



Eden Local Plan

Technical Paper 1 - Housing Numbers

This paper sets out the background to how our preferred option for a housing target was established. A separate options paper compares this with some alternative ways

of setting a target. Technical and options papers relating to housing and employment distribution and are also available.

Planning Policy Team

April 2014

Contents

One Page Summary	1
1. Introduction	2
Why has this paper been produced?	2
2. How do you produce a housing target?	2
What's expected of us?	3
3. The Method	4
4. Task 1 - what is the technical evidence telling us?	5
Population and Household Projections	6
What can we conclude from the projections?	9
What's causing the difference?	9
POP GROUP projections	17
What migration trend should we be looking at?	18
5. Task 2 - Policy Aspirations	19
Those inadequately housed, present and future	19
Estimated housing need - The basic model	20
Running the model	21
What's happening in the housing market?	32
How do we deal with past housing completion shortfalls?	41
Employment Forecasts/Job deficits	42
Is there any housing need or demand elsewhere outside the district	46
which can't be met and which Eden would be able to accommodate?	
What you tell us	47
The need for a sound plan	47
6 Task 3 - Reality Checks	48
Can we rely on 'windfall' sites coming forward?	50
Do we have any empty homes that could be used?	50
Will any new housing will end up as second homes?	50
Do we have sufficient land available?	51
Can sufficient infrastructure be made available?	51
7. A final sense check - a look at current and past targets	51
8. Task 4 - Bringing the Evidence Together	53
Task 1	55
Task 2	56
Task 3	58

Task 4 - Bringing the evidence together	59
9. Conclusions	61
Annex 1 - Critique and alternative scenarios	62

Technical Paper 1 - Housing Numbers

One Page Summary

- This paper sets out our preferred option for the number of new homes to be built in Eden over the period 2014-31. It also explains how the figure was arrived at. It concludes that a figure of **200 homes per year** (or 3,600 over the period 2014-31) is the most suitable figure.
- This compares with our previous housing target of **239 homes per year** for the period 2003-25.
- Over the past ten years **138 homes per year** were built - or 58% of our target.
- The new target has been established through a combination of technical evidence and policy aspirations, which is then checked against what is realistic and deliverable. We broke the process down into four 'tasks':
- **Task 1** started by looking at the Government's household projections, as well as projections produced by the County Council. This provided us with a figure of **190 homes per year**.
- **Task 2** involved looking at what our housing 'need' was, ie how many households may form that can't or won't be able to afford housing at market prices or rents, and how much affordable supply may come forward. We also looked at potential job growth, and concluded that a minimum of **60 homes per year** would be needed to meet this need.
- We then looked at the demand for new housing and whether any lack of demand could act as a tempering factor that could reduce the number. We concluded that it would not. We also looked at whether there was any demand from neighbouring districts or a need to boost the figure to allow take up of new jobs. Again, we concluded that was no need to raise the figure further.
- **Task 3** involved applying some 'reality checks', in particular whether the preferred amount of housing could be delivered in light of past trends. We do not think that under-delivery in the past justifies lowering our preferred figure.
- **Task 4** set about bringing all the evidence together. This combined our housing need figure of 60 homes per year with our figures from the household projections. We assumed that if 30% of all our new housing came forward as affordable housing by 2031 our overall figure would not be quite enough to meet this need, so we raised the figure overall slightly to **200 homes per year**. This is the figure we are proposing to put into our new Local Plan.

1. Introduction

Why has this paper been produced?

- 1.1 New homes, and the rate at which they are to be built is usually the most disputed aspects of any Local Plan. On the one hand there are people, both already here or moving in from elsewhere who will need new housing, and on the other there are existing residents are rightly concerned that new development may risk reducing the high quality of life in the district. We therefore need to use the best available technical evidence to help reconcile these two competing pressures.
- 1.2 In practice, evidence alone will not provide us with a final housing target. There is no right or technically correct answer and there will always be evidence supporting either a higher or lower figure. Instead, we are aiming to use the best available evidence to establish a narrative around what a suitable housing figure may be for Eden. It is a case of trying to apply logical reasoning using the evidence we have, and in doing so making sure we do not try and justify a target which the evidence does not support.
- 1.3 This is also the first time for many years that Local Authorities have had to establish their own housing targets. Since 2004 until now authorities have been using targets established through regional spatial strategies, and before this targets were established in County level Structure Plans. This is therefore the first time we have had to justify a particular target ourselves, and hope to do so by showing our 'workings out' through this paper. We would very much like your views on how we have done it.

2. How do you produce a housing target?

- 2.1 There's no agreed or required method we have to follow, although a basic model has developed over time. This combines:
 - Technical evidence - in particular population and household projections. These project past trends forward over time and look at possible changes to the resident population through births and deaths, and how the number will be changed by people moving in and out of the district. They also look at what size of household are likely to form and what age the people in them will be. Second home ownership, and shared and empty homes are also factored into the calculations.
 - Policy aspirations - what else may influence demand? Are we expecting new jobs in the area which may create additional demand? Do we wish to account for people already here and inadequately housed? Is there any past under-delivery which needs to be taken account of? Is there any demand from neighbouring districts which may best be catered for in Eden? What you tell us about what you want for the district is also very important.
 - Some 'reality checks' to make sure they targets realistic and deliverable. Is there enough land available? Do past building trends indicate our targets are achievable? Can we provide the necessary infrastructure?

What's expected of us?

2.2 We also need to demonstrate that we are meeting central Government policy requirements. National planning guidance states:

“To boost significantly the supply of housing, local planning authorities should use their evidence base to ensure that their Local Plan meets the full, objectively assessed needs for market and affordable housing in the housing market area¹.”

2.3 This means, that when we ask a Central Government Planning Inspector to take view on whether our Local Plan is ‘sound’ they will need to be reassured that:

- The level of housing that it allows to come forward is ‘significantly’ above levels seen in the past.
- The level of housing at least meets household and population projections taking account of migration and demographic change.

2.4 The supporting practice guidance² advises that the assessment of need should be proportionate. It does not require local councils to consider purely hypothetical future scenarios, only future scenarios that could be reasonably expected to occur. It also guides that plan makers should not apply constraints to the overall assessment of need, such as limitations imposed by the supply of land for new development, historic under performance, or infrastructure and environmental constraints. Should we wish to depart from central Government guidance we would need to demonstrate strong local circumstances for doing so.

¹ Department of Communities and Local Government, National Planning Policy Framework paragraph 47 & 159.

² Department of Communities and Local Government, Assessment of Housing and Economic Needs, Online National Planning Practice Guidance

3. The Method

Our method is:

Task 1 - What is the evidence telling us?

Projected population (births, deaths, and in and out migration)

Converted Into

Projected households (population not in communal establishments multiplied by household representative rates projected by age, marital status and gender)

Equals

Total projected households, converted into dwellings (accounting for empty homes and second home ownership)

Plus

Task 2- Policy aspirations

Any additional housing for those already in the district but inadequately housed, or for anticipated new households unable to afford in the future

Any market signals (eg rising land and house prices indicating strong demand)

Any past shortfalls in provision which need rectifying

Any new households forming in response to projected or anticipated new jobs

Any demand that may be need to be met from neighbouring districts

What you tell us you want for the district

Plus

Task 3 - 'Reality checks'

Past house building trends, existing stock (empty/second homes), land availability, infrastructure etc., plus some 'sense checks' based on past targets

Equals

Task 4 - Bringing the evidence together

Our Final Housing Target

4. Task 1 - what is the technical evidence telling us?

4.1 We use technical evidence to establish, as the National Planning Policy Framework demands, 'objectively assessed need'. In the past planning authorities have defined need as the need for affordable housing only, which is a subset of overall demand. However, the accompanying practice guide makes it clear that we need to set a housing target capable of meeting the demand for new housing:

4.2 "Need for housing in the context of the guidance refers to the scale and mix of housing and the range of tenures that is likely to be needed in the housing market area over the plan period - and should cater for the housing demand of the area and identify the scale of housing supply necessary to meet that demand"

4.3 The starting point in establishing demand is the Government's population and household projections. Projections use a 'cohort component model' to project population changes by ageing the population over time and assuming that in and out migration will follow past trends. These population projections are then converted into potential new households, which can then be converted into numbers of dwellings by applying a household/dwelling ratio. Note that households and dwellings are not the same as you can have more than one household in a dwelling, or none if the property is empty or is used as a second home. This conversion therefore takes into account vacant units, shared households and holiday homes.

4.4 We need to be aware that projections have their limits:

- They look at past trends and project them forwards - what happened in the past may not happen in the future.
- They are based on population - if you have a small population (Eden has the tenth lowest population out of 348 local authority areas according to the 2011 Census) this may make the figures less robust than for larger areas.
- They can be very sensitive to which timeframes you use.
- Like any model, what assumptions you make will affect the outcome, and some may be more sensitive than others. We know that assumptions on birth rates tend to be robust (not least because those being born from now onwards won't form households for at least the first sixteen years) and that mortality rates also follow a fairly established trend, with life expectancy rising over time. However, by far the most volatile aspect for us are migration trends - partly because there is no compulsory system monitoring trends (they rely on health/education registrations and international passenger surveys) and partly because they fluctuate over time and in response to economic conditions. As we will see later, migration is by far the biggest factor driving Eden's projections.
- As they are produced by past trends there is a risk that the ability of new households to form in the past may have been constrained by low levels of supply of new housing, and hence projections based on past trends may perpetuate this constraint and underestimate true demand.

- 4.5 Projections are therefore really our starting point and set some parameters. We need to drill down into the projections to see which elements of the projections have the biggest effect on the figures. It's also a good idea to look at a range of sources and timeframes so we don't risk relying on one particular set.

Population and Household Projections

- 4.6 There are two main sources of population and household projections available to us - the Government's Office for National Statistics projections (various sets) and Cumbria County Council's POPGROUP model which develops and refines the Office for National Statistics data by running it through various scenarios. POPGROUP also converts households into dwellings.
- 4.7 There is more than one set of the Government's population and household projections, which were collated at different times and contain varying levels of detail. The most detailed set of each dates back to 2008 and was based on the 2001 census. More recent 2011 projections now start to take account of the 2011 Census but currently do not project beyond the year 2021 or contain the same level of detail. This means that we are faced with a choice over how we combine the more up to date 2011 figures with the detail and longer term trends available from the earlier projections.
- 4.8 The following table sets out the results of each set of projections, together with the relevant figures reported through the 2011 census.

Population Projections	Published	Notes	Population Census 2011	Population at 2011	Population at 2014	Population at 2021	Population at 2031	Annual rate of change 2011-21	% change 2011-21	Annual rate of change 2014-31	% change 2014-31
The 2008 based sub national population projections	May 2011	Based on the 'How Many Homes' datasets.	52,564	52,100	52,400	53,800	55,500	170	3.3%	172	5.9%
The 2010 sub national population projections	March 2012		52,564	52,500	53,000	54,400	56,100	190	3.6%	172	5.8%
The Interim 2011 sub national population projections	September 2012	Projects forward ten years only (2011-21). Project from the period 2006-11.	52,564	52,500	n/a	53,700	n/a	120	2.3%	n/a	n/a

Household Projections	Published	Notes	Households, Census 2011	Households at 2011	Households at 2013	Households at 2021	Households at 2031	Annual rate of change 2011-21	% change 2011-21	Annual rate of change 2014-31	% change 2014-31
The 2008 based sub national household projections	November 2010		23,043	23,100	23,400	25,000	26,800	190	8.2%	189	14.5%
The 2011 Mid-Year Estimates	April 2013	Figures are interim, and incorporate some information from the 2011 Census.	23,000	23,000	23,248	24,247	n/a	125	5.4%	n/a	n/a

What can we conclude from the projections?

We can note that for Eden both the 2008 population and households projections have done a good job of anticipating the actual position reported through the 2011 Census. The 2008 population projections showed a slight under estimate of 464 people for 2011, but this is still relatively marginal.

We can see that altering the timeframe across which we apply the 2008 household projections makes little or no difference to the result.

We can conclude that there is a clear variance between the 2010 and 2011 population and household projections - something has happened between the two sets that are significantly reducing the figures (there is a drop from 190 to 125 households over the period 2011 to 2021).

What's causing the difference?

4.9 We can't be sure, but we can apply some thinking as to what's causing it:

- **The effects of boom/recession?** Because projections are trend based it can make a lot of difference according to which period you base them on. There is an argument that the 2008 projections projected from a (five year) period of rapid economic growth and high housing demand, with an accompanying property boom. The 2011 projections may have started to pick up the effects of recession, which could have constrained people's ability to form households. However, the effects of recession really only started to be felt in 2009/10, meaning the five year period that the 2011 projections used was still one of strong economic growth. In addition, we know that Eden's main driver of economic growth is internal migration into the district of retired people, who will be less affected by recession (we will cover this later in this section). We therefore do not think the economy is the main reason, although a slowing down of the economy in the years before 2011 may have had a small effect.
- **Changes to the availability of mortgage finance?** It is possible that the later projections may pick up some degree the tightening of mortgage availability following the 2007/8 banking crisis. We suspect that this may have had some effect, although we would restate our point about the source of new households coming from older populations.
- **Changes in household size?** The 2011 figures are arguably more up to date as they use some 2011 Census data and more up to date migration data. Nationally, we know from the 2011 Census that the difference between the two may be down to lower household representative rates (ie household sizes have been decreasing at a lower rate than previously anticipated through the 2008 projections)³. This could indicate that the trend towards smaller households that featured in the 2000s (due to people living alone, marrying later, ageing and divorcing) has to an extent, flattened off - which, logically it must do at some point.

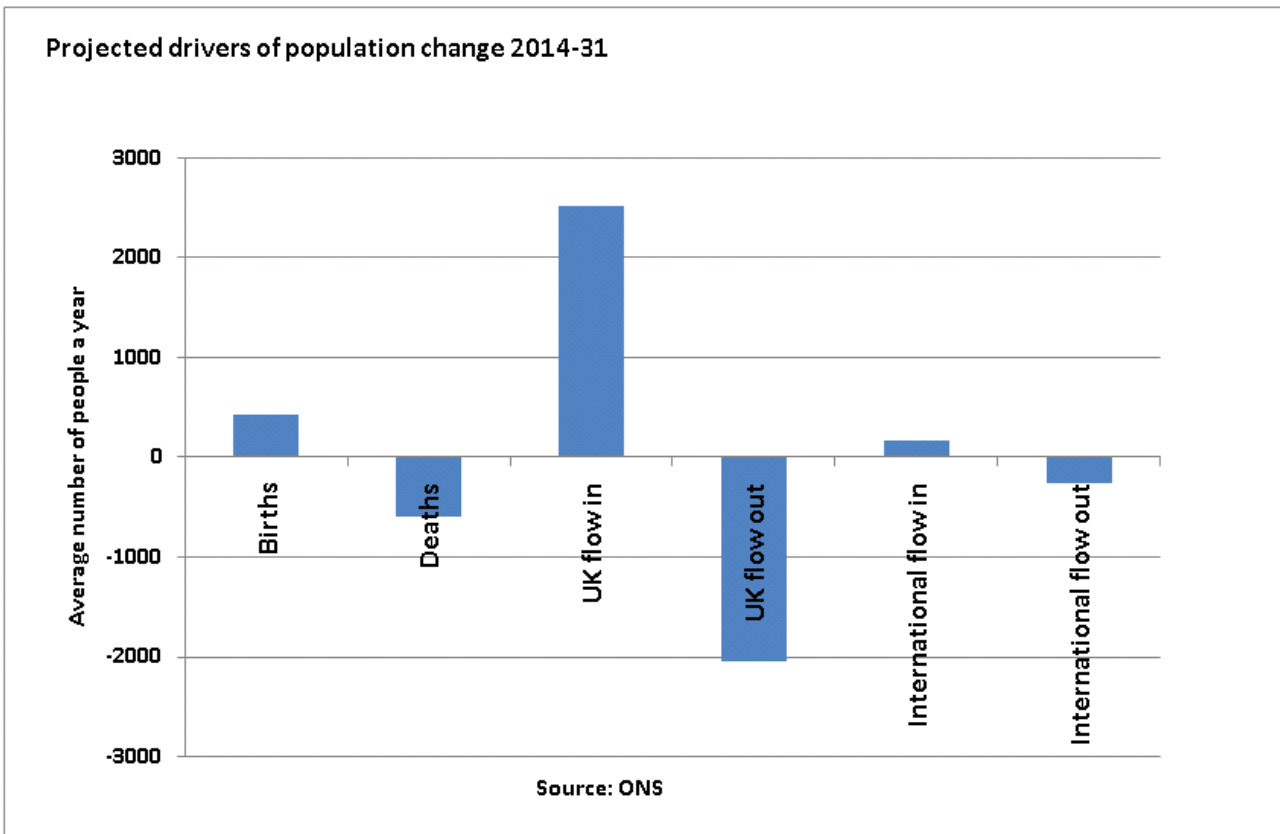
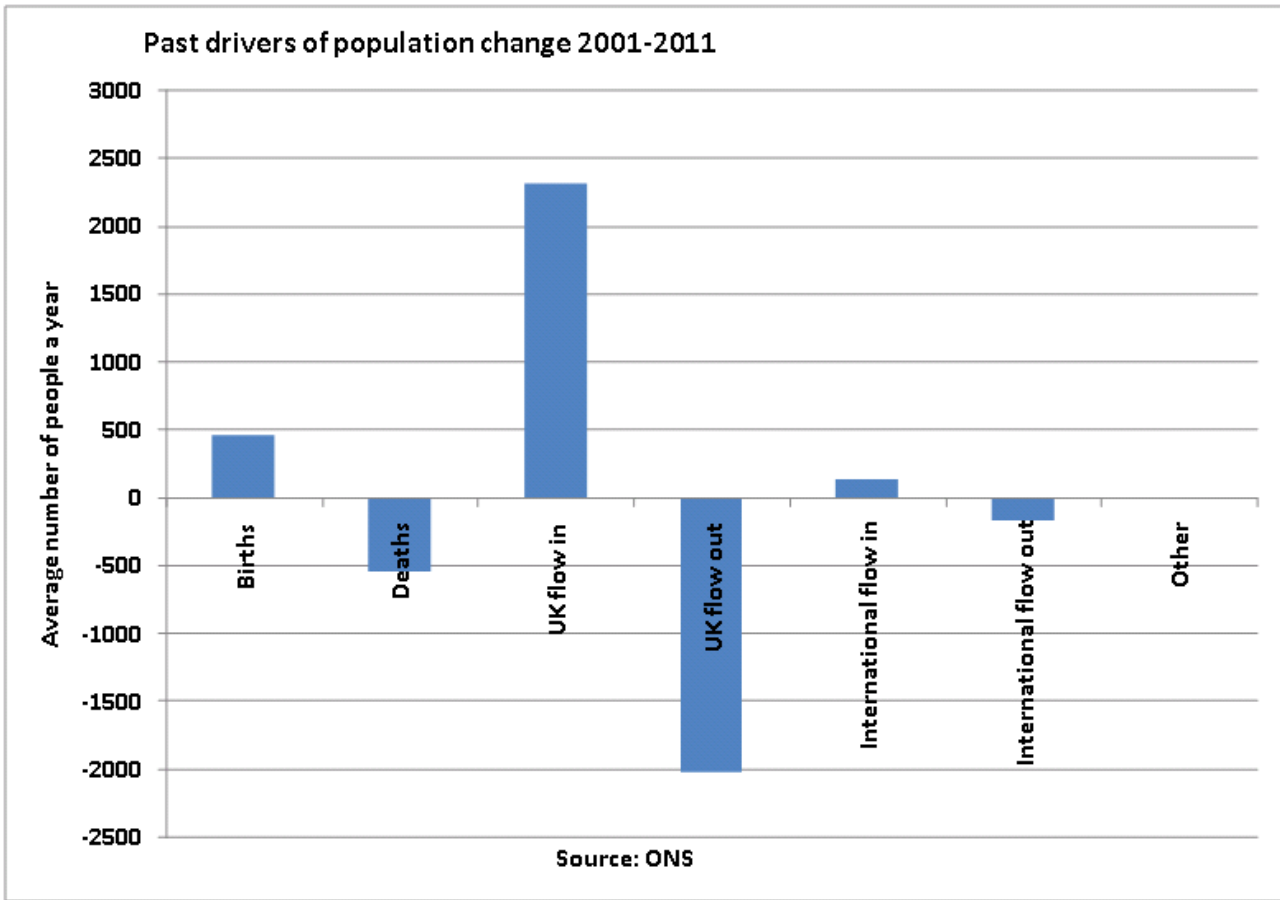
³https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/182417/MethodologyFinalDraft.pdf. See page 24

- **Fluctuations in migration patterns.** One possible explanation is that the projections for Eden are likely to be highly sensitive to migration patterns, given that natural change can be more robustly assessed. Our reasoning for this is that if you drill down into the 2008 projections (using the Government's 'How Many Homes' toolkit)⁴ this reveals the following:

Component of Change	Past Trends		Future Trends	
	Average annual change 2001 to 2011	Total change 2001-11	Average projected annual change for the period 2014-31	Total annual change 2014-31
Births	461	4,610	414	7,452
Deaths	-540	-5,400	-603	-10,854
Natural Change	-79	-790	-189	-3,402
UK flow in	2,305	23,050	2,518	45,324
UK flow out	-2,017	-20,170	-2,049	-36,882
UK internal migration	288	2,880	469	8,442
International flow in	131	1,310	167	3,006
International flow out	-168	-1,680	-274	-4,932
International migration	-37	-370	-107	-1,926
Other	-3	-30	n/a	
TOTAL	169	1,690	173	3,114

⁴ <http://howmanyhomes.org/5.html>

4.10 In graph form this looks like:



- 4.11 This shows that in terms of population projections our 'natural change' figure based on birth and deaths is projected to decline, and we are also projected to lose people going overseas. The majority of population change is made up of internal migration to Eden within the UK, with a net increase of people moving in over 20 years. This indicates that any changes in migration patterns will have a big effect on projections.
- 4.12 We also have some limited data on actual migration trends since the 2008 projections came out. ONS internal migration statistics show the following flows since 2008⁵:

Mid-year 2011-2012	Plus 200
Mid-year 2010-2011	Minus 100
Mid-year 2010-2009	Plus 200
Three year average	Plus 167

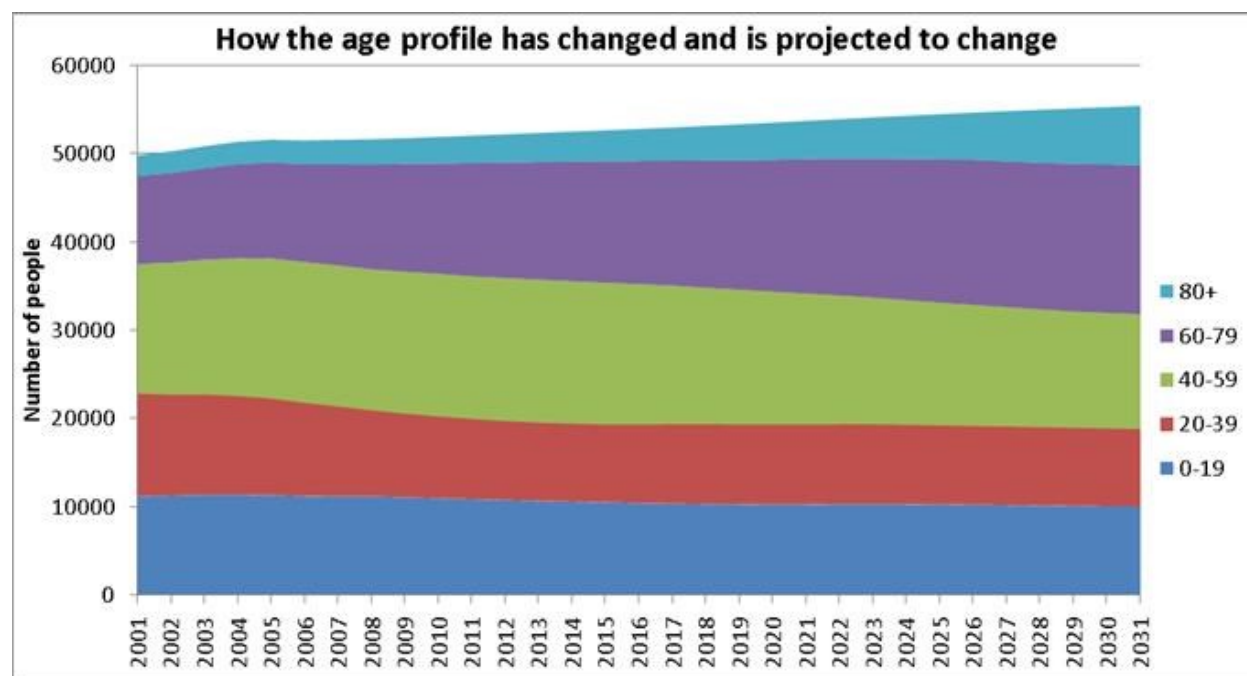
- 4.13 This is significantly below the 2008 projections of 464 people per year over the period 2013-31. It is also noticeable that this indicates small numbers which could be more prone to fluctuations. At this point the following caveats must be noted:
- Internal migration data is particularly prone to undercounting. It is based on education and health records, and young men in particular may not register with a GP. However, the sub regional population projections use the same data
 - The numbers are very small and we have only three years data since 2008.
 - There are fluctuations between the three years.
- 4.14 However, noting these caveats there is some evidence that the 2008 projections may have overestimated internal migration, at least for the start of the plan period.
- 4.15 To conclude our analysis of the differences between the 2008 and 2011 projections, although we can't be sure it is likely to be a combination of changes to migration trends and a fall in the anticipated decline in the size of households that may be producing the difference (which may be the result of lack of mortgage finance or high house prices). Our overall view is that as they are based on more up to date data the 2011 projections ought to provide a starting point, at least for the first ten years, but that we also need to take account of some further growth that 2008 projections have identified. Our approach is explained more fully in Task 4 - 'bringing the evidence together'.
- 4.16 Before moving on from the ONS projections, we can also look at trends in the age of the population, both past and present to see if they offer any explanation or insight into our eventual target:

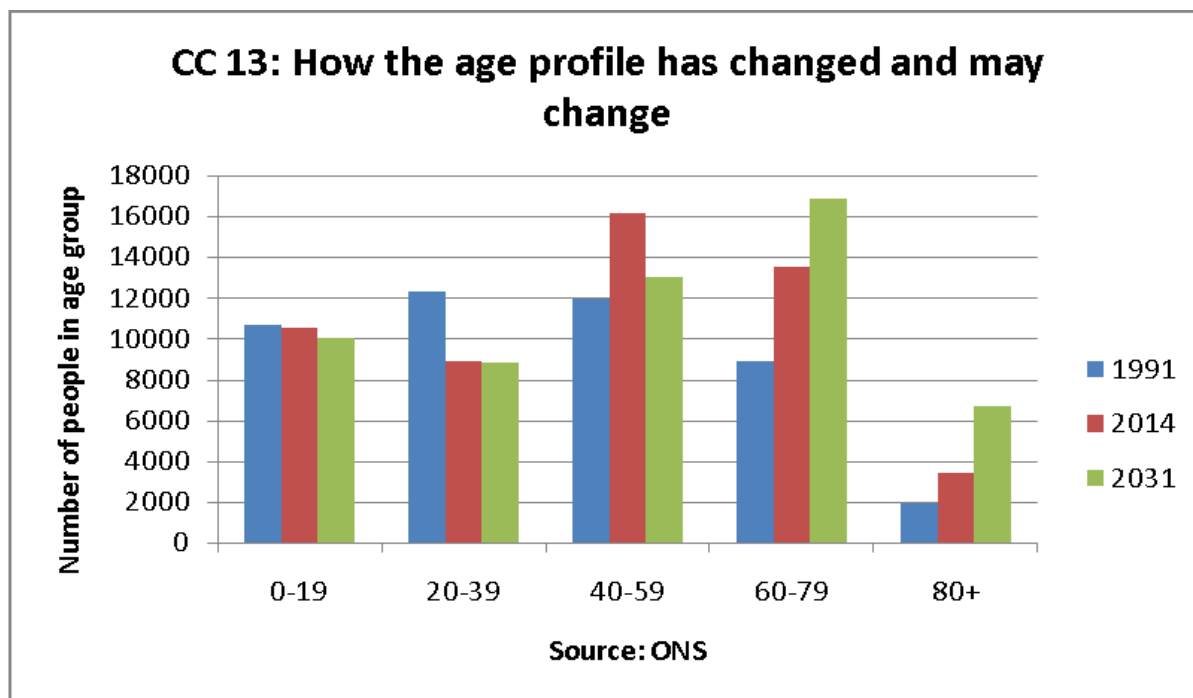
⁵ <http://www.ons.gov.uk/ons/rel/migration1/internal-migration-by-local-authorities-in-england-and-wales/index.html>

2008 ONS Projections - Age profile, past and projected: number of people in age group

Age range	2001	Percent	2011	Percent	2014	Percent	2031	Percent	Change 2001-11	Change 2014-31
0-19	11,155	22%	10,825	21%	10,565	20%	10,006	18%	-330	-559
20-39	11,722	24%	9,183	18%	8,902	17%	8,856	16%	-2,539	-46
40-59	14,678	29%	16,160	31%	16,159	31%	13,021	23%	1,482	-3,138
60-79	9,965	20%	12,805	25%	13,518	25%	16,860	30%	2,840	3,342
80+	2,359	5%	3,118	6%	3,404	6%	6,712	12%	759	3,308
All ages	49,879	100%	52,092	100%	52,548	100%	55,455	100%	2,213	2907

4.17 In graph form this looks like this:





4.18 This is also reflected in the 2011 projections. An analysis of the age range of the 'Household Representative Person' (HRP, the head of the household) suggest that all growth will come from households where the HRP is over 65.

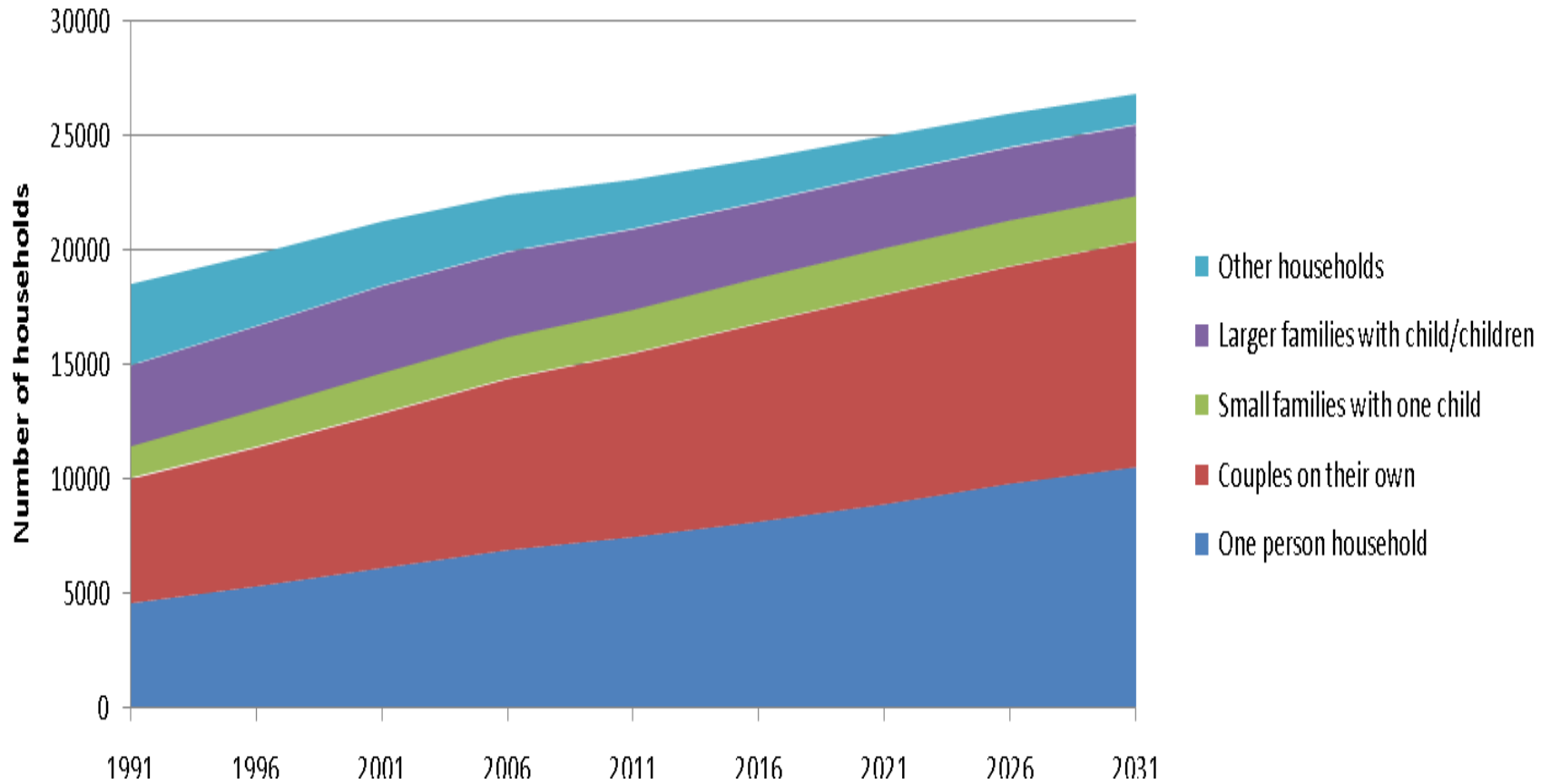
Age of HRP	Households (000s)				
	2011	2021	Change 11-21	% change by HRP	Annual change
<44	5977	5387	-590	-9.9	-59
45-64	9190	9126	-64	-0.7	-6
65+	7831	9733	1902	+24.3	+190
Total	22998	24246	1248	+5.4	+125

4.19 From this we can conclude that is an obvious trend at work here - we can see that all population cohorts under the age of 60 are forecast to decline, meaning net demand (gains minus losses) is entirely from those over 60. It is also useful to look at changes in households rather than population as it can start to tell us what sort of homes may be needed (sourced from the 2008 ONS household projections)

	2001	2011	2014	2031	Change 2001-11	Percent Change 2001-11	Change 2014-31	Percent Change 2014-31
One person household	6,130	7,486	7,889	10,534	1,356	22%	2,645	34%
Couples on their own	6,729	8,006	8,367	9,843	1,277	19%	1,476	18%
Small families with one child	1,783	1,919	1,919	2,000	136	8%	17	1%
Larger families with child/children	3,805	3,513	3,378	3,099	-292	-8%	-279	-8%
Other households	2,787	2,131	1,967	1,318	-656	-24%	-649	-33%
Total	21,235	23,054	23,583	26,794	1,821	9%	3,211	14%

4.20 In graph form the period from 1991 to 2031 looks like this:

How the household mix has changed and is projected to change



- 4.21 From this we can see that household size is due to fall over the next twenty years, with a big decline in families and an increase in one and two person households. This trend will have an impact on demand for housing, as smaller households will demand more houses.
- 4.22 Up until this point we have been discussing population and households. Ideally we need to see what this could mean for house building by converting from households to dwellings. We produce a figure by applying a ratio based on what we know the relationship is at the moment. According to the 2011 Census there were 25,305 dwellings in Eden, compared to 23,043 households - there are 8.9% more dwellings than households in the district. This is almost certainly down to a high rate of second homes in comparison with most other areas (the figure for England and Wales is 4.25%) If we apply an additional 8.9% to the 2011 projections we get:

Source	Method	Dwellings pa
Households	2008 ONS sub national projections, converted using ratio at 2011 Census.	2011-21: 207 2014-31: 206
Household Projections	2011 ONS estimates, converted using ratio at 2011 Census.	2011-21: 142

- 4.23 Our approach to reconciling the difference between the 2008 and 2011 projections is set out in the 'bringing the evidence together' together section at the end of this section.

POPGROUP Projections

- 4.24 Cumbria County Council runs what is known as the 'POPGROUP' model, which takes ONS projections and refines them to look at how they may change in response to changing some of the assumptions, for example on migration trends, past levels of house building and economic forecasting. It also converts households into potential dwelling numbers comparing past ratios of households to dwellings and projecting these forward. We can therefore use POPGROUP to 'pick apart' the ONS projections to see if there are any trends happening locally that may mean just relying on the ONS projections may lead to a figure that may not be right for Eden.
- 4.25 To begin with, the model outputs three scenarios are run against the basic model shown above, and this projects an annual dwelling requirement:
- A zero net population forecast - this projects natural population change (births and deaths only) and ignores any changes due to migration.
 - A population - led five year migration trend scenario (as above but with migration to and from the district from the UK and abroad projected from the last five years).
 - A population - led ten year migration trend scenario - as above but for a ten year trend.

The model was last run in early 2014 and gives us a series of annual dwelling figures for the period 2014-31:

	Method	Households pa	Dwellings pa
POPGROUP	zero net population	8	9
POPGROUP	population - led five year migration trend	49	54
POPGROUP	population - led ten year migration trend	135	148

4.27 Note: The POPGROUP 5 year estimates (164) are based on ONS 2011 midyear estimates hence there may be an element of suppression in the figures due to lack of household formation in the period from which the figures are projected.

What migration trend should we be looking at?

4.28 We know that the biggest factor affecting the projections is in migration trends, and our analysis of the ONS projections has shown that these can fluctuate and make a big difference to projections. We therefore need to be alive to the fact that the time period from which we project figures can change figures considerably. The ONS projections project a trend based on the past five years data. The POPGROUP figures shown above provide both five year and ten year past trend scenarios and given the large differences in ONS projections we think it is prudent to use a longer ten year migration trend as a benchmark against we establish our housing numbers.

Task 1 - What do we know so far?

- Deaths will exceed births for those already in the district over the next twenty years, leading to a decline in the natural population.
- Newer 2011 household projections show a drop of household formation compared to previous 2008 projections. We think this is most likely down to the sensitivity of migration trends, but some may be down to fewer numbers of smaller households forming than previously.
- The bulk of demand is coming from migration into the district from elsewhere in the UK.
- This migration data is very sensitive to fluctuations and it makes a big difference to the numbers if you change the period from which you project future trends.
- The vast bulk of demand is projected to come from the over 65s forming one and two person households.

5. Task 2 - Policy aspirations

5.1 Task 1 has established a range of housing need based on various demographic projections. Task 2 looks at some of the policy choices we need to consider which may influence what the most suitable housing target for Eden may be. In particular:

- Do we need to factor in any additional supply for those already here and inadequately housed, for those households that may form but won't be able to afford to buy or rent, or who may move in and struggle to find suitable accommodation? Do we want to boost supply to create more affordable (subsidised) housing?
- Have we been meeting our housing targets in the past, and if not, do we need to take this into account?
- Are we aware of any job gains or losses that may occur and may bring people in to the district?
- Is there pent-up demand in neighbouring districts which can't be accommodated within their own boundaries and for which Eden may need to make provision for?
- What have been the views expressed so far about housing targets in the district?

Those inadequately housed, present and future

5.2 Housing remains very expensive compared to incomes in Eden, making it very difficult for those who do not already own a home to buy one. Rents also remain high. One of the key challenges for the district will be to retain younger economically active people in the district, and it is the younger who most struggle to afford, particularly when competing with wealthy incomers. More affordable housing can be one way of tackling this issue.

5.3 The main way of delivering new affordable housing in the district is to work with developers so that a proportion of any new housing is delivered as affordable, with the subsidy or discount coming from either the public purse or from the developer, who can offset the price reduction against the amount they pay for land.

5.4 We therefore need to make an estimate of the need for affordable housing in the district, both now and in the future, as it will help tell us whether there is a need to adjust our targets to allow more affordable housing to come forward.

5.5 The definition of affordable housing need arises from the circumstances of those currently inadequately housed. In practice need refers to people who:⁶

- Don't have it, - sleeping rough
- Have it now, but not secure or safe - instability, eg because of domestic violence
- Have it now, but not enough of it - overcrowding

⁶ How Many Homes? - A Companion Guide, Local Housing Requirements Assessment Working Group, March 2013

- Have it now, but poor quality - dilapidated, cold, damp
- Have it now, but doesn't meet needs - for example, physical disability
- Have it now, but nowhere legal to stay - need a place to park a caravan eg Gypsies and Travellers
- Have it now, but need physical or social support - physical frailty, mental ill-health, learning disability
- Have it now, but too expensive - costs are an unacceptable proportion of income
- Have it now, but it's not where I need it - for example, it's not near their work in rural areas

Estimated housing need - The basic model

- 5.6 Numerous methods have evolved to estimate housing needs over the years. Most local authorities (including Eden) have in the past established an estimate of need through housing needs surveys. These used survey questionnaires filled in by a representative sample of households, with people asked whether they need to move in the coming years and whether they can afford to do so. We originally established a housing need figure in 2009 to support our current Core Strategy through our Strategic Housing Market Assessment (SHMA), as required by national policy⁷. This projected a housing need figure from a housing needs survey which took place in 2006. Needs surveys were subsequently carried out between 2010 and 2011.
- 5.7 For the purposes of establishing a housing target we are now encouraged by Government to rely on 'secondary' data (desk based research) to establish a figure. National planning guidance on establishing housing numbers states that "plan makers should avoid expending significant resources on primary research (information that is collected through surveys, focus groups or interviews etc. and analysed to produce a new set of findings) as this will in many cases be a disproportionate way of establishing an evidence base. They should instead look to rely predominantly on secondary data (eg Census, national surveys) to inform their assessment which are identified within the guidance."
- 5.8 This guidance also contains a basic methodology for establishing need. It suggests that current need should be established firstly by adding together the current unmet housing need (known as the backlog), Suggested data sources are:
- The number of homeless households
 - Those in temporary accommodation
 - Those in over-crowded housing
 - 'Concealed' households - family units within 'host' households
 - The number of existing affordable housing tenants in need
 - The number of households from other tenures in need and those that cannot afford their own homes

⁷ National Planning Policy Framework, DCLG 2011, para.159.

5.9 It then suggests we look at projected (or 'newly arising') need as new households form in the future, and suggests the following formula for establishing this:

5.10

Total newly arising housing need (gross per year) = (the number of newly forming households x the proportion unable to afford market housing) + existing households falling into need

5.11 Finally, we must then subtract the current supply of available affordable housing stock, along with any that may be built in the future to give an eventual figure.

5.12 It is this basic model that we will use. To help understand it, Bramley, Hawson et al⁸ refer to the analogy of a bathtub, in which the backlog (those who are currently homeless or inadequately housed) is the current level of water in the bath, the newly arising need in the future is the flow from the taps, and the supply of homes is the flow of water from the bath. This is referred to as a 'stock and flow' approach, recognising that the supply of homes (stock) may not always match the requirements (flow) of those in housing need in the future, which in turn can add to a growing backlog.

5.13 In practice, we have found that using this method and relying only on secondary data presents us with numerous difficulties in how to interrogate and interpret the available data. We have therefore made some changes to some of the suggested datasets where we think information we hold may provide a more robust assessment. To be clear as to what these are, after running our 'core assessment' we go on to examine some of the assumptions and limitations of the model, what they may mean and what the changes are if we run some alternative scenarios. These are set out in Appendix 1.

5.14 Because of these data and methodological limitations the following is not a definitive statement of housing need - it is our best estimate based on the available evidence. We are aiming to make sure any need figure established through the model does not 'fly in the face' of any evidence we can find. As when looking at the household projections, we are looking to establish a narrative around what the potential need for affordable housing may be so we can understand the pressure that it may exert on our eventual housing target.

Running the Model

5.15 Returning to the bath analogy, our core assessment of need is broken down into the following four stages:

- STAGE 1 - establishing current households in need (the 'stock', or the level of water in the bath tub)
- STAGE 2 - estimating newly arising need. (the flow of water into the bath) This is made up of three sources:
 - a) From those already in the district who are not currently households but will become one and will be unable to afford, eg teenagers forming their own households as they get older

⁸ (Estimating Housing Need, Bramley, Pawson, et al, DCLG 2010.)

- b) From those already in the district who will fall in to need - eg existing households in suitable accommodation that find they need affordable housing as the result of a job loss, marital breakdown etc.
 - c) From those migrating in to the district from elsewhere and requiring affordable housing
- STAGE 3 - looking at the potential stock of affordable housing now and in the future to meet that need (our ability to drain the bath)
 - STAGE 4 - converting the stock and flow of need into an annual figure
 - STAGE 5 - Applying housing need to our plan target.

Stage 1: Current households in need

5.16 We start by estimating our current need for affordable housing from people already in the district. We establish a gross figure rather than net as we will be deducting supply from this figure later on.

5.17 The Government has suggested various sources of data in its online NPPF guidance. They provide the following numbers for Eden:

Raw Data	Source and Notes	Results
Homeless households	EDC housing register	0
Households in temporary accommodation	EDC	0
Those in overcrowded accommodation	Census 2011. Overcrowded households are defined as having an occupancy rating of -1 or less. This shows that there is at least one too few bedrooms to adequately accommodate the individuals residing there.	824
Concealed households	Census 2011. This covers 'concealed families' - couples and lone parents with and without dependent children ie not adult children living at home with no children of their own.	161
The number of existing affordable housing tenants in need	It is not clear what this means in practice but is presumably referring to tenants in affordable housing who need cheaper affordable housing. This is not available through analysis of secondary data.	0
The number of households from other tenures in need and those that cannot afford their own homes.	We have taken this as everyone currently on the EDC Housing Register.	421

- 5.18 Guidance then goes on to say that care should be taken to avoid double counting. This presents us with our first practical difficulty as in practice this is next to impossible. The numerous datasets will overlap - for example concealed households may also suffer from overcrowding - and we have no way of working the extent in the absence of a full housing needs survey where individuals' housing needs can be analysed.
- 5.19 Our approach to looking at current need has therefore been to establish a **minimum** need figure by taking the housing register figure as our current baseline need, as this is a definite and robust measure of need at present. It is, however, likely to be an under estimate of need as it does not necessarily take account of housing need arising from overcrowded and concealed households who are not on the register. We therefore establish a high need figure based on the number of overcrowded households (which is a higher figure than concealed households).
- 5.20 Once we have an indication of the level of current housing need we then apply an 'affordability test' to work out how many of those in need can afford to resolve their situation without help. For those currently in need we have used the percentage of those who responded to the last housing needs survey saying did not have sufficient income to secure their own accommodation in the form of private rental (53%). This figure is based on recent needs work is consequently considered as more robust than using secondary data, although we do compare the two at a later stage. We have taken private rental only as this is a cheaper option than home ownership and everyone who cannot afford market rents will also not be able to afford to buy.
- 5.21 The results of this stage are:

Stage 1 - Estimating current need (gross)	Source and Notes	Results
Homeless households	EDC housing register	Included in 'other groups'
Households in temporary accommodation	EDC	0
Overcrowding	Census 2011. Omitted in the minimum figure to avoid double counting with waiting list, but used to establish a higher figure.	824
Concealed households	Census 2011.	Omitted to avoid double counting with overcrowded households.
Other groups	EDC Housing Register. In the absence of survey data certain groups were identified on the Housing Register as currently in unsuitable housing as a minimum of	421

Stage 1 - Estimating current need (gross)	Source and Notes	Results
	current housing need. Waiting List band A, B, C, plus D+ who need to move specifically for employment, and band E currently in arrears but will likely clear, were identified. The Register also includes those who have been entered as homeless. Those who would like to move but are not in unsuitable housing have been excluded.	
Affordability	Income of 2011 Penrith survey respondents, and Right Move Private Rental costs. The Penrith survey was used as it is the most up to date and has a very robust sample size.	223 (53%) based on the housing register 437 (53%) based on overcrowded households.

5.22 Through Stage 1 we have established our range of current housing need as 223-437 households.

Stage 2: Need from potential new households (newly arising need)

5.23 Next we look at the 'flow' of new housing need that may occur in the future. There are three potential sources of newly arising need arising from new households forming in the future:

- From those already in the district who are not currently households, for example teenagers who may wish to leave home in the future
- From those already in the district who will fall in to need
- From those migrating in to the district from elsewhere and requiring affordable housing.

5.24 In practice, these groups are the most difficult to make an accurate assessment for. Numerous methods have emerged, with government guidance suggesting some data sources to calculate this - namely the household projections, the English Housing Survey, local authority and registered social landlords databases, and mortgage lenders.

5.25 We have used household formation data from the 2006 Housing Needs Surveys as we consider this to be the most robust source. This is calculated by looking at household formation data from the needs survey, comparing it with the total number of households in the district and then applying that percentage to the number of households at 2011. We have not used the English Housing Survey (EHS) formation rate as this is a national figure only. We know from the Housing Needs Surveys, previous actual formation rates compared over the past two sets of Census results and household projections that the EHS figure for Eden is likely to

be significantly lower than its four year annual national rate of a 1.63% increase in households (2008-12). This is likely due to the rural nature of the district and its older population. We have instead used a figure of 0.73% based on past Housing Needs Surveys.

Stage 2a	Source and Notes	Results
New households wishing to form (gross)	Previous 2006 survey data on the percentage of emerging households in unsuitable housing.	173
Affordability test	Income of 2011 Penrith survey respondents, and Right Move Private Rental costs. The Penrith survey was used as it is the most up to date and has a very robust sample size. Note the affordability test (88%) is higher than the 52% for current households - this is because newly forming households are generally younger and tend to earn less.	152 (88%)

Existing households falling into need

- 5.26 Next, we look at the number of existing households which past trends indicate may fall into need. This is estimated using data from social housing lettings records which identifies specific 'unexpected' or reasons for requiring re-housing (eg domestic violence, relationship breakdown). It could also be termed 'emergency need'.

Stage 2b	Source and Notes	Results
Existing households falling into need	Continual Recording of Lettings and Sales (CORE) Data. An affordability ratio has not been applied as households will have to have been in need to take up accommodation. Reasons for falling into need are loss of tenancy or tied accommodation, eviction, domestic violence, relationship breakdown, or asked to leave. The figures do not therefore include anyone falling into need because of an expanding household ie those having children and requiring larger accommodation.	64

- 5.27 Finally, there is potentially a need for affordable housing arising from people moving in to the area who are unable to afford to buy or rent suitable property. In practice this is difficult to assess (we have no incomes data) and we know from the population projections we looked at in Task 1 that on a net level, migration into Eden is made up of those over 60 years old. It is far more likely that people within this age range will have access to equity or savings that will allow them to secure their own housing in the market - nationally in 2011/12 only 10.5% of people over 65 were still paying off a mortgage⁹. Under current policy those arriving in the district

⁹ Department for Communities and Local Government, Survey for English Housing. Table FC2521.

will also not qualify for affordable housing as they will not meet local occupancy criteria at least in the short to medium term. We have therefore not at this stage factored in any need arising from these households at this stage.

Stage 2c	Source and Notes	Results
Housing need arising from in migration	ONS Household Projections 2008.	0

5.28 If we add the results of stages 2a and 2b together this leaves us with a newly arising needs figure of 216 homes (152+64).

Stage 3: Minus affordable housing supply

5.29 We now need to take out any available or potentially available stock to meet current and newly arising need. This is assessed as follows:

Stage 3 - Affordable housing supply	Source and Notes	Result
Affordable dwellings occupied by households in need	n/a - already excluded as a demand figure	
Surplus stock	Registered Providers	0
Committed supply of new affordable stock	EDC Planning Department – 109 affordable dwellings are committed. Annualised over five years this gives 22 homes per year. For comparison CORE data gives a figure of 23 dwellings p.a. 2008/9 - 2012/13.	22
Units to be taken out of management	Registered providers	0
Annual supply of social re-lets (net)	CORE data 2008/9 - 2012/13 annual averages. Excludes new built stock.	117
Annual supply of intermediate stock available for re-let/sale at sub market levels	CORE 2008/9 - 2012/13 annual average	3
Supply of affordable housing		142

Stage 4: Converting the stock and flow of need into an annual figure so we can apply it to a housing target.

We now work out annual need by subtracting supply from demand:

			Eden District
Total households>>>			23,043
Stage1: Current Need			
1.1	Homeless households and those in temporary accommodation	Annual requirement	0
1.2	Overcrowded households	Current need	824
1.3	Other groups	Current need (Waiting list)	421
	A. Affordability test (waiting list)	53% cannot afford	223
	B. Affordability test (overcrowded households)	53% cannot afford	437
Stage 2: Future Need			
2.1	New household formation (Gross per year)	based on actual household formation rates	173
2.2	Number of new households requiring affordable housing	88% cannot afford	152
2.3	Existing households falling into need	Annual requirement	64
2.4	Total newly-arising housing need (gross each year)	2.2 + 2.3	216
Stage 3: Affordable Housing Supply			
3.1	Committed supply of new affordable units	Total annual	22
3.2	Units to be taken out of management	None assumed	
3.3	Total affordable housing stock available	3.1+3.2	22
3.4	Annual supply of social re-lets (not new build, net)	Annual Supply (3 yr. average)	117

3.5	Annual supply of intermediate affordable housing available for re-let or resale at sub-market levels	Annual Supply	3
3.6	Annual supply of affordable housing	3.2+3.4+3.5	142
Stage 4: Estimate of Annual Housing Need			
4.1	Total backlog need	1.4A-3.5	223 - 437
4.2	Quota to reduce over 5 years (20%)	4.1/5	45
4.3	Annual backlog reduction	Annual requirement	45 - 87
4.4	Newly-arising need	2.4	216
4.5	Total annual affordable need	4.3+4.4	261-303
4.6	Annual affordable capacity	3.6	142
5	Net annual shortfall	4.5- 4.6 NET	119-161

Stage 5: Applying an element of housing need to the plan target.

- 5.31 At this point we cannot just multiply these figures by 18 to give us an annual average over our plan period as this would be mixing together current stocks and future flows of both need and supply. The net annual shortfall figure quoted in the table above is a snapshot in time, boosted to clear a current backlog of housing need over the next five years. This is a limitation in current methods of establishing need, which tend to operate only over a short period.
- 5.32 We therefore need to translate our housing need into an annual figure which can then be factored in to our annual housing targets. Our own approach is to establish a 'trajectory of need' which tracks the supply and demand for affordable housing across the plan period.
- 5.33 Returning once again to our bath analogy, in policy terms we are trying to make sure the level of need in the bath is not rising, and ideally falling:
- We start by taking the current level of need (the bathwater, or 223-437 households).
 - We then look at how much affordable housing supply we have coming through the system to help meet this need. If we take the first five years of the plan period 142 homes per year will be available to help meet current need (or drain the bath). This is calculated as 120 social or intermediate re-lets (117 plus 3) plus 22 units in the form of committed new stock (22 is the 109 divided by five, with 109 being the number of new affordable homes with planning permission). Note that the calculation is run from 2013 rather than 2014 as this is the latest year we have planning permissions data from.
 - Assuming the bath taps are turned off (there is no newly arising need) if we wanted to drain the bath over the first five years of the plan period and remove current need this would involve providing 45-87 affordable homes per year (our need range of 223-437 divided by five).

- We have 710 affordable homes becoming available over the first five years (142 x 5), compared to our current need range of 223-437, meaning this current need can easily be cleared.
- However, in addition, we have ‘newly arising need’ (the taps are turned on), at an estimated rate of 216 households per year. For the first five years this is based on housing need survey data so is likely to be more robust. Beyond this we assume newly arising need will follow the same trend. To test this assumption we have looked at the number of requests to be added to the housing waiting list. There are around 500 additions to Eden’s housing waiting list each year, the vast majority of which are not in priority ‘emergency’ need. The following table shows numbers on the list over the past eight years and show that they remain fairly static at 900-1000 households per year, indicating that if past trends continue this type of need should not increase year on year.

Year	Numbers on Waiting List
2006	1,043
2007	1,040
2008	1,045
2009	814
2010	930
2011	1,311
2012	912
2013	1,012

- We then run into another methodological quandary as we need to estimate affordable housing supply in the longer term without knowing exactly how much affordable housing will be built beyond the first few years. We have therefore made an assumption. Firstly, we assume that the annual supply from re-lets and intermediate housing remains constant. Secondly for the period 2018-31 we assume a new affordable housing supply to 57 units by 2031. This figure has been chosen as it represents the current policy target of 30% all new homes being affordable out of a total of 190 dwellings derived from Task 1.

5.34 If we then track the demand for, and supply of affordable housing over the plan period and annualise the figures this gives:

	Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	Total	
NEED	Current need, annualised to clear over five years - HIGH ESTIMATE	87	87	87	87	87	0	0	0	0	0	0	0	0	0	0	0	0	0	0	435	
	Current need, annualised to clear over five years - LOW ESTIMATE	45	45	45	45	45																225
	Newly arising need	216	216	216	216	216	216	216	216	216	216	216	216	216	216	216	216	216	216	216	216	4104
	Total demand HIGH ESTIMATE	303	303	303	303	303	216	216	216	216	216	216	216	216	216	216	216	216	216	216	216	4539
	Total demand LOW ESTIMATE	261	261	261	261	261	216	216	216	216	216	216	216	216	216	216	216	216	216	216	216	4329
SUPPLY	Committed new stock (annualised)	22	22	22	22	22																110

	Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	Total
	New supply						57	57	57	57	57	57	57	57	57	57	57	57	57	57	798
	Annual supply of social re-lets (net)	117	117	117	117	117	117	117	117	117	117	117	117	117	117	117	117	117	117	117	2223
	Annual supply of intermediate stock available for re-let/sale at sub market levels	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	57
	Total Supply	142	142	142	142	142	177	177	177	177	177	177	177	177	177	177	177	177	177	177	3188
Net Need	High Estimate	161	161	161	161	161	39	39	39	39	39	39	39	39	39	39	39	39	39	39	1351
	Low Estimate	119	119	119	119	119	39	39	39	39	39	39	39	39	39	39	39	39	39	39	1141
Annualised need High Estimate																					71
Annualised need Low Estimate																					60

- 5.35 This would mean annualised housing need over the period 2013-2031 of **60-71 households**.
- 5.36 We term this our 'core estimate'. We do not convert this into dwellings it is partly modelled through looking at supply and we assume that as affordable housing we do not need to factor in any unoccupied dwellings (the main difference between households and dwellings in Eden is driven by second home ownership.)
- 5.37 We then establish a final need figure of 60 households per year. We have chosen the minimum figure as:
- Our overall net need calculation exceeds any figure provided by simply applying an affordability ratio to new household formation, as suggested by the NPPF (see Appendix 1 for details).
 - There is an obvious tension between the results of the household projections and the level of need being reported through the needs surveys. On the one hand household projections are telling us that 188 households are projected to form per year overall and that on a net level this will entirely come from in-migration, with the level of 'natural change' reported through POPGROUP of only 9 household per year overall (ie not just those in need). On the other we have housing needs survey data where a much larger figure of 216 households were expected per year to form from those already in the district (albeit only for a five year period). Some of this can be explained through household suppression due to lack of supply and high prices, as well as an element of 'aspirational' need being reported in the surveys. However, our need figure, if delivered would potentially deliver at rates well above that required to meet natural change only and would go some way to meeting possible need arising from in migration. We would therefore conclude that our range of need is if anything an over estimate.
 - Annual affordable housing completions for the past ten years have been 30 dwellings - this figure therefore remains challenging in the context of past delivery.
- 5.38 A full critique or self-assessment of our method for calculating housing need, as well as an examination of possible alternative results is contained at Annex 1.

What's happening in the housing market?

- 5.39 National guidance suggests that a housing target should be set to reflect appropriate market signals. Suggested signals are changes in land and house prices, rents, affordability and overcrowding.
- 5.40 The goal is work out whether there is anything happening in the market that may render any house building target an under or over estimate. The recent recession has been more prolonged than any other recession period, and we know that nationally at least the housing industry has been deeply affected, the consequence of lack of available finance, lack of demand from buyers and unrealistic expectations amongst landowners about high land prices. Conversely, there may be signs that the housing market is picking up. It is therefore a valid question as to whether demand exists to take up any new supply that may be built. The use of market signal data can, if we examine it against national and regional trends and those of our neighbouring authorities can help tell us whether the district is

exhibiting any housing market 'hotspot' type behaviour or is suffering from comparative low demand.

Land and house price trends

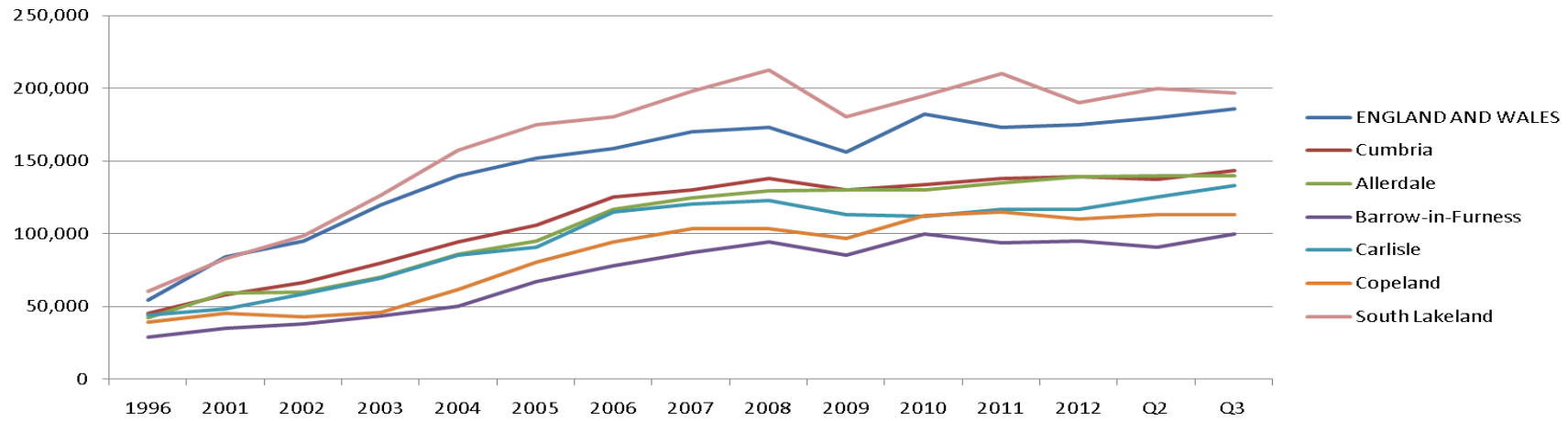
- 5.41 Information on local land prices is not easily available without a significant amount of research or cost. Publicly available information from the Royal Institute of Chartered Surveyors and the Valuation Office tends to focus on cities only. Regional information was available on residential land prices from the Department of Communities and Local Government¹⁰ but was only collected at regional level until 2011. The one most marked historical trend it does show for the north west was a large increase in the price of a hectare of land with outline from planning permission over the period 2001-2006 (from £744,421 to £2,226,536) which then fell back to £1,327,120 by the year 2011, suggesting that there is room for a rise in prices in the future.
- 5.42 As a proxy for land prices we have looked at house prices in Eden compared to other areas and also at the take up of some of the larger schemes that have come forward in the district. Taking median house prices over time and comparing them with elsewhere shows:

¹⁰ Department of Communities and Local Government, Live Table 563. Value of residential land with outline planning permission.

Median House Prices 1996 - 2012 (£)¹¹

	1996	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	Q2	Q3
ENGLAND AND WALES	54,000	83,725	95,000	120,000	139,950	152,000	158,500	169,950	173,500	156,000	182,500	173,000	175,000	180,000	186,000
North West	44,500	56,500	61,500	74,000	92,000	110,000	119,950	128,500	129,500	120,000	123,000	124,645	-	-	-
Cumbria	45,000	57,500	66,500	79,500	94,078	106,000	125,000	130,000	137,750	130,000	134,000	138,000	139,000	137,500	143,500
Allerdale	42,250	59,500	60,000	70,000	86,000	95,000	117,000	125,000	129,500	130,000	130,000	135,000	139,500	140,000	139,950
Barrow-in-Furness	29,000	35,000	38,000	43,825	49,950	67,000	78,250	87,250	94,750	85,500	100,000	94,000	95,000	91,000	100,000
Carlisle	43,998	48,000	58,500	69,500	85,000	90,500	114,950	120,000	122,500	113,000	112,000	116,500	116,800	125,000	133,000
Copeland	39,000	45,000	42,500	45,603	61,500	80,500	94,500	103,500	103,500	97,000	112,750	115,000	110,000	113,000	113,226
Eden	52,000	69,975	81,000	110,500	153,000	165,000	172,000	170,000	205,000	162,500	178,000	176,250	160,000	165,000	170,000
South Lakeland	60,000	82,750	97,995	126,450	157,500	175,000	180,500	197,750	212,500	180,000	195,000	210,000	190,000	199,500	196,850

¹¹ Department of Communities and Local Government, Live Table 582. Housing market: median house prices based on Land Registry data, by district, from 1996 (quarterly)



	% change 1996-2012	% change 2006-2012
England and Wales	344%	117%
Cumbria	319%	115%
Allerdale	331%	120%
Barrow-in-Furness	345%	128%
Carlisle	302%	116%
Copeland	290%	120%
Eden	327%	99%
South Lakeland	328%	109%
	% change 1996-2012	% change 2006-2012
England and Wales	344%	117%
Cumbria	319%	115%
Allerdale	331%	120%
Barrow-in-Furness	345%	128%
Carlisle	302%	116%
Copeland	290%	120%
Eden	327%	99%
South Lakeland	328%	109%

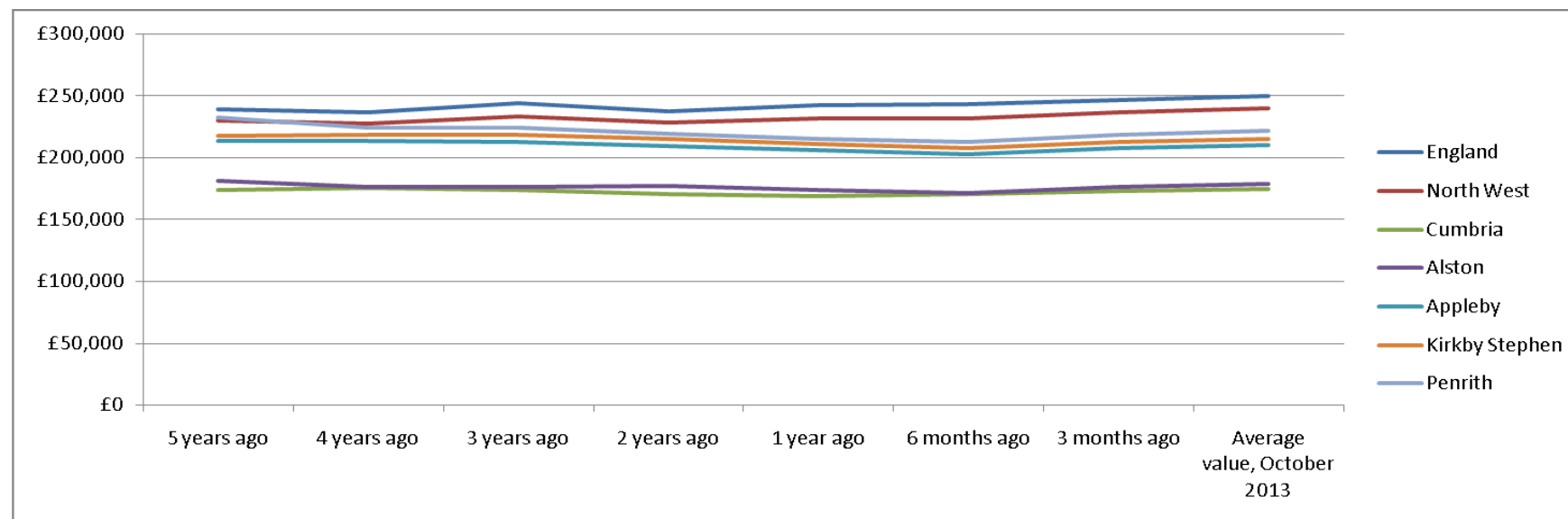
5.43 Much care needs to be taken when looking at median house price data for Eden, as compared to other areas it has relatively small turnover in the housing market. Bearing in mind this caveat prices have remained below the national median over the period 1996-2012 but remain higher than other Cumbrian districts with the exception of South Lakeland. House price trends do not diverge greatly from other areas and follow a national trend. Of note, compared to England and Wales and the other Cumbrian districts Eden was the only place not to show house price increases since 2006. For these reasons we can conclude that market signals on house prices show that the district is not showing any 'hotspot' type behaviour compared to its neighbours.

5.44 The next questions is whether, after the recession the market is showing any sign of picking up. Recent trend house price data is available from Zoopla's 'zed-index', which measures the average property value in a given area based on current Zoopla Estimates. This can also be broken down into our four main towns:

House Price Trends

	5 years ago	4 years ago	3 years ago	2 years ago	1 year ago	6 months ago	3 months ago	Average value, October 2013	Number of sales over five years	On sale, October 2013	Turnover
England	£239,189	£236,301	£243,545	£237,091	£242,443	£242,892	£246,347	£249,912	-	-	-
North West	£229,592	£227,146	£233,122	£228,118	£231,321	£231,432	£236,550	£240,155	-	-	-
Cumbria	£173,398	£175,453	£174,118	£170,327	£168,510	£169,816	£172,460	£174,483	27,627	4,583	10.3%
Alston	£181,393	£176,192	£176,802	£177,014	£174,125	£171,503	£176,447	£178,854	95	112	7.3%
Appleby	£213,019	£212,889	£212,485	£209,119	£205,434	£202,337	£206,895	£209,519	338	79	10.0%
Kirkby Stephen	£216,975	£217,856	£217,958	£214,592	£210,907	£207,810	£212,368	£214,992	228	97	7.7%
Penrith	£232,500	£224,599	£224,281	£219,367	£215,055	£212,829	£218,864	£221,775	1,882	357	9.4%

(Note: turnover is calculated by dividing the number of sales over the last 5 years (excluding new build properties) by the number of homes in a given area)



5.45 Again, care needs to be taken when looking at figures for smaller market areas due to low turnover. We can see whilst nationally and regionally house prices showed a slight dip two to three years ago but then recovered, where in Cumbria there has been a decline over the past three years which has only just been converted into positive growth, along national trends. This indicates a recovery in the market, albeit one that is slightly behind national trends.

Demand for New Housing

5.46 There is also evidence of developer willingness to invest in the district, driven by demand for new homes. Developer confidence in Penrith remains high, with Persimmon currently pursuing planning permission for around 550 units at Carleton Fields.

5.47 We also know that sale of new stock is rapid - nine of the initial ten first flats released at Penrith New Squares sold through the Cumberland Building Society, all to local people. New developments at Tudor Court and Lady Anne Court all sold rapidly. Outside Penrith, all but one of the 48 properties at Clifton Hall Gardens (Story Homes) has been bought, and at Kirkby Stephen, all but four units of the still to be completed at Birkbeck Gardens (also Story Homes) have been bought.

Rents

5.48 The Valuation Office publishes some information on private rents. However, it is only available from 2010/11. Median National, regional and local median rents are as follows:

Average Rents

	Room		Studio		One bedroom		Two bedrooms		Three bedrooms		Four or more rooms		All properties		All Properties
	2010/2011	2012/2013	2010/2011	2012/2013	2010/2011	2012/2013	2010/2011	2012/2013	2010/2011	2012/2013	2010/2011	2012/2013	2010/2011	2012/2013	% Change
England and Wales	£321	£385	£475	£477	£495	£500	£550	£575	£650	£650	£1,000	£1,100	£570	£585	+2.6%
North West	£286	£325	£350	£330	£415	£410	£495	£495	£575	£585	£795	£799	£495	£495	0.0%
Cumbria	£295	£303	£300	£315	£380	£390	£450	£450	£550	£550	£700	£700	£450	£460	+2.2%
Allerdale	£390	£375	£310	£295	£347	£350	£425	£425	£495	£510	£678	£670	£435	£450	+3.4%
Barrow-in-Furness	£303	£282	-	-	£340	£350	£400	£400	£425	£530	£650	£650	£415	£430	+3.6%
Carlisle	£295	£303	£300	£325	£375	£370	£430	£430	£520	£525	£650	£678	£440	£450	+2.3%
Copeland	-	£347	£288	-	£370	£380	£400	£425	£475	£495	£700	£700	£425	£450	+5.9%
Eden	£282	£312	£295	£280	£420	£410	£475	£495	£575	£575	£750	£740	£500	£510	+2.0%
South Lakeland	£325	£325	£335	£350	£450	£455	£550	£565	£675	£675	£848	£825	£573	£575	+0.3%

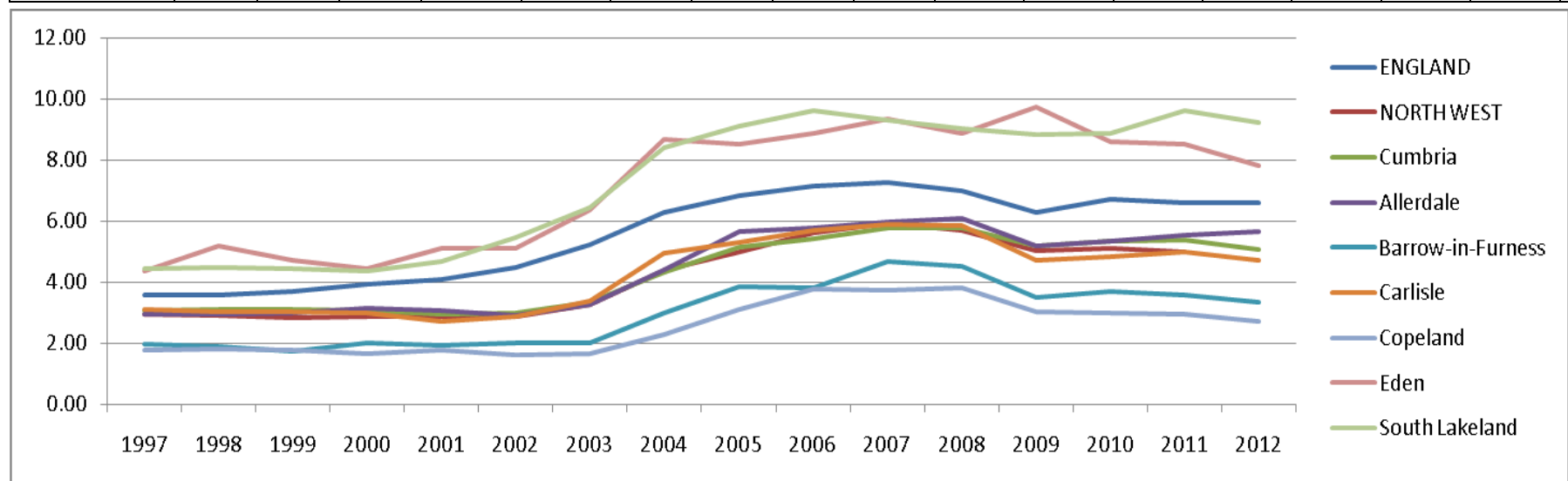
(Source: Valuation Office Private Rental Market Statistics.)

5.49 Rents over the past two years appear to be mirroring national and county trends. Rental levels are above average for the County; however they are below median levels for England and Wales, and less than in South Lakeland. Rents have remained fairly static over the past year, with the exception of a rise in rental levels in two bedroom properties.

5.50 Guidance also suggests that we look at affordability. The ratio of lower quartile incomes to lower quartile house prices is:¹²

¹² Department of Communities and Local Government, Live Table 576 Housing market: ratio of lower quartile incomes to house prices 1997-2012

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	% Change 1997-2011	% change 2006-2012
England	3.57	3.57	3.68	3.91	4.08	4.45	5.23	6.28	6.82	7.15	7.25	6.97	6.28	6.69	6.57	6.59	185%	92%
North West	2.95	2.91	2.84	2.89	2.87	2.88	3.28	4.43	4.99	5.62	5.93	5.71	5.02	5.12	4.99	-		
Cumbria	3.07	3.08	3.08	3.05	2.95	2.97	3.32	4.30	5.13	5.41	5.75	5.75	5.15	5.31	5.38	5.04	164%	93%
Allerdale	2.97	2.96	3.00	3.17	3.09	2.93	3.27	4.40	5.65	5.77	5.97	6.09	5.18	5.36	5.54	5.64	190%	98%
Barrow-in-Furness	1.97	1.90	1.73	2.00	1.91	1.99	2.01	3.00	3.85	3.81	4.69	4.51	3.48	3.71	3.58	3.36	171%	88%
Carlisle	3.12	3.05	3.04	3.00	2.72	2.89	3.41	4.94	5.32	5.71	5.90	5.87	4.74	4.85	5.01	4.71	151%	82%
Copeland	1.78	1.83	1.79	1.65	1.78	1.62	1.65	2.27	3.12	3.77	3.73	3.80	3.04	3.00	2.93	2.73	153%	72%
Eden	4.35	5.19	4.70	4.43	5.11	5.11	6.35	8.64	8.50	8.86	9.32	8.86	9.72	8.59	8.52	7.80	179%	88%
South Lakeland	4.41	4.46	4.43	4.35	4.67	5.45	6.44	8.42	9.12	9.62	9.32	9.04	8.84	8.90	9.63	9.25	210%	96%



- 5.51 The table and graph show that affordability in Eden is worse than both the national average and for Cumbria, and is only outstripped by South Lakeland. They also show that affordability remained fairly static throughout the late 1990s before climbing in line with national trends. However, there has been an improvement in affordability over the past three or four years which is not the case nationally. Overall though, with a lower quartile income multiple of 7.8 needed to secure an entry level place affordability clearly remains an issue.
- 5.52 Overall, we can see that compared to its neighbours Eden is following similar trends in the housing market, and it is not displaying unusual or hotspot type behaviour. We also have no evidence to suggest that there is a lack of demand for new housing.

How do we deal with past housing completion shortfalls?

- 5.53 The current Core Strategy runs from 2003-25 and contains a figure of 239 dwellings per year. Over the first ten years (2003-14) 1,380 homes have been built - or 138 per year, against a target of 2,151. This means there is a 'shortfall' of 1,013 houses which should have been built in the past but weren't. The next Local Plan will run from 2014-31, leaving us with the question of what do we do with this shortfall - do roll all or some it forward or ignore it?
- 5.54 There's no set or agreed way of doing this and two schools of thought exist:
1. If our evidence is up to date this will take into account of anyone who's not been adequately housed from that point forward, there's no need to take account of any shortfall. Housing projections will take into account unmet need, and lack of completions may be the result of a previous over estimate of need.
 2. We should include at least some the shortfall. Past undersupply may have caused pent up demand with fewer households forming. Because projections project from past trends they mask this trend and do not reflect the real need.
- 5.55 The other factor to take into account is the need to maintain a five year land supply target. We need to be careful about setting a too ambitious or unrealistic housing target which factors in any shortfall. This is because under national policy we are required to maintain a five year land bank of available and deliverable housing sites - failure to do so would mean the plan would be considered out of date under paragraph 49 of the National Planning Policy Framework.
- 5.56 Our approach is not to increase the overall target beyond that which we will suggest at the conclusion of this exercise to take account of shortfall prior to 2013, as:
- The target is based on an up to date assessment of population and household trends, and the needs assessment carried out as part of this work has established the consequences of any shortfall - we have shown through the needs assessment that we are aiming to meet 'true' rather than suppressed need.
 - The target resulting from the technical work remains ambitious when viewed in the context of past delivery rates. It is based on a realistic expectation of delivery recognising the deliverability of individual sites and their relationship with the wider infrastructure and environmental capacities of the district.

- The target in the adopted in the current Core Strategy was adopted in very different economic circumstances to those where the council finds itself in preparing this Local Plan. Firstly, the target was based on a 'high growth' figure emanating from the former Regional Spatial Strategy which failed to materialise. Secondly, the viability of sites has been reduced with developers and individual borrowers facing difficulty in accessing the funding required for development and ultimately purchase a property. Even assuming an optimistic recovery in the housing market it is considered unrealistic to expect the housing market to recover to such an extent whereby it could provide a level of house building to meet earlier periods of deficit.
- Our final target will exceed that suggested by the household projections (see Task 4).
- There is a considerable risk that increasing the figure to take in any shortfalls would result in an undeliverable level of housing that would reduce the five year land supply position and quickly render the future plan out of date.

5.57 However, we do recognise that past rates of house building have been low. For this reason, in recognition of this factor we will:

1. Set a housing figure above household projections.
2. 'Frontload' the plan by factoring in an additional 20% 'buffer' into our land supply calculations and allocate accordingly, and include within policy a statement that if housing delivery rates exceed 20% of targets over the first ten years of the plan this is acceptable.

Employment Forecasts/Job deficits

5.58 The formation of new households in the district may, to some degree be driven by new jobs being created in the district. If new jobs are created, there needs to be a working age population present to do them. We therefore need to take a view on how many jobs will be created and whether the presence of those jobs will be filled by the current population or would attract people into the district. This is particularly an issue for Eden as a combination of a high employment rate and an increasingly older retired population may mean that new jobs may not be filled by those already here. We already know from our analysis of population projections under Task 1 that the district is projected to lose working age population and gain retirees.

5.59 There are then four ways that trends can change to support job growth through reductions in unemployment, through increased economic activity rates, through increased in commuting, and through in migration (people coming to live here). Looking at each:

Unemployment in Eden

5.60 Unemployment in Eden is very low (although this masks a lot of part time working and low wages). We can see this from those claiming Job Seeker's Allowance:

Job Seeker Allowance Claimant Counts and Rates, October 2013¹³

Area	JSA claimant counts and rates		Annual Change	
	Number	Percentage	Number	Percent
Eden	324	1.0	-79	-0.2
North West	159,433	3.5	-37,000	-0.8
Great Britain	1,208,632	3.0	-275,325	-0.7

5.61 We can see from this table that Eden has a very low rate of unemployment (based on JSA claimants) compared to regional and national averages, and the rate fell last year. This rate is well below what many economists term full employment. Although unemployment rates are higher in neighbouring districts (with the exception of South Lakeland) the highest rate (3.3%) is at Barrow which is some distance away. The main source of labour potentially available to Eden is Carlisle, but the town also reports low levels of unemployment (2.2%).

5.62 This means that the issue for Eden is quality rather than quantity of jobs, and there is little or no pool of existing workers that would be able to take up any new jobs.

Economic Activity Rates

5.63 We can also look at the current number of those in work compared to those not working (known as 'economically active') and job forecasts. The 2011 Census gives us information on economic activity¹⁴.

Economic Activity	Eden		North West	England and Wales
	value	percent	percent	percent
All usual residents aged 16 to 74	38,735	100.0	100.0	100.0
Economically active	28,413	73.4	67.8	69.7
Economically active: In employment	26,527	68.5	59.6	61.9
Economically active: Employee: Part-time	6,191	16.0	13.9	13.7
Economically active: Employee: Full-time	13,651	35.2	37.5	38.5
Economically active: Self-employed	6,685	17.3	8.2	9.7
Economically active: Unemployed	822	2.1	4.7	4.4
Economically active: Full-time	1,064	2.7	3.5	3.4

¹³ Cumbria Intelligence Observatory, Labour Market Briefing, October 2013.

¹⁴ Tables KS601EW & KS603EW - Economic Activity by Sex

Economic Activity	Eden		North West	England and Wales
student				
Economically Inactive	10,322	26.6	32.2	30.3
Economically inactive: Retired	6,822	17.6	14.8	13.8
Economically inactive: Student (including full-time students)	1,070	2.8	5.6	5.8
Economically inactive: Looking after home or family	923	2.4	3.9	4.3
Economically inactive: Long-term sick or disabled	1,067	2.8	5.6	4.2
Economically inactive: Other	440	1.1	2.2	2.2
Unemployed: Age 16 to 24	256	0.7	1.4	1.2
Unemployed: Age 50 to 74	215	0.6	0.8	0.8
Unemployed: Never worked	62	0.2	0.8	0.7
Long-term unemployed	268	0.7	1.8	1.7

5.64 Three immediate pieces of information stand out - Firstly, again Eden has a lower percentage of those defining themselves as unemployed than elsewhere (this includes all unemployed, not just those claiming Job Seeker's allowance). Secondly it has a higher percentage of economically active people compared to the regional and national percentage, and thirdly it has a higher percentage of retirees. This again points to the possibility that any new jobs created may need workers from elsewhere.

Commuting from elsewhere

5.65 This can work two ways - either Eden can 'claw back' existing residents commuting to work elsewhere or it can increase the numbers coming in. Unfortunately, data on travel to work is not yet available from the 2011 Census, but 2001 data is available:

2001 Census - UK travel flows (local authority)

Area of Residence	Area of workplace						Total residents in work	% working and living in the district
	Allerdale	Barrow-in-Furness	Carlisle	Copeland	Eden	South Lakeland		
Allerdale	31,048	91	3,787	4,868	752	216	40,762	76.2%
Barrow-in-Furness	181	23,939	171	685	56	2,593	27,625	86.7%
Carlisle	948	58	41,907	183	1,445	179	44,720	93.7%
Copeland	2,718	531	334	24,281	176	388	28,428	85.4%
Eden	506	23	1,868	71	20,558	652	23,678	86.8%
South Lakeland	179	3,010	314	353	401	39,775	44,032	90.3%
Column Total	35,580	27,652	48,381	30,441	23,388	43,803		

5.66 Note this table shows those living and working in Cumbria, it does not show the full working population (a small number may commute in our out of Cumbria).

5.67 This shows that Eden is relatively self-contained, with 86.8% of its residents also working here. There were 23,678 working residents in Cumbria and 23,388 jobs, leaving a surplus of only 290 more residents than jobs (although some may commute out of Cumbria). 1,868 people (7.9%) of Eden's working population commute to Carlisle, and 2.8% to South Lakeland. Conversely, 1,445 (3.2%) and 752 (1.8%) of Carlisle and Allerdale's population commute into Eden.

5.68 There is therefore no large scale commuting trends at work and nothing to suggest that Eden is able to tap any source of labour in neighbouring districts. There also appears to be a broad balance of jobs and workers.

In-migration

5.69 This was examined, to an extent, under Task 1. This demonstrated that according to the 2008 household projections Eden was projected to see a decline in the working age population. It therefore follows that if new job growth is to be supported there will be a need to provide some new housing to support them. However, we also know that the bulk of demand is coming from in migration from older people, who are more likely to be able to outbid the younger population for new housing.

Employment forecasts

5.70 Demand for new housing can obviously be influenced by the number of new jobs coming to the area. Experian job forecasts have been analysed for the district and show a forecast growth of 1,571 additional jobs over the plan period (82 per year). However, this relatively low amount of growth does not necessarily take into account that a younger working population may be leaving or not forming to do work

already here. We also know from the population projections that Eden is expected to 'lose' younger people compared to the over 65s, who will be less likely to be in employment.

- 5.71 To help look at the potential relationship between jobs and housing, the POPGROUP model also runs a job-led forecast using Experian data based on the five year migration model, giving us:

	Method	Dwellings pa
POPGROUP	Experian job forecast	302

- 5.72 POPGROUP modelling establishes a figure which maintains the labour force with sufficient people to take up projected jobs (assuming that the ratio of jobs to workers -which can be affected by commuting - remains constant). The model projects economic activity rates to show us that to support job growth we would need a rate of in-migration significantly above that which has been seen in recent years.
- 5.73 On first sight this number of dwellings seem high compared to other scenarios. In effect, on top of demand for housing from retired in-migrants and those already here the model is bringing in extra people to fill the new jobs based on the age profile of in-migrants. As in-migrants tend to be younger adults (they are of working age), and as young adults have the greatest fertility rates, the model then starts adding in extra people in the years following the new jobs as the people who migrate in then have children. In addition, because the population-led scenarios project a dip in working age adults, the model has to bring in more migrants than just those needed to fill the new jobs because the model also has to fill the existing jobs in the area; to make up for the drop in local working age people. This is an important caveat - the model assumes that economic activity rates stay the same but in reality economic activity rates may change and jobs may end up being filled by local economically inactive people, and also, that the model assumes that the workforce needed for the jobs will be available, but the workforce might not be available and so future jobs growth may be constrained by a lack of workforce.
- 5.74 This is an issue to note with all projection models as we can only have one factor 'driving the model', be it housing, jobs or population change, when in reality all these factors are intertwined and depend on each other. To conclude, with an ageing population there is clearly a need to account for the need to 'import' new workers when looking at housing targets, however, the POPGROUP figures may over-estimate the extent of demand for housing based on job growth.

Is there any housing need or demand elsewhere outside the district which can't be met and which Eden would be able to accommodate?

- 5.75 National planning policy and legislation places a 'duty to co-operate' on local councils, requiring them to collaborate when plan making to address any cross boundary issues that may arise. This duty must be carried out for a Local Plan to be found 'sound' by a Planning Inspector. One such issue would be where a neighbouring district is unable to meet its own housing needs within its own boundaries and may have to rely on house building outside its own area. This is particularly an issue where a major town is tightly constrained by its own boundaries and is unable to expand without the support of its neighbours.

The Local Authorities sharing a boundary with the District of Eden are:

- The Lake District National Park Authority
- The Yorkshire Dales National Park Authority
- Carlisle City Council
- Northumberland County Council
- Durham County Council
- South Lakeland District Council

- 5.76 We therefore have to take into account any requests from other districts to build housing to meet demand coming from other areas. In reality however Eden District is fairly self-contained, due to its size and the fact that its major settlements do not lie next to its boundaries. There are also no major settlements on the other side of the Eden border which may constrain our neighbours from meeting their own needs.
- 5.77 We have so far carried out meetings with Carlisle, South Lakeland, Allerdale Councils and the Yorkshire Dales National Park Authority. No cross boundary housing needs issues have yet been identified. We have received no requests from other districts asking for housing to be considered in Eden to meet their own needs. We are therefore not planning to factor in any demand from neighbouring districts into our housing targets.

What you tell us

- 5.78 This is the first time we are consulting on housing numbers as part of this plan. This section will therefore be updated when the results of consultation are known.

The need for a sound plan

- 5.79 Any target we set will be subject to much scrutiny, and will be looked at by the independent Inspector who will examine our draft Local Plan for 'soundness'. Part of the test for soundness will be whether it meets the expectations of national planning policy. We set out what this was at the beginning of this paper, the summary of which is that our housing target must be capable of delivering a rate of new housing to meet 'objectively assessed need'.
- 5.80 In practice, setting a housing target is not an exact science and this term is open to interpretation. There are a number of local authorities who over the past year have been advised to postpone an examination or withdraw a plan on the basis that the evidence did not necessarily support the target in the draft plan, and we are mindful that we need to avoid this happening for Eden. We have therefore looked at how Inspectors have been interpreting objectively assessed need at public examinations over the past year. We are looking to set a target that takes account of evolving experience elsewhere and the conclusions of Inspectors on what objectively assessed need means in practice.
- 5.81 Appendix 2 sets a list with notes, but to summarise practice so far has shown that Inspectors are seeing household projections as the minimum figure for provision. In terms of the differences between the 2008 and 2011 sets, Inspectors have either agreed or asked for figures somewhere in between (for example Selby, West Lancashire, and Ryedale). We would therefore conclude that a figure based around

the 2011 projection figure of 125 households per year would be unlikely to be found sound at examination.

Task 2 - What do we know so far?

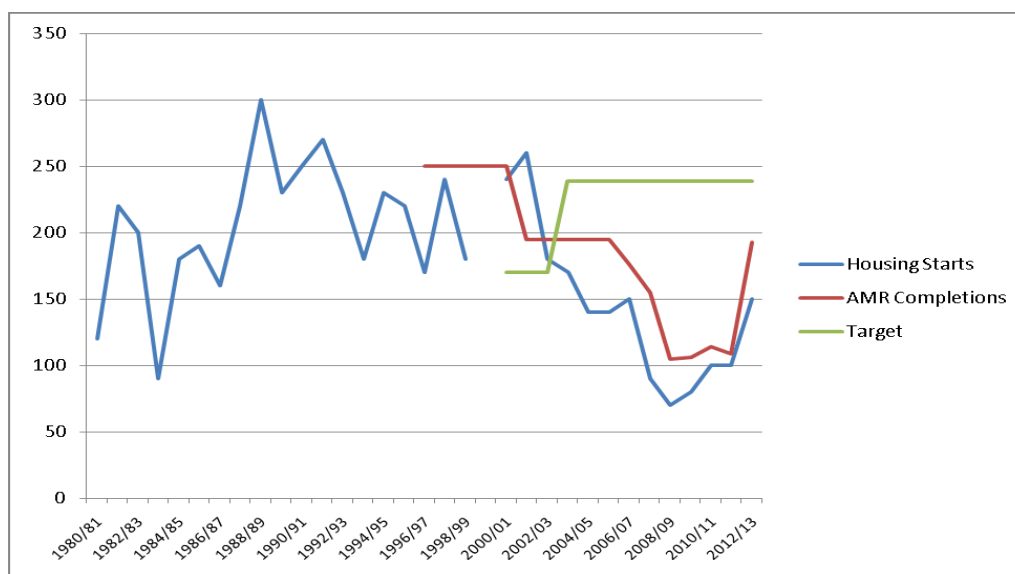
- There is an existing backlog of affordable housing need that, ideally, needs clearing. Need will also arise in the future.
- Market confidence appears to be on the rise, both in terms of rising prices and developer behaviour. There is no evidence to suggest that the demand for new housing is low.
- Eden does not exhibit any 'hotspot' type prices or trends, compared to its neighbours.
- Unemployment is low, and there is little 'available' workforce. Job driven demographic forecasts suggest there needs to be labour imported into the district to take up projected forecast new employment.
- There is no need to consider the housing needs of neighbouring authorities when setting a housing target.

6 Task 3 - Reality checks

6.1 So far we've been looking at the demand for and need for new housing. Next we need to look at the potential supply and what it is realistic for the market to deliver.

6.2 One way of looking at what should be built in the future is to look at what has been built in the past. This may give an indication of industry demand and supply. However, Government guidance does state that we should not use past performance in house building rates to artificially constrain supply - so we are looking at whether any target we select is clearly undeliverable, rather than looking at it is a possible way of establishing a housing target.

6.3 The following chart shows historical housing starts (taken from P2 Building Control records reported to Government) and housing completions (taken from our Annual Monitoring Reports based on monitoring of planning permissions). The green line shows the relevant house building target at the time.



6.4 (Note: no housing starts were reported in 2001/2. Although P2 building completion figures are available a comparison with AMR completions and P2 starts indicate they may not be robust enough to be relied upon on a long term basis.)

6.5 Of note:

- Housing targets have not been met since 2004/5.
- Last year's improvement is largely down to increased completions in the form of flats at Penrith (New Squares, Old London Road) and is unlikely to be repeated in the next few years.
- There was a significant boost in housing starts in the late 1980s (which also happened nationally); however, the same did not happen through the boom years of the 2000s (again this happened nationally).

6.6 Broken down into phases, completion rates are:

1996-2000 (five years)	250
2001-2005 (five years)	195
2006-2011 (five years)	131
2011-13 (two years)	148
2003-13 (ten years)	138

6.7 POPGROUP also runs a dwelling - led ten year migration scenario - this uses the five year migration run but projects what would happen based on house building trends over the past ten years.

	Method	Dwellings pa
POPGROUP	Dwelling- led ten year projection	143

6.8 On the face of it, given an annual ten year past trend of 138 dwellings and POPGROUP modelling rate of 143 dwellings this would indicate that any housing target above this would be ambitious. However:

- The past ten years included a period of recession from 2007 onwards, which restricted borrowing, both from potential homeowners and the development industry.
- There has been very little significant housing development in Penrith over the past ten years, yet we know that demand is high.

6.9 In conclusion we would see under delivery in the past as a 'cautionary factor' that may prevent us from setting a housing target that is clearly unrealistic or overly ambitious, but we know that the market is picking up and according to past rates that our eventual figure has been achieved in the past.

Can we rely on 'windfall' sites coming forward?

- 6.10 Once we have a housing target established delivery of it will come from two types of housing development - from the sites we allocate for development in the Local Plan, and from 'windfall' sites. Windfall sites are sites that come forward and are permitted, but which are unanticipated. In other words they are not allocated in any plan when they come forward.
- 6.11 The extent to which we rely on windfall development when allocating sites can have an influence on the housing target we set and the amount of land we allocate. Eden, as a large and predominately rural district does have large numbers of windfalls coming forward, with 46% of all housing coming forward as windfalls over the past ten years. Our technical and options papers on housing distribution provide details and a breakdown by area.
- 6.12 Our preferred approach to how we account for windfalls is set out in more detail, but in summary our preferred option is to assume that 10% of new housing will come forward on windfall sites in the future. This, based on past trends is a cautious approach and there is a potential risk that if all allocated sites come forward together with similar levels of windfalls the district could 'over provide' new housing. Our approach to this is to highlight windfalls as a contingency against potential under provision.

Do we have any empty homes that could be used?

- 6.13 This potential supply is taken into account when the conversion is made from households to dwellings when looking at household projections. However, if there is any large stock of empty homes we could take the view that if we were to focus on getting it back into use this may reduce the demand for new housing. The proportion of empty homes in the district is around 1.3% which is very low compared to the national average - at least this amount is usually considered necessary for a functioning housing market. We are therefore not planning to adjust the targets to take any additional account of empty homes beyond those factored into the projections.

Will any new housing will end up as second homes?

- 6.14 It is not possible to regulate who eventually buys open market properties in the district. However we need to aware that some may end up as second homes. At March 2011 Eden District had 3,522 people in second homes¹⁵ (counted usual residents elsewhere, with a second address in Eden) out of a population of 52,564 (6.7%), making it the eighteenth highest rate of all local authorities in England and Wales.
- 6.15 The question is then whether:
- We should reduce targets to deter second home ownership, or conversely,
 - We should boost supply above projected need to help those already here being 'crowded out' of the housing market by wealthy incomers.

¹⁵ Office for National Statistics, 2011

6.16 There are two ways of looking at this:

- On the one hand, if we build new housing some of it will end up as second homes, which does not meet local need, so we should not be encouraging further house building to aid this trend.
- On the other, if we constrain house building on these grounds it will not stop people from elsewhere on higher incomes outbidding local people for a smaller amount of stock, meaning that the existing population could be 'crowded out' and less able to compete for new homes. It is also the case that if second home ownership helps create demand this could increase the provision of affordable housing through cross subsidy.

6.17 Again, it's also important to note that household projections factor in potential second homes when the conversion is made from households to dwellings, so our existing calculations should account for the fact that some new homes may be bought by those living outside the district.

6.18 On balance we would conclude that the existing projections recognise that some homes will be second homes, and that there is a risk that trying to restrict supply on this ground will worsen housing problems in the district. Conversely, we would not wish to establish a higher figure aimed at encouraging additional people to move in to the district above what the projections suggest may happen anyway. We are therefore not planning to make any adjustment to account for second home ownership.

Do we have sufficient land available?

6.19 In short, yes. Eden is the second biggest district in the country in terms of area, and there is strong demand from developers due its attractiveness and quality of life. The 2009 Strategic Housing Land Availability Assessment (which is due to be updated) found enough land for 5,929 homes between 2009-21 (395 per year) and the 'alternative' sites submitted to the Council in 2008 for assessment could accommodate more than 8,000 homes alone. We are due to update this study as this plan progresses. We therefore do not consider lack of available sites to be a factor that may lead us to reduce our housing targets.

Can sufficient infrastructure be made available?

6.20 We need to make some assessment of whether there will be any infrastructure needs arising from new development which can't be met, due to funding issues or impact on the district. At present we cannot say that there are definitely no infrastructure constraints that would mean any new housing will be undeliverable. However, this is an issue that will be addressed in more detail as part of infrastructure planning work.

7. A Final Sense Check - a Look at Current and Past Targets

7.1 It is also worth looking at current and past experience, to see what was planned in the past, why and whether it was delivered.

How does any figure compare to our current figure of 239 homes per year?

7.2 This figure was taken from the 2008 North West Regional Spatial Strategy (RSS).

7.3 The original technical work on the RSS¹⁶ (updated 2006¹⁷ to take account of 2003 ONS estimates) took an approach which applied three economic scenarios to generate new household numbers for each sub region (ie Cumbria) based on demand arising from new jobs. These were then added to the 2003 population (ONS mid 2003) population estimates. A series of reality checks were also considered - past build rates, migration, economic performance, housing need etc. Housing was then distributed to districts based on household growth estimates distributed according to share of population and jobs. Of note:

- All three economic forecast figures showed a fall in the number of jobs in Cumbria from 2003-21.
- The range of economic scenarios were developed by the former North West Regional Development Agency and took the form of employment forecasts. Three were used - long term trends (the last 20 years), recent employment success (4-5 years) and long term success. For most areas, the long term trend was used to project numbers. However, this led to projected household numbers for (just) Cumbria below those which would have been generated through the 2003-21 household projections. The methodology also identified local authorities where a policy response was required to address housing need and looked at how to distribute growth. Eden was one of those authorities and its target was based on a high growth option as a policy response to allow house building to help tackle affordability problems.
- This methodology took a demand supply approach - it did not look at the supply side eg development industry capacity, land supply, environmental factors and so on.

How does this figure compared to past targets?

7.4 The **Cumbria Joint Structure Plan** (2006) contained a figure of 170 dwellings per year 2002-16. This was derived from a **Regional Planning Guidance** (2003) figure of 1,170 for Cumbria and the Lake District and its stated aim that 'housing provision should be based on meeting local needs and reducing in-migration into the Lake District National park and it's southern and eastern hinterlands'.

7.5 A figure of 153 dwellings per year was derived which became 170 to assume a 10% non-implementation allowance. This was felt to be considerably higher than zero net migration projections (59 dwellings per year at the time) but lower than projections based on five year population migration (496 per year) and ten year population migration rates (255 a year). Using the ten year rates this means the old Structure Plan figure was based on a strategy that aimed to meet local needs and around 60% of migration in to the district.

7.6 In summary, it could be concluded that the current target was based on an ambitious 'high growth scenario' that has so far failed to materialise in the form of housing completions. This replaced a Structure Plan figure which used a cautious approach to meeting projected in migration at the time. The figure we have

¹⁶ Nathaniel Lichfield for the North West Regional Assembly, North West Household Growth Estimates, August 2005

¹⁷ Nathaniel Lichfield for the North West Regional Assembly, Impact of 2003 Household Projections on Household Estimates, September 2006

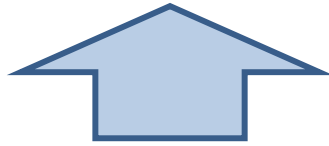
established as part of our Task 4 analysis is the mid-way point of these two targets, and has been established without reference to either. We would therefore conclude that on an analysis of past targets it strikes a balance between a target that can be seen in retrospect to be over ambitious and a former structure plan target that did not entirely take into account the full effects of in migration.

Task 3 - What do we know so far?

- Housing delivery has been well below planned targets for the past ten years (58%) but higher numbers were built in the late 1990s.
- Eden has only a small stock of empty homes, and these are factored into the projections figures.
- There is sufficient land available to support higher levels of house building.
- At present we are not aware of any infrastructure constraints, but will investigate further once a potential quantum and pattern of development emerges.
- Our preferred target provides a 'midway' point between the last two housing targets for the district.

8. Task 4 - Bringing the Evidence Together

- 8.1 This paper has re-assessed some of the drivers that will shape housing demand and supply in Eden in the future. The task is now to establish a target which is supported by the evidence available to us. In doing so we hope to demonstrate that we have not set out to distort, ignore any or misinterpret any information which may inform its eventual level.
- 8.2 As discussed at the beginning of this document this is not an exact science, and in effect we are trying to establish a logical argument based on available evidence. Setting a target is essentially a balancing exercise which sets a rate that attempts to best reconcile the competing pressures to raise or lower housing numbers.
- 8.3 A summary of these pressures would be:



Factors favouring a higher housing target

Strong need for affordable housing

High levels of in-migration may need accommodating and may reduce choice for those already here

Lack of past provision, particularly at Penrith

Need to retain younger people

Need to attract employment growth and workers

New housing can attract investment and brings wealth into the district

Plentiful supply of housing land

Factors favouring a lower housing target

Low rates of natural population change

May increase in-migration

May result in more second home ownership

Historically low levels of supply

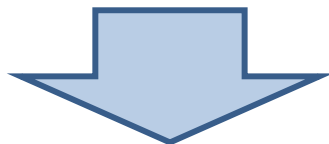
Rural nature of much of the district

Need to protect sensitive landscapes.

Infrastructure constraints

Low viability of sites in the short to medium term

Reduced funding/scope to provide affordable housing



Task 1

- 8.4 In practice we are balancing the information coming out of Tasks 1 to 3. Although we now take each in turn we also need to look at them in the round as we go through.
- 8.5 We start by looking at the results of Task 1, which set out the population and household projections. The starting point is the 2011 household projections as these are considered the most up to date. These gave us a figure of 125 more households per year for the period 2011-21.
- 8.6 However, these projections only run for ten years. We are mindful that the Department of Communities and Local Government, in the accompanying quality report (9 April 2013) covering the 2011 projections, cautioned against rolling forward household formation rates beyond that period: "There are also particular limitations in the use of the 2011-based interim household projections. The projections only span for a 10-year period so users that require a longer time span would need to judge whether recent household formation trends are likely to continue."
- 8.7 There is a possibility that this figure may be to an extent 'suppressed', as a combination of lack of availability of cheap mortgage finance in the latter half of the 2000s and a slow rate of house building may have prevented new households from forming. For the reasons outlined in Task 1 (our formation rates are largely driven by migration of older households) we suspect that the level of suppression may not have been to the extent of other areas. This is partly backed up by a low level of overcrowding shown through Task 2, reflecting an older population (3.5% of all households in Eden are overcrowded compared to 8.6% for England and Wales)¹⁸. However, in the interests of caution we do not intend to use this figure to entirely establish a Task 1 output.
- 8.8 The 2008 projections provide us with a figure of 189 households per year 2014-31 (or 190 for 2011-21 to compare with the 2011 projections.).
- 8.9 On the whole, our judgement would be that the 2011 projections probably more reflect likely trends in household growth, at least for the next ten years. This is because they are heavily influenced by migration of older people, meaning that a more up to date position set out via the 2011 census may better reflect future reality. However, jumping forward to Task 2 and 3 momentarily we know we have housing need and employment growth to deal with, and we wish to put in place a strategy that allows younger people to have the chance of being adequately housed in the district to avoid them moving elsewhere. We also know that the market is picking up and schemes such as Help to Buy may mean additional younger purchasers forming their own households than may be picked up in the 2011 projections. For these reasons we do not think it is sensible to rely entirely on the either the 2008 or 2011 projections.
- 8.10 We are therefore proposing to assume a midway split between the two sets of projections before assuming the 2008 rates re-establish themselves over the period 2021-31.

¹⁸ ONS Census 2011, accessed through Nomisweb QS408EW

- 8.11 There was a reduction of 64 households per year between the two sets of projections. Our approach is to:
- Account for half of this (32 households per year) over the period 2014-21, in addition to the 125 household projected by the 2011 projections. This gives us a figure of 157 households forming per year over this period (calculated as 125 plus 64 divided by two to give 32. This rate will run over the eight years from 2014 to 2021, giving us 1,256 households.
 - Assume that the rate in the 2008 projections re-establishes itself (189 households forming per year) for the period 2021-31. This is 1,890 households.
- 8.12 This provides an overall figure of 3,146 households or 175 households per year over the 18 year period. Converting this to homes (multiplying it by 1.089 to reflect the existing ratio of households to dwellings) gives us a figure of 190 homes. This is also significantly above the current POPGROUP five and ten year migration led scenarios, so reflects a cautious approach.
- 8.13 We consider that this figure is a robust starting point and reflects a cautionary approach reconciling the large discrepancy in the two sets of projections. Although we could argue that the figure could be said to be high, we do not wish to constrain this 'starting' figure for reasons we will come on to in Task 2.

Task 2

- 8.14 Task two looked at policy aspirations, particularly whether affordable housing need and the need to fill jobs may lead us to conclude that we may need to vary the figure established through Task 1.

Affordable Housing Need

- 8.15 We can find no existing precedent of a local authority transparently transferring affordable housing needs information into a housing target. In the past, housing targets were established through regional planning work, with subsequent local level Strategic Housing Market Assessments investigating need and usually finding that need exceeded overall targets, at least for the first five years.
- 8.16 Our approach under Task 2 was to establish a need figure that allowed us to clear our affordable housing 'backlog' in the first five years and then account for the 'newly arising need' from people already in the district who may form new households or fall into need.
- 8.17 This provided an annual 'need' figure for affordable housing of 60-71 homes per year. We have assumed a ratio of one household to one home to measure need.
- 8.18 However, you can't then add these to the household projections as these are not potential new households in need above those accounted for under Task 1 - they are included in the Task 1 figures, which project all households regardless of their ability to afford new housing. It would therefore be methodologically incorrect to add the Task 1 and 2 figures up to establish overall need.

Our approach to factoring housing need into our target

- 8.19 The housing need trajectory set out at Task 2 set out an approach to calculating need based on clearing the backlog of existing housing need over the first five years and then meeting future need to prevent it from building up again.

- 8.20 It's worth noting at this point that our 'minimum' need figure of 60 affordable homes per year is above our 'natural change' household projections figure of 48 households (52 houses) per year as modelled through POPGROUP. We could take the approach that we should reduce this figure on the basis that it is more homes that are needed by the current (and naturally arising) population in the district. However, again we take a cautious approach and establish need as 70 households on the basis that past formation may have been suppressed and there remains a risk that in migration may 'crowd out' younger people in the housing in the long term.
- 8.21 The next question is whether it is a realistic prospect to deliver this amount of affordable housing, and whether the overall amount of housing we set under Task 1 stands a chance of delivering our need figure, and whether we may need to raise overall targets to make sure it does.
- 8.22 The primary way of providing the subsidy for affordable housing is currently through what is known as 'planning gain', with developers of new housing sites asked to provide a proportion of new housing as affordable stock. This lowering of value of the whole scheme can then be factored in when they consider how much to pay for land, assuming it remains profitable to develop. Eden's current affordable housing target is 30% of all new housing to be affordable. We could therefore assume that if 30% of the amount of housing established through Task 1 is delivered as affordable this would mean 57 houses would come forward per year (190×0.3) as affordable.
- 8.23 This figure is three less affordable homes per year than the eventual need minimum figure we established at Task 2 (60 affordable homes per year). For this reason we propose raising the target slightly to help us we deliver this level of affordable housing. If 30% of all housing was delivered as affordable housing against an affordable housing target of 60 homes this would mean 200 homes overall would need to be developed to meet this target.
- 8.24 This is at the lower end of our range of housing need. However, we consider that this is a more robust figure (for the reasons set out in Task 2).

Market signals

- 8.25 Our analysis of market signals showed that:
- Demand for new housing has been strong in the past and prices and rents have both risen recently.
 - Eden does not demonstrate any particular 'hotspot' behaviour compared to its neighbours.
- 8.26 We do not therefore think that potential lack of demand does not constitute a reason to reduce housing targets, nor do we think it correct to raise targets to help reduce pressure elsewhere.

Past shortfalls in housing

- 8.27 We have established at Task 2 to that there has been a significant undersupply of housing in the past compared to target rates. However, we consider that as we have carried out a fresh assessment of overall demand and need for housing it would be incorrect to add additional housing to the target to account for any shortfall. It is our view, based on the evidence presented that this would lead to

either over provision or the establishment of a target which not be delivered, which would risk soon rendering the plan out of date under the national policy requirement to set out a five year supply of deliverable land. Instead, we intend to 'front load the plan' phasing sites so that additional deliverable sites (20%) come forward in the early years of the plan, as well as setting a higher aspirational target for the first ten years of the plan.

Employment forecasts/Job deficits

8.28 POPGROUP modelling told us that if we use a 'jobs driven' forecast this tells us there may be a high demand for housing of 302 homes per year. This is partly driven by a need to 'replace' any working people who leave the district, and assumes that those working households are more likely to form additional households as children get older. We clearly therefore need to take this factor into account when establishing our final target. However, we also need to bear in mind that this is a pure 'jobs driven' figure which does not take into account other changes, in particular the future rate of house building which may soak up some demand. In addition, we also know that the bulk of new housing demand is due to come from older populations retiring into the district, and who will not be economically active (and are likely to be able to price younger locals out of the market). We therefore see the Experian and POPGROUP modelling on job growth as additional evidence as to why we need to raise our target above both past trends in delivery and projected household formation as shown through the ONS and POPGROUP forecasts. A figure of 302 homes per year is also significantly above any rate of delivery seen over the past thirty years and is likely undeliverable.

Any demand from neighbouring districts

8.29 For the reasons set out in Task 2 there is at present no evidence to suggest that targets need to be changed to take account of demand arising from elsewhere. We will continue to work with our neighbouring districts to gauge whether this assumption needs to change.

Task 3

8.30 Task 3 set out the 'reality checks' which could temper our objectively assessed housing target. We have excluded empty and second homes and land availability as issues that may affect how we go about setting a target. We will continue to carry out work on infrastructure capacity and funding but we are presently not aware of any particular constraints in this area.

8.31 The main issue at Task 3 was past levels of house building, with only 138 homes per year built over the past ten years, against a target of 239 homes (58%). However, this a low rate when compared to development rates in the 1990s (during the housing boom which were around the 200 mark).

8.32 We could, at this stage use this as a potential reason to temper or reduce our housing target. However, we are mindful of:

- The NPPF requirement to 'boost significantly' the supply of new housing.
- The need for affordable housing in the district.
- The NPPF's accompanying guidance which states that plan makers should not apply constraints to the overall assessment of need, such as limitations

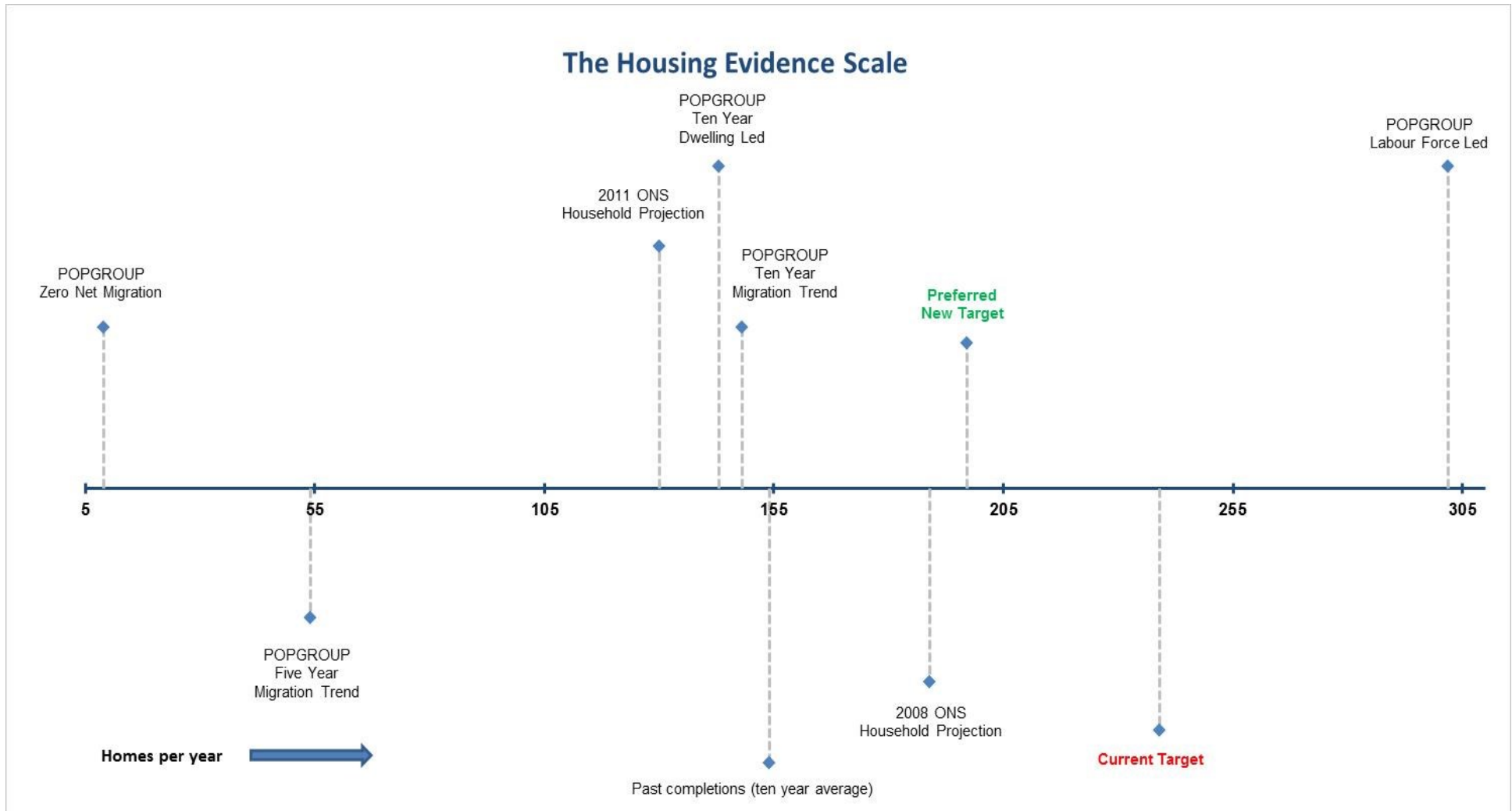
imposed by the supply of land for new development, historic under performance, or infrastructure and environmental constraints.

- 8.33 Furthermore, we have taken a cautious approach to factoring in windfall development, with only 10% of new housing assumed to come forward as windfalls in the future, compared to a past trend of 46%. We are therefore treating any additional windfalls as a contingency to guard against possible lack of delivery of future allocations.

Task 4 - Bringing the evidence together

- 8.34 Setting a housing figure could best be described as establishing how far along a sliding scale of possible provision you wish to set a new number, which technical work informing the extend of that scale and the pressures exert themselves from either end. For Eden this scale could be shown as follows:

The Housing Evidence Scale



- 8.35 We conclude by establishing a figure of 200 new homes per year as our estimate of the objectively assessed need for new housing. We have chosen this figure as it exceeds household projections including those which include in migration, and represents an ambitious figure compared to past delivery rates, whilst not being unrealistic to the point where under delivery would quickly render the plan out of date. This equates to 3,600 homes over the eighteen period 2014-31.
- 8.36 We can see, with the help of this need scale, that target of 200 homes per year:
- ✓ Meets objectively assessed requirements for both market and affordable housing.
 - ✓ Boosts significantly the supply of housing above past rates.
 - ✓ Provides an anticipated level of affordable housing to meet need.
 - ✓ Exceeds available household projections.
- 8.37 There are of course other targets we could choose, and it is important that we provide genuine options when we consult on our proposals. The accompanying 'Housing Target - Options' document sets out these options, using information from this technical paper. In summary, these are:
- Objectively assessed need (our preferred option of 200 homes per year)
 - Proportional growth (1% growth in each town and village - 3,690 homes or 205 per year)
 - Employment led growth (239 per year)
 - A cautious approach to meeting household projections (our Task 1 figure of 189 households from the 2008 projections converted to 206 dwellings)

9. Conclusions

- 9.1 We have concluded, looking at these pressures that our target of 200 homes is a sensible and deliverable target, and is supported by the evidence covered in this paper. It is presented as our definition of objectively assessed need. We would now very much welcome your views on whether it is the right figure for Eden.

Annex 1 - Critique and Alternative Scenarios

We want to be as transparent as we can in setting out how we have arrived at this figure, to hopefully demonstrate that we are not trying to argue our need figure either up or down, based on a selective use of evidence which risks either under-reporting or artificially inflate housing demand and need in the district. To do this, we set out below a critique of our own approach and run some different scenarios based on different data to see if they yield different results.

We start by examining any possible assumptions made or data selected that may risk under reporting the figure.

Potential issue	How we have approached it
<p>We may have applied a too low affordability ratio</p> <p>For our core estimate we used 'affordability test' of 53% of those currently in need and on the waiting list being unable to afford to rent on the open market, and 88% for newly arising need. Both were based on housing needs survey responses.</p>	<p>This figure was based on recent survey data so we consider it robust.</p> <p>However, the make sure this is not under estimating need to any great extent we have re-run our need trajectory assuming a rate of 88% for all households. This leaves us with a need range of 62-80 per year. This is mostly because our current (rather than newly arising) need figure represents only 5.2% of total gross need (225 of 4329) so it would not make a large difference to numbers if we applied 88% to all households.</p>
<p>We have not followed practice elsewhere and modelled newly arising need purely on the household projections (as recommended by the NPPF)</p> <p>There is a risk that if you are using household projections to model need, and these project from a period of high house prices they may reflect a time where people in need were unable to form their own household.</p>	<p>We do not consider taking a purely projections-led approach to be a robust way of working out need for Eden as it will under estimate need. Although it has merit in its simplicity this approach:</p> <ul style="list-style-type: none"> • Does not take into account age profiles. We know that, on a net level migration into Eden is made up of those over 60. It is far more likely that people within this age range will have access to equity or savings that will allow them to secure their own housing in the market. (although they could be said to 'crowd out' younger generations from the market). This could therefore over estimate need. • Alternatively, as it risks being based on projected household formation and housing need which is suppressed by past trends. Projections estimate future households based on past trends, whilst housing need is an expression of who will 'need' a house, regardless of ability to pay. An approach based on asking people whether they need to move is a pure expression of need. This is why the figure we have used for newly arising need (216) outstrips any derived from household projections -

Potential issue	How we have approached it
	<p>it does not 'suppress' true need. To illustrate what the results of this method may be if we take the POPGROUP ten year migration- led scenario (and note that the figure used covers households, not dwellings) this gives 2,960 households over 20 years 2009-29, or 148 per year. Applying an affordability ratio of 88% to this gives 130 per year, or 166 if we use the the 2008 projections. Both of these figures are significantly below the newly arising need figure we have used based on housing needs surveys (216 per year). We therefore conclude that applying an affordability ratio to household projections we are underestimating true need.</p>
<p>You cannot assume that the current backlog will clear over five years - in the absence of a housing market assessment this is over simplistic</p> <p>This pool of current need might generate additional unexpected need in the future - for example a couple could be supplied with an affordable unit only to fall back into need if they have children and need a larger house.</p>	<p>This comes down to data limitations as in the absence of a full Housing Needs Survey. We have no way of assessing this using secondary data. To explain, we do assess both newly arising need (new households forming as they age) and existing households falling into need using CORE data. (Stage 2b), However whilst Stage 2b picks up many reasons why some may fall into need (marital breakdown, domestic violence etc.). There may be some additional need arising in the future from the existing stock of need. Unfortunately we have no way of measuring this. Our approach to this is to recognise that in the Eden this is likely to generate some additional need and treat it as an under estimating factor. This then further justifies using a range of current need.</p>
<p>The supply estimates that new affordable stock will come forward between 2018-2013, based on 30% of the overall target. Overall this equates to 595 units which are added to the supply</p> <p>These units have not been committed and as such should be removed from the overall calculations. Effectively, we are setting a target for affordable homes, but discounting a hypothetical supply.</p>	<p>It is common practice to remove committed supply from housing need calculations. We recognise that the units included in the need trajectory from 2018 onwards are not committed stock and are assumed to come forward. However, we would conclude that ignoring what will be a source of supply could risk over inflating the level of actual need, leading to a housing target that would not reflect the reality that new affordable stock will be delivered after 2018, and this will help meet need.</p>

Potential issue	How we have approached it
Incomes data used when calculating housing need is taken from the Penrith Housing Needs Survey which may not be representative of the wider district	The Penrith survey was used as it is the most up to date (2011) and has a very robust sample size. Penrith is also our dominant centre and will be the place where the majority of new housing will be located.
An additional allowance should be made for older owner occupiers moving to social rented properties that may require subsidy	Because we have used housing needs survey information which would have asked if existing households expected to be fall into need in the future this source of need has been factored in.

Conversely, have there been several assumptions made or data selected that may risk artificially inflating the figure?

Potential issue	How we have approached it
<p>There is a risk of double counting within some of the datasets if we you are relying on secondary data</p> <p>For example, on current need there will be overlap between those on waiting lists and those may be recorded in the census as a concealed or overcrowded households. Another is that the Government's definition of 'concealed household' for census purposes does not include adults living with parents, whereas a measure of overcrowding would, meaning they are difficult to separate out.</p>	We have established a range of current housing need with the 'minimum' rate based on those on the housing register (which is likely to be an under estimate as not everyone in need will be registered) and overcrowded households (which is likely to be an over estimate as this could be through choice). We have also picked overcrowded households over concealed households as this is a larger figure - to pick just concealed households may underestimate current need.
Because you have based your newly arising need figures on housing survey work this has included everyone currently here who will be in need and does not reflect ability to pay	Because we have used housing needs surveys data to establish affordability this does include an assessment of savings and equity - respondents were asked about this on the forms. This is why we have used available housing needs survey evidence in preference to secondary data.

Potential issue	How we have approached it
We know from the household projections that not that many households will form.	
<p>Any assessment of affordability based on a ratio between incomes and prices rents does not take any savings or contributions from others towards a deposit</p> <p>In practice we know this makes an enormous difference to affordability - first time buyers nationally pay around 20% of the value of a home through a deposit.¹⁹</p>	This is partly why we have relied on housing survey data instead for the reasons set out above. This includes an assessment of savings and equity. We are not aware of any secondary data available at a local level data to help us understand how this affects affordability.

We have also run various alternative scenarios to estimate household need. These are as follows:

Method	Results
<p>Instead of using survey data to establish affordability, we re-ran the trajectory using with need figures based on incomes from CORE data for the last two years and current Right Move lower quartile rent figures.</p> <p>Examining the relationship between incomes and rents amongst those already in social housing could act as a proxy for those who may need it in the future.</p>	<p>CORE data resulted in 77% unable to afford private rental. However this was based on a very low sample of 39 households and looked at social housing only. The Penrith Housing Needs Survey contains income details of 587 respondents wishing to form new households and was therefore considered more robust.</p> <p>Results: Lower quartile monthly income at 2012/2013 stood at £536 whereas lower quartile rents at August 2013 were £425 (1, 2 and 3 bedrooms only). If we assume a maximum of 30% of income goes towards housing costs for it to be affordable this would mean 72% of current households in social housing could not afford to rent at market levels. This rises to 77% for newly forming households. This is below the rates we have used based on the Housing Needs survey.</p>

¹⁹ Council for Mortgage Lenders, Regulated Mortgage Survey 2013.

Method	Results
<p>Instead of using waiting list data to establish affordability, we re-ran of the trajectory using need figures based on the ability to afford market housing based. These were based upon levels of household formation established through the needs survey.</p>	<p>We can look at incomes and house prices from CACI data (CACI is a firm offering market data). We assume lower quartile incomes at 2012 were £13,736, compared to lower quartile house prices of £150,915, and also assume an income multiplier of 3.5 times income is needed. On this basis no newly forming households (237) can afford to buy. Added to our current need data this would give us an annual range of 81 to 92 affordable homes per year. This is inevitably higher than our core estimate, but this is because it is cheaper to rent than buy in the short term at least. As some of those in need are able to secure suitable accommodation in the rental market we therefore do not consider this to be a true reflection of need.</p>
<p>The other way of estimating need is to apply our affordability test to new household formation, as suggested by the NPPF guidance. This looks at household projections and applies an affordability test, deriving a percentage of those who would be unable to afford, based on incomes and prices/rents.</p>	<p>The annual increase in households is projected to be 189 households per year based on the 2008 ONS projections 2013-31. This is the higher figure of our two sets of projections (see Task 1). Applying an 88% affordability test leaves us with 166 newly arising households in need. This is below our core estimate of 216 for newly arising households in need.</p>