in a different profile of need. For example they may seek a greater level of in-situ care or extra-care and fewer residential care beds. The County Council are currently updating its Accommodation with Care and Support Strategy.

Wheelchair User Housing

- 9.34 The analysis below draws on secondary data sources to estimate the number of current and future wheelchair users and to estimate the number of wheelchair accessible/adaptable dwellings that might be required in the future. Estimates of need produced in this report draw on data from the English Housing Survey (EHS) – mainly 2018/19 data. The EHS data used includes the age structure of wheelchair users, information about work needed to homes to make them ‘visitable’ for wheelchair users and data about wheelchair users by tenure.
- 9.35 The table below shows at a national level the proportion of wheelchair user households by the age of household reference person. Nationally, around 3.4% of households contain a wheelchair user – with around 1% using a wheelchair indoors. There is a clear correlation between the age of household reference person and the likelihood of there being a wheelchair user in the household.

Table 9.7 Proportion of wheelchair user households by age of household reference person – England

Age of household reference person	No household members use a wheelchair	Uses wheelchair all the time	Uses wheelchair indoors only	Uses wheelchair outdoors only
24 and under	99.4%	0.3%	0.0%	0.3%
25-34	99.3%	0.3%	0.1%	0.2%
35-49	98.2%	0.5%	0.1%	1.2%
50-64	96.9%	0.7%	0.4%	2.0%
65 and over	93.1%	0.9%	0.4%	5.6%
All households	96.6%	0.6%	0.3%	2.5%

Source: English Housing Survey (2018/19)

- 9.36 The prevalence rate data can be brought together with information about the household age structure and how this is likely to change moving

forward. The data estimates a total of 790 wheelchair user households in 2021, and that this will rise to 1,026 by 2040.

Table 9.8 Estimated number of wheelchair user households (2021-40) – Surrey Heath

	Prevalence rate (% of households)	Households 2021	Households 2040	Wheelchair user households (2021)	Wheelchair user households (2040)
24 and under	1.0%	425	489	4	5
25-34	0.5%	3,185	3,968	15	19
35-49	0.9%	9,666	10,051	86	89
50-64	1.4%	11,452	11,146	157	153
65 and over	4.6%	11,381	16,376	528	760
All households		36,109	42,030	790	1,026

Source: Derived from a range of sources

9.37 The finding of an estimated current number of wheelchair user households does not indicate how many homes might be need for this group – some households will be living in a home that is suitable for wheelchair use, whilst others may need improvements to accommodation, or a move to an alternative home. Data from the EHS (2014-15) shows that of the 814,000 wheelchair user households, some 200,000 live in a home that would either be problematic or not feasible to make fully ‘visitable’ – this is around 25% of wheelchair user households.

9.38 Applying this to the current number of wheelchair user households and adding the additional number projected forward suggests a need for around 433 additional wheelchair user homes in the 2021-40 period. If the projected need is also discounted to 25% of the total (on the basis that many additional wheelchair user households will already be in accommodation) leads to a need estimate of 256 homes. These figures equate to a need for 13-23 dwellings per annum.

9.39 In interpreting these figures it should also be noted that whilst some dwellings can be adapted for a wheelchair user there will be a (potentially significant) cost implication which for many households will be prohibitive – this will include households who might previously have sought a disabled facilities grant (DFG) as the amount of funding available from this source has been declining over time.

Table 9.9 Estimated need for wheelchair user homes, 2021-40

	Current need	Projected need (2021-40)	Total current and future need
Total	198	235	433
@ 25% of projected	198	59	256

Source: Derived from a range of sources

9.40 Furthermore, information in the EHS (for 2018/19) also provides national data about wheelchair users by tenure. This showed that, at that time, around 7.1% of social tenants were wheelchair users (including 2.2% using a wheelchair indoors), compared with 3.1% of owner-occupiers (0.7% indoors). These proportions can be expected to increase with an ageing population but do highlight the likely need for a greater proportion of social (affordable) homes to be for wheelchair users.

Table 9.10 Proportion of wheelchair user households by tenure of household reference person – England

Tenure	No household members use a wheelchair	Uses wheelchair all the time	Uses wheelchair indoors only	Uses wheelchair outdoors only
Owners	96.9%	0.5%	0.2%	2.4%
Social sector	92.9%	1.6%	0.6%	4.8%
Private renters	98.8%	0.1%	0.1%	0.9%
All households	96.6%	0.6%	0.3%	2.5%

Source: English Housing Survey (2018/19)

- 9.41 To meet the identified need, the Council could seek a proportion (maybe up to 5%) of all new market homes to be M4(3) compliant and potentially a higher figure in the affordable sector (say 10%). These figures reflect that not all sites would be able to deliver homes of this type.
- 9.42 As with M4(2) homes it may not be possible for some schemes to be built to these higher standards due to built-form, topography, flooding etc. Furthermore, provision of this type of property may in some cases challenge the viability of delivery given the reasonably high build out costs (see table below).
- 9.43 It is worth noting that the Government has recently reported on a consultation on changes to the way the needs of people with disabilities and wheelchair users are planned for as a result of concerns that in the drive to achieve housing numbers, the delivery of housing that suits the

needs of the households (in particular those with disabilities) is being compromised on viability grounds¹⁷.

- 9.44 The key outcome is: *'Government is committed to raising accessibility standards for new homes. We have listened carefully to the feedback on the options set out in the consultation and the government response sets out our plans to mandate the current M4(2) requirement in Building Regulations as a minimum standard for all new homes'*. This change is due to shortly be implemented through a change to building regulations.
- 9.45 The consultation outcome still requires a need for M4(3) dwellings to be evidenced, stating *'M4(3) (Category 3: Wheelchair user dwellings) would continue as now where there is a local planning policy in place in which a need has been identified and evidenced. Local authorities will need to continue to tailor the supply of wheelchair user dwellings to local demand'*.
- 9.46 As well as evidence of need, the viability challenge is particularly relevant for M4(3) standards. These make properties accessible from the moment they are built and involve high additional costs that could in some cases challenge the feasibility of delivering all or any of a policy target.
- 9.47 The table below shows estimated costs for different types of accessible dwellings, taken from research sitting behind the initial PPG on accessible housing – these costings are now 8-year old but do still provide an indication of the relative costs of different options. Up to date costings for wheelchair accessible dwellings will need to be taken into account in any Viability Study prepared by the Council to support the Local Plan.

¹⁷ <https://www.gov.uk/government/consultations/raising-accessibility-standards-for-new-homes>

Table 9.11 Access Cost Summary

	1-Bed Flat	2-Bed Flat	2-Bed Terrace	3-Bed Semi	4-Bed Semi
M4(2)	£940	£907	£523	£521	£520
M4(3)(2)(A) – Adaptable	£7,607	£7,891	£9,754	£10,307	£10,568
M4(3)(2)(B) – Accessible	£7,764	£8,048	£22,238	£22,791	£23,052

Source: EC Harris, 2014

- 9.48 It should be noted that local authorities only have the right to request M4(3)(2)(B) accessible compliance from homes for which they have nomination rights. They can, however, request M4(3)(2)(A) adaptable compliance from the wider (market) housing stock.
- 9.49 A further option for the Council would be to consider seeking a higher contribution, where it is viable to do so, from those homes to which they have nomination rights. This would address any under delivery from other schemes (including schemes due to their size e.g. less than 10 units or 1,000 square metres) but also recognise the fact that there is a higher prevalence for wheelchair use within social rent tenures. This should be considered when setting policy.

Older and Disabled Persons - Summary

- 9.50 A range of data sources and statistics have been accessed to consider the characteristics and housing needs of the older person population and the population with some form of disability. The two groups are taken together as there is a clear link between age and disability. The analysis responds to Planning Practice Guidance on Housing for Older and Disabled People published by Government in June 2019 and includes an assessment of the need for specialist accommodation for older people and the potential requirements for housing to be built to M4(2) and M4(3) housing technical standards (accessibility and wheelchair standards).

9.51 The data shows that Surrey Heath has a slightly older age structure and lower levels of disability compared with the national average. The older person population shows high proportions of owner-occupation, and particularly outright owners who may have significant equity in their homes (82% of all older person households are outright owners).

9.52 The older person population is projected to increase notably moving forward. An ageing population means that the number of people with disabilities is likely to increase substantially. Key findings for the 2021-40 period include:

- a 42% increase in the population aged 65+ (potentially accounting for around 63% of total population growth);
- a 62% increase in the number of people aged 65+ with dementia and 52% increase in those aged 65+ with mobility problems;
- a need for around 735 housing units with support (sheltered/retirement housing) – three-quarters within the market sector;
- a need for around 510 additional housing units with care (e.g. extra-care) – the majority (around three-quarters) in the market sector;
- a need for additional residential care home bedspaces but sufficient nursing care home bedspaces (arguably an over-supply); and
- a need for up to around 433 dwellings to be for wheelchair users (meeting technical standard M4(3)).

9.53 This would suggest that there is a clear need to increase the supply of accessible and adaptable dwellings and wheelchair user dwellings as well as providing specific provision of older persons housing. Given the evidence, the Council could consider (as a start point) requiring all

dwellings (in all tenures) to meet the M4(2) standards and around 5% of homes meeting M4(3) – wheelchair user dwellings in the market sector (a higher proportion of around a tenth in the affordable sector).

9.54 Where the authority has nomination rights M4(3)(2)(B) would be wheelchair accessible dwellings (constructed for immediate occupation) and in the market sector they should be M4(3)(2)(A) wheelchair user adaptable dwellings (constructed to be adjustable for occupation by a wheelchair user). 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.

9.55 In framing policies for the provision of specialist older persons accommodation, the Council will need to consider a range of issues. This will include the different use classes of accommodation (i.e. C2 vs. C3) and requirements for affordable housing contributions (linked to this the viability of provision and Use Class). There may also be some practical issues to consider, such as the ability of any individual development being mixed tenure given the way care and support services are paid for).

10. Needs of Specific Groups

Service Families

- 10.1 According to the latest MOD statistics there are 720 MOD personnel located within Surrey Heath. This includes 600 military personnel and 120 civilian personnel. Of the military personnel there are 570 Army personnel, 20 RAF personnel and 10 Naval or Royal Marine personnel.
- 10.2 This represents a considerable reduction from the 2013 figure when there were 1550 MOD personnel in the borough. This reduction reflects the decommissioning of Deepcut Barracks.
- 10.3 The Borough is also home to Sandhurst Military Academy although much of the accommodation is in Bracknell Forest. As this is an educational establishment it takes in an in-take which is then dispersed across the country once an intake has passed out.
- 10.4 There are also very few families at the Academy although there are also stationed officers who run things day to day including security and training.
- 10.5 However, the Council inform us that there is little demand from military personnel stationed here to remain in Surrey Heath. The Council have informed us that only 11 households on the housing register are currently or former service families who have left in the last 5 years.
- 10.6 The Allocation of Housing (Qualification Criteria for Armed Forces) (England) Regulations ensure that Service personnel (including bereaved spouses or civil partners) are allowed to establish a 'local connection' with the area in which they are serving or have served.

- 10.7 This means that ex-service personnel would not suffer disadvantage from any 'residence' criteria chosen by the Local Authority in their allocations policy. Furthermore, 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.
- 10.8 In theory, the Council could therefore receive representations from any service families but they do not as most of the people stationed there don't have a previous connection to the borough.
- 10.9 Annex 2 of the NPPF identifies Military Personnel as Essential Key Workers. As such, accommodation specifically comes under the definition of affordable housing. Depending on their incomes this group will already largely be accounted for within the borough's identified affordable housing need and will not be additional to it.
- 10.10 The Planning Practice Guidance for First Homes requires that any local connection criteria are disapplied for all active members of the Armed Forces, divorced/separated spouses or civil partners of current members of the Armed Forces, spouses or civil partners of a deceased member of the armed forces (if their death was wholly or partly caused by their service) and veterans within 5 years of leaving the armed forces.
- 10.11 The Council do not hold data on shared ownership and there has been no delivery of first homes therefore there is no indication of demand from these groups for this type of accommodation.
- 10.12 If there are any issues these are likely to be finding accommodation for those transitioning out of the forces. First Homes could play a part in meeting this demand as it would provide a discounted route to home ownership.

- 10.13 The Council are continuing to seek engagement with the armed forces and local services families (including the Nepali community) as part of the armed forces covenant.

Self and Custom Housebuilding

- 10.14 As of 1st April 2016, and in line with the 2015 Self-Build and Custom Housebuilding Act, relevant authorities in England were required to have established and publicised a self-build and custom housebuilding register which records those seeking to acquire serviced plots of land in the authority's area in order to build their own self-build and custom houses.
- 10.15 The Surrey Heath Self-Build and Custom Housebuilding Register has now covered nine base periods¹⁸ from 1st April 2016 up to February 2024 although only seven of these base periods are full. The Council has chosen to set a local connection test and as such, the local authority's register is split into Part 1 and Part 2. Individuals who apply for entry on the register and meet all of the eligibility criteria must be entered on Part 1 whereas those who meet all the eligibility criteria except for a local connection test must be entered on Part 2 of the register.
- 10.16 Part 1 of the Surrey Heath register requires individuals to meet all standard eligibility criteria and at least one of the following:
- Have lived in Surrey Heath Borough for at least 3 consecutive years

¹⁸ A base period is a period of typically 12 months in which demand for custom and self-build is recorded. The first base period began on the day on which the register (which meets the requirement of the 2015 Act) was established and ended on 30 October 2016. Each subsequent base period is the period of 12 months beginning immediately after the end of the previous base period. Subsequent base periods will therefore run from 31 October to 30 October each year.

- Have previously lived within the Borough for 3 consecutive years within the past 10 years
- Be currently employed in Surrey Heath for a period of 3 out of the last 5 years (this must be continuous employment for no less than 16 hours per week)
- Be currently in the service of the regular armed forces of the Crown or have left the service of the armed forces of the Crown within the last 5 years

10.17 There is also an initial fee payable to be entered onto both Part 1 and Part 2 of the register with an annual fee required to remain on the register. These fees are as follows:

Table 10.1 Surrey Heath Self and Custom Build Register: Fees

	Part 1	Part 2
Inclusion Fee	£75	£75
Annual Fee	£30	£0

Source: SHBC, 2023

10.18 In line with the PPG¹⁹, the Council must count entries on Part 1 of the register towards the number of suitable serviced plots that they must grant development permission for, whereas entries on Part 2 do not count towards demand for the purpose of the 2015 Act (as amended) but relevant authorities must have regard to the entries on Part 2 when carrying out their planning, housing, land disposal and regeneration functions.

10.19 The 2015 Act (as amended) includes a requirement for the Council to grant sufficient planning permissions to meet the demand identified on

¹⁹ Self-Build and Custom Housebuilding PPG: Paragraph: 018 Reference ID: 57-018-20210208

the Register although this does not need to meet the requirements of the specific applicants.

- 10.20 At present the Council's register has a total of 470 registrations. Of this 145 have either been on or remain on Part 1, and 325 registrations have only ever been Part 2. Although the Council are in the process of reviewing their register and these numbers are subject to change. Of the 145 Part 1 registrations, only 2 at this time are active.²⁰
- 10.21 As put forward by the PPG and in line with legislation, If these numbers are assessed over 7.83²¹ base periods and this level of need continues then the Council would have to permit an average of 60 plots per annum. Although a closer estimate of local need is 19 plots per annum.
- 10.22 However, the number of individuals expressing an interest has evidently declined over time, as is clear from the Figure below. This is in part as a result of the introduction of the local connection test. Moreover, the addition of entrant and annual fees on one hand may have contributed to reduced interest in the register, on the other hand it produces a more realistic picture of local demand as per active Part 1 registrants.

²⁰ "Active" Part 1 registrants are those who are actively paying the annual fee to remain on Part 1 of the register, or have recently joined the register and are eligible for Part 1, and are not yet required to pay an annual fee at this time.

²¹ Base period 1 in 2016 ran for 6 months, and at the time of writing (February 2024), base period 9 has run for one third of a base period. This results in a total of 7.83 base periods since the Borough started its self-build register.

Table 10.2 Serviced Plot Demand by Base Period in Surrey Heath

	Total Registrations	Total Registrations (Part 1)	Total Registrations (Part 2)
Base Period 1 (1 st Apr 16 to 30 th Oct 16)*	70	2	68
Base Period 2 (31 st Oct 16 to 30 th Oct 17)	140	2	138
Base Period 3 (31 st Oct 17 to 30 th Oct18)	65	36	29
Base Period 4 (31 st Oct 18 to 30 th Oct 19)	58	31	27
Base Period 5 (31 st Oct 19 to 30 th Oct 20)	65	36	29
Base Period 6 (31 st Oct 20 to 30 th Oct 21)	62	32	30
Base Period 7 (31 st Oct 21 to 30 th Oct 22)	4	3	1
Base Period 8 (31 st Oct 22 to 30 th Oct 23)	3	2	1
Base Period 9 (31 st Oct 23 to 30 th Oct 24)**	2	1	1
Total	470	145	325
Average***	60	19	42

Source: Council Self and Custom Build Register * counted as half a base period ** counted as 1/3 of a base period as base period is ongoing ***Total divided by 7.83

10.23 It is worth highlighting that a survey²² undertaken by YouGov on behalf of the National Custom and Self-Build Association (“NaCSBA”) in October 2020 found that awareness of the Right to Build legislation is low with 83% of people unaware that the local authority self-build registers exist.

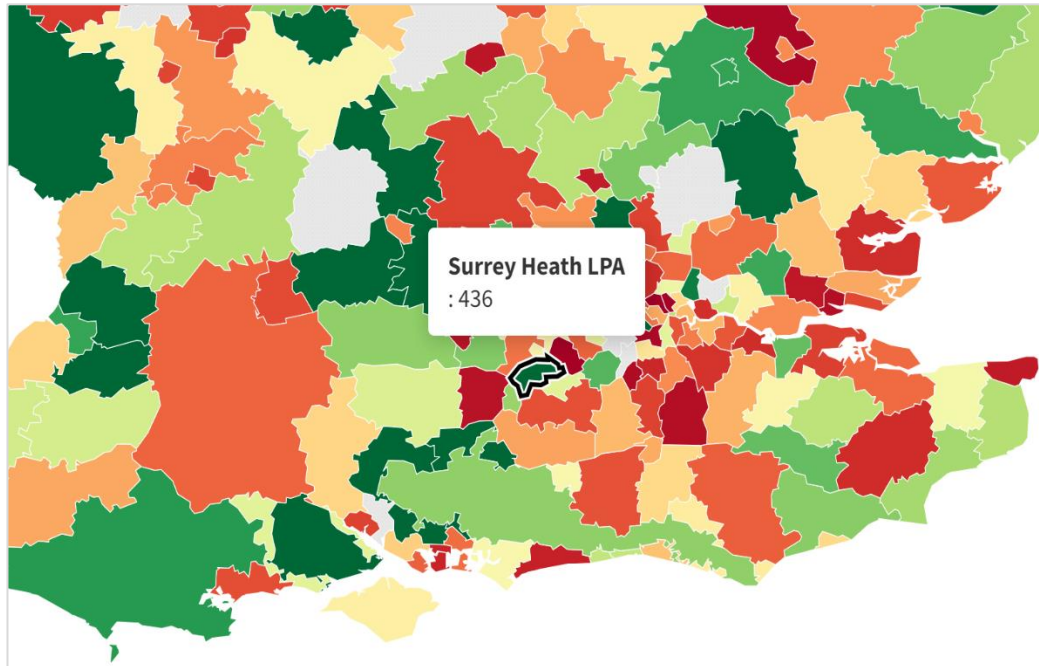
10.24 As a result, the number of individuals on a local authority’s self-build register may underestimate demand and that other evidence of demand should be considered.

²² A survey of 2,017 adults with fieldwork undertaken online between 9th – 11th October 2020. The figures are weighted and are representative of all GB adults aged 18+

Broader Demand Evidence

- 10.25 In order to supplement the data from the Council's own register, we have looked to secondary sources as recommended by the PPG, which for this report is data from NaCSBA.
- 10.26 The October 2020 NaCSBA survey found that 1 in 3 people (32%) are interested in building their own home at some point in the future, including 12% who said they were very interested. Although the survey did not gauge the seriousness of this aspiration and to what degree they are genuinely likely to self-build in the near future.
- 10.27 Notably, almost half (48%) of those aged between 18 and 24 were interested in building their own home, compared to just 18% of those aged 55 and over. This is notable as, traditionally, self-build has been seen as the reserve of older members of society aged 55 and over, with equity in their property.
- 10.28 Second, we can draw on NaCSBA data to better understand the level of demand for serviced plots in Surrey Heath in relative terms. The association has recently published analysis with supporting maps and commentary titled "Mapping the Right to Build" in 2020. This includes an output on the demand for serviced plots as a proportion of total population relative to all other local authorities across England.
- 10.29 One of the key maps within the report highlights the areas of strongest demand and this is shown in the figure below. This shows that Surrey Heath has a need for 436 units per 100,000 head of population which is one of the highest levels of self-build demand in the country.

Figure 10.1 Overall Demand for Self-Build Plots per 100,000 of Population



Source: NaCSBA "Mapping the Right to Build," 2020

- 10.30 Based on the population growth linked to the standard method (6,791 People) this would result in a need for an additional 29 plots over the next ten years. This would not include any backlog need. Although, this map does not account for individuals and associations that enter onto registers in multiple authorities which can artificially inflate local demand.

Policy Response

- 10.31 The Self-Build and Custom Housebuilding PPG sets out how authorities can increase the number of planning permissions which are suitable for self-build and custom housebuilding and support the sector. The PPG²³ is clear that authorities should consider how local planning policies may address identified requirements for self and custom housebuilding to ensure enough serviced plots with suitable permission come forward and

²³ Paragraph: 025 Reference ID: 57-025-20210508

can focus on playing a key role in facilitating relationships to bring land forward.

10.32 There are a number of measures which can be used to do this, including but not limited to:

- supporting Neighbourhood Planning groups where they choose to include self-build and custom build housing policies in their plans;
- working with Homes England to unlock land and sites in wider public ownership to deliver self-build and custom build housing; and
- when engaging with developers and landowners who own sites that are suitable for housing, encouraging them to consider self-build and custom housebuilding, and facilitating access to those on the register where the landowner is interested;
- working with local partners, such as Housing Associations and third sector groups, to custom build affordable housing for veterans and other groups in acute housing need.

10.33 The adopted Surrey Heath Core Strategy is silent on the matter of self and custom housebuilding, due to being published prior to the 2015 Self-Build and Custom Housebuilding Act. There is an increasing number of local planning authorities which have adopted *specific* self-build and custom housebuilding policies in respective Local Plans to encourage delivery, promote and boost housing supply. There are also a number of appeal decisions in the context of decision-taking which have found that paragraph 11(d) of the Framework is engaged in the absence of specific policy on self-build housing when this is the focus of a planning application.

- 10.34 A recent appeal decision²⁴ in Windsor and Maidenhead demonstrates the importance of delivering custom and self-build homes. This appeal allowed for the delivery of four custom and self-build homes in the Green Belt on the basis that “very considerable weight” was placed on the Borough was not meeting its custom and self-build need.
- 10.35 That said, the need for self and custom build accommodation also needs to be balanced with the needs of general housing and other specific groups in the context of a land supply which is unlikely to meet overall needs.
- 10.36 The Council has drafted a sub-section of policy under Policy H5 in the draft Local Plan. This sets out general support for the sector if the proposed development is in an appropriate location. It also states that on development sites of 20 homes or more, developers are expected to make 5% of the total homes available for sale as self-build and custom housebuilding plots where there is an identified need, unless it would not be possible due to site-specific circumstances. The latter is often known as the “Teignbridge Rule” after the first District Council to adopt the first self-build policy.
- 10.37 Iceni considers that this draft policy is suitable and responds to the requirements of Planning Practice Guidance. As a general principle, the Council should support the submission and delivery of self-build and custom housebuilding sites, where opportunities for land arise and where such schemes are consistent with other planning policies.

The Council may also wish to consider allocating sites specifically for this use. However, we recognise that the opportunity to do this is restricted due to the limited supply of suitable greenfield land in the Borough. The

²⁴ Appeal A Ref: APP/T0355/W/22/3309281

Council should also continue to work in partnership with community led housing providers to deliver additional self-build housing.

Students

- 10.38 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.
- 10.39 However there are no higher education establishments in the borough and therefore there is limited demand for student housing. The previous SHMA identified a 50% decline in the number of student households from eight to four.
- 10.40 The most recent Census suggests a continuation of that trend with a further 50% fall of all student households from four to two demonstrating virtually no demand for student housing, purpose-built or otherwise.
- 10.41 Finally, local letting agents confirmed that there was low demand for student accommodation in the Borough.

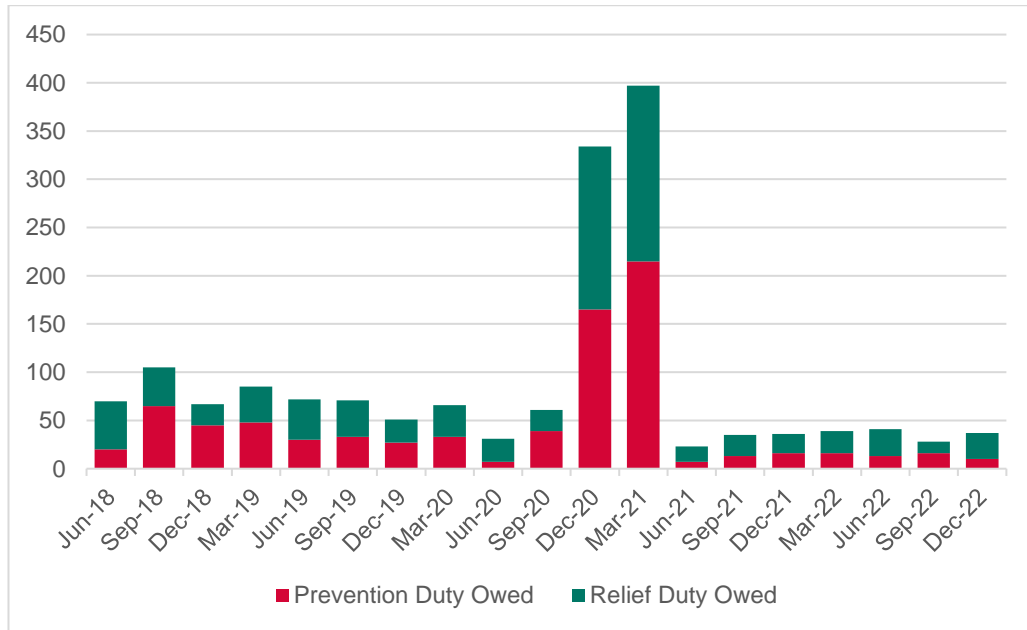
Homeless Households

- 10.42 According to MHCLG statistics, in the period between June 2018 and December 2022, there was on average 87 households per quarter in Surrey Heath assessed as having a duty owed to them. Of those 43 people were owed a prevention duty and 44 were owed a relief duty²⁵.

²⁵ A prevention duty is for those threatened with homelessness, a relief duty is for those who are actually homeless.

10.43 As illustrated in Figure 10.2 there was a considerable increase in presentations during the pandemic. This was linked to households no longer wishing or able to share coupled with the “everyone in” campaign. As shown, recent quarters are now below pre-pandemic levels.

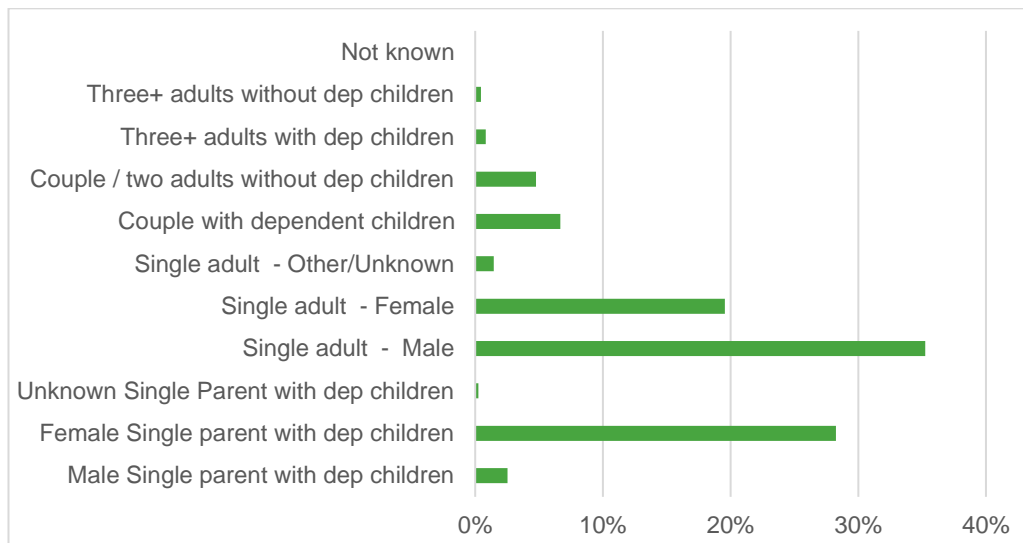
Figure 10.2 - Prevention and Relief Duty Owed (June 2018 to Dec 2022) -Surrey Heath



Source: DLUHC, H-CLIC data, 2023

10.44 The most common household type presenting themselves are single males (35%), woman with dependent children (28%) and single woman (20%). This is typical of homeless presentations.

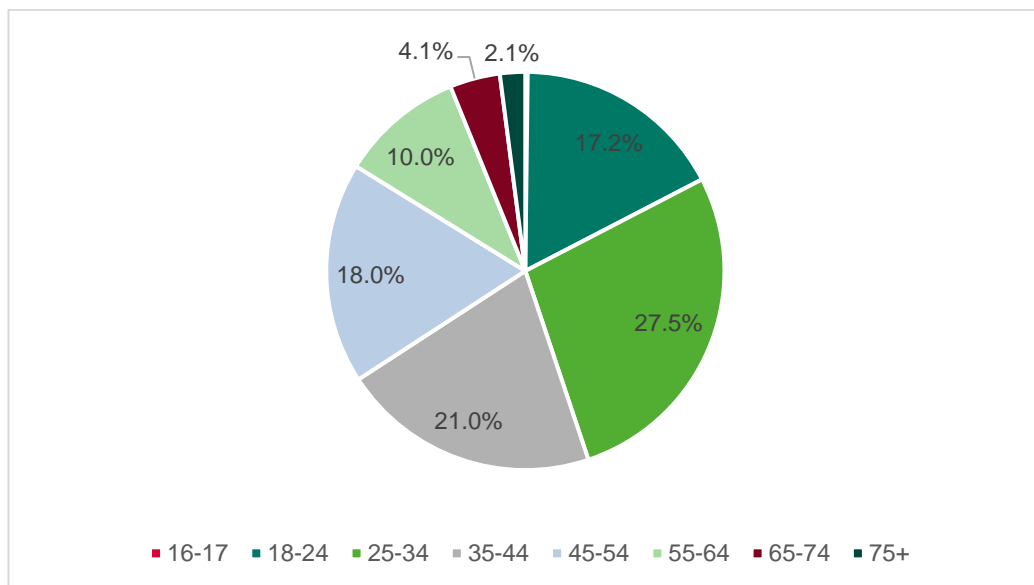
Figure 10.3 - Household Type of those Owed a Duty - (June 2018 to Dec 2022) -Surrey Heath



Source: DLUHC, H-CLIC data, 2023

10.45 The data also shows that almost half (48% of representations) are aged between 25 and 44. Less than 1% of representations are aged under 18 and 6.1% are of a retirement age.

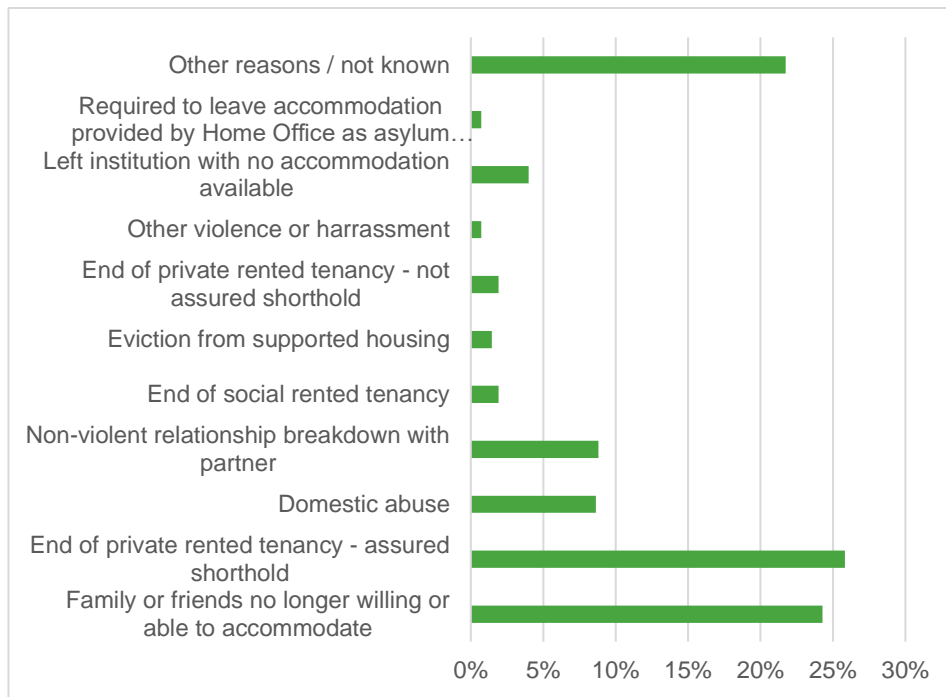
Figure 10.4 - Age of Main Applicant (June 2018 to Dec 2022) -Surrey Heath



Source: DLUHC, H-CLIC data, 2023

- 10.46 Those presenting themselves as homeless have myriad reasons but the most common of which are the end of a private rental tenancy (26%) and family or friends no longer willing or able to accommodate them (24%).

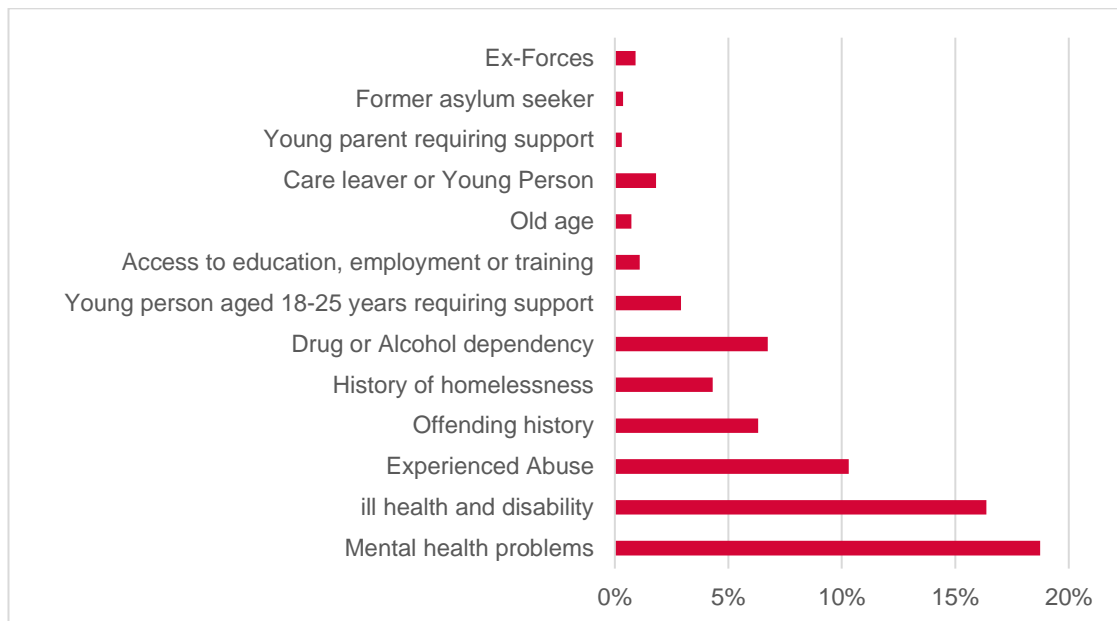
Figure 10.5 Reason for Loss of Last Settled Home – (June 2019 – December 2023) - Surrey Heath



Source: DLUHC, H-CLIC data, 2023

- 10.47 As well as requiring accommodation many households, or its members, that present themselves as homeless require additional support. This can be varied and multiple but the most common forms of support need include those with mental health problems (19%), ill health or disability (16%) or had experienced abuse at some stage (10%).

Figure 10.6 - Support Needs of Households Owed a Duty - (June 2018 to Dec 2022) -Surrey Heath



Source: DLUHC, H-CLIC data, 2023

Childrens Care Homes

- 10.48 The Care Standards Act 2000 provides a definition of Children's Home stating 'an establishment is a children's home... if it provides care and accommodation wholly or mainly for children'. 'Wholly or mainly' means that most of the people who stay at a home must be children.
- 10.49 Key legislation relating to the accommodation and maintenance of a looked after child is defined and outlined in Sections 22A to 22D of the Children Act 1989.
- 10.50 The legislation provides a framework within which decisions about the most appropriate way to accommodate and maintain children must be considered:
- Section 22A of the Children Act 1989 imposes a duty on the responsible authority when a child is in their care to provide the child with accommodation.

- Section 22B of the Children Act 1989 sets out the duty of the responsible authority to maintain a looked after child in other respects apart from providing accommodation.
- Section 22C of the Children Act 1989 sets out the ways in which a looked after child is to be accommodated.
- Section 22D of the Children Act 1989 imposes a duty on the responsible authority to formally review the child's case prior to making alternative arrangements for accommodation.
- Section 22G of the Children Act 1989 gives a local authorities a general duty to secure sufficient accommodation for looked after children and it also requires local authorities to take strategic action in respect of those children they look after and for whom it would be consistent with their welfare for them to be provided with accommodation within their own local authority area.

10.51 In a Written Ministerial Statement²⁶ (WMS) made in May 2023, the Housing and Planning Minister reminded local authorities of their requirement to assess the housing need of different groups in the community including “accommodation for children in need of social services care”.

10.52 The WMS statement said “Local planning authorities should give due weight to and be supportive of applications, where appropriate, for all types of accommodation for looked after children in their area that reflect local needs and all parties in the development process should work together closely to facilitate the timely delivery of such vital accommodation for children across the country.

10.53 The WMS follows on from the Department of Education Implementation Strategy²⁷ to fix children's social care from February 2023. The “Stable

²⁶ <https://questions-statements.parliament.uk/written-statements/detail/2023-05-23/hcws795>

²⁷

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1147317/Children_s_social_care_stable_homes_consultation_February_2023.pdf

Homes Built on Love“ Strategy has undergone a recent consultation the result of which have not yet been published.

- 10.54 The strategy outlines an ambition to transform Children’s Care through six pillars. The first of these pillars makes it clear that providing support to families is the first priority. This ensures that children can remain in their family home for as long as possible (Pillar 1) and then within their wider family if this is not possible (Pillar 3).
- 10.55 If both the immediate and wider family cannot look after a child then Pillar 4 seeks to ensure that “when care is the best choice for a child, it is critical that the care system provides stable, loving homes close to children’s communities.”
- 10.56 To achieve this the strategy aims to increase and support foster carers; develop a programme to support improvements in the quality of leadership and management in the children’s homes sector and pathfind Regional Care Cooperatives to plan, commission and deliver care places.
- 10.57 The report sets out a mission to “see an increase of high-quality, stable and loving homes available for every child in care, local to where they are from”. To do this it suggests that an immediate action is to “boost the number of the right homes in the right places available for children as a matter of urgency.”
- 10.58 The strategy notes “Local authorities have primary responsibility for the children in their care. This includes ensuring there is sufficient accommodation locally to meet the range of needs of children in care in their area” and that there is a “statutory duty to ensure there is sufficient provision for their children in care”.
- 10.59 It also states that the DfE “will continue to build on our work reforming supported accommodation for 16- to 17-year-olds. Semi-independent

provision, including supported lodgings, can be the right option for some older children, but only where it is high-quality and the young person is ready for the level of independence it promotes.”

- 10.60 The Department will also continue “with the Children’s Home Capital Programme, which has seen £259 million of capital funding invested to increase provision in local authority-run open and secure children’s homes. We are working with local authorities to create new children’s homes and increase provision in their local area.”
- 10.61 At a similar time the government also launched a consultation on the “Children’s Social Care National Framework²⁸” and the “Children’s Social Care Dashboard”.
- 10.62 The Framework sets out some of the outcomes to be measured including Outcome 4 relating to those seeking to insure “children in care and care leavers have stable, loving”.
- 10.63 The indicators include the percentage of children in care living in foster care and living in residential care home and the distance of placements from home. This is important to ensure stability of schooling and contact with their siblings. The framework recognises that this will mean prioritising foster homes rather than residential homes.
- 10.64 The outcome can also be achieved by leaders undertaking “sufficiency planning and work with other local authorities and partners to jointly invest in care options that meet the future needs of children.”

²⁸ https://consult.education.gov.uk/children2019s-social-care-national-framework/childrens-social-care-national-framework/supporting_documents/Childrens%20Social%20Care%20National%20Framework%20Consultation%20Document%20February%202023.pdf

Surrey County Council Policy

- 10.65 In two-tier authorities such as Surrey Heath the responsibility for children’s services falls with the County Council in this case that is Surrey County Council.
- 10.66 The County Council and NHS produced a “Joint Commissioning Strategy for Children, Young People, and their Families in Surrey 2022”. This noted that research suggests that around 45% of looked-after children have a diagnosable mental health disorder, and up to 70%-80% have recognisable mental health concerns.
- 10.67 In addition, young people looked after are four times more likely to misuse drugs and alcohol compared to their peers. In Surrey, of the children placed within a residential children’s home, 73% have an Education and Healthcare Plan, indicating significant overlaps between Special Education Needs and Disability and Social Care involvement.
- 10.68 Surrey County Council²⁹ also produced their “Sufficiency Strategy for Looked After Children, Care Leavers and Children on the Edge of Care 2020-2025”. This strategy was subsequently updated in 202/23.
- 10.69 The stated aim of the strategy was to “enable the system of support to realise better outcomes for children and young people.” To do this the County Council committed to “exploring what sufficiency of provision we have available in Surrey and elsewhere to meet these needs, the quality of that provision and how much it costs” and “Understanding the connection between our social care practice and demand within the system”.

²⁹ <https://www.surreycc.gov.uk/council-and-democracy/departments/children-families-lifelong-learning-and-culture/childrens-commissioning-service/sufficiency-strategy>

- 10.70 The Sufficiency Strategy supports the Corporate Parenting Strategy in priorities which are to always seek to enable children looked after to live with extended family or kinship members when possible and consider foster care as a first option of choice.
- 10.71 Their focus also includes recruiting more in-house foster carers and residential workers but also implementing a capital investment programme across their residential estate moving towards smaller “ordinary homes”.
- 10.72 The sufficiency strategy (and 2022/23 update) also sets out some key headlines in relation to the level of need in the County. The headline outputs are as follows:
- There are approximately 270,000 children and young people in Surrey aged 0-18 – the majority of these achieve good outcomes
 - As of March 2020, there were 6,333 open referrals to Children’s Services – within these there were:
 - 2,106 children with active Child in Need plans (increasing to 2,519 by 2022 as set out in the update)
 - 694 children with an active Child Protection plan (increasing to 1,000 by 2022 as set out in the update).
 - 985 Looked after Children (increasing to 1,048 by 2022 as set out in the update).
 - 656 Care Leavers with Active Pathway Plans
- 10.73 The 2022/ 23 update shows a 6.7% increase in children in care. The increase in looked after children is a component of fewer foster families (and more working from home making it unsuitable) and staff moving due to the pandemic and difficulty in recruiting more foster families post-pandemic.
- 10.74 The 2020 position is the equivalent of 2.3% of children and young people being in open referral. Of these 15% are looked after or 0.3% of all children in the County.

- 10.75 The analysis shows that Surrey has tended to have lower rates of both children in need and looked after children than many of its statistical neighbours and nationally.
- 10.76 For example, in 2019 there were 399,500 children in need in England, which equates to 3.34% in care and 0.67% were looked after. Although child protection plan rates are more comparable.
- 10.77 The Strategy also notes that the number of looked after children has increased (+20%) over the last five years. While this increase is in line with national trends the update notes that in each year since 2018 there was a 2% increase in the number of children in care.
- 10.78 The increase is a result of a greater number of younger children entering care following abuse or neglect and more teenagers needing to be looked after following family breakdown.
- 10.79 The balance between Surrey County Council (SCC) run and external provision shifts significantly as children get older. For example, 81% of placements are in SCC-run provision between 0-3 years, but this reduces to 34% in the 16-17 years age range.
- 10.80 The Strategy also notes that unaccompanied asylum seeking children make up a significant proportion (27%) of the 16-17 year old looked after cohort.
- 10.81 The Strategy also makes a comparison between different quadrants in the County. Surrey Heath is in the North West Quadrant (along with Woking and Runnymede) it notes that:
- There are broadly similar number of looked after children in all four quadrant areas. The South East has the highest number;
 - The North West is currently the only area that uses more externally commissioned provision than in-house (though the difference is small);

- The West of the county (North West and South West) makes higher use of Independent Fostering Agencies (IFAs) than the East;
- In the NW Quadrant there were 110 children in care of SCC of which 11(or 10%) were in in house residential and 2 in supported accommodation. 60% were in fostering placements;
- There were 114 children in care of external providers in the NW Quadrant of which 11 (or 10%) were in in-house residential and 26 (or 23%) were in supported accommodation. 60% were in fostering placements.
- Across Surrey Around 41% of children aged between 10-17 and 31% of children aged 0-9 are placed further than 20 miles and outside of Surrey. The majority of those placed outside the County are done so through external providers;
- Of the children within a residential care home setting in Surrey 73% have an education and health care plan with the most common justification for this being Autism.

Existing Provision

- 10.82 In 2020 the County had a residential capacity of up to 49 beds. This included six community homes and one solo provision offering 29 beds in total. There are two homes for children with disabilities (providing short or long term care) with a capacity of 18 beds. There are also 2 beds of specialist emergency/crisis provision for young people with mental health issues.
- 10.83 The 2022/23 update noted that there were 9 homes registered to Surrey County Council and that one of the previous homes was no longer fully appropriate to continue as a full-time children’s home. This was re-purposed as a “no wrong door hub” as well as an emergency/crisis home.
- 10.84 This indicates that there is some capacity within the system as only 13 children without disabilities and 5 children with disabilities were placed in in-house residential care (as of August 2023).
- 10.85 The strategy does however highlight anecdotal gaps in provision as indicated by the County’s practitioners and partners. These include:

- Smaller provision (1-2 beds) for children with sexually harmful behaviour who cannot live in larger group settings;
- Smaller provision for children with autism spectrum needs and/or those who need low-stimulation environments;
- Emergency or crisis provision in or close to Surrey that does not adversely impact on young people already living in the provision;
- Smaller provision for young people impacted by CSE;
- Smaller provision for young people who misuse substances; and
- Step-down accommodation from secure provision.

Future Provision

- 10.86 The Sufficiency Strategy notes that “current best practice suggests that the best homes for our children are family sized and look like the homes of their peers”.
- 10.87 The County Council's investment programme will enable this to be realised. In July 2020, two new four-bed homes and the rebuild of the SCC family centre were approved whilst a third was approved in Spring 2021. This includes specialist provision for young people requiring additional support.
- 10.88 In order to meet future capacity the County Council are also committed to continuing to develop their in house service. To support this development, Surrey County Council have secured funding from the Department for Education towards two new children’s homes.

Supported Accommodation

- 10.89 The County Council also assesses supported accommodation for 16-25 year olds including care leavers. This currently provides accommodation for up to 203 young people and is delivered through a combination of HMOs, self-contained units or in hostels.

- 10.90 However, the Sufficiency Strategy notes a localised need within the North West of the County as much of the supported need is met in the other quadrants or outside the county.
- 10.91 To address this the County Council is committed to increasing its supported accommodation capacity with the redevelopment of property into HMOs. This was approved in October 2020 and is still under development.
- 10.92 In 2020 the County Council were also undertaking feasibility studies into options for developing its own semi-independent accommodation for care leavers on a 'Hub and Spoke' model.
- 10.93 This would mean that care leavers have the option to remain in Surrey, have support from council services and have increasing options to move from fully supported provision into flats locally with support from the Hub.
- 10.94 Within the strategy update it was noted that SCC ran a mini competition in January 2023 to commission an additional 50 beds that require 24/7 support.
- 10.95 Finally, for those aged 18 to 21 in foster care, the County Council actively engages with carers to support the transition from foster care to remain with their carers under staying put arrangements.

Demographic Growth

- 10.96 The Sufficiency Strategy seeks to forecast demand based on 5-year historic placement trends. This excludes unaccompanied asylum seekers. This is not linked to any population growth.
- 10.97 Conversely, those aged 16-17 years old will require further accommodation (+27 beds). If asylum seekers were to be included then the need would increase to around 80-100 additional beds.

10.98 With other strategies put in place the County Council expect a decrease in demand from looked after children and for the average length of stay to fall.

10.99 As an alternative assessed level of need, the population projections linked to the standard method show an increase in those aged under 18 of around 820 between 2021 and 2040. This equates to a 4.4% increase.

Table 10.3 Under 18s Population change 2021 to 2040 – Surrey Heath (linked to Standard Method)

	2021	2040	Change	% Change
Under 18s	18,868	19,691	823	4.4%

Source: Demographic Modelling

10.100 As per the current rates of 2.3% of children in open referral, this additional population would result in 19 additional open referrals of which 15% or 3 children would require being looked after.

10.101 This would only be required if current rates are continued, however, the County Council policy is to ensure that children are firstly cared for in home and secondly within a foster home (with an aim to have 120 additional foster placements by 2025). The success of this strategy will determine the true need for care homes in Surrey Heath.

10.102 Furthermore there is capacity within the existing supply which could meet this need. The County Council is also undertaking an extensive capital development programme to re-provide two mainstream children's homes into 3 smaller, 4 bed units which will provide more suitable accommodation.

10.103 In addition, two one-bedroom solo units are being developed which are close to existing homes but will be managed and operated separately. These changes are aimed increase the flexibility and capability of in-house provision to meet the increasingly complex needs of children requiring residential care.

Policy Response

- 10.104 The WMS statement said “Local planning authorities should give due weight to and be supportive of applications, where appropriate, for all types of accommodation for looked after children in their area that reflect local needs”
- 10.105 Clearly the national and County policy direction is to provide in-situ support, followed by familial and foster support. Therefore the demand for care homes will largely be determined by the success of these policies. Where this is not possible, then local authorities will be required to provide safe accommodation in the right places.
- 10.106 In the unlikely scenario additional supply for children is required, in addition to that the County Council have already committed to, the Council should seek to include such accommodation as part of wider, appropriately located, housing allocations or larger permissions.
- 10.107 As per the strategy such should be in 3-4 bedroom “ordinary homes”. This need would be met and managed by a combination of the County Council and through external providers.
- 10.108 Such sites should align with most appropriate locations according to Ofsted’s Location Assessment³⁰ for such accommodation. In summary, this includes ensuring safeguarding concerns are met and that children have access to services.
- 10.109 There will also be a need for supported accommodation for young adults and the Council should work with County Council and Registered

³⁰

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/339545/Children_s_homes_regulations_amendments_2014.pdf

Providers to explore opportunities to provide this through developer contributions and in the existing stock.

Specific Groups – Summary

- Although there are 720 MOD personnel located within Surrey Heath most of these are pupils at Sandhurst Military Academy. As such there are very few settled servicemen and woman in the Borough and even fewer with families.
- There is little demand from military personnel stationed in the Borough to remain there and only 11 households on the housing register are current or former service families.
- If assessed over the 7.83 base periods, there has been a total of 470 registered expressions of interest in a serviced plot of land. If this level of need continued then the Council would have to permit an average of 60 plots per annum. Although a closer estimate of local need using the part 1 register would be 19 plots per annum.
- There are no higher education establishments in the borough and there is limited demand for student housing. The 2021 Census suggests only two all student households in the Borough.
- Between June 2018 and December 2022, an average of 87 households per quarter were owed a homelessness duty in Surrey Heath
- The most common household type presenting themselves as homeless were single males (35%), woman with dependent children (28%) and single woman (20%).
- Almost half (48% of representations) are aged between 25 and 44. Less than 1% of representations are aged under 18 and 6.1% are of a retirement age.
- The most common reason for homelessness are the end of a private rental tenancy (26%) and family or friends no longer willing or able to accommodate them (24%).
- Many homeless households require support and the most common forms required include those with mental health problems (19%), ill health or disability (16%) or had experienced abuse (10%).
- There is only likely to be a limited need to provide additional care homes for children above that already committed to by the County

Council. Any which are required are likely to be small “ordinary homes” and provide specialist support such as for autistic children.

- There will be a need to provide additional supported accommodation for young adults and other care leavers. Opportunities to provide this should be explored with the County Council and Registered Providers.