



**CABINET – 16 SEPTEMBER 2022**

**LEICESTER AND LEICESTERSHIRE AUTHORITIES – STATEMENT OF  
COMMON GROUND RELATING TO HOUSING AND EMPLOYMENT  
LAND NEEDS (JUNE 2022)**

**REPORT OF THE CHIEF EXECUTIVE**

**PART A**

**Purpose of the Report**

1. The purpose of this report is to seek the Cabinet's approval for the County Council to become a signatory to the Leicester and Leicestershire Statement of Common Ground (SoCG) on Housing and Employment Land Needs 2022, which has been prepared by the Leicester and Leicestershire local authorities to demonstrate Duty to Cooperate in plan making. The key strategic matters covered in the SoCG are Leicester and Leicestershire Housing and Employment Needs to 2036, Unmet Need to 2036 and the apportionment of that unmet need to 2036.

**Recommendations**

2. It is recommended that:
  - (a) The completion of associated evidence work on the Housing and Economic Needs Assessment and Sustainability Appraisal (Appendices B to E of this report), which has informed the Statement of Common Ground, be noted;
  - (b) The County Council becomes a signatory to the Leicester and Leicestershire Statement of Common Ground Relating to Housing and Employment Land Needs, June 2022, (Appendix A to this report);
  - (c) The increased infrastructure requirements associated with the additional 18,700 homes and 23 hectares of employment land being accommodated in the County as a consequence of Leicester's unmet need be noted;
  - (d) The increased financial burden to provide key infrastructure in the County be reflected in a revised allocation of Business Rate funding pool between the City Council, the County Council and the district councils and that this is considered during current discussions.

### **Reasons for Recommendations**

3. The Statement of Common Ground (SoCG) has been prepared jointly by the 9 local authorities in Leicester and Leicestershire. Its preparation has been overseen by the Members Advisory Group, which agreed on 28 April 2022 that the SoCG should be considered by each of the Leicester and Leicestershire authorities through their respective governance procedures. The SoCG sets out the collaboration undertaken to reach agreement on strategic housing distribution and other matters in line with the Government's Duty to Cooperate, supporting progress on respective emerging local plans.
4. In the current financial climate, the risk to the County Council needs to be minimised. The SoCG demonstrates a reasserted commitment to joint working on long-term strategic planning matters for housing, economic growth and associated strategic infrastructure across Leicester and Leicestershire.
5. The additional housing and employment land needs arising from this agreement mean the County Council and district councils will be required to provide and find funding for additional infrastructure over and above that already required in response to the unprecedented level of growth in the County.
6. The historic distribution of the business rate pool between the City Council, County Council and the district councils does not reflect this agreement to accept the City Council's unmet need. A revision to that distribution represents an opportunity to allocate the pool to areas taking on the increased burden in respect of the cost of infrastructure.

### **Timetable for Decisions (including Scrutiny)**

7. Determination of the SoCG will need to be considered through all partners' respective governance processes and this is expected to be completed by the end of 2022/early 2023. The SoCG has already been agreed by Blaby District Council, Charnwood Borough Council, Leicester City Council, Melton Borough Council and Oadby and Wigston Borough Council.
8. The Scrutiny Commission will consider a report on the SoCG at its meeting on 7 September 2022 and its comments will be reported to the Cabinet.

### **Policy Framework and Previous Decisions**

9. In 2018, the County Council, Leicester City Council, the seven district councils in Leicestershire, and the Leicester and Leicestershire Enterprise Partnership, approved the Leicester and Leicestershire Strategic Growth Plan (SGP) which provides the long-term vision for planned growth for the area up to 2050.
10. The Council's updated Strategic Plan (covering the period 2022-2026), approved by the County Council in May 2022, contains strategic outcomes including 'Strong Economy, Transport and Infrastructure' and a 'Clean, Green Future' to ensure Leicestershire has the infrastructure to meet the demands of a growing

population, whilst looking to tackle climate change, biodiversity loss and unsustainable resource usage.

11. The Leicester and Leicestershire Strategic Transport Priorities (LLTSTP) was approved by the Cabinet on 20 November 2020. This document was developed by the County and City Councils alongside the SGP to ensure the long-term development needs and associated transportation requirements are co-ordinated.
12. The Cabinet received a report on 22 June 2021 to advise that urgent action had been taken by the Chief Executive on 29 April to agree for the County Council to become a signatory to the Leicester and Leicestershire SoCG Relating to Housing and Employment Needs (March 2021) which had been prepared by the Leicester and Leicestershire authorities to accompany the emerging Charnwood Local Plan (the Borough Council had asked all partners to become signatories prior to its Council meeting on 21 June 2021). This represented the latest agreed position on housing and employment needs in the area and the programme of work agreed to be undertaken to inform the apportionment of unmet need from Leicester City to the Leicestershire districts.
13. On 27 May 2022, the Cabinet received a report on the provisional revenue and capital outturn for 2021/22 in which increasing pressures on the Capital Programme were noted with concern. In regard to infrastructure required to support housing and economic growth in the delivery of District Local Plans, it was noted that financial risk to highway schemes not in the Capital Programme would be managed by the County Council only committing to construction upon receipt of funds from developers, whilst noting that increased congestion may result, although the County Council as local highway authority will seek to mitigate the impact through the formal planning process. In the case of education provision, the County Council will meet its statutory requirement to provide school places, whilst financial risk will be managed through stronger risk transfer to developers, noting that additional school places required may have to be through transport of pupils to existing schools.

### **Resource Implications**

14. The cost of preparing the SoCG and supporting evidence has been met by all of the Leicester and Leicestershire authorities making agreed contributions.
15. Local plans inevitably come with significant infrastructure requirements for the County Council with highways and education being the key concerns. An agreed SoCG helps support and inform cross-boundary matters in a way that is consistent with achieving sustainable development. A local plan in an individual district can typically have a public sector infrastructure investment requirement exceeding £100 million. A good local plan is essential in helping mitigate the financial risks:
  - Cost can be minimised through the co-ordination of infrastructure design and development across individual developments.
  - Opportunities for Government funding can be maximised through clear justification.

- The risk of not securing the right amount of funding from developers is reduced.
  - Sound modelling ensures developments are viable and can fund their share of infrastructure costs.
16. A collaborative and coordinated approach to apportioning Leicester's unmet housing and employment land need to the Leicestershire districts helps satisfy the Duty to Cooperate and reduces the risk and undesirable impacts of speculative development. This does not, however, negate the additional burden on the County Council arising from a further 18,700 homes and the significant costs related to highway improvements, primary and secondary schools and other costs including those associated with an ageing population. The County Council is seeking agreement from Leicester City Council on amendments to the existing Business Rate Pool agreement to allow a different method of distribution, one that reflects a fairer redistribution of the Business Rate Pool to help manage the impact of the additional housing commitment in the County and the significant funding requirement for infrastructure.

### **Circulation under the Local Issues Alert Procedure**

17. This report will be circulated to all Members.

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## **PART B**

### **Background**

18. The National Planning Policy Framework (NPPF) requires local plans, as a minimum, to provide for the objectively assessed need for housing and other uses, as well as any needs that cannot be met within neighbouring areas (unless the NPPF provides a strong reason for restricting development or the adverse impacts of doing so significantly and demonstrably outweigh the benefits when assessed against the NPPF). Plans should be informed by agreements with other authorities so that unmet need from neighbouring areas is accommodated where practical and sustainable to do so and based on effective cross-boundary joint working as evidenced in a SoCG.
19. Leicester City Council declared an unmet (and unquantified) housing need in February 2017 and following a period of evidence gathering, Leicestershire authorities were made aware of the potential scale of this unmet need in December 2019 (7,742 homes and 23 hectares of employment land 2019 to 2036). The City considered it would not be possible to meet National Policy obligations of a sound and deliverable local plan, and that it would be necessary to seek to agree a SoCG to deal with the increase in housing need.
20. The City Council undertook a Draft Local Plan consultation in September 2020. However immediately after the consultation closed in December 2020, the Government announced changes to the Standard Method for calculating housing need. Whilst the need in the districts remained largely the same, an uplift of 35% to the housing need for each of the 20 largest cities including Leicester, resulted in a need of 9,712 additional homes between 2020 and 2036 (607 homes per year).
21. The Members' Advisory Group considered that the change in Leicester's housing figure was so significant that it required additional evidence to be assembled to inform a revised SoCG dealing with the apportionment of the increased unmet need arising from the City. In addition to updating a Sustainability Appraisal, three key pieces of evidence were commissioned by partners in March 2021:
  - Housing and Employment Need Assessment (HENA)
  - Strategic Growth Options and Constraints Study (SGO)
  - Strategic Transport Assessment (STA)
22. Given Charnwood Borough Council's progression with its Regulation 19 Local Plan and the need to ensure that it met the Government requirement of having an up-to-date local plan, met the requirements for a 5-year housing land supply and to help avoid the consequences of unplanned development, the Borough Council sought to progress with submission of its Local Plan to the Planning Inspectorate in advance of evidence work being completed and prior to the apportionment of the increased unmet need being agreed. Charnwood Borough Council therefore required a separate Leicester and Leicestershire SoCG.
23. This SoCG was prepared by each of the authorities within Leicester and Leicestershire working in collaboration. It showed how the Duty to Cooperate had

been met in relation to strategic housing and employment issues. The SoCG did not apportion and / or distribute unmet need to Leicestershire local authorities, rather being a factual statement setting out need, theoretical supply, the scale of unmet need from Leicester City and the process by which unmet need would be dealt with. All local authorities within the Leicester and Leicestershire Housing Market Area agreed to the SoCG.

24. In March 2022, the Government published new affordability ratio data which is required to be taken into account as part of the Government's Standard Method for calculating housing need. As a result, housing need in Leicester increased by a further 2,800 homes to 2036. The City's need now stands at 39,421 between 2020 and 2036. 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. The unmet employment need remains at 23 hectares.

### **Duty to Cooperate**

25. It is recognised that should a Housing Market Area (HMA) authority identify, quantify and provide robust evidence to demonstrate an unmet need, it is incumbent upon the HMA authorities to jointly resolve any cross-boundary matters under the Duty to Cooperate.
26. The Duty to Cooperate is key to the ongoing success of the SGP. Without the SGP and without a clear aligned approach to delivery, Leicestershire faces high levels of speculative/indiscriminate development with the consequent high risk of inadequate highway and education infrastructure. To avoid this, ongoing commitment to the SGP from all the local authorities is therefore crucial, as is their support for a collaborative and coordinated approach to the defining and allocating of infrastructure funding requirements of local plans.
27. In responding to the unmet need from Leicester City, each individual council in Leicester and Leicestershire must be able to demonstrate they have complied with the Duty to Cooperate and national policy to get a local plan in place. A SoCG dealing with the unmet need issue will be a critical part of each individual authority's evidence to demonstrate to the Planning Inspectorate how it has met the Duty to Cooperate at examination.
28. An authority not approving a SoCG on the unmet need issue carries significant risk to that authority's ability to adopt a local plan in future.
29. 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' contained in existing legislation. At present these reforms do not affect housing need or emerging local plans as they are proposals (rather than legislation) and could be subject to significant change before achieving Royal Assent and becoming law. Government advice remains that authorities should get up-to-date local plans in place and not use the Bill as a reason to delay plan making activities.

**Leicester and Leicestershire Statement of Common Ground Relating to Housing and Employment Land Needs, and supporting evidence**

30. Leicester City is continuing to undertake work ahead of planned publication of the submission version of its Local Plan later this year. Unmet need may change as it progresses towards adoption however, and the SoCG is therefore based on a 'working assumption' of Leicester's unmet need (18,700 homes and 23 hectares of employment land). If the unmet need changes significantly in future the SoCG will need to be reviewed and updated as appropriate.
31. The Housing and Economic Needs Assessment (HENA), housing and employment redistribution papers and the Sustainability Appraisal (Appendices B, C, D, and E respectively) are the key pieces of evidence that have informed the SoCG apportioning Leicester's unmet need to 2036.
32. These documents were initially published in May 2022 however further technical information came to light in relation to the employment figures set out in the HENA. As a result, the published documents were withdrawn whilst amendments were made and revised versions were published on 1 July 2022. This did not alter the number of jobs or homes needed.
33. The Strategic Transport Assessment and the Strategic Growth Options and Constraints Mapping take a longer-term perspective that will inform the next steps of the Leicester and Leicestershire SGP to 2050.

**Housing and Economic Needs Assessment (HENA) and distribution papers – June 2022**

34. The HENA replaces the previous Leicester and Leicestershire wide Housing and Economic Needs Assessment (referred to as the HEDNA) which was published in 2017 and was used to inform the SGP in 2018.
35. The HENA main report (Appendix B) report takes account of changing circumstances and considers a range of elements 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. for older people and those needing accessible housing).
36. The HENA includes two distribution papers, one for Housing (Appendix C) and one for Employment (Appendix D). These provide an evidence base for addressing the issue of the redistribution of unmet needs from Leicester City.
37. The Housing Distribution paper considers the potential redistribution of housing across the authorities to address unmet need of 18,700 homes from Leicester to 2036. It identifies a number of steps to arrive at the potential distribution:
  - a) Using the Government's standard method as a minimum level of provision for authorities to be able to meet their own needs.

- b) Considering the functional relationship, migration and commuting patterns of each district with the City.
- c) Adjustments to align with the spatial distribution of future employment growth.
- d) Making final adjustments based on where authorities are already planning for higher growth, where there are land supply constraints which may restrict the scale of development which can be accommodated, and to ensure that all authorities are contributing proportionately in relation to the existing housing stock growth for each of the local authority areas.

38. This process results in a potential distribution of housing provision across Leicester and Leicestershire over the period to 2036 as set out below.

<b>Authority</b>	<b>Housing Provision 2020-36</b>	<b>Annual Average Housing Provision</b>	<b>Stock Growth</b>
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%
Leicester and Leics. Total	91,404	5,713	1.2%

Table 1: Potential distribution of housing

39. In terms of employment, the Employment Distribution paper concludes that Charnwood is best able to 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

40. The Sustainability Appraisal (SA) (Appendix E) sets out the environmental, social and economic effects of five different spatial options for distributing unmet need for homes, and four different options for distributing employment, across Leicester and Leicestershire. Whilst there is no formal requirement for an SA, it helps make the SoCG more robust.

41. For both unmet housing and employment needs, the findings demonstrate that the HENA distribution option performs as well or better than the alternatives for most sustainability topics and 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).



## **The Statement of Common Ground - June 2022**

42. Taking into account the outcome from the HENA distribution papers and the Sustainability Appraisal conclusions, the SoCG sets out the recommended apportionment of housing and employment, with housing distribution as set out in Table 1 above.
43. National guidance indicates that SoCGs should document where effective co-operation is and is not happening. As well as setting where agreements have been reached on key strategic matters such as unmet need, including the process for reaching agreement, they are also a record where agreement has not been reached by all parties.
44. Section 4 of the SoCG notes 'matters of disagreement'. Hinckley and Bosworth Borough Council (HBBC) does not agree to the final step in the HENA Housing Distribution Paper methodology from paragraph 6.21 to 6.24 and the apportionment of 197 dwellings per annum (dpa) of Leicester's unmet housing need. HBBC believe that the accommodation of the resulting 197 dpa shortfall should be tested as part of each local planning authority's local plan process, including the current Charnwood Local Plan. In addition, HBBC is of the view that the June 2021 SoCG was clear that the apportionment of unmet need would be informed by four pieces of work. Only two of these pieces have been completed, the HENA and the Sustainability Appraisal.
45. This position is not shared by the other authorities and as such this is reflected in the matters of disagreement section of the SoCG.
46. It is considered that having a residual unmet need is not appropriate and represents a risk to local plans, as it could be shown that the authorities have collectively failed to discharge the Duty to Cooperate. The Strategic Growth Options and Transport Assessment work will inform future work on the Strategic Growth Plan and awaiting the outcome of these would unduly delay the preparation of local plans.
47. Once the apportionment of unmet need has been agreed for each district through a SoCG, it will still be for each district to identify the most sustainable strategy and sites to accommodate that need within its own area through their local plans. If an authority's local plan evidence demonstrates that it is not able to accommodate its own needs and the apportionment of unmet need from Leicester in full, the SoCG will be jointly reviewed and updated as necessary.
48. Charnwood Borough Council, through its Local Plan Examination which began in June 2022, indicated on the first day of the Examination that it may be possible to increase its housing land supply to meet Charnwood's apportionment of Leicester's unmet housing need through its submitted plan, rather than through a subsequent Local Plan review. This was deemed by the Inspectors as a material change in circumstances and as a result the Examination was paused. The outcome is that a consultation period is now underway in relation to Leicester and Leicestershire's Housing and Employment Land Needs and the Examination is due to resume on 25 and 26 October to consider this matter. The outcome of

discussions at the Examination would inform any updates needing to be made to the SoCG. A timetable for the resumption of the adjourned sessions has not yet been determined.

### **Conclusion**

49. The County Council has a significant role in supporting the necessary infrastructure to support growth in Leicestershire and an agreed SoCG will support with the mitigation of this risk.
50. There is a direct link between the increased housing and employment land being accommodated and the burden of providing the necessary infrastructure. A redistribution of the Business Rate Pool would help to meet the financial challenge.
51. Not approving the SoCG at all (with matters of agreement and/or disagreement) carries a substantial risk that a local plan would fail at examination, preventing that authority's ability to progress and adopt a local plan in future. Consequently, that local planning authority becomes more vulnerable to speculative planning applications and it becomes a greater challenge to deliver strategic infrastructure.
52. It is considered that the proposed redistribution of Leicester's unmet housing and employment needs to the Leicestershire districts as set out in the SoCG is based on a robust methodology and has been duly tested alongside other reasonable alternatives through the Sustainability Appraisal and that the County Council should therefore become a signatory to the document.

### **Equality and Human Rights Implications**

53. There are no Equality and Human Rights Implications directly arising from this report.

### **Environmental Impact**

54. The County Council will continue to work closely with partners to minimise the impact planned growth has on the environmental assets of Leicester and Leicestershire.

### **Background Papers**

Report to the Cabinet on 23 November 2018: Leicester and Leicestershire Strategic Growth Plan – Consideration of Revised Plan for Approval

<http://politics.leics.gov.uk/ieListDocuments.aspx?CId=135&MId=4603&Ver=4>

Report to the Cabinet on 20 November 2020: Leicester and Leicestershire Strategic Transport Priorities 2020 to 2050

<http://politics.leics.gov.uk/ieListDocuments.aspx?MId=5999>

Report to the Cabinet on 22 June 2021: Urgent action taken by the Chief Executive in relation to the Leicester and Leicestershire Statement of Common Ground relating to

housing and employment land needs (March 2021)

<http://politics.leics.gov.uk/ieListDocuments.aspx?MId=6444>

Report to the Cabinet on 27 May 2022: Provisional Revenue and Capital Outturn  
2012/22

<https://politics.leics.gov.uk/ieListDocuments.aspx?CId=135&MId=6744&Ver=4>

## **Appendices**

Appendix A: Leicester and Leicestershire Authorities - Statement of Common Ground  
Relating to Housing and Employment Needs (June 2022)

Appendix B: Housing and Economic Needs Assessment (June 2022)

Appendix C: Housing and Economic Needs Assessment – Housing Distribution Paper  
(June 2022)

Appendix D: Housing and Economic Needs Assessment – Employment Distribution  
Paper (June 2022)

Appendix E: Sustainability Appraisal (June 2022)

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