

Title of Report	LOCAL PLAN REVIEW: POLICY OPTIONS FOR EC2(2), START-UP WORKSPACE AND LOCAL EMPLOYMENT	
Presented by	Ian Nelson Planning Policy Team Manager	
Background Papers	National Planning Policy Framework National Planning Practice Guidance North West Leicestershire: The Need for Employment Land (December 2020) Local Plan Committee 27 January 2021 - Local Plan Review Economic Evidence Start-up Workspace Demand Report (SQW) Local Plan Committee 29 July 2020 - Local Plan Review Update Economic Growth Plan 2019-21	Public Report: Yes
Financial Implications	The cost of the substantive Local Plan Review is met through existing budgets.	
	Signed off by the Section 151 Officer: Yes	
Legal Implications	None from the specific content of this report. In due course the policy options set out will be incorporated in a consultation document for the Substantive Local Plan Review. The Local Plan Review process as a whole must accord with the legal requirements set out in legislation and guidance.	
	Signed off by the Monitoring Officer: Yes	
Staffing and Corporate Implications	No staffing implications associated with the specific content of this report. Links with the Council's Priorities are set out at the end of the report.	
	Signed off by the Head of Paid Service: Yes	
Purpose of Report	This report sets out potential policy options for 3 economic issues as part of the Local Plan Review; a) a review of Policy Ec2(2); b) a policy for start-up workspace; and c) a local employment policy with a view to testing these through the next stage of consultation.	
Recommendations	1) THAT THE LOCAL PLAN COMMITTEE AGREES FOR INCLUSION IN THE NEXT CONSULTATION STAGE OF THE LOCAL PLAN REVIEW THE POTENTIAL POLICY OPTIONS SET OUT IN THE REPORT FOR A) FOR A REVIEW OF POLICY EC2(2); B) START-UP WORKSPACE; AND C) LOCAL EMPLOYMENT.	

1. INTRODUCTION

- 1.1 As part of the work on the Substantive Local Plan Review, officers have begun to look at potential policy options for three issues which relate to the economy; a) a review of Policy Ec2(2); b) a policy for start-up workspace; and c) a local employment policy. For each of these issues, potential policy approaches are described and compared with the intention that they are included in the next stage of consultation on the Local Plan Review.

2. POLICY EC2(2)

- 2.1 Policy Ec2 in the adopted Local Plan is concerned with new employment sites. Part 1 of the policy allocates up to 16ha of land at Money Hill, Ashby de la Zouch for employment development whilst Part 2 deals with the circumstances where a planning application is submitted for additional employment land (offices, industrial, warehousing) on a site which is not allocated in the local plan.

- 2.2 Part 2 of the policy was inserted in the Local Plan at Main Modifications stage at the specific request of the Inspector. The policy was needed because a) at the time, there was a shortfall of employment land of some 13Ha which the implementation of Policy Ec2(2) would help to address; and b) to provide an appropriate level of flexibility in the choice and location of employment sites, including in the M/A42 corridor, provided either a need or demand could be demonstrated.

- 2.3 Since the Local Plan was adopted, concerns have been expressed about the operation of Policy Ec2(2) in its current form. One criticism is that the policy acts to encourage the submission of applications for speculative development. A second concern is that the wording of the policy is not tight enough to resist inappropriate development.

- 2.4 For the Local Plan Review, we need to consider whether or not a similar type of policy should be retained in the plan and, if so, what form it should take.

- 2.5 As a starting point, the Local Plan Review must identify sufficient land for employment purposes to ensure that the identified needs will be met in full. The need for new office, industrial and non-strategic warehousing floorspace is evidenced in the 'North West Leicestershire: The Need for Employment Land (December 2020)' study ('The Stantec Report') [see Background Papers above] which was reported to the January meeting of this committee. The need for additional floorspace for strategic-scale distribution (units of >9,000sqm) is being assessed separately through a county-wide study and this will be reported to a future meeting of this committee.

- 2.6 So, for current purposes, we can assume that a Ec2(2) type policy will not be needed to make up a shortfall in employment land supply.

- 2.7 The second part of the justification for Ec2(2) relates to flexibility or how the plan can respond to unpredictable circumstances. The National Planning Policy Framework (NPPF) makes clear that the achievement of sustainable development is linked to three overarching objectives: an economic objective, a social objective and an environmental objective. With respect to the first of these, the planning system should:

“help build a strong, responsive and competitive economy, by ensuring that sufficient land of the right types is available in the right places and at the right time to support growth, innovation and improved productivity; and by identifying and coordinating the provision of infrastructure” (paragraph 8, emphasis added)

- 2.8 The NPPF directs that planning policies should:

“be flexible enough to accommodate needs not anticipated in the plan allow for new and flexible working practices (such as live-work accommodation), and to enable a rapid response to changes in economic circumstances” (paragraph 81d).

2.9 The clear implication is that it would be inappropriate for the Local Plan Review to plan simply for the economic growth which is forecast at a point in time. The plan's policies should be sufficiently flexible to deal with changing circumstances over the plan's lifetime, for example if the economy grows more strongly than current studies anticipate and/or if the nature of business needs turns out to be different to what can be anticipated now. Measures such as adding a percentage uplift (a 'buffer') to the need figures and/or incorporating reserve sites into the plan could help with this issue to some degree. Ideally, the plan should give clarity about the process for determining planning applications where the need or demand is unpredicted. Over recent years there has been a considerable market interest in employment development in the district, in particular for strategic scale warehousing, and it is likely that this pressure will continue.

2.10 Options for the replacement for Policy Ec2(2) (or not) in the Local Plan Review are described below. The intention is that these will be presented as alternatives in the next Local Plan Review consultation (Regulation 18 stage) so that wider views on the implications of the different options can be gathered. The options will also be tested through the Sustainability Appraisal/Strategic Environmental Assessment process so that their relative merits can be compared on a consistent basis. By following this process, we can ensure that the approach which is incorporated in the Local Plan Review is 'justified' i.e. it is "an appropriate strategy taking into account the reasonable alternatives" (NPPF paragraph 35). It is important that realistic options are not ruled out prior to the completion of this objective process.

Option 1 - delete Policy Ec2(2). Applications for new employment floorspace on sites which are not allocated in the plan would be considered against the strategy/general policies contained in the Local Plan Review.

Option 2 – retain Ec2(2) in its current form. Applications for new employment floorspace on sites which are not allocated in the plan would be considered against Ec2(2) plus any other relevant policies.

Option 3 – amend Policy Ec2(2) to make it more specific/restrictive. (a) include a requirement that the premises should be for a named end user

Option 4 – amend Policy Ec2(2) to make it more specific/restrictive. (b) amend the alternative sites test to include sites with planning permission. Ec2(2) currently requires applicants to assess land allocated in the plan as potential alternative locations for the need/demand which has been identified. This could be expanded to also include sites which have planning permission.

Option 5 – amend Policy Ec2(2) to make it more specific/restrictive. (c) amend the alternative sites test to potentially include sites outside the district. Ec2(2) currently requires applicants to assess land allocated in the plan as potential alternative locations for the need/demand which has been identified. This could be expanded to potentially include sites which are outside the district but within the market area for the development.

Option 6 – amend Policy Ec2(2) to make it more specific/restrictive. (d) demonstrate that the need/demand is exceptional. Ec2(2) currently requires evidence of an immediate need or demand. This could be expanded to require applicants to demonstrate that their need/demand is exceptional and that it was not/could not have been captured by the studies which the Local Plan Review relies upon.

Option 7 – amend Policy Ec2(2) to make it more specific/restrictive – combination of Options 3-6.

2.11 A summary assessment of the advantages/disadvantages of these options is set out in the following table.

ADVANTAGES	DISADVANTAGES
<i>Option 1 - delete Policy Ec2(2)</i>	
<ul style="list-style-type: none"> overcomes the concern that Policy EC2(2) in its current form encourages unwarranted applications 	<ul style="list-style-type: none"> It is less clear for all users of the plan which considerations will apply to proposal for additional employment floorspace on an unallocated site uncertain whether or not the approach would be sufficiently flexibility to accord with the NPPF
<i>Option 2 – retain Ec2(2) in its current form (business as usual)</i>	
<ul style="list-style-type: none"> provides clarity for all users of the plan about the criteria which will apply demonstrates how the plan deals with the NPPF requirement for flexibility 	<ul style="list-style-type: none"> does not overcome the concern that the existence of the policy encourages unwarranted applications does not deal with the concern that the current policy is too permissive the Stantec report suggests there is a risk of piecemeal development which would not provide the quality and scale of industrial space that high-value occupiers are looking for
<i>Option 3 – amend Policy Ec2(2) to make it more specific/restrictive (a) - include a requirement that the premises should be for a named end user</i>	
<ul style="list-style-type: none"> enables the actual business requirements to be more easily explained and assessed through the planning application process 	<ul style="list-style-type: none"> would exclude situations where there is a genuine market demand but no named end user and so may not be sufficiently flexible firms can have genuine reasons for not wanting to publicise relocation plans before they are confirmed e.g. staff retention issues
<i>Option 4 – amend Policy Ec2(2) to make it more specific/restrictive (b) – amend the alternative sites test to include sites with planning permission</i>	
<ul style="list-style-type: none"> ensures that other suitable sites are explored with reasons given if they are discounted before an unidentified site could be deemed acceptable 	<ul style="list-style-type: none"> could be onerous for applicants (although a similar exercise is usually part of the Environmental Impact Assessment process)
<i>Option 5 – amend Policy Ec2(2) to make it more specific/restrictive (c) – amend the alternative sites test to potentially include sites outside the district</i>	
<ul style="list-style-type: none"> may better reflect the ‘real life’ site search a business would undertake for strategic warehousing, this would better reflect the sub-regional nature of the market 	<ul style="list-style-type: none"> could be onerous for applicants (although a similar exercise is usually part of the Environmental Impact Assessment process) it will be difficult to justify the extent of the site search area the district council does not have planning control over sites outside the district
<i>Option 6 – amend Policy Ec2(2) to make it more specific/restrictive (d) - demonstrate that the need/demand is exceptional</i>	
<ul style="list-style-type: none"> captures a business-specific justification provides a policy framework for ‘needs not anticipated in the plan’ (NPPF paragraph 81d) to be addressed 	<ul style="list-style-type: none"> approach effectively invites applicants to challenge/undermine the council’s employment needs evidence base

Option 7 – amend Policy Ec2(2) to make it more specific/restrictive – combination of Options 3-6.

<ul style="list-style-type: none">• overall, a more restrictive approach helps to address the concern that the current policy is insufficient to resist inappropriate development	<ul style="list-style-type: none">• overall, a more restrictive approach could dissuade genuine investment opportunities which would have benefitted the local economy
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2.12 Through the operation of Policy Ec2(2) to date, the terms it uses have been interpreted as follows:

‘Need’ correlates to a policy requirement identified through the plan-making process to ensure that the future needs of an area are adequately addressed.

‘Demand’ could be in the form of a request from potential future users or could be to address a gap in the supply of premises in the district. In other words it relates to ‘market demand’.

‘Immediate’ has been interpreted as ‘arising now’.

2.13 The NPPF uses the term ‘need’ but does not define what is meant by the term. ‘Demand’ conveys a business or market-specific requirement which is much more likely to be immediate and unanticipated in nature compared with the ‘need’ measured through economic forecasts. ‘Need’ can also encompass a situation where the market is not willing/able to deliver a particular type of development which is nonetheless wanted and an example of this is start-up workspace which is covered in a later section of this report. Both ‘need’ and ‘demand’ are considered to be encompassed within the thrust of the NPPF’s approach.

2.14 Detailed policy wording will be drafted at a later stage once preferred policy options have been selected. In this case, however, as Policy Ec2(2) is a pre-existing policy officers have drafted some revised wording so that the Committee can understand the types of changes which could result from the Options 3 - 6 above. This is included in Appendix 1 for illustrative purposes only. Further, the plan’s supporting text will need to provide important information to explain how the requirements in the policy will be met. This could include, for example, information about the extent of the ‘market area’ to be defined (which may vary according to the type of proposals).

3. START-UP PREMISES

3.1 The report on Employment Land Requirements to the January meeting of this committee contained commentary on the Start-up Workspace Demand Report [see Background Papers above] which assessed the need for start-up workspace in North West Leicestershire. Whilst start-up space can come in a number of forms, local need is more likely to be for industrial/workshop space up to 100 sqm on flexible tenures, typically short-term leases with a fee payable to cover facilities, building operational costs, business rates, additional services etc.

3.2 Whilst the NPPF does not talk about start-up space specifically, it does emphasise that planning policies should;

“b) set criteria, or identify strategic sites, for local and inward investment to match the strategy and to meet anticipated needs over the plan period”; (paragraph 81, emphasis added)

3.3 The Study provides evidence that ‘anticipated needs’ can include a need for start-up space and the Study concludes that the Local Plan Review could help to deliver small workshop schemes in the district, some of which should be available on flexible lease terms and with access to business support services. There is also a justification for ‘grow on’ light industrial space of 150-500 sqm.

3.4 Potential options for how this matter could be addressed in the Local Plan Review include the following:

Option 1 – allocate specific sites for start-up premises

Option 2 – specify a requirement for a proportion of start-up premises as part of the overall mix of employment floorspace on allocated employment sites only

Option 3 - generic policy which would apply to all employment sites, whether allocated or not, to require a proportion of units to be for start-ups and/or a financial contribution towards provision elsewhere

Option 4 – policy to support the provision of start-up space on suitable sites

Option 5 – policy that would allow start up premises as an exception on sites where development would normally be restricted. This would follow the same principle as a rural exceptions site policy for affordable housing and could be a continuation/adaptation of Policy S3 which allows for the expansion of rural businesses and small-scale employment generating development.

Option 6 – no change. The Local Plan Review does not include a policy for start-up workspace.

3.5 The potential advantages and disadvantages of the different approaches are explained further in the table below.

ADVANTAGES	DISADVANTAGES
Option 1 - allocate specific sites for start-up premises	
<ul style="list-style-type: none"> • is a clear and direct way for the Local Plan Review to address the shortage of start-up workspace in the district which the market has failed to provide 	<ul style="list-style-type: none"> • market factors (viability) may mean that the allocated site/s still do not come forward for development unless other forms of financial support are in place • potentially difficult to justify which site/s should be selected for start-up premises and therefore excluded from general needs employment development • likely to result in provision being concentrated in a limited number of locations
Option 2 – specify a requirement for a proportion of start-up premises as part of the overall mix of employment floorspace on allocated employment sites only	
<ul style="list-style-type: none"> • is a clear and direct way for the Local Plan Review to address the shortage of start-up workspace in the district which the market has failed to provide • should result in mixed employment sites with a range of business types/sizes 	<ul style="list-style-type: none"> • risk to the viability of the development as a whole • an on-site mix of units may be unfeasible for large scale/single operator sites (e.g. strategic distribution sites) • percentage requirements will require justification
Option 3 – generic policy which would apply to all employment sites, whether allocated or not, to require a proportion of units to be for start-ups and/or a financial contribution towards provision elsewhere	
<ul style="list-style-type: none"> • is a clear and direct way for the Local Plan Review to address the shortage of start-up workspace in the district which the market has failed to provide • should result in mixed employment sites with a range of business types/sizes 	<ul style="list-style-type: none"> • risk to the viability of the development as a whole • site size thresholds and percentage requirements will require justification • commuted sums would require the council to establish and resource a workspace delivery programme

Option 4 – policy to support the provision of start-up space on suitable sites	
<ul style="list-style-type: none"> provides a clear statement of support for the development of start up workspace including criteria for judging a suitable site would make the policy more useful 	<ul style="list-style-type: none"> on its own, unlikely to result in significant additional start up floorspace being provided. Risk that the plan would not be planning positively to address the identified need for start-up space.
Option 5 – policy that would allow start-up premises as an exception on sites where development would normally be restricted	
<ul style="list-style-type: none"> good prospect that the policy will bring forward additional sites although much will depend on how restrictive (or otherwise) the policy criteria are 	<ul style="list-style-type: none"> the development locations that result from this approach are likely to be less sustainable than for the other options
Option 6 – no change	
<ul style="list-style-type: none"> reliance on the market to meet the need for this type of premises 	<ul style="list-style-type: none"> the plan would not be planning positively to address the evidenced need for start-up space. reliance on the market to meet the need for this type of premises

3.6 With the exception of Option 6 – no change, viability is likely to be an issue to a greater or lesser degree for each of these options. Whilst the study has revealed a need for more start up workspace it is clear that the market is failing to meet it, possibly because of the financial risks associated with this form of development. Specialist management arrangements may also be needed for these types of premises which could add to costs and further disincentivise commercial developers. It would be prudent to test the options (or a shortlist) as part of the whole plan viability assessment which will be commissioned at a later stage in the Local Plan Review process. Options will also be tested through the Sustainability Appraisal/Strategic Environmental Assessment process.

3.7 It is recommended that the options are included in the next public consultation for the Local Plan Review

4. LOCAL EMPLOYMENT POLICY

4.1 At its July 2020 meeting, the Committee considered a Local Plan Review Update report [see Background Papers above] which raised the prospect of including a local employment policy in the Local Plan Review. This could include encouraging businesses to recruit locally and to offer training to raise the attainment level of their staff. The report noted:

“Any planning policy approach will need to be justified by evidence. Whilst the district has key economic strengths, it can be argued that action is needed to sustain its position. Further, there is the prospect of Covid-19 linked recession and associated increase in local unemployment. More generally, increased local recruitment could also help to bear down on commuting distances, important in a district where 92% of journeys to work are by car (the national average is 78%). In the broadest sense, local employment initiatives can also help ensure that local people benefit from new development and, equally, show that businesses are invested in the wellbeing of their communities.”

4.2 Developers often identify job creation as part of the supporting case for development and there is the opportunity to establish a local dimension to this overall jobs boost.

4.3 The issue of local recruitment is a matter highlighted in the council’s Economic Growth Plan (2019-21) [see Background Papers above] with its objective to “help new and existing businesses to recruit local people”. It goes on to give the examples of continuing to support the Airport Academy at East Midlands Airport and working with the SEGRO Logistics Park employment group.

4.4 As for start-up space, the NPPF does not provide specific guidance on this matter although it does provide overall support for positive measures which support the economy as follows;

“Significant weight should be placed on the need to support economic growth and productivity, taking into account both local business needs and wider opportunities for development. The approach taken should allow each area to build on its strengths, counter any weaknesses and address the challenges of the future”.
(paragraph 80)

4.5 Potential options for how this matter could be addressed in the Local Plan Review include the following:

Option 1 – policy to encourage local employment initiatives in new, large scale developments . *Include a policy (or add a criterion to an existing policy) stating that for large scale developments (indicative thresholds would need to be confirmed), the council will encourage measures which support the recruitment of local workers and which promote skills development (for example apprenticeships) a) during construction; and/or b) in the end use where this is employment-generating. The policy could also encourage occupiers to prepare an ‘Employment & Skills Plan’ (or similar) which could be used to confirm and monitor the measures put in place.*

Option 2 – policy to require local employment initiatives in new large-scale developments. *For large scale developments (thresholds would need to be confirmed), the council will require proposals to support the recruitment of local workers and promote skills development (for example apprenticeships) a) during construction and/or b) in the end use where this is employment-generating. The policy could also include the preparation of an ‘Employment & Skills Plan’ (or similar) which will demonstrate how the requirement will be met and monitored.*

Option 3 - no change. *Do not make specific provision in the Local Plan Review for local employment and/or skills development. Action on this issue would involve the Council and its partners (such as Job Centre Plus, local colleges etc) engaging with new and expanding businesses to encourage and enable them to recruit locally and to improve local skills levels.*

4.6 The potential advantages and disadvantages of the different approaches are explained further in the table below.

ADVANTAGES	DISADVANTAGES
Option 1 - Option A – policy to encourage local employment initiatives in new, large scale developments	
<ul style="list-style-type: none"> • It signals that the council sees this as an important issue and one which applicants should actively consider as they are preparing planning applications. 	<ul style="list-style-type: none"> • It falls short of being a requirement so may be only modestly effective.
Option 2 – policy to require local employment initiatives in new, large scale developments.	
<ul style="list-style-type: none"> • can help ensure that local people benefit from new development and, equally, show that businesses are invested in the wellbeing of their communities. • could support a generalised aim to reduce commuting distances • inclusion of a Local Plan policy will ensure that applicants address the matter in planning applications 	<ul style="list-style-type: none"> • The policy would be more difficult to apply to speculative proposals where there is no identified end user. • It would also be important that compliance with the policy does not create recruitment barriers for businesses. • site size thresholds would need to be justified
Option 3 – no change	

<ul style="list-style-type: none"> • use existing, non-planning mechanisms 	<ul style="list-style-type: none"> • would miss the opportunity which a planning application gives to engage and influence with employers at the earliest stage.
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- 4.7 The text of the Local Plan could provide information on the types of measures and these could be more tailored if information on specific local training and skills gaps is available. It could also provide information about how the policy would be implemented including the likely need for the measures to be secured by a s106 legal agreement. The application of measures would need a degree of flexibility to ensure they do not become a barrier to recruitment (e.g. some form of cascade mechanism).
- 4.8 It is recommended that the options are included in the next public consultation for the Local Plan Review. Options will also be tested through the Sustainability Appraisal/Strategic Environmental Assessment process.

Policies and other considerations, as appropriate	
Council Priorities:	The economic policies in the Substantive Local Plan Review will be particularly relevant for the following Council Priority; - Support for businesses and helping people into local jobs
Policy Considerations:	Adopted Local Plan National Planning Policy Framework
Safeguarding:	None specific
Equalities/Diversity:	The Local Plan Review as an entity will be subject to an Equalities Impact Assessment.
Customer Impact:	None specific
Economic and Social Impact:	The decision, of itself, will have no specific impact. The Substantive Local Plan Review as a whole will deliver positive economic and social impacts and these will be recorded through the Sustainability Appraisal. .
Environment and Climate Change:	The decision, of itself, will have no specific impact. The Substantive Local Plan Review as a whole will deliver positive environmental and climate change benefits and these will be recorded through the Sustainability Appraisal.
Consultation/Community Engagement:	In due course the planning policy implications of the economic evidence set out will be incorporated in a consultation document for the Substantive Local Plan Review. The consultation arrangements will be governed by requirements in the Statement of Community Involvement.
Risks:	A risk assessment for the Local Plan Review has been prepared and is kept up to date. As far as possible control measures have been put in place to minimise risks, including regular Project Board meetings where risk is reviewed.
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