

## **Appendix 3– Standard Method Outputs – existing and proposed methods**

This appendix is split into two chapters:

- Chapter 1 - How housing need is calculated using the standard method set out in national planning practice guidance (based on 2014 household projections)
- Chapter 2 - The outputs of the proposed standard method contained in the proposed changes to the planning system consultation (published July 2024)

# 1 Standard Method Calculation (April 2024) as required by current national policy and guidance

## Step 1: Setting the baseline

- 1.1 The standard method uses the 2014-based household projections in England to set the demographic baseline from which the Housing Need Figure is calculated.
- 1.2 This is the annual average household growth over 10 years with the current year being the first year. As this document is being published in 2024, the period examined is 2024-2034.
- 1.3 As set out in the table below there is expected to be a 4,066 unit growth in households in Epsom & Ewell from 2024 to 2034 or 407 households per annum. This equates to a 11.6% increase in households over the same period.

**Table 1 - Household growth in the borough 2024-2034 (2014 household projections)**

Group	Number
Households 2024	35,070
Households 2034	39,136
Change in households	4,066
Per annum change (step 1)	407
% change	11.6

## Step 2: Adjustment to take into account affordability

- 1.4 The purpose of Step 2 is to adjust the demographic baseline based on local affordability. The purpose of the adjustment is to increase the housing need figure where house prices are high relative to workplace incomes. The market signal used to test this is the median workplace-based affordability ratio (MWAR) published by ONS in the most recently published year.
- 1.5 The adjustment increases the housing need derived from the household projections by 0.25% for every percentage point the affordability ratio is above four (4.0). The basis for this is that four is the typical multiple of household income mortgage providers use when calculating the maximum they are prepared to lend. The equation is as follows:

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

- 1.6 In 2023 (the most recent year for which this metric was recorded), the MWAR was 16.8 in Epsom & Ewell. This means that median house prices were almost 17 times the median earnings of those working in the local authority area.
- 1.7 As set out in the table below this results in an adjustment factor for the Borough of 80%. This is calculated as follows:  $((16.8 - 4) / 4) \times 0.25 = 0.80$

**Table 2 - Affordability Uplift (2014 household projections)**

<b>Group</b>	<b>Number</b>
Per annum change (Step 1)	409
Affordability ratio (2023)	16.8
Uplift to household growth	0.80
Total need (per annum)	736

- 1.8 To this point, the housing need in Epsom & Ewell would be 736 per annum, this is based on the following formula:

***Stage 2 Need = 10 year average annual household growth × (1+ Affordability uplift)***

- 1.9 This is the Council's need before any capping has been applied (Step 3).

### Step 3: Capping the level of any increase

- 1.10 The third step in the standard method is to cap the market signals uplift. This limits the increases an individual local authority can face.
- 1.11 How the cap is applied depends on the age of the adopted Local Plan and the scale of household growth. The first is where an authority has reviewed its plan (including developing an assessment of housing need) or adopted a plan (including a spatial development strategy) within the last five years the need may be capped at 40% above the requirement figure set out in this plan.
- 1.12 The second is where plans are more than five years old. Here, the cap is calculated at 40% above either the projected household growth. calculated in Step 1 or the housing requirement in the most recent plan (where this exists), whichever is higher.
- 1.13 The second approach is what applies to Epsom and Ewell as the Core Strategy which sets out the housing requirement dates from 2007.

**Table 3 – Cap calculations (2014 household projections)**

<b>Cap Methods (plan more than 5 years old)</b>	<b>Output</b>
1. 40% above stage 1 requirement (407dpa)	<b>570</b>
2. 40% above existing Local Plan requirement (181dpa)	253

- 1.14 The capped figure is less than the figure arrived at in Step 2 (818dpa).
- 1.15 The Local Housing Need Figure for the borough as of April 2024 is capped at **570dpa** at Step 3 of the standard method.

## 2 The outputs of the proposed standard method (published for consultation July 2024)

- 2.1 This section provides details on the implications of using the proposed standard methodology set out in the government consultation. Please note that this approach is not currently in effect and housing need should continue to be calculated using the method in the previous chapter until such a time is replaced through changes to national planning policy or guidance.

### Step 1: Setting the baseline

- 2.2 Using the latest Dwelling Stock Estimates<sup>1</sup> from the Department for Housing and Communities, calculate 0.8% of the Borough's total housing stock. As set out in Table 4

**Table 4 – Dwelling Stock Estimates (2023)**

	Number
Dwelling Stock Estimate (total stock) 2023	33,036
0.8% of Borough's Housing Stock	264.2

### Step 2: Adjustment to take into account affordability

- 2.3 Using workplace-based median house price to median earnings ratio data, calculate the average affordability ration for the past three years as set out in table 5.

**Table 5 – median house price to median earning ration data (2021-2023)**

	2021	2022	2023	Average
Median house price to median earnings ratio	17.48	19.53	16.8	<b>17.93</b>

- 2.4 The adjustment increases the housing need derived from the household projections by 0.6% for every percentage point the affordability ratio is above four (4.0). The basis for this is that four is the typical multiple of household income mortgage providers use when calculating the maximum they are prepared to lend. The equation is as follows:

$$\text{Adjustment factor} = ((\text{Three year average local affordability ratio} - 4)/4) \times 0.6$$

- 2.5 As set out in Table 5, the average local affordability ratio was **17.93** for the last three years (2021-2023) in Epsom & Ewell.
- 2.6 The output of this calculation is an affordability adjustment of 2.0895

<sup>1</sup> [Dwelling stock estimates in England: 2023 - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/statistics/dwelling-stock-estimates-in-england-2023)

$(17.93-4)/4 \times 0.6$ .

2.7 To calculate the housing need figure we use the following formula:

***Local Housing Need = Dwelling stock × 0.8%  
×(1+ Adjustment Factor)***

2.8 The output of this calculation is as follows  $(33,036 \times 0.008 \times (1+2.09)) = 816.6$

2.9 The above demonstrates that if the revised standard method were implemented as drafted, in the next iteration of the NPPF, the minimum housing need for the borough would be **817dpa**.