
CANTERBURY CITY COUNCIL
HOUSING EVIDENCE BASE

TECHNICAL REVIEW

June 2015

CANTERBURY
HOUSING EVIDENCE BASE
TECHNICAL REVIEW

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APPENDIX 1: COMPARISON OF 2008-BASED, 'INTERIM' 2011-BASED AND 2012-BASED HOUSEHOLD REPRESENTATIVE RATES FOR CANTERBURY DISTRICT

1.0 INTRODUCTION

1.1 This Technical Note has been prepared by Barton Willmore on behalf of Gladman Developments, in order to review the proposed housing target of Canterbury City Council (CCC), and the evidence base underpinning it. The note has been undertaken in the context of the requirements of the National Planning Policy Framework (NPPF) and the supporting Planning Practice Guidance (PPG) requirements that Local Plan housing targets are sufficient to ensure that the full objective assessment of overall housing need is met within the housing market area (HMA).

1.2 The note is structured as follows:

Section 2 provides an outline of the relevant National Planning Policy Framework (NPPF), the supporting Planning Practice Guidance (PPG), and Local Planning Policy.

Section 3 reviews the latest official demographic evidence for Canterbury City, including:

- Latest ONS population and CLG household projections;
- ONS mid-year population estimates and past migration trends.

Section 4 provides a review of the evidence base underpinning the Council's emerging proposed housing target of 780 dwellings per annum, 2011-2031; and a review of market signals and affordability in Canterbury City compared to the wider Housing Market Area (HMA) and national average. This is set in the context of the PPG requirements to assess market signals and affordability.

Section 5 summarises our analysis of the proposed housing target for Canterbury City in the context of official CLG projections and the Council's evidence base, to recommend an appropriate way forward in assessing overall housing need.

2.0 PLANNING POLICY CONTEXT

A) NATIONAL PLANNING POLICY

i) Introduction

2.1 The National Planning Policy Framework (NPPF, 27 March 2012) and the accompanying Planning Practice Guidance (PPG, 06 March 2014) set out the requirements within which local planning authorities should be setting their overall housing targets as part of a full objective assessment of overall need. These requirements are summarised below.

ii) National Planning Policy Framework (27 March 2012)

2.2 NPPF sets out the Government's planning policies for England and how these are expected to be applied. NPPF states that planning should proactively drive and support sustainable economic development to deliver the homes that the Country needs, and that every effort should be made to objectively identify and then meet housing needs, taking account of market signals (paragraph 17).

2.3 In respect of delivering a wide choice of high quality homes, NPPF confirms the need for local authorities to boost significantly the supply of housing. To do so, it states that local 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 area (paragraph 47).

2.4 Furthermore, it states that local planning authorities should plan for a mix of housing based on current and future demographic trends, market trends and the needs of different groups in the community (paragraph 50).

2.5 With regard to plan-making, local planning authorities are directed to set out strategic priorities for their area in the Local Plan, including policies to deliver the homes and jobs needed in the area (paragraph 156).

2.6 NPPF states that Local Plans should plan positively for the development and infrastructure required in the area to meet the objectives, principles and policies of the Framework (paragraph 157).

2.7 Further, Local Plans are to be based on adequate, up to date and relevant evidence, integrating assessments of and strategies for housing and employment uses, taking full account of relevant market and economic signals (paragraph 158).

- 2.8 For plan-making purposes, local planning authorities are required to clearly understand housing needs in their area. To do so they should:

“prepare a Strategic Housing Market Assessment to assess their full housing needs, working with neighbouring authorities where housing market areas cross administrative boundaries; The SHMA should identify the scale and mix of housing and the range of tenures that the local population is likely to need over the plan period which:

meets household and population projections, taking account of migration and demographic change;

addresses the need for all types of housing, including affordable housing and the needs of different groups in the community (such as, but not limited to, families with children, older people, people with disabilities, service families and people wishing to build their own homes).”¹

iii) Planning Practice Guidance (PPG, 06 March 2014)

- 2.9 PPG was issued as a web based resource on 6th March 2014. Guidance on the assessment of housing development needs (PPG ID: 2a) includes the SHMA requirement set out in NPPF and supersedes all previous published SHMA practice guidance (CLG, 2007).
- 2.10 The primary objective of the housing development needs assessment (the SHMA) is to identify the future quantity of housing needed, including a breakdown by type, tenure and need (PPG ID2a 002)
- 2.11 Housing need refers to the scale of housing likely to be needed in the housing market area over the plan period, should cater for the housing demand in the area and identify the scale of housing supply necessary to meet that demand. (PPG ID2a 003)
- 2.12 The assessment of need is an objective assessment based on facts and unbiased evidence and constraints should not be applied (PPG ID2a 004).
- 2.13 Use of the PPG methodology for assessing housing need is strongly recommended, to ensure that the assessment is transparent (ID2a 005). The area assessed should be the housing market area (ID2a 008), reflecting the key functional linkages between places where people live and work (ID2a 010).

¹ Paragraph 159, National Planning Policy Framework, 27 March 2012;

PPG methodology for assessing housing need

- 2.14 The full methodology is set out at ID 2a 014 to 029 (overall housing need at ID2a 015 to 020), and is introduced as an assessment that should be based predominately on secondary data (ID2a 014).

Starting point estimate of need

- 2.15 The methodology states that the starting point for assessing overall housing need should be the household projections published by the Department for Communities and Local Government, but that they are trends based and may require adjustment to reflect factors, such as unmet or suppressed need, not captured in past trends (ID2a 015).

"The household projection-based estimate of housing need may require adjustment to reflect factors affecting local demography and household formation rates which are not captured in past trends. For example, formation rates may have been suppressed historically by under-supply and worsening affordability of housing." (2a-015) (Our emphasis)

Adjusting for demographic evidence

- 2.16 The PPG methodology advises that plan makers may consider testing alternative assumptions in relation to the underlying demographic projections and household formation rates. It also states that 'account should be taken of the most recent demographic evidence including the latest Office for National Statistics population estimates' (2a-017).

Adjusting for likely change in job numbers

- 2.17 In addition to taking into account demographic evidence the methodology states that job trends and or forecasts should also be taken into account when assessing overall housing need. The implication is that housing numbers should be increased where this will enable labour force supply to match projected job growth (2a-018).

"Where the supply of working age population that is economically active (labour force supply) is less than the projected job growth, this could result in unsustainable commuting patterns ... and could reduce the resilience of local businesses. In such circumstances, plan makers will need to consider how the location of new housing or infrastructure development could help address these problems." (2a-018)

- 2.18 The PPG also confirms the importance of ensuring sufficient growth in the working age

population (16-64), at paragraph 2a-018 and 2a-21:

“Plan makers should make an assessment of the likely change in job numbers based on past trends and/or economic forecasts as appropriate and also having regard to the growth of the working age population in the housing market area.” (2a-018)

“When considering future need for different types of housing, plan makers will need to consider whether they plan to attract a different age profile eg increasing the number of working age people.” (2a-021)

Adjusting for market signals

2.19 The final part of the methodology regarding overall housing need is concerned with market signals and their implications for housing supply (2a-019:020).

“The housing need number suggested by household projections (the starting point) should be adjusted to reflect appropriate market signals, as well as other market indicators of the balance between the demand for and supply of dwellings.” (2a-019)

2.20 Assessment of market signals is a further test intended to inform whether the starting point estimate of overall housing need (the household projections) should be adjusted upwards. Particular attention is given to the issue of affordability (2a-020).

“The more significant the affordability constraints ... and the stronger other indicators of high demand ... the larger the improvement in affordability needed and, therefore, the larger the additional supply response should be.” (2a-020)

Overall housing need

2.21 An objective assessment of overall housing need can be summarised as a test of whether the household projection based starting point can be reconciled with a) the latest demographic evidence, b) the ability to accommodate projected job demand, c) the requirement to address worsening market signals. If it cannot be reconciled, then an adjustment should be made.

2.22 The extent of any adjustment should be based on the extent to which it passes each test. That is:

- It will at least equal the housing need number implied by the latest demographic evidence,
- It will at least accommodate projected job demand; and,
- On reasonable assumptions, it could be expected to improve affordability.

Affordable housing need assessment

- 2.23 The methodology for assessing affordable housing need is set out at 2a-022 to 029 and is largely unchanged from the methodology it supersedes (SHMA 2007). In summary, total affordable need is estimated by subtracting total available stock from total gross need. Whilst it has no bearing on the assessment of overall housing need, delivering the required number of affordable homes can be used to justify an increase in planned housing supply (2a-029).

"The total affordable housing need should then be considered in the context of its likely delivery as a proportion of mixed market and affordable housing developments ... An increase in the total housing figures included in the local plan should be considered where it could help deliver the required number of affordable homes." (2a-029) (our emphasis)

B) LOCAL PLANNING POLICY**i) Canterbury District Local Plan - Publication Draft (June 2014)**

- 2.24 Canterbury City Council submitted the draft Local Plan to the Secretary of State on 21 November 2014. The Examination of the Local Plan will start on 14 July 2015. When adopted the Canterbury District Local Plan will replace the adopted Canterbury District Local Plan 2006.
- 2.25 The draft Plan's vision for Canterbury states:

"We will support the growth needed to deliver our ambition of having a strong dynamic economy and a skilled well-paid workforce supported by the quality of life and housing of the appropriate scale and quality."²

- 2.26 Furthermore, one of the Plan's objectives is to provide sufficient housing to meet local housing need and support economic growth. Economic growth strongly underpins the Council's aspirations.
- 2.27 The Plan acknowledges that the District's population structure will change significantly over the next 20 years, with an increasing elderly population and a slowing growth of the working age population. As a result it states that 'doing nothing is not an option' (paragraph 1.3) as economic growth would not be supported by the changing demographic structure.

² Page 11, Canterbury District Local Plan – Publication Draft, June 2014

- 2.28 Therefore to implement the Council's vision for the area, there will be a need for a significant increase above the historic level of development in the area, for both housing and employment space (paragraph 1.53).
- 2.29 Policy SP2 of the draft Local Plan outlines a housing target of 15,600 dwellings over the period 2011-2031. This housing target has been based on a job growth target of 6,500 additional jobs over the period 2011-2031 as indicated by the Council's Development Requirements Study (January 2012) undertaken by Nathaniel Lichfield and Partners (NLP). Section 4 of this study provides a critique and evaluation of this NLP study.
- 2.30 The Plan acknowledges that affordability is an issue within the District and therefore sets a 30% affordable housing requirement on sites of 7 or more units across the District.

ii) Canterbury District Housing Strategy – 2012 to 2016

- 2.31 The Canterbury District Housing Strategy sets out the Council's ambitions for 2012-2016. The core vision for the Housing Strategy is underpinned by the Council's Corporate Plan pledge to:

"plan for the right number of homes in the right place to create sustainable communities in the future"³

- 2.32 The Strategy does not outline the overall number and locations of new homes and states this is a task for the Local Plan. However, it states an ambitious action plan to make the vision a reality by:

- **"Ensuring that the new Local Plan allocates enough land for the right number and type of homes in the right places.**
- **Increasing the number of new homes that families on the average local wage can afford to buy or rent.**
- **Encouraging the building of more family-sized homes.**
- **Improving the choice of homes to tempt "empty nesters" to downsize from family-sized homes.**
- **Reducing the number of excess winter deaths by improving the quality and condition of existing private homes.**
- **Managing the impact on the housing market of high numbers of young people studying and living in our district."⁴**

- 2.33 Furthermore, the Strategy recognises that housing has an important role supporting economic prosperity and therefore will ensure there are enough homes for existing workers and industries, attracting skilled workers and retaining graduates educated in the universities.

³ Page 3, Canterbury District Housing Strategy – 2012 to 2016

⁴ Page 4, Canterbury District Housing Strategy – 2012 to 2016

iii) South East LEP – Growth Deal and Strategic Economic Plan (March 2014)

2.34 The South East Local Economic Partnership Growth Deal and Strategic Economic Plan published in March 2014 is the most recent of the economic strategies and policies that have helped to inform and complement the draft Local Plan. The ambition is to:

- **“enable the creation of 200,000 sustainable private sector jobs over the decade to 2021, an increase of 11.4% since 2011;**
- **complete 100,000 new homes by 2021, which will entail, over the seven years, increasing the annual rate of completions by over 50% by comparison with recent years; and,**
- **lever investment totalling £10 billion, to accelerate growth, jobs and homebuilding.”⁵**

2.35 The Strategic Economic Plan specifically sets out growth of 30,000 homes and 20,000 jobs in East Kent by 2021 (paragraph 2.114).

2.36 The Plan identifies Canterbury as being East Kent’s leading centre for high-value employment, centred around the city’s four universities. It also outlines Canterbury’s status as an important regional retail hub which it wants to build on along with science and business technology.

2.37 It acknowledges that house building has slowed over recent years despite housing demand increasing meaning that housing affordability continues to remain a major issue. It states that affordability is having a detrimental impact on the ability of employers to recruit appropriate staff. The Plan therefore sets out a commitment to accelerate house-building and states:

“Our local planning authorities will set housing targets based on their objectively assessed housing requirements and these targets will feature in their plans or those being prepared.”⁶

iv) Canterbury Futures Study (2006) and review (2011)

2.38 In 2006 Canterbury City Council commissioned Experian Business Strategies, the Future Foundation and GVA Grimley to produce the Canterbury Futures Study. The aim of the Study was to identify possible outcomes for the future of Canterbury’s economy over the next 20 years.

2.39 Five “potential outcomes” for the District were developed. According to the Study each of the “outcomes” is plausible, although each comes with its own challenges. These “outcomes” were

⁵ Paragraph 2.2, South East LEP Growth Deal and Strategic Economic Plan, March 2014

⁶ Paragraph 1.22, South East LEP Growth Deal and Strategic Economic Plan, March 2014

presented to key stakeholders and a “preferred scenario” was arrived at which was a combination of three of the “outcomes”; Knowledge Economy, the Canterbury Experience and the Green Economy.

2.40 In 2011, Experian were commissioned by the Council to review the original 2006 Canterbury Future work in light of the economic downturn. It concluded that the Canterbury performed above expectations in the pre-recession period and provide resilient to the down turn. In this respect, it found that Canterbury’s “preferred scenario” remained valid but it could be harder to achieve as a consequent of the changed economic and political climate.

C) SUMMARY

2.41 The NPPF and PPG requires that in planning for future levels of housing, local authorities should boost significantly the supply of housing in their area that meets in full, the objectively assessed need for market and affordable housing. In doing so local authorities should;

- identify a scale of housing that meets household and population projections;
- account for migration and demographic change in formulating housing requirements;
- ensure that assessment of, and strategies for, housing, employment and other uses are integrated, and that they take full account of relevant market and economic signals; and
- Work closely with the business community to understand their changing needs and identify and address barriers to investment, including a lack of housing.

2.42 The draft Canterbury District Local Plan proposes a housing target of an additional 15,600 homes between 2011 and 2031 in order to support their aspirations for economic growth of +6,500 additional jobs over the same period.

2.43 Economic growth strongly underpins the Council’s aspirations and aligns with the South East LEPs economic priorities. There is recognition that housing delivery is key to delivering economic growth and this has been translated into policies presented in the draft Canterbury District Local Plan.

2.44 The following sections of this report provide an analysis of the starting point in objectively assessing overall housing need – official ONS and CLG projections and estimates – and the evidence base underpinning the Council’s proposed figure, to determine whether it provides for a full objective assessment of overall housing need in Barrow Borough that will support the economic growth aspired to.

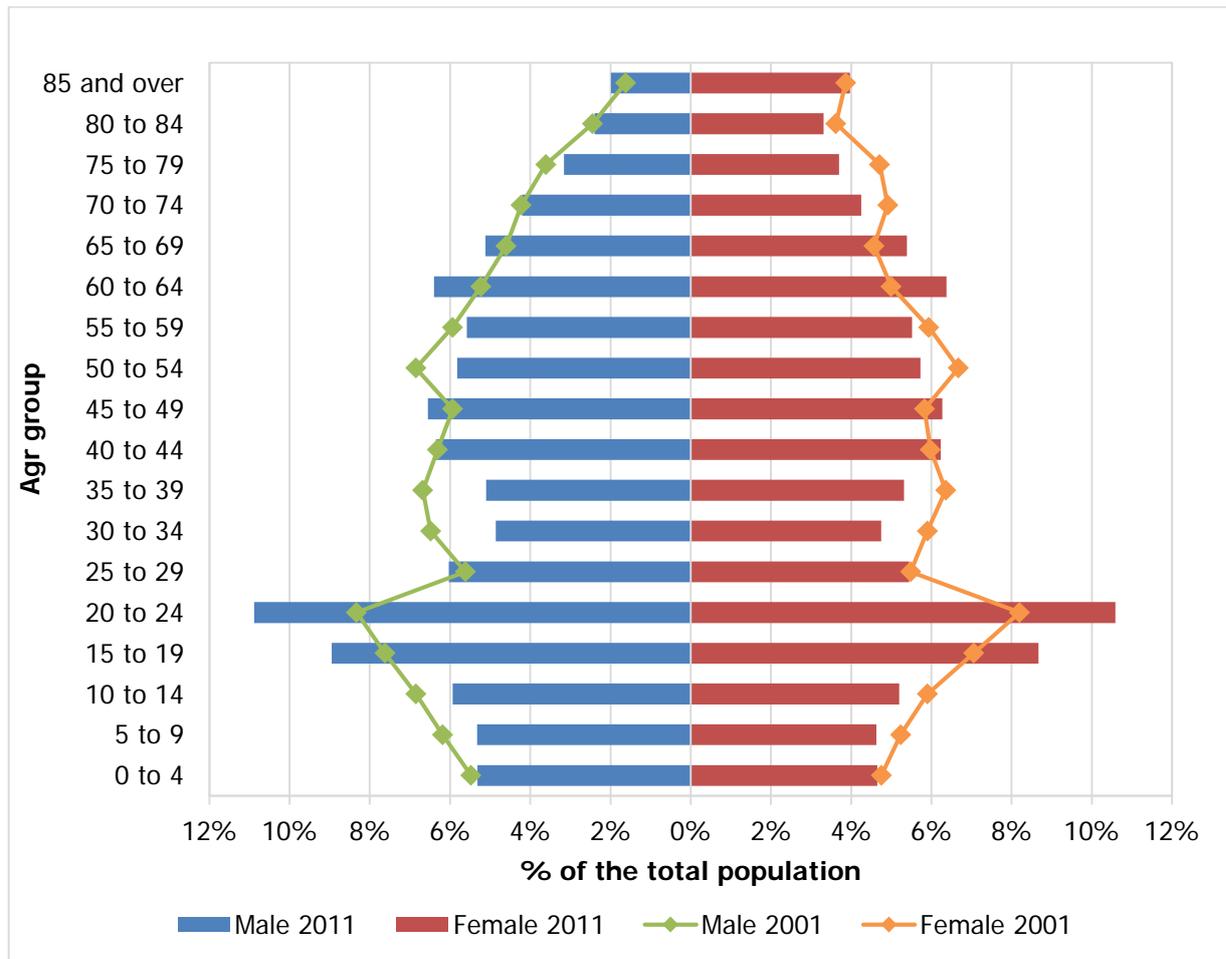
3.0 HOUSEHOLD DEMOGRAPHICS

- 3.1 The PPG advises that the starting point for estimating overall need should be the latest household projections produced by the Department for Communities and Local Government (CLG) and that account should be taken of the most recent demographic evidence, including Office for National Statistics (ONS) population estimates.
- 3.2 This section reviews the latest official ONS demographic and CLG household data for Canterbury City. Growth for Canterbury is compared alongside the average for the East Kent sub-region as used in the Council's Strategic Housing Market Assessment. The East Kent area is defined as consisting of the following authorities: Canterbury; Dover; Thanet; Shepway; and Swale.
- 3.3 Comparisons are also made with the Canterbury and Ramsgate Housing Market Area (HMA) which according to the CURDS research is the HMA Canterbury belongs to on a best-fit basis. The Canterbury and Ramsgate HMA consists of the following authorities: Canterbury, Dover and Thanet.
- 3.4 To align with the Council's evidence base we provide our analysis in this section based on the 20-year period 2011-2031.

i) Historic population growth – ONS Mid-Year Population Estimates

- 3.5 Canterbury is currently estimated to have a population of 155,300 people (mid-2013). Due to the large number of further and higher education establishments located within the City, Canterbury has a relatively young age profile as is shown in Figure 3.1.

Figure 3.1: Age profile of Canterbury City, 2001 and 2011



Source: 2001 and 2011 Census, Office for National Statistics

3.6 Over the 10 years between the 2001 and 2011 Census' Canterbury's population has grown at a faster rate than the East Kent sub-region and the Canterbury and Ramsgate HMA, as is shown in Table 3.1.

Table 3.1: Historic population change (2001-2011)

	2001	2011	2001-2011 change	
			No.	%
Canterbury City	135,300	151,100	15,900	11.7%
Canterbury & Ramsgate HMA	585,600	640,800	55,200	9.4%
East Kent	366,500	397,000	30,400	8.3%
England	49,925,500	53,865,800	3,940,300	7.9%

Source: Mid-Year Population Estimates, Office for National Statistics

All figures have been individually rounded to the nearest one hundred and may not sum. Percentages have been calculated using unrounded numbers.

3.7 Population changes as a result of net migration and natural change. For Canterbury City, population change over the last 10 years has been entirely due to net migration. Between 2001 and 2011 there were 21,000 net migrants to Canterbury City. However, as Canterbury experienced more deaths than births the local authority area saw negative natural change of minus 1,800 people. Furthermore, 'other' changes (change that is not possible to identify as either migration or natural change) was calculated as a further minus 4,000 people. See Table 3.2 for more detail.

Table 3.2: Components of population change for Canterbury City (2001-2013)

	Natural change	Net Migration	Other changes	Total change
2001/02	-351	1,889	-436	1,102
2002/03	-239	2,706	-342	2,125
2003/04	-357	2,768	-441	1,970
2004/05	-282	1,999	-377	1,340
2005/06	-151	2,148	-425	1,572
2006/07	-130	2,326	-489	1,707
2007/08	-156	1,442	-410	876
2008/09	-127	858	-408	323
2009/10	-21	2,652	-347	2,257
2010/11	21	2,238	-312	1,947
2011/12	-53	2,802	50	2,799
2012/13	-160	2,395	-327	1,908
2003-2013 (Long term trend)	-142	2,160	-349	1,670
2008-2013 (Short term trend)	-68	2,184	-269	1,847

Source: Mid-Year Population Estimates, Office for National Statistics

ii) Office for National Statistics (ONS) population projections

3.8 The Office for National Statistics produces population projections for all local authority areas in England. These are referred to as the Sub National Population Projections (SNPP) and are published by the ONS usually every two years.

3.9 The ONS SNPP are trend-based projections. That is, they project forward past demographic trends in births, deaths and migration. They do not take account of any future changes to government policy which may affect these past trends.

3.10 Table 3.3 (below) sets out the official ONS SNPP in chronological order from the 2008-based series to the most recent 2012-based SNPP (29 May 2014). The 'interim' 2011-based SNPP and 2012-based SNPP take account of findings from the 2011 Census of the population.

Table 3.3: ONS Population Projection series, 2011-2021 & 2011-2031

	Series	2011	2021	2031	2011-2021 (per annum)	2011-2031 (per annum)
Canterbury City	2012-based	150,600	158,600	169,200	8,000 (800)	18,600 (900)
	2011-based (interim)	150,600	164,500		13,900 (1,400)	
	2008-based	152,900	164,800	179,300	11,900 (1,200)	26,400 (1,300)
Canterbury and Ramsgate HMA	2012-based	396,700	419,900	447,400	23,200 (2,300)	50,700 (2,500)
	2011-based (interim)	396,700	427,200		30,500 (3,100)	
	2008-based	392,500	420,100	452,200	27,600 (2,800)	59,700 (3,000)
East Kent sub-region	2012-based	641,200	686,900	736,500	45,600 (4,600)	95,200 (4,800)
	2011-based (interim)	641,200	695,900		54,700 (5,500)	
	2008-based	628,800	677,500	729,800	48,700 (4,900)	101,000 (5,100)

Source: Office for National Statistics (rounded to nearest 100) Note: Figures may not sum due to rounding

3.10 The latest 2012-based SNPP project the lowest population growth of the three projection series. It is important to note that the 2012-based SNPP are underpinned by recessionary trends captured over the 2007-2012 period. For example, the 2012-based SNPP are underpinned by an annual average of 1,100 net migrants per annum (25 year average 2012-2037) compared to 1,400 net migrants per annum (25 year average 2008-2033) in the 2008-based SNPP.

3.11 Furthermore, the 2012-based SNPP are constrained to the 2012 National Projections published in 2013. The national projection is based on an assumption of 165,000 net international migrants coming into the UK per annum, and this assumption is projected forward per annum over the full 25 years of the 2012-based SNPP period. However net international migration of 165,000 people per annum conflicts significantly with the latest migration statistics report by the ONS, which shows net international migration of 318,000 people in the year ending December 2014.

- 3.12 Furthermore the 10-year average trend shows net international migration of 240,000 people per annum (2004-2014), and it is important to note how only one of the last 10 years showed a figure of net international migrants that was lower than 200,000 people (177,000 people in 2012).
- 3.13 In this context the 2012-based SNPP are considered to be underpinned by assumptions which lead to a significant underestimate of population growth over 25 years (2012-2037). This in turn has directly influenced the 2012-based CLG household projections, which are underpinned by the 2012-based SNPP.
- 3.14 It is important to be aware of the issues related to the SNPP because the CLG household projections are derived by applying household representative rates to the ONS population projections. Household projections will be discussed in the next section.
- 3.15 The 2012-based ONS SNPP also project the working age population to grow at a much slower rate than the population as a whole. Whilst the whole population of Canterbury City is projected to grow by 12.3% over the period 2011-2031 the working age population is projected to grow by 7.5%. However, this figure is somewhat distorted by the higher growth in the 65-74 year olds. Whilst economic activity is increasing amongst older people the proportion who are in employment is still relatively small in comparison to those age 16-64 years. The growth in the working age population aged 16-64 years is projected to grow by just 2.7% (see Table 3.4 below).

Table 3.4: Working Age Population Change in Canterbury City, 2011-2031

Age Group	2011	2031	Change
16-64	96,700	99,300	2,600 (2.7%)
65-74	14,500	20,200	5,800 (39.7%)
Total	111,200	119,600	8,400 (7.5%)

Source: 2012-based SNPP, Office for National Statistics (rounded to nearest 100) Note: Figures may not sum due to rounding

- 3.16 According to the 2011 Census there were 21,622 full-time students aged 16 to 74 in Canterbury of which 5,627 (26%) were in employment⁷. The student population of Canterbury contributes 19% to the working age population and whilst some of these students are economically active, they are unlikely to be working in the sectors that the Council and LEP wish to develop. Furthermore, 15,995 of the full-time students are not in employment. This is equivalent to 14% of the total population aged 16-74 years. Therefore, this level of growth in the working age population would not support the Council's economic job growth aspirations which are

⁷ 2011 Census, Table QS603EW, Office for National Statistics

clearly identified in the Council's Development Requirements Study. The Council's preferred economic scenario is for an additional 6,556 jobs over the period 2011-2031 (328 per annum) and according to the updated (April 2005) Housing Needs Review, an additional 5,382 people in the resident labour force would be needed to support this level of job growth.

- 3.17 The PPG states 'where the supply of working age population that is economically active (labour force supply) is less than the projected job growth, this could result in unsustainable commuting patterns' (PPG, ID2a, 018). Therefore the household growth underpinned by the 2012-based ONS SNPP would not provide a level of housing that would support economic growth in Canterbury City.

Communities and Local Government (CLG) household projections

- 3.18 Table 3.5 sets out the official CLG household projections in chronological order from the 2008-based series to the most recent 2012-based series (27 February 2015).

Table 3.5: CLG Household Projections, 2011-2021 & 2011-2031

	Series	2011	2021	2031	2011-2021 (per annum)	2011-2031 (per annum)
Canterbury City	2012-based	60,498	66,145	72,772	5,647 (565)	12,274 (614)
	2011-based (interim)	60,564	68,967		8,403 (840)	
	2008-based	63,000	71,300	79,700	8,300 (830)	16,800 (840)
Canterbury and Ramsgate HMA	2012-based	168,478	184,208	201,910	15,730 (1,573)	33,432 (1,672)
	2011-based (interim)	168,470	186,650		18,180 (1,818)	
	2008-based	169,300	189,100	209,200	19,800 (1,980)	39,900 (2,000)
East Kent sub-region	2012-based	271,782	300,570	331,245	28,788 (2,879)	59,463 (2,973)
	2011-based (interim)	271,703	302,430		30,727 (3,073)	
	2008-based	270,000	303,100	335,600	33,100 (3,310)	65,600 (3,280)

Source: (CLG) Communities and Local Government (Figures rounded to nearest hundred, per annum figures to the nearest 10) Note: Figures may not sum due to rounding

- 3.19 The latest CLG 2012-based household projections show growth of 614 households per annum between 2011 and 2031 in Canterbury City. To reach a dwelling requirement, account needs

to be taken of vacancy rates, second homes, and shared dwellings (4.28% in Canterbury City), resulting in a dwelling projection of 640 dwellings per annum. As the PPG states the CLG projections should form the 'starting point estimate' only of overall housing need as part of a full objective assessment of need.

- 3.20 The growth projected by the CLG 2012-based household projections is lower than seen in the 'interim' 2011-based and 2008-based household projections. Like the 2012-based projections, the 'interim' 2011-based projections are underpinned by recessionary trends in household formation, whereas the 2008-based projections are underpinned by trends gathered prior to the recession.
- 3.21 However, analysis of the headline sensitivity tests published by the CLG suggest that household formation is more optimistic in the 2012-based household projections than it was in the 'interim' 2011-based household projections. If the 'interim' 2011-based household formation rates were applied to the ONS 2012-based SNPP it would have resulted in 889 fewer households over the period 2011-2021.
- 3.22 The findings of the sensitivity analysis therefore indicates that it is the underlying ONS 2012-based SNPP, to which the household formation rates are applied, that is the main reason for the low household growth in the 2012-based household projections. As indicated above, the ONS 2012-based SNPP are considered to provide a conservative projection of future population growth and therefore should be used with caution.
- 3.23 The DCLG have now published stage one household formation data for the 2012-based household projections (household representative rates by age and gender). The rates show that household formation in the 2012-based projections is still suppressed compared to the 2008-based projections, particularly in the younger age groups as is shown in Figures 3.2 and 3.3. Whilst the rates show that household formation will increase in the 25-34 and 35-44 year old age groups, the level of household formation in these age group stays at the same or lower than that shown in the previous 'interim' 2011-based household projections, and it is therefore clear that there is still suppression in projected household formation compared to the pre-recessionary 2008-based series. Appendix 1 compares household formation rates across all age groups.

Figure 3.2: Household Formation Rates, 25-34 age group; Canterbury City

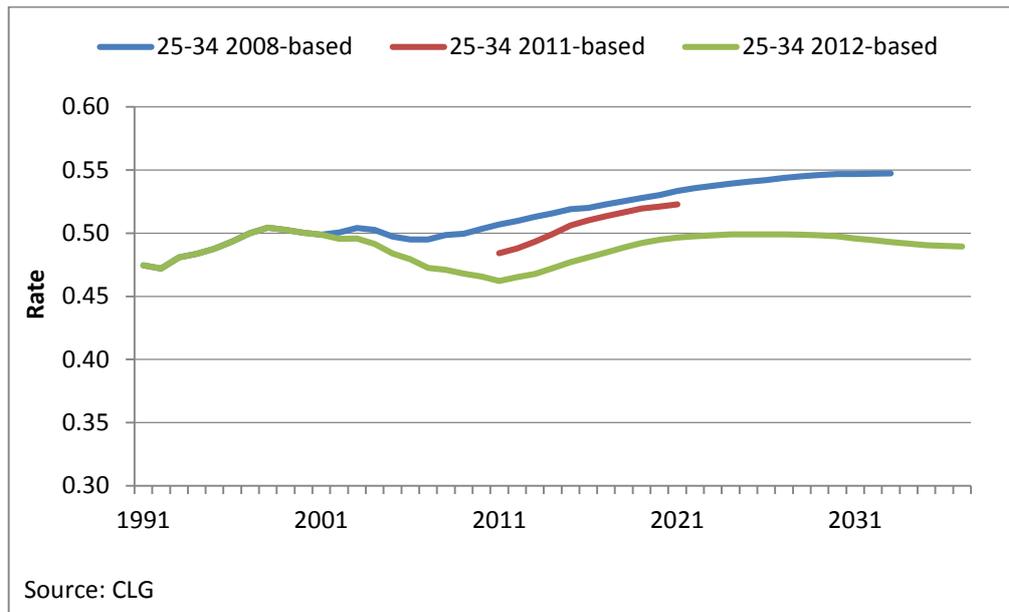
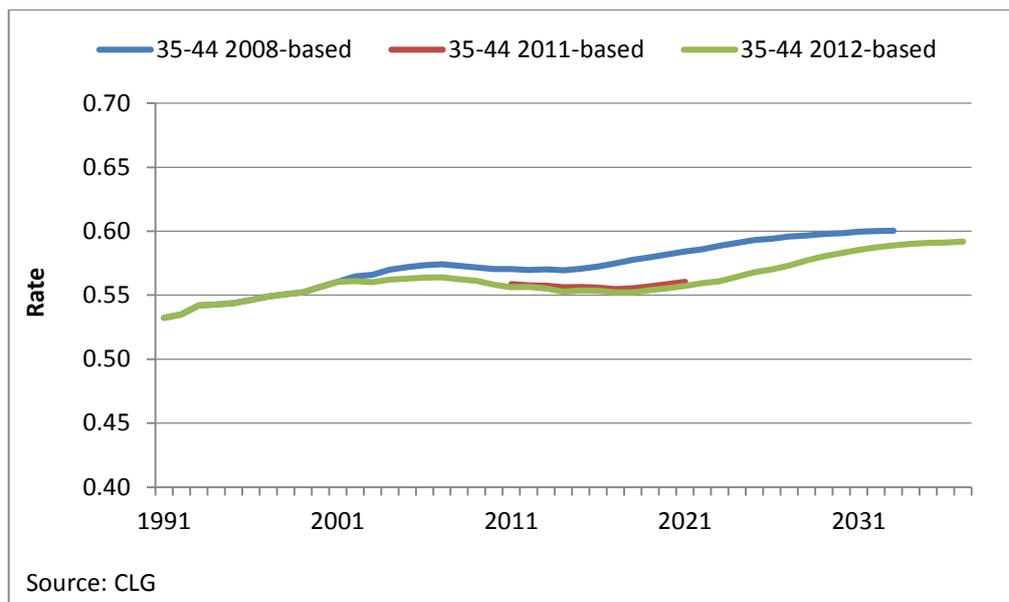


Figure 3.3: Household Formation Rates, 35-44 age group; Canterbury City



3.25 The interim 2011-based household projections were widely regarded to project forward very low household formation in younger age groups. This was due to the trends underpinning the projections covering the period just prior to and including the recessionary period, when housing became rapidly less affordable for people in these age groups due to a lack of supply.

3.26 The result of this has been a significant increase in concealed households/families across England and Wales (70% increase between 2001 and 2011 equating to 289,000 concealed families). For Canterbury District the equivalent growth was 66%. A concealed family is one living in a multi-family household in addition to the primary family, such as a young couple

living with parents. By definition, a family does not include an individual and therefore concealment is expected to be higher than presented above.

- 3.27 In this context, and given that the 2012-based projections show lower household formation particularly for 25-34 year olds than the 'interim' 2011-based projections, it is considered that an adjustment needs to be made to comply with the National Planning Policy Framework's (NPPF) clear policy to 'boost significantly' the supply of housing, 'promote economic growth' and 'positively prepare' Local Plans.
- 3.28 Indeed, research by leading academics suggests how planning on the basis of the 'interim' 2011-based CLG household projections formation rates would not be a prudent position to plan forward on⁸. In addition, recent Planning Inspectorate decisions have confirmed how the 'interim' 2011-based CLG household formation rates should not be used after 2021, with a return to the 2008-based formation rates the most prudent assumptions to apply.⁹ Given the CLG 2012-based household projections have only just been published (27 Feb 2015), no judgements have yet been made on these. However, Barton Willmore Research believe that a return to the 2008-based formation rates in the younger age groups should still be considered in light of the 2012-based findings.

iv) Housing Completions

- 3.29 A lack of housing completions can have a significant impact on the ability for people to move into an area to live, and for existing residents to have the opportunity to purchase their own property. A lack of housebuilding can lead to existing residents having to migrate out of the area. Table 3.6 (below) sets out net completions for Canterbury City between 2006 and 2014.

Table 3.6: Canterbury City – Net Completions vs Development Plan targets

Year	Net Completions	Requirement	Shortfall/Overprovision
06/07	638	510	+128
07/08	1,284	510	+774
08/09	965	510	+455
09/10	305	510	-205
10/11	361	510	-149
11/12	624	510	+114
12/13	524	510	+14
13/14	475	510	-35
Total 2006-14	5,176	4,080	+1,096

Source: Canterbury District Local Plan Review, Public Examination, Topic Paper 2: Housing

⁸ Key Headline 8, page 3, New estimates of housing demand and need in England, 2011 to 2031, Town & Country Planning Tomorrow Series Paper 16, September 2013

⁹ Paragraph 21, page 6, Examinations of the Bromsgrove District Plan (Bdp) and Borough of Redditch Local Plan No. 4 (Borlp4) Inspector's Interim Conclusions, 17 July 2014

- 3.30 As Table 3.6 shows, since 2006 there has been an overprovision of completions (+1,096 dwellings) against the South East Plan targets in Canterbury City. Table 3.2 illustrated that Canterbury City has seen net inward migration over the last 10-years which will have been assisted by the overprovision of dwellings. However, this overprovision is largely as a result of very high completions in 2007/08 and 2008/09. Over the last 5 years the number of completions has slowed to a point where there have been annual shortfalls.
- 3.31 Nonetheless, the old South East Plan requirement for 510 dwellings per annum, against which the Council has been monitoring completions, is well below the level of need implied by both the CLG household projections current at the time the Council undertook its assessment (the 2008-based household projections) and the latest 2012-based household projections.

v) Summary

- 3.32 In summary, this section has considered the most up-to-date official population and household projections published by CLG and ONS. The key headlines from this section are as follows:
- The PPG emphasises that CLG household projections should only form the 'starting point' in an objective assessment of the overall housing need.
 - This 'starting point estimate' is currently growth of 614 households per annum in Canterbury City using the latest CLG 2012-based household projections over the Council's plan period 2011-2031. Applying a household/ dwelling adjustment of 4.28% (to account for vacancy, second home and sharing rate in Canterbury) the overall housing need is 640 dwellings per annum.
 - However, growth of 640 dwellings per annum, could represent a significant underestimate as the 2012-based household projections are based on household formation trends observed over the recessionary period. There is particular suppression in the household formation rates for 25-34 year olds. PPG states that adjustments may be required to the household projection estimate of need if rates have suppressed historically (paragraph 15).
 - Furthermore, the CLG 2012-based household projections are underpinned by the ONS 2012-based SNPP which are considered to provide a conservative projection of future population growth. The ONS 2012-based SNPP are based on recessionary influenced migration trends and significantly underestimate the future population due to low assumptions regarding the levels of net international migration.

- Whilst the ONS 2012-based SNPP show growth in the working age population, the rate of growth is relatively low in comparison to average growth for the whole population. For this reason, whilst growth of 640 dwellings per annum would support some job growth it would fail to support the level of job growth proposed by the Council (+328 jobs per annum of which the Council's evidence¹⁰ states 803 dwellings per annum are required).

3.33 Having established the demographic starting point of need in Canterbury City as 640 dwellings per annum over the period 2011-2031, the following section of this study considers the objective assessment of overall housing need set out by Canterbury City Council.

¹⁰ Canterbury District: Housing Needs Review – Interim Report, April 2015

4.0 REVIEW AND CRITIQUE OF THE COUNCIL'S EVIDENCE BASE

i) Introduction

- 4.1 This section provides a technical review of the evidence base underpinning the housing target of 15,600 new dwellings between 2011 and 2031, proposed by Canterbury City Council in their emerging new Local Plan.
- 4.2 The last full Strategic Housing Market Assessment (SHMA) for Canterbury was the East Kent SHMA published in 2009. The SHMA provides the most recent assessment of:
- The required mix of housing;
 - The needs of different community groups; and
 - The extent of the Housing Market Area (HMA)
- 4.3 Since the publication of the SHMA two additional reports have been published by Nathaniel Lichfield and Partners (NLP) to consider the number of homes required to support the future population and economy of Canterbury. The first report is the Canterbury Development Requirements Study (DRS) published in January 2012. This was the main evidence base underpinning the Council's dwelling target of 15,600 new dwellings between 2011 and 2031 as set out in the draft Local Plan. The second report is the Housing Needs Review published in April 2015 which has been produced to update the DRS to take account of the latest demographic and economic evidence, including the CLG 2012-based household projections.
- 4.4 An evaluation and critique of these three evidence base documents is considered below, in the context of the NPPF and PPG requirements to ensure an objective assessment of overall housing need is undertaken.

ii) Strategic Housing Market Assessment for the East Kent Sub-region – Final Report (June 2009)

- 4.5 Canterbury City Council (CCC) along with the four other local authority districts of East Kent, commissioned Ecotec to produce a Strategic Housing Market Assessment (SHMA) for the East Kent region. The purpose of the assessment was to determine the location and amount of affordable and market housing needed in East Kent.

- 4.6 The Assessment was carried out in accordance with the official Government Guidance at the time¹¹. However, this guidance has since been superseded by the SHMA requirement set out in the NPPF (27 March 2012). Despite this, an updated SHMA for Canterbury has not published since the 2009 version. Whilst updated housing evidence has been published by Canterbury City Council these subsequent reports state that they are not intended to be a full SHMA, nor do they cover all of the key components of a SHMA.

Housing Market Area

- 4.7 The Inspector for the Canterbury Local Plan raised an initial query prior to the commencement of the Examination asking whether the East Kent area is regarded as the appropriate housing market area¹². The Council responded by stating that the East Kent SHMA was commissioned in a different context to the current SHMA requirements and was at a time when housing provision was determined through the South East Plan. For this reason in addition to considering East Kent as a whole, the SHMA also looked at local Housing Market Areas (HMA) within the East Kent sub region.
- 4.8 Barton Willmore Research have independently assessed the Housing Market Area for Canterbury and believe that Canterbury District is within a HMA with Dover District and Thanet District on a best fit basis. Barton Willmore's assessment is based on research carried out by the Centre for Urban & Regional Development Studies (CURDS) at Newcastle University. CURDS refer to this HMA as the Canterbury and Ramsgate HMA.
- 4.9 As the HMA is only the aspect of the assessment that is still being drawn from the SHMA this is the only component that is considered from this evidence base.

iii) Canterbury Development Requirements Study – Final Report (January 2012)

- 4.10 Canterbury City Council (CCC) commissioned Nathaniel Lichfield and Partners (NLP) to undertake the Canterbury Development Requirements Study (DRS). The final report was published in January 2012. The Study explored how much development is needed in Canterbury between 2011 and 2031 in order to identify the number of homes and amount of land for business premises required to support the future population and economy of the District.

¹¹ CLG, Strategic Housing Market Assessments@ Practice Guidance (2007)

¹² Question 3, Letter to the Council dated 18 December 2014 from Mr M Moore – Inspector for the Canterbury District Local Plan

4.11 The NLP study only considered the needs of Canterbury District rather than the wider East Kent sub region which was assessed in the 2009 SHMA.

4.12 The Study considered ten scenarios which are set out in Table 4.1 below.

Table 4.1: Ten scenarios considered by the Canterbury Development Requirements Study

Type	Scenario	Description
Policy/ supply-led	Existing supply	Based on housing development committed in the adopted Local Plan and existing extant permissions. This totals 3,000 dwellings.
	Past trends/ completions	Based on projecting forward past trends in housing completions. This is 617 dwellings per annum.
	South East Plan	Based on South East Plan requirement of 510 dwellings per annum.
Economic-led	East Kent Strategy	Based on East Kent Strategy identified job growth of 180 jobs per annum.
	Futures "Preferred Scenario"	Based on Canterbury Futures Study identified job growth of 328 jobs per annum.
	"Travel to work" scenario	Based on the 'open to commuters' scenario from the Canterbury Futures Study of growth of 214 jobs per annum.
	Updated economic forecasts	Based on updated baseline economic forecast from Experian equivalent to 208 jobs per annum.
Demographic-led	Zero Net Migration	Scenario whereby net migration is equal meaning there is only population churn in the district and not growth from migration.
	Past Trends Migration	Based on eight year trend of migration between 2001/02 and

		2008/09 equivalent to 1,925 net migrants per annum.
Housing-led	Housing need scenario	Based upon the need to deliver affordable housing as identified in the SHMA.

- 4.13 The Council's draft Local Plan dwelling target of an additional 15,600 dwellings over the period 2011-2031 is based on the economic-led Futures 'preferred scenario'. This scenario is based on employment growth identified by Experian as part of the update to the Canterbury Futures work undertaken in 2011. This scenario assumes average job growth of 328 additional jobs per annum with a particular focus on developing the knowledge and green economy.
- 4.14 328 jobs per annum is considerably lower than past trends in job growth for Canterbury District. Data from the Business Register and Employment Survey (BRES) and Annual Business Inquiry (ABI) indicate that between 1998 and 2013 average job growth in Canterbury was 487 jobs per annum.
- 4.15 Furthermore, current forecasts from Experian (March 2015) forecast annual job growth in Canterbury to be 990 jobs per annum over the period 2011-2031. Similar forecasts from Oxford Economics forecast growth of 328 jobs per annum in Canterbury over the period 2011-2030. Economic forecasts from the main forecasting houses (Experian, Oxford Economics, Cambridge Econometrics) differ because of the underlying assumptions they each make about job demand and labour supply. Each forecasting house periodically revisits the assumptions made to ensure that they reflect the latest available evidence and as a result the forecasts themselves often change. For this reason the recommended approach is take an average of the projected growth. Based on the two forecasts outlined above this would equate to an average of 614 jobs per annum. To provide a more robust assessment forecasts from Cambridge Econometrics could also be considered and a triangulated average of the three forecasts taken.
- 4.16 Whilst the subsequent Housing Needs Review considers economic-led housing needs, it does not take account of growth suggested by recent employment forecasts, instead retaining the overall job growth figures outlined in Table 4.1 (above). Given that PPG (paragraph 18) states that an assessment of likely change in job numbers should be based on past trends and/or economic forecasts, it is recommended that consideration is given to more recent economic forecasts from leading economic forecasting houses.
- 4.17 The Inspector for the Canterbury Local Plan raised an initial query prior to the commencement of the Examination asking why the Council dismissed the scenarios which showed a requirement

for higher dwelling growth above the growth chosen by the Council¹³. Table 4.2 (below) sets out the annual dwelling, job and workforce growth associated with each of the ten scenarios.

Table 4.2: Annual dwelling, job and workforce growth associated with each of the 10 development scenarios considered by Canterbury City Council

Scenario	Dwelling growth (per annum)	Job growth (per annum)	Workforce growth (per annum)
Existing supply	150	-424	-535
Past trends/ completions	617	126	51
South East Plan	510	0	-83
East Kent Strategy	655	180	108
Futures "Preferred Scenario"	780	328	265
"Travel to work" scenario	1,167	214	738
Updated economic forecasts	679	208	138
Zero Net Migration	80	-543	-661
Past Trends Migration	1,140	738	701
Housing need scenario	1,149	751	715

Source: Canterbury Development Requirements Study: Final Report (January 2012)

- 4.18 In response to the Inspector's question, the Council explains that by building 780 dwellings per annum they are meeting the full Objectively Assessed Need (OAN) as required by NPPF. The Council says it could have chosen growth above the OAN but chose not to because of the number of constraints faced by the District.¹⁴
- 4.19 One of the scenarios the Council dismisses is the Past Trends Migration scenario. This scenario is based on the assumption that there will be 1,925 net migrants per annum to Canterbury District between 2011 and 2031. This level of net migration is higher than that assumed in the ONS 2012-based Sub National Population Projections (SNPP) of 1,100 net migrants per annum and which in turn underpins the CLG 2012-based household projection which shows annual growth of 614 households per annum (640 dwellings per annum once a dwelling/household adjustment factor has been applied).
- 4.20 The DRS does not directly take account of the published ONS population and CLG household projections in determining the level of OAN. PPG states that the latest CLG household projections should form the 'starting point estimate' of overall housing need. However the

¹³ Question 10, Letter to the Council dated 18 December 2014 from Mr M Moore – Inspector for the Canterbury District Local Plan

¹⁴ Response to question 10, Letter to Mr M Moore – Inspector for the Canterbury District Local Plan, from Canterbury City Council dated 23 January 2015

Council's most recent assessment in the Housing Needs Review does take account of the latest population and household projections.

- 4.21 At the time the DRS was produced the CLG 2008-based household projections were the latest available and these projected growth of 840 households per annum over the period 2011-2031 for Canterbury (876 dwellings when 4.3% household to dwelling adjustment factor is applied¹⁵). The Council's dwelling target of 780 dwellings per annum therefore falls short of the relevant 'starting point estimate' at the time.
- 4.22 In December 2013 the advisory Inspector for the Canterbury Local Plan indicated that the Council should take account of the latest population projections in coming to a conclusion about the amount of housing required in the District. The Council responded to this by referring to some further work undertaken by Kent County Council¹⁶ which applied 'interim' 2011-based household formation rates (extended to 2031 by assuming half the rate of growth between 2011-2021 from 2021 onwards) to the ONS 2012-based SNPP. The result was growth of 592 households per annum.
- 4.23 Since this work was undertaken the CLG have published the 2012-based household projections (based on the ONS 2012-based SNPP) which show growth of 614 households (640 dwellings per annum) over the period 2011-2031. The Council's Housing Needs Review (April 2015) has been produced to take account of these and an overview of this Review is outlined below.

iv) Canterbury District Housing Needs Review – Interim Report (April 2015)

- 4.24 In January 2015, Canterbury City Council commissioned NLP to review the evidence on objectively assessed housing needs within Canterbury District given that the previous DRS was produced prior to the adoption of the NPPF (March 2012) and PPG (March 2014) and pre-dated the release of 2011 Census data and subsequent demographic data sets, including the 2012-based population and household projections. An interim report was published in April 2015.
- 4.25 As with the previous DRS, the Housing Needs Review only considers Canterbury District in isolation and in this respect does not provide a full assessment for the wider HMA as required by NPPF and PPG.

¹⁵ Taken from CLG Council Tax Base data 2013/14 and 2011 Census

¹⁶ Response to question 15, Letter to Mr M Moore – Inspector for the Canterbury District Local Plan, from Canterbury City Council dated 23 January 2015

- 4.26 However, the Housing Needs Review does follow the steps to objectively assessing housing need as outlined by PPG by first considering the starting point of need as indicated by the latest government projections and then assessing whether any further adjustments are required for demographic and economic need, market signals and affordable housing need.
- 4.27 Despite the Council's plan period covering the years 2011-2031, the Housing Needs Review considers the starting point estimate of need over the period 2012-2031. According to the 2012-based SNHP there is projected to be growth of 597 households in Canterbury District between 2012 and 2031. NLP apply a rate of 3.8% to the household projection to account for second homes and vacancy. This rate is based on an average of CLG Council Tax Base Data over the period 2010-2013 and therefore slightly differs to the rate used by Barton Willmore (4.3%) which takes account of sharing rates from the 2011 Census and vacancy/ second homes rates from the 2013/14 CLG Council Tax Base. Applying the NLP rate indicates the level of housing need associated with this household growth of 620 dwellings per annum.
- 4.28 The CLG 2012-based household projections do include a household figure for 2011 which is based on 2011 Census results. Household growth between 2011 and 2031 (the plan period) is 614 households per annum and applying Barton Willmore's 4.3% household/ dwelling adjustment factors equates to 640 dwellings per annum. Based on this assessment the Council's starting point OAN is considered an underestimate.
- 4.29 The NLP Review does discuss the use of alternative migration trends given the weaknesses with the underlying 2012-based SNPP which were also outlined earlier in this report within Chapter 3. However, it dismisses the use of alternative trends given that alternative five and ten year averages of net migration significantly over-estimate migration in Canterbury and therefore by projecting these forward would result in a population and housing need which is artificially inflated.
- 4.30 Updated five and ten year net migration trends presented earlier in our report (Table 3.2) do show that these alternative trends are higher than the migration assumption underpinning the 2012-based SNPP. However, it is our belief that these alternative trends should not be discounted as they are based on revised migration assumptions in light of 2011 Census findings and therefore any 'error' in the migration figures would have been corrected.
- 4.31 The Housing Needs Review does consider the household formation assumptions underpinning the 2012-based SNHP and acknowledges that household formation is lower in the 2012-based projections than in the previous 25-year projection series (2008-based projections). The Review states that using the 2012-based rates may not provide a true assessment of housing need as it will not address the issue of suppression in household formation. For this reason a 'Partial Catch-up' Headship Rate scenario was modelled which 'assumes that by 2033, half of

the difference between the 2008-based and 2012-based headship rates for those ages 15-34 is made up (with this change taking effect from 2018 onwards, to allow for the economy to return to true, pre-recession trends).¹⁷

- 4.32 Applying the 'Partial Catch-up' headship rates to the 2012-based SNPP results in household growth of 632 households per annum over the period 2012-2031 which is a dwelling need of 657 dwellings per annum.
- 4.33 Whilst the use of alternative household formation assumptions to the 2012-based rates are supported in order to alleviate some of the suppression that is inherent in the 2012-based rates, it is unclear what the justification is for only assuming half of the difference and why this is applied to 15-34 year olds? Barton Willmore's comparison of household formation rates summarised in Chapter 3 and presented for all age groups in Appendix 1, concludes that a full-return to the 2008-based rates should be applied to those aged 25-44 years. A partial return as applied by NLP will only return household formation rates in-line with the 'interim' 2011-based rates which were also underpinned by recessionary trends and therefore also include an element of household suppression compared to the pre-recessionary 2008-based rates. Furthermore, Barton Willmore believe that adjustments should be made to the population aged 25-44 years (rather than 15-34 year olds as proposed by NLP). Household formation for 15-24 year olds is characteristically low and therefore any adjustment is likely to have very little impact. Barton Willmore agree that an adjustment is required for 25-34 year olds as is the age group most likely to be first time buyers and therefore affected by affordability and suppression. Although suppression is not as acute in the 35-44 year old age group there remains a difference to the 2008-based rates and in order to alleviate suppression Barton Willmore also propose an adjustment to this age group.
- 4.34 Despite the NLP Review considering alternative household formation assumptions, the OAN starting point is still presented as 620 dwellings per annum over the period 2012-2031 based on the published 2012-based SNHP. In our opinion the OAN starting point should be a minimum of 640 dwellings per annum as indicated by the 2012-based SNHP over the period 2011-2031 but should be revised upwards to alleviate suppression inherent in the 2012-based rates. Without detailed modelling it is not possible to say how many more dwellings per annum this adjustment would require.
- 4.35 The Housing Needs Review seeks to update two of the economic-led scenarios presented in the DRS – the 'Updated Economic Forecasts' scenario (208 jobs per annum) and the 'Economic

¹⁷ Paragraph 2.17, page 10, Canterbury District: Housing Needs Review – Interim Report, April 2015

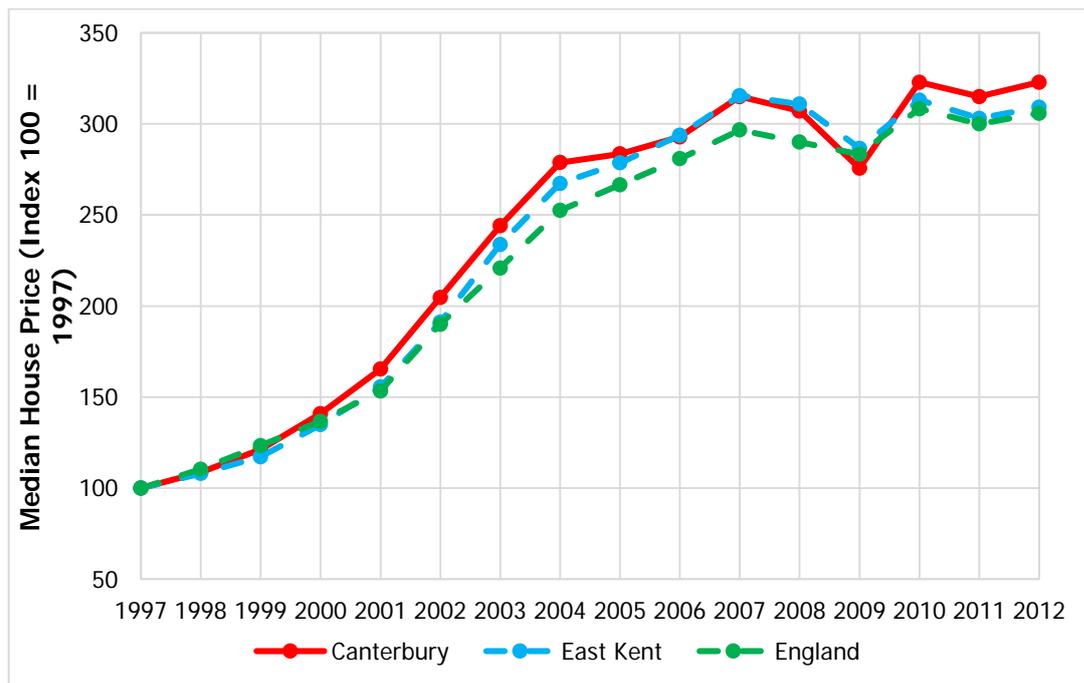
Futures Preferred Scenario' (328 jobs per annum). The latter of which is the scenario on which the Council's draft Local Plan dwelling target is based.

- 4.36 The Review does not update the economic forecasts (overall job growth), rather it updates the economic activity rate, unemployment and commuting assumptions. The Review takes account of travel to work data from the 2011 Census which shows that Canterbury is a net importer of labour unlike the previous DRS which used 2001 Census data which showed Canterbury was a net exporter of labour. Whilst being a net importer of labour means that fewer homes would be needed to support the required job growth (as a higher proportion of the workforce are now assumed to live outside of the District than previously) the large student population in the District distorts the employment profile of the District.
- 4.37 An unemployment rate of 6.8% is assumed in 2012 reducing to 5.45% (the pre-recession rate) by 2020 and held constant thereafter. This assumption seems reasonable given current APS modelled unemployment rates for Oct 2013-Sep 2014 put unemployment in Canterbury at 6% with the 10-year average being 6.1% and pre-recession average being 4.8%.
- 4.38 Whilst detailed information is not provided on the economic activity rates applied, the Study does state that account has been taken of shifting trends in economic activity and changes to state pension age.

Market signals

- 4.39 The Housing Needs Review does update the market signals assessment originally undertaken in the 2009 SHMA. The Review compares Canterbury to the County (Kent) and national average, along with neighbouring authorities and other authorities in England which have similar characteristics.
- 4.40 The Review does provide an assessment of house prices in Canterbury compared to the Kent and England average between 1998 and 2013. Barton Willmore has also compared median house prices in Canterbury compared to the East HMA average and has found that median house prices in Canterbury are considerably higher than the average for the East Kent sub-region and the national average.

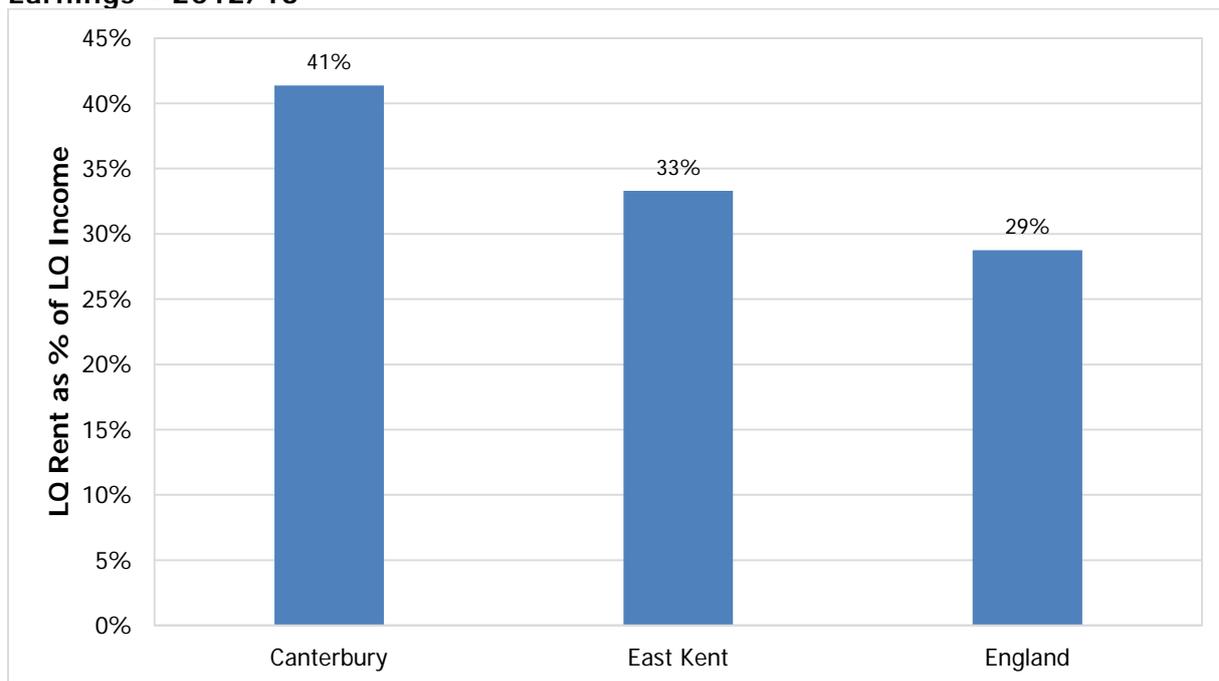
Figure 4.1: Median House Price (2002-2012)



Source: Office for National Statistics/Land Registry, via CLG Live Table 586

4.41 Median monthly rents from the VOA Private Rental Market Statistics are presented in the Housing Needs Review for 2011 and 2014. Rents in Canterbury are presented as being significantly higher than the County and National average. Barton Willmore have reviewed lower quartile residential rates within the context of lower quartile earnings. Figure 4.2 illustrates that rents are considerable higher in Canterbury compared to the average for the East Kent sub-region and national average.

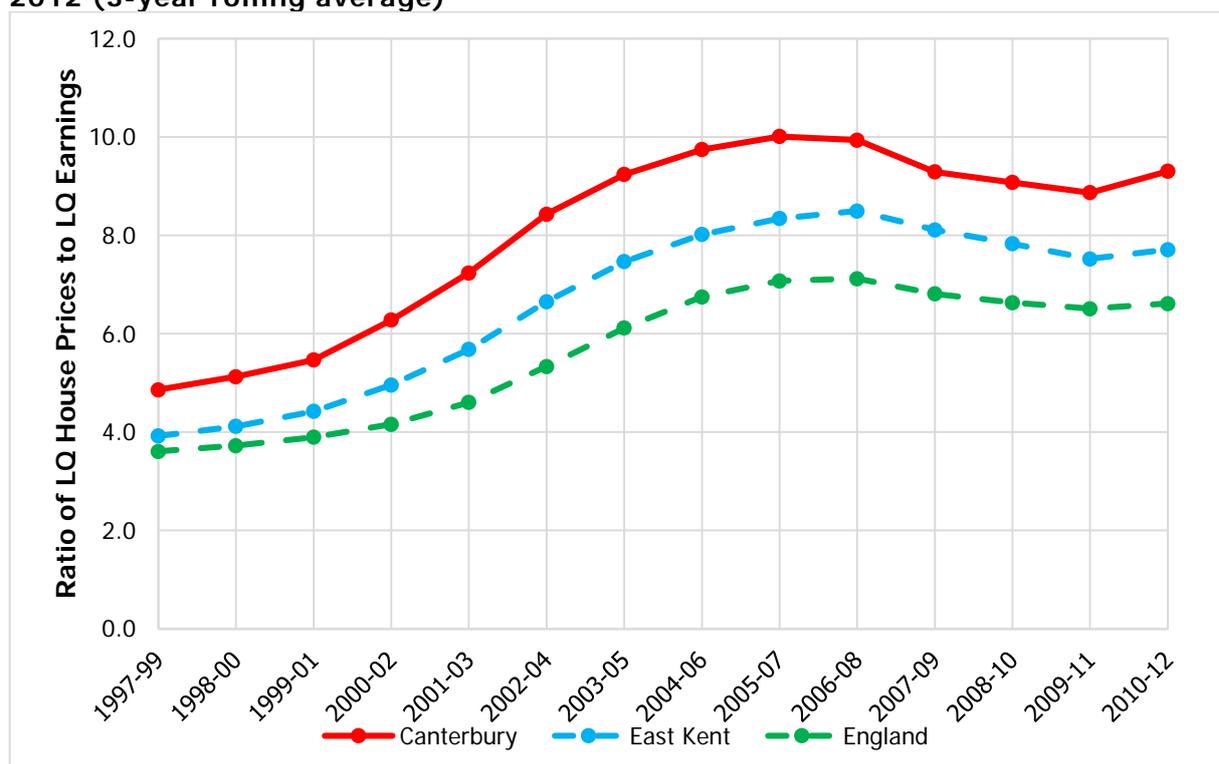
Figure 4.2: Lower Quartile Residential rates as a % of Lower Quartile Annual Earnings – 2012/13



Source: Valuation Office Agency, CLG

4.42 The Housing Needs Review does consider affordability based on income to house price ratios from 1998 to 2013. The Review demonstrates that affordability has worsened significantly in Canterbury over this period and to a greater extent than the County and National average. Barton Willmore has also assessed the ratio of lower quartile house prices to lower quartile earnings over the period 2004-2012 (see Figure 4.3) to compare with the East Kent HMA. The analysis shows that affordability issues are more pronounced in Canterbury than compared to the wider East Kent sub-region and the national average.

Figure 4.3: Ratio of Lower Quartile House Prices to Lower Quartile Earnings -2044-2012 (3-year rolling average)



Source: Office for National Statistics/Land Registry, via CLG Live Table 576

4.43 Rate of development is considered in the context of past housing completions compared to housing targets for Canterbury. Between 2006/07 and 2012/13 net completions (4,697) have exceeded housing targets (3,570).

4.44 Overcrowding has increased in Canterbury between 2001 and 2011 but not to the same extent as in Kent and England. However, Canterbury has a higher rate of homelessness compared to Kent but not to the national average and between 2004/05 and 2012/13 the proportion of households in temporary accommodation has fallen more greatly in Canterbury compared to the County and National average.

4.45 Following consideration of market signals in the Housing Needs Review it is considered that an upward adjustment on the demographic-led starting point (620 dwellings per annum) may be required in Canterbury. Reference is made to the Inspector's statement at the recent Eastleigh Core Strategy examination, which recommended an uplift of 10% due to the 'modest' pressure of market signals. NLP state that the market signal pressure in Canterbury is greater than 'modest' and therefore present a 20% uplift to the demographic-led starting point which would suggest 744 dwellings per annum.

4.46 The 20% uplift is only presented by way of illustration. However, if this uplift is applied to the Council's demographic-led OAN using alternative household formation (657 dwellings per

annum) then this would result in 788 dwellings per annum and furthermore if it is applied to the demographic-led OAN considered by Barton Willmore (640 dwellings per annum) then this would result in 768 dwellings per annum.

Affordable housing need scenario

- 4.47 The Housing Needs Review updates the affordable housing needs assessment presented in the original 2009 SHMA and subsequent DRS assessment.
- 4.48 The assessment establishes current housing need (backlog) of 1,734 households (gross).
- 4.49 Future need reflected by an estimate of newly forming households is derived from the CLG 2012-based household projections. The gross number of households is 1,029 over the period 2012 to 2032.
- 4.50 Current and future supply is taken into account and assuming 35% of gross income is spent on rent net affordable housing need is 576 households per annum increasing to 740 households per annum if 25% of gross income is spent on rent.
- 4.51 An alternative assessment is presented looking at net household formation which shows a requirement for 487 households per annum based on 35% of income and 583 households per annum based on 25% of income being spent on rent. The net rates are considered more indicative of the overall need for housing given they represent all the demographic factors underpinning structural needs for housing (including household dissolutions).
- 4.52 Assuming delivery of affordable housing is at 30% of total delivery (the draft Local Plan target) this would amount to a total housing need of between 1,623 and 2,467 households per annum over the period 2012-2031.
- 4.53 Given the assessment period (2012-2031) differs to the plan period (2011-2031) the above estimate of affordable housing need is considered a slight underestimate. Likewise, the assessment of future need is based on the published CLG 2012-based household projections and the analysis presented in Chapter 3 of this report has shown that these projections are considered to provide a conservative projection of household growth.
- 4.54 The Housing Needs Review states 'in line with the PPG the Council needs to consider if an uplift in overall housing delivery is required to meet these affordable housing needs. Clearly there

is need to consider this in coming to a conclusion on full objectively assessed housing needs for Canterbury'.¹⁸

Scale of Objectively Assessed Housing Needs

- 4.55 The Housing Needs Review concludes that the scale of objectively assessed need is a judgement and the different scenarios and outcomes outlined in the Review provide alternative indications for Canterbury District. However, the report's author (NLP) state that need would not be as low as the demographic starting point (620 dwellings per annum) and instead propose a range of between 744 dwellings per annum (the demographic starting point with 20% uplift for market signals) and 853 dwellings per annum (the preferred economic-led scenario with a 6% uplift to reflect alternative household formation). In our opinion a 6% uplift is not sufficient as this percentage is based on a partial return to 2008-based rates for 15-34 year olds only. Barton Willmore believe a full return to 2008-based rates should be applied for 25-44 years;
- 4.56 The Review states that in NLP's view 803 dwellings per annum (which falls in the middle of the range and reflects the housing need projected by the preferred economic-led scenario without any adjustment) is an appropriate measure of full objectively assessed needs for housing. This is higher than the annual housing target currently proposed in the draft Local Plan (780 dwellings per annum);

iv) Summary

- 4.57 This section has provided a summary and critique of the evidence base underpinning the Council's housing target. The main points to note in respect of the objective assessment of overall housing need have been evaluated according to six main areas:

Housing Market Area

- The SHMA looks at the East Kent sub-region as a whole and local Housing Market Areas within East Kent. This differs to the HMA definition assessed using CURDS data which shows Canterbury is part of the Canterbury and Ramsgate HMA, along with Dover District and Thanet District.
- The Canterbury Development Requirements Study (DRS) and recent Canterbury District Housing Needs Review both undertaken by NLP have been produced to update the assessment of the number of homes and development land required to support the future population and economy of the District. Both reports only assessed the needs of

¹⁸ Paragraph 5.40, Page 40, Canterbury District: Housing Needs Review – Interim Report, April 2015

Canterbury District. In this respect a full assessment of need has not been undertaken with neighbouring authorities as required by NPPF (paragraph 159).

Demographic-led need

- The Council's SHMA is considerably out of date and rather than make an assessment of the overall housing need it takes the housing targets from the South East Plan.
- The Canterbury DRS considers ten scenarios for Canterbury's future growth. At the time the DRS was produced the CLG 2008-based household projections were the latest available and these projected growth of 840 households per annum over the period 2011-2031 for Canterbury (876 dwellings when 4.3% household to dwelling adjustment factor is applied). The Council's dwelling target of 780 dwellings per annum therefore falls short of the relevant 'starting point estimate' at the time.
- Two demographic-led scenarios are presented. However, one of which is purely hypothetical (Zero-Net Migration scenario) and the other is based on long term net migration trends of 1,925 migrants per annum which is higher than that assumed in the ONS 2012-based Sub National Population Projections (SNPP) of 1,100 net migrants per annum and which in turn underpins the CLG 2012-based household projection. The Council dismisses this scenario on the basis that the number of jobs generated from this population growth could not be supported.
- Furthermore, the recent Housing Needs Review dismisses the use of alternative migration trends on the basis that past migration figures for Canterbury significantly over-estimate migration. Barton Willmore believe that the use of alternative migration trends should not be discounted from the assessment of overall housing need.
- Account is taken of the most recent CLG household projections (2012-based) which PPG states should provide the starting point estimate of need. The Housing Needs Review presents the growth as being 620 dwellings per annum over the period 2012-2031. However, the plan period is 2011-2031. The CLG 2012-based SNHP project growth of 614 households per annum (640 dwellings per annum) for Canterbury District over the period 2011-2031.
- Regardless of which time period is considered, the CLG 2012-based SNHP are underpinned by the ONS 2012-based SNPP which show slight growth in the working age population of Canterbury over the same period and therefore some economic growth could be supported by this level of dwelling growth.

- However, 19% of the working age population are students and only 26% of these students are in employment. This means that despite growth in the working age population, a large proportion of these will not be economically active and will therefore not be available to support job growth in the District.
- The Council's dwelling target (780 dwellings per annum) is above the 'starting point estimate' as suggested by the most recent (CLG 2012-based) household projections and has been informed by an economic-led approach.

Economic-led need

- The DRS presented four economic-led scenarios. The Council's dwelling target in the draft Local Plan (780 dwellings per annum) is based on the level of housing needed to support the Canterbury Futures "preferred" scenario which is underpinned by creating an additional 328 jobs per annum between 2011 and 2031.
- 328 jobs per annum is significantly lower than past trends in job growth for Canterbury District (487 jobs per annum over the period 1998 to 2013) and whilst in-line with Oxford Economics forecast (328 jobs per annum 2011-2030) is significantly lower than Experian's March 2015 forecast (990 jobs per annum 2011-2031). Projections of job growth tend to fluctuate between economic forecasting houses and between updates and for this reason it is recommended that an average of the projected growth is taken. Barton Willmore recommend employment projections from Cambridge Econometrics are also considered and a triangulated average of the three taken.
- The Canterbury Futures "preferred" scenario was developed back in 2006 and although reviewed in 2011 remains based on Experian forecasts from 2006. In this respect, it is considered appropriate to review the job forecast in light of trends and more recent forecasts as recommended by PPG.

Household Formation Rates

- The Housing Needs Review considers the 2012-based household formation rates and identifies that compared to the 2008-based rates there is still an element of suppression in the 2012-based rates. An alternative sensitivity test is presented ('Partial Catch-up' Headship Rate scenario) yet all further assessment is based on the growth projected in the standard 2012-based household projections. Barton Willmore consider it appropriate to test a full-return to 2008-based rates for those aged 25-44 years to alleviate suppression

in household formation for these younger age groups which is inherent in the 2012-based rates.

Market signals

- The Council does consider market signals in its most recent Housing Needs Review and identifies house prices, rents and affordability as significant issues in Canterbury.
- For this reason, the evidence does suggest an upward adjustment to the demographic-led starting point as set out in PPG. The report applies a 20% uplift (by way of illustration) to its starting point estimate of 620 dwellings which equates to a total housing need of 724 dwellings per annum to address market signals. Over the 2011-2031 period this would increase, based on 640 households per annum, to 768 dwellings per annum.

Affordable housing need

- The Council provided an assessment of affordable housing need in the 2009 SHMA, which was subsequently updated in the Canterbury Development Requirements Study and further updated in the latest Housing Needs Review. Based on the latest assessment the required affordable housing need between 2012 and 2031 is between 487 and 740 households per annum depending on whether gross or net household formation is considered and whether 25% or 35% of gross income is spent on rent.
- The Housing Needs Review considers net household formation provides the most true representation of overall need and based on delivering affordable housing at 30% of total delivery would result in a total housing need of between 1,623 (25% income) and 2,467 (35% income) households per annum would be required to deliver these quantities of affordable housing.
- Paragraph 2a-029 of the PPG requires local authorities to increase the total housing figure in the local plan where it could help deliver the required number of affordable homes.

5.0 SUMMARY AND CONCLUSIONS

- 5.1 This Technical Note has considered the evidence base underpinning Canterbury City Council's current proposed housing target of 780 dwellings per annum as contained in the draft Local Plan.
- 5.2 Growth of 780 dwellings per annum was assessed as the level of housing needed to support the Canterbury Futures 'Preferred' economic scenario (328 jobs per annum between 2011 and 2031) as part of the Canterbury Development Requirements Study undertaken by NLP and published in January 2012. This assessment pre-dated the NPPF and PPG requirement for an objective assessment of housing need.
- 5.3 In April 2015, the Housing Needs Review was published which intended to assess housing need in Canterbury District using the approach advocated within the NPPF and PPG and update the evidence base to take account of the most recent datasets.
- 5.4 The Housing Needs Review does take account of the latest population and household projections published by Central Government (the 2012-based series) to represent the starting-point estimate of need as required by PPG. The Council's evidence indicates this to be 620 dwellings per annum based on projected growth over the period 2012-2031. However, as the draft Local Plan covers the period 2011-2031 Barton Willmore believe the starting point should be 640 dwellings per annum which is the growth projected over the plan period. Regardless of which time period is considered, Canterbury City Council's draft Local Plan dwelling target of 780 dwellings per annum over the period 2011 to 2031 will meet demographic-led need as indicated by the starting point estimate.
- 5.5 However, in light of the Council's most recent evidence base (Canterbury District: Housing Needs Review) it is considered that a dwelling target of 780 dwellings per annum will no longer provide the resident labour supply to meet its preferred economic-led scenario of 328 additional jobs per annum. To support this level of economic growth the Council's evidence indicates that 803 dwellings per annum are required.
- 5.6 803 dwellings per annum is recommended in the Council's evidence as providing a full objectively assessed need for housing in Canterbury District.
- 5.7 In Barton Willmore's opinion 803 dwellings per annum does not provide a full objectively assessed need for housing for the following reasons:

- PPG recommends sensitivity testing alternative demographic assumptions. The Housing Needs Review dismisses the use of alternative migration trends on the basis that past migration trends significantly over-estimate migration in Canterbury. Barton Willmore disagree with this statement given that ONS have made significant improvements to its methodology over recent years particularly with regards to counting the flows of students and revised past migration data (back to 2001) to take account of 2011 Census findings;
- Given the 2012-based SNPP are considered to provide a conservative estimate of future population growth (due to the low international migration assumptions applied) and which underpin the 2012-based SNHP, the household growth projected by the 2012-based SNHP can be considered conservative. Barton Willmore recommend consideration of alternative migration trends in establishing the demographic-led need;
- Furthermore, the Council's requirement of 803 dwellings per annum is based on the application of 2012-based household formation rates. Whilst the Housing Needs Review does present an alternative set of household formation rates (based on applying a partial return to the 'interim' 2011-based rates for 15-34 year olds) in order to alleviate some of the suppression evident in the 2012-based rates, these alternative rates are not taken into account in the housing need figure of 803 dwellings;
- In Barton Willmore's opinion, alternative household formation rate assumptions should be applied in order to alleviate suppression in household formation inherent in the 2008-based rates. A partial return to the 'interim' 2011-based rates as proposed by NLP is not considered sufficient given that the 2011-based rates are also underpinned by recessionary trends in household formation. It is our recommendation that further consideration is given to household formation assumptions with a focus on testing the implications of a full-return to the 2008-based rates for the younger age groups;
- PPG requires that a full objectively assessed need for housing should take account of the likely change in job numbers based on employment forecasts and/ or past trends. The Council's original economic assessment was undertaken in the Canterbury Development Requirements Study. Whilst the Housing Needs Review updated the economic activity, unemployment and commuting rates underpinning the economic assessment, the Review did not updated the future job growth;

- The job growth figure on which the preferred economic-led scenario is based (328 jobs per annum), and which has been used to inform the dwelling target in the draft Local Plan, is low in light of recent trends which show average job growth of 487 jobs per annum over the period 1998-2013 and latest economic forecasts which show growth of 664 jobs per annum (average growth based on latest Experian and Oxford Economics projections). In light of this, it is recommended consideration should be given to job growth suggested by past trends and updated employment forecasts, with the possibility of also considering job growth projected by Cambridge Econometrics (to provide a triangulated average) due to the fluctuation of employment forecasts;
 - The Council does consider market signals in its most recent Housing Needs Review and identifies house prices, rents and affordability as significant issues in Canterbury. The Review does illustrate a 20% uplift to the starting point estimate equating to a need for 724 dwellings per annum (768 dwellings per annum, 2011-2031) to address market signals. However, as the proposed 803 dwellings per annum is higher, no further adjustment is recommended.
 - Furthermore, the Housing Needs Review considers Canterbury's housing needs in isolation. NPPF and PPG require needs to be assessed in relation to the functional housing market area/ economic area which the Council's assessment does not do.
- 5.8 In the absence of more detailed modelling, our recommendation would be for the Council to consider the adoption of at least 853 dwellings per annum in order to meet their own economic target with their adjustment for household formation as presented in the Housing Needs Review.
- 5.9 However, in light of the analysis undertaken by Barton Willmore, it is recommended that 853 dwellings per annum should be considered a minimum given both economic forecasts and past trends suggest higher economic growth, the alternative household formation assumptions used by the Council do not address the issue of suppression sufficiently and on the basis of high affordable need in the District.

APPENDIX 1:

**COMPARISON OF 2008-BASED, 'INTERIM' 2011-BASED AND 2012-BASED HOUSEHOLD
REPRESENTATIVE RATES FOR CANTERBURY DISTRICT**

Analysis of Household Representative (HR) Rates

Comparison of HR rates for persons aged 15+, by 10 year age band, 15 to 74 and for persons 75+ is presented in the panels below. The HR rates shown are taken from the DCLG 2008-based (blue line), interim 2011-based (red line) and 2012-based projections (green line). Although the position on a scale of 0 to 1 (0 to 100%) varies, the range on each left hand axis is the same (0.3 or 30%) so that like for like comparison can be made.

By way of explanation, a rate of 0.5 means that 50% of persons in that age group are said to represent a household, so that a hypothetical 100 persons is assumed to represent 50 households.

Local Authority: **Canterbury**

