Nathaniel Lichfield & Partners
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Canterbury City Council

Canterbury Development Requirements Study

Non Technical Summary

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Non Technical Summary and Key Messages

This report presents the results of a study carried out by Nathaniel Lichfield and Partners (NLP) for Canterbury City Council (CCC) to identify the future development requirements of the District. Changes to the planning system, including the proposed abolition of Regional Strategies (including the South East Plan) mean that it is the responsibility of local authorities to determine the development requirements for their district, based on evidence and taking account of national policy.

The purpose of this study is to explore how much development is needed in Canterbury as a District over the period to 2026 and to 2031. This will identify the number of homes and amount of land for business premises required to support the future population and economy of the District. The study also assesses in broad terms some of the infrastructure required to support that growth. The work, which has been independently prepared using a tried and tested methodology, is intended to help inform the decisions the City Council needs to make in the Local Plan it is preparing. The report covers some complex issues and uses a wide range of data assumptions that are described in more detail in the report, the Glossary, and Appendices.

Demography, Economy and Housing in Canterbury

The population of Canterbury

The District of Canterbury - which includes the City of Canterbury as well as the coastal settlements of Herne Bay, Whistable, and a rural hinterland - has an estimated population of 147,700 in 2011, in 61,775 households. The population has been growing over a sustained period, with the increase since 2001 accounting for 12,400 people. Because of the structure of Canterbury's population, this increase is down to net in-migration (i.e. more people moving into the District than moving out) without which the actual population would have shrunk.

People move to Canterbury from elsewhere in the UK (mainly elsewhere in Kent) and from overseas. People of all ages move into and out of Canterbury, but because of the University there is a greater proportion of those moving in who are aged 15-19. Conversely, there are many more who move out in their 20s and, to a lesser extent, 30s.

Fertility rates are lower in Canterbury than the national average, and have been falling, with each woman giving birth to an average of just 1.5 children. This fall compares with a rise nationally.

Although people of all ages live in Canterbury, compared with the wider South East, there are proportionately more of student age (15-24), fewer in their 30s, 40s and early 50s, and more aged 60 or over.

Reflecting a trend that is occurring across the country, the population of Canterbury is getting older. The number of people in the local labour force (which is mainly, but not exclusively, people aged 16-64) would decline in Canterbury were it not for the fact that more people of working age have been moving into the District. This is the case even taking into account reform of pension ages and the fact that people are likely to work longer in life than they do now. Because older people are more likely to live alone as they get older, the average household size (i.e. the number of people living in each household) has been reducing, moving from an average of 2.66 people per household in 1981 to 2.43 in 2008.

Housing Need

According to government housing statistics (the HSSA), there are 3,290 people on the waiting list for 'affordable housing'[1] in Canterbury. Kent County Council operates a choice based lettings system for social housing and in August 2011 there were 2,352 applicants from within Canterbury who are 'in need' as defined by the Government.

The Strategic Housing Market Assessment (SHMA) prepared for the City Council in 2009 estimated that 77% of newly forming households in the District are unable to afford to buy or rent market housing. The SHMA estimated that the need for social housing in the District is 1,104 dwellings per year over ten years. Compared with this, on average, 22% of the 556 new homes built each year since 1990 have been 'affordable'. A step change in supply of new affordable homes would be needed to meet the need in the District for such accommodation.

The Canterbury Economy

Precise estimates of the number of jobs in a local economy vary depending on the statistical methodology adopted. Office for National Statistics (ONS) data indicated that there were 62,900 jobs in the Canterbury economy in 2010. Other estimates (using different definitions) put the figure as high as 66,502 in 2011. Between 1998 and 2010, employment in the District increased by an average of 574 per annum. This rate of growth (1.2%) was greater than the Kent and South East averages, although it was harder hit by recession in 2008/9. Unemployment (using the International Labour Organisation definition) is currently estimated at 7.1%, compared with 6.0% in the South East, with the pre-recession average (2004-2007) being 4.6%. It is assumed that this 4.6% rate is a reasonable assumption for what unemployment might be once the economy has recovered.

[1] 'Affordable housing' is a definition used by Government. It includes social rented, affordable rented and intermediate housing, provided to eligible households whose needs are not met by the market.

Three quarters (75.8%) of working age population in Canterbury are economically active, lower than the 79% in the South East suggesting there may be some scope to increase employment in the indigenous population through reduced unemployment and increase economic activity. An assumed improvement (based on Kent County Council's analysis) is factored into the analysis carried out as part of this study.

The economy of Canterbury saw decline in manufacturing jobs and an increase in the service sector and public sector between 1998 and 2008. Looking ahead, economic forecasts prepared by Experian envisage future increases in employment (albeit at a slower rate than in the past), particularly in sectors related to the visitor economy, transport and communications, and finance and business services. Between 2011 and 2026, employment is forecast to grow by 4.7%.

Although the number of jobs in the District in 2011 (66,502) is not hugely different to the number of people in the local labour force in work (72,427), not all jobs are occupied by residents of Canterbury and not all workers living in the District are employed there. 27% of workers living in the District are employed outside Canterbury, mostly in Swale, Thanet and Dover. Equally, about 26% of jobs in Canterbury are occupied by people who commute into the District.

In future, the changing structure of the population (with a growing proportion of older people) will mean that the size of the labour force in Canterbury will decrease markedly unless the amount of net in-migration increases to compensate. Fewer workers in Canterbury would either mean that local businesses find it harder to recruit or that more people need to commute into the District to work.

The ageing population means that the number of 'workers' per household in the District will decline, meaning that compared with the past, more homes will be required in the district to support even the same number of jobs in the District, even taking account of measures to reduce unemployment and improve economic activity rates.

Scenarios

In order to inform the Council on what level of development it should adopt, a number of different scenarios for levels of population, housing and economic growth have been tested. These scenarios adopt a range of alternative assumptions about how the future may be different from the present. The intention is not to assume that a single scenario or set of assumptions is the 'best' to adopt. Rather, it is to use the scenarios to understand the likelihood and implications of different levels of change.

Ten scenarios of future change have been tested. They flow from attempts to answer different questions:

Policy and supply-led (Scenarios A, B, and C)

- *"What are the implications - in terms of the number of people, households and jobs - of delivering a certain amount of development?"*
- These scenarios look at how many households and jobs could be supported by Canterbury in the event that it chose to develop **A**) only the existing allocated land or planning permissions for housing (e.g around 3,000 dwellings); or **B**) the amount of development that has been built each year in the past; or **C**) the South East Plan's proposals for new development.

Economic-led Scenarios (Scenarios D, E, F, and G)

- *"How much development is required to ensure forecasts of future employment change are supported by the local labour supply?"*
- These scenarios look at different assessments of future economic growth in the District based on work carried out by Experian for the City Council in its 'Futures Study'. The three scenarios are based on modelling the demographic and household estimates of local economic and employment forecasts prepared by Experian associated with **D**) the East Kent Sustainable Community Strategy (3,600 additional jobs by 2031); **E**) the 'preferred scenario' arising from the Futures study (6,500 additional jobs); **F**) the Futures study's "travel to work" scenario where more people in the District commute elsewhere for work (4,300 additional jobs); and **G**) a baseline economic forecast for the District (4,150 additional jobs).

Demographic Led (Scenarios H and I)

- *"How much development is required to meet projected levels of population change?"*
- These two scenarios focus on demographic projections for the District based on **H**) an assumed zero-net migration (i.e. where the number of people moving into and out of the District each year is equal); and **I**) applying past trends of net-migration into the District for the period 2001/2 to 2008/9 as well as the assumptions used in the most recent CLG household projections.

Housing Led (Scenario J)

- *"How much development is required to meet current and future needs for affordable housing?"*
- This scenario uses data from the Council's Strategic Housing Market Assessment and housing waiting list to identify the level of need for affordable housing in the District and how much housing overall (both affordable and general market housing) would be required to support provision to meet this need.

Each scenario was modelled through a demographic model (PopGroup and Derived Forecast) which is widely used by Government and Local Authorities across the country. For each scenario, this model identifies for the period between 2011 and 2026 and 2031:

- How will the population change in number and profile up to 2026 and 2031?;
- What proportion of that change will flow from natural change (e.g. births vs. deaths) and migration?;
- How many people of working age who are economically active will be available in the Canterbury labour force?;
- Taking into account the commuting flows (in and out) and unemployment, how many jobs in Canterbury would be associated with that level of development?
- How much industrial and office space, and associated social, community infrastructure and open space would be required?

Demography, homes and jobs

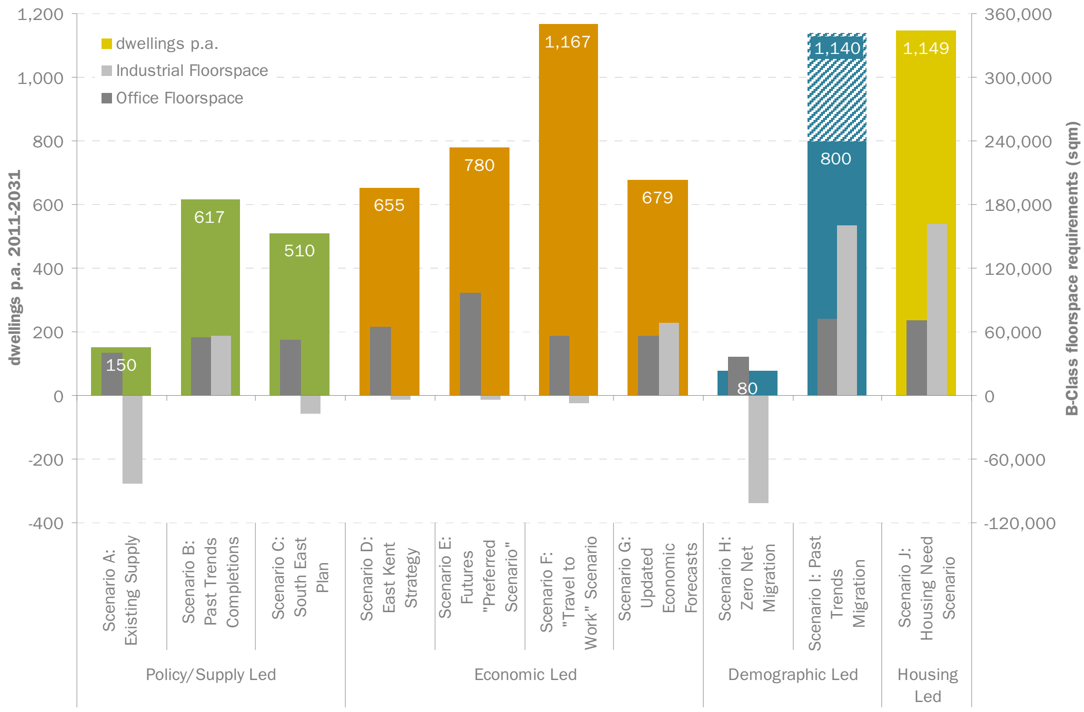
The PopGroup and Derived Forecast model works with assumptions on the statistical relationship between variables for population, homes, labour force, and jobs, taking account of commuting flows in and out of the District. It does not in itself evidence causality between these factors: the provision of a certain number of homes or allocation of land identified by a scenario does not automatically lead to the creation of all of the jobs that the model suggests would be associated with that level of development. However:

1. An insufficient number of homes or employment space acts as a barrier to achieving increases in local employment that might otherwise be sought; it makes recruitment more dependent on being able to attract in-commuters from neighbouring areas. So providing fewer homes would make it much less likely that the targeted number of jobs will be generated. Similarly, providing less suitable land for employment will make it more difficult to accommodate new and expanding businesses. Seeking to change commuting patterns (e.g. to reduce out-commuting and grow employment without the associated level of housing growth) is not something that can be planned for with any certainty.
2. Increases in the number of residents and workers has an economic benefit on the local economy through their spending on goods and services, sustaining the vitality and viability of centres, services and amenities. Residents who live in Canterbury but commute elsewhere make an important contribution to the local economy and in turn generate local employment.
3. The construction industry is a significant employer in Canterbury (7.2% of jobs) and the activity involved in development of new homes and business space has significant economic benefits in its own right through the safeguarding and retention of employment, alongside supply chain benefits.

Results of the analysis

Each of the scenarios generates a number of different outputs in terms of dwellings, industrial and office floorspace required between 2011 and 2031. These are illustrated in the chart below, expressed as new homes and floorspace (industrial and office) per annum. The estimates are based on modelling that uses assumptions on the relationship between people (as residents and workers in Canterbury) and accommodation (homes and workplaces). The assumptions are described in more detail in the main body of the report and in Appendix 1.

Annual Housing Development Requirements and Total B-Class Floorspace Requirements (2011-2031)



Source: NLP Analysis

As might be expected, given the different basis and assumptions used in each scenario, the results are markedly diverse, ranging from as few as 80 new homes per annum (Scenario H) to as many as 1,167 new homes each year (Scenario F). To give some shape to the implications and range of choices available to the City Council, the scenario results have been grouped into four bands:

1 Lower end: 80-150 dwellings p.a. (Scenarios A and H)

2 Lower mid-range: 500-650 dwellings p.a. (Scenarios B, C, and D)

3 Upper mid-range: 650-800 dwellings p.a. (Scenarios E, G, and I)

4 Upper end: 1,100-1,200 dwellings p.a. (Scenarios F, J and I)

In terms of the amount of development, there is a marked jump between bands 1 and 2: this is because the scenarios were chosen for modelling based on their starting inputs and assumptions, rather than working backwards to provide an even range of different outputs. Scenario I (based on past trends migration) is two bands (3 and 4) because it generated a range of outputs depending on the migration trends used.

The implications and development outcomes associated with each band are summarised below.

Band 1: Lower end: 80-150 dwellings p.a. (Scenarios A and H)

The lower end of development requirements associated with this band is based on scenarios that involved developing out only the land that is already allocated or has planning permission (Scenario A) or assumes that the number of people moving into and out of the District each year is equal (whereas in fact the number of people moving into the District has exceeded the number moving out in each of the past twelve years). In addition to a dwelling requirement of up to 3,000, the development associated with this band is equivalent to a modest requirement for office space (up to 6-7ha of land) but a marked reduction in industrial space (21-26ha of land).

This level of development would have a number of implications. The demographic trends explained earlier in this summary mean that providing low levels of development would be sufficient only to accommodate a falling population – there would be up to 7,000 fewer people in Canterbury by 2031, with the fall being among those of school and working age. This would mean around 4,100 fewer school places would be required, potentially leading to school closures. The labour force would also shrink by up to around 13,000, making it more difficult for local businesses to recruit. At existing rates of in and out commuting, around 11,000 jobs could be lost in the District. Alternatively, it would lead to more in-commuting into the District from elsewhere.

In land use terms, this band would require relatively little land for new development (as little as 26ha, including provision of open space) – in fact, the reduction in the amount of employment in the District would likely generate vacancy and surpluses in industrial and commercial space.

Being at a level below that associated with trend-based projections of population and household growth, planning for this level of development would cause displacement effects – local residents would be forced to move elsewhere. If the Local Planning Authority chose to adopt this level of development, it would need to demonstrate that neighbouring local authorities were planning to accommodate Canterbury’s overspill.

Band 2: Lower mid-range: 500-650 dwellings p.a. (Scenarios B, C, and D)

The scenarios underpinning this band are ones associated with what has occurred in the past (i.e. past trends), the South East Plan and the East Kent Strategy, respectively. They are therefore associated in different ways with the policy position adopted for Canterbury prior to the current Local Plan process and with a level of economic growth that is lower than that identified as ‘preferred’ by the Futures Study. Alongside up to 13,100 dwellings by 2031, this band is associated with a requirement for between 9 and 11ha of land for offices and - depending on the assumption used - up to 14ha of industrial land (albeit Scenario C envisages a reduction of over 4ha)

The implications of this level of development would see some modest growth in employment of up to 3,500 jobs (albeit the proposals of the South East Plan at the bottom of this band would have equated to zero growth in employment). However, like Band 1, this scenario would not be sufficient to meet all housing need and demand in the District either in terms of affordable housing or projected population and household growth. This band does not reflect the current economic vision for the District as it is associated with a lower level of employment growth than the Futures Study suggests is capable of being achieved. The bottom end of this band (i.e. the South East Plan) would see a reduction in the number of school-age children (particularly of secondary school age) whilst the top end would see an increase of up to 650 children.

This level of development is considered to be eminently deliverable, being similar to existing development expectations and past achievements. However, being lower than projected demographic growth, adopting this band as the broad development requirement for the District would make it necessary to demonstrate that neighbouring authorities were planning to accommodate Canterbury's overspill.

Band 3: Upper mid-range: 650-800 dwellings p.a. (Scenarios E, G, and I CLG Projections)

The scenarios under this band are associated with the prevailing view on the economic potential of Canterbury and of meeting the level of development associated with past trends of migration and demographic change generally in the District. Alongside a requirement for between 13,600 and 16,600 dwellings, this band would be associated with up to 16.5ha of land for offices and 17ha for industrial development in order to accommodate the employment growth of up to 6,600. This would require a land take (excluding open space) of between 400 and 500 ha in total.

The implications of adopting this band as the basis for plan making would be that it supports the more ambitious economic vision for the District that the Council has identified as 'preferred' in the Futures study, and would increase housing supply markedly to go some way to meeting needs and tackling affordability problems in the District. It would also require an increased rate of development in the District from that achieved in the past.

Band 4: Upper end: 1,100-1,200 dwellings p.a. (Scenarios F, J and I)

This final, top, band is associated with the highest levels of development, based on respectively, the Futures Study 'travel to work' scenario (where Canterbury becomes more of a commuter town); the most recent trends of in-migration; and meeting the need for affordable housing (as defined by the housing waiting list and future households in need) in full.

These scenarios are associated with around 23,000 additional homes and (with the exception of the 'travel to work' scenario F) with a significant requirement for up to 53ha of employment land (much of it for industrial development). This band would generate a significant increase in the size of the local labour force which would support ambitious economic objectives or the transformation of Canterbury into more of a commuter town. The scale of growth would require a significant land-take (up to 700ha excluding open space) and place pressures on physical and community infrastructure. Representing a significant increase over what level of development has been built in the past, there would be inevitable questions over whether such a scale of development is achievable.

Implications for plan-making and development

It is not the purpose of this report to define the policy or approach for Canterbury District in its Core Strategy/Local Plan. Rather, it aims to provide an objective evidence base to inform the Council's plan-making, taking account of factors that are not considered in the work so far. In considering this report, the Council will need to reflect upon its policy objectives, but also the latest evidence on land supply, and assessing which parts of the district have the greatest need, capacity for, or constraints to development. As well as consulting its residents and other stakeholders, it will also need to consider what neighbouring districts are planning to do, in line with the new statutory duty to cooperate. At the current time, there is no evidence that neighbouring districts (Shepway, Dover, Thanet, Ashford and Swale) are, in aggregate, aiming to achieve more residential development than might be required to meet their own needs, although this is a function of a mixed picture – Shepway, Thanet and Swale are planning for below the rate of household growth of the CLG Projections whilst Dover and Ashford are providing more and may be able to accommodate some displaced growth if they maintain their existing approach.

In general terms, a starting point for considering the spatial implications of development is that, based on a number of indicators, all parts of the District would make some contribution to accommodating development requirements but that Canterbury City, followed by Herne Bay and Whitstable would be the main locations for development.

However, the Council will need to carry out further assessment on the infrastructure and environmental capacity of the District, as well as land supply in arriving at conclusions on the amount and distribution of development.

In determining the way forward, the Council will need to align its development requirements with the wider strategic policy aims and objectives that it has set itself and which are also shaped by central Government. NLP has therefore assessed each scenario (and the four bands) against a series of policy aspirations, based on the pledges in the Canterbury City Council Corporate Plan 2011-12013 and the requirements of national policy. The assessment uses a colour coding 'traffic light' approach to judge whether the level of development substantially meets the objective (**green**), goes some way to meeting the objective (**amber**) or wholly fails to meet the objective (**red**). It is summarised below:

Alignment with Key Policy Objectives

	Lower end		Lower-mid		Upper-mid			Upper end		
Dwellings per annum 2010-2031	**80 d.p.a.**	**150 d.p.a.**	**510 d.p.a.**	**617 d.p.a.**	**655 d.p.a.**	**679 d.p.a.**	**780 d.p.a.**	**1,140 d.p.a.**	**1,149 d.p.a.**	**1,167 d.p.a.**
Scenario	**H**	**A**	**C**	**B**	**D**	**G**	**E**	**I**	**J**	**F**
Will housing delivery **meet the need and demand** for housing across Canterbury District? **Corporate Plan Pledge 8:** We will plan for the right type and number of homes in the right place to create sustainable communities in the future	N	N	N	N	N	N		Y	Y	Y
Will level of development lead to **adverse social outcomes** (e.g. housing overcrowding, unfulfilled housing aspirations)? **Corporate Plan Pledge 2:** We will tackle disadvantage within our district	Y	Y					N	N	N	N
Will the level of development mean **more jobs** can be supported and delivered in the District? **Corporate Plan Pledge 1:** We will support the growth of our economy and the number of people in work.	N	N				Y	Y	Y	Y	
Will level of development **improve affordability** and increase supply to make it easier to access housing? **Corporate Plan Pledge 8:** We will plan for the right type and number of homes in the right place to create sustainable communities in the future	N	N	N					Y	Y	Y
Will development requirements necessitate additional development sites (including **greenfield sites**) to be identified? **Corporate Plan Pledge 6:** We will make our district cleaner and greener and lead by example on environmental issues	N	N		Y	Y	Y	Y	Y	Y	Y
Can the development requirements be **realistically delivered** given market capacity and demand?	Y	Y	Y	Y				N	N	N

Source: NLP Analysis, National Planning Policy and CCC Corporate Plan 2011-2016

This assessment shows that all levels of development requirement have strengths and weaknesses. At lower levels of development, scenarios score well on deliverability and having a lower impact on the environment, but give rise to significant negative implications for social outcomes, access to housing, and the local economy. At the highest levels of development, the scenarios score well in terms of housing supply and improving access to housing, as well as supporting the local economy, but give rise to questions over the ability of the market to bring forward such a scale of development. The City Council will need to consider how important each factor is in balancing these different factors.

Towards defining a strategy for development

Based on the analysis contained within this study, it seems fairly clear that it would not be credible to plan for the lowest band of development (equivalent to up to 150 new dwellings per annum): it would have a substantial adverse impact on the population structure, shrink the economic potential of the District, and limit the access people have to housing. The reasons for this can be traced to the underlying demographic, housing and economic pressures facing the district, as set out earlier in this summary. The pressures are such that even under the proposals of the South East Plan (510 new dwellings per annum), the District would have seen a reduction in its labour force and no increase in employment – this runs counter to the District's stated Corporate pledges. At the same time, the highest levels of growth appear to raise questions over deliverability and impact which, although not assessed in detail in this study, do appear to represent a significant challenge and a step-change from what has occurred previously.

A dwelling requirement of between 600 and 700 dwellings per annum (with associated provision for employment land) would appear to represent a balance accommodating the majority of need for housing arising out of projected population change based on recent trends and Government projections. It would also maintain a local labour force sufficient to support the existing number of jobs in the district and that identified as ‘preferred’ in the Futures Study. This would also go some way to meeting the estimates of need for affordable housing in the District.

However, this is not the end of the story; this Study is just one part of the jigsaw and a number of factors will be relevant to the Council in defining its development requirement and may require further consideration:

- The wider policy objectives for the District, taking account of national policy and the implications of the statutory ‘duty to cooperate’ in terms of what is planned in neighbouring authorities;
- The implications of constraining housing delivery on meeting *local* need for housing, including the implications for different household types and on the local economy;
- The constraints to housing delivery and other development, including assessments of infrastructure capacity, land supply, environmental capacity, and development viability;
- Housing need at a sub-district level alongside other spatial policy objectives, capacity and constraints to development in different parts of the district;
- How future levels of housing delivery can support relevant economic strategy objectives to maintain and enhance Canterbury’s economy, including for local businesses and providing local employment choices for residents;
- The need to give further consideration to some of the questions that remain over the portfolio of employment space requirement to meet the economic and business needs of the district; and
- The views of local residents and other stakeholders as identified through both polling work being carried out by Ipsos MORI and other consultation exercises.

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