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Housing need in a crisis of affordability

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From need to affordability

- One notable shift in housing policy has been away from housing need and towards the concept of affordability (Whitehead, 1991: 871).
- Housing need posits a desired end or goal of housing policy – the provision of adequate housing regardless of ability to pay.
- Affordability, in contrast, is concerned with the market price of housing and the ability of households to meet their housing costs.



What is housing need?

- Housing need establishes a set of minimum standards below which no household should live.
- It is a priority system for distributing adequate housing

Table 1.1 Backlog of housing need in Great Britain

Type of housing need/requirement	Number of households in GB (million)	Number of households in England (million)
Housing need including: <ul style="list-style-type: none"> • Concealed family or concealed single (including nondependent children) wanting to move, • Overcrowding (bedroom standard) • Serious affordability problems based on combination of ratio measures and subjective payment difficulties • Serious self-reported physical condition problems • Accommodation unsuitable for families (e.g. high-rise, no garden/yard) 	3.66	3.15
Core and wider homelessness	0.33	0.24
Older households with suitability needs	0.25	0.20
Households whose housing costs are unaffordable	0.51	0.41
Total	4.75	4.00

Source: UKHLS; Crisis

Meeting housing need

- The provision of adequate housing was valued as a policy goal to be addressed largely outside the price mechanism
- Housing was built by municipal authorities and not-for-profit associations at the required standard
- Distributed either as a universal service or through priority allocation on an assessment of need
- A separate policy decision determined how much, if anything, people should pay.

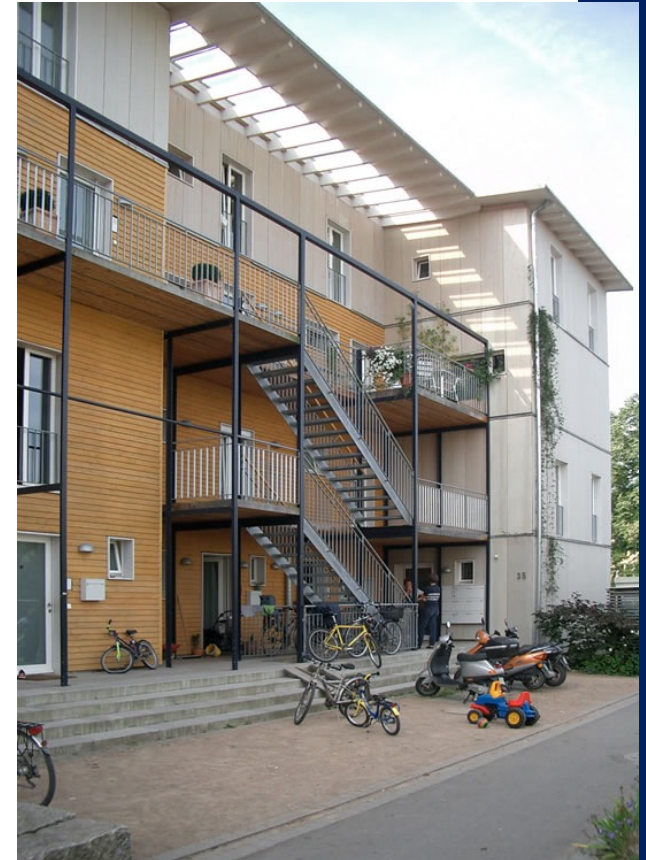


Table 5.1 *Permanent houses completed in Great Britain, 1953–64*

<i>Year</i>	<i>Local authorities</i>
1953	238,883
1954	234,973
1955	191,803
1956	166,267
1957	165,910
1958	140,519
1959	122,165
1960	124,738
1961	112,421
1962	124,090
1963	118,179
1964	148,624

Source: Annual Abstract of Statistics

Table 5.2 *Permanent houses*

<i>Year</i>	<i>Local authorities</i>
1965	151,305
1966	161,435
1967	181,467
1968	170,214
1969	162,910
1970	157,067

Sources: Malpass (2000b); Merrett

Table 6.1 *Dwellings*

<i>Year</i>	<i>Local authorities new towns and govt depts</i>
1974	118,724
1975	147,571
1976	147,232
1977	137,384
1978	107,968
1979	86,188
1980	86,027
1981	65,506
1982	37,233
1983	35,097
1984	33,984
1985	27,227
1986	22,794
1987	20,043
1988	19,717

Source: Housing and Construction

Demand is Need

Guidance

Housing and economic needs assessment

Guides councils in how to assess their housing needs.

From: [Department for Levelling Up, Housing and Communities](#) and [Ministry of Housing, Communities & Local Government](#)

Published 20 March 2015

Last updated 16 December 2020 — [See all updates](#)

Housing need

What is housing need?

Housing need is an unconstrained assessment of the number of homes needed in an area. Assessing housing need is the first step in the process of deciding how many homes need to be planned for. It should be undertaken separately from assessing land availability, establishing a housing requirement figure and preparing policies to address this such as site allocations. For further details on how constraints should be considered once a housing need figure has been identified, please see [Housing and economic land availability assessment guidance](#).

Paragraph: 001 Reference ID: 2a-001-20190220

Revision date: 20 02 2019

The conflation of need and demand does not differentiate between those who can pay and those who can't pay. It gives priority access to housing for those with the most ability to satisfy their demand.

Affordability formula

The standard method uses a formula to identify the minimum number of homes expected to be planned for, in a way which addresses projected household growth and historic under-supply.

Paragraph: 002 Reference ID: 2a-002-20190220

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$$\text{Adjustment factor} = \left(\frac{\text{Local affordability ratio} - 4}{4} \right) \times 0.25 + 1$$

Affordable need is incorporated into a price-setting formula as an indicator of inadequate supply. It suggests that if the formula is followed all housing will cost no more than four times average income.

Supply and demand

- The supply-side explanation of a global affordability crisis
- A glitch caused by the disruption of supply
- The solution is for local planning authorities to make more land available for market housebuilding
- Build more homes at market price and there will be no need for affordable homes!



Affordable housing need in England

Guidance

Housing needs of different groups

Advice on planning for the housing needs of different groups.

From: [Department for Levelling Up, Housing and Communities](#) and [Ministry of Housing, Communities & Local Government](#)

Published 22 July 2019

Last updated 24 May 2021 — [See all updates](#)

How can affordable housing need be calculated?

Strategic policy-making authorities will need to estimate the current number of households and projected number of households who lack their own housing or who cannot afford to meet their housing needs in the market.

The unmet (gross) need for affordable housing by assessing past trends and current estimates of:

- the number of homeless households;
- the number of those in priority need who are currently housed in temporary accommodation;
- the number of households in over-crowded housing;
- the number of concealed households;
- the number of existing affordable housing tenants in need (i.e. householders currently housed in unsuitable dwellings); and
- the number of households from other tenures in need and those that cannot afford their own homes, either to rent, or to own, where that is their aspiration.

Care should be taken to avoid double-counting, which may be brought about with the same households being identified on more than one transfer list, and to include only those households who cannot afford to access suitable housing in the market.

Affordable Housing Need Assessment

Planning Practice
Guidance 2007 &
2021

Stage One	Current Unmet (gross) Need for affordable housing
1.1	- Homeless households and those in temporary accommodation
1.2	- Overcrowding and Concealed households
1.3	- Existing affordable housing tenants in need (i.e. currently housed in unsuitable dwellings)
1.4	- Households in other tenures in need
1.5	Total Current Unmet Need (gross) $1.1+1.2+1.3+1.4$
Stage Two	Future Need
2.1	- New household formation (gross per year)
2.2	- New households unable to buy or rent in the market
2.3	- Existing households falling into need
2.4	Total Future Need (gross per year) $(2.1 \times 2.2) + 2.3$
Stage Three	Affordable Housing Supply
3.1	- Affordable homes occupied by households in need
3.2	- Surplus affordable stock
3.3	- Committed supply of new affordable housing
3.4	Total affordable stock available $3.1+3.2+3.3$
3.5	- Annual supply of affordable re-lets or re-sale
Stage Four	Estimate of net annual housing need
4.1	$1.5 \text{ (current unmet need)} - 3.4 \text{ (total available stock)} = \text{net current need}$
4.2	Convert the net figure derived into an annual flow for plan period
4.3	$2.4 \text{ (total future need)} + 4.2 \text{ (annual flow of unmet need)}$
4.5	= Total Annual Flow of future and current need
4.6	$4.5 \text{ (total annual need)} - 3.5 \text{ (annual supply of affordable homes)}$
4.7	= Net Annual Affordable Housing Need

Housing targets, housing supply and affordable housing need

Lowest performing planning authorities in the Housing Delivery Test 2021

	Annual Housing Requirement	Annual Supply % 2021	Annual Affordable Housing Need	Affordable Supply 2021-22	Affordable Supply as % of need
LPA					
Arun	1025	65%	480	131	27%
Ashfield	435	66%	237	85	36%
Basildon	974	41%	254	163	64%
Bury	539	52%	448	150	33%
Calderdale	737	55%	527	103	20%
Canterbury	824	65%	854	92	11%
Eastbourne	611	32%	370	53	14%
Epping Forest	864	35%	143	44	31%
Fareham	428	62%	174	66	38%
Hastings	394	42%	360	58	16%
Isle of Wight	616	58%	304	153	50%
Kensington and Chelsea	671	43%	1018	95	9%
North Hertfordshire	901	49%	215	123	57%
Portsmouth	794	54%	316	23	7%
Rossendale	180	57%	170	22	13%
Southend-on-Sea	1077	31%	650	62	10%
Three Rivers	568	46%	214	91	43%
Walsall	829	70%	154	6	4%
Watford	726	48%	482	253	52%
York	979	65%	573	164	29%

Different calculations

- Even though affordable housing need can exceed the overall housing supply requirement
- “There is no arithmetical way of combining the two calculations” (Planning Advisory Service, 2015: 38).
- They are “separate and different calculations” (Court of Appeal, 2018)
- The Standard Method housing requirement targets do not include the need for affordable homes



Deliberate undercounting

- The assessment of affordable housing need in England deliberately undercounts the scale of the crisis
- The effect is to exclude affordable need from calculations from new housing supply requirements
- The same unwarranted subtractions, omissions and methodological flaws are evidenced in studies in the United States, Canada, and Australia.



The missing four million

Households living in overcrowded, unfit and unsatisfactory housing conditions are effectively excluded because they would vacate a home if they were rehoused. They are subtracted from the total at the end of the calculation.

Stage One	Current Unmet (gross) Need for affordable housing
1.1	- Homeless households and those in temporary accommodation
1.2	- Overcrowding and Concealed households
1.3	- Existing affordable housing tenants in need (i.e. currently housed in unsuitable dwellings)
1.4	- Households in other tenures in need
1.5	Total Current Unmet Need (gross) 1.1+1.2+1.3+1.4
Stage Four	Estimate of net annual housing need
4.1	1.5 (current unmet need) - 3.4 (total available stock) = net current need

Future need

- Newly forming households in need and those likely to fall into need have been already counted as part of the overall housing requirement.
- The Standard Method should predict the number of households who require affordable housing
- But a separate and different method is used in the calculation of affordable need
- It counts only the number of people on housing registers – a wholly inaccurate measurement
- And only those rehoused in the same year



Subtracting future homes

Stage Four	Estimate of net annual housing need
4.1	1.5 (current unmet need) - 3.4 (total available stock) = net current need
4.2	Convert the net figure derived into an annual flow for plan period
4.3	2.4 (total future need) + 4.2 (annual flow of unmet need)
4.5	= Total Annual Flow of future and current need
4.6	4.5 (total annual need) – 3.5 (annual supply of affordable homes)
4.7	= Net Annual Affordable Housing Need

Total net affordable housing need in a local authority area is obtained by subtracting all affordable homes likely to become vacant over the plan period, **and all affordable homes that may potentially be built during the plan period.**

More is less, less for more

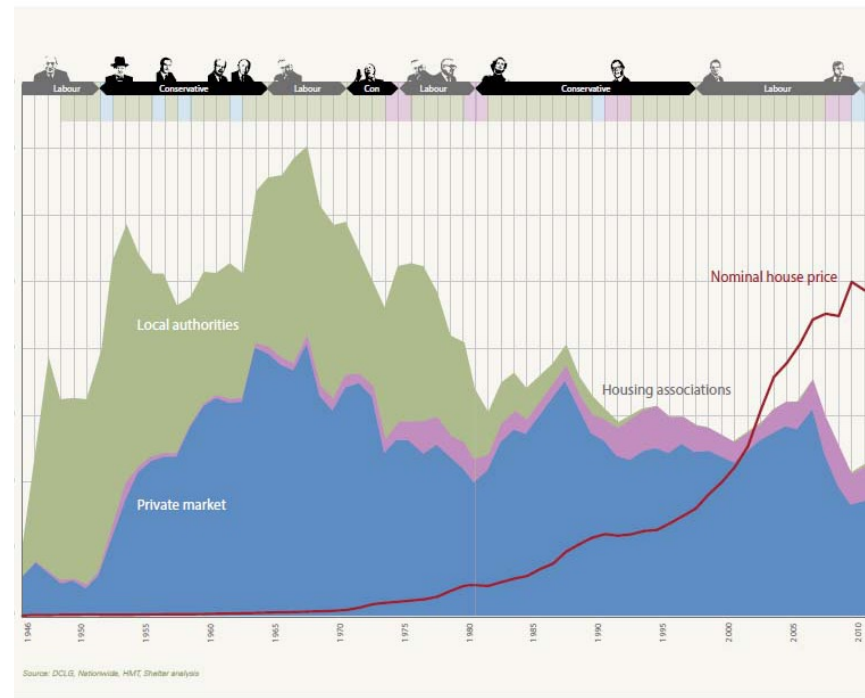
- The final calculation of affordable housing need has no relation to the percentage targets set for affordable housing.
- Maximum percentage negotiated is 35% (outside London) and can be reduced to as little as five per cent on viability grounds
- There is no requirement on local authorities to ensure the delivery of all the affordable housing required and little monitoring of progress.
- The only action open to local authorities is to apply an uplift to the overall housing target.



No housing need strategy

- Affordable housing need is purposely excluded from the overall housing requirement
- No priority is given to meeting housing need
- There is no strategy to end overcrowding, homelessness, and provide adequate housing for all

building since 1946



homes we need | A programme for the 2015 government



Solutions

- Affordability to be defined in relation to lowest average local incomes – housing costs no more than 25%-35%
- Public investment of £15b per year to build at least 145K social homes annually – to remain permanently affordable
- Reform the 1961 Land Compensation Act to allow land to be acquired at current use value
- New use class for social housing to give priority access to land and freeze land values