

Title of Report	LEICESTER & LEICESTERSHIRE STATEMENT OF COMMON GROUND ON HOUSING & EMPLOYMENT NEED (APRIL 2022)	
Presented by	Ian Nelson Planning Policy and Land Charges Team Manager	
Background Papers	National Planning Policy Framework National Planning Practice Guidance Statement of Common Ground (2021) Statement of Common Ground (2022) Housing and Economic Needs Assessment (April 2022) Housing and Economic Needs Assessment – Housing distribution Housing and Economic Needs Assessment – Employment distribution Statement of Common Ground – Sustainability Appraisal NWLDC SHELAA 2019	Public Report: Yes
Financial Implications	The cost of preparing the statement of Common Ground and the supporting evidence is met by all of the Leicester and Leicestershire authorities making agreed contributions. Signed off by the Section 151 Officer: Yes	
Legal Implications	Under the Duty to Cooperate the Council is under an obligation to work with other local planning authorities “ <i>constructively, actively and on an on-going basis</i> ” to address strategic planning matters. The Statement of Common Ground helps to address this requirement. Signed off by the Monitoring Officer: Yes	
Staffing and Corporate Implications	None identified Signed off by the Head of Paid Service: Yes	
Purpose of Report	To consider a Statement of Common Ground which has been prepared covering Leicester and Leicestershire to deal with the issues of unmet housing and employment needs from Leicester City and for the views of this Committee to be forwarded on to Council for when it considers the Statement of Common Ground .	

<p>Recommendations</p>	<p>THAT LOCAL PLAN COMMITTEE:</p> <p>(I) NOTES THE STATEMENT OF COMMON GROUND WHICH ADDRESSES THE ISSUE OF UNMET HOUSING AND EMPLOYMENT NEEDS FROM LEICESTER CITY;</p> <p>(II) NOTES THAT THE COUNCIL'S POSITION ON THE STATEMENT OF COMMON GROUND WILL BE FORMALLY AGREED AT A MEETING OF COUNCIL ON 21 JUNE 2022 AND</p> <p>(III) THAT THE VIEWS OF THIS COMMITTEE ON THE STATEMENT OF COMMON GROUND BE FORWARDED TO COUNCIL FOR IT TO HAVE REGARD TO WHEN DETERMINING THIS COUNCIL'S POSITION</p>
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1 BACKGROUND

- 1.1 Members will be aware that all local planning authorities are under an obligation under the Duty to Cooperate to “*cooperate with each other, and with other prescribed bodies, on strategic matters that cross administrative boundaries*” (National Planning Policy Framework (2021), paragraph 24). To demonstrate such cooperation, the NPPF requires authorities to “*prepare and maintain one or more statements of common ground, documenting the cross-boundary matters being addressed and progress in cooperating to address these*”.
- 1.2 The purpose of this report is to consider a Statement of Common Ground (SoCG) which has been prepared covering Leicester and Leicestershire to deal with the issues of unmet housing and employment needs from Leicester City. The SoCG can be viewed from this [link](#).
- 1.3 The SoCG has been prepared under the auspices of the Member Advisory Group (MAG) comprising members from each of the Leicester and Leicestershire authorities and which was established to oversee joint work on strategic planning matters. MAG does not have decision making powers. Therefore, when it met on 28 April 2022 it agreed that the SoCG should be considered by each of the Leicester and Leicestershire authorities through their own governance procedures.
- 1.4 Whether this Council should support the SoCG will be determined by Council at its meeting on 21 June 2022, thus providing an opportunity for all members to consider the SoCG. The views of this Committee will be forwarded to Council alongside those of Cabinet who are considering the SoCG at its meeting on 7 June 2022.

2 DUTY TO COOPERATE

- 2.1 The Duty to Cooperate was introduced by the Localism Act of 2011. One of the reasons for requiring this is that National Policy recognises not all authorities will be able to meet housing and employment needs in full. When this happens the statutory Duty to Cooperate requires authorities to work together “*constructively, actively and on an on-going basis*”. Each individual authority must therefore be able to demonstrate to a planning inspector at a local plan examination how they have met the Duty to Cooperate. Failure to demonstrate compliance means they will not pass the examination process.

3 NATIONAL PLANNING POLICY FRAMEWORK (NPPF) AND THE TESTS OF SOUNDNESS

- 3.1 Even if an authority demonstrates it has met the Duty to Cooperate, it still has to also demonstrate it has complied with National Policy, including the tests of soundness which require an authority's local plan to be:

“... informed by agreements with other authorities, so that unmet need from neighbouring areas is accommodated where it is practical to do so and is consistent with achieving sustainable development...”

... based on effective joint working on cross-boundary strategic matters [e.g. unmet need] that have been dealt with rather than deferred, as evidenced by the statement of common ground...” [emphasis added]

- 3.2 Assisting Leicester City Council to meet its unmet need is a key ‘cross boundary strategic matter’ which requires joint working, and therefore a key element of the Duty to Cooperate and Government Policy for each Leicester and Leicestershire authority to demonstrate it has dealt with. If an authority is not able to comply with the Duty to Cooperate or the Tests of Soundness, then it cannot get a Local Plan in place. Therefore, the SoCG is a crucial component of the current Local Plan review as it will help to establish the housing and employment land requirements to be provided for as part of the new local plan.

- 3.3 Paragraphs 24-27 of the NPPF set out further details on planning for cross boundary strategic matters (such as unmet need):

“Local planning authorities and county councils (in two-tier areas) are under a duty to cooperate with each other, and with other prescribed bodies, on strategic matters that cross administrative boundaries [e.g. Leicester’s unmet need is a strategic matter that crosses administrative boundaries].

Strategic policy-making authorities should collaborate to identify the relevant strategic matters [e.g. unmet need] which they need to address in their plans...

Effective and on-going joint working between... authorities and relevant bodies is integral to the production of a positively prepared and justified strategy. In particular, joint working should help to determine... whether development needs that cannot be met wholly within a particular plan area could be met elsewhere.

In order to demonstrate effective and on-going joint working, strategic policy making authorities [e.g. Local Planning Authorities] should prepare and maintain one or more statements of common ground, documenting the cross-boundary matters being addressed and progress in cooperating to address these. These should be produced using the approach set out in national planning guidance...”

- 3.4 Taking the above into account, it is critical each Leicester and Leicestershire authority has an up-to-date SoCG in place on how they are dealing with Leicester City Council's unmet need, to help ensure it is able to comply with the Statutory Duty to Cooperate, Government Policy and Government Guidance.

- 3.5 The SoCG, together with the participation of all authorities in the programme of evidence gathering, demonstrates the commitment of the Leicester and Leicestershire authorities to the process of addressing the unmet need from Leicester City Council. This shows how they have complied with National Policy and Legislation.

4 THE UNMET HOUSING AND EMPLOYMENT NEEDS

- 4.1 Members may recall that in January 2017 Leicester City Council declared that it was unable to meet all its identified housing needs within the boundaries of the city, although the level of unmet need was not quantified at that time.
- 4.2 The identification of this unmet need resulted in this Council's Local Plan being required to undertake an early review, which culminated in the Partial Review which was adopted in March 2021.
- 4.3 It was not until December 2019 that the Leicester and Leicestershire authorities were made aware of the potential scale of unmet need. Consultation on the Draft Leicester Local Plan (and associated evidence) was delayed due to the COVID-19 pandemic until September to December 2020.
- 4.4 At that time, Leicester's Draft Local Plan consultation indicated a potential unmet need of 7,742 homes and 23 Hectares of employment land (B2 General Industrial and B8 Small Warehousing Units less than 9,000 sq.m) 2019 to 2036.
- 4.5 However, immediately after the consultation closed in December 2020 the Government published a new standard method for calculating housing need. The method stayed the same for all authorities in England apart from the 20 largest cities and urban centres which were given a 35% uplift. As a result, Leicester's housing need increased by 35%, adding a further 9,712 homes to their need between 2020 and 2036 (i.e., an additional 607 homes per year).
- 4.6 When government published the 35% uplift in housing need to Leicester (and the other cities/urban centres), government messaging indicated they "*...expect the increase in homes to be delivered to be met by the cities/urban centres themselves, rather than the surrounding areas.*"
- 4.7 Government Guidance was also updated and says similar i.e. the increase is "*...expected to be met by the cities and urban centres themselves, rather than the surrounding areas, unless it would conflict with national policy and legal obligations.*" [emphasis added] (Planning Practice Guidance – Housing and Economic Needs Assessment Paragraph: 035 Reference ID: 2a-035-20201216).
- 4.8 Government policy requires local plans to be 'deliverable' and the City's evidence shows they are not able to deliver in a sustainable manner their housing and employment needs in full within the City boundary. Therefore, for the City, meeting their needs in full would conflict with national policy.
- 4.9 In addition to the cities uplift, in March 2022 the government published new data in respect of affordability ratios. The Governments' standard method for calculating housing need requires this annually published figure to be taken into account for all authorities (not just cities). As a result, housing need in Leicester increased by a further 2,800 homes to 2036. The change in the affordability ratio in North West Leicestershire results in an increase of only 4 dwellings per annum.
- 4.10 The City's need now stands at 39,421 between 2020 and 2036. When compared to a supply 20,720 homes, this leaves an unmet need of **18,700** homes to be accommodated in the Leicestershire Districts/Boroughs. The unmet employment need remains at **23** Hectares.
- 4.11 The SoCG is therefore based on a 'working assumption' of Leicester's unmet need being 18,700 homes and 23 Hectares of employment land. It is important to note that Members are not being asked to agree what Leicester's unmet need is. This will inevitably evolve over time (e.g. as housing need changes or Leicester's housing supply evolves through their Local Plan examination). If the unmet need changes significantly in future the SoCG will need to be reviewed and updated as appropriate.

- 4.12 The City have done a significant amount of work over many years on their Local Plan to establish their capacity including updating their SHELAA (Strategic Housing Employment Land Availability Assessment) and Brownfield Land Register and undertaking Character Area and Tall Buildings assessment work. Other works is ongoing and the City are continuing to advance the Local Plan and currently anticipate publishing a Regulation 19 (i.e. pre-submission plan) later in 2022. Assuming that the City Local Plan progress as envisaged, this does mean that by the time this Council's Local Plan gets to Examination stage there should be significantly more certainty about this issue, which should assist the Examination process.

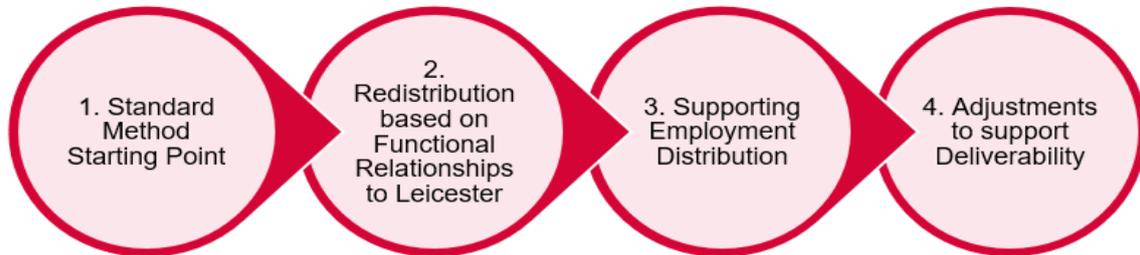
5 EVIDENCE INFORMING THE STATEMENT OF COMMON GROUND

- 5.1 A number of SoCG have previously been agreed by the Leicester and Leicestershire authorities, including one in 2020 to support the Partial Review of this Council's Local Plan.
- 5.2 The most recent SoCG (March 2021) was agreed in light of the 35% uplift in housing to the City. This was done to support the Charnwood Local Plan and represents the latest agreed position on housing and employment needs in Leicester and Leicestershire.
- 5.3 The SoCG identified that the following evidence was being prepared to inform the apportionment of unmet need from Leicester City to the Leicester and Leicestershire Districts/Boroughs:
- Housing and Economic Needs Assessment
 - Strategic Growth Options and Constraints Mapping
 - Strategic Transport Assessment
 - Sustainability Appraisal
- 5.4 The Housing & Economic Needs Assessment (HENA) and the Sustainability Appraisal are the key pieces of evidence that inform the Statement of Common Ground apportioning Leicester City's unmet need to 2036 and they are considered below. The Strategic Transport Assessment and the Strategic Growth Options and Constraints Mapping take a longer-term perspective that will inform the next steps for the previously agreed Strategic Growth Plan for Leicester and Leicestershire to 2050.

Housing and Economic Needs Assessment

- 5.5 Members will be aware that a previous Leicester and Leicestershire wide Housing and Economic Needs Assessment (referred to as the HEDNA) from 2017 informed the housing and employment land provision of the adopted Local Plan. The new study (the HENA) is the first comprehensive Leicester and Leicestershire study since then. The HENA main report can be viewed from the link included at the front of this report. It considers a range of issues including:
- Housing, demographic and economic dynamics;
 - Potential future development needs;
 - The need for different types of homes, including affordable homes and those of different groups (e.g. older persons households, wheelchair user housing)
- 5.6 The outcome from the main HENA report will help to inform appropriate policies as part of this Council's Local Plan review and will be the subject of a later report to this Committee.

- 5.7 The HENA also includes two distribution papers, one for housing and one for employment, which provide an evidence base to the issue of the redistribution of unmet needs from Leicester City. These can be viewed from this [link](#)
- 5.8 The HENA Housing Distribution Paper identifies the following steps in assessing the distribution of homes/unmet housing need across L&L:



- 5.9 Each of these steps is considered below along with commentary as to what this means for North West Leicestershire.

1. The approach treats the government's standard method for calculating housing need as a minimum level of provision for the Leicestershire Districts/Boroughs, as individual local plans would be expected (in line with the NPPF) to meet their own need.

The standard method results in a local housing need figure for North West Leicestershire of 372 dwellings per annum (2022 based)

2. The next step is to consider the functional relationship of each District/Borough with the City, taking account of migration and commuting relationships between the authorities. This generates an initial distribution of unmet need.

For North West Leicestershire, this sees only a small upwards adjustment of 52 dwellings per annum reflecting the fact that there is no common boundary with the City. This is the second smallest of all authorities (Melton being less at 29 dwellings per annum). In contrast, both Blaby and Charnwood see increases of about 300 dwellings per annum and Hinckley & Bosworth and Harborough about 100 dwellings.

3. Adjustments are then made to this distribution to align with the spatial distribution of future employment growth over the period to 2036, to promote a balance in the delivery of jobs and homes at a local level and limit the need to travel. This seeks to locate houses close to where job opportunities arise to provide additional labour where it is needed.

This results in an increase for North West Leicestershire of 182 dwellings per annum (this is discussed below at paragraph 5.10).

4. The final consideration relates to the deliverability of the distribution of development. This reviews the findings from the above steps, taking into account where authorities are already planning for higher growth or where there are land supply constraints which might restrict the scale of development which can be accommodated. It then considers the comparative rate of housing growth implied in different areas and makes adjustments to the distribution to support the deliverability of the distribution proposed, and to ensure that all authorities are contributing proportionally (having regard to their local housing markets) to the unmet need. The report notes that when looking at the annual growth in housing stock (referred to as CAGR (Compound

Annual Growth Rate)), there are very few authorities across the East and West Midlands which have sustained growth rates of more than 1.4% over a 15 or more-year period. The paper, therefore, proposes limiting stock growth for each authority at 1.4%. In doing so it seeks to avoid over-concentrating development in specific areas which could result in localised market capacity issues which inhibit the delivery of overall housing need. This final stage also has regard to the existing balance between jobs and homes in an area and whether higher housing provision might help to improve this balance.

For North West Leicestershire this sees a further increase of 80 dwellings per annum. Hinckley & Bosworth sees a similar increase (85) and Blaby a smaller increase of 32 dwellings. Conversely, Charnwood's figure decreases by 211 dwellings per annum.

- 5.10 As outlined above, different factors drive the distribution of housing growth for different authorities. For example, there is a history of this Council (and Melton) needing to plan for additional homes to support the level of economic growth in the area. The Housing & Economic Development Needs Assessment in 2017 increased this Council's housing need to reflect the specific local economic circumstances. The latest evidence in the HENA also indicates the need in North West Leicestershire to plan above the standard method starting point. There is also a need to support economic growth having regard to the balance of jobs and homes and homes in the area. The paper also notes the recent Freeport designation and concludes that "*The potential for a concentration of employment growth in the north of NW Leicestershire District close to the Airport and Castle Donington is a relevant factor in considering the distribution of development*".
- 5.11 For the other authorities it is the standard method starting point and their functional relationship with the City that are the main considerations driving the level of housing provision.
- 5.12 Adjustments have then been made taking into account other factors such as, land supply and comparative rates of housing growth as outlined above.
- 5.13 Appendix A of this report sets out how the various components of the assessment impact each authority.
- 5.14 This process results in a potential distribution of housing provision across Leicester and Leicestershire over the period to 2036 as set out below.

Table 1 – potential distribution of housing and comparison of housing stock growth per annum

Authority	Housing Provision 2020-36	Annual Average Housing Provision	Stock Growth
Leicester	20,720	1,295	0.9%
Blaby	10,985	687	1.4%
Charnwood	19,025	1,189	1.4%
Harborough	10,515	657	1.4%
Hinckley and Bosworth	10,542	659	1.2%
Melton	4,800	300	1.2%
NW Leicestershire	10,976	686	1.3%
Oadby and Wigston	3,840	240	1.0%
L&L Total	91,404	5,713	1.2%

- 5.15 In terms of employment, the paper concludes that Charnwood is best able to suitably meet Leicester’s unmet need of 23 Hectares to 2036. This reflects the existing over-supply of employment land compared to the Borough’s own needs; combined with the availability of employment sites and land which is close to the City and can contribute to delivering employment land which can service the needs of Leicester-based companies to 2036.

Sustainability Appraisal

- 5.16 As members will be aware, a Sustainability Appraisal is a key tool used in the process of preparing a local plan as it assesses the environmental, social and economic effects of different options and policies. There is no formal requirement for a Sustainability Appraisal to be undertaken when considering the issue of unmet need, but by doing so it helps to make the SoCG more robust. A copy of the full Sustainability Appraisal report can be viewed from the link in the background papers to this report.
- 5.17 In respect of housing, five spatial options were developed for how growth could be distributed across Leicester and Leicestershire:
- Local Plan Roll forward
 - Spread (equal share)
 - Focus on strategic sites
 - Near Leicester Area
 - HENA distribution
- 5.18 More details about these options, together with the scoring method and results, are set out at Appendix B of this report. Further details are also included in the more detailed SA Report which can be viewed from the link at the front of this report.

- 5.19 The findings in the Sustainability Appraisal demonstrate the different distribution options perform fairly similarly, with each having strengths and weaknesses. However, relatively speaking, the HENA distribution option (as outlined above at Table 1) performs as well or better than the alternatives for most sustainability topics.
- 5.20 This serves to provide confidence that following the recommendations of the HENA would be an appropriate approach to take to meeting unmet housing needs from Leicester (and there are no clear indications that suggest a different approach should be taken in the SoCG).
- 5.21 In respect of employment, four options were developed:
- Local Plan Roll forward
 - Strategic sites
 - Near Leicester focus
 - HENA distribution
- 5.22 The result of the Sustainability Appraisal is set out at Appendix C of this report. Further details are also included in the more detailed SA Report which can be viewed from the link at the front of this report. This is broadly supportive of the HENA distribution option which has limited negative effects whilst being positive in terms of both housing and employment.

6 THE STATEMENT OF COMMON GROUND

- 6.1 Having regard to the outcome from the HENA distribution papers and the Sustainability Appraisal conclusions on the distribution they propose, the SoCG proposes that housing be distributed as set out in Table 1 above.
- 6.2 Table 3 of the SoCG shows how the annual unmet need of 1,169 dwellings per annum from the City is apportioned between the individual districts and boroughs. This shows that North West Leicestershire's element of this equates to 314 dwellings. On the face of it, this might appear to be very high, bearing in mind that North West Leicestershire does not share common boundary with Leicester City. However, it is important to recognise that the apportionment, as outlined above in paragraphs 5.9 to 5.14 has had regard to a wider range of factors than just proximity to the City, to arrive at a balanced distribution that reflects economic circumstances and seeks to ensure a deliverable pattern of development.
- 6.3 In terms of employment land, again the SoCG proposes (Table 4) a redistribution based on the separate Employment land distribution paper (see paragraph 5.15 above).
- 6.4 Section 4 of the SoCG notes that Hinckley and Bosworth Borough Council (HBBC) do not agree to the step in the HENA Housing Distribution Paper methodology from paragraph 6.21 to 6.24 and the subsequent table 6.9 which apportions 197 dwellings per year of Leicester's unmet housing need. HBBC note the capping of the redistribution of Charnwood's numbers to 1,189 and believe that the accommodation of the resulting 197 dpa shortfall should be tested as part of each LPAs Local Plan process, including the current Charnwood Local Plan. In effect, this would mean that there was an unmet need of the original unmet need.
- 6.5 In addition, HBBC is of the view that the June 2021 SoCG was clear that the apportionment of unmet need would be informed by 4 pieces of work. Only two of these pieces have been completed, the HENA and the Sustainability Appraisal. Therefore, as reflected in this Statement, the apportionment is a starting point for testing and may be amended based on the completion of the Strategic Growth Options and Constraints mapping work and the Strategic Transport Assessment and the subsequently updated Sustainability Appraisal and the outcome of any local plan 'testing'.

- 6.6 This issue has been subject to discussion at officer level. It is your officer's view that having a residual unmet need is unacceptable and it is not possible to see how the approach advocated by HBBC could work in practice. It would also represent a risk to any local plans as it could be argued that the authorities have collectively failed to discharge the Duty to Cooperate. Basically, the issue needs to be addressed. In terms of the Growth Options and Transport Assessment work these will, as noted at paragraph 5.4, inform future work on the Strategic Growth Plan. To wait for the outcome from these would simply mean a delay in the preparation of local plans, something no authority can afford to do.
- 6.7 The outcome of the discussions is that the other authorities do not agree with HBBC and consider the apportionment to be justified by the evidence.

7 SHOULD THE COUNCIL SUPPORT THE STATEMENT OF COMMON GROUND?

- 7.1 Officers are of the view that proposed distribution set out in the SoCG is based on a robust methodology for redistributing Leicester's unmet housing and employment need to the Leicestershire Districts/Boroughs.
- 7.2 Members will recall from previous reports that national policy is quite clear that when setting a housing requirement in a Local Plan that the outcome from the standard method is only the starting point and that it is necessary to have regard to a range of factors. In this respect the proposed distribution in the SoCG has had regard to the functional relationship between each authority and the City but also other factors including the balance between jobs and homes. This option has been tested alongside other reasonable alternatives through the Sustainability Appraisal. This process found the HENA housing distribution option performs as well or better than the alternatives for most sustainability topics, and there are no clear indications that suggest a different approach should be taken in the SoCG. The employment options appraisal is also broadly supportive of the HENA option.
- 7.3 As noted previously, the Council is required to demonstrate as part of the Local Plan review that it has complied with the Duty to Cooperate. If this Council decided not to support the outcome from the SoCG, then this would represent a significant risk to the Local Plan review. This is because whilst it could demonstrate that it has cooperated on preparing the SoCG, it would also be necessary to demonstrate as to why it was not appropriate to agree the SoCG. For the reasons outlined above it is considered that the process and methodology followed is robust. Whilst the proposed housing provision for this district (686 dwellings) is significantly above the outcome from the standard method, it is within the range of potential housing requirements recently consulted upon as part of the Local Plan review as this has had a figure up to 730 dwellings per annum.
- 7.4 The Council's Strategic Housing and Economic Land Availability Assessment (SHELAA) identifies a potential supply significantly in excess of the total requirement of 10,976 for the period covered by the SoCG (2020-36) (i.e. 686 x 16 years). The Local Plan is currently proposed to go to 2039 (i.e. an additional 3 years beyond the SoCG) but as the issue of growth in the City is likely to become more constrained through time, it would be reasonable to plan for this higher figure for the whole plan period (13,034 dwellings for 2020-39).
- 7.5 The deliverability of such a number is an issue to be assessed through the Local Plan review process. and if it was proven that it could not be delivered then it would be necessary to declare an unmet need which would have to be addressed through a further SoCG (and the same applies to all of the other authorities). However, at this time on the basis of available evidence there is nothing to show that this is the case and therefore, it is considered that there would not be any reasonable reason to not agree the SoCG.

- 7.6 The implications of the SoCG will be considered in more detail in a future report to this committee alongside considerations relating to the future development strategy as part of the Local Plan review.

Policies and other considerations, as appropriate	
Council Priorities:	Local people live in high quality, affordable homes
Policy Considerations:	None identified
Safeguarding:	There are no implications directly arising from this report.
Equalities/Diversity:	There are no implications directly arising from this report.
Customer Impact:	There are no implications directly arising from this report.
Economic and Social Impact:	The outcome of the Statement of Common Ground will be addressed as part of the Local Plan review
Environment and Climate Change:	The outcome of the Statement of Common Ground will be addressed as part of the Local Plan review
Consultation/Community Engagement:	The Statement of Common Ground has been the subject of direct engagement with all of the Leicester and Leicestershire authorities. The outcome of the Statement of Common Ground will be considered as part of the Local Plan review which will be subject to consultation with the community and wider stakeholders.
Risks:	Not agreeing the Statement of Common Ground would represent a significant risk to the Local Plan review.
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