

Waverley & West Surrey Strategic Housing Market Assessment

Waverley Borough Council

Final Draft

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APPENDIX D: SUMMARY OF PLAN PREPARATION, HOUSING TARGETS AND EVIDENCE WITHIN AND SURROUNDING THE HMA.

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This document must only be treated as a draft unless it has been signed by the Originators and approved by a Business or Associate Director.

DATE

October 2013

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1 INTRODUCTION

Introduction

- 1.1 GL Hearn (GLH) and Justin Gardner Consulting (JGC) have been commissioned by Waverley Borough Council to develop a Strategic Housing Market Assessment (SHMA). The purpose of the SHMA is to develop a robust understanding of housing market dynamics, to provide an assessment of future needs for both market and affordable housing and the housing requirements of different groups within the population.
- 1.2 The SHMA responds to and is compliant with the requirements of both the National Planning Policy Framework (the NPPF), the 2007 SHMA Practice Guidance and the draft National Planning Practice Guidance published in August 2013. It provides a 'policy-off' assessment of future housing requirements, with the intention that this will inform future development of planning policies across the sub-region and within its constituent local authority areas.
- 1.3 In considering overall housing requirements, the SHMA considers housing need and demand; however this needs to be brought together with a range of other considerations in informing policy decisions regarding future housing supply. The SHMA provides specific evidence and analysis of need and demand for different sizes of homes, to inform policies on the mix of homes (both market and affordable). The SHMA also analyses the needs of specific groups, such as older people.
- 1.4 The study covers the housing market area which covers the authorities of Waverley, Guildford and Woking. Given differences in plan timescales, it has not been possible to co-ordinate a joint study at stages and as such, demographic and household projections have been developed for the Waverley area only. In line with the draft Guidance, this report does however build upon and reflect the existing evidence base of those partner authorities and specifically considers the balance between planned supply and requirements indicated by national household projections and existing SHMAs in other areas within (and closely related to) the HMA.

National Planning Policy Framework and Guidance

- 1.5 The Coalition Government has reformed the policy framework for strategic planning, particularly on issues such as housing. Regional strategies have been revoked (the South East RSS was revoked in April 2013) and responsibility for planning on cross-boundary issues has been returned to local authorities.
- 1.6 The primary legislation to support this is the 2011 Localism Act which now imposes a 'duty to cooperate' on local authorities, requiring them to "engage constructively, actively and on an on-going basis" with the other authorities and relevant bodies. The Duty to Cooperate is applied as both a legal and soundness test to which development plans must comply.

- 1.7 National policies for plan-making are set out within the National Planning Policy Framework¹. This sets out key policies against which development plans will be assessed at examination and to which they must comply.

National Planning Policy Framework (NPPF)

- 1.8 The National Planning Policy Framework (NPPF) was published in March 2012. Compliance of existing Local Development Documents becomes a key issue from April 2013 onwards.
- 1.9 The Framework sets a presumption in favour of sustainable development whereby Local Plans should meet objectively assessed development needs, with sufficient flexibility to respond to rapid change, unless the adverse impacts of doing so would significantly or demonstrably outweigh the benefits or policies within the Framework indicate that development should be restricted.
- 1.10 The NPPF highlights the Strategic Housing Market Assessment (SHMA) as a key piece of evidence in determining housing needs. Paragraph 159 in the Framework outlines that this should identify the scale and mix of housing and the range of tenures which the local population is likely to need over the plan period which:
- Meets household and population projections, taking account of migration and demographic change;
 - Addresses the need for all types of housing, including affordable housing and the needs of different groups in the community; and
 - Caters for housing demand and the scale of housing supply necessary to meet this demand.
- 1.11 This is reaffirmed in the NPPF in Paragraph 50. The SHMA is intended to be prepared for the housing market area, and include work and dialogue with neighbouring authorities where the HMA crosses administrative boundaries. Recent local plan examinations have demonstrated the importance of properly identifying and addressing the housing market area as a whole².
- 1.12 Paragraph 181 sets out that LPAs will be expected to demonstrate evidence of having effectively cooperated to plan for issues with cross-boundary impacts when their Local Plans are submitted for examining. This issue has been borne out in a number of recent local plan examinations, particularly in respect of housing, with Inspectors seeking at the outset to test the process and outcomes of collaboration. This highlights the importance of collaborative working and engaging constructively with neighbouring authorities, as required by Section 33A of the 2004 Planning and Compulsory Purchase Act, and ensuring that there is a robust audit trail showing joint working to meet the requirements of paragraph 181 of the NPPF.

¹ CLG (March 2012) National Planning Policy Framework

² For example Bath and NE Somerset or Coventry

- 1.13 Paragraph 158 of the NPPF also emphasises the alignment of the housing and economic evidence base and policy. Paragraph 17 in the NPPF reaffirms this, and outlines that planning should also take account of market signals, such as land prices and housing affordability. However it also makes clear that plans must be deliverable.
- 1.14 In regard to housing mix, the NPPF sets out that authorities should plan for a mix of housing based on current and future demographic trends, market trends and the needs of different groups in the community. Planning authorities should identify the size, type, tenure and range of housing that is required in particular locations reflecting local demand. Where a need for affordable housing is identified, authorities should set policies for meeting this need on site. National thresholds for affordable housing provision are removed as are national brownfield development targets.
- 1.15 In setting affordable housing targets, the NPPF states that to ensure a plan is deliverable, the sites and the scale of development identified in the plan should not be subject to a scale of obligations and policy burdens such that their ability to be developed is threatened and should support development throughout the economic cycle. The costs of requirements likely to be applied to development, including affordable housing requirements, contributions to infrastructure and other policies in the Plan, should not compromise the viability of development schemes. To address this, affordable housing policies would need to be considered alongside other factors including infrastructure contributions – a ‘whole plan’ approach to viability. Where possible the NPPF encourages Local Authorities to work up Community Infrastructure Levy (CIL) charges alongside the Local Plan.
- 1.16 The SHMA is intended to be brought together with evidence of land availability, from a Strategic Housing Land Availability Assessment. To increase housing supply, the NPPF proposes that Local Authorities should be required to maintain a 5 year supply of specific deliverable sites, and to include an allowance of 5% to ensure choice and competition in the market for land (unless there is a persistent track record of under-delivery).

Draft National Planning Practice Guidance

- 1.17 The Government published Practice Guidance on undertaking Strategic Housing Market Assessments in 2007. The approach in this report takes account of this Guidance.
- 1.18 New draft Guidance was issued by Government in August 2013 on ‘Assessment of Housing and Economic Development Needs’ as part of its review of planning practice guidance. This is relevant to this SHMA in that it provides clarity on how key elements of the NPPF should be interpreted, including the approach to deriving an objective assessment of the need for housing.

- 1.19 The draft Guidance defines “need” as referring to ‘the scale and mix of housing and the range of tenures that is likely to be needed in the housing market area over the plan period – and should cater for the housing demand of the area and identify the scale of housing supply necessary to meet this need.’ It sets out that the assessment of need should be realistic in taking account of the particular nature of that area, and should be based on future scenarios that could be reasonably expected to occur. It should not take account of supply-side factors or development constraints.
- 1.20 The Guidance outlines that whilst estimating future need is not an exact science and that there is no one methodological approach or dataset which will provide a definitive assessment of need, the starting point for establishing the need for housing should be the latest household projections published by the Department for Communities and Local Government (CLG). At the time of preparation of this report these are 2011-based ‘Interim’ Household Projections.
- 1.21 It sets out that there may be instances where these national projections require adjustment to take account of factors affecting local demography or household formation rates, in particular where there is evidence that household formation rates are or have been constrained by supply. It suggests that proportional adjustments should be made where market signals point to supply being constrained relative to long-term trends or other areas in order to improve affordability.
- 1.22 Evidence of affordable housing needs is also relevant, with the draft Guidance suggesting that the total affordable housing need should be considered in the context of its likely delivery as a proportion of mixed market and affordable housing. In some instances it suggests this may provide a case for increasing the level of overall housing provision.
- 1.23 In regard to economic evidence, the draft Guidance indicates that job growth and economic forecasts should be considered, and that an increase in housing provision should be considered where there is evidence that labour supply in the housing market area might result in unsustainable commuting patterns or reduce the resilience of local business. It cautions against reducing migration assumptions based on economic evidence unless this approach is agreed with other local planning authorities under the duty to cooperate.

Report Structure

- 1.24 The remainder of the report is structured in the following way:
- Chapter 2: Characteristics of the Housing Market
 - Chapter 3: Housing Market Dynamics and Market Signals
 - Chapter 4: Assessing Housing Requirements
 - Chapter 5: Affordable Housing Need
 - Chapter 6: Requirements for Different Sizes of Homes
 - Chapter 7: Needs of Particular Groups
 - Chapter 8: Conclusions and Policy Implications

2 CHARACTERISTICS OF THE HOUSING MARKET

Defining the Housing Market Area

- 2.1 The National Planning Policy Framework (NPPF) states that local planning authorities should use their evidence base to ensure Local Plans meet the full, objectively assessed needs for market and affordable housing in their housing market area (HMA).
- 2.2 In simple terms, the HMA is a geographical area in which the majority of people, who move, will move within. It reflects functional relationships between where people live and work. However, defining market areas is an inexact science and there is no single source of information that will clearly identify market areas.
- 2.3 The rationale for defining the Waverley/Guildford/Woking housing market area is summarised below. Detailed discussion and examination of housing market areas and dynamics is set out in **Appendix A**.

Identifying the Housing Market

- 2.4 National and regional research provides a useful starting point to guide the identification of housing markets.
- 2.5 At the regional level, work in 2004 undertaken by DTZ as part of the preparation of the South East Plan sought to identify two key market areas in Surrey; and of particular relevance to this study, identified a Guildford/Woking market area which covered the majority of authorities in West Surrey (including Waverley).
- 2.6 The DTZ work also usefully identified areas of convergence and overlap, recognising that whilst certain groupings of authorities share the strongest relationships, functional interactions also exist with peripheral areas. For both of the Surrey HMAs, the influence and overlap with London is recognised. However, the Guildford/Woking HMA is also noted as having considerable areas of convergence and complex interactions with a number of other adjoining markets in South Hampshire, Blackwater Valley and North Hampshire.
- 2.7 More recently, in 2010, the CLG published national level research on *the Geography of Housing Market Areas* identified Waverley as falling within the London Strategic Housing Market area; which, whilst too large an area over which to sensibly or realistically approach an assessment of housing need and demand, does demonstrate the influence of London on market behaviours and movement patterns throughout much of the South East. However, the study also identified a series of smaller local housing market areas (LHMAs), which, similar to the prior regional work, identifies a Guildford

focussed “West Surrey” market which includes Waverley. This HMA also included parts of Surrey Heath, East Hampshire and Rushmoor; reaffirming the complex functional interactions which occur in this area.

- 2.8 Migration patterns are also an important consideration in identifying the market area. Analysis of average annual migration patterns between 2006 and 2011 supports significant relationship between Waverley and Guildford with the two authorities sharing 2,000 gross flows per annum. Whilst we also identify notable relationships between Waverley and East Hampshire (1,030 per annum) and to a lesser extent Rushmoor (750 flows per annum).
- 2.9 The influence of Guildford on a number of authorities is apparent. Woking’s strongest commuting relationship is also with Guildford (1,100 people per annum), whilst other authorities including Rushmoor (1,000 per annum), and to a lesser extent Elmbridge (750 flows per annum) also share significant relationships. This evidence tends to support a Guildford centric market influencing a number of authorities, most notably Waverley and Woking.
- 2.10 Travel to work and commuting patterns show that Waverley has a reasonable level of self-containment (particularly given its proximity to - and links with – London) with around 56% of residents living and working in the borough. Waverley’s strongest commuting relationships are again shared with Guildford, with around 15% of Waverley’s residents employed in Guildford (and as a result Guildford drawing 10% of its labour from Waverley).
- 2.11 Commuting data again demonstrates that Guildford influences commuting patterns across a number of West Surrey/North Hampshire areas, perhaps unsurprising given the economic role and employment opportunities available in Guildford. In addition to Guildford and Waverley, Guildford also shares strong source/destination relationships with Surrey Heath, Woking and East Hampshire.
- 2.12 Drawing this evidence together and considering feedback from the stakeholder consultation event, we conclude that the definition of a Guildford centric HMA in West Surrey remains robust. In view of the core relationships in this area, this market would be appropriate defined as the authorities of Waverley/Guildford/Woking, as per the previous SHMA.

Relationships with other areas

- 2.13 The evidence shows that there are clearly a complex set of interrelationships at play in the West Surrey/North Hampshire area. Although weaker than the core relationships, there are identifiable and important functional interactions with adjoining authorities of Surrey Heath, Elmbridge and Rushmoor as well as the Blackwater Valley.

2.14 The boundaries of housing market areas will always be permeable to a certain degree, overlapping with the influences of adjoining markets and boroughs. In Waverley, this overlapping affects the various towns and settlements differently with Haslemere sharing influences with East Hampshire; Farnham with the Blackwater Valley and Godalming more so with Guildford. These interactions are particularly important to consider where substantial growth is planned such as Whitehill/Bordon in East Hampshire.

2.15 For Waverley, relationships with Rushmoor and East Hampshire are particularly notable. In the context of the Duty to Cooperate, these authorities in particular should be engaged with in strategic housing issues not only in the preparation of the SHMA but also the subsequent development of plan policies.

Sub-market/settlement area analysis

2.16 Within the Waverley area we have sought to define a number of sub-markets through which we are able to provide a more fine grained analysis of housing need as well as an indication of the likely requirements for different tenures and sizes of properties within these areas.

2.17 In total, we have defined five separate sub-markets. Four are based around the main settlement areas of Cranleigh, Farnham, Godalming and Haslemere and a final area covers the remainder of the borough. These sub-markets are built up from groupings of wards which we set out in the table below:

Table 1: Ward composition of Waverley sub-markets

Sub-market	Wards
Cranleigh	East, West, Alfold Cranleigh Rural and Ellens Green, Shamley Green and Cranleigh North
Farnham	Upper Hale, Hale and Heath End, Weybourne and Badshot Lea, Moor Park, Bourne, Shortheath and Boundstone, Wrecclesham and Rowledge, Firgrove, Castle.
Godalming	Charterhouse, Central and Ockford, Binscombe, Farncombe and Cattlehsall, Holloway
Haslemere	Hindhead, East and Grayswood, Critchmere and Shottermill
Rest of borough	Frensham, Dockenfield and Tilford, Elstead and Thursley, Milford, Witley and Hambledon, Chiddingfold and Dunsfold, Bramley, Busbridge and Hascombe, Blackheath and Wonersh, Ewhurst

Housing Stock and Supply

2.19 Although new housing will be delivered in Waverley and the wider housing market over the coming years, much of the housing stock in the area in 2030 already exists now; and it is thus important to understand the current “housing offer” and how this has been changing. This will provide the initial underlying analysis of what gaps in the offer new-build development might fill.

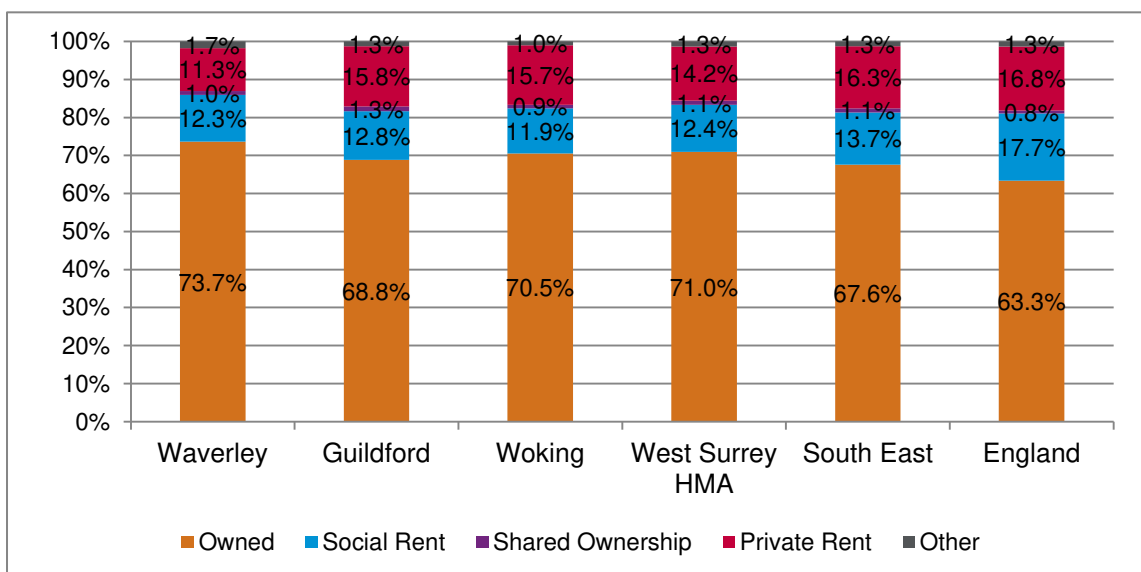
2.20 In this section we profile the current housing offer, considering the profile of stock of different types, sizes and tenures of homes, how this has been changing and how it varies across the relevant authorities within the housing market.

Tenure Profile

2.21 A detailed profile of tenure mix can be gleaned from the 2011 Census. Like much of the South East, the borough and the wider HMA is dominated by owner occupation. At 74%, the proportion of owner occupation in Waverley is particularly high when compared to the South East and even the wider HMA.

2.22 The percentage of social rent properties is broadly consistent across the HMA at around 12%, a level slightly below the regional average. What is particularly notable is the comparatively low representation of the private rented sector in Waverley (11.3%) compared not only to the South East (16.3%) but also the wider HMA (14.2%). There is a very limited representation of shared ownership tenure across the HMA; however, this is a trend which is not uncommon across the South East.

Figure 1: Detailed Tenure Composition (2011)



Source: Census 2011

2.23 Comparing data from the 2001 and 2011 Census provides shows that there have been some change in the tenure profile in Waverley over the past decade; however, less so than the regional picture. Overall, the total stock in Waverley borough has grown at about average for the West Surrey HMA (4.5% compared to 4.6%); however, this rate is quite markedly behind the regional and national growth of 8.2% and 7.9% respectively.

2.24 Looking at individual tenures, two in particular stand out. The shared ownership sector has grown by more than 40% over the past decade, albeit from a relatively low starting point. Growth in the tenure has been above the HMA average (which is perhaps skewed by very low growth in Woking) but is below the level of growth seen across the South East.

2.25 The private rented sector is an increasing important part of the housing market. Waverley has seen around 40% growth in the private rented sector; broadly consistent with the HMA average but quite substantially behind growth seen across the South East and England.

Figure 2: Change in Tenure Profile (%), 2001 – 2011

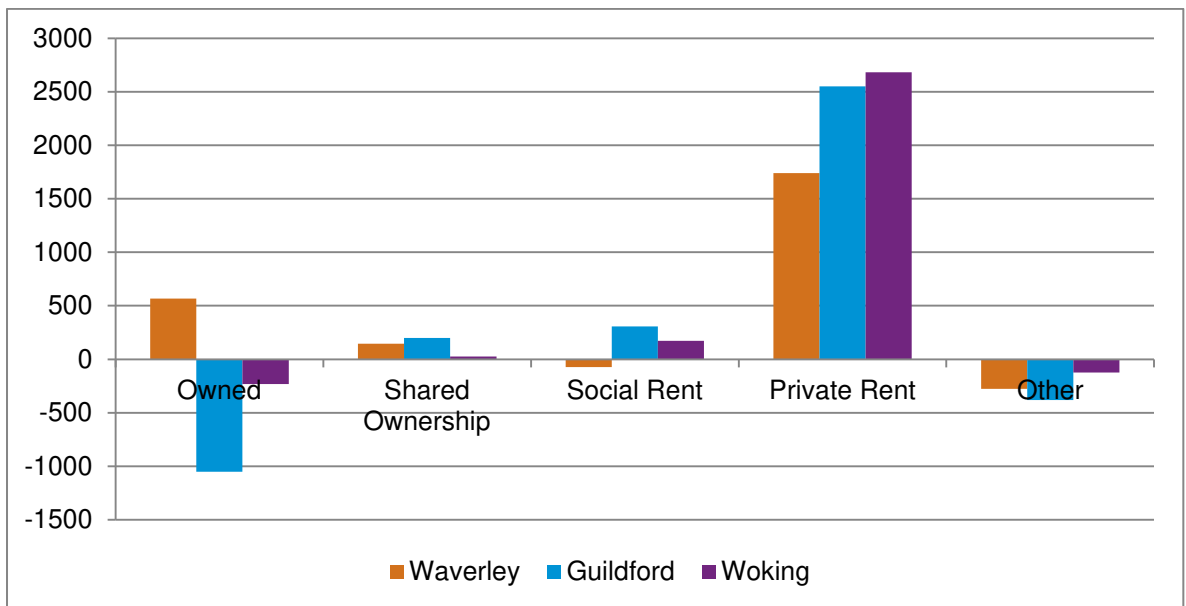


Source: Census 2011

2.26 We have also considered absolute changes in tenure across the three authorities in the HMA. This particularly demonstrates the large growth in the number of private rent properties in each of the authorities. In all cases, growth in the private rent sector represents the majority of overall stock growth over the past decade (although clearly this is not all new build and results from existing properties transferring into the sector).

2.27 Furthermore, whilst there has been notable growth in shared ownership properties in percentage terms, actual gains in the stock have been relatively small (150 properties in Waverley, 200 in Guildford and 25 in Woking). Also interesting is the quite significant absolute fall in owner occupied properties in Guildford (c.1,000 properties), which one can presume has largely shifted into the private rented sector.

Figure 3: Change in Tenure Profile (absolute stock changes), 2001 – 2011



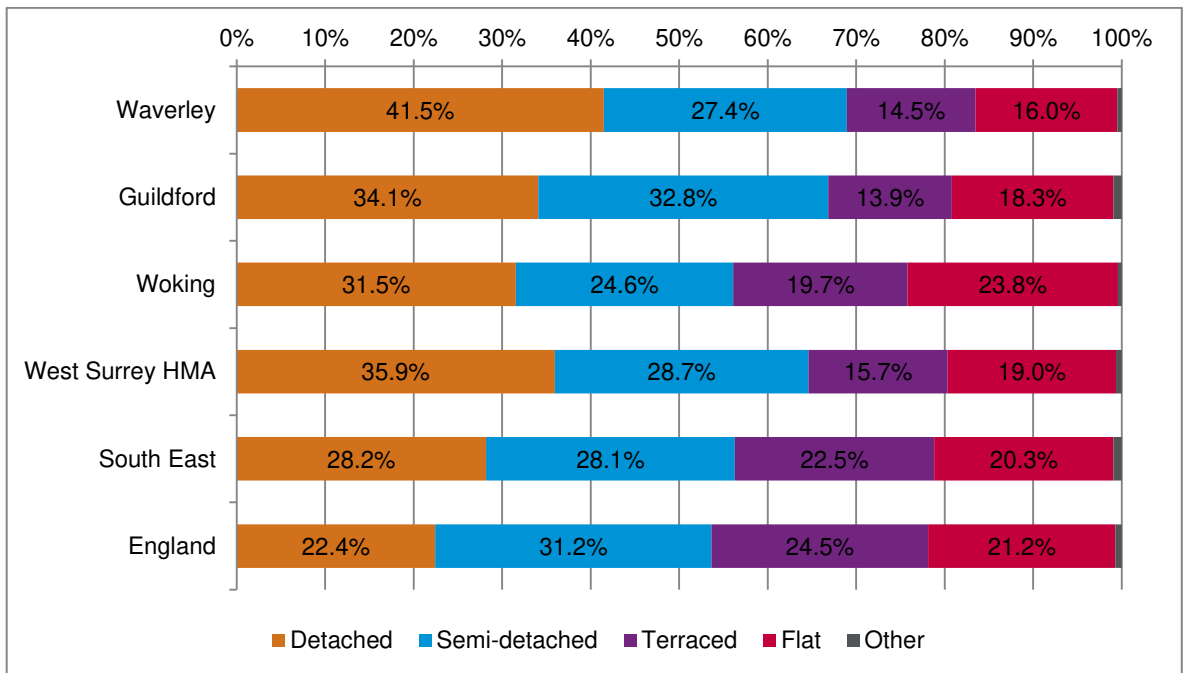
Source: Census 2011

House Types

2.28 Data on house types suggests the Waverley market is strongly geared more towards established family type accommodation. The proportion of detached (42%) is significantly above the regional average (28%) and even the wider HMA (36%). Whilst the proportion of semi-detached properties is broadly consistent with the regional and HMA average, when combined with detached properties these types represent almost 70% of the total stock.

2.29 As a result, Waverley has a comparatively low proportion of flatted properties than both the West Surrey HMA and particularly the regional average. Whilst this is perhaps to be expected given the slightly more urban nature of the other two boroughs in the HMA, it does potentially serve to indicate a comparative lack of suitable and accessible options for smaller (particularly newly forming) households in the borough.

Figure 4: Profile of stock by type (2011)



Source: Census 2011

Housing Size

- 2.30 The size mix of housing in Waverley is strongly dominated by mid-large sized properties with around two-thirds of the stock comprising three or more bedrooms, indicating a housing stock generally more suited towards a mature market and provision for established families.
- 2.31 Whilst the statistic for three bedroom plus properties is only slightly above the levels seen across the HMA and South East more generally, the proportion of four bedroom plus properties in Waverley (31%) is more markedly higher in comparison (HMA: 28% South East: 23%). Coupled with this, the borough has a lower percentage of smaller properties (1 and 2 bedrooms) than both the HMA and regional averages. This lends additional support the comparative lack of suitable and “accessible” housing options for smaller families or single/couple households in the borough.

Table 2: House Size – Number of Bedrooms (2011)

	1 bedroom	2 bedrooms	3 bedrooms	4 bedrooms	5 or more bedrooms
Waverley	10.2%	23.2%	35.2%	21.5%	9.8%
Guildford	11.6%	24.2%	36.9%	18.9%	8.1%
Woking	13.0%	23.5%	36.1%	18.8%	8.2%
West Surrey HMA	11.5%	23.7%	36.1%	19.8%	8.7%
South East	11.6%	26.2%	38.9%	17.0%	6.0%
England	11.8%	27.9%	41.2%	14.4%	4.6%

Source: Census 2011

Overcrowding and Under-Occupation

2.32 Studying levels of overcrowding/under occupation in the housing stock is an important part of the SHMA. It is particularly useful as an indicator of both housing need and possible mismatch between households and house sizes. The draft guidance also identified overcrowding as an important indicator.

Table 3: Overcrowding and Under-occupation (2011)

	Overcrowded (No.)	Overcrowded (%)	Under occupied (%)
Waverley	1,211	2.5%	76.6%
Guildford	1,980	3.7%	71.5%
Woking	1,889	4.8%	68.8%
West Surrey HMA	5,080	3.6%	72.5%
South East	133,570	3.8%	70.7%
England	1,060,967	4.8%	68.7%

Source: Census 2011

2.33 The 2001 Census did not include an occupancy calculation based on bedrooms and as such it is not possible to draw a direct comparison in this regard. However, we have compared the room based occupancy measure from the 2001 and 2011 Census. This shows only a very minor increase in overcrowding (4.6% to 4.7% - 180 households) across Waverley over the past decade. This compares favourably to the change seen at a regional level where overcrowding has grown from 6.0% to 7.5% over the past decade, an increase of over 70,000 households. It is however recognised that the room based occupancy standard has limitations in respect of identifying true overcrowding.

2.34 Looking at the flip side, we can see that under occupation, 77% of households in the borough have an excess of space for the number of residents, more than half of which fall within the highest category of under-occupation. Whilst high levels of under-occupation are apparent across the HMA, it is clearly more prevalent in Waverley.

2.35 The “phenomenon” of under-occupation is particularly borne out of ageing demographics and reasonable affluence which particularly drive “empty nester” households. In Waverley, this is arguably made more acute by the dominance of larger properties and the relative lack of downsizing options. Given the demographic and socio-economic profile of Waverley, this issue is likely to continue to rise in future, reducing liquidity in the market for larger properties in the area.

2.36 Whilst the encouragement of downsizing is an inexact science (and driven as much by attitude as stock availability), there may be an argument for increasing the supply of smaller units in these areas but with the product focussed on the types (houses rather than flats) and quality of units which are attractive to older households.

Vacant and Second Homes

- 2.37 The 2011 Census provides data on the number of households with no usual residents which can be used as a proxy for vacancy and second homes. The data indicates that there are just over 2,300 vacant properties or second homes in Waverley equivalent to 4.5% of the dwelling stock. This is only above the average for the West Surrey HMA (3.9%) and the South East (4.0%). Data from 2008 based on Council Tax returns shows that there is no issue of “second homes” in Waverley with less than 1% of the stock deemed to be a second home. This is consistent with the regional and national picture.
- 2.38 Whilst the level of vacancy in Waverley is slightly above that of the comparator areas, there is little evidence to suggest that it makes a significant contribution to liquidity or availability issues within the housing market.

Table 4: Vacant and Second Homes (2011)

	Total households	Households with no usual residents	% Vacant/Second Homes
Waverley	51,597	2,317	4.5%
Guildford	56,220	2,247	4.0%
Woking	40,691	1,224	3.0%
West Surrey HMA	148,508	5,788	3.9%
South East	3,704,173	148,710	4.0%
England	23,044,097	980,729	4.3%

Source: Census 2011

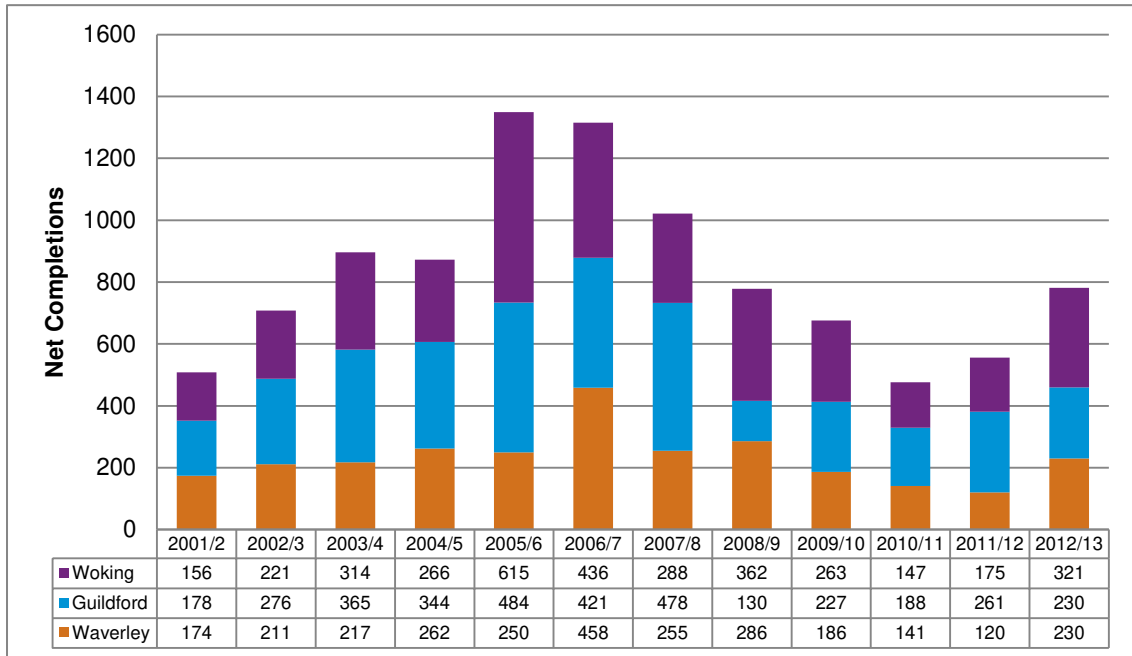
Housing Supply Trends

- 2.39 Figure 5 shows recent net housing completions in Waverley (as well as Guildford and Woking). We have considered the period since 2001/02 as this provides a meaningful timeframe to analyse shortfalls/oversupply and demonstrates supply trends across the market cycle.
- 2.40 Since 2001, a total of 9,155 net new homes have been delivered across the three authorities within the HMA, equivalent to around 830 per annum. In spatial terms, this has been relatively evenly split across the three authorities with Waverley delivering 28%, Woking 35% and Guildford 37% of the total.
- 2.41 Looking at delivery trends, we can see that the number of net completions across the three districts has varied somewhat over the past 11 years. From the chart we can see relatively consistent and quite significant growth in housing completions in the early 2000s from around 510 units in 2001/02 to a peak 1,350 units in 2005/06, a trend which correlates with the rising market and generally growing economy seen throughout this period.
- 2.42 Completions stabilise at around 1,300 in 2006/07 before falling to around 1,000 in 2007/08, still a relatively healthy level of supply. The period from 2005/06 to 2007/08 was characterised by strong

effective demand with high levels of finance availability (both development and mortgage). In this regard, average delivery across this period (c.1,250 dwellings per annum) can be seen a good barometer of the capacity of the market and appetite of the industry within the West Surrey HMAs to deliver in a healthy economic environment.

- 2.43 It is at this point, we see the impact of the recession on housebuilding, with completions falling to less than 800 units in 2008/09 and further still over the next two years to a “trough” of 480 in 2010/11, almost two thirds down on the levels sustained during the “boom” period. The correlation between housebuilding and market conditions within the West Surrey HMA area is particularly strong which is perhaps indicative of the influence that macro-economic conditions have on an areas such as this (i.e. areas which are otherwise highly attractive to the market and consistently high demand).
- 2.44 Looking at Waverley specifically, housebuilding again shows this clear correlation with the wider economic conditions. Completions generally rose steadily (if unremarkably) in the early 2000s before a sharp peak to around 460 in 2006/07 at the height of the market. Completions then more than halved in 2007/08 to 255 and have broadly continued to fall since, to a low of 120 in 2011/12. Delivery recovered slightly in Guildford and Woking in 2011/12. Data for 2012/13 shows that recovery continued in Woking (with completions rising to 321), whilst Waverley also saw a notable increase in completions compared to the previous year.

Figure 5: Net completions (2001/02 to 2012/13)



Source: Council completions data – extracted from Annual Monitoring Reports.

2.45 In line with guidance, it is particularly important to analyse the historic rate of development relative to planned supply. The table below sets out the compares recent delivery to planned supply across each of the three authorities within the HMA.

Table 5: Historic supply targets

	Targets	Planned supply (2001-13)	Actual delivery (2001-13)	Over/undersupply
Waverley	187 p.a. (2001-2006) 250 p.a. (2006-2026)	2,685	2,790	105
Guildford	317 p.a. (2001-2006) 322 p.a. (2006-2026)	3,839	3,582	-257
Woking	223 p.a. (2001-2006) 292 p.a. (2006-2026)	3,159	3,564	405
Total		9,683	9,936	253

NB: Pre-2006 figures derived from Surrey Structure Plan. Post 2006 figures for Waverley and Woking from South East Plan. Following a legal challenge, there is no adopted housing figure for Guildford in the South East Plan and we have therefore compared to the interim figure adopted by the Council in 2012/13.

2.46 Whilst there has been some difference in the performance of individual authorities over the past decade (Waverley and Woking have delivered above planned levels whilst there has been a relatively modest shortfall in Guildford), overall deliver across the HMA has been successful with the number of dwellings delivered slightly exceeding planned supply (oversupply of 253 (3%)).

2.47 Given this, it is not necessary to make an upward adjustment over and above the projected requirements in Waverley to redress historic undersupply (and its likely effect on household formation).

Population Characteristics

Population size and growth trends

2.48 The 2011 Census recorded that Waverley borough had a population of almost just under 121,600. The population of Waverley represents around one third of the total population across the three West Surrey HMA authorities.

Table 6: Headline total population

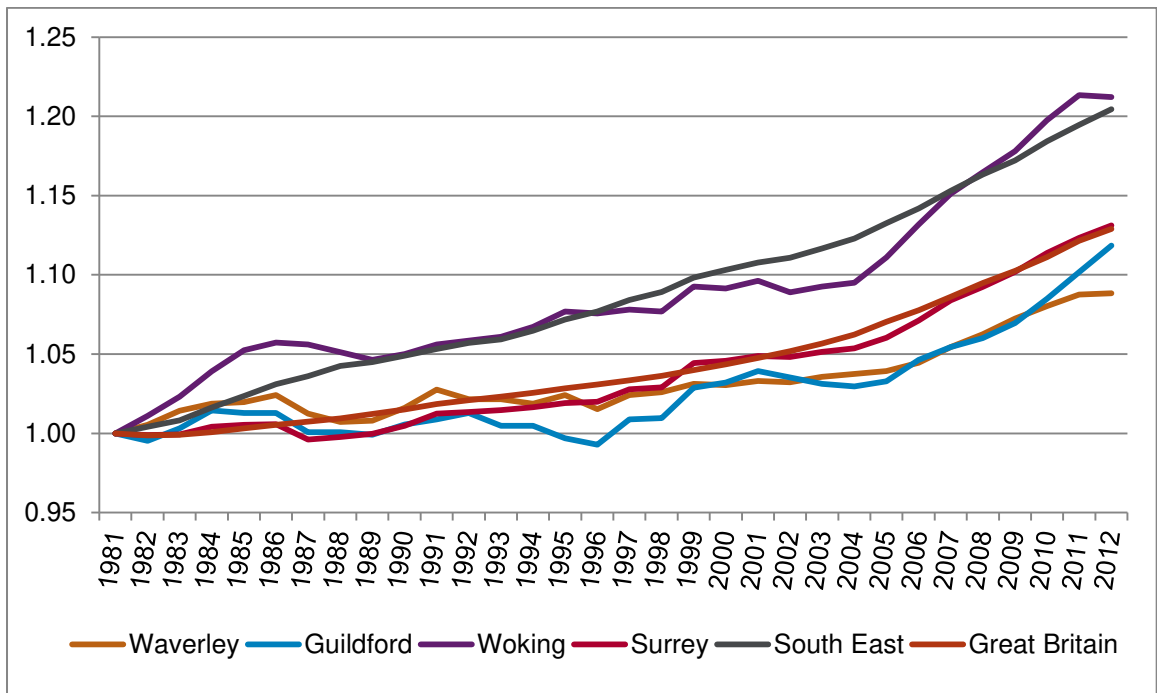
Census Population (March 2011)	
Waverley	121,572
Guildford	137,183
Woking	99,198
West Surrey HMA	357,953
South East	8,634,750
England	53,012,456

Source: Census 2011

2.49 We have benchmarked population change in Waverley since 1981 to understand how historic population growth in the borough compares to surrounding areas. What we can clearly see is that Waverley (and to some extent Guildford although this area has seen a more recent uplift) has seen relatively low historic growth in population, particularly since the early 1990s. The divergence from population growth levels seen across both Surrey and particularly the wider South East is particularly notable with Waverley experiencing on average 0.33% population growth per annum over the past 20 years whilst Surrey and the South East have experienced 0.58% and 0.70% respectively.

2.50 This comparatively low trend in population growth in Waverley is to some degree inconsistent with the borough’s profile of relatively strong demand for housing. Whilst historic population growth will clearly have been driven to some extent by previous policies, there is some indication that population growth (and by implication household formation) has been somewhat suppressed over this period.

Figure 6: Population change (1981-2011)

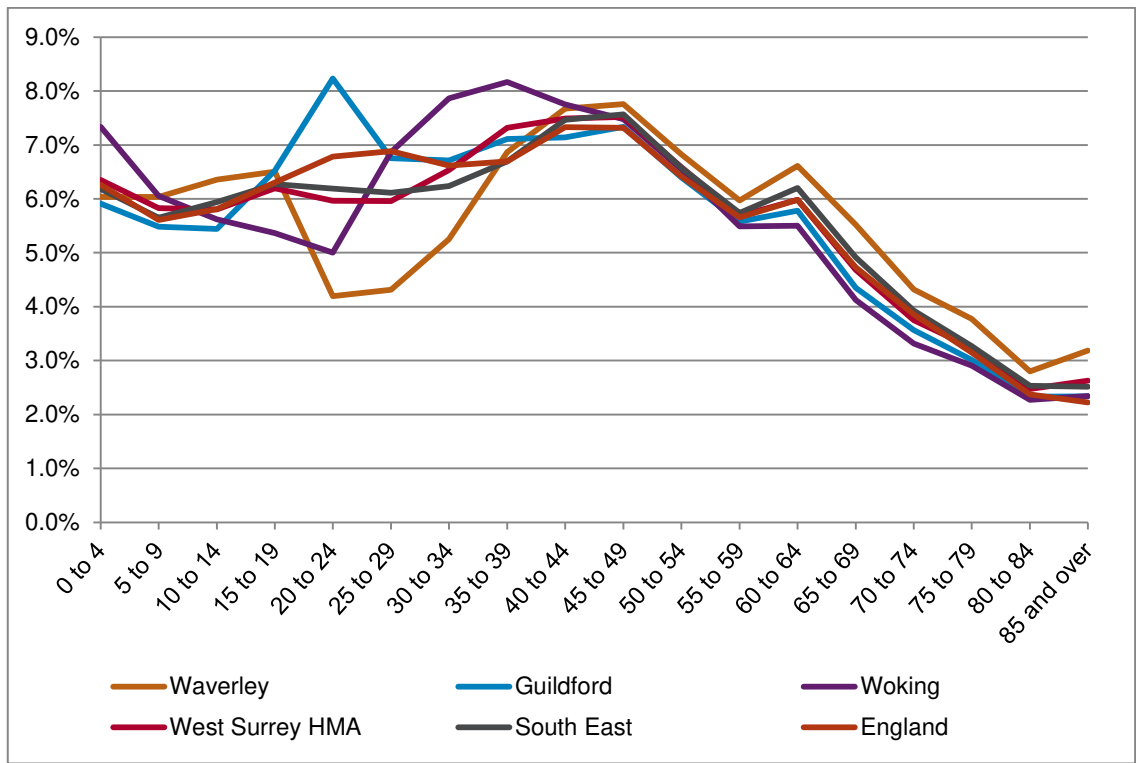


Source: Mid-year estimates

Population Structure

- 2.51 The population structure in Waverley broadly follows the pattern seen across the West Surrey HMA and more generally across the South East. Around one quarter of the borough's population falls within the under 20 age categories, a level broadly replicated across the HMA. A broadly similar proportion (26%) falls within the over 60s category, which is slightly higher than the corresponding figure for the South East and quite markedly above the other two districts within the HMA. The two most prevalent age groups in the Waverley population are 40 to 44 and 45 to 49, lending support to the view of a population dominated by mature and established households (and increasingly empty nesters).
- 2.52 What is particularly notable is the divergence between Waverley and the comparator areas in respect of residents in the 20 to 35 age category. This age group is typical of the first time buyer age range and therefore, the significant drop off in this age group in Waverley is further indication of the constraints on first time buyer household formation in the borough; with people in this age range having to leave the borough in order to find affordable accommodation. Conversely, we see somewhat of a spike in the early part of this age range in Guildford, driven by the presence of the University of Surrey.

Figure 7: Population Structure by Five Year Age Bands (2011)

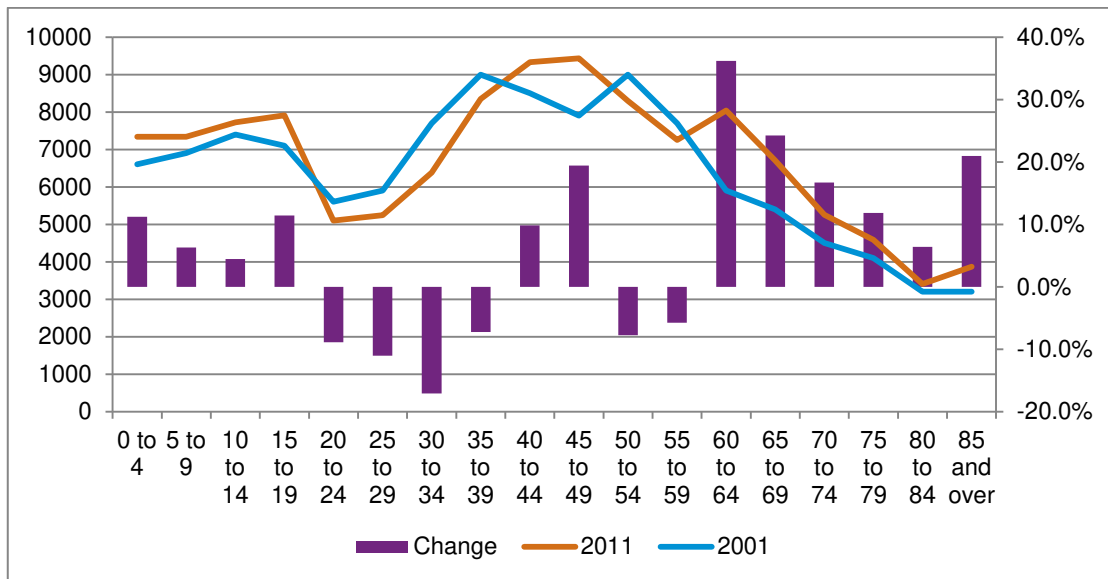


Source: Census 2011

2.53 Since 2001, Waverley has seen increases in the majority of age groups (simply as a function of population growth). However, there are particularly notable increases in the entire over 60s age categories, but in particular the 60 to 64, 65 to 69 age groups as well as the over 85s category (linked to improved life expectancy), confirming a trend towards an ageing population. Taken as a whole, growth in over 65s in Waverley over the past decade (21%) has been slightly above the trend for the wider HMA (18%).

2.54 The borough has also seen relatively notable growth in the younger age groups (under 20s), which again has been slightly above the wider HMA average (8.3% compared to 7.2%). Perhaps most interesting is the quite sizeable declines seen in the 20 to 40s age bracket in Waverley, which have been replicated but to a far lesser extent in the wider HMA. This would again support the view that residents in this age range are choosing (or have to) move out of Waverley in order to form households.

Figure 8: Change in age structure (2001-2011)



Source: Census 2001 and 2011

Ethnic Profile

- 2.55 The table below profiles the population by ethnic group from the 2011 Census. In Waverley, 91.5% of the population are White British/Irish. This is significantly higher than the corresponding figure for the other two areas within the West Surrey HMA as well as the South East (86%) and England (80.7%) average, suggesting that the borough has a comparatively low level of ethnic diversity. By comparison, Woking is significantly more ethnically diverse, even than the national average.

- 2.56 Waverley has a particularly low proportion of both Asian/Asian British and Black/Black British residents that the comparator areas. The high proportion of Asian/Asian British residents in nearby Woking is particularly notable.

Table 7: Population by Ethnic Group – Local Authorities

	White British / Irish	White Other	Multi Ethnic	Asian / Asian British	Black/Black British	Arab / Other
Waverley	91.5%	4.5%	1.3%	1.9%	0.4%	0.3%
Guildford	84.3%	6.6%	1.8%	4.8%	1.2%	1.2%
Woking	76.0%	7.6%	2.4%	11.6%	1.4%	1.1%
West Surrey HMA	84.5%	6.1%	1.8%	5.7%	1.0%	0.9%
South East	86.1%	4.6%	1.9%	5.2%	1.6%	0.6%
England	80.7%	4.7%	2.3%	7.8%	3.5%	1.0%

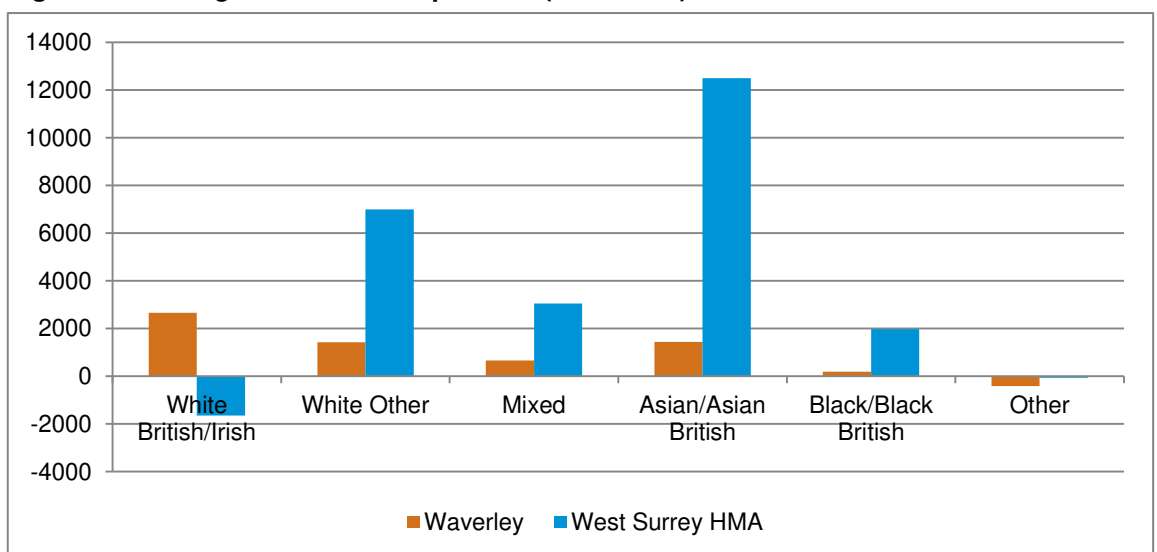
Source: Census 2011

2.57 Ethnic diversity has increased in Waverley over the past decade (albeit marginally), with the proportion of White British/Irish residents falling from 94% to 92%.

2.58 The largest absolute increase in ethnic groups over the past decade was still seen in the White British/Irish (2,649 people); however, there was also noteworthy increases in the White Other (1,418 people) and Asian/Asian British (1,430 people) populations. We have also considered the percentage growth in individual ethnic groups by comparing data from the two Censuses. This shows particularly significant growth in the Asian/Asian British population in Waverley which has more than doubled over the past decade, slightly above the growth seen across the HMA and South East.

2.59 Growth in other minority ethnic groups in Waverley has been behind the comparator areas, particularly so for the Black/Black British group. There was also a notable fall in “other” ethnic groups in Waverley over the past decade.

Figure 9: Change in Ethnic Composition (2001-2011)



Source: Census 2001 and 2011 (GLH Analysis)

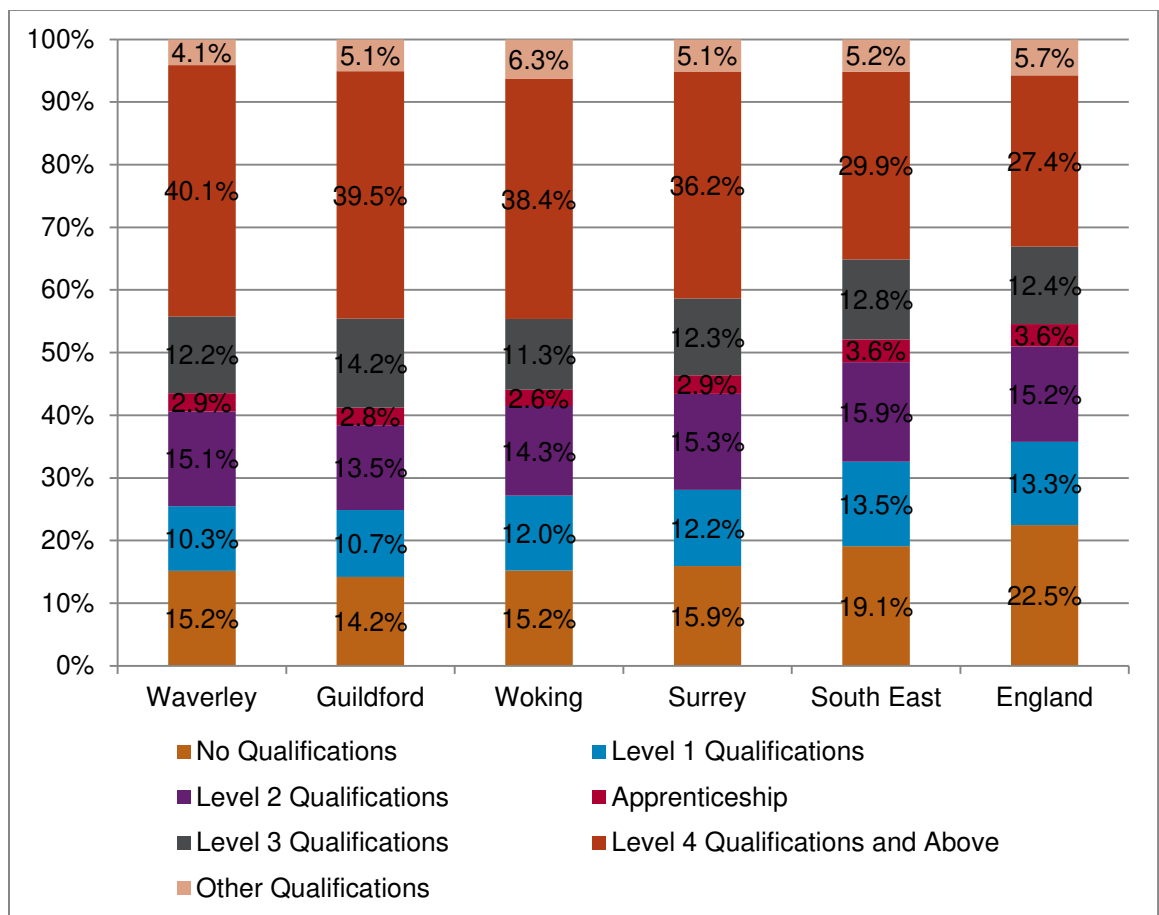
Labour Market

Qualifications and Skills

2.60 The population across Surrey is generally very highly qualified in comparison to the South East and national profiles. Over 36% of the population across the county have Level 4 or above qualifications (compared to 30% across the South East) whilst just under 16% have no qualifications (19% across the South East).

2.61 Skills levels in Waverley are even higher than the county levels. More than 40% of the population in the borough has Level 4 qualifications or above whilst the proportion of residents with low or no qualifications (Level 1 or no qualifications) is around 25% compared with 28% across the wider county.

Figure 10: Qualifications (2011)



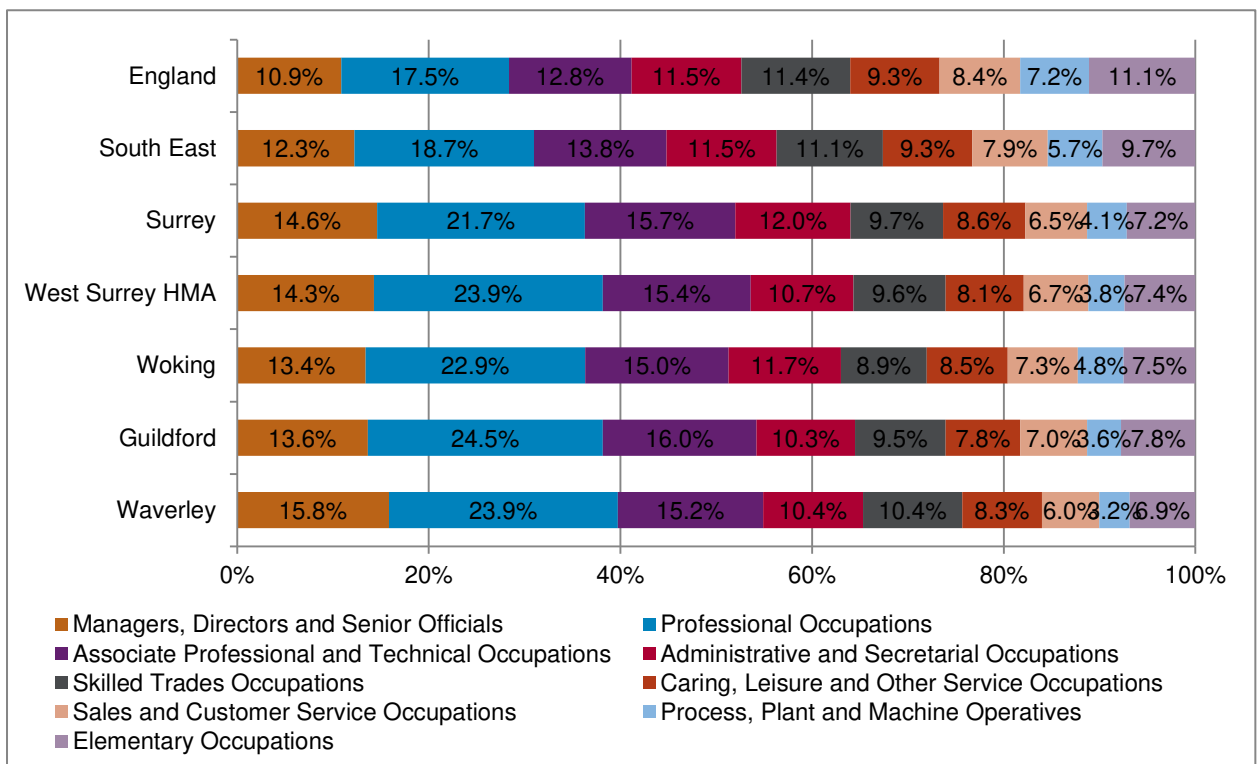
Source: Census 2011

Occupations

2.62 The skills profile of the residents in Surrey and Waverley is also borne out in terms of occupational level. Resident occupations are skewed towards the higher level (and generally higher income) occupations with almost 55% of the working age population in the borough employed in one of the top three occupational groups. This is slightly above the corresponding figure for the West Surrey HMA and Surrey averages and substantially above the regional picture.

2.63 By particular comparison, the proportion of Waverley residents employed in managerial occupations (15.8%) is comparable to the proportion employed in the lowest three occupational groups (elementary, process or sales based occupations – 16.0%). This suggests a generally high level of affluence in the local market with consequent pressures on affordability and potential marginalisation of lower income groups.

Figure 11: Occupational Profile (2011)



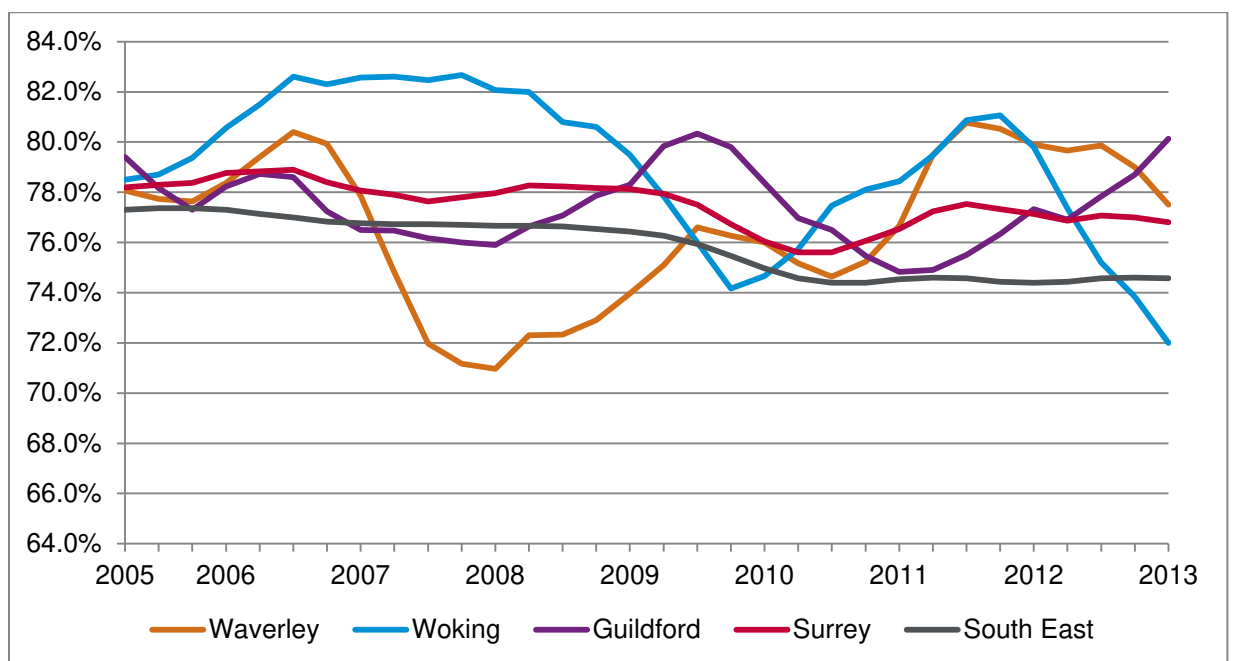
Source: Census 2011

Employment Rate

2.64 The figure below tracks the employment rate (of the economically active population) in Waverley and comparator areas. Given the economic backdrop, the employment rate has fluctuated markedly over the analysis period (particularly at borough level). There are some interesting local dynamics:

Waverley initially appears to have been affected earliest and hardest by the recession; with employment rate in the borough dropping sharply in mid-2007 to early 2008 (from 80% to 71%); possibly a dynamic borne out of both the sector and location in which the borough’s residents were employed (e.g. high representation in banking/finance and commuting into London).

2.65 The employment rate in Waverley has however rebounded relatively strongly and currently stands at 77.5%, above the Surrey and South East averages but below neighbouring Guildford at 80.1%. Woking has fared less well and despite a recovery in the employment rate during 2010/2011, it saw sharp falls again during 2012 and currently stands at 72%; below even the South East average.



Source: Census 2011

Income and Earnings

2.66 Annual gross resident earnings in Waverley (£36,800) are higher than the Surrey average (£34,600) and substantially above levels seen across the South East (£29,500); somewhat reflecting the skills and occupation profile identified earlier. However, lower quartile resident earnings are below the Surrey average and the levels seen in adjoining Guildford. Given the price dynamics in Waverley, this is likely to mean that even the lower end of the market in the borough is less affordable than surrounding areas.

2.67 It is useful to compare the incomes of full-time employed Waverley residents with those of people working in jobs located in the borough. At around £26,200 the median income of Waverley “workers” is around £10,500 lower than the median income of Waverley “residents”. This gap is around double that seen in Guildford and Woking and more than three times the gap seen in Surrey. This

dynamic is a direct by-product of the outward commuting of the borough's highly skilled residents to high level occupations (and incomes) in both neighbouring Guildford but more particularly into London.

- 2.68 This significant divergence is highly important in market terms. The risk of those in local employment (and thus contributing to the local economy), lower income workers and first time buyers being marginalised from the housing market is particularly acute in Waverley, even compared to Surrey and surrounding districts. As previously indicated, this is somewhat borne out in the marked decline in the 20-35 age bracket seen in the borough over the past decade.

Figure 12: Annual Workplace and Resident Earnings (2012)

	Median		Lower quartile	
	Workplace	Resident	Workplace	Resident
Waverley	£26,252	£36,770	£20,000	£22,544
Guildford	£31,883	£35,365	£23,367	£23,939
Woking	£25,159	£32,827	£17,616	£22,225
Surrey	£31,473	£34,595	£21,785	£23,515
South East	£28,181	£29,491	£20,010	£20,654

Source: NOMIS/Annual Survey of Hours and Earnings 2012

Economic and Employment Trends

Jobs Growth

- 2.69 Waverley recorded 58,730 workforce jobs in 2012, representing an increase of 9.6% from its 1997 level of 53,540. However, historic jobs growth in Waverley has been outpaced by growth across Surrey (14%) and the South East more generally (13%). Growth in Waverley has also lagged quite markedly behind that of the other areas within the HMA with Guildford achieving 21% and Woking 19% over the same period.

Figure 13: Employment Growth (1997-2012)

	Total employment (1997)	Total employment (2012)	Employment growth (%)
Waverley	53,540	58,730	9.6%
Guildford	72,320	84,700	21.6%
Woking	48,280	54,580	19.3%
Surrey	548,610	625,750	14.1%
South East	3,989,400	4,506,800	12.9%

Source: Experian April 2013 Economic Forecasts (GLH Analysis)

Economic structure

- 2.70 The economic structure in Waverley is broadly comparable to the West Surrey and wider Surrey averages. Across Waverley, we see a dominance of financial and business services
- 2.71 Across much of Surrey, and in Waverley specifically, the professional and other private services sector dominates, accounting for 27% of employment in both areas. The role of the professional services is even stronger in Woking where such businesses account for one third of total employment. The public sector also continues to represent a significant source of employment across Surrey, accounting for around 25% of employment in Waverley, slightly above the wider Surrey economy (22%). Given the outlook for the public sector, particularly in relation to increasing downward pressure on Government funding, this remains an economic risk moving into the future.

Jobs density

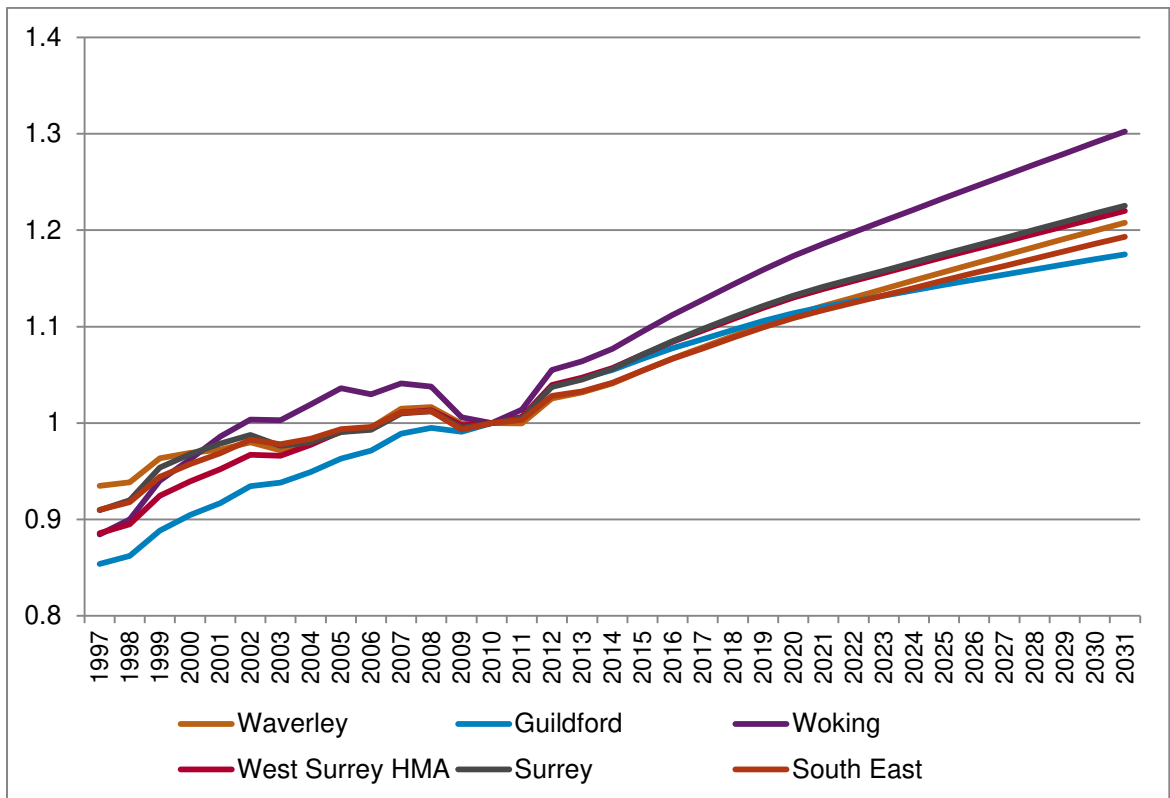
- 2.72 Jobs density indicates the number of jobs per working age population within a particular area. Set against other evidence, jobs density can be a useful indicator of commuting pressures and labour demand/supply imbalances. Jobs density in Waverley (0.82) is slightly above the South East average (0.80) but below the Surrey average (0.87). This broadly allies with information on commuting in Waverley and particularly out-commuting dynamics with London.
- 2.73 Guildford has a high jobs density (0.98), which lends support to the view that it forms an economic focal point within the HMA.

Economic forecasts/prospects

- 2.74 It is important to consider the comparative economic and employment prospects moving forward as these will have implications for need and demand for housing within the market area. The latest forecasts for Waverley show total employment growing from 57,200 jobs in 2011 to 68,100 in 2031, an increase of almost 12,000 total jobs.
- 2.75 The chart overleaf benchmarks forecast employment growth to 2031 for Waverley against a number of comparator areas. These forecast show that Waverley is expected to perform slightly above the South East in terms of employment growth in the period, but behind both West Surrey and Surrey. Given there is little evidence of a planned “step change” in future employment aspiration or development within Waverley, this comparative trend appears realistic.
- 2.76 In terms of overall employment growth, the forecasts anticipate growth of 20.8% in Waverley during the period from 2011 to 2031, equivalent to just over 1% per annum. Our analysis indicates this is possibly on the optimistic side when compared to past trends, particularly given Waverley experienced employment growth of 0.87% per annum in the pre-recession decade (1997-2007).

2.77 Looking at the other authorities in the HMA, we see notably high growth in Woking which is significantly above both the West Surrey and Surrey averages; largely fuelled by the strong representation of professional services and information technology jobs in Woking. However, we also see comparatively low growth in Guildford which is forecast to perform behind all of the comparator areas (including the wider South East) in the period to 2031. Whilst this will in part be influenced by the borough’s greater reliance on public administration, we would expect future growth in Guildford to be comparable to the wider Surrey average, particularly given the research and commercialisation specialisms associated with assets such as the University of Surrey (and Surrey Research Park).

Figure 14: Benchmarked jobs forecasts (to 2031)



Source: Experian April 2013 Economic Forecasts (GLH Analysis)

2.78 Looking at future growth in particular sectors, the pattern is broadly similar across Surrey. We see a continued decline in both manufacturing and public administration: in Waverley these sectors are forecast to post employment decline of more than 800 jobs over the period. Against this, we see an on-going shift towards knowledge intensive sectors of computing, real estate, professional services and finance: all of which forecast to generate relatively substantial employment growth in the period to 2031 (3,700 additional jobs in Waverley). We also see relatively strong growth in “population” driven sectors such as health and care, education and retail/accommodation and food services (4,700 jobs in Waverley).

2.79 This structural change may have implications for housing needs and requirements moving forward. Jobs growth in the knowledge sectors is likely to be dominated by roles in the top occupation categories (managers, professionals, technical) and thus may generate additional housing demand from high income households putting additional upward pressure on affordability. However, such households are also more likely to be somewhat more “mobile” in terms of their geographic search preferences for housing. Conversely, growth in the population driven sectors is likely to be focussed on lower occupational roles and thus lower income it difficult to access housing.

Summary of Key Findings

Housing Stock

- The local housing market is dominated by owner occupation, similar to much of the South East. However, this dominance is particularly notable in Waverley and as a result there is little tenure variation in the borough.
- Private rent sector within the HMA is a broadly similar size to that seen regionally; however, the sector is much less prevalent in Waverley. Growth in the private rented sector in Waverley over the past decade has also been relatively low compared to surrounding areas
- The housing offer across the HMA is dominated by detached and semi-detached properties suited to an established, family market. There is a particularly high proportion of detached properties in Waverley with a correspondingly low proportion of flatted type housing even compared to the wider HMA.
- Mix across the HMA has high proportion of mid-large sized properties. In Waverley, such properties account for around two-thirds of the stock. Further indication of a housing stock generally more suited towards a mature market and provision for established families. Proportion of 1 and 2 bedroom properties in Waverley lower than HMA and South East average - comparative lack of suitable and “accessible” housing options for smaller families or single/couple households in the borough.
- There is no identifiable issue of housing vacancy or second homes in Waverley or across HMA
- There is no identifiable issue of overcrowding in Waverley or HMA. However, like much of South East, under-occupation is significantly. Under occupation is particularly prevalent in Waverley. The provision of high quality smaller property options to encourage downsizing could be beneficial to secure greater liquidity of larger properties – the benefits of which are identified in the recent Demos (September 2013) research.³

³ The Top of the Ladder (Wood, 2013 – Demos): <http://www.demos.co.uk/files/TopoftheLadder-web.pdf?1378922386>

Population and Labour Market

- There is clear evidence of an ageing population across the HMA and particularly in Waverley. The most prevalent groups within the Waverley population structure are the 40 to 49 age brackets, suggesting the more mature buyer is more prevalent within the market.
- There has been a marked decline in 20 to 35 year olds across Waverley over the past decade compared to comparator areas. This is some indication of the inability of households to form in this area due to issues with affordability and suggests some level of household suppression (or in this case displacement).
- Ethnic diversity in Waverley is limited, more so than wider HMA (particularly Woking) and the South East average.
- Population across Surrey is highly qualified but particularly so in Waverley where 40% of residents have Level 4 and above qualifications. This translates into a high occupational profile with more than 55% of Waverley residents falling in the top three categories. The borough has as many residents in managerial positions as it does in elementary, process and sales positions combined.
- Recession had a particularly profound effect on employment rate in Waverley (compared to Surrey more generally) which may be a function of the sector and location within which many of its residents worked (i.e. banking in London). Employment rate has however recovered well since and remains comfortably above the Surrey average.
- Significant divergence in workplace base and residence based earnings in Waverley with the former more than £10,000 per annum below the latter. Even by Surrey standards, this gap is significant. Issues of affordability and marginalisation of local workers from the local housing market is an acute concern in Waverley.

Employment and Economic Trends

- Historic jobs growth across the HMA has been consistent with Surrey average; however, Waverley as a borough lags significantly behind.
- The economic structure in Waverley is broadly similar to that seen across Surrey with a dominance of both Professional Services and Public Services. Given the funding outlook for the latter, there is some economic risk to the borough in this regard.
- Jobs density in Waverley below the Surrey average, particularly reflecting the influence of London and to a lesser extent nearby Guildford on the borough's labour market.
- Projections indicate future employment growth in Waverley will continue to perform slightly behind the rest of Surrey but above the South East average. Comparatively, this appears realistic; however, the average annual growth of 1.04% per annum in the period to 2031 is

slightly optimistic when compared to historic growth in the pre-recession decade (i.e. 1997 to 2007) which saw annual employment growth of 0.87%.

- Sectorally see a continued shift away from manufacturing and public administration (combined net job losses). Knowledge industries (IT, finance, professional services, real estate) are future growth sectors (3,700 additional jobs) as are population related sectors (health and care, retail, food/accommodation services, education).
- Continued growth in higher value jobs in the borough may exacerbate issues of affordability in the future, particularly for those in newly created “population driven” jobs.

3 HOUSING MARKET DYNAMICS AND MARKET SIGNALS

3.1 In line with the draft guidance, we have sought to analyse in detail housing market dynamics using a combination of quantitative and qualitative research. This section, initially reviews housing market dynamics including national and macro-economic drivers. This is then developed at a HMA and borough level with quantitative analysis of local prices, sales volumes and affordability as well as a qualitative perspective on local housing market conditions, drawing on consultation with local estate and letting agents.

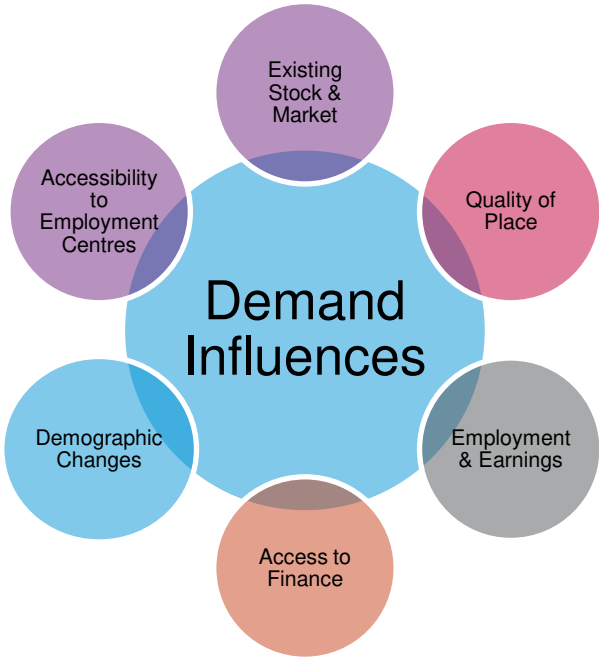
Overview of the Housing Market and Economy

3.2 We have sought to analyse housing market dynamics using a combination of quantitative and qualitative research. This section, initially reviews housing market dynamics including national and macro-economic drivers and local prices and sales performance. This is then developed at a micro-level to qualitative perspective on local housing market conditions, drawing on discussions with local estate and letting agents.

Conceptual Framework

3.3 It is important to understand that the housing market is influenced by macro-economic factors, as well as the housing market conditions at a regional and local level. There are a number of key influences on housing demand, which are set out in the diagram below:

Figure 15: Understanding housing demand drivers



Source: GLH

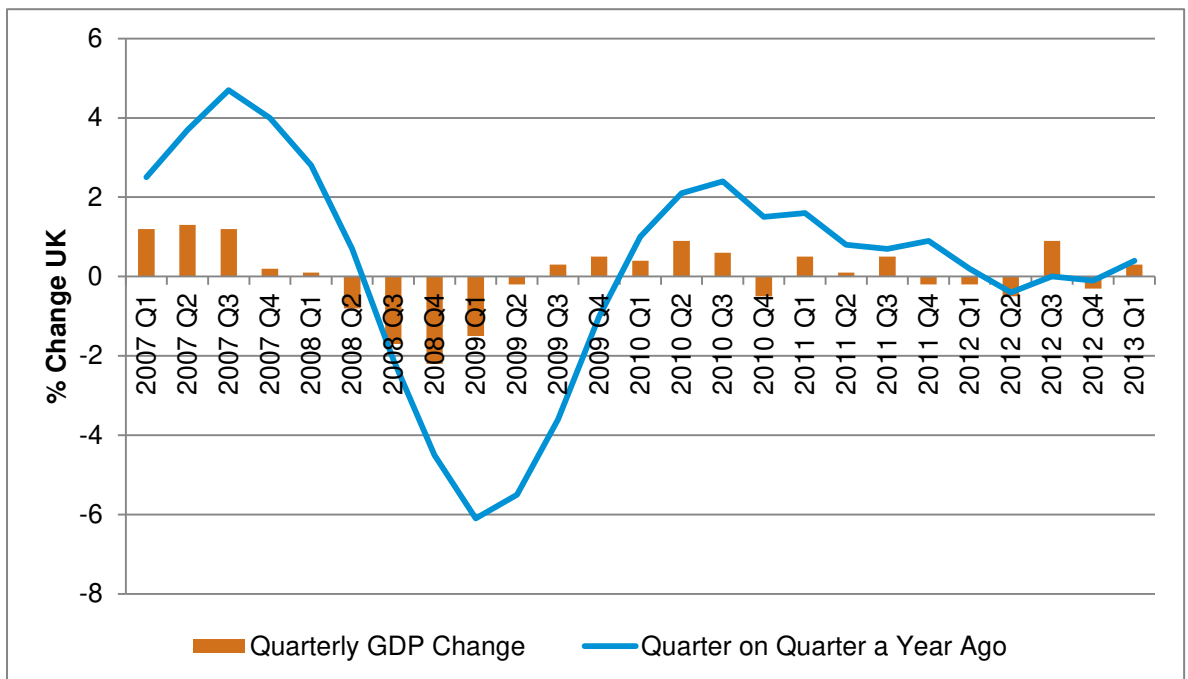
- 3.4 At the macro-level, the market is particularly influenced by interest rates and mortgage availability, as well as market sentiment (which is influenced by economic performance and prospects at the macro-level). In the recent recessionary period, these macro conditions have been particularly prominent in driving the housing market.
- 3.5 The market is also influenced by the economy at both regional and local levels, recognising that economic employment trends will influence migration patterns (as people move to and from areas to access jobs) and that the nature of employment growth and labour demand will influence changes in earnings and wealth (which influences affordability).
- 3.6 Housing demand over the longer-term is particularly influenced by population and economic trends: changes in the size and structure of the population directly influence housing need and demand, and the nature of demand for different housing products.
- 3.7 There are then a number of factors which play out at a more local level, within a functional housing market and influence demand in different locations. The importance of these local factors is perhaps more pronounced in stable or healthy economic times, when mortgage availability and market liquidity are far less of a constraint on activity. These include:
- quality of place and neighbourhood character;
 - school performance and the catchments of good schools;
 - the accessibility of areas including to employment centres (with transport links being an important component of this); and
 - the existing housing market and local market conditions.
- 3.8 These factors influence the demand profile and pricing within the market. At a local level, this often means that the housing market (in terms of the profile of buyers) tends to be influenced and consequently reinforces to some degree the existing stock profile. However, regenerative investment or delivery of new transport infrastructure can influence the profile of housing demand in a location, by affecting its attractiveness to different households.
- 3.9 Local housing markets or sub-markets are also influenced by dynamics in surrounding areas, in regard to the relative balance between supply and demand in different markets; and the relative pricing of housing within them. Understanding relative pricing and price trends is thus important.

Understanding the Macro-Level Dynamics

- 3.10 Macro conditions have been the primary driver of housing markets nationally over recent years. Since late 2010, we have seen negative trends in consumer spending and investment, with growth in the economy (at the macro-level) driven by exports and government spending. Coupled with this, inflation has been running above long-term trends and Government targets.

3.11 As a result, the UK has seen both deep (and double) recession and weak recovery (even stagnation). As the figure below indicates during the course of 2012 there was minimal growth in the UK economy.

Figure 16: UK Economic Growth, 2007-2013



Source: ONS

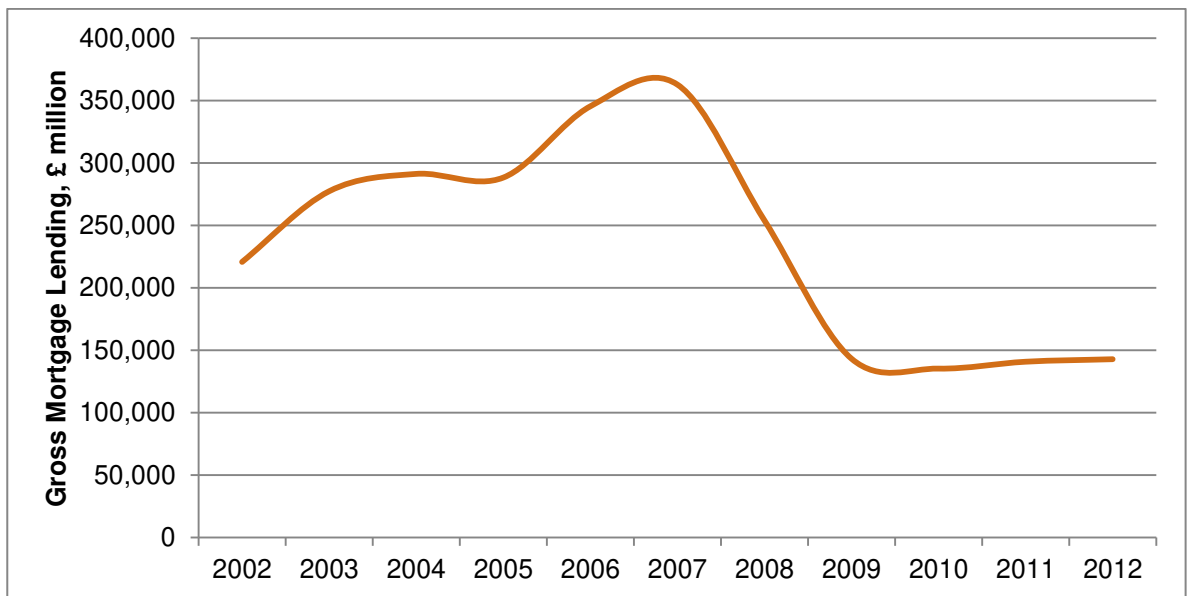
3.12 One of the key triggers to the recent economic difficulties on an international level was the ‘credit crunch.’ The downturn in the world economy was led to a large extent by the sub-prime lending crisis in the United States: this crisis has generated a fundamental shift in not only interbank lending but more significantly, attitudes towards customer lending (including home purchasers, landlords and developers).

3.13 From the onset of the economic downturn, banks sought to increase the inter-bank lending rate (LIBOR) and sought to adjust their exposure to risk by adopting much more cautious lending practices. This sharply reduced liquidity in the financial markets and credit available and in tightening lending criteria for current and prospective homeowners. This tightening of lending criteria increased ‘barriers’ to entry for marginal mortgage applicants by reducing loan to value ratios (LTVs), increasing costs associated with obtaining mortgages and reducing the income multiples accepted.

3.14 The tight lending criteria initiated by the credit crunch have continued to have an impact on mortgage lending over the last four years, with households’ ability to obtain mortgage finance functioning as a notable constraint on effective demand for market homes. As the figure below

demonstrates, there is virtually no evident recovery in lending since 2010; with trends flat during the past few years. There are however signs that mortgage lending is picking up in 2013, particularly owing to Government-backed schemes.

Figure 17: Trends in Gross Mortgage Lending



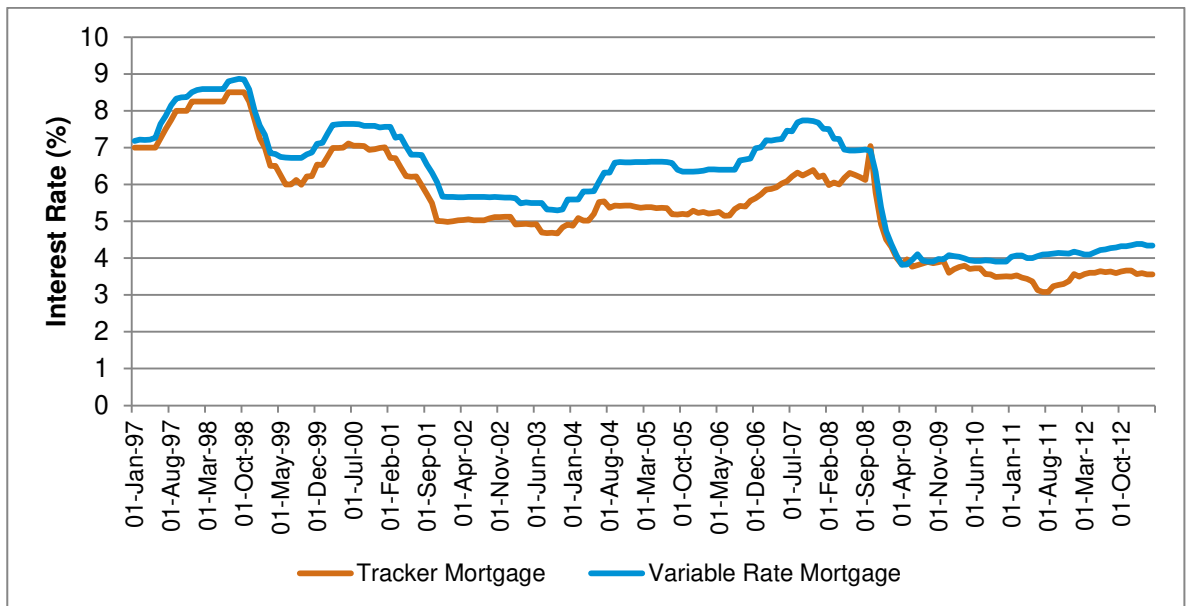
Source: Council for Mortgage Lenders 2012

3.15 The impact on first-time buyers (FTB) has been particularly notable. Average loan-to-value ratios fell sharply post-2008 and currently stand at 80%. There has however been a gradual improvement in the proportion of FTB with a deposit of 10% or less (albeit that for these loans the interest rates charged are often punitive), with 25% of FTBs putting down a deposit of 10% or less in early 2013. Key issues affecting the ability of households and investors to secure mortgage finance are:

- Savings and Capital: the ability to raise a deposit;
- Earnings and Interest Rates: affecting the ability to afford repayments;
- Lending Criteria: key criteria which have to be met to secure finance.

3.16 For those with a sufficient deposit, housing is now actually relatively affordable given the reductions in the value of homes since the peak of the market in 2007 and low interest rates by historic standards. The figure below demonstrates the trend in mortgage interest rates over the past 15 years.

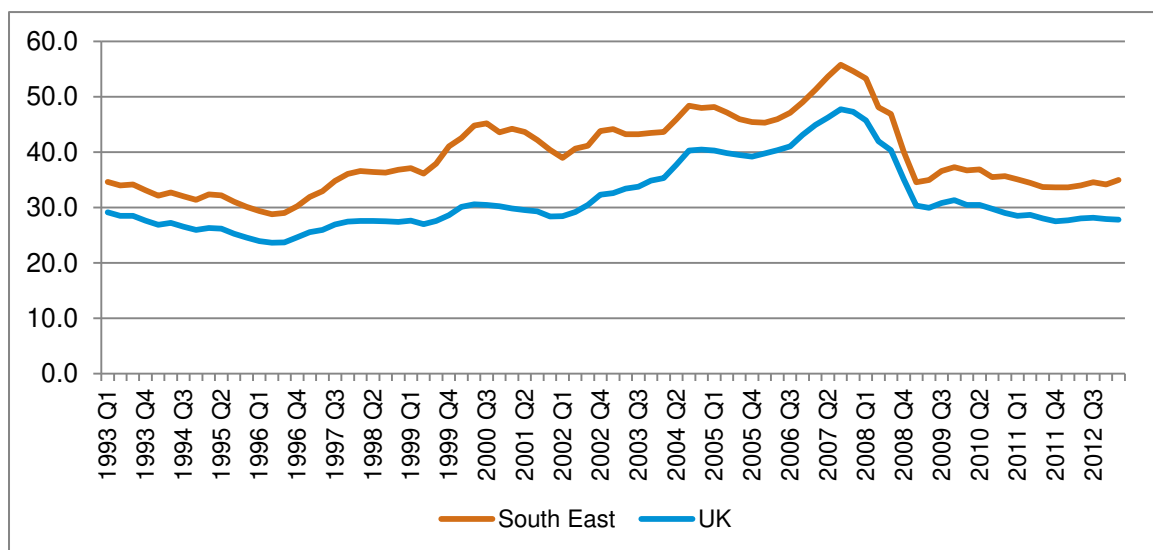
Figure 18: Base Interest Rates



Source: Bank of England Statistics 2013

3.17 A key indicator of the affordability of market housing is the balance between housing costs (i.e. mortgage payments) and incomes. Data for Q1 2013 shows that, whilst in the South East (35%) mortgage repayments account for a far greater proportion of salary than across the UK (27.8%), this is significantly down on the peak of the market in Q3 2007 when mortgage repayments were on average 55.8% of gross income across the region. In actual fact, by this measure housing is now as “affordable” as it was in the late 1990s.

Figure 19: Mortgage Payments as a % of Monthly Income



Source: Halifax House Price Index 2013

- 3.18 We can therefore see that the key constraint on the market is not the affordability of housing (in terms of the ability of households to cover mortgage repayments⁴), but the ability of households to raise a sufficient deposit and to meet lending criteria to secure mortgage finance.
- 3.19 Market sales are also influenced by investment activity - that is properties bought to be rented privately. The buy-to-let sector continues to grow, with the Council for Mortgage Lenders indicating that by the end of March 2013 buy-to-let lending accounted for 13.4% of total outstanding mortgage lending in the UK - up from 13% the previous quarter and 12.9% at the end of the first quarter of 2012. This is partly related by improved access to finance. With growth in rents over the last few years and lower capital costs for house purchases, housing represents an improved investment proposition. There is evidently occupier demand from a combination of demographics, limited new-build and restrictions on home purchases.
- 3.20 In addition to “buying activity”, data also shows that mortgage possessions have been falling (no doubt supported by low interest rates). The Council of Mortgage Lenders in February 2013 stated that the number of possessions held by lenders in 2012 was at the lowest level for 5 years⁵. The trend in mortgage arrears is also downwards.

Local Demand Indicators and Market Signals

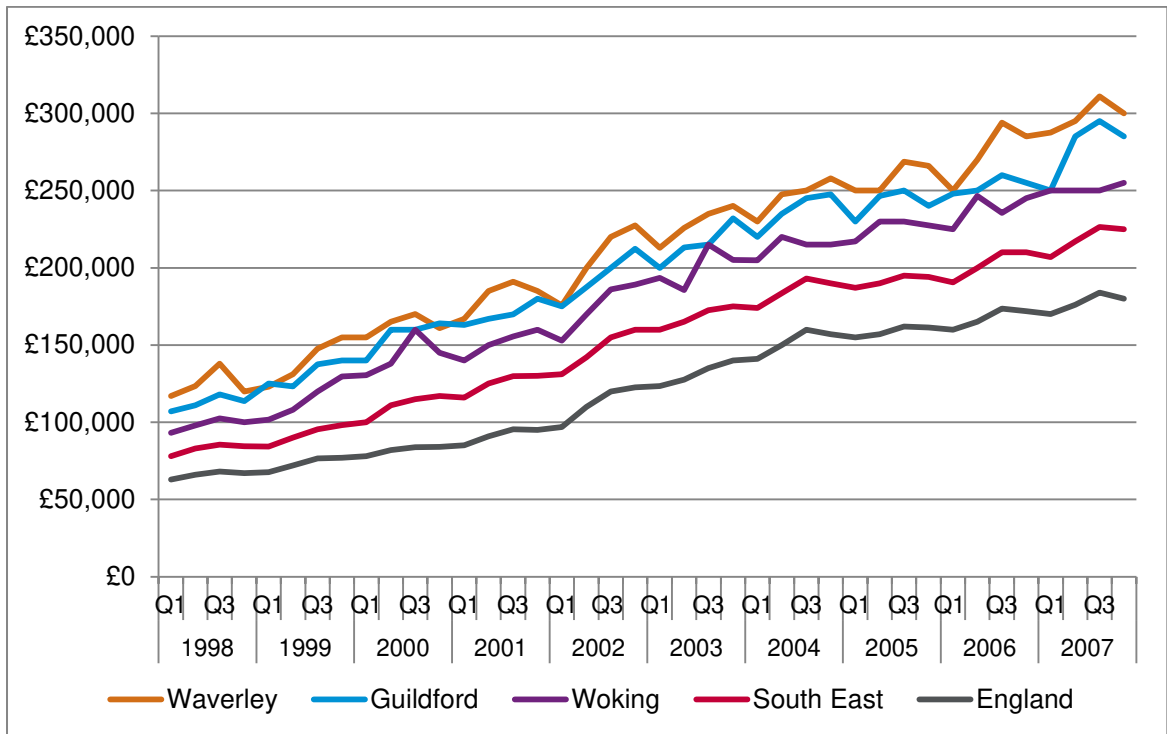
House Prices

- 3.21 Across Waverley, the average (mean) house price in 2012 was £428,150 whilst the median was £340,000. Allowing for mix-adjustment, the average price in Waverley during 2012 was considered to be £324,500. These figures are slightly above the corresponding figures for the wider West Surrey HMA (Mean: £400,500; Median: £305,000; Mix-adjusted: £317,900).
- 3.22 The figure overleaf profiles house prices in Waverley and the other boroughs in the HMA from 1998 to 2007 (i.e. the pre-recession decade). This demonstrates that price growth in Waverley has been broadly consistent with that seen across the HMA. Over the decade, prices increasing by around 150% in Waverley and by broadly similar amounts across the wider HMA. Growth in this period in Waverley was slightly behind the regional average at around 165%.

⁴ Notwithstanding that there are likely to be some repossessions associated with high unemployment

⁵ <https://www.cml.org.uk/cml/media/press/3422>

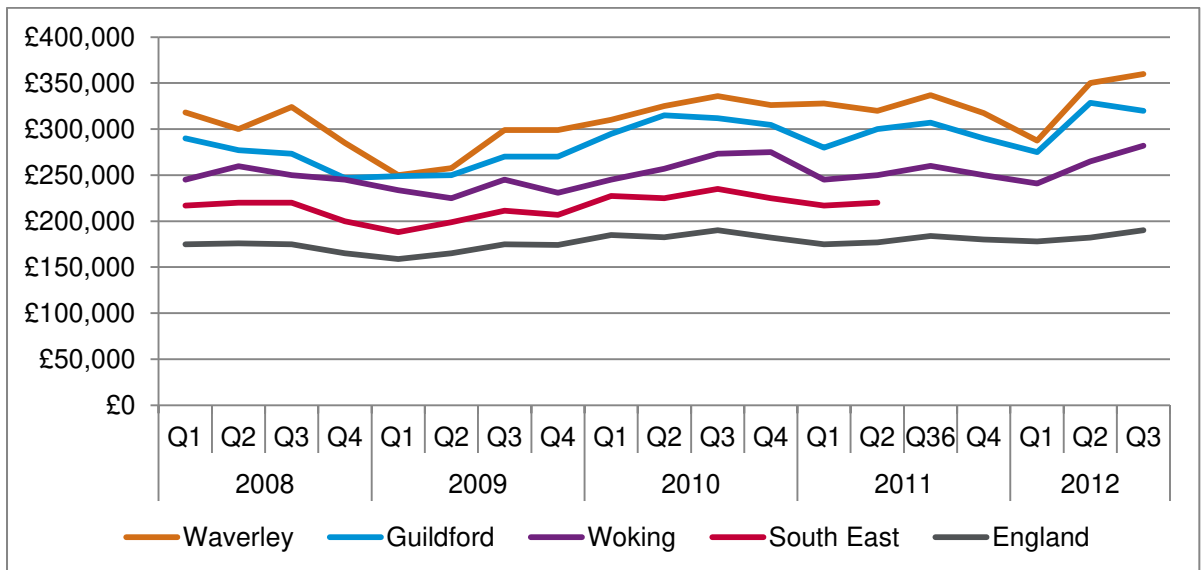
Figure 20: Median House Price (1998-2007)



Source: DCLG Live Tables: Land Registry Data

- 3.23 Since 2007 trends in house prices have understandably been very different due to the economic backdrop. All of the areas within the West Surrey HMA posted notable price falls in late 2008/early 2009 at the onset of the recession. What is however notable from the chart is that the initial decline was somewhat steeper in Waverley than in the adjoining study authorities (or the South East more generally. We then see a rise in prices across the three authorities during early 2010 - a pattern replicated across all areas - however, this recovery was slightly more gradual in Waverley than in the surrounding two boroughs and the regional picture.
- 3.24 Prices plateaued somewhat during 2011; however, we again see quite notable price rises across the HMA authorities in early to mid-2012. Price rises in this area during this period were somewhat steeper than the national picture, indicating some “heat” returning to the market.
- 3.25 Compared to the peak in mid/late 2007, the median house price in Waverley in late 2012 was around 13% up. This is broadly comparable to surrounding authorities in the HMA and slightly above the national level at 9%.

Figure 21: Median House Price (2008-2012)

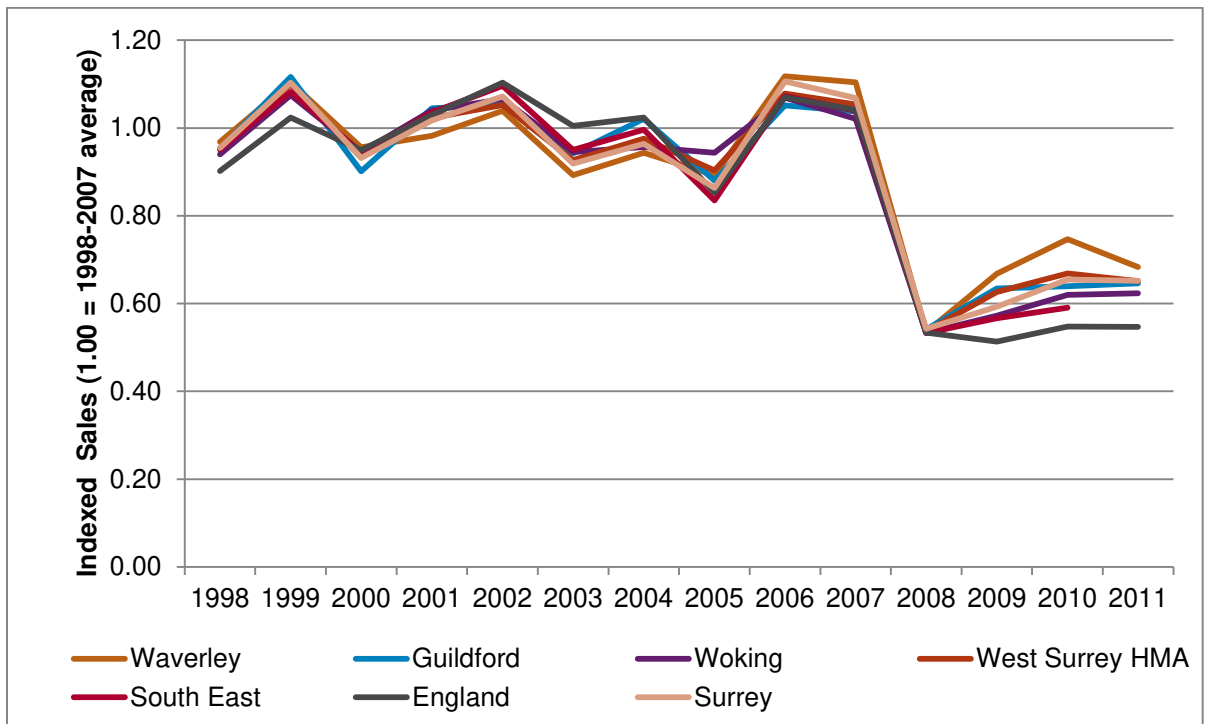


Source: DCLG Live Tables: Land Registry Data

Sales Volumes and Effective Demand

- 3.26 Sales volumes are an important indicator of effective demand for market housing. We have benchmarked sales performance against long-term trends to assess relative demand. The chart below benchmarks annual sales across Waverley, the West Surrey HMA (and its separate districts) and wider geographies over the 1998 to 2011 period. It uses an index where 1 is the average annual sales over the 1998-2007 decade (prior to the credit crunch).
- 3.27 It is however notable that market demand has recovered comparatively more strongly in Waverley than in the other two districts within the HMA and Surrey and the South East more generally. This is likely to be somewhat due to the profile of buyers and stock in the borough (that is a market dominated by more established households and less reliant on first time buyers).

Figure 22: Indexed Analysis of Sales Trends (1998 – 2011)



Source: DCLG Live Tables

3.28 We have also analysed house prices achieved last year (April 2012 to March 2013) in Waverley and the wider HMA in more detail to gain an understanding of the latest dynamics for different property types within the local housing market.

3.29 It is clear from the table below that mean prices across Waverley and the HMA are substantially above the regional average across all property types. However, there is relatively little difference between prices for different house types in Waverley as compared to the wider West Surrey HMA. This lends additional support to the definition of these areas as a single market area as clearly property across the three districts is likely to be serving a similar market.

Table 8: Mean House Prices (2012)

	Waverley		West Surrey HMA		South East
	Mean	Median	Mean	Median	Mean
Detached	£638,400	£541,000	£643,600	£545,950	£363,900
Semi-detached	£351,000	£325,000	£324,900	£310,000	£206,900
Terraced	£298,800	£250,000	£280,800	£250,000	£163,100
Flat	£206,950	£180,000	£233,900	£190,000	£129,200
Overall	£428,200	£340,000	£400,500	£305,000	

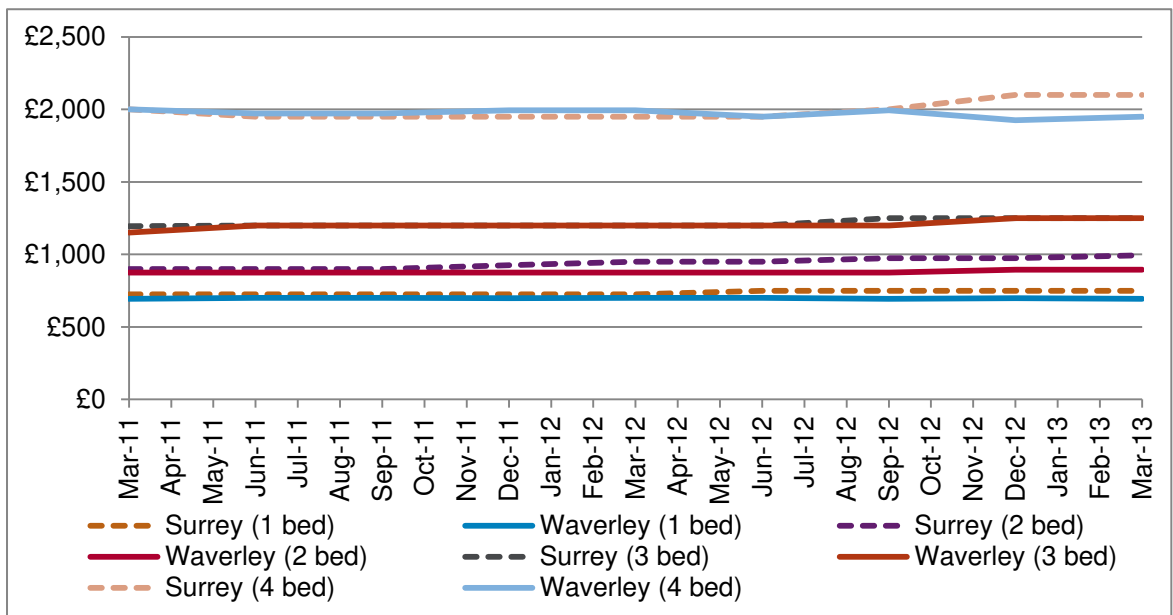
Source: GLH Analysis: Land Registry Price Paid Data

Rental trends

3.30 Analysis of trends in median monthly private rents indicates that there has been little movement in Waverley - or for that matter across Surrey - over the past couple of years, with values remaining largely flat across all property types. Information from the ONS Private Rental Index broadly supports the fact that there has been relatively limited growth in private rents since 2011.

3.31 Values in Waverley in early 2013 are broadly comparable to those seen across Surrey for all sizes of property.

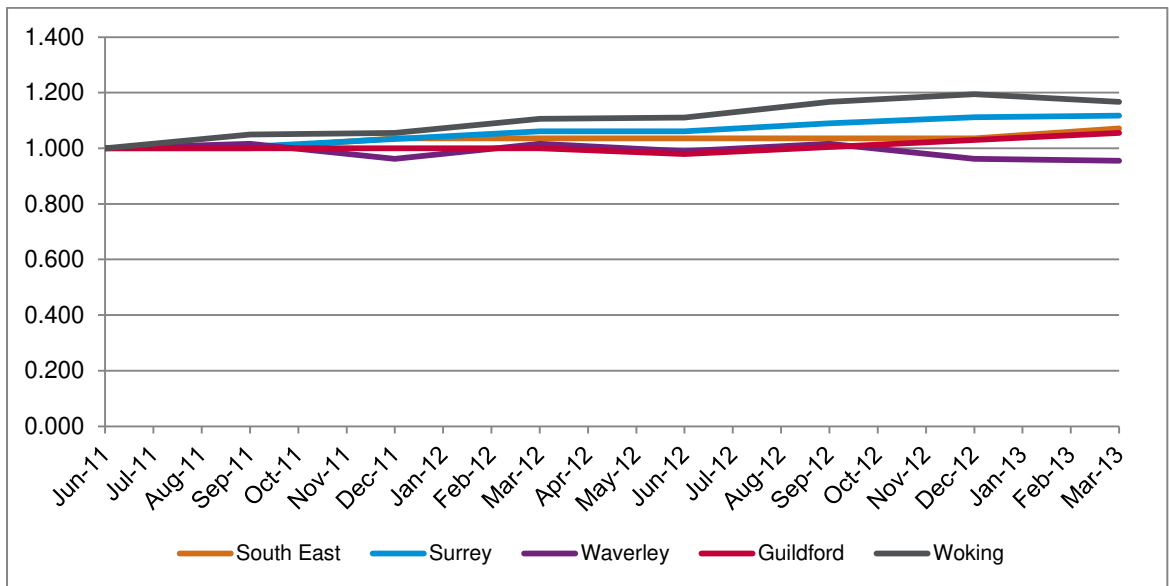
Figure 23: Median monthly private rents by property size (2011-2013)



Source: VOA Private Rental Data

3.32 Benchmarking median private rents shows that rental growth in Waverley has been behind that of Surrey and the South East over the past few years, with Waverley actually being the only area to post a rental decline over the period (-4.5%). This compares to 11.7% growth across Surrey and 7.1% across the South East more generally. Woking has seen particularly strong rental growth over the period of 16.7%.

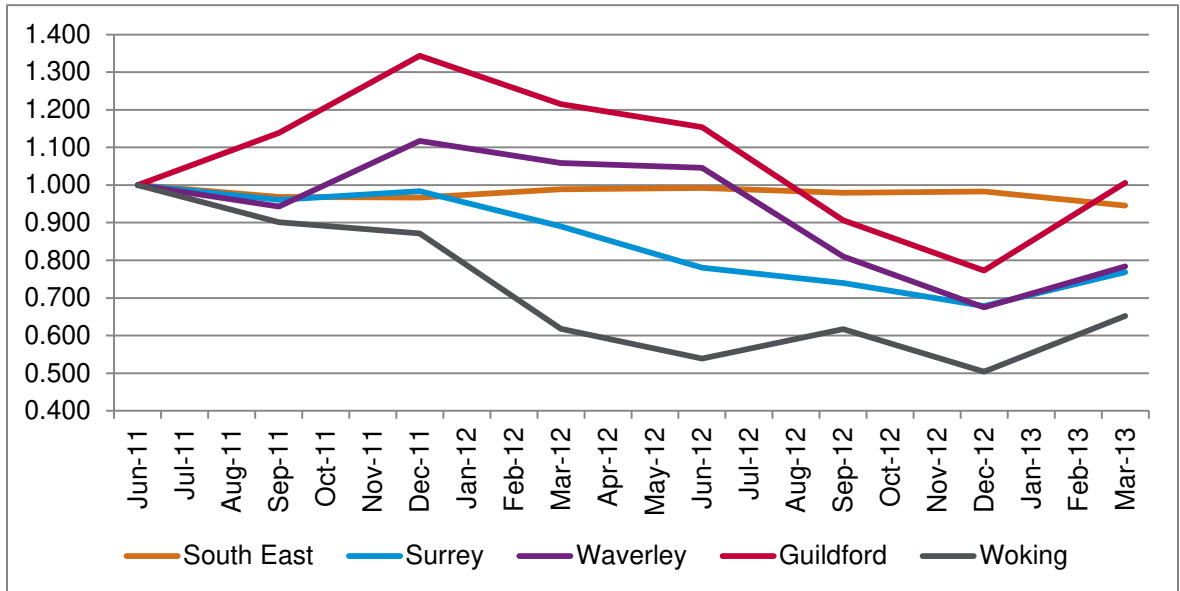
Figure 24: Benchmarked trend in average private rental values (2011-2013)



Source: VOA Private Rental Data

- 3.33 AS shown in the figure overleaf, trends in the number of rents recorded by the VOA shows a sharp dip in Waverley since mid-2012 with the number of transactions currently around 30% down from the peak level in late 2011. This trend of a decline in rental transactions is replicated across Surrey (and is even more pronounced in nearby Woking). In contrast, rental transaction levels across the South East more generally have broadly remained constant over the period. We also note that whilst Guildford saw a similar dip, transactions have somewhat recovered and now stand at similar levels to those seen in mid-2011; however, it is important to recognise that the Guildford private rental market will be somewhat unique given the impact of the university.
- 3.34 This fall in rental transactions across Surrey but specifically in Waverley is an indication of households returning owner occupation as a result of improved mortgage availability and the impact of Government schemes such as Help to Buy.

Figure 25: Trend in private rental transactions (June 2011 to March 2013)



Source: VOA Private Rental Data

Estate and letting agent consultation

- 3.35 To supplement the quantitative discussion above, in depth consultation with agents (sales and lettings) active in the local market in order to derive an “on the ground” view of activity, demand and pricing in the local market. We include in Appendix C the detailed findings and intelligence obtained from those active in the local market, including settlement level findings.
- 3.36 Agents indicated that prices have recovered from the bottom of cycle prices in 2008 and some property types in short supply have now exceeded the former peak values. This supports the quantitative analysis set out above. Agents indicated that price rises were being driven by an undersupply of housing and the ability of high earning incomers to pay increasing asking prices. Local agents estimated that up to 60% of all re-sales are bought by incomers; with Waverley particularly affected by demand from commuters.
- 3.37 In particular, agents noted the strong influence of London (particularly south west London). Many considered that the high quality towns and villages as well as good schools and links to London meant that many high income families perceive better “value for money” in Waverley. Guildford and to a lesser extent Aldershot were also seen as major influences on the market in Waverley.
- 3.38 As a direct result, lower income groups, many of which are local workers or involved in the local economy are priced out of the local sales and rental markets. This meant that most were choosing to remain living with parents (i.e. not form a household), whilst others were instead seeking more affordable options in nearby Aldershot and in parts of Guildford.

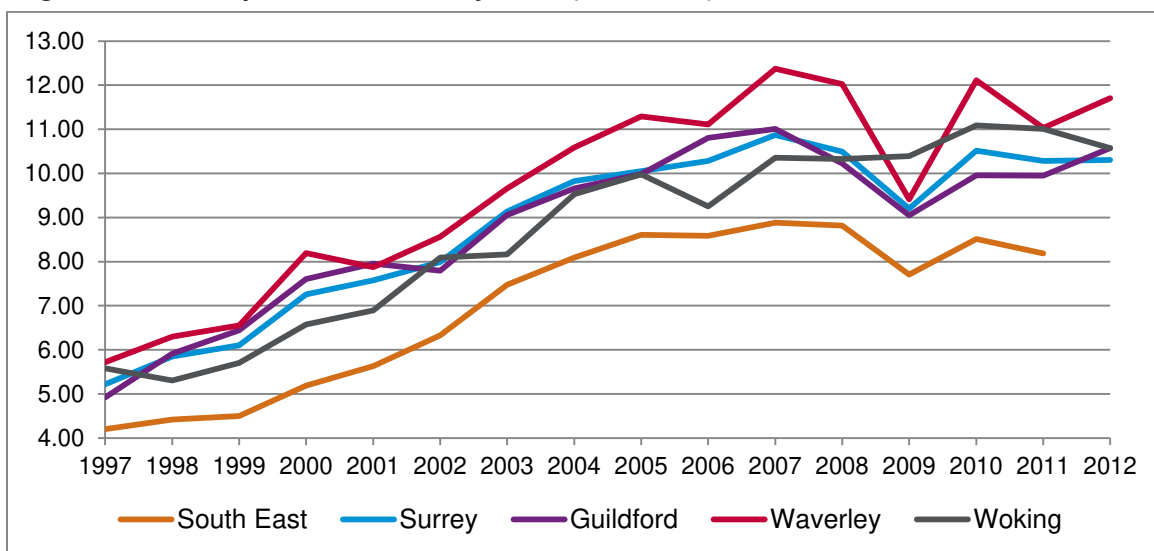
- 3.39 Estate Agents pointed to a number of critical gaps in supply. Firstly, it was noted that prices generally militate against a mass-market for first time buyers in Waverley. It was felt that only the volume builders can really address this issue on large sites (mostly with assistance from schemes such as Help to Buy) but there was little current activity in Waverley in this regard. First time buyers are critical to the functioning of the market as they allow chains to complete. Secondly, agents identified a shortage of “accessible” family housing in the £200,000 to £250,000 price range. This was considered the limit of affordability for local householders as they move up the property ladder.
- 3.40 Investors are active across the district. Younger middle income professionals are priced out of the re-sale market and many seek high quality rentals. Again there are gaps in the 3 bedroom supply at £1,500 pcm which according to letting agents’ practice requires an income of £45,000. Agents felt this shortage was pushing rental prices up.
- 3.41 Letting agents across the district told us that landlords generally do not encourage or permit house sharing. Agents tell us that this is an attractive option for young single professionals and lower paid workers. There is little supply in Waverley and its towns/villages but a significant supply in Guildford which was meeting some of the demand.

Affordability of Market Housing

Price-income ratios

- 3.42 In line with the draft planning practice guidance, we have considered evidence of affordability by looking specifically at the relationship between lower quartile house prices and incomes. As a general observation, we can see that across all areas the affordability of property has worsened quite markedly over the past 15 years; however, the issue has been continually more acute across Surrey than the wider South East.
- 3.43 During the mid-2000s (in the heat of the market), Waverley’s lower quartile affordability ratio rose at a sharper rate than comparator areas, rising to a peak of 12.11 in 2007 and showing somewhat notable divergence from the wider Surrey trend and that of the two other authorities in the HMA. Whilst this divergence has somewhat lessened – particularly as a result of a relatively steep drop in the ratio during the recession – it provides an indication that in a high demand market, Waverley experiences a comparatively more significant problem with affordability.

Figure 26: Lower quartile affordability trend (1997-2012)



Source: DCLG Housing Market Live Tables

3.44 We have also considered and compared this to the median price-earnings ratio to identify whether affordability is an issue across the market or within a particular segment. In all of the comparator areas, the median ratio is below the lower quartile ratio, indicating that affordability is somewhat more of an issue at the lower end of the market. However, in Waverley, the median ratio is above the lower quartile ratio, suggesting that affordability is an issue across the market more generally.

Table 9: Comparison of lower quartile and median affordability (2012)

	Lower quartile ratio	Median ratio
Waverley	11.70	12.40
Guildford	10.57	9.84
Woking	10.57	9.91
Surrey	10.31	9.41
South East	8.19*	7.97

Source: DCLG Housing Market Live Tables. *Data for South East is 2011 as no 2012 data is available.

Summary of Key Findings

- There has been a fundamental shift in housing market conditions nationally since 2007, particularly in relation to confidence and credit availability
- Substantial decline in effective demand (40% on normal market conditions) across the HMA since the market peak. There is little evidence of a sharp recovery but some signs, particularly locally, that buyers are returning to the market faster
- At start of recession, house prices in Waverley fell more sharply than the wider HMA (and South East) and recovery has been slightly more gradual. That said, median price in Waverley in late 2012 now 13% up on late 2007 levels.
- Local evidence suggests that a number of property types now exceed previous peak levels due to shortage of supply
- House prices across the HMA are substantially above the South East level and in Waverley specifically are slightly above the two other authorities for all property types except flats.
- Private rents have been broadly static in Waverley over the past few years and are broadly comparable to Surrey averages. Whilst these figures may indicate that there is not substantial demand pressure in the private rented market, local agents report an upsurge in demand from young middle income professionals driven by a shortage of properties (particularly 3 bedrooms).
- Evidence suggests transactions in the private rental have fallen quite sharply since 2012, perhaps an indication of buyers (particularly younger buyers) returning to the purchase market as mortgage availability has improved (possibly also as a result of Government schemes such as Help to Buy).
- In Waverley, local agents indicate this is driven particularly by “incomers” who account for 60% of re-sales. In particular, in migration from London was noted and this was driving prices up and out of reach of local workers (who instead are being driven to Guildford and Aldershot).
- There are some critical gaps in local supply, particularly in homes suitable to first time buyers and also in the supply of smaller family housing
- Issues of affordability are notable across the HMA; however, they are particularly acute in Waverley both at lower quartile and median incomes. There is evidence that affordability is constraining and restricting household formation, particularly amongst the 20 to 35 age groups (i.e. first time buyers or smaller families).

4 ASSESSING HOUSING REQUIREMENTS

Introduction

- 4.1 This section of the SHMA seeks to establish overall housing requirements in Waverley. The analysis is prepared to meet the requirements of the NPPF which says the scale of housing required should be based on meeting *'household and population projections, taking account of migration and demographic change'* (para 159) and the approach proposed in the draft planning practice guidance.
- 4.2 As discussed in the introduction, it has not been possible to align evidence preparation at this stage and therefore detailed demographic analysis has only been prepared for Waverley. However, in line with the draft Guidance, we have sought to consider the balance of planned supply and demand in the other areas within the HMA and closely related to it, making reference to the latest national household projections and reflecting their existing evidence base.

The Starting Point

- 4.3 In line with the guidance, the starting point for any projection is reasonably an analysis of the most recent Government projections. At the time of writing these were the 2011-based 'interim' subnational population projections (SNPP) and the 2011-based 'interim' household projections from CLG (which are directly based on the SNPP).
- 4.4 These projections are important as they provide a consistent approach where key inputs (such as levels of internal migration) sum at a national level. The SNPP is also a good source of data as it uses a 'multi-regional' model that studies migratory movements by age and sex between all local authorities in the country. The SNPP is however limited by the accuracy of data underpinning it such as migration which is notoriously difficult to accurately measure – particularly at smaller area level.
- 4.5 The table below shows household growth in Waverley from the 2011-based CLG projections. The projections cover the 10-year period to 2021 which is the full period covered by CLG. For the whole period studied these projections suggest a 9.4% increase in households. This is slightly below the average growth expected in the South East (10.8%) and nationally (10.0%).

Table 10: Projected household growth 2011-21 – CLG 2011-based household projections

Households 2011	49,352
Households 2021	53,985
Change in households	4,633
Change per annum	463
% change from 2011	9.4%

Source: CLG 2011-based household projections

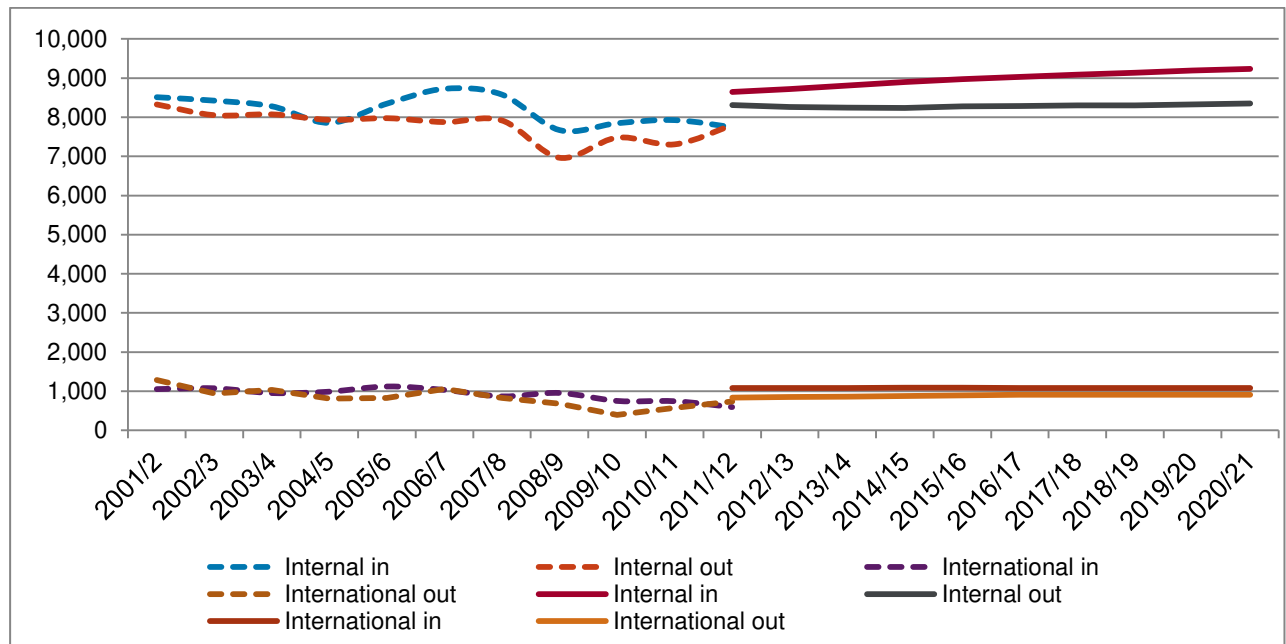
Taking Account of the Latest Demographic Evidence

- 4.6 Whilst the figures in the household projections appear broadly reasonable in the context of regional and national comparisons, (in line with the guidance), the practice guidance directs plan makers to take account of the most recent demographic evidence, including population estimates prepared by the Office of National Statistics.
- 4.7 We have therefore examined the key local inputs feeding into the SNPP for Waverley in more detail, in particular seeking to reflect the 2011 mid-year population estimates (which incorporate data on components of change such as migration from 2001-11 and have been rebased to take account of Census population estimates) and the implications of the 2012 mid-year population estimates which were published in June 2013. Given the sensitivity around migration, we discuss our analysis in detail below.

Understanding historic migration patterns to/from Waverley

- 4.8 The figure below shows past trends in migration from 2001 to 2012 and how ONS is projecting this moving forward. This shows that over the past decade that there has generally been a level of net internal in-migration into the Borough whilst international migration is more in balance although many years in the recent past also show a small level of net in-migration.
- 4.9 In projecting forward ONS has recognised a net in-migration from other parts of the UK although the levels of both in- and out-migration look to be quite high when compared with recent trends. The projections also suggest an increase in the gap between in- and out-migration (i.e. increasing net migration into the Borough).
- 4.10 Whilst this does not appear to fit with past trends, there is some logic to such a pattern. As the general population grows, the number of people in other areas who could in-migrate to the borough will increase and thus levels of in-migration could increase. With out-migration, the important factor is population ageing in Waverley, as older age groups have a lower tendency to move and migrate. The projection that out-migration will be fairly constant over the projection period is therefore perfectly plausible.
- 4.11 For international migration a level of net in-migration is also projected although as with internal migration the actual levels of both in- and out-migration look to be on the high side when compared with trends over the past three years.

Figure 27: Past and projected trends in migration (baseline) – Waverley



Source: ONS

- 4.12 The differences between past trends and the projection may to some degree be explained by the fact that ONS used data from 2005 to 2010 for forward projections (due to this being the most up to date information available at the time) and this period does not look to be properly reflective of some of the more recent data recorded. Over the period 2005-10 the average level of migration was an in-migration of around 780 people per annum whilst data for the 2007 to 2012 period shows a net in-migration of around 600 people per annum.
- 4.13 In addition, the SNPP were published before mid-year population estimates had been recalibrated to be consistent with population information in the 2011 Census. For Waverley this additionally suggested over the decade to 2011 that population growth had been over-estimated by around 600 people. This is recorded by ONS as being within an ‘other unattributable’ population category. Whilst this over-estimation could be related to incorrect recording of the population (either in 2001 or 2011) or of special groups of the population (such as prisoners) it is considered that differences are most likely to be due to the over- or under-recording of migration.
- 4.14 In Waverley over the period from 2001 to 2011, ONS data shows an average in the ‘other unattributable’ group of around 60 people per annum. Essentially this means that past recording of population change had over-estimated the growth of the population in the Borough by 60 people per annum when compared with population data shown once 2011 Census data was published.
- 4.15 In looking at past trends in migration we have therefore adjusted the figures as recorded by ONS to take account of this over-estimate of population growth (as noted above this difference is assumed

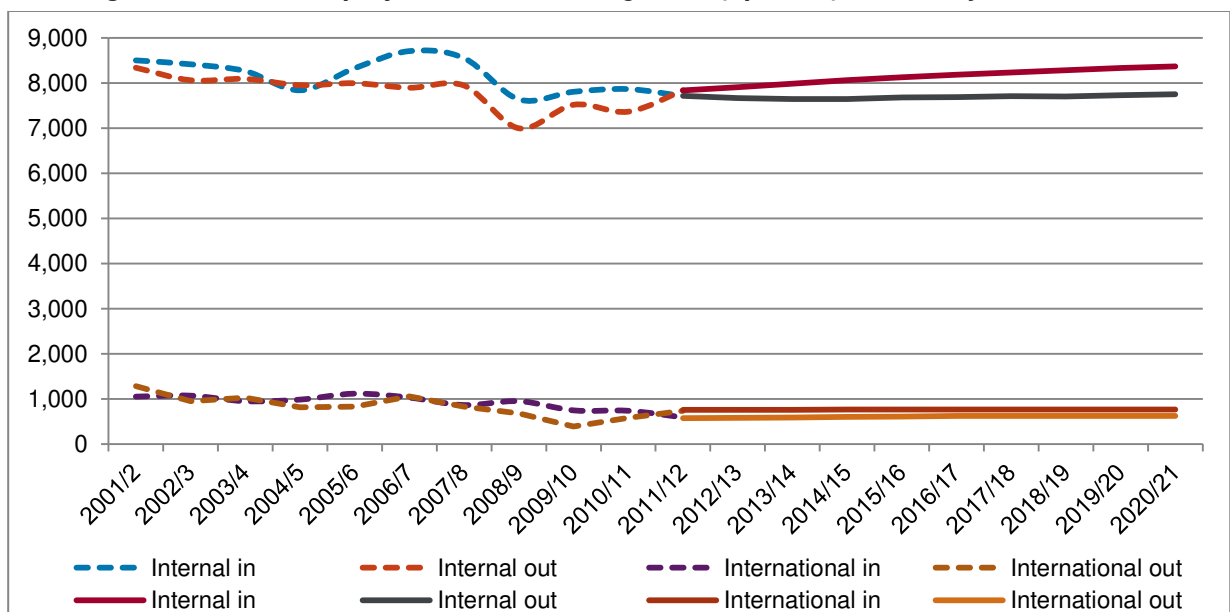
to be due the recording of migration). For the 2012 data where no such adjustment is known we have assumed a figure of 80 to be appropriate (this is the average for the five-year period from 2007-12).

4.16 The figure below therefore shows the likely past levels of in- and out-migration by type of migration. In making adjustments to the data shown in figure above it is assumed that any difference between the recording of past migration will be in relation to both in- and out-migration as well as by component.

4.17 The figure also shows how we have used this amended migration profile to project forward. Our assumption here is that the start position is strongly linked to the past trend data but as we move through time a greater weight is given to the SNPP estimates. We have noted that there is some logic to the SNPP figures and would consider that in the longer-term given interactions with other areas that migration profiles might return to the projected levels used by ONS. Hence our core projection has a different baseline start position (which is based on the average levels of migration seen in the past 5-years and then brought in line with the 2012 mid-year population estimates (as amended)) and then follows SNPP migration figures (suitably rebased) over the 20-year period to 2031.

4.18 This amended migration profile sees an average net in-migration to the Borough of 595 people per annum (2011-21) compared with a net in-migration of 883 in the SNPP. A lower level of net in-migration is more consistent with recent trends with data for 2011/12 actually showing net out-migration (although this is atypical when compared with all other years in the previous decade).

Figure 28: Past and projected trends in migration (updated) - Waverley



Source: Derived from ONS data

4.19 We have taken account of this updated migration profile to produce an accurate revised projection of the population in Waverley. The table below shows the outputs of our adjusted migration modelling when converted through into household growth (linked to headship rate assumptions in the 2011-based CLG household projections). The data now suggests household growth across the borough of 7.5% over the decade.

Table 11: Projected household growth 2011-21 – based on amended migration levels

Households 2011	49,360
Households 2021	53,068
Change in households	3,708
Change per annum	371
% change from 2011	7.5%

Source: JGC Projection Modelling

4.20 For these projections to be useful for planning purposes, we have extended the projection period to 2031 following the methodology and assumptions set out in Appendix B. The outcomes of this are set out in the projection outputs section below, identified as PROJ 1.

Sensitivity Testing

4.21 In addition to preparing a main scenario to take account of more recent data about population change and migration, the guidance also indicates that local planning authorities may undertake sensitivity testing to take account of local circumstances. In particular, the guidance advocates testing assumptions around household formation and the implications of economic (and employment growth).

PROJ 1A – Adjusted Household Formation Assumptions

4.22 The headship rates in the 2011-based projections are based on trends between 2001 and 11 – a period during which house prices rose substantially and affordability worsened both in Waverley and across the wider South East.

4.23 Our findings particularly show that the 20s and early 30s population in Waverley has fallen quite markedly over the past decade, significantly more so than the HMA or the wider South East. This is the age group particularly associated with newly forming households. Coupled with this, we find evidence of comparatively low historic population growth, particularly given the market dynamics (i.e. high demand) in Waverley. In our view, this tends to suggest that household formation is likely may have been suppressed (or in some cases displaced) and therefore the 2011 headship rates are likely to somewhat underestimate future growth.

4.24 We have therefore run a sensitivity analysis on PROJ 1 (Adjusted SNPP), applying headship rates from the 2008 based CLG household projections (which are based on a longer term trend).

PROJ 2 – Supporting Forecast Economic Growth

- 4.25 The draft guidance puts a strong emphasis on the need to consider the implications of economic and employment growth on housing requirements; however, this was also recognised in the 2007 SHMA Practice Guidance (Stage 2).
- 4.26 This projection links population and housing growth to a particular increase in jobs in the Borough. To do this we have used the Spring 2013 Experian economic forecast for Waverley (which is discussed in section 3) which suggests total employment growth from 2011 to 2031 of 11,900 jobs. For our projection, we have studied the likely increase in population and households arising from this increase in jobs and the associated increase in the economically active population within Waverley.
- 4.27 Although the Experian projection phases this increase, our projection has looked at achieving this level of employment growth over the whole projection period with year-on-year differences being driven by changes to migration (which again have maintained the general structure of change in the SNPP).

Projection Outputs

- 4.28 We set out and discuss the key outputs from the three projection scenarios below.

Population Projections

- 4.29 The table and figure below show the expected growth in population under each of the projection scenarios. With the main projections linked to the SNPP (PROJ 1 & 1A) we see population growth of about 12.5% over the 20-year period to 2031 – a population increase of 15,200 people. The projection linked to an Experian economic forecast (PROJ 2) however comes out somewhat higher; showing population growth of 19.3%.

Table 12: Population Estimates 2011 to 2031

	2011	2016	2021	2026	2031
PROJ 1 – SNPP (updated)	121,754	125,540	129,764	133,743	136,958
	0.0%	3.1%	6.6%	9.8%	12.5%
PROJ 1A – SNPP (updated)	121,754	125,540	129,764	133,743	136,958
with adjusted headship	0.0%	3.1%	6.6%	9.8%	12.5%
PROJ 2 – Experian economic forecast	121,754	127,287	133,499	139,671	145,234
	0.0%	4.5%	9.6%	14.7%	19.3%

Economically Active Population Changes

- 4.30 The table and figure below shows the estimated number of economically active people under each of the projection scenarios. For the main SNPP based projections we see an increase of 11.6% with the two other demographic projections being more moderate (7%-8% increases in the economically active population). With the projection linked to the economic forecast the number of economically active people is expected to increase by around 19%; however, increases in the economically more economically active population are more moderate in the first few years of the projection as a result of lower levels of net migration in these earlier years.

Table 13: Economically Active Population Estimates 2011 to 2031

	2011	2016	2021	2026	2031
PROJ 1 – SNPP (updated)	62,235	63,214	65,055	67,040	69,479
	0.0%	1.6%	4.5%	7.7%	11.6%
PROJ 1A – SNPP (updated) with adjusted headship	62,235	63,214	65,055	67,040	69,479
	0.0%	1.6%	4.5%	7.7%	11.6%
PROJ 2 – Experian economic forecast	62,235	64,216	67,195	70,388	74,156
	0.0%	3.2%	8.0%	13.1%	19.2%

Household (and Housing) Growth

- 4.31 The table below shows the projected growth in the number of households for each projections. Household growth is expected to be stronger in proportionate terms than either population or employment growth. This is due to the ageing of the population and projected decreases in average household sizes over time.
- 4.32 The main SNPP based projection (PROJ 1) shows a household increase of 15.1% or about 7,450 more households. However, applying the headship sensitivity (PROJ 1A) shows a greater increase of about 8,970 households (18.2%). The economic based projection is even higher still (20.6%).

Table 14: Household Estimates 2011 to 2031

	2011	2016	2021	2026	2031
PROJ 1 – SNPP (updated)	49,360	51,118	53,068	55,007	56,808
	0.0%	3.6%	7.5%	11.4%	15.1%
PROJ 1A – SNPP (updated) with adjusted headship	49,360				58,335
	0.0%				18.2%
PROJ 2 – Experian economic forecast	49,360	51,659	54,258	56,927	59,520
	0.0%	4.7%	9.9%	15.3%	20.6%

- 4.33 The analysis above concentrated on the number of additional households. In reality there are always likely to be some vacant homes in the area and so the number of properties required to house all of these households will be slightly greater than the projected household numbers. A vacancy allowance of 3% has therefore been applied to all of the above figures to make estimated

housing requirements; the resulting figures are shown in the table below. This is slightly below the current level of vacancy/second homes in Waverley (4.5%) but reflects the fact that vacancy is typically lower within the new build stock.

- 4.34 The table shows an annual housing requirement for 384 homes – about 7,700 over the 20-year period to 2031 when looking at our main projection linked to the SNPP. The projection allowing for greater household formation (in line with the 2008 CLG assumptions of headship) leads to a somewhat higher requirement of 462 homes per annum whilst the projection linked to the Experian employment growth forecast is higher still at 523.

Table 15: Estimated housing numbers with 3% vacancy allowance (to 2031)

Area	Annual household growth	Annual requirement (inc. vacancy allowance)	Plan period requirement
2011 SNPP	463	477	9,540
PROJ 1 – SNPP (updated)	372	384	7,672
PROJ 1A – SNPP (updated) with adjusted headship	449	462	9,244
PROJ 2 – Experian economic forecast	508	523	10,464

Housing Requirements across the Housing Market Area

- 4.35 As set out in the first section of this report, our analysis defines Waverley as falling within a housing market area with Guildford and Woking. However, we also recognise that Waverley (and the HMA more generally) has important interactions with East Hampshire and Rushmoor which are particularly relevant in the context of the Duty to Cooperate. Detail in support of this section is set out in Appendix D.
- 4.36 We therefore need to consider housing requirements and planned supply in other areas across the HMA as well as those where particular overlaps have been identified. Firstly, it is helpful to consider the stage in the plan-making process which the various authorities are currently at. We briefly set out the position of each below:
- Woking has a recently adopted Core Strategy (October 2012) which contains the overarching development strategy for the borough covering the period to 2027. The Core Strategy incorporates an adopted housing target of 4,964 additional dwellings between 2010 and 2027 (equivalent to 292 per annum). The Council is currently progressing with site allocations for a variety of uses including general needs housing.
 - Guildford is currently preparing its new “Strategy and Sites” Local Plan and is in the process of compiling the supporting evidence base for a range of issues with a view to publishing an Issues and Options paper for consultation in autumn 2013. The Council adopted an interim housing number of 322 homes per annum in May 2012 pending adoption of the emerging Local Plan.

- East Hampshire submitted its joint Core Strategy⁶ for examination in May 2012 and an examination was held in November 2012. The examination process was suspended to enable the Council to carry out additional technical work and as a result the Council published a series of Further Proposed Modifications to the plan in September 2013. The Further Modifications version incorporates a target to deliver at least 10,060 homes in the borough between 2011 and 2028, equivalent to 592 dwellings per annum.
- Rushmoor adopted its Core Strategy (covering the period to 2027) in October 2011. The plan incorporates a housing target of 6,350 additional dwellings between 2010 and 2027, equivalent to approximately 374 per annum – including an urban extension of around 4,250 dwellings in the Aldershot area by 2027.

4.37 We have compared current proposed levels of delivery (either in adopted or emerging plans) against the annual level of projected household growth from the CLG 2011-based projections. It should be noted from the outset that we have not reviewed the robustness of – or rebased – these projections in light of more recent demographic information. It is also important to recognise that some of those authorities considered are beginning – or in the process of – carrying out studies to identify housing requirements and this indicative comparison is not intended to prejudge the findings of those more comprehensive studies.

4.38 In this context, the table below shows the indicative comparison of planned figures against the latest CLG household projections. Overall, reflecting the existing evidence base, housing needs in Woking and Guildford combined could be in the region of 1,070 to 1,240 homes per annum. Compared to current planned levels of supply (614 p.a.), we can see there is a potentially significant shortfall in provision across the two authorities of between 460 and 620 dwellings per annum.

4.39 When we consider the other authorities with which Waverley shares identifiable and important functional relationships, there is a different picture. Both Rushmoor and East Hampshire are currently planning for a greater level of delivery than is indicated by the CLG projections, with East Hampshire also meeting the objectively assessed needs identified in its 2013 SHMA.

4.40 As things stand it therefore looks as if the West Surrey HMA may fall short of meeting the baseline CLG projections. On the face of it, there is also likely to be a somewhat limited scope for other authorities within the HMA to absorb unmet needs or accommodate additional provision over and above their own needs. In the context of the Duty to Cooperate, it remains important that Waverley engages with these authorities as well as those outside the HMA (particularly East Hampshire and Rushmoor).

⁶ The East Hampshire Joint Core Strategy has been prepared jointly with the South Downs National Park Authority

Table 16: Comparison of current planned housing targets against 2011 CLG household projections (all annual figures)

Area	Planned target	2011 h'hold projections	Latest SHMA evidence
Woking	292	411	594 p.a. (2009 SHMA)
Guildford	322*	663	644 p.a. (2009 SHMA)
East Hampshire	592	464	550 to 610 p.a. (2013 SHMA)
Rushmoor	374	188	1,010 p.a. (2008 SHMA)

*Source: GLH Analysis: CLG Household projections *Interim target adopted by Council in absence of South East Plan target.*

Summary of Key Findings

- 4.41 The NPPF (and national guidance) sets out that plans should be prepared on the basis of meeting full needs for market and affordable housing. Both the 2007 SHMA Guidance and the more recent draft National Planning Practice Guidance highlight the need to assess national projections; however the more recent guidance makes clear that these should be seen as a starting point but that authorities may consider sensitivity testing projections in response to local circumstances and the latest evidence. We have therefore prepared a range of population/household projections based on different demographic and economic (employment growth) assumptions.
- 4.42 In accordance with the draft planning guidance, the 2011-based SNPP and related CLG household projections have formed the starting point for our assessment. These projections indicate a requirement for around 477 homes per annum. There are two particular limitations with this projection: it only covers the period to 2021 and our analysis suggests that there is robust justification to deviate from some of the assumptions underpinning the ONS/CLG work.
- 4.43 In particular our analysis of the latest available demographic data releases indicates that past population growth in Waverley has been over-estimated. In addition, contemporary data shows that recent migration trends are somewhat lower than the figures available at the time the 2011-based SNPP were prepared.
- 4.44 This leads us to PROJ 1. This projection is linked to the SNPP but, in line with the draft guidance, incorporates migration inputs which have been moderated to reflect the latest available demographic information. This indicates a requirement for 7,670 dwellings (rounded to the nearest 10) over the 2011 to 2031 period, equivalent to 384 per annum.
- 4.45 As the 2007 SHMA Guidance recognises, demographic and market trends can influence rates of household formation. Based on our analysis of these factors in Waverley, there is some evidence that household suppression is likely to have occurred in the borough over the recent past. In line with the draft Guidance we have therefore carried out a sensitivity test on PROJ 1 using headship rate assumptions from the 2008 CLG projections (which are based on a trend over a longer period

and in general terms assume that the average household size will decline at a faster rate over the projection period). This results in higher household formation and a requirement for 462 dwellings per annum between 2011 and 2031, around 80 per annum above the adjusted SNPP.

- 4.46 In accordance with the SHMA Guidance (Stage 2) and draft Planning Practice Guidance, we have also considered the implications of future economic and employment trends on housing requirements. We can compare this projection to that driven by the economic forecast (PROJ 2). PROJ 2 forecasts an increase of economically active residents of 11,900 over the 2011-31 period; whereas PROJ 1 would support an increase of around 7,200. The analysis suggests that economic performance could create upward pressure on the housing market, with PROJ 2 consequently identifying a requirement for 523 homes per annum.
- 4.47 The outputs of the economic modelling should however be treated as a sensitivity rather than an accurate assessment of requirements. In purely methodological terms, there are inherent limitations in the accuracy of economic forecasts, particularly at district level. Furthermore, the relationship between population growth and growth in jobs locally is however complex, and is sensitive to changes in employment rates, commuting patterns and double jobbing.
- 4.48 The pure forecasts also need to be considered in the context of economic realities. The forecasts anticipate annual growth in Waverley of just over 1.0% which, when compared to pre-recession trends (0.87% annual growth), could be considered optimistic. In addition, future employment growth in the borough will in reality be sensitive to the wider economic recovery and at the micro level could be affected by single shocks such as the contraction or closure of a major employer (as has recently occurred with the loss of around 400 jobs in the borough following the relocation of WWF). There are also particular local sensitivities in relation to public funding and the resultant impact on jobs in the public sector which currently accounts for around a quarter of employment in the borough.
- 4.49 In line with the draft Guidance, we have also considered needs in the wider HMA reflecting the existing evidence base. This evidence indicates that needs across Woking and Guildford combined could be in the region of 1,070 to 1,240 homes per annum. With current planned supply of 614 homes per annum across the two authorities, it is likely that provision in the HMA will fall short of need with little apparent scope for Woking and Guildford to absorb any unmet needs which may arise.
- 4.50 The outputs of these demographic projections are only part of the picture, and need to be brought together with the evidence on market signals above and the following assessment of affordable housing need in coming to an objective assessment of overall housing need.

5 AFFORDABLE HOUSING NEED ASSESSMENT

Approach to Assessing Affordable Housing Need

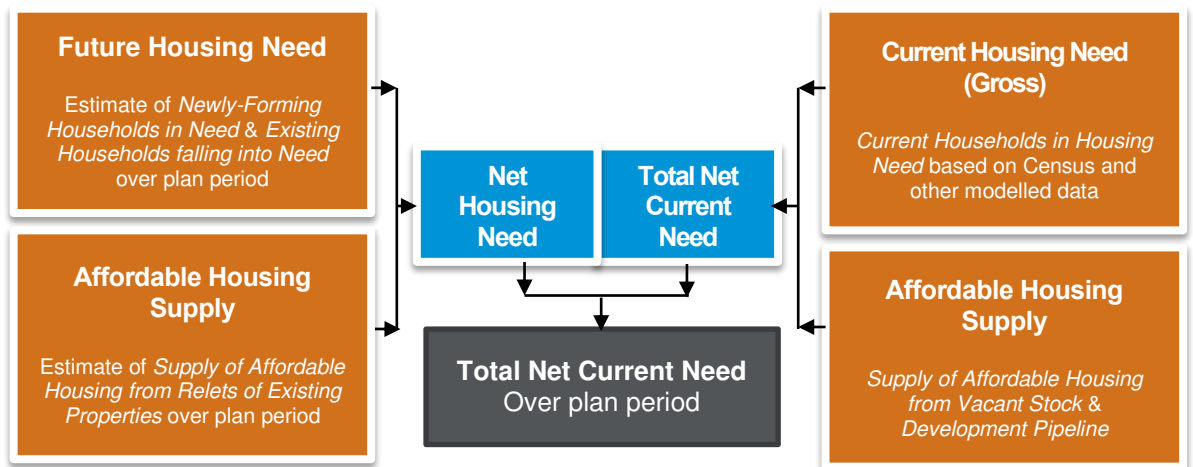
5.1 In this section we discuss levels of affordable housing need across Waverley, looking at five key sub-areas (Farnham, Godalming, Haslemere, Cranleigh and the rest of the borough).

5.2 Housing need is defined in the latest draft guidance as those households who lack their own housing or live in unsuitable housing and who cannot afford to meet their housing needs in the market. The draft Practice Guidance also sets out a standard approach for assessing housing need - consistent with the methodology advocated in the 2007 SHMA Guidance - which we adopt for this study.

Assessment process

5.3 Affordable housing need has been assessed using the approach set out in the latest draft planning guidance. This model is summarised in the chart below.

Figure 29: Overview of Basic Needs Assessment Model



5.4 The figures presented in this report for affordable housing needs have been based on contemporary secondary data sources including analysis of 2011 Census data. The housing needs modelling undertaken provides an assessment of housing need for the period to 2031. Each of the stages of the housing needs model calculation are discussed in more detail below.

5.5 The housing needs model is however influenced strongly by housing market conditions (and particularly the relationship of housing costs and incomes) at a particular point in time – the time of the assessment – as well as the existing supply of affordable housing (through relets of current stock) which can be used to meet housing need.

Key Definitions

5.6 We begin by setting out key definitions relating to housing need, affordability and affordable housing.

- **Affordable housing:** Affordable housing is defined in the NPPF housing provided to eligible households whose needs are not met by the market. Eligibility is determined with regard to local incomes and local house prices. Affordable housing should include provisions to remain at an affordable price for future eligible households or for the subsidy to be recycled for alternative affordable housing provision.
- **Social rented housing:** Defined as rented housing owned and managed by local authorities and registered social landlords, for which guideline target rents are determined through the national rent regime. It may also include rented housing owned or managed by other persons and provided under equivalent rental arrangements to the above, as agreed with the local authority or with the Homes and Communities Agency as a condition of grant.
- **Affordable rented housing:** Defined as rented housing let by registered providers of social housing to households who are eligible for social rented housing. Affordable Rent is not subject to the national rent regime but is subject to other rent controls that require a rent of no more than 80 per cent of the local market rent.
- **Intermediate housing:** Intermediate housing is housing at prices and rents above those of social rent, but below market price or rents. These can include shared equity products (e.g. HomeBuy), other low cost homes for sale and intermediate rent but does not include affordable rented housing.
- **Housing Need:** Housing need is defined as the number of households who lack their own housing or who live in unsuitable housing and who cannot afford to meet their housing needs in the market.
- **Newly-Arising Need:** Newly-arising (or future) need is a measure of the number of households who are expected to have an affordable housing need at some point in the future. In this assessment we have used trend data from CORE along with demographic projections about the number of new households forming (along with affordability) to estimate future needs.
- **Supply of Affordable Housing:** An estimate of the likely future supply of affordable housing is also made (drawing on secondary data sources about past lettings). The future supply of affordable housing is subtracted from the newly-arising need to make an assessment of the net future need for affordable housing.
- **Affordability:** Affordability is assessed by comparing household incomes, based on income data modelled using a number of sources including CACI, ASHE, the English Housing Survey (EHS) and ONS data, against the cost of suitable market housing (to either buy or rent). Separate tests

are applied for home ownership and private renting (in line with the previous SHMA Guidance) and are summarised below:

- *Assessing whether a household can afford home ownership: A household is considered able to afford to buy a home if it costs 3.5 times the gross household income – CLG guidance suggests using different measures for households with multiple incomes (2.9×) and those with a single income (3.5×), however (partly due to data availability) we have only used a 3.5 time multiplier for analysis. This ensures that housing need figures are not over-estimated – in practical terms it makes little difference to the analysis due to the inclusion of a rental test (below) which tends to require lower incomes for households to be able to afford access to market housing;*
- *Assessing whether a household can afford market renting: A household is considered able to afford market rented housing in cases where the rent payable would constitute no more than 30% of gross income. CLG guidance suggests that 25% of income is a reasonable start point but suggests that a higher figure could be used. In Waverley household incomes are generally quite significantly above the national average and so the 25% figure has been changed to 30% for affordability testing. The analysis also contains sensitivity analysis using 25% but also raising the threshold to 35% and 40% given the socio-economic characteristics of Waverley.*

5.7 It should be recognised that a key challenge in assessing housing need using secondary sources is the lack of information available regarding households' existing savings. This is a key factor in affecting the ability of young households to purchase housing particularly in the current market context where a deposit of at least 10% is typically required for the more attractive mortgage deals. However in many cases households who do not have sufficient savings to purchase have sufficient income to rent housing privately without support, and thus the impact on the overall assessment of housing need is limited.

Survey of Local Prices, Rents and Affordability

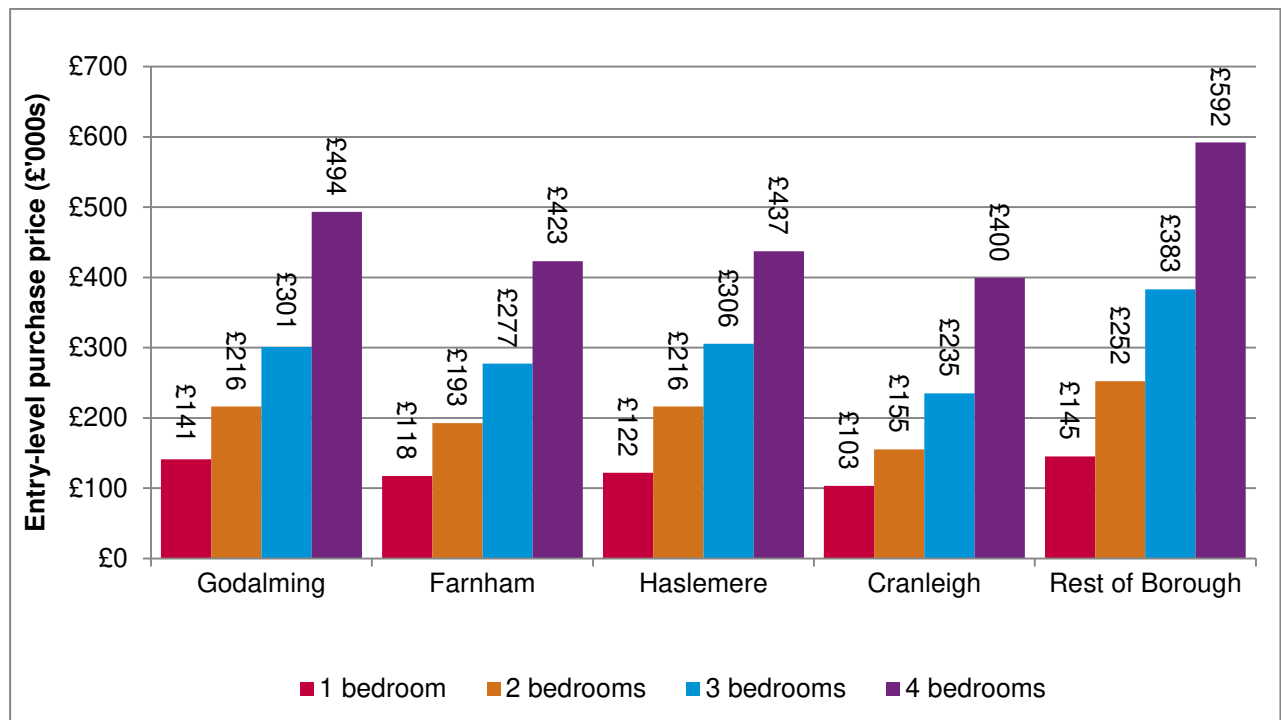
5.8 An important part of the assessment of housing need is to establish the entry-level costs of housing to buy and rent. This housing needs assessment then compares this with the incomes of households within the Borough to establish what proportion of households can meet their needs in the market, and what proportion require support and are thus defined as having a 'housing need.'

5.9 In this section we establish the entry-level costs of housing to both buy and rent in each of the five sub-areas. Our approach has been to carry out a desktop survey using internet sources. We have assessed prices and rents for different sizes of properties from one to four bedrooms in each of the different locations.

5.10 The figure below shows estimated lower quartile property prices obtained from this search. The prices have been reduced slightly (on average by about 6%) to take account of the difference between asking prices and prices paid based on information from the Hometrack website.

5.11 The data shows some differences between areas with prices in the Rest of Borough area being particularly high and the lowest prices to be found in Cranleigh. Overall, prices are estimated to start at about £103,000 for a one-bedroom home in Cranleigh and rising to about £592,000 for four bedrooms in the Rest of Borough area. The data excludes shared ownership and retirement homes for the purposes of analysis (although the latter have been included within the analysis of volumes of homes available by size).

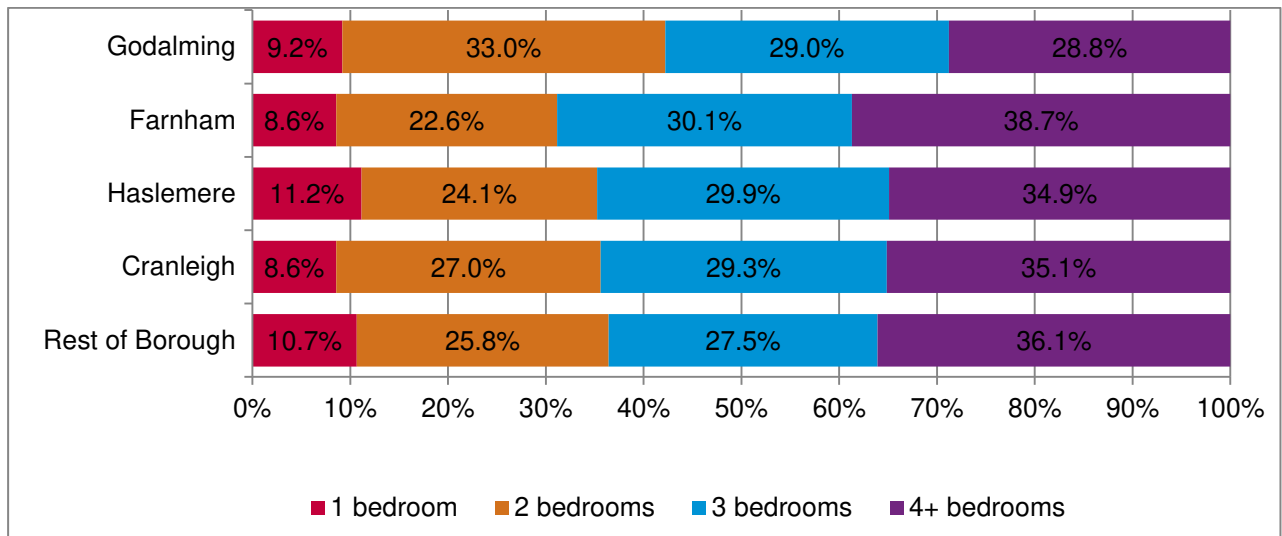
Figure 30: Entry-level Purchase Price



Source: Online Estate and Letting Agents Survey (August 2013)

5.12 The figure below shows the volume of properties for sale in each of the five sub-areas. The data shows in all areas that the focus is on larger (3 and 4 bedroom) properties. There are surprisingly only small differences between areas with broadly the same pattern of available properties being seen in all locations.

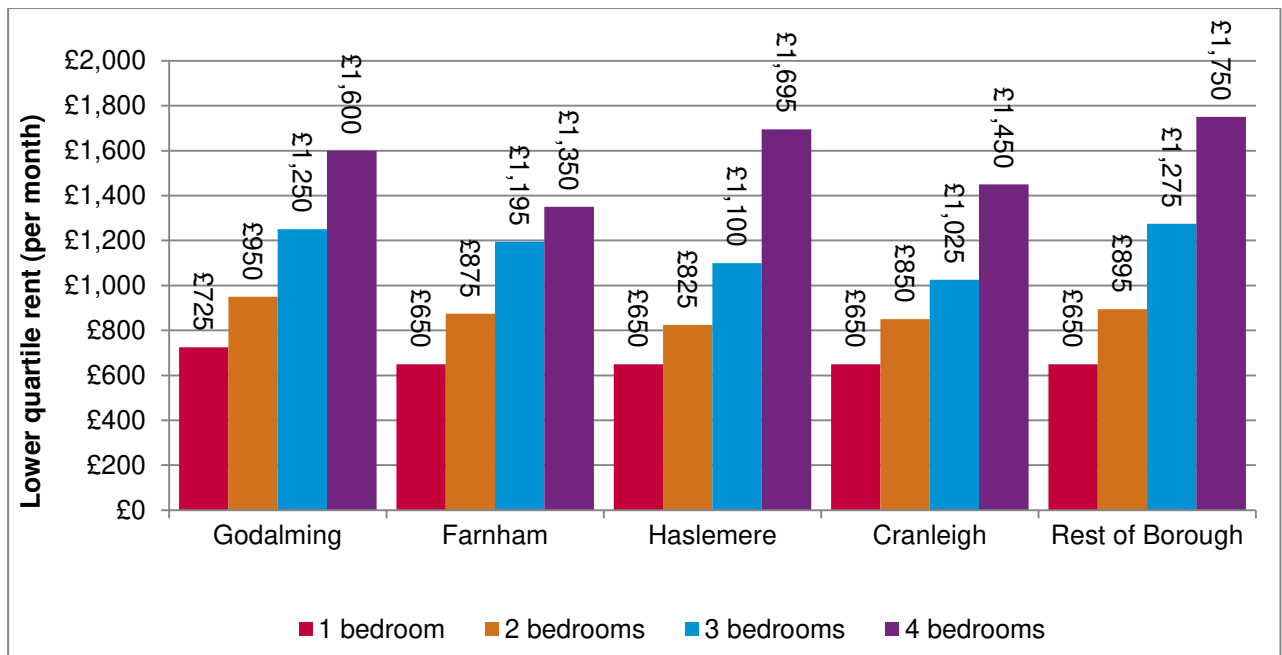
Figure 31: Volume of properties advertised for sale



Source: Online Estate and Letting Agents Survey (August 2013)

5.13 The entry-level cost for private rented accommodation is presented in the figure below. This indicates that entry-level rents range from about £650-£725 per month for a one bedroom home up to around £1,750 per month for a four bedroom property depending on location. As with the sales prices rent levels in the Rest of Borough area are generally highest with lower costs seen in Cranleigh and Haslemere.

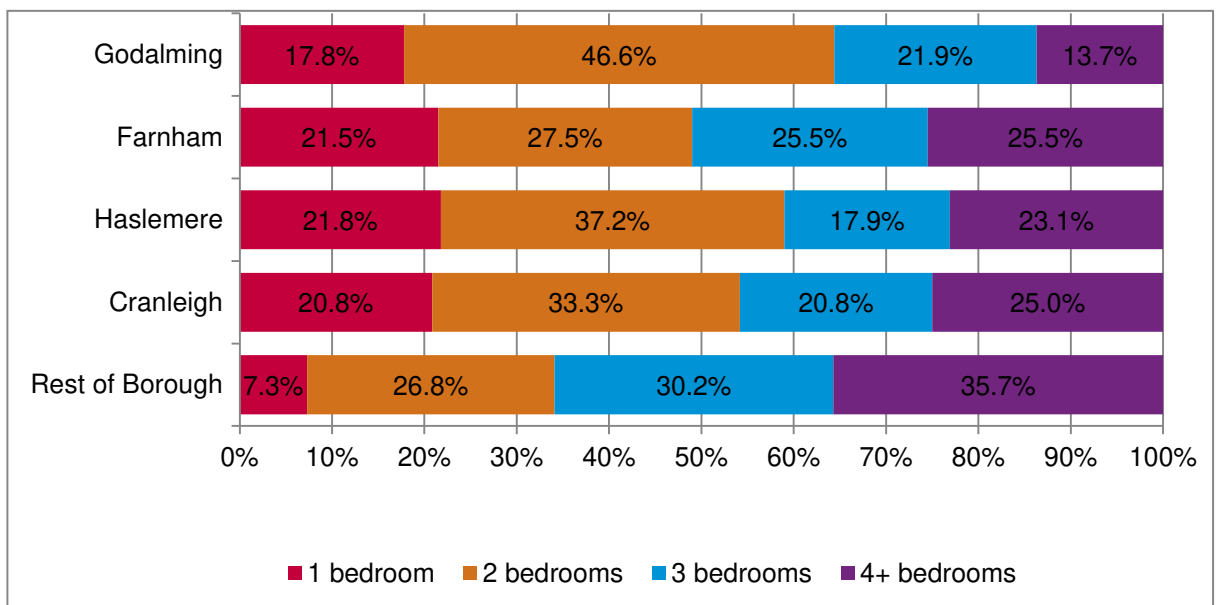
Figure 32: Entry-level Private Rents



Source: Online Estate and Letting Agents Survey (August 2013)

5.14 The figure below shows the volumes of properties available for rent in each of the five sub-areas by size of property. Compared with properties for sale the data clearly indicates a higher proportion of smaller homes being available to rent in all areas with around a fifth of available homes being one bedroom in all locations other than the Rest of Borough. There is more variation in the profile of homes available for rent when compared with sales – Godalming has a high proportion of one- and two-bedroom homes whilst the Rest of Borough area is still very much focussed on larger (three or more bedroom) properties.

Figure 33: Volume of properties advertised to rent



Source: Online Estate and Letting Agents Survey (August 2013)

5.15 In addition to rental costs from our internet survey we have looked at the maximum amount of Local Housing Allowance (LHA) payable on different sized properties within the Borough. Maximum LHA payments are based on estimates of rents at the 30th percentile and should therefore be roughly comparable with our estimates of lower quartile costs. In Waverley this is arguably less likely to be the case; different parts of Waverley fall into one of two Broad Rental Market Areas (BRMA) with the key settlements of Godalming, Haslemere and Cranleigh being part of the Guildford BRMA (which extends as far as Woking) and Farnham as part of Blackwater Valley. As a result the LHA levels will be unduly influenced by areas outside of the Borough.

5.16 Below we have therefore provided details for the two BRMAs. The data suggests some differences between LHA rates and the findings of our market survey with the Guildford BRMA tending to have higher figures and the opposite being true for Blackwater Valley. On the ground this may mean that households seeking accommodation in Farnham may find it difficult to access properties within the LHA limits whilst other parts of the Borough might be attractive to households moving from more

expensive parts of the BRMA such as Guildford or Woking. The data also suggests that it might be difficult for someone claiming LHA to access accommodation in the more rural parts of the Borough.

- 5.17 To the table below we have also added LHA rates for room only accommodation. Generally, the amount able to be claimed for a room is around 50%-55% of the figure for a self-contained one bedroom property. Single households under 35 are now only to claim the Single Room Rate.

Table 17: Maximum LHA payments by Size and Broad Housing Market Area

Size	Guildford	Blackwater Valley
Room only	£360	£320
1 bedroom	£725	£600
2 bedrooms	£920	£750
3 bedrooms	£1,175	£895
4 bedrooms	£1,600	£1,300

Source: VOA data (August 2013)

Cost of Affordable Housing

- 5.18 Traditionally the main type of affordable housing available in an area is social rented housing and the cost of social rented accommodation by dwelling size can be obtained from Continuous Recording (CORE) - a national information source on social rented lettings. The table below illustrates the rental cost of lettings of social rented properties by size in 2012/13. As can be seen the costs are below those for private rented housing indicating a gap between the social rented and market sectors. This gap increases for larger properties. The figures in the table include service charges.

Table 18: Monthly average social rent levels

Size	Monthly Rent
1 bedroom	£413
2 bedrooms	£454
3+ bedrooms	£512

Source: CORE (2013)

- 5.19 Changes in affordable housing provision has seen the introduction of a new tenure of affordable housing (Affordable Rented). Affordable rented housing is defined in the NPPF as being '*let by local authorities or private registered providers of social housing to households who are eligible for social rented housing. Affordable Rent is subject to rent controls that require a rent of no more than 80% of the local market rent (including service charges, where applicable)*'. In the short-term it is likely that this tenure will replace social rented housing for new delivery, however, the tenure is initially only being trialled for four years and so this situation may change in the future.

- 5.20 Affordable Rented housing can therefore be considered to be similar to social rented housing but at a potentially higher rent. The 80% (maximum) rent is to be based on the open market rental value of the individual property and so it is not possible to say what this will exactly mean in terms of cost (for example the rent for a two-bedroom flat is likely to be significantly different to a two-bedroom detached bungalow). In addition, market rents for newbuild homes are likely to be higher than within the existing stock and may well be in excess of 80% of lower quartile rents.
- 5.21 The table below shows potential affordable rents at 80% of market cost by size of property (including service charge). The data shows that affordable rents are above social rents for all property sizes with the gap getting larger as the property size increases. For smaller homes there will be less to gain in viability terms in providing homes at 80% of market rents.
- 5.22 For larger property sizes it is however the case that affordable rent will be notably higher than current social rents. This suggests in viability terms that affordable rent might work for some sizes and locations – the affordability of such accommodation should however also be considered. This latter point provides some support for providing affordable rent at below the 80% maximum (particularly for larger properties), but noting that this needs to be balanced against viability considerations.

Table 19: Cost of Affordable Rented Housing by size and sub-area (per month)

Area	1 bedroom	2 bedrooms	3 bedrooms	4 bedrooms
Godalming	£580	£760	£1,000	£1,280
Farnham	£520	£700	£956	£1,080
Haslemere	£520	£660	£880	£1,356
Cranleigh	£520	£680	£820	£1,160
Rest of Borough	£520	£716	£1,020	£1,400

Source: Derived from Online Estate and Letting Agents Survey (August 2013)

Gaps in the Housing Market

- 5.23 The table below estimates how current prices and rents in Waverley might equate to income levels required to afford such housing. The figures are based on the figures derived in the analysis above and include four different tenures (buying, private rent, affordable rent and social rent) and are taken as the lower quartile price/rent across the whole stock of housing available (i.e. including all property sizes). The data clearly indicates a gap between the costs of 'entry-level' market housing and the social rented sector – demonstrating the potential for intermediate and affordable rented housing to meet some of the affordable need.

Table 20: Indicative income required to purchase/rent without additional subsidy

Area	Lower quartile purchase price	Lower quartile private rent	Affordable rent	Lower quartile social rent
Godalming	£61,000	£33,520	£26,816	£16,730
Farnham	£59,829	£31,240	£24,992	£16,730
Haslemere	£63,429	£29,360	£23,488	£16,730
Cranleigh	£46,657	£30,320	£24,256	£16,730
Rest of Borough	£74,056	£40,680	£32,544	£16,730

Source: *Online Estate and Letting Agents Survey (August 2013) and CORE*

5.24 For illustrative purposes the calculations are based on 3.5 times household income for house purchase and 30% of income to be spent on housing for rented properties. The figures for house purchase are based on a 100% mortgage for the purposes of comparing the different types of housing.

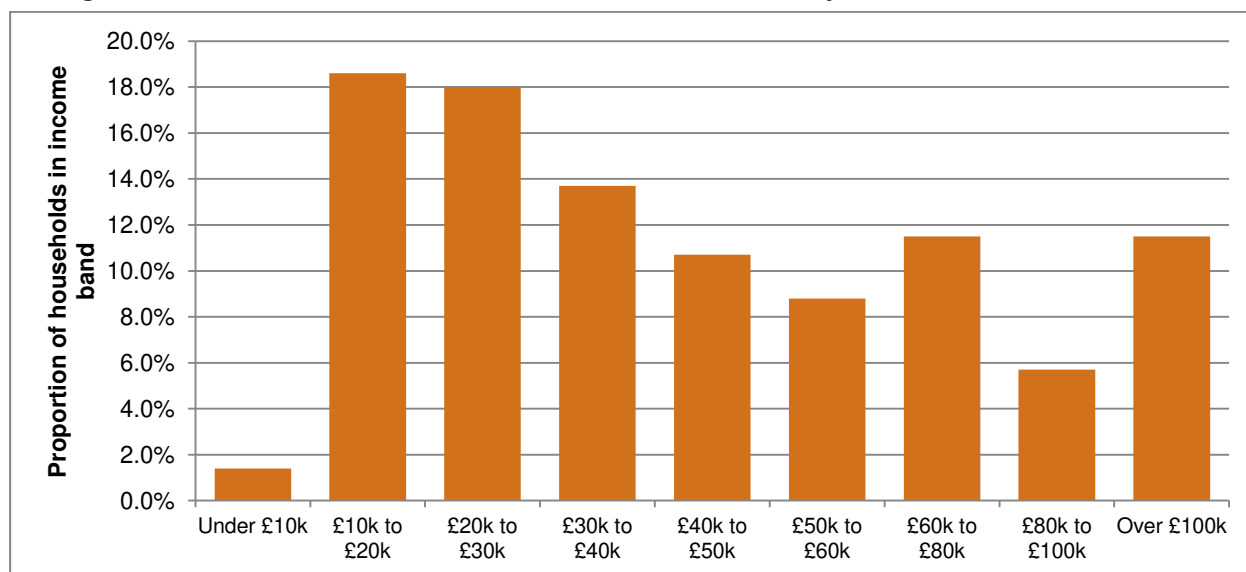
Income levels and affordability

5.25 Following on from our assessment of local prices and rents it is important to understand local income levels as these (along with the price/rent data) will determine levels of affordability and also provide an indication of the potential for intermediate housing to meet needs. Data about total household income has been modelled on the basis of a number of different sources of information to provide both an overall average income and the likely distribution of incomes in each area. The key sources of data include:

- CACI from *Wealth of the Nation 2012* – to provide an overall national average income figure for benchmarking
- English Housing Survey – to provide information about the distribution of incomes (taking account of variation by tenure in particular)
- Annual Survey of Hours and Earnings (ASHE) – to assist in looking at differences between local authority area (but recognising that this source only provides data about people in employment)
- ONS modelled income estimates – to assist in providing more localised income estimates (e.g. for the partial authorities and for sub-markets)

5.26 Drawing all of this data together we have therefore been able to construct an income distribution for the whole of Waverley area and individual sub-areas for 2013. The figure below shows the distribution of household incomes for the whole of the Borough. The data shows that around a fifth of households have an income below £20,000 with a further third in the range of £20,000 to £40,000. The overall average (median) income of all households in the Borough was estimated to be around £38,700 with a mean income of £51,000.

Figure 34: Distribution of Household Income in Waverley



Source: Derived from ASHE, Experian, SEH, CACI and ONS data

5.27 The table below shows how the distribution of income varies for each of the five sub-areas. Incomes were found to be highest in the Rest of Borough sub-area with the lowest incomes estimated to be in Cranleigh.

Table 21: Income levels by sub-area

Income band	Godalming	Farnham	Haslemere	Cranleigh	Rest of Borough	Borough
Under £10k	1.4%	1.8%	1.3%	2.2%	1.0%	1.4%
£10k to £20k	18.4%	20.6%	17.7%	22.6%	15.6%	18.6%
£20k to £30k	18.0%	18.0%	18.0%	18.1%	18.1%	18.0%
£30k to £40k	13.7%	14.1%	13.6%	14.3%	13.1%	13.7%
£40k to £50k	10.7%	10.4%	10.7%	10.4%	11.1%	10.7%
£50k to £60k	8.8%	9.0%	8.8%	8.7%	8.6%	8.8%
£60k to £80k	11.7%	10.5%	12.0%	9.6%	12.9%	11.5%
£80k to £100k	5.8%	5.2%	6.0%	4.8%	6.5%	5.7%
Over £100k	11.6%	10.5%	12.0%	9.4%	13.2%	11.5%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Mean	£51,158	£48,254	£52,082	£45,700	£54,950	£50,959
Median	£38,910	£36,701	£39,613	£34,759	£41,794	£38,661

Source: Derived from ASHE, Experian, SHE, CACI and ONS data

5.28 To assess affordability we have looked at households ability to afford either home ownership or private rented housing (whichever is the cheapest), without financial support. The distribution of household incomes, within each area, is then used to estimate the likely proportion of households who are unable to afford to meet their needs in the private sector without support, on the basis of existing incomes. This analysis brings together the data on household incomes with the estimated incomes required to access private sector housing.

5.29 The table below shows across the borough area that it is estimated that around 44% of households are unable to access market housing on the basis of income levels. There is relatively little difference between the sub-areas other than affordability looking to be slightly better Haslemere and worse in the Rest of Borough area. These differences are largely driven by estimates of the cost of private rented housing rather than in relation to incomes.

5.30 It should be remembered that this analysis only considers income levels and not a full range of financial information (such as savings and equity). In the Borough where around three-quarters of households are already owner-occupiers it is clear that a proportion will have sufficient funds to be able to access housing were there to be a need to move home. The lack of information about savings and equity does not fundamentally impact on the overall housing needs analysis which is predominantly focussed on non-owners.

Table 22: Estimated Proportion of Household Unable to Afford Market Housing without Subsidy

Area	Number unable to afford	Estimated households (2013)	% of households unable to afford
Godalming	3,848	9,001	42.8%
Farnham	6,814	16,166	42.2%
Haslemere	1,894	5,254	36.0%
Cranleigh	1,910	4,416	43.2%
Rest of Borough	7,226	14,854	48.6%
Borough	21,693	49,692	43.7%

Source: Online Estate and Letting Agents Survey (August 2013) and Income modelling

Assessing Current Unmet Need

5.31 In line with draft planning practice guidance, the backlog of affordable housing need has been based on estimating the number of households living in unsuitable housing along with consideration of their current tenure and affordability. Unsuitability is based on the number of households shown to be overcrowded in the 2011 Census along with an estimate of other needs which have been modelled by comparing the tenure profile in each area with information from previous surveys about households in need. Much of these additional needs are found in the private rented sector and relate to issues around security of tenure and housing costs.

5.32 The data modelling estimates housing unsuitability by tenure and from these figures households living in affordable housing are excluded (as these households would release a dwelling on moving and so no net need for affordable housing will arise). The analysis also excludes all outright owners under the assumption (which is supported by analysis of survey data) that they will have sufficient equity to move and 90% of owners with a mortgage. Again analysis of a range of recent surveys indicates that the vast majority of owners with a mortgage are able to afford housing once savings and equity are taken into account.

- 5.33 At the time of the assessment there were an estimated 903 households living in unsuitable housing (excluding current social tenants and the majority of owner-occupiers) – this represents 1.8% of all households in the Borough. The figure below shows the current locations of these households by sub-area – the data suggests a similar level of unsuitability in each of the areas other than in Godalming where the unsuitability is notably higher.

Table 23: Estimated number of households in unsuitable housing

Area	In unsuitable housing	Total number of households	% in unsuitable housing
Godalming	221	9,001	2.5%
Farnham	274	16,166	1.7%
Haslemere	98	5,254	1.9%
Cranleigh	75	4,416	1.7%
Rest of Borough	235	14,854	1.6%
Borough	903	49,692	1.8%

Source: Census (2011) and data modelling

- 5.34 Our estimated level of backlog need is therefore 903. We can however additionally consider that a number of these households might be able to afford market housing without the need for subsidy. For an affordability test we have used the income data and adjusted the distribution to reflect that typically households living in unsuitable housing have an average income which is around 69% of the figure for all households in an area. Overall, around 39% of households with a current need are estimated to be likely to have sufficient income to afford market housing and so our estimate of the total backlog need is reduced to 554 households

Table 24: Estimated Backlog Need by Sub-Area

Area	In unsuitable housing	% Unable to Afford	Revised Gross Need (including Affordability)
Godalming	221	60.8%	134
Farnham	274	60.3%	165
Haslemere	98	53.7%	53
Cranleigh	75	61.4%	46
Rest of Borough	235	66.6%	156
Borough	903	61.4%	554

Source: Census (2011), data modelling and income analysis

Estimating Newly-Arising Need

- 5.35 To estimate newly-arising (projected future) need we have looked at two key groups of households based on the 2007 SHMA Guidance and recent draft Guidance. These are:
- Newly forming households; and
 - Existing households falling into need.

Newly-Forming Households

- 5.36 For newly-forming households we have estimated (through our demographic modelling) the number of new households likely to form over the five year period and then applied an affordability test – this is consistent with the advice in Step 2.1 of the 2007 SHMA Guidance. This has been undertaken by considering the changes in households in specific 5-year age bands in 2018 relative to numbers in the age band below 5 years previously to provide an estimate of *gross* household formation and then assuming this rate across the plan period. This differs from numbers presented in the demographic projections which are for net household growth. The number of newly-forming households is limited to households forming who are aged under 45. This methodology is recognised in guidance as a robust method for assessing the number of newly forming households.
- 5.37 The estimates of gross new household formation have been based on outputs from our projection linked to the adjusted SNPP. In looking at the likely affordability of newly-forming households we have drawn on data from previous surveys. This establishes that the average income of newly-forming households is around 84% of the figure for all households. This figure is remarkably consistent across areas (and is also consistent with analysis of English Housing Survey data at a national level).
- 5.38 We have therefore adjusted the overall household income data to reflect the lower average income for newly-forming households. The adjustments have been made by changing the distribution of income by bands such that average income level is 84% of the all household average. In doing this we are able to calculate the proportion of households unable to afford market housing without any form of subsidy (such as LHA/HB). Our assessment suggests that overall around 52% of newly-forming households will be unable to afford market housing – the table below shows this along with outputs for different sub-areas.

Table 25: Estimated Level of Housing Need from Newly Forming Households (2013-2031)

Area	Number of new households	% unable to afford	Total in need
Godalming	2,804	51.4%	1,441
Farnham	5,202	50.7%	2,637
Haslemere	1,377	43.8%	603
Cranleigh	1,048	52.0%	545
Rest of Borough	4,428	57.4%	2,542
Borough	14,859	52.1%	7,768

Source: Projection Modelling/Income analysis

Existing Households falling into Housing Need

- 5.39 The second element of newly arising need is existing households falling into need. To assess this we have used information from CORE. We have looked at households who have been housed over the past five years - this group will represent the flow of households onto the Housing Register over a five year period. From this we have discounted any newly forming households (e.g. those currently living with family) as well as households who have transferred from another social rented property. An affordability test has also been applied, although relatively few households are estimated to have sufficient income to afford market housing.
- 5.40 This method for assessing existing households falling into need is consistent with the SHMA guide which says on page 46 that *'Partnerships should estimate the number of existing households falling into need each year by looking at recent trends. This should include households who have entered the housing register and been housed within the year as well as households housed outside of the register (such as priority homeless households applicants)'*.
- 5.41 We then apply these trends across the plan period to arrive at an estimate of the total households likely to fall into need. The data shows an additional need arising from 1,857 households, with a notably high proportion of these being in Farnham.

Table 26: Estimated level of Housing Need from Existing Households (2013-31)

Area	Number of Existing Households falling into Need	% of Need
Godalming	385	20.7%
Farnham	580	31.2%
Haslemere	209	11.2%
Cranleigh	165	8.9%
Rest of Borough	518	28.0%
Borough	1,857	100.0%

Source: CORE/affordability analysis

5.42 Estimates of total future housing need which is likely to arise over the plan period are shown below, by combining the estimates of need arising from newly-forming households and from existing households falling into need. Total newly-arising need is estimated at 9,625 households over period from 2013 to 2021.

Table 27: Estimated Future Housing Need (2013-31)

Area	Newly-forming Households in Need	Existing Households falling into Need	Total Newly-Arising Need 2013-2031
Godalming	1,441	385	1,826
Farnham	2,637	580	3,217
Haslemere	603	209	812
Cranleigh	545	165	710
Rest of Borough	2,542	518	3,060
Borough	7,768	1,857	9,625

Calculating the Supply of Affordable Housing

5.43 The future supply of affordable housing is the flow of affordable housing arising from the existing stock that is available to meet future need. It is split between the annual supply of social relets and the annual supply of relets/sales within the intermediate sector.

5.44 The Practice Guidance suggests that the estimate of likely future relets from the social rented stock should be based on past trend data which can be taken as a prediction for the future. We have used information from the Continuous Recording system (CORE) to establish past patterns of social housing availability. Our figures include general needs and supported lettings but exclude lettings to new properties plus an estimate of the number of transfers from other social rented homes. These exclusions are made to ensure that the figures presented reflect relets from the existing stock.

5.45 On the basis of past trend data it has been estimated that 187 units of social rented housing are likely to become available each year moving forward (3,366 over the five-year projection period).

Table 28: Analysis of past social rented housing supply: relets (past 5 years)

Total lettings	1,711
% as non-newbuild	95.3%
Lettings in existing stock	1,631
% non-transfers	57.3%
Total lettings to new tenants	935
New tenant lettings per annum	187

Source: CORE

5.46 The supply figure is for social rented housing only and whilst the stock of intermediate housing in Waverley is not significant compared to the social rented stock it is likely that some housing does become available each year (e.g. resales of shared ownership). For the purposes of this

assessment we have estimated the likely size and turnover in the intermediate stock on the basis of 2011 Census data. From this it is estimated that around 15 additional properties might become available per annum (270 over the plan period).

- 5.47 The total supply of affordable housing is therefore estimated to be 202 per annum (or 3,636 over the assessment period). The table below shows the locations where supply is expected to arise. The sub-area estimates have been calculated on the basis of the current stock of affordable housing within each location.

Table 29: Supply of affordable housing from relets by sub-area

Area	Social rented relets	Intermediate housing 'relets'	Total supply (2013-2031)
Godalming	697	50	747
Farnham	1,057	85	1,142
Haslemere	404	25	429
Cranleigh	299	25	324
Rest of Borough	909	85	994
Borough	3,366	270	3,636

Source: Derived from CORE and Census (2011) analysis

- 5.48 In line with the guidance, we also need to take account of committed supply and losses resulting from units being taken out of management. The table below shows the current pipeline of new affordable housing units in each of the settlement areas which totals 252 units across the borough. We are not aware of any plans which would result in units being taken out of management.

Table 30: Current pipeline of new affordable housing units by sub-area

Area	Committed supply – rent	Committed supply - intermediate	Total supply
Godalming	48	12	60
Farnham	44	52	96
Haslemere	17	0	17
Cranleigh	12	12	24
Rest of Borough	31	24	55
Borough	152	100	252

Source: Information supplied by Waverley BC

Net Affordable Housing Need

5.49 The table below shows our overall calculation of housing need. This includes supply arising from sites with planning consent (the ‘development pipeline’). The data shows an overall need for affordable housing of 6,291 units over the plan period. For individual sub-areas the analysis finds the highest need to be in Farnham closely followed by the Rest of Borough area. The net need is calculated as follows:

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

Table 31: Estimated level of Housing Need (2013-31) including pipeline

Area	Backlog need	Newly forming households	Existing households falling into need	Total Need	Supply	Net Need	Net Need per annum
Godalming	134	1,441	385	1,960	807	1,153	64
Farnham	165	2,637	580	3,382	1,238	2,144	119
Haslemere	53	603	209	865	446	419	23
Cranleigh	46	545	165	756	348	408	23
Rest of Borough	156	2,542	518	3,216	1,049	2,167	120
Borough	554	7,768	1,857	10,179	3,888	6,291	350

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

Putting the Affordable Needs Assessment into Context

5.50 The need assessment set out above concludes that there is a shortfall of 6,291 affordable homes over the period from 2013 to 2031, equivalent to 350 per annum. However there are a number of things that need to be remembered in interpreting the findings of the assessment.

5.51 The role of the needs assessment is specifically to identify whether there is a shortfall or surplus of genuine affordable housing product to provide for those households who cannot afford to meet their needs in the market: it does not look at all housing needs. There are therefore two key assumptions which underpin the model:

- All households are adequately housed in a home which they can afford (assuming no more than 30% of the households’ gross income is spent on housing costs)
- All households in need are housed in a “genuine” affordable housing product (as defined by the NPPF)

5.52 Considering this, there are therefore three key factors and sensitivities which need to be considered in order to put the needs identified in the model into “real life” context:

- The extent to which households defined as in housing need may choose to spend more than 30% of their gross income on housing costs or may not actively seek an affordable home; and
- The role of the Private Rented Sector, supported by Local Housing Allowance, in providing accommodation for those identified as in need
- The possible future impacts of recently announced welfare reforms

5.53 It should be recognised that the assessment is also a ‘snapshot’ at a point in time. It is therefore particularly sensitive to the differential between housing costs and incomes at that point; as well as the existing supply of affordable housing. In the case of Waverley, the stock of affordable housing (social rented) has decreased slightly over the last decade and has reduced significantly as a proportion of the total housing stock. The turnover of stock has also generally decreased over time. The shortfall of affordable housing identified is therefore to some extent affected by past investment decisions.

5.54 The following sections discuss in detail the implications of these various factors.

Sensitivity to Income Thresholds

5.55 Whilst a 25% is the threshold suggested by the 2007 SHMA Guidance, the guidance recognises that what is considered affordable can vary and that local circumstances may justify an alternative figure. Given the socio-economic profile of the Waverley population, particularly with respect to earnings and affluence, in practice, many households locally will choose to spend a greater proportion of their income on housing.

5.56 To understand the implications of this factor, we sensitivity tested affordable housing need assuming variant levels of income spent on housing costs. The table below summarises the findings. In particular, we can see that an assumption of households spending 40% gross income on housing costs then need falls to 220 households per annum.

Table 32: Estimated level of Housing Need (2013-31) at variant income thresholds

	@25%	@30%	@35%	@40%
Backlog need	633	554	488	428
Newly forming households	9,212	7,768	6,736	5,814
Existing households falling into need	1,967	1,857	1,735	1,602
Total Need	11,812	10,179	8,959	7,844
Supply	3,888	3,888	3,888	3,888
Net Need	7,924	6,291	5,071	3,956
Per annum 2013-31	440	350	282	220

Role of the Private Rented Sector in Meeting Housing Need

- 5.57 In considering the true dynamics of the local housing market, it is vitally important to consider the role played by the private rented sector (through the Local Housing Allowance (LHA) system) in meeting housing needs. To do this, we have analysed data from the Department of Work and Pensions (DWP) in order to identify the number of LHA supported private rented homes and estimate its role in augmenting the supply of homes for households in need.
- 5.58 The data shows that, as of February 2013 it is estimated that there were 1,406 benefit claimants in the private rented sector in Waverley. This is an 8% increase on the number observed two years earlier (February 2011). Comparing this to the total private rented sector stock in the borough shows that benefit claimants account for just over 25% of the sector.
- 5.59 What this information does not tell us is how many lettings are made each year to tenants claiming benefit as this will depend on the turnover of stock. From English Housing Survey we estimate that the proportion of households within the private sector who are “new lettings” each year (i.e. stripping out the effect of transfers) is around 13%. Applying this to the private rented stock in Waverley gives us an estimate of 725 private sector lettings per annum in the borough.
- 5.60 Of these lettings, we assume 25% are to benefit claimants, consistent with their representation in the total private rented stock, giving a total of 181 lettings per annum to LHA claimants. Whilst this figure is derived from claimants rather than households, there is little evidence of multiple LHA claimant households in Waverley (i.e. in the HMO sector) and thus do not consider any adjustment necessary.
- 5.61 As such, the overall estimated number of lettings in the LHA part of the PRS can be seen to be around half of the total net need derived through housing needs analysis. Whilst the private rented sector is not recognised as a genuine affordable housing product, it is important to recognise that, in practice, the sector makes a significant contribution to meeting housing need and filling a shortfall in genuine affordable housing products.
- 5.62 The extent to which the Council wishes to see this role in the future will clearly have implications for both affordable housing supply and by implication overall housing targets. However, this is ultimately a local policy decision which is beyond the scope of this study. We would however note the following considerations:
- The private rented sector continues to grow (across Waverley and the South East) and given the stock of affordable housing locally as well as the future prospects in terms of grant funding for new affordable housing delivery the reality is that there is likely to be comparatively greater availability in the private rented sector moving forward.

- The private rented sector provides less security than the affordable sector and standards can also be lower than for social rented properties.
- There are likely to be households with specific housing needs who may not be able to find suitable accommodation within the Private Rented Sector.

Impact of Welfare Reforms

5.63 The Coalition Government has heralded a period of considerable change by way of welfare reforms which will have an effect on local residents. The reforms are set against a backdrop of government spending cuts, which has seen funding levels drop, and an economic recession which has led to changes to the country's housing market and how housing can be accessed. A summary of the welfare reforms and impacts are shown below:

- Reducing the Local Housing Allowance (LHA) from the median rent in a Broad Rental Market Area (BRMA) to the 30th centile and the abolition of the rate for 5 or more bedroom homes. These changes came in from April 2011 and will have meant some households seeing a reduction in housing benefit. There has also been a reduction in the number of homes available to rent at or below payment thresholds and potentially increased demand for lower cost properties. Households requiring larger (5 or more bedroom) homes have been disproportionately affected.
- Limiting payments for people under 35 to the shared room rate (up from 25) – from January 2012. This change has made it harder for Councils to place young single people in private rented accommodation and has seen a greater demand for shared housing.
- Up rating LHA in line with Consumer Price Index (CPI) instead of by reference to local rents. If rents increase at a rate above CPI then there will be a reduction in the number of properties with a rent below LHA maximum levels.
- Limiting Housing Benefit entitlements for working age people in social housing sector to reflect family size. The 'bedroom tax' is arguably the most controversial of the Government changes with households losing 14% of housing benefit if they have one spare bedroom and 25% for two or more. This change has already put considerable pressure on housing providers who are seeing a significantly increased demand for smaller (particularly one bedroom) homes. In the longer-term if the supply does not improve this change could see some increases in homelessness. This change was brought in from April 2013.
- A household benefit cap is being phased in from April 2013 which will limit the amount claimed in all benefits for working age (non-working) households to £500 per week for households with two or more people and £350 for single adults. For many households this will not make a difference to their ability to access housing; however larger households living in larger (more expensive) homes will be disproportionately affected.

- The move towards a Universal Credit is likely to end Housing Benefit payments direct to landlords, making benefit claimants potentially less attractive as tenants.

5.64 Whilst the full impact of the various current and proposed changes is difficult to quantify it is clear when taken together that a significant number of people and households will be affected. Given the levels of housing need identified set against the potential supply of affordable housing (from both the existing stock and new provision) it seems unlikely that the number of households in need will fall in the short/medium-term. Indeed the evidence suggests a likely growth in demand – particularly for private rented accommodation.

Need for Different Types of Affordable Housing

5.65 Having studied housing costs, incomes and housing need the next step is to identify the proportion of affordable housing need that should be met through provision of different housing products. We therefore use the income information presented earlier in this section to estimate the proportion of households who are likely to be able to afford intermediate housing and the number for whom only social or affordable rented housing will be an affordable option. The main data sources for establishing housing need are Census data and projections of newly-forming households (along with local income and affordability estimates).

5.66 We have assessed requirements in the form of three income bands which have been associated with three different tenures of housing – intermediate, affordable rented and social rented. Households are considered able to afford intermediate housing if their income is greater than that required to rent at 80% of market rental costs (a figure which equates with possible affordable rent maximum costs) and the income falls below that required to access the market without subsidy. Although technically an intermediate product could be provided at below this level, the reality is that most intermediate housing is priced closer to market costs than social housing costs. Households whose income falls in the gap between intermediate housing and social rented housing are allocated to affordable rented housing with lower income households placed in the social rent group. The categories of affordable housing are described in the table below.

Table 33: Categories of affordable housing used for analysis

Tenure type	Description
Intermediate housing	Assigned to households who can afford a housing cost at or above 80% of market rents but cannot afford full market costs
Affordable rent	Assigned to households who could afford a social rent without the need to claim housing benefit but would need to claim benefit to afford an Affordable Rented home (priced at 80% of market rental costs)
Social rent	Households who would need to claim housing benefit regardless of the cost of the property

5.67 In fact there will be a considerable overlap between these categories – the first would potentially represent households who could afford affordable rented housing without the need to claim housing benefit whilst the latter category (called social rent for analytical purposes) could have their needs met through affordable rented housing (with benefit assistance).

5.68 The table below shows our estimate of the number of households in need in each of the above categories and estimated net need levels (for the purposes of analysis the affordable and social rent figures have been combined). The data shows that across the Borough some 24% of the need could be met through products priced at the 80% of market level suggested by affordable rented housing without the need for benefit assistance.

Table 34: Estimated level of Housing Need (2013-31) by type of affordable housing (numbers)

Area	Intermediate			Social/affordable rented		
	Total need	Supply	Net need	Total need	Supply	Net need
Godalming	338	50	288	1,487	697	790
Farnham	614	85	529	2,603	1,057	1,546
Haslemere	169	25	144	643	404	239
Cranleigh	131	25	106	579	299	280
Rest of Borough	532	85	447	2,528	909	1,619
Borough	1,784	270	1,514	7,840	3,366	4,474

Source: JGC Housing Needs Model

5.69 The table below shows the same information in percentage terms along with separating out affordable rent from social rent. The analysis confirms the levels of intermediate housing required as well as showing (in affordability terms) that affordable rented housing may have a significant role to play in meeting need with approaching half of those in the affordable/social rented category being able to afford an affordable rent without the need for benefit assistance. Affordable rent seems least affordable in Cranleigh which will be due to this area typically having lower housing costs (i.e. a smaller gap between social and affordable rents) and also lower incomes.

Table 35: Estimated level of Housing Need (2013-31) by type of affordable housing (percentages)

Area	Intermediate	Affordable rent	Social rent	Total
Godalming	24.3%	34.9%	40.8%	100.0%
Farnham	24.0%	30.6%	45.3%	100.0%
Haslemere	30.1%	27.3%	42.7%	100.0%
Cranleigh	24.3%	26.9%	48.8%	100.0%
Rest of Borough	20.7%	46.9%	32.4%	100.0%
Borough	23.5%	35.9%	40.6%	100.0%

Source: JGC Housing Needs Model

Summary of Key Findings

- 5.70 The NPPF (and national guidance) sets out that plans should be prepared on the basis of meeting full needs for market and affordable housing. In assessing needs for affordable housing, we have adopted the methodology set out in the draft planning practice guidance.
- 5.71 In following this approach, we have identified a net affordable housing need in Waverley of 6,291 households over the period from 2013 to 2031, equivalent to 350 households each year. There is thus a significant need for new affordable housing in Waverley and we therefore consider the Council is justified in seeking to secure the maximum viable level of affordable housing.
- 5.72 However, whilst a significant quantitative shortfall is identified, there are in reality two key factors against which the assessment must be put into context. Firstly, in practice there are likely to be households who are adequately housed whilst paying more than the 30% of income threshold used in this report, particularly in an affluent area such as Waverley. Our sensitivity testing demonstrates that at an income threshold of 40%, affordable housing need over the plan period falls to around 220 households per annum.
- 5.73 Secondly, in considering the true dynamics in the affordable sector, it is vitally important that the role played by the private rented sector is recognised, particularly insofar as it provides adequate and affordable housing when supported by the LHA. In this regard, our evidence shows that in Waverley the private rented sector makes a potentially significant contribution to meeting affordable housing needs with an estimated 180 lettings per annum in sector to households supported by LHA.
- 5.74 Clearly the private rented sector is not a recognised form of affordable housing and the extent to which the Council wishes to see the private rented sector being used to make up for shortages of affordable housing is ultimately a local policy decision which is outside the scope of this study. However, assuming the role continues, our analysis indicates a need to deliver around 170 affordable homes per annum. This could be deliverable – taking account of the Council’s affordable housing policy requirements - with overall housing provision in the region of 470 homes per annum.
- 5.75 In establishing an objective assessment of overall housing requirements, the outputs of this assessment will be considered alongside market signals discussed in section 3 as well as the projections of future housing requirements in section 4.
- 5.76 With respect to tenure mix, our assessment indicates a borough-wide mix target of 25% intermediate: 75% rent would be appropriate. In need terms, the rent composition is slightly skewed towards social rent; however, the deliverability of this in the context of national affordable housing policy and funding availability should be considered. We also identify some localised variation at settlement level which could feed into neighbourhood plans.

6 REQUIREMENTS FOR DIFFERENT SIZES OF HOMES

6.1 As discussed in section 3, there are a range of factors which influence housing demand. These factors play out at different spatial scales and influence both the level of housing demand (in terms of aggregate household growth) and the nature of demand for different types, tenures and sizes of homes.

6.2 In this section we consider in some detail the implications of demographic drivers on demand for different housing products. The assessment is intended to provide an understanding of the implications of demographic dynamics on need and demand for different sizes of homes. This however needs to be brought together with an understanding of wider factors including:

- The need and opportunity to develop the housing offer;
- The findings of the housing needs analysis which provide a short-term view of requirements;
- Economic factors, such as trends in employment, overall and by occupation; and
- Local policy objectives.

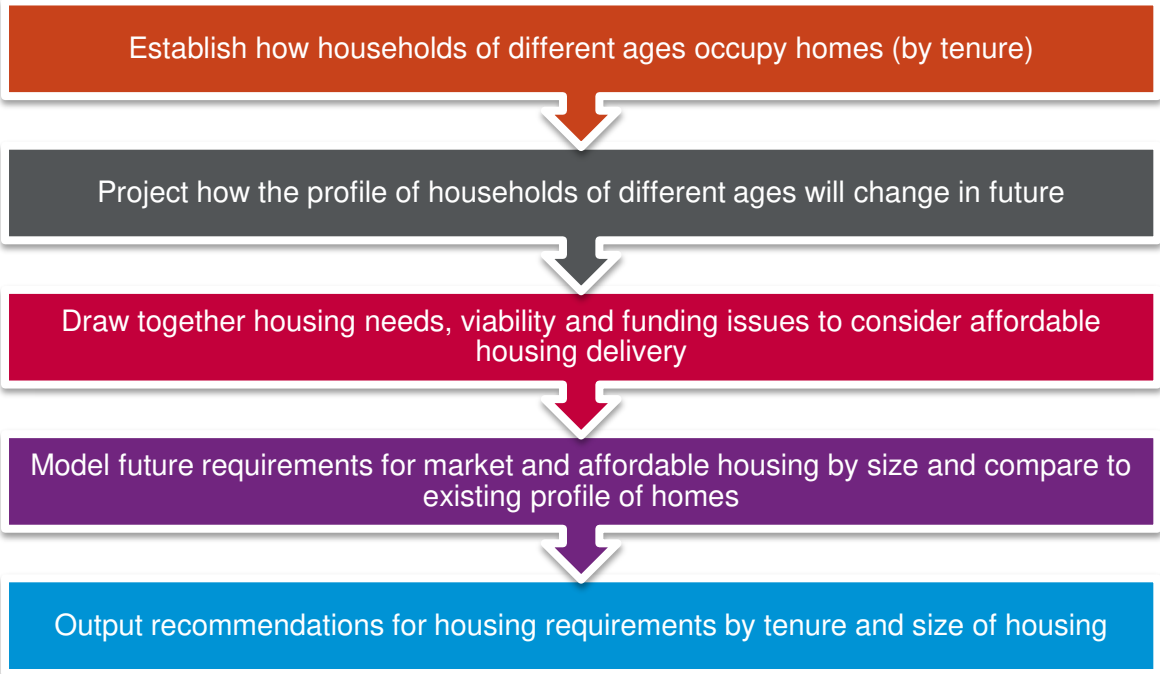
6.3 The analysis in this section seeks to use the information available about the size and structure of the population and household structures; and consider what impact this may have on the sizes of housing required in the future. For the purposes of this analysis we have looked at the demographic change as indicated in our projection linked to the 2011-based SNPP (updated) - delivery of 7,672 additional homes from 2011 to 2031.

6.4 It should be noted that this projection will not necessarily be translated into policy but has been used to indicate the likely size requirements of homes moving forward. Were a projection with a different housing figure used then the outputs would be expected to be broadly similar.

Methodology of Market Modelling

6.5 The figure below describes the broad methodology employed in the housing market modelling. Data is drawn from a range of sources including the 2011 Census and our demographic projections and below we briefly discuss key information sources.

Figure 35: Approach to Housing Market Modelling



Understanding how Households Occupy Homes

- 6.6 Whilst the demographic projections provide a good indication of how the population and household structure will develop it is not a simple task to convert the net increase in the number of households in to a suggested profile for additional housing to be provided. The main reason for this is that in the market sector households are able to buy or rent any size of property (subject to what they can afford) and therefore knowledge of the profile of households in an area does not directly transfer into the sizes of property to be provided. The size of housing which households occupy relates more to their wealth and age than the number of people which they contain.

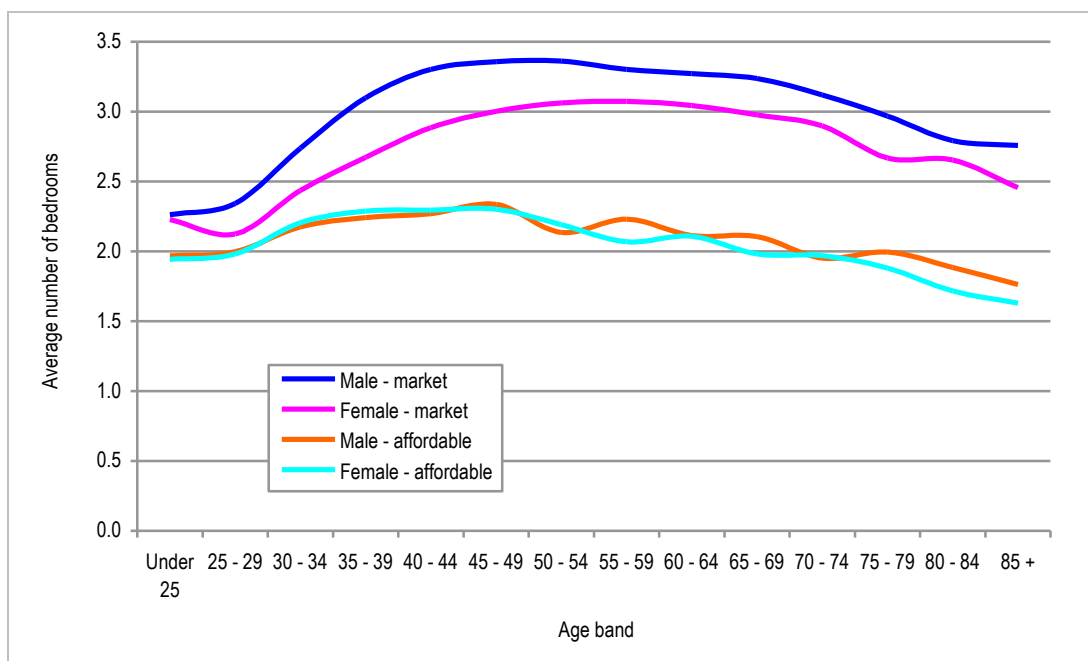
- 6.7 For example, there is no reason why a single person cannot buy (or choose to live in) a four bedroom home as long as they can afford it and hence projecting an increase in single person households does not automatically translate in to a need for smaller units. In the affordable sector this issue is less relevant (particularly since the introduction of the ‘bedroom tax’) although there will still be some level of under-occupation moving forward with regard to older person and working households who may be able to continue to under-occupy their current homes.

- 6.8 The general methodology is to use the information derived in the projections about the number of household reference persons (HRPs) in each age and sex group and apply this to the profile of housing within these groups. The data for this analysis has been formed from a commissioned table by ONS (Table C1213 which provides relevant data for all local authorities in England) with data

then calibrated to be consistent with 2011 Census data (e.g. about house sizes in different tenure groups and locations). However, in applying these statistics, it should be noted that current demographic (and household) composition may have been skewed by the suppression of a particular type of household in the recent past (i.e. through lack of affordability or availability) and this may lead to the size needs of such households being masked in future projections.

6.9 The figure below shows an estimate of how the average number of bedrooms rooms varies by different ages of HRP and different sexes by broad tenure group. In the market sector the average size of accommodation rises over time to typically reach a peak around the 45-59 age groups. In the affordable sector this peak appears earlier. After sizes peak the average dwelling size decreases – possibly due to a number of people down-sizing as they get older. It is also notable that the average size for affordable housing dwellings are lower than those for market housing whilst in market housing male HRPs live in larger accommodation for all age groups (with no particular trend being seen in the affordable sector).

Figure 36: Average bedrooms by age, sex and tenure



Source: Derived from ONS Commissioned Table C1213 and 2011 Census

Establishing a Baseline Position

6.10 As of 2011 it is estimated that there were 49,360 households living in Waverley. Analysis of Census data linked to the demographic baseline provides us with an estimate of the profile of the housing stock in 2011, as shown in the table below. The table shows that an estimated 13.3% of households live in affordable housing with 86.7% being in the market sector (the size of the affordable sector has been fixed by reference to an estimate of the number of occupied social rented and shared

ownership homes in 2011). The data also suggests that homes in the market sector are generally bigger than in the affordable sector with 71% having three or more bedrooms compared to 32% for affordable housing.

- 6.11 These figures are for households rather than dwellings due to information about the sizes of vacant homes across the whole stock (i.e. market and affordable) not being readily available. For the purposes of analysis this will not make any notable difference to the outputs in terms of mix. We have however translated the household projections into dwelling figures by including a 3% vacancy allowance when studying the final outputs of the market modelling.

Table 36: Estimate profile of households by dwelling size (2011)

Size of housing	Market		Affordable		Total	
	Number	%	Number	%	Number	%
1 bedroom	2,787	6.5%	2,484	37.9%	5,271	10.7%
2 bedrooms	9,482	22.2%	1,992	30.4%	11,474	23.2%
3 bedrooms	15,382	35.9%	1,945	29.7%	17,327	35.1%
4+ bedrooms	15,150	35.4%	138	2.1%	15,288	31.0%
Total	42,801	100.0%	6,559	100.0%	49,360	100.0%
% in tenure	86.7%		13.3%		100.0%	

Source: Derived from 2011 Census

Tenure Assumptions

- 6.12 The housing market model has been used to estimate future requirements for different sizes of property over the next 20-years. The model works by looking at the types and sizes of accommodation occupied by different ages of residents, and attaching projected changes in the population to this to project need and demand for different sizes of homes. However the way households of different ages occupy homes differs between the market and affordable sectors (as shown earlier). Thus it is necessary to consider what mix of future housing will be in the market and affordable sectors.
- 6.13 The key assumption here is not a policy target but possible delivery. Our assumption is influenced by a range of factors. The Housing Needs analysis in this report provides evidence of considerable housing need which would support any target although the viability of providing affordable housing will limit the amount that can be delivered. The Council's Core Strategy proposes a sliding scale of affordable housing depending up the size of the development, requiring up to 40% on sites with a net increase of 15 or more dwellings but only 20% on sites of 5 to 9 dwellings. Given this, across the profile of sites likely to come forward it is reasonable to assume that 30% affordable housing could be achieved and as such we have developed projections on the basis of 30% of new delivery being in the affordable sector. It should be stressed that this does not affect the policy position

adopted by the Council and has been applied simply for the purposes of providing outputs from the modelling process.

Mix Findings: Market Housing

- 6.14 As we have previously identified there are a range of factors which can be expected to influence demand for housing. This analysis specifically looks at the implications of demographic drivers. It uses a demographic-driven approach to quantify demand for different sizes of properties over the 20-year period from 2011 to 2031.
- 6.15 The table and figure below shows estimates of the sizes of market housing required from 2011 to 2031 based on demographic trends for the whole of the Borough. The data suggests a requirement for homes for 5,214 additional households with the majority of these being two- and three-bedroom homes.

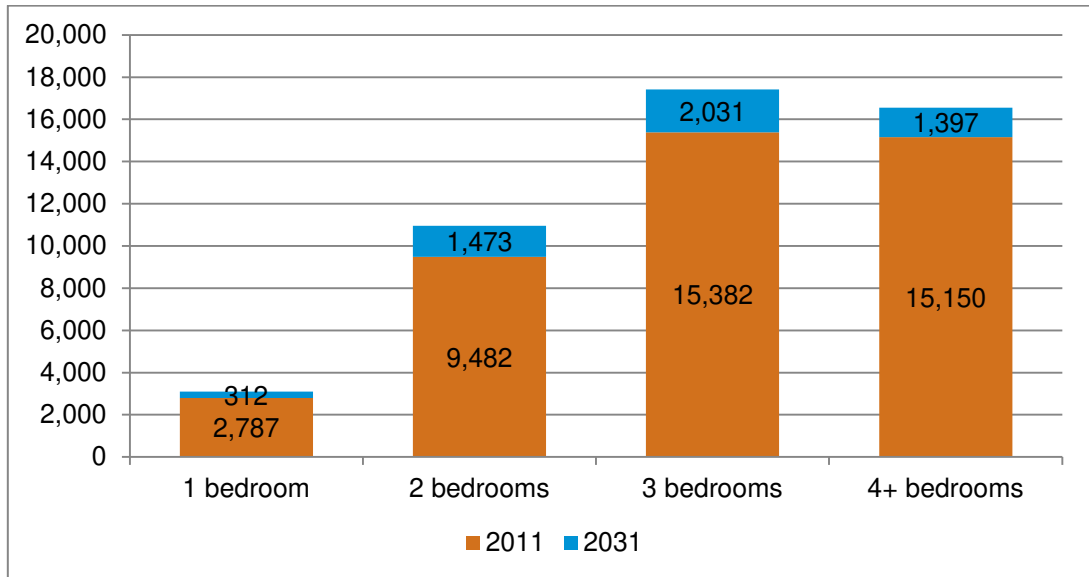
Table 37: Estimated Size of Dwellings Required (2011-2031): Market Housing

Size	2011	2031	Additional households 2011-2031	% of additional households
1 bedroom	2,787	3,099	312	6.0%
2 bedrooms	9,482	10,955	1,473	28.3%
3 bedrooms	15,382	17,413	2,031	39.0%
4+ bedrooms	15,150	16,547	1,397	26.8%
Total	42,801	48,015	5,214	100.0%

Source: Housing Market Model

- 6.16 The figure below shows how our estimated market requirement compares with the current stock of housing (based on households (i.e. excluding the 3% vacancy allowance)). The data suggests that housing requirements reinforce around the existing profile of stock, but with a slight shift towards a requirement for smaller dwellings relative to the distribution of existing housing. This is understandable given the fact that household sizes are projected to fall slightly in the future (which itself is partly due to the ageing of the population).

Figure 37: Impact of Demographic Trends on Market Housing Requirements by Size (2011-2031)



Source: Housing Market Model

- 6.17 The graphs and statistics are based upon our modelling of demographic trends. As we have identified, it should be recognised that a range of factors including affordability pressures and market signals will continue to be important in understanding market demand; this may include an increased demand in the private rented sector for rooms in a shared house due to changes in housing benefit for single people. In determining policies for housing mix, policy aspirations are also relevant.
- 6.18 In the short-term we might expect stronger demand in relative terms for larger family homes as the market for smaller properties (i.e. those more commonly sought by first time buyers) is restricted by mortgage finance constraints. In this regard, monitoring of demand and particularly the impact of schemes such as Help to Buy locally will be important. However, over the 20-year projection period it is anticipated that there will be a continuing market for larger family homes, but the existing stock is expected to make a significant contribution to meeting this demand, as older households downsize (releasing equity from existing homes).
- 6.19 As the last few years have shown, there are a range of inter-dependencies which affect housing demand, with effective demand for entry-level market housing currently curtailed by the availability of mortgage finance for first-time buyers and those on lower earnings. This is likely to affect market demand for smaller properties typically purchased by first-time buyers in the short-term.
- 6.20 The NPPF requires local planning authorities to *“identify the size, type, tenure and range of housing that is required in particular locations, reflecting local demand”*. At a local authority level, there are

many ways in which the planning policy can influence the balance of types and sizes of housing. This could be explicitly, such as through specific policies requiring developments to meet a certain proportion of homes of different sizes, or implicitly such as through the types and sizes of sites allocated for development (i.e. larger greenfield sites likely to be more capable of delivering a higher proportion of larger homes) or even through the policy approach to development density (i.e. requiring higher densities likely to deliver smaller units).

Key Findings: Affordable Housing

- 6.21 The table and figure below show estimates of the sizes of affordable housing required based on our understanding of demographic trends. The data suggests in the period between 2011 and 2031 that around 79% of the requirement is for homes with one- or two-bedrooms with around 21% of the requirement being for larger homes with three or more bedrooms.
- 6.22 This analysis provides a longer-term view of requirements for affordable housing and does not reflect any specific priorities such as for family households in need rather than single people. In addition we would note that smaller properties (i.e. one bedroom homes) typically offer limited flexibility in accommodating the changing requirements of households, whilst delivery of larger properties can help to meet the needs of households in high priority and to manage the housing stock by releasing supply of smaller properties. That said, there may in the short-term be an increased requirement for smaller homes as a result of welfare reforms limiting the amount of housing benefit being paid to some working-age households.

Table 38: Estimated Size of Dwellings Required (2011-2031): Affordable Housing

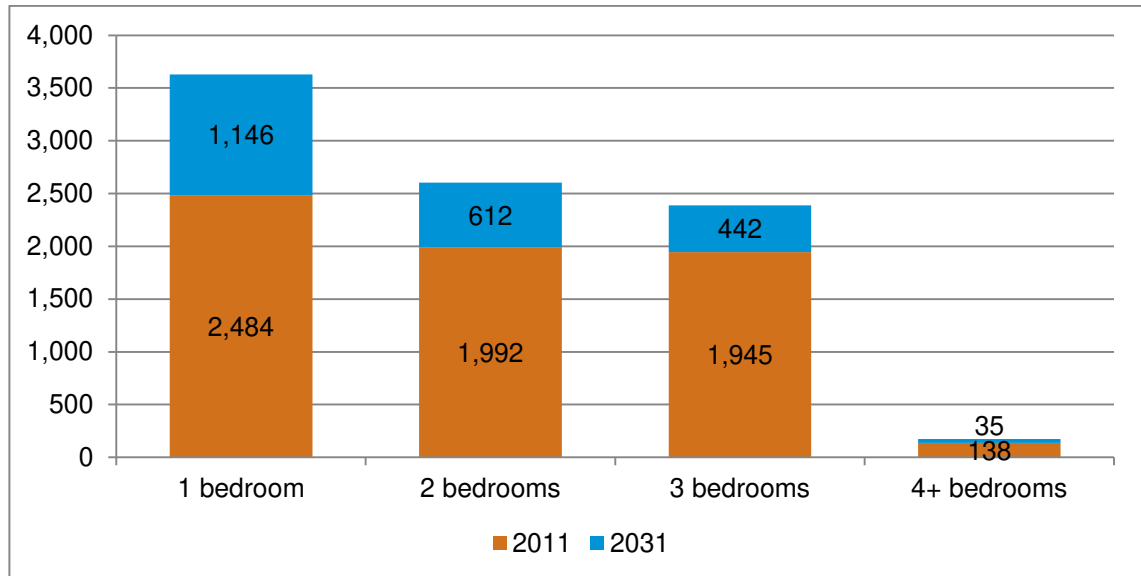
Size	2011	2031	Additional households 2011-2031	% of additional households
1 bedroom	2,484	3,630	1,146	51.3%
2 bedrooms	1,992	2,604	612	27.4%
3 bedrooms	1,945	2,387	442	19.8%
4+ bedrooms	138	173	35	1.5%
Total	6,559	8,793	2,234	100.0%

Source: Housing Market Model

- 6.23 The figure below shows how our estimated affordable requirement compares with the stock of affordable housing in 2011 – the figures are based on households (i.e. before adding in a vacancy allowance). Again, the data shows that relative to the current stock there is a slight move towards a greater proportion of smaller homes being required – this makes sense given that in the future household sizes are expected to drop whilst the population of older people will increase – older person households (as shown earlier) are more likely to occupy smaller dwellings. However, the

analysis still identifies a requirement for more large units (particularly three bedroom accommodation).

Figure 38: Impact of Demographic Trends on Affordable Housing Requirements by House Size, 2011 to 2031



Source: Housing Market Model

Indicative Targets by Dwelling Size

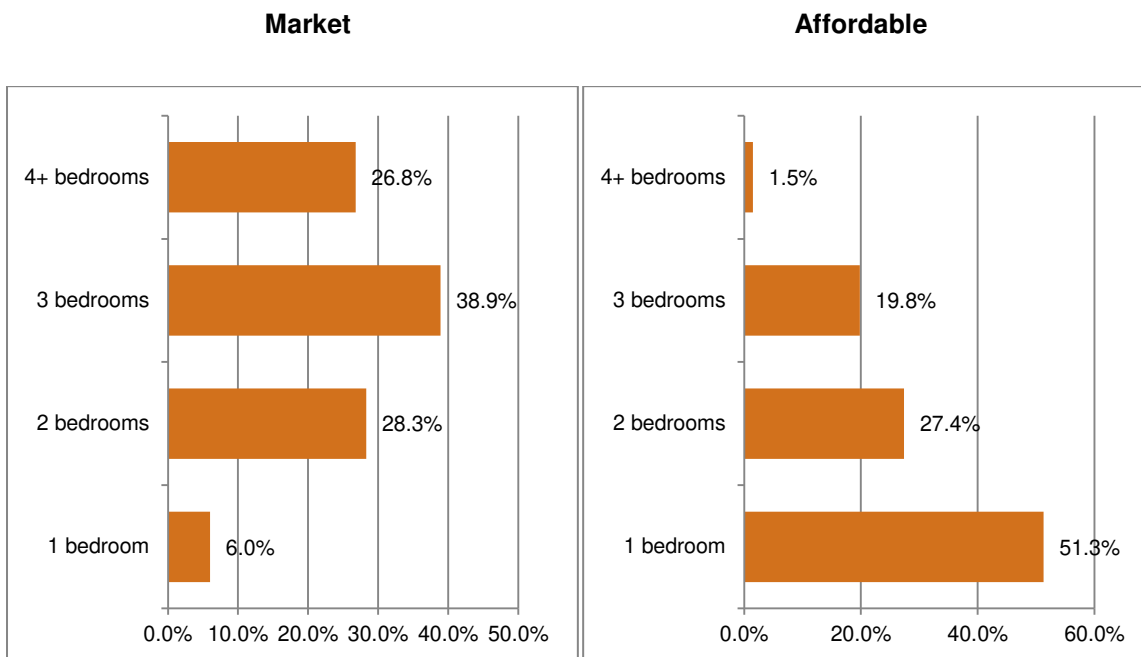
6.24 The table and figure below summarises the above data in both the market and affordable sectors under the modelling exercise. We have also factored in a 3% vacancy allowance in moving from household figures to estimates of housing requirements.

Table 39: Estimated dwelling requirement by number of bedrooms (2011-2031)

Number of bedrooms	Market			Affordable		
	Households	Dwellings	% of dwellings	Households	Dwellings	% of dwellings
1 bedroom	312	322	6.0%	1,146	1,180	51.3%
2 bedrooms	1,473	1,517	28.3%	612	630	27.4%
3 bedrooms	2,031	2,092	39.0%	442	455	19.8%
4+ bedrooms	1,397	1,439	26.8%	35	36	1.5%
Total	5,214	5,370	100.0%	2,234	2,302	100.0%

Source: Housing Market Model

Figure 39: Size of housing required (2011to 2031)



Source: Housing Market Model

- 6.25 Whilst the outputs of the modelling provide estimates of the proportion of homes of different sizes that should be provided there are a range of factors which should be taken into account in setting policies for provision. This is particularly the case in the affordable sector where there are typically issues around the demand for and turnover of one bedroom homes. We also need to consider that the stock of four bedroom affordable housing is very limited and tends to have a very low turnover. As a result, whilst the number of households coming forward for four or more bedroom homes is typically quite small the ability for these needs to be met is even more limited.
- 6.26 It should also be recognised that local authorities have statutory homeless responsibilities towards families with children and would therefore prioritise the needs of families over single person households and couples. On this basis the profile of affordable housing to be provided would be further weighted to two or more bedroom housing.
- 6.27 For these reasons we would suggest that in converting the long-term modelled outputs into a profile of housing to be provided (in the affordable sector) across the plan period, the proportion of one bedroom homes required is reduced slightly from the outputs, albeit that, in the short-term it may be prudent to secure the higher level of one-bedroom homes to address the potential implications of the 'bedroom tax'. Across the plan period, we would recommend a commensurate increase in four or more bedroom homes also being appropriate.

- 6.28 There are thus a range of which are relevant in considering policies for the mix of affordable housing sought through development schemes. At a Borough-wide level, the analysis would support policies for the mix of affordable housing of:
- 1-bed properties: 40%-45%
 - 2-bed properties: 25%-30%
 - 3-bed properties: 20%-25%
 - 4-bed properties: 5%-10%
- 6.29 Our strategic conclusions recognise the role which delivery of larger family homes can play in releasing supply of smaller properties for other households; together with the limited flexibility which one-bed properties offer to changing household circumstances which feed through into higher turnover and management issues.
- 6.30 The need for affordable housing of different sizes will vary by area across the Borough and over time. In considering the mix of homes to be provided within specific development schemes, the information herein should be brought together with details of households currently on the Housing Register in the local area and the stock and turnover of existing properties.
- 6.31 In the market sector we would suggests a profile of housing that broadly matches the outputs of the modelling. However, taking account of the impact of the ageing population and considering the local market dynamics, we would recommend a stronger and more explicit focus on delivering smaller family homes or starter properties for younger households across the plan period (although we recognise that current constraints on mortgage finance may serve to suppress demand for smaller units in the short-term). On this basis we would recommend the following mix of market housing be sought:
- 1-bed properties: 10%-15%
 - 2-bed properties: 30%-35%
 - 3-bed properties: 30%-35%
 - 4-bed properties: 20%-25%
- 6.32 Although we have quantified this on the basis of the market modelling and our understanding of the current housing market we do not strongly believe that such prescriptive figures should be included in the plan making process and that the 'market' is to some degree a better judge of what is the most appropriate profile of homes to deliver at any point in time. The figures can however be used as a monitoring tool to ensure that future delivery is not unbalanced when compared with the likely requirements as driven by demographic change in the area.

Settlement Housing Market Modelling Outputs

- 6.33 Whilst the analysis above has focussed on outputs for Waverley as a borough, the data itself has been built up from analysis at a smaller area level. The tables below provide the outputs of this analysis in terms of the sizes of accommodation estimated to be required in each of the affordable and market sectors for the four different areas.
- 6.34 To a considerable degree the outputs show a reinforcing of the current housing offer in each area with larger homes expected to be required in areas which traditionally have provided larger housing units. This is largely a function of the expected demographic change in these areas and the fact that household types requiring larger homes are expected to continue seeking these locations. However, as the demographic change is somewhat linked to past trends, the suppression of a particular type of household in the past may lead to the size needs of such households being masked in future projections.

Table 40: Settlement level estimates of dwelling sizes (2011-31): Market Housing

Sub-area	1 bedroom	2 bedrooms	3 bedrooms	4+ bedrooms
Godalming	6.9%	32.3%	40.4%	20.3%
Farnham	5.0%	28.1%	40.4%	26.5%
Haslemere	9.8%	29.9%	36.4%	23.9%
Cranleigh	5.4%	24.5%	40.2%	29.8%
Rural	5.4%	27.2%	37.5%	29.9%
Waverley	6.0%	28.3%	39.0%	26.8%

Source: Housing Market Model

Table 41: Settlement level estimates of dwelling sizes (2011-31): Affordable Housing

Sub-area	1 bedroom	2 bedrooms	3 bedrooms	4+ bedrooms
Godalming	47.2%	32.3%	19.1%	1.4%
Farnham	48.6%	27.4%	22.1%	1.8%
Haslemere	52.9%	27.6%	18.0%	1.5%
Cranleigh	54.8%	25.5%	18.5%	1.2%
Rural	53.8%	25.7%	18.9%	1.5%
Waverley	51.3%	27.4%	19.8%	1.5%

Source: Housing Market Model

Summary of Key Findings

- 6.35 There are a range of factors which will influence demand for different sizes of homes, including demographic changes; future growth in real earnings and households' ability to save; economic performance and housing affordability. Our analysis linked to long-term (20-year) demographic change concludes that the following represents an appropriate mix of affordable and market homes:

Table 42: Indicative requirements for different dwelling sizes (2011-31)

	1-bed	2-bed	3-bed	4+ bed
Market	10-15%	30-35%	30-35%	20-25%
Affordable	40-45%	25-30%	20-25%	5-10%

- 6.36 The mix identified above should inform strategic Borough-wide policies. In applying these to individual development sites regard should be had to the nature of the development site and character of the area, and to up-to-date evidence of need as well as the existing mix and turnover of properties at the local level.
- 6.37 Based on the evidence, we would expect the focus of new market housing provision to be on two and three-bed properties. Continued demand for family housing can be expected from newly forming households. There may also be some demand for medium-sized properties (2 and 3 beds) from older households downsizing and looking to release equity in existing homes, but still retain flexibility for friends and family to come and stay.
- 6.38 The analysis of an appropriate mix of dwellings should also inform the 'portfolio' of sites which are considered through the Local Plan process, including: Site Allocations, Neighbourhood Plans and other planning documents. Equally it will be of relevance to affordable housing negotiations.
- 6.39 The Council should also consider whether it is appropriate to set out specific space standards for new development, particularly to encourage provision of decent sized family housing (e.g. 3 bed properties). It should also consider whether it is appropriate to limit the sub-division of existing larger properties which can help to attract and retain family households in certain parts of the borough.

7 NEEDS OF SPECIFIC GROUPS

Introduction

- 7.1 We have established overall housing requirements for different sizes of properties over the next 20-years, however there can be specific groups within the population who require specialist housing solutions or for whom housing needs may differ from the wider population. These groups are considered within this section.
- 7.2 Estimates of household groups who have particular housing needs is a key output of the SHMA Guidance whilst the National Planning Policy Framework identifies that local planning authorities should plan for a mix of housing which takes account of the needs of different groups in the community.
- 7.3 The following key groups have been identified which may have housing needs which differ from those of the wider population:
- Older Persons;
 - People with disabilities;
 - Black and Minority Ethnic (BME) households;
 - Households with children
 - Young people

Housing Needs of Older People

- 7.4 The SHMA Guidance recognises the need to provide housing for older people as part of achieving a good mix of housing. A key driver of change in the housing market over the next 20-years is expected to be the growth in the population of older persons.
- 7.5 Indeed as population projections show, the number of older people is expected to increase significantly over the next few years. In this section we draw on a range of sources including our population projections, 2011 Census information and data from POPPI (Projecting Older People Population Information).
- 7.6 The context to older persons housing provision can be summarised as below:
- A need to provide housing for older people as part of achieving a good mix of housing, but recognizing that many older people are able to exercise choice and control over housing options – e.g. owner occupiers with equity in their homes;

- Falling demand for residential care in some areas, and a rapidly rising average age of people living in sheltered housing over 20-years, requiring higher levels of support. However many local authorities have struggled to contain expenditure on services for older people;
- New models of enhanced and extra care housing have emerged. These aim to meet the needs of those who require high levels of care and support alongside those who are still generally able to care for themselves. These models often allow for changing circumstances in situ rather than requiring a move; and
- Providing choice, including supporting people to stay in their own homes including through supporting adaptations to properties and through provision of floating support.

Current Population of Older Persons

7.7 Below we have provided some baseline population data about older persons and compared this with other areas. The data for has been taken from the published ONS mid-year population estimates and is provided for age groups from 55 and upwards. In reality, those aged 55 might not be considered as 'old' but we have started the analysis from this age group due to the fact that some housing developments are specifically targeted at the over 55 age group.

Table 43: Older person population (2011)

Age group	Waverley		South East	England
	Population	% of popn	% of popn	% of popn
Under 55	82,447	67.7%	70.8%	72.0%
55-64	15,254	12.5%	11.9%	11.6%
65-74	12,061	9.9%	8.9%	8.6%
75-84	8,052	6.6%	5.8%	5.5%
85+	3,940	3.2%	2.5%	2.2%
Total	121,754	100.0%	100.0%	100.0%
Total 55+	39,307	32.3%	29.2%	28.0%

Source: ONS Mid-Year Estimates

7.8 The data shows that, when compared with both the region and England, the Borough has a higher proportion of older persons. In 2011 it is estimated that 32.3% of the population of Waverley was aged 55 or over compared with 29.2% in the South East region and 28.0% for the whole of England.

Future Changes in the Population of Older Persons

7.9 As well as providing a baseline position for the proportion of older persons in the Borough we can use published population projections to provide an indication of how the numbers might change in the future compared with other areas.

7.10 The 2011-SNPP, which is the latest source available across all areas, shows that Waverley (in line with other areas) is expected to see a notable increase in the older person population with the total

number of people aged 55 and over expected to increase by 19% over just 10-years. This figure is slightly lower than projected for both the region and England. Waverley is projected to have relatively strong growth in the population aged 75 and over when compared with other areas although to some degree this is linked to the size of the population in this age group in 2011.

Table 44: Projected Change in Population of Older Persons (2011 to 2021)

Age group	Waverley	South East	England
Under 55	4.5%	4.0%	4.4%
55-64	10.7%	15.7%	13.5%
65-74	14.3%	22.7%	20.3%
75-84	29.0%	26.2%	22.6%
85+	44.7%	40.4%	38.5%
Total	9.1%	9.3%	8.6%
Total 55+	19.0%	22.1%	19.4%

7.11 The baseline demographic projections which have been carried out (PROJ 1), indicate that the increase in older persons in Waverley over the period from 2011 to 2031 could be even more significant, with the over 65 population projected to grow by approximately 12,000 people – equivalent to an increase of around 50%. This scale of change is clearly a significant challenge when planning future housing.

Characteristics of Older Persons Households

7.12 We have used 2011 Census data to explore in more detail the characteristics of older person households in Waverley (based on the population aged 65 and over). The first table below shows the number of households compared with the County, region and England. The data shows that in 2011 around 25% of households were comprised entirely of people aged 65 and over. This is significantly above the figure for England and also above county and regional averages.

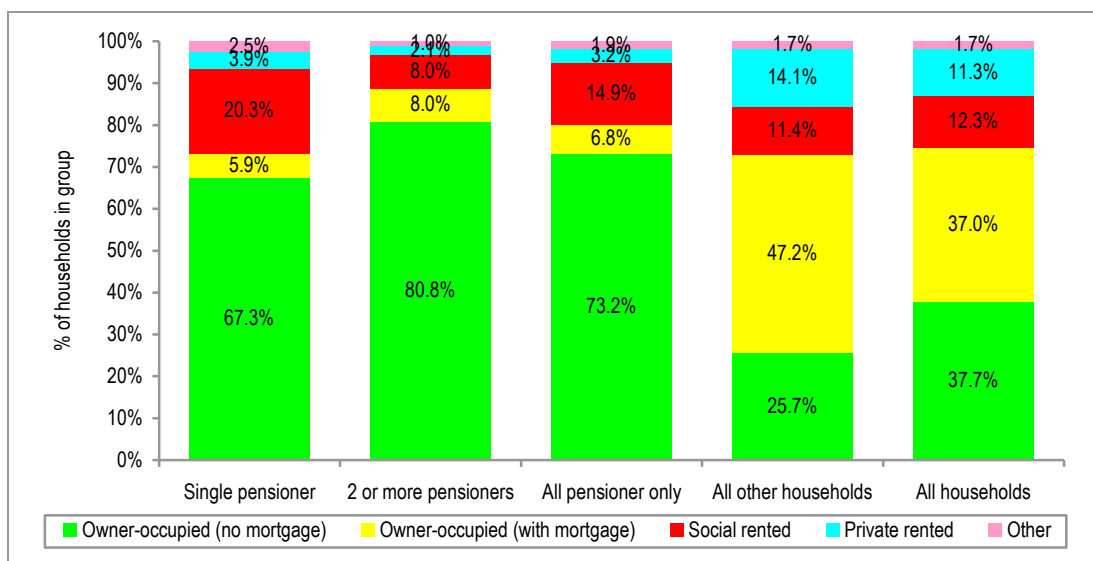
Table 45: Pensioner households (Census 2011)

Pensioner households	Waverley	Surrey	South East	England
Single pensioner	7,018	57,543	449,969	2,725,596
2 or more pensioners	5,444	43,281	329,263	1,851,180
All households	49,280	455,791	3,555,463	22,063,368
Single pensioner	14.2%	12.6%	12.7%	12.4%
2 or more pensioners	11.0%	9.5%	9.3%	8.4%
All households	100.0%	100.0%	100.0%	100.0%
Total % pensioner only	25.3%	22.1%	21.9%	20.7%

Source: Census (2011)

- 7.13 The figure below shows the tenure of older person households – the data has been split between single pensioner households and those with two or more pensioners (which will largely be couples). The data shows that pensioner households are relatively likely to live in outright owned accommodation (73%) and are also slightly more likely than other households to be in the social rented sector. The proportion of pensioner households living in the private rented sector is relatively low (3% compared with 14% of all households in the Borough).
- 7.14 There are however notable differences for different types of pensioner households with single pensioners having a much lower level of owner-occupation than larger pensioner households – this group also has a much higher proportion living in the social rented sector.
- 7.15 Given that the number of older people is expected to increase in the future and that the number of single person households is expected to increase this would suggest (if occupancy patterns remain the same) that there will be a notable demand for affordable housing from the ageing population.

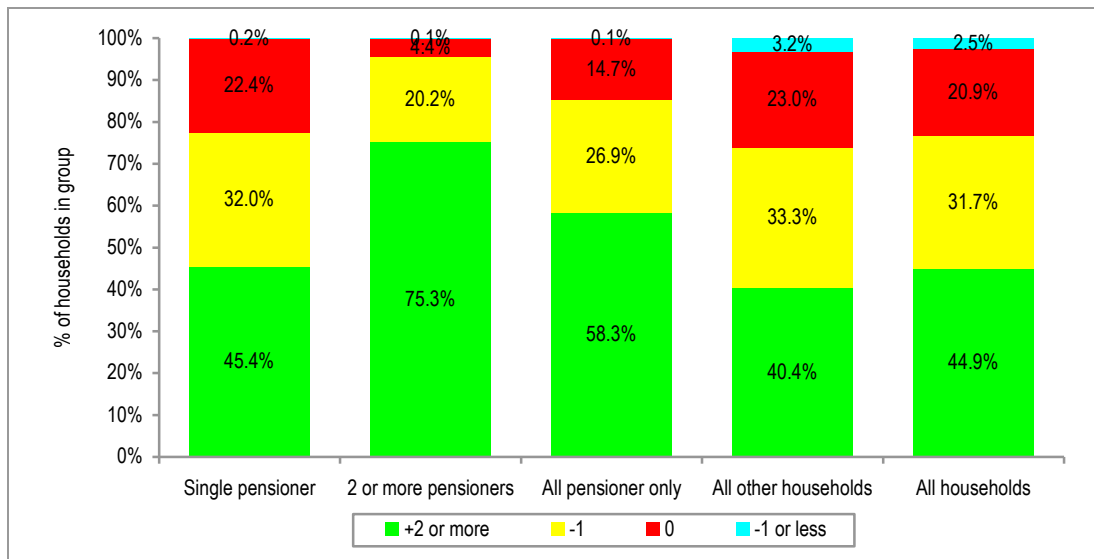
Figure 40: Tenure of older person households - Waverley



Source: 2011 Census

- 7.16 A key theme that is often brought out in Housing Market Assessment work is the large proportion of older person households who under-occupy their dwellings. Data from the Census allows us to investigate this using the bedroom standard. The Census data suggests that older person households are more likely to under-occupy their housing than other households in the Borough. In total 58% have an occupancy rating of +2 or more (meaning there are at least two more bedrooms than are technically required by the household). This compares with 40% for non-pensioner households. Further analysis suggests that under-occupancy is far more common in households with two or more pensioners than single pensioner households.

Figure 41: Occupancy rating of older person households - Waverley



Source: 2011 Census

7.17 It is of interest to study the above information by tenure. The figure below shows the number of pensioner households who had an occupancy rating of +2 or more in each of three broad tenure groups in 2011. Whilst the majority of older person households with an occupancy rating of +2 or more were in the owner-occupied sector, there were around 300 properties in the social rented sector occupied by pensioner only households with an occupancy rating of +2 or more. This may therefore present some opportunity to reduce under-occupation although to achieve this it may be necessary to provide housing in areas where households currently live and where they have social and community ties.

Table 46: Pensioner households with occupancy rating of +2 or more by tenure

Tenure	Single pensioner	2 or more pensioners	All pensioner only households
Owner-occupied	2,892	3,810	6,702
Social rented	176	117	293
Private rented	119	75	194
All tenures	3,187	4,002	7,189

Source: 2011 Census

7.18 It should however be recognised that many older households in the private sector will have built up equity in their existing homes. In the private sector many older households may be able to afford a larger home than they need (and thus under-occupy housing). Some may look to downsize to release equity from homes to support their retirement (or may move away from the area); however we would expect many older households to want to retain family housing with space to allow friends and relatives to come to stay.

Health-related Population Projections

- 7.19 In addition to providing projections about how the number and proportion of older people is expected to change in the future we can look at the likely impact on the number of people with specific illnesses or disabilities. For this we have used data from the Projecting Older People Information System (POPPI) website which provides prevalence rates for different disabilities by age and sex. For the purposes of the SHMA analysis has focussed on estimates of the number of people with dementia and mobility problems.
- 7.20 For both of the health issues analysed the figures relate to the population aged 65 and over. The figures from POPPI are based on prevalence rates from a range of different sources and whilst these might change in the future (e.g. as general health of the older person population improves) the estimates are likely to be of the right order.
- 7.21 The figure below shows that both of the illnesses/disabilities are expected to increase significantly in the future although this would be expected given the increasing population. In particular there is projected to be a large rise in the number of people with dementia (up 85%) along with a 68% increase in the number with mobility problems.

Table 47: Estimated population change for range of health issues (2011 to 2031)

Type of illness/disability	2011	2031	Change	% increase
Dementia	1,859	3,435	1,576	84.8%
Mobility problems	4,666	7,830	3,164	67.8%

Source: Data from POPPI and demographic projections

- 7.22 We have also accessed data from the Housing LIN website's Strategic Housing for Older People (SHOP) analysis toolkit. This source estimates potential requirements for sheltered, extra care and residential care housing. A broad summary of the outputs for Waverley (using the SHOP standard settings) are shown in the table below.
- 7.23 The data suggests a current requirement for 686 units with an additional 2,240 expected to be needed over the period to 2030. In total (and excluding the figures for registered care) the Housing LIN data suggests a requirement for some 2,301 additional units of accommodation specifically for older people by 2030 with a roughly 50:50 split between market and affordable – given the 18-year period used by the Housing LIN data the figure represents some 128 units per annum.

Table 48: Estimated requirement for specialist housing

	Current need	Additional need (2012-2030)	Total need
Sheltered – affordable	204	520	724
Sheltered – market	432	640	1,072
Extra care – affordable	284	186	470
Extra care – market	21	14	35
Registered care	-255	880	625
TOTAL	686	2,240	2,926

Source: Housing LIN

- 7.24 Whilst this analysis should be treated as indicative given the number of assumptions feeding into it there is clearly a case for the Council seeking to provide additional 'specialist' accommodation for older persons as the population ages.

Summary of Findings on Older Person Households

- 7.25 The older person population of Waverley is fairly large when compared with national figures and is projected to increase significantly up until 2031.
- 7.26 Older people are more likely to under-occupy homes. In the affordable sector, there may be potential to reduce (or seek to limit potential growth in) under-occupation and the existing Council initiatives which provide support and incentives to social housing occupiers to downsize will become increasingly valuable. This will help to release larger affordable homes for younger households. An analysis of older person households suggest that they are more likely to live in social rented housing (especially single pensioner households). With the projected increases in older persons there may therefore be additional pressure on the affordable housing stock from such households.
- 7.27 Our analysis also suggests that the growing older population (particularly in the oldest age groups) will result in growth in households with specialist housing needs. Typically the greatest support needs are for alterations to properties (such as to bathrooms, showers and toilets, provision of emergency alarms or help maintaining homes). Many of these can be resolved in situ through adaptations to existing properties and the resource implications of this will need to be planned for.
- 7.28 The growing older population will however likely lead to some increase in requirements for specialist housing solutions. The analysis above suggests an 85% growth in older population with dementia, and a 68% increase in the older population with mobility problems. From a planning point of view, some of these people will require specialist housing such as sheltered or extra care provision. Increasing numbers of older people with health problems will also require joint-working between housing and health (Council and NHS). Analysis of Housing LIN data suggests a requirement for around 128 additional housing units to be specialist accommodation to meet the needs of the older person population each year moving to 2030.

Housing Needs of People with Disabilities and Specific Health Requirements

- 7.29 This section concentrates on the housing situation of people/households that contain someone with some form of disability, either physical, sensory or learning, as well as those with mental health needs. We have drawn on 2011 Census data (although at the time of writing the level of available Census data was quite limited), as well as information contained within the Council’s *Need and Supply of Supported and Specialist Accommodation in Waverley* study.
- 7.30 The table below shows the proportion of people with a long-term health problem or disability (LTHPD) and the proportion of households where at least one person has a LTHPD. The data suggests that across Waverley some 21.3% of households contain someone with a LTHPD. This figure is slightly higher than the equivalent figure for Surrey but notably below the regional and national average. The figures for the population with a LTHPD again show a lower proportion when compared with regional and national figures (an estimated 13.9% of the population of Waverley have a LTHPD).

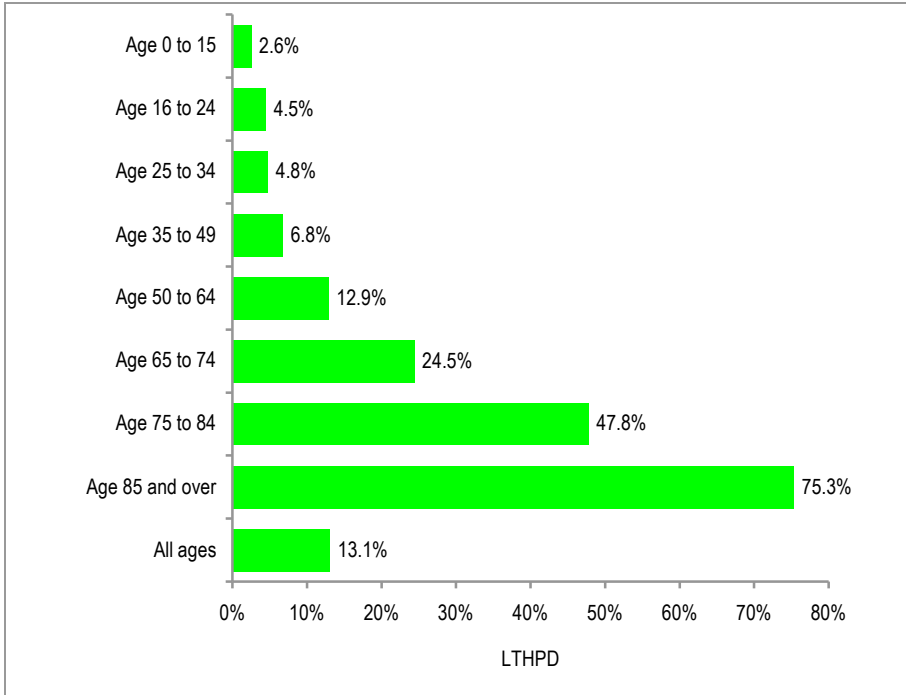
Table 49: Households and people with Long-Term Health Problem or Disability (2011)

Area	Households containing someone with health problem		Population with health problem	
	Number	%	Number	%
Waverley	10,495	21.3%	16,877	13.9%
Surrey	95,766	21.0%	153,354	13.5%
South East	839,086	23.6%	1,356,204	15.7%
England	5,659,606	25.7%	9,352,586	17.6%

Source: Census (2011)

- 7.31 It is likely that the age profile of the area will heavily impact upon the numbers of people with a LTHPD, as older people tend to be more likely to have a LTHPD. Therefore the table below shows the age bands of people with a LTHPD. It is clear from this analysis that those people in the oldest age bands are more likely to have a LTHPD – for example some 75% of people aged 85 and over have a LTHPD. It should be noted that the base for the figure below is slightly different to the above table in that it excludes people living in communal establishments.

Figure 42: Population with LTHPD in each Age Band



Source: Census (2011)

7.32 The age specific prevalence rates shown above can be applied to our demographic projections to estimate the likely increase over time of the number of people with a LTHPD. In applying this information to our projection linked to the SNPP (updated) it is estimated that the number of people with a LTHPD will increase by around 6,450 (a 39% increase). The vast majority of this increase (96%) is expected to be in age groups aged 65 and over. The population increase of people with a LTHPD represents 41% of the total increase in the population projected by the demographic modelling.

Physical and Sensory Disability

7.33 Looking specifically at physical disability, it is estimated that around 5,800 residents (aged 18-64) currently suffer from moderate physical disability with a further 1,800 experiencing severe physical disabilities. These figures are projected to rise by around 5-6% by 2020, equivalent to an increase of 370 residents (aged 18-64) suffering from moderate or severe physical disabilities. In addition to this, data also indicates that around 3,000 residents currently suffer from a moderate or severe hearing impairment with a further 45 experiencing serious visual impairment.

7.34 For groups with physical and sensory disabilities, provision of accessible housing will be important. Whilst new specialist (or adaptable) housing or care accommodation should be provided to meet some of these additional needs, it is likely that a large proportion could also be met through adaptation of existing stock (particularly for those with moderate disabilities) which would also serve

to support people staying in their own homes. Housing type will also need to be considered carefully: for example bungalows may provide a more suitable option for those with motor disabilities.

Learning Disability

- 7.35 According to the Council's Supported and Specialist Housing Needs document (September 2013), around 1,685 residents in Waverley have a learning disability with this figure expected to rise to 1,718 by 2020, an increase of around 30 people. Clearly then, additional future need is unlikely to be significant; however, there is also understood to be a backlog (13 people) for supported accommodation amongst this group in Waverley, which will also need to be addressed moving forward.
- 7.36 For residents with learning disabilities, the Council's report also recognises a need to deliver greater accommodation choice in future, in particular moving away from large shared accommodation to options such as clusters of self-contained supported living units.

Mental Health Needs

- 7.37 The Supported and Specialist Housing Needs report also identifies that there is an above average incidence of mental health issues in Waverley compared to Surrey. Around 980 residents are understood to be registered as having schizophrenia, bipolar disorder or other psychoses whilst an additional 14,000 Waverley residents suffer with depression. Information from PANSI indicates that the number of residents in Waverley with a common mental disorder will increase by around 2% by 2020, equivalent to an additional 200 residents.
- 7.38 Local evidence suggests there is a mismatch in accommodation for groups with mental health problems both in overall quantitative terms but also geographic distribution, with supply focussed in Godalming and Farnham with very little provision elsewhere in the borough.

Summary of Findings on People with Disabilities and Specific Health Requirements

- 7.39 Currently 21% of households contain someone with a long-term health problem or disability. Demographic trends are expected to lead to a significant growth in the population and number of households with disabilities over the period to 2031.
- 7.40 The Council's own data (drawn from PANSI) indicates that the number of residents with a physical disability is likely to grow by around 5% by 2020. Given the strong relationship with ageing, demographic trends would suggest this rate will increase beyond that. Housing needs for this group can be addressed both through encouraging specific provision in new build schemes (or at least homes capable of adaptation) and through supporting and resourcing adaptations and

improvements to existing homes, particularly enabling people to remain independent in their own homes for as long as possible.

- 7.41 Other groups with disabilities are also likely to generate specific housing needs in future. There is a reasonably good match in quantitative terms at present between supply and demand for residents with learning disabilities and only relatively modest growth projected by 2020. However, the Council's supported housing report recognises the need to ensure that, moving forward, a range of accommodation types are available to such groups. There is however an identified shortfall in provision for residents with mental health needs.

BME Households

- 7.42 Black or Minority Ethnic (BME) households, as a group, are quite often found to have distinct characteristics in terms of their housing needs, or may be disadvantaged in some way.
- 7.43 From 2011 Census data we find that around 8.5% of the population of Waverley came from a non-White (British/Irish) background. This figure is somewhat lower than found across the County and region and notably lower than the figure for England (of 19%). The key BME group in Waverley is Other-White (which is likely to contain a number of Eastern European migrants) – the Other-White population makes up 4.4% of all people in the Borough which is significantly higher than any other group.

Table 50: Black and Minority Ethnic Population (2011)

Ethnic Group	Waverley	Surrey	South East	England
White: British	90.6%	83.5%	85.2%	79.8%
White: Irish	0.8%	1.1%	0.9%	1.0%
White: Gypsy or Irish Traveller	0.1%	0.2%	0.2%	0.1%
White: Other White	4.4%	5.5%	4.4%	4.6%
Mixed: White and Black Caribbean	0.3%	0.4%	0.5%	0.8%
Mixed: White and Black African	0.1%	0.2%	0.3%	0.3%
Mixed: White and Asian	0.6%	0.9%	0.7%	0.6%
Mixed: Other Mixed	0.3%	0.6%	0.5%	0.5%
Asian: Indian	0.4%	1.8%	1.8%	2.6%
Asian: Pakistani	0.2%	1.0%	1.1%	2.1%
Asian: Bangladeshi	0.1%	0.3%	0.3%	0.8%
Asian: Chinese	0.5%	0.8%	0.6%	0.7%
Asian: Other Asian	0.6%	1.7%	1.4%	1.5%
Black: African	0.3%	0.7%	1.0%	1.8%
Black: Caribbean	0.1%	0.3%	0.4%	1.1%
Black: Other Black	0.0%	0.1%	0.2%	0.5%
Other ethnic group: Arab	0.1%	0.4%	0.2%	0.4%

Any other ethnic group	0.2%	0.5%	0.4%	0.6%
Total	100.0%	100.0%	100.0%	100.0%
Total population	121,572	1,132,390	8,634,750	53,012,456
% non-White (British/Irish)	8.5%	15.3%	13.9%	19.3%

Source: ONS (2011 Census)

7.44 Since 2001 the BME population in the Borough can be seen to have increased significantly as can be seen in the table below. We have condensed some categories together due to a slightly different list of potential groups being used in the 2011 Census when compared with 2001 data. The data shows that whilst the overall population of Waverley has risen by 5,907 over the 10-year period the increase in BME groups (all groups other than White (British/Irish)) has been 3,258. The White (British/Irish) population has increased by 2.4% compared to an increase of 46% in BME groups (all combined).

7.45 Looking at particular BME groups we see that the largest rise in terms of population has been for White-Other people – increasing by 1,418 over the ten years. In proportionate terms the greatest increase has been in the Asian population which has increased by around 71% over the decade.

Table 51: Change in BME groups 2001 to 2011 (Waverley)

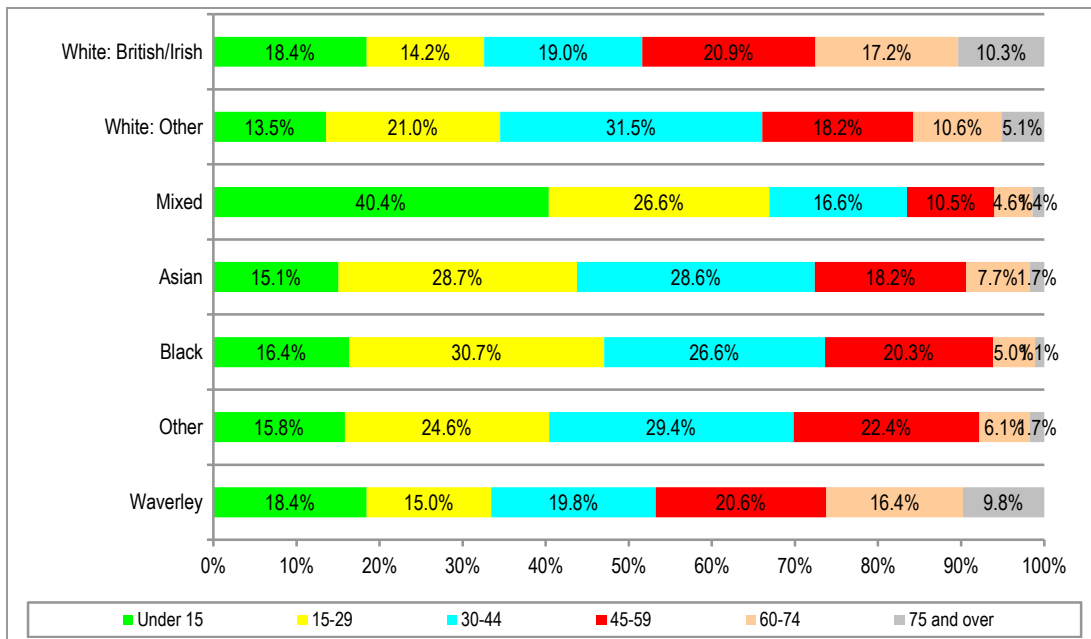
Figure 9.12: Change in BME groups 2001 to 2011 (Waverley)				
Ethnic Group	2001	2011	Change	% change
White (British/Irish)	108,573	111,222	2,649	2.4%
White - Other	4,077	5,495	1,418	34.8%
Mixed	965	1,623	658	68.2%
Asian or Asian British	1,338	2,283	945	70.6%
Black or Black British	361	538	177	49.0%
Chinese and other	351	411	60	17.1%
Total	115,665	121,572	5,907	5.1%

Source: Census 2001 and 2011

BME Household Characteristics

- 7.46 Census data can also be used to provide some broad information about the household and housing characteristics of the BME population in the Borough. The figure below looks at the population age structure of six broad age groups using data from the 2011 Census.
- 7.47 The age profile of the BME population is striking when compared with White: British/Irish people. All BME groups are considerably younger than the White (British/Irish) group with people from a Mixed background being particularly likely to be aged under 15 when compared with any other group. The proportions of older persons are also notable with 27% of White: British/Irish people being age 60 or over compared with all BME groups showing proportions of no more than 16% (including just 6% of Mixed and Black populations).

Figure 43: Population age profile (2011)



Source: Census (2011)

7.48 We have used 2011 Census data to provide an indication of the characteristics of BME households. The first table below shows estimates of the number of households in each BME group. Whilst the data broadly follows patterns for population it is notable that BME households make up a lower proportion of total households when compared with population proportions. This suggests higher average household sizes for most BME groups (as shown in the last column of the table).

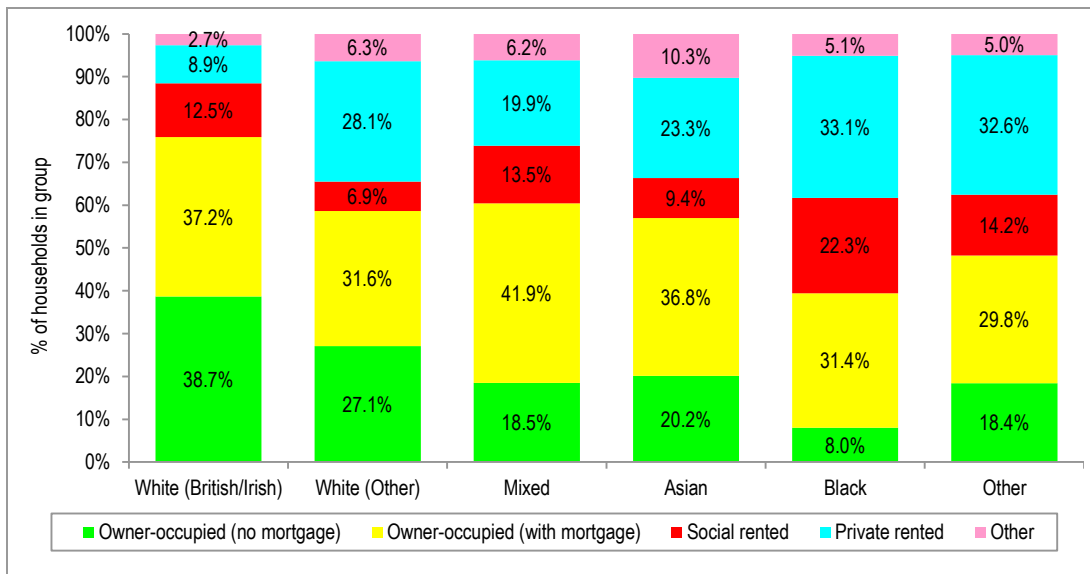
Table 52: Number of households by ethnic group (2011) and average household size

Ethnic Group	Households		Population		Average hh size
	No.	%	No.	%	
White: British/Irish	111,222	91.5%	46,008	93.4%	2.42
White: Other White	5,495	4.5%	1,955	4.0%	2.81
Mixed	1,623	1.3%	341	0.7%	4.76
Asian	2,283	1.9%	660	1.3%	3.46
Black	538	0.4%	175	0.4%	3.07
Other ethnic group	411	0.3%	141	0.3%	2.91
Total	121,572	100.0%	49,280	100.0%	2.47

Source: Census (2011)

7.49 There are notable differences between the household characteristics of BME households as against the White: British population. The figure below indicates that all BME groups are significantly less likely to be owner-occupiers and far more likely to live in private rented accommodation. Arguably the starkest trend is the 33% of Black households living in the private rented sector.

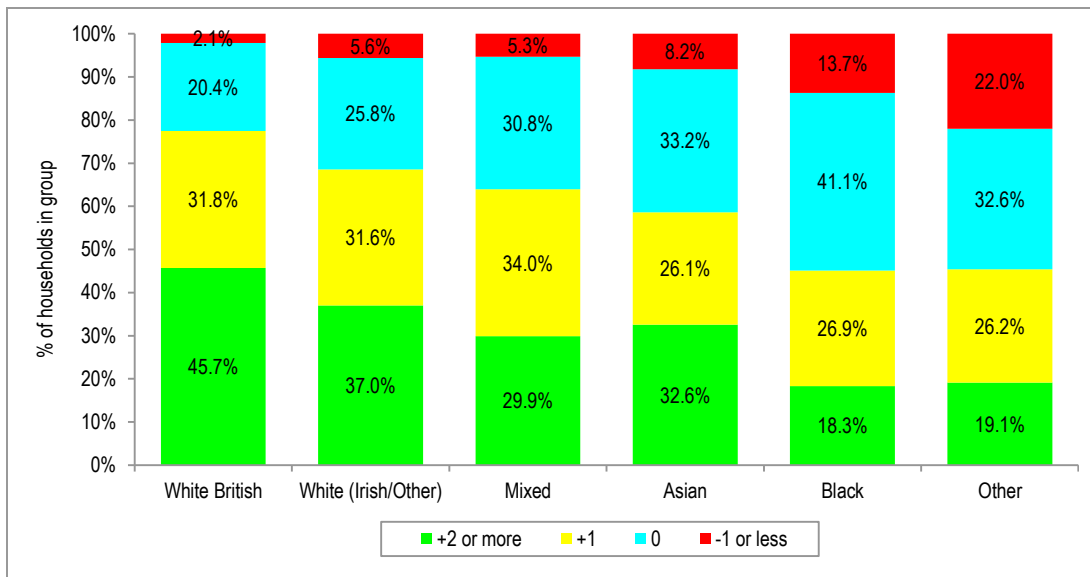
Figure 44: Tenure by ethnic group in Waverley



Source: 2011 Census data (from NOMIS)

- 7.50 The strong representation of BME households in the Private Rented Sector means that they are more likely to be affected by the changes discussed to Local Housing Allowance (particularly as the sector in the Borough shows a strong representation of LHA Claimants).
- 7.51 As BME communities mature over time, the level of owner occupation may increase. The pace at which this happens may be influenced by economic opportunities available as well as the level of enterprise within the local community. For some communities there may be support mechanisms which can work within the community, such as availability of interest free loans or support raising a deposit to buy a home, depending on cultural factors.
- 7.52 The figure below shows 'occupancy ratings' by BME group; this is based on the bedroom standard where a positive figure indicates under-occupancy and negative figures suggest some degree of over-crowding. BME groups are more likely to be overcrowded (i.e. have a negative occupancy rating) than White (British) households. In particular, the Census data suggests that around 14% of Black and 8% of Asian households are overcrowded - this compares with only 2% of the White (British) group. Levels of under-occupancy amongst BME communities are generally low.

Figure 45: Occupancy rating by ethnic group in Waverley



Source: 2011 Census data (from NOMIS)

Summary of Findings on BME Households

- 7.53 The BME population in Waverley has grown strongly since 2001. The 2011 Census shows that BME groups make up 8.5% of the Borough's population. The Asian and White: Other populations (which includes Eastern European migrants) have both grown notably.
- 7.54 BME households appear to be typically younger and less likely to be owner occupiers than the White (British/Irish) population; there is also a greater reliance on the private rented sector. BME households are also more likely to be overcrowded and less likely to under-occupy dwellings.
- 7.55 The implications of this are more for housing strategy than planning, and suggest a need to consider particularly how the needs of different groups are met within the local housing market, to explore the reasons for higher levels of overcrowding in BME communities and how this can be addressed. It will also be important to consider the role which the Private Rented Sector plays in meeting needs of new migrant communities and the standards of housing in this sector. Investigating these issues in greater detail may assist development of strategic housing policies.

Households with children (family households)

- 7.56 The number of families in Waverley (defined for the purpose of this assessment as any household which contains at least one dependent child) currently totals 14,417 accounting for 29.3% of households. The demographic projection (linked to the SNPP (updated)) suggests that the number of children (aged Under 15) is expected to increase markedly from 2011 to 2031 (an increase of around 1,900).

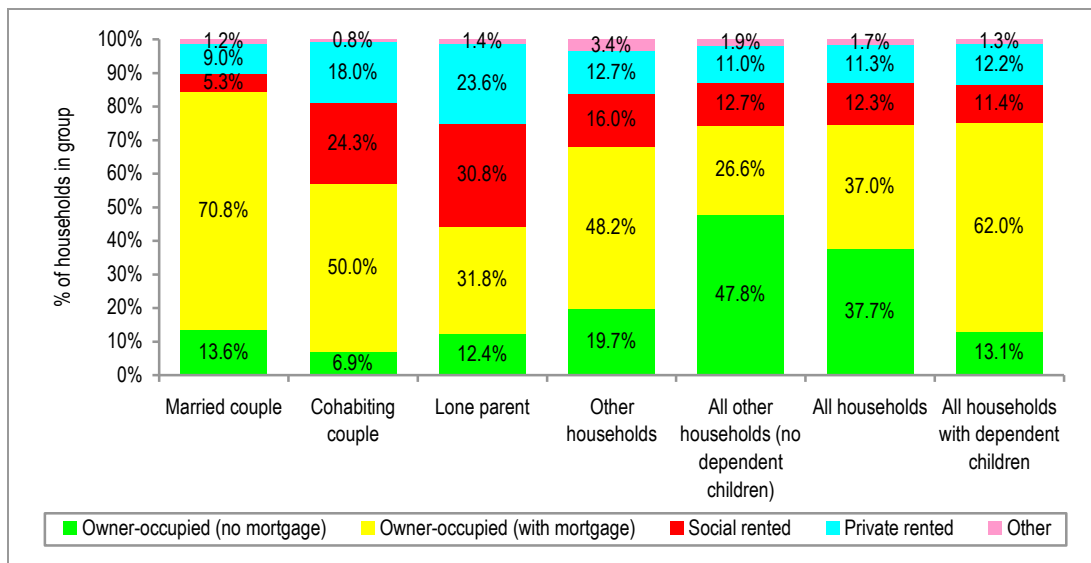
Table 53: Households with dependent children (2011)

Household type	Number	%
Married couple	10,168	20.6%
Cohabiting couple	1,453	2.9%
Lone parent	2,009	4.1%
Other households	787	1.6%
All other households (no dependent children)	34,863	70.7%
Total	49,280	100.0%
Total with dependent children	14,417	29.3%

Source: ONS (2011 Census)

7.57 The figure below shows the current tenure of households with dependent children. There are some considerable differences by household type with lone parents having a very high proportion living in the social rented sector and also in private rented accommodation. Around 44% of lone parent households are owner-occupiers compared with 84% of married couples with children.

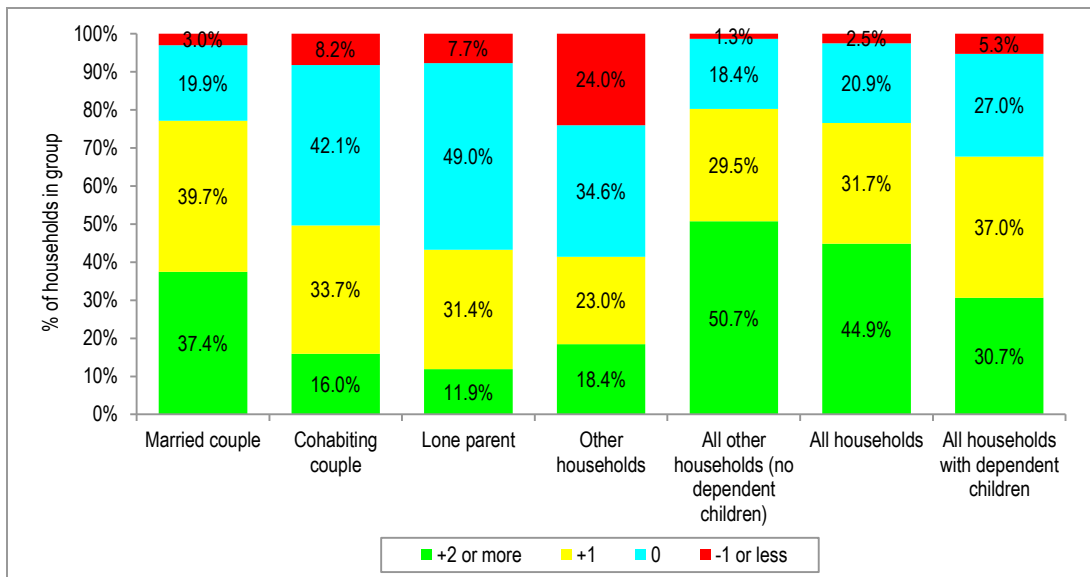
Figure 46: Tenure of households with dependent children - Waverley



Source: 2011 Census

7.58 Overcrowding is often a key theme when looking at the housing needs of households with children and the figure below shows that households with children are about four times more likely than other households to be overcrowded. In total, some 5.3% of all households with dependent children are overcrowded and included within this the data shows 8% of cohabiting couples and lone parent households are overcrowded along with 24% of 'other' households with dependent children. Other than for married couple households levels of under-occupancy are also very low.

Figure 47: Occupancy rating and households with dependent children



Source: 2011 Census data (from NOMIS)

Summary of Findings – Households with Children

7.59 Overall, the somewhat limited data available about family households suggests that this group may be quite polarised. Whilst married couple households and more established family units have high levels of owner-occupation and may well be slightly better off than the general population the data does point to lone parent (and other) households being more disadvantaged.

7.60 Given the disadvantages, it will be important to consider the how the needs of lone parent households are addressed. The high prevalence of lone parent households in the private rented sector is likely to be largely borne out of affordability constraints (i.e. single income making owner occupation inaccessible). Providing the types of units needed by this group (i.e. small units with access to outside space/garden) in the affordable sector will help to redress this reliance on the private rented sector. However, many such households are likely to remain within the PRS and ensuring accommodation is suitable and of sufficient quality should play a part in the Council's housing strategy.

Young people

7.61 Providing for the needs of younger person households is an important consideration for the Council. Given ageing populations the ability to retain young people in an area can assist in providing a more balanced demographic profile as well as providing a vital part of the local workforce. Young people may however find barriers to accessing housing given typically low incomes and potential difficulties in securing mortgage finance due to deposit requirements. It is also important to consider

the specific needs which may arise within this group, particularly in respect of young parents (especially young single parents).

7.62 The demographic projections (linked to the SNPP) suggest that in 2011 there were around 5,200 households headed by someone aged under 35 and that this is set to decrease by around 900 over the period from 2011 to 2031.

7.63 As well as households headed by a younger person there will be others living as part of another household (typically with parents). The table below shows the number of households in the Borough with non-dependent children. In total, some 9% of households (4,300) contain non-dependent children. This may to some degree highlight the difficulties faced by young people in accessing housing. Ineligibility for social housing, lower household incomes and the unaffordability of owner occupation for such age groups all contribute to the current trend for young people moving in with or continuing to live with parents.

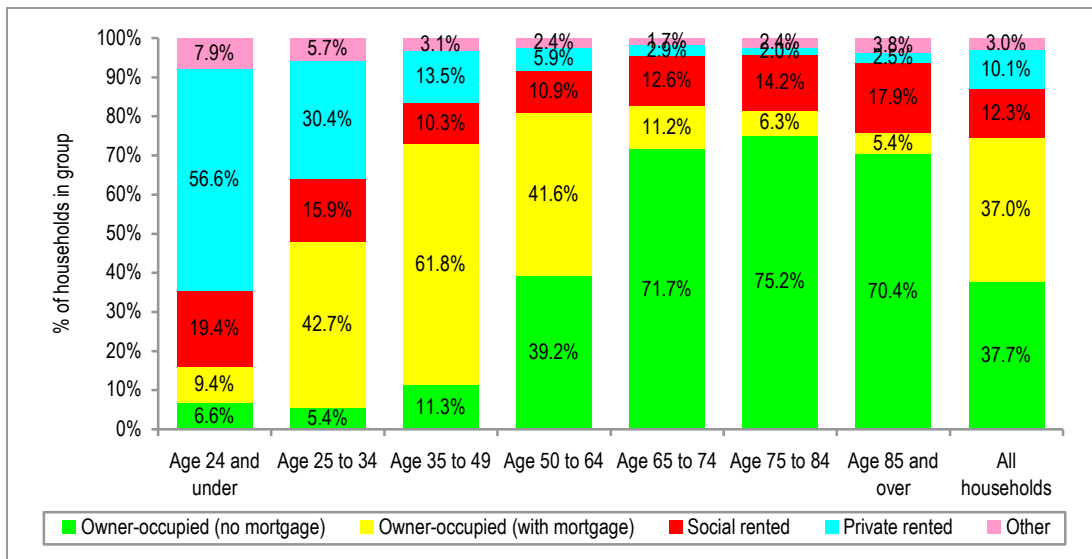
Table 54: Households with non-dependent children (2011)

Household type	Number	%
Married couple	2,678	5.4%
Cohabiting couple	169	0.3%
Lone parent	1,405	2.9%
All other households	45,028	91.4%
Total	49,280	100.0%
Total with non-dependent children	4,252	8.6%

Source: ONS (2011 Census)

7.64 Moving back to study households that are currently headed by a younger person (taken for this analysis as being aged under 34) we can use Census data to look at some key characteristics. The figure below shows the tenure groups of these households (compared with other age groups). The data clearly shows that very few younger households are owner-occupiers with a particular reliance on the private rented sector and to a lesser degree social rented housing.

Table 55: Tenure by age of HRP - Waverley

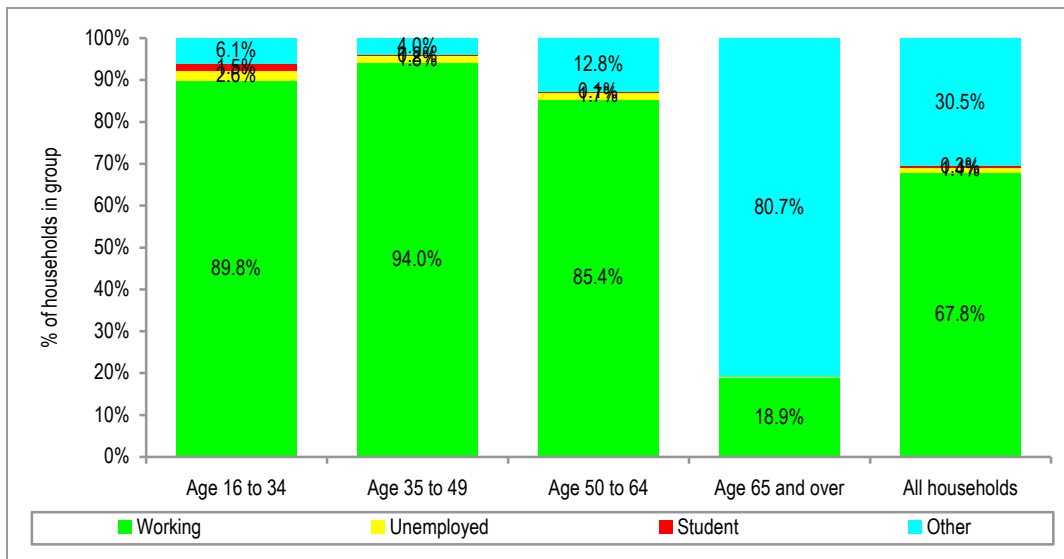


Source: 2011 Census

7.65 Census data can also be used to look at economic activity rates; including employment and unemployment levels. Data about this is shown in the table below (again based on the head of household/household reference person age). The data shows that whilst the vast majority of HRPs aged 16 to 34 are in employment there are a notable proportion unemployed or not economically active. A total of 2.6% of HRPs aged 16-34 are unemployed compared with a Borough-wide figure of just 1.4%.

7.66 The figure however does not tell the full story around unemployment as the data is based on people who are already living in their own household (or in this case are considered as the HRP or head of household). Additional Census data shows that of the population aged 16-24 who are economically active some 13% are unemployed.

Table 56: Economic activity by age of HRP - Waverley



Source: 2011 Census

Summary of Findings – Young Person Households

- 7.67 Analysis of younger person households shows a high reliance on rented housing and particularly the private rented sector. Younger age cohorts may therefore be forced into private rented (including shared) housing as the only means of meeting their housing needs, aside from residing with parents, where they would not form a head of household. However, government initiatives such as Help to Buy may assist such households by reducing prohibitive deposit requirements.
- 7.68 Factors such as a balanced approach to housing in terms of bedroom sizes and property types, along with high standards for shared housing options (including HMOs) will help support younger households to access housing.
- 7.69 There is also a need to consider the needs of specific groups of younger people, particularly young parents (especially where they are lone parents). Local data shows that just over 30 young parents/expectant parents approached the Council during 2012-13 with a need for supported accommodation.

Summary of Key Findings

- 7.70 The key challenge with older person households will be scale – in particular how to meet the needs of on over 65 population which is expected to grow substantially by 12,000 people (50%) from 2011 to 2031. This will not only manifest itself within the mix of general needs housing but we also anticipate a requirement for additional levels of specialist care accommodation in both the market and affordable sectors.

- 7.71 The number of people with disabilities is closely related to the age of the population and many of the conclusions related to older persons are relevant for this group. However, there are other groups under this broad definition which generate specific housing needs. Residents with physical disabilities are anticipated to grow by 5% in the period to 2020, and as such there is a need to consider adaptation (and adaptability) in both existing stock and new homes. Provision of more accessible types of accommodation, such as bungalows, may also be of benefit. There are also groups with mental and learning difficulties who are likely to generate a need for supported housing, both in terms of shared housing but also independent living units.
- 7.72 The BME population of Waverley is relatively small but has grown significantly over the past decade. Characteristics of BME groups (including tenure profiles and occupancy patterns) suggest that such households may be disadvantaged in the housing market. Where possible the Council should provide advice to BME groups and in particular ensure that accommodation quality (particularly in the private rented sector) can meet the needs of such households which are disproportionately likely to contain children.
- 7.73 Data about family households suggests that lone parents are particularly disadvantaged with a high reliance on rented housing. Projections suggest an increase in the number of children in Waverley over the next few years and if past trends are repeated this will also see a notable increase in the number of lone parents. Again advice about housing options and maintaining a good quality of accommodation will be critical to ensure that such households' needs are best met and that children are provided with a full range of opportunities (e.g. education) as they grow up.
- 7.74 Young people (aged under 35) are important for any area due to the long-term economic potential they can bring. As with other groups there are some indications of this group being disadvantaged with a reliance on rented accommodation and high levels of unemployment. Given that the housing options for young people may be more limited than for other groups it will be important to monitor the accommodation quality, particularly in the shared housing sector (such as HMOs) given general trends of an increase in house sharing over time. The specific needs of young lone parents will also need to be considered.

8 CONCLUSIONS AND RECOMMENDATIONS

Housing Market Area

- 8.1 The National Planning Policy Framework (NPPF) states that local planning authorities should use their evidence base to ensure Local Plans meet the full, objectively assessed needs for market and affordable housing in their housing market area (HMA). However, as the draft Planning Practice Guidance recognises, there is no “hard and fast” approach for defining a housing market area and, in practice, many housing market areas overlap.
- 8.2 Our analysis of market dynamics, migration patterns and commuting there are clearly a complex set of relationships at play across West Surrey and Hampshire. However, triangulation of the evidence converges upon Guildford, Waverley and Woking sharing the strongest relationships and correlation in both market and behavioural terms. We therefore consider the definition of a Guildford centric HMA covering these three authorities as a core to be appropriate.
- 8.3 It is however important to recognise overlaps between surrounding authorities and markets in this area. Our analysis indicates there are likely to be quite strong localised overlap between the northern settlements of East Hampshire and parts of Waverley. In addition, whilst our analysis lends support to a distinct market operating to cover the Rushmoor, Surrey Heath and Hart area, the commuting and migration evidence indicate some degree of overlap with Waverley and Guildford and particularly a relationship between Aldershot/Farnborough and Farnham. Whilst these relationships do not alter the core HMA of Guildford/Waverley/Woking, they should be considered and addressed as part of the Duty to Cooperate.
- 8.4 Whilst the study assesses the housing market area which covers the authorities of Waverley, Guildford and Woking, it has not been possible to co-ordinate a joint study at this stage due to plan timescales. As a result, detailed demographic and household projections have only been developed for the Waverley area; however, we have sought to reflect the existing evidence base of partner and surrounding authorities - particularly considering the likely balance between planned supply and requirements indicated by their respective national household projections and existing SHMAs - in order to form a view on requirements across the HMA. This is consistent with the approach set out in the draft Planning Practice Guidance (*Assessment of housing and economic development needs - with whom do local authorities need to work*).

Housing Requirements

- 8.5 The NPPF sets out that plans should be prepared on the basis of meeting full needs for market and affordable housing. The 2007 Guidance and more recently the draft Planning Practice Guidance sets out that the latest national projections should be seen as a starting point but that authorities

may consider sensitivity testing projections in response to local circumstances and the latest demographic evidence.

8.6 In accordance with the draft planning guidance, the 2011-based SNPP and related CLG household projections have formed the starting point for our assessment. These projections indicate a requirement for around 477 homes per annum. There are two particular limitations with this projection: it only covers the period to 2021 and our analysis suggests that there is robust justification to deviate from some of the assumptions underpinning the ONS/CLG work.

8.7 This leads us to PROJ 1. This projection is linked to the SNPP but, in line with the draft guidance, incorporates migration inputs which have been moderated to reflect the latest available demographic information. This indicates a requirement for 7,670 dwellings (rounded to the nearest 10) over the 2011 to 2031 period, equivalent to 384 per annum, which in our view is a robust starting point for housing requirements in Waverley.

8.8 The draft guidance then sets three key tests which should be applied in order to identify whether there is a case to adjust the starting point. We see these tests as:

- Is there evidence that household formation rates in the projections have been constrained? Do market signals point to a need to increase housing supply in order to address affordability and high demand?
- Is there a need to increase overall housing supply in order to ensure delivery of the required number of affordable homes?
- Is there evidence that an increase in housing supply is needed to ensure a sufficient labour supply to support forecast economic and employment growth?

Test 1: Is there evidence that household formation rates in the projections have been constrained? Do market signals point to a need to increase housing supply in order to address affordability and high demand?

8.9 The first of the above tests relates to whether there is evidence that household formation rates in the projections have been constrained. The headship rates in the 2011-based projections are based on trends between 2001 and 11 – a period during which house prices rose substantially and affordability worsened. In particular, we see that the population in the borough in their 20s and early 30s has fallen over the past decade, a trend which is not replicated to anywhere near the same degree across the HMA or the wider South East. This is the age group particularly associated with newly forming households and this trend therefore tends to suggest that such households are migrating away from Waverley in order to form (effectively evidence of household formation being displaced).

- 8.10 Market analysis would support this being the case. Our analysis indicates that house prices in the borough are notably above the HMA for almost all house types and that, in a high demand market, prices in Waverley tend to grow and diverge from average performance in Surrey. As a result, affordability is a more acute issue in Waverley at both lower quartile and median income levels. Consultation with local agents also supports the view of shortages in the supply of suitable and affordable options for smaller and newly forming households in the Waverley. We do not however, find evidence of a significant past undersupply in housing in the borough (or across the HMA).
- 8.11 To provide some indicative quantification of the impact of household suppression on requirements we have therefore run a sensitivity analysis on the baseline projection (PROJ 1) applying the 2008 based headship rate (household formation) assumptions to the PROJ 1 figures. This increases the projected housing requirement to 462 homes per annum to 2031.

Test 2: Is there a need to increase overall housing supply in order to ensure delivery of the required number of affordable homes?

- 8.12 The second test is to consider the ability of overall housing numbers to ensure affordable housing needs can be satisfied. Following the approach advocated by the draft guidance, the net affordable housing need identified in Waverley is substantial - 6,291 households over the period from 2013 to 2031, equivalent to 350 households each year. Clearly, the Council is justified in seeking to secure the maximum viable level of affordable housing in future.
- 8.13 However, whilst a significant quantitative shortfall is identified, there are in reality two key factors against which the assessment must be put into context. Firstly, in practice there are likely to be households who are adequately housed whilst paying more than the 30% of income threshold used in this report, particularly in an affluent area such as Waverley. Our sensitivity testing demonstrates that at an income threshold of 40%, affordable housing need over the plan period falls to around 220 households per annum.
- 8.14 Secondly, our evidence shows that in Waverley the private rented sector makes a potentially significant contribution to meeting affordable housing needs with an estimated 180 lettings per annum in sector to households supported by LHA. The extent to which the Council wishes to see the private rented sector being used to make up for shortages of affordable housing is plainly a local policy decision which is outside the scope of this study. However, assuming the role continues, our analysis indicates a need to deliver around 170 affordable homes per annum. In our view, and considering the proposed affordable housing requirements set out in the emerging Local Plan (Policy CS5), these affordable housing needs could be met with an overall housing provision in the region of 470 homes per annum (albeit challengingly).

Test 3: Is there evidence that an increase in housing supply is needed to ensure a sufficient labour supply to support forecast economic and employment growth?

- 8.15 In line with the draft guidance, we have also considered the implications of future economic and employment trends on housing requirements by modelling the housing which would be required to meet the level of employment growth forecast by the latest Experian projections.
- 8.16 The Experian forecasts indicate an increase in labour supply of 11,900 people over the period to 2031 and modelling these forecasts through to housing numbers results in a need for 523 homes per annum.
- 8.17 However, the outputs of economic modelling need to be considered in the context of economic realities. Whilst the forecast annual growth in Waverley of just over 1.0% is comparatively modest compared to other parts of Surrey, it does appear somewhat optimistic when compared to pre-recession trends (1997-2007) in the borough (0.87% annual employment growth) – particularly given there is no evidence of a planned “step change” in employment development or aspirations locally (i.e. through major initiatives or committed land supply). In addition, future employment growth in the borough will in reality be sensitive to the wider economic recovery and at the micro level could be affected by single shocks such as the contraction or closure of a major employer or, in particular for Waverley, continued constraint on public funding given the importance of the public sector for local employment.
- 8.18 The outputs of the economic modelling should however be treated as a sensitivity rather than an accurate assessment of requirements. In purely methodological terms, there are inherent limitations in the accuracy of economic forecasts, particularly at district level. Furthermore, the relationship between population growth and growth in jobs locally is however complex, and is sensitive to changes in employment rates, commuting patterns and double jobbing.
- 8.19 Nonetheless, compared to the output from the baseline PROJ 1 projection (which would support an increase of 7,200 in labour supply), we consider it is likely that supporting future economic performance in Waverley could create some degree of upward pressure on the housing market (and thus housing numbers), albeit perhaps not to the full extent of the PROJ 2 projection.

Overall conclusion on housing requirements

- 8.20 Drawing the range of evidence together, we conclude that we can define a broad range within which housing need would lie - 385 to 520 homes per annum; but the evidence converges on provision of around 470 homes per annum as being an objective assessment of full need for market and affordable housing.

- 8.21 It should be recognised that this is an objective, policy-off analysis and takes no account of land supply or development constraints within the District, including Green Belt policy. The NPPF and draft practice guidance dictates that assessments are undertaken in this way.
- 8.22 Whilst the assessment focusses on future requirements in Waverley Borough, we have reflected upon the existing evidence base for other authorities within the HMA. This identifies a potential need across Woking and Guildford of between 1,070 and 1,240 homes per annum (although these figures are not intended to prejudice any future work by either authority). These needs and the extent to which they can be met within the HMA will also need to be considered by the Council in the context of the Duty to Cooperate.

Requirements for Different Types and Sizes of Housing

- 8.23 The NPPF also requires local planning authorities, through the SHMA, to identify the range of types and sizes of accommodation likely to be needed by the population in future, including that required by those groups with specific housing needs.
- 8.24 Our assessment of affordable housing needs indicates that, in delivering affordable units, a borough-wide mix target of 25% intermediate: 75% rent would be appropriate, with the rent composition slightly skewed towards social rent. Any strategic policy should however retain a degree of flexibility both to take account of the settlement level variations which we have identified as well as any site specific issues with deliverability (i.e. grant funding availability).
- 8.25 In terms of size mix, our analysis (taking account of demographic trends and market evidence) concludes that the following represents an appropriate mix of affordable and market homes. It should however be noted that this analysis is at a point in time and that, over the plan period, there will be a range of factors which will influence demand for different sizes of homes, particularly demographic changes; growth in real earning/savings; housing affordability and wider economic performance.

Table 57: Indicative requirements for different dwelling sizes (2011-31)

	1-bed	2-bed	3-bed	4+ bed
Market	10-15%	30-35%	30-35%	20-25%
Affordable	40-45%	25-30%	20-25%	5-10%

- 8.26 In the affordable sector, we recommend that the focus of provision is on smaller properties. However, the recommended mix also recognises the role which delivery of larger family homes (3 and 4 bedrooms) can play in releasing supply of smaller properties for other households; together with the limited flexibility which one-bed properties offer to changing household circumstances which feed through into higher turnover and management issues.

- 8.27 For market housing, we recommend that the focus of new provision is on two and three-bed properties. This would serve to meet demand from newly forming households and younger families in the borough as well as demand from older households downsizing and looking to release equity in existing homes, but still retain flexibility for friends and family to come and stay. There is however likely to be a notable level of continued demand for larger family properties arising from existing growing households and those migrating into the borough.
- 8.28 The mix identified above should inform strategic borough-wide policies and help to inform the 'portfolio' of sites which are considered and ultimately allocated through the Local Plan process. However, we would again recommend that strategic policy retains a reasonable degree of flexibility to ensure that, in applying mix to individual development sites, appropriate regard can be given to the nature of the development site, the character and existing housing stock of the area as well as the most up-to-date evidence of need/demand.
- 8.29 Our analysis shows that addressing the housing needs of older people will be a matter of some considerable scale in Waverley given the significant projected growth in the over 65 population over the period to 2031. The mix recommendations in both the market and affordable sectors take account of this, particularly in respect of delivering smaller units to encourage downsizing and enable older people to move into more manageable accommodation, however; it will be important to consider the quality and type of smaller units if this provision is to meet the specific needs and demands of this group. In addition to general needs housing, we anticipate a growing requirement for specialist/care accommodation to meet the needs of this group.
- 8.30 Residents with physical disabilities are anticipated to grow by 5% in the period to 2020, and as such there is a need to consider adaptation (and adaptability) in both existing stock and new homes. Opportunities to deliver more accessible types of accommodation, such as bungalows, should also be explored. Although comparatively modest in quantitative terms, residents with mental health needs and learning disabilities are also likely to generate a need for supported housing, both in terms of traditional shared housing but also independent living units.