Getting Started With Your Local Housing Market Assessment

A Step by Step Guide

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Background

1. Local Authorities have an important community leadership and strategic housing role and are also responsible for undertaking a periodical review of housing need (1985 Housing Act s8). It is therefore vital that Authorities have a good understanding of the local housing market and have a robust Local Housing Market Assessment (LHMA) in place. This will assist the Authority with strategic planning for housing and a range of other Local Authority services.

2. In 2011 the Welsh Government Housing Information Group considered how to improve Local Authority access to housing market information and how to assist Authorities with the development and review of their LHMA. The work has been taken forward by a LHMA Task and Finish Group consisting of housing and planning officers from Local Government, WLGA and Welsh Government.

3. This guide ‘Getting Started on your LHMA - a step by step guide’ has been developed to supplement and not to replace the comprehensive and detailed Welsh Assembly Government LHMA guidance (Welsh Assembly Government 2006b) which underlines the need for Authorities to take a strategic approach to addressing housing need, including the housing needs of the growing population of older people. This guide outlines a quantitative approach to calculating housing need which can be used consistently across Local Authorities. It also aims to help Authorities to undertake their own assessment of the housing market.

4. The primary aims of this guide are to:
   - Supplement (but not replace) the 2006 Welsh Assembly Government guidance
   - Provide a starting point for a quantitative calculation of housing need and an assessment of the local housing market
   - Introduce more consistency in approaches across Wales whilst acknowledging differences between housing markets and access to data sources
   - Enable local authorities to undertake an in-house Local Housing Market Assessment (LHMA) and build local capacity and skills
   - Provide a starting point on which to build a more sophisticated understanding of housing markets

5. This guide uses the bath analogy developed by Glen Bramley, Bramley et al. (1998, p.34), to model and assess housing need. The model conceptualises “newly arising (housing) need as water from the taps, new [affordable] housing provision as water escaping through the plughole, and the backlog (of housing need) as the level of water in the bath”. The model has been expanded in this guide to take into account the broader housing market.
6. A LHMA provides a snapshot of the housing market at a particular point in time which is projected forward 5 years. Although comprehensive housing need assessments (including a large scale household survey) are not required more frequently than every five years, the fluidity of the housing market requires regular updates to ensure a robust and valid evidence base. (WAG, 2006b, paras.1.13-1.18, 7.38-7.42).

7. This guide suggests that analysis should be undertaken at ward level as data is available at this level for all stages of the analysis. However, it is acknowledged that some authorities may consider alternative spatial scales to be more appropriate. (WAG, 2006b, Chapter 2).

8. The stages of the approach proposed in this guide seek to “enable local authorities to develop an understanding of the nature and level of housing demand and need in their local housing markets” (WAG, 2006b, para 1.1). Each stage outlines key elements of a LHMA and provides a platform for local authorities to develop and utilise a more sophisticated understanding of the local housing market.

9. The development of a LHMA is often described as “more of an art than a science” and therefore 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. Approaches to meeting the need for affordable housing will include (but are not limited to) provision through Social Housing Grant, s106 contributions, self funded RSL schemes and refurbishment of private sector empty properties.

10. The proposed approach suggests that housing need is broken down by ward, property size (bed count), property type (general needs, sheltered or adapted) and tenure. This allows a pragmatic and flexible approach to be used to determine how need translates into physical property types on a site by site basis. For instance, instead of using a single percentage for the tenure to be delivered, (i.e. ‘all sites should seek to deliver 80% social rented and 20% LCHO units’) consideration can be given to the specific needs of the locality and optimal unit mix.

11. Local authorities are encouraged to be transparent when developing the LHMA and ensure that all approaches are thoroughly explained and justified at each stage. This will ensure that the LHMA provides a sound evidence base for the Local Development Plan (LDP) and Local Housing Strategy.
Stage 1a: Calculating the Need for Social Housing

12. Existing housing need can be generically defined as “the current number of households who are in housing need and unable to meet their needs in the market” (WAG, 2006b, para. 6.40). The first key source of data required for this stage is the number of households waiting on the housing register, ideally divided into the need for different types of social housing (i.e. general needs, adapted or sheltered accommodation). However, there are limitations in using housing register data to assess housing need (see WAG, 2006b, paras. 3.14-3.16), and some practical suggestions to overcome them are outlined below.

Step 1: Remove Double Counting Across Multiple Registers

13. In instances where Authorities operate a common housing register with partner Registered Social Landlords (RSLs) all applications for social housing will be held on a single database. However, if separate registers are maintained, this can result in double counting and duplicate households will need to be identified manually. Two further alternatives are:

Option A

Carry out a joint re-registration across all housing registers and give each applicant a single reference number. Applicants registered on more than one list can then be filtered by this reference field in Excel using the data > filter > advanced filter option. Regular re-registration of the housing register is fundamental if the data is to remain reliable. (WAG, 2006b, para. 3.15).

Option B

Calculate a range of housing need; by using the largest housing register as the lower gross backlog figure and the combined housing registers as the higher gross backlog figure.

Step 2: Consider Transfer Applications

14. A proportion of households on social housing register(s) will be transfer applicants; some of whom may not be in housing need as defined by the original guidance (WAG, 2006b, paras. 6.8, 6.30). Therefore, consideration should be given to removing a proportion or all of them from the backlog of need. However, some housing management systems do not allow data to be disaggregated in this manner (particularly transfers between social landlords). In such instances, a proportion or all transfers can be included in the backlog stage, providing the same proportion of lettings to transfer applicants are also included in the supply calculations. This will ensure the two data sources cancel each other out (more detail is provided in Stage 4, Step 1).

Step 3: Remove Households not in Housing Need

15. Housing registers include a proportion of applicants who are not in housing need and a reduction therefore should be made to account for this. Guidance on what constitutes unsuitable housing has been provided (WAG, 2006b, para. 6.8),
and authorities may also wish to use local allocation policies to determine the relevant criteria. There are two options:

**Option A**
Discount any applicants from the register who have only accumulated waiting time points or fall into the lowest priority band (or equivalent) as defined within the local allocations policy.

**Option B**
When housing register applicants provide income data, the gross incomes of those on the housing register can be used to calculate whether the household can afford market rents (sourced from Hometrack or commercial property price websites http://www.nethouseprices.com/). The Welsh Government guidance on affordability suggests that a household should not spend more than 30% of their gross household income on rent, inclusive of any service charges (see WAG, 2011, para. 62). Any applicants able to afford market rent on this basis should be discounted.

16. In either case, the number of households discounted should be calculated as a percentage of the total number of households on the housing register and this percentage should be applied across the housing register following Step 5, to ensure a proportionate reduction of the gross backlog.

**Step 4: Separate Property Types**

17. Housing registers contain households waiting for different types of properties which are often categorised as general needs, sheltered and adapted accommodation. Ideally each type of housing should be considered separately throughout this process.

18. It is suggested that applicants for adapted properties are separated into those requiring minor retrofit adaptations (to be defined locally) and those requiring a purpose built property. The former category can be incorporated into general needs figures for calculation purposes and the latter should be kept distinct for the concluding stages of the LHMA.

**Step 5: Remove Double Counting Within Registers**

19. Where applicants for social housing are asked for their area of ‘first choice’ this will provide a set of household preferences to analyse. However, where applicants are able to select more than one area, the number of selections for each area should be fettered by the total number of households on the register to produce a proportionate level of demand across different localities. There are two aspects to this process as shown in the example below.

**Example 1**
There are 5,000 households on a housing register; each household has selected 10 areas, so there are 50,000 choices in total. The first step is to calculate the percentage of selections for each area then multiply each percentage by the 5,000 households on the register.

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1 Local authorities should determine whether to use mean or lower quartile market rents for this purpose to best reflect the unique characteristics of the local housing market.
20. The second step is to repeat the procedure for each ward to identify the proportionate need for different property sizes. This is illustrated using the same example of Ward 1 below.

**Step 6: End Result - Current Need for Social Housing (1a)**

21. This process will provide a dataset outlining the current need for social housing, disaggregated by ward, property type and property size (1a). The data can be divided by five to be addressed each year over the LHMA period.
Stage 1b: Calculating the Current Need for Low Cost Home Ownership

22. The growing cost differential between the social and market sectors of the housing market have generated a growing need for intermediate market products (see WAG, 2006, paras. 3.36-3.40). Intermediate housing can be defined as homes “where prices or rents are above those of social rented housing but below market housing prices or rents” (WAG, 2006a, p. 19).

23. There are two main categories of intermediate housing; intermediate rent and low cost home ownership (LCHO). The former is considered in Stage 7 (due to the nature of the calculation process), and essentially provides households “with a mid-market rental housing solution and potentially assists them in the outright purchase of their home in the future” (WAG, 2011, para. 2). LCHO provides households with a ‘stepping stone’ into home ownership via shared equity or shared ownership arrangements (WAG, 2011, p.18) and is considered in the following two stages.

This stage considers the current need for LCHO by analysing any separate or joint LCHO registers.

Step 1: Identify area and property preferences and remove duplication

24. Applicants for LCHO should be asked, as a minimum, for information regarding their income, savings, monthly outgoings, area and property type preferences.

25. They should also be asked whether they are currently on any social housing registers within the locality and an appropriate reduction should be made to avoid double counting. The financial assessment outlined in Steps 2-3 below will determine which register the duplication should be removed from. Duplication resulting from applicants selecting more than one area can be addressed in the same manner as detailed in Example 1 (para 16 above).

Step 2: Discount any households able to afford market housing

26. Any households registered for LCHO that can afford to purchase entry level\(^2\) properties on the open market should be discounted from the existing backlog. There are two aspects to this calculation, firstly considering whether income can sustain owner occupation and secondly whether savings can provide a deposit.

27. The ability to sustain owner occupation can be calculated by multiplying gross household incomes by 3.5 (to represent an income to mortgage ratio of 3.5:1) and comparing this figure to entry level house prices for each registered household. Depending on the information contained within the LCHO register, the local authority will be able to determine whether to use a single entry level house price (for equity) or distinct house prices (based on households’ area preferences).

\(^2\) Local authorities should determine the property size (i.e. number of bedrooms) and property type (i.e. flat or house) that best represents an entry level property for first time buyers in the area. Data sources include Hometrack, Land Registry or commercial property price websites
28. The second aspect considers whether the lack of a deposit should constitute a household being in housing need. The two options are:

**Option A**

Do not discount households which have minimal savings for a deposit from the backlog, even if such households’ income to mortgage ratio is sufficiently high enough to obtain an entry level mortgage.

**Option B**

Determine whether those households with a sufficiently high income to mortgage ratio have the ability to save for a deposit over the LHMA period by analysing their disposable income. On average, households should spend no more than approximately 30% of their gross household income on rental or mortgage payments (WAG, 2011, para. 62; WAG, 2006, para. 3.39). Therefore, if any households registered for LCHO are spending significantly less than 30%, they may have scope to save for a deposit over the LHMA period and may be able to meet their needs in the market.

In either case, any households that are able to afford a mortgage for an entry level property (having considered income to mortgage ratios and potential deposit levels) should be removed from the LCHO backlog.

**Step 3: Analyse households unable to afford LCHO Prices**

29. It is also important to deduct households which are unable to afford LCHO, based on their current circumstances and market prices. This can be calculated by multiplying the entry level house price(s) used in Step 3 by 70% (or appropriate LCHO percentage) and comparing this value to 3.5 times each household’s income. Any households unable to afford a mortgage on this basis should be removed from the LCHO backlog. Local authorities should then consider whether these households will be in housing need (to be added into the social rented backlog) and/or if they may be able to afford an intermediate rental product (providing there is scope in the local housing market - see Stage 7).

**Example 2**

There are currently 200 households on the LCHO Register in a local authority, which reduces to 160 households (32 per annum) after Step 2 and 3. The thirty households discounted in Step 3 should be re-analysed in Stage 7 to determine whether they may be eligible for intermediate rent.
## Getting Started With Your Local Housing Market Assessment

### Step 1 - Identify Preferences

<table>
<thead>
<tr>
<th>Ward 1</th>
<th>Ward 2</th>
<th>Ward 3</th>
<th>Ward 4</th>
</tr>
</thead>
<tbody>
<tr>
<td>80</td>
<td>60</td>
<td>40</td>
<td>20</td>
</tr>
</tbody>
</table>

### Step 2 - Subtract Households Able to Afford Market Prices

<table>
<thead>
<tr>
<th>Ward 1</th>
<th>Ward 2</th>
<th>Ward 3</th>
<th>Ward 4</th>
</tr>
</thead>
<tbody>
<tr>
<td>80-5 = 75</td>
<td>60-10 = 50</td>
<td>40-3 = 37</td>
<td>20-5 = 15</td>
</tr>
</tbody>
</table>

### Step 3 - Subtract Households Unable to Afford LCHO

<table>
<thead>
<tr>
<th>Ward 1</th>
<th>Ward 2</th>
<th>Ward 3</th>
<th>Ward 4</th>
</tr>
</thead>
<tbody>
<tr>
<td>75-10 = 65</td>
<td>50-8 = 42</td>
<td>37-7 = 30</td>
<td>15-5 = 10</td>
</tr>
</tbody>
</table>

### Step 4: End Result - Current Need for LCHO (1b)

30. This process will provide an estimate of the current need for LCHO, disaggregated by ward and entry level property type (1b). The data can be divided by five to be addressed each year over the LHMA period.
Stage 2: Newly arising housing need

31. The purpose of this stage is twofold; to understand the current housing market and analyse the likely impact of need and demand for housing in the future (see WAG, 2006b, Chapters 4-5). This stage builds on Stage 1 and provides “a better understanding of how the overall housing system works and how the different elements interact” (WAG, 2006b, para. 4.3).

Step 1: Assess the Current Local Housing System

32. The first step is to carry out an analysis of the various components of the current housing system. This includes (but is not limited to):

- **Private property prices, rental prices and dwelling stock turnover**
  (Hometrack or commercial property price websites)

- **Number of long term empty properties (over six months) per ward**
  (Local council tax or public health enforcement records)

- **Economic activity**
  (Economy and Labour Market Outputs, local household survey data)

- **Local income levels**
  (CACI, Hometrack, local household survey data)

- **Local demographic structure**
  (Census, Mid Year Population Estimates)

- **Nature of the existing dwelling stock**
  (Census or local stock condition survey)

Chapter 4 of the original guidance (WAG, 2006b) provides further data sources and detailed means of analysis to be used in this step.

Step 2: Assessing Future Change in Household Numbers

33. It is now necessary to estimate the potential change in the number of households to “indicate the amount of additional housing that these households will require” (WAG, 2006b, para. 5.1). The Welsh Government provides local authority household projections “based on assumptions about future births, deaths and migration” (WAG, 2009, p.7). This data can provide a starting point to establish future household growth over the five years of the LHMA, however some local authorities have decided to use different household projection sources for their Local Development Plans (LDPs). It will be important that consistent projections are used for the LDP and the LHMA.

34. The Welsh Government local authority household projections or any alternative projections will need to be segmented by household sizes and compositions (see WAG, 2010, p.15). A more thorough assessment is required to convert these figures into property types. Local authorities can use existing housing register allocation policies to determine the property size suitable for each projected household.
**Step 3: Disaggregate Household Projections**

The household projections within Step 2 are only available at local authority level. There are two suggested means of disaggregating authority wide projections and it is for the local authority to make a policy judgement on the most appropriate method.

**Option A - Demand Side Estimate**

Use Household Census Data or Mid Year Population Estimates (whichever is most recent) to calculate the percentage of the local population residing within each ward. Multiply these percentages by the household projection figure to disaggregate the data to ward level.

**Example 3**

There are 5,000 households in an authority and there are four wards. A further 1,000 households are projected to form over the next five years.

<table>
<thead>
<tr>
<th>Existing Household or Population Total</th>
<th>% of Existing Total at Ward Level</th>
<th>Ward % Applied to Projections</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ward 1 1500 Households</td>
<td>Ward 1 1500/5000 = 30%</td>
<td>Ward 1 30% x 1000 = 300</td>
</tr>
<tr>
<td>Ward 2 500 Households</td>
<td>Ward 2 500/5000 = 10%</td>
<td>Ward 2 10% x 1000 = 100</td>
</tr>
<tr>
<td>Ward 3 2000 Households</td>
<td>Ward 3 2000/5000 = 40%</td>
<td>Ward 3 40% x 1000 = 400</td>
</tr>
<tr>
<td>Ward 4 1000 Households</td>
<td>Ward 4 1000/5000 = 20%</td>
<td>Ward 4 20% x 1000 = 200</td>
</tr>
</tbody>
</table>

**Option B - Supply Side Estimate**

Determine which allocated housing sites from the relevant local plan (i.e. LDP) will come forward over the next five years. Calculate each site as a percentage of the total units expected to come forward and multiply these percentages by the household projection figure.
Example 4
A further 1,000 households are projected to form over the next five years in a local authority. Three housing sites are likely to come forward over this period to accommodate this growth.

<table>
<thead>
<tr>
<th>Housing Sites Due for Delivery</th>
<th>% of Total Delivery at Each Site</th>
<th>Delivery % Applied to Projections</th>
</tr>
</thead>
<tbody>
<tr>
<td>Site 1 500 units</td>
<td>Site 1 500/1000 = 50%</td>
<td>Ward of Site 1 500</td>
</tr>
<tr>
<td>Site 2 200 units</td>
<td>Site 2 200/1000 = 20%</td>
<td>Ward of Site 2 200</td>
</tr>
<tr>
<td>Site 3 300 units</td>
<td>Site 3 300/1000 = 30%</td>
<td>Ward of Site 3 300</td>
</tr>
</tbody>
</table>

Step 4: Calculate the Number of New Households in Housing Need

36. It is also necessary to estimate the number of newly forming households that will be unable to afford market housing in the next five years (WAG, 2006b, Chapter 5), and whether they will require social rented housing or LCHO\(^3\). This will naturally vary by market area. There are two main ways of calculating this proportion as detailed overleaf.

Option A - Use Hometrack

Download Hometrack data on the percentage of first time buyers priced out of the market for entry level\(^4\) properties across each ward within the local authority. It is recommended that an income to mortgage ratio of 3.5:1 be utilised to best represent affordability (WAG, 2006b, para. 6.13). Multiply these percentages by the ward level projection figures derived from Step 3 above to determine the number of newly forming households priced out of the market in each ward.

To identify the proportion of these households that will be eligible for LCHO, the effect of a 70% (or appropriate percentage) mortgage should be analysed. One means of calculating this for each ward is shown below (follow steps A to E); although this does assume that the percentage of those priced out of the market will reduce equally across all areas.

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\(^3\) Scope for intermediate rented housing to be determined in Stage 7  
\(^4\) Local authorities should determine the property size (i.e. number of bedrooms) and property type (i.e. flat or house) that best represents an entry level property for first time buyers in the area.  
Data sources include Hometrack, Land Registry or commercial property price websites
Example 5

<table>
<thead>
<tr>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
<th>E</th>
</tr>
</thead>
<tbody>
<tr>
<td>% FTBs priced out of open market</td>
<td>Number of FTBs priced out of open market</td>
<td>Effect of LCHO (at 70%)</td>
<td>Scope for LCHO (at 70%)</td>
<td>Number of newly arising households requiring LCHO</td>
</tr>
<tr>
<td>Percentage derived at ward level from Hometrack</td>
<td>(A x household projections)</td>
<td>A x 0.7</td>
<td>Difference (A - C)</td>
<td>D x B</td>
</tr>
<tr>
<td>30%</td>
<td>30% of 1000 households = 300</td>
<td>21%</td>
<td>9%</td>
<td>27</td>
</tr>
</tbody>
</table>

* FTB - First Time Buyer

**Option B - Use House Price / CACI Paycheck Data**

Firstly, use Land Registry data or commercial property price websites to obtain entry level property price data for each ward.

Secondly, use CACI Paycheck Data to identify the range of income levels per ward. Then divide the entry level property price identified overleaf by 3.5 (income to house price ratio) to identify the ‘tipping point’, and thus, the percentage of households priced out of the market.

Example 6

Entry level property price in Ward 1 is £90,000. The ‘tipping point’ (X) is a household income of £25,714 (x 3.5 = £90,000). All households earning less than this are priced out of the market. This is shown on the CACI screenshot below; total Y and divide by Z to obtain the percentage priced out of the market in Ward 1. In this example 1229.89 / 2639 = 47%. Repeat this process for each ward.
37. The effect of a 70% (or appropriate percentage) mortgage should be analysed to identify the proportion of these households that would be eligible for LCHO. Multiply the entry level property price by 70% and divide the result by 3.5 to identify the ‘tipping point’:

38. Entry level property price of £90,000 x 70% = £63,000. The ‘tipping point’ is a household income of £18,000 (x 3.5 = £63,000). All households earning less than this are priced out of the LCHO market. This is shown on the CACI screenshot overleaf; total D and divide by E to obtain the percentage of households who are able to afford LCHO in Ward 1. In this example 509.59 / 2639 = 19%. The remaining households (C) are priced out of the LCHO market (720.3 / 2639 = 27%). Repeat this process for each ward.

(A) Tipping point (market)

(B) Tipping point (LCHO)

<table>
<thead>
<tr>
<th>Ward</th>
<th>Total Households</th>
<th>0-5k</th>
<th>5-10k</th>
<th>10-15k</th>
<th>15-20k</th>
<th>20-25k</th>
<th>25-30k</th>
<th>30-35k</th>
<th>35-40k</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ward 1</td>
<td>2,639</td>
<td>63.73</td>
<td>182.68</td>
<td>300.01</td>
<td>347.76</td>
<td>335.71</td>
<td>293.64</td>
<td>242.88</td>
<td>194.40</td>
</tr>
</tbody>
</table>

(C) Households priced out of LCHO market

(D) Households able to afford LCHO

Step 5: Calculate Number of Households in Housing Need

39. To convert these calculations into numbers of households requiring assistance, multiply the Step 4 percentages for each ward by the Step 3 projections above.

Example 7
Using the same data as above, if 1,000 new households were projected to form over the next five years in Ward 1, 27% will require social housing, 19% could afford LCHO and the remainder will not be in housing need.

Step 6: End Result - Newly Arising Need from New Households (2a and 2b)

40. This process will provide two sets of newly arising housing need figures for each ward; the number of households requiring social housing (2a) and the number of households able to afford LCHO (2b). Both data sets should be divided by five to represent an annual figure over the LHMA period.

5 A proportion of these households may also be eligible for intermediate rent if there is a local market for this product. See Stage 7
Stage 3: Newly Arising Need from Existing Households

41. Another element of newly arising need stems from the number of existing households ‘falling into need’ each year, and recent trends should be utilised to estimate this. (WAG, 2006b, para. 6.49). Ministry of Justice data is available at Local Authority level and can be used to identify the number of mortgage and landlord possession claims leading to orders. Analysing this data alongside local trends as outlined below allows an annual average (mean) figure to be established and projected forward for each year of the LHMA period.

Step 1: Calculate the Mean Number of Mortgage and Landlord Possession Claims Leading to Orders (per annum)

42. Download the local authority level spreadsheet from the Ministry of Justice website and select the tab ‘Annual Mortgage Orders’. Scroll down to your local authority and take an average (mean) of the number of mortgage orders over the last five years. Similarly, select the tab ‘Ann Llord Orders per 1k hsehlds’ and take an average (mean) of the number of landlord orders over the last five years. Add the two figures together and this will represent an annual average of Orders.

43. Some orders can still be suspended or varied at a later stage following intervention and some households will resolve their housing difficulties. It is therefore appropriate to also use local data on homelessness presentations.

Example 8

<table>
<thead>
<tr>
<th>Year</th>
<th>Mortgage &amp; Landlord Possession Claims Leading to Orders</th>
<th>Local Homelessness Applications as a Result of Orders</th>
<th>Percentage Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>600</td>
<td>150</td>
<td>75% less</td>
</tr>
<tr>
<td>2</td>
<td>700</td>
<td>300</td>
<td>57% less</td>
</tr>
<tr>
<td>3</td>
<td>900</td>
<td>300</td>
<td>67% less</td>
</tr>
<tr>
<td>4</td>
<td>600</td>
<td>150</td>
<td>75% less</td>
</tr>
<tr>
<td>5</td>
<td>800</td>
<td>300</td>
<td>63% less</td>
</tr>
<tr>
<td>Average</td>
<td>720</td>
<td>240</td>
<td>67% less</td>
</tr>
</tbody>
</table>

The annual average (240 households) calculated can then be rolled forward for each year of the LHMA period. Hence, it is estimated in this example that 33% of existing households having received orders will fall into housing need per annum.

44. Local authorities may also choose to forecast the potential impact of the Welfare Reform changes over the LHMA period by using data available from the housing benefit department or from other departments across the Authority. However, it may prove more accurate to delay analysis until 12 months after implementation to utilise a year's actual trends.
Step 2: Disaggregate to Sub Local Authority Level

45. Estimate how the annual figure translates to ward level by using homelessness application trends from Step 1.

Example 9
Step 1 identified 1,200 homelessness applications as a result of Orders over the last five years. Calculate the percentage of applications arising from each ward. Then calculate the percentage need for each property size in each ward.

<table>
<thead>
<tr>
<th>Ward 1</th>
<th>Ward 2</th>
<th>Ward 3</th>
<th>Ward 4</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Homelessness Presentations</strong></td>
<td>40%</td>
<td>20%</td>
<td>30%</td>
</tr>
<tr>
<td><strong>Household Property Size</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1 Bedroom</td>
<td>60%</td>
<td>50%</td>
<td>40%</td>
</tr>
<tr>
<td>2 Bedroom</td>
<td>20%</td>
<td>30%</td>
<td>20%</td>
</tr>
<tr>
<td>3 Bedroom</td>
<td>10%</td>
<td>15%</td>
<td>20%</td>
</tr>
<tr>
<td>4 Bedroom</td>
<td>10%</td>
<td>5%</td>
<td>20%</td>
</tr>
</tbody>
</table>

Apply these percentage trends to the annual average of households falling into need from Step 1 (i.e. 240) to disaggregate the trends.

<table>
<thead>
<tr>
<th>Ward 1</th>
<th>Ward 2</th>
<th>Ward 3</th>
<th>Ward 4</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Homelessness Presentations</strong></td>
<td>240 x 40% = 96</td>
<td>240 x 20% = 48</td>
<td>240 x 30% = 72</td>
</tr>
<tr>
<td><strong>Household Property Size</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1 Bedroom</td>
<td>96 x 60% = 58</td>
<td>48 x 50% = 24</td>
<td>72 x 40% = 29</td>
</tr>
<tr>
<td>2 Bedroom</td>
<td>96 x 20% = 19</td>
<td>48 x 30% = 14.5</td>
<td>72 x 20% = 14.5</td>
</tr>
<tr>
<td>3 Bedroom</td>
<td>96 x 10% = 9.5</td>
<td>48 x 15% = 7</td>
<td>72 x 20% = 14.5</td>
</tr>
<tr>
<td>4 Bedroom</td>
<td>96 x 10% = 9.5</td>
<td>48 x 5% = 2.5</td>
<td>72 x 20% = 14.5</td>
</tr>
</tbody>
</table>

Step 4: End Result - Newly Arising Need from Existing Households (3)

46. This process will provide a dataset which estimates the number of households falling into need per annum by ward and property type (3). The data represents an annual social housing need figure for each year of the LHMA period.
Stage 4:
Supply of Affordable Housing

47. The supply of affordable housing (including social housing and LCHO) expected over the next five years should be considered in order to counterbalance demand from newly arising need and the backlog need (see WAG, 2006b, paras. 4.46-4.49, 6.105-6.108). There are two main strands to this analysis: projected lets and committed supply, which will be outlined in turn.

Step 1: Trend Based Projection of Social Lets

48. It is firstly necessary to analyse past lettings trends amongst RSLs and the local authority (where applicable). A minimum average (mean) should be taken over the last three years in order to predict the likely number of lets that will come forward each year of the LHMA period (WAG, 2006b, paras. 6.53, 6.105). Averaging in this manner is necessary to mitigate the impact of a new build development or any abnormal lettings trends in certain areas.

49. Lettings data spanning the past three financial years should be obtained from each RSL and the local authority (if appropriate); by ward, property size and property type (i.e. general needs, sheltered or purpose built adapted accommodation). Preferably, transfers within the social sector should be removed from this data (WAG, 2006b, paras. 6.54, 6.106) unless they were included in the prior backlog of need stage (Stage 1a, Step 2). The data should then be aggregated and divided by three to represent an annual estimation of the type of lettings that will come forward each year of the LHMA period. Any LCHO properties should not be included in this step due to the differing level of turnover (see Stage 6).

Step 2: Surplus Stock Adjustment

50. The figure calculated in Step 1 requires two further adjustments to take account of any surplus RSL or Local Authority stock. Firstly, an allowance has to be made for void rates significantly exceeding 3% and/or for any long term empty properties within the social housing stock (see WAG, 2006b, para. 6.35). Where this is the case, the annual figure calculated in Step 1 should be reduced to reflect the corresponding areas affected.

51. Secondly, any units due to be demolished and/or taken out of management (excluding Right to Buy / Right to Acquire sales) should also be removed from the respective areas within the Step 1 calculation (WAG, 2006b, paras. 6.37-6.38).

Step 3: Committed Supply of Affordable Housing

52. In addition to projected lets, the anticipated quantity of affordable housing “already planned to be built over the time period of the assessment” (WAG, 2006b, para. 6.81) should also be considered. The first key data source is the Social Housing Grant Programme Delivery Plan; as this will outline developments prioritised for grant

---

6 As justified in Stage 1a, Step 4, it is recommended that any lets involving minor retrofit adaptations be included in the general needs category, whereas any purpose built adapted lets be kept separate

7 This should include any difficult to let properties that have been vacant for over six months
funding over the next three years. Any planning applications granted permission subject to relevant s106 contributions or other RSL schemes should also be included if the developers have started on site or are due to commence shortly. Only schemes that are highly likely to be delivered over the next five years should be included.

53. The relevant data should be formatted by ward, property size (bed count), property type (general needs, sheltered or purpose built adapted accommodation) and tenure (social rent or LCHO). This will ensure direct compatibility with the aforementioned data as follows:

- Any new social rented units should be added to the calculation derived at the end of Step 2.
- Any new LCHO schemes should be separated as they are unlikely to turnover during the LHMA period (see Stage 6). These units should therefore only be counted once over the LHMA period.

An example of these steps is shown below.

**Example 10**

<table>
<thead>
<tr>
<th>Ward 1</th>
<th>Ward 2</th>
<th>Ward 3</th>
<th>Ward 4</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 bed</td>
<td>2 bed</td>
<td>3 bed</td>
<td>4 bed</td>
</tr>
<tr>
<td>80</td>
<td>40</td>
<td>20</td>
<td>2</td>
</tr>
<tr>
<td>30</td>
<td>50</td>
<td>20</td>
<td>9</td>
</tr>
<tr>
<td>40</td>
<td>50</td>
<td>30</td>
<td>5</td>
</tr>
<tr>
<td>60</td>
<td>30</td>
<td>13</td>
<td>2</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Projected Social Lets</th>
<th>Projected LCHO Units</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1 bed</td>
</tr>
<tr>
<td>1 bed</td>
<td>6</td>
</tr>
<tr>
<td>2 bed</td>
<td>8</td>
</tr>
<tr>
<td>3 bed</td>
<td>4</td>
</tr>
<tr>
<td>4 bed</td>
<td>2</td>
</tr>
</tbody>
</table>

**Step 4: End Result - Supply of Affordable Housing (4a and 4b)**

54. This process will provide two datasets of affordable housing supply; disaggregated by ward, property type and tenure. Social rent supply data (4a) represents an annual figure for each year of the LHMA period. LCHO supply data (4b) is however a ‘one off’ figure and should be divided by five before being factored into the Stage 5 calculations. This is shown in the example overleaf.

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8 If any intermediate rented units are due to be delivered, they should be factored in at Stage 7
Stage 5: Bringing Together a Robust Evidence Base

- Current Social Housing Need
- Need from Existing Households
- Need from New Households
- Social Rented Supply
- LCHO Supply
- Low Cost Home Ownership Need
- Current LCHO Need

+ Requires Fettering (See Stage 6)

* Annual need for new build adapted units should be excluded from this calculation due to their bespoke nature.

These units should be included post Stage 6.
Stage 6: Assessment of the Turnover of Social Rented Housing

55. It is considered unlikely that a significant number of LCHO homes will turnover throughout the LHMA period, however, in order to allow for turnover across the social rented stock, the calculation in Stage 5 should be reduced accordingly (WAG, 2006b, para. 4.43-4.45). This should not be applied to purpose built adapted units as such properties are often tailored to meet specific household needs and are unlikely to turnover at the same rate as general needs properties. Annual need for such units should be factored in after turnover calculations. With these considerations in mind, the steps below outline how to factor in the expected turnover of social rented properties over the LHMA period.

Step 1: Obtain Stock Data

56. It is firstly necessary to obtain RSL stock and Local Authority data consistent with the lettings trends used in Stage 4 of this assessment. Local authorities should request stock lists from each social landlord, disaggregated by ward, property size and property type (i.e. general needs, sheltered or purpose built adapted accommodation).

Step 2: Calculate Turnover Rates

57. Divide the projected social let figures identified in Stage 4 (4a) by the stock totals for each area to determine the turnover percentage.

Step 3: Apply Turnover Rates

58. Multiply the gross social housing shortfall from Stage 5 by the turnover percentage calculated in Step 2 for each area and property size. Subtract this figure from the original. This will reduce the annual requirement accordingly, i.e. the LHMA calculation identified an annual need for 58 extra 1 bed properties in Ward 1. Turnover of 1 bedroom properties in Ward 1 is 27%. Thus $58 \times 27\% = 16$. $58-16 = 42$ (16 unit reduction).

59. Whilst this exercise is unlikely to affect headline figures significantly (with both deficits and surpluses reducing across different wards), the need for smaller units is likely to decrease in certain areas due to higher turnover rates. The social rented need identified in Stage 5 should be reduced accordingly to account for this.

Example 11

The overall process of calculating the housing need for social rented (including turnover) and LCHO units is shown in the two tables below. The example of Ward 1 is utilised; drawing on previously illustrated data from each Stage.
Getting Started With Your Local Housing Market Assessment

<table>
<thead>
<tr>
<th>Ward 1 Social Housing Need</th>
<th>1 Bed</th>
<th>2 Bed</th>
<th>3 Bed</th>
<th>4 Bed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Need for Social Housing (Bathwater)</td>
<td>250/5 = 50</td>
<td>150/5 = 30</td>
<td>75/5 = 15</td>
<td>25/5 = 5</td>
</tr>
<tr>
<td>Divided by 5 for each year of the LHMA</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Plus</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Newly Arising Need from New Households (Hot Tap)</td>
<td>150/5 = 30</td>
<td>75/5 = 15</td>
<td>50/5 = 10</td>
<td>25/5 = 5</td>
</tr>
<tr>
<td>Divided by 5 for each year of the LHMA</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Plus</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Newly Arising Need from Existing Households (Cold Tap)</td>
<td>58</td>
<td>19</td>
<td>9.5</td>
<td>9.5</td>
</tr>
<tr>
<td>Minus</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Projected Social Lets per Annum (Plug Hole)</td>
<td>80</td>
<td>40</td>
<td>20</td>
<td>2</td>
</tr>
<tr>
<td>Equals</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gross Annual Social Housing Shortfall</td>
<td>58</td>
<td>24</td>
<td>14.5</td>
<td>17.5</td>
</tr>
</tbody>
</table>

**Calculate Turnover Rate in Ward 1**

<table>
<thead>
<tr>
<th>Existing Social Housing Stock</th>
<th>300</th>
<th>250</th>
<th>200</th>
<th>30</th>
</tr>
</thead>
<tbody>
<tr>
<td>Projected Social Lets / Existing Stock = Turnover Rate</td>
<td>80/300 = 27%</td>
<td>40/250 = 16%</td>
<td>20/200 = 10%</td>
<td>2/30 = 7%</td>
</tr>
</tbody>
</table>

**Apply Turnover Rate**

<table>
<thead>
<tr>
<th>Social Housing Shortfall / Turnover Rate</th>
<th>58 x 27% = 15.66</th>
<th>24 x 16% = 3.84</th>
<th>14.5 x 10% = 1.45</th>
<th>17.5 x 7% = 1.23</th>
</tr>
</thead>
</table>

**Equals Annual Social Housing Requirement**

| Net Annual Social Housing Shortfall | 58 - 15.66 = 42 | 24 - 3.84 = 20 | 14.5 - 1.45 = 13 | 17.5 - 1.23 = 16 |

As is evident from the table above, turnover has had the largest affect on smaller units (i.e. 1 bedroom housing need reducing from 58 to 42 units per annum).
60. However, similar turnover calculations should not be performed on LCHO units as they are unlikely to turnover during the LHMA period. This is shown in the table below.

<table>
<thead>
<tr>
<th>Ward 1 LCHO Need</th>
<th>1 Bed</th>
<th>2 Bed</th>
<th>3 Bed</th>
<th>4 Bed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Need for LCHO (Bathwater) Divided by 5 for each year of the LHMA</td>
<td>0</td>
<td>65/5 = 13</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Plus</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Newly Arising Need from New Households (Hot Tap) Divided by 5 for each year of the LHMA</td>
<td>0</td>
<td>170/5 = 34</td>
<td>20/5 = 4</td>
<td>0</td>
</tr>
<tr>
<td><strong>Minus</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Projected LCHO Units (Plug Hole)</td>
<td>0</td>
<td>6</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Equals</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Annual LCHO Shortfall</td>
<td>0</td>
<td>41</td>
<td>4</td>
<td>0</td>
</tr>
</tbody>
</table>
Stage 7: Assessing the Scope for Intermediate Rent

61. The need for Intermediate rented accommodation has been separated from the main calculation in Stage 5 as local market conditions will determine whether it is possible to generate such provision. For the purposes of this guide, it is represented by a mixer head; a client group entering the same bath of housing need via a different entry point. Local considerations determine whether the mixer head should be switched on and whether a proportion of the plughole should be apportioned to intermediate rental products. Essentially, intermediate rented housing offers “a mid-market rental housing solution as well as potentially assisting them in the outright purchase of their home in the future” (WAG, 2011, para. 2). The target market for this product includes households on social housing and LCHO registers and newly forming households that cannot afford to meet their needs in the market, but are able to afford rents above benchmark levels (see WAG, 2011, para. 50).

Step 1: Analyse Local Rental Markets

62. The first step in this process is to determine whether there is scope within the local housing market to provide intermediate rented homes. The Rent First model states that the target rents should be no more than 80% of mean market rents, whilst being at or below Local Housing Allowance rates (WAG, 2011, paras. 58-68). It is suggested that lower percentages of market rent (i.e. 70%) will render intermediate rent a more affordable option in relatively expensive market areas.

63. Firstly obtain mean market rent levels (sourced from Hometrack or commercial property price websites http://www.nethouseprices.com/) and Local Housing Allowance LHA rates. Market rent levels should then be multiplied by 80% (or appropriate percentage eg 70%) and compared to both LHA rates and Benchmark Rents across different wards. For example, the table below shows three possible scenarios when analysing 80% market rents for two bedroom properties.

<table>
<thead>
<tr>
<th>Ward</th>
<th>2 Bed Mean Market Rent</th>
<th>80% 2 Bed Market Rent</th>
<th>2 Bed Local Housing Allowance</th>
<th>2 Bed Benchmark Rent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ward 1</td>
<td>£109.00</td>
<td>£87.20</td>
<td>£87.69</td>
<td>£70.50</td>
</tr>
<tr>
<td>Ward 2</td>
<td>£121.00</td>
<td>£96.80</td>
<td>£87.69</td>
<td>£72.20</td>
</tr>
<tr>
<td>Ward 3</td>
<td>£83.00</td>
<td>£66.40</td>
<td>£87.69</td>
<td>£68.00</td>
</tr>
</tbody>
</table>

Example 12

- In Ward 1, there is scope for an intermediate rental product; as 80% of market rent is just within LHA rates and higher than Benchmark Rent.
- In Ward 2, 80% of market rent is still higher than LHA. A lower percentage of market rent could however be considered locally (70% would mean there is scope in this example) to justify an intermediate market.
- In Ward 3, 80% of market rent is lower than Benchmark Rent, and thus, there is no margin for an intermediate rental product to be introduced.
64. This exercise should be repeated for all property sizes across each ward to determine the scope for intermediate rent across the local authority. The remainder of this stage can be omitted if no potential for a significant intermediate rental market has been identified.

**Step 2: Estimate the Demand for Intermediate Rented Housing**

65. If there is scope for an intermediate rental market, the potential demand for the relevant property sizes in the areas concerned can be estimated by considering the area preferences of:

- Households on the LCHO register currently unable to afford LCHO (derived from Stage 1b, Step 3)
- Respondents having completed the local housing survey

66. The Welsh Government guidance for the ‘Rent First’ model of intermediate housing states that housing costs “should equate to no more than approximately 30% of gross income” inclusive of any service charges (WAG, 2011, para. 62). This measure can be used to compare household incomes to intermediate rent levels.

**Example 13**

Step 1 showed that there is scope in Ward 1 for intermediate market rented housing. There are 5 households on the LCHO register (derived from Stage 1b, Step 4) that expressed an interest in Ward 1. All households require 2 bedroom properties. The table below shows how to determine whether these households could afford intermediate rent.

<table>
<thead>
<tr>
<th>Household</th>
<th>Gross Household Income (per week)</th>
<th>30% of Gross Household Income</th>
<th>2 Bed Intermediate Market Rent in Ward 1</th>
<th>Difference Between 30% Gross Income and Intermediate Rent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Household 1</td>
<td>£260</td>
<td>£78</td>
<td>£87</td>
<td>£9 less</td>
</tr>
<tr>
<td>Household 2</td>
<td>£150</td>
<td>£45</td>
<td>£87</td>
<td>£42 less</td>
</tr>
<tr>
<td>Household 3</td>
<td>£380</td>
<td>£114</td>
<td>£87</td>
<td>£27 more</td>
</tr>
<tr>
<td>Household 4</td>
<td>£400</td>
<td>£120</td>
<td>£87</td>
<td>£33 more</td>
</tr>
<tr>
<td>Household 5</td>
<td>£100</td>
<td>£30</td>
<td>£87</td>
<td>£57 less</td>
</tr>
</tbody>
</table>

Clearly, only Households 3 and 4 would be able to afford intermediate rent based on 30% of their gross weekly income. The remainder do not earn enough to justify entry into the intermediate housing market. This process should be repeated for each ward identified as having a suitable margin for intermediate rent in Step 1.

67. In order to remove double counting (as households can often select multiple areas), the total number of area selections should be fettered by the total number of households eligible for intermediate housing.
Example 14
There are 500 households on the combined registers with gross incomes that justify intermediate rent levels. Each household has selected and is able to afford intermediate rent in a range of areas; totalling 2000 selections. The first step is to calculate the percentage of eligible selections made across each area then multiply each percentage by the 500 households on the register.

<table>
<thead>
<tr>
<th>Ward</th>
<th>Percentage</th>
<th>Eligible Selections</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ward 1</td>
<td>12%</td>
<td>60</td>
</tr>
<tr>
<td>Ward 2</td>
<td>28%</td>
<td>140</td>
</tr>
<tr>
<td>Ward 3</td>
<td>25%</td>
<td>125</td>
</tr>
<tr>
<td>Ward 4</td>
<td>35%</td>
<td>175</td>
</tr>
</tbody>
</table>

500 x 28% = 140
500 x 12% = 60
500 x 35% = 175
500 x 25% = 125

*IR: Intermediate Rent

68. The second step is to repeat the procedure for each viable ward to identify the proportionate need for different property sizes. This is illustrated using the same example of Ward 1 below.

<table>
<thead>
<tr>
<th>Bedroom Size</th>
<th>Percentage</th>
<th>Eligible Selections</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 bedroom</td>
<td>50%</td>
<td>30</td>
</tr>
<tr>
<td>2 bedrooms</td>
<td>30%</td>
<td>18</td>
</tr>
<tr>
<td>3 bedrooms</td>
<td>15%</td>
<td>9</td>
</tr>
<tr>
<td>4 bedrooms</td>
<td>5%</td>
<td>3</td>
</tr>
</tbody>
</table>

60 x 50% = 30
60 x 30% = 18
60 x 15% = 9
60 x 5% = 3

Step 3: Estimate Future Demand for Intermediate Rent

69. Possible demand for intermediate rent amongst the newly forming households identified in Stage 2, Steps 3-4 can also be calculated. The depth of analysis possible will depend on whether CACI data is available. Local authorities therefore have two options:
Option A

Use CACI data, entry level\textsuperscript{9} prices and mean market rents\textsuperscript{10} to estimate the relevant proportion of eligible households able to afford intermediate rent. This involves carrying out a similar analysis to that for LCHO in Stage 2 i.e:

- **Market Affordability (Point A)** Entry level house price in Ward 1 is £90,000. The ‘tipping point’ is a household income of £25,714 (x 3.5 = £90,000). All households earning less than this are priced out of the housing market.

- **LCHO Affordability (Point B)** Entry level house price of £90,000 x 70% = £63,000. The ‘tipping point’ is a household income of £18,000 (x 3.5 = £63,000). All households earning less than this are priced out of the LCHO market.

- **Intermediate Rent Affordability (Point C)** Intermediate rent in Ward 1 is £4,185.60 per annum (£348.80 per month or £87.20 per week). Households should spend no more than approximately 30\% of their income on rent (100 / 30 = 3.33\%). All households earning less than £13,952 (3.33\% x £4,185.60 = £13,952) are priced out of the intermediate rental market.

![Tipping point graph](image)

(A) Tipping point (market)  
(B) Tipping point (LCHO)  
(C) Tipping point (intermediate)

<table>
<thead>
<tr>
<th>Ward</th>
<th>Total Households</th>
<th>0-5k</th>
<th>5-10k</th>
<th>10-15k</th>
<th>15-20k</th>
<th>20-25k</th>
<th>25-30k</th>
<th>30-35k</th>
<th>35-40k</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ward 1</td>
<td>2,639</td>
<td>63.73</td>
<td>182.68</td>
<td>300.01</td>
<td>347.76</td>
<td>335.71</td>
<td>293.64</td>
<td>242.88</td>
<td>194.40</td>
</tr>
</tbody>
</table>

(F)  
(E) Households able to afford intermediate rent  
(D) Households able to afford LCHO

**70.** To calculate the percentage scope for intermediate rent in Ward 1 use the following formula:

\[
\frac{E}{F} = \text{Percentage Scope for Intermediate Rent}
\]

Apply this percentage to the newly arising household figure used in Stage 2, Step 4 to estimate the number of newly forming households in each ward that will be eligible for intermediate market rent. This process should be repeated for each ward where there is a market for intermediate rent as identified in Step 1.

---

\textsuperscript{9} Local authorities should determine the property size (i.e. number of bedrooms) and property type (i.e. flat or house) that best represents an entry level property in the area. Data sources include Hometrack, Land Registry or commercial property price websites

\textsuperscript{10} Available from Hometrack or commercial property price websites
Option B

Calculate the percentage of those able to afford intermediate rent as part of the combined registers if CACI data is not available. I.e. there are 5,000 households on the combined registers, of which 500 can afford intermediate rent. 500/5000 = 10%. Multiply this percentage by the household projections from Stage 2 for each area deemed viable for intermediate rent. It is acknowledged that this is a more rudimentary assessment, but it does provide a means of estimating the number of newly forming households that could afford intermediate rent based on existing trends.

Step 4: Consider the Supply of Intermediate Rented housing

71. An assessment of projected lets and committed supply needs to be conducted in the manner used to calculate supply carried out in Stage 4, However, where intermediate rent is geared towards future home ownership (WAG, 2011, para. 45), adjustments should not be made for past lets. Total all units expected over the LHMA period and utilise this as a single annual supply figure (i.e. divide by five for each year of the LHMA period).

Step 5: Calculate the Net Scope for Intermediate Rent

72. The next step is to subtract the supply of intermediate rented units (Step 4) from the estimated demand (Step 2 + 3) in each ward where it is viable and for each property type. This will represent the scope for intermediate rented housing. The table below shows how this can be applied to Ward 1.

<table>
<thead>
<tr>
<th>A) Step 2 + Step 3 Calculation</th>
<th>B) Step 4 Calculation</th>
<th>Net Scope for IR (A - B)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scope for IR 1 Beds</td>
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<td>Supply of IR 1 Beds</td>
</tr>
<tr>
<td>Scope for IR 2 Beds</td>
<td>18</td>
<td>Supply of IR 2 Beds</td>
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<td>9</td>
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</tr>
<tr>
<td>Scope for IR 4 Beds</td>
<td>3</td>
<td>Supply of IR 4 Beds</td>
</tr>
</tbody>
</table>

Step 6: Express the scope for intermediate rented housing as a Percentage of Housing Need

73. It is important to emphasise that the calculations in this stage do not represent additional housing need. Instead, the results should be used to determine the scope for intermediate rent to meet the shortfalls already identified in Stages 5-6. On this basis, the net scope identified above should be expressed as a percentage of the social rented need identified in Stages 5-6; by ward, and property size.
Stage 8: Local Housing Surveys

74. A local housing survey will allow you to collect more qualitative information on housing need, demand and aspirations and facilitate a broader analysis of the local housing market (see WAG, 2006b, Appendices A-C). It is however important to emphasise that survey data will not replace or alter the housing need calculations identified in the previous stages. Instead, such data should be viewed as supplementary and contextual. Surveys also play an important role in identifying the housing needs of specific localities and groups; including community level assessments (see WAG, 2006b, Appendix D) and Gypsy and Traveller Accommodation Assessments (see WAG, 2006b, Appendix F).

75. Authorities are encouraged to use cost effective ways of undertaking local housing surveys as the cost can be considerable. One option is to use an online survey, or combine with material already distributed by the Authority or offer an incentive to households to respond. A paper based survey by telephone request would also ensure households without access to a computer can participate.

Survey Templates

76. Work is currently being undertaken by the Data Unit to provide a template for core and optional questions that will build on the templates in the Welsh Government templates (WAG, 2006b, Appendix D). Advice on how to make best use of the Census data is also being developed. Data Unit are developing the template by Autumn 2012 and a link will be provided as the live version of this guidance develops.
Bibliography


Appendix 1: Overview of Secondary Data Sources

**Census** *(free to download)*

The Census of Population is a survey of all people and households in the country that occurs once every 10 years. It provides essential information from national to local area level, with the most recent census being held in 2011.

**Pros:**

- It is the only survey, which provides a detailed picture of the entire population and asks the same core questions everywhere, making it possible to compare different groups of people as well as different parts of the country.

- Data is available at small area level i.e. output areas (min: 40 households/100 people with nearly 10,000 OAs in Wales).

- Bed count will be included within the 2011 data set.

**Cons:**

- As the Census only occurs once every 10 years is not a very good data source for monitoring. 2011 data will not be available until 2013 at the earliest.

- Whilst it collects housing information this is limited, due to requirements for other data and the need to limit the size of the questionnaire.

**Mid Year Population Estimates (Ward Level)** *(free to download)*

The Mid Year Population Estimates are published by the Office for National Statistics and are consistent with the published mid-2009 local authority and Lower Layer Super Output Area population estimates. They provide an interim means of estimating local population at ward level in the absence of up-to-date Census data.

**Household Projections** *(free to download)*

The Welsh Government now publishes local authority household projections based on trends relating to births, deaths and migration to determine household numbers.

**Pros:**

- The household projections provide an indication over the next 25 or so years of what will happen to the number of households in Wales.

- As with household estimates, the model projects the average household sizes and the number of households split by type.

- The projections provide a useful indication of the housing needs of the people of Wales.

- Latest available household projections are 2008 based. These were published in September 2010.
Cons:

- These projections do not make allowances for the effects of local or central government future policies on population levels, distribution and change. They are merely an indication of what would happen if certain assumptions were realised.

CACI Paycheck (reduced access fee available through LGDU)

Income data can also be obtained from CACI's PayCheck which is a gross household income dataset. Figures take into account investments, welfare support and income supplements and are available in 5K bandings or as Mean, Median and Mode figures.

Pros:

- This is the only source that provides income data at ward level.
- The income bandings are useful to calculate the viability of different types of affordable housing.

Cons:

- There is a charge for accessing the datasets. However, the Local Government Data Unit has supported collaborative purchase of CACI data for local authorities. For more information, click here.

Ministry of Justice (free to download)

The Ministry of Justice produce quarterly statistics on mortgage and landlord possession actions in the county courts of England and Wales. This includes the numbers of mortgage and landlord possession claims issued and the number of claims which led to orders for possession being made.

Pros:

- The statistics are a leading indicator of the number of properties to be repossessed.
- The data are available both seasonally and non seasonally adjusted.
- Both quarterly and annual data is available at a Wales and local authority level back to 2000.
- The United Kingdom Statistics Authority has designated these statistics as National Statistics.

Cons:

- The data represent court actions for possession and not actual homes repossessed. Repossessions can occur without a court order being made, while not all court orders result in repossession taking place.
- The data do not include reasons behind the possession activity such as rent arrears or anti-social behaviour nor any other types of legal action taken by landlords against their tenants such as injunctions or anti-social behaviour orders.
- The data are available down to local authority level only, but can be disaggregated with Census data or Mid Year Population Estimates.
**Land Registry** (charge for ward level data)

The Land Registry House Price Index captures changes in the value of residential properties. It uses sales data collected on all residential housing transactions, in England and Wales since January 1995.

**Pros:**

- Land Registry’s House Price Index uses a sample size that is larger than all other statistical measures. The Land Registry data set is the only complete record of residential property transactions in England and Wales.

- It includes cash transactions not just those based on a mortgage.

- Information at a local authority level can be downloaded easily and is free.

- Property price information can be obtained down to postcode area if required.

- The information is the latest available and updated on a monthly basis.

**Cons:**

- Not all the information is available free of charge - costs of standard reports are approximately £20 per quarter up to 5 and £40 per quarter from 6 to 20.

- Historic data is not fixed but revised monthly which means any Land Registry data used for analysis or in reports or tables will quickly become out of date and need constant revision.

- The House Price Index is not currently available at a postcode level because of the small volume of sales.

**Hometrack** (available through LGDU)

Hometrack’s Housing Intelligence System facilitates instant online access to up-to-date market information based on Land Registry, CACI, Census and other survey and market data. A range of information can be extracted at ward level easily. Calculations such as percentage priced out of the market per ward are also conducted automatically. The Welsh Government, Welsh Local Government Association and the Local Government Data Unit has supported collaborative purchase of Hometrack for local authorities. Contact the Data Unit here.

**Commercial House Price and Market Rent Websites** (free to download)

A range of commercial websites can also be used in absence of Land Registry data and/or Hometrack to obtain sold house prices and private market rental prices at postcode level.