
Housing Needs for local residents and Housing Solutions resulting from the Energy Island Programme

Report 1: Local Housing Market Assessment

May 2013

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1. Introduction

Summary

- i) This Local Housing Market Assessment (LHMA) report is a comprehensive analysis of the Isle of Anglesey Housing Market. It includes a review of the current local situation, a discussion of the housing market dynamics and an assessment of housing need. In addition to looking at the requirements of the existing local population this study considers the long-term requirement for housing in the Isle of Anglesey. This report should be read in conjunction with a report into the housing requirements resulting from the Energy Island development (produced as part of the same study and using the same evidence base).
- ii) This report will also take account of the recent changes made to the housing sector, including the new LHA cap and the introduction of a new tenure (Intermediate Rent). The evidence produced within this study will inform the Council's Housing Strategy and be part of the evidence base for the Local Development Plan.
- iii) The results produced are calculated in accordance with the Welsh Government (WG) Local Housing Market Assessment Guide of March 2006 as well as meeting the requirements of Technical Advice Note 2 (TAN2) Planning and Affordable Housing (June 2006).

Purpose

- 1.1 The Isle of Anglesey has set up the Energy Island Programme to make Anglesey a global centre of energy research and development. The Energy Island Programme sets out a vision which has the potential to make a significant contribution to Welsh Energy policy, wider low carbon economy and provide economic growth for North Wales through the pursuit of the following objectives:
 - 1. **Production** – Investing in low carbon energy production to help secure a stable energy future for Wales.
 - 2. **Demonstration** – Establishing world-class facilities to place Anglesey as a leading location for low carbon energy innovation and demonstration.
 - 3. **Servicing** – Ensuring that local companies and people benefit and take advantage of opportunities from new energy investments.
- 1.2 The programme has the potential to create 2,500 net additional jobs in the period to 2025, alongside 6,000 construction jobs and a major contribution to Gross Value Added (GVA). This represents a contribution of £2.34 billion to Anglesey and the sub-regional economy in that period. This includes investments such as the proposed new nuclear build at Wylfa, potential opportunities from the Round 3 offshore wind zone alongside earlier technologies including marine current technology and existing plans for a large scale biomass at the Anglesey Aluminium site.



- 1.3 This study forms part of a portfolio of work that is being undertaken to understand the potential impact and consequences of the Energy Island programme. This study focuses on the impact to the housing market of the Energy Island programme and identifies appropriate responses to the likely changes that will result. Whilst the Energy Island programme will affect the wider North West Wales area (potentially going as far as Wrexham), this study is restricted to focusing on the impact on the Isle of Anglesey. This study also considers the situation of the current local population, seeking to establish the level of housing need that exists in an area where housing market affordability is a pre-existing issue. The study will conclude how a balance can be maintained between meeting both the accommodation needs of construction workers and the affordable housing needs of local people and ensuring that the short-term accommodation solutions provide a 'legacy' position for the long-term residents of the Isle Anglesey.
- 1.4 This study is split into two reports; this first report is a traditional Local housing Market Assessment for the Isle of Anglesey that considers the housing requirements of the current and future local population, with a second parallel report that looks at the housing requirements and wider housing market impact of both the significant transient population associated with elements of the Energy Island programme and the additional permanent population that will result from the programme. The evidence produced within this study will inform the Council's Housing Strategy and be an important part of the evidence base for the Local Development Plan.
- 1.5 This is the second Local Housing Market Assessment produced about the Isle of Anglesey. The first was the North West Wales Local Housing Market Assessment published in 2008. The 2008 study looked at a range of housing market data across five authority areas in the north west of Wales, including the Isle of Anglesey. The majority of the data used in the original LHMA originated from before the economic downturn (in the Autumn of 2007) therefore one of the focuses of this report will be on how the housing market has changed since.
- 1.6 This report is also timely because both the UK and Welsh governments are making a range of changes within the housing sector. The impact of these changes, including the new Local Housing Allowance¹ (LHA) cap and the introduction of a new tenure (Intermediate Rent), will be comprehensively addressed in this report. This report therefore seeks to complement the previous study, by producing updated outputs in the current market conditions and the new policy landscape. The parallel report produced within this study will address issues beyond a typical LHMA – by examining the housing market implications of the Energy Island programme and identifying housing solutions that are useful for both existing residents and the new residents associated with the Energy Island programme.

¹ Local Housing Allowance is the replacement for the former Housing Benefit in the private rented sector. It is designed to make up the shortfall in people's ability to pay for the housing they live in. Local Housing Allowance may represent 100% or some lower percentage of the overall rent paid.

Requirements of this study

1.7 As is set out in 'Planning Policy Wales' (Edition 5, November, 2012) para 9.1.4:

'Local authorities must understand their whole housing system so that they can develop evidence-based market and affordable housing policies in their local housing strategies and development plans. They should ensure that development plan policies are based on an up-to-date assessment of the full range of housing requirements across the plan area over the plan period. Local authority planning and housing staff should work in partnership with local stakeholders, including private house builders, to produce Local Housing Market Assessments (LHMAs).'

1.8 This study will therefore provide an understanding of the Isle of Anglesey housing market and inform the nature of the housing requirements to be faced by the County. In accordance with 'Planning Policy Wales' this study will form part of the evidence base for the Local Development Plan, however it is important to emphasise that this document does not set out the Council's policy but is evidence that the Council can use to determine policy. This study will also address the Brief for this project, which is very clear as to the aim of this work:

'The aim of the study is to formulate achievable solutions to meet the affordable housing needs of communities and the housing needs of construction workers. The housing needs identified and provision solutions will form the basis for IoACC future land use planning and housing policies.

The solutions formulated must take into account the following priorities:

- *Meeting the accommodation needs of construction workers.*
- *Delivering affordable homes for local people.*
- *Minimising the displacement of tenants in the private rented sector.*
- *Deterring the use of properties which may be unfit or in the case of Houses in Multiple Occupation have inadequate fire precautions.*
- *Preventing over-occupancy of properties.*
- *Protecting the provision of long term tourism accommodation.'* (Page 5)

Government guidance

1.9 It is important to briefly summarise key points from Government guidance which are relevant to this Local Housing Market Assessment. As is set out in the housing chapter of 'Planning Policy Wales' (Edition 5, November, 2012) the two documents of particular importance:

- Welsh Government (WG) *Local Housing Market Assessment Guide* (March 2006)
- *Technical Advice Note 2 (TAN2) Planning and Affordable Housing* (June 2006)

1.10 Local Housing Market Assessments were established by government guidance: Technical Advice Note 2: Planning and Affordable Housing (June 2006), and detailed Practice Guidance (Local Housing Market Assessment Guide) was published in March 2006 by the Welsh Government.

1.11 The LHMA Guide provides details about the whole process of conducting a Local Housing Market Assessment and, importantly, sets out a comprehensive model for the assessment of affordable housing needs.

1.12 The most important output requirements of TAN2, with regards the LHMA, are stated in paragraph 8.1:

Local planning authorities should ensure that development plan policies are based on an up-to-date assessment of the full range of housing requirements across the plan area over the plan period. LHMAs provide the evidence base supporting policies to deliver affordable and market housing through the planning system. For affordable housing, it is important to authorities to have an appreciation of the demand for different dwelling sizes and types of housing (i.e. intermediate and social rented) in relation to supply so that they can negotiate appropriate mixes on new sites.

1.13 The Welsh Government has more recently published 'Getting Started With Your Local Housing Market Assessment. A Step by Step Guide' (March, 2012). This document 'has been developed to supplement and not to replace the comprehensive and detailed Welsh Assembly Government LHMA guidance'. The document sets out a process where Council's can use secondary data to calculate the extent of housing need within the authority, although it is acknowledged that 'the 'headline' housing need figure calculated by this approach should not be used as a definitive measure of need or as a target figure. Rather it should be used to improve the scale of local housing need.'

1.14 This report has not followed the exact methodology set out in this 'Step by Step Guide', but instead has followed the more specific steps in the equivalent methodology set out in the LHMA Guide. Both of these approaches use the same broad stages to derive the overall estimate of housing need. The approach taken in this report to calculating housing need, which includes the use of primary data, is preferred as it allows greater analysis of the overall figure derived (including considerable detail on the type of households in need and also the size of affordable accommodation required within the different affordable tenures).

1.15 Furthermore the use of primary data allows housing need to be understood in the context of the analysis of the housing requirement across the whole market and also the analysis of the accommodation requirements arising from the Energy Island Programme. Both of these are key outputs of the study and require primary data to produce sufficiently detailed outputs. As the 'Step by Step Guide' acknowledges 'a local housing survey will ... facilitate a broader analysis of the local housing market'. An estimate for housing need based on the 'Step by Step Guide' approach has however been completed and made available to the Council separately.

Range of evidence used in this study

- 1.16 In accordance with the LHMA Guide a range of data sources were used to create a robust and diverse evidence base. In addition to the use of data, information was gathered from a number of relevant publications and through discussions with local stakeholders. Below we provide a brief summary of the main sources of information used in this report:
- 1.17 **Secondary data:** There are a range of data sources already available at the local and national level which provide a good background to the housing market and how it is changing. Data sources considered in analysis include Land Registry data, the Annual Survey of Hours and Earnings (ASHE), the Welsh Government's StatsWales service and published household/population projections. In addition, a number of relevant documents were reviewed to inform the policy context in which the Isle of Anglesey housing market exists. This report has been prepared using the latest information available at the time the project was commissioned. Subsequently some data from the 2011 Census has been published, which has been included in this report where relevant, however the more detailed data from the Census useful for this study, the relationship between two or more variables providing information on things such as household occupation patterns, is not available currently. It may be suitable to conduct a brief update of this report when this more detailed data is published.
- 1.18 **Primary data:** In addition to studying secondary data sources it was necessary to conduct a local household survey for the Isle of Anglesey. The survey data allowed many of the 'gaps' in secondary data to be filled and also enabled data on the affect of the Energy Island programme to be collected. Most notably the survey data established how households act within the housing market and an understanding of why they do so. It should be noted that the survey dataset is wide-ranging, and; the analysis presented in this report is mostly restricted to those issues directly related to the functioning of the housing market. However, the dataset is available to the Council for use in further research. The methodology used to collect and validate the data that forms the household survey is described in Chapter 2.
- 1.19 **Stakeholder consultation:** Stakeholder views have been sought through the process and incorporated into the study. Stakeholders were consulted at two events, one prior to the survey analysis, in order to inform and direct the work, and one afterwards to obtain feedback on the results. The notes from these meetings are contained at Appendix A1.
- 1.20 The production of the LHMA has been an iterative process; the views of stakeholders have been necessary to help the research evolve. The resultant document addresses the particular situation in Isle of Anglesey in addition to presenting the outputs required by both TAN2 and the LHMA Guide.

Analysis contained in this report

- 1.21 This LHMA report presents a comprehensive analysis of the Isle of Anglesey Housing Market. It contains two housing models each with a different objective. Chapter 6 presents the LHMA Guide housing need model, calculated in accordance with (chapter six of) the LHMA Guide. This assesses

the **absolute need** for affordable housing in Isle of Anglesey using established definitions and prescribed methodology. The outputs produced enable comparison with previous estimates and estimates made in other areas of the country. The model is an analysis of the situation now.

- 1.22 A second model, the Long Term Balancing Housing Markets model (LTBHM) is detailed in Chapter 8 of the report. This model considers the nature of housing required on Isle of Anglesey over the longer plan period (the majority of outputs address changes required over twenty years). This model addresses the full housing market rather than focusing principally on the affordable sector². The chapter will produce outputs based on the current projected population for the Isle of Anglesey, (which are further advanced in light of the Energy Island Programme in the parallel report).
- 1.23 The full structure of the report is: Chapter 2 describes the methodology used for the household survey, which forms a new and important information source for this LHMA. Chapter 3 of the report provides socio-economic context to the study area based primarily on secondary data. The chapter presents the latest background information available on the local population and the labour market in the County. In particular the chapter examines the changes that have occurred since the economic downturn.
- 1.24 Chapters 4 examines the housing market in Isle of Anglesey in considerable detail. The chapter establishes the cost of different tenures of housing and whether they vary across the County. Chapter 5 shows the current financial capacity of households and their ability to afford market housing in the County. The chapter assesses how this is impacting on market mobility. As indicated above Chapter 6 contains the results of the LHMA Guide housing need model in Isle of Anglesey. Chapter 6 also assesses the ability of the new tenure of Intermediate Rent to meet housing need.
- 1.25 The household survey is a vast resource and contains robust information on subsets of the population as well as the County as a whole. Chapter 7 therefore provides detailed analysis of the housing market situation of various sub-groups of households that the Practice Guidance indicates as appropriate for specific consideration. These include ethnic minorities, support needs groups, pensioners, and families. As described above chapter 8 presents the Long Term Balancing Housing Markets model.

² The outputs from both of these models are not tested for their deliverability or viability as this is beyond the scope of this report, but is considered within the viability study separately commissioned by the JPPU.

2. Primary data collection

Summary

- i) Primary data analysed within the report is based on a postal questionnaire completed by Isle of Anglesey residents in June and July 2012. The survey was distributed to a stratified random sample of households in the County. It was available in both Welsh and English. A total of 2,058 households completed the survey.
- ii) The dataset is weighted to a total of 31,770 households in the County. The dataset was weighted by eight different variables so that it is representative of the characteristics of the whole household population. This weighted dataset is a robust up-to-date source of information on the workings on the housing market in the Isle of Anglesey contributes significantly to the accuracy of the LHMA

Introduction

- 2.1 A household survey was undertaken on Isle of Anglesey in June and July 2012. This was a substantial piece of new research and provides an up-to-date information source on the Isle of Anglesey housing market. The household survey provides primary data that can be used to undertake statistical analysis of the area. It forms a major part of the evidence base used to produce this LHMA, therefore it is important to explain how this household survey was conducted and the data collected used.

Gathering the data

- 2.2 The household survey was completed using postal questionnaires. Households to be sent the survey (the sample) were selected at random from the Council Tax Register, covering all areas and tenure groups in the Isle of Anglesey. Although random, the sample was stratified in order to achieve a sufficient response rate for each parish and Council Tax band.
- 2.3 The survey included questions intended to examine current housing circumstances, the detail of past and future moves, and the general situation of the household (e.g. number of children, income, education levels). The questionnaire also gathered information to help model the likely impact of the Energy Island programme. To facilitate the largest possible response the questionnaire was printed in both English and Welsh. A copy of the questionnaire is provided in Appendix A6. In total 2,058 completed postal surveys were returned. This is significantly in excess of the 1,500 per local authority recommended by the LHMA Guide and allows reliable analysis at a County-wide and sub-area level. In total 137 respondents (6.7%) filled in the Welsh language questionnaire rather than the English equivalent.

Weighting the dataset

- 2.4 The dataset is weighted so that it best reflects all households in the area studied. Weighting a dataset is a process whereby every response to the survey is assigned a number, equivalent to the number of real households in the County it is taken to represent. This process uses secondary data to determine the real numbers of households in particular categories.
- 2.5 It is particularly important to determine the total number of households in the County. To determine the number of households in 2012, we used the Welsh Government 2008-based household projections (published in 2010). The estimated total number of households in 2012 in the Isle of Anglesey used by the report is therefore 31,770.
- 2.6 The data also has to be weighted by a number of variables so that it is representative of the characteristics of the household population. The variables used to weight the data are listed below.
- Tenure
 - Household type
 - Age of resident population
 - Employment profile of resident population
 - Parish
 - Council Tax band
 - Accommodation type
 - Car ownership
- 2.7 Table 2.1 shows an estimate of the current tenure split in Isle of Anglesey along with the sample of response in each tenure. The data shows that 68.4% of households are owner-occupiers with 13.8% in the social rented sector and 17.8% resident in private rented accommodation.

Table 2.1 Number of households in each tenure group				
<i>Tenure</i>	<i>Weighted LHMA data</i>		<i>Unweighted LHMA data</i>	
	<i>Total number of households</i>	<i>% of households</i>	<i>Total number of households</i>	<i>% of households</i>
Owner-occupied (no mortgage)	13,506	42.5%	1,130	54.2%
Owner-occupied (with mortgage)	8,218	25.9%	547	26.2%
Social rented	4,391	13.8%	216	10.4%
Private rented	5,654	17.8%	192	9.2%
Total	31,770	100.0%	2,085	100.0%

Source: Isle of Anglesey Local Housing Market Assessment, 2013

Quality and accuracy

- 2.8 Quality is paramount to work carried of this type. The methodology used is established and has always found to be robust. The results set out include a full explanation of how they were derived and what data sources they use. Any assumptions used in the report are transparently set out and fully explained.
- 2.9 The data entry system (used for inputting the data from postal questionnaires) has built-in logic checks that come into effect if illogical data are inputted. On receipt of inputted data we apply various checks. By carrying out such checks we ensure that all data sets are logical and correct.
- 2.10 All the information that respondents provide is treated as confidential and used only for the purpose of this LHMA. This report contains grouped responses only (i.e. does not provide results for any individual household). The household-level dataset which is supplied to the Council is anonymous; addresses of properties surveyed are not supplied.
- 2.11 The postal questionnaires forms contain a unique reference number for each household sampled, from which the Project Manager can identify the respondent's parish, Council Tax band and postcode sector (eg: LL63 5). All of the other information used to select the sample (and contained on the Council Tax Register) such as the address of the dwelling is deleted as soon as the sample is drawn.



3. Socio-economic situation

Summary

- i) Various secondary data sources were reviewed as part of this report. The latest population estimates suggest that the population of Isle of Anglesey in 2010 was 68,592 and that since 2001 the population has increased by 1.2%. However, the size of the household population is increasing at a notably faster rate (7.3%).
- ii) The Isle of Anglesey has significant existing capacity within the workforce due to increased levels of worklessness amongst residents which has increased from 2.6% before the economic downturn to 4.3% currently.
- iii) The mean earned income for employees in the Isle of Anglesey in 2011 is £24,067, which is lower than Wales as a whole. However the earned income in the Isle of Anglesey has fallen since 2008 as a consequence of the partial closure of Anglesey Aluminium at this time.

Introduction

- 3.1 Two main drivers of the housing market are the resident population and the local labour market. They affect the nature of housing demand including household formation rates and a households' investment in housing. This chapter documents the current socio-economic profile in the Isle of Anglesey and the changes that have occurred since the economic downturn. The information presented compares the circumstances in the County to the national situation. This provides useful background knowledge before the local housing market is examined in more detail in subsequent chapters.
- 3.2 This report has been prepared using the latest information available at the time the project was commissioned. Subsequently some data from the 2011 Census has been published, which has been included in this report where relevant (Chapter 7 and the Executive Summary).

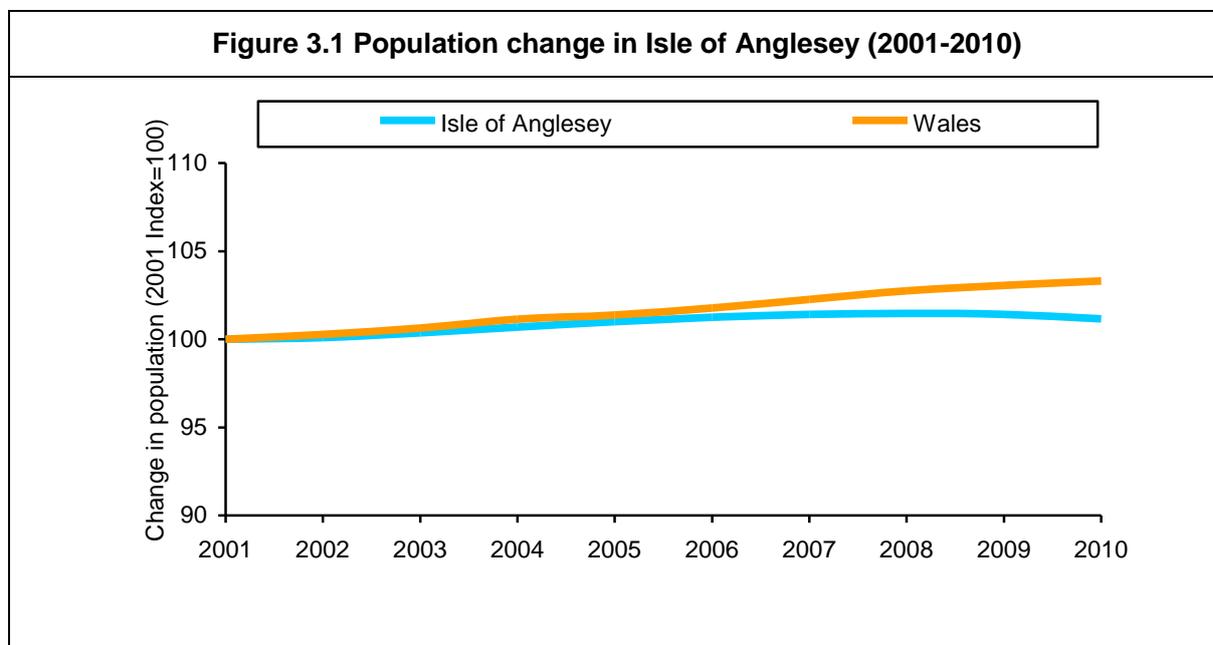
Demography

- 3.3 A range of data has been published subsequently that informs how the population in the Isle of Anglesey has changed since the economic downturn.

Population

- 3.4 The Welsh Government Statistical Directorate's revised population estimates were published in 2011. These provide an annual estimate of the population in each authority up to 2010. Figure 3.1 illustrates the change in population recorded in the Isle of Anglesey since 2001. It shows that the population of Isle of Anglesey has grown at a slower rate than the country as a whole. The population estimates

suggest that the population of Isle of Anglesey in 2010 was 68,592 and that since 2001 the population has increased by 1.2%, while in Wales as a whole the population increased by 3.3%. It is also worth noting that the population estimates indicate that the population in the County has decreased slightly since 2008.



Source: Welsh Government Statistical Directorate mid-year population estimates 2001-2010

- 3.5 The mid-year estimates also indicate that Isle of Anglesey contains a smaller proportion of the population that are working age than is found nationally, 60.2% in the Isle of Anglesey compared to 63.2% across Wales.

Number of households

- 3.6 The latest Welsh Government Statistical Directorate household estimates suggest that the number of resident households in the Isle of Anglesey is increasing at a faster rate than the total population. The data indicates that between 2001 and 2010 the number of people in Isle of Anglesey increased by 1.2%, whilst the number of households increased by 7.3%. This implies that the average size of households in Isle of Anglesey is declining as is illustrated in Table 3.1.

	2001	2005	2010
Population (within households)	67,806	68,483	68,592
Households	28,783	29,895	30,886
Average household size	2.36	2.29	2.22

Source: Welsh Government Statistical Directorate mid-year population and household estimates 2001-2010

- 3.7 This report has been prepared using the latest demographic information available at the time the project was commissioned. Subsequently initial data from the 2011 Census has been published, this



has not been used to inform this part of the study, however it is worth noting that it recorded an average household size of 2.28 for the Isle of Anglesey.

Economy

- 3.8 This section considers the economic context in the Isle of Anglesey, both as an employment hub and as a home to economically active people, and the influence on the housing market.

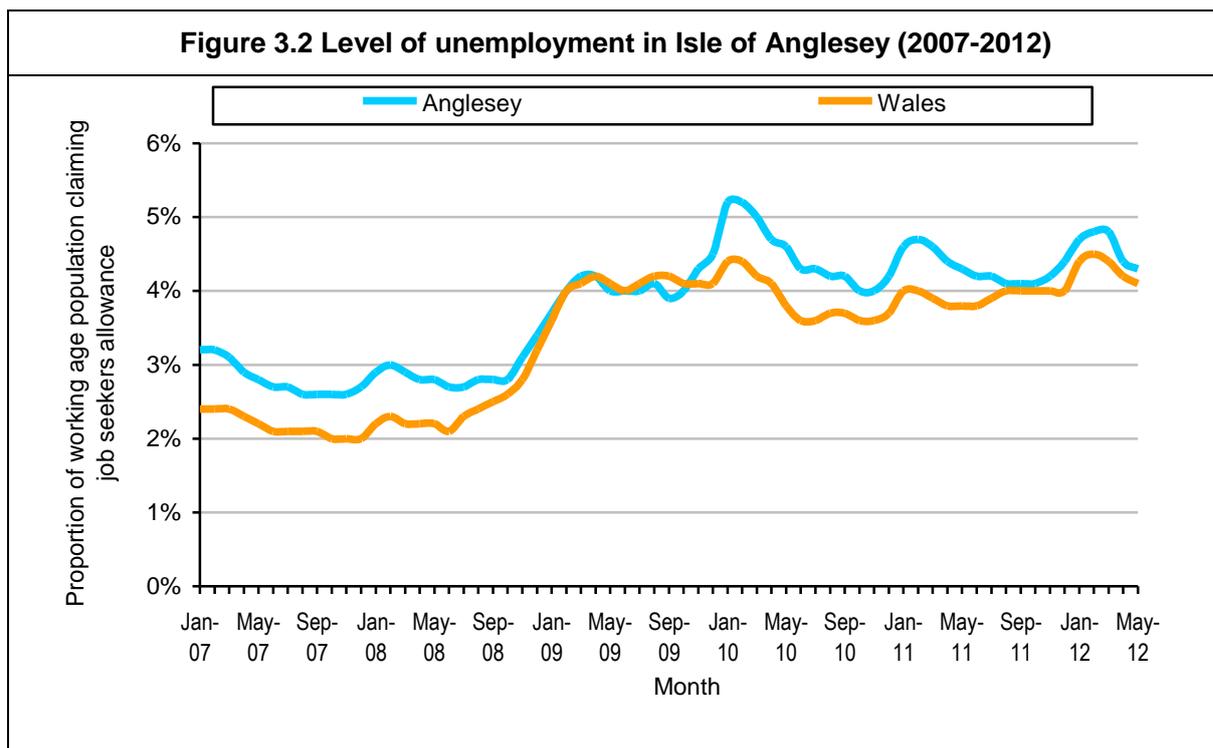
Employment in Isle of Anglesey

- 3.9 NOMIS³ data on 'job density' (this is a measure of the number of jobs per person of working age) for 2010 shows that there are 0.59 jobs per working age person in the Isle of Anglesey. This is noticeably lower than Wales as a whole (0.70). The figure of 0.59 represents a slight decrease from the pre-economic downturn value of 0.61 (in 2007) and marks a continued downward trend since the peak of 0.63 in 2005. The figures for Wales as a whole also record a reduction from 2005.
- 3.10 Measured by the most recent Annual Business Inquiry (ABI) there were 18,900 employee jobs in Isle of Anglesey in 2008. This is a 6.0% decrease since the highest employee job levels recorded in 2005, but matches the pattern (if not the scale) of the national change since 2005 - a decrease of 0.5%.

Employment profile of residents in Isle of Anglesey

- 3.11 Although the overall economic performance of the Isle of Anglesey provides important context, an understanding of the affect of the economic downturn on the resident population is more crucial to this study. Overall the latest estimates from the Annual Population Survey (March 2011-April 2012) indicate 30,500 residents in the Isle of Anglesey are in employment.
- 3.12 The ONS publishes the number of people claiming Job Seekers Allowance on a monthly basis. This provides a very up to date measure of the level of unemployment of residents in an area. Figure 3.2 shows the change in the proportion of the working age population claiming Job Seekers Allowance in the Isle of Anglesey since January 2007. The Figure indicates that overall the Isle of Anglesey unemployment level has been broadly in line with the level for Wales. However, both Wales as a whole and Isle of Anglesey experienced a substantial increase in Job Seekers Allowance claimants in the autumn of 2008 due to the economic downturn. Overall the number of people claiming Job Seekers Allowance in the Isle of Anglesey in May 2012 was 32.4% higher than was recorded in January 2007.

³ NOMIS is a website provided by the Office of National Statistics that contains a range of labour market data at a local authority level. www.nomisweb.co.uk



Source: ONS Claimant count

3.13 The Annual Population Survey presents a 'Standard Occupation Classification' which categorises all working people resident within an area into one of nine groups depending on the nature of the skills that they use. These nine groups are graded from managerial jobs (Groups 1-3) to unskilled jobs (Groups 8-9). As Table 3.2 illustrates some 35.9% of employed residents in Isle of Anglesey work in groups 1 to 3, and this is lower than the equivalent figure for Wales. The Isle of Anglesey has a slightly higher proportion of the workforce in the other occupation groups than is found nationally.

3.14 The Table also shows that since 2006 there has been a notable decrease in the number of people resident in Isle of Anglesey employed within groups 4 to 5. During the same period there has been a notable increase in the number of residents employed in the other three groups.

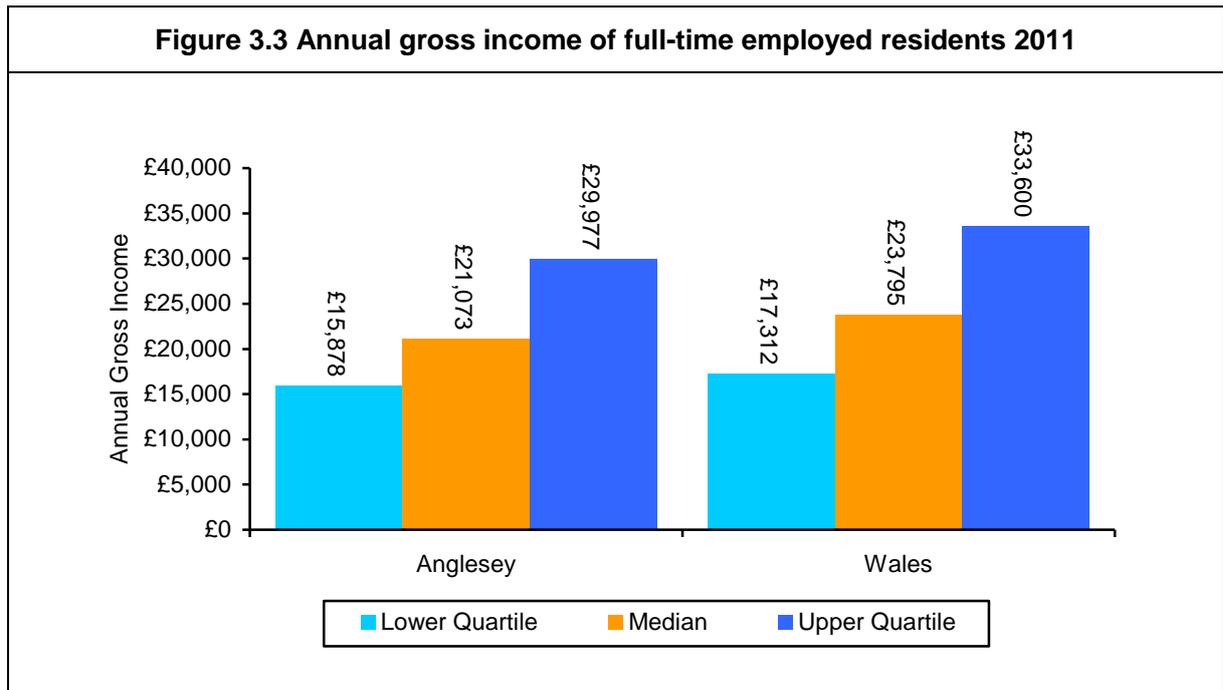
<i>Occupation Groups</i>	<i>Anglesey Oct10-Sep11</i>	<i>Wales Oct10-Sep11</i>	<i>Change in # of people employed in Anglesey since Oct05-Sep06</i>
Group 1-3: Senior, Professional or Technical	35.9%	39.1%	3.9%
Group 4-5: Administrative, skilled trades	23.8%	23.1%	-7.8%
Group 6-7: Personal service, Customer service and Sales	19.1%	18.8%	7.5%
Group 8-9: Machine operatives, Elementary occupations	21.1%	18.9%	3.3%
Total	100.0%	100.0%	1.4%

Source: ONS Annual Population Survey



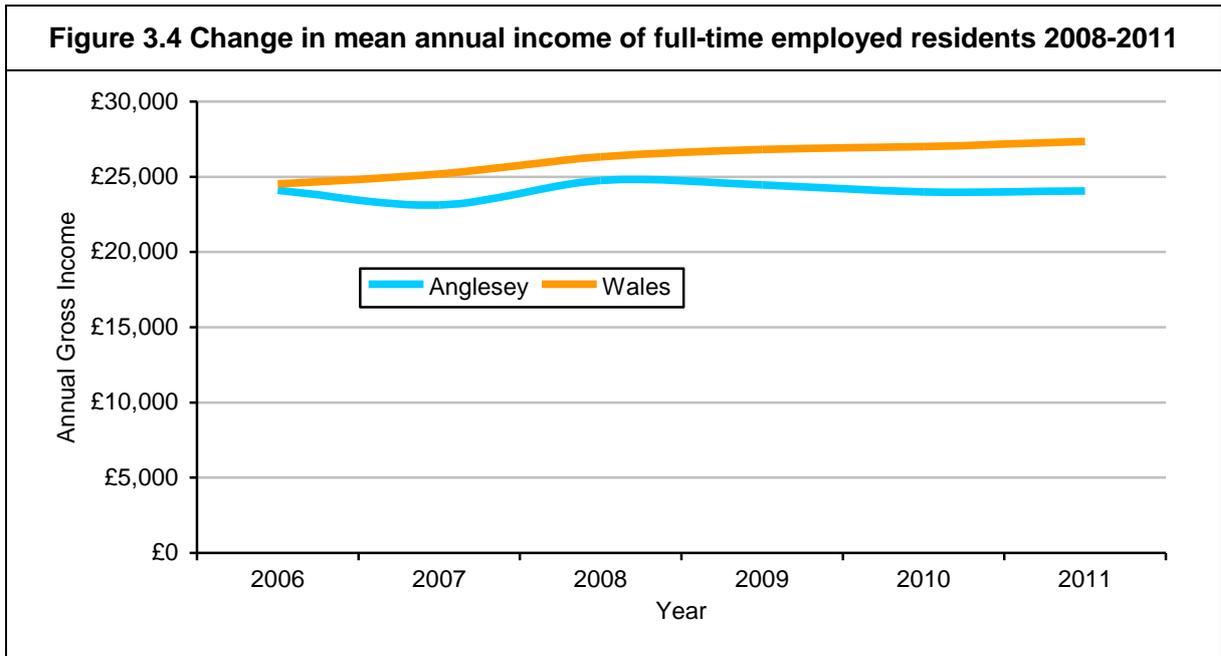
Income

3.15 Income has a crucial effect on the level of choice a household has when determining their future accommodation. The mean earned income for full-time employees resident in Isle of Anglesey in 2011 was £24,067, according to the ONS Annual Survey of Hours and Earnings, lower than Wales as a whole (at £27,346). It is important to note that these figures assess individual incomes rather than household incomes. As Figure 3.3 shows, at all points on the distribution annual gross income in the Isle of Anglesey is lower than the equivalent in Wales as a whole.



Source: ONS Annual Survey of Hours and Earnings (2011)

3.16 Figure 3.4 shows the change in the mean income of full-time employees resident in the Isle of Anglesey and Wales since 2006. The Isle of Anglesey has recorded almost no change (less than 0.1%) since 2006 compared to an increase of 11.5% across Wales. It is worth noting that whilst mean earnings in the Isle of Anglesey peaked in 2008, they have continued to rise nationally. The fall in earned income in the Isle of Anglesey since 2008 reflects the closure of Anglesey Aluminium at this time, which provided higher than average wages, as well as the subsequent reduction of the Eaton Electrical workforce in 2009.



4. The current housing market

Summary

- i) According to data from the Land Registry, the mean house price in Isle of Anglesey in the third quarter of 2011 was £153,057, lower than the average for Wales (£156,829). Data shows that whilst prices have recorded a slight decrease since the market downturn the number of property sales have fallen dramatically.
- ii) The housing markets in operation in Isle of Anglesey were examined and twelve owner-occupied price markets identified alongside three private rental price markets.
- iii) The cost of housing by size was assessed for all tenures in Isle of Anglesey. Entry-level prices in Isle of Anglesey range from £72,500 for a two bedroom home in the Holyhead price area up to £268,500 for a four bedroom property in the Menai Straits price area. Entry-level rents in Isle of Anglesey range from £450 per month for a two bedroom home in the Rest of Anglesey price area up to £700 per month for a four bedroom property in the Menai Straits price area
- iv) Housing market gaps analysis shows the nature of the housing ladder in a particular locality. An analysis of the gaps between each tenure shows that there is a large income gap between the social rented sector and private market entry. This indicates that intermediate housing priced within this gap could potentially be useful for a number of households in Isle of Anglesey, however additional resources are required to subsidise property values to an intermediate level (both Intermediate Rent and Shared Equity).
- v) The Welsh Assembly Government has published new guidance on Intermediate Rent. Intermediate Rent will be based on the open market value of each property. Within the Isle of Anglesey, as bedroom size increases the range of Intermediate Rents possible increases.

Introduction

- 4.1 An effective LHMA is founded on a thorough understanding of local housing – what it costs and how this varies. This chapter will use a range of sources to present this information for the Isle of Anglesey, including Land Registry data and an online survey of house prices and market rents.
- 4.2 This chapter begins by using Land Registry to put current property prices in a national and historical context. The chapter then moves on to identify the cost of different tenures in the Isle of Anglesey and the gaps that exist between the tenures.
- 4.3 The Welsh Government has published new guidance on Intermediate Rent, a new tenure to be introduced in the affordable sector. Intermediate Rent is intended to help fill the gaps that exist in the current housing market. The most important issue for the Council to determine is the level at which

Intermediate Rent should be set. This chapter will therefore also consider the potential cost of Intermediate Rent in the Isle of Anglesey.

Relative prices

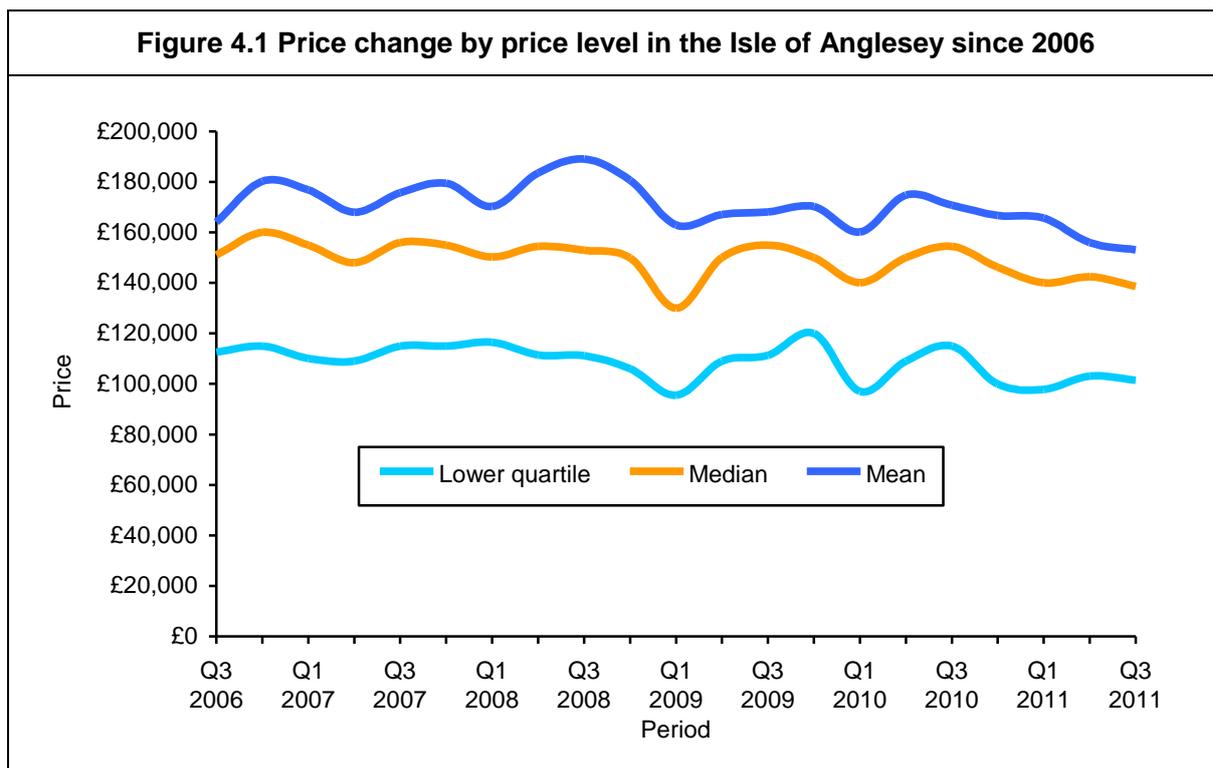
- 4.4 The Land Registry publishes quarterly price data for the last fifteen years. Using this it is possible to assess the changes that occurred to prices in the Isle of Anglesey during the market downturn and consider how prices prior to it compare to those now. Table 4.1 shows the change in average prices between the third quarter of 2006 and the third quarter of 2011 for the Isle of Anglesey and Wales (using the same quarter accounts for seasonal market variation).
- 4.5 The Table shows that between 2006 and 2011 average (mean) prices have decreased by 6.7% across the Isle of Anglesey, whereas they have recorded a slight increase nationally. Properties are on average slightly cheaper in the Isle of Anglesey than across Wales as a whole currently, but before the downturn the prices were higher than the national average.

Table 4.1 Change in average property prices			
<i>Area</i>	<i>Average price Jul-Sep 2006</i>	<i>Average price Jul-Sep 2011</i>	<i>Percentage change recorded 2006-2011</i>
Isle of Anglesey	£164,020	£153,057 ⁴	-6.7%
Wales	£155,328	£156,829	0.9%

Source: Land Registry via CLG

- 4.6 Figure 4.1 shows price change by property price level since Quarter 3 2006. The Figure shows that prices at all levels follow the same pattern of seasonal peaks and troughs and that all have shown a slight decrease over the period since the market downturn.

⁴ Although this report has used Land Registry data as it's principle secondary source on house prices, Hometrack data suggests average prices for the same quarter in the Isle of Anglesey were £154,330 – very similar.



Source: Land Registry via CLG

- 4.7 Table 4.2 shows the change in the number of property sales between the third quarter of 2006 and the third quarter of 2011. The Table indicates that property sales have notably decreased since the high levels recorded before the market downturn. The Isle of Anglesey records the level of sales decreasing by 32.7% during this period, whilst nationally the decrease was 47.6%.

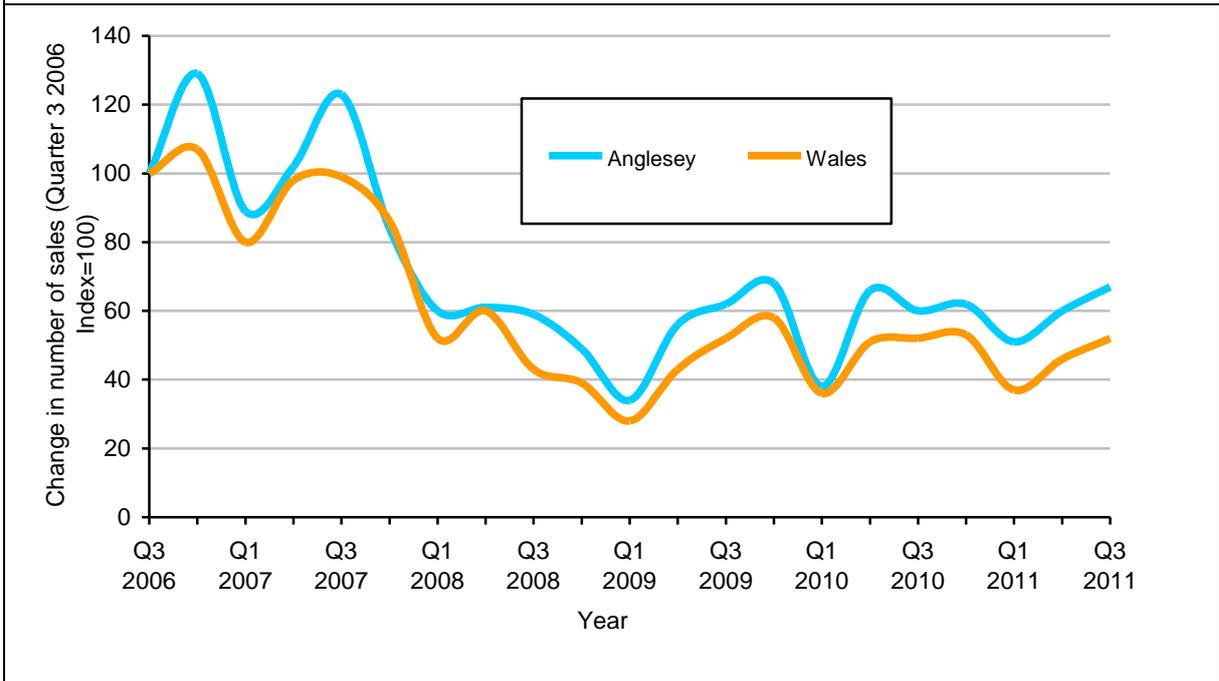
Area	<i>Number of sales Jul-Sep 2006</i>	<i>Number of sales Jul-Sep 2011</i>	<i>Percentage change recorded 2006-2011</i>
Isle of Anglesey	300	202	-32.7%
Wales	15,880	8,315	-47.6%

Source: Land Registry via CLG

- 4.8 Figure 4.2 shows the indexed change in the number of property sales since Quarter 4 2006 for both the Isle of Anglesey and Wales and that for both areas, the number of sales has recorded a step decline since October 2007. Despite seasonal fluctuations sales remain much lower now than they were at the end of 2006.



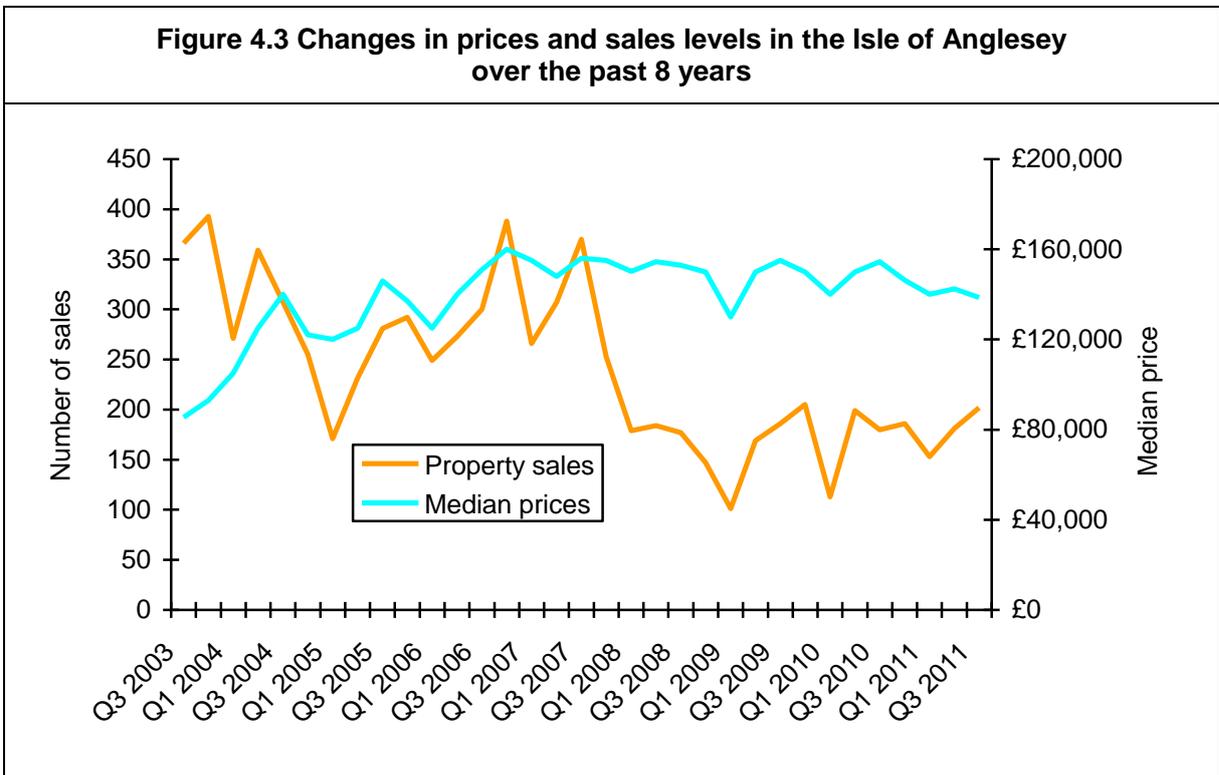
Figure 4.2 Indexed change in sales in the Isle of Anglesey since 2006



Source: Land Registry via CLG

4.9 It is useful to review housing market activity over a longer period to consider the influences on property price changes. Figure 4.3 shows the variation in median prices and property sales levels since 2003. The data suggests that prices have been stagnant since property sales declined, but prices were increasing during high sale levels in the pre-downturn period.

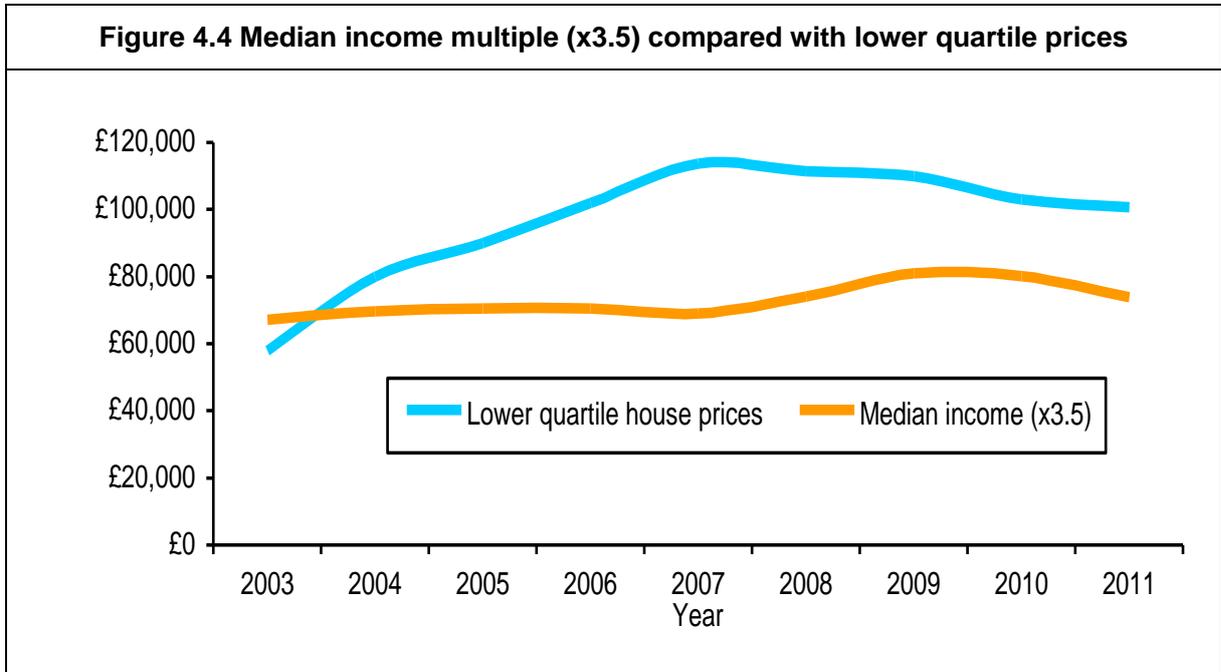
Figure 4.3 Changes in prices and sales levels in the Isle of Anglesey over the past 8 years



Source: Land Registry via CLG



4.10 Figure 4.4 shows that the median income of full-time workers multiplied by 3.5⁵ (the income multiple to assess affordability set out in the LHMA Guide) compared to lower quartile prices. It is clear that whilst affordability theoretically improved immediately after the economic downturn (discounting the greater difficulty of acquiring a mortgage), the affordability gap has widened since 2010. In 2011, lower quartile prices were 4.8 times higher than median full-time incomes compared with 3.0 times higher in 2003.



Source: Land Registry via CLG; Annual Survey of Hours and Earnings

The cost of housing in the Isle of Anglesey

4.11 To fully understand the affordability of housing within an area it is necessary to collect data on the cost of housing by number of bedrooms. This ensures that it is possible to assess the ability of households to afford market housing of the size required by that particular household as determined by the bedroom standard. However, no secondary data contains this information. As part of this study we have therefore undertaken a price survey to assess the current cost of housing in the County.

4.12 Variations in prices across the County were examined within the viability study separately commissioned by the Council and running parallel to this project. This identified twelve distinct price areas across the Isle of Anglesey based on three year Land Registry data which was used to provide a smoothed indicative mean new build price for different parts of the County. The twelve price areas as identified within the viability study are presented in Figure 4.5.

⁵ The use of the 3.5 multiplier is a crude measure, but it is useful to model the market and is established within the LHMA Guide. In reality lenders actually look at deposits, credit history, job security and wider lifestyle.



Figure 4.5 Price areas in the Isle of Anglesey

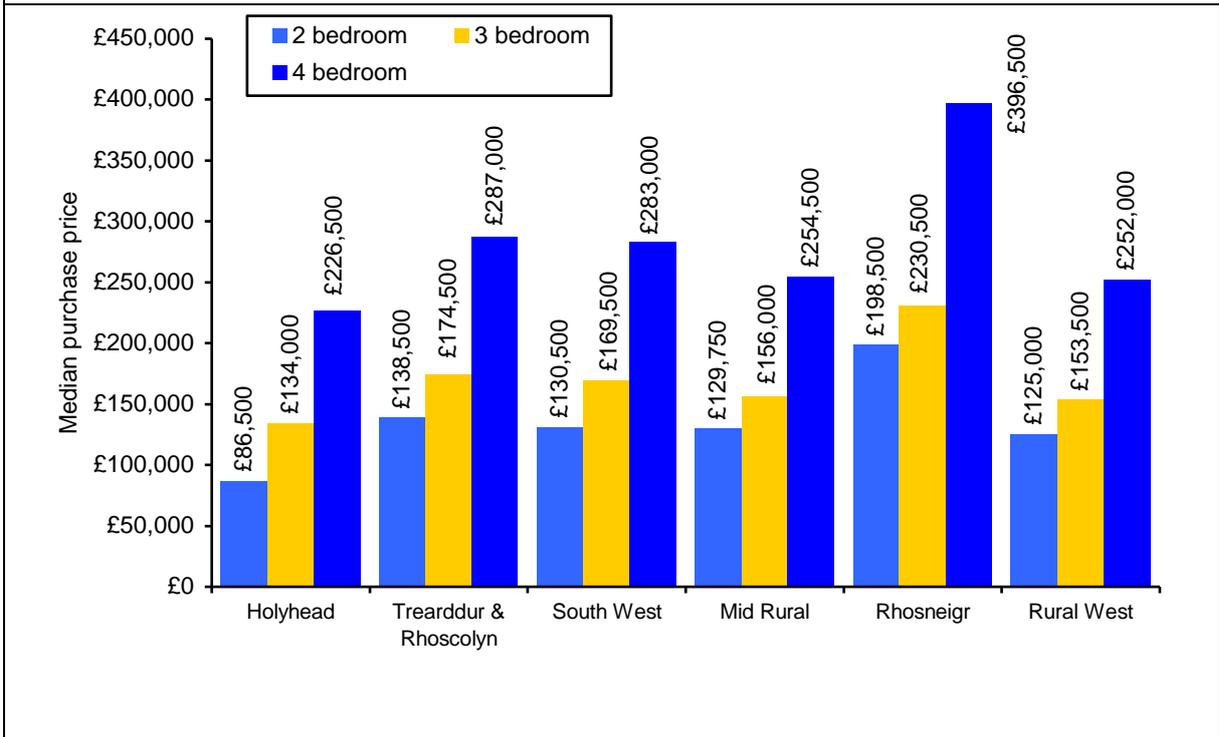


Source: Isle of Anglesey Council Local Housing Market Assessment, 2012

- 4.13 Median property prices by number of bedrooms were obtained in each of these price areas via an online search of properties advertised for sale during August 2012. The results of this online price survey are presented in Figure 4.6. One bedroom properties for purchase were found to be in very short supply in each of the price areas, therefore prices have not been presented for this dwelling size.
- 4.14 The Figure shows that in all price areas the difference between the price of a four bedroom home and a three bedroom home is larger than the difference between two and three bedroom properties. Overall prices were highest in the Rhosneigr and Beaumaris price areas. Two bedroom homes were cheapest in the Holyhead price area with three and four bedroom properties cheapest in the Amlwch & Hinterland price area.

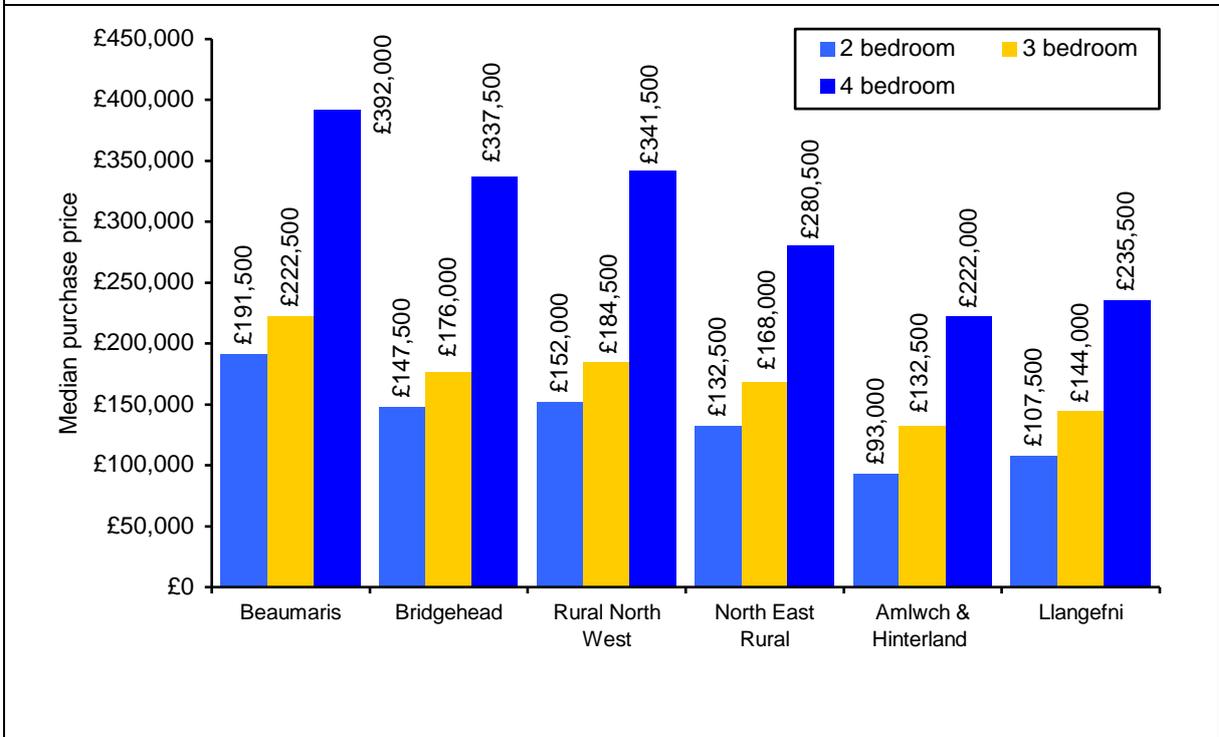


Figure 4.6a Median property prices by size and price market



Source: Online estate agents survey August 2012

Figure 4.6b Median property prices by size and price market



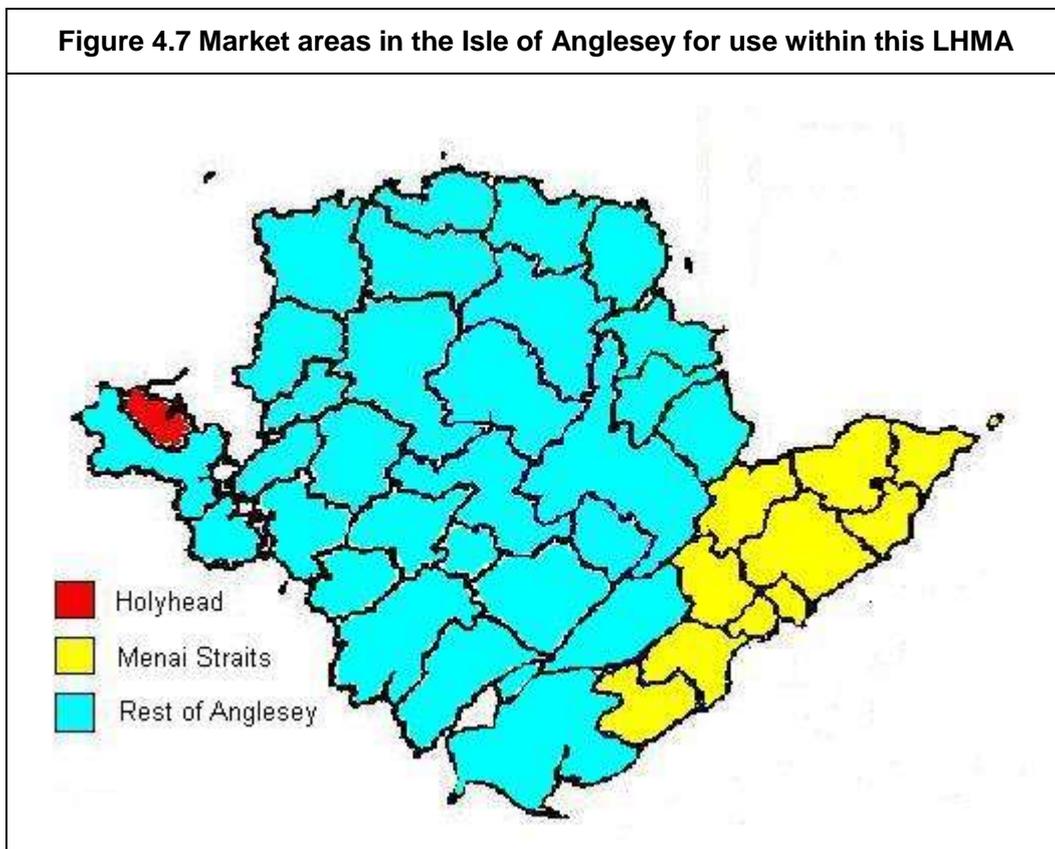
Source: Online estate agents survey August 2012



4.15 These prices broadly correspond with the most recent secondary data recorded on average price by bedroom size in the County as set on page 70 of the 'Anglesey and Gwynedd Joint Local Development Plan 2011—2026. Topic Paper Population and Housing' (July, 2012)

Market areas

4.16 The appropriateness of the market areas to be used within this study were discussed at considerable length at both the first stakeholder consultation event and the consultation event with Councillors. Whilst a range of opinions were shared, the consensus was that in terms of this LHMA, the twelve price areas set out in the viability study were too many and that three broad market areas were more appropriate. This is because in an LHMA it is important to create areas reflecting where households could reasonably be expected to move. The boundaries for the three areas identified are based on clear distinctions between the housing markets and the existing movement patterns of households within Anglesey, rather than smaller geographical price differentials used in the viability study. These three market areas are set out in Figure 4.7 below.

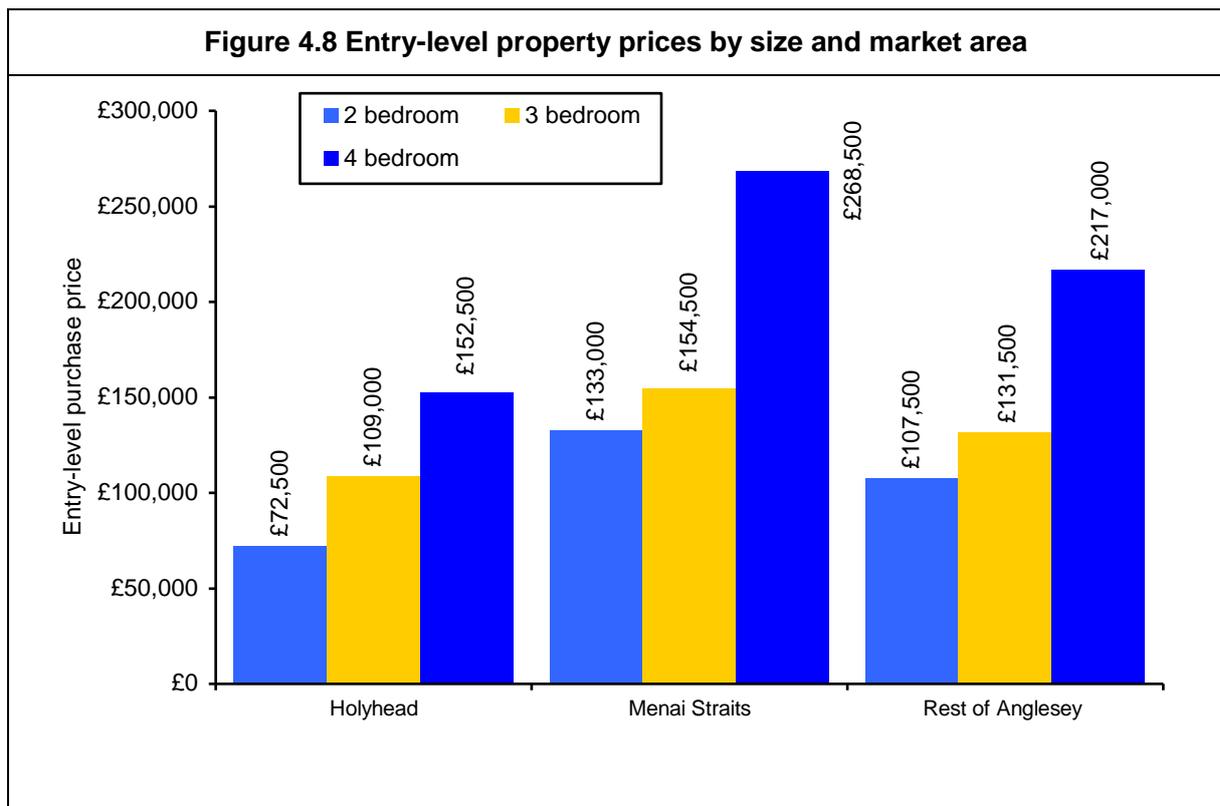


Source: Isle of Anglesey Council Local Housing Market Assessment, 2013

Entry-level prices

4.17 The online survey also collected information at different points of the price distribution. Entry-level property prices for each market area are presented in Figure 4.8 below. In accordance with the LHMA Guide, entry-level prices are based on lower quartile prices.

- 4.18 The Figure indicates that entry-level prices in Isle of Anglesey range from around £72,500 for a two bedroom home in the Holyhead market area up to £268,500 for a four bedroom property in the Menai Straits market area. In terms of market availability the analysis showed that three bedroom properties are most commonly available to purchase in the Holyhead and the Rest of Anglesey market areas and four bedroom homes showed the greatest availability in the Menai Straits market area.
- 4.19 As one bedroom properties for purchase were found to be in relatively short supply across the County, two bedroom dwellings are considered to be the smallest property found to be widely available in the Isle of Anglesey and form the market entry point for owner-occupation.



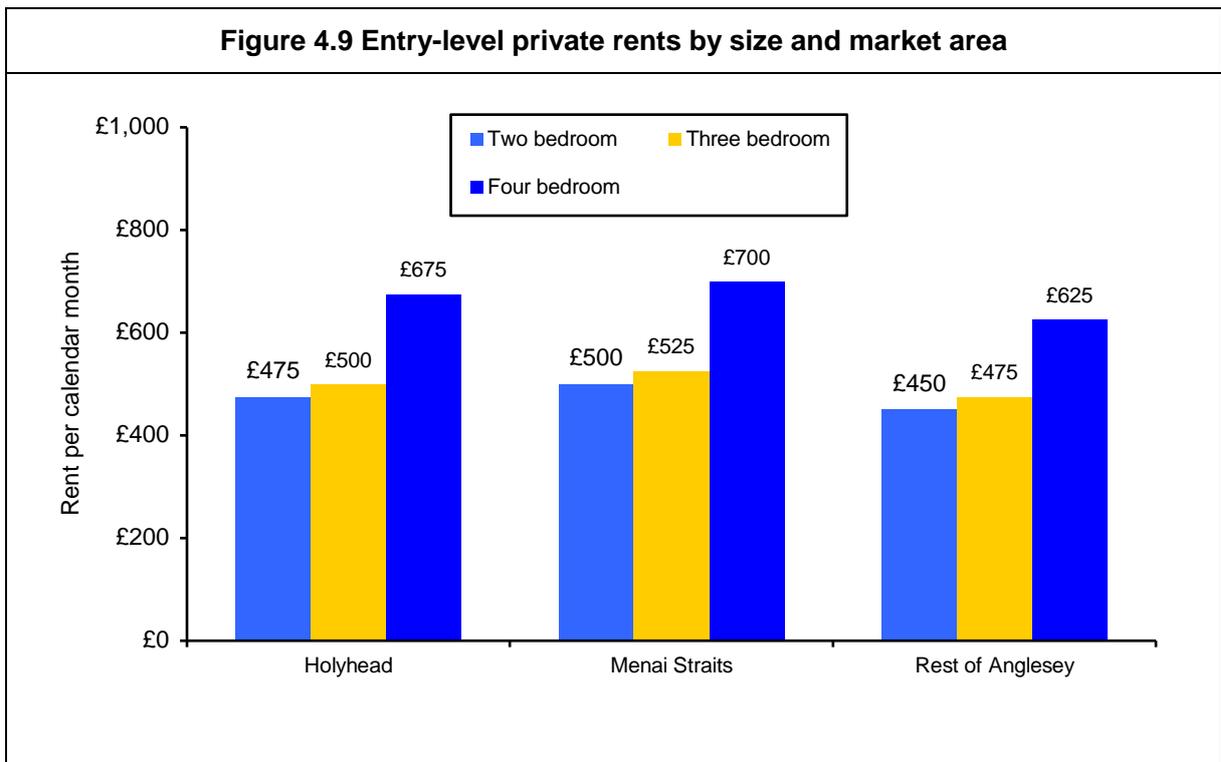
Source: Online estate agents survey August 2012

Entry-level rents

- 4.20 An analysis of the cost of renting at a local level revealed that the distinction between these three market areas also applied to the private rented sector. Rents have been collected for all of these market areas separately.
- 4.21 The entry-level price for private rented accommodation by property size is presented in Figure 4.9. The Table indicates that entry-level rents in the Isle of Anglesey range from £450 per month for a two bedroom home in the Rest of Anglesey market area up to £700 per month for a four bedroom property in the Menai Straits market area. The Menai Straits market area is the most expensive and the Rest of Anglesey market area cheapest, although there is not a large variation across the three areas.



- 4.22 The Figure shows that the difference between the cost of a three and four bedroom home is closer to the difference between the cost of a two and three bedroom home in the private rented sector. In addition, the profile of properties available is somewhat different to that for purchase with a greater proportion of two bedroom homes available to rent.
- 4.23 Again, one bedroom properties for rent were found to be in relatively short supply across the County, therefore two bedroom dwellings are considered to be the smallest property found to be widely available in the Isle of Anglesey and form the market entry point. The Council also records a relatively small supply of one bedroom private rented homes, the latest data indicating they constitute just 12% of all lets in the sector.



Source: Online estate agents survey August 2012

Social rents

- 4.24 The cost of social rented accommodation by dwelling size in the Isle of Anglesey can be obtained from the Welsh Government's StatsWales service. Table 4.3 below illustrates the cost of recent social rented lettings in the Isle of Anglesey. As can be seen the costs are significantly below those for private rented housing, particularly for larger houses, indicating a significant potential gap between the social rented and market sectors.



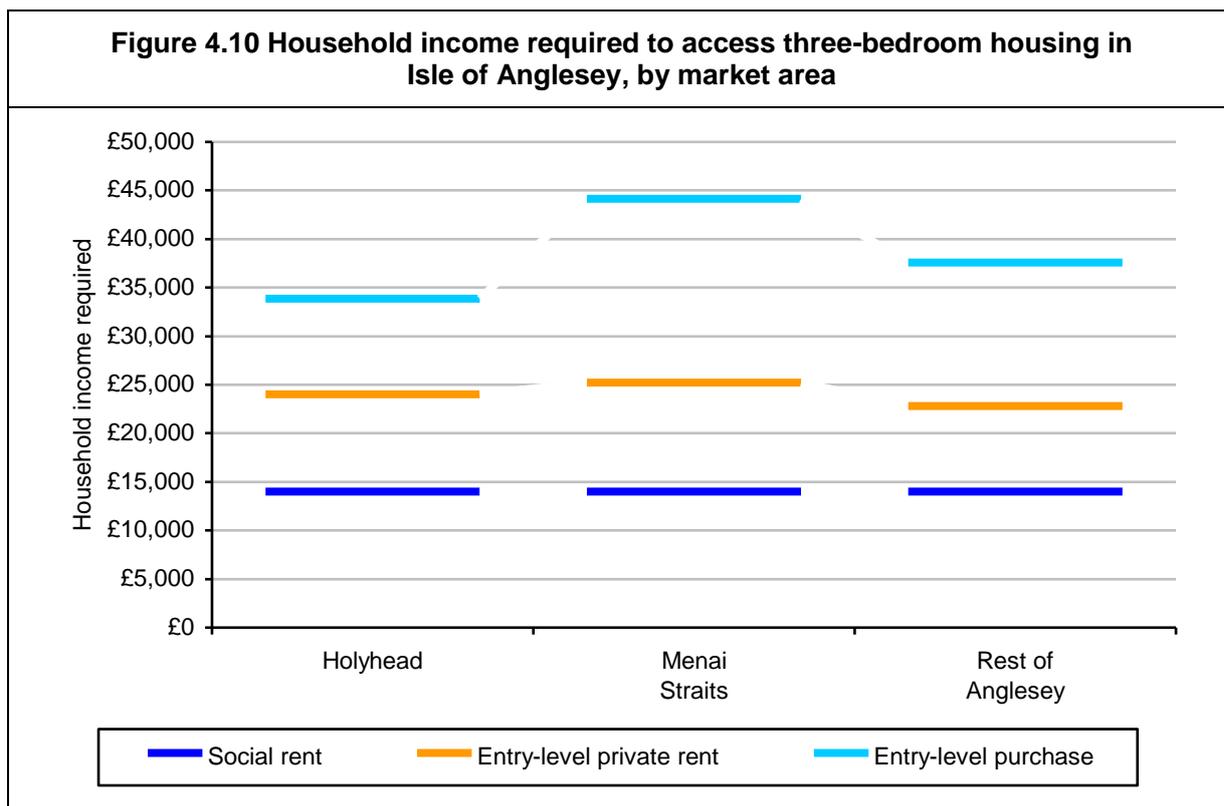
<i>Bedrooms</i>	<i>Rent (per month)</i>
1 bed	£247
2 bed	£266
3 bed	£292
4 bed	£331

Source: StatsWales, 2012

Analysis of housing market ‘gaps’

- 4.25 Housing market gaps analysis has been developed to allow easy comparison of the costs of the tenure range, in order to facilitate the testing of different newbuild proposals, and to show generally the nature of the housing ladder in a particular locality.
- 4.26 Figure 4.10 below shows the housing ladder that exists for three bedroom properties in each market area in the Isle of Anglesey. Three bedroom properties were chosen for analysis here as it offers the largest sample size across all market areas. The housing ladder is illustrated by comparing the different types of housing in terms of the income required to afford them. To do this we have divided the entry-level property price by 3.5⁶ to get an income figure and multiplied the annual rent by four to produce a comparable figure. This latter step was carried out for both social and market rents. This is in accordance with the affordability criteria set out in the LHMA Guide (although analysis of the household survey dataset suggests that households that have moved to a private rented home in the Isle of Anglesey in the last two years spend 34% of their gross income on their rent rather than 25%).
- 4.27 The figures below show a comparison of the likely income requirements per household for different types of housing. Measurement of the size of the gaps between these ‘rungs of the ladder’ helps assess the feasibility of households moving between the tenures – the smaller the gaps, the easier it is for a household to ascend the ladder. The figure indicates that in all market areas, social rent is the cheapest tenure followed by private rent and then owner-occupation. The gaps are quite substantial; in the Menai Straits market area an additional £11,000 per year is required to access a three bedroom private rented home from the cost of a three bedroom social rented property, with a further £19,000 required to move to an owner-occupied home.

⁶ Division by 3.5 is a simplistic approach and in reality households will often spend more on housing



Source: Online estate and letting agents survey August 2012, StatsWales, 2012

4.28 Table 4.4 shows the size of the gaps in each of the three market areas in the Isle of Anglesey. The data is based on the cost of a three bedroom home. The Table indicates, for example, that market entry rents are 71.2% higher (in terms of income required) than the cost of social rented accommodation in the Holyhead market area. The large gap recorded between social rents and market entry rents indicates that intermediate housing could potentially be useful for a number of households.

4.29 The gap between private renting and buying is generally smaller in comparison to the gap between social and private rent. It varies across the market areas in the Isle of Anglesey ranging from 41.4% in the Holyhead market area to 75.2% in the Menai Straits market area.

Market area	Social rent/market entry (private rent)	Rent/buy gap
Holyhead	71.2%	41.1%
Menai Straits	79.7%	75.2%
Rest of Anglesey	62.6%	64.8%

Source: Isle of Anglesey Local Housing Market Assessment, 2013

Intermediate Rent

- 4.30 Intermediate Rents are being introduced to help fill the gaps that exist in the current housing market. Intermediate Rent is a social tenure intended to house households on the Housing Register. Intermediate Rents can be set at up to 80% of open market rents, implying there is a flexibility as to what they may cost. This section, therefore profiles in more detail the private rented sector, on which the tenure is based, and then considers the potential cost of Intermediate Rent in the Isle of Anglesey. Appendix A2 sets out the policy context surrounding Intermediate Rent.

Understanding the private rented sector (PRS) in the Isle of Anglesey

- 4.31 The section considers the breadth of the private rented market for each property size in the Isle of Anglesey. Table 4.5 shows the cost at the key points of the rental distribution. This analysis considers the three market areas in the Isle of Anglesey separately.
- 4.32 It can be seen from the figures in the Table that in all market areas the price market for four bedroom homes is largely distinct as there is minimal overlap with the inter-quartile range of three bedroom homes. There is more overlap between the two and three bedroom market with the median figures relatively close together and an overlap between the upper quartile two bedroom homes and lower quartile three bedroom homes.
- 4.33 For all property sizes in all market areas, the extremes of each market overlap somewhat with the next size of dwelling. For example, a household in a high quality three-bed dwelling could live in a median priced four-bed property at the same rent but they would have to accept a noticeable drop in quality.

Table 4.5 Private sector rent level in the Isle of Anglesey (cost per month)			
Holyhead market area			
<i>House size</i>	<i>Two bed</i>	<i>Three bed</i>	<i>Four bed</i>
Minimum	£375	£450	£650
Lower Quartile	£475	£500	£675
Median	£525	£600	£800
Upper Quartile	£550	£650	£900
Maximum	£675	£800	£1,000
Inter-quartile range	£75	£150	£225
% difference between quartiles	15.8%	30.0%	33.3%
Menai Straits market area			
<i>House size</i>	<i>Two bed</i>	<i>Three bed</i>	<i>Four bed</i>
Minimum	£425	£475	£675
Lower Quartile	£500	£525	£700
Median	£550	£625	£800
Upper Quartile	£600	£750	£1,000
Maximum	£800	£1,000	£1,300
Inter-quartile range	£100	£225	£300
% difference between quartiles	20.0%	42.9%	42.9%
Rest of Anglesey market area			
<i>House size</i>	<i>Two bed</i>	<i>Three bed</i>	<i>Four bed</i>
Minimum	£350	£400	£600
Lower Quartile	£450	£475	£625
Median	£475	£550	£725
Upper Quartile	£550	£650	£950
Maximum	£750	£900	£1,200
Inter-quartile range	£100	£175	£325
% difference between quartiles	22.2%	36.8%	52.0%

Source: Online estate agents survey August 2012

Intermediate Rents compared with open market rents

- 4.34 We have considered various forms of averaging to derive a median market rent, from which the Intermediate Rent at 80% could be calculated. The most effective, we believe, is to take the median from the middle range of observed rents. Tables 4.6 to 4.8 compare the observed ranges of rent in the PRS with the Intermediate Rents based at 80% of these levels. Social rent and Local Housing Allowance⁷ (LHA) levels are also included. Two bedroom has been used as the minimum size of

⁷ Local Housing Allowance is the replacement for the former Housing Benefit in the private rented sector. It is designed to make up the shortfall in people's ability to pay for the housing they live in. Local Housing Allowance may represent 100% or some lower percentage of the overall rent paid.



accommodation considered, because the Welsh Government Guidance⁸ clearly indicates that Intermediate Rent is eligible for properties of two or more bedrooms (para 74). The Table shows that social rent levels in the Isle of Anglesey are consistently below the entire range of rates for Intermediate Rent products and the gap between social rent and Intermediate Rent increases with property size.

- 4.35 The LHA cap for the North West Wales Broad Rental Market Area as set by the Welsh Government is also included in the table. This is based on the 30th percentile of open market rents. In most markets the LHA rates are above the median and often above the maximum Intermediate Rent level. In the Isle of Anglesey the LHA cap is below the median and maximum Intermediate Rent for all property sizes (with the exception of three bedroom properties in the Rest of Anglesey market area). In this instance, if the intended households for Intermediate Rent homes require the entire rent to be covered by LHA, the properties available should be drawn from the bottom end of the market, in which case the rent level would be below the LHA cap. The data does suggest that the LHA cap is not currently accurate in the Isle of Anglesey, it is meant to reflect rents at the 30th percentile but it is lower than the current lower quartile rents recorded for all dwelling sizes and in all market areas. The LHA cap is below the true 30th percentile. This has also been found by the Council, which has noted that less than 5% of two bedroom private rented homes in the County are available at or below the LHA cap level.
- 4.36 For three and four bedroom homes there is an overlap between the maximum Intermediate Rent rate and the entry level private rent in all rental markets. If, in these instances, high end properties were made available as Intermediate Rent products, they would offer the chance for households to move into a high quality property at below open-market rents however, there would still be suitable cheaper properties available in the open market.
- 4.37 In terms of providing an Intermediate Rent product that is above the social rent level but suitably below the entry-level market rent, the tables suggest that the most suitable properties to be made available for Intermediate Rent would be ones equivalent to those in the 'lower-middle' section of the open market.

⁸ *'Rent First - intermediate rent - Final Guidance March 2011'*

Table 4.6 Rent levels by tenure – Holyhead market area (£/month)			
<i>House size</i>	<i>Two bed</i>	<i>Three bed</i>	<i>Four bed</i>
PRS			
Lower Quartile	£475	£500	£675
Median	£525	£600	£800
Upper Quartile	£550	£650	£900
Intermediate Rent at 80%			
Minimum	£380	£400	£540
Median	£420	£480	£640
Maximum	£440	£520	£720
Social rent			
Typical rent*	£266	£292	£331
LHA cap			
Isle of Anglesey BRMA **	£380	£475	£550

Source: Online estate agents survey August 2012, * StatsWales, 2012, **Welsh Government, July 2012

Table 4.7 Rent levels by tenure – Menai Straits market area (£/month)			
<i>House size</i>	<i>Two bed</i>	<i>Three bed</i>	<i>Four bed</i>
PRS			
Lower Quartile	£500	£525	£700
Median	£550	£625	£800
Upper Quartile	£600	£725	£1,000
Intermediate Rent at 80%			
Minimum	£400	£420	£560
Median	£440	£500	£640
Maximum	£480	£580	£800
Social rent			
Typical rent*	£266	£292	£331
LHA cap			
Isle of Anglesey BRMA **	£380	£475	£550

Source: Online estate agents survey August 2012, * StatsWales, 2012, **Welsh Government, July 2012

Table 4.8 Rent levels by tenure – Rest of Anglesey market area (£/month)			
<i>House size</i>	<i>Two bed</i>	<i>Three bed</i>	<i>Four bed</i>
PRS			
Lower Quartile	£450	£475	£625
Median	£475	£550	£725
Upper Quartile	£550	£650	£950
Intermediate Rent at 80%			
Minimum	£360	£380	£500
Median	£380	£440	£580
Maximum	£440	£520	£760
Social rent			
Typical rent*	£266	£292	£331
LHA cap			
Isle of Anglesey BRMA **	£380	£475	£550

Source: Online estate agents survey August 2012, * StatsWales, 2012, **Welsh Government, July 2012

Intermediate Rent levels

- 4.38 Having established how Intermediate Rent at 80% should be positioned in the market, it is important to consider the cost of other potential Intermediate Rent options below the maximum of 80%. Alternative levels of Intermediate Rent (70%, 65% and 60% of the median of the market) are also considered to understand how lowering rents impacts affordability. The costs of renting at these various levels are presented in Table 4.9.
- 4.39 It should however be acknowledged that additional resources are required to subsidise Intermediate Rents at a lower level and with grant funding reducing nationally this will become increasingly difficult.

Table 4.9 Monthly rental figures of different Intermediate Rent levels (based on median market levels) – by property size			
<i>Bedrooms</i>	<i>Two</i>	<i>Three</i>	<i>Four</i>
Holyhead market area			
Lower Quartile Private Rents	£475	£500	£675
Intermediate Rent at 80% of market median	£420	£480	£640
Intermediate Rent at 70% of market median	£368	£420	£560
Intermediate Rent at 65% of market median	£341	£390	£520
Intermediate Rent at 60% of market median	£315	£360	£480
<i>Social rent*</i>	£266	£292	£331
Menai Straits market area			
Lower Quartile Private Rents	£500	£525	£700
Intermediate Rent at 80% of market median	£440	£500	£640
Intermediate Rent at 70% of market median	£385	£438	£560
Intermediate Rent at 65% of market median	£358	£406	£520
Intermediate Rent at 60% of market median	£330	£375	£480
<i>Social rent*</i>	£266	£292	£331
Rest of Anglesey market area			
Lower Quartile Private Rents	£450	£475	£625
Intermediate Rent at 80% of market median	£380	£440	£580
Intermediate Rent at 70% of market median	£333	£385	£508
Intermediate Rent at 65% of market median	£309	£358	£471
Intermediate Rent at 60% of market median	£285	£330	£435
<i>Social rent*</i>	£266	£292	£331

Source: Online estate agents survey August 2012, * StatsWales, 2012

Shared equity

- 4.40 Whilst this section has profiled Intermediate Rent in detail, it should be noted that shared equity accommodation is an alternative affordable product aimed at the same group of households – those able to afford more than social rents but unable to afford market accommodation.
- 4.41 Table 4.10 presents the estimated costs of shared equity housing in the Isle of Anglesey. It is important to note that there were few shared equity properties available in the Isle of Anglesey at the time of the estate agent survey so the open market value for four bedrooms has been modelled. The monthly costs are based on an interest rate of 5.69% paid on the equity share owned and no rent payable on the remaining equity. These costs have been produced just to allow a broad comparison with the Intermediate Rent levels presented in Table 4.9. It is clear that there is a potential overlap between the two products, particularly between shared equity with a 70% equity share and Intermediate Rent at 70%. In terms of the cost on a monthly basis, shared equity with a 80% equity share is more expensive than entry-level private rents for four bedroom homes.

Table 4.10 Estimated cost of shared equity accommodation in Isle of Anglesey			
	<i>Two</i>	<i>Three</i>	<i>Four</i>
Open market value	£110,000	£135,000	£185,000
Monthly cost of shared equity with a 80% equity share	£417	£512	£702
Monthly cost of shared equity with a 70% equity share	£365	£448	£614

Source: Online estate agents survey August 2012



5. Financial information

Summary

- i) The updated survey estimates that the mean annual gross household income (including non-housing benefits) in the Isle of Anglesey is £27,435. The mean level of savings across the County is £30,928, whilst the mean level of equity held by owner-occupiers is £163,548.
- ii) Based on the affordability criteria set out in the LHMA Guide, some 25.1% of all households in Isle of Anglesey are theoretically unable to afford market accommodation of an appropriate size at the present time, however this will include the vast majority of social rented households who are already housed within an affordable home. Lone parent households are particularly unlikely to be able to afford a suitable home in the market. It should be noted that that households that have moved to a private rented home in the last 2 years spend 34% of their gross income on their rent rather than the 25% used in the affordability criteria set out in the LHMA Guide; the implications for this are discussed at the end of chapter 6.

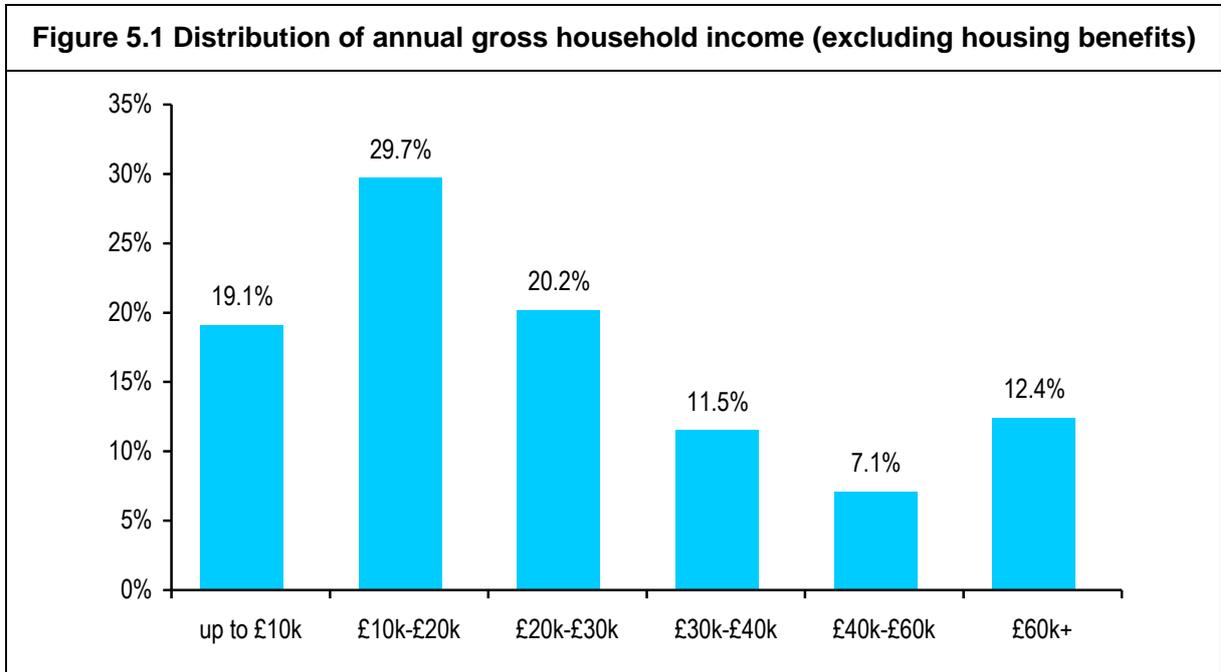
Introduction

- 5.1 This chapter presents the current financial situation of households in the Isle of Anglesey derived from the household survey dataset. The chapter considers each of the elements that constitute financial capacity. These results are then combined with the analysis of the local housing market, presented in the previous chapter, to make an assessment of affordability for households in the Isle of Anglesey.

Household income

- 5.2 The household survey dataset estimates that the mean annual gross household income excluding housing benefits in the Isle of Anglesey is £27,435. The median household income is noticeably lower at £20,480. The figure of £27,435 represents household income rather than the individual income levels discussed in paragraph 3.15. It is worth noting that the mean annual income for households where at least one person is employed is £37,986 and the median is £29,828.
- 5.3 The figure of £20,480 compares with the median figure of £24,350 from 2010 recorded in the *'Anglesey and Gwynedd Joint Local Development Plan 2011—2026. Topic Paper Population and Housing'* (July, 2012). The reason for the difference is that the 2010 household income figure includes housing benefits received by the Council, whereas the one quoted in this report does not.

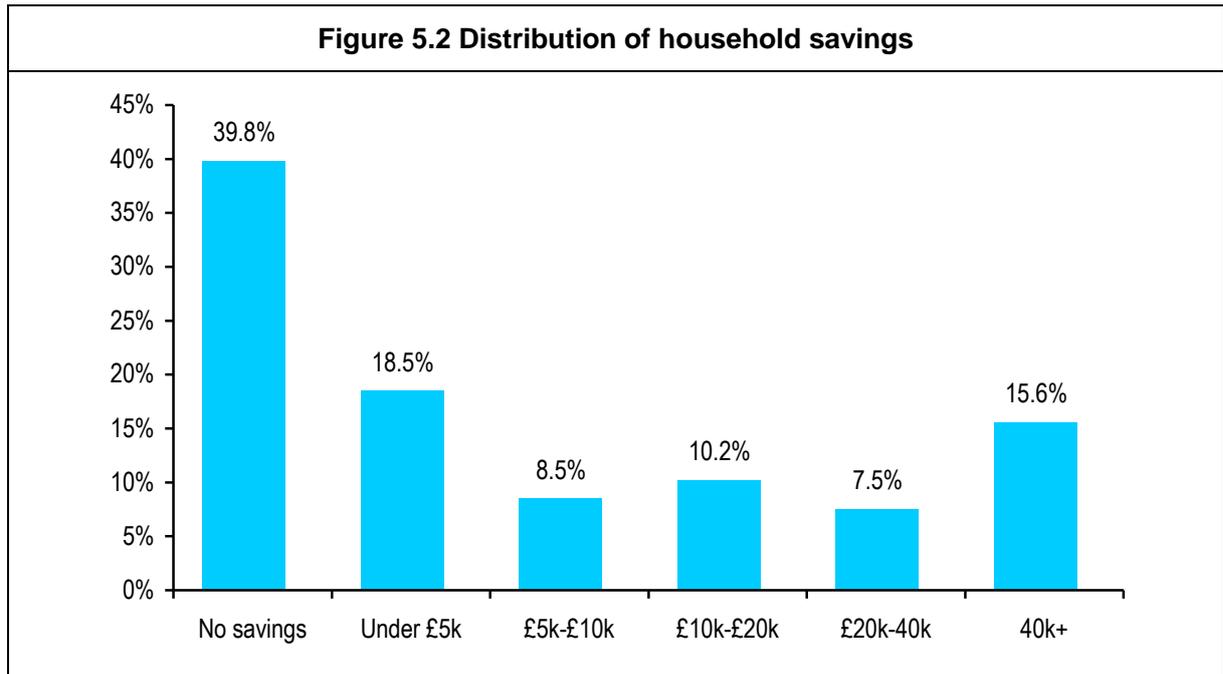
5.4 Figure 5.1 shows the distribution of income in the Isle of Anglesey. It is clear that there is a significant range of incomes, with 19.1% of households having an income of less than £10,000, and 12.4% of households having an income in excess of £60,000.



Source: Isle of Anglesey Local Housing Market Assessment, 2013

Household savings and equity

5.5 The mean level of household savings in Isle of Anglesey in 2012 is £20,928. The median figure for household savings is currently £2,397. Figure 5.2 shows the distribution of savings in Isle of Anglesey. Households with no savings also include those in debt.



Source: Isle of Anglesey Local Housing Market Assessment, 2013

5.6 The mean amount of equity that all owner-occupiers (both those with and without mortgages) have in their property is estimated to be £163,548 currently. The median level of equity is £153,418. Overall the household survey dataset indicates that there are 324 households in Isle of Anglesey in negative equity. This constitutes 1.5% of owner-occupiers in the Isle of Anglesey.

Financial capacity of Isle of Anglesey’s Households

5.7 Financial capacity is the term created to define the capitalised amount of money a household potentially has available to move home. It takes account of all the resources that a household has available and is calculated as: $\text{income} \times 3.5 + \text{savings} + \text{equity}$. The income is multiplied by 3.5 as this is the typical multiplier used to assess a household’s ability to purchase a home and is the approach suggested in the LHMA Guide.

5.8 Table 5.1 provides the median financial capacity figures by tenure. The data shows that owners without a mortgage (often retired) have a greater overall financial capacity than those (typically younger) with a mortgage, but the latter have much higher incomes. Both have a far greater financial capacity than households in the rented sector. It is clear that the financial capacity of social renters will prohibit many from being able to consider buying a home. However, it is likely that a number of private renting households will theoretically be able to purchase a property.



Table 5.1 Median financial information by tenure				
<i>Tenure</i>	<i>Median annual gross household income</i>	<i>Median savings</i>	<i>Median equity</i>	<i>Financial capacity</i>
Owner-occupied (no mortgage)	£20,816	£19,299	£188,459	£280,615
Owner-occupied (with mortgage)	£32,731	£793	£82,929	£198,280
Social rented	£9,837	£162	£0	£34,593
Private rented	£12,460	£320	£0	£43,932
Average	£20,480	£2,397	£93,711	£167,789

Source: Isle of Anglesey Local Housing Market Assessment, 2013

Other financial information

- 5.9 In addition to the information collected about income, savings and equity, the survey form asked households whether they have access to any other financial resources which might be able to be used towards a deposit on a property (and if so – how much). The great majority of households (89.0%) stated that they had no further access to financial resources other than those already analysed.
- 5.10 Despite the majority having no access to financial resources, the minority that do have access to a mean level of £113,114 (median of £50,102) from sources other than savings and equity (e.g. borrowing from relatives, or other owned homes). It is therefore possible that such additional funds will be able to help a small number of households to afford suitable market housing without the need for any subsidy.

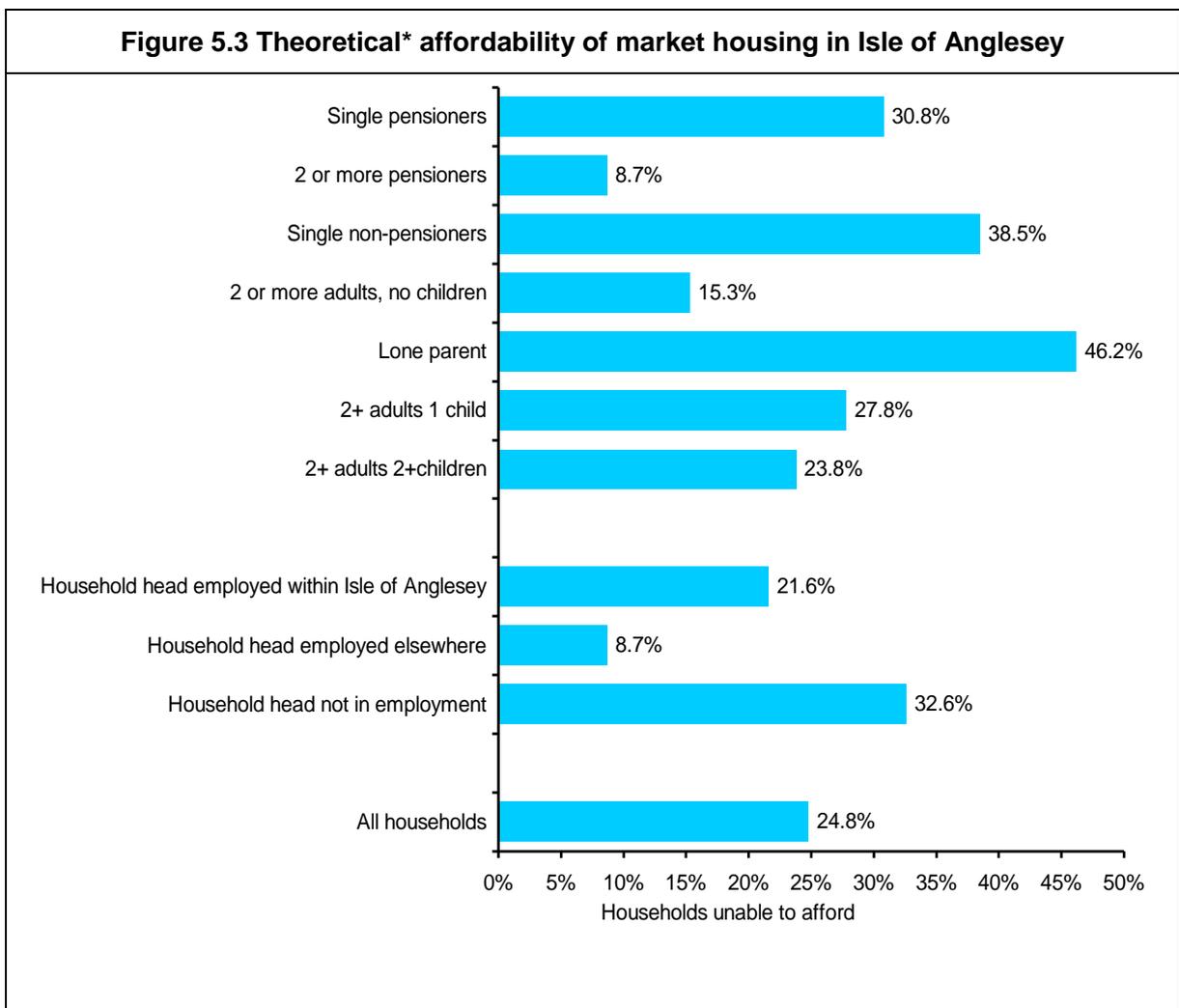
Theoretical affordability of market housing

- 5.11 This information on the financial capacity of households alongside data on the cost of entry-level housing in their specific market of the Isle of Anglesey can be used to examine the ability of households to afford housing locally, based on the affordability criteria set out in LHMA Guide (and presented in the Glossary).
- 5.12 Figure 5.3 shows the current affordability of households by household type and location of employment of household head. This is theoretical affordability of households as the analysis considers all households in Isle of Anglesey and does not take into account their intention of moving.
- 5.13 The data indicates that 46.2% of lone parent households in Isle of Anglesey would be unable to afford market housing (if they were to move home now). Single person households are also relatively unlikely to be able to afford. Households that contain two or more pensioners are most likely to be able to afford market housing in Isle of Anglesey.

- 5.14 Over a fifth (21.6%) of households headed by someone employed in the County would be unable to afford market housing in the Isle of Anglesey (if they were to move now) compared to only 8.7% of households headed by someone employed outside of the Isle of Anglesey.

- 5.15 Overall, some 24.8% of all households in Isle of Anglesey are theoretically unable to afford market accommodation of an appropriate size at the present time. Over 97% of households unable to afford are resident in the rented sector (including those currently housed in social rented accommodation).

- 5.16 Data from the household survey on potential newly forming households indicates that 43.4% of households that intend to form within Anglesey in the next two years would not be able to afford market housing (were they to move now).



*This is theoretical affordability of households as the data in the figure looks at all households in Isle of Anglesey regardless of their intention of moving. Source: Isle of Anglesey Local Housing Market Assessment, 2013





6. Housing need

Summary

- i) A key element of housing need is an assessment of the suitability of a household's current housing. It is estimated that a total of 2,147 households are living in unsuitable housing. This represents 6.8% of all households in the Isle of Anglesey.
- ii) Following the steps of the needs assessment model specified by the LHMA Guide results in a net need estimate of 635 affordable dwellings per year in the Isle of Anglesey. The high level of second home ownership recorded in the Isle of Anglesey is part of the reason for such a high housing need figure, as second home ownership causes prices to be higher than would be the case if they were driven just by local demand.
- iii) Around half of the net need is for one bedroom homes, a fifth for three bedroom dwellings and 15% each for two and four bedroom properties.
- iv) Very few households on the Register could afford Affordable Rent at 80% of the median market rent. The most practical level to set Affordable Rent to meet substantial need is at 65% or 70%, however it is acknowledged that additional resources are required to subsidise rents at this level.
- v) Factoring higher affordability thresholds households in the private rented sector pay in current market conditions and the supply of private rented accommodation (via LHA) to house those requiring affordable housing, the need for new affordable units reduces to 134 per year.

Introduction

- 6.1 Housing need is a term first used in the mid-1990s to help provide a means-tested estimate of the requirement for affordable housing in an area. The annex to TAN2 (June 2006) defines housing need as *'households lacking their own housing or living in housing which is judged to be inadequate or unsuitable, who are unlikely to be able to meet their needs in the housing market without some financial assistance.'*
- 6.2 This chapter presents the results of the four stages of the needs assessment table. The four stages identified in the *Welsh Government Local Housing Market Assessment Guide* are: current need, available stock to offset need, newly arising need and supply of affordable units. Each will be dealt with individually.
- 6.3 Within each of the four stages there are a number of detailed calculations (22 in total) many of which themselves have a number of components. This chapter presents details of how each of these 22 detailed steps is calculated using locally available data for Isle of Anglesey. An annual estimate of

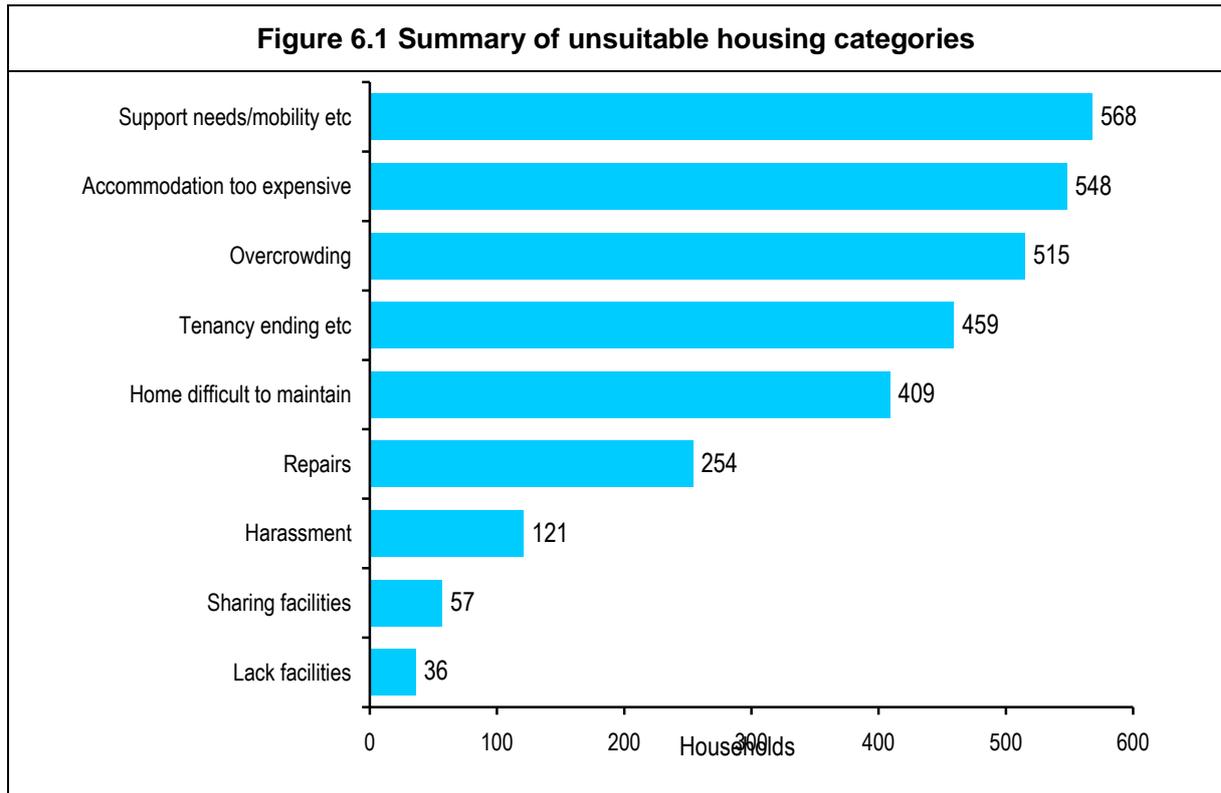
housing need is calculated from these 22 steps and the location, type and size of accommodation most appropriate to meet this need is discussed. This will include a discussion of the suitability of different Affordable Rent levels to meet housing need. An alternative estimate for housing need based on the approach set out in *'Getting Started With Your Local Housing Market Assessment. A Step by Step Guide'* (March, 2012) has been produced for the Council for context, however the one contained within this chapter should be considered the correct assessment of housing need.

Stage 1: Gross current need (Steps 1-4)

- 6.4 This includes an assessment of housing suitability and affordability of existing households (Step 1) and also considers homeless households that need affordable housing (Step 2). Households within step 1 that are able to meet their needs in the market are removed (Step 3) leading to a total current gross need estimate (Step 4).

Unsuitable housing

- 6.5 A key element of housing need is an assessment of the suitability of a household's current housing. The LHMA Guide sets out a series of nine criteria for unsuitable housing, which have been used in this report. It is estimated that a total of 2,147 households are living in unsuitable housing. This represents 6.8% of all households in the Isle of Anglesey.
- 6.6 Figure 6.1 shows a summary of the numbers of households living in unsuitable housing (ordered by the number of households in each category). The main cause of unsuitable housing is the dwelling being unsuitable for the household due to their support needs or mobility issues, followed by the home being too expensive and overcrowding.



Source: Isle of Anglesey Local Housing Market Assessment, 2012 N.B. Households can have more than one reason for unsuitability, hence figures add up to more than 2,147

6.7 Table 6.1 shows unsuitable housing by tenure. The data suggests that households living in private rented accommodation are particularly likely to be in unsuitable housing.

Table 6.1 Unsuitable housing and tenure

Tenure	Unsuitable housing				
	<i>In unsuitable housing</i>	<i>Not in unsuitable housing</i>	<i>Number of h'holds in Isle of Anglesey</i>	<i>% of tenure in unsuitable housing</i>	<i>% of all unsuitable housing</i>
Owner-occupied (no mortgage)	370	13,137	13,506	2.7%	17.2%
Owner-occupied (with mortgage)	612	7,606	8,218	7.5%	28.5%
Social rented	192	4,199	4,391	4.4%	8.9%
Private rented	973	4,681	5,654	17.2%	45.3%
Total	2,147	29,623	31,770	6.8%	100.0%

Source: Isle of Anglesey Local Housing Market Assessment, 2013

'In-situ' solutions

6.8 The survey has highlighted that 2,147 households are in unsuitable housing. However, it is most probable that some of the unsuitability can be resolved in the households' current accommodation. Households living in housing deemed unsuitable for the following reasons were not considered to have



an in-situ solution: end of tenancy, accommodation too expensive, overcrowding, sharing facilities, harassment.

- 6.9 The updated household dataset therefore estimates that of the 2,147 households in unsuitable housing, 1,471 (or 68.5%) do not have an in-situ solution and therefore require a move to alternative accommodation. These 1,471⁹ households form **Step 1** of the model.

Affordability

- 6.10 These 1,471 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 53.1% (781 households) are unable to afford market housing. Therefore some 690 of these households could meet their need within the market and are deducted from the gross need estimate at **Step 3**.
- 6.11 The 781 households that cannot afford market housing and are living in unsuitable housing (and require a move to alternative accommodation) are considered to be in housing need. This represents 2.5% of all existing households in the Isle of Anglesey.
- 6.12 Table 6.2 shows the tenure of the 781 households currently estimated to be in housing need. The results show that private rented tenants are most likely to be in housing need. Of all households in need 74.0% currently live in private rented accommodation, 14.9% in an owner-occupied home and 11.1% in a social rented dwelling.

Table 6.2 Housing need and tenure					
<i>Tenure</i>	<i>Housing need</i>				
	<i>In need</i>	<i>Not in need</i>	<i>Number of h'holds in Isle of Anglesey</i>	<i>% of tenure in need</i>	<i>% of all housing need</i>
Owner-occupied (no mortgage)	5	13,501	13,506	0.0%	0.7%
Owner-occupied (with mortgage)	111	8,108	8,218	1.3%	14.2%
Social rented	87	4,304	4,391	2.0%	11.1%
Private rented	578	5,076	5,654	10.2%	74.0%
Total	781	30,989	31,770	2.5%	100.0%

Source: Isle of Anglesey Local Housing Market Assessment, 2013

- 6.13 For the purposes of the housing needs assessment (specifically Step 5), households considered to be in housing need have been split into two categories: current occupiers of affordable housing in need (this includes occupiers of social rented and assisted home ownership (shared equity)

⁹ Households without an in situ solution can have more than one reason for unsuitability, hence the figures for the categories used within Figure 6.1 add up to more than 1,471



accommodation), and households from other tenures (those in owner-occupied or private rented accommodation) in need. Some 87 households fall into the former category (which from **Step 5** of the model) and 694 into the latter category.

Homeless households

- 6.14 The housing needs assessment is a ‘snapshot’ survey that assesses housing need at a particular point in time. There will, in addition to the existing households in need, be some homeless households who were in need at the time of the survey and should also be included within any assessment of current need.
- 6.15 To assess the number of homeless households we have used information contained in the Council’s WHO12 returns - Table 7: ‘Homeless households accommodated by your authority at the end of the Quarter’. This is important given the snapshot nature of the survey. Data compiled from the March 2012 WHO12 form is shown in Table 6.3.

Table 6.3 Homeless households accommodated by authority at the end of the quarter	
<i>Category</i>	<i>No.</i>
Directly with a private sector landlord	0
Private sector accommodation leased by authority	90
Private sector accommodation leased by RSLs	0
Within Council’s own stock	30
RSL stock on assured shorthold tenancies	0
<u>Hostel</u>	<u>0</u>
<u>Women’s refuge</u>	<u>0</u>
<u>Bed and breakfast</u>	<u>5</u>
Other	0
Homeless at home	65
Total	190

Source: StatsWales, 2012

- 6.16 Not all of the categories in the above Table are added to our assessment of existing households in need. This is because they will be part of our household survey sample. For example, households housed in private sector accommodation should already be included as part of the housing need – such household addresses should appear on the Council Tax file from which the sample was drawn. To include these households when they form part of the weighted household dataset would mean that the households would be double counted. After considering the various categories, we have concluded that there are three categories which should be included as part of the homeless element. These have been underlined in the Table above. Therefore, of the 190 homeless households in temporary accommodation, 5 will be counted as additional need for the purpose of the housing needs assessment. This figure of 5 forms **Step 2** of the model.



Total current need

6.17 Table 6.4 summarises the first stage of the overall assessment of housing need as set out by the LHMA Guide. Step one is the number of existing households in unsuitable housing without an in-situ solution identified in paragraph 6.9. Step two is the number of non-households in housing need set out in paragraph 6.16. Step three is the number of existing households that need alternative accommodation that can afford it in the market as is described in paragraph 6.10. Step 4 is the sum of steps one and two, with step three deducted. **Step 4** shows that there are an estimated 786 households in need.

Table 6.4 Stage 1: Current housing need (gross)			
<i>Step</i>	<i>Paragraph reference</i>	<i>Notes</i>	<i>Output</i>
1. Existing households in need of accommodation	6.9		1,471
2. <i>Plus</i> current non-households in need of affordable housing	6.16		5
3. <i>Minus</i> cases where they can afford to meet their need in the market	6.10		690
4. <i>Equals</i> total current housing need (gross)	6.17	1+2-3	786

Source: Isle of Anglesey Local Housing Market Assessment, 2013

Stage 2: Available stock to offset need (Steps 5-9)

6.18 Stage 2 considers the stock available to offset the current need. This includes stock from current occupiers of affordable housing in need (Step 5), surplus stock from vacant properties (Step 6) and committed supply of new affordable units (Step 8). Units to be taken out of management are then deducted before an estimate of the total available stock to offset the current need is calculated (Step 9).

Current occupiers of affordable housing in need

6.19 It is important when considering net need levels to discount households already living in affordable housing. This is because the movement of such households within affordable housing will have an overall nil effect in terms of housing need. The number of affordable dwellings occupied by households in need is established in Step 1 (paragraph 6.13). The figure to be used in **Step 5** is therefore 87.

Surplus stock

6.20 A certain level of vacant dwellings is normal as this allows for transfers and for work on properties to be carried out. The LHMA Guide suggests that if the vacancy rate in the affordable stock is in excess of 3% then these should be considered as surplus stock which can be included within the supply to offset needs. The most recent data from the Welsh Government's StatsWales service (March 2011) records a vacancy rate in the social rented sector of 1.4%; therefore no adjustment needs to be made to the figures - the figure to be used in **Step 6** is 0.



Committed supply of new affordable units

- 6.21 The LHMA Guide recommends that this part of the assessment includes *'new social rented and intermediate housing which are already planned to be built over the time period of the assessment'*. The latest data from the Welsh Government's StatsWales service (March 2011) indicates that 147 new affordable dwellings are planned to be built in the Isle of Anglesey. For the purposes of this analysis we have taken this as a guide to new provision across Isle of Anglesey, therefore a figure of 147 has been used in **Step 7**, although it is acknowledged that because Social Housing Grant funding is reducing this figure may be difficult to achieve.

Planned units to be taken out of management

- 6.22 The LHMA Guide states that this stage *'involves estimating the numbers of social rented or intermediate units that will be taken out of management'*. The main component of this step will be properties which are expected to be demolished (or replacement schemes that lead to net losses of stock). At the time of reporting the proposed number of affordable dwellings expected to be 'taken out of management' within the study area in the future was unknown and hence a figure of zero has been used for **Step 8** of the model.

Total available stock to meet current need

- 6.23 Having been through a number of detailed stages in order to assess the total available stock to offset need in Isle of Anglesey we shall now bring together all pieces of data to complete Stage 2 of the needs assessment table set out in the LHMA Guide. The data shows that there are an estimated 234 properties available to offset the current need (see **Step 9**).
- 6.24 The current level of net need is calculated in steps 10 – 12 of the needs assessment table. Step 10 removes the estimate of available stock to offset need (step 9) from the total number of households in current need (step 4); the net need level is 551 dwellings (**Step 10**). However, the LHMA Guide recommends that current need is addressed over a five-year period, hence this figure has been divided by five (**Step 11**). This results in the annual requirement of units to reduce current need (**Step 12**) which is 110.

Table 6.5 Stage 2: Available stock to offset need			
<i>Step</i>	<i>Paragraph reference</i>	<i>Notes</i>	<i>Output</i>
5. Current occupiers of affordable housing in need	6.19		87
6. Plus surplus stock	6.20		0
7. Plus committed supply of new affordable units	6.21		147
8. Minus planned units to be taken out of management	6.22		0
9. Equals total stock available to meet current need	6.23	5+6+7-8	234
10. Equals total current need (net)	6.24	4-9	551
11. Times annual quota for the reduction of current need	6.24		20%
12. Equals annual requirement of units to reduce current need	6.24	10x11	110

Source: Isle of Anglesey Local Housing Market Assessment, 2013

Stage 3: Newly arising need

- 6.25 In addition to the current needs discussed so far in this chapter there will be future (or newly arising) need. This is split into two main categories: newly forming households (Step 13), multiplied by the proportion unable to buy or rent in the market (Step 14), and existing households falling into need (Step 15). Potential out-migrants able to afford market housing (Step 16) are removed, in order for a total newly-arising need figure (Step 18) to be arrived at.
- 6.26 It should be noted that in-migrants unable to afford market housing (Step 17) are included within the figures for Steps 13-15, and thus are not presented separately.

New household formation

- 6.27 The estimate of the number of newly forming households in need of affordable housing is calculated from the update survey dataset and is based on an assessment of households that have formed over the past two years. Such an approach is preferred to studying households stating likely future intentions as it provides more detailed information on the characteristics of these households contributing to this element of newly arising need.
- 6.28 Table 6.6 shows details of the derivation of new household formation. The Table begins by establishing the number of newly forming households over the past two years.



Table 6.6 Derivation of newly arising need from new household formation		
	<i>Number</i>	<i>Sub-total</i>
Number of households moving in past two years ¹⁰	5,072	
Minus existing households	-3,470	1,602
TOTAL APPLICABLE MOVES	1,602	
ANNUAL TOTAL APPLICABLE MOVES	801	
Minus households able to afford market housing (67.9%)	-544	257
ANNUAL ESTIMATE OF NEWLY ARISING NEED	257	

Source: Isle of Anglesey Local Housing Market Assessment, 2013

6.29 The Table above shows that an estimated 1,602¹¹ households were newly formed within the Isle of Anglesey over the past two years, which equates to 801 households per annum. The figure of 801 is used in **Step 13** of the model. The affordability test is then applied to these households to assess their ability to afford market housing. Each newly forming household that is potentially in need is tested for their ability to afford market accommodation of an appropriate size using the information for their particular financial circumstances. The survey estimates that 32.1% of these households are unable to afford market housing without some form of subsidy in Isle of Anglesey. The figure of 32.1% is used in **Step 14** of the model. Overall therefore there is a newly arising need from 257 newly forming households per year.

Existing households falling into need

6.30 This is an estimate of the number of existing households who will fall into housing need over the next two years (and then annualised). This is calculated from the updated survey dataset and is based on assessment of the ability to afford of existing households who have moved home within the last two years. A household will fall into need if it has to move home and is unable to afford to do this within the private sector (examples of such a move would be because of the end of a tenancy agreement). A household unable to afford market rent prices but moving to private rented accommodation may have to either claim Local Housing Allowance (formerly Housing Benefit) or spend more than a quarter of their gross income on housing, which is considered unaffordable (or indeed a combination of both).

6.31 Households previously living with parents, relatives or friends are excluded as these will double-count with the newly forming households already considered in the previous Table. The data also excludes moves between social rented properties.

6.32 Table 6.7 shows the derivation of existing households falling into need.

¹⁰ This figure is further examined in comparison to available secondary data in Appendix A3.

¹¹ This figure is considered further in Appendix A3.

Table 6.7 Derivation of newly arising need from existing households		
	<i>Number</i>	<i>Sub-total</i>
Number of households moving in past two years	5,072	
Minus households forming in previous move	-1,602	3,470
Minus households transferring within affordable housing	-210	3,260
TOTAL APPLICABLE MOVES	3,260	
Minus households able to afford market housing (60.8%)	-1,982	1,278
ESTIMATE OF NEWLY ARISING NEED	1,278	
ANNUAL ESTIMATE OF NEWLY ARISING NEED	639	

Source: Isle of Anglesey Local Housing Market Assessment, 2013

6.33 The Table above shows that a total of 3,470 existing households moved in the last two years. Removing households transferring within affordable housing leaves 3,260 households who are potentially in need. The affordability test is applied to each of these 3,260 households. It is estimated that 1,278 of these households are unable to afford market housing (39.2%). Annualised this is 639 households per year and this figure forms **Step 15** of the model.

Potential out-migrants unable to afford market housing

6.34 The Welsh Government Local Housing Market Assessment Guide suggests that households in current need who have not had their needs met through affordable housing and who plan to leave the Isle of Anglesey within the next year should be removed from this stage of the calculation. This applied to 4 households in Isle of Anglesey, who are included as **Step 16**.

In-migrants unable to afford market housing

6.35 In-migrants unable to afford market housing have been included within the figures for Steps 13-15. It is important to note that although there is likely to be a significant influx of households as a consequence of the Energy Island Programme, these households will not be in housing need as they will be employed. These households do not form part of this step of the model.

Total newly arising need

6.36 The data from each of the above sources can now be used to complete stage 3 as is shown in Table 6.8. Of the 801 newly forming households per annum, 32.1% (257 households) are unable to access market housing. This is added to the annual newly arising need figure for existing households (639). Taking into account out-migrants unable to afford market housing (-4), this results in additional need arising from a total of 892 households per annum (**Step 18**).

Table 6.8 Stage 3: Gross newly arising need (per annum)			
<i>Step</i>	<i>Paragraph reference</i>	<i>Notes</i>	<i>Output</i>
13. New household formation (gross per year)	6.29		801
14. <i>Times</i> proportion of new households unable to buy or rent in the market	6.29		32.1%
15. <i>Plus</i> existing households falling into need and unable to afford market housing	6.33		639
16. <i>Minus</i> potential out-migrants unable to afford market housing	6.34		4
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)	6.36	(13x14)+15-16	892

Source: Isle of Anglesey Local Housing Market Assessment, 2013

Stage 4: Supply of affordable units per year

6.37 The annual supply of affordable housing (Step 21) comprises two parts: the net supply of social re-lets (Step 19) and the supply of intermediate housing (Step 20). The following section deals with this in detail.

Net supply of social re-lets

6.38 Step 19 of the model is an estimate of likely future re-lets from the social rented stock (excluding transfers within the social rented sector). The LHMA Guide suggests that this should be based on past trend data which can be taken as a prediction for the future. The LHMA Guide also suggests the use of a three year average. However in this instance we have looked at trend data for the past two years only. This is done simply to allow consistency with the newly arising need section (Stage 3) where figures were all calculated on an annual basis based on trends over the past two years.

6.39 Table 6.9 shows the number of RSL lettings in Isle of Anglesey over the last two years. The average number of lettings (excluding transfers but including nominations) across the social rented sector over the two-year period was 355 per annum. This forms **Step 19** of the model.

Table 6.9 Analysis of past housing supply (social rented sector)			
<i>Source of supply</i>	<i>2009/2010</i>	<i>2010/2011</i>	<i>Average</i>
LA & RSL lettings (excluding transfers and exchanges)	363	347	355

Source: Welsh Government's StatsWales service

Supply of intermediate housing

6.40 In most local authorities the amount of intermediate housing (mostly shared equity) available in the stock is fairly limited (as is the case in the Isle of Anglesey). However, it is still important to consider to what extent the current supply may be able to help those in need of affordable housing. Provision has

been made in Isle of Anglesey for shared equity housing to remain as an affordable home, so that when the current occupier leaves it is available for another suitable household. Shared equity housing is that where a household purchases (with the help of a mortgage) part of the value of the home and no rent is payable on the remaining equity that is not owned.

- 6.41 Therefore we include an estimate of the number of intermediate units for shared equity that become available each year. Based on applying the derived re-let rate for the social rented sector (7.8%) to the estimated intermediate stock in Isle of Anglesey according to the Welsh Government's StatsWales service (155 units). It is estimated that around 12 units of intermediate housing will become available to meet housing needs from the existing stock of such housing – this figure will be used for **Step 20** of the model.

Annual future supply of affordable housing

- 6.42 This step is the sum of the previous two. The total future supply (**Step 21**) is estimated to be 367, comprised of 355 units of social re-lets and 12 units of intermediate housing. This is shown in Table 6.10.

Table 6.10 Stage 4: Supply of affordable units (per annum)			
<i>Step</i>	<i>Paragraph reference</i>	<i>Notes</i>	<i>Output</i>
19. Annual supply of social re-lets (net)	6.39		355
20. <i>Plus</i> annual supply of intermediate housing available for re-let or resale at sub-market levels	6.41		12
21. <i>Equals</i> annual supply of affordable housing	6.42	19+20	367

Source: Isle of Anglesey Local Housing Market Assessment Update, 2013

Estimate of net annual housing need

- 6.43 The LHMA Guide outlines the 22 steps that must be completed to obtain all of the information required to calculate the annual estimate of housing need. Table 6.11 presents the results for each of the 22 steps.
- 6.44 The current need assessment suggests a (net) need for 110 units per year (step 12). The figure for newly arising need (step 18) is 892 and the estimated future supply to meet this need (step 21) is 367 units per year. This therefore leaves an annual requirement of 635 units per year in Isle of Anglesey (**Step 22**) ($110+892-367=635$). The calculation has taken account of any affordable dwellings currently planned in the Isle of Anglesey, so the figure of 635 is the number of additional affordable homes required each year. The high level of second home ownership recorded in the Isle of Anglesey is part of the reason for such a high housing need figure, as second home ownership causes prices to be higher than would be the case if they were driven just by local demand. The figure of 635 is the level of housing need calculated following the needs assessment model, the deliverability or viability of this figure is not considered within this model and is beyond the scope of this report.



Table 6.11 Detailed affordable housing requirement Table for Isle of Anglesey			
Stage and step in calculation	<i>Paragraph reference</i>	Notes	Output
STAGE 1: CURRENT NEED (Gross)			
1. Existing households in need of accommodation	6.9		1,471
2. <i>Plus</i> current non-households in need of affordable housing	6.16		5
3. <i>Minus</i> cases where they can afford to meet their need in the market	6.10		690
4. <i>Equals</i> total current housing need (gross)	6.17	1+2-3	786
STAGE 2: AVAILABLE STOCK TO OFFSET NEED			
5. Current occupiers of affordable housing in need	6.19		87
6. <i>Plus</i> surplus stock	6.20		0
7. <i>Plus</i> committed supply of new affordable units	6.21		147
8. <i>Minus</i> planned units to be taken out of management	6.22		0
9. <i>Equals</i> total stock available to meet current need	6.23	5+6+7-8	234
10. <i>Equals</i> total Current need	6.24	4-9	551
11. <i>Times</i> annual quota for the reduction of current need	6.24		20%
12. <i>Equals</i> annual requirement of units to reduce current need	6.24	10×11	110
STAGE 3: NEWLY ARISING NEED			
13. New household formation (gross per year)	6.29		801
14. <i>Times</i> proportion of new households unable to buy or rent in the market	6.29		32.1%
15. <i>Plus</i> existing households falling into need and unable to afford market housing	6.33		639
16. <i>Minus</i> potential out-migrants unable to afford market housing	6.34		4
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)	6.36	(13×14)+15-16	892
STAGE 4: SUPPLY OF AFFORDABLE UNITS per year			
19. Annual supply of social re-lets (net)	6.39		355
20. <i>Plus</i> annual supply of intermediate housing available for re-let or resale at sub-market levels	6.41		12
21. <i>Equals</i> annual supply of affordable housing	6.42	19+20	367
NET SHORTFALL OF AFFORDABLE UNITS			
22. Overall shortfall (per annum)	6.44	12+18-21	635

Source: Isle of Anglesey Local Housing Market Assessment, 2013

6.45 This information is summarised in Table 6.12 below. The figure of 635 compares to an equivalent figure of annual need for 249-304 affordable homes per year in the Isle of Anglesey recorded in the North West Wales Local Housing Market Assessment note, assessed in December 2009.

Table 6.12 Summary of needs assessment model (annual figures)		
<i>Element</i>		<i>Number</i>
Current need	(Step 4)/5	157
Current supply	(Step 9)/5	47
Net current need		110
Future ('newly-arising') need	(Step 18)	892
Future supply	(Step 21)	367
Net future need		525
Total net annual need		635
Total gross annual need		1,049
Total gross annual supply		414
Total net annual need		635

Source: Isle of Anglesey Local Housing Market Assessment, 2013

Types of households in need

- 6.46 Table 6.13 gives a breakdown of gross annual households in need, by household type. The Table shows that some 7.5% of single non-pensioner households are in housing need compared to 0.6% of households with two or more pensioners. Overall, single non-pensioner households comprise 31.2% of all households in need and households with children a further 40.8% of households in housing need.
- 6.47 It should be noted that 167 single non-pensioner households are aged 35 and under. These individuals are deemed suitable to form part of a shared household should affordable accommodation not be available for them as a single household. If it is not possible to allocate them an affordable property, they would be offered Local Housing Allowance (introduced properly in para 6.70) to assist with their rent in the private rented sector, but only at the shared room rate (£280 per month in the Isle of Anglesey currently), rather than the rate for a one bedroom property. These households are therefore not required to share, but are likely to have to.

Table 6.13 Annual need requirement by household type					
<i>Household type</i>	<i>Need requirement</i>				
	<i>No. of h'holds in need (gross)</i>	<i>Not in need</i>	<i>Total Number of h'holds</i>	<i>% of h'hold type in need</i>	<i>As a % of those in need</i>
Single pensioners	89	5,839	5,928	1.5%	8.5%
2 or more pensioners	27	4,573	4,601	0.6%	2.6%
Single non-pensioners	327	4,060	4,387	7.5%	31.2%
2 or more adults, no children	178	8,602	8,780	2.0%	16.9%
Lone parent	159	2,409	2,568	6.2%	15.2%
2+ adults 1 child	185	2,698	2,882	6.4%	17.6%
2+ adults 2+ children	84	2,540	2,623	3.2%	8.0%
Total	1,049	30,721	31,770	3.3%	100.0%

Source: Isle of Anglesey Local Housing Market Assessment, 2013

- 6.48 Table 6.13 shows the ethnicity of households in need. The Table shows that some 3.6% of 'non White Welsh/British' households are in housing need compared to 3.3% of 'White Welsh/British' households. Despite the lower prevalence of 'White Welsh/British' households in housing need, this group still constitutes some 97.0% of all households in housing need.

Table 6.13 Annual need requirement by ethnicity of household head					
<i>Broad ethnic group</i>	<i>Need requirement</i>				
	<i>No. of h'holds in need (gross)</i>	<i>Not in need</i>	<i>Total Number of h'holds</i>	<i>% of h'hold type in need</i>	<i>As a % of those in need</i>
White Welsh/British	1,018	29,888	30,905	3.3%	97.0%
Any other ethnic group	31	833	865	3.6%	3.0%
Total	1,049	30,721	31,770	3.3%	100.0%

Source: Isle of Anglesey Local Housing Market Assessment, 2013

- 6.49 Table 6.14 shows the number of households containing someone with a support need in housing need. It should be noted that the existence of the support need is self-defined rather than externally assessed. The Table shows that households containing a support needs person are notably more likely to be in housing need than households where no support needs person is present.

<i>Support needs household</i>	<i>Need requirement</i>				
	<i>No. of h'holds in need (gross)</i>	<i>Not in need</i>	<i>Total Number of h'holds</i>	<i>% of h'hold type in need</i>	<i>As a % of those in need</i>
Contains someone with support need	339	6,426	6,765	5.0%	32.3%
Nobody with support need present	710	24,295	25,005	2.8%	67.7%
Total	1,049	30,721	31,770	3.3%	100.0%

Source: Isle of Anglesey Local Housing Market Assessment, 2013

Size of accommodation required

6.50 Table 6.15 shows the size of accommodation required by households in housing need in the Isle of Anglesey. The supply distribution is derived from household dataset information on those who have recently moved into affordable accommodation. The last column presents the supply as a percentage of need. This is calculated by dividing the estimated supply of the property size by the derived need for that dwelling size. The lower the figure produced, the more acute the need for affordable accommodation in the area, as the current supply is unlikely to meet the identified need.

<i>Size of home</i>	<i>Need requirement</i>				
	<i>Gross annual need</i>	<i>Gross annual supply</i>	<i>Net annual need</i>	<i>As a % of total net annual need</i>	<i>Supply as a % of gross need</i>
One bedroom	458	65	393	61.9%	14.1%
Two bedrooms	283	216	67	10.6%	76.3%
Three bedrooms	237	134	104	16.3%	56.4%
Four or more bedrooms	71	0	71	11.3%	0.0%
Total	1,049	414	635	100.0%	39.5%

Source: Isle of Anglesey Local Housing Market Assessment, 2013

6.51 The Table suggests that there is a net need for all sizes of affordable housing. The largest net need is one bedroom accommodation, followed by three and two bedroom homes. The final column shows that the need relative to supply is the greatest for four bedroom homes, followed by one bedroom dwellings. Households in need requiring two bedroom accommodation are most likely to have their need met from the current supply.

6.52 The requirement for one bedroom homes comes partly from single person households. As described in para 6.47 above, 167 of the single person households in housing need each year are deemed suitable for shared housing. Given the extreme pressure for affordable housing in Isle of Anglesey, it is very likely that these households will be required to move into shared accommodation. It is useful



therefore to profile the size of affordable accommodation required, excluding these households. This is presented in Table 6.16. The Table suggests around half of the net need is for one bedroom homes, a fifth for three bedroom dwellings and 15% each for two and four bedroom properties.

Table 6.16 Size of additional units required to meet housing need – excluding households suitable for shared housing					
<i>Size of home</i>	<i>Need requirement</i>				
	<i>Gross annual need</i>	<i>Gross annual supply</i>	<i>Net annual need</i>	<i>As a % of total net annual need</i>	<i>Supply as a % of gross need</i>
One bedroom	291	65	226	48.3%	22.2%
Two bedrooms	283	216	67	14.3%	76.3%
Three bedrooms	237	134	104	22.1%	56.4%
Four or more bedrooms	71	0	71	15.3%	0.0%
Total	882	414	468	100.0%	46.9%

Source: Isle of Anglesey Local Housing Market Assessment, 2013

Type of affordable home required

- 6.53 As discussed in Chapter 4, Intermediate Rent is being introduced to provide a further option within the affordable sector and help fill the gaps that currently exist in the housing market. The target residents for this product are households in housing need and other households on the Housing Register. As also discussed in Chapter 4, the level at which Intermediate Rent is set, is to be determined by the Council. This section will therefore consider the suitability of different Intermediate Rent levels for meeting housing need as well as those households on the Housing Register.
- 6.54 In carrying out the affordability assessment we have used followed the test set out in the Welsh Government Guidance¹² that rent (inclusive of any service charges) should equate to no more than 30% of gross income (para 62). Furthermore households requiring a one bedroom home are only tested for their ability to afford a minimum size of two bedroom accommodation as the Guidance clearly indicates that Intermediate Rent is eligible for properties of two or more bedrooms (para 74).

Affordability of Intermediate Rent for households in housing need

- 6.55 Table 6.17 illustrates how many households in housing need are able to afford different levels of Intermediate Rent. It shows that of the 1,049 households in gross need each year, 14.7%, some 154 households, could afford Intermediate Rent at 80%. A further 81 households in need could be housed in Intermediate Rented accommodation were the level lowered to 70% of private rent values.
- 6.56 The largest group of households in need are those unable to afford any accommodation without support from LHA. The data in Table 4.6 shows that the LHA cap should be above the expected Intermediate Rent levels if the dwellings are drawn from the bottom end of the market. Therefore

¹² 'Rent First - intermediate rent - Final Guidance March 2011'



households unable to afford could be housed in Intermediate Rent properties at 80% with the support of LHA.

Table 6.17 Affordability of households in need (annual)		
	<i>Households in need</i>	<i>% of households in need</i>
Intermediate Rent at 80%	154	14.7%
Intermediate Rent at 70%	81	7.8%
Intermediate Rent at 65%	2	0.2%
Intermediate Rent at 60%	13	1.3%
Social rent	249	23.7%
Need LHA	549	52.4%
Total number of households	1,049	100.0%

Source: Isle of Anglesey Local Housing Market Assessment, 2013

6.57 Table 6.18 splits the figures shown in the table above by bedroom size. It shows that Intermediate Rent at 80% would be most suitable for households in need of three bedroom accommodation – almost a quarter of these households could afford this product. This equates to 59 households in need (each year) requiring three bedroom accommodation. Some 12.1% of households in need requiring four bedroom accommodation could afford Intermediate Rent at 80%, which equates to 9 households a year. There are 79 households in need each year that are applicable for a two bedroom Intermediate Rented home (those requiring one or two bedrooms) able to afford the 80% level.

6.58 Intermediate Rent at 70% would also meet a noticeable amount of need arising from households requiring one and two bed homes. Intermediate Rent below 65% would be most suitable for four bedroom accommodation.

Table 6.18 Size and type of Intermediate Rent home required by those in need			
	<i>Two bed</i>	<i>Three bed</i>	<i>Four bed</i>
Intermediate Rent at 80%	11.7%	24.9%	12.1%
Intermediate Rent at 70%	10.6%	0.3%	2.8%
Intermediate Rent at 65%	0.0%	0.0%	3.3%
Intermediate Rent at 60%	1.8%	0.0%	0.0%
Social rent	25.3%	23.2%	8.7%
Need LHA	50.6%	51.6%	73.1%
Total number of households	740 (100%)	237 (100%)	71 (100%)

Source: Isle of Anglesey Local Housing Market Assessment, 2013

Households on the Register, including those in need

- 6.59 This sub-section repeats the above analysis but this time considers households on the Housing Register, which are not necessarily households in need. In the Isle of Anglesey around 30% of households in need are on the Housing Register.
- 6.60 Table 6.19 shows how many households on the Housing Register are able to afford different levels of Intermediate Rent. The table below shows that almost a third of households on the Housing Register are able to afford suitable accommodation in the open market (mainly private rented rather than owner-occupation). It also shows that if Intermediate Rent is set at the level of 70% then some 231 households on the Housing Register would be able to afford it.

Table 6.19 Affordability of households on Housing Register		
	<i>Households on Register</i>	<i>% of households on Register</i>
<i>Market housing</i>	874	32.7%
Intermediate Rent at 80%	94	3.5%
Intermediate Rent at 70%	137	5.1%
Intermediate Rent at 65%	0	0.0%
Intermediate Rent at 60%	41	1.5%
Social rent	441	16.5%
Need LHA	1,084	40.6%
Total number of households	2,671	100.0%

Source: Isle of Anglesey Local Housing Market Assessment, 2013

- 6.61 Table 6.20 splits the figures in the table above by bedroom size. In terms of households on the Housing Register, Intermediate Rent at the 80% level is most suitable for households requiring three and four bedroom accommodation. Overall 21 households on the Housing Register that require a three bedroom home could afford this option as could 42 households that require a four bedroom dwelling. Intermediate Rent at the 80% level would also be suitable for a small number of households applicable for a two bedroom home (31 households), but a further 137 of these households could afford Intermediate Rent at the 70% level.



	<i>Two bed</i>	<i>Three bed</i>	<i>Four bed</i>
Market housing	31.4%	32.1%	62.1%
Intermediate Rent at 80%	1.3%	16.1%	37.9%
Intermediate Rent at 70%	5.6%	0.0%	0.0%
Intermediate Rent at 65%	0.0%	0.0%	0.0%
Intermediate Rent at 60%	1.7%	0.0%	0.0%
Social rent	16.0%	40.1%	0.0%
Need LHA	44.0%	11.7%	0.0%
Total number of households	2,429 (100%)	131 (100%)	111 (100%)

Source: Isle of Anglesey Local Housing Market Assessment, 2013

What is the need for Intermediate Rent?

- 6.62 Table 6.21 draws on the data in tables 6.17 and 6.19 to show the total number of households that could afford Intermediate Rent at different levels (excluding those able to afford market accommodation). This allows us to consider how suitable different levels of Intermediate Rent would be in Isle of Anglesey.
- 6.63 Intermediate Rent at 80% could be afforded by over 60% of all households in need potentially suitable for Intermediate Rent, whilst a third of households on the Housing Register potentially suitable for Intermediate Rent could afford it. If Intermediate Rent were priced at 70%, 93.6% of households in housing need within the intermediate band would be able to afford it and 84.8% of households on the Housing Register within the intermediate band would be able to afford it. Using these figures, the most sensible rate at which to set Intermediate Rent is: 70%.

<i>Product type</i>	<i>Households in need (annual)</i>	<i>Households on register</i>
Intermediate Rent (80%)	154	94
Intermediate Rent (70%)	81	137
Intermediate Rent (65%)	2	0
Intermediate Rent (60%)	13	41
Total	251	272

Source: Isle of Anglesey Local Housing Market Assessment, 2013

Overlap with Shared Equity

- 6.64 This analysis has examined the affordability of Intermediate Rent at a range of levels to try and demonstrate the need for it in Isle of Anglesey. However it should be noted that, as discussed in Chapter 4, shared equity accommodation is an alternative affordable accommodation with a similar



monthly cost. It is therefore likely that some households able to afford Intermediate Rent would also be suitable for shared equity, although due to requiring an equity purchase element it is likely that households accessing shared equity property will require a deposit of some sort.

- 6.65 Analysis of households in need able to afford Intermediate Rent (at any level) suggests that just 6.0% (15 households) have got at least £3,000 in savings available to them (the minimum level likely to be required). Similarly, of households on the Housing Register able to afford Intermediate Rent (at any level), 23.4% (64 households) have got £3,000 in savings available to them. This suggests that the vast majority of households able to afford more than social rent require Intermediate Rent rather than shared equity.

Sensitivity analysis

- 6.66 The housing needs assessment model requirement of 635 additional affordable homes per year does not equate logically with the planned 225 new dwellings per year for the County. This is because the LHMA Guide needs assessment model is a technical exercise that presents an assessment of the requirement for affordable housing, however it does not account for the functioning of the local housing market currently. This brief section considers the impact of changing two of the assumptions used in the model that do not reflect how the market operates.

Affordability threshold

- 6.67 The housing needs assessment model assesses the number of households in need based on the affordability assumptions required by the LHMA Guide. It is possible, however, to examine how the model would be affected if the affordability assumptions were altered. Table 6.22 presents the model results where households were considered able to afford market rented housing in cases where the rent payable would constitute no more than 30%, 35% and 40% of gross household income, rather than 25% used in the standard model. The affordability assumptions for home ownership remain unchanged.



Table 6.22 Impact of different affordability assumptions on affordable housing requirement in Isle of Anglesey			
	<i>Rent payable constitutes no more than:</i>		
	<i>30% of gross household income</i>	<i>35% of gross household income</i>	<i>40% of gross household income</i>
Backlog need (annual)	141	134	127
Backlog supply (annual)	42	39	39
Net backlog need (annual)	100	95	88
Future need (annual)	776	742	670
Future supply (annual)	367	367	367
Net future need (annual)	409	375	303
Total net annual need	509	470	391
Total gross annual need	917	876	797
Total gross annual supply	409	406	406
Total net annual need	509	470	391

Source: Isle of Anglesey Local Housing Market Assessment, 2013

- 6.68 The table indicates that the number of households in need would decrease from 635 to 509 if 30% of gross household income could be spent on rent. This would decrease further to 470 if 35% of income could be spent on rent and to 391 if the affordability assumption was changed to 40%.

Local Housing Allowance

- 6.69 Local Housing Allowance (LHA) is the replacement for the former Housing Benefit in the private rented sector. It is designed to make up the shortfall in people's ability to pay for the housing they need. LHA may represent 100% or some lower percentage of the overall rent paid. Whilst LHA-supported tenancies in the private rented sector are not considered a formal supply step within the housing needs assessment model, it is of interest to note that, according to survey data, there are an estimated 375 LHA-supported lets within the private rented sector per year (based on survey data on past trends). Thus if the benefit-supported private rented sector were viewed as a supply solution to the need for affordable housing in the Isle of Anglesey, the needs figure would reduce to 262 per annum.

Adjusted model outputs

- 6.70 Table 6.23 examines the combined effect of changing the affordability assumptions used and including the supply of private rented accommodation via LHA, on the net annual requirement for affordable housing. If the affordability threshold used was adjusted to 30% of gross income on rent, which better reflects the prevailing market conditions in Isle of Anglesey, then there would be 126 fewer households in gross need each year. If the private rented sector via LHA is considered to represent a supply to meet the housing need then the gross annual supply increases by 375 dwellings. The impact of changing both of these assumptions is that the need for new affordable units reduces to 134 per year.

Table 6.23 Adjusted housing need assessment in Isle of Anglesey			
Element	Need according to the model	Change due to altered assumptions	Resultant adjusted figures
Total gross annual need	1,049	-126	923
Total gross annual supply	414	+375	789
Total net annual need	635	-	134

Source: Isle of Anglesey Local Housing Market Assessment, 2013

6.71 The figure of 635 remains the overall need figure, because it is calculated in accordance with the approach set out in the Practice Guidance and is therefore comparable with historical estimates and figures derived elsewhere.

Local Housing Allowance – a caveat

6.72 Recent changes to the administration of LHA by the Coalition Government will impact on the capacity of the private rented sector via LHA to continue to meet housing need in the Isle of Anglesey. Although notionally set at the 30th percentile of properties available on the market, a comparison of the LHA cap with private rented sector rents presented in Tables 4.6 to 4.8 suggests that it is lower than this level and closer to the 10th percentile of properties.

6.73 What this means is that many households in the private rented sector via LHA will not get the same level of financial support towards their rent as they had previously (when the cap was not set at 30% and the benefit could cover up to the whole rent). The potential consequences are that LHA landlords will be forced to reduce their rent levels dramatically, households in the sector will have to increase their income to make up for the reduced LHA received, or households will be forced to look for new accommodation elsewhere. If the last of these three options happens, many households affected are likely to present themselves to the Council due to becoming homeless. These households will therefore join the backlog of housing need.

6.74 The increased demand on the sector from construction workers associated with the Energy Island Programme is likely to result in rental levels rising, which may move more households into housing need. this is considered in more detail in the parallel report.



7. Particular household groups

Summary

- i) There are an estimated 6,765 households in Isle of Anglesey with one or more members in an identified support needs group - this represents 21.3% of all households. Just over a quarter (26.2%) of all social rented dwellings contain a person with a support need. Support needs households report a lower than average household incomes.
- ii) Some 10,529 households in Isle of Anglesey contain only older people (33.1%) and a further 2,385 (7.5%) contain both older and non-older people. Many older households currently under-occupy their home, but the vast majority of these (77.2%) indicated that they were “very satisfied” with their existing accommodation.
- iii) Non White Welsh/British households are more likely to live in private rented accommodation. Whilst non White Welsh/British households have higher average household incomes, the lower levels of capital recorded amongst this group means the financial capacity of non White Welsh/British households is notably smaller than White Welsh/British households.
- iv) There are 8,074 households which contain at least one child in the Isle of Anglesey. Of these 31.8% are lone parent families, 42.4% are two parent families with at least one young child (aged 9 or under) and 25.8% are two parent families with only older children (aged 10-18). Some 61.1% of single parent families live in social/private rented accommodation.

Introduction

- 7.1 This chapter uses survey data to profile particular groups of households that the LHMA Guide indicates as suitable for specific focus. Some groups may be disadvantaged, and some may not, but the additional detail of their circumstances should be of value in considering policy options for them. This chapter looks separately at support needs households, older person households, Black and Minority Ethnic (BME) households and families with children.

Households with support needs

- 7.2 The household survey collected information about households who indicated that one or more household members needed support for one or more of the reasons listed below:
- frail elderly

- a medical condition
- a physical disability
- a learning disability
- a mental health issue
- a sensory disability
- other.

7.3 Overall there are an estimated 6,765 households in the Isle of Anglesey with one or more members in an identified support needs group – this represents 21.3% of all households in the County. It should be noted that a household found to have a support need will not necessarily need to move to alternative accommodation. In many cases the support need can be catered for within the household’s current home whilst for others the issue may be the need for support rather than a specific type of accommodation.

7.4 Table 7.1 shows the number of households with each type of support need. Households with a ‘medical condition’ are the predominant support needs group. The next largest group is those with a physical disability. These two categories represent the majority of all support needs households. The numbers of households in each category exceed the total number of support needs households because people can have more than one category of support need and households can contain more than one individual with a support need.

Table 7.1 Support needs categories			
<i>Category</i>	<i>Number of households</i>	<i>% of all households</i>	<i>% of support needs households</i>
Medical condition	1,615	5.1%	23.9%
Physical disability	4,304	13.5%	63.6%
Frail elderly	2,696	8.5%	39.9%
Mental health problem	406	1.3%	6.0%
Learning difficulty	874	2.8%	12.9%
Severe sensory disability	379	1.2%	5.6%
Other	521	1.6%	7.7%

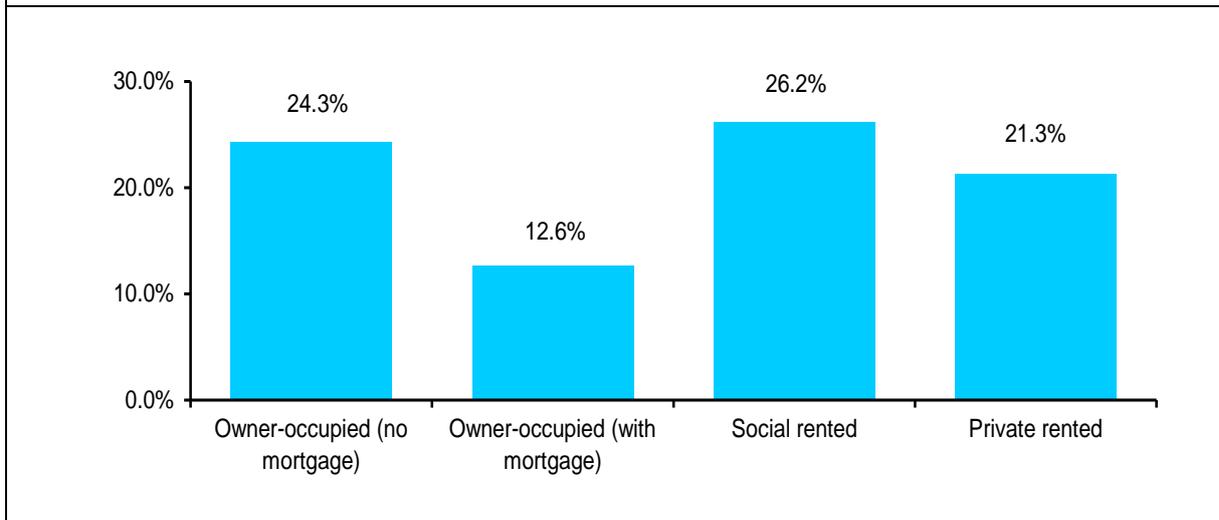
Source: Isle of Anglesey Local Housing Market Assessment, 2013

Overview

7.5 Support needs households most commonly reside in the social rented sector, as shown in Figure 7.1, which indicates that over a quarter of all social rented dwellings contain a person with a support need.



Figure 7.1 Proportion of households within tenure containing a support needs member



Source: Isle of Anglesey Local Housing Market Assessment, 2013

7.6 Table 7.2 shows the tenure distribution for support needs households compared with households without a support need and all households in the County as a whole. Almost half of support needs households are owner-occupiers with no mortgage.

Table 7.2 Tenure and support needs group

<i>Support need</i>	<i>Owner-occupied (no mortgage)</i>	<i>Owner-occupied (with mortgage)</i>	<i>Social rented</i>	<i>Private rented</i>	<i>Total</i>
Support needs households	48.5%	15.3%	17.0%	19.2%	100.0%
Non-support needs households	40.9%	28.7%	13.0%	17.4%	100.0%
All households	42.5%	25.9%	13.8%	17.8%	100.0%

Source: Isle of Anglesey Local Housing Market Assessment, 2013

7.7 Table 7.3 shows the household size of support needs households. Households containing people with support needs are on average smaller than non-support needs households, with 82.3% comprised of just one or two people.

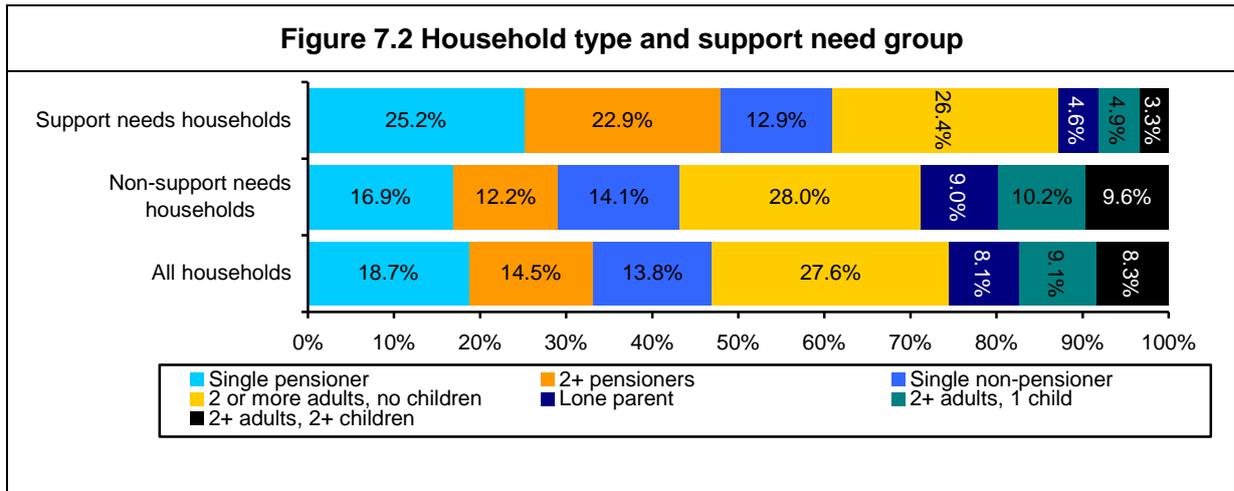
Table 7.3 Household size and support needs group

<i>Support need</i>	<i>1 person</i>	<i>2 people</i>	<i>3 people</i>	<i>4 or more people</i>	<i>Total</i>	<i>Average h'hold size</i>
All support needs households	38.1%	44.3%	8.7%	9.0%	100.0%	1.92
All non-support needs households	31.0%	39.1%	13.3%	16.7%	100.0%	2.21
All households	32.5%	40.2%	12.3%	15.0%	100.0%	2.15

Source: Isle of Anglesey Local Housing Market Assessment, 2013

7.8 Figure 7.2 below shows the broad household types of support needs households. Overall, they tend to be more likely to be older person households and are less likely to be households with children.





Source: Isle of Anglesey Local Housing Market Assessment, 2013

Financial situation

7.9 Table 7.4 shows that support needs households have lower than average household incomes but a typical level of capital available to them.

Table 7.4 Average financial profile of support need households

Support need	Median household income	Median capital*	Median financial capacity
All support needs households	£12,923	£112,289	£157,519
All non-support needs households	£22,666	£110,437	£189,770
All households	£20,480	£110,724	£182,404

*Capital is the sum of the savings and equity available to a household.

Source: Isle of Anglesey Local Housing Market Assessment, 2013

7.10 Support needs households are more likely to be in unsuitable housing than other households – 14.2% of support needs households are unsuitably housed compared to 4.7% of non-support needs households.

Table 7.5 Proportion of support needs groups living in unsuitable housing

Support need	% of households
All support needs households	14.2%
All non-support needs households	4.7%
All households	6.8%

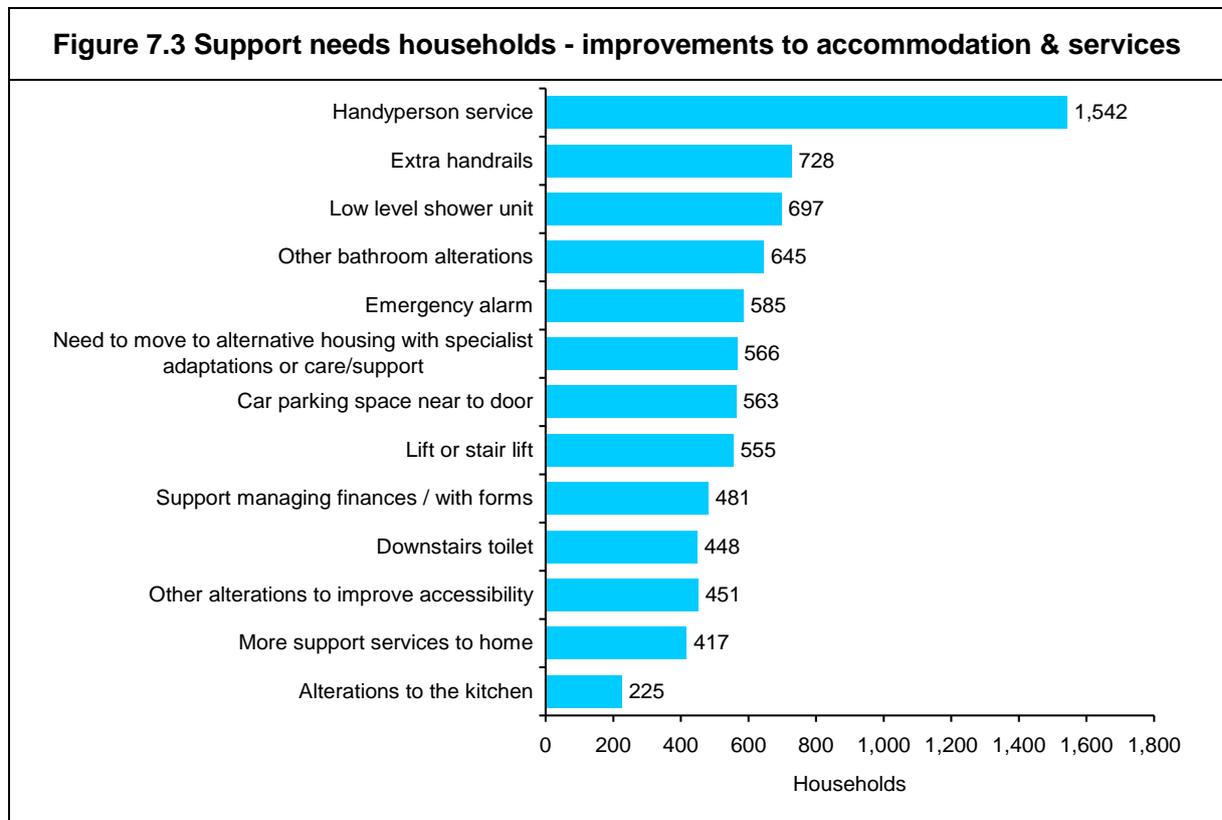
Source: Isle of Anglesey Local Housing Market Assessment, 2013

Improvements required

7.11 Support needs households were asked to indicate if there was a need for improvements to their current accommodation and/or services they required. The responses are detailed in Figure 7.3. The



most common requirement was for a handyman service to help maintaining the home, and the most common physical adaptation was for extra handrails.



Source: Isle of Anglesey Local Housing Market Assessment, 2013

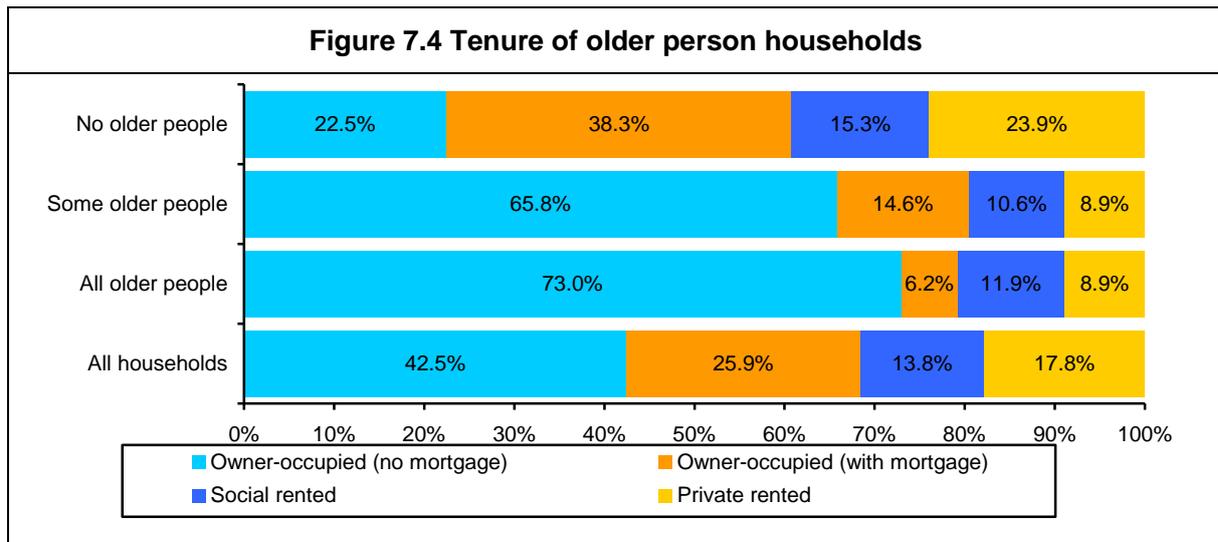
Older persons

7.12 In this study older people are defined as those over the state pension eligibility age (currently 65 for men, 61 for women). The household survey suggests that 10,529 households in Isle of Anglesey contain only older people (33.1%) and a further 2,385 (7.5%) contain both older and non-older people. The 2011 Census indicates that Anglesey has a greater proportion of older person only households than nationally (26.7% in the County to 22.9% across Wales).

Overview

7.13 Figure 7.4 shows the tenure older person households are resident in. The data shows that 79.3% of older person only households are owner-occupiers, nearly all of these without a mortgage. There are very few in the private rented sector; just 8.9% live in this tenure compared to 23.9% of households that contain no older people.

7.14 Further analysis shows that more than half (56.9%) of all owner-occupied properties without a mortgage in the Isle of Anglesey are occupied by older person only households. This type of household also occupy over a quarter (28.4%) of all social rented properties.



Source: Isle of Anglesey Local Housing Market Assessment, 2013

Under-occupation and household mobility

- 7.15 The survey suggested that almost all (99.7%) of older person only households are comprised of one or two people yet almost two-thirds (65.2%) of older person households reside in accommodation with three or more bedrooms. This suggests that there could be potential scope to free up larger units for younger families if older person households should choose to move into suitable smaller units.

- 7.16 The vast majority of older person households with two or more spare bedrooms live in the owner-occupied sector (87.5%), with only 4.8% (328 households) in the social rented sector. This would limit the scope to reduce under-occupation through Council initiatives. A total of 77.2% of under-occupying older person households in the Isle of Anglesey indicated that they were “very satisfied” with their existing accommodation, with only 3.6% either fairly or very dissatisfied.

- 7.17 A relatively small proportion of older person households are planning to move, or had moved recently. Only 6.1% of households containing only older people moved in the last two years (prior to the survey) compared with 26.0% of households containing no older people. Only 8.0% intended to move in the next two years, compared with 18.7% of households containing no older people. Of those intending to move in the next two years, some 23.4% expect to move to some form of specialist accommodation. This amounts to 96 older person households that expect to move to sheltered accommodation in the next two years and 149 older person households that expect to move to supported accommodation in the next two years

Financial situation

- 7.18 As shown in table 7.6, only 3.4% of older person only households were found to be in unsuitable housing, compared to 6.8% of households across the County as a whole. While older person households have lower incomes than other households, they have higher levels of capital (calculated as savings and equity combined). However, it should not be assumed that all older people have access to capital.

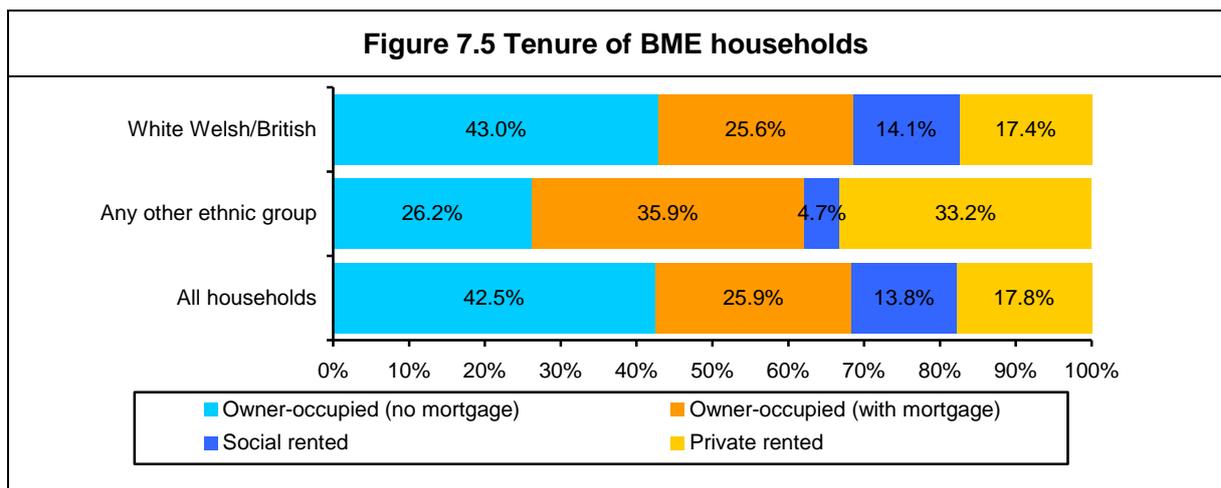


<i>Older people</i>	<i>Median household income</i>	<i>Median capital*</i>	<i>Median financial capacity</i>	<i>% in unsuitable housing</i>
No older people	£23,973	£45,763	£129,669	8.6%
Some older people	£25,221	£187,262	£275,537	6.8%
All older people	£14,394	£179,035	£229,415	3.4%
Overall	£20,480	£110,724	£182,404	6.8%

*Capital is the sum of the savings and equity available to a household.
Source: Isle of Anglesey Local Housing Market Assessment, 2013

Black and Minority Ethnic (BME) households

- 7.19 The 2011 Census indicates that Anglesey has a smaller BME population than nationally (1.9% in the County to 4.3% across Wales). Due to the very small BME population in the County, the survey collected a limited response from these groups. Overall the survey estimates that 97.3% of households are headed by someone that identified themselves as *'White Welsh'* or *'White British'*, with the remaining 2.7% in a different ethnic group. The largest other ethnic groups found were *'White Other'* and *'White Irish'*. The small sample seriously restricts the amount of analysis that can be done of these groups. To enable some basic analysis to be done, we have aggregated all non-White Welsh/British groups.
- 7.20 Figure 7.5 shows how tenure varies by ethnic group. It is clear that *'non White Welsh/British'* households are more likely to live in private rented accommodation and are less likely to reside in the social rented sector or be owners without a mortgage.



Source: Isle of Anglesey Local Housing Market Assessment, 2013

- 7.21 Analysis of the financial profile of households by ethnic group is shown in Table 7.7. The data indicates that whilst *'non White Welsh/British'* households have higher average household incomes, the lower levels of capital recorded amongst this group means the financial capacity of *'non White Welsh/British'* households is notably smaller than *'White Welsh/British'* households. The proportion of



'non White Welsh/British' households in unsuitable housing is lower than average, at 5.8% compared to 6.8% among 'White Welsh/British' households.

<i>Ethnicity</i>	<i>Median household income</i>	<i>Median capital*</i>	<i>Median financial capacity</i>	<i>% in unsuitable housing</i>
White Welsh/British	£20,262	£112,012	£182,927	6.8%
Any other ethnic group	£26,183	£20,070	£111,711	5.8%
Overall	£20,480	£110,724	£182,404	6.8%

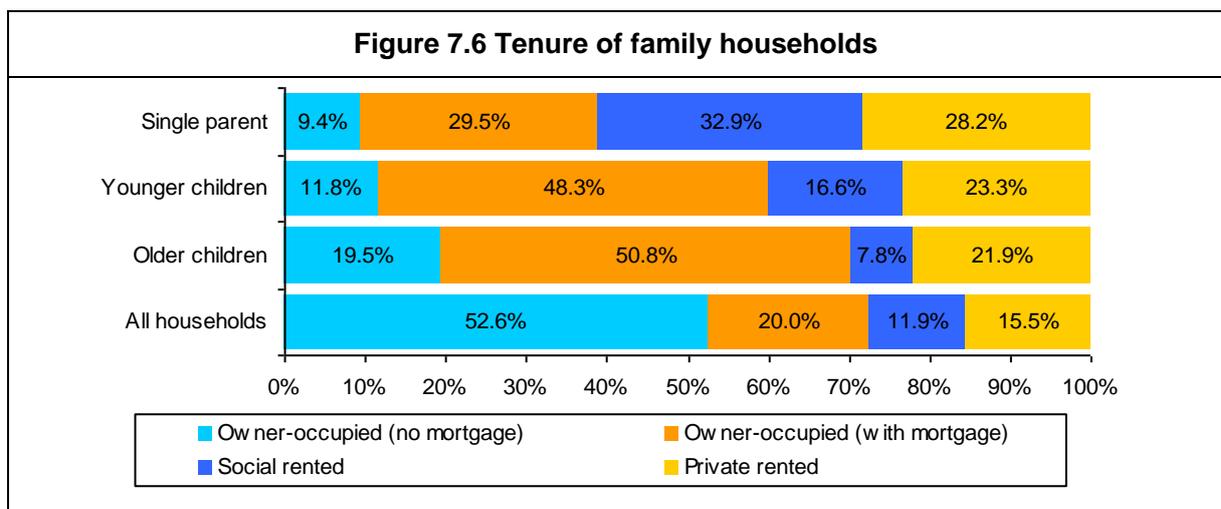
*Capital is the sum of the savings and equity available to a household.

Source: Isle of Anglesey Local Housing Market Assessment, 2013

Families with children

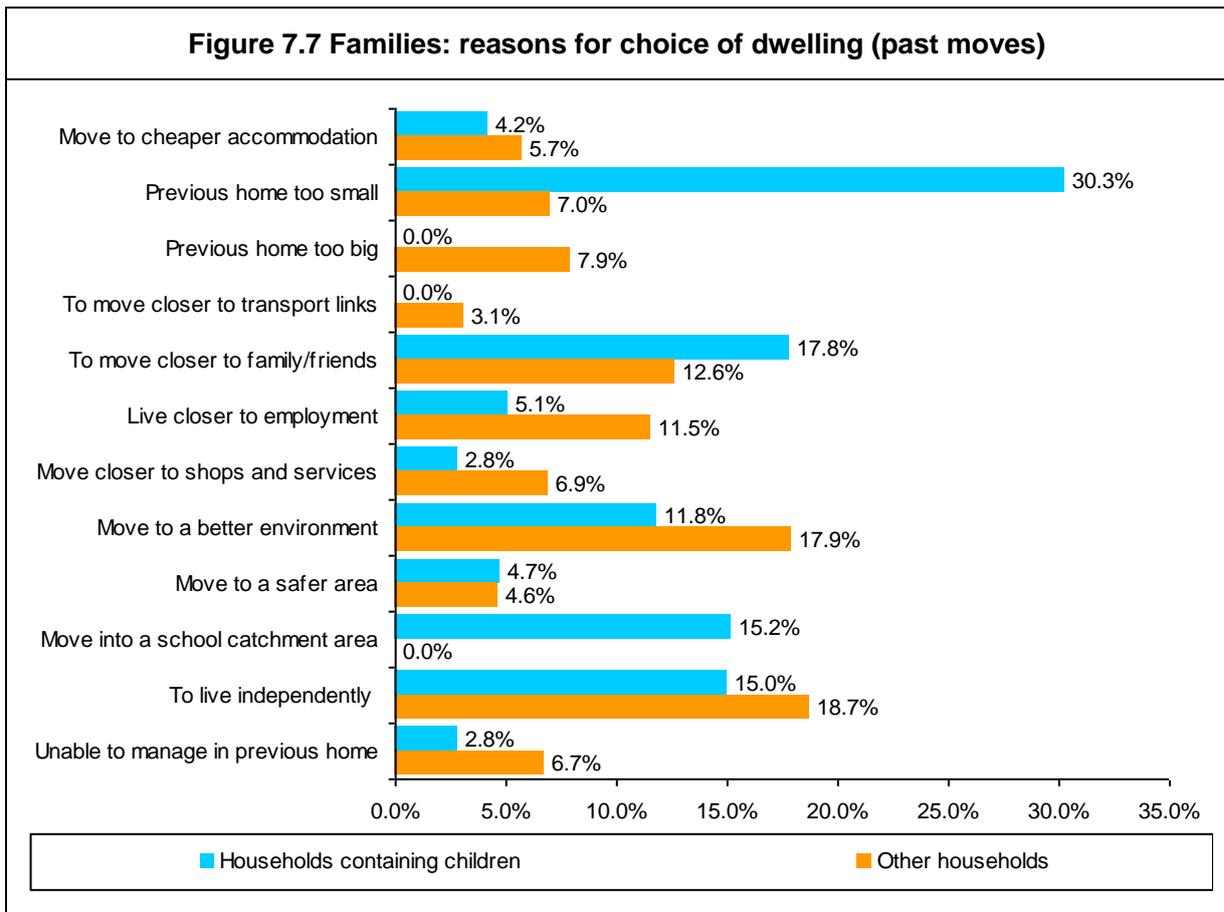
7.22 The LHMA Guide acknowledges the importance of providing suitable housing for families, especially those with children, to ensure that communities are appropriately mixed. The household survey estimates that there are 8,074 households which contain at least one child in the Isle of Anglesey. Of these 31.8% are lone parent families, 42.4% are two parent families with at least one young child (aged 9 or under) and 25.8% are two parent families with only older children (aged 10-18). The 2011 Census indicates that Anglesey has a smaller proportion of households with dependent children than nationally (20.9% in the County to 23.6% across Wales).

7.23 Figure 7.6 shows the tenure of the three groups of family households. Two parent households are particularly likely to be owner-occupiers with a mortgage, although a significant proportion of both groups reside in the private rented sector. Single parent families show a radically different tenure distribution to the other groups, with 61.1% resident in the rented accommodation including almost a third in the social rented sector.



Source: Isle of Anglesey Local Housing Market Assessment, 2013

7.24 Looking at household mobility, the survey indicates a total of 29.7% of families with children have moved in the last two years, compared to 14.3% of other households. Lone parent households were particularly likely to have moved recently (42.3%), compared to 27.4% of two parent households with younger children, and 18.8% of two parent households with older children. As is shown in Figure 7.7, families had specific reasons for choosing a particular property. This includes the size of the property, proximity to school and proximity to family and friends.



Source: Isle of Anglesey Local Housing Market Assessment, 2013

7.25 Survey data, shown in Table 7.8, indicates that lone parent families in the Isle of Anglesey are far more likely than average to live in unsuitable housing – 12.0% live in unsuitable housing compared to just 6.8% of households overall. Families with older children are particularly likely to be in unsuitable housing (with 14.4% of these households resident in unsuitable housing). Two parent families generally have a high income as a household, with a median income of over £25,000, however when income per person in the household is considered, the amounts are lower than are recorded for non-family households. Lone parent households show exceptionally low incomes both as households and per head.



Table 7.8 Financial profile and unsuitable housing: families					
	<i>Median household income</i>	<i>Income per head</i>	<i>Median capital*</i>	<i>Median financial capacity</i>	<i>% in unsuitable housing</i>
Lone parent	£11,001	£4,783	£791	£39,293	10.2%
Younger children	£28,570	£7,858	£38,543	£138,539	11.9%
Older children	£30,733	£7,320	£75,799	£183,363	14.4%
No children	£19,776	£11,824	£138,351	£207,568	5.0%
Overall	£20,480	£10,310	£110,724	£182,404	6.8%

*Capital is the sum of the savings and equity available to a household. Source: Isle of Anglesey Local Housing Market Assessment, 2013



8. Improving market balance over the longer term

Summary

- i) The WAG demographic projections suggest that there will be a notable growth of the resident population over the next 20 years with significant increases in particular age cohorts, including those aged 80 and over. In addition there are projected to be large increases in the number of single person and lone parent family households.
- ii) In terms of the accommodation required to provide housing market balance over the long-term, the model which is based on secondary data in combination with the household survey data and considers a range of factors including the adequacy of current housing suggests that of the new housing required up to 2032 (3,970 dwellings), 65% should be market dwellings, 21% intermediate (including rented) housing and 14% social rented accommodation.

Introduction

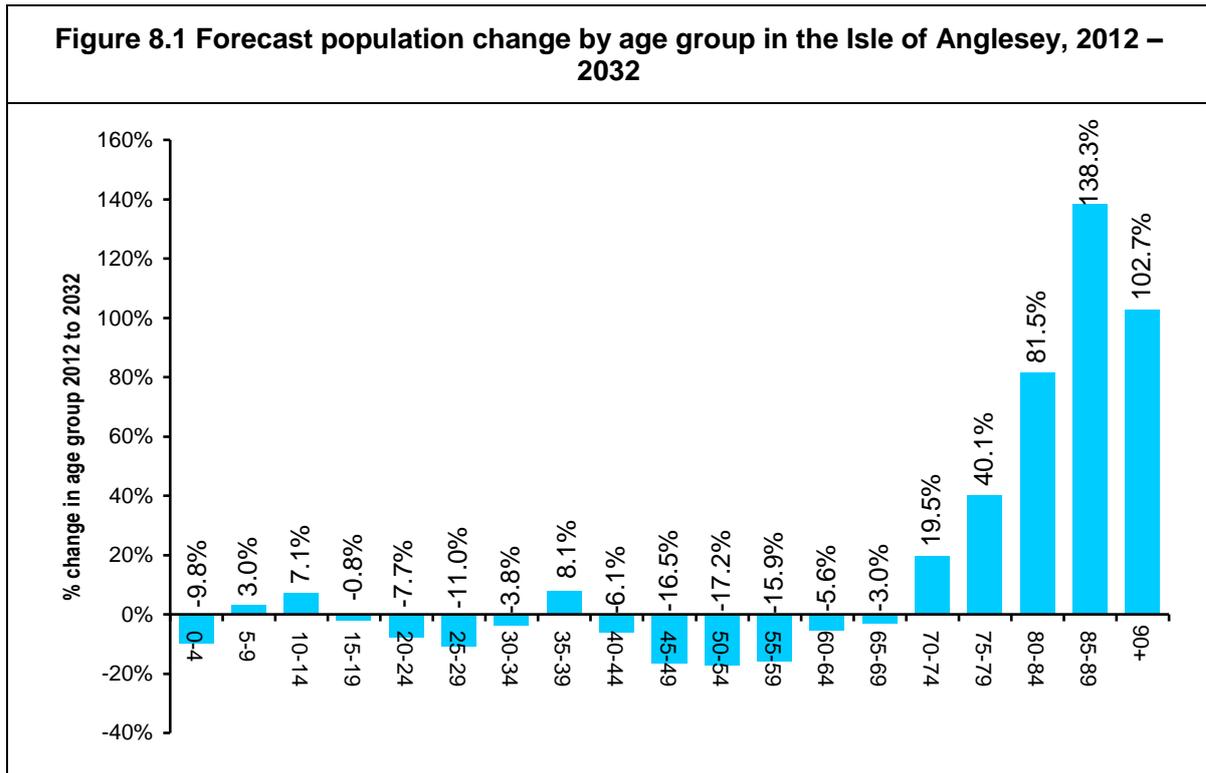
- 8.1 The previous chapters in this report have focused on current market pressures; this chapter considers what accommodation is required to provide housing market balance over the long-term. This is an important exercise because there is a lag in the planning system, which means that it is not possible to respond immediately to imbalances between the nature of accommodation required and the stock currently available. It is therefore appropriate to consider the intervention required to the housing stock over the long-term to enable future action to be planned effectively.
- 8.2 Although there is not a housing market model in the LHMA Guide, the revised *Planning Policy Wales* (Edition 5 November 2012) has moved the requirements of housing analysis away from only the affordable sector toward a more holistic approach assessing the entire market. Furthermore paragraph 7.1 of TAN2 states:

It is vital that local authorities understand their whole housing system so that they can develop sound and robust approaches when preparing development plans and local housing strategies. Local housing market assessments need to cover the whole housing market by considering the requirement for both market and affordable housing.

- 8.3 This chapter describes a model that uses secondary data in combination with the household survey dataset to compare the current housing stock against the stock of housing required in the future. The purpose of this model is to identify the new accommodation required to adequately house the future population in Isle of Anglesey and ensure that the housing market is balanced.
- 8.4 This chapter initially presents the Welsh Government's 2008-based population projections for the Isle of Anglesey and describes the predicted changes in both the population size and composition. These projections are then used within the model to identify the adjustment required to provide a sufficient range of accommodation to adequately house each household type and balance the housing stock, culminating in suggested profiles for new housing in terms of tenure and dwelling size.

Demographic projections

- 8.5 The most recently published population projections available at a local level are the 2008-based data from the Welsh Government. These projections indicate that the population within Isle of Anglesey is projected to increase by 4.1% between 2012 and 2032 (an increase of 2,877 people).
- 8.6 The projections allow for data to be broken down by five year age cohort. Figure 8.1 shows the projected change within each age cohort between 2012 and 2032. The population projection data indicates that there will be reductions in a large number of age groups (including the 15-34 and 40-69 age ranges) but some cohorts are predicted to grow dramatically. The largest growth is projected to be in the number of people aged between 85 and 89. The projected increase in older person households supports the need to develop accommodation for construction workers that is suitable for older people in the longer term (which is discussed further in the parallel report). The overall projected growth in those aged 75 and over in the Isle of Anglesey (99.1%) is greater than that recorded for Wales as a whole (93.5%).



Source: The Welsh Government 2008-based population projections

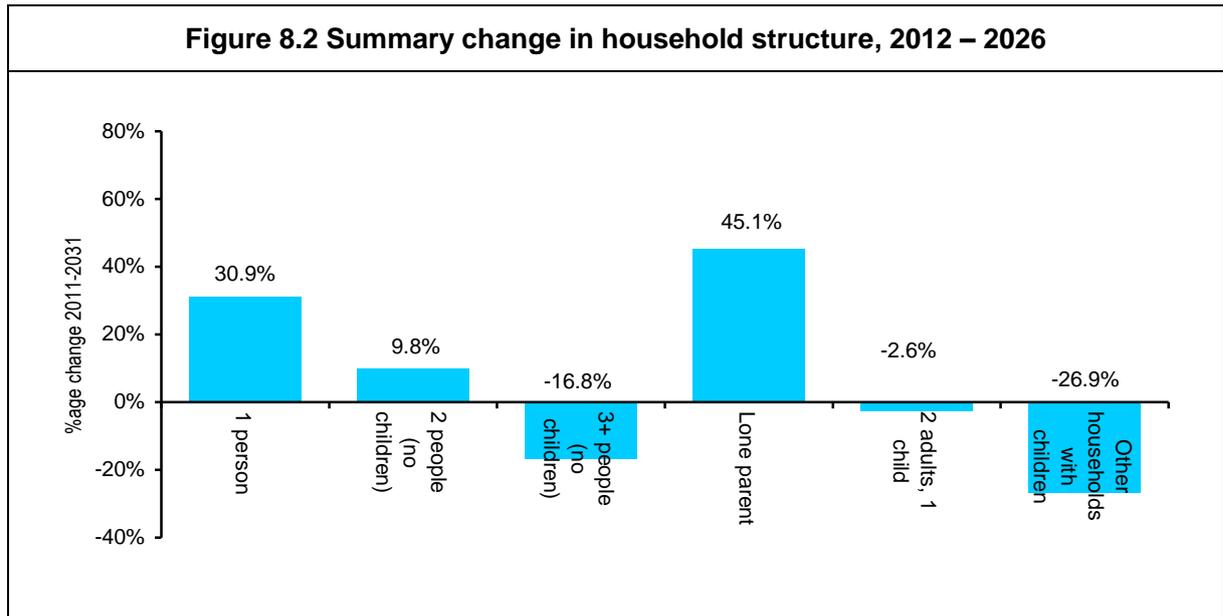
8.7 The Welsh Government household projections suggest that the number of households is set to increase at a faster rate to the population, therefore it is anticipated that the average household size will decrease from 2.19 to 2.03 persons over the next 20 years.

Table 8.1 Change in population, households and household size, 2012 – 2032			
	2012	2032	% change
Population in households	69,682	72,558	+4.1%
Households	31,770	35,740	+12.5%
Average household size	2.19	2.03	

Source: The Welsh Government 2008-based population and household projections

8.8 The latest household projections for Isle of Anglesey suggest that the structure of households is likely to change over time. Whilst the Table above suggests that the overall number of households is expected to increase by 12.5%, Figure 8.2 shows that this increase is not uniform across different household groups. The number of ‘other’ households is expected to fall by 26.9%, whilst the number of lone parent households is expected to increase by 45.1%. There is also predicted to be a notable increase in the number of single person households.





Source: The Welsh Government 2008-based household projections

8.9 These population and household projections have been applied to the household survey dataset to provide an estimated household profile for 20 years time. Before the accommodation requirements of the future population are calculated it is important to describe the approach used to create an accommodation profile adequate for each of these household types.

Adequacy of the housing stock

8.10 For the purpose of this model, the housing market is considered balanced if the local population is adequately accommodated. It is therefore initially appropriate to assess the adequacy of the current accommodation to house the residents of the Isle of Anglesey. This is determined through response to the household survey.

8.11 A household is considered currently adequately housed unless the household has indicated that they need to move home now because the accommodation is inadequate for the household. This is ascertained from the reason cited for the household moving. Households whose moves are caused by the accommodation size, cost, form and services available within it being currently unsuitable for the resident are considered to be inadequately housed and to require alternative accommodation. The tenure and size of dwelling these households expect to achieve when they move are presumed to represent the nature of the accommodation that they require.

8.12 Some further adjustments are also made to remove over the long-term any undesirable elements of market imbalance that exist currently:



- Households that are overcrowded are assumed to require a property large enough for overcrowding not to take place
- Households in social rented accommodation that can afford market or intermediate accommodation are assumed to require this to ensure that the stock is being most appropriately and efficiently used. The cost of intermediate housing accommodation is based at 70% Intermediate Rent.
- Pensioner households and households with children in the private rented sector on Local Housing Allowance are assumed to move into the form of affordable accommodation that they can afford (intermediate or social rented) as this is the tenure they would be more appropriately housed in. The private rented sector on Local Housing Allowance is not an adequate long-term equivalent to affordable housing – analysis of survey data shows there is not the same security of tenure or quality of housing within the private rented LHA stock as within the social rented sector. It would therefore be desirable to move the household types that usually remain at a home for a longer time into an alternative tenure.
- Households resident in the private rented sector without Local Housing Allowance who identified that the cost of their current housing was a severe problem are assigned to a tenure that they can afford according to the LHMA Guide affordability test

8.13 Table 8.2 shows the proportion of each household type currently requiring alternative accommodation in order to be adequately housed. The Table shows that some 12.2% of households are classified as inadequately housed currently. Lone parents are the household group least likely to reside in adequate accommodation, whilst households containing two or more pensioners are least likely to be inadequately housed.

Table 8.2 Types of households inadequately housed currently			
<i>Household type</i>	<i>Number inadequately housed</i>	<i>All households</i>	<i>Proportion inadequately housed</i>
Single pensioners	410	5,928	6.9%
2 or more pensioners	181	4,601	3.9%
Single non-pensioners	435	4,387	9.9%
2 or more adults, no children	452	8,780	5.1%
Lone parent	971	2,568	37.8%
2+ adults, 1 child	885	2,882	30.7%
2+ adults, 2+children	552	2,623	21.0%
Total	3,885	31,770	12.2%

Source: Isle of Anglesey Local Housing Market Assessment, 2013

Tenure of housing required

- 8.14 Rather than prescribing the accommodation required to address the current mismatch between the household population and the current stock, the profile of suitable accommodation for each household type is applied to the household population in twenty years time. The model therefore assumes that the pattern of accommodation required by each household type remains constant.
- 8.15 Table 8.3 shows the ideal tenure profile in Isle of Anglesey in 20 years time (if all households are to be adequately housed). The data shows that in 2032 the housing market should comprise 83.4% of market dwellings, 2.8% intermediate and 13.8% social rented. Intermediate housing is either intermediate rent or shared equity. Analysis of households requiring intermediate housing indicates that a third of this housing in 2032 should be shared equity (318 dwellings) and two-thirds intermediate rent (676 dwellings). Although households were not asked within the survey questionnaire as to their preference for discount home ownership options, an analysis of households requiring market housing indicates that some 827 households would be suitable for this form of accommodation in 2032.

Table 8.3 Ideal tenure profile in 2032		
<i>Tenure</i>	<i>Number of households</i>	<i>Percentage of households</i>
Market	29,805	83.4%
Intermediate	994	2.8%
Social rented	4,941	13.8%
Total	35,740	100.0%

Source: Isle of Anglesey Local Housing Market Assessment, 2013

- 8.16 Table 8.4 shows the tenure profile required by households resident in Isle of Anglesey in 20 years time in comparison to the tenure profile recorded currently. The difference between these two distributions is the change required to the housing stock over this period. The results show that 3,970 additional homes are required in Isle of Anglesey over the next 20 years. The Table also indicates that 65.0% of new dwellings should be market properties with 21.2% intermediate housing and 13.9% social rented accommodation¹³. The current tenure profile presented in Table 8.4 does not take into account any homes that are currently planned in the Isle of Anglesey – when those with planning permission have been completed, they can be deducted from the total change required for that tenure presented in Table 8.4.

¹³ These figures represent the most appropriate mix of new housing to provide a balanced market for the local population in the future, the deliverability or viability of these figures is not considered within this model and is beyond the scope of this report.

Table 8.4 Tenure of new accommodation required in Isle of Anglesey over the next 20 years				
<i>Tenure</i>	<i>Current tenure profile</i>	<i>Tenure profile 2032</i>	<i>Change required</i>	<i>% of change required</i>
Market	27,226	29,805	+2,579	65.0%
Intermediate	153	994	+841	21.2%
Social rented	4,391	4,941	+550	13.9%
Total	31,770	35,740	+3,970	100.0%

Source: Isle of Anglesey Local Housing Market Assessment, 2013

- 8.17 The model is able to also provide detail on the size of new dwellings required within each of these three tenures. This is shown in the section below.

Size of housing required within each tenure

- 8.18 Table 8.5 presents the size of market accommodation required by households resident in the Isle of Anglesey in 20 years time in comparison to the size profile recorded in the sector currently. The implied change to the housing stock is also presented. The Table shows that some 46.9% of new market dwellings should be two bedroom properties, with 39.2% containing three bedrooms, 11.2% four or more bedrooms and 2.6% one bedroom.

Table 8.5 Size of new market accommodation required in Isle of Anglesey over the next 20 years				
<i>Dwelling size</i>	<i>Current size profile</i>	<i>Size profile 2032</i>	<i>Change required</i>	<i>% of change required</i>
One bedroom	566	633	+67	2.6%
Two bedrooms	7,059	8,270	+1,211	46.9%
Three bedrooms	13,247	14,259	+1,012	39.2%
Four or more bedrooms	6,354	6,643	+290	11.2%
Total	27,226	29,805	+2,579	100.0%

Source: Isle of Anglesey Local Housing Market Assessment, 2013

- 8.19 This analysis can be repeated for intermediate housing and is presented in Table 8.6. The data indicates that of the 841 additional intermediate dwellings required within the Isle of Anglesey, some 45.0% should be three bedroom properties with a 37.9% two bedroom accommodation. Some 10.9% should contain four or more bedrooms and 6.2% a single bedroom. This analysis of intermediate housing requirements is based on a small sample and should therefore be viewed with caution.



Table 8.6 Size of new intermediate accommodation required in Isle of Anglesey over the next 20 years				
<i>Dwelling size</i>	<i>Current size profile</i>	<i>Size profile 2032</i>	<i>Change required</i>	<i>% of change required</i>
One bedroom	0	52	+52	6.2%
Two bedrooms	84	403	+319	37.9%
Three bedrooms	69	447	+379	45.0%
Four or more bedrooms	0	91	+91	10.9%
Total	153	994	+841	100.0%

Source: Isle of Anglesey Local Housing Market Assessment, 2013

- 8.20 Table 8.7 shows the equivalent results for the social rented sector. The Table shows that of the 550 additional social rented units required within Isle of Anglesey over the next 20 years, 39.8% should be four bedroom accommodation, 30.8% one bedroom dwellings, 20.4% to bedroom properties and 9.0% three bedroom units.

Table 8.7 Size of new social rented accommodation required in Isle of Anglesey over the next 20 years				
<i>Dwelling size</i>	<i>Current size profile</i>	<i>Size profile 2032</i>	<i>Change required</i>	<i>% of change required</i>
One bedroom	494	663	+169	30.8%
Two bedrooms	1,586	1,698	+112	20.4%
Three bedrooms	2,195	2,245	+50	9.0%
Four or more bedrooms	116	335	+219	39.8%
Total	4,391	4,941	+550	100.0%

Source: Isle of Anglesey Local Housing Market Assessment, 2013

Future specialist housing needs

- 8.21 The population projections, set out in Figure 8.1, indicate that the majority of the population growth in the next twenty years will be in the older age groups and that the demographic profile in the Isle of Anglesey is likely to be notably different in 2032. It is useful to attempt to establish the likely additional requirement of specialist accommodation resulting from the dramatic increase in the elderly population.
- 8.22 Of the estimated 35,740 households in the Isle of Anglesey in 2032 it is expected that 15.1% will require housing that has been modified or floating support services to allow them to live independently. This represents 5,397 households. The majority of these services and adaptations required could be provided in situ and would not require specialist accommodation. It is estimated that 1,477 households (4.1% of the future population) will require purpose built housing with specialist adaptations or care/support provided of which 486 households would require supported or sheltered accommodation.

Results using different assumptions

- 8.23 The results presented are based on a number of assumptions, set out in paragraph 8.12, as to how market imbalance will be addressed over the next twenty years. One of the key assumptions is that set out in bullet three – renting in the private rented sector on Local Housing Allowance would not continue for pensioner households and households with children, but it would continue to be appropriate for other household types. If however it is assumed that the private rented sector on Local Housing Allowance is no longer suitable for all households in the Isle of Anglesey and instead they would be housed in the form of affordable accommodation that they can afford (intermediate or social rented), then the profile of accommodation required is quite different.
- 8.24 Table 8.8 shows the tenure change required under these altered assumptions. The Table indicates that 44.5% of new dwellings should be market properties with 22.1% intermediate housing and 33.3% social rented accommodation. Under this different assumption, there is a significant additional requirement for social rented housing and a reduced requirement for market homes. Whilst it is up to the Council to determine which profile of new accommodation is most appropriate in the Isle of Anglesey, the initial results presented in this chapter are used to demonstrate how the additional housing required in response to the Energy Island Programme best be aligned to the requirements arising from the local population in the Report 2.

Table 8.8 Tenure of new accommodation required in Isle of Anglesey over the next 20 years – altered assumptions				
<i>Tenure</i>	<i>Current tenure profile</i>	<i>Tenure profile 2032</i>	<i>Change required</i>	<i>% of change required</i>
Market	27,226	28,993	+1,767	44.5%
Intermediate	153	1,032	+879	22.1%
Social rented	4,391	5,715	+1,324	33.3%
Total	31,770	35,740	+3,970	100.0%

Source: Isle of Anglesey Local Housing Market Assessment, 2013

Glossary

Affordability

A measure of whether households can access and sustain the cost of private sector housing. There are two main types of affordability measure: mortgage and rental. Mortgage affordability assesses whether households would be eligible for a mortgage; rental affordability measures whether a household can afford private rental. Mortgage affordability is based on standard lending multipliers (3.5 times income). Rental affordability is defined as the rent being less than a proportion of a household's gross income (in this basic scenario 25% of gross income is used with 30%, 35% and 40% also tested).

Affordable housing

Affordable housing includes social rented and intermediate housing, provided to specified eligible households whose needs are not met by the market. Affordable housing should be at a cost which is below the costs of housing typically available in the open market and be available for future households requiring affordable housing in perpetuity (or income generated from the full sale of a shared equity property recycled to provide replacement affordable housing).

Annual need

The combination of the net future need plus a fifth of the net current need.

Average

The term 'average' when used in this report is taken to be a mean value unless otherwise stated.

Bedroom standard

The bedroom standard is calculated as follows: a separate bedroom is allocated to each co-habiting couple, any other person aged 21 or over, each pair of young persons aged 10-20 of the same sex, and each pair of children under 10 (regardless of sex). Unpaired young persons aged 10-20 are paired with a child under 10 of the same sex or, if possible, allocated a separate bedroom. Any remaining unpaired children under 10 are also allocated a separate bedroom. The calculated standard for the household is then compared with the actual number of bedrooms available for its sole use to indicate deficiencies or excesses. Bedrooms include bed-sitters, box rooms and bedrooms which are identified as such by respondents even though they may not be in use as such.

Concealed household

A household that currently lives within another household but has a preference to live independently and is unable to afford appropriate market housing.

Current need

Households whose current housing circumstances at a point in time fall below accepted minimum standards. This would include households living in overcrowded conditions, in unfit or seriously defective housing, families sharing, and homeless people living in temporary accommodation or sharing with others.

Financial capacity

This is defined as household income+savings+equity (the value of the property owned by owner-occupiers, typically the family home, net of mortgage). This provides an indication, of the amount which the household could afford to pay for housing. Since equity is now a substantial part of the overall financial capacity of the large fraction of owner-occupiers it is essential to use this measure rather than the old price/income ratio to measure the activity of a housing market.

Forecast

Either of housing needs or requirements is a prediction of numbers which would arise in future years based on a model of the determinants of those numbers and assumptions about (a) the behaviour of households and the market and (b) how the key determinants are likely to change. It involves understanding relationships and predicting behaviour in response to preferences and economic conditions.

Grossing-up

Converting the numbers of actual responses in a social survey to an estimate of the number for the whole population. This normally involves dividing the expected number in a group by the number of responses in the survey.

Headship rates

Measures the proportion of individuals in the population, in a particular age/sex/marital status group, who head a household. Projected headship rates are applied to projected populations to produce projected numbers of households.

Household

One person living alone or a group of people who have the address as their only or main residence and who either share one meal a day or share a living room.

Household formation

The process whereby individuals in the population form separate households. 'Gross' or 'new' household formation refers to households which form over a period of time, conventionally one year. This is equal to the number of households existing at the end of the year which did not exist as



separate households at the beginning of the year (not counting 'successor' households, when the former head of household dies or departs).

Household living within another household

Is a household living as part of another household of which they are neither the head nor the partner of the head.

Households sharing

Are households (including single people) who live in non-self-contained accommodation but do not share meals or a living room (e.g. 5 adults sharing a house like this constitute 5 one-person households).

Housing market area

The geographical area in which a substantial majority of the employed population both live and work, and where most of those changing home without changing employment choose to stay.

Housing need

Housing need is defined as the number of households lacking their own housing or living in housing which is judged to be inadequate or unsuitable, who are unlikely to be able to meet their needs in the housing market without some financial assistance.

Housing register

A database of all individuals or households who have applied to a local authority or RSL for a social tenancy or access to some other form of affordable housing. Housing registers, often called waiting lists, may include not only people with general needs but people with support needs or requiring access because of special circumstances, including homelessness.

Housing size

Measured in terms of the number of bedrooms, habitable rooms or floorspace. This report uses the number of bedrooms.

Housing type

Refers to the type of dwelling, for example, flat, house, specialist accommodation.

Income

Income means gross household income unless otherwise qualified



Intermediate housing

TAN2 defines intermediate housing as '*housing at prices and rents above those of social rent but below market prices or rents. This can include equity sharing schemes (for example HomeBuy) [but not low cost market housing].*

Lending multiplier

The number of times a household's gross annual income a mortgage lender will normally be willing to lend. The most common multipliers quoted are 3.5 times income for a single-income household and 2.9 times total income for dual-income households.

LHMA (Local Housing Market Assessment)

LHMA derives from government guidance suggesting that the 'evidence base' required for the good planning of an area should be the product of a process rather than a technical exercise.

Lower quartile

The value below which one quarter of the cases falls. In relation to house prices, it means the price of the house that is one quarter of the way up the ranking from the cheapest to the most expensive.

Mean

The mean is the most common form of average used. It is calculated by dividing the sum of a distribution by the number of incidents in the distribution.

Median

The median is an alternative way of calculating the average. It is the middle value of the distribution when the distribution is sorted in ascending or descending order.

Migration

The movement of people between geographical areas, primarily defined in this context as the local authority area. The rate of migration is usually measured as an annual number of households, living in the local authority area at a point in time, who are not resident in that local authority area one year earlier.

Net need

The difference between need and the expected supply of available affordable housing units (e.g. from the re-letting of existing social rented dwellings).

Newly arising need

New households which are expected to form over a period of time and are likely to require some form of assistance to gain suitable housing together with other existing households whose circumstances

change over the period so as to place them in a situation of need (e.g. households losing accommodation because of loss of income, relationship breakdown, eviction, or some other emergency).

Non-self-contained accommodation

Where households share a kitchen, bathroom or toilet with another household, or they share a hall or staircase that is needed to get from one part of their accommodation to another.

Overcrowding

An overcrowded dwelling is one which is below the bedroom standard. (See 'Bedroom Standard' above).

Primary data

Information that is collected from a bespoke data collection exercise (e.g. surveys, focus groups or interviews) and analysed to produce a new set of findings.

Potential households

Adult individuals, couples or lone parent families living as part of other households of which they are neither the head nor the partner of the head and who need to live in their own separate accommodation, and/or are intending to move to separate accommodation rather than continuing to live with their 'host' household.

Projection

Either of housing needs or requirements is a calculation of numbers expected in some future year or years based on the extrapolation of existing conditions and assumptions. For example, household projections calculate the number and composition of households expected at some future date(s) given the projected number of residents, broken down by age, sex and marital status, and an extrapolation of recent trends in the propensity of different groups to form separate households.

Random sample

A sample in which each member of the population has an equal chance of selection.

Re-lets

Social rented housing units which are vacated during a period and become potentially available for letting to new tenants.

Rounding error

Totals in tables may differ by small amounts (typically one) due to the fact that fractions have been added together differently. Thus a table total may say 2011, and if the individual cell figures are added



the total may come to 2012. This is quite normal and is a result of the computer additions made. Figures should never be taken to be absolutely accurate. No such state exists. The figures in this document are robust estimates not absolutely precise ones. The usual practice is to use the stated total (in the above case 2011) rather than the figure of 2012 to which the individual figures sum. That is because the total will have resulted from a rounding after all the fractions are taken fully into account.

Sample survey

Collects information from a known proportion of a population, normally selected at random, in order to estimate the characteristics of the population as a whole.

Sampling frame

The complete list of addresses or other population units within the survey area which are the subject of the survey.

Secondary data

Existing information that someone else has collected. Data from administrative systems and some research projects are made available for others to summarise and analyse for their own purposes (e.g. Census, national surveys).

Shared equity schemes

Provide housing that is available to part buy (usually at a percentage of market value).

Social rented housing

TAN2 defines social rented housing as housing *'provided by local authorities and registered social landlords where rent levels have regard to the Assembly Government's guideline rents and benchmark rents.'*

Stratified sample

A sample where the population or area is divided into a number of separate sub-sectors ('strata') according to known characteristics based, for example, on sub-areas and applying a different sampling fraction to each sub-sector.

Specialised housing

Refers to housing that has been specially designed for a particular client group to meet their particular needs (such as accommodation that is accessible to people with a physical disability, extracare housing where care services are provided on site, hostels, refuges or group homes) or housing specifically designated for particular groups (such as older people, people with physical disabilities, learning difficulties or mental health issues). This is characterised as housing that includes special

design features and/or access to support to assist people to live independently for as long as possible in their own home.

Support needs

Relating to people who have specific needs e.g. such as those associated with a disability.

Under-occupation

An under-occupied dwelling is one which exceeds the bedroom standard by two or more bedrooms.

Unsuitably housed households

All circumstances where households are living in housing which is in some way unsuitable, whether because of its size, type, design, location, condition or cost. Households can have more than one reason for being in unsuitable housing, and so care should be taken in looking at the figures: a total figure is presented for households with one or more unsuitability reason, and also totals for the numbers with each reason.





Appendix A1. Summary of stakeholder consultation

Introduction

- A1.1 This appendix will include a summary of the process of consulting with stakeholders – invitations to the events as well as documents circulated for comments. An overview of the type of stakeholders consulted will also be provided. Finally the Appendix will contain a summary of the discussions at the stakeholder events.

Stakeholder workshop 1

- A1.2 A consultation event on the prospective Local Housing Market Assessment work took place on 25th July 2012. A large breadth and number of organisations were invited to attend to observe and discuss the preliminary findings of the project and to highlight issues in the housing market that needed to be considered and identify other areas that the study should look at.
- A1.3 The event was well attended, with a diversity of stakeholders represented. The event was a presentation of the initial secondary data outputs of the study, with questions encouraged and a few topics identified for more in depth discussion – housing market areas, the tenure profile, the consequences of the additional demand to arise from the Energy Island Programme.
- A1.4 After the event a copy of the slides used in the presentation were sent round to attendees to offer the prompt for any further comment. Individuals that were unable to come to the event were also sent a copy of the slides. A summary of the discussion that took place is presented below.

The housing markets within Anglesey

- A1.5 A long discussion took place on where the prospective boundaries between housing markets exist on the Isle of Anglesey. Some felt that with the County being an island, it geographically lent itself to being a single housing market distinct from the mainland, whilst others felt that whilst it was distinct from the mainland there were clearly different markets on it.
- A1.6 The view was that Holy Island contained the relatively cheap Holyhead and the more expensive surrounding area. On the main island the coastal strip next to the Menai Straits was the most expensive part of the County. The North West of the island was thought to be mixed, quite depressed in parts with more expensive housing interspersed. The central part of Anglesey was thought to be very cheap and alongside Holyhead, where the cheapest housing in the County was available.
- A1.7 The initial entry-level prices presented at the event were thought to be slightly lower than what the stakeholders were aware of locally.

The tenure profile

A1.8 The current tenure profile in the Isle of Anglesey as indicated by secondary data was shown in the presentation and comments invited. All attendees indicated that it was accurate.

The consequences of the additional demand from the EIP

A1.9 There will be a big impact on the private rented sector during the construction phase, which will be followed by greater demand for owner-occupied homes from the permanent workers at the Energy Island Programme.

A1.10 Concern that the tourist accommodation used to house the EIP programme workers, will want to house tourists in peak season, which could leave the workers homeless.

A1.11 Large properties may become HMOs and provide additional housing from within the existing stock.

A1.12 Local households letting a spare room to a lodger will assist with meeting the additional demand, but it will require a policy shift.

A1.13 There needs to be clarity as to where the construction workers are likely to come from, will the company running it bring workers with them, so could they come from France or Japan or more locally.

A1.14 Will there be a cordoned off area, with just the temporary accommodation inside and the other workers accommodation outside? A park and ride bus could be used to transport workers to the site, with airport-style security checks before they got on the bus.

A1.15 It was stated that the idea that workers will be prepared to travel 90 minutes to work on the site means that the EIP will impact on the whole of North Wales, however one attendee disputed whether that many people will travel that far.

A1.16 The EIP will result in a notable increase in traffic in the Isle of Anglesey, and if a large number commute from outside the County, the bridges over the Menai Straits are likely to be under particular pressure.

Other comments

A1.17 The closure of Anglesey Aluminium is reflected in the data on average earnings (shown in Figure 3.4), those who found re-employment afterwards usually went into jobs with lower pay. Similarly the decrease in the size of the manufacturing sector (shown in Table 3.2) corresponds to experience.

A1.18 Sales of shared equity homes are sales numbers seem relatively high.

A1.19 It is important to understand whether Intermediate Rent can be afforded, RSLs usually allow up to a third of income to be spent on rent.

A1.20 A quarter of households in the Isle of Anglesey are in receipt of welfare benefits.



RSL workshop

A1.21 A consultation event on the first draft outputs of the Local Housing Market Assessment work took place with representatives of RSLs working in the area on 24th October 2012. The event was well attended. The event was a presentation of the reports findings with to understand the likely/potential responses from the various RSL organisations. A summary of the discussion that took place is presented below.

Summary of discussion

A1.22 One RSL felt that Anglesey should be one Market Area. It was simply a matter of what was required, where and at what cost.

A1.23 An alternative view was that Holyhead urban area was a distinct area and that from the rest of the island could be broken down between the rural interior and a rather more buoyant coastal zone. Within this coastal zone, the Menai Straits area is also a distinct.

A1.24 Given the above, it was agreed that private investment is more likely in the south of the Isle of Anglesey.

A1.25 RSLs would be amenable to building stock now for let for, say, 10 years for conversion to market / affordable.

A1.26 Intermediate rents should be assumed to be 80% of market rents.

A1.27 Maximum mortgage available is £65,000.

A1.28 There is support for the early release of land.

Councillor workshop

A1.29 A consultation event on the draft outputs of the Local Housing Market Assessment work took place with the Isle of Anglesey Councillors on 14th November 2012. The event was well attended. The event was a discussion of the reports findings with questions encouraged and a broader discussion of how the EIP impact on the housing market could best be managed encouraged at the end. A summary of the discussion that took place is presented below.

General comments on the outputs

A1.30 There was a general concern that the housing demand projections take account of the level of second homes on the island as well as the supply of unimplemented persimmons.

- A1.31 A long discussion took place on where the prospective boundaries between housing markets exist on the Isle of Anglesey. The presentation showed the twelve areas identified by the viability study and there was consensus that there are not that many markets in practice. Some felt that it was one single market whilst others felt that there were three to five markets with the most distinct areas being Holyhead as the cheapest and the Menai Straits as the most expensive.
- A1.32 It was acknowledged that private rented levels did not vary across the isle of Anglesey as much as property prices, however there were distinct markets, particularly around Holyhead.
- A1.33 It was noted that affordable housing was thought to be required across the County, although the requirement was not uniform. There was a discussion of where affordable housing best be located to meet need and how far households should be expected to move to access housing. It was noted that affordable homes were required in some smaller rural settlements, but only a small number would be required.
- A1.34 There was concern that the outputs from the LTBHM did not reflect the severe requirement for affordable housing in the Isle of Anglesey. After discussion about the assumptions used it was agreed to include an alternative output based on other assumptions within the chapter.
- A1.35 The growth in the elderly population was noted with interest and the new older persons accommodation being developed in Holyhead is hoped to provide the sort of flexible accommodation solution that is likely to be needed in the future.

Management of the impact of the EIP

- A1.36 The idea of flexible accommodation for the construction workers that could be reused afterwards to serve a different purpose, such as Land and Lakes, was welcomed.
- A1.37 There is a need to ensure affordable housing is genuinely affordable. There have been instances where such accommodation has been repossessed as it could not be afforded by the owner.
- A1.38 It is an option to build some of the homes required for the future local population early, so that they may be available for the temporary workforce. Concern was expressed that if too much is brought onto the market too quickly it could lead to the devaluation of properties and an increase in the number of households living in negative equity.
- A1.39 There was support for the idea of improving delivery rates by removing planning permission from sites where development is not forthcoming and giving it to a different site instead. This creation of competition to improve delivery was seen as positive as long as it would be sensibly managed.
- A1.40 Concern was raised that the pressure from the increased population could result in deterioration in the quality of the local housing stock, particularly the older dwellings. It was felt that there needs to be long-term plans to regenerate older houses into modern homes.



Stakeholder workshop 2

- A1.41 A consultation event on the draft outputs of the Local Housing Market Assessment work took place with stakeholders on 14th November 2012. Representatives of organisations that had been involved in the first event were invited to observe how the project was progressing and contribute towards defining the conclusions. The event was well attended.
- A1.42 The event was a discussion of the reports findings with questions encouraged and a broader discussion of how the EIP impact on the housing market could best be managed encouraged at the end. After the event a copy of the slides used in the presentation were sent round to attendees to offer the prompt for any further comment. Individuals that were unable to come to the event were also sent a copy of the slides. A summary of the discussion that took place is presented below.

General comments on the outputs

- A1.43 Long working days and high security may mean that construction workers have little down-time and will therefore want to reduce their commute. This may mean that demand for accommodation in the Isle of Anglesey will be greater than initially thought, especially in hotspots where access to the site is easy.
- A1.44 It would be useful to understand the impact of universal credit on the future of LHA tenants in the Isle of Anglesey
- A1.45 Mobility is an issue across the island. Are there ways in which we can help and support those who want or need to move? What can we do to improve access to mortgages and finance?
- A1.46 The impact of the Energy Island Programme on neighbouring authorities needs to be understood.
- A1.47 Smaller affordable units will be required not only for the Energy Island initiative but there is also a trend towards this type of housing generally, which is therefore a useful coincidence.

Management of the impact of the EIP

- A1.48 The Council need to assume that Wylfa will go ahead and prepare for it now- including a critical path analysis to identify and have in place key policies, decisions, permissions, infrastructure etc based on different scenarios re Wylfa – ie different start dates, number/types employed, migration
- A1.49 The Council need to help bring development forward. Tax breaks maybe required and guarantees of the existence of the future market may be suitable to provide confidence to developers.
- A1.50 The process for granting planning permission needs to be sped up if the market is going to be able to adequately deal with the rapid increase in demand. Currently the process takes two years.

- A1.51 Progress is dependent on adequate land supply. Whilst the Council is understood to have a decent land bank, will it be sufficiently imaginative in the way it uses the land? It would be helpful if the MoD could augment this by land disposal where appropriate.
- A1.52 Demand hotspots for properties to be used over the long-term are likely to be in the South East of the County but the EIP will be in the North West. It is necessary to establish a balance between providing homes where people aspire to live, i.e. in coastal locations, and encouraging people to move inland to less popular areas, perhaps through incentives.
- A1.53 The idea of developing the purpose built construction workers accommodation as homes to be available within the housing market once the construction period is over that would be rented out during the construction phase, needs to overcome some obstacles. Most of the workers would be there on short-term lets, but the dwellings will be required to be available for the construction phase for ten years. The investor therefore needs a long-term contract guaranteeing income over the ten years. It would work if the organisation building the plant bought all lets for ten years. If this was possible developers would be interested, particularly if the accommodation would be then available to sell on the open market, but they would need more detail.
- A1.54 There is currently a trend for holiday-lets moving to long-term lets in the Isle of Anglesey.
- A1.55 Capital gains tax means it is not always logical to move a dwelling from being a second home to letting it out for rent, even if there is a demand from potential tenants and therefore a guaranteed income stream. This is because it may not be possible to revert the property back to a second home and get the associated tax benefit subsequently, therefore it may be too big a risk for an income stream that will only be short-term. Can the Council do anything to negate this potential problem?
- A1.56 Is there a danger that increased demand for tourist accommodation would result in people buying up more properties to introduce to the sector, having a negative affect on property prices and possible reducing incomes derived from tourist-lets in the long-term?
- A1.57 Where developments are going to be mixed use their needs to be segregation. For example holiday makers won't want to share facilities with scruffy workers. The tourist resort is likely to suffer reduced demand if that occurs.
- A1.58 Is there to be a Cordon Sanitaire around the facility? If so what will be its impact, will there be development restrictions within a certain radius of the facility.
- A1.59 The Viability report needs to come out soon as a draft for meaningful discussion. Currently property prices in Anglesey falling, which is not a good environment for developers especially as costs are rising, plus trying to provide affordable housing without Social Housing Grant and producing dwellings that meet the Code for Sustainable Homes.

- A1.60 Ensure that the development of the plan for the EIP includes positive engagement with developers /housebuilders. Current impressions are that it has been minimal to date.

Appendix A2. Further detail on Intermediate Rent

Introduction

A2.1 The Welsh Government has published new guidance on Intermediate Rent. The introduction of Intermediate Rent is likely to have an affect on the wider housing market and a significant impact on the affordable sector. The chapter will set out the policy context surrounding Intermediate Rent, specifically the introduction of Rent First – Intermediate Rent by the Welsh Government.

Rent First - Intermediate Rent: a new product

A2.2 'Rent First - intermediate rent - Final Guidance March 2011' published by the Welsh Government in March 2011 outlines the purpose of introducing this new tenure into the Welsh housing market:

'Rent First is a subsidised intermediate rent solution providing people with a mid-market rental housing solution as well as potentially assisting them in the outright purchase of their home in the future.

By assisting people who cannot afford to buy on the open market, it could help to meet the need for affordable home ownership in areas of shortage and provide a further intermediate housing choice.' (Paras 2-3, pg 4)

A2.3 It is intended to help local authorities to meet their strategic housing objectives, by encouraging mixed tenure developments in areas where this is becoming increasingly difficult. Whilst it's introduction has been driven by the economic downturn, the Welsh Government anticipates that the model will continue to be useful in meeting housing need in the long-term.

A2.4 This Guidance document sets out clear parameters for this Intermediate Rent product:

- Intermediate Rent is only for households in defined need, it is *'not intended for people who can afford to rent a property suited to their needs at a market rent, or people who can afford to purchase a property without assistance. It is not intended for those who are adequately housed.'* (para 51)
- Intermediate Rent will use the same procedures for allocating homes as is done for social rented accommodation. It is envisaged the majority of residents will come from the Council and Housing Association Housing register/Waiting list (para 50)
- Shorter tenancies (standard Assured Shorthold Tenancy) may be used for intermediate rent. (para 68)

- *'Properties of two or more bedrooms will be eligible; the Welsh Government will only consider applications for one-bedroom properties where this is supported by clear evidence of local demand.'* (para 74)
- Intermediate Rents can be set at *'a maximum of 80% of average private market rents for comparable properties'* (para 58)
- *'Rents should be targeted to be at or below the appropriate Local Housing Allowance¹⁴,* (para 59). There is no point in setting an Intermediate Rent when nobody could afford it either because they did not have the income or could not obtain sufficient Local Housing Allowance to pay the rent due to the new caps.
- Whilst there is the option of allowing residents to staircase up to full ownership, in Isle of Anglesey there is a preference for units remaining available for Intermediate rent.

A2.5 The most interesting point within the conditions of Intermediate Rent is that rents can be charged at *'a maximum of 80% of average private market rents'*. This implies a degree of flexibility in setting the price of Intermediate Rent. It can be priced at any level up to 80% of market rents. It obviously must help address housing need, however it should be distinct in price from social rented accommodation. There is also pressure, due to the cut in the funding available for affordable accommodation, to make as much affordable housing as possible from that money is available.

A2.6 The Guidance document indicates *that 'Local authorities will need to assess whether intermediate rent is a strategic priority in their area. It is important that local authorities are able to clearly demonstrate the need for intermediate rent'* (para 47). This chapter will attempt to establish the need for Intermediate Rent in Isle of Anglesey. Firstly it will explore how Intermediate Rent can be calculated before looking at the appropriate level to set it in terms of effectively meeting need.

Understanding Intermediate Rent

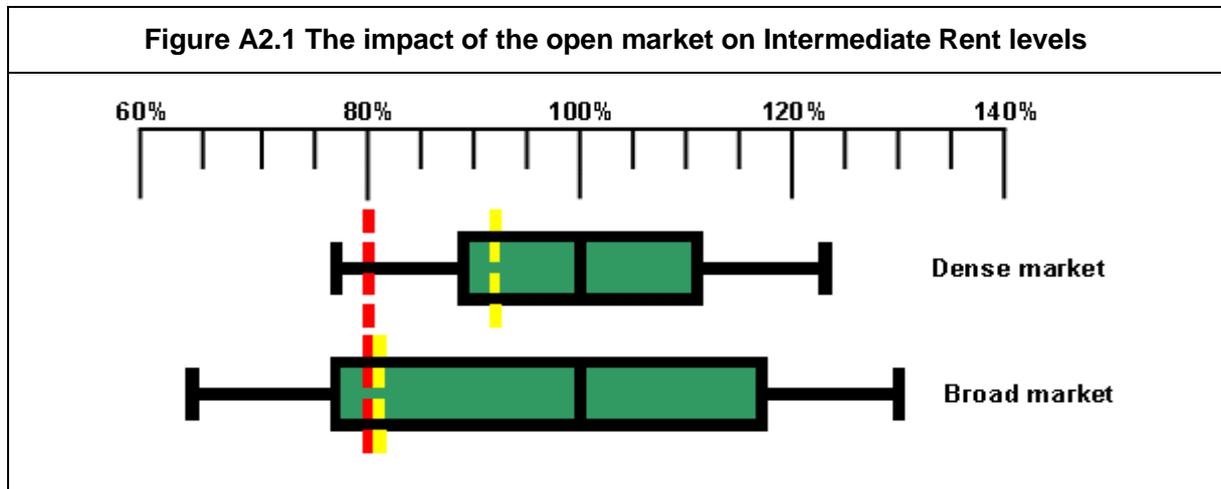
A2.7 Intermediate Rent will be based on the open market value of each property. For all affordable properties, the market price will be inferred from values in the private rented sector (PRS). Therefore the PRS needs to be understood. This section outlines how the nature of the PRS can impact how competitive Intermediate Rent levels are likely to be.

A2.8 The spread of rents in the PRS will have implications for the rates of Intermediate Rents, as is illustrated by Figure A.2. It shows the spread of rents in two hypothetical housing markets for the same property size. The short black vertical lines show the key points on the distribution (minimum, lower quartile, median, upper quartile and maximum) and the green boxes show the inter-quartile range or the 'middle market'. The scale shows the median rent level as 100% and the variation of rents can be

¹⁴ Local Housing Allowance had previously been limited to the rent level at the 50th percentile of market values. From April 2011 the Local Housing Allowance limit has been reduced to the 30th percentile of market values capped. The country is divided into housing market areas for the purpose of setting these levels.



seen as a proportional difference to the median; the typical Intermediate Rent line is therefore at 80% (the red dashed line). The yellow dashed line indicates the LHA cap (the 30th percentile of rents available in the market)



Source: Isle of Anglesey Local Housing Market Assessment Update, 2013

- A2.9 In a dense market the majority of the rents available will lie within a small range. In this market the Intermediate Rent level is likely to be well below the majority of open market rents and offer an appealing alternative to the private sector. Although Intermediate Rent rates vary by the value of each property, on the whole property value does not vary much in the dense market and Intermediate Rent should be consistently lower than private sector alternative. The Intermediate Rent level should also be lower than the LHA cap.
- A2.10 In a broad market the range of rents available, even in the middle of the market, is very wide. In this case if a median or higher value property was let at an Intermediate Rent there would still be a substantial proportion of properties in the open market available at a cheaper rate (albeit, lower quality properties). In addition the Intermediate Rent rate could also be similar to or even above the LHA level. For Intermediate Rent properties to offer a cheaper alternative to the open market homes in this broad market, lower value open market properties would be the viable option for converting to Intermediate Rent.
- A2.11 In reality, most PRS have a dense market with a broad 'upper-middle market'. In these markets, as long as non-luxury properties (those in the bottom 75%) are converted to Intermediate Rent, the rates offered would be cheaper than the majority of the open market alternatives. However, in some cases where there is a broad 'lower-middle market', median or higher value properties would not be a viable Intermediate Rent option. It is an important point as, on the occasion that the typical Intermediate Rent level is more expensive than entry-level private rents (the lower quartile), priority can be given to ensuring that the kind of properties that are converted to Intermediate Rent are appropriate for the area.

Appendix A3. Further detail on some of the figures used in the housing needs model

Number of households moving in past two years

- A3.1 Table 6.6 of the housing needs model indicates that according to the survey 5,072 households have moved in the past two years. This figure forms an important component of the housing needs assessment model. The household survey dataset is the preferred source of this figure because it contains data on all tenures in the housing market (including the private rented sector, where mobility is greatest) and profiles the situation for the base date of the survey (housing need is assessed as of Summer 2012).
- A3.2 It is however useful to compare secondary data available on household moves to the figure in the household survey. The latest data available on the number of moves in the social rented sector is published by the Welsh Government's StatsWales service. This indicates that in the most recent two years (April 2009 to March 2011) there were 904 households that moved to a social rented property (the 710 set out in Table 6.9 and an additional 194 transfers within the RSL stock). Data from Hometrack (based on Land Registry data) indicates that in 2010 and 2011 there were 1,324 property sales across the Isle of Anglesey. There is however no data on how many of these properties were bought by prospective owner-occupiers and how many were bought by prospective landlords – therefore it is not possible to accurately distinguish the destination tenure of these sales. In addition the Council's two most recent *'Joint Housing Land Availability Study's* (2010 and 2011) indicate that there were 184 further dwellings developed on small sites (below 5 units). In the majority of cases these are self-build plots and are therefore already in the ownership of the intended occupier and will not be registered as a transaction within the Land Registry's data.
- A3.3 These three sources indicate a total of 2,402 moves took place excluding moves from the existing private rented stock. If it is assumed that the base date for these moves were summer 2012 (although the data used is actually notably older) then this would imply that 2,670 of moves would have been from within the private rented stock (5,072 total moves recorded by the survey minus the 2,420 moves recorded by secondary sources). This would imply a turnover of 47.2% across the whole private rented sector over two years, which equates to 23.6% per year. This level of turnover would be typical to that recorded in other areas similar to the Isle of Anglesey (the most recent data from the Survey of English Housing suggests that turnover in the private rented sector is around 30-40% per year). This suggests that the figure of 5,072 used in the report accurately reflects the number of moves that have occurred in the Isle of Anglesey over the last two years. It also provides an assessment of the situation currently rather than using secondary data, which is historic to a certain degree and based on inconsistent periods of time.

Number of newly formed households

- A3.4 Paragraph 6.29 indicates that according to the household survey 1,602 households were newly formed within the Isle of Anglesey over the past two years. This figure compares to the average household growth projected for the Isle of Anglesey of 208 households per year between 2008 and 2031, according to the 2008-based household projections. However the household growth figure is net of both in and out-migration and natural growth (household formation less household dissolution). It is not easy to generate an equivalent figure from the household survey, because whilst the dataset contains information on household formation, it is hard to generate an accurate household dissolution rate. Also, because the household survey is a snapshot of the Isle of Anglesey at a particular point in time, it is not possible to assess migration flows using the same time period. Whilst we have data on the number of households that moved into the County in the past, the only data we have on the out-migration of households is based on future intentions.
- A3.5 It is worth noting that the 2008-based population projections, which inform the household projections, indicate that in 2011-12 in the Isle of Anglesey natural growth forms 10.0% of the total population growth in the County (with net in-migration forming the remaining 90%). However it should be noted that some of the new household formation identified within the survey will be from households moving into the Isle of Anglesey.
- A3.6 An alternative estimate for newly forming households can be derived from secondary data using the approach set out in the annex of the (English) Strategic Housing Market Assessment Practice Guidance (CLG, August 2007). The headship rate for each 5 year age cohort between the ages 15 and 54 was calculated using information in the Census on the number of people and number of household heads within each age cohort in the Isle of Anglesey. This headship rate was then applied to the 2008-based population projections. This identified the projected number of households likely to form in the County between 2012 and 2017. This figure is then averaged to provide an annual estimate for the number of newly forming households.
- A3.7 Using this methodology it is estimated that 731 new households will form per year in the Isle of Anglesey over the next five years (as opposed to 801 recorded in the survey). This represents a household formation rate of 2.3%, similar to the level recorded by the English Housing Survey (2.1%).