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Leicester & Leicestershire Housing & Economic Needs Assessment

Housing Distribution Paper

Iceni Projects Limited on behalf of
Leicester & Leicestershire Local
Authorities

April 2022

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**Leicester & Leicestershire Housing &
Economic Needs Assessment**
HOUSING DISTRIBUTION PAPER

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1. INTRODUCTION

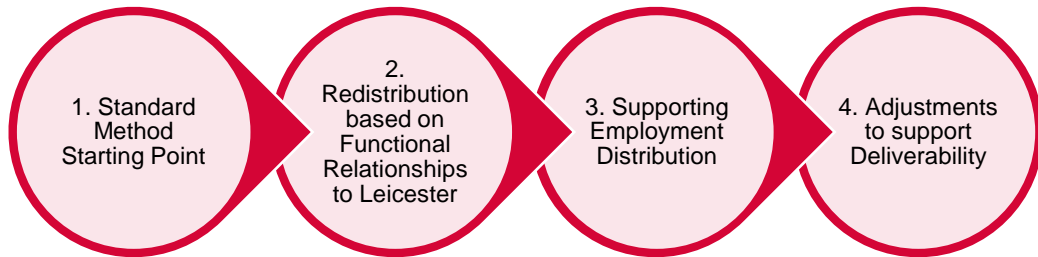
- 1.1 The authorities within Leicester and Leicestershire have prepared a Strategic Growth Plan (SGP), which was published in 2018, and sets out a long-term strategy for growth in the sub-region. There are a number of other workstreams in progress which will inform a review of the SGP including the HENA together with other work considering potential strategic growth options and strategic transport options.
- 1.2 However there can be a lead-in time of 10 years or more for the delivery of strategic sites, particularly where strategic infrastructure investment is needed to bring them forwards, and therefore it is necessary to consider an **interim** distribution of unmet housing need over the period to 2036 within the housing market area (HMA). The HENA study brief seeks advice from IcenI on this and IcenI have been asked to provide advice on a **manual** or formulaic redistribution which could be applied in distributing Leicester's unmet housing need on an interim short-to-medium term basis. This is intended to inform a Statement of Common Ground (SOCG) to allow the preparation of local plans to progress.
- 1.3 This section addresses what Leicester's unmet need is, based on the latest information at the time of writing in Spring 2022. It then goes on to address different potential considerations in assessing how housing need over the period to 2036 might be distributed between the Leicestershire authorities. It uses an approach which is similar to that which has been used in addressing Coventry's unmet need to authorities in Warwickshire, and which has been tested and found sound at successive local plan examinations.
- 1.4 The assessment generates figures to inform discussion and agreement on the distribution of housing need. This distribution scenario, and potential alternative options for the distribution of growth, will be tested through the SA process in informing decision making; and the capacity and sustainability of different levels of growth will need to be tested through the preparation of individual local plans taking account of wider evidence including in respect of infrastructure capacity and constraints. Where local plan preparation identifies that levels of housing delivery envisaged cannot be sustainably achieved, it would be necessary for the authorities to collectively revisit the SOCG.

2. OVERVIEW OF APPROACH

- 2.1 Icenl, in consultation with L&L officers, have identified three broad considerations in assessing the distribution of homes/ unmet need:
- Functional relationship between different authorities and Leicester;
 - Local alignment of jobs and homes; and
 - Deliverability, which incorporates issues of both land supply and market capacity.
- 2.2 Our approach treats the standard method as a minimum level of provision, as individual local plans would be expected (in line with the NPPF) to meet their own need using the standard method. There is unlikely to be any justification for going below this level based on more recent demographic projections (see PPG Para 2a-015) or economic evidence and the HENA has found no evidence to justify this. **We therefore consider that the standard method provides a baseline or minimum level of provision for each Leicestershire authority.**
- 2.3 The first step is then to consider the redistribution of Leicester's unmet need. To do so we have considered the functional relationship of the different Leicestershire authorities with the City, taking account of migration and commuting relationships between the authorities (in both directions). This generates an initial distribution of unmet need.
- 2.4 Adjustments are then made to this distribution to align with the spatial distribution of future employment growth over the period to 2036, to promote a balance in the delivery of jobs and homes at a local level and limit the need to travel. This seeks to **locate houses close to where job opportunities arise** so as to provide additional labour where it is needed.
- 2.5 The third key consideration relates to **the deliverability of the distribution of development**. This reviews the findings arising against the previous steps, takes into account where authorities are already planning for higher growth or on the other hand where there are land supply constraints which might restrict the scale of development which can be accommodated. It then considers the comparative rate of housing growth implied in different areas and makes adjustments to the distribution to support the deliverability of the distribution proposed, and to ensure that all authorities are contributing proportionally (having regard to their local housing markets) to the unmet need. In doing so it seeks to avoid over-concentrating development in specific areas which could result in localised market capacity issues which inhibit the delivery of overall housing need. This final stage also has regard to the existing balance between jobs and homes in an area and whether higher housing provision might help to improve this balance.

2.6 These steps are summarised in the diagram below.

Figure 2.1: Overview of Housing Distribution Methodology



3. STANDARD METHOD AND LEICESTER'S UNMET NEED

Standard Method Local Housing Need

- 3.1 The standard method calculation is set out in the Planning Practice Guidance (PPG) and provides a starting point for considering overall housing need. The latest data as at March 2022 points to a housing need as follows:

Table 3.1 Standard Method Local Housing Need

	Dwellings per annum
Leicester	2,464
Blaby	341
Charnwood	1,111*
Harborough	534
H & B	472
Melton	231
NWL	372
O & W	188
L & L	5713

- 3.2 Charnwood's figure is set using the data from 2021 (including household growth for the 2011-21 period and 2020 affordability ratio) as it submitted its Local Plan for Examination in December 2021. The PPG sets out that "*local housing need calculated using the standard method may be relied upon for a period of 2 years from the time that a plan is submitted to the Planning Inspectorate for examination.*"¹ Charnwood's need figure is therefore treated as 'fixed' at the point of submission of its Local Plan.
- 3.3 The HENA indicates that the standard method provides a reliable basis for calculating housing need across Leicester and Leicestershire, and there are no exceptional circumstances for planning for lower or higher housing provision. It indicates that employment growth may however influence the spatial distribution of housing provision within the area, and this is considered later in this Paper.

Leicester's Unmet Need

- 3.4 Leicester City's urban area extends beyond the boundaries of the City Council's administrative area meaning that the City is an under-bounded local authority. As is common for local authorities where this is the case, Leicester City Council has an unmet housing need. The authorities in the Leicester

¹ Reference ID 2a-008-20190220

and Leicestershire Housing Market Area (HMA) therefore need to work together to address the unmet need and agree an alternative distribution of housing provision. Leicester's unmet need is therefore a cross-boundary strategic matter which needs to be considered collectively by the local authorities, and an agreed distribution of housing provision set out in a Statement of Common Ground (SOCG).

- 3.5 The standard method generates a need for 2,464 dwellings per annum (dpa) in Leicester (see Table 3.1). Over the 2021-36 period this equates to a need for 39,420 dwellings. This includes the 'Cities and Urban Areas Uplift' which raises Leicester's need (and that of 19 other cities and urban areas across England) by 35%.
- 3.6 The March 2021 Statement of Common Ground signed by the HMA authorities² sets out the City's capacity to accommodate growth over this period as 20,721 dwellings over the 2020-36 period. This is equivalent to 1,295 dpa.
- 3.7 The difference between Leicester's local housing need and supply generates **an unmet need for Leicester of c. 18,700 dwellings to 2036.**

Table 3.2 Leicester's Unmet Need

	Dwellings
Local housing need, 2020-36	39,420
Leicester's supply	20,721
Unmet need (rounded)	18,700

- 3.8 We have treated the unmet need figure of 18,700 dwellings (rounded) as a reasonable assumption for the City's unmet need to 2036. This is equivalent to 1,169 dpa over the 16 year period. This Paper considers options for how this unmet need might be addressed. Whilst we understand that some further work on the City's capacity is ongoing, in reality there is a need for some supply-side contingency in Leicester (above the City's housing requirement) to allow for slippage/ non-delivery.

² Leicester & Leicestershire Authorities - Statement of Common Ground relating to Housing and Employment Land Needs (March 2021)

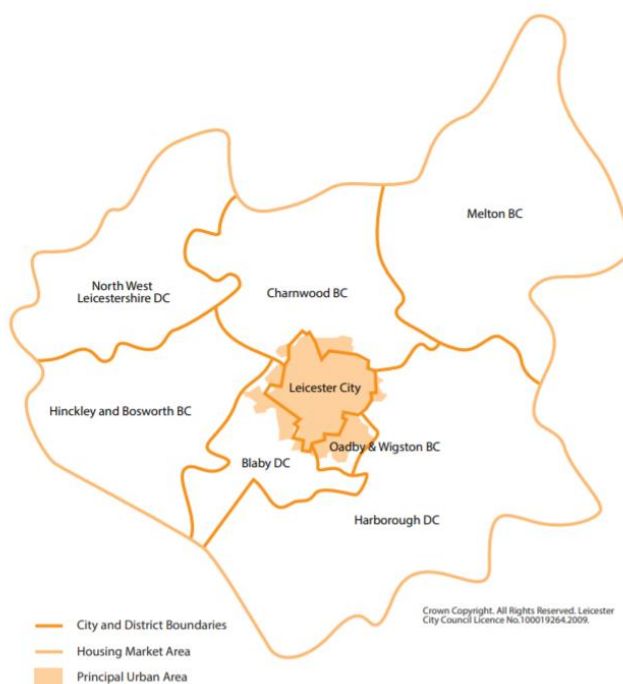
4. DISTRIBUTION BASED ON FUNCTIONAL RELATIONSHIPS

- 4.1 There is a planning logic in seeking to meet an unmet need from Leicester City close to where it arises. The PPG outlines in respect of the cities and urban areas uplift:

“This increase in the number of homes to be delivered in urban areas is expected to be met by the cities and urban centres themselves, rather than the surrounding areas, unless it would conflict with national policy and legal obligations. In considering how need is met in the first instance, brownfield and other under-utilised urban sites should be prioritised and on these sites density should be optimised to promote the most efficient use of land. This is to ensure that homes are built in the right places, to make the most of existing infrastructure, and to allow people to live nearby the service they rely on, making travel patterns more sustainable.”

- 4.2 Interpreting this having regard to the NPPF soundness requirement to accommodate unmet need from urban areas where it is practical to do so and consistent with achieving sustainable development; and for plans to be based on effective joint working on cross-boundary strategic matters, would emphasise meeting Leicester’s unmet need within or close to the Leicester Urban Area (LUA). The LUA geography is set out below.

Figure 4.1: Leicester Urban Area Geography



Source: Leicester Core Strategy

4.3 The map shows that the Urban Area extends beyond the City’s administrative boundaries into Oadby and Wigston, Blaby and Charnwood and to a more modest extent into Harborough (around Bushby, Thurnby and Scraftoft).

4.4 In addition there are a number of settlements within the Leicestershire authorities which lie relatively close to the Leicester UA but remain freestanding settlements slightly separated from it. These include settlements such as Anstey, Syston, Groby, Enderby, Blaby and Countesthorpe.

4.5 We have therefore sought to consider the migration and commuting relationship between the City and the Leicestershire authorities.

Migration Relationships

4.6 We have used migration data to firstly assess the strength of the housing market inter-relationship with Leicester City. Our analysis considers in/out migration on average pa over the 2016/17 – 2018/19 (3 year) period. This use of more recent data is contrasted with consideration of commuting patterns, based on 2011 Census data, later in this section.

4.7 Gross migration data considers flows in both directions (both into and out of the City), and therefore is based on a larger sample. This shows as follows:

Table 4.1 Gross Migration Flows with Leicester, 2016-19

	Gross Migration pa	% Leicestershire Total
Blaby	3495	24%
Charnwood	3652	25%
Harborough	1339	9%
Hinckley and Bosworth	1144	8%
Melton	251	2%
North West Leicestershire	635	4%
Oadby and Wigston	3815	27%
Total	14331	100%

Source: ONS Internal Migration Statistics

4.8 The strongest relationships are with Oadby and Wigston, Charnwood and Blaby – broadly consistent with the Leicester Urban Area geography. There is a much weaker migration flow with Melton and NW Leicestershire which do not have a direct boundary with the City.

4.9 We can also look at out-migration; but this is likely to be more influenced by housing supply/availability issues. The table below shows out-migration from Leicester over the 3 year period. The

strongest flows are to Charnwood and Blaby followed by Oadby and Wigston (in a context in which housing supply has been more modest in the latter, influenced by its size).

Table 4.2 Out Migration from Leicester, 2016-19

	Out Migration pa	% Leicestershire Total
Blaby	2385	26%
Charnwood	2589	29%
Harborough	947	10%
Hinckley and Bosworth	786	9%
Melton	162	2%
North West Leicestershire	457	5%
Oadby and Wigston	1749	19%
Total	9075	100%

Source: ONS Internal Migration Statistics

- 4.10 Turning to commuting dynamics, the strongest in-commuting to Leicester is from Charnwood and Blaby, followed by Oadby and Wigston. The pattern is similar to that for migration, albeit with a weaker flow from Oadby and Wigston – in part influenced by stronger relationships with other areas.

Table 4.3 Commuting Relationships to Leicester City, 2011

	In- Commuting to Leicester	% Leicestershire Total	Out- Commuting from City	% to Authority
Blaby	13,849	25%	11,508	37%
Charnwood	15,359	27%	5,496	18%
Harborough	6,397	11%	3,737	12%
Hinckley and Bosworth	6,251	11%	1,962	6%
Melton	1,802	3%	984	3%
North West Leicestershire	2,318	4%	1,620	5%
Oadby and Wigston	9,930	18%	5,568	18%
Total	55,906	100%	30,875	100%

Source: 2011 Census

- 4.11 If the inter-commuting in both directions is considered, there is a notable outflow from the City to Blaby – influenced by the major employment locations along the M1 and Fosse Park. A weaker link is shown with Charnwood albeit that the actual flow remains relatively sizeable (c. 5,500 people).
- 4.12 Evidently there is some potential for commuting relationships to have changed since 2011, including as a result of housing development since (in proximity to Leicester), employment development (close to Leicester), changing working patterns or indeed availability of local labour (which may influence

changes in commuting from Leicester to the Leicestershire authorities). The above however represents the most consistent data available. Commuting data from the 2021 Census is not available, and is not likely to be published in the short-term.

- 4.13 There is a rationale for locating homes in areas from which people commute into Leicester, as the commuting flow is indicative of a housing market relationship. But equally where there is out-commuting from the City, locating homes in these areas may help to reduce journey times/ distances.
- 4.14 On balance we consider that the gross commuting flow is of greater utility in highlighting the functional relationship to the City. This is shown below. The strongest flows are with Blaby and Charnwood, followed by Oadby and Wigston and then Harborough. Those authorities which are more divorced from the City have a weak inter-relationship.

Table 4.4 Gross Commuting relationship with Leicester, 2011

	Gross Commuting Flows	% Gross Flow
Blaby	25,357	29%
Charnwood	20,855	24%
Harborough	10,134	12%
Hinckley and Bosworth	8,213	9%
Melton	2,786	3%
North West Leicestershire	3,938	5%
Oadby and Wigston	15,498	18%
Total	86,781	100%

Source: 2011 Census

- 4.15 Icen consider that a blended approach to the migration and commuting data should be used, recognising the age/ vintage of the commuting data and potential for commuting relationships to change on the one hand; whilst the migration data is more recent but can be influenced by historical planning assumptions or distribution of housing supply. This blended approach considers the relative strength of functional relationship with Leicester using both the gross migration and commuting data.
- 4.16 The blended average of gross migration and commuting flows between individual Leicestershire authorities and the City has therefore been used as a first step in considering the redistribution of Leicester’s unmet need. The results are shown in the table below.

Table 4.5 Initial Redistribution based on Functional Relationship to Leicester

dpa	Standard Method LHN	Scale of Unmet Need	Functional Relationship to Leicester (Blended Average)	Initial Redistribution of Unmet Need	Resultant Housing Need
Leicester	2464	1169			1295
Blaby	341		27%	313	655
Charnwood	1111		25%	289	1400
Harborough	534		11%	123	657
H & B	472		9%	102	574
Melton	231		2%	29	260
NWL	372		4%	52	424
O & W	188		22%	260	448
L & L	5713		100%	1169	5713

5. ALIGNING JOBS AND HOMES

- 5.1 The next step has been to compare the standard method figures for different areas to the scenarios for potential employment growth and the associated economic-led housing need identified in the HENA report.
- 5.2 Section 8 in the HENA report presented two scenarios for employment growth over the period to 2036. A 'Baseline' scenario was presented aligned to Cambridge Econometrics' trend-based projections for employment growth. An 'Aspirational Growth' scenario was also shown based on local interrogation of economic growth potential, and the strategy set out within the LLEP's Economic Growth Strategy. This Scenario envisaged stronger economic performance across key growth sectors.

Table 5.1 Economic-led Scenarios for Housing Need, 2020-36

dpa 2020-36	Baseline (Census commuting)	Baseline (1-1 commuting)	Aspirational Growth (Census commuting)	Aspirational Growth (1-1 commuting)
Leicester	723	767	1,324	1,324
Blaby	321	334	463	463
Charnwood	497	481	626	626
Harborough	428	422	542	542
H&B	298	282	398	398
Melton	178	168	263	263
NW Leicestershire	391	418	606	606
Oadby & Wigston	114	110	158	158
L&L	2,950	2,983	4,379	4,379

- 5.3 Comparing this to the results of the initial redistribution (as shown in Table 4.5), the initial redistribution would see sufficient workforce growth to support all future economic growth scenarios for most authorities in Leicestershire. The exceptions are Melton and North West Leicestershire. In Melton a need is shown for up to 290 dpa to support economic growth. Similarly in North West Leicestershire the evidence suggests stronger housing provision would be necessary to support future growth in the economy based on the HENA scenarios, with **an economic-led need shown for up to 606 homes pa in North West Leicestershire. An adjustment to housing provision to support economic growth in Melton and NW Leicestershire is therefore justified.**
- 5.4 Any redistribution of housing from Leicester to local authorities within Leicestershire will help support workforce growth in the recipient authority, helping to support economic growth in these areas and minimise commuting.

5.5 The above analysis is however based on the balance between future employment and housing growth. In addition, IcenI has sought to consider the existing balance between homes and jobs using data on jobs densities. Jobs density data describes the ratio between jobs in an area and residents aged 16-64. The evidence suggests a higher concentration of employment relative to residents, implying net in-commuting, to North West Leicestershire and Blaby from other areas. Higher housing provision in these areas would therefore help to provide greater opportunities for local living and working and minimise the need to travel. This has been taken into account in drawing conclusions.

Table 5.2 Jobs Densities – L&L Local Authorities

	2011	2019	2020
Blaby	0.89	1.11	0.97
Charnwood	0.63	0.64	0.66
Harborough	0.81	0.84	0.81
Hinckley and Bosworth	0.65	0.69	0.73
Leicester	0.79	0.85	0.80
Melton	0.78	0.76	0.82
North West Leicestershire	0.92	1.09	1.13
Oadby and Wigston	0.59	0.61	0.62
Leicester and Leicestershire	0.76	0.83	0.81
England	0.78	0.88	0.85

6. DELIVERABILITY CONSIDERATIONS

- 6.1 The third stage of the process of considering the potential housing distribution is to appraise deliverability considerations. This includes issues related to land supply and to the localised market capacity to absorb growth.

Current Plan Targets

- 6.2 We have sought next to overlay current plan targets, and the residual requirement to meet the housing requirement identified within them (taking account of housing completions to April 2020). We have considered both current adopted plans, and in the case of Charnwood and Leicester City, their emerging Local Plans.
- 6.3 A higher housing requirement than the standard method is shown for Melton BC, with a residual requirement for 300 dpa, adopting a 2020 base position and taking account of completions to date, relative either to the standard method LHN (231 dpa), the Stage 1 distribution figure (259 dpa) or the economic-led need shown (263-290 dpa). This was justified in Melton's Local Plan on the basis of supporting investment in strategic infrastructure (the Melton Mowbray Transport Package), economic growth and affordable housing delivery.³ The Plan's examination recognised that this provided 'headroom' to contribute to meeting unmet need from Leicester.
- 6.4 **It is considered appropriate on this basis to adjust Melton's figure to align with the residual requirement in its Local Plan to 2036.**

Table 6.1 Residual Requirement in Current/ Emerging Local Plans in Leicestershire

	Plan period end point	Residual requirement at 2020 base	Stage 1 Distribution Figures ⁴
Blaby	2029	369	655
Charnwood	2037	1111	1400
Harborough	2031	588	657
Hinckley & Bosworth	2026	495	574
Melton	2036	300	260
NW Leicestershire	2031	370	424
Oadby & Wigston	2031	183	448

³ See the Towards a Housing Requirement Report within the Melton Local Plan Evidence

⁴ As drawn from Table 4.5

- 6.5 For the other authorities current plans either do not look to 2036, or (in the case of Charnwood) do not make provision sufficient to meet the figures derived from the Stage 1 distribution. For emerging plans/plan reviews there is however potential to make provision for additional housing growth.

Potential Land Supply

- 6.6 The June 2021 Housing SOCG, signed by the L&L authorities collectively, set out the theoretical land supply in other authorities to 2036 as well. The table below outlines the results of this exercise. This includes sites with planning permission, existing allocated residential sites and those proposed for allocation in emerging plans and a windfall allowance. It represents an assessment of the land identified now for residential development.

Table 6.2 Identified Supply Position in Current/Emerging Plans⁵ 2020-36

	Commitments	Allocations in Adopted Plans	Emerging Allocations in Draft Plans	Small Site Windfall Allowance	Total Projected Delivery to 2036
Blaby	4,918	984		440	6,342
Charnwood	8,820	1,990	9,024	1,040	20,874
Harborough	3,693	5,679		864	10,236
Hinckley & Bosworth	2,992	1,497		949	5,438
Leicester City	9,865		8,456	2,400	20,721
Melton	2,704	3,891		334	6,929
NW Leicestershire	7,013	1,427		520	8,960
Oadby & Wigston	1,010	1,203		189	2,402
HMA Total	41,015	16,671	17,480	6,736	84,458

- 6.7 This indicates a notional shortfall across the HMA to 2036 of c. 6,950 dwellings based on supply which is identified in current and emerging plans. However plans will require some supply-side contingency over housing requirement figures. If a 10% supply-side contingency was included across the board, the shortfall would be in the order of 16,100 dwellings. This is a more realistic broad assessment of the scale of additional supply that needs to be identified.
- 6.8 Table 6.3 assesses the current land supply position against each area's own local housing need figures. Sufficient capacity is currently identified (in numerical terms) in current/emerging plans to meet the need in most authorities beyond Leicester to 2036. The exceptions are Oadby and Wigston

⁵ As of 1st April 2020

where a modest shortfall is identified, principally as its Local Plan runs to 2031, and Hinckley and Bosworth where having regard to current adopted Local Plan and the current trajectory for the delivery of the Barwell and East Shilton SUEs, there is a potential shortfall to 2036.

Table 6.3 Current Supply compared to Standard Method LHN, 2020-36

2020-36	Identified Supply to 2036	Local Housing Need	Shortfall/Surplus
Blaby	6,342	5,461	881
Charnwood	20,874	17,771	3,103
Harborough	10,236	8,550	1,686
Hinckley & Bosworth	5,438	7,551	-2,113
Leicester City	20,721	39,421	-18,700
Melton	6,929	3,689	3,240
NW Leicestershire	8,960	5,953	3,007
Oadby & Wigston	2,402	3,011	-609
HMA Total	81,902	91,406	-9,504

6.9 However in addition to the supply identified in the above table, some authorities have identified further supply in land availability (SHLAA) studies. Beyond Leicester, this suggests some theoretical capacity to accommodate additional growth in most authorities. These SHLAA figures however need to be treated with caution as the land supply evidence is more up-to-date and comprehensive in some authorities than others, and studies do not necessarily adopt consistent assumptions such as on the application of constraints and existing policy filters in assessing what sites are deliverable or developable or in how density assumptions are applied.

6.10 Furthermore, infrastructure constraints and other issues associated with the cumulative impact of development may also restrict the scale of growth and when growth could come forward. The analysis in Table 6.4 should therefore be treated with a high level of caution.

Table 6.4 Comparing Current and Potential Supply to Standard Method LHN, 2020-36

	Identified Supply to 2036	SHLAA Potential Additional Capacity	Total Potential Supply	Authority LHN	Revised Shortfall/Surplus
Blaby	6,342	18,956	25,298	5,461	19,837
Charnwood	20,874	19,938	40,812	17,771	23,041
Harborough	10,236	9,819	20,055	8,550	11,505
Hinckley & Bosworth	5,438	23,130	28,568	7,551	21,017
Leicester City	20,721	0	20,721	39,421	-18,700
Melton	6,929	3,635	10,564	3,689	6,875
NW Leicestershire	8,960	13,281	22,241	5,953	16,288
Oadby & Wigston	2,402	3,060	5,462	3,011	2,451
HMA Total	81,902	91,819	173,721	91,406	82,315

6.11 We have also considered how the supply position compares to the figures arising from the emerging distribution (taking account of functional relationships and adjustments to support the economic growth scenarios). The results are shown in the table below. The analysis identifies a potential additional supply which could accommodate the emerging figures in most authorities, besides Oadby and Wigston.

Table 6.5 Comparing Current Potential Supply to Emerging Housing Need, 2020-36

	Initial Re-distribution (dpa)	Economic Adjustments (dpa)	Resultant Housing Need (dpa)	Housing Need, 2020-36	Total Potential Supply	Shortfall/ Surplus
Leicester	1,295		1,295	20,720	20,721	-
Blaby	655		655	10,473	25,298	14,825
Charnwood	1,400		1,400	22,401	40,812	18,411
Harborough	657		657	10,515	20,055	9,540
H&B	574		574	9,182	28,568	19,386
Melton	260	3	263	4,201	10,564	6,363
NW Leicestershire	424	182	606	9,696	22,241	12,545
Oadby & Wigston	448		448	7,170	5,462	-1,708
HMA Total	5,713		5,713	91,406	173,721	82,315

6.12 Oadby and Wigston’s supply position has therefore been considered further. OWBC has a strong functional relationship to Leicester, but is a particularly small authority which has some notable land supply constraints. OWBC has provided Iceni with information on potential additional SHLAA sites which have been submitted through a Call for Sites process but have not, at this stage, been subject to testing. Iceni has overlaid these on the current housing trajectory to consider a potential trajectory for their delivery, whilst including some provision for flexibility, and consider that this could support a housing requirement of 240 dpa over the period to 2036. As with other authorities, this will require further testing as the local plan preparation progresses but is considered to represent the theoretical potential capacity of the District. Having regard to the Borough’s local housing need of 188 dpa, this could equate to a 52 dpa contribution to unmet need.

6.13 The evidence thus shows that Oadby and Wigston will be unable to meet the full scale of redistributed need based on its functional relationship to Leicester, albeit that it could make a contribution to doing so (subject to Local Plan testing).

Adjustments to Support Deliverability

6.14 The final stage of analysis relates to the application of cross-checks on the market capacity to deliver the scale of growth envisaged by the above steps. The table below shows the implied rate of housing growth. The total dpa figure in the 2nd column takes the higher of the figures based on the functional relationship, economic-led housing need or residual plan requirement (in Melton’s case). For

Leicester and Oadby and Wigston it is informed by the assessment of potential capacity to accommodate growth.

- 6.15 The rate of growth in housing stock implied by the previous stages would see housing stock growth vary from 0.9% per annum in Leicester and 1.0% pa in Oadby and Wigston to 1.4% pa in Harborough; and 1.6% pa in Charnwood.⁶ The variation in the growth rates implied is significant and it is important, and consistent with the NPPF, that the figures for individual authorities are potentially deliverable.
- 6.16 Stock growth rates are used to provide a comparable analysis across different areas, recognising their different sizes, and consideration of wider benchmarks. The analysis recognises that actual completions data for individual authorities historically can be influenced by past planning policies and associated housing supply. At the aggregate level across Leicester and Leicestershire, the standard method figures are above historical housing delivery (which has averaged 4,133 dpa over the last 15 years or 5,255 dpa over the last 5 years).
- 6.17 Charnwood in particular stands out as having a much higher growth rate than other authorities, influenced by the layering of unmet need on a base position which represented a higher relative rate of housing growth than other areas.

Table 6.6 Reviewing Deliverability of Emerging Outcomes

	Total dpa	Total requirement over period to 2036	Stock Growth CAGR
Leicester	1,295	20,720	0.9%
Blaby	655	10,473	1.3%
Charnwood	1,400	22,401	1.6%
Harborough	657	10,515	1.4%
Hinckley & Bosworth	574	9,182	1.0%
Melton	300	4,800	1.2%
NW Leicestershire	606	9,696	1.2%
Oadby and Wigston	240	3,840	1.0%
L&L Total	5,727	91,628	1.2%

- 6.18 The table below shows the comparative rate of stock growth achieved in a range of other local authorities in the Midlands. There are relatively few authorities which have sustained more than 1.5% pa growth in the housing stock. Charnwood historically has seen a rate of growth of 1.1-1.2% per annum.

⁶ The base stock position is established using MHCLG / DHUHC Table 125. Growth rates are Compound Annual Growth Rates (CAGRs)

- 6.19 There are very few local authorities which have sustained housing growth rates over 1.4% over a sustained period of 15+ years covering different parts of the economic cycle and therefore there are considerable risks to sustaining higher rates of growth than this. We consider that it is advisable to therefore seek to moderate the scale of growth in Charnwood to this level in order to avoid localised issues of over-concentration of development and to ensure that the distribution of development supports the delivery of the identified housing need across Leicester and Leicestershire.
- 6.20 The cap of housing stock growth rates at 1.4% seems to avoid potential issues of overconcentrating development to a degree where issues of market absorption could potentially arise and limit the ability of local authorities to meet housing targets and/or result in unsustainable patterns of development. It is appropriate that different local authorities in the County contribute equitably to meeting unmet need from Leicester; and that the figures and distribution which results is deliverable.

Table 6.7 Strongest Growth Local Authorities in East and West Midlands

	2001-20 CAGR	2013-20 CAGR
South Derbyshire	1.7%	1.9%
Corby	1.5%	1.5%
North Kesteven	1.4%	1.0%
Kettering	1.3%	1.2%
Rugby	1.3%	1.3%
Stratford-on-Avon	1.3%	1.8%
Harborough	1.2%	1.5%
North West Leicestershire	1.2%	1.7%
Rutland	1.2%	1.3%
East Northamptonshire	1.2%	1.1%
South Northamptonshire	1.1%	1.5%
West Lindsey	1.1%	0.9%
South Holland	1.1%	1.0%
Daventry	1.1%	1.6%
Charnwood	1.1%	1.2%

Table 6.8 Historical Stock Growth Rates in Leicester and Leicestershire

	2001-20 CAGR	2013-20 CAGR
Blaby	1.0%	1.3%
Charnwood	1.1%	1.2%
Harborough	1.2%	1.5%
Hinckley and Bosworth	1.0%	1.0%
Leicester	0.9%	1.0%
Melton	0.8%	0.7%
North West Leicestershire	1.2%	1.7%
Oadby and Wigston	0.2%	0.5%
East Midlands	0.9%	0.9%

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- 6.21 Having regard to the comparative stock growth rates arising from the previous stages of analysis, as shown in Table 6.6, the potential to accommodate higher growth in Blaby, Melton, Hinckley and Bosworth and North West Leicestershire has been considered. Iceni in particular has considered the existing balance between jobs and homes in different areas, as shown through the jobs density data, and the prospects of further employment growth to arise. In particular we would note:
- The jobs density data points to net in-commuting to work in Blaby and (particularly) in North West Leicestershire. Additional housing provision in these areas will help to support more local living and working and reduce the need to travel;
 - Iceni would note the designation of the East Midlands Freeport. This aims to drive economic regeneration across the East Midlands but is focused spatially on three main sites: the East Midlands Airport and Gateway Industrial Cluster in North West Leicestershire, the Ratcliffe-on-Soar Power Station across the county border in Rushcliffe in Nottinghamshire, and the East Midlands Intermodal Park (EMIP) in South Derbyshire. The potential for a concentration of employment growth in the north of NW Leicestershire District close to the Airport and Castle Donnington is a relevant factor in considering the distribution of development;
 - Similarly in the south of the County, Iceni is aware of proposals for development of the Hinckley National Rail Freight Interchange, located close to Junction 2 of the M69, which are being progressed through the DCO process. At the current time this is not however a commitment and it is unclear whether it consent will be granted and therefore if the development will go ahead;
 - In contrast there is a weaker economic driver or prospect of strategic employment growth in Melton BC.
- 6.22 The HENA economic projections are principally a demand-based analysis, taking account of economic structure and sectoral growth opportunities, and do not specifically take account of supply-side factors.
- 6.23 Having regard to above factors, the final step in the methodology is therefore to make some manual adjustments to take account of these factors with a view to supporting a sustainable and deliverable distribution of development. The scale of adjustment applied to Blaby ensures that its housing need does not rise above a growth rate of 1.4% per annum so as to avoid an over-concentration of development. Modest upward adjustments of 85 dpa to Hinckley and Bosworth and 80 dpa to NW Leicestershire are proposed in order to support sustainable economic growth in these areas, a balanced distribution of housing across the County and avoid issues of spatial over-concentration whilst meeting (in the aggregate) the standard method local housing need across Leicester and Leicestershire.

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- 6.24 The analysis points to the potential for the local market in Hinckley and Bosworth to absorb a higher rate of housing delivery, and an additional uplift has been applied of 85 dpa applied to Hinckley and Bosworth. The effect of this is to raise the growth rate expected in Hinckley and Bosworth to 1.2% pa, a level more akin to that anticipated in other parts of the HMA beyond Leicester and Oadby and Wigston where there are strategic land supply constraints to increasing delivery further. This is considered reasonable recognising the accessibility of the Borough to employment opportunities both locally and in areas immediately adjoining it (including within Warwickshire). The resultant table overleaf shows the conclusions of the analysis.
- 6.25 At the HMA level, these figures thus meet the standard method LHN. It should be noted that these figures need to be tested through the plan-making process and sustainability appraisal to ensure that these scales of growth are achievable.
- 6.26 These figures are intended, alongside other evidence, to inform the setting of housing requirement figures to 2036. Supply-side contingency to allow for slippage or delay in sites coming forwards should be considered separately.

Table 6.9 Proposed Interim Distribution of Housing Provision to 2036

dpa	Leicester	Blaby	Charnwo od	Harbo- rough	H & B	Melton	NWL	O & W	L & L
Standard Method LHN	2464	341	1111	534	472	231	372	188	5713
Amount to be redistributed from Leicester	1169								
Redistribution based on functional relationship to Leicester		27%	25%	11%	9%	2%	4%	22%	
Additional dpa		313	289	123	102	29	52	260	1169
Distribution based on Functional Relationship	1295	655	1400	657	574	260	424	448	5713
Adjustments to support Future Economic Growth						3	182		185
Adjustments based on Current Plan Provision and Land Supply						37		-208	-171
Residual Distribution with Adjustments	1295	655	1400	657	574	300	606	240	5727
Implied Stock Growth (CAGR, 2020-36)	0.9%	1.3%	1.6%	1.4%	1.0%	1.2%	1.2%	1.0%	1.2%
Final Adjustments to Support Deliverability and Manage Commuting		32	-211		85		80		
Proposed Redistributed Housing Provision (dpa 2020-36)	1295	687	1189	657	659	300	686	240	5713
Stock Growth CAGR		1.4%	1.4%	1.4%	1.2%	1.2%	1.3%	1.0%	1.2%

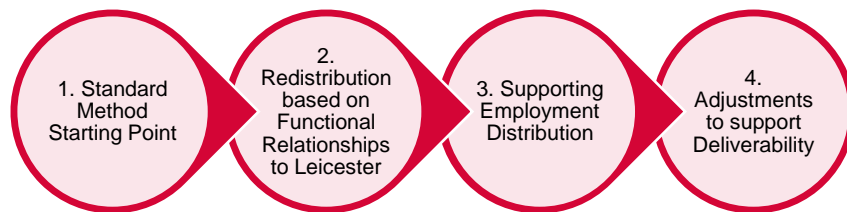
7. CONCLUSIONS AND SUMMARY

- 7.1 The standard method indicates a need for 91,400 homes across the Leicester and Leicestershire Housing Market Area (HMA) over the 2020-36 period. However Leicester has a constrained land supply, resulting in an unmet need of 18,700 homes arising from the City. The authorities in the HMA are required through national policy to work together to address this and agree a revised distribution of housing provision through the Duty to Cooperate.
- 7.2 The authorities within Leicester and Leicestershire have prepared a Strategic Growth Plan (SGP), which was published in 2018, and sets out a long-term strategy for growth in the sub-region. There are a number of other workstreams in progress which will inform a review of the SGP including this Study, and other work considering potential strategic development options and strategic transport options.
- 7.3 However there can be a lead-in time of 10 years or more to delivery of strategic sites, particularly where strategic infrastructure investment is needed to bring them forwards, and therefore it is necessary to consider an **interim** distribution of unmet housing need over the period to 2036 within the housing market area (HMA). The HENA brief seeks advice from IcenI on this and we have been asked to provide advice on a **manual** or formulaic redistribution which could be applied in distributing Leicester's unmet housing need on an interim short-to-medium term basis.
- 7.4 IcenI, in consultation with L&L officers, have identified three broad considerations in assessing the distribution of homes/ unmet need:
- Functional relationship between different authorities and Leicester;
 - Local alignment of jobs and homes; and
 - Deliverability, which incorporates issues of both land supply and market capacity.
- 7.5 Our approach treats the standard method as a minimum level of provision for each Leicestershire local authority, as individual local plans would be expected (in line with the NPPF) to meet their own need using the standard method.
- 7.6 The first step is then to consider the redistribution of Leicester's unmet need. To do so we have considered the functional relationship of the different Leicestershire authorities with the City, taking account of migration and commuting relationships between the authorities (in both directions). This generates an initial distribution of unmet need.

7.7 Adjustments are then made to this distribution to align with the spatial distribution of future employment growth over the period to 2036, to promote a balance in the delivery of jobs and homes at a local level and limit the need to travel. This seeks to **locate houses close to where job opportunities arise** so as to provide additional labour where it is needed.

7.8 The third key consideration relates to **the deliverability of the distribution of development**. This reviews the findings arising against the previous steps, takes into account where authorities are already planning for higher growth or on the other hand where there are land supply constraints which might restrict the scale of development which can be accommodated. It then considers the comparative rate of housing growth implied in different areas and makes adjustments to the distribution to support the deliverability of the distribution proposed, and to ensure that all authorities are contributing proportionally (having regard to their local housing markets) to the unmet need. In doing so it seeks to avoid over-concentrating development in specific areas which could result in localised market capacity issues which inhibit the delivery of overall housing need. This final stage also has regard to the existing balance between jobs and homes in an area and whether higher housing provision might help to improve this balance.

Figure 7.1: Overview of Housing Distribution Methodology



7.9 This Paper uses this process to define the following possible distribution of housing need across the L&L authorities over the period to 2036.

Table 7.1 HENA Potential Housing Distribution

	Housing Provision, 2020-36⁷	dpa	Stock Growth CAGR
Leicester	20720	1295	0.9%
Blaby	10985	687	1.4%
Charnwood	19025	1189	1.4%
Harborough	10515	657	1.4%
Hinckley & Bosworth	10542	659	1.2%
Melton	4800	300	1.2%
NW Leicestershire	10976	686	1.3%
Oadby and Wigston	3840	240	1.0%
HMA Total	91404	5713	1.2%

- 7.10 These figures will need to be tested through the plan-making process and sustainability appraisal to ensure that these potential scales of growth are achievable. They are intended to help inform, alongside other evidence, the setting of housing requirement figures to 2036. The longer-term distribution of growth should be informed by the strategy in the Strategic Growth Plan (or review thereof).

⁷ The dpa figures are rounded to the nearest integer