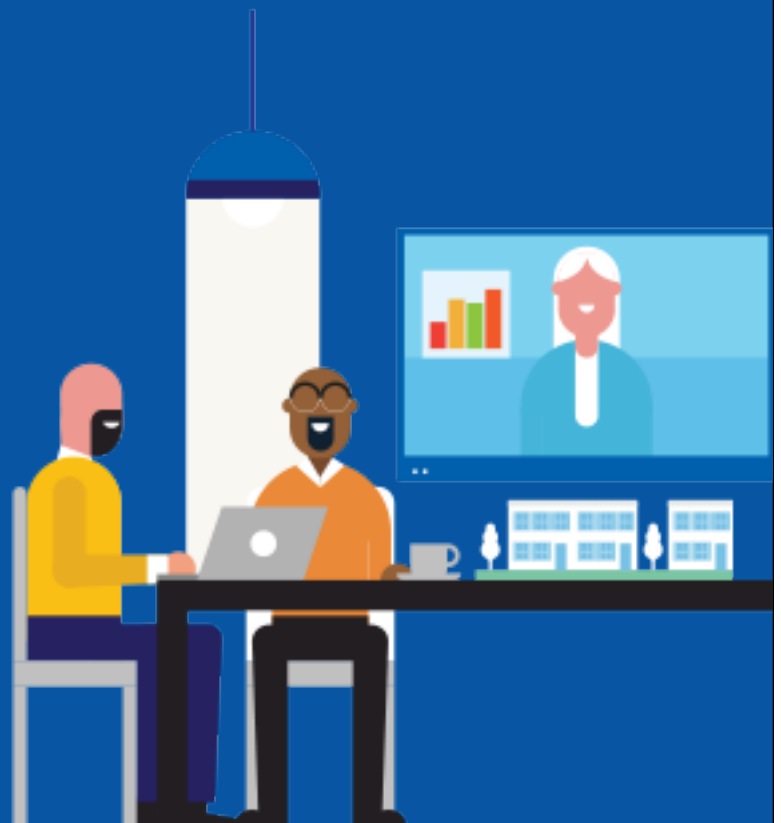


# Housing Delivery Strategy

Final Draft

June 2021



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## **1. Introduction**

- 1.1 This document considers the need for new homes in Merton and the mechanisms through which they might be delivered, with an emphasis on the need for new affordable housing. Drawing on views expressed in workshops and conversations with groups and individuals across the Council and externally and on a range of evidence in relation to housing supply and demand, it identifies options for further action, with an emphasis on those most relevant to and with the best prospect of success in the Merton context.
- 1.2 This is an overarching strategy with a focus on securing housing growth, and is intended to complement a wider group of policies and strategies, in particular the Local Plan and the Homelessness and Rough Sleeping Strategy, to which it makes reference as appropriate.

## 2. Vision

- 2.1 To support sustainable growth and deliver a high quality mix of housing types, sizes and tenures that match identified needs.

### 3. Background and Context

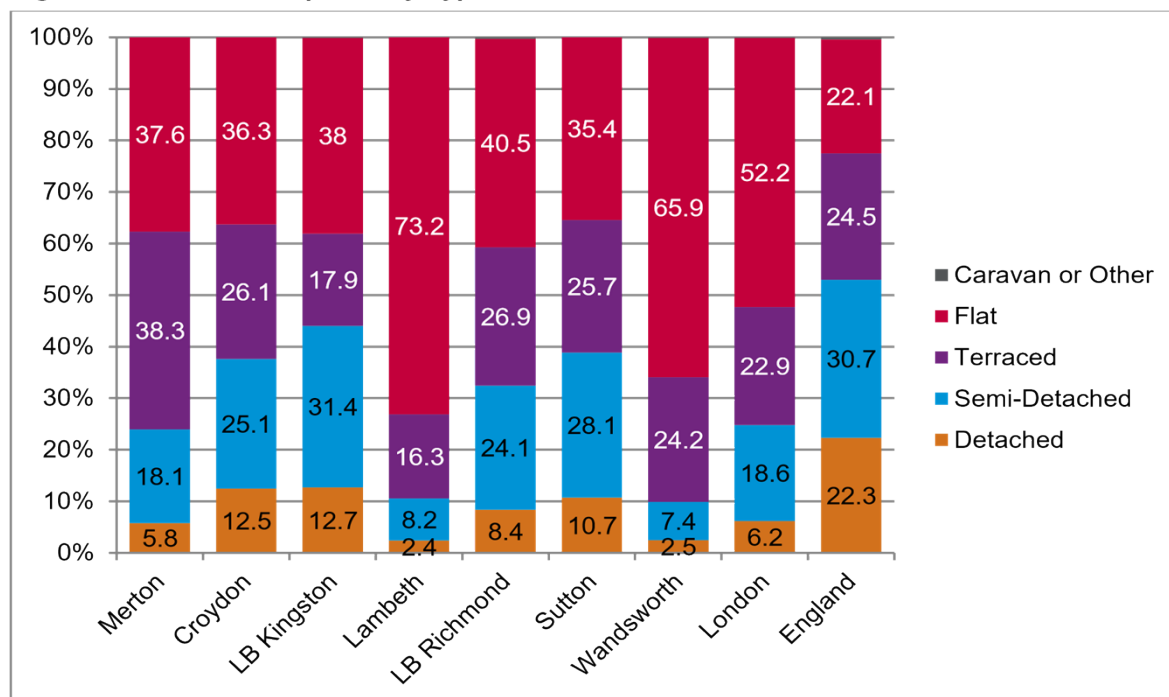
- 3.1 In many respects, Merton has the features of an outer-London borough, with a typical housing stock. The most common housing type is a three-bedroom semi-detached house and development historically has been at relatively low densities. However, such a superficial suburban characterisation hides underlying complexities. The following paragraphs highlight some key features of the borough.
- 3.2 Merton is unusual among London boroughs in no longer owning or managing any social housing and the proportion of social rented stock is the fifth lowest in London at 14.1% compared to the regional average of 24.1%. The private rented sector has grown, standing at 24.8%, just below the London average of 25.1%. Owner occupation, outright or with a mortgage, is the dominant tenure. Over 60% of the overall stock, including the private rented sector, comprises houses and 37% flats. The tables below, taken from the 2019 Strategic Housing Market Assessment (SHMA) illustrate the distribution by neighbourhood and dwelling size and household spaces by dwelling type compared to neighbouring boroughs and the London and England averages.

**Table 1: Housing Stock, June 2018 (rounded to nearest 10)**

	Stock 2011	Dwelling Stock 2018	1 bedroom	2 bedrooms	3 bedrooms	4+ bedrooms
<b>Colliers Wood/ South Wimbledon</b>	14,470	15,230	26%	40%	22%	12%
<b>Mitcham</b>	24,370	25,800	18%	27%	44%	10%
<b>Morden</b>	15,570	16,050	9%	26%	48%	17%
<b>Raynes Park</b>	10,010	10,630	18%	28%	36%	18%
<b>Wimbledon</b>	16,490	17,010	18%	28%	20%	33%
<b>LB Merton</b>	80,920	84,720	18%	29%	36%	17%

*Source: Census 2011, LB Merton Monitoring Database– edited by GL Hearn*

**Figure 1: Household by Type (SHMA 2019)**



- 3.3 There is significant variation across the borough, reflecting the availability of sites and other factors, with Mitcham, Colliers Wood and South Wimbledon delivering a significant proportion of all new homes. However, affordable housing delivery has only made up an average of 26% within the total. This includes a high proportion of one- and two- bedroom homes, for which demands is highest in the borough.
- 3.4 A number of factors influence delivery, in particular, the predominance of small sites. For example, all completions in 2018/19 were on small sites of less than 0.25 hectares. All schemes except one delivered 10 homes or fewer, with one scheme of 11 homes and there were no large schemes completed. 52 new homes were delivered through the prior approvals process, meaning that the Council had no influence through the normal planning process. Proposed extension of prior approvals, for example allowing conversion of office and retail space to residential use, is likely to lead to more development through this route, adding to the 683 homes delivered in this way in the five years from 2014/15.
- 3.5 2018/19 was exceptional in that London Plan targets were not met, while over the period from 2004/5 to 2019 the Council delivered 140% (2,300 additional homes) of its target, but the low affordable housing proportion is a factor of the lack of a requirement to deliver on small sites and the growth of prior approvals, where affordable housing cannot be required. In addition the introduction of prior approval for office and other conversions to residential with no requirement for affordable housing has impacted on delivery and there are serious concerns about the poor quality of some developments. Proposed extension of permitted development rights is likely to exacerbate this problem.

- 3.6 Purchase prices and rents in the private sector are unaffordable for many Merton households but, as with other factors, there is significant variation across the borough. For example, as of August 2020, the GLA's London Rents Map gives an average monthly rent of £1553 for a two-bed flat in Wimbledon, compared to £1258 in Mitcham. Purchase prices vary even more widely, with the average price in Wimbledon at £801,741, compared to £445,499 in Mitcham and the average house price to earnings ratio is 15.4:1. Affordability is considered further below.
- 3.7 The Council has an ambitious regeneration programme, partly underway and partly at the planning stage. Clarion are working on the Council's former estates following transfer of the stock to them and the Council has wide-ranging proposals for Morden town centre, for example. The new Local Plan is at an advanced stage of preparation and a new Homelessness and Rough Sleeping Strategy is being developed. This document will need to remain aligned closely with both.
- 3.8 The population is expected to grow by 4% by 2029 and the impact of this is considered further below. There is a waiting list of 9,845 households (April 2020), of whom around 4,376 fall into "reasonable preference" categories. Homelessness acceptances and temporary accommodation occupation are low for London but still a significant challenge. Eviction from private rented sector through the ending of assured shorthold tenancies is the most common cause of homelessness and it is expected that the ending of Covid- related restrictions on no fault evictions could lead to a spike in applications.
- 3.9 While Merton is ranked 214 on the Index of Multiple Deprivation, placing it among the least deprived authorities, this again masks local contrasts. For example, East Merton is, on average, 2.5 times more deprived than the west of the borough<sup>6</sup> and the borough as a whole is ranked much lower at 128 on the barriers to housing and services element of the Index. 15.8% of households are overcrowded<sup>7</sup> and 10.2% of are fuel poor<sup>8</sup>. While these figures are not especially high for London, they are an indicator of poor conditions and housing need. The SHMA gives the median wage of residents in full-time employment as £35,708, slightly higher than the London wide median of £34,725. However, median earnings of those working and living in the borough are lower at £29,627, closer to the national average of £29,083 and well below the London figure of £37,171. This reflects the fact that many Merton residents work in other parts of London, with 43% of residents working in Inner London.
- 3.10 At the national level, Brexit had dominated political debate leading up to the election and will influence the direction of policy for the immediate future as the terms of future trade deals and other arrangements are negotiated. However, the Covid 19 pandemic now overshadows other matters. Speculation at this point is difficult and, to a large extent, issues and priorities will be unchanged. However, there are some obvious points that should be considered. There has been an impact on local authority revenues and costs that may be difficult to quantify immediately but will almost certainly affect ability to invest. The long-term impact of unprecedented government intervention on borrowing levels and the future approach to spending is also difficult to quantify but the economic downturn is likely to have

at least a medium-term effect on housing demand and need with, as noted earlier, the risk of a short-term spike in homelessness.

- 3.11 The impact on the housing market is particularly difficult to anticipate, although it seems unlikely that London will see falls in prices and rents large enough to have much impact on affordability, especially when coupled with expected rises in unemployment. In the short term, there are indications that purchase prices have risen, although this is combined with evidence that households are seeking moves out of cities including London, where prices in the prime market have fallen. Similarly, there is evidence that landlords in inner-London have reduced rents in response to falling demand, while outer-London boroughs are becoming more attractive, partly as a result of home working.
- 3.12 The government has announced an £11.5 billion Affordable Homes Programme for the 5 years 2021 to 2026, aiming to deliver up to 180,000 new homes across the country (although note the caveat “should economic conditions allow”). It is expected that the programme will unlock a further £38 billion in public and private investment in affordable housing. Around half of the new homes will be available for affordable home ownership and the rest will be made available for discounted rent, including 10% for supported housing. The GLA has been offered £4 billion and negotiations about what they will deliver with this funding are in progress.
- 3.13 The programme includes funding for Social Rent, which is welcome, but also emphasises a new model for Shared Ownership. This will reduce the minimum initial share from 25% to 10%, allow purchase of additional shares in 1% instalments and introduce a 10-year period for new shared owners where the landlord will cover the cost of any repairs and maintenance. Most significantly, a Right to Shared Ownership will be available on the vast majority of rented homes delivered by RPs through the new programme.
- 3.14 The most important shift is set out in the recent Planning White Paper. Further relaxation permitted development rules and proposals to designate neighbourhoods on zoning principles have the potential to seriously weaken local authority input into planning decisions and development control, while a new infrastructure levy replacing S106 is intended to deliver the same proportion of affordable homes, although the mechanism through which this will be achieved is unclear. There is as yet little detail on some aspects such as design principles but a steering group has been set up to establish a design body that will *“support communities in producing binding design codes for their local area, massively increase focus on design and quality in the planning process and ensure local design and architecture is recognised and conserved”*.



#### 4. What does Merton need?

- 4.1 Decisions on the quantity, tenure and size mix of housing take account of several sources of evidence, which are considered in this section. The desired outcome is that delivery on the ground should be achievable and match as closely as possible identified need, with a time horizon matching the Local Plan.
- 4.2 A new Local Development Plan is being prepared, to be informed by a body of supporting evidence including the SHMA and this will underpin decisions on the level and mix of new housing. The draft Local Plan includes a borough wide affordable housing target requirement of 50% with a tenure split of 70% low cost affordable rented and 30% intermediate housing.
- 4.3 The SHMA's assessment of housing need relies to a large extent on predicted population growth. Different methodologies produce different predictions so that, for example, the GLA will not arrive at the same figure as the Office for National Statistics. At the higher end, an Objectively Assessed Need for 1,534 new homes a year is indicated and at the lower the figure is 832. Either scenario should be viewed in light of the revised Mayoral target of 918 a year following the Inspector's Report on the London Plan, to which both local housing and planning policy must have regard. The Council's Strategic Land Availability Assessment arrived at a figure of 823 dwellings annually and the SHMA recommends that the lower figure is realistic. The Mayor's target assumes that 261 of its proposed 918 homes would be delivered on smaller sites of 0.25 hectares or less. For the purposes of this strategy, the aspiration will be to meet the London Plan target. Within the overall total, the SHMA suggests the following distribution for general needs housing:

**Table 2: Housing Supply Requirements**

Bedrooms	Affordable Rent %	Low Cost Home Ownership %	Market %
1	25-30	25-30	5-10
2	35-40	30-35	20-25
3	25-30	25-30	45-50
4	5-10	10-15	20-25

- 4.4 A more immediate picture of need is provided by applications on the Housing Register and homelessness data, as set out in the tables below.

**Table 3: Households on Housing Register at year end**

2017/18	2018/19	2019/20
9802	10216	9845

- 4.5 Housing Register demand has remained relatively stable over the three years. It should be stressed that these figures only include those who have made an application, while it is likely that other households will not apply as they have little expectation of securing a home through this route. The total will also include households who are considered low priority.

**Table 4: Current Housing Register by bedroom requirement at 1<sup>st</sup> November 2020**

No of Bedrooms	1	2	3	4	5	6	Total
Count of Applications	4331	2937	2046	395	59	6	9774

- 4.6 The shape of need for different bedroom sizes is similar to that in other London boroughs. The highest demand is for one and two bedroom homes (which are also the primary product for developers) but the most difficult needs to meet are those for larger homes.

**Table 5: Households in Temporary Accommodation at year end and current**

2017/18	2018/19	2019/20	31 October 2020
165	174	199	214

- 4.7 Merton has been successful in managing homelessness demand, as demonstrated by tables 5 and 6. Temporary accommodation use is low and homelessness preventions are high. Nevertheless, further reduction in TA use and associated costs remains a priority.

**Table 6: Homelessness Preventions at year end and current**

2017/18	2018/19	2019/20	31 October 2020
465	504	480	264

- 4.8 The SHMA also considers affordability, reviewing the various approaches adopted in terms of the proportion of income a household should reasonably spend on housing. The recommendation is that the starting point should be that no more than 37.5% of household income should normally be spent on housing costs and this should be the basis for any assessment of the affordability of new homes. It should be stressed that the 37.5% threshold is arrived at through examination of private rents. Some flexibility should be applied, for example acknowledging that a lower figure may be appropriate for social rented housing and a higher figure, not exceeding 40%, to higher cost products. This assumes that it is reasonable for a household with a lower disposable income and a more restricted choice of accommodation to spend a lower proportion on housing costs than a household with a relatively high income which, as well as having more cash to spend, may exercise a choice to spend more on housing costs, for example to purchase a home that represents a long-term investment or to rent a home in a more expensive area
- 4.9 The tables below are taken from the SHMA. The first illustrates suggested income thresholds for different housing costs and should be seen as a guide rather than a fixed approach. The second looks at costs in different locations as a further guidance on assessing affordability. Note that, even at lower quartile rents, the required income is above the median for

households working and living in the borough in all locations and above the median for all employment other than in Mitcham and Morden.

**Table 7: Suggested income thresholds for different levels of housing cost**

Housing Cost per Month (£)	% of Income	Income Threshold (£)
400	25	19,200
600	29.2	24,686
800	32.5	29,538
1000	35.2	34,065
1200	37.5	38,400
1400	39.4	41,615
1467	40	44,010

**Table 8: Annual income to afford lowest cost private tenures in different locations**

	Lower Quartile Price	Lower Quartile Rent pcm
Mitcham	63,900	33,600
Morden	79,900	33,600
Raynes Park	91,000	38,400
South Wimbledon/Colliers Wood	85,800	38,400
Wimbledon	115,300	43,200
Merton	81,700	38,400

4.10 Based on the latest London Rents Map figures, the table below contrasts weekly private sector rents (rounded to the nearest £1) in Wimbledon and Mitcham, the highest and lowest cost areas in the borough.

**Table 9: Highest and Lowest Rents**

Wimbledon	Lower quartile	Median	Borough Median
1 bed	£273	£294	£288
2 bed	£300	£346	£323
3 bed	£415	£464	£409
Mitcham	Lower quartile	Median	Borough Median
1 bed	£211	£231	£288
2 bed	£254	£282	£323
3 bed	£329	£344	£409

- 4.11 In practice, the majority of these rent levels are not affordable to those on median incomes without Housing Benefit Support. The relevant Local Housing Allowance levels for the borough, which falls into three Broad Market Areas, are set out in the table below.

**Table 10: Local Housing Allowance Sept 2020**

	1 bed	2 bed	3 bed
Inner SW London	£295.39	£356.71	£441.46
Outer SW London	£241.64	£304.93	£368.22
Outer S London	£241.64	£304.93	£368.22

- 4.12 Overall, while properties are available at LHA rates in both higher and lower cost areas, median rents will be out of reach in many cases for lower income households. This reinforces the need for homes at genuinely affordable rents and this is considered further below.
- 4.13 The Local Plan is the primary reference for new development. A key aim is “*creating a high quality urban and suburban environment where development is well designed and contributes to the function and character of the borough*” and new housing supply will be an important contributor to this ambition. The Plan currently allows for 13,770 homes in the period 2021-36 and aims to:
- Require good design and create socially mixed, inclusive and sustainable neighbourhoods
  - Seek a type and size mix to meet need across all tenures including family and smaller homes, affordable and special needs housing
  - Require all new homes to minimise energy use and to be net-zero carbon
  - 90% of all new homes to be accessible and adaptable, with 10% wheelchair accessible
- 4.14 Emerging policy in the Local Plan expects 50% of new homes to be affordable and the current 60:40 ratio of affordable rent to intermediate changes to 70:30, recognising the particular need for genuinely affordable rented products in the context of the need profile outlined above. It is expected that sites of 10 or more homes should deliver 50% affordable homes on public land and 35% elsewhere, in line with the London Plan and the London Housing Strategy. For smaller sites of 2- 9 homes, a 20% financial contribution is sought.
- 4.15 As it stands, the Local Plan aligns well with the priorities identified in this document, to increase the supply of affordable homes. However, the recent Planning White Paper sets out proposals that may alter the context significantly.
- 4.16 In July 2019, the Council declared a Climate Emergency and committed to working toward becoming a net-zero carbon borough by 2050 in line with regional and national targets. This document should be viewed alongside the Climate Strategy and Action Plan, which set out the Council’s approach, in particular to the 86,000 existing homes that are responsible for

around 46% of emissions locally. Similarly, the Local Plan sets out policy in relation to the new homes with which this document is primarily concerned.

- 4.17 This document is not specifically concerned with the Private Rented Sector (PRS) except in so far as it contributes to fuelling or meeting need and demand. It has been suggested that a separate strategy to address the Council's relationship with the sector should be developed. For the purposes of this document, it is worth noting that the Council relies heavily on the sector to provide temporary accommodation but at high cost, including a relatively high proportion of nightly payments. Overall, the sector makes up over 20% of the housing stock and, as in the rest of London, has expanded in recent years. Most of it is well managed and is a vital resource for working people needing access to the local and London-wide jobs market. Parts of the sector are poorly managed and maintained, contributing to housing register demand, and impacting negatively on health and wellbeing.
- 4.18 The Council's Adult Social Care services (ASC) have statutory responsibilities to meet the needs of individuals eligible for support under the Care Act. Including accommodation-based care and support. Accommodation settings range from Residential and Nursing Care Homes (39 in the borough) to Extra Care Housing Schemes (3) and Supported Living schemes (20+). With the exception of care homes, the individual has a tenancy with an RP and care and support provision alongside, often provided by an arm of the housing provider.
- 4.19 Care Homes play an important role but there has been an over reliance on these settings, in and, where there is no local alternative, outside the borough. Part of the solution could be a process of de-registration, allowing providers to make improvements and re-register as supported living schemes. The Council should explore both the appetite of providers to undertake this change and the costs and benefits of facilitating this market shaping.
- 4.20 People with a Learning Disability are a particular focus. And a range of projects is underway to review the accommodation offer, with a view to market-shaping existing and prospective providers to change what they offer. In addition to this the day opportunities review has the potential to release some sites that currently have a day centre in situ and repurpose these, prioritising housing - either specialist or general needs dependent on the right fit for each site.
- 4.21 There are 763 people with a registration of moderate or severe LD. Of these:
- 287 of these are living with families and receive funded care packages.
  - 546 people aged 18+ are known to Integrated Health and Social care.
  - There are 233 service users receiving 24-hour support services: 127 in-borough services (55%) and 106 (45%) out of borough.
  - Of the 106 service users receiving out of borough services, 44 receive services from a neighbouring borough and 62 from other boroughs. The vast majority of these placements are in residential care homes
  - CCG has 16 CHC cases placed outside of the borough.
  - There is a significant proportion (estimated 100-150) adults aged 50+, and living with parents/family carers and it is questionable how sustainable these arrangements are.

- Demand in transitions is expected to be around 27 over the next year.
- 4.22 There is a wider group of children and young people for whom preparation for adulthood will require support to find the right accommodation in the borough. These include care leavers and people with Autism or mental health needs. The ideal is to develop small scale (typically less than 12 units) independent living units that allow people to have a tenancy at affordable rent and the ability to wrap around an individual package of care and support that can be flexed up and down as needs change.
- 4.23 Larger sites may lend themselves to Extra Care Housing or a mixed economy of units that serve a range of client groups and do not over-complicate barriers to community inclusion/cohesion. In Older people's services there are four main cohorts:
- People who live in their own home (owned and private rented)
  - People in social rented homes (mainstream and sheltered housing)
  - Extra Care Schemes where people own or rent their home but the scheme has a dedicated, often on site, care team
  - Residential and Nursing Care Homes.
- 4.24 With an ageing population, living longer, and many living more years with ill health/difficulties with everyday independent living, consideration needs to be given to the supply of decent and accessible accommodation, across all tenures, that can be adapted to help people live at home for as long as possible and where additional care and support can be increased and decreased as necessary.

## 5. Barriers and Constraints

- 5.1 There are barriers to achieving desired outcomes. There is a lack of larger sites, with 90% of planning applications on average currently for sites of ten or fewer homes. Some Registered Providers (RPs) have told the council that they are not interested in developing sites with fewer than 50 homes, although others have indicated that they can develop smaller sites if they have existing stock nearby. (Only 2 of the 51 registered brownfield sites exceed 50 units in capacity). S106 is producing limited rented housing due to the lack of large sites coming forward and there is a perceived over-provision of shared ownership, much of which is not genuinely affordable to those in housing need. In recent years, although overall delivery has exceeded London Plan targets, delivery of affordable homes has been low. Moving to a position in which new Local Plan and London Plan targets are met will be challenging. However, it should be recognised that if proposed planning reforms come into effect, the picture could change. For example, local authorities may be able to work with RPs to use the proposed infrastructure fund that may replace S106 and CIL to develop smaller sites among other options. This is considered further below.
- 5.2 The council has transferred its stock and owns relatively little land suitable for development<sup>1</sup>. Around 24 sites are identified within the General Fund, but the council has no access to the Housing Revenue Account (HRA) land and borrowing opportunities that other boroughs are using to develop new social rented and other affordable homes. The council has closed its own Development Company, Merantun Developments Ltd, in November 2020.
- 5.3 Developers frequently question the viability of affordable housing delivery, a challenge shared across London, leading to delay in delivery and, frequently, inability to deliver the optimum outcome. At the same time, the RP sector is dominated by a relatively small group of organisations<sup>2</sup> and could benefit from both greater diversity and closer partnership with existing providers.
- 5.4 Achieving the required acceleration in supply will mean significant new development, alongside improvements to and more efficient use of existing housing stock. It is recognised that there may be anxieties about the scale of development in a borough with a broadly suburban character.
- 5.5 Any increase in affordable housing supply will require resources. Most obviously, capital investment through grant to providers and borrowing, by the council or partners. Borrowing rates for Public Works Loan Board (PWLB) funding are historically low and below commercial lending levels and local authorities are making increasing use of borrowing opportunities. Revenue investment to support delivery of policy will also be needed, for example recruitment and training of planning and development staff. Note that it is possible to capitalise some of these costs in relation to projects that go forward, potentially mitigating any revenue impact. In addition, it will be necessary to consider how other resources, such as public land, can be brought into play. With these and the other constraints noted above in mind, the following sections review the options.

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- 5.6 While it is difficult to assess the long-term impact of the Covid 19 pandemic, it has added extra pressure. The council is committed to helping the most vulnerable in society and has successfully used MHCLG funding and close partnership working with other statutory, voluntary and faith groups to house rough sleepers and others with no recourse to public funds during the pandemic. In addition, the Home Office is working to move many thousands of asylum seekers across the country into dispersed accommodation from the hotels in which they were housed during the pandemic. This welcome approach to supporting vulnerable households puts extra pressure on an already stretched housing market and accommodation spaces. Government and GLA funding will need to keep pace and not be reduced if the council is to sustain this good work.



## 6. Delivering the Right New Homes

### Affordability

- 6.1 As noted earlier, the high costs of private renting and house purchase relative to local incomes is the main barrier to securing a suitable home for many households. While demand is met effectively by the market for many, this is not the case for households at or below median income levels. Improving affordability is therefore a key goal and the priorities and actions identified in this document place a strong emphasis on homes at social or London Affordable Rent levels<sup>3</sup> and delivery of a higher proportion of these than is currently achieved. Market and intermediate options will also be needed but, to some extent at least, the former will be delivered without the need for significant intervention and delivery of the latter is already at an acceptable level. The key question, therefore, is what the council can do, alone and in partnership, to shift delivery in a direction more attuned to local needs and local incomes.
- 6.2 The very broad approach to affordability at the national level, encompassing everything from social rent to costs at 90% of market levels, is unhelpful and, while the council cannot impose and enforce a local approach, a clear statement of intent may be beneficial. To this end, the council should state its clear preference for new homes at Social and London Affordable Rents. It is possible, as some London councils have done, to adopt a “Merton Rent” approach, setting out a range of rents for different types and sizes of accommodation that are recognised by the council as genuinely affordable. However, this approach is not enforceable and, at best, is likely to produce figures broadly in line with social or London Affordable Rent levels.
- 6.3 Shared ownership will form part of the range of affordable housing products, within the ratio set out in the following paragraph. In general terms, while classed as affordable housing, shared ownership and other sub-market products are not accessible to those on lower incomes, although it is not straightforward to identify a specific income level above or below which intermediate housing is an attractive option. This will depend not only on incomes, but on household attitudes to housing costs, expectations about future income and employment, availability of support from, for example, family members and other factors. Costs will vary according to provider, type of scheme, size of property and so on but, as an indication, Clarion assess the average purchase cost of a new home at £309,000 and of a property bought on resale by an existing occupier at £265,000. The average share purchase is 37% and the average deposit is 5-10% of the value of the purchased share.
- 6.4 Planning policy will set out the proportions required based on 50% affordable homes with a 70:30 ratio of rented to affordable. However, it should be recognised that, while the 50% threshold remains London Plan policy and has been adopted by the majority of London boroughs, it is rarely achieved, as has been the case in Merton. This illustrates that although both the London Plan and Local Plan affordable housing planning policies are ambitious, they also contain appropriate levels of flexibility to ensure that these requirements do not impinge adversely on development viability. The Mayor has adopted pragmatic approach in

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setting the 35% threshold, with 50% remaining the aspiration other than on public land. This approach is also replicated in the emerging Local Plan policies. In practice, approaches to affordable housing delivery will vary on a site by site basis, depending on factors such as land values, build costs and scale. Affordable housing proportions will therefore vary and, in some cases such as small sites, it may be more appropriate to seek a financial contribution in lieu of new homes, or in others to agree provision off-site.

- 6.5 While not directly a matter for this exercise, there is a need to identify the groups that new supply aims to assist. In the short term it will not be possible to meet all needs, so it will be necessary to prioritise and to explain the basis for decisions.

## 7. Partnership

- 7.1 Without a Housing Revenue Account, the Council depends on partnership with developers and RPs. A range of options could be adopted, in whole or in part, to maximise delivery and steer provision in the preferred direction. It has been suggested that Registered Providers are keen for the Council to set out its ambitions and a starting point should be the establishment of a revised and strengthened RP forum, bringing together RPs, developers, Planning and Housing staff. This would provide a basis to test approaches, improve communication and seek consensus and a setting for collaboration on other priorities, such as sustainability and delivery of low carbon homes. Within this, the council's relationship with Clarion, responsible for the council's former stock and the largest single provider in the borough, will be important.
- 7.2 Given the relatively small number of RPs and developers active at any scale in the borough, the council should consider whether greater diversity could be achieved, for example by approaching smaller RPs and companies who may be willing to consider smaller sites. At the same time, it will be important to maintain and improve existing relationships. A renewed Forum should be the mechanism through which approaches are identified and tested.
- 7.3 Clarity over the treatment of planning applications, particularly matters that may lead to refusal, is important. This might include establishing processes for early and open engagement and a clear and vigorous approach to viability challenges where affordable housing proportions are questioned. At the political level, there is a need to clarify priorities, for example how housing provision is treated, in comparison to and relationship with other development such as schools or alongside other requirements that may impact on housing viability. The Local Plan sets out approaches to design and quality and the council should be proactive in creating area design codes, so developers and RPs know what is acceptable and achievable.
- 7.4 The preponderance of small sites has been highlighted as an issue. Over 90% of applications for new homes over the last ten years have been for sites accommodating less than ten homes, a position very different to that of most London boroughs. This is due in larger part to fragmented land ownership and high land prices, both factors making land assembly expensive. This also makes it more difficult and costly to deliver estate and town centre-based regeneration projects. In recognition of the opportunity that small sites could make to contributing to meeting affordable housing needs the new Local Plan is proposing a policy requiring a cash in lieu payment from sites below 10 units.
- 7.5 The council seeks market value on land disposal when, in some cases, alternatives might be more beneficial and lead to cost savings longer term. There may also be options to redevelop or repurpose council owned buildings within the General Fund to achieve similar benefits. Housing officers should develop the case for a different approach for member consideration.

## 8. Direct Intervention

- 8.1 There are opportunities for Council-led approaches directly or through a wholly owned subsidiary or joint venture vehicle, enabling the Council to take risk and profit from development. A company that can deliver new schemes without the need for a developer can have a significant impact on delivery and on the type of development that can be achieved as well as using the potential developer profit as cross-subsidy. This would offer more control over what is built, potentially increasing the number of genuinely affordable homes.
- 8.2 It has also been suggested that the council could consider re-establishing an HRA, with the borrowing capacity that goes with it. While the process for this is simple, only requiring the council to have a stock holding of 199 or more homes, it would require significant upfront investment and a long lead in. A key question for both options is whether the council currently has the internal capacity, skills and knowledge to implement them and, if not, whether the necessary capital and revenue resources can be secured and over what time period. PWLB funding is the most obvious source of capital investment in the medium term, since it would be some time before the HRA itself could support significant borrowing through rent revenues. In addition, the Mayor's Building Council Homes for Londoners programme offers both capital investment through grant and capacity building through training and access to GLA expertise. A new build programme leading to the eventual establishment of a HRA could, over the longer term, offer the best opportunity to deliver new homes at social rents.
- 8.3 An immediate priority should be the establishment of a Housing Investment Fund, consolidating resources including the RTB receipts still available under the stock transfer agreement, commuted sums, prudential borrowing, New Homes Bonus and S106 and use this to invest strategically to create the desired mix of housing types, sizes, tenures and affordability. Alternatively, or alongside this approach, funding (such as from CIL) could be used to invest in public realm improvement and social infrastructure to facilitate or unlock sites and to encourage support for development among the community and politicians. However, it should be stressed that the sums involved are not large enough to support large scale interventions. For example, the S106 pot is £5m and identifying creative uses is not simple. Using the funding to support viability has been suggested but with no specific proposals, while using such funding as direct grant has limited potential as the sums involved may not be large enough to attract interest from RPs. Support from the GLA housebuilding capacity fund has been secured but this is primarily seed funding aimed at building capacity, not a capital resource. It would be important to develop a Housing investment Strategy alongside this to identify investment priorities and mechanisms.
- 8.4 The Council is exploring the potential for council land to be used for housing, with the work due to complete during 2021. A Property Asset Management Board reviews opportunities and the case for housing investment needs to be made here, for example by identifying future cost savings, service improvements or community benefits rather than simply seeking the maximum capital receipt. For example, it has been suggested that the council's own land

resources could be focussed on vulnerable groups rather than general needs, offering both more certain delivery of specialist housing and revenue savings.

- 8.5 The relative lack of larger sites or, where they exist, the slow pace at which they come forward, have been identified as barriers to delivery. As well as supporting site assembly or packaging of smaller sites, by the council and with partners, the council could consider land acquisition through its company, through joint ventures or support from the Mayor's Land Fund and its own Housing Investment Fund.
- 8.6 It would also be possible to create new sites and opportunities by proactively identifying strategic sites for demolition / acquisition / partnership led development and, if required, use CPO powers to do this. This approach is being taken forward for regeneration programmes on the High Path, Eastfields and Ravensbury estates. The Council could also use its CPO powers with Clarion, who have no such powers, to buy back leaseholds, subject to back-to-back funding by them.
- 8.7 Where key sites are not being brought forward for development, the council could consider entering negotiations to acquire them in order to speed up development. Opportunities could be identified by reviewing the current site allocations in the Local Plan and a thorough review of land and property assets in Merton's ownership. As noted above, the council has a number of sites in the General Fund and it would be helpful to review these in terms of their potential and location, in particular where there may be other publicly owned sites adjacent or nearby. As the public-sector contracts (e.g. rationalised NHS and LA neighbourhood facilities) and as town centre retail uses decline, there are opportunities to re-vision the use of land and assets. The One Public Estate map of land ownership indicates that opportunities are limited outside Morden Town Centre, but this should be kept under review to identify, align and merge public sector land interests with partners to unlock opportunities and bring greater additionality. As part of this, the council should identify gap funding needs for partners and developers to see whether a portfolio approach with the GLA on grant funding could help. A successful approach to GLA would require identified sites and proposed funding requirements.
- 8.8 Similarly, any review of potential sites should include surplus brownfield sites. The London Plan includes two open space sites and one industrial site and all three are coming forward but, again, the position should be kept under review as new opportunities emerge. In terms of other changes of use, particularly on high streets, the recent announcement of further changes to permitted development will doubtless result in increased delivery through this route, although the lack of planning input and local authority engagement means that the benefits may at best not be fully realised or, at worst, that delivery will be in direct conflict with local priorities. It is unlikely that such developments will produce affordable housing and, as noted earlier, there are continuing concerns over quality, although government has put forward proposals to address this issue. It is not yet clear how far planning authorities will be able to exert control and it may be that a pre-emptive approach to assessing opportunities, including CPO or agreed purchase options for the council or partners would be appropriate.

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- 8.9 Innovative techniques such as modular building and off-site construction are increasingly available and may have potential to speed up delivery. While these approaches are not being adopted at a scale that offers significant cost or time savings, at this stage, the most practical approach may be to encourage development of this kind where it could provide in-borough temporary accommodation as an alternative to using the PRS.
- 8.10 Given the preponderance of smaller sites, the council should also consider mechanisms to engage with local SME builders and developers and owners of small sites around development, where some government support is available. This could include guidance and assistance on planning and building control processes, supporting site assembly and packaging of small sites to improve viability, and use of a Housing Investment Fund should the council decide to establish one. The Homebuilding Capacity Fund is being used to take this forward. All of these might sit alongside support for construction training and other employment initiatives.
- 8.11 Finally, both government and the Mayor are taking steps to support self-build and community building. While neither will deliver large numbers, they could be a useful adjunct to more traditional approaches and play a role in helping local people to access the housing ladder.

## 9. Density and Intensification

- 9.1 Any new development faces the prospect of local opposition through the planning process, particularly if it is perceived as out of keeping with local character or likely to put pressure on local amenities and services, for example through increased traffic or demand for school places. In turn, local opposition can encourage both officers and members to be cautious in supporting development. In a borough with an established suburban character, development that increases building heights or density is likely to be a concern for residents and therefore for members.
- 9.2 While new supply should be delivered in a way that is sensitive to and respectful of the character of the borough, this need not preclude intensification. Indeed, meeting housing demand will require a change of approach. It will therefore be essential to demonstrate the benefits of change to residents, businesses and local politicians, beyond the immediate benefits of reducing housing need and preventing homelessness. For example, improving the quality and liveability of neighbourhoods, the positive impact of good design, benefits to the local economy and business through provision of more affordable homes such as increased disposable incomes, better access to employment.
- 9.3 Merton received money from the GLA's Homebuilding Capacity Fund to increase housing delivery in the borough, in particular on small sites. This included a Characterisation Study of Merton, looking at opportunities for intensification and Housing Delivery Research, looking at historic delivery trends, engaging with developers, landowners, registered providers and council officers and members about barriers to housing delivery and opportunities to increase delivery.
- 9.4 Merton has also prepared a Small Sites Supplementary Planning Guidance document, which is aimed at landowners and developers and their design teams seeking planning permission. The document provides guidance on delivering high quality developments on sites below 0.25 Ha and will explore the different types of small site found across the borough that may be suitable for delivering new homes.
- 9.5 The Council has declared a Climate Emergency and is undertaking a range of actions to deliver ambitious carbon reduction targets among other environmental measures. As part of this, the Council is considering more ambitious standards for new homes in the New Local Plan to minimise Merton's future domestic retrofit burden (and the significant associated costs) and to ensure that energy use and carbon emissions from new homes are minimised.
- 9.6 Building on this work, the starting point should be identification of areas where there is potential for intensification and, conversely, neighbourhoods where this approach would not be appropriate, giving clarity to developers and residents, and this work has commenced as part of the Characterisation Study. This could include areas where density is already above average, such as former council estates and town centres or neighbourhoods with a high PTAL score. It could also include areas where there is no or limited residential development at present, such as poor quality or under-used open space or redundant industrial land. Developer challenge to affordable housing on viability grounds has been noted earlier and

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supporting intensification is one way to increase viability, with demonstrable benefits for affordability.

- 9.7 Promotion of and support for good design, the provision of physical and social infrastructure and measures to improve energy efficiency, minimise carbon emissions and water use, and promote other environmental benefits should be at the forefront of policies embracing intensification. Some of this is already in place through planning policy and design guidance at the London and Local Plan levels but it may be advisable to review the local approach to provide a clear direction. It will also be necessary to balance the need for more homes with the need for greater quality, recognising that this may involve some trade-offs.
- 9.8 It should be stressed that much of the above may be subject to change if the Planning White Paper proceeds as planned. For example, the designation of neighbourhoods on zoning principles and introduction of national level design guidance may undermine or entirely replace local approaches. As noted earlier, at this stage it is prudent to avoid too much speculation and to proceed based on legislation and policy as is exists.



## 10. Housing for Particular Needs

- 10.1 The needs of more vulnerable households, for example older people, those with physical or learning disabilities and care leavers, emerged strongly in initial discussions and will need to be addressed as part of wider ambitions for new supply. It was also recognised that current and future demand from these groups is not well understood and that further work will be needed to obtain an accurate picture, both of needs and of the pathways through which households access housing. Having said this, it is also felt that there is significant existing provision, although not all of it is fit for purpose or making best use of land and buildings. Enabling people to stay in the borough is a priority, for example to allow care leavers or those in other care settings to sustain support networks.
- 10.2 The older population is predicted to grow by 17% over the next decade but demand for sheltered housing and extra care appears to be weakening.<sup>4</sup> This may reflect changing attitudes as well as the availability of more flexible home care options using new technology. Certainly, the direction of travel in care is towards home-based alternatives and community support. However, the demographic trend suggests a need to keep this under review while recognising that there is too much sheltered housing capacity at present. This offers opportunities to re-purpose existing provision and/or intensify use of sites.
- 10.3 There are similar questions around supported housing, where relatively large numbers are in large shared houses while support could be better provided elsewhere with existing buildings re- purposed for general needs and sites reconfigured to enable mixed development.
- 10.4 There is a need for greater clarity around move-on options, for example into independent living from supported housing and, more widely, on options at different life stages. Linked to this, there is potential for more interventions to support people to remain in their homes, for example through aids and adaptations using DFGs, extensions and deconversions.
- 10.5 Identifying and delivering the right options will require effective integration of policy and service provision across key service areas, including Housing, Children and Families and Adult Social Care. It will also require informed decisions about the use of capital and revenue resources to strike the right balance between, for example, capital expenditure on new provision and revenue spend on existing or new support options that could keep people in their present homes. It should also be stressed that investment in specialist provision will need to be balanced with investment in general needs and the Council will need to make decisions on resource allocation accordingly. There will also be opportunities to seek funding in partnership with RPs through the Affordable Homes Programme, which includes a specific allocation for supported and specialised housing.
- 10.6 There is potential to support the development of innovative solutions, such as Homeshare. Where older people are under-occupying homes, the Council could offer a 'vetting' and management service for older people prepared to offer a room for rent to young people, particularly those affected by the increased age for the single room rate.

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- 10.7 Although primarily a matter for the Homelessness and Rough Sleeping Strategy, it has been reported that there is no locally provided supported accommodation for rough sleepers and agencies working with rough sleepers are keen to see the Council trial a Housing First approach. It remains to be seen what lasting impact emergency measures to get people off the streets during the pandemic will have but there is some commitment to deliver lasting change.
- 10.8 In terms of homelessness and supply, immediate questions for the Council include the potential role of modular buildings in providing a short to medium-term option for temporary accommodation to avoid expensive PRS placements, potentially incorporating Housing First, through a relatively modest capital investment, what mix of new supply would best fit the demand profile from homeless households and what proportion of new lettings should go to this group?

## 11. Using and Improving the Existing Stock

- 11.1 Whatever the level of new development, most of Merton's 86,000 housing stock has already been built. This section considers, across tenures, measures to make best use of it to meet need, address physical and economic regeneration objectives and assist other priorities, such as climate change.
- 11.2 In partnership with Clarion, a major regeneration programme is underway on Eastfields, High Path and Ravensbury estates formerly owned and managed by the Council. Most of the delivery of new homes within this 15 year regeneration programme will take place outside the timescale of this five year housing strategy. Further opportunities exist, for example around town centres, which could be supported by Mayoral or government funding subject to successful bids. Regeneration is expected to play a key role in addressing the significant disparities in income, health and wellbeing between the east and west of the borough and planning policy sets out intentions for a range of neighbourhoods.
- 11.3 Clarion is the largest provider of affordable homes in the borough and its regeneration programme has the potential to make the largest single contribution to increased supply if development on the estates can take place at scale alongside improvements to the existing stock. As noted above, given the 15 year programme, much of this will happen beyond the timeframe of this document. In general, and beyond the transferred estates, it is recognised that the main opportunities for development at scale are around transport hubs and areas where the Council owns land.
- 11.4 The need to reach an agreed position on intensification has been considered above but, in general and beyond the transferred estates, it is recognised that the main opportunities for development at scale are around transport hubs and areas where the Council owns land.
- 11.5 In general, regeneration is influenced by the same factors considered earlier in relation to any new housing supply. Decisions on the Council's approach to intensification and its capital expenditure priorities, along with other factors, will be relevant here. Given the potential scale of programmes in, for example, town centres, particular attention will need to be paid to the Council's use of its own land, its willingness and ability to buy land to facilitate development and delivery of infrastructure, including access to GLA funding, and its approach to viability assessment.
- 11.6 Discussion so far has identified the need for better joint working across Housing and Planning functions. Suggestions for further action include a housing presence in discussions on applications at an early stage, encouragement for RPs to sign up to schemes at the point planning applications are submitted and work with Planning Committee members to ensure the case for housing is well understood.

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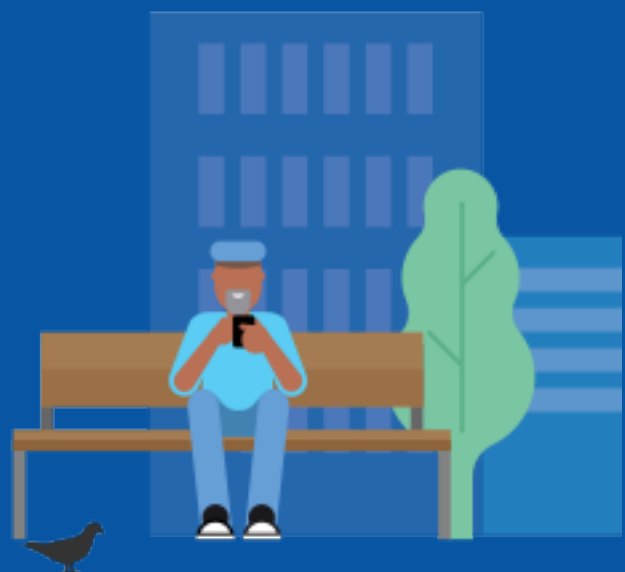
## 12. Governance and Decision Making

- 12.1 The role of the housing service in a non-stock holding borough is necessarily limited and delivering the objectives in this strategy will require consideration of organisational structures and governance. This should include a review of the required skills, knowledge and associated responsibilities and opportunities for stronger partnership arrangements with RPs and developers, together with an assessment of the potential costs of establishing an improved development function.
- 12.2 The Council is not at present geared up to take on significant new responsibilities around development and this may require investment in staffing with revenue implications. For example, Bromley (also a borough with no stock) is establishing a new HRA and has invested in a multi-disciplinary development team and a revised and strengthened partnership group involving RPs and developers. Investment in staffing may be required to ensure the required knowledge and skill are in place.

# CAMPBELL TICKELL

Telephone +44 (0)20 8830 6777  
Recruitment +44 (0)20 3434 0990

[info@campbelltickell.com](mailto:info@campbelltickell.com)  
[www.campbelltickell.com](http://www.campbelltickell.com)  
[@CampbellTickel1](https://twitter.com/CampbellTickel1)



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