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Ravensbury Site Housing Needs Study

February 2015

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1. Introduction

1.1 Circle Housing is a Registered Provider (RP) that manages over 66,000 homes across the UK. Circle Housing manages three separate sites in the Borough of Merton in South London, which are under consideration for redevelopment; Ravensbury, High Path and Eastfields. This study seeks to establish the housing needs of the current residents of the Ravensbury Site and determine whether the current accommodation is suitable to meet these housing needs or whether an alternative mix of accommodation is necessary. Equivalent housing needs studies are also being produced for the High Path and Eastfields Sites in Merton.

1.2 The Ravensbury Site is 101 homes in the Ravensbury ward of Merton toward the south of the Borough. It is a distinct area of homes between the A239 and Ravensbury Park. The properties on the site are now aged and some are no longer suitable to the requirements of their residents, as indicated in the Stock Condition Survey undertaken on the site in 2014. The purpose of this study is to identify the housing needs of the residents of Ravensbury Site and then the size, tenure and specification of housing that would be most appropriate for these resident households.

1.3 The English Planning Practice Guidance (PPG) (May 2014) indicates how housing need should be assessed and the methodology set out in the PPG is followed here. The housing need assessment is based on data on the composition and situation of the current resident population of the site as made available by Circle Housing. This data is supplemented by a range of evidence from secondary sources, including Census data for the output areas conterminous with the Ravensbury Site. The report considers the following areas:

- Chapter 2: Examination of the resident population and a profile of the housing stock in the Ravensbury Site
- Chapter 3: Analysis of the cost of housing in the area
- Chapter 4: Calculation of outputs for the affordable housing needs model in accordance with the PPG approach
- Chapter 5: A conclusion summarising the implications of these results.

2. Demographic context

Introduction

2.1 Two main drivers of the housing market are the resident population and the local labour market. They affect the nature of housing demand including household formation rates and households' investment in housing. This chapter uses the most recently available data to document the current socio-economic profile in the Ravensbury Site.

2.2 Analysis of the stock of housing allows an understanding of the current market balance and existing occupation patterns. A range of data sources, including information provided by the Registered Social Landlord (RSL), Circle Housing, will be used to provide an overview of the housing stock in the study area and a comparison to the regional and national situation will be presented where the data is available.

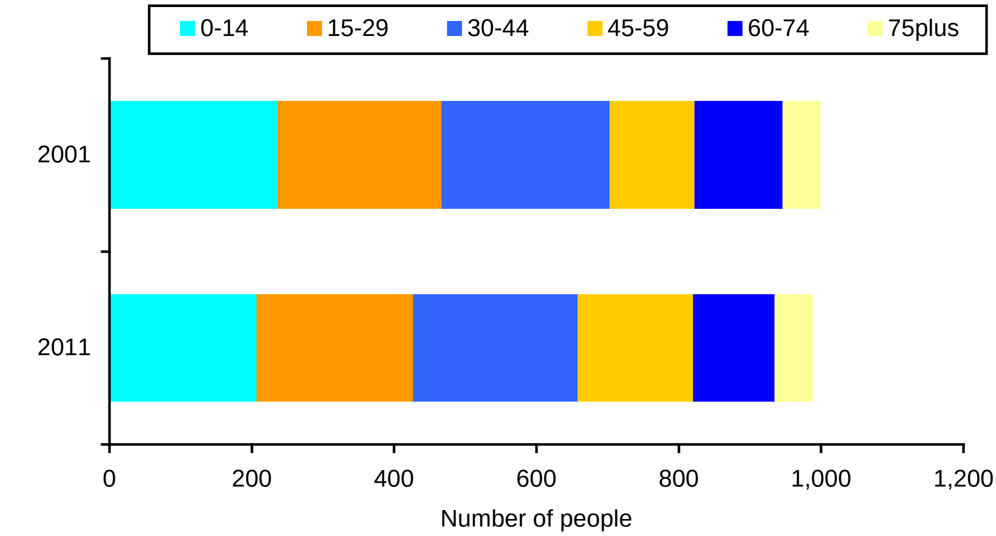
Demography

2.3 The recently released United Kingdom 2011 Census data provides a comprehensive profile of the population in the output areas conterminous with the Ravensbury Site and how it has changed since the previous Census.

Population

2.4 The Census indicates that the resident population in the Ravensbury Site in 2011 was around 250 and that since 2001 the population had fallen slightly (2.0%) from around 255 people. In comparison the population of Merton Borough increased by 6.3% between the 2001 and 2011 Census, whilst the population of England increased by 7.9%. Figure 2.1 illustrates the age composition of the population in Ravensbury Site in 2001 and 2011 according to the Census. It shows that since 2001 the number of people aged 45 to 59 has markedly increased. In contrast the number of people aged under 15 has decreased notably.

Figure 2.1 Population composition in the Ravensbury Site (2001 and 2011)



Source: 2001 & 2011 Census

2.5 The 2011 Census figures also indicate that the Ravensbury Site contains a lower proportion of the population that are of pensionable age than is found on average: 8.2% in the Ravensbury Site compared to 11.6% in Merton and 16.3% across England. This is principally because there are a larger than average proportion of people of working age in the area (69.9% in the Ravensbury Site compared to 66.8% in Merton and 62.3% in England).

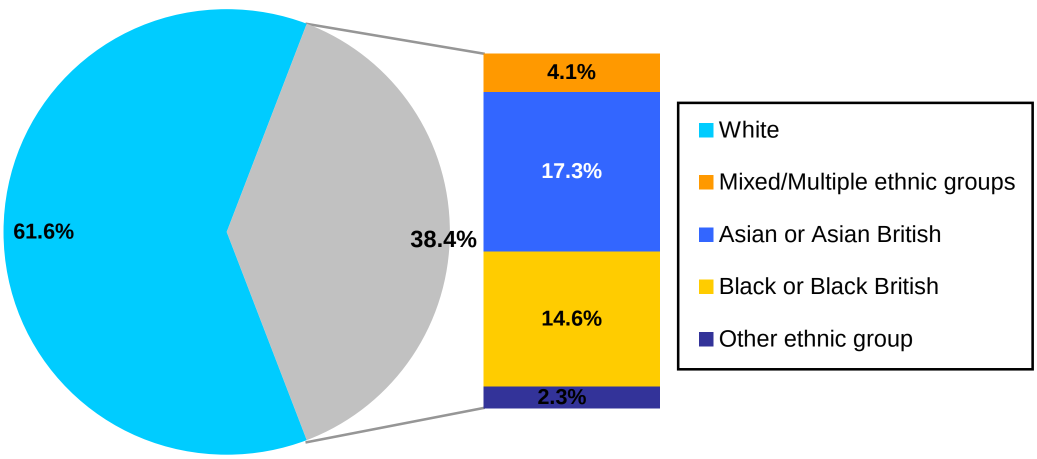
2.6 The 2011 Census indicates that the population density in the Ravensbury Site is around 58.1 people per hectare, compared to 53.1 people per hectare across London and 4.1 people per hectare in England.

2.7 The Census data reveals that some 17.1% of the resident population in the Ravensbury Site have a long-term health problem or disability, compared to 12.6% of residents in the Borough of Merton and 17.6% of people across England. This is in spite of a younger than average profile of the population.

Ethnicity

2.8 The 2011 Census suggests that the Black and Minority Ethnic (BAME) population of the Ravensbury Site has increased to 38.4% of the total population, higher than the Borough-wide and national figures (35.1% in Merton and 14.5% in England). Figure 2.2 presents the ethnicity of the population in Ravensbury Site in 2011. The ‘Asian or Asian British’ represents the largest BAME group in the Ravensbury Site (comprising 17.3% of total population).

Figure 2.2 Ethnicity of Ravensbury Site population, 2011



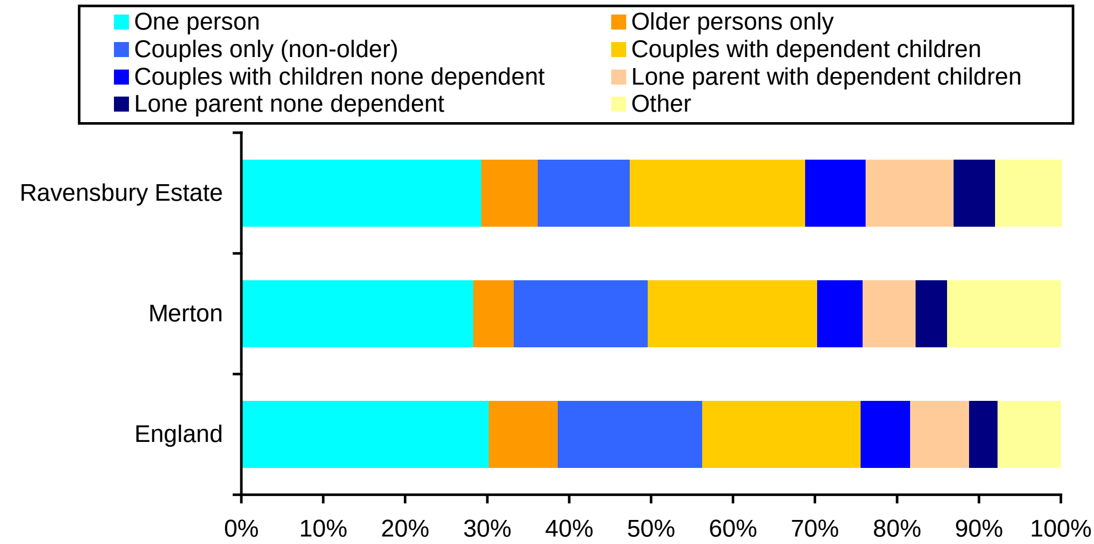
Source: 2011 Census

2.9 The Census reveals that just 1.0% of the population of the Ravensbury Site in 2011 had been resident in the UK for less than two years, compared to 2.6% in Merton and 1.1% across England. The overwhelming majority of the population of the Borough have resided in the UK for over 5 years (including those born in the UK); 95.7% in the Ravensbury Site compared to 91.0% in Merton and 97.6% in England.

Household composition

2.10 Figure 2.3 compares the household composition in the Ravensbury Site in 2011 with that recorded for Merton and England. The data indicates that couple only (non-older) households constitute 11.2% of all households in the study area compared to 16.4% in the Borough and 17.6% nationally. The figure also shows that some 16.8% of households in the Ravensbury Site are lone parent households compared to 12.2% across Merton and 10.5% in England.

Figure 2.3 Household composition in the Ravensbury Site, Merton and England, 2011

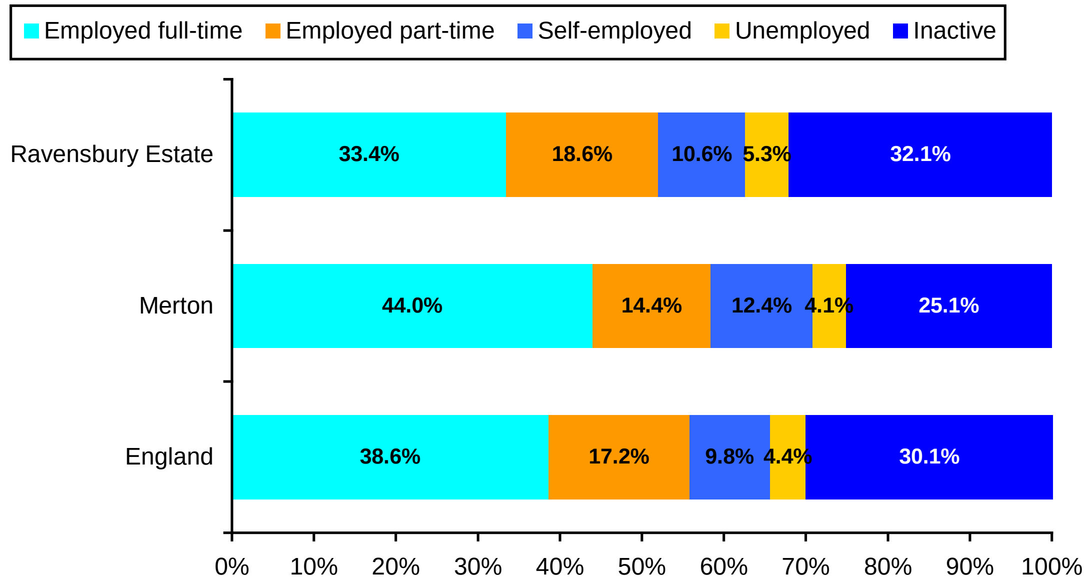


Source: 2011 Census

Economic profile of Ravensbury Site residents

2.11 The Census provides an overview of the employment situation. Figure 2.4 shows the economic activity status of all residents aged 16 to 74 in the Ravensbury Site, compared to the regional and national equivalents as recorded in the 2011 Census. The data indicates that almost a third (32.1%) of those aged between 16 and 74 are not economically active, notably higher than the figure for Merton as a whole (25.1%). Residents in the Ravensbury Site are also more likely than the Borough-wide and national averages to be unemployed and are less likely to be in full-time employment.

Figure 2.4 Economic activity of residents aged 16 to 74 in the Ravensbury Site, Merton Borough and England, 2011



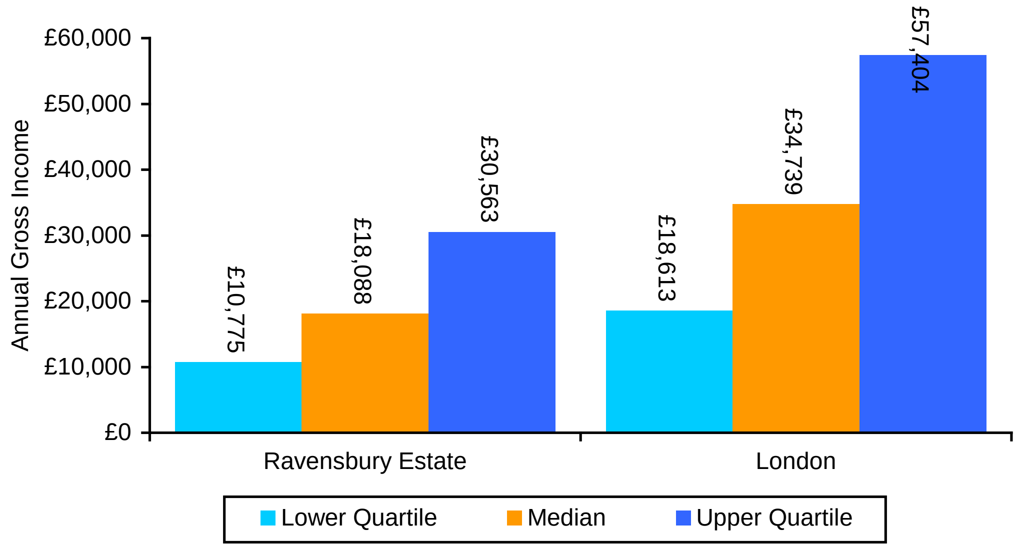
Source: 2011 Census

Income

2.12 Income has a crucial effect on the level of choice a household has when determining their future accommodation. CACI Paycheck estimates that the mean gross annual household income in the Ravensbury Site is £22,811, which is 46.8% below the London equivalent (£42,878). The median household income is noticeably lower at £18,088 (compared to £34,739 across London). The lower quartile figure is £10,775 (£18,613 for London). Figure 2.5 shows the distribution of income in the Ravensbury Site, compared to that across London as a whole.

2.13 The CACI data also indicates that there is a significant range of incomes, with 55.4% of households having an income of less than £20,000, and 3.8% of households having an income in excess of £60,000. There are more low income households and fewer high income households than across London as a whole.

Figure 2.5 Distribution of annual gross household income



Source: CACI Paycheck, 2014

2.14 The ONS have produced estimates of the proportion of households living in deprivation at the time of the Census. Overall only 33.6% of households in the Ravensbury Site were classified as not deprived in any dimension compared to 46.5% of households across the Borough and 42.5% of households nationally. Whilst 32.6% of households in the Ravensbury Site were deprived in one dimension some 33.8% of households were deprived in more than one dimension. This multi-dimension deprivation is much greater than that recorded across Merton (21.0%) and England as a whole (24.6%).

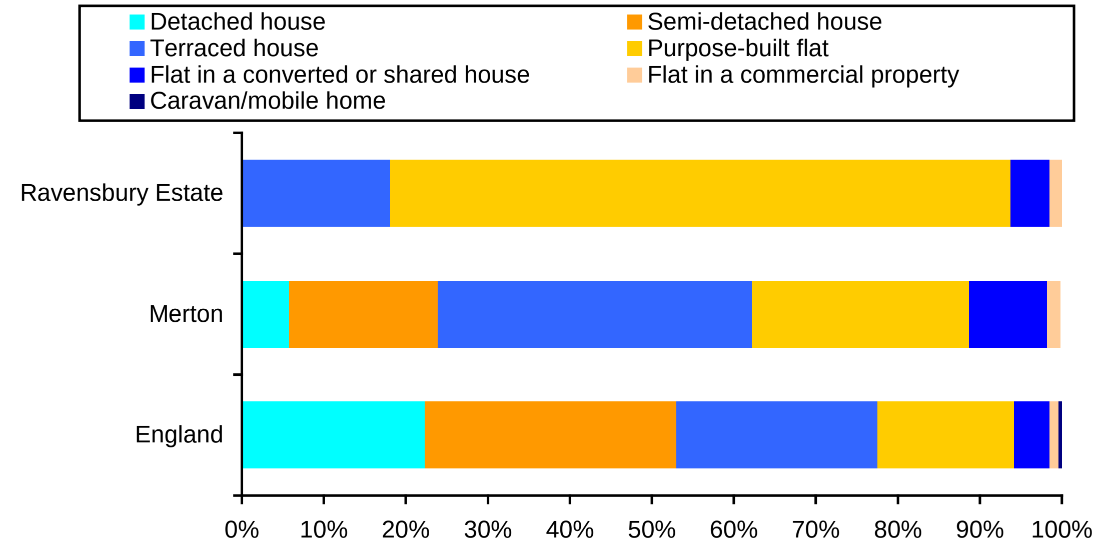
Dwelling stock

2.15 Circle Housing indicated that there are 101 dwellings in the Ravensbury Site.

Accommodation profile

2.16 Figure 2.6 compares the type of accommodation in the Ravensbury Site in 2011 with that recorded for the Borough of Merton and England. The Ravensbury Site contains a far greater proportion of purpose built flats than Borough-wide and national averages, with very few detached or semi-detached houses. The most common property type in the Ravensbury Site is purpose built flats followed by terraced houses.

Figure 2.6 Dwelling type in Ravensbury Site, Merton and England, 2011



Source: 2011 Census

2.17 Table 2.1 compares the size of accommodation (in terms of bedrooms) in the Ravensbury Site as indicated by Circle Housing, with that in Merton as a whole and England as recorded by the Census. The table indicates that there is not much diversity of size across the Ravensbury Site with almost all homes containing one or three bedrooms.

Table 2.1 Size of dwelling stock in Ravensbury Site, Merton and England, 2011

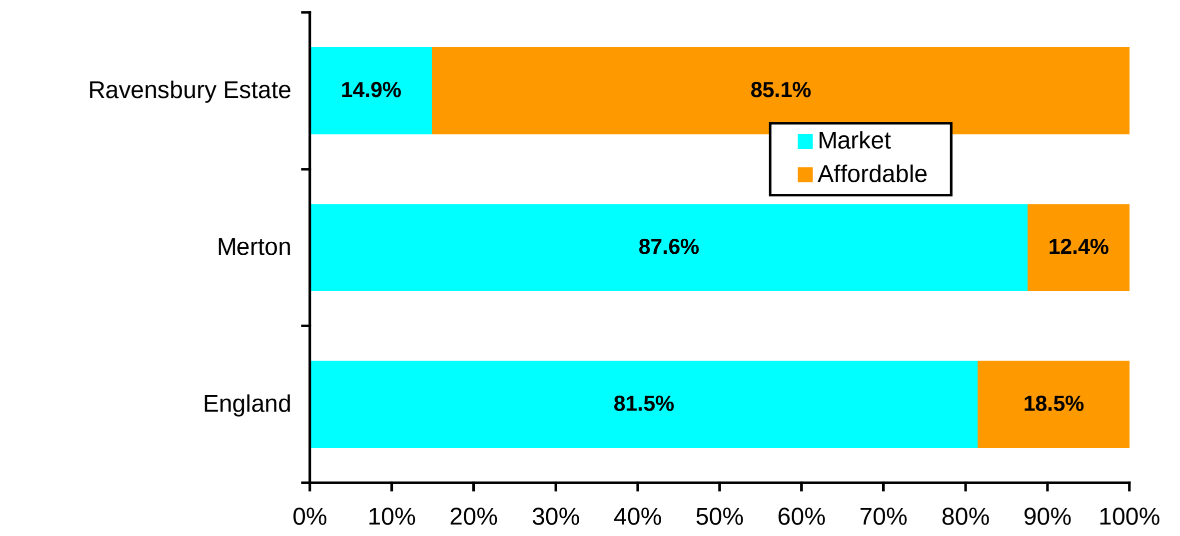
Property size	Ravensbury Site	*Merton*	*England*
No bedrooms	0.0%	0.3%	0.2%
1 bedroom	28.7%	16.0%	11.8%
2 bedrooms	1.0%	28.7%	27.9%
3 bedrooms	70.3%	37.5%	41.2%
4 or more bedrooms	0.0%	17.5%	19.0%
Total	100.0%	100.0%	100.0%

Source: Circle Housing 2014; 2011 Census

Tenure

2.18 Figure 2.7 compares the tenure of households in the Ravensbury Site as documented by Circle Housing in 2014 with that recorded for Merton and England in the Census in 2011. The data indicates that 85.1% of households in the Ravensbury Site reside in affordable accommodation, a significantly higher figure than is recorded across the Borough and nationally.

Figure 2.7 Tenure profile in the Ravensbury Site, Merton and England, 2011

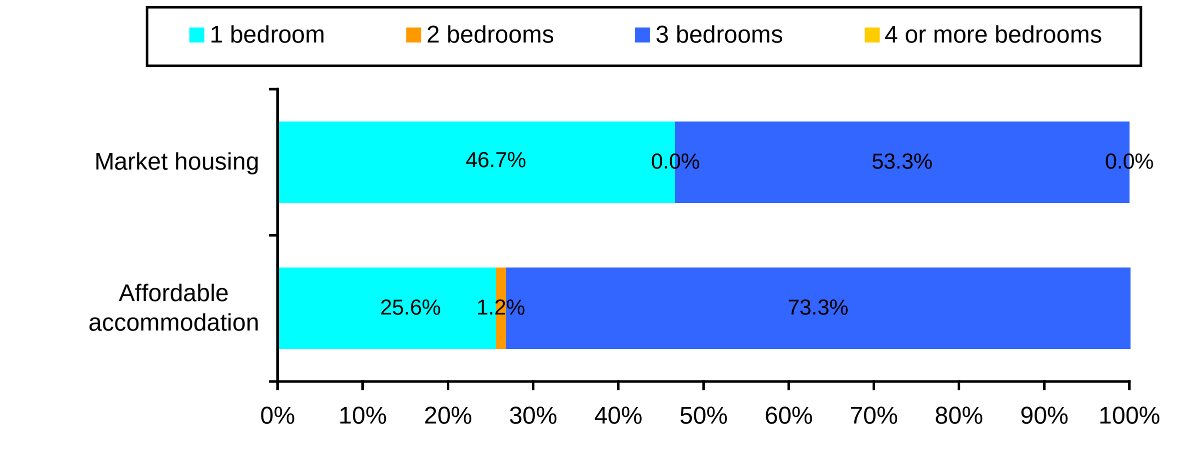


Source: Circle Housing 2014; 2011 Census

Tenure by bedroom

2.19 Finally it is useful to understand the size of accommodation within each tenure as recorded in 2014 by Circle Housing. This is shown in Figure 2.8. The data indicates that there is a greater proportion of three bedroom homes in the affordable sector than in market housing within the Ravensbury Site.

Figure 2.8 Dwelling size within each tenure in Ravensbury Site, 2014



Source: Circle Housing 2014

3. The cost of housing

3.1 An effective housing needs study is founded on a thorough understanding of local housing – what it costs and how this varies. This chapter describes the changes in the housing market that have been recorded in the Borough of Merton for context. Subsequently it assesses the entry-level costs of housing in the area around the Ravensbury Site. A comparison of the cost of different tenures will be used to identify the housing market gaps that exist.

Borough-wide price trends

3.2 The most recent house price data available from the Department of Communities & Local Government (DCLG) is from the fourth quarter of 2013. This is presented for Merton, Outer London, London and England as a whole in Table 3.1. The prices recorded for the fourth quarter of 2008 are also presented and the change in mean price over the last five years is shown. The table indicates that the average price of dwellings in Merton in Quarter 4 2013, at £331,253, was noticeably higher than the national average but slightly lower than the City-wide average. The table shows that between 2008 and 2013 average prices have increased at a faster rate in Merton than they have nationally but at a slower rate than they have across the City.

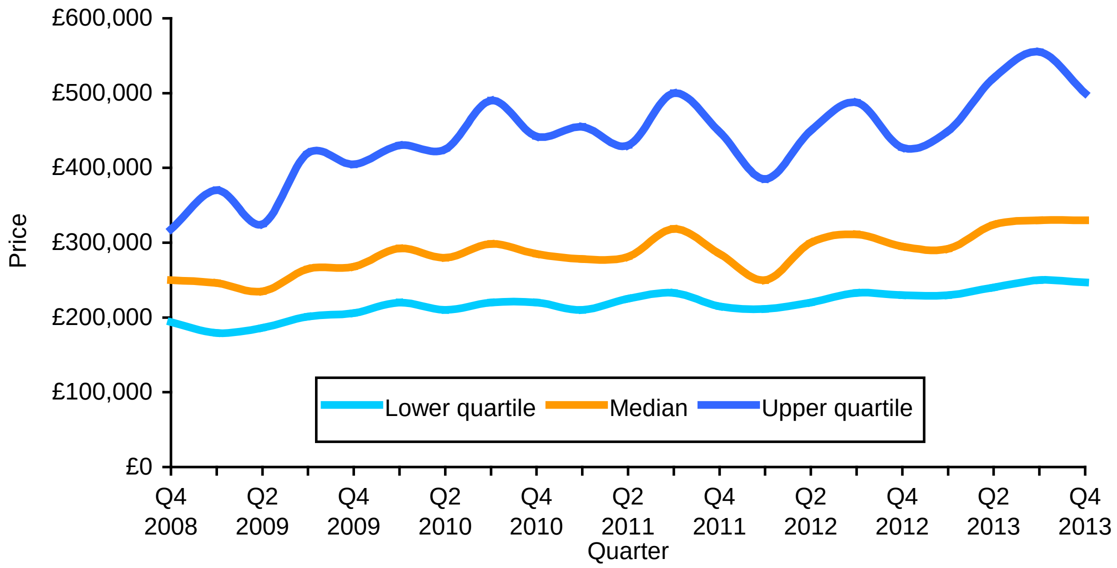
Table 3.1 Change in mean property prices 2008-2013

Location	*Mean price Oct- Dec 2008*	*Mean price Oct- Dec 2013*	*Percentage change recorded 2008-2013*
Merton	£331,253	£447,636	35.1%
Outer London	£279,714	£363,816	30.1%
London	£342,790	£472,787	37.9%
England	£207,372	£251,935	21.5%

Source: Land Registry via CLG

3.3 Figure 3.1 shows price change by property price level in Merton since the fourth quarter of 2008. The figure shows that upper quartile prices vary according to the pattern of seasonal peaks and troughs much more than median and lower quartile prices. Overall upper quartile prices in Merton have increased much more dramatically over the last five years than median and lower quartile prices (a 57.2% increase compared to a 32.0% increase and a 27.5% increase respectively).

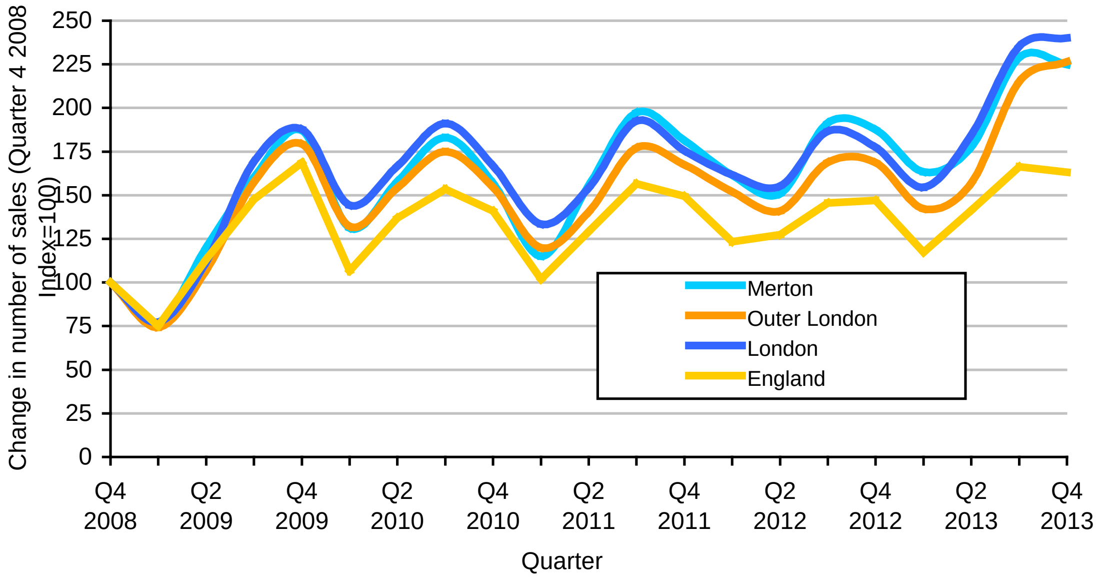
Figure 3.1 Price change by price level in Merton since 2008



Source: Land Registry via CLG

3.4 Figure 3.2 shows the indexed change in the number of property sales since the fourth quarter of 2008 for Merton, Outer London, London and England. The figure suggests that in Merton the pattern follows that recorded for England and London as a whole that, despite seasonal fluctuations, sales levels are notably higher now than they were in 2008. Overall in Merton sales level have increased by 124.9% between 2008 and 2013, compared to 126.5% in Outer London, 140.0% across London and a rise of 63.2% nationally.

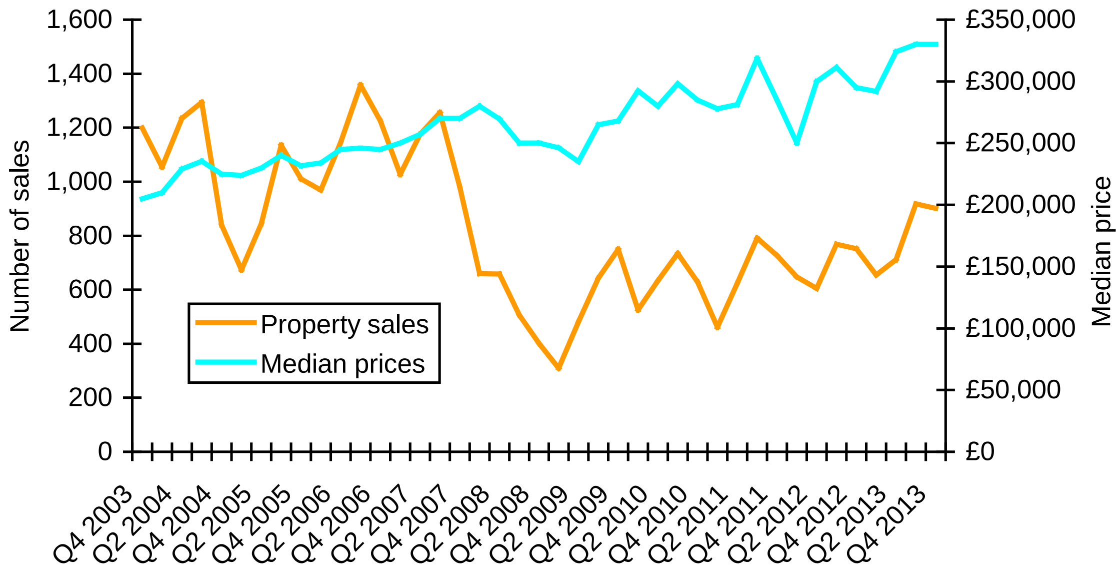
Figure 3.2 Indexed change in sales in Merton, Outer London, London and England since 2008



Source: Land Registry via CLG

3.5 It is useful to briefly review housing market activity over a longer period to consider the influences on property price changes. Figure 3.3 shows the variation in median prices and property sales levels since 2003 in Merton. The data suggests that property prices remained relatively stable over the last eight years despite property sales declining dramatically for part of that period (summer 2007 to summer 2009).

Figure 3.3 Changes in prices and sales levels in Merton over the past 10 years



Source: Land Registry via CLG

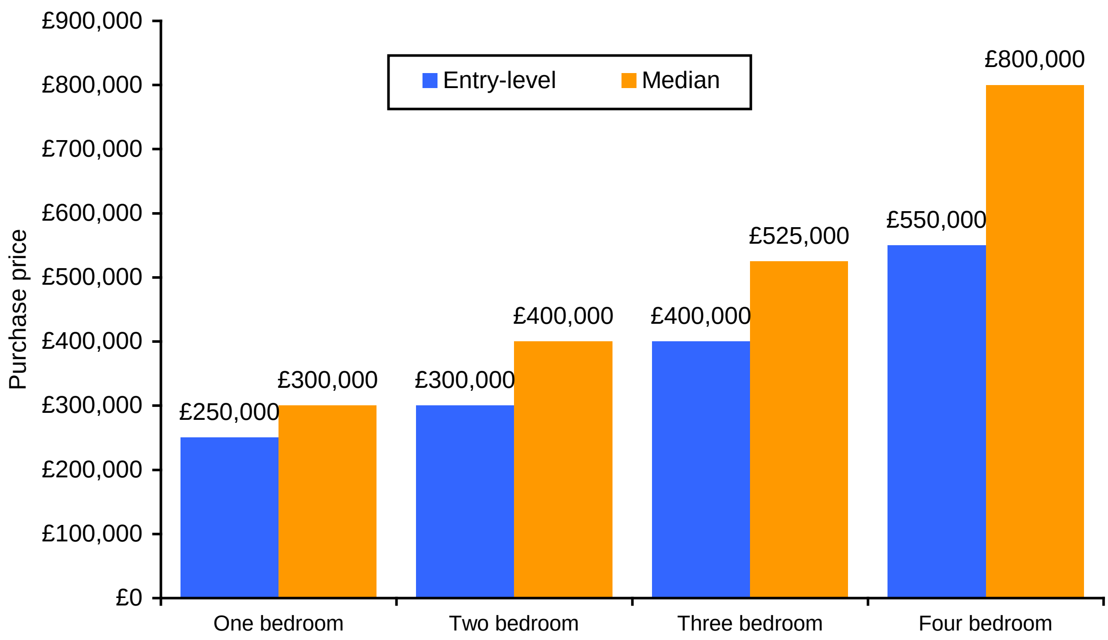
The cost of housing

3.6 To fully understand the affordability of housing within an area, it is necessary to collect data on the cost of housing by number of bedrooms. This ensures that it is possible to assess the ability of households to afford market housing of the size required by that particular household. However, no secondary data contains this information. As part of this study we have therefore undertaken a price survey to assess the current cost of housing both across the Borough (for context) and in the housing market area in which the Ravensbury Site resides.

3.7 Median and entry-level property prices by number of bedrooms were obtained via an online search of properties advertised for sale during January 2015. The results of this online price survey are presented in Figures 3.4 and 3.5. In accordance with the Planning Practice Guidance, entry-level prices are based on lower quartile prices (para 025).

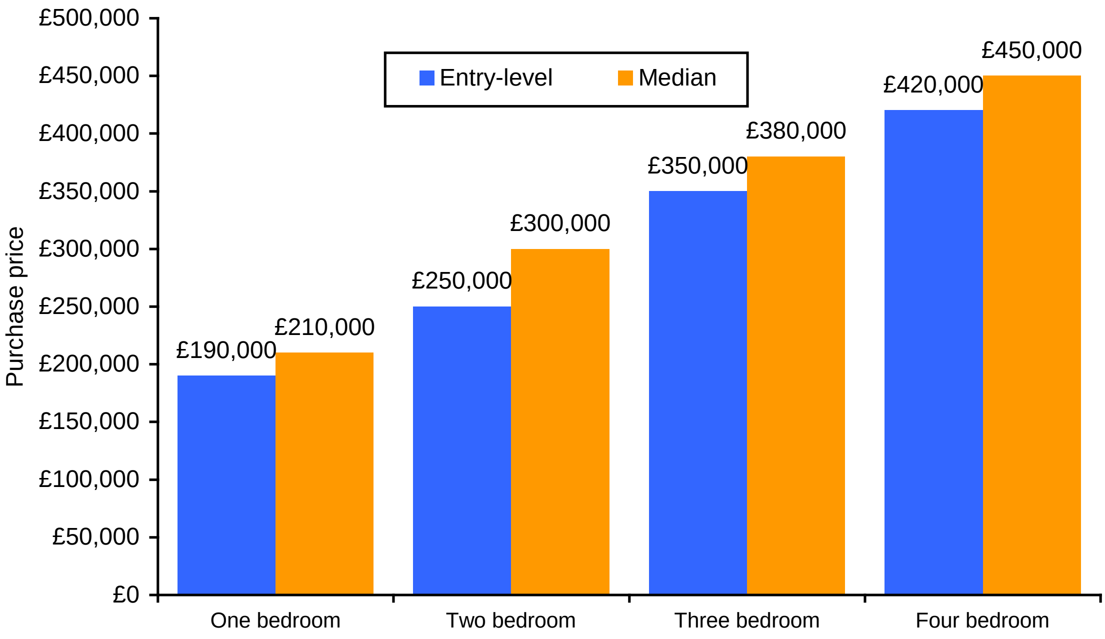
3.8 Overall the price survey showed that prices in the housing market area around the Ravensbury Site are markedly cheaper than the Borough-wide average. Figure 3.5 indicates that entry-level prices in the housing market area in which the Ravensbury Site resides range from £190,000 for a one bedroom home up to £420,000 for a four bedroom property. Median prices are generally around 5-15% higher than entry-level prices. In terms of market availability the analysis showed that two bedroom properties are most commonly available to purchase, followed by three bedroom homes, with one bedroom homes most scarce.

Figure 3.4 Median and entry-level property prices in Merton



Source: Online estate agents survey January 2015

Figure 3.5 Median and entry-level property prices in the housing market area in which the Ravensbury Site resides



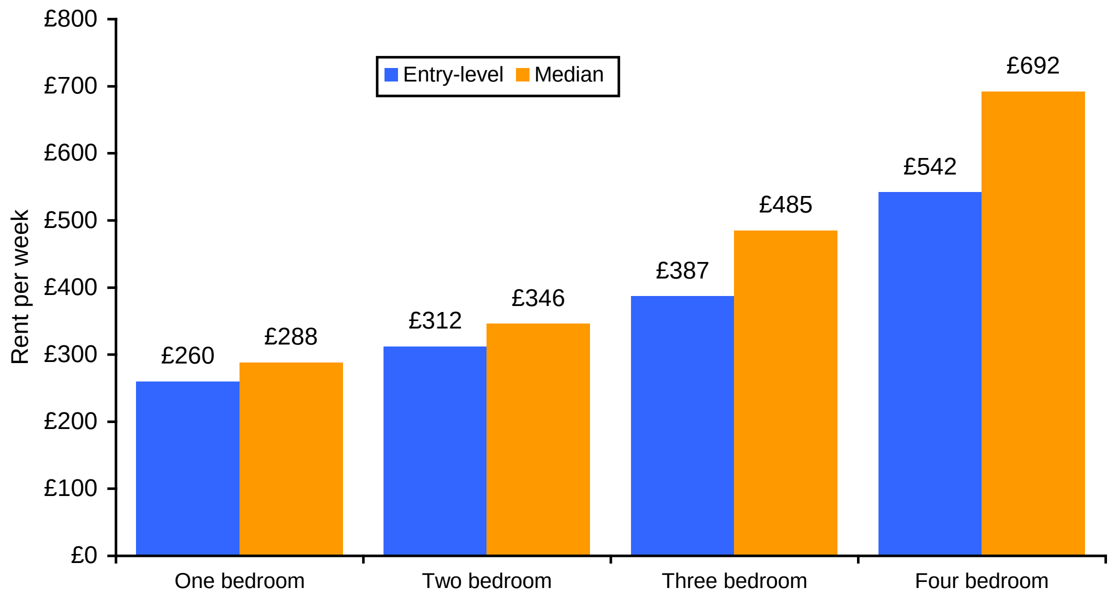
Source: Online estate agents survey January 2015

Private rents

3.9 The entry-level and median price for private rented accommodation by property size across the Borough of Merton is presented in Figure 3.6 with the equivalent information for the housing market area in which the Ravensbury Site resides presented in Figure 3.7. As with property prices, private rents are cheaper in the Ravensbury Site area than the Borough as a whole. The data indicates that entry-level rents in the housing market area in which the Ravensbury Site resides range from £207 per week for a one bedroom home up to £350 per week for a four bedroom property.

3.10 The figures show that as with owner-occupation, the smallest difference is between the cost of a three and four bedroom entry-level home (in terms of percentage increase in cost). The difference between the cost of two and three bedroom accommodation is less marked in the private rented sector than for owner-occupation, although it still represents a noticeable increase (some £40 per week). In addition, the profile of properties available is somewhat different to that for purchase with a greater proportion of one and two bedroom homes available to rent.

Figure 3.6 Median and entry-level private rents by size in Merton



Source: Online letting agents survey January 2015

Figure 3.7 Median and entry-level private rents by size in the housing market area in which the Ravensbury Site resides

Source: Online letting agents survey January 2015

Social rents

3.11 The cost of Merton Priory (the title of the Circle Housing RSL in the Borough) social rented accommodation by dwelling size in Merton can be obtained from the Homes & Communities Agency's Statistical Data Return dataset. Table 3.2 below illustrates the cost of Merton Priory social rented dwellings. As can be seen the costs are significantly below those for private rented housing, particularly for larger homes, indicating a significant potential gap between the social rented and market sectors.

Table 3.2 Average social rent (per week)

Bedrooms	*Merton Priory*
One bedroom	£85
Two bedrooms	£100
Three bedrooms	£113
Four bedrooms	£124

Source: HCA's Statistical Data Return 2013

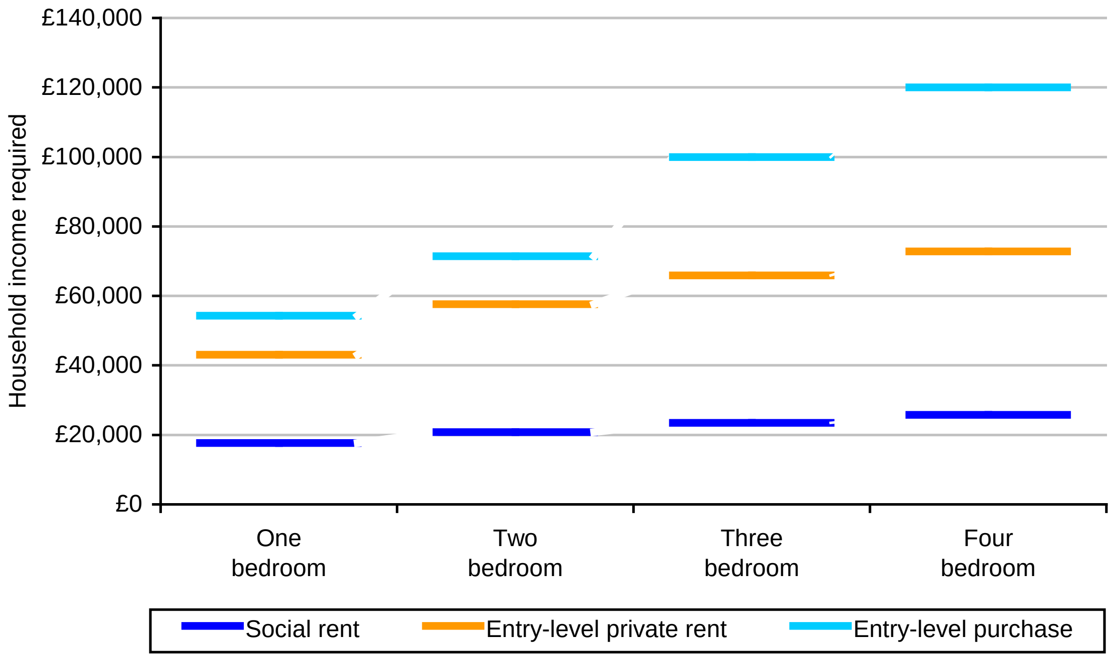
Analysis of housing market 'gaps'

3.12 Housing market gaps analysis has been developed to allow easy comparison of the costs of different tenures. Figure 3.8 shows the housing ladder that exists for different sizes of property in the Ravensbury Site area. The housing ladder is illustrated by comparing the different types of housing in terms of the income required to afford them. To do this, we have divided the entry-level property price by 3.5 to get an annual income figure (to reflect the likely minimum income required to be granted a mortgage on the property) and multiplied the annual rent by four to produce a comparable figure. This latter step was carried out for both social and market rents. These approaches are in accordance with the standard base affordability test for rented accommodation - no more than a quarter of gross income on rent.

3.13 The figure shows a comparison of the likely income requirements per household for different types of housing. Measurement of the size of the gaps between these 'rungs of the ladder' helps assess the feasibility of households moving between the tenures - the smaller the gaps, the easier it is for a household to ascend the ladder.

3.14 The figure indicates that for all property sizes the gap between social rent and market rent is bigger than the gap between market rent and entry-level home ownership. The gaps for four bedroom accommodation are particularly large; an additional £47,000 per year is required to access a four bedroom private rented home over the cost of a four bedroom social rented property in the Ravensbury Site area, with a further £47,200 per year required to move to an owner-occupied home.

Figure 3.8 Household income required to access dwellings in the housing market area in which the Ravensbury Site resides, by number of bedrooms



Source: Online survey of property prices January 2015; HCA's Statistical Data Return 2013

3.15 Table 3.3 shows the size of the gaps for each dwelling size in the Ravensbury Site area. The table indicates, for example, that three bedroom market entry rents are 180.5% higher (in terms of income required) than the cost of social rented accommodation in the Ravensbury Site area. The very large gap recorded between social rents and market entry rents for all dwelling sizes in both areas indicates that intermediate housing could potentially be useful for a large number of households. The significant gap between market entry rents and market entry purchase indicates notable potential demand for part-ownership products for households in this gap.

Table 3.3 Scale of key housing market gaps

Property size	*Social rent/market rent*	*Rent/buy gap*
One bedroom	143.5%	26.1%
Two bedrooms	177.0%	24.0%
Three bedrooms	180.5%	51.7%
Four bedrooms	182.3%	64.8%

Source: Circle Housing – Ravensbury Site Housing Needs Study, 2015

Intermediate options

3.16 A range of intermediate tenures are available for households, the cost of these currently is also therefore profiled.

Affordable Rent

3.17 Affordable Rent is a relatively new product that has been introduced to help fill the gaps that exist in the current housing market. It is a social tenure intended to house households on the Housing Register. It is not an intermediate product, but a new form of social rented accommodation that will coexist with the existing tenure. Due to its different cost level, detail will be presented on its relative affordability in comparison with social rent where this is possible (in Chapter 4). Affordable Rents can be set at up to 80% of open market rents, implying there is a flexibility as to what they may cost.

3.18 The Homes & Communities Agency (HCA)'s Statistical Data Return also details the Affordable Rent levels charged in Merton. Table 3.4 indicates the average Affordable Rent charged by Merton Priory. A comparison with median market rents indicates that the Affordable Rent levels are around 50% of lower quartile market rents in the area.

Table 3.4 Average affordable rent (per week)

Bedrooms	*Merton Priory*
One bedroom	£103
Two bedrooms	£135
Three bedrooms	£162
Four bedrooms	£213

Source: HCA's Statistical Data Return 2013

Shared ownership

3.19 Table 3.5 presents the estimated costs of shared ownership housing in Merton. The prices presented in the table were obtained from the online estate agent survey. It is important to note that there were few shared ownership properties available at the time of the estate agent survey, so the open market value for these properties may be subject to refinement. The weekly costs of purchasing the property with a 25% and 40% equity share is presented as these are the most commonly available options. The weekly costs are based on an interest rate of 4.19% paid on the equity share owned and rent payable at 2.5% on the remaining equity. Both shared ownership products are more expensive than the Affordable Rent, but notably cheaper than entry-level private rent.

Table 3.5 Estimated cost of shared ownership accommodation

Bedrooms	*Open market value*	*Weekly cost of shared ownership with a 25% equity share*	*Weekly cost of shared ownership with a 40% equity share*
One bedroom	£200,000	£112	£122
Two bedrooms	£275,000	£155	£168
Three bedrooms	£395,000	£222	£241
Four bedrooms	£500,000	£281	£305

Source: Online survey of property prices January 2015

Help-to-buy

3.20 Help-to-Buy is based on selling a home for a proportion of the market value (at least 80%) with no residual rent to pay. However, the equity level owned is capped and any future re-sale will be at the same proportion of the agreed price. Table 3.6 presents the estimated costs of Help-to-Buy in Merton. The open market values are the same as for the shared ownership ones presented above. The monthly costs are based on an interest rate of 4.59% paid on the equity share owned. Help-to-Buy with an 80% share is more expensive than the shared ownership options, but is cheaper than market housing.

Table 3.6 Estimated cost of Help-to-Buy accommodation

Bedrooms	*Open market value*	*Weekly cost of Help-to-Buy with a 80% equity share*
One bedroom	£200,000	£141
Two bedrooms	£275,000	£194
Three bedrooms	£395,000	£279
Four bedrooms	£500,000	£353

Source: Online survey of property prices January 2015

Local Housing Allowance

3.21 Local Housing Allowance (LHA) has been brought in to replace Housing Benefit outside of the social rented sector. It is designed to make up the shortfall in people's ability to pay for their housing. Households unable to afford all of their rent are entitled to LHA to make up the difference so long as the rent does not exceed the LHA cap for the Broad Rental Market Area (BRMA) as determined by the Valuation Office Agency. Table 3.7 sets out the weekly LHA cap that applies to the Ravensbury Site area, which is located within the Outer South London BRMA. A comparison with the cost of the intermediate options presented and the LHA cap, indicates that all products except three and four bedroom Help-to-Buy have a weekly cost lower than the LHA cap. This means that households should easily be able to remain in these homes should their income drop and they no longer are able to afford the full housing cost, as they would be entitled to LHA for help.

Table 3.7 Local Housing Allowance Cap (per week)

Bedrooms	*Outer South London BRMA*
One bedroom	£161
Two bedrooms	£202
Three bedrooms	£268
Four bedrooms	£331

Source: Valuation Office Agency 2015

4. Affordable housing need

Introduction

4.1 Paragraph 22 (Reference ID: 2a-022-20140306) to Paragraph 29 (Reference ID: 2a-029-20140306) of the PPG details how affordable housing need should be calculated. It defines affordable housing need as ‘number of households and projected households who lack their own housing or live in unsuitable housing and who cannot afford to meet their housing needs in the market’.

4.2 The PPG goes on to set out the types of households to be considered in housing need:

- *‘homeless households or insecure tenure (e.g. housing that is too expensive compared to disposable income);*
- *households where there is a mismatch between the housing needed and the actual dwelling (e.g. overcrowded households);*
- *households containing people with social or physical impairment or other specific needs living in unsuitable dwellings (e.g. accessed via steps) which cannot be made suitable in-situ*
- *households that lack basic facilities (e.g. a bathroom or kitchen) and those subject to major disrepair or that are unfit for habitation;*
- *households containing people with particular social needs (e.g. escaping harassment) which cannot be resolved except through a move.’*

4.3 This chapter presents the results of the three broad stages of the model used to calculate affordable housing need. Within each of the three stages there are a number of detailed calculations many of which themselves have a number of components. This chapter presents details of how each of these stages is calculated using locally available data for the Ravensbury Site. An annual estimate of the affordable housing need in each authority area is calculated and the tenure and size of accommodation most appropriate to meet this need is discussed.

Stage 1: Current unmet gross need for affordable housing

4.4 The first stage of the model assesses current need. This begins with an assessment of housing suitability, before the affordability test is applied to determine the number of these households that require affordable housing, and are therefore in current need.

4.5 The PPG sets out four particular categories of unsuitable housing that should be specifically identified. These are presented in Table 4.1 below, which also indicates the number of households in each category and the source of the data. Data provided by Circle Housing indicates that overall there are 85 households currently in unsuitable housing or lacking their own housing in the Ravensbury Site. The most common specific reason for unsuitability is overcrowding.

Table 4.1 Current households who lack their own housing or live in unsuitable housing in the Ravensbury Site

Element	*Source*	*Number of households*
Homeless households	The 2014 Local Authority Housing Statistics Dataset (formerly the HSSA/ELASH) indicates the number of homeless and overcrowded households across Merton that are on the housing register in a reasonable category. It is presumed that the proportion of homeless households across Merton that reside in the Ravensbury Site is the same as the proportion of all overcrowded households in the Borough that reside there.	8
Households in temporary accommodation	There is no indication that any of the dwellings in the Ravensbury Site is used to accommodate households requiring a temporary home so it is presumed the figure is 0.	0
Overcrowded households	The 2011 Census has been modelled to 2015 by calculating the annual change in the number of overcrowded households (in terms of rooms not bedrooms as bedrooms were not included in the 2001 Census) in each tenure in the Ravensbury Site area recorded between the 2001 and 2011 Census. The three year change for each tenure recorded from this source was averaged against the latest three year change for each tenure recorded nationally by the English Housing Survey. This average three-year change was applied to the 2011 Census figures for overcrowding in each tenure to derive an estimate for 2015.	35
Concealed households*	2011 Census data for the Ravensbury Site area.	4
Other groups	The residual households once the above categories have been discounted from the total number of households that require alternative accommodation according to Circle Housing.	38
Total		85

*According to the Planning Practice Guidance, concealed households include couples, people with young children and single adults over 25 sharing a kitchen, bathroom or WC with another household. Source: Circle Housing – Ravensbury Site Housing Needs Study, 2015

Affordability

4.6 Some of the households in unsuitable housing are likely to be able to afford alternative accommodation in the market sector without requiring subsidy. The ability of these households to afford the cost of entry-level market housing of the appropriate size in the Ravensbury Site area (set out in Figures 3.5 and 3.7) is therefore tested. The data provided by Circle Housing details the size of accommodation required by all households in need. Detail on the specific size requirements of overcrowded households (which need to be differentiated due to having a different income profile) is determined using information on the household composition recorded for these households by the Census. To test overcrowded households the income distribution for each dwelling size requirement, identified using the CACI income profile for the Ravensbury Site, is adjusted to reflect that nationally the income of overcrowded households is 70.1% of the figure for all households (according to the English Housing Survey). Similarly for homeless, concealed and 'other' unsuitably housed households the income distribution is adjusted to reflect that nationally the income of social rented households is 49.6% of the figure for all households (according to the English Housing Survey).

4.7 The households in unsuitable housing or lacking their own housing are therefore tested for their ability to afford market housing in the Ravensbury Site area using an affordability test where the cost of housing can constitute up to 35% of gross income and still be affordable. This affordability test is used in preference to the standard affordability test of up to 25% of gross income on housing as research by the Greater London Authority[1] indicated that 35% is average in London. Table 4.2 shows the number of unsuitably housed households requiring different dwelling sizes and the proportion of these households able to afford the market-entry point. The number of households that are therefore in current need is shown in the final column.

Table 4.2 Affordability of households in unsuitable housing – Ravensbury Site

Number of bedrooms required	*Unsuitable housed households*	*Percentage unable to afford entry-level market housing*	*Households in current need*
One bedroom	25	80.0%	20
Two bedroom	14	71.4%	10
Three bedroom	30	63.3%	19
Four or more bedrooms	16	100.0%	16
Total	85	76.5%	65

Source: Circle Housing – Ravensbury Site Housing Needs Study, 2015

4.8 Overall 76.5% (65 households) of unsuitably housed households or households lacking their own housing in the Ravensbury Site are unable to afford market housing and are in current need. For the purposes of the housing needs assessment, households considered to be in housing need have been split into two categories: current occupiers of affordable housing in need that would make the property available when they move (this includes occupiers of social rented and shared ownership accommodation that are not living with another household currently), and other households. It is estimated that some 62 households in need currently live in affordable housing that would become available for reuse.

Total current need

4.9 Table 4.3 summarises the first stage of the assessment of affordable housing need as set out by PPG. The data shows that there are an estimated 65 households in current need in the Ravensbury Site.

[1] *Housing in London 2013/14*, Greater London Authority (2014)

Table 4.3 Stage 1: Current unmet gross need	
Component	*Ravensbury Site*
Homeless households and those in temporary accommodation	9
Overcrowded and concealed households	29
Other groups	27
Total current housing need (gross)	65

Source: Circle Housing – Ravensbury Site Housing Needs Study, 2015

Stage 2: Newly arising affordable housing need

4.10 In addition to Current Need, there will also be Newly Arising (ongoing) Need. This forms the second stage of the affordable housing need model. This is split, as per the PPG, into two main categories. These are as follows:

- new household formation (× proportion unable to buy or rent in market)
- Existing households falling into need.

Need from newly forming households

4.11 The authority-wide headship rate for each 5 year age cohort between the ages 15 and 44 was calculated using information in the Census on the number of people and number of household heads within each age cohort. This headship rate was then applied to a derived 2012-based population projection for the Ravensbury Site[2]. This identified the projected number of households likely to form in Ravensbury Site over the next five years, which is then averaged to provide an annual estimate for the number of newly forming households.

4.12 Using this methodology it is estimated that 2 new households will form per year in the Ravensbury Site. This represents a household formation rate of 1.9%, higher than the figure of 1.7% recorded nationally by the English Housing Survey in reflection of the younger than average age profile of the population in the study area.

4.13 To assess the ability of these households to afford the cost of entry-level market housing of the appropriate size, it is presumed that these new households will have the same composition as the profile for new households recorded in the English Housing Survey, from which the appropriate size requirement profile can be determined. To test newly forming households ability to afford market housing, the income distribution for each dwelling size requirement, identified using the CACI income profile for the study area, is adjusted to reflect that nationally the income of newly forming households is 52.5% of the figure for all households (according to the English Housing Survey).

[2] This was derived by applying the change in the age profile of the population across the Borough of Merton as recorded in the ONS 2012-based subnational population projections to the age profile in the Ravensbury Site area as documented in the Census.

4.14 This analysis reveals that 100.0% of newly forming households will be unable to afford market housing in the Ravensbury Site area. However this includes some newly forming households that will be single person households aged 35 and under. These individuals are deemed suitable to form part of a shared household should affordable accommodation not be available for them as a single household. If it is not possible to allocate them an affordable property, they would be offered Local Housing Allowance to assist with their rent in the private rented sector, but only at the shared room rate, rather than the rate for a one bedroom property. These households are therefore not required to share, but are likely to have to in housing markets where affordable housing supply is at a premium. As the supply of affordable accommodation is limited across Merton, it is presumed that any single person households aged under 35 in housing need will not have their need met as a single household but will merge with an existing household to access accommodation.

4.15 These households are therefore excluded from the newly arising need from newly forming households. In the Ravensbury Site this accounts for 1 household per year. Table 4.4 shows details of the derivation of newly arising need from newly forming households. The table shows that there will be an annual affordable housing requirement from 6 newly forming households in the Ravensbury Site area.

Table 4.4 Newly arising need from new household formation (per annum)

Component	*Ravensbury Site*
Number of newly forming households	2
Proportion requiring affordable accommodation	50.0%
Number of newly forming households requiring affordable accommodation	1

Source: Circle Housing – Ravensbury Site Housing Needs Study, 2015

Existing households falling into need

4.16 The PPG recommends that this figure is derived by looking at recent trends in households applying for affordable housing. A comparison of the waiting list across Merton between 2011 and 2014 (alongside the sum of the total number of affordable lets in the Borough during this period) reveals that on average an additional 1,123 households per year require affordable housing. If it is presumed that the affordable accommodation in the Ravensbury Site meets its proportional requirement of the Borough-wide housing need, then there is a newly arising need from 9 households in the study area.

Total newly arising need

4.17 Table 4.5 summarises the second stage of the assessment of affordable housing need as set out by PPG. It indicates that 10 households will be in newly arising need per annum in the Ravensbury Site.

Table 4.5 Newly arising need (per annum)	
Component	*Ravensbury Site*
New household formation (gross per year)	2
Proportion requiring affordable accommodation	50.0%
Existing households falling into need	9
Total newly arising housing need (gross per year)	10

Source: Circle Housing – Ravensbury Site Housing Needs Study, 2015

Stage 3: Current affordable housing supply

4.18 The PPG indicates that the stock available to offset the current need includes stock from current occupiers of affordable housing in need, surplus stock from vacant properties and committed supply of new affordable units. Units to be taken out of management are removed from the calculation.

Current occupiers of affordable housing in need

4.19 It is important when considering net need levels to discount households already living in affordable housing. This is because the movement of such households within affordable housing will have an overall nil effect in terms of housing need (although it is acknowledged that there may be a difference between the size and type of affordable housing required by the household and the one that they make available and this will be explored further at the end of the chapter). As established when calculating current need (paragraph 4.8), there are 62 households currently in need already living in affordable housing in the Ravensbury Site.

Surplus stock

4.20 A certain level of vacant dwellings is normal as this allows for transfers and for work on properties to be carried out. Established good practice suggests that if the vacancy rate in the affordable stock is in excess of 3%, some of the vacant units should be considered as surplus stock which can be included within the supply to offset housing need. Merton Priory records a vacancy rate of 0.2%. As the vacancy rate in both areas is lower than the 3% benchmark, no vacant dwellings are considered available to be brought back into use to increase the supply of affordable housing.

Committed supply of new affordable units

4.21 The PPG indicates that *'the committed supply of new affordable units (social rented and intermediate housing) at the point of the assessment'* be taken into account within the model. There are not currently any agreed plans to build additional affordable accommodation in the Ravensbury Site.

Planned units to be taken out of management

4.22 The PPG states that the 'net number of units to be taken out of management (demolition or replacement schemes that lead to net losses of stock)' should be quantified. Although Circle Housing is considering regenerating the area this work will not result in a net loss of homes for existing residents.

Total current affordable housing supply

4.23 Having been through the four components in order to assess the current affordable housing supply, the stage of the model is summarised in Table 4.6. The data shows that there are an estimated 62 affordable homes currently available in the Ravensbury Site.

Table 4.6 Current affordable housing supply

Component	*Ravensbury Site*
Affordable dwellings occupied by households in need	62
Surplus stock	0
Committed supply of affordable housing	0
Units to be taken out of management	0
Total affordable housing stock available	62

Source: Circle Housing – Ravensbury Site Housing Needs Study, 2015

Stage 4: Future housing supply of social re-lets and intermediate affordable housing

4.24 The future supply of affordable housing is the flow of affordable housing arising from the existing stock that is available to meet future need. It is split between the annual supply of social re-lets and the annual supply of re-lets within the intermediate sector.

The future supply of social rented housing

4.25 This is an estimate of likely future re-lets from the social rented stock. The PPG suggests that the estimate should be based on past trend data over the last three years. Data provided by Circle Housing for the Ravensbury Site indicates that 24 affordable homes became available for occupation over the last three years The average number of lettings across the social rented sector over the three-year period was therefore 8 per annum in the Ravensbury Site.

Supply of intermediate housing

4.26 There is no intermediate housing available in the stock in the Ravensbury Site at the moment, so a figure of 0 is used for this stage.

Annual future supply of affordable housing

4.27 The total future supply of affordable housing is the sum of the social rented supply and the intermediate supply as set out in Table 4.7.

Table 4.7 Future supply of all affordable housing (per annum)

Component	*Ravensbury Site*
Annual supply of social re-lets	8
Annual supply of intermediate housing available for re-let or resale at sub-market levels	0
Annual supply of all affordable housing	8

Source: Circle Housing – Ravensbury Site Housing Needs Study, 2015

Estimate of net annual housing need

4.28 The PPG states that the figures in the model need to be converted to annual flows to establish the total need for affordable housing. The first step in this process is to calculate the total net current need. This is derived by subtracting the estimated current affordable housing supply (Stage 3) from the current unmet gross need for affordable housing (Stage 1).

4.29 The second step is to convert this total net current need figure into an annual flow. The NPPG allow this total net current need can be addressed over any length of time. For the purposes of this study the period of twelve years will be used to fit in with the timescale of the potential regeneration of the Ravensbury Site. The final step is to sum the annualised net current need with the total newly arising affordable housing need (Stage 2) and subtract the future annual supply of affordable housing (Stage 4). Table 4.8 sets out this process. It leads to a total need for 2 affordable houses per year in the Ravensbury Site (in addition to the existing stock of affordable housing).

Table 4.8 Results of the affordable housing needs model		
Stage in calculation	*Paragraph reference*	*Ravensbury Site*
Stage 1: Current unmet gross need for affordable housing (Total)	4.9	65
Stage 2: Newly arising affordable housing need (Annual)	4.17	10
Stage 3: Current affordable housing supply (Total)	4.23	62
Stage 4: Future housing supply (Annual)	4.27	8
Stage 5.1 Net current need (Stage 1- Stage 3) (Total)	4.28	3
Stage 5.2 Annualised net current need (Stage 5.1/12) (Annual)	4.29	0
Stage 5.3 Total need for affordable housing (Stage 2+ Stage 5.2 – Stage 4) (Annual)	4.29	2
Total gross annual need (Stage 1/12 + Stage 2) (Annual)	-	15
Total gross annual supply (Stage 3/12 + Stage 4) (Annual)	-	13

Source: Circle Housing – Ravensbury Site Housing Needs Study, 2015; various secondary sources

Overall households in affordable housing need by type (gross)

4.30 Table 4.9 gives a breakdown of the gross annual households in need, by household type in the Ravensbury Site. The table shows that some 31.4% of lone parent households are in housing need compared to 3.4% of one person households. Overall lone parent households comprise a third of all households in need per year as do couples with children.

Table 4.9 Annual need requirement by household type – Ravensbury Site				
Household type	*Need requirement*			
	No. of h'holds in need (gross per year)	*Total Number of h'holds*	*% of h'hold type in need*	*As a % of those in need*
One person	1	30	3.4%	6.7%
Couple with no children	3	18	16.4%	20.0%
Couple with child/children	5	29	17.2%	33.3%
Lone parent	5	16	31.4%	33.3%
Other	1	8	12.2%	6.7%
Total	15	101	14.9%	100.0%

Source: Circle Housing – Ravensbury Site Housing Needs Study, 2015

Size of accommodation required

4.31 As there are so many existing households in the Ravensbury Site currently unsuitably housed within the affordable sector it is important to document the size of accommodation that they require, so that if the regeneration of the study area proceeds the new affordable homes built meet the requirements of the existing households in need as well as households likely to fall into need in the future. Table 4.10 shows the size of accommodation required to house the gross housing need (where it is presumed that households in current need will be rehoused over the twelve year regeneration period) across the twelve year period being assessed. The table also indicates the requirements for properties with adaptations and sheltered accommodation within these overall figures. The table shows that of the 185 new affordable homes required in the Ravensbury Site over the next twelve years (meeting both future and current need and presuming that all current affordable accommodation is replaced) over a third should have three bedrooms, a quarter one bedroom, a fifth four bedrooms and 18% two bedrooms.

Table 4.10 Size of additional units required to meet housing need over the next 12 years – Ravensbury Site

Size of home	*Gross annual need*	*Of which requires adaptations*	*Of which should be sheltered housing*
One bedroom	44	4	3
Two bedrooms	34	2	1
Three bedrooms	67	3	0
Four or more bedrooms	40	1	0
Total	185	10	13

Source: Circle Housing – Ravensbury Site Housing Needs Study, 2015

Type of affordable home required

4.32 As discussed in Chapter 3 a range of affordable products are potentially available to meet affordable housing need in the Ravensbury Site. This section will consider the suitability of these different products for meeting affordable housing need.

4.33 Table 4.11 shows the type of affordable housing appropriate to meet the housing need in the Ravensbury Site over the next twelve years, based on how many households in affordable 'housing need' in the Ravensbury Site are able to afford the different affordable products. The figures presented are exclusive, so for example the 3 households requiring a two bedroom home that are able to afford shared ownership with 40% equity do not include the 1 household able to afford Help-to-Buy. Households have therefore been assigned the most expensive product they are able to afford. The social rented group also includes those unable to afford any accommodation without support from LHA, as this is the tenure these households are most likely to reside in.

4.34 The table shows that of the 185 affordable homes needed in the Ravensbury Site over the next twelve years, 3.2% could afford Help-to-Buy, 6.5% could afford shared ownership with 40% equity, 10.8% shared ownership with 25% equity and 44.9% Affordable Rent. Generally as the size of accommodation required increase, the proportion of households able to afford an intermediate product also increases.

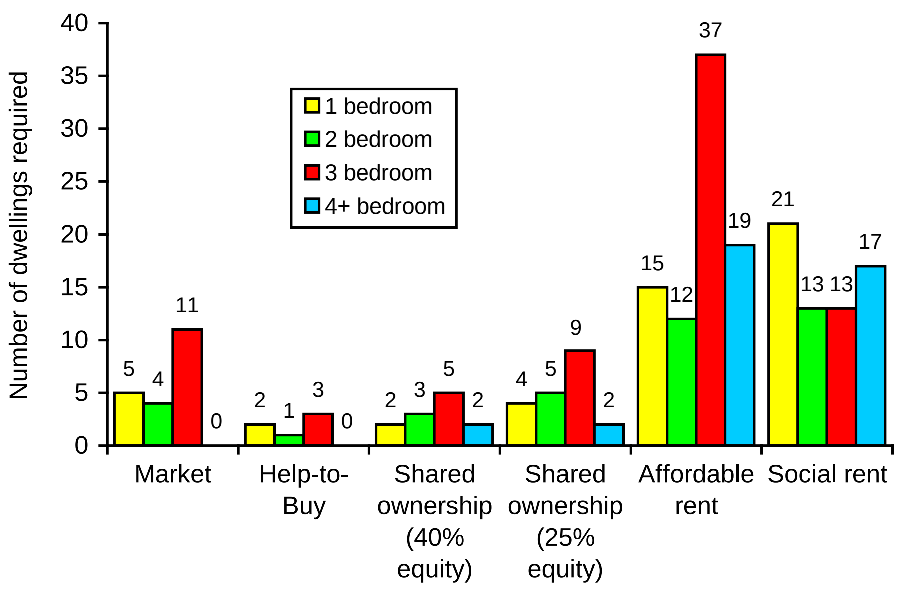
Table 4.11 Size and type of affordable home required to meet housing need over the next 12 years – Ravensbury Site						
Product	*One bed*	*Two bed*	*Three bed*	*Four bed*	*Total (number)*	*Total (percentage)*
Help-to-Buy	2	1	3	0	6	3.2%
Shared ownership (40% equity)	2	3	5	2	12	6.5%
Shared ownership (25% equity)	4	5	9	2	20	10.8%
Affordable rent	15	12	37	19	83	44.9%
Social rent/requires assistance	21	13	13	17	64	34.6%
All households	44	34	67	40	185	100.0%

Source: Circle Housing – Ravensbury Site Housing Needs Study, 2015

5. Conclusion

5.1 The Ravensbury Site is characterised by low incomes, high levels of deprivation and an imbalance of housing stock (relative to the Borough as a whole). In addition there are a very high number of existing households that are unsuitably housed in their current home. Circle Housing are currently considering whether to regenerate the area and the results of the housing need study suggest that this would be a solution as it would provide better housing for the current population but also allow the site to help meet more housing need into the future. The results of this study suggest that over the next twelve years 185 new affordable homes should be built on the Ravensbury Site (presuming the existing affordable homes are replaced) and the tenure and size specification for these homes is set out in Figure 5.1. In addition there is a requirement for 20 market dwellings in the Ravensbury Site over this period to accommodate existing residents that can afford a market home. This is also shown in Figure 5.1.

Figure 5.1 Requirement for new affordable housing over the next twelve years



Source: Circle Housing – Ravensbury Site Housing Needs Study, 2015

HDH Planning and Development Ltd is a specialist planning consultancy providing evidence to support planning authorities, land owners and developers.

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