

## 12 Housing needs assessment and LHSA

### Introduction

In this chapter we will set out what is involved in undertaking local housing needs assessments (HNA). Specifically the chapter:

- Identifies the requirements of a practical definition of housing needs.
- Explains the different approaches to and methods of doing HNA and their relative strengths and weaknesses.
- Explains the ODPM model and provides practical advice on applying aspects of it.
- Discusses information requirements and sources for HNA.

The chapter concludes with a summary of the outputs from HNA that can be used to inform further LHSA work.

### What is local housing needs assessment?

#### Housing need revisited

Housing Need was discussed in chapter 3, in the context of understanding the elements of a system approach to housing analysis. It was also discussed in chapter 8, which dealt with the social rented housing tenure and again in chapter 11 with specific respect to community care housing needs. Nonetheless, we can usefully return to the question of what the term means in a general housing context at this point. The term 'housing need' can generate controversy, as it can quite legitimately mean different things to different people. Broadly, discussions of housing need usually refer to one of the following issues:

- Households currently inhabiting housing stock that does not meet generally agreed minimum physical standards or does not suit their specific requirements (for example for members of households with particular needs).
- Shortfall in provision for households that have insufficient means to afford market rents or house prices.

Ultimately, from a systems perspective the different dimensions of need are strongly interlinked. This is because the potential for reducing need through management of and investment in existing stock (public and private) will influence the total amount of new housing units required to meet overall current or future housing need.

#### Required elements of a practical definition of housing need

Any practical definition of housing need has to have two operational elements:

- Some defined minimum quality standard of housing given the structure of a household (in terms of size, composition, and health).
- Some defined maximum cost of that housing relative to household income.

In practice, minimum quality standards have in the past been measured in a variety of ways, mainly on the basis of precedent and custom. As chapters 2 and 7 discuss, quality standards have been a key area of policy development in Scotland since 1999.

Turning to the issue of housing costs relative to income, the affordability of housing remains a contentious issue. Again, affordability is measured on the basis of precedent and custom. Two (not mutually exclusive) approaches to operational definition of affordability have been used extensively

in the UK. The first is based on a ratio method, taking a maximum ratio of housing costs (mortgage or rents) to (either gross or net) income to determine whether or not housing is affordable. The second is based on netting off housing costs from a household's available resources and forming a view as to whether what is left (the 'residual income') is sufficient to live on given reasonable non-housing demands and expectations of the household involved. Often the 'residual' income is explicitly tied to the level of state benefits (for example that what is left should be at least equal to 120% of the Income Support level a household would attract if eligible). There is no universally recognised best or 'right' measure and what is used in practice tends to reflect not just technical and ethical judgements but also the practicalities of data availability.

### **What time period should housing needs assessment cover?**

When undertaking housing needs assessment, it is important to be explicit about the period of time covered. Ideally, an assessment should cover existing need, as well as need likely to emerge over some forward time period. If local housing needs assessment is being used to inform a planning or strategy development process (such as LHS for example) it makes sense to tie the work into the period covered by the strategy/plan (in this case, five years).

### **What area basis should be used for housing needs assessment?**

As with other aspects of LHSA work, the best approach is to use housing market areas as the base geography when undertaking an HNA. This may require co-ordinated action across a number of councils. Costs associated with this approach (not simply associated with negotiating agreement, but also related to merging data from a number of councils and ensuring that data is consistent and measuring the same things) may be substantial, and need to be weighed explicitly against the benefits expected from conducting an HNA in a particular way.

In specific local contexts, and particularly perhaps in rural areas, there may be interest in undertaking housing needs assessment with respect to a number of quite small areas. In deciding the best way to proceed, the following should be considered:

- Areas have to have some functional coherence to give the results intrinsic meaning. Arbitrary subdivision of a local housing system area into a number of smaller areas will not deliver reliable results.
- For small geographic areas, HNA results may only be valid for comparatively short periods of time (although rural areas may be distinctive in this respect).
- Disaggregating needs analysis to smaller areas, especially when this entails survey work, can result in considerably greater time and financial costs.

### **Estimating the extent of housing need**

A number of different approaches to estimating housing need and the need for social rented accommodation have been used in the UK from the 1960s onwards. A recent study for [Glasgow City Council](#)<sup>1</sup> provided an assessment of the strengths and weaknesses associated with many of these approaches. Essentially, they fall into the following categories:

#### *(a) Net stock models*

The oldest approach is the 'net stock' approach. This approach estimates the number of new dwellings needed to match demographic projections of new households over a defined period, and of these the number expected to be provided by the private sector. The remainder is used as an estimate of need for net new social rented housing. In practice these types of model can become quite complex (see for example, Holmans 1995; Holmans 1999). Much of the basis for and content of these types of model were discussed in chapter 6. Essentially, they do not typically consider need currently existing within the existing stock, and normally don't allow for economic influence

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<sup>1</sup> <http://www.local.housingstrategy.glasgow.gov.uk/GlasgowReport.pdf>

explicitly in the derivation of future household numbers, both of which are often seen as important limitations.

*(b) Gross flows models*

An alternative approach explicitly models household formation, dissolution and movement between tenures. Over a period of time, the total net increase in households is total household formation in all tenures less total dissolutions. Moves between and within tenures over that time period are then modelled explicitly. Gross flows models have not been widely applied partly because they can be quite complex and difficult to understand and partly because they are very demanding in terms of the data needed to operate them.

*(c) Affordability models*

Local affordability models have been used to estimate the gross need for social rented housing by calculating the number of new households expected over a period of time that cannot afford private housing given house prices and incomes, and the net need for new social housing units by netting off from this figure the expected number of relets. This model is normally applied at local authority level, and where relets exceed the number of newly emerging households that can't afford private housing, will give negative need estimates (that is surpluses of social housing). This approach allows for economic factors, and is well suited to local application, but again says nothing about existing need within an area.

*(d) Econometric models*

There have been a number of attempts to develop econometric models for the purpose of estimating housing need and demand. The Department for Transport, Local Government and the Regions commissioned the Department of Applied Economics at the University of Cambridge to produce a [model<sup>2</sup>](#) of the demand and need for social housing. However, the model relied on assumed rather than estimated values for certain key parameters, such as the elasticity of supply of houses in the private rented sector. Additional work on the model<sup>3</sup> was undertaken in 2002.

A second example of this approach is modelling of the demand and need for social housing in the City of Glasgow undertaken by Gibb et al (2000). This is discussed in more detail in chapter 13.

Essentially, an econometric approach has the benefit of allowing economic change to directly affect estimates of demand and need over time. However, these models can be highly complex, require data that is not currently available, and can generate highly controversial results. They may play an increasing role in future discussions of housing need, but at present do not offer a robust basis for this purpose.

*(e) Household surveys*

Over time the survey approach to identifying general housing needs and social housing requirements has become a very common and popular one. Within this overall approach there is considerable scope for divergence with regard to: the area covered; the specific types of need investigated, the methodology employed (e.g. postal or doorstep) and use of the resulting data.

The biggest strength of surveys is that they are well suited to uncovering existing need. They are weakest with respect to future need, as requesting members of households to identify what their circumstances will be one, two or five years into the future will necessarily return highly speculative results. Surveys can be extremely expensive, but in principle they can generate information that cannot be accessed in other ways.

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<sup>2</sup> [http://www.odpm.gov.uk/stellent/groups/odpm\\_housing/documents/page/odpm\\_house\\_603868.hcsp](http://www.odpm.gov.uk/stellent/groups/odpm_housing/documents/page/odpm_house_603868.hcsp)

<sup>3</sup> *ibid*

(f) *Waiting list analysis*

This approach uses the housing registers of councils and RSLs to provide a snapshot of need as measured by those applying for social housing. As discussed in chapter 8 there are limitations with this approach as not all those in need are normally on social housing registers, and not all those on social housing registers are necessarily in need (Fordham et al 1998). Moreover, the extent to which need can be explored depends on what information applicants have been asked to provide in specific local contexts. The use of housing registers is likely to be most straightforward/revealing where a common housing register is in place – but even here waiting list analysis is likely to provide only a partial insight for the reasons given.

(g) *Combined approaches – local housing needs analysis*

Each of the different approaches to identifying need and social housing requirements has its own distinctive strengths and weaknesses. None could be said to be ideal on its own. This has led to current views on best practice as typically involving more than one of these approaches in combination. Indeed, as we discuss below, robust needs assessment in specific local contexts might involve the use of several at once, for the purpose of triangulating results.

## The ODPM model

### The model summarised

In 2000, the Office of the Deputy Prime Minister (ODPM – previously DTLR) published a guide to good practice in local housing needs assessment (DTLR 2000). This guidance on what HNA should cover and how to undertake one is also recognised as good practice by the [Scottish Executive](#)<sup>4</sup>.

ODPM/DTLR guidance provides a model for needs assessment on the basis that an HNA should:

- Estimate existing ('backlog') need.
- Project need forward ('newly arising need') over a specified period (commonly taken as five years).
- Explicitly allow for household/dwelling size/type issues, and as far as possible the needs of vulnerable households. (This essentially means the results of CCHNA work as discussed in chapter 11 should feed explicitly into more general needs assessment work).
- Express measured need as a flow ('so much per annum').
- Relate flow need to planned new and existing affordable supply.
- Allow for the reintroduction of ineffective housing back into the effective housing stock.
- Take account of existing stock condition.
- Discount need which can be allowed for through moves, or 'in situ' solutions.

The model at its simplest is as follows:

- The fraction of backlog need that a council wishes to address each year.
- Plus annual newly arising need.
- Minus supply from existing stock (turnover) and new supply each year.
- Equals net shortfall each year.

<sup>4</sup> <http://www.lhs.scot-homes.gov.uk/current.htm>

The model is made operational by defining each of its elements and seeking data to quantify them. This is where the different approaches to estimating housing need discussed earlier come in. In principle various elements of the model can be operationalised using:

- Surveys of both house condition, and households.
- Local 'administrative' data such as waiting list information.
- Demographic, economic and market data, such as house prices and incomes, household projections and economic forecasts.

Often these data sources give alternative measures of the same thing. For example a survey of households might (depending on questions asked) give an estimate of numbers of social rented households that are overcrowded, while Census data and housing list data will also provide estimates. These situations approached carefully provide an opportunity to cross reference (or 'triangulate') results and thereby have greater confidence in them.

In other instances it is necessary to mix and match data from different sources to calculate elements of the model. For example, market information on house prices can be combined with survey evidence of household income to assess 'affordability' in a local context.

Finally, due to resource constraints (money, time or staff) authorities often opt to approximate an element of the model that would be best addressed through one data source with less ideal data from an alternative data source that is readily available. For example, where evidence on in situ solutions to housing suitability problems or income data is not available through a housing needs study, this may have to be addressed through use of administrative or market data, making clear the assumptions made in using such data.

In terms of data acquisition and use, the ODPM guidance offers extensive and very good detailed advice on commissioning a housing needs survey (including specifying survey content, dealing with sampling issues, writing a brief, and handling the commissioning process), and combining the results of a housing need survey with those from a house condition survey, and with administrative and market data for the purpose of running the HNA model, and analysts are advised to consult this guidance directly. Additional guidance on using data and commissioning surveys is however provided below and in Annexes 3, 5 and 7.

A good example of HNA in England where the ODPM model has been closely followed in all major respects, based on housing need surveys conducted specifically for this purpose, and with methods used and judgements made clearly described at every step is the [Huntingdon District Council 2002 HNA<sup>5</sup>](#).

In the following sections we look at components of the model in more detail, providing some specific examples of how those elements have been applied in particular contexts.

### **Backlog need**

Backlog housing need is measured by first estimating how many households currently live in housing that is either unsuitable to their needs or that is of a physical standard so low as to be unacceptable.

Table 1 reproduces a table from the ODPM guide that illustrates the types of situation that would be considered relevant. In practice, many authorities using the ODPM approach have adopted Table 1 as a starting point for measuring backlog need.

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<sup>5</sup> [http://www.huntsdc.gov.uk/Housing\\_Serv/Service\\_Information/Housing\\_Services\\_Information.htm](http://www.huntsdc.gov.uk/Housing_Serv/Service_Information/Housing_Services_Information.htm)

**Table 1 A classification of unsuitable housing****1. Homeless or with insecure tenure**

- Under notice, real threat of notice, or lease coming to an end
- Living in temporary accommodation
- Accommodation too expensive

**2. Mismatch of household and dwelling**

- Overcrowded
- House too large (difficult to maintain)
- Households with children living in high flats or maisonettes
- Sharing a kitchen, bathroom or WC with another household
- Household containing person with mobility impairment or other special needs living in unsuitable dwelling (e.g. accessed by steps or containing stairs)

**3. Dwelling amenities & condition**

- Lacks a separate bathroom, kitchen or inside WC
- Subject to major disrepair or unfitness

**4. Social requirements**

- Harassment or threats of harassment from neighbours or others living in the vicinity
- Relationship breakdown
- Family unable to live together because of lack of accommodation
- Need to give or receive support including living closer to family/friends
- Need to live closer to employment and/or other essential facilities
- Want to live independently
- Sum Equals Total Backlog Need

(Source: DTLR 2000 p55)

Tables 2 and 3 provides examples of how housing need survey data not collected specifically to inform this framework, together with stock condition survey, administrative data and market data have been used in recent Scottish studies to calculate elements of backlog need. There are a number of points to draw from these examples.

**Table 2 Estimating backlog need, East Lothian 2001**

The assessment of housing need set out here is based on the synthesis of three main sets of data – the results of the ORS survey, management information from the Council (e.g. the waiting list) and the available demographic and economic forecasts. We also distinguish the existing “backlog” of need and the need projected to emerge in the next five years.

So far as “backlog” need is concerned, we have two main sources of information – the waiting list and the ORS survey. We have already seen that the waiting list implies the existence of around 4,700 households expressing a need and not presently housed by the Council. Our analysis and estimate of the “backlog” primarily draws on the Council’s waiting list information. As an alternative or supplement to that figure, we first of all consider below the information on need that can be derived from the ORS survey data.

The survey data enables us to identify and estimate different types of housing need experienced by residents in East Lothian. Types of housing need can be divided into primary housing needs, that is those that can only be met through the provision of alternative accommodation and secondary housing needs, which can be met through adjustments to current housing. The following paragraphs set out the survey data relating to the level of such needs in East Lothian. Primary housing needs are considered to arise from overcrowding, sharing accommodation and the incidence of concealed households whilst secondary needs include poor state of repair, capacity to properly heat the home, any adaptations required and affordability.

### Overcrowding

The Housing Needs Survey asked respondents whether their home had too many, too few or the right number of rooms. This would give some indication of the level of under-occupancy and overcrowding across all the tenures in the housing stock. Approximately 14% of owner-occupiers regarded their current home as having 'too few' rooms. The respective figure for those in the social rented sector was 13%. Private renters were most likely to state that their home had 'too few' rooms with 24% responding that this was the case. In total it is estimated that 3,500 households are overoccupying in the owner-occupied and private rented sectors.

Of all the household types that reported having too few rooms couples with dependent children were most likely to have problems of this nature (see Table 7.2). A significant proportion of lone parents (22%) also reported having too few rooms. At the other end of the spectrum elderly couples and the single elderly are the group most likely to express satisfaction with the current size of their dwelling.

The income band breakdown by tenure for those households that are overcrowded shows that 18% of those in either the owner-occupied or private rented sectors have incomes below £10,300 per annum. This is equivalent to approximately 630 households who may have difficulty in resolving their overcrowding problems through the owner-occupied market.

*[Survey evidence on households sharing accommodation, concealed households, condition of housing, households with unmet particular needs, and unsatisfactory heating affordability is then presented]*

The Survey evidence presents particular problems arising from the fact that the survey was not designed for the analysis discussed here. In particular – there is a clear danger of double counting – households that are over-crowded may also have difficulties of affordability. It is also the case that some people defined as being in need on the basis of the survey may not wish to occupy social housing. With these caveats in mind, we may note that the survey data suggests that there are (or were in 1998) around 5,800 households in primary need and approximately 5,400 in secondary need (though these may overlap with the primary need cases).

Given the limitations of the survey data on need the study has also analysed information on needs indicators from the Council's waiting list (excludes transfer applicants). This involved extracting needs information for each individual applicant on the waiting list. The main limitation of this data was the fact that information for only 3,903 applicants was available whereas the Council's waiting list currently totals 4,741. It was therefore necessary to analyse the available information and apply this on a pro-rata basis to the global figure of 4,741 applicants.

### Total Number of Applicants in Need

When looking at the housing needs of individual household categories it is evident that single people (16-60) tend to have fairly high proportions of multiple needs. For example 40% of the single people aged 25-60 years registered on the list have two or more housing needs. The lone parent and single elderly categories also demonstrate fairly high proportions of multiple needs at 33% and 38% respectively. Couples with or without children are more likely to have either 'no need' or only one need. A high proportion of young single applicants (67%) have only one identified housing need and due to the pressure on the waiting list these households may face long waiting periods before obtaining Council accommodation. Given that the Council's current waiting list stands at 4,741 and 25% of applicants do not have any housing need it is assumed that 3,556 of applicants on the waiting list have *at least* one housing need. Of these it is estimated that 61% have one housing need, 37% have two needs and 2% have three or more needs. Therefore when these are applied to the total of 3,556 the estimated numerical breakdown is:

- 2,169 with one housing need.
- 1,316 with two housing needs.
- 71 with three or more housing needs.

In summary the estimated "backlog" of need according to the Council's waiting list is circa 3,556. Although this is lower than the estimates from the survey data this may simply indicate the fact that the waiting list data provided information that could isolate households with either one or more housing needs. Therefore there is less likelihood of double counting on the housing needs indicators.

Source: East Lothian Housing Needs Study Final Report 2001 (DTZ Pieda Consulting, Edinburgh)

**Table 3 Examples of estimating elements of backlog need for West Lothian****i) Households in temporary accommodation**

There were a total of 8811 applicants on the West Lothian Waiting List as at April 2003. Of these 155 were on the homeless list and 1803 on the transfer list.

However of those who have applied and been accepted onto the list 256 gave as their reason for applying that they are currently living in temporary accommodation. (The most recently published data from the Scottish Executive indicates 116 households were living in temporary accommodation in June 2001, 74 of which were households with children. However, this figure relates to households that have applied and actually been placed in temporary accommodation by the Council, and is likely to be an underestimate of the whole problem). It seems reasonable to take the Waiting List estimates of households who apply because they are in temporary accommodation (256) and to assume they do not have the financial resources to address this issue themselves.

**iv) Overcrowding and under occupation**

The 2000 Housing Needs Survey results (HNS2000) were used to assess occupancy densities and household bedroom requirements against the bedrooms households have (David Adamson & Partners 2000a). The conclusion was "*Using occupation densities per room, 40,994 households (63%) are in under occupation...with only 75 households (0.1%) living in overcrowded conditions...under occupation is a consistent feature of all areas and all tenures*". However, the Census definition is not widely seen as a good indicator of dwelling occupancy difficulties. The more widely used bedroom standard is generally regarded as more appropriate. The Census measure "density of occupation" is calculated in terms of the number of persons in a house divided by the number of rooms. This includes dining rooms and kitchens, which is not especially helpful. A household needs to have 1.5 persons per room or more to be defined as over-crowded. Hence a family with 3 children in 2-bedroom house can be deemed as not over-crowded. Likewise, a couple residing in 1 bedroom flat with a living room and separate kitchen can be recorded as under-occupying.

In terms of bedrooms 1,355 households reported they have at least one bedroom less than requirements and 47,072 households have at least one more than requirements. The key problem here is households that have insufficient space to meet their current requirements. Having more rooms than strictly required is not necessarily a problem; it may well be in tune with many people's aspirations. Indeed for many of these households this effectively means children of the same sex do not need to share a room.

HNS2000 indicates that well over 80% of all households reported their last house move was because their existing house was too big or too small. Essentially this just confirms the role of life cycle events in triggering housing movement. Through HNS2000, 2,031 households reported they were intending to move mainly because their current house is too big or too small, and of these 1,591 (78%) anticipated they could secure appropriate housing in the private market (leaving 440 who anticipated they would need social provision).

From the Waiting List for Council housing 257, non transfer applicants gave their reason for applying as that their current house is too large (in addition there were 245 transfer list applicants) and a further 456 non transfer applicants that it is too small (in addition there were 457 transfer list applicants). This suggests 1,415 households may require social housing for property size reasons.

Drawing this evidence together there would appear to be a range of estimates of the number of households seeking social housing for size related reasons. The most robust figures would appear to be the most recent waiting list figures and we have used these in our estimates.

**viii) Households current home lacks a separate bathroom, kitchen or inside WC, subject to major disrepair or unfitness**

Stock condition work was undertaken on the public and private housing stock in West Lothian in 2000, to complement the housing needs survey. Unfortunately the stock condition and HNS2000 were undertaken in tandem, but as separate pieces of work. Consequently it is not possible to form any clear view on which households are in unsatisfactory housing from a physical quality point of view, and therefore which might be in a position to do something about it for themselves. However, it is highly unlikely any household would continue to live in a property lacking amenities, BTS, experiencing severe dampness, or suffering poor repair if they have the means to do something about it, so it has been assumed that all such households are in need. A second difficulty introduced by the separation of the physical and household survey work is that it is not possible to eliminate double counting between the surveys. For example some households in housing that is in poor repair might also have a member with a disability who believes it would benefit them to move accommodation.

Stock condition survey evidence on the public and private housing stock estimated that there are 137 dwellings in West Lothian lacking standard facilities (David Adamson and Partners 2000b) 82 of which have this as their only condition problem (see below). The Waiting List evidence indicates 29 applicants' current homes lack facilities (18 of these transfer list applicants), but does not provide information on what those facilities actually are.

The stock condition survey work indicated 827 homes in West Lothian are BTS, all in the private sector, and 4832 properties are either BTS, lack amenities or in poor repair. Council stock was assessed as being in 'reasonably good condition' (David Adamson & Partners, 2000c). They comment: "*the general pattern is one of localised or minor disrepair symptomatic of general component ageing and occupancy wear and tear*".

There is considerable overlap between dwellings that are BTS, lacking amenities and in poor repair. The table below indicates how the private housing stock (which includes RSL and Weslo stock) breaks down against these various categories:

Condition Problem	Number of Properties Involved
Poor repair only	3868
Lacking Amenities only	82
BTS only	533
BTS and poor repair	295
Lacking amenities and poor repair	54
Total	4832

(Source Adamson & Partners 2000b)

A considerable amount of dampness and condensation are reported (affecting nearly half the total stock), but where allowance is made for the extent of the problems serious cases are numerically much smaller, and again there is considerable overlap between categories.

HNS2000 and Waiting List evidence allows us to gauge repair and fitness issues on the basis of households' own perceptions. HNS2000 shows that 2,960 households feel there are serious problems with their current home because it is in need of major repairs. 520 households feel this way because the condition of their home is affecting the health of family members. Households intending to move were not asked if property condition was the main reason for moving intentions, so we cannot use this source to assess how many might need or look to the social rented sector to address their housing problems.

According to the Waiting List, 61 applicants applied because their present accommodation is in poor condition (36 of which are transfer applications). If people really do believe they are living in properties with serious repair problems, one would expect this to have been much higher.

In drawing this evidence together, the soundest approach would therefore seem to be to assume that properties in poor repair and where either the property is BTS, or lacking amenities are clearly evidence of households living in need they cannot address, and to include them in the backlog needs calculation. This gives a total of 82 properties lacking amenities only, plus 882 properties (533+295+54) clearly in major disrepair or BTS.

Source: West Lothian Local Housing Strategy: Estimating Affordable Housing Requirements, Glasgow University, 2003

They demonstrate:

- The need for judgement: Unless data has been specifically collected to answer a particular question, such as the ones implicit in Table 1, (and even then) it has to be interpreted and assessed.
- The value of triangulation: Particularly where data has been collected for one purpose and is used for another, having an alternative source of evidence to support the judgemental process is invaluable.
- The difficulty of addressing all issues adequately: Some types of backlog need are easier to measure than others. Some might be easy in theory, but not possible in practice because there is no time, or data, to use.
- The need to be explicit: While it is essential to make judgements about data and the measurement of dimensions of backlog need based on them, it is also essential to be clear what those judgements are so that others can understand the conclusions reached.

Once calculated, the various elements of backlog need have to be added together. In doing so, it is important to avoid possible double counting. This may arise not from conceptual overlap across the categories of backlog need, but from the properties of the data sets being used to quantify them. For example, if a household has a need arising from poor physical house condition, and also from overcrowding, it is important to ensure that that household is only counted once in the overall total.

From the total figure thus derived it is then necessary to remove households that can have their needs addressed within their current property (by adaptation for example). Thereafter, one must remove those households who while living in unsuitable housing have sufficient income to resolve their housing problems through the market. The remainder is the number of households who are in unsuitable housing, who can't have their problems addressed through in situ or housing management based solutions, and who can't do anything about moving house for themselves. Tables 4 and 5 provide examples derived from recent studies that have been undertaken in England and Scotland addressing these issues. Again, they show how important judgement is, and how important it is to be explicit about the judgements made so others can understand the basis for the need calculations.

**Table 4 Allowing for in situ and affordability in calculating backlog need, Rushmoor**

#### **Migration and 'in-situ' solutions**

The survey has highlighted that 3,520 households are in unsuitable housing. However it is most probable that some of the unsuitability can be resolved in the households 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 any moving intention 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 is considered not to have an appropriate 'in-situ' solution.

The survey data estimates that of the 3,520 households in unsuitable housing 1,867 (or 53.0%) would need to move to resolve their housing problems. This means an estimated 1,654 (47.0%) may be best helped with an 'in-situ' solution.

Of the 1,867 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 analysed separately from those remaining in the Borough. In total 59.6% would be looking to remain in the Borough (1,113 households) and 40.4% (753 households) would be looking to move out of the Borough.

#### **An alternative view of the need to move**

The analysis presented in the previous section is based on the recommendations set out in the DTLR guidance, which looks at households who have stated that they need or are likely to move. Prior to the publication of the guide *Fordham Research* employed an alternative methodology to estimate the numbers of households who require a move in order for them to be taken out of unsuitable housing and those who require 'in-situ' measures. By looking at the reason(s) for unsuitability, an appropriate solution could be devised which may or may not require a move to affordable (or different affordable) housing. In the case of Rushmoor, we have repeated this exercise in order to compare the total number of households who need to move via the two alternative methods.

We have analysed the data for all households in unsuitable housing by the range of problems they are experiencing. Some of the problems may be solved within the existing home whilst others will require a different home or some form of financial assistance. In broad terms for example, households who are *overcrowded* or *sharing facilities* are likely to require a different home, whilst those with problems of *major disrepair/unfitness* or *mobility/health problems* are likely to be able to have their problems solved in their current home. Those stating that *accommodation is too expensive* could benefit from financial assistance to resolve their housing problems (which may or may not imply the need to move home). None of these assumptions are necessarily true for each individual household (e.g. *overcrowding* might be resolved with an extension, *major unfitness/disrepair* might be best solved with demolition of current dwelling and a move) but the results certainly give us a general feel for the nature of problems and likely solutions for these.

Using the alternative method a total of some 1,592 households in unsuitable housing will require a move to a different home to solve their current housing problems. An additional 205 households have a need for financial

assistance only and 81 problems with harassment, which may or may not require a move. These figures compare with 1,867 households using the methodology detailed earlier in this chapter and so suggests that the results obtained using households' statements about moving are of the right order (given the additional numbers from the financial assistance and harassment groups).

Source: Rushmoor Borough Council Housing Needs Survey 2001

**Table 5 Allowing for in situ and affordability in calculating backlog need, West Lothian**

1. Homeless or with insecure tenure		
i. Under notice, real threat of notice, or lease coming to an end	170	
ii. Living in temporary accommodation	256	
iii. Accommodation too expensive	73	
2. Mismatch of household and dwelling		
iv. Overcrowded	913	
v. House too large (difficult to maintain)	502	
vi. Households with children living in high flats or maisonettes	n.a.	
vii. Sharing a kitchen, bathroom or WC with another household	n.a.	
viii. Household containing person with mobility impairment or other special needs living in unsuitable dwelling (e.g. accessed by steps or containing stairs)	1,074	
3. Dwelling amenities & condition		
ix. Lacks a separate bathroom, kitchen or inside WC	82	
x. Subject to major disrepair or unfitness	882	
4. Social requirements		
xi. Harassment or threats of harassment from neighbours or others living in the vicinity	75	
xii. Relationship breakdown/new relationship	796	
xiii. Family unable to live together because of lack of accommodation	100	
xiv. Need to give or receive support including living closer to family/friends	550	
xv. Need to live closer to employment and/or other essential facilities	131	
xvi. Want to live independently	650	
Total	6,254	

In constructing these estimates, we have used a variety of sources. These include Waiting List evidence from the Council and other landlords, the results of a Housing Needs Study commissioned in 2000, and the results of two stock condition surveys undertaken in 2000, one on public sector stock, and the other on private. Double counting is not an issue within the Council Waiting List, as applicants can offer one reason only as their reason for seeking social rented housing. There is possible double counting in terms of some households in properties in poor physical condition also potentially falling into one or other of the other housing needs categories. However, as there is no way to link directly the outputs of the physical and housing needs surveys, it is not possible to assess the actual extent of this. To minimise this problem we have included only households living in the very worst condition housing.

The major categories of backlog need where in situ solutions could form a significant way to address need are those of housing to assist households with some form of disability (adaptation) and properties in poor repair. On the particular needs issue the HNS2000 study clearly distinguishes improvement requirements from alternative accommodation requirements and it is our view that the direct household evidence on need to move is sufficiently sound to use in conjunction with Waiting List evidence without concern. Again with respect to physical condition we believe that by concentrating on the very worst quality housing as we have, the issue of in situ solution is effectively removed.

Finally, there is the question of where need is genuine, due to the possibility that people can afford to address their housing problems by themselves. A standard approach is to use household income estimates to address this. However, there are difficulties in using the current income data collected in HNS2000 for the purpose of considering affordability in terms of backlog needs. Moreover there is as noted no way to link household estimates of income to surveyor assessments of stock condition. Without denigrating social housing in any way, it is undeniable that social renting has become the tenure of necessity rather than the tenure of choice over time. HNS2000 and Waiting List evidence has been used above to identify not only where there is a problem, but also where households believe their route to resolving it is social renting. We believe using household perceptions of the tenure they require to address their housing needs (for those categories where an affordability assessment is desirable), effectively addresses most affordability issues for backlog need estimates.

Source: West Lothian Local Housing Strategy: Estimating Affordable Housing Requirements, Glasgow University, 2003

Finally, to convert to a 'stock' of backlog need (the total number of households in need at a point in time) to a 'flow' measure of backlog need (the average number of households in backlog need whose need will be addressed in the period of a year) one must establish what proportion of the backlog total is actually to be addressed year on year. A standard assumption is 20%. If the total number of households in backlog need as at 1<sup>st</sup> Jan 2004 in a particular area was calculated as 500 for example, assuming 20% could be addressed per annum would give a flow measure of backlog need of 100 households.

### Newly emerging need

This as noted must be estimated for a clearly specified forward period. A five-year projection is consistent with the LHS planning framework. It involves a number of steps:

- Calculation of how many new households will emerge in an area (including households leaving institutions – see chapter 11) or migrate to it year on year.
- Assessment of how many of these households won't be able to use the market to meet their housing needs.
- Additionally allowing for existing households falling into priority need (for example because of medical emergency) over the period of the projection.

In principle, gross new household formation should be used as the basis for calculating newly emerging need, (and in-migrant households would be identified separately from those emerging from within the already resident population of an area). However, the Scottish Executive does not produce estimates of gross new household formation for Scotland. Survey evidence is often used to estimate the number of 'potential' households that exist within an area. These are households living with other households who wish to move out and live separately. However, as discussed earlier, there are difficulties associated with estimating the number of households likely to emerge in an area in future from answers to questions about interviewees' expectations, particularly over a period longer than a year or two.

Gross new household formation over a period of time can in principle be calculated using population forecasts and headship rate estimates (see chapter 6), and planning departments within local authorities may have undertaken such analysis in specific instances. Where information on gross new household formation, in migrant household numbers and numbers of households likely to fall into priority need in future are not readily available, or computable, it may be necessary to use net household projections. These are available updated on a yearly basis from the [Scottish Executive](#)<sup>6</sup>, but if used uncritically can lead to misleading estimates of emerging need. Moreover, these projections do not allow for economic factors such as income growth, or house price change, and are not provided on geographies other than council area, which means to use them on any other area basis requires further judgement to be applied. They do have the considerable advantage however of being demonstrably consistent with the household projections used in many development plans. (Further discussion of household projections and their use is provided in chapter 6).

To estimate how many emerging households will not be able to afford suitable market housing, the most straightforward approach is to calculate the proportion of recently formed households (say over the last three years) in this position and (unless there are obvious reasons for doing otherwise, such as significant sustained recent house price inflation, or a major imminent increase in new supply in prospect) apply this proportion to household projections. For example, if 1000 new households per annum are expected over the next five years, and over the last three it had proved the case that 30% of new households could not afford market housing, then the estimate would be that around 300 households a year for the next five will be in housing need. If estimation of the affordability of housing for new households is based on bespoke survey work, it should be possible to calculate separate estimates for those who could with assistance sustain owner occupation and those for whom social renting is the only realistic option.

Backlog need expressed as a flow, plus annual newly emerging need gives gross housing need per annum. Using our earlier examples, if flow backlog need is 100 and emerging households in

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<sup>6</sup> <http://www.scotland.gov.uk/about/DD/EAS/00014844/publishdata.aspx>

housing need is on average 60 per annum, gross annual need would be 160 households per annum.

### **Allowing for affordable housing supply**

Supply to address gross annual housing need will arise from:

- New additions to social and low cost home ownership housing likely to come into service in a given year.
- Supply from turnover within the existing social stock (relets).

Regarding new additions, forward investment plans of social housing providers are a key source of information. For the later years of a five-year period, it is equally valid to project recent trends forward, or to assume no contribution from this source, until plans and funding are in place. The important thing is to make clear which approach has been adopted so that others can understand clearly the basis for the calculated figures.

Regarding relets, the correct figure to use is gross relets, as backlog need includes existing social tenants seeking transfers. (Some approaches net transfer demands from the needs side of the calculation, and transfer relets from the supply side. The most important thing here is to be consistent in whichever approach is adopted). Over the period for which need is being calculated, a number of factors may be changing. In particular:

- Relet rates may be increasing or decreasing.
- The base stock to which relet rates are applied can be increasing (through new additions, or reduced voids because of management action).
- The base stock to which relet rates are applied can be decreasing because of right to buy, or increased voids.

What is being assumed about these factors and why is important, and should be made clear. Table 6 provides an example.

**Table 6 Example of calculating annual affordable housing supply, West Lothian**

From the estimates of gross annual need we must subtract housing that will become available as a result of new housing provision in the period to 2008, and from existing social housing turnover (i.e. social relets). As at March 2002 the social renting stock in West Lothian was 20,289. Future relets from this stock depend on the turnover rate, and adjustments to the stock base up (through new additions to the stock, or a change in vacancy rates) or down (through RTB sales, change in vacancy rates or other factors).

RTB sales have been running at around 500 in recent years (West Lothian, 2002). There has been some pick up in sales in recent quarters, reflecting a general increase in interest in RTB across Scotland. Most informed commentators consider this a short term phenomenon reflecting consumer anxiety at changes in RTB under the 2001 Housing (Scotland) Act. Essentially tenants, sometimes misled by unscrupulous market agents, have rushed into RTB in the mistaken belief that their personal rights in this regard are under threat. While the terms of RTB purchase have been made less favourable for future tenants, existing tenant rights are preserved under the Act. For these reasons it is reasonable to assume sales levels will settle down again and even reduce to below long-term trend levels. We considered sales at 2% per annum (the long term trend (MacLennan et al, 2000)), at 3% per annum (across all social stock, given Almond HA and Weslo, the biggest non Council social providers within West Lothian are both LSVT landlords with preserved RTB built in to their stock) and a combination of 3% for the first 2 years of the strategy and 2% thereafter. These variations do little in terms of the resulting numbers and we have used the 3% for the first 2 years and 2% thereafter variant for our estimates.

The second key assumption relates to stock turnover. The draft West Lothian LHS reports a turnover rate of around 8% (West Lothian 2002), and suggests this will gradually reduce over the plan period as housing is occupied on average for longer periods. Scottish Executive figures for 2001/2 suggest the turnover rate for West Lothian stock to be 7.3% (Scottish Executive HSG, various). Communities Scotland statistics for Almond HA suggest a turnover rate of 6.6% for 2001/2 (Communities Scotland, 2003). On balance we feel this evidence justifies using a turnover rate of 8% for 2003, 7.5% for 2004 and 7% thereafter.

The draft West Lothian LHS also reports a stock reduction of 40 properties per annum arising from transfer of mainstream housing to community care support uses. Building these considerations into an overall stock profile for 2003-8 gives the following:

Average Stock in Years 2003/4-2007/8	Annual turnover supply
19,639	1,571
19,010	1,426
18,590	1,301
18,117	1,272
17,773	1,244
Annual average:	1,363

To this must be added expected additions to the social stock, and the draft LHS reports 400 new build properties already committed, raising the annual average relet supply to 1,442. (In principle one should also make allowance for net new supply from additions to the stock that are not yet committed, but will emerge over the period of the LHS. In practice, it is not clear what numbers one should use for this, and the best approach is to allow for this through regular updating of the estimates provided in this report, as new commitments are agreed).

Source: West Lothian Local Housing Strategy: Estimating Affordable Housing Requirements, Glasgow University, 2003

Annual affordable supply subtracted from gross annual need provides a total figure for need. If negative, the figure will be showing an excess of affordable supply over housing need. Thus an assessed affordable annual supply through relets and new social renting stock of 90 subtracted from our gross need total of 160 households per annum would leave a net need of some 70 households per annum.

### Moving beyond 'global' HNA estimates

#### (a) Property size/type issues

The ODPM guidance recommends breaking down needs assessments according to property size and type categories. Size/type based assessment is clearly something that will add considerable use value to the results of an HNA. Property type breakdowns will be strongly associated with particular needs issues, while size issues relate to household composition trends. These issues are strongly addressed through the categories of 'backlog need' suggested by ODPM, and a satisfactory breakdown should be identifiable if this is adopted and suitable data is available. For 'newly emerging need' these dimensions are partially implicit in household size/type forecasts produced by the Scottish Executive, but more detailed breakdown may require supplementing the information implicit in these projections with direct survey evidence on the characteristics of recent movers. Finally, to allow for these factors properly, size and amenity information on new additions to affordable housing stock and housing being relet must also be captured and used in HNA calculations.

#### (b) Sensitivity analysis

A further sensible refinement to a set of 'central' housing need estimates is to undertake sensitivity analysis. Key aspects of any HNA will be subject to uncertainty. For example with respect to:

- Migration assumptions that underpin population and household projections.
- Forward projections of house prices or incomes, as the basis for measuring how many new households will be able to afford market housing, or low cost home ownership.
- Future relet rates.

In these instances, it is good practice to consider what effect changes in assumptions would have. For example:

- What happens to need estimates if house prices grow by 10% without any change in income assumptions, or vice versa?
- What happens to housing need if relet rates increase by 10%, (assuming this does not reflect a growing low demand problem), or voids are reduced by 30%?

Where these alternative assumptions lead to significant change in the estimate of numbers in housing need, this should be reported, and a close watch kept over time on how reality pans out against them. Table 7 provides an example of sensitivity analysis from a recent HNA.

**Table 7 East Lothian HNA sensitivity analysis**

The mid-estimate figures indicate an overall unmet need for social housing of around 1,981 over the next five years. For owner occupied housing the pattern is of supply exceeding demand – though that figure is highly sensitive to in-migration assumptions. The in-migration assumptions used in these forecasts are drawn from GROS population forecasts and may be too low. Work done by DTZ Pieda Consulting in a study of the Edinburgh housing market suggested that immigration to East Lothian by households moving from Edinburgh could exceed the figures used above by 1,200 over five years. These figures have been incorporated in a “high forecast” below.

#### **High forecasts**

For the owner-occupied sector these incorporate the higher migration assumption (i.e. 1,416 + 1,200) mentioned above while the social rented sector figures are based on a high estimate of backlog need (5,800) calculated from the ORS survey data. These forecasts indicate a high level of unmet need/demand.

The high estimates show that the total need for social rented housing over the next few years is around 6,933 with demand for owner occupation estimated at 3,016. However some of this need and demand will be met through the projected supply in both tenures. Utilising the previous figures for social rented supply (2,623) the estimated “backlog” of need is 4,310 by the year 2006. For owner-occupation where the estimated completions total 2,764 dwellings there is a supply shortfall of 252.

#### **Low forecasts**

The low forecasts take the backlog need as the lowest level implied by the survey (around 2,300) for the social rented projections and assume a level of in-migration under half the level (around 400) in the mid forecast. The low estimate shows that the total need for social rented housing over the next few years is around 3,433 with demand for owner occupation estimated at 1,366. However some of this need and demand will be met through the projected supply in both tenures. Utilising the previous figures for social rented supply (2,623) the estimated “backlog” of need is 810 by the year 2006. For owner-occupation where the projected completions total 2,764 dwellings there is an available supply capacity of 1,398.

The low, mid and high estimates of need and demand have produced a wide range of results primarily based on different assumptions regarding the backlog of need and migration. The mid estimate of the backlog of need for social rented housing is regarded as the most likely outcome. The higher backlog may occur if the current waiting list underestimates the level of need or perhaps if the flow of applicants onto the list continue in line with recent trends. The lower backlog may occur if the waiting list overestimates the level of need although this seems unlikely. The low, mid and high estimates for owner-occupied housing are simply based on different household growth assumptions. Therefore the range of values is primarily affected by this variable, as the supply side variable remains constant.

Source: East Lothian Housing Needs Study Final Report 2001 (DTZ Pieda Consulting, Edinburgh)

**(c) Updating and improving HNA**

The final question to consider is how often HNA estimates should be updated. There is no definitive answer to this question.

- Often a first attempt at HNA will establish some key data gaps (such as income data) that need to be plugged as quickly as possible. In these instances updating estimates as soon as that new data can be sourced is often highly desirable. Table 8 provides an example of where an initial HNA has led to specific information gaps being identified that need attention.
- Where data is available, but future trends unclear (such as where house prices are increasing, but whether because of trend or cyclical factors is unknown) again regular and frequent updates (possibly annual) would be good practice.
- Where there is a lot of policy activity (which can be management rather than investment oriented) to address housing need and related problems, regular updating as part of monitoring and impact assessment is advisable.

**Table 8 Improving HNA estimates over time, East Lothian**

The present study has highlighted a number of weaknesses in terms of data collection and analysis and we would make the following recommendations in this regard:

We recommend the Council continues to develop its capacity to extract information from its housing management systems in particular with regard to:

- The actual number of housing list applicants by area applied for
- Tracking of more detailed information on people who have been removed from the housing list (particularly through cancelled applications and their propensity to re-apply for housing at a later date)
- Development of a simple model showing flows into and out of the housing list
- Systematic review of the housing list to monitor demand levels

We further recommend:

- That supply in the social rented sector is closely monitored in future years in order to assess the potential impact on the backlog of need
- The Council develops the capacity to access information on house sale prices in East Lothian (perhaps through the collection and analysis of Sasines data)
- The Council considers systematically collecting and collating information on the private rented sector (supply, costs etc)
- Future housing needs surveys specifically incorporate the ability to distinguish between emerging and concealed households

Source: East Lothian Housing Needs Study Final Report 2001 (DTZ Pieda Consulting, Edinburgh)

Under these circumstances updating on a yearly, or at most two-yearly basis would be advisable, but this would be relatively low cost, as much of the information used earlier would remain valid.

If once complete an HNA is sound, based on data and information that is generally agreed to be relatively correct and certain, and little in the way of policy or market driven activity is likely to change matters, updating is less important. Even here, if housing need is perceived to be a continuing problem, updating should not be left more than 3 years, and every 5 years a complete reassessment of need should be undertaken.

### Refinements to the ODPM approach

The ODPM/DTLR framework is very comprehensive. Local circumstances may suggest a HNA is unnecessary, but indicate one or other element of need should be focussed on, to the exclusion of others. For example, it may be pertinent to focus only on newly emerging need, or on a single element of backlog need etc.

A possible variant arises where the policy framework being used seeks the explicit identification of multiple needs (for example where households are overcrowded and also living in unsuitable accommodation for a household member with a particular need), or treats different elements of need (such as the different types of situation qualifying as backlog need) as being of different degrees of severity. This requires different types of need to be explicitly weighted in calculating overall need.

### Frequent weaknesses in HNA

Heriot Watt University recently surveyed [HNAs undertaken in Scotland<sup>7</sup>](#), to inform Scottish Executive funded training for council staff on housing needs assessment. Based on this and more generally their knowledge of HNA work in England, they concluded that HNAs frequently display one or more of a number of key weaknesses:

- Survey results are not cross-validated using other data, as a result of which backlog need estimates are often inflated.
- Stocks and flows are added together without understanding the difference between them.
- Errors are made in estimation and profiling of new need, often using projections that are dubious, and not consistent with other plans.
- Double counting (e.g. of RSL and Council waiting lists) inflates estimates.
- Low quality income data and affordability analysis underpin estimates
- Lack of attention is paid to private renting and low cost home ownership as possible sources of affordable housing.
- Absence of sensitivity analysis means the robustness of estimates is not clear.

Weaknesses or errors in an HNA can undermine the whole exercise. Undertaking HNA requires a lot of care and thought.

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<sup>7</sup> [http://www.lhs.scot-homes.gov.uk/links/link2/training\\_material.htm](http://www.lhs.scot-homes.gov.uk/links/link2/training_material.htm)

## Profiling housing needs: from HNA to LHSAs

### Painting the picture

In order to develop robust understanding of a local housing system, it is necessary to provide as meaningful a picture as possible of housing needs within it. This involves drawing conclusions on the scale and nature of housing need, including linking work specifically on community care housing needs as discussed in the previous chapter to work done on more general housing needs.

Housing Needs Assessment will generate answers to a number of fundamental questions:

- How many households are in backlog need?
- What is the form and nature of the backlog need identified?
- How much backlog need can be met without households having to move?
- How many households require public assistance to address their housing need?
- How many households in future are likely to be in housing need that requires public assistance?
- How is affordable housing supply adapting over time to meet existing and emerging housing needs?
- How robust are available estimates?
- How can these estimates be improved over time?

How to reduce and eliminate housing need will depend on the overall nature of the local housing system in which it arises. Understanding of this will depend on the outputs analysts have produced with respect to the other aspects of LHSAs work. How this information is best put together and used is the subject of chapter 13.

### Summary of outputs

Estimating housing need in a local housing system requires a lot of considered judgement, and good practice requires these judgements to be made explicit.

It is also likely to require the use of data from a number of different sources, and considerable care and skill to merge or cross validate this data, and to avoid potential problems of double counting.

The main outputs of HNA should be:

- A clear operational definition of need appropriate to the local context.
- An audit of existing and available information relating to housing need.
- An assessment of the numbers of households currently in some form of housing need, and an understanding of the form that need takes.
- A clear understanding of the amount of need that can be met without households requiring to move, and how much can't be met in situ.
- An assessment of how many in current need require some form of public assistance.
- An understanding of how much net new need is likely to arise in future years.
- An understanding of how current trends in affordable housing supply are likely to affect overall levels and forms of housing need.
- A forward plan for HNA work to improve and update available information over time, and increase the robustness of the other outputs listed above.