
MELTON LOCAL PLAN EXAMINATION 2018

MATTER 3 HEARING STATEMENT

On behalf of
Gladman Developments

Question 3.1: Has the housing requirement figure of 6,125 dwellings (2011-2036) (equivalent to 245 dwellings per annum) as set out in Policy SS2 been informed by a robust, credible assessment of the objectively assessed needs and is it positively prepared and consistent with national planning policy? In particular:

i) Is the Housing and Economic Needs Assessment for Leicester and Leicestershire (HEDNA 2017) an appropriate starting point for setting the requirement in terms of its demographic assumptions (including future trends in household formation and migration), the account taken of market signals, forecast growth in employment, commuting patterns and the need for affordable housing?

- 1.1 Yes, the HEDNA 2017 (**MBC/HN1a**) does provide a starting point for setting the housing requirement of Melton Borough. However, it is just that, a starting point.
- 1.2 We note that the HEDNA 2017 identifies an Objectively Assessed Housing Need (OAHN) of 170 dwellings per annum, whereas Policy SS2 of the submitted Melton Local Plan sets a requirement for 245 dwellings per annum. We comment on the uplift from the OAHN figure to the Local Plan requirement in response to Question 3.1 part 2 (below).
- 1.3 Nonetheless, there are two weaknesses with the HEDNA 2017's approach to assessing OAHN that have been identified within the Council's own evidence base, namely the 'Towards a Housing Requirement for Melton Borough' (TAHR) report (**MBC/HN4a**). These are in relation to the assumptions of: forecast growth in employment; and projecting economic activity.

Forecast growth of employment

- 1.4 The HEDNA 2017's OAHN of 170 dwellings per annum is underpinned by assumed employment growth of 2,400 jobs over the period 2011-2036 as derived from Oxford Economics Planned Growth Scenario.
- 1.5 Although the Planned Growth Scenario took account of planned investment and pipeline development projects, the forecast growth was conservative in comparison to Experian's employment forecasts that informed the Melton Employment Land Study (ELS) (**MBC/EL2**).
- 1.6 Since the Melton Employment Land Study informs Local Plan employment land need policies, it should also inform housing need policies, in line with paragraph 158 of the framework. The ELS Experian forecast is for 3,420 jobs in Melton Borough over the period 2011 to 2036, some

1,000 jobs higher than the Planned Growth Scenario in the HEDNA 2017. We note the sectoral, recent employment growth and latent growth potential analysis described by the TAHR and find it to be sound [MBC/HN4a, page 21 and 22, paragraph 4.13 to 4.25]. Accordingly, we agree with the conclusion of the TAHR that the ELS employment forecast for 3,420 jobs over the plan period should also be the basis for assessing Melton's housing need and requirement. The TAHR summarises its reasons as follows:

“GL Hearn consider that the range of local evidence suggests that the Borough's economy could potentially perform more strongly than shown in the HEDNA forecasts – in particular taking account of recent strong manufacturing performance (2014-15); the local nature of the manufacturing base; and some evidence of latent demand. In planning positively, it would be reasonable to take this into account in setting the housing requirement.

The need to align the strategy within the local plan for housing and employment, would support a planning assumption of employment growth in line with the BE Group Study [MBC/EL2] conclusions of 3,400 jobs over the plan period (2011-36). Past economic performance indicates that this is not an unreasonable aspiration (or a level which could be considered undeliverable)”
[MBC/HN4a, page 22 and 24, paragraph 4.26, 4.27]

Projecting economic activity

- 1.7 For the purpose of relating future jobs growth to housing need, HEDNA 2017 used Experian's national economic activity rate projections to convert population growth into projected resident labour supply. Experian's national projection assumes significant increases in the economic activity of people aged over 60.
- 1.8 The TAHR concludes that a relatively high proportion of manufacturing jobs (and the relatively high proportion of forecast jobs in manufacturing sectors) in the Melton economy presents a challenge to the realism of applying Experian's national assumption that economic activity in the 60+ age group will increase significantly.
- 1.9 Accordingly, the implication of alternative 60+ economic activity rate projections that place less reliance on participation from this age group are tested. The application of these tests triggers more in-migration to Melton than results from using the baseline Experian economic activity rate projection. Thus, plan period population growth and housing need is greater. Against the preferred forecast for 3,420 jobs, TAHR concludes in a range of 230 to 274 dwellings per annum, compared to a 'baseline' need for 190 dwellings per annum [MBC/HN4a, page 28 to 31, paragraph 5.21 to 5.36].

MATTER 3: OVERALL REQUIREMENTS FOR HOUSING AND EMPLOYMENT LAND

- 1.10 We agree that in the particular circumstances of Melton, that testing alternative activity rate projections to projections used in HEDNA 2017 is justified and that the resultant housing need range should be preferred.
- 1.11 In conclusion, we support the approach taken by the TAHR in relation to HEDNA 2017's assumption of both jobs growth – that it should be increased to 3,420; and economic activity rates – that HEDNA 2017's reliance on participation by people aged over 60 should be moderated.
- 1.12 We also agree that the OAHN concluded upon by HEDNA 2017 is underestimated and must be increased to address the conclusions of TAHR. TAHR expresses its preferred jobs led housing need calculation as a range. There is no disadvantage to accommodating need at the top of this range (274 rounded up to 280 dwellings per annum), whereas there is risk that housing need will be underestimated (to the detriment of sustainable economic growth) if set below 280 dwelling per annum (i.e. at 245 dwellings per annum). Moreover, at 245 dwellings per annum, affordability is likely to worsen, and the affordability gap widen, at a far greater rate.
- 1.13 Therefore, whilst we acknowledge and welcome the fact that the Local Plan housing requirement has been set higher than the OAHN, because there are no downside risks to 280 dwellings per annum, this should be preferred as Melton's housing requirement, in place of 245 dwellings per annum.
- ii) Is the uplift from the HEDNA OAHN figure for Melton (170 dwellings per annum) to 245 dwellings per annum soundly based, having regard to the evidence and national planning policy? Does it take appropriate account of a) employment growth, b) the identified need for affordable housing, c) infrastructure needs, d) capacity of land, and e) deliverability/ achievability?*
- 1.14 Providing an uplift to the OAHN of 170 dwellings per annum is positive planning and necessary due to the weaknesses identified in response to Question 3.1 part 1. **However, as stated above, we consider that an uplift to 245 dwellings per annum is insufficient and should be increased for the reasons set out below.**
- a) Employment growth*
- 1.15 The TAHR identified a need for between 230 and 274 dwellings per annum in Melton Borough to support economic growth of 3,420 jobs (2011-2036). Whilst the Local Plan housing requirement of 245 dwellings per annum falls within this range, it lies within the lower half of the range.

MELTON LOCAL PLAN EXAMINATION

MATTER 3: OVERALL REQUIREMENTS FOR HOUSING AND EMPLOYMENT LAND

1.16 As previously stated, we support the use of the ELR forecast for 3,420 jobs over the plan period by TAHR as the basis for assessing housing need. Below, we briefly address whether the latest evidence of employment growth supports this proposition.

Evidence of the job growth trend since 2011

1.17 The Experian forecasts associated with the ELS anticipate growth of 3,420 jobs in Melton over the 2011-2036 period. This represents anticipated growth of 15.1% over the 2011 Experian baseline, and an average annual rate of growth at 0.57%.

1.18 Locally an annual estimate of the number of employee jobs is provided by the Business Register and Employment Survey (BRES) published each year by the ONS. The data for 2016 was released in early October 2017. This data can also be broken down by industry or business sector.

1.19 There is also a source of data on self-employed jobs, obtained from the Annual Population Survey, also produced by the ONS. Data from this source is also available for 2016. However, this data cannot be disaggregated by business sector at the spatial level of an individual local authority such as Melton Borough.

1.20 Focusing on overall totals, the data from the two different data series (employee jobs and the self-employed) reveal that that has been substantial growth in overall employment in Melton over the 2011-2016 period. The relevant data is summarised in the table below.

Table 1: Changes in employment: Melton 2011-2016

Employment type	2011	2016	2011-2016	2011-2016%	CAGR
Employee jobs	19,430	20,205	775	4.0%	0.79%
Self-employed jobs	4,600	4,800	200	4.3%	0.85%
Total jobs	24,030	25,005	975	4.1%	0.80%

Sources: ONS Annual Population Survey, Business Register and Employment Survey

Note: CAGR is the compound annual growth rate, effectively the average year on year jobs growth rate

1.21 The data show that there has been net growth in employment amounting to around 975 jobs between 2011 and 2016, with 775 of these being employee jobs and 200 being self-employed jobs. This increase amounts to overall growth of 4.1%, and an average annual rate of growth of 0.80%.

MELTON LOCAL PLAN EXAMINATION

MATTER 3: OVERALL REQUIREMENTS FOR HOUSING AND EMPLOYMENT LAND

- 1.22 The implication is that 975 of the 3,420 jobs forecast by Experian for the 2011-2036 period have already been generated by 2016. That is, 28% of the overall number of jobs forecast over the 25-year Plan period have been generated in the first 20% of the time period of the plan.
- 1.23 It is useful to compare the trend revealed by the ONS data to that contained in the Experian job forecasts used in the ELS:
- Experian's forecasts assume an average annual rate of growth in jobs of 0.57% pa (2011-2036);
 - The ONS data suggests that over the first 5 years of the Plan period, the average annual rate of growth is exceeding this long-term forecast, at 0.80% pa.
- 1.24 In other words, the current trajectory of jobs growth is around 40% higher (i.e. 0.80% p.a. vs 0.57% p.a.) compared to the level contained in the 2015 Experian forecast.
- 1.25 Our assessment reflects the conclusions reached by GL Hearn in the TAHR. That is, Melton has particularly strengths in manufacturing – especially food manufacturing – and is also growing jobs in professional and business services. It also has further potential in sectors like logistics.
- 1.26 An additional point – not highlighted by the TAHR – is that Melton is also good at generating new business start-ups, which is an important source of the job growth in the UK economy. Thus, it is reasonable to conclude that the forecast for 3,420 jobs preferred by TAHR will be exceeded. This conclusion is based on an analysis of job growth trajectory revealed by employee and self-employment data from ONS.
- 1.27 Of course, there is no guarantee that the recent trajectory will be maintained consistently over the full Plan period. But, at this stage, there is evidence (based on the trends revealed by relevant ONS data) that the Experian forecast could be an under-estimate of the actual growth potential and longer- term trajectory of the Melton employment base (workplace jobs).

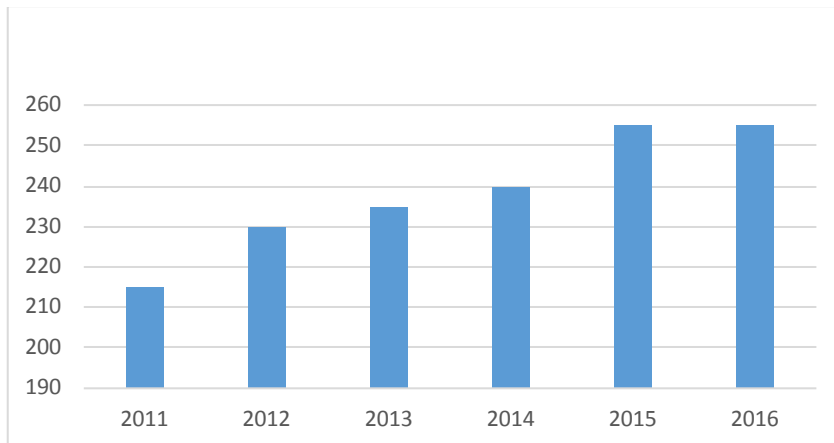
Other relevant trends in data

- 1.28 Several other data sets point towards a local economy that is growing at a significant rate. For example, it is notable that there has been a significant increase in the employment rate of the locally resident working age population over the period 2011 to 2017.

MATTER 3: OVERALL REQUIREMENTS FOR HOUSING AND EMPLOYMENT LAND

- 1.29 Focusing on the average rate over the 12-month period July 2010 to June 2011, when the average employment rate was 73.9% and comparing this to the equivalent rate for the 12-month period July 2016 to June 2017, where the average rate was 84.3%, there has been an increase in the average employment rate of more than 10 percentage points. Of course, the employment rate is a residence-based statistic rather than a workplace-based statistic, but the increase in employment rate is almost certainly related to the growth in employment opportunity locally.
- 1.30 Even more significantly, there has been a strong rate of growth in the number of business establishments located in Melton over the past 5 years. Between 2011 and 2016 there was a net increase in the local business population of 330 establishments. The overall number of business establishments in the area is increasing at a rate of 2.5% pa (ONS Inter Departmental Business Register).
- 1.31 In addition, data from the same series has recently become available for 2017. This indicates an overall increase of 350 establishments between 2011 and 2017. Linked to the business population increase, the ONS data presented in Figure 1 (covering the period 2011 to 2016) shows a steady rise in the rate of new business formation in the area. The number of new businesses being established has grown from 215 in 2011, to 255 in both 2015 and 2016.

Figure 1: Annual number of new businesses established in Melton



Source: ONS Business Demography data series, 2011-2016

- 1.32 The rate at which new businesses are formed is a key determinant of medium and longer-term employment growth potential. Recent research published by the OECD (Policy Note '*No Country for Young Firms*', June 2016) estimates that around 53% of overall employment growth in the UK is contributed by young businesses (i.e. new start and early growth stage small businesses).

- 1.33 Therefore, the evidence from various ONS datasets identifies that the Melton economy has performed strongly over the past 5 years, and the data is pointing towards an annual rate of jobs growth that is currently significantly higher than the long-term average growth expected by the Experian forecasts. Furthermore, other ONS datasets, such as those that measure business population and new business formation, also point to an expanding local economy.
- 1.34 In light of our analysis and the conclusion that a forecast for 3,420 jobs may be an underestimate, we find a further reason to prefer a housing target at the top end of the range recommended by the TAHR; a plan for 280 dwellings per annum rather than the submitted 245 dwellings per annum

b) Identified need for affordable housing

- 1.35 The TAHR identified that to meet affordable housing need in full there would be a need for 280 dwellings per annum, assuming that affordable housing was delivered at 25%.
- 1.36 However, the Council's revised viability evidence (**MBC/WP5**) identified delivery of affordable housing at 21% was more realistic. **On this basis, the TAHR addendum (MBC/HN4c) identified a need for 330 dwellings per annum to meet affordable need in full.**
- 1.37 Whilst there is no requirement on local authorities to meet affordable housing need in full, the HEDNA 2017 identified severe affordability issues in Melton Borough with the Borough being one of the most expensive parts of the Leicestershire Housing Market Area (HMA).
- 1.38 On this basis, planning for 280 dwellings per annum would make a far more positive contribution towards meeting affordable housing need in Melton *in full* than a plan for 245 dwellings per annum. Indeed, a housing requirement of 280 dwellings per annum could be regarded as the absolute minimum, in light of the fact that in order to meet affordable housing need in full, 330 dwellings per annum are required over the plan period.

c) Infrastructure needs

- 1.39 The TAHR states that a housing requirement above the OAHN of 170 dwellings per annum is necessary in order to fund the Eastern Distributor Road (EDR) which in turn will support the delivery of the two Sustainable Urban Extensions of Melton Mowbray North and Melton Mowbray South.

1.40 The TAHR goes on to state:

“However such is the scale of costs, the road cannot be financed entirely from these developments and still requires DfT funding. Therefore it is critical that the scale of housing required to make their part-contribution to the road’s cost is planned for and delivered.” (paragraph 6.14) (our emphasis)

1.41 Furthermore, a report prepared for the Extraordinary Meeting of Full Council (**MBC/HN5**) detailed a need for at least 245 dwellings per annum going on to suggest a housing requirement of 245 or 280 dwellings per annum could be chosen to ensure the Melton Mowbray Transport Strategy is deliverable. However, paragraph 3.11.4 of the report supported a requirement of 280 dwellings per annum on the basis that 1) 280 dwellings per annum would allow delivery of the Melton Mowbray Distributor Road (MMDR) and achievement of sustainable neighbourhoods for the town; 2) 280 dwellings per annum could assist with the issue of affordable housing; and 3) still be within the design capacity of the MMDR as currently modelled.

1.42 On this basis, the evidence suggests planning for 280 dwellings per annum rather than 245 dwellings per annum would provide greater benefits to the Borough’s infrastructure requirements.

Final Comments

1.43 The TAHR identified a housing requirement of between 230 and 280 dwellings per annum for Melton Borough (2011-2036). The Council’s own evidence suggests that planning towards the upper end of the range (planning for 280 dwellings per annum) would provide greater benefits to the Borough’s infrastructure strategy and provide a greater contribution towards meeting affordable housing need in Melton Borough. However, despite this, the Council has retained a housing requirement of 245 dwellings per annum as originally derived from the 2014 SHMA (**MBC/AR/HN1**).

1.44 Further support for planning for 280 dwellings per annum rather than 245 dwellings per annum is from the evidence presented in this Statement in relation to more recent employment trends. The evidence demonstrates that Melton Borough’s economy has performed more strongly over the past 5-years than assumed in the Experian forecasts from which the Council’s job target of 3,420 jobs (2011-2036) has been derived. On this basis, it would be prudent for the Council to plan towards the higher of the identified range (280 dwellings per annum).

- 1.45 The Council's June 2017 Sustainability Appraisal (**MBC/WP2g**) appraised the sustainability of 245 dwellings per annum versus 280 dwellings per annum and concluded that the effects on the environment would be broadly comparable (paragraph 2.23). However, 280 dwellings per annum is expected to perform more positively in relation to the provision of affordable housing (paragraph 2.27) and will have marginally greater positive impacts on social and economic inclusion (paragraph 2.20).
- 1.46 In light of the above analysis, we recommend that Policy SS2 of the Melton Borough Local Plan be amended to refer to a housing requirement of 280 dwellings per annum (total of 7,000 dwellings) 2011-2036. We note that the Council's trajectory implies that delivery in excess of 245 dwellings per annum can be delivered by the market.
- 1.47 Finally, we reiterate that there is no disadvantage to accommodating need for 280 dwellings per annum, whereas there is risk that housing need will be underestimated (to the detriment of sustainable economic growth) if set below 280 dwelling per annum, furthermore affordability will worsen, and the affordability gap will widen, at a faster rate if the requirement is held at 245 dwellings per annum.
- 1.48 Therefore, because there are no downside risks to 280 dwellings per annum, this should be preferred as Melton's housing requirement, in place of 245 dwellings per annum.