

Tenancy Strategy January 2013



TENANCY STRATEGY FOR MERTON

CONTENT

PART I - INTRODUCTION	p.3
1. Purpose	p.3
2. Background	p.3
3. Scope of Strategy	p.4
PART II – AIM & BROAD OBJECTIVES	p.6
4. Aim of Merton’s Tenancy Strategy	p.6
5. Broad Objectives	p.6
PART III - FURTHER INFORMATION ON BROAD OBJECTIVES	p.8
6. Type of Tenancies to be Granted	p.8
7. Length of Fixed-Term Tenancies	p.9
8. Ensure Sustainability	p.10
9. Support for Fixed-Term Tenants	p.11
10. Review of Fixed-Term Tenancies	p.11
11. Ending Fixed-Term Tenancies	p.12
12. Monitoring & Review	p.13
APPENDIX – AFFORDABILITY ANALYSIS	p.14

PART I – INTRODUCTION

1. Purpose

- 1.1 Local authorities are given the role to shape tenure reform introduced by the Government in their local area, and are required by law to produce a Tenancy Strategy. This Tenancy Strategy sets out objectives which all registered providers in their local area must have regard to when making decisions about their own tenancy policies. This Strategy is the London Borough of Merton's response to the duty set out in Section 150 and 151 in the Localism Act.
- 1.2 It is recognised that most registered providers own housing stock across many local authorities, therefore likely to have a 'corporate' tenancy policy that covers many areas. Where it concerns Merton tenants, registered providers are expected to make adjustments to their tenancy policies locally, to take into consideration the principles and objectives set out in Merton's Tenancy Strategy. Registered providers are also expected to revise their tenancy policies following the publication of Merton's Tenancy Strategy and the publication of any subsequent amended versions

2. Background

- 2.1 The Government introduced radical reform to social housing policy in 2011, including changes to tenure, housing waiting list, the homelessness duty, and the introduction of a new 'affordable rent' tenancy. In relation to tenure reform, the driver for change is to ensure that social housing, an increasingly scarce public resource, can be "focused on those who need it the most, for as long as they need it". The reform also promotes greater tenure mobility, with social housing acting as a springboard for individuals aspiring to become homeowners.
- 2.2 While ensuring that security of tenure and rent levels for existing social tenants are protected, the Government gives local authority landlords the option to offer a new type of 'flexible' tenancy to new tenants through the Localism Act 2011, and made changes to the Social Housing Regulator's Tenancy Standard which allows registered providers the flexibility to offer new tenants fixed-term tenancies from April 2012. Social landlords developing new affordable homes through the Homes and Communities Agency's 2012-2015 Affordable Housing Programme were able to offer new-build homes on fixed-term tenancies prior to April 2012.

2.3 The key objectives of the Government's social housing reform are as follows:

- Localism, fairness and focusing social housing on those most in need in a way that enables them to use it as a springboard to opportunity
- Social housing is flexible and available to more people and to those genuinely need it
- Make best use of social rented homes
- Increase the freedoms available to all social landlords to determine the sort of tenancy they grant to new tenants
- Protect the right of existing tenants

2.4 Local authorities in London are required to have regard to the London Housing Strategy when formulating or revising their tenancy strategies. This is in addition to the duty set out under part 7a of the GLA Act 2007, which requires all local housing strategies in London to be in general conformity with the Mayor's London Housing Strategy. When formulating this Tenancy Strategy for Merton, we have taken into consideration the Mayor's wish to see an appropriate mix of lifetime and fixed-term tenancies, as was his aim to see the needs of vulnerable groups balanced against the need to make best use of social housing stock.

2.5 Merton's Tenancy Strategy is one of a number of documents supporting the council's Housing Strategy 2012-2015. As required by the Section 151 of the Localism Act 2011, the objectives contained in this Tenancy Strategy are in line with Merton Council's current Allocations Policy, named 'Housing Register and Nominations Policy' published in 2012, and are in line with objectives set out in Merton's Homelessness Strategy 2008-2013.

3. Scope of Strategy

3.1 As Merton Council no longer owns any council housing following the transfer of all housing stock to Merton Priory Homes in 2010, this Tenancy Strategy only covers the 'Fixed-Term Tenancy' option available to registered providers and not the 'Flexible Tenancy' option available to local authority landlords.

3.2 This Strategy sets out how Merton Council expect registered providers to make use of the flexibility available to them to grant fixed-term tenancies, where it concerns the letting of an affordable home in Merton to new social tenants, or when fixed-term tenancies come to an end, covering the following areas:

- Type of tenancies to be granted – lifetime or fixed-term, social rent or ‘affordable rent’
- Circumstances in which tenancy of a particular kind are granted
- The length of Fixed-Term tenancies
- The review of Fixed-Term tenancies
- Circumstances in which a further tenancy are granted at the end of an existing Fixed-Term tenancy
- Ending of Fixed-Term tenancies
- Monitoring and Review
- Affordability Analysis

3.3 Other changes relating to housing brought in by the Localism Act relating to additional flexibility for local authorities to manage their housing waiting list, and the option for local authority to discharge homelessness duty through the private rented sector by arranging an offer of suitable accommodation, are outside of the scope of this Strategy. Merton Council has reviewed its Allocations Policy, following the changes brought in by the Localism Act, and the new ‘Housing Register and Nominations Policy’ was published in 2012.

PART II – AIM & BROAD OBJECTIVES

4. Aim of Merton's Tenancy Strategy

- 4.1 Merton's Housing Strategy 2012-2015 sets out the council's position in relation to the use of fixed-term tenancies by registered providers:

“Whilst it is important that social housing acts as a transitional tenure or a ‘springboard’ for households who aspire to homeownership until their circumstances improves, the council believes that the most vulnerable people in society need a safety net for their housing that can only be provided through a secure and long-term tenancy.

The lack of a stable base for vulnerable households could lead to increased costs in other areas of public expenditure (e.g. social care and healthcare). Requiring the poorest families to move homes constantly will also interrupt the lives of children and young people and affect their life chances.

However, in cases where tenants' economic circumstances have improved and are in a position to access other housing solutions, or where their need has changed over time resulting in under-occupation, then fixed-term tenancies can help release much needed affordable homes”

- 4.2 In line with the position set out in the council's Housing Strategy 2012-2015, Merton's Council's Tenancy Strategy has the following overarching aim:

Registered providers should adopt a people-centred approach when granting initial tenancies and further fixed-term tenancies. It is generally expected that fixed-term tenancies should be renewed, balancing the need of households for whom open market housing are unaffordable and / or unsuitable, with the need to make best use of stock to meet housing needs in Merton, prioritising the use of larger homes for families, while ensuring the sustainability of local communities.

5. Broad Objectives of Strategy

- 5.1 Registered providers are expected to have regard to the overarching aim of this Strategy as set out in paragraph 4.2 above, and have regard to the following broad objectives when developing and implementing their tenancy policies:

- 5.1.1 Ensure the most vulnerable households in society, such as older people; people with disabilities; injured ex-armed forces personnel; low-income households, are given the security they require for as long as they need it, and provided with homes suited to their changing needs.
- 5.1.2 Fixed-term tenancies should be offered for a minimum of 5 years, unless under exceptional circumstances, for example 'risk' cases that require high level of support.
- 5.1.3 Registered providers developing new homes under the Homes and Communities Agency's Affordable Housing Programme 2012-2015 should adhere to Merton's Council's Affordable Rent Policy (see paragraph 6.7 below)
- 5.1.4 Consider giving the same rights to 'fixed-term' tenants with regards to Right-to-Acquire and succession right, where they meet the same criteria set out for tenants of lifetime tenancies
- 5.1.5 Ensure an even distribution of the different types of tenancies across different areas in Merton, and to ensure a mix of tenancies in individual schemes / estates, to help build stable communities and ensure sustainability
- 5.1.6 When reviewing fixed-term tenancies, registered providers need to consider the need to prioritise the use of larger homes (3-bedrooms and above) for families, and assist under-occupying tenants to downsize.
- 5.1.7 Fixed-term tenancies should generally be renewed except under certain circumstances, such as proven cases of anti-social behaviour, or under-occupying households where a move into the private sector is deemed affordable.
- 5.1.8 Provide support and assistance to tenants to help promote tenure mobility where appropriate, to include help with accessing training and employment opportunities, income maximisation, and to provide advice on alternative housing options
- 5.1.9 Take into account the affordability of alternative housing options when reviewing fixed-term tenancies
- 5.1.10 Make best use of housing stock where the needs of the tenants have changed, by assisting them to move to accommodation that are more appropriate for their needs
- 5.1.11 Seek to achieve positive housing outcomes for households at the end of fixed term tenancies
- 5.1.12 Ensure that objectives in their policies are compatible with key objectives set out in Merton's Housing Strategy and Homelessness Strategy
- 5.1.13 Ensure decisions not to renew fixed term should not result in tenants becoming homeless as defined by the Housing Act 1996 and Homelessness Act 2002 Let all Fixed-Term and Affordable Rent tenancies through Merton's Choice-Based Lettings (CBL) scheme in accordance with nominations agreements
- 5.2 Further information and explanation of the broad objectives outlined in paragraph 5.1 above are set out in Part III of this Strategy.

PART III – FURTHER INFORMATION ON BROAD OBJECTIVES

6. Type of Tenancies to be Granted

- 6.1 Prior to changes brought in by the government through the tenure reform, new tenants were granted a tenancy for life by social landlords in most cases. This provides them with the security of a home for life, through a Secure Tenancy (local authorities) or an Assured Tenancy (registered providers), as long as they do not breach tenancy conditions. Many social landlords also offer ‘probationary’; ‘introductory’ or ‘starter’ tenancies to new tenants, prior to granting a tenancy for life.
- 6.2 It should be noted that the granting of fixed-term tenancies is an option available to all registered providers since April 2012. There is no requirement for registered providers to offer fixed-term tenancies to new tenants and they are still able to continue to grant lifetime tenancies to all new tenants if they wish, or to offer a mix of Lifetime and Fixed-term tenancies.
- 6.3 Registered providers in receipt of Affordable Housing Grant from the Homes and Communities Agency (HCA) to develop new homes in 2012-2015 are required to offer these homes to new tenants at up to 80% of market rent. They are also required to convert a proportion of their existing homes, when they become available for relet, into ‘Affordable Rent’ tenancies.
- 6.4 Existing social tenants transferring to another ‘social’ home are protected and will be offered assured tenancies (lifetime tenancies) on social rent, but registered providers now have the options to offer the following types of tenancies to new tenants.
- Lifetime tenancy on social rent
 - Lifetime tenancy on affordable rent’
 - Fixed-term tenancy on social rent
 - Fixed-term tenancy on ‘affordable rent’
- 6.5 In addition, the option for registered providers to offer a starter/ introductory/ probation tenancy for the first 12 months of a new tenant’s tenure remains, and can be applied to both lifetime and fixed-term tenancies.

6.6 Registered providers are expected to consider how best to meet the changing housing and support needs of the most vulnerable households in society, including the client groups outlined below, when deciding on the type and length of tenancy to be granted to new tenants, subject to the minimum 5-year period as prescribed by government guidance (see section 7 below).

- Older people or people with disabilities moving into sheltered or extra care housing
- People with a lifelong need for support moving into either supported housing or general needs accommodation
- Disabled people moving into homes that are adapted for their needs
- Injured ex-armed forces personnel

6.7 Analysis undertaken locally shows that the 80% market rent level is not affordable to most households in housing need. The Council also recognises that family-sized homes at Affordable Rent are particularly unaffordable. Registered providers in receipt of funding through the Homes and Communities Agency's Affordable Housing Programme 2012-2015, who offer new build homes or relet conversions to new tenants at 'affordable rent' of up to 80% of market rent, should adhere to Merton's Council's policy on Affordable Rent, as set out in the Housing Strategy 2012-2015:

"The council will only support new housing schemes in Merton where average rent level across all bed sizes does not exceed 65% of market rent, unless registered providers can demonstrate exceptional circumstances. Affordable rent level for any bed size must not exceed 80% market rent and must not exceed 65% for larger homes with 3 or more bedrooms. Affordable rent level for all relet conversions should not exceed 65% of market rent."

6.8 Registered providers should consider giving the same rights to 'fixed-term' tenants with regards to Right-to-Acquire and succession right where they meet the same criteria set out for tenants of lifetime tenancies, before their fixed-term tenancies come to an end.

7. Length of Fixed-Term Tenancies

7.1 Since April 2012, all registered providers have the option to grant tenancies for a fixed-term, with a minimum length of 5 years. The Government has prescribed that in exceptional circumstances, fixed-term tenancies with a minimum length of 2 years can be offered, although no upper limit to the length of a fixed-term tenancy has been prescribed.

7.2 Registered providers opting to offer a mix of lifetime and fixed-term tenancies should have regard to the following criteria:

- Fixed-term tenancies should be offered for a minimum period of 5 years, unless under exceptional circumstances
- In exceptional circumstances, fixed-term tenancies between 2 to 5 years in length can be offered. Examples of this include 'risk' cases where Merton Council owes a rehousing duty, but a high level of support is required to help the tenants maintain their tenancies

8. Ensure Sustainability

8.1 The council intends to ensure that the letting of 'Affordable Rent' homes will not reduce the borough's capacity to reduce overcrowding in social housing. The proportion of social housing in Merton is amongst the lowest in London. And as a non-stock-owning borough, a higher proportion of Merton's social housing stock could be converted into 'Affordable Rent' homes when compared to stock-owning boroughs, as all social housing in Merton are now owned by registered providers. When converting existing social rent homes into "Affordable Rent", registered providers will need to take into account the need to maintain an adequate level of supply of family-sized social rent homes to help reduce overcrowding amongst existing social tenants, and minimize the conversion of larger homes.

8.2 The council also intends to ensure that 'Affordable Rent' homes are evenly spread out across the borough, in order to maintain a supply of homes offered at 'social' rent in all areas of the borough. This is to ensure that the mobility and choice of existing social tenants needing to move homes within the borough are not restricted. To help facilitate this, the council will monitor the conversion of relets to 'Affordable Rent' by location, and will discuss with registered providers actions needed if evidence showed that these conversions are concentrated in particular localities.

8.3 For new build schemes, registered providers opting to offer fixed-term tenancies should offer an appropriate proportion of these homes on lifetime tenancies, to help build stable communities and ensure sustainability.

8.4 Registered providers should let all Fixed-Term and Affordable Rent tenancies through Merton's Choice-Based Lettings (CBL) scheme in accordance with nominations agreements

9. Supports for 'Fixed-Term' Tenants

- 9.1 Registered providers should take into account the purpose of fixed-term tenancies, which is to promote tenure mobility and provide an incentive for tenants to avoid long-term welfare dependency. Registered providers should provide fixed-term tenants with support throughout their tenancies, with a view of encouraging and helping them make plans to access open market housing solutions.
- 9.2 Registered providers should work with partners to provide advice, support and assistance to all tenants to help promote tenure mobility where appropriate, to include help with accessing training and employment opportunities, income maximisation, and to provide advice on alternative housing options

10. Reviewing Fixed-Term Tenancies

- 10.1 At the end of a fixed-term tenancy, registered providers will be able to review tenants circumstances, and grant a further fixed-term tenancy or lifetime tenancy where appropriate.
- 10.2 Registered providers should undertake formal tenancy reviews at least 6 months before the end of fixed-term tenancies. Factors to be reviewed should include the following:
- Is there still a need for the accommodation
 - Does the property size still matches the need of the households
 - Has the support need of the household changed
 - Does the household has the financial capacity (earned income & entitlement to benefits) to secure alternative open market housing,
 - Discuss alternative housing options where appropriate and the assistance required by the household to access these options
- 10.3 When reviewing fixed-term tenancies, registered providers need to consider the need to prioritise the use of larger homes (3-bedrooms and above) for families, and assist under-occupying tenants to downsize. Where under-occupying households are not in a position to access private market housing ((based on information contained in the latest Affordability Analysis), an alternative social home that is more suitable to their need should be offered

10.4 One of the broad objectives outlined in paragraph 5.1 of this Strategy is the need for registered providers to seek to achieve positive housing outcomes for households at the end of fixed-term tenancies. Fixed-term tenancies should generally be renewed except under certain circumstances, such as proven cases of anti-social behaviour, where solutions through usual tenancy management procedures have been exhausted, or under-occupying households where a move into the private sector is deemed affordable.

10.5 Reviews undertaken at the end of fixed-term tenancies should result in one of the following scenarios:

- (a) Another fixed-term tenancy should be granted for tenants to remain in their homes if the review found no change in circumstances
- (b) Where the support needs of tenants are found to have increased, registered providers should consider if suitable alternative accommodation are required
- (c) Where tenants' circumstances have changed but still not in a position to access private market housing (based on information contained in the latest Affordability Analysis), for example where households are under-occupying their homes, an alternative social home that is more suitable to their need should be offered
- (d) Where tenants are assessed to be able to access private market housing, no further fixed-term tenancies are offered
- (e) Where tenants have breached tenancy conditions, and have been given opportunities to remedy the breach through the registered provider's usual housing management procedures but failed to do so, no further fixed-term tenancies are offered

10.6 In relation to paragraph 10.5 (c) above, registered providers should work with partners to find an alternative 'social' home for tenants under the following circumstances:

- The property is under-occupied by one bedroom or more
- Where overcrowding is identified
- Where tenants support need has increased and a move becomes necessary
- Where Affordable Rent level is found to be no longer affordable to tenants due to a change of circumstance, using the GLA definition of housing cost exceeding 30% net income being unaffordable
- The property has been extensively adapted for someone with a disability who no longer lives there

11. Ending Fixed-Term Tenancies

11.1 Where a decision is made not to grant a further tenancy, registered providers should serve notice setting out reasons why no further tenancy will be granted. Registered providers should provide advice and assistance for tenants to find alternative accommodation, such as access to homeownership/LCHO options, renting in the private rented sector, and signposting to appropriate advice agencies.

11.2 Tenants should be given sufficient notice so they could plan their move before the end of the fixed-term tenancy. Early notification should also be given to Merton Council where households plan to approach the Housing Options Team for advice & assistance

11.3 Decisions not to renew fixed term should not result in tenants becoming homeless, as this would go against the intentions of the London Housing Strategy, LA Housing/Homelessness strategies.

11.4 Registered providers should set out clearly how tenants can register a complaint or appeal against their decisions in their Tenancy Policies.

12. Monitoring and Review

12.1 Local authorities are required by law to keep their tenancy strategies under review, and where appropriate the strategies can be modified or replaced. Merton Council will undertake a review of the Tenancy Strategy a year after it's initial publication, in January 2014.

12.2 To inform the review, the council will examine the number of fixed-term and lifetime tenancies offered during the year, the length of fixed-term tenancies offered, and the distribution of the different types of tenancies across different local areas in Merton. The council will also analyse rent levels of Affordable Rent tenancies let during this period. Registered providers are required to provide data through their quarterly nominations returns.

12.3 The council will hold liaison meetings with registered providers to discuss the type of support and assistance being offered to fixed-term tenants, and to assess the effectiveness of any measures in place in helping tenants plan for their future housing options. Further review mechanisms will be introduced in the medium term to examine the outcomes of fixed-term tenancy reviews, recognising that most reviews are not likely to take place until 2017 at the earliest.

AFFORDABILITY ANALYSIS

This sections examines the affordability for social tenants to move into the private sector, either through home ownership or through private renting.

1. Household Income in Merton

Average Income by Ward

The average gross household income in Merton in 2012 is £39,922, compared to the London average of £38,071 and the Outer London average of £38,278. The table below shows that average household incomes are lowest amongst wards with the highest proportion of social housing – Cricket Green, Figges Marsh, St.Helier, and Pollards Hill.

Ward	Average Household Income	Ward	Average Household Income
Hillside	£50,904	Colliers Wood	£39,194
Village	£49,060	Lower Morden	£37,896
Wimbledon Park	£48,269	Graveney	£36,667
Dundonald	£48,226	Lavender Fields	£35,947
Trinity	£47,672	Longthornton	£33,947
Merton Park	£44,665	Ravensbury	£32,459
Abbey	£44,505	Pollards Hill	£32,119
Raynes Park	£43,078	St Helier	£31,791
West Barnes	£40,923	Figge's Marsh	£31,370
Cannon Hill	£39,492	Cricket Green	£28,305

Source: CACI Equivalised Paycheck Data 2012

Income Distribution by Band

Income Band	% Household	Culmulative Income	% Household
£0k-£20k	25.1%	£0k-£20k	25.1%
£20k-£40k	35.6%	Below £40k	60.7%
£40k-£60k	21.4%	Below £60k	82.1%
£60k-£80k	10.2%	Below £80k	92.3%
£80k-£100k	3.7%	Below £100k	96%
£100k+	3.9%	£100k+	100%
	Total 100%		

The table above shows average household income distribution by income band. This shows that 60.7% of households have an average gross income of below £40k, and 25% have an average gross income of below £20k.

1. Home Ownership in Merton

Average House Prices

The average house price in Merton is currently £445,300, slightly above the London average of £439,800. The lower quartile house price is £239,300, compared to an average of £233,700 for London (HomeTrack October 2012).

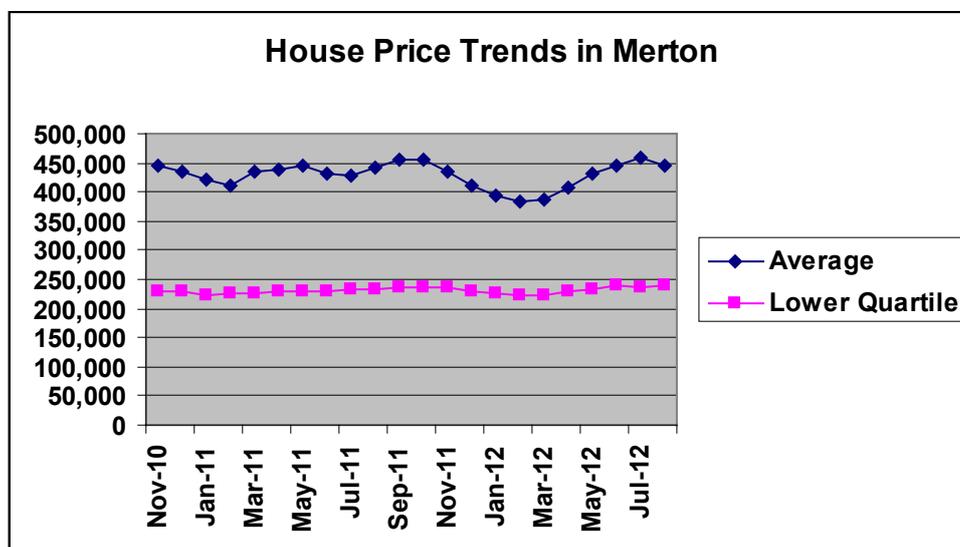
The table below shows average house prices in the South West London Sub Region. Merton has the third highest average house prices after Richmond & Wandsworth.

South West Sub Region	Average House Prices
Richmond	£653,600
Wandsworth	£564,500
Merton	£445,300
Lambeth	£415,600
Kingston	£401,900
Sutton	£290,800
Croydon	£273,600

Source: HomeTrack October 2012

House Price Trends

The chart below shows that average house prices in Merton consistently peaked at around £450k over the last two years, having fallen to below £400k at its lowest in the early part of 2012. Lower quartile housing prices have changed very little in the last two years.



House Prices by Bedsize

The latest average house prices in Merton by bed size and property type are set out below:

	Average Merton House Prices
1-bed Flat	£212,000
2-bed Flat	£272,600
2-bed House	£359,400
3-bed House	£370,700
4-bed House	£668,600

Affordability of Home Ownership in Merton

In the current economic climate, the best mortgage deals often require a large deposit, with some requiring a deposit of as high as 40%, although recently mortgages requiring a 10% deposit have become available again. Based on house prices shown above, the table below shows the minimum amount of deposit required to purchase an average priced home in Merton, and the monthly repayments needed. Social tenants wanting to move into homeownership have no 'equity', therefore will have to save up the required deposit.

	10% Deposit	90% Mortgage	Monthly Repayments based on a 25-year repayment mortgage at a typical rate of 4.5%
1-bed Flat	£21,200	£190,800	£1,060.53
2-bed Flat	£27,260	£245,340	£1,363.68
2-bed House	£35,940	£323,460	£1,797.90
3-bed House	£37,070	£333,630	£1,854.42
4-bed House	£66,860	£601,740	£3,344.67

The table below shows the annual gross salaries required to cover the monthly repayments for different size homes if 30% of net salary were spent on housing cost, based on the GLA definition of housing cost exceeding 30% of net income being unaffordable. Even if households were willing to spend a higher proportion of their net salary on housing cost, those earning less than the annual salaries shown would not be able to obtain a big enough mortgage in the current housing market (see far right column).

	Monthly Repayment	Net monthly salary needed – 30% spent on housing cost	Equivalent Annual Gross Salary	Maximum Mortgage Amount based on an income multiple of 3
1-bed Flat	£1,060.53	£3,535	£62,000	£186,000
2-bed Flat	£1,363.68	£4,546	£82,000	£246,000
2-bed House	£1,797.90	£5,993	£100,000+	£300,000+
3-bed House	£1,854.42	£6,181	£100,000+	£300,000+
4-bed House	£3,344.67	£11,149	£100,000+	£300,000+

The table above shows that the monthly repayments for a 90% mortgage for an average priced 1-bed flat in Merton would only be affordable to 18% of Merton residents, as 82% of residents have an average gross of below £60,000, and an average priced 2-bed home is affordable to less than 8% of Merton households. This means that the majority of Merton households wanting to move into home ownership will need to find homes at lower quartile prices in the cheaper areas of Merton.

FirstBuy Initiative

FirstBuy is a government-backed equity loan scheme introduced in 2011 to help first-time buyers onto the property ladder. The Government has announced in September 2012 that a further £280 million would be put into the scheme.

Under this scheme, first-time buyers only need to put down a 5% deposit and obtain a 75% mortgage. The remaining 20% of the purchase price is covered by a joint loan from the Government and the developer. The maximum full purchase price of available properties for FirstBuy is set at £280,000, therefore excludes many family-sized homes in Merton. First-time buyers with a household income of less than £60,000 are eligible for FirstBuy, with priorities given to military personnel and existing social tenants.

As borrowers under this scheme only need a 75% mortgage, it is possible to get a lower interest rate, typically around 3% initially, then rising to just over 4%. The table below shows the month repayments needed to purchase 1-bed or 2-bed flats with a 25-year mortgage.

	5% Deposit	75% Mortgage	Monthly Repayments at 3%	Monthly Repayments at 4.2%
1-bed Flat	£10,600	£159,000	£754	£857
2-bed Flat	£13,630	£204,450	£967	£1,102

Using the higher interest rate of 4.2%, the table below shows the annual gross salaries required to cover the monthly repayments, based on 30% of net salary being spent on housing cost, which is considered affordable. Again, the column on 'maximum mortgage amount based on an income multiple of 3 shows that households earning below the annual salaries shown would not be able to obtain a big enough mortgage in the current housing market, even if they were willing to spend more than 30% of their net salary on mortgage repayments.

	Monthly Repayment at 4.2%	Net monthly salary needed – if 30% spent on housing cost	Equivalent Annual Gross Salary	Maximum Mortgage Amount based on an income multiple of 3
1-bed Flat	£857	£2,857	£48,000	£144,000
2-bed Flat	£1,102	£3,673	£65,000	£195,000

Intermediate Housing

Intermediate housing are part-rent part-buy homes for people who cannot afford to buy in the open market. The table below shows approximate sale prices achieved for one intermediate housing scheme in the relatively affordable area of Mitcham.

	Average Merton House Prices
1-bed Flat	£165,000
2-bed Flat	£205,000
3-bed Flat	£250,000

The target equity share for this scheme is 40% with rent charged at 2.75% on unsold equity. The table below gives an indication of the cost of buying intermediate' housing in this particular scheme only, therefore the figures are not representative of costs of intermediate housing across the borough. Monthly payments also vary with different equity shares.

	40% Equity Share	10% Deposit	Monthly Repayments (25-year 90% mortgage) at a typical rate of 4.5%	Monthly Rent Payment at 2.75% on unsold equity	Total Monthly Payment
1-bed Flat	£66,000	£6,600	£336	£227	£563
2-bed Flat	£82,000	£8,200	£410	£282	£692
3-bed Flat	£100,000	£10,000	£500	£344	£844

3. Private Renting in Merton

Average Rents

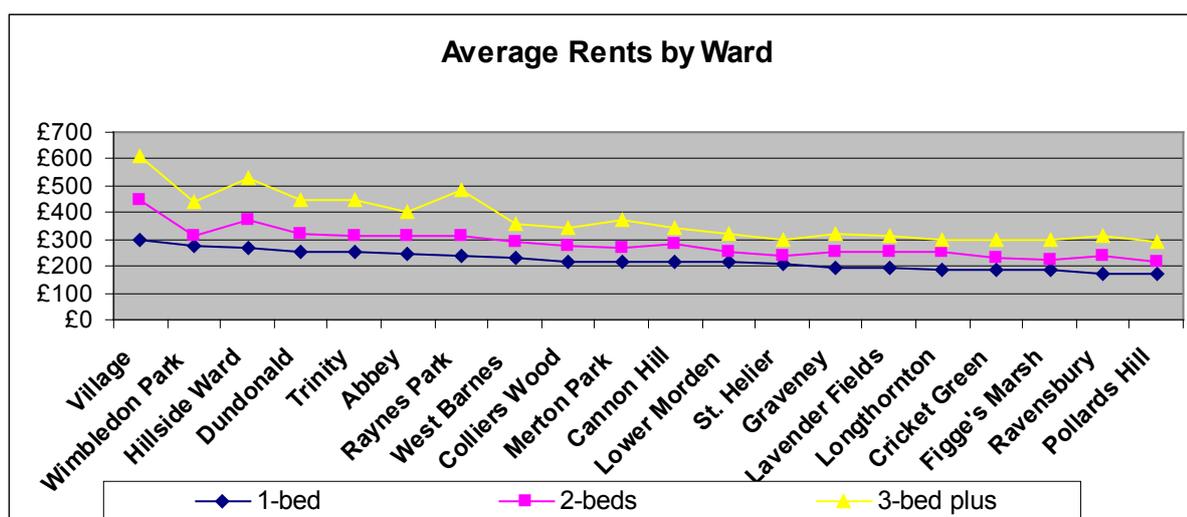
The table below shows average weekly market rents in Merton. Rent levels are below the London average, with average rents for 1-bed homes about 16% cheaper than the average 1-bed rents for London. However, the gap narrows for larger homes, with 2-bed homes 10% cheaper and 3-bed homes only 7.5% cheaper on average.

	1-bed	2-beds	3-beds plus
Wandsworth	£294	£369	£484
Lambeth	£265	£345	£425
Richmond	£253	£345	£460
Merton	£231	£311	£369
Kingston	£213	£288	£357
Sutton	£173	£225	£298
Croydon	£173	£219	£280
London Average	£275	£346	£399
Merton Rents vs London Average	16% below	10% below	7.5% below

Similar to other parts of London, rent levels across all bed sizes in Merton have increase over the last 12 months, with larger homes having the biggest increase.

	1-bed	2-beds	3-beds plus
October 2011	£219	£294	£340
October 2012	£231	£311	£369
% Increase	5.5%	5.8%	8.5%

The chart and table below show average private market rents by ward in Merton, highlighting that rent levels are highest amongst wards in the western part of Merton.



	1-bed	2-beds	3-bed plus
Village	£300	£450	£611
Wimbledon Park	£276	£313	£438
Hillside Ward	£265	£369	£530
Dundonald	£255	£323	£444
Trinity	£253	£311	£444
Abbey	£248	£311	£403
Raynes Park	£242	£311	£484
West Barnes	£230	£288	£357
Colliers Wood	£219	£276	£345
Merton Park	£219	£271	£369
Cannon Hill	£213	£282	£346
Lower Morden	£213	£253	£323
St. Helier	£205	£242	£300
Graveney	£196	£254	£323
Lavender Fields	£196	£253	£311

Longthornton	£184	£253	£300
Cricket Green	£184	£230	£300
Figge's Marsh	£184	£225	£300
Ravensbury	£173	£242	£311
Pollards Hill	£173	£219	£294

Affordability of Private Renting in Merton

Again using the GLA definition of housing cost exceeding 30% of net income being unaffordable, the table below shows the equivalent annual gross salaries required to cover the weekly rents for different size homes. This shows that private renting is no more affordable to a working household than home ownership, and may prove slightly more costly than the FirstBuy option. However, the amount of deposit needed to access private renting would be a lot lower than a mortgage deposit.

	Average Weekly Rent	Net weekly salary needed – if 30% spent on housing cost	Equivalent Annual Gross Salary
1-bed home	£231	£770	£58,000
2-bed home	£311	£1,037	£85,000
3-bed home	£369	£1,230	£99,000

The table above shows that renting in Merton is just as unaffordable to the majority of Merton households as home-ownership, and again only about 18% of households could afford the average rent for a 1-bed flat in Merton, with only 4% able to afford the average rent for a 3-bed home.

Low-income households can claim Housing Benefit (or Local Housing Allowance) to cover their rent either partially or entirely. The table below shows the LHA rates for April 2012 to March 2013 for the Broad Rental Market Areas (BRMAs) in Merton, calculated based on rents for the cheapest 30% of rental properties. This means that households who are entirely dependent on housing benefit to pay their rent could only access the cheapest 30% of homes in the rental market, while low-income working households would need to pay a proportion of their rent out of their earned income in order to access homes at higher rents.

	Inner South West	Outer South West	Outer South
1-bed home	£230	£202	£156
2-bed home	£288	£254	£196
3-bed home	£340	£312	£254
4-bed home	£400	£400	£312