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# North West Leicestershire Local Plan Examination

Position Statement on behalf of  
Jelson Limited

Matter 3 – Housing Land Requirement

December 2016



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**Is the future housing development requirement of the Plan, stated in Policy S1, derived from a full objective assessment of need (OAN) within an appropriately defined housing market area (HMA) unconstrained by local considerations? [BP/01, HO/01, HO/03]**

It is our client's position that draft Policy S1 is not derived from a full objective assessment of need. We discuss the reasons for this in full in the following discussion, however to summarise, it is our client's position that Policy S1 is unsound<sup>1</sup> as it is:

- Not positively prepared – it fails to meet objectively assessed housing needs:
- Ineffective – it will not deliver the required labour force increases to support the likely change in employment in the district and cannot address affordable housing needs: and
- Inconsistent with national policy – it fails to boost significantly the supply of housing as required by paragraph 47 of the NPPF.

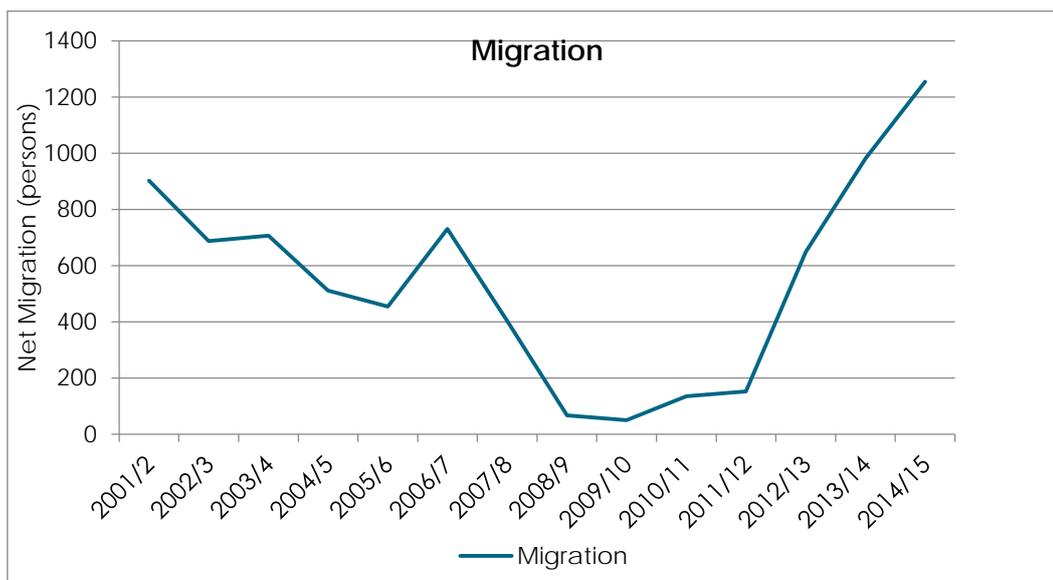
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<sup>1</sup> As per the requirements of paragraph 182 of the NPPF

**Is the future housing land requirement of Policy S1 robustly based on appropriate adjustments to the OAN to take account of:**

**The latest practically available national population and household projections**

The JGC Report<sup>2</sup> relies upon the 2012 Household Projections. Since the publication of the JGC Report, the 2014 Household Projections have been published. As per the PPG<sup>3</sup>, the most up to date projections should form the ‘starting-point’ and therefore the Council’s evidence should be updated to reflect this.<sup>4</sup>



**Figure 1 Net Migration in NWL since 2001 (ONS MYE)**

The long term migration scenarios used in the JGC Report contain data up to 2014. Since the report was published, the 2015 MYE<sup>5</sup> have been released which show that migration levels between 2014 and 2015 were the highest for over 24 years (see Figure 1).

GVA has undertaken an assessment of longer term trends in NWL<sup>6</sup> (including the latest 2015 data) and assessed the impact of UPC<sup>7</sup> on migration. GVA concludes that the 14 year migration trend is the most appropriate basis to consider future demographic growth. This leads to a base demographic scenario of 395 dwellings per annum. When adjusted to account for uncertainty with UPC<sup>8</sup>, a mid-point scenario is identified of 406 dpa.

**Headship rates and (v) market signals**

<sup>2</sup> ‘Review of Housing Requirements 2011 to 2031 Final Report’

<sup>3</sup> Planning Practice Guidance

<sup>4</sup> Reference ID: 2a-015-20140306

<sup>5</sup> Mid-Year Estimates

<sup>6</sup> These scenarios use the natural changes assumptions in the 2014 Household Projections but create migration rates on the basis of past migration counts relative to past population change.

<sup>7</sup> See paragraphs 3.5, 3.6 and 3.14 of the JGC Report for a description of un-attributable population change.

<sup>8</sup> In line with the approach taken by the JGC Report

The JGC Report<sup>9</sup> acknowledges that there has been “*apparent suppression*” of household formation in young adults (25 to 34 year olds) and an adjustment is necessary (para 3.68). The final need figure identified by the JGC Report assumes an uplift in household formation in younger adults, which is akin to a market signals adjustment.

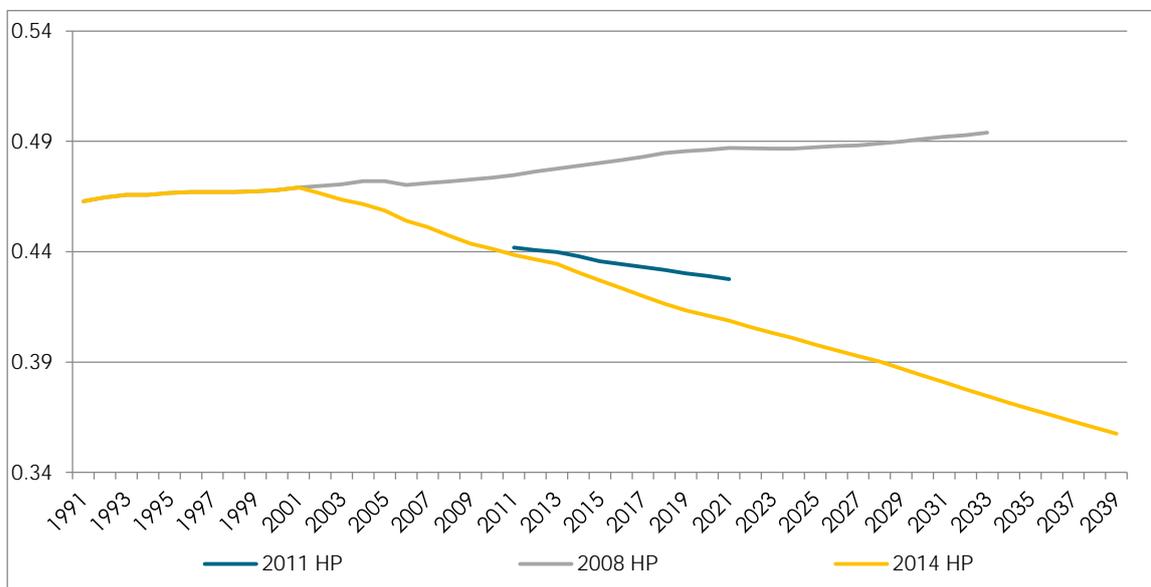


Figure 2 Headship rates for 25 to 34 year olds in NWL (2008, 11, 14 Household Projections)

GVA has made an adjustment to headship rates in young adults so that they partially return to the rates observed in 2001, when rates fell steeply (see Figure 2). This increases the mid-point figure set out in paragraph 3.4 from 406 dpa to 451 dpa taking into account the uncertainties around UPC. This can be compared to 417 dpa in the JGC Report which as mentioned above does not include the most up to date demographic data which shows a significant recent increase in migration.

**Affordability (Affordable housing included)**

Since 1999, the Council has delivered on average 59 adpa. This equates to around 17.1% of their total delivery of housing over this period.

Net affordable housing need in NWL over the projection period (2011 to 2031) is 212 affordable dwellings per annum (adpa)<sup>10</sup>, or 4240 in total.

Since 2011 average delivery has been 105 adpa. This is 50% fewer than required. In total, between 2011 and 2016, the Council has under-delivered by 535 affordable. The effect of this is that 535 families live in unsuitable accommodation for their needs and / or incomes. Whilst many of these families will find accommodation in the Private Rented Sector (subsidised by Local Housing Allowance), this is far from an agreeable solution. Firstly, it means that Government will pick up a greater level of the costs associated with subsidising their accommodation. Secondly, as noted by

<sup>9</sup> Paragraph 5.30  
<sup>10</sup> As taken from the 2014 SHMA

the Planning Inspector Simon Emerson<sup>11</sup>, *“There is not the same security of tenure as with affordable housing and at the lower-priced end of the [Private Rented Sector] the standard of accommodation may well be poor.”*

The Council’s housing trajectories indicate that it will deliver a total of 2167 affordable dwellings in the Plan period, 2073 homes short of what it needs to provide.

This dire situation has been created by the Council (i) adopting a strategy that is overly reliant on a small number of very large developments, only one of which is forecast to deliver a policy compliant level of affordable housing and (ii) agreeing in 2013 a policy of prioritising infrastructure contributions over affordable housing in cases where viability is challenging. The Local Plan makes no provision for addressing the District’s affordable housing needs in the manner that the NPPF demands. Unless the Council’s strategy is amended, the affordability gap will widen further, giving rise to unacceptable social and economic impacts.

To meet the full net need for affordable housing of 212 adpa through the provision of new affordable homes as part of mixed tenures sites would require total delivery of 1,240 dpa (assuming delivery at historic levels of 17.1% overall).

Delivery on the scale of 1,240 dpa would be difficult to achieve and would cause a large distortion in the housing market, creating issues such as falling occupancy in the private rented sector and local house price distortion. It may also affect the price and rental cost of property to such an extent that affordability is improved and need is reduced; fundamentally affecting the basis for the requirement. It would therefore be undesirable and likely problematic to deliver this level of housing.

However, it would be equally inappropriate not to make an upward adjustment to the demographic OAN to reflect affordable housing need. Indeed, the case for a significant uplift is a compelling one. Without such an adjustment, the shortfall against the need will increase.

### Economic growth

The JGC Report (Figure 4.1 and para 4.8) uses PACEC economic forecasts (2013) which equate to employment growth of 475 jobs per annum<sup>12</sup>. A further adjustment is made for the East Midlands Gateway (additional 7,317 jobs<sup>13</sup> or 366 jobs per annum) taking total growth to 841 jobs per annum (on average).

In translating job growth into population growth the JGC Report uses a range of assumptions (paras 4.11 to 4.45). In particular it assumes that to meet future job growth there will be a significant increase in net in-commuting into NWL. GVA does not consider that this assumption is sound. Firstly, the PPG

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<sup>11</sup> In his February 2015 Report on Eastleigh’s Local Plan

<sup>12</sup> See Figure 4.1 of the JGC Report

<sup>13</sup> See Paragraph 6.1 of the JGC Report

states that *“Plan makers should make an assessment of the likely change in job numbers [...]. Where the supply of working age population that is economically active (labour force supply) is less than the projected job growth, this could result in unsustainable commuting patterns [...].”* (GVA emphasis).<sup>14</sup> The PPG therefore requires adjustments to the OAN to be made to prevent unsustainable commuting patterns, rather than relying on external areas to house an area’s workers.

This particular issue was considered at the Stratford on Avon Examination in Public.<sup>15</sup> The Inspector<sup>16</sup> had a number of concerns about the reliance of workers from outside the district to support job growth within it. He concluded that *“[the Local Plan] is planning for employment growth, but appears to be expressly relying on others to provide an adequate labour force supply, which cannot be construed as maintaining a sustainable balance.”*<sup>17</sup> He went onto say that:

*“I consider [reducing net in-commuting and balancing jobs and homes] reflects the advice in the Guidance [...] The idea that it is appropriate to plan for more cross-boundary commuting seems inherently wrong and does not appear to be seeking to achieve sustainable development.”*<sup>18</sup>

In conclusion the Inspector stated<sup>19</sup>; *“I have concerns about all of the labour market adjustments that have been advanced in an attempt to show there would be an adequate labour force supply to meet the projected growth in jobs [...] A key objective, as per paragraph 158 of the Framework, is to ensure that an LPA’s housing and employment strategies are integrated. This is not a matter that can be addressed by location, as per the Guidance, alone but needs a more fundamental response in terms of an uplift from the demographically derived housing need figure.”*<sup>20</sup>

The Inspector was highly critical of the Council’s approach to growing its economy which relied heavily on an increase in commuting from other authorities within the HMA and beyond. In response to these concerns the Council instructed further evidence, increased its OAN from 11320 to 14,480 (28%) and the plan was found sound. NWL’s plan should align its economic and housing strategies and increase its OAN and requirement as a result (GVA does this in its assessment).

As well as making changes to commuting rates, the JGC Report also assumes significant increases in economic activity in older persons (both above and below pensionable age) which means that a significant level of employment job growth is taken up by over 60 year olds. It is difficult to understand the specific rate adjustments made by the JGC Report as they are not clearly set out in the document, however it would appear that as the pension age rises for both sexes over time (Figures 4.4, 4.5 and 4.7 of the JGC Report) each age group (male and female) no longer of pensionable age is automatically assumed to have the average economic activity profile of the working age

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<sup>14</sup> PPG Ref ID: 2a-018-20140306

<sup>15</sup> See Inspector’s Interim Findings published 19 March 2015

<sup>16</sup> Pete Drew

<sup>17</sup> IR 35

<sup>18</sup> IR 37

<sup>19</sup> IR 42

<sup>20</sup> IR 44

population – i.e. 82.7% economically active in NWL. In practice this means that the JGC Report assumes in 2031 that 82.7% of 60 to 66 year olds in NWL will be economically active. Overall, this would seem implausible.

In a recent planning appeal, JGC's use of this similar approach to economic activity rates was considered. The Inspector concluded;

*"I am not persuaded that the projected increases in economic activity are sufficiently realistic amongst all cohorts, including that of women above the age of 65. [...], I am not satisfied that it has been adequately demonstrated that a labour force supply that includes some 17% of all women in this age group is reasonably likely to occur. Similar concerns also exist with other cohorts, such as men aged 35-49 and over 65, and women aged 25-49 [...]"<sup>21</sup>*

This 'adjustment' has the effect of significantly increasing the domestic labour force, particularly in those age groups around retirement age who are assumed (when they fall out of retirement age) to have the same economic activity rates as the remainder of the population. This adjustment, alongside the adjustment to commuting rates, has the effect of reducing the housing needed to meet the employment growth in the district.

Jelson Homes has instructed Development Economics to provide a robust assessment of the likely change in job numbers over the projection period as required by the PPG. The report looks at a range of different data including historic employment trends, economic forecasts and specific data from the East Midlands Gateway. Overall the Development Economics report identifies employment growth of 16,600 jobs. This includes 11,700 jobs identified from Oxford Economics' forecasts and additional employment growth of 4,900 jobs attributable to manufacturing jobs, a portion of the expected new EMG jobs (minus displacement and local deadweight) and associated local supply chain and induced effects.

In terms of labour force adjustments, GVA has taken economic activity rates by age and sex from the 2011 Census and projected these forward using the OBR projections about future economic participation. GVA has made a further adjustment which seeks to adjust the OBR's forecasts so that they reflect economic trends at the local (NWL) level. Here we've assessed the change in economic activity rates that occurred between 2001 and 2011 at the local and national level and then adjusted the OBR's national forecasts going forward so that they reflect this relationship. This has resulted in an increase in economic activity in other age groups above OBR rates which I've taken into account in my economic / demographic model. In terms of commuting GVA has assumed that the current level of in-commute remains static and that further increases in unsustainable commuting does not occur.

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<sup>21</sup> APP/B3030/W/15/3006252

Using broadly the same level of economic growth<sup>22</sup> GVA's economic growth-led scenario results in a requirement for 664 dpa. This higher level of growth reflects the reasonable assumptions used around economic activity and commuting.

GVA considers that an adjustment should be made to take into account employment growth as the likely change in jobs locally is a key component of housing need. An increase in the case of the NWL is justified and indeed necessary. The economic factors indicate that housing should be distributed in NWL to ensure sufficient local workforce to meet the needs of business and reduce the need for unsustainable commuting patterns. Making an appropriate adjustment for economic would get you to a figure of 664 dpa.

Other market signals; and

See above.

National policy to boost housing supply?

We do not consider that draft Policy S1 meets the objectives of paragraph 47 of the NPPF and boosting significantly the supply of housing as it does not identify or meeting the objectively assessed need for housing.

Conclusions

GVA has calculated the OAN on the basis of the adjustments discussed above and summarised below. This results in an absolute minimum OAN of 664dpa (see below). However, at 664dpa the affordable housing shortfall would only be likely to reduce to somewhere in the order of 1500 dwellings. Whilst an improvement on the current trajectories, more needs to be done to tackle affordable housing need. Accordingly, the District's OAN, we would submit, is considerably higher than 664dpa.

OAN Stage	Assumption / Adjustment Made	Total Housing Needed	Adjustments
<b>Starting Point</b>	2014 Household Projections	314 dpa	-
<b>Local Demographic Adjustments</b>	Long term migration and UPC	406 dpa	+ 92 dpa
	Headship rate increase	451 dpa	+ 45 dpa
<b>Market Signals</b>	No further increase (see above headship rate increase)	451 dpa	+ 0 dpa
<b>Employment Growth</b>	Adjustment made for likely change in employment including economic forecasts and additional growth through EMG and multiplier effects	664 dpa	+ 213 dpa
<b>Affordable Housing Need</b>	Further adjustments to increase affordable housing delivery in light of need	Up to 1,240	-
<b>Total Need</b>		<b>Min 664 dpa</b>	-

<sup>22</sup> GVA has assumed annual average employment growth of 830 jobs whereas JGC has assumed average employment growth of 840 jobs (including the East Midlands Gateway)

**Is the future housing land requirement of Policy S1 robustly based on appropriate adjustments to the OAN to take account of the employment generation potential of the East Midlands Gateway Strategic Rail Freight Interchange (SRFI) and evidence of the likely residential locations and travel patterns of its workforce? [HO/01]**

The PPG states that one should consider ‘*the likely change in job numbers*’ when assessing OAN<sup>23</sup>. The East Midlands Gateway is a committed scheme with national government approval as part of the National Infrastructure regime. It therefore represents part of the consideration of the likely change in job numbers. With regard to the EMG, the Greenhill Road decision (IR 26<sup>24</sup>)<sup>25</sup> states “*that the FOAN must include an allowance for EMG on top of [economic forecasts].*” In this case the Inspector recognised that the clear evidence around delivery of the EMG meant it should form part of the unvarnished need going forward.

The JGC Report includes an assessment of the EMG but, for reasons set out above, does not adequately account for the required level of labour force growth required to meeting the employment generation potential of the EMG. This is because it assumes unreasonably high levels of economic activity in older persons and relies largely upon a significant increase in in-commuting.

The Planning Advisory Service<sup>26</sup> states that changes to commuting should only be relied upon where the planning authorities concerned are in agreement and the resulting travel is sustainable. There is no evidence that the 18 authorities identified in the JGC Report<sup>27</sup> as delivering economic growth in NWL (housing its workers) are in agreement with this. Furthermore, the strategy will be inherently unsustainable – i.e. will actively promote further sub-regional commuting.

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<sup>23</sup> Reference ID: 2a-018-20140306

<sup>24</sup> APP/G2435/W/15/3005052

<sup>25</sup> Referenced within the JGC Report (para 1.6)

<sup>26</sup> OAN Technical Advice Note

<sup>27</sup> Figure 6.4