

# LONDON BOROUGH OF SUTTON



## 2005 HOUSING NEEDS ASSESSMENT UPDATE

September 2005



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## SUMMARY

### *Introduction*

This report has been produced for the London Borough of Sutton as an update to the 2001 housing needs survey. The main purpose of the update is to revise estimates of the need for affordable housing as new information has become available. The main changes made are:

1. To take account of changes in the housing market (i.e. changes in prices/rents)
2. Changes in local incomes
3. To take account of changes in the supply of affordable housing
4. A re-basing of household figures to take account of information from the 2001 Census and also H.I.P. data

In addition, the opportunity was taken to consider in greater detail the wider housing market in terms of demands and affordability across all tenures in the Borough (rather than just affordable housing). This additional analysis is termed the 'Balancing Housing Markets' analysis and is included to recognise the greater prominence of the wider housing market in recent government advice.

### *Survey and initial data*

The 2001 survey achieved a total 1,228 completed personal interviews to enable accurate analysis of need across the Borough.

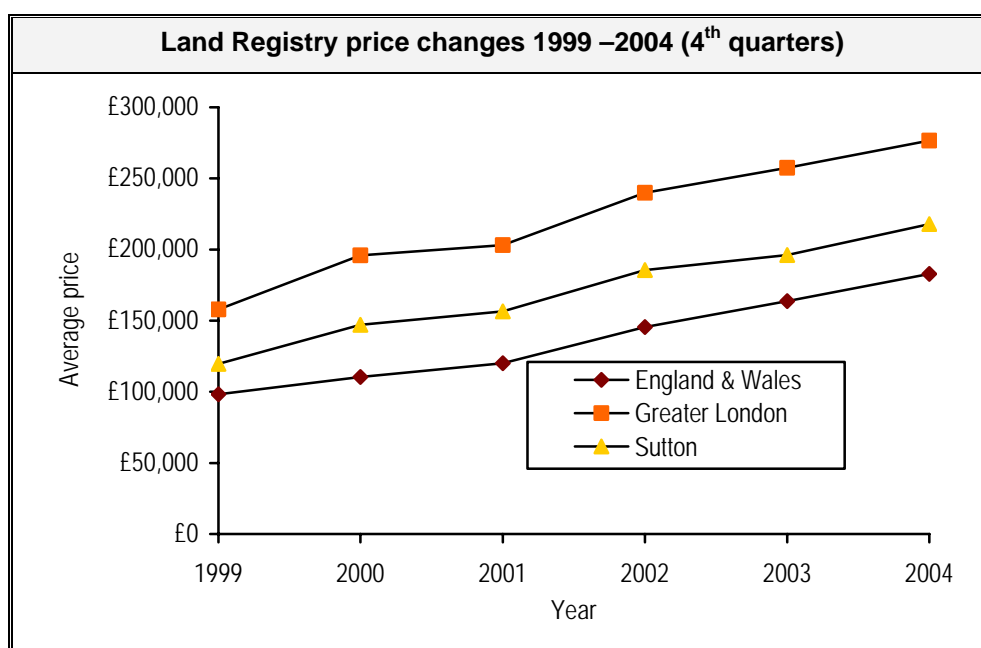
The survey data was updated to a beginning of 2005 base using information from a number of sources including the 2004 H.I.P. return and 2001 Census results. As of 2005 it was estimated that around 75% of the Borough's households are owner-occupiers with around 16% living in the social rented sector.

Number of households in each tenure group				
Tenure	Total number of households	% of households	Number of returns	% of returns
Owner-occupied (no mortgage)	21,710	28.2%	328	26.7%
Owner-occupied (with mortgage)	35,730	46.4%	524	42.7%
Council	7,732	10.0%	264	21.5%
RSL	4,358	5.7%	34	2.8%
Private rented	7,470	9.7%	78	6.4%
<b>TOTAL</b>	<b>77,000</b>	<b>100.0%</b>	<b>1,228</b>	<b>100.0%</b>

A study of the local housing market was undertaken to establish minimum (entry level) prices of housing in Sutton (both to buy and to rent). Information was collected from two sources to inform this analysis:

- Land registry
- Survey of local estate and letting agents

Land Registry data suggested that property prices in the Borough are high when compared with national figures but lower than Greater London property prices and that price rises have been consistent with national and regional equivalents over the past five years. Between the 4<sup>th</sup> quarter of 1999 and the 4<sup>th</sup> quarter of 2004 average property prices in England and Wales rose by 86.3%; for Greater London the increase was 75.3% whilst for Sutton the figure was 82.3%.



A survey of local estate and letting agents identified estimates of the minimum costs of housing to both buy and rent in the Borough. There was considerable variation in prices in different parts of the Borough with broadly speaking Cheam being the most expensive area. To test a household's ability to afford market housing, prices in the cheaper areas were used to ensure that estimates of housing need were not overstated.

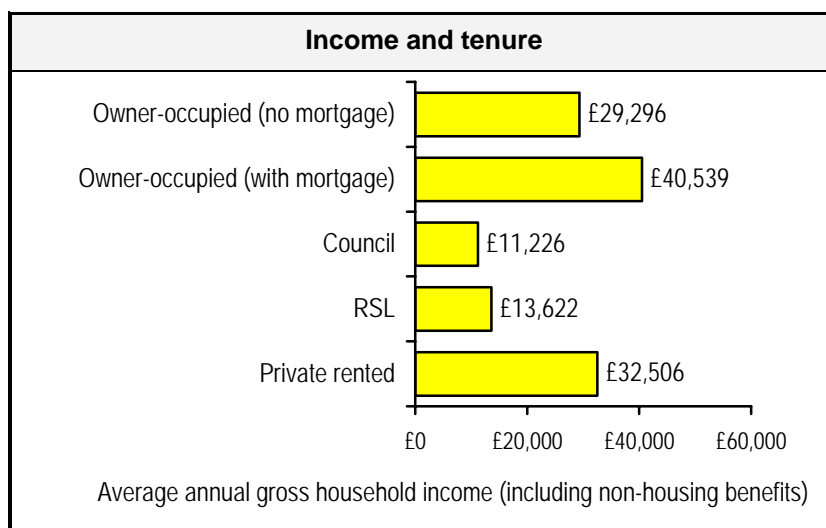
Overall, the survey suggested that entry-level prices (excluding those from the Cheam village area) range from £115,000 for a one bedroom home to £249,500 for a four bedroom property. Minimum rents ranged from £565 to £1,350 per month depending on size of accommodation.

<b>Minimum property prices/rent in Sutton (excluding Cheam sale prices)</b>		
Property size	Minimum rents (per month)	Minimum sale price
1 bedroom	£565	£115,000
2 bedrooms	£660	£144,000
3 bedrooms	£860	£188,500
4 bedrooms	£1,350	£249,500

Comparisons with information collected from estate agents in 2001 suggest that property prices have increased significantly whilst private rentals costs have remained stable.

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

The survey estimated average gross annual household income (including non-housing benefits) to be £31,277 (this figure being 17% higher than in 2001). There were, however, wide variations by tenure; with households living in social rented housing having particularly low income levels.



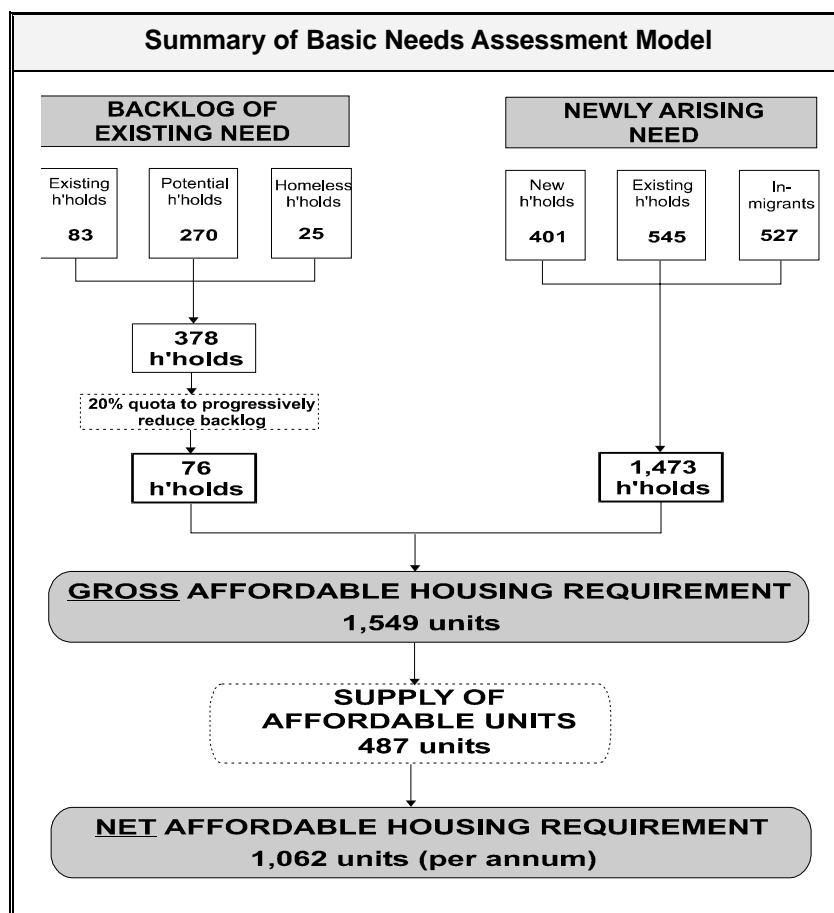
The assessment of affordability for households is carried out using a joint test to determine whether or not a household can afford to buy or privately rent a property of a suitable size in the Borough (taking into account income, savings and equity data).

### ***The Guide model***

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

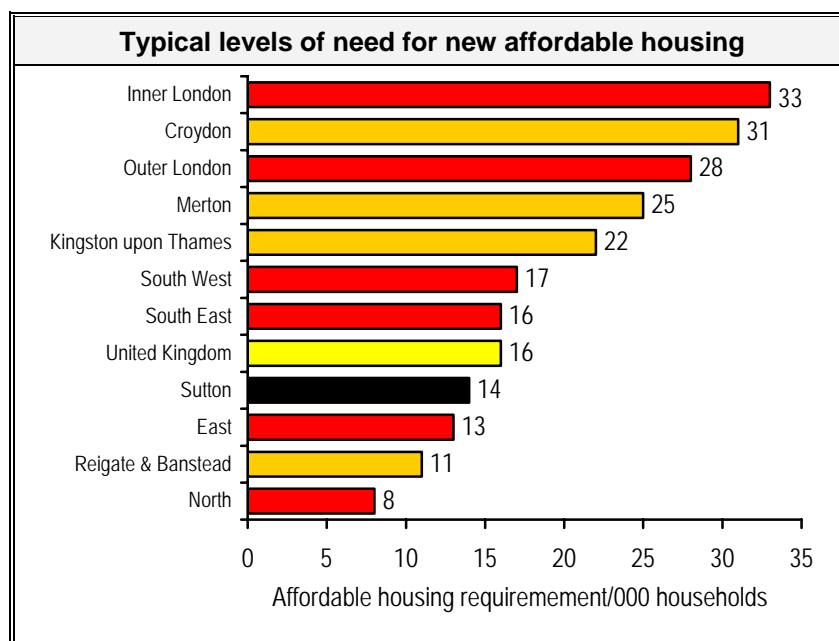
The BNAM sets out 18 stages of analysis to produce an estimate of the annual requirement for additional affordable housing. The model can be summarised as three main analytical stages with a fourth stage producing the final requirement figure. The stages are:

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



Overall, using the BNAM it was estimated that there is currently a shortfall of affordable housing in the Borough of around 1,062 units per annum. The data suggested that this shortfall is most acute for smaller (one and two bedroom) properties.

The figure of 1,062 per annum is slightly lower than the figure of 1,143 per annum calculated in 2001. Although there have been some methodological changes in the time between the two surveys, the update certainly confirms that there remains a significant shortage of affordable housing within the Borough.



The analysis suggests that any target of affordable housing would be perfectly justified (in terms of the needs) and that site size thresholds below the current Circular 6/98 level of 25 dwellings should be considered.

Further analysis suggests that 77.5% of this need could theoretically be met by ‘intermediate’ housing, available at outgoings between social rents and the minimum cost of (second hand) market housing. However, there are a great number of households in the ‘intermediate’ category who could only afford the cheapest ‘intermediate’ housing (i.e. prices close to social rents) and therefore traditional ‘affordable’ options (such as shared ownership) may be of limited use. Only around 13% of households in need could actually afford the most expensive types of intermediate housing, which would correspond to typical costs of shared ownership schemes. Therefore, unless new variants of mid-priced intermediate housing are made available, the majority of housing need in Sutton will have to be met by social rented housing.

### ***Broader Housing Market & Future Changes***

Having studied the need for affordable housing using the Basic Needs Assessment Model, the study moved on to looking at housing requirements across all tenures. A ‘Balancing Housing Markets’ (BHM) assessment looks at the whole local housing market, considering the extent to which supply and demand are ‘balanced’ across tenure and property size. The notion has been brought into prominence by the work of the Audit Commission in assessing councils’ performance (Comprehensive Performance Assessment (CPA) of district authorities).

As the BHM is a demand and aspiration driven model (the BNAM being mainly based on past trends) there are inevitably some differences between the results produced from the two methods. The BHM is however particularly useful at ascertaining what shortages exist in the private sector and how these interlink with affordable housing demands and can help to guide councils in securing an appropriate mix of market housing on new housing developments.

The inherent idea behind the BHM method is that it seeks to meet the requirements of the current population first with the amount of in-migration used to ‘balance’ figures to the estimated household growth of an area.

The table below shows the overall results of the BHM analysis.

Total shortfall or (surplus)					
Tenure	Size requirement				TOTAL
	1 bedroom	2 bedrooms	3 bedrooms	4+ bedrooms	
Owner-occupation	138	136	(128)	28	174
Affordable housing	193	273	208	48	722
Private rented	(175)	(273)	(65)	(14)	(526)
TOTAL	156	136	16	62	370

A number of conclusions can be drawn from this analysis:

- (i) The level of ‘need’ for affordable housing shown by the table above (722) is significantly lower than that shown by the BNAM analysis (1,062 dwellings). This is a common finding, and is due to the fact that the BHM deals with aspirations rather than just affordability, as well as the way that this analysis constrains in-migration so as to achieve ‘balance’. This will have the effect of underestimating the needs of in-migrant households, who may be less likely to be able to afford market housing.
- (ii) The data shows that the affordable housing sector bears the majority of the shortfall. This supports findings from the BNAM analysis and again demonstrates a need for more affordable housing in Sutton.
- (iii) Overall, the data shows a surplus of private rented accommodation. The finding of a large surplus of private rented housing should however be treated with caution. This sector is likely to be used to make up the shortfall of affordable housing and so it is unlikely that these properties would ever be vacant in the long-term.

- (iv) In terms of size requirements, the information suggests that the main shortfall in the affordable sector is for one, two and three-bedroom accommodation, and to a lesser extent four-bedroom homes. In the owner-occupied sector the main shortfall is of one and two bedroom homes with a smaller shortfall for 4+ bedroom dwellings.

### ***Key worker households***

The term intermediate housing is often used with reference to specific groups of households such as key workers. The survey therefore analysed such households (the definition being based on four categories of employment). Analysis of survey data indicates that there are an estimated 12,433 households headed by a key worker. These households are more likely to be living in owner-occupied accommodation than all non key worker households. The main findings from further analysis of these groups of households can be summarised as follows:

- Key worker households are more likely to have moved in the last three years than non-key workers and are less likely to have moved from within Sutton
- Key worker households are marginally more likely to move within the next three years and are more likely to want to remain in the Borough
- Key worker households have above average levels of income and the majority are able to afford minimum market prices.
- Many of the households in housing need are key worker households, with 24.8% of the overall net requirement from key worker households.
- Of those key worker households in need, the majority (288 households accounting for 94.4%) can afford more than the costs of social rented accommodation.

### ***First time buyers***

Meeting the housing needs of first time buyers is an important area of current Government policy and planning. Survey data suggested that affordability of housing is a considerable problem for future first time buyers in the Borough. In particular:

- Recent first time buyer households are much more likely than other households to live in the Sutton and Carshalton & Clockhouse sub-areas (i.e. the cheaper sub-areas) and are much more likely to contain non-pensioners without children
- Recent first time buyers are more likely to have moved from within Sutton than other households and have considerably higher average income levels than the average of all households



- In terms of future first time buyers, fewer of these households expect to remain in the Borough than would like to
- Existing households wanting to buy a first home in the next three years have incomes below the Borough average; only around half could afford market housing
- Potential households wishing to become first time buyers have even worse affordability levels, with under 40% able to afford market housing in Sutton

### ***Black and Minority Ethnic Households***

The survey revealed that 91.4% of Sutton households were White, with 3.8% Asian, 2.5% Black and 2.3% in Mixed & other ethnic groups. The survey showed that Asian households have a larger average household size than other households. Additionally, results show that Black households were disproportionately living in the social rented sector. The survey results suggest that White households are generally more likely to contain someone with a support need and that Asian and Black households were significantly more likely to be in unsuitable housing. The survey also showed considerable difference in both income and savings levels between the different groups, with Black households showing the lowest income and savings.

### ***Households with support needs***

Information from the survey on support needs groups can be of assistance to authorities when contributing to detailed Supporting People Strategies. Some 10.5% of all the Borough's households (8,055) contain support needs members. 'Physically disabled' is the largest category with support needs. There are 5,294 households containing a 'physically disabled' person and a further 1,657 with one or more household members who are frail elderly.

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

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

### ***Households with older people***

Some 21.5% of households in Sutton contain older persons only (i.e. people over the age of 65 male and 60 female), and a further 7.4% contain a mix of both older and non-older persons.

Older person only households are disproportionately comprised of only one person providing implications for future caring patterns. Although the majority of older person only households live in the private sector, it is interesting to note that a high proportion of social rented accommodation houses older people only (30.1% of all RSL accommodation for example).

Older person households do contribute noticeably to the overall need for additional affordable housing, and may well have a significant impact on the future need for sheltered housing and adaptations/improvements to the existing stock. Older person households are more likely than other households in Sutton to be living in unsuitable accommodation.

### ***Conclusions***

The housing needs survey update in Sutton provides a detailed analysis of housing requirement issues across the whole housing market in the Borough. The study began by following the Basic Needs Assessment Model, which estimated a requirement to provide an additional 1,062 affordable dwellings per annum if all housing needs are to be met (for the next five years).

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

Overall, the need for additional affordable housing represents over 100% of the estimated newbuild in the Borough of 370 units per annum, the annual newbuild target set by the Greater London Authority. It would be sensible to suggest that in the light of the affordable housing requirement shown, the Council will need to maximise the availability of affordable housing from all available sources (including newbuild, acquisitions, conversions etc). Attention should also be paid to the cost (to occupants) of any additional housing to make sure that it can actually meet the needs identified in the survey.

# **1. Introduction**

## **1.1 Introduction**

During 2001 Fordham Research carried out a Housing Needs Survey for Sutton Council as part of a combined housing need and stock condition survey assessment– the report was completed in July 2002. The analysis of housing need was based on primary research involving interview surveys (forming part of the condition assessment and undertaken by a trained surveyor). The survey was designed to cover all tenure groups and all areas within the Borough and enabled the assessment of the need for new affordable housing following the approach set out in DETR Guidance.

This report has been commissioned to update the results of the 2001 Survey for a number of reasons:

1. To cost-effectively update survey data to take account of changes (commented on further below) affecting the needs results since the time of the first survey
2. To demonstrate up-to-date estimates of need in support of the Council's affordable housing policies to feed into the development of the Local Development Framework
3. To provide additional information on aspects that have come to prominence since the last survey such as Balancing Housing Markets analysis

## **1.2 Nature of this report**

In making assessments of housing need in compliance with Government Guidance primary research is essential. Principally, this is because information on housing suitability and market affordability (the two elements central to the definition of need) are not available from secondary data sources for the same group of households. It is however costly to undertake primary fieldwork and in consequence Fordham Research have devised a cost-effective update approach that uses the original survey data collected and updated it to take account of changes to key variables affecting the overall assessment.

This report is therefore intended to review the Housing Needs Survey (HNS) and provide an updated estimate in the context of changes that have occurred since the time of the first survey. The main changes are as follows:

1. Changes in market prices/rents and income levels which have occurred since the original Housing Needs Survey
2. Changes in the supply of affordable housing (relets excluding transfers within the social rented sector)
3. A re-basing of household figures to take account of information from the 2001 Census and also H.I.P. data
4. Improvements to the methodology used to assess housing need

The survey reported here addresses the question of housing need at Borough-level. Since, both for Housing Investment purposes and Development Plan reasons, the need has only to be established at the Borough-level, there is no general requirement to achieve a high level of geographical detail.

### **1.3 Key points from the housing needs assessment guide**

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

#### **(i) Introduction**

The Guide, published in July 2000, has gone a long way to filling the gap which has been apparent ever since, in Circular 7/91, the Government told councils they could seek affordable housing provided that there was evidence of housing need (without ever explaining what ‘need’ meant).

There are still a number of detailed difficulties with the advice, but they are minor compared with the gaps that have been filled. The following summary focuses upon the key issues, and in particular those which affect affordable housing.

**(ii) Definition of housing need**

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

**DETR  
Guide**

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

'Unsuitable housing' is used throughout the Guide to refer to households who are potentially in need. The second part of the test is an evaluation of whether a household in unsuitable housing can afford market prices to buy or rent.

**(iii) Procedure**

An 18 staged procedure is set out in the Guide. This is aimed at producing an estimate of the net need for new affordable housing. Thus the Guide is very much geared to the requirements of planning for clear indications of the affordable housing requirement. The following table reproduces the stages from the key table of the Guide.

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

*Source: Local Housing Needs Assessment: A Guide to Good Practice DETR 2000*

#### **(iv) Conclusions**

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

### **1.4 Methodological changes**

In the intervening period since the time of the first survey the analysis following the Basic Needs Assessment Model has been subject to detailed scrutiny at numerous inquiries. In response to this process a number of modifications to the assessment have been made to ensure that the overall requirement estimate is a minimum estimate.

The key development that has occurred in the intervening period is the use of past move information to assess newly arising need from household formation. It is recognised that this approach is likely to understate the true level of need arising from this element (as those households forming in the past will be biased towards those that are able to afford), however it is now used to ensure the estimate of need is a minimum estimate. Commentary on comparisons with the previous survey is included at the end of each chapter.

## 1.5 Balancing Housing Markets analysis

The study also looks at housing requirements using our ‘Balancing Housing Markets’ methodology (BHM). This is a demand led method which looks at potential housing shortages (and surpluses) across the whole housing market – including affordable housing. This requirement has been brought into focus as part of the Audit Commission’s Comprehensive Performance Assessment (CPA). The CPA includes the requirement for local authorities to assess the extent to which it understands its entire housing market, the extent to which it is taking appropriate actions to balance the housing market, and to demonstrate that it is adequately monitoring progress in achieving a balanced housing market.

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

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

The BHM analysis together with the assessment of need following the Basic Needs Assessment model (as set out in DETR guidance) enables some considerable light to be cast on the housing situation within the Borough. The two methods, although differing in approach and the use of survey data, are quite complimentary in providing detail on certain crucial matters, such as the types of affordable housing which can meet housing need and suggested affordable housing policy responses (such as target and threshold levels).

### **1.6 Draft ODPM guidance**

While this update was being carried out, the ODPM published a draft version of new guidance on Local Housing Assessment. This draft is still under consultation, but if it were to be adopted in its present state, some methodological changes would be made to the Basic Needs Assessment Model as it stands now. The two main amendments to the BNAM involve a step to take account of surplus stock in the 'backlog' section and a step removing potential out-migrant households from the newly arising need. The first change would not have a significant effect in Sutton, since the vacancy rate in social housing is low; the second point would not affect results either, since out-migrant households are already taken into account as part of another stage of the BNAM in this report.

The draft guidance also changes slightly the way in which mortgage affordability is calculated. However, this change is a relatively minor alteration that would have little effect on the overall level of housing need found in Sutton.

### **1.7 Summary**

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

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



### **Changes since 2001**

This report is designed to update the results of the 2001 survey by taking account of changes in household numbers, property prices and incomes. It also uses information now available from the Census together with recent H.I.P. information to adjust for changes in tenure and household composition. The stages of the approach remain largely unchanged from the previous survey, although some modifications to methods have been made. The analysis also includes a balancing housing market assessment focussing on imbalances in the wider housing market.



## **2. Survey Work and Validation**

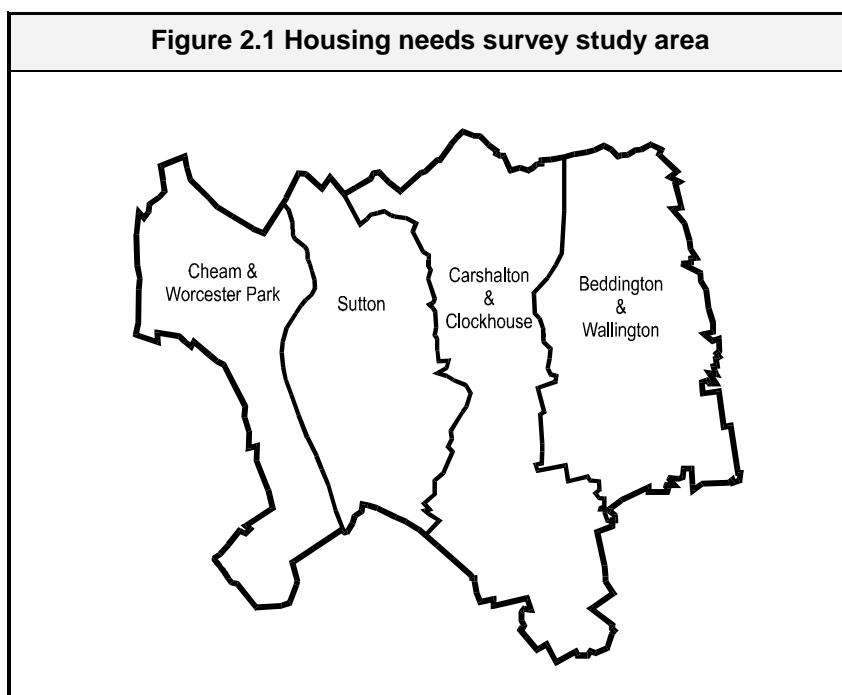
### **2.1 Introduction**

The 2001 survey formed part of a joint Stock Condition and Housing Needs survey and information was collected by means of a personal interview approach. The stock condition assessment covered the private sector only, whereas the needs assessment also included households in the Council rented sector. As such, housing need interviews were conducted at the same time, and on the same addresses, as the stock condition assessment in the private sector. Separate housing needs only interviews were conducted for households in the Council rented sector. This approach ensured that the housing need information covered all areas and tenure groups across the Borough. Samples for both surveys were drawn from the Council Tax Register

The survey achieved 1,228 completed personal interviews. This is sufficient to provide reliable estimates of need in accordance with DETR Guidance. Survey fieldwork was completed in 2001.

For the purpose of this update report the original survey data has been re-weighted for measurable bias taking account of more recently available information sources such as the Census and H.I.P. returns. The data has been re-based to the beginning of 2005 and it is estimated that there are around 77,000 households in the Borough. Unless specifically stated otherwise, all figures used in this report are updated figures and are not from the original 2001 report.

Throughout the report reference is made to the findings of the London and sub-regional strategy support studies project (SSSS), carried out by Fordham Research for the GLA.



## 2.2 Household profile and weighting procedures

An important aspect of preparing data for analysis is ‘weighting’ it. This is important because social survey responses never exactly match the estimated population it is set to represent. As a result it is necessary to ‘rebalance’ the data to correctly represent the population being analysed. This approach is recommended in the Guide.

### DETR Guide

*‘If inconsistencies are found between survey results and benchmark sources, there may be a case for re-weighting the data in-line with the distribution indicated by the benchmark source’. [Section 4.2 (page 54)]*

There are diminishing returns to weighting survey data. Thus weighting by 6 variables is not twice as good as weighting by three: indeed it may add no further accuracy at all provided that the first factors are suitably chosen. This survey was weighted by the following variables:

- Tenure (from 2001 Census and H.I.P. data)
- Twenty five wards (informed by the Council Tax Register)
- Household size (Census Area Statistics 2001)
- Household type (Table KS20 of 2001 Census)
- Accommodation type (Table KS16 of 2001 Census)
- Car ownership (Table KS17 of 2001 Census)
- Ethnic group (2001 Census)

The data was weighted so as to be in line with the proportions shown in each of these groups. The table below shows an estimate of the current tenure split in Sutton. Information for this came both from the Council H.I.P. return (2004) and the 2001 Census.

<b>Table 2.1 Number of households in each tenure group</b>				
Tenure	Total number of households	% of households	Number of returns	% of returns
Owner-occupied (no mortgage)	21,710	28.2%	328	26.7%
Owner-occupied (with mortgage) ①	35,730	46.4%	524	42.7%
Council	7,732	10.0%	264	21.5%
RSL	4,358	5.7%	34	2.8%
Private rented ②	7,470	9.7%	78	6.4%
<b>TOTAL</b>	<b>77,000</b>	<b>100.0%</b>	<b>1,228</b>	<b>100.0%</b>

NOTES ① - Includes shared ownership

② - Includes 'tied' accommodation and other rented accommodation

In total an estimated 74.6% of Sutton households are owner-occupiers. This is a considerable higher proportion than in South West London (61.1%) and London as a whole (56.9%). The private rented sector in the Borough is almost half that in South West London (18.2%), and the social rented sector is also smaller at 15.7% of households compared to 20.7% in the South West and 25.4% in London overall.

The estimated number of households and number of responses for each of the other weighting groups is shown in Appendix A1.

## 2.3 Summary

The housing needs survey was carried out in 2001. A personal interview approach was used achieving 1,228 completed survey forms. This is a significant amount of data and enables reliable analysis of housing need in accordance with DETR guidance. The survey data was weighted so as to be representative of all households within Sutton. In total it is estimated that there were 77,000 resident households at the beginning of 2005.

### Changes since 2001

At the time of the 2001 survey there were an estimated 74,105 households in the Borough. As of the beginning of 2005 this figure has been revised to an estimate of 77,000. Adjustments have been made to the data to take account of the change in the number of households and also changes in the make up of households (e.g. to take account of tenure changes).



## 3. Local Housing Market Study

### 3.1 Introduction

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

- Land registry
- Survey of local estate and letting agents

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

### 3.2 National, regional and local picture

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

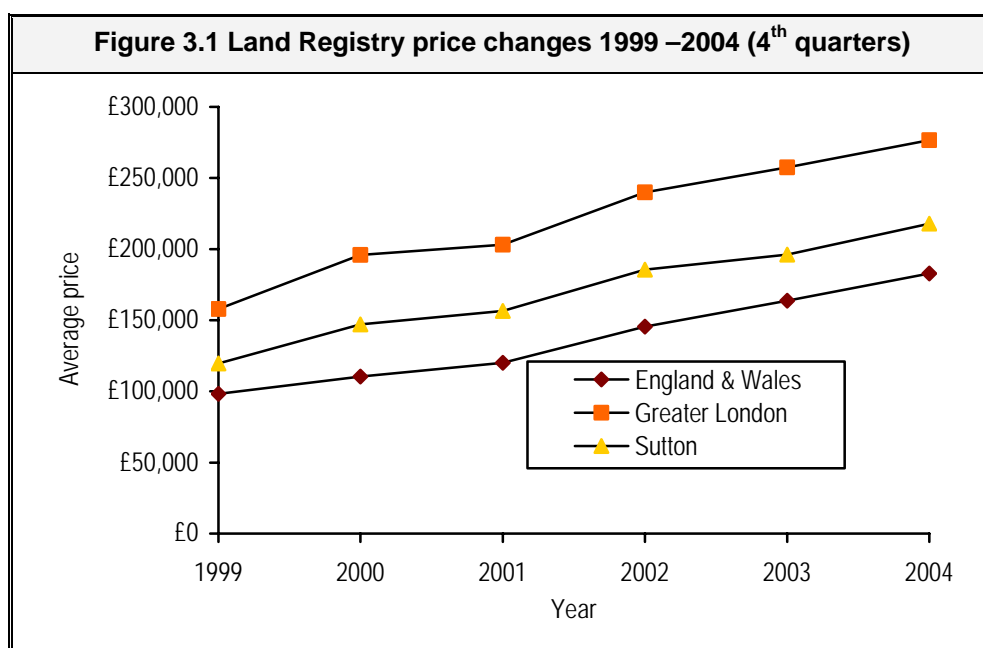
This data is therefore very versatile, and can potentially provide a valuable picture of the housing market, both in comparing Sutton with other parts of the country, and in showing what is occurring at a very local level, i.e. within the Borough. Information from Land Registry shows that nationally between the 4<sup>th</sup> quarter 1999 and the 4<sup>th</sup> quarter 2004 average property prices in England and Wales rose by 86.3%. For the Greater London region the increase was 75.3% whilst for Sutton the figure was 82.3%.

The table below shows average prices in the 4<sup>th</sup> quarter of 2004 for each of England & Wales, Greater London and Sutton. The table shows that average prices in Sutton are above the national average but somewhat below the regional figure.

Table 3.1 Land Registry average prices (4 <sup>th</sup> quarter 2004)		
Area	Average price	As % of E & W
England & Wales	£182,920	100.0%
Greater London	£276,698	151.3%
Sutton	£217,967	119.2%

*Source: HM Land Registry data*

The figure below shows average price changes since 1999 and indicates that average prices in Sutton have remained consistently higher than average prices in England & Wales as a whole.



Source: HM Land Registry data

The table below shows average property prices for Sutton for each dwelling type. This data is compared with regional price information. The volume of sales is also included for both areas.

Table 3.2 Land Registry average prices and sales (4 <sup>th</sup> quarter 2004)				
Dwelling type	Sutton		Greater London	
	Average price	% of sales	Average price	% of sales
Detached	£450,011	6.5%	£569,338	3.9%
Semi-detached	£269,232	20.0%	£322,487	15.3%
Terraced	£212,869	32.4%	£278,094	30.3%
Flat/maisonette	£160,625	41.1%	£239,316	50.5%
All dwellings	£217,967	100.0%	£276,698	100.0%

Source: HM Land Registry data

The largest volume of sales in the Borough was for flats/maisonettes (41.1%) with an average price of £160,625. Terraced houses accounted for 32.4% of all sales. Sales regionally show a higher proportion of flat/maisonette sales and a lower proportion of terraced, detached and semi-detached properties.



### 3.3 Prices in neighbouring authorities

As the table below demonstrates, all local authorities adjoining Sutton have prices above the national average. As a proportion of the England and Wales average, Sutton itself has the lowest average price at 119.2% of the national average whereas average prices in Epsom & Ewell are more than 160% above the national average.

<b>Table 3.3 Price levels in Sutton and adjoining areas (4<sup>th</sup> quarter 2004)</b>	
<b>Council area</b>	<b>% of England &amp; Wales</b>
Epsom & Ewell	163.6%
Tandridge	158.0%
Reigate & Banstead	150.4%
Merton	150.1%
Kingston-upon-Thames	143.1%
Croydon	119.9%
<b>Sutton</b>	<b>119.2%</b>

*Source: HM Land Registry data*

### 3.4 Estate Agents' information

#### *(i) Purchase prices*

In March 2005 a total of 13 estate and letting agencies were contacted in order to obtain detailed information about the local housing market across the Sutton area. Agents were contacted across the Borough in order to capture localised variations across the area. Primarily those contacted were located in Sutton, Cheam, Wallington and Carshalton.

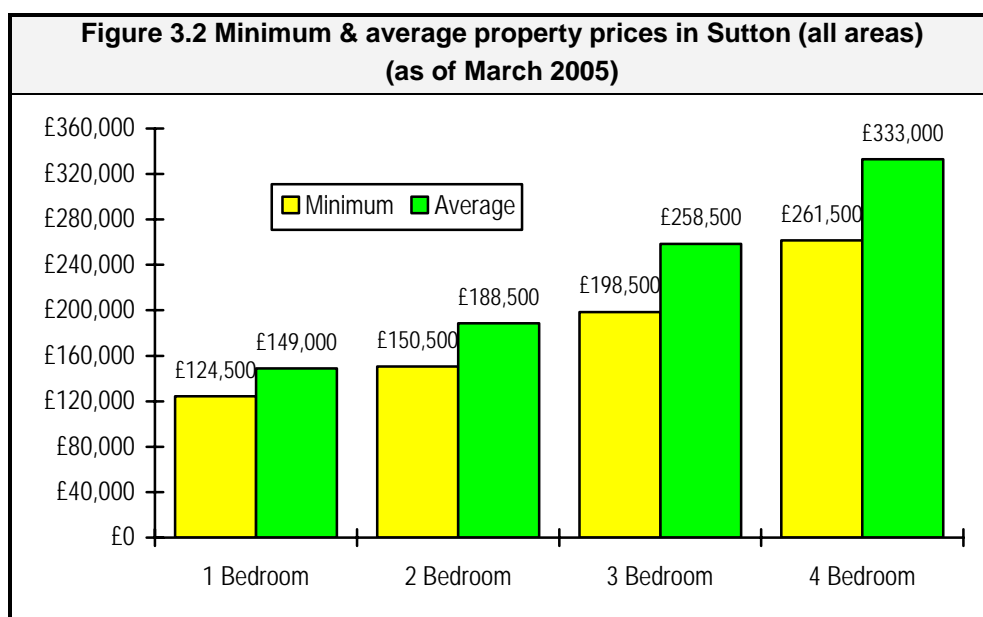
Average and minimum property prices were collected for a range of property sizes and tenures. Comments were also collected from the agents to describe the main features of the current market in Sutton and appropriate comments are presented below.

The general consensus amongst agents was that sale prices for housing in the Borough were beginning to stabilise after the notable rises of recent years. This was generally described in a positive light – one agent in Cheam commented that ‘prices have been fairly steady, with no real signs of a down-turn yet’. Another agent in Cheam also remarked that ‘there are no signs that the market is tailing off’.

Ex-local authority properties can be found across the Borough and are generally ‘quite a bit cheaper’ than other properties, particularly in the St. Helier area. Access to transport connections was also felt to be a major source of difference between property prices. An agent in Sutton commented that ‘it’s a very varied area, a lot depends on how close to the station you are’.

In terms of available supply of properties for sale, the view was that it was ‘still a really busy market’ although ‘there’ve not been many new properties on the market in recent months’. One agent in Sutton commented that ‘there’s not much interest from first time buyers. I think everyone’s expecting prices to come down quite a bit although they haven’t as yet.’ In contrast, the rental market seemed to have plenty of properties available: ‘Some landlords have recently dropped their prices – there is so much on the market.’

If we take averages of the prices identified by individual agents for each dwelling size and price level, the property price results are as presented in the figure below. The figure shows that estimated entry-level (minimum) prices ranged from £124,500 for a one bedroom property (likely to be an ex-council property), up to £261,500 for four bedrooms. Average prices were generally around 15-25% higher than the minimums. These prices collected are the prices that homes were sold at, not the asking price.



Source: Fordham Research - survey of estate agents 2005

**(ii) Private rent levels**

Average and minimum rents were also collected from agents and the results of this analysis are shown in the table on the following page. Minimum monthly rents varied from £565 (one bed) to £1,350 (four beds) with average rents being around 10-15% more expensive than this. Unlike purchase prices, private sector rents showed relatively little variation depending on location.

<b>Table 3.5 Minimum and average private rents in Sutton</b>		
Property size	Minimum rent (monthly)	Average rent (monthly)
1 bedroom	£565	£680
2 bedrooms	£660	£805
3 bedrooms	£860	£1,055
4 bedrooms	£1,350	£1,680

*Source: Fordham Research - survey of estate agents 2005*

**3.5 Changes in prices and rent levels since 2001**

The table below compares minimum property prices between the last survey (undertaken in late 2001) and the update survey (undertaken in March 2005). The results indicate that minimum prices have increased, overall, by around 37% for one bedroom homes and 24% for two bedrooms. Much smaller increases have been seen in three+ bedroom properties. Results from the Land Registry indicate slightly higher price rises.

<b>Table 3.6 Minimum prices in Sutton 2001 and 2005</b>			
Property size	September 2001	March 2005	% change
1 bedroom	£91,000	£124,500	36.8%
2 bedrooms	£121,500	£150,500	23.9%
3 bedrooms	£182,500	£198,500	8.8%
4 bedrooms	£245,000	£261,500	6.7%

*Source: Fordham Research - survey of estate agents 2001 and 2005*

In addition to looking at how property prices have changed it is also worth considering changes in the costs of private rented housing. The results are presented in the table below and show that minimum rents appear to have decreased slightly for smaller properties. This is important for the assessment of affordability because both the purchase and rental sectors of the market are considered when determining whether a household is able to afford access to the market.

Table 3.7 Minimum monthly rents in Sutton 2001 and 2005			
Property size	September 2001	March 2005	% change
1 bedroom	£601	£565	-6.0%
2 bedrooms	£689	£660	-4.2%
3 bedrooms	£840	£860	+2.4%
4 bedrooms	£1,220	£1,350	+10.7%

*Source: Fordham Research - survey of estate agents 2001 and 2005*

### 3.6 Appropriate price level for the affordability test

The previous sections showed the results obtained by averaging the figures from estate agents for minimum and average prices in each of the four size categories. However in order to decide what price level is the most appropriate to use for assessing whether or not a household is able to access the housing market, it is necessary to consider two aspects:

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

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

<b>DETR Guide</b>	<i>'The most commonly used affordability test involves comparing estimated incomes of unsuitably housed households against 'entry level' house prices.'</i> [Section 4.3 (page 57)] <i>'...approaches which compare maximum prices payable against average house prices are certainly questionable.'</i> [Section 4.3 (page 57)]
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In relation to price variations the estate agent survey suggested that there were some differences between the figures from agents based in Cheam to those within the rest of the Borough, with sale prices in South Cheam being somewhat higher than all other areas. This raises the issue of the appropriate price assumptions to use in assessing overall Borough-wide affordability, it could be objected that a household who could afford market priced housing by moving a reasonable distance should not be assessed as being in housing need.

To overcome this objection, a single price/rent regime has been applied throughout the Borough to assess affordability in our needs survey. Prices obtained from estate agents in the South Cheam area have therefore been excluded when calculating minimum costs for the Borough. The private rental figures applied are those collected from all agents as (as noted above) there was relatively little geographical variation shown. The entry level costs used for the affordability test are shown in the table below, where sale prices exclude those from South Cheam.

<b>Table 3.8 Prices used to assess affordability in Sutton</b>		
Property size	Minimum rent (monthly)	Minimum sale price
1 bedroom	£565	£115,000
2 bedrooms	£660	£144,000
3 bedrooms	£860	£188,500
4 bedrooms	£1,350	£249,500

### 3.7 Summary

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

- Average prices in Sutton rose by 82.3% in the period 1999 to 2004. This is consistent with the rate of increase observed nationally and regionally.
- The average property price in Sutton in the 4<sup>th</sup> quarter 2004 was around 20% higher than the average for England & Wales.
- Sales of properties in Sutton are predominantly flats/maisonettes and terraced houses/bungalows with only 6.5% of sales in the 4<sup>th</sup> quarter of 2004 being detached houses/bungalows.
- The estate agent survey suggested that minimum prices for the whole Borough ranged from £124,500 to £261,500 depending on the size of properties. Higher prices were found in the Cheam area.
- Minimum rents ranged from £565 to £1,350 per month depending on property size across the whole of the London Borough of Sutton area.

### **Changes since 2001**

The data shows that minimum purchase prices have risen overall since the 2001 survey by around 24% for a two bedroom home. Minimum rents have however decreased slightly for small properties since the last survey. The effect of these changes on the ability of households to afford market housing will also depend upon the financial circumstances of these households, which is considered further in the following chapter.

## 4. Financial Information and Affordability

### 4.1 Introduction

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

Having set out the financial information collected in the survey the section continues by concentrating on the methodology behind the assessment of affordability both for existing households and also the different method used when assessing the needs of potential households.

**DETR  
Guide**

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

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

### 4.2 Updating financial information

To update financial information, data from the *New Earnings Survey* (2001 to 2003) was used which suggests an average annual increase in incomes in Sutton of around 5.1%. A figure of 5.1% per annum has therefore been used to update all financial information on a household-by-household basis.

The amount of equity available to households has also been updated to take account of the increases in property prices over the period since the survey was carried out. Analysis of Land Registry data suggests that overall average prices within Sutton have increased by 39.3% since 4<sup>th</sup> quarter 2001 and consequently all households with equity have been updated on this basis.

### 4.3 Household income, savings and equity

Survey results for average household income for Sutton are considered in this section. Household income is taken to include income of the head of household and their partner (if applicable) but not other members of the household such as a son or daughter. State benefits information is split between housing related and non-housing related benefits. Generally, housing related benefits are not included within income figures provided although non-housing benefits are. Calculations are made as part of the survey analysis of both gross and net household incomes.

**Gross income:** Is that received by the head of household/spouse/partner from employment (wages and salaries) and investments (including interest and dividends from investments and private pensions) before any deductions for income tax and National Insurance are made.

**Net income:** Is gross income minus National Insurance contributions and tax at the appropriate rate. The main tax allowances were applied.

Survey results for household income in Sutton show that the average net income level is estimated to be £477 per week. The survey estimates that the annual gross household income (including all non-housing benefits) in Sutton is £31,277. This compares with an average of £30,035 for South West London as estimated by the London sub-regional strategy and support studies project.

Table 4.1 Average household income	
Type	Average household income
Weekly net (inc non housing benefits)	£436
Annual gross (inc non housing benefits)	£31,277

Additionally households have an average of £4,420 in savings; this compares with an average of £4,752 for South West London as a whole. An estimated 49.3% of households had less than £1,000 in savings whilst 24.5% had savings of over £10,000.

The survey also collected information about the amount of equity owner-occupiers have in their property. For both groups together (owners with and without mortgages) the average amount of equity was just over £178,000. In South West London, the average equity was £197,981.



#### 4.4 Household income and tenure

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

Table 4.2 Financial information by tenure			
Tenure	Average annual gross household income (including benefits)	Average savings	Average equity
Owner-occupied (no mortgage)	£29,296	£8,428	£229,990
Owner-occupied (with mortgage)	£40,539	£3,766	£146,037
Council	£11,226	£499	-
RSL	£13,622	£758	-
Private rented	£32,506	£2,099	-
ALL HOUSEHOLDS	£31,277	£4,420	£178,007

#### 4.5 Assessing affordability – existing households

All households were tested for their ability to afford either a mortgage or private rented housing in the local area. The size of housing required was calculated from household information using a strict bedroom standard; this is explained in detail in the Glossary. These two measures were then combined to estimate the proportion of households unable to afford either form of private sector housing. For households currently in receipt of Housing Benefit or income support towards mortgage payments, this income is *not* taken into account when calculating affordability. Households currently in the private rented sector on housing benefits are therefore likely to be deemed unable to afford market housing. The general methodology and results are presented below.

##### (i) Mortgage affordability

The definition of mortgage affordability, in-line with ODPM guidance, is shown below:

**Mortgage affordability:** A household is not eligible for a mortgage if it has a gross household income (excluding housing benefits) less than one third its mortgage requirement.

The mortgage requirement is based on taking the level of savings and any equity away from the estimated property price and then checking the income level of the household in relation to the likely amount of mortgage remaining. It is worth bearing in mind that it is possible in some cases to obtain mortgages of greater than three times income, although this is not necessarily advisable and has therefore not been assumed to be possible in the analysis that follows. A worked example of the mortgage affordability test is shown below:

*A household containing a couple with one child would require, at minimum, a two bedroom property. The minimum cost of such a property in Sutton is estimated to be £144,000. If the couple have £20,000 in savings then they would require a gross household income of £41,333 (one third of (£144,000-£20,000)).*

**DETR  
Guide**

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

**(ii) Private rental affordability**

The definition of private rental affordability, in-line with ODPM guidance, is shown below:

**Private rental affordability:** A household is unable to afford private rented housing if renting privately would take up more than 25% of its gross household income (not including any housing benefits).

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

*A household consisting of a couple with no children will require at minimum a one bedroom property. The minimum weekly rental for this is £130. This means that the household must have a weekly gross income of at least £520 ( $£130 \div 0.25$ ) to be able to afford the property. This equates to a gross annual income of £27,040 ( $£520 \times 52$ ).*

**(iii) Combined affordability**

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

**Combined affordability:**

A household is unable to afford private sector housing if:

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

**AND**

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

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

It is worth briefly noting the affordability of households living in the Borough of Sutton. The table below shows affordability by tenure. The table shows that of all households in Sutton just under a quarter are unable to afford market housing of a size suitable to their needs. This compares with an estimated 42.7% of households in South West London as a whole. The differences by tenure in Sutton are however large. In total nearly all Council and RSL tenants are unable to afford along with 52.3% of households living in the private rented sector. These figures compare with just 6.4% of all owner-occupiers.

<b>Table 4.3 Affordability and tenure</b>			
Tenure	Affordability		
	Unable to afford market housing	Number of h'holds	% of h'holds unable to afford
Owner-occupied (no mortgage)	430	21,710	2.0%
Owner-occupied (with mortgage)	3,218	35,730	9.0%
Council	7,483	7,732	96.8%
RSL	4,076	4,358	93.5%
Private rented	3,906	7,470	52.3%
<b>TOTAL</b>	<b>18,771</b>	<b>77,000</b>	<b>24.4%</b>

Land Registry data showed prices in neighbouring boroughs to be higher than Sutton. The implications of this are that households in need will not be able to meet their needs by migrating to a nearby local authority.

#### **4.6 Potential household affordability**

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

*‘Will they be able to afford suitable private sector housing in the London Borough of Sutton (this can either be rented or bought) excluding the use of housing benefit?’*

This is broadly in line with DETR guidance which says:

**DETR  
Guide**

*'It is difficult to estimate the incomes of future newly forming households. Unless potential household members are interviewed specifically, it is not practical to collect complete income data relating to this group through a housing needs survey. Even where the fieldwork includes concealed household interviews, there are doubts as to the value and reliability of any income data which might be collected.'* [Section 4.4 (page 62)]

*'One way around this problem is to substitute a subjective judgement about future housing prospects in place of a formal affordability test.'* [Section 4.4 (page 60)]

It should be noted that this approach is only used on the backlog element of housing need. Future estimates of need from household formation are based on past trend information – an approach in line with the DETR guide. Such an approach suggests that the affordability profile of newly forming households (in the recent past) could be used as a check on the more subjective measure used. There are several weaknesses with this approach, most notably because in areas where there are acute shortages of housing and prices are high, newly forming households from the recent past will be biased towards those that can access the housing market.

Such an approach does however have the advantage of being able to use actual income data to assess affordability and will ensure that the newly arising need estimate from new household formation is not overstated in the model. Consequently future estimates of the needs from household formation are based on past trend information.

#### **4.7 Summary**

The collection of financial information is a fundamental part of any Housing Needs Survey. The survey estimates that average gross household income (including non-housing benefits) for households in the Borough is £31,277 per annum. The average conceals wide variations among different tenure groups.

Having collected detailed information on the local housing market and the financial situation of households it is important to use appropriate affordability measures to assess their ability to afford market priced housing in Sutton. A single affordability test is used to assess whether they can afford to either buy or rent a property of a suitable size. The size required is calculated using a strict bedroom standard, which is explained in the Glossary. The affordability of potential households (backlog) is assessed using the judgements of respondents; an approach in line with DETR Guidance.

### **Changes since 2001**

The 2001 housing needs survey estimated gross earned household income (including non-housing benefits) to be £26,688. The equivalent figure for 2005 is estimated to be £31,277, an increase of 17%. This level of increase is a result of general wage inflation but also demographic changes since the time of the last survey (accounted for by the re-weighting of the data).

A higher proportion of all households were unable to afford suitable housing in 2001, when compared to 2005. Although income and minimum house prices have risen, private renting costs have fallen since 2001 and therefore allow more households to afford suitable housing.



## 5. Backlog of Existing Need

### 5.1 Introduction

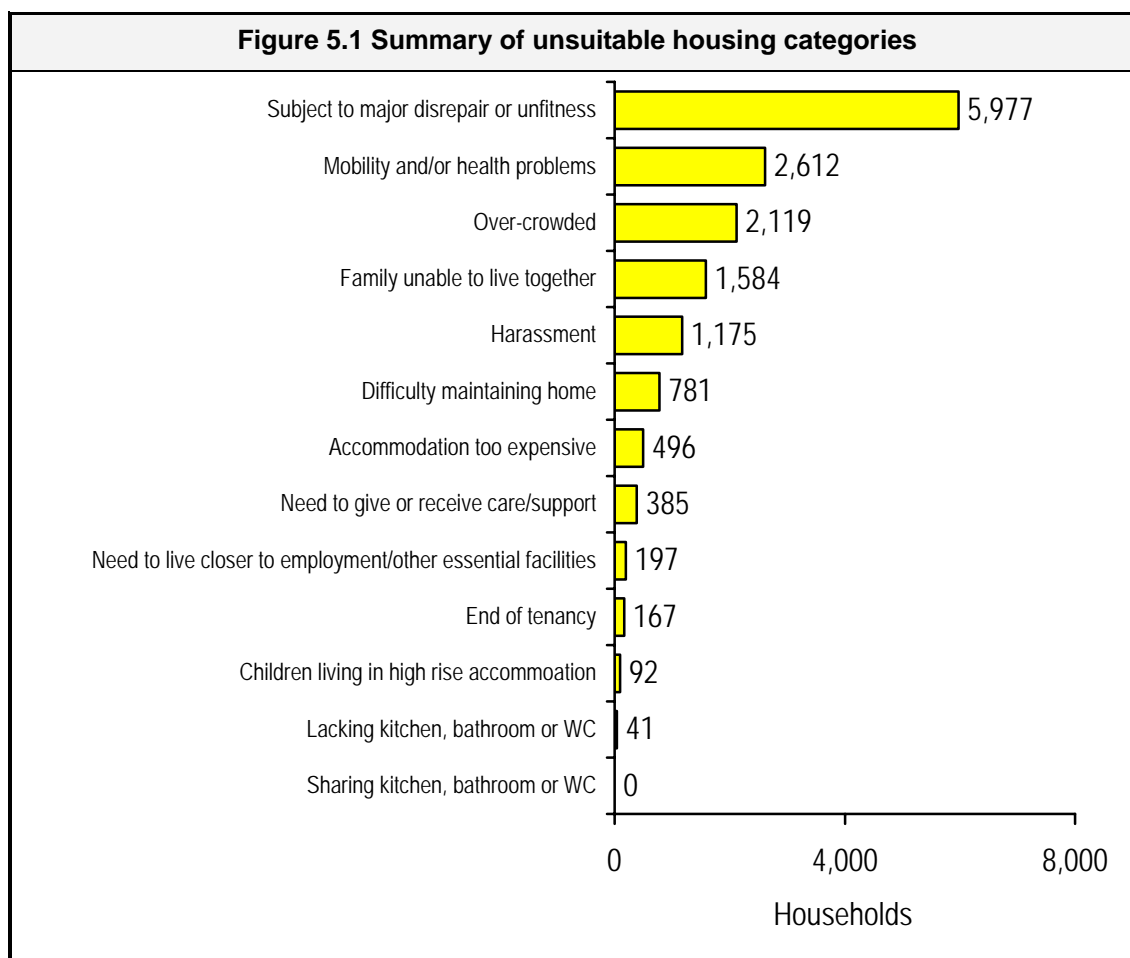
This chapter of the report assesses the first part of the ‘Basic Needs Assessment Model’ – Backlog of Existing Need. This begins with an assessment of housing suitability and affordability and also considers backlog non-households (potential and homeless households) before arriving at a total backlog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

### 5.2 Unsuitable housing

This section looks at households whose current accommodation is in some way unsuitable for their requirements. This involves consideration of a range of circumstances making the housing unsuitable for its occupants, whether because of its size, type, design, location, condition, security or cost. It therefore takes account not only of the physical condition of the dwelling but also the relationship of the household to the dwelling. Following DETR Guidance thirteen unsuitable housing factors were identified and each household assessed in relation to each of these. A household experiencing any one of these problems is assessed to be living in unsuitable housing.

It is estimated that a total of 10,996 households are living in unsuitable housing (updated 2001 figure). This represents 14.3% of all households in Sutton. This corresponds well to the finding in the GLA’s sub-regional strategy support studies project that 14.7% of households in South West London are living in unsuitable housing.

The figure below shows a summary of the numbers of households living in unsuitable housing (ordered by the number of households in each category). The main reason for unsuitable housing is *home subject to major disrepair*. Some households are unsuitable for more than one reason and therefore the totals add up to more than the 10,996 households living in unsuitable housing.



### 5.3 Unsuitable housing and tenure

The table below shows unsuitable housing by tenure. The patterns emerging suggest that households living in rented accommodation are more likely to be in unsuitable housing than owner-occupiers. Some 52.5% of households in Council accommodation and 28.3% of RSL households are in unsuitable housing. This compares with 8.0% and 7.1% of households in owner-occupied (no mortgage) and owner-occupied (with mortgage) respectively.

For those 4,057 households in unsuitable Council accommodation, the most common reasons for unsuitability were ‘home subject to major disrepair or unfitness’ for 3,225 households (79.5% of those households in unsuitable Council housing), ‘special needs/mobility or health problems’ for 884 households (21.8%), ‘harassment’ for 750 households (18.5%) and overcrowding for 554 households (13.7%). ‘Home subject to major disrepair or unfitness’ is identified by the respondent and therefore is not an assessment by a professional surveyor.



Table 5.1 Unsuitable housing and tenure					
Tenure	Unsuitable housing				
	In unsuitable housing	Not in unsuitable housing	Number of h'holds in Borough	% of total h'holds in unsuitable housing	% of those in unsuitable housing
Owner-occupied (no mortgage)	1,744	19,966	21,710	8.0%	15.9%
Owner-occupied (with mortgage)	2,546	33,184	35,730	7.1%	23.2%
Council	4,057	3,675	7,732	52.5%	36.9%
RSL	1,232	3,126	4,358	28.3%	11.2%
Private rented	1,417	6,053	7,470	19.0%	12.9%
<b>TOTAL</b>	<b>10,996</b>	<b>66,004</b>	<b>77,000</b>	<b>14.3%</b>	<b>100.0%</b>

## 5.4 Migration and 'in-situ' solutions

The survey has highlighted that 10,996 households are in unsuitable housing. However it is most probable that some of the unsuitability can be resolved in the household's current accommodation and also that some households would prefer to move from the Borough in order to resolve their housing problems.

The extent to which 'in-situ' solutions might be appropriate is assessed by looking at the moving intentions of the unsuitably housed household. The Housing Needs Survey asked households whether they need or are likely to move to a different home within the next five years. Any household in unsuitable housing who stated that they need/are likely to move now is considered not to have an appropriate 'in-situ' solution. Any household that replied that it did not need to move now was assumed not to have an in-situ solution.

### DETR Guide

*'The extent to which in situ solutions could be feasible can be examined by a survey...[using]...a judgement on whether the unsuitably housed main household intends to move. Where this is the case, it may be taken to indicate that an in situ solution is not appropriate'. [Section 4.3 (page 56)]*

The survey data estimates that of the 10,996 households in unsuitable housing, 1,643 (or 14.9%) would need to move now to resolve their housing problems. This means an estimated 9,353 (85.1%) may be best helped with an 'in-situ' solution. Of the 1,643 households who need/are likely to move a further question was asked about where they would be looking to live. Households who would be looking to move from the Borough are then excluded from further analysis. In total 60.6% would be looking to remain in the Borough (995 households) and 39.4% would be looking to move out of the Borough.

## 5.5 Affordability

Each household that is living in unsuitable housing (and requires a move to different accommodation within the Council area now) is individually assessed as to its' ability to afford market housing (using the affordability methodology described in section 4.5 of chapter 4). The survey data estimates that there are 897 existing households that cannot afford entry-level market housing and are living in unsuitable housing (and require a move to different accommodation within the Borough now). This represents around 1.2% of all existing households in Sutton. The results reveal that 90.2% of the 995 households living in unsuitable housing (and needing to move now within the Sutton Borough) cannot afford market housing (897/995).

The table below focuses on the tenure characteristics of the 897 households currently estimated to be in housing need. The results show that renting households are most likely to be in housing need. Of all households in need, 90.7% currently live in Council rented accommodation and the remaining 9.3% live in the owner-occupied (with mortgage) sector.

<b>Table 5.2 Housing need and tenure</b>					
Tenure	Housing need				
	In need	Not in need	Number of h'holds in Borough	% of total h'holds in need	% of those in need
Owner-occupied (no mortgage)	0	21,710	21,710	0.0%	0.0%
Owner-occupied (with mortgage)	83	35,647	35,730	0.2%	9.3%
Council	814	6,918	7,732	11.8%	90.7%
RSL	0	4,358	4,358	0.0%	0.0%
Private rented	0	7,470	7,470	0.0%	0.0%
<b>TOTAL</b>	<b>897</b>	<b>76,103</b>	<b>77,000</b>	<b>1.2%</b>	<b>100.0%</b>

## 5.6 Housing need and the need for affordable housing

There is a further issue relating to existing households in need. For households in social rented accommodation it is likely that a move will release a social rented home for re-letting and therefore there will be no requirement for additional affordable housing to be provided. It has been decided to remove all households in need currently living in social rented accommodation from the estimates of additional requirement. This reduces the backlog figure by 814 households to 83.

Although the re-let created from a household in need in social rented accommodation will help to meet need, it is likely that there will be a mismatch between the size of homes required and the size released by those moving out. Therefore, whilst the overall need for additional affordable housing will not change if households in the social rented sector are included, the size profile will.

### 5.7 Potential and homeless households (backlog (non-households))

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

#### (i) *Potential households*

In the case of potential households we are wishing to separate any backlog of needs from future (newly arising) needs. In this chapter we define the backlog as potential households who need or are likely to move now and are unable to afford suitable market housing. Such households will also need to have stated that they would be looking to remain living in the Borough. Projecting the need from potential households can be found in Chapter 6.

<b>DETR Guide</b>	<i>'Determining... potential households can be achieved by asking the main household respondent for their opinion as to whether the people concerned need separate accommodation...'. Section 4.4 (page 60)</i>
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In terms of assessing the backlog need from potential households we only analyse data from those who need/are likely to move home now. We have also taken account of the fact that some of these households will join up with other person(s) when setting up home independently.

<b>DETR Guide</b>	<i>Many single person potential households may decide to set up their new home with a partner or friend(s). Since most potential households are single people, there is a danger that the volume of new household formation will be overstated if this is not taken into account, and that the projected composition of newly forming households will be skewed unrealistically towards single, childless units'. Section 4.4 (page 60)</i>
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The table below summarises the number of potential households within the Borough and those that are considered within the backlog element of the needs assessment. Also shown is the estimate of the number unable to afford market housing (using the methodology shown in the previous chapter).

<b>Table 5.3 Derivation of the number of potential households in need (backlog)</b>		
Aspect of calculation	Number	Sub-total
Number of potential households in Borough (5 years)	9,059	
Minus those not needing to move now	-8,605	454
Minus those joining up with other persons	-55	399
Minus those moving out of the Borough	-56	343
<b>TOTAL POTENTIAL HOUSEHOLDS</b>	<b>343</b>	
Times proportion unable to afford	78.5%	
<b>POTENTIAL HOUSEHOLDS IN NEED</b>	<b>270</b>	

The survey estimates that there are 9,059 potential households in the Borough, of which 454 need to move now. When taking account of those joining up with other persons this figure is reduced to 399, of which 343 want to remain in the Borough. Not all of these potential households will necessarily be in need. Some may be able to afford suitable private sector accommodation. The potential households were then asked whether or not they could afford to access the private sector housing market without resorting to housing benefit. Using this question, it is estimated that of the 343 potential households who need to move now (within the Borough), based on the updated survey data 78.5% cannot afford local private sector housing (270 households).

***(ii) Additional homeless households in need***

The Housing Needs Survey is a 'snapshot' survey that assesses housing need at a particular point in time. There will, in addition to the existing and potential households in need, be some homeless households who were in need at the time of the survey and should also be included within any assessment of backlog need. To assess these numbers we have used information contained in the 2004 H.I.P. return.

The H.I.P. data suggest that as of April 2004 there were 565 households living in temporary accommodation. However, of these, only 25 were living in bed & breakfast accommodation. It is most probable that a large proportion of those in temporary accommodation are therefore living in 'ordinary' accommodation (possibly owned by the Council or RSLs or in the private rented sector). Such households would in theory have been included in any household survey and so to include them as an additional aspect of need would introduce an element of double counting.

Hence our estimate of the additional need from homeless households in temporary accommodation we have only taken the figure for those in bed & breakfast accommodation. Our figure for additional homelessness is therefore 25 households, although it should be borne in mind that in reality this figure may be slightly higher.

Information from the Council suggests that at April 2005 there were 524 homeless households on the Housing Register, of which the vast majority (491) were in temporary accommodation other than bed and breakfast. Further discussion of the correlation between the Housing Register and housing need is included in Appendix A2.

### 5.8 Total backlog need

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

The table below summarises the first stage of the overall assessment of housing need as set out by the DETR. The data shows that there is an estimated backlog of 378 households in need (see stage 5). The final stage is to include a quota to progressively reduce this backlog. A reduction in the backlog of need of 20% per year has been assumed in Sutton. The table therefore shows that the annual need to reduce backlog is 76 dwellings per annum.

<b>DETR Guide</b>	<i>'It is also unrealistic to expect to meet all of any backlog in the planning period. It is recommended that all authorities apply a standard factor of 20% here for comparability (this implies eliminating the backlog over a 5 year strategy period). LA's may then make policy judgements to determine the practical rate at which this backlog can be reduced'. [Section 2.4 (page 25)]</i>
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<b>Table 5.4 Basic Needs Assessment Model – Stages 1 to 7</b>		
<i>B: BACKLOG OF EXISTING NEED</i>		
<i>Element</i>	<i>Notes</i>	<i>Final number</i>
1. Backlog need existing households	Number of households currently living in unsuitable housing	10,996
2. <i>minus</i> cases where in-situ solution most appropriate	In-situ (or outside the Borough) solution most appropriate for 10,001 households	Leaves 995
3. <i>times</i> proportion unable to afford to buy or rent in market	90.2% = 897 – also remove 814 social renting tenants	83
4. <i>plus</i> Backlog (non-households)	Potential = 270 Homeless = 25	295
5. <i>equals</i> total Backlog need		378
6. <i>times</i> quota to progressively reduce backlog	Suggest 20% as in DETR report	20%
7. <i>equals</i> annual need to reduce Backlog		76

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

## 5.9 Summary

This chapter reported on the components contributing to the backlog need element of the needs assessment model. In total it is estimated that 897 existing households are in housing need. When looking further forward to the additional affordable housing requirements of these households we remove households currently living in social rented housing to produce a final figure of 83.

The final element of backlog need considered the needs arising from potential and homeless households. These two elements together make for 295 additional households in need.

Bringing together all the factors of the backlog of housing need (as defined by the DETR and followed by Fordham Research) it is estimated that there is an overall backlog of need of 378 affordable homes. Annualised, assuming a 20% reduction per year suggests an annual need to reduce the backlog of 76 dwellings.

### **Changes since 2001**

Comparing estimates of backlog need with the 2001 survey suggest that there has been a decrease from 279 dwellings per annum to 76 per annum. This decrease substantially reflects the results of a methodological change in the assessment of in-situ need based on those stating a need to move now rather than within the next five years as was used in the 2001 survey. This methodological change gives a more accurate reflection of current backlog need, as those needing to move in five years are in the future and therefore newly arising need. This report also includes a much smaller proportion of homeless households than was the case in 2001.

## 6. Newly Arising Need

### 6.1 Introduction

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

1. New household formation (× proportion unable to buy or rent in market)
2. Ex-institutional population moving into the community
3. Existing households falling into need
4. In-migrant households unable to afford market housing

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

It is important to note that these calculations are based on past trends, i.e. those moving in the last three years.

### 6.2 New household formation

The 2001 Survey based this element of the assessment on potential households stating a need to move within the next three years and indicated a significant amount of need arising from this element. It is however also possible to assess this element of the survey on the basis of households that have formed over the past three years. Such an approach is preferred as it provides more detailed information on the characteristics of these households contributing to this element of newly arising need and is also consistent with comments in DETR Guidance:

<b>DETR Guide</b>	<p><i>'A... reliable approach to this issue is to base the profile of new households on the characteristics of identified newly forming households in the recent past'.</i></p> <p><i>'Stage 9 in the basic needs assessment model... involves estimating the proportion of newly forming households who will be unable to afford to access housing in the private market'.</i></p> <p><i>It is recommended that the primary basis for assessing the income and household type profile of new households is the profile of actual new households formed over the period preceding the survey'. [Section 4.4 (pages 61 &amp; 62)]</i></p>
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The table below shows details of the derivation of new household formation. The table begins by establishing the number of newly forming households over the past three years (from within the Borough). The data excludes households moving to owner-occupation because these households at the time of the move (which is when we are interested in) could afford market housing.

<b>Table 6.1 Derivation of newly arising need from new household formation</b>		
Aspect of calculation	Number	Sub-total
Number of households moving in past three years	22,631	
Minus moves from outside Borough	-9,295	13,336
Minus households NOT forming in previous move	-10,884	2,452
Minus households moving to owner-occupation	-1,075	1,377
TOTAL APPLICABLE MOVES	1,377	
TOTAL APPLICABLE MOVES (per annum)	459	
Times proportion unable to afford	87.4%	
ANNUAL ESTIMATE OF NEWLY ARISING NEED	401	

Based on the updated survey data the table above shows that an estimated 1,377 households newly formed within the Borough over the past three years did not move to owner-occupation (459 per annum). Of these it is estimated that 87.4% are unable to afford market housing without some form of subsidy. It is important to note that each household is individually assessed as to their ability to afford market housing currently (as with the main analysis of existing households in need the affordability test is based on the size requirements and financial situation of those households having made a 'potentially in need' move over the past year). The annual estimate of the number of newly forming households falling into need is therefore 401 per annum.

### **6.3 Ex-institutional population moving into the community**

The analysis of the ex-institutional population moving into the community is difficult, since the numbers are generally very small in comparison with other elements of housing need. In the case of Sutton, it has been decided to set this element of need to zero, since limited information is available. This will also avoid any possible double counting with the next two stages of projection.

### **6.4 Existing households falling into need**

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



**DETR  
Guide**

*'The basic needs model also identifies two other ways [the second is the next section] in which new needs may arise in a locality. The first of these refers to existing households, previously satisfactorily housed, who fall into need during the period (per year, conventionally)'. [Section 4.4 (page 63)]*

Households previously living with parents, relatives or friends are excluded as these will double-count with the potential households already studied. The data also excludes moves between social rented properties. The vast majority of households falling into need in the social rented sector have their needs met through a transfer to another social rented property, hence releasing a social rented property for someone else in need. The number of households falling into need in the social rented sector should therefore, over a period of time, roughly equal the supply of 'transfers' and so the additional needs arising from within the social rented stock will be net zero. Finally, the data excludes households moving to owner-occupation because these households at the time of the move (which is when we are interested in) could afford market housing.

<b>Table 6.2 Derivation of newly arising need from households currently living in the Borough</b>		
Aspect of calculation	Number	Sub-total
Number of households moving in past three years	22,631	
Minus moves from outside Borough	-9,295	13,336
Minus households forming in previous move	-2,452	10,884
Minus households transferring within affordable housing	-2,429	8,455
Minus households moving to owner-occupation	-5,384	3,071
TOTAL APPLICABLE MOVES	3,071	
Times proportion unable to afford	53.3%	
TOTAL IN NEED (3 years)	1,636	
ANNUAL ESTIMATE OF NEWLY ARISING NEED	545	

The table above shows that a total of 3,071 household moves are considered as potentially in need. Using the standard affordability test for existing households it is estimated from the updated survey data that 53.3% of these households cannot afford market housing (as with the main analysis of existing households in need, the affordability test is based on the size requirements and financial situation of those households having made a 'potentially in need' move over the past three years). Therefore our estimate of the number of households falling into need within the Borough excluding transfers is 1,636 households ( $3,071 \times 0.533$ ) over the three year period. Annualised this is 545 households per annum.

### 6.5 In-migrant households unable to afford market housing

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

This data does not exclude transfers as none of these households could have transferred within Sutton's stock at the time of the move. Household formation is not an issue as none of these households could be double-counted because they do not currently live within the Borough. Household moving to owner-occupation are again excluded from the analysis.

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

<b>Table 6.3 Derivation of newly arising need from households currently living outside the Borough</b>		
Aspect of calculation	Number	Sub-total
Number of households moving in past three years	22,631	
Minus moves from within Borough	-13,336	9,295
Minus households moving to owner-occupation	-5,613	3,682
TOTAL APPLICABLE MOVES	3,682	
Times proportion unable to afford	42.9%	
TOTAL IN NEED (3 years)	1,581	
ANNUAL ESTIMATE OF NEWLY ARISING NEED	527	

In total the table above shows that 3,682 'potentially in need' moves took place in the past three years from outside the Borough. The updated survey data also shows us that 42.9% of these households cannot afford market housing (as with the main analysis of existing households in need, the affordability test is based on the size requirements and financial situation of those households having made a 'potentially in need' move over the past three years). Therefore our estimate of the number of households falling into need from outside the Borough is 1,581 households ( $3,682 \times 0.429$ ) over the three-year period. Annualised this is 527 households per annum.

## 6.6 Summary

The data from each of the above sources can now be put into the Basic Needs Assessment Model as is shown in the table below. It indicates that additional need will arise from a total of 5,140 households per annum.

<b>Table 6.5 Basic Needs Assessment Model – Stages 8 to 13</b>		
<i>N: NEWLY ARISING NEED</i>		
<i>Element</i>	<i>Notes</i>	<i>Final number</i>
8. New household formation (gross, p.a.)		459
9. <i>Times</i> proportion unable to buy or rent in market	87.4% cannot afford market housing	Leaves 401
10. <i>plus</i> ex-institutional population moving into community		0
11. <i>plus</i> existing households falling into need		545
12. <i>plus</i> in-migrant households unable to afford market housing		527
13. <i>equals</i> Newly arising need	9+10+11+12	1,473

### Changes since 2001

Both the 2001 HNS and this update cover three main areas when looking at newly arising needs (newly forming households (including ex-institutional), existing households falling into need and in-migrant households). In 2001 it was estimated that newly arising need came to 1,455 households per annum. In this update a figure of 1,473 households per annum is estimated.



## 7. Supply of Affordable Housing

### 7.1 Introduction

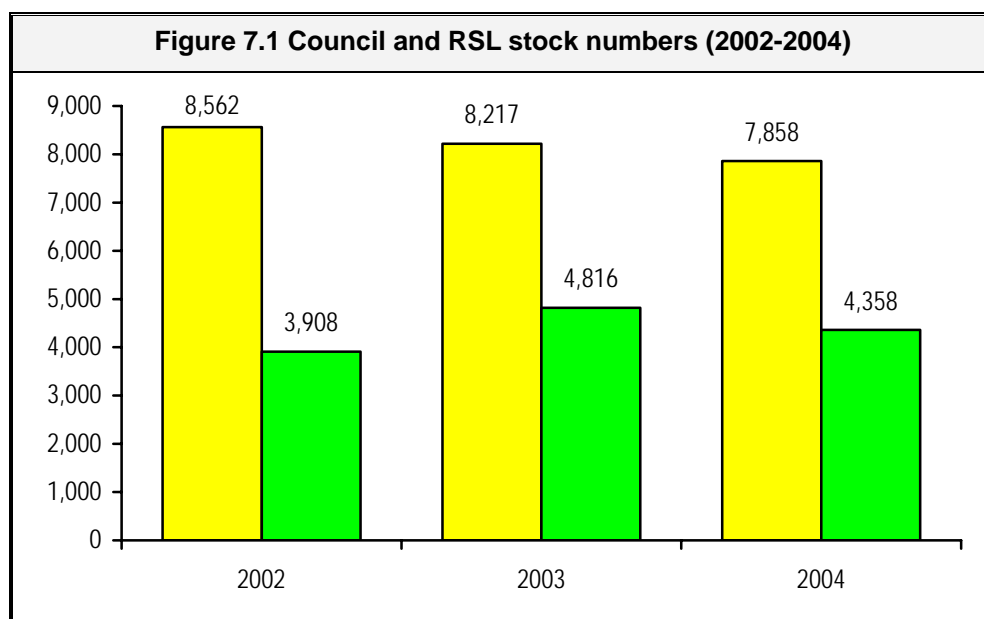
This chapter looks at current supply of affordable housing from both the Council and RSLs in the Borough. We shall begin by highlighting the general patterns of supply in the social rented stock over the past three years before making a judgement about which supply figures should feature as part of the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

#### DETR Guide

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

### 7.2 The social rented stock

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



Source: H.I.P. data 2002-2004

The figure above shows that the Council stock has shrunk since 2002, by 704 dwellings. This is likely to be mainly due to right-to-buy sales. The RSL stock shows an increase over the same period (of 450 dwellings). Overall, there has been a net decrease of 254 properties in Sutton Borough's social housing stock (127 per annum).

### 7.3 The supply of affordable housing

#### (i) Council stock

The table below shows an estimate of the supply of lettings from Council-owned stock over the past three years. The data shows that the number of lettings has decreased slightly overall since 2002.

The average number of lettings over the three-year period was 439 per annum.

<b>Table 7.1 Analysis of past housing supply (council rented sector)</b>				
Source of supply	2001/02	2002/03	2003/04	Average
LA lettings through mobility arrangements	11	6	6	8
LA lettings to new secure tenants	345	256	286	296
LA lettings to new tenants on an introductory tenancy	0	0	0	0
LA lettings to new tenants on other tenancies	124	145	164	144
(Exclude transfers from RSL)*	(9)	(9)	(9)	(9)
LA TOTAL EXCLUDING TRANSFERS	471	398	447	439

Source: H.I.P. data 2002-2004

\* In 2002 and 2003 this information was not included on the H.I.P. form; the same number of lettings as in 2004 has been assumed

#### (ii) RSL stock

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

<b>Table 7.2 Analysis of past housing supply – (RSL sector)</b>				
	2001/02	2002/03	2003/04	Average
H.I.P. data	286	308	313	302
CORE data	249	313	276	279
AVERAGE	268	311	295	291

Source: H.I.P. and CORE data 2002-2004

The data in this table suggests that the supply of RSL lettings has been fairly stable over the past three years. The average for the three-year period is 291 per annum.

It should be noted that for the period 2002 to 2004 H.I.P. data shows that an average of 115 households transferred from Council to RSL dwellings within the Borough per annum.

**(iii) Estimate of lettings**

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

Therefore our estimated future supply of lettings from both the Council and RSL will be 615 (439 (average council stock lettings) + 291 (average RSL stock lettings) – 115 (tenants transferring from council to RSL stock)).

**7.4 New dwellings**

Our estimated supply of affordable housing is therefore 615 dwellings, which includes lettings to newbuild. However from this figure we need to deduct lettings made to new dwellings. As one of the main purposes of the survey is to estimate any surplus or shortfall of affordable housing, it is important to avoid double-counting by not including likely future supply through additions to the stock from RSLs (although these new properties will themselves in time produce some relets). This is also a view taken in DETR guidance. Any new properties built in the previous years will therefore be removed when predicting future supply (although some of the re-lets from these properties will have been included earlier in the Chapter) and so no new building of affordable housing in the future is assumed. This is a somewhat conservative assumption but will produce a true shortfall figure based on current stock that can then be meaningfully compared with predicted build rates.

**DETR  
Guide**

*'...it may be more helpful to combine committed and shortfall figures [shortfall including committed new provision] to obtain an overall affordable need estimate, which can then be related to overall planned housing requirements and provision'.*  
[Section 2.4 (page 26)]

Again we can draw on H.I.P. and CORE data to provide an estimate of the number of new social rented units provided in the district over the past three years. This is shown in the table below.

<b>Table 7.3 Estimated number of new RSL units provided</b>			
Period	H.I.P. data	CORE data	Average
2001/02	159	70	115
2002/03	215	152	184
2003/04	92	91	92
AVERAGE	155	104	130

Source: H.I.P. and CORE data 2002-2004

Again, these two sources of data show some differences with the CORE data showing consistently lower figures. However, the differences are not so great as to invalidate any of this data. Hence an average of all these figures is taken as an estimate of the number of new dwellings provided in the past. The two sources indicate an average of 130 additional affordable dwellings were provided between 2001-02 and 2003-04. Therefore our estimated supply of affordable housing is 485 per year (615-130).

### 7.5 Vacant dwellings

As of April 2004, there were 135 vacant dwellings in the social rented stock, representing around 1.1% of all social rented stock in the Borough. This is considered to be an average vacancy rate and hence no adjustment has been made to take account of vacant property contributing to the supply of affordable housing within the Borough.

#### DETR Guide

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

### 7.6 Changes in the supply of affordable housing

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

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

In the case of Stage 16 it seems more logical to exclude committed units. If the number of committed units were included, the results could show a surplus of affordable housing, when there is actually a shortfall. Therefore, for this reason the number of committed units have been excluded. It is important to remember however, that in time new affordable housing will produce additional re-lets, in the same way that re-let opportunities are lost when dwellings are 'taken out of management'.



Data contained in H.I.P. returns suggests that from April 2002 to April 2004 there was a net loss of 254 dwellings in the social rented stock, equivalent to 127 units per annum. Given an average turnover of around 1.1% (based on the number of lettings and the number of social rented dwellings) this would equate to a net loss of 1 letting opportunity per annum ( $127 \times 1.1\%$ ). Hence, on the basis of this information the estimated supply of affordable housing becomes 484 units per annum (485-1).

### **7.7 Shared ownership supply**

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

Therefore we also include an estimate of the number of shared ownership units which become available each year. Drawing on data from the Housing Corporation it is estimated that there are around 300 shared ownership properties in the Borough. For the purposes of this analysis it is assumed that the turnover of shared ownership accommodation is roughly the same as found in the social rented sector (i.e. 1.1%). Hence we estimate that each year an average of 3 units of shared ownership will become available to meet housing needs ( $1.1\% \times 300$ ).

Hence, our overall estimate of the supply of affordable housing is 487 (484+3).

### **7.8 Summary**

The table below details the stages in arriving at an estimate of the 487 relets from the current stock of affordable housing per annum.

Analysis of H.I.P. and CORE data (excluding transfers within the social rented stock) for the last three year indicates an average supply of lettings of 615 per year. Taking account of lettings made to new dwellings the supply estimate is reduced by 130 units per annum. It is assumed that there would be no additional lettings in the vacant stock, and units taken out of management and committed units of new affordable supply will lead to a net loss of 1 dwelling. Finally, an additional 3 'relets' from shared ownership dwellings have been included, which increases supply to a total of 487. The second table shows how this fits into the Basic Needs Assessment model.

Table 7.4 Estimated future supply of affordable housing (per annum)	
Element of supply	Number of units
Average lettings per annum (excluding transfers)	615
Lettings in new housing	-130
'Relets' of shared ownership	+3
Additional lettings in vacant stock	+0
Letting opportunities lost through units taken out of management (Stage 15)	-1
Letting opportunities gained through additional stock (Stage 16)	-1
<b>ESTIMATED SUPPLY OF AFFORDABLE HOUSING (PER ANNUM)</b>	<b>487</b>

Table 7.5 Basic Needs Assessment Model – Stages 14 to 17		
S: SUPPLY OF AFFORDABLE UNITS		
Element	Notes	Final number
14. Supply of social relets p.a.	Excludes transfers within social rented stock and includes 'relets' of shared ownership	488
15. <i>minus</i> increased vacancies & units taken out of management	Letting opportunities lost	-1
16. <i>plus</i> committed units of new affordable supply p.a.	Letting opportunities gained	
17. <i>equals</i> affordable supply	14-15+16	487

### Changes since 2001

Comparing the supply data in this chapter with similar information from the 2001 survey suggests that over time there has been a drop in the availability of affordable housing for re-letting. In 2001 it was estimated that the average number of relets (excluding transfers) was around 591 per year (this figure also excludes shared ownership and any predicted future changes in supply). The comparable estimate in this study is 487 dwellings per annum.

## **8. Basic Needs Assessment Model**

### **8.1 Introduction**

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

### **8.2 Total housing need**

The backlog of existing need suggests a requirement for 76 units per year and the newly arising need a requirement for 1,473 units per annum. These two figures together total 1,549 units per annum. The total estimated supply to meet this need is 487 units per year. This therefore leaves a shortfall of 1,062 units per year if the Council were able to meet all of the current and projected need over the next five years. The figure of 1,062 represents 1.4% of the total number of households in the Borough (77,000).

<b>Table 8.1 Basic Needs Assessment Model</b>		
<b>B: BACKLOG OF EXISTING NEED</b>		
<i>Element</i>	<i>Notes</i>	<i>Final number</i>
1. Backlog need existing households	Number of households currently living in unsuitable housing	10,996
2. <i>minus</i> cases where in-situ solution most appropriate	In-situ (or outside the Borough) solution most appropriate for 10,001 households	Leaves 995
3. <i>times</i> proportion unable to afford to buy or rent in market	90.2% = 897 – also remove 814 social renting tenants	83
4. <i>plus</i> Backlog (non-households)	Potential = 270 Homeless = 25	295
5. <i>equals</i> total Backlog need		378
6. <i>times</i> quota to progressively reduce backlog	Suggest 20% as in DETR report	20%
7. <i>equals</i> annual need to reduce Backlog		76
<b>N: NEWLY ARISING NEED</b>		
8. New household formation (gross, p.a.)		459
9. <i>Times</i> proportion unable to buy or rent in market	87.4% cannot afford market housing	Leaves 401
10. <i>plus</i> ex-institutional population moving into community		0
11. <i>plus</i> existing households falling into need		545
12. <i>plus</i> in-migrant households unable to afford market housing		527
13. <i>equals</i> Newly arising need	9+10+11+12	1,473
<b>S: SUPPLY OF AFFORDABLE UNITS</b>		
14. Supply of social relets p.a.	Excludes transfers within social rented stock and includes 'relets' of shared ownership	488
15. <i>minus</i> increased vacancies & units taken out of management	Letting opportunities lost	-2
16. <i>plus</i> committed units of new affordable supply p.a.	Letting opportunities gained	
17. <i>equals</i> affordable supply	14-15+16	487
<b>18. Overall shortfall/surplus</b>	<b>7+13-17 (per annum)</b>	<b>1,062</b>

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

### 8.3 Overall affordable housing requirement and size requirement

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

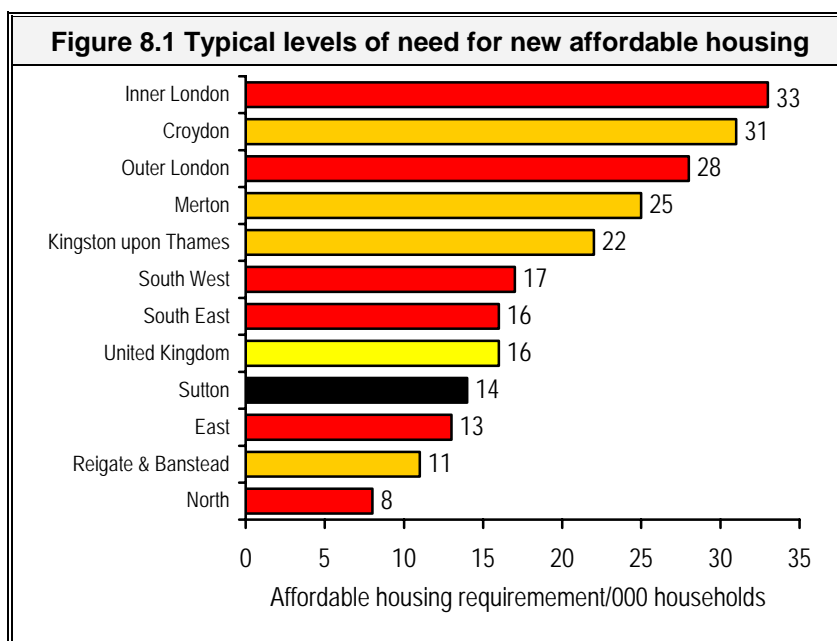
This is shown in the table below which indicates the largest shortfalls are for smaller one and two bedroom units. However the table also shows that only 17% of the gross requirement for larger four bedroom units (29) can be met by the existing supply (5).

Table 8.2 Net need for affordable housing by size			
Size required	Need	Supply	TOTAL
1 bedroom	716	203	513
2 bedroom	561	172	389
3 bedroom	242	106	136
4+ bedroom	29	5	24
TOTAL	1,549	487	1,062

### 8.4 The Sutton situation in context

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

The value for Sutton is 14 per 1,000 (calculated as  $(1,062/77,000) \times 1,000$ ). The figure below compares this result to the UK average and to other Local Authorities. The data is taken from surveys recently completed by Fordham Research or older surveys updated to a base of mid-2001 and following the DETR Guide approach. As can be seen, the figure for Sutton is below our national average (16) and well below the average for Outer London (28).



### 8.5 Implications for affordable housing policy

Appendix A3 details the key features of current ODPM Affordable Housing policy. This is likely to be changed only slightly if the draft affordable housing sections of PPG3 (published in January 2005) are adopted.

The first implications for affordable housing policy are the choice of an appropriate percentage target and of the site size threshold at which the eventual affordable housing policy will apply.

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

*Policy 3A.7:*

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

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

*Policy 3A.8:*

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

*(i) Percentage target*

As a general rule targets can be informed by comparing the information about the level of need along with likely future build rates with adjustments being made for factors such as site sizes and the amount of non-section 106 affordable housing likely to be provided (this is discussed in Table 8.1 of the Guide).

It is therefore worth pursuing the suggested DETR method to show the expected result. The table below shows an estimate of the likely suggested percentage target from following the DETR method.

<b>Table 8.3 Calculation of affordable housing target: following DETR methodology</b>	
Element	Dwellings (per annum)
Affordable housing requirement	1,062
Minus affordable supply from non S106 sites (assumed)	-0
<b>EQUALS</b>	<b>1,062</b>
Projected building rate (estimated)*	370
Minus sites below threshold (assumed)	-0
Minus affordable supply from non S106 sites (assumed)	-0
<b>EQUALS</b>	<b>370</b>
Therefore Target is	1,062/370
<b>EQUALS</b>	<b>287%</b>

\* projected build rate is based on figures in the London Plan

Given the results of this table it is clear that at the general level, any target would be justified. The estimated net shortfall of affordable housing within the Borough will exceed the totality of any new housing likely to be built over the next few years.

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

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

#### ***(ii) Threshold site size***

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



Also of relevance is the document ‘Influencing the size, type and affordability of housing’ published by the government in July 2003. This document sets out a proposed change to PPG3 and the cancellation of Circular 6/98. Appendix A4 sets out some of the key changes in policy direction likely to arise as a result of this document, but of particular relevance to site size thresholds is the suggestion of:

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

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

## 8.6 Summary

The Housing Needs Survey in Sutton followed closely guidance from the DETR in ‘*Local Housing Needs Assessment: A Guide to Good Practice*’. This involved estimates of the ‘Backlog of existing need’, ‘Newly arising need’ and future supply to estimate the current surplus or shortfall of affordable housing in Sutton. Updating this model it is estimated that for the next five years there is a shortfall of affordable housing in the Borough of around 1,062 affordable homes per year. The immediate implications for affordable housing are that a target of 50% (current custom and practice) would be justified on all suitable sites, and that site threshold below the standard 25 units, for example a threshold of 15 units, should be applied.

### **Changes since 2001**

This review of the housing needs situation suggests that around 1,062 additional affordable units would be required per year if all affordable needs are to be met. This compares with an estimate from the 2001 survey of 1,143 per annum. Although there have been some methodological changes in the time between the two surveys it seems clear that there remains a significant shortage of affordable housing within the Borough.



## 9. Nature of Affordable Housing Requirement

### 9.1 Introduction

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

### 9.2 Defining intermediate housing

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

- (i) Intermediate housing should be clearly distinguished from social rented housing
- (ii) It should also be distinguished from general market housing, and with that the various not clearly labelled variants of (newbuild) ‘low cost market’ housing which have confused the debate about housing affordability since the publication of Circular 13/96 (the Circular which suggested that low cost market would be one form of affordable housing)

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

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

**Table 9.1 Issues around the definition of intermediate housing**

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

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

**Intermediate housing:** In this report, defined as housing priced below entry-level second-hand market prices (to rent privately or buy) but above social rent costs. This definition is slightly different to the definition of 'intermediate housing' given in the London Plan (and shown in Section 9.3 below).

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

### **9.3 Intermediate housing and the London Plan**

The London Plan defines intermediate housing as ‘sub-market housing which is above target rents but is substantially below open market levels and is affordable by households on incomes of less than £40,000 (as at 2003/2004, to be reviewed annually to reflect changes in income: house-price ratios)’. The category as thus defined potentially includes shared ownership, sub-market rent provision and key worker housing.

The Mayor’s strategic target for affordable housing provision is that 50% of all new provision should be affordable; within this, the London-wide objective is for 70% social housing and 30% intermediate housing. Boroughs should seek to achieve a range of types of affordable housing and an appropriate balance between social and intermediate housing, having regard to the circumstances of their area, and to the Mayor’s London-wide assessment of the need for a 70:30 balance.

### **9.4 Background – intermediate housing need in Sutton**

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

The table below shows our estimates of the minimum cost of market housing in the Borough and estimated new social rent levels. The outgoings for private rented accommodation have been used for minimum prices of one to four bedroom market housing, as these are cheaper than those for owner-occupation for most households.

<b>Table 9.2 Basic information required for assessment of types of affordable housing required</b>		
Size requirement	Minimum priced second-hand market housing (£/week)	Social rent (£/week)
1 bedroom	£130	£61
2 bedrooms	£152	£76
3 bedrooms	£198	£87
4+ bedrooms	£312	£98

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

The table below shows the minimum gross household income that is necessary in order to afford different sizes of market accommodation, based on private rental costs. For one bedroom housing, intermediate housing would therefore be that which is affordable to households on incomes between £12,688 and £27,120 per annum. For four bedroom accommodation, a household income of £64,800 is required before renting privately is considered affordable. Affordability is defined as in Chapter 4, where renting is unaffordable if it costs more than 25% of a household's gross income.

<b>Table 9.3 Minimum income required for different types of housing to be affordable</b>		
Size requirement	Gross household income required to afford housing	
	Minimum priced private rented housing	Social rented housing
1 bedroom	£27,120	£12,688
2 bedrooms	£31,680	£15,808
3 bedrooms	£41,280	£18,096
4+ bedrooms	£64,800	£20,384

This table is for illustrative purposes only, since the affordability of each household is considered separately during analysis. Individual circumstances may mean that some households on lower incomes can in fact afford market housing, for example if they have savings or equity. However, the table suggests that the income range of households requiring intermediate housing in Sutton is somewhat wider than the £15,000-£40,000 range in the London Plan. This range can however be misleading: for example, a household with a gross income of £40,000 would not be considered in need of intermediate housing if they had a requirement for one or two bedroom accommodation, while a household with an income of £15,000 would not in theory be able to afford two (or more) bedroom intermediate housing costs. This illustrates the difficulties posed by using income alone with the 'definition' of intermediate housing, without regard to size requirement.

The following table shows the estimated breakdown of additional affordable housing requirements by size and type of housing per annum. This is estimated by calculating if each household in need can afford greater than social renting prices for the size property they require. The households considered are those forming the backlog of existing need and also the newly arising need, giving the gross need total of 1,549 per annum calculated in the previous chapter.

<b>Table 9.4 Amount of annual requirement for each type of affordable housing (all tenures)</b>			
Dwelling size	Type of housing		
	Intermediate housing	Social rented	TOTAL
1 bedroom	316	400	716
2 bedrooms	326	235	561
3 bedrooms	177	65	242
4+ bedrooms	8	21	29
<b>TOTAL</b>	<b>827</b>	<b>721</b>	<b>1,549</b>

The table shows that in total 53.4% (827/1,549) of the gross requirement could be intermediate housing; the remainder should be social rented housing. To put this in context, information from the Council suggests that around 28% of all households on the Register (excluding transfers) in Sutton are applying for shared ownership schemes (825 households). It should be remembered however that these households may not necessarily be considered in need of intermediate housing, or conversely may not be able to afford current intermediate housing in Sutton. Housing Registers are discussed further in Appendix A2.

However, from the figures in the table above, it is important to deduct the supply of affordable housing. As with the previous analysis this has been split by social rented and intermediate housing. The total of 487 is the annual level of supply calculated in Chapter 7. The breakdown of bedroom size is calculated by using the survey data to find the current bedroom size for households that have secured social housing in the past three years (and have not transferred between social housing). These proportions are then set to the 487 re-lets calculated in Chapter 7.

<b>Table 9.5 Annual supply for each type of affordable housing</b>			
Dwelling size	Type of housing		
	Intermediate housing	Social rented	TOTAL
1 bedroom	0	203	203
2 bedrooms	0	172	172
3 bedrooms	3	103	106
4+ bedrooms	0	5	5
<b>TOTAL</b>	<b>3</b>	<b>484</b>	<b>487</b>

The following table therefore estimates the net requirements for each type of affordable housing by size. Although the table shows that 77.5% (824/1,062) of the net amount of affordable housing required could be intermediate housing, in reality this figure is much lower because of the affordability of generally available intermediate housing. This is discussed in the following section.

<b>Table 9.6 Net annual need for affordable housing for each type of affordable housing</b>			
Dwelling size	Type of housing		
	Intermediate housing	Social rented	TOTAL
1 bedroom	316	197	514
2 bedrooms	326	63	389
3 bedrooms	174	(38)	136
4+ bedrooms	8	16	24
<b>TOTAL</b>	<b>824</b>	<b>238</b>	<b>1,062</b>

### 9.5 Findings of the GLA's Housing Requirements Study

The GLA's recently published 'Greater London Housing Requirement Study' aims to identify the number of dwellings necessary to meet current and future housing requirements across the region. It is interesting to consider the size breakdown of the gross requirements for intermediate and social rented housing. The study found that, for London as a whole, the gross requirement for social rented housing was 46% for one bedroom and 32% two bedroom accommodation. This ties in well with the figures of 55% (400/721) and 33% (235/721) found in Sutton. As regards the need for intermediate housing, the study found that 45% of the gross need was for one bedroom property and 31% for two bedroom property. The updated HNS showed that in Sutton the breakdown was 38% (316/827) and 39% (326/827) respectively. The Housing Requirements Study also showed that almost all of the four or more bedroom homes required in London were needed in the social rented sector.

### 9.6 Affordability within the intermediate category

Although the survey suggests that over three quarters (77.5%) of all additional affordable housing could in theory be 'intermediate' (if some of such housing was priced close to social rents), this does not imply any particular type of housing. We have therefore sought to provide some more information by looking at four categories of 'intermediate' housing based on price. The table below shows the bands of intermediate housing used for analysis.



<b>Table 9.7 Approximate outgoings for different types of intermediate housing</b>				
Size requirement	Approximate outgoings (£/week)			
	Cheapest intermediate housing	2 <sup>nd</sup>	3 <sup>rd</sup>	Most expensive
1 bedroom	£61-£78	£79-£95	£96-£113	£114-£130
2 bedrooms	£76-£95	£96-£114	£115-£134	£135-£152
3 bedrooms	£87-£114	£115-£142	£143-£170	£171-£198
4+ bedrooms	£98-£145	£146-£192	£193-£240	£241-£312

As per the previous analysis we can estimate the number of households in need who fall into each of these categories. The total figure of 1,549 is gross need as calculated in the BNAM. This is shown in the table below, and includes all tenures. It is clear that a great many of those in the ‘intermediate’ category have income/affordability levels at the bottom of the scale. For example, the data suggests that 63.8% of those who could theoretically afford intermediate housing could in fact afford nothing costing more than half of the difference between market and social rented prices. Around a quarter of households in the ‘intermediate’ category could afford the ‘most expensive’ intermediate housing, which might roughly equate to current affordable housing options (such as shared ownership).

<b>Table 9.8 Number of households able to afford at different ‘intermediate’ housing prices</b>						
Size requirement	Type of intermediate housing					TOTAL
	Social rented housing	Cheapest intermediate housing	2 <sup>nd</sup>	3 <sup>rd</sup>	Most expensive	
1 bedroom	400	119	101	34	62	716
2 bedrooms	235	100	150	14	62	561
3 bedrooms	65	27	23	51	76	242
4+ bedrooms	21	0	8	0	0	29
TOTAL	721	246	282	99	200	1,549

## **9.7 Current shared ownership supply and demand in Sutton**

Information from the Council suggests that the average income of households on the Shared Ownership register in the Borough is around £25,000. There is little variation in income with household size. Average savings levels do increase slightly with household size, from around £3,000 for households requiring one bedroom accommodation to around £10,000 for those needing four bedrooms. This suggests that most households on the Shared Ownership register applying for one bedroom accommodation are close to being able to afford private rented housing in the Borough, whereas most other households are somewhat lower in the intermediate affordability range.

It is interesting to consider information regarding the costs of currently available shared ownership schemes in Sutton. On one recently completed scheme at Bolton Drive, 50% equity shares were available on one bedroom properties priced at around £145,000 and on two bedroom properties for around £165,000. Rent was charged at 3.5% of the unsold equity and there was a service charge of £70.53 per month. Using the affordability tests discussed previously in the report, it is estimated that a household with no savings or equity would need a gross income of around £37,000 in order to afford the one bedroom accommodation and £42,000 to afford two bedroom accommodation on this development. These incomes are above those required in order to afford private rented accommodation. However, information regarding the income of households that secured these properties suggests that the average net income was around £23,000. This implies that most households would have had some savings or equity available.

Since each individual household that requires intermediate housing will have different financial circumstances, it is not meaningful to calculate a level of income required in order to qualify for shared ownership in the Borough. Available savings and/or equity will have a significant effect on households' ability to afford shared ownership. However, it is clear that current shared ownership schemes in Sutton fall into the very top end of what can be classed as 'intermediate housing'. In some cases, shared ownership may in fact be more expensive than renting privately. This means that, although such schemes may help households who would otherwise be renting privately gain access to owner-occupation, they may not be meeting any housing need in Sutton since they are priced above entry-level market housing (to rent or buy).

## **9.8 The implications for targets**

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

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

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

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

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

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

## 9.9 Summary

Using information calculated from the survey, we have carried out further analysis to show how much of this need could be met by 'intermediate' housing, available at outgoings between social rents and the minimum cost of (second hand) market housing. The analysis shows that over three quarters (77.5%) of the additional affordable housing requirement could theoretically be met by such housing. However, given the relatively high costs of currently available intermediate housing schemes, it is likely that this figure will in fact be much lower and so for many households social rented housing will be the only realistic option.

These findings cannot be translated directly into operational targets in practice. To begin with, the 77.5% figure is a maximum, and could only be reached if all the 'intermediate' housing was priced at social rents, which would be pointless, or if an extremely wide range of homes was available to cover the full spectrum of affordability from social rent to market. The data suggests that there are relatively few households in need whose financial situation place them close to being able to afford market housing. Only around a quarter (24%) of households requiring intermediate housing (or 13% of all households in need) could afford the most expensive intermediate housing costs, which are likely to correspond to currently available shared ownership schemes. The majority (63.8%) of those who could theoretically afford intermediate housing could in fact afford nothing costing more than half of the difference between market and social rented prices.

There is also the issue of priority. Fundamentally, our analysis has focussed on the totality of need facing Sutton. It does not differentiate between needs with different degrees of urgency or priority and it is likely that those with the greatest need are also those least likely to be able to afford 'intermediate' options – this will have an impact on the exact types of housing which will best meet the local housing needs.

#### **Changes since 2001**

The 2001 report looked at the proportion of households who could afford shared ownership accommodation rather than the more broad 'intermediate' group. The survey concluded that shared ownership could only meet the needs of around 9% of households. This update similarly found that around 13% of households in need could afford the most expensive types of intermediate housing. Shared ownership schemes are likely to be priced similarly to or above these costs and so will not be able to meet the majority of housing need in Sutton.

## 10. Balancing Housing Markets

### 10.1 Introduction

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

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

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

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

Whilst one of the outputs of the BHM model is an estimate of the shortfall of affordable housing, this should not be taken as an estimate of the absolute need for such housing. As the BHM is a demand and aspiration driven model (the BNAM being mainly based on past trends) there are inevitably some households who have a demand for affordable housing but under the BNAM would not be considered as needing such housing. Additionally as the bulk of the supply in the BHM is based on expected future household moves it is often the case that this model shows a lower supply level than the trend data of the BNAM (typically drawn from H.I.P.).

It is therefore common to find that the BHM shows a somewhat different estimate of the affordable requirement than the BNAM but this should not be taken as the survey's base estimate of the absolute requirement for affordable housing (which is measured using the ODPM's Basic Needs Assessment Model). The BHM is however particularly useful at ascertaining what shortages exist in the private sector market and can help to guide councils in securing an appropriate mix of market housing on new housing developments.

The inherent idea behind the BHM method is that it seeks to meet the requirements of the current population first with the amount of in-migration used to 'balance' figures to the estimated household growth of an area.

Unlike the specific model followed in the BNAM Chapter, however, there is only very general guidance provided for a BHM analysis. The next subsection summarises our approach.

## **10.2 Procedure in outline**

In overview, a BHM analysis assesses the aspirations of would-be movers in relation to total dwellings, broken down by property size and tenure. Growth is constrained by the projected newbuild as detailed in the London Plan.

The steps involved are listed below:

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

### 10.3 Why gross flows cannot predict tenure

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

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

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

- i) If in a local authority area over a period of time (say a year) nothing but four bedroom owner-occupied dwellings are built then the gross flows methodology would show that nothing but four bedroom owner-occupied homes are required in the future (even if there is a significant need for additional affordable housing).
- ii) On the other hand another local authority may have needed (and been able) to build a significant number of additional affordable units, the gross flows approach would indicate that the LA still required large numbers of affordable housing units (which might not be the case).

### 10.4 Adapted Gross Flows (AGF)

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

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

For the purpose of this test we have set the overall net increase in dwellings to 370. This is based on information provided in the London Plan.

## 10.5 Summary of data

Full details of the analysis are presented in Appendix A5. Set out below is a summary of the results. The analysis can however be summarised as follows, prior to inputting into the final table:

**Net increase in dwellings** – 370 per annum

### Demand

New households forming within the Borough – 760

In-migration – 2,122

Households moving within the Borough – 1,949

**Total demand** = 4,831

### Supply

Household dissolution (through death) – 635

Out-migrant – 1,877

Households moving within the Borough – 1,949

**Total supply** = 4,461

The results of the calculations detailed in Appendix A5 are shown in the following table:

Table 10.1 Total shortfall or (surplus) – per annum					
Tenure	Size requirement				TOTAL
	1 bedroom	2 bedrooms	3 bedrooms	4+ bedrooms	
Owner-occupation	138	136	(128)	28	174
Affordable housing	193	273	208	48	722
Private rented	(175)	(273)	(65)	(14)	(526)
TOTAL	156	136	16	62	370



A number of conclusions can be drawn from this analysis:

- (i) The total level of 'need' (722 dwellings p.a.) for affordable housing shown by the table above is significantly lower than that shown by the BNAM analysis (1,062 dwellings p.a.). This is a common finding, and is due to the fact that the BHN deals with aspirations rather than just affordability, as well as the way that this analysis constrains in-migration so as to achieve 'balance'. This will have the effect of underestimating the needs of in-migrant households, who may be less likely to be able to afford market housing.
- (ii) The data shows that the affordable housing sector bears the majority of the shortfall. This supports findings from the BNAM analysis and again demonstrates a need for more affordable housing in Sutton.
- (iii) Overall, the data shows a surplus of private rented accommodation. The finding of a large surplus of private rented housing should however be treated with caution. This sector is likely to be used to make up the shortfall of affordable housing so in reality these properties will not be left vacant.
- (iv) In terms of size requirements, the information suggests that the main shortfall in the affordable sector is for one, two and three-bedroom accommodation, and to a lesser extent four-bedroom homes. In the owner-occupied sector the main shortfall is of one and two bedroom homes with a smaller shortfall for 4+ bedroom dwellings.

## 10.6 Summary

Most of the implications that follow would be evident without the 'demand balancing' exercise carried out here.

- (i) The Council should try to secure as much additional affordable housing as possible. This would sensibly include attempting to secure a reasonable proportion of all allocated sites as affordable. Additionally, the Council should wherever possible secure affordable housing through other means (e.g. on 100% sites and also through other schemes such as conversions or empty homes).
- (ii) It is clear that in the medium term there will be a shortage of affordable housing and of smaller owner-occupied housing for the people of Sutton. It is likely that the private rented sector will continue to be used to make up for the shortfall of affordable housing although this would not be considered to be a long-term housing solution.

The practical outcome of this analysis is the same as was derived from the Basic Needs Assessment model: build more affordable housing.

The advantage of our Adapted Gross Flows (AGF) approach is that it allows the Council to monitor the degree to which the situation in Sutton is approaching 'balance'. It shows exactly what shortages and surpluses exist, according to size of dwelling and tenure, in the existing stock. It also allows movement towards 'balance' to be monitored and, so far as possible, adjusted.

#### **Changes since 2001**

The 2001 survey contained analysis of demand and supply for housing in the private sector market. However, this analysis was more 'crude' than that put forward in this update. It is interesting however to note that the 2001 survey showed a shortage of smaller owner-occupied dwellings.

## 11. Key Worker Households

### 11.1 Introduction

The original survey form identified whether working members of the household were in any of six defined key worker groups. The categories of employment chosen by the Council for the purposes of this survey were based on the government-led initiative 'Key Worker Living'. These included:

- Health Care
- Education
- Social Services
- Public Transport
- Local Government
- Emergency Services

The information collected for the head of household (taken as the respondent) is used to identify key worker households. Those indicating they were employed in one of these occupations were identified as a key worker household. The data, therefore, includes key workers resident in the Sutton who work outside its boundaries and excludes key workers who work in Sutton but live outside. The analysis of key workers concentrates on their current housing situation, future demands for housing and affordability (particularly in regard to 'intermediate' housing options).

### 11.2 Number of key workers

The survey data suggests that there are an estimated 12,433 households in Sutton headed by someone in a key worker occupation (a question on the form asked respondents to state whether or not each person in their household was a key worker). This represents 16.1% of all households in the Borough. These households are subject to further analysis in the sections below.

Table 11.1 Key worker households		
Category	Number of persons	% of key workers
Key worker	12,433	16.1%
Non key worker	64,567	83.9%
TOTAL	77,000	100.0%

### 11.3 Housing characteristics of key worker households

The table below shows various household and housing characteristics of key worker households. The results indicate that the majority of key worker households (81.3%) are currently living in owner-occupied accommodation and are more likely to be living in this tenure than non key worker households. Key worker households are also more likely to be living in the private rented sector but less likely to be living in social rented housing when compared with non key worker households. In terms of household composition key worker households are more likely, than non-key workers, to be single non-pensioners and multiple adult households without children. Key worker households do however show a similar size requirement profile to non key worker households, with the greatest requirement for smaller one and two bedroom properties.

<b>Table 11.2 Key worker households and housing/household characteristics</b>				
Characteristic	Key worker household		Non key worker household	
	Number of households	% of households	Number of households	% of households
<b>Tenure</b>				
Owner-occupied (no mortgage)	2,270	18.3%	19,440	30.1%
Owner-occupied (with mortgage)	7,839	63.0%	27,891	43.2%
Council	692	5.6%	7,040	10.9%
RSL	0	0.0%	4,358	6.7%
Private rented	1,632	13.1%	5,838	9.0%
<b>TOTAL</b>	<b>12,433</b>	<b>100.0%</b>	<b>64,567</b>	<b>100.0%</b>
<b>Household composition</b>				
Single pensioners	314	2.5%	10,309	16.0%
2 or more pensioners	135	1.1%	5,802	9.0%
Single non-pensioners	3,318	26.7%	11,540	17.9%
2 or more adults – no children	5,060	40.7%	19,043	29.5%
Lone parent	384	3.1%	2,724	4.2%
2+ adults 1 child	1,811	14.6%	6,640	10.3%
2+ adults 2+ children	1,412	11.4%	8,508	13.2%
<b>TOTAL</b>	<b>12,433</b>	<b>100.0%</b>	<b>64,567</b>	<b>100.0%</b>
<b>Size requirement</b>				
1 bedroom	6,306	50.7%	38,608	59.8%
2 bedrooms	3,381	27.2%	16,503	25.6%
3 bedrooms	2,392	19.2%	8,092	12.5%
4+ bedrooms	354	2.8%	1,363	2.1%
<b>TOTAL</b>	<b>12,433</b>	<b>100.0%</b>	<b>64,567</b>	<b>100.0%</b>

### 11.4 Previous household moves of key worker households

The table below indicates when key worker and non key worker households moved to their current accommodation. The results indicate that key worker households were more likely than non key worker households to have moved to their current accommodation within the last three years (35.3% of all key worker households compared with 28.2% of non key workers).

<b>Table 11.3 Key worker households and past moves</b>				
When moved to present home	Key worker household		Non key worker household	
	Number of households	% of households	Number of households	% of households
Within the last year	1,683	13.5%	7,576	11.7%
1 to 3 years ago	2,707	21.8%	10,666	16.5%
3 to 5 years ago	2,124	17.1%	6,925	10.7%
5 to 10 years ago	1,707	13.7%	8,746	13.5%
Over 10 years ago	3,428	27.6%	26,788	41.5%
Always lived here	785	6.3%	3,866	6.0%
<b>TOTAL</b>	<b>12,433</b>	<b>100.0%</b>	<b>64,567</b>	<b>100.0%</b>

Previous tenure and location information for households moving in the last three years is presented in the table below. The results show that just over two-fifths of key worker households moving in the last three years moved from owner-occupied accommodation and a further 29.1% were newly forming households. This compares with 38.6% and 15.4% respectively for non key worker households. In terms of location, key workers were less likely to have lived within Sutton and more likely to have moved from elsewhere in London or the South East.

**Table 11.4 Previous tenure and location of households moving in last three years**

Characteristic	Key worker household		Non key worker household	
	Number of households	% of households	Number of households	% of households
Tenure of previous home				
Owner-occupied	1,913	43.6%	7,040	38.6%
Council	0	0.0%	2,119	11.6%
RSL	0	0.0%	1,366	7.5%
Private rented	1,195	27.3%	4,903	26.8%
Newly forming household	1,281	29.1%	2,814	15.4%
TOTAL	4,389	100.0%	18,242	100.0%
Location of previous home				
Worcester Park/Cheam	445	10.1%	1,693	9.3%
Belmont/Rosehill/Sutton	764	17.4%	4,901	26.9%
Clockhouse/Carshalton/St.Helier/Wandle Valley	598	13.6%	1,480	8.1%
Wallington/Beddington	295	6.7%	3,161	17.3%
Elsewhere in Greater London	1,219	27.8%	4,564	25.0%
Elsewhere in the South East	608	13.8%	1,115	6.1%
Elsewhere in the United Kingdom	461	10.5%	924	5.1%
Abroad	0	0.0%	404	2.2%
TOTAL	4,389	100.0%	18,242	100.0%

### 11.5 Housing aspirations of key worker households

The survey also collected information on the future aspirations of households seeking to move within the next five years. The table below indicates that of the 12,433 key worker households a total of 20.8% need or are likely to move over the next three years. This figure is similar, at 19.9%, for non key worker households.

**Table 11.5 Key worker households and future moves**

When need/likely to move	Key worker household		Non key worker household	
	Number of households	% of households	Number of households	% of households
Now	392	3.2%	3,049	4.7%
Within a year	1,130	9.1%	3,764	5.8%
1 to 3 years	1,060	8.5%	6,023	9.3%
3 to 5 years	1,030	8.3%	2,682	4.2%
No need/not likely to move	8,821	71.0%	49,050	76.0%
TOTAL	12,433	100.0%	64,567	100.0%

The table indicates that 2,582 key worker households stated they were likely/needed to move within the next three years. Their housing preferences (in terms of tenure, location and size) are presented in the table below and are compared with results for all non key worker households wanting to move within the next three years.

<b>Table 11.6 Housing preferences of households seeking to move in the next three years</b>				
Housing preferences	Key worker household		Non key worker household	
	Number of households	% of households	Number of households	% of households
<b>Tenure</b>				
Buy own home	2,241	86.8%	9,695	73.0%
Rent from Council	316	12.2%	1,887	14.7%
Rent from RSL	24	0.9%	903	7.0%
Private rented	0	0.0%	440	3.4%
Other	0	0.0%	240	1.9%
<b>TOTAL</b>	<b>2,582</b>	<b>100.0%</b>	<b>12,836</b>	<b>100.0%</b>
<b>Location</b>				
Worcester Park/Cheam	58	2.3%	1,217	9.5%
Belmont/Rosehill/Sutton	1,287	49.8%	2,977	23.2%
Clockhouse/Carshalton/St.Helier/Wandle Valley	213	8.2%	835	6.5%
Wallington/Beddington	50	1.9%	1,077	8.4%
Elsewhere in Greater London	166	6.4%	1,825	14.2%
Elsewhere in the South East	427	16.5%	2,882	22.5%
Elsewhere in the United Kingdom	278	10.8%	1,415	11.0%
Abroad	104	4.0%	608	4.7%
<b>TOTAL</b>	<b>2,582</b>	<b>100.0%</b>	<b>12,836</b>	<b>100.0%</b>
<b>Stated size requirement</b>				
1 bedroom	509	19.7%	2,528	19.7%
2 bedrooms	615	23.8%	3,909	30.5%
3 bedrooms	987	38.2%	4,677	36.4%
4+ bedrooms	470	18.2%	1,722	13.4%
<b>TOTAL</b>	<b>2,582</b>	<b>100.0%</b>	<b>12,836</b>	<b>100.0%</b>

The table indicates that the majority of key worker households needing to move have indicated a preference for owner-occupied accommodation and this is greater than the proportion of non key worker households needing to move. Some 86.8% of moving key worker households indicated they would like to move to owner-occupation.

In terms of location just under a half of all moving key worker households indicated they would like to live in the Belmont/Sutton/Rosehill area; key workers were less likely to want to move out of the Borough than other households. Finally, in terms of stated size requirements, when compared with non-key worker households, key worker households are more likely to seek larger, three or more bedroom properties, and less likely to seek two bedroom homes.

### 11.6 Income and affordability of key worker households

The table below shows a comparison of income and savings levels for key worker and non-key worker households.

The figure for non-key worker households has been split, depending on whether or not the head of household is in employment or not. Figures shown are for weekly net income (including non-housing benefits). The table suggests that the income and savings of key worker households are above non-key workers (in employment). The average income for key worker households is above the average for all households in the Borough although the level of savings is below the Borough average. This reflects the fact that the Borough-wide figures include retired households who have no earned income but much higher levels of savings.

Table 11.7 Income and savings levels of key worker households			
Category	Weekly net household income (including non-housing benefits)	Annual gross household income (including non-housing benefits)	Average household savings
All key worker household	£614	£41,669	£4,329
All non-key worker (in employment)	£584	£39,953	£3,954
All other households (no-one working)	£306	£17,774	£4,959
All households	£477	£31,277	£4,420

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



<b>Table 11.8 Key worker households and ability to afford housing</b>				
Category	All key worker households		Key workers moving in next three years	
	Number of households	% of households	Number of households	% of households
Afford market housing	10,383	83.5%	1,960	75.9%
Afford most expensive intermediate housing	183	1.5%	106	4.1%
2 <sup>nd</sup>	216	1.7%	216	8.4%
3 <sup>rd</sup>	897	7.2%	0	0.0%
Afford cheapest intermediate housing	273	2.2%	137	5.3%
Social rent only	482	3.9%	163	6.3%
<b>TOTAL</b>	<b>12,433</b>	<b>100.0%</b>	<b>2,582</b>	<b>100.0%</b>

The table indicates that 83.5% of all key worker households are able to afford entry-level prices in the market. This is not surprising given the high proportion of these households that are already owner-occupiers. It is also interesting to note that of the 2,050 households unable to afford minimum market prices, 23.5% can only afford social rented housing and a further 57.1% can only afford the cheapest two forms of intermediate housing.

The profile of those key worker households who need/are likely to move in the next three years is different. A lower proportion of these households (75.9%) are able to afford entry-level prices, and of the 622 households unable to afford, 26.2% can only afford social rented housing.

### 11.7 Key workers and the basic needs assessment model

In addition to the above it is possible to study how key worker households fit into the Basic Needs Assessment model and their ability to afford intermediate housing. The table below gives an estimate of how much of the housing need will be from key workers and also an estimate of the likely supply to these households. The table shows there is an estimated net need for 264 dwellings per annum for key worker households. This figure represents 24.8% of the total affordable requirement in Sutton, which was estimated at a shortfall of 1,062 in Chapter 8. The total need and supply figures are those calculated in the Basic Needs Assessment Model.

<b>Table 11.9 Basic Needs Assessment Model and size requirement (key worker households)</b>			
Key worker	Need	Supply	TOTAL
Key worker	305	41	264
Non key worker	1,244	446	798
<b>TOTAL</b>	<b>1,549</b>	<b>487</b>	<b>1,062</b>

Finally, the affordability of those households found to be in need is considered. This is shown in the table below. The results of this analysis show that only 5.6% of key worker households in need of affordable housing can afford no more than social rents. Around 30% of key worker households in need are able to afford the most expensive form of intermediate housing (i.e. the costs at which such housing, for example shared ownership, is typically available).

<b>Table 11.10 Key worker ability to afford housing (those in housing need) (per annum)</b>		
Affordability	Number of households	% of households
Social rent only	17	5.6%
Afford cheapest intermediate housing	25	8.2%
3 <sup>rd</sup> most expensive	120	39.3%
2 <sup>nd</sup> most expensive	52	17.0%
Afford most expensive intermediate housing	90	29.5%
TOTAL	305	100.0%

## 11.8 Summary

The term intermediate housing is often used with reference to specific groups of households such as key workers. The survey therefore analysed such households (the definition being based on four categories of employment). Analysis of survey data indicates that there are an estimated 12,433 households headed by a key worker. These households are more likely to be living in owner-occupied accommodation when compared with all non key worker households. The main findings from further analysis of these groups of households can be summarised as follows:

- Key worker households are more likely to have moved in the last three years than non-key workers and are less likely to have moved from within Sutton
- Key worker households are marginally more likely to move within the next three years and are more likely to want to remain in the Borough
- Key worker households have above average levels of income and the majority are able to afford minimum market prices.
- The overlap between key worker households and housing need is fairly substantial, with 24.8% of the overall net requirement from key worker households.
- Of those key worker households in need, the majority (94.4%) can afford more than the costs of social rented accommodation.

## 12. First Time Buyers

### 12.1 Introduction

Offering first time buyers the opportunity of a decent home at an affordable price is a key aim addressed in the ODPM's 'Sustainable Communities: Homes for all' plan. In many areas, particularly Greater London, first time buyers are being priced out of the market as average house prices continue to rise considerably faster than incomes. In response to this, the Government plans to put in place a new First Time Buyers Initiative. The scheme intends to offer at least 15,000 first time buyers an affordable way into home ownership, by offering homes on a 'shared equity' basis to enable younger households to make the first step onto the housing ladder.

This chapter considers the needs and characteristics of past and future first time buyers in Sutton.

### 12.2 Past Trends

Those households who did not own their previous home but are currently owner-occupiers can be identified from the survey. This group will include all recent first time buyers but may also include a small number of non-first time buyers. For example, following the sale of a previous home, a household may have rented privately for a short period before purchasing their present home. However, the proportion of such households is likely to be small.

The table below shows that, of the 12,072 owner-occupiers who moved to their current home in the past three years, 64.3% also owned their previous home (including shared ownership). The remaining 35.7% (4,310 households) were likely to have been first time buyers.

<b>Table 12.1 Previous tenure of owner occupiers that moved in the last three years</b>		
Previous tenure	Number of households	% of households
Owner occupied	7,687	63.7%
Living with parents, relatives or friends	2,048	17.0%
Rented from a Council	161	1.3%
Rented from a private landlord	2,101	17.4%
Shared Ownership	75	0.6%
TOTAL	12,072	100.0%

The characteristics of households moving into owner-occupation from a home that they did not own are considered below, for those moving in the last three years (it should be remembered that this is the three years before the survey was carried out in 2001). These are compared with the characteristics of owner-occupiers who did own their previous home.

<b>Table 12.2 First time buyer households and current housing/household characteristics</b>				
Characteristic	First time buyer household		Non first time buyer household	
	Number of households	% of households	Number of households	% of households
<b>Sub-area</b>				
Cheam & Worcester Park	435	10.1%	2,547	32.8%
Sutton	1,529	35.5%	1,609	20.7%
Carshalton & Clockhouse	1,681	39.0%	1,977	25.5%
Beddington & Wallington	665	15.4%	1,629	21.0%
<b>TOTAL</b>	<b>4,310</b>	<b>100.0%</b>	<b>7,762</b>	<b>100.0%</b>
<b>Household composition</b>				
Single pensioners	0	0.0%	613	7.9%
2 or more pensioners	0	0.0%	414	5.3%
Single non-pensioners	1,254	29.1%	1,409	18.2%
2 or more adults – no children	2,382	55.3%	2,335	30.1%
Lone parent	0	0.0%	192	2.5%
2+ adults 1 child	462	10.7%	1,289	16.6%
2+ adults 2+ children	212	4.9%	1,511	19.5%
<b>TOTAL</b>	<b>4,310</b>	<b>100.0%</b>	<b>7,762</b>	<b>100.0%</b>
<b>Accommodation size</b>				
1 bedroom	1,067	24.8%	207	2.7%
2 bedrooms	1,576	36.6%	2,324	29.9%
3 bedrooms	1,491	34.6%	4,233	54.5%
4+ bedrooms	174	4.0%	998	12.9%
<b>TOTAL</b>	<b>4,310</b>	<b>100.0%</b>	<b>7,762</b>	<b>100.0%</b>

In terms of location, first time buyer households are much less likely to live in the Cheam & Worcester Park sub-area and considerably more likely to live in the Sutton and Carshalton & Clockhouse areas.

Over half of all recent first time buyer households consist of two or more adults with no children. Around 16% contain children, compared to 38.6% of other owner-occupiers having moved in the previous three years. This is reflected in the size of accommodation secured: almost a quarter of first time buyers live in one bedroom properties.

The table below shows the location of the previous home of recent first time buyer households. First time buyers are more likely to have moved from elsewhere in Sutton, particularly the Sutton/Rosehill/Belmont area, than other owner-occupiers. They are somewhat less likely to have moved from elsewhere in London.

<b>Table 12.3 Previous location of owner-occupier households moving in last three years</b>				
Location of previous home	First time buyer household		Non first time buyer household	
	Number of households	% of households	Number of households	% of households
Worcester Park/Cheam	474	11.0%	1,153	14.9%
Belmont/Rosehill/Sutton	1,291	30.0%	1,227	15.8%
Clockhouse/Carshalton/St.Helier/Wandle Valley	369	8.6%	854	11.0%
Wallington/Beddington	493	11.4%	599	7.7%
Elsewhere in Greater London	1,151	26.7%	2,642	34.0%
Elsewhere in the South East	371	8.6%	800	10.3%
Elsewhere in the United Kingdom	162	3.8%	487	6.3%
Abroad	0	0.0%	0	0.0%
<b>TOTAL</b>	<b>4,310</b>	<b>100.0%</b>	<b>7,762</b>	<b>100.0%</b>

The table below shows that first time buyer households have substantially higher incomes than other households, but lower savings levels. This reflects the fact that the majority of first time buyer households are non-pensioner households with no children.

<b>Table 12.4 Income and savings levels of recent first time buyer households</b>		
Category	Weekly net household income (including non-housing benefits)	Average household savings
First time buyer household	£603	£2,423
All other households	£469	£4,538
All households	£477	£4,420

The average age of the survey respondent in recent first time buyer households was 32, compared to 51 for other households and 50 for all households in the Borough.

None of the 4,310 recent first time buyer households were currently found to be in housing need.

### 12.3 Future first time buyers – existing households

The needs and characteristics of future first time buyers can be studied by looking at those households that are not owner-occupiers and whose previous home (if applicable) was not owner-occupied, but who are looking to buy their own home in the near future. Of those households that currently (and previously) rent from a private landlord, an RSL or the Council, 39.2% (5,300 households) need or are likely to move in the next three years. The tenure preferences of these households are shown in the table below. Again, this group may contain a small number of households who have previously owned a home in the past.

<b>Table 12.5 Tenure preference of renting households needing/intending to move in the next three years</b>				
Tenure	Would like		Expect	
	Number of households	% of households	Number of households	% of households
Buy own home	2,729	51.5%	1,571	29.6%
Rent from a Council	1,521	28.7%	1,784	33.7%
Rent from a Housing Association	500	9.4%	843	15.9%
Rent from a private landlord	440	8.3%	869	16.4%
Tied-Linked to a job	0	0.0%	123	2.3%
Shared Ownership	110	2.1%	110	2.1%
TOTAL	5,300	100.0%	5,300	100.0%

Over half of households would like to become owner-occupiers (or participate in a shared ownership scheme) but only 31.7% expect to secure such accommodation. The characteristics of those households that would either like or expect to buy their own home in the next three years are considered below. The average age of the survey respondent in such households is 31.

<b>Table 12.6 Current tenure of future first time buyer households</b>		
Tenure	Number of households	% of households
Rent from a Council	540	19.0%
Rent from a Housing Association	149	5.2%
Rent from a private landlord	2,150	75.7%
TOTAL	2,839	100.0%

It is estimated that 157 of these 2,839 households are currently in housing need. This represents 5.5% of these households.

It is clear that the majority of potential first time buyers are currently living in private rented accommodation. It is also interesting to consider where these 2,839 households would like and expect to buy their first home. The table below shows almost 30% of households expect to move 'elsewhere in the South East' to buy their first home but only 15.7% would like to. Overall, 65.2% of households would like to buy their first home in the London Borough of Sutton but only 54.1% expect to be able to. More households would like to live in the Sutton/Rosehill/Belmont area than expect to.

<b>Table 12.7 Location preference of renting households needing/intending to move to owner-occupation in the next three years</b>				
Location	Would like		Expect	
	Number of households	% of households	Number of households	% of households
Worcester Park/Cheam	129	4.6%	110	3.9%
Belmont/Sutton/Rosehill	1,218	42.9%	849	29.9%
Clockhouse/Carshalton/St. Helier/Wandle Valley	71	2.5%	85	3.0%
Wallington/Beddington	433	15.2%	491	17.3%
Elsewhere in Greater London	382	13.5%	348	12.3%
Elsewhere in the South East	445	15.7%	819	28.9%
Elsewhere in the United Kingdom	161	5.7%	136	4.8%
Abroad	0	0.0%	0	0.0%
<b>TOTAL</b>	<b>2,839</b>	<b>100.0%</b>	<b>2,839</b>	<b>100.0%</b>

The table below shows the current income and savings levels of households wanting to buy their first home in the next three years. These households have incomes slightly below the borough average, and average savings of just £1,103. It is also interesting to note that those households who have recently bought a first home have considerably higher incomes than those who aspire to buy a home in the near future.

<b>Table 12.8 Income and savings levels of future first time buyer households</b>			
Category	Weekly net household income (including non-housing benefits)	Annual gross household income (including non-housing benefits)	Average household savings
Future first time buyer household	£444	£29,941	£1,103
All other households	£478	£31,326	£4,556
All households	£477	£31,227	£4,420
Recent first time buyers	£603	£41,561	£2,423

This relatively low average income level is reflected in the ability of such households to afford market housing in the Borough. The table below shows that only 55.4% of households that would like to buy their first home in the next three years could actually afford market housing in Sutton. Since this also includes those only able to afford market rents, the proportion able to afford to purchase a home is likely to be below this figure. Almost 30% of households could only afford social rented housing. It is worth noting however that this affordability analysis is based on the assumption that the maximum mortgage available is three times household income; in some cases it is likely that households will be able to secure larger mortgages, so more households may in fact be able to buy a home than calculated below.

<b>Table 12.9 Future first time buyers: ability to afford housing</b>		
Affordability	Number of households	% of households
Social rent only	797	28.1%
Afford cheapest intermediate housing	107	3.8%
3 <sup>rd</sup> most expensive	20	0.7%
2 <sup>nd</sup> most expensive	209	7.4%
Afford most expensive intermediate housing	132	4.7%
Afford market housing in LB Sutton	1,574	55.4%
TOTAL	2,839	100.0%

#### **12.4 Future first time buyers – potential households**

It is also important to consider those households currently living within another household but who intend to move out soon ('potential households'). The survey estimated that 6,909 potential households will need to move into their own home within the next five years. Of these, 4,032 need separate accommodation within three years. The table below shows that almost two thirds of these 4,032 households would like to buy a home, but only 38% expect to be able to (including shared ownership).



<b>Table 12.10 Tenure preference of potential households needing/intending to move in the next three years</b>				
Tenure	Would like		Expect	
	Number of households	% of households	Number of households	% of households
Buy own home	2,523	62.6%	1,413	35.1%
Rent from a Council	366	9.1%	505	12.5%
Rent from a Housing Association	171	4.3%	338	8.4%
Rent from a private landlord	611	15.1%	1,416	35.1%
Shared Ownership	107	2.7%	107	2.7%
Other	253	6.3%	253	6.3%
<b>TOTAL</b>	<b>4,032</b>	<b>100.0%</b>	<b>4,032</b>	<b>100.0%</b>

As before, the location preferences of the 2,630 potential households that would like or expect to buy their own home in the next three years can be considered. Just under half (49.1%) of households would like to remain in the Borough but only 42.9% expect to be able to. The average age of such households is 24.

<b>Table 12.11 Location preference of potential households needing/intending to move to owner-occupation in the next three years</b>				
Location	Would like		Expect	
	Number of households	% of households	Number of households	% of households
Worcester Park/Cheam	362	13.8%	225	8.5%
Belmont/Sutton/Rosehill	515	19.6%	654	24.9%
Clockhouse/Carshalton/St. Helier/Wandle Valley	257	9.8%	91	3.5%
Wallington/Beddington	157	6.0%	157	6.0%
Elsewhere in Greater London	788	29.9%	1,032	39.2%
Elsewhere in the South East	88	3.4%	88	3.4%
Elsewhere in the United Kingdom	335	12.7%	383	14.5%
Abroad	127	4.8%	0	0.0%
<b>TOTAL</b>	<b>2,630</b>	<b>100.0%</b>	<b>2,630</b>	<b>100.0%</b>

Of the 2,630 potential households wanting or expecting to purchase a home in the next three years, 39.4% (1,035 households) would be able to afford to rent or buy suitable market housing in the London Borough of Sutton. However, this leaves 1,595 potential first time buyers who would not be able to afford market housing in the Borough. Affordability is clearly a problem for those households looking to buy their first home in Sutton.

## 12.5 Summary

Meeting the housing needs of first time buyers is an important area of current Government policy and planning. Survey data suggested that affordability of housing is a considerable problem for future first time buyers in the Borough. In particular:

- Recent first time buyer households are much more likely than other households to live in the Sutton and Carshalton & Clockhouse sub-areas and are much more likely to contain non-pensioners without children
- Recent first time buyers are more likely to have moved from within Sutton than other households and have considerably higher average income levels than other households
- In terms of future first time buyers, fewer of these households expect to remain in the Borough than would like to
- Existing households wanting to buy a first home in the next three years have incomes below the Borough average; around half could afford market housing
- Potential households wishing to become first time buyers have even worse affordability levels, with over 60% able to afford market housing in Sutton

## 13. Black and Minority Ethnic households

### 13.1 Introduction

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

The table below shows estimates of the number of households in each of the four ethnic groups and the number of survey responses (the groups used have been re-grouped from 16 different ethnic groups used on the survey form). For the analysis in this chapter, the ethnic group of the survey respondent is taken to represent the head of household. It should be noted that estimates in this chapter should be treated with caution as for all groups (other than White) they are based on relatively small sample sizes. Data has been weighted by ethnic origin to match results from the 2001 Census.

<b>Table 13.1 Number of households in each ethnic group</b>				
Ethnic group	Total number of households	% of households	Number of returns	% of returns
White	70,393	91.4%	1,145	93.2%
Asian	2,964	3.8%	44	3.6%
Black	1,896	2.5%	23	1.9%
Mixed, Chinese & other	1,748	2.3%	16	1.3%
<b>TOTAL</b>	<b>77,000</b>	<b>100.0%</b>	<b>1,228</b>	<b>100.0%</b>

The survey estimates that the majority of households in the Borough are headed by a White person. In total only 8.6% of households are headed by someone who describes themselves as non-white. This compares with 18.5% of households in South West London. Of the non-White households in Sutton, 2,964 are Asian, 1,896 Black and 1,748 describe themselves as Mixed, Chinese or from an other ethnic background.

A Sub-regional Strategy Support Studies Project found that in the South West of London, 81.5% of households are White, with 8.7% Black, 5.7% Asian and 4.0% mixed and other race.

### 13.2 Household size

The number of persons in each household disaggregated by ethnic origin is shown in the table below. Also shown is the average number of bedrooms available to each group and hence a person per bedroom measure.

Table 13.2 Household size and ethnicity					
Number of persons in household	Ethnic group				
	White	Asian	Black	Mixed & other	TOTAL
One	22,970	650	971	890	25,481
Two	22,980	470	239	412	24,101
Three	10,279	502	285	170	11,236
Four	9,707	642	169	249	10,767
Five	3,190	539	231	26	3,986
Six or more	1,267	160	0	0	1,427
TOTAL	70,393	2,964	1,896	1,748	77,000
Average household size	2.30	3.15	2.18	1.92	2.32
Average number of bedrooms	2.63	3.10	2.21	3.28	2.65
Persons per bedroom	0.87	1.02	0.99	0.59	0.88

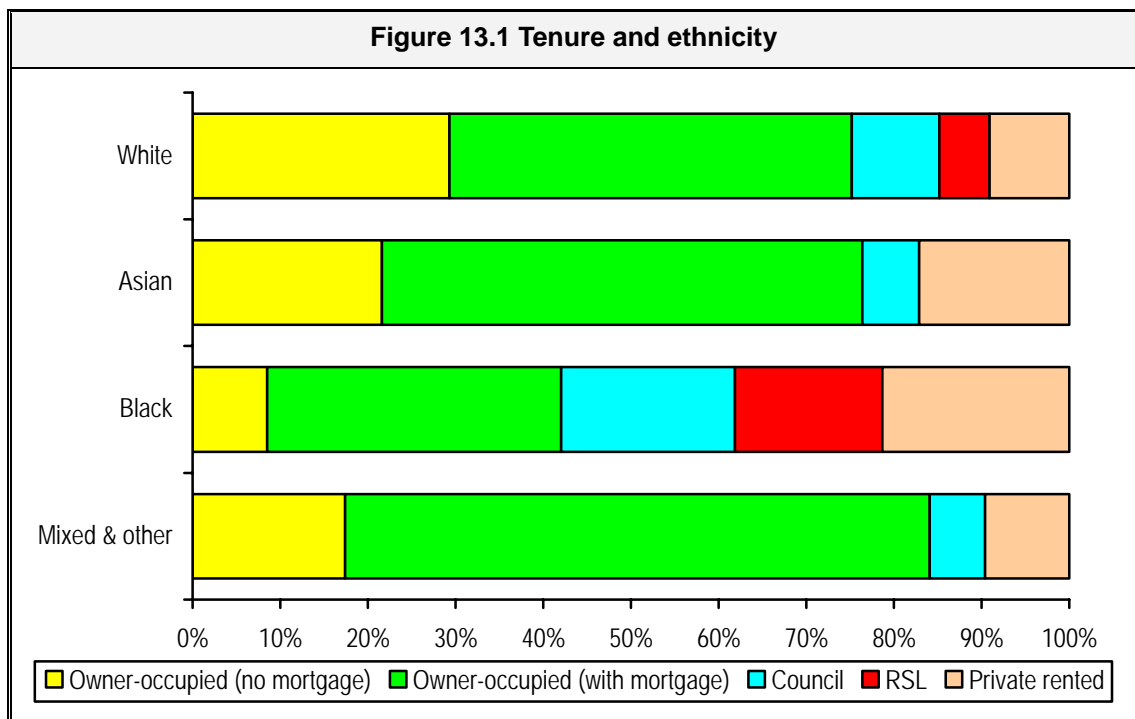
It can be observed that Asian households have the highest average household size with an estimated 3.15 persons per household. In contrast Mixed, Chinese & Other households have the lowest average household size (at 1.92 persons per household). These figures compare with a Borough average of 2.32 persons per household.

The data also shows some difference when looking at the numbers of persons per bedroom. This ranges from 0.59 for Mixed, Chinese & Other households to 1.02 in the Asian group.

### 13.3 Tenure

The table and figure below shows ethnic group and tenure. The data shows that Black households are more likely than other groups to be living in social rented housing, there are relatively few Black households in the owner-occupied sector. Mixed & Other households are particularly likely to live in the owner-occupied (with mortgage) sector. All three of the BME groups show higher levels of private renting and lower levels of owner-occupation (no mortgage) than White households.

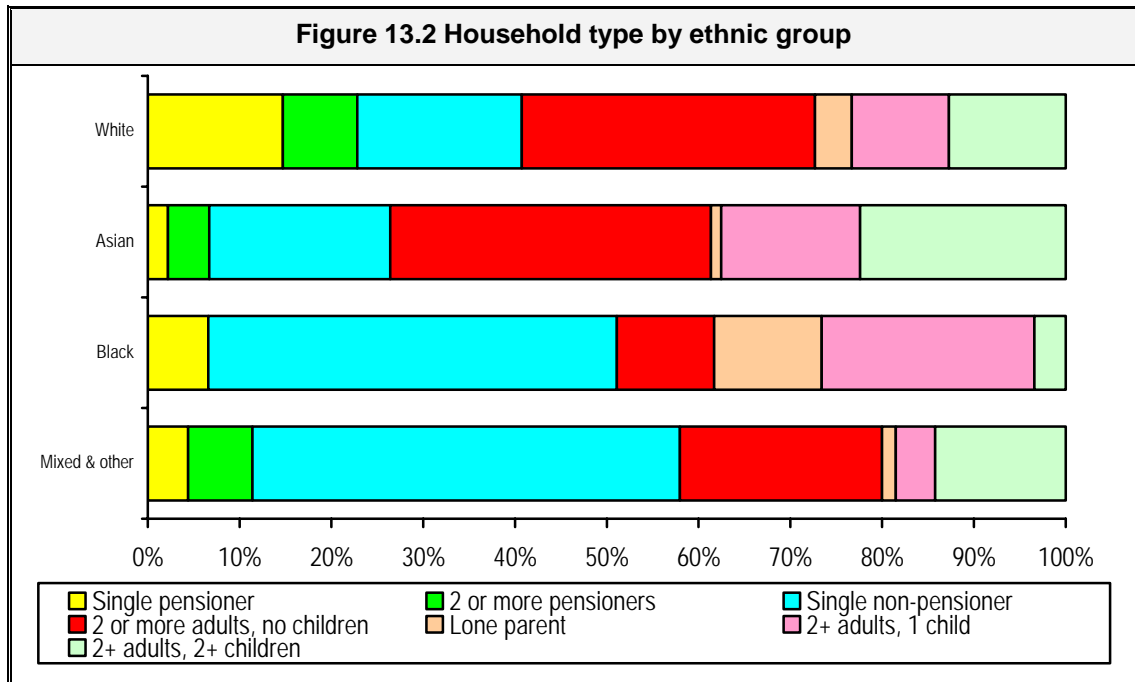
Table 13.3 Tenure and ethnicity (row percentages)					
Tenure	Ethnic group				TOTAL
	White	Asian	Black	Mixed & other	
Owner-occupied (no mortgage)	20,605 (94.9%)	639 (2.9%)	162 (0.7%)	304 (1.4%)	21,710 (100.0%)
Owner-occupied (with mortgage)	32,304 (90.4%)	1,624 (4.5%)	636 (1.8%)	1,166 (3.3%)	35,730 (100.0%)
Council	7,051 (91.2%)	194 (2.5%)	376 (4.9%)	110 (1.4%)	7,731 (100.0%)
RSL	4,039 (92.7%)	0 (0.0%)	319 (7.3%)	0 (0.0%)	4,358 (100.0%)
Private rented	6,393 (85.6%)	506 (6.8%)	403 (5.4%)	168 (2.2%)	7,470 (100.0%)
TOTAL	70,393 (91.4%)	2,964 (3.8%)	1,896 (2.5%)	1,748 (2.3%)	77,000 (100.0%)



### 13.4 Household type and support needs

The table below shows ethnic group and household type. The results clearly show that Black and Mixed & other households are far more likely to be lone parents, whereas White households are more likely to be pensioner households than any of the BME groups.

<b>Table 13.4 Household type and ethnicity (row percentages)</b>					
Household type	Ethnic group				
	White	Asian	Black	Mixed & other	TOTAL
Single pensioner	10,354 (97.5 %)	65 (0.6%)	126 (1.2%)	77 (0.7%)	10,622 (100.0%)
2 or more pensioners	5,681 (95.7%)	133 (2.2%)	0 (0.0%)	123 (2.1%)	5,937 (100.0%)
Single non-pensioner	12,616 (84.9%)	585 (3.9%)	844 (5.7%)	813 (5.5%)	14,858 (100.0%)
2 or more adults, no children	22,484 (93.3%)	1,036 (4.3%)	200 (0.8%)	384 (1.6%)	24,104 (100.0%)
Lone parent	2,827 (91.0%)	34 (1.1%)	221 (7.1%)	26 (0.8%)	3,108 (100.0%)
2+ adults, 1 child	7,490 (88.6%)	447 (5.3%)	439 (5.2%)	76 (0.9%)	8,452 (100.0%)
2+ adults, 2+ children	8,941 (90.1%)	665 (6.7%)	65 (0.7%)	249 (2.5%)	9,920 (100.0%)
TOTAL	70,393 (91.4%)	2,964 (3.9%)	1,896 (2.5%)	1,748 (2.3%)	77,000 (100.0%)



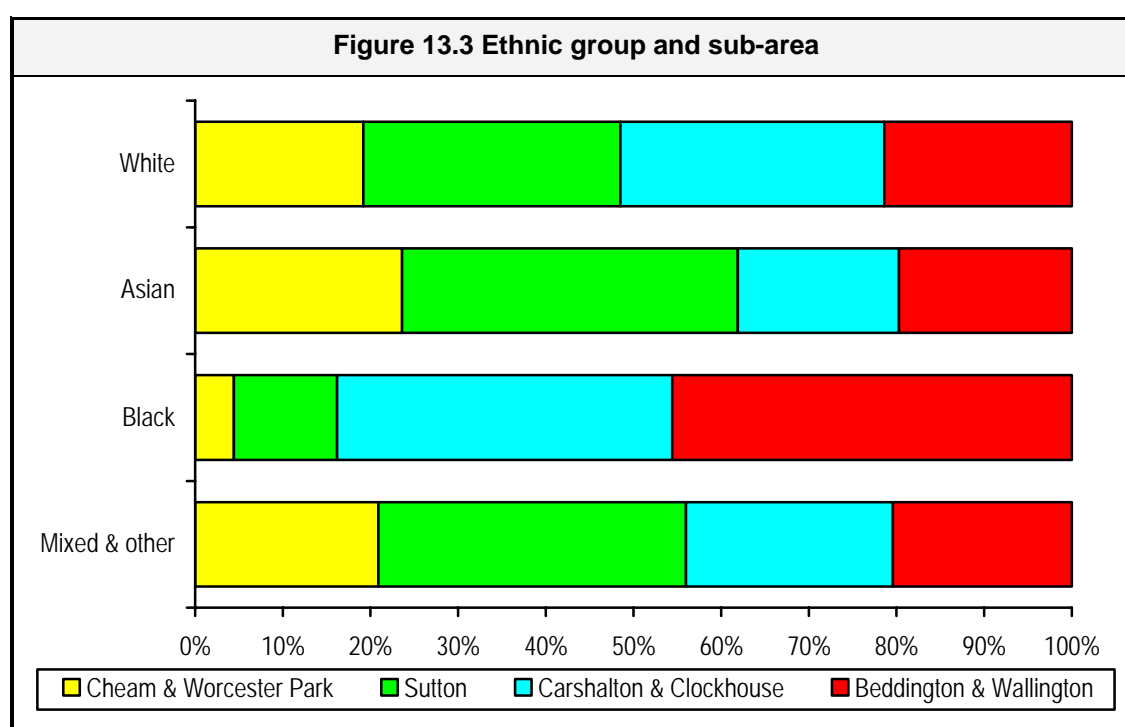
The table below shows ethnic group by support needs. The results show that the vast majority of support needs households are White. All BME groups show a proportion of support needs households well below the equivalent figure for White households.

Table 13.5 Support needs households and ethnic group					
Ethnic group	Support needs households			% of total h'holds with support needs	% of those with a support need
	Support needs	No support needs	Number of h'holds		
White	7,927	62,466	70,393	11.3%	98.4%
Asian	74	2,890	2,964	2.5%	0.9%
Black	55	1,841	1,896	2.9%	0.7%
Mixed & other	0	1,748	1,748	0.0%	0.0%
<b>TOTAL</b>	<b>8,056</b>	<b>68,945</b>	<b>77,001</b>	<b>10.5%</b>	<b>100.0%</b>

### 13.5 Geographical location

The table and figure below shows the geographical distribution of BME households. It is clear from the data that certain groups are heavily concentrated in certain areas. Notably, Black households are particularly likely to live in the Beddington & Wallington area. Over 45% of Black households were found to be living in the Beddington & Wallington area. This compares with only just over a fifth of all households.

Table 13.6 Ethnic group and sub-area (row percentages)					
Sub-area	Ethnic group				TOTAL
	White	Asian	Black	Mixed & other	
Cheam & Worcester Park	13,544 (91.3%)	699 (4.8%)	84 (0.6%)	366 (2.5%)	14,693 (100.0%)
Sutton	20,640 (91.3%)	1,136 (5.0%)	224 (1.0%)	614 (2.7%)	22,614 (100.0%)
Carshalton & Clockhouse	21,154 (92.6%)	545 (2.4%)	723 (3.2%)	412 (1.8%)	22,834 (100.0%)
Beddington & Wallington	15,055 (89.3%)	584 (3.5%)	864 (5.1%)	356 (2.1%)	16,859 (100.0%)
TOTAL	70,393 (91.4%)	2,964 (3.8%)	1,896 (2.5%)	1,748 (2.3%)	77,000 (100.0%)



### 13.6 Income levels

The table below shows income levels for each category of BME household. The average income of all households in the Borough was estimated at £477 per week (net income including non-housing benefits). The table shows that there is noticeable difference between income levels of different ethnic groups with the Mixed & other groups showing an average income of £563 per week and Black households £341 per week. Savings levels also differ noticeably with White households having an average level of more than three times that of Black households.



<b>Table 13.7 Income and savings levels of BME households</b>		
Ethnic group	Weekly net household income (including non-housing benefits)	Average household savings
White	£476	£4,502
Asian	£515	£4,479
Black	£341	£1,472
Other	£563	£4,233
All households	£477	£4,420

### 13.7 Unsuitable housing and affordability

The table below shows that BME households in general are slightly less likely to be able to afford market housing in Sutton than White households. They are however slightly more likely to be able to afford intermediate housing, although only the cheaper forms.

<b>Table 13.8 BME households and ability to afford housing</b>				
Category	All BME households		White households	
	Number of households	% of households	Number of households	% of households
Afford market housing	4,681	70.8%	53,547	76.1%
Afford most expensive intermediate housing	0	0.0%	791	1.1%
2 <sup>nd</sup>	0	0.0%	1,449	2.1%
3 <sup>rd</sup>	669	10.1%	1,992	2.8%
Afford cheapest intermediate housing	254	3.8%	2,152	3.1%
Social rent only	1,003	15.2%	10,462	14.9%
TOTAL	6,607	100.0%	70,393	100.0%

Finally we can look at levels of unsuitable housing by ethnic group. The table below shows the proportion of each group estimated to be living in unsuitable housing. For Asian and Black groups the proportion of households in unsuitable housing is significantly above the Borough average.

<b>Table 13.9 Proportion of BME groups living in unsuitable housing</b>	
Ethnic group	% of households
White	13.4%
Asian	27.0%
Black	36.0%
Mixed & other	6.3%
All households	14.3%

Of the 10,996 households in unsuitable housing in the borough, 1,593 are from BME groups: 800 are Asian, 683 Black and 110 Mixed & Other. Of these 1,593 households, 12.8% (or 205 households) are in housing need. Therefore 14.5% of households in unsuitable housing are from BME groups (1,593/10,995) and 22.9% of households in housing are from BME groups need (205 of the 897 households in need – see table 5.2). Although the sample sizes in Sutton are too small to analyse housing need by ethnic group, the GLA's recent London Housing Requirements Study found that, for London as a whole, Asian households were particularly likely to be in housing need.

### 13.8 Summary

The survey revealed that 91.4% of Sutton households were White, with 3.8% Asian, 2.5% Black and 2.3% in Mixed & other ethnic groups. The survey showed that Asian households have a larger average household size than other households. Additionally, results show that Black households were disproportionately living in the social rented sector. The survey results suggest that White households are generally more likely to contain someone with a support need and that Asian and Black households were significantly more likely to be in unsuitable housing. The survey also showed considerable difference in both income and savings levels between the different groups, with Black households showing the lowest income and savings. BME households in general are slightly less likely to be able to afford market housing in Sutton than White households. Some 14.5% of households in unsuitable housing are from BME groups and 22.9% of households in housing are from BME groups need.

## **14. Households with support needs**

### **14.1 Introduction**

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

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

Given the range of groups and services needing to be covered, the work involved in producing a comprehensive Strategy is considerable. Five-year Strategy documents have now been prepared for most areas. Attention to date has focussed on building a clearer picture on the supply side, with the assessment of provision compared to a 'supply profile' derived from national provision data and adjusted to take local demographic and other factors into account.

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

### **14.2 Supporting People: data coverage**

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

The groups covered were:

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

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

### **14.3 Supporting people groups: overview**

Overall there are an estimated 8,055 households in Sutton with one or more members in an identified support needs group. This represents 10.5% of all households, which is close to the average Fordham Research have found nationally (11-13%). The figure for South West London is 11.8%, and that for London is 13.3%. The table below shows the numbers of households in Sutton with different types of support needs. The numbers of households in each category exceed the total number of support needs households because people can have more than one category of support need.

'Physically disabled' is the predominant group. There are 5,294 households with a physically disabled household member. The next largest group is 'frail elderly, with 1,657 households having a member in this category. These two categories represent 65.7% and 20.6% of all support needs households respectively.

<b>Table 14.1 Support needs categories</b>			
Category	Number of households	% of all households	% of support needs households
Frail elderly	1,657	2.2%	20.6%
Physical disability	5,294	7.6%	65.7%
Learning disability	598	0.8%	7.4%
Mental health problem	985	1.3%	12.2%
Vulnerable young people & children leaving care	93	0.1%	1.2%
Severe sensory disability	388	0.5%	4.8%
Other	280	0.4%	3.5%

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

<b>Table 14.2 Number of people with support needs</b>		
	Households	% of households
No people with support needs	68,945	89.5%
One person with support needs	7,686	10.0%
Two persons with support needs	369	0.5%
<b>TOTAL</b>	<b>77,000</b>	<b>100.0%</b>

<b>Table 14.3 Households with support needs</b>		
	Households	% of households
No people with support needs	68,945	89.5%
Single support need only	6,505	8.4%
Multiple support needs	1,551	2.0%
<b>TOTAL</b>	<b>77,000</b>	<b>100.0%</b>

The two tables above show that the majority of support needs households (95.4%) only contain one person with a support need and that the majority of households with a support needs member do not have multiple support needs (80.8%). However some 369 households in Sutton are estimated to have two or more people with a support need whilst an estimated 1,551 households contain someone with multiple needs.

#### 14.4 Characteristics of support needs households

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

<b>Table 14.4 Size of support needs households</b>					
Number of persons in household	Support needs households				
	Support needs	No support needs	Number of h'holds	% of total h'holds with support needs	% of those with a support need
One	3,681	21,800	25,481	14.4%	45.7%
Two	2,730	21,372	24,102	11.3%	33.9%
Three	625	10,612	11,237	5.6%	7.8%
Four	596	10,171	10,767	5.5%	7.4%
Five	110	3,876	3,986	2.8%	1.4%
Six or more	313	1,114	1,427	21.9%	3.9%
<b>TOTAL</b>	<b>8,055</b>	<b>68,945</b>	<b>77,000</b>	<b>10.5%</b>	<b>100.0%</b>

The table above shows that those households with support needs members are likely to be in small households comprised of one or two persons. However, households containing six or more members are most likely to contain a person with support needs. Support needs households are also more likely to contain older persons.

<b>Table 14.5 Support needs households with and without older people</b>					
Age group	Support needs households				
	Support needs	No support needs	Number of h'holds	% of total h'holds with support needs	% of those with a support need
No older people	2,876	51,865	54,741	5.3%	35.7%
Both older & non older people	1,346	4,352	5,698	23.6%	16.7%
Older people only	3,833	12,727	16,560	23.1%	47.6%
<b>TOTAL</b>	<b>8,055</b>	<b>68,945</b>	<b>77,000</b>	<b>10.5%</b>	<b>100.0%</b>

As the table below shows, support needs households are also more likely to be living in social rented housing. Some 32.9% of Council and 25.6% of RSL tenants contain a member with support needs. Additionally, 11.6% of owner-occupiers (no mortgage) contain someone with a support need.

<b>Table 14.6 Support needs households and tenure</b>					
Tenure	Support needs households				
	Support needs	No support needs	Number of h'holds	% of total h'holds with support needs	% of those with a support need
Owner-occupied (no mortgage)	2,514	19,196	21,710	11.6%	31.2%
Owner-occupied (with mortgage)	1,396	34,334	35,730	3.9%	17.3%
Council	2,544	5,188	7,732	32.9%	31.6%
RSL	1,116	3,242	4,358	25.6%	13.9%
Private rented	486	6,984	7,470	6.5%	6.0%
<b>TOTAL</b>	<b>8,056</b>	<b>68,944</b>	<b>77,000</b>	<b>10.5%</b>	<b>100.0%</b>

The table below shows the geographical distribution of support needs households. The data shows that households in the Carshalton & Clockhouse and Cheam & Worcester Park sub-areas are most likely to have a support need whilst the lowest level is shown in the Beddington & Wallington sub-area.

<b>Table 14.7 Support needs households and sub-area</b>					
Sub-area	Support needs households				
	Support needs	No support needs	Number of h'holds	% of total h'holds with support needs	% of those with a support need
Cheam & Worcester Park	1,891	12,803	14,694	12.9%	23.5%
Sutton	2,135	20,479	22,614	9.4%	26.5%
Carshalton & Clockhouse	3,071	19,763	22,834	13.4%	38.1%
Beddington & Wallington	958	15,900	16,858	5.7%	11.9%
<b>TOTAL</b>	<b>8,055</b>	<b>68,945</b>	<b>77,000</b>	<b>10.5%</b>	<b>100.0%</b>

The table below indicates that support needs households are over three times more likely to be living in unsuitable housing than non-support needs households. Some 39.9% of all support needs households are living in unsuitable housing, which compares with 14.3% of all households and 11.3% of all non-support needs households. Of these 3,213 households in unsuitable housing, 324 were estimated by the survey to be in housing need.

<b>Table 14.8 Support needs households and unsuitable housing</b>					
Support needs	Unsuitable housing				
	In unsuitable housing	Not in unsuitable housing	Number of h'holds	% of total h'holds in unsuitable housing	% of those in unsuitable housing
Support needs	3,213	4,842	8,055	39.9%	29.2%
No support needs	7,783	61,162	68,945	11.3%	70.8%
<b>TOTAL</b>	<b>10,996</b>	<b>66,004</b>	<b>77,000</b>	<b>14.3%</b>	<b>100.0%</b>

Of the 3,213 special needs households in unsuitable housing, 31.3% (1,007 households) stated that they needed to move within a year. Of these, 599 stated a need to move now. The main reasons for unsuitability of housing were 'mobility and/or health problems' for 1,742 households (54.2%) and 'home subject to major disrepair or unfitness' for 1,685 households (52.4%). Of the 1,007 households stating a need to move within a year, the most common reasons for moving were 'to give or receive care or support' (42.0%) and 'home unsuitable for disability needs' (33.7%).

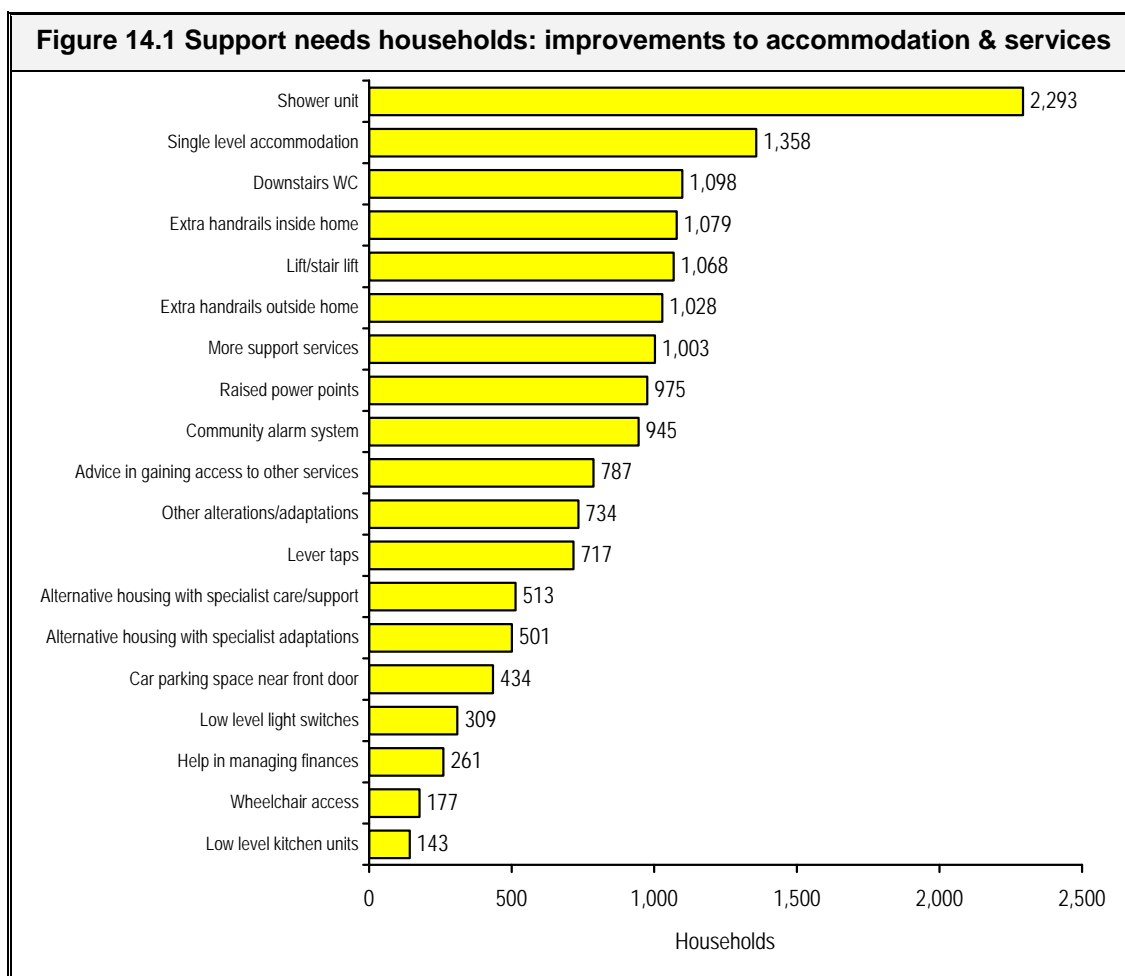
In addition to the above it is possible to study how special needs households fit into the Basic Needs Assessment model. The table below gives an estimate of how much of the housing need will be from special needs households and also an estimate of the likely supply to these households. The total need and supply figures are those calculated in the Basic Needs Assessment Model. The table shows there is an estimated net need for 78 dwellings per annum for special needs households. This figure represents 7.3% of the total affordable requirement in Sutton, which was estimated at a shortfall of 1,062 in Chapter 8.

<b>Table 14.9 Basic Needs Assessment Model and size requirement (special needs households)</b>			
Special needs	Need	Supply	TOTAL
Special needs households	183	105	78
No special needs	1,366	382	984
<b>TOTAL</b>	<b>1,549</b>	<b>487</b>	<b>1,062</b>

### 14.5 Requirements of support needs households

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





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

- Shower unit (2,293 households – 28.5% of all support needs households)
- Single level accommodation (1,358 households – 16.9% of all support needs households)
- Downstairs WC (1,098 households – 13.6% of all support needs households)

### 14.6 Wheelchair accessible homes

The London Plan contains a target that 10% of new housing in London should be designed to be wheelchair accessible, or easily adaptable for wheelchair users. In total, 1,477 special needs households stated that they needed single level accommodation or wheelchair accessible accommodation. Over half of these households (50.7%) stated that they needed or were likely to move to a different home within a year. It is interesting to note what other requirements these 1,477 households in general have stated. The most commonly needed improvement was a downstairs WC, for 752 households (50.9%), followed by a lift/stairlift for 49.1% (725 households) and a shower unit (46.5% - 686 households). Raised power points were needed by 614 households (41.5%) and a community alarm by 43.7%. In addition, 26.9% of these households (398) stating a need for single level or wheelchair accessible accommodation said that they needed to move to alternative housing with specialist care or support; 319 households (21.6%) stated a need to move to alternative housing with specialist adaptations.

It is clear that there is certainly a demand for single level, accessible accommodation from special needs households in Sutton. The sample sizes involved in this survey do not permit more detailed analysis of the type of accommodation required and the particular problems faced by residents, but further investigations will help to highlight the specific needs of such households.

### 14.7 'Staying Put' and home improvement schemes

This analysis studies support needs households who have stated experiencing difficulty in maintaining their home. The results are shown in the table below and are split between owner-occupiers and tenants. The table shows that support needs households in rented accommodation are more likely than other households in the Borough to have problems with maintaining their homes. However, of all households with a problem or serious problem a total of 34.8% have support needs and 43.2% of these are owner-occupiers.

<b>Table 14.11 Support needs households and difficulty maintaining home</b>						
Household group	No problem		A problem/ serious problem		TOTAL	
	Number	%	Number	%	Number	%
Support needs – owner-occupied	3,199	81.8%	710	18.2%	3,909	100.0%
Support needs – tenants	3,214	77.5%	932	22.5%	4,146	100.0%
All support needs households	6,413	79.6%	1,652	20.4%	8,055	100.0%
All households	72,257	93.8%	4,743	6.2%	77,000	100.0%

The evidence of the tables above is that there is certainly some scope for continuing the implementation of the Sutton ‘staying put’ scheme in the Borough. A total of 4,743 households state a problem with maintaining their homes – of these 1,652 are support needs households with an estimated 710 living in the owner-occupied sector.

### **14.8 Summary**

Information from the survey on support needs groups can be of assistance to authorities when contributing to detailed Supporting People Strategies. Some 10.5% of all the Borough’s households (8,055) contain support needs members. ‘Physically disabled’ is the largest category with support needs. There are 5,294 households containing a ‘physically disabled’ person and a further 1,657 with one or more household members who are frail elderly.

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

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



## 15. Older person households

### 15.1 Introduction

Data was collected in the survey with regard to the characteristics of households with older persons. This chapter looks at the general characteristics of older person households and details some additional survey findings about such households. Older people are defined as those over the state pension eligibility age (65 for men, 60 for women). Further information is also presented on households containing someone of 75 years of age or over and households where all members are 75 years of age or over.

### 15.2 The older person population

Just over a fifth of all households in Sutton contain only older people (21.5%) and a further 7.4% contain both older and non-older people. This compares with 17.3% older people only and 7.1% mixed ages across South West London. The table below shows the number and percentage of households in each group in Sutton.

Table 15.1 Older person households		
Categories	Number of households	% of all households
Households without older persons	54,741	71.1%
Households with both older and non-older persons	5,699	7.4%
Households with older persons only	16,560	21.5%
TOTAL	77,000	100.0%

### 15.3 Characteristics of older person only households

#### *(i) Household size*

The number of occupants in older person households is shown in the table below. All households containing older persons only are shown to be comprised of one or two persons only. Nearly a half of all single person households are older person only households.

Table 15.2 Size of older person only households				
Number of persons in household	Age group			
	Older persons only	Number of h'holds	% of total h'holds with older persons	% of those with older persons
One	10,623	25,480	41.7%	64.1%
Two	5,937	24,102	24.6%	35.9%
Three	0	11,237	0.0%	0.0%
Four or more	0	16,181	0.0%	0.0%
TOTAL	16,560	77,000	21.5%	100.0%

**(ii) Tenure**

The table below shows the housing tenures of households with older persons. Three-quarters (75.1%) of older person only households are owner-occupiers. The vast majority of these do not have a mortgage. This finding suggests that the potential for equity release schemes in Sutton is quite high. Another significant finding is the high proportion of social rented accommodation containing older people only – 30.1% of RSL tenants and 29.8% of Council tenants are older person households. This may have implications for future supply of specialised social rented accommodation.

Table 15.3 Older person only households and tenure				
Tenure	Age group			
	Older persons only	Number of h'holds	% of total h'holds with older persons	% of those with older persons
Owner-occupied (no mortgage)	10,891	21,711	50.2%	65.8%
Owner-occupied (with mortgage)	1,533	35,730	4.3%	9.3%
Council	2,304	7,731	29.8%	13.9%
RSL	1,312	4,359	30.1%	7.9%
Private rented	520	7,470	7.0%	3.1%
TOTAL	16,560	77,001	21.5%	100.0%

**(iii) Geographical distribution**

The table below provides information on the geographical distribution of households containing only older persons across Sutton. The data indicates that the Cheam & Worcester Park sub-area has the highest proportion of older person only households, with over a quarter of these households, older person only households. Sutton has the lowest proportion of older person only households of 19.5%.

<b>Table 15.4 Older person only households and location</b>				
Area	Age group			
	Older persons only	Number of h'holds	% of total h'holds with older persons	% of those with older persons
Cheam & Worcester Park	3,994	14,693	27.2%	24.1%
Sutton	4,410	22,615	19.5%	26.6%
Carshalton & Clockhouse	4,619	22,835	20.2%	27.9%
Beddington & Wallington	3,538	16,858	21.0%	21.4%
TOTAL	16,560	77,000	21.5%	100.0%

**(iv) Property size**

The table below shows that older person only households are more likely than all households to be living in one and two bedroom properties and are less likely to be living in larger three and four bedroom property. However the analysis does also indicate that there is some imbalance in occupancy levels, as 47.0% of all older person only households live in three or more bedroom accommodation although no older person household surveyed contains more than two people in a household (as indicated above).

<b>Table 15.5 Size of dwellings (number of bedrooms) for older person only households</b>		
Number of bedrooms	% of older person households	% of all households in Borough
1 bedroom	21.4%	13.5%
2 bedrooms	31.6%	31.0%
3 bedrooms	36.1%	39.2%
4+ bedrooms	10.9%	16.4%
TOTAL	100.0%	100.0%

**(v) Income and savings**

The table below shows financial information for the age profile of all households. The table shows that households containing no older people have the highest income but lowest savings. Older person only households have the lowest mean income, whilst households with a mix of both older and non-older people have the highest mean savings.

<b>Table 15.6 Financial information for older person households</b>			
Age	Weekly net household income (including non-housing benefits)	Annual gross household income (including non-housing benefits)	Average household savings
Households without older persons	£548	£37,224	£3,795
Mixed	£413	£24,305	£7,184
Households with older persons only	£261	£14,017	£5,535
<b>TOTAL</b>	<b>£477</b>	<b>£31,277</b>	<b>£4,420</b>

**(vi) Unsuitable housing**

Some 17.3% of all older person only households (2,864 households) live in unsuitable housing, as defined by ODPM Guidance. This compares to 14.3% of all households in Sutton. The most common reasons for unsuitability are ‘home in need of major repairs’ (54.4%, or 1,557 households) and ‘special needs/mobility problems’ (37.4% or 1,072 households). These findings make it clear that the future housing needs of older persons need to be seriously considered, particularly in terms of repairs or adaptations. As the population ages, demand for adaptations and other forms of support, including sheltered housing, will most likely increase and will need to be considered by the Council.

**(vii) Overall requirement**

The table below gives an estimate of how much of the housing need will be from older person only households and also an estimate of the likely supply to these households. The table shows that older person only households account for 15.9% of the gross requirement (246 additional units); the supply to older person only households is estimated at 112 units per annum. The analysis suggests that older person only households contribute significantly to the overall requirement for additional affordable housing.

<b>Table 15.7 Basic Needs Assessment Model and size requirement (older person only households)</b>			
Age group	Need	Supply	TOTAL
Older persons only	246	112	134
Non older person only	1,303	375	928
<b>TOTAL</b>	<b>1,549</b>	<b>487</b>	<b>1,062</b>



## 15.4 Summary

Some 21.5% of households in Sutton contain older persons only, and a further 7.4% contain a mix of both older and non-older persons.

Older person only households are disproportionately comprised of only one person providing implications for future caring patterns. Although the majority of older person only households live in the private sector, it is interesting to note that a high proportion of social rented accommodation houses older people only (30.1% of all RSL accommodation for example).

Older person households do contribute noticeably to the overall need for additional affordable housing, and may well have a significant impact on the future need for sheltered housing and adaptations/improvements to the existing stock.



## **16. Conclusions and Policy Implications**

### **16.1 Introduction**

This chapter summarises the key findings of the report and draws them together to consider the policy implications of this Housing Needs Survey Update. Links are made between key areas in order to help the Council decide areas on which to focus strategy and policy.

### **16.2 Key findings**

- Property prices in Sutton are high when compared with national figures, but somewhat below those of Greater London. Prices in Sutton have risen considerably over the past five years, faster than the regional equivalent.
- Of the estimated 77,000 households in the Borough, the survey estimated that around 75% of households are currently owner-occupiers with around 16% living in the social rented sector and 9% renting privately.
- The survey estimated that current average annual gross household income in Sutton is £31,277.
- It was estimated that there is currently a shortfall of affordable housing across the London Borough of Sutton of around 1,062 units per annum over the next five years.
- Some 10.5% of all the Borough's households contain members with support needs, which is around the average Fordham Research have found nationally (11-13%). 'Physically disabled' is by far the largest category with support needs. Support needs households are smaller than average for the Borough and are much more likely than households overall to be in unsuitable housing.
- 22% of households in Sutton contain older persons only, and a further 7% contain a mix of both older and non-older persons. Typically surveys by Fordham Research find around 20-25% older person only households and around 6-8% mixed ages. Almost two thirds of older person-only households are comprised of only one person, providing implications for future caring patterns.
- Households headed by a key worker make up an estimated 16.1% of all households in the borough. However, there is an estimated net need for 264 dwellings per annum for key worker households, 24.8% of the additional affordable housing requirement in Sutton.
- The Balancing Housing Markets Assessment showed a shortage of both affordable housing and owner-occupied housing, with a surplus of private rented accommodation.

- The survey highlighted significant differences between ethnic groups, with Asian households the most likely to be large; Black households disproportionately likely to be in the social rented sector; and White households the most likely to contain someone with a support need.
- The particular problems of first time buyer households were highlighted, with around half of the existing households wanting to buy their first home in the next three years unable to afford entry level market housing. Recent first time buyers are likely to have moved from elsewhere in the Borough.

### 16.3 Policy Implications

- Both the Balancing Housing Markets assessment (BHM) and the Basic Needs Assessment Model (BNAM) analyses suggest that there will be a large shortage of affordable housing in the future. Therefore, in terms of planning policy, a high target of affordable housing such as 40 to 50%, would be perfectly justified (in terms of the needs) and site size thresholds below the current London-wide level of 15 dwellings could be considered. (Please see Chapter 8)
- The shortfall suggests that, where possible, provision should focus on certain types of dwelling. The survey found particularly high levels of need for one and two bedroom properties, although larger three bedroom properties are also in some demand. However, households needing larger accommodation are likely to be families with children and so will usually have higher allocations priority for social housing than the single people or childless couples needing one bedroom accommodation. The Council should take this into account when considering the size profile of new affordable housing provision.
- The majority of households in need who were able to afford ‘intermediate’ housing could only afford the cheaper ‘intermediate’ housing (i.e. prices closer to social rents) and so traditional options such as shared ownership, which were found to be priced at or above the top end of intermediate housing costs, may be of little benefit overall.
- Sutton shows a level of need for additional affordable housing somewhat below the average for Outer London (an estimated 14 per 1,000 households). However, the need for additional affordable housing represents over 200% of the estimated newbuild in the Borough (an estimated 370 units per annum). It would therefore be sensible to suggest that in the light of the affordable housing requirement shown, the Council will need to maximise the availability of affordable housing from all available sources (including newbuild, acquisitions, conversions etc).

- Older person households contribute to around 13% of the net need for new affordable housing; there is also a considerable need for adaptations to dwellings, or to move older-person households into more suitable accommodation, with an appropriate number of bedrooms. Older person households are more likely than other households in Sutton to be in unsuitable housing.
- Of all households with a problem or serious problem maintaining their home, a total of 34.8% have special needs; and demand is high for certain adaptations, with many households in particular requiring a shower unit or single level accommodation. This suggests that there is considerable justification for continuing and expanding the ‘Staying Put’ scheme in Sutton and the Disabled Facilities Grant programme.
- Housing policy must take particular account of the needs of different ethnic groups, first time buyer households, key worker households and over-crowded households. The survey found, as we would expect for a London Borough, low levels of potential first time buyer affordability, and significant variation in housing circumstances and characteristics between ethnic groups.

#### **16.4 The HNS update and the emerging SPD**

The approval of the London Plan in 2004 has created a need to review the affordable housing policies contained in the Sutton UDP, as part of the preparation of the Local Development Framework. The Council is therefore in the process of producing a supplementary planning document (SPD) on affordable housing to resolve some of the policy differences between the London Plan and the UDP. This SPD will advise developers on how the Council will approach the provision of affordable housing in Sutton, in advance of the approval of the Local Development Framework.

Findings from the updated Housing Needs Survey will be useful in the preparation of this document. In particular, the HNS will help to inform and justify some key points:

1. The minimum site threshold above which affordable housing should be sought
2. The percentage target for affordable housing that should apply, and whether this should be a Borough-wide target
3. The tenure split and size breakdown of any affordable housing provision
4. The costs at which intermediate housing should be provided

The updated Housing Needs Survey estimated that the shortfall of affordable homes in Sutton was 1,062 per annum. This is certainly a high absolute figure, although the need per 1,000 households is considerably lower than the Outer London average. It is clear however that the provision of affordable housing in Sutton should be maximised, especially when projected newbuild in the Borough is considered; at 370 units per annum, the total anticipated newbuild in Sutton is around a third of the shortfall of affordable housing. This is certainly good justification for having percentage target as high as 50% and a site threshold of 15 units or lower. We would advise the use of a Borough wide percentage target. This is the most easily understood form of target and applies to allocated and windfall sites where viability permits.

In terms of size breakdown, most of the need is for one and two bedroom properties. It should however be noted that the analysis in this update is based on a strict bedroom standard that may be somewhat less generous than the Council's own allocations policy. Equally, although the net need for larger three or four or more bedroom properties was relatively low, households requiring this size of accommodation will almost certainly have children and so are likely to have higher priority on the waiting list; this size of accommodation should not be neglected in policies.

Around 13% of households in need in Sutton could afford housing priced at more than three-quarters the difference between social rented and entry-level market housing. This need could be met by some existing form of intermediate housing – costs are similar to the cheaper shared ownership schemes currently available. However, the remaining 87% of need (or around 80% of the net need) in Sutton could only be met by social rented housing unless unusually cheap forms of intermediate housing are pioneered. This ties in fairly well with the recommendation in the London Plan that 70% of additional affordable provision should be social rented housing.

Regarding the prices at which this intermediate housing should be made available, it was clear from analysis that shared ownership schemes priced at current levels are unlikely to meet much housing need in Sutton. In some circumstances, some schemes are in fact more expensive than entry-level market housing and so would not be classed as intermediate housing. However, it is very difficult to set a minimum/maximum income for households to qualify for shared ownership, since much depends on the levels of savings and equity available to the household. However, it would be sensible to use some form of affordability test in order to ensure that households securing intermediate housing would not be able to afford minimum priced market housing (to rent or to buy) in the Borough. This would ensure that any intermediate housing provided was meeting the requirements of those in housing need.

## **Glossary**

### **Affordability**

A measure of whether households can access and sustain the cost of private sector housing. There are two main types of affordability measure: mortgage and rental. Mortgage affordability assesses whether households would be eligible for a mortgage; rental affordability measures whether a household can afford private rental. Mortgage affordability is based on conditions set by mortgage lenders – using standard lending multipliers. Rental affordability is defined as the rent being less than a proportion of a households gross income (in this case 25% of gross income).

### **Affordable housing**

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

### **Annual need**

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

### **Average**

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

### **Backlog of need**

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

## **Bedroom Standard**

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

## **Disaggregation**

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

## **Grossing-up**

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

## **Household**

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

## **Household formation**

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

## **Housing Market Area**

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



**Housing need**

Households lacking their own housing or living in housing which is inadequate or unsuitable, who are unlikely to be able to meet their needs in the housing market without some assistance.

**Housing Register**

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

**Lending multiplier**

The number of times a household's gross annual income a mortgage lender will normally be willing to lend. The most common multipliers quoted are three times a first income and one times a second income.

**Migration**

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

**Net annual need**

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

**Newly arising need**

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

**Overcrowding**

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

### **Potential households**

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

### **Random sample**

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

### **Relets**

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

### **Sample survey**

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

### **Sampling frame**

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

### **Social rented housing**

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

### **Stratified sample**

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

### **Under-occupation**

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

### **Unsuitably housed households**

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

## **Appendix A1 Supporting Information**

### **A1.1 Non-response and missing data**

Missing data is a feature of all housing surveys: mainly due to a respondent's refusal to answer a particular question (e.g. income). For all missing data in the survey imputation procedures were applied. In general, throughout the survey the level of missing data was minimal.

Non-response can cause a number of problems:

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

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

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

### **A1.2 Weighting data**

The survey data was weighted to estimated profiles of households based on various secondary sources of information. The tables below show the final estimates of the number of households in each group (for six different variables) along with the number of actual survey responses (data for tenure can be found in Chapter 2). Although in some cases it is clear that the proportion of survey responses is close to the 'expected' situation there are others where it is clear that the weighting of data was necessary to ensure that the results as presented are reflective of the household population of Sutton.

Table A1.1 Ward profile				
Ward	Estimated hhs	% of hhs	Number of returns	% of returns
Worcester Park North	4,148	5.4%	78	6.4%
Worcester Park South	2,299	3.0%	35	2.9%
North Cheam	2,023	2.6%	11	0.9%
Cheam West	1,941	2.5%	30	2.4%
Cheam South	2,135	2.8%	27	2.2%
Sutton Common	2,147	2.8%	24	2.0%
Rosehill	2,474	3.2%	29	2.4%
Sutton East	4,148	5.4%	65	5.3%
Sutton Central	3,464	4.5%	75	6.1%
Sutton West	3,065	4.0%	42	3.4%
Belmont	4,257	5.5%	35	2.9%
Sutton South	5,207	6.8%	31	2.5%
St. Helier North	3,883	5.0%	77	6.3%
St. Helier South	2,811	3.7%	83	6.8%
Wandle Valley	2,973	3.9%	56	4.6%
Wrythe Green	3,196	4.2%	65	5.3%
Carshalton North	2,437	3.2%	52	4.2%
Carshalton Central	3,210	4.2%	60	4.9%
Carshalton Beeches	3,479	4.5%	57	4.6%
Clockhouse	844	1.1%	14	1.1%
Beddington North	3,086	4.0%	58	4.7%
Wallington North	4,110	5.3%	53	4.3%
Wallington South	4,509	5.9%	54	4.4%
Woodcote	1,368	1.8%	22	1.8%
Beddington South	3,784	4.9%	95	7.7%
TOTAL	77,000	100.0%	1,228	100.0%

Table A1.2 Ethnic group				
Ethnic group	Estimated hhs	% of hhs	Number of returns	% of returns
White	70,393	91.4%	1,145	93.2%
Asian	2,964	3.8%	44	3.6%
Black	1,896	2.5%	23	1.9%
Chinese, Mixed & Other	1,748	2.3%	16	1.3%
TOTAL	77,000	100.0%	1,228	100.0%

<b>Table A1.3 Household size profile</b>				
Household size	Estimated hhs	% of hhs	Number of returns	% of returns
One	25,481	33.1%	313	25.5%
Two	24,102	31.3%	398	32.4%
Three	11,237	14.6%	218	17.8%
Four	10,767	14.0%	194	15.8%
Five	3,986	5.2%	79	6.4%
Six or more	1,427	1.9%	26	2.1%
<b>TOTAL</b>	<b>77,000</b>	<b>100.0%</b>	<b>1,228</b>	<b>100.0%</b>

<b>Table A1.4 Household type profile</b>				
Household type	Estimated hhs	% of hhs	Number of returns	% of returns
Single pensioners	10,623	13.8%	186	15.1%
Two or more pensioners	5,937	7.7%	96	7.8%
Single non-pensioners	14,857	19.3%	127	10.3%
2 or more adults, no children	24,103	31.3%	392	31.9%
Lone parent	3,108	4.0%	76	6.2%
2+ adults, 1 child	8,451	11.0%	160	13.0%
2+ adults, 2+ children	9,920	12.9%	191	15.6%
<b>TOTAL</b>	<b>77,000</b>	<b>100.0%</b>	<b>1,228</b>	<b>100.0%</b>

<b>Table A1.5 Accommodation type profile</b>				
Accommodation type	Estd hhs	% of hhs	No. of returns	% of returns
Bedsit/Studio Flat	477	0.6%	6	0.5%
Flat or maisonette in a converted house	5,576	7.2%	53	4.3%
Flat in a block (under 5 storeys)	18,992	24.7%	248	20.2%
Flat in a block (5+ storeys)	1,311	1.7%	15	1.2%
Terraced (including end of terrace) house	21,764	28.3%	424	34.5%
Semi-detached house	19,022	24.7%	328	26.7%
Detached house	8,662	11.2%	129	10.5%
Bungalow	1,195	1.6%	25	2.0%
<b>TOTAL</b>	<b>77,000</b>	<b>100.0%</b>	<b>1,228</b>	<b>100.0%</b>

<b>Table A1.6 Car ownership</b>				
Number of cars owned	Estimated hhs	% of hhs	Number of returns	% of returns
0	18,055	23.4%	298	24.3%
1	35,553	46.2%	609	49.6%
2	18,512	24.0%	275	22.4%
3+	4,880	6.3%	46	3.7%
TOTAL	77,000	100.0%	1,228	100.0%

## **Appendix A2 Comparison with LB Sutton's 'Supply & Demand Analysis'**

### **A2.1 Introduction**

The London Borough of Sutton has produced a Supply and Demand Analysis (SDA) for permanent social rented housing projecting from 2005/06 to 2009/10. The outcomes of this exercise can be compared with the findings of the updated Housing Needs Survey.

### **A2.2 Comparing the outcomes of the analyses**

The methodology used by the Council differs somewhat to that used in this study. In terms of supply, the SDA estimates that an average of 644 lettings will arise per annum for the next five years. This compares with the estimate in the updated HNS of 487 lettings. This discrepancy arises mainly from the fact that this study deducts lettings in new housing from the estimated supply. This in effect avoids making the assumption that new dwellings will be built in the future, therefore providing a true estimate of the shortfall that can then be meaningfully compared with the predicted build rate. If new dwellings were deducted from the SDA, the average projected supply figure would be 489, which ties in well with the update survey figure.

In terms of the estimated future requirements for affordable housing, the two methods differ substantially. The SDA projects *demand*, whereas the HNS estimates *need*. The SDA bases its calculations on the number of households on the Housing Register, and estimates an average demand of 4,963 per year. In contrast, the updated HNS, based on primary data, estimates an annual need of 1,549 per annum. The overall shortfall predicted by the updated HNS is therefore 1,062, compared to 4,319 predicted by the SDA. This difference is likely to be due to the fact that many of those on the Housing Register will not be considered as being in need, and vice versa. This is considered in the following section.

### **A2.3 Housing Need and the Housing Register**

The survey form included questions to determine whether or not a respondent household was on the Council's or a Housing Association's waiting or transfer list. In total it was estimated that 2,959 households are on the Housing Register. It is interesting to consider how many of these households were deemed by the survey to be living in unsuitable housing. The table below shows this.

<b>Table A2.1 Housing register and unsuitable housing</b>			
	On a register	Not on a register	Total
In unsuitable housing	1,751	9,245	10,996
Not in unsuitable housing	1,208	64,796	66,004
Total	2,959	74,041	77,000

It can be seen that only 15.9% (1,751/10,996) of those in unsuitable housing are actually on a register, and conversely 40.8% (1,208/2,959) of those on a register are not in fact in unsuitable housing. This emphasises the fact that using the housing register as a measure of need in the Borough will be different to that calculated from the survey. The table below shows similar information for those found by the survey to be in housing need. Once again, it is clear that the Housing Register provides a different level of need to the housing needs survey. Only 57.3% (514/897) of those in housing need were registered on a waiting or transfer list, yet 82.6% of those on a list were not found to be in housing need.

<b>Table A2.2 Housing register and housing need</b>			
	On a register	Not on a register	Total
In housing need	514	383	897
Not in housing need	2,445	73,658	76,103
Total	2,959	74,041	77,000

### A2.3 Summary

The methodologies used by the Council and Fordham Research differ mainly as regards the use of the Housing Register as a measure of housing need in the Borough. Information from the survey suggest that the Housing Register is certainly not as robust a predictor of need as primary survey data and that it will tend to overestimate the need for affordable housing. This is clearly the case in Sutton, where the Council's Supply & Demand Analysis predicts an average shortfall of 4,319 affordable dwellings per annum for the next five years, compared with the Update Housing Needs Survey estimate of 1,062 per year.

The Council's supply and demand analysis shows overall numbers on the Housing Register increasing significantly over the next five years. Although it is acknowledged that this is a reflection of demand and not need, a further analysis will be undertaken to provide a breakdown of the figures according to applicant priority.



## Appendix A3 Affordable Housing Policy

### A3.1 Introduction

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

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

### A3.2 Surveys as basis for policy

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

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

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

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

### A3.3 Basis for defining affordable housing

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

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

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

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

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

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

This statement is odd for two reasons:

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

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

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

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

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

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

### **A3.4 Linking survey evidence to policy**

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

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

(para 2.4.7)

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

### **A3.5 What level of subsidy is involved?**

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

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

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

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

### **A3.6 What target(s)**

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

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

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

In terms of the levels of percentage, the figure has risen considerably over the period of more than a decade of such policies. Originally figures of 5% and 10% were common. By the mid 1990’s adopted plans contained policies with 25-30% as their affordable housing target. However the outturn percentages from these policies has normally been much lower than the headline percentage. A recent report suggested that 10% had been achieved in the 1990’s. As a consequence, targets have continued to rise. The current custom and practice percentage target is 50%. This has been accepted by many Inspectors as a reasonable rate, and by many developers as practicable on given sites.

### A3.7 What site threshold?

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

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

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

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

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

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

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

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

### **A3.8 Affordable housing in rural areas**

Apart from the fact that the Council can set the target in relation to evidence, in areas with settlements of less than 3,000 population, there is a further rule for ‘exceptions’ sites. These are ones where housing would not normally be permitted (for example ones which are outside a village ‘envelope’) but will be permitted if the purpose is to provide affordable housing.

PPG3 (2000) makes similar comments on affordable housing in rural areas, except for the longstanding emphasis on village appraisals to support particular schemes. These are not intended to be major technical exercises like HNS, but rather ones which are designed to establish whether local people want such a scheme. PPG3 (2000) also emphasises (Annex B para 2) that affordable housing on exceptions sites should not be subsidised by general market housing. That is to say the subsidy should come from a lower land price and not from extra market housing. This is designed to prevent landowners achieving the sort of land profit which could be achieved normally only on allocated development sites.

### **A3.9 Recent Government advice**

Towards the end of the survey process, and after initial drafts of the report had been written and largely finalised, an additional Housing Planning Policy Guidance (PPG3) consultation was issued by ODPM: ‘planning for mixed communities’. The consultation was issued in January 2005, building on the July 2003 consultation PPG ‘Influencing the size, type and affordability of housing’, and it will be superseded by finalised guidance that is expected in July 2005. Although the PPG focuses on “planning for mixed communities”, and on sub-regional housing market assessments specifically, it has a few broader implications for affordable housing policy in general. Furthermore, it provides some insight into the tone of and ideas behind the forthcoming guide.

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

The draft does not appear to substantially change guidance contained within PPG3 and Circular 6/98 although there are a few pointers about the direction in which policy is going which are of importance.

Key points for affordable housing from this consultation phase include the following:

- i) There may be a move towards specifying at the very least the size and type of affordable housing required, but possibly the floorspace and number of rooms required as well. Optionally, data could be included on the form of contribution (“land or cash”) or the circumstances where the amount will differ, exemplifying city/rural and size thresholds
- ii) It has been suggested that developers should collaborate in the production of future local needs assessments. However, the form that this collaboration might take remains unspecified and there has been little indication of how clashing commercial interests might be prevented from interfering with needs assessments. A new element to the guidance is that it asks applicants to justify that they have produced suitably mixed developments and states that if they have failed to do so, this may be a reason for refusal.
- iii) There is a shift from emphasis from ‘need’ to ‘demand’, when compared to the 2000 PPG3. The number and scope of particular groups which the 2000 PPG3 focussed on, have been somewhat reduced (e.g. they have dropped barge dwellers).
- iv) With regards to mixed communities, the draft guidance emphasises the need to promote social inclusion. It also re-emphasises the need for up to date assessments of the full range of demands across the plan area and for the plan period (i.e. not the market area).
- v) Although the regional plan cannot specify District Councils’ policies, it can indicate the balance of affordable and market housing, and policies for special groups like key workers.
- vi) The consultation emphasises the need for updates. Given that the market situation can quickly change (much more so than the underlying housing needs situation) such updates will be useful snapshots of a changing affordable housing requirement.
- vii) The draft also asks councils to balance the amount of affordable housing ‘against the development potential of sites’. This should involve looking at alternative land use values and assumptions about grant, and conducting something along the lines of the viability analysis that Fordham Research use.
- viii) Thresholds for site size may change, with the introduction of the possibility of setting maximum thresholds. Councils can set different thresholds in different areas, and can set the threshold lower than 15 where there are ‘high levels of need that cannot be met on larger sites alone’. Again viability must be examined as well as effect on social inclusion. Furthermore the affordable housing policy can actually be used on sites smaller than the threshold (presumably in the adopted plan) if the site is above ‘some appropriate threshold’ and/or is part of a larger site. That gives a useful flexibility.

- ix) The guidance is opposed to commuting off, even if this is what the private sector want. If any commuting off is done, it should be towards improving balance of communities, bringing housing back into use, and so on.
- x) The local housing assessment is to be taken into account when granting permission. This is particularly the case if the assessment is more up to date than the development plan (as it will often be).
- xi) The guidance stresses the need for a cascade mechanism if the production of the agreed affordable housing is not possible (due say to lack of grant).
- xii) Finally, although the draft is against nominating RSLs, it does mention a 'specified period or perpetuity' which will, for example, prevent developers from claiming that no approval is given to perpetuity.



## **Appendix A4 Further Property Price Information**

### **A4.1 Introduction**

This Chapter provides further detail in support of the housing market analysis set out in Chapter 3. It contains information on prices obtained from the analysis of Land Registry property price data, and explains the methodology and approach used in our survey of local estate agents.

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

It is possible to look at the wider context of prices in the surrounding areas using information available from the Land Registry. This data is valuable in giving further background to the local housing market, although it does not displace the need for the estate agent information.

### **A4.2 The need for primary data**

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

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

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

#### **A4.3 Estate agents survey: Methodology**

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

- i) We establish the names and telephone numbers of local estate agents. This includes well known national estate agents as well as those operating specifically in the local area (allowing for good comparative measures of smaller and larger agencies). The estate agents selected are intended to be those dealing primarily with housing at the lower end of the market (e.g. not specialist agencies dealing with up-market properties)
- ii) These are then contacted by telephone and asked to give a brief overview of the housing market in the Borough - including highlighting areas of more and less expensive housing
- iii) The questioning takes a very simple form (this tends to improve efficiency without jeopardising results - people often lose interest when asked a series of detailed questions and quality of response is diminished). All agents are asked 'in their opinion'  
*'What is the minimum and average price for a one bedroom dwelling in good condition (i.e. not needing any major repair) and with a reasonable supply (not one off properties occasionally coming onto the market)?'*
- iv) This process is repeated for 2,3 & 4 bedroom dwellings
- v) The same questions are then asked about private rented accommodation
- vi) Once several estate and letting agencies have been contacted, the results are tabulated and averages calculated to give an accurate estimation of minimum and average purchase and rental prices in the Borough. Any outlying values are removed from calculations.
- vii) The estimated purchase and rental prices are then inserted into the analysis to estimate the numbers able to afford a dwelling depending on the minimum number of bedrooms that the household requires.

#### A4.4 Land Registry data

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

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

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

#### A4.5 Comparing prices in neighbouring authorities

The Land Registry data can be used to show how prices in Sutton compared to adjoining local authorities. The table below shows average sale prices for Sutton and six neighbouring Boroughs (from the most recent quarter available from the Land Registry). Also shown is data for the Greater London region and England and Wales.

<b>Table A4.1 Average property prices by Local Authority (4<sup>th</sup> quarter 2004)</b> (number of sales in brackets)									
Property type	Sutton	Croydon	Merton	Kingston	Epsom & Ewell	Reigate & Banstead	Tandridge	Greater London	England & Wales
Detached	£450,011 (55)	£481,562 (129)	£1,021,421 (19)	£487,621 (56)	£464,210 (84)	£481,421 (133)	£448,658 (109)	£569,338 (1,098)	£282,157 (48,393)
Semi-detached	£269,232 (170)	£265,926 (244)	£378,487 (91)	£298,466 (164)	£283,399 (97)	£243,098 (176)	£251,119 (104)	£322,487 (4,291)	£169,074 (62,453)
Terraced	£212,869 (276)	£202,658 (532)	£276,071 (328)	£249,887 (162)	£215,348 (51)	£217,734 (103)	£220,352 (57)	£278,094 (8,484)	£139,122 (75,784)
Flat/maisonette	£160,625 (350)	£152,573 (546)	£196,389 (309)	£209,630 (321)	£187,774 (72)	£180,504 (168)	£168,066 (79)	£239,316 (14,168)	£168,571 (43,094)
Overall average	£217,967 (851)	£219,246 (1,451)	£274,544 (747)	£261,775 (703)	£299,295 (304)	£275,112 (580)	£288,989 (349)	£276,698 (28,041)	£182,920 (229,724)

Source: HM Land Registry

The table indicates there is some variation within the sub-region. Overall average prices vary between £217,967 in Sutton to £299,295 in Epsom & Ewell. Both Greater London in general shows property prices of around 50% higher than the national average.

It should be noted that these figures are in no way standardised to reflect the different mix of properties.

#### A4.6 Price trends in Sutton

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

<b>Table A4.2 Average property prices in Sutton – 1999 to 2004 (4<sup>th</sup> quarters)</b>						
(Number of sales in brackets)						
Property type	1999	2000	2001	2002	2003	2004
Detached	£268,439 (103)	£366,515 (87)	£320,430 (97)	£382,803 (92)	£377,888 (105)	£450,011 (55)
Semi-detached	£155,903 (291)	£181,353 (212)	£195,965 (272)	£227,390 (258)	£237,969 (292)	£269,232 (170)
Terraced	£116,748 (454)	£139,435 (339)	£150,578 (408)	£182,845 (412)	£193,772 (475)	£212,869 (276)
Flat/maisonette	£79,326 (612)	£93,393 (443)	£109,664 (519)	£134,153 (541)	£144,456 (583)	£160,625 (350)
OVERALL	£119,567 (1,460)	£147,063 (1,081)	£156,432 (1,296)	£185,567 (1,303)	£196,168 (1,455)	£217,968 (851)

Source: HM Land Registry

Over the five year period prices have risen by an average of £98,401 or 82%. The number of sales has also varied over the period from a low of 851 in 2004 to a high of 1,460 in 1999.

#### A4.7 Summary

An additional analysis of Land Registry data was carried out to help put property price information obtained from estate agents into local context. The Land Registry data suggests that actual average prices in Sutton are similar to those found elsewhere in Greater London and that overall prices within Sutton have risen by around 82% in the last five years.

## Appendix A5 Balancing Housing Market Analysis

### A5.1 Introduction

The following tables show the detailed analysis for the six components contributing to the Balancing Housing Markets Analysis presented earlier in this report.

### A5.2 Analysis of Sutton data

**Table A5.1 Demand I: Household formation by tenure and size required**

Tenure	Size requirement				TOTAL
	1 bedroom	2 bedrooms	3 bedrooms	4+ bedrooms	
Owner-occupation	149	130	7	0	287
Affordable housing	256	194	4	7	461
Private rented	12	0	0	0	12
<b>TOTAL</b>	<b>417</b>	<b>324</b>	<b>12</b>	<b>7</b>	<b>760</b>

**Table A5.2 Demand II: Demand from in-migrants by tenure and size required**

Tenure	Size requirement				TOTAL
	1 bedroom	2 bedrooms	3 bedrooms	4+ bedrooms	
Owner-occupation	118	603	569	131	1,421
Affordable housing	54	175	108	18	355
Private rented	206	70	25	44	345
<b>TOTAL</b>	<b>378</b>	<b>848</b>	<b>702</b>	<b>193</b>	<b>2,122</b>

**Table A5.3 Demand III: Demand from existing households by tenure and size required**

Tenure	Size requirement				TOTAL
	1 bedroom	2 bedrooms	3 bedrooms	4+ bedrooms	
Owner-occupation	150	262	488	273	1,173
Affordable housing	200	242	266	33	740
Private rented	36	0	0	0	36
<b>TOTAL</b>	<b>386</b>	<b>504</b>	<b>754</b>	<b>306</b>	<b>1,949</b>

<b>Table A5.4 Demand IV: Total demand by tenure and size required</b>					
Tenure	Size requirement				TOTAL
	1 bedroom	2 bedrooms	3 bedrooms	4+ bedrooms	
Owner-occupation	417	995	1,065	404	2,881
Affordable housing	510	611	378	57	1,557
Private rented	254	70	25	44	393
<b>TOTAL</b>	<b>1,181</b>	<b>1,676</b>	<b>1,468</b>	<b>505</b>	<b>4,831</b>

<b>Table A5.5 Supply I: Supply from household dissolution</b>					
Tenure	Size released				TOTAL
	1 bedroom	2 bedrooms	3 bedrooms	4+ bedrooms	
Owner-occupation	44	120	193	41	398
Affordable housing	122	46	19	0	187
Private rented	32	13	4	1	50
<b>TOTAL</b>	<b>198</b>	<b>179</b>	<b>216</b>	<b>42</b>	<b>635</b>

<b>Table A5.6 Supply II: Supply from out-migrant households</b>					
Tenure	Size released				TOTAL
	1 bedroom	2 bedrooms	3 bedrooms	4+ bedrooms	
Owner-occupation	141	460	650	232	1,483
Affordable housing	19	35	27	0	82
Private rented	157	97	40	18	312
<b>TOTAL</b>	<b>317</b>	<b>592</b>	<b>718</b>	<b>251</b>	<b>1,877</b>

<b>Table A5.7 Supply III: Supply from existing households</b>					
Tenure	Size released				TOTAL
	1 bedroom	2 bedrooms	3 bedrooms	4+ bedrooms	
Owner-occupation	94	279	350	103	826
Affordable housing	175	257	124	9	566
Private rented	240	233	45	38	557
<b>TOTAL</b>	<b>510</b>	<b>769</b>	<b>519</b>	<b>151</b>	<b>1,949</b>

<b>Table A5.8 Supply IV: Total supply</b>					
Tenure	Size released				TOTAL
	1 bedroom	2 bedrooms	3 bedrooms	4+ bedrooms	
Owner-occupation	279	859	1,193	376	2,707
Affordable housing	317	338	170	9	835
Private rented	429	343	89	58	919
<b>TOTAL</b>	<b>1,026</b>	<b>1,540</b>	<b>1,452</b>	<b>443</b>	<b>4,461</b>