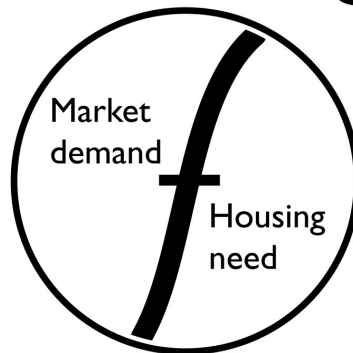




LONDON BOROUGH OF MERTON

Housing



Study

MAIN REPORT

JULY 2005



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Table of Contents

Executive summary	1
Section A: Context of the study	13
1. Introduction.....	15
1.1 Key points from the housing needs assessment guide.....	15
1.2 Key points from Balancing Housing Markets	17
1.3 Summary.....	18
2. Merton.....	19
2.1 Introduction.....	19
2.2 The context of Merton.....	19
2.3 Summary.....	20
Section B: Survey and initial data.....	21
3. Data collection	23
3.1 Introduction.....	23
3.2 Base household figures and weighting procedures.....	23
3.3 Base figures.....	24
3.4 Sub-areas.....	25
3.5 Updating the survey	26
3.6 Summary.....	27
4. Current housing in Merton.....	29
4.1 Introduction.....	29
4.2 Type of housing	29
4.3 Household type	30
4.4 Car ownership.....	31
4.5 Past moves.....	32
4.6 Future moves – existing households.....	34
4.7 Future moves – potential households.....	37
4.8 Housing costs	38
4.9 Summary.....	39

5.	The local housing market	41
5.1	Introduction	41
5.2	National, regional and local picture	41
5.3	Prices in adjoining and nearby areas	42
5.4	Estate Agents' information	43
5.5	Appropriate price level for the affordability test	46
5.6	Summary	48
6.	Financial information and affordability	49
6.1	Introduction	49
6.2	Household income	49
6.3	Household Savings and Equity	50
6.4	Household characteristics and income	51
6.5	Assessing affordability – existing households	52
6.6	Assessing affordability – potential households	54
6.7	Summary	55
Section C: The guide model.....		57
7.	Backlog of existing need	59
7.1	Introduction	59
7.2	Unsuitable housing	59
7.3	Migration and 'in-situ' solutions.....	61
7.4	Affordability	62
7.5	Housing need and the need for affordable housing.....	63
7.6	Potential and homeless households (backlog (non-households))	63
7.7	Total backlog need	65
7.8	Summary	66
8.	Newly arising need	67
8.1	Introduction	67
8.2	New household formation	67
8.3	Ex-institutional population moving into the community.....	68
8.4	Existing households falling into need	69
8.5	In-migrant households unable to afford market housing	70
8.6	Summary	71

9.	Supply of affordable housing	73
9.1	Introduction.....	73
9.2	The Social Rented stock.....	73
9.3	The supply of affordable housing.....	74
9.4	New dwellings.....	75
9.5	Shared ownership supply.....	76
9.6	Vacant dwellings.....	76
9.7	Changes in the supply of affordable housing.....	77
9.8	Summary.....	77
10.	Basic needs assessment model	79
10.1	Introduction.....	79
10.2	Total housing need.....	79
10.3	The Merton situation in context.....	81
10.4	Size requirements and sub-areas.....	81
10.5	Implications for affordable housing policy.....	83
10.6	Summary.....	86
11.	Nature of affordable housing requirement	87
11.1	Introduction.....	87
11.2	Defining intermediate housing.....	87
11.3	Background.....	89
11.4	Affordability within the intermediate category.....	91
11.5	The implications for targets.....	92
11.6	Affordability within the intermediate affordability category.....	92
11.7	Summary.....	93
Section D: Broader housing market & future changes		95
12.	Market housing	97
12.1	Introduction.....	97
12.2	Owner-occupied sector.....	97
12.3	The private rented sector.....	99
12.4	The social rented sector.....	101
12.5	Data comparisons.....	101
12.6	Summary.....	102

13.	Balancing housing markets.....	105
13.1	Introduction	105
13.2	Procedure in outline.....	105
13.3	Why gross flows cannot predict tenure	106
13.4	Adapted Gross Flows (AGF)	107
13.5	Summary of data	107
13.6	Implications of analysis.....	108
13.7	Summary	108
	Section E: The needs of particular groups.....	111
14.	Supporting people.....	113
14.1	Introduction	113
14.2	Supporting People: data coverage	113
14.3	Supporting people groups: overview	114
14.4	Characteristics of special needs households.....	115
14.5	Requirements of special needs households	118
14.6	Analysis of specific groups	119
14.7	Care & repair and staying put schemes	123
14.8	Summary	123
15.	Older person households.....	125
15.1	Introduction	125
15.2	The older person population	125
15.3	Characteristics of older person households.....	125
15.4	Property size	127
15.5	Working older people.....	128
15.6	Older person households in unsuitable housing	128
15.7	Summary	128
16.	Key worker households	131
16.1	Introduction	131
16.2	Number of key workers	132
16.3	Housing characteristics of key worker households.....	132
16.4	Previous household moves of key worker households	134
16.5	Housing aspirations of key worker households	135
16.6	Income and affordability of key worker households	137
16.7	Summary	139

17.	Black and minority ethnic households	141
17.1	Introduction.....	141
17.2	Household size.....	142
17.3	Tenure	142
17.4	Household type and ethnicity	144
17.5	Geographical location	146
17.6	Income levels.....	147
17.7	Unsuitable housing	148
17.8	Households in need.....	149
17.9	Summary.....	149
18.	Overcrowding and under-occupation	151
18.1	Introduction.....	151
18.2	Overcrowding and under-occupation.....	151
18.3	Household characteristics	152
18.4	Income levels.....	155
18.5	Moving intentions of under-occupying households	155
18.6	Summary.....	156
	Glossary	157
	Appendix A1: Affordable housing policy	161
A1.1	Introduction.....	161
A1.2	Surveys as basis for policy	161
A1.3	Basis for defining affordable housing.....	161
A1.4	Linking survey evidence to policy	163
A1.5	What level of subsidy is involved?	163
A1.6	What target(s).....	164
A1.7	What site threshold?.....	165
A1.8	Recent Government advice	166
	Appendix A2 Further property price information	169
A2.1	Introduction	169
A2.2	Reasons for housing market study.....	169
A2.3	Background to housing market analysis.....	170
A2.4	Government guidance on the study of housing markets	171
A2.5	The need for primary data	172
A2.6	Estate agents survey: Methodology	172
A2.7	Land Registry data	173
A2.8	Comparing prices in neighbouring areas.....	173
A2.9	Historical results for Merton.....	174
A2.10	Differences within Merton.	175

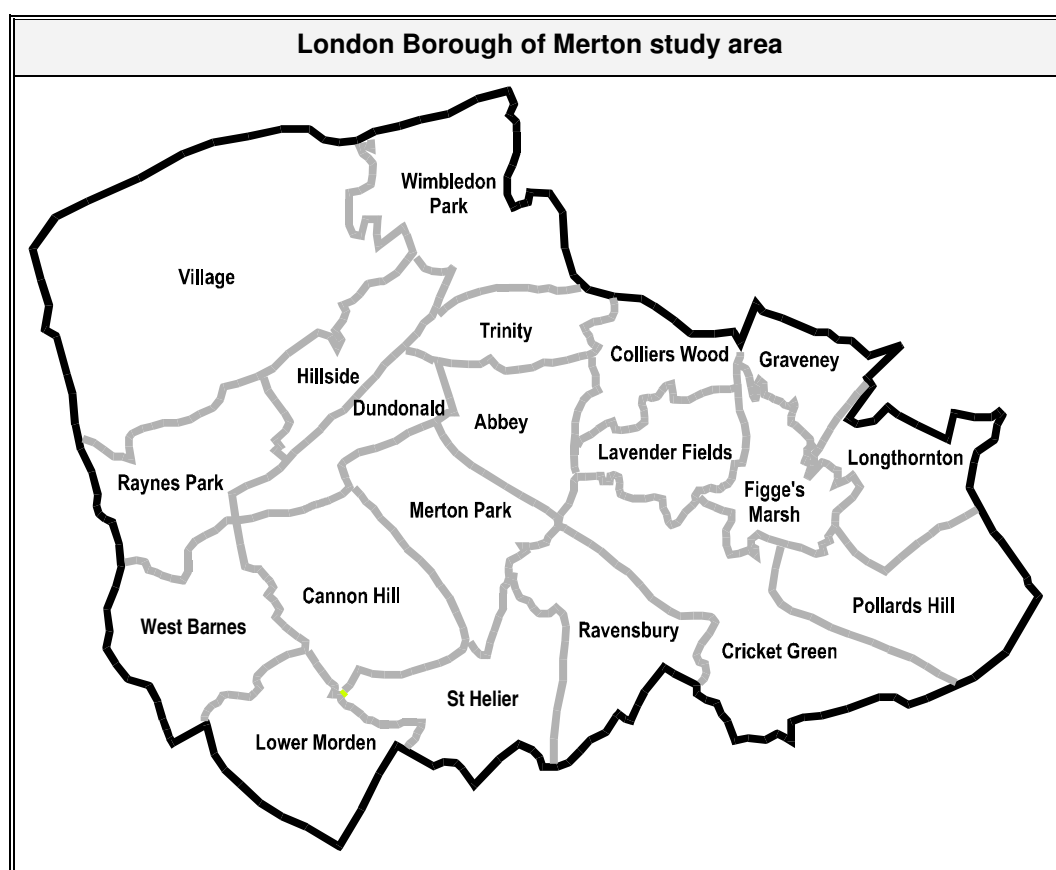
Appendix A3: Supporting information	177
A3.1 Non-response and missing data.....	177
A3.2 Response rates	177
A3.3 Weighting data	178
Appendix A4: Balancing housing market analysis	180
A4.1 Introduction	181
A4.2 Analysis of Merton data	181
Appendix A5: Survey questionnaires	185

Executive summary

Context of the Study

Fordham Research were commissioned to carry out a joint Housing Needs and Private Sector Stock Condition Survey for the London Borough of Merton. The Needs study was designed to assess the future requirements for both affordable and market housing. To do this the study drew on a number of sources of information. These included:

- i) A postal survey of 2,337 local households
- ii) A personal interview survey of a further 1,226 households
- iii) Interviews with local estate and letting agents
- iv) Review of secondary data (including Land Registry, Census and H.I.P. data)



Survey and initial data

A major part of the study process was an interview survey of local households. In total 3,563 households took part in the survey. Student-only households were excluded from analysis, leaving 3,548 valid responses. The questionnaire covered a wide range of issues including:

- Current housing circumstances
- Past moves
- Future housing intentions
- The requirements of newly forming households
- Income and savings levels

Information from the questionnaire survey was used throughout the report (along with secondary information) to make estimates about the future housing requirements in the Borough.

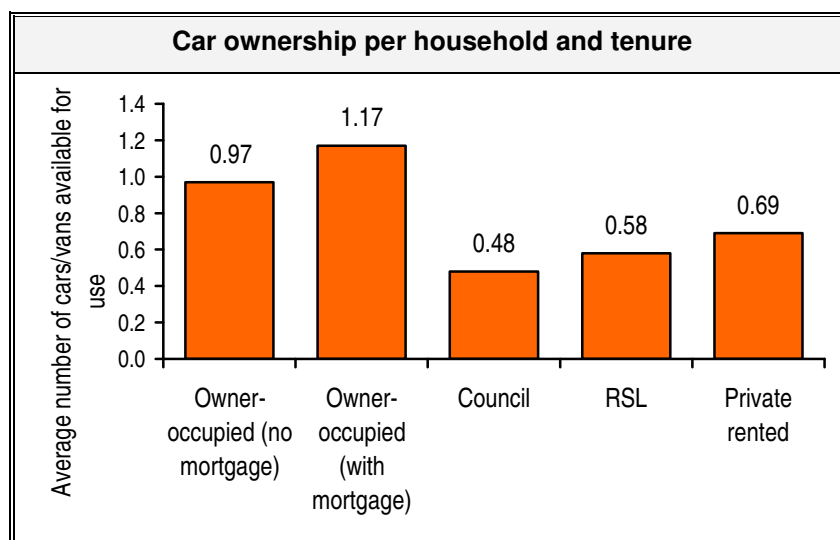
Overall the survey estimated that around 72% of households are currently owner-occupiers with around 14% living in the social rented sector.

Number of households in each tenure group				
Tenure	Total number of households	% of households	Number of returns	% of returns
Owner-occupied (no mortgage)	22,946	28.5%	973	27.4%
Owner-occupied (with mortgage)	35,142	43.6%	1,511	42.6%
Council	6,548	8.1%	400	11.3%
RSL	4,394	5.5%	185	5.2%
Private rented	11,490	14.3%	479	13.5%
Total	80,520	100.0%	3,548	100.0%

The survey reported on a number of general characteristics of households in Merton. The study estimated that around a third of households lived in a flat or maisonette and that around 19% of all households were solely comprised of pensioners. The study also looked at car ownership (which is often used as an indication of wealth).

The figure below shows car ownership in the Borough by tenure. It is clear that there are large differences between the different tenure groups with owner-occupiers (with mortgage) having a significantly greater level of car ownership than households in the social rented sector.

Over half of all households in social rented accommodation do not own a car or van. Some 53.4% of households in RSL accommodation, and 61.3% in Council accommodation do not own a car or van. This compares to 43.9% of households in the private rented sector, 28.4% of owner-occupiers without a mortgage and 17.8% of owner-occupied (with mortgage) households.

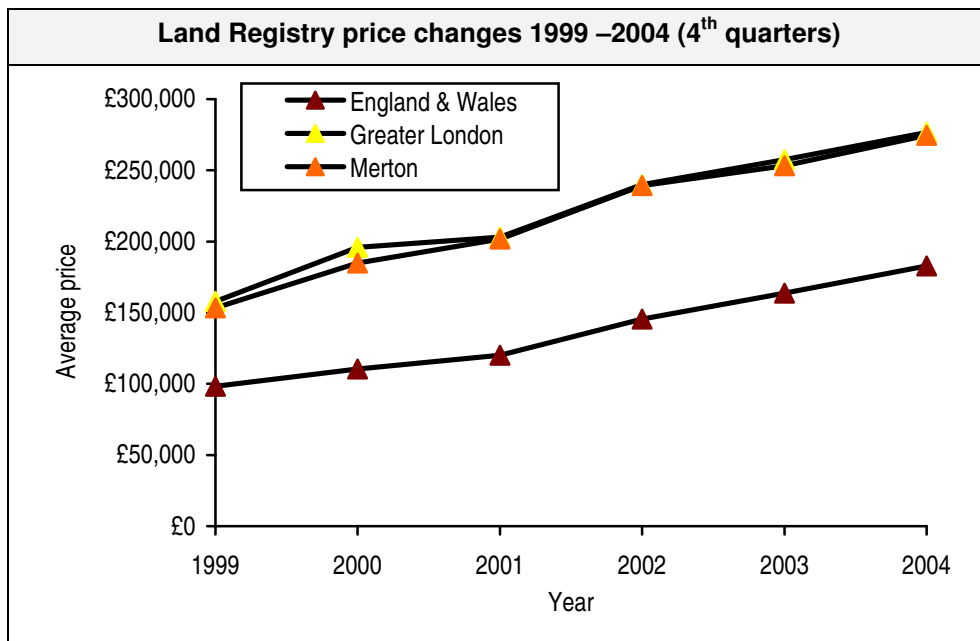


The study also looked at past trends in household movement and future expectations. The broad findings were:

- An estimated 21.8% of households have lived in their current home for less than two years, just under half of previous moves having occurred within the Borough
- In terms of future household moves the survey estimated that 20,990 existing and 6,369 potential households need or expect to move within the next two years
- In both cases a higher proportion would like to move to owner-occupation than would expect to do so

The survey indicated differences in housing costs between different tenures with the highest costs in the private rented sector and the lowest in the social rented sector. Differences were more marked when housing benefit was removed, with owner-occupiers showing the highest costs.

One of the main sources of secondary information was the Land Registry. This data source suggested that property prices in the Borough are almost 50% higher than the average for England & Wales only marginally less than the Greater London average. Price rises in Merton have also matched national and regional equivalents over the past five years.



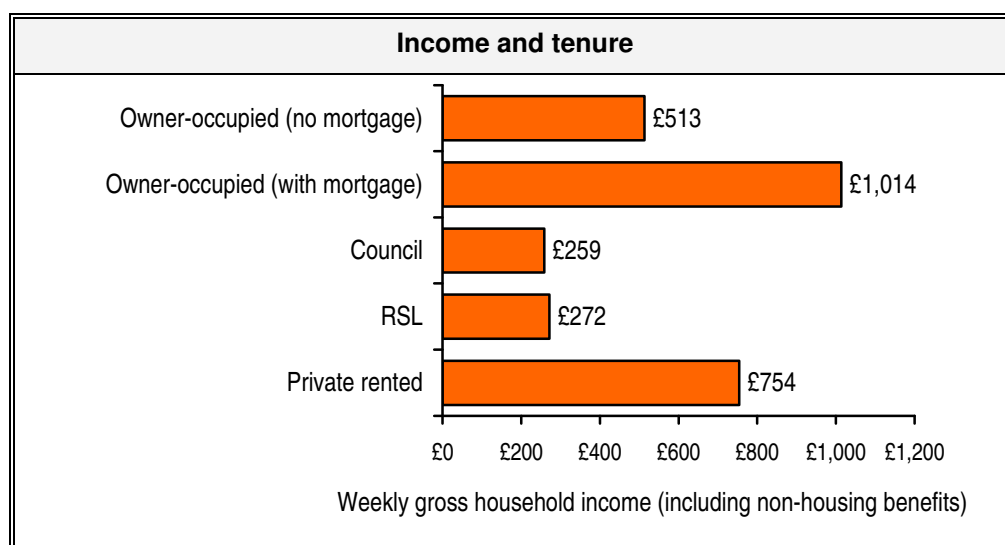
A survey of local estate and letting agents identified estimates of the minimum costs of housing to both buy and rent in the Borough. Results indicated that there are local variations; areas on the North West side of the Borough (including the central area and Wimbledon) are noticeably more expensive than on the South Eastern (including the South and Mitcham areas).

Affordability for all households in the Borough was tested against the lower prices (those for the South & Mitcham area); it was assumed that the Borough is sufficiently compact that it would not be unreasonable to expect of household to move from Central & Wimbledon area in order to obtain affordable housing. Overall, the survey suggested that prices started at around £123,500 for a one bedroom flat with private rental costs starting from around £580 per month.

Minimum property prices/rent in Merton (South & Mitcham area)		
Property size	Minimum market price	Minimum monthly rents
1 bedroom	£123,500	£580
2 bedrooms	£148,500	£690
3 bedrooms	£191,500	£855
4 bedrooms	£245,000	£1,050

The information about minimum prices and rents was used along with financial information collected in the survey to make estimates of households' ability to afford market housing (without the need for subsidy).

The survey estimated average gross weekly household income (including non-housing benefits) to be £732. There were, however, wide variations by tenure; with households living in social rented housing having particularly low income levels.

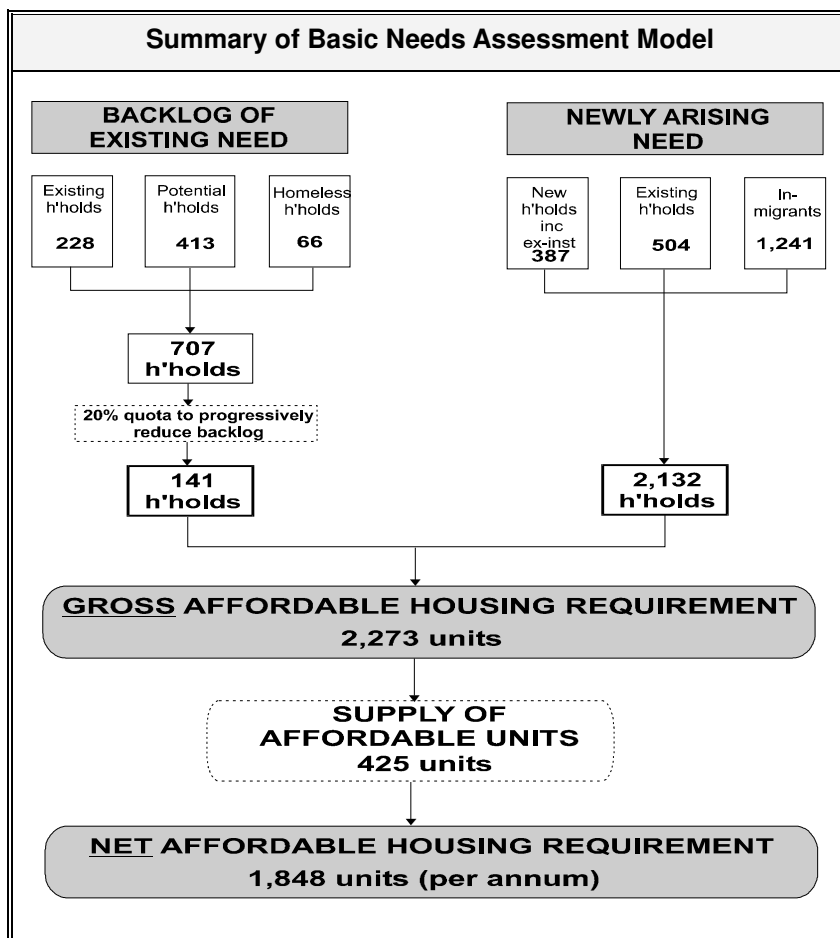


The Guide model

As part of the study, an estimate of the need for affordable housing was made based on the 'Basic Needs Assessment Model' (BNAM). The BNAM is the main method for calculating affordable housing requirements suggested in Government guidance '*Local Housing Needs Assessment: A Guide to Good Practice*' (ODPM 2000).

The BNAM sets out 18 stages of analysis to produce an estimate of the annual requirement for additional affordable housing. The model can be summarised as three main analytical stages with a fourth stage producing the final requirement figure. The stages are:

- Backlog of existing need
- Newly arising need
- Supply of affordable units
- Overall affordable housing requirement



Overall, using the BNAM it was estimated that there is currently a shortfall of affordable housing in the Borough of around 1,848 units per annum. The data suggested that this shortfall is most acute for smaller (one and two bedroom) properties. Additionally, data suggests shortfalls across the Borough although Lavender Fields shows the greatest shortfall.

The analysis suggests that any target of affordable housing would be perfectly justified (in terms of the needs) and that site size thresholds below the current Circular 6/98 level of 15 dwellings should be considered.

Further analysis suggests that over half of this need could theoretically be met by 'intermediate' housing, available at outgoings between social rents and the minimum cost of (second hand) market housing. However, the majority of households able to afford 'intermediate' housing could only afford the cheapest 'intermediate' housing (i.e. prices close to social rents) and so traditional options such as shared ownership may be of little benefit in meeting large quantities of housing need.

Broader Housing Market & Future Changes

In addition to concentrating on the need for affordable housing in isolation the study looked at housing requirements in the private sector market. The analysis began by looking at the differences between three broad housing sectors (owner-occupation, private rented and social rented). The survey data revealed large differences between the three main tenure groups in terms of stock profile (size of accommodation), turnover and receipt of housing benefit (or income support towards mortgage interest payments in the case of owner-occupiers).

Profile and turnover of stock and housing benefit claims by tenure			
Tenure	% of properties with less than three bedrooms	Annual turnover of stock (% of households)	% claiming housing benefit (income support for owners)
Owner-occupied	80.0%	7.2%	0.8%
Private rented	92.1%	31.3%	17.0%
Social rented	97.1%	8.9%	59.4%
All Households	84.1%	10.9%	11.1%

In terms of estimating market requirements a 'Balancing Housing Markets' (BHM) assessment was undertaken looking at the whole local housing market, considering the extent to which supply and demand are 'balanced' across tenure and property size. The notion has been brought into prominence by the work of the Audit Commission in assessing councils' performance (Comprehensive Performance Assessment (CPA) of local authorities).

The BHM differs from the BNAM in that it looks at households' future aspirations and affordability – the BNAM is mainly a trend-based analysis. The table below shows the overall results of the BHM analysis.

Total shortfall or (surplus)					
Tenure	Size requirement				Total
	1 bedroom	2 bedrooms	3 bedrooms	4+ bedrooms	
Owner-occupation	(5)	256	(414)	(6)	(169)
Affordable housing	294	397	236	148	1,075
Private rented	(140)	(116)	(191)	(28)	(476)
Total	149	537	(370)	114	430

Of the future increase in dwellings in Merton – 430 per annum, if every household's needs and aspirations were met, there would be a shortfall of 1,075 affordable homes and a surplus of 169 owner-occupied homes and 476 homes in the private rented sector.

A number of conclusions can be drawn from this analysis:

- In terms of the demand for affordable housing in the Borough it is clear that this is on-going. The BHM methodology suggests a significant shortfall of affordable housing of all sizes of accommodation, most notably two bedroom homes
- Overall, the data also shows a large surplus in the private rented sector. In terms of size requirements, the information suggests that in the owner-occupied sector the main shortfalls are for two bedroom homes, whilst there is a surplus of all sizes in the private rented sector

Therefore both the BHM and BNAM analyses suggest that there will be a shortage of affordable housing in the future.

The Needs of Particular groups

The study moved on from a consideration of future needs for additional housing to look at the needs of particular groups. The survey concentrated on the characteristics and requirements of households with disabilities (households with support needs), older person households, key workers, Black and Minority Ethnic (BME) households and overcrowded households.

Supporting people

Information from the survey on special needs groups can be of assistance to authorities drawing up their detailed Supporting People Strategies. Some 11.7% of all the Borough's households (9,453) contain special needs members. 'Physically disabled' is the largest category with special needs.

Special needs categories			
Category	Number of households	% of all households	% of special needs households
Frail elderly	2,468	3.1%	26.1%
Physical disability	5,395	6.7%	57.1%
Learning disability	1,276	1.6%	13.5%
Mental health problem	1,948	2.4%	20.6%
Vulnerable young people & children leaving care	55	0.1%	0.6%
Severe sensory disability	908	1.1%	9.6%
Other	865	1.1%	9.2%

Special needs households in Merton are generally smaller than the average for the Borough and are disproportionately made up of older persons only. Special needs households have lower than average incomes and are more likely than households overall to be in unsuitable housing.

Special needs households in general stated a requirement for a wide range of adaptations and improvements to the home. The most commonly-sought improvements needed were:

- Shower Unit (2,082 households – 22.0% of all special needs households)
- Downstairs WC (1,868 households – 19.8% of all special needs households)
- Single level accommodation (1,642 households – 17.4% of all special needs households)

The survey also suggested considerable scope for 'care & repair' and 'staying put' schemes. A large proportion of special needs households stated problems with maintaining their homes, the majority of these are currently living in the owner-occupied sector.

Older person households

Older persons are defined as those of a pensionable age i.e. men aged 65 or older and women aged 60 or over. Some 19.2% of households in Merton contain older persons only, and a further 8.4% contain a mix of both older and non-older persons. Older person-only households are much more likely to be comprised of only one person compared to all households, providing implications for future caring patterns. Although the majority of older person-only households live in the private sector, it is interesting to note that a relatively high proportion of social rented accommodation houses older people-only (25.0% of all Council accommodation is occupied by older persons only).

Older person households do not contribute significantly to the overall need for additional affordable housing, but may well have a significant impact on the future of Council housing and the future need for sheltered housing and adaptations.

Key worker households

The term intermediate housing is often used with reference to specific groups of households such as key workers. The survey therefore analysed such households - the definition being based on categories of employment and notably including public sector workers. The categories of employment chosen by the Council for the purposes of this survey were based on the government-led initiative 'Key Worker Living'. Analysis of survey data indicates that there are an estimated 16,663 people in key worker occupations.

Key worker categories		
Category	Number of persons	% of key workers
NHS and Private sector health care	7,128	42.8%
Teachers	3,716	22.3%
Teachers in higher education	1,121	6.7%
Local Authority staff	1,679	10.1%
Prison and Probation staff	254	1.5%
Metropolitan Police employees	706	4.2%
Emergency services	284	1.7%
Public Transport	1,775	10.7%
Total	16,663	100.0%

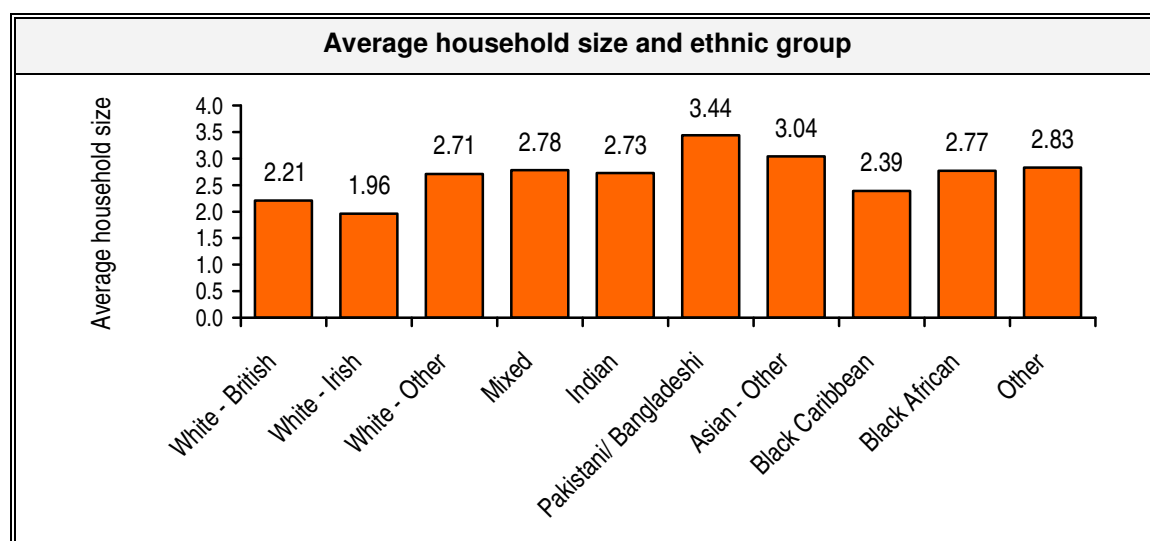
The survey also estimated that 10,157 households are headed by a key worker and were subject to additional analysis. The main findings from further analysis of this group of households can be summarised as follows:

- Key worker households are more likely to be owner-occupiers and less likely to live in the social rented sector
- Key worker households are more likely to have moved in the last two years than non-key workers and are more likely to have moved from elsewhere in London
- Key worker households are also more likely to move within the next two years but are less likely to want to remain in the Borough
- Key worker households have slightly lower incomes and lower savings levels than non-key worker households (in employment)
- The majority (84.8%) of key worker households can afford market housing in the Borough; of those that can't afford, intermediate housing options are only affordable for 54.0%. Looking only at those key worker households who need or are likely to move in the next two years, a lower proportion are able to afford entry-level prices
- Of the key worker households in housing need (as assessed by the Basic Needs Assessment Model) a high proportion can afford intermediate housing options, and at all ranges of prices

Black and Minority Ethnic households

The survey revealed that 80.1% of Merton households were White, with 8.3% Asian & Asian British, 7.1% Black & Black British and 4.5% in Mixed & other ethnic groups.

Survey results show that White British and Indian households were disproportionately living in owner-occupied accommodation whilst Black African and Caribbean households were particularly likely to live in the social rented sector. All BME households are more likely to contain children. The survey also showed that Pakistani/Bangladeshi households have a larger average household size than other households.



Finally, the survey results suggest that White households are particularly likely to be made up of only older people and that Indian and Pakistani/Bangladeshi households are generally more likely to contain someone with a special need. The survey also showed considerable differences in both income and savings levels between the different groups.

Overcrowding and under-occupation

Finally, the survey looked briefly at overcrowding and under-occupation, overcrowding having been shown as the second most important reason for households to be living in unsuitable housing. The study suggested that 5.0% of all households are overcrowded and 30.7% under-occupy their dwelling. The owner-occupied (no mortgage) sector shows the highest levels of under-occupation; the Council and RSL rented sectors the highest overcrowding.

Overcrowding and under-occupation					
Number of bedrooms required	Number of bedrooms in home				TOTAL
	1	2	3	4+	
1 bedroom	11,636	14,194	15,537	3,960	45,327
2 bedrooms	1,279	5,527	10,032	4,153	20,991
3 bedrooms	95	1,054	7,002	3,429	11,580
4+ bedrooms	50	87	1,185	1,304	2,626
Total	13,060	20,862	33,756	12,846	80,520

KEY: Overcrowded households Under-occupied households

Note: The bottom two cells of the 4+ bedroom column contain some households that are either overcrowded or under-occupied – for example they may require three bedrooms but live in a five bedroom property or may require five bedroom property but currently be occupying four bedroom property.

Overcrowded households tend to have low incomes (measured per person) and are far more likely than other households to state that they need or expect to move.

Conclusions

The housing study in Merton provides a detailed analysis of housing requirement issues across the whole housing market in the Borough. The study began by following the Basic Needs Assessment Model, which estimated a requirement to provide an additional 1,848 affordable dwellings per annum if all housing needs are to be met (for the next five years).

The study continued by looking at requirements in the housing market overall using a 'Balancing Housing Markets' methodology. This again suggested a significant requirement for additional affordable housing to be provided.

Overall, the need for additional affordable housing represents over 400% of the estimated newbuild in the Borough (430 units per annum). It would be sensible to suggest that in the light of the affordable housing requirement shown, the Council will need to maximise the availability of affordable housing from all available sources (including newbuild, acquisitions, conversions etc). Attention should also be paid to the cost (to occupants) of any additional housing to make sure that it can actually meet the needs identified in the survey.

Section A: Context of the study

This report is the result of a Housing Needs Assessment undertaken by Fordham Research on behalf of the London Borough of Merton. It provides an overview of the housing situation in Merton, calculating an estimate of housing need and also looking at housing demand across all tenures and property sizes.

Data collection and analysis for the assessment has been implemented in line with ODPM guidance, which was published in 2000 in an attempt to standardise Housing Needs Assessments. These assessments are a key piece of research for Local Authorities, informing the development of Affordable Housing Policies.

The report is divided into five sections. The first sets the scene in Merton, pinpointing key issues within the Borough's housing sector, which are then addressed within the following chapters. The second section provides a summary of data collection techniques and outlines the range of information collection, explaining its importance for assessing housing need.

The third section works through the three stages of the model, as outlined by ODPM guidance, in order to assess whether there is a shortfall or surplus of affordable housing in Merton. The fourth section considers the degree to which the housing market in Merton is in balance and the fifth considers housing requirements of specific groups.



1

1. Introduction

This report contains the second comprehensive survey of housing need carried out on behalf of the London Borough of Merton by Fordham Research. A Housing Needs Survey was completed in Merton in 1999, before the current ODPM Guidance (detailed further below) was published in 2000. The 1999 survey was then updated in 2001 to be in line with the Guidance. Therefore, this survey is the first primary data collection since the publication of the Guidance.

This survey closely follows guidance set out by the Office of the Deputy Prime Minister in '*Local Housing Needs Assessment: A Guide to Good Practice*' (July 2000). It should be noted that throughout this report reference is made to the ODPM Guidance, although at the time of publication the Department was titled DETR. The main aspect of the ODPM guide is its Basic Needs Assessment Model (BNAM) which is discussed further in this chapter.

The study also looks at housing requirements using our 'Balancing Housing Markets' methodology (BHM). This is a demand-led method which looks at potential housing shortages (and surpluses) across the whole housing market – including affordable housing. This requirement has been brought into focus as part of the Audit Commission's Comprehensive Performance Assessment (CPA). The CPA includes the requirement for local authorities to consider 'balancing housing markets'.

In carrying out this assessment using both the BNAM and the BHM we are able to cast some considerable light on the housing situation in Merton. The two methods are quite complementary. The BNAM looks predominantly at trend data whilst the BHM studies households' future aspirations, expectations and affordability.

The two methods taken together provide detail on certain crucial matters, such as the types of affordable housing which can meet housing need and suggested affordable housing policy responses (such as target and threshold levels).

1.1 Key points from the housing needs assessment guide

The basis for carrying out housing needs assessment has been standardised by the publication of the Guide (formally: *Local Housing Needs Assessment: A Guide to Good Practice – ODPM Housing, July 2000*). Since the Guide provides the test of a good Housing Needs Survey, it is important to summarise its key features. This section is devoted to that purpose.

(i) Introduction

This Guide, published in July 2000, has gone a long way to filling the gap which has been apparent ever since, in Circular 7/91, the Government told councils they could seek affordable housing provided that there was evidence of housing need (without defining 'need'). There are still a number of detailed difficulties with the advice, but they are minor compared with the gaps that have been filled. The following summary focuses upon the key issues, and in particular those that affect affordable housing.

(ii) Definition of housing need

The definition of housing need controls which households are defined as being in need, and indirectly affects what constitutes affordable housing. Affordable housing is, in principle, designed to address the identified housing need. The Guide defines a household in housing need as one which is living in housing that is not suitable for its requirements and who cannot afford to resolve this unsuitability within the private sector housing market.

ODPM Guide	<i>'Housing need refers to households lacking their own housing or living in housing which is inadequate or unsuitable, who are unlikely to be able to meet their needs in the housing market without some assistance'. [Appendix 2 (page 116)]</i>
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(iii) Procedure

An 18-stage procedure is set out in the Guide. This is aimed at producing an estimate of the net need for new affordable housing. Thus the Guide is very much geared to the requirements of planning for clear indications of the affordable housing requirement. The following table reproduces the stages from the key table of the Guide. Chapters 7 to 9 in the report go through the three elements of the model in Merton and explain the calculation of each individual stage.

Table 1.1 Basic Needs Assessment Model: (from Table 2.1 of <i>the Guide</i>)
<i>Element and Stage in Calculation</i>
<i>B: BACKLOG OF EXISTING NEED</i>
1. Households living in unsuitable housing 2. <i>minus</i> cases where in-situ solution most appropriate 3. <i>times</i> proportion unable to afford to buy or rent in market 4. <i>plus</i> Backlog (non-households) 5. <i>equals</i> total Backlog need 6. <i>times</i> quota to progressively reduce backlog 7. <i>equals</i> annual need to reduce Backlog
<i>N: NEWLY ARISING NEED</i>
8. New household formation (gross, p.a.) 9. <i>times</i> proportion unable to buy or rent in market 10. <i>plus</i> ex-institutional population moving into community 11. <i>plus</i> existing households falling into need 12. <i>plus</i> in-migrant households unable to afford market housing 13. <i>equals</i> Newly arising need
<i>S: SUPPLY OF AFFORDABLE UNITS</i>
14. Supply of social relets p.a. 15. <i>minus</i> increased vacancies & units taken out of management 16. <i>plus</i> committed units of new affordable supply p.a. 17. <i>equals</i> affordable supply 18. Overall shortfall/surplus

(iv) Conclusions

The Guide provides a coherent definition of housing need, and a great deal of advice on how to implement it. This report has been prepared in accordance with the Guide. Throughout this report key methodological quotes from the guide are highlighted in boxes. This is to help the reader understand and to reinforce the reasoning behind the analysis carried out.

1.2 Key points from Balancing Housing Markets

As part of the Balancing the Housing Market component of the Comprehensive Performance Assessment conducted by the Audit Commission, each Council must assess the extent to which it understands its entire housing market, the extent to which it is taking appropriate actions to balance the housing market, and to demonstrate that it is adequately monitoring progress in achieving a balanced housing market.

The suggestion of 'Balancing Housing Markets', indeed, appears in the ODPM guidance on Housing Needs Assessment (under the heading of 'Gross Flows').

ODPM Guide	<i>'A further development of the approach (the Basic Needs Assessment Model) together with demographic components is to try to build a model showing the gross annual flows of households between each of the main tenures within the district. Such a model would also show the flows of new and migrant households into the system and of dissolving and out-migrating households out of the system'. [Appendix A7.4 (page 157)]</i>
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Fordham Research has developed an innovative methodology to allow the information gathered in the household survey to be used as part of the diagnostic assessment the Council is required to undertake. A full chapter in the report is devoted to this analysis, which assesses the extent to which housing markets are balanced and suggests the directions the Council might take to approach a more balanced condition. This Balancing Housing Market methodology (an Adapted Gross Flows approach) shows exactly what shortages and surpluses exist and are likely to persist in the medium term according to size of dwelling and tenure in relation to the aspirations and affordability of would-be movers.

1.3 Summary

Housing Needs Surveys have become, over the past decade, a standard requirement for local authorities across Britain. The publication of *Local Housing Needs Assessment: A Guide to Good Practice* by ODPM in July 2000 has now standardised the form of such assessments. They are designed to underpin housing and planning strategies by providing relevant data for them.

In addition to focussing on the need for affordable housing, this study addresses housing requirements across all housing tenures. This is with a view to producing information, which will assist policy making in relation to both housing and planning policy, as well as the Comprehensive Performance Assessment.

2

2. Merton

2.1 Introduction

The purpose of this chapter is to establish key themes relating to housing in Merton. Information collected from secondary sources provides background context for the survey data analysis.

2.2 The context of Merton

The London Borough of Merton is located in South West London, bordering London Boroughs to all sides, including Wandsworth, Lambeth, Croydon, Sutton and Kingston-Upon-Thames. Consequently Merton covers a diverse span of different communities and living standards. Merton supports a wide-ranging portfolio of industries. Many businesses locate in the town centres of Wimbledon, Morden, Mitcham, Raynes Park and Colliers Wood, however Merton does contain purpose built industrial parks. Merton also has excellent transport links including 14 railway stations, the Northern & the District underground lines, trams linking Wimbledon to Croydon & Beckenham, 9 miles from Heathrow & 16 miles from Gatwick and the A3 which gives access to the South Circular and the M25.

In comparison with its neighbouring boroughs, Merton is classed as more deprived than Sutton and Kingston-Upon-Thames but less deprived than Lambeth, Croydon, or Wandsworth. No wards in Merton feature in the top 10% of most deprived wards in London, and the majority of wards to the West of Merton feature in the 10% least deprived wards in London. However four wards are in the top 25% of most deprived wards in England. These are Lavender, Pollards Hill, Cricket Green and Ravensbury.

The Census (2001) recorded a total population of 168,484 making up 78,884 households. The population and total number of households have both since increased in the last decade as is typical of most London boroughs. Any population growth, combined with the limited scope for new housing due to a lack of vacant or underused land fit for development, is likely to have increased the pressure on the local housing market. This is accentuated in London as there are so few development opportunities in the surrounding boroughs either, meaning the problem cannot be decanted elsewhere to neighbouring housing markets.

A previous housing study was completed in Merton in 1999. This suggested that there were high levels of need for affordable housing in the area. A total of between 5,000 and 7,000 additional affordable dwellings was estimated to be required to meet the need in full. After the publication of the 2000 guidance, a 2001 update suggested that need increased due to fewer of those households living in unsuitable housing being able to afford local market rent and property prices.

2.3 Summary

Merton is situated in South West London, with a population of 168,484 residents (2001 Census). The Borough is surrounded by less deprived Boroughs of Sutton and Kingston-Upon-Thames to the West and South, and more deprived Boroughs; Wandsworth, Lambeth and Croydon, to the North and East. An increasing population means that there will undoubtedly be pressure on the housing market and an increasing demand for affordable housing.

Section B: Survey and initial data

This section starts by giving a brief description of data collection and then moves on to outline the affordability assessments used in estimating the affordable housing requirement. The two crucial types of information required for these assessments are current market housing 'entry-level' prices and households' financial information.

It is important to note that the data in some of the tables in this report may not necessarily add up to the totals presented, or alternatively some of the percentage figures may not sum to 100%. This is due to the rounding of the survey data during analysis.



3

3. Data collection

3.1 Introduction

This chapter describes the primary survey element of the work on this study. The primary data was collected using a hybrid approach involving personal interviews and postal questionnaires. The private sector interviews were carried out simultaneously with a survey of physical dwelling conditions used to inform the Private Sector Stock Condition Survey; additional needs-only interviews were carried out in public sector dwellings. In total, 1,226 personal interviews were undertaken across all tenures and 2,337 postal questionnaires were received. The number of responses provides sufficient data to allow complete, accurate and detailed analysis of needs across the Borough and some geographical breakdown.

Prior to analysis, data must be weighted in order to take account of any measurable bias. The procedure for this is presented in the following sections.

3.2 Base household figures and weighting procedures

Firstly, the total number of households is estimated. This is necessary in order to gross up the data to represent the entire household population. A number of different sources were consulted, primarily the Council's Housing Investment Programme (H.I.P.) return (2004), the Council Tax Register and 2001 Census results. Using this information we estimate a total of 81,000 households in Merton.

Further analysis of the survey data indicated the presence of a number of sharing student-only households. Particularly in relation to affordable housing, student households are a special case. Most have low incomes but do not generally qualify for affordable housing due to the short-term nature of their residence. Student-only households raise their own housing issues, however as these do not directly impact on the need for affordable housing, they are not addressed in this study. Analysis of the data shows an estimated 480 sharing student-only households in Merton. Removing these households leaves the total households used for analysis as 80,520 (81,000-480).

3.3 Base figures

The table below shows an estimate of the current tenure split in Merton. Information for this came from Council H.I.P. forms and the 2001 Census.

Table 3.1 Number of households in each tenure group				
Tenure	Total number of households	% of households	Number of returns	% of returns
Owner-occupied (no mortgage)	22,946	28.5%	973	27.4%
Owner-occupied (with mortgage)	35,142	43.6%	1,511	42.6%
Council	6,548	8.1%	400	11.3%
RSL	4,394	5.5%	185	5.2%
Private rented	11,490	14.3%	479	13.5%
Total	80,520	100.0%	3,548	100.0%

Survey data was weighted to match the suggested tenure profile shown above. An important aspect of preparing data for analysis is 'weighting' it. As can be seen from the table above, social survey responses never exactly match the estimated population totals. As a result it is necessary to 'rebalance' the data to correctly represent the population being analysed.

ODPM Guide	<i>'If inconsistencies are found between survey results and benchmark sources, there may be a case for re-weighting the data in-line with the distribution indicated by the benchmark source'. [Section 4.2 (page 54)]</i>
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Data was also weighted to be in line with the estimated number of households in each of various groups:

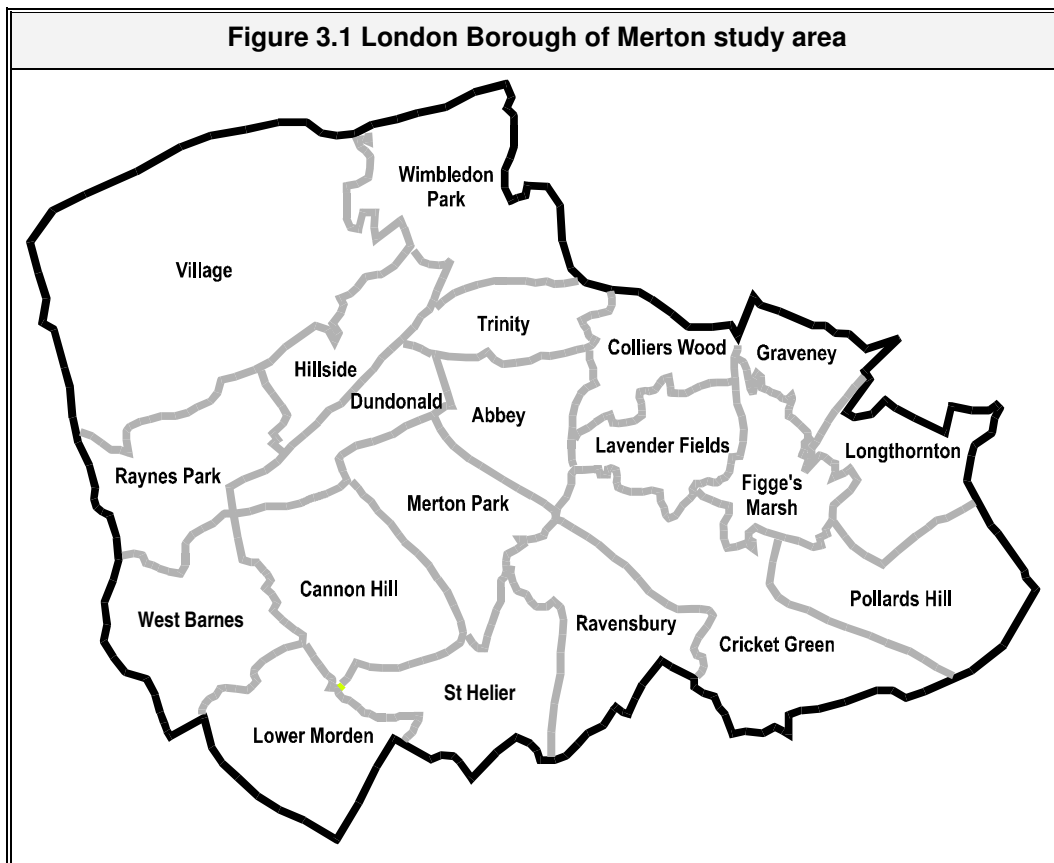
- 20 wards (from Council Tax Register)
- Number of people in household (2001 Census)
- Household type (2001 Census)
- Accommodation type (2001 Census)
- Car ownership (2001 Census)
- Council Tax Band (from Council Tax Register)
- Ethnicity of the head of household (2001 Census)

The estimated number of households and number of responses for each of these groups is shown in Appendix A3.

3.4 Sub-areas

Throughout the main body of the report, the 20 wards have been used as sub-areas in order to provide statistically significant results. The table below shows responses by sub-area.

Table 3.2 Sub-areas and ward groupings				
Ward	Total number of households	% of households	Number of returns	% of returns
Lower Morden	3,630	4.5%	208	5.9%
St Helier	4,051	5.0%	185	5.2%
Colliers Wood	4,207	5.2%	167	4.7%
Lavender Fields	4,179	5.2%	171	4.8%
Cricket Green	4,224	5.2%	152	4.3%
Ravensbury	4,012	5.0%	169	4.8%
Graveney	3,618	4.5%	148	4.2%
Figge's Marsh	4,107	5.1%	153	4.3%
Longthornton	3,766	4.7%	141	4.0%
Pollards Hill	3,934	4.9%	175	4.9%
Village	3,840	4.8%	190	5.4%
Raynes Park	4,399	5.5%	191	5.4%
Hillside	4,319	5.4%	209	5.9%
Wimbledon Park	3,870	4.8%	188	5.3%
Trinity	4,283	5.3%	150	4.2%
Dundonald	4,077	5.1%	193	5.4%
Abbey	4,743	5.9%	179	5.0%
Merton Park	3,809	4.7%	199	5.6%
Cannon Hill	3,618	4.5%	184	5.2%
West Barnes	3,834	4.8%	196	5.5%
Total	80,520	100.0%	3,548	100.0%



3.5 Updating the survey

As housing market dynamics, the socio-economic profile and the supply of affordable housing within a Local Authority changes, so the Housing Needs Assessment becomes out-dated. After a number of years, a re-assessment is needed in order to make a new evaluation of current housing requirements within the Borough. This is recognised by the Guide.

ODPM Guide	<i>'Surveys become out of date and have to be repeated from time to time. As a general guide, a repeat once every five to seven years would be appropriate, although this should depend on local circumstances'. [Section 3.4 (page 35)]</i>
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However, it is not usually necessary to complete an entire new survey. An existing survey can be updated through using secondary sources to adjust an existing dataset according to key variables. Fordham Research has carried out such updates for a number of Local Authorities in the past and continues to do so. The data is therefore fully updateable.

ODPM Guide	<i>'One way to avoid heavy extra expenditure is to up-date a good baseline survey by using a postal questionnaire to obtain new figures for key variables. [The] other methods of updating use secondary and local administrative data sources.In practice, these may be more robust than a postal survey update'. [Section 3.4 (page 35)]</i>
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3.6 Summary

The Housing Needs Assessment is based on a survey carried out on a random sample of households in the London Borough of Merton. Data was collected using personal interviews and postal questionnaires across the private and public sector accommodation in the Borough providing a total sample of 3,563 households, which is sufficient data to allow reliable analysis of housing need in accordance with ODPM guidance. Student-only households were removed from analysis, leaving 3,548 households. The survey data was grossed up to an estimated total of households and weighted according to key characteristics so as to be representative of the Borough's household population. In total it is estimated that there were 80,520 resident households at the time of the survey.

4

4. Current housing in Merton

4.1 Introduction

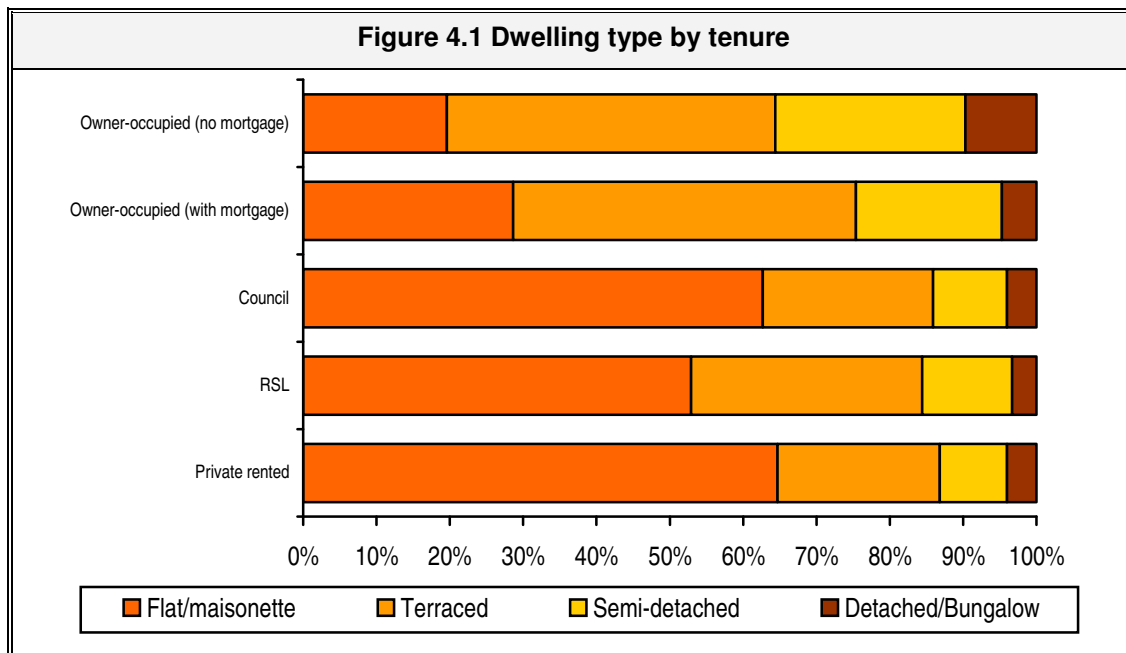
This chapter sets out some of the main findings from the survey of local households. Throughout the analysis tabulations are made along with tenure (shown in the previous chapter).

4.2 Type of housing

The table below shows current accommodation types in the Borough. The table shows that the majority of households live in flats/maisonettes or terraced houses but a relatively large proportion (18.9%) live in a semi-detached house. The main house type in the Borough is terraced. There are relatively few households living in bedsits, bungalows or detached houses. No households living in mobile homes were surveyed.

Dwelling type	Number of households	% of households
Bedsit	535	0.7%
Flat/maisonette	27,891	34.6%
Terraced house	32,145	39.9%
Semi-detached house	15,206	18.9%
Detached house	4,142	5.1%
Bungalow	601	0.7%
Mobile home	0	0.0%
Total	80,520	100.0%

By tenure a clear trend emerges with households living in owner occupation particularly likely to live in houses and particularly likely to be in detached houses. There are relatively few semi-detached houses outside of the owner-occupied tenure group. The social and private rented sectors have a very high proportion of flats/maisonettes. Bedsits have been included with flats/maisonettes and mobile homes with detached houses and bungalows.

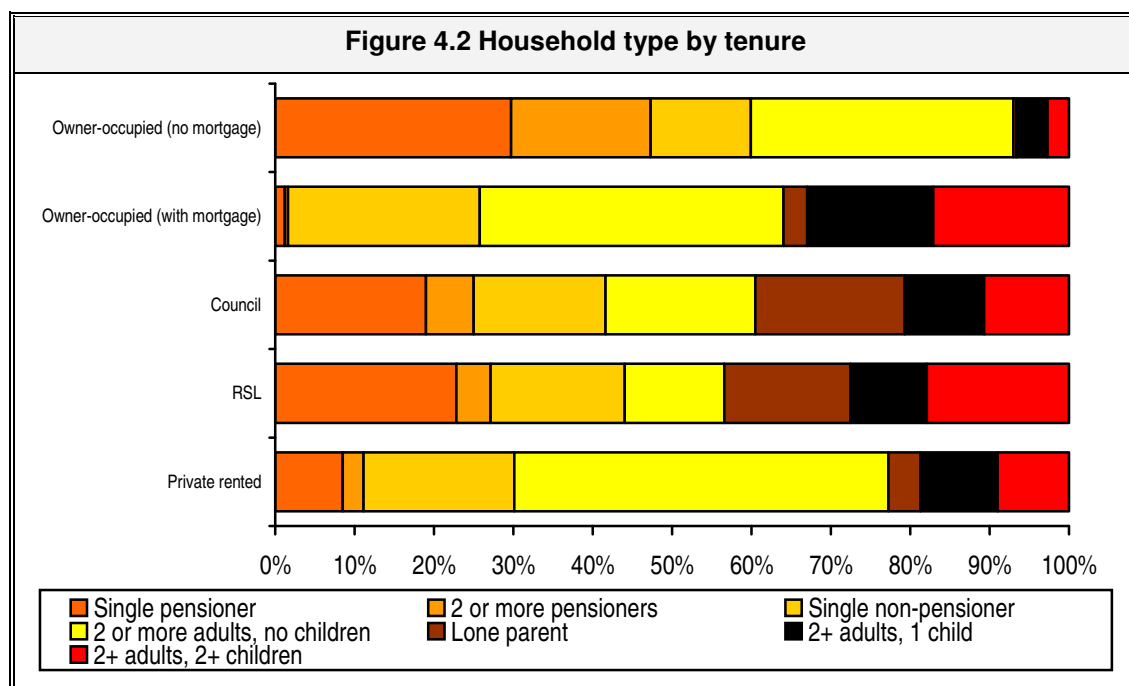


4.3 Household type

The table below shows the household type breakdown in the Borough. The survey estimates that around 19% of households are pensioner only and that over a quarter of households contain children. Less than 5% of households are lone parent households.

Household type	Number of households	% of households
Single pensioner	10,443	13.0%
2 or more pensioners	5,038	6.3%
Single non-pensioner	15,399	19.1%
2 or more adults, no children	28,281	35.1%
Lone parent	3,541	4.4%
2+ adults, 1 child	8,647	10.7%
2+ adults, 2+ children	9,172	11.4%
Total	80,520	100.0%

The figure below shows household type by tenure. As with dwelling type there are clear differences between the tenure groups. The owner-occupied (no mortgage) sector contains a large proportion of pensioner households whilst lone parent households appear to be concentrated in the social rented sectors. The RSL, Council and owner-occupied (with mortgage) sectors have the largest proportion of households with children.



4.4 Car ownership

A further question asked in the Merton survey was car ownership/availability. Although not directly linked to housing, this is a useful variable as it can provide some indication of wealth. The table below shows the number of cars households have available for use by tenure.

Over half of all households in social rented housing have no access to a car or van, this compares with only 17.8% of owner-occupied (with mortgage) households. The average household has 0.96 cars; this figure varies from 0.48 in the Council sector to 1.17 for owner-occupiers with a mortgage.

Tenure	Number of cars/vans available for use				Average number of cars/vans
	0	1	2	3+	
Owner-occupied (no mortgage)	28.4%	49.9%	18.1%	3.6%	0.97
Owner-occupied (with mortgage)	17.8%	53.6%	22.5%	6.1%	1.17
Council	61.3%	30.8%	6.7%	1.2%	0.48
RSL	53.4%	37.2%	7.8%	1.7%	0.58
Private rented	43.9%	43.7%	11.4%	1.0%	0.69
Total	30.0%	48.4%	17.6%	4.0%	0.96

4.5 Past moves

An important part of the survey analysis concerns past household moves. This is for both existing and newly forming households and is important in terms of estimates of projected future needs (which are largely based on past trend information).

The table below sets out the number and proportion of households who have moved home within the past two years. The data suggests that 21.8% of households in Merton have moved home in the last two years. Most of these moves were made by existing households.

Table 4.4 Past moves in Merton		
Type of moving household	Number of households	% of households
Newly forming households	4,128	5.1%
Existing households	13,421	16.7%
Non-movers	62,971	78.2%
Total	80,520	100.0%

This data can further be looked at in terms of trends in migration. The table below shows the locations of previous homes for both the newly forming and existing households. The table shows over half of moves occur within the Borough. In total 43.8% of moves were made within Merton. Newly forming households are more likely to have moved from outside the Borough than existing households.

Table 4.5 Location of previous home			
Location of previous home	Newly forming households	Existing household	Total
LB of Merton	37.9%	45.6%	43.8%
Elsewhere in London	36.9%	36.8%	36.8%
Elsewhere in the UK	15.9%	9.3%	10.8%
Abroad	9.3%	8.3%	8.5%
Total	100.0%	100.0%	100.0%

It is also of interest to look at households' past and current tenure. The table below shows this information. The table shows a relative lack of inter-tenure movement, with the exception of the private rented sector. The data suggests that around 40% of newly forming households moved to owner-occupation with 9% moving to the social rented sector and the remaining 51% moving to the private rented sector.

Tenure	Previous tenure					Total
	Owner-occ'd	LA	RSL	Private rented	Newly forming	
Owner-occupied (no mortgage)	859	27	0	119	129	1,134
Owner-occupied (with mortgage)	3,465	27	91	2,167	1,519	7,269
Council	21	480	61	174	297	1,033
RSL	26	231	414	162	86	919
Private rented	770	61	46	4,221	2,099	7,197
Total	5,141	826	612	6,843	4,128	17,549

Finally, we look at the reasons for households having moved home. The table below shows the reasons for households moving. The totals come to more than the total number of households moving home as each household was able to answer as many reasons as they felt were applicable. The main reason for households moving was that the previous home was too small.

Reason for moving	Number of households	% of households
Previous home was too small	4,512	25.7%
To live independently	2,586	14.7%
To live closer to employment/other essential facilities	2,409	13.7%
End of tenancy agreement	2,249	12.8%
To move to live with partner	1,468	8.4%
Previous home unsuitable for a family	1,372	7.8%
To move to cheaper accommodation	788	4.5%
Relationship breakdown	737	4.2%
Previous home in poor condition	718	4.1%
Relatives/friends unable/unwilling to accommodate	706	4.0%
Previous home was too big	652	3.7%
Previous home lacked adequate facilities	528	3.0%
Access problems (e.g. steps, stairs)	420	2.4%
To receive/give care or support	318	1.8%
Previous home difficult to maintain	305	1.7%
Were the victim of harassment	300	1.7%
To move to a school catchment area	296	1.7%
Evicted/re-possessed	142	0.8%
Other	4,600	26.2%

Looking at the reasons to move by household type, it is found that home being too big was the most common reason for pensioner households. Single non-pensioner households most commonly stated that they moved to live independently. Households comprised of two adults & no children and all households with children had home too small as the most common reason to move.

By tenure, the most commonly stated reason to move was home being too small for households in the owner-occupied (with mortgage), Council and RSL sectors. Owner-occupied (no mortgage) households most commonly stated that their home was too big, reflecting the large number of pensioners in this sector. Private rented households were more likely to state that the end of their tenancy agreement was the reason for their move.

4.6 Future moves – existing households

In addition to looking at past moves, the survey questionnaire collected information about households' future needs, expectations and aspirations. This information is particularly important in the 'Balancing Housing Markets' exercise carried out later in this report.

The table below shows estimates of the number and proportion of households who need or expect to move home per annum over the next two years by tenure. The data shows that 26.1% of households state a need or likelihood of moving home over the next two years. Households living in the private rented sector are particularly likely to be future movers: almost two-thirds of such households need or expect to move within two years.

Tenure	Number who need/likely to move	Total number of households	% need/likely to move
Owner-occupied (no mortgage)	1,844	22,946	8.0%
Owner-occupied (with mortgage)	8,638	35,142	25.6%
Council	1,879	6,548	28.7%
RSL	1,418	4,394	32.3%
Private rented	7,211	11,490	62.8%
Total	20,990	80,520	26.1%

Again we can look at the reasons for households moving. This is shown in the table below. Accommodation size is the main reason for households needing or expecting to move in the future. In total over two fifths of households state 'home too small' as a reason for needing/being likely to move.

Reason for moving	Number of households	% of households
Current home is too small	9,002	42.9%
Current home unsuitable for a family	3,452	16.4%
To live closer to employment/other essential facilities	2,495	11.9%
End of tenancy agreement	2,348	11.2%
To move to cheaper accommodation	2,175	10.4%
Access problems (e.g. steps, stairs)	1,245	5.9%
Current home lacks adequate facilities	1,209	5.8%
Current home is too big	1,189	5.7%
To move to live with partner	1,113	5.3%
Current home difficult to maintain	1,103	5.3%
To move to a school catchment area	1,015	4.8%
Current home in poor condition	882	4.2%
Were the victim of harassment	769	3.7%
To live independently	738	3.5%
To receive/give care or support	655	3.1%
Threat of eviction/repossession	369	1.8%
Relatives/friends unable/unwilling to accommodate	306	1.5%
Relationship breakdown	257	1.2%
Other	7,015	33.4%

The survey moved on to look at where households would both like and expect to move. The results of this analysis are shown in the table below. The table suggests that more households would like to remain living in the London Borough of Merton than expect to. However, in general the difference between aspirations and expectations is small. Of those households expecting to move elsewhere in London, 27% expected to move to the London Borough of Wandsworth, 14% to LB Southwark and 10% to Richmond-Upon-Thames.

Location of next home	Like	Expect
LB of Merton	51.5%	42.4%
Elsewhere in London	17.4%	24.6%
Elsewhere in the UK	22.3%	25.8%
Abroad	8.8%	7.1%
Total	100.0%	100.0%

Households were similarly asked about what tenure they would both like and expect to move to; the results are shown below. The results suggest that over three-quarters of all households would like to move to owner-occupation; however, only 59.5% expect to secure this type of accommodation. More households expect to rent from an RSL, the Council or a private landlord than would like to.

Tenure	Like	Expect
Buy own home	77.6%	59.5%
Rent from Council	13.3%	15.4%
Rent from RSL	3.5%	7.6%
Private rented	3.1%	14.0%
Tied	0.3%	0.6%
Shared ownership	0.8%	1.6%
House/flat share	1.4%	1.3%
Total	100.0%	100.0%

The table below shows a cross-tabulation between current tenure and future tenure preference. The table shows that generally households would like to remain in the same tenure as they currently live (or remain in the social rented sector in the case of Council households). The exception to this is the private rented sector. The majority of households in this sector want to move to either owner-occupation or the social rented sector. Over half of RSL households also state a preference for owner-occupation. It should be noted that for analytical purposes figures for shared ownership are included within owner-occupation whilst those for tied and house/flat share are included in private rented.

Tenure	Tenure preference				
	Owner-occupied	LA	RSL	Private rented	TOTAL
Owner-occupied (no mortgage)	1,791	53	0	0	1,844
Owner-occupied (with mortgage)	8,333	44	45	216	8,638
Council	556	1,097	226	0	1,879
RSL	727	454	175	62	1,418
Private rented	5,047	1,147	290	729	7,213
Total	16,454	2,795	736	1,007	20,990

4.7 Future moves – potential households

A similar analysis can be carried out for newly forming (potential) households. The survey estimates that there are 6,369 households who need or are likely to form from households in the Borough over the next two years. The table below suggests that potential households are similarly likely to want to remain in the area than existing households; however the number expecting to remain in the area is below the figure for existing households; in total 49.8% of potential households would like to remain in the area. A lower proportion of potential households would like to live elsewhere in the UK or elsewhere in London than expect to do so.

Table 4.13 Where potential households would like and expect to move		
Location of next home	Like	Expect
LB of Merton	49.8%	37.7%
Elsewhere in London	29.4%	35.3%
Elsewhere in the UK	12.9%	18.7%
Abroad	7.9%	8.2%
Total	100.0%	100.0%

In terms of tenure preferences and expectations, the table below shows some interesting results. In total an estimated 64.9% of potential households would like to move to owner-occupied accommodation, however, only 29.1% expect to secure such accommodation. In total only 9.7% want to move to private rented accommodation but 29.9% expect to do so.

Table 4.14 Housing tenure aspirations and expectations – potential households		
Tenure	Like	Expect
Buy own home	64.9%	29.1%
Rent from Council	14.1%	17.1%
Rent from RSL	6.1%	9.8%
Private rented	9.7%	29.9%
Tied	0.0%	0.0%
Shared ownership	0.2%	2.0%
House/flat share	4.9%	12.1%
Total	100.0%	100.0%

4.8 Housing costs

The survey asked a series of questions about how much households currently pay for their housing. The table below shows estimates of the amount of rent/mortgage paid by households by tenure.

The table shows that households in the private rented sector and those buying with a mortgage have the highest housing costs. The average private tenant pays £182 per week, this compares with £74 for Council tenants.

Weekly housing cost	Owner-occupied (with mortgage)	Council	RSL	Private rented	Total
None	0.0%	0.0%	0.0%	4.6%	0.9%
Under £30	2.5%	0.0%	2.7%	0.8%	1.9%
£30-£59	7.3%	9.2%	5.8%	1.5%	6.3%
£60-£89	13.5%	85.3%	66.4%	11.3%	25.3%
£90-£119	16.3%	5.5%	19.6%	4.5%	13.0%
£120-£149	12.1%	0.0%	0.6%	11.2%	9.7%
£150-£179	13.5%	0.0%	0.0%	17.7%	11.8%
£180-£209	9.3%	0.0%	0.4%	16.6%	9.0%
£210-£239	7.7%	0.0%	0.0%	5.6%	5.8%
£240-£269	4.0%	0.0%	2.3%	12.7%	5.2%
£270-£299	4.7%	0.0%	2.3%	4.2%	3.9%
£300-£329	2.6%	0.0%	0.0%	2.0%	2.0%
£330-£359	2.3%	0.0%	0.0%	2.4%	1.9%
£360-£389	2.3%	0.0%	0.0%	1.5%	1.7%
£390-£419	0.1%	0.0%	0.0%	1.5%	0.4%
£420 or more	1.7%	0.0%	0.0%	1.8%	1.4%
Total	100.0%	100.0%	100.0%	100.0%	100.0%
Average Cost	£161.47	£73.90	£87.23	£182.07	£149.95

It is also possible to estimate the average amount paid by households after any deductions for housing benefit (or income support payments towards mortgage interest payments). This shows an even clearer trend. The table below shows the proportion of households claiming housing benefit (income support) and the average housing cost paid after benefits are taken into account. Owner-occupiers now show the highest costs.

Table 4.16 Housing costs after reduction due to housing benefit (income support)		
Tenure	% claiming housing benefit (income support)	Net housing cost (£ per week)
Owner-occupied (with mortgage)	1.3%	£160.32
Council	62.3%	£33.92
RSL	55.0%	£44.73
Private rented	17.0%	£157.55
Total	15.5%	£136.57

4.9 Summary

The household survey collected a significant amount of data about households' current circumstances. Some of the main findings were:

- Around two-fifths of the Borough's dwelling stock is terraced houses. Households living in rented housing are particularly likely to live in flats whilst those in owner-occupation are more likely to live in houses
- Around 19% of all households are 'pensioner-only' and over a quarter contain children. Lone parent households were found to be concentrated in the social rented sector
- Car ownership data suggests that there is an average of 0.96 cars per household in the Borough. There are however large differences by tenure with owner-occupiers (with mortgage) having an average of 1.17 cars per household. Over half of all households in social rented housing have no use of a car or van
- An estimated 21.8% of households have lived in their current home for less than two years, around half of previous moves having occurred within the Borough
- In terms of future household moves, the survey estimates that 20,990 existing and 6,369 potential households need or expect to move within the next two years. In both cases a higher proportion would like to move to owner-occupation than expect to do so

5

5. The local housing market

5.1 Introduction

This chapter sets out the results of an analysis of housing market prices and rents in Merton. Information was collected from two sources:

- Land registry
- Survey of local estate and letting agents

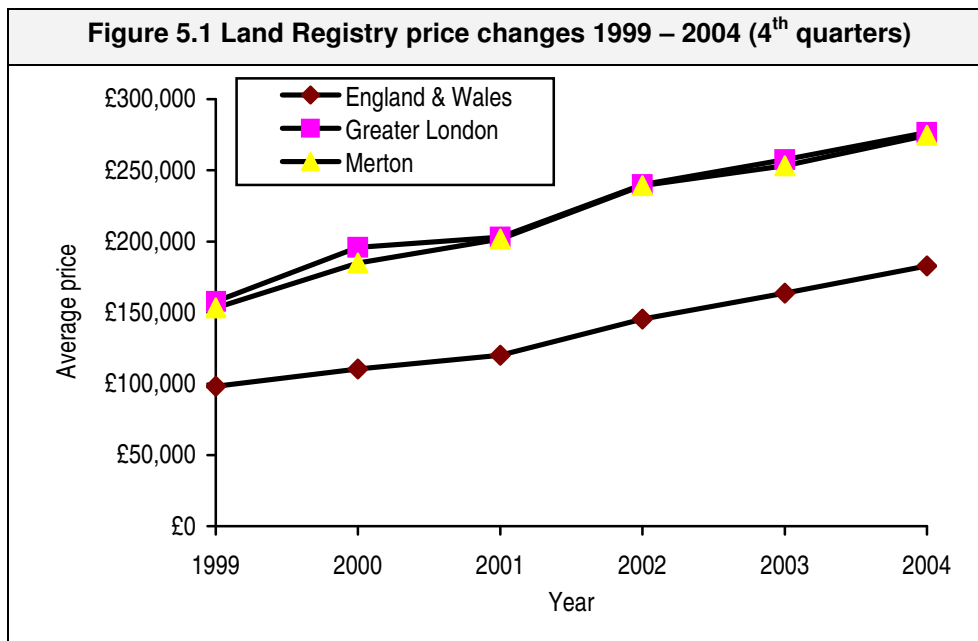
The analysis provides a context for the property price situation in Merton and then a sequence of analysis based on information collected from estate/letting agents. This leads to figures that show the minimum price/rent of housing for a range of dwelling sizes.

5.2 National, regional and local picture

Information from Land Registry shows that nationally between the 4th quarter of 1999 and the 4th quarter of 2004 average property prices in England and Wales rose by 86.3%. For Greater London the increase was 75.3% whilst for Merton the figure was 79.0%. Price trends are illustrated in the figure below.

The table below shows average prices in the 4th quarter of 2004 for each of England & Wales, Greater London and Merton. The table shows that average prices in Merton are around 50% higher than the average for England & Wales and only marginally lower than those of Greater London as a whole.

Area	Average price	As % of E & W
England & Wales	£182,920	100.0%
Greater London	£276,698	151.3%
Merton	£274,544	150.1%



The table below shows average property prices for the Borough for each dwelling type (from Land Registry data). This data is compared with regional price information. The volume of sales by type is also included for both areas.

Table 5.2 Land Registry average prices and sales (4th quarter 2004)

Dwelling type	Merton		Greater London	
	Average price	% of sales	Average price	% of sales
Detached	£1,021,421	2.5%	£569,338	3.9%
Semi-detached	£378,487	12.2%	£322,487	15.3%
Terraced	£276,071	43.9%	£278,094	30.3%
Flat/maisonette	£196,389	41.4%	£239,316	50.5%
All dwellings	£274,544	100.0%	£276,698	100.0%

The largest volume of sales in the Borough was for terraced houses (43.9%) with an average price of £276,071. The three house types together accounted for 58.6% of all sales. Sales regionally show a higher proportion of detached houses, semi-detached houses and flat/maisonettes and lower proportions of terraced houses.

5.3 Prices in adjoining and nearby areas

As the table on the following page demonstrates, all local authorities around Merton have prices above the national average. The highest average price is seen to be in Richmond upon Thames, which is more than double the national average figure. The three boroughs to the south and the east all show lower prices than Merton.

Table 5.3 Price levels in Merton and nearby areas (4th quarter 2004)	
Council area	% of England & Wales
Merton	151.3%
Kingston upon Thames	143.1%
Richmond upon Thames	205.8%
Wandsworth	176.4%
Lambeth	139.8%
Croydon	119.9%
Sutton	119.2%

5.4 Estate Agents' information

(i) Purchase prices

In February 2005 a total of 15 estate and letting agencies were contacted in order to obtain detailed information about the local housing market across the Merton area. Agents were contacted across the Borough in order to capture localised variations across the area. Primarily those contacted were located in Mitcham, Morden and Wimbledon.

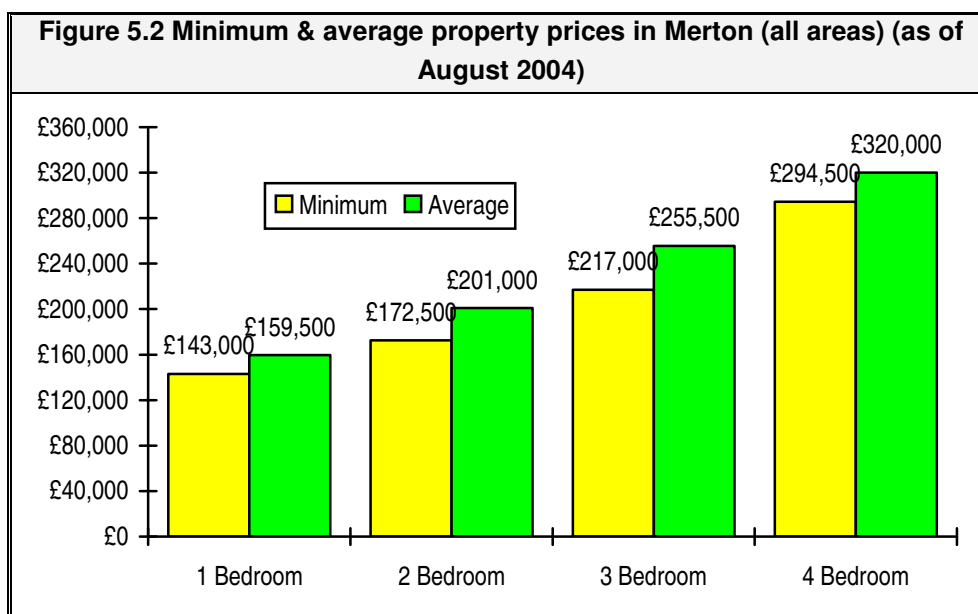
Average and minimum property prices were collected for a range of property sizes and tenures. Comments were also collected from the agents to describe the main features of the current market in Merton and appropriate comments are presented below.

The general consensus amongst agents was that sale prices for housing in the Borough were beginning to stabilise after the notable rises of recent years. This was primarily attributed to a slowing of activity, with fewer people currently looking to buy, in particular first-time buyers. One agent in the south of the Borough commented that it was a 'buyers market' at that point; another in the Morden area suggested that a number of properties have been overpriced, and are sitting on the market for much longer than expected. Feelings about whether the supply of properties was sluggish or rapid differed greatly, however.

Ex-local authority properties were considered to be a notable feature of the housing market in Merton, although their distribution differs enormously. Whilst agents in the central part of the Borough reported having few former right-to-buy properties on their registers, and no agents in Wimbledon were found to have any, the presence of large estates in the South of the Borough is a significant factor there. Up to two-thirds of an agents' portfolio could be composed of ex-council properties, which is not so surprising given that the St. Helier estate, one of the biggest housing estates in Britain, is located in that part of the Borough. Where available, prices for such properties are generally slightly cheaper than other prices, particularly in certain parts of the largest estates. However, several agents felt that the size of the bedrooms and the proximity to a tube station are much more important to buyers than the provenance of the property. Where agents based their price information on such properties, they have been used in calculations regarding minimum prices for the Borough.

The final major factor that estate and letting agents drew our attention to was that of the price divide in the area. There is an enormous difference between parts of the borough, with properties around Wimbledon village in the far north fetching around three times the price of those lying to the South East or North West of Mitcham. This divide, which can broadly be said to run North-South, can be seen even within areas – Raynes Park was said to show a very strong difference along such lines.

If we take averages of the prices identified by individual agents for each dwelling size and price level, the property price results are as presented in the figure below. The figure shows that estimated entry-level prices ranged from £143,000 for a one bedroom property up to £294,500 for four bedrooms. Average prices were generally around 15% higher than the minimums. There was also a large difference between houses and flats, which may explain why the price difference between houses with different numbers of bedrooms actually increases towards the higher end of the scale.



(ii) Private rent levels

Average and minimum rents were also collected from agents and the results of this analysis are shown in the table on the following page. Minimum monthly rents varied from £620 (one bed) to £1,330 (four beds) with average rents being around 8-10% more expensive than this.

Property size	Minimum rent (monthly)	Average rent (monthly)
1 bedroom	£620	£670
2 bedrooms	£760	£810
3 bedrooms	£940	£1,000
4 bedrooms	£1,330	£1,440

(iii) Newbuild prices

Newbuild property prices were obtained from estate agents as well as through developers directly. As can be seen from the table below, average newbuild prices are well above the Borough's average market prices. Please note that new-build properties are not common, and so this data is indicative only.

Table 5.5 Sample newbuild prices in Merton	
Property size	Average price
1 bedroom	£220,000
2 bedrooms	£300,000
3 bedrooms	£525,000
4 bedrooms	£485,000

5.5 Appropriate price level for the affordability test

The previous sections showed the results obtained by averaging the figures from estate agents for minimum and average prices in each of the four size categories.

However, in order to decide what price level is the most appropriate to use for assessing whether or not a household is able to access the housing market, it is necessary to consider two aspects:

- The appropriate measure of price (e.g. minimum or average prices/costs)
- How to deal with a situation where significant price variations have been identified within the Council area

On the first point, we use the minimum prices collected in the estate agents survey, since these have been designed to represent the ‘entry level’ into the housing market. For consistency we will also use minimum private rental costs as part of the affordability test.

ODPM Guide	<p><i>‘The most commonly used affordability test involves comparing estimated incomes of unsuitably housed households against ‘entry level’ house prices.’ [Section 4.3 (page 57)]</i></p> <p><i>‘...approaches which compare maximum prices payable against average house prices are certainly questionable.’ [Section 4.3 (page 57)]</i></p>
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A key issue in deciding the appropriate price assumptions to use in assessing overall Borough-wide affordability is whether a household that could afford market priced housing by moving a reasonable distance should be assessed as being in housing need. In this case the term ‘reasonable distance’ is taken to mean ‘within the Borough boundary’ and it is recognised that some households would therefore need to move from their current locality to afford private sector housing.

However, our analysis of the minimum and average property prices in the Borough showed that there was a noticeable variation between the North West and South Eastern parts of the Borough. The results appear to indicate that whilst there are local variations, areas on the North West side of the Borough (including the central area and Wimbledon) are noticeably more expensive than on the South Eastern (including the South and Mitcham areas). The differences were more significant for larger (3 & 4 bed) units than for smaller 1-2 bedroom homes. For example, a typical minimum price for a 4 bed in the South and Mitcham area is about £275,000, whereas in the Central and Wimbledon area the price averages around £400,000. The same was true though to a lesser degree of rents. The prices and rents for these two separate areas are shown in the table below.

Table 5.6 Minimum prices and rents in the two areas of Merton					
Property size	Minimum sale	Average sale	New build sale	Minimum rent	Average rent
Central & Wimbledon area					
1 bedroom	£167,000	£190,000	£220,000	£725	£750
2 bedrooms	£201,000	£241,500	£395,000	£925	£875
3 bedrooms	£247,000	£316,500	£800,000	£1,150	£1,200
4 bedrooms	£334,000	£400,000	£675,000	£1,750	£2,000
South & Mitcham area					
1 bedroom	£123,500	£135,000	-	£580	£655
2 bedrooms	£148,500	£174,000	£205,000	£690	£796
3 bedrooms	£191,500	£215,000	£250,000	£855	£955
4 bedrooms	£245,000	£275,000	£295,000	£1,050	£1,250

Affordability for all households in the borough was tested against the lower prices (those for the South & Mitcham area); it was assumed that the borough is sufficiently compact that it would not be unreasonable to expect of household to move from Central & Wimbledon area in order to obtain affordable housing.

It is worth examining monthly outgoings for mortgages for the minimum purchase prices to compare with rents. Using repayments for an interest only mortgage at an interest rate of 5.99% (from Nationwide Building Society) the monthly outgoings for a mortgage of £123,500 would be £616. For a two, three and four bedroom home in the South and Mitcham area, monthly outgoing would increase to £741, £956 and £1,223 respectively. This implies that renting is cheaper than owner-occupation. It is however important to stress that these outgoings are not used for affordability analysis, which is described in the next chapter.

5.6 Summary

An analysis of the local housing market is a crucial step in any housing study. In this report information was drawn from both the Land Registry and local estate/letting agents to provide the context for local property prices/rents.

Some of the main findings of the analysis were:

- Prices in Merton rose by 79.0% in the period 1999 to 2004. This is above the rate of increase observed regionally, and well above that observed nationally.
- The average property price in Merton in the 4th quarter 2004 was around 151% of the average for England & Wales.
- Sales of properties in Merton are predominantly houses (most of such houses being terraces), although around two-fifths of all properties sold were flats or maisonettes
- Merton is more expensive than neighbouring Boroughs to the East and the South, but cheaper than many others.
- There is a very significant divide in the Borough, with properties in the North fetching around a third more than the cheapest properties in the South East of the Borough.
- The estate agent survey suggested that minimum prices in the Borough range from £143,000 to £294,500 depending on the size of properties.
- Minimum rents ranged from £620 to £1330 per month depending on property size.

6. Financial information and affordability

6

6.1 Introduction

The previous chapter studied the local housing market. The results from that chapter are brought together with household financial information to make an assessment of affordability for each individual household. The issue of affordability is crucial in assessing both backlog and newly arising needs in the borough.

Having set out the financial information collected in the survey the section continues by concentrating on the methodology behind the assessment of affordability.

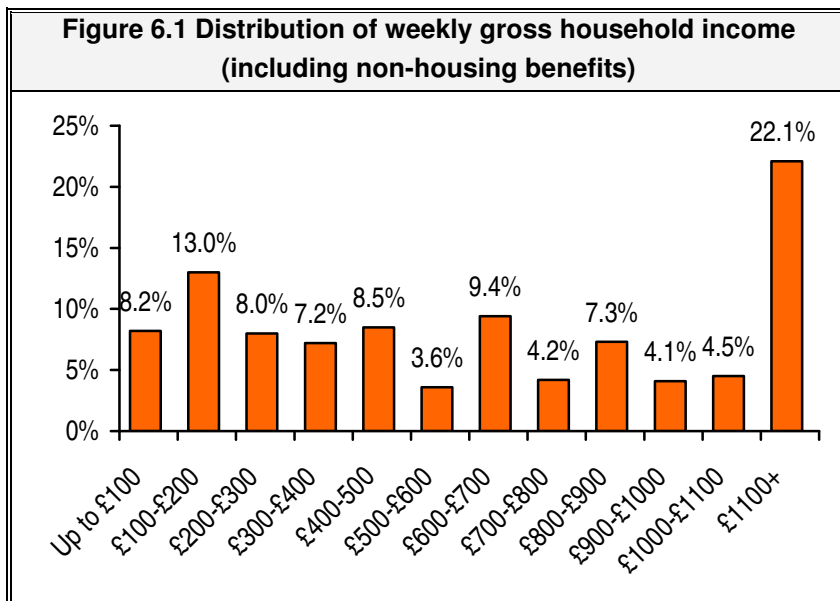
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'An accurate estimate of household income is one of the most important pieces of information that has to be obtained from a housing needs survey'. [Section 3.6 (page 39)]

To complete an accurate assessment of affordability, the survey collected information regarding household's gross earned income, benefits, savings and equity levels.

6.2 Household income

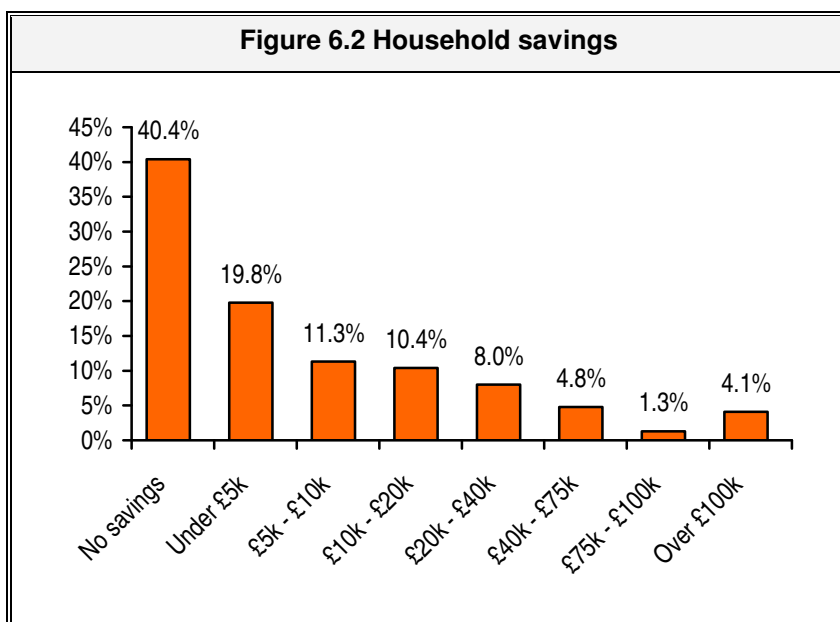
The response to the survey income question was good with 87.7% of respondents answering this question. Survey results for household income in Merton show that the average gross income level (crucial for the assessment of affordability) has been estimated to be £732 per week. The median income is however noticeably lower than this at £600 per week. The figure below shows the distribution of income in the Borough.



6.3 Household Savings and Equity

The average household has £14,237 in savings. The figure below shows the distribution of savings in the Borough.

An estimated 60.2% of households had less than £5,000 in savings whilst 4.1% had savings of over £100,000. Households with no savings also include those in debt with negative savings.



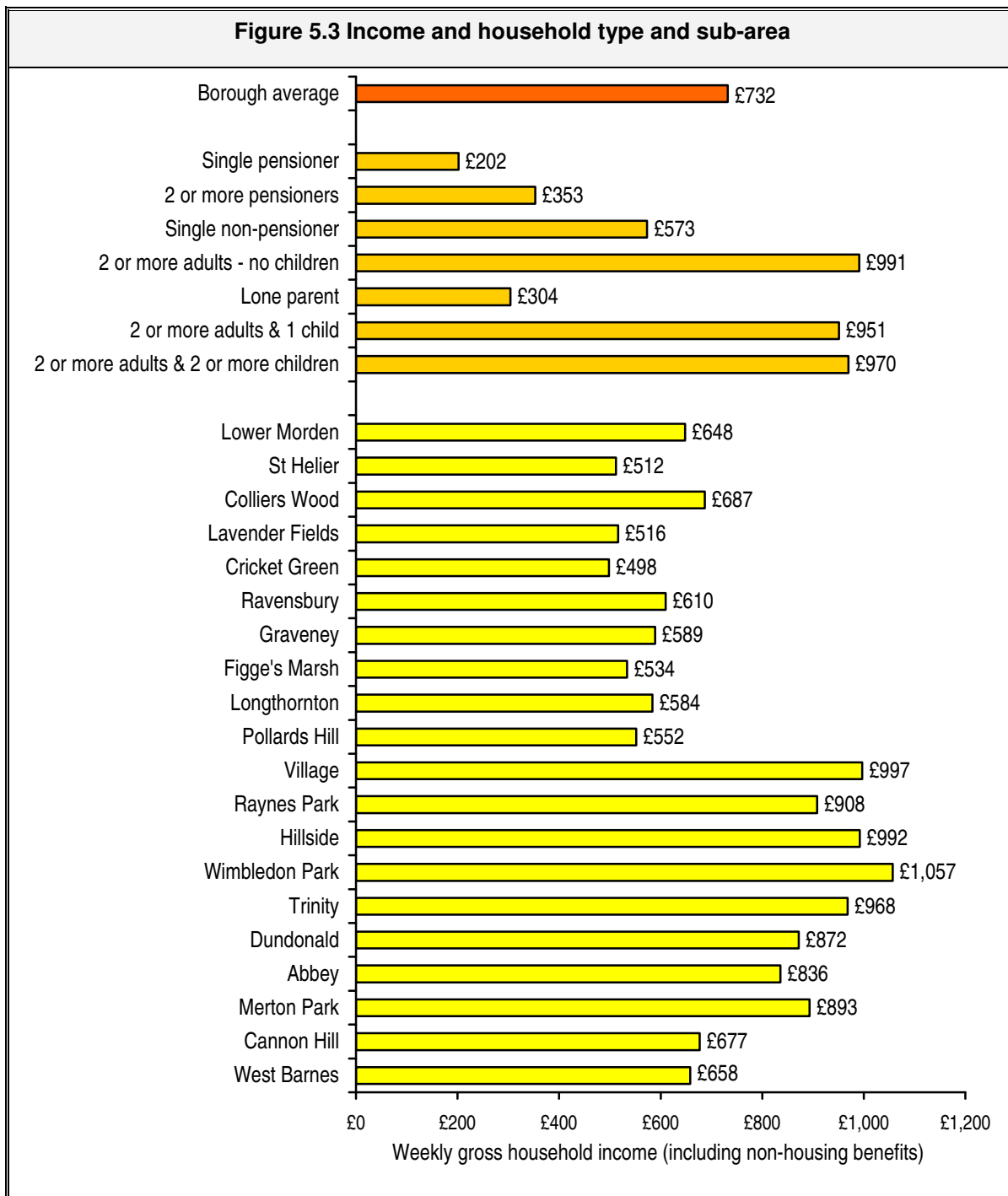
The survey also collected information about the amount of equity owner-occupiers have in their property. For both groups together (owners with and without mortgages) the average amount of equity was £216,591.

6.4 Household characteristics and income

The table below shows average income, savings and equity by tenure. As might be expected, the households with the lowest average incomes (and savings) are those in social rented sector. Whilst owner-occupiers with no mortgage have an average household income somewhat lower than those with a mortgage; this group contains many older people who are not working but have redeemed their mortgages. These households therefore have much higher levels of savings and equity.

Tenure	Average weekly gross household income	Average savings	Average equity
Owner-occupied (no mortgage)	£513	£27,707	£303,520
Owner-occupied (with mortgage)	£1,014	£12,405	£159,832
Council	£259	£785	-
RSL	£272	£802	-
Private rented	£754	£5,745	-
All households	£732	£14,237	£216,591

The figure below looks at income levels by household type and sub-area. Single pensioner and lone parent households show average incomes considerably below the borough average. All non-pensioner household groups with two or more adults show average incomes above the borough average. By sub-area it is clear that some differences exist. The highest average income is estimated to be in the Wimbledon Park ward at £1,057 per week, the lowest being in Cricket Green at £498 per week.



6.5 Assessing affordability – existing households

All households were tested for their ability to afford either a mortgage or private rented housing in the local area. These two measures were then combined to estimate households unable to afford either form of private sector housing. The general methodology and results are presented below.

(i) Mortgage affordability

The definition of mortgage affordability is shown below:

Mortgage affordability: A household is not eligible for a mortgage if it has a gross household income less than one third its mortgage requirement.

The mortgage requirement is based on taking the level of savings and any equity away from the estimated property price and then checking the income level of the household in relation to the likely amount of mortgage remaining. A worked example of the mortgage affordability test is shown below:

A household containing a couple with one child would require, at minimum, a two bedroom property. The minimum cost of such a property in Merton is estimated to be £123,500. If the couple have £20,000 in savings then they would require a gross household income of £34,500 (one third of (£123,500-£20,000)).

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'The first step in this approach [mortgage affordability] involves converting a household's income into an estimated mortgage capacity. This is the calculation of the size of mortgage which could be supported on the basis of a household's recorded income. The standard multiple usually applied is three times the gross annual household income'. [Section 4.3 (page 57)]

(ii) Private rental affordability

The definition of private rental affordability is shown below:

Private rental affordability: A household is unable to afford private rented housing if renting privately would take up more than 25% of its gross household income.

A worked example of the rental affordability test is shown below:

A household containing a couple with no children will require at minimum a one bedroom property. The minimum weekly rental for this is £134. This means that the household must have a weekly gross income of at least £535 (£134 ÷ 0.25) to be able to afford the property.

(iii) Combined affordability

It is important to assess the numbers who cannot afford either of the above options. This is the measure of combined affordability, which is defined below:

Combined affordability:

A household is unable to afford private sector housing if:

if it has a gross household income less than one third its mortgage requirement

AND

Renting privately would take up more than 25% of its gross household income.

All subsequent analysis will be based on this combined affordability measure.

It is worth briefly noting the affordability of local households. The table below shows affordability by tenure. The table shows that of all households in Merton around a quarter are unable to afford market housing. The differences by tenure are however large. In total nearly all Council and RSL tenants are unable to afford along with almost half of households living in the private rented sector. These figures compare with just 5.8% of all owner-occupiers.

Table 6.3 Affordability and tenure			
Tenure	Affordability		
	Unable to afford market housing	Number of h'holds	% of h'holds unable to afford
Owner-occupied (no mortgage)	159	22,946	0.7%
Owner-occupied (with mortgage)	3,224	35,143	9.2%
Council	6,146	6,548	93.9%
RSL	3,885	4,394	88.4%
Private rented	5,373	11,491	46.8%
Total	18,787	80,522	23.3%

6.6 Assessing affordability – potential households

The Housing Needs Survey ascertained whether or not potential households (namely persons who currently live as part of another household and commented on further in the following chapter) would be able to access the private sector housing market by asking the following question to the survey respondent:

‘In your opinion, will they be able to afford suitable private sector housing in the Merton Borough (this can either be rented (excluding the use of housing benefit) or bought?’

This would appear to be broadly in line with ODPM guidance which says:

ODPM Guide	<p><i>'It is difficult to estimate the incomes of future newly forming households. Unless potential household members are interviewed specifically, it is not practical to collect complete income data relating to this group through a housing needs survey. Even where the fieldwork includes concealed household interviews, there are doubts as to the value and reliability of any income data which might be collected.'</i> [Section 4.4 (page 62)]</p> <p><i>'One way around this problem is to substitute a subjective judgement about future housing prospects in place of a formal affordability test.'</i> [Section 4.4 (page 60)]</p>
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It should be noted that this approach is only used on the backlog element of housing need. Future estimates of the needs from households formation are based on past trend information – an approach in line with the ODPM guide.

6.7 Summary

The collection of financial information is a fundamental part of any assessment of housing need. The survey estimates that average weekly gross household income (including non-housing benefits) in Merton is £732. The average conceals wide variations among different tenure groups with households in social rented housing showing average incomes significantly below the Borough average.

Having collected detailed information on the local housing market and the financial situation of households it is important to use appropriate affordability measures to assess their ability to afford market priced housing in Merton. An affordability test is used to assess whether they can afford to either buy or rent a property of a suitable size. The affordability of potential households (backlog) is assessed using the judgements of respondents; an approach in line with ODPM Guidance.

Section C: The guide model

This section sets out calculation of the three key elements of the model outlined in Table 2.1 of the ODPM Guide to Housing Needs Assessment and described in detail in Chapter Four of the Guide. The aim is to assess the level of housing need through estimating the net shortfall/surplus of affordable housing. The first step measures backlog of existing need, the second newly arising need and the third looks at current supply of affordable housing. The section finishes with a brief discussion of the implications for affordable housing policy and about the types of housing that might meet the affordable need.

The ODPM Guide definition of housing need is given below.

ODPM Guide	<i>'Housing need refers to households lacking their own housing or living in housing which is inadequate or unsuitable, who are unlikely to be able to meet their needs in the housing market without some assistance'. [Section A2.2 (page 116)]</i>
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7. Backlog of existing need

7

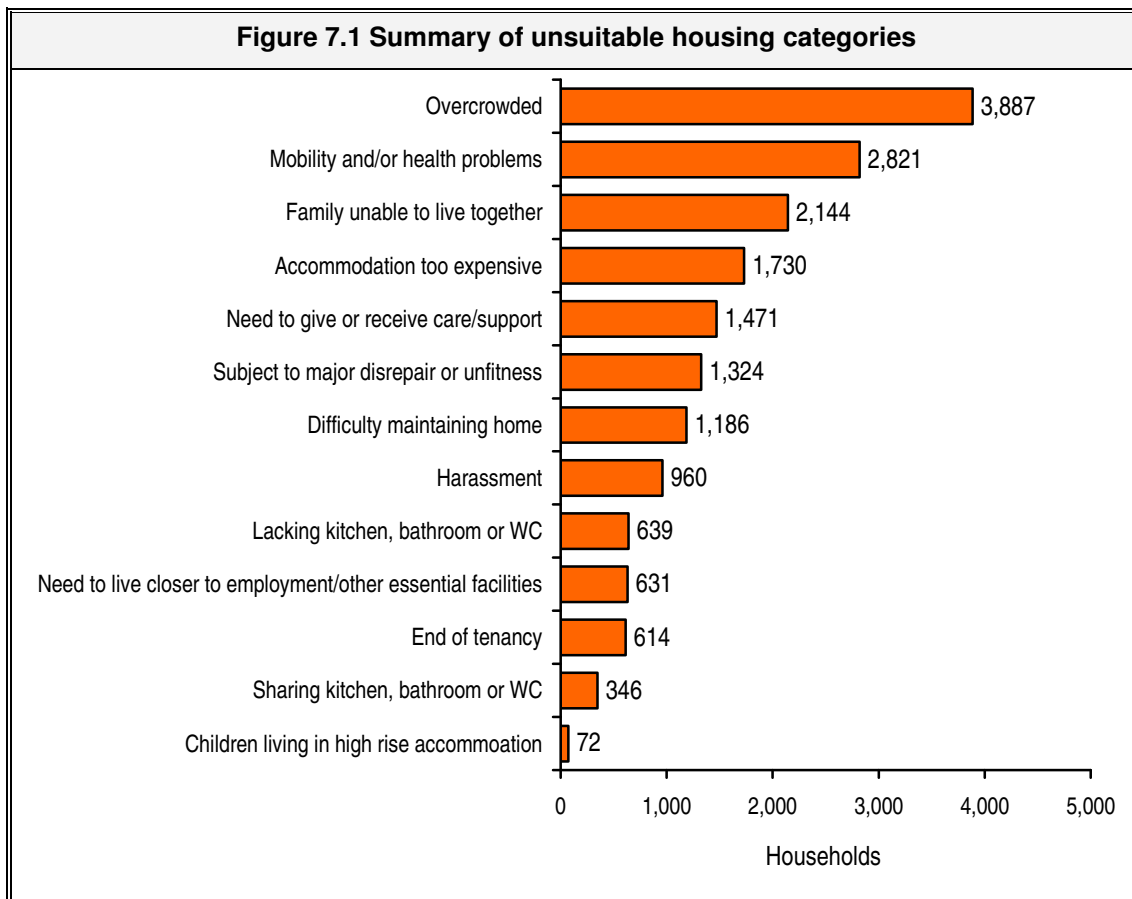
7.1 Introduction

This chapter of the report assesses the first part of the 'Basic Needs Assessment Model' – Backlog of Existing Need. This begins with an assessment of housing suitability and affordability and also considers backlog non-households (potential and homeless households) before arriving at a total backlog need estimate.

7.2 Unsuitable housing

This section looks at households whose current accommodation is in some way unsuitable for their requirements. It is estimated that a total of 10,638 households are living in unsuitable housing. This represents 13.2% of all households in the Borough.

The figure below shows a summary of the numbers of households living in unsuitable housing (ordered by the number of households in each category). The main reason for unsuitable housing is overcrowding.

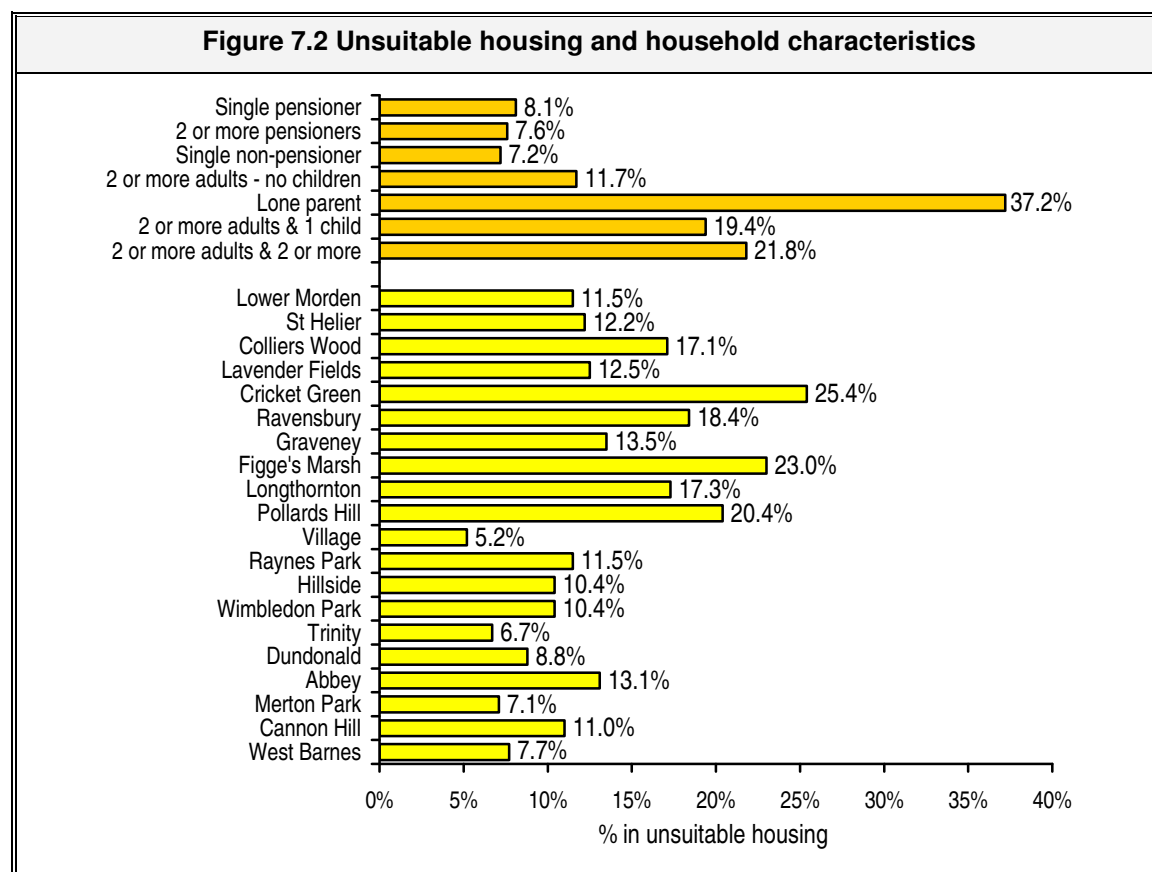


The table below shows unsuitable housing by tenure. The patterns emerging suggest that households living in rented accommodation are more likely to be in unsuitable housing than owner-occupiers. Some 34.7% of Council, 22.8% of RSL and 20.4% of private rented households are estimated to be living in unsuitable housing. This compares with 8.5% and 8.7% of households in owner-occupied (no mortgage) and owner-occupied (with mortgage) tenures respectively.

Table 7.1 Unsuitable housing and tenure

Tenure	Unsuitable housing				
	In unsuitable housing	Not in unsuitable housing	Number of h'holds in Borough	% of total h'holds in unsuitable housing	% of those in unsuitable housing
Owner-occupied (no mortgage)	1,959	20,986	22,945	8.5%	18.4%
Owner-occupied (with mortgage)	3,065	32,077	35,142	8.7%	28.8%
Council	2,272	4,276	6,548	34.7%	21.4%
RSL	1,002	3,392	4,394	22.8%	9.4%
Private rented	2,341	9,150	11,491	20.4%	22.0%
Total	10,638	69,881	80,520	13.2%	100.0%

The figure below shows the proportion of households living in unsuitable housing by household type and sub-area. The data shows that lone parent households and other households with children are particularly likely to be in unsuitable housing. By sub-area there are also some significant differences. Levels of unsuitable housing vary from 5.2% in Village to 25.4% in Cricket Green.



7.3 Migration and 'in-situ' solutions

The survey has highlighted that 10,638 households are in unsuitable housing. However it is most probable that some of the unsuitability can be resolved in the households' current accommodation and also that some households would prefer to move from the Borough in order to resolve their housing problems.

The extent to which 'in-situ' solutions might be appropriate is assessed in the Housing Needs Survey by asking respondents whether they thought they needed to move now or if they did; whether a move could be avoided by carrying out repairs or adaptations to their current home. Any household that replied that it did not need to move now or that a move could be avoided by repairs was assumed to have an in situ solution.

ODPM Guide	<i>'The extent to which in situ solutions could be feasible can be examined by a survey...[using]...a judgement on whether the unsuitably housed main household intends to move. Where this is the case, it may be taken to indicate that an in situ solution is not appropriate'. [Section 4.3 (page 56)]</i>
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The survey data estimates that of the 10,638 households in unsuitable housing, 1,718 (or 16.2%) would need to move now to resolve their housing problems. Of the 1,718 households who need to move now, those that stated that they would be likely to move out of the Borough were excluded from further analysis. These amounted to 249, leaving a total of 1,469 who need to move within the Borough.

7.4 Affordability

Using the affordability methodology set out in Chapter Four it is estimated that there are 1,040 existing households that cannot afford market housing and are living in unsuitable housing (and require a move to different accommodation within the Borough). This represents around 1.3% of all existing households in the Borough. The results reveal that 70.8% of households living in unsuitable housing (and needing to move now within the Borough) cannot afford market housing (1,040/1,469).

The table below focuses on characteristics of the 1,040 households currently estimated to be in housing need. The results show that RSL tenants are most likely to be in housing need. Of all households in need, 78.1% currently live in social rented accommodation.

Tenure	Housing need				
	In need	Not in need	Number of h'holds in Borough	% of total h'holds in need	% of those in need
Owner-occupied (no mortgage)	-	22,946	22,946	0.0%	0.0%
Owner-occupied (with mortgage)	-	35,142	35,142	0.0%	0.0%
Council	462	6,086	6,548	7.1%	44.4%
RSL	350	4,045	4,395	8.0%	33.7%
Private rented	228	11,262	11,490	2.0%	21.9%
Total	1,040	79,481	80,521	1.3%	100.0%

7.5 Housing need and the need for affordable housing

There is a further issue relating to existing households in need. For households in social rented accommodation it is likely that a move will release a social rented home for re-letting and therefore there will be no requirement for additional affordable housing to be provided. It has therefore been decided to remove all households in need currently living in social rented accommodation from the estimates of additional requirement. This reduces the backlog figure by 812 households to 228.

7.6 Potential and homeless households (backlog (non-households))

The final elements of backlog need are potential and homeless households. Potential households in need are persons who currently live as part of another household (typically with parents) but state that they need to move to independent accommodation and are unable to afford to do so. The homeless households in need are those that would not have already been accounted for in the main sample survey or the methodology so far employed.

(i) Potential households

In this chapter we define the backlog as potential households who need to move now and are unable to afford suitable market housing. Such households will also need to have stated that they would be looking to remain living in the Borough. The fact that some of these households will join up with other person(s) when setting up home independently has been accounted for.

The table below summarises the number of potential households within the Borough and those that are considered within the backlog element of the needs assessment. Also shown is the estimate of the number unable to afford market housing (using the methodology shown in the previous chapter).

Table 7.3 Derivation of the number of potential households in need (backlog)		
Aspect of calculation	Number	Sub-total
<i>Number of potential households in the Borough (two years)</i>	8,623	
Minus those not needing to move now	-7,645	978
Minus those joining up with other persons	-272	706
Minus those moving out of the Borough	-135	571
Total Potential Households	571	
Times proportion unable to afford	72.4%	
Potential Households In Need	413	

The survey estimates that there are 8,623 potential households in the Borough, of which 978 need to move now. When taking account of those joining up with other persons this figure is reduced to 706, of which 571 want to remain in the Borough. Not all of these potential households will necessarily be in need. Some may be able to afford suitable private sector accommodation. The potential households were then asked whether or not they could afford to access the private sector housing market without resorting to housing benefit. It is estimated that of the 571 potential households who need to move now (within the Borough), 72.4% cannot afford local private sector housing (413 households).

(ii) Additional homeless households in need

The Housing Needs Survey is a ‘snapshot’ survey that assesses housing need at a particular point in time. There will, in addition to the existing and potential households in need, be some homeless households who were in need at the time of the survey and should also be included within any assessment of backlog need. To assess these numbers we have used information contained in the Council’s P1 (E) Homeless returns.

The main source of information used is Section E6: Homeless households accommodated by your authority at the end of the quarter. The important point about this information is the note underneath. *“This should be a ‘snapshot’ of the numbers in accommodation on the last day of the quarter, not the numbers taking up accommodation during the quarter.”* This is important given the snapshot nature of the survey. Data compiled from the December 2004 P1(E) form is shown in the table below.

Table 7.4 Homeless households accommodated by authority at 31st December 2004 (Section E6, P1(E) form)	
Category	Quarter ending 31/12/04
Bed and breakfast	26
Hostel (including women’s refuges)	40
Private sector accommodation leased by LB Merton /RSL	0
Directly with a private sector landlord	22
Within Council/RSL stock	52
Other (including private sector landlord)	35
Total	175

Not all of the categories in the above table are added to our assessment of existing and potential households in need. This is because, in theory, they will be part of our sample for the Housing Needs Survey. For example, households housed in private sector accommodation should already be included as part of the housing need – such household addresses should appear on the Council Tax file from which the sample was drawn.

After considering the various categories, we have decided there are two which should be included as part of the homeless element. These have been underlined in the table above. Therefore, of the 175 homeless households in temporary accommodation, 66 will be counted as homeless for the purpose of the Housing Needs Assessment.

7.7 Total backlog need

Having been through a number of detailed stages in order to assess the backlog of need in Merton we shall now bring together all pieces of data to complete the 'B: BACKLOG OF EXISTING NEED' element of the Basic Needs Assessment model encouraged by the ODPM. This is shown in the following section.

The table below summarises the first stage of the overall assessment of housing need as set out by the ODPM. The data shows that there is an estimated backlog of 707 households in need (see stage 5). The final stage is to include a quota to progressively reduce this backlog. A reduction in the backlog of need of 20% per year has been assumed in Merton. The table therefore shows that the annual need to reduce backlog is 141 dwellings per annum.

ODPM Guide	<i>'It is also unrealistic to expect to meet all of any backlog in the planning period. It is recommended that all authorities apply a standard factor of 20% here for comparability (this implies eliminating the backlog over a 5 year strategy period). LA's may then make policy judgements to determine the practical rate at which this backlog can be reduced'. [Section 2.4 (page 25)]</i>
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Table 7.5 Basic Needs Assessment Model – Stages 1 to 7		
<i>B: BACKLOG OF EXISTING NEED</i>		
<i>Element</i>	<i>Notes</i>	<i>Final number</i>
1. Backlog need existing households	Number of households currently living in unsuitable housing	10,639
2. <i>minus</i> cases where in-situ solution most appropriate	In situ (or outside the Borough) solution most appropriate for 9,170 households	Leaves 1,469
3. <i>times</i> proportion unable to afford to buy or rent in market	70.8% = 1,040 – also remove 812 social renting tenants	228
4. <i>plus</i> Backlog (non-households)	Potential = 413 Homeless = 66	479
5. <i>equals</i> total Backlog need		707
6. <i>times</i> quota to progressively reduce backlog	Suggest 20% as in ODPM report	20%
7. <i>equals</i> annual need to reduce Backlog		141

NB Elimination of the backlog over a five-year period is recommended in the Guide. However, the Council can make a policy decision to do so over a longer period.

7.8 Summary

This chapter reported on the components contributing to the backlog need element of the needs assessment model. In total it is estimated that 1,040 existing households are in housing need. When looking further forward to the additional affordable housing requirements of these households we remove households currently living in social rented housing to produce a final figure of 228.

The final element of backlog need considered the needs arising from potential and homeless households. These two elements together make for 479 additional households in need.

Bringing together all the factors of the backlog of housing need (as defined by the ODPM and followed by Fordham Research) it is estimated that there is an overall backlog of need of 707 affordable homes. Annualised, assuming a 20% reduction per year suggests an annual need to reduce the backlog of 141 dwellings.

8. Newly arising need

8

8.1 Introduction

In addition to the Backlog of existing needs discussed so far in this report there will be newly arising need. This is split, as per ODPM guidance, into four categories. These are as follows:

- i) New household formation (× proportion unable to buy or rent in market)
- ii) Ex-institutional population moving into the community
- iii) Existing households falling into need
- iv) In-migrant households unable to afford market housing

The guidance also suggests that each of these should be calculated on an annual basis. The following sections deal with each of these points in detail.

8.2 New household formation

This is based on information about households who have formed over the past two years (within the Borough) and affordability. For example households that previously lived with parents, relatives or friends and separated to form another household. This also includes people that previously lived in a house/flat share or were lodging and formed their own household when they last moved. This is consistent with the Guide approach:

ODPM Guide	<p><i>'A... reliable approach to this issue is to base the profile of new households on the characteristics of identified newly forming households in the recent past'.</i></p> <p><i>'Stage 9 in the basic needs assessment model... involves estimating the proportion of newly forming households who will be unable to afford to access housing in the private market'.</i></p> <p><i>'It is recommended that the primary basis for assessing the income and household type profile of new households is the profile of actual new households formed over the period preceding the survey'. [Section 4.4 (pages 61 & 62)]</i></p>
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The table below shows details of the derivation of new household formation and their affordability.

Table 8.1 Derivation of newly arising need from new household formation		
Aspect of calculation	Number	Sub-total
Number of households moving in past two years	17,550	
Minus moves from outside Borough	-9,866	7,684
Minus households NOT forming in previous move	-6,152	1,532
Total Applicable Moves	1,532	
Total Applicable Moves (per annum)	766	
Times proportion unable to afford	48.3%	
Annual Estimate Of Newly Arising Need	370	

The table above shows that an estimated 1,532 households are newly formed within the Borough over the past two years - 766 per annum (i.e. moved out from a household to form their own household). Of these it is estimated that 48.3% are unable to afford market housing without some form of subsidy. The annual estimate of the number of newly forming households falling into need is therefore 370 per annum.

8.3 Ex-institutional population moving into the community

The analysis of the ex-institutional population moving into the community is based on a similar analysis to that used for newly forming households except that it concentrates on households moving from 'institutional' accommodation. Again these households are tested for their ability to afford market housing. The table below shows the results of this analysis.

Table 8.2 Derivation of newly arising need from 'ex-institutional' population		
Aspect of calculation	Number	Sub-total
Number of households moving in past two years	17,550	
Minus moves from outside Borough	-9,866	7,684
Minus households NOT moving from an 'institution'	-7,651	33
Total Applicable Moves	33	
Times proportion unable to afford	100.0%	
Total In Need (2 years)	33	
Annual Estimate Of Newly Arising Need	17	

In total it is estimated that 17 households fall into the category of 'ex-institutional population moving into the community' per annum.

8.4 Existing households falling into need

This is an estimate of the number of existing households currently living in Merton who will fall into housing need over the next two years (and then annualised). The basic information for this is households who have moved home within the Borough in the last two years and affordability. A household will fall into need if it has to move home and is unable to afford to do this within the private sector (examples of such a move will be because of the end of a tenancy agreement). A household unable to afford market rent prices but moving to private rented accommodation may have to either claim housing benefit or spend more of their income on housing than is considered affordable (or indeed a combination of both).

ODPM Guide	<i>'The basic needs model also identifies two other ways [the second is the next section] in which new needs may arise in a locality. The first of these refers to existing households, previously satisfactorily housed, who fall into need during the period (per year, conventionally)'. [Section 4.4 (page 63)]</i>
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Households previously living with parents, relatives or friends are excluded as these will double-count with the potential households already studied. The data also excludes moves between social rented properties. Households falling into need in the social rented sector have their needs met through transfer to another social rented property, hence releasing a social rented property for someone else in need. The number of households falling into need in the social rented sector should therefore, over a period of time, roughly equal the supply of 'transfers' and so the additional needs arising from within the social rented stock will be net zero.

Table 8.3 Derivation of Newly Arising Need from households currently living in the Borough		
Aspect of calculation	Number	Sub-total
Number of households moving in past two years	17,550	
Minus moves from outside Borough	-9,866	7,684
Minus households forming/ex-institutional	-1,565	6,119
Minus households transferring within affordable housing	-1,016	5,103
Total Applicable Moves	5,103	
Times proportion unable to afford	19.7%	
Total In Need (2 years)	1,007	
Annual Estimate Of Newly Arising Need	504	

The table above shows that a total of 5,103 household moves are considered as potentially in need. Using the standard affordability test for existing households it is estimated that 19.7% of these households cannot afford market housing (as with the main analysis of existing households in need the affordability test is based on the size requirements and financial situation of those households having made a 'potentially in need' move over the past two years). Therefore our estimate of the number of households falling into need within the Borough excluding transfers is 1,007 households ($5,103 \times 0.197$) over the two-year period. Annualised this is 504 households per annum.

8.5 In-migrant households unable to afford market housing

This is the final element of newly arising need. Households falling into need in this group are households currently living outside the Borough who are expected to move into the Borough but cannot afford suitable private sector housing. The basic information for this is similar to the above section except that it deals with households who are expected to move into the Borough in the next two years (based on past move information) and these households' affordability.

This data does not exclude transfers as none of these households could have transferred within Merton's stock at the time of the move. Household formation is not an issue as none of these households could be double-counted because they do not currently live within the Borough.

ODPM Guide	<i>'Households moving into the district and requiring affordable housing can be identified by HN surveys, again using data on recent movers'. [Section 4.4 (page 63)]</i>
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The table below shows the derivation of the in-migrant element of newly arising need.

Table 8.4 Derivation of Newly Arising Need from households currently living outside the Borough		
Aspect of calculation	Number	Sub-total
Number of households moving in past two years	17,550	
Minus moves from within Borough	-7,684	9,866
Total Applicable Moves		9,866
Times proportion unable to afford	25.2%	
Total In Need (2 years)		2,482
Annual Estimate Of Newly Arising Need		1,241

In total the table above shows that 9,866 'potentially in need' moves took place in the past two years from outside the Borough. The survey data also shows us that 25.2% of these households cannot afford market housing (as with the main analysis of existing households in need the affordability test is based on the size requirements and financial situation of those households having made a 'potentially in need' move over the past two years). Therefore our estimate of the number of households falling into need from outside the Borough is 2,482 households ($9,866 \times 0.254$) over the two-year period. Annualised this is 1,241 households per annum.

8.6 Summary

The data from each of the above sources can now be put into the Basic Needs Assessment Model as is shown in the table below. It indicates that additional need will arise from a total of 2,132 households per annum.

Table 8.5 Basic Needs Assessment Model – Stages 8 to 13		
<i>N: NEWLY ARISING NEED</i>		
<i>Element</i>	<i>Notes</i>	<i>Final number</i>
8. New household formation (gross, p.a.)		766
9. <i>Times</i> proportion unable to buy or rent in market	48.3% cannot afford market housing	Leaves 370
10. <i>plus</i> ex-institutional population moving into community		17
11. <i>plus</i> existing households falling into need		504
12. <i>plus</i> in-migrant households unable to afford market housing		1,241
13. <i>equals</i> Newly arising need	9+10+11+12	2,132

9. Supply of affordable housing

9

9.1 Introduction

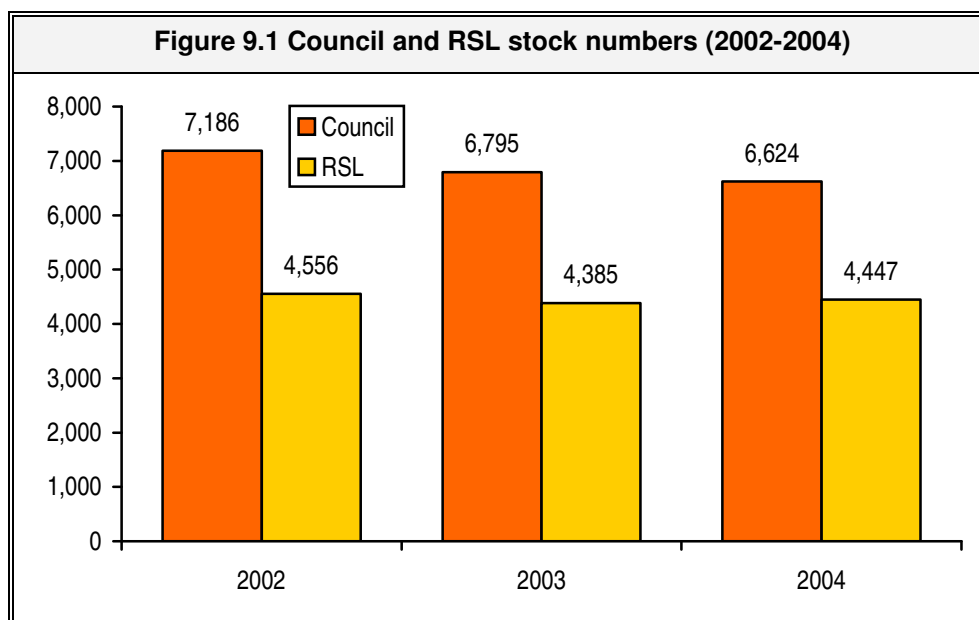
This chapter looks at current supply of affordable housing from both the Council and RSLs in the Borough. We shall begin by highlighting the general patterns of supply in the social rented stock over the past three years before making a judgement about which supply figures should feature as part of the needs assessment model.

ODPM Guide

'The most important source of supply is typically relets of existing social housing. A basic projection should assume continuance of the same rate of net relets as in the last year or an average over the last 3 years'. [Section 2.4 (page 26)]

9.2 The Social Rented stock

We have studied information from the Council's Housing Investment Programme (HIP) for three years (from 2002 to 2004 inclusive). The figure below shows the changing levels of stock for both the Council and RSLs within the Borough.



The figure above shows that the Council stock has shrunk since 2002, by 562 dwellings. This is likely to be mainly due to right-to-buy sales. The RSL stock also shows small decrease over the same period (of 109 dwellings). Overall, there has been a net loss of 671 properties from LB Merton's social housing stock (336 per annum).

9.3 The supply of affordable housing

(i) Council stock

The table below shows an estimate of the supply of lettings from Council-owned stock over the past three years. The data shows that the number of lettings has remained consistent over time. In 2001/02 there were 351 lettings to new tenants, by 2003/04 this had increased to 355. The average number of lettings over the three-year period was 353 per annum.

Table 9.1 Analysis of past housing supply (council rented sector)				
Source of supply	2001/02	2002/03	2003/04	Average
LA lettings through mobility arrangements	5	7	6	6
LA lettings to new secure tenants	0	0	0	0
LA lettings to new tenants on an introductory tenancy	346	346	349	347
LA lettings to new tenants on other tenancies	0	1	0	0
(Exclude transfers from RSL)*	(0)	(0)	(0)	(0)
① LA Sub-total excluding transfers	351	354	355	353

(*) This information was not included on the HIP form and has assumed to be zero.

(ii) RSL stock

For the RSL stock we can again look at H.I.P. information. Additionally, CORE data provides an indication of the number of lettings in the RSL sector. The table below shows the number of lettings from each of these sources over the past three years.

Table 9.2 Analysis of past housing supply – (RSL sector)				
	2001/02	2002/03	2003/04	Average
H.I.P. data	281	197	117	198
CORE data	254	265	193	237
Average	268	231	155	218

The data in this table suggests that the supply of RSL lettings decreased from 2002 to 2004. The average for the three-year period is 218 per annum.

It should be noted that for the period 2002 to 2004 H.I.P. data shows that an average of 39 households transferred from Council to RSL dwellings within the Borough per annum.

(iii) Estimate of lettings

The figures for both Council and RSL lettings show some variation over time. This makes it difficult to estimate future supply with any certainty. For the purposes of estimating future supply we have therefore used the average number of lettings over the three year period studied for Council and RSL lettings.

Therefore our estimated future supply of lettings from both the Council and RSL will be 532 (353+218-39).

9.4 New dwellings

From the estimated supply of affordable housing we also need to deduct lettings made to new dwellings. As one of the main purposes of the survey is to estimate any surplus or shortfall of affordable housing, it is important to avoid double-counting by not including likely future supply through additions to the stock from RSLs (although these new properties will themselves in time produce some relets). This is also a view taken in ODPM guidance.

ODPM Guide	<i>'...it may be more helpful to combine committed and shortfall figures [shortfall including committed new provision] to obtain an overall affordable need estimate, which can then be related to overall planned housing requirements and provision'. [Section 2.4 (page 26)]</i>
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Table 9.3 Analysis of past provision of new affordable housing – Average for three years				
New affordable housing	2001/02	2002/03	2003/04	Average
Additional LA dwellings (H.I.P.)	0	0	0	0
Additional RSL dwellings (H.I.P.)	107	74	114	98
Additional RSL dwellings (CORE)	121	138	102	120

The table above summarises information contained in the H.I.P. return for 2004 (Section N) and CORE data for the same period. The data indicates that there have been an annual average of 109 new affordable housing completions between 2001-02 and 2003-04. This is taken away from our estimate of lettings to provide a relet figure of 423 dwellings per annum (532-109). The figure of 423 represents a turnover of around 3.8% (based on the number of relets and the estimated number of social rented dwellings (i.e. 423/11,071).

9.5 Shared ownership supply

In most local authorities the amount of shared ownership available in the stock is fairly limited (as is the case in Merton). However, it is still important to consider to what extent the current supply may be able to help those in need of affordable housing. In many parts of the country, shared ownership housing is as expensive as the cheapest housing available on the open market. Hence in this sense it cannot be deemed as affordable housing. For the purposes of analysis we have assumed that such housing (second-hand) will be available at prices below those for entry-level market housing.

Therefore we include an estimate of the number of shared ownership units that become available each year. Information from the Housing Corporation suggests that there are around 356 shared ownership units in the Borough, the Census estimated the figure to be 450, whilst the housing needs survey data estimates 632. The average of these three figures is 479. However, the average of the first two figures is likely to be more accurate given the small sample size of shared ownership properties in the HNS. This gives an estimate of 403 units in Merton. For the purposes of this analysis it is assumed that the turnover of shared ownership accommodation is roughly the same as found in the social rented sector. This is estimated at 3.8%. Hence we estimate that each year an average of 15 units of shared ownership tenure will become available to meet housing needs ($3.8\% \times 403$). Therefore, the estimate of supply becomes 438 per annum ($423+15$).

9.6 Vacant dwellings

As of April 2004, there were 108 vacant dwellings in the social rented stock, representing around 1.0% of all social rented stock in the Borough. This is considered to be an average vacancy rate and hence no adjustment needs to be made to the figures to take account of this.

**ODPM
Guide**

'The change in vacancies is a key factor in the net stock approach. The general principle is that there should be a target vacancy rate to allow normal movement in the housing stock. Typical recommended allowances would be 4 per cent for the private sector with 2 per cent being more appropriate for the social sector'.
[Section 2.5 (page 28)]

9.7 Changes in the supply of affordable housing

This covers stages 15 and 16 of the 'Basic Needs Assessment Model'. Stage 15 is 'minus increased vacancies & units taken out of management'; Stage 16 is 'plus committed units of new affordable supply'.

In the case of Stage 15, it would not be sensible to remove from the supply equation the number of properties taken out of management. It is much more sensible to estimate the likely reduction in relets as a result of such losses.

In the case of Stage 16 it seems more logical to exclude committed units as the purpose of the analysis is to show a surplus or shortfall of affordable housing. Including committed units might in some cases show a surplus of affordable housing where in fact the new housing is required to prevent a shortfall. However, we must remember that new affordable housing will in time produce additional relets (in the same way as relet opportunities are lost when dwellings are 'taken out of management').

Data contained in H.I.P. returns suggests that from April 2002 to April 2004 there was a net loss of 671 dwellings in the social rented stock (336 per annum). Given an average turnover of around 3.8% this would equate to a loss of around 13 letting opportunities per annum. Hence, on the basis of this information it is estimated that average future supply of affordable housing will be 425 units per annum (438-13).

9.8 Summary

The table below details the stages in arriving at an estimate of the 425 relets from the current stock of affordable housing per annum. Analysis of H.I.P. and CORE data (excluding transfers within the social rented stock) for the last three years indicates an average supply of lettings of 532 per year. Taking account of lettings made to new dwellings the supply estimate is reduced by 109 units per annum. It is assumed that there would be no additional lettings in the vacant stock, whilst units taken out of management and committed units of new affordable supply will lead to a net loss of 13 dwellings per annum. Finally, we have included 15 'relets' from shared ownership dwellings, which increases supply to a total of 425. The second table shows how this fits into the Basic Needs Assessment model.

Table 9.4 Estimated future supply of affordable housing (per annum)	
Element of supply	Number of units
Average lettings per annum (excluding transfers)	532
Lettings in new housing	-109
'Relets' of shared ownership	+15
Additional lettings in vacant stock	+0
Letting opportunities lost through units taken out of management (Stage 15)	-13
Letting opportunities gained through additional stock (Stage 16)	-13
Estimated supply of affordable housing (per annum)	425

Table 9.5 Basic Needs Assessment Model – Stages 14 to 17		
<i>S: SUPPLY OF AFFORDABLE UNITS</i>		
<i>Element</i>	<i>Notes</i>	<i>Final number</i>
14. Supply of social relets p.a.	Excludes transfers within social rented stock and includes 'relets' of shared ownership	438
15. <i>minus</i> increased vacancies & units taken out of management	Letting opportunities lost	-13
16. <i>plus</i> committed units of new affordable supply p.a.	Letting opportunities gained	
17. <i>equals</i> affordable supply	14-15+16	425

10

10. Basic needs assessment model

10.1 Introduction

The table on the following page shows the final figures in the '*Basic Needs Assessment Model*'. This brings together the three key elements that have been calculated in the preceding chapters, namely; the Backlog of Existing Need, Newly Arising Need and the Supply of Affordable Units. The overall output from these three analytical stages represents the estimated net affordable housing requirement across the Borough.

10.2 Total housing need

The backlog of existing need suggests a requirement for 141 units per year and the newly arising need a requirement for 2,132 units per annum. These two figures together total 2,273 units per annum. The total estimated supply to meet this need is 425 units per year. This therefore leaves a shortfall of 1,848 units per year.

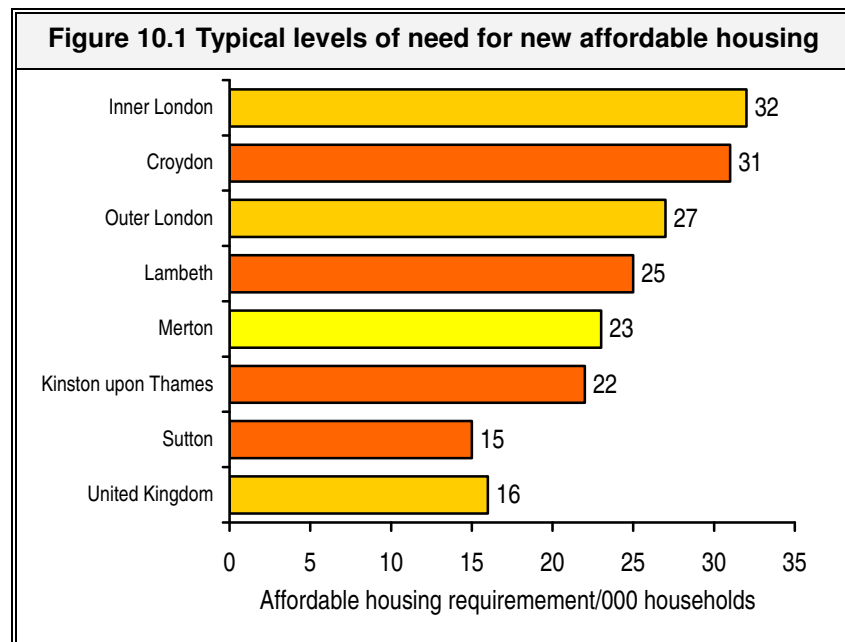
Table 10.1 Basic Needs Assessment Model		
B: BACKLOG OF EXISTING NEED		
<i>Element</i>	<i>Notes</i>	<i>Final number</i>
1. Backlog need existing households	Number of households currently living in unsuitable housing	10,639
2. <i>minus</i> cases where in-situ solution most appropriate	In situ (or outside the Borough) solution most appropriate for 9,170 households	Leaves 1,469
3. <i>times</i> proportion unable to afford to buy or rent in market	70.8% = 1,040 – also remove 812 social renting tenants	228
4. <i>plus</i> Backlog (non-households)	Potential = 413 Homeless = 66	479
5. <i>equals</i> total Backlog need		707
6. <i>times</i> quota to progressively reduce backlog	Suggest 20% as in ODPM report	20%
7. <i>equals</i> annual need to reduce Backlog		141
N: NEWLY ARISING NEED		
8. New household formation (gross, p.a.)		766
9. <i>times</i> proportion unable to buy or rent in market	48.3% cannot afford market housing	Leaves 370
10. <i>plus</i> ex-institutional population moving into community		17
11. <i>plus</i> existing households falling into need		504
12. <i>plus</i> in-migrant households unable to afford market housing		1,241
13. <i>equals</i> Newly arising need	9+10+11+12	2,132
S: SUPPLY OF AFFORDABLE UNITS		
14. Supply of social relets p.a.	Excludes transfers within social rented stock and includes 'relets' of shared ownership	438
15. <i>minus</i> increased vacancies & units taken out of management	Letting opportunities lost	-13
16. <i>plus</i> committed units of new affordable supply p.a.	Letting opportunities gained	
17. <i>equals</i> affordable supply	14-15+16	425
18. Overall shortfall/surplus	7+13-17 (per annum)	1,848

NB Elimination of the backlog over a five-year period is recommended in the Guide. However, the Council can make a policy decision to do so over a longer period.

10.3 The Merton situation in context

As Fordham Research has carried about a hundred district-wide housing needs assessments since the ODPM Guide was published in 2000, it is possible to provide reasonable indicative levels for the typical levels of affordable housing or shortage found across Britain. In order to 'standardise' the levels of need/shortage for local authorities of widely varying scale, the shortfall/surplus of affordable housing has been divided by the numbers of thousands of households in the borough.

The value for Merton is 23 per 1,000 (calculated as $(1,848/80,520) \times 1,000$). The figure below compares this result to the UK average and to other London boroughs. The data is taken from surveys recently completed by Fordham Research or older surveys updated to a base of mid-2001 and following the ODPM Guide approach. As can be seen, the figure for Merton is much higher than our national average (16) and slightly lower than the average for Outer London (27).



10.4 Size requirements and sub-areas

Overall the survey suggests a shortage of affordable housing in the Borough. However, it is also important to look at what types of shortfalls exist within the current stock of affordable housing. This is recognised in the ODPM guidance.

ODPM Guide	<p><i>'Housing needs estimates and projections expressed as global figures for an entire local authority area are important, but they are far from being the whole story... it is important that local authorities consider the extent to which such outputs should be disaggregated by property size/type and also by sub-area.</i></p> <p><i>If this is not done, there is a danger that global figures will mask the true situation – for example, a surplus of smaller properties could act to offset a shortage of larger homes. In reality, of course, this offsetting could not occur, since the availability of smaller homes would be of no value to those needing family-size accommodation'.</i></p> <p>[Section 4.7 (pages 66-67)]</p>
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Hence this section looks at any mismatches between the need for affordable housing and the supply for different sizes of accommodation and at a sub-area level.

(i) Size requirement

Having estimated the net need for affordable housing in the Borough, it is useful to make suggestions about required property sizes. This is done through looking at past patterns. The number of bedrooms required by households in need is balanced against the number of bedrooms secured by those who have recently moved into affordable accommodation. The number of bedrooms required is based on the number of people in a household, taking account of co-habiting couples and children who could reasonably share.

This is shown in the table below and as can be seen, there are shortages of all sizes of accommodation. The main shortages are for smaller one and two bedroom homes, however, the shortage relative to supply is greatest for four bedroom properties where it is estimated that none of the need can be met.

Table 10.2 Net need for affordable housing by size () indicates a surplus			
Size required	Need	Supply	TOTAL
1 bedroom	1,173	201	972
2 bedroom	663	155	508
3 bedroom	293	69	224
4+ bedroom	143	0	143
Total	2,273	425	1,848

(ii) Sub-area analysis

The table below provides the same style of analysis as above (by ward). The table again shows the need, supply and overall requirement for affordable housing. The table indicates that each area has an overall shortage of affordable housing. The shortfall figures range from 302 in Lavender Fields to 32 in Village.

Table 9.3 Net need for affordable housing by sub-area () indicates a surplus			
Ward	Need	Supply	TOTAL
Lower Morden	43	6	37
St Helier	136	58	78
Colliers Wood	177	22	155
Lavender Fields	365	63	302
Cricket Green	140	46	94
Ravensbury	85	24	61
Graveney	123	11	112
Figge's Marsh	159	51	109
Longthornton	90	10	80
Pollards Hill	142	33	110
Village	60	29	32
Raynes Park	94	8	86
Hillside	141	35	106
Wimbledon Park	62	0	62
Trinity	56	7	49
Dundonald	124	0	124
Abbey	86	18	68
Merton Park	103	0	103
Cannon Hill	39	6	33
West Barnes	47	0	47
Total	2,273	425	1,848

10.5 Implications for affordable housing policy

Appendix A1 details the key features of current ODPM Affordable Housing policy. This is likely to be changed only slightly if the latest affordable housing sections of PPG3 (published in January 2005) are adopted.

Also of relevance are provisions made in the London Plan (February 2004) and supporting information provided in the Draft Supplementary Planning Guidance (July 2004). In developing an appropriate affordable housing policy the Council will need to have regard for the key objectives set out in this Guidance although PPG3 (2000) remains the basis of current guidance. The key implications for affordable housing policy arising from information presented in the housing need survey relate to an appropriate percentage target and the site size thresholds at which the eventual affordable housing policy will apply. Prior to commenting on these aspects it is worth summarising comments from the London Plan and Draft SPG relating to these matters.

Policy 3A.7:

- The overall strategic target is that 50% of net new housing provision (supply from all sources) should be affordable housing
- Affordable housing provision should take account of the London-wide objective that 70% should be social housing and 30% intermediate provision

The SPG also indicates that a target over 50% may be justified where it is evident that a lower target would be insufficient to meet needs, where there is no realistic prospect of using additional provision in neighbouring boroughs and where existing affordable provision is below the London-wide average of 26% (to help promote a more mixed and balanced community).

Policy 3A.8:

- Boroughs should seek to apply affordable housing requirements to all sites where there is a capacity to provide 15 or more units
- Application of lower thresholds should be justified by demonstrating regard for size and types of sites likely to come forward and the contribution that smaller sites can make

It is possible to consider the issues of percentage targets and site thresholds in further detail using evidence derived from the housing needs survey. These are set out below.

(i) Percentage target

The Guide to Housing Needs Surveys has its own proposals on how targets should be calculated (contained within Table 8.1 of the Guide). It is therefore worth pursuing the suggested ODPM method to show the expected result. The table below shows an estimate of the likely suggested percentage target from following the ODPM method.

Table 9.5 Calculation of affordable housing target: following ODPM methodology	
Element	Dwellings (per annum)
Affordable housing requirement	1,848
Minus affordable supply from non S106 sites (estd.)*	-127
Equals	1,721
Projected building rate (estimated)**	430
Minus sites below threshold (assumed)	-0
Equals	430
Therefore Target is	1,721/430
Equals	400%

Notes: * Estimate of supply from Section N of H.I.P 2004

** Information on projected building rate from London Plan7

Given the results of this table it is clear that at the general level, any target would be justified. In our view there is no real point in varying the target from site to site or from locality to locality; the target is only likely to be varied downwards as a result of this practice.

Custom and practice is in fact the only guide to choosing a target, assuming that there is a substantial housing need. Clearly that is the case in Merton. The evidence suggests that for example a target of 50% can certainly be justified. Such targets have been used by a number of local planning authorities. There have been no justifiable problems with financial viability as a consequence, though in the few cases where this would apply, this site specific matter may require investigation (e.g. severely damaged brownfield sites).

We would advise the use of a Borough-wide percentage target. This is the most easily understood form of target. It applies to allocated and windfall sites where viability permits. It is almost impossible to justify any variation of targets, since the Council's housing needs problem is one for the Local Planning Authority and the Local Housing Authority as a whole. The question of how and where to meet the housing needs problem is a strategic one for the Council. On the evidence, a 50% target can be justified, although the Council is free to take a view on the particular level it wishes to set.

(ii) Threshold site size

There is more certain guidance on the issue of site thresholds. The Government advice contained in Circular 6/98 and PPG3 (2000) provides a threshold standard of 15 dwellings/0.5 ha for Inner London and 25 for all other areas.

Also of relevance is the document 'Influencing the size, type and affordability of housing' published by the government in July 2003. This document sets out a proposed change to PPG3 and the cancellation of Circular 6/98. Appendix A1 sets out some of the key changes in policy direction likely to arise as a result of this document, but of particular relevance to site size thresholds is the suggestion of:

- A standard threshold of 15 dwellings for all local authorities plus the possibility of going below this threshold level where justified (para 10, Annex A).

Given the amount of additional affordable housing required, it would seem reasonable to assume that the Council would want to secure affordable housing on all sites regardless of size. Given the large need for affordable housing, a lower site threshold could be seriously considered. This is consistent with provisions made in the Draft Supplementary Planning Guidance.

10.6 Summary

The Housing Needs Survey in Merton followed closely guidance from The ODPM in '*Local Housing Needs Assessment: A Guide to Good Practice*'. This involved estimates of the 'Backlog of existing need', 'Newly arising need' and future supply to estimate the current surplus or shortfall of affordable housing in Merton. Using this model it is estimated that for the next five years there will be a shortage of 1,848 affordable housing units per annum in the Borough.

The immediate implications for affordable housing are that any target would be justified on all suitable sites, and that thresholds below the current minimum could be seriously considered.

11. Nature of affordable housing requirement

11

11.1 Introduction

Having considered the level of housing need in the Borough this chapter studies what types of affordable housing might be most appropriate to meet this need. In principle there are two main types of housing which can be considered (intermediate housing and social rented). Intermediate housing could include a series of different housing options such as low-cost market, shared ownership or discount market rent. The two main types of affordable housing are considered in relation to the size requirement for additional affordable housing.

11.2 Defining intermediate housing

'Intermediate housing' is a term which has come to be used to describe a housing demand for which the supply is neither conventional social rented housing, nor market housing. The term was originally given currency in the 'Homes for a World City' report and continues through the London Plan. The term 'intermediate' housing is now seen as relevant across the Country. It has not been very closely defined hitherto and therefore it is important to begin this chapter by doing so, since such a definition is a necessary starting point. There are two broad reasons for doing this:

- Intermediate housing should be clearly distinguished from social rented housing
- It should also be distinguished from general market housing, and with that the various unclearly labelled variants of (newbuild) 'low cost market' housing which have confused the debate about housing affordability since the publication of Circular 13/96 (the Circular which suggested that low cost market would be one form of affordable housing)

A clear definition of the term is required because, without that, there is little prospect of this particular need being adequately addressed.

It is difficult to provide an absolute set of boundaries for the zone of intermediate housing. Nevertheless, reasonably clear distinctions can be made:

Table 11.1 Definition of intermediate housing	
Lower limit of Intermediate housing	Upper limit of intermediate housing
<p>There are several issues:</p> <p>(i) Housing need is defined by ODPM to refer to households who are in unsuitable housing and cannot afford to buy or rent in the market. Affordability is defined by ODPM as excluding housing benefit.</p> <p>(ii) Of those in housing need, so defined, a large proportion can only afford social rented housing. The upper boundary of the cost of such housing is marked by the cost (rent) of new social rented housing.</p>	<p>Again there are several issues:</p> <p>(i) There is a clear upper threshold to intermediate housing, formed by the minimum entry level price of housing to buy or to rent in the market.</p> <p>(ii) The situation is confused by the fact that Government guidance does not recognise the fact that second-hand housing is always cheaper than newbuild housing. By referring to 'low cost market housing' (which is newbuild) Government guidance gives the impression that such low cost market housing is actually cheaper than entry level, second hand housing. This is never the case. In fact low cost market housing is normally at least 130% of the cost of entry level housing. The same is normally true of newbuild market rental housing.</p> <p>(iii) Although the objective situation is quite clear, that second hand housing forms the upper bound of the intermediate housing category, the situation is confused by claims by developers that some form of newbuild market housing should be allowed as 'affordable' given the wording of government advice. This unfortunate situation will continue until Government guidance is clarified.</p>

The lower boundary of intermediate housing is, therefore, formed by new social rent levels for different dwelling sizes. Some households in housing need will be able to afford somewhat more than social rents. For affordability purposes, these households fall into the intermediate housing category.

The table above serves to define the term intermediate housing in terms of the households which are covered by it. The definition does not address the question of what type of housing, either second-hand or newbuild, might meet it. The typical expectation would be various forms of shared ownership, where the incoming household rents part of the equity value from (typically) a Registered Social Landlord, and buys the rest. Shared ownership costs somewhere between 90% and 110% of entry level housing, depending on area. Thus it is only marginally cheaper than outright purchase, and can only be classed as intermediate housing in those cases between 90% and 100% of entry level housing. Other housing variants exist or are being developed, which may more directly meet intermediate housing need.

11.3 Background

The survey estimates the costs of housing for each type of affordable housing and in each size group (by number of bedrooms) - in terms of estimated outgoings per week. The starting point is the cost of minimum priced market housing. It is obvious that any housing which costs more than the minimum cost of market housing cannot be considered as affordable in the local context, any housing available at a cost below this level will be affordable to some households in need although it is important to estimate the proportions able to afford at any particular level of outgoings.

The table below shows our estimates of the minimum cost of market housing in the Borough and estimated new social rent levels.

Table 11.2 Basic information required for assessment of types of affordable housing required			
Size requirement	Minimum priced second-hand market housing	Minimum priced rents (£/week)	Social rent (£/week)
1 bedroom	£123,500	£134	£59
2 bedrooms	£148,500	£159	£73
3 bedrooms	£191,500	£197	£83
4+ bedrooms	£245,000	£242	£91

It can be seen from the table above that for all dwelling sizes, the cost of social rented housing is significantly below that of market housing. Therefore it is clear that intermediate housing will be able to meet some housing need.

The table below shows the estimated breakdown of additional affordable housing requirements by size and type of housing per annum. The figures are for gross need.

Table 11.3 Annual requirement for each type of affordable housing (all tenures)			
Dwelling size	Type of housing		
	Social rented	Intermediate housing	TOTAL
1 bedroom	475	698	1,173
2 bedrooms	284	379	663
3 bedrooms	172	121	293
4+ bedrooms	16	127	143
Total	952	1,321	2,273

The table shows that in total 58.1% of the gross requirement could be intermediate housing, the remainder should be social rented housing. However, from these figures it is important to deduct the supply of affordable housing. As with the previous analysis this has been split by social rented and intermediate housing.

Table 11.4 Annual supply for each type of affordable housing			
Dwelling size	Type of housing		
	Social rented	Intermediate housing	TOTAL
1 bedroom	200	1	201
2 bedrooms	150	5	155
3 bedrooms	66	3	69
4+ bedrooms	0	0	0
Total	416	9	425

The following table therefore estimates the net requirements for each type of affordable housing by size. It is interesting to note that the need for intermediate housing covers all sizes of accommodation with the main requirements being for one and two bedroom homes. Although the table shows that 71.0% of the net requirement is for intermediate housing, in reality this figure is much lower because of the affordability of such housing. This is discussed in the following section.

Table 11.5 Net annual need for affordable housing for each type of affordable housing			
Dwelling size	Type of housing		
	Social rented	Intermediate housing	TOTAL
1 bedroom	275	697	972
2 bedrooms	134	374	508
3 bedrooms	106	118	224
4+ bedrooms	16	127	143
Total	536	1,312	1,848

11.4 Affordability within the intermediate category

Although the survey suggests that up to 71.0% of all additional affordable housing could be categorised as ‘intermediate’ this does not imply any particular type of housing. We have therefore sought to provide some more information by looking at four categories of ‘intermediate’ housing based on price. The table below shows the bands of intermediate housing used for analysis.

Table 11.6 Approximate outgoings for different types of intermediate housing				
Size requirement	Approximate outgoings (£/week)			
	Cheapest intermediate housing	2 nd	3 rd	Most expensive
1 bedroom	£59-£77	£78-£96	£97-£115	£116-£134
2 bedrooms	£73-£94	£95-£116	£117-£137	£138-£159
3 bedrooms	£83-£111	£112-£140	£141-£168	£169-£197
4+ bedrooms	£91-£128	£129-£166	£167-£204	£205-£242

As per the previous analysis we can estimate the number of households in need who fall into each of these categories. This is shown in the table below, and includes all tenures. It is clear that the majority of those in the ‘intermediate’ category have income/affordability levels at the bottom of the scale. For example, the data suggests that 56.1% of those who could theoretically afford intermediate housing could afford nothing costing more than half of the difference between market and social rented prices. There are relatively few households with income levels close to the market (12.5% of the intermediate group fall into the ‘most expensive’ category).

Table 11.7 Number of households able to afford at different ‘intermediate’ housing prices						
Size requirement	Approximate outgoings (£/week)					TOTAL
	Social rented housing	Cheapest intermediate housing	2 nd	3 rd	Most expensive	
1 bedroom	475	123	178	345	53	1,173
2 bedrooms	284	120	205	11	45	663
3 bedrooms	173	33	30	46	11	293
4+ bedrooms	16	22	22	17	66	143
Total	952	299	442	414	165	2,273

Although the owner-occupied re-sale price covenant and recycling RSL grants for shared ownership schemes can ensure the intermediate status of this housing continues for future tenants, it is unlikely that prices of intermediate housing will be low enough to meet need in the first instance. Shared ownership schemes tend to be at the most expensive level of the intermediate housing range, just below market level prices, and therefore there is no solution to meet the housing need in the cheaper intermediate housing ranges. As previously stated, it is these lower prices of intermediate housing that would meet the most need.

11.5 The implications for targets

Clearly, a number of issues will arise in considering the implications of the above findings for any kind of policy target. Those particularly relevant to our analysis are discussed below.

The amount of affordable housing that can be provided in Merton is likely to fall a long way short of the requirement identified using the Basic Needs Assessment Model. As a result, there is an issue of priority.

When housing supply is as limited as it is in this case, it does not follow that the profile of affordable housing supplied should reflect the profile of all households who require it. Some groups will receive much higher priority than others; other groups will in practice rarely if ever reach the top of any waiting list and be offered a home. Experience suggests that the high-priority groups may not be representative of all need. This report provides the evidence for the degree of **need** for affordable housing, split between 'social rented' and 'intermediate'. It is clearly a policy issue, beyond the remit of this evaluation, as to how to allocate scarce **resources** between these two categories of affordable housing.

11.6 Affordability within the intermediate affordability category

The results set out above make it clear that there is a considerable potential 'market' for intermediate housing, as it has been defined for the purpose of this study, among households in need in Merton. On average around a two-fifths of households in need could afford it.

Whether such households' need could be addressed in practice will depend upon the characteristics of the housing that is provided; in particular, the outgoings at which it is made available, and how attractive it is as a housing/tenure 'package' to prospective occupiers.

The implication is that in order to maximise the accessibility of an intermediate housing product, either it must be pitched at costs only a little higher than social rents, or else a series of separate products is needed covering the fullest possible range of affordability.

11.7 Summary

Using information calculated from the survey, we have carried out further analysis to show how much of this need could be met by 'intermediate' housing, available at outgoings between social rents and the minimum cost of (second hand) market housing. The analysis shows that over a half (71.0%) of the additional affordable housing requirement could meet needs by such housing.

These findings cannot be translated directly into operational targets in practice. To begin with, the 71.0% figure is a maximum, and could only be reached if all the 'intermediate' housing was priced at social rents, which would be pointless, or if an extremely wide range of homes was available to cover the full spectrum of affordability from social rent to market. The data suggests that there are relatively few households in need whose financial situation place them close to being able to afford market housing.

There is also the issue of priority. Fundamentally, our analysis has focussed on the totality of need facing Merton. It does not differentiate between needs with different degrees of urgency or priority. If the supply of both social rented and intermediate housing continues to be severely constrained, and it is only made available to those with the greatest need, the proportion who could afford 'intermediate' housing might well be significantly different.

Section D: Broader housing market & future changes

The previous section focused exclusively on *housing need* and the requirement for affordable housing. However, in order to fully develop informed housing policies, Local Authorities are also interested in *housing demand* across all tenures. This section thus considers the broader housing market in Merton. First household characteristics are examined across all tenures; following on from that we consider the question of how far the housing market is 'balanced'.

The ODPM Guide definition of housing demand is given below.

ODPM Guide	<i>'Housing demand refers to the quantity and type/quality of housing which households wish to buy or rent and are able to afford. In other words, it takes account of both preferences and ability to pay. [Section A2.2 (page 116)]</i>
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12. Market housing

12

12.1 Introduction

Emphasis on analysis of the whole market as part of an HNS has been a theme of Government policy at least since the publication of PPG3 (2000).

Box 12.1 PPG3 (2000) Para 13:

'Assessments of housing need which underpin local housing strategies and local plan policies are matters for local authorities to undertake in the light of their local circumstances. Local planning authorities should work jointly with housing departments to assess the range of needs for different types and sizes of housing across all tenures in their area'.

This chapter considers some general issues surrounding supply and household characteristics within private sector tenures in Merton.

12.2 Owner-occupied sector

It is useful for the Council to have information concerning supply and turnover of market housing in order to inform planning control. In particular, councils will want to ensure that new developments meet demand with regard to dwelling size and type. In general, housebuilders will want to build larger dwellings for in-migrants but often the local net demand is for smaller units.

Data suggests that 72% of households in the Borough are owner-occupiers and that around three-fifths of these have a mortgage. As was shown in Chapter five, households in owner-occupied accommodation without a mortgage have lower average incomes than those with a mortgage, although it should be remembered that the former group contains many older people who are likely to be retired.

The table below shows the size profile of the owner-occupied stock in Merton. The data suggests that households are most likely to have three bedrooms. Only 9.1% have one bedroom and 20.0% four or more bedrooms.

Table 12.1 Size of dwellings (number of bedrooms) in the owner-occupied stock		
Number of bedrooms	Households	% of households
1 bedroom	5,264	9.1%
2 bedrooms	13,692	23.6%
3 bedrooms	27,503	47.3%
4+ bedrooms	11,628	20.0%
Total	58,088	100.0%

The table below builds on this by looking at the turnover of owner-occupied stock within each size category over the last two years.

Table 12.2 Turnover of dwellings in the owner-occupied stock by size of dwelling (number of bedrooms)			
Number of bedrooms	Number moving in past two years	Number of households	Estimated annual turnover rate
1 bedroom	1,438	5,264	13.7%
2 bedrooms	2,741	13,692	10.0%
3 bedrooms	3,235	27,503	5.9%
4+ bedrooms	988	11,628	4.2%
Total	8,402	58,088	7.2%

The recent mover data points to an overall turnover rate of 7.2%, although this will be a slight underestimation of total turnover for the dwellings concerned (given that there may have been multiple moves in the two-year period). Turnover of one bedroom dwellings is significantly greater than for the larger property size categories.

Finally, we can consider households claiming financial assistance with their housing costs (for mortgage interest payments). The data suggests that around 1.3% of households with a mortgage receive income support towards their mortgage payments (468 households). This figure represents 0.8% of all owners.

12.3 The private rented sector

The private rented sector is an important part of the housing spectrum in an area. In British conditions it is not often a long-term choice but is an important transitional tenure. In many cases the private rented sector is a stage in the progress of a household moving into owner-occupation, but can also be a stage in the move of a household into social rented housing. The latter is not such a satisfactory stage, since the shortage of social rented housing may mean that households remain in it for much longer than is desirable which can create a disincentive for landlords to improve the property and result in these households living in housing that is not of high quality.

In more detail, and as a market sector, the private rented sector plays an important role. It meets the needs of:

- i) Business people who have short term reasons for staying in a place (e.g. for six months or a year, when it would not be worth the time and transactional cost of buying property)
- ii) Those planning entry to the owner occupied market but who have not had time either to find suitable property or accumulated a sufficient deposit to do so

At a different level, and due to the great expansion of Housing Benefit payments after the end of Council house-building programmes in the late 1980's, there have arisen in many parts of Britain a class of 'benefit landlords' who provide usually rather poor quality housing but in units which are available at below the ceiling set for HB. There is therefore a separate source of private tenants:

- iii) Those who cannot obtain suitable affordable housing, and cannot afford market prices to rent or buy. With the aid of HB they may obtain short term housing in the private rented sector.

It is possible to find many parts of the country where the advertisements of flats to let are accompanied by stern warnings: 'No DSS' which means 'no tenants on HB'. As a result, and where the HB driven demand is large enough, a market response has arisen. As the Guide implies, though, the quality of what is offered is unlikely to provide adequate long-term housing.

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Guide**

'... the private rented sector is highly stratified in many areas, and the part of it occupied by tenants dependent on benefits may be atypical and/or inappropriate in terms of households requiring long term accommodation of a reasonable standard.' [Section 7.3 (page 96)]

The 2001 Census has revealed a considerable growth in the private rented sector over the past decade or so. This has been particularly driven by 'buy to let' mortgages, which allow purchasers a cheaper mortgage on account of the rental stream which will follow purchase.

Data suggests that Merton has an average private rented sector (14.3% of total stock). The two tables below show the size of dwellings in the private rented sector and the relative turnover of stock. It is clear that the number of one bedroom properties is proportionately much larger in the private rented sector – 35.0% of all private rented stock is one bedroom properties, which compares with only 9.1% of the owner-occupied stock.

Overall, the data shows that turnover of stock is much higher in the private rented sector, which would be expected given the transitory nature of the tenure. The estimated annual turnover rate in the private rented sector is 31.3% compared to 7.2% in the owner-occupied sector.

Table 12.3 Size of dwellings (number of bedrooms) in the private rented stock		
Number of bedrooms	Households	% of households
1 bedroom	4,025	35.0%
2 bedrooms	3,855	33.5%
3 bedrooms	2,708	23.6%
4+ bedrooms	902	7.9%
Total	11,490	100.0%

Table 12.4 Turnover of dwellings in the private rented stock by size of dwelling (number of bedrooms)			
Number of bedrooms	Number moving in past two years	Number of households	Estimated annual turnover rate
1 bedroom	2,600	4,025	32.3%
2 bedrooms	2,633	3,855	34.2%
3 bedrooms	1,361	2,708	25.1%
4+ bedrooms	602	902	33.4%
Total	7,196	11,490	31.3%

Additionally, survey data suggests that 17.0% of households (1,948 households) in the private rented sector are in receipt of housing benefit, this compares with 0.8% of all owners.

12.4 The social rented sector

It is of interest to briefly provide the same information as above for the social rented sector. The tables below show stock profile and turnover rates for all social rented housing in the Borough (i.e. both Council and RSLs together). The data shows that the social rented sector has relatively few four or more bedroom properties whilst over a third are one bedroom.

The turnover rate in the social rented stock is around 8.9% per annum, with the highest turnover for smaller properties.

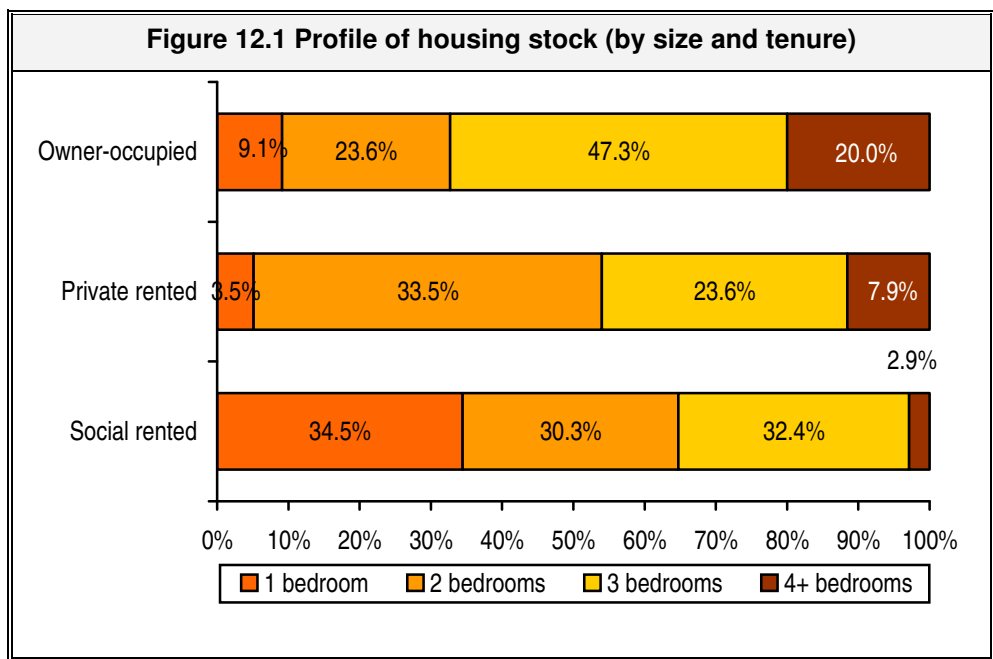
Table 12.5 Size of dwellings (number of bedrooms) in the social rented stock		
Number of bedrooms	Households	% of households
1 bedroom	3,771	34.5%
2 bedrooms	3,314	30.3%
3 bedrooms	3,545	32.4%
4+ bedrooms	313	2.9%
Total	10,942	100.0%

Table 12.6 Turnover of dwellings in the social rented stock by size of dwelling (number of bedrooms)			
Number of bedrooms	Number moving in past two years	Number of households	Estimated annual turnover rate
1 bedroom	810	3,771	10.7%
2 bedrooms	693	3,314	10.5%
3 bedrooms	424	3,545	6.0%
4+ bedrooms	25	313	4.0%
Total	1,952	10,942	8.9%

Survey data also suggests that 59.4% of households in the social rented sector are in receipt of housing benefit.

12.5 Data comparisons

For ease of comparison it is useful to bring together the information from the above analysis. The figure below compares the profile of stock (by size) in each of the three main sectors. The figure makes it clear that there are large differences between the stock profiles in the different sectors. The social and private rented sectors are heavily biased towards smaller properties whilst the opposite is true in the owner-occupied sector.



The table below summaries the position with regard to turnover of stock and the proportion of households claiming housing benefit (income support) towards housing costs. The table again clearly demonstrates the differences between the different tenures. The turnover of private rented stock is around four times that in the owner-occupied sector whilst households in the social rented sector are more than twenty times more likely to claim assistance with their housing costs than owners.

Table 12.7 Turnover of stock and housing benefit claims by tenure		
Tenure	Annual turnover of stock (% of households)	% claiming housing benefit (income support for owners)
Owner-occupied	7.2%	0.8%
Private rented	31.3%	17.0%
Social rented	8.9%	59.4%
Total	10.9%	11.1%

12.6 Summary

Emphasis on examination of the whole market as part of developing local Housing Strategies has been a theme of Government policy since the publication of PPG3 (2000). This suggests that the planning and housing departments should work together to understand local housing requirements across all tenures and size requirements.

Analysis of survey data suggests that the owner-occupied sector accounts for around 72% of the total housing stock and is dominated by three bedroom properties. Private rented properties make up 14.3% and the sector is characterised by a large proportion of one bedroom dwellings. The estimated annual turnover rate in the owner-occupied sector is around 7.2% which compares to 31.3% in the private rented sector.

13. Balancing housing markets

13

13.1 Introduction

A 'Balancing Housing Markets' (BHM) assessment looks at the whole local housing market, considering the extent to which supply and demand are 'balanced' across tenure and property size. The notion has been brought into prominence by the work of the Audit Commission in assessing councils' performance (Comprehensive Performance Assessment (CPA) of district authorities).

The Audit Commission specification for assessing the balancing of housing markets (Audit Commission March 2003) sets out three broad questions for the assessment:

- i) How well does the Council understand its housing market and from its understanding has the council developed the right proposals to help balance the housing market?
- ii) What are the Council's actions and what outcomes has it achieved in helping to balance housing markets?
- iii) How well does the Council monitor its progress and impact in helping to balance housing markets and how effectively does this feed into future strategy and plans?

This chapter outlines and applies a BHM analysis, which can assist the Council in fulfilling the above objectives. Data concerning supply and demand within different tenures allows a consideration of the extent to which the local housing market in Merton is balanced.

However, unlike the specific model followed in Section C, there is only very general guidance provided for a BHM analysis. The next subsection summarises our approach.

13.2 Procedure in outline

In overview, a BHM analysis assesses the aspirations of would-be movers in relation to total dwellings, broken down by property size and tenure. Growth is constrained by the projected newbuild as shown on the Council H.I.P. form.

The steps involved are listed below:

- i) Total allocation of new dwellings to Borough
- ii) Numbers of households wishing/planning to move (both existing and newly forming)
- iii) Distinguish those who can afford their proposed moves from those who cannot
- iv) Those who cannot afford their moves are allocated to affordable housing (in principle) as they cannot afford to rent or buy at market prices
- v) The total of market and non-market moves is assessed in relation to the net extra number of dwellings required
- vi) This is assessed against the allowed total of new dwellings for the Borough. Where the net demand is greater than the total, this is noted, by tenure group
- vii) Where the total net demand is less than the allowed total newbuild, then the difference is assumed to be net in-migration, often of market purchasers
- viii) All figures are calculated on an annual basis from figures over a five year period

13.3 Why gross flows cannot predict tenure

The ODPM Guide suggests a Gross Flow approach, which bases forecasts on past patterns, in order to carry out a BHM. However, given that market dynamics and socio-economic factors are always changing, past patterns are actually fairly limited as a predictor. Past (or even projected future) changes in the proportions of dwelling types and tenure groups are not indicative of what should happen in order to best meet housing requirements in the future. In the jargon, such data has no 'normative' value: it contains no element of judgement. This was noted by Fordham Research as long ago as 1993:

'Future variation in proportions of owner-occupiers, private renters etc should be considered as variables on which policy is to operate in seeking to meet housing need. In this sense it is not appropriate to use them as fixed variables' (Wycombe HNS, Fordham Research 1993)

Examples of why unadjusted gross flows are not a satisfactory predictor are easy to cite:

- If in a local authority area over a period of time (say a year) nothing but four bedroom owner-occupied dwellings are built then the gross flows methodology would show that nothing but four bedroom owner-occupied homes are required in the future (even if there is a significant need for additional affordable housing)
- On the other hand another local authority may have needed (and been able) to build a significant number of additional affordable units, the gross flows approach would indicate

that the LA still required large numbers of affordable housing units (which might not be the case)

13.4 Adapted Gross Flows (AGF)

The Fordham Research approach, therefore, adapts the notion of balance inherent in Gross Flows to take account of future housing aspirations and affordability as well as past trends. This revised approach has the advantage of not simply mirroring the past and also helps to avoid any 'unbalancing' actions which may have been at work.

At the most general level:

- Demands minus the supply should give a net change (increase usually) in number of dwellings/households

For the purpose of this test we have set the overall net increase in dwellings to 430. This is based on the projected growth of households from the London Plan.

Full details of the analysis are presented in Appendix A6. Set out below is a summary of the results.

13.5 Summary of data

The results of the analysis can be summarised as follows, prior to inputting into the final table:

Growth – 430 per annum

Demand

New households forming within the Borough – 947

In-migration – 3,262

Households moving within the Borough – 3,630

Total demand = 7,839

Supply

Household dissolution (through death) – 648

Out-migrant – 3,131

Households moving within the Borough – 3,630

Total supply = 7,409

The results of the calculations detailed in Appendix A6 are shown in the following table:

Table 13.1 Total shortfall or (surplus)					
Tenure	Size requirement				TOTAL
	1 bedroom	2 bedrooms	3 bedrooms	4+ bedrooms	
Owner-occupation	(5)	256	(414)	(6)	(169)
Affordable housing	294	397	236	148	1,075
Private rented	(140)	(116)	(191)	(28)	(476)
TOTAL	149	537	(370)	114	430

A number of conclusions can be drawn from this analysis:

- i) In terms of the demand for affordable housing in the Borough it is clear that this is on-going. The BHM methodology suggests a significant shortfall of affordable housing of all sizes of accommodation, most notably one and two bedroom homes
- ii) Overall, the data also shows a large surplus in the private rented sector. In terms of size requirements, the information suggests that in the owner-occupied sector the only shortfall is for two bedroom homes, whilst there is a surplus of all sizes in the private rented sector

13.6 Implications of analysis

Analysis using the ODPM 'Basic Needs Assessment model' found that there is a shortage of affordable housing in Merton. The BHM assessment, which constrains growth according to planned development and then balances demand across all tenures, also produces this conclusion.

The Guide Model and the BHM analysis both find that an affordable housing target is justified in Merton. The more robust methodology of the Guide Model means that this provides a more accurate estimate of the total shortfall.

13.7 Summary

In addition to looking at the needs of households by closely following the ODPM's 'Basic Needs Assessment Model' the survey used a 'demand' based methodology to estimate the future demand for housing across all tenures.

Like the HNS, the 'demand' based methodology suggested that there is a requirement for additional affordable housing in the Borough, particularly two bedroom homes.

Section E: The needs of particular groups

This section addresses particular client groups that may have very specific housing requirements. Although such groups do not necessarily represent households in need as defined by the ODPM Guide, it is important for the Council to have detailed information on them in order to inform specific policies and service provision.

For example, the frail elderly may not be in housing need in the sense of not being able to afford market housing, but many of them are liable to require extra care in the future, whether directly, or via aids and adaptations in the home.



14. Supporting people

14

14.1 Introduction

Supporting People is a national policy initiative designed to secure a more co-ordinated approach to the provision of services to certain groups. There are groups that may, because of their condition or vulnerability, have requirements for specialised forms of housing provision, or else require support services in order to continue living an independent life in their existing home. The initiative seeks to co-ordinate the provision of individual services by housing, social services and health providers, and to produce a more unified basis for the allocation of the available funding.

Information collected through the survey enables us to identify the principal client groups who have special requirements of this kind. It is therefore possible to provide some guidance on their needs and requirements. The results will assist the Council, in particular in their ongoing work to develop and refine the Supporting People Strategy.

Given the range of groups and services needing to be covered, the work involved in producing a comprehensive Strategy is considerable, and in England a phased sequence of work is being followed. Attention to date has focussed on building a clearer picture on the supply side, with the assessment of provision compared to a 'supply profile' derived from national provision data and adjusted to take local demographic and other factors into account.

Some special needs are very uncommon, while others are very numerous. The accuracy of each figure will of course vary according to the size of the group involved.

14.2 Supporting People: data coverage

Supporting People Strategies are being developed to cover every Council area in England, and parallel processes are under way in Wales and Scotland. The survey looked at whether household members fell into one or more of specific special needs groups. Whilst these represent the larger client groups covered in Supporting People Strategy, they are not exhaustive, and meaningful data on some other, smaller groups could not be delivered with the sample size used in the survey.

The groups covered were:

- Frail elderly
- Persons with a physical disability
- A learning disability
- A mental health problem
- Vulnerable young people and children leaving care
- Those with a severe sensory disability
- Others

For each person with special needs they could respond to as many of the above categories as is applicable. This means that we can differentiate between households that have more than one person with a special need and those that have one person with multiple special needs.

14.3 Supporting people groups: overview

Overall there are an estimated 9,453 households in Merton with one or more members in an identified special needs group. This represents 11.7% of all households, which is in the range Fordham Research have typically found nationally (11-13%). The table below shows the numbers of households with different types of special needs. The sum of the numbers of households in each category exceeds the total number of special needs households because people can have more than one category of special need.

'*Physically disabled*' is the predominant group. There are 5,395 households with a *physically disabled* household member. The next largest group is '*frail elderly*', with 2,468 households having a member in this category. These two categories represent 57.1% and 26.1% of all special needs households respectively.

Table 14.1 Special needs categories			
Category	Number of households	% of all households	% of special needs households
Frail elderly	2,468	3.1%	26.1%
Physical disability	5,395	6.7%	57.1%
Learning disability	1,276	1.6%	13.5%
Mental health problem	1,948	2.4%	20.6%
Vulnerable young people & children leaving care	55	0.1%	0.6%
Severe sensory disability	908	1.1%	9.6%
Other	865	1.1%	9.2%

In addition to the above information we are able to look at the number of people in each household with a special need and also households containing persons with multiple special needs. The results for these are shown below.

Table 14.2 Number of people with special needs		
	Households	% of households
No people with special needs	71,067	88.3%
One person with special needs	8,419	10.5%
Two persons with special needs	947	1.2%
Three or more persons with special needs	87	0.1%
Total	80,520	100.0%

Table 14.3 Households with special needs		
	Households	% of households
No people with special needs	71,067	88.3%
Single special need only	7,154	8.9%
Multiple special needs	2,299	2.8%
Total	80,520	100.0%

The two tables above show that the majority of special needs households (89.1%) only contain one person with a special need and that the majority of households with a special needs member do not have multiple special needs (75.7%). However some 1,034 households in Merton are estimated to have two or more people with a special need whilst an estimated 2,299 households contain someone with multiple needs.

14.4 Characteristics of special needs households

The tables below show the characteristics of special needs households in terms of household size, age, tenure, sub-area and unsuitable housing.

Table 14.4 Size of special needs households					
Number of persons in household	Special needs households				
	Special needs	No special needs	Number of h'holds	% of total h'holds with special needs	% of those with a special need
One	3,479	22,363	25,842	13.5%	36.8%
Two	2,920	22,045	24,965	11.7%	30.9%
Three	1,214	11,618	12,832	9.5%	12.8%
Four	827	9,717	10,544	7.8%	8.7%
Five	585	3,782	4,367	13.4%	6.2%
Six or more	428	1,542	1,970	21.7%	4.5%
Total	9,453	71,067	80,520	11.7%	100.0%

The table above shows that those households with special needs members are likely to be in small households comprised of one or two persons. Special needs households are also more likely to contain older persons.

Table 14.5 Special needs households with and without older people					
Age group	Special needs households				
	Special needs	No special needs	Number of h'holds	% of total h'holds with special needs	% of those with a special need
No older people	4,072	54,203	58,275	7.0%	43.1%
Both older & non older people	1,963	4,802	6,765	29.0%	20.8%
Older people only	3,418	12,063	15,481	22.1%	36.2%
Total	9,453	71,068	80,521	11.7%	100.0%

As the table below shows, special needs households are also more likely to be living in social rented housing. Some 26.8% of Council and 28.8% of RSL tenants contain a member with special needs. Additionally, 15.8% of owner-occupiers (no mortgage) contain someone with a special need.

Table 14.6 Special needs households and tenure					
Tenure	Special needs households				
	Special needs	No special needs	Number of h'holds	% of total h'holds with special needs	% of those with a special need
Owner-occupied (no mortgage)	3,624	19,321	22,945	15.8%	38.3%
Owner-occupied (with mortgage)	1,752	33,390	35,142	5.0%	18.5%
Council	1,752	4,796	6,548	26.8%	18.5%
RSL	1,265	3,130	4,395	28.8%	13.4%
Private rented	1,061	10,429	11,490	9.2%	11.2%
Total	9,454	71,066	80,520	11.7%	100.0%

The table below shows the geographical distribution of special needs households. The data shows that households in Cricket Green and Ravensbury are most likely to have a special need whilst the lowest level is shown in the Abbey and Trinity wards.

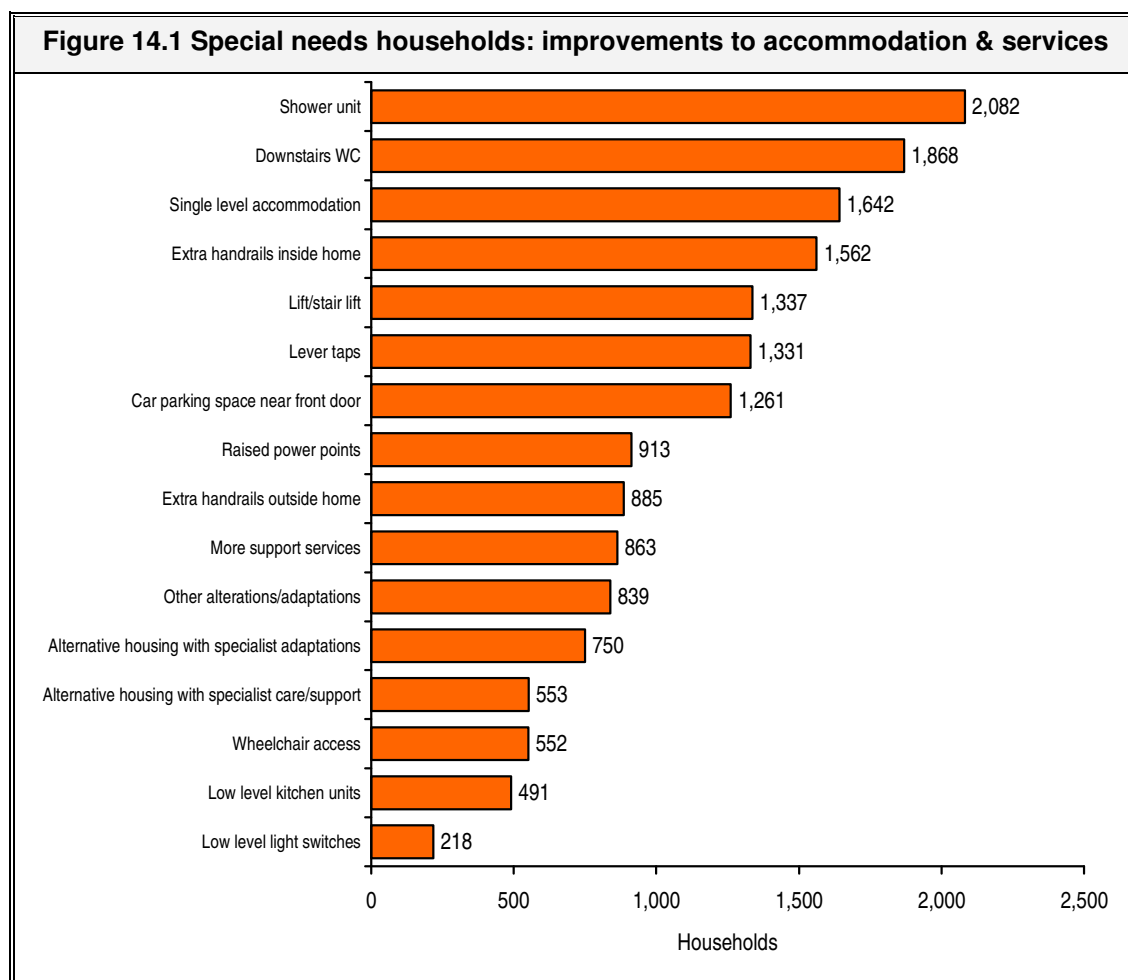
Table 14.7 Special needs households and ward					
Ward	Special needs households				
	Special needs	No special needs	Number of h'holds	% of total h'holds with special needs	% of those with a special need
Lower Morden	353	3,277	3,630	9.7%	3.7%
St Helier	606	3,445	4,051	15.0%	6.4%
Colliers Wood	444	3,763	4,207	10.6%	4.7%
Lavender Fields	348	3,831	4,179	8.3%	3.7%
Cricket Green	789	3,435	4,224	18.7%	8.3%
Ravensbury	762	3,250	4,012	19.0%	8.1%
Graveney	342	3,275	3,617	9.5%	3.6%
Figge's Marsh	594	3,513	4,107	14.5%	6.3%
Longthornton	558	3,208	3,766	14.8%	5.9%
Pollards Hill	550	3,384	3,934	14.0%	5.8%
Village	474	3,366	3,840	12.3%	5.0%
Raynes Park	496	3,903	4,399	11.3%	5.2%
Hillside	407	3,912	4,319	9.4%	4.3%
Wimbledon Park	358	3,512	3,870	9.3%	3.8%
Trinity	304	3,979	4,283	7.1%	3.2%
Dundonald	362	3,715	4,077	8.9%	3.8%
Abbey	333	4,410	4,743	7.0%	3.5%
Merton Park	423	3,386	3,809	11.1%	4.5%
Cannon Hill	572	3,046	3,618	15.8%	6.1%
West Barnes	378	3,457	3,835	9.9%	4.0%
Total	9,453	71,067	80,520	11.7%	100.0%

The table below indicates that special needs households are more than three times as likely to be living in unsuitable housing as non-special needs households. Some 35.1% of all special needs households are living in unsuitable housing, which compares with 13.2% of all households and 10.3% of all non-special needs households.

Table 14.8 Special needs households and unsuitable housing					
Special needs	Unsuitable housing				
	Not in unsuitable housing	In unsuitable housing	Number of h'holds	% of total h'holds in unsuitable housing	% of those in unsuitable housing
Special needs	3,316	6,137	9,453	35.1%	31.2%
No special needs	7,323	63,745	71,068	10.3%	68.8%
Total	10,639	69,882	80,521	13.2%	100.0%

14.5 Requirements of special needs households

Those households with a member with special needs were asked to indicate if there was a need for improvements to their current accommodation and/or services. The responses are detailed in the figure below.



The results show requirements for a wide range of adaptations and improvements across the special need households. The most commonly-sought improvements were:

- Shower Unit (2,082 households – 22.0% of all special needs households)
- Downstairs WC (1,868 households – 19.8% of all special needs households)
- Single level accommodation (1,642 households – 17.4% of all special needs households)

14.6 Analysis of specific groups

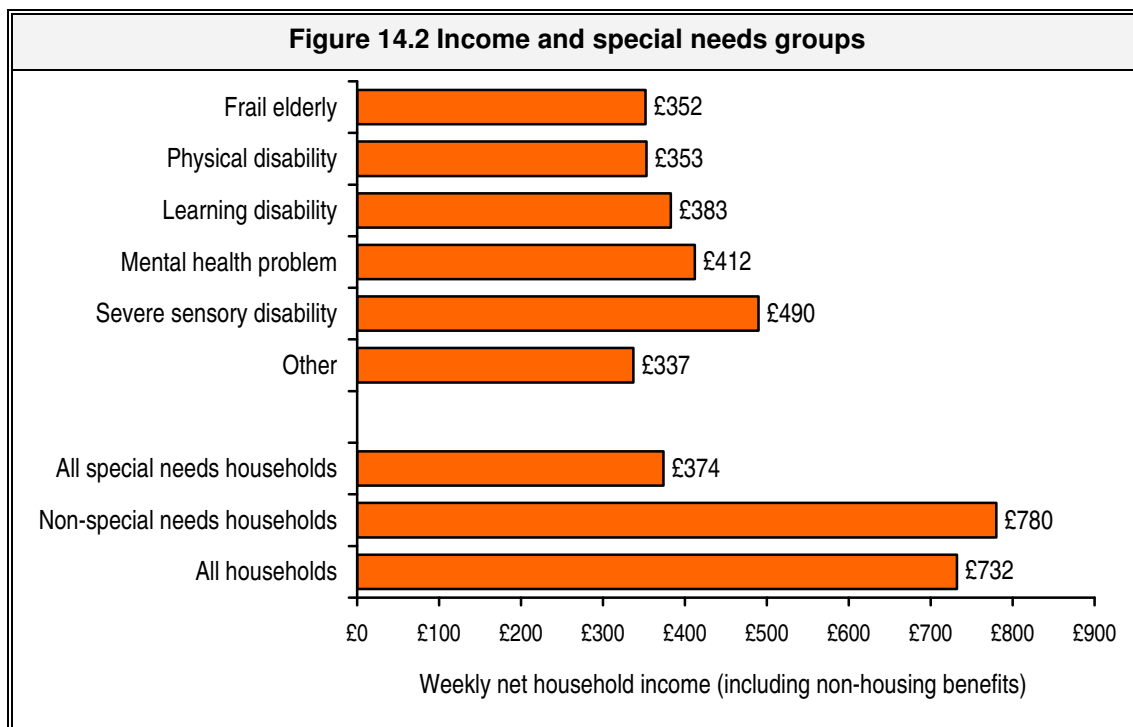
The analysis that follows below concentrates on differences between different groups of households with special needs. As the figures for 'vulnerable young people & children leaving care' were based on a very small sample these have been included in the 'other' group for this analysis.

The table below shows some characteristics by special needs group. The table shows a number of interesting findings. The data shows that 84.6% of frail elderly households are also one or two person households. On the other hand 34.3% of households containing someone with a learning disability contain four or more people. Very few of the learning disability households contain older persons only; this is also true of households containing someone with a mental health problem.

By tenure the results show that special needs groups are slightly less likely than non-special needs households to live in owner-occupied accommodation and all groups are more likely than average to live in social rented housing. A notable finding from the tenure analysis is the high proportion of households containing a frail elderly person that are in the owner-occupied (no mortgage) sector. Additionally, 42.2% of those with a learning disability live in the social rented sector.

Table 14.8 Characteristics of special needs households by special needs group									
	Frail elderly	Physical disability	Learning disability	Mental Health problem	Severe sensory disability	Other	All special needs hhs	All non-special needs hhs	All hhs
Household size									
One	47.6%	38.3%	5.0%	26.3%	29.5%	33.0%	36.8%	31.5%	32.1%
Two	37.0%	33.2%	27.6%	31.8%	37.3%	17.6%	30.9%	31.0%	31.0%
Three	4.5%	10.6%	33.1%	21.8%	11.7%	14.5%	12.8%	16.3%	15.9%
Four	1.2%	9.4%	15.8%	5.1%	7.4%	14.6%	8.7%	13.7%	13.1%
Five	3.0%	5.0%	15.9%	14.8%	4.7%	12.0%	6.2%	5.3%	5.4%
Six or more	6.6%	3.5%	2.6%	0.2%	9.4%	8.4%	4.5%	2.2%	2.4%
Age of household members									
No older people	2.6%	37.7%	60.8%	73.0%	31.8%	59.1%	43.1%	76.3%	72.4%
Both older & non older people	29.3%	22.8%	32.9%	15.6%	23.6%	14.9%	20.8%	6.8%	8.4%
Older people only	68.1%	39.5%	6.3%	11.4%	44.6%	26.0%	36.2%	17.0%	19.2%
Tenure									
Owner-occupied (nm)	55.0%	36.8%	37.9%	30.8%	42.4%	28.3%	38.3%	27.2%	28.5%
Owner-occupied (wm)	13.3%	20.6%	13.9%	15.3%	12.9%	21.9%	18.5%	47.0%	43.6%
Council	8.8%	18.1%	24.1%	25.8%	24.0%	22.1%	18.5%	6.7%	8.1%
RSL	13.6%	12.8%	15.6%	16.4%	8.0%	13.0%	13.4%	4.4%	5.5%
Private rented	9.3%	11.8%	8.5%	11.8%	12.8%	14.6%	11.2%	14.7%	14.3%
Sub-area									
Lower Morden	4.4%	4.1%	0.8%	1.9%	2.6%	5.3%	3.7%	4.6%	4.5%
St Helier	6.3%	5.6%	5.3%	8.0%	1.8%	2.5%	6.4%	4.8%	5.0%
Colliers Wood	2.8%	5.4%	15.6%	11.3%	6.1%	4.2%	4.7%	5.3%	5.2%
Lavender Fields	4.6%	4.1%	2.6%	3.6%	2.3%	0.0%	3.7%	5.4%	5.2%
Cricket Green	11.4%	9.5%	8.3%	5.4%	10.5%	6.8%	8.3%	4.8%	5.2%
Ravensbury	4.0%	8.9%	9.5%	8.0%	10.8%	3.2%	8.1%	4.6%	5.0%
Graveney	0.8%	4.5%	8.6%	1.5%	3.6%	9.3%	3.6%	4.6%	4.5%
Figge's Marsh	1.3%	2.9%	9.9%	13.2%	6.5%	16.6%	6.3%	4.9%	5.1%
Longthornton	3.1%	6.7%	7.7%	8.3%	8.4%	4.6%	5.9%	4.5%	4.7%
Pollards Hill	4.3%	6.0%	6.5%	7.8%	11.3%	6.0%	5.8%	4.8%	4.9%
Village	7.1%	5.9%	5.4%	2.0%	4.7%	4.6%	5.0%	4.7%	4.8%
Raynes Park	9.1%	4.2%	0.0%	5.9%	3.9%	1.1%	5.3%	5.5%	5.5%
Hillside	7.4%	4.1%	0.0%	4.0%	3.9%	0.0%	4.3%	5.5%	5.4%
Wimbledon Park	6.6%	4.0%	1.3%	1.9%	7.2%	1.3%	3.8%	4.9%	4.8%
Trinity	1.4%	3.2%	0.0%	0.9%	5.3%	4.9%	3.2%	5.6%	5.3%
Dundonald	3.7%	3.7%	1.2%	3.1%	0.0%	3.2%	3.8%	5.2%	5.1%
Abbey	4.8%	2.9%	1.7%	5.8%	2.5%	1.5%	3.5%	6.2%	5.9%
Merton Park	5.1%	4.7%	2.3%	3.2%	1.7%	4.9%	4.5%	4.8%	4.7%
Cannon Hill	7.1%	5.0%	6.6%	2.0%	5.0%	17.9%	6.1%	4.3%	4.5%
West Barnes	4.6%	4.7%	6.6%	2.1%	2.0%	2.1%	4.0%	4.9%	4.8%

The figure below shows income levels for each category of special needs household. Also shown is the figure for non-special needs households. The average income of all households in the Borough was estimated at £732 per week (gross income including non-housing benefits). The figure shows that all special needs groups have average income levels noticeably below both the Borough average and the average for non-special needs households.



Finally we can look at levels of unsuitable housing by special needs group. The table below shows the proportion of each group estimated to be living in unsuitable housing. For each category of special need except 'frail elderly' the proportion in unsuitable housing is estimated to be over 38%. This compares with a Borough-wide average of only 13.2%.

Table 14.9 Proportion of special needs groups living in unsuitable housing	
Special needs group	% of households
Frail elderly	28.7%
Physical disability	38.3%
Learning disability	38.2%
Mental Health problem	40.2%
Severe sensory disability	48.9%
Other	43.0%
All special needs households	35.1%
All non-special needs households	10.3%
All households	13.2%

14.7 Care & repair and staying put schemes

This analysis studies special needs households who have stated experiencing difficulty in maintaining their home. The results are shown in the table below and are split between owner-occupiers and tenants. The table clearly shows that special needs households are more likely than other households in the Borough to have problems with maintaining their homes. Of all households with a problem or serious problem a total of 31.0% have special needs and 65.0% of these are owner-occupiers.

Table 14.10 Special needs households and difficulty maintaining home						
Household group	No problem		A problem/ serious problem		TOTAL	
	Number	%	Number	%	Number	%
Special needs – owner-occupied	3,808	70.8%	1,569	29.1%	5,376	100.0%
Special needs – tenants	3,234	79.3%	843	20.6%	4,077	100.0%
All special needs households	7,041	74.5%	2,412	25.6%	9,453	100.0%
All households	72,749	90.3%	7,772	9.7%	80,520	100.0%

The evidence of the tables above is that there is certainly some scope for ‘staying put’ or ‘care and repair’ schemes in the Borough. A total of 7,772 households state a problem with maintaining their homes – of these 2,412 are special needs households with an estimated 1,569 living in the owner-occupied sector.

14.8 Summary

Information from the survey on special needs groups can be of assistance to authorities drawing up their detailed Supporting People Strategies. Some 11.7% of all the Borough’s households (9,453) contain special needs members. ‘Physically disabled’ is the largest category with special needs. There are 5,395 households containing a ‘physically disabled’ person and a further 2,468 with household members who are ‘frail elderly’.

Special needs households in Merton are generally smaller than average for the Borough and are disproportionately made up of older persons only. Special needs households have lower than average incomes and are more likely than households overall to be in unsuitable housing. Special needs households in general stated a requirement for a wide range of adaptations and improvements to the home. An shower unit, downstairs WC and single level accommodation are the most commonly required.

Finally, the survey suggested considerable scope for 'care & repair' and 'staying put' schemes. A large proportion of special needs households stated problems with maintaining their homes, a large proportion of these are currently living in the owner-occupied sector.

15. Older person households

15

15.1 Introduction

Data was collected in the survey with regard to the characteristics of households with older persons. This chapter looks at the general characteristics of older person households and details some additional survey findings about such households.

Older people are defined as those over the state pension eligibility age (65 for men, 60 for women). For the purpose of this chapter, households have been divided into three categories:

- Households without older persons
- Households with both older and non-older persons
- Households with only older persons

15.2 The older person population

Of all households in Merton, 19.2% contain only older people and a further 8.4% contain both older and non-older people. The table below shows the number and percentage of households in each group.

Categories	Number of households	% of all households
Households without older persons	58,275	72.4%
Households with both older and non-older persons	6,765	8.4%
Households with older persons only	15,481	19.2%
Total	80,520	100.0%

15.3 Characteristics of older person households

The number of occupants in older person households is shown in the table below. The data suggests that almost all households containing older persons only are comprised of one or two persons only. Two-fifths of all single person households are older person households.

Table 15.2 Size of older person only households					
Number of persons in household	Age group				
	Older persons only	Other h'holds	Number of h'holds	% of total h'holds with older persons	% of those with older persons
One	10,443	15,399	25,842	40.4%	67.5%
Two	4,945	20,020	24,965	19.8%	31.9%
Three	93	12,740	12,833	0.7%	0.6%
Four	0	10,544	10,544	0.0%	0.0%
Five	0	4,367	4,367	0.0%	0.0%
Six or more	0	1,970	1,970	0.0%	0.0%
Total	15,481	65,039	80,520	19.2%	100.0%

The table below shows the housing tenures of households with older persons. More than two-thirds (73.5%) of older person only households are owner-occupiers. The overwhelming majority of these do not have a mortgage. This finding suggests that the potential for equity release schemes in Merton is quite high.

Another significant finding is the relatively high proportion of social rented accommodation containing older people only (25.0% of Council and 27.2% of RSL tenants are older person households). This may have implications for future supply of specialised social rented accommodation.

Table 15.3 Older person only households and tenure					
Tenure	Age group				
	Older persons only	Other households	Total hhs	% with older persons	% of older person hhs
Owner-occupied (no mortgage)	10,835	12,110	22,945	47.2%	70.0%
Owner-occupied (with mortgage)	540	34,603	35,143	1.5%	3.5%
Council	1,637	4,911	6,548	25.0%	10.6%
RSL	1,193	3,201	4,394	27.2%	7.7%
Private rented	1,276	10,214	11,490	11.1%	8.2%
Total	15,481	65,039	80,520	19.2%	100.0%

The table below shows the geographical distribution of older person only households. The main finding emerging is the low proportion of pensioner only households living in the Trinity and Lavender Fields wards. Village and Raynes Park show the highest concentration of pensioner-only households

Table 15.3 Older person only households and ward					
Ward	Age group				
	Older persons only	Other households	Total hhs	% with older persons	% of older person hhs
Lower Morden	844	2,786	3,630	23.3%	5.5%
St Helier	792	3,259	4,051	19.6%	5.1%
Colliers Wood	477	3,730	4,207	11.3%	3.1%
Lavender Fields	351	3,828	4,179	8.4%	2.3%
Cricket Green	825	3,399	4,224	19.5%	5.3%
Ravensbury	873	3,139	4,012	21.8%	5.6%
Graveney	715	2,903	3,618	19.8%	4.6%
Figge's Marsh	616	3,491	4,107	15.0%	4.0%
Longthornton	666	3,101	3,767	17.7%	4.3%
Pollards Hill	819	3,116	3,935	20.8%	5.3%
Village	1,290	2,549	3,839	33.6%	8.3%
Raynes Park	1,206	3,192	4,398	27.4%	7.8%
Hillside	1,021	3,298	4,319	23.6%	6.6%
Wimbledon Park	691	3,178	3,869	17.9%	4.5%
Trinity	320	3,964	4,284	7.5%	2.1%
Dundonald	805	3,271	4,076	19.7%	5.2%
Abbey	752	3,991	4,743	15.9%	4.9%
Merton Park	782	3,028	3,810	20.5%	5.1%
Cannon Hill	910	2,708	3,618	25.2%	5.9%
West Barnes	726	3,108	3,834	18.9%	4.7%
Total	15,481	65,039	80,520	19.2%	100.0%

15.4 Property size

The table below shows that older person only households are more likely than all households in Merton to be living in one bedroom properties. However, the results do suggest that over half of all older person households are in three or four bedroom dwellings. Given that previous information has shown that most older person only households are comprised of only one or two persons, this finding suggests that there could be potential scope to free up larger units for younger families if the older households chose to move into suitable smaller units.

Table 15.4 Size of dwellings (number of bedrooms) for older person only households		
Number of bedrooms	% of older person households	% of all households in Borough
1 bedroom	21.9%	16.2%
2 bedrooms	25.5%	25.9%
3 bedrooms	42.3%	41.9%
4+ bedrooms	10.2%	16.0%
Total	100.0%	100.0%

15.5 Working older people

The data collected in the Housing Needs Survey enables us to distinguish between retired older person households and those where at least one person in the household is in full or part time employment. In Merton, 7.0% of households comprised solely of older persons contain at least one person who is not retired. In contrast, for households that contain a mix of older (i.e. someone who has reached the age of eligibility for a state pension) and non-older people, 4,805 of the 6,766 households (or 71.0%) in this category contain at least one person who is in full or part time employment.

15.6 Older person households in unsuitable housing

Some 7.9% of all older person only households (1,228 households) in Merton live in unsuitable housing, as defined by the HNS. These findings do not necessarily mean there is reason for complacency with regard to the future housing needs of older persons. As the population ages, demand for adaptations and other forms of support, including sheltered housing, will most likely increase and will need to be considered by the Council.

15.7 Summary

Some 19.2% of households in Merton contain older persons only, and a further 8.4% contain a mix of both older and non-older persons. Older person only households are disproportionately comprised of one or two people, providing implications for future caring patterns. Although the majority of older person only households live in the private sector, it is interesting to note that a high proportion of social rented accommodation houses older people only (27.2% of all RSL accommodation).

Older person households do not contribute significantly to the overall need for additional affordable housing, but may well have a significant impact on the future of Council housing and the future need for sheltered housing and adaptations.

16. Key worker households

16

16.1 Introduction

The term intermediate housing is often used with reference to specific groups of households such as key workers. The survey therefore analysed such households. For the purposes of analysis key workers were defined as people working in any one of 8 categories. These were:

- NHS and Private Health Sector (excluding administrative staff and managers)
- Teachers (full-time, permanent qualified teachers in schools, further education or 6th form colleges)
- Teachers in higher education institutions
- Local Authority staff (planners, occupational therapists, educational psychologists, social workers, refuse collectors)
- Prison and Probation staff
- Metropolitan Police employees
- Emergency services (excluding administrative staff and managers)
- Public transport (rail, underground, Tramlink and bus services excluding administrative staff and managers)

These 8 categories were chosen by the Council for the purposes of this survey based on the government based initiative 'Key Worker Living'. 'Key Worker Living' uses 9 categories of employment for key workers. These are all included in the above 8 categories but some were grouped together. For example, LA staff above were classed as four categories for 'Key Worker Living'; LA planners, LA social workers, LA occupational therapists and LA education psychologists. Emergency services and public transport workers, who were not included in the 'Key Worker Living' initiative, were included in this study at the Council's request.

The nature of this study means that the key workers identified within the survey are those that are resident in the Borough. The data, therefore, includes key workers resident in the Borough who work outside its boundaries and excludes key workers who work in Merton but live outside. The analysis of key workers concentrates on their current housing situation, future demands for housing and affordability (particularly in regard to 'intermediate' housing options).

16.2 Number of key workers

In total it is estimated that there are 16,663 key workers living in Merton. The table below shows the categories of key workers within the Borough. The main categories of key worker are NHS & private sector health care staff and teachers.

Category	Number of persons	% of key workers
NHS and Private sector health care	7,128	42.8%
Teachers	3,716	22.3%
Teachers in higher education	1,121	6.7%
Local Authority staff	1,679	10.1%
Prison and Probation staff	254	1.5%
Metropolitan Police employees	706	4.2%
Emergency services	284	1.7%
Public Transport	1,775	10.7%
Total	16,663	100.0%

In total it is estimated that 10,157 households are headed by a key worker (head of household taken as survey respondent). These households are subject to further analysis in the sections below.

16.3 Housing characteristics of key worker households

The table below shows various household and housing characteristics of key worker households. The results indicate that the majority of key worker households (76.4%) are currently living in owner-occupied accommodation and are more likely to be owner-occupiers than non-key workers (71.6%). Of key worker households living in rented accommodation, a lower proportion are living in the social rented sectors compared with non-key worker households.

In terms of household composition key worker households are more likely, than non-key workers, to live in households with no children and are much less likely to be pensioner households. Key worker households are also more likely to contain two or more adults and one or more children. As a result key worker households have a significantly greater requirement for two or more bedroom property than non-key worker households.

In terms of the geographical location of key worker households the data reveals that such households are more likely to be living in the Colliers Wood and Graveney wards than other households and less likely to be in the Village ward.

Table 16.2 Key worker households and housing/household characteristics				
Characteristic	Key worker household		Not key worker household	
	Number of households	% of households	Number of households	% of households
Tenure				
Owner-occupied (no mortgage)	1,501	14.8%	21,444	30.5%
Owner-occupied (with mortgage)	6,255	61.6%	28,887	41.1%
Council	382	3.8%	6,166	8.8%
RSL	450	4.4%	3,944	5.6%
Private rented	1,568	15.4%	9,922	14.1%
Household composition				
Single pensioners	232	2.3%	10,210	14.5%
2 or more pensioners	50	0.5%	4,988	7.1%
Single non-pensioners	2,786	27.4%	12,613	17.9%
2 or more adults – no children	3,853	37.9%	24,428	34.7%
Lone parent	396	3.9%	3,145	4.5%
2+ adults 1 child	1,508	14.8%	7,139	10.1%
2+ adults 2+ children	1,332	13.1%	7,841	11.1%
Sub-area				
Lower Morden	380	3.7%	3,250	4.6%
St Helier	578	5.7%	3,473	4.9%
Colliers Wood	743	7.3%	3,464	4.9%
Lavender Fields	619	6.1%	3,560	5.1%
Cricket Green	461	4.5%	3,764	5.3%
Ravensbury	643	6.3%	3,369	4.8%
Graveney	805	7.9%	2,813	4.0%
Figge's Marsh	438	4.3%	3,669	5.2%
Longthornton	567	5.6%	3,199	4.5%
Pollards Hill	545	5.4%	3,389	4.8%
Village	186	1.8%	3,654	5.2%
Raynes Park	395	3.9%	4,004	5.7%
Hillside	506	5.0%	3,813	5.4%
Wimbledon Park	320	3.2%	3,549	5.0%
Trinity	334	3.3%	3,950	5.6%
Dundonald	374	3.7%	3,703	5.3%
Abbey	687	6.8%	4,056	5.8%
Merton Park	463	4.6%	3,346	4.8%
Cannon Hill	632	6.2%	2,985	4.2%
West Barnes	482	4.7%	3,353	4.8%
Size requirement				
1 bedroom	4,951	48.7%	40,375	57.4%
2 bedrooms	2,788	27.5%	18,201	25.9%
3 bedrooms	2,013	19.8%	9,565	13.6%
4+ bedrooms	404	4.0%	2,221	3.2%
Total	10,157	100.0%	70,363	100.0%

16.4 Previous household moves of key worker households

The table below indicates when key worker and non-key worker households moved to their current accommodation. The results indicate that key worker households were more likely than non-key worker households to have moved to their current accommodation within the last year (15.0% of all key worker households compared with 11.4% of non-key workers).

Table 16.3 Key worker households and past moves				
When moved to present home	Key worker household		Not key worker household	
	Number of households	% of households	Number of households	% of households
Within the last year	1,521	15.0%	7,999	11.4%
1 to 2 years ago	950	9.4%	7,080	10.1%
2 to 5 years ago	2,055	20.2%	13,008	18.5%
5 to 10 years ago	1,883	18.5%	10,451	14.9%
Over 10 years ago	3,500	34.5%	29,522	42.0%
Always lived here	248	2.4%	2,304	3.3%
Total	10,157	100.0%	70,363	100.0%

Previous tenure and location information for households moving in the last two years is presented in the table below. The results show that over two fifths of key worker households moving in the last two years moved from private rented accommodation and a further 29.2% were newly forming households. This compares with 38.8% and 22.6% respectively for non-key worker households. In terms of location, the data suggests that key worker households are more likely to have been in-migrant households from elsewhere in London but less likely to have moved from elsewhere in the UK.

Table 16.4 Previous tenure and location of households moving in last two years				
Characteristic	Key worker household		Not key worker household	
	Number of households	% of households	Number of households	% of households
Tenure of previous home				
Owner-occupied	697	28.2%	4,444	29.5%
Council	40	1.6%	786	5.2%
RSL	919	0.8%	593	3.9%
Private rented	992	40.2%	5,850	38.8%
Newly forming household	724	29.2%	3,405	22.6%
Location of previous home				
LB of Merton	843	34.1%	6,840	45.4%
Elsewhere in London	1,280	51.8%	5,186	34.4%
Elsewhere in the UK	160	6.5%	1,742	11.6%
Abroad	187	7.6%	1,310	8.7%
Total	2,471	100.0%	15,079	100.0%

16.5 Housing aspirations of key worker households

The survey also collected information on the future aspirations of households seeking to move within the next five years. The table below indicates that of the 10,157 key worker households a total of 30.8% need or are likely to move over the next two years. This figure is lower, around 25%, for non-key worker households.

Table 16.5 Key worker households and future moves				
When need/likely to move	Key worker household		Not key worker household	
	Number of households	% of households	Number of households	% of households
Now	522	5.1%	2,855	4.1%
Within a year	1,193	11.7%	7,327	10.4%
1 to 2 years	1,417	14.0%	7,676	10.9%
2 to 5 years	1,819	17.9%	10,995	15.6%
No need/not likely to move	5,206	51.3%	41,510	59.0%
Total	10,157	100.0%	70,363	100.0%

The table indicates that 3,132 key worker households stated they were likely/needed to move within the next two years. Their housing preferences (in terms of tenure, location and size) are presented in the table below and are compared with results for all non-key worker households wanting to move within the next two years.

Table 16.6 Housing preferences of households seeking to move in the next two years				
Housing preferences	Key worker household		Not key worker household	
	Number of households	% of households	Number of households	% of households
Tenure				
Buy own home	2,643	84.4%	13,653	76.5%
Rent from Council	251	8.0%	2,544	14.2%
Rent from RSL	76	2.4%	659	3.7%
Private rented	32	1.0%	613	3.4%
Tied	26	0.8%	45	0.3%
Shared ownership	40	1.3%	118	0.7%
House/flat share	64	2.0%	227	1.3%
Location				
LB of Merton	1,431	45.7%	9,376	52.5%
Elsewhere in London	504	16.1%	3,151	17.6%
Elsewhere in the UK	913	29.2%	3,773	21.1%
Abroad	284	9.1%	1,558	8.7%
Stated size requirement				
1 bedroom	493	15.7%	2,451	13.7%
2 bedrooms	1,110	35.4%	7,363	41.2%
3 bedrooms	1,154	36.8%	5,884	32.9%
4+ bedrooms	375	11.9%	2,161	12.2%
Total	3,132	100.0%	17,858	100.0%

The table indicates that key worker households are more likely to have a preference for owner-occupation than other households. A total of 84.4% of key worker households stated that they would like to move to (or remain in) owner-occupation, this compares with 76.5% of non-key worker households. In terms of location it appears as if key worker households are more likely than other households to want to move from the Borough and out of London. Finally, in terms of stated size preferences, key worker households are less likely to seek larger, four bedroom properties, and more likely to seek one or three bedroom homes.

16.6 Income and affordability of key worker households

The table below shows a comparison of income and savings levels for key worker and non-key worker households. Key worker households have been amalgamated into five categories due to small sample sizes. The figure for non-key worker households has been split depending on whether or not the head of household is in employment or not. Figures shown are for weekly gross income (including non-housing benefits). The table suggests that generally key worker households have lower income and savings levels than non-key worker households (those in employment). In comparison with all households, income and savings levels for both key worker and non-key worker households (in employment) are below the borough average. Within the key worker categories, those in the 'Prison, Probation & Police' category have the highest household income levels. Some caution should be taken with the results since some categories are based on small sample sizes.

Table 16.7 Income and savings levels of key worker households		
Category	Weekly gross household income (including non-housing benefits)	Average household savings
NHS and private sector health care	£977	£12,270
Teachers in schools and higher education	£906	£9,923
Prison, Probation & Police	£1,049	£11,729
Local Authority	£780	£14,966
Public transport, emergency services	£921	£3,544
All key worker households	£933	£10,864
All non-key worker (in employment)	£1,002	£12,267
All other households (no-one working)	£377	£15,982
All households	£732	£13,659

It is possible to consider the ability of key worker households to afford both minimum market prices and intermediate forms of housing and this is presented in the table below for all key worker households and those key worker households that need/are likely to move in the next two years.

Table 16.8 Key worker households and ability to afford housing				
Category	All key worker households		Key workers moving in next two years	
	Number of households	% of households	Number of households	% of households
Social rent only	263	2.6%	174	5.6%
Afford cheapest intermediate housing	418	4.1%	128	4.1%
3 rd	377	3.7%	177	5.7%
2 nd	221	2.2%	157	5.0%
Afford most expensive intermediate housing	267	2.6%	112	3.6%
Afford market housing	8,612	84.8%	2,383	76.1%
Total	10,157	100.0%	3,132	100.0%

The table indicates that 84.8% of all key worker households are able to afford entry-level prices in the market. This is not surprising given the high proportion of these households that are already owner-occupiers. It is also interesting to note that of the 1,545 households unable to afford minimum market prices, 17.0% can only afford social rented housing and a further 51.5% can only afford the cheapest two forms of intermediate housing.

The profile of those key worker households who need/are likely to move in the next two years is slightly different. A lower proportion of these households (76.1%) are able to afford entry-level prices and a slightly higher proportion of those unable to afford can afford the most expensive types of intermediate housing.

Finally, the affordability of those households found to be in need (as assessed by the basic needs assessment model) is considered. Of the 2,273 households in need, 265 are headed by a key worker. The results of this analysis show that 88.3% of key worker households in need of affordable housing can afford intermediate housing. Over a third of key worker households in need can afford the two most expensive bands implying that there are key worker households with incomes close to the margins of affordability.

Table 16.9 Key worker ability to afford housing (those in housing need) (per annum)		
Affordability	Number of households	% of households
Social rent only	31	11.7%
Afford cheapest intermediate housing	65	24.7%
3 rd	75	28.3%
2 nd	56	21.0%
Afford most expensive intermediate housing	38	14.3%
Afford market housing	0	0.0%
TOTAL	265	100.0%

16.7 Summary

The term intermediate housing is often used with reference to specific groups of households such as key workers. The survey therefore analysed such households (the definition being based on categories of employment and notably including public sector workers). Analysis of survey data indicates that there are an estimated 16,663 people in key worker occupations and 10,157 households are headed by a key worker. These households are more likely to be owner-occupiers and less likely to live in the social rented sectors.

The main findings from further analysis of these groups of households can be summarised as follows:

- Key worker households are more likely to have moved in the last year than non-key workers and are more likely to have moved from elsewhere in London
- Key worker households are more likely to move within the next two years and are more likely to want to move from the Borough
- Key worker households have slightly lower income and savings levels than non-key worker households (in employment)
- The majority (84.8%) of key worker households can afford market housing in the Borough; of those that can't afford, intermediate housing options are only affordable for 83.0%. Looking only at those key worker households who need or are likely to move in the next two years
- Of the key worker households in housing need (as assessed by the BNAM) a high proportion can afford intermediate housing options, and at all ranges of prices

17

17. Black and minority ethnic households

17.1 Introduction

Information was gathered in the survey to find the ethnic origin of the head of household (and partner if applicable) for each sample household in the survey. The categories used on the survey forms were consistent with those used in the 2001 Census. These categories have been re-grouped into ten different ethnic groups to maximise the level of detail presented.

The table below shows estimates of the number of households in each of the ten ethnic groups and the number of survey responses (the groups used have been re-grouped from 16 different ethnic groups used on the survey form). The percentages of returns (responses from the survey) are different to the percentages of households due to the weighting of data to match the profile of ethnic groups from 2001 Census information.

It should be noted that the sample for the Mixed, Pakistani/ Bangladeshi and Other groups are relatively small so these results should be treated with caution. For the analysis in this chapter, the ethnic group of the survey respondent is taken to represent the head of household. In the remaining tables and figures abbreviated names of the ethnic groups will be used to ensure the best use of space.

Table 17.1 Number of households in each ethnic group				
Ethnic group	Total number of households	% of households	Number of returns	% of returns
White - British	55,226	68.6%	2,513	70.8%
White - Irish	2,285	2.8%	99	2.8%
White - Other	6,984	8.7%	316	8.9%
Mixed*	1,979	2.5%	64	1.8%
Asian or Asian British - Indian	2,409	3.0%	103	2.9%
Asian or Asian British - Pakistani/Bangladeshi*	1,578	2.0%	66	1.9%
Asian or Asian British - Other	2,708	3.4%	123	3.5%
Black or Black British - Caribbean	3,260	4.0%	117	3.3%
Black or Black British - African	2,182	2.7%	80	2.3%
Other*	1,910	2.4%	67	1.9%
Total	80,520	100.0%	3,548	100.0%

* Based on a small sample so should be treated with caution

The survey estimates that the majority of households in the Borough are headed by a White British person. In total 68.6% of households are headed by someone who describes themselves as White British. The next largest group is White Other households which constitute 8.7%, followed by Black Caribbean households and Asian Other households.

17.2 Household size

The number of persons in each household disaggregated by ethnic origin is shown in the table below.

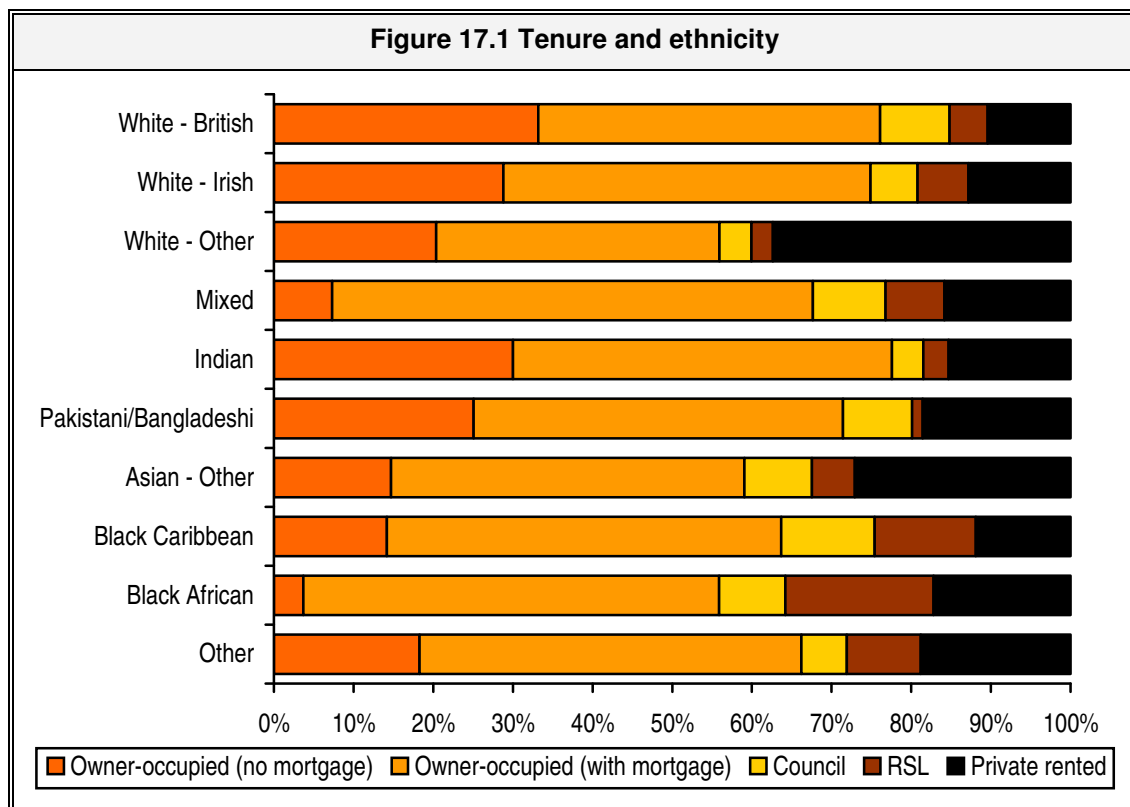
Ethnic group	Number of persons in household										Average HH size
	One		Two		Three		Four or more		Total		
	No	%	No	%	No	%	No	%	No	%	
White - British	19,646	35.6%	18,048	32.7%	7,734	14.0%	9,800	17.7%	55,226	100.0%	2.21
White - Irish	1,109	48.5%	584	25.6%	277	12.1%	315	13.8%	2,285	100.0%	1.96
White - Other	1,093	15.7%	2,616	37.5%	1,426	20.4%	1,848	26.5%	6,983	100.0%	2.71
Mixed	509	25.7%	392	19.8%	512	25.9%	566	28.6%	1,979	100.0%	2.78
Indian	568	23.6%	705	29.3%	432	17.9%	704	29.2%	2,408	100.0%	2.73
Pakistani/ Bangladeshi	331	21.0%	292	18.5%	217	13.8%	737	46.7%	1,578	100.0%	3.44
Asian - Other	464	17.1%	652	24.1%	574	21.2%	1,017	37.6%	2,709	100.0%	3.04
Black Caribbean	1,070	32.8%	755	23.2%	926	28.4%	508	15.6%	3,260	100.0%	2.39
Black African	610	28.0%	456	20.9%	414	19.0%	701	32.1%	2,183	100.0%	2.77
Other	441	23.1%	464	24.3%	320	16.8%	684	35.8%	1,910	100.0%	2.83
Total	25,841	32.1%	24,964	31.0%	12,832	15.9%	16,880	21.0%	80,521	100.0%	2.37

It can be observed that Pakistani/ Bangladeshi households have the highest average household size with an estimated 3.44 persons per household. In contrast White Irish households have the lowest average household size (at 1.96 persons per household). These figures compare with a Borough average of 2.37 persons per household.

17.3 Tenure

The table and figure below shows ethnic group and tenure. The data shows that Black African and Black Caribbean households are more likely than other groups to be living in social rented housing. White Other households are particularly likely to live in the private rented sector. White British, White Irish and Indian households are particularly likely to own their accommodation.

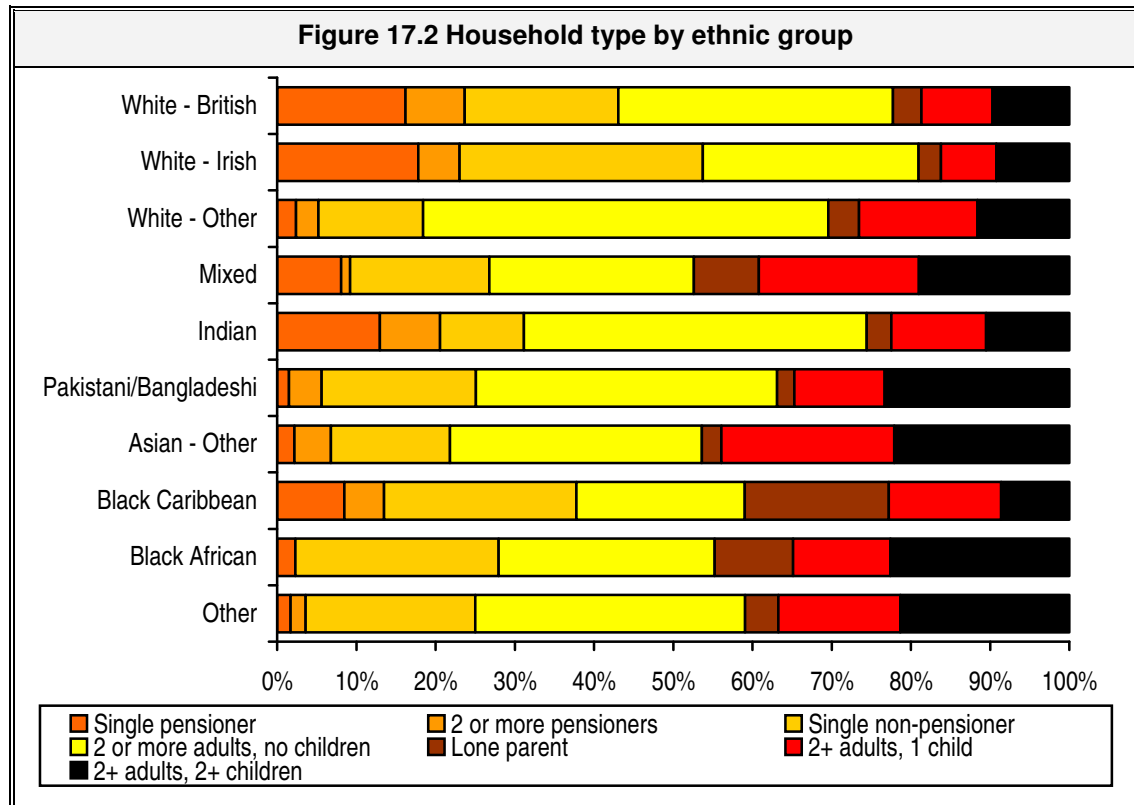
Table 17.3 Tenure and ethnicity						
Ethnic group	Tenure					Total
	Owner-occupied (no mortgage)	Owner-occupied (with mortgage)	Council	RSL	Private rented	
White - British	18,310	23,665	4,824	2,669	5,758	55,226
White - Irish	659	1,054	134	146	292	2,285
White - Other	1,423	2,483	277	190	2,610	6,983
Mixed	144	1,194	181	147	313	1,979
Indian	723	1,147	93	77	368	2,408
Pakistani/ Bangladeshi	396	732	137	20	293	1,578
Asian - Other	397	1,202	231	145	734	2,709
Black Caribbean	462	1,613	381	415	389	3,260
Black African	81	1,139	181	407	375	2,183
Other	350	914	109	178	359	1,910
Total	22,945	35,143	6,548	4,394	11,491	80,521



17.4 Household type and ethnicity

The table below shows ethnic group and household type. The results clearly show that White British, White Irish and Indian households are more likely to be pensioner-only households whilst the other groups are more likely to contain children. White Other households are particularly likely to constitute of one non-pensioner adult.

Table 17.4 Household type and ethnicity								
Ethnic group	Household type							Total
	Single pensioner	2 or more pensioners	Single non-pensioner	2 or more adults, no children	Lone parent	2+ adults, 1 child	2+ adults, 2+ children	
White - British	8,951	4,131	10,694	19,137	1,973	4,965	5,375	55,226
White - Irish	407	119	702	622	65	160	210	2,285
White - Other	170	198	924	3,570	273	1,039	810	6,984
Mixed	160	21	348	510	163	400	376	1,978
Indian	312	183	256	1,042	74	289	253	2,409
Pakistani/ Bangladeshi	23	64	308	600	35	179	368	1,577
Asian - Other	59	124	405	861	69	591	600	2,709
Black Caribbean	277	163	793	693	592	462	281	3,261
Black African	50	0	560	595	215	269	493	2,182
Other	33	36	409	650	81	294	407	1,910
Total	10,442	5,039	15,399	28,280	3,540	8,648	9,173	80,521



The table below shows ethnic group by special needs (please refer to chapter 14 for the definition of special needs households). The results show that Indian and Pakistani/Bangladeshi households show a proportion of special needs households notably above the equivalent figure for White British households. However, the majority of all special needs households are White British.

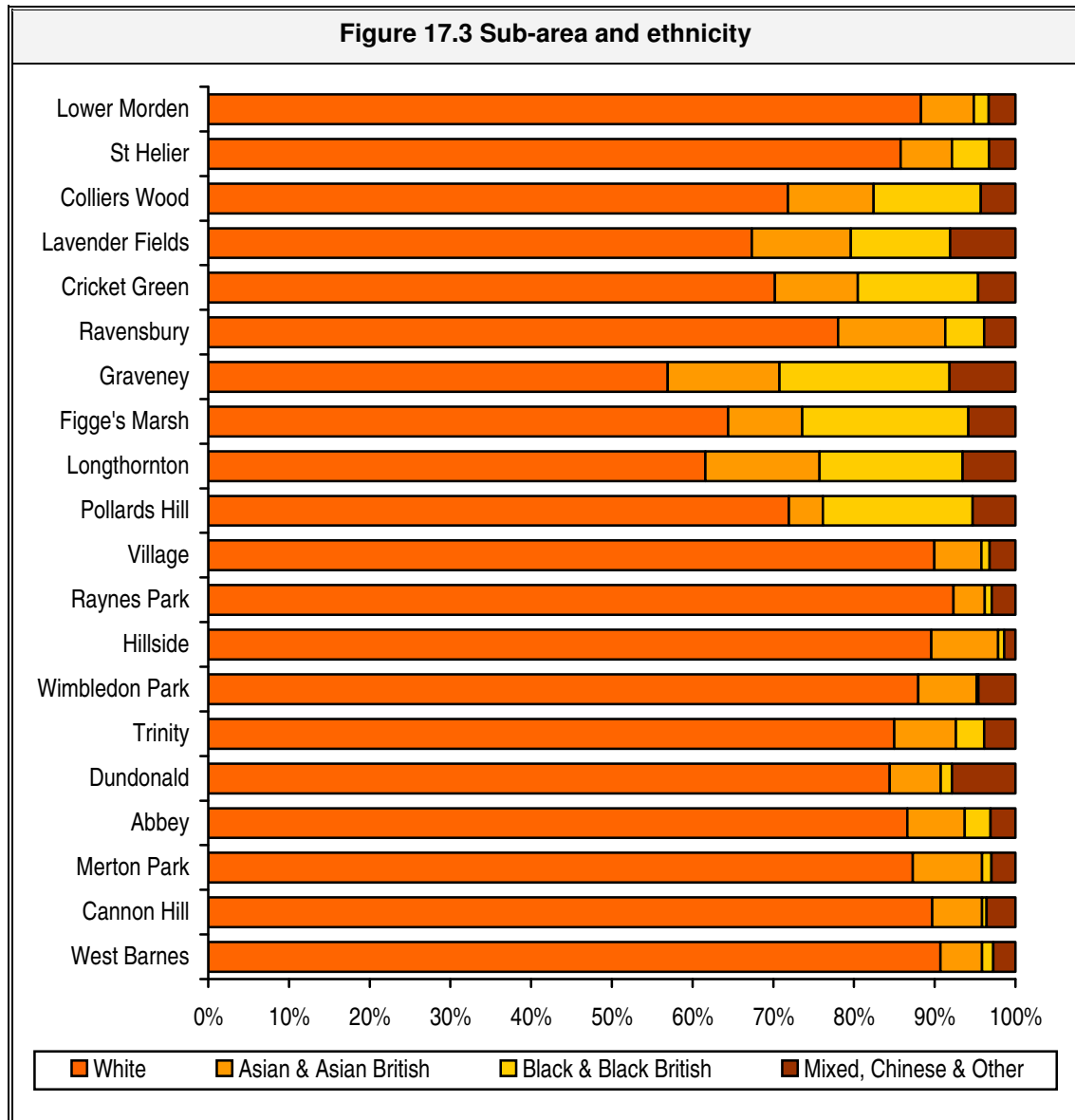
Ethnic group	Special needs households				
	Special needs	No special needs	Number of h'holds	% of total h'holds with special needs	% of those with a special need
White - British	6,791	48,435	55,226	12.3%	68.6%
White - Irish	289	1,996	2,285	12.6%	2.8%
White - Other	474	6,510	6,984	6.8%	8.7%
Mixed	67	1,912	1,979	3.4%	2.5%
Indian	465	1,944	2,409	19.3%	3.0%
Pakistani/ Bangladeshi	284	1,293	1,577	18.0%	2.0%
Asian - Other	303	2,405	2,708	11.2%	3.4%
Black Caribbean	319	2,940	3,259	9.8%	4.0%
Black African	252	1,930	2,182	11.5%	2.7%
Other	209	1,701	1,910	10.9%	2.4%
Total	9,453	71,066	80,519	11.7%	100.0%

17.5 Geographical location

The table below shows the geographical distribution of broad ethnic groups. Sample size limitations prevent this data being presented at a detail beyond four broad ethnic classifications.

Table 17.6 Sub-area and ethnicity					
Ward	Ethnic group				TOTAL
	White	Asian & Asian British	Black & Black British	Chinese & other	
Lower Morden	3,205	237	67	120	3,629
St Helier	3,475	257	187	132	4,051
Colliers Wood	3,022	446	558	181	4,207
Lavender Fields	2,815	512	514	338	4,179
Cricket Green	2,966	433	629	196	4,224
Ravensbury	3,131	532	194	155	4,012
Graveney	2,060	500	763	295	3,618
Figge's Marsh	2,646	377	846	239	4,108
Longthornton	2,318	534	666	247	3,765
Pollards Hill	2,829	166	729	209	3,933
Village	3,455	224	39	122	3,840
Raynes Park	4,062	171	38	129	4,400
Hillside	3,869	358	32	60	4,319
Wimbledon Park	3,404	279	9	178	3,870
Trinity	3,640	327	151	166	4,284
Dundonald	3,443	258	56	321	4,078
Abbey	4,107	338	152	146	4,743
Merton Park	3,325	327	44	114	3,810
Cannon Hill	3,245	223	20	130	3,618
West Barnes	3,478	197	54	105	3,834
Total	64,495	6,696	5,748	3,583	80,520

It is clear from the data and from the figure below that certain groups are more likely to be represented in certain areas. Notably, Ravensbury, Graveney and Longthornton have higher than average proportions of Asian households and Graveney, Figge's Marsh, Pollards Hill and Longthornton have high proportions of Black households. These wards are all located in the Eastern part of the borough. Raynes Park and West Barnes have the lowest proportion of BME households.



17.6 Income levels

The table below shows income levels for households in each ethnic category. The average income of all households in the Borough was estimated at £732 per week (gross income including non-housing benefits). The table shows that there is noticeable difference between income levels of different ethnic groups with the Black Caribbean group showing an average income of only £439 per week and White Other households £951 per week. Savings levels also differ noticeably with White British and White Irish households having an average level of over double the Pakistani/Bangladeshi group. Overall, White households have much higher average savings than BME households.

Table 17.7 Income and savings levels		
Ethnic group	Weekly gross household income (including non-housing benefits)	Average household savings
White - British	£731	£15,440
White - Irish	£725	£17,369
White - Other	£951	£13,179
Mixed	£753	£11,312
Indian	£754	£12,332
Pakistani/ Bangladeshi	£624	£7,210
Asian - Other	£630	£10,237
Black Caribbean	£439	£9,083
Black African	£601	£9,260
Other	£798	£10,985
All households	£732	£14,237

17.7 Unsuitable housing

Finally we can look at levels of unsuitable housing by ethnic group. A reminder of the definition of unsuitable housing can be found in section 7.2 of this report. The table below shows the proportion of each group estimated to be living in unsuitable housing. All groups with the exception of White British and White Irish households are more likely to be unsuitable housing than the Borough average. Pakistani/Bangladeshi groups show levels of unsuitable housing around 40%, this compares with under 10% for White British and White Irish households.

Table 17.8 Proportion by ethnic group living in unsuitable housing	
Ethnic group	% of households
White - British	9.5%
White - Irish	8.5%
White - Other	13.5%
Mixed	20.8%
Indian	18.5%
Pakistani/ Bangladeshi	41.7%
Asian - Other	31.0%
Black Caribbean	24.6%
Black African	33.4%
Other	19.3%
All households	13.2%

17.8 Households in need

Finally we can look at the ethnic group of households in housing need. The table below shows the proportion of each group estimated to be living in gross backlog need (i.e. needs to move, within the Borough and cannot afford a suitable home – excluding social tenants) or newly arising need (based on past trends). Caution should be taken with these results as some groups are based on small sample sizes. All groups with the exception of White British and Indian households are more likely to be in housing need than the Borough average. Pakistani/Bangladeshi groups show levels of housing need of almost 20%, this compares with 2.9% for Indian households (based on a small sample size).

Ethnic group	% of households
White - British	3.5%
White - Irish	5.5%
White - Other	8.8%
Mixed	9.4%
Indian	2.9%
Pakistani/ Bangladeshi	19.4%
Asian - Other	15.7%
Black Caribbean	9.9%
Black African	14.7%
Other	7.3%
All households	5.5%

17.9 Summary

The survey revealed that 80.1% of Merton households were White, with 8.3% Asian & Asian British, 7.1% Black & Black British and 4.5% in Chinese, Mixed & other ethnic groups. These have been analysed as more detailed groups such as Indian, Caribbean and Africa where sample size permits.

The survey showed that Pakistani/Bangladeshi households have a larger average household size than other households, with an estimated average of 3.44 people per household. Additionally, results show that White British and Indian households were disproportionately living in owner-occupied accommodation and Black African and Caribbean households are particularly likely to be in the social rented sector.

The survey results suggest that White British, White Irish and Indian households are more likely to be pensioner-only households whilst the other groups are more likely to contain children. Indian and Pakistani/Bangladeshi households are generally more likely to contain someone with a special need. Certain groups are more likely to be represented in certain areas. Wards with higher levels of non-white households are located in the Eastern part of the borough. Raynes Park and West Barnes have the lowest proportion of Black and minority ethnic households.

The survey also showed considerable difference in both income and savings levels between the different groups. Black Caribbean households show the lowest mean income. Overall, White households have much higher average savings than BME households. Finally, Black and minority ethnic households are more likely to be living in unsuitable housing and are more likely to fall into housing need (as found in the previous section, 17.8, housing need is defined as either backlog need and not currently living in social housing or newly arising need households).

18

18. Overcrowding and under-occupation

18.1 Introduction

This chapter briefly studies the extent of overcrowding and under-occupation of households living in each individual tenure group. The standards used to check for overcrowding/under-occupation were as follows:

- Overcrowding: each household was assessed as to the number of bedrooms required. Any household without enough bedrooms was deemed to be over-crowded
- Under-occupation: households with more than one spare bedroom are deemed to be under-occupied

18.2 Overcrowding and under-occupation

The table below shows a comparison between the numbers of bedrooms in each home against the number of bedrooms required for all households.

Number of bedrooms required	Number of bedrooms in home				TOTAL
	1	2	3	4+	
1 bedroom	11,636	14,194	15,537	3,960	45,327
2 bedrooms	1,279	5,527	10,032	4,153	20,991
3 bedrooms	95	1,054	7,002	3,429	11,580
4+ bedrooms	50	87	1,185	1,304	2,626
Total	13,060	20,862	33,756	12,846	80,520

KEY: Overcrowded households Under-occupied households

Note: The bottom two cells of the 4+ bedroom column contain some households that are either overcrowded or under-occupied – for example they may require three bedrooms but live in a five bedroom property or may require five bedroom property but currently be occupying four bedroom property.

The estimated number of overcrowded and under-occupied households is as follows:

- Overcrowded: 5.0% of households = 3,995 households
- Under-occupied: 30.7% of households = 24,745 households

18.3 Household characteristics

The figures below show levels of overcrowding and under-occupation by various household characteristics and by ward. The figure shows some clear differences between different household groups.

In terms of tenure, the figure shows that owner-occupiers are most likely to be under-occupying dwellings and less likely to be overcrowded; this is particularly true for those with no mortgage. Households in Council rented accommodation show the highest level of overcrowding whilst very few RSL households were shown to be under-occupying. In all of the rented tenures the level of overcrowding is above the Borough average and the level of under-occupancy significantly below.

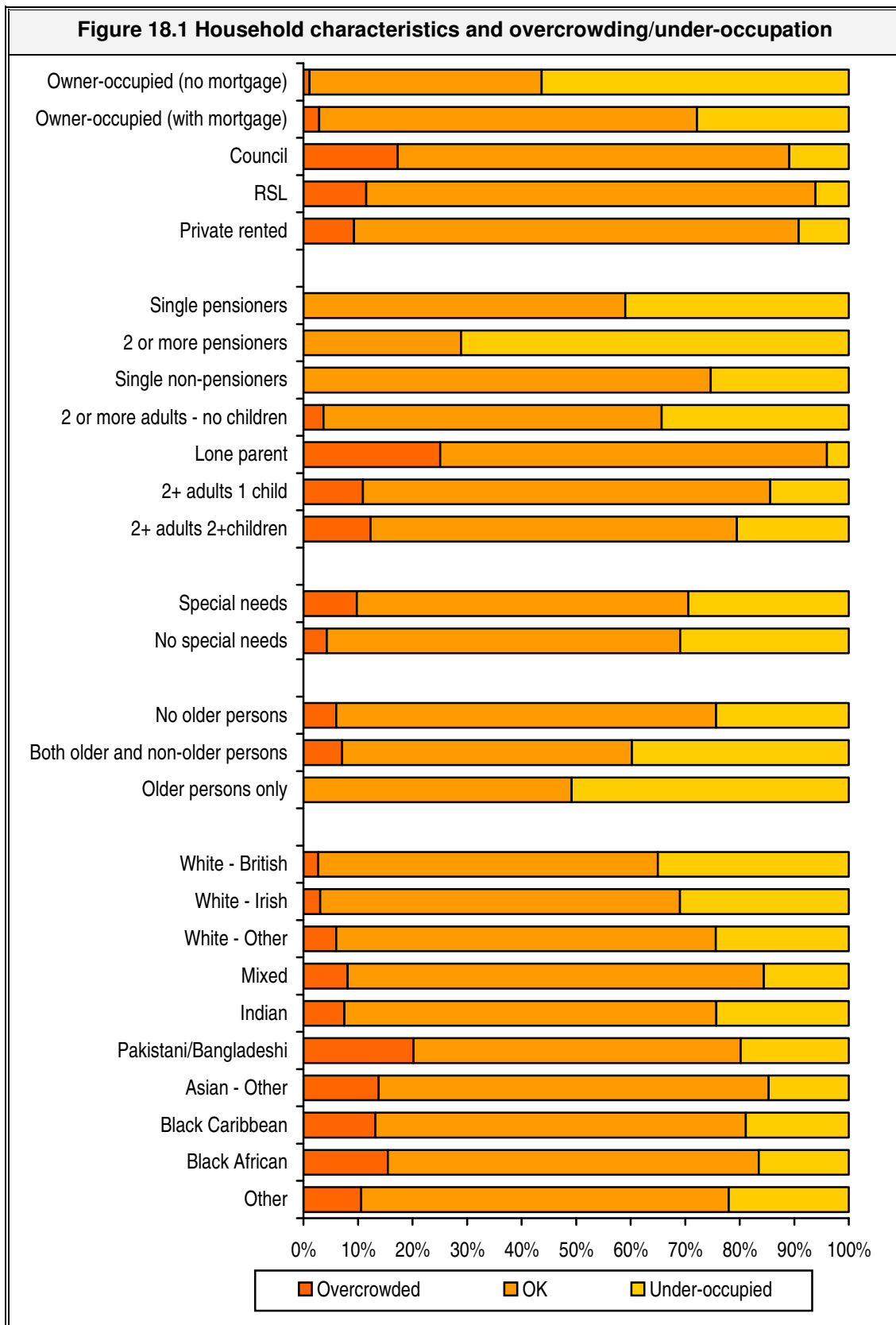
Household type analysis suggests that lone parent and other households with children are most likely to be overcrowded (and least likely to under-occupy). Pensioner households are most likely to be under-occupying.

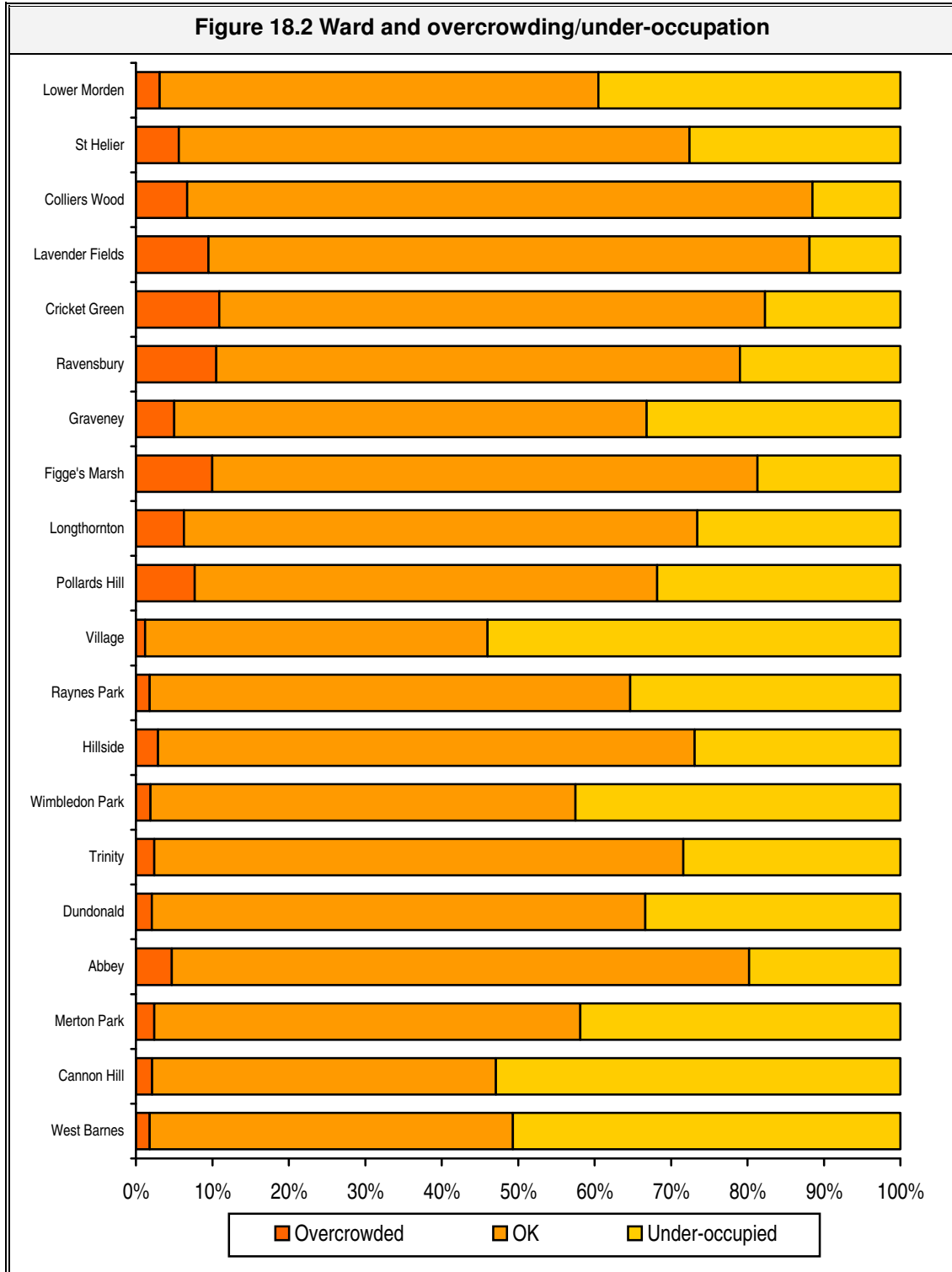
The data also shows that special needs households are more likely to be overcrowded and similarly likely to under-occupy.

The age distribution confirms the household type analysis above (i.e. low overcrowding and high under-occupancy amongst pensioner households). However, it is interesting to note that the highest level of overcrowding is in the group of households containing both older and non-older persons.

Finally, the data also shows that Asian and Black groups are particularly likely to be overcrowded. All BME groups also have lower levels of under-occupation. In particular Pakistani/Bangladeshi households.

By ward, the Lavender Fields, Cricket Green and Ravensbury wards have the highest proportion of overcrowding and Village, Cannon Hill and West Barnes the highest proportion of under-occupied dwellings





18.4 Income levels

The figure below shows the income levels of households who are overcrowded or under-occupied. The data shows that under-occupied households have the highest average household income (at £802 per week). If these figures are adjusted depending on the number of persons in the households this trend becomes more pronounced. Overcrowded households have an average income per person of only £142 per week; this figure rises to £401 for households who are under-occupying.

Overcrowded/under-occupied	Average gross weekly income	Average number of person in households	Average income per person
Overcrowded	£589	4.16	£142
Neither overcrowded nor under-occupied	£710	2.39	£297
Under-occupied	£802	2.00	£401
Total	£732	2.36	£310

18.5 Moving intentions of under-occupying households

Finally this section looks at any moving intentions of overcrowded and under-occupied households. The table below shows the number and proportion of households in each group who need or expect to move home within the next two years.

The analysis suggests that overcrowded households are most likely to need/expect to move. In total an estimated 54.0% of overcrowded households need or expect to move within the next two years, this compares with only 13.9% of households who currently under-occupy their dwelling.

Overcrowded/under-occupied	Number need/expect to move	Total h'holds	% needing/ expecting to move
Overcrowded	2,159	3,995	54.0%
Neither overcrowded nor under-occupied	15,396	51,780	29.7%
Under-occupied	3,435	24,745	13.9%
Total	20,990	80,520	26.1%

18.6 Summary

This brief chapter looked at overcrowding and under-occupation. The results suggest that 5.0% of all households are overcrowded and 30.7% under-occupy their dwelling. The owner-occupied (no mortgage) sector shows the highest levels of under-occupation; the RSL and Council rented sectors the highest overcrowding.

Overcrowded households tend to have very low incomes (per person) and are far more likely to state that they need or expect to move than other households.

Glossary

Affordability

A measure of whether households can access and sustain the costs of private sector housing. In this survey the measure of affordability has been used based on the cost of suitably sized housing for each individual household (whether to buy or rent privately). Each household was assessed on the basis of their current financial situation (taking income, savings and equity levels into account) as well as household composition (i.e. to determine the size of property required). Households were assumed to not reasonably be expected to spend more than a third of their gross income on a mortgage and a quarter of their gross income if renting.

Affordable housing

Housing of an adequate standard which is cheaper than that which is generally available in the local housing market. In theory this can comprise a combination of subsidised rented housing, subsidised low-cost home ownership (LCHO) including shared ownership, as well as social rented accommodation.

Annual need

The combination of new needs arising per year plus an allowance to deal progressively with part of the backlog of need.

Average

The term 'average' when used in this report is taken to be a mean value unless otherwise stated.

Backlog of need

Those actual and potential households whose current housing circumstances at a point in time fall below accepted minimum standards. This would include households living in overcrowded conditions, in unfit or seriously defective housing, families sharing, and homeless people living in temporary accommodation or sharing with others.

Bedroom standard

The bedroom standard is that used by the General Household Survey, and is calculated as follows: a separate bedroom is allocated to each co-habiting couple, any other person aged 21 or over, each pair of young persons aged 10-20 of the same sex, and each pair of children under 10 (regardless of sex). Unpaired young persons aged 10-20 are paired with a child under 10 of the same sex or, if possible, allocated a separate bedroom. Any remaining unpaired children under 10 are also allocated a separate bedroom. The calculated standard for the household is then compared with the actual number of bedrooms available for its sole use to indicate deficiencies or excesses. Bedrooms include bed-sitters, boxrooms and bedrooms which are identified as such by respondents even though they may not be in use as such.

Disaggregation

Breaking a numerical assessment of housing need and supply down, either in terms of size and/or type of housing unit, or in terms of geographical sub-areas within the Borough.

Grossing-up

Converting the numbers of actual responses in a social survey to an estimate of the number for the whole population. This normally involves dividing the expected number in a group by the number of responses in the survey.

Household

One person living alone or a group of people who have the address as their only or main residence and who either share one meal a day or share a living room.

Household formation

The process whereby individuals in the population form separate households. 'Gross' or 'new' household formation refers to households which form over a period of time, conventionally one year. This is equal to the number of households existing at the end of the year which did not exist as separate households at the beginning of the year (not counting 'successor' households, when the former head of household dies or departs).

Housing market area

The geographical area in which a substantial majority of the employed population both live and work, and where most of those changing home without changing employment choose to stay.

Housing need

The situation in which households lack their own housing or are living in housing which is inadequate or unsuitable and who are unlikely to be able to meet their needs in the housing market without some assistance.

Housing Register

A database of all individuals or households who have applied to a LA or RSL for a social tenancy or access to some other form of affordable housing. Housing Registers, often called Waiting Lists, may include not only people with general needs but people with special needs or requiring access because of special circumstances, including homelessness.

Migration

The movement of people between geographical areas, primarily defined in this context as local authority Districts. The rate of migration is usually measured as an annual number of households, living in the District at a point in time, who are not resident in that District one year earlier.

Net annual need

The difference between annual need and the expected annual supply of available affordable housing units (e.g. from the re-letting of existing social rented dwellings).

Newly arising need

New households which are expected to form over a period of time and are likely to require some form of assistance to gain suitable housing, together with other existing households whose circumstances change over the period so as to place them in a situation of need (e.g. households losing accommodation because of loss of income, relationship breakdown, eviction, or some other emergency).

Overcrowding

An overcrowded dwelling is one which is below the bedroom standard. (See 'Bedroom Standard' above).

Potential households

Adult individuals, couples or lone parent families living as part of other households of which they are neither the head nor the partner of the head and who need to live in their own separate accommodation, and/or are intending to move to separate accommodation, rather than continuing to live with their 'host' household.

Random sample

A sample in which each member of the population has an equal chance of selection.

Relets

Social rented housing units which are vacated during a period and become potentially available for letting to new tenants.

Sample survey

Collects information from a known proportion of a population, normally selected at random, in order to estimate the characteristics of the population as a whole.

Sampling frame

The complete list of addresses or other population units within the survey area which are the subject of the survey.

Social rented housing

Housing of an adequate standard which is provided to rent at below market cost for households in need by Local Authorities or Registered Social Landlords (RSLs).

Stratified sample

A sample where the population or area is divided into a number of separate sub-sectors ('strata') according to known characteristics, based for example on sub-areas and applying a different sampling fraction to each sub-sector.

Under-occupation

An under-occupied dwelling is one which exceeds the bedroom standard by two or more bedrooms.

Unsuitably housed households

All circumstances where households are living in housing which is in some way unsuitable, whether because of its size, type, design, location, condition or cost.

Appendix A1: Affordable housing policy

A1

A1.1 Introduction

This appendix addresses a topic which has grown rapidly in importance over the past decade, namely affordable housing. The appendix sets out the key statements in Government guidance, used as the basis for the analysis in the report.

The term is a construct of Government advice although even in its most recent form (PPG3 (2000)) it provides no coherent definition of what affordable housing is. As affordable housing, negotiated under the relevant planning guidance, has become in most parts of the country the main source of new housing to address housing need, this is a serious omission. It means that an analysis showing how affordable housing can meet housing need is a prerequisite to obtaining it.

A1.2 Surveys as basis for policy

Circular 6/98 makes it clear that affordable housing policies:

'should be based on a good understanding of the needs of the area over the period' (para 5) and that 'Assessments will need to be rigorous, making clear the assumptions and definitions used, so that they can withstand detailed scrutiny' (para 6)

The Guidance also stresses that HNS should be up to date, and defines what that normally means:

'Surveys become out of date and have to be repeated from time to time. As a general guide, a repeat once every five to seven years would be appropriate, although this should depend on local circumstances.' (Guide to Housing Needs Assessment p 36)

A1.3 Basis for defining affordable housing

In the introduction the broad definition of affordable housing was quoted. The difficulty with it is that, using the definition of housing need in the Guide:

'Housing need refers to households lacking their own housing or living in housing which is inadequate or unsuitable, who are unlikely to be able to meet their needs in the housing market without some assistance.' [Glossary: A2.2]

This definition is consistent with the quotation from paragraph 4 of Circular 6/98 in the preceding section: that affordable housing should be below market entry level (discussed in the previous appendix). The general approach of Circular 6/98 is 'evidential': that what is affordable depends on local evidence:

'The [affordable housing] policy should defined what the authority regards as affordable....' (para 9(a))

This makes sense, but the following text is more difficult:

'...but this should include both low-cost market and subsidised housing, as both will have some role to play in providing for local needs' (para 9(a)) (our emphasis)

This statement is odd for two reasons:

- i) It is grammatically incorrect: it states the results of an investigation, without there having been one ('will')
- ii) Low cost market housing does not pass the test set out in para 4 of Circular 6/98: that it should be cheaper than market entry. It is normally at least 130% of that price

This has led to difficulties at Local Plan (or UDP) inquiries. The Inspector is bound to follow Government Guidance, and yet the official support for low-cost market housing is contradicted by its failure to be 'affordable'. In some 150 district wide HNS since the concept was introduced in 1996, none has shown low cost market housing to be affordable in the Circular sense. Very little has been accepted by councils as a result. It is popular with developers as it is much more profitable than other types of affordable housing.

Affordable housing is defined in the ODPM Guide in a subtly different way from Circular 6/98. The ODPM guide definition was described by the Poole Local Plan Inspector (March 2003) as conflicting with the circular. The Guide definition is similar to the Circular on social rented and shared ownership but different as regards low cost market. On this point it says that affordable housing will include:

'in some market situations cheap housing for sale' (page 117)

This is a far more reserved judgement on the role of low cost market. It is also one which makes more sense of the Circular 6/98 one. In most market situations low cost market housing is much more expensive than market entry level, and is therefore not affordable in the Circular sense. The ODPM Guide version is therefore a more realistic one, in implying that low cost market housing will only in a minority of cases be affordable.

In most cases, therefore, the housing that will be affordable in the sense of Circular 6/98 and the ODPM Guide will be social rented and various forms of low cost home ownership (LCHO), mainly shared ownership.

A1.4 Linking survey evidence to policy

The Government has recently emphasised the link between local evidence (from HNS mainly) and affordable housing policy. The ODPM publication *'Delivering Affordable Housing Through Planning Policy'* (2002) criticised councils for 'slavishly' following the wording of Circular Guidance in a broad definition of affordable housing (para 2.4.6) rather than using the local evidence to define affordable housing. The ODPM calls for a tightening of the link between the HNS and the Affordable Housing policy:

'.....It is very evident that this tightening or better practice process must begin with a much more robust procedure for translating the findings of housing needs assessments into local plan definitions of housing need. The research shows, surprisingly, that housing needs assessments are not a stated first port of call when it comes to defining affordable housing.....' (para 2.4.7)

Thus the definition of affordable housing in an area should draw upon the results of the HNS for that area.

A1.5 What level of subsidy is involved?

Government advice has been reticent on this point. It refers, as quoted from para 9(a) of Circular 13/96, to 'subsidised' housing, but does not explain what subsidy should be provided by the housebuilders/landowners who provide affordable housing via this circular's requirements. The Circular prefers an indirect route:

'...where there is evidence of need for affordable housing, local plans should include a policy for seeking an element of such housing, on suitable sites. Such policies will be a material consideration in determining an application for planning permission' (para 1 of Circular 6/98)

The response of local authorities, since such policies were brought in (in 1991) has been quite variable. The level of subsidy has increased over the period, as the public subsidy (Social Housing Grant) has declined.

The subsidy is normally at least land at nil price, and sometimes also includes a subsidy on the build price, where this cannot be afforded by the local authority and Registered Social Landlord concerned. The issue is discussed in detail in 'Delivering affordable housing.....' referred to in the above subsection.

A1.6 What target(s)

Circular 6/98 allows for numerical targets at district level, and for percentage or numerical targets at site level (para 9(b)). The logical target is a percentage target at district level, since a numerical one can quickly be rendered obsolete if large windfall sites emerge. As the Inspector at the Merton UDP Inquiry said:

'The use of percentages is therefore not discouraged and, as most housing within the Borough comes from windfall sites, I accept that its use in the policy is an appropriate way forward. It would also provide a consistent yield and give a level of certainty to developers' (LB Merton Inspector's report, 2001, para 3.29.11)

Such district wide percentages are, therefore, widespread, and constitute the most common means of setting what is a target for negotiation on particular sites, based on their particular characteristics.

In terms of the levels of percentage, the figure has risen considerably over the period of more than a decade of such policies. Originally figures of 5% and 10% were common. By the mid 1990's adopted plans contained policies with 25-30% as their affordable housing target. However the outturn percentages from these policies have normally been much lower than the headline percentage. A recent report suggested that 10% had been achieved in the 1990's. As a consequence, targets have continued to rise. The current custom and practice percentage target is 40%. This has been accepted by many Inspectors as a reasonable rate, and by many developers as practicable on given sites. However the trend is rising: the London Plan (not yet adopted) is seeking 50%.

A1.7 What site threshold?

Circular 6/98 sets a target of 15 dwellings as the site threshold for Inner London, and a site threshold of 25 for all other areas, except rural areas with settlements below 3,000 population, when the council can set its own threshold.

However the Circular allows that where there are 'exceptional constraints' the target can be lowered from 25 towards or to 15, in areas outside Inner London:

The Secretary of State considers that it may be appropriate for local planning authorities in those areas where the higher threshold (at (a) above [25]) would apply, and who are able to demonstrate exceptional local circumstances, to seek to adopt a lower threshold (between the levels at (a) [25] and (b) [15]) above. Such constraints must be demonstrated, and proposals to adopt a lower threshold must be justified through the local plan process. [to this may be added, also through Supplementary Planning Guidance: I was involved in justifying 15 rather than 25 in LB Croydon via SPG in a S78 appeal in August 2001] Circular 6/98 para 10 (c)

Footnote 9 of the Circular then applies, and it says, in terms of justifying exceptional circumstances, that the justification

'should include factors such as: the number and types of households who are in need of affordable housing and the different types of affordable housing best suited to meeting their needs; the size and amount of suitable sites that are likely to be available for affordable housing (including an assessment of the densities of development likely to be achieved, and how these related to levels of need for affordable housing' ... (more minor points related to supply which are already factored into the ODPM Guide calculation)

Thus the key test is that the need for affordable housing should exceed (or considerably exceed) the likely yield of affordable housing. It should be noted that the test does not involve comparing the council in question with its neighbours or with Inner London etc. It is a common mistake to assume that exceptional circumstances does mean 'exceptional' in relation to other districts. This is not the case.

Given the general shortage of sites for affordable housing in relation to the overall need as shown by a Guide analysis, 'exceptional constraints' apply to most districts in the Southern half of England, and to many in the north also.

This review has covered the key features of affordable housing policies. There are several other features, such as 'commuting off' where the developer seeks to avoid providing the affordable housing onsite by a payment or by providing an alternative site elsewhere, where the affordable housing can be put.

A1.8 Recent Government advice

An additional Housing Planning Policy Guidance (PPG3) consultation has been issued by ODPM: 'planning for mixed communities'. The consultation was issued in January 2005, building on the July 2003 consultation PPG 'Influencing the size, type and affordability of housing', and it will be superseded by finalised guidance that is expected in July 2005. Although the PPG focuses on "planning for mixed communities", and on sub-regional housing market assessments specifically, it has a few broader implications for affordable housing policy in general. Furthermore, it provides some insight into the tone of and ideas behind the forthcoming guide.

The proposed policy changes would replace paragraphs 9 to 17 of PPG3, Annex C would be updated with new definitions and Annex D would be updated with the details of new practice guidance. DETR Circular 6/98 (planning and affordable housing) would be cancelled.

The draft does not appear to substantially change guidance contained within PPG3 and Circular 6/98 although there are a few pointers about the direction in which policy is going which are of importance. Key points for affordable housing from this consultation phase include the following:

- i) There may be a move towards specifying at the very little least the size and type of affordable housing required, but possibly the floorspace and number of rooms required as well. Optionally, data could be included on the form of contribution ("land or cash") or the circumstances where the amount will differ, exemplifying city/rural and size thresholds
- ii) It has been suggested that developers should collaborate in the production of future local needs assessments. However, the form that this collaboration might take remains unspecified and there has been little indication of how clashing commercial interests might be prevented from interfering with needs assessments. A new element to the guidance is that it asks applicants to justify that they have produced suitably mixed developments and states that if they have failed to do so, this may be a reason for refusal.

- iii) There is a shift from emphasis from 'need' to 'demand', when compared to the 2000 PPG3. The number and scope of particular groups which the 2000 PPG3 focussed on, have been somewhat reduced (e.g. they have dropped barge dwellers).
- iv) With regards to mixed communities, the draft guidance emphasises the need to promote social inclusion. It also re-emphasises the need for up to date assessments of the full range of demands across the plan area and for the plan period (i.e. not the market area).
- v) Although the regional plan cannot specify District Councils' policies, it can indicate the balance of affordable and market housing, and policies for special groups like key workers.
- vi) The consultation emphasises the need for updates. Given that the market situation can quickly change (much more so than the underlying housing needs situation) such updates will be useful snapshots of a changing affordable housing requirement.
- vii) The draft also asks councils to balance the amount of affordable housing 'against the development potential of sites'. This should involve looking at alternative land use values and assumptions about grant, and conducting something along the lines of the viability analysis that Fordham Research use.
- viii) Thresholds for site size may change, with the introduction of the possibility of setting maximum thresholds. Councils can set different thresholds in different areas, and can set the threshold lower than 15 where there are 'high levels of need that cannot be met on larger sites alone'. Again viability must be examined as well as effect on social inclusion. Furthermore the affordable housing policy can actually be used on sites smaller than the threshold (presumably in the adopted plan) if the site is above 'some appropriate threshold' and/or is part of a larger site. That gives a useful flexibility.
- ix) The guidance is opposed to commuting off, even if this is what the private sector want. If any commuting off is done, it should be towards improving balance of communities, bringing housing back into use, and so on.
- x) The local housing assessment is to be taken into account when granting permission. This is particularly the case if the assessment is more up to date than the development plan (as it will often be).
- xi) The guidance stresses the need for a cascade mechanism if the production of the agreed affordable housing is not possible (due say to lack of grant).

- xii) Finally, although the draft is against nominating RSLs, it does mention a 'specified period or perpetuity' which will, for example, prevent developers from claiming that no approval is given to perpetuity.

Appendix A2: Further property price information

A2

A2.1 Introduction

This Chapter provides further detail in support of the housing market analysis set out in Chapter 5. It contains information on prices obtained from the analysis of Land Registry property price data, and explains the methodology and approach used in our survey of local estate agents.

The estate agent survey is a key step in assessing minimum and average property prices in Merton but only provides limited information concerning price difference within the Borough, and doesn't shed light on the prices relative to other Local Authorities in the region.

We can look at the wider context of prices in the surrounding areas, and also the differences between areas within Merton, using information available from the Land Registry. This data is valuable in giving further background to the local housing market, although it does not displace the need for the estate agent information.

A2.2 Reasons for housing market study

The level of market prices and rents is a key factor in this study for two main reasons:

- (i) Market prices and rents indicate the cost of market housing in Merton. A major reason for government interest in prices is to address the needs of households that cannot afford this cost. Hence the existence of social rented housing and low-cost home ownership options, which represent partial ownership. Thus it is important to establish the entry levels to both home ownership and private renting.
- (ii) The price/rent information indicates the contours of the housing market in Merton. This is important for the Council when considering not only the level of subsidy required to produce new social rented and other non-market priced housing, but also the degree to which it should attempt to manage the new-build market in accordance with government guidance.

This chapter is devoted to identifying the first of the above elements: the cost of housing.

A2.3 Background to housing market analysis

As a preliminary to the present phase of the work it is desirable to draw attention to some key features of housing markets:

- (i) **Housing markets are quite complex.** Housing markets can be defined, at the larger scale, by such features as journey to work areas. In the case of free-standing market towns these may appear as fairly neat circular areas. In most of Britain, however, the high density of population means that housing market areas overlap.

In the extreme case of London, its market area extends for some purposes as far away as York, Milton Keynes, Bristol and the South Coast. At the same time there are well defined market areas within London (east v west; north v south of the river).

- (ii) **Property prices vary within market areas.** Depending on the attractiveness of the area, property prices may vary considerably within a few miles or even, in large cities, within a few hundred yards. This is due to the history of the area and the nature of the housing stock. These variations are important from the point of view of housing cost analysis, which underpins the study of subsidised forms of housing. It is important to know what the entry level costs of housing are. These can only be established by close study of detailed local price variations.
- (iii) **Newbuild is only a small fraction of the market.** In almost all parts of Britain, newbuild is a small fraction of the total housing market. The majority of all sales and lettings are second-hand. The important point to note in this is that second-hand housing is normally much cheaper than newbuild. Only at the luxury end of the market is this not true. Thus entry level housing will normally be second-hand.

Although Government guidance refers to some forms of newbuild as 'affordable' very little newbuild is anything like as affordable as existing second-hand housing.

These features of the housing market are worth bearing in mind when considering the detailed evidence produced in the following subsections of this chapter.

A2.4 Government guidance on the study of housing markets

The Guide makes several references to market studies:

ODPM Guide	<p><i>'The relevance of data on private sector housing costs stems primarily from the role of such data in facilitating analyses of affordability, which are central to most local housing needs assessment models. The essential feature of such models is that they measure the extent to which a given group of households can afford to meet their housing needs through the private market. Generally, most attention is focused on the price of properties for sale. However, some models also take account of private sector rent levels'. [Section 7.3 (page 94)]</i></p> <p><i>'Typically, local authorities can draw on two or three sources of house price information. These include; direct contacts with local estate agents; county-wide monitoring by county councils; local or regional data available in published or unpublished form from the major national mortgage lenders (particularly Halifax and Nationwide); and data from the Land Registry'. [Section 7.3 (page 95)]</i></p> <p><i>'An alternative approach to defining current threshold prices is to derive appropriate figures in consultation with local estate agents. Although it appears more subjective, this latter approach has a number of advantages. Firstly, it enables properties in poor condition to be screened out. Secondly, it is better able to reflect the whole market rather than being limited to the market share of the mortgage lender concerned. Lastly and most importantly, the properties can be specified in terms of size and type, matched to particular household types'. [Section 4.3 (page 58)]</i></p>
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These extracts say, in summary:

- (i) Housing market information is essential to the assessment of affordability.
- (ii) There are various secondary and primary sources for such information.
- (iii) There are some advantages to the primary data route: obtaining information directly from estate agents, since that reflects the true entry cost of housing, and is not particular to one mortgage source.

The best route to meeting these requirements is a combination of secondary data (the Land Registry, which covers all transactions) and estate agents survey.

In keeping with comments above, we concentrate upon price variations rather than the study of the whole market. This is because in terms of affordability of local housing, the important factor is its price, not its location relative to wider housing markets.

A2.5 The need for primary data

There are four main reasons why Land Registry data cannot be used to calculate prices for use in the affordability model. These are:

- i) The information can only usefully give a guide to average prices. For a Housing Needs Survey we take the view that it is necessary to estimate the minimum price for which dwellings in satisfactory condition are available.
- ii) No information is available about the condition of the dwellings whose price is being obtained. Clearly a property which needs major repairs is unlikely to be suitable for a first-time buyer with a limited budget, even if the initial price is relatively low.
- iii) A more serious limitation of this source is that records are kept by property type (i.e. detached, semi-detached, terraced, flat) and not in terms of the numbers of bedrooms. This information is, in our view, essential to provide an accurate assessment of need.
- iv) The Land Registry data cannot produce information about rental levels, which again ought really to be considered in carrying out a satisfactory analysis of affordability. There may be a small, but significant, number of households who cannot afford to buy market housing but who could afford suitable private rented housing. The affordability of such households cannot be adequately considered using only sale price information.

Despite these drawbacks the information available is certainly of interest to give some feel to the local context of property prices, and more specifically to provide comparison between prices in different areas.

A2.6 Estate agents survey: Methodology

The methodology employed to find purchase and rental prices takes the following steps:

- i) We establish the names and telephone numbers of local estate agents. This includes well known national estate agents as well as those operating specifically in the local area (allowing for good comparative measures of smaller and larger agencies). The estate agents selected are intended to be those dealing primarily with housing at the lower end of the market (e.g. not specialist agencies dealing with up-market properties)
- ii) These are then contacted by telephone and asked to give a brief overview of the housing market in the Borough - including highlighting areas of more and less expensive housing

- iii) The questioning takes a very simple form (this tends to improve efficiency without jeopardising results - people often lose interest when asked a series of detailed questions and quality of response is diminished). All agents are asked 'in their opinion'

'What is the minimum and average price for a one bedroom dwelling in good condition (i.e. not needing any major repair) and with a reasonable supply (not one off properties occasionally coming onto the market)?'

- iv) This process is repeated for 2,3 & 4 bedroom dwellings
- v) The same questions are then asked about private rented accommodation
- vi) Once several estate and letting agencies have been contacted, the results are tabulated and averages calculated to give an accurate estimation of minimum and average purchase and rental prices in the Borough. Any outlying values are removed from calculations.
- vii) The estimated purchase and rental prices are then inserted into the analysis to estimate the numbers able to afford a dwelling depending on the minimum number of bedrooms that the household requires.

A2.7 Land Registry data

The Land Registry compiles information on all residential land transactions. Analysis of this data is made available for recent quarterly periods, for geographical areas including Council areas, and more highly disaggregated data postcode areas, and by four main dwelling types.

This data is thus very versatile, and can potentially provide a valuable picture of housing market behaviour in quite specific detail. However, an eye needs to be kept on the size of sample when using disaggregated data for smaller areas and/or periods.

We used the data to provide several useful views of the housing market in and around Merton. These are considered below.

A2.8 Comparing prices in neighbouring areas

The Land Registry data can be used to show how prices in Merton compared to those in nearby and adjoining local authority areas. The table below shows average sale prices for the Local Authorities adjoining Merton (from the most recent quarter available from the Land Registry).

Table A2.1 Average property prices by Local Authority (4th quarter 2004)								
(number of sales in brackets)								
Property type	Merton	Wandsworth	Lambeth	Croydon	Sutton	Kingston upon Thames	Richmond upon Thames	England & Wales
Detached	£1,021,421 (19)	£1,123,999 (4)	£514,300 (15)	£481,562 (129)	£450,011 (55)	£487,621 (56)	£873,907 (69)	£282,157 (48,393)
Semi-detached	£378,487 (91)	£606,230 (89)	£389,009 (71)	£265,926 (244)	£269,232 (170)	£298,466 (164)	£499,404 (170)	£169,074 (62,453)
Terraced	£276,071 (328)	£405,102 (344)	£329,633 (208)	£202,658 (532)	£212,869 (276)	£249,887 (162)	£361,135 (238)	£139,122 (75,784)
Flat/maisonette	£196,389 (309)	£261,224 (924)	£212,802 (670)	£152,573 (546)	£160,625 (350)	£209,630 (321)	£253,469 (419)	£168,571 (43,094)
Overall average	£274,544 (747)	£322,686 (1,361)	£255,679 (964)	£219,246 (1,451)	£217,967 (851)	£261,775 (703)	£376,508 (896)	£182,920 (229,724)

The overall average price figures for each Borough (e.g. Merton at £274,544) show that in all Boroughs property prices are significantly more expensive than the England and Wales average of £182,920. There is a degree of variation amongst the prices in the area. Sutton has the lowest (£217,967) and Richmond upon Thames has the highest (£376,508) average price.

A2.9 Historical results for Merton.

We will now examine in more detail information from the Land Registry for Merton. The table below shows data for sales over the last five years. The data for each case is the 4th quarter of the year.

Table A2.2 Average property prices in Merton – 1999 to 2004 (4th quarters) (Number of sales in brackets)						
Property type	1999	2000	2001	2002	2003	2004
Detached	£503,687 (28)	£761,612 (47)	£1,034,452 (22)	£867,860 (28)	£1,090,244 (32)	£1,021,421 (19)
Semi-detached	£228,473 (175)	£222,059 (105)	£287,690 (134)	£340,392 (135)	£323,550 (135)	£378,487 (91)
Terraced	£152,079 (582)	£169,110 (404)	£194,063 (546)	£238,466 (530)	£254,584 (611)	£276,071 (328)
Flat/maisonette	£114,185 (565)	£120,811 (385)	£147,715 (475)	£172,863 (464)	£176,014 (479)	£196,389 (309)
OVERALL	£153,415 (1,350)	£184,850 (941)	£201,725 (1,177)	£239,281 (1,157)	£253,324 (1,257)	£274,544 (747)

The overall average sale price was roughly £20,000 higher in the 4th quarter of 2004 than the 4th quarter of 2003. Over the five year period prices have risen by an average of £121,129. The number of sales has fluctuated over the five years, with a high at 1,350 in 1999, and a low for the most recent period of 747.

A2.10 Differences within Merton.

(i) General methodology

The general methodology is quite straightforward. We have drawn up a list of the main postcode sectors within the Borough, and mapped where these postcodes are. The table below gives a brief description of which postcodes apply to which areas of Merton.

It should be noted that the local authority boundaries are not always coterminous with postcodes. Therefore some properties in a postcode may be outside the area; in addition it is possible that some parts of the Borough are in a postcode zone that is predominantly located outside the Local Authority area, and are therefore excluded from analysis.

This means that the data by sub-area is only a guide to actual variations within Merton.

Table A2.3 Approximate sub-areas and postcodes	
Area description	Postcode(s)
North	SW19 5, SW19 7, SW19 4, SW19 8
Central Merton	SW20 0, SW20 8, SW19 1, SW19 3
East	SW19 2, CR4 2, CR4 3, CR4 1, CR4 4
South	KT3 6, SM4 4, SM4 5, SM4 6

The table above shows 17 different postcode sectors in five different sub-areas. This gives us the opportunity to compare prices across the Merton area.

(ii) Results by sub-area

In the table below, average property prices are shown for each type of property for each sub-area. It is necessary to bear in mind that the number of sales in some cells of the table are quite small and the average price shown may be less reliable as a consequence.

Table A2.4 Average property prices by sub-area (4th quarter 2004) (Number of sales in brackets)				
Property type	North	Central Merton	East	South
Detached	£1,227,222 (9)	£646,666 (3)	- (0)	£433,333 (3)
Semi-detached	£619,583 (18)	£409,930 (36)	£218,685 (24)	£253,793 (15)
Terraced	£410,833 (58)	£322,712 (68)	£211,564 (113)	£228,480 (79)
Flat/maisonette	£264,998 (65)	£213,731 (99)	£153,199 (113)	£162,419 (37)
Average	£421,671 (150)	£290,297 (206)	£185,867 (250)	£217,658 (134)

The table demonstrates that prices are significantly higher in the North of Merton, and lower in the East and South. The variations between the two groups are all relatively distinctive. This is consistent with primary data obtained from local agents presented in Chapter 5 of the report.

Appendix A3: Supporting information

A3

A3.1 Non-response and missing data

Missing data is a feature of all housing surveys: mainly due to a respondent's refusal to answer a particular question (e.g. income). For all missing data in the survey imputation procedures were applied. In general, throughout the survey the level of missing data was minimal. The main exception to this was in relation to financial information, where there was an appreciable (although typical) level of non-response.

Non-response can cause a number of problems:

- The sample size is effectively reduced so that applying the calculated weight will not give estimates for the whole population
- Variables which are derived from the combination of a number of responses each of which may be affected by item non-response (e.g. collecting both respondent and their partners income separately) may exhibit high levels of non-response
- If the amount of non-response substantially varies across sub-groups of the population this may lead to a bias of the results

To overcome these problems missing data was 'imputed'. Imputation involves substituting for the missing value, a value given by a suitably defined 'similar' household, where the definition of similar varies depending on the actual item being imputed.

The specific method used was to divide the sample into sub-groups based on relevant characteristics and then 'Probability Match' where a value selected from those with a similar predicted value was imputed. The main sub-groups used were tenure, household size and age of respondent.

A3.2 Response rates

A total of 1,226 personal interviews were undertaken across the Borough. Further to this 11,300 postal questionnaires were sent to households throughout the District. A total of 2,337 postal questionnaires were returned; a response rate of 20.7%.

The table below provides details of the response rate to financial questions on the survey form, namely the information collected relating to households' levels of income and savings. Whilst it is inevitable that some households will refuse to answer this question (due to the sensitive nature of the information required) it is important that as many households as possible do provide the information required.

Table A3.1 Response rates to financial questions		
Response	Income question	Savings question
Provided information	89.7%	78.5%
Stated "Don't Know"	0.8%	4.4%
Refused to provide information	9.5%	17.1%
Total	100.0%	100.0%

The level of response to both of the financial questions in the Merton survey was excellent, in particular the response for the income question showed 89.7% of respondents provided information. This compares with a total of 78.5% of respondents who provided savings information. The good response to these important questions leads us to conclude that the statistical validity of the survey has not been jeopardised by a poor response to the financial questions on the survey form.

Finally, the last question on the survey form asked respondents if they would be willing to take part in a further survey. Only 2.4% of households did not answer this question.

A3.3 Weighting data

The survey data was weighted to estimated profiles of households based on various secondary sources of information. The tables below show the final estimates of the number of households in each group (for 5 different variables) along with the number of actual survey responses (data for tenure can be found in Chapter 3). Although in some cases it is clear that the proportion of survey responses is close to the 'expected' situation there are others where it is clear that the weighting of data was necessary to ensure that the results as presented are reflective of the household population of Merton.

Table A3.2 Ward profile				
Wards	Estimated hhs	% of hhs	Number of returns	% of returns
Lower Morden	3,630	4.5%	208	5.8%
St Helier	4,051	5.0%	185	5.2%
Colliers Wood	4,267	5.3%	169	4.7%
Lavender Fields	4,261	5.3%	174	4.9%
Cricket Green	4,224	5.2%	152	4.3%
Ravensbury	4,046	5.0%	170	4.8%
Graveney	3,618	4.5%	148	4.2%
Figge's Marsh	4,175	5.2%	155	4.4%
Longthornton	3,787	4.7%	142	4.0%
Pollards Hill	3,934	4.9%	175	4.9%
Village	3,840	4.7%	190	5.3%
Raynes Park	4,399	5.4%	191	5.4%
Hillside	4,375	5.4%	211	5.9%
Wimbledon Park	3,910	4.8%	189	5.3%
Trinity	4,283	5.3%	150	4.2%
Dundonald	4,077	5.0%	193	5.4%
Abbey	4,781	5.9%	180	5.1%
Merton Park	3,861	4.8%	200	5.6%
Cannon Hill	3,647	4.5%	185	5.2%
West Barnes	3,834	4.7%	196	5.5%
Total	81,000	100.0%	3,563	100.0%

Table A3.3 Accommodation type profile				
Accommodation type	Estimated households	% of households	Number of returns	% of returns
Flat/maisonette	28,816	35.6%	1,181	33.1%
House/bungalow	52,184	64.4%	2,382	66.9%
Total	81,000	100.0%	3,563	100.0%

Table A3.4 Household type profile				
Household type	Estimated households	% of households	Number of returns	% of returns
Single pensioners	10,443	12.9%	478	13.4%
Two or more pensioners	5,038	6.2%	292	8.2%
Single non-pensioners	15,641	19.3%	570	16.0%
Other households	49,879	61.6%	2,223	62.4%
Total	81,000	100.0%	3,563	100.0%

Table A3.5 Car ownership				
Cars owned	Estimated households	% of households	Number of returns	% of returns
None	24,446	30.2%	1,275	35.8%
One	39,166	48.4%	1,630	45.7%
Two	14,153	17.5%	567	15.9%
Three or more	3,235	4.0%	91	2.6%
Total	81,000	100.0%	3,563	100.0%

Table A3.6 Household size				
Number of people in household	Estimated households	% of households	Number of returns	% of returns
One	26,083	32.2%	1,048	29.4%
Two	25,116	31.0%	1,168	32.8%
Three	12,882	15.9%	610	17.1%
Four	10,582	13.1%	461	12.9%
Five	4,367	5.4%	180	5.1%
Six or more	1,969	2.4%	96	2.7%
Total	81,000	100.0%	3,563	100.0%

Table A3.7 Council Tax band				
Band	Estimated households	% of households	Number of returns	% of returns
AB	9,050	11.2%	395	11.1%
C	20,310	25.1%	860	24.1%
D	27,644	34.1%	1,141	32.0%
E	13,534	16.7%	599	16.8%
F+	10,461	12.9%	568	15.9%
Total	81,000	100.0%	3,563	100.0%

Table A3.8 Ethnic origin of head of household				
Ethnic origin	Estimated households	% of households	Number of returns	% of returns
White	64,725	79.9%	2,935	82.4%
Asian & Asian British	6,824	8.4%	297	8.3%
Black & Black British	5,830	7.2%	211	5.9%
Mixed, Chinese & Other	3,621	4.5%	120	3.4%
Total	81,000	100.0%	3,563	100.0%

Appendix A4: Balancing housing market analysis

A4

A4.1 Introduction

The following tables show the detailed analysis for the six components contributing to the Balancing Housing Market Analysis presented in Chapter 13 of this report.

A4.2 Analysis of Merton data

Table A4.1 Demand I: Household formation by tenure and size required					
Tenure	Size requirement				Total
	1 bedroom	2 bedrooms	3 bedrooms	4+ bedrooms	
Owner-occupation	114	167	26	0	307
Affordable housing	394	206	6	0	607
Private rented	30	3	0	0	33
Total	539	377	32	0	947

Table A4.2 Demand II: Demand from in-migrants by tenure and size required					
Tenure	Size requirement				TOTAL
	1 bedroom	2 bedrooms	3 bedrooms	4+ bedrooms	
Owner-occupation	300	598	805	221	1,924
Affordable housing	71	43	73	0	187
Private rented	394	447	191	119	1,151
Total	765	1,088	1,069	340	3,262

Table A4.3 Demand III: Demand from existing households by tenure and size required					
Tenure	Size requirement				TOTAL
	1 bedroom	2 bedrooms	3 bedrooms	4+ bedrooms	
Owner-occupation	189	906	709	389	2,194
Affordable housing	222	465	438	180	1,305
Private rented	57	48	21	5	131
Total	469	1,419	1,168	574	3,630

Table A4.4 Demand IV: Total demand by tenure and size required					
Tenure	Size requirement				TOTAL
	1 bedroom	2 bedrooms	3 bedrooms	4+ bedrooms	
Owner-occupation	603	1,671	1,540	610	4,425
Affordable housing	688	715	516	180	2,099
Private rented	481	498	212	124	1,315
Total	1,772	2,884	2,269	914	7,839

Table A4.5 Supply I: Supply from household dissolution					
Tenure	Size released				TOTAL
	1 bedroom	2 bedrooms	3 bedrooms	4+ bedrooms	
Owner-occupation	55	142	208	34	439
Affordable housing	95	34	12	2	143
Private rented	31	19	15	1	66
Total	181	195	235	37	648

Table A4.6 Supply II: Supply from out-migrant households					
Tenure	Size released				TOTAL
	1 bedroom	2 bedrooms	3 bedrooms	4+ bedrooms	
Owner-occupation	330	691	1,128	305	2,454
Affordable housing	49	59	62	12	181
Private rented	145	182	106	63	496
Total	524	932	1,296	380	3,131

Table A4.7 Supply III: Supply from existing households					
Tenure	Size released				TOTAL
	1 bedroom	2 bedrooms	3 bedrooms	4+ bedrooms	
Owner-occupation	224	582	619	277	1,702
Affordable housing	250	225	207	18	700
Private rented	445	413	282	88	1,228
Total	919	1,220	1,108	383	3,630

Table A4.8 Supply IV: Total supply					
Tenure	Size released				TOTAL
	1 bedroom	2 bedrooms	3 bedrooms	4+ bedrooms	
Owner-occupation	609	1,416	1,954	616	4,595
Affordable housing	394	318	281	32	1,024
Private rented	621	614	403	152	1,791
Total	1,623	2,347	2,639	800	7,409

Appendix A5: Survey questionnaires

A5

