Review of Housing Need Assessment Formula for the Northern Ireland Housing Executive

November 2010

Introduction

This report presents the findings from a short review of the housing need assessment (HNA) formula used to create a 'bottom up' estimate of housing need.

This approach to HNA sits alongside a separate calculation of need derived from application of a net stock model (NSM) developed by the Housing Executive in partnership with the University of Ulster.

Five specific objectives were identified in the terms of reference for this review:

- To examine the continuing validity of the HNA formula in the light of changing housing market conditions – in particular, the growing private rented sector, a potential fall in household formation rates, and severe constraints on public finance for housing.
- To review the mechanics of the formula and to provide advice on whether a simpler formula could be used without adversely affecting the validity of the HNA.
- To provide an indication of the robustness of Northern Ireland's Common Waiting List as the basis for assessing the need for social housing.
- To advise on the practicality of reconciling the bottom up HNA with the top down Net Stock Model, taking account of:
    - The issue of geographical mismatches – in particular those brought about by housing market boundaries based on religious affiliation.
    - The issue of the backlog which has arisen since 2001 as a result of the lack of sufficient funds to enable identified housing need to be met.
- To provide an assessment of the application of sensitivity analysis to the gross figure emerging from the HNA formula to take account of local knowledge/housing market trends.

These objectives are considered in turn in the following sections of the report.

A final section summarises conclusions.

Continuing validity of the HNA formula

Nearly all projections are based on the search for meaningful stable patterns in the past that continue to hold relevance both for the present and the future. Where these projections relate to or depend on economic systems and markets, they must cope with the complication that such systems and markets evolve under the influence of three separate factors:

- Long run trends
- Short to medium term cycles
- Unforeseen, one off 'shocks'

To complicate things further, these three factors can interact, with a big enough shock capable in principle of altering the amplitude/duration of a cycle, or the course of a long term trend.

The recent credit crunch was a very big shock indeed. It ushered in an economic downturn of considerable magnitude – from peak to trough, UK GDP fell (the economy contracted) by 6.2% - marginally more than in the 1979-80 recession (6%).

The housing market profile of the current recession is very different to that experienced in 1979-80 (or in the subsequent recession of 1989-91, which saw a peak to trough GDP fall of 2.5%), in major part because of differences in the fiscal and monetary policy positions leading into them, and the policy responses occasioned by them. Currently, monetary policy is super-loose, and fiscal policy has also been very accommodating. While essential short term, these policy positions are not desirable or sustainable long term, and as they unwind more economic misery will be unleashed. In essence, what policy has done is to avoid a short term economic meltdown by putting in place a way of spreading the pain over a number of years[1].

Over the medium term economic growth will be below long term trend (historically around 2.75% for the UK as a whole), but the long term trend <u>will</u> re-establish itself, the cyclical downturn <u>has</u> ended (although a further short term fall cannot be entirely ruled out), and the shock <u>will</u> work through. In this sense, nothing fundamental has really changed.

<u>Public Finance</u>

As the terms of reference for this study note, the consequences of medium term fiscal policy correction will, in all likelihood, prove very hard on public finance for

[1] There has been a UK election since this was initially written in March, and fiscal policy is now in the process of being rapidly tightened to avoid an otherwise anticipated sovereign debt crisis. Moreover, in light of inflation remaining at a consistently higher level than Bank of England expectations there is now increasing talk amongst economic commentators of interest rates rising faster than was being projected earlier in the year.

housing. It is to be expected that budgets for new social housing provision will diminish significantly. Revenue budgets, such as Housing Benefit, will also come under more downward pressure. If this happens, both the demand for and supply of private renting could be dampened, and the affordability of the sector could deteriorate[2]. At the same time, rising interest rates, as monetary policy begins to normalise, will increase the real (user) cost of housing (Oxford Economic Forecasting, 2009), and create additional affordability pressures for some households[3].

Households affected in these ways will continue to respond (as they do now and where they feel this is appropriate) by applying for social housing. Therefore, as long as the criteria set for being accepted as in housing stress remain valid, and the way in which these numbers inform projections remains suitable (these are issues discussed under later) shock/cyclically driven short and medium term changes in demand for social housing will continue to be appropriately reflected in the numbers subsequently assessed to require some housing policy assistance.

A different issue is that of whether the formula remains valid in a situation where the resources available to respond to it deteriorate markedly. However, this is a political issue, and there is no underlying reason why the measurement of need should be functionally tied to the amount of resource available for responding to it.

Household Formation

Some people may choose to respond to harsher economic conditions by postponing household formation. Unfortunately, the literature on the economics of household formation is not an extensive one, and our understanding in this area is not well founded.

- On the basis of a wide ranging literature review, Bramley et al (1997) concluded that the responsiveness of household formation *per se* to economic conditions is rather weak, and that economic considerations affect tenure choice to a much greater extent than they do household formation.

- More recently however, Meen and Andrews (2007) have argued that worsening affordability conditions for new households, combined with a lack of compensating policy response, can act to choke off otherwise anticipated

[2] The emergency Budget on 22nd June announced £11 billion of cuts from the welfare budget, of which £1.8 billion will be in the form of Housing Benefit (HB); the most significant impact of these cuts will be experienced by tenants in the private rented sector. Local Housing Allowance caps will be introduced from April 2011 and from October 2011 LHA will be set at the 30th percentile rather than the median. In future LHA uprating will be linked to the Consumer Price Index rather than on the basis of local rent rises, and non dependent deductions will increase. In addition, HB awards will be reduced to 90% after 12 months for claimants of Job Seekers Allowance.

[3] See footnote 1; one commentator has recently predicted base rates of around 8% by 2012 http://www.bbc.co.uk/news/business-11052076 (although this is very much a minority view).

new household formation. One would anticipate as a corollary to this that the number of hidden and concealed households would increase also.

On balance, there is no compelling reason at this time to assume that the recent recession has fundamentally altered long run household formation patterns in Northern Ireland. But as our understanding of the household formation effects of economic conditions is limited, this conclusion should be treated as tentative, and actual household formation should be closely monitored over the next few years.

Private Renting and Housing Need

The private rented sector (PRS) in Northern Ireland grew from 30,000 units in 1991 to at least 81,000 units (and possibly to something considerably more) by 2006 (Housing Executive, 2009a). Adair et al (2009) report that, in the period leading up to the credit crunch, the buy to let (BTL) market became the key driver of house price growth in Northern Ireland, with 'supply' growing at over 9,000 units per annum over the period 2004-6.

However, the vacancy rate associated with the PRS is nearly three times that for the stock as a whole, reflecting both the extent to which BTL activity in the recent past was predicated on securing capital gains rather than rental income, and the higher turnover rate associated with private renting generally.

From a needs perspective, it also matters what the clientele now and in the future actually is for the growing sector. If the growth in private renting is simply meeting the requirements of households that would previously have been buying unassisted on the open market, then that growth holds little advantage for meeting the needs of those traditionally reliant upon the social rented sector.

Available data is not conclusive on this matter. By 2006 around 45% of private tenant households were in receipt of Housing Benefit, and this proportion was increasing. Moreover, recent strategy work regarding the sector has been explicitly geared towards realising its potential for helping to meet housing need.

At the same time, those housed in the PRS are free to apply for social rented housing at present, and are assessed as in need if their circumstances are such that they are awarded sufficient points under the housing selection scheme.

In terms of the Housing Executive HNA formula, neither affordability (of renting or owning), nor availability of private rented accommodation enter the primary (stage 1) calculations of housing need in any formal sense. Rather, once overall need is calculated (on the basis of points awarded under the housing selection scheme, details of which are provided in Annex 1) a stage 2 sensitivity analysis is carried out.

This is a sensible and defensible way of approaching the matter, provided sensitivity analysis is conducted robustly.

Formula mechanics

The current assessment formula[4] starts by projecting housing need (PHN) as:

$$PHN = \alpha + \beta + \gamma$$

Where

α Is the current number of applicants in housing stress

β Is the annual average allocation to applicants in housing stress, projected forward 5-7 years

γ Is the net average change in stress, also projected forward 5-7 years

The first term involves actual numbers in housing stress at a point in time, which can change significantly from one year to the next, as the following table demonstrates:

Households in Housing Stress (as at March)						
	2004	**2005**	**2006**	**2007**	**2008**	**2009**
Northern Ireland	14,163	15,534	17,228	19,708	21,364	20,499
Newry District	633	744	924	1,071	1,107	1,102
Waterloo Place District	410	459	498	511	556	601
Shankill Sector	300	308	322	357	385	376
Ballymena Town	308	349	457	546	611	589
Crumlin	76	64	66	90	85	74
Westbank	408	456	492	500	549	597
Magherafelt	88	98	95	125	130	134
Bangor Urban	534	552	647	750	771	784
Hollywood	151	148	162	174	192	168
Newry City	276	333	435	500	510	538
Crossmaglen	44	48	41	46	52	43
Larne Town	102	99	104	142	155	130
Gtr West Belfast Sector	1,604	1,722	1,759	1,971	2,099	2,144
East Belfast Sector	891	939	1,008	1,126	1,224	1,166

It is desirable that the process of measuring core need for social housing generates stable numbers and that cyclical and temporary effects are removed as far as possible. In terms of the above equation, this might be better achieved by using a

[4] Annex 2 provides a numerical worked example using the current formula.

multiyear average of the number of households in housing stress in place of the actual numbers at the end of each financial year[5].

Over time, change in actual housing need is reflected in new registrations on the common waiting list of households assessed to be in housing stress, minus deletions from the list of households in housing stress whose circumstances change. The second and third terms used in the above equation in the calculation of projected housing need are basically proxy measures for registrations and deletions data because new waiting list registrations and deletions are only available at District level, whereas the bottom up approach identifies need at the geographically smaller common landlord area level. It would be sensible for the Housing Executive to begin recording registrations and deletions at common landlord area level to improve the robustness of the local housing needs assessment process. However, in the absence of this data, the approach taken is a reasonable one.

Projecting Social Housing Supply

Projected housing supply is computed as the average number of annual relets multiplied by 5, plus the number of voids not pending sale/demolition at the start of the projection. Projected housing supply is computed as follows:

$$PHS = \sigma P + \pi$$

Where

σ	Is the average number of annual relets
P	Is the number of years covered by the projection
π	Is the number of voids not pending sale/demolition at the start of the projection

This seems simple and generally sound, although it could be argued that in practice including regular voids in the calculation – those associated with normal levels of turnover activity – is inappropriate (as the net stock model recognises[6]).

[5] In principle a suitable moving average expression might be used to project housing need forward without the use of additional terms. In practice, significant further work would be required to determine the acceptability of such an approach, including work to establish the optimal number of years to average across as the basis for such projections; all that is being suggested above is the more modest goal of avoiding changes in the actual number of people in housing stress from one year to the next leading to unstable estimates of need.

[6] The NSM uses a vacancy rate of 2% for new social stock. Housing Executive data suggests 1,900 voids against a stock of around 114,000, or 1.7%. It is hard to see how it could ever be much lower than this at any given point in time.

Projecting Social Housing Need

The final stage involves subtracting projected supply from gross need, giving the estimated need for new social housing.

At this stage an allowance of an average year's relets is also subtracted from the gross need total. This involves a policy choice that underlying need should not be allowed to fall to zero. This latter choice, like any other policy decision, is a value judgement that is completely valid in its own terms, but for the measurement of need there is no intrinsic requirement for this adjustment.

On balance therefore, the current approach is sound and, given current data limitations on new registrations and deletions in particular, there is little scope to simplify the current housing needs assessment formula in a way that retains the underlying conceptualisation of need. However, consideration should be given to replacing the use of current housing stress in the projection of housing need with an averaged term to avoid potentially large jumps in the overall estimate of need from year to year.

Robustness of the CWL as a basis for assessing needs

The Common Waiting List (CWL) is used for housing need assessment by means of allocating points to applicants for social housing on the basis of their assessed housing circumstances via the Housing (common) Selection Scheme (HSS) (Housing Executive, 2009b). Those found to have a points total in excess of a defined minimum (currently 30 points) are considered to be in housing stress, or housing need (Housing Executive, 2007).

The determination of what circumstances should be considered to represent a household in need (i.e. what conditions attract points, how many points each housing circumstance attracts, and what total is sufficient to merit a policy response) is a normative measure of need (Bradshaw, 1972). In this specific instance the norms have been set by the Housing Executive and agreed by the Department of Social Development.

The grounds on which this characterisation of housing need in Northern Ireland might be challenged are as follows:

- Normative need is an inappropriate basis for measuring need.
- Underlying conditions have changed and the norms are no longer appropriate.
- Waiting list evidence is not robust enough to measure need.
- The procedures use to maintain the list reduce its suitability for measuring need.

These are considered in turn

Is normative need the right basis for measuring need?

In practice, normative need measurement is the near universal basis for needs assessment in housing in the UK and it seems wholly appropriate from both practical and ethical perspectives for this to continue to be the case in Northern Ireland.

Have underlying conditions changed so much that the norms used are no longer appropriate?

The issue here is whether there are aspects of housing circumstances reflected in the House Selection Scheme (HSS) that from a social perspective are no longer relevant in the measurement of need, or conversely whether there are conditions that reflect need that are not being taken into account by the HSS.

The way in which HSS currently awards points is summarised in Annex 1. Consideration of Annex 1 prompts the following thoughts:

- The scheme does not give explicit recognition to affordability.

In some parts of the UK, needs assessment does give explicit weight to the extent to which households directly report accommodation as too expensive, although the extent to which this occurs may be reducing over time. There are also instances where affordability is directly calculated in the assessment of existing household need (usually on the basis of survey evidence).

Not to include affordability directly in the allocation of points under the HSS is not necessarily a shortcoming however. Affordability is already reflected indirectly in other categories, to the extent that it is the cause of households sharing, or finding themselves homeless etc. More generally, it is hard to see how the HSS could take affordability directly into account, at least at present, as the application process does not collect comprehensive income information (Housing Executive, undated).

- Intimidation is heavily pointed within the HSS, which from a historical perspective is entirely understandable. Over time, and depending on the continued normalisation of community relations, the interpretation of intimidation may begin to approximate the less serious notion of 'harassment' as applied in some other parts of the UK in the measurement of need. However, it should also be said that some have questioned the relevance of this type of indicator as a measure of need, given that the problem is vested not in housing per se, but in the inappropriate activities of other people, which critics go on to suggest should be the proper focus of policy response.

These comments aside, the range of factors covered in the HSS do give a good basis for the measurement of need.

Is list based evidence a robust basis for measuring need?

There are at least three aspects to this issue:

- The extent to which use of a waiting list as the basis for measuring need is comprehensive.

- Whether the list is open to distortion because of 'strategic behaviour' on the part of those applying.

- The extent to which the manifestation of need on the list is influenced by the actions of those who 'gatekeep' it.

Taking these in turn:

- The Housing Executive is aware of the problem that not all in need necessarily apply, specifically in the form of under-reporting of rural housing need. To address this, rural latent demand testing is undertaken. This may only partially

address the issue however, as there may be urban areas where this holds true also.

More generally, there may be other reasons (such as personal pride) why people in normative need do not apply to the list, although there is no reason to assume other approaches will necessarily be more successful at surfacing this type of need.

- While some people in need may not apply for social housing, some who are not in need may choose to do so. The HSS acts as a filter in this regard, but there may also be some applying who meet the criteria of being in normative need, but have no intention of taking up an offer of social housing unless their current circumstances change further. Studies on the UK mainland have identified situations where people have applied for social housing simply as a form of insurance against more difficult times, and the numbers that do so may change in proportion to how difficult the future seems. If there are people assessed to be in current normative need, but not prepared to accept any offer of housing given, there is a fair question to be posed about the extent to which the norms being used to quantify need are appropriately set. However, I have no evidence base to inform further consideration of this.

- The final issue relates to the extent to which those involved in the housing management process influence application behaviour. Work on the UK mainland has shown that there are instances where:

  - People are dissuaded from applying at all because they are advised by housing officers that there is no likelihood of rehousing.

  - People are counselled to apply for particular types of housing, or to express an interest in particular areas only, in order to improve their chances of rehousing.

  Again I have no evidence base to inform further consideration of these matters, and raise them merely for the purpose of providing a comprehensive overview of possible issues.

Up to around 5 years ago, the prevailing wisdom in mainland UK housing need assessment work was very much one of housing survey evidence being superior to waiting list data for the quantification of need. However, the most recent guidance in England, Wales and Scotland has rebalanced this towards a presumption that secondary data sources, including waiting lists, are at least as good as bespoke survey evidence for this purpose.

There does remain the issue of ‘triangulation’ of evidence though, defined as using alternative data sources for the purpose of confirming the robustness of estimates derived using preferred data sources. The Northern Ireland House Condition Survey offers a natural data source to consider for this purpose, either in terms of the overall level of backlog need for the province as a whole, or (depending on sample size) for regional subtotals, and if it is not currently used in this way I think it would be useful for the Housing Executive to investigate this further.

Are the procedures used for maintaining the list suitable for supporting its use in calculating need?

This relates to how assiduously the list is maintained, in terms of removal of ‘deadwood’ etc. Good practice involves re-registration of applicants awaiting housing on a regular (annual) basis, and regular re-assessment of circumstances to ensure that the extent of household need continues to be accurately recorded. I have no basis for assuming these tasks are not conducted to the highest standards, and again mention the issue for the sake of completeness.

The practicality of reconciling the bottom up HNA with the top down NSM

Why do they generate different numbers?

There are several reasons why the two approaches may give different estimates of need.

Calculations were conducted at different times

Where this is the case, later calculations may well be based on newer and hence more accurate data. However, the two calculations considered for this study were probably conducted within a few months of each other, so this is not likely to be a major factor.

The approaches embody different conceptions of need

This is a fundamental consideration.

Elsewhere in the UK, best practice guides on needs assessment break the overall total down into two distinct components; backlog (current) need and newly arising (future) need[7]. These two components are then calculated separately:

- Backlog need estimates are normally based on who is applying for social housing and why (housing registers) or on survey (sample) based information on current circumstances.

- Newly arising need estimates are typically founded on (gross) household formation projections, either survey based or modelled.

Net stock models, which use net household projections rather than gross (that is the household projections are adjusted for household dissolution and migration as well as formation), are not currently a primary method for establishing housing needs estimates in mainland UK. However, for a decade now, mainland UK guidance has recommended net stock modelling as an important way of 'sense checking' social housing requirement estimates arising from disaggregated needs assessment exercises (Bramley et al, 2000), albeit without specifying precisely how to do this.

Using the above discussion to benchmark the approaches used in Northern Ireland against those elsewhere, and against each other:

- The HNA formula method concentrates principally on the measurement of current need, using this to proxy newly arising need without explicit recourse to household projections.

[7] However in practice there is often some overlap at the measurement stage – for example where concealed households are treated as both part of the backlog and part of newly arising need.

- The NSM approach concentrates principally on the measurement of newly arising need through explicit use of (net) household projections, using this to proxy the growth of backlog need over the projection period without explicit recourse to other forms of evidence[8].

The two approaches also differ of course in the extent to which they model explicitly what is happening in the private housing sector, and the NSM also effectively makes an assumption not necessarily shared by the HNA formula approach, which is that any increase in the private rented sector will meet a requirement that will otherwise require social housing[9].

The approaches use different geographic bases for calculating requirements

The geographic scale at which need is calculated is an important consideration also. Work by Bramley in the Scottish context, involving the application of the same conceptual model of need at differing spatial levels, consistently shows that the bigger the area considered (all other things equal) the lower the level of need recorded. The reason for this is that bigger areas will encompass both high pressure areas, and low pressure areas. Calculated separately, the high pressure areas register positive need, but treating high and low pressure areas as a unitary whole involves the assumption that need in the high pressure area can be met through available supply in the low pressure area – that is to say overall need estimates are typically reduced through a process of averaging out across high/low pressure areas.

This issue is the nub of the problem of mismatches brought about by housing market boundaries based on religious affiliation, but this is simply one specific manifestation of a more general issue that resonates across the UK in other forms. In particular, it is the basis of criticism of housing needs assessments typically offered by rural interests - but even in urban areas it is common to find 'nice' areas with high demand cheek by jowl with 'less nice' areas of low demand, and arguments being made for and against their combination.

Another important practical consequence of conducting needs assessment at smaller geographic area levels is that, in most cases, the smaller the area, the more open it is likely to be, and therefore the less robust the needs estimates are likely to be also. As new social housing is a long term solution, its provision should be based on robust estimates of need.

The strength of religious affiliation within an area will probably be an enduring phenomenon, making estimates of need based on small areas reflecting this phenomenon more robust than other factors might. However, the extent to which

[8] Paris (2008) fairly points out however that the inclusion of concealed households and those in temporary accommodation also address backlog need in part.
[9] The extent to which they agree on this depends on what happens at the second stage of the HNA formula based assessment.

household feelings of local ties, whatever these feelings are based on, are to be acknowledged in the calculation of need, is a value judgement, and hence still a policy decision.

The approaches employ different datasets for measuring specific elements of need calculations

In principle, two calculations based on the same definition of need could differ simply because the data used to measure specific things (such as the affordability of housing) is different and points to a different conclusion. In practice, this is not likely to be a big issue in the present context however as the conceptual distance between the two models of need being used means that there are few places where common data issues arise.

Can they be reconciled?

In practice, it would be impossible to formally reconcile the needs estimates generated by the two principal approaches to measurement used in Northern Ireland, because they embody different conceptualisations of need, apply at different geographic areas and use different datasets.

However, it would in future be worthwhile investigating a composite measure of need, using the bottom up formula approach to measure existing need at local level and an amended net stock model to measure future need distributed locally on a pro rata basis using the distribution of existing need. It must be stressed that this approach would not remove the requirement for subsequent local sensitivity analysis.

The use of sensitivity analysis in HNA calculations

As noted previously, the HNA formula is used to generate a 'stage 1 projected housing need figure. Thereafter a 'sensitivity analysis' is carried out. The HNA guidance manual (Housing Executive, 2007) directs that 'sensitised' need estimates should reflect:

- 'Residual housing need', defined as the current number of households in housing stress minus average annual relets.
- Housing market trends.
- Local intelligence.
- Demographic change.
- 'Trend validity'.
- Housing mix.
- Regeneration and schemes already on site.
- Rural proofing.

This is wholly appropriate and sensitivity analysis should continue to be an essential part of the needs assessment process.

In practice 'sensitisation' can lead to significant adjustments in final needs numbers, as the following examples from HNA 2009-14 supporting data documents show (overall district numbers are highlighted in green).

Area	Final Reported Need Assessment	Stage 1 HNA	Sensitised HNA	Projected HNA
Antrim (District)	**300**	**274**	**300**	**300**
Antrim Town		82	115	115
Ballymena (District)	**576**	**821**	**576**	**576**
Ballymena Town		592	360	360
Kells/Connor		24	15	15
Ballymoney (District)	**92**	**162**	**137**	**92**
Ballymoney Town		91	90	45
Carrickfergus (District)	**295**	**392**	**295**	**295**
Carrickfergus Town		349	280	280
Greenisland		14	0	0
Coleraine (District)	**456**	**580**	**456**	**456**
Coleraine Town		253	200	200
Newtownabbey 1 (District)	**233**	**311**	**233**	**233**
Rathcoole		78	55	55
Longlands		87	25	25
Shankill (Sector)	**153**	**-163**	**153**	

Reading the associated explanations for these adjustments leads to the following conclusions:

- In many cases the sensitised assessment involves replacing the stage 1 projection with the calculated residual need figure.

- Another common adjustment involves allowing for new build that is currently on site, and more generally for local knowledge relating to regeneration activity that will influence the assessment of demand for or supply of social rented housing over the projection period.

- Where stage 1/residual need is negative, the sensitised figure is often set to zero.

- In a smaller number of instances, a localised role of private renting substituting for social rented demand is noted, and allowed for in the sensitised numbers.

Discussion with relevant staff indicates that there is a central challenge/quality assurance process in place, whereby local interpretations can in principle be confirmed and inconsistencies of approach ironed out, but that this should be operating much more robustly than it does at present. It is also evident that while fundamental to the overall robustness of the numbers generated, the sensitivity analysis stage of needs assessment is being currently conducted in a less than comprehensive fashion. Recently however the Housing Executive commissioned work on the development of a local housing system analysis framework and it is anticipated that this will provide a more robust framework for conducting stage 2 sensitivity analysis in future

Other points to note on current sensitivity analysis are:

- The geographic basis for needs calculations is often very localised, which raises questions of how robust they should sometimes be considered in practice.

- Related to the previous point, in situations where, within local housing areas and common letting areas, stage 1 or residual need calculation is generating negative figures, it should always be made explicit and clear why these should not be netted off from adjacent areas recording positive need. Providing such an explanation is not standard practice at present.

- The needs estimate supporting data made available for this study records sensitised needs projections over a run of years to March 2009. This data shows a lot of variation in many areas – often more than might be considered consistent with the measurement of long term need.

  The following examples highlight the issue.

	Antrim Town	Ballymena Town	Carrickfergus Town	Ballycastle Town	Rathcoole	Longlands	New Mossley	Mid Shankill	South Belfast
Sep 03	-	-	-	-	-	-	-	66	662
Mar 04	42	-	-	-	-	-	-	-	-
Mar 05	-	-	-	-	-	-	-	-	582
Mar 06	113	93	75	83	52	4	0	37	893
Mar 07	145	165	150	55	100	6	30	65	767
Mar 08	190	350	300	90	170	46	101	44	963
Mar 09	115	360	280	80	55	25	45	11	1,064

This is of course similar to the problem of using the actual numbers of households assessed in housing stress at the end of a year as the basis for calculating gross housing need projections at stage 1. Where stage 2 sensitisation involves use of residual needs figures it would therefore again be sensible to use an average rather than a single year figure, while in the medium term, sensitisation should be based more explicitly on the broader local housing system analysis framework currently being developed.

Conclusions

Objective 1:

Changing housing market conditions in themselves do not invalidate the overall approach being used to assess need from the bottom up. In particular:

- The economy is recovering from a singularly unpleasant shock, but long term economic and market trends will re-impose themselves and new social housing provision should be about meeting long term requirements.

- Reduced public expenditure in future years may lead to some increase in the numbers in unmet housing need, but in itself this does not mean the current way of establishing need is inappropriate.

- Long term (trend) household formation will probably continue to be driven more by demography than economics, but this should be closely monitored over time.

- The growth of the private rented sector in Northern Ireland does not necessarily have implications for the amount of social housing required. It could be of significance in a number of specific local areas, and this should be reflected in practice through 'stage 2' needs sensitivity analysis.

Objective 2:

The current approach is basically sound and, given current data limitations on new registrations and deletions in particular, there is no scope to simplify the current housing needs assessment formula in a way that retains the underlying conceptualisation of need. However:

- Consideration should be given to using an average term to replace the current housing stress term in the calculation of gross housing need.

- While using allocations pro temp to proxy changing demand is a sensible approach, given current data availability, the Housing Executive should consider recording new waiting list registrations and deletions at Common Landlord Area level.

- The Housing Executive should consider removing regular voids from the calculation of supply and review the current practice of removing an average year number of relets from the projected housing need total.

Objective 3:

In overall terms, and on available information, the CWL does provide a suitable basis for the measurement of need.

Specifically:

- Normative need is an appropriate basis for calculating need from a public policy perspective.

- Increasingly government policy around the UK accepts waiting list information as the core component in the quantification of current housing need.

- The Housing Executive takes appropriate steps to augment this approach by measuring latent rural housing need.

- There is no evidence available to suggest that the CWL is maintained in a way that renders it unsuitable as a basis for need calculation.

- The housing issues encompassed in the HSS points scheme are broadly consistent with those used elsewhere in the UK.

However:

- The Housing Executive should confirm that the treatment of affordability within the process of calculating whether an applicant household is in housing stress remains acceptable from a public policy perspective.

- As a future research topic, the Housing Executive should examine the existence/extent of 'strategic behaviour' on the part of those applying to the CWL, and the influence of those managing access to the list on the behaviour of potential/actual applicants.

- The Housing Executive should confirm (if it needs to) that re-registration on the CWL and re-assessment of housing stress is being undertaken on a suitably regular and comprehensive basis.

- Finally, the Housing Executive should explore whether and how the next Northern Ireland House Condition Survey could be used to offer independent verification of the extent of backlog housing need as derived from the CWL.

<u>Objective 4:</u>

It would be impossible to formally reconcile the two approaches used in Northern Ireland for the calculation of housing need. In particular:

- The HNA formula and the NSM approaches embody different concepts of housing need; the former is stronger in representing current ('backlog') need, while the latter places greater emphasis on measuring newly arising need.

- Geographical mismatches, including those arising from religious affiliation, are also likely to be playing some part in the divergence between needs estimates arising from the HNA formula and those generated by the NSM.
- The two models as currently applied embody somewhat different assumptions about the role of the private rented sector in meeting housing need, but it is not clear that one is necessarily superior to the other in this regard.

For longer term consideration, it would be worth investigating the development of a composite measure of need, using the bottom up formula approach to measure existing need at local level and an amended net stock model to measure future need distributed locally on a pro rata basis using the distribution of existing need. However, if this approach was adopted, sensitivity analysis would remain a crucial part of the needs assessment process.

Objective 5:

The use of sensitivity analysis to adjust formula derived stage 1 values for housing need is essential, and constitutes the best way of determining the wider role of the private rented sector in meeting need.

In practice stage 2 ‘sensitisation’ currently involves a limited range of adjustments based mostly on residual need values, current local new build and regeneration initiatives.

Future housing needs assessment should benefit considerably from the more rigorous approach to sensitivity analysis expected to flow from current development of a local housing system analysis capability within the Housing Executive.

The very localised geographies used for needs estimation do not always accord with the generation of robust estimates, and the scope for high demand in some areas to be met within adjacent areas should also be more critically evaluated in future as part of stage 2 analysis.

The use of actual residual need figures in the calculation of need at stage 2 can lead to instability in resultant estimates over time and some averaging of residual need should be used at stage 2 where residual need is thought to be an appropriate measure.

Annex 1: HSS Points

Factor	Points
Intimidation	200
Insecurity of Tenure	
Homeless (or threatened with)	70
Other homeless	50
In interim accommodation	20
House Conditions	
Sharing	
Applicant with dependent children	
Kitchen	10
Living room	10
Toilet	10
Bath/shower	10
Applicant 18+ without dependent children	
Kitchen	5
Living room	5
Toilet	5
Bath/shower	5
Applicant 16-18 without dependent children	
Kitchen	5
Living room	5
Toilet	5
Bath/shower without dependent children	5
Overcrowding (per bedroom needed)	10
Serious Disrepair	10
Serious dampness	10
Inadequate lighting/heating/ventilation	10
Lack of wholesome water	10
Lack of conditions for food preparation	10
Lack of toilet for exclusive use	10
Lack of bath/shower for exclusive use	10
No electricity supply	10
Time in housing need	10 (maximum)
Health and Social Well Being	
Functional matrix	32 (maximum)
Unsuitable accommodation	10
Home management (supported housing)	14 (maximum)
Self care (supported housing)	16 (maximum)
Primary social needs	40 (maximum)
Other social needs	40 (maximum)
Complex needs (general needs housing)	20
Underoccupation	10 per room

Annex 2: HNA Formula Worked Example

Catchment Area
Main Urban Centre: Newry City

LHA: Newry City
CLAs: Armagh Road, Carnbane, Carrivemaclone, Courtney Mill/Boat Street, Daisy Hill, North Street, Rooneys Meadow and Shandon

Table 1: Stage 1 calculation Projected 5 Year (Source - History Table, R44 report)

(A) Projected Housing Stress		
Applicants in H/S at 3/10		491
+		
Projected 5 year Variation based on past 5 year trend	=	158
+		
Projected 5 year Allocations (HS Only) based on past 5 year trends	=	485
= **Projected Housing Stress**		***1,134***

(B) Projected Supply		
Projected 5 year re-lets (All) based on past 5 years trends	=	393
+		
Voids @March 2010 (excluding sale and demolition)		11
= **Projected Supply**		***404***

(C) Projected Housing Stress minus Projected Supply		
Projected Housing Stress		**1134**
-		
Projected Supply		**404**
-		
1 year Average Annual Re-lets		**78**
Stage 1 calculation	**=**	***652***

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