

Carlisle City Council Housing Need and Demand Study

Final Report: Executive Summary

November 2011

GL HEARN 

In association with


Quality Specialist Research



Key Findings & Recommendations

Context

- The City Council has a vision for Carlisle as ‘Cumbria’s historic, dynamic and successful University City, creating growth opportunities in a sustainable environment with skilled people and international connections in a stunning location’. Its two corporate priorities are the local environment and the economy, and it has a clear and well defined corporate objective to achieve economic growth and development.
- Current government guidance as well as the draft National Planning Policy Framework proposes that local authorities should meet the full requirements for market and affordable housing. This Study provides a robust analysis of long-term projections of future overall housing requirements over the next 20 years to inform development of the City Council’s emerging Core Strategy. The Basic Needs Assessment Model also provides an assessment of affordable housing need for the next five years, which is a statutory requirement to support affordable housing policies.

Future Housing Requirements

- The City Council’s emerging Core Strategy indicates a clear aspiration to achieve economic growth, and increase the size of the working-age population. Long-term migration trends would result in a housing requirement of around 8,200 homes (410 pa). However this level of housing would likely result in a reduction in the size of the workforce. An estimated 545 homes per year are required to 2025 just to maintain stable employment levels.

Affordable Housing Policy

- There is a net annual shortfall of 708 affordable homes for the next five years; 11 affordable homes in the Rural West Housing Market, 101 affordable homes in the Rural East Housing Market and 597 affordable homes in the Carlisle Urban Area.
- This conclusion is based on a ‘snap-shot’ assessment of differentials between housing costs and incomes in the current market, as well as the existing supply of affordable housing. This finding assumes that all households who could not afford market housing are to be housed in an affordable house. It is unlikely that new affordable homes can be delivered at this rate; but a substantial proportion of these households will be able to live in the Private Rented Sector claiming Local Housing Allowance.
- The Assessment Model used for affordable housing needs analysis is one of a number of factors which should be taken into consideration in determining the long-term overall future housing requirements of the District.

- The Local Plan policy for 30% affordable housing in the urban area and 10-25% in rural areas (depending on site size) may be optimistic given current housing market dynamics and the limited funding available. An Economic Viability Assessment (EVA) will need to be commissioned to support an affordable housing policy within the Core Strategy/ Local Plan.
- The Study identifies that 71% of households in housing need would require a social or affordable rented property, 25% could afford intermediate rented housing, but that just 7% of households in need have sufficient savings to put down a deposit on a shared ownership or shared equity home (as well as the income to support it).
- The needs evidence suggests that a policy for 20-25% of future affordable housing on 1-bed properties, 40% 2-bed, 25% 3-bed and 10-15% 4 or more bedrooms, could be justified. However 1-bed properties can be unpopular as they offer limited flexibility and the City Council may wish to adjust the mix accordingly.

Housing Distribution

- Given population levels and the structure of the population in different parts of the District, 66% of need/demand arises within Carlisle City area, 26% in the Rural East and 8% in the Rural West. The proportion arising in the rural areas is higher than the 80:20 urban/rural split in the Local Plan or the 70:30 policy split previous to this.
- The Council should consider how it distributes housing provision. More homes in rural areas might support stronger delivery of affordable homes (as viability is stronger). But access to services, employment and public transport may support a focus on the urban area.

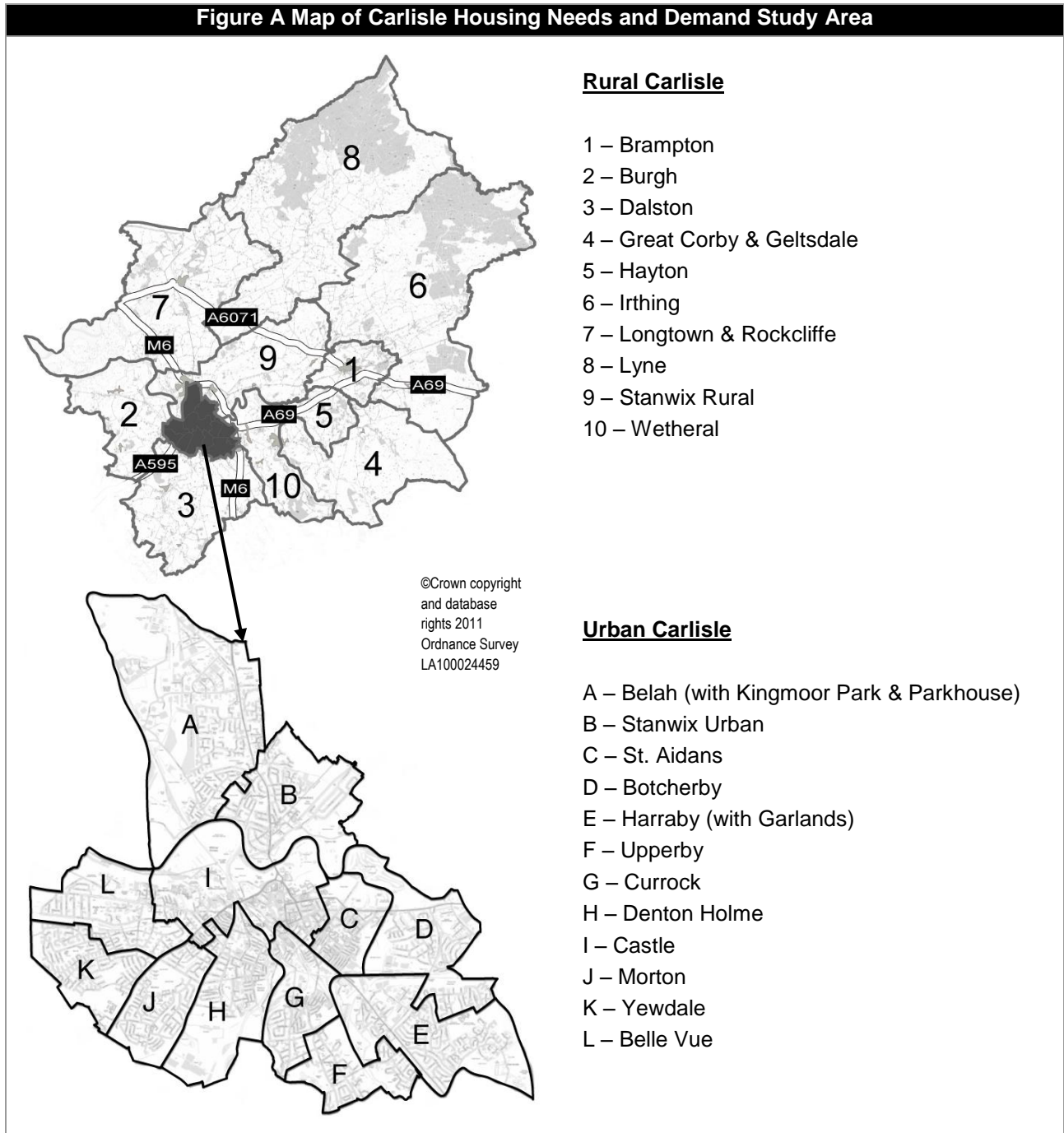
Meeting Housing Needs

- The City Council should consider alternative mechanisms to support affordable housing delivery, including allowing some market housing in rural areas to support delivery of new affordable homes; and considering how further land assets owned by the Council and other public sector could be used to support affordable housing delivery.
- The City Council should also want to consider how better use of the existing stock can be made, such as through working with partners to introduce fixed term tenancies or providing incentives to existing households to downsize to release larger properties for those in acute need.
- Over the next 20 years, an estimated additional 4000 households will have a support need. This is particularly linked to a growing older population. For many households, these support needs can be resolved in situ. The Study identifies a requirement for 60 units of specialist housing per annum which could form a monitoring target.
- The City Council might also consider how to develop the role which the Private Rented Sector can play in meeting housing needs such as through a brokerage role or implement a Rental Guarantee Scheme.

Introduction

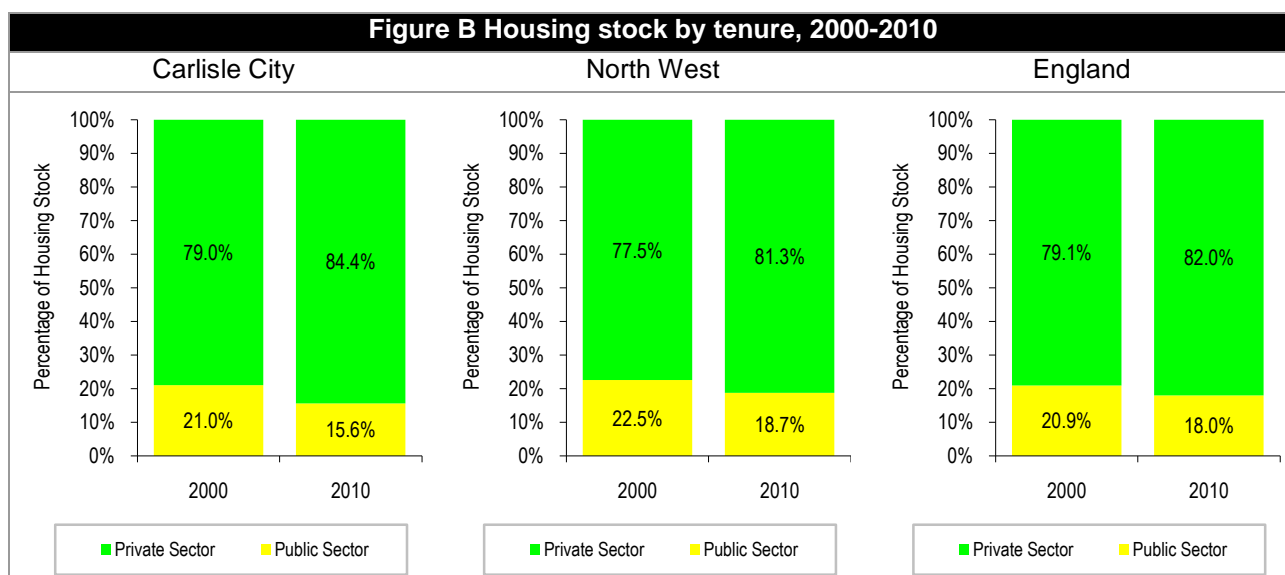
1. Carlisle City Council is the most northerly of Cumbria's six districts, covering more than 400 square miles with a population of around 104,500 people. It is an important sub-regional centre for business, shopping and tourism, and strategically located on the main west coast communications route.
2. The City Council has a vision for Carlisle as 'Cumbria's historic, dynamic and successful University City, creating growth opportunities in a sustainable environment with skilled people and international connections in a stunning location'. Its two corporate priorities are the local environment and the economy, and it has a clear and well defined corporate objective to achieve economic growth and development.
3. Carlisle City Council is currently developing a Core Strategy to cover the period to 2030. It is also developing a Housing Strategy. To inform this, the City Council commissioned GL Hearn and Justin Gardner Consulting to prepare a Housing Need and Demand Study in order to provide a robust and up-to-date understanding of housing need and demand within the City and its three Housing Market Areas (HMAs).
4. Emerging national policy within the draft National Planning Policy Framework (CLG, July 2011) sets out that Councils should plan on meeting the full requirements for market and affordable housing in their areas, and plan for a mix of housing based on current and future demographic trends, market trends, and the needs of different groups in the community. They should identify the size, type, tenure and range of housing that is required (which this Study does) and set policies for affordable housing. The Study has been informed by and is consistent with the Government's current Practice Guidance on Strategic Housing Market Assessments (CLG, 2007).
5. The Housing Need & Demand Study has been informed by a postal survey of households alongside analysis of a range of wider data and consultation with stakeholders. Of an initial 10,000 survey forms sent out to households across the City, 2,581 completed survey forms were returned representing a response rate of 25.8%. Overall, some 5.4% of households in the District took part in the survey. The number of responses provides sufficient data to allow complete, accurate and detailed analysis of need and demand across the District.
6. The Study is structured to provide analysis for three broad Housing Market Areas (Rural West, Rural East and Carlisle Urban). These were defined in the 2009 Cumbria Strategic Housing Market Assessments and have been confirmed through early stakeholder consultation undertaken as part of this Study.

7. The figure below shows a map of the study area with the Carlisle Urban Area shown separately. The Rural West HMA comprises the wards of Burgh and Dalston (shown as 2 and 3 on the map) with Rural East including all other rural areas.



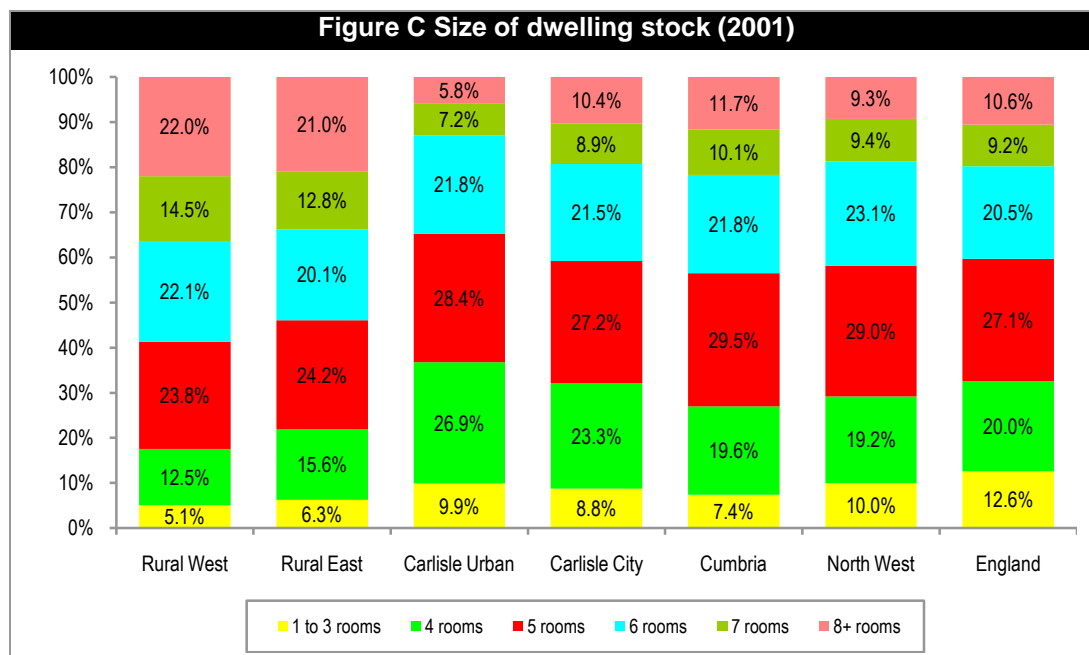
Current Housing Offer

8. In 2010, there were 48,120 homes in Carlisle of which 15.6% were in public sector ownership, with 84.4% owned privately. The stock of affordable housing in the District has fallen by 22% over the previous decade, which is much greater than regional or national trends. There has been a net reduction of 2,100 affordable homes between 2000-2010. This trend over a decade affects the ability of the current affordable housing stock to meet housing needs.



Source: HSSA, HIP and CLG data (2000 and 2010)

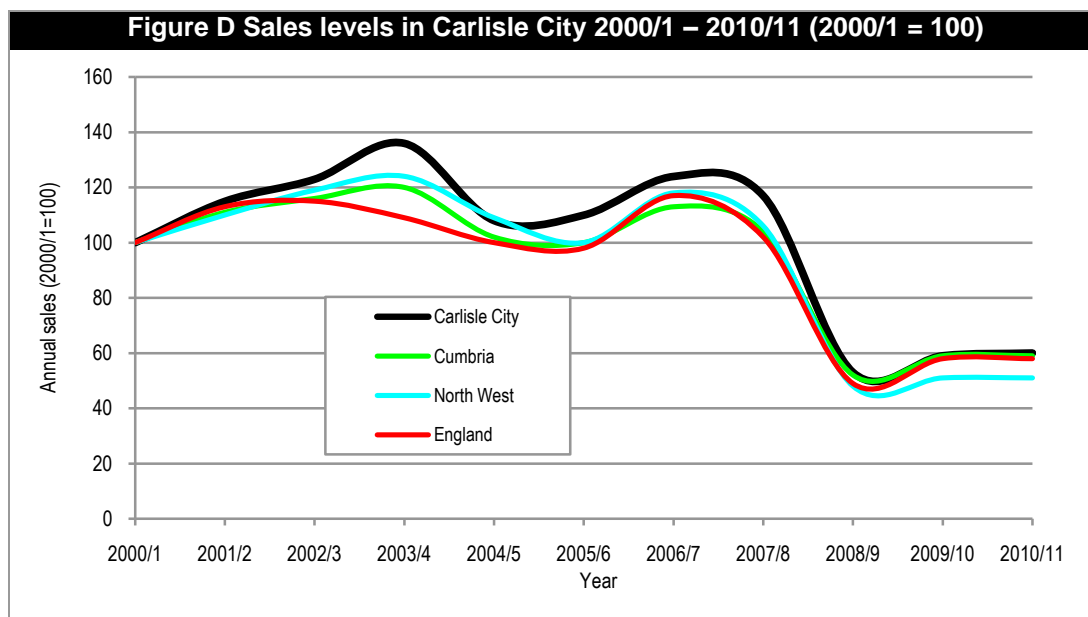
9. In 2001, 59% of homes in Carlisle were detached and semi-detached, with 30% terraced and 12% flats or maisonettes. This is a reasonably balanced profile. However in the two rural HMAs, the proportion of properties with 6 or more rooms (equivalent to 3+ beds) is well over half (59% in Rural West and 54% in Rural East compared to 35% in Urban Carlisle). In urban Carlisle, the housing offer is more biased towards smaller and cheaper properties. While there is a degree of complementarity, the Council should consider how through policy it can support greater diversity in the housing stock in the Rural East and Rural West HMAs where the dominance of larger properties contributes to affordability pressures. However this needs to be balanced against market demand for larger homes in these areas.



10. There is a low vacancy rate within the current housing stock (2.1% in the public sector and 3.8% in the private sector stock) as well as low levels of overcrowding. An estimated 1,220 households are overcrowded (2.6%). The low vacancy means there is limited scope for better use of the existing stock to contribute significantly to meeting future housing requirements.

Current Housing Market Conditions

11. House prices across the District grew strongly between 2002 and 2007 from £60,000 to £125,000. However we have seen a fundamental shift in housing market conditions since 2007 driven by banks' more cautious approaches to lending. House prices in 2010 were £5,000 below levels in 2007 at an average of £120,000. The latest evidence suggests that house prices have once more started to fall. First-time buyers, the lifeblood of the housing market, now require at least a 10% deposit to secure a mortgage (with an average deposit of 15% for buyers in the District over the last 2 years). Many young households have insufficient savings and this has significantly restricted first-time buyer numbers. Many first-time buyers as a result are relying on 'the bank of mum and dad.' Over the last two years 1,134 first-time buyers have bought homes in the District. Effective market demand as a result is currently subdued with sales of homes in 2010 40-50% down on levels before 2007 (as is shown in the figure below).



12. Demand signals (in terms of prices) highlight weak demand in Carlisle City relative to other parts of the region, which we would link to the economic dynamics, accessibility and quality of life of the area. House prices on average are 7% below the regional average and 16% below figures for the whole of Cumbria. Prices are highest in the Rural Areas, indicating stronger relative demand, and weaker in Carlisle Urban. This is one of a number of factors which might influence the distribution of development in the City.
13. The Survey has highlighted the high turnover of properties in the Private Rented Sector, which accounts for 57% of all moves over the past 2 years. The key role of the sector in supporting dynamism in the housing market should be recognised, as well as its importance to meeting the needs of newly forming households (where it has met 52% of needs). There is an important role for local policy is seeking to improve standards in the sector.

Affordability of Market Housing

14. Entry-level house prices in Carlisle District are five times higher than lower quartile incomes, however this ratio has not grown since 2005. Within the City, incomes vary notably by age, household type, tenure and geography. Incomes are lowest in the Carlisle Urban HMA and are highest in the Rural West area.

15. It is estimated that 23% of all households cannot afford market housing within Carlisle District without subsidy. Levels vary considerably by area with 28% of households in Carlisle Urban being unable to afford compared with 12%-14% in the two rural HMAs.
16. For house purchase, levels of savings are a key constraint to obtaining mortgage finance. For those households who are not current home owners, 33.2% are in debt, 36% have no savings and just 13.5% have savings of more than £5,000. Savings are a key constraint for young households looking to buy their first home.

Figure E Median financial information by tenure

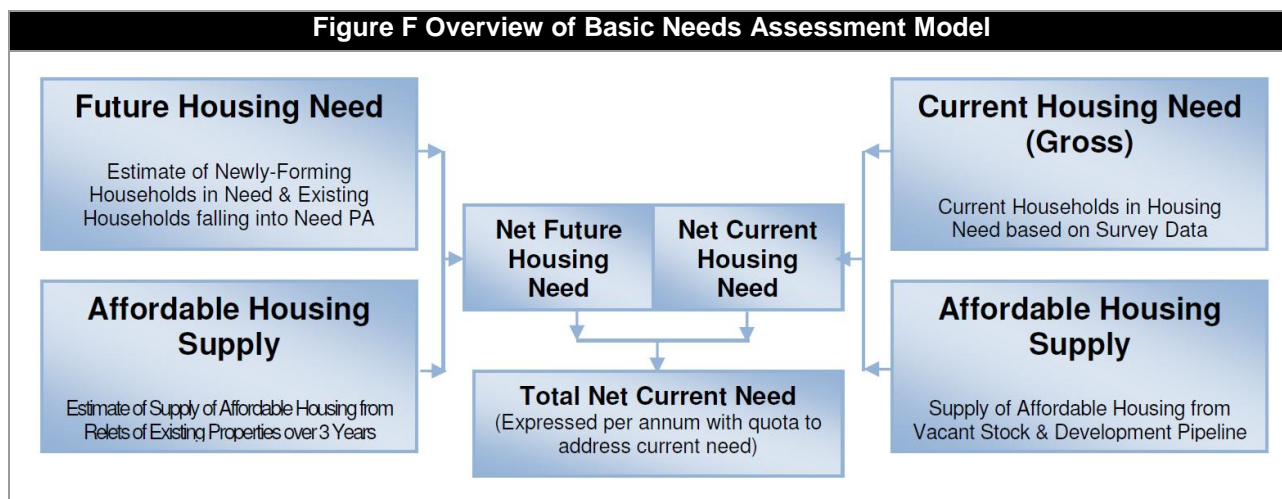
Tenure	Median annual gross household income	Median savings	Median equity	Potential access to funds
Owner-occupied (no mortgage)	£16,589	£16,337	£143,155	£209,257
Owner-occupied (with mortgage)	£31,860	£388	£59,258	£155,227
Social rented	£9,518	£115	£0	£28,670
Private rented	£15,762	-£299	£0	£46,987
Average	£19,003	£1,166	£66,089	£124,263

Source: Household Survey Data

17. As a result there is a risk that over the next decade, a dichotomy will develop in the housing market between those with equity in existing homes, and the non home-owners, who will have limited ability (without recourse to financial support from relatives) to get on the housing ladder. The ability of young households to buy would principally be improved by an increase in the loan-to-value ratios accepted by banks and building societies.

Assessment of Housing Need

18. Housing need describes the quantity of households who cannot meet their needs in the housing market without support. An assessment of housing need is a statutory requirement to underpin policies for affordable housing provision, and in effect is used to establish whether at a particular point in time there is a surplus or deficit of affordable housing.
19. Housing need has been assessed in this Study using information both from the household survey and other data sources. It has been calculated using the Basic Needs Assessment Model recommended in national guidance. This is summarised below. It looks specifically at the need and supply of affordable housing, and thus the results of the model need to be understood in terms of how the supply of affordable housing has changed; and the role, in reality, which the Private Rented Sector also plays in meeting housing need.

Figure F Overview of Basic Needs Assessment Model

20. The results of the housing needs assessment are summarised below. The needs assessment identifies an annual shortfall of 708 affordable homes if everyone in housing need was to be housed in an affordable home. Although levels of housing need are highest in urban Carlisle, there is a shortfall of affordable homes in each of the three HMAs. The Council is justified in seeking affordable housing provision in all parts of the District.

Figure G Summary of Housing Needs Assessment (Per Annum)

Element	Rural West	Rural East	Carlisle Urban	Carlisle City
① Backlog need (annual)	0	11	188	199
② Backlog supply (annual)	0	14	184	198
③ Net backlog need (annual) ① - ②	0	-3	4	1
④ Future need (annual)	64	167	1,032	1,263
⑤ Future supply (annual)	54	63	439	556
⑥ Net future need (annual) ④ - ⑤	11	104	593	707
Total net annual need ③ + ⑥	11	101	597	708
Total households	3,996	11,528	32,095	47,619
Need as % of households	0.3%	0.9%	1.9%	1.5%

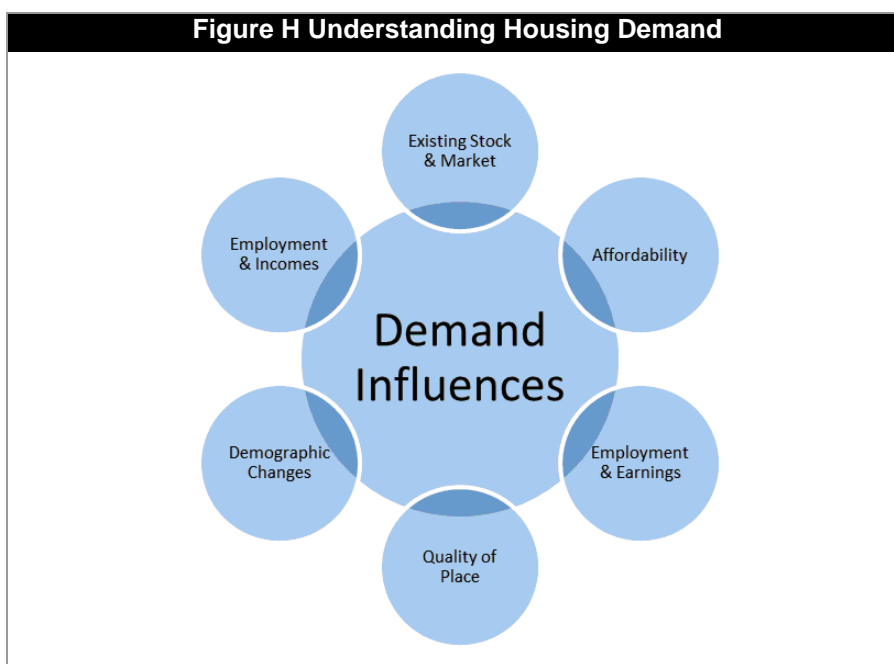
Source: Household Survey Data, CORE

21. The level of need identified is likely to be substantially higher than the number of new affordable homes which can realistically be delivered. The level of need is in part influenced by the 22% reduction in the affordable housing stock which has occurred over the last decade – this in turn reduces the availability of stock and restricts the options available to households in need.
22. Part of the gap between the likely future need for affordable housing and future supply is likely to be met by the Private Rented Sector. Over the last two years, the Private Rented Sector has housed 463 households in housing need per annum, supported by Local Housing Allowance (LHA). However even taking this into account, the supply of affordable housing is likely to fall short of identified needs.

23. Changes to Local Housing Allowance from April 2011 have affected a small number of households, who would previously have been able to claim their full rent back and who are no longer be able to do so. The Survey has however highlighted that over a quarter of LHA claimants in the Private Rented Sector (25.9%) may be impacted by changes to the single room allowance which was introduced in January 2012, and this may have driven an increase in demand for shared accommodation.
24. The level of need identified provides an evidence base for seeking to maximise affordable housing delivery. However a policy within the Council’s Local Plan/Core Strategy must also take account of development viability which should take account of the introduction of the new Affordable Rent tenure.

The Future Housing Market

25. The diagram below captures our understanding of the key influences on housing demand. These factors play out at different spatial scales and influence both the level of housing demand (in terms of aggregate household growth) and the nature of demand/ need for different types, tenures and sizes of housing.



26. Macro-economic factors are expected to influence effective market demand for housing in the short-term. These include mortgage finance, market confidence, short-term employment growth, and pressures on household incomes. Market demand is expected to be subdued and can be expected to impact on housing completions. While this can be expected to support need and demand within the rented tenures, supply is unlikely to respond to the demand drivers in the short-term given the investment-led model for the

Private Rented Sector and the funding model and constraints in the Affordable Housing Sector.

27. However it is still appropriate to plan on meeting expected household growth over the longer-term. This is expected to be driven by demographic trends and, over the medium and long-term in particular, by economic performance and employment growth.

Demographic Dynamics

28. Carlisle's population was estimated at 104,500 in 2010. It has been increasing at a faster rate than across the North West although over the past four years the District has seen a notable population decline.
29. The population structure in the District is focused on older people when compared with the regional and national position although the District does have a higher proportion of working age compared with Cumbria as a whole. Within the District, the highest proportions of households with children are found in the two rural HMAs and we would expect strong demand for family housing to arise in these areas.
30. The population of older persons is also greatest in the two rural HMAs. These areas have higher levels of owner occupation and higher proportions of larger housing. They are likely to be attractive to middle-aged and older households with equity in existing homes.
31. As part of the HNDS the County Council has run a series of different population/household projections based on a range of different assumptions (mainly relating to migration levels) with the main outputs from each of these being total population numbers (by age and sex) and the number of households this is likely to translate into.
32. The table below shows population and household change under six different projection scenarios. With no net migration there is expected to be virtually no population growth; this is consistent with past trend analysis which showed virtually no natural change in the population of Carlisle City over the past few years. Taking migration trends over the past ten years we see population growth of about 410 people per annum.
33. If housebuilding rates were to be at the average level of the past ten years we would expect to see population increase of 272 people per annum whilst providing 600 homes each year sees much higher population growth of just under 700 people each year.
34. Economic-driven projections show relatively high population change with a projection based on Experian employment growth forecasts showing the highest figure of any of the projections (836 additional people per annum). Even to maintain employment at its 2010 level would require considerable population growth (of 574 people per annum). This is due

to the ageing of the population and the general decline in the proportion of the population who are of working age.

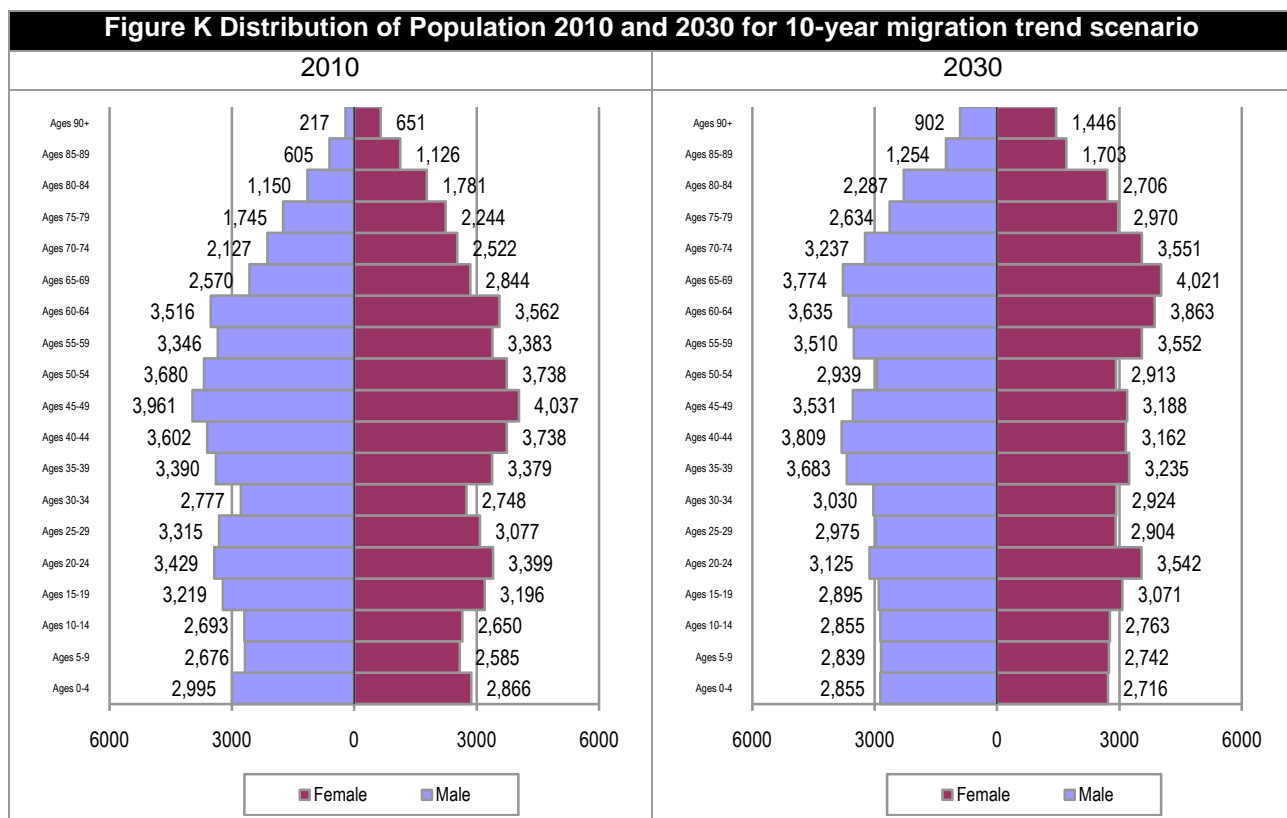
35. The household growth figures associated with the different projections range from 205 per annum with zero net-migration up to 635 per annum based on Experian employment growth forecasts. The trend based projection shows household growth of 400 per annum. These household growth figures will roughly equate to additional housing requirements although some allowance should be made for the likelihood of a small number of vacant homes within the new housing stock (a vacancy rate of around 2.5% is a typical assumption).

Figure J Population and household growth estimates 2010 to 2030 for different projection scenarios

Projection	Annual average population growth		Annual average household growth	
	Number	% increase	Number	% increase
Zero Net Migration	24	0.0%	205	0.4%
10 Year Average Migration	410	0.4%	400	0.8%
Average Housebuilding – last 10 Years	272	0.3%	385	0.8%
Growth Point (600 homes a year)	698	0.7%	574	1.2%
Experian Economic Forecast	836	0.8%	635	1.3%
Stable Employment Levels	574	0.5%	522	1.1%

Source: Cumbria County Council

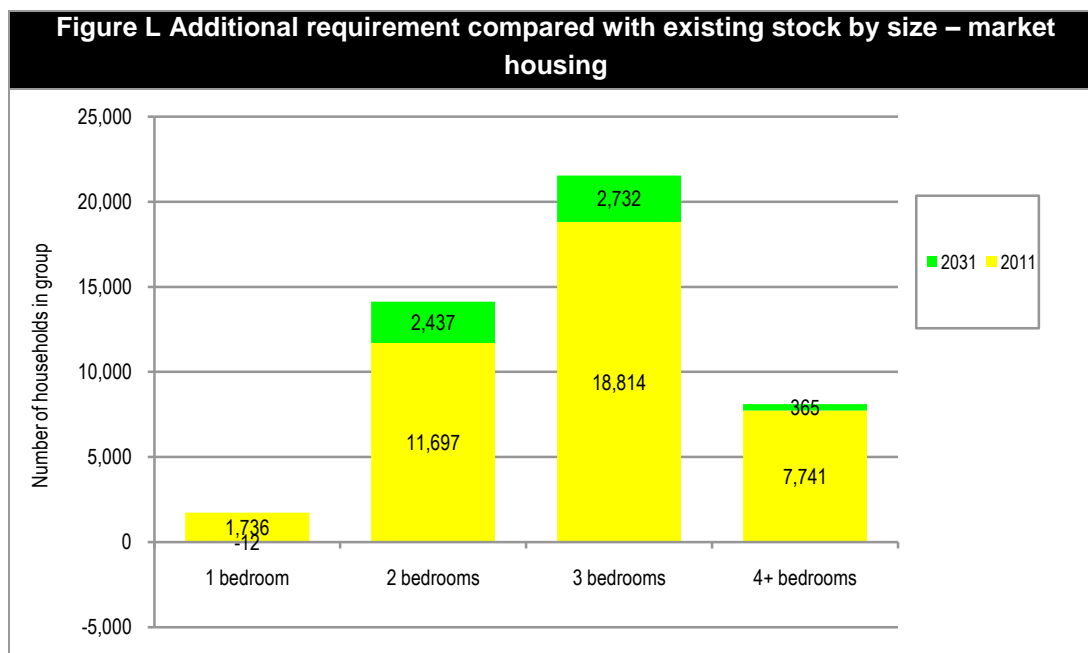
36. With a change in the population there will also be a change in the demographic structure. The figure below shows population pyramids for 2010 and 2030 under the 10-year migration trend scenario.



Source: Cumbria County Council

Requirements for Different Types & Sizes of Homes over the Longer-Term

- 37. Using our housing market model, which takes into account how households of different ages occupy dwellings, and the potential delivery of housing in different tenures, we consider that market demand will be focused towards larger properties (with 56% of demand for 3 and 4+ bed properties).
- 38. The figures are based on the trend-based projection set out in the previous section (i.e. household growth of around 400 per annum) although similar outputs in terms of the profile of housing would be expected with other projected growth rates.
- 39. We do not consider it appropriate for policy to seek to control the mix of market housing on specific development sites, as market demand will change over time and the market is best placed to judge what mix of homes will sell. However completions should be monitored against this profile.



40. An estimated 48% of overall housing requirements (market and affordable) are for 3 and 4+ bed properties. This mix should be reflected in the 'portfolio' of sites taken forward through the Local Plan/Core Strategy.
41. For affordable housing, taking account of identified need, existing supply and turnover of properties and issues related to the management of the housing stock, we recommend a policy target for 20-25% of future affordable housing provision to be 1-bed properties, 40% of 2-bed, 25% of 3-bed, and 10-15% with 4 or more bedrooms.
42. Our analysis indicates that 9% of market demand will be for specialist housing, particularly for older people. There is a higher requirement over the long-term to 2031 within the affordable sector, with an anticipated 25% of need being for specialist housing. The Council should consider inclusion of specific policies for specialist housing within the Local Plan/Core Strategy on this basis.
43. In regard to the distribution of need/demand within different parts of the City, the analysis indicates that 66% arises in the Carlisle urban area and 34% in the two rural HMAs. This should be considered in determining the distribution of development in the Local Plan/Core Strategy alongside the spatial strategy, land availability and local aspirations.

Implications of Economic Trends

44. Since 2004 the number of people in Carlisle in employment has risen slightly (by 1.6% from 2004 to 2010) – however, the number of people working in 2010 is below the figure estimated in 2007 (before the economic downturn). Generally, Carlisle appears to have followed national and regional trends as a result of the economic downturn with some data suggesting that employment rates have started to increase (having fallen since 2007).
45. The changing demographic profile of Carlisle City in the future (the ageing population) may see a decline in the number of people living in the area who are of working age which will act as a barrier to long-term economic growth. This will depend on the Council's future housing supply policies.
46. In line with the regional and national position much of the employment in Carlisle is centred around public sector occupations and distribution, hotels and restaurants. Compared with national and regional figures the low proportion of people working in finance, IT and other business activities is notable. This latter point may also be reflected in the relatively low proportion of people qualified to degree level or above and also in lower wages. With projected changes in employment types usually being concentrated in higher grade occupations the issue of qualifications and skills will need to be considered as part of any economic growth strategy.

Housing Needs of Specific Groups within the Population

47. Households within Black and Minority Ethnic (BME) groups are more likely than the general household population to live within the Private Rented sector. There are higher concentrations of BME households in Carlisle Urban with White (non British/Irish) households having larger average household sizes. Recent evidence from national insurance registrations indicates that international in-migration is strongest from Poland and that whilst numbers have fallen since 2006-7 there was an increase in 2010/11.
48. Some 30.5% of households in the District contain only older persons (with more than 35% in Rural East being older person only households). Over three quarters of older person households are owner-occupiers (mostly mortgage free), with older persons occupying 40% of social rented dwellings. Older person households are very likely to under occupy homes, with over half living in homes with three or more bedrooms. In the market sector there is a limited ability to influence this. In the affordable sector, there may be potential to reduce under-occupation by providing support and incentives to households to downsize. Development of bungalows could support this, but development viability can be challenging. The number of older households is expected to increase significantly over the next 20 years, with households of pensionable age growing by 8,500 over the next 20 years

(to 2031). The number of households with support needs will also grow, and policy will need to respond.

49. Currently 24% of households have support needs with the highest levels in Carlisle Urban. A large proportion of those with support needs currently live in unsuitable housing (c. 1,200 households) - typically these households have lower incomes. The greatest support needs are for help maintaining homes, as well as level access showers. In many cases it may be possible to resolve these needs in situ. Population growth can be expected to increase the numbers of households with support needs over time – we estimate that over the next 20 years an additional 4,000 households will have a support need. The support needs of households should be considered by the Council in the development and implementation of its Housing Strategy.
50. For family households, lone parent households are particularly in need of support and typically have very low incomes. Many reside in the Private Rented Sector, and the Council should consider how its allocations policies for social housing support this group.
51. Young households are more likely to be unemployed (9% of persons aged under 35) and in need of support. There are also market barriers for many young households to buying a home; the average (median) age of first-time buyer households in the City over the last 2 years was 30, with a median income of £27,000. Given supply constraints in the affordable sector, the Council should work to promote improvements in standards of private rented properties to meet the needs of these groups. It should also signpost and promote understanding of intermediate housing options.

Conclusions & Recommendations

Housing Requirements

52. Current government guidance as well as the draft NPPF identifies that local planning authorities should plan on the basis of meeting the full requirements for market and affordable housing.
53. It is expected that population and demographic dynamics as well as employment growth will drive demand for housing over the longer-term to 2030. Carlisle's population has been increasing at a slightly faster rate than the county or the region, growing by 3.5% between 1999-2009. In the pre-recession period, the evidence suggests that employment growth was stronger than growth in the workforce. The City's role moving forward should continue to be as a centre for employment and services for a wide hinterland.
54. Long-term migration trends would result in a housing requirement of around 8,400 homes (420 pa) which is very similar to the Structure Plan target (400 pa) and past completions rates (which averaged 403 pa between 2000/1 – 2009/10). However this level of housing would likely result in a reduction in the size of the workforce. An estimated 545 homes per year are required to 2025 just to maintain stable employment levels.
55. In the longer-term we would expect economic growth to drive additional net in-migration to the District. Projected housing requirements driven by trend-based economic growth would result in a higher housing requirement, equating to around 13,300 homes to 2030 (665 pa).
56. The Council's Autumn 2011 Core Strategy Issues an Options Consultation indicates a clear aspiration to achieve economic growth and increase the size of the working-age population.
57. The modelling indicates that around 545 homes would be required each year to maintain the working-age population, with 665 homes a year required to support forecast economic growth. Delivery of 545-665 homes per annum therefore appears to align with the Council's emerging strategy.
58. In establishing policies for housing provision, this needs to be brought together with evidence of the availability of suitable land for development. The plan-making process will also need to test alternative options considering their social, economic and environmental implications and infrastructure requirements.

Housing Distribution

59. In the past, the distribution of housing development within the District has particularly been informed by the 'spatial strategy' within the Local Plan, and the availability of suitable land. These remain relevant factors in considering where development is located, particularly with a view to supporting sustainable development including access to employment, services and public transport.
60. The draft NPPF indicates that market factors should also be taken into account. House prices are marginally higher in Brampton and the Rural East housing market area. The differentials are not however substantial.
61. The Council may also wish to consider how the distribution of development could impact on affordable housing delivery recognising that greater development in higher value areas will support affordable housing delivery (albeit that market housing built will be less affordable).
62. Our analysis, which integrates an understanding of demographics identifies that two thirds (66%) of need/demand within the District arises in Carlisle Urban Area, with the remaining third in the rural areas split with 26% in the Rural East and 8% in the Rural West Housing Market Area. This compares with an 80:20 split of housing development in the Local Plan, and 70:30 policy split previous to this. However access to services, employment and public transport may support a greater focus on the urban area than the demographics indicates.

Affordable Housing Policy

63. The level of need identified provides an evidence base for seeking to maximise affordable housing delivery. Policies for affordable housing will need to take into account the viability of residential development. The Council's existing Local Plan policy seeks to secure 30% affordable housing within the urban area, and between 10-25% affordable housing in the rural areas depending on site size.
64. However we would expect viability to have worsened since 2008, linked to falls in house prices (which has not been compensated for by reductions in construction costs). Valuation Office Agency (VOA) data indicates that on average residential land values in the North West in mid 2010 were 45% below their levels at the peak of the market. The ability to deliver affordable housing will also be affected by reductions in the availability of grant funding from the Homes & Communities Agency (HCA) (linked to cuts of £100m pa to the National Affordable Housing Programme announced in May 2010).
65. The introduction of the Affordable Rent tenure was expected to partially compensate for reductions in grant funding and a deterioration in scheme viability; however as we have identified there is not a substantial difference in many parts of Carlisle District between an 80% market rent (the maximum at which an affordable rent can be set) and existing social

rents particularly for smaller properties. Thus Affordable Rent can be expected to have a more limited impact in supporting viability relative to other parts of the UK.

66. The Council will need to commission preparation of an Economic Viability Assessment (EVA) to support an affordable housing policy within the Core Strategy/Local Plan.
67. Given the viability of residential development within the District and the availability of funding for affordable housing, it is unrealistic to assume that all housing needs can be met. Part of the gap between need and potential future supply of affordable housing may be met by the Private Rented Sector (supported by Housing Benefit). It is likely to continue to play a role in doing so. However even taking this into account, the supply of affordable housing is likely to fall short of identified needs. The Council should look to maximise provision of affordable housing where possible, including in working proactively with developing RPs and considering the potential of surplus public sector land to support delivery of affordable housing.
68. In regard to the policies regarding the mix of affordable housing, Our analysis indicates that of net annual housing need (taking account of supply):
 - 71% of households in housing need would require benefit assistance to afford an affordable rented property, however of these only 3% could afford existing social rents;
 - 25% of households in housing need could afford affordable rented housing (or intermediate rent) without benefit assistance, but have less than £5,000 in capital and thus would be unlikely to be able to afford shared ownership/ equity products;
 - 7% of households in housing need could afford housing at more than 80% of market housing costs and have £5,000 or more of capital that could be put towards the purchase of a shared ownership/equity property.
69. This analysis takes account of need, as well as the existing supply and turnover of affordable homes. On this basis, district-wide, it would seem appropriate to seek a 70:30 split between social/affordable rented and intermediate housing. This is based on current market conditions and mortgage availability and should be revised if market circumstances change notably.
70. If future supply is focused on delivering affordable rented housing, the evidence does not suggest a case for a differential policy across the three housing market areas. However a greater proportion of households in the Rural West (around two thirds) can afford more than existing social rents, indicating greater potential for (rented) intermediate housing in this area.
71. In regard to the mix of units, we have considered identified need, the existing supply and turnover of properties and issues related to the management of stock. On this basis a

policy target for 20-25% of future affordable housing provision to be 1-bed properties, 40% 2-bed, 25% 3-bed, and 10-15% for 4 or more bedrooms could be justified.

72. The stakeholder consultation identified specific concerns that 1-bed affordable properties can be unpopular as they offer limited flexibility. This can result in a higher level of turnover and in some circumstances make 1-bed properties difficult to let. Thus while the needs evidence supports the above distribution of affordable homes of different sizes, the Council may wish to adjust the mix further towards larger properties in liaison with Registered Providers (RPs) in developing policy or applying policy to specific schemes. Provision of larger properties can help to manage affordable housing stock in creating chains of moves.
73. It should be borne in mind that the needs assessment presents a 'snapshot' of housing need. We consider that the housing needs assessment should be reviewed in 5 years time (2016).

Maximising the Delivery of Affordable Housing

74. Given the strong level of need identified, and viability/funding challenges, the Council may wish to look at alternative mechanisms to maximise the delivery of affordable housing.
75. The Government's proposes through the NPPF to give local councils greater flexibility to set out their own approach to delivering housing in rural areas, allowing some market housing, where it would facilitate the provision of significant affordable housing to meet requirements. We would recommend that the Council consider such an approach as this could help deliver additional affordable homes.
76. The Council may also wish to consider whether it (or other public sector partners) has further land holdings which could be used to support delivery of additional affordable housing.

Making Better Use of the Existing Affordable Housing Stock?

77. Given the level of affordable housing need which exists, the Council may also wish to consider how it can better use existing affordable housing stock (working with social landlords). The Government proposes to legislate to allow RPs to grant fixed term tenancies to some tenants (for a minimum of two years). If implemented locally, we would expect this to help increase the turnover of properties and ensure that new tenants moving forward continued to have a genuine housing need.
78. In improving the management of stock, the Council might also consider, working with RPs, whether potential exists for an incentive scheme to provide support (and potentially financial incentives) to existing social tenants to downsize. This might include though

development of bungalows although the economics of provision can be challenging. This could help to release supply of larger properties with cascading impacts in the management of stock.

79. The Council may also wish to consider how to promote the role which the Private Rented Sector plays in meeting housing needs, such as in providing brokerage services or developing a rental deposit guarantee scheme.