LONDON BOROUGH OF MERTON

EXECUTIVE SUMMARY

JULY 2005
Executive summary

Introduction

This document provides a Summary Overview of a comprehensive private sector stock condition survey carried out on behalf of London Borough of Merton by Fordham Research Ltd.

In stock condition surveys it is usual to describe the physical condition of the housing stock in terms of two main indicators: unfitness and disrepair. For the purpose of the survey the fitness standard applied was that laid out in Section 604 of the 1985 Housing Act.

Additionally, the survey focuses considerable attention on various other elements relating to stock condition. Notably:

- Energy efficiency
- Decent homes
- The Housing Health and Safety Rating System (HHSRS)

Survey structure and response

The survey comprised a physical survey of dwellings and a short socio-economic interview of inhabitants. The survey set out to complete 1,000 inspections over the whole of the Borough in the private sector, including RSL stock; in total 996 were achieved.

The survey data was weighted by dwelling and household variables, mainly sub-area and tenure, so as to be representative of all dwellings in Merton. In total it is estimated that there are 76,452 dwellings in the Borough, of these 2,000 are vacant leaving a total of 74,452 occupied dwellings.

Profile of the housing stock

Some 78.1% of the private-sector housing stock is owner-occupied, another 16.0% is private rented, whilst the remaining 5.8% is rented from an RSL. The most common type of dwelling is the mid terrace house, which comprises 27.3% of the stock. Flats make up 33.3% of the stock, with converted flats alone accounting for 12.4% of all dwellings. The survey estimated that the stock is comparatively old, with over a quarter built before 1919, and an additional half built between 1919 and 1944. The survey also looked at the characteristics of households, and estimated that pensioner households make up 18.1% of those in the Borough, special needs households 12.1%, and vulnerable households 18.4%.
Disrepair

The survey studied faults to dwellings and associated repair costs. Repair costs are based on a standard schedule provided by the Building Cost Information Service (BCIS) and have been updated to a March 2005 base for the London region. Some of the main findings of the analysis were:

- The average cost per dwelling of urgent repairs (i.e. those needing to be done within the next year) was £1,179 – this totals £90.1m Borough-wide
- The average cost per dwelling for basic repairs (i.e. all work needing to be done within the next 5 years) was £1,765 – totalling £134.9 m Borough-wide
- The main problem areas (in terms of the amount needing to be spent) were ‘External doors & Windows’, ‘Walls, fences, paved areas & outbuildings’ ‘Heating systems’ and ‘Roofs’
- Older dwellings showed the highest repair costs, as do detached houses
- Special needs and vulnerable households have considerably higher average repair costs

Unfitness

Under the provisions of Section 604 of the 1985 Housing Act (amended by the 1989 Local Government and Housing Act) a dwelling house is fit for human habitation unless it fails to meet at least one of a set of eleven requirements and, as a result of that failure, is not reasonably suitable for occupation.

An estimated 4,093 dwellings are unfit, accounting for 5.4% of the housing stock, this compares to an unfitness rate of 4.2% nationally and 5.6% in London (2001 EHCS). The most common reasons for unfitness in Merton are food preparation – 1,666 dwellings (40.7% of unfit dwellings) and bath/shower, wash hand basin – 1,198 dwellings (29.3%).
The following were some of the main findings in relation to unfitness in Merton:

- The average cost to make unfit dwellings just fit is £3,959 per dwelling. As the number of items on which a dwelling fails increases, so do the associated costs.
- Private rented dwellings are most likely to be unfit as are pre-1944 dwellings and converted flats.
- Households with children, special needs and vulnerable households are more likely to live in unfit housing.
- An additional 11,463 dwellings are estimated to be ‘fit but defective’ (representing 15.0% of the private sector dwelling stock), most commonly owing to reasons of ‘food preparation’ and ‘disrepair’.

**Energy efficiency**

An important part of any stock condition survey is the measurement of energy efficiency. The Standard Assessment Procedure (SAP) is the Government’s recommended system for home energy rating – where a high score (on a scale from 1 to 120) means a dwelling is more energy efficient.

**Definition of SAP rating**

This is a government-specified energy rating for a dwelling. It is based on the calculated annual energy cost for space and water heating. The calculation assumes a standard occupancy pattern, derived from the measured floor area so that the size of the dwelling does not strongly affect the result, which is expressed on a 1-120 scale. The higher the number the better the standard.

The individual energy efficiency Standard Assessment Procedure (or SAP) rating of a dwelling depends upon a range of factors that contribute to energy efficiency. These are shown on the diagram below.
The average (mean) SAP rating for all private sector dwellings in Merton is estimated to be 52. This compares with the national average (2001) of 51 and the average for London (53).

Additionally:

- 95.9% of dwellings have central or programmable heating
- 77.5% of dwellings have some double glazing
- Detached, owner-occupied (no mortgage) and pre-1919 dwellings showed the lowest mean SAP ratings
- Households living in dwellings with particularly low SAP ratings also appear to show quite distinct characteristics and are likely to be single person households or a vulnerable household, and with lower incomes

Additionally, it is estimated that households’ current heating systems make for an average (mean) requirement to spend £452 on space and water heating and that the average dwelling produces 5.52 tonnes of CO$_2$ per year

**Improving energy efficiency**

The survey also suggested ways of improving energy efficiency in the Borough. This is both in terms of improving SAP ratings and reducing the amount required to be spent on fuel. In looking at fuel costs, it is possible to calculate a ‘payback’ period, which is simply calculating the amount of time it would take for the cost of improvements to equal the cost savings. There are three main ways in which the energy efficiency of dwellings can be improved, these are shown in the diagram below.
The analysis looked at the costs and savings of each of these measures in isolation as well as in combination. The main aims of improving energy efficiency considered by the survey were:

1. Action required and costs of improving average SAP ratings to 60
2. Action required and costs of improving average SAP ratings by 30%

A 30% improvement in energy efficiency for the stock appears difficult to achieve. A full range of measures will increase the mean SAP rating of dwellings from 52 to 64 (an improvement of 22.6%), however the total cost of this is estimated to be £197.2m. A more realistic aim might be to look at upgrading or installing heating systems to more efficient central heating systems along with a programme of insulation; these two measures would increase the mean SAP rating from 52 to 62 (an improvement of 19.4%) at a total cost of £75.5m. It can be seen therefore that there is a clear trade-off between further improvements to energy efficiency and the cost of bringing about these improvements.

**Decent homes**

The government’s housing objective is “to ensure that everyone has the opportunity of a decent home and so promote social cohesion, well being and self-dependence”. In 2000 the Government set a standard for ‘decent homes’ whereby housing should:

i) Meet the current statutory minimum standard for housing (i.e. not unfit)
ii) Be in a reasonable state of repair
iii) Have reasonably modern facilities and services
iv) Provide a reasonable degree of thermal comfort
The results suggested that 30.4% of dwellings failed the standard under one or more of these headings. This figure compares with a national estimate (for all dwellings) of 33.1%. Some of the main findings relating to ‘non-decent’ homes were:

- The main reason for failure was thermal comfort, 69.1% of non-decent homes failed under this heading. This is also the main reason nationally
- Around three quarters of ‘non-decent’ homes fail on only one of the four factors
- Groups with high levels of ‘non-decency’ included: private rented, pre-1919 dwellings, and converted flats
- Households that show high levels of non-decency include single pensioner, special needs, and vulnerable households
- The Borough-wide cost of remedying non-decent homes is £69.3m

<table>
<thead>
<tr>
<th>Reasons for failure under decent homes and number of failures</th>
</tr>
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<tbody>
<tr>
<td>Thermal comfort</td>
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<tr>
<td>Modern facilities</td>
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<tr>
<td>Disrepair</td>
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<tr>
<td>Unfit</td>
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<tr>
<td>% of non-decent dwellings</td>
</tr>
<tr>
<td>0%               20%              40%                  60%          80%</td>
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<tr>
<td>69.1%            17.6%            17.6%                30.8%        17.6%</td>
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<tr>
<td>Number of failures</td>
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<tr>
<td>One              78.6%            Four                 4.1%</td>
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<tr>
<td>Two              15.3%            Three                4.6%</td>
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<tr>
<td>Three            4.6%             Two                  15.3%</td>
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</tbody>
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**Houses in Multiply Occupation**

The survey followed as closely of possible Chartered Institute of Environmental Health definitions and in total it was estimated that there were 5,062 buildings acting as HMOs at the time of the survey. The following are some of the main characteristics of HMOs:

- A large proportion of HMOs were found to be in the private rented sector (45.5%) – this compares with 16.0% of all dwellings
- HMOs were more likely to be built pre-1919 (70.6%) – this compares with 29.2% of all dwellings
- HMOs were more likely to be converted flats (70.8%) – this compares with 12.4% of all dwellings
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Generally HMO buildings had higher repair costs than other dwellings and HMOs show above average levels of unfitness. Almost all HMO buildings have the use of all basic amenities however a number share facilities up to and worse than a ratio of 1:5, and a third were categorised as inadequately or poorly managed.

*Housing Health and Safety Rating System*

The Housing Health and Safety Rating System is an alternative method for looking at the condition of dwellings in an area taking into account the potential hazards of a dwelling in relation to any persons using it rather than a study of the fabric condition of the home.

It is estimated that around 7.0% of dwellings require a mandatory response, which is significantly higher than the estimated level of unfitness in the Borough of 5.4%. Below are some characteristics of ‘hazardous’ homes:

- The main hazards in Merton relate to excessive cold and falls on stairs
- Owner-occupied (no mortgage) and pre-1919 dwellings appear particularly likely to be ‘hazardous’; special needs households are particularly likely to live with a hazard
- There is some link between unfitness and the hazard rating although a number of dwellings fail on only one of the two measures

*Intervention and financial assistance*

One important issue in the stock condition survey was to consider to what extent households are able to fund any necessary improvements. The analysis looked at the total costs of repairs and energy efficiency improvements required. Some of the main findings were:

- To carry out all urgent repairs required to owner-occupied dwellings (occupied dwellings) would cost an estimated £63.0m
- Households’ income levels could reduce this figure to a potential demand for financial assistance of £29.0m whilst including the scope for equity release would reduce this figure to £20.2m
- To carry out all comprehensive repairs required to owner-occupied dwellings (occupied dwellings) would cost an estimated £286.4m. Again, this figure could be reduced dramatically when taking into account households income and equity levels to £118.7m and £90.7m respectively
- In the private rented sector the total bill for carrying out all urgent repairs comes to £54.0m, whilst RSL dwellings show a total bill for carrying out all urgent repairs of £23.2m
Conclusions

The Stock Condition Survey in Merton generally shows worse dwelling conditions than those found nationally (2001 EHCS), but more polarised levels of condition when looking at individual groups. The costs of making the necessary improvements to dwelling conditions and the suggested improvements to energy efficiency may, be quite prohibitive. The Council will therefore need to consider a wide range of measures (including finance from the local authority and the use of landlords’/owners’ own finances, as well as advice) to achieve considerable improvements to the housing stock and, importantly, to prevent further deterioration.

In determining a strategy to implement an appropriate package of measures, account could be taken of those categories where the highest incidence of unfitness/disrepair/low energy efficiency was identified, i.e.

- Private rented dwellings
- Vacant dwellings
- Pre-1919 stock dwellings
- Vulnerable households
- Pensioner households