



**HOUSEHOLD SATELLITE ACCOUNT
(EXPERIMENTAL)
METHODOLOGY
Chapter 2 Providing Housing**

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2. PROVIDING HOUSING

Output

Concepts

The output of housing is accommodation for members of the household – that is, services produced by owner-occupied dwellings. This accommodation is required by households for shelter, and also as the location for productive activities and non-productive activities. This function is defined as: ‘buying or renting a house or flat, getting it furnished and equipped, cleaning it, maintaining it, repairing it etc.’ (Eurostat proposal). Because goods and services related to the dwelling (e.g. water, electricity, furniture etc.) can be used in productive and non-productive activities, some have suggested that these intermediate inputs should be allocated to production and leisure respectively according to the relative proportions of time spent in the two activities. We disagree.

If households do not provide accommodation for themselves, e.g. by buying their own house, they must purchase it from someone else – by renting property, or paying for lodgings, bed and breakfast or a hotel room. Whether they are productive or at leisure while they are using these purchased accommodation services is immaterial. Thus the whole of the cost of providing owner-occupied accommodation services (i.e. clean, warm, lit, maintained, furnished, insured accommodation, including gardens) should be included in the household account. The market price used to value this output should therefore be the cost of renting furnished accommodation and the value of the output should also include costs of maintenance, cleaning and provision of utilities and insurance.

House construction using unpaid household labour is a separate output. An estimate for the value of this is already included in the National Accounts, but needs to be moved to the Household Satellite Account, in order for the time spent on this activity to be accounted for correctly. However, the output is not part of household final consumption, but rather is part of capital formation.

An additional output in this function is the maintenance and furnishing of rented accommodation. The output of these tenant services will be a variable proportion of the services provided by owner occupiers, depending on the nature of the tenancy – whether the rented accommodation is furnished or unfurnished, who has responsibility for maintenance of the accommodation during the tenancy and upkeep of communal areas etc. This will range from a ‘service flat’, where all the cleaning and maintenance is provided by the landlord, to unfurnished accommodation where the tenant provides their own furniture, and is expected to clean and possibly maintain the property itself. Because these ‘tenant services’ cannot be purchased as a package, there is no readily available market price. However, a valuation, which is consistent with the one for owner-occupied accommodation services, can be obtained by adding together the value of the inputs (labour, intermediate consumption and capital consumption), using the effective return to labour for the owner-occupied services, expressed as an hourly rate, to value the time spent on these activities by tenants.

When valuing other outputs (meals, care etc.) using comparable market prices, the cost of the premises etc. where the market activity takes place may be included in the price. In such cases, a proportion of the output of housing should appear as intermediate consumption in the three principal functions which take place in the home – providing care, providing nutrition and providing clothing, as this has already been implicitly included in the value of the output

of these functions. This is best dealt with in a supply and use table, where 'output' can appear more than once, but double counting is avoided by aggregating value-added.

Inputs

Intermediate consumption

This includes all the consumables used to provide the accommodation services – utilities, insurance, cleaning and DIY materials etc., as well as inputs for self-build housing.

Household capital consumption

The major item under this heading is the housing stock itself, but it also includes all goods which meet the National Accounts definition of capital i.e. goods which are not entirely used up during the accounting period. Thus furniture and soft furnishings, linen etc. will also be included, whenever they are owned by the household rather than a landlord - those owned by landlords will, in theory, already be included in the existing National Account. If computers are used in household management tasks, then a proportion of their value should also be included. However, as computer use grows in importance, it may in future be preferable to estimate computer services separately and allocate them as intermediate inputs to the appropriate functions of household production.

Related services

This includes all the maintenance, cleaning, gardening, shopping and management undertaken by the household, which relate to the provision of accommodation, either owner-occupied or rented. Maintenance etc. by a landlord would not be included, since they are already included in market services. The input is the time spent on these activities.

Labour

In the UK the amount of time spent on house construction will be relatively small compared with the amount of time spent on the related services associated with providing accommodation services.

Methodology

Data sources

The National Accounts already include an estimate for the imputed rent of owner-occupied dwellings. This is based on an estimate of the number of owner-occupied rooms multiplied by an average rent for unfurnished accommodation. The number of dwellings is supplied by DTLR, and then averaged and smoothed by ONS to provide unpublished quarterly estimates. We have used the same data and taken the average of the four quarters to provide an annual estimate. Because access to a kitchen is included in the rent we have used in our valuation, and the estimate of the number of rooms in owner-occupied dwellings includes the kitchens, we have assumed one kitchen per dwelling and removed kitchens from the total number of rooms. Owner-occupied housing will often include more than one communal living room, but this is counterbalanced by the fact that bedrooms are often shared, so we have made no further adjustment to the number of rooms. Neither have we tried to make any adjustment for the different quality of accommodation belonging to owner-occupiers and offered by communal establishments.

Value

In order to value the output of accommodation, we have used the average rent for a self-catering university room. This was obtained from the National Union of Students Accommodation Costs Survey, which collected information from 129 universities. This applies to blocks of accommodation containing eight or more students, who each occupy a furnished bedroom/study with access to shared bathroom and kitchen facilities. Heating and lighting etc. and maintenance services – cleaning, repairs and upkeep of the grounds – are included in the rent. Insurance of the contents of the accommodation is not included, so the actual cost of this is added to the output.

Tenant services

Tenant services are provided both by those in furnished accommodation, who provide the only maintenance, and those in unfurnished accommodation, who also provide and maintain furniture. They are calculated by adding together the hours spent by tenants in cleaning, gardening and DIY (valued using the owner-occupier hourly effective return to labour – see above), the intermediate consumption of tenants of maintenance related items, and their capital consumption – furniture, tools etc. The former relates only to tenants in unfurnished accommodation. The intermediate consumption is allocated to tenants on the basis of the proportion of total time spent in maintenance activities. This is because intermediate consumption is thought to relate more directly to this than to the proportion of total rooms. The capital consumption of furniture is allocated on the basis of the proportion of total rooms (owner-occupied plus unfurnished rooms). This is because, generally, the more rooms you have, the more furniture you require.