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North West Leicestershire Local Plan EiP

Position Statement on Behalf of
Jelson Ltd

HEDNA

February 2017

Introduction

The Leicester and Leicestershire Housing and Economic Development Needs Assessment ('HEDNA') was published on 27 January 2017. In an accompanying 'Joint Statement of Co-operation' the Partner Authorities have explained that they are agreed that the figures contained within the main HEDNA Report represent the OAN for the HMA and the Leicestershire Districts. In EiP Document EX/69, North West Leicestershire District Council ('the Council') has noted that HEDNA specifies an OAN for NWL of 481dpa but confirms that the Council is to continue to promote a 'requirement' of 520dpa in its Local Plan.

GVA has examined HEDNA and its supporting appendices and is not satisfied that it contains a robust assessment of the FOAN of the HMA or the Districts, and NWL in particular. We remain of the view that NWLs FOAN is at least 664dpa. This is the minimum number of new homes required to support employment growth of 16,600 jobs across the 20 year plan period, to maintain a sustainable balance between jobs and labour force (i.e. avoid a significant increase in in-commuting), and to achieve a material improvement in the provision of affordable housing.

Housing Market Area and Duty to Co-operate

HEDNA recognises that the housing market area in which NWL sits is the Leicester and Leicestershire Housing Market Area ('LLHMA').¹ The PPG states² that housing market areas reflect the key functional linkages between where people live and work. There is therefore an acknowledgement that housing market areas should provide a good level of self-containment in terms of the employment they generate, the labour force that is required to service that employment and the housing that is required to accommodate the labour force. However, the HEDNA assumes that authorities beyond the HMA will house significant elements of NWLs labour force, although it stops short of saying exactly how many will have to live beyond the HMA and where they will go. In addition, no evidence has been produced of agreements with neighbouring and nearby Authorities which confirm that they understand that they are going to have to accommodate needs arising in NWL and are able to do so. This raises two critical issues. First, the absence of information and agreement on how the labour force will be housed beyond the HMA is a legal compliance issue. There is a clear strategic, cross-boundary issue that needs to be addressed here but hasn't. Accordingly, the Council has failed to satisfy the Duty to Co-operate. This is fatal to the Plan. Secondly, a Plan that relies on significant elements of its labour force being housed beyond the HMA, and therefore promotes unsustainable patterns of development, is not the most appropriate strategy and is unsound.

¹ Paragraph 1.5 and 1.7

² Paragraph 10 of HEDNA Chapter

Demography

The analysis of demographic trends within the HEDNA differs from the Justin Gardner Consulting 'Review of Housing Requirements (2011 to 2031)' report ('JGC Report') in two main ways:

- Treatment of Un-attributable Population Change ('UPC')
- Amendments to Household Representative Rates ('HRRs')³

Un-attributable Population Change

With respect to UPC, the JCG Report tests the effect that UPC would have on future migration projections if it were to be included in past migration trends.⁴ The JGC Report concludes that UPC would have a positive impact on future migration and that the demographic-led projection should include some (half) of the uplift associated with UPC.⁵

The HEDNA concludes that UPC "*is not [...] an appropriate component to include in developing forward projections.*"⁶ GVA has reviewed some of the Office for National Statistics analysis of UPC in NWL and there is evidence that international out migration in young adults was overestimated.⁷ Given this GVA considers that at least part of the UPC should be included in the migration estimate which would, on the basis of work undertaken by GVA, increase future housing needs by around 5%. If this were to be applied to the Council's long term migration estimate (386 dpa⁸) it would increase it by around 19 dpa to 405 dpa. Furthermore, this would influence the age and sex of the migration flows and would affect the labour force characteristics of that population – potentially increasing the total level of migration required to deliver the same level of labour force. Looking at the age profile of UPC, it shows that under 15s and over 65s were under recorded by 2,045 and 511 persons respectively, whilst 16 to 64 year olds were over recorded by 409 persons⁹. This broadly confirms that if UPC is included in past migration trends it would affect both the demographic and economic stages of the OAN analysis and would be likely to increase the level of population growth and therefore housing growth required to meet the identified increase in employment.

Household Representative Rates

The JGC Report uses the Stage 1 HRRs from the 2012 Household Projections and makes an adjustment to account for "apparent suppression" of household formation rates in young adults (25 to 34 year olds).¹⁰ The report states that the adjustment "*in effect seeks to consider a scenario in which*

³ Also called household formation rates or headship rates

⁴ See paragraphs 3.5, 3.6 and 3.14 of the JGC Report for a description of UPC and Paragraphs 3.42 to 3.48 on the potential impact of UPC

⁵ Paragraph 3.73 describes this approach.

⁶ Paragraph 2.8 of HEDNA

⁷ Understanding the causes of discrepancies between the rolled forward mid-year estimates for 2011 and the mid-year estimates based on the 2011 Census, ONS, Mark Auckland and Neil Park

⁸ Table 13 of the HEDNA

⁹ See 2015 Mid-Year Population Estimates, full time series 2001 to 2015

¹⁰ Paragraph 5.30 of the JGC Report

affordability and access to housing for younger households improves.”¹¹ This quote from the JGC Report is important because it recognises that in response to a sustained increase in housing supply and an improvement in affordability, the behaviour of young adults will change (i.e. the ability / propensity of them to form households). This is considered within the JGC Report to be both a demographic and a market signals adjustment because it is a measure of both historic constraint and future change in response to improving affordability and supply. GVA agrees with the approach adopted in the JGC Report.

The HEDNA makes no such demographic adjustment stating “*there is no suggestion of any suppression being built into the projections*”. In respect of market signals, the HEDNA (in NWL) applies a 10% adjustment to the demographic need only, yet maintains the HRRs in the household projections. These HRRs are therefore used, unadjusted, within the economic stage of the analysis (which produces the Council’s final OAN of 481 dpa). This is counterintuitive because if the Council were to sustain a long term increase in supply and improvement in affordability (which the HEDNA itself recognises is both needed and likely) then as a consequence HRRs in young adults will improve. The change in behaviour anticipated by the JGC Report would occur under the HEDNA economic growth scenario but it would not be accounted for within the numbers of dwellings provided. Adjusting HRRs as per the JGC Report would increase the economic-led need within the HEDNA from 481 dpa to 530 dpa (an adjustment of around 10%). This argument is not that a market signals adjustment is required on top of an economic adjustment. It is instead positing, in line with the conclusions of the JGC Report, that under the economic scenario an improvement to HRRs in young adults would occur which would increase household formation (i.e. more houses would be required per person in NWL). If these dwellings are not provided it would mean that 481 dpa would be insufficient to deliver the projected population and employment growth in NWL. The District would therefore be further reliant on commuting (an issue GVA will return to).

The rationale for not adjusting HRRs (in the demographic stage of the HEDNA) is that HRRs in young adults have been principally constrained by increasing Black Minority and Ethnic (BME) populations.¹² This analysis is undertaken at the HMA level and it is not directly relevant to NWL. Whilst it is acknowledged that between 2001 and 2011 the population of white young adults fell and BME young adults increased, there were only 396 BME 25 to 39 year olds out of a total 10,063 25 to 39 year olds; i.e. just 3% of the population. Furthermore, between 2001 and 2011 the increase in BME young adults was just 161 persons which was just 1.4% of the total population of young adults in 2001. On this basis, GVA does not consider that the position taken by the HEDNA is appropriate or justified. GVA maintains that an adjustment is justified and irrespective of whether this is applied as a demographic or market signals adjustment, it would increase the demographic need in the HEDNA from 409 dpa (adjusted for UPC) to 450 dpa (i.e. mirroring GVA’s demographic need).

¹¹ Paragraph 3.68 of JGC Report

¹² Paragraph 2.42

An increase in young adult household formation would increase the economic need (and final OAN) from around 481 dpa to around 530 dpa.

Market signals

Both the JGC Report and the HEDNA conclude that there is a justification for an uplift to account for historic undersupply as well as an increase in concealed households and house prices. The JGC Report rightly applies an increase in HRRs and concludes that this would support improvements to affordability and supply. The HEDNA applies a 10% increase to the demographic scenario but assumes that this has no effect on household formation in young adults (as it maintains HRRs at levels which have fallen significantly since 2001).

Affordable housing

According to the HEDNA, affordable housing need at the HMA level is 2,322dpa and, within NWL, is 199dpa (for the period 2011-2031). At Table 40, it presents an (2011-2036) analysis of what this would mean for the various District OANs assuming the affordable housing need is met in full, as a percentage of market housing schemes. The HEDNA then considers the affordable housing provisions of the NPPG and the implications of various Court Judgements before concluding (in the light of Kings Lynn) that this establishes that "*an assessment of affordable housing need should be carried out, but that the level of affordable housing need shown by analysis does not have to be met in full within the assessment of the FOAN.*"

At paragraph 7.29, the Report goes on to state that: "...to deliver the affordable housing need of 2,238 homes pa with an average delivery of affordable housing of 24% would require 9,293 homes per annum. This is over twice the need shown in the demographic analysis, and a level of provision which GL Hearn considers completely unrealistic and would not be deliverable. However, the evidence clearly justifies consideration of upward adjustments to boost affordable housing delivery in all of the local authorities in the HMA." For NWL, the HEDNA concludes that a 10% adjustment is appropriate (39dpa). In other words, it identifies a need for 3,980 affordable homes in NWL in the Plan period but makes an adjustment that will provide for the delivery of just 780 – an under-provision amounting to 3,100 homes. For the reasons set out below, this is wholly inappropriate.

If necessary, the position as regards the law in this field can be made the subject of legal submissions in due course. However, setting the various Court Judgements on one side, it ought to be possible for the Council to agree that:

- a) paragraph 47 of the NPPF requires local planning authorities to use their evidence base to ensure that their Local Plan meets the full, objectively assessed needs for market and affordable housing....as far as is consistent with the policies set out in the Framework;

- b) the HEDNA should be a policy off assessment of needs;
- c) the full objectively assessed need for affordable housing in NWL (in the period 2011 – 2031) is 199dpa;
- d) it should be doing all that it reasonably can to satisfy these needs;
- e) only about half of the affordable dwellings needed in the period 2011 – 2016 have actually been delivered and, on the basis of the Council's current affordable housing trajectory, it will end up with an affordable housing shortfall at the end of the Plan period which exceeds 2,100; and
- f) this would leave an unacceptable number of households in inappropriate accommodation.

We acknowledge that there may be circumstances in certain local authority areas which mean that it will be impossible to satisfy affordable housing needs in full. These may be market driven or relate to physical or policy constraints. However, even in these areas, it will be necessary, in the light of the provisions of the NPPF, to properly examine the implications of meeting affordable housing needs in full and then to sensitivity test the results before any lower level of provision is promulgated.

The HEDNA rightly determines what the full need for affordable housing is but instead of then giving proper consideration to whether this could be satisfied, it makes unsubstantiated, policy-based judgements about the ability of the District to satisfy this need and concludes, without adequate explanation or justification, that it should only have to meet about 20% of its affordable housing need in the Plan period. What it should have done is considered the 199dpa need in the light of the number of affordable houses delivered to date, and the Council's affordable housing trajectory, before then assessing what needs to be delivered beyond existing commitments and then thoroughly examining what the District can accommodate physically, and what the market is likely to be able to support in the way of additional delivery. Unfortunately, GL Hearn has done none of this. Indeed, it doesn't appear to have tested any affordable housing adjustment (besides the 10% it has concluded should be applied).

The shortcomings in GL Hearn's analysis and conclusions are highlighted by the fact that the Council is asserting that it will deliver an average of 800 dwellings per annum over the next 5 years. If the Council is correct, the NWL market can clearly support a far greater level of growth than 481dpa and GL Hearn's assertions about greater adjustments for affordable housing being 'unrealistic and undeliverable' are grossly misleading.

There is plainly a significant need for affordable housing across the HMA, including a significant need in NWL, and it is imperative that this is met in full unless there are compelling policy reasons why a lesser level of provision should be agreed. However, that is not a matter for GL Hearn / HEDNA but for the Councils to assess / determine through the Local Plan process. And that layer of assessment has

not been applied. Accordingly, HEDNA sets OANs which are artificially and inappropriately low, certainly in NWL but almost certainly across the HMA.

Economic Growth

Commuting

The JGC Report identified a broadly similar level of employment growth in NWL to GVA's own analysis (16,820 jobs; 9,500 jobs from baseline economic growth and 7,320 jobs from East Midlands Gateway Strategic Rail Freight Interchange ('EMG')). However it assumed that a significant proportion of those jobs would be met by those commuting into the District rather than living in the District itself. The JGC Report assumed a commuting rate in line with the 2011 Census for the 9,500 baseline jobs (0.86 residents in employment for every one person who works in the district).¹³ Of the 7,320 EMG jobs, a commuting rate of 0.51 was employed to take account of what the JGC Report states is a "shock" to the economy and the increased draw in commuting that the EMG would provide.¹⁴ This results in 575 new working residents for every 841 new jobs (a compound commuting rate of 0.68 residents in employment for every one person who works in the District). As GVA has set out in our Matter 3 Statement, this would result in an increase in commuting of around 2,600 more than if the 2011 Census ratio was used (which is GVA's assumption and which already assumed a significant level of in-commuting into the District).

The HEDNA uses a different approach. It relies on analysis by Oxford Economics of the Census travel to work flows.¹⁵ It concludes¹⁶ that for a slightly lower level of employment (812 jobs per annum) there would be a requirement for 514 residents in employment (i.e. a commuting ratio of 0.63). The HEDNA therefore assumes even greater levels of in-commuting into the District than the JGC Report – i.e. it is less sustainable and more reliant on external authorities to house its labour force.

Table 28 of the HEDNA sets out the commuting assumptions used. The information in Figure 1 provides a comparison between the commuting ratio in the 2011 Census and the assumed ratio within the HEDNA. It is clear that the rates of commuting assumed in the HEDNA would result in total shift in commuting patterns. For example, Leicester is the largest economy in the HMA and is the biggest draw for commuters. The Census confirms this as there are far more jobs than workers. The HEDNA assumes that this established role is altered and assumes significantly greater levels of residents will be required to deliver a comparatively low level of employment. In the case of NWL, the HEDNA assumes a significantly greater level of in-commuting than the prevailing trends would suggest. Even at the HMA level, the HEDNA assumes much greater levels of in-commuting – i.e. the HMA will become more reliant on an external workforce. The conclusions of the HEDNA are therefore of concern, neglecting

¹³ See Figure 4.3 of JGC Report

¹⁴ Paragraph 2.11 of the JGC Report

¹⁵ Paragraph Table 25 of the HEDNA

¹⁶ Paragraph 5.16 of the HEDNA

established commuting flow and increasing / perpetuating, in the case of NWL, unsustainable commuting patterns.

	Jobs Growth	Residents in Employment	HEDNA Ratio	Census Ratio
Leicester	8529	10648	1.25	0.84
Blaby	8713	5916	0.68	0.93
Charnwood	8090	8744	1.08	1.17
Harborough	6406	5663	0.88	1.05
Hinckley & Bosworth	6854	7153	1.04	1.26
Melton	1897	2424	1.28	1.18
NWL	12995	8495	0.65	0.86
Oadby and Wigston	819	1830	2.23	1.25
HMA / FEMA	54303	50873	0.94	0.99

Figure 1 HEDNA and Census Commuting Ratios – A Comparison

Economic Activity Rates

The JGC Report and the HEDNA use a different approach to economic activity rates. JGC creates its own rates which provide increases in both working persons and older persons economic activity rates. The HEDNA uses Experian as a basis for understanding future changes in rates.

GVA has used the Office for Budgetary Responsibility ('OBR') rates and increased these rates so that they reflect local economic circumstances. OBR economic activity projections were preferred to Experian economic activity projections at the Longbank Farm appeal, Redcar and Cleveland¹⁷. In the case of NWL this increases rates across most older age groups relative to the OBR rates. Since the original hearings, the OBR has published further economic activity rates (January 2017). These provide a more optimistic set of projections at the national level. Furthermore, they address criticisms that the lower rates in young adults due to the recession persist into later life (the cohort effect). Overall, these rates would appear largely in line with GVA's and should be taken into account in the HEDNA.

Unmet Needs

In the Statement of Co-operation referred to above, the Partner Authorities note that neither Leicester City nor Oadby and Wigston will be able to satisfy the OAN numbers contained in the HEDNA. Indeed, the combined shortfall across these two authorities is estimated at 7,771.

Paragraph 47 of the NPPF requires local authorities "to use their evidence base to ensure that their Local Plans meet the full objectively assessed need for market and affordable housing in the housing market area...". The NPPF goes on at paragraph 182 to state that the Local Plan "will be examined by

¹⁷ APP/V0728/W/15/3018546

*an independent inspector whose role is to assess whether the plan has been prepared in accordance with the Duty to Cooperate [...] and whether it is sound [...] namely that it is: positively prepared – the plan should be prepared based on a strategy which seeks to **meet objectively assessed development and infrastructure requirements, including unmet requirements from neighbouring authorities where it is reasonable to do so and consistent with achieving sustainable development.***

However, it is clear from the Statement of Co-operation that, as things currently stand, even the OAN numbers set out in the HEDNA will not be met. In the absence of clarity on how this will be dealt with (where the ‘overspill’ will be accommodated and when), and a full understanding of how this impacts on NWL, Duty to Co-operate requirements have not been satisfied and the NWL LP must be found unsound.

Conclusion

It is GVA’s position that if the correct assumptions are made in respect of economic activity and commuting (as set out in this Statement), the appropriate level of housing to be delivered in NWL to meet employment growth of 16,600 is 664 dpa.

The HEDNA’s OAN is therefore insufficient to meet the Council’s full OAN. It would not provide sufficient labour force to meet its identified job growth (due to the increased household formation that would occur and the shortfall in housing relative to demand) and it would result in significant levels of in-commuting contrary to paragraph 18 of the PPG which seeks to reduce unsustainable commuting and ensure sufficient local labour so as to not reduce the resilience of local businesses. On the basis of the Council’s numbers (i.e. assuming in-commuting, Experian economic activity rates, and increase in household formation), the housing need should be around 530dpa. With Census commuting ratios and adjusted OBR rates this figure would increase to around 664 dpa.

For reasons explained in other Position Statements 664dpa is the absolute minimum OAN figure for NWL in our view. We have referred to it as a minimum because it contains no specific adjustment for affordable housing and, as explained above and elsewhere, there is a significant need for affordable housing in NWL and the HMA which, on the basis of the NWL LP and HEDNA will not be met. Indeed, the forecast shortfall against need is very significant indeed. The market can clearly support higher levels of housing delivery and more must be done to address this serious and widespread problem.

We note that the Council is continuing to specify a housing requirement of 520dpa, notwithstanding the conclusions reached by the HEDNA, but, for the reasons set out above, we consider that a Plan based on that figure continues to be unsound. Accordingly, it should be withdrawn and further work done on the HMA’s and District’s housing needs before changes are made to accommodate greater levels of growth and the Plan is then re-examined. We understand and appreciate the Council’s desire to adopt a Plan quickly, but above all else the Plan must be sound, and it is not.