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Leicester & Leicestershire Housing & Economic Needs Assessment

Final Report

Iceni Projects Limited on behalf of Leicester &
Leicestershire Local Authorities

April 2022

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& LEICESTERSHIRE LOCAL
AUTHORITIES

**Leicester & Leicestershire Housing &
Economic Needs Assessment**
FINAL REPORT

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1. INTRODUCTION

- 1.1 The Leicester and Leicestershire Local Planning Authorities have a history of working together in partnership to address strategic planning matters. The authorities agreed a non-statutory Strategic Growth Plan in 2018 to coordinate future development and investment and the delivery of strategic infrastructure to 2050. This was informed by the 2017 Housing and Economic Development Needs Assessment (“2017 HEDNA”).
- 1.2 Updated evidence is however now needed to take account of changes in economic and housing market dynamics, national policy changes including the revised NPPF and introduction of the standard method for calculating housing need, and to provide an up-to-date evidence base which can inform the progression or review of local plans, consideration of whether a review of the Strategic Growth Plan is required, and development management decisions on individual planning applications.
- 1.3 Leicester City Council, Leicestershire County Council, the seven local Borough and District authorities in Leicestershire, along with the Leicester & Leicestershire Local Enterprise Partnership (LLEP) have therefore commissioned Icen Projects, together with Cambridge Econometrics (CE) and Justin Gardner Consulting (JGC) to prepare this Housing & Economic Needs Assessment (“HENA”).

Scope of the HENA

- 1.4 The Assessment is intended to provide updated evidence regarding the overall need for housing, and type and mix of housing needed; together with an assessment of the quantity and type of employment land needed to inform local and strategic plans in Leicester and Leicestershire. It is intended to support a coordinated approach across the Functional Economic Market Area (FEMA) to providing employment opportunities to help with economic recovery / growth following Brexit and the COVID19 pandemic.
- 1.5 Specific objectives of the Assessment are:
- To assess whether the Housing Market Area (HMA) and Functional Economic Market Area (FEMA) are still fit-for-purpose;
 - To provide an evidence-based, policy compliant assessment of the future economic needs of Leicester & Leicestershire and the requirement for employment land and premises to 2050;
 - To provide an up-to-date housing mix, type and affordability evidence that updates the 2017 Leicester & Leicestershire HEDNA that identifies the optimum mix of housing and affordable

housing requirements as well as the headline need for specialist accommodation set in the context of overall housing requirements;

- To assess the short, medium and long-term impacts of COVID19 and BREXIT on the Leicester & Leicestershire economy generally and specifically the need for employment land and premises, and to consider the implications of this for housing growth and distribution;
- To assess whether there are robust reasons to depart from the Standard Method for calculating future housing needs – including any economic and employment-led reasons;
- To inform understanding of the links and relationships between future housing need and future employment needs (including mix and type). This includes considering whether employment forecasts justify an uplift and/or redistribution of housing and/or whether the housing requirements would justify a redistribution of employment land;
- To take into account other evidence in arriving at conclusions including the Strategic Warehousing & Logistics Study 2021 and LLEP Economic Growth Strategy 2021-30 and what contribution these make to future employment requirements in the FEMA and individual local authorities and any effects for employment and housing distribution;
- To inform consideration of the potential distribution of homes to local authorities in the housing market area to meet unmet housing needs arising from Leicester City;
- To provide an overview of Leicester & Leicestershire's future employment role in different sectors in light of existing and predicted market strengths and changing economic landscape;
- To provide a basis for future evidence gathering including an assessment of transportation impacts and more detailed environmental impacts.

- 1.6 Alongside the preparation of this Assessment, the authorities have also commissioned preparation of Strategic Transport Evidence and a Strategic Growth Options & Sites Study. These various components of the evidence base will be brought together to inform the future strategy for the scale and distribution of housing and employment growth within the area, with reasonable alternatives tested through the plan-making and Sustainability Appraisal process.

Functional Housing and Economic Geographies

- 1.7 The 2017 HEDNA examined the extent of the housing and functional economic market areas in great detail, concluding that a 'best-fit' housing market area based on local authority boundaries included Leicester and all of the Leicestershire authorities. It however identified housing market inter-relationships with some surrounding areas including between parts of NW Leicestershire and South Derbyshire; between parts of Melton and Rushcliffe in Nottinghamshire; and with Nuneaton and Bedworth in Warwickshire.

-
- 1.8 The HEDNA similarly defined a Leicester and Leicestershire Functional Economic Market Area (FEMA) reflecting strong economic relationships between the City of Leicester and Leicestershire and high commuting self-containment within the area, the LEP geography (which was established in 2010 to reflect functional economic boundaries) and coordination of wider administrative functions at this level, the retail hierarchy and role of Leicester City Centre and Fosse Park as higher order centres which attract shoppers from across Leicestershire, as well as the concentration of leisure/cultural facilities in Leicester (and to a lesser extent Loughborough).
- 1.9 The HENA has reviewed the housing and economic geographies. The detailed analysis is set out in **Appendix A1**. It finds that the main towns across Leicestershire all fall within the boundaries of a Leicester-focused Travel to Work Area. Whilst house prices vary spatially within the Study Area¹, with higher prices in Harborough District and lower values in Leicester, the price geography or dynamics have not substantively changed since 2017. It concludes that the Leicester and Leicestershire authorities are an appropriate 'best fit' for the functional HMA using local authority boundaries.
- 1.10 The FEMA geography has been reviewed through the analysis of economic and commuting inter-relationships. It reinforces the 2017 HEDNA findings of a Leicestershire FEMA with a central City and wider hinterland; with market towns – Coalville, Loughborough, Melton Mowbray, Hinckley and Market Harborough – sitting within this. Leicester and Leicestershire remains a good approximation for the Greater Leicester FEMA. Leicester's influence appears to also extend across the A5 to Nuneaton. However, Lutterworth is shown as relating more strongly towards Rugby; and Castle Donington/Kegworth towards Derby. The north-eastern part of Leicestershire, beyond Melton Mowbray and including settlements such as Bottesford, are less well integrated into the Leicester economy, with relationships towards Grantham and Nottingham.
- 1.11 The evidence however points to a wider sub-regional market for logistics/distribution development which extends to include 21 local authorities extending along the M1 from Milton Keynes to Nottingham/Derby and across to Birmingham. The prime location within this area – the core Golden Triangle – stretches from Leicester to Rugby and Coventry. This geography reflects the area's central location within England and strategic road and rail connectivity (with most major population centres within a 4.5 hour drivetime).
- 1.12 The conclusions that Leicester and Leicestershire is an appropriate best fit housing market and functional economic market area support the basis of the authorities working together to prepare

¹ The 'Study area' in this report refers to Leicester and Leicestershire

evidence such as this. The localised cross-boundary interactions with other areas may however be relevant in considering the impacts of specific major development proposals.

Report Structure

- 1.13 The remainder of the report is structured in four parts:
- Part 1: Economic and Property Market Dynamics
 - Part 2: Future Development Needs
 - Part 3: Need for Different Types of Homes
 - Part 4: Conclusions and Recommendations
- 1.14 The long-term distribution of development in the sub-region is to be informed by the review of the Strategic Growth Plan, which was first published in 2018. A separate **Housing Distribution Paper** has been prepared by Icení which considers the potential distribution of housing to address unmet needs from Leicester in particular to 2036. An **Employment Distribution Paper** addresses issues of unmet employment land needs from Leicester.
- 1.15 Supplementary data is included in associated appendices which sit within a separate document. A separate **Executive Summary** has also been prepared.

PART 1: ECONOMIC & PROPERTY MARKET DYNAMICS

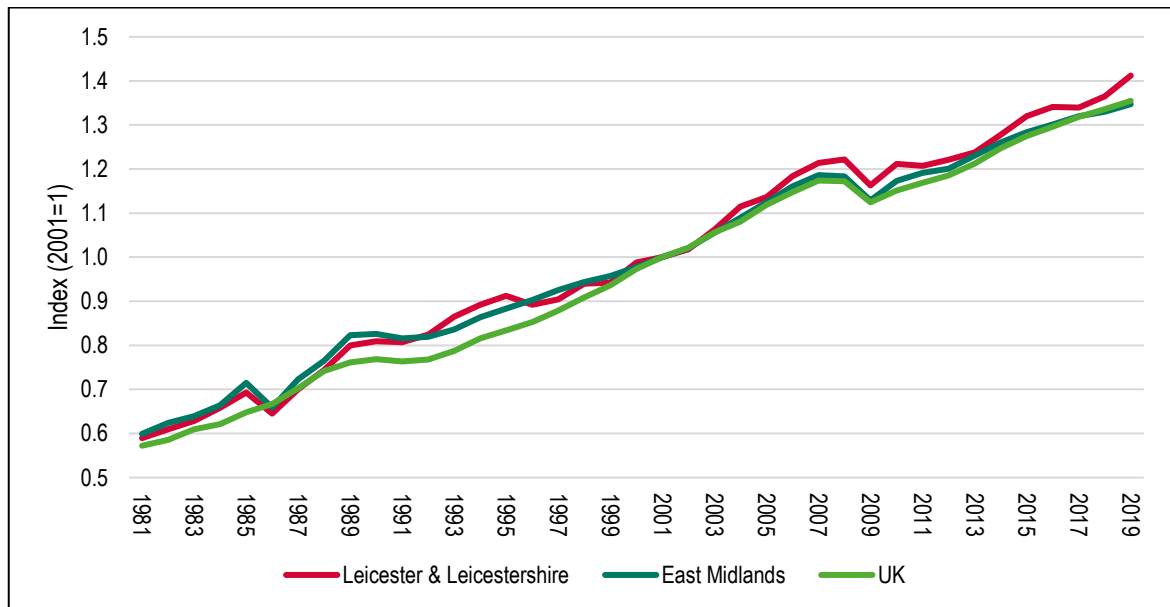
2. ECONOMIC BASELINE

- 2.1 This section of the report provides a profile of the sub-regional economy and its past performance and considers labour market dynamics.

Economic Size and Structure

- 2.2 Leicester and Leicestershire is a £27 billion economy, accounting for 24% of East Midlands GVA. As the analysis below shows, growth in GVA has slightly out-performed regional and national trends with growth of 41% achieved between 2001-19 compared to 35% at a regional and national level. This in particular reflects stronger performance over the period since 2013.

Figure 2.1: Historical GVA Growth



Source: Icen analysis of CE data

- 2.3 An analysis of the contribution to GVA of different sectors points to the important role of the manufacturing sector, which accounts for 16.5% of GVA; to wholesale, transport and warehousing and postal activities, which account for 9.8% of GVA; and to the education sector which accounts for 7.7% of GVA. Overall the service sector accounts for around 61% of total GVA.
- 2.4 Over the period since 2001, manufacturing GVA has however fallen (by 8%, an average of -0.5% pa) with service sector activities driving growth in the sub-regional economy. The sectors which have contributed most strongly to GVA growth are shown below. This includes sectors associated both with offices and warehousing, together with utilities, construction, health and education. A Compound Annual Growth Rate (CAGR) is shown which describes the average sectoral growth rate per year over the 2001-19 period.

Table 2.1 Sectors driving growth in GVA, 2001-19

	GVA 2001 £ million	GVA Growth 2001-19 £ million	% Growth	% CAGR
Electricity & gas	486.628	674.851	138.7%	5.0%
Business support services	688.306	622.678	90.5%	3.6%
IT services	390.863	559.694	143.2%	5.1%
Health	669.177	549.912	82.2%	3.4%
Retail trade	801.626	539.659	67.3%	2.9%
Wholesale trade	783.811	524.303	66.9%	2.9%
Warehousing & postal	410.094	459.953	112.2%	4.3%
Real estate	350.596	457.092	130.4%	4.7%
Construction	1552.684	419.482	27.0%	1.3%
Education	1664.01	398.782	24.0%	1.2%
Head offices & management consultancies	102.577	361.499	352.4%	8.7%
Motor vehicles trade	291.136	266.532	91.5%	3.7%
Other professional services	395.766	231.338	58.5%	2.6%

Source: Icen analysis of CE data

- 2.5 Leicester City has the largest economy within the sub-region, accounting for a third of its total GVA. Blaby, Charnwood and NW Leicestershire are similar sized (13-15% of total GVA) with Melton and Oadby and Wigston making a notably smaller contribution.
- 2.6 Blaby, NW Leicestershire and Leicester have seen the strongest comparative growth in GVA over the period since 2001, with growth rates in these authorities exceeding regional/ national averages and driving the sub-region's overall performance. In contrast, growth has been weaker and notably below average in Melton, Oadby and Wigston and Harborough. The strongest recent growth (post 2011) has been in NW Leicestershire and Blaby. This is a reflection of a combination of factors, including the sectoral structure and where development has taken place.

Table 2.2 GVA Growth by L&L Authority

	2019 Share of GVA	GVA Growth, 2001-19 CAGR	GVA Growth, 2011-19 CAGR	% L&L GVA Growth 2011-19
Leicester	33%	2.1%	2.2%	36%
Blaby	15%	3.2%	2.5%	18%
Charnwood	14%	1.1%	1.6%	11%
NW Leicestershire	14%	2.4%	3.1%	20%
Harborough	8%	1.2%	0.7%	3%
Hinckley & Bosworth	9%	1.6%	1.7%	8%
Melton	4%	1.1%	1.0%	2%
Oadby & Wigston	4%	1.1%	1.1%	2%
L&L		1.9%	2.0%	
East Midlands		1.7%	1.6%	
UK		1.7%	1.9%	

Source: Icen analysis of CE data

- 2.7 85% of growth in GVA over the 2011-19 period has been focused in Leicester, Blaby, NW Leicestershire and Charnwood; with Leicester alone accounting for 36%. Relative to the workforce distribution, growth has been stronger in Blaby and NW Leicestershire in particular (but weaker in Harborough and Oadby and Wigston in the south of the County).
- 2.8 Estimated GVA per job, as a measure of the relative productivity of the economy, sits between the regional and national averages as Table 2.3 shows. It is 9% below the UK average across Leicester and Leicestershire – although this is skewed by London’s role as a global City. It is however 7% above the East Midlands average.
- 2.9 Within the sub-region, the highest productivity performance appears to be in Blaby and North West Leicestershire (as Table 2.3 shows) – those areas which have seen the strongest recent relative growth. This is partly a reflection of the strength of the M1 Corridor as an economic driver. It is below the regional average in Harborough and Oadby and Wigston.

Table 2.3 Productivity - GVA per Job

	GVA, £m 2018	Total Employment (‘000s), 2018	GVA per Job
Leicester	8,309	174.4	£47,644
Blaby	3,877	67.1	£57,758
Charnwood	3,581	73.3	£48,847
Harborough	2,138	47.8	£44,728
Hinckley and Bosworth	2,317	48.1	£48,171
Melton	1,209	23.9	£50,605
North West Leicestershire	3,636	66.2	£54,944
Oadby and Wigston	843	19.2	£43,982
L&L Total	25,910	520.0	£49,830
East Midlands	108,966	2347.3	£46,423
UK	1,908,608	34948.0	£54,613

Source: Icen analysis of CE data

- 2.10 Total employment in 2019 across Leicester and Leicestershire is estimated at 551,000 jobs. Manufacturing is the largest sector in employment terms, accommodating 67,700 jobs. The next largest sectors are health and education (which are typically large employers across a range of geographical areas).
- 2.11 A location quotient (LQ) analysis has been used to assess the relative representation of sectors relative to that seen across the East Midlands region and UK.
- 2.12 The sectoral structure across Leicester and Leicestershire is relatively similar to that seen more widely across the region, with a slightly greater proportion of employment in education and professional services being seen.
- 2.13 Relative to the structure of the economy nationally, a strong concentration of employment in manufacturing is evident (LQ 1.6) as well as activities associated with warehousing/logistics (such as wholesale trade, warehousing and postal). There is a slightly higher representation of education employment – which is likely to be influenced by the presence of the three universities. There is also a strength in utilities, albeit that actual job numbers are modest.

Table 2.4 Employment Structure and LQ Analysis – Leicester & Leicestershire, 2019

	L&L Total ('000s)	% Jobs	LQ vs East Midlands	LQ vs UK
Manufacturing	67.7	12.3%	1.0	1.6
Health & care	55.5	10.1%	0.8	0.8
Education	54.3	9.9%	1.1	1.2
Professional services	50.5	9.2%	1.2	1.0
Retail trade	46.6	8.5%	1.0	1.0
Business support services	42.9	7.8%	1.0	0.9
Construction	33.3	6.1%	1.0	0.9
Wholesale trade	29.5	5.3%	1.0	1.5
Accommodation & food	29.4	5.3%	0.9	0.8
Public Administration & Defence	22.2	4.0%	1.1	0.9
Warehousing & postal	19.6	3.6%	1.1	1.5
Other	15.2	2.8%	1.0	1.0
ICT	14.4	2.6%	1.0	0.6
Arts & rec.	13.6	2.5%	0.9	0.9
Transport	11.6	2.1%	0.8	0.8
Financial & insurance	10.8	2.0%	1.2	0.6
Motor vehicles trade	10.2	1.9%	1.0	1.0
Utilities	8.8	1.6%	1.2	1.6
Real estate	8.1	1.5%	1.0	0.9
Agriculture, mining	6.5	1.2%	0.9	0.9
Total	550.8	100.0%	1.0	1.0

Source: Icen analysis of CE data

- 2.14 The sectoral structure points to the influence of the history of manufacturing activity in the sub-region; together with a comparative advantage derived from its central location within the UK and accessibility across the country by road and rail. These factors underpin its strength as a manufacturing and distribution location.
- 2.15 The universities are also an important economic asset and potential hubs of innovation; with other major assets including the MIRA Technology Park as a focus for automotive R&D activity together with the concentration of pharmaceutical activities in Loughborough, influenced by the historical presence of Astra Zeneca (and legacy lab space).
- 2.16 We next consider further the structure of the manufacturing sector. Manufacturing activity is spread across a range of sectors and activities. The three largest manufacturing sub-sectors are food and drink manufacturing; textiles manufacturing; and metals, as Table 2.5 shows. In contrast to other parts of the Midlands, there isn't a significant concentration of employment in car/vehicle manufacturing; whilst pharmaceutical manufacturing is not strongly represented at a Leicestershire level.

- 2.17 The analysis points to some higher value manufacturing activities, such as machinery, in which there is a reasonable representation. However in contrast, employment and GVA in notably higher value activities such as electronics, pharmaceuticals or chemicals is less strong. A number of the key manufacturing sub-sectors such as food and drink and textiles are reasonably lower value; albeit within a context in which productivity per job across the range of manufacturing sub-sectors is generally higher than many service sector activities.

Table 2.5 GVA and Employment in Manufacturing Sub-Sectors

	GVA 2019 (£ million)	Employment 2019 (000s)	GVA per Job
Food, drink & tobacco	971.5	13.4	£72,408
Textiles etc	750.3	12.7	£59,105
Metals & metal products	454.2	8.2	£55,306
Machinery	443.0	4.6	£97,226
Non-metallic mineral products	317.3	6.3	£50,172
Other manufacturing & repair	293.4	5.5	£53,307
Wood & paper	278.3	5.7	£48,722
Electronics	270.8	2.5	£107,559
Other transport equipment	175.8	3.0	£58,024
Pharmaceuticals	133.0	0.8	£160,650
Electrical equipment	106.8	1.3	£85,124
Printing & recording	104.5	2.0	£52,387
Chemicals	92.3	0.9	£100,067
Motor vehicles	27.6	0.8	£36,138

Source: Icen analysis of CE data

- 2.18 The chart below (Table 2.6) shows the structure of employment by LA district. We have highlighted those sectors in which there is a particular specialism, showing in light orange those with a LQ of between 1.5 – 1.9, and in dark orange those with a LQ of over 2.0.
- 2.19 Manufacturing is strong across the sub-region but is particularly strongly represented in Melton and Hinckley and Bosworth. Wholesale trade and warehousing and postal activities are represented across a number of authorities (beyond Leicester), with particular concentrations in Harborough (influenced by Magna Park) and NW Leicestershire (influenced by Bardonia, EM Distribution Park etc).

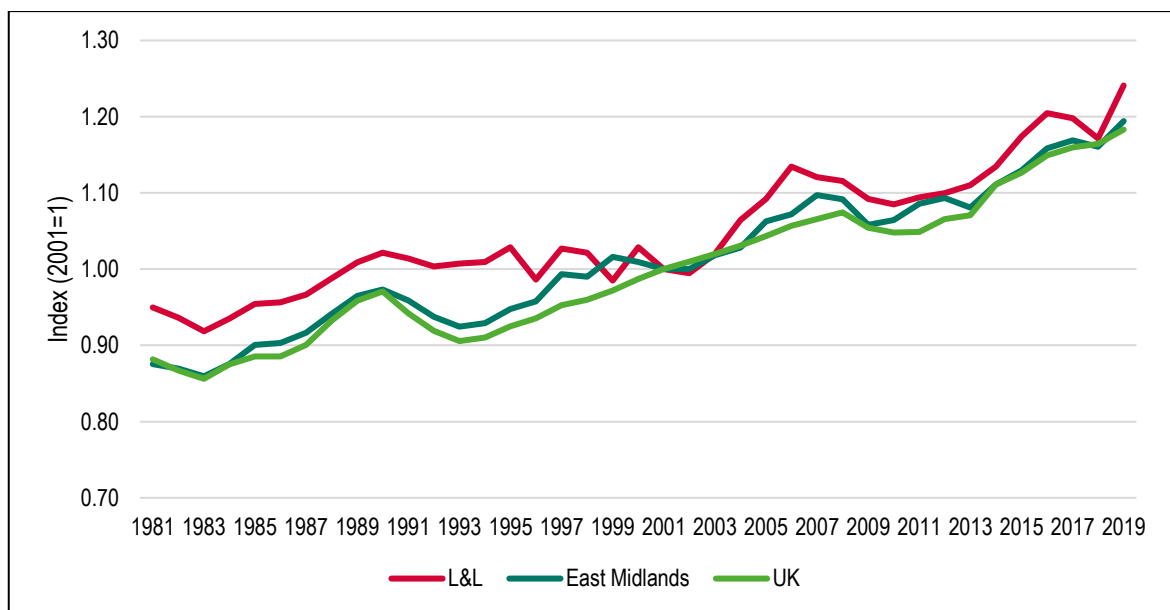
Table 2.6 Sectoral Structure by District/Borough, 2019

	Leicester	Blaby	Charnwood	Harborough	Hinckley & Bosworth	Melton	NW Leicestershire	Oadby & Wigston	L&L Total
Total Jobs, 2019	190.6	70.3	78.5	47.3	49.4	22.3	70.3	22.2	550.8
Manufacturing	13.4%	6.9%	12.3%	6.8%	15.6%	21.9%	12.8%	13.1%	12.3%
Health & care	16.3%	6.2%	8.3%	7.0%	7.0%	6.2%	4.5%	10.7%	10.1%
Education	12.5%	4.1%	14.2%	7.1%	8.5%	9.3%	6.0%	11.8%	9.9%
Professional services	5.5%	19.5%	8.8%	9.3%	8.9%	9.0%	10.6%	5.1%	9.2%
Retail trade	8.1%	10.5%	9.1%	7.5%	9.0%	8.7%	6.2%	10.6%	8.5%
Business support services	8.3%	5.7%	6.5%	7.8%	8.3%	6.8%	10.2%	6.9%	7.8%
Construction	4.5%	7.0%	7.1%	7.9%	6.1%	4.9%	6.9%	7.3%	6.1%
Wholesale trade	4.4%	3.4%	5.9%	7.9%	5.5%	4.8%	6.4%	8.6%	5.3%
Accommodation & food	4.5%	4.6%	5.6%	6.8%	6.3%	6.8%	5.5%	6.3%	5.3%
Public Administration & Defence	5.0%	10.2%	2.3%	2.1%	1.4%	2.2%	1.3%	3.1%	4.0%
Warehousing & postal	1.2%	2.4%	1.7%	10.7%	4.3%	1.4%	9.3%	1.0%	3.6%
Other Services	2.5%	2.1%	3.5%	3.1%	2.8%	4.3%	2.9%	2.0%	2.8%
ICT	3.0%	1.9%	2.8%	3.3%	2.1%	1.0%	2.9%	1.6%	2.6%
Arts & rec.	2.5%	1.6%	3.2%	2.3%	2.8%	2.8%	1.6%	4.3%	2.5%
Transport	1.7%	1.4%	2.4%	2.0%	1.8%	1.9%	3.6%	2.5%	2.1%
Financial & insurance	2.5%	3.6%	1.0%	1.4%	1.1%	1.0%	1.4%	1.6%	2.0%
Motor vehicles trade	1.6%	1.6%	2.3%	2.3%	2.6%	1.6%	1.9%	1.2%	1.9%
Utilities	0.7%	5.6%	0.5%	0.8%	3.3%	0.9%	1.2%	0.2%	1.6%
Real estate	1.4%	1.0%	1.4%	1.7%	1.3%	2.1%	2.0%	1.3%	1.5%
Agriculture, mining	0.4%	0.6%	1.1%	2.2%	1.4%	2.3%	2.8%	0.6%	1.2%

Source: Icenis analysis of CE data

- 2.20 It is notable that the concentration of utilities employment is particular driven by employment in Hinckley and Bosworth but the concentration may be changing as Cadent Gas are moving out of the Borough. Total employment in this sector is modest.
- 2.21 Agricultural activities are relatively strongly represented in the more rural districts: NW Leicestershire, Melton and Harborough; albeit this overall is a relatively small sector.
- 2.22 Prior to 2001, employment growth was comparatively weaker in Leicester & Leicestershire than across the region or nationally; notably with employment levels which remained fairly stable between 1989-2001. The sub-region then experienced a period of rapid economic growth between 2001-2006, but then a more notable drop in employment from 2006-2010 (with total employment indeed falling prior to the recession). Over the more recent period since 2011, the sub-region has outperformed wider areas – seeing employment growth of 13.4% between 2011-19 compared to 12.8% across the UK and 10.0% across the East Midlands.

Figure 2.2: Employment Growth vs Wider Comparators



Source: Icen analysis of CE data

- 2.23 Overall between 2011-19 total employment increased by 65,200. The performance of individual districts within the sub-region has varied. NW Leicestershire and Blaby have seen the strongest

employment growth (consistent with the picture for GVA). In contrast total employment appears to have contracted in Melton and Harborough.²

² The latter marginally and specifically affected by the two dates selected and variability in total employment data year-on-year

Table 2.7 Employment Growth, 2011-19

000s	Employment, 2011	Employment, 2019	Change ('000s)	% Change
Leicester	168.0	190.6	22.6	13.5%
Blaby	55.8	70.3	14.5	25.9%
Charnwood	69.5	78.5	9.0	12.9%
Harborough	47.8	47.3	-0.5	-1.0%
Hinckley & Bosworth	44.2	49.4	5.2	11.7%
Melton	24.6	22.3	-2.3	-9.4%
NW Leicestershire	54.1	70.3	16.2	30.0%
Oadby & Wigston	21.7	22.2	0.6	2.7%
L&L	485.7	550.8	65.2	13.4%
East Midlands	2,196.3	2415.2	218.9	10.0%
UK	31,486.0	35517.0	4031.0	12.8%

Source: Icen analysis of CE data

- 2.24 We have sought to appraise net changes in employment by sector. Leicester's strong relative performance (in absolute terms) reflects growth in manufacturing employment, together with growth in education and health and professional services in particular. Financial and professional services has seen the largest employment growth in Blaby and in NW Leicestershire, with notable growth in retail jobs in Blaby (because of the significant expansion of Fosse Park) and business support in NW Leicestershire. Harborough has seen growth in financial and professional services, which may be in part home-based businesses, but has seen this offset by falls across a number of other sectors.
- 2.25 Employment growth in Hinckley and Bosworth has been driven by wholesale/warehousing activities; financial and professional services; and education. In Melton, the manufacturing sector has performed generally well, with some growth in more higher value services. Oadby and Wigston's performance has particularly been affected by the decline in manufacturing jobs, with wholesaling and a number of other service sector activities seeing modest growth.

Table 2.8 Employment Change by Sector, 2011-19

000s	Leicester	Blaby	Charnwood	Harborough	Hinckley & Bosworth	Melton	Leicestershire NW	Oadby & Wigston
Agriculture, Mining	-0.5	-0.4	-0.8	-1.0	-0.2	-0.4	1.0	-0.2
Manufacturing	5.3	0.5	0.0	-0.2	-0.3	0.1	0.8	-1.3
Utilities	-1.2	2.8	0.0	0.0	0.9	0.0	0.3	0.0
Construction	1.0	0.4	0.6	-0.1	-0.2	-0.6	1.3	0.2
Retail	1.2	1.4	0.1	-0.2	0.9	-0.9	0.5	-0.2
Wholesale, Transport, Warehousing	1.2	-1.3	1.8	-0.8	1.6	-0.2	0.9	0.7
Accommodation & Food	0.6	-0.1	0.8	0.5	0.4	0.1	0.9	0.3
Media, IT	1.8	0.3	0.6	0.2	-0.1	-0.4	0.9	0.1
Financial & Prof Services	4.5	8.1	1.4	1.5	1.5	0.7	5.2	0.3
Business Support Services	-0.2	0.6	1.3	-0.9	-0.5	0.2	2.7	0.3
Public Admin	-1.9	1.4	-0.2	0.0	-0.1	0.0	-0.1	-0.1
Education	5.6	0.6	1.9	0.4	1.0	0.1	0.7	0.4
Health	5.5	0.6	0.6	0.2	0.4	-0.2	0.2	0.0
Arts, Recreation & Other Services	-0.2	-0.4	0.8	-0.2	0.0	-0.7	0.9	-0.1
Total	22.6	14.5	9.0	-0.5	5.2	-2.3	16.2	0.6

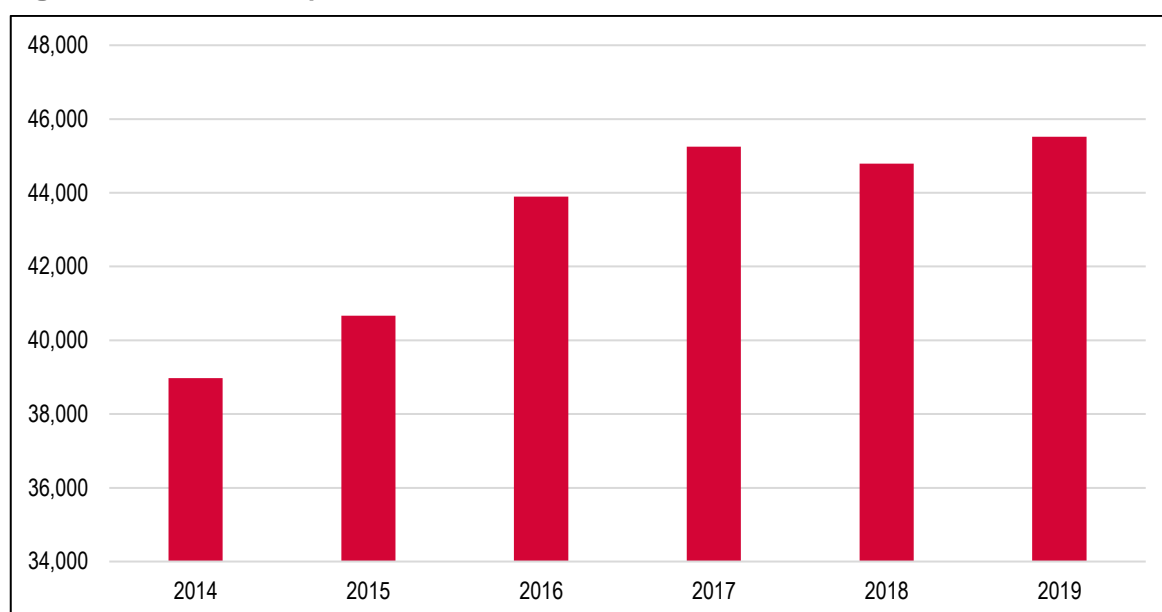
Source: Icen analysis of CE data

- 2.26 We understand from data provided by Leicester City's Economic Regeneration Team that across the sub-region, graduate retention stands at 26.9% which is well below the national average of 48.4%. This is based on the position in 2017 from the national Graduate Outcomes Survey. A new national Graduate Outcomes Survey should provide more up-to-date data later this year.
- 2.27 Relatively low graduate retention in the sub-region is influenced by the focus of the economy towards SMEs and a lack of larger employers who are key graduate employers. Changing working practices, with growth in home-based working particularly in office-based activities, could however improve graduate retention in the sub-region in the future.

Business Base

- 2.28 The number of active enterprises in Leicester and Leicestershire grew by 17% between 2014-19, which was in line with the national average and slightly out-performed growth at a regional level (16%). As Figure 2.3 below shows, much of this growth was between 2014-17.

Figure 2.3: Active Enterprises – Leicester and Leicestershire



Source: ONS Business Demography Statistics

- 2.29 An assessment of the density of businesses, relative to the working-age resident population, shows the highest business densities in Harborough and Melton; albeit that the business density is also above regional average in most authorities with the exception of Leicester and Charnwood.

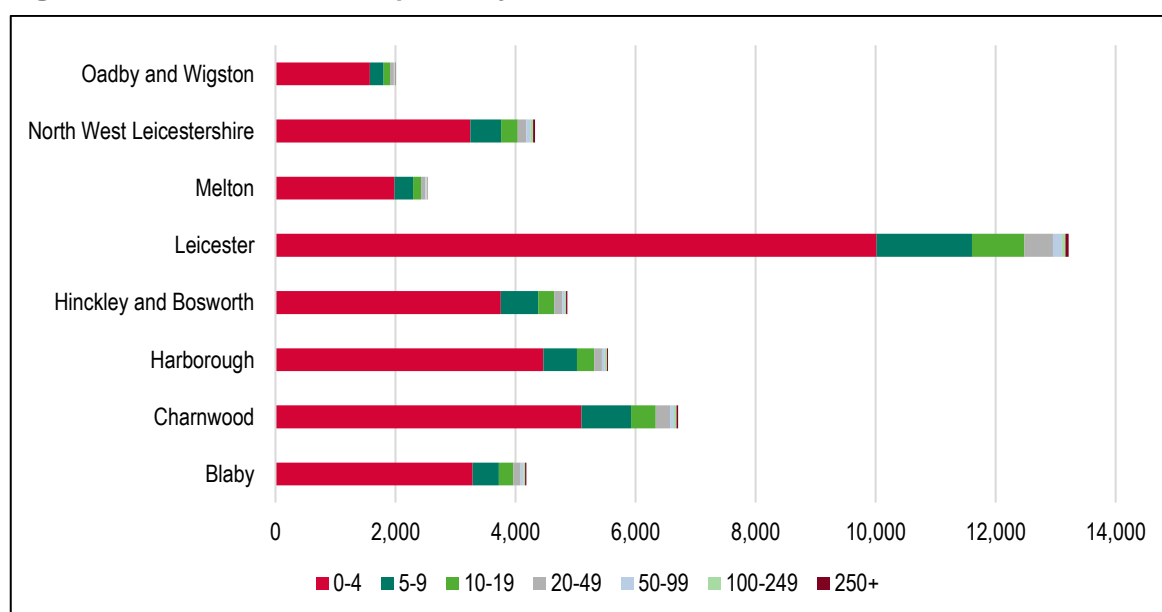
Table 2.9 Business Density, 2019

	Active Enterprises, 2019	Enterprises per 1000 Population 16-64
Blaby	4,290	70
Charnwood	7,320	61
Harborough	5,370	96
Hinckley and Bosworth	5,065	74
Leicester	14,175	60
Melton	2,380	78
North West Leicestershire	4,670	73
Oadby and Wigston	2,250	66
L&L	45,520	68
East Midlands	194,645	65
UK	2,990,320	85

Source: Iceni analysis of ONS Business Demography Statistics

- 2.30 Across the sub-region, 89% of businesses have less than 10 employees, and 99.6% are Small and Medium-Sized Enterprises with less than 250 employees. There are a total of 170 larger enterprises with 250+ staff of which 50 are in Leicester. The structure of the business base by size is broadly consistent with that across the wider region.

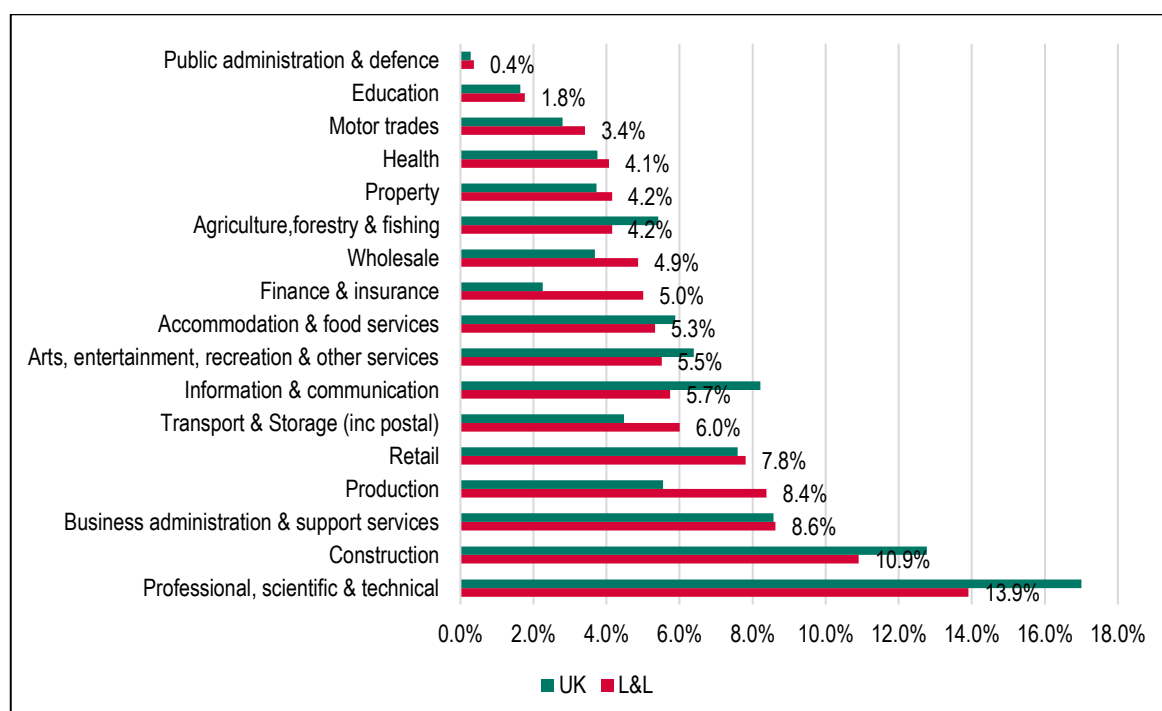
Figure 2.4: VAT or PAYE Enterprises by Size Band, 2020



Source: Icen analysis of ONS / IDBR data

- 2.31 The structure of VAT and/or PAYE businesses by sector shows a particular relative concentration in finance and insurance, and in manufacturing/production. ICT and professional, scientific and technical activities are under-represented compared to the profile nationally but the latter is one of the sectors with the largest number of businesses in absolute terms. Some of the sectors with large concentrations of businesses, including construction and professional services, have higher levels of self-employment.

Figure 2.5: Profile of VAT/PAYE Enterprises by Sector, Leicester & Leicestershire 2020



Source: Icen analysis of ONS / IDBR data

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- 2.32 If we drill into the differences in structure between different local authorities, we find a particularly strong representation of businesses in agriculture in Melton and Harborough. Manufacturing/production businesses are strongly represented in Hinckley and Bosworth and Oadby and Wigston. Finance and insurance is strongly represented in Leicester and Blaby. There is a concentration of businesses in the health sector in Oadby & Wigston. There will be differences between the share of employment and businesses by sector, with some sectors seeing employment more focused in smaller businesses (such as construction or business administration) whilst other sectors (such as public sector or logistics) see greater employment in larger business / business units.

Table 2.10 LQ Analysis of VAT/PAYE Businesses by Location, 2020

	Blaby	Charnwood	Harborough	Hinckley and Bosworth	Leicester	Melton	North West Leicester shire	Oadby and Wigston	L&L	East Midlands
Agriculture, forestry & fishing	0.5	0.6	2.0	1.1	0.0	2.9	0.8	0.1	0.8	1.1
Production	1.3	1.4	1.0	1.6	1.8	1.2	1.4	1.8	1.5	1.3
Construction	1.3	1.0	0.8	1.0	0.5	1.0	1.0	1.0	0.9	1.0
Motor trades	1.1	1.3	0.9	1.4	1.3	1.1	1.4	1.2	1.2	1.3
Wholesale	1.0	1.4	1.2	1.2	1.4	1.2	1.4	1.6	1.3	1.1
Retail	0.8	1.1	0.8	0.8	1.4	0.8	0.8	1.0	1.0	1.0
Transport & Storage (inc postal)	1.4	1.1	0.7	1.7	1.7	0.7	1.4	1.2	1.3	1.6
Accommodation & food services	0.6	1.0	0.8	1.0	1.0	0.8	0.9	0.8	0.9	1.0
Information & communication	0.7	0.7	0.6	0.7	0.7	0.5	0.7	0.9	0.7	0.7
Finance & insurance	3.5	0.9	1.5	0.8	4.1	0.8	1.2	1.1	2.2	1.2
Property	1.0	0.9	1.2	0.9	1.3	1.0	1.1	1.2	1.1	0.9
Professional, scientific & technical	0.8	0.9	1.0	0.8	0.6	0.9	0.9	0.8	0.8	0.8

Business administration & support services	1.1	1.0	1.4	0.9	1.0	0.9	1.0	0.7	1.0	0.9
Public administration & defence	1.7	1.3	2.9	2.2	0.0	2.1	2.1	0.0	1.3	1.8
Education	1.0	1.2	1.2	1.2	0.9	1.0	1.3	1.4	1.1	1.1
Health	0.9	1.1	0.8	0.8	1.4	0.7	0.8	2.1	1.1	1.0
Arts, entertainment, recreation & other services	0.8	1.0	0.8	0.9	0.8	0.9	0.9	0.8	0.9	1.0

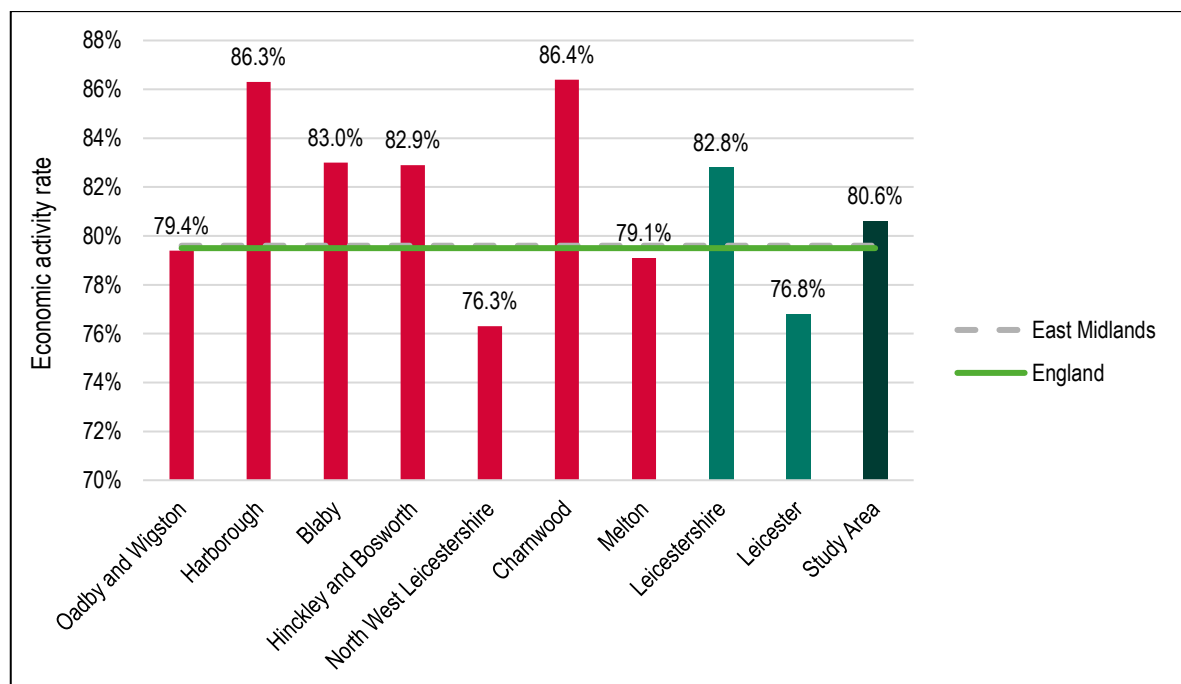
Labour Market

- 2.33 In this section we turn to assess labour market characteristics and performance, addressing issues associated with economic participation, skills and earnings.

Economic Participation

- 2.34 There are two key measures of economic participation: the economic activity rate which describes the percentage of the working-age population (aged 16-64) who are either working or looking for work; and the employment rate, which describes those within this age group who are in work.
- 2.35 The economic participation rate in the sub-region (80.6%) was marginally above regional/ national comparators (79.6% and 79.5% respectively). Within the sub-region it is lower in Leicester (influenced by its student population) and North West Leicestershire. In contrast stronger levels of economic participation are evident in Charnwood (despite the impact of the student population at Loughborough University) and Harborough.

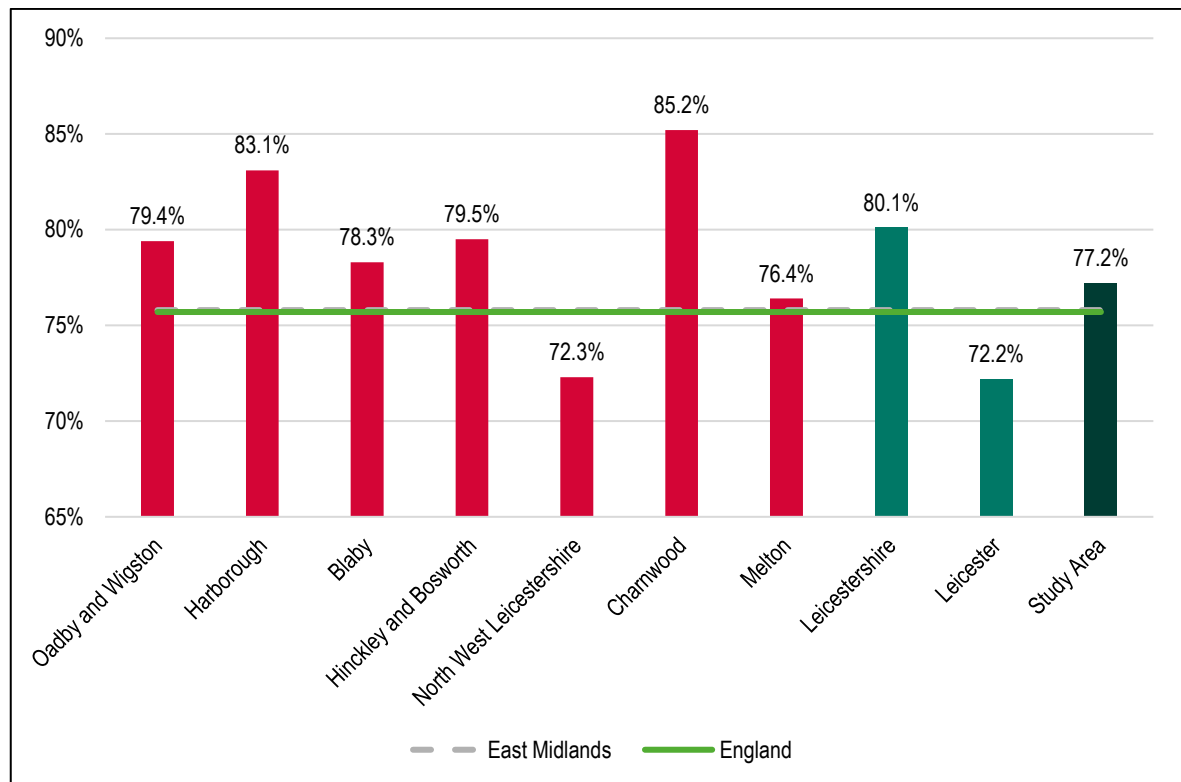
Figure 2.6: Economic Activity Rate (2020)



Source: Annual Population Survey

- 2.36 A similar picture is evident considering the employment rate, as shown in the Figure. The employment rate across Leicester & Leicestershire (77.2%) is slightly higher than that of the comparator areas (75.8% and 75.7% respectively).

Figure 2.7: Employment Rate (2020)



Source: Annual Population Survey

Unemployment

- 2.37 ONS model-based estimates of unemployment point to unemployment levels of almost 25,000 in 2020, with a particular concentration of unemployment in Leicester (44% of the L&L total). Leicester and NW Leicestershire are the only authorities where the unemployment rate is above the national average.

Table 2.11 ONS Modelled Unemployment, 2020

	Unemployment, 2020	% 16-64	% L&L Distribution
Blaby	1,700	3.4%	7%
Charnwood	3,600	3.4%	14%
Harborough	1,700	3.6%	7%
Hinckley & Bosworth	2,300	3.9%	9%
Leicester	11,000	5.9%	44%
Melton	1,100	4.3%	4%
NW Leicestershire	2,400	4.8%	10%
Oadby & Wigston	1,100	3.5%	4%
Leicester & Leicestershire	24,900	*	100%
East Midlands		4.7%	
Great Britain		4.6%	

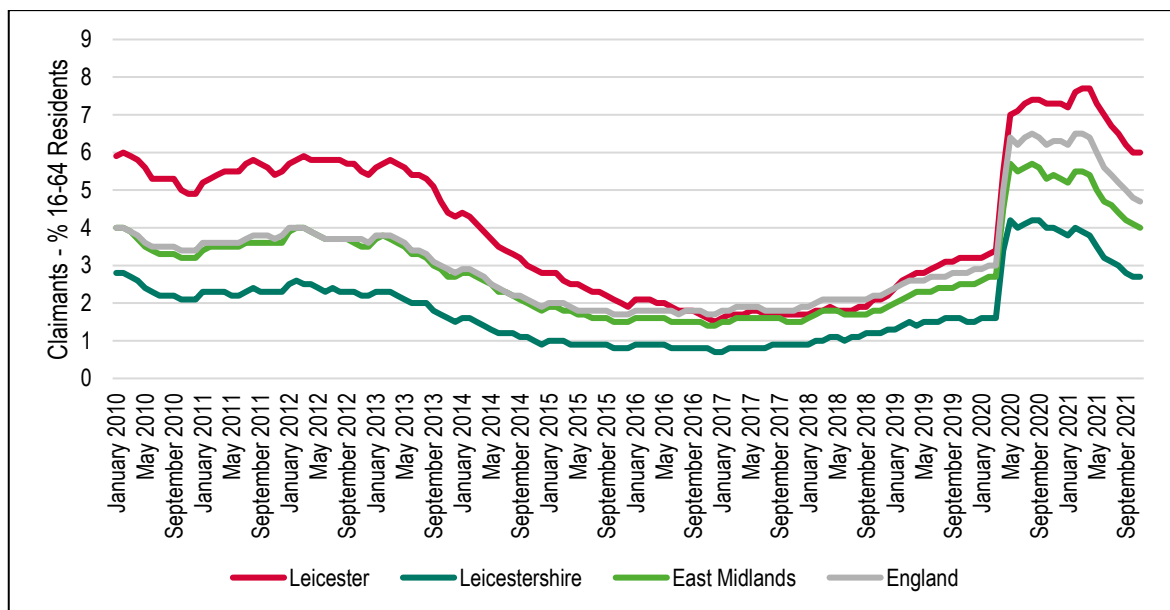
Source: NOMIS (*data not published at this geography)

2.38 The claimant rate is a key indicator of unemployment which is measured as the number of people who are receiving benefits principally for the reason of being unemployed (claimant count) divided by the number of workforce jobs plus the claimant count. The ONS estimates above are modelled using Annual Population Survey data and based on a person's self-classification as being 'out of work' and 'currently and actively seeking to work'. Whilst there is crossover between the claimant rate and the unemployment rate, they measure slightly different things, but both provide good indicators for actual levels of unemployment. Importantly the claimant count is published in a more timely manner and was available up to November 2021 at the time of writing.

2.39 The figure below shows changes in claimant unemployment over time. It can be seen that the claimant rate follows a similar pattern across all areas; influenced by the economic cycle.

2.40 In 2019, the claimant rate in the Study Area was 2.1% - slightly lower than across the East Midlands (2.4%) and England (2.7%). The claimant rate across Leicestershire was even lower at 1.6%. On the other hand, Leicester had a higher claimant rate of 3.1%.

Figure 2.8: Claimant Rate (August 2010 to August 2020)

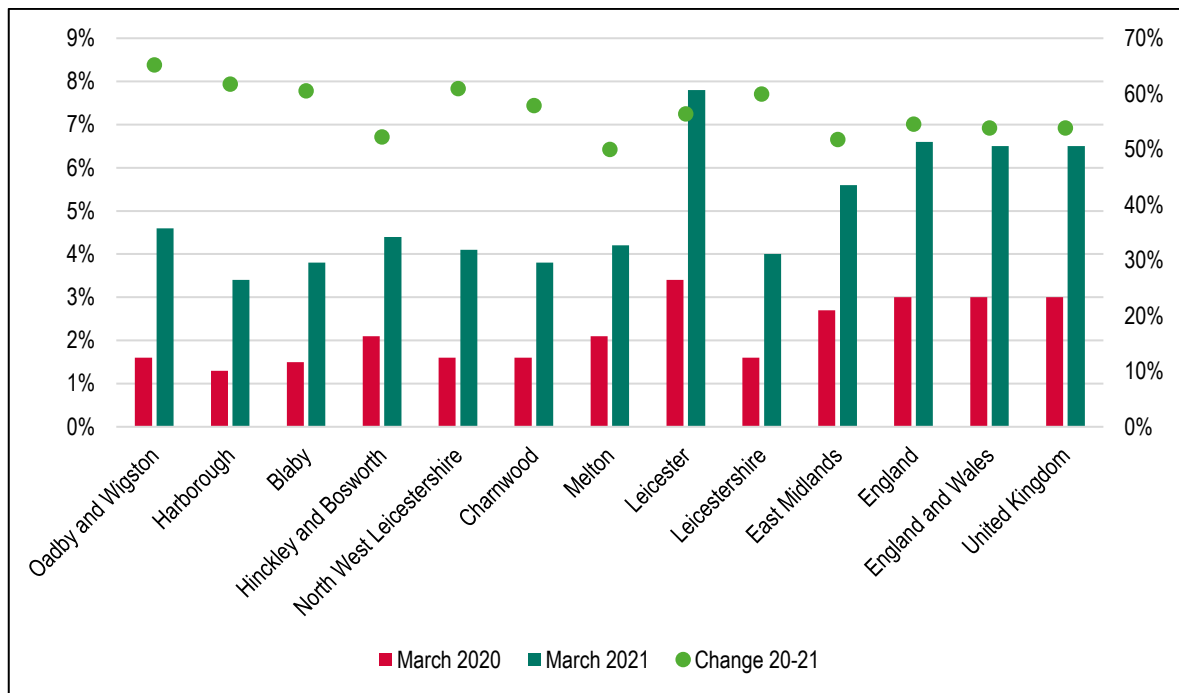


Source: ONS Claimant Count

2.41 The figure below shows how the claimant rate has changed since the onset of Covid-19. It can be seen that Leicester had the highest claimant rate before and at each time during the Covid-19 crisis. The Claimant Count has however been falling since April 2021. The latest data (November 2021) shows that the claimant count in Leicester was 6.0% - higher than the East Midlands 4.0%) and England as a whole (4.7%). The claimant count across Leicestershire was 2.7%.

2.42 Leicestershire, and to a lesser extent Leicester were more badly impacted by the onset of Covid-19 based on the percentage change in claimant counts between March 2019 and March 2020.

Figure 2.9: Claimant Rate (March 2019 to March 2021)

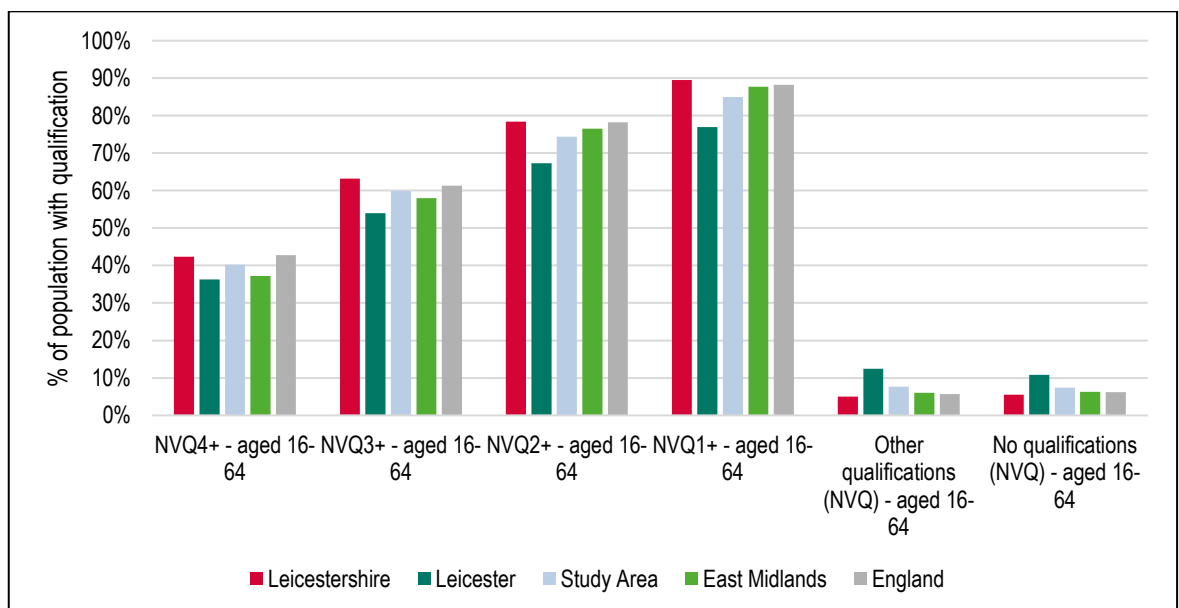


Source: ONS Claimant Count

Qualifications and Skills

- 2.43 The qualifications levels of the population indicate how employable the local workforce is. The percentage of the population with NVQ4+ (degree level) qualifications in the Study Area is slightly above the East Midlands average but slightly below the English average. The percentage of the Study Area's population with no qualifications and other qualifications are both above that of the comparator areas.

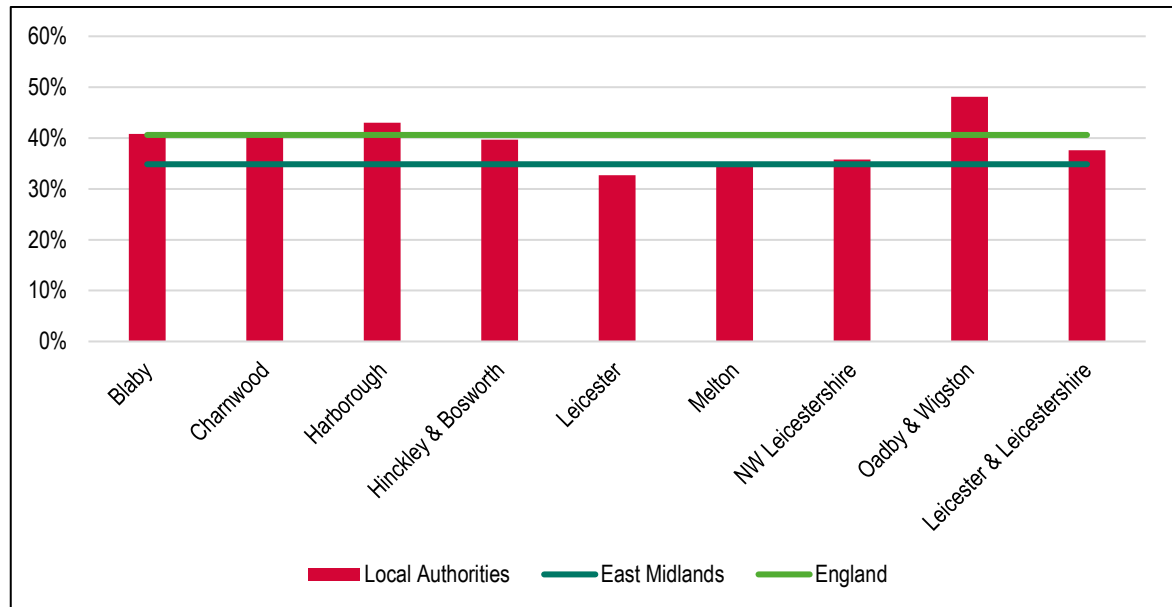
Figure 2.10: Qualifications (2020)



Source: Annual Population Survey

- 2.44 Drilling down to the position within individual local authorities, Oadby and Wigston and Harborough have a greater concentration of higher level skills (NVQ4+), which equates to degree-level skills or equivalent. At the other end of the spectrum, Leicester has just 33% qualified to this level. Our analysis is based on data over the 2018-20 period to address small sample sizes in some areas.

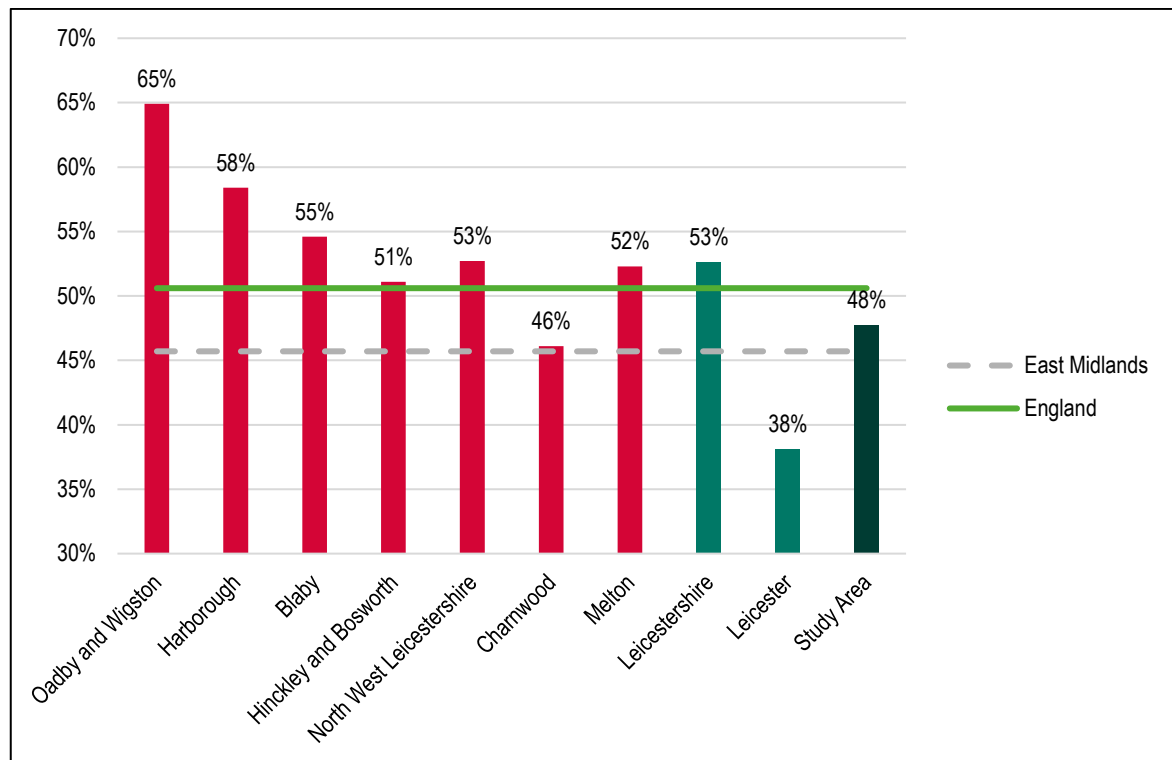
Figure 2.11: % 16-64 qualified to NVQ4+



Source: Annual Population Survey

- 2.45 The occupational split of the population provides an indication of where those working in higher paid/skilled jobs are living. The figure below shows the percentage of each area's population in the top 3 occupational groups (Managers, directors and senior officials, Professional occupations, , Associate prof & tech occupations). The highest proportions of these workers are seen in Oadby and Wigston, Harborough and Blaby (over 55%) contrasting with prevalence of just 38% in Leicester.
- 2.46 Leicestershire has slightly greater levels of employment in the top 3 occupational groups than England whereas Leicester is significantly below the East Midlands average.

Figure 2.12: Employment in Top 3 Occupational Groups (2020)

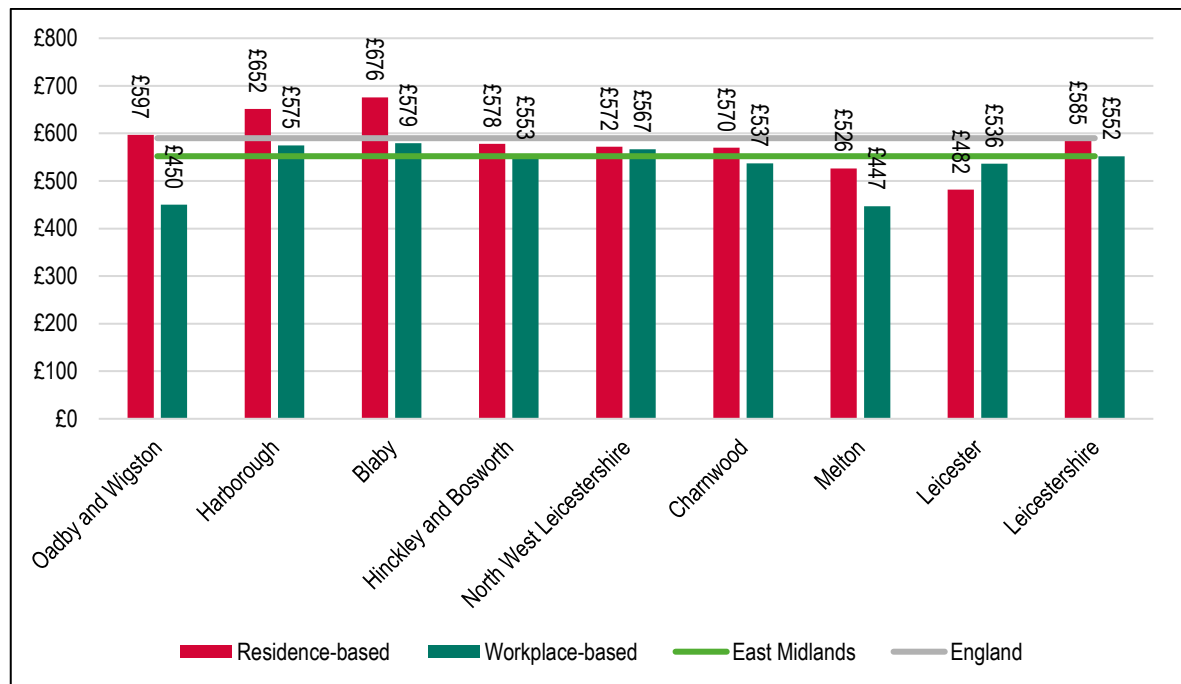


Source: Annual Population Survey

Earnings

- 2.47 Median workplace earnings provide an indication of the quality of the jobs available in an area. Median earnings for full-time jobs in Leicestershire (£552 per week) are the same as the East Midlands (£552) but lower than England as a whole (£590). Median workplace earnings in Leicester (£536) are 3% below the regional and 9% below the national average.
- 2.48 Leicester sees higher earnings for those working in the City than living in it, pointing to in-commuting of higher earners. The converse is true of all of the Leicestershire authorities, with particularly significant differentials in Oadby and Wigston, Blaby, Melton and Harborough. Earnings of those working in Melton and Oadby and Wigston are notably below wider benchmarks.

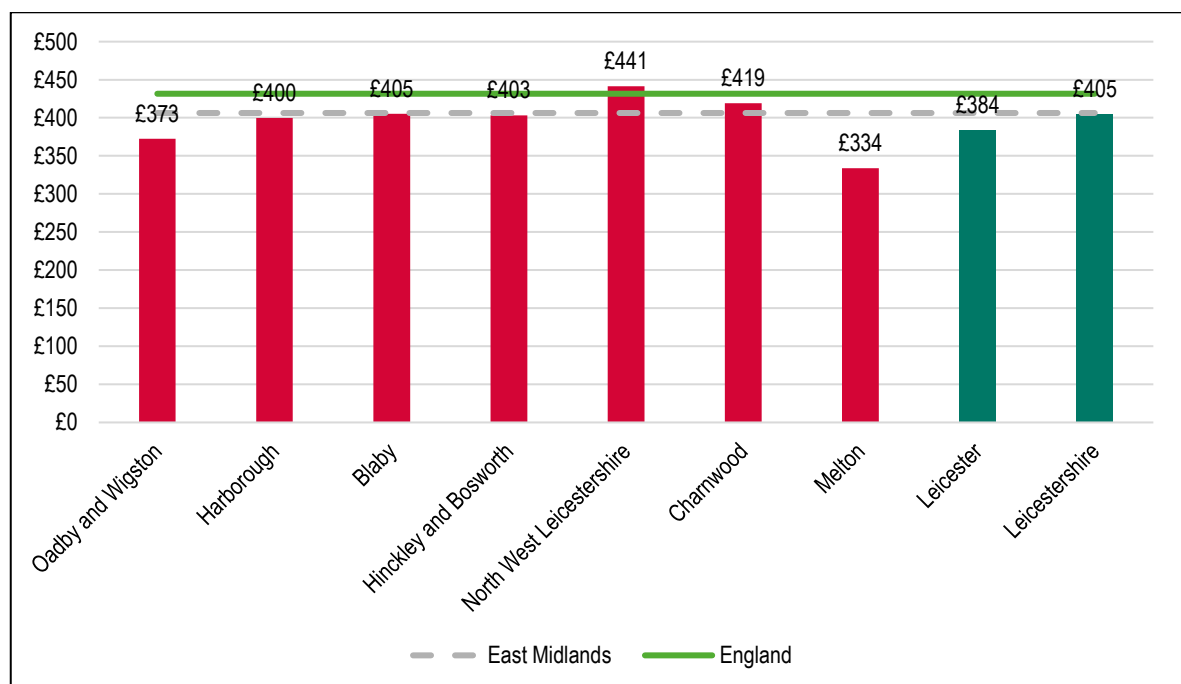
Figure 2.13: Comparison of Residence- and Workplace-based Weekly Earnings (2020)



Source: Annual Survey of Hours and Earnings

- 2.49 Lower quartile workplace earnings provide an indication of the quality of lower paid jobs and prevalence of lower paid jobs available in an area. Lower quartile workplace earnings in Leicestershire (£405) are similar to those across the East Midlands (£406) but lower than across England (£432). In Leicester lower quartile workplace earnings are £384 - below the East Midlands.

Figure 2.14: Lower Quartile Gross Weekly Workplace-based Weekly Earnings (2020)



Source: Annual Survey of Hours and Earnings

Figure 2.15: Median Gross Weekly Workplace Weekly Earnings (2020)

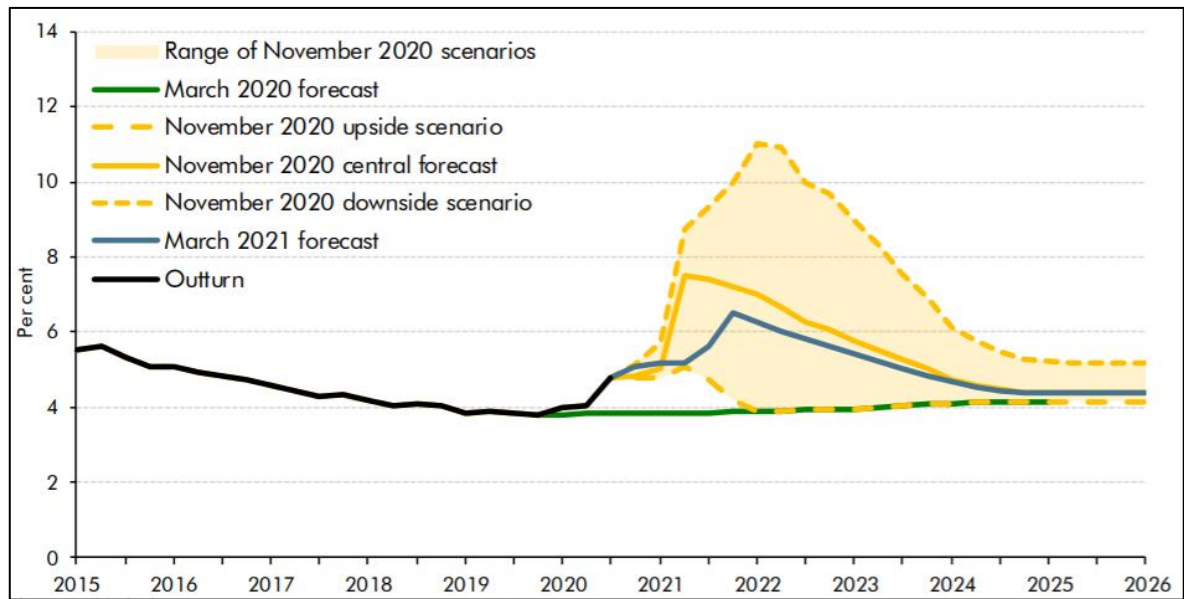


Source: Annual Survey of Hours and Earnings

Economic Impacts of Covid-19

- 2.50 The Office for Budget Responsibility (OBR) on 14th July 2020 released its economic scenario planning for COVID-19 which identified a downside, upside and central scenario. These scenarios were updated in November 2020. In March 2021 the central scenario was updated.
- 2.51 The chart below shows the OBR unemployment forecast up to 2026. It indicates that the unemployment rate will rise from 5.1 per cent in the fourth quarter of 2020 to a peak of just 6.5 per cent (2.2 million) at the end of 2021, highlighting the fact that interventions such as the Coronavirus Job Retention Scheme (CJRS) have to some extent just delayed higher levels of unemployment and business insolvencies. The ultimate rise in unemployment reflects residual impacts on sectors such as accommodation and transport, adoption of less labour-intensive operations in sectors such as retail and hospitality, and the scarring effect of long spells away from employment of some CJRS beneficiaries.
- 2.52 The central scenario forecast suggests that, in terms of unemployment, the country will take around 3 years to recover the majority of employment lost during the pandemic. It also suggests that there will be a longer term impact – slightly higher levels of unemployment when compared to the pre-pandemic forecast (March 2020) in 2025. GVA is forecast to return to the pre-pandemic level by around Autumn 2022.

Figure 2.16: OBR Unemployment Rate Forecast

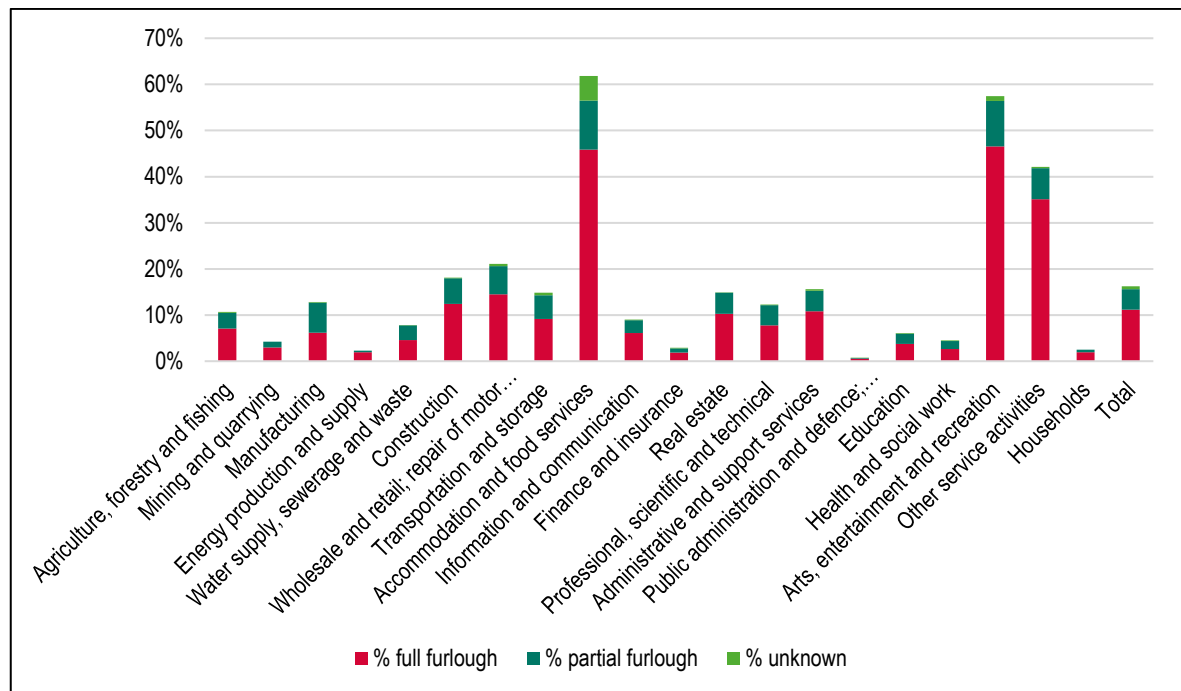


Source: OBR Economic and Fiscal Outlook March 2021

- 2.53 The figure below shows the furlough take-up rate by sector in February 2021. This is broken down to full furlough, partial furlough, and unknown by sector. It can be seen that the highest furlough rates were in Accommodation and food services (62%), Arts, entertainment and recreation (57%), and Other service activities (42%). The lowest furlough rates are in Mining and quarrying (4%), Energy production and supply (2%), Finance and insurance (3%), and Public administration and defence; social security (1%).
- 2.54 The average furlough rate across all sectors was 16%. Manufacturing (13%), Transportation and storage (15%) and a number of office-based sectors were all similar to the average rate. However, 51% of furloughs in manufacturing were partial furloughs³ compared to an average of 29% across all sectors. On the other hand, in the three sectors with the highest rates of furlough, the partial furlough rate was just 16-17%.

³ Where furloughed workers can work part-time (flexible furlough) for any amount of time and any shift pattern and employers are required to pay employees in full for the hours worked.

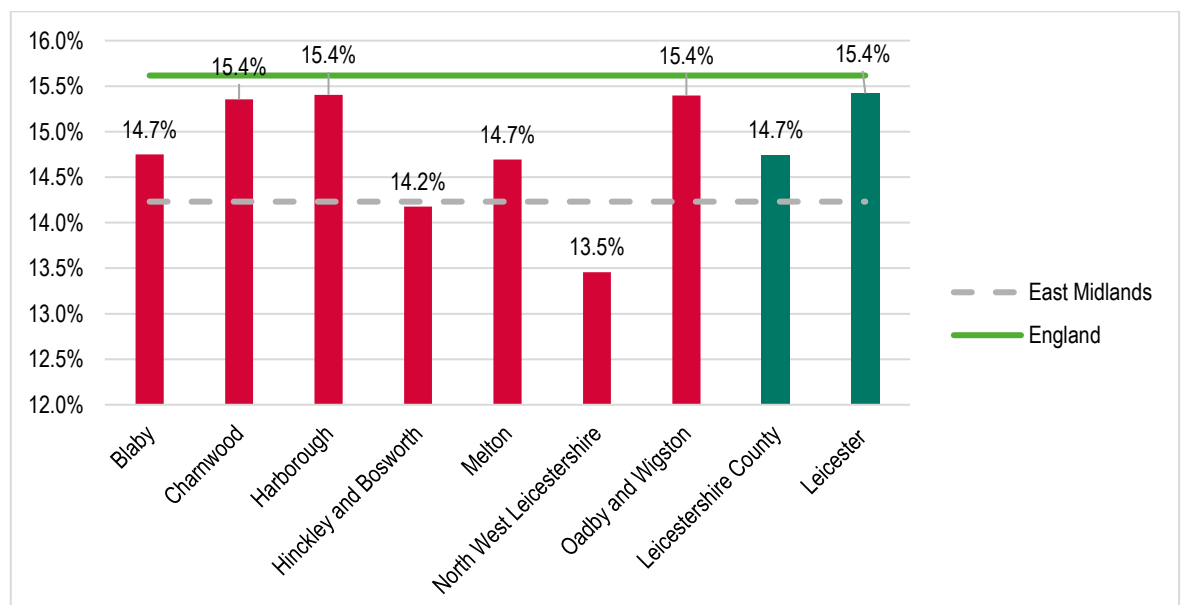
Figure 2.17: Furlough Take-up Rate by Sector



Source: HMRC CJRS Statistics: May 2021

2.55 The figure below shows the furlough take up-rate by local authority and for comparator areas in February 2021. It can be seen that the furlough take-up rate across Leicestershire (15.4%) was slightly lower than across England (15.6%) but above that of the East Midlands (14.2%). Leicester sat approximately in the middle of the rate for the comparator areas at (14.7%).

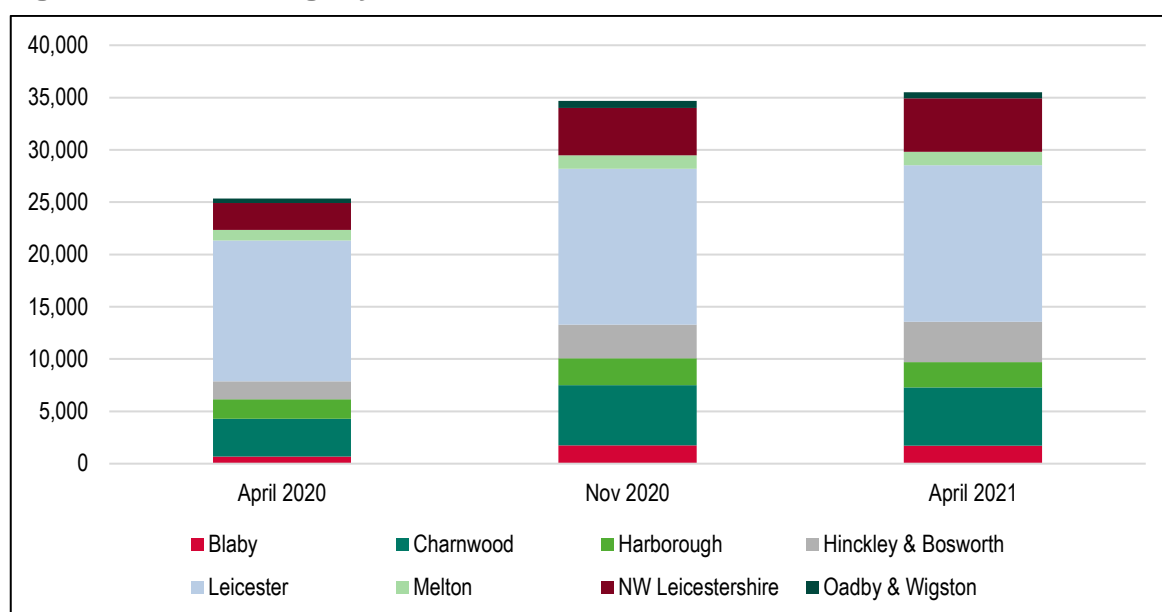
Figure 2.18: Furlough Take-up Rate by Local Authority



Source: HMRC CJRS Statistics: May 2021

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- 2.56 The LLEP Business and Economic Intelligence Update (Issue 20 – May 2021) highlights the concentration of unemployed claimants in Leicester – 51.8% of claimants across the Study Area or 18,150 persons. However it also shows that there has been a rise in Universal Credit Claimants who are not seeking work.
- 2.57 There is however evidence of growth in employment opportunities. Unique job postings in April 2021 stood at 35,500 – notably higher than that in April 2020 (25,300) with growth of 3.3% over the previous month. Those areas which have seen the largest growth in postings comprises:
- Science, research, engineering and technology professionals
 - Business and public service associate professionals
 - Administrative occupations
 - Skilled metal, electrical and electronic trades
 - Transport and mobile machine operatives and drivers
 - Elementary administrative and service occupations.
- 2.58 The stakeholder engagement which Iceni has done with economic intelligence/development staff has highlighted recruitment and retention challenges associated with strategic warehousing in both NW Leicestershire and Harborough.
- 2.59 The chart below shows job postings by area and how this has changed over the last year. In Leicestershire, there have been higher job postings since August 2020 than prior to the pandemic (March 2020); but this is not the case in Leicester where there has yet to be a recovery to pre-pandemic levels.

Figure 2.19: Job Postings by Area – Leicester & Leicestershire



Source: EMSI/ LLEP Business and Economic Intelligence Update, April 2021

2.60 Between March 2020 and April 2021, there have been 9,861 businesses that have ceased trading in Leicester and Leicestershire. This is 15% higher than over the same period in 2019/20. However over the same period, 13,948 businesses have been incorporated, 10% above the previous year. The LLEP Business and Economic Intelligence Update suggests growth in particular in real estate and retail businesses. It is clear however that Government support measures such as the furlough and grant schemes have supported some businesses, and closures could rise as support unwinds towards the end of 2021.

2.61 The LLEP Business Survey Tracker is a survey of businesses within the area and provides some information regarding business trends and thinking. The Feb 2021 results include information from a survey of 200 businesses undertaken in December 2020 and January 2021. Key findings include:

- 44% of businesses were looking to recruit staff in the next 6 months, with only 6% looking at making redundancies. This paints a fairly positive picture regarding the prospects of economic recovery in the short-term;
- 51% of businesses surveyed were not involved in any international trade. 29% of businesses were however exporters, most commonly to the EU, with 36% of businesses importing goods/services;
- 73% of businesses have used the furlough scheme, 40% the Bounce Back Loan Scheme, and a third have deferred VAT payments. The evidence suggests that small businesses have been most likely to use these;

-
- 68% of businesses surveyed did not employ any EU nationals. Whilst 6% employ less EU nationals than a year ago, 4% employ more.
 - Since April 2020, 64% of businesses have had staff working from home (rising to 74% of small businesses), but only 32% of businesses think that they can operate with a substantial proportion of their workforce working from home. As at late 2020, 36% have no staff working from home, 21% had very few, whilst 10% have all staff working at home. The remaining third had between 10-99% of staff at home.
 - Looking forwards, 41% of the businesses surveyed intended to support greater flexibility around working from home, whilst 54% don't expect to allow employees to work from home or are keen to get staff back in full-time as soon as possible.
 - Brexit issues, both demand and supply chain, are impacting around a third of businesses, but are only having a significant impact on 14%. Disruption in demand due to Covid-19 is in contrast having a significant impact on 37% of businesses with economic uncertainty impacting significantly on 35%.
 - However notwithstanding these issues, 78% of businesses felt confident about the future of their businesses in the next 6 months, with 38% expecting to grow over the next 12 months and 47% expecting to stay the same. Half of businesses expect to recover to pre-Covid levels within 12 months and most (78%) within two years.

2.62 Overall the business survey points to a relatively positive outlook in the sub-region, with the expectation of a relatively rapid economic recovery. The commentary on changing working patterns, and growth in home working needs to be considered in context – just 63 of the 200 businesses surveyed (31%) were in professional service activities. Nonetheless it does point to the potential for some businesses to seek to get back to the office.

2.63 The LEP's Business Tracker Survey provides the ability to see how business sentiment is evolving over time. Results are published on the LEP's website.⁴ Iceni understands that more recent data points to growing recruitment challenges as the sub-regional economy has recovered. This mirrors the position nationally.

⁴ <https://lep.org.uk/our-economy/lep-business-tracker-survey/>

3. COMMERCIAL PROPERTY MARKET DYNAMICS

- 3.1 This section provides an assessment of the commercial property market in Leicester and Leicestershire focused on offices (including office and research & development) and industrial (including industrial and warehouse/ distribution space).
- 3.2 This assessment has been undertaken by Icen Projects working with Innes England, commercial property agents based in Leicester. It uses a variety of sources including take-up and availability data from the CoStar, a commercial property database, along with data from Innes England's own in-house records. Where relevant, Valuation Office Agency (VOA) data on trends in commercial stock is used.

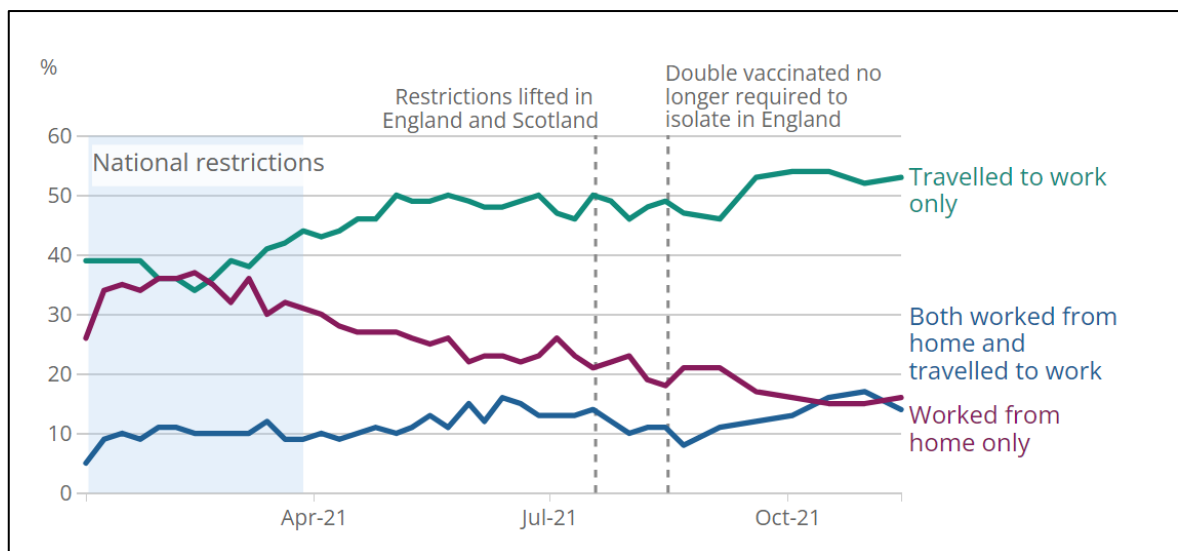
Office Market Overview

- 3.3 We first consider national office market dynamics over the last few years. Office markets across the UK demonstrated a level of resilience in 2019 set against a context of wider economic uncertainty linked to Brexit. Knight Frank's UK Cities Overview 2019 reports that leasing volumes finished the year 8% above the long-term trend as business change strategies continued to motivate space moves. Notably, despite concern derived from Britain's impending exit from the EU, foreign investment increased by 10% year-on-year to £1 billion representing 37% of total investment turnover.
- 3.4 CBRE report that 2020 got off to a strong start, with Q1 regional office take-up 21% above both Q1 2019 and the 10-year quarterly average. However, during the second quarter, the UK-wide lockdown which saw most offices across the UK become temporarily closed, had a significant impact on take-up. Q2 2020 take-up, therefore, reflected a 73% decrease from the five-year quarterly average. Total take-up in the first half of the year (H1) reflected a 36% decrease from the previous year.
- 3.5 For the second half of 2020, Cushman and Wakefield reported that whilst take-up remained below the long-term average, it did grow in Q3 2020 – driven by growth in take-up outside of London. In Q4 demand for office space remained subdued (below the five-year average). Office take-up for the whole of 2020 was 7.7 million sqft – comparable to the year after the global financial crisis. However, in the final quarter of 2020, despite being 33% lower than Q4 2019, office investment turnover rose from the previous quarter signalling some renewed confidence in the sector with businesses sentiment indicating that the office remains important.
- 3.6 Expectations are that the pandemic will result in a continuing shift towards more flexible working patterns with increasing numbers of people working at least part of the time from home; but offices remain important in companies' culture, the work community, interaction between colleagues and

training. The longer-term more structural trend may be of reduced space requirements as more office workers spend at least part of the week at home. Currently the outlook is however highly uncertain. How these factors overlay at the local level will impact on demand for space and vacancy levels.

- 3.7 The graph below is drawn from the ONS Opinions and Life Survey. It shows that the proportion of people working only from home has been falling since February 2021 and stood at 15-16% in October/November 2021; with hybrid working accounting for around 14% of workers surveyed and around 54% travelling to a place of work and the remaining 17% considered not working or furloughed. Working from home is particularly associated with office-based activities.

Figure 3.1: Working Patterns (% Working Adults, Great Britain), 2021



Source: ONS Opinions and Lifestyle Survey

Leicestershire Office Market

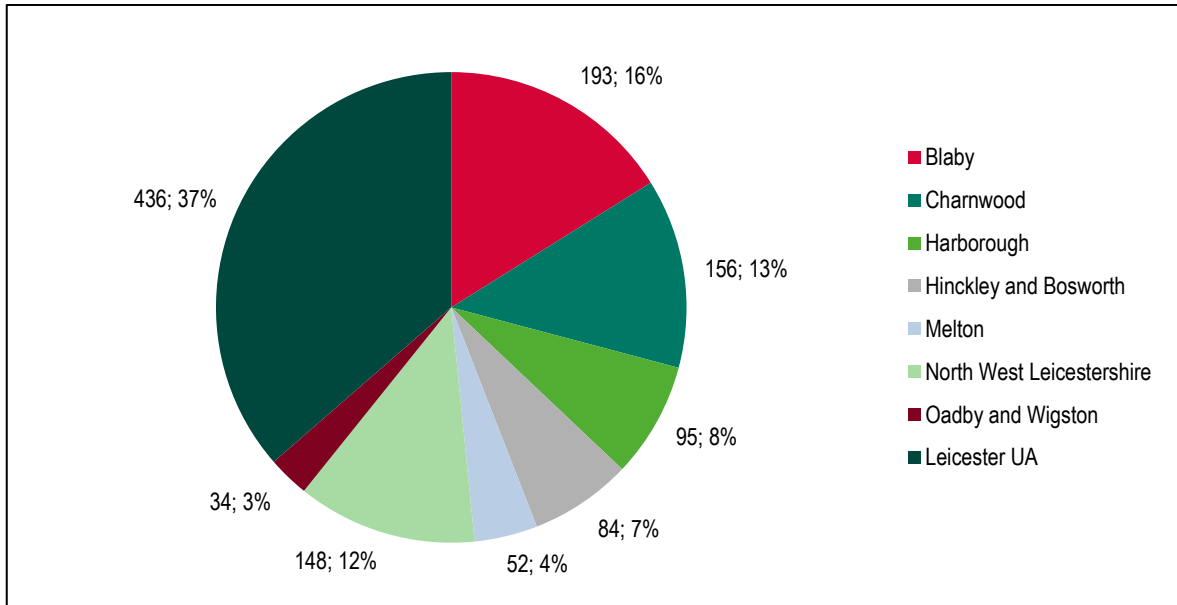
Office Stock

- 3.8 The VOA⁵ provides information on the number of rateable office properties by administrative area for period between 2001 and 2020. There were 5,630 office properties in 2020 providing 1,198,000 sqm of office floorspace in total across Leicester and Leicestershire. This represents 24.5% of the office floorspace across the East Midlands. This suggests that the Study Area has a relatively large office sector given its working age population only makes up 22.4% of that of the East Midlands.
- 3.9 Leicester supports the largest proportion of the Study Area's office stock (37%) at 436,000 sq.m followed by Blaby (reflecting the presence of major business parks such as Grove Park and Meridian

⁵ VOA: Non-domestic rating: stock of properties including business floorspace, 2019/20

Business Park close to the M1). On the other hand, floorspace in Oadby and Wigston makes up just 3% of the Study Area's office floorspace.

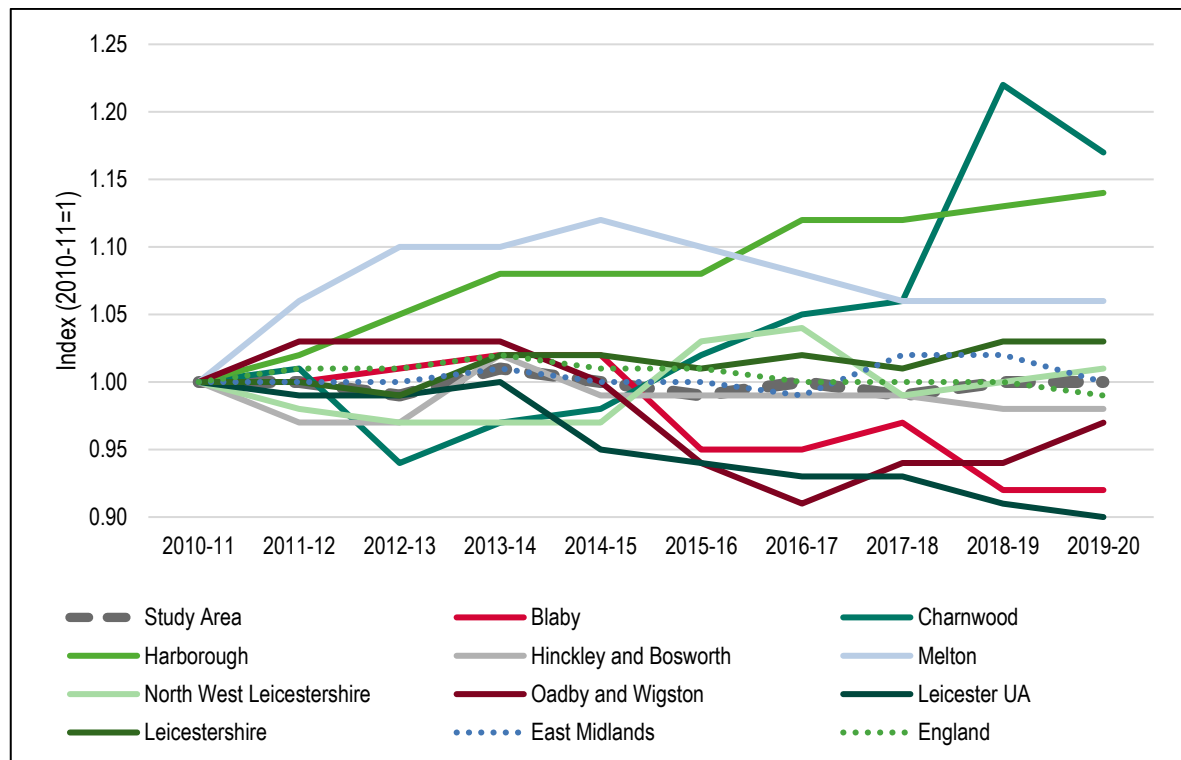
Figure 3.2: Office Floorspace by Local Authority 2019/20 (Thousands of sqm; %)



Source: VOA: Non-domestic rating: stock of properties including business floorspace, 2020

- 3.10 The figure below shows the change in total office floorspace by location over the 2011-20 period. It shows that the total office stock has remained relatively stable across Leicester and Leicestershire overall, consistent with the regional trend with overall a 2% fall in total floorspace across the Study Area. Charnwood and Harborough saw significant growth in office floorspace between 2010 and 2020 (17% and 15% respectively). On the other hand Leicester and Blaby saw shrinkage of 10% and 8% respectively.

Figure 3.3: Indexed Office Floorspace by Local Authority 2010/11 - 2019/20

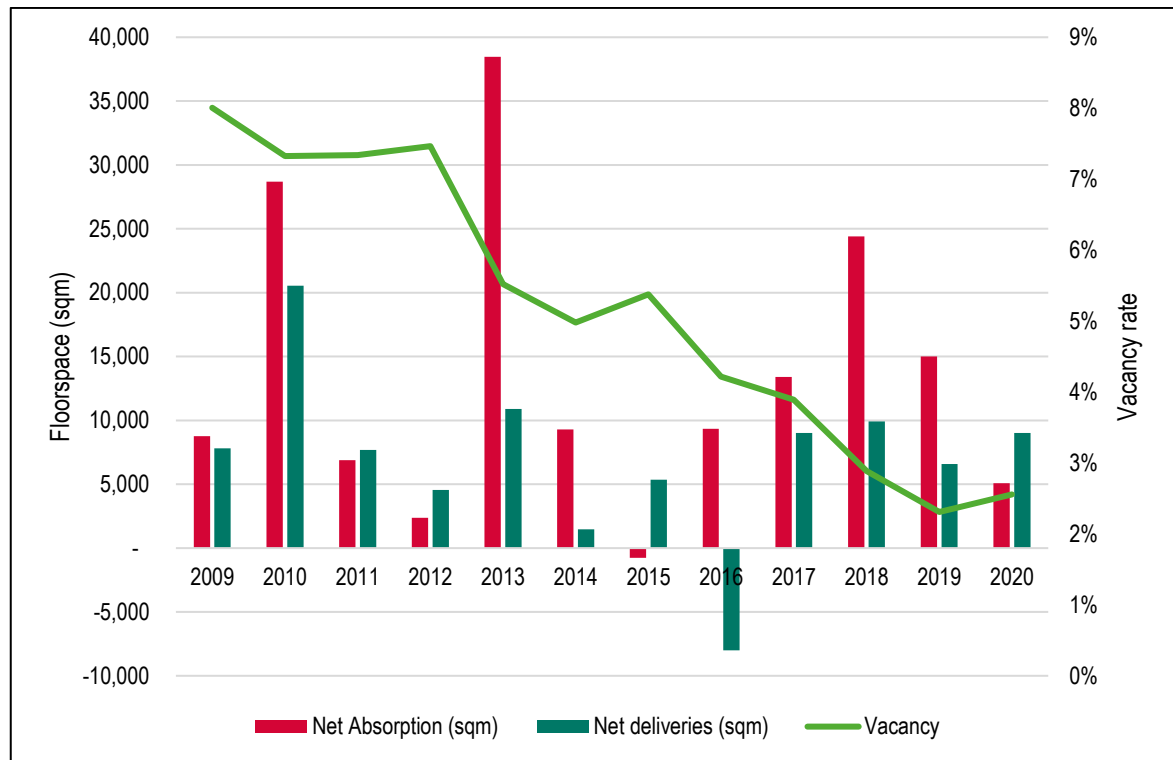


Source: VOA

Absorption, Delivery and Vacancy Trends

- 3.11 CoStar provides data on net absorption which describes the net change in available space which is calculated by deducting the space vacated by tenants and made available within the local market from the total space leased/occupied. A positive net absorption figure means that the proportion of vacant space is falling, whilst a negative level indicates that more space was coming onto the market than being taken-up.
- 3.12 The chart below indicates that net absorption has been positive in all but one of the last 11 years peaking in 2013 at over 38,000 sqm. Over the period between 2009 and 2020 there was a net absorption of around 161,000 sqm of floorspace (of which 123,500 sq.m was between 2011-20).
- 3.13 The chart also shows net new space being delivered in the local market. There was around 85,000 sqm of net new office floorspace delivered between 2009 and 2020. Net deliveries (the balance between new-build construction and losses) have been relatively even throughout this period with a peak in 2010 (influenced by pre-recession trends) and a net loss of floorspace in 2016. They have averaged 7,000 sq.m per annum between 2010-20.
- 3.14 Net absorption has outweighed net delivery by around 76,000 sqm over the 11-year period with more space being occupied than built in net terms. This has led to a decline in vacancy rates from 8% in 2009 to 2.5% in 2020.

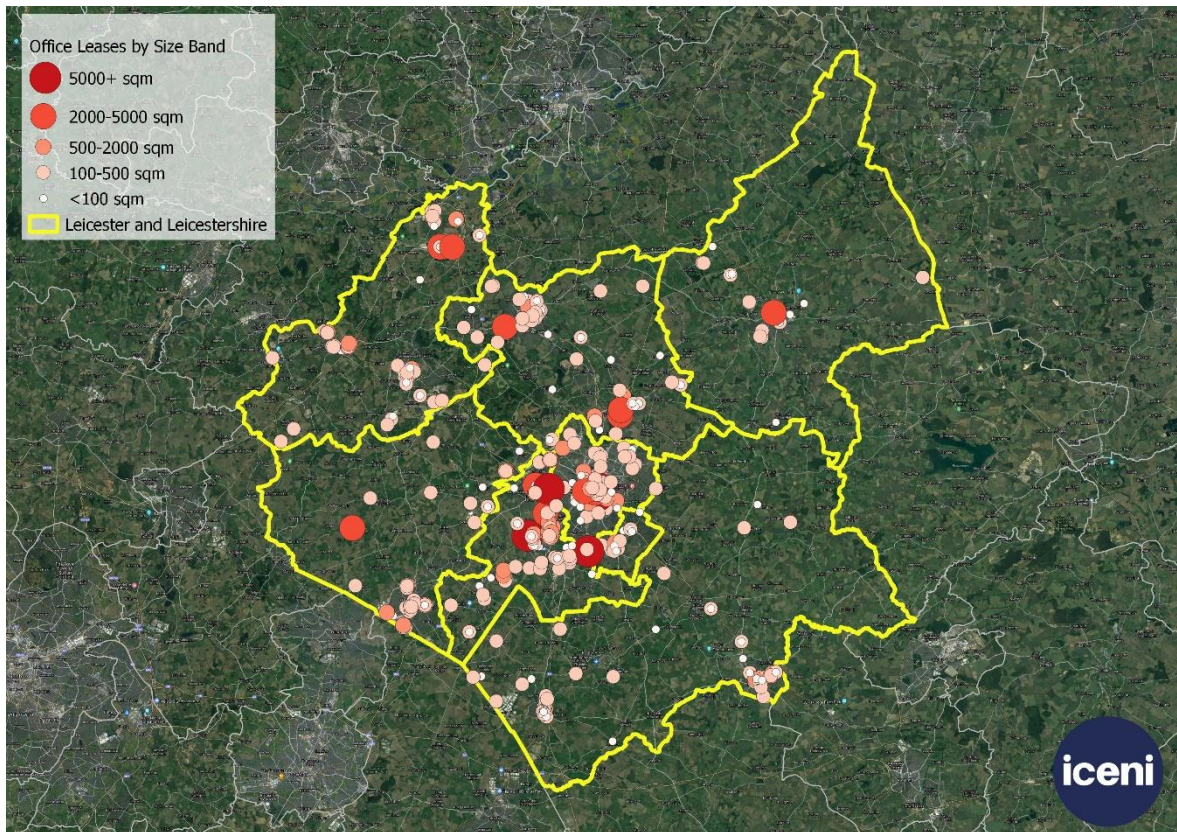
Figure 3.4: Net Absorption, Net Delivery and Vacancy of Office Floorspace in the Study Area, 2009-2020



Source: CoStar Commercial Property Data

- 3.15 Spatially, as the chart below shows, office take-up has been focused in and around Leicester, including within the City; in Blaby and Thurmaston with some smaller clusters of activity in the market towns, including at Loughborough, and around East Midlands Airport and Horiba MIRA Technology Park. The take-up analysis includes both new-build development and reoccupation of existing office floorspace.

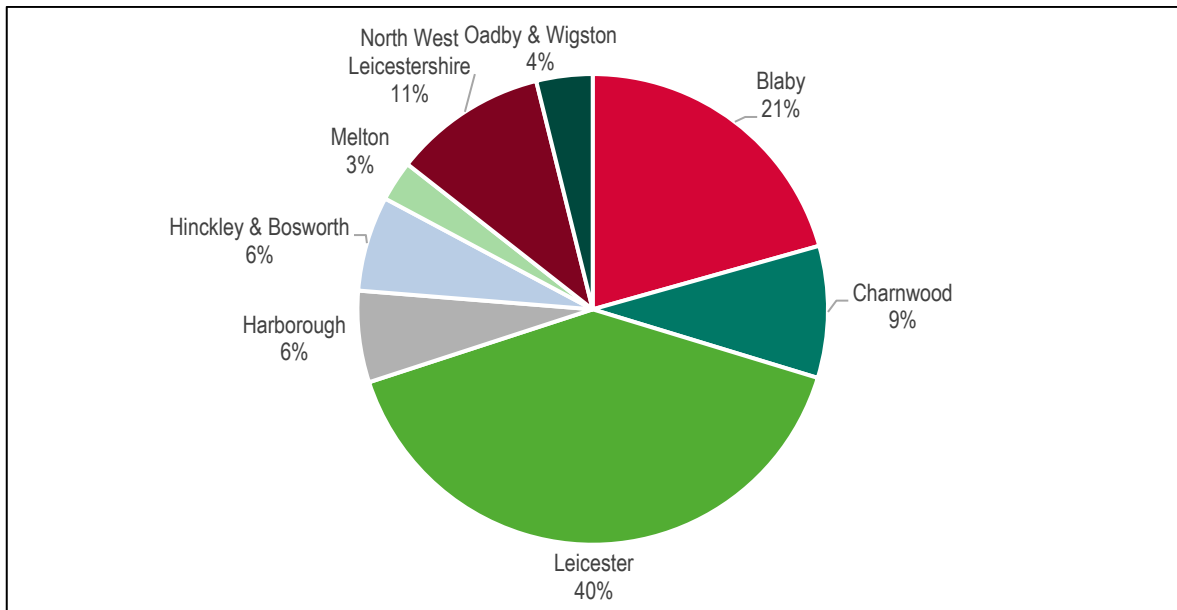
Figure 3.5: Office Floorspace Take-Up by Size (2012-21)



Source: IcenI Analysis of CoStar Commercial Property Data

- 3.16 Between 2012 and the start of 2021, office take-up (again including new-build and existing space) totalled 376,000 sqm of floorspace. The figure below shows the percentage of this floorspace in each local authority area. 40% of the take-up has been in Leicester, a smaller but still significant proportion (21%) is in Blaby and the smallest proportion (3%) in Melton. It is clear that the major office market in the sub-region is in/around Leicester.

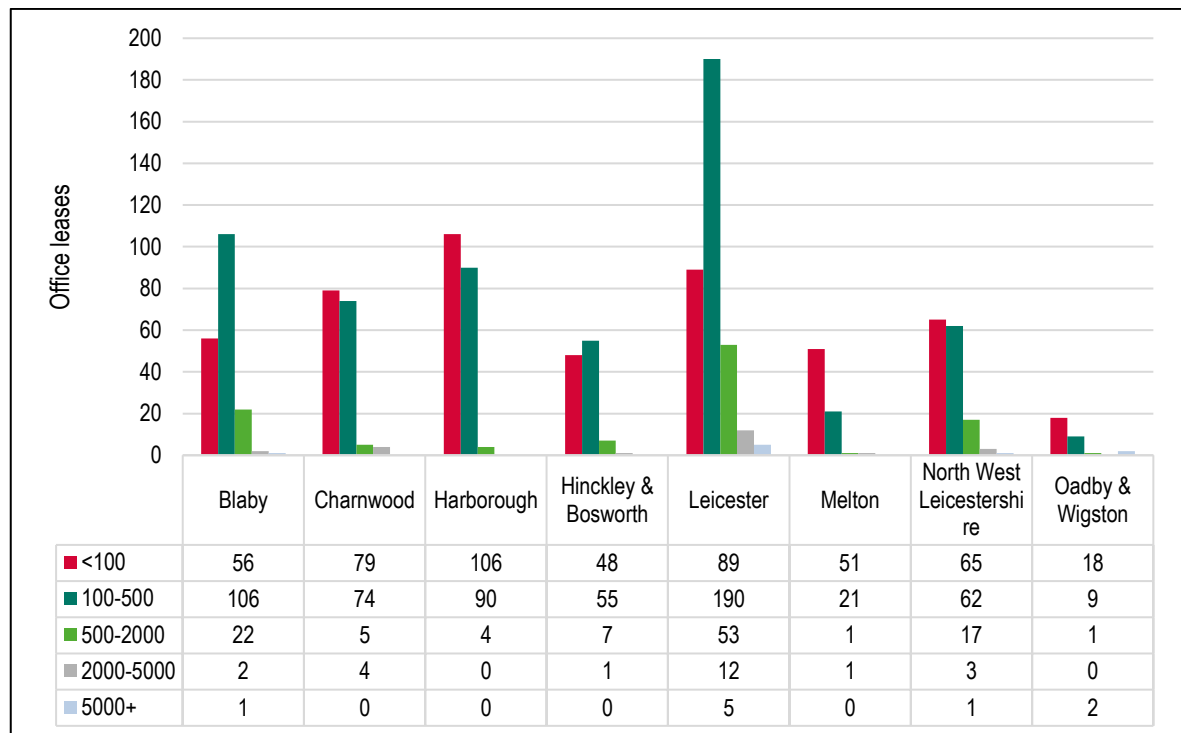
Figure 3.6: Office Floorspace Absorption by Local Authority 2012-2021



Source: Icen Analysis of CoStar Commercial Property Data

- 3.17 The figure below shows the number of offices leased by size band. It can be seen that most office leases were of space below 500 sqm. In Leicester and Blaby most leases were for floorspace of between 100 and 500 sqm – around double the number of leases for office space below 100 sqm. All other local authority areas had more leases of under 100 sqm than any other category (aside from Hinckley and Bosworth). Leicester had by far the most leases over 500 sqm, followed by Blaby and then North West Leicestershire.
- 3.18 Deals of over 2,000 sq.m are limited, and focused particularly towards Leicester which clearly has the largest office market in the sub-region.

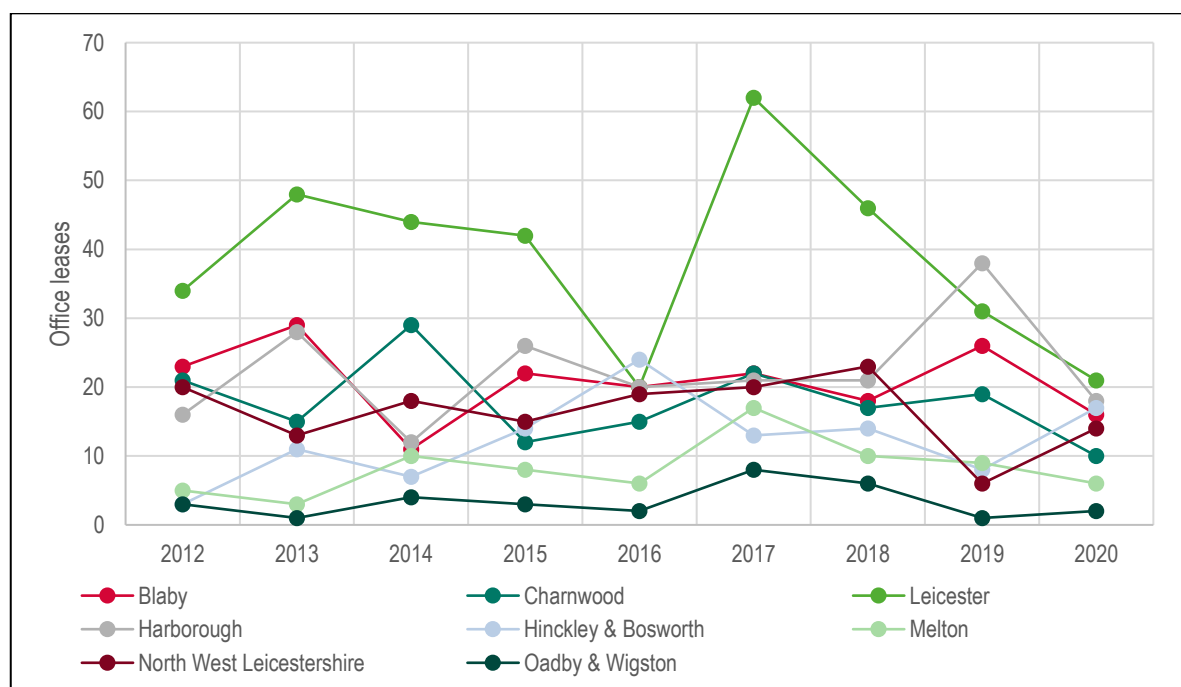
Figure 3.7: Offices Leased by Size Band (sqm) and Local Authority 2012-2021



Source: Icen Analysis of CoStar Commercial Property Data

- 3.19 The figure below shows the number of office lease completions by local authority over the last nine years. As can be seen in the map above, Leicester has had the most office leases, however, the number of lease transactions in Leicester have fallen significantly over the last three years. The lowest numbers of leases are in Oadby and Wigston and Melton.

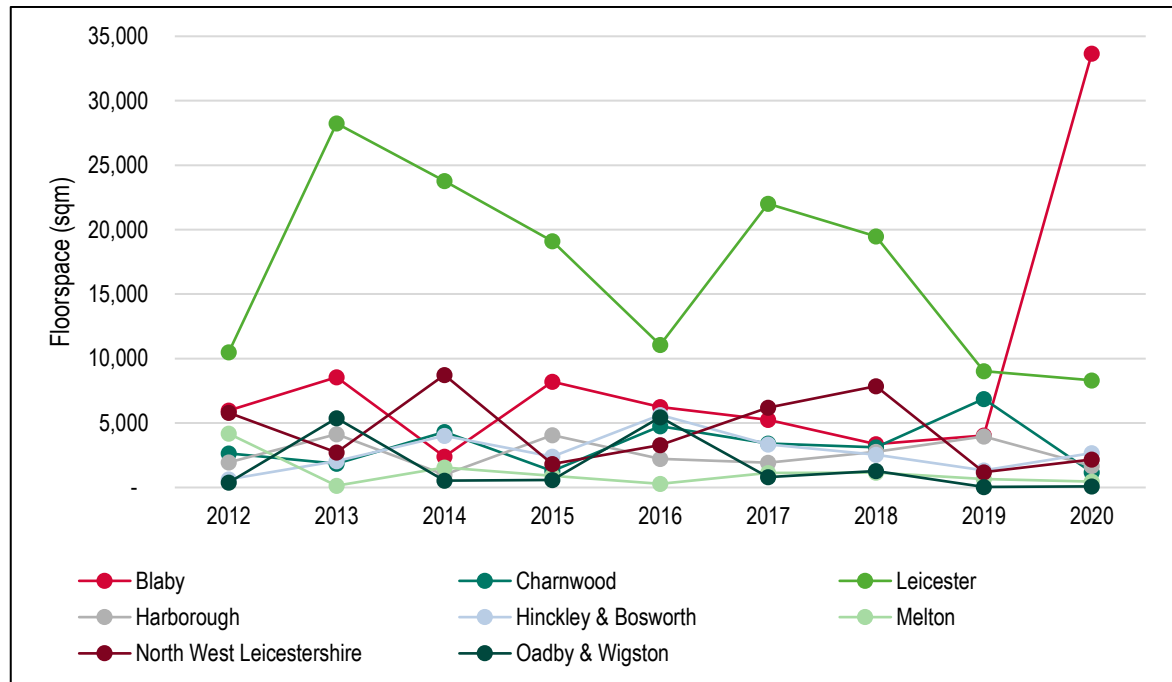
Figure 3.8: Office Lease Completions by Year and Local Authority, 2012-20



Source: Icen Analysis of CoStar Commercial Property Data

- 3.20 The figure below shows office floorspace take-up by year and local authority. The pattern of absorption for Leicester follows that of the number of units leased in the area, albeit with the peak in absorption coming in 2013 as opposed to 2017. Unlike for office lease completions, there was a large peak in absorption in Blaby in 2020 of nearly 34,000 sqm.

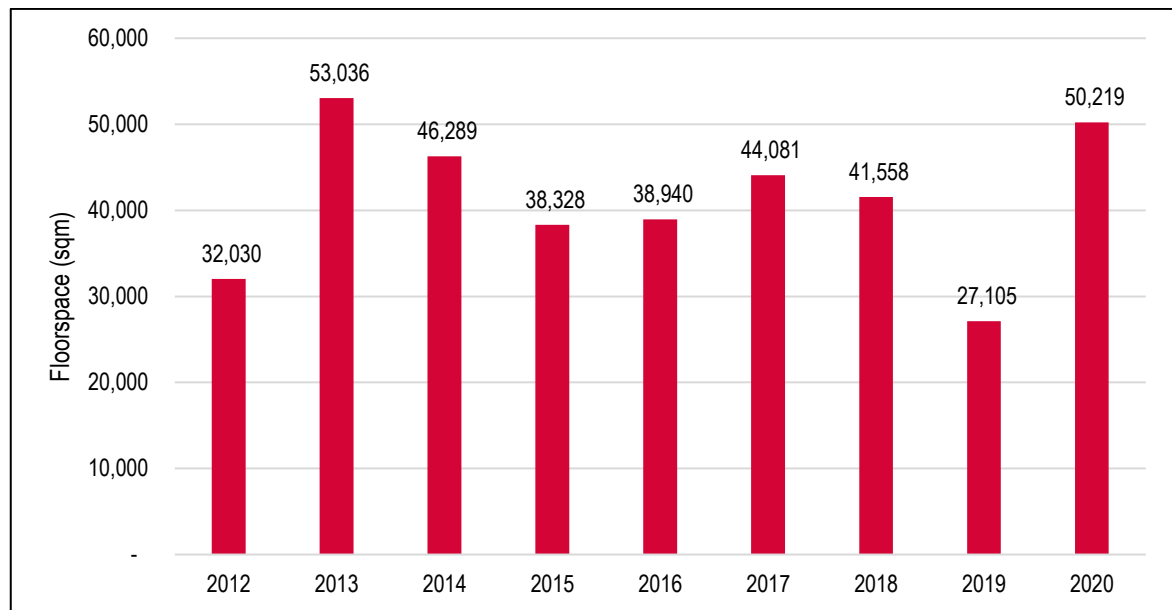
Figure 3.9: Office Absorption by Year and Local Authority, 2012-20



Source: Icen Analysis of CoStar Commercial Property Data

- 3.21 The figure below presents the same data as above but aggregated across the Study Area. As expected, overall take-up peaked at 53,000 sqm in 2013, before falling to 38,000 sqm in 2015, and rising to 44,000 sqm in 2017 (reflecting changes in Leicester). Take-up then fell before hitting a second peak of 50,000 sqm in 2020 (reflecting new development in Blaby).

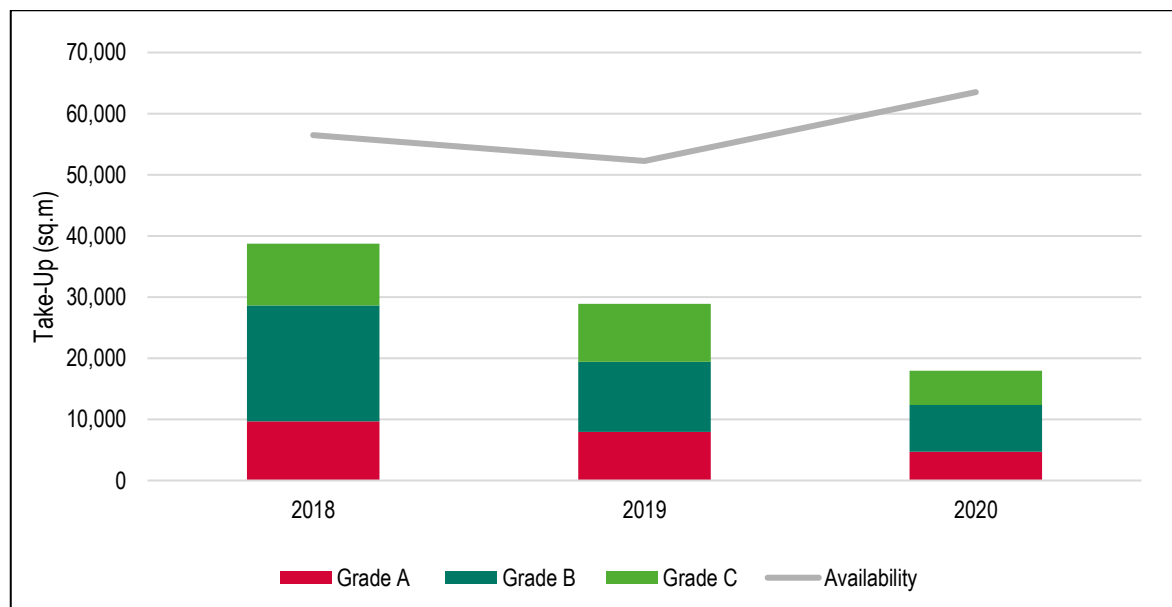
Figure 3.10: Office Take-Up by Year (2012-20) – Leicester and Leicestershire



Source: IcenI Analysis of CoStar Commercial Property Data

- 3.22 The chart below uses Innes England's data to drill into the profile of take-up by grade. Their data differs from CoStar (which is based on the County boundary) as it excludes the area around Castle Donington/East Midlands Airport. It shows lower take-up in 2020. Around 25-30% of overall take-up has been of new-build stock.

Figure 3.11: Take-Up by Grade (2018-20) – Leicestershire (excl Castle Donington)



Source: IcenI analysis of Innes England data

- 3.23 The Innes England data also supports analysis of the proportion of take-up by size band and location. The profile of office take-up over the last three years (2018-20 inclusive) sees around 37% in town/city centre locations, which will principally be in Leicester City Centre, and 63% in out-of-town

locations. There is however a much higher proportion of take-up of units between 465 – 1,850 sq.m (5,000 – 20,000 sq.ft) which are focused in town / city centre locations.

Table 3.1 Profile of Take-Up by Size Band and Location, 2018-20

	Town Centre	Out-of-Town	Total	% Town Centre	% by Size Band
< 465 sq.m	8,942	23,840	32,782	27%	38%
465 – 930 sq.m	9,347	6,219	15,566	60%	18%
930 – 1850 sq.m	10,231	7,897	18,128	56%	21%
1,850 – 2,800 sq.m	2,791	8,994	11,785	24%	14%
2,800 – 4,650 sq.m	0	7,432	7,432	0%	9%
4,650 sq.m+	0	0	0	0%	0%
Total	31,311	54,382	85,693	37%	100%

Source: Icen analysis of Innes England data

- 3.24 Pre-Covid, office demand had been shifting towards Leicester City Centre, influenced by improvements to the city centre environment and infrastructure including investment in public realm, the e-bike hire scheme and investment in cycle lanes. Covid resulted in reduced activity in 2020, but the early evidence is that the market has started to pick-up (albeit slowly) in early 2021 but continues to be focused on businesses moving due to lease breaks or lease expiry. Occupiers tend to be downsizing, with their office space requirements reducing by around 30%. There remains significant market uncertainty influenced by how changing working patterns may influence office requirements. Parking provision remains a concern, with typical provision of 1 space per 1000 sqft in the City Centre compared to typically 1 per 250 sq.ft out-of-town.
- 3.25 There remains a good appetite for out-of-town office space, with the early indications that this market is performing better than Leicester City Centre, but there is currently limited stock.

Office Availability

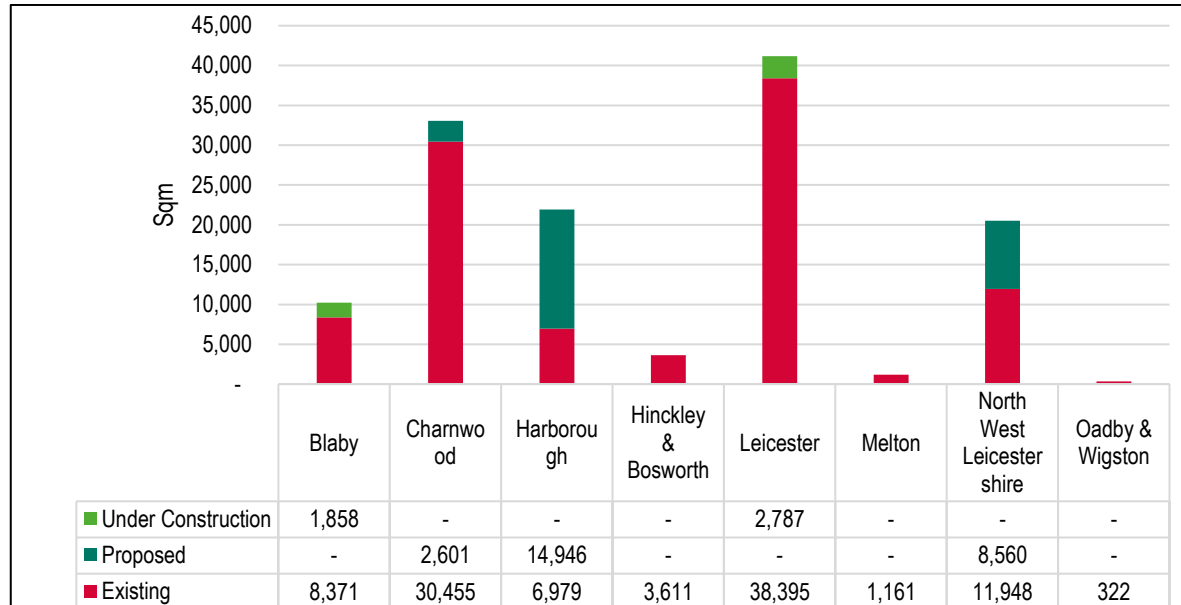
- 3.26 The figure below shows the current available and pipeline office space⁶ in each local authority, broken down by status (existing, proposed⁷ and under construction). It can be seen that Leicester has the most available office floorspace, the majority of which is existing, with a small fraction under construction. There are very low levels of available floorspace in Hinckley and Bosworth, Melton and Oadby and Wigston. Whilst there is over 20,000 sqm of office space being marketed in Harborough, around 15,000 sqm of this is proposed floorspace and hence actual current availability is likely to be

⁶ Co-star data on the 27/05/21

⁷ Land considered for a particular future use or a building that has been announced for future development. The project is not expected to start construction in the next 12 months. This can include properties both with and without planning permission.

much lower. Similarly, in North West Leicestershire around 9,000 sq.m of the 21,000 sqm of marketed space is proposed/ pipeline space.

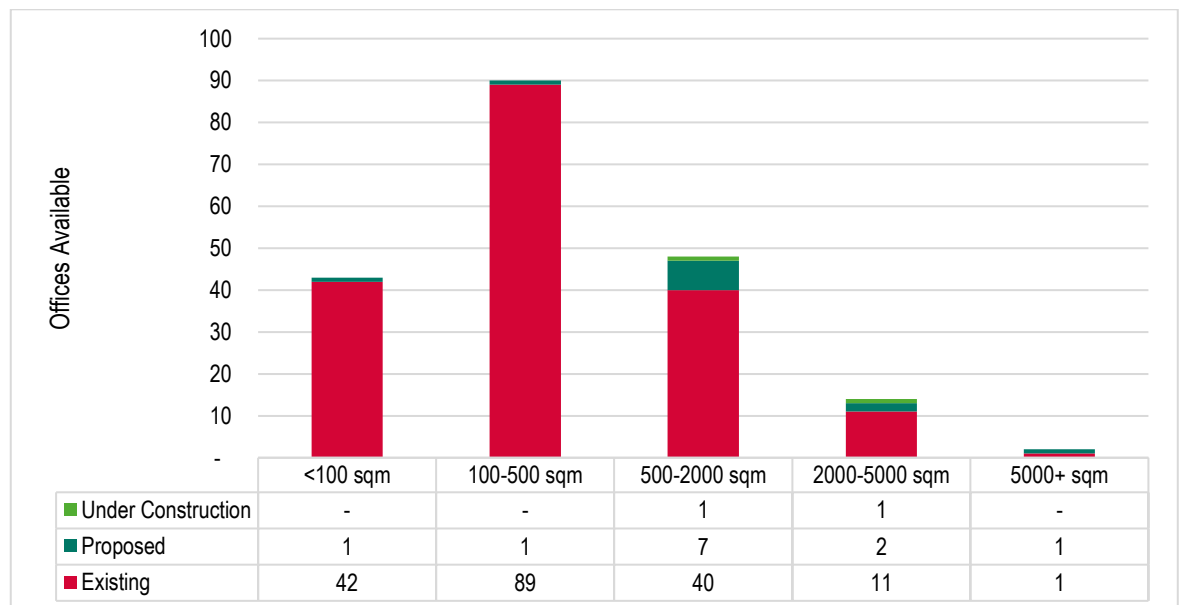
Figure 3.12: Office Floorspace Availability (sqm) by Local Authority and Status



Source: Icen Analysis of CoStar Commercial Property Data

- 3.27 The figure below shows the number of offices available/ being marketed by size band and broken down by status. It can be seen that office space between 100 and 500 sqm has the largest availability. Availability then decreases with size.

Figure 3.13: Office Availability by Size and Status



Source: Icen Analysis of CoStar Commercial Property Data

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- 3.28 An analysis of availability using the Innes England data points to around 2.2 years' available supply based on the (somewhat subdued) take-up figures seen over the last three years. The supply position is stronger in the City Centre and for older stock, with a tighter position (1.8 years) for Grade A supply, particularly in the out-of-town market.

Table 3.2 Availability in City Centre and Out-of-Town Markets, Dec 2020

Sq.ft	Town Centre	Out of town	Total	Notional Years' Supply
Grade A	3,618	9,681	13,299	1.8
Grade B	15,186	17,921	33,107	2.6
Grade C	11,590	5,523	17,113	2.0
Total availability	30,394	33,126	63,519	2.2
Notional Years' Supply	2.9	1.8	2.2	

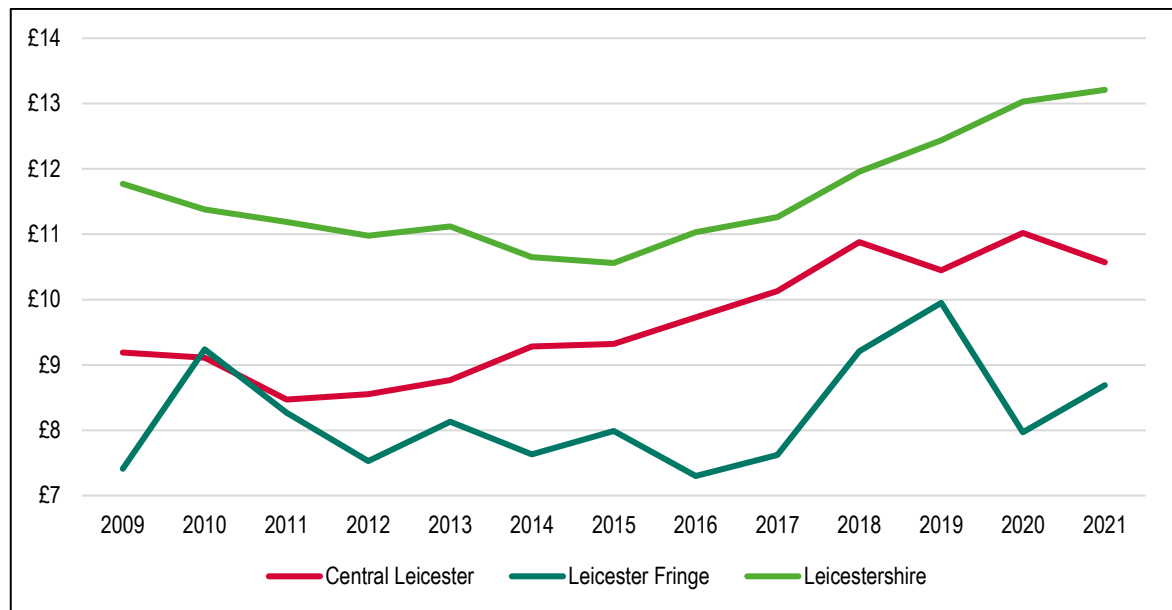
Source: Icenii analysis of Innes England data

- 3.29 The short-term prospect of businesses reducing their footprint/ floorspace could see availability rise, which could have some impact (alongside market uncertainty) in limiting levels of new development in the immediate term. The market is however reasonably well placed, given current relatively low levels of available supply.

Office Rental Price Trends

- 3.30 The figure below shows average rental values in Leicester City Centre, Leicester Fringe (the rest of Leicester including business parks/ out-of-town supply around the Leicester Urban Area) and Leicestershire between 2009 and 2021.
- 3.31 It can be seen that average rents in Leicestershire are consistently higher than in Central Leicester which in turn are consistently higher than in Leicester Fringe. Across Leicestershire, rents fell between 2009 and 2015 before increasing to over £13.00 per sqft in 2021. Rents in Central Leicester steadily increased between 2011 and 2018 before levelling off and coming to £10.57 per sqft in 2021. Rents across Leicester Fringe have seen more variation – falling between 2010 and 2012 before levelling off, increasing between 2016 and 2019 and then falling to £8.69 per sqft in 2021.

Figure 3.14: Average Office Rents per sqft (2009-2020)



Source: CoStar Commercial Property Data

- 3.32 Average office rents are however influenced by the quality of available space. Price rents in Leicester for office space are around £19.50 - 20 per square foot (psf), the rental tone established by the recent deal for 14,000 sq.ft by Europcar at No1 Great Central Square. Rental levels are being maintained for the time being, influenced in part by low availability. Headline rents in the market towns are around £12 psf.
- 3.33 Rental levels achievable for new-build space are generally insufficient to support speculative office development for lease; which would typically require rents of around £25 psf to be supported. There is therefore an important role for public sector partners in facilitating the delivery of new office floorspace in the medium/longer-term.

Agent View

- 3.34 Iceni has worked with Leicestershire-based agents, Innes England, in preparing the HENA and understanding local market dynamics. The analysis below is informed by our discussions with them. The main office market within the sub-region is the Leicester Urban Area, reflecting its role as the largest settlement with a larger catchment population and better transport links (including public transport infrastructure) than other areas within Leicestershire. The Leicester market captures the City Centre and out-of-town business parks close to the M1 including Meridian Business Park and Grove Park, which sit close to M1 Junction 21.
- 3.35 In the recent past, pre Covid, there has been insufficient Grade A office space coming to the market.
- 3.36 The market in Leicester was witnessing a migration towards the City Centre (rather than out of town) due to improvements in City Centre – including investment in the public realm and cycling

infrastructure. However car parking remains an issue for the City Centre, with 1 space per 1,000 sqft rather than 250 sqft out of town. Car parking is an issue as most workers are local and expect to commute by car. There are examples of specific deals in the City Centre failing to complete due to parking. Iceni note that a consultation has begun to introduce a city-wide Workplace Parking Levy in Leicester to encourage car commuters to consider other modes of transport. If implemented, this is expected to make it tougher to entice occupiers to the City Centre relative to out-of-town business park locations.

- 3.37 The market is starting to pick up slowly in 2021 but largely driven by downsizing at lease breaks or lease expiry, with occupiers typically looking to downsize by around 30%. Availability (levels of vacant floorspace) has therefore increased. At the time of writing there are no new occupiers currently looking to come into Leicester City post Covid. Typical downsizing of businesses, particularly driven by lease events, has been around 30%. The result of occupiers reducing their floorplates, combined with very limited movement of new tenants into the area (with few live requirements from outside the area), has created current conditions of oversupply in the Leicester office market.
- 3.38 The office market generally is currently in a state of upheaval, in particular influenced by periods where Government advice has been to work from home where possible. Office workers have adapted to working from home; and the outlook is likely to see more agile working practices being adopted within many formerly office bound businesses, to the point where it is likely that there will not be the same levels of demand seen for this office accommodation as before. It is of course too soon to tell precisely what the long term implications will be on the market from growth in home working, but at the present there is still a good deal of office accommodation on the market in Leicester City Centre and Innes England would not advise that larger floor plates are required currently. The evidence points to the growth of remote and agile working being a structural change which will result in weaker office floorspace demand moving forwards.
- 3.39 In terms of smaller offices, again Innes England's view is that in Leicester City Centre there is plenty of space still available, but going forward with occupier size requirements decreases there could be the potential for additional office development. That said Brackley Developments are currently marketing design and build offices from 2000 sq ft at Waterside Office Park and so far there has been very few transactions undertaken here. This however is perhaps because they are on a Design and Build basis as opposed to being speculatively built. If the latter happened, this could support greater uptake.
- 3.40 In the City Centre there was 32,000 sqft of office space completed in 2020 which is still empty – previously rumoured to be under offer but now understood that the party has taken a smaller 20,000 sqft unit at Watermead Business Park. The City Centre seems to be performing poorly however this may just be coincidental depending on lease events.

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- 3.41 Bigger corporates are making indications of restructuring nationwide. However, the smaller end of the market not seeing a shift. There remains significant uncertainty in the office market, and with a return to work from home guidance from Government in December 2021, it may be some time before the outlook is clearer.
- 3.42 Rental levels in and around the City seem to be being maintained for the time being, however Innes England have seen incentives marginally increase.
- 3.43 Outside of the City there seems to be a steadier appetite for office space and limited stock. The scale of the market for office space is smaller, and focused on local SME businesses. It is focused on the main market towns – Loughborough, Market Harborough, Lutterworth and Hinckley. There has been limited development in recent years, except at Loughborough University Science Park where 60,000 sq.ft of space has been delivered, the offer here focused on science/R&D-based activities. The majority of transactions have been at the smaller end of the market.
- 3.44 The pandemic has generated some interest in provision of managed workspace schemes, focused at small businesses. A new building is being delivered for Regus at Meridian Business Park (12,000 sq.ft) which is due to open in early 2022. Leicester City Council is also bringing forward 12,000 sq.ft of co-working space in The Gresham, the former Fenwick building in the City Centre. It is anticipated that there would be some demand for coworking spaces in the market towns in schemes of up to 10,000 sq.ft. Options to support viability include public sector support or the potential for reworking of former retail space in Town Centre locations.

Office Market – Key Findings

- UK office take-up for the whole of 2020 was similar to the year after the global financial crisis. The future of the office is uncertain but offices are likely to remain important spaces for companies.
- Net absorption of office floorspace across the Study Area has outweighed net delivery by around 76,000 sqm over the last 11-year period leading to a decline in vacancy rates from 8% in 2009 to 2.5% in 2020. There is a relatively limited supply of Grade A space.
- Leicester has by far the most office floorspace in the Study Area (37% of total compared to 16% in Blaby which has the second most). Accordingly, office floorspace absorption has been highest in Leicester over the last nine years.
- The amount of office floorspace in the Study Area has shrunk by 2% over the last 10 years. However, in the same period the amount of office floorspace in Leicester shrank by 9.7%. The Leicester urban area is however the main market in the sub-region; and pre-Covid there had been a growing shift in occupier demand towards City Centre space. However the growth in agile and home-based working appears to be a structural shift which is anticipated to reduce office floorspace demand in the future.
- Leicester has the most available office floorspace with stronger availability in the City Centre than the out-of-town market. There are very low levels of available floorspace in Hinckley and Bosworth, Melton and Oadby and Wigston but market demand is equally

modest. Availability could however increase in the short-term as companies reduce their office footprints. This could serve to limit new-build development activity.

- Prime rents have remained relatively stable at around £19.50-20 psf in Leicester and £12 psf in the market towns in the County, with occupiers tending to target second hand space.

Industrial Market Overview

- 3.45 Industrial and logistics take-up nationally was a very strong 15 million sq.ft in Q1 2021, the strongest on record first quarter; continuing the trend seen in much of 2020 of take-up which was well above the long-term average. 2020 take-up for the year as a whole reached 59.7 million sq.ft, the highest on record. Strong demand was evident across UK regions. As a key location for big box logistics, the East Midlands continued to attract the largest share of demand, according to Lambert Smith Hampton, with 3.5 million sq.ft of take-up recorded in Q1 2021. A combination of strong occupier demand and investment in the sector have seen development continue apace with speculative development under construction hitting record 14m at the end of Q1 2021. Across the main industrial market segments, current supply nationally is equivalent to less than 1.5 years' take-up. The lack of supply supporting continued rental growth.
- 3.46 The pandemic and the UK's exit from the EU have evidenced the important role of the logistics sector to keep food and goods moving. 2021 is expected to bring further focus on building more resilient supply chains, increasing stocks and diversifying suppliers to prevent future disruptions. This restructure of logistics networks will require additional warehousing space in the UK. The market for logistics space is being buoyed by expanding demand from online retailers who are benefiting from the lasting effects of COVID-19 in consumer behaviour. Retailers wanting to preserve market share will need to continue to secure warehouse space to expand their online channels.
- 3.47 CBRE report that the second half of 2020 has seen occupiers opting for longer leases compared to the reactive short-term contracts seen in the second quarter. In 2021 they expect longer commitments for the renewals of those short-term leases in most cases, and occupiers reverting to their planned expansions.
- 3.48 Savills Big Sheds Briefing (Jan 2021) reports that 2020 breaks all previous records with new leases signed for 50.1 m sq ft of warehouse space nationally, 12.7m sq ft ahead of the previous record set in 2016 and comprising 165 separate transactions, breaking the previous record of 163 set in 2014. Whilst it is important to say that a large proportion of this space was leased to Amazon (25%) and a number of leases on terms less than five years (12%), take-up would still break new records even if Amazon and short-term deals were removed from our time series. Another key factor of 2020 has been the surge in take-up for units over 500,000 sq ft with 25 deals recorded, making it the highest

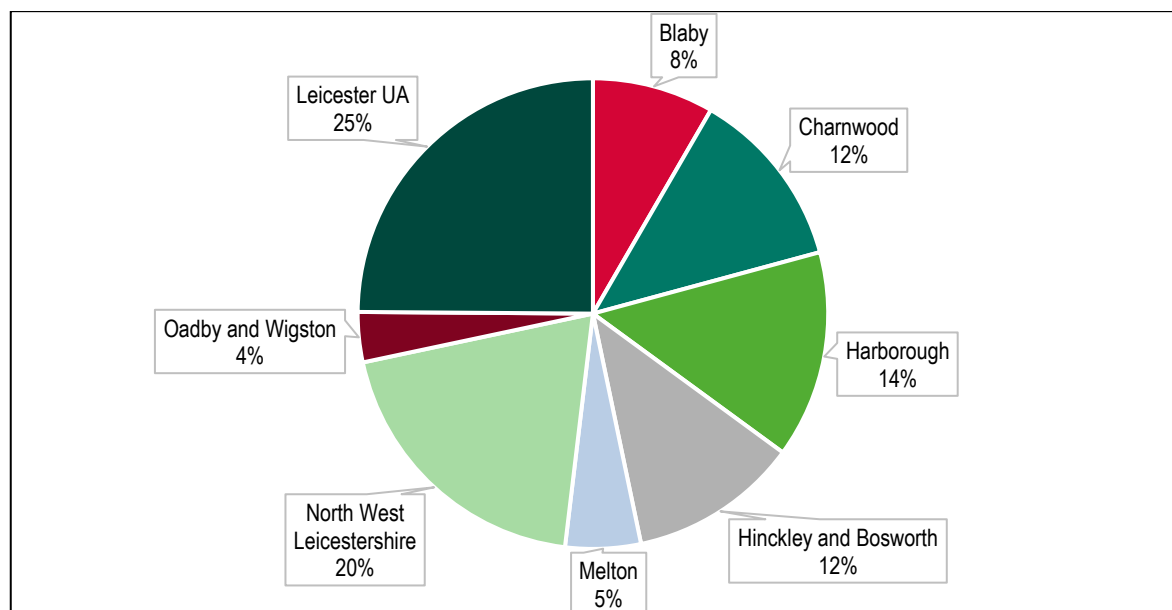
year since Savills records began and also more than the previous two years combined. Given the number of requirements currently in the market for units over 500,000 sq ft, this is a trend they expect to continue into 2021.

Leicester and Leicestershire Industrial Market

Industrial Stock

- 3.49 VOA data shows that in the year 2019/20 the Study Area had 11,000 industrial properties providing 9,821,000 sqm of industrial floorspace in total (across all size bands). This represents 24.4% of the industrial floorspace across the East Midlands. This suggests that the Study Area has a relatively large industrial sector given its working age population only makes up 22.4% of that of the East Midlands.
- 3.50 The figure below shows the amount and proportion of industrial floorspace by local authority. As expected, Leicester supports a large proportion of the Study Area's industrial market (25%). North West Leicestershire also supports a significant proportion (20%). On the other hand, floorspace in Oadby and Wigston makes up just 4% of the Study Area's industrial floorspace.

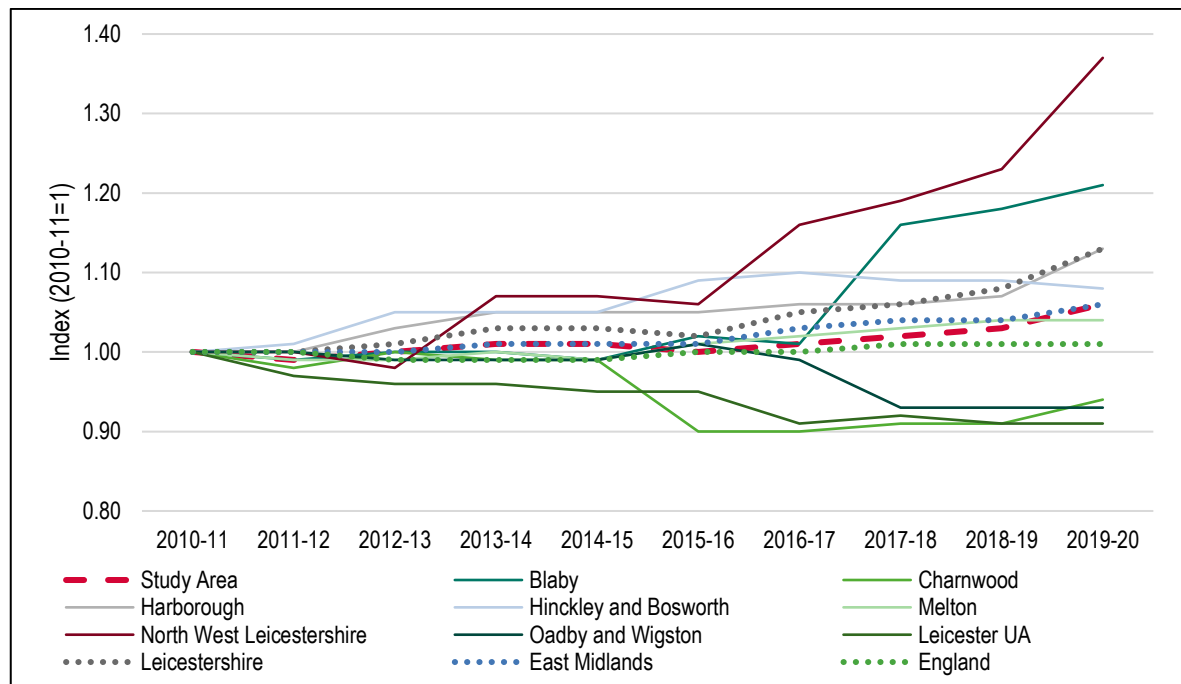
Figure 3.15: Industrial Floorspace by Local Authority 2019/20 (Thousands of sqm; %)



Source: VOA: Non-domestic rating: stock of properties including business floorspace, 2020

- 3.51 The figure below shows the change in the amount of industrial floorspace. The amount of industrial floorspace in the Study Area grew (by 6.4%) between 2010 and 2020 – driven by growth of 12.7% across Leicestershire and in particular Blaby and North West Leicestershire (20.6% and 37.1% respectively). This rate of growth is similar to that across both the East Midlands (6.0%) but greater than that across England as a whole (1.3%). On the other hand, Leicester, Oadby and Wigston, and Charnwood saw shrinkage of 9.1%, 7.1% and 6.2% respectively.

Figure 3.16: Indexed Industrial Floorspace by Local Authority 2010/11 – 2019/20

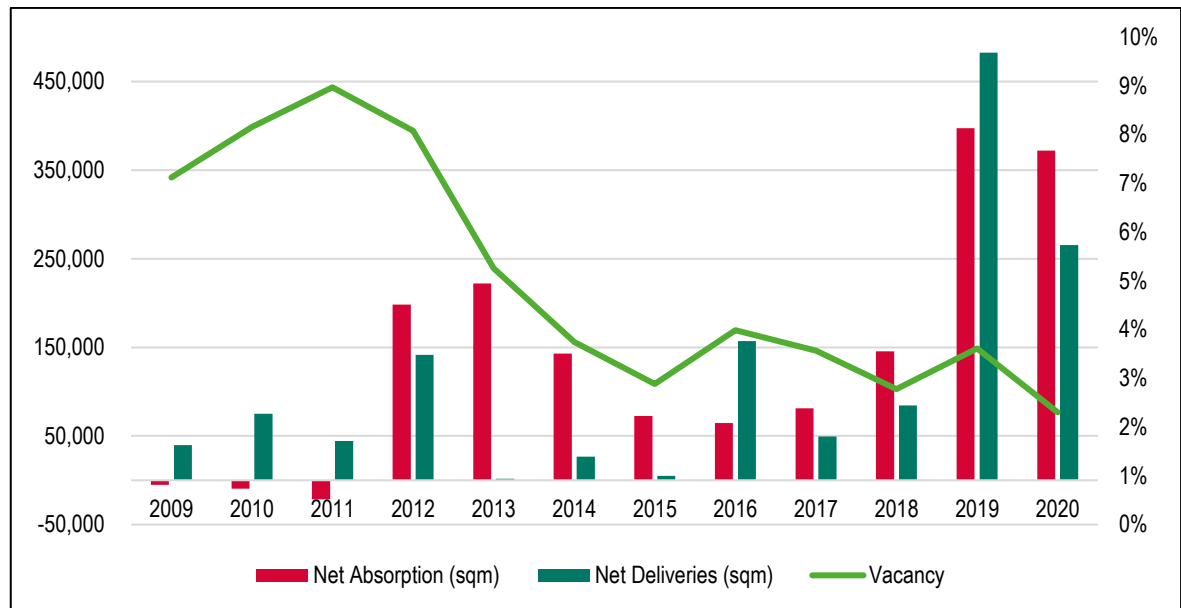


Source: VOA: Non-domestic rating: stock of properties including business floorspace, 2020

Absorption, Delivery and Vacancy Trends

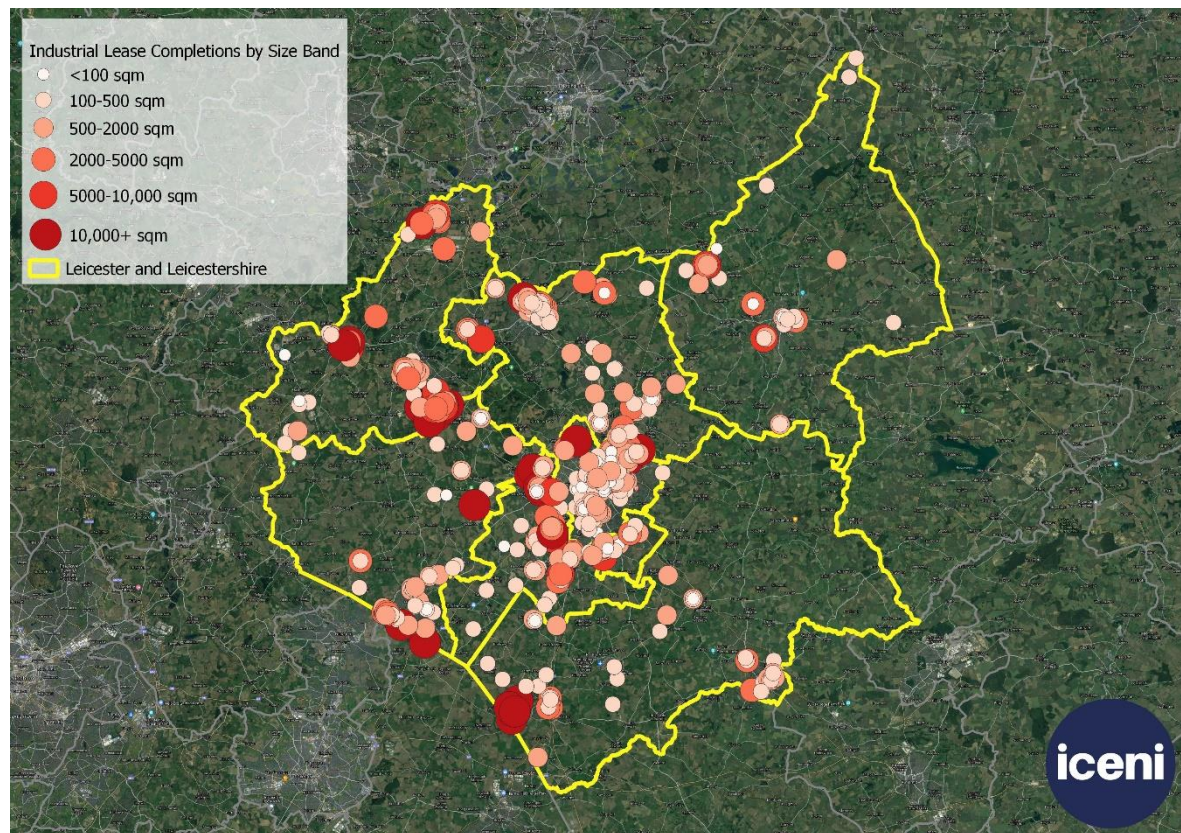
- 3.52 The chart below indicates that net absorption of industrial floorspace across the Study Area was positive for the last 9 years, peaking at 397,000 sqm in 2019. Over the period between 2009 and 2020 there was a net absorption of around 1,660,000 sqm of floorspace.
- 3.53 The chart also shows net new space being delivered in the Study Area. There was 1,372,000 sqm net of new industrial floorspace delivered between 2009 and 2020. Net delivery averaged 100,645 sq.m (1.1 million sq.ft) in each year between 2009 and 2019 before rising to a peak of 483,000 sqm in 2019 and then dropping to 265,000 sqm in 2020. Indeed the last 5 years have seen 208,000 sq.m of new floorspace delivered per year. This represents a very strong level of new-build development and market activity.
- 3.54 Net absorption has outweighed net delivery by around 288,000 sqm over the last 11-year period. This has led to a decline in vacancy rates from 9% in 2011 to just 2.3% in 2020. The low vacancy rate and strong recent take-up points to the continuing need to bring forward additional industrial space in the short-term.

Figure 3.17: Net Absorption, Net Delivery and Vacancy of Industrial Floorspace in the Study Area, 2009-2020



Source: CoStar Commercial Property Data

Figure 3.18: Absorption of Industrial Floorspace by Size, Leicestershire 2012-21



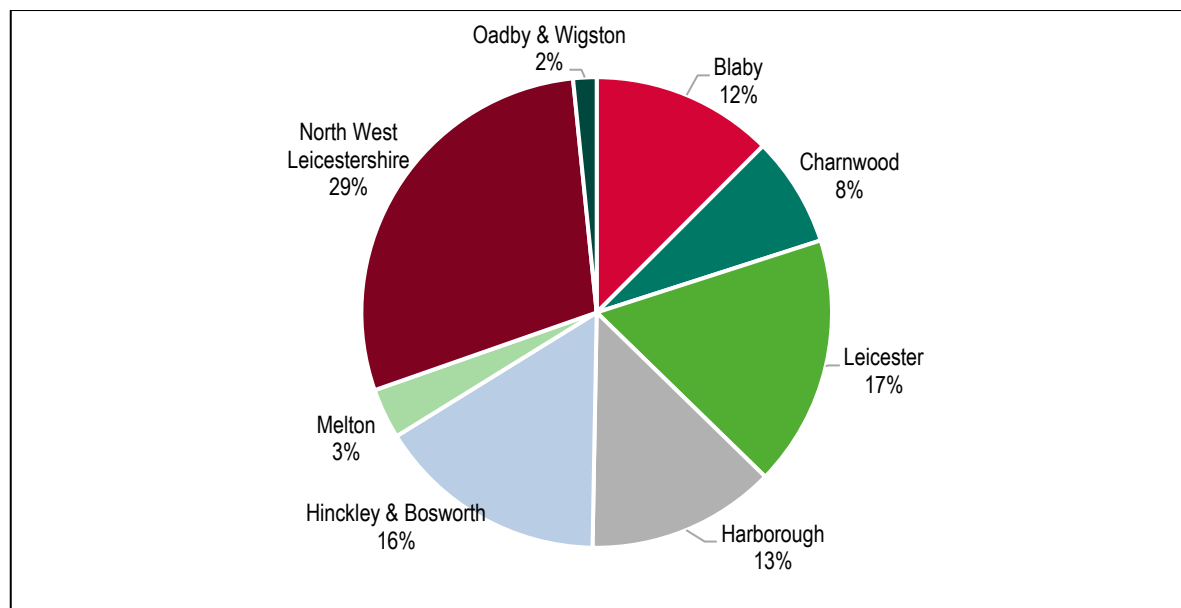
Source: Icen Analysis of CoStar Commercial Property Data

3.55 The figure above maps the industrial take-up across the Study Area. It can be seen that there is a concentration of take-up (which includes new-build and occupation of existing premises) in and

around the Leicester Urban Area, together with locations in NW Leicestershire and along the A5. It can also be seen that the largest leases in terms of space (over 5000 sqm) also tend to take place in Leicester and Blaby.

- 3.56 Between 2012 and the start of 2021, industrial absorption totalled 2.5 million sqm of floorspace. The figure below shows the percentage of this floorspace in each local authority area. It can be seen that the largest percentage (29%) is in North West Leicestershire with the smallest percentage (2%) in Oadby & Wigston.

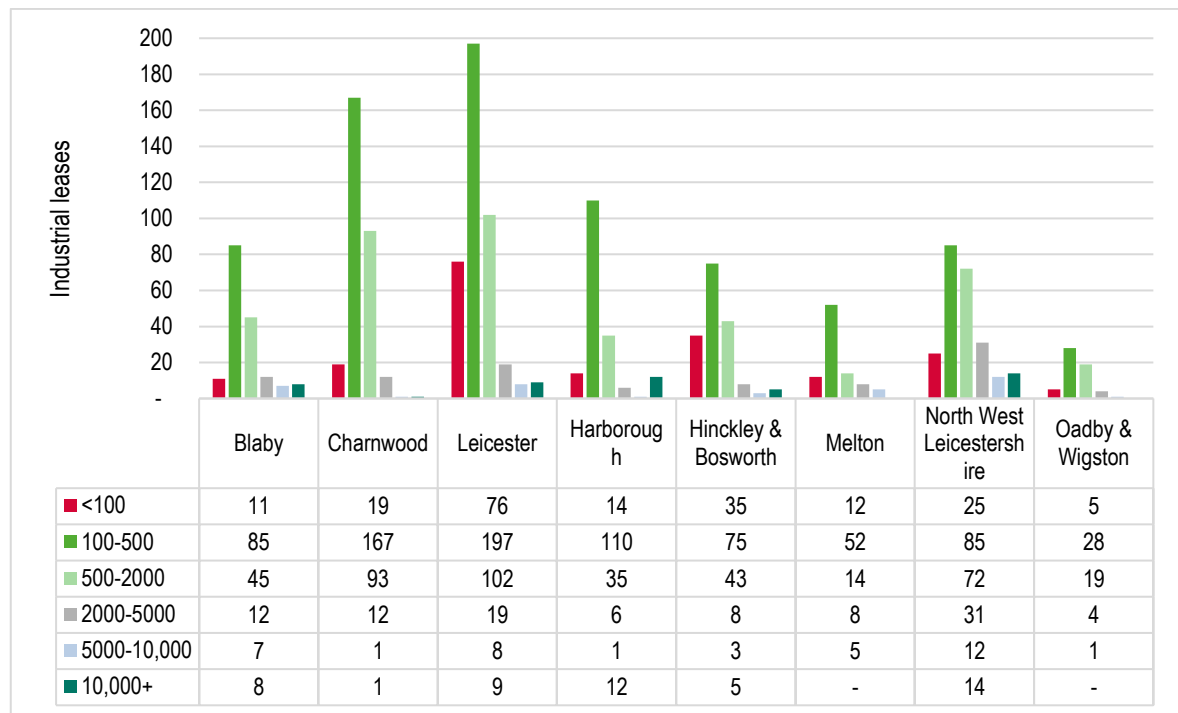
Figure 3.19: Industrial Absorption by Local Authority 2012-2021



Source: Icen Analysis of CoStar Commercial Property Data

- 3.57 The figure below shows industrial absorption by size band between 2012 and 2021. It can be seen that most industrial leases were of space between 100 and 500 sqm – around half of all leases were in this size band. Leicester and Charnwood had by far the most leases in this size band. Leicester and Charnwood also had the most leases in the 500-2000 sqm size band. North West Leicestershire had by far the most leases in the three largest size bands explaining its position as having the most industrial floorspace leased influenced by the strength of the logistics sector in the District.

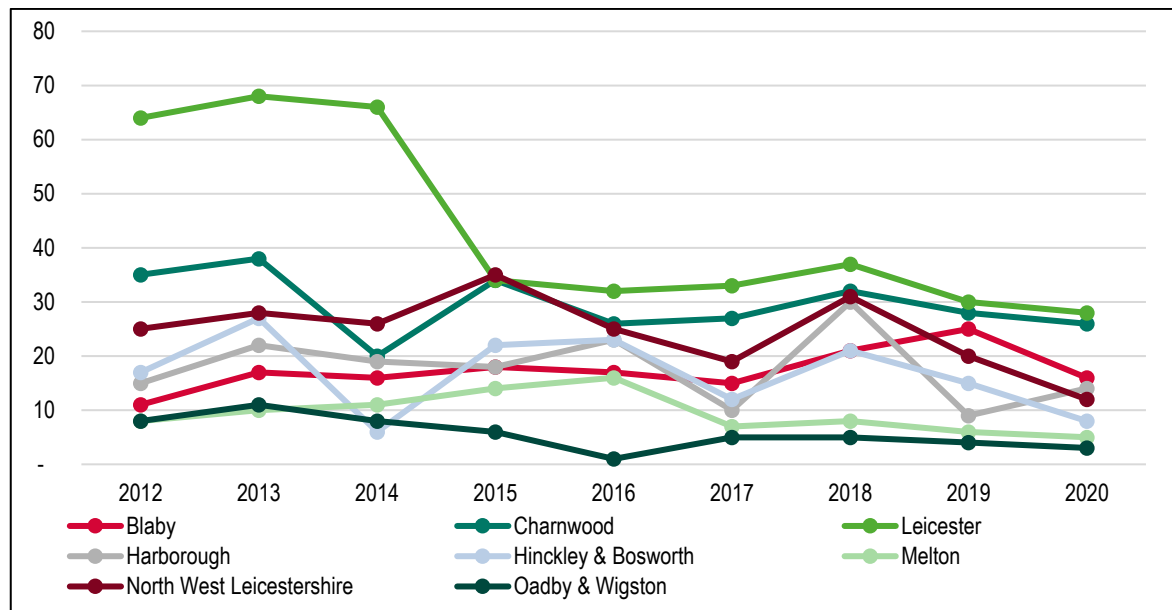
Figure 3.20: Number of Industrial Leases by Size (sqm) and Local Authority 2012-2021



Source: Icen Analysis of CoStar Commercial Property Data

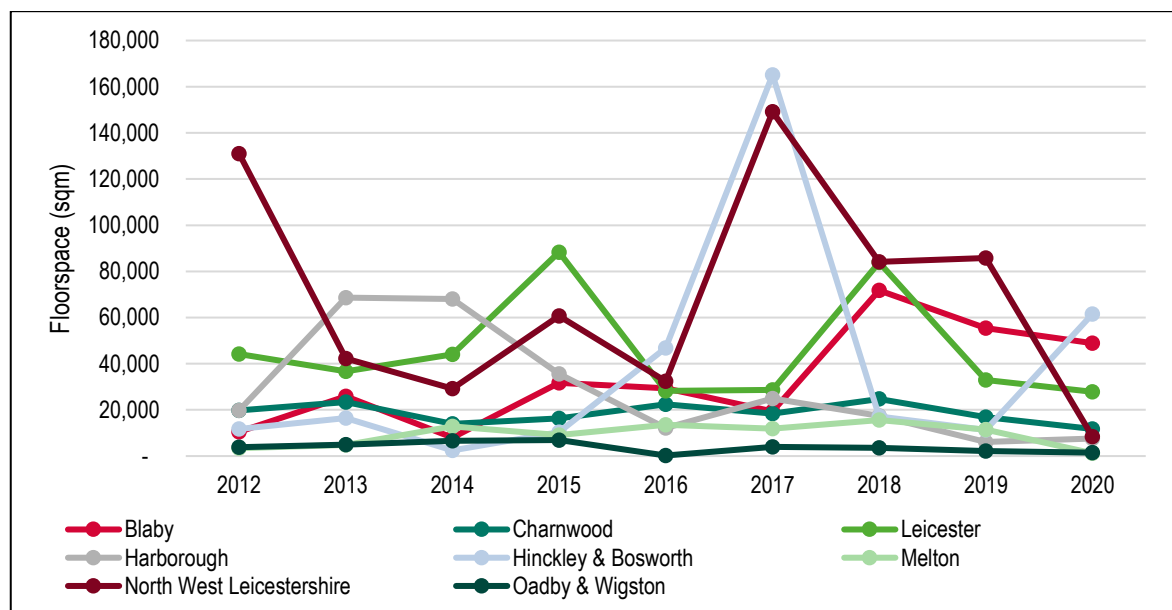
- 3.58 The figure below shows the number of industrial leases by local authority over the last nine years. Leicester had by far the most industrial leases between 2012 and 2015, however, the number of leases in Leicester fell significantly in 2015 and since has been similar to/slightly above the number of leases in Charnwood – in Leicester there were 28 leases in 2020 compared to a peak of 68 in 2013. The lowest numbers of leases are consistently in Oadby and Wigston (as expected given it has smallest area) – there were 3 leases in 2020. Melton consistently has the second lowest number of leases with just 6 in 2020.
- 3.59 The distribution of industrial market activity by local authority is influenced by their location and accessibility. Stronger locations are those which relate well to key transport corridors including the M1, M69, M42/A42, and to a lesser extent the A46 and A50.

Figure 3.21: Industrial Lease Completions by Year and Local Authority



Source: Icen Analysis of CoStar Commercial Property Data

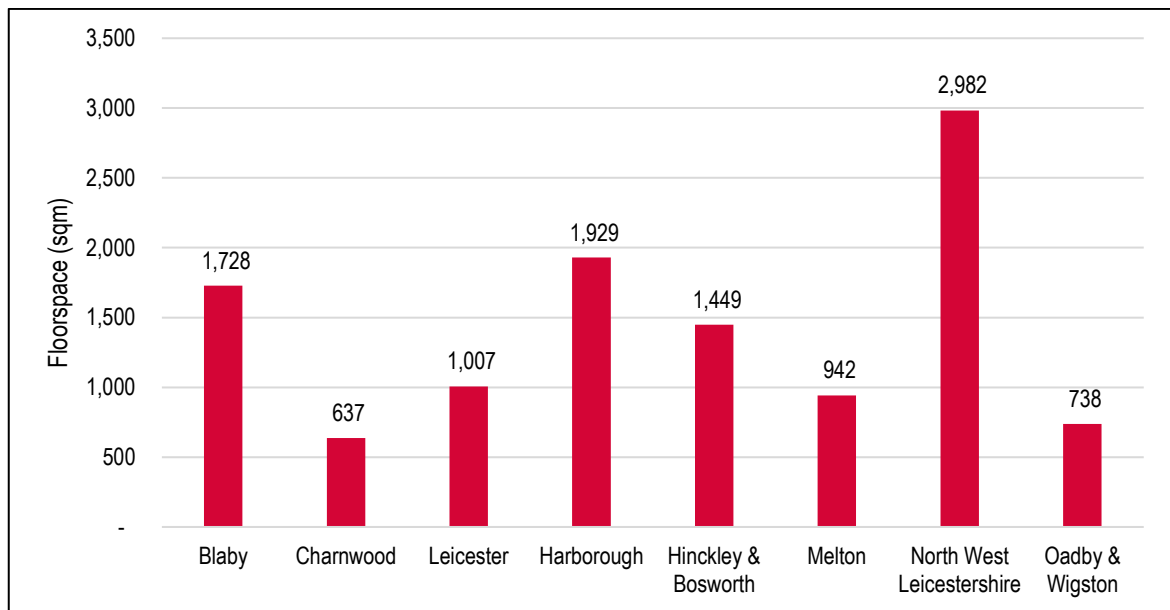
Figure 3.22: Industrial Floorspace Leased by Year and Local Authority



Source: Icen Analysis of CoStar Commercial Property Data

- 3.60 Take-up has been consistently strong in overall terms in North West Leicestershire, influenced by a continuing supply of land which can accommodate big box logistics; with recent take-up also relatively strong in Blaby. Leicester's take-up is also significant influenced by the size of its existing industrial stock.
- 3.61 It can be seen that the largest average size of floorspace leased was in North West Leicestershire. On the other hand, the lowest was in Charnwood explaining the fact that whilst Charnwood has had a large number of leases, it has had relatively small amounts of floorspace leased.

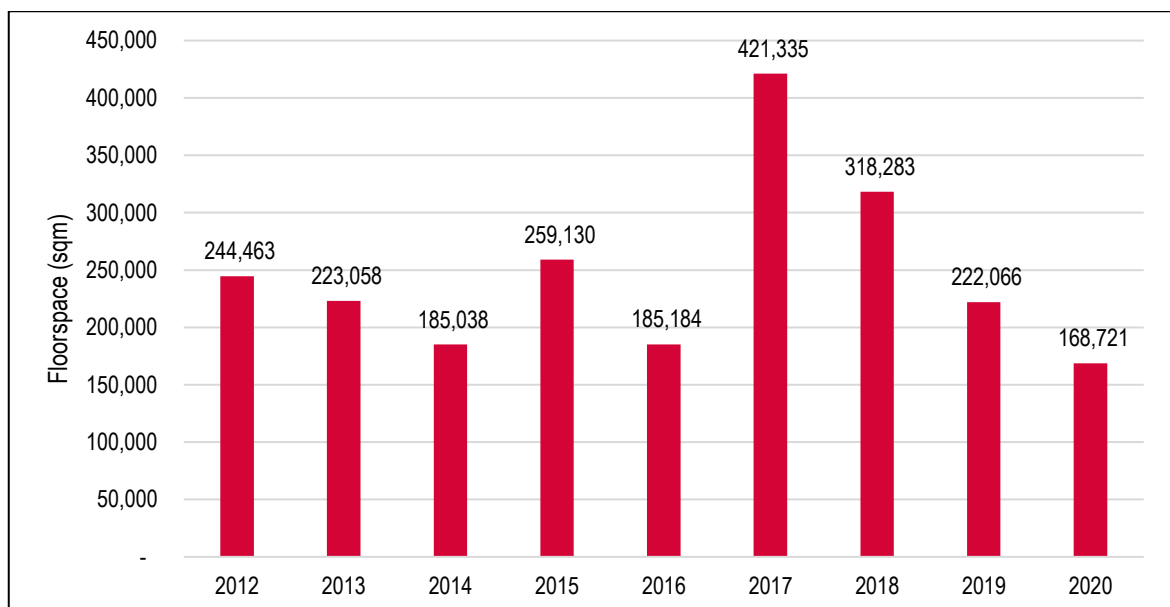
Figure 3.23: Average Floorspace Leased



Source: Icen Analysis of CoStar Commercial Property Data

- 3.62 The figure below presents the same data but aggregated across the Study Area. Overall take-up peaked in 2017 but has been falling over the subsequent years. This is influenced by a declining level of available space/ supply.

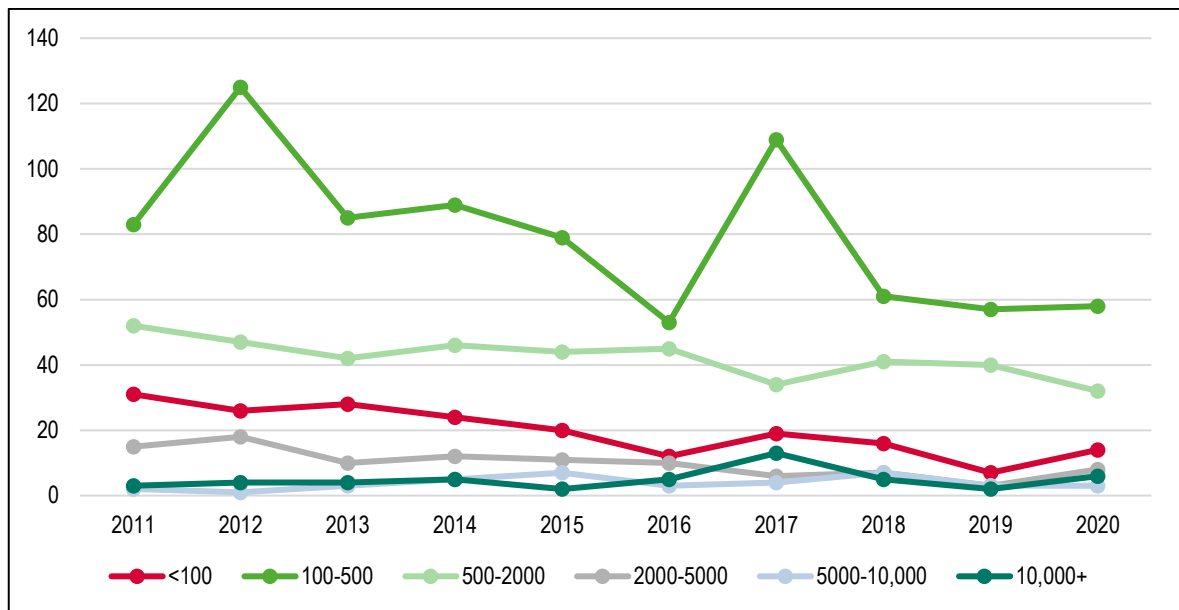
Figure 3.24: Industrial Floorspace Leased by Year, Leicestershire 2012-20



Source: Icen Analysis of CoStar Commercial Property Data

- 3.63 The figure below shows the number of industrial leases by size band over time. It can be seen that there has been a general decline in leasing at all size bands (of 30% to 55% between 2011 and 2020), aside from the largest size band of 10,000+ sqm which saw an increase (although numbers of leases are low).

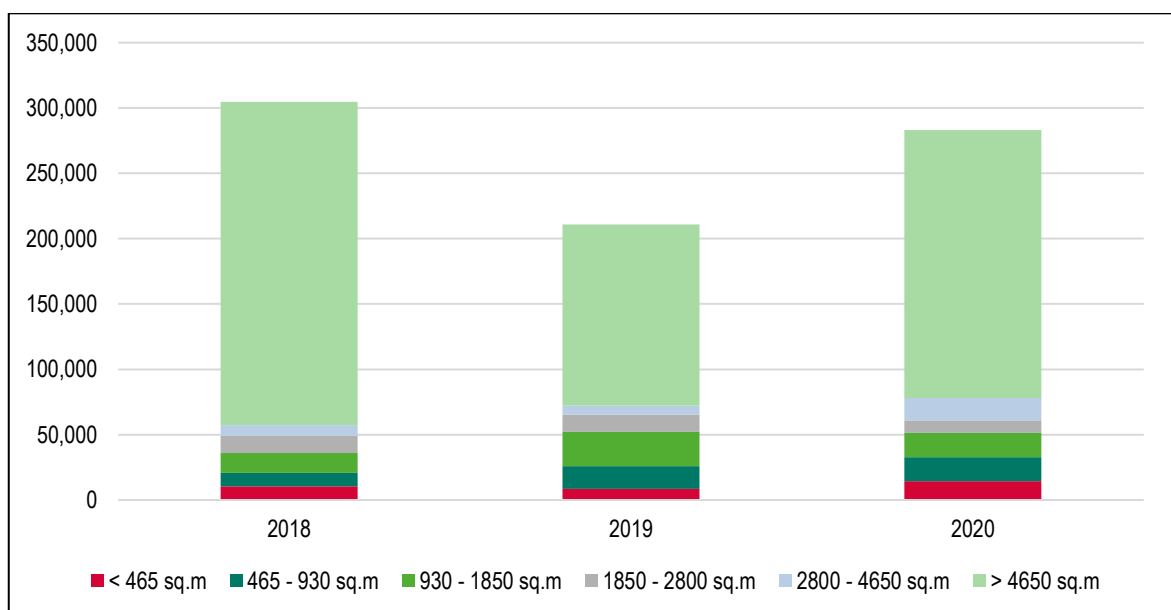
Figure 3.25: Industrial Floorspace Leased by Size (sqm) by Year – Leicester & Leicestershire



Source: Icen Analysis of CoStar Commercial Property Data

- 3.64 The recent demand picture has been of very strong demand for industrial premises, with a record level of activity in 2020. Set against strong demand, particularly for warehouse space from 3rd Party Logistics Providers (3PLs) and retailers as well as from manufacturing firms, there is a lack of stock.
- 3.65 Innes England report that demand is pretty strong across size bands. Their data shows overall take-up of 3 million sq.ft of industrial space across Leicestershire (excluding East Midlands Gateway) in 2020 with 70% of floorspace in units of over 100,000 sq.ft.

Figure 3.26: Take-Up by Size Band – Leicestershire (excl Castle Donington/EMG)



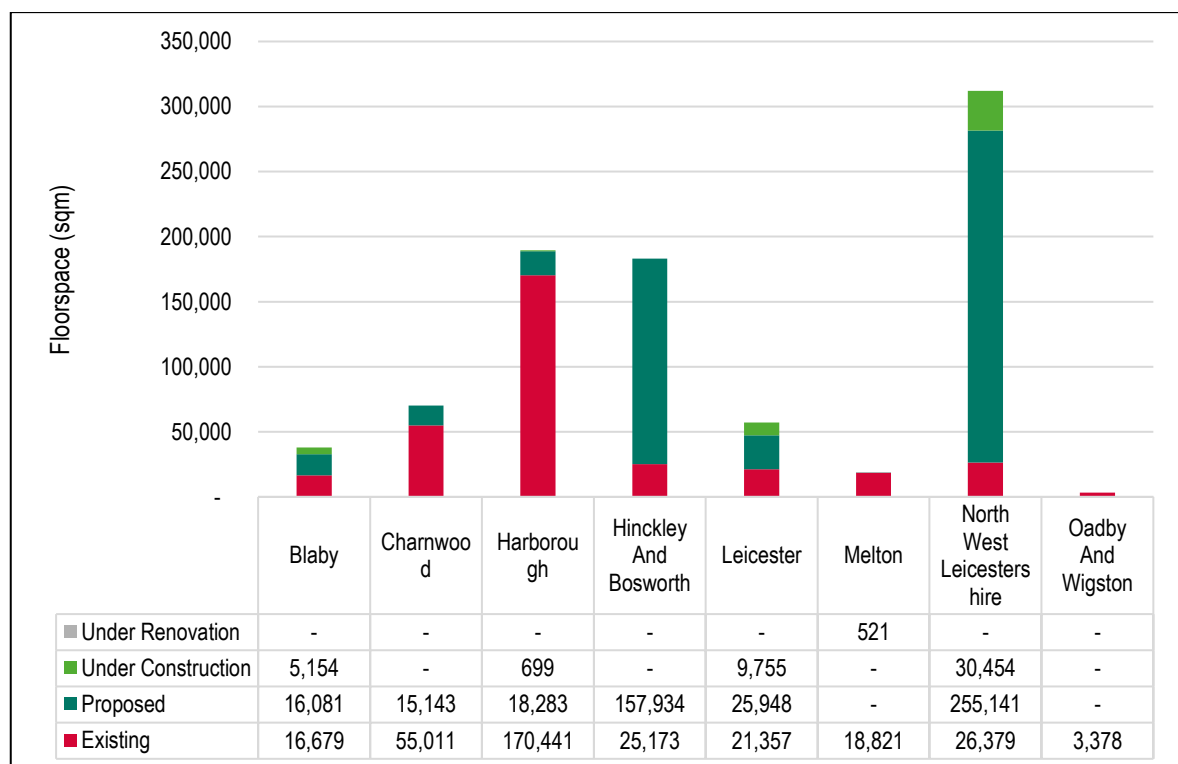
Source: Icen analysis of Innes England data

- 3.66 There is a more local market for units of under 50,000 sq.ft (4,650 sq.m), with limited current stock. 41% of transactions are for units of under 10,000 sq.m focused towards the City and locations such as Thurmaston and Braunstone.

Industrial Availability

- 3.67 The figure below shows the current availability of industrial space in 2021 (including industrial, logistics and light industrial) broken down by status (existing, proposed, under construction and under renovation). North West Leicestershire has the most available or pipeline industrial floorspace. However, the majority of this is in the pipeline, with just small fractions which are existing and under construction. Excluding proposed floorspace, Harborough has by far the most available industrial floorspace however Iceni understands that the space at the extensions to Magna Park have largely now been pre-let or be delivered speculatively.
- 3.68 The lowest levels of available industrial floorspace are in Melton and Oadby and Wigston. Excluding proposed floorspace there are similarly low levels in Leicester, Hinckley and Bosworth, and Blaby.

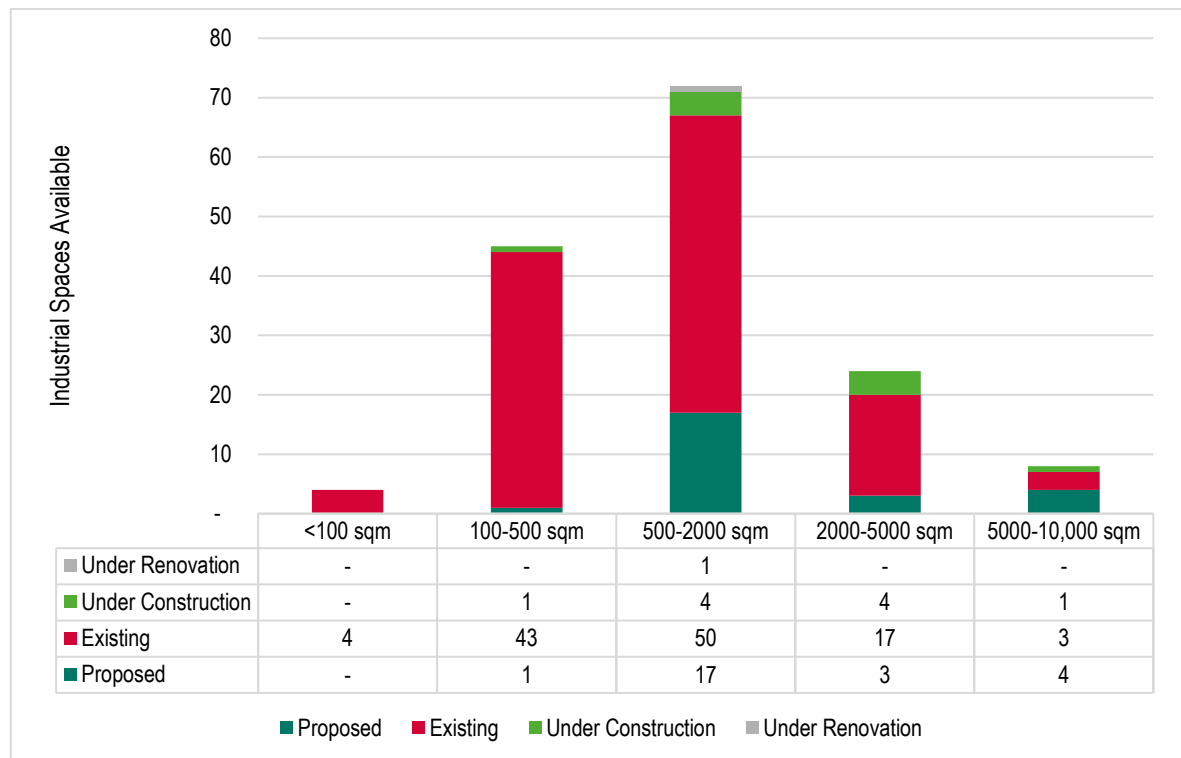
Figure 3.27: Industrial Floorspace Availability (sqm) by Local Authority and Status



Source: Iceni Analysis of CoStar Commercial Property Data

- 3.69 The figure below shows the number of industrial spaces available by size band and broken down by status. It can be seen that industrial space between 500 and 2,000 sqm has the largest availability. A significant proportion of available space above 500 sqm is proposed – 24% between 500 and 2,000 sqm, 13% between 2,000 and 5,000 sqm and 50% between 5,000 and 10,000 sqm.

Figure 3.28: Industrial Availability by Size and Status



Source: Icen Analysis of CoStar Commercial Property Data

- 3.70 Using Innes England's data on availability and take-up, the supply position is relatively tight at around 1.3 years highlighting the need to bring forward additional industrial space in the short-term.

Table 3.3 Notional Years Supply – Leicestershire (excl Castle Donington/EMG)

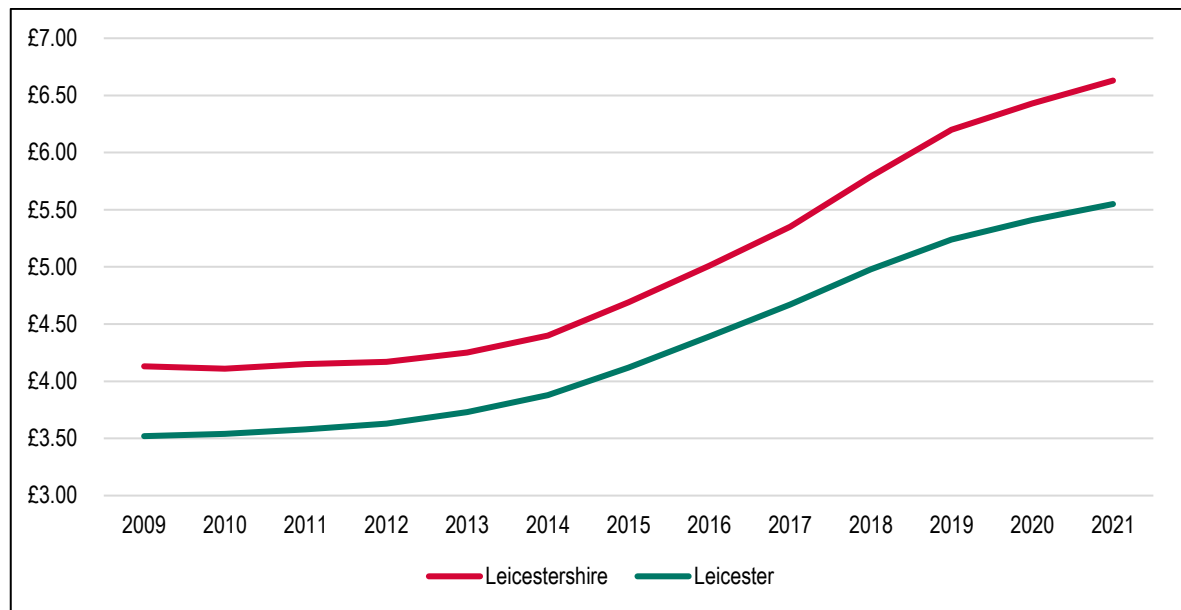
	Availability, Dec 2020	3 Year Average Take-Up	Notional Years' Supply
Grade A	221,538	141,527	1.6
Grade B	35,757	64,473	0.6
Grade C	41,497	26,953	1.5
Total availability	298,792	232,953	1.3

Source: Icen Analysis of Innes England data

Industrial Rental Price Trends

- 3.71 The figure below shows average rental values in Leicester and Leicestershire between 2009 and 2021. Across Leicester and Leicestershire, rents have gradually risen with a sharper rate of increase between 2013 and 2018. In 2021, average rental values for industrial floorspace are £6.63 per sqft in Leicestershire and £5.55 per sqft in Leicester.

Figure 3.29: Industrial Rents per sqft (2009-2020)



Source: CoStar Commercial Property Data

- 3.72 Prime rents are currently around £8.25 psf for smaller units, and £7.75 for big box units in the sub-region, with recent evidence of growth in industrial rents. The rent for a 60,000 sq.ft unit at Leicester Distribution Park has risen from £6.75 to £7.50 over the last 18 months.

Agent Feedback – Industrial

- 3.73 The industrial market is as strong as its ever been. 2020 was a record year. There is generally a lack of stock and high levels of demand. Third Party Logistics providers (3PLs) and retailers in particular need more warehouses. Manufacturing, Brexit and Covid are also all driving requirement levels. Anecdotally there is more demand for local manufacturing.
- 3.74 Demand for all sizes is high with a lack of stock across the board. Overall take up 3 million sqft (exc EMG) and 70% of floorspace is from over 100,000 sqft units. Demand for larger units is predominantly focused on M1 and motorway network. Magna Park (South) extension is pretty much all pre-let – over 1,000,000 sq.ft. The strength of the market for larger units is illustrated through the delivery of speculative development at Magna Park North. Units of less than 30,000 sq.ft are likely to be attractive the local market; with occupiers seeking over 50,000 sq.ft of space typically looking both in the County and beyond.
- 3.75 Development close to the trunk road network in the sub-region is likely to be in demand, particularly where freehold space is available. There is almost no availability of freehold space within the sub-regional market. Manufacturers are likely to particularly seek suburban locations in and around Leicester; with larger logistics occupiers more focused on those close and immediately accessible from the motorway network.

- 3.76 In terms of the local market below 50,000 sqft there is limited available stock. 41% of transactions under 10,000 sqft. There is considered to be a need to bring forward units at this end of the market, to meet demand.
- 3.77 Innes England suggest that there will be demand for industrial units across the Leicester urban area in locations with good access to arterial routes and labour and more space is required for development in these areas.
- 3.78 Leicester Distribution Park at J21/21a is now fully let. There will be further units coming to the market in a range of sizes at 30,000, 45,000 , 75,000, 150,000 sqft.
- 3.79 A series of large-scale lettings have occurred in 2020/21 including the following:

Table 3.4 Recent Large Lettings – Leicester & Leicestershire

Hinckley 532, Hinckley Park, J1 M69, Leicestershire	532,500 sq ft
Xdock 377, Magna Park, Lutterworth LE17 4XH	377,070 sq ft
Unit 2, Phase II, West Lane, Coalville LE67 1FA	359,000 sq ft
Zorro Coalfield Way, Ashby De La Zouch, LE65 1JR	237,565 sq ft
225 at Interlink, Beveridge Lane, Coalville LE67 1TB	225,690 sq ft
Tornado 186, Magna Park, Lutterworth LE17 4XN	186,695 sq ft

Source: Innes England

- 3.80 2022/3 will see a scheme being brought forward in Wigston at Genesis Park on Magna Road in South Wigston. This will be smaller mostly under 10,000 sqft freehold units. Market Harborough and Lutterworth will also see a smaller development schemes being brought forward. Smaller estates in Blaby and Whetstone continue to perform well.
- 3.81 Loughborough, Shepshed and Coalville have generally limited stock; with schemes around Coalville/Bardon and Loughborough having historically performed strongly.

Industrial Market – Key Findings

- Leicestershire benefits from a strong market for industrial space reflecting the strength of its manufacturing sector together with its locational advantages, which support its attractiveness for both manufacturing and warehousing/logistics.
- Net absorption of industrial floorspace across the Study Area has outweighed net delivery by around 288,000 sqm over the last 11-year period leading to a decline in vacancy rates from 9% in 2011 to just 2.3% in 2020. Very substantial levels of new development had been achieved, with the last 4 years seeing delivery of over 200,000 sq.m per annum absorbed within the sub-regional market.
- Leicester supports a large proportion of the Study Area's industrial market (25% of floorspace). North West Leicestershire also supports a significant proportion (20% of floorspace) influenced in particular by strategic warehousing. However, absorption has been highest in North West Leicestershire over the last nine years making up 29% of absorption across the Study Area.
- The amount of industrial floorspace in the Study Area grew (by 6.4%) between 2010 and 2020 - driven by growth of 12.7% across Leicestershire and in particular Blaby and North West Leicestershire.
- Industrial floorspace absorption across the Study Area peaked in 2017 before gradually falling to a low in 2020. This roughly follows trends across North West Leicestershire and Hinckley and Bosworth.
- Most industrial leases in the Study Area were of space between 100 and 500 sqm. Leicester and Charnwood had by far the most leases in this size band. North West Leicestershire had by far the most leases in the three largest size bands. Along with North West Leicestershire, the average size of space rented was highest in Harborough.
- Levels of availability at the current time are relatively low, with the evidence pointing to just 1.3 years of available supply. New space/ sites which have been brought to the market, including at Magna Park, have performed strongly with significant levels of market interest. There is therefore a need to bring forward additional space short-term to cater for strong demand.

4. HOUSING MARKET DYNAMICS

- 4.1 In this section we move on to consider housing market dynamics, addressing both the sales and rental markets.

Sales Market

- 4.2 The median house price across the L&L Housing Market Area was £222,300 considering sales over the year to Sept 2020. This was 11% below the national average. Values however vary within the HMA, with the highest prices in Harborough at £290,000; and the lowest in Leicester at £182,000.

Table 4.1 Median House Price, Year to Sept 2020

	Median House Price, Year to Sept 2020	Difference to HMA Average
Leicester	£182,000	-18%
Blaby	£225,000	1%
Charnwood	£225,000	1%
Harborough	£289,998	30%
Hinckley and Bosworth	£205,000	-8%
Melton	£214,000	-4%
North West Leicestershire	£222,500	0%
Oadby and Wigston	£231,500	4%
L&L HMA	£222,345	0%
East Midlands	£196,950	13%
England	£249,000	-11%

Source: ONS Small Area House Price Statistics Dataset 9

- 4.3 House prices have grown over the last 20 years (2000-2020) by an average of 6.4% per annum. This is modestly above average for both the region and nationally and in particular reflects stronger recent house price growth.

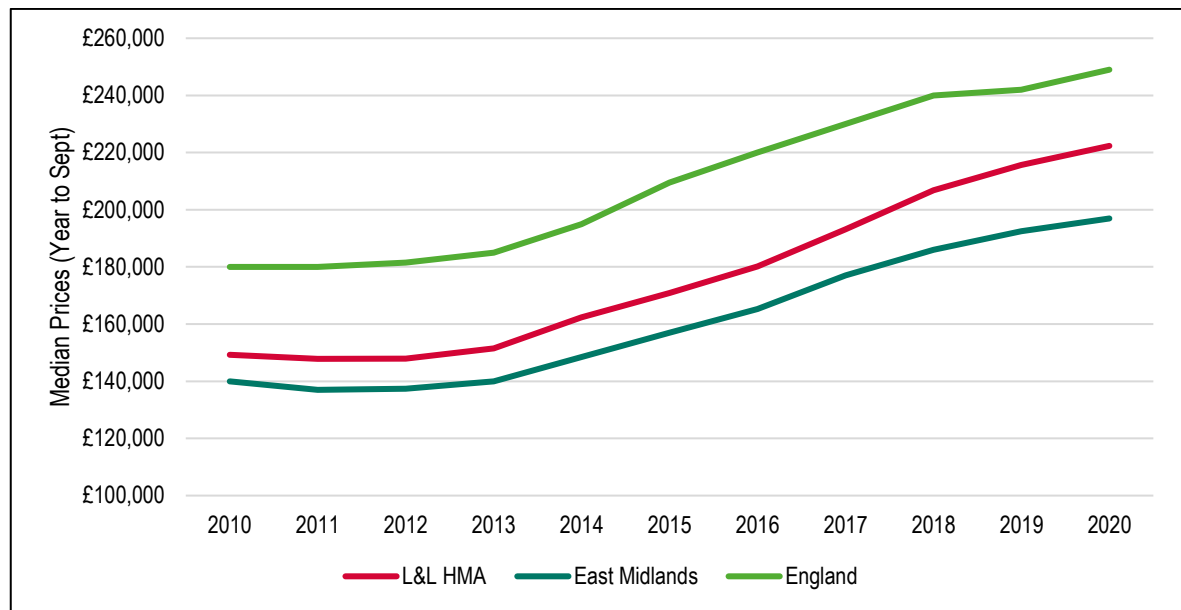
Table 4.2 Annual House Price Growth over different Periods (% CAGR)

CAGR	2000-2005	2005-10	2010-15	2015-20	20 Year
L&L HMA	17.0%	0.6%	2.7%	5.4%	6.4%
East Midlands	16.8%	0.7%	2.3%	4.6%	6.1%
England	14.6%	1.3%	3.1%	3.5%	5.8%

Source: Derived from ONS Small Area House Price Statistics Dataset 9

- 4.4 As the chart below shows, we have seen stronger house price growth in the HMA relative to the regional and national average since 2013 – and in particular since 2017. The median house price in 2020 was £25,000 above the East Midlands average across the HMA.

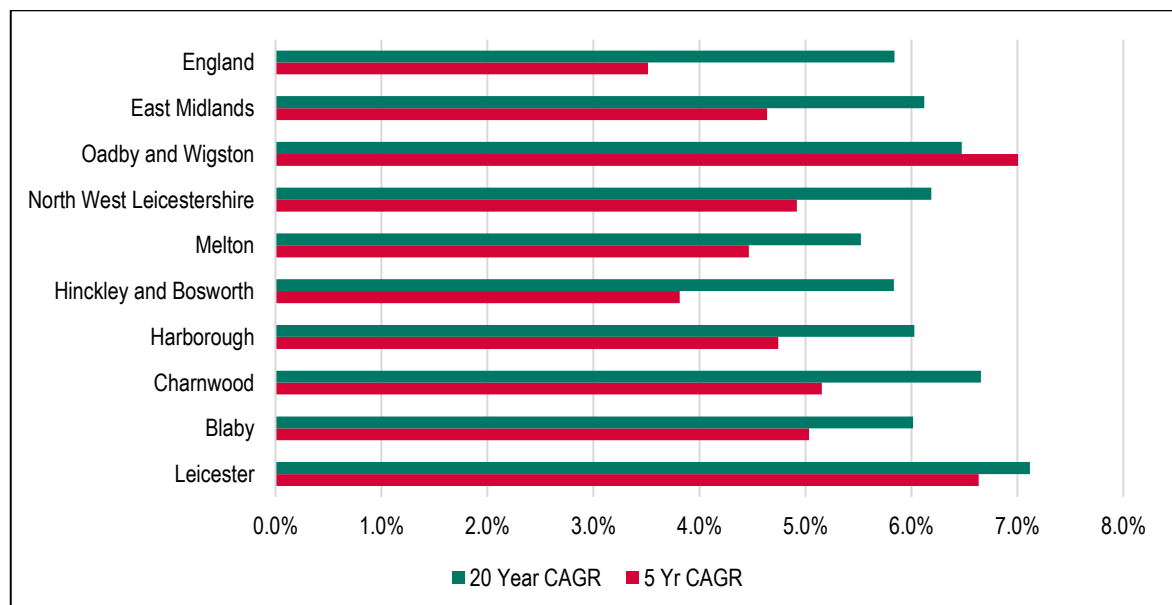
Figure 4.1: House Price Trends in HMA, 2010-2020



Source: Derived from ONS Small Area House Price Statistics Dataset 9

- 4.5 Within the HMA, long-term house price growth, looking over the last 20 years, has been strongest in Leicester, Charnwood and Oadby and Wigston (at 6.5%+ pa) and weakest in Melton (5.5% pa). Leicester and Oadby and Wigston saw particularly strong growth in values over the 2015-20 period (6.5%+ pa).

Figure 4.2: Growth Rates in Median House Prices, to Sept 2020



Source: Derived from ONS Small Area House Price Statistics Dataset 9

- 4.6 Analysis of actual changes in values also produces interesting results. Over the last 5 years, Oadby and Wigston stands out at having some of the strongest value growth with the median house price growing by £66,500. Harborough has also seen stronger relative value growth. In contrast, Melton

and Hinckley and Bosworth have seen the weakest value growth over the last 5 years; with the latter being the only authority in the HMA where value growth has been weaker than across the East Midlands region.

Table 4.3 House Price Growth in L&L Local Authorities

	1 Year	5 Year	10 Year
Leicester	£5,000	£50,000	£60,000
Blaby	£5,000	£49,000	£76,000
Charnwood	£2,500	£50,000	£73,750
Harborough	-£378	£59,998	£89,998
Hinckley and Bosworth	£0	£35,000	£50,003
Melton	-£8,000	£42,000	£59,000
North West Leicestershire	£14,500	£47,500	£77,500
Oadby and Wigston	£18,500	£66,500	£83,525
L&L HMA	£6,668	£51,499	£73,101
East Midlands	£4,450	£39,950	£56,950

Source: Derived from ONS Small Area House Price Statistics Dataset 9

- 4.7 Analysis of house prices by type provides a clearer picture of the value geography across the HMA. Harborough District has the highest house prices, with semi-detached properties selling for over £235,000. There are similar values in Oadby and Wigston, Charnwood, Blaby and Leicester with median values for semi-detached properties at around £200,000 - £220,000 and median values for terraced houses of between £165,000 - £175,000. Values in Hinckley and Bosworth, Melton and NW Leicestershire are then lower with semi-detached values of around £185,000 - £195,000.

Table 4.4 Median House Prices by Type, Year to Sept 2020

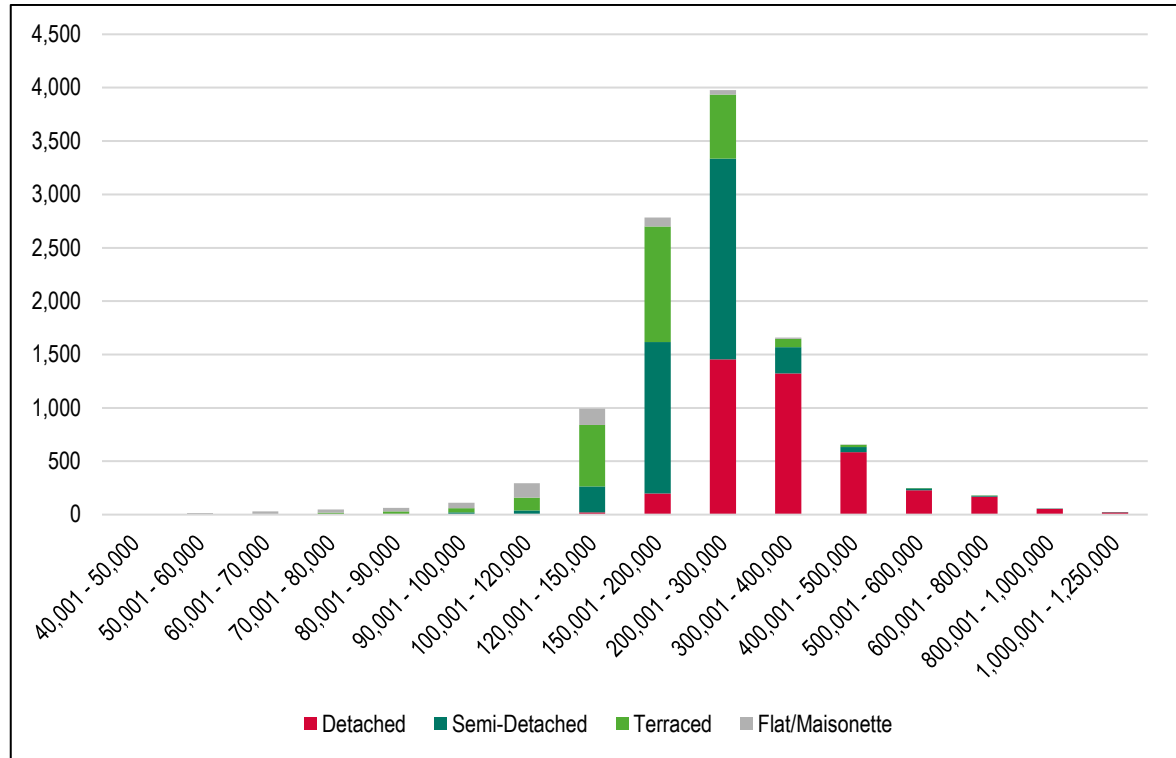
	Detached	Semi-Detached	Terraced	Flat/Maisonette
Harborough	£369,950	£237,000	£209,750	£153,000
Oadby and Wigston	£346,250	£220,000	£165,000	£108,500
Charnwood	£323,750	£211,000	£170,000	£126,000
Blaby	£297,000	£210,000	£175,000	£135,000
Leicester	£306,250	£200,000	£168,000	£115,000
Hinckley and Bosworth	£310,000	£192,425	£155,000	£107,500
Melton	£310,000	£185,000	£152,250	£139,000
North West Leicestershire	£294,995	£186,500	£146,000	£131,000
East Midlands	£282,000	£180,000	£150,000	£117,000
England	£350,000	£223,000	£195,000	£216,000

Source: Derived from ONS Small Area House Price Statistics Dataset 9

- 4.8 The graph below analyses the distribution of property sales by type across the HMA. It shows that most property sales (for the 2020 calendar year) were for properties valued at between £150,000 -

£300,000. There is however a level of sales of larger properties – particularly detached – which command higher values still.

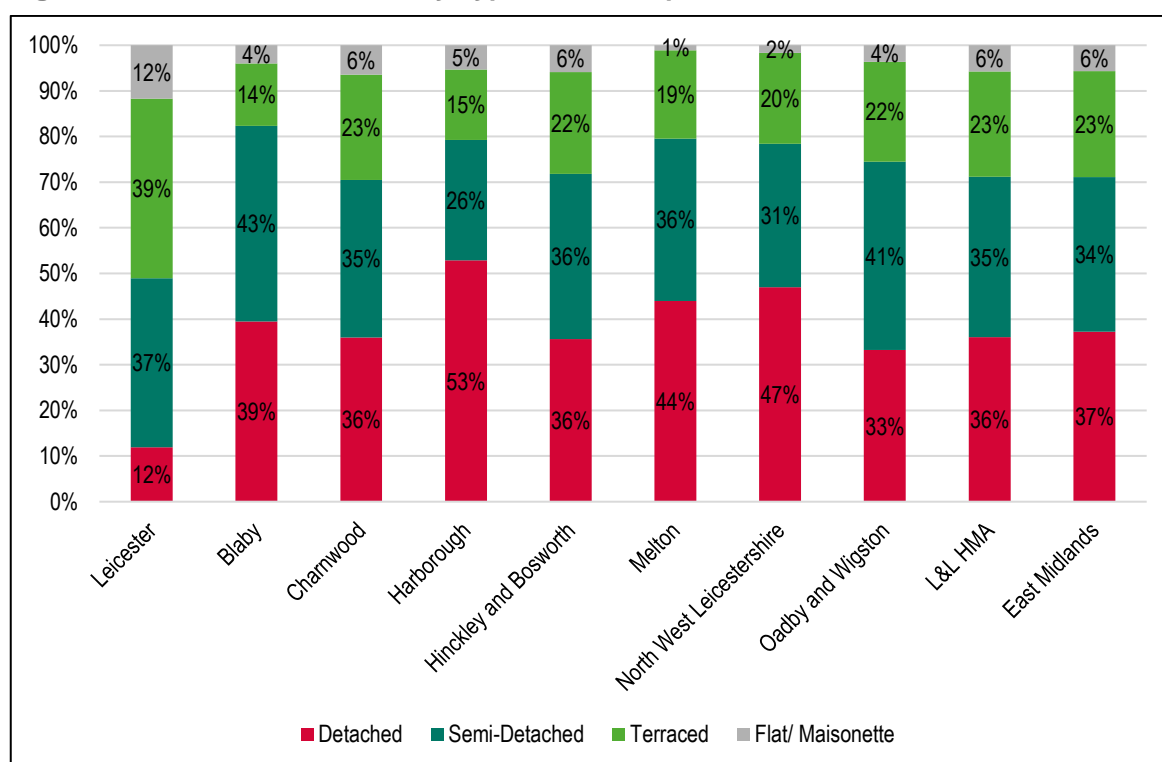
Figure 4.3: Distribution of Sales – Leicester and Leicestershire HMA (2020)



Source: HM Land Registry House Price Index

- 4.9 The profile of sales by type across the HMA is generally focused towards larger detached and semi-detached homes, which made up over 70% of sales over the year to Sept 2020. The sales profile in the City is however notably different to the County, focused much more towards terraced homes and semi-detached properties, with twice the proportion of flatted sales of other authorities within the HMA.

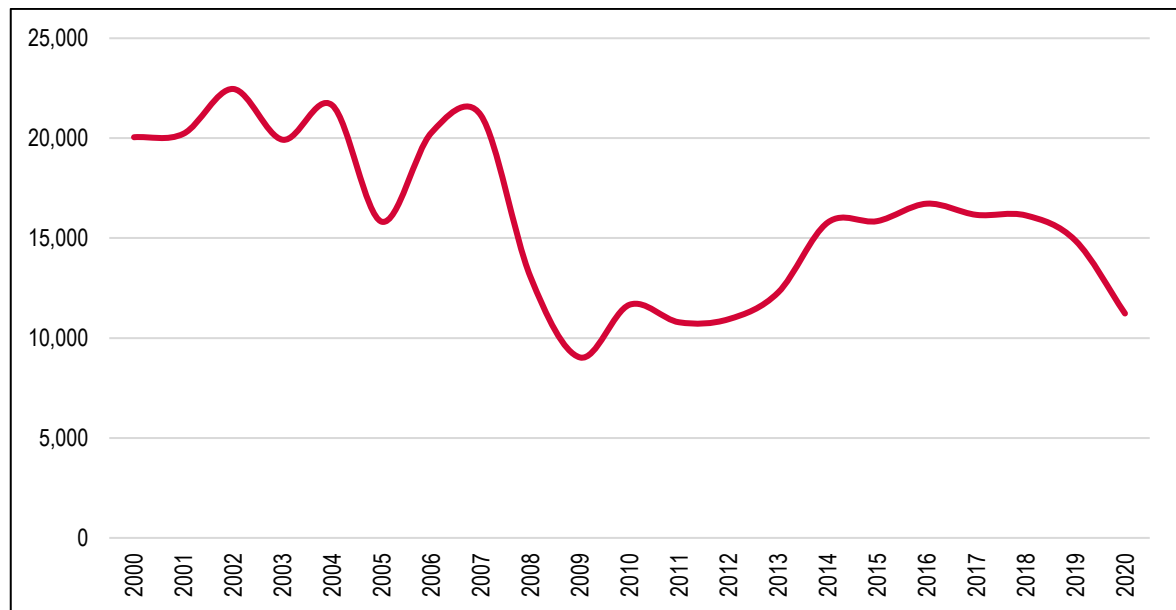
Figure 4.4: Distribution of Sales by Type, Year to Sept 2020



Source: Derived from ONS Small Area House Price Statistics Dataset 6

- 4.10 The trend in market housing sales over time highlights the influence of macro-economic factors. A rise in interest rates saw a notable drop in sales in 2005; whilst the onset of the 'credit crunch' in 2007 saw a dramatic fall in the ability to access mortgage finance and combined with reduced market confidence and falling values saw a notable drop in sales volumes and market activities between 2007-9. A substantive recovery in market conditions was not seen before 2013, from which point the Bank of England's Funding for Lending Scheme saw improved mortgage availability; which together with improved economic confidence and the Government's Help-to-Buy Scheme supported a recovery in the market.
- 4.11 Sales volumes between 2014-2018 averaged 16,000 a year across Leicester & Leicestershire; which was 20% down on the pre-recession average. Indeed we have seen a decade of lower sales volumes. There are a complex set of factors which appear to have contributed to this, including: a low inflation environment such that inflation is not reducing the value of debt in real terms as it did in previous decades (pre-2000); longer mortgage terms; an ageing population who typically move infrequently; and a policy focus on caring for older persons in their home (resulting in fewer moves). Added to this have been increasing transactional costs of moving, particularly associated with the costs of Stamp Duty, which have affected both home owners and investors (with 3% additional Stamp Duty applicable to investment purchases from April 2016).

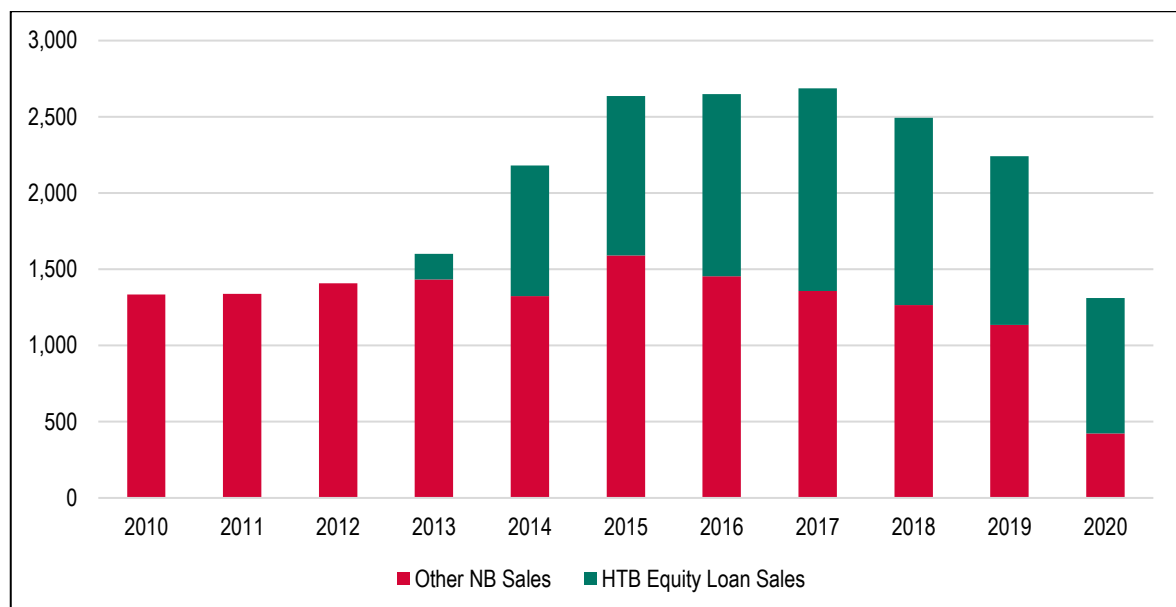
Figure 4.5: Sales Volumes – Leicester & Leicestershire HMA



Source: Derived from ONS Small Area House Price Statistics Dataset 6

- 4.12 The Government's Help-to-Buy Equity Loan scheme has played an important role in supporting the housing market. Across the HMA it has supported 50% of new-build sales over the last 5 years (to Sept 2020).

Figure 4.6: New-Build Sales in HMA supported by Help-to-Buy Equity Loan Scheme



Source: Icen Analysis of ONS Small Area House Price Statistics Dataset 6 & MHCLG Help-to-Buy Equity Loan Scheme Statistics

- 4.13 This evidence for individual authorities shows some variance within the HMA, with the lowest proportion of new-build sales supported by Help-to-Buy in Melton, Hinckley and Bosworth and

Harborough (40-45%) with over 50% supported in the other authorities, the highest numbers in Leicester (56%), Blaby (57%) and Oadby and Wigston (58%).

Table 4.5 Sales supported by Help-to-Buy Equity Loan in HMA – 5 Years to Sept 2020

5 years to Sept 2020	Overall New-Build Sales	HTB Equity Loan Sales	% Sales Supported
Leicester UA	1,102	613	56%
Blaby	1,567	894	57%
Charnwood	2,734	1,372	50%
Harborough	1,938	834	43%
Hinckley and Bosworth	994	452	45%
Melton	360	143	40%
North West Leicestershire	2,403	1,271	53%
Oadby and Wigston	284	165	58%
L&L HMA	11,382	5,744	50%

Source: Icenis Analysis of ONS Small Area House Price Statistics Dataset 6 & MHCLG Help-to-Buy Equity Loan Scheme Statistics

- 4.14 Icenis's analysis indicates that 70% of those supported by the Help-to-Buy Scheme in the HMA have been First-time Buyers. This rises to 75% in Melton, 78% in Oadby and Wigston and 88% in Leicester.

Table 4.6 First Time Buyers Supported by Help-to-Buy Equity Loan, to Sept 2020

	HTB Equity Loan Sales	Sales to First-time Buyers	% First-time Buyers
Leicester UA	891	780	88%
Blaby	1,143	759	66%
Charnwood	1,836	1,262	69%
Harborough	1,084	747	69%
Hinckley and Bosworth	861	583	68%
Melton	166	124	75%
North West Leicestershire	1,629	1,056	65%
Oadby and Wigston	204	159	78%
L&L HMA	7,814	5,470	70%

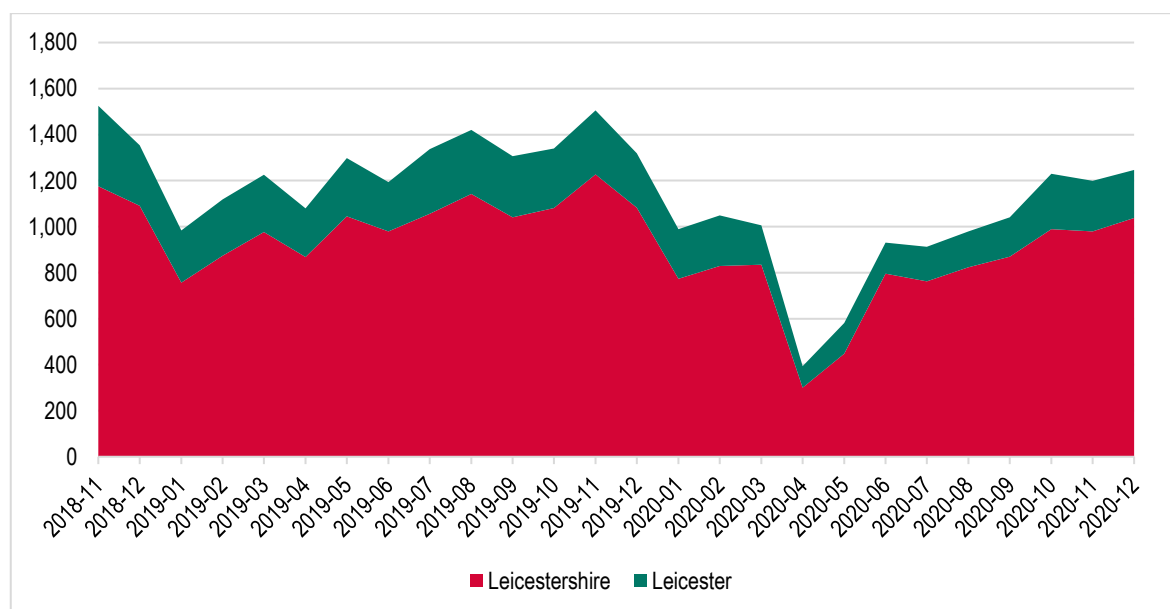
Source: MHCLG Help-to-Buy Equity Loan Scheme Statistics

- 4.15 The Help-to-Buy Equity Loan Scheme has been refocused such that from 1st April 2021 it has been limited to first-time buyers and includes regional price caps. The scheme itself will run until March 2023. As the figures above show, the limitation to first-time buyers may have some impact on moderating new-build sales; but schemes such as First Homes and Shared Ownership are intended

to replace it in part; whilst there remain some mortgage indemnity schemes such as 'Deposit Unlock'⁸ which offers mortgages on higher loan-to-value ratios and there may be further evolution of mortgage products.

- 4.16 A more detailed recent picture of market activity can be gleaned by analysing HM Land Registry monthly data. This shows a particular dip in sales in April and May 2020 influenced by the 1st Covid-19 lockdown. Sales volumes however grew through the second half of 2020 recovering to around 1,250 per month by December 2020 (which in the context of the long-term trends shown above would be equivalent to c. 15,000 pa). Market conditions have thus been returning to relatively buoyant levels.
- 4.17 The relatively high current sales volumes is being driven by mortgaged home owners (particularly those looking to trade up who are looking for homes with more internal space, such as to work, and outside space). A combination of rising house prices and limited availability of mortgages with higher loan-to-value ratios has been restricting first-time buyer numbers; with first-time buyers also more likely to be younger and affected by the furlough scheme or issues around unemployment. There are however emerging signs of the availability of mortgages with a 5% or 10% deposit improving and the Government has provided support through the Mortgage Guarantee Scheme.

Figure 4.7: Short-term Sales Volumes – Leicester & Leicestershire HMA



Source: Derived from HM Land Registry House Price Index

- 4.18 Monthly house price data from the HM Land Registry index shows a month-on-month growth in house prices over the last year, with a growth in average values of around £19,800 in Leicester and £23,100

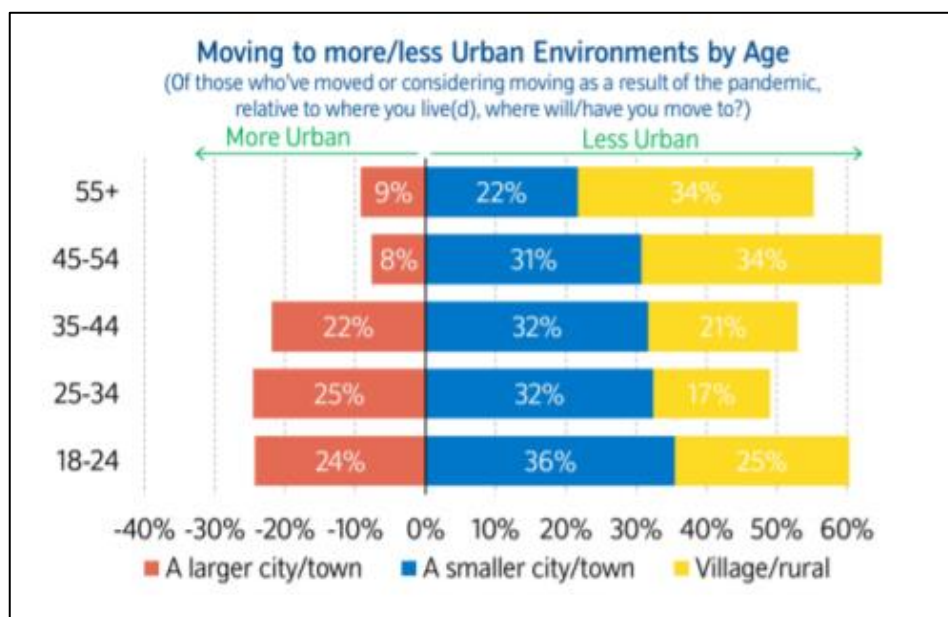
⁸ <https://www.hbf.co.uk/deposit-unlock/>

in Leicestershire over the period from May 2020 (when the market reopened) to March 2021. Strong market conditions appear to have been influenced by a variety of factors including:

- Government support to the market through the Help-to-Buy scheme and the Stamp Duty Holiday, which ended in June 2021;
- The influence of the pandemic on people's housing need and choices, from both a growth in home working which is reducing the requirement for being close to a workplace (with some evidence that households are looking further from the workplace as a result) to changing space requirements including space to work and a requirement for outdoor space.

4.19 Nationwide reported in May 2021 house price growth of 10.9% over the last year nationally (which accords with our analysis), with values growing at the fastest rate since 2014. Whilst their research suggested that the Stamp Duty Holiday was a factor, three quarters of homeowners surveyed indicated that they would have been moving even if the Stamp Duty Holiday had not been extended. Of those moving or considering a move they found 33% were moving to a different area, whilst nearly 30% were doing so to access a garden or outdoor space more easily. The majority were looking to move to less urban areas, as the chart below shows.

Figure 4.8: Preferences of those looking to move, Spring 2021



Source: Nationwide House Price Index Press Release, May 2021

4.20 However over a third (36%) of those surveyed also indicated that they were more likely to consider enhancing their home as a result of Covid, with nearly half (46%) of these looking to add or maximise space; and 35% looking to improve energy efficiency or reduce their home's carbon footprint.

- 4.21 The current evidence (as at Summer 2020) indicates more buyers looking for property than stock on the market, with the RICS UK Residential Market Survey pointing to more buyers than properties on estate agents books; with market conditions buoyant reflecting the economic recovery, low interest rates and lifestyle changes acting as catalysts for current moves; together with the extended Stamp Duty holiday.
- 4.22 Savills forecast in Spring 2021 was of further house price growth in the short-term (outside of London), but weakening beyond 2023.

Table 4.7 Savills House Price Forecasts, March 2021

	2021	2022	2023	2024	2025
East Midlands	4.5%	5.5%	5.0%	4.0%	3.0%
UK	4.0%	5.0%	4.0%	3.5%	3.0%

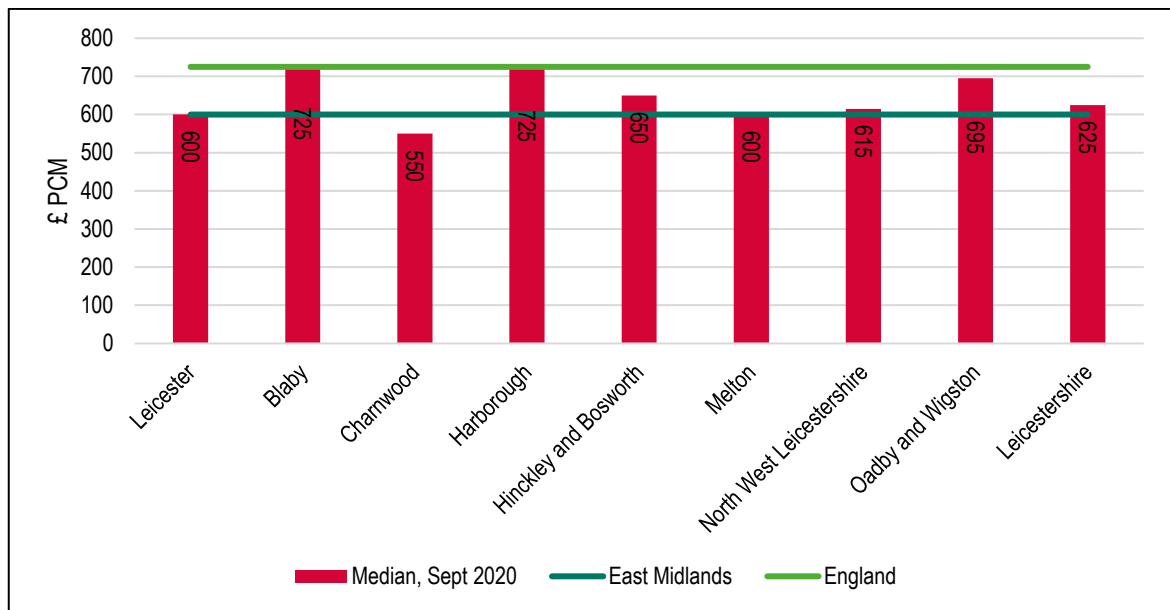
Source: Savills UK Housing Market Update, April 2021

- 4.23 Savills December 2021 Market Update shows that the end of the stamp duty holiday has resulted in some dip in activity, but new sales agreed are still running at elevated levels; with Nationwide pointing to annual house price growth still at 10.0% through 2021.
- 4.24 The medium-term outlook is however somewhat uncertain; and if unemployment rises sharply towards the end of 2021 (as the OBR and a range of other analysts expect) there is scope for activity and sales to slow, perhaps sharply, albeit that the effects of this could be offset in part by changing buyer preferences as discussed. The latest evidence however suggests a trend in unemployment which is downwards; and continuing relative buoyant housing market conditions.

Lettings Market

- 4.25 Across the Study Area, median rents are relatively similar to regional average (£625 per calendar month), with median rents in Leicester and Charnwood slightly lower than in other areas; and rents the highest in Blaby, Harborough and Oadby and Wigston at £725 per calendar month (equal to the national average).

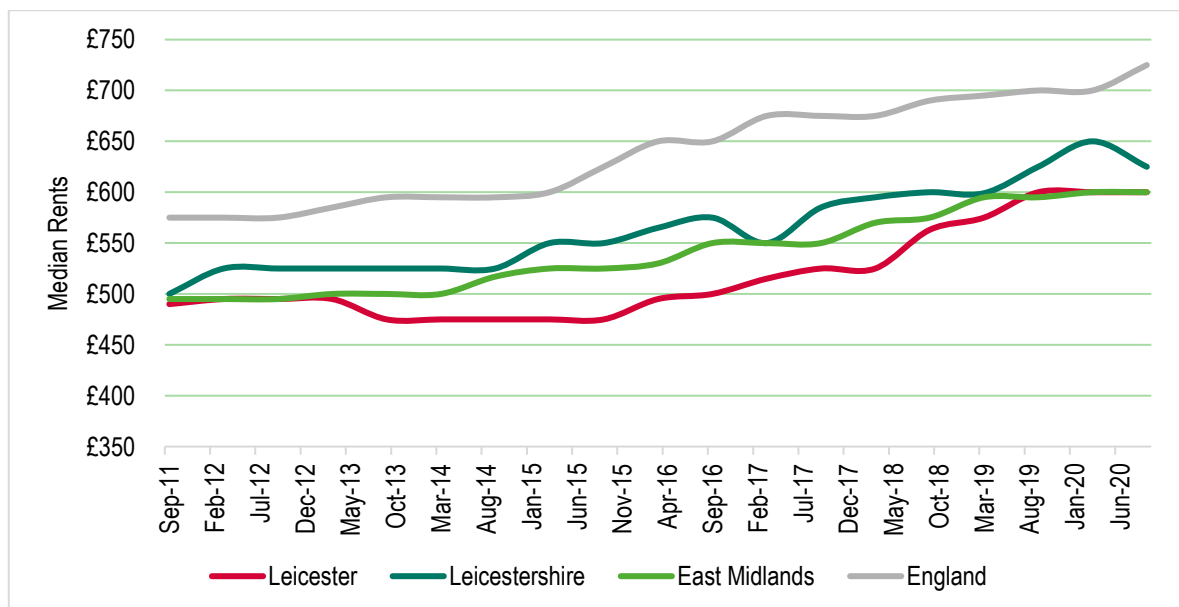
Figure 4.9: Median Rents, Year to Sept 2020



Source: ONS/VOA Private Rental Market Statistics

- 4.26 The chart below tracks changes in rental costs over time. Over the period since 2011 the medium-term trend has been of rental growth in line with the regional trend. It is notable however that Leicester has seen stronger relative growth in rents since 2016; albeit that over the period since 2018 rentals have been flat (and on average across the County have fallen slightly).

Figure 4.10: Median Rents, 2011-20



Source: ONS/VOA Private Rental Market Statistics

- 4.27 The table below considers growth in median and lower quartile (entry level) rents over the last 5 years. The strongest rental growth has been in Leicester, Blaby and Hinckley and Bosworth over the last 5 years (2014/15 – 2019/20), with notably weaker growth in median rents in Melton. Lower

quartile rents are highest in Harborough, Blaby and Oadby and Wigston; but the City has seen the strongest rental growth over the last 5 years. Charnwood has the lowest median and LQ rents, and has seen relatively static rents over the last 5 years.

Table 4.8 Trends in Median and Lower Quartile Rents

	Median Rent	5 Year Growth		LQ Rent	5 Year Growth
Leicester	£600	£125		£475	£130
Blaby	£725	£125		£625	£75
Charnwood	£550	£50		£395	-£5
Harborough	£725	£100		£650	£110
Hinckley and Bosworth	£650	£125		£550	£100
Melton	£600	£50		£530	£70
North West Leicestershire	£615	£65		£550	£75
Oadby and Wigston	£695	£120		£600	£75
Leicestershire	£625	£75		£500	£40
East Midlands	£600	£75		£495	£65
England	£725	£100		£550	£56

Source: ONS/VOA Private Rental Market Statistics

5. DEMOGRAPHIC DYNAMICS

- 5.1 We move on next to interrogate key statistics about demographic trends in Leicester & Leicestershire; particularly focussing on past population growth and the reasons for changes (components of change). The data presented is mainly for Leicester & Leicestershire, although key demographic data for local authorities is also provided.

Population

- 5.2 The table below shows the estimated population in each authority in 2019 and the proportion of the Leicester & Leicestershire total this amounts to. As of 2019, the population of Leicester & Leicestershire was estimated to be around 1,060,400 with over a third of people living in Leicester. Charnwood is the next most populous area.

Table 5.1 Population by Local Authority, 2019

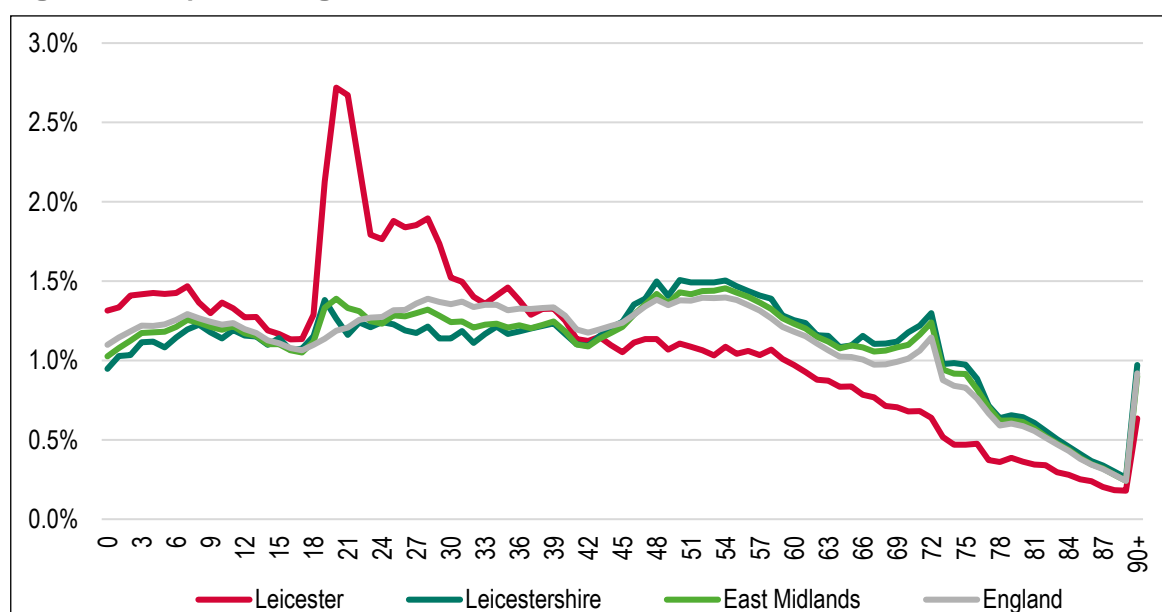
	Estimated population	% of population
Leicester	354,224	33.4%
Blaby	101,526	9.6%
Charnwood	185,851	17.5%
Harborough	93,807	8.8%
Hinckley & Bosworth	113,136	10.7%
Melton	51,209	4.8%
North West Leicestershire	103,611	9.8%
Oadby & Wigston	57,015	5.4%
Leicester & Leicestershire	1,060,379	100.0%

Source: ONS Mid-Year Population Estimates

Age Structure

- 5.3 Leicester has a relatively young age structure in comparison with the regional and national position with Leicestershire having a profile more in line with that seen across other areas. Notably, the proportion of the population in Leicester is lower than seen regionally or nationally for all age groups from about 45 onwards. The City also sees a particular spike of people in their late teens and early twenties which will be related to the student population.

Figure 5.2: Population Age Profile, 2019



Source: ONS Mid-Year Population Estimates

- 5.4 The analysis below summarises the above information by assigning population to three broad age groups (which can generally be described as a) children, b) working-age and c) pensionable age). This analysis shows that, compared with the regional and national position, Leicester has a low proportion of people aged 65 and over (12%) and a higher proportion of children; people aged 16-64 also makes up a higher proportion of the population than seen in other locations. For Leicestershire, the proportion of people aged 65 and over is slightly higher than seen regionally and nationally, with the proportion of children being slightly lower. Overall, however, the data does point to the County having a broadly similar age profile to the region and country.

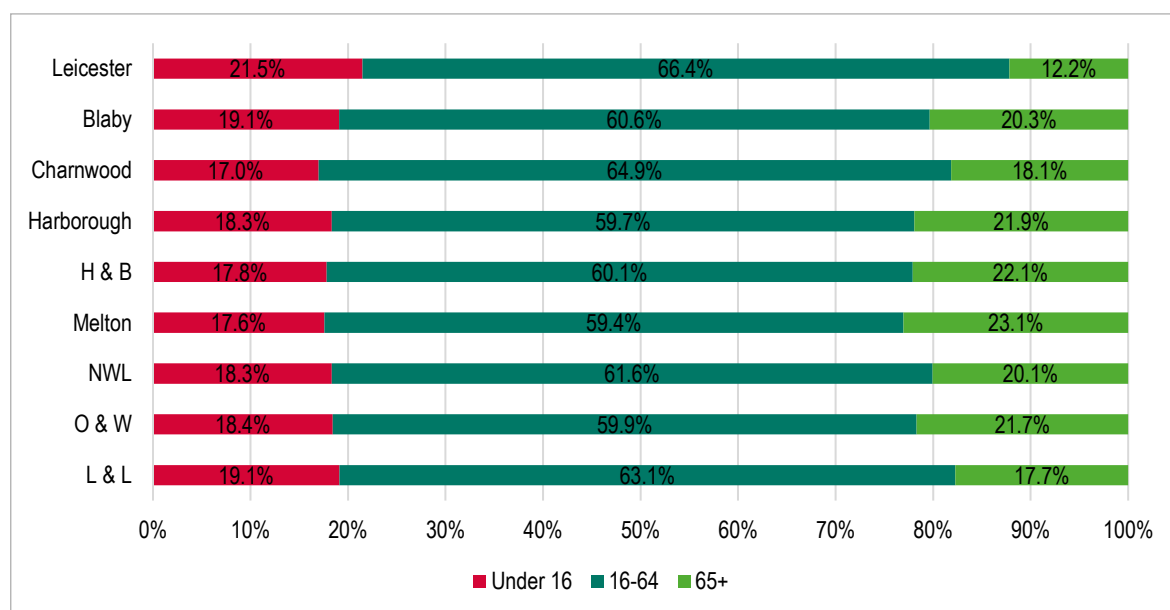
Table 5.2 Population Profile (2019) – Summary Age Bands

	Leicester		Leicestershire		East Midlands	England
	Population	% of population	Population	% of population	% of population	% of population
Under 16	76,053	21.5%	126,750	17.9%	18.6%	19.2%
16-64	235,050	66.4%	434,513	61.5%	61.9%	62.4%
65+	43,121	12.2%	144,892	20.5%	19.5%	18.4%
All Ages	354,224	100.0%	706,155	100.0%	100.0%	100.0%

Source: ONS Mid-Year Population Estimates

- 5.5 The figure below takes this data forward to look at differences by local authority. The analysis shows slightly different age profiles in local authorities in the County, with Melton having the highest proportion of people aged 65 and over and Charnwood seeing the highest proportion aged 16-64 (outside of the City). This latter finding is likely to be linked to the student population of Loughborough. An older age profile is generally seen in those authorities which have seen less population and housing growth (as the report comes onto).

Figure 5.3: Age Profile by Local Authority, 2019

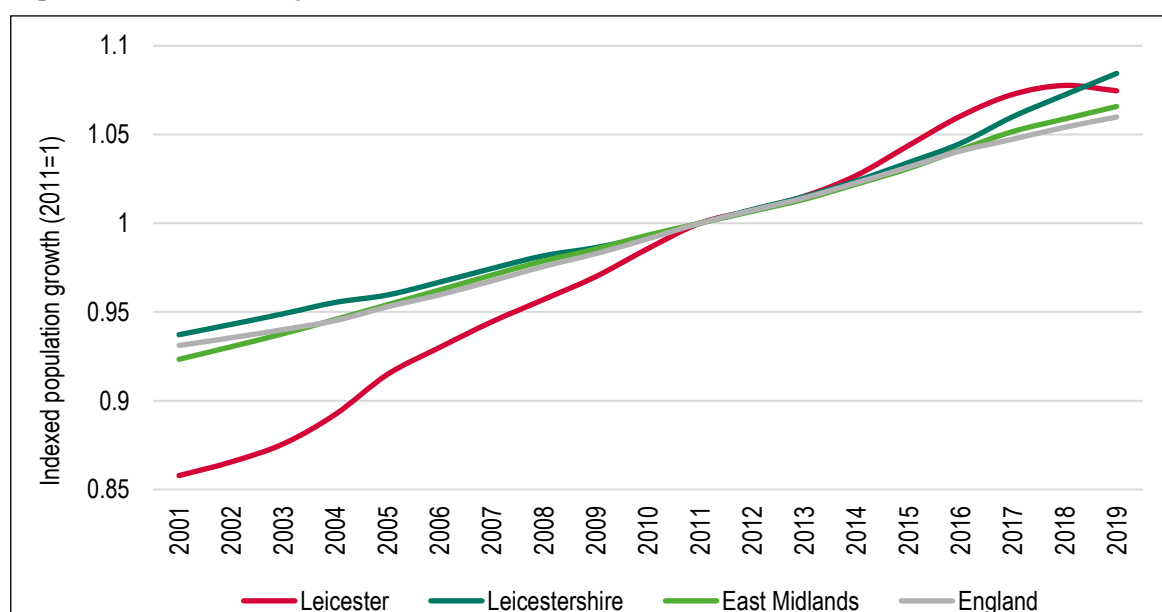


Source: ONS Mid-Year Population Estimates

Past Population Change

- 5.6 The figure below considers population growth in the period from 2001 to 2019 (indexed to 2011). The analysis shows over this period that the population of both Leicester and Leicestershire has increased, and at a rate above that seen regionally or nationally. Leicester's strong growth over this period could be influenced, in part, by an undercount of the City's population in 2001. In 2019, it is estimated that the population of Leicester had risen by 25% from 2001 levels, with a 16% increase seen in Leicestershire. These figures are in contrast with a 15% rise across the region and 14% nationally.
- 5.7 When looking at more recent data (from 2011), the analysis shows very slightly stronger growth in Leicestershire than Leicester and focussing on the past three years or so there is a clear move for stronger growth in the County and evidence of a falling population in Leicester.

Figure 5.4: Indexed Population Growth, 2011-19



Source: ONS Mid-Year Population Estimates

- 5.8 The table below considers population change over the 8-year period to 2019 (an 8-year period being chosen as the start point of 2011 has data at a smaller area level and is likely to be fairly accurate as it draws on information in the Census). The analysis shows over the period that the population of Leicester increased by 7.5% with an 8.4% increase for Leicestershire. This is a relatively high level of population change and compares with increases of 6.6% in the East Midlands and 6% in England.

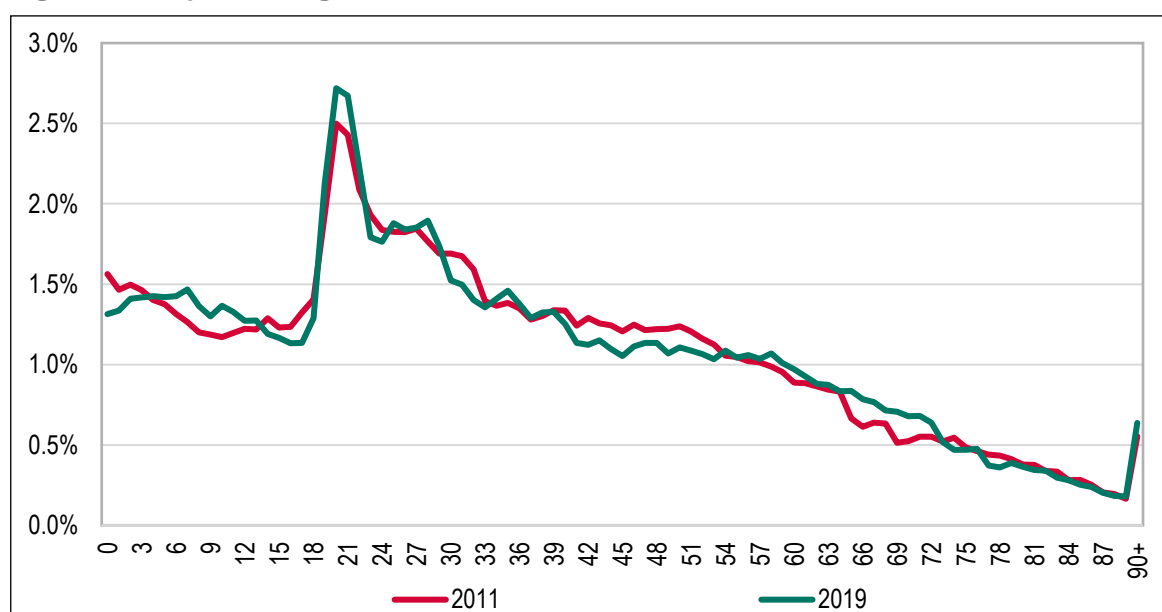
Table 5.3 Population Change, 2011-19

	Population (2011)	Population (2019)	Change	% change
Leicester	329,627	354,224	24,597	7.5%
Leicestershire	651,179	706,155	54,976	8.4%
East Midlands	4,537,448	4,835,928	298,480	6.6%
England	53,107,169	56,286,961	3,179,792	6.0%

Source: ONS Mid-Year Population Estimates

- 5.9 The figures and tables below show population change by age (again for the 2011-19 period) for each of Leicester and Leicestershire. In Leicester, the analysis suggests there has not been any notable change to the age structure although differences can be observed for many individual age groups. The analysis shows that all of the three broad age bands have seen an increase in population – the 65 and over band has seen the highest proportionate increase in population, but this band actually sees the lowest growth in population terms.

Figure 5.5: Population Age Structure in 2011 and 2019 – Leicester



Source: ONS Mid-Year Population Estimates

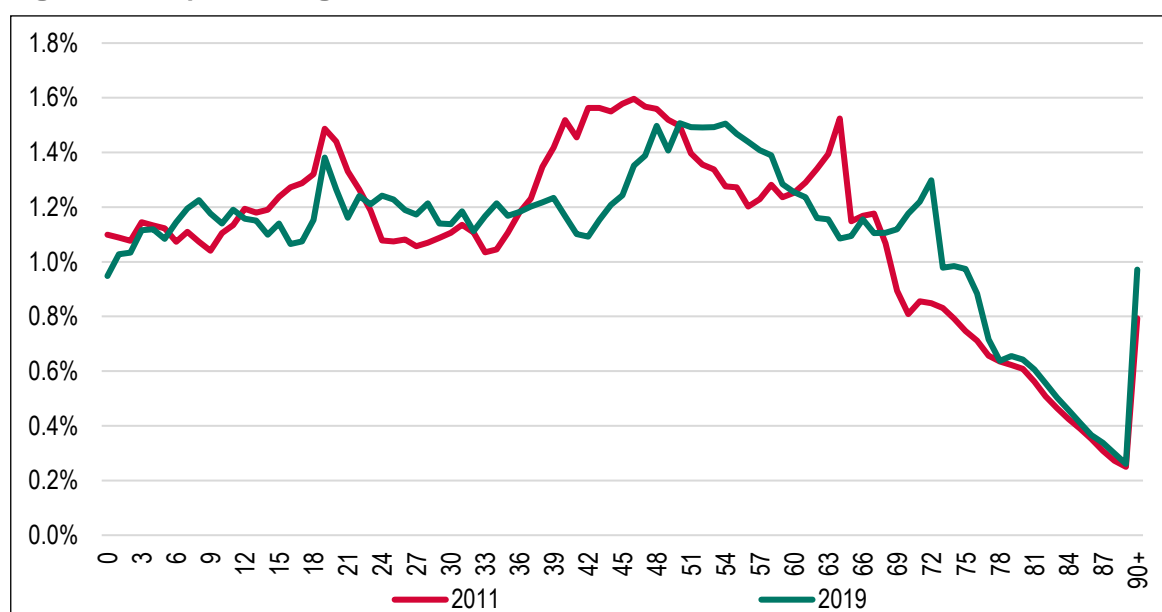
Table 5.4 Change in Population by Broad Age Group 2011-19 – Leicester

	2011	2019	Change	% change
Under 16	69,411	76,053	6,642	9.6%
16-64	222,820	235,050	12,230	5.5%
65+	37,396	43,121	5,725	15.3%
TOTAL	329,627	354,224	24,597	7.5%

Source: ONS Mid-Year Population Estimates

- 5.10 In Leicestershire, there are arguably greater differences between 2011 and 2019 although when looking at the single year of age data it is clear that some of this will be due to cohort effects (such as the high population aged 64 in 2011 developing into a high population aged 72 eight years later). When looking at broad age bands, it can again be observed that all age groups have seen an increase in population. However, in the case of the county the ageing of the population is more notable; the population aged 65 and over increased by 24% over the 8-year period and accounted for over half of all population growth.

Figure 5.6: Population Age Structure in 2011 and 2019 – Leicestershire



Source: ONS Mid-Year Population Estimates

Table 5.5 Change in Population by Broad Age Group 2011-19 – Leicester

	2011	2019	Change	% change
Under 16	117,232	126,750	9,518	8.1%
16-64	417,422	434,513	17,091	4.1%
65+	116,525	144,892	28,367	24.3%
TOTAL	651,179	706,155	54,976	8.4%

Source: ONS Mid-Year Population Estimates

- 5.11 Considering individual local authorities, data shows for the 2011-19 period the highest increase in population was in Charnwood (12%) followed by NW Leicestershire (11%). At the other end of the scale, both Melton (1%) and Oadby & Wigston (2%) have seen fairly modest changes to population. These differences in growth relate in part to differences in the rate of household growth alongside wider demographic characteristics including the population age structure.

Table 5.6 Change in Population 2011-19 by Local Authority

	2011	2019	Change	% change
Leicester	329,627	354,224	24,597	7.5%
Blaby	94,132	101,526	7,394	7.9%
Charnwood	165,876	185,851	19,975	12.0%
Harborough	85,699	93,807	8,108	9.5%
Hinckley & Bosworth	105,328	113,136	7,808	7.4%
Melton	50,495	51,209	714	1.4%
North West Leicestershire	93,670	103,611	9,941	10.6%
Oadby & Wigston	55,979	57,015	1,036	1.9%
Leicester & Leicestershire	980,806	1,060,379	79,573	8.1%

Source: ONS Mid-Year Population Estimates

Components of Population Change

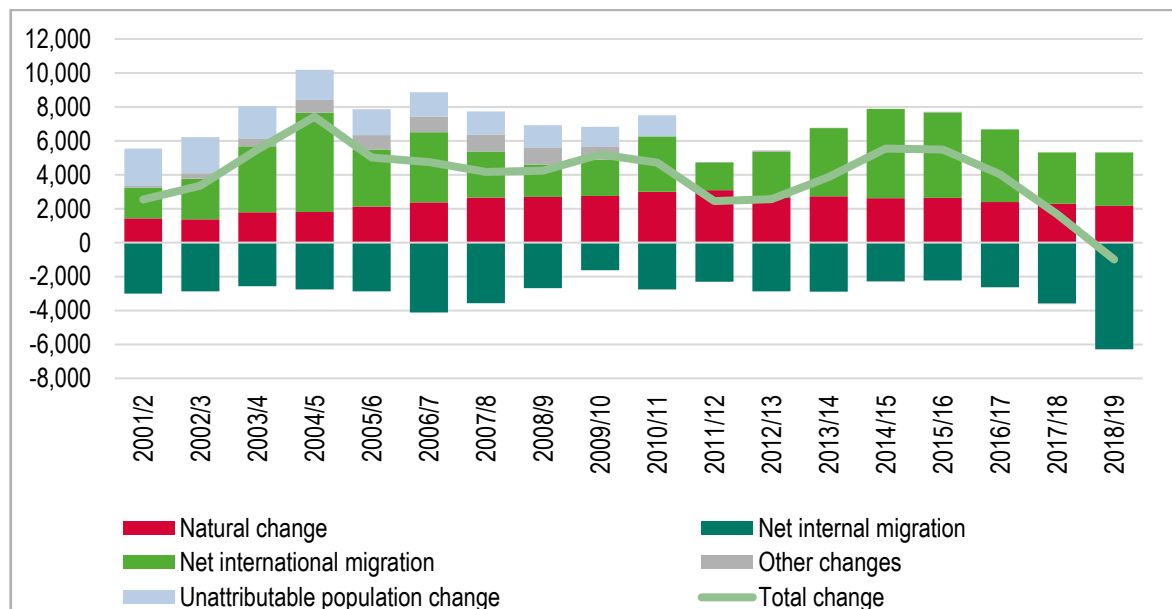
- 5.12 The main components of change are natural change (births minus deaths), net migration (internal/domestic and international) and other changes. There is also an Unattributable Population Change (UPC) which is a correction made by ONS upon publication of Census data if population has been under- or over-estimated.
- 5.13 For Leicester, the data shows a high positive level of natural change throughout the period (i.e. more births than deaths). Internal migration has been quite variable – negative in all years with the data for 2018/19 showing a particularly high number of people (net) moving from the City to other locations; the last five years for which data is available shows an average of about 3,400 people (net) moving from the area to other parts of the United Kingdom. International migration is also variable, although the data does suggest a positive net level for each year back to 2001/2. Over the past five years international migration has averaged about 4,100 people per annum (net).
- 5.14 For Leicestershire, the data also shows a positive level of natural change throughout the period, but at a lower level than seen in the City. Internal migration has been positive in all years and generally has been on an upward trend over the past decade or so. The last five years for which data is available shows an average of about 5,800 people (net) moving to the area from other parts of the United Kingdom. International migration has also been positive throughout the period studied (all years apart from 2001/2). Over the past five years international migration has averaged about 1,400 people per annum (net).
- 5.15 The data also shows a positive level of UPC in Leicester, suggesting that between 2001 and 2011, ONS may have initially underestimated population growth within population estimates (and this was corrected once Census data had been published) and/or the 2001 Census undercounted the population. For Leicestershire, there is a negative UPC, suggesting a potential over-estimate of population growth in the 2001-11 period. The UPC is particularly high in Leicester, where in total over the 10-years to 2011, it appears as if ONS mid-year estimates were a total of 16,100 people different from the actual count in the 2011 Census. For Leicestershire, the discrepancy is a not insignificant 8,600 people in total (in the opposite direction).

Table 5.7 Components of Population Change, mid 2001-2019 – Leicester

	Natural change	Net internal migration	Net international migration	Other changes	Other (unattributable)	Total change
2001/2	1,424	-2,996	1,819	84	2,207	2,538
2002/3	1,368	-2,876	2,399	322	2,140	3,353
2003/4	1,791	-2,579	3,888	471	1,908	5,479
2004/5	1,808	-2,768	5,848	752	1,776	7,416
2005/6	2,122	-2,863	3,353	864	1,529	5,005
2006/7	2,370	-4,112	4,133	918	1,446	4,755
2007/8	2,662	-3,565	2,712	997	1,364	4,170
2008/9	2,699	-2,691	1,891	1,034	1,302	4,235
2009/10	2,750	-1,623	2,123	805	1,149	5,204
2010/11	2,991	-2,758	3,275	-29	1,236	4,715
2011/12	3,089	-2,311	1,650	12	0	2,440
2012/13	2,644	-2,872	2,717	75	0	2,564
2013/14	2,731	-2,900	4,020	9	0	3,860
2014/15	2,626	-2,266	5,247	-62	0	5,545
2015/16	2,627	-2,235	5,051	34	0	5,477
2016/17	2,396	-2,625	4,273	-17	0	4,027
2017/18	2,291	-3,585	3,022	-50	0	1,678
2018/19	2,165	-6,287	3,145	-17	0	-994

Source: ONS Mid-Year Population Estimates

Figure 5.7: Components of Population Change, mid 2001-2019 – Leicester



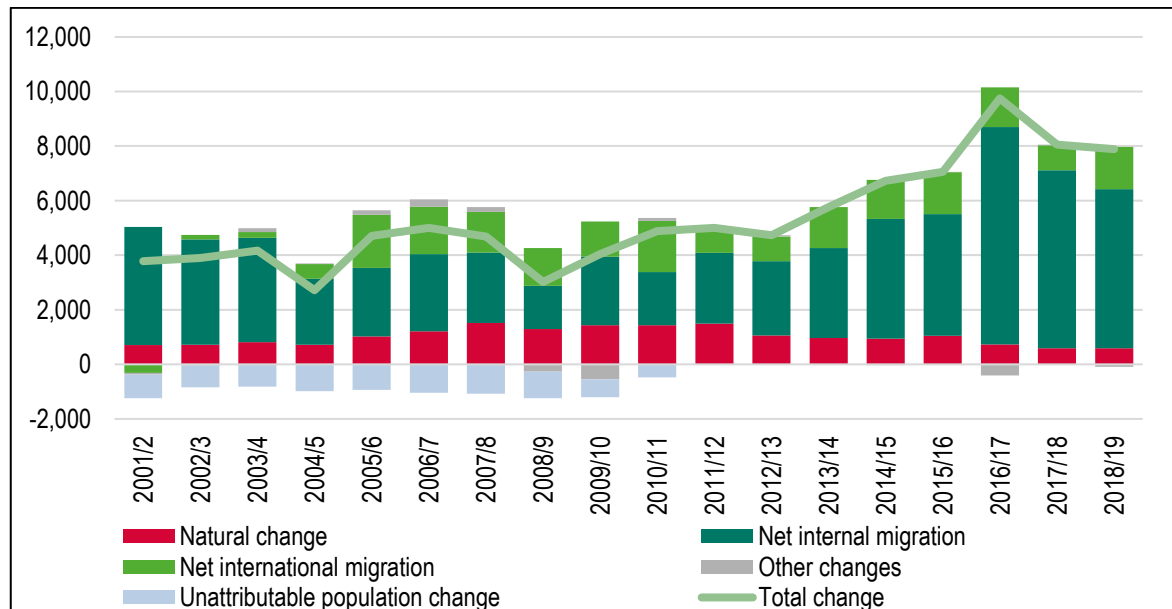
Source: ONS Mid-Year Population Estimates

Table 5.8 Components of Population Change, mid 2001-2019 – Leicestershire

	Natural change	Net internal migration	Net international migration	Other changes	Other (unattributable)	Total change
2001/2	704	4,328	-319	-59	-868	3,786
2002/3	723	3,860	159	-47	-792	3,903
2003/4	815	3,825	209	137	-820	4,166
2004/5	724	2,412	541	27	-986	2,718
2005/6	1,026	2,514	1,940	163	-939	4,704
2006/7	1,206	2,835	1,732	268	-1,042	4,999
2007/8	1,516	2,579	1,497	171	-1,082	4,681
2008/9	1,294	1,582	1,385	-263	-979	3,019
2009/10	1,438	2,507	1,292	-547	-653	4,037
2010/11	1,439	1,943	1,882	99	-476	4,887
2011/12	1,496	2,591	871	45	0	5,003
2012/13	1,063	2,717	900	55	0	4,735
2013/14	961	3,296	1,511	-3	0	5,765
2014/15	947	4,378	1,438	-35	0	6,728
2015/16	1,051	4,455	1,536	14	0	7,056
2016/17	735	7,960	1,453	-402	0	9,746
2017/18	594	6,518	920	24	0	8,056
2018/19	595	5,827	1,551	-86	0	7,887

Source: ONS Mid-Year Population Estimates

Figure 5.8: Components of Population Change, mid 2001-2019 – Leicestershire



Source: ONS Mid-Year Population Estimates

Other Measures of Past Population Growth

- 5.16 The analysis above has focussed on data from the ONS mid-year population estimates (MYE). It is possible to contrast estimates of population growth in this source with other measures – the main one being the NHS Patient Register (PR)⁹. The table below shows estimated population growth in both the MYE and the PR – data is shown for Leicester, Leicestershire, the East Midlands region and England.
- 5.17 In Leicester, the analysis suggests a much higher population growth in the Patient Register than the MYE since 2011 (15.4% population increase compared with 7.5%) whereas the MYE shows a slightly higher population increase in Leicestershire. Across the East Midlands and nationally, the Patient Register shows higher estimates of population growth, the PR growth being some 29% higher regionally and 50% higher nationally (as not all people reregister with doctors when they move).
- 5.18 It is difficult to draw many conclusions from this data, although if the general trends of the PR showing higher growth were to apply more generally to smaller areas then it is arguable that the MYE is showing population growth in Leicester that is too low, with the opposite being the case in Leicestershire. It is however difficult to be certain; and not all people who move away from an area will reregister doctors, particularly when emigrating.
- 5.19 On balance, it is not considered that the analysis of PR data shows anything sufficiently compelling to suggest setting aside the MYE, either in terms of current population estimates, or trend levels of growth. This analysis can therefore be seen as mainly included for reference purposes although it will be interesting for this data to be checked when new information starts to filter through from the 2021 Census.

⁹ NHS Patient Register is a record of all persons registered with a General Practitioner (GP) in England and Wales

Table 5.9 Comparing ONS mid-year population estimates with estimates of population from the Patient Register

		2011	2019	Change	% change
Leicester	MYE	329,660	354,220	24,560	7.5%
	Patient Register	352,620	406,770	54,150	15.4%
Leicester-shire	MYE	651,200	706,160	54,960	8.4%
	Patient Register	671,540	723,560	52,020	7.7%
East Midlands	MYE	4,537,450	4,835,920	298,470	6.6%
	Patient Register	4,690,790	5,091,710	400,920	8.5%
England	MYE	53,107,200	56,286,990	3,179,790	6.0%
	Patient Register	55,312,750	60,288,290	4,975,540	9.0%

Source: ONS/JGC

- 5.20 The table below shows the same data for individual authorities (excluding Leicester). This shows most areas having higher growth in the MYE, the exceptions are Melton and Oadby & Wigston, which is interesting as these are the two areas with the lowest level of population growth (under any measure). There is greater potential that the MYEs for these areas have under-estimated population, but it is difficult to be certain. Again the 2021 Census data should in due course provide better data. There is however a correlation between weaker population growth in these areas and weaker housing delivery (as the later analysis in this section explores).

Table 5.10 Comparing ONS mid-year population estimates with estimates of population from the Patient Register – Other Local Authorities

		2011	2019	Change	% change
Blaby	MYE	94,120	101,570	7,450	7.9%
	Patient Register	96,550	104,200	7,650	7.9%
Charn-wood	MYE	165,900	185,870	19,970	12.0%
	Patient Register	173,980	190,580	16,600	9.5%
Har-borough	MYE	85,710	93,830	8,120	9.5%
	Patient Register	86,950	94,630	7,680	8.8%
H & B	MYE	105,350	113,130	7,780	7.4%
	Patient Register	108,480	115,960	7,480	6.9%
Melton	MYE	50,520	51,250	730	1.4%
	Patient Register	51,420	52,800	1,380	2.7%
NWL	MYE	93,680	103,630	9,950	10.6%
	Patient Register	94,740	104,360	9,620	10.2%
O & W	MYE	56,000	57,040	1,040	1.9%
	Patient Register	59,570	61,120	1,550	2.6%

Source: ONS/JGC

2018-based Sub-National Population Projections

- 5.21 The latest (2018-based) set of subnational population projections (SNPP) were published by ONS in March 2020 (replacing a 2016-based release). The projections provide estimates of the future

population of local authorities, assuming a continuation of recent local trends in fertility, mortality and migration which are constrained to the assumptions made for the 2018-based national population projections.

5.22 The 2018-based SNPP contain a number of assumptions that have been changed from the 2016-based version, these assumptions essentially filtering down from changes made at a national level. The key differences are:

- ONS' long-term international migration assumptions have been revised upwards to 190,000 per annum compared to 165,000 in the 2016-based projections. This is based on a 25-year average;
- The latest projections assume that women will have fewer children, with the average number of children per woman expected to be 1.78 compared to 1.84 in the 2016-based projections; and
- Life expectancy increases are less than in the 2016-based projections as a consequence of the continued limited growth in life expectancy over the last two years.

5.23 As well as providing a principal projection, ONS has developed a number of variants. In all cases the projections use the same fertility and mortality rates with differences being applied in relation to migration.

5.24 In the **principal projection**, data about internal (domestic) migration uses data for the past 2-years and data about international migration from the past 5-years. The use of 2-years data for internal migration has been driven by ONS changing their methodology for recording internal moves, with this data being available from 2016 only.

5.25 The alternative internal migration variant uses data about migration from the last 5-years (2013-18), as well as also using 5-years of data for international migration. This variant is closest to replicating the methodology used in the 2016-based SNPP although it does mean for internal migration that data used is collected on a slightly different basis.

5.26 The **10-year migration variant** (as the name implies) uses data about trends in migration over the past decade (2008-18). This time period is used for both internal and international migration.

5.27 The tables below show the outputs from each of these three variant scenarios along with comparisons from the 2016- and 2014-based SNPP. The comparison with the 2014-based SNPP is particularly important as it underpins the 2014-based SNHP which is used in the Standard Method. Due to the tables looking to 2041 (and the 2014-based SNPP only being published to 2039) an estimate has been made for the last two years by simply adding on two further years of the incremental change from 2038 to 2039.

- 5.28 In Leicester the principal projection shows a population increase of 8%, with the alternative internal migration scenario being higher than this (11%). The 10-year trend variant sits somewhere in the middle of this range. Population growth in the 2016-based projections is similar to the 2018-based alternative internal migration variant whilst the 2014-based projection shows the highest population increase of any of the scenarios studied.

Table 5.11 Projected Population Growth (2020-2041) – Leicester

	2020	2041	Change in population	% change
2018 (principal)	360,557	389,622	29,065	8.1%
2018 (alternative internal)	361,500	401,536	40,036	11.1%
2018 (10-year trend)	359,865	394,528	34,663	9.6%
2016-based	362,162	404,523	42,361	11.7%
2014-based	358,218	410,695	52,477	14.6%

Source: ONS

- 5.29 In Leicestershire almost the opposite pattern emerges, with the principal projection showing the highest level of population growth – in this case the alternative internal migration variant sits in the middle of the range from the 2018-SNPP. Both the 2016- and 2014-based SNPP show projected increases below the principal and alternative internal variants.
- 5.30 The more recent trends are thus of stronger growth in the County, and less growth in the City. This is characteristic of a number of other areas in which we have worked, and is likely in part to be reflected by weak housing market conditions between 2009-13 which resulted in less movement from urban areas to their associated hinterlands, but with greater out-migration from 2013 onwards as wider housing market conditions have improved. The evidence points to some recessionary influence on the distribution of demographic growth informing the 2014-based Projections.

Table 5.12 Projected Population Growth (2019-2041) – Leicestershire

	2020	2041	Change in population	% change
2018 (principal)	715,117	850,255	135,138	18.9%
2018 (alternative internal)	711,526	820,237	108,711	15.3%
2018 (10-year trend)	708,254	784,515	76,261	10.8%
2016-based	700,527	787,455	86,928	12.4%
2014-based	697,889	791,808	93,919	13.5%

Source: ONS

- 5.31 As noted, the 2018-based SNPP has three main scenarios and rather than provide data from all three, the analysis below looks at a preferred scenario. In this case it is considered that the alternative internal migration variant is likely to be the most robust of the three as a trend-based projection of growth in a local context based on recent trends. The principal SNPP has too short a data period

when looking at internal migration whilst the 10-year alternative is not thought likely to reflect recent changes and may include some influence from the economic downturn/credit crunch of 2008 (given that the 10-year period will be 2008-18). The alternative internal migration variant is also based on a broadly similar methodology to previous SNPP releases.

- 5.32 The table below shows projected population growth from 2020-41 (using alternative internal migration assumptions) in Leicester & Leicestershire and a range of comparator areas. The data shows that the population increase in both areas is above the regional and national average, in particular for Leicestershire the projected population increase is approaching double that projected for England. The difference between areas will largely reflect the different levels of population growth seen in the five-year period to 2018.

Table 5.13 Projected population growth (2020-2041) – 2018-based SNPP (alternative internal migration assumptions)

	2020	2041	Change in population	% change
Leicester	361,500	401,536	40,036	11.1%
Leicestershire	711,526	820,237	108,711	15.3%
East Midlands	4,871,321	5,350,390	479,069	9.8%
England	56,678,470	61,353,965	4,675,495	8.2%

Source: ONS 2018-based SNPP

- 5.33 With the overall change in the population will also come changes to the age profile. The tables below summarise findings for key age groups. In Leicester it can be seen that the main increase in number terms is projected to be in the 16-64 age group – increasing by 8.6% and making up over half of all the projected increase. However, the population aged 65 and over is projected to see the proportional highest increase, growing in size by 40% in the 22-year period. For Leicestershire, the increase in the 65+ population is more notable, with a 42% increase accounting for more than half of all population change. In the County there are still projected to be increases in the other two age groups studied.

Table 5.14 Population change 2020 to 2041 by broad age bands – Leicester (2018-based SNPP – alternative internal migration assumptions)

	2020	2041	Change in population	% change
Under 16	77,215	78,782	1,567	2.0%
16-64	240,247	261,005	20,758	8.6%
65 and over	44,038	61,749	17,711	40.2%
Total	361,500	401,536	40,036	11.1%

Source: ONS 2018-based SNPP

Table 5.15 Population change 2020 to 2041 by broad age bands – Leicestershire (2018-based SNPP – alternative internal migration assumptions)

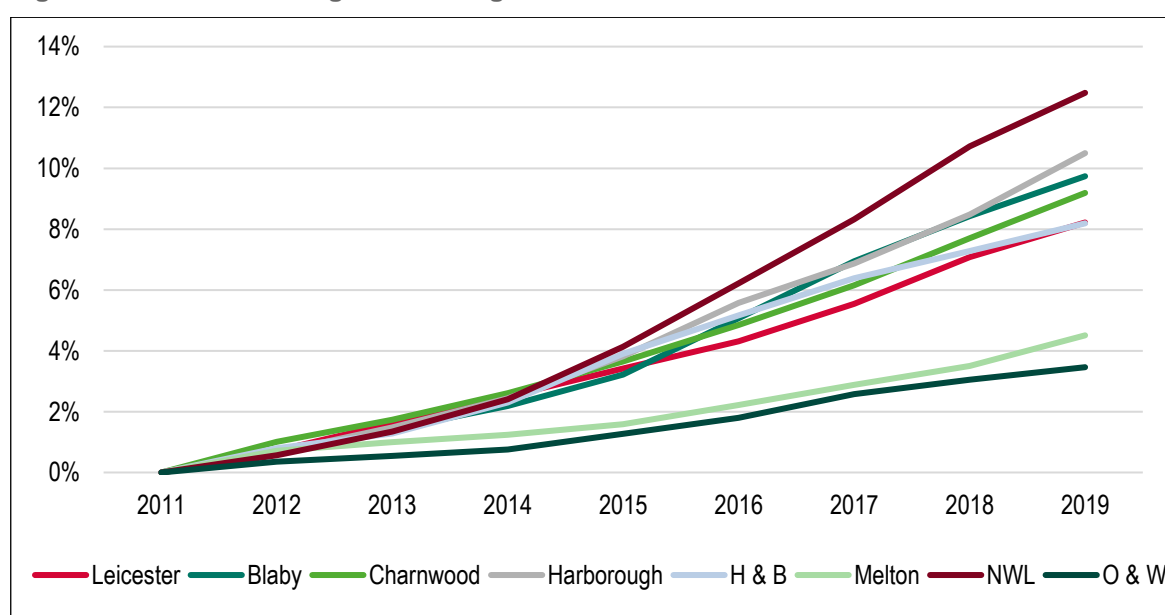
	2020	2041	Change in population	% change
Under 16	127,412	136,526	9,114	7.2%
16-64	436,625	473,695	37,070	8.5%
65 and over	147,489	210,016	62,526	42.4%
Total	711,526	820,237	108,711	15.3%

Source: ONS 2018-based SNPP

Inter-relationship between Population Growth and Housing Delivery

- 5.34 The ONS projections are trend based and will therefore to a considerable extent link to past levels of population growth. It is possible that higher population growth is to some extent linked to past housing delivery (as providing homes would provide opportunities for households to move to the area and influence net migration).
- 5.35 The analysis in the figure below therefore looks at changes to the housing stock since 2011. This shows that areas with more modest population growth (Melton and Oadby & Wigston) are also the locations to have seen the lowest net change to the housing stock. At the other end of the scale, NW Leicestershire has seen one of the highest levels of population growth, and also the highest increase in the number of dwellings. This analysis does point to the likelihood that housing delivery has had an impact on past population growth and hence future (trend-based) projections, although household size and structure will also play a part in respective changes.

Figure 5.9: Indexed Change to Housing Stock since 2011



Source: MHCLG Live Table 125

- 5.36 The table below provides future evidence of the link between dwelling changes and population growth. Generally, proportionate increases in population are slightly lower than changes to stock, the only exception to this is in Charnwood where there has been a 12% increase in the population but a lower (9%) increase in the number of dwellings. Overall, however, the relationship across the whole study area is pretty clear. This is a potential influence on considering the future distribution of development.

Table 5.16 Comparison of Growth in Dwelling Stock and Population, 2011-19

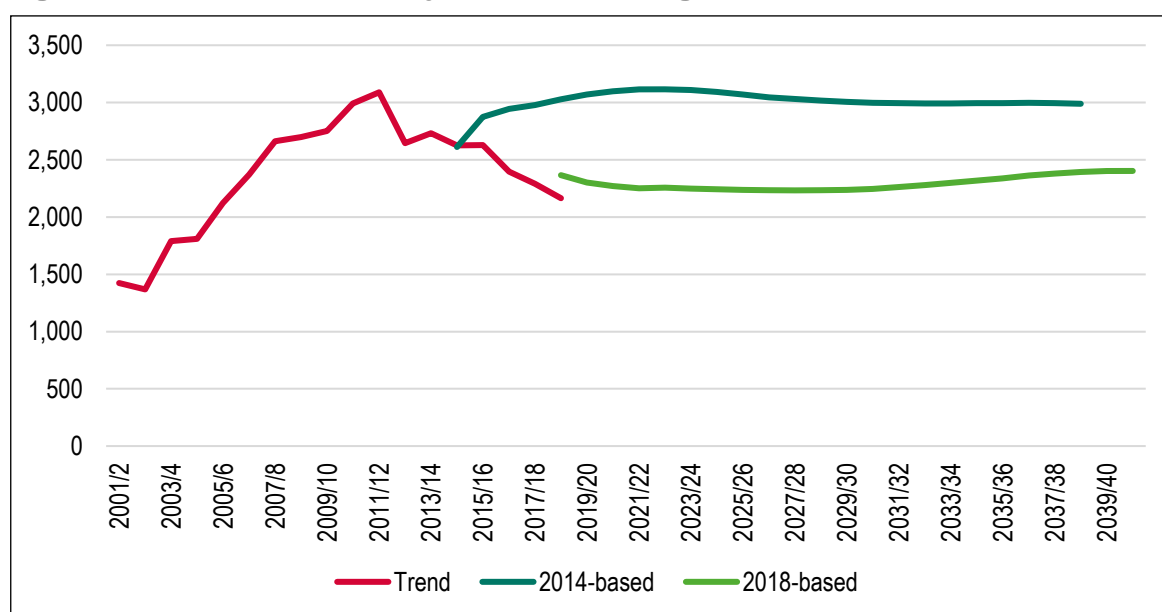
	% increase in stock	% increase in population
Leicester	8.2%	7.5%
Blaby	9.7%	7.9%
Charnwood	9.2%	12.0%
Harborough	10.5%	9.5%
Hinckley & Bosworth	8.2%	7.4%
Melton	4.5%	1.4%
North West Leicestershire	12.5%	10.6%
Oadby & Wigston	3.5%	1.9%
Leicestershire	8.9%	8.4%
Leicester & Leicestershire	8.7%	8.1%

Source: MHCLG Live Table 125 and ONS

Comparing 2014- and 2018-based SNPP

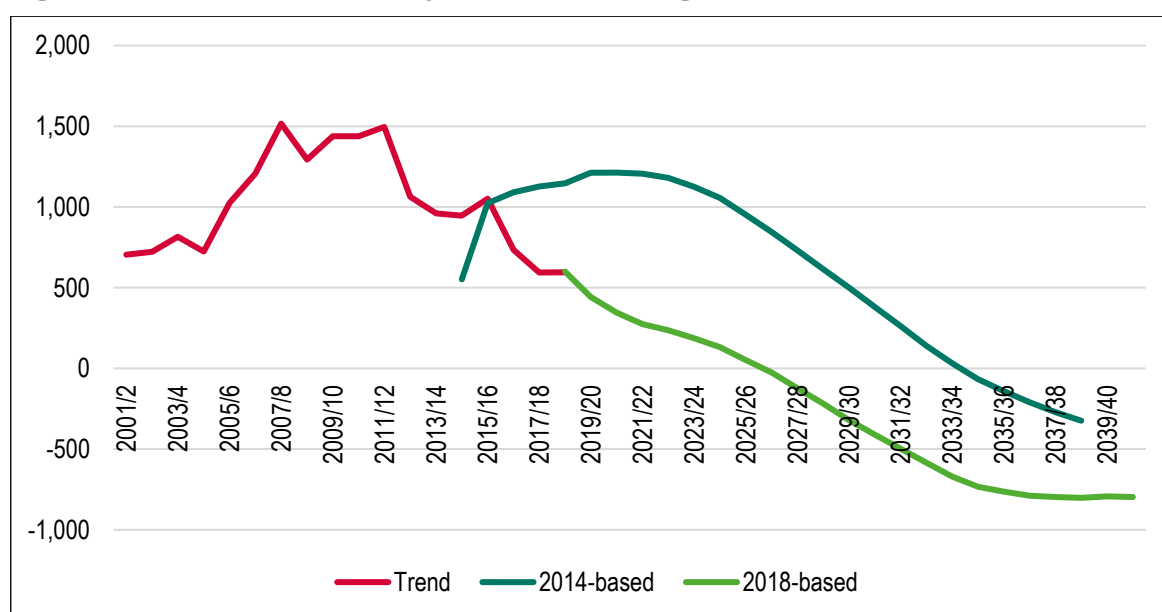
- 5.37 The analysis above shows that projected population growth in the 2014-based SNPP is somewhat higher than in the 2018-based version in Leicestershire, with the opposite being the case for Leicester. It is of interest to see what reasons there are for the differences. Essentially this means looking at the components of population change - natural change (births minus deaths) and migration.
- 5.38 The figures below show past trends in natural change and also projected figures from both the 2014- and 2018-based projections. From this it is clear that natural change has been declining and the 2018-based SNPP project for natural change to continue at a lower level in the future (continuing to decline in Leicestershire). In both areas, natural change in the 2014-based SNPP is projected to be somewhat higher and can already be seen to be too high in comparison to estimates made by ONS since 2014.
- 5.39 Given that the latest projections build in trends towards lower fertility rates and lower improvements to life expectancy, the difference between the two projections is to be expected and does point to the 2018-based sub-national population projections being more realistic. It should however be noted that the trends observed for Leicester & Leicestershire are not unique to the area and are replicated for most local authorities across the country. They do not therefore constitute an exceptional circumstance for deviation from the standard methodology for assessing housing need.

Figure 5.10: Past Trends and Projected Natural Change – Leicester



Source: ONS

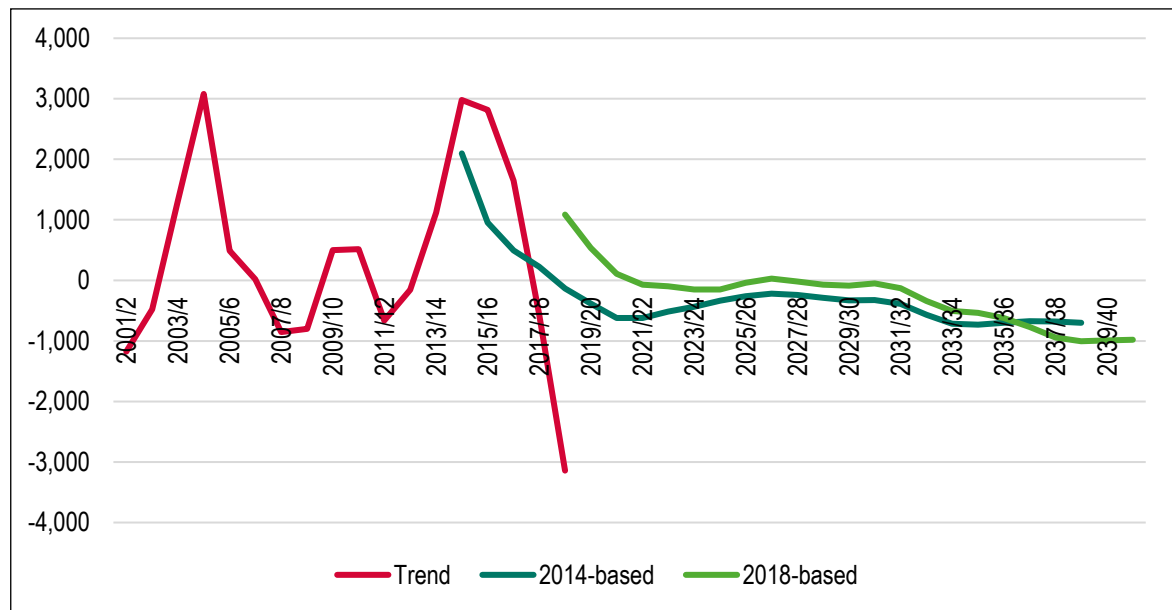
Figure 5.11: Past Trends and Projected Natural Change – Leicestershire



Source: ONS

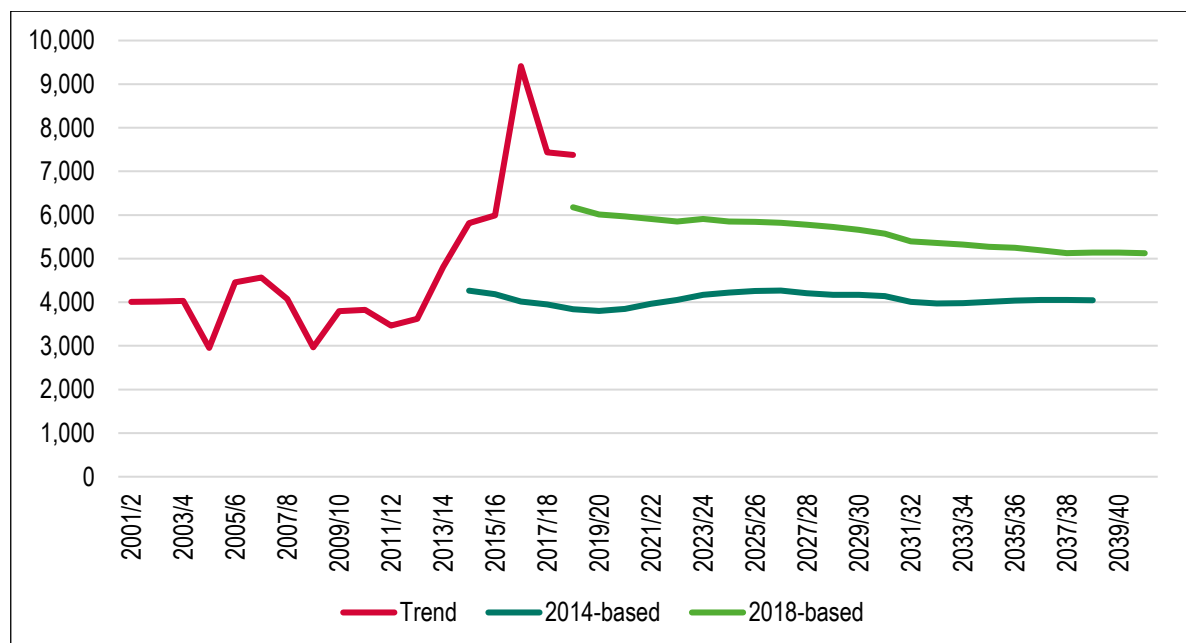
- 5.40 For migration, the analysis below looks at trends in net migration, this combines figures for internal, cross-border and international migration. In Leicester the data shows broadly similar net migration estimates for both projections (slightly higher in the 2018-based SNPP, and particularly in the early years of the projection). For Leicestershire, the migration in the 2018-based SNPP is notably higher than the 2014-based version.

Figure 5.12: Past Trends and Projected Net Migration in Leicester



Source: ONS

Figure 5.13: Past Trends and Projected Net Migration in Leicestershire



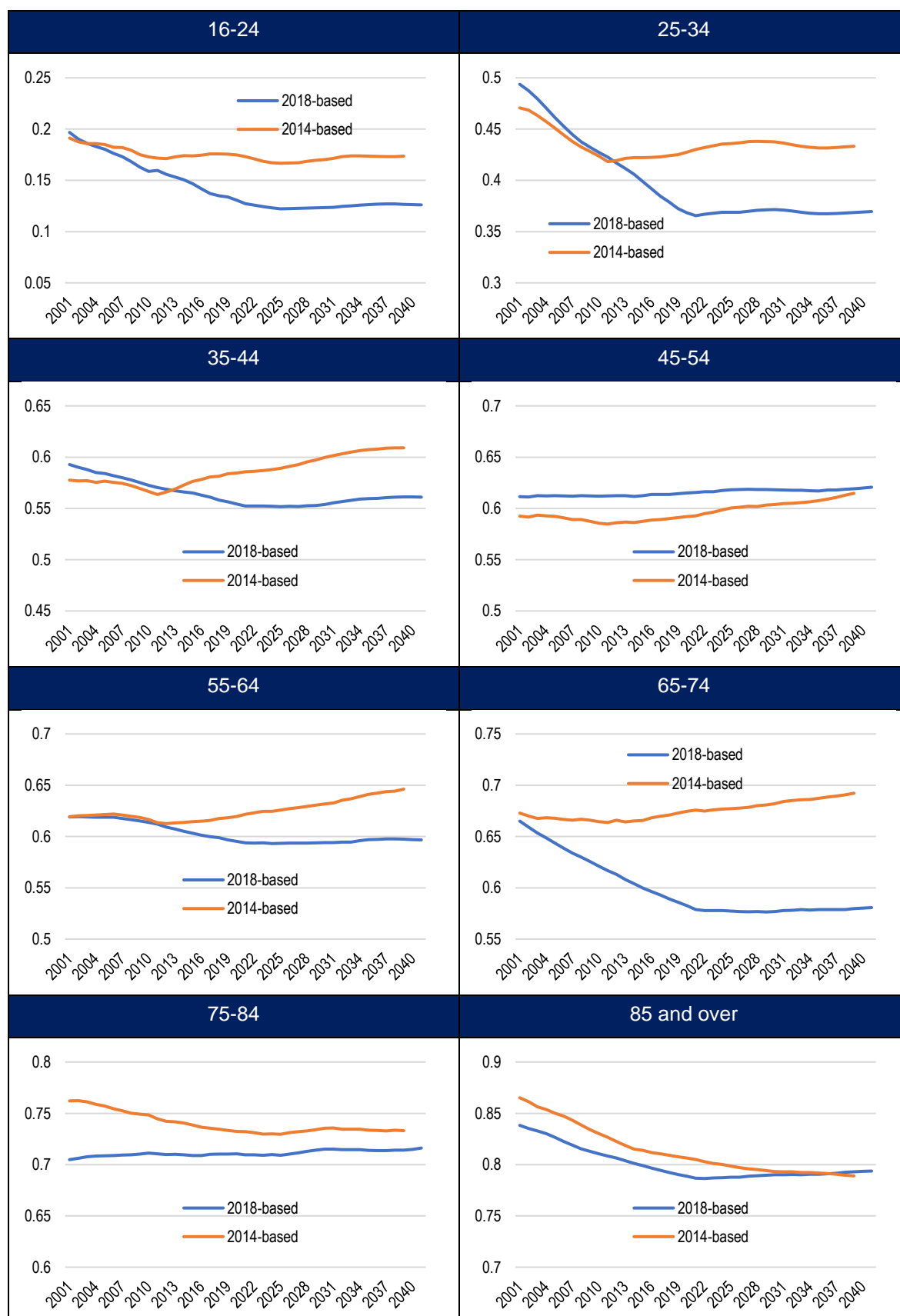
Source: ONS

- 5.41 Overall, the analysis shows higher migration in the 2018-based SNPP but **there is unlikely to be a case to suggest therefore that the 2014-based figures (which drive the Standard Method) are too high.** The higher levels of migration are however in part offset by lower levels of natural change so that **population growth across the whole study area is broadly similar regardless of the projection chosen.** That said there is a clear difference between Leicester and Leicestershire, with the 2018-based figures being lower for the City, and the opposite being the case for the County.

Household Formation

- 5.42 Projections for household formation are required to relate growth in population to households. To do this the concept of household representative rates (HRR) is used. HRRs can be described in their most simple terms as the number of people who are counted as heads of households (or in this case the more widely used Household Reference Person (HRP)).
- 5.43 The latest HRRs are as contained in the ONS 2018-based subnational household projections (SNHP). It would be fair to say that recent SNHP (since the 2016-based release) have come under some criticism, this is largely because they are based only on data in the 2001-11 Census period. The issue is that the projections are based on just two data points (2001 and 2011 Census data) due to definitional changes; and do so over a period in which affordability deteriorated substantially in many areas and therefore potentially build in and project forward the suppression of household formation experienced in that period.
- 5.44 In Leicester, this suppression can be seen in the figure below, and particularly for the 25-34 age group where there was a notable drop in formation rates from 2001 to 2011, and ONS are projecting this forward as far as 2021 (following which the rate is held broadly stable). In Leicestershire, the evidence of suppression in the 2018-SNHP is less clear-cut. Nonetheless, household formation amongst younger households falls.
- 5.45 Given the criticisms of the 2018-SNHP a sensitivity analysis has been developed that applies the HRRs from an earlier 2014-based household projections. The rates from this projection are also shown on the figures below and clearly identify less suppression being built into future projections in Leicester (although they do still recognise the apparent change from 2001 to 2011). In Leicestershire the general trends for younger age groups are similar in the two sets of data.
- 5.46 The 2014-based data has the advantage of using more data points for analysis. It looks at a time series back to 1971. It should also be noted that the 2014-based figures do take a slightly different approach to establishing the households reference person. In the 2014-SNHP a male is taken as a default HRP where there is a couple household (of different sexes) whereas the 2018-SNHP uses the Census definition of a HRP which takes account of the economic activity and age of people in a household.
- 5.47 Therefore, two scenarios have been developed, firstly using the HRRs in the 2018-based SNHP and secondly using the same data but from an earlier (2014-based) release. For clarity these two scenarios have been labelled as:
- 2018-HRRs; and
 - 2014-HRRs.

Figure 5.14: Projected Household Representative Rates by age of head of household – Leicester (2014- and 2018-based SNHP)



Source: Derived from ONS and CLG data

Figure 5.15: Projected Household Representative Rates by age of head of household – Leicestershire (2014- and 2018-based SNHP)



Source: Derived from ONS and CLG data

- 5.48 It is evident that there is a substantial degree of suppression in the 2018-based Household Projections for Leicester in particular within younger age groups. It is also notable that the projections result in quite different results for older age groups. Icení and JGC consider that the 2014-based HRR assumptions should be preferred for demographic modelling herein, not least as they are based on longer-term trend data and look more realistic.

PART 2: FUTURE DEVELOPMENT NEEDS

6. FUTURE ECONOMIC PERFORMANCE

6.1 This section considers potential future economic performance. The starting point has been a set of 'baseline' projections provided by Cambridge Econometrics (CE). IcenI has been through a process of:

- Interrogating and testing the baseline projections, including comparing them to past economic performance (see **Appendix A2**);
- Undertaking an economic strategy review which considers, reviews and collates information from local and sub-regional economic strategy documents (see **Appendix A3**);
- Engagement with economic development officers from each of the local authorities together with the County Council – including its Research/Business Intelligence Function which is aligned to the Leicester and Leicestershire Enterprise Partnership (LLEP).

6.2 Alongside this, Cambridge Econometrics has been working with the LLEP on the development of its Economic Growth Strategy 2021-30¹⁰, which includes work to consider sector growth opportunities in the Study Area.

6.3 Drawing together the stakeholder engagement, baseline analysis, policy review and IcenI's consideration of the baseline projections an alternative 'Growth Scenario' has been developed. The Growth Scenario results are summarised in this section. The detailed narrative associated with this scenario overall, and for specific sectors, is set out in **Appendix A4**.

6.4 **The baseline and growth scenarios together should be considered as a set of parameters for future economic performance**, recognising that the baseline has had regard to past trends whilst the Growth Scenario considers economic initiatives and ambitions but is potentially somewhat aspirational in nature.

Baseline Growth Scenario

6.5 The local area baseline projections are developed based on CE's March 2021 UK and regional forecast. The projections include historical local area employment data to 2019, regional and national employment data to 2020, and GVA data to 2018.

¹⁰ <https://llep.org.uk/app/uploads/2021/12/LLEP-Economic-Growth-Strategy.pdf>

UK Forecast

- 6.6 CE's UK forecast is developed using CE's Multi-Sectoral Dynamic Model (MDM). The model determines final expenditure, output and employment by disaggregating sectors, commodities, and household and government expenditures, as well as foreign trade and investment, within an input-output framework to identify the inter-relationships between sectors. The forecasts are based on the latest available national and regional historical data and macroeconomic assumptions (e.g. components of output). The key COVID-19 and EU exit assumptions are summarised below.

Covid-19

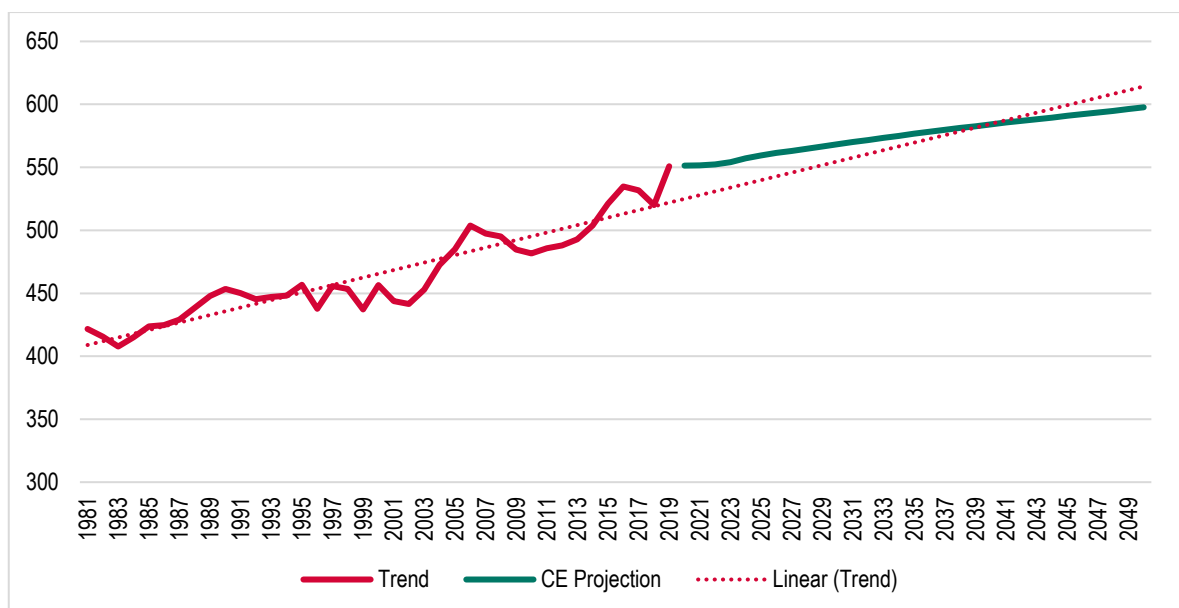
- 6.7 The baseline projections assumed that lockdown and social distancing measures will follow the Government's envisaged 'road map', with lockdown formally ending in late-March, social distancing to progressively ease over spring and the domestic economy to open fully by mid/late summer (with all UK adults expected to be offered a dose of the COVID vaccine by this time). The assumed 'post-lockdown' pick-up in activity will mean that GDP is assumed to increase in 2021, though to a lesser extent than previously forecast due to the weak start to the year.
- 6.8 Despite the assumed opening of the UK economy in 2021 Q2, persistent economic scarring and a muted economic recovery in 2021/2022 is expected. This comes as a result of rising unemployment, business closures, weak capital accumulation and permanent productivity impacts of the pandemic.
- 6.9 Moreover, UK trade prospects remain very weak due to slow global economic growth (exacerbated/perpetuated by inequalities in the global allocation of the vaccine) and Brexit trade disruptions (see EU exit section below). Given this, the central assumption of the forecast is a 3.6% increase in GDP in 2021 and a 2.8% increase in GDP in 2022.

EU Exit

- 6.10 Based on the general terms included in the EU–UK Trade and Cooperation Agreement that was signed on 30th December 2020, the following political assumptions were adopted:
- The agreed Free Trade Agreement with the EU avoids reversal to WTO terms, but results in some barriers to trade which will gradually phase in.
 - The points-based migration system introduces restrictions on inward migration from the EU.
 - The uncertainty about the possibility of no-deal Brexit is lifted. However, some uncertainty remains over the speed of regulatory divergence.
 - Some uncertainty remains over the possibility of changes to the agreement in the future that could affect the barriers to trade, such as the equivalence rules in the financial sector.

- The UK will continue to seek other trade agreements, which could reduce barriers to trade with non-EU countries in the future.
- 6.11 These feed into the assumptions which are made on the future growth outlook for different economic sectors.
- 6.12 The local area baseline projections are based on historical growth in the local area (i.e. the relevant local authority) relative to the region (East Midlands) or UK (depending on which area it has the strongest relationship with), on a sector-by-sector basis. They assume that those relationships continue into the future. Thus, if a sector in the local area outperformed the sector in the region (or UK) as a whole in the past, then it will be assumed to do so in the future. Similarly, if it underperformed the region (or UK) in the past then it will be assumed to underperform the region (or UK) in the future.
- 6.13 The projections further assume that economic growth in the local area is not constrained by supply-side factors, such as population and the supply of labour. They assume that there will be enough labour (either locally or through commuting) with the right skills to fill the jobs. If, for example, in reality, the labour supply is not there to meet projected growth in employment, growth could be slower.
- 6.14 The measure of employment is workplace-based jobs, which include full-time, part-time and self-employed.
- 6.15 The projections show employment growth of 34,100 jobs between 2020-41 which, as the chart below shows, represents a weaker rate of growth in employment relative to the long-term trend.

Figure 6.1: Projection of Total Employment – Leicester & Leicestershire



Source: Cambridge Econometrics/Iceni

- 6.16 Drilling into the performance of individual authorities, the strongest forecast growth in absolute terms is projected to be in Leicester and NW Leicestershire; but in relative terms the rate of growth in total employment in the baseline projections is strongest in Harborough and NW Leicestershire. Weaker growth is forecast in particular in Charnwood, and in Oadby and Wigston.

Table 6.1 Baseline Projections by District, 2020-41

	Employment, 2020 ('000s)	Employment Projection, 2020-41	% Change
Blaby	69.9	6.5	9.3%
Charnwood	77.7	3.2	4.2%
Harborough	48.0	4.8	10.1%
Hinckley and Bosworth	49.8	2.0	4.1%
Leicester	190.7	8.5	4.5%
Melton	22.3	1.8	7.9%
North West Leicestershire	71.1	6.5	9.2%
Oadby and Wigston	21.9	0.7	3.2%
Leicester & Leicestershire	551.4	34.1	6.2%
East Midlands	2415.2	158.7	6.6%
UK	35517.0	3941.0	11.2%

Source: Cambridge Econometrics

- 6.17 The scale of employment growth envisaged in the Baseline Projection over different timescales, including to 2036 and 2050 is shown in Table 6.2 below. Across the sub-region, employment is projected to grow by 0.3% pa.

Table 6.2 Baseline Projections by District to 2036, 2041 and 2050 – Employment Change ('000s)

	2020-36	2020-41	2020-50
Blaby	5.1	6.5	8.8
Charnwood	2.4	3.2	4.7
Harborough	3.9	4.8	6.5
Hinckley and Bosworth	1.6	2.0	2.9
Leicester	6.8	8.5	11.3
Melton	1.4	1.8	2.3
North West Leicestershire	5.2	6.5	8.8
Oadby and Wigston	0.5	0.7	1.0
Leicester & Leicestershire	26.9	34.1	46.3

Source: Cambridge Econometrics

Growth Scenario

- 6.18 IcenI has reviewed the sectoral outlook and the projections for performance of individual districts, including how this compares to historical growth. This is set out in **Appendix A2**. IcenI have also

undertaken a review of relevant economic policy/strategy documents at a sub-regional and local level. This is set out in **Appendix A3**.

6.19 This analysis and evidence has been brought together with the strategy set out within the LLEP's Economic Growth Strategy to 2030. This is based on the four core pillars of productivity, innovation, inclusivity and sustainability to deliver an innovative, technology-led and knowledge economy. It addresses short-term measures to support recovery from the Covid-19 pandemic and transition to new trading arrangements after leaving the EU; as well as seeking to support longer-term competitiveness.

6.20 There are several sectors, where the Leicester and Leicestershire offer has significant potential – where the R&D, firms, and sites give good prospects for growth:

- **Advanced manufacturing and engineering** – this is a real specialism, particularly in automotive, and already active in alternative fuels, electric and autonomous vehicles.
- **Life sciences and biotechnology** – there are significant university specialisms, a new regenerative medicine hospital for military injuries; and a reasonable amount of start-up / SME development.
- **Logistics and distribution** - there are several large sites (e.g. Magna Park, EM Gateway), plus development of rail freight and East Midlands Airport (principally freight) plus the new Freeport. The area falls within the Golden Triangle which is the core area nationally for National Distribution Centres (NDCs).
- **Sports science** – this is a world class specialism at Loughborough University and ripe for further commercialisation. It's a niche, but some good prospects that are probably much higher than the national trend rates of growth
- **Space / aerospace / earth observation** – this is a niche, but Leicester is well placed with SpacePark Leicester and surrounding sites, and government interest / investment in space sector

6.21 In addition, there are some office-based sectors, where the locational factors are strong - workforce availability, graduate skills (where relevant), location, infrastructure - but the limiting factors are mostly about office accommodation in Leicester City Centre and other centres, and the commercial viability of bringing forward new development. The Growth Scenario recognises the potential in **IT and Digital** recognising the area has the graduate skills, university R&D and teaching specialisms; and that these also support the potential for **Professional and Financial Services**, with the potential to benefit from jobs growth outside London. However there is modest commercial interest in office development and much of the office space in the past 20 years has been from public sector investment and initiatives. So growth in these areas will depend on significant public intervention.

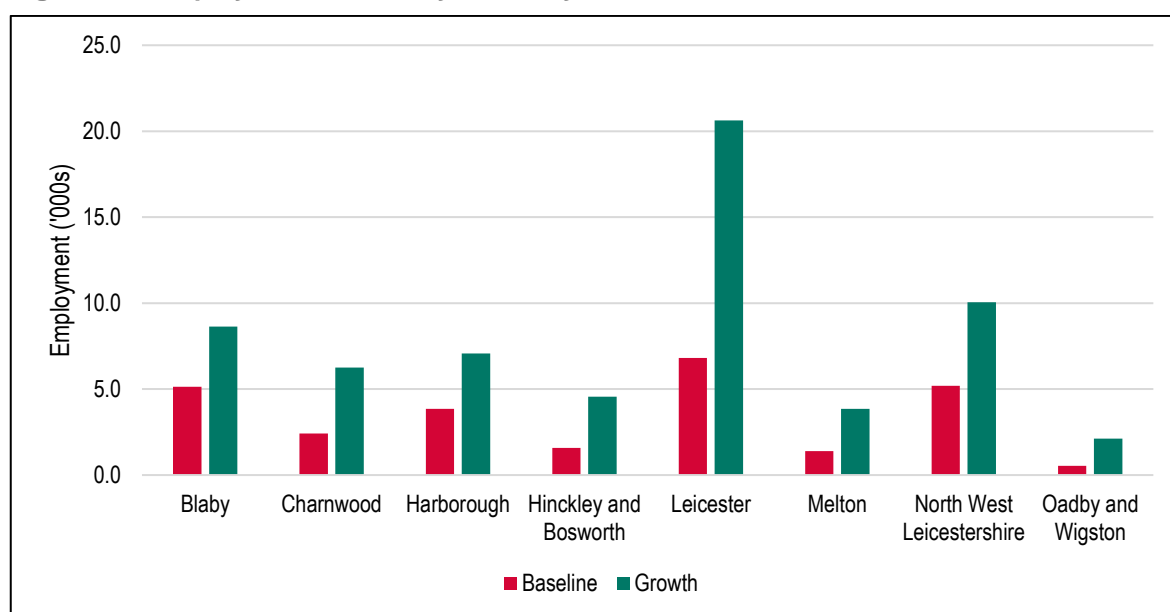
- 6.22 The Growth Scenario recognises the sub-region's universities are important innovation assets and support the growth potential in key sectors; with the potential that a scenario is aligned to driving forward both GVA and productivity; increasing innovation activities; and supporting sustainable growth including in low carbon sectors/ activities. It takes account of sustainability principles and the implications of a shift towards a green economy.
- 6.23 Taking account of the Economic Growth Strategy, Cambridge Econometrics and Iceni have therefore worked with stakeholders to define a Growth Scenario which takes account of enhanced performance across a number of sectors. The sector specific outlook is set out in **Appendix A4**. There is a strong alignment of the sectors/activities (identified through the work on the LLEP Strategy) with the HENA baseline analysis and stakeholder engagement.
- 6.24 The results of the Aspirational Growth Scenario for growth in employment are shown below, with a comparison to the baseline growth shown. Total employment is expected to grow in this scenario by 0.7% pa compared to 0.3% pa in the Baseline Projection.

Table 6.3 Projections for Jobs Growth, 2020-36 ('000s)

	Baseline	Growth
Blaby	5.1	8.6
Charnwood	2.4	6.3
Harborough	3.9	7.1
Hinckley and Bosworth	1.6	4.6
Leicester	6.8	20.6
Melton	1.4	3.9
North West Leicestershire	5.2	10.0
Oadby and Wigston	0.5	2.1
Leicestershire	26.9	63.2
CAGR	0.3%	0.7%

- 6.25 As Figure 6.2 below shows, the strongest employment growth in absolute terms is expected in Leicester followed by NW Leicestershire and Blaby.

Figure 6.2: Employment Growth by Authority, 2020-36



Source: Cambridge Econometrics

- 6.26 The scenarios for employment growth to 2041 are shown in Table 6.4 below, and to 2050 in Table 6.5. Table 6.5 then summarises and compares the growth in employment envisaged in the two scenarios between 2020-50. The Growth Scenario envisages notably stronger employment growth in all authorities. The strongest growth rate in this scenario is in Melton, but this is influenced by the relatively low base position. Absolute growth is strongest in Leicester and NW Leicestershire in the Growth Scenario.

Table 6.4 Projections for Jobs Growth, 2020-41 ('000s)

	Baseline	Growth
Blaby	6.5	11.1
Charnwood	3.2	8.2
Harborough	4.8	9.0
Hinckley and Bosworth	2.0	5.9
Leicester	8.5	26.3
Melton	1.8	5.0
North West Leicestershire	6.5	12.9
Oadby and Wigston	0.7	2.9
Leicester & Leicestershire	34.1	81.4
CAGR	0.3%	0.7%

Source: Cambridge Econometrics

Table 6.5 Projections for Jobs Growth, 2020-50 ('000s)

	Baseline	Growth
Blaby	8.8	15.4
Charnwood	4.7	11.8
Harborough	6.5	12.5
Hinckley and Bosworth	2.9	8.3
Leicester	11.3	36.1
Melton	2.3	7.2
North West Leicestershire	8.8	17.8
Oadby and Wigston	1.0	4.1
Leicester & Leicestershire	46.3	113.2
CAGR	0.3%	0.6%

Source: Cambridge Econometrics

7. EMPLOYMENT LAND NEEDS

- 7.1 This section provides commentary on the future employment land needs by type from 2020 to 2036, 2041 and 2050. It considers labour demand (baseline and growth) scenarios provided by Cambridge Econometrics, as well as completions trends using Local Planning Authority (LPA) monitoring data. Consideration is also given to margins for flexibility, vacancy and replacement demand.
- 7.2 Recommendations are made regarding future needs for office, industrial and local warehousing / distribution units under 9,000 sqm. Large scale warehousing/ distribution unit needs are reported in the Strategic Warehousing Study prepared by GL Hearn and finalised in April 2021.¹¹
- 7.3 Different forecasting techniques have their advantages and disadvantages. Econometric forecasts take account of differences in expected economic performance moving forward relative to the past. However a detailed model is required to relate net forecasts to use classes and estimate gross floorspace and land requirements. For office based sectors consideration needs to be given to the impacts of trends in home working. For industrial sectors however the relationship between floorspace needs and employment trends may be weak – influenced by productivity improvements. In contrast, past take-up is based on actual delivery of employment development; but does not take account of implications of growth in labour supply or housing growth nor any differences in economic performance relative to the past. It is also potentially influenced by past land supply and/or policies.
- 7.4 Ultimately therefore an appropriate approach is therefore to utilise different forecasting techniques and an understanding of the merits of different approaches in drawing conclusions. This approach of comparing different approaches and testing findings, which Iceni adopts, is consistent with the Planning Practice Guidance (PPG).

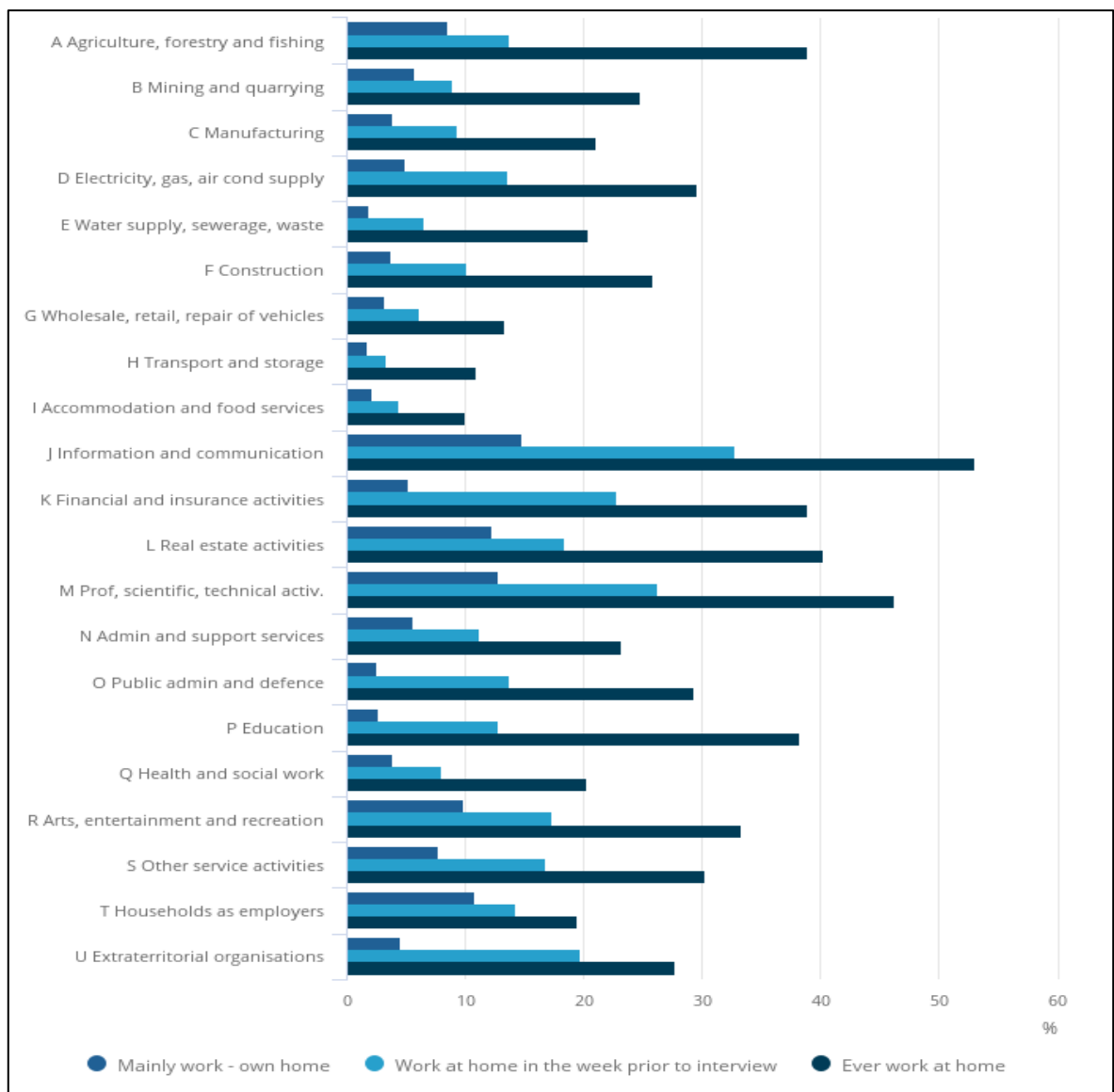
Labour Demand Model: Baseline and Growth

- 7.5 Using the baseline and growth employment forecasts from CE (see previous section), Iceni has developed a set of employment floorspace requirements. They relate to the floorspace and land required to accommodate net growth in jobs. Provision for flexibility of supply and replacement demand is then considered.

¹¹ <https://www.l1strategicgrowthplan.org.uk/wp-content/uploads/2021/09/Leicester-and-Leicestershire-Strategic-Distribution-Study-2021.pdf>

- 7.6 CE provided a 45 sector breakdown which we have used to model floorspace needs. A Leicestershire wide ratio of jobs to FTEs has been used to convert jobs to FTEs.
- 7.7 Prior to converting FTEs to floorspace, an adjustment has been made for typical homeworking levels – therefore those not requiring commercial floorspace – using pre pandemic data for 2019. This has been developed from ONS data on homeworking by sector as set out below. This is up to 15% for office-based sectors and between 2-5% for industrial/ warehousing with sector-specific assumptions informed by the data in Figure 7.1 below. A further adjustment is considered later in terms of a post Covid scenario.

Figure 7.1: Homeworking by Sector, 2019



Source: ONS

- 7.8 Converting the residual FTEs to floorspace, employment density ratios are assumed as follows:

- 15 sqm offices¹²
- 30 sqm R&D
- 44 sqm industrial
- 80 sqm warehousing

- 7.9 These are derived having regard to the Homes and Communities Agency *Employment Densities Guide* (3rd Edition, 2015). They relate to the Gross External Area (GEA) floorspace. The industrial density figure relates to the midpoint of E(g)(iii) light industrial and B2 uses; whilst that for warehousing takes account of the demand focus on 'big box' larger units (but assumes a range of different sizes of units are delivered). Offices and R&D now relate to E(g)(i) and E(g)(ii) use classes.
- 7.10 It is of note that the warehousing needs reported in this paper are considered to be focused on non strategic warehousing, as the 2021 Strategic Warehousing Study reports on needs for units over 9,000 sqm / 100,000 sqft. However the labour demand models cannot separate local and strategic units, which is dealt with via completions trends.
- 7.11 The summary outputs for the authorities for 2021 to 2036, 2041 and 2050 are as follows. Over the period to 2041, a net need for 132,600 – 213,500 sq.m of office space and 40,200 – 59,100 sq.m for R&D is shown. Figures for other timeframes are shown in the respective tables.
- 7.12 A negative need for industrial space is shown in the baseline projection to 2041 (-226,000 sq.m) with a modest positive need for almost 80,000 sq.m in the growth scenario. Productivity improvements in the manufacturing sector are modelled that still result in a decline in employment in the baseline scenario which drives these figures. In reality there is likely to be a weaker relationship between employment trends and floorspace/ land requirements due to the need to invest in capital to drive productivity, meaning that greater weight should be given to the completions trend analysis in drawing conclusions on industrial floorspace/ land needs to the completions trends analysis..
- 7.13 For warehousing and distribution, a floorspace need for between 277,900 – 829,600 sq.m is shown to 2041. For this market segment, automation is expected to change (and indeed weaken) the relationship between floorspace and employment numbers over time. This is built into the CE model which assumes automation influences growth in employment. The labour demand modelling is driven by job numbers, and therefore for this sector likely under-estimates the scale of need.

¹² Equivalent to 12 s.m NIA per job

Table 7.1 Labour Demand Floorspace Needs (net), 2021-2036, sqm

	Offices		R&D		Industrial		Distribution	
	Basel.	Growth	Basel.	Growth	Basel.	Growth	Basel.	Growth
Blaby	24,400	37,200	3,000	4,300	-8,200	5,700	14,900	48,300
Charnwood	13,200	20,300	3,400	5,800	-33,000	-6,300	13,400	53,300
Harborough	8,700	13,500	4,200	5,800	-19,000	-9,200	54,500	146,100
H&B	10,000	14,300	4,100	6,300	-44,200	-17,000	27,100	73,000
Leicester	16,200	32,600	8,200	12,000	-56,400	64,600	19,500	94,400
Melton	3,200	5,800	1,200	1,600	24,400	33,900	3,700	14,500
NW Leics	25,400	36,100	7,900	9,900	-31,900	-6,700	79,100	199,600
O&W	2,600	4,200	400	900	-14,900	-6,300	7,900	19,300
Total	103,600	164,000	32,300	46,600	-183,200	58,600	220,000	648,500

Source: CE/ Icenl

Table 7.2 Labour Demand Floorspace Needs (net), 2021-2041, sqm

	Offices		R&D		Industrial		Distribution	
	Basel.	Growth	Basel.	Growth	Basel.	Growth	Basel.	Growth
Blaby	31,100	48,300	3,700	5,400	-10,500	6,600	18,700	61,500
Charnwood	17,000	26,500	4,100	7,300	-39,300	-5,700	16,700	68,100
Harborough	11,100	17,600	5,200	7,300	-23,200	-10,500	69,700	187,700
H&B	12,900	18,900	5,100	7,900	-54,200	-20,400	34,700	93,900
Leicester	19,900	41,500	10,100	15,200	-71,500	81,700	24,100	120,500
Melton	4,200	7,800	1,600	2,100	30,100	42,600	4,500	18,600
NW Leics	32,900	47,400	10,000	12,700	-39,300	-6,900	99,500	254,500
O&W	3,300	5,500	500	1,100	-18,300	-7,400	9,900	24,800
Total	132,600	213,500	40,200	59,100	-226,000	79,900	277,900	829,600

Source: CE/ Icenl

Table 7.3 Labour Demand Floorspace Needs (net), 2021-2050, sqm

	Offices		R&D		Industrial		Distribution	
	Basel.	Growth	Basel.	Growth	Basel.	Growth	Basel.	Growth
Blaby	42,100	67,100	5,100	7,500	- 14,200	7,900	25,200	84,800
Charnwood	23,600	37,400	5,800	10,200	- 47,300	- 2,700	22,100	93,800
Harborough	15,300	24,800	7,200	10,200	- 28,500	- 11,500	95,400	262,300
H&B	17,900	26,700	6,800	10,800	- 68,800	- 25,000	47,600	131,300
Leicester	26,100	56,500	13,300	20,600	- 97,300	106,500	31,400	166,000
Melton	5,900	11,200	2,200	2,900	36,600	54,700	5,900	26,100
NW Leics	45,800	67,200	13,900	17,900	- 51,300	- 7,100	133,700	352,500
O&W	4,500	7,700	500	1,500	- 22,900	- 8,400	13,200	34,400
Total	181,200	298,600	54,700	81,600	- 293,800	114,300	374,400	1,151,200

Source: CE/ Icenl

7.14 These have been converted to land using plot ratios of:

- 0.35 for offices (2.0 in Leicester, in line with 2017 HEDNA / Leicester 2020 EDNA)

- 0.4 for industrial and distribution uses.

7.15 The plot ratio described the relationship between floorspace and site area, and allows for provision for parking; vehicle turning etc. It should be noted that the land requirements generated through the modelling relate to the developable area, and that site areas may be greater to allow for landscaping and infrastructure.

7.16 The initial summary outputs on land requirements for the individual authorities are as follows:

Table 7.4 Labour Demand Land Needs, 2021-2036, ha

	Offices		R&D		Industrial		Distribution	
	Basel.	Growth	Basel.	Growth	Basel.	Growth	Basel.	Growth
Blaby	7.0	10.6	0.7	1.1	-2.0	1.4	3.7	12.1
Charnwood	3.8	5.8	0.8	1.4	-8.2	-1.6	3.3	13.3
Harborough	2.5	3.9	1.0	1.4	-4.8	-2.3	13.6	36.5
H&B	2.8	4.1	1.0	1.6	-11.0	-4.2	6.8	18.3
Leicester	0.8	1.6	2.0	3.0	-14.1	16.2	4.9	23.6
Melton	0.9	1.7	0.3	0.4	6.1	8.5	0.9	3.6
NWL	7.3	10.3	2.0	2.5	-8.0	-1.7	19.8	49.9
O&W	0.7	1.2	0.1	0.2	-3.7	-1.6	2.0	4.8
Total	25.8	39.2	8.1	11.7	-45.8	14.7	55.0	162.1

Source: CE/ Icenl

Table 7.5 Labour demand land needs 2021-2041, ha

	Offices		R&D		Industrial		Distribution	
	Basel.	Growth	Basel.	Growth	Basel.	Growth	Basel.	Growth
Blaby	8.9	13.8	0.9	1.4	-2.6	1.6	4.7	15.4
Charnwood	4.9	7.6	1.0	1.8	-9.8	-1.4	4.2	17.0
Harborough	3.2	5.0	1.3	1.8	-5.8	-2.6	17.4	46.9
H&B	3.7	5.4	1.3	2.0	-13.5	-5.1	8.7	23.5
Leicester	1.0	2.1	2.5	3.8	-17.9	20.4	6.0	30.1
Melton	1.2	2.2	0.4	0.5	7.5	10.6	1.1	4.6
NWL	9.4	13.5	2.5	3.2	-9.8	-1.7	24.9	63.6
O&W	0.9	1.6	0.1	0.3	-4.6	-1.8	2.5	6.2
Total	33.2	51.2	10.1	14.8	-56.5	20.0	69.5	207.4

Source: CE/ Icenl

Table 7.6 Labour demand land needs 2021-2050, ha

	Offices		R&D		Industrial		Distribution	
	Basel.	Growth	Basel.	Growth	Basel.	Growth	Basel.	Growth
Blaby	12.0	19.2	0.9	1.9	-2.6	2.0	4.7	21.2
Charnwood	6.7	10.7	1.0	2.6	-9.8	-0.7	4.2	23.5
Harborough	4.4	7.1	1.3	2.6	-5.8	-2.9	17.4	65.6
H&B	5.1	7.6	1.3	2.7	-13.5	-6.3	8.7	32.8
Leicester	1.3	2.8	2.5	5.1	-17.9	26.6	6.0	41.5
Melton	1.7	3.2	0.4	0.7	7.5	13.7	1.1	6.5
NWL	13.1	19.2	2.5	4.5	-9.8	-1.8	24.9	88.1
O&W	1.3	2.2	0.1	0.4	-4.6	-2.1	2.5	8.6
Total	45.6	72.0	10.1	20.4	-56.5	28.6	69.5	287.8

Source: CE/ Icen

- 7.17 The most significant differences between the scenarios are evidenced in the industrial and warehousing/distribution sectors.
- 7.18 A sensitivity model has been developed which reflects the very significant impact of the Covid-19 pandemic on the use of offices and enforced use of home working. At the time of writing (mid 2021) there remains considerable uncertainty on the long term trend for office space. Property market feedback for Leicestershire reports a freeze on transactions since the initial 2020 lockdown. The sensitivity scenario reduces the office based requirements under the circumstance that post pandemic there is a reduced requirement for new space despite growth in office type jobs due to an increased prevalence of home working.
- 7.19 Whilst it is likely that office usage may see a reorganisation of space, for example more breakout / collaboration space, it remains plausible that there will be a reduced overall requirement for new offices. Some examples of major corporate activity in this regard include: HSBC cutting its global office space by 40%; Lloyds cutting desk numbers by 20%; Alphabet developing a model where staff work three days in the office and two days from home; and Facebook allowing 'complete flexibility'. Whilst recognising these are global corporations, as can be best judged at present there does seem to be a likely move to greater home working.
- 7.20 On balance, Icen considers it reasonable to run a scenario that reduces future need by 30% against that of the typical office needs, as below. Given the uncertainty at the current time (given ongoing impacts of the pandemic), it is recommended that trends are monitored in the near term.

Table 7.7 Labour demand land needs, sqm office sensitivity

	Offices							
	Standard need				Need reduced 30%			
	2021-36		2021-41		2021-36		2021-41	
	Basel.	Growth	Basel.	Growth	Basel.	Growth	Basel.	Growth
Blaby	24,400	37,200	31,100	48,300	17,100	26,000	21,800	33,800
Charnwood	13,200	20,300	17,000	26,500	9,200	14,200	11,900	18,600
Harborough	8,700	13,500	11,100	17,600	6,100	9,500	7,800	12,300
H&B	10,000	14,300	12,900	18,900	7,000	10,000	9,000	13,200
Leicester	16,200	32,600	19,900	41,500	11,300	22,800	13,900	29,100
Melton	3,200	5,800	4,200	7,800	2,200	4,100	2,900	5,500
NWL	25,400	36,100	32,900	47,400	17,800	25,300	23,000	33,200
O&W	2,600	4,200	3,300	5,500	1,800	2,900	2,300	3,900
Total	103,600	164,000	132,600	213,500	72,500	114,800	92,800	149,500

Source: CE/ Icen

- 7.21 Furthermore to the above, we can consider from the authority completions data that there has been limited overall net change in office floorspace from 2011-19 (suppressed through losses in Leicester) whilst there had been growth in office FTE employees of around 17,000 against gross office gains of around 125,000 sqm, which is in itself around half of what would be expected through a typical density model. This suggests that the prevalence of home based working is more common than suggested in Figure 7.1, facilitated in part by changes in technology, and that the sensitivity reduction above of 30% is appropriate as a minimum discount to adjust for non office based activities for these sectors.

Completions Trend Model

- 7.22 Using gross and net completion data provided by the authorities for the 2011/12 to 2019/20 period, Icen has derived a past completions trend to model a future completions trend based need. For Charnwood only gross completions were provided and for Charnwood and Oadby and Wigston, provision in hectares has been converted to sqm. The data used represents the longest time period for which a consistent dataset is available and includes periods of stronger and weaker economic and market conditions.
- 7.23 All completions refer to non strategic units (i.e. those under 9,000 sqm). Non strategic B8 completions have been provided by North West Leicestershire and Harborough as defined by the LPAs whilst large completions (B8 units of over 9,000 sq.m) have been manually excluded from Blaby (3) and Hinckley & Bosworth (2). Strategic need completions are covered in the Strategic Warehousing Study that uses completions and traffic growth with replacement demand models to project future needs.
- 7.24 The key trends are:

- Gross gains in all floorspace typologies.
- Strongest gross office gains in Leicester, Harborough (from two developments early in the period) and NW Leicestershire (notably Ivanhoe Business Park). In net terms Leicester has seen significant losses in offices through conversion to residential.
- Gross non strategic industrial and warehousing development has occurred in all areas other than Oadby and Wigston. In net terms there has been a decline of industrial stock overall in Leicester, NW Leicestershire, Hinckley and Bosworth and Blaby. In some instances this is due to large single demolitions of older premises (such as Arla Dairies, 2018/19 NW Leicestershire for 21,000 sqm).
- Only Leicester and Oadby and Wigston have seen losses of warehousing and distribution.

Table 7.8 Completions trend forecast 2020/21-2035/36, sqm

	Gross				Net			
	Offices	R&D	Industrial	Local Distribution	Offices	R&D	Industrial	Local Distribution
Blaby	27,400	-	19,700	44,300	24,900	-	-23,300	34,600
Charnwood	21,100	6,800	45,300	38,600	-	-	-	-
Harborough	42,500	6,600	74,100	29,000	33,700	6,600	66,900	18,900
H&B	23,300	740*	50,100	82,700	-1,500	-800	-76,300	46,700
Leicester	47,000	5,100	84,100	52,800	-89,900	5,100	-209,300	-270,700
Melton	11,900	700	68,800	34,300	11,400	700	56,400	17,900
NWL	30,300	-	15,300	56,800	28,300	-	-113,200	52,800
O&W	1,900	-	-	-	1,500	-	-1,500	-17,800
Total	205,300	20,000	357,400	338,600	8,400	11,600	-300,300	-117,400

Source: LPAs / Iceni (* excludes MIRA)

Table 7.9 Completions trend forecast 2020/21-2040/41, sqm

	Gross				Net			
	Offices	R&D	Industrial	Local Distribution	Offices	R&D	Industrial	Local Distribution
Blaby	36,600	-	26,200	59,100	33,300	-	-31,100	46,200
Charnwood	28,100	9,100	60,400	51,400	-	-	-	-
Harborough	56,700	8,800	98,800	38,700	44,900	8,800	89,200	25,200
H&B	31,000	1,000*	66,800	110,300	-2,000	-1,100	-101,800	62,300
Leicester	62,600	6,800	112,100	70,400	-119,900	6,800	-279,100	-360,900
Melton	15,800	900	91,700	45,700	15,200	900	75,300	23,900
NWL	40,400	-	20,400	75,800	37,700	-	-150,900	70,400
O&W	2,600	-	-	-	2,000	-	-2,000	-23,700
Total	273,800	26,600	476,500	451,500	11,200	15,400	-400,400	-156,600

Source: LPAs / Iceni (* excludes MIRA)

Table 7.10 Completions trend forecast 2020/21-2049/50, sqm

	Gross				Net			
	Offices	R&D	Industrial	Local Distribution	Offices	R&D	Industrial	Local Distribution
Blaby	53,000	-	38,000	85,700	48,200	-	-45,100	67,000
Charnwood	40,800	13,200	87,600	74,600	-	-	-	-
Harborough	82,200	12,800	143,200	56,100	65,200	12,800	129,400	36,600
H&B	45,000	1,400*	96,900	159,900	-2,900	-1,600	-147,600	90,300
Leicester	90,800	9,900	162,600	102,100	-173,900	9,900	-404,700	-523,300
Melton	23,000	1,300	133,000	66,300	22,000	1,300	109,100	34,600
NWL	58,500	-	29,600	109,900	54,700	-	-218,800	102,100
O&W	3,700	-	-	-	2,900	-	-2,800	-34,400
Total	396,900	38,600	690,900	654,600	16,200	22,400	-580,500	-227,000

Source: LPAs / Iceni (* excludes MIRA)

- 7.25 The net change from 2011-19 has also been compared with the VOA records from the same period alongside the 2001-19 period. Industrial records have not been compared as this would encompass strategic development (strategic distribution units of > 9000 sq.m) which are not being considered at this time.
- 7.26 The recent results between VOA and monitoring broadly follow a similar pattern except in Blaby although tend to be more conservative (other than for Charnwood). The longer term trend is more positive for all areas which indicates a decrease in office demand over the last economic cycle, influenced partly by changes in technology that reduce the need for office presence, as well as increased demand for other types of premises such as residential (notably in Leicester) and industrial / warehousing.

Table 7.11 Comparison of average annual change: monitoring and & VOA (sqm)

	Offices			
	Gross completions (2011-19)	Net completions (2011-19)	VOA (2011-19)	VOA (2001-19)
Blaby	1,800	1,700	-1,800	1,500
Charnwood	1,400	1,400	2,400	3,200
Harborough	2,800	2,200	1,100	2,300
Hinckley and Bosworth	1,600	-100	100	600
Leicester	3,100	-6,000	-4,800	-3,400
Melton	800	800	0	100
North West Leicestershire	2,000	1,900	600	1,500
Oadby and Wigston	100	100	-200	100
Total	13,700	600	-2,600	5,800

Source: LPAs / Iceni / VOA

Comparing Labour Demand and Completions Trend

- 7.27 The table below compares the labour demand models and the completions trends for the 2020-36, 2020-41 and 2020-50 periods. The labour demand for offices **with** the sensitivity reduction is assumed below.
- 7.28 It is of note that the completions trends are not directly comparable with the labour demand for warehousing as strategic developments (strategic distribution units of > 9000 sq.m) have been excluded from the monitoring data.

Table 7.12 Employment needs 2021-2036, sqm

	Offices				R&D				Industrial				Distribution			
	Basel.	Growth	Compl. Gr.	Compl Ne.	Basel.	Growth	Compl. Gr.	Compl Ne.	Basel.	Growth	Compl. Gr.	Compl Ne.	Basel.	Growth	Compl. Gr.*	Compl Ne.*
Blaby	17,100	26,000	27,400	24,900	3,000	4,300	-	-	-8,200	5,700	19,700	-23,300	14,900	48,300	44,300	34,600
Charnwood	9,200	14,200	21,100	-	3,400	5,800	6,800	-	-33,000	-6,300	45,300	-	13,400	53,300	38,600	-
Harborough	6,100	9,500	42,500	33,700	4,200	5,800	6,600	6,600	-19,000	-9,200	74,100	66,900	54,500	146,100	29,000	18,900
H&B	7,000	10,000	23,300	-1,500	4,100	6,300	700	-800	-44,200	-17,000	50,100	-76,300	27,100	73,000	82,700	46,700
Leicester	11,300	22,800	47,000	- 89,900	8,200	12,000	5,100	5,100	-56,400	64,600	84,100	- 209,300	19,500	94,400	52,800	- 270,700
Melton	2,200	4,100	11,900	11,400	1,200	1,600	700	700	24,400	33,900	68,800	56,400	3,700	14,500	34,300	17,900
NWL	17,800	25,300	30,300	28,300	7,900	9,900	-	-	-31,900	-6,700	15,300	- 113,200	79,100	199,600	56,800	52,800
O&W	1,800	2,900	1,900	1,500	400	900	-	-	-14,900	-6,300	-	-1,500	7,900	19,300	-	-17,800
Total	72,500	114,800	205,300	8,400	32,300	46,600	20,100	11,700	-183,200	58,600	357,400	- 300,300	220,000	648,500	338,600	- 117,400

Source: CE/ Icenl

* In the case of completions this solely relates to those under 9,000 sqm

Table 7.13 Employment needs 2021-2041, sqm

	Offices				R&D				Industrial				Distribution			
	Basel.	Growth	Compl. Gr.	Compl Ne.	Basel.	Growth	Compl. Gr.	Compl Ne.	Basel.	Growth	Compl. Gr.	Compl Ne.	Basel.	Growth	Compl. Gr.*	Compl Ne.*
Blaby	21,800	33,800	36,600	33,300	3,700	5,400	-	-	-10,500	6,600	26,200	-31,100	18,700	61,500	59,100	46,200
Charnwood	11,900	18,600	28,100	-	4,100	7,300	9,100	-	-39,300	-5,700	60,400	-	16,700	68,100	51,400	-
Harborough	7,800	12,300	56,700	44,900	5,200	7,300	8,800	8,800	-23,200	-10,500	98,800	89,200	69,700	187,700	38,700	25,200
H&B	9,000	13,200	31,000	-2,000	5,100	7,900	1,000	-1,100	-54,200	-20,400	66,800	- 101,800	34,700	93,900	110,300	62,300
Leicester	13,900	29,100	62,600	- 119,900	10,100	15,200	6,800	6,800	-71,500	81,700	112,100	- 279,100	24,100	120,500	70,400	-360,900
Melton	2,900	5,500	15,800	15,200	1,600	2,100	900	900	30,100	42,600	91,700	75,300	4,500	18,600	45,700	23,900
NWL	23,000	33,200	40,400	37,700	10,000	12,700	-	-	-39,300	-6,900	20,400	- 150,900	99,500	254,500	75,800	70,400
O&W	2,300	3,900	2,600	2,000	500	1,100	-	-	-18,300	-7,400	-	-2,000	9,900	24,800	-	-23,700
Total	92,800	149,500	273,800	11,200	40,200	59,100	26,600	15,400	-226,000	79,900	476,500	- 400,400	277,900	829,600	451,500	-156,600

Source: CE/ Iceni

* In the case of completions this solely relates to those under 9,000 sqm

Table 7.14 Employment needs 2021-2050, sqm

	Offices				R&D				Industrial				Distribution				
	Basel.	Growth	Compl. Gr.	Compl Ne.	Basel.	Growth	Compl. Gr.	Compl Ne.	Basel.	Growth	Compl. Gr.	Compl Ne.	Basel.	Growth	Compl. Gr.*	Compl Ne.*	
Blaby	29,500	47,000	53,000	48,200	5,100	7,500	-	-	-14,200	7,900	38,000	38,000	-45,100	25,200	84,800	85,700	67,000
Charnwood	16,500	26,200	40,800	-	5,800	10,200	13,200	-	-47,300	-2,700	87,600	-	22,100	93,800	74,600	-	-
Harborough	10,700	17,400	82,200	65,200	7,200	10,200	12,800	12,800	-28,500	-11,500	143,200	129,400	95,400	262,300	56,100	36,600	36,600
H&B	12,500	18,700	45,000	-2,900	6,800	10,800	1,400		-1,600	-68,800	-25,000	96,900	-147,600	47,600	131,300	159,900	90,300
Leicester	18,300	39,600	90,800	-	13,300	20,600	9,900	9,900	-97,300	106,500	162,600	-404,700	31,400	166,000	-	-	-
				173,900													102,100
Melton	4,100	7,800	23,000	22,000	2,200	2,900	1,300	1,300	36,600	54,700	133,000	109,100	5,900	26,100	66,300	34,600	34,600
NWL	32,100	47,000	58,500	54,700	13,900	17,900	-	-	-51,300	-7,100	29,600	-218,800	133,700	352,500	-	-	-
O&W	3,200	5,400	3,700	2,900		500	1,500	-	-	-22,900	-8,400	0	-2,800	13,200	34,400	-	-34,400
Total	126,800	209,000	396,900	16,200	54,700	81,600	38,600	22,400	-293,800	114,300	690,900	-580,500	374,400	1,151,200	654,600	-	-

Source: CE/ Iceni

* In the case of completions this solely relates to those under 9,000 sqm

Drawing Conclusions on Employment Land Needs

- 7.29 The outcomes of the modelling and recommended future requirements are considered below.
- 7.30 **Offices:** gross completions exceed even the growth model for almost all authorities, reflecting the past delivery of new floorspace. The labour demand models (adjusted) sit suitably above net completions trends at the overall study area level which are suppressed by Leicester's losses – which are unlikely to be continued in the future, given that much of the stock able to be converted to residential has now done so. In some instances the net completions trends are in line with growth model labour demand figures (Blaby, NW Leicestershire, Oadby & Wigston) which suggests that the historic stable volume of offices supports a workforce in line with the growth labour demand model. There are a number of exceptions, being: Harborough, with completions driven by single developments early in the monitoring period; Hinckley and Bosworth, which appears to have been affected by losses; and Melton, which has a higher net completion rate although VOA data suggests this may be overstated. Net figures are not provided for Charnwood and Leicester, which has been heavily affected by losses to residential.
- 7.31 In Iceni's view, although weakened by technology, office requirements are still best represented by changes in employment levels. Therefore, it is recommended that the labour demand models best represent future needs. The growth scenario model should best represent the future economic outlook given that this has been adjusted to reflect local economic ambitions and interventions and it is recommended that this be used for planning policy requirements. There is some uncertainty about future levels of occupancy and utilisation of offices post pandemic, so a 'sensitivity' model has been run which helps to inform parameters for office floorspace and job needs. Based on historic job and floorspace delivery tested above, even the sensitivity model may be aspirational.
- 7.32 **R&D:** the R&D labour demand figures are generally higher than the completions. Planning for the labour demand risks overprovision of land for this requirement. On balance it seems most appropriate to include the R&D completions trend gross within the overall office needs figure for the relevant authorities.
- 7.33 **Industrial:** gross completions vastly exceed the labour demand models (which only see notable growth demand in Leicester and Melton), whilst net completion trends are negative due to strong losses in most areas. The pattern suggests that older premises not suitable for modern business needs are being lost, whilst strong demand for new modern premises exists to support employment growth and replacement demand for older premises. In this context it is recommended that the projected gross completions are planned for, which assumes that some older stock will continue to be lost and need to be replaced.

7.34 **Local distribution and warehousing:** gross completions (for sub 9,000 sqm sites) requirements fall between the labour demand models. However many of the jobs under the growth model are expected to occur in larger scale distribution whilst even the baseline labour demand forecast will incorporate some strategic needs. On balance therefore, completions trends are therefore most likely to represent future needs. Gross completions trends are recommended to plan for however it should be recognised that some of this need will be met through recycling of sites on existing industrial areas, the potential for which can be identified through local employment land studies. Simply planning for the net change is likely to underestimate the future level of need if patterns of past loss continue, and market signals indicate current delivery rates are insufficient. It is of note that demand for industrial and distribution premises has been steadily rising since 2011 after a previous period of decline, particularly since 2001. It is expected that the current levels of demand will continue in at least the medium term (i.e. 5-10 years). On this basis the completions trend is reasonable. It is possible that the market will stabilise in the future and for the longer term to 2041 and beyond there will be a slowdown in demand for premises compared to the last decade. Monitoring and future updates can consider how the market has performed and whether new planning policy figures and targets should be considered.

7.35 The table below therefore represents the recommended needs taking into account the above and assumes that industrial losses will continue to occur at a comparable rate to the past.

Table 7.15 Recommended employment land need needs 2021-2036, sqm

	Offices inc R&D	Industrial	Local Distribution	Total
Blaby	26,000	19,700	44,300	90,000
Charnwood	21,000	45,300	38,600	104,900
Harborough	16,100	74,100	29,000	119,200
H&B	10,700	50,100	82,700	143,100
Leicester	27,900	84,100	52,800	164,800
Melton	4,800	68,800	34,300	107,900
NWL	25,300	15,300	56,800	97,400
O&W	2,900	0	0	2,900
Total	134,800	357,400	338,600	830,800

Source: Iceni

Table 7.16 Recommended employment land need needs 2021-2041, sqm

	Offices inc R&D	Industrial	Local Distribution	Total
Blaby	33,800	26,200	59,100	119,100
Charnwood	27,700	60,400	51,400	139,500
Harborough	21,100	98,800	38,700	158,600
H&B	14,200	66,800	110,300	191,300
Leicester	35,900	112,100	70,400	218,400
Melton	6,400	91,700	45,700	143,800
NWL	33,200	20,400	75,800	129,400
O&W	3,900	0	0	3,900
Total	176,200	476,500	451,500	1,104,100

Source: Icenl

Table 7.17 Recommended employment land need needs 2021-2050, sqm

	Offices inc R&D	Industrial	Local Distribution	Total
Blaby	47,000	38,000	85,700	170,700
Charnwood	39,400	87,600	74,600	201,600
Harborough	30,200	143,200	56,100	229,500
H&B	20,100	96,900	159,900	276,900
Leicester	49,500	162,600	102,100	314,200
Melton	9,100	133,000	66,300	208,400
NWL	47,000	29,600	109,900	186,500
O&W	5,400	0	0	5,400
Total	247,600	690,900	654,600	1,593,100

Source: Icenl

Margin for Flexibility

7.36 As in the 2017 HEDNA and as common in other studies, it is recommended a margin for flexibility be applied that recognises:

- Forecasting is not an exact science;
- Locational and site size requirements vary; and
- Potential for delay/slippage in sites coming forward.

7.37 This is included as five years of gross completions for industrial / distribution and 2 years for offices / R&D, as shown below. Five years is traditionally considered suitable as a margin however in the case of offices it is disproportionate to the scale of need modelled and likely to lead to an over inflation of figures.

Table 7.18 Margin for Flexibility

	Offices inc R&D	Industrial	Local Distribution	Total
Blaby	3,700	6,600	14,800	25,100
Charnwood	3,700	15,100	12,900	31,700
Harborough	6,500	24,700	9,700	40,900
H&B	3,200	16,700	27,600	47,500
Leicester	6,900	28,000	17,600	52,500
Melton	1,700	22,900	11,400	36,000
NWL	4,000	5,100	18,900	28,000
O&W	300	-	-	300
Total	30,000	119,100	112,900	262,000

Source: Icen

Margin for Churn and Choice

- 7.38 It is widely recognised that a level of vacancy in property markets needs to be maintained of 5-10% of total stock (with 7.5% as a central marker) to ensure that businesses have space to grow, downsize or for inward investment opportunities. Any future needs therefore should include this margin in addition to the core recommended requirement. This is set out below, being 7.5% of Table 7.15 (figures rise for future periods reflecting tables 7.16 and 7.17).

Table 7.19 Margin for vacancy, future need (sqm) 2021-36 period

	Offices inc R&D	Industrial	Local Distribution	Total
Blaby	2,000	1,500	3,300	6,800
Charnwood	1,600	3,400	2,900	7,900
Harborough	1,200	5,600	2,200	8,900
Hinckley & Bosworth	800	3,800	6,200	10,800
Leicester	2,100	6,300	4,000	12,400
Melton	400	5,200	2,600	8,100
NW Leicestershire	1,900	1,100	4,300	7,300
O&W	200	-	-	200
Total	10,100	26,800	25,400	62,300

Source: Icen

- 7.39 Furthermore, at the present time the current property markets are reporting levels of vacancy significantly below the preferred 7.5%, as below. The availability rate is also included, which includes stock that is being marketed, usually as it is expected to come onto the market in the short-term as current leases end alongside that which is already vacant, indicating the market direction. CoStar does not differentiate industrial and distribution however the market reports have been filtered to units under 100,000 sqft. Given the limited vacancy, which is corroborated as acute by commercial agents, it is recommended that a further margin be included to increase provision in stock. However,

at the present time there is some uncertainty in future levels of office demand and availability rates are typically over 5% and rising, which indicates that vacancy is likely to increase in the future. As a result it is only considered necessary to increase industrial stock provision (and not offices). Stock count is based on CoStar which has been filtered to exclude large scale units that would be captured by VOA, CoStar data may differ from VOA.

Table 7.20 Current Vacancy and Availability

	Offices				Industrial / Distribution				
	Vacancy %	Availability %	Stock (m sqm)	m sqm req'd for 7.5% V.	Vacancy %	Availability %	Stock (m sqm)	m sqm req'd for 7.5% V.	Ha req'd for 7.5% V.
Leicester	2.4	5.8	0.6	N/A	0.3	2.0	1.4	0.10	24.5
Blaby	2.6	5.3	0.2		1.0	4.0	0.4	0.03	6.4
Charnwood	5.5	12.2	0.2		3.2	3.4	0.6	0.02	6.1
Harborough	4.6	8.8	0.1		2.4	5.2	0.2	0.01	3.0
H&B	2.4	6.3	0.1		0.3	2.3	0.4	0.03	6.6
Melton	0.5	2.7	0.0		3.5	6.9	0.2	0.01	1.8
NWL	1.9	5.4	0.2		3.4	5.3	0.6	0.03	6.4
O&W	1.0	1.2	0.0		0.0	1.7	0.2	0.01	3.0
Total	2.9	6.6	1.5		1.6	3.4	3.9	0.23	57.5

Source: Icen / CoStar July 2021

Replacement Demand

- 7.40 Replacement demand factors make provision for future losses of existing stock, assuming that past patterns of losses continue. It is normal that some stock is lost as it ages and premises become redundant. This can be due to changing industry patterns or because firms simply need new premises. In fully functioning markets, replacement demand needs are met through the market itself, however in reality many smaller businesses survive on older cheaper premises that the market cannot viably supply. Provision for new land for development is required and public intervention may also be needed to ensure premises can viably be brought forward. In Leicestershire, market feedback suggests that both smaller industrial premises and general office space can suffer from marginal viability.
- 7.41 Differences between losses and gains as well as market feedback can be useful indicators of the need for replacement demand. The sector by sector matters are discussed below.
- 7.42 **Offices:** considerable losses have occurred in Leicester City through permitted development rights, although elsewhere, other than Hinckley & Bosworth, differences between net and gross trends are more limited. On balance it is considered that there is limited need for provision over and above the need factors noted previously however monitoring of office losses would be prudent in order to consider changes in market activity particularly post pandemic.

- 7.43 **Industrial and warehousing:** given the positive approach taken to provision overall, through the use of gross completions, there is no need to make further inclusion for replacement demand. If net trends were used then a considerable additional allowance would be required. Making a judgement on the rate of replacement of older stock (such as 50% of historic losses) preferably requires a detailed understanding of the pattern, type and nature of losses in local areas which is better suited to individual area ELRs. Using the gross completions does assume that past losses will to an extent continue and some of the forecast need may occur on recycled existing industrial premises.
- 7.44 It would be reasonable to assume however that historic stock loss rates will decline particularly in Leicester City as older employment and industrial areas are regenerated and remaining areas protected.

Quantitative Conclusions on Need

- 7.45 Drawing together the previous section, the overall needs for employment are set out below. The margin to improve current vacancy levels does not differentiate B2/B8 and so is combined with the sub totals. This is considered practical as these requirements would be merged under any allocation.
- 7.46 Overall the figures point to a moderate level of office needs, based on future labour demand projections, adjusted downwards for home working patterns. In Harborough, Hinckley & Bosworth and Leicester the office figures are inflated by 5,000 – 10,000 sqm of R&D included.
- 7.47 Industrial and local distribution figures are based on gross completions from 2011-19. A further adjustment is made as below to try and improve the considerable existing tightness in the industrial markets that requires additional stock to relieve pressure. Some of the need may be met by the intensification and redevelopment of existing sites. Viability for smaller scale units of 10,000 sqft and below can be challenging and may benefit from being included in mixed use development allocations.

Table 7.21 Total Employment Floorspace Needs 2021-2036, sqm

	Offices inc R&D	Industrial Sub Total	Distribution Sub Total	Current V. adjustment (Ind. & Dist.)	Industrial & Distribution Total	All Employment Land
Blaby	31,700	27,800	62,400	25,700	115,900	147,600
Charnwood	26,300	63,800	54,400	24,400	142,600	168,900
Harborough	23,800	104,400	40,900	11,900	157,200	181,000
H&B	14,700	70,600	116,500	26,600	213,700	228,400
Leicester	36,900	118,400	74,400	97,800	290,600	327,500
Melton	6,900	96,900	48,300	7,200	152,400	159,300
NWL	31,200	21,500	80,000	25,500	127,000	158,200
O&W	3,400	-	-	12,200	12,200	15,600
Total	174,900	503,300	476,900	229,900	1,210,100	1,385,000

Source: Icenl

Table 7.22 Total Employment Floorspace Needs 2021-2041, sqm

	Offices inc R&D	Industrial Sub Total	Distribution Sub Total	Current V. adjustment (Ind. & Dist.)	Industrial & Distribution Total	All Employment Land
Blaby	40,000	34,800	78,300	25,700	138,800	178,800
Charnwood	33,500	80,000	68,200	24,400	172,600	206,100
Harborough	29,200	130,900	51,300	11,900	194,100	223,300
H&B	18,500	88,500	146,200	26,600	261,300	279,800
Leicester	45,500	148,500	93,300	97,800	339,600	385,100
Melton	8,600	121,500	60,500	7,200	189,200	197,800
NWL	39,700	27,000	100,400	25,500	152,900	192,600
O&W	4,500	-	-	12,200	12,200	16,700
Total	219,300	631,300	598,200	229,900	1,459,500	1,678,800

Source: Iceni

Table 7.23 Total Employment Floorspace Needs 2021-2050, sqm

	Offices inc R&D	Industrial Sub Total	Distribution Sub Total	Current V. adjustment (Ind. & Dist.)	Industrial & Distribution Total	All Employment Land
Blaby	54,200	47,500	106,900	25,700	180,100	234,300
Charnwood	46,100	109,300	93,100	24,400	226,800	272,900
Harborough	39,000	178,600	70,000	11,900	260,500	299,500
H&B	24,800	120,900	199,500	26,600	347,000	371,800
Leicester	60,100	202,800	127,400	97,800	428,000	488,100
Melton	11,500	165,900	82,700	7,200	255,800	267,300
NWL	54,500	36,900	137,000	25,500	199,400	253,900
O&W	6,100	-	-	12,200	12,200	18,300
Total	296,200	861,800	816,600	229,900	1,908,300	2,204,500

Source: Iceni

7.48 The land needs are reported below including for up to 2050.

Table 7.24 Employment Land Needs 2021-2036, ha

	Offices inc R&D	Ind. & Dist.	All Employment Land
Blaby	9.1	21.5	30.5
Charnwood	7.5	26.4	33.9
Harborough	6.8	29.1	35.9
H&B	4.2	39.6	43.8
Leicester	1.8	53.8	55.7
Melton	2.0	28.2	30.2
NW Leicestershire	8.9	23.5	32.4
O&W	1.0	2.3	3.2
Total	41.3	224.1	265.4

Source: CE/ Iceni, * 2.0 plot ratio equivalent to 10.5 ha at same 0.35 ratio as other areas

Table 7.25 Employment Land Needs 2021-2041, ha

	Offices inc R&D	Ind. & Dist.	All Employment Land
Blaby	11.4	25.7	37.1
Charnwood	9.6	32.0	41.5
Harborough	8.3	35.9	44.3
H&B	5.3	48.4	53.7
Leicester	2.3*	62.9	65.2
Melton	2.5	35.0	37.5
NW Leicestershire	11.3	28.3	39.7
O&W	1.3	2.3	3.5
Total	52.0	270.3	322.3

Source: CE/ Iceni, * 2.0 plot ratio equivalent to 13.0 ha at same 0.35 ratio as other areas

Table 7.26 Employment Land Needs 2021-2050, ha

	Offices inc R&D	Ind. & Dist.	All Employment Land
Blaby	15.5	33.4	48.8
Charnwood	13.2	42.0	55.2
Harborough	11.1	48.2	59.4
H&B	7.1	64.3	71.3
Leicester	3.0	79.3	82.3
Melton	3.3	47.4	50.7
NW Leicestershire	15.6	36.9	52.5
O&W	1.7	2.3	4.0
Total	70.5	353.4	423.9

Source: CE/ Iceni, * 2.0 plot ratio equivalent to 17.2 ha at same 0.35 ratio as other areas

Locational Approach to Meeting Needs

Offices

- 7.49 Office markets had been slowing prior to the pandemic and Leicester based agents Innes England report almost no office transactions since the pandemic outbreak other than occasional downsizing. This study necessarily takes a medium term and balanced albeit cautious perspective on office requirements. Businesses will still require space to work and collaborate, including both refurbished and new workspaces, and in due course growth of existing and new firms is expected to generate requirements. In reality the viability of new offices, particularly speculatively, has been and will remain to be very weak in most areas (including Leicester), due to rising build costs and competing land interests for residential and distribution, making delivery often challenging.
- 7.50 The expectation is that in the medium term demand will give rise to new office requirements manifesting in historical growth locations including Leicester City Centre - although viability is not likely to improve and may require public sector assistance as has seen successful schemes in other East Midlands cities. Accessible out of town locations akin to Grove Park or Meridian Business Park are also likely to be desirable in due course given reduced deliverability constraints for new stock.

This is expected to be applicable to other districts in the FEMA, with smaller flexible spaces potentially desirable in both town centre and business centre locations, giving way to office requirements later in the plan period(s) assuming employment growth achieves levels forecast. The potential to repurpose redundant retail space to deliver office floorspace in town centres should be supported.

R&D

- 7.51 R&D type space is expected to come forward again in line with historic patterns of growth at MIRA and Loughborough University Science and Enterprise Park, although based on past trends and forecast job growth this is unlikely to exceed 10,000 sqm without substantial inward investment. The nature of future employment growth also suggests that higher end traditional business parks or distribution parks might see combined R&D with other types of commercial development given increasingly automated and technologically advanced processes across food manufacture, ICT and distribution of perishable goods.

Industrial and local Distribution

- 7.52 The key locations of demand for industrial and local distribution from a market perspective are at accessible locations in proximity to the labour force ideally at motorway or A road junctions. There are numerous examples of recent and ongoing developments of mid-sized industrial stock around Leicester such as Optimus Point and Leicester Distribution Park which represent market preferences.
- 7.53 Mid-sized and smaller stock opportunities should be considered as intensification or extensions of existing estates around the FEMA often in proximity to local settlements, examples include Genesis Park (Wigston), Stoney Stanton (Blaby), Bardon Hill (NW Leicestershire) and Beauchamp Business Park (Harborough). Many of the authorities have a pipeline of proposals for mid-sized units.
- 7.54 Urban extensions or other future growth locations such as Leicester south-eastern growth corridor¹³ present an opportunity to support the delivery of new employment spaces of smaller and mid-sized units where well connected to the road network. Smaller units tend to rely on closer proximity to the population centres due to the nature of occupiers.

¹³ As identified in the Strategic Growth Plan

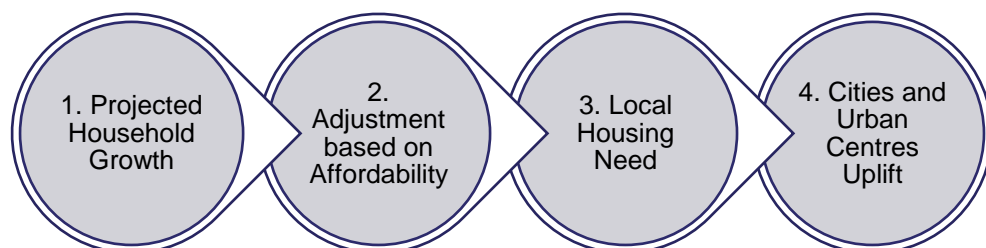
8. OVERALL HOUSING NEEDS

- 8.1 The section considers overall housing needs. It begins by reviewing the Government's standard method, before overlaying broader considerations including the performance of the economy and the need for affordable housing.

National Policy

- 8.2 In 2018, the Government amended the NPPF and released new Planning Practice Guidance to introduce the 'standard method' for calculating local housing need. This replaced the approach to defining Objectively Assessed Needs (OAN) set out in the 2014 Planning Practice Guidance.
- 8.3 The Government's intention in doing so was to introduce a standardised approach using consistent data sources for all local authorities nationally to calculate housing need. Its ambitions were to make the process of doing so simpler, quicker and more transparent, with the intention of speeding up plan-making.
- 8.4 The 2021 NPPF now sets out in Para 61 that to determine the minimum number of homes needed, *"strategic policies should be informed by a local housing need assessment, conducted using the standard method in national planning guidance – unless exceptional circumstances justify an alternative approach which also reflects current and future demographic trends and market signals. In addition to the local housing need figure, any need that cannot be met within neighbouring areas should also be taken into account in establishing the amount of housing to be planned for."*
- 8.5 The standard method is a 4-stepped calculation using nationally published data, as set out below.

Figure 8.1: Overview of the Current Standard Method for Calculating Local Housing Need



8.6 The PPG sets out that the standard method does not predict the impact that future Government policies, changing economic circumstances or other factors may have. The PPG¹⁴ states that there will be circumstances where it is appropriate to consider whether actual housing need is higher than the standard method indicates. It outlines the circumstances where this may be appropriate, which include:

- Where funding is in place to promote and facilitate additional growth (i.e. Housing Deals, City Growth Deals, etc.); or
- Where strategic infrastructure improvements are likely to drive an increase in the homes needed locally; or
- An authority agreeing to take on unmet need from neighbouring authorities, as set out in a Statement of Common Ground.

8.7 The PPG¹⁵ also requires consideration to be given to the inter-relationship with the assessed need for affordable housing. It sets out that:

“The total affordable housing need [once assessed] can then be considered in the context of its likely delivery as a proportion of mixed market and affordable housing developments, taking into account the probable percentage of affordable housing to be delivered by eligible market housing led developments. An increase in the total housing figures included in the plan may need to be considered where it could help deliver the required number of affordable homes.”

8.8 This section therefore works through these issues to consider overall housing need.

Standard Method

8.9 The methodology for calculating housing need is clearly set out by Government in Planning Practice Guidance and follows a four-step process worked through in the following sub-sections.

¹⁴ Paragraph: 010 Reference ID: 2a-010-20201216

¹⁵ Paragraph: 024 Reference ID: 2a-024-20190220

Step One: Setting the Baseline

- 8.10 The first step in considering housing need against the Standard Method is to establish a demographic baseline of household growth. This baseline is drawn from the 2014-based Household Projections and should be the annual average household growth over a ten-year period, with the current year being the first year. Data for the 2022 to 2032 period has therefore been used with the exception of Charnwood where the 2021-31 period is used due to the Council having already submitted a plan for examination using this period. This results in household growth of around 40,000 households (4,000 per annum) over the ten-year period for the Leicester and Leicestershire Study Area.
- 8.11 Although this figure is calculated over a ten-year period from 2022 to 2032, Paragraph 12 of the PPG states that this average household growth and the local housing need arising from it can then “be applied to the whole plan period”.

Step Two: Affordability Adjustment

- 8.12 The second step of the standard method is to consider the application of an uplift on the demographic baseline, to take account of market signals (i.e. relative affordability of housing). The adjustment increases the housing need where house prices are high relative to workplace incomes. It uses the published median affordability ratios from ONS based on workplace-based median house price to median earnings ratio for the most recent year for which data is available.
- 8.13 The latest (workplace-based) affordability data is for 2021-based and was published by ONS in March 2022 (although 2020 data has been used for Charnwood as its Local Plan has been submitted for Examination). The Government's Guidance states that for each 1% increase in the ratio of house prices to earnings, above 4, the average household growth should be increased by 6.25%, with the calculation being as follows:

$$\text{Adjustment factor} = \left(\frac{\text{Local affordability ratio} - 4}{4} \right) \times 0.25 + 1$$

Step Three: The Cap

- 8.14 The third step of the standard method is to consider the application of a cap on any increase and ensure that the figure which arises through the first two steps does not exceed a level which can be delivered. There are two situations where a cap is applied:
- The first is where an authority has reviewed their plan (including developing an assessment of housing need) or adopted a plan within the last five years. In this instance the need may be capped at 40% above the requirement figure set out in the plan.

-
- The second situation is where plans and evidence are more than five years old. In such circumstances a cap may be applied at 40% of the higher of the projected household growth (step 1) or the housing requirement in the most recent plan, where this exists.

8.15 A cap is not applicable to the calculations for any of the local authorities. In the case of Harborough District and Melton Borough, an affordability uplift of over 40% is applicable as the cap is applied to the higher figure generated by the adopted Local Plan (the requirement of 557 dpa in Harborough's 2019 Local Plan and 245 dpa in Melton's 2018 Local Plan). For the other authorities, the affordability ratios give an uplift of below 40% there is no cap is applied.

Step Four: Urban Uplift

8.16 The fourth and final step in the calculation means that the 20 largest urban areas in England are subject to a further 35% uplift. This uplift ensures that the Governments stated target of 300,000 dwellings per annum is met and 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.*"¹⁶ (Paragraph: 035).

8.17 Leicester City is listed within the top 20 urban areas in the country it is therefore subject to this additional uplift of 35%.

Standard Method Calculation

8.18 The table below works through the Standard Method calculations and for the whole of the study area shows a need for 5,074 dwellings per annum before the urban uplift; this increases to 5,713 dpa with the inclusion of this uplift, with a further 639 dpa dwellings in Leicester.

8.19 The standard method local housing need is equivalent to 91,410 dwellings over the 2020-36 period or 119,970 dwellings over the 2020-41 period.¹⁷

¹⁶ Reference ID: 2a-035-20201216

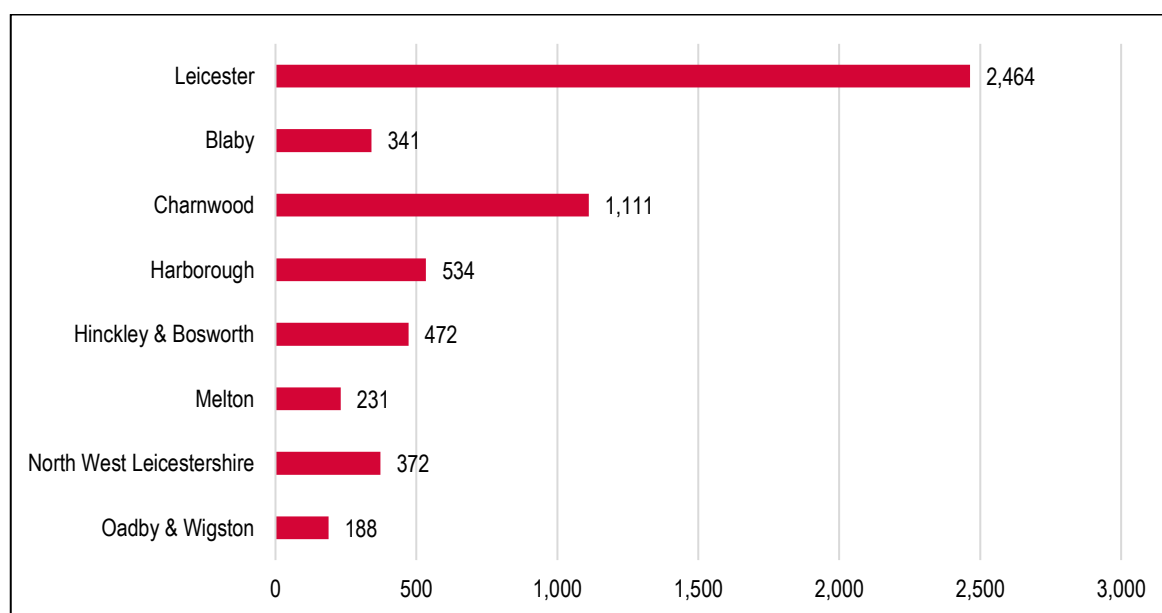
¹⁷ Rounded to the nearest 10 dwellings

Table 8.1 Standard Method Calculations – Minimum Local Housing Need

	Leicester	Blaby	Charnwood	Harborough	H & B	Melton	NWL	O & W	L & L
Change in households (pa)	1,492	272	903	377	371	152	298	136	4,000
Affordability ratio (2020/1)	22%	25%	23%	42%	27%	52%	25%	38%	-
Initial need (per annum)	1,825	341	1,111	534	472	231	372	188	5,074
Capped	NA	NA	NA	NA	NA	NA	NA	NA	-
Urban uplift	35%	0%	0%	0%	0%	0%	0%	0%	-
Total need (per annum)	2,464	341	1,111	534	472	231	372	188	5,713

Source: Derived from ONS data

- 8.20 These figures (on a dpa basis) are shown in Figure 8.2 below. The PPG is clear that these are a starting point for assessing housing need and a range of broader considerations need to be overlaid.

Figure 8.2: Standard Method Minimum Local Housing Need (dpa)

Source: Derived from ONS data

Inter-relationship with Economic Growth

- 8.21 Whilst there may be circumstances where it may be appropriate to plan for higher housing growth than the standard method, as set out in the PPG in Para 2a-010, it does not appear that these affect dynamics within this HMA when considered as a whole (as explored in this section).
- 8.22 The NPPF sets out that plans should encourage sustainable economic growth but also limit the need to travel. In spatial terms, it makes sense to seek to align the strategy for housing and employment,

and in broad terms this means seeking to ensure sufficient workforce growth (through housing development) is available to align with expected employment growth. Icení has sought to consider this issue as two levels: firstly the alignment of housing and economic growth at the HMA level, recognising this as the relevant functional geography (which has been considered in this section); and secondly how the distribution of economic growth might influence the appropriate distribution of homes to minimise the need to travel (which is considered in this Section and the next).

Homes-Jobs Alignment to 2036

- 8.23 We consider first the alignment between economic growth and the standard method housing need over the period to 2036, as this feeds into consideration of the potential distribution of housing provision over this period. Then consideration is given to the economic-led need to housing over longer time periods recognising that some local plans look beyond this.
- 8.24 The Cambridge Econometrics (CE) baseline projections envisage employment growth of 27,000 jobs over the period to 2036. At the headline level across the HMA, this is about a third of the level of workforce growth which the standard method LHN figures could potentially support (see Table 8.3 below). There is therefore no need to plan for housing provision across Leicester and Leicestershire above the standard method to support the baseline economic growth scenario.
- 8.25 However there are potentially some distributional issues. The baseline economic forecasts expect stronger relative employment growth in Harborough and NW Leicestershire. Weak growth is expected in Oadby and Wigston in particular.

Table 8.2 CE Baseline Economic Projections ('000s Jobs)

'000s	2020	2036	Change	% Change
Leicester	190.7	197.6	6.8	3.6%
Blaby	69.9	75.0	5.1	7.3%
Charnwood	77.7	80.1	2.4	3.1%
Harborough	48.0	51.8	3.9	8.0%
Hinckley & Bosworth	49.8	51.4	1.6	3.2%
Melton	22.3	23.7	1.4	6.3%
NW Leicestershire	71.1	76.3	5.2	7.3%
Oadby & Wigston	21.9	22.4	0.5	2.4%
L&L	551.4	578.3	26.9	4.9%

Source: Cambridge Econometrics

- 8.26 Icení has then sought to compare this to the jobs which would be supported by the standard method figures in each area. Our modelling is shown below. Our modelling assumptions are as follows in considering the workforce supported by the standard method LHN figures:

- 2018 SNPP Internal Migration provides base population projection

- 2014 headship rates as a starting point
- Part return to rent (PRT) headship adjustment for under 45s and adjustment to 75+
- Migration then adjusted to align to projected growth
- Workforce calculated using OBR economic participation rates

8.27 The resultant number of jobs supported is set out below. Comparing this to Table 8.2 it is clear that in most authorities housing provision in line with the standard method LHN would result in sufficient workforce growth to support the baseline employment projections. The exception is North West Leicestershire – where the evidence indicates that stronger housing provision would be needed to support the Borough's economy.

Table 8.3 Comparing Jobs Growth supported by the Standard Method (Labour Supply) against CE Baseline Projections (Labour Demand)

	Jobs Growth - Baseline 2020-36	Jobs Supported by Standard Method 2020-36	
		Census Commuting	1:1 commuting on new jobs
Leicester	6,800	50,558	42,569
Blaby	5,100	5,489	5,100
Charnwood	2,400	15,034	17,620
Harborough	3,900	6,672	6,973
Hinckley & Bosworth	1,600	5,379	6,791
Melton	1,400	2,610	3,088
NW Leicestershire	5,200	4,562	3,932
Oadby & Wigston	500	2,677	3,342
L&L	26,900	92,981	89,415

Source: Cambridge Econometrics and Demographic Modelling

8.28 North West Leicestershire is the only authority where the Baseline Scenario results in potentially upward pressure on housing need. With the Baseline Scenario for employment growth, our analysis envisages that between 391-418 homes per year would be required in NW Leicestershire. The higher end of this range is based on a 1:1 commuting ratio. A 1:1 commuting ratio means that growth in the resident labour force and employment is assumed to align to one another. Where the Census commuting pattern is applied, this assumes that the commuting ratio (the ratio of workers in an area to residents in work) in 2011 is maintained, such that where areas see net in-commuting this is predicted to continue and visa versa.

Table 8.4 Housing Need in Baseline Economic Growth Scenario, 2020-41 (dpa)

	Baseline (Census commuting)	Baseline (1-1 Commuting)
Leicester	699	743
Blaby	303	316
Charnwood	464	447
Harborough	398	392
H&B	269	252
Melton	163	153
NWL	371	398
O&W	113	108
Leicestershire	2,080	2,067
L&L	2,779	2,810

Source: Demographic Modelling

Aspirational Economic Growth Scenario

- 8.29 The Aspirational Growth Scenario constructed aligns with the emerging Leicester & Leicestershire Economic Growth Strategy 2021-30. This is considered next.
- 8.30 Adopting consistent assumptions to those described above (see Para 8.26) we have assessed the implications for housing need. The analysis indicates that to support the Aspirational Growth Scenario would require between 4,200 – 4,250 homes across Leicester and Leicestershire to 2041. This is below the standard method figure of 5,713 dpa.
- 8.31 However there are some individual authorities where this economic scenario generates a higher housing need than the standard method baseline – in Blaby, NW Leicestershire and Melton. These needs can be met through agreeing a redistribution of housing needs (in addressing Leicester's unmet need) and are considered in the Housing Distribution Paper which accompanies this HENA Report.
- 8.32 Iceni consider that given the potential changes which have occurred to commuting patterns since 2011 and the effects of the pandemic on growth in home-based working, but also the potential for supply constraints in Leicester to influence workforce growth in the City, it is reasonable to consider both scenarios for commuting.

Table 8.5 Implications of Aspirational Growth Scenario on Housing Need, 2020-41

	Jobs Growth (‘000s)	Housing Need - Aspirational Growth Scenario (dpa)		Housing Need - Standard Method Comparator (dpa)
		Census Commuting	1:1 Commuting	
Leicester	26.3	1,182	1,317	2,464
Blaby	11.1	424	447	341
Charnwood	8.2	640	598	1,111
Harborough	9.0	526	514	534
H&B	5.9	417	370	472
Melton	5.0	278	250	231
NW Leics	12.9	535	589	372
O&W	2.9	179	161	188
Leicestershire	55.1	2,999	2,929	5,713
L&L	81.4	4,182	4,246	2,464

Source: Cambridge Econometrics and Demographic Modelling

- 8.33 The analysis suggests that upward adjustments to housing provision (relative to the standard method starting point) should be considered in Blaby, Melton and NW Leicestershire could help to support economic growth in these areas. This might be considered as a 1st stage redistribution. Redistributing unmet need from Leicester to these areas would support workforce growth within them and help them to achieve their economic potential. These issues are considered further in the Housing Distribution Paper.

Homes-Jobs Alignment to 2041 and 2050

- 8.34 Drawing on consistent modelling assumptions to those described above, we have modelled the level of housing need which would be generated by the economic baseline and growth scenarios to 2050.
- 8.35 The scale of housing need generated to 2050 falls notably below that generated by the standard method. However the Growth Scenario generates a higher need in Blaby, Melton and NW Leicestershire which can be met through agreeing a revised distribution of housing need which supports greater housing provision in these authorities. This is considered in the Housing Distribution Paper which accompanies the HENA.

Table 8.6 Economic-led Housing Need, Dwellings per Annum 2020-50

Dpa	Base (Census commuting)	Base (1-1 Commuting)	Growth (Census Commuting)	Growth (1-1 Commuting)
Leicester	676	718	1,171	1,306
Blaby	283	295	406	428
Charnwood	437	420	619	575
Harborough	355	349	485	473
H&B	246	230	394	347
Melton	132	123	256	228
NWL	338	364	506	558
O&W	102	97	172	153
Leicestershire	1,893	1,878	2,837	2,762
L&L	2,568	2,596	4,008	4,068

Source: Demographic Modelling

Wider Considerations

8.36 IcenI has had regard to the set of wider considerations identified in the Planning Practice Guidance, and would comment:

- The area is not identified as a growth area and it is not expected that there are strategic infrastructure improvements which will come forward over the period to 2036 which will have an upward impact on overall housing need. Indeed infrastructure provision is needed to accommodate growth.
- There is no unmet need from areas outside of the L&L HMA which it is envisaged will need to be accommodated within the HMA. This will however need to be kept under review.
- The standard method LHN (5,713 dpa) is above the equivalent assessment of need from the L&L 2017 HEDNA (4,716 dpa, 2011-36). Indeed it is around 21% higher. It is also above past housing delivery which has averaged 4,133 dpa over the 2006-20 period or 5,255 dpa over the last 5 years (2015-20), noting that the latter does not cover a full economic cycle. It is not therefore necessary to consider any uplift to the standard method associated with these issues.
- In respect of affordable housing need, there is not a basis for this specifically driving the assessment of overall housing need; but it is a consideration in setting a housing target. The affordability adjustment within the standard method represents in the aggregate across the HMA a 43% upward adjustment to the household projections. This will, in theory/notionally more than deal with the needs of concealed/ overcrowded households and contribute to boosting both the delivery of market and affordable housing. The LHN represents a 38% boost on long-term delivery rates in the HMA which will also, in theory/notionally contribute to boosting affordable housing delivery.

Conclusions on Local Housing Need

- 8.37 The standard method defines a need for 5,713 dwellings per annum across the Leicester and Leicestershire sub-region. The demographic analysis undertaken does not point to any exceptional circumstances to depart from the standard method. Consideration has been given to whether there are factors which might result in an upward adjustment to the overall housing need; with the evidence finding no such factors across the HMA – but factors which would influence the distribution of housing need. These distributional considerations are taken forward in the Housing Distribution Paper.

PART 3: NEED FOR DIFFERENT TYPES OF HOMES

9. AFFORDABLE HOUSING NEED

- 9.1 This section provides an assessment of the need for affordable housing in Leicester & Leicestershire and the eight local authorities. Whilst data is provided for each of the local authorities it does need to be noted that there will be variations within areas (including around housing costs as well as levels of need) – this is not considered in this report which can be considered as ‘strategic’; however, local authorities might consider smaller-area assessments to supplement the findings in this section.
- 9.2 The analysis follows the PPG (Sections 2a-018 to 2a-024) and provides two main outputs, linked to Annex 2 of the NPPF – this is firstly an assessment of the need for social/affordable rented housing and secondly to consider the need for affordable home ownership products.
- 9.3 The analysis also considers First Homes, a new tenure (similar to discounted market housing) being promoted by the Government. Information about First Homes was set out in the Government’s consultation document ‘Changes to the current planning system’ in August 2020; with the consultation being reported on in early April 2021. In May 2021 a new PPG and Written Ministerial Statement were published specifically dealing with First Homes.

Methodology Overview

- 9.4 The method for studying the need for affordable housing has been enshrined in Government Practice Guidance for many years, with an established approach to look at the number of households who are unable to afford market housing (to either rent or buy) – it is considered that this group will mainly be a target for rented affordable homes (social/affordable rented) and therefore the analysis looks at need for ‘*affordable housing for rent*’ as set out in Annex 2 of the NPPF. The methodology for looking at the need for rented (social/affordable) housing considers the following:
- **Current affordable housing need:** an estimate of the number of households who have a need now, at the point of the assessment, based on a range of data modelled from local information – this figure is then annualised so as to meet the current need over a period of time;
 - **Projected newly forming households in need:** using demographic projections to establish gross household formation, and then applying an affordability test to estimate numbers of such households unable to afford market housing;
 - **Existing households falling into need:** based on studying past trends in the types of households who have accessed social/affordable rented housing; and
 - **Supply of affordable housing:** an estimate of the likely number of lettings that will become available from the existing social/affordable housing stock.

-
- 9.5 The first three bullet points above are added together to identify a gross need, from which the supply of relets of existing properties is subtracted to identify a net annual need for additional affordable housing. For the purposes of this assessment, this analysis is used to identify the overall (net) need for social/affordable rented housing.
- 9.6 This approach has traditionally been used to consider the needs of households who have not been able to afford market housing (either to buy or to rent). As the income necessary to afford to rent homes without financial support is typically lower than that needed to buy, the ability of households to afford private rents has influenced whether or not they are in need of affordable housing.
- 9.7 The NPPF and associated guidance has expanded the definition of those in affordable housing need to include households who might be able to rent without financial support but who aspire to own a home, and require support to do so. The PPG includes households that “*cannot afford their own homes, either to rent, or to own, where that is their aspiration*” as having an affordable housing need.
- 9.8 This widened definition has been introduced by national Government to support increased access to home ownership, given evidence of declining home ownership and growth in private renting over the last 10-15 years. PPG does not however provide specific guidance on how the needs of such households should be assessed and so this study adopts a broadly consistent methodology to that identified in the PPG, and consider a current need; a newly-arising need on an annual basis; existing households falling into need; and an annual estimate of supply.
- 9.9 For some of the analysis in this section it has been necessary to draw on other sources of data (applied to local information) to make estimates of the need. The approach is consistent with the PPG (Housing and economic needs assessment – see 2a-020 for example) and includes linking local Census data to national changes (as evidenced in national surveys such as the English Housing Survey).
- 9.10 Additionally, information drawn from local surveys previously undertaken by JGC across the country have been used to look at potential prevalence rates for some elements of need where comprehensive local data is lacking. This includes considering what proportion of households in the private rented sector might have a need due to potential loss of accommodation (e.g. tenancies ending) although again such rates are applied to local information about the size of the sector.
- 9.11 This approach is considered to provide a reasonable view about likely local needs and is an approach that has been accepted through a range of Local Plan Examinations over the past five or more years. Our analysis of affordable housing need is therefore structured to consider the need for rented affordable housing, and separately the need for affordable home ownership. The overall need is expressed as an annual figure, which can then be compared with likely future delivery (as required by 2a-024).

- 9.12 Whilst the need for social/affordable rented housing and affordable home ownership are analysed separately, there are a number of pieces of information that are common to both assessments. In particular, this includes an understanding of local housing costs, incomes and affordability.
- 9.13 An important part of the affordable needs model is to establish the entry-level costs of housing to buy and rent. These are assessed in **Appendix A7**. Appendix A7 also addresses household incomes and the distribution of incomes.
- 9.14 The table below shows the estimated incomes required to both buy and rent (privately) in each local authority. This shows a notable 'gap' in most areas across the study area, particularly locations with higher house prices. The information in the tables below is taken forward into further analysis in this section to look at affordable needs in different locations.

Table 9.1 Estimated Household Income Required to Buy and Privately Rent by local authority – Leicester & Leicestershire

	To buy	To rent (privately)	Income gap
Leicester	£29,600	£21,900	£7,700
Blaby	£38,000	£25,300	£12,700
Charnwood	£33,600	£22,500	£11,100
Harborough	£42,400	£25,900	£16,500
Hinckley & Bosworth	£32,800	£23,400	£9,400
Melton	£33,800	£23,300	£10,500
North West Leicestershire	£32,000	£23,500	£8,500
Oadby & Wigston	£35,000	£24,700	£10,300

Source: Based on Housing Market Cost Analysis

Need for Social/Affordable Rented Housing

- 9.15 The sections below work through the various stages of analysis to estimate the need for social/affordable housing in each local authority. Final figures are provided as an annual need (including an allowance to deal with current need). As per 2a-024 of the PPG, this figure can then be compared with likely delivery of affordable housing.

Current Need

- 9.16 In line with PPG paragraph 2a-020, the current need for affordable housing has been based on considering the likely number of households with one or more housing problems. The table below sets out the categories in the PPG and the sources of data being used to establish numbers. The PPG also includes a category where households cannot afford to own despite it being their aspiration – this category is considered separately in this report (under the title of the need for affordable home ownership).

Table 9.2 Main sources for assessing the current unmet need for affordable housing

	Source	Notes
Homeless households (those in temporary accommodation)	MHCLG Statutory Homelessness data	Household in temporary accommodation at end of quarter.
Households in overcrowded housing	Census table LC4108EW	Analysis undertaken by tenure and updated by reference to national changes (from the English Housing Survey (EHS))
Concealed households	Census table LC1110EW	Number of concealed families
Existing affordable housing tenants in need	Modelled data linking to past survey analysis	Excludes overcrowded households – tenure estimates updated by reference to the EHS
Households from other tenures in need	Modelled data linking to past survey analysis	

Source: PPG [2a-020]

- 9.17 It should be noted that there may be some overlap between categories (such as overcrowding and concealed households, whereby the overcrowding would be remedied if the concealed household moved). The data available does not enable analysis to be undertaken to study the impact of this and so it is possible that the figures presented include a small element of double counting (although this is likely to be small). Additionally, some of the concealed households may be older people who have moved back in with their families, or where households chose to live together in multi-generational households, and might not be considered as in need.
- 9.18 The table below shows the initial estimate of the number of households within each local authority with a current housing need. These figures are before any ‘affordability test’ has been applied to assess the ability of households to meet their own housing needs; and has been termed ‘the number of households in unsuitable housing’. Overall, the analysis estimates that there are currently some 39,400 households living in unsuitable housing (or without housing), with 23,700 of these being in Leicester.

Table 9.3 Estimated Number of Households Living in Unsuitable Housing – Leicester & Leicestershire

	Homeless/ concealed households	Households in overcrowded housing	Existing affordable housing tenants in need	Households from other tenures in need	Total
Leicester	4,096	15,403	708	3,527	23,734
Blaby	450	788	67	775	2,080
Charnwood	740	2,000	178	1,537	4,455
Harborough	302	619	66	740	1,727
Hinckley & Bosworth	384	935	106	950	2,375
Melton	171	409	54	507	1,141
NWL	351	897	127	803	2,178
Oadby & Wigston	497	757	36	430	1,720
Leicestershire	2,895	6,405	634	5,741	15,676
L & L	6,991	21,808	1,342	9,269	39,410

Source: MHCLG Live Tables, Census 2011 and Data Modelling

9.19 In taking this estimate forward, the data modelling next estimates housing unsuitability by tenure. From the overall number in unsuitable housing, households living in affordable housing are excluded (as these households would release a dwelling on moving and so no net need for affordable housing will arise). The analysis also excludes 90% of owner-occupiers under the assumption (which is supported by analysis of survey data) that the vast majority will be able to afford housing once savings and equity are taken into account.

9.20 A final adjustment is to slightly reduce the unsuitability figures in the private rented sector to take account of student-only households – such households could technically be overcrowded/living in unsuitable housing but would be unlikely to be allocated affordable housing (student needs are essentially assumed to be transient). Once these households are removed from the analysis, the remainder are taken forward for affordability testing.

The tables below show it is estimated that there are around 21,200 households living in unsuitable housing (excluding current social tenants and the majority of owner-occupiers) in Leicester & Leicestershire.

Table 9.4 Unsuitable Housing by Tenure and Number to Take Forward into Affordability Modelling (Leicester & Leicestershire)

	In Unsuitable Housing	Number to Take Forward for Affordability Testing
Owner-occupied	9,763	976
Affordable housing	8,360	0
Private rented	14,295	13,185
No housing (homeless/concealed)	6,991	6,991
Total	39,410	21,152

Source: MHCLG Live Tables, Census 2011 and Data Modelling

- 9.21 Having established this figure, it needs to be considered that a number of these households might be able to afford market housing without the need for subsidy. To consider this, the income data has been used, with the distribution adjusted to reflect a lower average income amongst households living in unsuitable housing – for the purposes of the modelling an income distribution that reduces the average household income to 88% of the figure for all households has been used to identify the proportion of households whose needs could not be met within the market (for households currently living in housing). A lower figure of 42% has been used to apply an affordability test for the concealed/homeless households who do not currently occupy housing.
- 9.22 These two percentage figures have been based on a consideration of typical income levels of households who are in unsuitable housing (based mainly on estimates in the private rented sector) along with typical income levels of households accessing social rented housing (for those without accommodation).
- 9.23 The figures have been based on analysis of the English Housing Survey (mainly looking at relative incomes of households in each of the private and social rented sectors) as well as consideration of similar information collected through household surveys across the country by JGC. These modelling assumptions are considered reasonable and have not been challenged through the Local Plan process in other locations (where the same assumptions have been used).
- 9.24 Overall, around half of households with a current need are estimated to be likely to have insufficient income to afford market housing and so the estimate of the total current need is around 11,100 households across the study area – approaching two-thirds of the need estimated to be arising in the City. The table below shows how this is estimated to vary by local authority.

Table 9.5 Estimated Current Affordable Housing Need (for social/affordable rented housing)

	In unsuitable housing (taken forward for affordability test)	% Unable to Afford Market Housing (without subsidy)	Revised Gross Need (including Affordability)
Leicester	12,879	54.9%	7,076
Blaby	1,132	52.3%	592
Charnwood	2,250	46.4%	1,044
Harborough	929	48.0%	446
Hinckley & Bosworth	1,236	47.6%	589
Melton	651	45.5%	296
NWL	1,109	47.0%	522
Oadby & Wigston	966	55.0%	531
Leicestershire	8,273	48.6%	4,019
L & L	21,152	52.5%	11,096

Source: CLG Live Tables, Census 2011 and Data Modelling

- 9.25 The estimated figures shown above represents the number of households with a need currently. For the purposes of analysis, it is assumed that the local authorities would seek to meet this need over a period of time. Given that this report typically looks at needs in the period from 2020 to 2041, the need is annualised by dividing by 21 (to give an annual need for 528 dwellings across all areas). This does not mean that some households would be expected to wait 21-years for housing as the need is likely to be dynamic, with households leaving the current need as they are housed but with other households developing a need over time.

Newly Forming Households

- 9.26 The number of newly forming households has been estimated through demographic modelling with an affordability test also being applied. This has been undertaken by considering the changes in households in specific 5-year age bands relative to numbers in the age band below, 5 years previously, to provide an estimate of gross household formation.
- 9.27 The number of newly-forming households is limited to households forming who are aged under 45 – this is consistent with MHCLG guidance (from 2007) which notes after age 45 that headship (household formation) rates ‘plateau’. There may be a small number of household formations beyond age 45 (e.g. due to relationship breakdown) although the number is expected to be fairly small when compared with formation of younger households.
- 9.28 The number of newly forming households has been estimated through demographic modelling (linked to 2018-based SNHP and 2014-based HRRs). This is considered to provide the best view about trend-based household formation in Leicester & Leicestershire.

- 9.29 In assessing the ability of newly forming households to afford market housing, data has been drawn from previous surveys undertaken nationally by JGC. This establishes that the average income of newly forming households is around 84% of the figure for all households. This figure is remarkably consistent across areas (and is also consistent with analysis of English Housing Survey data at a national level).
- 9.30 The analysis has therefore adjusted the overall household income data to reflect the lower average income for newly forming households. The adjustments have been made by changing the distribution of income by bands such that average income level is 84% of the all household average. In doing this it is possible to calculate the proportion of households unable to afford market housing. For the purposes of the need for social/affordable rented housing this will relate to households unable to afford to buy OR rent in the market.
- 9.31 The assessment suggests overall that around two-fifths of newly forming households will be unable to afford market housing (to rent privately) and this equates a total of 3,600 newly forming households will have a need per annum on average across the study area – the table below provides a breakdown by local authority.

Table 9.6 Estimated Need for Social/Affordable Rented Housing from Newly Forming Households (per annum) – Leicester & Leicestershire

	Number of new households	% unable to afford	Annual newly forming households unable to afford to rent
Leicester	3,033	46.0%	1,394
Blaby	873	40.2%	351
Charnwood	1,644	37.0%	607
Harborough	695	38.5%	268
Hinckley & Bosworth	969	38.8%	376
Melton	285	38.4%	109
NWL	872	38.0%	331
Oadby & Wigston	338	38.8%	131
Leicestershire	5,677	38.3%	2,173
L & L	8,710	40.9%	3,566

Source: Projection Modelling/Affordability Analysis

Existing Households Falling into Affordable Housing Need

- 9.32 The second element of newly arising need is existing households falling into need. To assess this, information about past lettings in social/affordable rented has been used. The assessment looked at households who have been housed in general needs housing over the past three years – this group will represent the flow of households onto the Housing Register over this period. From this, newly forming households (e.g. those currently living with family) have been discounted as well as

households who have transferred from another social/affordable rented property. An affordability test has also been applied.

- 9.33 This method for assessing existing households falling into need is consistent with the 2007 SHMA guide which says on page 46 that *'Partnerships should estimate the number of existing households falling into need each year by looking at recent trends. This should include households who have entered the housing register and been housed within the year as well as households housed outside of the register (such as priority homeless household applicants)'*.
- 9.34 Following the analysis through suggests a need arising from 1,221 existing households each year across the study area, with just over half of these households being in Leicester. The table below breaks this down by local authority.

Table 9.7 Estimated Need for Social/Affordable Rented Housing from Existing Households Falling into Need (per annum) – Leicester & Leicestershire

	Total Additional Need	% of Total
Leicester	646	52.9%
Blaby	48	3.9%
Charnwood	193	15.8%
Harborough	41	3.3%
Hinckley & Bosworth	116	9.5%
Melton	43	3.5%
NWL	117	9.6%
Oadby & Wigston	18	1.5%
Leicestershire	575	47.1%
L & L	1,221	100.0%

Source: Derived from a range of sources¹⁸

Supply of Social/Affordable Rented Housing Through Relets

- 9.35 The future supply of affordable housing through relets is the flow of affordable housing arising from the existing stock that is available to meet future need. This focusses on the annual supply of social/affordable rent relets.
- 9.36 The Practice Guidance suggests that the estimate of likely future relets from the social rented stock should be based on past trend data which can be taken as a prediction for the future. Information from CoRe has been used to establish past patterns of social housing turnover. The figures are for general needs lettings but exclude lettings of new properties and exclude an estimate of the number

¹⁸ Sources include: CoRe data and affordability analysis (prices, rents and incomes)

of transfers from other social rented homes. These exclusions are made to ensure that the figures presented reflect relets from the existing stock.

- 9.37 On the basis of past trend data it has been estimated that 2,240 units of social/affordable rented housing are likely to become available each year moving forward for occupation by newly forming households and existing households falling into need from other tenures – around half of the supply is expected to arise in Leicester.

Table 9.8 Analysis of Past Social/Affordable Rented Housing Supply, 2017/18 – 2019/20 (average per annum) – Leicester & Leicestershire

	Total Lettings	% as Non-New Build	Lettings in Existing Stock	% Non-Transfers	Lettings to New Tenants
Leicester	1,954	93.5%	1,827	61.7%	1,128
Blaby	188	63.2%	119	71.9%	85
Charnwood	731	83.3%	609	65.0%	396
Harborough	167	63.1%	105	72.3%	76
Hinckley & Bosworth	352	77.7%	273	72.7%	199
Melton	151	82.4%	124	68.0%	84
NWL	503	78.2%	394	60.1%	236
Oadby & Wigston	77	84.7%	65	54.1%	35
Leicestershire	2,168	77.9%	1,688	65.8%	1,112
L & L	4,122	85.3%	3,516	63.7%	2,240

Source: CoRe/LAHS

- 9.38 The PPG model also includes the bringing back of vacant homes into use and the pipeline of affordable housing as part of the supply calculation. These have however not been included within the modelling in this report. Firstly, there is no evidence of any substantial stock of vacant homes (over and above a level that might be expected to allow movement in the stock). Secondly, with the pipeline supply, it is not considered appropriate to include this as to net off new housing would be to fail to show the full extent of the need, although in monitoring it will be important to net off these dwellings as they are completed.

Net Need for Social/Affordable Rented Housing

- 9.39 The table below shows the overall calculation of affordable housing need. The analysis shows that there is a need for 3,076 dwellings per annum across the area – an affordable need is seen in all local authorities. The net need is calculated as follows:

Net Need = Current Need (allowance for) + Need from Newly-Forming Households + Existing Households falling into Need – Supply of Affordable Housing

Table 9.9 Estimated Need for Social/Affordable Rented Housing by local authority (per annum)

	Current need	Newly forming households	Existing households falling into need	Total Gross Need	Relet Supply	Net Need
Leicester	337	1,394	646	2,376	1,128	1,249
Blaby	28	351	48	426	85	341
Charnwood	50	607	193	850	396	455
Harborough	21	268	41	330	76	254
Hinckley & Bosworth	28	376	116	519	199	321
Melton	14	109	43	166	84	82
NWL	25	331	117	473	236	236
Oadby & Wigston	25	131	18	174	35	139
Leicestershire	191	2,173	575	2,939	1,112	1,827
L & L	528	3,566	1,221	5,315	2,240	3,076

Source: See data in Tables 9.5 to 9.8

The Relationship Between Affordable Need and Overall Housing Need

- 9.40 The PPG encourages local authorities to consider increasing planned housing numbers where this can help to meet the identified affordable need. Specifically, the wording of the PPG [2a-024] states:

‘The total affordable housing need can then be considered in the context of its likely delivery as a proportion of mixed market and affordable housing developments, given the probable percentage of affordable housing to be delivered by market housing led developments. An increase in the total housing figures included in the strategic plan may need to be considered where it could help deliver the required number of affordable homes’

- 9.41 However, the relationship between affordable housing need and overall housing need is complex. This was recognised in the Planning Advisory Service (PAS) Technical Advice Note of July 2015. PAS conclude that there is no arithmetical way of combining the OAN (calculated through demographic projections) and the affordable need. There are a number of reasons why the two cannot be ‘arithmetically’ linked.
- 9.42 Firstly, the modelling contains a category in the projection of ‘existing households falling into need’; these households already have accommodation and hence if they were to move to alternative accommodation, they would release a dwelling for use by another household – there is no net need to provide additional homes. The modelling also contains ‘newly forming households’; these households are a direct output from the demographic modelling and are therefore already included in the overall housing need figures.

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- 9.43 This just leaves the '*current need*'; much of this group will be similar to the existing households already described (in that they are already living in accommodation) although it is possible that a number will be households without housing (mainly concealed households) – these households are not included in the demographic modelling and so are arguably an additional need, although uplifts for market signals/affordability (as included in the Government's Standard Method) would be expected to deal with such households.
- 9.44 The analysis estimates an annual need for 3,076 rented affordable homes, which is notionally 54% of the minimum Local Housing Need of 5,713 dwellings per annum. However, as noted, caution should be exercised in trying to make a direct link between affordable need and planned delivery, with the key point being that many of those households picked up as having a need will already be living in housing and so providing an affordable option does not lead to an overall net increase in the need for housing (as they would vacate a home to be used by someone else).
- 9.45 It is possible to investigate this in some more detail by re-running the model and excluding those already living in accommodation. This is shown in the table below which identifies that meeting these needs would lead to an affordable need for 1,580 homes per annum across the study area – notionally 28% of the Standard Method. This figure is theoretical and should not be seen to be minimising the need (which is clearly acute). It does however serve to show that there is a substantial difference in the figures when looking at overall housing shortages.
- 9.46 The analysis is arguably even more complex than this – it can be observed that the main group of households in need are newly forming households. These households are already included within demographic projections and so the demonstrating of a need for this group again should not be seen as over and above any need derived through the normal process of looking at need. Indeed, only the 253 per annum (current need) is in addition to demographic projections and this scale of uplift will already have been included in figures when moving from a demographic start point to an estimate of housing need using the Standard Method.

Table 9.10 Estimated Need for Social/Affordable Rented Housing by local authority (per annum) – excluding existing households

	Current need	Newly forming households	Existing households falling into need	Total Gross Need	Relet Supply	Net Need
Leicester	154	1,394	0	1,548	1,128	420
Blaby	16	351	0	366	85	281
Charnwood	25	607	0	632	396	237
Harborough	10	268	0	278	76	202
Hinckley & Bosworth	13	376	0	389	199	190
Melton	6	109	0	115	84	31
NWL	12	331	0	343	236	107
Oadby & Wigston	17	131	0	148	35	113
Leicestershire	99	2,173	0	2,272	1,112	1,160
L & L	253	3,566	0	3,819	2,240	1,580

Source: Range of sources as discussed

- 9.47 The discussion above has already noted that the need for affordable housing does not generally lead to a need to increase overall provision (with the exception of potentially providing housing for concealed households although this should be picked up as part of an affordability uplift). It is however worth briefly thinking about how affordable need works in practice and the housing available to those unable to access market housing without Housing Benefit. In particular, the increasing role played by the Private Rented Sector (PRS) in providing housing for households who require financial support in meeting their housing needs should be recognised.
- 9.48 Whilst the Private Rented Sector (PRS) does not fall within the types of affordable housing set out in the NPPF (other than affordable private rent which is a specific tenure separate from the main 'full market' PRS), it has evidently – in reality - been playing a role in meeting the needs of households who require financial support in meeting their housing need. Government recognises this, and indeed legislated through the 2011 Localism Act to allow Councils to discharge their "homelessness duty" through providing an offer of a suitable property in the PRS. This reflects historical under-delivery of affordable housing relative to need, losses of stock (such as through right-to-buy sales) and constraints to future delivery (which is focused on delivery through S106 Agreements subject to viability).
- 9.49 Data from the Department of Work and Pensions (DWP) has been used to look at the number of Housing Benefit supported private rented homes. As of February 2021, it is estimated that there were over 28,600 benefit claimants in the private rented sector in Leicester and Leicestershire. From this, it is clear that the PRS contributes to the wider delivery of 'affordable homes' (and addressing the shortfall of affordable housing) with the support of benefit claims.

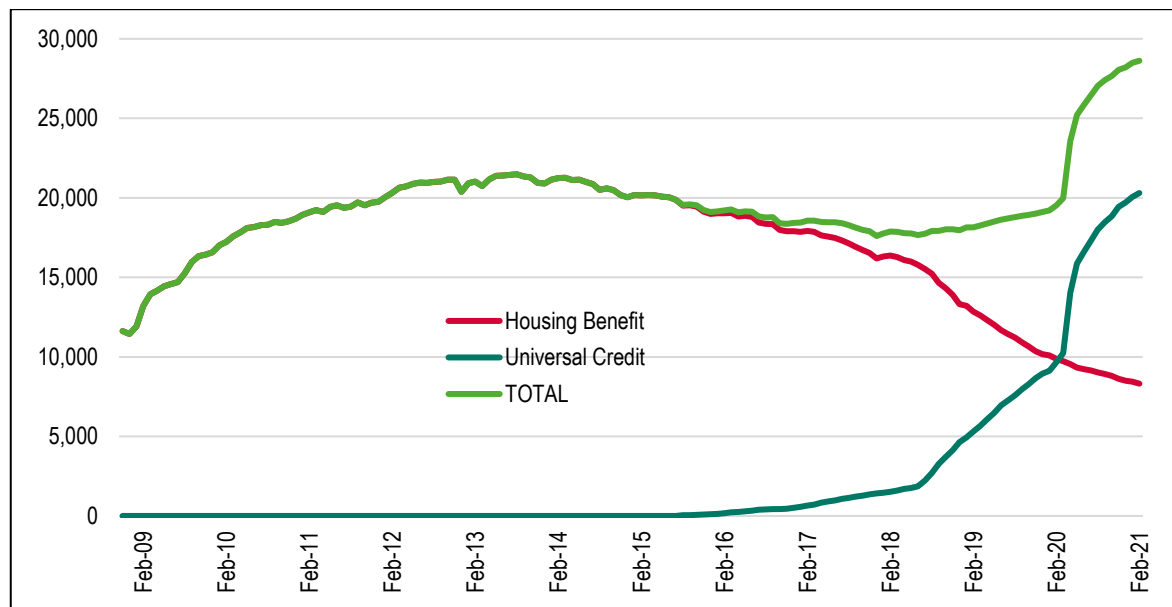
9.50 The table below shows the number of households in each authority claiming Housing Benefit or Universal Credit where there is a housing entitlement (in the PRS). The figure below the table shows the trend in the number of claimants for the whole study area. This shows there has been a notable increase since March 2020, which is likely to be related to the Covid-19 pandemic. However, even the more historical data shows a substantial number of households claiming benefit support for their housing in the private sector (typically around 20,000 households).

Table 9.11 Number of Housing Benefit claimants in the Private Rented Sector, Feb 2021

	Housing Benefit	Universal Credit (with housing allowance)	TOTAL
Leicester	4,496	10,574	15,070
Blaby	522	1,321	1,843
Charnwood	1,026	2,511	3,537
Harborough	378	1,047	1,425
Hinckley & Bosworth	604	1,779	2,383
Melton	286	838	1,124
NWL	521	1,330	1,851
Oadby & Wigston	484	910	1,394
Leicestershire	3,821	9,736	13,557
L & L	8,317	20,310	28,627

Source: Department of Work and Pensions

Figure 9.1: Number of Housing Benefit claimants in the Private Rented Sector – Leicester & Leicestershire



Source: Department of Work and Pensions

Split Between Social and Affordable Rented Housing

- 9.51 The analysis above has studied the overall need for social and affordable rented housing with a focus on households who cannot afford to rent in the market. These households will therefore have a need for some form of rented housing at a cost below typical market rates. Typically, there are two main types of rented affordable accommodation (social and affordable rented) with the analysis below initially considering what a reasonable split might be between these two tenures.
- 9.52 An analysis has been undertaken to compare the income distribution of households with the cost of different products. Data about average social and affordable rents has been taken from the Regulator of Social Housing (RSH) and this is compared with lower quartile and median market rents (from ONS data). This analysis shows that social rents are lower than affordable rents; the analysis also shows that affordable rents are less than both lower quartile and median market rents – the data is fairly consistent across areas. This is presented in **Appendix A8**.
- 9.53 For the affordability test, a standardised average rent for each product has been used. The table below suggests that around 15%-26% of households who cannot afford to rent privately could afford an affordable rent, with a further 14%-21% being able to afford a social rent (but not an affordable one). A total of 53%-70% of households would need some degree of benefit support to be able to afford their housing (regardless of the tenure).

Table 9.12 Estimated need for affordable rented housing (% of households unable to afford)

	Afford affordable rent	Afford social rent	Need benefit support	All unable to afford market
Leicester	15%	17%	69%	100%
Blaby	24%	20%	56%	100%
Charnwood	18%	15%	68%	100%
Harborough	26%	21%	53%	100%
H & B	20%	14%	66%	100%
Melton	13%	16%	70%	100%
NWL	17%	19%	65%	100%
O & W	25%	15%	60%	100%
Leicestershire	20%	17%	63%	100%
L & L	18%	17%	65%	100%

Source: Affordability analysis

- 9.54 The finding that only 15%-26% of households can afford an affordable rent does not automatically lead to a policy conclusion on the split between the two types of housing. For example, many households who will need to access rented accommodation will be benefit dependent and as such could technically afford an affordable rent. Hence a higher proportion of affordable rented housing might be appropriate – indeed the analysis does identify a substantial proportion of households as

being likely to need benefit support. On the flip side, providing more social rents would reduce households recourse to benefits.

- 9.55 There will be a series of other considerations both at a strategic level and for specific schemes. For example, there may be funding streams that are only available for a particular type of housing, and this may exist independently to any local assessment of need. Additionally, there will be the consideration of the balance between the cost of housing and the amount that can be viably provided, for example, it is likely that affordable rented housing is more viable, and therefore a greater number of units could be provided. Finally, in considering a split between social and affordable rented housing it needs to be considered that having different tenures on the same site (at least at initial occupation) may be difficult – e.g. if tenants are paying a different rent for essentially the same size/type of property and services.
- 9.56 On this basis, it is not recommended that the Councils have a rigid policy for the split between social and affordable rented housing, although the analysis is clear that both tenures of homes are likely to be required in all areas.

Establishing a Need for Affordable Home Ownership

- 9.57 The Planning Practice Guidance confirms a widening definition of those to be considered as in affordable need; now including 'households which can afford to rent in the private rental market but cannot afford to buy despite a preference for owning their own home'. However, at the time of writing, there is no guidance about how the number of such households should be measured.
- 9.58 The methodology used in this report therefore draws on the current methodology, and includes an assessment of current needs, and projected need (newly forming and existing households). The key difference is that in looking at affordability an estimate of the number of households in the 'gap' between buying and renting is used. There is also the issue of establishing an estimate of the supply of affordable home ownership homes – this is considered separately below.
- 9.59 The analysis has been developed in the context of First Homes with the Government requiring that 25% of all affordable housing secured through developer contributions should be within this tenure. First Homes are defined in PPG (70-001) as a specific kind of discounted market sale housing, sold at a minimum discount of 30% of market value to eligible persons, with a sale price of no greater than £250,000.

Gross Need for Affordable Home Ownership

- 9.60 The first part of the analysis seeks to understand what the gap between renting and buying actually means in the study area – in particular establishing the typical incomes that might be required. The

information about incomes required to both buy and rent in different locations has already been provided earlier in this section and so the discussion below is a broad example.

- 9.61 Using the income distributions developed (as set out earlier in this section) along with data about price and rents, it has been estimated that of all households living in the private rented sector, around 44% already have sufficient income to buy a lower quartile home, with 17% falling in the rent/buy 'gap'. The final 39% are estimated to have an income below what they need to afford to rent privately (i.e. they would need to spend more than the calculated threshold of their income on housing costs) although in reality it should be noted that many households will spend a higher proportion of their income on housing. These figures have been based on an assumption that incomes in the private rented sector are around 88% of the equivalent figure for all households (a proportion derived from the English Housing Survey) and are used as it is clear that affordable home ownership products are likely to be targeted at households living in or who might be expected to access this sector (e.g. newly forming households).
- 9.62 The table below shows an estimate of the proportion of households living in the private rented sector who are able to afford different housing products by local authority. This shows a higher proportion of households in the rent/buy gap in Harborough and Blaby. Lower figures can be seen in North West Leicestershire and Leicester.

Table 9.13 Estimated proportion of households living in Private Rented Sector able to buy and/or rent market housing – Leicester & Leicestershire

	Can afford to buy OR rent	Can afford to rent but not buy	Cannot afford to buy OR rent
Leicester	41%	15%	44%
Blaby	42%	20%	38%
Charnwood	46%	19%	35%
Harborough	40%	24%	36%
H & B	47%	16%	37%
Melton	46%	18%	36%
NWL	50%	14%	36%
O & W	47%	17%	37%
L & L	44%	17%	39%

Source: Derived from Housing Market Cost Analysis and Affordability Testing

- 9.63 The finding that a significant proportion of households in the private rented sector are likely to have an income that would allow them to buy a home is also noteworthy and suggests that for many households, barriers to accessing owner-occupation are less about income/the cost of housing and more about other factors (which could for example include the lack of a deposit or difficulties obtaining a mortgage (for example due to a poor credit rating or insecure employment)). However, some households will choose to privately rent, for example as it is a more flexible option that may be more suitable for a particular household's life stage (e.g. if moving locations with employment).

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- 9.64 To study current need, an estimate of the number of households living in the Private Rented Sector (PRS) has been established, with the same (rent/buy gap) affordability test (as described above) then applied. The start point is the number of households living in private rented accommodation; as of the 2011 Census there were some 59,900 households living in the sector across the study area. Data from the English Housing Survey (EHS) suggests that since 2011, the number of households in the PRS has risen by about 19% - if the same proportion is relevant to Leicester & Leicestershire then the number of households in the sector would now be around 71,300.
- 9.65 Additional data from the EHS suggests that 60% of all PRS households expect to become an owner at some point (42,800 households if applied to L & L) and of these some 40% (17,100 households) would expect this to happen in the next 2-years. These figures are taken as the number of households potentially with a current need for affordable home ownership before any affordability testing.
- 9.66 As noted above, on the basis of income it is estimated that around 14%-24% of the private rented sector sit in the gap between renting and buying (depending on location). Applying this proportion to the above figures would suggest a current need for around 2,860 affordable home ownership units (136 per annum respectively if annualised over a 21-year period).
- 9.67 In projecting forward, the analysis can consider newly forming households and also the remaining existing households who expect to become owners further into the future. Applying the same affordability test (albeit on a very slightly different income assumption for newly forming households) suggests an annual need from these two groups of around 1,702 dwellings (1,498 from newly forming households and 204 from existing households in the private rented sector).
- 9.68 Bringing together the above analysis suggests that there is a need for around 1,839 affordable home ownership homes (priced for households able to afford to rent but not buy) per annum across the study area. This is before any assessment of the potential supply of housing is considered.

Table 9.14 Estimated Gross Need for Affordable Home Ownership by local authority (per annum) – Leicester & Leicestershire

	Current need	Newly forming households	Existing households falling into need	Total Gross Need
Leicester	57	449	85	591
Blaby	10	172	15	198
Charnwood	24	317	37	378
Harborough	13	163	19	195
H & B	11	159	17	187
Melton	7	51	11	70
NWL	9	129	13	151
O & W	5	58	7	70
Leicestershire	79	1,049	119	1,248
L & L	136	1,498	204	1,839

Source: Range of sources as discussed

Potential Supply of Housing to Meet the Affordable Home Ownership Need

- 9.69 As with the need for social/affordable rented housing, it is also necessary to consider if there is any supply of affordable home ownership products from the existing stock of housing. As with assessing the need for affordable home ownership, it is the case that at present the PPG does not include any suggestions about how the supply of housing to meet these needs should be calculated.
- 9.70 The main source is likely to be resales of products such as shared ownership and an analysis of CoRe data about resales of affordable housing shows an average of around 44 resales per annum across the study area (based on data for the 2016-19 period). These properties would be available for these households and can be included as the potential supply.
- 9.71 The table below therefore shows an estimate of the net need for affordable home ownership. This suggests a need for around 1,795 dwellings per annum, with a need being shown in all areas.

Table 9.15 Estimated Need for Affordable Home Ownership by local authority (per annum) – Leicester & Leicestershire

	Total Gross Need	LCHO supply	Net need
Leicester	591	6	585
Blaby	198	3	195
Charnwood	378	7	372
Harborough	195	10	185
H & B	187	10	177
Melton	70	2	67
NWL	151	5	146
O & W	70	1	69
Leicestershire	1,248	38	1,210
L & L	1,839	44	1,795

Source: Range of sources as discussed

An Alternative view of the Supply of Affordable Home Ownership Properties

- 9.72 The analysis above has looked at the supply of resales of affordable housing. However, it should be noted that the analysis to consider need looks at households unable to afford a lower quartile property price. By definition, a quarter of all homes sold will be priced at or below a lower quartile level. According to the Land Registry, in Leicester & Leicestershire there were a total of 9,917 resales (i.e. excluding newly-built homes) in the last year (year to September 2020) and therefore around 2,479 would be priced below the lower quartile. This is 2,479 homes that would potentially be affordable to the target group for affordable home ownership products and is a potential supply that is well in excess of the level of need calculated. The table below shows the estimated number of sales and the number at or below a lower quartile price for each local authority.

Table 9.16 Number of sales of existing dwellings (year to September 2020) and number at or below lower quartile – Leicester & Leicestershire

	Number of sales	Sales at or below LQ
Leicester	1,967	492
Blaby	1,226	307
Charnwood	1,868	467
Harborough	1,056	264
H & B	1,478	370
Melton	567	142
NWL	1,214	304
O & W	541	135
Leicestershire	7,950	1,988
L & L	9,917	2,479

Source: Land Registry

- 9.73 If a further supply of dwellings below lower quartile were taken from the estimated need then it would be suggested that there is actually a surplus of affordable home ownership properties (of around 700 per annum). This figure should be treated as theoretical, not least because it is the case that market housing is not allocated in the same way as social/affordable rented homes (i.e. anyone is able to buy a home as long as they can afford it and it is possible that a number of lower quartile homes would be sold to households able to afford more, or potentially to investment buyers). However, it is clear that looking at a wider definition of supply does make it difficult to conclude what the need for affordable home ownership is (and indeed if there is one).

Implications of the Analysis

- 9.74 Given the analysis above, it would be reasonable to conclude that there is a need to provide housing under the definition of 'affordable home ownership' – although this conclusion is based on only considering supply from resales of affordable housing (notably shared ownership). If supply estimates are expanded to include market housing for sale below a lower quartile price, then the need for AHO is less clear-cut.
- 9.75 Regardless, it does seem that there are many households in Leicester & Leicestershire who are being excluded from the owner-occupied sector. This can be seen by analysis of tenure change, which saw the number of households living in private rented accommodation increasing by 103% from 2001 to 2011 (with the likelihood that there have been further increases since). Over the same period, the number of owners with a mortgage dropped by 10%. That said, some households will choose to privately rent, for example as it is a more flexible option that may be more suitable for a particular household's life stage (e.g. if moving locations with employment).

Table 9.17 Change in number of owner-occupiers with a mortgage and number of households in the private rented sector (2001-11)

	Owners with a mortgage				Private rented			
	2001	2011	Change	% change	2001	2011	Change	% change
Leicester	37,455	33,152	-4,303	-11.5%	14,025	27,999	13,974	99.6%
Blaby	18,810	16,564	-2,246	-11.9%	1,444	3,876	2,432	168.4%
Charnwood	27,227	24,232	-2,995	-11.0%	5,026	9,396	4,370	86.9%
Harborough	15,000	13,849	-1,151	-7.7%	1,800	3,922	2,122	117.9%
H & B	19,709	17,967	-1,742	-8.8%	2,261	5,156	2,895	128.0%
Melton	8,549	7,770	-779	-9.1%	1,836	3,054	1,218	66.3%
NWL	15,331	14,779	-552	-3.6%	1,933	4,411	2,478	128.2%
O & W	10,316	8,170	-2,146	-20.8%	1,183	2,117	934	79.0%
Leicestershire	114,942	103,331	-11,611	-10.1%	15,483	31,932	16,449	106.2%
L & L	152,397	136,483	-15,914	-10.4%	29,508	59,931	30,423	103.1%

Source: Census (2001 and 2011)

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- 9.76 On this basis, and as previously noted, it seems likely in Leicester & Leicestershire that access to owner-occupation is being restricted by access to capital (e.g. for deposits, stamp duty, legal costs) as well as potentially some mortgage restrictions (e.g. where employment is temporary) rather than just being due to the cost of housing to buy.
- 9.77 The February 2019 NPPF (updated in July 2021) gave a clear direction that 10% of all new housing (on larger sites) should be for affordable home ownership (in other words, if 20% of homes were to be affordable then half would be affordable home ownership) and it is now the case that policy compliant planning applications would be expected to deliver a minimum of 25% affordable housing as First Homes (as a proportion of the total affordable housing), with Councils being able to specify the requirement for any remaining affordable housing (subject to at least 10% of all housing being for AHO).
- 9.78 It is not clear at this stage whether there is any scope to challenge the 'minimum of 25%', nor what role other tenures of affordable home ownership (such as shared ownership) might play. It is possible that provision of First Homes could squeeze out other forms of LCHO such as shared ownership, although it is likely that there will still be a role for this type of housing given typically lower deposit requirements.
- 9.79 Whilst there are clearly many households in the gap between renting and buying, they in some cases will be able to afford homes below lower quartile housing costs. That said, it is important to recognise that some households will have insufficient savings to be able to afford to buy a home on the open market (particularly in terms of the ability to afford a deposit) and low-cost home ownership homes – and shared ownership homes in particular – will therefore continue to play a role in supporting some households in this respect.
- 9.80 The evidence points to a clear and acute need for rented affordable housing for lower income households, and it is important that a supply of rented affordable housing is maintained to meet the needs of this group including those to which the authority has a statutory housing duty. Such housing is notably cheaper than that available in the open market and can be accessed by many more households (some of whom may be supported by benefit payments).
- 9.81 There will also be a role for AHO on any 100% affordable housing schemes that may come forward (as well as through Section 106). Including a mix of both rented and intermediate homes to buy would make such schemes more viable, as well as enabling a range of tenures and therefore potential client groups to access housing.
- 9.82 In addition, it should also be noted that the finding of a 'need' for affordable home ownership does not have any impact on the overall need for housing. It seems clear that this group of households is simply a case of seeking to move households from one tenure to another (in this case from private

renting to owner-occupation); there is therefore no net change in the total number of households, or the number of homes required.

How Much Should Affordable Home Ownership Homes Cost?

- 9.83 The analysis and discussion above suggest that there are a number of households likely to fall under the PPG definition of needing affordable home ownership (including First Homes) – i.e. in the gap between renting and buying – but that the potential supply of low-cost housing to buy makes it difficult to fully quantify this need. However, given the NPPF, it seems likely that the Councils may need to consider some additional homes on larger sites as some form of home ownership.
- 9.84 The analysis below focusses firstly on the cost of First Homes to make them genuinely affordable before moving on to consider shared ownership (in this case suggestions are made about the equity shares likely to be affordable and whether these shares are likely to be offered). It is considered that First Homes and shared ownership are likely to be the main affordable home ownership tenures moving forward although it is accepted that some delivery may be of other products. This section also provides some comments about Rent to Buy housing.
- 9.85 The reason for the analysis to follow is that it will be important for the Councils to ensure that any affordable home ownership is sold at a price that is genuinely affordable for the intended target group – for example there is no point in discounting a new market home by 30% if the price still remains above that for which a reasonable home can already be bought in the open market.

Discounted Market Sales Housing (focussing on First Homes)

- 9.86 In May 2021, MHCLG published a new Planning Practice Guidance (PPG) regarding First Homes – this sets out that the minimum discount should be 30% from market price with local authorities having discretion to increase the discount to 40% or 50%. In some ways First Homes are similar to discounted market sale (a product currently within the NPPF), although for discounted market sales a discount of at least 20% (rather than 30%) from Open Market Value (OMV) is required.
- 9.87 As noted above, the problem with having a percentage discount is that it is possible in some locations or types of property that such a discount still means that the discounted housing is more expensive than that typically available in the open market. This is often the case as new build housing itself attracts a premium. The preferred approach in this report is to set out a series of purchase costs for different sizes of accommodation which ensure these products are affordable for the intended group. These purchase costs are based on current lower quartile rental prices and also consideration of the income required to access the private rented sector and then estimating what property price this level of income might support (assuming a 10% deposit and a 4.5 times mortgage multiple). Below is an example of a calculation based on a 2-bedroom home in Leicester:

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- Previous analysis has shown that the lower quartile rent for a 2-bedroom home in Leicester is £560 per month;
 - On the basis of a household spending no more than 27% of their income on housing, a household would need an income of around £2,100 per month to afford (£560/0.27) or £24,800 per annum (rounded); and
 - With an income of £24,800, it is estimated that a household could afford to buy a home for around £124,000. This is based on assuming a 10% deposit (mortgage for 90% of value) and a four and a half times mortgage multiple – calculated as £24,800*4.5/0.9.
- 9.88 Therefore, £124,000 is a suggested purchase price to make First Homes/discouted home ownership affordable for households in the rent/buy gap in Leicester. This figure is essentially the equivalent price that is affordable to a household who can just afford to rent privately. In reality, there will be a range of incomes in the rent/buy gap and so some households could afford a higher price; however, setting all homes at a higher price would mean that some households will still be unable to afford to buy.
- 9.89 On this basis, it is considered reasonable to look at the cost of First Homes as a range, from the equivalent private rent figure up to a midpoint of the cost of open market purchase (for a 2-bedroom home this is £138,000) and the relevant private rented figure. The use of a midpoint would mean that only around half of households in the rent/buy gap could afford, and therefore any housing provided at such a cost would need to also be supplemented by an equivalent number at a lower cost (which might include other tenures such as shared ownership).
- 9.90 The tables below therefore set out a suggested purchase price for discounted market housing/First Homes in each area. The tables also show an estimated OMV and the level of discount likely to be required to achieve affordability. The OMV is based on taking the estimated lower quartile price by size and adding 15% (which is the typically newbuild premium seen nationally). It should be noted that the discounts are based on the OMV as estimated, in reality the OMV might be quite different for specific schemes and therefore the percentage discount would not be applicable. For example, if the OMV for a 2-bedroom home in Leicester were to actually be £200,000 (rather than the modelled £159,000) then the discount would be in the range of 35% and 38%. It is therefore the affordable price rather than the discount that should be focused on when determining affordability. On the basis of the specific assumptions used, the analysis points to a discount of around 30% for 2-bedroom homes in most locations and a figure of 40% for larger (3+-bedroom) properties being appropriate to make units affordable.
- 9.91 The analysis only looks at homes with 2+-bedrooms as for most areas it was not possible to estimate a typical lower quartile price due to a small current stock. In the two areas where a cost could be estimated (Leicester and Charnwood) it looked as if existing market homes are relatively affordable
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in this size category (although again with a relatively small sample). This analysis does not suggest that no First Homes should be provided as 1-bedroom units and it is considered that the relevant discount for 2-bedroom homes could apply to any 1-bedroom units.

Table 9.18 Affordable home ownership prices – data for year to September 2020 – Leicester

	Affordable Price	Estimated newbuild OMV	Estimated Discount required
2-bedrooms	£124,000-£131,000	£158,700	17%-22%
3-bedrooms	£138,400-£174,200	£241,500	28%-43%
4+-bedrooms	£193,700-£231,900	£310,500	25%-38%

Source: Derived from a range of sources as described

Table 9.19 Affordable home ownership prices – data for year to September 2020 – Blaby

	Affordable Price	Estimated newbuild OMV	Estimated Discount required
2-bedrooms	£117,500-£137,700	£181,700	24%-35%
3-bedrooms	£151,900-£179,500	£238,050	25%-36%
4+-bedrooms	£169,100-£227,600	£328,900	31%-49%

Source: Derived from a range of sources as described

Table 9.20 Affordable home ownership prices – data for year to September 2020 – Charnwood

	Affordable Price	Estimated newbuild OMV	Estimated Discount required
2-bedrooms	£119,900-£124,500	£148,350	16%-19%
3-bedrooms	£141,700-£171,400	£231,150	26%-39%
4+-bedrooms	£196,300-£241,600	£330,050	27%-41%

Source: Derived from a range of sources as described

Table 9.21 Affordable home ownership prices – data for year to September 2020 – Harborough

	Affordable Price	Estimated newbuild OMV	Estimated Discount required
2-bedrooms	£123,700-£145,400	£192,050	24%-36%
3-bedrooms	£149,700-£189,800	£264,500	28%-43%
4+-bedrooms	£219,500-£278,800	£388,700	28%-44%

Source: Derived from a range of sources as described

Table 9.22 Affordable home ownership prices – data for year to September 2020 – Hinckley & Bosworth

	Affordable Price	Estimated newbuild OMV	Estimated Discount required
2-bedrooms	£117,000-£126,000	£155,250	19%-25%
3-bedrooms	£147,800-£172,400	£226,550	24%-35%
4+-bedrooms	£199,900-£241,900	£326,600	26%-39%

Source: Derived from a range of sources as described

Table 9.23 Affordable home ownership prices – data for year to September 2020 – Melton

	Affordable Price	Estimated newbuild OMV	Estimated Discount required
2-bedrooms	£114,200-£124,100	£154,100	19%-26%
3-bedrooms	£122,700-£159,900	£226,550	29%-46%
4+-bedrooms	£183,500-£248,300	£359,950	31%-49%

Source: Derived from a range of sources as described

Table 9.24 Affordable home ownership prices – data for year to September 2020 – North West Leicestershire

	Affordable Price	Estimated newbuild OMV	Estimated Discount required
2-bedrooms	£111,300-£113,100	£132,250	14%-16%
3-bedrooms	£132,500-£158,200	£211,600	25%-37%
4+-bedrooms	£180,100-£218,600	£295,550	26%-39%

Source: Derived from a range of sources as described

Table 9.25 Affordable home ownership prices – data for year to September 2020 – Oadby & Wigston

	Affordable Price	Estimated newbuild OMV	Estimated Discount required
2-bedrooms	£118,300-£134,600	£173,650	22%-32%
3-bedrooms	£144,000-£174,500	£235,750	26%-39%
4+-bedrooms	£205,700-£236,400	£307,050	23%-33%

Source: Derived from a range of sources as described

- 9.92 In policy terms, ideally Councils could consider setting out expectations of costs for First Homes in terms of the discounted purchase price – such costs could be updated every six months (by reference to ONS private rental market data and a market survey of sale prices (such as consideration of Land Registry data and an internet search of homes for sale/recently sold)). The Council could then expect housing to be available for either the costs set out or with a 30% discount (whichever the lower). However, it seems for First Homes guidance that flexibility to set prices rather than a discount figure is not possible and that a percentage discount needs to be set out in policy at 30%, 40% etc on the Open Market Value (OMV).

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- 9.93 It is quite likely there will be occasions where a greater discount than 30% will be required to make homes genuinely affordable. In these circumstances, the Councils will need to consider if they want an additional discount, or whether this might prejudice the viability of providing other forms of affordable housing (such as rented homes). Decisions about what to do in such circumstances would ideally be made on a case-by-case basis although it appears from guidance on First Homes that decisions about discounts would need to be made in advance of any specific site circumstances. In determining whether a discount of above 30% is justified, the Councils need to consider both the needs evidence and viability, in particular given that higher discounts applied to First Homes could impact on the delivery of rented affordable homes.
- 9.94 It should also be noted that the analysis above is for the whole of each local authority area; the pricing of housing does vary across the local authorities and therefore some small adjustments to the figures might be appropriate in some instances. That said, affordable needs can be met anywhere in the authorities (where opportunities arise) and so using an expectation of an authority-wide affordability calculation should ensure affordable products on sites regardless of location.
- 9.95 Taking account of the figures shown in the tables above, the table below summarises a suggested level of discount by local authority and size of home. Whilst this report considers the cost of the housing to be most important, it seems likely that Government will expect discounts to be set out in policy (so as to give certainty to the development industry). The table below works on the basis that discounts will be either 30%, 40% or 50% and it should be stressed that these are solely based on the analysis in this report and there may be justification to use different figures in the future.
- 9.96 Generally, the suggested figures are at the upper end of the range – this is to ensure a reasonable proportion of households would be able to afford products and it can be seen that discounts in excess of 30% are suggested in many instances. On the basis of the analysis there is certainly a case to seek a discount in excess of 30% - a higher discount will certainly make homes cheaper and therefore potentially open up additional households as being able to afford. However, providing a higher discount may well have an impact on viability, meaning the Councils will not be able to provide as many homes in other tenures (such as rented affordable housing which is likely to be needed by those with more acute needs and fewer choices in the housing market).
- 9.97 Councils could therefore investigate higher discounts (with 40% generally being suggested by the analysis), but it is not recommended to seek a higher figure unless this can be proven to not impact on overall affordable delivery. Additionally, although not specifically set out in the PPG, it does seem likely that the Councils would need to have a single discount for all dwelling sizes and on that basis consideration would need to be given to the likely profile of First Homes (by size) in choosing an appropriate discount (subject to any issue related to viability noted above).

Table 9.26 Suggested discount required to make First Homes affordable, by local authority and dwelling size

	1- and 2-bedroom	3-bedroom	4+-bedroom
Leicester	30%	40%	30%
Blaby	30%	40%	40%
Charnwood	30%	40%	40%
Harborough	30%	40%	40%
H & B	30%	30%	40%
Melton	30%	40%	40%
NWL	30%	40%	40%
O & W	30%	40%	30%

Source: Based on a range of analysis as above

Shared Ownership

- 9.98 Whilst the Government has a clear focus on First Homes, they also see a continued role for Shared Ownership, launching a 'New Model for Shared Ownership' in early 2021 (following a 2020 consultation) – this includes a number of proposals, with the main one for the purposes of this assessment being the reduction of the minimum initial share from 25% to 10%. A key advantage of shared ownership over other tenures is that a lower deposit is likely to be required than for full or discounted purchase. Additionally, the rental part of the cost will be subsidised by a Registered Provider and therefore keeps monthly outgoings down.
- 9.99 For the purposes of the analysis in this report it is considered that for shared ownership to be affordable, total outgoings should not exceed that needed to rent privately.
- 9.100 Because shared ownership is based on buying part of a property, it is the case that the sale will need to be at open market value. Where there is a large gap between the typical incomes required to buy or rent, it may be the case that lower equity shares are needed for homes to be affordable (at the level of renting privately). The analysis below therefore seeks to estimate the typical equity share that might be affordable for different sizes of property with any share lower than 10% likely to be unavailable. The key assumptions used in the analysis are:
- OMV at LQ price plus 15% (reflecting likelihood that newbuild homes will have a premium attached and that they may well be priced above a LQ level) – it should be noted that this is an assumption for modelling purposes and consideration will need to be given to the OMV of any specific product;
 - 10% deposit on the equity share;
 - Rent at 2.75% pa on unsold equity;

- Repayment mortgage over 25-years at 4%;
- Service charge of £100 per month for flatted development (assumed to be 2-bedroom homes);
- It is also assumed that shared ownership would be priced for households sitting towards the bottom end of the rent/buy gap and so the calculations assume that total outgoings should be no higher than the equivalent private rent (lower quartile) cost for that size of property; and
- As with the analysis of First Homes, no figures are provided for 1-bedroom homes due to a lack of information about pricing generally across the study area.

9.101 The tables below show that to make shared ownership affordable, equity shares of no higher than 40% could work for some sizes of home in some locations, however, much lower shares are likely to be needed to make homes affordable for most dwelling sizes/locations. Overall, it is suggested that equity shares in the range of 10%-35% should be considered but that it will be important to make sure the actual cost to the household is genuinely affordable in a local context.

9.102 It should also be noted that the analysis below is predicated on a particular set of assumptions (notably about likely OMV). In reality costs do vary across the area and will vary from site to site. Therefore, this analysis should be seen as indicative with specific schemes being tested individually to determine if the product being offered is genuinely (or reasonably) affordable.

Table 9.27 Estimated Affordable Equity Share by Size – Leicester

	2-Bedrooms	3-Bedrooms	4-Bedrooms
OMV	£158,700	£241,500	£310,500
Share	25%	12%	21%
Equity Bought	£39,199	£28,980	£66,447
Mortgage Needed	£35,279	£26,082	£59,802
Monthly Cost of Mortgage	£186	£138	£316
Retained Equity	£119,501	£212,520	£244,053
Monthly Rent on Retained Equity	£274	£487	£559
Service Charge per month	£100	£0	£0
Total Cost per month	£560	£625	£875

Source: Data based on Housing Market Cost Analysis

Table 9.28 Estimated Affordable Equity Share by Size – Blaby

	2-Bedrooms	3-Bedrooms	4-Bedrooms
OMV	181,700	£238,050	£328,900
Share	14%	35%	10%
Equity Bought	£25,801	£83,079	£32,890
Mortgage Needed	£23,221	£74,772	£29,601
Monthly Cost of Mortgage	£123	£395	£156
Retained Equity	£155,899	£154,971	£296,010
Monthly Rent on Retained Equity	£357	£355	£678
Service Charge per month	£100	£0	£0
Total Cost per month	£580	£750	£835

Source: Data based on Housing Market Cost Analysis

Table 9.29 Estimated Affordable Equity Share by Size – Charnwood

	2-Bedrooms	3-Bedrooms	4-Bedrooms
OMV	£148,350	£231,150	£330,050
Share	30%	21%	18%
Equity Bought	£44,802	£48,773	£58,419
Mortgage Needed	£40,322	£43,895	£52,577
Monthly Cost of Mortgage	£213	£232	£278
Retained Equity	£103,548	£182,377	£271,631
Monthly Rent on Retained Equity	£237	£418	£622
Service Charge per month	£100	£0	£0
Total Cost per month	£550	£650	£900

Source: Data based on Housing Market Cost Analysis

Table 9.30 Estimated Affordable Equity Share by Size – Harborough

	2-Bedrooms	3-Bedrooms	4-Bedrooms
OMV	£192,050	£264,500	£388,700
Share	17%	22%	22%
Equity Bought	£32,649	£58,455	£85,125
Mortgage Needed	£29,384	£52,609	£76,613
Monthly Cost of Mortgage	£155	£278	£405
Retained Equity	£159,402	£206,046	£303,575
Monthly Rent on Retained Equity	£365	£472	£696
Service Charge per month	£100	£0	£0
Total Cost per month	£620	£750	£1,100

Source: Data based on Housing Market Cost Analysis

Table 9.31 Estimated Affordable Equity Share by Size – Hinckley & Bosworth

	2-Bedrooms	3-Bedrooms	4-Bedrooms
OMV	£155,250	£226,550	£326,600
Share	25%	32%	25%
Equity Bought	£38,347	£71,590	£81,977
Mortgage Needed	£34,512	£64,431	£73,779
Monthly Cost of Mortgage	£182	£340	£390
Retained Equity	£116,903	£154,960	£244,623
Monthly Rent on Retained Equity	£268	£355	£561
Service Charge per month	£100	£0	£0
Total Cost per month	£550	£695	£950

Source: Data based on Housing Market Cost Analysis

Table 9.32 Estimated Affordable Equity Share by Size – Melton

	2-Bedrooms	3-Bedrooms	4-Bedrooms
OMV	£154,100	£226,550	£359,950
Share	22%	10%	4%
Equity Bought	£33,286	£22,655	£14,398
Mortgage Needed	£29,957	£20,390	£12,958
Monthly Cost of Mortgage	£158	£108	£68
Retained Equity	£120,814	£203,895	£345,552
Monthly Rent on Retained Equity	£277	£467	£792
Service Charge per month	£100	£0	£0
Total Cost per month	£535	£575	£860

Source: Data based on Housing Market Cost Analysis

Table 9.33 Estimated Affordable Equity Share by Size – North West Leicestershire

	2-Bedrooms	3-Bedrooms	4-Bedrooms
OMV	£132,250	£211,600	£295,550
Share	37%	27%	24%
Equity Bought	£49,462	£57,132	£70,045
Mortgage Needed	£44,515	£51,419	£63,041
Monthly Cost of Mortgage	£235	£271	£333
Retained Equity	£82,789	£154,468	£225,505
Monthly Rent on Retained Equity	£190	£354	£517
Service Charge per month	£100	£0	£0
Total Cost per month	£525	£625	£850

Source: Data based on Housing Market Cost Analysis

Table 9.34 Estimated Affordable Equity Share by Size – Oadby & Wigston

	2-Bedrooms	3-Bedrooms	4-Bedrooms
OMV	£173,650	£235,750	£307,050
Share	18%	28%	39%
Equity Bought	£31,257	£65,067	£120,364
Mortgage Needed	£28,131	£58,560	£108,327
Monthly Cost of Mortgage	£149	£309	£572
Retained Equity	£142,393	£170,683	£186,686
Monthly Rent on Retained Equity	£326	£391	£428
Service Charge per month	£100	£0	£0
Total Cost per month	£575	£700	£1,000

Source: Data based on Housing Market Cost Analysis

- 9.103 In policy terms, whilst the analysis has provided an indication of the equity shares possibly required by size, the key figure is actually the total cost per month (and how this compares with the costs to access private rented housing). For example, whilst the tables suggest a 25% equity share for 2-bedroom home in Leicester, this is based on a specific set of assumptions. Were a scheme to come forward with a 25% share, but a total cost in excess of £560 per month, then it would be clear that a lower share is likely to be required to make the home genuinely affordable. Hence the actual share can only be calculated on a scheme-by-scheme basis. Any policy position should seek to ensure that outgoings are no more than can reasonably be achieved in the private rented sector, rather than seeking a specific equity share.

Rent to Buy

- 9.104 A further affordable option is Rent to Buy; this is a government scheme designed to ease the transition from renting to buying the same home. Initially (typically five years) the newly built home will be provided at the equivalent of an affordable rent (approximately 20% below the market rate). The expectation is that the discount provided in that first five years is saved in order to put towards a deposit on the purchase of the same property. Rent to Buy can be advantageous for some households as it allows for a smaller 'step' to be taken on to the home ownership ladder.
- 9.105 At the end of the five-year period, depending on the scheme, the property is either sold as a shared ownership product or to be purchased outright as a full market property. If the occupant is not able to do either of these then the property is vacated.
- 9.106 In order to access this tenure it effectively requires the same income threshold for the initial phase as a market rental property although the cost of accommodation will be that of affordable rent. The lower than market rent will allow the household to save for a deposit for the eventual shared ownership or market property. In considering the affordability of rent-to-buy schemes there is a direct read across to the income required to access affordable home ownership (including shared

ownership), it should therefore be treated as part of the affordable home ownership products suggested by the NPPF.

Essential Local Workers

9.107 Annex 2 of the NPPF also includes the needs of essential local workers *‘Affordable housing: housing for sale or rent, for those whose needs are not met by the market (including housing that provided a subsidised route to home ownership and/or is for essential local workers’ [emphasis added]. Essential local workers are defined as ‘Public sector employees who provide frontline services in areas including health, education and community safety – such as NHS staff, teachers, police, firefighters and military personnel, social care and childcare workers’.*

9.108 To give an indication of the number of essential workers in Leicester & Leicestershire analysis has been undertaken looking at Standard Industrial Classification 2007 (SIC) categories – this shows employment sectors based on industry, and for the purposes of this analysis the public administration, education and health industries have been used to represent ‘essential workers’. The analysis shows that around 28% of resident workers are considered ‘essential workers’ in Leicester, with a similar figure of 27% in Leicestershire – these figures are similar to those seen regionally and nationally.

Table 9.35 Number and proportion of essential workers in a range of areas

	Leicester		Leicestershire		East Mid-lands	England
	Resident workers	% of workers	Resident workers	% of workers	% of workers	% of workers
Agriculture, energy and water	2,968	2.2%	10,454	3.2%	3.1%	2.3%
Manufacturing	20,674	15.0%	42,545	13.0%	12.9%	8.9%
Construction	7,109	5.2%	26,892	8.2%	7.7%	7.7%
Distribution, hotels and restaurants	34,420	24.9%	73,180	22.4%	22.9%	21.5%
Transport and communication	10,601	7.7%	24,466	7.5%	7.9%	9.1%
Financial, Real Estate, Professional and Administration	17,950	13.0%	45,107	13.8%	13.1%	17.5%
Public administration, education and health	38,826	28.1%	89,172	27.3%	28.0%	28.2%
Other	5,439	3.9%	14,622	4.5%	4.4%	5.0%
All industries	137,987	100.0%	326,438	100.0%	100.0%	100.0%

Source: 2011 Census

9.109 The table below shows how the number of essential workers varies across local authorities. Generally, the authorities have similar proportions of essential workers, with the main notable differences being a lower proportion in NWL (24% of workers) and a higher proportion in Oadby & Wigston (32%).

Table 9.36 Number and proportion of essential workers – local authorities

	Resident essential workers	% of workers in area	% of resident workers
Leicester	38,826	28.1%	30.3%
Blaby	13,658	28.2%	10.7%
Charnwood	23,377	29.2%	18.3%
Harborough	12,178	27.4%	9.5%
H & B	13,640	25.2%	10.7%
Melton	6,780	25.7%	5.3%
NWL	11,069	23.8%	8.6%
O & W	8,470	31.9%	6.6%
Leicestershire	89,172	27.3%	69.7%
L & L	127,998	27.6%	100.0%

Source 2011 Census

- 9.110 The 2011 Census also enables analysis to be conducted as to the tenure of workers by industry. It can be seen that essential workers see a fairly average profile, with similar levels of owner-occupation, social renting and private renting as is seen across each individual authority (Leicester and Leicestershire).

Table 9.37 Housing tenure by industry of employment (2011) – Leicester

	Owner-occupied	Social rented	Private rented
Agriculture, energy and water	58%	16%	26%
Manufacturing	62%	15%	23%
Construction	66%	14%	20%
Distribution, hotels and restaurants	50%	19%	31%
Transport and communication	58%	17%	25%
Financial, Real Estate, Professional and Administration	55%	17%	28%
Public administration, education and health	59%	16%	24%
Other	48%	18%	34%
All industries	57%	17%	26%

Source: 2011 Census

Table 9.38 Housing tenure by industry of employment (2011) – Leicestershire

	Owner-occupied	Social rented	Private rented
Agriculture, energy and water	76%	7%	17%
Manufacturing	82%	6%	12%
Construction	83%	5%	12%
Distribution, hotels and restaurants	74%	8%	18%
Transport and communication	79%	7%	14%
Financial, Real Estate, Professional and Administration	82%	5%	14%
Public administration, education and health	80%	6%	14%
Other	71%	7%	22%
All industries	79%	6%	15%

Source: 2011 Census

- 9.111 It is also possible to consider the affordability of housing for essential workers by considering local salaries. An online assessment of local jobs (across Leicester & Leicestershire) for nurses, firefighters, teachers, police officers and childcare was undertaken in June 2021. This showed a range of salaries, but typically in the range of about £20,000 to £30,000 per annum. The average salary was around £25,000 although it does need to be noted that there are a variety of roles with a range of salaries in these professions depending on level of expertise and experience.
- 9.112 With a salary of £25,000, an individual might be able to buy a home for around £125,000 (based on a 10% deposit and 4.5 times mortgage multiple) and with two salaries at this level would be able to afford around £250,000. This latter figure would allow the household to afford to buy a home across much of the study area, but the single income would make home ownership difficult (particularly in higher value locations), and this population could be a potential target for affordable home ownership products.
- 9.113 Overall, the analysis does not point towards there being a particular and specific need for affordable housing for essential workers. Such workers make up a similar part of the workforce as is the case in many areas and households are as likely to be owner-occupiers than many other industry groups. However, on the basis of local incomes (notably for single income essential workers), access to the owner-occupied sector may be restricted by income and it may be appropriate to consider whether or not some affordable properties should be set aside for essential local workers.

Implications of Covid-19

- 9.114 The long-term impact of Covid-19 on affordable housing need is somewhat unclear; but some conclusions on shorter-term impacts can be drawn. As the HENA has examined, there was an increase in unemployment through 2020, but since Spring 2021 unemployment levels have been falling. Higher unemployment/claimants could make it difficult for some households to afford their

housing and would lead them to need to seek a housing solution through the local authority or Registered Providers.

- 9.115 As noted, data from the Department of Work and Pensions shows the number of Housing Benefit (or Universal Credit with a housing element) claimants in the private rented sector increasing significantly (this has been previously set out in this section). The table below shows the number of Housing Benefit claimants (including Universal Credit) in each of February 2020 and February 2021.
- 9.116 The analysis shows all areas have seen a notable increase in Housing Benefit claimants, increase by between 37% in Oadby & Wigston and 56% in Charnwood. Across the whole study area, the number of claimants increased by 46%. All of this points to an impact of Covid-19 being to see increased pressure on affordable housing.

Table 9.39 Change in Number of Housing Benefit claimants in the private rented sector – Leicester & Leicestershire

	Claimants (February 2020)	Claimants (February 2021)	Change in claimants	% change
Leicester	10,395	15,070	4,675	45.0%
Blaby	1,284	1,843	559	43.5%
Charnwood	2,263	3,537	1,274	56.3%
Harborough	969	1,425	456	47.1%
H & B	1,609	2,383	774	48.1%
Melton	812	1,124	312	38.4%
NWL	1,200	1,851	651	54.3%
O & W	1,016	1,394	378	37.2%
Leicestershire	9,153	13,557	4,404	48.1%
L & L	19,548	28,627	9,079	46.4%

Source: Department of Work and Pensions

Summary of Affordable Housing Need

- 9.117 The table below brings together the estimates of annual need for rented affordable housing and affordable home ownership to consider the balance between tenures in different areas. This table should be considered for reference purposes and will not directly inform decisions about an appropriate mix for any individual area – that will in part be informed by viability and also any local priorities such as to maximise provision of rented accommodation as that is likely to be required by households with the most acute needs.
- 9.118 In interpreting the figures, it should also be noted, that affordable home ownership figures do not include any reduction due to the availability of homes in the market at a price below lower quartile or market-based initiatives to make homes affordable such as the Help-to-Buy Equity Loan scheme which the HENA evidence shows has comprised a significant proportion of new-build delivery (c.

50% across Leicester and Leicestershire). This would significantly reduce estimated need for AHO products and again point to Councils needing to focus on meeting rented needs where possible. Additionally, it needs to be recognised that the analysis is based on local household incomes, for many households there will be additional barriers to AHO (e.g. existing debt, poor credit, lack of deposit etc.) which would make it difficult to access such products.

Table 9.40 Estimated annual need for affordable housing split between rented and affordable home ownership – Leicester & Leicestershire

	Rented affordable need	Affordable home ownership need
Leicester	1,249	585
Blaby	341	195
Charnwood	455	372
Harborough	254	185
H & B	321	177
Melton	82	67
NWL	236	146
O & W	139	69
Leicestershire	1,827	1,210
L & L	3,076	1,795

Source: Draws from earlier analysis

- 9.119 The HENA analysis points to an acute need for rented affordable housing in all parts of the County. There is an overlap between the affordable home ownership need shown and the role which market housing plays in supporting home ownership through schemes such as the Help-to-Buy Equity Loan scheme and mortgage guarantee schemes. The evidence would support policy approaches which seek to prioritise rented affordable housing delivery to meet those with acute needs with few alternative housing options; but there are viability considerations and policy priorities which individual authorities will need to balance. The figures shown represent the highest possible requirement for Affordable Home Ownership. Individual Local Authorities may consider that a proportion of those captured may either choose to purchase lower quartile market homes, be unable able to obtain mortgages or may want the flexibility afforded by renting. Individual local authorities may look to discount a proportion of the identified Affordable Home Ownership numbers to reflect these scenarios.

10. NEED FOR DIFFERENT SIZES OF HOMES

- 10.1 This section considers the appropriate mix of housing across the study area, with a particular focus on the sizes of homes required in different tenure groups for new development. This section looks at a range of statistics in relation to families (generally described as households with dependent children) before moving on to look at how the number of households in different age groups are projected to change moving forward.

Background Data

- 10.2 The number of families in Leicester & Leicestershire (defined for the purpose of this assessment as any household which contains at least one dependent child) totalled 118,500 as of the 2011 Census, accounting for 30% of households; this proportion is similar to the regional and national average (both 29%).
- 10.3 This analysis has drawn on 2011 Census data which is now somewhat out-of-date. However, it would be expected that general patterns between areas will remain broadly the same (i.e. areas with greater proportions of family households in 2011, will still be expected to have greater proportions now). New (2021) Census data should start to filter through from Spring/Summer 2022, which will allow for this analysis to be updated.

Table 10.1 Households with dependent children (2011)

		Married couple	Cohabiting couple	Lone parent	Other household (with dependent s)	All other households (no dependent children)	Total	Total with dependent children
Leicester & Leicestershire	No.	65,077	16,010	25,411	12,016	272,045	390,559	118,514
	%	16.7%	4.1%	6.5%	3.1%	69.7%	100.0%	30.3%
East Midlands	%	15.3%	4.5%	6.7%	2.3%	71.3%	100.0%	28.7%
England	%	15.3%	4.0%	7.1%	2.6%	70.9%	100.0%	29.1%

Source: Census (2011)

- 10.4 The table below shows the same information for each local authority. The analysis shows relatively few family households in Hinckley & Bosworth (27%) and just over a third of households in Leicester; Leicester also sees a higher proportion of lone parent households than other locations.

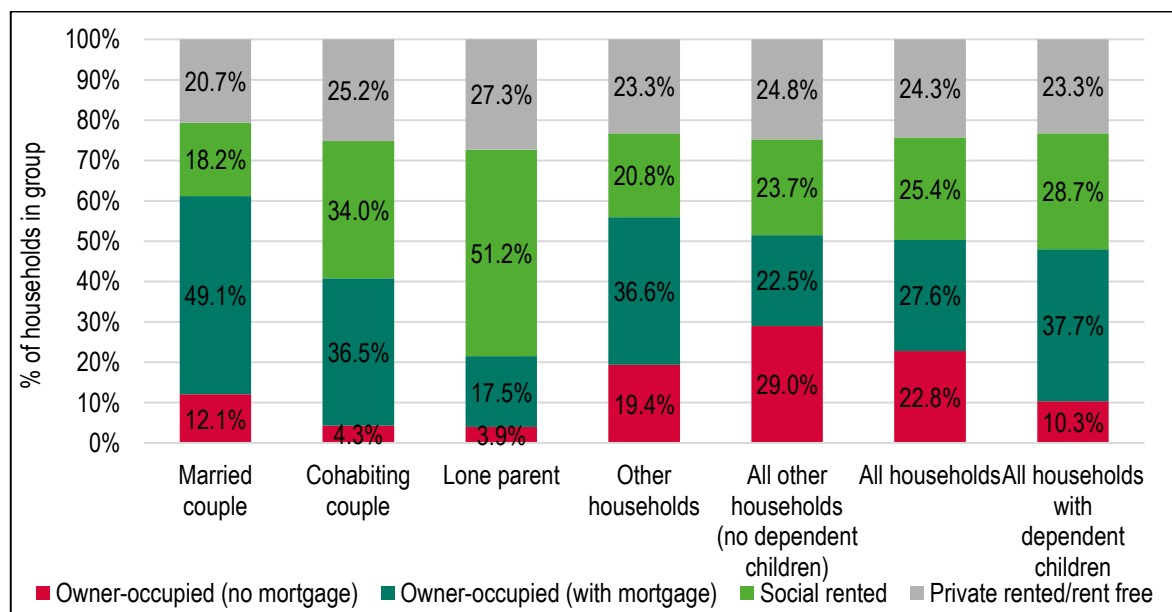
Table 10.2 Households with dependent children (2011) – local authorities

	Married couple	Cohabiting couple	Lone parent	Other households	All other households	Total	Total with dependent children
Leicester	15.8%	3.7%	8.5%	5.4%	66.6%	100.0%	33.4%
Blaby	17.6%	4.5%	6.0%	2.1%	69.7%	100.0%	30.3%
Charnwood	16.3%	4.1%	5.7%	2.0%	71.9%	100.0%	28.1%
Harborough	19.8%	3.9%	4.7%	1.6%	69.9%	100.0%	30.1%
H & B	15.7%	4.4%	5.8%	1.6%	72.6%	100.0%	27.4%
Melton	16.5%	4.3%	5.7%	1.6%	71.9%	100.0%	28.1%
NWL	17.0%	4.6%	5.8%	1.8%	70.7%	100.0%	29.3%
O & W	17.4%	4.2%	5.2%	3.9%	69.4%	100.0%	30.6%
Leicestershire	17.1%	4.3%	5.6%	2.0%	71.1%	100.0%	28.9%
L & L	16.7%	4.1%	6.5%	3.1%	69.7%	100.0%	30.3%

Source: Census (2011)

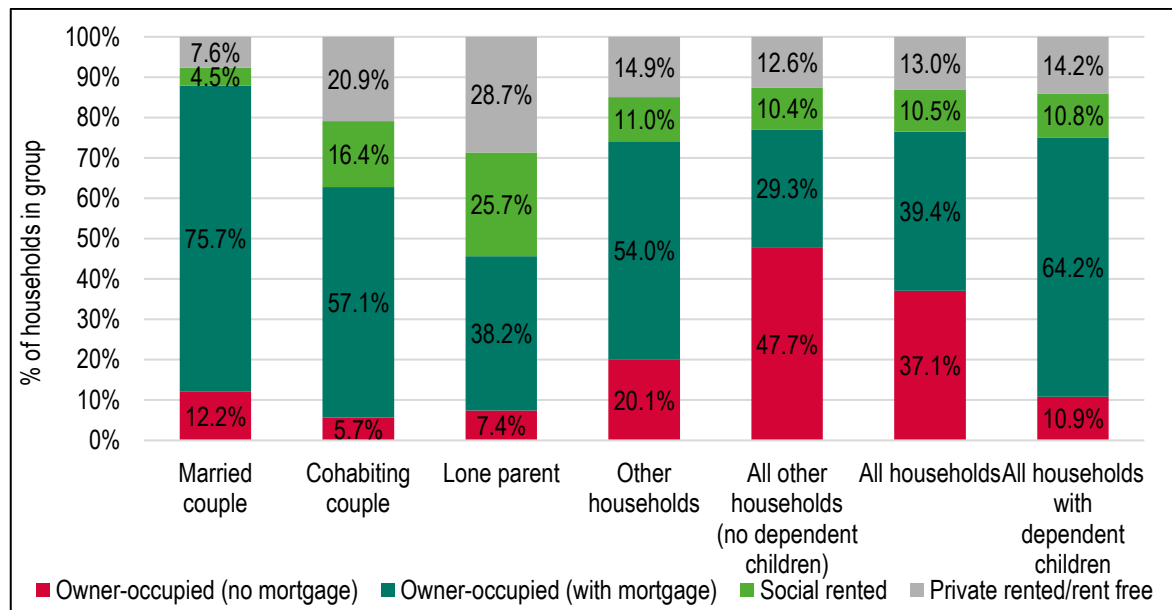
- 10.5 The figures below show the current tenure of households with dependent children. There are some considerable differences by household type with lone parents having a very high proportion living in the social rented sector and also in private rented accommodation. In Leicester, only 21% of lone parent households are owner-occupiers compared with 61% of married couples with children. In Leicestershire these figures are 46% and 88% respectively.

Figure 10.1: Tenure of households with dependent children (2011) – Leicester



Source: Census (2011)

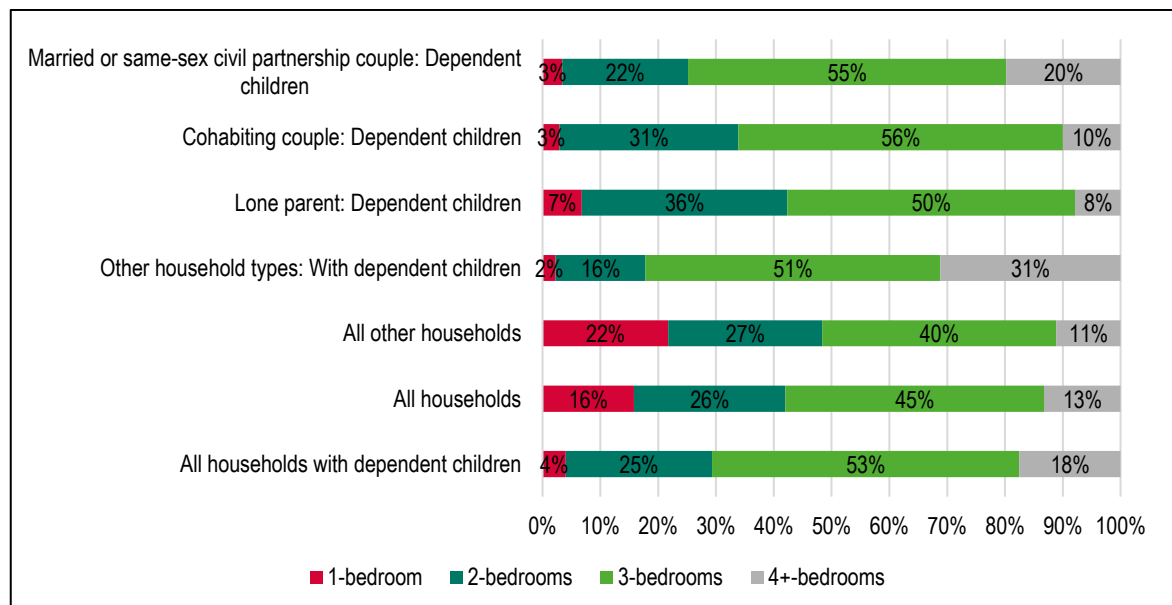
Figure 10.2 Tenure of households with dependent children (2011) – Leicestershire



Source: Census (2011)

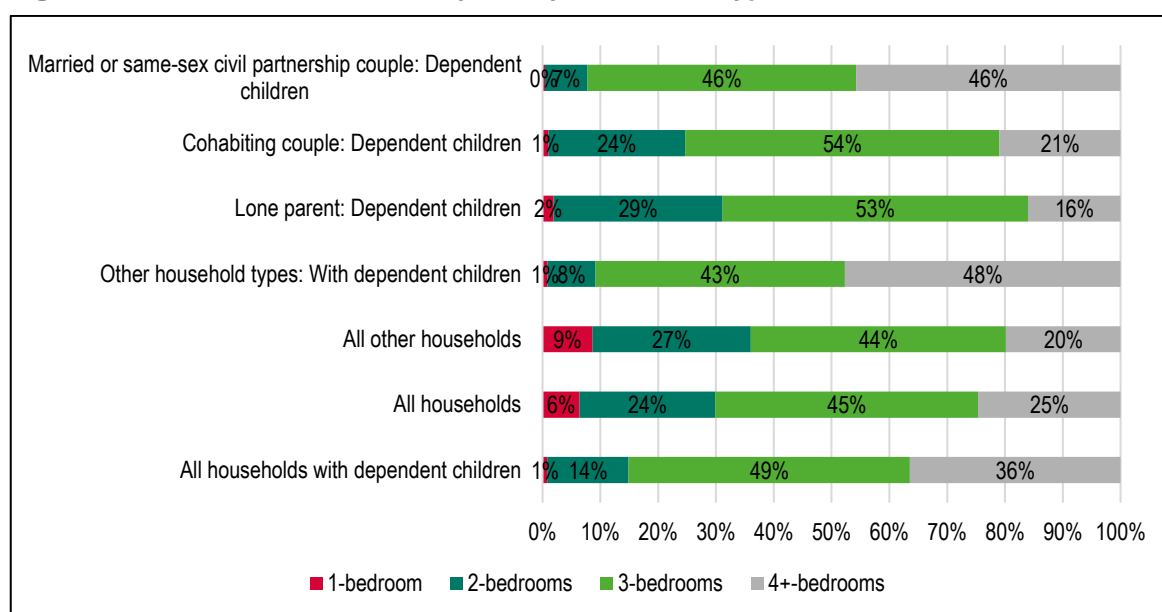
- 10.6 The figures below show the number of bedrooms for family households at the point of the 2011 Census. The analysis shows the differences between married, cohabiting and lone parent families. Across the study area, the tendency is for family households to occupy 3-bedroom housing with varying degrees of 2-and 4+-bedroom properties depending on the household composition. The data also, unsurprisingly, highlights the small level of 1-bed stock occupied by families across the board. As a result, we could expect continued demand for 3+-bedroom homes from family households.

Figure 10.3 Number of Bedrooms by Family Household Type, 2011 – Leicester



Source: Census (2011)

Figure 10.4 Number of Bedrooms by Family Household Type, 2011 – Leicestershire



Source: Census (2011)

The Mix of Housing

- 10.7 A model has been developed that starts with the current profile of housing in terms of size (bedrooms) and tenure. Within the data, information is available about the age of households and the typical sizes of homes they occupy. By using demographic projections linked to the local housing need calculated through the standard method, it is possible to see which age groups are expected to change in number, and by how much. The model is consistent to that used in the 2017 HEDNA.
- 10.8 On the assumption that occupancy patterns for each age group (within each tenure) remain the same, it is therefore possible to assess the profile of housing needed over the assessment period to 2041 (from 2020).
- 10.9 An important starting point is to understand the current balance of housing in the area – the table below profiles the sizes of homes in different tenure groups across areas. The data shows a generally smaller market sector in Leicester than other areas, with the opposite being the case for Leicestershire. The profile of the social rented sector is broadly similar across areas. Observations about the current mix feed into conclusions about future mix later in this section.

Table 10.3 Number of Bedrooms by Tenure, 2011

		Leicester	Leicestershire	East Midlands	England
Owner-occupied	1-bedroom	3%	2%	2%	4%
	2-bedrooms	21%	20%	22%	23%
	3-bedrooms	58%	49%	51%	48%
	4+-bedrooms	19%	30%	26%	25%
	Total	100%	100%	100%	100%
Social rented	1-bedroom	33%	31%	29%	31%
	2-bedrooms	29%	32%	34%	34%
	3-bedrooms	33%	34%	34%	31%
	4+-bedrooms	5%	3%	3%	4%
	Total	100%	100%	100%	100%
Private rented	1-bedroom	25%	13%	15%	23%
	2-bedrooms	34%	39%	39%	39%
	3-bedrooms	30%	35%	35%	28%
	4+-bedrooms	11%	13%	11%	10%
	Total	100%	100%	100%	100%

Source: Census (2011)

- 10.10 The table below shows the same information for each of the local authorities in Leicestershire – this shows broadly similar patterns across areas although there are a few notable differences; this includes a high proportion of 4+-bedroom market homes in Harborough, lower proportions of 1-bedroom social rented homes in Hinckley & Bosworth and North West Leicestershire and a larger private rented sector in Charnwood (which will be associated with the student population).

Table 10.4 Number of Bedrooms by Tenure, 2011 – local authorities in Leicestershire

		Blaby	Charn-wood	Har-boro.	H&B	Melton	NWL	O&W
Owner-occupied	1-bedroom	1%	2%	2%	2%	1%	2%	2%
	2-bedrooms	17%	21%	18%	23%	17%	19%	21%
	3-bedrooms	55%	49%	39%	49%	50%	50%	51%
	4+-bedrooms	27%	27%	41%	27%	32%	29%	26%
	Total	100%	100%	100%	100%	100%	100%	100%
Social rented	1-bedroom	38%	39%	32%	23%	29%	22%	29%
	2-bedrooms	38%	24%	37%	38%	35%	31%	33%
	3-bedrooms	22%	33%	29%	37%	32%	42%	36%
	4+-bedrooms	2%	4%	2%	2%	4%	4%	2%
	Total	100%	100%	100%	100%	100%	100%	100%
Private rented	1-bedroom	10%	15%	14%	16%	12%	13%	10%
	2-bedrooms	37%	36%	41%	42%	35%	39%	43%
	3-bedrooms	44%	31%	32%	33%	40%	38%	40%
	4+-bedrooms	9%	18%	13%	9%	13%	10%	7%
	Total	100%	100%	100%	100%	100%	100%	100%

Source: Census (2011)

Overview of Methodology

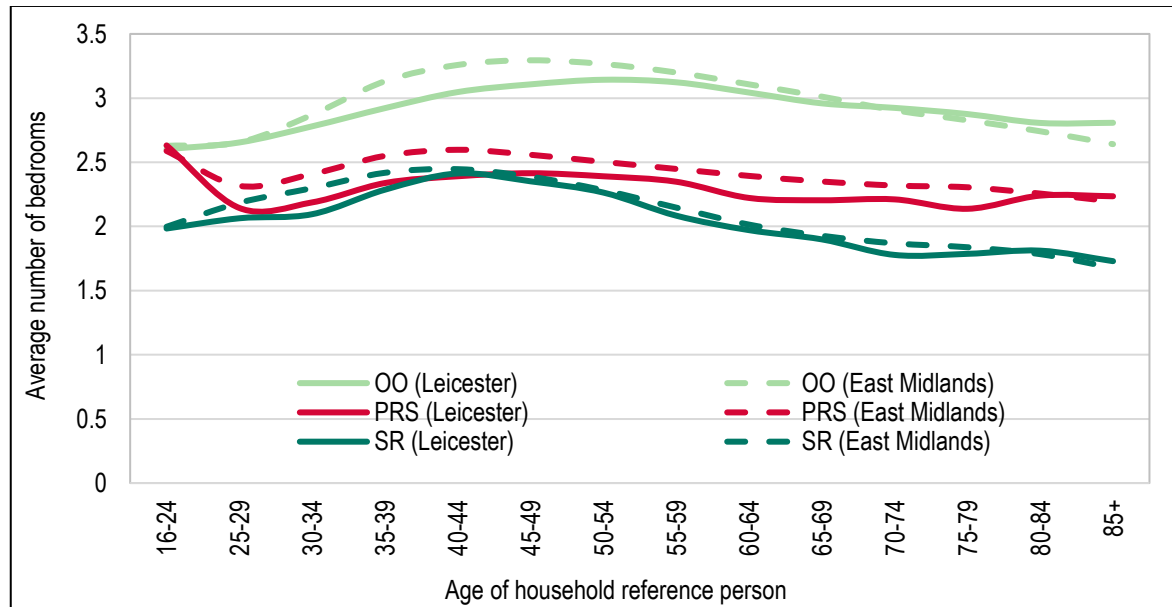
- 10.11 The method to consider future housing mix looks at the ages of the Household Reference Persons and how these are projected to change over time. The sub-sections to follow describe some of the key analysis.

Understanding How Households Occupy Homes

- 10.12 Whilst the demographic projections provide a good indication of how the population and household structure will develop, it is not a simple task to convert the net increase in the number of households into a suggested profile for additional housing to be provided. The main reason for this is that in the market sector, households are able to buy or rent any size of property (subject to what they can afford) and therefore knowledge of the profile of households in an area does not directly transfer into the sizes of property to be provided.
- 10.13 The size of housing which households occupy relates more to their wealth and age than the number of people they contain. For example, there is no reason why a single person cannot buy (or choose to live in) a 4-bedroom home as long as they can afford it, and hence projecting an increase in single person households does not automatically translate into a need for smaller units.
- 10.14 That said, issues of supply can also impact occupancy patterns, for example it may be that a supply of additional smaller bungalows (say 2-bedrooms) would encourage older people to downsize but in the absence of such accommodation these households remain living in their larger accommodation.
- 10.15 The issue of choice is less relevant in the affordable sector (particularly since the introduction of the social sector size criteria) where households are allocated properties which reflect the size of the household, although there will still be some level of under-occupation moving forward with regard to older person and working households who may be able to under-occupy housing (e.g. those who can afford to pay the spare room subsidy ('bedroom tax')).
- 10.16 The approach used is to interrogate information derived in the projections about the number of household reference persons (HRPs) in each age group and apply this to the profile of housing within these groups. The data for this analysis has been formed from a commissioned table by ONS (Table CT0621 which provides relevant data for all local authorities in England and Wales from the 2011 Census).
- 10.17 The figures below show an estimate of how the average number of bedrooms varies by different ages of HRP and broad tenure group for Leicester, Leicestershire and the East Midlands. In the owner-occupied sector the average size of accommodation rises over time to typically reach a peak around the age of 45-50; a similar pattern (but with smaller dwelling sizes and an earlier peak) is seen in both the social and private rented sector. After peaking, the average dwelling size decreases

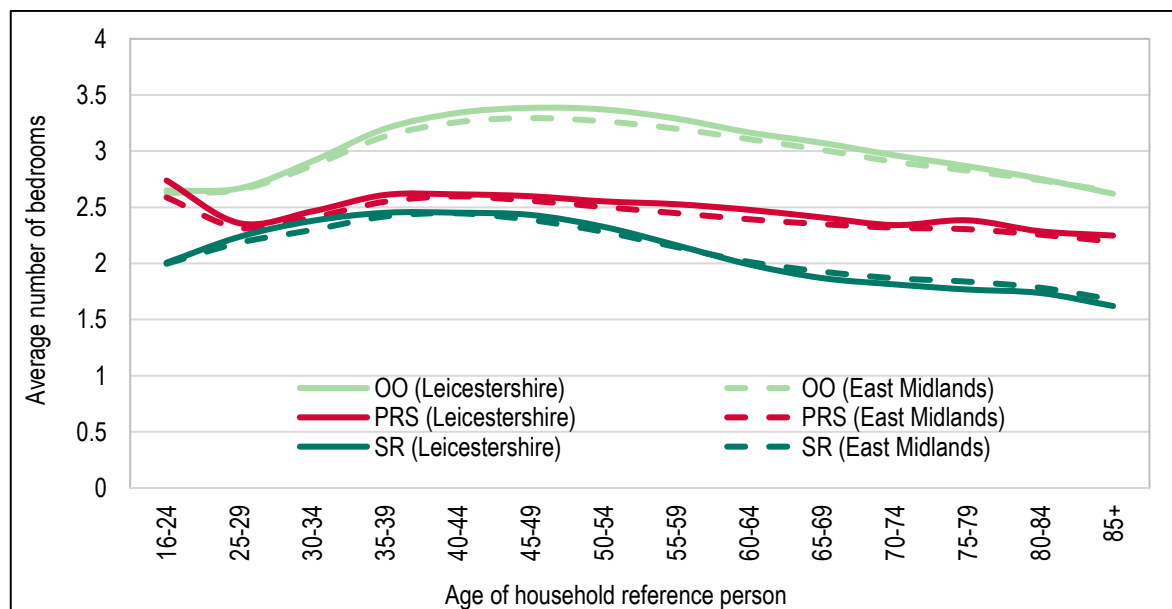
– as typically some households downsize as they get older. The analysis identifies some small differences between Leicester and Leicestershire and the region, with Leicester typically having smaller dwelling sizes the market sector and the opposite being true across Leicestershire.

Figure 10.5 Average Bedrooms by Age and Tenure in Leicester and the East Midlands



Source: Census (2011)

Figure 10.6 Average Bedrooms by Age and Tenure in Leicestershire and the East Midlands



Source: Census (2011)

10.18 Replicating the existing occupancy patterns at a local level would however result in the conclusions being skewed by the existing housing profile. On this basis a further model has been developed that applies regional occupancy assumptions for the East Midlands region. Assumptions are applied to the projected changes in Household Reference Person by age discussed below.

10.19 The analysis has been used to derive outputs for three broad categories. These are:

- **Market Housing** – which is taken to follow the occupancy profiles in the owner-occupied sector;
- **Affordable Home Ownership** – which is taken to follow the occupancy profile in the private rented sector (this is seen as reasonable as the Government's desired growth in home ownership looks to be largely driven by a wish to see households move out of private renting); and
- **Rented Affordable Housing** – which is taken to follow the occupancy profile in the social rented sector. The affordable sector in the analysis to follow would include social and affordable rented housing.

Changes to Households by Age

10.20 The tables below present the projected change in households by age of household reference person, this clearly shows particularly strong growth as being expected in older age groups (and to some extent some younger age groups e.g. those aged up to 49). The number of households headed by someone aged 50-59 is projected to see more modest growth over the period studied. The tables show estimated change using the Standard Method with the next two tables looking at the proposed redistribution of housing (as set out in Housing Distribution Paper). One clear impact of the proposed redistribution is a higher increase in the number of households headed by someone who might be considered as 'working-age' relative to the Standard Method in Leicestershire (with the opposite being seen in Leicester).

Table 10.5 Projected Change in Household by Age of HRP in Leicester – linking to the Standard Method

	2020	2041	Change in Households	% Change
16-24	10,513	13,432	2,919	27.8%
25-29	11,648	16,062	4,414	37.9%
30-34	12,671	19,953	7,282	57.5%
35-39	13,544	19,553	6,009	44.4%
40-44	12,318	17,267	4,949	40.2%
45-49	11,246	14,628	3,382	30.1%
50-54	11,238	14,207	2,969	26.4%
55-59	11,305	12,929	1,624	14.4%
60-64	10,156	12,063	1,907	18.8%
65-69	8,891	10,716	1,824	20.5%
70-74	7,667	10,783	3,116	40.6%
75-79	5,021	8,861	3,840	76.5%
80-84	4,201	7,201	3,000	71.4%
85 & over	4,115	7,117	3,002	73.0%
Total	134,534	184,771	50,237	37.3%

Source: Demographic Projections

Table 10.6 Projected Change in Household by Age of HRP in Leicestershire – linking to the Standard Method

	2020	2041	Change in Households	% Change
16-24	7,182	8,261	1,079	15.0%
25-29	15,396	16,744	1,347	8.7%
30-34	19,067	22,497	3,430	18.0%
35-39	22,092	25,441	3,349	15.2%
40-44	22,689	28,610	5,921	26.1%
45-49	26,591	30,457	3,867	14.5%
50-54	29,729	30,252	523	1.8%
55-59	29,536	29,054	-481	-1.6%
60-64	25,514	27,563	2,049	8.0%
65-69	23,991	28,665	4,674	19.5%
70-74	26,037	32,497	6,460	24.8%
75-79	19,302	30,245	10,943	56.7%
80-84	14,735	24,836	10,101	68.6%
85 & over	13,845	26,826	12,981	93.8%
Total	295,707	361,949	66,241	22.4%

Source: Demographic Projections

Table 10.7 Projected Change in Household by Age of HRP in Leicester – linking to Proposed Redistribution

	2020	2041	Change in Households	% Change
16-24	10,513	12,013	1,500	14.3%
25-29	11,648	13,398	1,750	15.0%
30-34	12,671	15,872	3,201	25.3%
35-39	13,544	14,879	1,335	9.9%
40-44	12,318	13,660	1,343	10.9%
45-49	11,246	12,419	1,173	10.4%
50-54	11,238	12,660	1,423	12.7%
55-59	11,305	11,869	564	5.0%
60-64	10,156	11,304	1,148	11.3%
65-69	8,891	10,166	1,274	14.3%
70-74	7,667	10,321	2,653	34.6%
75-79	5,021	8,539	3,519	70.1%
80-84	4,201	6,973	2,772	66.0%
85 & over	4,115	6,864	2,749	66.8%
Total	134,534	160,937	26,403	19.6%

Source: Demographic Projections

Table 10.8 Projected Change in Household by Age of HRP in Leicestershire – linking to Proposed Redistribution

	2020	2041	Change in Households	% Change
16-24	7,182	8,932	1,750	24.4%
25-29	15,396	18,574	3,178	20.6%
30-34	19,067	25,158	6,091	31.9%
35-39	22,092	28,602	6,510	29.5%
40-44	22,689	31,619	8,930	39.4%
45-49	26,591	33,022	6,431	24.2%
50-54	29,729	32,327	2,598	8.7%
55-59	29,536	30,683	1,148	3.9%
60-64	25,514	28,880	3,366	13.2%
65-69	23,991	29,863	5,872	24.5%
70-74	26,037	33,677	7,640	29.3%
75-79	19,302	31,208	11,905	61.7%
80-84	14,735	25,549	10,813	73.4%
85 & over	13,845	27,689	13,844	100.0%
Total	295,707	385,783	90,075	30.5%

Source: Demographic Projections

Initial Modelled Outputs

- 10.21 By following the methodology set out above and drawing on the sources shown, a series of outputs have been derived to consider the likely size requirement of housing within each of the three broad tenures at a local authority level. Two tables are provided, considering both local and regional occupancy patterns. The data linking to local occupancy will to some extent reflect the role and function of the local area, whilst the regional data will help to establish any particular gaps (or relative surpluses) of different sizes/tenures of homes when considered in a wider context.
- 10.22 The analysis for rented affordable housing can also draw on data from the local authority Housing Register with regards to the profile of need. The data has been taken from the Local Authority Housing Statistics (“LAHS”) and shows a pattern of need which is focussed on 1- and 2-bedroom homes but also showing approaching a quarter of households as requiring 3+- bedroom homes (nearly a third in Leicester).

Table 10.9 Breakdown of Housing Register by Current Bedroom Need, 2020

	1-bedroom	2-bedrooms	3-bedrooms	4+-bedrooms
Leicester	33%	34%	22%	10%
Blaby	42%	37%	17%	4%
Charnwood	49%	34%	11%	6%
Harborough	49%	33%	13%	6%
H & B	39%	39%	17%	5%
Melton	50%	33%	13%	4%
NWL	49%	39%	10%	3%
O & W	38%	40%	17%	5%
Leicestershire	47%	35%	13%	5%
L & L	41%	35%	17%	7%

Source: Local Authority Housing Statistics, 2020

- 10.23 The tables below show the modelled outputs of need by dwelling size in the three broad tenures. Tables are providing by linking to local and regional occupancy patterns with the data taking an average of the two positions. Four tables are provided, two each of Leicester and Leicestershire and also with the two different demographic models (linking to the Standard Method and also the Proposed Distribution).

Table 10.10 Modelled Mix of Housing by Size and Tenure in Leicester – linked to Standard Method

	1-bedroom	2-bedrooms	3-bedrooms	4+-bedrooms
Market	2%	23%	55%	20%
Affordable home ownership	20%	37%	32%	11%
Affordable housing (rented)	31%	32%	32%	4%

Source: Housing Market Model

Table 10.11 Modelled Mix of Housing by Size and Tenure in Leicestershire – linked to Standard Method

	1-bedroom	2-bedrooms	3-bedrooms	4+-bedrooms
Market	3%	28%	50%	19%
Affordable home ownership	15%	39%	35%	11%
Affordable housing (rented)	35%	33%	29%	3%

Source: Housing Market Model

Table 10.12 Modelled Mix of Housing by Size and Tenure in Leicester – linked to Proposed Distribution

	1-bedroom	2-bedrooms	3-bedrooms	4+-bedrooms
Market	3%	25%	55%	18%
Affordable home ownership	21%	37%	32%	11%
Affordable housing (rented)	33%	32%	31%	4%

Source: Housing Market Model

Table 10.13 Modelled Mix of Housing by Size and Tenure in Leicestershire – linked to Proposed Distribution

	1-bedroom	2-bedrooms	3-bedrooms	4+-bedrooms
Market	2%	26%	50%	21%
Affordable home ownership	15%	39%	35%	11%
Affordable housing (rented)	34%	33%	30%	3%

Source: Housing Market Model

Adjustments for Under-Occupation and Overcrowding

- 10.24 The analysis above sets out the potential need for housing if occupancy patterns remained the same as they were in 2011 (with differences from the current stock profile being driven by demographic change). It is however worth also considering that the 2011 profile will have included households who are overcrowded (and therefore need a larger home than they actually live in) and also those who under-occupy (have more bedrooms than they need).
- 10.25 Whilst it would not be reasonable to expect to remove all under-occupancy (particularly in the market sector) it is the case that in seeking to make the most efficient use of land it would be prudent to look to reduce this over time. Indeed, in the future there may be a move away from current (2011) occupancy patterns due to affordability issues (or eligibility in social rented housing) as well as the type of stock likely to be provided (potentially a higher proportion of flats). Further adjustments to the modelled figures above have therefore been made to take account of overcrowding and under-occupancy (by tenure).
- 10.26 The table below shows a cross-tabulation of a household's occupancy rating and the number of bedrooms in their home (for owner-occupiers) in Leicester, in particular, this shows a higher number of households with at least 2 spare bedrooms who are living in homes with 3 or more bedrooms (which have a positive occupancy rating). There are also a small number of overcrowded households (which are shown as having a negative occupancy rating). Overall, in the owner-occupied sector in 2011, there were 45,500 households with some degree of under-occupation and just 3,900 overcrowded households. For clarity the figure used in the tables below are:
- +2 – household has two or more spare bedrooms
 - +1 – household has one spare bedroom
 - 0 – household has the same number of bedrooms as required for family members
 - -1 – household is overcrowded with one bedroom too few
 - -2 – household is overcrowded with at least two bedroom too few

Table 10.14 Cross-tabulation of occupancy rating and number of bedrooms (owner-occupied sector) – Leicester

Occupancy rating	Number of bedrooms				
	1-bed	2-bed	3-bed	4+-bed	TOTAL
+2	0	0	15,463	8,094	23,557
+1	0	8,757	10,925	2,218	21,900
0	1,463	3,166	7,216	771	12,616
-1	143	847	1,769	269	3,028
-2	73	216	440	114	843
TOTAL	1,679	12,986	35,813	11,466	61,944

Source: Census (2011)

- 10.27 For completeness the tables below show the same information for the social and private rented sectors. In both cases there are more under-occupying households than overcrowded, but differences are less marked than seen for owner-occupied housing.

Table 10.15 Cross-tabulation of occupancy rating and number of bedrooms (social rented sector) – Leicester

Occupancy rating	Number of bedrooms				
	1-bed	2-bed	3-bed	4+-bed	TOTAL
+2	0	0	2,813	387	3,200
+1	0	3,617	2,941	626	7,184
0	9,197	3,990	3,315	413	16,915
-1	1,015	1,291	966	79	3,351
-2	208	205	186	21	620
TOTAL	10,420	9,103	10,220	1,527	31,270

Source: Census (2011)

Table 10.16 Cross-tabulation of occupancy rating and number of bedrooms (private rented sector) – Leicester

Occupancy rating	Number of bedrooms				
	1-bed	2-bed	3-bed	4+-bed	TOTAL
+2	0	0	2,687	952	3,639
+1	0	4,639	2,550	1,509	8,698
0	6,038	4,030	2,675	621	13,364
-1	1,119	1,190	870	200	3,379
-2	237	278	243	73	831
TOTAL	7,394	10,137	9,026	3,354	29,911

Source: Census (2011)

- 10.28 The equivalent tables for Leicestershire are provided below. This shows higher levels of under-occupancy and lower levels of overcrowding in all tenures within the County when compared with the City data.

Table 10.17 Cross-tabulation of occupancy rating and number of bedrooms (owner-occupied sector) – Leicestershire

Occupancy rating	Number of bedrooms				
	1-bed	2-bed	3-bed	4+-bed	TOTAL
+2	0	0	57,402	47,976	105,378
+1	0	32,482	29,523	10,234	72,239
0	3,487	7,065	11,519	2,062	24,133
-1	210	844	1,092	274	2,420
-2	76	90	157	66	389
TOTAL	3,773	40,481	99,693	60,612	204,559

Source: Census (2011)

Table 10.18 Cross-tabulation of occupancy rating and number of bedrooms (social rented sector) – Leicestershire

Occupancy rating	Number of bedrooms				
	1-bed	2-bed	3-bed	4+-bed	TOTAL
+2	0	0	3,160	267	3,427
+1	0	5,261	3,047	370	8,678
0	8,273	3,237	2,770	224	14,504
-1	300	425	506	27	1,258
-2	56	42	48	4	150
TOTAL	8,629	8,965	9,531	892	28,017

Source: Census (2011)

Table 10.19 Cross-tabulation of occupancy rating and number of bedrooms (private rented sector) – Leicestershire

Occupancy rating	Number of bedrooms				
	1-bed	2-bed	3-bed	4+-bed	TOTAL
+2	0	0	5,985	1,894	7,879
+1	0	8,697	3,732	1,917	14,346
0	4,250	4,320	2,355	508	11,433
-1	365	404	253	54	1,076
-2	49	37	30	8	124
TOTAL	4,664	13,458	12,355	4,381	34,858

Source: Census (2011)

- 10.29 In using this data in the modelling an adjustment is made to move some of those who would have been picked up in the modelling as under-occupying into smaller accommodation. Where there is under-occupation by 2 or more bedrooms, the adjustment takes 25% of this group and assigns to a '+1' occupancy rating and a further 12.5% (i.e. an eighth) to a '0' rating. For households with one spare bedroom, 12.5% are assigned to a '0' rating (with the others remaining as '+1'). These do need to be recognised as assumptions but can be seen to be reasonable as they do retain some degree of under-occupation (which is likely) but does also seek to model a better match between household needs and the size of their home. For overcrowded households a move in the other direction is made, in this case households are moved up as many bedrooms as is needed to resolve the problems.

10.30 The adjustments for under-occupation and overcrowding lead to the suggested mix as set out in the following tables. It can be seen that this tends to suggest a smaller profile of homes as being needed (compared to the initial modelling) with the biggest change being in the market sector – which was the sector where under-occupation is currently most notable.

10.31 The figures in the tables below take an average from all of the scenarios developed to look at mix (i.e. linking to both local and regional occupancy patterns as well as the different housing numbers (Standard Method and Proposed Redistribution).

Table 10.20 Adjusted Modelled Mix of Housing by Size and Tenure – Leicester

	1-bedroom	2-bedrooms	3-bedrooms	4+-bedrooms
Market	5%	29%	49%	18%
Affordable home ownership	20%	38%	31%	12%
Affordable housing (rented)	32%	33%	30%	5%

Source: Housing Market Model (with adjustments)

Table 10.21 Adjusted Modelled Mix of Housing by Size and Tenure – Leicestershire

	1-bedroom	2-bedrooms	3-bedrooms	4+-bedrooms
Market	6%	33%	45%	17%
Affordable home ownership	17%	41%	32%	10%
Affordable housing (rented)	36%	34%	27%	3%

Source: Housing Market Model (with adjustments)

10.32 The tables below show the same outputs for each of the local authorities in Leicestershire. Generally the figures show similar patterns, although there are variations due to the current stock profile, projected future demographic change and levels of over- and under-occupation.

Table 10.22 Adjusted Modelled Mix of Housing by Size and Tenure – Blaby

	1-bedroom	2-bedrooms	3-bedrooms	4+-bedrooms
Market	6%	32%	46%	16%
Affordable home ownership	16%	41%	35%	9%
Affordable housing (rented)	39%	36%	23%	3%

Source: Housing Market Model (with adjustments)

Table 10.23 Adjusted Modelled Mix of Housing by Size and Tenure – Charnwood

	1-bedroom	2-bedrooms	3-bedrooms	4+-bedrooms
Market	5%	31%	45%	18%
Affordable home ownership	17%	40%	31%	12%
Affordable housing (rented)	37%	31%	28%	4%

Source: Housing Market Model (with adjustments)

Table 10.24 Adjusted Modelled Mix of Housing by Size and Tenure – Harborough

	1-bedroom	2-bedrooms	3-bedrooms	4+-bedrooms
Market	6%	33%	42%	19%
Affordable home ownership	18%	42%	31%	9%
Affordable housing (rented)	38%	35%	24%	3%

Source: Housing Market Model (with adjustments)

Table 10.25 Adjusted Modelled Mix of Housing by Size and Tenure – Hinckley & Bosworth

	1-bedroom	2-bedrooms	3-bedrooms	4+-bedrooms
Market	6%	35%	44%	15%
Affordable home ownership	18%	43%	31%	8%
Affordable housing (rented)	33%	36%	27%	3%

Source: Housing Market Model (with adjustments)

Table 10.26 Adjusted Modelled Mix of Housing by Size and Tenure – Melton

	1-bedroom	2-bedrooms	3-bedrooms	4+-bedrooms
Market	7%	35%	45%	13%
Affordable home ownership	17%	41%	33%	9%
Affordable housing (rented)	39%	36%	23%	3%

Source: Housing Market Model (with adjustments)

Table 10.27 Adjusted Modelled Mix of Housing by Size and Tenure – North West Leicestershire

	1-bedroom	2-bedrooms	3-bedrooms	4+-bedrooms
Market	6%	34%	45%	15%
Affordable home ownership	17%	41%	33%	9%
Affordable housing (rented)	33%	35%	29%	3%

Source: Housing Market Model (with adjustments)

Table 10.28 Adjusted Modelled Mix of Housing by Size and Tenure – Oadby & Wigston

	1-bedroom	2-bedrooms	3-bedrooms	4+-bedrooms
Market	6%	36%	45%	13%
Affordable home ownership	16%	43%	33%	8%
Affordable housing (rented)	34%	34%	28%	4%

Source: Housing Market Model (with adjustments)

Indicative Targets for Different Sizes of Properties by Tenure

- 10.33 The analysis below provides some indicative targets for different sizes of home (by tenure). The conclusions take account of a range of factors, including the modelled outputs and an understanding of the stock profile in different locations. The analysis (for rented affordable housing) also draws on the Housing Register data as well as taking a broader view of issues such as the flexibility of homes to accommodate changes to households (e.g. the lack of flexibility offered by a 1-bedroom home for a couple looking to start a family).

- 10.34 Where information has been drawn from the modelling, this is based on looking at averages across all of the scenarios developed (i.e. linking to both the Standard Method and the Proposed Redistribution (as set out in the separate Distribution Paper) and local/regional models). In general the modelled mix does not vary significantly across scenarios or areas and so can be considered relevant for individual authorities regardless of ultimate decisions about the quantum and distribution of housing across the area.

Social/Affordable Rented Housing

- 10.35 Bringing together the above, a number of factors are recognised. This includes recognising that it is unlikely that all affordable housing needs will be met and that it is possible that households with a need for larger homes will have greater priority (as they are more likely to contain children). That said, there is also a possible need for 1-bedroom social housing arising due to homelessness (typically homeless households are more likely to be younger single people); that said this group might also be expected to need other forms of accommodation (e.g. foyer or supported housing). In taking any recommendations forward, the Councils will therefore need to consider any specific issues in their local area.
- 10.36 As noted, the conclusions also consider the Housing Register, but recognises that this will be based on a strict determination of need using the bedroom standard; there will be some households able to afford a slightly larger home or who can claim benefits for a larger home than they strictly need (i.e. are not caught by the spare room subsidy ('bedroom tax') – this will include older person households). The conclusions also take account of the current profile of housing in this sector (which for example shows a varying proportion of 1-bedroom homes in the current stock across areas).
- 10.37 In taking account of the modelled outputs, the Housing Register and the discussion above, it is suggested that the following mix of social/affordable rented housing (which is close to the modelled outputs) would be appropriate.

Table 10.29 Suggested Mix of Social/Affordable Rented Housing by area

	1-bedroom	2-bedrooms	3-bedrooms	4+-bedrooms
Leicester	30%	35%	25%	10%
Blaby	35%	35%	25%	5%
Charnwood	35%	35%	25%	5%
Harborough	35%	40%	20%	5%
H & B	30%	40%	25%	5%
Melton	35%	40%	20%	5%
NWL	35%	40%	20%	5%
O & W	30%	40%	25%	5%
Leicestershire	35%	35%	25%	5%
L & L	30%	40%	25%	5%

Source: Conclusions drawn on a variety of sources as discussed

10.38 Regarding 1-bedroom homes, Councils will need to also be mindful of what social housing providers will deliver as it is possible for management purposes (and due to issues about turnover) that a smaller proportion might be sought in some circumstances.

10.39 Across the study area, the analysis points to around a third of the social/affordable housing need being for 1-bedroom homes and it is of interest to see how much of this is due to older person households. In the future household sizes are projected to drop whilst the population of older people will increase. Older person households (as shown earlier) are more likely to occupy smaller dwellings. The impacts of older people have on demand for smaller stock is outlined in the table below. This illustrates that approximately three-fifths of the demand for one bedroom affordable housing will be down to the ageing population, with a higher proportion typically being seen outside of Leicester (and to a lesser extent Charnwood).

Table 10.30 Estimated proportion of affordable one bedroom housing needs due to the ageing of the population

	Linking to Standard Method	Linking to Proposed Redistribution
Leicester	42%	47%
Blaby	71%	68%
Charnwood	60%	60%
Harborough	76%	75%
H & B	72%	71%
Melton	84%	82%
NWL	76%	72%
O & W	69%	67%
Leicestershire	70%	68%
L & L	59%	60%

Source: Housing Market Model

Affordable Home Ownership

10.40 In the affordable home ownership and market sectors a profile of housing that closely matches the outputs of the modelling is suggested (with some adjustments to take account of student households in Leicester and Charnwood). It is considered that the provision of affordable home ownership should be more explicitly focused on delivering smaller family housing for younger households. Based on this analysis, it is suggested that the following mix of affordable home ownership would be appropriate, and it can be noted that there really is very little difference in the recommendations across areas.

10.41 It can be seen that the profile of housing in this sector is generally for slightly larger homes than for the social/affordable rented sector – this will in part reflect the fact that some degree of under-occupation would be allowed in such homes. For 1-bedroom units, it needs to be recognised that the figures are driven by the modelling linked to demographic change; again Councils may need to consider if the figures are appropriate on a local context. For example, in some areas Registered

Providers find difficulties selling 1-bedroom affordable home ownership homes and therefore the 1-bedroom elements of AHO might be better provided as 2-bedroom accommodation. Equally demand for shared ownership properties is likely to be more limited for larger property sizes.

Table 10.31 Suggested Mix of Affordable Home Ownership Housing by area

	1-bedroom	2-bedrooms	3-bedrooms	4+-bedrooms
Leicester	20%	40%	30%	10%
Blaby	15%	40%	35%	10%
Charnwood	20%	40%	30%	10%
Harborough	20%	40%	30%	10%
H & B	20%	40%	30%	10%
Melton	15%	40%	35%	10%
NWL	15%	40%	35%	10%
O & W	15%	45%	30%	10%
Leicestershire	15%	40%	35%	10%
L & L	20%	40%	30%	10%

Source: Conclusions drawn on a variety of sources as discussed

Market Housing

- 10.42 Finally, in the market sector, a balance of dwellings is suggested that takes account of both the demand for homes and the changing demographic profile (as well as observations about the current mix when compared with other locations and also the potential to slightly reduce levels of under-occupancy). This sees a slightly larger recommended profile compared with other tenure groups – again there is little variation across areas.

Table 10.32 Suggested Mix of Market Housing by area

	1-bedroom	2-bedrooms	3-bedrooms	4+-bedrooms
Leicester	5%	30%	45%	20%
Blaby	5%	35%	45%	15%
Charnwood	5%	30%	45%	20%
Harborough	5%	35%	40%	20%
H & B	5%	35%	45%	15%
Melton	5%	35%	45%	15%
NWL	5%	35%	45%	15%
O & W	5%	35%	45%	15%
Leicestershire	5%	35%	45%	15%
L & L	5%	30%	45%	20%

Source: Conclusions drawn on a variety of sources as discussed

- 10.43 Although the analysis has quantified this on the basis of the market modelling and an understanding of the current housing market, it does not necessarily follow that such prescriptive figures should be included in the plan making process (although it will be useful to include an indication of the broad mix to be sought across the study area) – demand can change over time linked to macro-economic factors and local supply. Policy aspirations could also influence the mix sought.

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- 10.44 The suggested figures can be used as a monitoring tool to ensure that future delivery is not unbalanced when compared with the likely requirements as driven by demographic change in the area. The recommendations can also be used as a set of guidelines to consider the appropriate mix on larger development sites, and the Councils could expect justification for a housing mix on such sites which significantly differs from that modelled herein. Site location and area character are also however relevant considerations the appropriate mix of market housing on individual development sites.

Smaller-area Housing Mix

- 10.45 The analysis above has focussed on overall study area-wide and local authority needs with conclusions very much at the strategic level. It should however be recognised that there will be variations in the need within areas due the different role and function of a location and the specific characteristics of local households (which can also vary over time). This report does not seek to look at smaller-area needs, and this would be best suited to individual projects for local authorities; however, below are some points for consideration when looking at needs in any specific location.
- a) Whilst there will be differences in the stock profile in different locations this should not necessarily be seen as indicating particular surpluses or shortfalls of particular types and sizes of homes;
 - b) As well as looking at the stock, an understanding of the role and function of areas is important. For example, higher priced rural areas are typically sought by wealthier families and therefore such areas would be expected to provide a greater proportion of larger homes;
 - c) That said, some of these areas will have very few small/cheaper stock and so consideration needs to be given to diversifying the stock;
 - d) The location/quality of sites will also have an impact on the mix of housing. For example, brownfield sites in the centre of towns may be more suited to flatted development (as well as recognising the point above about role and function) whereas a rural site on the edge of an existing village may be more appropriate for family housing. Other considerations (such as proximity to public transport) may impact on a reasonable mix at a local level;
- 10.46 Overall, it is suggested that Councils should broadly seek the same mix of housing in all locations, rather than setting more locally specific policies for different parts of individual districts, but would be flexible to a different mix where specific local characteristics suggest. The Councils should also monitor what is being built to ensure that a reasonable mix is provided in a settlement overall.

- 10.47 Additionally, in the affordable sector it may be the case that Housing Register data for a smaller area identifies a shortage of housing of a particular size/type which could lead to the mix of housing being altered from the overall suggested requirement

Built Form

- 10.48 A final issue is a discussion of the need/demand for different built-forms of homes. In particular this discussion focusses on bungalows and the need for flats vs. houses.

Bungalows

- 10.49 The sources used for analysis in this report make it difficult to quantify a need/demand for bungalows in the HMA and constituent authorities as Census data (which is used to look at occupancy profiles) does not separately identify this type of accommodation. Data from the Valuation Office Agency (VOA) does however provide estimates of the number of bungalows (by bedrooms) although no tenure split is available.
- 10.50 The tables below show a notable proportion of homes in Leicestershire are bungalows (12% of all flats and houses) with over half of these having 2-bedrooms (and most of the rest having 3-bedrooms); a slightly lower proportion (9%) of homes across England are bungalows. In Leicester, the number of bungalows is notably lower (at just 4% of the stock).

Table 10.33 Number of dwellings by property type and number of bedrooms (March 2020) – Leicester

	Number of bedrooms					All
	1	2	3	4+	Not Known	
Bungalow	2,980	2,040	780	110	30	5,930
Flat/Maisonette	23,340	10,670	1,480	1,980	540	38,000
Terraced house	480	17,420	28,160	3,060	80	49,200
Semi-detached house	50	4,140	29,330	2,460	70	36,050
Detached house	10	310	4,070	4,910	40	9,340
All flats/houses	26,860	34,580	63,820	12,520	760	138,520
Annexe	-	-	-	-	-	50
Other	-	-	-	-	-	20
Unknown	-	-	-	-	-	2,310
All properties	-	-	-	-	-	140,900

Source: Valuation Office Agency

Table 10.34 Number of dwellings by property type and number of bedrooms (March 2020) – Leicestershire

	Number of bedrooms					All
	1	2	3	4+	Not Known	
Bungalow	3,090	21,010	11,070	1,700	170	37,050
Flat/Maisonette	13,160	10,980	950	410	220	25,690
Terraced house	1,460	23,370	26,160	2,840	170	54,010
Semi-detached house	260	13,200	73,780	6,760	200	94,170
Detached house	120	2,770	33,410	50,060	690	87,020
All flats/houses	18,090	71,330	145,370	61,770	1,450	297,940
Annexe	-	-	-	-	-	350
Other	-	-	-	-	-	1,240
Unknown	-	-	-	-	-	3,720
All properties	-	-	-	-	-	303,220

Source: Valuation Office Agency

10.51 For individual local authorities the proportion of the stock that is bungalows is shown below. Generally across the County, the proportion does not vary much, going from 11.2% in Charnwood, up to 14.0% in Hinckley & Bosworth:

- Leicester – 4.3%;
- Blaby – 12.5%;
- Charnwood – 11.2%;
- Harborough – 12.9%;
- Hinckley & Bosworth – 14.0%;
- Melton – 12.3%;
- North West Leicestershire – 12.0%;
- Oadby & Wigston – 13.0%;
- Leicestershire – 12.4%; and
- Leicester & Leicestershire – 9.8%

10.52 In general, discussions with local estate agents find that there is a demand for bungalows and in addition, analysis of survey data (in other locations) points to a high demand for bungalows (from people aged 65 and over in particular). Bungalows are often a first choice for older people seeking suitable accommodation in later life and there is generally a high demand for such accommodation when it becomes available (this is different from specialist accommodation for older people which would have some degree of care or support).

10.53 As a new build option, bungalows are often not supported by either house builders or planners (due to potential plot sizes and their generally low densities). There may, however, be instances where bungalows are the most suitable house type for a particular site; for example, to overcome objections about dwellings overlooking existing dwellings or preserving sight lines.

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- 10.54 There is also the possibility of a wider need/demand for retirement accommodation. Retirement apartments can prove very popular if they are well located in terms of access to facilities and services, and environmentally attractive (e.g. have a good view). However, some potential purchasers may find high service charges unacceptable or unaffordable and new build units may not retain their value on re-sale.
- 10.55 Overall, the Councils should consider the potential role of bungalows as part of the future mix of housing. Such housing may be particularly attractive to older owner-occupiers (many of whom are equity-rich) which may assist in encouraging households to downsize. However, the downside to providing bungalows is that they can often be relatively land intensive.
- 10.56 Bungalows are likely to see a particular need and demand in the market sector and also for rented affordable housing (for older people as discussed in the next section of the report). Bungalows are likely to particularly focus on 2-bedroom homes, including in the affordable sector where such housing may encourage households to move from larger 'family-sized' accommodation (with 3+-bedrooms).

Flats vs. Houses

- 10.57 Although there are some 1-bedroom houses and 3-bedroom flats, it is considered that the key discussion on built-form will be for 2-bedroom accommodation, where it might be expected that there would be a combination of both flats and houses. At a national level, 81% of all flats 1-bedroom homes, 35% of 2-bedroom homes and just 4% of homes with 3-bedrooms.
- 10.58 The table below shows (for 2-bedroom accommodation) the proportion of homes by tenure that are classified as a flat, maisonette or apartment in Leicester, Leicestershire and England. This shows a relatively low proportion of flats in both areas (particularly the County with just 14% of all 2-bedroom homes) and this would point to the majority of 2-bedroom homes in the future also being houses. The analysis does however show a higher proportion of flats in the social and private rented sectors. Iceni consider that greater emphasis should be given to mix by dwelling size than type recognising the potential for built-form to vary in different locations.
- 10.59 This analysis is based on considering the current built-form in different tenures. Any decisions about the types of dwelling to be provided will need to take account of factors such as households type of those likely to occupy dwellings (where for example households with children will be more suited to a house than a flat). However, site characteristics may also play a role in deciding the most suitable built-form (e.g. city/town centre developments may be more suited to flats).

Table 10.35 Proportion of 2-bedroom homes that are a flat, maisonette or apartment (by tenure)

	Owner-occupied	Social rented	Private rented	All (2-bedroom)
Leicester	12%	44%	38%	29%
Blaby	6%	33%	24%	14%
Charnwood	7%	55%	30%	18%
Harborough	6%	25%	24%	14%
H & B	5%	32%	30%	14%
Melton	4%	25%	18%	12%
NWL	3%	25%	22%	11%
O & W	6%	45%	20%	13%
Leicestershire	6%	35%	25%	14%
L & L	7%	39%	31%	20%
England	21%	48%	50%	35%

Source: 2011 Census

- 10.60 As noted, this analysis would suggest that most 2-bedroom homes should be built as houses (or bungalows) rather than flats. However, any decisions will still have to take account of site characteristics, which in some cases might point towards flatted development as being most appropriate.

Housing Mix: Key Messages

- The proportion of households with dependent children is similar to the regional and national average with around 30% of all households containing dependent children in 2011. The County does however have a greater proportion of married couple households, whilst the City see more lone parents.
- There are a range of factors which will influence demand for different sizes of homes, including demographic changes; future growth in real earnings and households' ability to save; economic performance and housing affordability. The analysis linked to long-term demographic change (2020-41) concludes that the following represents an appropriate mix of affordable and market homes for new development, this takes account of both household changes and the ageing of the population – the analysis also models for there to be a modest decrease in levels of under-occupancy (which are particularly high in the market sector and in areas outside of the City):

Suggested Mix of Housing by Size and Tenure – Leicester				
	1-bedroom	2-bedrooms	3-bedrooms	4+-bedrooms
Market	5%	30%	45%	20%
Affordable home ownership	20%	40%	30%	10%
Affordable housing (rented)	30%	35%	25%	10%

Suggested Mix of Housing by Size and Tenure – Leicestershire				
	1-bedroom	2-bedrooms	3-bedrooms	4+-bedrooms
Market	5%	35%	45%	15%
Affordable home ownership	15%	40%	35%	10%
Affordable housing (rented)	35%	35%	25%	5%

- The strategic conclusions in the affordable sector recognise the role which delivery of larger family homes can play in releasing a supply of smaller properties for other households. Also recognised is the limited flexibility which 1-bed properties offer to changing household circumstances, which feed through into higher turnover and management issues. The conclusions also take account of the current mix of housing by tenure and also the size requirements shown on the Housing Register.
- The mix identified above could inform strategic policies although a flexible approach should be adopted. For example, in some areas Registered Providers find difficulties selling 1-bedroom affordable home ownership homes and therefore the 1-bedroom elements of AHO might be better provided as 2-bedroom accommodation. Additionally, in applying the mix to individual development sites, regard should be had to the nature of the site and character of the area, and to up-to-date evidence of need as well as the existing mix and turnover of properties at the local level. The Councils should also monitor the mix of housing delivered.
- Analysis also suggests that the majority of units should be houses rather than flats, although consideration will need to be given to site specific circumstances (which may in some cases lend themselves to flatted development). Additionally, the Councils should consider the role of bungalows within the mix – such housing can be particularly attractive to older person households downsizing and may help to release larger (family-sized) accommodation back into the market.
- Based on the evidence, it is expected that the focus of new market housing provision will be on 2- and 3-bed properties. Continued demand for family housing can be expected from newly forming households. There may also be some demand for medium-sized properties (2- and 3-beds) from older households downsizing and looking to release equity in existing homes, but still retaining flexibility for friends and family to come and stay.

11. NEEDS OF PARTICULAR GROUPS

- 11.1 This section studies the characteristics and housing needs of the older person population and the population with some form of disability. The two groups are taken together as there is a clear link between age and disability. It responds to Planning Practice Guidance on *Housing for Older and Disabled People* published by Government in June 2019. It includes an assessment of the need for specialist accommodation for older people and the potential requirements for housing to be built to M4(2) and M4(3) housing technical standards (accessibility and wheelchair standards).
- 11.2 The first part of this chapter provides a policy review and discussion around the housing needs of older people. We then calculate the need for specialist housing for older people first; and then younger people.

Policy Review

Leicester All Age Commissioning Strategy 2020

- 11.3 The Leicester All Age Commissioning Strategy 2020¹⁹ sets out the commissioning intentions for the Council's Social Care and Education Department. In commissioning services the strategy sets out a set of principles including a commitment to *"intervene early, quickly and as effectively as possible...personalise our approach to fit the needs of the individual...(and) ensure we give those we work with the best life opportunities."* The Strategy notes that due to budget cuts there is a huge challenge for the social care sector *"which means we have to focus provision where it is most needed and most likely to make a difference and where there are statutory duties to provide support."*
- 11.4 The Council also highlight a significant increase in the number of people unable to manage self-care tasks. Between 2020 and 2025 the Council (drawing on POPPI and PANSI data) expect a rise of around 40% of people aged 65+ unable to manage at least one self-care activity on their own. They also estimate that the number of people with a learning disability will increase by around 400 people over the same period.
- 11.5 The strategy also sets out that *"an estimated 39,770 adults aged 16-64 living in Leicester have mental health problems"* equivalent to 17.9% of adults. It also noted that this was expected to increase by 18% in the period to 2030.

¹⁹ <https://www.leicester.gov.uk/media/186505/all-age-commissioning-strategy-2020-2025.pdf>

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- 11.6 In relation to providing early help, intervention and prevention the Council's vision is to *"prevent or delay a loss of independence for vulnerable adults"* adding that *"As a result, we will reduce the need for more intrusive, high cost services in the future."*
- 11.7 The Strategy recognises the growing older population and particularly those with multiple long-term conditions. This gives rise to *"an increasing need to identify effective ways of supporting people to stay well and healthy and reduce the pressure on health and social care services."* It also notes that *"There is increasing evidence that making the strategic shift in resources towards prevention and early intervention results in better outcomes for individuals, organisations and communities and is a more efficient use of existing resources."*
- 11.8 The strategy sets out Core Outcomes delivered by services are to include reducing dependency on statutory services and delaying and reducing the need for care and support. They will achieve this by (among others) commissioning an increase in Assistive Technology options in order to ensure appropriate technologies are made available to the right customers at the right time.
- 11.9 The strategy notes that *"for adults, Leicester has a strong domiciliary support and reablement offer which supports people to remain living independently and to recover independence following episodes of ill health and challenge. The supported and independent living offer in the city ensures people with longer term support needs can gain and sustain a tenancy, reducing the need for residential care placements."*
- 11.10 The Council's vision is to ensure people will have control over their own lives wherever possible this includes *"delaying and reducing the need for care and support and, where this is required, focusing provision on those most in need."*
- 11.11 As well as assistive technology the Council will produce a 10-year plan for Supported Living and Extra Care which will give information about the type of physical developments required for this type of housing in Leicester going forward. The Council will also commission "support services for people affected by dementia with health and social care partners across Leicester and Leicestershire to ensure that services are delivered as seamlessly as possible."

Leicestershire Adult and Community Services Market Position Statement (2016)

- 11.12 The Leicestershire Adult and Community Services Market Position Statement (2016)²⁰ sets out Leicestershire County Council's vision for the care and support requirements of residents as well as their commissioning intentions.
- 11.13 The MPS notes that the *"population growth patterns have implications for the provision of services for older people. There will be more older people with complex care needs that will require additional input from all parts of the health and social care system."* It notes a greater and growing prevalence of dementia among older people and that there remains a high prevalence of mental ill health across the population.
- 11.14 The strategy sets out the number of people supported in Nursing, Residential and Community Care in the year to April 2016 by different age groups. For those aged 18-64 a total of 2,661 people required support of those twenty-one people were placed in nursing care and a further 474 in residential care. However the vast majority (2,166) were provided with community care. The reasons for requiring support were also set out with 1,225 people (46%) requiring learning disability support. Other major reasons including mental health support (507 people), personal care support (494 people) and those requiring mobility support (345 people).
- 11.15 For those aged 65+ the numbers are far larger a total of 6,913 people required support of those 484 people were placed in nursing care and a further 1,971 in residential care. However, the vast majority (4,458) were provided with community care. The reasons for requiring support for the over 65s were also set out with 4,269 people (61%) requiring personal care support and those requiring mobility support (1,178 people). A further 862 people required support due to requiring mental health support. The MPS noted that in the older age group, the incidence of dementia is increasing and there is an opportunity for providers that can provide integrated dementia care.
- 11.16 The MPS sets out a four tier model which seeks to prevent need through universal services and promoting well-being; reduce need through targeted interventions for those at risk; delay need through reablement, rehabilitation and recovery; and finally meet need through progressive planning using a broad set of social resources to ensure affordability.
- 11.17 In reducing need the County Council's work will target people most likely to develop a need, and try to prevent problems from getting worse so that they do not become dependent on support. Provision

²⁰ <https://www.leicestershire.gov.uk/sites/default/files/field/pdf/2018/3/2/adult-and-community-services-market-position-statement.pdf>

might include information and advice as well as minor adaptations to housing which can prevent a fall. They will also support and assist at a distance via telephone or computer.

- 11.18 In delaying need the Council will provide support for those who have experienced an illness or disability. The Council will try to minimise the effect of the illness or disability by collaborating with individuals and their support network to ensure people experience the best outcomes through the most cost effective support.
- 11.19 In meeting need local authority social care requirements will be determined once the County Council has identified and explored what is available within their family and community. People who need the County Council's help and are assessed as eligible for funding, will be supported through a personal budget which can be a direct payment.
- 11.20 Wherever possible the County Council will work with people to provide a choice of help which is suitable to meet their outcomes. However, in all cases the Council will ensure that the cost of services provides the best value for money. The MPS notes that whilst choice is important in delivering the outcomes that people want, maintaining people's independence and achieving value for money is paramount.
- 11.21 The MPS is clear that *"the main opportunities in the year ahead will related to the provision of services that offer a cost effective alternative to Residential Care, (such as Supported Living and Extra Care) and services that focus on maximising independence (such as Community Life Choices)."*
- 11.22 The Community Life Choices programme recognises *"that good lives happen for people when they are supported in their communities."* The County Council aims to support people to work towards being as independent as they can, promoting progression wherever possible throughout a person's life. Their vision for the social care market is underpinned by the principle that wherever possible people should be supported to achieve greater independence, focusing on what people can do.
- 11.23 The County Council will be exploring further opportunities to expand on their reablement offer, to delay the need for more extensive and longer term support. The County Council are also keen to explore the further use of Assistive Technology and integrated services that promote independence and reduce need.
- 11.24 The MPS is clear that *"the focus on prevention and supporting people to remain independent in their own home as long as possible is expected to reduce the proportion spent on residential and nursing care, whilst increasing the amount used for domiciliary care and alternatives to residential care."*

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- 11.25 The report also set out a surveys of occupancy of Residential and Nursing Homes during the summer of 2015 which indicated that occupancy was running at 95% in the residential care sector. This was seen as a good balance of being able to place people and provide viability to the development.

Building accommodation to meet the needs of people in Leicestershire Investment Prospectus 2019 – 2037

- 11.26 The Leicestershire Investment Prospectus 2019 – 2037²¹ outlines the County Council's proposals for diverse types of accommodation to meet their vision of "offering different care and community options, in a range of locations for both older adults and working age adults with disabilities." It is an investment prospects which to deliver accommodation for those with adult social care needs, including housing with care and support schemes.
- 11.27 The objective of the prospectus is to
- To improve options for service users;
 - To influence the market;
 - To manage demand and contain growth;
 - To alleviate cost pressures;
 - To create a prosperous venture;
 - Identify opportunities to invest and develop In Leicestershire; and
 - Explain Social Care accommodation.
- 11.28 The prospectus recognises that there is a need to enable older people to right-size as underoccupancy is an issue. They want to mitigate this problem by encouraging developers to build mainstream homes that are suitable for and attractive to older people.
- 11.29 This means developing and designing homes with older people in mind. Such housing would be *"accessible accommodation that takes into consideration ramps, lifts, grab rails and wet rooms or ground floor apartments."*
- 11.30 The prospectus estimates that by 2037, a further 750 units of Supported Living and 1,200 units of Extra Care accommodation are required. The prospectus also notes that *"Leicestershire requires more specialist units being built that will be able to accommodate individuals with more complex needs such as those leaving long stay hospital. Typically, these schemes would each provide*

²¹ <https://resources.leicestershire.gov.uk/sites/resource/files/field/pdf/2019/10/25/Building-accommodation-to-meet-the-needs-of-people-in-Leicestershire.pdf>

accommodation for four individuals.” It also states that “The majority of older people living in Leicestershire are owner-occupiers and represent a large proportion of potential customers who would have significant resources and experience in housing market changes.”

- 11.31 The Leicestershire Investment Prospectus notes that during 2018- 19, 18% of referrals received by the County for Supported Living were for young people (aged 17-18). Twelve of the sixteen individuals had a learning disability, three required mental health support needs and one had a physical disability. This demonstrates that there was a growing need for transitional accommodation that can support young people with emotional and behaviour difficulties. It notes that the current offer for young people is limited and recognised that they would like to see the development of additional accommodation. The County Council anticipated developing one transitional accommodation unit per year over the next five years for around six young people at a time.
- 11.32 The prospectus notes that investing in residential care for working age adults is an opportunity for the council to control the building design, associated costs, profit levels and quality of care service commissioned and ensure a progression model for individuals living within the homes. The prospectus sets out that “There is also a recognised gap for specialist assessment and reablement units for older people and dementia provision that can also meet nursing needs” and adds that the County Council are keen to collaborate with partners to explore models where these types of units can be included within wider extra care schemes or residential care.
- 11.33 The County Council is encouraging organisations to consider the needs of those requiring dementia care. In Leicestershire, there are around 9,600 people living with dementia and only six Extra Care schemes described as dementia-friendly. In response purpose-built accommodation that responds to specific needs of those with dementia is integral to the County Council’s investment plans.
- 11.34 The Prospectus goes on to breakdown need and future housing priorities in each of the local authorities in the county. In summary these are:
- In Blaby, LCC are looking to primarily increase the amount of Supported Living for working age adults in need of additional support from existing supply up to eighty units by 2037.
 - In Charnwood, LCC are looking to primarily build specialist extra care support and mainstream accommodation that has been adapted and built with older people in mind. They are also looking to primarily increase the amount of Supported Living for working age adults in need of additional support to 120 units by 2037.
 - In Harborough, there is a requirement for an increase in either mainstream accommodation that is suitable for older people or an increase in Extra Care.

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- In Hinckley and Bosworth, there are opportunities to provide Extra Care as well as specialist accommodation for older people. There is also demand for accommodation suitable for working age adults in need of additional support and they are seeking to increase this to 192 units by 2037.
 - In Melton, LCC are looking to build sustainable accommodation and mainstream or specialist accommodation for older people.
 - In North West Leicestershire, there is a slight increase required in accommodation suitable for working age adults
 - In Oadby and Wigston, LCC are keen to look at developing Extra Care schemes particularly in this area as there are currently none and demand will be significant over the next 20 years.

11.35 The report also highlights a large need for extra-care accommodation (which we consider further and assess later in this section). It also acknowledged that *“investment in older persons’ residential units would also allow the Council to influence the supply of residential care homes able to meet the needs of both council funded residents and self-funders who continue to require support beyond their level of assets.”*

Discussion

11.36 The documents above make it clear that both the City Council and the County Council both seek to minimise the need for care and nursing accommodation in particular to reduce pressures on social care budgets; with a strategy to do so by providing earlier interventions, which take a range of forms including through information and support, adaptations to existing homes and/or providing additional supported and extra -care accommodation.

11.37 While additional supported and extra-care accommodation is clearly welcome, it is important that this is delivered in sustainable locations. Typically such housing should be close to facilities and public transport links, therefore towns are typically more appropriate locations. This will allow residents to access a range of facilities, support local businesses and be in more sustainable locations which visitors can access by a range of means. The Leicestershire Investment Prospectus states that *“older people who routinely visit their town centre play a vital role in enabling local businesses to thrive. Building housing solutions close by town centres will be beneficial to locals and attractive to those currently living on the outskirts.”* It also adds that *“Accommodation built for Extra Care Schemes should be located appropriately close by town or village centres to ensure they remain part of the community and have access to the facilities, activities and amenities promoted in their local area.”* It added that appropriate practical features which should feature in the design of such schemes include:

- Handwriting and wi-fi enabled telecare and telehealth equipment;
- Catering facilities;

- Low Windowsills;
- Energy Efficient Design;
- Communal facilities;
- Open landscaped outdoor space; and
- Signage, equipment (e.g. hoists), décor and facilities that enable people with physical, sensory or cognitive impairments to be independent where possible.

11.38 Specialist housing schemes which involve provision of care and communal facilities typically need to be of a critical mass (50+ unit schemes) to be viable. Ensuring a supply of such accommodation for local people in locations which people are familiar with and with nearby amenities will allow for a smoother transition. The provision of such schemes in locations close to local facilities and amenities will help to support sustainable development.

Understanding the Implications of Demographic Changes

11.39 The population of older persons is increasing, driven by demographic changes including increasing life expectancy. This is a key driver of the need for housing which is capable of meeting the needs of older persons.

Current Population of Older People

11.40 The table below provides baseline population data about older persons in Leicester & Leicestershire and compares this with other areas. The population data has been taken from the published 2019 ONS mid-year population estimates (MYE). The table shows that Leicester has a much younger age structure than other areas with only 12% of the population being aged 65 and over. Leicestershire has an older age structure, although fairly similar to the regional and national average. As of 2019, it is estimated that 12% of the population of Leicester and 21% in Leicestershire is aged 65+, this compares with 20% regionally and 18% nationally.

Table 11.1 Older Persons Population, 2019

	Leicester	Leicestershire	East Midlands	England
Under 65	87.8%	79.5%	80.5%	81.6%
65-74	6.8%	11.2%	10.7%	9.9%
75-84	3.7%	6.6%	6.3%	6.0%
85+	1.7%	2.6%	2.5%	2.5%
Total	100.0%	100.0%	100.0%	100.0%
Total 65+	12.2%	20.5%	19.5%	18.4%
Total 75+	5.4%	9.3%	8.8%	8.5%

Source: ONS Mid-Year Population Estimates

- 11.41 The table below shows the same information for local authorities, this shows some variation in the proportion of people aged 65 and over, ranging from 12% in Leicester, up to 23% of the population in Melton.

Table 11.2 Older Persons Population, 2019 – local authorities

	Under 65	65-74	75-84	85+	Total	Total 65+	Total 75+
Leicester	87.8%	6.8%	3.7%	1.7%	100.0%	12.2%	5.4%
Blaby	79.7%	11.0%	6.7%	2.7%	100.0%	20.3%	9.4%
Charnwood	81.9%	9.9%	5.8%	2.4%	100.0%	18.1%	8.2%
Harborough	78.1%	12.0%	7.1%	2.8%	100.0%	21.9%	9.9%
Hinckley & Bosworth	77.9%	12.4%	7.1%	2.6%	100.0%	22.1%	9.7%
Melton	76.9%	13.0%	7.2%	2.8%	100.0%	23.1%	10.1%
NW Leicestershire	79.9%	11.5%	6.3%	2.3%	100.0%	20.1%	8.5%
Oadby & Wigston	78.3%	10.5%	7.4%	3.8%	100.0%	21.7%	11.2%
Leicestershire	79.5%	11.2%	6.6%	2.6%	100.0%	20.5%	9.3%
L & L	82.3%	9.8%	5.6%	2.3%	100.0%	17.7%	8.0%

Source: ONS Mid-Year Population Estimates

Projected Future Change in the Population of Older People

- 11.42 Population projections can next be used to provide an indication of how the number of older persons might change in the future with the tables below showing that both Leicester and Leicestershire are projected to see a notable increase in the older person population (projections using the 2018-based SNPP (alternative internal migration variant)).
- 11.43 In Leicester, the total number of people aged 65 and over projected to increase by 43% over the 22-years to 2041. This compares with overall population growth of 12% and a more modest increase in the Under 65 population of 8%. In total population terms, the projections show an increase in the population aged 65 and over of 18,500 people. This is against a backdrop of an overall increase of 42,900 – population growth of people aged 65 and over therefore accounts for 43% of the total projected population change.
- 11.44 In Leicestershire, the total number of people aged 65 and over is projected to increase by 45% over the 22-years to 2041. This compares with overall population growth of 16% and an increase in the Under 65 population of 9%. The projections show an increase in the population aged 65 and over of 64,900 people – population growth of people aged 65 and over accounts for 56% of the total projected population change.

Table 11.3 Projected Change in Population of Older Persons, 2020 to 2041 – Leicester (based on 2018-SNPP)

	2020	2041	Change in population	% change
Under 65	317,462	339,787	22,325	7.0%
65-74	24,869	29,868	4,999	20.1%
75-84	13,203	22,002	8,799	66.6%
85+	5,965	9,879	3,913	65.6%
Total	361,500	401,536	40,036	11.1%
Total 65+	44,038	61,749	17,711	40.2%
Total 75+	19,169	31,880	12,712	66.3%

Source: Demographic Projections

Table 11.4 Projected Change in Population of Older Persons, 2020 to 2041 – Leicestershire (based on 2018-SNPP)

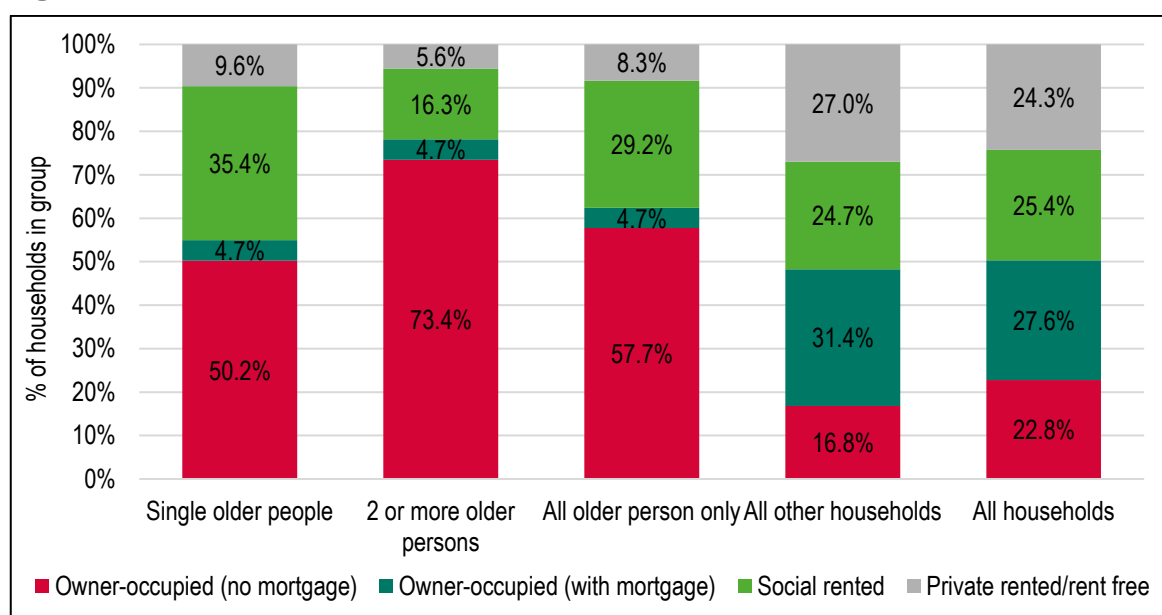
	2020	2041	Change in population	% change
Under 65	564,037	610,221	46,184	8.2%
65-74	79,735	96,019	16,284	20.4%
75-84	48,755	78,326	29,571	60.7%
85+	18,999	35,671	16,672	87.7%
Total	711,526	820,237	108,711	15.3%
Total 65+	147,489	210,016	62,526	42.4%
Total 75+	67,754	113,997	46,242	68.2%

Source: Demographic Projections

Characteristics of Older Person Households

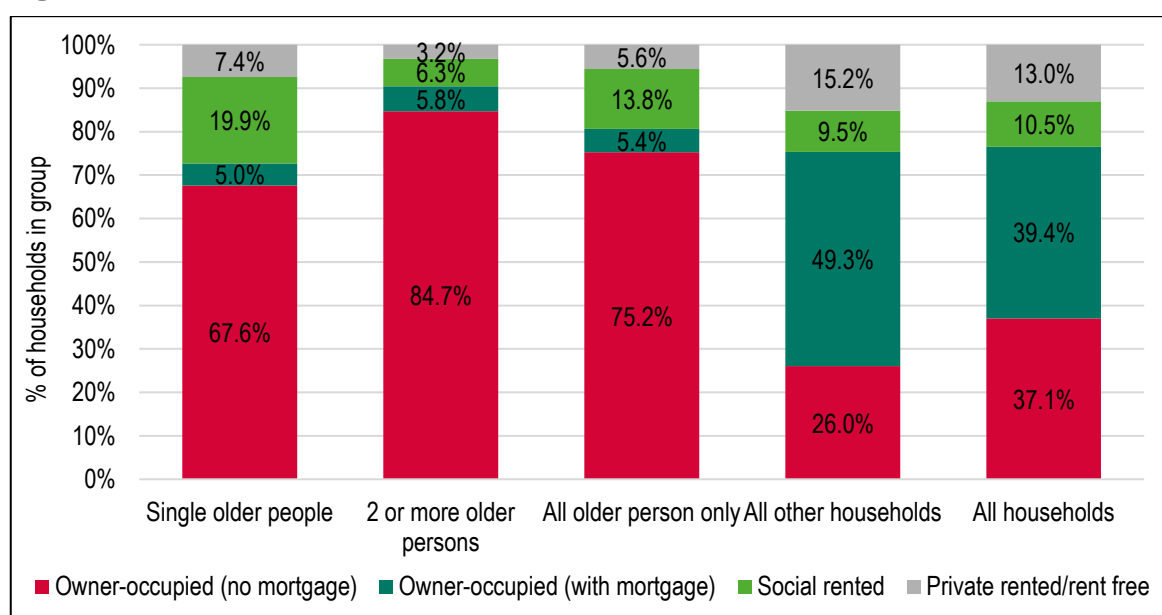
- 11.45 The tenures in which older persons currently live provides a useful indication of the potential tenure profile of demand for new-build development.
- 11.46 The figures below show the tenure of older person households. The data has been split between single older person households and those with two or more older people (which will largely be couples). The data shows that the majority of older persons households are owner occupiers (62% in Leicester and 81% in Leicestershire), and indeed most are owner occupiers with no mortgage and thus may have significant equity which can be put towards the purchase of a new home. Some 29% of older persons households across Leicester live in the social rented sector along with 14% in Leicestershire. The proportion of older person households living in the private rented sector is relatively low (about 6%-8%).
- 11.47 There are also notable differences for different types of older person households with single older people having a much lower level of owner-occupation than larger older person households – this group also has a much higher proportion living in the social rented sector.

Figure 11.1: Tenure of Older Persons Households in Leicester, 2011



Source: 2011 Census

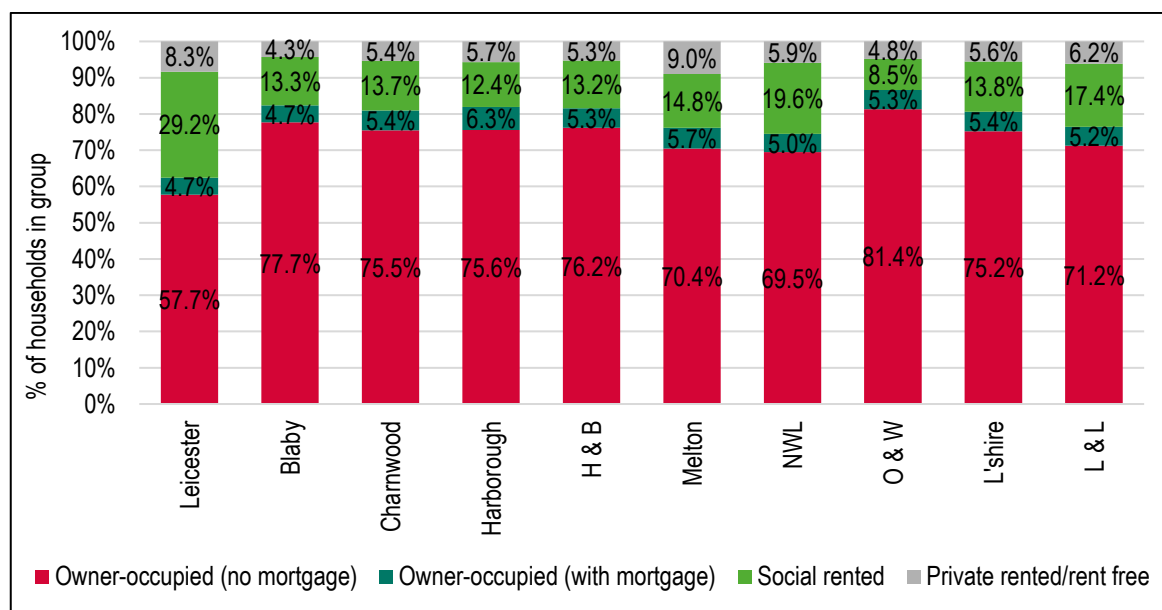
Figure 11.2: Tenure of Older Persons Households in Leicestershire, 2011



Source: 2011 Census

11.48 The figure below shows the same information for local authorities – the data is provided for all older person households. The data shows that the tenure profile of older person households varies notably across the study area; a key observation is the lower level of owner-occupation amongst older people in Leicester – this area does however have a relatively low proportion of older people in the population. In Oadby & Wigston, some 87% of older person households are owner-occupiers.

Figure 11.3: Tenure of Older Persons Households in Leicester & Leicestershire, 2011 – local authorities



Source: 2011 Census

Prevalence of Disabilities

- 11.49 The table below shows the proportion of people with a long-term health problem or disability (LTHPD)²² drawn from 2011 Census data, and the proportion of households where at least one person has a LTHPD. The data suggests that some 35% of households in Leicester and 31% in Leicestershire contain someone with a LTHPD. These figures are broadly similar to that seen across the region and nationally average. The figures for the population with a LTHPD again show a similar pattern in comparison with other areas (an estimated 17% of the population of Leicester and 16% in Leicestershire having a LTHPD).

Table 11.5 Households and People with a Long-Term Health Problem or Disability, 2011

	Households Containing Someone with a Health Problem		Population with a Health Problem	
	No.	%	No.	%
Leicester	42,750	34.7%	57,137	17.3%
Leicestershire	81,585	30.5%	105,423	16.2%
East Midlands	644,852	34.0%	844,297	18.6%
England	7,217,905	32.7%	9,352,586	17.6%

Source: 2011 Census

- 11.50 The analysis also shows some differences between different parts of the study area, with NW Leicestershire seeing a higher proportion of the population with a LTHPD, the lowest proportion being

²² A long-term health problem or disability that limits a person's day-to-day activities and has lasted or is expected to last at least 12 months.

in Harborough. Leicester has the highest proportion of households with someone who has a LTHPD, closely followed by Oadby & Wigston.

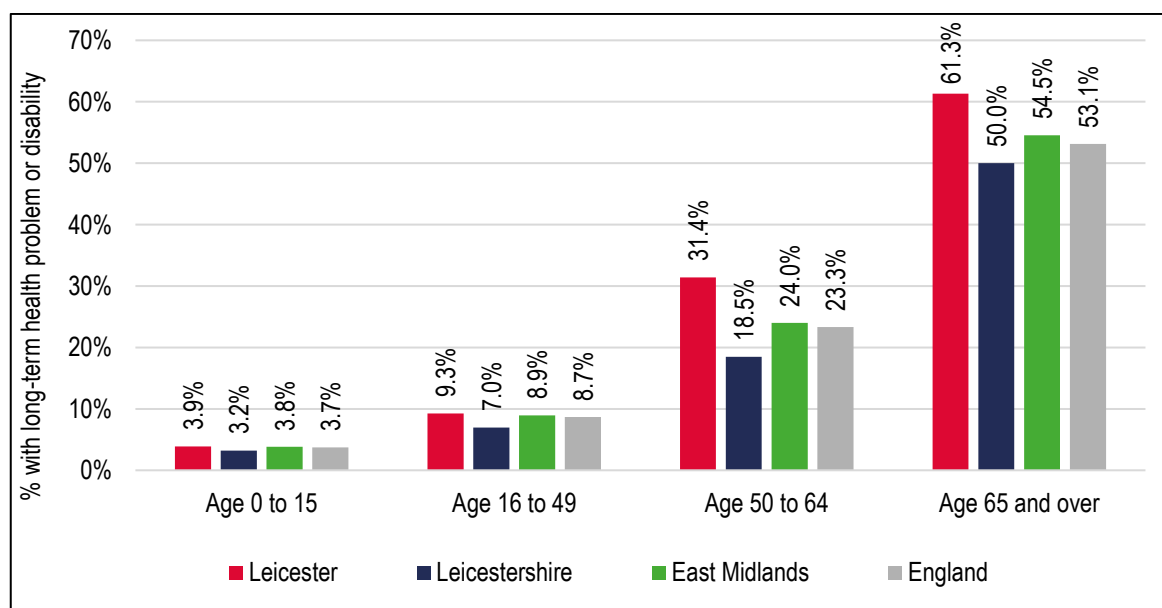
Table 11.6 Households and People with a Long-Term Health Problem or Disability, 2011 – local authorities – Leicester & Leicestershire

	Households Containing Someone with a Health Problem		Population with a Health Problem	
	No.	%	No.	%
Leicester	42,750	34.7%	57,137	17.3%
Blaby	11,490	29.7%	14,798	15.8%
Charnwood	19,921	29.9%	25,869	15.6%
Harborough	9,678	27.7%	12,424	14.6%
Hinckley & Bosworth	13,949	30.7%	17,832	17.0%
Melton	6,220	28.9%	7,849	15.6%
NWL	12,995	33.2%	16,930	18.1%
Oadby & Wigston	7,332	34.4%	9,721	17.3%
Leicestershire	81,585	30.5%	105,423	16.2%
L & L	124,335	31.8%	162,560	16.6%

Source: 2011 Census

- 11.51 It is likely that the age profile will impact upon the numbers of people with a LTHPD, as older people tend to be more likely to have a LTHPD. The figure below shows the age bands of people with a LTHPD. It is clear from this analysis that those people in the oldest age bands are more likely to have a LTHPD. The analysis also typically shows lower levels of LTHPD in each age band within Leicestershire when compared with the national position but the opposite trend when looking at Leicester.

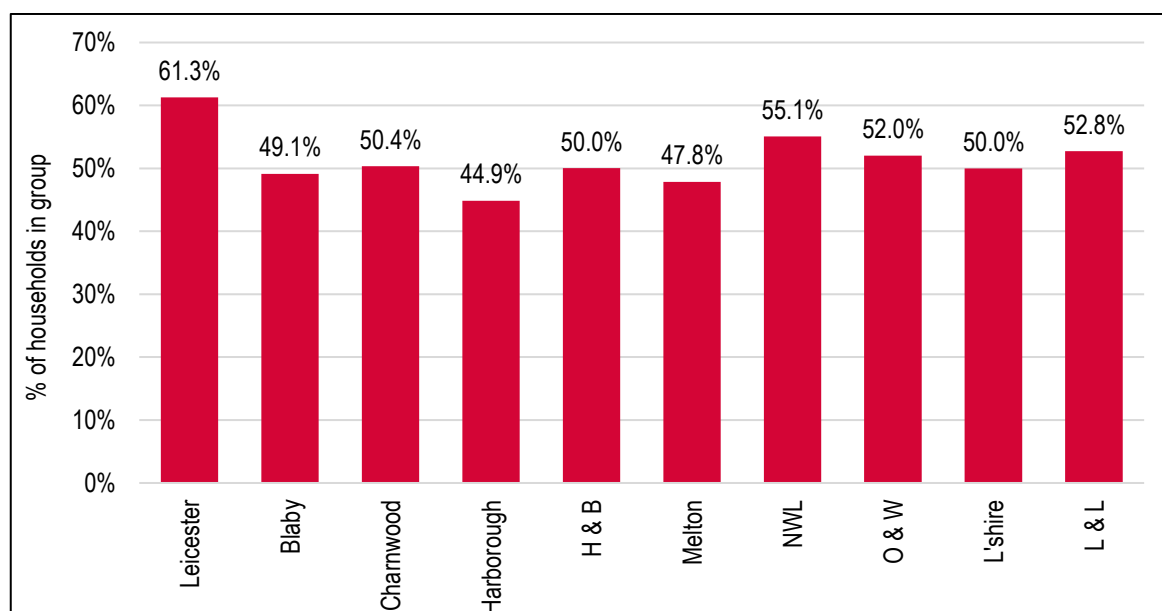
Figure 11.3: Population with Long-Term Health Problem or Disability by Age



Source: 2011 Census

- 11.52 The figures below show the proportion of the population aged 65 and over with a LTHPD by local authority. This shows some notable differences, from 45% of the population in Harborough, up to 61% in Leicester.

Figure 11.4: Proportion of population aged 65 and over with a Long-Term Health Problem or Disability – local authorities



Source: 2011 Census

Health Related Population Projections

- 11.53 The incidence of a range of health conditions is an important component in understanding the potential need for care or support for a growing older population.
- 11.54 The analysis undertaken covers both younger and older age groups and draws on prevalence rates from the PANSI (Projecting Adult Needs and Service Information) and POPPI (Projecting Older People Population Information) websites. Adjustments have been made to take account of the age specific health/disabilities previously shown. In all cases the analysis links to estimates of population growth based on the 2018-SNPP (alternative internal migration variant).
- 11.55 Of particular note are the large increases in the number of older people with dementia (increasing by 56% from 2020 to 2041 in Leicester and 66% in Leicestershire) and mobility problems (50% increase in Leicester and 56% in Leicestershire over the same period).
- 11.56 When related back to the total projected change to the population, the increase of 4,600 people aged 65+ with a mobility problem represents 11% of total projected population growth in Leicester and a higher (13%) seen in Leicestershire.

**Table 11.7 Projected Changes to Population with a Range of Disabilities – Leicester
(population aged 65+)**

Disability	2020	2041	Change	% Change
Dementia	3,478	5,438	1,959	56.3%
Mobility problems	9,195	13,767	4,572	49.7%
Autistic Spectrum Disorders	473	676	203	42.9%
Learning Disabilities	1,056	1,475	419	39.6%

Source: POPPI and Demographic Projections

**Table 11.8 Projected Changes to Population with a Range of Disabilities – Leicestershire
(population aged 65+)**

Disability	2020	2041	Change	% Change
Dementia	9,474	15,680	6,207	65.5%
Mobility problems	25,129	39,093	13,964	55.6%
Autistic Spectrum Disorders	1,309	1,870	561	42.9%
Learning Disabilities	2,896	4,087	1,191	41.1%

Source: POPPI and Demographic Projections

- 11.57 It should be noted that there will be an overlap between categories (i.e. some people will have both dementia and mobility problems). Hence the numbers for each of the illnesses/disabilities should not be added together to arrive at a total.
- 11.58 We have also examined the projections for these conditions at a local authority level. These are set out in the table below. As shown the highest increase in those dementia and mobility problems is expected be in Harborough. This can be linked to the growth and age structure in the borough.
- 11.59 Invariably, there will be a combination of those with disabilities and long-term health problems that continue to live at home with family, those who choose to live independently with the possibility of incorporating adaptations into their homes and those who choose to move into supported housing.

Table 11.9 Projected Changes to Population with dementia or mobility problems – local authorities (population aged 65+)

Local authority	Disability	2020	2041	Change	% Change
Leicester	Dementia	3,478	5,438	1,959	56.3%
	Mobility problems	9,195	13,767	4,572	49.7%
Blaby	Dementia	1,343	2,137	794	59.1%
	Mobility problems	3,561	5,354	1,793	50.4%
Charnwood	Dementia	2,213	3,570	1,357	61.3%
	Mobility problems	5,873	8,975	3,102	52.8%
Harborough	Dementia	1,235	2,222	987	80.0%
	Mobility problems	3,254	5,466	2,212	68.0%
Hinckley & Bosworth	Dementia	1,584	2,665	1,080	68.2%
	Mobility problems	4,264	6,660	2,396	56.2%
Melton	Dementia	714	1,185	471	66.0%
	Mobility problems	1,913	2,957	1,045	54.6%
North West Leicestershire	Dementia	1,415	2,477	1,062	75.1%
	Mobility problems	3,828	6,311	2,483	64.8%
Oadby & Wigston	Dementia	971	1,425	454	46.8%
	Mobility problems	2,437	3,370	933	38.3%

Source: POPPI and Demographic Projections

- 11.60 The projected change shown in the number of people with disabilities provides clear evidence justifying delivering ‘accessible and adaptable’ homes as defined in Part M4(2) of Building Regulations, subject to viability and site suitability. The Councils should ensure that the viability of doing so is also tested as part of drawing together its evidence base although the cost of meeting this standard is unlikely to have any significant impact on viability and would potentially provide a greater number of homes that will allow households to remain in the same property for longer.
- 11.61 The PPG for Housing for Older and Disabled People [63-006] refers only to specialist housing for older people; however, clearly the local authority should support specialist housing schemes for younger adults which come forward across the plan area.
- 11.62 The analysis suggests that there is likely to be some increase in the number of younger people (generally those aged 16/18 to 64) with a disability across the study area. There are a range of disabilities that are likely to require some degree of support, or potentially some form of specialised housing solution.
- 11.63 This report does not seek to be specific about the exact number of units that need to be provided for different groups, nor where such accommodation should be located. Indeed some types of specialist accommodation might have a wide catchment, and would be suitable for clients from outside of the study area; whilst it is also possible that some people in the area would be placed in accommodation elsewhere.

Need for Specialist Accommodation for Older Persons

- 11.64 Given the ageing population and higher levels of disability and health problems amongst older people, there is likely to be an increased requirement for specialist housing options moving forward. The box below shows the different types of older persons housing which are considered.

Definitions of Different Types of Older Persons' Accommodation

Age-restricted general market housing: This type of housing is generally for people aged 55 and over and the active elderly. It may include some shared amenities such as communal gardens, but does not include support or care services.

Retirement living or sheltered housing (housing with support): This usually consists of purpose-built flats or bungalows with limited communal facilities such as a lounge, laundry room and guest room. It does not generally provide care services, but provides some support to enable residents to live independently. This can include 24-hour on-site assistance (alarm) and a warden or house manager.

Extra care housing or housing-with-care (housing with care): This usually consists of purpose-built or adapted flats or bungalows with a medium to high level of care available if required, through an onsite care agency registered through the Care Quality Commission (CQC). Residents are able to live independently with 24-hour access to support services and staff, and meals are also available. There are often extensive communal areas, such as space to socialise or a wellbeing centre. In some cases, these developments are known as retirement communities or villages - the intention is for residents to benefit from varying levels of care as time progresses.

Residential care homes and nursing homes (care bedspaces): These have individual rooms within a residential building and provide a high level of care meeting all activities of daily living. They do not usually include support services for independent living. This type of housing can also include dementia care homes.

Source: Planning Practice Guidance [63-010]

- 11.65 The need for specialist housing for older persons is typically modelled by applying prevalence rates to current and projected population changes and considering the level of existing supply. There is no standard methodology for assessing the housing and care needs of older people. The current and future demand for elderly care is influenced by a host of factors including the balance between demand and supply in any given area and social, political, regulatory and financial issues. Additionally, the extent to which new homes are built to accessible and adaptable standards may over time have an impact on specialist demand (given that older people often want to remain at home rather than move to care) – this will need to be monitored.
- 11.66 There are a number of 'models' for considering older persons' needs, but they all essentially work in the same way. The model results are however particularly sensitive to the prevalence rates applied, which are typically calculated as a proportion of people aged over 75 who could be expected to live in different forms of specialist housing. Whilst the population aged 75 and over is used in the modelling, the estimates of need would include people of all ages.

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- 11.67 Whilst there are no definitive rates, the PPG [63-004] notes that *'the future need for specialist accommodation for older people broken down by tenure and type (e.g. sheltered housing, extra care) may need to be assessed and can be obtained from a number of online tool kits provided by the sector, for example SHOP@ for Older People Analysis Tool)*'. The PPG does not specifically mention any other tools and therefore seems to be indicating that SHOP@ would be a good starting point for analysis. Since the PPG was published the Housing Learning and Information Network (Housing LIN) has removed the Shop@ online toolkit although the base rates used for analysis are known.
- 11.68 The SHOP@ tool was originally based on data in a 2008 report (*More Choice Greater Voice*) and in 2011 a further suggested set of rates was published (rates which were repeated in a 2012 publications). In 2016, Housing LIN published a review document which noted that the 2008 rates are 'outdated' but also noting that the rates from 2011/12 were 'not substantiated'. The 2016 review document therefore set out a series of proposals for new rates to be taken forward onto the Housing LIN website. Whilst the 2016 review rates do not appear to have ever led to an update of the website, it does appear from reviewing work by Housing LIN over the past couple of years as if it is these rates which typically inform their own analysis (subject to evidence based localised adjustments).
- 11.69 For clarity, the table below shows the base prevalence rates set out in the various documents described above. For the analysis in this report the age-restricted and retirement/sheltered have been merged into a single category (housing with support) with the middle of the range shown for housing with care forming the base position for analysis.

Table 11.10 Range of suggested baseline prevalence rates from a number of tools and publications

Type/Rate per 1000 population 75+	SHOP@ (2008) ²³	Housing in Later Life (2012) ²⁴	2016 Housing LIN Review
Age-restricted general market housing	-	-	25
Retirement living or sheltered housing (housing with support)	125	180	100
Extra care housing or housing-with-care (housing with care)	45	65	30-40 ('proactive range')
Residential care homes	65	(no figure apart from 6 for dementia)	40
Nursing homes (care bedspaces), including dementia	45		45

Source: Range of sources as identified

11.70 In interpreting the different potential prevalence rates it is clear that:

- The prevalence rates used should be considered and assessed taking account of an authority's strategy for delivering specialist housing for older people (see start of this chapter). The degree for instance which the Council want to require extra care housing as an alternative to residential care provision would influence the relative balance of need between these two housing types;
- The Housing LIN model has been influenced by existing levels of provision and their view on what future level of provision might be reasonable taking account of how the market is developing, funding availability etc. It is more focused towards publicly commissioned provision. There is a degree to which the model and assumptions within it may not fully capture the growing recent private sector interest and involvement in the sector, particularly in extra care; and
- The assumptions in these studies look at the situation nationally. At a more local level, the relative health of an area's population is likely to influence the need for specialist housing with better levels of health likely to mean residents are able to stay in their own homes for longer.

²³ Based on the More Choice Greater Voice publication of 2008

(https://www.housinglin.org.uk/_assets/Resources/Housing/Support_materials/Reports/MCGVdocument.pdf). It should be noted that although these rates are from 2008, they are the same rates as were being used in the online toolkit when it was taken offline in 2019.

²⁴ https://www.housinglin.org.uk/_assets/Resources/Housing/Support_materials/Toolkit/Housing_in_Later_Life_Toolkit.pdf

- 11.71 Icení and JGC have therefore sought to consider these issues and the appropriate modelling assumptions for assessing future needs. Nationally, there has been a clear focus on strengthening a community-led approach and reducing reliance on residential and nursing care – in particular focussing where possible on providing households with care in their own home. This could however be provision of care within general needs housing; but also care which is provided in a housing with care development such as in extra care housing.
- 11.72 We consider that the lower prevalence rates shown in the 2016 Housing LIN Review is an appropriate starting point for considering care home needs; but that the corollary of lower care home provision should be a greater focus on delivery of housing with care. Having regard to market growth in this sector in recent years, and since the above studies were prepared, we consider that the starting point for housing with care should be the higher rate shown in the SHOP@ report (this is the figure that would align with the PPG). This takes account of the County Council's and City Council's strategic approach to future provision.
- 11.73 Rather than simply taking the base prevalence rates, an initial adjustment has been made to reflect the relative health of the local older person population. This has been based on Census data about the proportion of the population aged 65 and over who have a long-term health problem or disability (LTHPD) compared with the England average. Most authorities in the study area show slightly better health in the older person population (the exceptions being Leicester and NW Leicestershire) and so the prevalence rates used have been decreased slightly (by up to 15.5% in the case of Harborough. For Leicester and NW Leicestershire prevalence rates are calculated to be above the base figure. The calculations are based on comparing the proportion of people aged 65 and over with a LTHPD (61.3% in the case of Leicester) with the equivalent figure for England (53.1%). The table below also shows data from the Index of Multiple Deprivation (IMD) which is used to determine the local tenure split (discussed below).

Table 11.11 Data on health adjustments and Index of Multiple Deprivation

	% 65+ with LTHPD	Health adjustment	2019 IMD (rank of 317)
Leicester	61.3%	115.4%	22
Blaby	49.1%	92.5%	281
Charnwood	50.4%	94.8%	244
Harborough	44.9%	84.5%	308
Hinckley & Bosworth	50.0%	94.2%	232
Melton	47.8%	90.1%	248
NWL	55.1%	103.8%	216
Oadby & Wigston	52.0%	97.9%	249

Source: 2011 Census and Index of Multiple Deprivation

11.74 A second local adjustment has been to estimate a tenure split for the housing with support and housing with care categories. This again draws on suggestions in the 2016 Review which suggests that less deprived local authorities could expect a higher proportion of their specialist housing to be in the market sector. Using 2019 Index of Multiple Deprivation (IMD) data, the analysis suggests Leicester is the 22nd most deprived local authority in England (out of 317). This suggests a greater proportion of affordable housing than for an authority in the middle of the range. All other authorities have relatively low deprivation and might therefore be expected to see a higher proportion of market housing. To be clear this is market housing within the categories described above (e.g. housing with support and housing with care).

11.75 The table below shows the prevalence rates used in analysis with adjustments for health and deprivation. This shows higher needs for affordable housing in Leicester, with all other areas having higher prevalence in the market sector. As noted, this reflects the health of the local population and deprivation although it is interesting to also note that Leicester was shown above to have a much lower proportion of older people as owner-occupiers than in other locations.

Table 11.12 Prevalence rates used in analysis of older person needs – Leicester & Leicestershire (rates per 1,000 population aged 75+)

	Housing with support		Housing with care		Residential care	Nursing care
	Market	Affordable	Market	Affordable		
Leicester	33	112	16	36	46	52
Blaby	71	45	30	12	37	42
Charnwood	66	53	30	13	38	43
Harborough	69	36	28	10	34	38
H & B	63	55	29	13	38	42
Melton	63	50	28	12	36	41
NWL	66	64	31	15	41	47
O & W	69	54	31	13	39	44

Source: Range of sources

11.76 The tables below show estimated needs for different types of housing linked to the population projections. The analysis is separated into the various different types and tenures although it should be recognised that there could be some overlap between categories (i.e. some households might be suited to more than one type of accommodation).

11.77 Overall, the analysis suggests that there will be a notable need for both housing with support and housing with care (in both market and affordable sectors), as well as some additional nursing and residential care bedspaces. In Leicester the need is particularly for affordable housing, with the opposite being the case in Leicestershire.

Table 11.13 Specialist Housing Need using adjusted SHOP@Review Assumptions, 2020-41 – Leicester

		Housing demand per 1,000 75+	Current supply	Current demand	Current shortfall/surplus (-ve)	Additional demand to 2041	Shortfall/surplus by 2041
Housing with support	Market	33	206	625	419	414	833
	Affordable	112	1,296	2,140	844	1,419	2,263
Total (housing with support)		144	1,502	2,765	1,263	1,833	3,096
Housing with care	Market	16	12	299	287	198	485
	Affordable	36	173	697	524	462	986
Total (housing with care)		52	185	995	810	660	1,470
Residential care bedspaces		46	1,233	885	-348	587	238
Nursing care bedspaces		52	1,004	995	-9	660	651
Total bedspaces		98	2,237	1,880	-357	1,247	890

Source: Derived from Demographic Projections and Housing LIN/EAC

Table 11.14 Specialist Housing Need using adjusted SHOP@Review Assumptions, 2020-41 – Leicestershire

		Housing demand per 1,000 75+	Current supply	Current demand	Current shortfall/surplus (-ve)	Additional demand to 2041	Shortfall/surplus by 2041
Housing with support	Market	66	1,565	4,506	2,941	3,071	6,012
	Affordable	51	5,103	3,454	-1,649	2,351	703
Total (housing with support)		117	6,668	7,960	1,292	5,422	6,714
Housing with care	Market	30	202	2,009	1,807	1,369	3,176
	Affordable	13	229	857	628	583	1,211
Total (housing with care)		42	431	2,866	2,435	1,952	4,387
Residential care bedspaces		38	2,828	2,547	-281	1,735	1,454
Nursing care bedspaces		42	1,284	2,866	1,582	1,952	3,534
Total bedspaces		80	4,112	5,413	1,301	3,687	4,988

Source: Derived from Demographic Projections and Housing LIN/EAC

11.78 The series of tables below provide the same information for each local authority (excluding Leicester).

Table 11.15 Specialist Housing Need using adjusted SHOP@Review Assumptions, 2020-41 – Blaby

		Housing demand per 1,000 75+	Current supply	Current demand	Current shortfall/surplus (-ve)	Additional demand to 2041	Shortfall/surplus by 2041
Housing with support	Market	71	107	697	590	423	1,013
	Affordable	45	1,057	441	-616	268	-347
Total (housing with support)		116	1,164	1,139	-25	691	666
Housing with care	Market	30	59	296	237	180	417
	Affordable	12	86	114	28	69	97
Total (housing with care)		42	145	410	265	249	514
Residential care bedspaces		37	564	364	-200	221	22
Nursing care bedspaces		42	60	410	350	249	599
Total bedspaces		79	624	774	150	470	620

Source: Derived from Demographic Projections and Housing LIN/EAC

Table 11.16 Specialist Housing Need using adjusted SHOP@Review Assumptions, 2020-41 – Charnwood

		Housing demand per 1,000 75+	Current supply	Current demand	Current shortfall/surplus (-ve)	Additional demand to 2041	Shortfall/surplus by 2041
Housing with support	Market	66	446	998	552	697	1,249
	Affordable	53	884	807	-77	564	487
Total (housing with support)		118	1,330	1,806	476	1,261	1,736
Housing with care	Market	30	0	452	452	315	767
	Affordable	13	38	198	160	138	299
Total (housing with care)		43	38	650	612	454	1,066
Residential care bedspaces		38	625	578	-47	403	356
Nursing care bedspaces		43	289	650	361	454	815
Total bedspaces		81	914	1,228	314	857	1,171

Source: Derived from Demographic Projections and Housing LIN/EAC

**Table 11.17 Specialist Housing Need using adjusted SHOP@Review Assumptions, 2020-41 –
Harborough**

		Housing demand per 1,000 75+	Current supply	Current demand	Current shortfall/ surplus (- ve)	Addition- al demand to 2041	Shortfall /surplus by 2041
Housing with support	Market	69	339	678	339	554	893
	Affordable	36	520	356	-164	291	127
Total (housing with support)		106	859	1,035	176	845	1,021
Housing with care	Market	28	75	277	202	226	428
	Affordable	10	55	96	41	78	119
Total (housing with care)		38	130	373	243	304	547
Residential care bedspaces		34	329	331	2	270	273
Nursing care bedspaces		38	286	373	87	304	391
Total bedspaces		72	615	704	89	575	663

Source: Derived from Demographic Projections and Housing LIN/EAC

**Table 11.18 Specialist Housing Need using adjusted SHOP@Review Assumptions, 2020-41 –
Hinckley & Bosworth**

		Housing demand per 1,000 75+	Current supply	Current demand	Current shortfall/ surplus (- ve)	Addition- al demand to 2041	Shortfall /surplus by 2041
Housing with support	Market	63	351	719	368	498	866
	Affordable	55	484	628	144	435	579
Total (housing with support)		118	835	1,347	512	933	1,445
Housing with care	Market	29	50	333	283	230	513
	Affordable	13	0	152	152	106	258
Total (housing with care)		42	50	485	435	336	771
Residential care bedspaces		38	407	431	24	299	323
Nursing care bedspaces		42	126	485	359	336	695
Total bedspaces		80	533	916	383	635	1,018

Source: Derived from Demographic Projections and Housing LIN/EAC

Table 11.19 Specialist Housing Need using adjusted SHOP@Review Assumptions, 2020-41 – Melton

		Housing demand per 1,000 75+	Current supply	Current demand	Current shortfall/surplus (-ve)	Additional demand to 2041	Shortfall/surplus by 2041
Housing with support	Market	63	41	333	292	241	533
	Affordable	50	604	262	-342	190	-152
Total (housing with support)		113	645	595	-50	431	381
Housing with care	Market	28	0	150	150	108	258
	Affordable	12	40	65	25	47	72
Total (housing with care)		41	40	214	174	155	329
Residential care bedspaces		36	268	190	-78	138	60
Nursing care bedspaces		41	149	214	65	155	220
Total bedspaces		77	417	405	-12	293	280

Source: Derived from Demographic Projections and Housing LIN/EAC

Table 11.20 Specialist Housing Need using adjusted SHOP@Review Assumptions, 2020-41 – North West Leicestershire

		Housing demand per 1,000 75+	Current supply	Current demand	Current shortfall/surplus (-ve)	Additional demand to 2041	Shortfall/surplus by 2041
Housing with support	Market	66	96	608	512	481	993
	Affordable	64	1,243	588	-655	466	-188
Total (housing with support)		130	1,339	1,196	-143	948	805
Housing with care	Market	31	0	290	290	230	520
	Affordable	15	0	140	140	111	252
Total (housing with care)		47	0	431	431	341	772
Residential care bedspaces		41	299	383	84	303	387
Nursing care bedspaces		47	194	431	237	341	578
Total bedspaces		88	493	813	320	644	965

Source: Derived from Demographic Projections and Housing LIN/EAC

Table 11.21 Specialist Housing Need using adjusted SHOP@Review Assumptions, 2020-41 – Oadby & Wigston

		Housing demand per 1,000 75+	Current supply	Current demand	Current shortfall/surplus (-ve)	Additional demand to 2041	Shortfall/surplus by 2041
Housing with support	Market	69	185	443	258	206	464
	Affordable	54	311	347	36	161	197
Total (housing with support)		122	496	790	294	367	661
Housing with care	Market	31	18	199	181	92	273
	Affordable	13	10	86	76	40	116
Total (housing with care)		44	28	284	256	132	389
Residential care bedspaces		39	336	253	-83	117	34
Nursing care bedspaces		44	180	284	104	132	237
Total bedspaces		83	516	537	21	249	271

Source: Derived from Demographic Projections and Housing LIN/EAC

- 11.79 It can be seen by 2041 there is an estimated need for 15,670 additional dwellings with support or care across the whole study area. In addition, there is a need for 5,879 additional nursing and residential care bedspaces. Typically for bedspaces it is conventional to convert to dwellings using a standard multiplier (1.80 bedspaces per dwelling for older persons accommodation) and this would therefore equate to around 3,266 dwellings. In total, the older persons analysis therefore points towards a need for around 18,933 units over the 2020-41 period. Using the 2018-SNPP and HRRs from the 2014-SNHP (plus an adjustment to the 75+ age group) the total need in the area is estimated to be 87,848 and therefore the older person need equates to some 22% of all homes needing to be some form of specialist accommodation for older people.
- 11.80 The supply position shown in Tables 12.18 – 12.26 is a point-in-time assessment based on information from the Elderly Accommodation Council. It should be reviewed and updated as appropriate, such as part of the determination of planning applications.
- 11.81 The table below summarises this information for local authorities. This shows a much higher older person need in those areas where the population/household projections are more modest (notably Melton and Oadby & Wigston). All areas clearly see a need for provision of additional older persons housing. Melton BC is planning for higher levels of housing growth (with a residual requirement for 300 dpa) which would reduce the relative share of need appropriate for older persons housing. The scale of housing growth planned for in Oadby and Wigston will equally influence the proportional need for older persons specialist housing.

Table 11.22 Estimated proportion of need as older persons housing – linking to baseline projections

	Housing with care/support	Bedspace allowance	Total need	Indicative % all homes
Leicester	4,566	494	5,060	18.8%
Blaby	1,180	345	1,524	17.9%
Charnwood	2,802	651	3,453	18.5%
Harborough	1,567	368	1,936	22.2%
H & B	2,216	565	2,781	26.9%
Melton	710	156	866	56.2%
NWL	1,576	536	2,112	18.3%
O & W	1,050	150	1,200	75.0%
Leicestershire	11,101	2,771	13,872	22.8%
L & L	15,667	3,265	18,933	21.6%

Source: Derived from a range of sources

- 11.82 The provision of a choice of attractive housing options to older households is a component of achieving good housing mix. The availability of such housing options for the growing older population may enable some older households to downsize from homes which no longer meet their housing needs or are expensive to run. The availability of housing options which are accessible to older people will also provide the opportunity for older households to 'rightsize' which can help improve their quality of life.
- 11.83 It should also be noted that within any category of need there may be a range of products. For example, many recent market extra-care schemes have tended to be focused towards the 'top-end' of the market and may have significant service charges (due to the level and quality of facilities and services). Such homes may therefore only be affordable to a small proportion of the potential market, and it will be important for the Councils to seek a range of products that will be accessible to a wider number of households if needs are to be met.

Older Persons' Housing, Planning Use Classes and Affordable Housing Policies

- 11.84 The issue of use classes and affordable housing generally arises in respect of extra care/ assisted living development schemes. The Planning Practice Guidance defines extra care housing or housing with care as follows:

"This usually consists of purpose-built or adapted flats or bungalows with a medium to high level of care available if required, through an onsite care agency registered through the Care Quality Commission (CQC). Residents are able to live independently with 24 hour access to support services and staff, and meals are also available. There are often extensive communal areas, such as space to socialise or a wellbeing centre. In some cases, these

developments are known as retirement communities or villages - the intention is for residents to benefit from varying levels of care as time progresses”.

- 11.85 There is a degree to which different terms can be used for this type of development inter-changeably, with reference sometimes made to extra care, assisted living, continuing care retirement communities, or retirement villages. Accommodation units typically include sleeping and living accommodation, bathrooms and kitchens; and have their own front door. Properties having their own front doors is not however determinative of use.
- 11.86 The distinguishing features of housing with care is the provision of personal care through an agency registered with the Care Quality Commission, and the inclusion of extensive facilities and communal space within these forms of development, which distinguish them from blocks of retirement flats.

Use Classes

- 11.87 Use classes are defined in the Town and Country Planning (Use Classes) Order 1987 (as amended). Use Class C2: Residential Institutions is defined as *“use for the provision of residential accommodation and care to people in need of care (other than a use within class C3 (dwelling houses).”* C3 (dwelling houses) are defined as *“use as a dwelling house (whether or not as a sole or main residence) a) by a single person or by people living together as a family; or b) by no more than 6 residents living together as a single household (including a household where care is provided for residents).”*
- 11.88 Care is defined in the Use Class Order as meaning *“personal care for people in need of such care by reason of old age, disablement, past or present dependence on alcohol or drugs or past or present mental disorder, and in class C2 also includes the personal care or children and medical care and treatment.”*
- 11.89 Personal care has been defined in Regulations²⁵ as *“the provision of personal care for persons who, by reasons of old age, illness or disability are unable to provide it for themselves, and which is provided in a place where those persons are living at the time the care is provided.”*
- 11.90 Government has released new Planning Practice Guidance of *Housing for Older and Disabled People* in June 2019. In respect of Use Classes, Para 63-014 therein states that:

“It is for a local planning authority to consider into which use class a particular development may fall. When determining whether a development for specialist housing for older people falls within C2 (Residential Institutions) or C3 (Dwelling house) of the Use Classes Order,

²⁵ Schedule 1 of the Health and Social Care Act 2008 (Regulated Activities) Regulations 2010.

consideration could, for example, be given to the level of care and scale of communal facilities provided.”

11.91 The relevant factors identified herein are the level of care which is provided, and the scale of communal facilities. It is notable that no reference is made to whether units of accommodation have separate front doors. This is consistent with the Use Class Order, where it is the ongoing provision of care which is the distinguishing feature within the C2 definition. In a C2 use, the provision of care is an essential and ongoing characteristic of the development and would normally be secured as such through the S106 Agreement.

11.92 A range of appeal decisions have addressed issues relating to how to define the use class of a development. These are fact specific, and there is a need to consider the particular nature of the scheme. What arises from this, is that schemes which have been accepted as a C2 use commonly demonstrate the following characteristics:

- Occupation restricted to people (at least one within a household) in need of personal care, with an obligation for such residents to subscribe to a minimum care package. Whilst there has been debate about the minimum level of care to which residents must sign-up to, it is considered that this should not be determinative given that a) residents' care needs would typically change over time, and in most cases increase; and b) for those without a care need the relative costs associated with the care package would be off-putting.
- Provision of access to a range of communal areas and facilities, typically beyond that of simply a communal lounge, with the access to these facilities typically reflected in the service charge.

NPPF Policies on Affordable Housing

11.93 For the purposes of developing planning policies in a new Local Plan, use class on its own need not be determinative on whether affordable housing provision could be applied. In all cases we are dealing with residential accommodation. But nor is there a clear policy basis for seeking affordable housing provision or contributions from a C2 use in the absence of a development plan policy which seeks to do so.

11.94 The 2021 NPPF sets out in Para 34 that Plans should set out the contributions expected from development, including levels of affordable housing. Such policies should not undermine the deliverability of the Plan. Para 65 states that where a need for affordable housing is identified, planning policies should specify the type of affordable housing required, and expect it to be met on-site unless off-site provision or a financial contribution can be robustly justified; and the agreed approach contributes to the objective of creating mixed and balanced communities.

11.95 Para 64 states that affordable housing should not be sought from residential developments that are not major developments other than in designated rural areas. Para 65 sets out that specialist accommodation for a group of people with specific needs (such as purpose-built accommodation for the elderly or students) are exempt from the requirement for 10% of homes (as part of the affordable housing contribution) to be for affordable home ownership. But neither of these paragraphs set out that certain types of specialist accommodation for older persons are exempt from affordable housing contributions.

11.96 The implication for Leicester and Leicestershire is that:

- The ability to seek affordable housing contributions from a C2 use at the current time is influenced by how its current development plan policies were constructed and evidenced; and
- If policies in a new development plan are appropriately crafted and supported by the necessary evidence on need and viability, affordable housing contributions could be sought from a C2 use through policies in a new Local Plan.

11.97 Within a local plan, it would be possible to craft a policy in such a way that affordable housing could be sought on extra care housing from both C2 and C3 use classes and it should be noted that in July 2020 the High Court rejected claims that 'extra care' housing should not contribute affordable homes because it falls outside C3 use (CO/4682/2019). It is however important to recognise that the viability of extra care housing will differ from general mixed tenure development schemes, and there are practical issues associated with how mixed tenure schemes may operate.

Viability

11.98 There are a number of features of a typical extra care housing scheme which can result in substantively different viability characteristics relative to general housing. In particular:

- Schemes typically include a significant level of communal space and on-site facilities, such that the floorspace of individual units might equate to 65% of the total floorspace, compared to 100% for a scheme of houses and perhaps 85% for typical flatted development. There is a significant proportion of space from which value is not generated through sales (although individual units may be smaller);
- Higher construction and fit out-costs as schemes need to achieve higher accessibility requirements and often include lifts, specially adapted bathrooms, treatment rooms etc. In many instances, developers need to employ third party building contractors and are not able to secure the same economies of scale as the larger volume housebuilders;

-
- Sales rates are also typically slower for extra care schemes, not least as older residents are less likely to buy 'off plan.' The combination of this and the limited ability to phase flatted schemes to sales rates can result in higher finance costs for a development.

11.99 There are a number of implications arising from this. Firstly, there is a need for viability evidence to specifically test and consider what level of affordable housing could be applied to different forms of older persons accommodation, potentially making a distinction between general market housing; retirement living/sheltered housing; and extra care/housing with care. It may well be that a differential and lower affordable housing policy is justified for housing with care.

11.100 Secondly, developers of extra care schemes can struggle to secure land when competing against mainstream housebuilders or strategic land promoters. One way of dealing with this is to allocate sites specifically for specialist older persons housing, and this may be something that the Councils wish to consider through the preparation of new Local Plans. There could be benefits of doing this through achieving relatively high-density development of land at accessible locations, and in doing so, releasing larger family housing elsewhere as residents move out.

Practical Issues

11.101 In considering policies for affordable housing provision on housing with care schemes, there is one further factor which warrants consideration relating to the practicalities of mixed-tenure schemes. The market for extra care development schemes is currently focused particularly towards providers at the affordable and higher ends of the market, with limited providers currently delivering within the 'mid-market.' At the higher ends of the market, the level of facilities and services/support available can be significant, and the management model is often to recharge this through service charges.

11.102 Whilst recognising the benefits associated with mixed income/tenure development, in considering whether mixed tenure schemes can work it is important to consider the degree to which service charges will be affordable to those on lower incomes and whether Registered Providers will want or be able to support access to the range of services/facilities on site. In a range of instances, this has meant that authorities have accepted off-site contributions to affordable housing provision.

Wheelchair User Housing

11.103 Information about the need for housing for wheelchair users is difficult to obtain, particularly at a local level and estimates of need produced in this report draw on data from the English Housing Survey (EHS) which provides a range of relevant data, but often for different time periods. The EHS data used includes the age structure profile of wheelchair users, information about work needed to homes to make them 'visitable' for wheelchair users and data about wheelchair users by tenure.

11.104 The analysis below sets out estimates of the number of wheelchair users in each local authority; this has been based on estimating prevalence rates from the 2011-12 EHS (Annex Table 6.11) combined with Census data. At the time, the EHS showed there were 184,000 households with a wheelchair user and the oldest person in the household was aged under 60; the 2011 Census showed around 41.2 million people aged under 60 and therefore a base prevalence rate of 0.004 has been calculated for this group – essentially for every 1,000 people aged under 60 there are around 4 wheelchair user households. The table below shows data for a full range of age groups; it should be noted that whilst the prevalence rates mix households and population they will provide a reasonable estimate of the number of wheelchair user households.

Table 11.23 Baseline prevalence rates by age used to estimate wheelchair user households – England

	Number of wheelchair user households	Household population	Prevalence (per 1,000 population)
under 60 years	184,000	40,562,000	5
60 - 74 years	205,000	7,668,000	27
75 - 84 years	191,000	2,832,000	68
85 years or over	146,000	997,000	146

Source: Derived from EHS (2011-12) and 2011 Census

11.105 The analysis also considers the relative health of the population of Leicester and Leicestershire. For this, data has been taken from the 2011 Census for the household population with ‘day to day activities limited a lot’ by their disability. The tables below show this information by age in Leicester/Leicestershire and England, and also shows the adjustment made to reflect differences in health between the areas. Due to the age bands used in the Census, there has been some degree of adjustment for the under 60 and 60-74 age groups. The data shows higher levels of disability for all age groups in Leicester, pointing to a slightly higher than average proportion of wheelchair user households – the opposite is largely true for Leicestershire (although the 85+ age group does show a slightly higher than average level of disability).

Table 11.24 Proportion of people with day to day activities limited a lot (by age) – 2011 – Leicester

	% of age group with day to day activities limited a lot		Leicester as % of England	Prevalence rate (per 1,000 population)
	Leicester	England		
under 60 years	4.6%	4.2%	110.5%	5
60-74 years	19.2%	13.9%	137.6%	37
75-84 years	35.9%	29.1%	123.3%	83
85 years or over	55.3%	52.3%	105.6%	154

Source: 2011 Census

Table 11.25 Proportion of people with day to day activities limited a lot (by age) – 2011 – Leicestershire

	% of age group with day to day activities limited a lot		Leicestershire as % of England	Prevalence rate (per 1,000 population)
	Leicestershire	England		
under 60 years	3.1%	4.2%	73.7%	3
60-74 years	10.3%	13.9%	73.8%	20
75-84 years	27.2%	29.1%	93.4%	63
85 years or over	53.8%	52.3%	102.8%	150

Source: 2011 Census

11.106 The local prevalence rate data can be brought together with information about the population age structure and how this is likely to change moving forward. For Leicester, the data estimates a total of 4,800 wheelchair user households in 2020, and that this will rise to 6,400 by 2041 (an increase of 1,600). For Leicestershire, the current number of wheelchair users is put at 9,600 in 2020, increasing to 14,200 by 2041.

Table 11.26 Estimated number of wheelchair user households (2020-41) – Leicester

	Prevalence rate (per 1,000 population)	Household population 2020	Household population 2041	Wheelchair user households (2020)	Wheelchair user households (2041)
under 60 years	5	294,588	316,024	1,476	1,584
60 - 74 years	37	40,858	46,750	1,502	1,718
75 - 84 years	83	12,676	21,023	1,056	1,751
85 years or over	154	5,063	8,477	782	1,309
Total		353,186	392,275	4,816	6,362

Source: Derived from a range of sources

Table 11.27 Estimated number of wheelchair user households (2020-41) – Leicestershire

	Prevalence rate (per 1,000 population)	Household population 2020	Household population 2041	Wheelchair user households (2020)	Wheelchair user households (2041)
under 60 years	3	510,583	553,443	1,705	1,848
60 - 74 years	20	122,188	141,796	2,409	2,795
75 - 84 years	63	47,552	76,198	2,998	4,804
85 years or over	150	16,478	31,417	2,478	4,725
TOTAL		696,801	802,854	9,590	14,173

Source: Derived from a range of sources

11.107 The finding of an estimated current number of wheelchair user households does not *per se* indicate how many homes might be needed for this group – some households will be living in a home that is suitable for wheelchair use, whilst others may need improvements to accommodation, or a move to

an alternative home. Data from the EHS (2014-15) shows that of the 814,000 wheelchair user households, some 200,000 live in a home that would either be problematic or not feasible to make fully 'visitable' – this is around 25% of wheelchair user households. Applying this (a rate of 25%) to the current number of wheelchair user households and adding the additional number projected forward suggests a need for 2,700 additional wheelchair user homes in the 2020-41 period in Leicester and 7,000 in Leicestershire – this equates to 10%-11% of all housing need (as set out in the table below).

Table 11.28 Estimated need for wheelchair user homes, 2020-41

	Current need	Projected need (2020-41)	Total current and future need	Housing need (2020-41)	% of Housing Need
Leicester	1,183	1,546	2,730	26,896	10.1%
Blaby	338	612	949	8,537	11.1%
Charnwood	555	1,022	1,577	18,670	8.4%
Harborough	279	692	971	8,734	11.1%
H & B	411	815	1,226	10,345	11.9%
Melton	163	315	479	1,540	31.1%
NWL	401	872	1,274	11,527	11.0%
O & W	208	270	478	1,600	29.9%
Leicestershire	2,356	4,599	6,954	60,952	11.4%
L & L	3,539	6,145	9,684	87,848	11.0%

Source: Derived from a range of sources

- 11.108 Furthermore, information in the EHS (for 2017/18) also provides national data about wheelchair users by tenure. This showed that, at that time, around 7.1% of social tenants were wheelchair users, compared with 2.7% of market households (owner-occupiers and private renters). Applying these national figures to the demographic change and need (as shown above) it is possible to estimate the potential need by tenure, as shown in the table below. This shows a need for around 9% of market homes to be M4(3) along with 23% of affordable. The high need shown in Melton and Oadby and Wigston reflects where the baseline population/household projections are more modest. The relative percentage of need will be influenced by overall housing targets in these areas.

Table 11.29 estimated need for wheelchair user homes by tenure, 2020-41

	Market	Affordable
Leicester	8%	21%
Blaby	9%	23%
Charnwood	7%	17%
Harborough	9%	23%
H & B	9%	24%
Melton	24%	64%
NWL	9%	23%
O & W	23%	61%
Leicestershire	9%	23%
L & L	9%	23%

Source: Derived from demographic projections and EHS prevalence rates

- 11.109 To meet the identified need, the Councils could seek a proportion (maybe up to 10%) of all new market homes to be M4(3) compliant and potentially around a quarter in the affordable sector. These figures reflect that not all sites would be able to deliver homes of this type. In the market sector these homes would be M4(3)A (adaptable) and M4(3)B (accessible) for affordable housing. This recognises that not all sites/ schemes will be able to deliver to policy standards.
- 11.110 As with M4(2) homes it may not be possible for some schemes to be built to these higher standards due to built-form, topography, flooding etc. Furthermore, provision of this type of property may in some cases challenge the viability of delivery given the reasonably high build out costs (see table below).
- 11.111 It is worth noting that the Government is currently consulting on changes to the way the needs of people with disabilities and wheelchair users are planned for as a result of concerns that in the drive to achieve housing numbers, the delivery of housing that suits the needs of the households (in particular those with disabilities) is being compromised on viability grounds²⁶.
- 11.112 One of the policy options tabled in the Government consultation is to remove M4(1) altogether, so that all new homes will have to at least have the accessible and adaptable features of an M4(2) home. M4(3) would apply where there is a local planning policy in place in which a need has been identified and evidenced. This is consistent with the evidence presented in this report, although the trade-off identified in the consultation paper between viability and the need to deliver sufficient numbers of market homes to meet general housing needs is unavoidable.

²⁶ Raising accessibility standards for new homes, a consultation paper, page 10

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- 11.113 The viability challenge is particularly relevant for M4(3)(B) standards. These make properties accessible from the moment they are built and involve high additional costs that could in some cases challenge the feasibility of delivering all or any of a policy target.

Table 11.30 Access Cost Summary

	1-Bed Apartment	2-Bed Apartment	2-Bed Terrace	3-Bed Semi- Detached	4-Bed Semi- Detached
M4(2)	£940	£907	£523	£521	£520
M4(3)(A) – Adaptable	£7,607	£7,891	£9,754	£10,307	£10,568
M4(3)(B) – Accessible	£7,764	£8,048	£22,238	£22,791	£23,052

Source: EC Harris, 2014

- 11.114 However, local authorities only have the right to request M4(3)(B) accessible compliance from homes for which they have nomination rights. They can, however, request M4(3)(A) adaptable compliance from the wider (market) housing stock.
- 11.115 A further option for the Councils would be to consider seeking a higher proportion of M(4) homes, where it is viable to do so, from those homes to which they have nomination rights. This would address any under delivery from other schemes (including schemes due to their size e.g. less than 10 units or 1,000 square metres) but also recognise the fact that there is a higher prevalence for wheelchair use within social rent tenures. This should be considered when setting policy.

Adults (16-64) With Disabilities or Support Needs

- 11.116 As well as examining older people it is also possible to draw on the PANSI data to examine the growth in adults with a disability of condition. Again these are based on the official 2018-based SNPP alternative internal migration variant rather than linked to the Standard Method.
- 11.117 We have set out below the projections for a range of mental health disorders as well as physical disabilities. The projections show a significant growth impaired mobility in both Leicester and Leicestershire. This would support the earlier analysis on M4(2) and M4(3) homes.
- 11.118 The most significant mental health changes are expected in Common Mental Disorder which would not result in a specialist residential solution. However, there will be occasions when very specialist accommodation will be required and the shire authorities will need to work with the County to understand whether the commissioning of a new supported housing scheme should address this. As with other very specialist accommodation this may require a solution which addresses the need for multiple authorities.

- 11.119 It is suggested that this would be most relevant to those with Psychotic disorders which PANSI describe as producing “*disturbances in thinking and perception severe enough to distort perception of reality. Psychoses can be serious and debilitating conditions, associated with high rates of suicide and early mortality*”. As such they may require a residential solution to ensure surveillance.

Table 11.31 Projected Changes to Population with a Range of Disabilities – Leicester

Disability	Age Range	2020	2041	Change	% Change
Common mental disorder	18-64	43,664	47,055	3,392	7.8%
Borderline personality disorder	18-64	5,546	5,980	433	7.8%
Antisocial personality disorder	18-64	7,841	8,635	794	10.1%
Psychotic disorder	18-64	1,624	1,763	139	8.5%
Two or more psychiatric disorders	18-64	16,691	18,092	1,401	8.4%
Autistic Spectrum Disorders	18-64	2,763	3,074	311	11.3%
Learning Disabilities	15-64	7,133	7,752	619	8.7%
Challenging behaviour	15-64	129	140	11	8.6%
Impaired mobility	16-64	12,101	12,816	715	5.9%

Source: PANSI and Demographic Projections

Table 11.32 Projected Changes to Population with a Range of Disabilities – Leicestershire

Disability	Age Range	2020	2041	Change	% Change
Common mental disorder	18-64	79,631	86,242	6,612	8.3%
Borderline personality disorder	18-64	10,111	10,951	839	8.3%
Antisocial personality disorder	18-64	14,063	15,227	1,164	8.3%
Psychotic disorder	18-64	2,946	3,190	244	8.3%
Two or more psychiatric disorders	18-64	30,306	32,821	2,514	8.3%
Autistic Spectrum Disorders	18-64	3,346	3,631	285	8.5%
Learning Disabilities	15-64	8,678	9,453	775	8.9%
Challenging behaviour	15-64	160	174	14	8.8%
Impaired mobility	16-64	19,076	20,320	1,244	6.5%

Source: PANSI and Demographic Projections

- 11.120 In addition to the PANSI data the scale of demand from those with a mental health condition can be drawn from homelessness representation for which MHCLG collate quarterly data from each local authority. This dataset is known as the Homelessness Case Level Information Collection (H-CLIC).
- 11.121 As shown in the table below, in every local authority the most common support need for those owed a prevention or relief duty is Mental Health. This ranges from 10% in Melton to 28% in Harborough. On average the 19% of those owed a prevention or relief duty require mental health support.

Table 11.33 Support needs of households owed a prevention or relief duty (June 18-Mar 21)

	Leicester	Blaby	Charn-wood	Harbo-rough	H&B	Melton	NW Leics	O&W	Average
Mental health problems	21%	23%	18%	28%	13%	10%	14%	23%	19%
ill health and disability	16%	13%	8%	9%	6%	7%	10%	16%	11%
Experienced Abuse	8%	21%	11%	12%	4%	7%	9%	13%	11%
Offending history	9%	3%	5%	7%	2%	3%	5%	3%	4%
History of homelessness	6%	4%	3%	4%	1%	4%	3%	1%	3%
Drug or Alcohol dependency	10%	6%	8%	12%	5%	6%	6%	4%	7%
Other	6%	12%	9%	7%	5%	12%	7%	8%	8%

Source: MHCLG, 2021

11.122 The appropriate strategy for providing support needs should be carefully considered through joint working by the County Council and local authorities in Leicestershire. Support needs can arise from both people both under and over 65.

11.123 For some forms of specialist supported housing, schemes may draw on needs from across local authority boundaries, in particular where needs across different authorities need to be aggregated to make schemes viable. This might include but not limited to the need for:

- Bariatric Care Homes;
- Mother and Baby Units;
- Drug and Alcohol Dependency Units;
- Anorexia Units; and
- Autistic Friendly Housing.

11.124 Current provision for these groups is often t *ad-hoc* in rental accommodation which is not in any way adapted to their needs. There is a potential role for Leicestershire County Council to coordinate a strategic approach to meeting such needs, such as proposals for provision in different parts of the County. This could then inform the identification and then feed into the preparation of local plans.

11.125 In some cases developments may work within or on the outskirts of towns and large villages subject to viability where appropriate facilities are provided and there are good quality public transport links.

The Needs of Older Persons & Those with Disabilities: Key Messages

- A range of data sources and statistics have been accessed to consider the characteristics and housing needs of the older person population and the population with some form of disability. The two groups are taken together as there is a clear link between age and disability. The analysis responds to Planning Practice Guidance on *Housing for Older and Disabled People* published by Government in June 2019 and includes an assessment of the need for specialist accommodation for older people and the potential requirements for housing to be built to M4(2) and M4(3) housing technical standards (accessibility and wheelchair standards).
- The data shows in general that Leicestershire has a similar age structure and similar levels of disability compared with the national average whilst Leicester has a younger age structure (and higher age-specific rates of disability in a regional/national context). The older person population is projected to increase notably in the future and an ageing population means that the number of people with disabilities is likely to increase substantially. Key findings for the 2020-41 period include:
 - A 40% (Leicester) and 42% (Leicestershire) increase in the population aged 65+ (potentially accounting for 58% of total population growth in Leicestershire (44% of growth in Leicester);
 - A 56%-66% increase in the number of people aged 65+ with dementia and a 50%-56% increase in those aged 65+ with mobility problems;
 - A need for around 3,100 housing units with support (sheltered/retirement housing) in Leicester (2020-41) and 6,700 units in Leicestershire (mainly in the market sector in Leicestershire);
 - A need for around 1,500 additional housing units with care (e.g. extra-care) in Leicester and 4,400 in Leicestershire – focussed on market housing in Leicestershire and the affordable sector in Leicester;
 - A need for additional residential and nursing care bedspaces; and
 - a need for around 2,800 (Leicester) and 7,100 (Leicestershire) dwellings to be for wheelchair users (meeting technical standard M4(3)).
- This would suggest that there is a clear need to increase the supply of accessible and adaptable dwellings and wheelchair user dwellings as well as providing specific provision of older persons housing. Given the evidence, the Councils could consider (as a start point) requiring all dwellings (in all tenures) to meet the M4(2) standards (which are similar to the Lifetime Homes Standards) and 10%-25% of homes meeting M4(3) – wheelchair user dwellings (a higher proportion in the affordable sector).
- Where the authority has nomination rights M4(3) would be wheelchair accessible dwellings (constructed for immediate occupation) and in the market sector they should be wheelchair user adaptable dwellings (constructed to be adjustable for occupation by a wheelchair user). It should however be noted that there will be cases where this may not be possible (e.g. due to viability or site-specific circumstances) and so any policy should be applied flexibly.
- The Councils should also consider if a different approach is prudent for market housing and affordable homes, recognising that Registered Providers may already build to higher standards, and that households in the affordable sector are more likely to have some form of disability.
- In framing policies for the provision of specialist older persons accommodation, the Councils will need to consider a range of issues. This will include the different use classes of accommodation (i.e. C2 vs. C3) and requirements for affordable housing contributions (linked to this the viability of provision). There may also be some practical issues to consider, such

as the ability of any individual development being mixed tenure given the way care and support services are paid for.

- For those younger than 65 the PANSI projections show a significant growth impaired mobility in both Leicester and Leicestershire. This would support the earlier analysis on M4(2) and M4(3) homes. There is also expected to be a significant growth in those with a mental health issue. While not all of this will result in an increased demand for residential solutions the most severe conditions will.
- The Councils should work collaboratively to ensure very specialist supported accommodation is addressed across boundaries. This will ensure those that the needs of those that require this level of care will be addressed in an appropriate environment.

Gypsies and Travellers

- 11.126 The latest evidence in relation to the housing needs of Gypsies and Travellers in Leicester and Leicestershire was published in May 2017. The Leicester City and Leicestershire Gypsy, Traveller and Travelling Showpeople Accommodation Assessment²⁷ primary purpose was to identify the current and future need for pitches. The study covered each local authority with the exception of Hinckley and Bosworth where a separate study²⁸ was commissioned and published in November 2016 to align with their local plan timetable. We understand that a number of authorities have commissioned updated evidence to inform their Local Plan Reviews. This short section thus presents the published information at the current time.
- 11.127 Both GTAA was based on desktop research and Stakeholder interviews including engagement with members of the community. Overall the studies identified a need for 22 additional pitches over the 2016-36 period. The need assessed in Hinckley and Bosworth was for no additional pitches based on the new definition of gypsies and travellers; but a need for up to 15 pitches from households that *may* meet the new definition albeit the need could be as few as 1 pitch.

²⁷ http://www.harborough.gov.uk/download/downloads/id/3220/2017_06_01_leicestershire_gtaa_final_reportpdf.pdf

²⁸ [https://www.hinckley-](https://www.hinckley-bosworth.gov.uk/downloads/file/5477/hinckley_and_bosworth_gypsy_and_traveller_accommodation_assessment)

[bosworth.gov.uk/downloads/file/5477/hinckley_and_bosworth_gypsy_and_traveller_accommodation_assessment](https://www.hinckley-bosworth.gov.uk/downloads/file/5477/hinckley_and_bosworth_gypsy_and_traveller_accommodation_assessment)

Table 11.34 Additional need for GTAA Pitches (2016-36)

	Additional Pitches
Leicester	6
Blaby	3
Charnwood	0
Harborough	6
Hinckley and Bosworth	1
Melton	0
North West Leicestershire	6
Oadby and Wigston	0
Study Area	22

Source: L&L GTAA and H&B GTAA

- 11.128 As well as settled pitches the report also examined the need for transit pitches. The report identifies a need for a minimum of twelve caravan spaces in Leicester City and thirty-six caravan spaces spread over 2-3 sites in the rest of the county. No need for travelling showpeople or transit pitches was identified in the Hinckley and Bosworth evidence.

The Needs of Gypsies and Travellers: Key Messages

- The latest evidence in relation to the housing needs of Gypsies and Travellers identified a need for 22 additional pitches over the 2016-36 period. The report also identifies a need for a minimum of 12 transit caravan spaces in Leicester City and 38 transit in Leicestershire.

12. DIFFERENT HOUSING MARKET SEGMENTS

- 12.1 This section of the report moves on to consider the dynamics in different housing market segments, including the private rented sector and student housing.

Private Rental Sector

- 12.2 The Private Rented Sector has been the key growth sector in the housing market for the last 15 years and now makes up just over 20% of all UK households. Since 2011, the Private Rented Sector has been the second largest housing tenure in England behind owner-occupation, overtaking social housing.
- 12.3 In the context of the sector's growth over the last 20 years and a national housing shortage, successive Governments have looked to the private rented sector to play a greater role in providing more new build housing and have sought to encourage "Build to Rent" development. The NPPF requires authorities to assess and reflect the needs of those people who rent their homes. It defines Build to Rent as *"purpose-built housing that is typically 100% rented out. It can form part of a wider multi-tenure development comprising flats or houses, but should be on the same site or contiguous as the main development. Schemes will usually offer tenancy agreements of three years or more, and will typically be professionally managed stock in single ownership and management control."*
- 12.4 The Build-to-Rent Sector has developed over the last few years to a position where there are now a range of schemes in London, and schemes coming forwards in other Core Cities, but in many other areas there has been limited provision to date. The level of demand and hence potential for the tenure going forward is assessed later in this section.
- 12.5 We have examined a range of issues in relation to the private rental sector including the size of the sector, costs, benefit claimants, HMOs and the demand for build to rent accommodation. This is separate from purpose built student accommodation which is assessed separately.

Size of Private Rental Sector

- 12.6 The table below shows the tenure split of housing in 2011 in Leicester & Leicestershire and a range of other areas. This shows a total of 59,900 households living in private rented housing in the study area – 15.3% of all households. This proportion is slightly above the regional average and below the national equivalent figure. The PRS makes up nearly a quarter of all households in Leicester (22.7%) but a much lower proportion in Leicestershire (11.9%). The vast majority of households in the PRS are living in housing rented from a landlord or through a letting agency, although 4,809 (1.2% of all households) are recorded as living in 'other' PRS accommodation, this is mainly households living in

housing owned by a relative or friend – these are households recorded as within the PRS, those living rent free (as seen in the table below) are a separate category.

Table 12.1 Tenure (2011)

	Leicester	Leicestershire	Leicester & Leicestershire	East Midlands	England
Owns outright	28,018	99,100	127,118	621,224	6,745,584
Owns with mortgage/loan	33,926	105,459	139,385	666,185	7,403,200
Social rented	31,270	28,017	59,287	300,423	3,903,550
Private rented	27,999	31,932	59,931	282,443	3,715,924
Living rent free	1,912	2,926	4,838	25,329	295,110
Total Households	123,125	267,434	390,559	1,895,604	22,063,368
% private rented	22.7%	11.9%	15.3%	14.9%	16.8%

Source: Census (2011)

- 12.7 The table below shows the proportion of household living in private rented accommodation in each local authority – the table also provides a breakdown within the private rented category. The analysis shows a wide range of proportions living in the PRS, varying from 9.9% of households in Oadby & Wigston, up to 22.7% in Leicester. The table also indicates that in general there are relatively few households living in PRS accommodation other than that rented directly from a landlord or through a letting agency.

Table 12.2 Breakdown of types of private rented accommodation (2011)

	Private landlord or letting agency	Employer of a household member	Relative or friend of household member	Other	Total in private rented sector
Leicester	21.3%	0.2%	1.0%	0.3%	22.7%
Blaby	9.0%	0.1%	0.8%	0.1%	10.0%
Charnwood	12.9%	0.2%	0.9%	0.2%	14.1%
Harborough	10.1%	0.2%	0.8%	0.1%	11.2%
H&B	10.3%	0.1%	0.8%	0.2%	11.4%
Melton	12.7%	0.4%	0.9%	0.3%	14.2%
NWL	10.2%	0.1%	0.9%	0.1%	11.3%
O&W	9.0%	0.1%	0.7%	0.1%	9.9%
Leicestershire	10.8%	0.1%	0.8%	0.2%	11.9%
L&L	14.1%	0.2%	0.9%	0.2%	15.3%

Source: Census (2011)

- 12.8 It is of interest to consider how the tenure profile has changed over time. The tables below show data from the 2001 and 2011 Census. From this it is clear that there has been significant growth in the number of households living in privately rented accommodation as well as an increase in outright owners (this will be due to mortgages being paid off, which may have been assisted by a period of low interest rates). There has been a decline in the number of owners with a mortgage and a small

increase in the number of households in social rented accommodation. In both areas, the number of households living in the PRS roughly doubled in just a decade.

Table 12.3 Change in Tenure (2001-11) – Leicester

	2001 households	2011 households	Change	% change
Owens outright	26,241	28,018	1,777	6.8%
Owens with mortgage/loan	38,146	33,926	-4,220	-11.1%
Social rented	31,098	31,270	172	0.6%
Private rented	14,025	27,999	13,974	99.6%
Living rent free	1,638	1,912	274	16.7%
Total	111,148	123,125	11,977	10.8%

Source: 2001 and 2011 Census

Table 12.4 Change in Tenure (2001-11) – Leicestershire

	2001 households	2011 households	Change	% change
Owens outright	82,848	99,100	16,252	19.6%
Owens with mortgage/loan	116,172	105,459	-10,713	-9.2%
Social rented	26,982	28,017	1,035	3.8%
Private rented	15,483	31,932	16,449	106.2%
Living rent free	3,760	2,926	-834	-22.2%
Total	245,245	267,434	22,189	9.0%

Source: 2001 and 2011 Census

- 12.9 The general pattern of tenure changes in the study area is broadly similar to that seen in other areas – i.e. an increase in the PRS and outright owners and a reduction in owners with a mortgage. However, the proportionate increase in the number of households in the PRS is slightly more notable in the study area than other locations; nationally, over the 10-year period the PRS grew by 82%, but by over 100% in the study area.

Table 12.5 Change in Tenure (2001-11)

	Leicester	Leicestershire	L & L	East Midlands	England
Owens outright	6.8%	19.6%	16.5%	16.4%	13.0%
Owens with mortgage/loan	-11.1%	-9.2%	-9.7%	-7.1%	-8.4%
Social rented	0.6%	3.8%	2.1%	-1.0%	-0.9%
Private rented	99.6%	106.2%	103.1%	95.9%	82.4%
Living Rent Free	16.7%	-22.2%	-10.4%	-26.3%	-29.6%
TOTAL	10.8%	9.0%	9.6%	9.4%	7.9%

Source: 2001 and 2011 Census

- 12.10 The table below shows the same data for each local authority in Leicestershire, this again shows significant increases in the PRS for all locations, although there are notable differences in the increase – ranging from 66% in Melton, up to 168% in Blaby.

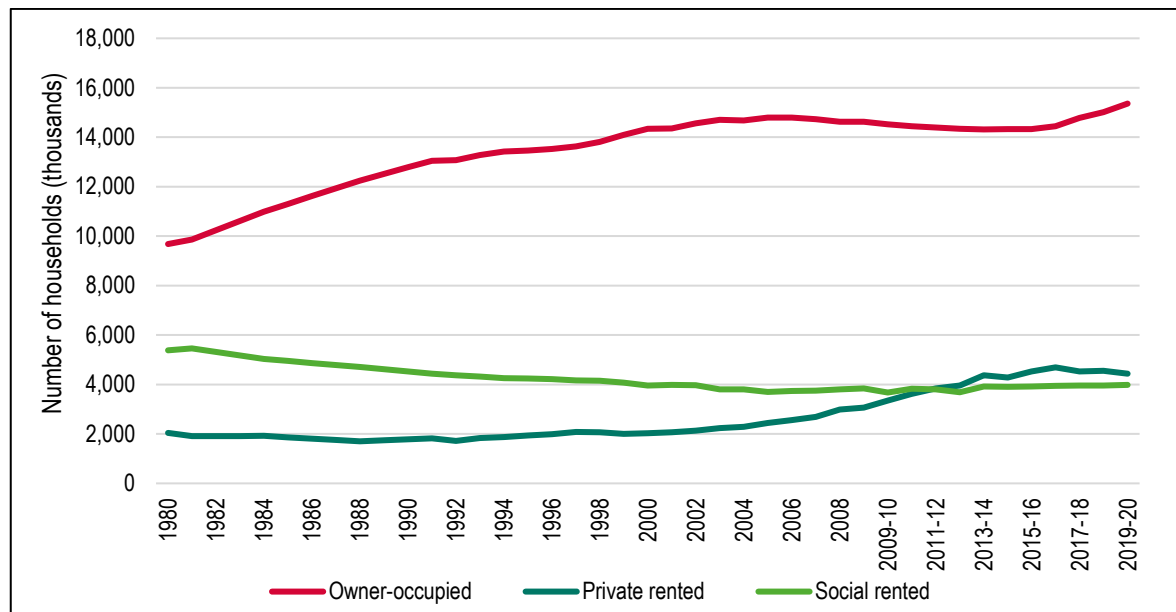
Table 12.6 Change in Tenure (2001-11) – local authorities in Leicestershire

	Blaby	Charn-wood	Har-boro.	H&B	Melton	NWL	O&W
Owns outright	20.2%	21.7%	24.9%	19.6%	21.3%	17.0%	9.4%
Owns with mortgage/loan	-11.5%	-10.0%	-6.3%	-8.0%	-7.7%	-2.8%	-20.2%
Social rented	0.2%	7.8%	12.7%	7.4%	2.5%	-2.0%	-7.6%
Private rented	168.4%	86.9%	117.9%	128.0%	66.3%	128.2%	79.0%
Living Rent Free	13.3%	-31.6%	-21.7%	-16.9%	-20.5%	-27.6%	-20.0%
TOTAL	7.7%	10.0%	13.1%	10.4%	9.6%	10.5%	-2.7%

Source: 2001 and 2011 Census

- 12.11 The PRS has clearly been growing rapidly over time, in Leicester, Leicestershire and other locations; it is also worth considering what further changes may have occurred since 2011. Unfortunately, robust local data on this topic is not available, however a national perspective can be drawn from the English Housing Survey (EHS) which has data up to 2019-20. The figure below shows changes in three main tenures back to 1980. This clearly shows the increase in the number of households living in private rented accommodation from about 2001 and also a slight decrease in the number of owners.
- 12.12 Since 2011, the EHS data shows that that PRS has risen by a further 19% and if the study area has seen a similar level of increase then this would imply about 11,400 additional households in the sector. Experimental statistics from ONS suggest that the size of the PRS may have increased more strongly, with an estimate that there were 78,500 households in the sector in 2019. The ONS data should however be treated with some caution (due to large error margins) with ONS themselves noting that the figures are not official statistics. By 2012, ONS estimates put the PRS at 69,000, which is already substantially above the Census figure of just one year previously.

Figure 12.1: Trends in Tenure, 1980 to 2019-20 – England

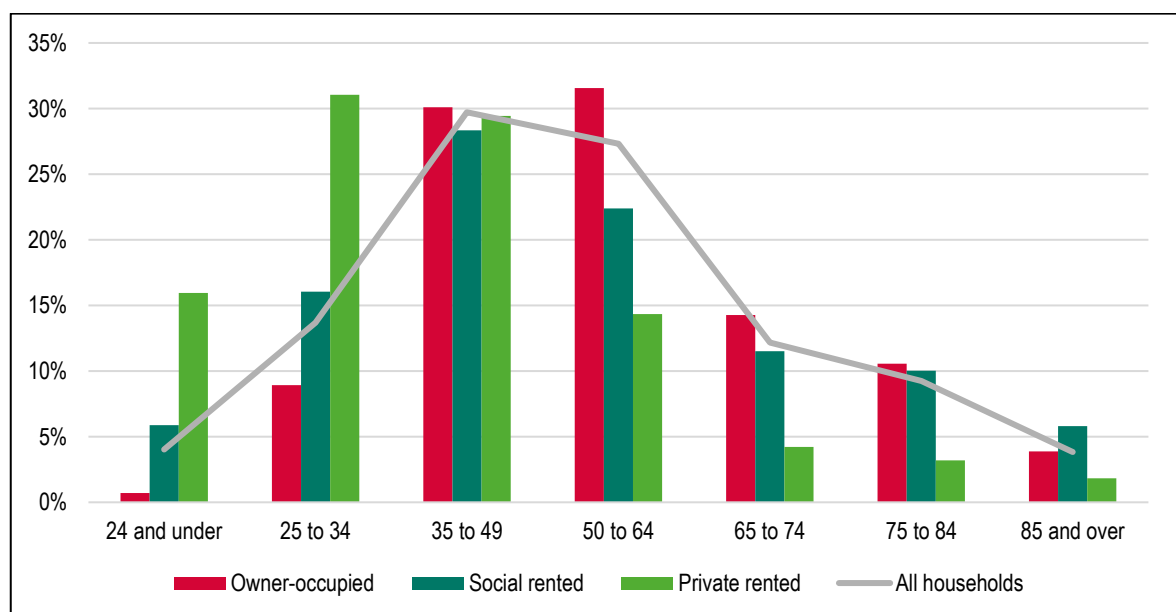


Source: English Housing Survey

Age Profile of Private Renters

- 12.13 Private renters are younger than social renters and owner occupiers. In 2011, the average age of household reference persons (HRPs) in the private rented sector was 40 years (compared with 56 for owner occupiers and 52 in the social rented sector). Around three-quarters (76%) of private rented sector HRPs were aged under 50 compared with 40% of social renters and 40% of owner occupiers.

Figure 12.2: Age of Household Reference Person by Tenure (2011) – Leicester & Leicestershire



Source: Census (2011)

- 12.14 At a national level, the EHS notes that the proportion of younger people in the PRS has increased over time. It notes that the proportion of those aged 25 to 34 who lived in the Private Rented Sector increased from 24% in 2005-6 to 46% in 2015-16. Over the same period, there was a corresponding decrease in the proportion of people in this age group in both the owner occupied (from 56% in 2005-6 to 38% in 2015-16) and social rented (from 20% in 2005-6 to 16% in 2015-16) sectors.
- 12.15 It is also interesting to consider how the age profile of the sector has changed, with a particular focus on younger people. As with all households, for the Under 35 age group the analysis again shows a substantial increase in the number of households living in private rented accommodation (up 83% in Leicester and 95% for Leicestershire). It should also be noted that overall there was a decline in the number of households aged under 35 in Leicestershire (decreasing by 12%). The analysis also highlights a significant decrease in the number of owner occupiers (decreasing by over a third in just 10-years) and a modest reduction in the number of young people in social rented accommodation (in Leicester). In 2001 (in Leicester), some 29% of younger households lived in the PRS; by 2011, this had increased to 50%. For Leicestershire these proportions are 17% and 39% respectively. These trends are likely to have been influenced by affordability issues, including the recession and restrictions on mortgage finance availability.

Table 12.7 Change in Tenure 2001-11 (all households aged Under 35) – Leicester

	2001	2011	Change	% change
Owned	12,548	8,206	-4,342	-34.6%
Social rented	8,639	7,856	-783	-9.1%
Private rented	8,844	16,205	7,361	83.2%
TOTAL	30,031	32,267	2,236	7.4%

Source: 2001 and 2011 Census

Table 12.8 Change in Tenure 2001-11 (all households aged Under 35) – Leicestershire

	2001	2011	Change	% change
Owned	29,572	17,466	-12,106	-40.9%
Social rented	5,128	5,145	17	0.3%
Private rented	7,305	14,241	6,936	94.9%
TOTAL	42,005	36,852	-5,153	-12.3%

Source: 2001 and 2011 Census

Housing Costs

- 12.16 The analysis of affordable housing need describes the current cost of housing in the PRS in Leicester and Leicestershire. Below, analysis is carried out to look at how costs have changed over time – this shows an increase in private rents in all areas with overall increases in the 2011-20 period of 22% in Leicester and 25% across Leicestershire – these increases are slightly above those seen across the East Midlands (21%) and slightly below the national average (26%). It should be noted that the figures below are for all sizes of home and the median rent in any period will be influenced by the profile of homes being let.

Table 12.9 Average (median) private sector rent (per month) 2011 and 2020 – range of areas

	2011	2020	Change	% change
Leicester	£490	£600	£110	22%
Blaby	£575	£725	£150	26%
Charnwood	£480	£550	£70	15%
Harborough	£550	£725	£175	32%
H & B	£495	£650	£155	31%
Melton	£495	£600	£105	21%
NWL	£525	£615	£90	17%
O & W	£550	£695	£145	26%
Leicestershire	£500	£625	£125	25%
East Midlands	£495	£600	£105	21%
England	£575	£725	£150	26%

Source: ONS and Valuation Office Agency

- 12.17 The tables below show median private rents by dwelling size for Leicester and Leicestershire. This shows for 1- and 2-bedroom homes that rents are slightly higher in the City. The analysis also shows that the highest rent increases have been for larger (4+-bedroom) homes and to a lesser extent 3-bedroom properties. The increase in rents for 4+-bedroom homes may in part to reflect the relatively small number of lettings of this size of property (which means that average figures can be quite variable). That said, figures could be monitored to see if this an ongoing trend (which may indicate a supply shortage).

Table 12.10 Average (median) private sector rent (per month) 2011 and 2020 – Leicester

	2011	2020	Change	% change
1-bedroom	£420	£525	£105	25%
2-bedrooms	£500	£630	£130	26%
3-bedrooms	£550	£710	£160	29%
4+-bedrooms	£750	£1,050	£300	40%
All dwellings	£490	£600	£110	22%

Source: ONS and Valuation Office Agency

Table 12.11 Average (median) private sector rent (per month) 2011 and 2020 – Leicestershire

	2011	2020	Change	% change
1-bedroom	£395	£475	£80	20%
2-bedrooms	£495	£595	£100	20%
3-bedrooms	£575	£750	£175	30%
4+-bedrooms	£800	£1,100	£300	38%
All dwellings	£500	£625	£125	25%

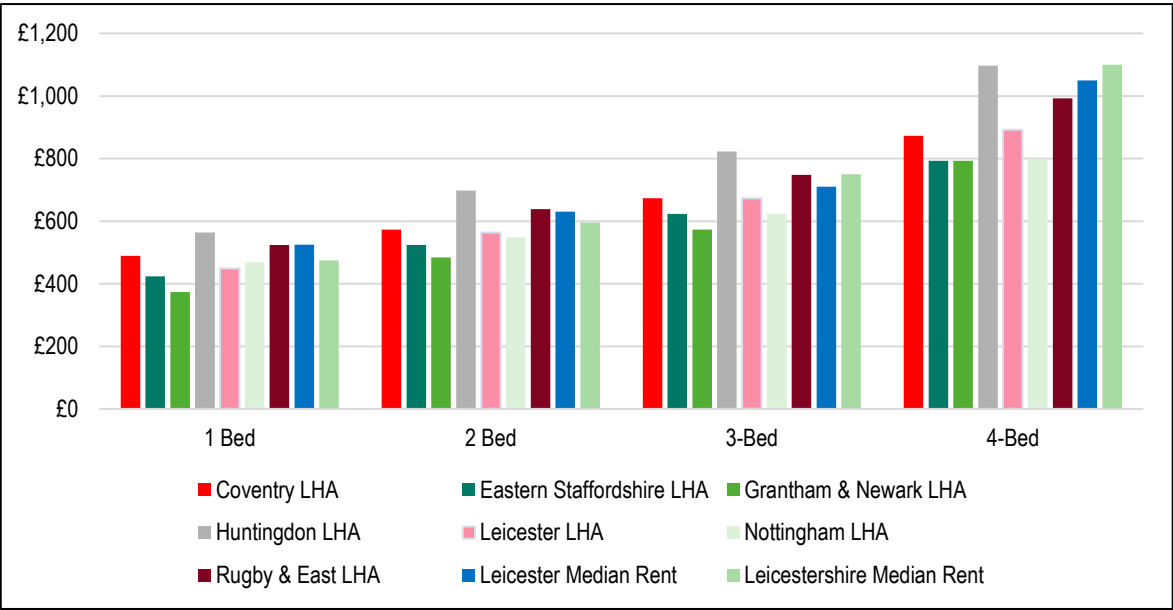
Source: ONS and Valuation Office Agency

- 12.18 As noted, the overall median private rent has increased by 22% in Leicester and 25% in Leicestershire, these figures can be compared with changes to the average house price in the same period. In both locations median house prices have increased by 50% around double the change in

rents and this analysis does not really suggest any particular pressures in PRS when taken in the context of the whole market, and therefore does not indicate any particular shortage of supply of private rented homes when compared with the owner-occupied sector.

12.19 When these rates are compared to Local Housing Allowance (LHA) for the Broad Rental Market Areas (BRMA) within Leicester and Leicestershire it is clear that for much of the study area rents are in excess of LHA. The notable exceptions being those parts of the Study area which fall within the Huntingdon and Rugby and East BRMA, In these areas the LHA is typically above median rents in Leicestershire. LHA rates in the Leicester BRMA are consistently below median rents for the City.

Figure 12.3: Local Housing Allowance Vs Median Rents (2020)



Source: ONS and Valuation Office Agency

12.20 There is a particular affordability gap in larger homes when all of the LHA rates are at or below the median rent for Leicestershire meaning that it is more difficult for lower earning households to access such properties, even with benefit support. In contrast, in three BRMA the LHA exceeds the county median rent for 1 bedroom homes. In some cases the difference between median rents and LHA is only around £6 per month which can potentially be met by some households. However, for larger homes the gap is as much as £307 per month which would be more difficult to bridge. There will still be a supply of homes which are affordable to those on LHA allowance but these are likely to be in the lower quartile.

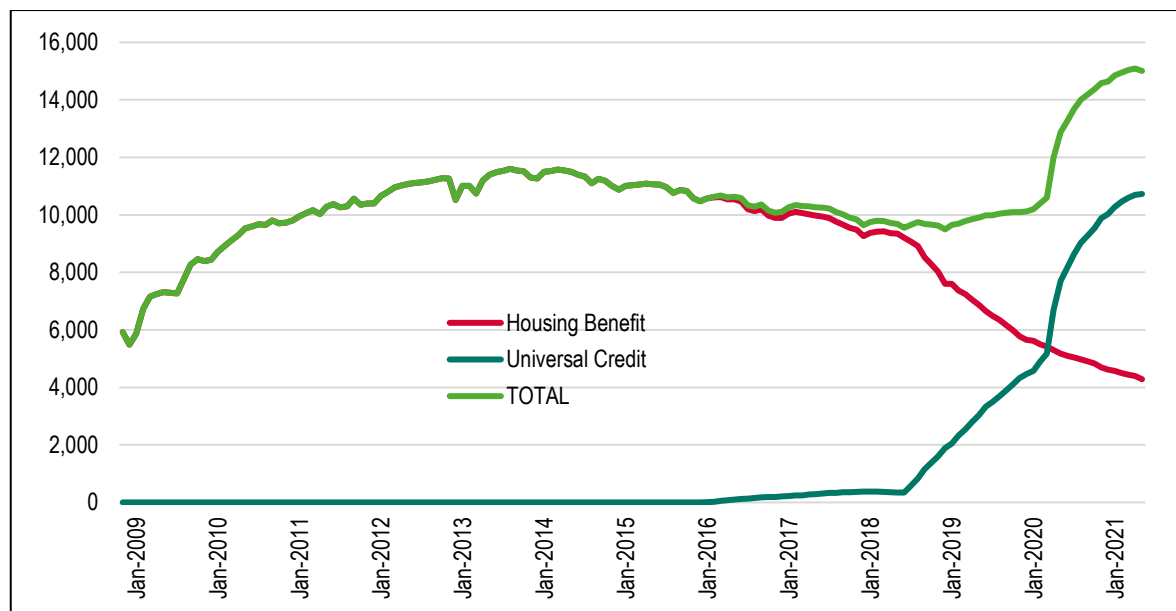
Housing Benefit Claimants

12.21 A further analysis has been carried out to look at the number of housing benefit claimants in the sector. This provides an indication of the number of people who are using the sector as a form of affordable housing, and in many cases will be living in private rented accommodation due to a lack to affordable housing (e.g. in the social rented sector). However, it should be noted that some of

these households may be in the sector through choice whilst others may be forced to use the sector if they are excluded from the Housing Register (e.g. due to rent arrears). The figures below include both Housing Benefit and also Universal Credit claims where there is a housing entitlement (in the PRS).

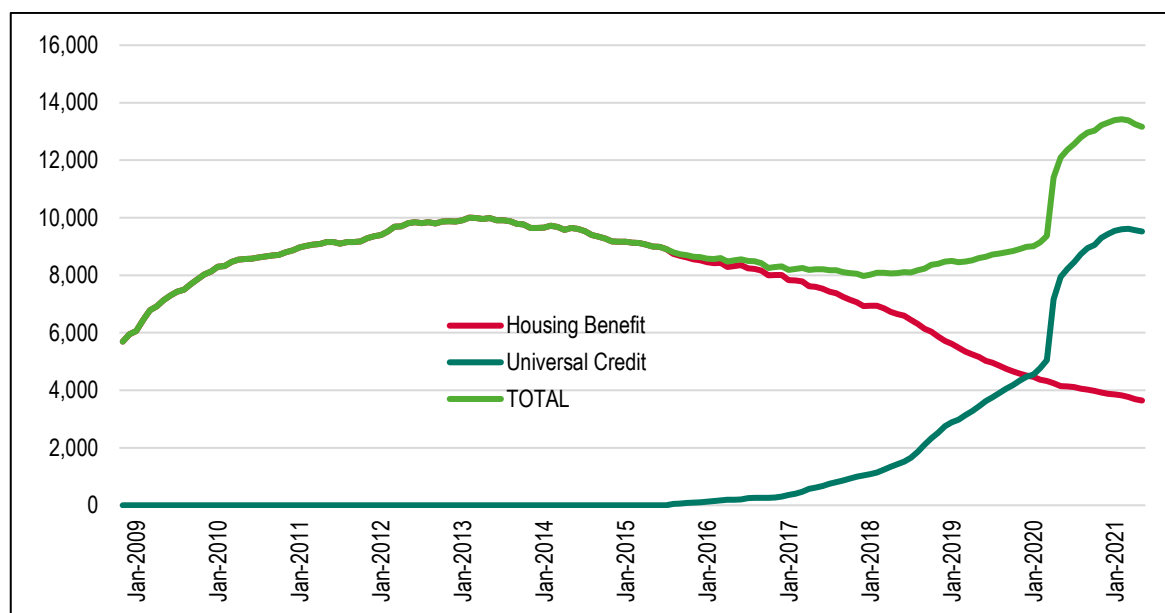
- 12.22 The analysis shows that from 2008, the number of claimants in the PRS rose steadily to peak at just under 12,000 in 2013 in Leicester and around 10,000 in Leicestershire. Since then the number of claimants has generally fallen (until about 2018/19). There has been a notable increase since March 2020, related to the Covid-19 pandemic; with the number of households claiming Housing Benefit or Universal Credit (with housing entitlement) standing at around 15,000 in Leicester and 13,000 in Leicestershire.

Figure 12.4: Number of Housing Benefit claimants in the Private Rented Sector – Leicester



Source: Department of Work and Pensions

Figure 12.5: Number of Housing Benefit claimants in the Private Rented Sector – Leicestershire



Source: Department of Work and Pensions

HMOs

- 12.23 Census data on household composition can be used to identify the growth in shared accommodation. Specifically the change in “Other:Other” households can be used to consider changes in shared accommodation. Such households are comprised of more than one unrelated adults sharing and is commonly used as a proxy for HMOs.²⁹
- 12.24 As shown in the table below, the number of such households increased by 4,672 households in the period 2001 to 2011. This equated to a 45% growth. Around 60% of this growth (+2,856) occurred in the City of Leicester.

²⁹ Other:other households comprise of unrelated adults sharing accommodation (excluding all student households, households with dependent children or where all household members are aged 65 and over)

Table 12.12 Change in Other:Other Households (2001-2011)

	2001	2011	Change	% Change
Blaby	754	1,001	247	33%
Charnwood	1,559	2,187	628	40%
Harborough	632	831	199	31%
Hinckley and Bosworth	904	1,124	220	24%
Leicester	4,764	7,620	2,856	60%
Melton	483	592	109	23%
North West Leicestershire	750	982	232	31%
Oadby and Wigston	504	686	182	36%
Study Area	10,350	15,023	4,673	45%

Source: ONS, Census 2001 and 2011

- 12.25 An alternative view on the number of HMO can be gained from licences issued to HMO landlords. However, only large HMOs³⁰ require a license. As shown in the table below there are 1,719 HMO licenses within the study area. The largest numbers of licenses have been issued in Leicester and Charnwood which suggests that there is an element of student housing impacting on HMO numbers.

Table 12.13 Registered HMO Licenses

	HMO Register
Leicester	927
Blaby	19
Charnwood	668
Harborough	7
Hinckley and Bosworth	14
Melton	10
North West Leicestershire	57
Oadby and Wigston	17
Study Area	1,719

Source: Local Authority Registers

- 12.26 The number of all student households increased by 1,647 dwellings between 2001 and 2011. Reflecting the HMO Licenses (and the location of the Universities) the largest growth was in Leicester (+1,100 households) and Charnwood (+464 households).

³⁰ Large HMOs are rented properties with 5 or more people who form more than 1 household, some or all tenants share toilet, bathroom or kitchen facilities and at least 1 tenant pays rent.

Table 12.14 All Student Households (2001-2011)

Students	2001	2011	Change	% Change
Blaby	0	8	8	n/a
Charnwood	788	1,252	464	59%
Harborough	3	18	15	500%
Hinckley and Bosworth	8	11	3	38%
Leicester	1,814	2,914	1,100	61%
Melton	9	5	-4	-44%
North West Leicestershire	23	81	58	252%
Oadby and Wigston	5	8	3	60%
Study Area	2,650	4,297	1,647	62%

Source: ONS, Census 2001 and 2011

Build to Rent

- 12.27 In August 2012, The Montague Review³¹ was published; having been commissioned by Government to consider the potential for attracting large-scale institutional investment in building new homes for private rent – a model of investment, which is more prevalent in other countries, and in some niche markets in the UK, like student housing. The Review author Sir Adrian Montague was clear that:

“there is real potential for investment in large scale developments of purpose-built rented housing to grow and to be viable. This type of development can bring in new money, give a boost to housing supply, and provide more choice for tenants, particularly those who may be renting long term. And there is research which suggests that the lack of high quality private rented accommodation can put a brake on the wider growth of economic activity” (our emphasis)

- 12.28 Following the publication of the Montague Review, the Government launched several initiatives aimed at ‘kick starting’ growth of the sector. It set up a Private Rented Sector Taskforce (“PRS Taskforce”) and a £1bn Build to Rent fund in line with the recommendations of the Montague Review (this fund is no longer active). In March 2015, *A Build to Rent Guide for Local Authorities*³² was also prepared and published by Government. The benefits set out in the Guide centred on three key areas which are summarised below:

- **(1) Supporting the local community** –development of new Build to Rent housing can help local authorities to meet demand for private rented housing whilst increasing tenants choice. Successful schemes will retain their tenants for longer and maximise occupancy levels as

³¹ Review of the barriers to institutional investment in private rented homes (DCLG, August 2012)

³² Accelerating housing supply and increasing tenant choice in the private rented sector: A Build to Rent Guide for Local Authorities (DCLG, March 2015)

Build to Rent investment is an income focused business model. In order to achieve this, investors will strive to provide for their tenants, and this is key reason why they want to create truly sustainable communities.

- (2) **Supporting local growth** –Build to Rent development can help increase housing supply, particularly on large, multiple phased sites as it can be built alongside build for sale and affordable housing. Build to Rent has the potential to increase the speed of housing delivery and placemaking ; and
- (3) **Financial** – some local authorities can become directly involved in provision in some instances, given the potential to generate income or capital receipts.

12.29 The Build to Rent Guide also deals directly with design and construction, noting that superior design and high quality construction are key components of the Build to Rent model. It is also highlighted that Build to Rent can also offer opportunities for innovative forms of construction, such as build off-site/ modern methods of construction.

12.30 The Government has since continued to seek to support and promote growth of the sector - most prominently through Government's 2017 Housing White Paper, which recognised the role which the sector could play in diversifying who builds and how we build homes, in particular from attracting institutional investment. This will help to increase housing supply, drive standards in the sector and provide stable accommodation for families.

12.31 In line with the clear strength of commitment from the Government on building more homes for rent, a consultation was launched alongside the Housing White Paper focussed on supporting more Build to Rent developments through measures including:

- incorporating a change to the Framework so authorities know they should plan proactively for Build to Rent where there is a need; and
- ensuring that family-friendly tenancies of three or more years are available for those tenants that want them on schemes that benefit from the changes.

12.32 These elements have now been incorporated into the NPPF and associated Planning Practice Guidance which encourages assessments such as this to consider whether a need for Build to Rent exists, and where it does encourages Councils to put in place planning policies to support its growth.

12.33 It is therefore clear from the successive announcements, reviews, initiatives and package of measures proposed that Government policy is to support and encourage growth of the private rented sector and particularly Build to Rent development as a product; in order to deliver quality rental accommodation and boost housing supply; meet demand of the private rented market and deliver quality placemaking.

Technical Research, Market Insight & Manifestos

- 12.34 The Urban Land Institute (“ULI”) published the first edition of its Build to Rent Guide in April 2014 at a time where there was still, in the words of the ULI, “a significant amount of market scepticism as to whether the nascent private rented sector in the UK was really going to succeed”. Following the publication of the first edition of the Guide, Build to Rent institutional investment began to increase significantly; whilst the British Property Federation (“BPF”) launched its Build to Rent Manifesto in October 2015; acknowledging it as a new emerging asset class at the time. The BPF made it clear that:

“The primary motivation of investors is to keep their buildings fully-occupied with satisfied tenants. That means offering longer tenancies, other flexibilities (to personalise the home for example), good onsite amenities, and good transport links for easy commuting” (our emphasis)

- 12.35 Build-to-Rent development in Leicester and Leicestershire can provide high quality housing for households who are not able to access social housing stock in many instances, and who may contribute to study area’s economic success.

- 12.36 Once the Build to Rent concept began to gain traction, the ULI published the second edition of its Build to Rent Guide: “A Best Practice Guide” which the intention of moving from proving the Build to Rent concept could work in the UK, to demonstrating true best practice in a UK context. The second edition of the Guide defined Build to Rent schemes as one hundred or more units which are:

“purposefully designed and built with the customer in mind. It is anticipated that they will typically incorporate dedicated staff (potentially on-site) with a strong management ethos based on maximising the customer experience, together with a level of on-site amenity befitting the size of the development. Irrespective of the overall package of amenities, the creation of a community feel, and positive customer experience is the underlying philosophy of any successful Build to Rent scheme”

- 12.37 The Build to Rent concept is thus not simply about increasing housing delivery and diversifying the market, it is about delivering mixed and balanced communities, high quality private rented sector accommodation and opportunities for all parts of society in housing need. Notably, at the time of the second edition of the Guide, there were 30,000 Build to Rent homes in the development pipeline with 8,000 completions.

-
- 12.38 The sector has continued to grow, and the Savills UK Build to Rent Market Update³³ for Q2 2021 states that the market now had 62,300 completed units, 39,500 under construction and 94,700 in the development pipeline, a total of 195,600 which is an increase from 172,500 units in Q3 2020.
- 12.39 Importantly the Rental Market Update also notes that despite the increase in BtR schemes there has been a “*consistent decline in the number of new rental listings across the country as a whole since 2018*”. This relates to falling supply resulting from the exodus of mortgaged Buy-to-Let landlords from the rental market (over 180,000 mortgage redemptions since Q1 2017) in particular following changes to the introduction of a 3% Stamp Duty surcharge in 2016 and changes to mortgage relief for earnings that have been phased in since 2017 (such that since April 2020 landlords are unable to deduct any of their mortgage expenses from taxable income and can only claim tax credits at the basic rate). This has made residential lettings less attractive for many private investors.
- 12.40 The higher rental costs also mean that savings will be reduced and movement from PRS to owner occupation can be slowed. It notes that “*This trend is already underway with mortgage approvals for FTBs down -6% in the year to March 2021 across the country (UK Finance).*”
- 12.41 Previous Savills research has reported that around 88% of the operational BTR stock was located in City Centre flats; but there had been a slight shift towards “housing led, family targeted” Build to Rent schemes in suburban locations. This more suburban offer seems to have potential for growth. The Savills research noted that annual starts outside of London have now recovered to 85% of their historic peak while starts in the capital remain subdued, at 50% of their peak in 2018. Adding that with starts now once again outpacing completions in the regions we are seeing the construction pipeline return to growth.

Profile of Build to Rent Tenants

- 12.42 The British Property Federation, London First and UK Apartment Association (UKAA) recently published (February 2021) a report³⁴ profiling those who live in built to rent accommodation in London, which makes up the bulk of the market.
- 12.43 Around 62% of residents were aged between 25 and 34 compared with 47% in the wider PRS market. The remaining residents included 17% aged between 16 and 24 and 13% aged 35-44 both of which were below the corresponding values for the wider PRS market.

³³ https://www.savills.co.uk/research_articles/229130/316529-0

³⁴ https://buildtorent.files.wordpress.com/2021/01/who-lives-in-build-to-rent-1.pdf?mc_cid=624df5d223&mc_eid=e05cc2220b

- 12.44 The survey-based data identified that incomes are similar to those in PRS accommodation with 43% earning less than £32,000 and 29% earning between £32,000 and £47,000. Typically BTR residents spend between 29% and 35% of their income on accommodation. This compares to 29% to 32% in the wider PRS demonstrating a willingness to pay slightly more.
- 12.45 The lower value would put this group in the lowest 40% of earners in London which would have an equivalent value of £27,704 in Leicestershire and £22,183 in Leicester. The higher values would be around the 60th percentile which would equate to around £35,892 in Leicestershire and £28,049 in Leicester.

Table 12.15 Gross Annual Residents Based Earning by Local Authority (2020)

Area	40th percentile	Median	60th percentile
Blaby	£31,355	£35,222	£40,749
Charnwood	£26,494	£30,221	£32,771
Harborough	£30,975	£36,718	£43,826
Hinckley and Bosworth	£26,495	£29,514	£33,398
Melton	£22,657	£27,398	-
North West Leicestershire	£25,990	£29,928	£34,622
Oadby and Wigston	£30,227	£33,659	£38,938
Leicestershire	£27,704	£31,283	£35,892
Leicester	£22,183	£24,644	£28,049

Source: Annual Survey of Hours and Earnings

- 12.46 It noted that BTR had comparable levels of affordability but was notably more affordable for couples and sharers. This is reflected in the higher incidence of these household types within the BTR sector.
- 12.47 The report also identified a similar levels of people working in the public and private sectors as the wider PRS market (around 85% in the private sector) across a similar good cross section of industries to those in PRS. The most common industries included Finance and Insurance (25%), Other Services (20%) and IT and Communications (including marketing) (15%) although this is likely to be influenced by London's economic structure.

Scale of Future Demand for BTR Accommodation

- 12.48 As established by the British Property Federation report, the current focus of Build to Rent development is in the major cities. This reflects the concentration of younger persons resident in these areas. This points to greater potential for BTR development in Leicester given its demographic structure and larger young population.
- 12.49 This is confirmed by the BPF map of Built to Rent Schemes and shows developer interest in Leicester to this point. This interest is comprised of the following completed schemes:
- Merlin Wharf – 413 Dwellings;

- Queen Street Apartments – 181 Dwellings;
- The Wulcomb – 150 dwellings;

12.50 The BPF report identified that around 62% of build to rent residents were aged between 25 and 34, 17% were aged between 16 and 24 and 13% aged 35-44. In examining the population of the Built Up Areas in the Study Area the greatest percentage of people in the 25-35 age groups are in Loughborough and Leicester³⁵ built-up areas.

Table 12.16 Mid-Year Population Estimate for Built Up Areas (2020)

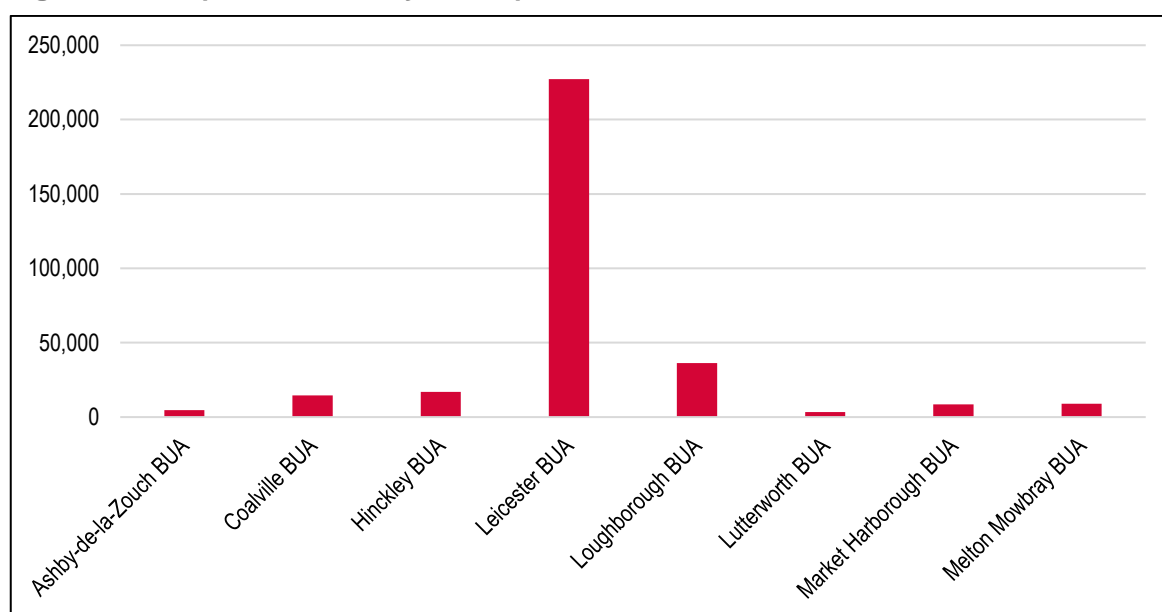
	Under 16	Aged 16-24	Aged 25-34	Aged 35-44	Aged 45+
Ashby-de-la-Zouch BUA	19.5%	8.7%	10.1%	13.0%	48.7%
Coalville BUA	18.2%	9.2%	13.3%	12.3%	47.0%
Hinckley BUA	18.0%	8.6%	12.6%	12.7%	48.1%
Leicester BUA	20.4%	14.4%	14.8%	12.5%	37.9%
Loughborough BUA	14.4%	26.0%	15.9%	10.9%	32.9%
Lutterworth BUA	18.2%	8.8%	10.4%	11.1%	51.6%
Market Harborough BUA	18.7%	8.4%	11.4%	12.3%	49.2%
Melton Mowbray BUA	18.6%	8.7%	11.8%	12.0%	48.9%

Source: ONS Mid Year Population Estimates

12.51 Looking at the absolute proportion of persons aged 16-44 this is notably higher in Leicester than other areas (227,000 persons) with Loughborough second (36,200) but notably lower. The modest absolute size of the market is likely to inhibit the limit the potential for schemes to come forwards outside Leicester (and potentially Loughborough) in the short-to-medium-term.

³⁵ This includes Oadby and Wigston as well as Bruanstone in Blaby

Figure 12.6: Population 16-44 by Built-Up Area, 2021



Source: ONS Mid Year Population Estimates

- 12.52 We have also examined the population projections for this age group (25-34) - these show a growth of 14% in Leicester (8,300 more people) and 13% in Charnwood (3,100 additional population) in the 2020-41 period. Again this would point to future demand in Leicester (and potentially Loughborough).
- 12.53 However, not all of these persons will seek rental accommodation with those able to afford to buy likely to do so. Those which are already renting privately are the target group and they are prepared to pay a premium to benefit from the additional services and professional management that the BTR sector provides.
- 12.54 As the analysis set out below shows small gap in Leicester (£2,900) in Leicester between the income required for a median rent and to buy at lower quartile values. These values are chosen, as the market for BTR is more akin to a premium rental product. There is a higher differential in Charnwood and Harborough relative to other areas, but consideration also needs to be had to the demographic analysis in considering the potential size of the market.

Table 12.17 Income Required to Rent and Buy in Leicester and Leicestershire

	To buy – Lower Quartile Resale	To rent Privately - Median	Income gap	% of households in income gap
Leicester	£29,600	£26,700	£2,900	5.3%
Blaby	£38,000	£29,000	£9,000	12.9%
Charnwood	£33,600	£23,600	£10,000	16.0%
Harborough	£42,400	£29,000	£13,400	18.1%
Hinckley & Bosworth	£32,800	£27,900	£4,900	7.5%
Melton	£33,800	£25,700	£8,100	12.5%
NWL	£32,000	£26,400	£5,600	8.6%
Oadby & Wigston	£35,000	£28,800	£6,200	9.0%

Source: Based on Housing Market Cost Analysis

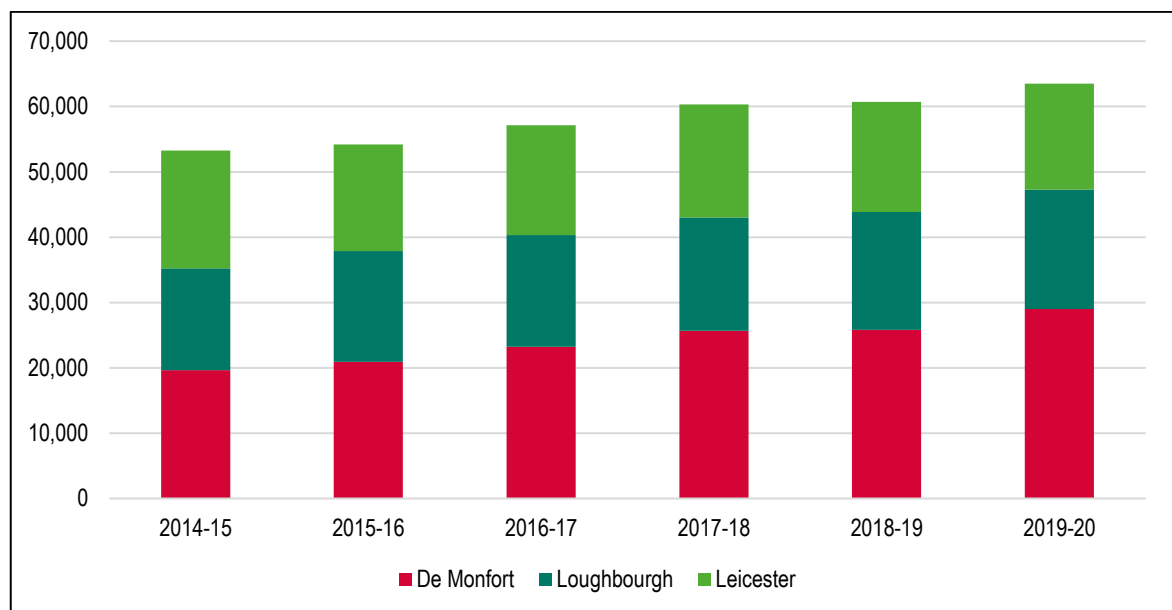
- 12.55 Based on the identified costs only around 5% to 18% of the population would fall in the income gap between median rents and lower quartile resale.
- 12.56 As a purely mathematical exercise, as other factors will be at play, if 10% of the 8,300 growth in the population aged 25-34 in Leicester and 3,100 in Charnwood did choose to move to a BTR accommodation then this would equate to around 830 homes and 310 homes respectively. That said there will be people who are currently renting in general PRS homes that might prefer the better quality product, more professional management and security of tenure that is typical of BTR developments.
- 12.57 This emphasises the need for actual demand evidence from schemes. At Merlin Wharf most apartments are already let despite only opening this Summer. At the Wulcomb, the agent said they had no trouble letting the properties. This points to a level of demand for BTR schemes in the City. No one from the Queen Street Quarter was available for comment.
- 12.58 There is a pipeline supply of 451 BTR units in Leicester while Charnwood has no pipeline supply. The pipeline supply in Leicester includes:
- The Arches, Bath Lane – Under Construction – 184 Dwellings
 - Sandacre Street – Under Construction – 267 Units
- 12.59 It should be reiterated that it is difficult to be precise about the demand for BTR as the market is embryonic (and there is therefore a lack of hard market evidence). In the short-term the market appears focused in Leicester City, in locations in/ close to the City Centre.
- 12.60 The demographics suggest that the focus of demand will remain in Leicester in the short-term. There is a lack of market evidence related to the potential for suburban build-to-rent development of houses

at the current time, but this is a sector which could develop over time. The greatest potential here beyond the City would appear to be in Loughborough and possibly Hinckley.

Students

- 12.61 There are three major higher education providers in the study area, these are: The University of Leicester; De Montfort University and Loughborough University. We have examined the profile of students at each of these alongside their aspirations for growth.
- 12.62 There are also other providers of higher education such as Loughborough College, Brooksby Melton College, Leicester College, Stephenson College and North Warwickshire and South Leicester College. These institutions typically focus on further education, as such, there is limited impact on the housing market as most students still live at home. They also do not feature in the information published by the Higher Education Statistics Authority (HESA) which is relied on below.
- 12.63 In total there were 63,475 students studying at the study area's three universities. As illustrated in the figure below, this was approximately 10,000 *more* students than in 2014-15. The vast majority of this growth took place at De Montfort University (+9,350 students).

Figure 12.8: Total Students at Universities in Leicestershire



Source: Higher Education Statistics Authority, 2020

- 12.64 There has also been a significant shift in the origin of the study areas students with a move away from domestic student focus towards non-EU students. As illustrated below, this was particularly the case for De Montfort and Loughborough Universities. That said, the absolute number of domestic students increased in De Montfort by around 4,790 students and in Loughborough by 1,260 students. In contrast, the University of Leicester contracted its domestic roll by 185 students but increased their contribution, as overseas students fell by an even greater number (-1,630 students).

Figure 12.9: Change in Domicile 2014/15-2019/20

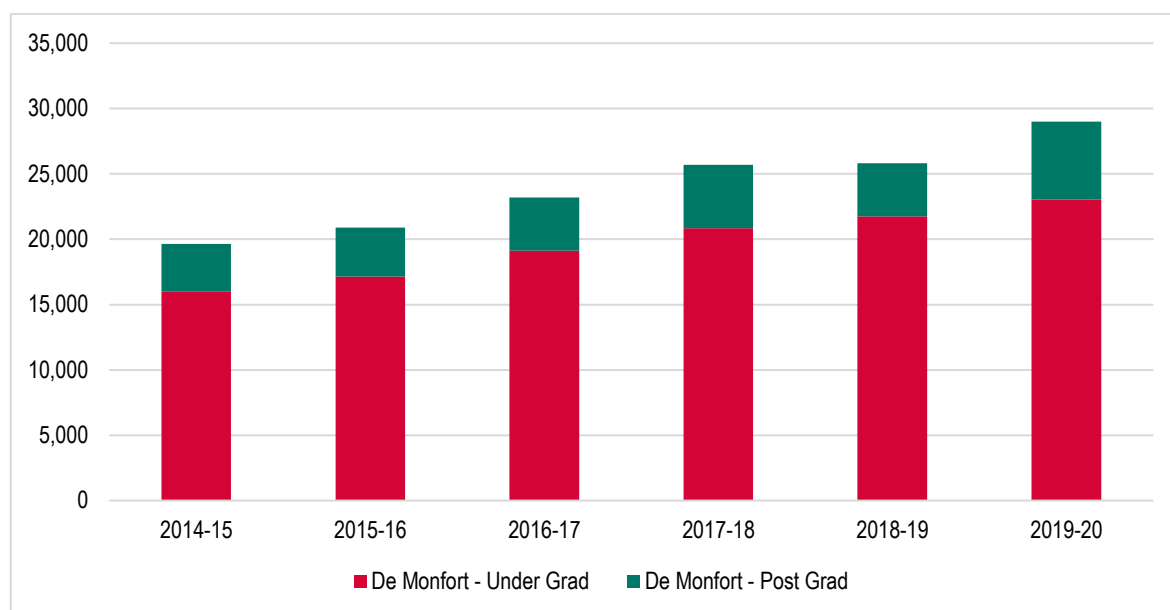


Source: Higher Education Statistics Authority, 2020

De Montfort University

- 12.65 As of the 2019-20 Academic Year De Montfort University had 29,000 students making it comfortably the largest higher education establishment in the study area. The University has undergone a strong period of growth equating to an annual growth of 8.1% between 2014-15 and 2019-20 when there were 19,650 students on the roll.
- 12.66 As illustrated in the figure below the University has increased both undergraduates and postgraduates. Of the 2019/2020 student intake 79.5% are Undergraduates and 20.5% are Postgraduates.

Figure 12.10: Level of Study – De Montfort University



Source: Higher Education Statistics Authority, 2020

- 12.67 Prior to 2019 there was a sustained period of significant growth at the University but that has now stabilised and indeed the number of students has contracted over the last two years. This is in part due to Brexit but also due to grade inflation meaning that students are gaining access to Russell Group Universities more readily. The student body for 20/21 was around 22,000 but not all were on campus with many, particularly international students, distance learning. This is not expected to be a permanent change, but remains in place for the start of 2021/22 and has impacted the take up of accommodation in the City.
- 12.68 The growth was driven by an ambition to expand and improve the consolidated campus within the City Centre. The University adopted a masterplan early in the noughties which included some key campus developments, which have been delivered gradually as part of the consolidation.
- 12.69 The University's accommodation offer is aimed primarily at first year students through a mixture of university owned and managed accommodation (of which there are c530 rooms) and PBSA for which they have nomination rights. At present there is a level of vacancy within this stock.
- 12.70 The scale of these nomination rights changes every year depending on demand i.e. the forecast first year intake and expected uptake levels from the first year population. It is acknowledged that not all first years will take up this offer and some will go to private accommodation. In addition, students with a Leicestershire postcode comprise around 28% of the student body and for many this will mean commuting to the campus. While no firm data is available, it is assumed by the University that the majority of these will live with their parents.

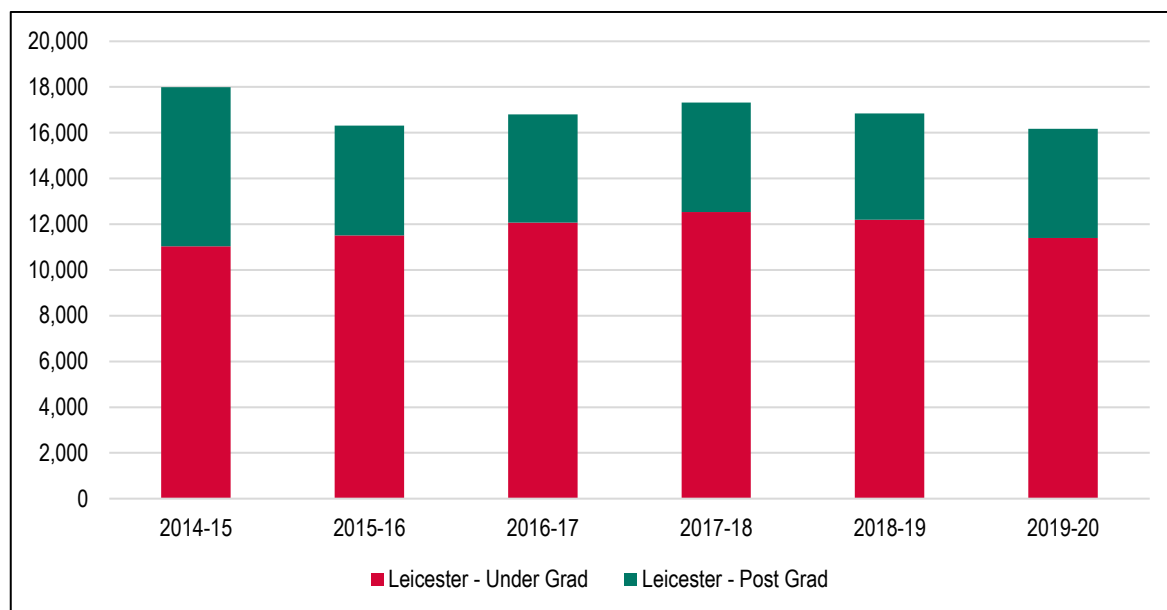
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- 12.71 The second and third year population are largely accommodated within PBSA and HMO. There appears to have been a notable shift over the last 10 years of students using more PBSA and less HMOs. The PBSA offer now seems to dominate most of the activity in the City. That said, the University believe there is a market for both as it provides for a range of specifications and living styles which is suitable to all budgets.
- 12.72 Most PBSA offers a range of services within their accommodation, the majority of which is situated in the City Centre. HMOs on the other hand have historically been concentrated around Jarrom Street and the West End of the City.
- 12.73 The University expect there to be a small dip in student numbers this year and next year but for these to then return to the 2020/21 level over the next 3-5 years, if not sooner; although this of course depends on the success of their recruitment activity. They have no immediate plans to directly deliver or increase the level of accommodation they own/manage.
- 12.74 Brexit has a had a major impact on the number of students they have attracted from the EU this academic year, although the overall number of international students has not fallen. China and India are the main markets where the University draw international students from. As mentioned earlier, many international students are distance learning due to travel restrictions. The University hope the return of distance learning students to on campus learning will absorb a large proportion of the vacancy in the existing stock.
- 12.75 Covid has also impacted on-campus learning although it is hoped that this will be a temporary impact as restrictions continue to be eased. At the height of the pandemic the lockdowns and other government-imposed restrictions had a marked impact on those staying in halls, particularly for those unable to travel to campus or to leave campus during lockdown. Rent rebates were offered to those students unable to travel to campus staying in DMU owned halls during this period and many private halls operators also offered refunds or discounts. It would appear however that students are content with the way this academic year is unfolding and the pandemic has not materially impacted recruitment.

The University of Leicester

- 12.76 As of the 2019-20 Academic Year, the University of Leicester had 16,180 students making it the smallest higher education establishment in the study area. Over the last five years the University's roll has contracted by around 2.1% per annum falling from 17,995 students in 2014/15.
- 12.77 As illustrated, in the figure below the University has particularly contracted the number of postgraduate students (-2185 students) while the number of undergraduates has increased marginally (+370 students).

- 12.78 Of the 2019/2020 student intake 70.5% are Undergraduates and 29.5% are Postgraduates. However, in 2014-15 the post-graduate students accounted for 39% of all students.

Figure 12.11: Level of Study –University Of Leicester



Source: Higher Education Statistics Authority, 2020

- 12.79 It should be recognised that not all students live in Leicester, with the University having a campus in Oadby.
- 12.80 In the current academic year (2021/22) the University has a student intake of around 7,250 -7,500 students across all student types. This is one of their smaller intakes and is linked to the national demographic decline in student age groups.
- 12.81 Due to grade inflation, Russell Group Universities have continued to have large student intakes despite declining demographics. However, the Government has given a clear steer that the rise in the numbers getting top marks will cease. Other research intensive universities such as Leicester have held their intakes at similar levels but have made more use of clearing in recent years.
- 12.82 The international market has also remained strong as they did not have a substantial number of EU students. There has been a switch of focus from Chinese to Indian students, brought about by the pandemic but also the offer of post study working visas to Indian students. The University also hope there will be a return to more normal levels of Chinese students.
- 12.83 The declining student age group domestically is expected to reverse in the coming years including in the areas where the student roll has historically been drawn from i.e. the Midlands and London (particularly North London). In response the University is planning to grow by around 6.1% per annum over the next four years and expects to have around and intake of c9,500 students by 2025. This will

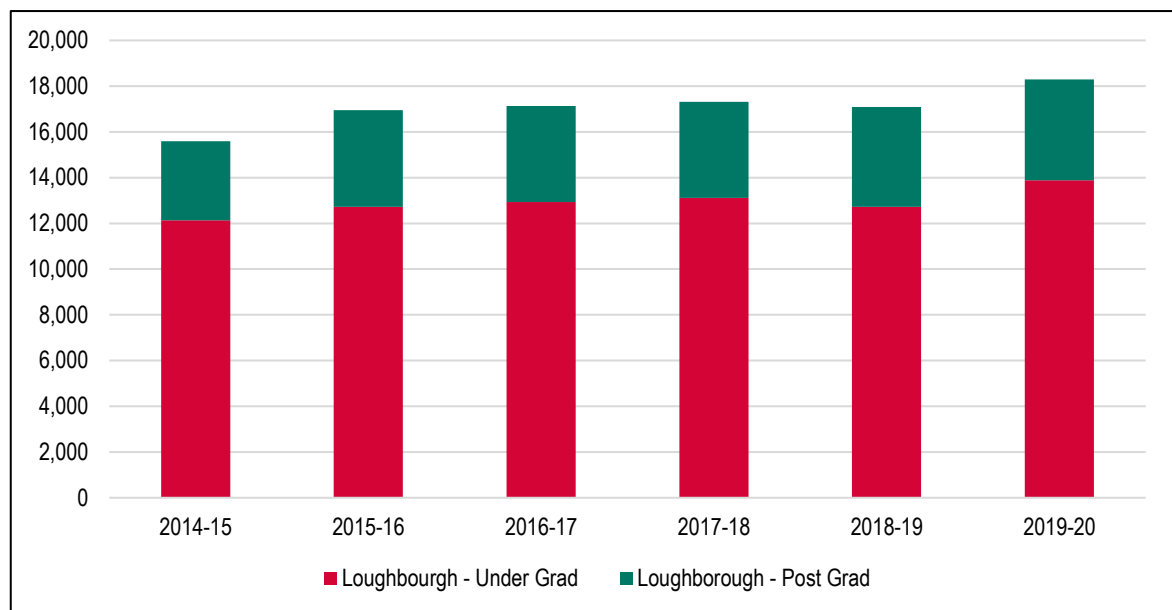
be a new peak for the University and is expected to be sustained. All of the growth in student accommodation is expected to occur in Leicester rather than Oadby & Wigston.

- 12.84 This growth is expected to be met through a combination of new accommodation and a reduction in vacancies within the existing stock. At present there is a 10-15% vacancy rate on university owned and managed accommodation and anecdotally some PBSA blocks are up to 30% vacant.
- 12.85 The University has a large accommodation project at Freeman's Student Village. This development will deliver 1,164 new bedrooms, replacing around five hundred older bedspaces across the campus. This will be a net increase of around 664 bedspaces.
- 12.86 The University currently has 2,152 rooms close to their City Centre campus and a further 1,833 rooms at their Oadby Student Village which is in Oadby and Wigston Borough. They also have nomination rights for 655 beds at Opal Court which is also close to campus.
- 12.87 The current accommodation is offered to first year students with the remainder of the students living in PBSA or student HMOs with some also living at home although this is typically lower than some other local Universities. With the additional accommodation and extended nomination rights the University hope to have accommodation for more than just their first year intake.
- 12.88 The growth in the supply of PBSA in the City alongside the temporary decline in student numbers at DMU has effected the equilibrium. Despite the growth in PBSA the HMO market remains strong with particular concentrations in Clarendon Park and Evington.
- 12.89 The University believe that some of the new accommodation at Freeman's will release some pressure on the wider housing stock. Specifically the development will include several six bedroom townhouses with shared facilities which are akin to HMOs.
- 12.90 As well as accommodation the University Accommodation Development Strategy delivered a multi-storey car park with over five hundred spaces. This, it is hoped, will assist staff with parking nearer to the University and relieve some tension from neighbouring streets in Clarendon Park which has now been re-zoned for permit holders only.
- 12.91 Finally, while the Government has also announced a greater focus on further education and apprenticeships, because they have a large Law, Medical, Business and Engineering schools, which tend not to go down the apprenticeship routes, the University does not think that they will be negatively impacted.

Loughborough University

- 12.92 As of the 2019-20 Academic Year Loughborough University had 18,295 students although this includes students at their campus in London. Over the last five years the University's roll has increased by around 3.3% per annum increasing from 15,590 students in 2014/15.
- 12.93 As illustrated, in the figure below the University has grown both the number of postgraduate students (960 students) and undergraduates has increased marginally (1,745 students) over the 2014/15 to 2019/20 period. Of the 2019/20 student intake 75.9% are Undergraduates and 24.1% are Postgraduates.

Figure 12.12: Level of Study –Loughborough University



Source: Higher Education Statistics Authority, 2020

- 12.94 Although the HESA statistics had the number of students at around 18,000 the University have the Full Time Equivalent number of students in Loughborough as around 15,500. This excludes London based students and Post Graduate Researchers which they describe as being closer to staff than students.
- 12.95 Around half of all students live in University Accommodation this includes around 90% of first years and a third of other undergraduates. Around 7% of students still live at home which is lower than the equivalent of Leicester and De Montfort which have a higher local catchment.
- 12.96 The remainder (43%) live in a combination of private halls and general housing. Some private Halls are managed by UPP (all on campus) or Unite (mixture (just off campus) and the University have nominations rights for these. There are also other private halls providers (including Unite) where the University do not have nominations rights for.

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- 12.97 Rents in University-owned accommodation range from around £5,000 up to £7,500 per year. Private Halls are little bit more expensive but they are also a little bit more flexible. As an example the Luxurio Apartments are around £8000 per annum.
- 12.98 Pre-pandemic the University had been planning only very modest growth of around five hundred additional students over the next five years. However, due to the issues with A-levels during the pandemic they unexpectedly took on an additional five hundred students.
- 12.99 The expectation is that the additional five hundred students will still occur and it is likely that these will be overseas students. Based on past trends it is likely that these will be non-EU students. Nationally this group has reduced in size by around 50% and where previously around 4% of the student roll.
- 12.100 Typically non-EU students have come from India and China. The Indian market has bounced back strongly as the Government has re-introduced post study work visas. In contrast, the Chinese market remains subdued due to Covid-related trepidation.
- 12.101 The University believe there is enough slack in the system to meet the needs of the additional students. Therefore the impact of their growth is unlikely to increase the need for housing. There is also significant investment activity (mainly from pension funds) that risk over-saturating the market if delivered, particularly as the University do not have the infrastructure to match the intended level of growth in accommodation.
- 12.102 They University recognise that there will be demographic growth in student age groups in the coming years; but envisage this will be offset by a government intended switch of focus to FE and other forms of training such as apprenticeships.
- 12.103 The danger of over-saturation is that there are not enough students to go round. This could result in providers struggling financially if they cannot fill their halls or a significant release of general housing stock in one go.
- 12.104 The University believe that the Council need to actively manage the delivery of additional student accommodation to ensure there is not an over-supply and also that additional delivery is located in the correct parts of town. This will ensure that tensions with other local residents are minimised.
- 12.105 The University are also conscious that some of their stock is aged and needs refurbishment and replacing. This might result in net additional units but at present the University does not have a construction plan. However, if they do build additional halls the University is likely to manage its own accommodation.
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12.106 There is also still a demand for small houses for post-graduate researchers. There are normally for single people, couples or young families requiring one and two bedroom homes within walking distance to university. The University may seek to build such housing on their land.

12.107 The growth in student accommodation outside of the Campus has led to tensions with the local community. This includes issues with noise, parking and anti-social behaviour. This is more acutely felt in Loughborough as it is a small town while most other universities are found in cities. On occasions, campus security also respond to incidents (such as large house parties) in the town centre despite having no authority, nor being paid to do so. There are also minor issues with the accommodation, with some general housing stock being unfit for habitation.

12.108 The University was encouraging of a managed system for accommodation providers which would ensure a better quality of stock, give tenants greater rights and reduce anti-social behaviours. It would also ensure the burden for such behaviours is spread more evenly across the stakeholders including the police and council.

12.109 Since 2018/19 there have been four separate developments of student accommodation in Charnwood. In total these schemes delivered 708 rooms and 117 flats and one house and were comprised of:

- Forest Court, Forest Road - 49 bedrooms
- Loughborough University, Ashby Road - 612 bedspaces, five warden flats and one warden house
- 55 - 57 Forest Road - 47 self-contained units.
- Pennine House - 104 self-contained studio flats and eight shared flats.

Student Housing Need and Delivery

12.110 As per the Housing Delivery Test Measurement Rulebook³⁶ student housing development can contribute towards meeting the housing need in a given area. Paragraph 10 of the Rulebook states:

“The national average number of students in student only households is 2.5. This has been calculated by dividing the total number of students living in student only households by the total number of student only households in England.”

³⁶ <https://www.gov.uk/government/publications/housing-delivery-test-measurement-rule-book>

12.111 Therefore for every 2.5 bedspaces built in Purpose Built Student Accommodation then the housing supply figure can be increased by one unit. This ratio may change with the introduction of new data from the 2021 census.

12.112 Within Charnwood there is a pipeline supply (under construction or with detailed permission) of student accommodation which could meet future growth. This includes 433 rooms and 33 Flats in Loughborough (equivalent of 206 dwellings) and is comprised of the following developments:

- Land to the West of Aumbery Gap - 33 Flats and 407 Rooms; and
- 11 Pinfold Gate - 26 Rooms

12.113 There are 20 sites in the Leicester City housing pipeline that are delivering student housing. In total these sites have a capacity of around 2,347 bedspaces. However, some of these sites have already started and only 2,259 dwellings are outstanding, to be delivered. Using the above formula this equates to around 904 dwellings. The majority of the outstanding delivery is in the Castle Ward (1,500 spaces) with the remainder in the Abbey (462 bedspaces), Stoneygate (286 bedspaces) and Saffron Wards (11 bedspaces).

12.114 There are three significant developments in the pipeline the largest of which is the Freeman's Student accommodation mentioned above. The other developments are a 462 bedspaces development in All Saints Road/ Bath Lane and 435 bedspaces at the International Hotel in Rutland.

Self-build and Custom-build Housing

12.115 The Self-Build and Custom Housebuilding Act 2015 (as amended by the Housing and Planning Act 2016) provides a legal definition of 'self-build and custom housebuilding' where individuals or associations of individuals (or persons working with or for individuals or associations of individuals) build houses to be occupied as homes for those individuals.

12.116 The Housing and Planning Act 2016 formally introduced the 'Right to Build'. This 2016 Act under the 'duty to grant planning permissions etc' section placed a legal duty on the relevant authority to grant enough planning permissions to meet the demand for self-build housing as identified through its register in each base period³⁷.

³⁷ With the exception of the first base period which ran from 1st of April 2016 to the 30th of October 2016 each subsequent base period has lasted 1 year. There have therefore been 4.5 base periods since the 1st of April 2016.

12.117 Paragraph 62 of the NPPF sets out that within the context of the standard method, ‘the size, type, and tenure of housing needed for different groups in the community’ should be assessed and reflected in planning policies ‘including, but not limited to... people wishing to commission or build their homes²⁶’.

12.118 Footnote 28 states that

‘Under section 1 of the Self-Build and Custom Housebuilding Act 2015, local authorities are required to keep a register of those seeking to acquire serviced plots in the area for their own self-build and custom house building. They are also subject to duties under sections 2 and 2A of the Act to have regard to this and to give enough suitable development permissions to meet the identified demand. Self and custom-build properties could provide market or affordable housing.’

12.119 Paragraph 3 of the PPG concerning the housing need of different groups describes how the needs of those wanting to self-build and custom housebuilders can be assessed:

‘Most local planning authorities (including all district councils and National Park Authorities) are now required to keep a register of individuals and associations of individuals who are seeking to acquire serviced plots of land in their area to build their own home. The Self-build and Custom Housebuilding (Register) Regulations 2016 set out these requirements. For further details, see guidance on self-build and custom housebuilding registers.’

To obtain a robust assessment of demand for this type of housing in their area, local planning authorities should assess and review the data held on registers. This assessment can be supplemented with the use of existing secondary data sources such as building plot search websites, ‘Need-a-Plot’ information available from the Self-Build Portal and enquiries for building plots from local estate agents.’

12.120 At paragraph 23 to 33 and paragraph 14 in relation to self and custom build PPG sets out the two self-build and custom housebuilding land duties i.e. the ‘duty to grant planning permission etc’ and the ‘duty as regards registers’ (Reference ID: 57-023-201760728).

12.121 Paragraph 23 relates to the duty to grant planning permission etc. and states that all local planning authorities:

“must give suitable development permission to enough suitable serviced plots of land to meet the demand for self-build and custom housebuilding in their area. The level of demand is established by reference to the number of entries added to an authority’s register during a base period.

The first base period begins on the day on which the register (which meets the requirement of the 2015 Act) is established and ends on 30 October 2016. Each subsequent base period is the period of 12 months beginning immediately after the end of the previous base period. Subsequent base periods will therefore run from 31 October to 30 October each year.

At the end of each base period, relevant authorities have 3 years in which to permission an equivalent number of plots of land, which are suitable for self-build and custom housebuilding, as there are entries for that base period.”

Local Authority Custom and Self-Build Registers

- 12.122 In line with the PPG, the starting point for understanding demand for custom and self-build plots is the registers managed by the Councils. Entries have been divided across each of the base periods recorded since 2016 in order to project forward an estimation of future need.

Table 12.18 Self and Custom Build Register

Nos joining register	April - Oct 2016	Oct 16 - Oct 17	Oct 17 - Oct 18	Oct 18 - Oct 19	Oct 19 - Oct 20	Total	Average (4.5 periods)
Leicester ³⁸	25 ³⁹	27	38	33	56	200	36
Blaby	5	15	25	10	14	69	15
Charnwood	4	35	38	46	38	161	36
Harborough	7	14	10	17	40	88	20
Hinckley and Bosworth	11	26	12	12	11	72	16
Melton	8	12	8	8	7	43	10
North West Leicestershire	6	10	8	14	20	58	13
Oadby and Wigston	2	6	8	2	4	22	5
Study Area	43	118	109	109	134	513	150

Source: Local Authority Registers

- 12.123 The table shows that on average 150 individuals enter the register per base period across the study area. This ranges from 4 per annum in Oadby and Wigston to 29 pa in Charnwood. It should be noted that this figure does not include figures from Leicester.
- 12.124 It should also be noted that Hinckley and Bosworth reviewed their self-build register over the summer by holding a consultation asking if people wanted to remain on the register in order to renew their interest. This resulted in only three people renewing their interest. Melton BC has also reviewed its Register. In July 2019 the Council contacted people who were included in the register in order to confirm their interest. In March 2020 those that did not replied were contacted again. As consequence of this update, the register was reduced from 87 entries to 43.

³⁸ We do not currently have information from Leicester

³⁹ Relates to Oct 2015 – Oct 2016

12.125 The register gives an indication of the scale of future need. Moving forward, the Councils will need to ensure that the actual number of entries on the register at the end of each base period is equivalent to number of plots of land that are permitted within 3 years.

12.126 It should be noted that the overall level of need might be inflated by double counting as people can register in more than one local authority. Blaby for example ask entrants if they are on other registers and the current figure is that 41.9% are on at least one other register. However set against this, there is evidence to suggest that not all prospective self-builders will know about local authority registers (see below).

Data from Secondary Sources

12.127 It is important to highlight that when considering demand in the context of the local authority's self-build register; an Ipsos Mori poll⁴⁰ undertaken for the National Custom and Self-Build Association ("NaCSBA") in 2016 found that only one in eight people interested in self-build were aware of the introduction of Right to Build Registers in England. As a result, the number of expressions of interest on a local authority's self-build register may potentially substantially underestimate demand. However, there are limited publicly available sources of demand beyond the Councils' register.

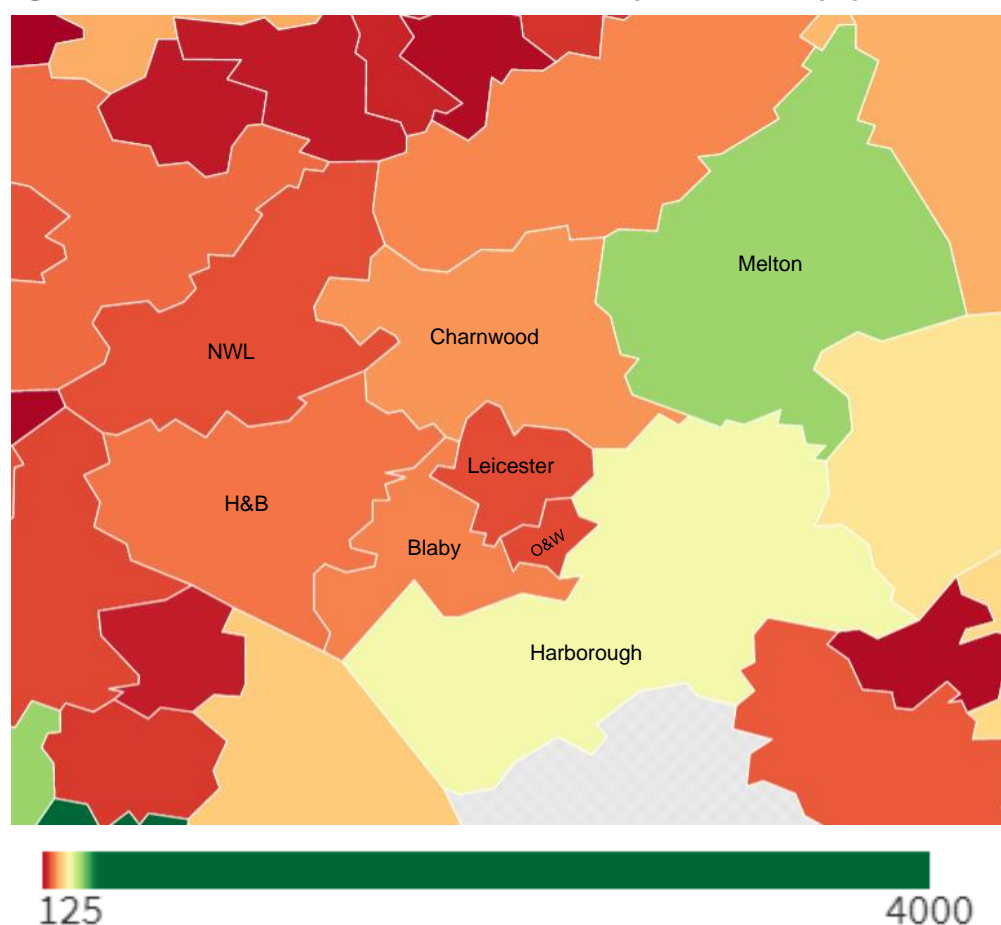
12.128 In order to better understand the data from the Councils' own register, we have looked to secondary source as recommended by the PPG, which is data from NaCSBA - the National Custom and Self-Build Association – so that we can understand how demand in Leicester and Leicestershire sits in context.

12.129 In November 2018, NaCSBA used a Freedom of Information request to 336 English councils that found that 40,000 people had signed up to Right to Build registers, but that 'there was a postcode lottery of activity'. The data was drawn from registers on 30th October 2018 and 310 Councils responded.

12.130 NaCSBA has recently published a series of maps with commentary titled "Mapping the Right to Build" in 2019 which allows us to better understand the demand for serviced plots as a proportion of total population relative to all other local authorities across England. One of the key maps within the report highlights the areas of strongest demand and this is shown in the Figure below.

⁴⁰ 'Survey of Self Build Intentions 2016' – this survey questioned nearly 2,000 people about their self-build ambition and activity

Figure 12.13: Overall Demand for Self-Build Plots per 100,000 of population



Source: NaCSBA “Mapping the Right to Build” (2019)

- 12.131 The map demonstrates a wide range within the study area with Melton having a relatively high overall demand of 178 per 100,000 of the population. At the other end of the scale the lowest demand is in Oadby and Wigston with 35 persons per 100,000 in the Borough. This information was however drawn prior to Melton MBC reviewing their Register, which saw numbers drop dramatically.
- 12.132 The table below compares the scale of demand against the 2020 population estimates to arrive at an indicative scale of demand for self and custom build homes in the study area. As shown the scale of demand is highest in Leicester, Charnwood and Harborough all of which have a similar scale of demand (c.125 plots) although on a per head basis the demand is notably different.
- 12.133 Despite having the highest demand per head Melton (based on the historic data) only has a scale of demand for 90 plots due to its smaller population size. This compares to around 20 people being on the self- and custom-build register.

Table 12.19 Potential Demand for Self and Custom Build Housing in Leicester & Leicestershire (2020)

	Scale of Demand per 100,000 population	2020 Population	Scale of Demand
Leicester	36	354,036	127
Blaby	58	101,950	59
Charnwood	66	188,416	124
Harborough	131	95,537	125
Hinckley & Bosworth	53	113,666	60
Melton	178	51,394	91
NWL	37	104,809	39
Oadby & Wigston	35	57,313	20

Source: Based NACSBA data and MYE

12.134 The combined indicative demand modelled is for 519 plots across Leicestershire (i.e. excluding Leicester) and 645 plots if the City is included. If this is to be addressed over a three year period (as the guidance allows for a three year period for need to be met) it would equate to a need for around 173 plots per annum. This is notably higher than the numbers on the custom and self-build registers show (average of 114 per annum). However meeting the need shown over this timeframe is not necessarily realistic.

Local Authority Responses

12.135 Paragraph 25 of the PPG (Reference ID: 57-025-20210508) provides guidance on how Councils can help support self and custom build by increasing the number of suitable planning permissions. It encourages Councils to undertake several tasks including:

- developing policies in their Local Plan for self-build and custom housebuilding;
- using their own land if available and suitable for self-build and custom housebuilding and marketing it to those on the register;
- engaging with landowners who own sites that are suitable for housing and encouraging them to consider self-build and custom housebuilding and facilitating access to those on the register where the landowner is interested, and
- working with custom build developers to maximise opportunities for self-build and custom housebuilding.

12.136 Several local authorities have implemented a Local Plan policy, for example:

- South Cambridgeshire Council – On all sites of 20 or more dwellings, and in each phase of strategic sites, developers will supply dwelling plots for sale to self and custom builders. Where plots have been made available and appropriately marketed for at least 12 months

and have not been sold, the plot(s) may either remain on the market or be built out by the developer.

- Teignbridge District Council - 5% of plots on development sites of more than twenty dwellings with plots marketed for a minimum of 12 months.
- Mid Devon District Council - 5% of plots on development sites of more than twenty dwellings.
- Torbay Council - 5% of plots on development sites of more than thirty dwellings.
- Melton Borough Council - 5% of plots on development sites of more than one hundred dwellings.
- Stroud District Council - 2% of plots on strategic housing sites.

12.137 Other local authorities have developed a policy of encouragement without defining exact percentages of provision on different sites. For example, North Tyneside Council and Daventry District Council will ‘encourage,’ rather than require, a proportion of plots to be set aside on sites of over 200 and 500 units respectively.

12.138 As a first step, the local authorities should seek to adopt a general “encourage” policy for all sites but might also consider implementing a further policy on strategic sites. This should be determined in reference to the overall local need as identified on the register, the supply coming forward through small sites/ windfalls, and the number and capacity of strategic sites . This should also take into account the committed supply, need for other types of housing (including affordable housing need) and viability.

Role of Larger Sites

12.139 There is the potential for larger development schemes to provide serviced plots for custom-build development, and for these sites, with support, to help to drive forward delivery rates. The Independent Review of Build-Out⁴¹ by Sir Oliver Letwin (2018) was undertaken to identify the cause of the significant gap between housing completions and the amount of land allocated or permitted on large sites in areas of high housing demand.

12.140 Section 3 of the Letwin Review looks at increasing diversity and a new planning framework for large sites (over 1,500 houses). Letwin recommends that the Government should adopt a new set of planning rules that apply to large sites in areas of high housing demand that would require their outline planning permission to include for ‘housing diversification’ to be a ‘reserved matter’ in line with new secondary legislation.

41 <https://www.gov.uk/government/publications/independent-review-of-build-out-final-report>

12.141 It is also possible for Custom and Self-Build schemes to be large sites in their own right. An example of this can be seen at the Graven Hill development in Bicester, Oxfordshire. This is the largest custom build scheme nationally with proposals for over 2,000 custom-built homes. The site has been acquired by Cherwell District Council from the MOD and a development company has been set up. There is a dedicated web site⁴² that provides all the information required for people that would like to build their own home in the area. Various formats of delivery are envisaged, from the construction of the shell through to the ability of occupants to tailor the finish.

⁴² <https://gravenhill.co.uk/>

13. CONCLUSIONS

- 13.1 This final section of the HENA sets out conclusions arising from the analysis drawing together the findings from previous sections of the report

Functional Geographies

- 13.2 The HENA has reviewed the housing and economic geographies. It finds that the main towns across Leicestershire all fall within the boundaries of a Leicester-focused Travel to Work Area. Whilst house prices vary spatially within the Study Area, with higher prices in Harborough District and lower values in Leicester, the price geography or dynamics have not substantively changed since 2017. It concludes that the Leicester and Leicestershire authorities are an appropriate 'best fit' for the functional HMA using local authority boundaries.
- 13.3 The FEMA geography has been reviewed through analysis of economic and commuting inter-relationships. It reinforces the 2017 HEDNA findings of a Leicester and Leicestershire FEMA with a central City and wider hinterland; with market towns – Coalville, Loughborough, Melton Mowbray, Hinckley and Market Harborough – sitting within this. Leicester and Leicestershire remains a good approximation for the Greater Leicester FEMA. Leicester's influence appears to also extend across the A5 to Nuneaton. However Lutterworth is shown as relating more strong towards Rugby; and Castle Donington/Kegworth towards Derby and Nottingham. The north-eastern part of Leicestershire, beyond Melton Mowbray and including settlements such as Bottesford, are less well integrated into the Leicester economy, with relationships towards Grantham and Nottingham.
- 13.4 The evidence however points to a wider sub-regional market for logistics/distribution development which extends to include 21 local authorities extending along the M1 from Milton Keynes to Nottingham and across to Birmingham. The prime location within this area – the core Golden Triangle – stretches from Leicester to Rugby and Coventry. This geography reflects the area's central location within England and strategic road and rail connectivity (with most major population centres within a 4.5 hour drivetime).

Leicester & Leicestershire's Economy

- 13.5 Leicester and Leicestershire is a £27 billion economy which accounts for 24% of East Midlands GVA. Between 2001-19 it slightly out-performed regional and national trends reflecting in particular stronger performance over the period since 2013.
- 13.6 Key sectors identified with growth potential in the sub-regional economy are:

- Advanced manufacturing and engineering, with manufacturing accounting for 16.5% of GVA
- Life sciences and biotechnology, particularly in Loughborough
- Logistics and distribution, influenced by its location within the Golden Triangle
- Sports science, with a world-class specialism at Loughborough University
- Space science – a niche sector with growth potential, focused on Leicester.

- 13.7 In addition to the above, the HENA identifies growth potential in IT and Digital together with Professional and Financial Services, particularly in Leicester, but recognises challenges to the viable delivery of office floorspace. It recognises the need to shift towards a low carbon economy, the implications of which permeate across economic sectors. There is also a strength in education reflecting the three universities present in the sub-region; albeit that there are challenges associated with graduate retention.
- 13.8 Manufacturing is spread across a range of sub-sectors, with food and drink, textiles and metals the largest.
- 13.9 Leicester City is the largest economy in the sub-region accounting for a third of its GVA. The City, together with NW Leicestershire and Blaby have seen the strongest economic growth in recent years (in respect of both employment and GVA). GVA per job, as a measure of productivity, is 7% above the East Midlands average. However whilst the south of the county has a better skills profile, it has seen weaker comparative employment growth. This is partly influenced by out-commuting.
- 13.10 All parts of the sub-region have been influenced by recent economic challenges, related to both Brexit and Covid-19. Claimant unemployment rose across all areas, but is highest in Leicester. It has been falling since Spring 2021. There are jobs postings across a range of areas; with business surveys pointing to a range of businesses seeking to recruit and pointing to a relatively speedy recovery across a number of sectors.
- 13.11 The HENA however points to evidence of some changes to working practices, with over 40% of businesses expecting to offer greater flexibility to staff to work from home. Around a third of businesses have seen Brexit-related disruption to demand and supply chain. Nonetheless business confidence at the time of the assessment was relatively positive.

Market Dynamics

Office Market

- 13.12 Net absorption of office floorspace across the Study Area has outweighed net delivery by around 76,000 sqm over the last 11-year period leading to a decline in vacancy rates from 8% in 2009 to

2.5% in 2020. There is a relatively limited supply of Grade A space. Leicester has by far the most office floorspace in the Study Area (37% of total compared to 16% in Blaby which has the second most and contains major business parks such as Meridian Business Park and Grove Park). Accordingly, office floorspace absorption has been highest in Leicester over the last nine years.

- 13.13 The Leicester urban area is however the main office market in the sub-region; and pre-Covid there had been a growing shift in occupier demand towards City Centre space. Leicester has the most available office floorspace with stronger availability in the City Centre than the out-of-town market. Prime rents of around £18 psf however make the delivery of new development challenging; and there is a need for public sector support to bring forward modern commercial office space.
- 13.14 Prior to Covid, market demand was shifting more towards the City Centre office market (rather than out-of-town business parks) but the office market has been hit hard by the pandemic. There is significant uncertainty about future demand, influenced by growth in homeworking, and initial evidence points to a number of occupiers downsizing and seeking to reduce their office footprint by c. 30%. Across the sub-regional market, there is 2.2 years of available space, with 1.8 years' of Grade A. But availability is expected in the short-term, impacting the new-build market.

Industrial Market

- 13.15 Leicestershire benefits from a strong market for industrial space reflecting the strength of its manufacturing sector together with its locational advantages, which support its attractiveness for both manufacturing and warehousing/logistics. Net absorption of industrial floorspace across the Study Area has outweighed net delivery by around 288,000 sqm over the last 11-year period leading to a decline in vacancy rates from 9% in 2011 to just 2.3% in 2020. Very substantial levels of new development had been achieved, with the last 4 years seeing delivery of over 200,000 sq.m per annum absorbed within the sub-regional market.
- 13.16 Leicester supports a large proportion of the Study Area's industrial market (25% of floorspace). North West Leicestershire also supports a significant proportion (20% of floorspace) influenced in particular by strategic warehousing. However, absorption has been highest in North West Leicestershire over the last nine years making up 29% of absorption across the Study Area. . The main locations for industrial and distribution premises are those close to the M1, M42, M69 and A5 Corridors with industrial demand focused particularly towards the City. Levels of availability at the current time are relatively low, with the evidence pointing to just 1.3 years of available supply. New space/ sites which have been brought to the market, including at Magna Park, have performed strong with significant levels of market interest. There is therefore a need to bring forward additional space short-term to cater for strong demand.

Residential Market

- 13.17 The median house price across the L&L Housing Market Area was £222,300 considering sales over the year to Sept 2020. This was 11% below the national average. Values however vary within the HMA, with the highest prices in Harborough at £290,000; and the lowest in Hinckley and Bosworth at £205,000.
- 13.18 Within Leicestershire, long-term house price growth, looking over the last 20 years, has been strongest in Leicester, Charnwood and Oadby and Wigston (at 6.5%+ pa) and weakest in Melton (5.5% pa). Leicester and Oadby and Wigston saw particularly strong growth in values over the 2015-20 period (6.5%+ pa).
- 13.19 The profile of sales by type across the HMA is generally focused towards larger detached and semi-detached homes, which made up over 70% of sales over the year to Sept 2020. The sales profile in the City is however notably different to the County, focused much more towards terraced homes and semi-detached properties, with twice the proportion of flatted sales of other authorities within the HMA.
- 13.20 The Government's Help-to-Buy Equity Loan scheme has played an important role in supporting the housing market. Across the HMA it has supported 50% of new-build sales over the last 5 years (to Sept 2020). Icen's analysis indicates that 70% of those supported by the Help-to-Buy Scheme in the HMA have been First-time Buyers.
- 13.21 Covid-19 has resulted in a range of households re-evaluating their living circumstances. Relatively high current sales volumes is being driven by mortgaged home owners (particularly those looking to trade up who are looking for homes with more internal space, such as to work, and outside space) although there are signs that the market is beginning to slow as of Autumn 2021.

Overall Housing Need

- 13.22 The HENA has appraised demographic dynamics. Population growth is driven by both natural change and net migration; with declining households size meaning additional homes are also required to house the existing population (as average household size falls).
- 13.23 The HENA analysis shows higher migration in the 2018-based SNPP but find that there is unlikely to be a case to suggest therefore that the 2014-based figures (which drive the Standard Method) are too high. The higher levels of migration are however in part offset by lower levels of natural change so that population growth across the whole study area is broadly similar regardless of the projection chosen. Icen therefore find no basis for moving below the standard method set out in Planning Practice Guidance.

- 13.24 Across the sub-region, the latest data points to a minimum local housing need for 5,713 dwellings per annum. This equates to a need for 91,400 homes to 2036 and 120,000 homes over the 2020-41 period.

Table 13.1 Standard Method Calculations – Minimum Local Housing Need

	Leic- ester	Blaby	Charn- wood	Har- borough	H & B	Melton	NWL	O & W	L & L
Total need (per annum)	2,464	341	1,111	534	472	231	372	188	5,713

- 13.25 Whilst there may be circumstances where it may be appropriate to plan for higher housing growth than the standard method, as set out in the PPG in Para 2a-010, it does not appear that these affect dynamics within this HMA when considered as a whole.
- 13.26 However there are potentially some distributional issues. The Economic Growth Scenario modelled provides an upside to the standard method baseline – in Blaby, NW Leicestershire and Melton in particular. This can be met through considering the distribution of housing across the sub-region. In particular there are supply side constraints in Leicester, and provision to meet unmet need in other areas will support workforce growth in the recipient authorities.
- 13.27 Icenis has had regard to the set of wider considerations identified in the Planning Practice Guidance, and would comment:
- The area is not identified as a growth area and it is not expected that there are strategic infrastructure improvements which will come forwards over the period to 2036 which will have an upward impact on overall housing need. Indeed infrastructure provision is needed to accommodate growth.
 - There is no unmet need from areas outside of the L&L HMA which it is envisaged will need to be accommodated within the HMA. This will however need to be kept under review.
 - The standard method LHN (5,713 dpa) is above the equivalent assessment of need from the L&L 2017 HEDNA (4,716 dpa, 2011-36). Indeed it is around 21% higher. It is also above past housing delivery which has averaged 4,133 dpa over the 2006-20 period or 5,255 dpa over the last 5 years (2015-20), noting that the latter does not cover a full economic cycle. There is therefore no upside associated with these issues.
 - In respect of affordable housing need, there is not a basis for this specifically driving the assessment of overall housing need; but it is a consideration in setting a housing target. The affordability adjustment within the standard method represents in the aggregate across the HMA a 43% upward adjustment to the household projections. This will more than deal with the needs

of concealed/ overcrowded households and contribute to boosting both the delivery of market and affordable housing. The LHN represents a 38% boost on long-term delivery rates in the HMA which will also contribute to boosting affordable housing delivery.

- 13.28 However whilst the HENA does not find a case for upward adjustments to housing need across the HMA, there may be a case for considering some flexibility in planning assumptions not least as there is the prospect that the affordability ratio could worsen in the next year or so.

Employment Land Needs

- 13.29 The HENA provides analysis on the future employment land needs by type from 2020 to 2036, 2041 and 2050. It considers the labour demand (baseline and growth) scenarios provided by Cambridge Econometrics, as well as completions trends using LPA monitoring data. Consideration is also given to margins for flexibility, vacancy and replacement demand.
- 13.30 Recommendations are made regarding future needs for office, industrial and local warehousing / distribution units under 9,000 sqm. Large scale warehousing/ distribution unit needs are reported in the Strategic Warehousing Study prepared by GL Hearn and finalised in April 2021.
- 13.31 In order to determine future employment land needs, consideration has been given to labour demand models drawing on the Cambridge Econometric baseline and growth job forecasts, as well as authority monitoring on completions and VOA records, combined with market signals.
- 13.32 **Office:** Given that office requirements tend to be closely linked to employment levels, it is recommended that the labour demand models best represent future needs. Given uncertainty about future levels of occupancy and utilisation of offices post pandemic, standard model outputs are discounted by 30% to represent home working patterns. Historic delivery of space suggests that this is justified as a minimum.
- 13.33 **Industrial and local distribution:** needs are represented by gross completions, recognising that this builds in an allowance for ongoing losses (which are likely to continue to be significant for older industrial stock) and intensification of existing sites.
- 13.34 A margin for flexibility is built at 2 years gross completions for offices and 5 years for industrial. Furthermore, at the present time the current property markets are reporting levels of vacancy significantly below the preferred 7.5%. Given the limited vacancy, it is recommended that a further margin be included to increase provision in stock.
- 13.35 The overall needs are set out as follows to 2041, with figures to 2036 and 2050 included in the main body of this report. This excludes strategic warehousing / distribution needs relating to units of over

9000 sq.m the need for which is addressed in the Leicester and Leicestershire Strategic Distribution Study.⁴³

Table 13.2 Total employment needs 2021-2041, sqm

	Offices inc R&D	Industrial & Distribution Total (excl strategic B8)	Total
Blaby	40,000	138,800	178,800
Charnwood	33,500	172,600	206,100
Harborough	29,200	194,100	223,300
H&B	18,500	261,300	279,800
Leicester	45,500	339,600	385,100
Melton	8,600	189,200	197,800
NWL	39,700	152,900	192,600
O&W	4,500	12,200	16,700
Total	219,300	1,459,500	1,678,800

Table 13.3 Employment land needs 2021-2041, ha

	Offices inc R&D	Industrial & Distribution Total (excl strategic B8)	Total
Blaby	11.4	25.7	37.1
Charnwood	9.6	32.0	41.5
Harborough	8.3	35.9	44.3
H&B	5.3	48.4	53.7
Leicester	2.3*	62.9	65.2
Melton	2.5	39.3	37.5
NWL	11.3	28.3	39.7
O&W	1.3	2.3	3.5
Total	52.0	270.3	322.3

Locational Approach to Meeting Needs

- 13.36 **Office Space:** The expectation is that in the short-term, office availability will rise and limit volumes of new-build development. In the medium term demand will give rise to new office requirements manifesting in historical growth locations including Leicester City Centre - although viability is not likely to improve and may require continued public funding assistance. Accessible out-of-town areas such as Grove Park and Meridian Business Park are also likely to be desirable. Beyond the Leicester urban area, smaller schemes should be encouraged in both town centre and business centre

⁴³ <https://www.llestrategicgrowthplan.org.uk/latest-evidence/>

locations, giving way to office requirements later in the plan period(s) assuming employment growth achieves levels forecast.

- 13.37 The pandemic has generated some interest in provision of managed workspace schemes, focused at small businesses. There are schemes coming forward in Leicester and at Meridian Business Park. It is anticipated that there would be some demand for co-working spaces in the market towns in schemes of up to 10,000 sq.ft.. The potential to repurpose redundant retail space to deliver office floorspace in town centres should be supported.
- 13.38 **Research & Development:** R&D type space is expected to come forward in line with historic patterns of growth at MIRA and Loughborough University Science and Enterprise Park, although based on past trends and forecast job growth this is unlikely to exceed 10,000 sqm without substantial inward investment. The nature of future employment growth also suggests that higher end traditional business parks or distribution parks might see combined R&D with other types of commercial development, including manufacturing, given increasingly automated and technologically advanced processes across food manufacture, ICT and distribution of perishable goods.
- 13.39 **Industrial and Local Distribution:** The key locations of demand for industrial and local distribution from a market perspective are at accessible locations in proximity to the labour force ideally at Motorway or A-road junctions. There are numerous examples of recent and ongoing developments of mid-sized industrial stock around Leicester such as Optimus Point and Leicester Distribution Park which represent market preferences.
- 13.40 Mid sized and smaller stock opportunities should be considered as intensification or extensions of existing estates around the FEMA often in proximity to local settlements. Many of the authorities have a pipeline of proposals for mid sized units.
- 13.41 Urban extensions or other future growth locations such as Leicester south-eastern growth corridor present an opportunity to support the delivery of new employment spaces of smaller and midsized units where well connected to the road network. Smaller units tend to rely on closer proximity to the population centres due to the nature of occupiers.

Need for Affordable Housing

- 13.42 Analysis has been undertaken to estimate the need for affordable housing in the 2020-41 period. The analysis is split between a need for social/affordable rented accommodation and is based on households unable to buy or rent in the market and the need for affordable home ownership (AHO) – this includes housing for those who can afford to rent privately but cannot afford to buy a home and will include the potential market for First Homes.

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- 13.43 The analysis has taken account of local housing costs (to both buy and rent) along with estimates of household income. Additionally, when looking at rented needs, consideration is given to estimates of the supply of social/affordable rented housing. For AHO, consideration is given to the potential supply of resales of low-cost home ownership properties (such as shared ownership).
- 13.44 When looking at rented needs, the analysis suggests a need for 3,076 affordable homes per annum across the sub-region, with a need shown for all individual local authorities; the Councils are therefore justified in seeking to secure additional affordable housing.
- 13.45 The analysis suggests that there will be a need for both social and affordable rented housing – the latter will be suitable particularly for households who are close to being able to afford to rent privately and also for some households who claim full Housing Benefit. On this basis, it is not recommended that the Councils has a rigid policy for the split between social and affordable rented housing, although the analysis is clear that both tenures of homes are likely to be required.
- 13.46 When looking at the need for affordable home ownership products, the analysis also suggests a need across the study area, albeit (at 1,795 per annum) the need is lower than for rented housing. **In interpreting this figure, it should however be noted that there could be additional supply from resales of market homes (below a lower quartile price) which arguably would mean there is a much more limited need for AHO.**
- 13.47 The analysis does suggest that there are households in Leicester & Leicestershire who are being excluded from the owner-occupied sector (as evidenced by reductions in owners with a mortgage and increases in the size of the private rented sector). This suggests that a key issue in the study area is about access to capital (e.g. for deposits, stamp duty, legal costs) as well as potentially mortgage restrictions (e.g. where employment is temporary) rather than simply the cost of housing to buy.
- 13.48 The study also considers different types of affordable home ownership homes (notably First Homes and shared ownership) as each will have a role to play – shared ownership is likely to be suitable for households with more marginal affordability (those only just able to afford to privately rent) as it has the advantage of a lower deposit and subsidised rent.
- 13.49 Generally across the study area a discount of either 30% or 40% would make homes affordable (varying by both property size and location) although ideally to make AHO genuinely affordable it would be preferable to set a sale price rather than a discount (as a standard discount on a home with a high open market value may still give a price that exceeds the cost of homes currently available in the market). That said, specifically with First Homes it does not appear from guidance that such an approach is allowed.

- 13.50 In deciding what types of affordable housing to provide, including a split between rented and home ownership products, the Councils will need to consider the relative levels of need and also viability issues (recognising for example that providing AHO may be more viable and may therefore allow more units to be delivered, but at the same time noting that households with a need for rented housing are likely to have more acute needs and fewer housing options). **On the basis of the affordable needs analysis it is recommended that the Councils prioritise the delivery of rented products where possible.** The figures shown represent the highest possible requirement for Affordable Home Ownership. Individual Local Authorities may consider that a proportion of those captured may either choose to purchase lower quartile market homes, be unable able to obtain mortgages or may want the flexibility afforded by renting. Individual local authorities may look to discount a proportion of the identified Affordable Home Ownership numbers to reflect these scenarios.

Need for Different Types of Homes

- 13.51 There are a range of factors which will influence demand for different sizes of homes, including demographic changes; future growth in real earnings and households' ability to save; economic performance and housing affordability. The analysis linked to long-term demographic change (2020-41) concludes that the following represents an appropriate mix of affordable and market homes, this takes account of both household changes and the ageing of the population – the analysis also models for there to be a modest decrease in levels of under-occupancy (which are particularly high in the market sector and in areas outside of the City).

Table 13.4 Suggested Mix of Housing by Size and Tenure – Leicester

	1-bedroom	2-bedrooms	3-bedrooms	4+-bedrooms
Market	5%	30%	45%	20%
Affordable home ownership	20%	40%	30%	10%
Affordable housing (rented)	30%	35%	25%	10%

Table 13.5 Suggested Mix of Housing by Size and Tenure – Leicestershire

	1-bedroom	2-bedrooms	3-bedrooms	4+-bedrooms
Market	5%	35%	45%	15%
Affordable home ownership	15%	40%	35%	10%
Affordable housing (rented)	35%	35%	25%	5%

- 13.52 The strategic conclusions in the affordable sector recognise the role which delivery of larger family homes can play in releasing a supply of smaller properties for other households. Also recognised is the limited flexibility which 1-bed properties offer to changing household circumstances, which feed

through into higher turnover and management issues. The conclusions also take account of the current mix of housing by tenure and also the size requirements shown on the Housing Register.

- 13.53 The mix identified above could inform strategic policies although a flexible approach should be adopted. For example, in some areas Registered Providers find difficulties selling 1-bedroom affordable home ownership homes and therefore the 1-bedroom elements of AHO might be better provided as 2-bedroom accommodation. Additionally, in applying the mix to individual development sites, regard should be had to the nature of the site and character of the area, and to up-to-date evidence of need as well as the existing mix and turnover of properties at the local level. The Councils should also monitor the mix of housing delivered.
- 13.54 The analysis also suggests that the majority of units should be houses rather than flats, although consideration will need to be given to site specific circumstances (which may in some cases lend themselves to flatted development). Additionally, the Councils should consider the role of bungalows within the mix. Such housing can be particularly attractive to older person households downsizing and may help to release larger (family-sized) accommodation back into the market.
- 13.55 Based on the evidence, it is expected that the focus of new market housing provision will be on 2- and 3-bed properties. Continued demand for family housing can be expected from newly forming households. There may also be some demand for medium-sized properties (2- and 3-beds) from older households downsizing and looking to release equity in existing homes, but still retaining flexibility for friends and family to come and stay.

Older Persons Housing Needs

- 13.56 The older person population is projected to increase notably in the future and an ageing population means that the number of people with disabilities is likely to increase substantially. Over the 2020-41 period, the HENA analysis shows a 40% increase in the population aged 65+ in Leicester and 42% increase in Leicestershire.
- 13.57 The analysis points to:
- A 56%-66% increase in the number of people aged 65+ with dementia and a 50%-56% increase in those aged 65+ with mobility problems ;
 - A need for around 3,100 housing units with support (sheltered/retirement housing) in Leicester (2020-41) and 6,700 units in Leicestershire (mainly in the market sector in Leicestershire);
 - A need for around 1,500 additional housing units with care (e.g. extra-care) in Leicester and 4,400 in Leicestershire – focussed on market housing in Leicestershire and the affordable sector in Leicester, as well as a need for additional residential and nursing care bedspaces; and

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- a need for around 2,700 (Leicester) and 7,000 (Leicestershire) dwellings to be for wheelchair users (meeting technical standard M4(3)).
- 13.58 This would suggest that there is a clear need to increase the supply of accessible and adaptable dwellings and wheelchair user dwellings as well as providing specific provision of older persons housing. Given the evidence, the Councils could consider (as a start point) requiring all dwellings (in all tenures) to meet the M4(2) standards (which are similar to the Lifetime Homes Standards) and 10%-15% of homes meeting M4(3) – wheelchair user dwellings (a higher proportion in the affordable sector).
- 13.59 Where the authority has nomination rights M4(3) would be wheelchair accessible dwellings (constructed for immediate occupation) and in the market sector they should be wheelchair user adaptable dwellings (constructed to be adjustable for occupation by a wheelchair user). It should however be noted that there will be cases where this may not be possible (e.g. due to viability or site-specific circumstances) and so any policy should be applied flexibly.
- 13.60 The Councils should also consider if a different approach is prudent for market housing and affordable homes, recognising that Registered Providers may already build to higher standards, and that households in the affordable sector are more likely to have some form of disability.
- 13.61 In seeking M4(2) compliant homes, the Council should also be mindful that such homes could be considered as ‘homes for life’ and would be suitable for any occupant, regardless of whether or not they have a disability at the time of initial occupation.
- 13.62 In framing policies for the provision of specialist older persons accommodation, the Councils will need to consider a range of issues. This will include the different use classes of accommodation (i.e. C2 vs. C3) and requirements for affordable housing contributions (linked to this the viability of provision). There may also be some practical issues to consider, such as the ability of any individual development being mixed tenure given the way care and support services are paid for.

Dynamics in Different Market Segments

Private Rented Sector

- 13.63 The private rented sector accounted for 15% of households across Leicester and Leicestershire, with a particular concentration in Leicester (22.7%). Three quarters of tenants are aged under 50. The evidence points to a significant growth in benefit claimants in the sector since the onset of Covid-19 in Spring 2020.
- 13.64 Iceni consider that potential exists for build-to-rent development but this is focused in particular on Leicester which has a much greater density of younger persons and an larger overall rental market. Initial build-to-rent schemes are coming forwards and those schemes which have been delivered

appear to have been let well. Demand is for schemes in/close to the City Centre. However the scale of growth in this sector in Leicester can be expected to be modest, given the limited number of households with incomes which fall between those able to afford median rents and lower quartile house prices. Beyond the City, we see limited potential for Build-to-Rent development in the short-term given the lower density of younger potential tenants, and the scope for this could be potentially more strongly focused on suburban build-to-rent. Outside of Leicester, the greatest potential here is in Loughborough, and potentially Hinckley.

Student Housing

- 13.65 Pre-pandemic, student numbers had been growing at Loughborough and particularly De Montfort University, but falling at the University of Leicester. The impacts of Brexit and Covid-19 have created some uncertainties in terms of future student growth. Domestically some demographic growth is expected to be offset by issues around high tuition fees and a shift in the Government's emphasis towards FE/ apprenticeships. The impacts of these trends need to be monitored, with potential a greater emphasis on the management of student housing supply the demand for which may not grow as strongly as has been seen historically.

Self- and Custom-Build Development

- 13.66 Local authority housing registers point to quite modest levels of interest in self- and custom-build development in Leicestershire, with the greatest need in absolute terms in Charnwood and Leicester. Low numbers may in part reflect knowledge that such registers exist. The Government is however keen to encourage growth of the sector in particular as it can contribute to increasing overall housing delivery. Many self-builders may seek to acquire and bring forward plots for individual developments, however taking account of the contribution which these are making to meeting the need, there may be a case for seeking self- and custom-build provision on larger strategic sites.