

Staffing and Corporate Implications	None identified
	Signed off by the Head of Paid Service: Yes
Purpose of Report	To consider and agree the Council's response to 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.
Recommendations	THAT COUNCIL APPROVES THE SIGNING OF THE LEICESTER AND LEICESTERSHIRE STATEMENT OF COMMON GROUND RELATING TO HOUSING AND EMPLOYMENT LAND NEEDS, APRIL 2022.

1.0 BACKGROUND

- 1.1 Local Planning Authorities are required as part of the preparation of local plans to identify sufficient sites to meet its future development needs. Where an authority is not able to accommodate all of its needs then national policy requires that any unmet need be accommodated elsewhere within the respective Housing Market Area (HMA) or Functional Economic Market Area (FEMA). North West Leicestershire sits within the Leicester and Leicestershire HMA/FEMA.
- 1.2 The Leicestershire authorities have known since February 2017 that Leicester City does not have sufficient land available to accommodate its housing and employment land needs in full.
- 1.3 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*”.
- 1.4 In addition to addressing the Duty to Cooperate, National Policy requires as part of the test of ‘soundness’ that an authority’s local plan 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]
- 1.5 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. 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.
- 1.6 To address the issue of how the unmet need from Leicester City can be accommodated within the HMA/FEMA, all of the Leicester and Leicestershire authorities have been working together under the auspices of the Member Advisory Group (MAG) to prepare a Statement of Common Ground (SoCG). 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.
- 1.7 The SoCG and supporting papers were published in May 2022. However, following publication an error was identified in respect of the employment land assessment which had used an incorrect plot ratio (the means by which floorspace requirements are converted to land requirements). Therefore, the SoCG and supporting papers were temporarily withdrawn to

enable this issue to be addressed. The effect of correcting the ratio was to increase the land requirements (although not the floorspace). However, the unmet employment need from Leicester City is still able to be accommodated in Charnwood Borough and so no changes were made to the proposed approach set out in the SoCG.

- 1.8 The purpose of this report is to consider the SOCG and whether the Council should agree to sign it. The SoCG can be viewed from this [link](#).
- 1.9 It is important to note that whilst the Levelling Up and Regeneration Bill, introduced to Parliament on 11 May 2022, proposes a number of reforms to the planning system, including potentially repealing the 'Duty to Cooperate', these are only proposals and could be subject to significant change before achieving Royal Assent and becoming law. Therefore, at this time the SoCG has to be considered on its merits. The implications of any legislative change would need to be considered at a later date.
- 1.9 The SOCG has been considered at the meetings of the Local Plan Committee on 25 May 2022 and Cabinet on 19 June 2022. The discussion at Local Plan Committee can be viewed from this [link](#). The discussion at Cabinet can be viewed from this [link](#).

2 THE UNMET HOUSING AND EMPLOYMENT NEEDS

- 2.1 Leicester City Council declared that it was unable to meet all its identified housing needs within the boundaries of the City in January 2017, although the level of unmet need was not quantified at that time.
- 2.2 It was not until December 2019 that the Leicester and Leicestershire authorities were made aware of the potential scale of unmet need. 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. The unmet housing needs increased slightly to 7,813 dwellings by the time the draft Local Plan was considered by the City Council (see [link](#) to City Council report).
- 2.3 At this point, officers from all of the Leicestershire authorities began work to consider how this unmet need could be redistributed. At the same time, the Strategic Planning Group commissioned an independent review of the City Council's evidence regarding land availability. This concluded that the evidence was robust (subject to some additional work being undertaken, including preparing a new Strategic Housing Land Availability Assessment (SHLAA) (which is being done)) and appeared to satisfy Government policy and guidance. The independent report together with a paper produced by the City Council on housing capacity and an extract from the notes of MAG from 15 July 2020 are attached at Appendix A of this report. MAG also agreed to progress a Sustainability Appraisal (of potential options for how the unmet need might be redistributed) based on an unmet need of 7,750 dwellings and 23 hectares of employment land.
- 2.4 An officer group developed a range of options for how the initial unmet need might be accommodated. These were in the process of being tested when in December 2020 the Government published a new standard method for calculating housing need. As a result of the changes, 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).
- 2.5 Government Guidance was that it expected this increase "*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). However, Government policy also requires local plans to be 'deliverable', which includes issues of viability which has been an issue in the City due to land values.
- 2.6 The City Council has continued to assess the potential for accommodating its growth within the already tightly defined City boundaries whilst balancing this against other consideration

such as the need to retain and protect key assets such as open spaces and heritage features whilst also being viable. This includes updating their Strategic Housing Employment Land Availability Assessment (SHELAA) and Brownfield Land Register and undertaking Character Area and Tall Buildings assessment work to help establish the potential capacity within different parts of the City.

- 2.7 Taking account of the most recent affordability ratios, as required as part of the standard method, the City's total need for the period 2020-36 is 39,421. When compared to a supply of 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.
- 2.8 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). Indeed, it will only be following the Examination of the City Local Plan that the level of unmet need will be confirmed. However, it is not appropriate to wait for this to be completed as there is a need to progress other Local Plans across the HMA. If the unmet need changes significantly following the Examination in future the SoCG will need to be reviewed and updated as appropriate with further reports to members as required.

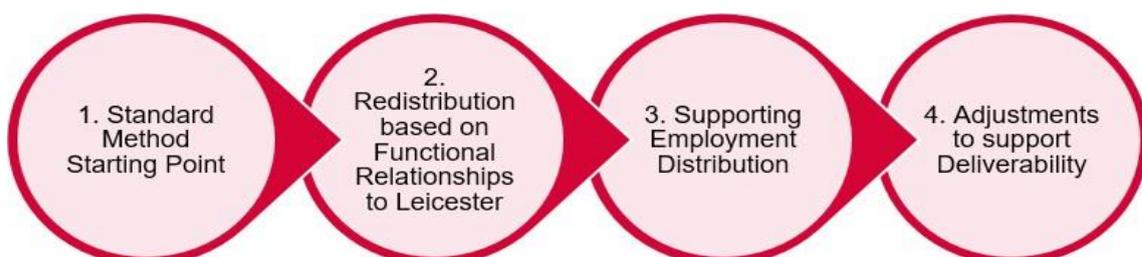
3 EVIDENCE INFORMING THE STATEMENT OF COMMON GROUND

3.1 The SoCG has been informed by two key pieces of evidence

- A Housing and Economic Needs Assessment (HENA) of the HMA/FEMA and
- Sustainability Appraisal of options for how the unmet needs might be redistributed.

Housing and Economic Needs Assessment

- 3.2 The HENA is the first comprehensive Leicester and Leicestershire study on housing needs since that undertaken in 2017 which informed the housing and employment land provision of this Council's adopted Local Plan. 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)
- 3.3 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](#).
- 3.4 The HENA Housing Distribution Paper proposes an approach to how the unmet housing needs from Leicester City could be redistributed across the HMA.
- 3.5 The paper identifies the following steps in assessing the distribution of homes/unmet housing need across Leicester and Leicestershire:



3.6 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 and 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).

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 Compound Annual Growth Rate (CAGR), 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 no more than 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 and Bosworth sees a similar increase (85) and Blaby a smaller increase of 32 dwellings. Conversely, Charnwood's figure decreases by 211 dwellings per annum. The increase for North West Leicestershire (1.3%) is slightly less than the maximum suggested and is slightly above the achieved for 2001-20 (1.2%) but well below that achieved for the period 2013-20 (1.7%).

- 3.7 As outlined above, different factors drive the distribution of housing growth for different authorities. For most authorities it is their functional relationship with the City that is the main consideration driving the level of housing provision. For North West Leicestershire this only accounts for 16.5% of the increase over and above the outcome from the standard method. For North West Leicestershire it is the economic factors that drive the increase. This is consistent with the requirement in the adopted Local Plan which was informed by a previous HENA in 2017. Furthermore, 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”*.
- 3.8 These economic factors account for 58% of the upward adjustment over and above the standard method for North West Leicestershire. Even if there was not an unmet need in Leicester City to be addressed, this is an issue which would need to be addressed as part of the Local Plan and so a significant increase over and above the outcome from standard method would be required anyway. A failure to make such adjustment would lead to an increase in commuting into the District and so conflict with the aim of achieving a more sustainable pattern of development to help address climate change related issues, a key Council priority.
- 3.9 The final element of the increase relates to stock growth which accounts for 25.5% of the increase. In view of recent growth rates experienced in the District the suggested stock growth rate appears to be reasonable.
- 3.10 This process results in a potential distribution of housing provision across Leicester and Leicestershire over the period to 2036 as set out below. As can be seen the level of growth in the district would be similar to that in Blaby, Harborough and Hinckley and Bosworth, but still significantly less than both the City and Charnwood.

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%

- 3.11 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

- 3.12 Sustainability Appraisal is a key tool used in the process of preparing a local plan to assess 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 this [link](#).
- 3.13 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
- 3.14 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.
- 3.15 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).
- 3.16 In respect of employment, four options were developed:
- Local Plan Roll forward
 - Strategic sites
 - Near Leicester focus
 - HENA distribution
- 3.17 The outcome from the SA is broadly supportive of the HENA distribution option which has limited negative effects whilst being positive in terms of both housing and employment.

4 THE STATEMENT OF COMMON GROUND

- 4.1 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.
- 4.2 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 3.6 to 3.10 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.
- 4.3 In terms of employment land, again the SoCG proposes (Table 4) a redistribution based on the separate Employment land distribution paper (see paragraph 5.13 above).

- 4.4 Section 4 of the SoCG notes that Hinckley and Bosworth Borough Council (HBBC) do not agree to all aspects of the HENA Housing Distribution Paper methodology. The approach suggested by HBBC would mean that there was an unmet need of the original unmet need.
- 4.5 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 now.
- 4.6 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.

5 SHOULD THE COUNCIL SUPPORT THE STATEMENT OF COMMON GROUND?

- 5.1 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.
- 5.2 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. However, as already noted, it has had regard to other factors including an alignment between jobs and homes within each authority. This has resulted in a significant uplift to the figure for North West Leicestershire. Had the Housing Distribution paper not considered the issue of an uplift for economic purposes, this is something the Council would still need to do as part of the Local Plan review and would, having regard recent and projected jobs growth, almost certainly result in a higher figure than the standard method plus the figure for the functional relationship with the City.
- 5.3 The HENA 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.
- 5.4 The amount of housing growth for the District in the SoCG (686 dwellings each year) is significantly more than that in the adopted Local Plan (481 dwellings each year), although its comparable to that for Blaby (687), Harborough (657) and Hinckley (659) and well below that for the City and Charnwood.
- 5.5 Whilst the figure is significantly above the outcome from the standard method (372 dwellings), it is within the range of potential housing requirements recently consulted upon as part of the Local Plan review as this had a figure up to 730 dwellings per annum. It is also worth noting that previous changes to the standard method proposed by the government in 2020, but which were not taken forward, would have resulted in a starting figure for North West Leicestershire of 1,153 dwellings. The figure included in the SoCG is well below this.
- 5.6 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.
- 5.7 The Council's 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 three 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).

- 5.8 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.

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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