

8 HOUSING NEED BACKLOG: OVERVIEW

Purpose

- 8.01 As part of the housing brief relating to *Meeting South Hampshire's Housing Needs and Understanding the Local Market*, DTZ have been asked to verify the estimates of housing need prepared by PUSH in the first phase of work. This note presents these initial estimates and comments on the reliability. In the light of this we present broad estimates of likely housing need which need to be accommodated over the coming years. We also estimate the proportion of identified housing need that might be met through intermediate housing market products, as distinct from provision of social rented housing.

PUSH Estimates of Backlog of Housing Need

- 8.02 The PUSH report, *Meeting South Hampshire's Housing Needs and Understanding the Local Housing Market (October 2004)*, presented figures for the total estimated backlog of housing need, as shown below. The total backlog as presented in the PUSH report is estimated to be around 5,000 dwellings. The document also set out an estimate of newly arising housing need:

Table 8.1: Evidence from District Based Housing Needs Surveys, PUSH 2004

<i>District</i>	Total Estimated Backlog of Housing Need	<i>Annual Estimated Rate of Newly Arising Housing Need</i>	<i>Annual Estimated Affordable Housing Requirement*</i>	Source of Data
Eastleigh	359	861	672	DCA update 2004
East Hampshire (18%)	72	115	101	DCA 2002
Fareham	406	175	346	Cambridge 2002
Gosport	106	194	312	DCA 2003
Havant	950	190	408	Cambridge 2002
New Forest (40%)	558	439	387	DCA 2003
Portsmouth	1,386	320	680	Cambridge 2002
Southampton	679	3,054	1,441	DCA 2002
Test Valley (35%)	238	438	291	DCA survey 2002
Winchester (50%)	237	582	389	DCA survey 2002
Total	4,991	6,368	5,027	

**Assumes planning to meet backlog over 5 years*

Commentary on the Backlog and Annual Estimated Housing Requirement

- 8.03 The figures of the backlog of housing need were derived from Housing Needs Assessments undertaken by a number of different organisations. In one or two cases it would appear that incorrect figures were taken from these HNAs. We have amended these in our assessment below. More recent data is also available from some of the districts within the PUSH area, and in deriving new estimates of backlog we have drawn upon these new studies.
- 8.04 This paper is confined to the assessment of the backlog, but we have not been able to identify how the final figure for annual estimated affordable housing requirement presented in the Table 8.1 was derived. It is normal practice to assume that the backlog needs to be eliminated over a 5 year period so the annual estimated affordable housing requirement should *equal* the annual estimated rate of newly arising housing need *plus* 20% of the total estimated backlog of housing need. Clearly the final column in the table above has not been derived in this way.

Updating the Assessment of Backlog

- 8.05 It is also important to understand the derivation of the figures presented in Table 8.1. These are taken from two principal sources:
- Reports by David Coultie Associate ('DCA') Ltd: DCA have prepared HNAs and update reports for Eastleigh, East Hampshire, Gosport, New Forest, Southampton, Test Valley, Winchester.
 - *The South East Hampshire Housing Market Study* prepared by Enterprise LSE and Cambridge Centre for Housing and Planning Research ('Cambridge') for Fareham, Havant and Portsmouth (Gosport was also included in this study but the more up-to-date DCA report was used as the source for the above table).
- 8.06 Various other reports and updates have since been completed in the South Hampshire sub-region since the above table was completed: a Housing Study on Portsmouth by Fordham Research Ltd ('Fordham'), a new DCA report for Fareham, and an update of the DCA report for East Hampshire. New figures are available for the backlog of housing need from these reports and updates.
- 8.07 Table 8.2 shows data for the backlog of housing need based on the most recent Housing Needs Assessments. The backlog of housing need has apparently increased to over 7,000 dwellings. The source documents for this assessment are listed in the final column. It is worth noting in the light of our commentary on methods that the Cambridge study is now the main source of data only for Havant. It has been superseded in Portsmouth, Gosport and Fareham by more recent studies.

Table 8.2: Backlog of Housing Need in South Hampshire – Latest Estimates

District	Backlog Of Housing Need	Data Source
Eastleigh	359	2004 DCA Update
East Hampshire (18%)	72	2004 DCA Update
Fareham	515	2004 DCA
Gosport	529	2003 DCA
Havant	1,979*	2002 Cambridge
New Forest (40%)	558	2003 DCA
Portsmouth	1,861	2005 Fordham
Southampton	679	2002 DCA
Test Valley (35%)	238	2002 DCA
Winchester (50%)	237	2002 DCA
Total	7,027	

** Figure of Assessed Need based on Survey Results before averaging with Housing Register Numbers*

The Methodology for Calculating the Backlog of Housing Needs

- 8.08 In the revised estimate of housing needs backlog 8 out of the 10 estimates on backlog are derived from DCA studies, one from a Fordham study and one is based on the Cambridge Study. It is noticeable in the table above that both the Fordham and Cambridge studies produced figures for housing backlog that are of a quite different order of magnitude than the DCA studies. This is largely a product of different methodologies for assessment. It is therefore important to understand the differences in approach adopted by different consultants.

8.09 The methodologies employed by DCA, Cambridge, Fordham are broadly similar and broadly in line with the ODPM *Local Housing Needs Assessment: A Guide to Good Practice*. But there is one fundamental difference in approach which relates to the treatment of concealed households. DCA excludes such households from the assessment of backlog, but includes them in estimates of newly arising need. Cambridge and Fordham include concealed households in the estimates of backlog. This difference is apparent in the tables below which set out the Housing Need Backlog calculation used by each of the three consultancies.

Table 8.3: DCA Housing Need Backlog Model

1.	No. of households living in unsuitable housing.
2.	LESS no. of Council / RSL tenant households.
3.	LESS no. of households where an <i>in-situ</i> solution is most appropriate.
4.	MULTIPLIED BY proportion of households unable to rent or buy at lower quartile rate.
5.	PLUS no. of priority homeless in temporary accommodation
6.	EQUALS total housing need backlog.

Table 8.4: Fordham Housing Need Backlog Model

1.	No. of households living in unsuitable housing.
2.	LESS no. of Council / RSL tenant households.
3.	LESS no. of households where an <i>in-situ</i> solution is most appropriate.
4.	MULTIPLIED BY proportion of households unable to rent or buy at minimum rate.
5.	PLUS no. of non-households (comprising priority homeless in temporary accommodation <i>and</i> concealed or hidden households).
6.	EQUALS total housing need backlog.

Table 8.5: Cambridge Housing Need Backlog Model

1.	No. of households living in unsuitable housing (including concealed or hidden households).
3.	LESS no. of households where an <i>in-situ</i> solution is most appropriate.
4.	MULTIPLIED BY proportion of households unable to rent or buy at lower quartile rate.
5.	LESS the average of this figure and the total on housing registers.
6.	EQUALS total housing need backlog.

8.10 The implications of this is that estimates of backlog of housing need produced by Fordham and Cambridge will always be significantly greater than those produced by DCA. The emerging LHA guidance indicates that concealed households should be included in the assessment of housing need and hence backlog. But a concealed household is defined as ‘couples, people with children or single adults over 25 sharing a kitchen, bathroom or WC with another household’.

- 8.11 We suspect that in many assessments of housing need this strict definition of a concealed household is not adopted. Many survey questionnaires simply ask for information about whether there is someone in the household who intends to move out of the dwelling to their own home. Affirmative responses to this question do not mean that there is a concealed household. Nor since they ask about plans do they in fact necessarily imply newly arising need, since people may not move out.
- 8.12 It is not possible to rebase in any precise way the data for Portsmouth and Havant to conform to the DCA approach. But an indication of the scale of the adjustment that would apply can be derived by looking at the Fordham study for Portsmouth. Potential households account for 57% of the estimated total Housing Need Backlog in Portsmouth.
- 8.13 Fordham identify as part of the backlog in Portsmouth 1,121 non-households. These 1,121 non-households comprise 59 homeless households (which are included in DCA's calculations), and 1,062 potential households (which are *not* included in DCA's calculations). Thus if one were rebasing all Housing Needs backlog figures to the DCA approach then one would subtract around 1,060 from the housing needs backlog figures for Portsmouth, with a resultant backlog estimate of 800 for Portsmouth.
- 8.14 A similar adjustment would need to be made to the Havant figures, where the figures are based on those provided by Cambridge. However the Cambridge approach has one other significant difference with both the DCA and Fordham approach. Cambridge calculate their figure for Housing Need Backlog in a similar manner to Fordham and then find the 'average' between this and the total number of people on the housing registers. Thus their figure for all of South East Hampshire was:

$$\begin{aligned} & 7,150 : \text{Estimate of backlog of housing need} \\ & + 11,131 : \text{Total on housing registers in the sub-region} \\ & = 18,281 \text{ divided by 2} \\ & = \mathbf{9,141} : \text{Total Housing Need Backlog} \end{aligned}$$

- 8.15 The rationale for this approach is not entirely clear from the Cambridge report and would not seem to conform with the ODPM's current or emerging guidance. We have therefore reported in Table 8.2 the Cambridge assessment of backlog of housing need based on their survey analysis **before calculating the average with the numbers of people on the Housing Register**. Cambridge identified 1,450 hidden households so rebasing the Havant figures to exclude these would indicate that the figure of backlog for Havant based on the DCA methodology would be around 530 households.
- 8.16 The two methodological issues outlined above are the major points of difference between the approaches adopted by different consultants. Other differences are likely to produce less marked differences in the backlog of housing need. Points of difference to note are as follows:
- DCA use lower quartile house prices and rents in their affordability calculation; Fordham calculate affordability on the basis of *minimum* (which we interpret as entry level) prices and rents.

- It appears that Cambridge, unlike DCA and Fordham, do not make allowance for Council / RSL tenant households in their calculations. By implication DCA and Fordham are assuming that all Council and RSL tenants living in unsuitable housing have an *in situ* solution.
- 8.17 All the consultancies use surveys to establish the backlog figures, though as noted above Cambridge then average the resultant survey-based figure with the number of people on the authority's housing register. DCA and Fordham have generally based their analysis on postal surveys, though the DCA Southampton survey was conducted on a face-to-face basis. Cambridge utilised face-to-face surveys.
- 8.18 Difference in survey methodologies may affect how robust the results of the analysis are, but should not lead to fundamental differences in estimates of the housing needs backlog. They are much more likely to result in differences in the fine grain information that can be derived from the surveys. Face to face surveys are more reliable and can go into greater depth, but are more expensive.

DTZ Assessment of Backlog of Housing Need

- 8.19 Given that figures are available for housing needs backlog based on the DCA methodology for 8 out of the 10 authorities, it seems sensible in seeking to establish an overall estimate on a consistent basis of housing need to rebase the figures for Portsmouth and Havant as if the DCA method had been used. This would indicate that across South Hampshire the backlog of housing need amounts to some 4,500 households *excluding concealed households*.

Table 8.6: Rebased Backlog of Housing Need in South Hampshire – Latest Estimates

District	Backlog Of Housing Need	Data Source
Eastleigh	360	2004 DCA Update
East Hampshire (18%)	70	2004 DCA Update
Fareham	515	2004 DCA
Gosport	530	2003 DCA
Havant	530	DTZ rebased 2002 Cambridge
New Forest (40%)	560	2003 DCA
Portsmouth	800	DTZ rebased 2005 Fordham
Southampton	680	2002 DCA
Test Valley (35%)	240	2002 DCA
Winchester (50%)	240	2002 DCA
Total	4,525	

** Figure of Assessed Need based on Survey Results before averaging with Housing Register Numbers*

- 8.20 It of course needs to be noted that the surveys date from different periods over the last 3 years, and thus are not totally up to date. However DTZ would not expect the differences in the survey dates to be any more of a factor leading to inaccuracy than those arising from sampling error. It is much more important to bear in mind that the above estimates exclude all concealed households. DTZ intend to explore if information on concealed households can be derived from the 2001 Census.

Intermediate / Low-Cost Home Ownership Housing Figures

- 8.21 A key issue for the PUSH authorities is how much of the housing needs backlog might be met by provision of intermediate housing products, such as low cost home ownership. It is not possible given the information contained in the district Housing Needs Assessments to undertake a precise calculation of how many households in needs might be able to afford an intermediate housing product. But some broad estimates can be made by using data from some of the more detailed Housing Needs studies, and interpolating between districts.
- 8.22 We have developed an estimate of the proportion of those identified as being in housing need using the approach outlined below. We have defined intermediate housing in the following way:
- the upper income threshold (A) for intermediate housing is defined by the level of household income at which point it becomes possible for the household to rent in the open market – in all cases, this has been determined by the minimum possible level of rent payable for a 1-bedroom flat (the cheapest dwelling type) in the district.
 - the lower income threshold (B) is defined by the level of household income at which point the household can afford to rent over and above the social rented market – in all cases, this has been determined by average RSL rents for 1-bedroom dwellings in the district.
- 8.23 Estimates for intermediate housing cover, therefore, this intermediate income level between the social rented and the open markets. The assumption has then been made that households should spend no more than 25% of gross income on housing in order to map income levels and rental costs. This is in line with guidance on this issue.
- 8.24 Having defined income thresholds for each of the districts, income data has been utilised to determine the proportion of the total population whose income falls below each threshold (C and D). On this basis, an estimate of the *proportion* of housing need that can be met by intermediate housing is provided (E).
- 8.25 The estimated *amount* of Housing Need Backlog that can therefore be met by intermediate housing (G) is calculated by applying this percentage (E) to the Backlog of Housing Need set out in Table 8.2 above (F). This enables the calculation of the quota required to clear the backlog of intermediate housing need over a 5 year period (H). With some differentiation across the sub-region, it is estimated that around 35-50% of housing need could be met by intermediate housing, equating to just under 2,000 households.

Table 8.7: Estimated Backlog of Intermediate Housing Need

Proportion of district used	District	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)
		Upper Income Threshold, £s per week	Lower Income Threshold, £s per week	Estimated % of households below upper threshold	Estimated % of households below lower threshold	% of Housing Need that can be met by intermediate housing (C-D)/C	Housing Need Backlog	Amount of Backlog that can be met by intermediate housing (FxE)	Quota required to reduce backlog over 5 years (Gx0.2)
100%	Eastleigh ¹	333	256	40%	15%	63%	360	225	45
18%	East Hampshire	388	248	45%	14%	69%	70	48	10
35%	Test Valley ¹	365	212	30%	15%	50%	240	120	24
40%	New Forest ¹	323	252	35%	17%	51%	560	288	58
100%	Portsmouth ²		260			46%	800	368	74
100%	Fareham ³	365	264	39%	25%	35%	515	181	36
100%	Gosport ³	277	252	27%	24%	13%	530	67	13
100%	Southampton ³	300	252	30%	24%	22%	680	148	30
50%	Winchester ³	351	276	37%	27%	27%	240	66	13
100%	Havant ⁴		248			38%	530	199	40
	Total					38%	4525	1710	342

Notes on Figures:

1. *For the districts of Eastleigh, East Hampshire, Test Valley, and New Forest, it was possible to establish satisfactory income thresholds, and then use income distribution data to estimate the proportion of households with income below each of the thresholds.*
2. *For Portsmouth, the figure for (E) could be taken directly from the Housing Needs Survey, since the methodology used in the report includes analysis of Intermediate Housing Need.*
3. *For the districts of Fareham, Gosport, Southampton and Winchester, whilst it was possible to establish the necessary income thresholds (A and B), data on income distribution in the relevant Housing Needs Survey was not detailed enough to estimate the proportion of households with income below the thresholds. Therefore for these districts, regional income distributions have been used as a proxy (Source: Office of National Statistics).*
4. *For the Havant district, it was not possible to establish minimum private rental levels. Therefore the figure for (E) is a simple average of the other districts analysed.*

Conclusions

- 8.26 DTZ estimate that the backlog of housing needs across the PUSH sub-region to be about 4,500 households/dwellings *excluding concealed households* defined as ‘couples, people with children or single adults over 25 sharing a kitchen, bathroom or WC with another household’. We are investigating means to estimate the numbers of concealed households thus defined. We expect that this may take the figure for backlog to in excess of the 5,000 households/dwellings identified in the original PUSH analysis of backlog.
- 8.27 On the basis of information contained in existing surveys, DTZ estimate that around 35-50% of the backlog of housing need might be met by provision of some intermediate housing products. However this estimate is based on the ability of households in needs to afford such products. It cannot be taken as meaning that such products will be acceptable to these households since there is considerable lack of market awareness.
- 8.28 While the estimate of backlog of housing needs has been estimated based on current guidance on housing need assessment, DTZ would note that many people defined as being in housing need may find a market solution to their housing requirements. This may be because their circumstances change; they can draw upon income or capital from other members of the family (sometimes through inheritance); they can access mortgages in excess of that assumed in affordability models; or they are willing to spend more of their income on housing than the needs assessment model assumes. This pattern has indeed been apparent in findings of recent Housing Needs work. For example, a county wide Housing Needs Assessment in Gloucestershire found that around half of all those who would have been assessed to be in housing need a year prior to the survey found a market solution to their housing needs in the course of the year following.
- 8.29 The notion of a housing needs backlog is therefore a very fluid concept, though it can sound as if it is static. Households are continually moving out of ‘housing need’, while others are falling into housing need.

Addendum – Response to Comments Made on Draft Report

- 8.30 In regard to queries relating to intermediate rent-levels and income-thresholds, there is some confusion because DCA seem to have changed their methodology since the first round of HNAs in 2002:
- The DCA 2002 HNAs used income thresholds on rent at "**30% of gross income**".
 - More recent DCA HNAs used income thresholds on rent at "**25% of gross income (equivalent to 30% of net income)**".
 - Fordham, in their Portsmouth study, employed a sliding percentage-scale depending on income, starting at "25% of net income" for up-to-£15k incomes and rising to "35% of net income" for over-£40k incomes. However, given the general salary figure involved in affordability calculations, it is the "**25% of net income**" figure that is most relevant here.
 - The Cambridge report gives no utilisable data
 - Clearly, from the sub-regional perspective, standardisation of income-thresholds is desirable. It should be noted, however, that guidance on this issue allows for some flexibility ...
 - *'These rent:income ratios are normally calculated comparing rent with net income.....A threshold level of 25-30 per cent of net income may be adopted.....Where the appropriate entry level [property] price equates to a higher proportion of a household's income, the household is deemed to be in need of subsidised housing'. (ODPM Guidance)*
 - *'To calculate the affordability of private renting, net income is used. A household cannot afford to rent if a suitably sized property is more than 30 per cent of net income. This percentage can be reduced to 25 depending on local circumstances, but this must be justified in the report'. (SEERA Guidance)*
 - In our above table, *Estimated Backlog of Intermediate Housing Need*, we have:
 - taken DCA's income threshold figures from each HNA report;
 - applied DCA's more recent methodology to the Cambridge study for Havant – 25% of gross income (equivalent to 30% of net income);
 - taken Fordham's income threshold figures from their Portsmouth report.
- 8.31 In regard to the query relating to concealed households, an interesting point is that the 2001 Census reports 2833 'concealed families' in South Hampshire (we have amended this figure pro-rata where relevant, ie in East Hants, New Forest, Test Valley and Winchester).
- 8.32 Our above table, *Rebased Backlog of Housing Need in South Hampshire - Latest Estimates*, calculates a backlog of housing need amounting to around 4,525 households excluding concealed households. On the basis of the Census data applying this methodology, the figure of 2833 would need to be incorporated into the Annual Estimated Rate of Newly Arising Housing Need.
- 8.33 In regard to the query around the various provisos in the above table, *Estimated Backlog of Intermediate Housing Need*, two altered version of the table are provided below. These include actual figures for Havant rather than figures based on an average of the other districts. One table is based on Housing Corporation data from 2002; the other table is based on discussions with Havant Council. The figures increase the annual quota required to reduce backlog over 5 years only very slightly – from 342 to 344 in the first instance, and from 342 to 362 in the other instance.

**South Hampshire Housing Market Assessment
29 April 2005**

Proportion of district used	District	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)
		Upper Income Threshold, £s per week	Lower Income Threshold, £s per week	Estimated % of households below upper threshold	Estimated % of households below lower threshold	% of Housing Need that can be met by intermediate housing (C-D)/C	Housing Need Backlog	Amount of Backlog that can be met by intermediate housing (FxE)	Quota required to reduce backlog over 5 years (Gx0.2)
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100%	Southampton ³	300	252	30%	24%	22%	680	148	30
50%	Winchester ³	351	276	37%	27%	27%	240	66	13
100%	Havant ⁴	360	248	38%	23%	39%	530	209	42
	Total					38%	4525	1719	344

Source: Housing Corporation Data 2002 for Havant

Proportion of district used	District	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)
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100%	Southampton ³	300	252	30%	24%	22%	680	148	30
50%	Winchester ³	351	276	37%	27%	27%	240	66	13
100%	Havant ⁴	415	248	53%	23%	57%	530	300	60
	Total					40%	4525	1810	362

Source: Havant Council for Havant

8.34 In regard to queries raised on Table 8.1, this table is taken directly from p.10 of the PUSH report, *Meeting South Hampshire's Housing Needs and Understanding the Local Housing Market (October 2004)*. In reference to the figure presented in this table for backlog for Southampton of 679, this is presented on p.17 of the 2002 update of the DCA survey undertaken in Southampton. This survey was outlined in an e-mail by Jo Ivey to be the most up to date survey data available for Southampton.