

# ANGLESEY & GWYNEDD JOINT LOCAL DEVELOPMENT PLAN (2011 – 2026)

## PUBLIC EXAMINATION:

### Hearing Session 1 – Plan Preparation, Vision, Objectives and Spatial Strategy.



CYNGOR SIR  
YNYN MÔN  
ISLE OF ANGLESEY  
COUNTY COUNCIL

## Action Point (S1/PG1) – Local Housing Market Assessment (LHMA)

### 1] The issue under consideration:

A short paper providing commentary on the findings of the 2016 Ynys Môn LHMA.

In addition the paper should refer to the needs of the Gwynedd Planning Area with a timescale for obtaining additional information in relation to Gwynedd.

### 2] Council's Response:

#### 2.1 2016 LHMA – Ynys Môn

2.1.1 The 2016 Ynys Môn LHMA was undertaken by the same consultants that undertook the 2013 LHMA for Ynys Môn. The study provides figures upon the current affordable housing need calculated in accordance with the four step model required in the Welsh Government guidance of 2006 and supplemented in 2014. In addition the study also outlines an approach which models the tenure and size of new homes to be developed in the period up to 2033 but also includes figures up to 2026 to coincide with the JLDP time period.

2.1.2 Appendix 1 to this paper provides a copy of the Detailed Affordable Housing requirement table and compares the figures for the 2013 study (in Green) with the 2016 study (in Blue). The last column in Appendix 1 shows the change in figures between the 2013 and 2016 studies. The table below summarises the most significant variations in these figures:

Particular Step in the Affordable Housing Requirement Table	Comment on the Variation between the 2016 and 2013 Ynys Môn LHMA
Step 1: Existing households in need of accommodation	This has increased by 207 since the 2013 study. It is based upon an updated household dataset which shows 2,305 households in unsuitable housing - up from 2,147 in 2013 study. The 2016 study estimates that 1,678 (or 72.8%) of the overall figure do not have an in-situ solution (up from 1,471 (or 68.5%) in the

<b>Particular Step in the Affordable Housing Requirement Table</b>	<b>Comment on the Variation between the 2016 and 2013 Ynys Môn LHMA</b>
	2013 study) (see paragraphs 5.7 and 5.8 of the 2016 study / 6.9 and 6.10 of the 2013 study).
Step 3: Minus cases where they can afford to meet their needs in the market	The households in unsuitable housing and requiring a move to alternative accommodation are tested for their ability to afford market housing in the area using the criteria set out in the LHMA Guide. Overall in the 2016 study 36.8% (618 households) are unable to afford market housing. This compares with 53.1% (781 households) unable to afford market housing in the 2013 study. Therefore an additional 370 households are able to afford to meet their needs in the market in the 2016 study as compared with the 2013 study. (see paragraph 5.9 (2016) / 6.10 (2013))
Step 4: Equals total current housing need	Due to the variations highlighted in step 1 and 3 above the total figure in 2016 is 621 households which is 165 lower than the corresponding figure of 786 households in the 2013 study.
Step 12 Equals annual requirement of units to reduce current need	Due to the overall figure for available stock to offset need (Steps 5 to 9) being the same in the 2016 and 2013 studies, the difference of 165 households at step 10 is maintained and then based upon dividing this figure by 5 to give an annual requirement, the 2016 study identifies an annual requirement of 77 households compared with the 110 identified in the 2013 study.
Step 13: New household formation (gross per year)	This is based upon the updated household survey dataset and an assessment of new households that have formed over the past two years (and then annualised). The 2016 study assessed that 1,122 new households were formed over the past two years (561 per annum) of which 71.3% were able to afford market housing which leaves a requirement of 161 households (this compares with 257 households in the 2013 study based upon 67.9% of the 801 households per annum being able to afford market housing). (see paragraph 5.27 (2016) / 6.29 (2013))
Step 15: Plus existing households falling into need and unable to afford market housing	This is based upon the updated household survey dataset and an estimate of existing households who will fall into housing need over

Particular Step in the Affordable Housing Requirement Table	Comment on the Variation between the 2016 and 2013 Ynys Môn LHMA
	the next two years (and then annualised). This takes the same overall number of households moving in the past two years but takes away the new households being formed and those transferring within affordable housing. In the 2016 study 75.3% of households are estimated to be able to afford market housing which leads to an annual requirement of 513 households (this compares with 60.8% of households estimated as being able to afford market housing which leads to an annual requirement of 639 households). (see paragraph 5.31 (2016) / 6.33 (2013))
Step 18: Equals total newly arising housing need (gross per year)	Based upon the variation in the figures identified in step 13 and 15 highlighted above this leads to a level of 667 households in 2016 which is 225 households lower than that identified in the 2013 study being 892 households.
Step 21: Equals annual supply of affordable housing	This shows a slight decrease of 21 units from the 2013 study in the 2016 study.
Step 22: Overall Shortfall (per annum)	The 2016 figure is <b>398 units per annum</b> for the next 5 years which compares with the figure of 635 per annum in the 2013 study.

2.1.3 In the 2016 LHMA the data set of 2013 has been re-weighted (see Appendix A1 of the 2016 report). There has been a change in the profile of the population which in turn affects the % who are in need as the survey sample will be weighted according to the profile change. In addition the private rented sector has become more affordable, it may be the case that the rental figures used in 2012 were slightly higher than that found in the local market at the time. This has led to the lower % of households priced out of the market as shown in the above table.

2.1.4 Paragraph 5.54 of the 2016 study highlights the impact on the need for new affordable units of adjusting gross income on rent to 30% (113 fewer households in gross need each year) and discounting single persons under 35 (103 fewer households). This would reduce the need to 182 households per year. However paragraph 5.55 of the 2016 study does clarify that **the figure of 398 remains the overall need figure** since it is calculated in accordance with the approach set out in the LHMA guide. (Appendix 2 to this paper contains commentary by HDH Planning & Development Ltd who prepared the 2016 Ynys Môn LHMA).

2.1.5 Chapter 4 of the 2016 LHMA Study takes population and household projections and applies them to the household survey dataset to provide an estimated household

profile for Ynys Môn in both 2026 and 2033. It has used the dwelling led (preferred) scenario produced by Edge Analytics for the Council. This indicates that between 2015 and 2026 the household population in the county is going to increase by 2,420 which equates to 220 per annum (see paragraph 4.3). It should be noted that this figure does not fully reflect the final housing requirement figure for Ynys Môn which was 3,472 over the plan period (2011 to 2026) or 231 per annum. In addition the lower level of completions seen in the period 2011 to 2015 means the requirement for 2015 to 2026 period now stands at 2,830 which equates to 257 per annum.

2.1.6 Table 4.4 within the 2016 study shows the tenure profile required by residents in 11 years time in comparison with the current tenure profile. The results are 70.5% should be market accommodation, 2.8% discount sale/help to buy, 16.9% intermediate rent and 9.8% social rent.

## 2.2 2013 LHMA - Gwynedd

2.2.1 The Gwynedd 2013 LHMA follows the principles as set out in the guidance issued by the Welsh Government in 2006 and 2012. The methodology used was the bath analogy developed by Glen Bramley, to model and assess housing need.

2.2.2 The guidelines suggest that housing need is broken down by ward, property size, property type and tenure. However, this level of detail has not been possible within this version of the assessment. Therefore the housing need figure is apportioned against the population of each housing market.

2.2.3 The Study identifies current housing need from a common housing register between the Council and partner RSLs with no transfers included and those applicants with zero points removed. Newly arising need is calculated by averaging the number of mortgage and landlord orders and the number of homeless presentations seen between 2008 and 2013. For Low cost Home Ownership / Intermediate Housing backlog, the Tai Teg register was used. This is a register of individuals who have an interest in home ownership but who cannot currently afford to buy outright on the open market.

2.2.4 Newly arising need is calculated on the basis of the 2008 household projections. Information over lower quartile entry level house prices and weekly entry rent level for the County together with intermediate rent levels is provided as well as the estimated income required for a 70% mortgage and the income required to afford intermediate rent. Then through using CACI paycheck information it was possible to ascertain the % of newly forming households which will be unable to afford market housing and whether they will require social rented housing or Low Cost home ownership or intermediate rented housing.

2.2.5 Letting data from 2010 to 2013 was gathered from the 4 RSLs operating in Gwynedd. Transfers were not included in this data to ensure consistency with the social housing register. An average was taken over three years in order to assess the likely number of lets that will come forward each year of the LHMA period.

- 2.2.6 In addition to the lets figure a committed supply figure was incorporated. The Social Housing Grant Management Programme delivery plan was used to identify these along with Housing Finance grant developments and the Smaller Properties Programme Developments.
- 2.2.7 For the social housing calculation an additional calculation for turnover was undertaken to reduce the level of need accordingly this gave a level of 0.06 therefore the net social housing need figure is multiplied by 0.94.
- 2.2.8 All of this gives a need figure of 709 dwellings per annum for Gwynedd for the period 2013 to 2018.
- 2.2.9 However consideration needs to be given towards the fact that this figure is for the whole of the County of Gwynedd which includes Snowdonia National Park. Based upon the 2013-based population estimates it is estimated that 16.5% of Gwynedd's population falls within the National Park. On the basis that the 2013 Study has apportioned need against the population of each housing market area the overall figure for the Gwynedd Planning area is reduced to 592 per annum for the Gwynedd Planning Area.
- 2.2.10 Annex B of TAN 2 'Planning and Affordable Housing' provides a definition of affordable housing. Within the category of Intermediate housing is it stated that low cost market housing is not considered as being affordable housing for the purpose of land use planning system. It is unclear from the 2013 study what element of the Low Cost Home ownership need identified (101 households per annum) would be provided in housing with secure mechanisms in place to ensure that it is accessible to those who cannot afford market housing, both on first occupation and for subsequent occupiers (and therefore in line with TAN 2 definition of affordable housing). In order to undertake a precautionary approach in terms of evaluating the needs identified in the 2013 Study it is recommended that this needs figure be removed from the level of need identified in the area.
- 2.2.11 In light of the amendments outlined in paragraphs 2.2.9 & 2.2.10 above a revised Annual housing need figure 2013 to 2018 of **491 units** per annum is suggested for the Gwynedd Planning Area.
- 2.2.12 The Council has accepted that a revised and updated LHMA for Gwynedd (County) is required and to ensure that this can be prepared by the end of the 2016/17 financial year the Joint Planning Policy Unit is willing to assign resources towards meeting this deadline. The new LHMA will be in line with the 22 Step approach highlighted within the Welsh Government Local Housing Market Assessment Guide (2006) as well as providing information about future tenure mix requirements.
- 2.2.13 Keeping to a timescale of having an updated LHMA available by the end of the 2016/17 financial year is key. This timescale would coincide with the anticipated adoption date for the JLDP and therefore ensure that the proposed matters arising change (MAC) to the Explanation to Policy TAI 9 can be applied. This proposed MAC involves an amendment which states that the tenure mix required within housing

developments would need to have regard to the findings of the latest LHMA (see Action Point S4/PG7).

### 3.0 Conclusions

- 3.1 The 2016 housing needs figure for Ynys Môn should be used within the Plan to provide a figure for the period 2015 to 2020 and the basis for calculating the overall need figure for the plan period.
- 3.2 The information available in 2013 has limited the level of detail available for inclusion within the 2013 Gwynedd LHMA Study. Gwynedd Council is committed to prepare an updated LHMA by the end of the 2016/17 financial year to provide information similar to that available for Ynys Môn to provide clear guidance for developers over future tenure mix required with developments. Notwithstanding the issues with some of the figures contained within the 2013 Gwynedd LHMA, the study does identify a high level of need which is also reflected in the common housing register and Tai Teg. It is clear that there is a high level of affordable housing need within the Gwynedd Planning Area.
- 3.3 The Councils' response to Action Point S4/PG1 provides a more detailed assessment of the level of affordable housing need identified over the whole of the Plan period.

**APPENDIX 1 - Table: Detailed affordable housing requirement Table for Isle of Anglesey – Comparison 2013 and 2016 Studies**

Stage and step in calculation	Notes	Output (2013 Study)	Output (2016 Study)	Change
<b>STAGE 1: CURRENT NEED (Gross)</b>				
1. Existing households in need of accommodation		1,471	1,678	207
2. <i>Plus</i> current non-households in need of affordable housing		5	3	-2
3. <i>Minus</i> cases where they can afford to meet their need in the market		690	1,060	370
4. <i>Equals</i> total current housing need (gross)	1+2-3	786	621	-165
<b>STAGE 2: AVAILABLE STOCK TO OFFSET NEED</b>				
5. Current occupiers of affordable housing in need		87	82	-5
6. <i>Plus</i> surplus stock		0	0	0
7. <i>Plus</i> committed supply of new affordable units		147	153	6
8. <i>Minus</i> planned units to be taken out of management		0	0	0
9. <i>Equals</i> total stock available to meet current need	5+6+7-8	234	235	1
10. <i>Equals</i> total Current need	4-9	551	386	-165
11. <i>Times</i> annual quota for the reduction of current need		20%	20%	0%
12. <i>Equals</i> annual requirement of units to reduce current need	10×11	110	77	-33
<b>STAGE 3: NEWLY ARISING NEED</b>				
13. New household formation (gross per year)		801	561	-240
14. <i>Times</i> proportion of new households unable to buy or rent in the market		32.1%	28.7%	-3.4%
15. <i>Plus</i> existing households falling into need and unable to afford market housing		639	513	-126
16. <i>Minus</i> potential out-migrants unable to afford market housing		4	7	3
17. <i>Plus</i> in-migrants unable to afford market housing	(included in steps 13-15)	-	-	
18. <i>Equals</i> total newly arising housing need (gross per year)	(13×14)+15-16	892	667	-225
<b>STAGE 4: SUPPLY OF AFFORDABLE UNITS per year</b>				
19. Annual supply of social re-lets (net)		355	344	-11
20. <i>Plus</i> annual supply of intermediate housing available for re-let or resale at sub-market levels		12	2	-10
21. <i>Equals</i> annual supply of affordable housing	19+20	367	346	-21
<b>NET SHORTFALL OF AFFORDABLE UNITS</b>				
22. Overall shortfall (per annum)	12+18-21	635	398	-237

## APPENDIX 2

### Response to Inspector's Queries on LHMA

#### Simon Drummond Hay – HDH Planning & Development Ltd

Before responding the LHMA needs figure needs to be considered for what it is. The LHMA has been carried out strictly in accordance with the Guidance. This sets out a step by step methodology. I will not set out a critique of the prescribed methodology, but like all the different ways of assessing housing need it is not perfect (actually I do think that the Welsh Guidance is rather better than England's guidance at the moment) and this is demonstrated by the apparent change in affordable need.

The method is based on a number of steps (as summarised in Table 5.10). The overall approach is to apply some broad assumptions about incomes, house prices and supply. We know is that few households are 'average', and in terms of housing costs 25% of housing is less expensive than the lower quartile (which is the access point in the assessment). This is fine so long as one remembers that the purpose of the assessment of affordable need is to give an indication of need to inform a policy response. If the assessment is carried out in a consistent way, over time, you can understand if the problem is getting worse or getting better and react accordingly.

The figure for affordable need calculated in accordance with the Welsh Government Guidance was 398 units per annum in the 2015 LHMA update for Anglesey. This is set out in Table 5.11.

It is important to note that the 398 figure is calculated using the assumption that households cannot afford to spend more than 25% of the household income on housing. This assumption is used as it is in the Guidance. We know that many households can afford (and do) spend more than this – this is not surprising as the 25% figures derived from some JRF research undertaken in the 1990s and the world has changed over the last 25 or so years. We know that actually households typically spend between 30% and 40% of their income on housing. Lower income households will be closer to 30% and higher income households often pay more than 40% in housing costs (because they can afford to). Table 5.18 is included to provide some sensitivity analysis and assist the Council in interpreting the results. (Sensitivity analysis is also included around the treatment on single people under 35 who's access to self contained affordable housing is restricted).

When preparing the LHMA the Council (quite rightly) challenged HDH on the reduction in the affordable need figure. This is largely due to the reduction in rents. In most parts of the UK where HDH have carried out HMAs over the last 3 or so years an increase in rents has been seen - so when we found a decrease we double checked this. We are confident that the 2015 assumptions are correct and should form the basis of the assessment of affordable need (a possible reason may be the rents used last time were a little high – there is not an independent data source to check this against).



Indeed, if you compare Figure 3.9, p33, which shows entry level rents in 2015 with figure 4.9 p26 of 2013 study, this does indicate that rents of properties in virtually all areas and all sizes have reduced a little.

With regard to the question of methodology, the data set from the 2013 households survey has been re-weighted (see appendix A of 2015 report). There has been a change to the profile of the population shown (for a range of factors including the aging population) this will in turn affect the numbers of types of household in different groups and therefore the proportion in affordable need.

Simon Drummond-Hay MRICS ACIH

HDH Planning & Development Ltd

5<sup>th</sup> October 2016