

CHARNWOOD LOCAL PLAN EXAMINATION

MATTER 10: LEICESTER AND LEICESTERSHIRE HOUSING AND EMPLOYMENT LAND NEEDS

Issue 1 – The Assessment of Housing Need

10.2 Is the HENA (Exam 44a) assessment of Leicester and Leicestershire’s housing need from 2020 to 2036 (91,408 dwellings) based on a robust assessment of relevant factors? Are there any exceptional circumstances which would justify planning for a lower or a higher figure?

The level of housing need in Leicestershire set out in the HENA is based on the outcomes of the standard method and as such is considered to be a robust assessment of housing needs for the County. There are no exceptional circumstances that would warrant the use of an alternative approach to assessing housing needs.

10.3 What implications, if any, do the levels of net migration in the 2018 Sub National Household Projections compared with the 2014 projections (on which the standard method is based) have for the standard method of assessing housing need for Leicester and Leicestershire? Is the use of an alternative internal migration assumption justified and if so, why? (Table 5.13)

The Government have been clear that the 2014-based projections should be the basis for an assessment of need using the standard method in order to provide stability and ensure that historic under delivery and declining affordability are reflected in housing needs assessments¹. The reason for this approach was set out originally in the response to the technical consultation on updates to national planning policy and guidance. In this paper the Government set its concerns that the 2016-based household projections, and logically the subsequent 2018-based projections, will have lower levels of housing delivery baked in as household growth is constrained by the number of new homes being built. The Government have committed to reviewing the standard method and whilst they consulted on alternative approaches to assessing housing needs in August 2020 the Government have to date made no decision as to the future of the standard method or its use of the 2014-based projections in that method.

¹ 2a-005-20201216 of PPG

In terms of the impact of the 2018-based projections on household growth the principal projections should be treated with some caution as these are based on only two years' worth of migration trend data. As such the ONS has published alternative variants including one that uses the five-year trend for migration, the same trend period used in previous iterations of the household projections. What is notable about these is that whilst Leicester household annual household growth is expected to be lower than the 2014 projections growth in Leicestershire is expected to be higher. The result is that overall growth for Leicestershire and Leicester in the 2018-based projections is projected to be 4,059 households per annum compared to growth of 4,004 in the 2014-based projections. The fall in the projection for Leicester are to be expected and are a consequence of the circumstances faced by Leicester City in that there are insufficient homes to allow household growth at the rates projected from 2014.

Therefore, whilst there are clearly changing dynamics with regard to household growth the overall position across Leicester and Leicestershire remains broadly the same. Lower household projections for Leicester, if used in the standard method, would see their housing needs assessment reduce for the city. However, the Government have been clear that they are concerned that these later projections do not reflect historic under delivery and as such should not be used when assessing housing needs. As such the alternative internal migration assumptions in the 2018-based projections do not support a movement away from the standard method and its use of the 2014-based household projections.

10.4 Is the minimum local housing need figure for Charnwood from 2020 to 2036 of 1,111 dwellings set out in the HENA (Table 13.1) robust and justified? Does the evidence in the HENA update any of the assumptions used in the Charnwood Housing Needs Assessment (EB/HSG/1)?

The housing need estimate of 1,111 using the standard method is considered to be a robust assessment of minimum housing needs for Charnwood.

10.5 Notwithstanding that the Charnwood Local Plan has been submitted for Examination, is the use of 2020 affordability data for Charnwood (HENA para 8.13) justified? Would the use of 2021 affordability data for Charnwood feeding into the standard method affect the calculation of housing need for Charnwood in Table 8.1? If so, how?

Planning Practice Guidance sets out at paragraph 2a-008 that the Council can rely on the local housing needs assessment using the standard method for a period of 2 years from the time that the plan was submitted. The effect of using the 2021 median affordability ratio of 8.41 would see the local housing needs assessment for Charnwood increase to 1,147 dpa.

10.6 What are the implications, if any, of Charnwood having a 12% increase in population 2011-19 but a 9.2% increase in dwelling stock over the same period as indicated in the HENA (Table 5.16)? Does this point to a level of suppressed household formation which would justify an uplift in the level of need? Does this trend have any implications for the future distribution of development as indicated at paragraph 5.36 of the HENA?

This will depend on the nature of that population growth and the rate at which this growth leads to new households forming. An increasing birth rate for example, will not have a significant impact on the formation of new households, households will just increase in size. Household suppression will result from an undersupply of new homes that prevents new households from forming at rates seen in previous years. For example, figures 5.14 and 5.15 in the HENA shows that the number heads of households between the ages of 25 and 34 in Leicester Leicestershire have declined since 2001 and is one indicator that insufficient homes are being delivered and is suppressing household formation amongst this age group.

However, the approach taken by the standard method seeks to address this issue through the affordability adjustment. Paragraph 2a-006 sets out the Government's reasoning for the adjustment, stating:

“An affordability adjustment is applied as household growth on its own is insufficient as an indicator of future housing need because:

- household formation is constrained to the supply of available properties – new households cannot form if there is nowhere for them to live; and*
- people may want to live in an area in which they do not reside currently, for example to be near to work, but be unable to find appropriate accommodation that they can afford.”*

Essentially the standard method ensures that the assessment of housing needs responds to price signals that indicate there is an under supply of new homes which is suppressing household formation. As such the suppression of household formation is taken into account in the standard method and that there is a need for an additional uplift. However, the degree to which there is household suppression in an area could have implications for future distribution of development, with future growth being targeted at those areas where suppression of household formation is most acute.

Issue 2 – The Scale of the Unmet Need for Housing

10.7 Is the 18,700 dwelling figure a reasonable working assumption for Leicester's unmet need from 2020 to 2036 as set out in the Housing Distribution Paper (paragraph 3.7) (Exam 45) and the SoCG (paragraph 3.19), pending further testing through the Leicester Local Plan? Is it a reasonable basis on which to apportion the unmet need across the Leicestershire authorities?

Yes.

10.8 Why is an unmet need of 15,900 dwellings tested through the Sustainability Appraisal (Exam 47a) and how was this figure arrived at? Has the figure of 18,700 dwellings been tested?

For Council

10.9 If the scale of the unmet need of 18,700 dwellings changes as a result of the Leicester Local Plan Examination, how would this be addressed by the respective Leicester and Leicestershire local authorities under the Duty to Cooperate? What would the implications be for plan making in other authorities in the Housing Market Area?

This is for the Council to answer. However, there is always some uncertainty with regard to ascertaining an exact figure for unmet housing needs and all parties must accept these uncertainties. Whilst some may suggest LPAs should wait for a definitive position, this requires each LPA to wait or include review clauses in local plans submitted prior to an agreement being reached. Both these approaches have significant disadvantages in that they either slow the delivery of local plans or defer the issue to a subsequent plan update, which is inconsistent with paragraph 61-022 of PPG. Leicester City is under bounded and as such is one of the more constrained LPAs in the country. Supply estimates may change but we would expect supply estimates to reduce rather than increase. As such those local plans that are being progressed should seek to plan for Leicester's unmet needs now and not wait for the conclusion of the examination of the Leicester City Local Plan. Should there be significant changes then this would need to be addressed through a review of the local plan.

Issue 3 – Apportionment of the Unmet Housing Need

10.10 The Housing Distribution Paper (paragraph 7.3) (Exam 45) refers to the proposed distribution of the unmet need as an 'interim arrangement'. What does this mean, is it justified and how would any changes to the evidence or other circumstances be dealt with?

For Council.

10.11 Are the following factors set out in the Housing Distribution Paper a robust and logical basis for the apportionment of the unmet need of 18,700 dwellings to 2036:

- the functional relationships between the respective Leicestershire authorities and Leicester City based on migration and commuting patterns;
- balancing the provision of jobs and homes;
- deliverability, based on potential supply, the rate of housing growth and adjustments to support a sustainable and deliverable distribution of development.

Are there any other relevant factors which should be taken into consideration?

The HBF agrees with the overall level of unmet needs arising in Leicester asset out in the Statement of Common Ground (EXAM43) and the Housing Distribution Paper (EXAM45). The scale of these unmet needs is significant, and we welcome the joint working that has taken place to find a solution to meeting these needs.

There is much in EXAM45 that makes sense such as the consideration of the migration and commuting links between Leicester and the other LPAs in the county as well as the potential for different areas to meet more of their employment needs internally. These are both evidence-based approach to distributing Leicester unmet needs in a way that reflects the choices made by those individuals living and working in Leicester.

However, we are concerned by the decision to cap the increase in any area to 1.4% of stock growth on the basis that anything above this would lead to an over concentration of development and not support a sustainable and deliverable distribution of development. This is considered further in our response to question 10.12.

10.12 Is the proposed 1.4% 'cap' to the redistribution of housing provision justified as a general approach and in relation to Charnwood in particular? What effect does the 1.4% cap applied to Charnwood have on the redistribution of the residual unmet need across the other Leicestershire authorities?

The growth of housing stock in any one area is not a signal of the capacity in the housing market but a reflection of past decision related to housing delivery in that area, as is recognised at paragraph 6.16 of EXAM45. An area may well have had the capacity to support a higher growth in the existing stock, but the market was prevented from achieving this through local plans that were not required to deliver at a higher rate. For example, the most recent local plan for Charnwood set a housing requirement for 820 dpa with, prior to that the adopted housing target was for 8,350 homes between 1991 and 2006, an average of 520 dwellings per annum.

The plans in Charnwood were, therefore, not seeking to deliver a higher level of housing and as such it cannot be concluded that delivery in Charnwood beyond 1.4% of its current housing stock would be an over concentration of development in that area nor can it be concluded that it would be undeliverable or unsustainable as is being suggested. Similarly, it cannot be concluded that growth below 1.4% of housing stock is sustainable elsewhere in Leicestershire.

The evidence in EXAM45 indicates that in terms of migration and commuting patterns Charnwood is well placed to meet the needs of Leicester City and consideration should be given by the Council as to whether additional sites could be allocated in this local plan to meet more of the needs of Leicester.

10.13 Have land supply, capacity and constraints issues been assessed in the apportionment of the unmet need? If not, how will these matters be addressed?

For Council.

10.14 What role will the review of the Strategic Growth Plan (EB/DS/6) have in the distribution of housing growth across the Leicester and Leicestershire Housing Market Area in the longer term?

For Council.

10.15 How has the SoCG Sustainability Appraisal report (Exam 47a) informed the apportionment of the unmet need?

For Council

10.16 Overall, is the apportionment of 78 dwellings per year to Charnwood over the period 2020 - 2036 to contribute towards the unmet need of 18,700 dwellings justified by the evidence, robustly based and will it support a sustainable pattern of development as required by NPPF paragraph 11?

There is clearly a need to apportion some of Leicester's unmet housing needs to Charnwood. However, on the basis of the functional link between Leicester and Charnwood 78 dwellings per annum is insufficient. There is no justification for the cap that is being placed on Charnwood's ability to deliver housing growth and consideration should therefore be given to apportioning more of Leicester's unmet needs to Charnwood.

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