



Llywodraeth Cymru
Welsh Government

Undertaking Local Housing Market Assessments (LHMAs)



Guidance

Version 1.0 – Published March 2022

Ministerial Foreword

I am proud to be publishing the new methodology for undertaking Local Market Housing Assessments (LHMAs).

As you will all be aware the Independent Review of Affordable Housing Supply included a call for Welsh Government to mandate Local Authorities to provide LHMAs on a consistent timetable, using a consistent methodology and national data sources. The new methodology fulfils this commitment.



Julie James MS
Minister for Climate Change

This new process has been developed by Welsh Government with a small group of local authority experts. My heartfelt thanks goes out to those key individuals without whose help we could not have ensured the robust nature of the methodology. I have been keen to ensure this methodology and its accompanying LHMA Tool is fit for purpose before being formally launched. I am pleased all local authorities have had opportunities to engage and share views over the summer of 2021.

LHMAs are vital to determine local housing requirements and form a key part of the evidence base for Development Plans. LHMAs are all individual due to their nature, reflecting the individuality of local authorities. Nevertheless, differing methodologies and timings have led to inconsistencies in the approach taken to assessing local housing need and embedding consistency across all local authorities is the key driver behind the new approach.

We have all faced incomprehensible challenges in the last eighteen months or so, feeling the impacts of COVID-19. The pandemic has focussed all our minds on the need for everyone to have access to a safe, affordable home. The need to engage all local authorities to implement a consistent and timely approach to LHMAs has never been more important. This will support the delivery of key Programme for Government commitments.

Undertaking a periodical review of housing needs is a statutory duty as set out in section 8 of the Housing Act 1985. Since 2006, this review has been undertaken through the LHMAs. Local authorities are expected to rewrite LHMAs every five years and refresh that LHMA once during that five year period (between years two and three). This methodology, the accompanying LHMA Tool, guidance and training materials supersede all previous methodologies and guidance. I therefore expect all local authorities producing an LHMA going forward to use the new process published today.

Local authorities will also be expected to submit their LHMAs to my officials for review. This guidance sets out how my officials will undertake that review process, but the key will be to maintain dialogue and work together to deliver much needed homes for the people of Wales.

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Background

This guidance is intended for use by local housing or planning officers responsible for undertaking Local Housing Market Assessments (LHMAs) within local authorities. It seeks to support local authorities on how to produce an LHMA and to use the [LHMA Excel Tool](#) (LHMA Tool) to estimate the number of additional housing units required, by tenure, in the future.

This guidance should be read alongside key supporting documents, including instructions within the LHMA Tool and the [LHMA Template Report](#). You can also access [training materials](#) to support you when populating the LHMA Tool.

The new process for undertaking LHMAs aims to provide a consistent approach and basis for all local authorities. It should be used for all rewritten or refreshed LHMAs from March 2022.

This guidance replaces the previous guides on LHMAs listed below:

- Local Housing Market Assessment Guide (Welsh Assembly Government, March 2006) and,
- Getting Started with Your Local Housing Market Assessment – A Step by Step Guide (Welsh Government and Welsh Local Government Association (WLGA), November 2014).

LHMAs are a crucial part of the evidence base for preparing Development Plans and local authorities' Local Housing Strategies. Whilst local authorities are no longer required to submit their Local Housing Strategies to Welsh Government, many still produce them to encompass their local housing policies. From a land-use planning perspective, housing needs assessments provide the evidence base to support housing policies, including affordable housing policies, in development plans. From a housing perspective, LHMAs provide evidence which forms the basis of the local authority Prospectus for Social Housing Grant and informs services such as integrated care support. LHMAs will be a key source document informing the local authority homelessness strategy. They should also be used to plan for the diverse needs of different people and communities, including ethnic minority people, disabled people and people of different ages to ensure homes meet those needs.

Further reasons for undertaking such assessments include their value to:

- develop long-term views of housing need and demand;
- inform decision making on matters such as social housing allocation priorities, private sector renewal options and access to low cost home ownership units. Assessments can inform the development of housing policies on stock conversion, demolition and transfer in areas where the quality of the housing available is inadequate. Assessments are therefore key to investment decisions;

- help local authorities consider local housing markets when major new developments are planned and when negotiating Section 106 agreements¹; and
- aid an appreciation of how housing need translates into different sizes and types of affordable housing (e.g. intermediate or social housing) so that local authorities can negotiate appropriate mixes on new sites.

Legislation

Local authorities have an important community leadership and strategic housing role. Under section 8 of the Housing Act 1985² they are also responsible for undertaking a periodical review of housing need. In taking this guidance forward, local authorities are required to rewrite LHMA's every five years and refresh that LHMA once during this five year period (between years two and three) utilising section 87 of the Local Government Act 2003³.

In addition, local authorities must develop a homelessness strategy every four years under sections 50, 51 and 52 of the Housing (Wales) Act 2014. This strategy must include a review of the resources available to the local authority and other bodies associated with supporting people who are or may become homeless. It is essential that local authorities consider their equality duties under the Equality Act 2010⁴ and the Welsh Public Sector Equality Duties.

Local authorities will be expected to use this new process, including the new LHMA Tool and complete the LHMA template report when undertaking their LHMA. When local authorities produce a new LHMA or a refresh LHMA they will be expected to submit it to Welsh Government for review. This guidance sets out how Welsh Government will undertake that review process.

Undertaking LHMA's to determine housing need contributes to the promotion of sustainable development and the achievement of the seven goals of the Wellbeing of Future Generations (Wales) Act 2015⁵; and adopting the five ways of working set out in that Act will be key to the way LHMA's are carried out. LHMA's contribute towards a healthy and more equal Wales as understanding housing need and the homes required within each local authority is the first step in delivering homes in the right places.

Why the process has been reviewed

An Independent Review of Affordable Housing Supply⁶, published in May 2019, gave several recommendations for understanding housing need. The two key recommendations suggested that:

¹ Section 106 agreements are agreements made under Section 106 of the Town and Country Planning Act 1990.

² Housing Act 1985 - <https://www.legislation.gov.uk/ukpga/1985/68/section/8>

³ Local Government Act 2003 - <https://www.legislation.gov.uk/ukpga/2003/26/part/7>

⁴ Equality Act 2010 - <https://www.gov.uk/guidance/equality-act-2010-guidance>

⁵ Wellbeing of Future Generations Act 2015 - <https://gov.wales/well-being-of-future-generations-wales>

⁶ 2019 Independent Review of Affordable Housing Supply - <https://gov.wales/independent-review-affordable-housing-supply-report>

- Welsh Government should mandate local authorities to provide LHMA based on a consistent timetable, data and methodology across housing tenures. LHMA should be refreshed every two years and rewritten every five years, and submitted to the Welsh Government. Jointly commissioned LHMA should also be explored.
- Welsh Government statistical service should work with local authorities to agree data sets for use in LHMA, Development Plans and other housing requirements work.

In July 2019, the then Minister for Housing and Local Government responded to the Review and accepted, or accepted in principle, the recommendations in relation to LHMA (which can be found at [annex 4](#)).

Impacts of COVID-19

The 2018-based Welsh Government household projections⁷, which are one of the key default data sources used within the LHMA Tool, take no account of the COVID-19 pandemic as the projections pre-date the first known cases of COVID-19 in Wales.

Whilst there remains uncertainty about the impact of COVID-19 on the economy and society, it is important to highlight that the LHMA Tool is based on a 15-year projection period that is not designed to model short-term spikes in the housing market or economy. Local authorities should continue to augment the LHMA with local information and data where it exists, including the impacts for Development Plans.

⁷ The LHMA tool houses the latest [Welsh Government household projections](#) to estimate the additional housing need.

Preface: Key Points to Note for LHMA

Housing provision must be responsive to changes in the levels of need and demand in an area. LHMA are designed to give broad, long-run estimates of what future local housing need might be, rather than precision estimates.

Local authorities should undertake an LHMA at Housing Market Area (HMA) level. Information at this geographical level is a key consideration in devising the spatial strategies for Development Plans and for the allocation of land for affordable and market housing. HMAs may not always follow local authority boundaries and in these instances a partnership approach is recommended.

LHMA are required to provide an overall additional housing need estimate at local authority level by aggregating HMA level need and a description of the specific housing need requirements.

However, it must be recognised that any headline level of additional housing need can mask differences between HMAs. LHMA are an important tool to identify geographical gaps between the turnover of existing stock and planned supply and the estimated additional affordable housing need.

The evidence gathered through an LHMA provides a fundamental part of the evidence-base to inform local housing policy decisions, support the local authority Prospectus required for the Social Housing Grant (SHG) Programme.

LHMA are the first step in linking the housing and planning process. LHMA form a critical part of the evidence base for local planning authorities and are a key consideration in determining the location of housing growth in development plans.

The additional housing need estimate indicates the scale of housing need within the geographical boundary. Whilst this estimate will inform the development plan, it is unlikely to directly equate to a housing requirement or the affordable housing target in a development plan.

Each local authority should determine the most appropriate timeline in which to undertake their LHMA to inform their Development Plan.

Chapter 1: Introduction

- 1.1 As set out above, local authorities are required to undertake an LHMA. Welsh Government has provided an LHMA Tool to assist local authorities with housing need assessments, reducing the cost and complexity of the process and ensuring a consistent approach across all local authorities when undertaking a LHMA. The LHMA Tool estimates housing need under different sets of assumptions, allowing local authorities to consider and analyse what the findings mean for Development Plans and for Local Housing Strategies, should local authorities produce one. The LHMA Tool enables local authorities to develop long-term strategic views of housing need and demand based on local and nationally produced data sets. Local authorities are expected to use this LHMA Tool for all LHMA submissions to Welsh Government.

Welsh Government review and sign-off

- 1.2 Local authorities need to submit the following documents to Welsh Government for review and sign-off:
- A completed LHMA Tool for the local authority in accordance with this guidance document.
 - An LHMA report with all assumptions justified, in accordance with the [LHMA Template Report](#).
- 1.3 These documents together with any additional and relevant material, e.g. key points from minutes of meetings with the relevant stakeholders, should be emailed to Welsh Government using the Local Housing Market Assessment / Asesiadau o'r Farchnad Dai Leol mailbox: AFDL-LHMA@gov.wales.
- 1.4 Local authorities should be fully transparent about the processes and decision-making that underpin the LHMA, particularly where evidence is required when a local authority has selected its own user data and assumptions over the default ones within the LHMA Tool. This information and supporting evidence should be outlined within the LHMA report along with appropriate appendices where necessary and relevant.
- 1.5 Welsh Government will review the process and methodology used to produce LHMA as set out in [chapter 5](#) using the criteria set out at [annex 3](#). It should be noted that the review process does not extend to agreeing the additional housing need estimates themselves. Welsh Government review of the LHMA will either be signed off as compliant with the LHMA process or as having the potential to be so, subject to the local authority satisfactorily implementing the recommendations of the review. Welsh Government requires copies of the LHMA Tool containing the raw data to be submitted to facilitate the review. You will need to check any data shared does not breach your agreements with the data providers. This requirement does not apply to default data as these agreements have been secured.

Existing and Future Housing Need and Demand

- 1.6 In terms of defining ‘housing need’ and ‘demand’, this guide delineates ‘**need**’ as “the quantity of affordable housing needed” and ‘**demand**’ as “the quantity of housing that households are willing and able to buy or access at market rent”.
- 1.7 Estimates of additional housing need and demand fall into two categories and the LHMAs must evidence both. These are:
- Newly arising need (future need for households yet to form) and
 - Existing unmet need experienced by households at the present time.
- 1.8 Newly arising need estimates are based on Welsh Government household principal projections or the higher or lower variants. Household projections are not forecasts, being based on past trends and the assumption that these trends will continue into the future. In particular, such projections do not attempt to account for the effect of future policies (for example, policies which might seek to influence population movements) and changing economic circumstances or other factors (such as Brexit or the COVID-19 pandemic). In addition to Welsh Government household projections, local authorities can use alternative household projections to gain an understanding of how the additional housing need estimates may change, for example following implementation of a housing strategy.
- 1.9 Newly arising need is largely met through the provision of additional housing units. Most additional housing units will be delivered through new build, but delivery should also be considered through changes in housing stock such as conversions, adaptations and bringing empty properties back into use.
- 1.10 Existing unmet need is the number of households that currently do not have access to adequate housing. This need, as provided by local authorities, should include homeless households in temporary accommodation, overcrowded and concealed households⁸. This need should first be met through adaptations and improvements to existing stock where appropriate, and then through additional housing units. The LHMA Tool builds in the assumption that the existing unmet need is met within the first five years of the LHMA period.
- 1.11 Local Authority Homelessness Teams may have a more detailed and up-to-date picture of concealed or hidden homelessness and information on households in temporary accommodation. Housing and Homelessness teams should share available information to best support the assessment of future need. Local authorities may also have a more detailed picture of accessible housing need and should share available information to best support the assessment of future need.
- 1.12 All acronyms and terms used within this guidance are summarised in a glossary in [annex 1](#).

⁸ See glossary (in [annex 1](#)) for full definition.

Using LHMA Evidence for Housing Policy and Planning Policy Decisions

- 1.13 As the purpose of an LHMA is to provide an evidence-base to inform Development Plans and feed into wider housing strategies, there should be a clear read-across from assessments to plans. Any LHMA evidence that is used in Development Plans or Local Housing Strategies must be clearly referenced. Housing and planning officials should work together on the LHMA production to achieve this.
- 1.14 Specifically, it is expected that the LHMA should present additional housing need estimates by the following;
- **Market Housing:** to estimate the additional number of households by HMA within a local authority in the owner occupier and private rented sector tenures. This will help support the development of a spatial strategy within a Development Plan.
 - **Affordable Housing:** to estimate the additional number of households by HMA in the intermediate and social housing tenures:
 - Intermediate tenure covers both intermediate rent and low cost home ownership (LCHO).
 - Social rent splits the estimated households by number of bedrooms to optimise the provision, management and use of housing stock.
 - The LHMA Tool estimates, for each HMA, the number of housing units by tenure, and for social housing the required number of bedrooms. This information will assist local planning authorities when negotiating their Section 106 agreements for affordable housing.
 - **Specific Housing Need Requirements:** to inform the provision and use of accessible and appropriate housing and housing-related services to enable independent and culturally appropriate living for all. See [chapter 4](#) for more information on Specific Housing Need Requirements.

Timetabling

- 1.15 Local authorities will be expected to use the new LHMA process, including the LHMA Tool, when they undertake their next rewrite or refresh of the LHMA. All local authorities will need to submit an LHMA to Welsh Government before the end of March 2024. Local authorities are required to **rewrite** LHMA every five years and **refresh** that LHMA once during that five year period (between years two and three) utilising section 87 of the Local Government Act 2003⁹. Local authorities can refresh an LHMA more frequently if required but these would not be reviewed and signed off by Welsh Government.
- 1.16 As set out in the ‘Legislation’ and ‘Key points to note’ sections above, LHMA are used to inform Development Plans. It is therefore expected that local authorities will undertake LHMA to align with their Development Plan timeframe. However, local authorities who have not yet reached the “Deposit” stage of preparing their

⁹ Local Government Act 2003 - <https://www.legislation.gov.uk/ukpga/2003/26/part/7>

replacement Local Development Plan will be required to undertake an LHMA using the new process.

- 1.17 Local authorities should aim to ensure that officers have sufficient experience and expertise to undertake as much of the assessment as possible, to ensure they understand the local housing need as well as helping to tackle issues identified through the assessment. The LHMA Tool, supporting guidance and training videos along with the template report should help officers to undertake the key components of the assessment themselves.
- 1.18 However it may be appropriate to commission consultants to undertake particular specialist aspects of the assessment. In this instance, the local authority should ensure that:
- effective quality control mechanisms are in place to ensure outputs are accurate and the methods and findings are understood by the local authority; and
 - the local authority has access to the datasets and work undertaken by consultants so the work can be updated as additional intelligence becomes available.

Governance and Consultation

- 1.19 Production of an LHMA should be undertaken through a collaborative approach with stakeholders. In producing their LHMA, local authorities should engage with a variety of stakeholders. This could include representatives from: National Parks (as appropriate), Registered Social Landlords, colleagues from Health, Care and Social Work Departments (bearing in mind the alignment between the housing, health and social care agendas) and colleagues with expertise in economics or statistics. Also, this could include collaboration with Rural Housing Enablers (where appropriate), housing developers, tenant organisations, estate agents, lettings agents and people who have specific housing need requirements. The local authority's final LHMA will then need to include details of the engagement, feedback and action taken. Bearing in mind both the Well-being of Future Generations (Wales) Act 2015 and the Public Sector Equality Duty, it will be important to meaningfully involve community groups/organisations.
- 1.20 All stakeholders should be engaged to obtain relevant, and appropriate, evidence and data sources and in a way that best suits all parties. The LHMA should detail what stakeholders have told authorities and demonstrate how this has influenced the LHMA. If the information provided by stakeholders was deemed unsuitable to be used within the LHMA, an explanation as to why that was the case should be included.
- 1.21 Welsh Government requires local authorities to sign-off their LHMA and include a quality assurance statement regarding the process undertaken. To achieve sign-off status, the completed LHMA must be signed-off by the local authority at the point of submission. Should local authorities have jointly produced an LHMA, all constituent authorities must agree the core outputs and include a statement to this effect as part of the official sign-off document.

LHMA Template Reports

- 1.22 The [LHMA template reports](#) provide a standard framework which local authorities should complete to meet the requirements set out within this guidance. There are two template reports, one for a rewrite and a shorter report for a refresh of the LHMA's.
- 1.23 The template reports include headings and example text that local authorities may wish to include within an LHMA report.
- 1.24 The following bullet points provide examples of good practice for determining the content and size of the LHMA report (Report):
- Use the outputs tables in the LHMA Tool to summarise key findings and include within the Report. The template report for a rewrite will need three sets of the additional housing need estimates using the Welsh Government principal, higher and lower variant household projections. In addition, local authorities can show the additional housing need estimates based on user household projections.
 - Focus on evidence and analysis, NOT policy or contextual descriptions.
 - Explain all decisions, assumptions, choices and scenarios in full.
 - Avoid statements that are not factual, e.g. anecdote or inference.
 - Keep the contents closely aligned to what is required by the core outputs and process checklist and as laid out in this guidance.
 - Use the proof-reading stage to strip out any unnecessary content and use annexes to minimise the main body of the report.
 - Place supporting documents on websites.
 - There is no need to explain methodologies that have been explained robustly elsewhere, for example household projections are explained fully on the Office for National Statistics (ONS) website and a link to these is sufficient.

Quality Assurance

- 1.25 Welsh Government has a general role to support all local authorities in the production of their LHMA's, and a formal role to review and sign-off the LHMA process and methodology as being compliant. Welsh Government will work with local authorities to quality assure both the process and the content of the report, as outlined in [chapter 5](#).
- 1.26 To ensure successful sign-off of the LHMA by Welsh Government, local authorities will need to adopt the following quality assurances around the data inputted into the LHMA Tool before submission to the Welsh Government:
- **Justification.** Where local authorities have not used the default data and assumptions within the LHMA Tool, they will be expected to justify why alternative data or assumptions have been used. Furthermore, as LHMA's are technical and analytical in nature, it is essential that certain methodologies are explained in full, such as alternative first time buyer's property value to income ratio used for any of the housing market areas.

- **Triangulation.** Where there are several competing data sources, for example for existing unmet need calculations, compare each to decide which source is the best quality and document this process in the report. This provides a level of assurance that the data used in LHMA calculations are fit-for-purpose.
- **Quality assurance statement.** A full statement should be included in the report setting out each quality assurance procedure. Final draft LHMA must ensure figures in the narrative match those in the tables, figures are arithmetically correct, figures are rounded consistently, data are fully sourced and figures/ charts are labelled in full and consistently - including any footnotes, caveats or warnings. For example, practitioners should caveat where statistical rounding leads to totals in tables not summing correctly.

1.27 Some additional measures include:

- using official or recognised data sources wherever possible; and
- ensuring that local data have been checked and cleansed and the process has been described in the LHMA.

Geographies

1.28 The LHMA Tool is based on HMAs identified by unique code references using electoral wards, Middle layer Super Output Area (MSOA) or Lower layer Super Output Area (LSOA) geographies. Each local authority is responsible for determining the appropriate geography for HMAs in their area. The Welsh Government would encourage the use of statistical geographies, however Data Map Wales¹⁰ allows users to see how the MSOAs and LSOAs map to electoral wards.

1.29 HMAs are areas that have been defined geographically based on the functional areas where people currently live and would be willing to move home without changing jobs, recognising that housing markets are not constrained by administrative boundaries. A number of key factors need to be taken into account when defining these areas, including the broad price of housing (to consider 'transferability' within the market) and major transport links by road or rail (to take account of commuting patterns). Individual preferences of households may well centre on smaller geographical radii. However, planning for additional housing provision needs to be conducted at a scale suitable to consider the costs and benefits of increasing supply (i.e. land availability, broad viability, dwelling vacancy rates and potential impact on housing need deficits).

1.30 We know that rural areas have particular challenges in identifying need that is often 'hidden' due to the unpopulated nature of the area. Rural Local Housing Surveys can provide a reliable source of data to overcome areas of hidden need. Rurality may present some specific issues for defining HMAs, especially in sparsely populated areas with small numbers of house sales. Further support and advice on this can be provided by the Welsh Government.

¹⁰ Data Map Wales - <https://datamap.gov.wales/>

- 1.31 We know that rural areas also have particular challenges which centre mainly on high income to house price ratios and low levels of affordable housing delivery. This can impact on the ability of low income households to find a home in many rural areas and can also undermine the ability of rural communities and economies to thrive as young and working age people leave.
- 1.32 The long term sustainability of our communities, as well as safeguarding the Welsh language as a vibrant community language, is vital and central to the aims of our Welsh language strategy, *Cymraeg 2050: a million Welsh speakers*. There can be challenges in some Welsh-speaking communities with a high proportion of second homes. Ultimately, affordability is a key issue and the Welsh Government has detailed its ‘three-pronged approach,’ built on coordinated actions – through practical support, system change and taxation levers - to deliver proportionate, balanced and effective solutions.
- 1.33 Not every community will face the same challenges, however. Where evidence demonstrates that second homes present a challenge to the supply of affordable housing the Welsh Government will expect to see this reflected in the LHMA - including consideration of the impact on the Welsh language.
- 1.34 Local authorities with a diverse population will want to reflect consideration of this in their LHMA.

National Park Authorities

- 1.35 The LHMA Tool has been set up to estimate additional housing need and demand in each local authority. In areas where there is a National Park, this should be included as a separate section.
- 1.36 Where national park boundaries intersect local authority boundaries, practitioners may find it helpful to construct HMAs in a way that allows housing need data to be extracted for the National Park.
- 1.37 It is suggested that National Parks utilise the estimates of additional housing need and demand set out within the local authority’s LHMA to develop a concise analytical report. Further support and advice on this can be provided by the Welsh Government.

Equality Considerations

- 1.38 Local authorities must consider their Public Sector Equality Duties under the Equality Act 2010 (Statutory Duties) (Wales) Regulations 2011, including the need to involve people, collect data, and carry out an Equality Impact Assessment (EIA).
- 1.39 Consideration must also be given to the requirements of the Socio Economic Duty to deliver better outcomes for those who experience socio-economic disadvantage.
- 1.40 It is a requirement to undertake an EIA on any policy or strategy that has an impact on people, including those which result from the work within the LHMA. It should be

noted that the EIA process is not just about identifying and mitigating negative impacts, it is about proactively looking for opportunities to promote equality.

1.41 The Equality Act 2010 introduced a public sector Equality Duty in April 2011 to:

- eliminate discrimination, harassment and victimisation
- advance equality of opportunity
- foster good relations.

1.42 The Statutory Duty requires consideration of the above in respect of the following protected characteristics:

- age
- disability
- sex
- pregnancy and maternity
- gender reassignment
- marriage and civil partnership
- sexual orientation
- race
- religion and belief.

1.43 The LHMA should give due consideration to the requirements of the Act, particularly around evidence on the Specific Housing Need Requirements of local populations. Several aspects of the above duties are addressed in [chapter 4](#) covering the Specific Housing Need Requirements.

Housing Requirement

1.44 The additional housing need estimate indicates the scale of need within the geographical boundary. A broad range of evidence, including housing need, will be taken into consideration when identifying the housing requirement as part of the Development Plan process. The housing need estimate is unlikely to directly equate to a housing requirement within a Development Plan.

1.45 LHMA's produce a range of future housing estimates based on different household projections, data inputs and key assumptions. This is an estimate of the **TOTAL** future amount of housing need and demand in an area. The housing estimate then helps to determine the Housing Requirement established through the Development Plan preparation process.

1.46 The Development Plan Housing Requirement represents the additional housing that can realistically be delivered over the period of the plan and is a policy-based interpretation of the estimated housing need set out in the LHMA and other key evidence.

Overview of Housing Market and Socio-economic and Demographic Trends

1.47 Local authorities should provide an overview of the local housing market, which should include:

- geographical size
- population including a breakdown of protected characteristics such as:
 - age
 - disability
 - ethnicity
- number of households
- an analysis of households by tenure
- overview of owner occupier position
 - property price trends for the area and by HMA
 - sales (volume) trends by HMA
- overview of the private rented sector
 - age profile
 - property type
 - rents by bedroom and by HMA
- overview of the social rented sector
 - stock profile by HMA
- overview of second homes (and implications for the Welsh language), where appropriate
- overview of empty homes by HMA and sector.

1.48 An overview of the socio-economic and demographic trends within the local authority should also be provided to include:

- trend analysis of households by tenure and by HMA
- household incomes and housing costs as a percentage of income
- household composition
- occupancy ratings by HMA
- ethnicity
- commuting patterns
- disability.

Further Advice

1.49 For advice about this guidance or LHMA's in general, please contact the Welsh Government using the mailbox: Local Housing Market Assessment/Asesiadau o'r Farchnad Dai Leol - AFDL-LHMA@gov.wales.

Chapter 2: Key Data Inputs and Assumptions

Introduction

- 2.1 This chapter gives direction on how to source the data required for the key data inputs and assumptions. Good quality, reliable and appropriate data inputs and assumptions will be important factors to ensure the key findings from the LHMA Tool can be confidently used to inform Development Plans, local authorities' local housing strategies if one is produced, the local authority Prospectus required for Social Housing Grant (SHG) and the Integrated Care Fund (ICF) capital programmes.
- 2.2 Key data inputs include allocating geographical areas to the housing market areas (HMAs), the basis of the household projections and housing affordability, including income, house prices and rent levels. Also, existing stock and planned supply estimates will be required alongside the additional affordable housing need estimates to identify whether there is an over-supply or under-supply of housing units within a HMA.
- 2.3 Key drivers within the local housing market should inform the assumptions used to run the LHMA Tool.

Overview of the key data inputs and assumptions

- 2.4 The LHMA tool has the following four sections:
 - Overview and guidance of the Tool
 - Key data inputs and assumptions
 - Calculations / affordability analysis
 - Key outputs tables and charts.
- 2.5 [Annex 2](#) provides an overview of the process used to estimate the additional housing need for a local authority by HMAs.
- 2.6 The following chart (Chart 1) focusses on section 2 of the LHMA Tool covering the key data inputs and assumptions, in a chronological order, that practitioners will need to follow to populate the LHMA Tool and run the calculations:

Chart 1: Chart of key data inputs and assumptions needed to run the LHMA Tool

Housing Market Areas (HMAs)	Household Projections	Private Rent Data	Income Data	House Price Paid	Existing Unmet Need	Key Assumptions	Existing Stock and Planned Supply
Practitioners to allocate the relevant geography codes (ward, MSOA, LSOA) to the Housing Market Areas (HMAs).	<p>Default data source: Welsh Government latest household projections by local authority.</p> <p>Data required: Projected change in the number of households over the 15 year projection period of the LHMA.</p>	<p>Default data source: Rent Officers Wales.</p> <p>Data required: 30th and 50th percentile rent values by HMA.</p>	<p>Practitioners to provide the data at HMA level.</p> <p>Data required: Gross unequivalised income percentile distribution.</p>	<p>Default data source: Land Registry data.</p> <p>Data required: Practitioners will need a house price paid percentile distribution by HMA; first time buyer house values by HMA.</p>	<p>Practitioners to provide the data at HMA level and by number of bedrooms:</p> <ul style="list-style-type: none"> • Concealed and overcrowded households • Households in temporary accommodation • Other social housing • Intermediate rent • LCHO. 	<p>Practitioners can use the default assumptions or set their own covering:</p> <ul style="list-style-type: none"> • Affordability criteria for owner occupier and social rent tenures • First time buyers house values and income multipliers • Five year financial forecast for changes in income, rent and house prices • Percentage of eligible households for owner occupier that go onto buy • Method for splitting the intermediate housing by intermediate rent and LCHO. 	<p>Practitioners to provide affordable housing data for the first 5 years of the LHMA review period (this will be shared equally over the first 5 years)</p> <p>Practitioners to provide for social rent at HMA level and by number of bedrooms:</p> <ul style="list-style-type: none"> • Committed supply • Expected re-lets • Planned removals. <p>Practitioners to provide by HMA level for intermediate rent and LCHO:</p> <ul style="list-style-type: none"> • Committed supply • Expected turnover.

Key: text in blue denotes default data provided by Welsh Government

Contents and Evidence

2.7 Table 1 below provides, for each data input, suggested data sources and guidance to assist in the analysis of the most relevant and appropriate data for the local housing markets.

Table 1 – Key data sources and guidance for the LHMA Tool data inputs

Key data inputs	Key data source(s) and guidance
<p>1. Housing Market Areas (HMAs)</p>	<p>A HMA is defined as: These areas have been defined geographically based on the functional areas where people currently live and would be willing to move home, recognising that housing markets are not constrained by administrative boundaries. A number of key factors have been taken into account when defining these areas, including the broad price of housing (to consider ‘transferability’ within the market) and major transport links by road or rail (to take account of commuting patterns). Individual preferences of households may well centre on smaller geographical radii. However, planning for additional housing provision needs to be conducted at a scale suitable to consider the costs and benefits of increasing supply (i.e. land availability, broad viability, dwelling vacancy rates and potential impact on housing need deficits). The LHMA Tool allows up to 20 HMAs for a local authority. The practitioner needs to define each HMA using wards, MSOAs or LSOAs.</p> <p>The LHMA Tool allows up to 40 different codes for a HMA. Alignment of boundaries of HMAs to the statistical geographies (Ward, MSOA or LSOA) is encouraged.</p> <p>Each ward, MSOA or LSOA can be placed in only one HMA.</p> <p>Data Map Wales provides geographical information showing the wards, MSOAs and LSOAs boundaries for every local authority. To access this service, practitioners will need to set up a Government Gateway ID to access the maps via browse catalogue typing “LHMA” in the search box. Welsh Government can provide further assistance if needed.</p> <p>National data Middle Super Output Area (MSOA) (gov.wales) Lower Super Output Area (LSOA) Maps (gov.wales) ONS information on the wards within Wales</p>
<p>2. Household data</p>	<p>National data Welsh Government national and local authority household estimates: mid-2019</p> <p>National data Welsh Government subnational (local authority) household projections (2018 to 2043)</p>

Key data inputs	Key data source(s) and guidance
	<p>This data is the default data within the LHMA Tool for calculation of the newly arising need households.</p> <p>Household Projections The LHMA Tool will be pre-populated with the latest Welsh Government household projections, including principal and higher and lower variant options. The variants allow for different assumptions in the migration, fertility and mortality rates. Practitioners are required to run scenarios based on the principal and two variants to better understand how a change to the selected household projections impacts the additional housing need estimates. The outputs from these scenarios are the baseline scenarios that are required to be included in the LHMA Report.</p> <p>Practitioners can also provide their own household projections to understand how a particular housing strategy may influence the additional housing need estimates. Where possible and appropriate as determined by the local authority, it is recommended that the projections utilised within LHMA's and Development Plans are consistent, although this will depend on publication timescales.</p> <p>The LHMA Tool sets the newly arising housing need as the average annual change in the total household projections over the 15 year LHMA period.</p> <p>Allocation of the local authority newly arising need by HMAs Practitioners need to split the local authority average annual newly arising need by HMAs. Data sources such as growth strategy plans, housing registers or Census data can help with this task (referred to as the estimated percentage growth by HMA within the LHMA Tool).</p> <p>When practitioners input the local authority's estimated percentage of overall growth that is within each HMA, the LHMA Tool provides the implied allocation of the estimated annual average newly arising need by HMA.</p> <p>Within the LHMA Tool, practitioners can allocate a different split for the first five years and the remaining 10 years of the projection period allowing for any planned policy changes within the local authority over the 15 year period.</p> <p>Local authority social allocation policy of the different household units within the household projections by number of bedrooms. Practitioners will need to populate Table 3 within the LHMA Tool (as shown below) allocating a range of bedroom numbers to the different households units. For example, practitioners can allocate just one</p>

Key data inputs	Key data source(s) and guidance																																																																	
	<p>policy with 100% allocation or 2 policies where the total percentage for the two adds to 100%.</p> <table border="1" data-bbox="432 416 1434 891"> <thead> <tr> <th data-bbox="432 416 738 544">Household units within the household projections</th> <th data-bbox="738 416 906 544">Required number of bedrooms (group 1)</th> <th data-bbox="906 416 1090 544">Percentage allocated to the required number of bedrooms (group 1)</th> <th data-bbox="1090 416 1257 544">Required number of bedrooms (group 2)</th> <th data-bbox="1257 416 1434 544">Percentage allocated to the required number of bedrooms (group 2)</th> </tr> </thead> <tbody> <tr> <td data-bbox="432 544 738 573">1 person</td> <td data-bbox="738 544 906 573">one bedroom</td> <td data-bbox="906 544 1090 573">100.00%</td> <td data-bbox="1090 544 1257 573"></td> <td data-bbox="1257 544 1434 573"></td> </tr> <tr> <td data-bbox="432 573 738 602">2 person (No children)</td> <td data-bbox="738 573 906 602">one bedroom</td> <td data-bbox="906 573 1090 602">90.00%</td> <td data-bbox="1090 573 1257 602">two bedrooms</td> <td data-bbox="1257 573 1434 602">10.00%</td> </tr> <tr> <td data-bbox="432 602 738 631">2 person (1 adult, 1 child)</td> <td data-bbox="738 602 906 631">two bedrooms</td> <td data-bbox="906 602 1090 631">100.00%</td> <td data-bbox="1090 602 1257 631"></td> <td data-bbox="1257 602 1434 631"></td> </tr> <tr> <td data-bbox="432 631 738 660">3 person (No children)</td> <td data-bbox="738 631 906 660">two bedrooms</td> <td data-bbox="906 631 1090 660">50.00%</td> <td data-bbox="1090 631 1257 660">three bedrooms</td> <td data-bbox="1257 631 1434 660">50.00%</td> </tr> <tr> <td data-bbox="432 660 738 689">3 person (2 adults, 1 child)</td> <td data-bbox="738 660 906 689">two bedrooms</td> <td data-bbox="906 660 1090 689">50.00%</td> <td data-bbox="1090 660 1257 689">three bedrooms</td> <td data-bbox="1257 660 1434 689">50.00%</td> </tr> <tr> <td data-bbox="432 689 738 719">3 person (1 adult, 2 children)</td> <td data-bbox="738 689 906 719">three bedrooms</td> <td data-bbox="906 689 1090 719">60.00%</td> <td data-bbox="1090 689 1257 719">two bedrooms</td> <td data-bbox="1257 689 1434 719">40.00%</td> </tr> <tr> <td data-bbox="432 719 738 748">4 person (No children)</td> <td data-bbox="738 719 906 748">three bedrooms</td> <td data-bbox="906 719 1090 748">50.00%</td> <td data-bbox="1090 719 1257 748">four+ bedrooms</td> <td data-bbox="1257 719 1434 748">50.00%</td> </tr> <tr> <td data-bbox="432 748 738 777">4 person (2+ adults, 1+ children)</td> <td data-bbox="738 748 906 777">three bedrooms</td> <td data-bbox="906 748 1090 777">70.00%</td> <td data-bbox="1090 748 1257 777">four+ bedrooms</td> <td data-bbox="1257 748 1434 777">30.00%</td> </tr> <tr> <td data-bbox="432 777 738 806">4 person (1 adult, 3 children)</td> <td data-bbox="738 777 906 806">three bedrooms</td> <td data-bbox="906 777 1090 806">50.00%</td> <td data-bbox="1090 777 1257 806">four+ bedrooms</td> <td data-bbox="1257 777 1434 806">50.00%</td> </tr> <tr> <td data-bbox="432 806 738 835">5+ person (No children)</td> <td data-bbox="738 806 906 835">four+ bedrooms</td> <td data-bbox="906 806 1090 835">100.00%</td> <td data-bbox="1090 806 1257 835"></td> <td data-bbox="1257 806 1434 835"></td> </tr> <tr> <td data-bbox="432 835 738 864">5+ person (2+ adults, 1+ children)</td> <td data-bbox="738 835 906 864">three bedrooms</td> <td data-bbox="906 835 1090 864">20.00%</td> <td data-bbox="1090 835 1257 864">four+ bedrooms</td> <td data-bbox="1257 835 1434 864">80.00%</td> </tr> <tr> <td data-bbox="432 864 738 893">5+ person (1 adult, 4+ children)</td> <td data-bbox="738 864 906 893">three bedrooms</td> <td data-bbox="906 864 1090 893">20.00%</td> <td data-bbox="1090 864 1257 893">four+ bedrooms</td> <td data-bbox="1257 864 1434 893">80.00%</td> </tr> </tbody> </table>	Household units within the household projections	Required number of bedrooms (group 1)	Percentage allocated to the required number of bedrooms (group 1)	Required number of bedrooms (group 2)	Percentage allocated to the required number of bedrooms (group 2)	1 person	one bedroom	100.00%			2 person (No children)	one bedroom	90.00%	two bedrooms	10.00%	2 person (1 adult, 1 child)	two bedrooms	100.00%			3 person (No children)	two bedrooms	50.00%	three bedrooms	50.00%	3 person (2 adults, 1 child)	two bedrooms	50.00%	three bedrooms	50.00%	3 person (1 adult, 2 children)	three bedrooms	60.00%	two bedrooms	40.00%	4 person (No children)	three bedrooms	50.00%	four+ bedrooms	50.00%	4 person (2+ adults, 1+ children)	three bedrooms	70.00%	four+ bedrooms	30.00%	4 person (1 adult, 3 children)	three bedrooms	50.00%	four+ bedrooms	50.00%	5+ person (No children)	four+ bedrooms	100.00%			5+ person (2+ adults, 1+ children)	three bedrooms	20.00%	four+ bedrooms	80.00%	5+ person (1 adult, 4+ children)	three bedrooms	20.00%	four+ bedrooms	80.00%
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<p>3. Rent data</p>	<p>Rent Officers Wales will provide rent data (number of rentals, 30th and 50th percentile rents) by number of bedrooms for each HMA.</p> <p>If the number of units within a HMA is too small, rent data cannot be provided. In these circumstances, the local authority will need to use local intelligence or data from similar areas. Rent Officers Wales (RentOfficersHelpdesk@gov.wales) would be available to assist with this issue.</p> <p>The Rent Officers Wales data is ‘confirmed’ lettings only and includes renewal and new tenancy data. The data excludes properties in which Local Housing Allowance is claimed.</p> <p>This data is collected in several ways. Private landlords with few properties are surveyed once or twice a year. Agents are surveyed on a continual basis via weekly checking of websites to note changes and checking these with the agent, or monthly checks where the agent provides a checking list. There are also some agent groups who provide a monthly list of all lettings made the previous month.</p> <p>Alternative data can be used if local authorities can justify why it is a more appropriate data source than the default data set provided.</p> <p>National data Welsh Government private sector rents Welsh Government social landlord housing stock and rents</p> <p>Local data</p> <ul style="list-style-type: none"> Letting or estate agent market intelligence Local Authority Private Rented Sector (PRS) data collections 																																																																	
<p>4. Income data</p>	<p>To run the affordability calculations, the LHMA Tool requires an income percentile distribution for each HMA. The income data is on a</p>																																																																	

Key data inputs	Key data source(s) and guidance
	<p>gross unequivalised basis covering earnings and all benefits. By HMA, practitioners will need the number of households within each of the income bands.</p> <p>Local authorities have advised¹¹ that they use Paycheck and Hometrack data. Data Cymru provide a consortium arrangement where local authorities can access Paycheck data at a discounted cost. Practitioners can contact Data Cymru (enquiries@data.cymru) for further information.</p> <p>Paycheck data is also embedded into Hometrack if the local authority has an active license.</p> <p>There is a potential further data source through the ONS. This is experimental data currently based on 2016 data (as at October 2021). This could fulfil the income data requirement in the future and at that time it will be added to the list of national data sources below.</p> <p>National data</p> <ul style="list-style-type: none"> • Experimental data: Admin-based income statistics, England and Wales: tax year ending 2016
5. House price paid data	<p>The default percentile distribution of house price paid data within the LHMA Tool is based on Land Registry Wales data. The extracted data excludes commercial properties. The postcodes within the Land Registry data have been mapped to wards, MSOAs and LSOAs to allow mapping of the house price paid data to the relevant HMAs.</p> <p>Alternative data can be used if practitioners can justify why it is a more appropriate source of data than the default data provided.</p> <p>National data</p> <ul style="list-style-type: none"> • HM Land Registry - price paid data • House Price Index Wales • UK monthly property transactions with value of £40,000 or above • ONS housing affordability in England and Wales: 2019
6. Existing unmet need	<p>In addition to the average annual newly arising need (average change in the household projections over the 15 year LHMA period), local authorities may have an existing unmet need. For example, overcrowded and concealed households, disabled and/or ethnic minority households without access to appropriate homes, and particularly households in temporary accommodation following the pandemic.</p> <p>Within the LHMA Tool, practitioners need to input the existing unmet need requiring social rent (by number of bedrooms), intermediate rent and LCHO for each HMA. It is possible there may not be an existing</p>

¹¹ 2021 Local Authority Workshops

Key data inputs	Key data source(s) and guidance
	<p>unmet need for some HMAs or for a given number of bedrooms within a HMA.</p> <p>The glossary outlines the key elements of the existing unmet need. Data sources to populate these elements include past moves data, surveys, application forms, housing registers, Census data. The existing unmet need estimate will be spread evenly over the first five years of the LHMA 15 year projection period.</p> <p>The following limitations should be noted and care taken when populating the existing unmet need data:</p> <ul style="list-style-type: none"> • This is a complex area and care should be taken not to over or under count households. • Some concealed and overcrowded households may be able to access market housing but the LHMA Tool allocates all existing unmet need to affordable housing only. • Some households may have applications in several local authorities or may have an application in one local authority but live in a neighbouring local authority. • Households may be on more than one waiting list depending on how the application form is set up. For example, some applications may ask the applicant to state three areas they are willing to live in with no order of priority. • Practitioners will need to bear in mind inconsistencies arising due to the availability of housing units (supply) differing from the demand for housing units (preference).
<p>7. Existing stock and planned supply</p>	<p>The additional housing need estimates are split into market housing (owner occupier and private rented sector) and affordable housing (social rent and intermediate housing needs).</p> <p>The market housing estimates are at a gross level only. That is, no account is taken of planned supply and turnover of existing stock of market housing.</p> <p>The affordable housing need estimates will take account of the existing stock and planned supply that is available to meet local housing needs over the first five years of the LHMA period. The LHMA Tool will identify any under-supply or over-supply of housing to meet the estimated affordable need within each HMA. This data may contain information that falls under the requirements of the General Data Protection Regulations (GDPR). It is for local authorities and Registered Social Landlords to ensure they have the appropriate data sharing protocols in place.</p> <p>Existing stock and planned supply includes committed supply, expected relets and planned removals by HMA and number of bedrooms (1, 2, 3 and 4+). Practitioners should engage with</p>

Key data inputs	Key data source(s) and guidance
	<p>Registered Social Landlords to inform this analysis. The glossary outlines the key elements of the existing stock and planned supply.</p> <p>Practitioners should ensure consistency between the data used within the LHMA and the Rapid Rehousing transformation plan.</p>

2.8 Table 2 provides guidance when setting the key input assumptions needed to run the LHMA Tool.

Table 2 – Key input assumptions required for the LHMA Tool

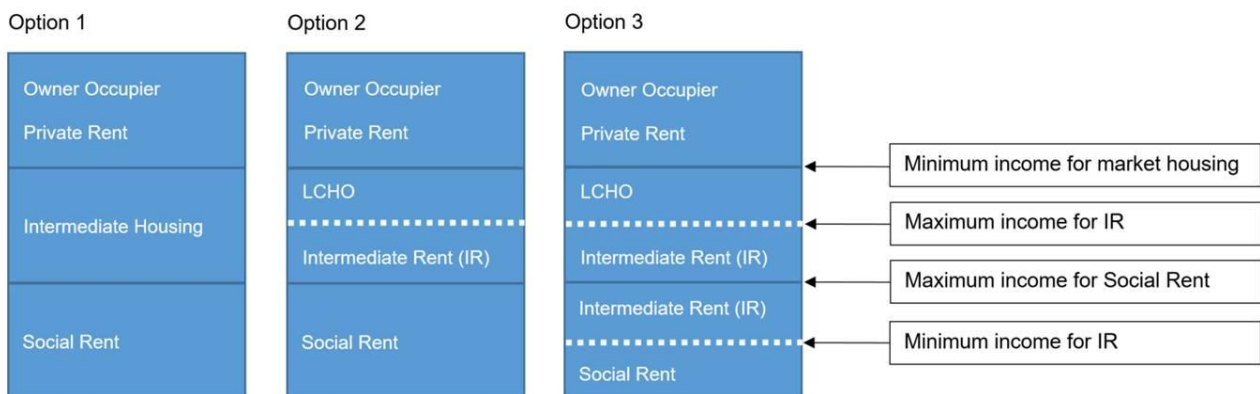
Input assumptions	Key data source(s) and guidance
<p>1. Affordability criteria</p>	<p>The affordability criteria assumptions are needed for the market housing and social housing calculations. These assumptions will be applied consistently across all HMAs within the local authority.</p> <p>Affordability criteria for market housing determines the minimum income needed by a household for this tenure. The default assumption is where median rent equates to no more than 30% of income.</p> <p>This is referred to as the minimum income. The assumption of 30% was set by the technical working party for the national and regional additional housing need estimates. Practitioners can change the percentage if evidence is provided as to why it is better than the default percentage.</p> <p>Affordability criteria for social rent determines the upper threshold for income below which it is assumed that households require social rent. The default assumption is set so 30th percentile of private rent equates to 35% or more of income. This income is referred to as the upper threshold income level.</p> <p>The technical working party set the percentage at 35%. Practitioners can change the percentage if evidence is provided as to why it is better than the default percentage.</p>
<p>2. First time buyer (FTB) assumptions</p>	<p>First time buyer (FTB) assumptions are needed to split the market housing estimates by owner occupier and private rented sector tenures.</p> <p>FTB property value By HMA, practitioners need to select the percentile value at which FTB enter the housing market. The LHMA Tool suggests a value between the 25th and 40th percentile as set by the technical working party for the national and regional additional housing need</p>

Input assumptions	Key data source(s) and guidance
	<p>estimates. Practitioners can select a percentile value outside of this range if supported by local data.</p> <p>Practitioners should consider if the FTB property value is appropriate for a typical house within the HMA. For example, in a city centre a two bed flat may be considered a FTB house whereas in a Valleys based authority, a terraced house may be considered a FTB house.</p> <p>Practitioners can carry out the property value exercise outside of the LHMA Tool with supported evidence-based reasons for not using the default percentile house price paid distributions.</p> <p>FTB loan to value ratios and loan to income multipliers Welsh Government will provide loan to value ratios and loan to income multipliers for first time buyers at a local authority level. This data is used to link the FTB property value to income and this multiplier sets the minimum income for owner occupier tenure.</p> <p>NOTE: This data is for use specifically and solely for the Welsh Government LHMA Tool. When preparing the LHMA, practitioners can request this data from Welsh Government using the LHMA mailbox.</p> <p>Practitioners can use a different FTB property value to income multiplier for a HMA if supportive evidence is provided.</p>
<p>3. Percentage of households eligible for owner occupier that decide to go on and buy</p>	<p>At a local authority level, practitioners need to provide the estimated percentage of households allocated to owner occupier tenure they estimate will proceed to buy.</p> <p>When setting this percentage it is recognised that not every household allocated to owner occupier tenure would want to buy. Examples include training for a profession and not wanting to commit to a location just yet, or saving for a bigger deposit to purchase a larger home.</p> <p>The national and regional estimates of additional housing need in Wales were produced at a two-way tenure level only (market and affordable housing). Practitioners were required to set the percentage of households eligible for owner occupier that decide to proceed to buy to gain the housing need estimates at a four-way tenure. Although there was no robust evidence to make a credible assumption in Wales, the technical working group considered an assumption in the range of 40% to 60% as reasonable. Welsh Government are researching suitable data sources that may support this assumption going forward.</p>

Input assumptions	Key data source(s) and guidance
	Practitioners are encouraged to run the LHMA Tool with different percentages to understand the sensitivity of the tenure splits to a change to this assumption.
<p>4. 5-year financial forecast for key variables – income, rent and house prices</p>	<p>It is recognised that the values for the key variables (income, rent and house price paid) will change over the first five years of an LHMA projection period.</p> <p>The technical working party for the national and regional estimates of additional housing need in Wales used the five-year Office for Budget Responsibility (OBR) financial forecast to allow for expected changes to the above variables.</p> <p>The OBR forecast is also used to set the default change in income, rent and house price paid over the first five years within the LHMA Tool. Practitioners can select their own financial forecast of these variables if supported by local data.</p> <p>An assumption is also needed as to how the distribution of household income will change over the first five years of the LHMA period. The options include:</p> <ul style="list-style-type: none"> • greater inequality • no change • user forecast. <p>The greater inequality assumption is that the income at the 10th percentile will be one percentage basis point lower than the median and one percentage basis point higher at the 90th percentile. The one percentage basis point reduces uniformly from these two extreme percentiles to no change at the median.</p> <p>Practitioners are encouraged to understand how the additional housing need estimates vary under the different three options.</p>
<p>5. Calculation of intermediate housing</p>	<p>The affordable housing need is split into social rent (by number of bedrooms) and intermediate housing need.</p> <p>By HMA, the LHMA Tool will identify the over-supply or under-supply of intermediate housing by deducting the intermediate housing planned supply and turnover of existing stock, over the first 5 years of the LHMA period, from the estimated intermediate housing need.</p> <p>For the intermediate housing need, practitioners have three options:</p> <p>Option 1: Practitioners can split the intermediate housing by intermediate rent and LCHO outside of the LHMA Tool and consider the level of savings/deposits and credit ratings of the household.</p> <p>Option 2: Practitioners can use the LHMA Tool to split the intermediate housing estimate into intermediate rent and LCHO.</p>

Input assumptions	Key data source(s) and guidance
	<p>The minimum income for intermediate rent is taken as the maximum income for social rent (also referred to as the upper threshold income). Practitioners will need to set a maximum income at which households will qualify for immediate rent.</p> <p>Option 3: In addition to option 2, practitioners can also allow for households in social rent that would meet the local authority’s intermediate rent requirements.</p> <p>Under this option, the minimum income for intermediate rent will become the new maximum income for social rent. The following Diagram 1 summarises the three options:</p>

Diagram 1: Three options for allocating the intermediate housing to intermediate rent and LCHO



Housing Data Inputs and Key Assumptions – Key Issues Tables

2.9 Within the LHMA template report, practitioners will need to highlight any key issues identified when populating the data inputs and setting the key assumptions in the relevant key issue tables (within the [LHMA template report](#)). Welsh Government will consider these tables when reviewing and signing-off the LHMA.

Chapter 3: Estimating Existing and Future Housing Need

Introduction

- 3.1 Additional housing need estimates are broken down into the number of households who are likely to afford market housing, covering owner occupation and private sector rent, and affordable housing covering intermediate rent, LCHO and social rent.
- 3.2 The LHMA must be rewritten every five years and refreshed once during that five years, between years two and three. However, depending on local circumstances, when a refresh is required a local authority may consider it more appropriate to undertake a rewrite of the LHMA. The additional housing need estimates are based on a 15 year projection period split into two parts, the first five years and the remaining 10 years.
- 3.3 Following the input of key data sources and setting the key assumptions, as detailed in [chapter 2](#), the LHMA Tool will calculate and present the additional housing need estimates. [Annex 2](#) provides an overview of the LHMA Tool.
- 3.4 The following colour code is used within the LHMA Tool:
 - Black denotes the calculations are performed within the worksheet
 - Green denotes the calculations are pulling data from other worksheets
 - Blue denotes hard coded data.
- 3.5 The LHMA Tool usually takes around 5-10 minutes to update. The following steps will help to minimise the running time of the LHMA Tool:
 - Maximise the use of all available processors (in the ribbon select file; advanced; formulas; click use all processors on this computer)
 - Switch from automatic to manual calculations (in the Tool within the menu bar select formulas; calculation options; manual)
 - Close down other Excel programs when running the calculations.

Data inputs and assumptions

- 3.6 Here is a summary of the key data inputs and assumptions required to run the LHMA Tool (see [chapter 2](#) for the detailed information).
- 3.7 **Data inputs:**
 - Specification of HMAs using wards or statistical geographies (initially input by local authority)

- Local authority household projections (Welsh Government household projections are provided as the default option within the LHMA Tool)
- Local authority policy on allocation of bedrooms to the different household units (input by local authority)
- Rent data (default data is provided by Rent Officers Wales upon request using the LHMA [mailbox](#))
- Income data (input by local authority)
- House price paid data (Welsh Government provides default data using Land Registry data)
- Existing unmet need (input by local authority)
- Planned supply and turnover of existing stock (input by local authority).

3.8 Default assumptions:

- Affordability criteria for market housing (default provided by Welsh Government)
- Affordability criteria for social housing (default provided by Welsh Government)
- Local authority FTB property value to income ratio (UK Finance upon request using LHMA mailbox)
- Five-year financial forecast for rent prices, property values and income changes (default data is based on the OBR forecast).

Where practitioners prefer to set their own assumptions within the LHMA Tool these must be based on evidence and clearly explained in the LHMA Report.

3.9 Assumptions set by the practitioners:

- Percentile of property prices at which FTB enter the market
- Percentage of households eligible for owner occupier tenure who can afford to buy and proceed to buy
- Minimum income for intermediate rent (if using option 3 to split intermediate housing need estimate by intermediate rent and LCHO)
- Maximum income for intermediate rent (if using option 2 or 3 to split the intermediate housing need estimate by intermediate rent and LCHO).

3.10 The assumptions in 3.9 may vary by HMA and are therefore best determined locally. Practitioners should aim to understand how the split of households by tenure varies using a range of demographic, economic and housing market scenarios.

Calculations

3.11 The calculations within the LHMA Tool are formula-driven using the data inputs and assumptions referred to in 3.7 to 3.9 to form a best assessment of additional housing need and demand. It is important to note that these are estimates and not a target.

- 3.12 The additional housing need estimates are based on annual average numbers of households formed from two elements:
- newly arising need
 - existing unmet need.
- 3.13 The average annual newly arising need is based on the change in total households (using Welsh Government household projections) over the LHMA period. Practitioners are required to split the average annual newly arising need by the HMAs using supporting data which may include Census data, housing registers (including common housing registers where appropriate) and local authority strategic plans. Also, the LHMA Tool allows practitioners to use a different allocation of need by HMA over the remaining 10 years compared to that over the first five years.
- 3.14 The existing unmet need is assumed to be met over the first five years in line with the rewrite of the LHMA. All of the existing unmet need is allocated to affordable housing. It is noted this may overstate the affordable housing estimate and understate the market housing estimate. This is a current limitation of the LHMA Tool and if local authorities are able to identify the market housing element of the existing unmet need then the Welsh Government would consider a future amendment to the LHMA Tool to minimise the impact of this limitation. The existing unmet need includes concealed and overcrowded households; those in temporary accommodation; and other social households. It also includes those on the housing registers for intermediate rent and LCHO. See the [Glossary](#) for full definitions of the terms used within the existing unmet need.
- 3.15 The LHMA will identify the additional housing need over the Development Plan period which is typically 15 years, as set out in [Edition 3 of the Development Plans Manual](#). The LHMA process does not consider planned future changes in stock beyond the first five years of the LHMA period, e.g. planned demolitions, planned new build, projected vacancies, which are covered as part of Development Plans, nor the economic and financial forecasts as it becomes untenable to project beyond this period.

Additional market housing estimates

- 3.16 The additional market housing demand estimates are based solely on the newly arising need households where the median private rent equates to no more than 30% (default assumption) of their household income. The LHMA Tool assumes households within an income band are uniformly distributed within that band.
- 3.17 The market housing estimates cover two tenure types:
- owner occupier
 - private rented sector.
- 3.18 At a HMA level, the minimum income at which a newly arising household would be considered appropriate for owner occupier tenure is calculated by dividing the FTB property value by a property value to income ratio. However, it is recognised that not all households who can afford to buy go on to buy. For example, those training for a

profession in a particular area may not want to commit to a location just yet, some may prefer to save for a bigger deposit to purchase a larger home at a later stage. Practitioners will need to consider the potential issues within their local authority where households who can afford to buy decide not to and set a suitable percentage within the LHMA Tool. See [chapter 2](#) for further details.

PLEASE NOTE: The local authority FTB property value to income ratio is for use specifically and solely for the Welsh Government LHMA Tool. When preparing the LHMA, practitioners can request this data from Welsh Government via the [LHMA mailbox](#).

3.19 The estimated households within the private rented sector are derived from the market housing estimate (in 3.15) less the owner occupier estimate (in 3.16).

Additional affordable housing estimates

3.20 Affordable housing covers three tenure types:

- Low Cost Home Ownership (LCHO)
- Intermediate rent
- Social rent.

3.21 The additional affordable housing estimate is made up of two elements;

- existing unmet need; and
- unallocated newly arising need (average annual newly arising need less the annual market housing demand estimate).

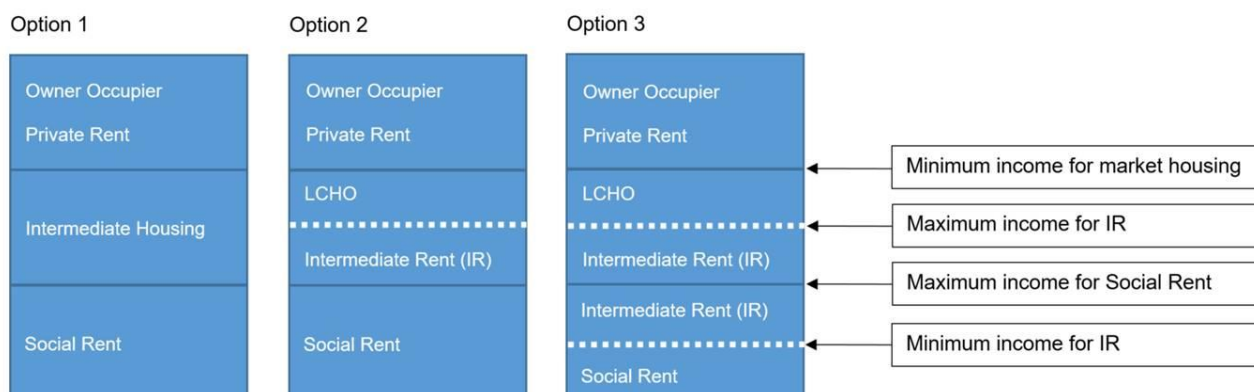
3.22 Practitioners will need to provide the existing unmet need by the three tenures and by number of bedrooms. The LHMA Tool assumes this need will be met over the first five years of the LHMA period.

3.23 The unallocated newly arising need households requiring social rented housing are those where the 30th (default percentage) percentile private rent value equates to 35% or more of their income. The default assumption of 35% was set by the technical working group who set the assumptions for the national and regional additional housing need estimates.

3.24 The remaining unallocated newly arising need forms the intermediate housing need estimate.

3.25 [Chapter 2](#) outlines the three options for intermediate housing and for ease diagram 1 is repeated here:

Diagram 1: Three options for allocating the intermediate housing to immediate rent and LCHO



3.26 Table 15 within the LHMA Tool provides the percentage split of the newly arising need and existing unmet need by the tenure types (owner occupier, private rented sector, intermediate rent, intermediate housing and social rent) for the first year of the LHMA period.

3.27 For the next four years, Tables 16 to 19 within the LHMA Tool repeat the calculations but allow for the forecasted change to private rental sector prices, house prices and median household income. The economic forecast from the [OBR](#) sets the default assumptions for the expected changes to the above factors, but practitioners can use alternative assumptions if evidence is provided as to why they are more appropriate for the local authority than the default assumptions.

3.28 Finally, the social rent estimate is split by number of bedrooms using the [local authority social allocation policies](#) as detailed in [chapter 2](#).

Outputs

3.29 Section 4 within the LHMA Tool houses five worksheets setting out the following output tables of the additional housing need estimates:

- Additional market (owner occupier and private rented sector) housing need estimates by HMAs
- Additional affordable (social rent by number of bedrooms, intermediate rent and LCHO) housing need estimates by HMAs
- Summary of additional housing need estimates by tenure for a selected HMA
- A range of additional housing need estimates using scenario testing tables to vary key assumptions and data inputs
- Summary tables of additional housing need estimates using the different Welsh Government household projections. These tables are to be copied into the LHMA reports.

- 3.30 In section 4 of the LHMA Tool, the additional housing need estimates (both market and affordable) are accompanied by the data sources and key assumptions used to generate the estimates and have two charts and tables, one covering the first 5 years and the other the remaining 10 years of the LHMA period. The market housing need is based solely on an element of the newly arising need. Whereas the affordable housing need includes an element of the newly arising need and for the first 5 years all the existing unmet need.
- 3.31 Practitioners should use the scenario template sheet in section 4 of the tool to produce a range of additional housing need estimates using different key assumptions and data inputs to better understand the sensitivity of the estimates to a change in the data and/or assumptions.
- 3.32 For a selected HMA, practitioners can view the additional housing need estimates across all tenures, for the first 5 years and the remaining 10 years of the LHMA period. Practitioners can also see the allocation of the estimated social rent housing need by number of bedrooms.
- 3.33 Also in section 4, practitioners need to use the sheet labelled 'Summary tables for a LHMA Report' to produce a range of additional housing need estimates using the different Welsh Government household projections (principal and variants). These summary tables will need to be placed in the LHMA rewrite report.

Gross and net housing need estimates

- 3.34 The additional housing need estimates are at a gross level unless stated as a net estimate.
- 3.35 For market housing the additional housing need estimates are gross estimates because no allowance is made for planned supply and turnover of existing stock.
- 3.36 The additional affordable housing need estimates are shown at a gross level and net of planned supply and the turnover of existing stock to estimate the under-supply or over-supply of housing need by HMAs. The existing stock and planned supply are shared equally over the first five years of the LHMA period. No further allowance is made for planned supply and turnover of existing stock for the remaining 10 years as it becomes less accurate to predict this beyond year 5.

Key Issues Table

- 3.37 Within the LHMA template report, practitioners will need to highlight any key issues identified with the calculations and outputs in the relevant key issue table (within the [LHMA Template Report](#)). Welsh Government will consider these tables when reviewing and signing-off the LHMA's.

Chapter 4: Specific Housing Need Requirements

Introduction

- 4.1 The aim of this chapter is to consider the specific housing need requirements of the full diversity of households within a local authority to better support people to live well and with dignity, and to live independently for as long as possible.
- 4.2 Practitioners should take full account of the Rapid Rehousing Transition Plan, the requirements of both the Prospectus supporting Social Housing Grant and the data for the Integrated Care Fund within their local authority area when considering the specific housing need requirements. Meeting the legal duties under the Equality Act 2010 and Public Sector Equality Duties are also key to consideration of need.
- 4.3 Understanding specific housing need requirements will include both a qualitative and quantitative approach covering three key categories of housing need, with six types of housing or housing-related provisions:
- Property needs
 - Accessible and adapted housing provision
 - Multi-generational and/or larger family households requiring larger properties
 - Non-permanent housing, e.g. student accommodation.
 - Housing, care and support needs
 - Supported accommodation - Extra care, contemporary sheltered housing, supported living for people with a learning disability and/or ASD, temporary supported housing (e.g. for young people coming out of care, people with a learning disability learning to live independently), refuges, etc.
 - Locational needs
 - Locations for student accommodation close to a University
 - Properties with close proximity to shops, places of worship and services, etc. to meet those with physical or cultural needs.
- 4.4 The needs of people from diverse backgrounds, including those from particular Black, Asian or Minority Ethnic groups may differ in terms of location and types of accommodation. Local authorities may wish to work together to better understand the specific housing need requirements of different people and communities. However, gaps in knowledge are still likely to emerge and engagement with communities is key to fill those gaps.

- 4.5 Households are considered ‘seldom heard’ if they are less likely than others to complete surveys or questionnaires, including national surveys such as the census. This is likely to be the case for households threatened with or experiencing homelessness, private renters - particularly those in Houses in Multiple Occupation, particular groups who may feel disengaged, and households in shared accommodation such as students’ halls of residence and Armed Forces accommodation. The term will also encompass households in non-bricks and mortar homes such as Gypsies and Travellers and those living in mobile homes or barges. It also includes households who have English or Welsh as an additional language.
- 4.6 Qualitative assessments of minority groups’ needs can include holding focus groups or interviews with people from the groups concerned. If the populations are very small this may be the only feasible way of gaining information. Additionally, it may be possible to use interviews to investigate particular issues in more depth. Where local surveys are undertaken, local authorities should be aware that sampling frames can systematically exclude certain groups. For example, households living in properties that are not liable for council tax will be excluded from a survey that uses the council tax register as a sampling frame.
- 4.7 Various strategies can be used to improve response or participation rates. Where using face to face interviews (whether virtually or in person), interpreters should be provided where appropriate. Postal surveys should be provided in appropriate languages and accessible formats. Cultural issues may also affect response rates so partnerships should ensure that representatives from minority groups are involved in the assessment process. In addition, non-response from private renters may be reduced by using face-to-face interviews, with repeat visits timed when people are most likely to be at home. Survey results should also be weighted by tenure to help address non-response bias.
- 4.8 It may be possible to undertake supplementary samples that target particular types of households to increase the number of responses from particular groups. However, it should not be assumed that over-sampling will necessarily produce representative data for particular groups. For example, households in neighbourhoods with a high proportion of residents with the same ethnicity may have different characteristics to households with the same ethnic background living elsewhere. Any findings should therefore be treated as qualitative rather than being necessarily statistically valid.
- 4.9 The best understanding of local need for supported accommodation is likely to be held by local authority social services departments. Engagement and consultation with social services staff will be essential to inform the understanding of need for specialist accommodation in the LHMA.
- 4.10 Housing may need to be purpose-built or adapted for households with specific requirements such as older people and those with mobility impairments. Identification of this housing need should be possible using housing registers and other relevant management or administrative sources. Local surveys can be undertaken to estimate the number of adapted units needed to meet identified need. However, due to the

cost of surveys, it is unlikely to be possible for every update of the housing market assessment, and therefore local authorities should consider how they will refresh evidence in between surveys.

- 4.11 Specific housing need requirements for Gypsy and Traveller communities are discharged through Gypsy and Traveller accommodation assessments (GTAA). Local authorities are required to undertake a GTAA under Part 3 of the Housing (Wales) Act 2014. Further support on producing GTAAs can be found in the Undertaking Gypsy and Traveller accommodation assessments guidance¹².

Contents

- 4.12 Housing officers are encouraged to engage with health and social care colleagues, for example Occupational Therapy Teams, early in the process to ensure all relevant evidence is considered in their analysis of specific housing needs.
- 4.13 Some specific needs can be estimated using existing publicly-available or administrative data sources, such as those of older people, or people with mobility difficulties, since these are large groups in society. For instance, the number of people expected to be in different age groups in the future is covered in the population and household projections.
- 4.14 For other specific needs, the numbers of people in each area may be small, and so it is not appropriate to estimate how need may change using household and population projections. However, it may not be possible to effectively predict the scale of need for all groups, for example the needs of refugees and asylum seekers, in the context of an assessment of the housing market.
- 4.15 Many people with support needs or long-term health problems can, in spite of their impairments and/or needs, live in general need homes, with support where needed. Therefore the task of assessing specific accommodation needs is about looking at a subset of the people in different 'client groups'. These needs are best assessed from good quality, up-to-date information about known individuals or families that is held by the agencies whose job it is to provide for their needs. These needs should then be aggregated into different accommodation needs. The most meaningful information is produced bottom-up using local evidence where available. However, where this is not available, national or regional prevalence rates should be used to inform local authorities' analysis.
- 4.16 Due to the way bottom-up information is derived, it may not be reasonable to project too far into the future. This will vary depending on the client group in question, and reliability may be limited beyond a short timeframe. This will need to be revisited with each refresh or rewrite of the LHMA.

¹² Undertaking Gypsy and Traveller accommodation assessments: <https://gov.wales/gypsy-and-traveller-accommodation-assessments-guidance>

4.17 The review of specific housing needs should be undertaken by following the steps below and the completion of the specific housing need templates within the [LHMA Template Report](#). Careful consideration should be given to all stakeholders with specific housing needs within your local authority and how best to include them within the assessment.

Step 1 - Understanding of the evidence (statistics, research, national and local policy, and stakeholder consultation) and at what geography they will be required.

Step 2 - Gather the evidence to populate the standard templates.

Step 3 - Consultation with key stakeholders or gain bespoke data to address any evidence gaps in the specific housing need.

Step 4 - Analyse the data and outputs from the consultations to populate the templates.

Step 5 - Reflect any stakeholder feedback in the templates.

4.18 Ultimately, the data and intelligence around specific housing need requirements will be bespoke to your local authority. There are a number of key resources and organisations local authorities can utilise in better understanding the specific housing need requirements in their area. If this information is not readily available practitioners may wish to consider the following resources:

- [Housing and disabled people - A toolkit for local authorities in Wales](#) (Developed by Tai Pawb and Access Design Solutions UK Ltd for the Equality and Human Rights Commission)
- [Equality and Human Rights Commission](#)
- [Housing LIN](#) (an extensive resource library covering a wide range of housing need sources including housing for older people)
- [Tai Pawb](#) (a range of resources covering a wide range of protected groups and housing)
- [Disability Wales](#) (the national association of Disabled People's Organisations)
- [Cymorth Cymru](#) (a representative body for homelessness, housing and support in Wales)
- [Learning Disability Wales](#) (a national charity representing the learning disability sector in Wales)
- [Llamau](#) (with a mission statement to eradicate homelessness for young people and vulnerable women)
- [Welsh Women's Aid](#) (a registered charity putting women and children first)
- [Shelter Cymru](#) (their statement includes they exist to defend the right to a safe home)
- [Statistics: Children looked after by local authorities](#)
- [Local authority registers of disabled people](#)
- [Welsh Government: StatsWales - Students in Wales](#)
- [Welsh Government - Health and Social Care / Welsh Government: Review of Health and Social Care in Wales Report \(2018\)](#)
- [MOD National and Official Statistics by topic.](#)

4.19 Local authorities should check that their research and evidence satisfies the following five points:

- 1) Identifies the contribution that specific housing needs provision plays in enabling the full diversity of people to live well, with dignity and independently for as long as possible.
- 2) Identifies any shortfall in provision or where there is no or inadequate provision currently and the future level and type of provision required.
- 3) Considers evidence regarding property needs; housing, care and support needs; and locational / land needs.
- 4) Undertakes engagement and consultation with all appropriate stakeholders who represent the views of those people who this chapter may impact upon and reports on the findings of such consultation.
- 5) Gives due consideration to the provisions of the Equality Act (2010) and those with protected characteristics within the Act, and the Public Sector Equality Duty.

Chapter 5: Submitting Assessments to Welsh Government

- 5.1 Local authorities are required to submit an LHMA (both rewrite and refresh assessments) to the Welsh Government for review and sign-off of the LHMA process. This process covers the use of the LHMA Tool, adherence to this guidance and the completion of the LHMA Report in line with the relevant [LHMA template report](#). The Welsh Government will review the submitted assessments to ensure their compliance with all these aspects of the LHMA preparation process and when this has been verified, will sign off the assessment. Where further information and/or work is needed to ensure compliance, the Welsh Government will work with the local authority to enable sign-off to be achieved.
- 5.2 The Welsh Government will review both the rewrite and the refresh LHMA's. Local authorities are required to rewrite LHMA's every five years and refresh that LHMA once during that five year period (between years two and three). Local authorities can refresh LHMA's more frequently if required but these would not be reviewed and signed off by Welsh Government.
- 5.3 Details of the Welsh Government review for both rewrite and refresh LHMA's are set out in [annex 3](#). The rewrite review will cover four broad areas:
- Compliance with this guidance and the LHMA Report template (including use of the Welsh Government household projections)
 - Engagement with stakeholders and quality assurance
 - Appropriate use of the LHMA Tool
 - Identification of specific housing needs provision.
- 5.4 The refresh review will cover:
- Compliance and Quality Assurance
 - Appropriate use of the LHMA Tool, including data updates and analysis.
 - Update / review of specific housing needs provision.
- 5.5 Local authorities should use the example guide as provided in [annex 3](#) that covers the areas Welsh Government will consider as part of the review and sign-off process. Submission of this information should ensure Welsh Government has all the relevant information needed to review the assessment in a timely manner. Welsh Government will consult with local authorities throughout the process and particularly in relation to the necessary work required to achieve sign off. Local authorities must comply with GDPR requirements and ensure that no personally identifiable data relating to residents is provided to Welsh Government as part of the LHMA review.
- 5.6 Local authorities may need to provide further information before Welsh Government can complete the review and sign-off process.
- 5.7 Following completion of the Welsh Government review and sign-off process, local authorities should publish the assessment on their websites.

Chapter 6: Making use of the assessment

Development Plans

- 6.1 The additional housing need estimates from the LHMA will inform Development Plans. The following is an extract from the Development Plans Manual (Edition 3, March 2020¹³, paragraphs 5.31-5.32):

“All Development Plans should be supported by an LHMA and other local needs studies as appropriate (e.g. older persons, local needs housing assessments). The value of an LHMA is that it identifies a level of housing need, both market and affordable, per annum, both numerically and spatially, as well as the type of need in an area, e.g. tenure mix and house types. This is a core piece of baseline evidence influencing the scale, type and location of growth in a plan. Where housing markets cross administrative boundaries the assessment should cover the whole market area.

The LHMA will identify the total affordable housing need extrapolated over the plan period, spatial implications and the predominant tenure mix required. This should be clearly stated in the reasoned justification to the plan. The scale of affordable housing need will be a key consideration when determining the overall level and location of housing in the plan, as well as the allocation of affordable housing led sites where at least 50% of the homes are affordable, in line with the definition set out in TAN2¹⁴. The sub-market areas identified in the LHMA should be spatially reflected in subsequent viability testing, thus ensuring clarity for policy formulation, spatial expression and application. The evidence base should also be clear how the sub market areas reflected in the LHMA and viability work aligns with the settlement hierarchy and affordable housing policy targets in the plan.”

Local Authority Prospectus and Social Housing Grant (SHG) Programme

- 6.2 From 2021, local authorities are required annually to identify their priorities for SHG. The Prospectus is the first step in presenting a summary of strategic housing priorities clearly and consistently across all local authorities in Wales.
- 6.3 The requirements of the Prospectus, which will largely be supported through the output from the LHMA, include:
- A brief document which provides a clear and concise summary of the housing need and demand in the local authority covering:
 - a brief description of the local housing market areas, community council or ward (including maps or tables if helpful)
 - a summary of the current social housing stock
 - a description of the housing need

¹³ Development Plans Manual (Edition 3) March 2020 - <https://gov.wales/development-plans-manual-edition-3-march-2020>

¹⁴ Technical advice note (TAN) 2: planning and affordable housing

- an assessment of the gap in provision of affordable housing by location, size of property, tenure and specific housing needs (i.e. who the housing is intended for and number of homes required).
- Within the Prospectus, local authorities provide an outline of the types of provision required by property size and geographical area and indicate the relative priorities (some of which may be overlapping).

6.4 The LHMA additional housing need estimates are critical in informing the Prospectus.

6.5 As local authorities are required to update the Prospectus annually, it is recognised this is a more frequent update than the LHMA refresh and rewrite cycle.

Homelessness Services in Wales

6.6 The Welsh Government is committed to the Programme for Government objective to transform homelessness services in Wales to the Rapid Rehousing approach.

6.7 Fundamentally, Rapid Rehousing is about placing an emphasis on supporting people into settled accommodation as quickly as possible in order to remove the potentially damaging consequences of prolonged stays in temporary accommodation, and therefore there will be a focus on the supply of housing and in particular the supply of the right kind of accommodation. For Rapid Rehousing to work there must also be a focus on ensuring the right level of support is available, so partnership working between all sectors is of paramount importance.

6.8 It is therefore critical that there is co-ordination between the planning cycles associated with homelessness need, the Housing Support Programme, the Rapid Rehousing Planning and LHMAs.

Equality and Welsh Language

6.9 The Welsh Government is committed to anti-discrimination and equality, and has a number of plans to underpin its approach. This includes the Race Equality Action Plan, which has at its core anti-racism. Understanding the diverse needs of ethnic minority people, as well as those with other protected characteristics under the Equality Act and Welsh speaking people and communities, will be fundamental to meeting people's needs for appropriate homes.

Annex 1: Glossary

The following acronyms are used within this guidance.

EIA	Equality Impact Assessment
FTB	First Time Buyer
GDPR	General Data Protection Regulations
GTAA	Gypsy and Traveller Accommodation Assessment
HMA	Housing Market Area
ICF	Integrated Care Fund
LA	Local Authority
LCHO	Low Cost Home Ownership
LHMA	Local Housing Market Assessment
LSOA	Lower layer Super Output Area
MSOA	Middle layer Super Output Area
OBR	Office for Budget Responsibility
ONS	Office for National Statistics
SHG	Social Housing Grant

The following table provides definitions for each of the main housing terms used within this guidance:

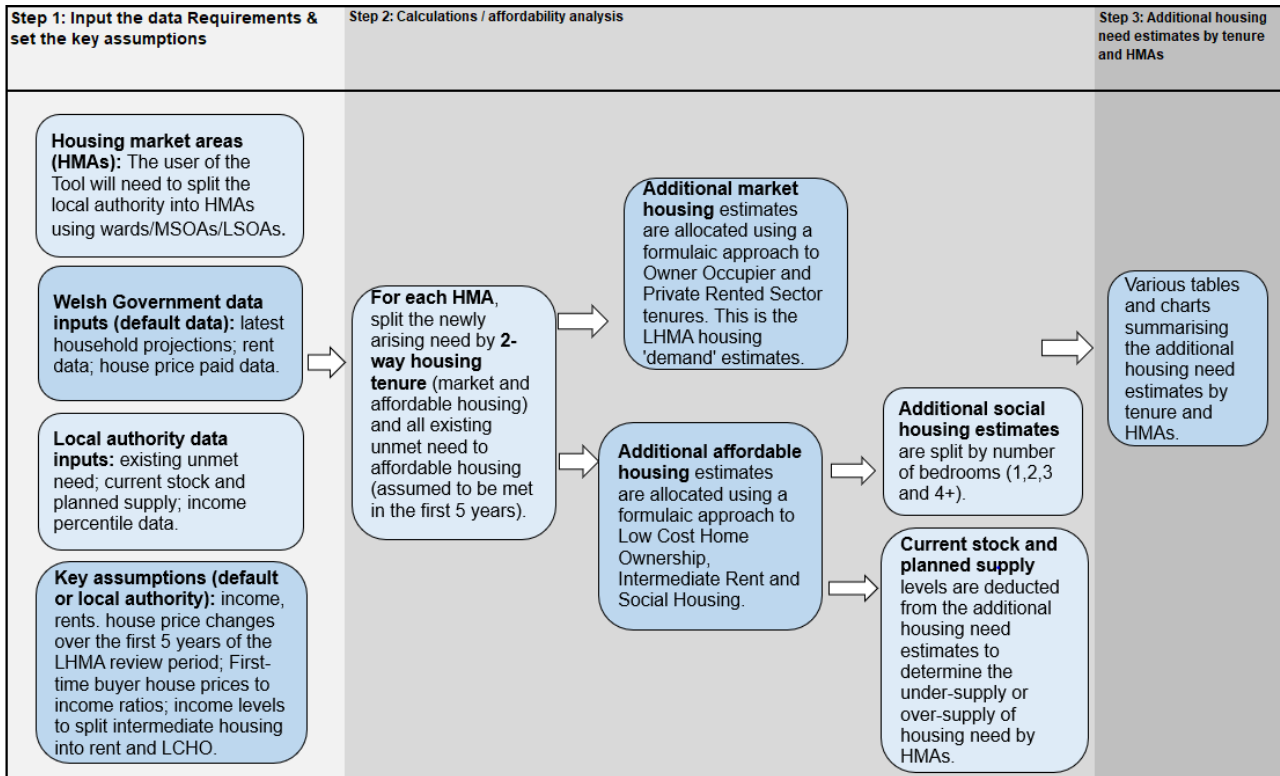
Housing terms	Components and definitions
Market Housing	<ul style="list-style-type: none"> Owner occupier – households who have purchased a private house at open market housing prices. It includes housing such as Help to Buy – Wales where there is no recycling of capital to purchase further houses. Private rented sector – households living in properties owned by private landlords and paying market rents.
Affordable Housing (in line with the Welsh Government definition set out in TAN 2)	<p>Affordable housing is housing where there are secure mechanisms in place to ensure that it is accessible to those who cannot afford market housing, both on first occupation and for subsequent occupiers.</p> <p>TAN 2 link: https://gov.wales/sites/default/files/publications/2018-09/tan2-planning-affordable-housing.pdf</p> <ul style="list-style-type: none"> Social rented housing – households who are housed by local authorities and registered social landlords paying social rent. Intermediate rents – the households pay more than social rent but less than market private rent. Low Cost Home Ownership (LCHO) housing – households have a shared ownership or shared equity, for example Homebuy – Wales. It is important to note that this includes those schemes that provide stair-casing to full ownership and where there are secure arrangements in place to ensure the recycling of capital receipts to provide replacement affordable housing.

Existing Unmet Need definitions	
Social Rents	<p>The types of households set out below are those you should consider when determining the existing unmet need for social rent.</p> <ul style="list-style-type: none"> Concealed and overcrowded households A concealed family is one living in a multi-family household in addition to the primary family, such as a young couple living with parents. Each family is assigned a Family Reference Person (FRP). Where there is more than one FRP in the household, the Household Reference Person (HRP) is chosen from the FRPs based on economic activity and then age, and finally order on the census form. A household is overcrowded if it has fewer bedrooms than it needs to avoid undesirable sharing, based on the age, sex and relationship of household members. Homeless households include those in inappropriate and/or temporary accommodation (emergency or interim accommodation) as well as those sleeping rough. This includes, for example, those living with friends or families on a temporary basis. Other – households on the waiting list who are currently unsuitably housed and the local authority is unable to meet their needs at the date of assessment. For example: people who are paying a high proportion of their income for private rented housing because there are no social homes available; people in houses too big for their needs – under occupation; houses that are unsuitable because of unmet adapted housing needs, inaccessibility etc. Please note households who are currently suitably housed should not be included. <p>Care is needed not to double count households in the “other” category with those in concealed and overcrowded households and the homeless households in temporary accommodation.</p>
Intermediate Rents	<p>Intermediate rents are a sub-market rental product for people on low to moderate incomes and are usually provided by housing associations. The subsidised rents are typically set around the midpoint between private rental sector and social housing sector rents.</p> <p>Care needs to be taken to ensure households are not double counted.</p>
Low Cost Home Ownership (LCHO)	<p>Low Cost Home Ownership (LCHO) schemes enable prospective buyers, whose needs cannot be met by the open market, to purchase an affordable home for less than the open market value. LCHO schemes are run by housing associations and local authorities.</p> <p>Households have different circumstances with varying incomes so affordable housing schemes are designed to offer a range of choices. Examples of LCHO include shared ownership or shared equity.</p> <p>Care needs to be taken to ensure households are not double counted.</p>

Stock and supply definitions	
Social Rent (by number of bedrooms)	<p>Committed supply – Additional social houses that will be built or acquired over the first five years of the LHMA period. Developments should only be included if they are:</p> <ul style="list-style-type: none"> • in the main Programme Development Plan for Social Housing Grant, • in a Local Authority or a Registered Social Landlord’s own development programme funded without capital grant where full planning permission or reserved matters permission has been granted, • secured by a Section 106 agreement, planning condition or other appropriate mechanism where a full planning permission or reserved matters permission has been granted, or the build will start on site or will be completed within the LHMA period. <p>Expected re-lets – The number of re-lets a local authority or RSL would expect in any one year. Turnover of existing housing stock based on the average of the last three years’ data.</p> <p>Planned removals – Stock which will be either disposed of or demolished over the first 5 years of the LHMA period.</p>
Intermediate Rents	<p>Committed supply – Additional intermediate rentals that will be built or acquired over the first five years of the LHMA period. Developments should only be included if they are:</p> <ul style="list-style-type: none"> • in the main Programme Development Plan for Social Housing Grant, • in a Local Authority or a Registered Social Landlord’s own development programme funded without capital grant where full planning permission or reserved matters permission has been granted, • secured by a Section 106 agreement, planning condition or other appropriate mechanism where a full planning permission or reserved matters permission has been granted, or the build will start on site or will be completed within the LHMA period. <p>Expected turnover - anticipated number of households who will leave intermediate rents during the first five years of the LHMA period. This number may be very small.</p>
Low Cost Home Ownership (LCHO)	<p>Committed supply – Low Cost Home Ownership houses that will be built or acquired over the first five years of the LHMA period. Developments should only be included if they are:</p> <ul style="list-style-type: none"> • in the main Programme Development Plan for Social Housing Grant, • in a Local Authority or a Registered Social Landlord’s own development programme funded without capital grant where full planning permission or reserved matters permission has been granted, • secured by a Section 106 agreement, planning condition or other appropriate mechanism where a full planning permission or reserved matters permission has been granted, or the build will start on site or will be completed within the LHMA period. <p>Expected turnover – anticipated number of households who will leave LCHO during the period of the LHMA review.</p>

Annex 2: High level overview of the LHMA Tool

The diagram below shows the 3 main steps of the LHMA Tool covering the data requirements and assumptions, the calculations/affordability analysis and the key additional housing need estimates by the different tenures and HMAs.



Annex 3: Welsh Government Review

The Welsh Government review of rewrite LHMA's will cover four areas as detailed in the tables below:

Table 1: Compliance with the LHMA process

1.1	Local Authority compliance with the Welsh Government LHMA guidance and the relevant LHMA Report template.
1.2	The Welsh Government's Household Projections (Principal, Higher and Lower variants) have been used as a baseline for the additional housing need estimates and the estimates using all three bases have been included in the rewrite LHMA Report.
1.3	The summary tables for the LHMA report in section 4 of the LHMA Tool have been included in the LHMA Report (as detailed in the Template LHMA Reports).
1.4	Housing Market Area(s) are identified and are considered in the production of all core outputs within the LHMA.
1.5	An analysis of the estimated additional housing need with the associated data inputs and key assumptions against those in the previous LHMA.

Table 2: Engagement and Quality Assurance

2.1	The relevant stakeholders have been engaged with via consultation as part of the production of the LHMA. Responsibility for the level of engagement with stakeholders lies with the local authorities in line the Wellbeing of Future Generations (Wales) Act .
2.2	Local Authority has officially signed-off the LHMA.
2.3	A quality assurance process has been undertaken by the local authority and a statement reflecting this has been included in section 4 of the LHMA Report.

Table 3: Appropriate use of the LHMA Tool

3.1	The additional housing need estimates by tenure and the range of household projections within the LHMA report should tie back to the appropriate additional housing need estimates in the output tables in the LHMA Tool.
3.2	Default data sources and key assumptions: Welsh Government will check that default data has been used but where local authorities have used alternative data a clear rationale and evidence is required as to why the alternative data is more suitably robust, relevant and appropriate. Welsh Government will not sign off this alternative data. (The Welsh Government will not express a view on the appropriateness of the use of any 'user defined' population or household projections that are included in an LHMA, e.g. projections used for a development plan which has not been subject to Examination.)
3.3	By HMA, the range of additional market and affordable housing need estimates split by tenure over the first 5 years and the remaining 10 years of the LHMA period.

Table 4: Specific Housing Needs Provision

4.1	Identifies the contribution that specific housing needs provision plays in enabling people to live well, with dignity and independently for as long as possible.
4.2	Identifies the current and future type and level of needs and provision, and therefore any gaps or shortfall in that required need and provision.
4.3	Identifies the sources of the evidence regarding specific housing needs provision.
4.4	Identifies the consultation that has been undertaken with the relevant stakeholders, sets out how this consultation was undertaken and reports on the findings.
4.5	Gives due consideration to the relevant provisions of the Equality Act 2010 .

The Welsh Government review of refresh LHMA's will cover the following areas:

- Local authority compliance with the Welsh Government LHMA guidance and the relevant LHMA Report template.
- The sources and date of data updates are included in the LHMA Report.
- The revised additional housing need estimates based on the latest Welsh Government principal household projections are included in the LHMA Report.
- An update / review of specific housing needs requirements is included in the LHMA Report.
- An analysis of the changes in the additional housing need estimates with any changes in the data sources and key assumptions from the previous LHMA and their implications is included in the LHMA Report.
- A quality assurance process has been undertaken by the local authority and a statement reflecting this is included in the LHMA Report.

Annex 4: Additional Recommendations from the Independent Review of Affordable Housing Supply (May 2019)

1. There is a need to enhance the granularity of the LHMA process to better capture the range of needs which might otherwise be ignored. More attention should be given to the requirements of older and younger age groups, people with disabilities and other needs as well as giving more detailed attention to sub market ownership, rural housing, small settlements and the demand for community housing trusts and self-build. The work undertaken by Tai Pawb in opening up some of these issues is to be commended and should be built upon.
2. Further work is required to better integrate the production and reconciliation of the conclusions of LHMA and Development Plans processes. Housing and planning departments should collaborate further on this in order to bring greater clarity and cohesion to the local assessment of housing requirements and to make better use of limited resources. The potential for greater regional collaboration should be explored.
3. The Welsh Government should require local authorities to deposit copies of their LHMA with them.
4. Local authorities should consider whether the right resources are being devoted to the LHMA and Development Plans processes and whether sufficient skilled staff are in place.
5. The Panel fully endorses the recent decision by the Welsh Government to develop a housing need and demand model. This model will be used to generate national and regional estimates and by tenure. It also has the potential to assist with local authority level estimates and the Panel would support further exploration of this option.
6. The Welsh Government must look again at the resources devoted to the analysis of housing needs and demands and the associated areas of data collection. More should be done to make better use of data generated by local authorities and others.