

Committee: Borough Plan Advisory Committee

Date: 12 September 2019

Wards: all

Subject:

Lead officer: Director for Environment and Regeneration, Chris Lee

Lead member: Councillor Martin Whelton, Cabinet Member for Regeneration, Environment and Housing

Contact officers: Valerie Mowah, Principal Policy Planner, Future Merton Team
Tara Butler, Deputy Future Merton Manager
Angela Chu, Housing Strategy Manager, Community and Housing

Recommendations:

- A. The Borough Plan Advisory Committee notes the key findings of Merton's Strategic Housing Need Study.
- B. The Borough Plan Advisory Committee notes that Merton's Strategic Housing Need Study, forms part of the evidence to inform and support preparation of Merton's new Local Development Plan.

1 PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1. The Council is preparing a new Local Development Plan for the whole borough, which will replace the current one, and cover the new plan period of 2020-2035. Evidence to support and inform the preparation, such as the Strategic Housing Need Study are being prepared in parallel.
- 1.2. This report details key findings of Merton's Strategic Housing Need Study¹, which forms part of the supporting evidence for the new Local Development Plan.

2 DETAILS

Background

- 2.1. National Planning Guidance requires that Local Development Plans should set out the minimum number of homes needed based upon local housing needs assessments conducted using a nationally prescribed methodology.
- 2.2. As required by National Planning Guidance, The Strategic Housing Needs Study was commissioned by officers in August 2018 and undertaken by appointed consultants GL Hearn Ltd.
- 2.3. The purpose of the Strategic Housing Need Study is to assess future development needs for housing (both market and affordable) across the

¹ Strategic Housing Need Studies are also more commonly referred to as Strategic Housing Market Assessments (SHMAs)

borough. The Strategic Housing Needs Study considers housing need over the period 2017- 2035.

- 2.4. The Study also considers the need for different types of housing and the housing needs of different groups within the borough. The Study findings have been provided for the whole borough and by borough sub-areas (i.e. Mitcham, Morden, Raynes Park, South Wimbledon/ Colliers Wood; Wimbledon).

Key Study findings

- 2.5. The Study provides a comprehensive analysis of housing needs in the borough, drawing on a number of data sources for the analysis e.g. 2011 Census data. The full Study is available on the Council's Local Development Plan research website at the following link:

<https://www.merton.gov.uk/assets/Documents/SHMA%20Report%20July%202019.pdf>

- 2.6. The following section summarises key findings of the Study.

Affordable Housing

- 2.7. Overall, the Study identifies a notable need for affordable housing, the provision of which is an important and pressing issue in Merton.

- 2.8. The Study sets out two categories of need namely:

- **'Traditional'** need which is mainly for social/affordable rented accommodation, and is based on households unable to buy or rent in the market;
- **'Additional'** need introduced by the revised National Planning Policy Framework /Planning Policy Guidance, which includes housing for those who can afford to rent privately but cannot afford to buy a home.

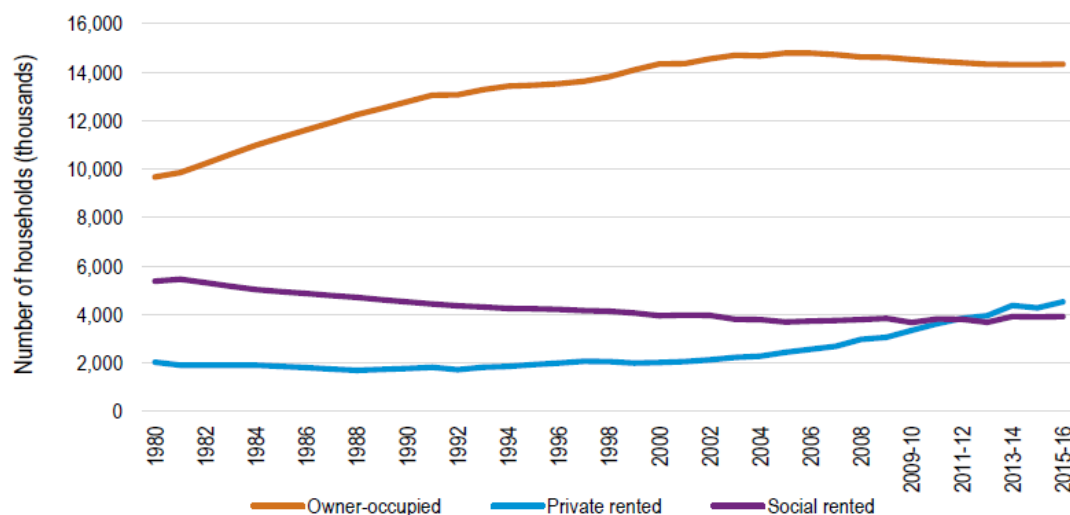
- 2.9. For traditional need, the Study identifies a need for 878 -1,084 affordable homes per annum. The Study suggests that the Council is justified in seeking to secure additional affordable housing in all parts of the Borough.

- 2.10. For additional need, a similar level of need is identified by the Study, for 786-933 dwellings per annum. However, it should be noted that all of these households in 'need' can actually afford market rent housing. On this basis, the analysis suggests that a 10% target for affordable home ownership may be appropriate (as stipulated in the NPPF) but a higher figure (than 10%) may lead to less provision for those with more acute needs.

- 2.11. In terms of setting housing costs in the affordable home ownership sector, the Study recommends that the Council considers setting prices at a level which (in income terms) are equivalent to the levels needed to access private rented housing. This would ensure that all households in need under the additional need definition could potentially access housing in the affordable home ownership sector This might mean a greater than 20% discount from Open Market Value in some instances.

Private Rented Sector (PRS)

- 2.12. The Study draws on data from the census and the English Household Survey for PRS analysis. The following figure below shows the main changes in housing tenure from 1980 to 2015-16 in England.



Trends in tenure 1980 -2015-16. Source: English Housing Survey

This indicates an increase in the number of households living in private rented accommodation from 2001. Since 2011, the data (sourced from the English Household Survey) shows that PRS has risen by a further 25%. If Merton has seen a similar level of increase, then this would imply that there are 4,900 additional households in the sector since 2011.

- 2.13. The private rented sector accounts for around 25% of households in Merton, which is comparable to the London average and notably higher than the national figure of 17%.
- 2.14. The Study has not attempted to estimate the need for additional private rented housing. It is likely that the decision of households as to whether to buy or rent a home in the open market is dependent on a number of factors, which mean that demand can fluctuate over time. The Study views that the general (national and local) shortage of housing is likely to have driven some of the growth in the private rented sector. This includes an increase in the number of younger people in private rented housing and increases in shared accommodation. If the supply of housing increases, then this may mean that more households would be able to buy a property, but who would otherwise be renting.

Future Housing mix

- 2.15. The Council should seek to provide around 50% of all homes as affordable housing, with a split of 80:20 in favour of low cost rented housing² versus intermediate housing³. The following table below indicates what this would mean in terms of the delivery of different tenures of housing needed in the borough.

Tenure Type	% Dwellings
Market	50%
Intermediate affordable housing	10%
Low cost rent affordable housing	40%
Total	100%

- 2.16. There are a range of factors that will influence demand for different sizes of homes, including demographic changes; future growth in real earnings and households' ability to save; economic performance and housing affordability. The analysis linked to the demographic change in the period to 2035 concludes that the following, set out in the table below, represents an appropriate size mix in Merton for affordable and market homes:

	1-bed	2-bed	3-bed	4+ bed
Market	5-10%	20-25%	45-50%	20-25%
Affordable home ownership	25-30%	30-35%	25-30%	10-15%
Affordable housing (rented)	25-30%	35-40%	25-30%	5-10%

- 2.17. The focus of new market housing provision in Merton will need to be on two and three bed properties. Continued demand for family housing can be expected from newly forming households. There may also be some demand for medium-sized properties (2 and 3-beds) from older households downsizing and looking to release equity in existing homes, but retain flexibility for friends and family to come and stay.

Older people, people with disabilities and other specific groups

- 2.18. Whilst Merton has a relatively low level of residents with disabilities, the ageing population means that the future need for housing for these specific groups is likely to increase.
- 2.19. It is projected that there will be a 45% increase in the population aged 65 years old and over between 2017-2035. This could potentially account for at least a third of total population growth in Merton.

² Low cost rented affordable housing includes rent for households on low income with the rent level based on social rent levels. It also includes the NPPF defined affordable rent at up to 80% of market rent.

³ Intermediate affordable housing is available for sale or rent at a cost above social rent, but below market levels. This can include shared equity (shared ownership and equity loans), other low cost homes for sale and intermediate rent, but not affordable rent.

- 2.20. In terms of housing need, this could result in:
- A need for additional sheltered/retirement housing (currently in the leasehold sector but also for rent in the future);
 - A current and future need for housing with care (enhanced sheltered and extra-care housing) in both the rented and leasehold sectors;
 - A need for additional care bedspaces and a need for up to 970 dwellings to be for wheelchair users.

Student accommodation

- 2.21. No notable demand for student accommodation in the Borough was identified but the Study recommends that the Council should be reactive to opportunities as they arise and seek to apply the emerging London Plan targets.

Self and custom build homes

- 2.22. There are currently just over 200 people on the self and custom build register. Evidence of a steady flow of developments of single dwellings, and applications for self-build exemption from Community Infrastructure Levy suggests that these needs are being met without the need for a specific policy.

3 ALTERNATIVE OPTIONS

- 3.1 There are no alternative options. The Study forms part of the suite of evidence that supports and informs Merton's new Local Development Plan, the absence of which would increase the risk of the new Local Development Plan being found unsound.

4 CONSULTATION UNDERTAKEN OR PROPOSED

- 4.1. Engagement with stakeholders (e.g. local estate agents) was undertaken as part of the Study preparation. No further specific consultation is proposed for the Study, however the Study will form part of the suite of evidence base documents that will be published and consulted on through the Local Development Plan process.

5 TIMETABLE

- 5.1. The Study forms part of the evidence to inform and support preparation of Merton's new Local Development Plan.

6 FINANCIAL, RESOURCE AND PROPERTY IMPLICATIONS

- 6.1. The costs for the preparation of this Study fall within the existing Local Development Plan budget and existing Future Merton and Community and Housing staff resource time.

7 LEGAL AND STATUTORY IMPLICATIONS

- 7.1. The Strategic Housing Needs Assessment is compliant and responds to government requirements set out in the revised National Planning Policy

Framework (July 2018) and National Planning Policy Guidance (revised September 2018 and minor update February 2019).

8 HUMAN RIGHTS, EQUALITIES AND COMMUNITY COHESION IMPLICATIONS

8.1. None

9 CRIME AND DISORDER IMPLICATIONS

9.1. None

10 RISK MANAGEMENT AND HEALTH AND SAFETY IMPLICATIONS

10.1. None

11 APPENDICES – THE FOLLOWING DOCUMENTS ARE TO BE PUBLISHED WITH THIS REPORT AND FORM PART OF THE REPORT

11.1. No appendices

11.2. The Strategic Housing Needs Study is available on the Council's Local Development Plan research website at the following link:

<https://www.merton.gov.uk/assets/Documents/SHMA%20Report%20July%202019.pdf>