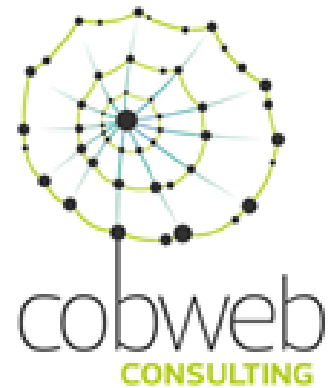




STRATEGIC HOUSING MARKET ASSESSMENT UPDATE

EPSOM AND EWELL BOROUGH COUNCIL

Cobweb Consulting

September 2019

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EXECUTIVE SUMMARY

Policy context

1. National planning policy has recently undergone major revision with a revised National Planning Policy Framework. This requires local authorities to base their planning policies on assessed housing need, calculated using a new standardised national methodology, together with an assessment of affordable housing need.
2. The NPPF and planning practice guidance no longer refer to an objective assessment of need (OAN) or to the preparation of a strategic housing market assessment.
3. The NPPF and PPG have been revised to include a requirement to use the 2014-based official household projections (not the most recent household projections) as the starting point for the standardised national methodology.
4. National Planning Practice Guidance (PPG) sets out this standardised national methodology for identifying housing need which should be followed unless there are strong local circumstances which suggest an alternative approach. A higher figure than that suggested by the standard methodology will be deemed sound by an Inspector, but a lower figure will need to be supported by robust evidence.
5. Constraints on provision such as land availability or infrastructure should not be taken into account when estimating need, although they are of course relevant in developing policies.
6. Total housing need should be broken down by age group, type of household, size of household, tenure, and any special requirements (such as those of disabled people).
7. A separate and detailed approach to assessing the need for affordable housing is also set out in PPG. This has not changed substantially from previous guidance.

Housing need in Epsom and Ewell

8. The new standard methodology is described in detail in PPG. The starting point is the 2014-based set of official household projections. **Applying the formula set out in PPG to this household projection, together with the applicable capping arrangements, produces minimum household need of 579 dwellings per annum.**
9. Following the approach set out in previous PPG produces an estimate of the Objective Need for Housing (OAN) of 519 households per annum. This includes an estimate of the annual backlog of housing need, the average annual level of new household formation over the 2019-2039 period, allowances for vacancies and second homes in the additional housing stock, and an addition of 20% need to take account of market signals. This is 10% lower than the estimate of need produced using current guidance.
10. The current level of housing completions in the authority is significantly below the calculated need of 418 dwellings per annum identified in the SHMA, and further below the level of need produced using the standard methodology.

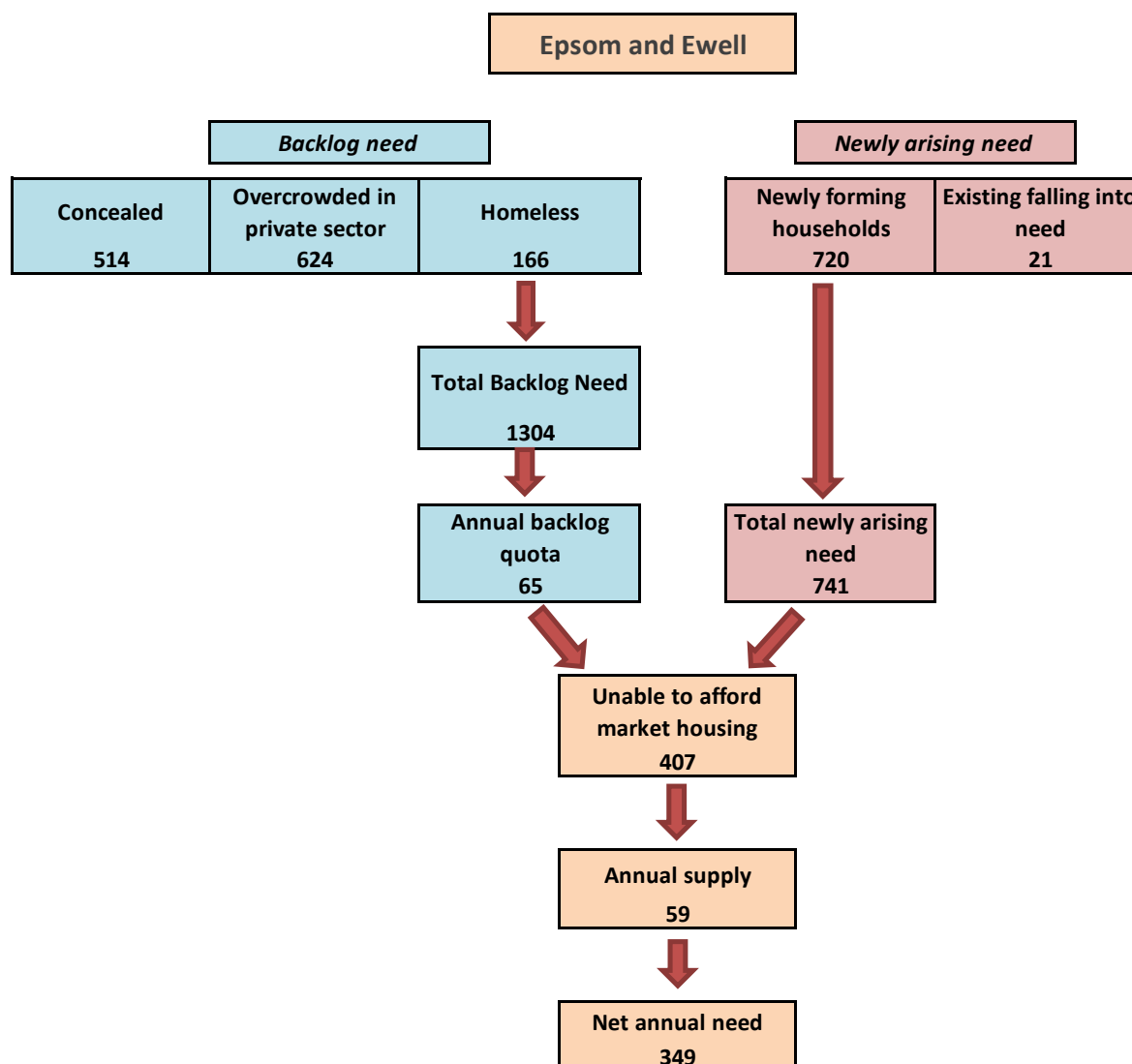
11. The NPPF and revised PPG specify that local authorities should use the new standardised need assessment methodology¹ to calculate the level of housing need in their areas in order to inform the setting of a level of provision for new housing in their local plans, unless there are exceptional circumstances. Whilst a case can be made that the 2014-based household projections are based on assumptions about population growth which have been superseded by recent 2016 based household projections, central government has confirmed that the 2014 based projections should be used and using the 2016-household projections will not be considered to be following the standard method.
12. The housing figure (as calculated by the standard method) is an important consideration, but a range of other matters, including the requirement for affordable housing and the availability of sites for housing will need to be taken into account by the Council in arriving at a decision about the level of new housing provision to be included in its new Local Plan.
13. Taking into account the existing pattern of occupation of the private housing stock which includes a substantial element of under-occupation, the impact of deteriorating affordability, and the need to make the most effective use of limited land supply, it is recommended that **the market element of new construction should be broken down by size as follows: one-bedroomed units 10%; two-bedroomed units 50%; three-bedroomed units 30%; and units with four or more bedrooms 10%.**

Affordable housing need in Epsom and Ewell

14. The need for affordable housing differs from total housing need. Assessed need, whether calculated through the new standardised methodology, or the former OAN process, is an assessment of the amount of *additional* housing stock required to cater for future household growth. The affordable housing requirement estimates the total amount of *affordable* housing required, which could be met in a variety of ways in addition to building more homes (for example, by acquiring private stock for use as affordable housing).
15. To assess gross affordable need, and following Planning Practice Guidance, estimates were made of the backlog of households in need at 2019, the additional numbers expected to fall into need, and the numbers of newly-forming households.
16. The need among this combined group for affordable housing was then assessed, based on the distribution of household incomes and market entry costs.
17. The projected supply of re-let affordable homes was then deducted from the total needing affordable housing.
18. In line with previous practice and because of the high level of affordable need, it was assumed that backlog housing need would be met over a twenty-year period
19. **An estimated 349 households per annum could not afford to pay the market entry threshold cost and therefore needed affordable housing.** The flow chart below summarises how this figure was derived:

¹ <https://www.gov.uk/guidance/housing-and-economic-development-needs-assessments>

Figure E.1 Affordable housing needs calculation



20. **39% of net need is for social or affordable rents (with the majority of this for housing at affordable rather than social rent levels).** The remaining affordable need is from people who could afford higher costs and would probably therefore be able to access intermediate tenure housing of various types.
21. **In total, 6% of need is for one-bedroomed units, 45% for two-bedrooms; 29% for three bedrooms; and 20% for four or more bedrooms.**

22. However these proportions vary by type and cost of provision. The table below summarises the breakdown of net annual affordable need.

Table E.1 Net annual need for affordable homes

		Annual need	Annual supply	Surplus (+) or shortfall (-)	Percentage
Can afford a social rent but not 50% of the lower quartile market rent*	1 Bed	18	19	0	
	2 Beds	21	13	-8	
	3 Beds	19	7	-12	
	4+ Beds	5	1	-4	
	Total	63	39	-25	7%
Can afford 50%-65% of the lower quartile market rent	1 Bed	0	8	8	
	2 Beds	84	4	-80	
	3 Beds	3	0	-3	
	4+ Beds	35	0	-35	
	Total	122	12	-110	32%
Can afford 66%-79% of the lower quartile market rent	1 Bed	21	0	-21	
	2 Beds	26	0	-26	
	3 Beds	5	0	-5	
	4+ Beds	4	0	-4	
	Total	55	0	-55	16%
Can afford 80%-99% of the lower quartile market rent	1 Bed	11	3	-8	
	2 Beds	46	5	-41	
	3 Beds	82	0	-82	
	4+ Beds	27	0	-27	
	Total	166	8	-158	45%
All who cannot afford the full lower quartile market rent	1 Bed	50	29	-21	6%
	2 Beds	178	22	-156	45%
	3 Beds	109	7	-102	29%
	4+ Beds	71	1	-70	20%
	Total	407	59	-349	100%

*Includes those who cannot afford a social rent, who will be required to spend more of their income on housing than the assumed maximum. Due to rounding, components of need may not sum exactly to the total shown in the table.

Housing requirements of specific groups

Older people

23. By 2035 the number of those aged 65 or over in Epsom and Ewell is projected to be 19,500. This represents a 30% increase on 2020 figures.
24. The rate of increase of the 75 or over and 85 or over groups in the population is projected to be higher, at 38% and 33% respectively.
25. There is projected to be a 28% increase in the number of households containing those aged 65 or over, and significantly higher rates for older seniors (38% for 75+, 67% for 85+).
26. 82% of single older people and 94% of older couples own their own homes outright, implying there is considerable equity available to meet housing needs.
27. Substantial numbers of older people tend to under-occupy housing, implying that if they downsize this would free up more family-sized accommodation in all sectors.
28. While demographic modelling shows that there is likely to be an underlying shortage of rented and leasehold sheltered accommodation, at the moment supply and demand are roughly in balance.
29. **Looking ahead to 2035 there will need to be a 32% increase in rented sheltered and a 35% increase in leased sheltered homes.**
30. **There is a need for an additional 248 units of Extra Care accommodation between 2020 and 2035, 80% of which should be leasehold and 20% rented.**

Households with disabled members including wheelchair users

31. A gradual increase in the number of people with mobility disabilities is forecast between now and 2035, particularly of those aged 65 plus, where a 36% increase is expected, as well as an 8% increase among working age people.
32. While there are 30 households on the housing register requiring wheelchair accessible accommodation, demographic modelling suggest the figure may be as high as 154. Others will have accessible housing needs that may not require full-wheelchair accessible standards.
33. There is some mismatch between the numbers needing social/affordable wheelchair accessible stock, and the allocations to that stock when it becomes available.
34. We suggest further work is undertaken to look more deeply into the economic circumstances of those potential 154 requiring such accommodation, to determine how many or what proportion could access market products.
35. **But in the interim is clear that more effective use of the social housing wheelchair assets that come into availability should be a priority, with the objective of meeting the needs of the 30 already on the housing register requiring wheelchair-accessible accommodation.**

Students

36. There are over 4,600 students resident in the borough during term time, including older school students.
37. 64% live with their parents. Around 24% live in the private rented sector.
38. By 2020 there will be 354 purpose-built student units in the borough, for those studying at the University of the Creative Arts; this meets around a third of their housing needs.
39. The borough is a 'net exporter' of students – that is, the number of residents that leave the authority for elsewhere during term time is greater than the numbers that come in.
40. **In view of the above there does not seem to be a strong case for additional purpose-built student accommodation to be prioritised against other demands.**

Private rented sector (PRS)

41. The PRS expanded in Epsom and Ewell by 65% between the last two Censuses and is now likely to be providing homes for 16% of households
42. Mature adults (age 25-49) comprise the largest group, and a high proportion of households have dependent children (38%).
43. Groups categorised as other than White are more reliant on the sector than White groups.
44. Private renters, including those with children, tended to live in smaller properties than owners, and tended to be in more overcrowded conditions.
45. Rents have increased by between 17% and 38% since 2010 (depending on bedsize); there are signs that the increase rate is slowing.
46. Assuming up to a third of household incomes should go on housing costs, half of renters cannot afford a median rent two bedroom home.
47. **The number of PRS tenancies let to those claiming Housing Benefit has reduced sharply, by 35%, since 2012; if it is becoming less of an option for those on lower incomes, this must be of concern to the authority, particularly given the high proportion of households with dependent children that rely upon it.**
48. Looking to the future, it seems likely that landlords will continue to exit the Housing Benefit / Universal Credit sub-sector and 'upmarket' their offers, to the detriment of those on lower incomes. There must be concern about access for those on the lower end of the income spectrum, and the knock on effects on homelessness services if this scenario arises.
49. **The authority may wish to take measures to engage with landlords offering homes at the lower end of the price spectrum, to assist them remain in this market.**

Those wishing to build their own homes

50. As of May 2019, 17 individuals were on the register set up under the Self-Build and Custom Housing Building Act 2015.
51. The Act expects an authority to make provision in certain circumstances for suitable serviced plots to meet demand as evidenced by the register. Regulations in force from 2016

give authorities the option to divide the register, based on eligibility tests. Only those that can pass the eligibility tests would be entitled to borough support.

52. **The authority may wish to set up a two-part register, to ensure that only those meeting the appropriate criteria be considered for serviced plots.**

53. There is no data available yet to indicate whether demand for self-build in Epsom and Ewell is relatively high or low; but in the context of other priorities for scarce land resources, including the 1,149 on the housing register, and the annual deficit of 349 affordable homes, **we suggest that there is no evidence that self-build should be prioritised.**

Chapter 1

Introduction

Background

1.1 In April 2019 Cobweb Consulting were commissioned by Epsom and Ewell Borough Council to undertake an update of the Epsom and Ewell section of the 2016 Strategic Housing Market Assessment that had been produced for the Housing Market Area covering Kingston on Thames and North East Surrey.

1.2 The commission is in the context of the authority preparing a new Local Plan and updating its evidence base to support this.

1.3 Since the last SHMA, there have been significant changes to the [National Planning Policy Framework \(NPPF\)](#) and [Planning Practice Guidance](#). The key element is a new standard method for assessing future housing requirements, to replace the previous approach for assessing the Objectively Assessed of Housing Needs.

1.4 Most of the material in the 2016 study was still relevant: this commission is an update rather than a full SHMA. This update focusses on the assessment of housing needs, affordable housing requirements, and housing requirements for specific groups.

Methodology

1.5 The methodology adopted was primarily desk-based analysis of secondary data from standard sources, as well as analysis of administrative data held by Epsom and Ewell. To give this data context, and to conform to the Duty to Cooperate, a series of interviews were also conducted with representatives of neighbouring authorities. Our methodology is described in more detail in the individual chapters.

Report structure

1.6 The rest of this report is structured as follows:

- Chapter 2 The policy context
- Chapter 3 Housing needs assessment
- Chapter 4 Affordable housing needs
- Chapter 5 The housing requirements of specific groups.

Acknowledgements and authorship

1.7 First and foremost we would like to thank our able client project manager, Wai-Po Poon, Senior Planning Policy Officer at Epsom and Ewell Borough Council. Her colleagues Annette Snell and Rachel Jackson were helpful in providing information. Externally we would like to thank John Woodroffe from Surrey County Council, and Chris Allison and Alice Weston from the University of the Creative Arts for their assistance, as well as the interviewees from neighbouring authorities.

1.8 This report was researched and written by Danny Friedman, Ros Grimes and Philip Leather, of Cobweb Consulting.

Chapter 2

The policy context

Key messages

- National planning policy has recently undergone major revision with a revised National Planning Policy Framework. This requires local authorities to base their planning policies on assessed housing need, calculated using a new standardised national methodology, together with an assessment of affordable housing need.
- NPPF and planning practice guidance no longer refer to an objective assessment of need (OAN) or to the preparation of a strategic housing market assessment.
- The NPPF and PPG have been revised to include a requirement to use the 2014-based official household projections as the starting point for the standardised national methodology.
- Our examination of mid-year population estimates for years since the 2014-based households projections (produced by MHCLG) shows that the assumptions underlying those projections are out of line with actual rates of population change.
- National Planning Practice Guidance (PPG) sets out a standardised national methodology for identifying housing need which should be followed unless there are strong local circumstances which suggest an alternative approach. A higher figure than that suggested by the standard methodology will be deemed sound by an Inspector, but a lower figure will need to be supported by robust evidence.
- Constraints on provision such as land availability or infrastructure should not be taken into account when estimating need, although they are of course relevant in developing policies.
- Total housing need should be broken down by age group, type of household, size of household, tenure, and any special requirements (such as needs for people with disabilities or wheelchair users).
- A separate and detailed approach to assessing the need for affordable housing is also set out in PPG. This has not changed substantially from previous guidance.

Introduction

2.1 This chapter highlights the key aspects of planning policy and guidance which this Strategic Housing Market Assessment (SHMA) Update for Epsom and Ewell has taken into account.

2.2 The National Planning Policy Framework (NPPF), originally published in 2012, sets out the government's principles and policies relating to planning. After remaining unchanged since its initial publication, the NPPF was revised after consultation in July 2018 and revised again in February 2019.

The previous National Planning Policy Framework (2012)

2.3 The first NPPF published in 2012, introduced a presumption in favour of sustainable development as the underlying feature of planning policy, and set out an intention on the part of the government to secure a significant increase in the supply of housing through the planning system.

2.4 The NPPF and planning practice guidance formally required in each area, local planning authorities to prepare a Strategic Housing Market Assessment (SHMA). The purpose of an SHMA was to develop a clear understanding of housing needs in an area, with neighbouring planning authorities working together where Housing Market Areas (HMAs) crossed their boundaries. The SHMA was required to provide a full assessment of the need for both market housing and affordable housing, which would provide the basis for local plan policies relating to future housing supply and to the proportion of affordable housing in new developments. Where it was not practicable to meet need, local authorities were required to work in partnership with neighbouring authorities to ensure that their need was met elsewhere. This requirement replaced strategic planning for housing left by the abolition in 2010 of the system of Regional Spatial Strategies, except in London where the London Plan fulfilled this function.

2.5 Online Official Planning Practice Guidance (PPG) followed in 2014, replacing previous published guidance. The new guidance was intended to be lighter touch. It specified that an SHMA should cover the relevant Housing Market Area (HMA), ‘a geographical area defined by household demand and preferences for all types of housing, reflecting the key functional linkages between places where people live and work’. HMA boundaries were not set by the government or in PPG, so their identification formed an important part of any SHMA.

2.6 The SHMA was required to include an objective assessment of housing need (OAN) based on robust evidence. The OAN was not to take account of constraints such as land availability, as these would be addressed when developing policies to meet need, at a subsequent stage. SHMAs were required to be thorough but proportionate, and to build where possible on secondary information sources rather than primary surveys. Local planning authorities were recommended to use the method set out in PPG to calculate OAN, with any departures fully explained and justified.

2.7 PPG was updated at intervals but few changes were made to the guidance on housing need. However, there was considerable volume of additional practice on Examination in Public of Local Plans; Appeals against the refusal of individual planning applications; and the development of Neighbourhood Plans. In addition, a body of case law emerged where applicants, local authorities or the Secretary of State sought clarification through the Courts of the definition of OAN, and the process of its calculation.

2.8 As a result, by 2017, the assessment of the OAN within an SHMA had become a complex and time-consuming process. The starting point was projected future household growth, but PPG, EIP

Inspectors' reports, and legal judgments created a series of adjustments to OAN to take account of factors such as suppressed household formation, the contribution of housing to economic growth, the need to provide affordable housing, and the need to take account of market signals. Taking 'market signals' as one example, there was no precise guidance in PPG over the calculation of an appropriate adjustment to OAN. Reports were prepared by practitioner groups suggesting percentage adjustments to demographic growth, but these were not necessarily supported by clear evidence, and were interpreted in different ways by local authorities, developers and planning inspectors.

2.9 Planning Practice Guidance also included details of the required approach to the assessment of affordable housing need, but this had changed only slightly from the well-established approach used in pre-2014 circulars and guidance. The requirement for local authorities to consider the viability of their policies for affordable housing provision by private developers reduced the importance of the assessment of affordable housing.

The revised NPPF 2018

2.10 The increasing concern at the cost of preparation and the extended timetable for public examination of planning policies setting out future housing requirements was one of the factors which led the government to make revisions to the NPPF, published in 2018. The government considered, rightly or wrongly, that delays in the preparation and revision of development plans were partly caused by the complexity of the process of deriving OAN had a significant negative impact on the level of new supply and delivery. In addition, the government considered that some local authorities were arriving at policies for future housing provision which did not meet their needs fully, and that, in aggregate, local authority assessments did not provide for the level of housing which the government considered was necessary.

2.11 To address this concern, in 2017 the government published a standard methodology for the assessment of housing need that they sought to introduce. The existing term, OAN, was not employed to describe the assessment. After consultation, a new NPPF, published in July 2018, included the requirement for local authorities to use this approach to calculate housing need in all cases, other than in exceptional circumstances. The detail of the standard methodology was set out in a subsequent amended version of PPG in September 2018.

2.12 The NPPF was then revised again in February 2019, accompanied by a revised version of PPG. The main purpose of this revision was to specify that the standard methodology should be based on the MHCLG 2014-based household projections for each local authority, rather than on the most up to date official 2016-based household projections.

2.13 The NPPF no longer refers to Housing Market Areas, or even to the need to carry out a strategic housing market assessment (SHMA), although it still expects that local authorities will develop a good understanding of their local housing market or markets as the basis for developing

policy. In response to government concerns about the lack of collaboration between local authorities in cases where needs could not be fully met within the areas, the NPPF stressed that local authorities were expected to take into account any needs from neighbouring areas which could not be met in those areas. The new guidance also re-emphasised that the size, type and tenure of housing needed for a variety of specific groups should be assessed and reflected in planning policies.

Planning Practice Guidance

2.14 The NPPF sets the requirement for planning authorities to prepare assessments of housing need. Planning Practice Guidance provides the detail on how to carry these out:

- 1 An assessment of housing need, based on the standard methodology set out in the PPG, unless there are clear reasons for adopting an alternative (NPPF para 60 and PPG *Housing and economic needs assessment*² para 001 Reference ID: 2a-001-20190220); and
- 2 An assessment of the current number of households and projected number of households who lack their own housing and who cannot afford to meet their housing needs in the market (NPPF paras 61-64 and PPG guidance paras 018 Reference ID: 2a-018-20190220 to 024 Reference ID: 2a-024-20190220).

2.15 The steps to derive the minimum annual local housing need are set out in Paragraph: 004 Reference ID: 2a-004-20190220 of the PPG. Step 1 is to derive the annual average number of net additional households expected to form over a ten-year period starting at the current year from the relevant official projections. In Step 2, this figure is adjusted using a formula based on the level of affordability of housing in each area. In Step 3, the resulting figure is assessed to see whether it may be subject to capping.

2.16 The guidance indicates that the standard assessment should be made at the start of the plan-making process and that it should be revised when appropriate. The Office for National Statistics ([ONS](#)) publishes revised affordability data annually, and updates of household projections every two years.

2.17 The guidance stresses that the standard assessment is an estimate of the minimum level of need in an area, and it refers to circumstances when there may be a higher level of need (Paragraph: 010 Reference ID: 2a-010-20190220), for example:

- when economic growth strategies are in place requiring additional housing to support them;
- where strategic infrastructure improvements, especially to transport infrastructure, are planned which provide the opportunity for higher growth or require higher growth to make them viable;

² All subsequent references to paragraphs from PPG relate to the *Housing and economic needs assessment* section of the guidance so the title of the section is omitted in these references. The guidance is published online and is subject to continuous amendment. Paragraph references are correct at 14-07-2019.

- or where one authority has agreed to take on unmet need from other areas.

The needs of specific groups of households

2.18 The guidance on the needs of specific groups of households has been expanded beyond that in the previous version. The guidance now notes that the need for housing for particular groups of people may exceed, or be proportionally high in relation to, the overall housing need figure calculated using the standard method, because the needs of particular groups may be calculated having consideration to the whole population of an area as a baseline, as distinct from projected new households which form the baseline for the standard method. Hence, when producing policies to address the need of specific groups, authorities will need to consider how the needs of individual groups can be addressed within the constraint of the overall need established. The need for particular sizes, types and tenures of homes as well as the housing needs of particular groups should also be considered separately from overall need (Paragraph: 017 Reference ID: 2a-017-20190220).

Affordable housing

2.19 The guidance on the need for affordable housing (PPG guidance paras 018 Reference ID: 2a-018-20190220 to 024 Reference ID: 2a-024-20190220) has remained largely unchanged. This need should be calculated by estimating the backlog of need from people who currently occupy unsuitable housing (or who cannot form separate households) and are unable to afford market housing, together with an estimate of the future numbers in affordable need, both new households and existing households falling into need. From this should be deducted the current and future supply of affordable housing. Affordable housing need may be disaggregated into categories based on the ability to afford different types of housing such as social rented housing or intermediate housing, but not, at least at present, housing provided by the private rented sector.

Further changes to NPPF and PPG

2.20 The standard method for assessing housing need as set out in the 2010 versions of NPPF and PPG required the use of the most up to date official household projections for each area. Until September 2018, these were the 2014-based household projections prepared by MHCLG. In 2018, the Office of National Statistics took over responsibility for the preparation of official projections of households and introduced a number of changes to the methodology which are shown in the table below.

Table 2.1 Changes to household projections methodology

Element	2014-based household projections	2016-based household projections
Mid-year population estimates (MYEs)	Used MYEs for years up to and including 2013, including unrevised MYEs for mid-2012 and mid-2013. MYEs broken down by age, sex and marital status.	Uses 2001 to 2016 MYEs, including revised MYEs for mid-2012 to mid-2016. MYEs broken down by age and sex but not marital status.
Subnational population projections (SNPPs)	Used 2014-based SNPPs for mid-2014 to mid-2039, broken down by age, sex and marital status. The marital status breakdown was derived from 2008-based marital status projections.	Uses 2016-based SNPPs for mid-2016 to mid-2041, broken down by age and sex only. No marital status breakdown is used.
Age bands	Quinary age bands from ages 15 to 19 years through to 85 years and over.	Uses 16 to 19 years age band instead of 15 to 19 years, after which quinary age bands are used for 20 to 24 years through to 90 years and over.
Communal establishment (CE) assumptions	Assumed CE population stays constant at 2011 levels by age, sex and marital status for those aged 0 to 74 years. Assumed CE population stays constant at 2011 proportions by age, sex and marital status for those aged 75 years and over.	Makes the same assumptions as the 2014-based household projections, but applies the assumptions by age and sex, as opposed to by age, sex and marital status.
Prison population adjustment	One-off adjustments made for the years 2002 to 2008	Adjustments made for the years 2012 to 2016, to account for changes in the prison population since the 2011 Census
Definition of household reference person	Eldest male within the household, then the eldest female if there was no male.	Eldest economically active person in the household, then the eldest inactive person if there was no economically active person.
Base household representative rates (HRRs) – number of years of data used	Used data from the 1971, 1981, 1991, 2001 and 2011 Censuses, supplemented by Labour Force Survey (LFS) data.	Uses data from the 2001 and 2011 Censuses only. HRRs broken down by age and sex are smoothed across age groups.
Base household representative rates – demographic breakdowns used	HRRs were broken down by age, sex and marital status in the Stage 1 projections.	HRRs are broken down by age and sex only in the Stage 1 projections.
Projecting household representative rates forwardBase household representative rates – demographic breakdowns used	HRRs were projected forward using a combination of two fitted trends, combined using assumptions based on LFS data. HRRs were broken down by age, sex and marital status in the Stage 1 projections.	HRRs are projected forward using a two-point exponential model. HRRs are broken down by age and sex only in the Stage 1 projections.
Geographical constrainingProjecting household representative rates forward	HRRs for regions and local authorities were constrained to HRRs for England. HRRs were projected forward using a combination of two fitted trends, combined using assumptions based on LFS data.	Numbers of households for regions are constrained to the number of households in England. Numbers of households in local authorities are constrained to numbers of households by region. HRRs are projected forward using a two-point exponential model.
Household types used for Stage 2 projections Geographical constraining	One-person households: male, HRRs for regions and local authorities were constrained to HRRs for England.	One-person households: male, Numbers of households for regions are constrained to the number of households in England. Numbers of households in local authorities are constrained to numbers of households by region.
Household types used for Stage 2 projections Base headship rates for Stage 2 projections. Geographical constraining	One-person households: female, One-person households: male, HRRs for regions and local authorities were constrained to HRRs for England.	One-person households: female, One-person households: male, Numbers of households for regions are constrained to the number of households in England. Numbers of households in local authorities are constrained to numbers of households by region.

Element	2014-based household projections	2016-based household projections
Household types used for Stage 2 projections; Base headship rates for Stage 2 projections Method for applying minimum adult and child checks Base headship rates for Stage 2 projections	One family and no others: Couple households: No dependent children, One-person households: female, One-person households: male,	Other households with two or more adults, One-person households: female, One-person households: male,
Household types used for Stage 2 projections Base headship rates for Stage 2 projections Method for applying minimum adult and child checks Base headship rates for Stage 2 projections Method for calculating sex breakdown of one-person households Method for applying minimum adult and child checks Base headship rates for Stage 2 projections	A couple and one or more other adults: No dependent children, One family and no others: Couple households: No dependent children, One-person households: female,	Households with one dependent child, Other households with two or more adults, One-person households: female,
	Households with one dependent child, A couple and one or more other adults: No dependent children, One family and no others: Couple households: No dependent children,	Households with two dependent children and Households with one dependent child, Other households with two or more adults,
	Households with two dependent children, Households with one dependent child, A couple and one or more other adults: No dependent children,	Households with three or more dependent children Households with two dependent children and Households with one dependent child,
	Households with three or more dependent children and Households with two dependent children, Households with one dependent child,	Households with three or more dependent children Uses data from the 2001 and 2011 Censuses only. Headship rates broken down by five-year age bands and six household types, with base headship rates smoothed across ages as in the Stage 1 method. Households with two dependent children and
	Other households with two or more adults Households with three or more dependent children and Households with two dependent children,	Households with three or more dependent children Uses data from the 2001 and 2011 Censuses only. Headship rates broken down by five-year age bands and six household types, with base headship rates smoothed across ages as in the Stage 1 method. Where the minimum number of dependent children in each local authority and year implied by the household type distribution is greater than the number of dependent children in the household population, the number of households with dependent children is reduced by the size of the difference in the number of dependent children. Uses data from the 2001 and 2011 Censuses only. Headship rates broken down by five-year age bands and six household types, with base headship rates smoothed across ages as in the Stage 1 method.
	Uses data from the 2001 and 2011 Censuses only. Headship rates broken down by 10 -year age bands and eight household types. Other households with two or more adults Households with three or more dependent children	Households with three or more dependent children Uses data from the 2001 and 2011 Censuses only. Headship rates broken down by five-year age bands and six household types, with base headship rates smoothed across ages as in the Stage 1 method. Where the minimum number of dependent children in each local authority and year implied by the household type distribution is greater than the number of dependent children in the household population, the number of households with dependent children is reduced by the size of the difference in the number of dependent children. Uses data from the 2001 and 2011 Censuses only. Headship rates broken down by five-year age bands and six household types, with base headship rates smoothed across ages as in the Stage 1 method.
	Projections adjusted so that the ratio of children in the household population to the number implied by the household projections is constant over the projection period, assuming the ratio stays the same as the estimates for 2011. Uses data from the 2001 and 2011 Censuses only. Headship rates broken down by 10 -year age bands and eight household types. Other households with two or more adults	Where the minimum number of dependent children in each local authority and year implied by the household type distribution is greater than the number of dependent children in the household population, the number of households with dependent children is reduced by the size of the difference in the number of dependent children. Uses data from the 2001 and 2011 Censuses only. Headship rates broken down by five-year age bands and six household types, with base headship rates smoothed across ages as in the Stage 1 method. The total number of one-person households is calculated as a base headship rate, with the sex breakdown calculated by applying the sex ratio of the household population for each age, local authority and year grouping to the number of one-person households. Where the minimum number of dependent children in
	Male and female one-person household breakdown is calculated as part of the initial calculation of base headship rates. Projections adjusted so that the	

	ratio of children in the household population to the number implied by the household projections is constant over the projection period, assuming the ratio stays the same as the estimates for 2011. Uses data from the 2001 and 2011 Censuses only. Headship rates broken down by 10 -year age bands and eight household types.	each local authority and year implied by the household type distribution is greater than the number of dependent children in the household population, the number of households with dependent children is reduced by the size of the difference in the number of dependent children. Uses data from the 2001 and 2011 Censuses only. Headship rates broken down by five-year age bands and six household types, with base headship rates smoothed across ages as in the Stage 1 method.
Method for calculating sex breakdown of one-person households Method for applying minimum adult and child checks	Male and female one-person household breakdown is calculated as part of the initial calculation of base headship rates. Projections adjusted so that the ratio of children in the household population to the number implied by the household projections is constant over the projection period, assuming the ratio stays the same as the estimates for 2011.	The total number of one-person households is calculated as a base headship rate, with the sex breakdown calculated by applying the sex ratio of the household population for each age, local authority and year grouping to the number of one-person households. Where the minimum number of dependent children in each local authority and year implied by the household type distribution is greater than the number of dependent children in the household population, the number of households with dependent children is reduced by the size of the difference in the number of dependent children.
Method for calculating sex breakdown of one-person households	Male and female one-person household breakdown is calculated as part of the initial calculation of base headship rates.	The total number of one-person households is calculated as a base headship rate, with the sex breakdown calculated by applying the sex ratio of the household population for each age, local authority and year grouping to the number of one-person households.

Source: ONS

2.21 In September 2018 ONS published a new set of official household projections, based on population projections using 2016 as the base date. The updated projections showed a significant reduction in the projected annual average level of household growth in many areas across the country. Therefore the application of the data to the standard method would have resulted in a reduction in the national aggregate level of housing need.

2.22 In October 2018 the government issued a consultation paper ([Technical consultation on updates to national planning policy and guidance](#)) under which it proposed that NPPF and PPG should be amended to require local authorities to continue to use of the 2014 projections. The government also announced its intention to review the methodology used in the production of official household projections. The NPPF and PPG were updated with the changes in February 2019.

Implications

2.23 The objective of this study is to produce estimates of future housing need. NPPF clearly requires that these should be based on the standard methodology, unless exceptional circumstances apply. This study complies with this requirement outlining full explanation of the components of the estimate and the sources used. However, to ensure that the study provides a full understanding of the demographic and other factors influencing housing need, and the factors influencing affordability, we have undertaken a detailed review of these factors and considered the impact of alternative scenarios. By doing so, it also puts the housing need figure from the standard methodology in context and ensures that decisions made on housing provision within the local plan are as fully informed and future-proofed as possible.

National housing policy context

2.24 Government housing policy in the period since 2013 has been set in the wider context of continuing restrictions on public expenditure driven by ‘austerity’. Interventions have focused on methods of influencing demand and supply in the private market, rather than on direct social sector provision. Wider reforms, seeking to reduce or contain public expenditure on the welfare benefits system have also had, or in future will have, major impacts on housing.

2.25 The recovery in house prices and market transactions in the housing market after the global financial crisis in 2008 was encouraged by a gradual easing of mortgage lending terms such as deposit requirements and loan to income ratios. Government interventions also sought to support the market, notably through the Help to Buy scheme, which has to date received over £10 billion of government equity loan funding. Many commentators argue that the Help to Buy scheme has simply stimulated price increases in the new build sector rather than increased supply. The recent [independent evaluation of Help to Buy for MCHLG](#) reported limited levels of additionality in both demand and supply. Comments in the press and from some professional bodies have been far more critical³.

2.26 On the supply side, the emphasis of government policy has been on changes to the planning system which the government believes will boost supply. These include measures to secure the allocation of more land for housing and the granting of more planning permissions in areas of higher demand; the requirement to have a five year land supply; the Housing Delivery Test, the national housing need assessment methodology; and changes to the Town and Country Planning (General Permitted Development) Order to allow certain offices to be converted into residential units without planning consent.

2.27 The White Paper, *Fixing Our Broken Housing Market* published in February 2017 made the issue of increasing the overall supply of new housing a key objective of government policy, and its proposals to secure higher allocations of land, higher levels of planning permissions for housing, and higher levels of build out from these permissions represented a significant step up in the scale and range of interventions. The White Paper also included proposals for expanding the private rented sector by attracting more institutional providers or investors. However, changes to the taxation arrangements for private landlords are argued by some to be likely to reduce future growth in the private rented sector, and to change the structure of the sector. The White Paper also included

³ Ministry of Housing, Communities and Local Government (2018) *Evaluation of the Help to Buy Equity Loan Scheme 2017*, Christine Whitehead, Peter Williams, Ipsos MORI and the London School of Economics. A report by Morgan Stanley, *The help to buy premium – and its unintended consequences*, is also widely cited in press and other commentary.
and Wilcox S and Williams P (2018) *Dreams and Reality: Government finance, taxation and the private housing market*, London, Chartered Institute of Housing.

proposals to make renting fairer for tenants.

The social rented sector

2.28 The social rented sector has experienced increasing challenges over the period since 2013. Welfare reforms have sought to reduce or contain the costs to government of housing benefit payments to social rented tenants, and to reduce levels of under-occupation in the sector. Support for the Right to Buy has also continued to reduce the social rented stock. At the same time grant or loan finance for new development has remained generally restricted, and increasingly targeted on areas where affordability ratios suggest that need is highest. At the same time, restrictions on the freedom of social landlords to increase rents, which have provided a further way to contain housing benefit costs, have posed potential future challenges to the viability of some organisations in the sector, or to their ability to develop new housing, leading to mergers and restructuring. The net result has been a more or less static number of social rented dwellings nationally, which in the context of overall housing growth has led to a declining overall share. Proposals for changes to the funding of supported housing also led to uncertainties which affected development, and some of these remain a concern for the longer term.

2.29 Following the tragedy at Grenfell Tower, the government issued [A New Deal for Social Housing](#), in August 2018. The Green Paper set out a series of objectives and proposals and seeks comments on reforms to social rented housing to achieve these objectives, including the creation of safe and decent homes, a sense of security, improved and speedier measures to deal with complaints, measures to empower residents and to ensure that their voices are heard, the tackling of stigma associated with the sector, and measures to ensure that social rented homes can act as a springboard to home ownership. The main elements of the paper are:

- Proposals for ‘League tables’ of housing providers based on key performance indicators, possibly issues about hospital admissions and ‘bed-blocking’⁴.
- Potential introduction of a stock transfer programme, from councils to community-led housing associations
- New home ownership options, including incremental Shared Ownership
- Reforms to the use of Right to Buy receipts to enable local authorities to use them alongside enhanced borrowing ability to build more social rent and affordable homes
- Return of guaranteed debt funding to encourage affordable homes supply, and longer term strategic partnerships for housing association
- Scrapping plans to force social landlords to offer fixed term tenancies, and plans to force local authorities to sell off their most valuable housing

2.30 Responses to this are currently under consideration.

⁴ *Five big issues for health and social care after the referendum*, Kings Fund, 2016
<https://www.kingsfund.org.uk/publications/articles/brexit-and-nhs>

Homelessness and rough sleeping

2.31 Concerns over homelessness have continued to feature in the media and in government policy over the 2012-2018 period, with a recent increased emphasis arising from the rapid growth of rough sleeping in many areas, argued by some commentators to be a result of longer term welfare reforms. In August 2018 the government published a [Rough Sleeping Strategy](#) seeking to halve this phenomenon by 2022 and end it by 2027. In December 2018 this was followed by a delivery plan.

2.32 Also in 2018 the Homelessness Reduction Act 2017 placed new duties on local authorities (and referral agencies) to help prevent homelessness and 'relieve' homelessness if it does occur. These duties apply to all those in need, regardless of status or whether intentional or if they have a local connection. They cover, for example, rough sleepers and younger single people. The measures do not go as far as placing a full rehousing duty for these applicants on the authority – that remains within the criteria set by the 1996 Housing Act. However, it does require authorities to thoroughly assess all applicants and provide a personalised response.

Leaving the European Union

2.33 We cannot end this discussion of policy context without some mention of leaving the European Union and its impact on housing markets. The House of Commons Library briefing paper⁵ suggests caution when looking at market changes since the vote to leave the European Union, citing global political uncertainty and the broader UK economy as other significant factors. Nonetheless, it notes that though initial fears of a major drop in consumer confidence and house prices were not realised, there are concerns about the longer term, as the date for leaving the European Union approaches, and beyond.

2.34 Since the initial referendum vote in 2016, house prices in the South East have continued to rise, but for once at a lower rate than in the North and Midlands. Prices in London have reduced. Transactions across the country have plateaued. There is some expectation that the market will 'bounce' when Brexit actually happens, though if a general election also happens in the near future, the result of that will have an impact.

2.35 However, looking ahead, the longer-term housing market impact of leaving the European Union will be intrinsically tied into the economic as well as the political impact. The variables here are substantial: the relationship between the pound and the Euro and the cost of building materials; the ability of London to retain its international financial role which will undoubtedly impact on areas outside by close to Greater London; the results of single or bilateral market trade negotiations; and the wider impact of migration policy including access to construction workers are among other

⁵ *Brexit: implications for the housing market and construction*, Briefing Paper 07666, House of Commons Library October 2016

factors are as yet unknowns.

Chapter 3

Housing Need Assessment

Key messages

- This chapter provides an assessment of the level of housing need in Epsom and Ewell using the standard national methodology
- **The new standard methodology produces minimum household need of 579 dwellings per annum.**
- The approach set out in previous PPG produces an estimate of the Objective Need for Housing (OAN) of 519 households per annum.
- This is 10% lower than the estimate of need produced using current guidance.
- The current level of housing completions in the authority is well below the former OAN of 418 dwellings per annum, and further below the level of need produced using the standard methodology.
- NPPF and revised PPG require that local authorities should use the new Standardised Need Assessment Methodology to calculate the level of housing need in their areas unless there are exceptional circumstances. No exceptional circumstances have been identified in Epsom and Ewell.
- The assessment of need figure is an important consideration in local planning, but a range of other matters, including the requirement for affordable housing and the availability of sites for housing will need to be taken into account by the Council in arriving at a decision about the target level of new housing provision to be included in its local plan.
- **The recommended breakdown of dwellings by size in the new build stock, other than that being provided to meet the need for affordable housing, is 10% one-bedroomed units, 50% two-bedroomed units, 30% three-bedroomed units, and 10% four-bedroomed units.**

Introduction

3.1 Local authorities were required by the new NPPF issued in July 2018 to assess need using a standard national methodology which is set out in detail in official guidance, unless there were exceptional circumstances for using an alternative. In February 2019, the government published further changes to NPPF and PPG.

3.2 The frequency of these changes after a long period of stability introduces an element of uncertainty into estimates of housing need. To address this, this chapter firstly sets out the results of using the most recent version of the standard national methodology for assessing housing need at the time of writing. As well as using the 2014 household projections required by NPPF, the chapter also shows the assessed need using the most recent 2016 projections produced by the Office of National Statistics. It then goes on to compare the results of these assessments with the objective assessment of need (OAN) which would have been produced under the previous guidance, recent

completion levels, although the latter are of course. We consider that having this range of estimates available will provide the Council with the best advice on how to proceed in setting future targets for housing provision in the area.

The Standard Assessment of Need: Step 1

3.3 The approach to be followed is set out in revised PPG published in February 2019. Step 1 is to 'set the baseline using national household growth projections, for the area of the local authority. To provide a full picture, this step was carried out for both the MCHLG 2014-based projections and the 2016-based ONS projections. **Table 3.1** below shows the calculation, with the baseline of annual growth set out in the final column.

Table 3.1 Household projections and annual average growth

	2019	2029	Annual Average Growth
ONS 2016-based	31,575	34,262	268.7
MHCLG 2014-based	33,010	37,141	413.3

Sources: ONS, 2016-based household projections; MHCLG 2014-based household projections. Household numbers are not rounded until the final stage of the calculation.

3.4 The 2014-based projections show a baseline need of 413 households per annum whilst the new 2016-based projections show a much lower level of need, 269 per annum, a reduction of 144 households per annum. This represents a very large difference. This is accounted for by both differences in the underlying population between the two sets of projections and by differences in the assumptions made about the propensity of the population to form separate households, which is determined through a series of estimated household formation rates. The differences in methodology between the two sets of household projections are set out in a paper by ONS⁶ and summarised in **Chapter 2, Table 2.1**. The 2014-based household projections produced by MHCLG take as their starting point ONS mid-year estimates up to 2013 and the ONS 2014-based population projections. Household formation rates were projected using data from the 1971, 1981, 1991, 2001 and 2011 Censuses, supplemented by Labour Force Survey (LFS) data. The 2016 household projections produced by ONS took as their starting point mid-year estimates up to 2016 and the ONS 2016-based population projections. However the household representative rates were derived from the 2001 and 2011 Censuses only. As a result, the rising rates of household formation apparent in the 1971-1991 Censuses were not taken into account, because they were no longer apparent, especially by 2011.

3.5 Taking population first, the most recent ONS population projections (the 2016-based projections) suggest lower population growth in Epsom and Ewell in the period up to 2041 than the

⁶ See Methodology used to produce household projections for England: 2016-based, User guidance about uses, methodology, assumptions and input data for household projections for England, Table 8, at <https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/populationprojections/methodologies/methodologyusedtoproducehouseholdprojectionsforengland2016based#toc>

previous (2014-based) projections. By 2039, the last year for which data is available from both sets of projections, the population of Epsom and Ewell is projected to be 7,800 less in the 2016-based projections than it was in the previous 2014-based projections, a reduction of 39%. Official population projections are based on assumptions about births, deaths and migration and revisions in the assumptions made about these lead to differences between projections over time. More recent projections are more accurate than older ones as they use more recent data on trends.

3.6 Differences between projections in the short and medium term are more important than the long-term picture, which in any set of projections is likely to be less accurate. The standard national methodology, for example, only requires consideration of projected household growth for the next ten years to 2029, but this is used to estimate growth over the whole of a local plan period, more typically 20 years. The difference in population between the 2014-based and 2016-based projections begin in 2015, and by 2016 rising to a difference of 6,000 by 2029. As well as publishing projections of recent and future population, ONS produces estimates (referred to as mid-year estimates or MYEs) of the population in recent years. These are more accurate than the projections, as they are based on recorded trends rather than projected trends. Taking the ONS 2014-based projections, in the base year of 2014, the population of Epsom and Ewell is similar for both the projection and the mid-year estimate (about 78,000) but only three years later in 2017, the 2014-based projection for Epsom and Ewell is 2,000 higher than the MYE. This difference is subsequently built in to the 2014-based projections and carried through into the household projections. In contrast, the ONS 2016-based projection for Epsom and Ewell starts in 2016 with the 2016 MYE as its base. In terms of population, therefore, the 2016-based projection is much more likely to be accurate over the 2019-2028 period than the 2014 projection.

Table 3.2 Comparison of population estimates and projections

	2014	2015	2016	2017
Mid Year estimates	78,000	78,500	79,000	79,500
ONS 2014-based SNPP	78,300	79,400	80,400	81,400
ONS 2016-based SNPP			79,000	79,700

Sources: ONS 2014 and 2016 based sub-national population projections; ONS mid-year population estimates, via NOMIS

3.7 The second set of differences between the projections relates to household formation rates. Household projections apply a range of estimated household formation rates to the population to calculate the number of households which will be formed from that population. The 2016-based projections, for example, have formation rates for 16 age groups, broken down by gender, and by year – a total of 800 rates, which may also be further broken down by marital status and household type. **Table 3.3** below compares some of the rates used in the 2014 and 2016 based official projections. It shows that the differences are very substantial for people in the 35-64 age groups.

Table 3.3 Comparison of household formation rates

		2016-based		2014-based		Percentage Point Difference	
		2019	2039	2019	2039	2019	2039
Male	20-24	13%	12%	16%	16%	3	4
	25-29	31%	30%	46%	44%	15	14
	30-34	51%	50%	72%	67%	21	17
	35-39	68%	67%	88%	85%	20	18
	40-44	76%	75%	92%	92%	16	17
	45-49	79%	79%	93%	92%	14	13
	50-54	80%	79%	96%	96%	16	16
	55-59	77%	77%	95%	94%	18	17
	60-64	75%	75%	96%	95%	21	20
	65-69	74%	74%	99%	99%	25	25
	70-74	84%	85%	97%	94%	13	10
	75-79	87%	88%	98%	97%	11	9
	80-84	91%	92%	98%	98%	7	6
Female	20-24	15%	15%	10%	10%	-5	-5
	25-29	24%	24%	15%	16%	-9	-8
	30-34	27%	27%	17%	19%	-10	-8
	35-39	29%	29%	17%	19%	-12	-10
	40-44	32%	32%	18%	19%	-14	-13
	45-49	38%	38%	20%	20%	-18	-18
	50-54	43%	44%	23%	26%	-20	-18
	55-59	45%	46%	25%	27%	-20	-19
	60-64	43%	43%	25%	26%	-18	-17
	65-69	38%	36%	28%	32%	-9	-3
	70-74	42%	40%	35%	44%	-7	3
	75-79	51%	49%	42%	42%	-9	-7
	80-84	66%	65%	57%	54%	-9	-11

Source: MHCLG, 2014-based household projections and ONS, 2016-based household projections

3.8 A key issue in assessing housing need relates to the cause of the decline in household formation rates, or putting it another way, the higher projected average household size. Is this a result of changing household preferences, such as sharing by groups of unrelated individuals, or the result of increasing affordability problems, or simply a lack of supply, making it harder for individuals wishing to live on their own or to afford to do so. The latter might be termed suppressed household formation.

3.9 Defining, measuring and tackling suppressed household formation raises many difficulties. Affordability is inevitably a constraint on household formation in any housing market – the question

is at what stage do affordability problems become problematic, and lead to overcrowding, or levels of dwelling occupancy which cause other problems?

3.10 These are complex issues. In its 2017 *White Paper Fixing our broken housing market*, the government decided that it wished to increase supply with the aim of improving affordability, and through this to permit more households to form. It did so through introducing a national supply target above that which would be derived from household projections alone. This is a pragmatic policy response which recognised the difficulty of precise calculations of suppressed household formation but which determined and set a definitive target.

3.11 In that sense the government's requirement that local planning authorities should set aside the most up to date projections and use outdated projections is mistaken, as it relies on both inaccurate population projections and household formation trends which are out of date. To meet the objective of compensating for household formation which has been suppressed by affordability problems (if this has occurred) it would have been more appropriate to have simply increased the size of the 'adjustment factor' to be applied to the base projections in Step 2 (covered below).

3.12 In compliance with NPPF and PPG the projected average annual household growth over a 10 year period from 2019 derived from the MHCLG 2014-based household projections is 413.

The Standard Assessment of Need: Step 2

3.13 Step 2 of the standard assessment of need requires the calculation of a median workplace based affordability ratio for Epsom and Ewell, which is then used to calculate an **adjustment factor**. This is applied to the average annual projected household growth figure calculated in step 1 to produce a **minimum annual housing need estimate**.

3.14 PPG specifies that the most recent median workplace-based affordability ratio, published by the Office for National Statistics at a local authority level, should be used. Data for 2018, published in March 2019, is the most recent available⁷. For Epsom and Ewell, the 2018 ratio is 16.83⁸. This compares to ratio of 13.17 for Surrey as a whole, 10.81 for the South East region, 7.18 for England and Wales.

3.15 The formula for calculating the adjustment factor is:

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

⁷ The data may be found at <https://www.ons.gov.uk/peoplepopulationandcommunity/housing/datasets/ratioofhousepricetoworkplacebasedearningslowerquartileandmedian>, Table 5c.

⁸ In Epsom and Ewell in 2018, the published ONS data compares the ratio of median house prices to median annualised weekly earnings rather than median annual earnings.

3.16 The first stage in calculating the adjustment factor is to subtract 4.0 from the workplace-based affordability ratio, leading to a figure of 12.83. In stage 2 this is divided by 4, giving a result of 3.21. The third stage is to multiply this by 0.25, giving a result of 0.80. The fourth and final stage is to add 1.0 to this result to give a final adjustment factor of 1.80 for Epsom and Ewell, based on 2018 data.

3.17 If applied to baseline household growth, the adjustment factor gives minimum annual household need of 743.4, based on the MHCLG 2014-based household projection. Using the 2016-based ONS household projections would produce a much lower minimum annual household need figure of 484.2.

The Standard Assessment of Need: Step 3

3.18 Step 3 of the standard method is to apply capping to the minimum annual household need figures calculated in Step 2. In Epsom and Ewell the capped figure is the higher of (a) 140% of the figure calculated in Step 1, namely $413.3 \times 1.40 = 578.6$, which rounds to 579; or (b) the figure set out in the most recent adopted local plan, 181 per annum⁹.

3.19 On the basis of the ONS 2016-based household projections, minimum annual household need was 376.2, which is also above the figure of 181 in current policies, so (a) again would apply. The use of the 2016-based projections would, however, require exceptional circumstances to justify it.

3.20 Using the methodology for the standard assessment of need set out in NPPF and PPG, we advise that minimum annual new household need is 579 per annum. This assessment follows the approach set out in NPPF and in more detail in PPG.

⁹ Epsom and Ewell Borough Council, *Core Strategy 2007*, Policy CS7, para 3.10.3, pp.28-29.

Objective Assessment of Need (Previous approach)

3.21 The previous version of PPG, replaced in September 2018, set out an approach to housing need which required the calculation of an Objective Assessment of Need (OAN). For illustrative purposes, **Table 3.4** below sets out a calculation using this methodology.

Table 3.4 Objective Assessment of Need

		Per annum
Step 1: Backlog need	Homeless	23
	Concealed	514
	Total backlog	537
	Annual backlog	27
Step 2: New household formation 2019-2039	Net new households per annum	399
Backlog plus new household formation		426
Step 3: Allowances	Allowance for vacancies (1.30%)	6
	Allowance for second homes (0.03%)	1
Basic demographic OAN	Households per annum	433
Step 4: OAN after adjustment to take account of market signals at 20% (1)	Households per annum	519

3.22 This indicates that the overall OAN for Epsom and Ewell is 519 dwellings per annum over the 2019-2039 period. This is an increase over the figure in the previous SHMA (418) but 59 dwellings below the assessment of need derived from the standard methodology. The reduction, equivalent to just over 10% of the Standard Assessment figure, is relatively minor taking into account factors such as the level of uncertainty involved in household projections, the difficulties in defining and measuring affordability, and the government's desire to see a higher level of housing output nationally, but there is no case for using this figure in preference to that derived from the standard methodology.

Other considerations when determining the future level of housing provision in Epsom and Ewell

3.23 The number of housing completions in the authority over the 2008-2015 period was consistently above the target of 181 dwellings per annum. From 2015 onwards the authority worked on the basis of a higher housing number of 418 dwellings per annum derived from the 2016 SHMA. Subsequent completion levels have fallen well below this (the equivalent of 53% delivered of the total over the three years 2015-2018). The Council recognised this as a challenging issue in its 2017-18 Annual Monitoring Report (AMR)¹⁰ and indicated that it was working on measures to increase housing output, including a review of the Local Plan. This includes compiling evidence base to

¹⁰ Epsom and Ewell Council (2018) *Epsom and Ewell Local plan – Housing Annual Monitoring Report 2017/18*, available at <http://democracy.epsom-ewell.gov.uk/documents/s12065/Progress%20on%20the%20Local%20Plan%20Annex%201.pdf>

support policies including a Transformation Masterplan and Urban Capacity Studies. It has published a policy statement for optimising housing delivery which will ensure that each potential housing site achieves the best level of output. The average density of development has also been increased in recent years as a result of a change in the types of completions.

Table 3.5 Housing supply and housing targets

	Open market	Affordable	Percentage affordable	Total	Housing Target
2008-09	188	41	18%	229	181
2009-10	64	46	42%	110	181
2010-11	213	49	19%	262	181
2011-12	220	73	25%	293	181
2012-13	315	207	40%	522	181
2013-14	203	77	28%	280	181
2014-15	142	58	29%	200	181
2015-16	107	102	49%	209	418
2016-17	251	57	19%	308	418
2017-18	138	22	16%	160	418
Total	1,841	732	28%	2,573	2,521

Source: Epsom and Ewell Council, AMR 2017/18 and previous reports available at <https://www.epsom-ewell.gov.uk/previous-amrs>

3.24 The availability of sites to meet increasing targets was a key issue for the four neighbouring local authorities interviewed under the Duty To Consult. They were having to look very carefully at how to make best use of existing sites, but still did not think they would be able to meet their own assessed need. All are essentially suburban and rural authorities and did not feel that the level of provision produced by the standard assessment methodology could be met without destroying the character of their areas. Three have substantial amounts of Green Belt land which is very highly valued by residents. The release of some Green Belt land might be inevitable if targets are to be met but this would be deeply unpopular and highly controversial.

3.25 One neighbouring authority is hoping to retain their original target for the next five years but are not particularly confident of being able to meet even that target. Another authority knew that it would have to talk to neighbours about securing some help to meet their increased need. It felt that most Surrey Authorities, including Epsom and Ewell, would be in similar positions. This might mean having to look to Sussex neighbours.

3.26 **Chapter 4** below considers the need for affordable housing within Epsom and Ewell. Not surprisingly given the high prices and rents in the authority, there is a significant need for affordable housing. The Council has a good track record of securing affordable housing, with 732 affordable

completions over the 2008-2018 period. In addition to setting targets for the proportion of new homes which take the form of affordable housing, the Council may wish to consider boosting overall housing supply targets specifically in order to increase the supply of affordable housing.

3.27 Affordable housing was a significant part of the overall need within neighbouring authorities, in one case as high as 70%. In one authority there was a difficult situation created by the bringing forward of many smaller properties by means of 'office to residential' conversions but, due to the lack of restrictions on such development, none of the housing produced was affordable.

Required size of market housing

3.28 The NPPF, supported by PPG, requires a breakdown of the size requirement for market housing. If actual occupancy levels within the existing market sector stock are compared to a measure such as the bedroom standard¹¹, it is clear that the existing stock is significantly under-occupied, especially in the owner occupied sector (Table 3.6). This would suggest that a concentration on smaller dwellings in future market provision would lead in the long run to a better overall match with the bedroom standard.

Table 3.6 Occupancy rating by tenure

	2+ bedrooms more than BS	1 bedroom more than BS	Matching BS	1+ bedrooms less than BS
Social tenants	8%	19%	63%	9%
Private tenants	12%	33%	47%	8%
Owner occupiers	46%	36%	15%	2%
All households	38%	35%	24%	3%

Source: ONS, 2011 Census, Table DC4105EW1a - Tenure by occupancy rating (bedrooms) by household composition

3.29 In practice, the bedroom standard plays no part in determining actual occupancy patterns in the private sector. These are determined by the operation of the market, with households consuming the amount of space which they can obtain and afford. However, affordability pressures have already exerted an influence on household space consumption decisions in London and the South East, for example through the conversion of housing built for single family occupation into smaller flats. Worsening affordability might increase the demand for smaller units, but might require larger units more suitable for sharing, if fewer single adult households could afford smaller units. An increase in private renting would increase the demand for smaller units as occupancy levels in the sector tend to match household size more closely than in the owner occupied sector. In the owner occupied sector, households generally might wish to occupy dwellings with more bedrooms, more bathrooms and other facilities, and spaces for home working or other leisure activities, if they can afford to. Conversely, more old people might seek to downsize to smaller units if purpose built housing for older people were to become more popular. Lastly, the need for Epsom and Ewell to make the most effective use of land to meet housing need could require the provision of a higher

¹¹ The minimum standards set under Part 10, Housing Act 1985 to determine the numbers of bedrooms required by different types of households, below which they are categorised as overcrowded.

proportion of small units than current demand suggests, as a deliberate policy decision. These conflicting trends are further constrained by the fact that the overall size profile of the dwelling stock can change only slowly over time as a result of new additions and conversions. On balance, however, they suggest that a concentration on smaller dwelling units would be the most likely to contribute to reducing under-occupation and improving the affordability of housing in the private sector.

3.30 **Table 3.7** shows the size breakdown of the occupied stock by tenure in 2011. Relatively few households in Epsom and Ewell occupy one-bedroomed units, suggesting that the current demand is limited. Increasing the proportion of the new build private sector stock in the form of one bedroomed units is not therefore appropriate, but the proportion could be maintained at 10%, approximately as it is in the existing stock. Two bedroomed units currently make up 28% of the existing stock, and an increase in this proportion would contribute to both the reduction of under-occupation and the improvement of affordability. It is recommended that 50% of new build stock should be of two bedrooms. Three-bedroomed dwellings currently form the largest proportion of the dwelling stock (39%). There is clearly a strong demand for these dwellings but a reduction in the proportion in the new build stock to 30% would contribute to improving affordability. The remaining 10% of the new build stock would be of 4 or more bedrooms. This acknowledges the continuing demand for this type of dwelling but seeks to contribute to increased densities and improved affordability by limiting the level of such provision.

Table 3.7 Number of bedrooms in existing stock

	1	2	3	4	5
Owner occupier	5%	23%	43%	22%	6%
Private tenant	22%	42%	24%	9%	3%
All private	9%	28%	39%	19%	6%

Source: ONS, 2011 Census Table DC4405EW - Tenure by household size by number of bedrooms

3.31 The breakdown of housing requirement by size set out in para 3.29 applies to that element of annual housing need in the borough which is not met through the provision of affordable housing, rather than to the whole annual housing requirement.

3.32 Neighbouring authorities have also given very careful consideration to the size of future properties to be developed. One has an over-supply of smaller (one and two bed) units but 65% of their need is for family housing of three beds or more, so their policies are now designed on that basis. The other authorities generally have a policy of encouraging units of three bedrooms or less, despite the fact that the private sector tends to prefer to produce larger, higher value homes. It is intended that changing the balance to include a higher proportion of smaller homes will both provide scope for the older people to downsize, and begin to address the issues of affordability in a more general sense.

3.33 Three of the neighbouring authorities expect significant increases in the proportion of older people over the next few years. Two of them have already seen interest in specialist accommodation

such as retirement villages or extra care facilities, with two of the former in progress or already available.

Dwelling type

3.34 The current mix of dwellings by size provides some guidance on the required mix in the future, because there is an obvious link between household size/type and dwelling size, albeit one which is overlain and blurred by incomes, aspirations and allocation policies. There is no similar determinant of the demand for dwellings of different types. Pressures on land are reflected in the proportion of purpose built flats and apartments in the new build sector, and this pressure is likely to continue. There is a projected reduction in the proportion of households with dependent children up to 2038, and a growth in multi-adult households, which might also contribute to the demand for flats and apartments.

Conclusion

3.35 **NPPF and revised PPG specify that local authorities should use the new standardised need assessment methodology to calculate the level of housing need in their areas in order to inform the setting of a level of provision for new housing in their local plans, unless there are exceptional circumstances. This leads to an annual housing need level of 579 dwellings in Epsom and Ewell.** Councils are required to use the 2014-based household projections prepared by MHCLG rather than the up to date 2016-based projections prepared by the Office of National Statistics.

3.36 The Standardised Assessment leads to a higher estimate of housing need than that produced using either the 2016-based official projections, but NPPF is clear that the 2014-based projections should be used. The estimate is 10% higher than that produced by an updated assessment of OAN using the methodology set out previous (pre-September 2018) PPG, and 28% higher than the assessment produced for the 2016 SHMA, largely as a result of the addition of a 20% uplift to demographic need to take account of market signals.

3.37 The recommended breakdown of dwellings by size in the new build stock, other than that being provided to meet the need for affordable housing, **is 10% one-bedroomed units, 50% two-bedroomed units, 30% three-bedroomed units, and 10% four-bedroomed units.** Although this does not match the current pattern of stock, it will contribute to a reduction in under occupation in the authority, to the improvement of affordability (by creating more lower cost dwellings, and higher densities, especially if a higher proportion is also provided in the form of flats and apartments).

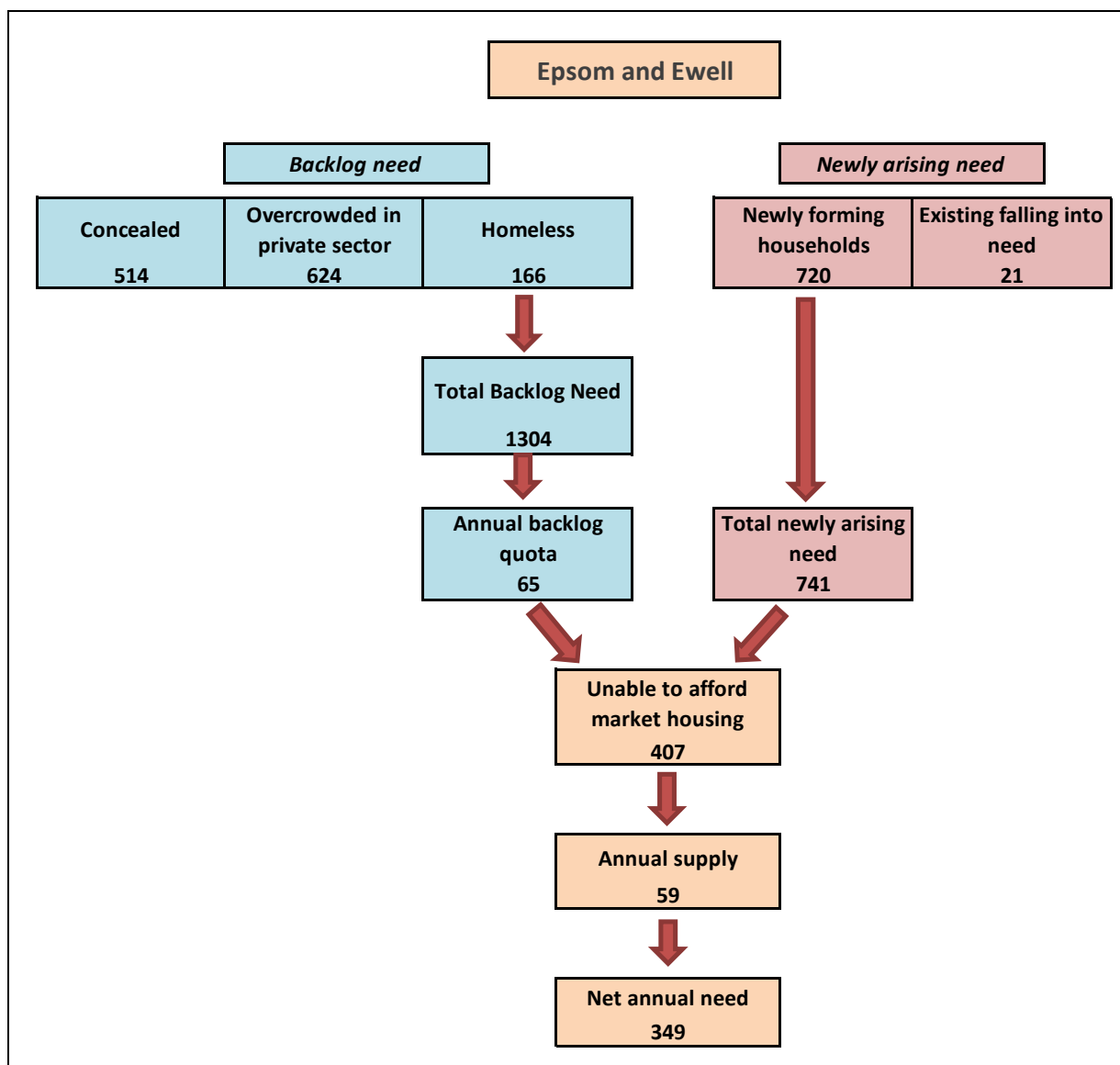
Chapter 4

Affordable housing need

Key messages

- This chapter estimates the requirement for affordable dwellings in Epsom and Ewell, using a spreadsheet model based on official Planning Practice Guidance.
- The need for affordable housing differs from total housing need. Assessed need, whether calculated through the new standardised methodology, or the former OAN process, is an assessment of the amount of *additional* housing stock required to cater for future household growth. The affordable housing requirement estimates the total amount of *affordable* housing required, which could be met in a variety of ways in addition to building more homes (for example, by acquiring private stock for use as affordable housing).
- Backlog housing need was assessed to be 1,304 households. It was assumed that backlog housing need would be met over a twenty-year period, leading to an annual quota of backlog need of 65 households.
- Backlog housing need was added to the number of newly forming households (720 per annum) and the number of existing households falling into need (21 per annum).
- This indicated a potential annual need for housing of 806 households, before taking account of the ability of these households to afford market housing.
- To assess the number of these households unable to afford market housing, estimates were obtained of the distribution of household incomes in the authority, and of the incomes of the specific groups defined in Guidance as potentially in need. Household incomes were compared with the threshold entry cost for market housing, to give an estimate of the number of households in need of affordable housing, broken down by bedroom requirements.
- **An estimated 407 households per annum could not afford to pay the market entry threshold cost and therefore needed affordable housing.**
- Four other affordable housing thresholds were also identified. The lowest cost threshold was based on current actual average rent levels in the social rented sector in Epsom and Ewell. 46 households could not even afford these rents (the estimates of incomes include housing benefits) suggesting that the housing benefit system is not helping all households to fully meet their housing costs, and that some low income households will need to spend a higher proportion of their income on housing than assumed.
- 18 households could afford a social rent, and a rent up to 49% of the lower quartile private rent. They would therefore require social rented housing at around current average rent levels.
- The next threshold was set at 66% of the lower quartile market rent. 122 households could afford a rent at 50-65% of this level.
- The next threshold was set at 80% of the lower quartile market rent. 55 households could afford rents of 66-79% of the lower quartile threshold market rent.

- This leaves another 166 households who could afford 80-99% of the market threshold rent.
- These numbers should not be treated as exact, because a household near any one of the thresholds might shift its demand by devoting more of its income towards housing.
- **The annual supply of affordable housing units is estimated at 59 units, and deducting this from gross need of 407 provides a net annual requirement for affordable housing of 349 units.**
- 7% of demand is from people who can afford a rent up to 49% of the lower quartile market rent. Realistically they will need a social rented unit. 32% could afford a higher rent than this but one below 66% of the lower quartile market rent. 16% could afford a rent of between 66% and 79% of the lower quartile market rent; and 45% could afford a rent of between 80% and 99% of the lower quartile market rent.
- This means that 45% of people in affordable need fall only slightly short of the lower quartile market threshold.
- Official guidance makes it clear that private rented housing is not affordable housing, but the private rented sector could play a part in meeting affordable need, supported by Local Housing Allowance, mainly perhaps on a short-term basis for any individual household.
- **45% of net affordable need is for two-bedroomed units; 29% is for three-bedroomed units; 20% is for units with four bedrooms or more; and 7% is for one-bedroomed units.**
- The following chart summarises the process of calculating affordable need.



Introduction

4.1 This chapter concerns the requirement for affordable dwellings as distinct from the overall need for housing set out in **Chapter 3**. Official Planning Practice Guidance sets out a well-established framework for calculating the need for affordable housing. This has not changed significantly in recent (2018) revisions to Planning Practice Guidance. The process of calculating affordable housing need involves adding together the current backlog of unmet need for affordable housing and the projected future need for affordable housing; and subtracting the current supply of affordable housing stock. Cobweb Consulting has developed a spreadsheet-based model which follows the steps set out in official guidance to produce an assessment of affordable housing need. The spreadsheet is transparent and set up to facilitate changes in a range of basic input assumptions and the updating of input sources. Unless otherwise stated, this model is the source for all the figures and tables in this chapter.

4.2 The need for affordable housing differs from the overall need for housing. Overall housing need is an assessment of the amount of additional housing stock required to cater for future household growth. It is a net addition to the dwelling stock of all tenures. The affordable housing requirement estimates the total amount of affordable housing required to meet the needs of households which cannot afford to access market housing. It assesses the ability to afford housing across all newly-forming households, not simply the net addition to household numbers, adds in any current backlog, and offsets this against the supply of affordable housing in the current stock to produce an estimate of how much additional affordable housing is needed. The two estimates are not directly related, and the need for affordable housing could in theory be met by the transfer of existing dwellings from the market (for example, through purchase by the local authority or an RP) to the affordable sector. However, building is an important source of affordable housing supply.

4.3 The model assumes that all households who cannot afford market housing require some form of affordable housing. The types of affordable housing provision available and the costs associated with these have evolved rapidly in recent years, so the model is set up to be independent of the exact type of provision. It requires as an input the monthly or annual cost of each type of affordable provision in order to estimate the number of households in need who cannot afford higher costs.

4.4 The supply of private rented dwellings is not included within the model as there is no guarantee that this supply will be allocated to those in affordable need or indeed that it will continue within the supply, as this is subject to the decisions of individual private landlords. However, the potential contribution of this sector is important as a source of provision for those in affordable housing need, especially with the assistance of Local Housing Allowance and support through the benefit system, although this assistance is of course subject to reform at the present time. This is discussed further at a later stage in this chapter.

Household incomes and the ability to afford housing

4.5 The main requirement for estimates of affordable housing need is data on household incomes. Local data on household incomes is not readily available in the form required to produce estimates of the ability of households to afford different types of housing. Several commercial companies produce local estimates of the distribution of household incomes, and incomes produced by one company, CACI Paycheck, have been used in this SHMA to produce estimates of the distribution of incomes for various groups. The methodology for the CACI estimates is not published in detail by the company which supplies them, but the estimates are modelled using a variety of information sources and indirect indicators rather than being fully based on a survey of incomes.

4.6 The CACI estimates cover all households, whereas we require income data for different groups in need (concealed households, overcrowded households, homeless households, newly forming households and existing households falling into need). These have therefore been estimated using data from the English Housing Survey (EHS). The English Housing Survey also includes banded data on household savings and data on housing equity. For each group, the ratio of their income to that of all households was calculated from the English Housing Survey. This exercise was carried out for each decile point on the income spectrum. These ratios were then applied to the CACI Paycheck data for all households in Epsom and Ewell to produce estimates of the incomes of each need group.

4.7 **Table 4.1** below shows each decile point in the income distribution for Epsom and Ewell, together with the quartiles and the median. 50% of households in the authority have an estimated income in excess of £48,229 per annum so it is undoubtedly a high income area. However 10% of households have an income of less than £15,380 per annum.

Table 4.1 Incomes and housing cost assumptions

Point in distribution (percentile) ¹²	£ Income level at that point	£ Maximum housing costs per annum	£ Maximum affordable house price	£ Maximum monthly rent including service charges
10	15380	3845	85442	320
20	24803	7441	165353	620
25 (lower quartile)	28667	8600	191112	717
30	32530	9759	216870	813
40	40164	12049	267763	1004
50 (median)	48229	14469	321529	1206
60	57392	17218	382614	1435
70	68518	20555	456785	1713

¹² The 10th percentile is the income level below which 10% of households will be found, with 90% at or above this level; the 20th percentile is the income level below which 20% of households will be found, etc. The median is the point in the middle of the distribution with 50% of households above and 50% below this level.

Point in distribution (percentile) ¹³	£ Income level at that point	£ Maximum housing costs per annum	£ Maximum affordable house price	£ Maximum monthly rent including service charges
75 (upper quartile)	75632	22690	504212	1891
80	83391	25017	555938	2085
90	101278	30383	675183	2532

4.8 Household incomes are translated in the model into an estimate of the housing costs which they could pay for – an income of £X per annum will enable a household to afford a mortgage of £Y, or monthly rental of £Z. Several assumptions, all changeable within the model to test alternatives, are required to produce these estimates, as follows:

- *The maximum percentage of income to be spent on housing costs, whether mortgage payments, monthly rent, or a combination of these:* In practice the model assumes this to be the actual percentage spent, in order to minimise the demand for affordable housing. The maximum percentages assumed were 25% for households with an income of up to £24,000 per annum; and 30% for those with an income above this level.
- *The maximum percentage of house value represented by a mortgage loan:* This was assumed to be 90%.
- *The mortgage interest rate:* This was assumed to be 5%.
- *The mortgage repayment period:* This was assumed to be 25 years.

4.9 The results of these assumptions for the ten decile points of the income distribution, including the median and the lower and upper quartiles are shown for reference in **Table 4.1**. Together with the maximum annual housing cost which they are deemed to be able to afford, the house purchasing power which this translates into and the monthly rent which each income level could sustain.

Backlog need

4.10 The next stage in the calculation of affordable housing need calculates the currently unmet need for affordable housing, or backlog need, as distinct from need which will arise in the future. Official guidance (in Planning Practice Guidance) does not prescribe in detail which types of need should be included, but the following are generally included:

- *Concealed households* – people living within other households who wish to form an

¹³ The 10th percentile is the income level below which 10% of households will be found, with 90% at or above this level; the 20th percentile is the income level below which 20% of households will be found, etc. The median is the point in the middle of the distribution with 50% of households above and 50% below this level.

independent household, or who are deemed to need independent accommodation, but who cannot afford to do so. Concealed households can include several different categories, including single people, couples, couples with children, and lone parents. The 2011 Census provides local-level data on concealed households, but does not break this group down by bedroom requirements, and in addition, will need updating, as suggested in official guidance. To do this, and to provide an estimate of bedroom requirements, concealed households were identified from regional data from the English Housing Survey¹⁴ and used to update the 2011 Census estimates. The backlog of concealed households was estimated to be 514. Some concealed households are in social rented housing but meeting their needs will not release social housing units, as they are part of other households which will continue to exist after the needs of the concealed households within them are met, so they are not in this case deducted from backlog need. The bedroom requirement breakdown of concealed households was estimated from 2011 Census data on concealed households by type. 54% were assumed to require a one bedroomed unit, 41% a two bedroomed unit, and only 5% a larger unit. This breakdown is required for each type of backlog need because the model estimates ability to pay separately by bedroom requirements

- *Overcrowded households* - in 2011 there were 624 overcrowded households in Epsom and Ewell, excluding those already living in the social rented sector who if rehoused would release an affordable dwelling for another household. Evidence from the English Housing Survey demonstrates an overlap between overcrowded and concealed households – if concealed households were to be provided with their own home then many of the remaining households would no longer be overcrowded. EHS suggests a reduction of 19% is appropriate across the whole of the south East and this proportion has been applied to the total. The bedroom requirement of these households was estimated from EHS regional data for the South East. 20% required a two-bedroomed unit, 35% a three bedroomed unit and 45% a unit with four or more bedrooms.
- *Homeless households* – these are generally considered to be in affordable need as by definition they cannot meet their need in the market. Local authority administrative data on homelessness shows a backlog of 166 households in some form of temporary accommodation in March 2017. This is a larger figure than that used in the assessment of overall need in Chapter 3, which shows the number of homeless households in non-permanent housing *who would require an addition to the dwelling stock* to meet their needs. The bedroom requirement of homeless households was estimated from the analysis of data on homeless people from local authority housing registers in a sample of five local authorities and is assumed to apply in Epsom and Ewell. 9% were assumed to require one bedroom and 52% two bedrooms. 29% required three bedrooms and 10% four bedrooms or more. The incomes

¹⁴ In this and in other cases where EHS data has been used, data from the survey for the years, 2012-13, 2013-14 and 2014-15 was aggregated to create a sufficiently robust sample. In some cases, data is not available for all these years, as the questions in the survey vary from year to year.

of homeless households were estimated from CORE data on households rehoused as a result of homelessness. Not surprisingly the median income of homeless households was only 28% of the median for all households.

4.11 Assessments may take into account other groups such as households containing people with social or physical impairment or other specific needs living in unsuitable dwellings which cannot be made suitable in-situ; households which lack basic facilities (e.g. a bathroom or kitchen) and those in dwellings subject to major disrepair; and households containing people with particular social needs (e.g. those escaping harassment) which cannot be resolved except through a move. Sources providing data at local authority level are not available for some of the above categories, and there may be overlap between them - for example households that are both overcrowded and in housing that is too expensive for them. Housing waiting lists or registers are not recommended in guidance for use in assessing backlog need, because some households in need choose not to register, and because the criteria for registration vary. Overall, the backlog estimated here seems a reasonable estimate which allows for households in need who have not expressed this through registration.

4.12 In order to provide an assessment of the size breakdown of affordable housing need, the assessment of backlog need must also be broken down by bedroom requirements.

Total backlog need

4.13 Adding the backlog of concealed, overcrowded and homeless households together produces a gross backlog need for affordable housing of 1,304, after the deduction of all those in need currently living in social rented housing, and a reduction of 19% in the number of overcrowded households to allow for some overlap with concealed households.

4.14 Ideally, backlog need would be met as quickly as possible, but official guidance recognises that it must be dealt with over a period of several years. The appropriate period is not specified, but in a context of high demand such as that in Epsom and Ewell, an extended period is likely to be necessary. A period of twenty years is increasingly used, so this has been assumed in the model. On this assumption the backlog of affordable need is 65 dwellings per annum.

4.15 **Table 4.2** shows the breakdown of backlog need by bedroom requirement, assuming that the need in each size category is met at the same rate.

Table 4.2 Minimum estimate of backlog need in households per annum by bedroom requirement

No. of beds	Number	Percent
1 bed	15	23%
2 bed	21	32%
3 bed	15	22%
4+ bed	15	23%
Total	65	100%

Note: numbers do not exactly sum to total because of rounding

Newly arising need

4.16 The second component of affordable housing need identified in Planning Practice Guidance is newly arising need. This will be generated in the future by newly forming households unable to afford access to market housing, and by some existing households whose needs change. The first element of need arising from newly forming households is estimated from the household projections examined in Chapter 3. However, unlike the estimate of overall need, which is based on *net* new household formation, the estimate of affordable housing need must be derived from *gross* new household formation (that is all new household formation, without the deduction of households which dissolve). Affordable housing released by households which dissolve is taken into account later in the calculation as part of affordable supply. Household projections do not provide the required data directly, but the model uses an approach to estimating gross new household formation from published data on future household numbers set out in previous official guidance. The estimated gross number of newly forming households in Epsom and Ewell over the period 2019-2039 is 720 per annum.

4.17 This projection is broken down by household type, which provides a basis for the estimation of the dwelling size requirement breakdown. **Table 4.3** shows newly arising need per annum broken down by bedroom requirement. 48% of need from newly arising households is for smaller units as such households are typically formed of one or two persons, but 43% require three bedroomed units compared to only 22% of those in backlog need.

4.18 The income distribution of newly forming households was estimated from English Housing Survey data for London averaged over the period 2012-15. The incomes of this group were generally close to or slightly above the average for households as a whole, with those requiring three bedrooms having the highest incomes.

Table 4.3 Newly arising need per annum in households by bedroom requirement

No. of beds	Number	Percent
1 bed	124	17%
2 bed	221	31%
3 bed	307	43%
4+ bed	69	10%
Total	720	100%

Note: numbers do not exactly sum to total because of rounding

Existing households falling into need

4.19 In the future, as well as newly forming households, some households currently in existence may fall into need as a result of a change in circumstances. This is the most difficult category of need to estimate and official guidance does not specify an approach to use. The approach adopted in the model is based on CORE data on lettings in the social rented sector. It identifies new lettings to

existing households falling into need as a result of a change in circumstances such as eviction, inability to afford mortgage payments or rent. To smooth out annual fluctuations in need, the number of households affected has been derived from an average of three years CORE data. To allow for the possibility that local authorities and their partners cannot house all those experiencing such problems in any one year, numbers in need have been increased by 25%. The model estimates that 21 existing households will fall into need annually.

4.20 This excludes all households falling into need who were previously living in the social rented sector, as meeting their needs would release the dwelling which they were previously occupying. Existing households falling into need are more likely to resemble those in backlog need than newly forming households, so their bedroom requirement split has been assumed to be similar to that for all households in backlog need (**Table 4.4**).

Table 4.4 Existing households falling into need per annum by bedroom requirement

No. of beds	Number	Percent
1 bed	2	12%
2 bed	7	36%
3 bed	6	30%
4+ bed	5	22%
Total	21	100%

Note: numbers do not exactly sum to total because of rounding

4.21 The model assumes that the income profile of existing households falling into need matches that of overcrowded households who make up the majority of backlog, except in the case of households requiring one bedroom, where incomes are assumed to be the same as those of concealed households.

4.22 The total annual level of need arising from backlog need, newly arising need and existing households falling into need, is 806. This is subdivided by bedroom requirement as follows:

- One bedroom required: 141
- Two bedrooms required: 250
- Three bedrooms required: 327
- Four or more bedrooms required: 88

Estimating the proportion of households unable to afford market housing

4.23 The next step in the calculation of affordable need is to estimate the proportion of these households who will be unable to afford to buy or rent a market dwelling. Following official guidance, market entry price/rent levels were determined from an analysis of sale prices and rents for housing of different sizes. The thresholds used for access to the market were the lower quartile

cost of buying on the open market or of renting, whichever was the cheaper, with mortgage costs converted to monthly costs on the basis of the assumptions relating to deposit and interest rates set out above. The lower quartile thresholds derived for market prices and rents in Epsom and Ewell are shown in **Table 4.5**, broken down by bedroom requirement. At each bedroom size the lower quartile rent threshold is cheaper than the cost of buying at the lower quartile price and it is this threshold which determines affordability. As a result, households at the margin of those deemed able to afford market housing will only be able to rent rather than to buy. The table also shows four other cost levels for affordable housing. These are:

- Current average rents in the social rented sector, derived from published national data on local authority lettings;
- A threshold based on 50% of lower quartile market rents;
- A threshold based on 66% of lower quartile market rents;
- A threshold based on 80% of lower quartile market rents. These four thresholds, taken together, provide a wide range of potential housing costs for comparison with incomes.

Table 4.5 Epsom and Ewell: market and affordable threshold prices/rents

Beds	Market solutions		Affordable housing solutions			
	Buying: lower quartile threshold price (£)	Renting in the market: lower quartile threshold rent (£ per month)	Renting at current average social rents (£ per month)	Renting at 50% lower quartile market rent level (£ per month)	Renting at 66% lower quartile market rent level (£ per month)	Renting at 80% lower quartile market rent level (£ per month)
1	234,000	895	476	448*	591	716
2	260,000	1238	534	619	817	990
3	443,000	1300	595	650	858	1040
4+	735,380	1850	673	925	1221	1480

Source: HM Land Registry, VOA, and model estimates of price/rent differentials by dwelling size. *This figure should be treated with caution as it is *below* the social rent for a 1-bed unit reported in <https://www.gov.uk/government/statistics/statistical-data-return-2017-to-2018> 'SDR 2017 to 2018: data tool - LA view', Table 9 - General Need rents by unit size. The reported social rent for a 1-bed unit is 53% of the lower quartile market rent whereas it is in the range 39%-43% for other bedroom sizes.

4.24 **Table 4.6** shows the number and percentage of households in need who are able/unable to afford market housing at the thresholds shown in Table 4.5. Twenty-nine percent of households in need cannot afford to access market housing at the thresholds shown in the table. This means that 407 units of affordable housing are required annually to meet need, before taking account of the annual supply through relets.

Table 4.6 Ability to afford market threshold housing cost

		1 bed	2 bed	3 bed	4+ bed	Total
	Cost pcm (£)	895	1,238	1,300	1,850	
	Threshold (£)	10,740	14,856	15,600	22,200	
Number	Total need	141	249	327	88	806
	Can afford	91	72	219	17	399
	Can't afford	50	178	109	71	407
Percent	Can afford	65%	29%	67%	20%	49%
	Can't afford	35%	71%	33%	80%	51%

4.25 **Tables 4.7-4.10** show the results of applying the four affordable housing thresholds set out in **Table 4.5**. The lowest threshold is based on published average rents for social rented sector lettings in Epsom and Ewell in the year 2017-18. **Table 4.7** shows the annual cost of these rents, and the number and percentage of households unable to afford a rent at or above these threshold costs for each bedroom category. As the CACI household income estimates include housing benefit income, almost all households should be able to afford this cost threshold, but even if benefits are taken into account, 46 households can only afford housing costs below the social housing rent thresholds. In these cases, benefit entitlement does not cover all their rental costs.

Table 4.7 Ability to afford estimated actual social rented housing costs

		1 bed	2 bed	3 bed	4+ bed	Total
	Cost pcm (£)	476	534	595	673	
	Cost per annum (£)	5715	6407	7145	8074	
Number	Total need	141	249	327	88	806
	Can afford	123	228	325	84	760
	Can't afford	18	21	2	4	46
Percent	Can afford	87%	92%	99%	95%	94%
	Can't afford	13%	8%	1%	5%	6%

4.26 **Table 4.8** shows that 63 households can only afford a rent below 50% of the lower quartile market rent level. 18 of these households (63-46 after rounding) can afford a rent above the social rent threshold and up to, but not above, 49% of the lower quartile market rent. The breakdown by number of bedrooms is also shown in the table. Most of those who cannot afford this threshold require smaller units (1-2 bedrooms).

Table 4.8 Ability to afford 50% of lower quartile market rents

		1 bed	2 bed	3 bed	4+ bed	Total
	Cost pcm (£)	448	619	650	925	
	Cost per annum (£)	5370	7428	7800	11100	
Number	Total need	141	249	327	88	806
	Can afford	123	228	309	83	742
	Can't afford	18	21	19	5	63
Percent	Can afford	87%	92%	94%	94%	92%
	Can't afford	13%	8%	6%	6%	8%

4.27 **Table 4.9** shows the thresholds derived from 66% of the lower quartile market rent, and the numbers and proportions of households able to afford them. Some 186 households can only afford a rent below 66% of the lower quartile market rent. 122 of these households (186-63 after rounding) can afford a rent at or above the 50% of lower quartile rent threshold and up to 65% of the lower quartile threshold. The breakdown by number of bedrooms is also shown in the table. In this case, small households form the majority of those in need but a significant number also require three bedrooms. Overall, this is the largest group of households in need.

Table 4.9 Ability to afford 66% of lower quartile market rents

		1 bed	2 bed	3 bed	4+ bed	Total
	Cost pcm (£)	591	817	858	1221	
	Cost per annum (£)	7088	9805	10296	14652	
Number	Total need	141	249	327	88	806
	Can afford	123	144	306	48	620
	Can't afford	18	105	22	40	186
Percent	Can afford	87%	58%	93%	54%	77%
	Can't afford	13%	42%	7%	46%	23%

4.28 **Table 4.10** shows that 241 households, 30% of all households in need, are only able to afford a rent below a threshold set at 80% of the lower quartile rent. This means that 55 households (241-186) can afford the 66% threshold but not the 80% threshold. Most of these require a 2-bedroomed unit.

Table 4.10 Ability to afford 80% of lower quartile market rents

		1 bed	2 bed	3 bed	4+ bed	Total
	Cost pcm (£)	716	990	1040	1480	
	Cost per	8592	11885	12480	17760	
Number	Total need	141	249	327	88	806
	Can afford	102	118	300	44	564
	Can't afford	39	131	27	44	241
Percent	Can afford	72%	47%	92%	50%	70%
	Can't afford	28%	53%	8%	50%	30%

4.29 **Table 4.11** summarises these results.

Table 4.11 Summary of affordable housing need and ability to afford market and affordable housing cost thresholds

	Households per annum			
Annual backlog in housing need	65			
Newly arising need	720			
Existing households falling into need	21			
Total in need before affordability criteria applied	806			
Affordability	In each category		Cumulative	
	Number	Percent	Number	Percent
Can afford market rent*	399	49%	399	49%
Can afford 80-99% of market rent	166	21%	564	70%
Can afford 66-79% of market rent	55	7%	620	77%
Can afford 50-65% of market rent	122	15%	742	92%
Can afford current average social rent and up to 49% market rent	18	2%	760	94%
Can only afford rent below average social rent level	46	6%	806	100%

*Lower quartile private rent. Note that the number of households in each category includes some whose capacity to pay for housing falls close to the thresholds (as well as others whose capacity falls closer to the centre of the range for that band). There is likely to be some flexibility over the appropriate solution for households falling close to the thresholds. The numbers in the table may differ slightly from those in the text due to rounding.

Affordable supply

4.30 The next stage in the calculation of affordable housing need requires an estimate of the total affordable stock available.

4.31 The main component of supply is annual relets from the existing stock. This has been calculated in line with official guidance on the basis of past trends - an average of the past three years supply. In order to ensure that the estimate reflects the longer-term supply of stock, first time

lettings of new dwellings are excluded. The estimate is also limited to re-lets to new tenants and excludes transfer lettings.

4.32 The largest element of affordable housing supply is general needs lettings (32 out of 59 units). The model assumes that only 50% of longer term supported housing lettings should be included as these units are not necessarily let to households in affordable need. CORE returns and local authority lettings data are the sources used for these estimates. New affordable housing in the pipeline is normally excluded from this element of supply, as it is a one-off element of supply rather than part of the continuing flow provided by relets. If a major quantum of new affordable supply were to be anticipated, the impact of this on future relets would need to be factored into annual supply in the year of completion.

4.33 A further component of future housing supply is intermediate affordable housing. The model includes an estimate of the number of homes that come up for re-let or re-sale based on an average of data for the last three years available from CORE returns (2014-17).

4.34 Any of these elements of affordable housing could experience an increase or reduction as a result of new additions to the stock or through demolition, disposal or sale of social rented homes, or the disposal of intermediate tenure homes currently occupied by households in need of affordable housing. If they were of significant scale, such changes would impact on long term relet rates and should be taken into account in future updates of the model. For example, a substantial increase in the sale of social rented housing through right to buy would have a longer term (though complex) downwards impact on relet supply. In addition, such changes need to be taken into account in looking at the future supply of affordable accommodation to meet backlog and newly arising need, by assessing their profile over time of any changes and adding them to, or subtracting them from, outstanding need at the appropriate point when they impact on supply.

4.35 **Table 4.12** summarises the estimated future annual supply of affordable homes by type. Social rented sector relets form the largest source of supply.

Table 4.12 Future annual supply of affordable homes

	Annual supply	
Social sector re-lets	1 Bed	12
	2 Beds	13
	3 Beds	7
	4+ Beds	1
	Total	32
Affordable rent relets	1 Bed	8
	2 Beds	4
	3 Beds	0
	4+ Beds	0
	Total	12
Supported housing	1 Bed	7
	2 Beds	0
	3 Beds	0
	4+ Beds	0
	Total	7
Shared ownership	1 Bed	3
	2 Beds	5
	3 Beds	0
	4+ Beds	0
	Total	8
Total	1 Bed	29
	2 Beds	22
	3 Beds	7
	4+ Beds	1
	Total	59

Sources: CORE average of annual figures for 2014-15, 2015-16 and 2016-17.

Net affordable need

4.36 The final stage is to subtract affordable housing supply from affordable need. This results in an estimate of net annual need for affordable housing in Epsom and Ewell of 349 units. **Table 4.13** shows this total and provides a breakdown of net need by type and size of housing. The requirement for housing at social rent or above, but below 50% of the lower quartile market rent is relatively small (a net requirement of 25 units per annum, or 7% of the total need) and there is no net need for one-bedroomed units. Rents in this category are up to £650 per month for a three bedroomed unit. There is a large net need for units with rents of between 50% and 65% of the lower quartile private rent, with net need at all bedroom sizes. This constitutes 32% of total need. Rents in this category are up to £850 pcm for a three-bedroomed unit. There is a relatively small level of net need for units with rents of between 66% and 79% of the lower quartile private rent level, or up £1,040 per month for a three bedroomed unit(55 units or 16% of need). The largest category of affordable need is from households which can afford between 80% and 99% of the lower quartile private rent (158 households, 45% of net need). The rent of a three-bedroom unit in this category would be over

£1,040 pcm but below £1,300.

4.37 In matching need to supply, it has been assumed that shared ownership resales (8 units per annum) meet the needs of households assessed as being able to afford 80-99% of lower quartile market rent levels, that Affordable Rent relets (12 per annum) meet the needs of those assessed as being able to afford rents at 50-65% of lower quartile market rents; and that supported housing and general needs relets at a social rent will meet the needs of those unable to afford 50% of the lower quartile market rent. The split of need between categories of supply should be treated with some caution, as household incomes form a continuous distribution rather than being clustered around the threshold income levels required to afford particular types of housing. Some households will be close to the various thresholds, and could change category if they were to spend slightly more on housing than the model assumes. Likewise the breakdown of need by bedroom requirement is based on the bedroom standard and some households might desire more or fewer bedrooms than the standard allows.

Table 4.13 Future annual need for affordable homes

		Annual need	Annual supply	Surplus (+) or shortfall (-)	Percentage
Can afford a social rent but not 50% of the lower quartile market rent*	1 Bed	18	19	0	
	2 Beds	21	13	-8	
	3 Beds	19	7	-12	
	4+ Beds	5	1	-4	
	Total	63	39	-25	7%
Can afford 50%-65% of the lower quartile market rent	1 Bed	0	8	8	
	2 Beds	84	4	-80	
	3 Beds	3	0	-3	
	4+ Beds	35	0	-35	
	Total	122	12	-110	32%
Can afford 66%-79% of the lower quartile market rent	1 Bed	21	0	-21	
	2 Beds	26	0	-26	
	3 Beds	5	0	-5	
	4+ Beds	4	0	-4	
	Total	55	0	-55	16%
Can afford 80%-99% of the lower quartile market rent	1 Bed	11	3	-8	
	2 Beds	46	5	-41	
	3 Beds	82	0	-82	
	4+ Beds	27	0	-27	
	Total	166	8	-158	45%
All who cannot afford the full lower quartile market rent	1 Bed	50	29	-21	6%
	2 Beds	178	22	-156	45%
	3 Beds	109	7	-102	29%
	4+ Beds	71	1	-70	20%
	Total	407	59	-349	100%

*Includes those who cannot afford a social rent, who will be required to spend more of their income on housing than the assumed maximum. Due to rounding, components of need may not sum exactly to the total shown in the table.

Required type, and size of affordable housing

4.38 61% of net need is for housing with rents at or above 66% of the lower quartile market rent (assumed to be between £838 and £1,300 pcm for a three bedroomed unit). There is a more limited net need for affordable housing at rent levels below 50% of the lower quartile market rent level, partly because the supply of affordable housing is greatest at this cost level. But there is also a size imbalance within this category, with less demand for one and two-bedroomed units than for larger ones. The largest categories of net need are for two-bedroomed units (45% of net need), and three-

bedroomed units (29% of net need). The need for units with four or more bedrooms is lower (20%) but much higher than the proportion of all affordable stock of this size. Only 6% of net need is for one-bedroomed units. This figure may be influenced by the supply of one-bedroomed supported housing units, and should therefore be treated with caution. It is only in relation to units at rents between 80% and 99% of the lower quartile private rent that the demand for three bedroom units increases above that for two-bedroomed units.

4.39 These proportions provide guidance for decisions on the target mix of new affordable housing supply going forward. They should not be applied rigidly however, as some households have incomes close to the cost thresholds for each type of affordable provision, others may wish to spend more or less of their income on housing costs than we have assumed, and some may need to occupy more, or fewer, bedrooms than assumed. In terms of the requirement for units of different sizes, the largest annual shortfalls are for two-bedroomed and three-bedroomed dwellings, with the smallest net demand being for one-bedroomed units. These proportions vary by type of affordable provision.

4.40 **Appendix A** provides a breakdown of new housing requirements by tenure and bedroom size. The breakdown of new construction by tenure is achieved by deducting the annual total of affordable need from the annual requirement for new housing derived using the standard methodology. This leads to an assumption that 60% of new construction will be affordable. In practice, the proportion of new housing which is affordable is a matter for policy, and is influenced by a number of factors including the viability of housing provision and the characteristics of individual sites. Some affordable housing need may also be met by other means than new construction. These matters will need to be taken into account when policies to determine the amount of affordable housing in new developments are formulated.

Assumptions

4.41 The outputs of the model are sensitive to a number of assumptions over inputs and parameters. For these factors, it is not a case of a right or wrong approach but rather of a choice following the weighing up of the pros and cons of alternatives. These include the following factors:

- Percentage of gross household income devoted to housing costs: the proportions used is 33% as set out earlier in this chapter, but a different factor or factors may be appropriate. The higher the percentage, the lower the level of affordable need, although the reduction is not pro rata.
- Whether or not an adjustment should be made to annual supply, in anticipation of a change in the overall number and composition of lettings due to impending national policy changes.
- The period over which backlog need should be eliminated (currently set at twenty years)
- Whether or not to include all longer-term supported housing as well as general needs housing in the annual supply, and if so, what proportion to include (this is currently set at 50%).

- The price thresholds utilised, both the market entry price threshold, which determines the overall level of affordable need, and the thresholds for different types of affordable housing.

The role of the private rented sector in meeting affordable need

4.42 Official guidance stresses that the assessment of net affordable housing need should be derived by comparing affordable need with affordable housing supply. The private rented sector is not currently formally counted a part of the affordable housing supply for housing market assessment purposes. However, it may play a part in meeting affordable housing need in some circumstances, supported by the availability of benefits based on Local Housing Allowance assistance with rents.

4.43 **Table 4.16** assesses the potential impact of the private rented sector on housing need in Epsom and Ewell. In February 2019 there were 859 benefit claimants in the private rented sector in the authority. This represented 19% of private rented tenants, assuming growth of 25% over the period between 2011, the latest date for which data on the number of households living in the sector is available, and 2019. This suggests the benefit-dependent private rented sector is significant in the authority, though far from dominant.

4.44 To assess the possible scale of the contribution which the PRS might be making to meeting affordable need, an estimate is required of the annual inflow of new claimants. EHS regional data indicates that 9% of PRS tenants (averaged over the three-year period from 2010-13) were new entrants to the sector in the previous twelve months. Applied to the estimated numbers within the sector in Epsom and Ewell in 2019, this suggests that 473 households per annum enter the private rented sector from other tenures or as newly-forming households. Assuming that these have the same profile as tenants in the sector as a whole suggests that 76 new claimants per year enter the private rented sector. This represents 44% of net annual affordable housing need.

Table 4.16 Estimated impact of the private rented sector on housing need

	PRS HB claimants Feb 2019	Renting from private landlord or living rent free 2011	Private renting 2019 (assuming growth of 25%)	Claimant rate (claimant s/unit 2019)	Turnover (estimated % of PRS tenants entering sector in last year)	Number of new entrants	Estimated number of new HB claimants per annum
Epsom and Ewell	859	4207	5259	16%	9%	473	76

Sources: DWP statexplore, Census 2011, English Housing Survey 2010-13

4.45 Official guidance makes it clear that private rented housing is not affordable housing, and it

is important to note that the private rented sector provides less security of tenure than the affordable sector (and indeed bears responsibility for a measure of homelessness applications, when assured shorthold tenancies are not renewed). Local authority staff in Epsom and Ewell working on housing need also stressed strongly that the actual rather than potential role of the sector is very limited, because lower priced private rented accommodation tends to be of poor quality. Standards of housing and of management are often lower than for affordable housing, Local Housing Allowance may not meet the full costs of rent, and many households with particular needs (for example for adaptations) may not find privately rented accommodation suitable. There are significant problems with illegal lettings, unlawfully subdivided properties, and the use of outbuildings and beds as accommodation. Furthermore even at the bottom of the market, dwellings tend to be more expensive than social rented homes. Moreover, changes to the benefit regime, barring younger people from claiming Housing Benefit (or the housing element of Universal Credit), will further reduce the capacity of the PRS to meet affordable housing needs.

4.46 There was little evidence from neighbouring authorities that they are expecting their private rented sectors to contribute to alleviating affordable housing need. Only one authority thought their sector was growing and might play a role. But with the proviso that growth had brought cost and security pressures to the extent that homelessness applications were largely coming from people who had experienced cost issues in the PRS. This authority had seen two new Build To Rent schemes aimed at the middle and top end of the market. They were thought to meet some local need and bring others into the area.

4.47 Two other authorities were ones where the private rented sector had always been small and they had not seen evidence of growth. But one at least was preparing to do more work on this and was expecting that Build To Rent applications might be received in the future. The remaining authority thought that their private rented sector was 'stagnating'.

Impact of affordable need on overall housing need

4.48 Epsom and Ewell will need to formulate a policy for affordable housing in response to this assessment of the level of affordable housing need in the borough, and other sources of evidence. Planning Practice Guidance contains the following instruction, which was changed only slightly in the two recent updates of PPG (our emphasis):

4.49 *'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, 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.'*¹⁵

¹⁵ *Housing and economic needs assessment*, CLG February 2019, Paragraph 024 Reference ID 024-20190220

4.50 **Table 3.5** above showed the delivery of affordable homes in Epsom and Ewell over the period 2008-2018. The level of provision varied substantially from year to year as would be expected, but has averaged 73 dwellings per annum, or 28% of all provision. This represents only 21% of the net annual need for affordable housing shown above. Net affordable need is equivalent to 60% of the overall level of new housing need. If affordable housing provision is maintained at 28% of housing output at the higher overall level which is required to meet need, the level of affordable housing secured will be higher (16 units per annum) but still well below net affordable need.

4.51 This suggests that there is a need to increase the proportion of affordable housing obtained from completions substantially, and within the context of the challenging new level indicated by the new standard housing need methodology. To meet the affordable requirement fully, it might be necessary to aim to exceed the target level suggested by the standard need methodology.

4.52 All the neighbouring authorities were faced with affordable housing need as significant proportions of overall need, for one as high as 70%. This led to challenging affordable housing targets and a considerable lack of certainty that these could be met.

Conclusion

4.53 This chapter has presented the results of a model which assesses the requirement for affordable housing in the borough, independently calculated using a methodology based on updated official Planning Practice Guidance. The overall net annual need for affordable housing is estimated to be 349 units per annum. The estimate reflects the distribution of incomes and price/rents at the base year 2019, which is assumed to remain broadly unchanged in the future. The estimates could therefore be affected by changes in the relationship between incomes and prices/rents in the future. One example would be recent and planned changes to housing benefits for lower income households. Income from housing benefit is included in the income estimates used in the model, but if benefits are reduced, this would affect the incomes of (mainly) lower income households and reduce their ability to afford housing costs. Similarly, if house prices rise or fall relative to incomes generally this would also affect affordability. It will be important to monitor the impact of such factors carefully, as they unfold. In terms of size, the largest categories of net need are for two-bedroomed units (45% of net need), and three-bedroomed units (29% of net need). The need for units with four or more bedrooms is lower (20%) but much higher than the proportion of all affordable stock of this size. Only 6% of net need is for one-bedroomed units.

Chapter 5

The housing requirements of specific groups

Key points

Older people

- By 2035 the number of those aged 65 or over in Epsom and Ewell is projected to be 19,500. This represents a 30% increase on 2020 figures. This is a slower rate of increase than that projected in the 2016 SHMA, because of different population projections.
- The rate of increase of the 75 or over and 85 or over groups in the population is projected to be higher, at 38% and 33% respectively. Again, these are slower than the projections in the 2016 SHMA.
- There is projected to be a 28% increase in the number of households containing those aged 65 or over, and significantly higher rates for older seniors (38% for 75+, 67% for 85+). Again, the 2016 SHMA had higher proportions of households in all categories.
- 82% of single older people and 94% of older couples own their own homes outright, implying there is considerable equity available to meet housing needs.
- Substantial numbers of older people tend to under-occupy housing, implying that if they downsize this would free up more family-sized accommodation in all sectors.
- While demographic modelling shows that there is likely to be an underlying shortage of rented and leasehold sheltered accommodation, at the moment supply and demand are roughly in balance.
- **Looking ahead to 2035 there will need to be a 32% increase in rented sheltered and a 35% increase in leased sheltered homes.**
- **There is a need for an additional 248 units of Extra Care accommodation between 2020 and 2035, 80% of which should be leasehold and 20% rented.**

Households with disabled members including wheelchair users

- A gradual increase in the number of people with mobility disabilities is forecast between now and 2035, particularly of those aged 65 plus, where a 36% increase is expected, as well as an 8% increase among working age people.
- **While there are 30 households on the housing register requiring wheelchair accessible accommodation, demographic modelling suggest the figure may be as high as 154.** Others will have accessible housing needs that may not require full-wheelchair accessible standards.
- There is some mismatch between the numbers needing social/affordable wheelchair accessible stock, and the allocations to that stock when it becomes available.

- We suggest further work is undertaken to look more deeply into the economic circumstances of those potential 154 requiring such accommodation, to determine how many or what proportion could access market products.
- **But in the interim it is clear that more effective use of the social housing wheelchair assets that come into availability should be a priority, with the objective of meeting the needs of the 30 already on the housing register requiring wheelchair-accessible accommodation.**

Students

- There are over 4,600 students resident in the borough during term time, including older school students.
- 64% live with their parents. Around 24% live in the private rented sector.
- By 2020 there will be 354 purpose-built student units in the borough, for those studying at the University of the Creative Arts; this meets around a third of their housing needs.
- The borough is a 'net exporter' of students – that is, the number of residents that leave the authority for elsewhere during term time is greater than the numbers that come in.
- **In view of the above there does not seem to be a strong case for additional purpose-built student accommodation to be prioritised against other demands.**

Private rented sector (PRS)

- The PRS has expanded in Epsom and Ewell by 65% between the last two Censuses and is now likely to be providing homes for 16% of households
- Mature adults (age 25-49) comprise the largest group, and a high proportion of households have dependent children (38%).
- Groups categorised as other than White are more reliant on the sector than White groups.
- Private renters, including those with children, tended to live in smaller properties than owners, and to be more overcrowded.
- Rents have increased by between 17% and 38% since 2010 (depending on bedsize); there are signs that the increase rate is slowing.
- Assuming up to a third of household incomes should go on housing costs, half of renters cannot afford a median rent two bedroom home.
- The number of PRS tenancies let to those claiming Housing Benefit has reduced sharply, by 35%, since 2012; if it is becoming less of an option for those on lower incomes, this must be of concern to the authority, particularly given the high proportion of households with dependent children that rely upon it.
- Loss of a PRS tenancy is accounting for 18% of initial assessments under the Homelessness Reduction Act 2017

- To date the authority has not had to use the PRS as a source of temporary accommodation to a great extent, but instead has relied on temporary use of social housing stock; this position may need review.
- Looking to the future, it seems likely that landlords will continue to exit the Housing Benefit / Universal Credit sub-sector and 'upmarket' their offers, to the detriment of those on lower incomes. There must be concern about access for those on the lower end of the income spectrum, and the knock on effects on homelessness services if this scenario arises. The authority may wish to take measure to engage with landlords offering homes at the lower end of the price spectrum, to assist them remain in this market

Those wishing to build their own homes

- As of May 2019, 17 individuals were on the register set up under the Self-Build and Custom Housing Building Act 2015 to monitor those interested in acquiring land for self / custom-build projects.
- The Act expects an authority to make provision in certain circumstances for suitable serviced plots to meet demand as evidenced by the register. Regulations in force from 2016 give authorities the option to divide the register, based on eligibility tests, including local connection and financial viability. Only those that can pass the eligibility tests would be entitled to borough support.
- The authority may wish to set up a two-part register, to ensure that only those meeting the appropriate criteria be considered for serviced plots.
- There is no data available yet to indicate whether demand for self-build in Epsom and Ewell is relatively high or low; **but in the context of other priorities for scarce land resources, including the 1,149 on the housing register, and the annual deficit of 349 affordable homes, we suggest that there is no evidence that self-build should be prioritised.**

Introduction

5.1 As required in the brief, this chapter discusses the housing requirements of some specific groups: older households, households with disabled members (including wheelchair users), students, private renters, and those wishing to build their own homes.

Older households

Demographic context

5.2 In common with the rest of the country, Epsom and Ewell is projected to see substantial increases in the number and proportion of people aged 65 and older between 2020 and 2035. Based

on the ONS 2016 base population projections¹⁶, the number of 65s and over are projected to increase by 4,500 over the period, a 30% increase on the 2020 figures. This is a lower projected increase than that in the 2016 SHMA, which was based on ONS 2012 base population projections, and covered the period 2014 to 2030. Within this, the rate for the more senior groups that are more likely to place serious demand on care and health services are slightly higher – a 38% increase is projected for those 75 or over (2,700 increase) and a 33% increase in those proportion 85 or over (700 increase). Again, these are all lower percentage increases than those projected in the 2016 SHMA. While people are living longer, they have a shorter amount of time in which they are healthy, and their needs - including housing needs – increase in the later stages of their lives.

Table 5.1 Population increase rates, older people

	2020	2025	2030	2035	% increase 2020-35
People aged 65+	15,000	16,000	17,800	19,500	30%
People aged 75+	7,200	8,400	9,100	9,900	38%
People aged 85+	2,100	2,200	2,400	2,800	33%

Source: ONS Population projections 2016 base

5.3 In terms of the overall proportions in the population that this will represent, currently those aged 65 or over make up 18% of Epsom and Ewell's population: this is projected to increase to 22% by 2035. In parallel, while the proportion of the population aged under 25 is expected to remain fairly constant, at around 30%, the proportion of the main working age group 25 to 64 is projected to reduce, from 52% to 44%. This may have implications for the ability of the local community to provide the services that an increasing proportion of older people will require.

5.4 Four of the neighbouring authorities interviewed are in similar positions and expect significant increases in their older population. One of them even thinks they are 'importing' older people due to the recent development of high end older persons' accommodation which is thought to be attracting people from outside the Borough. The fifth neighbour expressed the view that increases in their older persons population were likely to be 'slight'.

Households containing older persons

5.5 In terms of the increase in the number of households that will hold this population¹⁷, the figures are as follows:

¹⁶ Please note that we use the most recent projections here, unlike in chapter 3 where we are constrained by NPPF and PPG guidelines to use the 2014 projections.

¹⁷ 'Household' in this sense is one categorised where the household reference person is aged 65 or more, or 85 or more, as appropriate

Table 5.2 Projections of households aged 65 or over

	2020	2025	2030	2035	% increase 2020-35
Household aged 65+	9,575	10,427	11,294	12,218	28%
Household aged 75+	5,130	6,156	6,539	7,093	38%
Household aged 85+	1,659	1,878	2,172	2,770	67%

Source: ONS 2016 base household projections

5.6 It can be seen though the overall numbers of older persons are projected to grow, the number of households headed by older people is projected to expand at a faster rate, especially for the most senior group. The implication of this is that there will be an increasing proportion of single person older households in the borough as 2035 approaches, with possibly an impact on care requirements. Over the same period, the number of households headed by under 25s is projected to increase by only 4% and those in the main working age group 25 to 64 by only 2% - again, with implications for the ability of the local population to meet the health and care needs of its older members.

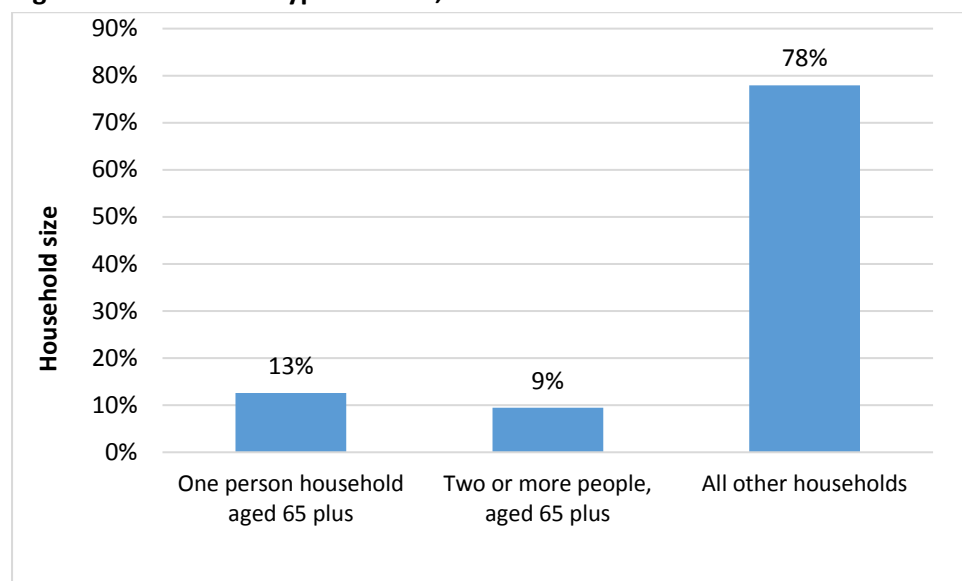
5.7 This also reflected in the swing in the proportions of the overall number of households headed up by different age groups. In summary, by 2035 older groups are expected to account for 35% of households, rising from a base of 30%; whereas working age households reduce by 5%, from 70% to 65%.

5.8 As with the population figures, these household projection estimates are all lower than those in the 2016 SHMA.

Size of households with older people

5.9 The Census 2011 holds a certain amount of data on the number of household members in older person households. **Figure 5.1** shows that as of 2011, 13% of all households in Epsom and Ewell comprised single people aged 65+, and a further 9% were made up of more than one occupant aged 65 plus (the vast majority of these will be couples, though the Census does not differentiate exactly).

Figure 5.1 Household type and size, 2011

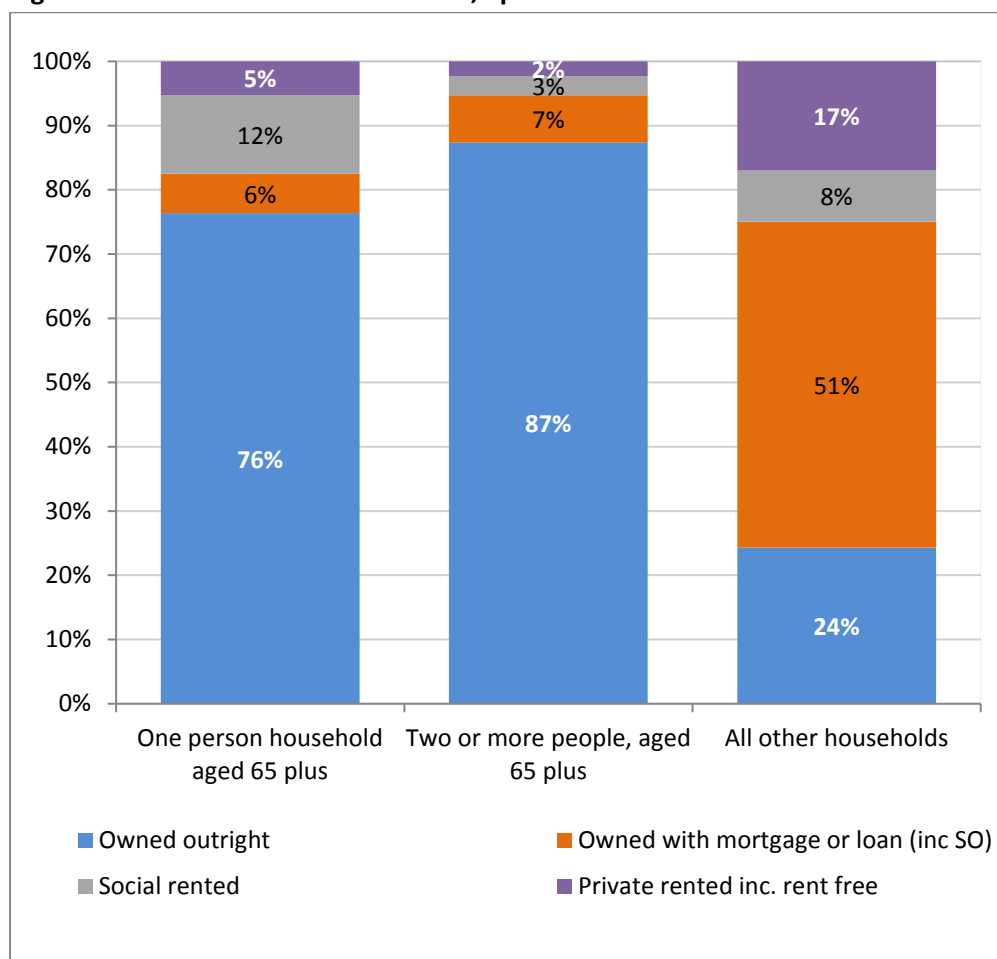


Source: Census 2011 Table DC 4101EW

Tenure of older households

5.10 We can look further at the current tenure of older households, as this will be an important indicator of likely ability to meet future housing needs. **Figure 5.2** shows that 82% of all single people over the age of 65 own their homes, with three-quarters owning them outright. For older couples, the number owning outright increases to 87%, with another 7% holding mortgages. This compares to the very different tenure profile of younger households, shown for comparison in the third column. Clearly, for some of the owner occupiers there will be substantial equity available to help meet future needs. However there are still 17% single older households and 5% couple older households in the social or private rented sectors, less likely to be able to command additional resources, and therefore there will still be some call for appropriate housing for lower income groups. It should be noted that the actual numbers of older households in the rented sectors are very low – 539 in the social rented sector, 255 in the private rented sector.

Figure 5.2 Tenure of older households, Epsom and Ewell



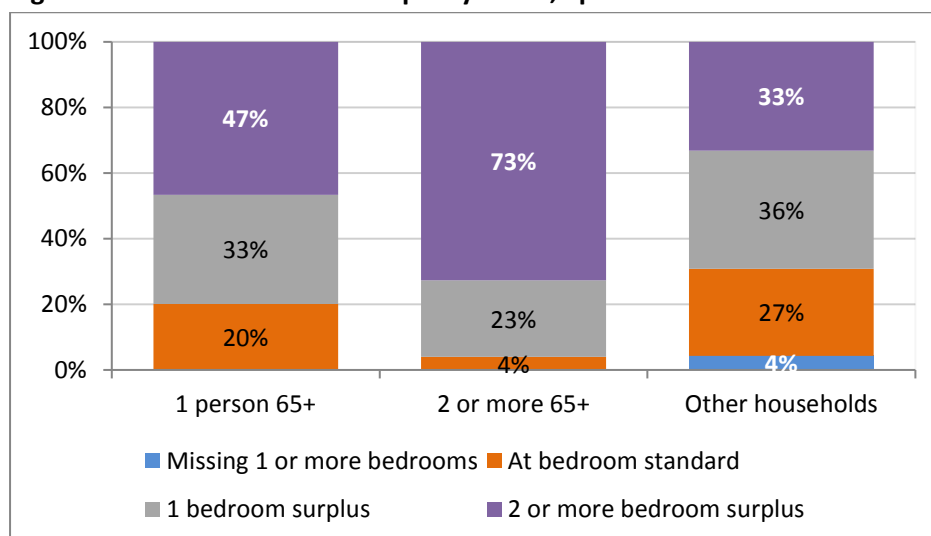
Source: Census 2011 Table DC 4105EWLa

Overcrowding and under-occupation

5.11 Another aspect of older people's ability to resolve their housing requirements is the degree of overcrowding or under-occupation that exists. Across all tenures (**Figure 5.3**), older households are proportionately much more likely than younger households to have at least one extra bedroom beyond their basic requirements, with 80% of single older households under-occupying, and 96% of two or more person households with surplus bedrooms, including 73% with two or more extra bedrooms. The pattern for younger people is fairly similar to that of single over 65's, with 69% under-occupying though there is a small element (4%) of overcrowding.

5.12 While there are many reasons why households may want or need spare bedrooms, nonetheless, these figures have to be considered in the context of owner-occupiers being able to meet their needs by downsizing; and for social renters, to understand if there is scope for making better use of stock. But, as noted above, the actual numbers in the social rented sector are small.

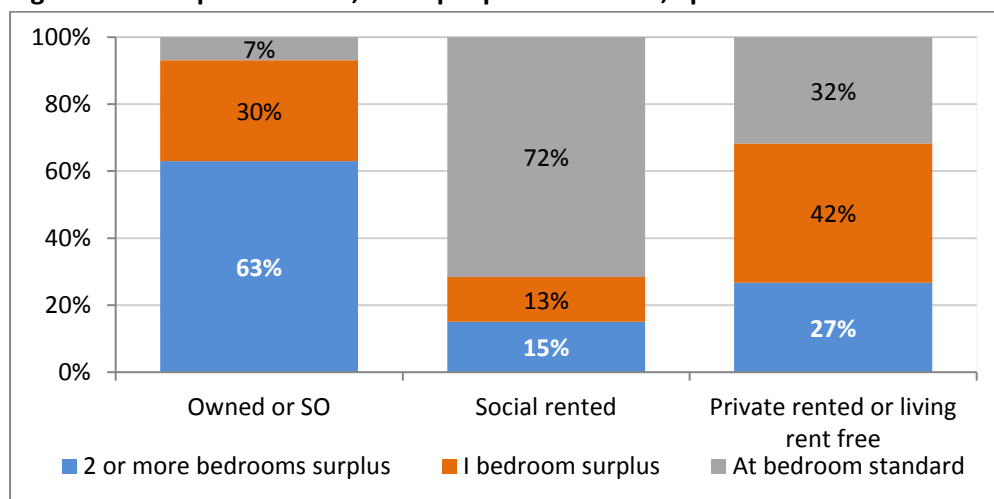
Figure 5.3 Older household occupancy levels, Epsom and Ewell



Source: Census 2011 Table LC4105EW1a

5.13 When we break this down by tenure, **Figure 5.4** indicates that over 65s living in the owner-occupied sector have considerable scope for downsizing, as 93% under-occupy their homes, including 63% with two extra bedrooms or more. There is no indication of overcrowding. The scope is reduced in the social rented and private rented sectors, but nonetheless, in the social rented sector, where the local authority will have some degree of control and influence, 28% of older households do under-occupy, 15% by two beds or more. Older people also under-occupy to a significant extent in the private rented sector (69%). There is no evidence of overcrowding of over 65s in any of the rented sectors.

Figure 5.4 Occupation levels, older people and tenure, Epsom and Ewell



Source: Census 2011 Table LC4105EW1a

5.14 This level of detail was not discussed with neighbouring authorities but as most of them have substantial numbers of large and high value private properties, under-occupation is implied as

the households age. Two have clear policies designed to reduce the size of future new property development to three bedrooms or less and to make a wider range of units available to meet a wider range of future needs. A third neighbour is of a similar view but with less clearly defined policies at present.

Profile of older persons

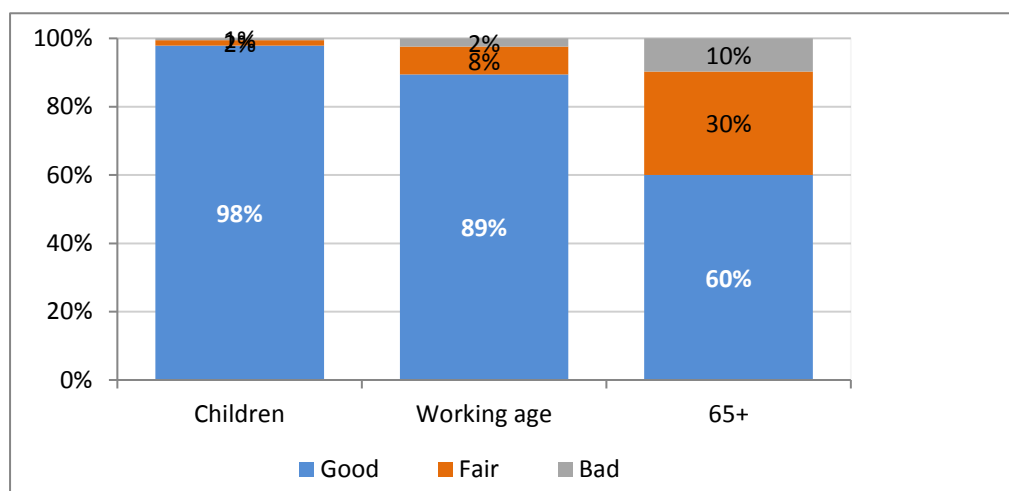
5.15 Older persons are not homogenous, and will require a range of solutions to enable people to retain as much independence in as late in life as possible. The broad-brush conclusions we draw together above around household size, household tenure (and the options for meeting future needs that it may create), overcrowding and underoccupation (and therefore downsizing) have to be nuanced by the nature of the communities in which older people live. For example there will be older people with close ties to a local area, where their children and relatives live, who will be unlikely to downsize unless there are suitable smaller properties within the local area, accessible to their families. These points are also noted by neighbouring authorities which partly drives their intention to broaden the provision of smaller properties.

Older persons and health issues

5.16 There are a range of health issues that impact on the housing needs of older people. Those related to mobility issues and requirements for physically-accessible housing are discussed in the section on *Households with disabled members and wheelchair requirements* (beginning at para 5.35) in this chapter. Here we note some other health issues that may impact on housing requirements.

5.17 Looking first at general health and long-term limiting conditions, **Figures 5.5 and 5.6** illustrate strongly the linkages between ageing and poor health or disability. While practically all children and nearly 90% of working age adults in Epsom and Ewell are in good health, this falls to 60% among over 65s, including 10% stating they were in 'bad' health.

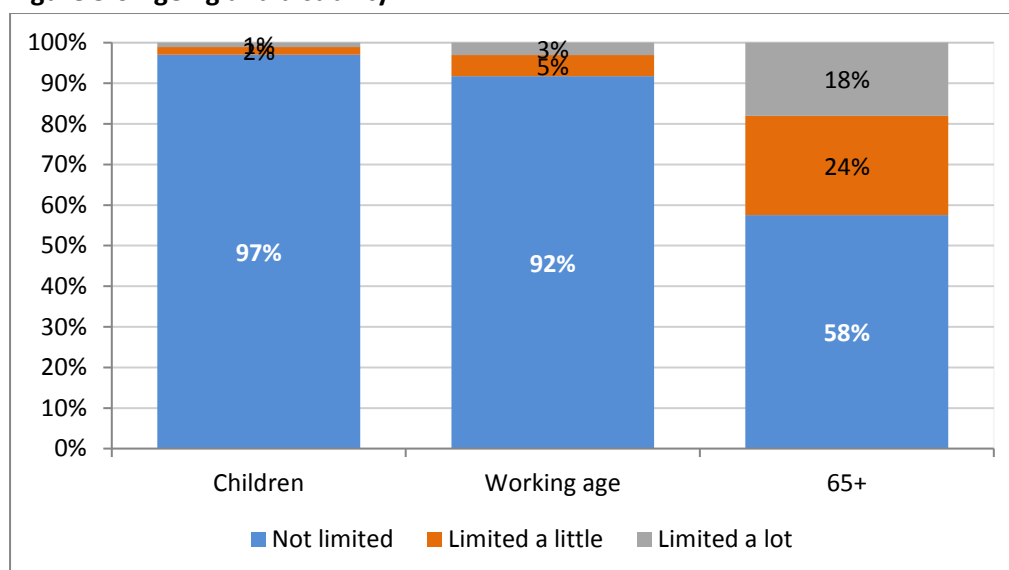
Figure 5.5 Ageing and health



Source: Census 2011 Table DC3403EW

5.18 As regards conditions or disabilities that limit activities, again only a tiny minority of children and working age adults had limiting conditions, whereas nearly a quarter of over 65s found their activities were limited a little, with a further 18% feeling their activities were limited a lot.

Figure 5.6 Ageing and disability

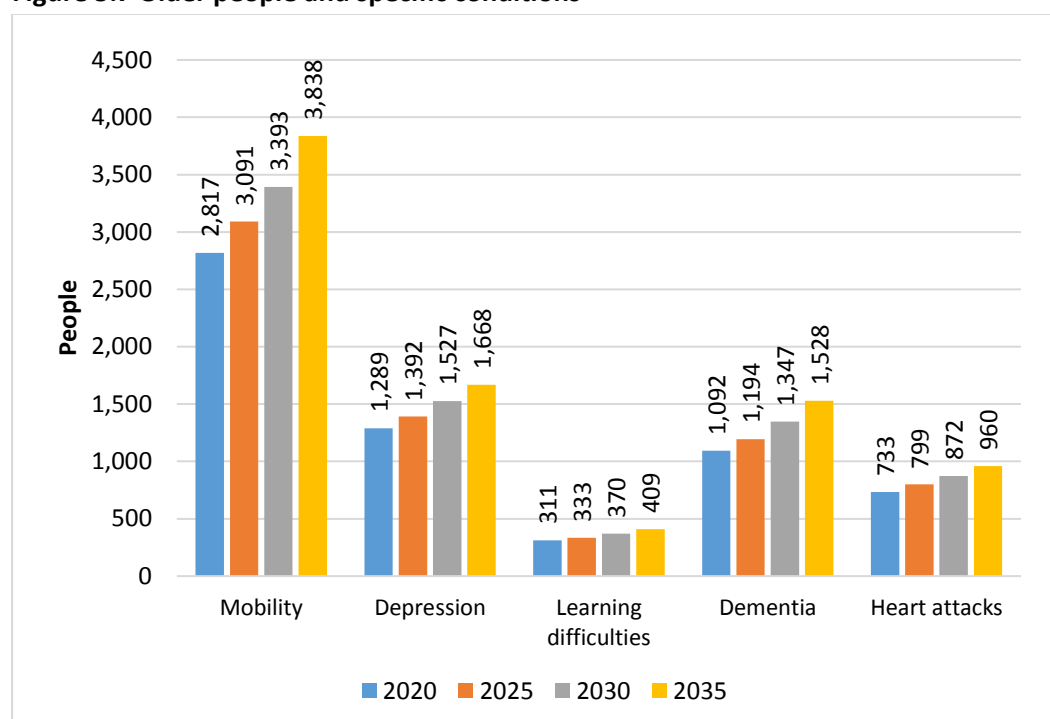


Source: Census 2011 Table DC3403EW

5.19 When we look at the prevalence of specific conditions, there are a number for which local projections have been undertaken. These include those related to mental health and physical conditions. From the range of data available we have selected five to illustrate how Epsom and Ewell's older people may be impacted by these conditions into the future. They are: impaired mobility, depression, learning difficulties, dementia and heart attacks.

5.20 The relevant housing response will of course vary depending on condition. For those with dementia the authority would want to increase quality of life and reduce high hospital emergency admission rates. For depression, as well as medical interventions, more integrated neighbourhoods and closer community ties can help reduce loneliness. The rate of increase of older people with learning disabilities is a product of people generally living longer, but there are issues around what happens to adults with learning disabilities when their ageing carers die. Preventing heart attacks is primarily a public health issue, but the housing contribution would be more suitable accommodation for those with a history of or vulnerable to the condition.

Figure 5.7 Older people and specific conditions



Source: Poppi 2018

5.21 **Figure 5.7** above shows a steady growth in the numbers of older people projected to have these conditions, by 2035. Most numbers increase around a third, but it is worth noting that the projected increase in older people with mobility difficulties is 36% and with dementia is 40%.

Supply of and demand for older persons' housing

5.22 From a strategic perspective, the approach of the Adult Housing with Care commissioning body has been to provide a range of options that enable older people to choose the appropriate level of care or support, so that their needs are not escalated necessitating residential care. It is therefore important to check whether this range is available, or is being planned.

5.23 Estimating supply is not a very precise science, particularly because of the move away from

standard ‘sheltered’ schemes to more flexible and integrated housing and support options, as well as the development of Extra Care schemes that blur the boundaries between housing and care-based accommodation. There is no official data that summarises either social or private sector supply. The local authority has a list of sheltered accommodation, but it seems to exclude some homes owned by small local housing associations and almshouses. The best source of data is the Elderly Accommodation Counsel¹⁸ (EAC) statistical base. The associated SHOP (Strategic Housing for Older People Analysis Tool) modelling tool also summarises supply. This has been used in studies¹⁹ to estimate housing demand and supply for older persons at a local authority level.

5.24 Supply figures (based on analysis of the EAC database and refined in discussions with Surrey County Council) were as shown in **Table 5.3** for Epsom and Ewell. The sheltered / social rented category includes a 54 person development for blind people, available to younger people as well. A 24 bed Extra Care social rented scheme and 26 bed leasehold scheme still under development at Nonesuch Almshouses is included, as it is due to complete in 2019. So at the time of writing there are no social rented Extra Care units in the authority area. Some units (the precise number is not specified in the EAC database) in a large 124 private development are available on a Shared Ownership basis. The total figure is around 100 units higher than those in the 2016 SHMA, but most of this apparent increase is accounted for by the inclusions of the Nonesuch development and the blind person’s development. Also, since the 2016 SHMA, one development, John Gale Court in Ewell, has been reclassified as sheltered for rent rather than Extra Care for rent.

Table 5.3 Supply of specialist older persons housing

Type	Number
Sheltered – social rented	276
Sheltered / retirement - leasehold	726
Extra Care – social rented	24
Extra Care - leasehold	26
TOTAL	1052

Source: EAC database and Surrey CC

5.25 The SHOP toolkit also suggests a demographic model for estimating the need for different types of older persons’ accommodation, based on academic research into the number of over 75s in the population²⁰. When applied to the Epsom and Ewell population projections, the results are as follows:

¹⁸ <http://www.eac.org.uk/>

¹⁹ *Assessing potential demand for older persons housing in London*, Three Dragons and Celandine Research, March 2014 and update (including assessment of need for care homes and dementia housing), November 2017

²⁰ Strategic Housing for Older People Resource Pack – section A, paper A2, Housing LIN

Table 5.3a Demand for specialist older persons housing – demographic model

	Demand per 1,000 75+ population	2020	2025	2030	2035
Sheltered to rent	60	432	504	546	594
Leasehold sheltered	120	864	1008	1092	1188
Enhanced sheltered (50:50 rent and sale)	20	144	168	182	198
Extra care	25	180	210	228	248

Source: ONS 2016 base population projections and SHOP prevalence estimator

5.26 As regards the tenure split within the Extra Care category, we should reflect as closely as possible the existing tenure split among over 75s, as that will indicate the proportion that would have equity allowing them to access leasehold Extra Care. Unfortunately, tenure data for the over 75s is not available at the level of an individual local authority. The closest we can get is the proportion of over 65s by tenure which (from the Census) shows that 90% of over 65s live in owner-occupied property, and 10% in rented property²¹. We can assume that there may be a little less reliance on owner-occupation among over 75s, as a proportion will have moved into sheltered accommodation. So assuming an 80:20 split is applied, the Extra Care figures are as follows:

Table 5.3b Tenure split for demand for Extra Care

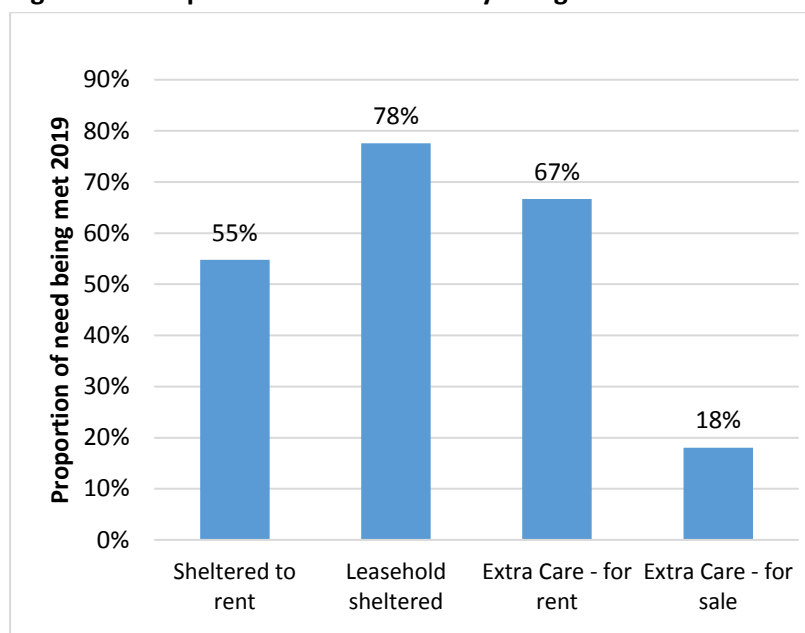
	Proportion	2020	2025	2030	2035
Extra Care leased	80%	144	168	182	198
Extra Care rented	20%	36	42	46	50

Source: ONS 2016 base population projections, SHOP prevalence estimator, Cobweb modelling

5.27 We can therefore compare supply and demand. For the sake of simplicity, the enhanced sheltered category has been divided equally between renting and sale. Although numerically the greatest demand is for sheltered / enhanced sheltered leasehold (936), in terms of the proportion of need currently being met, the greatest requirements are for extra care for sale, and for sheltered / enhanced sheltered for rent. These figures confirm the 2016 SHMA finding of a shortage of Extra Care places

²¹ It should be noted that these figures are different from those in figure 5.2 as that refers to the number of households by tenure, whereas here we are considering the number of persons by tenure.

Figure 5.8: Proportion of need currently being met

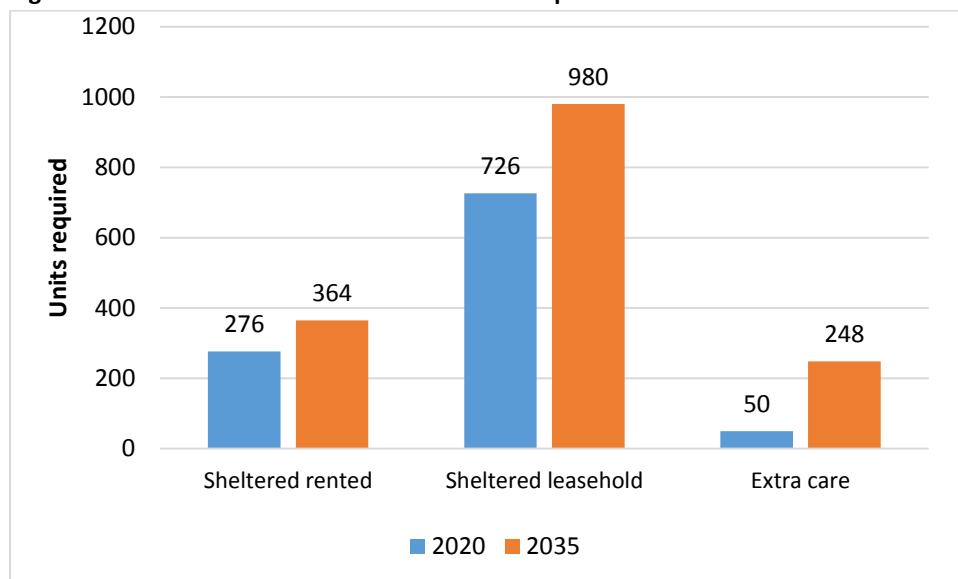


5.28 As regards the need for affordable rented sheltered accommodation, although the demographic modelling indicates a shortfall, the view of the authority is that existing provision is meeting existing needs. Unlike some other authorities, Epsom and Ewell does not have a problem with hard to let sheltered accommodation. Currently the authority has 102 applicants on the housing register requiring sheltered accommodation, with 23 places becoming vacant every year. This means that less than a quarter of those on the register at any one time are likely to be rehoused within twelve months. No new sheltered accommodation has been let since at least 2015.

5.29 However, the authority notes that not all the 102 applicants are immediately interested in being housed. It is considered by staff that many apply as an insurance measure, or are not interested in accepting an offer when made. There are other factors affecting the take-up rate, such as the size of the unit, or because they cannot take pets.

5.30 The figures also need to be seen in the context of likely future demand for older people's accommodation. If we base future demand on the percentages in the demographic modelling in table 5.3a, and the stock figures in table 5.3, and if we assume that demand for rented sheltered accommodation is currently in balance, we can see that there will be a need for a 32% increase on the 276 units currently available – an extra 88 units. As regards leasehold requirements, this amounts to a 35% increase on the current 726 units - an additional 254 homes. These changes are shown in **Figure 5.9**

Figure 5.9 Current and future accommodation requirements



Note: Extra care requirement is by 2030

5.31 As regards extra care, Surrey County Council's Accommodation with Care and Support Strategy forecast that 2,740 additional units of extra care accommodation will be needed by 2028. The expected tenure split is 73% home ownership (leasehold) and 27% affordable / social rented, reflecting the high rate of owner-occupation generally in Surrey and especially among older people. For Epsom and Ewell these figures break down as an additional requirement of 60 social rented units and 162 market units over the period. These are very similar to the figures we have modelled, though we have a different time frame (248 units by 2030 compared to Surrey County Council's 222 units by 2028), and we have used a different sale / rent split that has increased the demand for sales and reduced the demand for rent. It should be noted that there is some concern that over-provision would simply lead to incomers from outside Epsom and Ewell taking up those places.

5.32 Within neighbouring authorities there is discussion of providing a sufficient variety of accommodation suitable for older people so that they may remain independent within the community as long as possible, albeit with some support. One authority feels that community based living is more important than specialist schemes, although both have their place. At least two of the neighbours think that they need more information about the future needs of older people. One said that at present they had struggled to find evidence to define their policy on Extra Care options.

5.33 It is acknowledged that there are a range of specialist options from retirement villages to more traditional sheltered accommodation to nursing and Extra Care homes. Three authorities have seen increasing interest in providing accommodation for older people in recent years. Schemes which have come to fruition so far have been variations on retirement village style developments; one authority mentions four or five. The same authority has two potential Extra Care schemes at some point in the planning process.

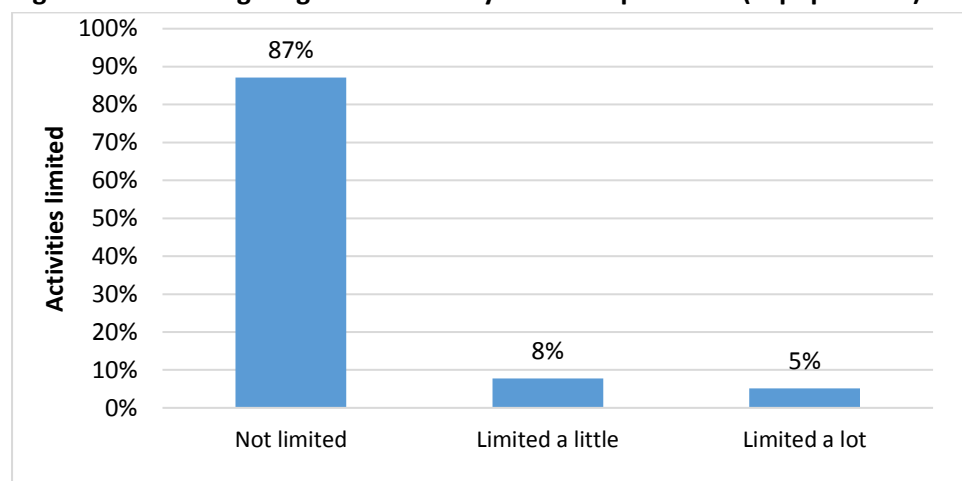
5.34 Two authorities referred to affordable Extra Care provision. One is working with the County Council and has a designated site but is unsure whether it will come forward. Another says there is an issue with funding for affordable Extra Care but their policy has always been to provide this in suitable areas and they will continue to do so.

Households with members with disabilities and wheelchair requirements

Context

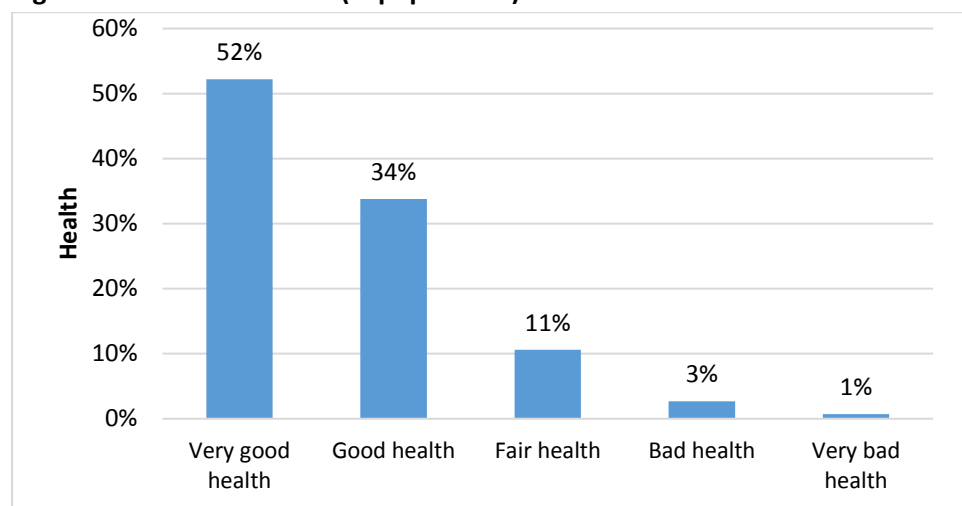
5.35 In terms of factors that impact on the need for accessible dwellings in Epsom and Ewell the Census 2011 indicates that around 13% of the population is estimated to have some form of limiting long-term health problem or disability (LLHPD), (**Figure 5.10**) and 29% of households have at least one member with a LLHPD (7% have two or more). Four percent of residents' health is described as 'bad' or 'very bad' (**Figure 5.11**).

Figure 5.10 Limiting long-term disability or health problems (% population)



Source: Census 2011 Table QS303EW

Figure 5.11 General health (% population)

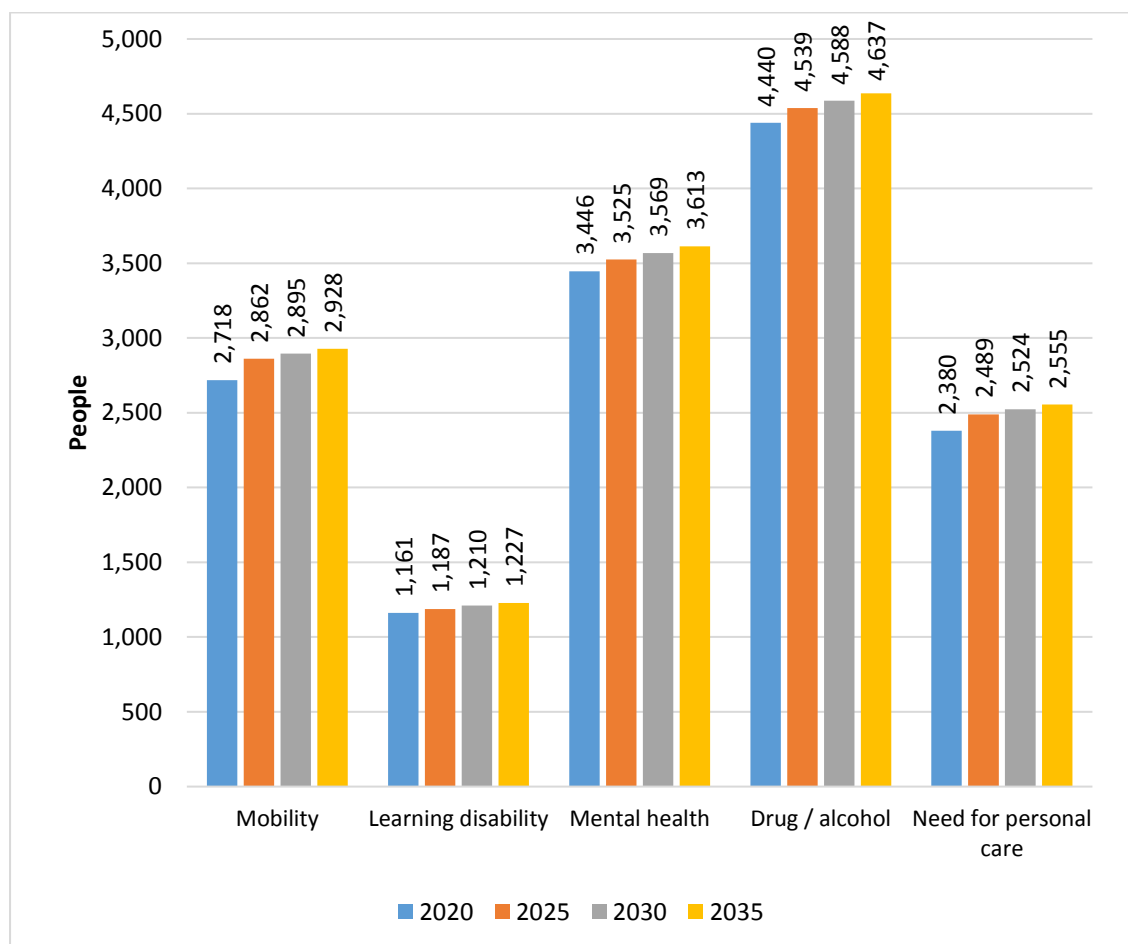


Source: Census 2011 Table QS302EW

5.36 The context for understanding the housing requirements of those with disabled members and in particular those with wheelchair users is intrinsically linked to the age of the population. 75% of current wheelchair users are aged 60 or over in England, including 20% who are 85 or over.²² As noted above as with the rest of the country, numbers and proportions of older people are forecast to rise over the coming years. As **Figure 5.7** (in the section on older people) indicates, a 36% increase in the number of older people with mobility-related impairments is projected. As regards working age people with severe physical disabilities (**Figure 5.12**), the numbers are projected to increase gradually up to 2035, with an 8% increase over the period. **Figure 5.12** also shows the rates of increase for other conditions associated with disability and need for support among working age people, which are similar to or below that for mobility support.

²² English Housing Survey 2011 Table A6.11

Figure 5.12 Working age people and specific conditions



Source: Pansi data, 2019

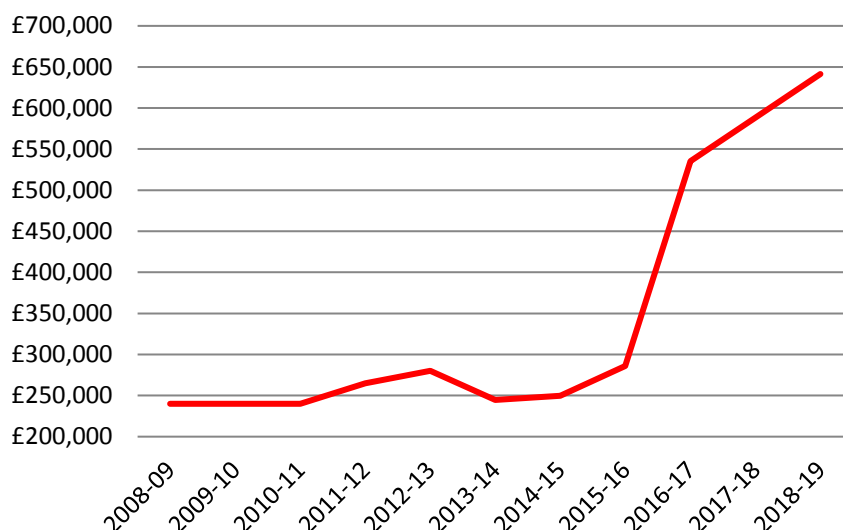
Aids and Adaptations and Disabled Facilities Grants

5.37 Clearly, not all households with members with mobility-impairments will require wheelchair accessible accommodation. Aids and adaptations can be provided using Disabled Facilities Grant (where resources permit), and they are an important tool in preventing people having to take up residential care places. DFGs can be applied for and used across tenures and can be particularly significant for less well-off owner occupiers.

5.38 The annual grant allocation (which excludes a local authority contribution) was relatively stable until 2011, and then rose to £280,000 in 2012-13, before falling to in the following years. In 2015 the government announced significant extra resources for DFGs over the following five years and established the Better Care Fund, which also incorporated Social Care Capital Grant until 2016-17. The aim of the fund was to further the integration of social care and health services. Epsom and Ewell's allocation has risen to £641,000 by 2018-19 under the new scheme. The Better Care Fund is

due to come to an end in 2019-20. While the government has made it clear that DFG funding will continue after that, it is unclear whether there will be a further five year commitment to increased resources.

Figure 5.13 Disabled Facilities Grant



Source: PLA analysis of DCLG data and CLG / DCLG Grant Determinations

5.39 However, commentators note that increasing grant allocations from central government do not automatically translate into more DFGs. There are a number of factors influencing this: as government grant increased, local authorities have cut back their contributions, in a climate of pressure on spending; the average costs of works has increased; and more money is used to pay revenue costs.

5.40 On average, the authority provides 40 to 50 grants a year. 80% of these usually go towards fitting level access showers, 10% to provide ramps, and 10% for extensions or through floor lifts.

5.41 There are several other indicators that highlight the housing-related elements of disability.

Council Tax exemptions and disregards

5.42 Households can be exempted from or have a reduced rate of Council Tax for various degrees and aspects of disability (including having to move into residential care). In total there are 248 homes that are in these categories in Epsom and Ewell. In terms of proportions, this is 0.77% of total stock. This is a very similar figure to that in the 2016 SHMA.

Disability Living Allowance (DLA) and Personal Independence Payment (PIP)

5.43 Though DLA is being phased out and replaced with Personal Independence Payments (PIP)

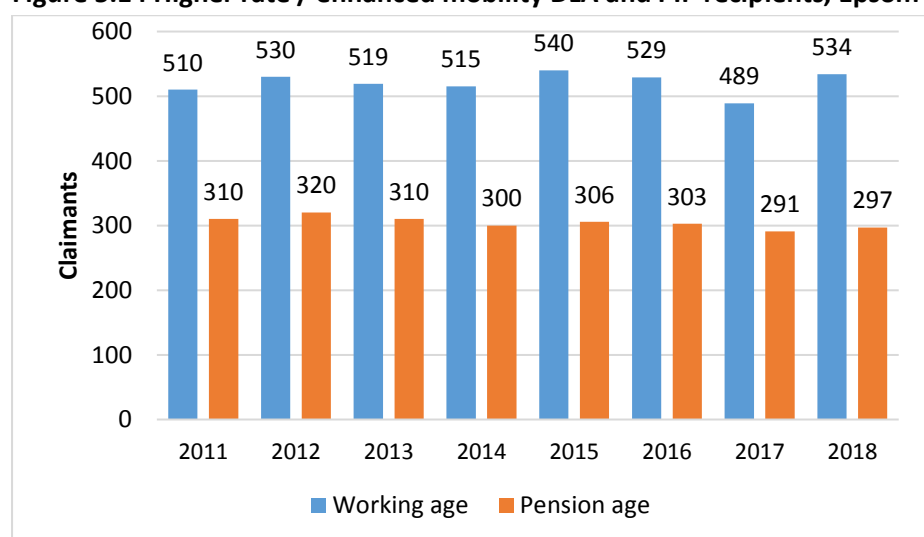
for some, the historic data and trends are useful in tracking changes in numbers and needs and as a contextual indicator of actual and future potential wheelchair and adaptation needs across the authorities. Higher award DLA is paid to people with a physical disability that affects their ability to walk outdoors and is paid if a person's disability is severe enough for them to have any of the following walking difficulties:

- they are unable or virtually unable to walk
- they have no feet or legs
- the effort of walking could threaten their life or be likely to lead to a serious deterioration in their health.

5.44 Higher mobility DLA may also be paid to those with a severe learning impairment that has a physical basis, and those with severe sight impediments, so the figures cannot automatically be assumed to relate to potential wheelchair or adaptation use. PIP paid at the Enhanced rate has similar criteria.

5.45 **Figure 5.14** tracks the caseload for Epsom and Ewell over the last six years, for those of working age and those of pensionable age. We have limited data for PIP for 2013 onwards, and this has been incorporated. It seems clear that figures for younger age groups been fairly constant, though there are signs of a reduction. Whereas those for the older population overall figures have been more varied though there is no real indication of consistently increasing numbers.

Figure 5.14 Higher rate / enhanced mobility DLA and PIP recipients, Epsom and Ewell



Source: DWP Stat-Explore and Nomis

Calculating unmet wheelchair-accessible housing need

5.46 The English Housing Survey 2014 estimates that there are 814,000 households where there are wheelchair users, representing 3.6% of all households. The comparative figures for 2007 were

587,000 and 2.8%. Work by South Bank University²³ re-analysing EHS data has estimated that nationally around 13% of wheelchair-using households have unmet housing requirements. This data cannot be disaggregated at the local authority level

5.47 Using the 13% figure, we would estimate that current unmet need for wheelchair accessible accommodation in Epsom and Ewell is 154. The equivalent figure in the 2016 SHMA (based on different population projections and EHS data) was 133. The latest calculation is set out below:

Table 5.4 Current unmet wheelchair housing requirements

	A All households*	B Wheelchair needs households (3.6% of A)	C Wheelchair needs households: unmet housing needs (13% of B)
Epsom and Ewell	33,005	1,188	154

Source: Source: Cobweb Consulting modelling of South Bank University and MHCLG /ONS household estimates, 2014 base

5.48 There are currently 30 applicants on the Housing Register database indicating that they require wheelchair accessible accommodation, and also an additional 95 requiring level access showers, and four who use mobility scooters. An estimated additional 40 households require some other form of supported housing, not necessarily mobility-related.

Meeting accessible housing need

5.49 For those without the means to move to appropriate private sector accommodation or adapt their existing homes to meet wheelchair standards, the principal route into accessible accommodation will be through accessing social housing stock. There is a paucity of data on the amount of fully-wheelchair accessible (or accessible at a lower standard) stock available. There were only 3 general needs and supported / sheltered housing units described as wheelchair accessible in the last version of the Regulatory and Statutory Return (2011) managed by Registered Providers in Epsom and Ewell.

5.50 Given that the latest data available is from 2011,²⁴ the likelihood is that this housing association provision will have increased by now. And, as can be seen from CORE log data, an average of eight general needs and 16 supported housing wheelchair accessible units have been let per annum over the last three years.

5.51 The fullest indicator of the number of disabled-accessible dwellings coming into use in the

²³ Mind the Step – an estimation of housing need among wheelchair users in England , Habinteg / South Bank University 2010

²⁴ This is from the last Regulatory and Statistical Return collected. This information is no longer collected centrally

social rented sector is the CORE log, which records both the housing needs of new tenants, and the type of property that was let. This covers both general needs housing and supported housing. We have looked at general and supported housing allocation over the last three years available (2015-18) and there are some anomalies that suggest that best use of stock is not always made. We discuss this further below.

5.52 Across 2015-2018, 72 wheelchair accessible dwellings (24 general needs, 48 supported) were let. We found that:

- Of the 24 lettings to wheelchair adapted general needs accommodation, 22 went to those who had did not require wheelchair accessible stock (**Table 5.5**).
- In the same period, 4 applicants requiring general needs wheelchair access were let properties that were not wheelchair adapted.
- As regards supported housing lettings, of the 48 lettings into wheelchair accommodation, 47 went to those that did not require wheelchair accessible accommodation, at least at that moment.

Table 5.5 Match between those requiring wheelchair accessible accommodation and letting of wheelchair standard homes

General needs lettings, 2014-2017		Allocatee required wheelchair accessible property	
		Yes	No
Property let was of wheelchair standard	Yes	2	22
	No	4	

Supported lettings, 2014-2017		Allocatee required wheelchair accessible property	
		Yes	No
Property let was of wheelchair standard	Yes	1	47
	No	0	

Source: CORE logs. 2015-2017

5.53 There can be a number of reasons for this apparent mismatch and the fact that a number of wheelchair accessible units went to those that did not need them:

- The need to minimise void periods conflicting with the sometimes long periods that households with wheelchair needs (who may be elderly or with learning difficulties as well) need to prepare for a move.

- The general inflexibility of the nominations / allocations procedures between local authorities and housing associations, with the need to fill the void quickly trumping the need to fill it appropriately.
- Issues around choice and preference – it may be that wheelchair units are not located where individuals with wheelchair housing needs have their networks of support.
- Unrealistic expectations – it may be that applicants still envisage a ‘bungalow’ type unit as what they would be offered, whereas it will be more likely that it would be a flat or maisonette, sometimes lifted and on higher floors.
- ‘Pre-emptive’ allocations – allocating a wheelchair accessible home to a household that does not immediately need it, but is likely to in the foreseeable future. Here we would have regard to the 95 requiring mobility access showers, and the four with mobility scooters.
- Concerns about inaccuracies in the CORE log.

Conclusion

5.54 In summary there is a ‘flow’ of around 24 social rented wheelchair units into availability per annum, of which some 16 have had some form of support provision attached. A significant proportion appears to be allocated to those without immediate need of them. Against this, there is the backlog unmet need for at least 30 units (from housing register) and up to 154 units (from modelling). Regards should also be had to those requiring level access showers and using scooters who may, in the future, require wheelchair access accommodation. Further work would be required to look more deeply into the economic circumstances of those requiring such accommodation, to determine how many or what proportion could access market products, but it is clear that more effective use of the social housing wheelchair assets that come into availability should be a priority with the objective of meeting the identified needs of the 30 households on the register requiring wheelchair units.

Students

Students studying in Epsom and Ewell

5.55 PPG (Paragraph: 004 Reference ID: 67-004-20190722) addresses student housing requirements as follows:

Strategic policy-making authorities need to plan for sufficient student accommodation whether it consists of communal halls of residence or self-contained dwellings, and whether or not it is on campus. Encouraging more dedicated student accommodation may provide low cost housing that takes pressure off the private rented sector and increases the overall housing stock. Strategic policy-

making authorities are encouraged to consider options which would support both the needs of the student population as well as local residents before imposing caps or restrictions on students living outside university-provided accommodation. Local Planning Authorities will also need to engage with universities and other higher educational establishments to ensure they understand their student accommodation requirements in their area.

5.56 Epsom and Ewell currently houses one of the campuses of the University of the Creative Arts (UCA), where 1,307 students attend courses. Of these, 923 are at undergraduate courses and 107 are at post-graduate level, with the balance studying Further Education (FE) courses. There are 50 mature students. North East Surrey College of Technology (Nescot) is a Further Education centre, and also runs some degree-accredited Higher Education (HE) courses. A number of Higher Education establishments outside central London such as Kingston University and the University of Surrey are accessible within an hour's commute, but so is central London itself, with Waterloo fifty minutes train journey away.

Student numbers living in Epsom and Ewell

5.57 We cannot assume that those who study in Epsom and Ewell live in the borough; nor can we assume that all those students who live in in the borough study there. Good transport links into central London where universities are concentrated may make the borough attractive to student commuters.

5.58 There has been a certain amount of work done on the relationship between London's HE institutions and in-commuting students. The London Academic Forum, set up by the Mayor concluded that a greater proportion of students domiciled outside London would be coming to London universities, and that therefore priority groups for new development should include UK non-Londoners.

5.59 **Table 5.6** below shows the number of resident students in Epsom and Ewell at the time of the Census – 4,627. It should be noted that in Census terms, 'students' are those in full time education aged 16 plus, so they will include older school and college students most of whom can be assumed to live at home. This comprises around 9% of the population, similar to the Surrey average.

5.60 As can be seen from **Table 5.6**, 64% of students live with their parents, reflecting the youthful make-up of the educational environment. In 2011 there were 328 (7%) units of purpose-built student accommodation (PBSA) or similar, most of which would be associated with the UCA campus in Epsom. 24% live in 'all student' households, living alone, or are in the 'other household type' category', all of which we assume would be predominantly in the private rented sector (the Census does not provide detailed tenure breakdown for students).

Table 5.6 Student accommodation

Accommodation type	All students	F/t students: In employment	F/t students: Unemployed	F/t students: Economically inactive
Living with parents	2,947	905	242	1,800
Hall of residence or similar	92	30	11	51
Other communal establishment	236	13	13	210
Living in all student household	741	300	52	389
Student living alone	75	38	7	30
Family household with spouse, partner or children	219	130	4	85
Other household type	317	145	30	142
Total	4,627	1,561	359	2,707

Source: Census LC6108EW

5.61 We can also look at the ‘balance’ of students coming into and going out of an authority, by comparing the number of term-time residents with the out-of-term numbers. As can be seen in **Table 5.7** Epsom and Ewell is a net ‘exporter’ of students – in other words, the number of residents who leave the authority to study elsewhere during term time outweighs the number of students coming in, in term time.

Table 5.7 Changes in population in term time

	Population
Term time	75,102
Out of term time	75,411
Difference	Minus 309

Source: Census 2011 Table OT 102EW and KS 101EW

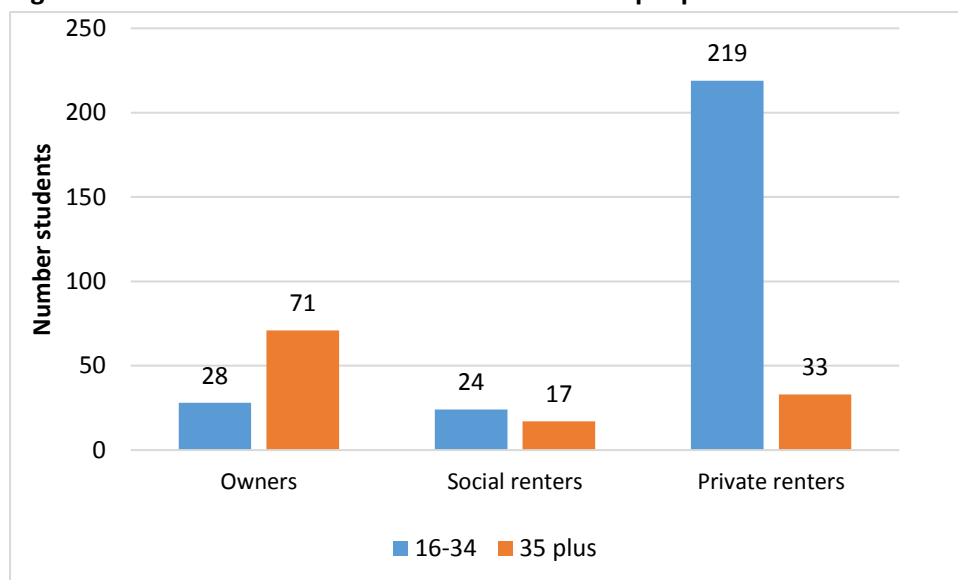
Supply of accommodation

5.62 The UCA campus provides 255 units of PBSA or similar, on or within ten minutes’ walk of the campus. They are relatively recently developed and are of good standard. Another 99 bedspaces of leased accommodation will come online in September 2020. Excluding the FE students, who are likely to be younger and living at home, there are 1,030 HE students. This implies that over a third of UCA students are housed in their own accommodation – a relatively high proportion.

5.63 As regards the role of the private rented sector and students, the Census does enumerate by tenure the number of ‘household reference persons’ – that is, responsible adult within a household, who are students. The numbers are of course substantially lower than actual student numbers, but this does give us an indication of the proportionate use of different sectors by students. **Figure 5.15**

below notes the numbers of student-headed households (students aged 16-34 and older). It is immediately apparent that private renting is dominant for younger students, while the smaller number of older students tend to be owner-occupiers.

Figure 5.15 Tenure of student household reference people



Source: Census 2011 Table DC4601EW

Conclusion

5.64 The prime HE establishment in the authority area will provide 354 units of PBSA, enough for over a quarter of its older students, by 2020. They are planning to open a new Business School on the Epsom campus and are looking at other ways to increase their housing portfolio, though there are no concrete plans at present. The UCA does not have significant plans to expand further at the moment (following a national pattern) and the most likely growth area would be overseas students, who could be expected to be able to afford their own accommodation. Given also the fact that Epsom and Ewell is a net 'exporter' of students to other areas, there does not seem to be a great demand for additional PBSA at the moment.

Private rented sector (PRS)

Introduction

5.65 Unlike the other groups considered in this chapter, the PRS cannot be considered to be a 'specific group' in terms of catering to a distinct household or socio-economic bloc. However, PPG (para 002 Reference ID: 67-002-20190722) indicates data sources that can be used to reflect demand for private renting. It is not suggested that this is a component of affordable housing supply, nor that specific targets or plans for the numbers of private rented units should be introduced. However, the PRS should be considered as part of the overall picture when identifying the overall

need for different types of housing within the scope of a housing needs assessment.

5.66 The PRS serves a number of functions, one of which is to provide a tenure option for those who cannot afford owner-occupation, but are not eligible for the social rented or intermediate housing sectors. The influential though rather dated Rugg and Rhodes report²⁵ identified a series of ‘niche’ markets within the PRS, including a luxury end, young professionals, students, a ‘Housing Benefit market’ and temporary accommodation for homeless households. More recent studies have identified a new, burgeoning sub-market termed the ‘working poor’, characterised by high employment levels, prevalence of households with children, low incomes, and low benefit claim levels.²⁶ The most recent study, also by Rugg and Rhodes²⁷ concluded that

- The PRS is complex and evolving; the size of the sector is less important than its configuration and the changing nature of the needs that are being met.
- There are too many households in the sector that would prefer to be in other tenures.
- Many privately renting households may be heading for a long retirement in the sector, with inadequate pensions to cover housing rented at market rates.
- It is uncertain whether housing a large proportion of low income tenants in the PRS is the most cost effective approach to meeting housing need.
- Property conditions in the market remain poor relative to other sectors.
- A disproportionately high percentage of households with babies and infants are living in the PRS.
- The regulatory framework for private renting is out of date, and in need of radical revision.
- The local housing allowance system is based on Broad Rental Market Area boundaries that are wholly out of date.
- Private renting is by no means a marginal activity. There is a need for policy interventions that are more neutral: overtly ‘pro’ or ‘anti’ PRS measures always distort the market.

5.67 This section outlines some of the features around the composition of the residents in the Epsom and Ewell PRS. Some of it is based on Census 2011 data, so may be out of date – where possible data has been updated.

Private renting in Epsom and Ewell

5.68 Between the 2001 and 2011 Censuses the size of the sector increased by 65%, from 2,550 to 4,206 (including those living rent free), and increased the proportion of households it housed from

²⁵ Rugg J. and Rhodes D., *The private rented sector: its contribution and potential*, University of York 2008

²⁶ *The private rented sector in South East London and Lambeth*, Cobweb Consulting / SE London Housing Partnership 2014

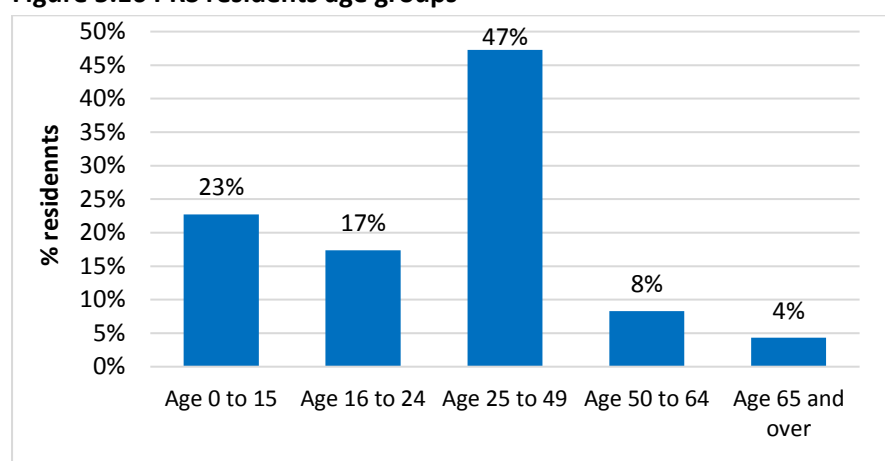
²⁷ Rugg J. and Rhodes D., *The evolving private rented sector; its contribution and potential*, University of York, 2018

9% to 14%. There were 10,599 residents in these households, an average of 2.5 people. Following the reasoning in chapter 4, we estimate the sector has probably increased by 25% since 2011, implying that there are now 5,259 homes in the sector, representing 16% of the stock (based on the 2014 base MHCLG / ONS figures). This is below the 19.8% average across the South East noted in the English Housing Survey 2016-17, so it is probably a conservative estimate.

Age bands

5.69 In terms of who the sector caters for, (at the date of the Census 2011) what is immediately apparent is the relatively high proportion of children in the sector – nearly a quarter of residents. The other significant factor is that the largest single group, approaching half, are adults approaching middle age, with significantly fewer young adults in the sector. This pattern indicates that the sector is catering for families who for whatever reason have not been able to access the other sectors, notably owner-occupation, or for older singles and couples who cannot access the owner-occupied sector. More recent studies undertaken elsewhere have confirmed that the PRS continues to house substantial numbers of children.

Figure 5.16 PRS residents age groups



Source: Census Table DC4601EW

Household composition

5.70 Regarding household composition, as with the age breakdown, the most striking factor is the number of households with dependent children – some 38%. Among these, 11% are lone parents with dependent children. There are implications for Epsom and Ewell’s homelessness and allocations policies if the stability of this group’s residence in the PRS was threatened.

Table 5.8 Household composition in PRS

One person 65+	4%
One person under 65	21%
Couple both / other all 65+	1%
Couple, no children	16%
Couple, dependent children	24%
Couple, all children non-dependent	2%
Lone parent, dependent children	11%
Lone parent, all children non-dependent	3%
Other, with dependent children	3%
Other, all f/t students	4%
Other	11%

Source: Census 2011 Table DC4101EW

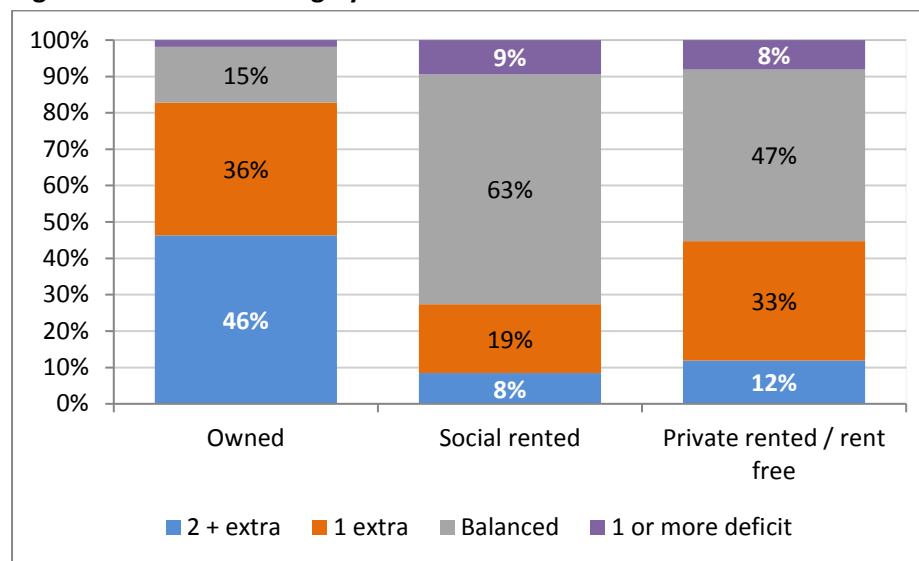
5.71 The authority has 11% of PRS households categorised as ‘Other’. ‘Other’ households tend to be multi-adult sharing households. Their growth has been a common feature observed in a number of South East and London housing market areas over the last decade, and are an indicator of the economic driver forcing younger adults to club together to afford to rent, as a necessary alternative to either buying or renting self-contained homes.

5.72 Within the neighbouring authorities there was little evidence of multi person households being widespread; they were not traditionally areas with much history in this respect. But one did feel that it was an increasing trend and said that their Housing Options service actively encouraged sharing as a response to cost pressures for single adults within the private rented sector. Another thought there probably was an increase in sharing, most likely at the higher end, amongst professionals.

PRS property size

5.73 The PRS predominantly comprises smaller properties. Some 63% are one beds or two beds (21% one beds, 42% two beds) compared to 26% in the owner-occupied sector (4% one beds, 22% two beds). Conversely, only 37% of PRS properties are three-bed or larger, compared to 75% in the owner-occupier sector. This is reflected to some extent in the overcrowding ratios in the different sectors, where both the PRS (8% overcrowded) and the social rented sector (9% overcrowded) are significantly more so than the owner-occupier sector. The chart below shows the proportions of different tenures that have extra bedrooms, are ‘balanced’ in terms of the bedroom standard, and are overcrowded – i.e have a deficit of bedrooms.

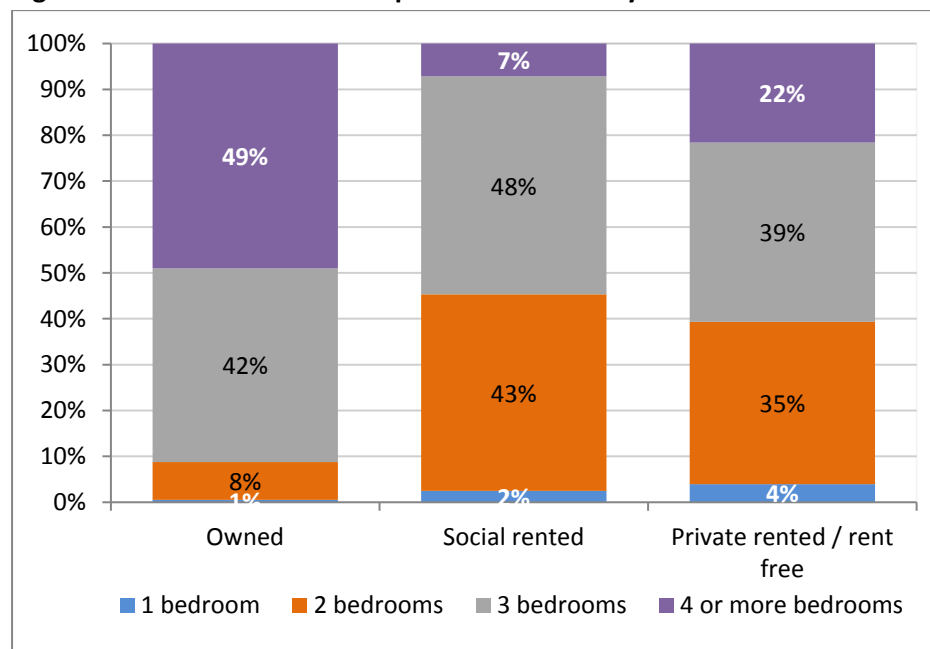
Figure 5.16 Overcrowding by tenure



Source: Census 2011 Table LC 4108EW

5.74 Given the proportions of dependent children in the PRS we also looked at how the space they enjoyed compared to other sectors. Again, private and social rented tenants with children were substantially more likely than their owner-occupying counterparts to live in smaller one or two bedroom homes (9% for owners, 45% for social renters, 39% for private renters).

Figure 5.17 Households with dependent children by number of bedrooms

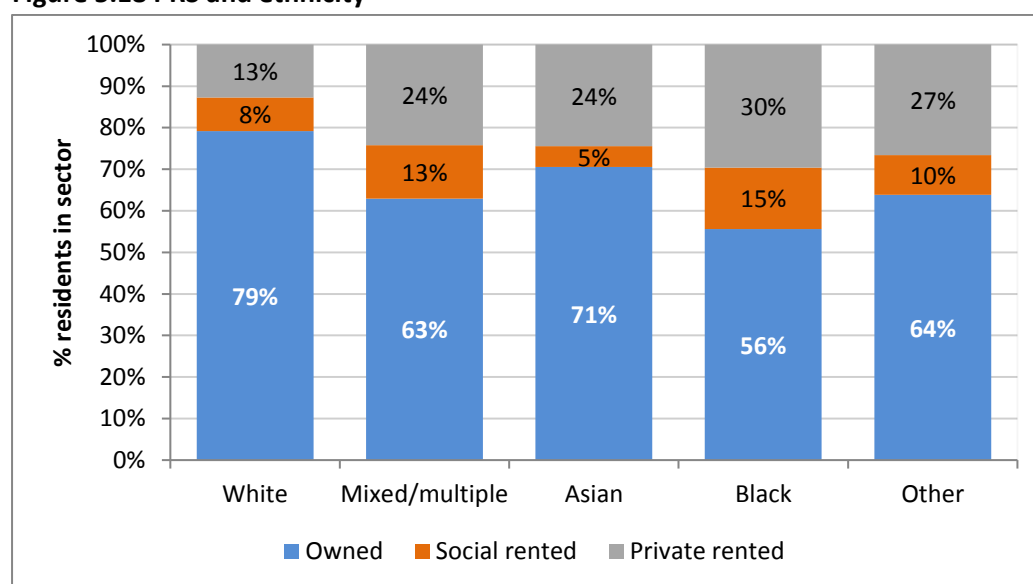


Source: Census 2011 Table LC 4103EW

Ethnicity of residents in the PRS

5.75 Epsom and Ewell is a predominantly White area, with 86% of residents coming from one of the White groups as categorised in the Census. The only other group with a significant presence is the Asian category, amounting to 9% of the population. When we look at how reliant different ethnic groups are on different tenures, we can see that the private rented sector is a significant provider of housing to all groups except the White one, with around a quarter to a third of these groups reliant on the PRS for housing. Only 13% of White residents live in the PRS, compared to say the 30% from a Black background that are in the sector.

Figure 5.18 PRS and ethnicity



Source: Census 2011 Tables LC 4201EW and QS 211EW

Economic activity, occupation and industry

5.76 Epsom and Ewell PRS residents show higher economic activity rates than the overall average for the authority (shown for comparison), mainly because there is a significantly lower retirement rate in the PRS, compared to other sectors. Conversely, there is a much lower inactivity rate.

Table 5.9 PRS and economic activity

Economic activity category	PRS	All tenures
Economically active	85%	71%
<i>Employed or self-employed, f/t</i>	66%	58%
<i>Employed or self-employed, p/t</i>	12%	11%
<i>Employed f/t students</i>	4%	1%
<i>Unemployed (exc. f/t students)</i>	3%	1%
<i>Unemployed f/t students</i>	0%	1%
Inactive	15%	29%
<i>Retired</i>	7%	25%
<i>Inactive other (sick, disabled, at home)</i>	4%	3%
Inactive f/t students	2%	0%
Inactive other plus unemployed exc. Students	2%	2%

Source: Census 2011 Table DC 4601EW

5.77 We can also examine the type of occupation that those in work belong to (**Table 5.10**). Here, it is clear that the PRS is catering for rather fewer residents at the wealthier end of the occupational spectrum – groups 1 and 2 - (41%), compared to the general population (49%).

5.78 Further down the spectrum, there is a higher proportion in the semi-routine classification and the student category than average across tenures, as well as other lower income occupations.

Table 5.10 PRS and occupation, % working age population

	PRS	All
1. Higher managerial, administrative and professional occupations	16%	20%
2. Lower managerial, administrative and professional occupations	25%	29%
3. Intermediate occupations	11%	14%
4. Small employers and own account workers	12%	13%
5. Lower supervisory and technical occupations	7%	6%
6. Semi-routine occupations	12%	9%
7. Routine occupations	7%	6%
8. Never worked and long-term unemployed	3%	2%
L15 Full-time students	6%	1%

Source: Census 2011 Table LC 4605EW

5.79 The nature of the current socio-economic position of the borough's PRS residents is reinforced when we examine the industries in which they work. 24% work in the category 'Finance, Real Estate, Professional and Administrative activities', which generally contains the highest paying

jobs, and slightly fewer than the cross-tenure average. 21% work in 'Distribution, hotels and restaurants' which tend to contain low-paid jobs in the catering, cleaning and delivery driving sectors. This compares to 14% across tenures. There are also three percent fewer PRS employees in the public administration sector, which also holds some of the better paid jobs (though also lower-paid jobs, such as care workers).

Table 5.11 PRS and industry, % working age population

	PRS	All
Agriculture, energy and water	1%	1%
Manufacturing	4%	5%
Construction	9%	10%
Distribution, hotels and restaurants	21%	14%
Transport and communication	12%	13%
Financial, Real Estate, Professional and Administrative activities	24%	26%
Public administration, education and health	23%	26%
Other	6%	5%

Source: Census 2011 Table LC 4602EW

5.80 The overall picture, then, is of a private rented sector whose most significant components are adult families with dependent children (including 11% lone parents), and with relatively fewer older and younger households. The sector is more important as a tenure to people from BAME backgrounds than White people. Residents tend to be employed in lower-income occupations and in lower-income industries than average.

Private sector rents

5.81 Since 2010, median rents in the PRS have increased by between 17% (four plus beds) and 38% (two beds). There are some signs that the rate of increase is slowing slightly (see **Figure 5.19**). If we make the assumption (as we have done in chapter 4) that no household should be expected to pay more than a third of their income in housing costs, this means that the relevant incomes for affordable PRS accommodation by bedsize are as follows:

Table 5.12 Current median rents and affordability

Size	Monthly median rent (£)	Annual median rent (£)	Household income required to ensure no more than 33.3% spent on housing costs (£)
Room	496	5,952	17,873
Studio	820 (est)	9,840	29,549
1bed	1,025	12,300	36,937
2 bed	1,350	16,200	48,648
3 bed	1,723	20,676	62,090
4+ bed	2,100	25,200	75,656

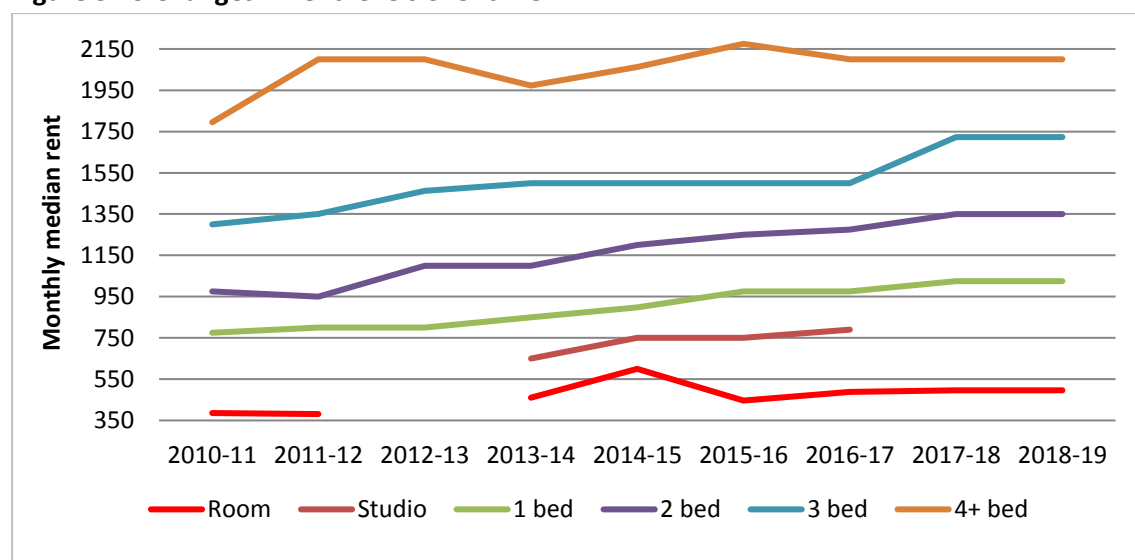
Source: Valuation Office Agency

5.82 If we apply these figure to the income distribution table, **table 4.1** we see that:

- The lowest earning 10% could not afford a room at median rent
- The lowest earning quartile could not afford a studio at median rent
- The lowest earning 30% could not afford a one bed at median rent
- The lowest earning 50% could not afford a two bed at median rent
- Only the top earning 30% could afford a three bed at median rent
- Only the upper quartile could afford a four bed at median rent

5.83 However, it should be remembered that the figures relate to household income so, for example, if three sharers on lower quartile earnings jointly rented a three-bed, this would become affordable. The key affordability issues would be around access to the smallest properties.

Figure 5.19 Changes in rent levels over time



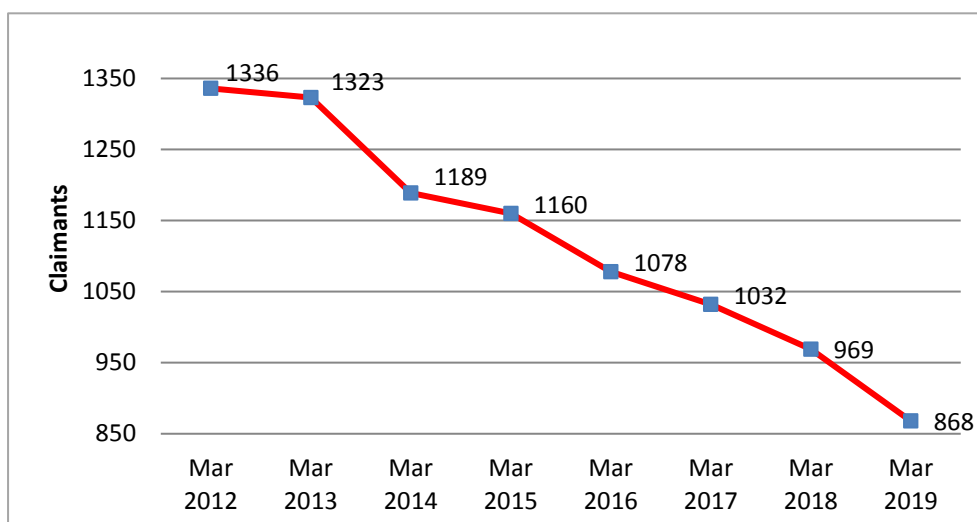
Source: Valuation Office Agency; gaps = missing data

The Housing Benefit market

5.84 The number of PRS households that landlords are willing to let to if they need to access Housing Benefit (HB) has been falling since the impact of the welfare reforms that were begun in 2011, where caps to Local Housing Allowances were introduced. Post 2011 a range of other measures, including caps on overall HB payable, reductions to the support that younger people can receive, and the introduction of Universal Credit have been rolled out. The cumulative impact has been a reduction by 20% of the number of HB claimants across the South East (and therefore a loss of these tenancies to those with lower incomes who would in the past have accessed the sector).

5.85 In terms of Epsom and Ewell, as with elsewhere, there has also been a substantial effect on HB claims from PRS tenants. Numbers have fallen considerably since the impact began to bite in 2012, more sharply than across the South East generally. The fall in claims from 1,336 to 868 represents a 35% reduction.

Figure 5.20 Number of PRS Housing Benefit claims



Source: DWP StatExplore

5.86 It will be remembered from **Chapter 4** that we estimated that 76 new claimants (now, of course, mostly claiming Universal Credit) enter the PRS every year. This represents 44% of affordable housing need, and thus shows the considerable role the PRS plays in effectively preventing statutory homelessness, as (given the demographic profile noted above) it is likely that a substantial proportion would be households with dependent children. There must therefore be concern at the rate of attrition of the HB PRS sector.

Homelessness and temporary accommodation (TA)

5.87 There has been a body of evidence that the loss of tenancies in the PRS are impacting on

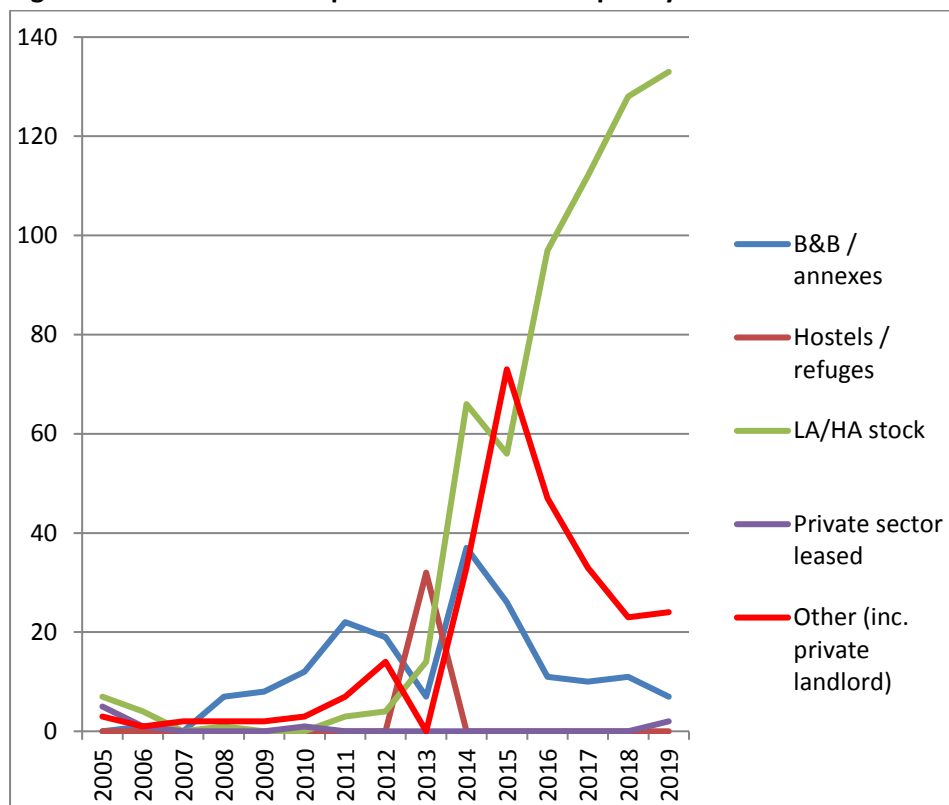
homelessness. Across the country the proportion of priority acceptances of those losing their PRS tenancies because of the ending of Assured Shorthold Tenancies (ASTs) has quadrupled since 2011²⁸. Until recently this does not appear to have been a huge issue for Epsom and Ewell, as until 2018 the loss of an AST as a reason for priority acceptance has been minimal. But under the new data collection arrangements associated with the Homelessness Reduction Act 2017, the first three quarters of 2018-19 saw 18% of those initially assessed under the Act to have lost their accommodation because of the ending of an AST. The authority will want to monitor future developments further, as the new data collection arrangements brought in under the Homelessness Reduction Act 2017 are not yet fully bedded-in.

5.88 In one of the neighbouring authorities it was thought that homelessness applications were now largely coming from people who had had cost issues in the private rented sector and that many were families.

5.89 The other factor of relevance is the role the PRS has had in helping provide temporary (and more recently permanent) accommodation for statutorily homeless households. London authorities in particular have relied on a variety of leasing schemes. Traditionally, Epsom and Ewell has mostly avoided this path. When numbers of homelessness acceptances started rising substantially in 2012-2013, the authority has been able to use accommodation provided by social housing partners as temporary accommodation in the main, avoiding reliance on private leasing schemes. However, as is apparent in **Figure 5.21**, the use of permanent social housing as temporary accommodation has continued to increase, while the use of PRS accommodation obtained directly from landlords has also been a factor. Given the demand for permanent affordable housing outlined in Chapter 4, the continuing reliance on the social sector for temporary accommodation should be carefully considered.

²⁸ For example *The Homelessness Monitor 2018*, JRF / Crisis, 2018

Figure 5.21 The use of the private sector for temporary accommodation



Source: DCLG Live Table 784

5.90 There were mixed views of the current state of the PRS in the neighbouring authorities, three being areas where it has traditionally been a small sector. Two of them had little evidence that it was increasing although one was preparing to do more work on this. Neither had seen any Build To Rent applications but thought that this was possible in the future.

5.91 Only one of these three thought they had seen growth and increasing interest and felt the sector would have a role to play. They did, however, note that growth had brought cost and security pressures. In this authority two Build To Rent schemes were coming forward. They were mid and high end schemes, aimed at young professionals, and were expected to both meet some local need and bring newcomers to the area.

5.92 One other had little evidence but did feel the size of the sector was increasing, mainly due to the difficulties faced by so many who might otherwise have purchased a property. Rents were thought to be rising generally and it was seen as a competitive market with limited choice.

5.93 The remaining neighbour thought that their PRS was stagnating, partly as a result of the recently introduced restrictions on Buy to Let. It was judged to be 'middle market' with average

rents. They had not received specific Build To Rent applications but a recent market development of town centre flats which had been slow to sell had now been converted to rental.

Conclusion

5.94 Most commentators consider that the PRS is likely to continue to grow, though there are signs that the growth may be slowing. There is no likelihood of the Housing Benefit / Universal Credit sub-sector expanding, and this is particularly the case in an area such as Epsom and Ewell, where earnings are high, and landlords can expect a ready market for higher rents, especially among those who might otherwise be buying. The concentration of lower-income households in the cheaper end of the local PRS, and especially in smaller properties is a sign that the sector has been effective in taking up the slack where otherwise social housing would be required. But there must be concerns that landlords will be encouraged to 'upmarket' their offer if demand remains strong, to the detriment of lower income households. The authority may wish to engage with landlords operating at the lower income / cheaper end of the market, to see what support measures (e.g. tenant training and advice, improvement grants) it could provide to encourage their continuing presence.

People wishing to build their own homes

5.95 National Planning Policy Guidance notes the government's desire to enable more people to build their own homes and to make this form of housing a mainstream housing option.

5.96 The Self-Build and Custom Housing Building Act 2015 came into force in April 2016. Among other measures, it places a duty on local authorities to keep a register of individuals and community groups who have expressed an interest in acquiring land to bring forward self-build and custom-build projects and to have regard to and make provision for the interests of those on such registers in developing their housing initiatives and their local plans (including such data in SHMAs). It is expected that the authority will grant permission for as many serviced plots to meet demand. It also allows volume house builders to include self-build and custom-build projects as contributing towards their affordable housing obligations, when in partnership with a Registered Provider.

5.97 Revised regulations came into force in October 2016²⁹. In effect, these give authorities the option to set up a two-part register that is more sophisticated than the initial model. Authorities are able to set up local eligibility tests against two criteria: having a local connection, and being able to demonstrate they have the resources to purchase land for their own self-build project. Only those who meet these criteria and enter Part 1 of the register would be entitled to access to development permissions. The regulations also make provision for authorities to appeal to the secretary of state for exemptions from the duty to provide serviced plots where demand on housing land supply is

²⁹ http://www.legislation.gov.uk/uksi/2016/1027/pdfs/ukxi_20161027_en.pdf
http://www.legislation.gov.uk/uksi/2016/1027/pdfs/ukxiem_20161027_en.pdf

constrained.

5.98 As of May 2019 there were 17 individuals who had expressed interest in self-build or custom build in Epsom and Ewell. This probably represents only a minor increase on the position in 2016. There are no organisations on the register. Of these 17:

- 14 live in the authority area and one has family connections
- 5 are on Self-Build registers in other authorities
- All are planning at least 3 bed accommodation, with the majority planning 4 bed or larger
- 12 would consider building within a mainstream housing development
- 13 have funding in place or are in the process of obtaining it

Conclusion

5.99 It will be up to the authority to decide what priority should be given to self-builders, alongside competing demands for access to development land. But if the authority were to make such provision, it would be sensible to prioritise those with the closest connections to the authority, those with the greatest needs (e.g. to provide local family accommodation), those that have restricted their application to Epsom and Ewell, and those that have funding in place. The authority may wish to consider introducing a two-part register to this end.

5.100 There is no centrally-held data yet that would enable us to compare demand for self-build in Epsom and Ewell with demand elsewhere. Generally, it is the case that the UK has a lower-proportion of self-builders than other parts of Europe – some 7% to 10% of completions compared to say, Austria, where 80% are self or custom-built³⁰, and the government has indicated that it wants to double the numbers. However, it should be noted that there are currently 1,146 households on Epsom and Ewell's housing register who will in the main be requiring some form of affordable home, and a calculated annual deficit of 349 affordable homes (**Table 4.13**). It would be understandable if the authority were to prioritise those needs above those of self-builders when it comes to the allocation of scarce serviced land.

³⁰ Self-Build and Custom Built Housing (England) – House of Commons briefing paper, 2017

Appendix A Tables required for viability analysis

Table A.1 Tenure of new accommodation* required in Epsom and Ewell over the next 17 years					
<i>Tenure</i>	<i>Current tenure profile (2019)</i>	<i>Breakdown per annum</i>	<i>Tenure profile 2036</i>	<i>Change required 2019-2036***</i>	<i>% of change required</i>
Owner-occupied	NA	179	NA	3043	31%
Private rent	NA	51	NA	867	9%
Shared Ownership	NA	214	NA	3638	37%
Social Rent/Affordable Rent	NA	135	NA	2295	23%
Total	NA	579	NA	9843	100%

*The annual requirement was calculated using the standard methodology for need assessment set out in PPG.

**The proportion of new housing which is affordable is a matter for policy determination, taking into account many factors including the characteristics and viability of individual housing sites. These tables assume that the requirement for affordable housing is fully met in each year through new construction. A lower level of affordable provision, or affordable provision through any means other than new construction, would result in a need to increase the level of market housing to achieve the annual target for new housing construction.

***The annual requirement is aggregated over 17 years.

Table A.2 Size of new owner occupied housing* required in Epsom and Ewell over the next 17 years					
<i>Size of home</i>	<i>Current tenure profile (2019)</i>	<i>Breakdown per annum</i>	<i>Tenure profile 2036</i>	<i>Change required 2019-2036</i>	<i>% of change required</i>
One bedroom	NA	9	NA	159	5.2%
Two bedroom	NA	96	NA	1628	53.5%
Three bedroom	NA	56	NA	945	31.1%
Four or more bedrooms	NA	18	NA	312	10.2%
Total	NA	179	NA	3044	100.0%

*The market will determine the division of new private housing provision between owner occupation and private renting. For the purpose of this table, the 2011 breakdown of private housing between tenures and within tenures by number of bedrooms has been applied to the total private (market) housing provision. A negative figure indicates a surplus of accommodation of a particular size. Totals may differ from components sum due to rounding.

Table A.3 Size of new private rented housing* required in Epsom and Ewell over the next 17 years					
<i>Size of home</i>	<i>Current tenure profile (2019)</i>	<i>Breakdown per annum</i>	<i>Tenure profile 2036</i>	<i>Change required 2019-2036</i>	<i>% of change required</i>
One bedroom	NA	14	NA	232	26.8%
Two bedroom	NA	19	NA	327	37.8%
Three bedroom	NA	13	NA	228	26.3%
Four or more bedrooms	NA	5	NA	79	9.2%
Total	NA	51	NA	866	100.0%

*The market will determine the division of new private housing provision between owner occupation and private renting. For the purpose of this table, the 2011 breakdown of private housing between tenures and within tenures by number of bedrooms has been applied to the total private (market) housing provision. A negative figure indicates a surplus of accommodation of a particular size. Totals may differ from components sum due to rounding.

Table A.4 Size of new Shared Ownership accommodation required in Epsom and Ewell over the next 17 years					
<i>Size of home</i>	<i>Current tenure profile (2019)</i>	<i>Breakdown per annum</i>	<i>Tenure profile 2036</i>	<i>Change required 2019-2036</i>	<i>% of change required</i>
One bedroom	NA	29	NA	493	13.6%
Two bedroom	NA	67	NA	1139	31.3%
Three bedroom	NA	87	NA	1479	40.7%
Four or more bedrooms	NA	31	NA	527	14.5%
Total	NA	214	NA	3638	100.0%

The net need for housing at 66%-99% of the lower quartile market rent, from Table 4.13. A negative figure indicates a surplus of accommodation of a particular size. Totals may differ from components sum due to rounding.

Table A.5 Size of new Social Rent/Affordable Rent* required in Epsom and Ewell over the next 17 years					
<i>Size of home</i>	<i>Current tenure profile (2019)</i>	<i>Breakdown per annum</i>	<i>Tenure profile 2036</i>	<i>Change required 2019-2036</i>	<i>% of change required</i>
One bedroom	NA	-8	NA	-136	-5.9%
Two bedroom	NA	89	NA	1513	65.9%
Three bedroom	NA	15	NA	255	11.1%
Four or more bedrooms	NA	39	NA	663	28.9%
Total	NA	135*	NA	2295	100.0%

The net need for housing at up to 65% of the lower quartile market rent, from Table 4.13. A negative figure indicates a surplus of accommodation of a particular size. Totals may differ from components sum due to rounding.