GL Hearn
Part of Capita Real Estate

Housing & Economic Development Needs Assessment

Main Report

Leicester & Leicestershire Authorities
and the Leicester and Leicestershire
Enterprise Partnership

Final Report
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1 INTRODUCTION

1.1 In February 2016 GL Hearn (GLH) along with Justin Gardner Consulting (JGC) and Oxford Economics (OE) were appointed by the ten partner organisations in Leicester and Leicestershire [1] to undertake a Housing and Economic Development Needs Assessment (HEDNA).

1.2 The HEDNA provides an integrated assessment of future housing needs, the scale of future economic growth and the quantity of land and floorspace required for B-class employment development[2] across Leicester and Leicestershire, which the report defines as representing the relevant Housing Market Area (HMA) and Functional Economic Market Area (FEMA).

1.3 The assessment provides an evidence base to inform the preparation of statutory local plans by individual local planning authorities, a non-statutory Strategic Growth Plan for Leicester and Leicestershire and a refresh of the Leicester and Leicestershire Local Enterprise Partnership (LEP) Strategic Economic Plan.

1.4 The HEDNA provides an analysis of housing and economic development needs over two timeframes – 2011-31 and 2011-36 – to reflect plan periods used in different authorities.

Geographies

1.5 The HEDNA defines Leicester and Leicestershire, as shown in Figure 1 below, as the relevant Housing Market Area (HMA) and Functional Economic Market Area (FEMA).

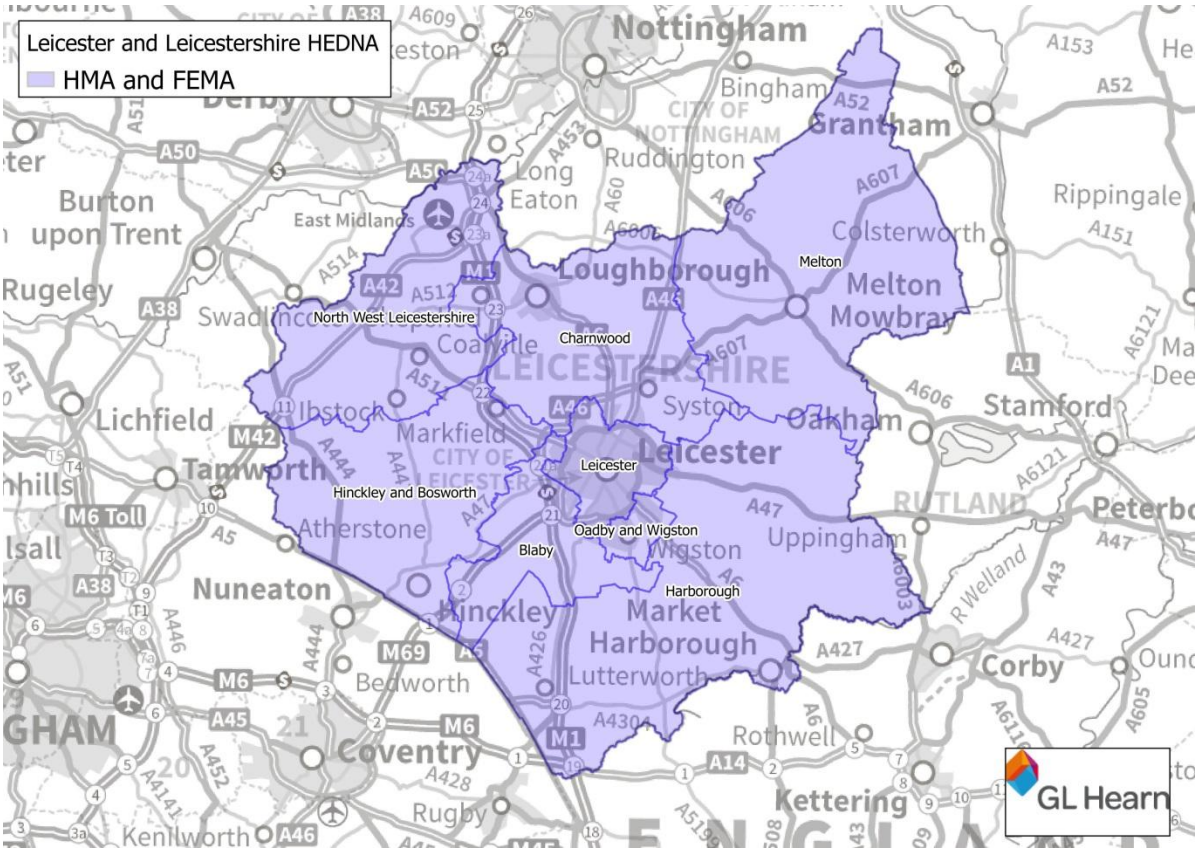
1.6 The detailed analysis which has informed the definition of the HMA and FEMA are set out in Appendices 1 and 2.

1.7 The HMA definition reflects the high level of self-containment of migration flows, with 84% of people moving to the area moving within it and 91% of those moving from a location within the area staying within it; together with strong migration flows between Leicester and adjoining authorities. It reflects similarities in housing costs, whilst recognising an urban/ rural distinction and local influences on prices. It is also supported by analysis of commuting flows.

1.8 The Leicester Travel to Work Area, defined by the Office for National Statistics (ONS) based on 2011 Census data, extends across much of Leicestershire and includes all of the main towns within the County supporting the definition of common housing and functional economic market areas. Around 78% of commuting flows are contained within the Leicester and Leicestershire authorities.

[1] Blaby District Council; Charnwood Borough Council; Harborough District Council; Hinckley & Bosworth Borough Council; Leicester City Council; Leicester and Leicestershire Local Enterprise Partnership; Leicestershire County Council; Melton Borough Council; North West Leicestershire District Council; and Oadby and Wigston Borough Council.
[2] This includes office, industrial and warehouse/ distribution space

Figure 1: **HMA and FEMA**



Source: GL Hearn. 2016

1.9 The FEMA definition is supported by wider evidence including Leicester's role as a retail, leisure and cultural destination. The HEDNA however recognises that the economic geography can vary for different sectors of the economy, and that for the logistics and distribution sector in particular, the area forms part of a wider Midlands market area, with a particular concentration of activity and demand within the 'Golden Triangle' formed broadly by the M42, M1 and M6 motorways which sit at the heart of the country with strong accessibility to the major UK consumer markets and represents an optimum location for National Distribution Centres.

1.10 The HMA and FEMA geographies are based on a 'best-fit' to local authority boundaries to provide practical and manageable definitions. Inevitably towards the boundaries of any defined area there will be relationships to surrounding areas, and the HEDNA analysis highlights in particular relationships between North West Leicestershire and South Derbyshire, between the northern parts of Melton District and southern parts of Nottinghamshire, and between Hinckley & Bosworth and the northern parts of Warwickshire.

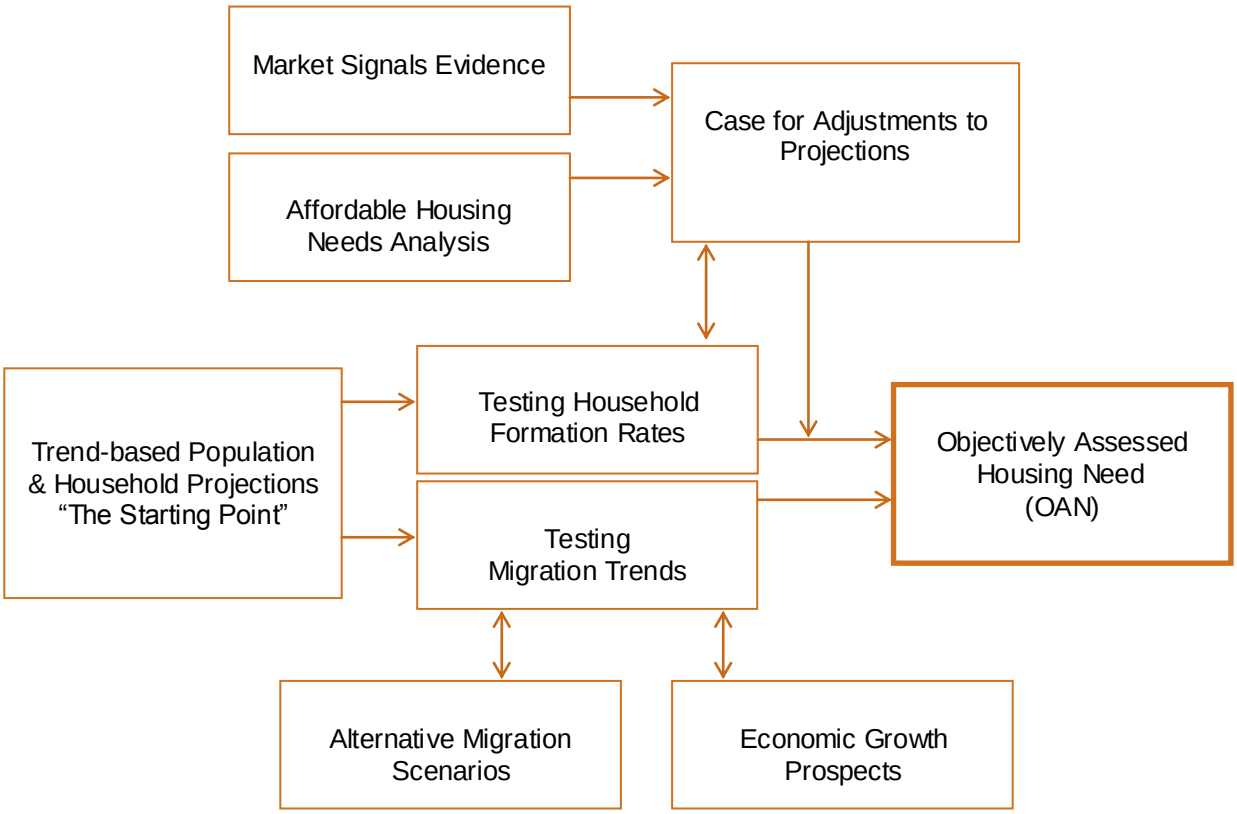
Overview of Methodology

1.11 The HEDNA report has been prepared by a consultancy team comprising GL Hearn, Justin Gardner Consulting and Oxford Economics, overseen by a Working Group comprising officers from the commissioning authorities, together with the Leicester & Leicestershire Members Advisory Group (MAG) and Strategic Planning Group (SPG).

1.12 The HEDNA provides a consistent, objective assessment of need for housing (OAN) following the approach prescribed by Government in Planning Practice Guidance on *Housing & Economic Development Needs Assessments* ('the PPG').[3] This requires that housing need is assessed across the relevant Housing Market Area leaving aside factors related to land availability, infrastructure and capacity; and that an approach is followed where projections based on past population and demographic trends are considered first, with adjustments made (where necessary) for higher migration to support economic growth, and/or adjustments to improve affordability, responding to analysis of market signals and evidence of the need for affordable housing. Figure 2 below summarises the methodology set out in Planning Practice Guidance which is used to assess housing need.

[3] http://planningguidance.communities.gov.uk/blog/guidance/housing-and-economic-development-needs-assessments/

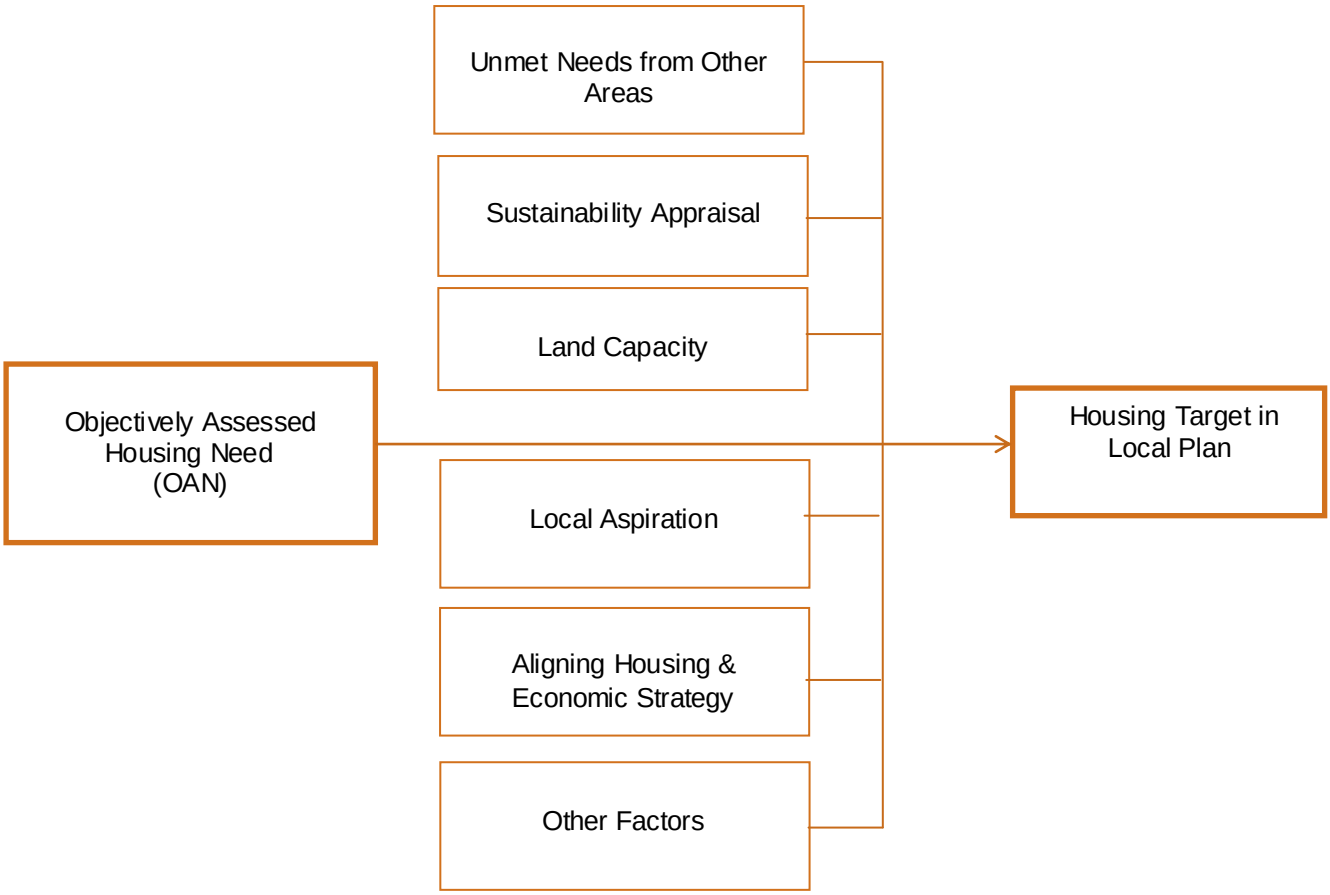
Figure 2:**Overview of Methodology for Assessing Housing Need (OAN)**



1.13 The HEDNA thus assesses housing need, both for the Housing Market Area and for individual local authorities within it. The HEDNA itself does not set policy targets for housing or employment land provision.

1.14 The housing needs evidence set out in the HEDNA will need to be brought together with wider evidence, including on land availability and infrastructure, through the plan-making process in identifying where new housing can be delivered and setting housing targets. Considerations relevant to doing so are summarised in Figure 3 below. This is intended to be taken forward through joint working to prepare a Memorandum of Understanding (MOU) on the distribution of housing between authorities within the HMA, and on work moving forwards to develop a Strategic Growth Plan.

Figure 3:**Considerations in Formulating Housing Targets in Local Plans**



1.15 The HEDNA's conclusions on future economic performance and employment growth have been informed by detailed interrogation by Oxford Economics and GL Hearn of both trend-based forecasts and local drivers and investment projects which can be expected to influence future performance. This has informed both the analysis of housing need as well as future employment land requirements.

1.16 In respect of employment land provision, the HEDNA focuses on assessing development needs. In considering future supply of employment land, local authorities will need to bring the HEDNA evidence together with assessment of the supply of employment land within their areas, including assessment of the quality of existing sites and their market attractiveness.

Stakeholder Engagement

1.17 The HEDNA has been informed by a programme of stakeholder engagement. This has included detailed engagement with the local authorities, including through a series of workshops held with local economic development officers, the Local Enterprise Partnership and the County Council to understand economic growth potential.

1.18 A Stakeholder Event held in June 2016 to discuss the assessment geography and methodologies. Details of this are set out in Appendix 8.

1.19 In addition, the consultancy team has liaised with local estate, letting and commercial agents to understand housing and commercial market dynamics; and engaged with key logistics/ distribution developers (IDI Gazeley and Prologis).

Report Structure

1.20 Following this introductory section, the HEDNA report is set out as follows:

- Section 2: Interrogating Demographic Trends;
- Section 3: The Economy and Labour Market;
- Section 4: Employment Forecasts;
- Section 5: Economic-led Housing Needs;
- Section 6: Market Signals;
- Section 7: Affordable Housing Need;
- Section 8: Sizes of Homes Needed;
- Section 9: Needs for Specific Groups;
- Section 10: Commercial Property Market;
- Section 11: Employment Land Needs;
- Section 12: Conclusions.

1.21 Supplementary information is set out in a number of appendices which are provided in a separate document. These are as follows:

- Appendix 1: Defining the Housing Market Area;
- Appendix 2: Defining the Functional Economic Market Areas;
- Appendix 3: Market Signals of Comparable Authorities;
- Appendix 4: Detailed Affordable Housing Needs Analysis;
- Appendix 5: Analysis of Starter Home Housing Needs;
- Appendix 6: Local Authority Level Starter Homes Analysis;
- Appendix 7: Additional Local Level Demographic Figures;
- Appendix 8: Stakeholder Consultation; and
- Appendix 9: Residential Market Perceptions from Estate and Letting Agents .**Error! Bookmark not defined.**

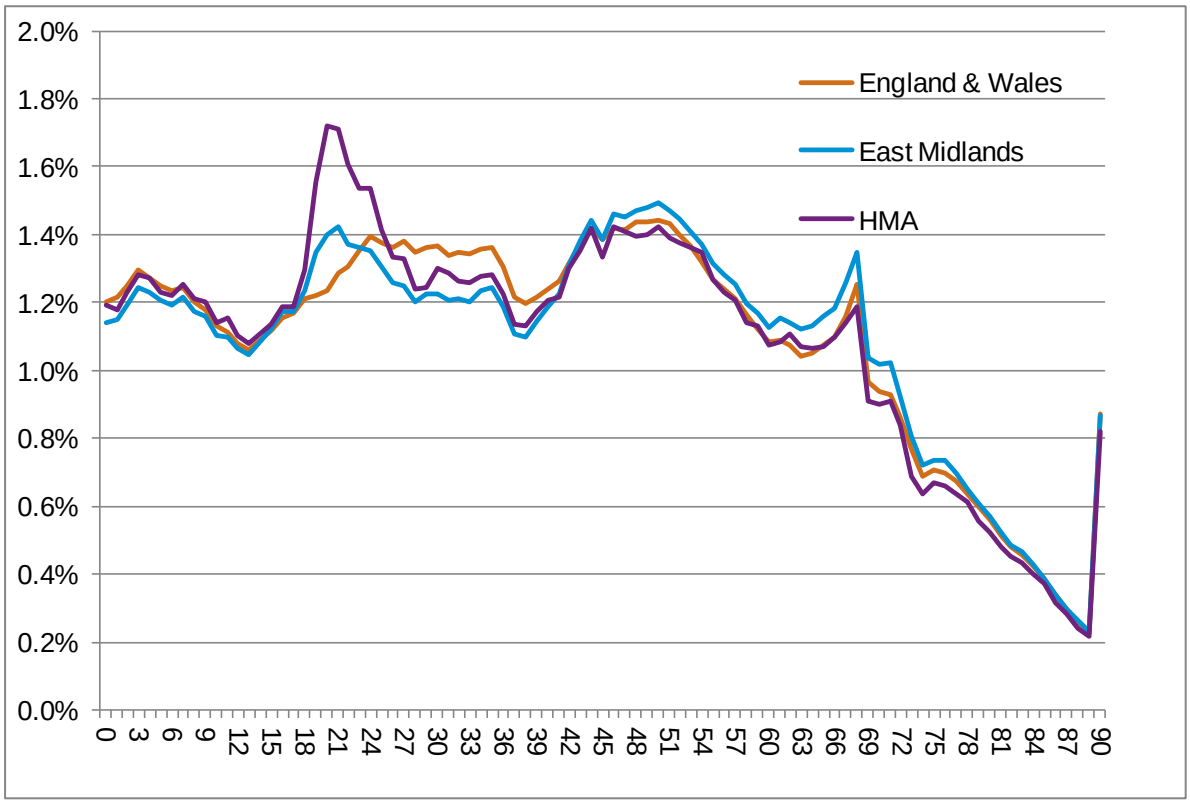
2 INTERROGATING DEMOGRAPHIC TRENDS

2.1 The analysis in this section considers the demographic composition of the population, past demographic trends and future projections for population and household growth, and the associated housing need.

Current Population

2.2 Leicester and Leicestershire had a population of 1,017,936 in mid 2015.[4] The HMA has an above average population aged between 18-25 relative to regional and national benchmarks; and an above average population aged under 40 relative to the East Midlands region. The largest age groups are those aged 18-25, in part reflecting student populations in Leicester, Loughborough as well as Oadby & Wigston (where Leicester University halls are located). There is also a significant population of people aged between 42-55.

Figure 4: **Population Age Structure across HMA, 2015**



[4] ONS 2015 Mid-Year Population Estimates

Source: ONS Mid-Year Population Estimates

2.3 Of the HMA authorities, Leicester has a particularly young population with a high proportion of people aged 18-36, as well as a high proportion of younger children. Oadby and Wigston and Charnwood also see a concentration of people aged in their late teens and early 20s, influenced by student populations in these areas. Oadby and Wigston, Hinckley and Bosworth and Melton see the highest proportions of people aged over 65.

Population Trends

2.4 The HMA's population has grown by 124,900 (14.0%) over the period since 2001. Population growth over the 2001-15 period has been driven by a combination of natural change and net migration. Analysis of the components of population change is shown in Table 1.

Table 1: Components of Population Change (persons), mid-2001 to mid-2015 – HMA

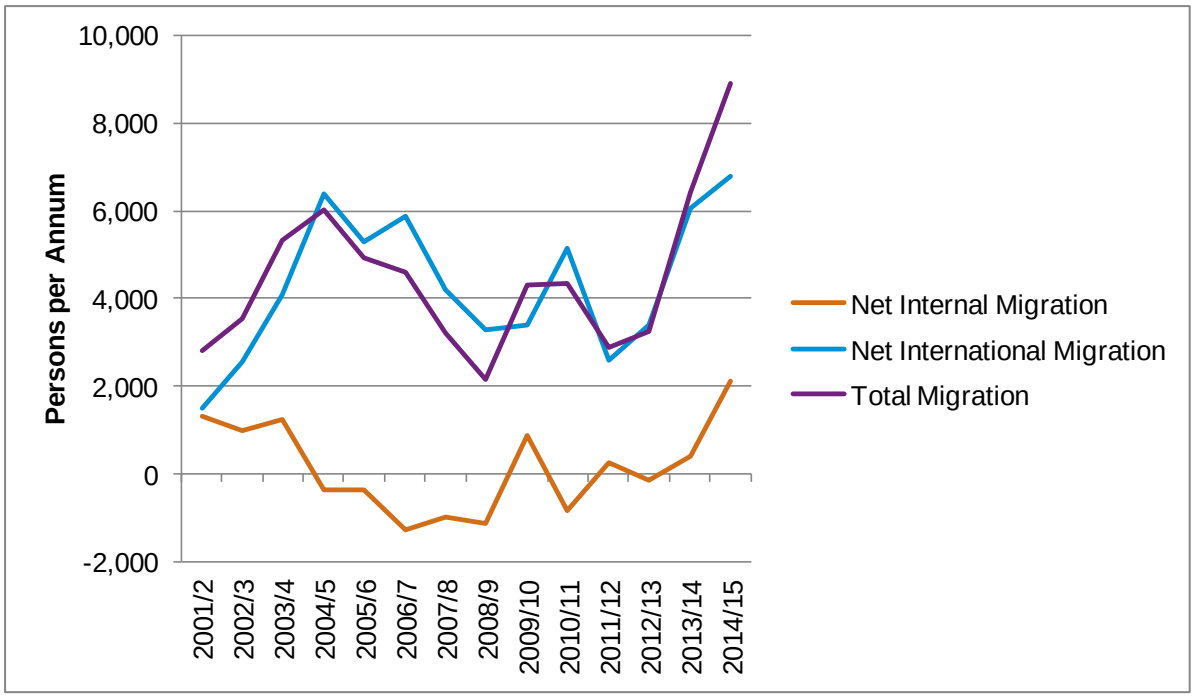
Year	Natural change	Net internal migration	Net international migration	Other changes	Other (un-attributable)	Total change
2001/2	2,128	1,332	1,500	25	1,339	6,324
2002/3	2,091	984	2,558	275	1,348	7,256
2003/4	2,606	1,246	4,097	608	1,088	9,645
2004/5	2,532	-356	6,389	779	790	10,134
2005/6	3,148	-349	5,293	1,027	590	9,709
2006/7	3,576	-1,277	5,865	1,186	404	9,754
2007/8	4,178	-986	4,209	1,168	282	8,851
2008/9	3,993	-1,109	3,276	771	323	7,254
2009/10	4,188	884	3,415	258	496	9,241
2010/11	4,430	-815	5,157	70	760	9,602
2011/12	4,585	280	2,609	24	0	7,498
2012/13	3,707	-155	3,414	117	0	7,083
2013/14	3,692	396	6,044	39	0	10,171
2014/15	3,573	2,112	6,789	-96	0	12,378

Source: ONS, Mid-Year Estimates

2.5 Natural change (i.e. the number of births minus deaths) has seen average growth of nearly 3,500 persons per annum. This has generally been increasing over time, although the more recent evidence suggests that this may now be levelling off.

2.6 Net migration to Leicester and Leicestershire has averaged around 4,500 persons per annum (with about 4,300 of this being international migration). Levels of migration have been variable over time, as Figure 5 shows although consistently positive. In the 2001-8 period net migration averaged 4,400 people per annum. This has increased slightly to an average of 4,600 in the 2008-15 period.

Figure 5: **Net Migration Trends, mid 2001 – mid 2015 – HMA**



Source: ONS Components of Change

2.8 The data additionally shows a positive level of Unattributable Population Change (UPC) within the 2001-11 at an HMA level. This could relate to an over-estimate of population in the HMA in 2001; an under-count in 2011; or an under-recording of migration in the inter-censal period. It is not possible to 'attribute' what numbers might relate to these different components. ONS conclusions on UPC[5] are that there is insufficient evidence that this measures a bias which will continue in the trend data into the future. It is not therefore an appropriate component to include in developing forward projections.

2.9 Table 2 below shows how the age structure of the population has changed over the 2001 to 2015 period. The most significant growth was in the 60-74 age group, with this group also showing the highest proportionate increase. The population aged 75 and over has increased by around 15,400 people; a 25% increase.

2.10 Other notable increases have also been seen in the 15-29 year olds (increasing by 37,000) and the 45-59 age groups (increasing by over 30,000 people). The analysis also indicates a decline in the population aged 30-44 and a small increase in the number of children (population aged under 15).

[5] ONS (Jan 2014) *2012-based Sub-National Population Projections for England – Report on Unattributable Population Change*

Table 2: Change in Age Structure (2001-2015) – HMA

Age group	Persons, 2001	Persons, 2015	Change	% change
Under 15	169,993	181,775	11,782	6.9%
15-29	176,753	214,162	37,409	21.2%
30-44	200,567	191,622	-8,945	-4.5%
45-59	170,358	201,908	31,550	18.5%
60-74	112,771	150,449	37,678	33.4%
75 and over	62,594	78,020	15,426	24.6%
Total	893,036	1,017,936	124,900	14.0%

Source: ONS Mid-Year Population Estimates

Latest Official Population and Household Projections

2.11 Planning Practice Guidance sets out that the starting point for assessing housing need should be the latest official household projections. At the time of preparation these are 2014-based Household Projections, published by Government in July 2016, which were based on ONS 2014-based Sub-National Population Projections (SNPP) of May 2016. The use of national projections ensures a consistent starting point for assessment of housing need across the Country.

2.12 The 2014-based SNPP (as published) projected population growth of 191,600 persons (19.5%) across the HMA between 2011-36, representing population growth of 0.7% per annum (pa). Taking account of changes in the age structure of the population, and age and sex-specific trends in household formation[6], the CLG Household Projections anticipated household growth of 20.7% over this period.

2.13 The stronger household growth indicates that average household size is expected to fall, driven in particular by a growing older population who typically live in smaller households.

2.14 Including an allowance for vacant and second homes (on average 3.6% across the HMA), recognising that some vacant homes are required to support turnover in the housing stock, the starting point projections indicated a need for 4,081 dwellings per annum (dpa) across the HMA (2011-36).

[6] CLG 2014-based Household Projection Stage 1 Household Formation Rates

Table 3: Starting Point (2014-based) Population and Household Projections, 2011-36

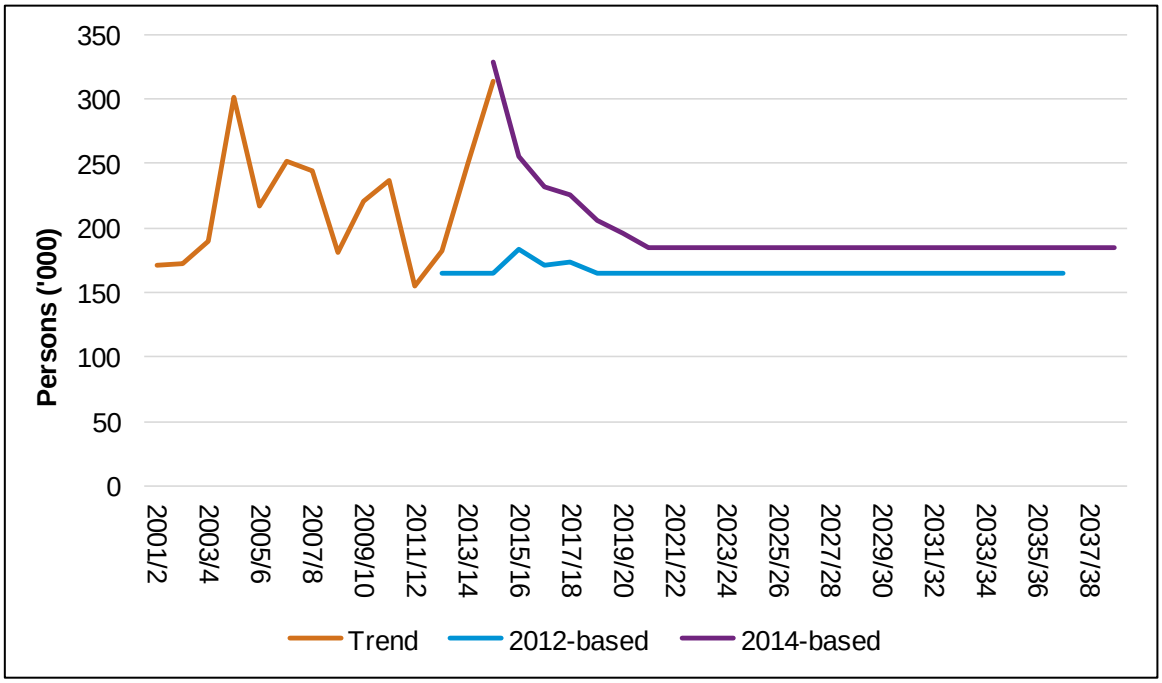
	Population 2011	Population Growth, 2011-36	% Population Growth	Change in households	% Household Growth
Leicester	329,627	69,656	21.1%	29,518	24.0%
Blaby	94,132	15,115	16.1%	5,575	14.4%
Charnwood	165,876	46,430	28.0%	18,837	28.3%
Harborough	85,699	17,041	19.9%	8,088	23.1%
Hinckley & Bosworth	105,328	17,548	16.7%	7,615	16.7%
Melton	50,495	6,707	13.3%	3,106	14.4%
North West Leicestershire	93,670	14,143	15.1%	6,072	15.5%
Oadby & Wigston	55,979	4,924	8.8%	1,967	9.2%
HMA	980,806	191,564	19.5%	80,778	20.7%
East Midlands	4,537,448	733,509	16.2%	335,623	17.7%
England	53,107,169	9,296,779	17.5%	4,394,788	19.9%

Source: ONS/ CLG 2014-based Population and Household Projections

2.15 The 2014-based Projections expect population growth of 20.7% (2011-36), which is faster than the growth expected across the region (17.2%) and nationally (19.9%). However the rate of population growth varies between authorities within the HMA, with the strongest growth expected in Charnwood, Leicester and Harborough and more modest population growth expected in Blaby, Melton and Oadby and Wigston which are expected to see population growth of less than 15%.

2.16 At a national level, the 2014-based SNPP are projecting a notably higher level of international migration than in the 2012-based version (see Figure 6 below). International net migration to the UK averaged 204,000 people per annum in the 2008-14 period (i.e. the period used by ONS to ascribe data to local authorities), and moving forward the average level of net migration is projected to be slightly lower (189,000 per annum). The projected level of net migration is therefore 92.7% of the past trend. This is a substantial departure from the assumptions made in the 2012-based SNPP, where projected migration was only 70% of the past trend level. This reflects ONS revised view on expected international migration to the UK. Within Leicester and Leicestershire, this particularly impacts on Leicester and Charnwood where international migration is a more significant driver of population trends.

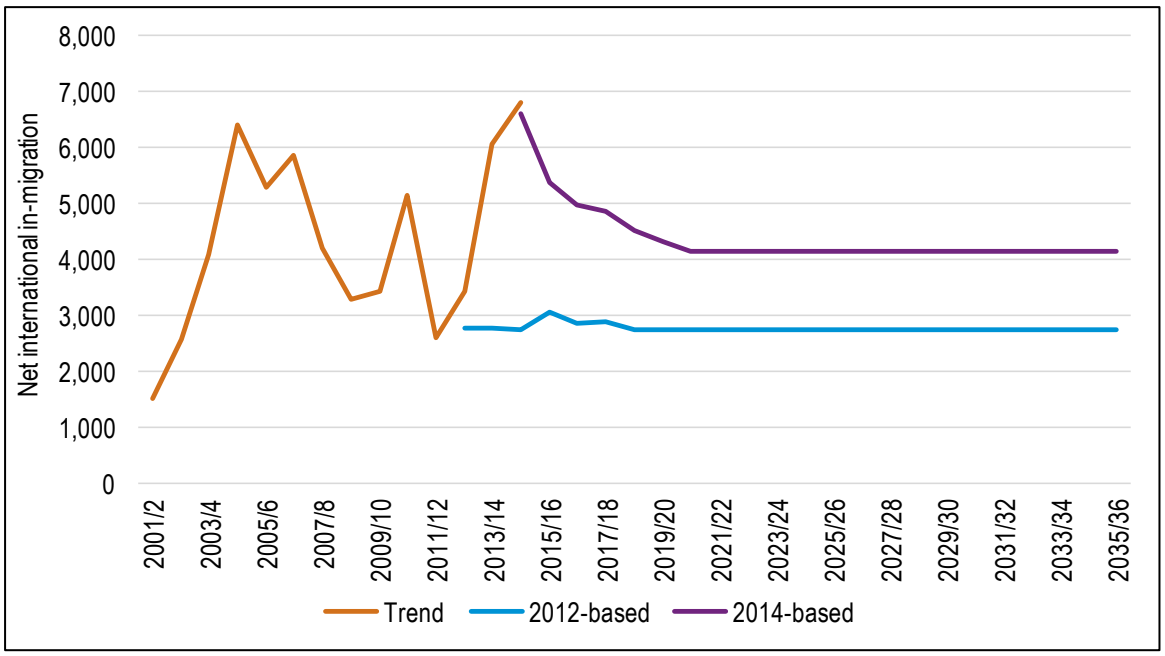
Figure 6: **Expected UK Net Migration in Official ONS Projections**



Source: ONS, 2016

2.17 However within the Leicester & Leicestershire HMA the pattern is different, with ONS assuming net international migration which is around 10% *above* the past trend in the input period (2008-14).

Figure 7: **Expected Net International Migration to Leicester & Leicestershire**



Source: ONS, 2016

2.18 While Figure 7 above outlines the international net migration figures for the HMA, modelling of population trends is at a local authority level. The table below illustrates the net international migration figures in the SNPP as a percentage of the six year trend figures.

Table 4: Net International In-Migration in 2014 SNPP vs. 6-Year Trend

	Official Net International Migration as % of 6-year trend
Leicester	111.3%
Blaby	128.8%
Charnwood	102.5%
Harborough	123.5%
Hinckley & Bosworth	126.4%
Melton	27.3%
North West Leicestershire	98.0%
Oadby & Wigston	167.1%
HMA	110.5%
National	92.7%

Source: ONS

2.19 For most local authorities in the HMA the international net migration figures in the SNPP are someway higher than six year trends. While in North West Leicestershire the figure is lower than recent trends, the reduction is less than the national trend. Melton in contrast has a net international migration figure in the official projections which is significantly lower than recent trends, suggesting that net migration could well be higher.

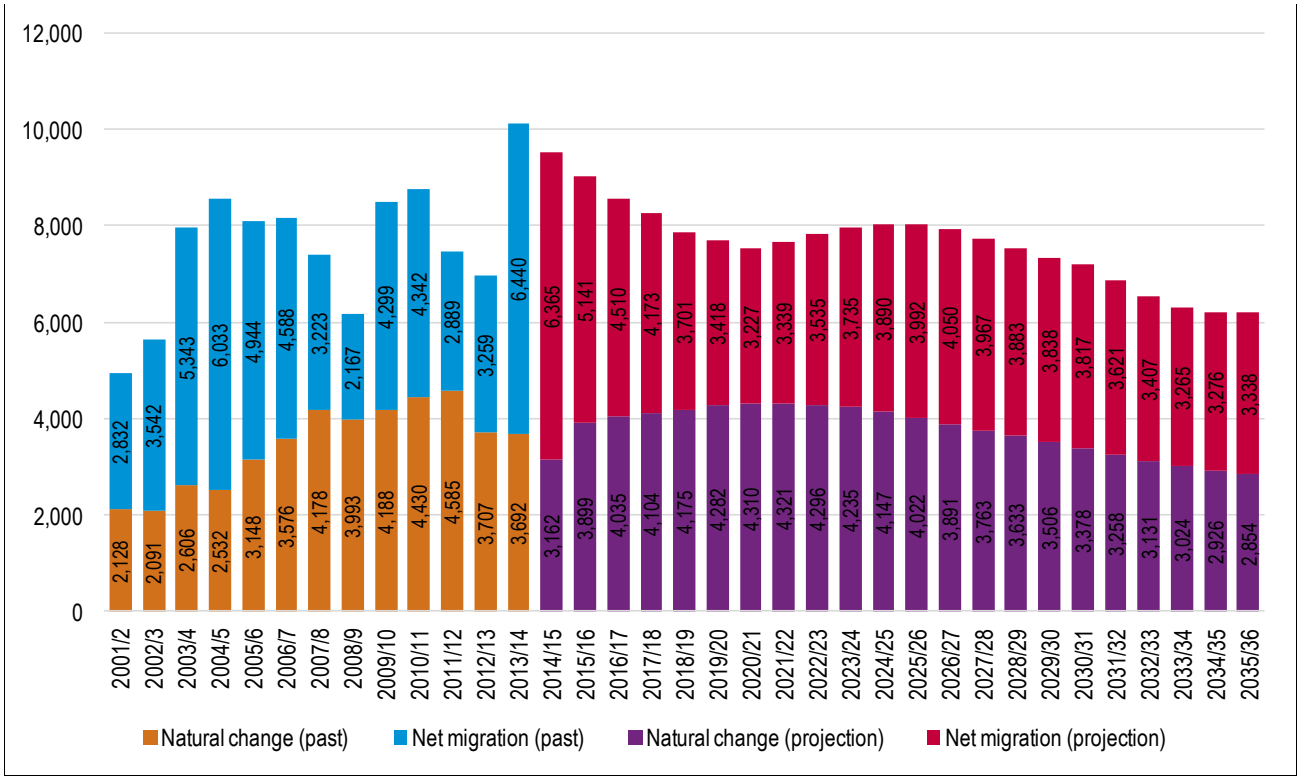
2.20 Of the other components of population growth, fertility rates are expected to remain constant over the projected period; with mortality rates seeing a 1.2% annual improvement at 2039. The ONS do not project forward UPC. The detailed breakdown of the projections for the HMA is set out in the Figure overleaf.

2.21 The projections for international migration are certainly interesting, and without access to the data and modelling used by ONS it is difficult to explain why the HMA shows such a different pattern to that seen nationally. The most obvious explanation would be around the age structure in the HMA (and the age structure of international migrants); for example this may be concentrated in those age groups where ONS is projecting the strongest migration to emerge from. The problem with this is that there is a clear difference between the 2014- and 2012-based projections, and yet both of these draw on four years of the same data (i.e. data for the 2008-12 period – making up two-thirds of the trend data). Ultimately however, there is no clear evidential basis from which to adjust the assumptions on future international migration within the projections in response to the clear difference between the 2012- and 2014-based sets. However this remains a relevant consideration in interpreting the demographic projections and the conclusions drawn.

2.22 When compared with the past trends in migration, the projected figures look to be reasonable at HMA level. For the whole of the projection period (2014-36) the average level of migration is expected to be around 3,900 people (net) per annum, although in the shorter-term (next 10- and 5-year periods respectively) the average figure is in the range of 4,100-4,800. These figures are typically higher than the level seen in short-term past trends (about 4,200 per annum) regardless of the time period studied.

2.23 Figure 8 brings together data about migration (both past trends and the future projection) along with information about natural change. This shows that natural change is expected to generally decrease over time (following a short period of increase). Projected levels of migration also decrease over time. This is as a result of international migration being projected to fall (which is a consistent position to national projections). Internal migration is projected to be variable year-on-year with no particular trend; variation over time is related to the age structure in the HMA, and how this is projected to change over time.

Figure 8: **Components of Population Change, mid-2001 to mid-2036 – HMA**



Source: ONS 2014-based SNPP

2.24 Overall net migration in the HMA over the input period to the ONS 2014-based SNPP has been 10% stronger than over the period feeding into the 2012-based projections. However at an individual local authority level, the picture is very mixed with significantly higher net migration to Blaby (+74%) and North West Leicestershire (+127%), and lower net migration in particular to

Oadby & Wigston (-45%) in the 2014-based Projections. These significant differences highlight the short-term variability of migration trends at a local authority level.

2.25 The period from which the 2014-based SNPP projections are derived (2008/9-2014) included a severe economic recession and housing market downturn. This impacted on overall sales of homes (new-build and existing) and thus movement between areas. The Planning Advisory Service's technical advice[7] is that other factors being equal, projections based on longer-term migration trends should provide more robust and stable projections. It is therefore appropriate next to undertake sensitivity analysis considering longer-term population trends.

Alternative Migration Scenarios

2.26 Sensitivity analysis has been undertaken, considering alternative projections based on long-term demographic trends as well as the impacts of the latest Mid-Year Population Estimates, which Planning Practice Guidance advises should be considered. Two projections have been considered:

- **Rebased SNPP (SNPP (+ MYE)) -** This projection takes assumptions from the 2014-based SNPP, but overwrites the population projection figures for 2015 by those in the ONS MYE (by age and sex). Moving forward from 2015, this sensitivity uses the same birth and death rates as contained in the 2014-based SNPP and the actual projected migration figures (by age and sex). Due to age structure differences in the MYE compared to the projection, this does mean that population growth from 2015 onwards does not exactly match that in the actual projections as published and hence a different housing need figure ensues.
- **10-Year Migration -** This projection uses information about migration levels in the 10-year period (2005-15). The projection does not just look at the migration figures and roll these forward but recognises that migration can be variable over time as the age structure changes. With international migration, this projection also takes account of the fact that ONS are projecting for international net migration to decrease in the longer-term.

  To overcome the issue of variable migration, the methodology employed looks at the share of migration (by component) in the HMA compared to the share in the period feeding into the 2014-based SNPP (which is 2009-14 for internal migration and 2008-14 for international migration). Where the share of migration is higher in the 10-year period, the projection applies an upward adjustment to migration, and vice versa. This adjustment is carried out at a local authority area level.

2.27 The tables below show the estimated level of population growth. Across the HMA, the 2014-based SNPP (+MYE) shows population growth (2011-36) of 19.9% - very slightly above the figure from the SNPP as published. When looking at 10-year trends the projected population growth increases to 20.5%

[7] PBA (July 2015) *Objectively Assessed Needs and Housing Targets: Technical Advice Note, 2nd Edition.*

Table 5: Projected Population Growth (2011-2036) – HMA

	Population 2011	Population 2036	Change in population	% change
2014-based SNPP	980,806	1,172,369	191,563	19.5%
2014-based SNPP (+MYE)	980,806	1,175,612	194,806	19.9%
10-year migration	980,806	1,182,229	201,423	20.5%

Source: Demographic projections

Table 6: Projected Population Growth (2011-2031) – HMA

	Population 2011	Population 2031	Change in population	% change
2014-based SNPP	980,806	1,140,431	159,625	16.3%
2014-based SNPP (+MYE)	980,806	1,143,698	162,892	16.6%
10-year migration	980,806	1,148,710	167,904	17.1%

Source: Demographic projections

2.28 Given that in the HMA there does appear to have been some short-term reduction in migration (albeit modest) it is considered that the 10 year migration trend analysis is a useful scenario to use when looking at housing need. The use of longer term trends is one which the PAS Advice Note picks up at 6.24 stating "*a 10-to-15 year base period should provide more stable and more robust projections than the ONS's five years*." This is therefore the appropriate scenario to use in drawing conclusions on the demographic need for housing.

2.29 The table below shows the expected changes in the population age structure in the 10 year migration scenario. There is projected to be a notable ageing of the population; however, it is also noteworthy that the higher population growth in this scenario (relative to the SNPP) is concentrated in younger age groups – this reflects the fact that younger people (particularly of working-age) are more migrant than the older population. This is also a key consideration when examining the labour force requirements of the area. This is examined later in the report.

Table 7: Population change 2011 to 2036 by fifteen-year age bands (10-year migration trends) – HMA

Age group	Population 2011	Population 2036	Change in population	% change from 2011
Under 15	174,532	203,608	29,076	16.7%
15-29	207,554	236,447	28,893	13.9%
30-44	194,415	209,447	15,032	7.7%
45-59	191,889	200,859	8,970	4.7%
60-74	139,917	189,242	49,325	35.3%
75+	72,499	142,627	70,128	96.7%
Total	980,806	1,182,229	201,423	20.5%

Source: ONS and demographic projections

2.30 Tables are provided for each local authority within Appendix 7. This includes details of figures for 2011-31 and 2011-36.

Household Formation Rates

2.31 Having studied the population size and the age/sex profile of the population, the next step in the process is to convert this information into estimates of the number of households in the area. To do this the concept of headship rates is used. Headship rates can be described in their most simple terms as the number of people who are counted as head of a household (or in this case the more widely used term "Household Reference Person" (HRP)).

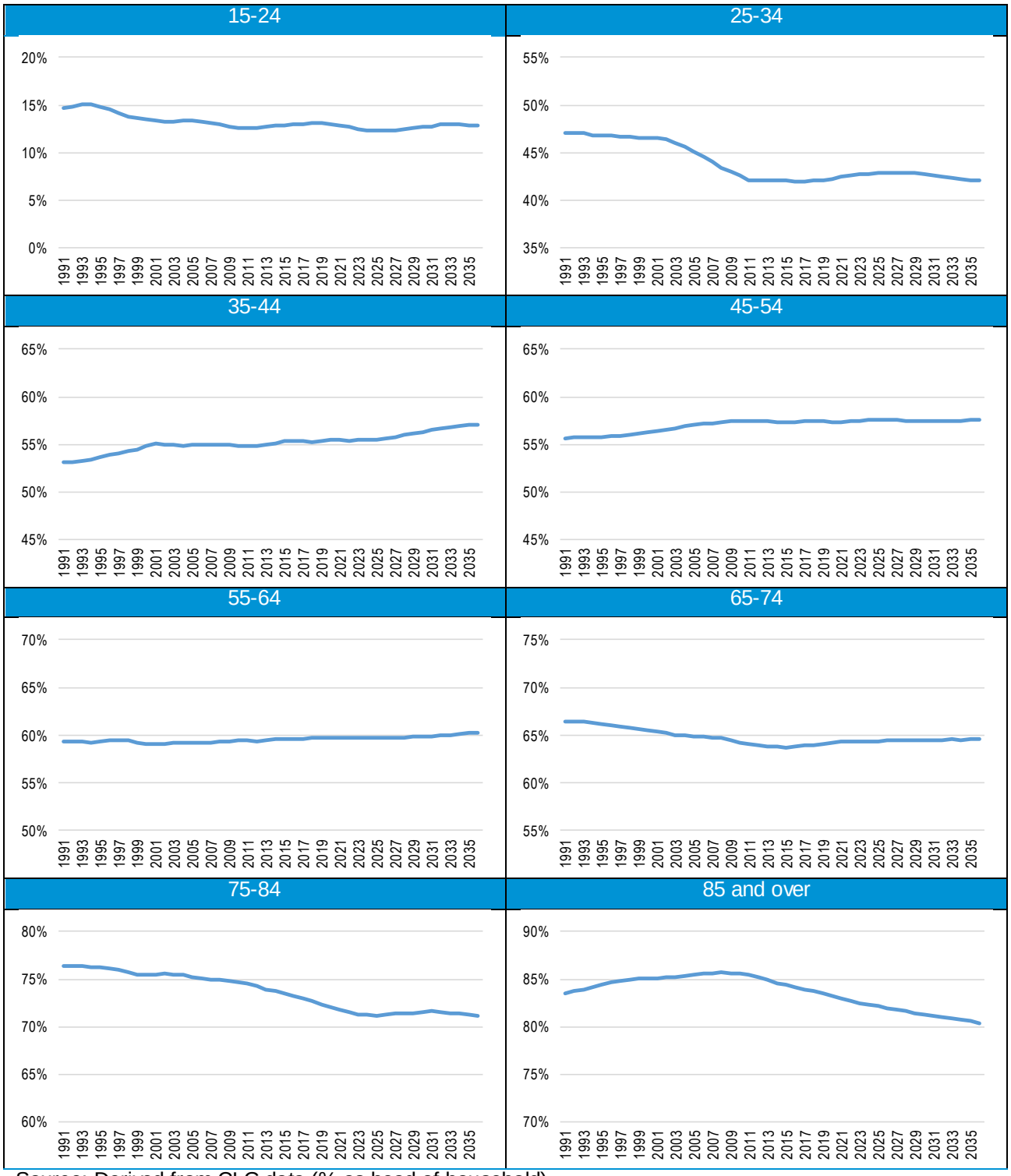
2.32 On the 12th July 2016, CLG published a new set of (2014-based) Household Projections – the projections contain two core analysis. The Stage 1 household projections project household formation based on data from the 1971, 1981, 1991, 2001 and 2011 Censuses with outputs for age, sex and marital status. The Stage 2 household projections consider household types and the methodology report accompanying the projections is clear that these projections are based on just two data points – from the 2001 and 2011 Census. Overall outputs on total household growth are constrained to the totals from the Stage 1 Projections. This means that both sets of projections show the same level of overall household growth (when set against the last set of SNPP) but some of the age specific assumptions differ. Differences can however occur between the Stage 1 and 2 headship rates when modelled against different population projections (due to differences in the age structure).

2.33 Overall, it is considered that the Stage 1 projections should be favoured over the Stage 2 figures for the purposes of considering overall household growth. This is for two key reasons: a) the Stage 1 figures are based on a long-term time series (dating back to 1971 and using 5 Census data points) whereas the Stage 2 figures only look at two data points (2001 and 2011) and b) the Stage 2 figures are constrained back to Stage 1 values, essentially meaning that it is the Stage 1 figures that drive overall estimates of household growth in the CLG household projections themselves. The analysis to follow therefore focuses on Stage 1 figures.

2.34 Figure 9 below shows how Stage 1 figures differ for different age groups. It is evident from the analysis that household formation amongst households in their late 20s and early 30s fell slightly over the 2001-11 decade. The projections are however showing that there will not be any further reduction across the HMA.

2.35 The 2014-based household projections also expect household formation rates amongst older age groups to fall over time. Given improving life expectancy this 'trend' looks to be reasonable (as it would be expected that more people would remain living as couples).

Figure 9:**Projected household formation rates by age of head of household – HMA**



Source: Derived from CLG data (% as head of household)

Critical Review of Headship Rates

2.36 The headship rates in the 2014-based CLG household projections should not be used uncritically. Paragraph 2a-015 of the PPG is clear that the 'household projection-based estimate of housing need may require adjustment to reflect factors affecting local demography and household formation rates which are not captured in past trends'. Essentially this is suggesting, where the projections include a suppression of household formation, that some sort of adjustment should be made.

2.37 It is not straightforward to determine if the projections contain any level of suppression (either in the past or projected forward) given that household formation rates can be influenced by a range of factors. Research by the late Alan Holmans in the September 2013 Town and Country Planning Association (TCPA) publication 'New estimates of housing demand and need in England, 2011 to 2031' outlined that:

> *'The working assumption in this study is that a considerable part but not all of the 375,000 shortfall of households relative to trend was due to the state of the economy and the housing market. 200,000 is attributed to over-projection of households due to the much larger proportion of recent immigrants in the population whose household formation rates are lower than for the population as a whole. This effect will not be reversed. The other 175,000 is attributed to the economy and the state of the housing market and is assumed to gradually reverse'.*

2.38 Broadly what Mr Holmans was saying is that about half of changes to household formation are due to market factors (47%) and about half due to international migration (53%). Whilst the international migration impact is not expected to change, any suppression as a result of the economy and housing market could improve in the future.

2.39 When looking specifically at data for the HMA, it is clear that the only age group where suppression can potentially be identified (where household formation has fallen) is for people aged 25-34. There is a downward trend in the headship rates of this group from 2001-11 although moving forward from 2011, the rate remains fairly flat. However, it is not clear if the changes in the rates are due to market factors or international migration.

2.40 The analysis below seeks to understand the impact of international migration. At a local level it is difficult to use international migration figures because of the way such migration works – typically most international migrants start in a major city (e.g. Leicester) and then filter out into other areas (and hence are registered by ONS as an internal migrant). One way at looking at international migration is to consider changes to the Black and Minority Ethnic (BME) population.

2.41 Table 8 below shows changes to the BME population in each of the age groups for which headship rate data is provided above. This analysis shows an increase in the BME population of 81,409 people aged 15 and over in the 10-year period – a 74% increase. Some 28% of this increase was in

the age group 25-34. Table 9 shows the same information for the White (British/Irish) population. This shows very little change in population and a significant decline in the number of people aged 25-34.

Table 8: Changes to Black and Minority Ethnic Population by age (2001-11)

	BME population 2001	BME population 2011	Change	% of change
15-24	25,888	45,579	19,691	24.2%
25-34	23,633	46,629	22,996	28.2%
35-44	23,346	34,860	11,514	14.1%
45-54	17,316	28,443	11,127	13.7%
55-64	9,802	19,249	9,447	11.6%
65-74	6,256	9,887	3,631	4.5%
75-84	2,976	5,195	2,219	2.7%
85+	708	1,492	784	1.0%
TOTAL	109,925	191,334	81,409	100.0%

Source: Census (2001 and 2011)

Table 9: Changes to White (British/Irish) Population by age (2001-11)

	White (B/I) population 2001	White (B/I) population 2011	Change	% of change
15-24	93,663	98,541	4,878	97.8%
25-34	99,981	78,404	-21,577	-432.4%
35-44	108,034	99,476	-8,558	-171.5%
45-54	102,786	105,866	3,080	61.7%
55-64	81,645	96,089	14,444	289.5%
65-74	64,656	70,792	6,136	123.0%
75-84	43,604	46,177	2,573	51.6%
85+	15,096	19,110	4,014	80.4%
TOTAL	609,465	614,455	4,990	100.0%

Source: Census (2001 and 2011)

2.42 From this it is clear that a major part of the changes in the headship rates of the 25-34 age group is likely to be due to international migration and growth in BME communities. Given that moving forward from 2011 the projections are expecting headship rates in this age group to stabilise, albeit at a lower level than historically; there is no suggestion of any suppression being built into the projections.

2.43 In looking at potential suppression amongst the 25-34 age group it is also useful to look at the 35-44 age group (noting that, for example, people aged 25-34 in 2011 will be aged 35-44 by 2021). The 35-44 age group shows little change in headship rates in the past and continuing in the future (slightly upwards in the future). There is thus no cohort effect assumed within the projections, and the projections are anticipated to fully reflect population needs.

2.44 Since Holmans' work was published there have been further articles on the topic of household formation rates. In research by Neil McDonald and Christine Whitehead entitled *New estimates of housing requirements in England, 2012 to 2037* (TCPA, Nov 2015), they conclude:

> *'The 2012-based projections, which use the 2011 Census and up-to-date population figures, are more immediately relevant and more strongly based than earlier estimates. The latest projections can therefore be taken as a reasonable indication of what is likely to happen to household formation rates if recent trends continue. This is because, although economic growth might be expected to increase the household formation rate, there are both longer-term structural changes and other factors still in the pipeline (such as welfare reforms) that could offset any such increase'*

2.45 Whilst this refers to the 2012-based projections, it is the case that the household formation rates in the 2014-based figures are almost identical. Overall, on the basis of the evidence available, it seems appropriate to use the household formation assumptions in the 2014-based Household Projections in assessing the demographic based need for housing.

2.46 GL Hearn would also note that adjustments to improve affordability considered later in this report provide the potential to support higher household formation amongst younger households; and it is important to avoid introducing adjustments at two stages which result in double counting of housing need.

Demographic-based Housing Need

2.47 Tables 11 and 12 below brings together outputs in terms of household growth and housing need using the 2014-based headship rates and the range of demographic scenarios developed. To convert households into dwellings the data includes an uplift to take account of vacant homes. This has been based on 2011 Census data. The total number of dwellings is some 3.6% higher than the number of occupied homes (which is taken as a proxy for households) and hence household growth figures are uplifted by 3.6% to provide an estimate of housing need. As this adjustment is applied on a local authority basis; different local authorities have different vacancy levels.

Table 10: Vacant homes (2011 Census) – HMA

	Census data
All Household Spaces	404,561
Household Spaces With At Least One Usual Resident	390,559
Household Spaces With No Usual Residents	14,002
Vacancy allowance	3.6%

Source: 2011 Census

2.48 In Table 11, the analysis shows, for the core scenarios, an overall housing need for 4,081 dwellings per annum when using the 2014-based SNPP as the underlying population projection. With long-term (10-year) migration assumptions the housing need is shown as 4,265 dwellings per annum.

Table 11: Projected housing need – range of demographic based scenarios and 2014-based headship rates – HMA (2011-36)

	Households 2011	Households 2036	Change in households	Per annum	Dwellings (per annum)
2014-based SNPP	390,910	489,390	98,480	3,939	4,081
Rebased SNPP	390,910	491,027	100,117	4,005	4,149
10-year migration	390,910	493,820	102,910	4,116	4,265

Source: Demographic projections

Table 12: Projected housing need – range of demographic based scenarios and 2014-based headship rates – HMA (2011-31)

	Households 2011	Households 2031	Change in households	Per annum	Dwellings (per annum)
2014-based SNPP	390,910	471,663	80,753	4,038	4,183
Rebased SNPP	390,910	473,126	82,216	4,111	4,259
10-year migration	390,910	475,225	84,315	4,216	4,368

Source: Demographic projections

2.49 GL Hearn conclude that a 10 year migration trend provides a robust assessment of the demographic need for housing given the short-term variability in migration trends at a local authority level. With headship rate assumptions from the latest projections applied to this, it results in a need for 4,265 dwellings per annum across the HMA to 2036.

2.50 The housing need is lower over the period to 2036 than to 2031 as international migration is expected to be stronger in the short-term and thus with a shorter period, average net migration is higher. There are also age structure changes which influence the growth in households over the different periods.

Local Authority Outputs

2.51 Table 13 below brings together summarised figures for each local authority. The table shows annual housing need under each of the three scenarios and for both a 20- and 25-year period from 2011.

Table 13: Projected housing need – range of demographic based scenarios and 2014-based headship rates – by local authorities

		2014-based SNPP	2014-based SNPP (+MYE)	10-year migration
Leicester	2011-31	1,527	1,530	1,538
	2011-36	1,504	1,510	1,516
Blaby	2011-31	286	289	308
	2011-36	278	281	301
Charnwood	2011-31	981	1,003	982
	2011-36	950	969	947
Harborough	2011-31	418	433	463
	2011-36	402	415	447
Hinckley & Bosworth	2011-31	394	400	428
	2011-36	377	382	413
Melton	2011-31	161	154	140
	2011-36	156	150	134
NWL	2011-31	314	336	386
	2011-36	304	323	378
Oadby & Wigston	2011-31	104	113	123
	2011-36	110	119	129
HMA	2011-31	4,183	4,259	4,368
	2011-36	4,081	4,149	4,265

Source: DCLG 2016 (all figures persons per annum)

2.52 The HEDNA's conclusions on the demographic need for housing over the two time periods are therefore as follows:

Table 14: Conclusions on Demographic Need based on 10 Year Migration Trends, 2011-36

	Population Growth		Housing Need
	No.	%	dpa
Leicester	68,613	20.8%	1516
Blaby	16,584	17.6%	301
Charnwood	46,379	28.0%	947
Harborough	20,032	23.4%	447
Hinckley & Bosworth	19,907	18.9%	413
Melton	5,231	10.4%	134
North West Leicestershire	18,873	20.1%	378
Oadby & Wigston	5,806	10.4%	129
HMA	201,423	20.5%	4265

Key Points

- The starting point for assessing housing need in line with the PPG is the most recent official household projections. These are the 2014-based CLG projections which suggest a need for around 4,081 dwellings per annum to be provided (2011-36) or 4,183 dpa over the shorter period (2011-31).

- When looking at the data about headship rates underpinning the 2014-based CLG household projections it was observed that the 25-34 age group had reduced slightly in the 2001-11 period, although this trend was not projected to continue into the future. When considering changes to the population structure in this age group (growth in BME communities) and other age groups within the projections (e.g. projected increases in headship for those aged 35-44) there was no evidence of any suppression of household formation and hence the 2014-based CLG projections can readily be used as published to translate population figures into household growth and housing need.

- Alternative projections based on long-term (10-year) trends were developed (and this includes more up-to-date information from ONS mid-year population estimates to 2015). This projection suggests a higher level of future population growth and is considered to be a sound scenario to use when considering demographic needs – this scenario projects population growth to be about 5% higher than the most recent 'official' population projections. The housing need linked to 10-year migration trends is for 4,265 dwellings per annum (2011-36) or 4,368 dpa over the shorter term to 2031. This represents the HEDNA's conclusions on the demographic need for housing.

3 THE ECONOMY AND LABOUR MARKET

3.1 Leicester and Leicestershire's economy produces goods and services valued at £22 billion per annum (GVA) and supports around 525,000 jobs.[8] This equates to around 23% of the regional jobs total and 24% of the GVA.

3.2 The largest economy, in terms of both value and employment, is in the City of Leicester. The City hosts around 184,000 jobs (35%), which is more than twice the number in Charnwood which is the second largest (78,000 jobs). Hinckley and Bosworth, followed by Charnwood see the highest GVA per job (a measure of relative productivity).

Table 15: Employment and GVA by Local Authority

	Employment		GVA		
	('000)	%	(£m)	%	Per Job
Leicester	183.8	35.1%	£7,253	32.7%	£39,000
Blaby	61.1	11.7%	£2,579	11.6%	£42,000
Charnwood	77.8	14.9%	£3,464	15.6%	£45,000
Harborough	46.5	8.9%	£1,907	8.6%	£41,000
H&B	50.2	9.6%	£2,544	11.5%	£51,000
Melton	24.2	4.6%	£969	4.4%	£40,000
NW Leics	59.2	11.3%	£2,633	11.9%	£44,000
O&W	20.3	3.9%	£826	3.7%	£41,000
HMA	**523.1**	**100.0%**	**£22,175**	**100.0%**	**£42,000**
East Midlands	2,299.1	22.8%	£94,359	23.5%	£41,000
UK	33,698.6	1.6%	£1,571,377	1.4%	£47,000

Source: Oxford Economics, 2016

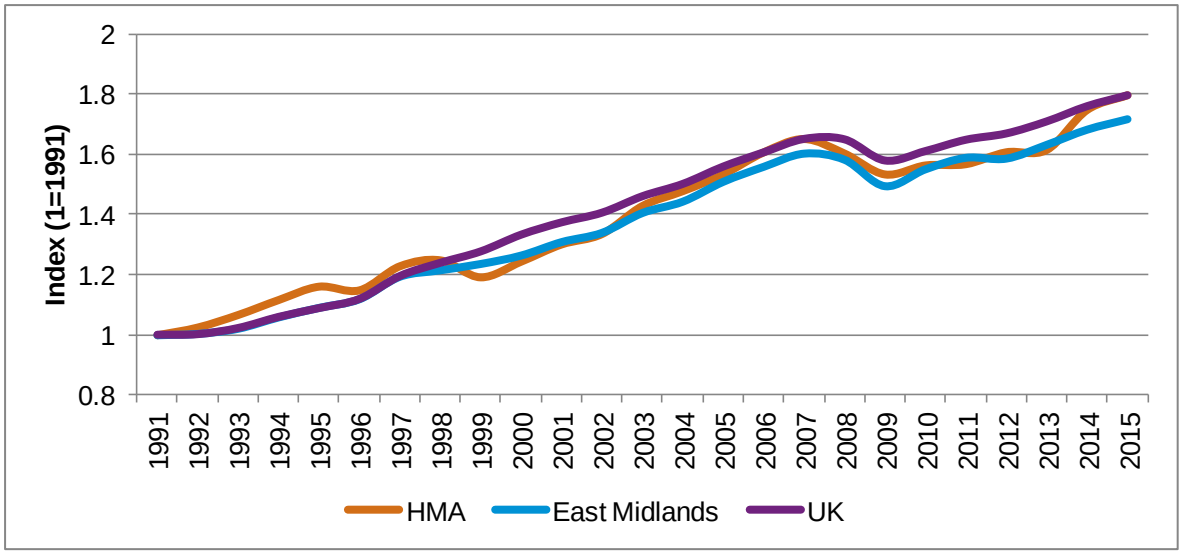
Economic Growth

3.3 Since 1991 the value of the Leicester and Leicestershire economy has almost doubled (80% growth) in nominal terms which is in line with the national performance and some 10 percentage points higher than the regional performance (70%). In absolute terms the Leicester and Leicestershire economy grew by around £10billion.

3.4 At a local level all areas have seen an increase in GVA, with the strongest economic growth (in terms of the size of local economies)[9] seen in Hinckley and Bosworth (141% growth, 1991-2015) and Harborough (150%). Conversely Charnwood (53%) and Oadby and Wigston (37%) have seen the smallest relative growth. Although Leicester saw a relatively modest GVA growth (58%) 1991-2015, in absolute terms the City has added some £2.6billion to the value of its economy.

[8] Oxford Economics estimates, 2013
[9] GVA measures the total value of goods and services produced in a local economy

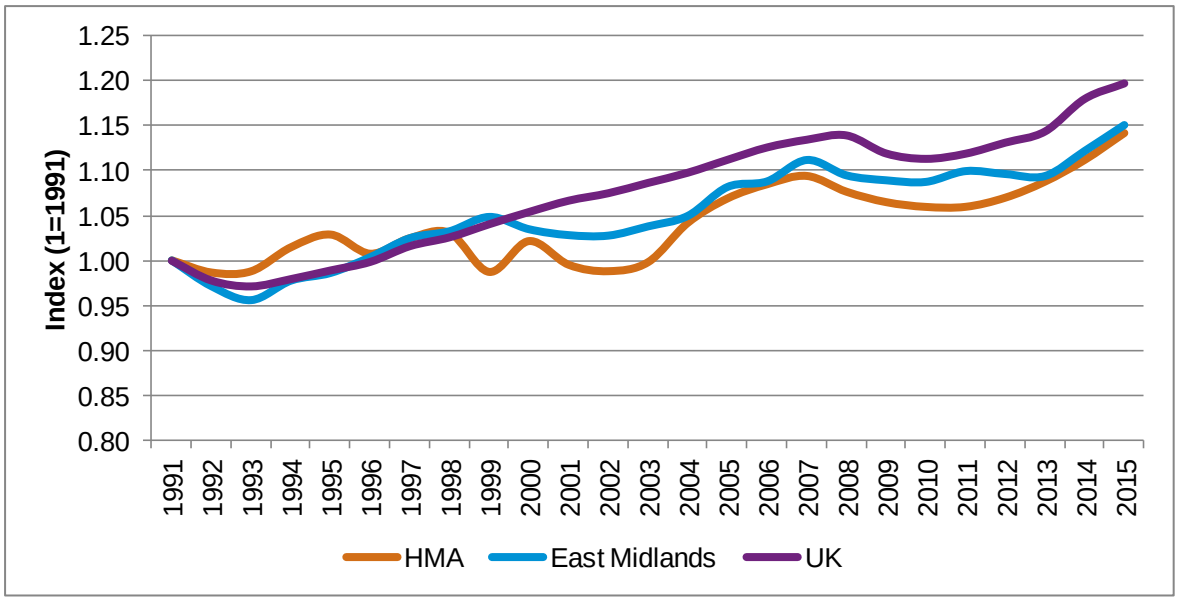
Figure 10: **Indexed GVA Growth (1991-2015)**



Source: Oxford Economics, 2016

3.5 Growth in employment has not been as strong as in GVA, reflecting productivity improvements and in particular declining manufacturing employment in the longer-term. Total employment across the FEMA increased by 14% between 1991-2015. By comparison employment nationally over the same period grew by 20% while regionally, growth was 15%. In absolute terms Leicester and Leicestershire employment increased by around 65,000 jobs. This however masks some notable local differences. Some local authorities have seen considerable growth: Harborough (72%), North West Leicestershire (53%) and Blaby 48%; whilst Leicester and Oadby and Wigston have seen a decline in total employment over the same period.

Figure 11: **Indexed Employment Growth (1991-2015)**

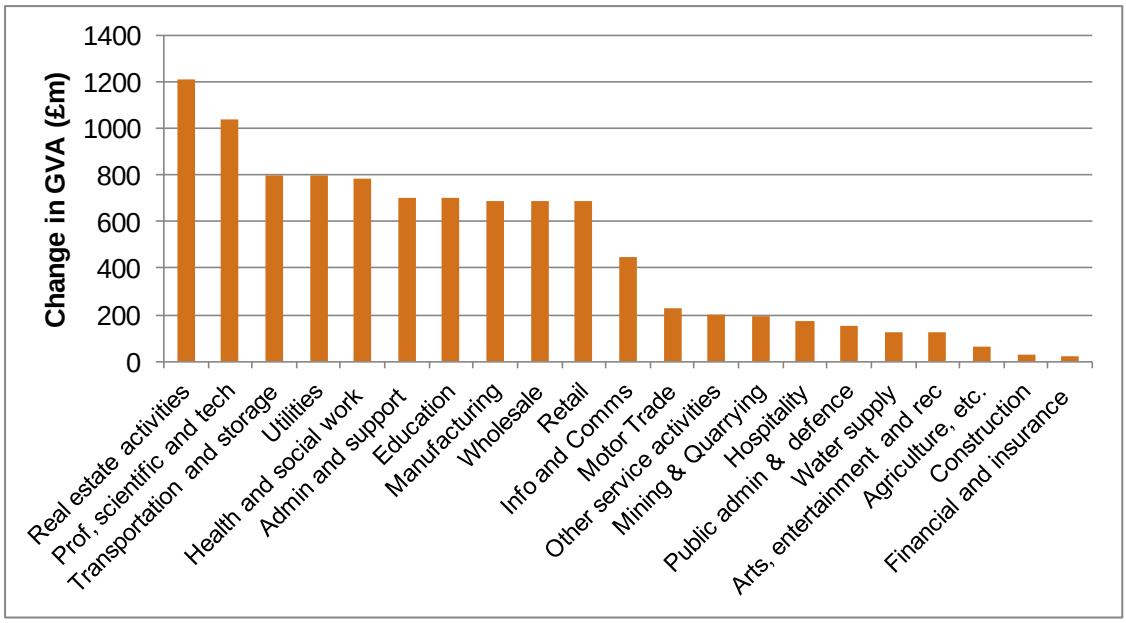


Source: Oxford Economics, 2016

GVA Growth by Sector

3.6 The strongest contributors to GVA growth across the Leicester & Leicestershire economy have been real estate, professional scientific and technical services – which are typically office-based. However it is notable that transport and storage; and wholesale have contributed significantly – and the contribution from these sectors (which include logistics/ distribution activities) would be substantial if considered together. Manufacturing has also historically seen positive growth in GVA, despite a long term fall in employment.

Figure 12: **GVA Growth (1991-2015)**



Source: Oxford Economics

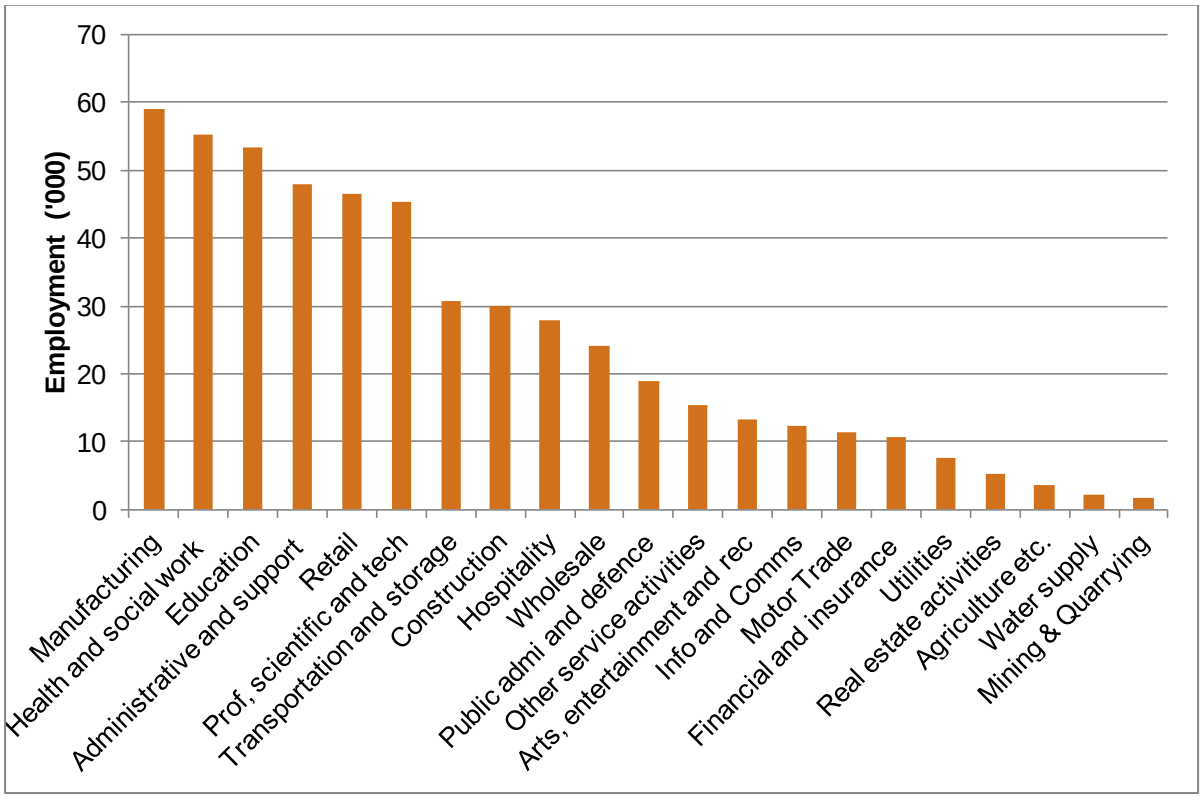
3.7 Manufacturing accounts for 16% of GVA and 13% of total employment, and supports 64,000 jobs across Leicester and Leicestershire. Since 1991 absolute growth in manufacturing GVA has been largest in Hinckley and Bosworth and Blaby (although manufacturing employment in both has declined).

Employment Structure

3.8 Despite seeing significant structural change, the manufacturing sector still remains the largest employment sector in Leicester and Leicestershire providing around 59,000 jobs. The next largest sectors are both largely public sector (Healthcare and Education), both of whom contain over 50,000 jobs.

3.9 Three more sectors host more than 45,000 jobs - those are the administrative and support, retail and professional, scientific and technical sectors. Some comfort can be taken from the fact that the local economy has a number of major employment sectors and reasonable representation of private sector employment. This means that the local economy is likely to be reasonably resilient to sector-specific contractions.

Figure 13: **Employment By Sector (2015)**



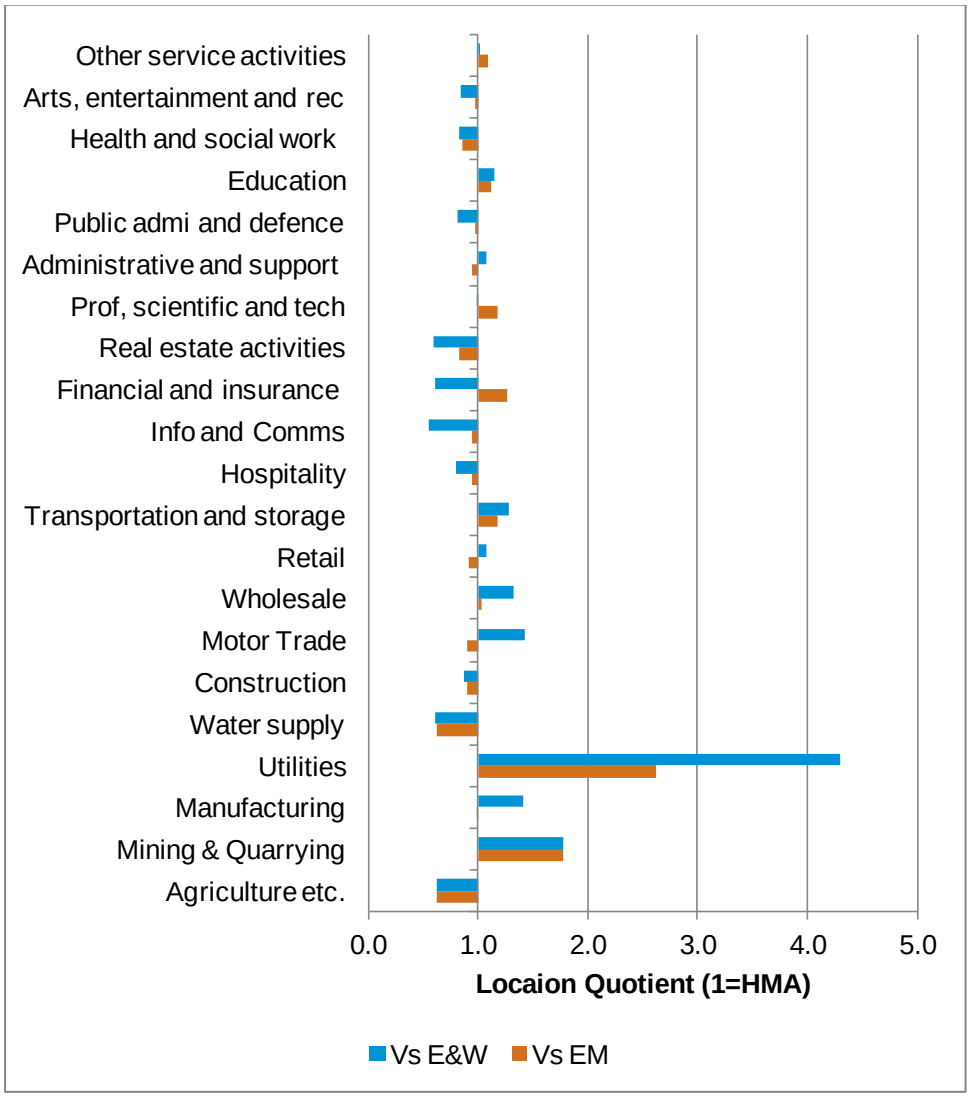
Source: Oxford Economics

3.10 In relative terms, key sector strengths in Leicester and Leicestershire are transportation and storage; professional, scientific and technical; administrative and support; and education. Utilities and mining and quarrying and strongly represented, but are relatively small sectors

3.11 Although manufacturing has the highest number of jobs in comparison to the regional level it is marginally under-represented against the region although significantly over-represented in comparison to England and Wales. Manufacturing is an important sector for Leicester and Leicestershire, and contributes strongly to overall GVA.

3.12 Conversely, the HMA is underrepresented in construction and health and social work sectors, both of which are major employers. With a growing and aging population, both of these might be expected to grow in employment terms.

Figure 14: **Employment Location Quotient (2015)**

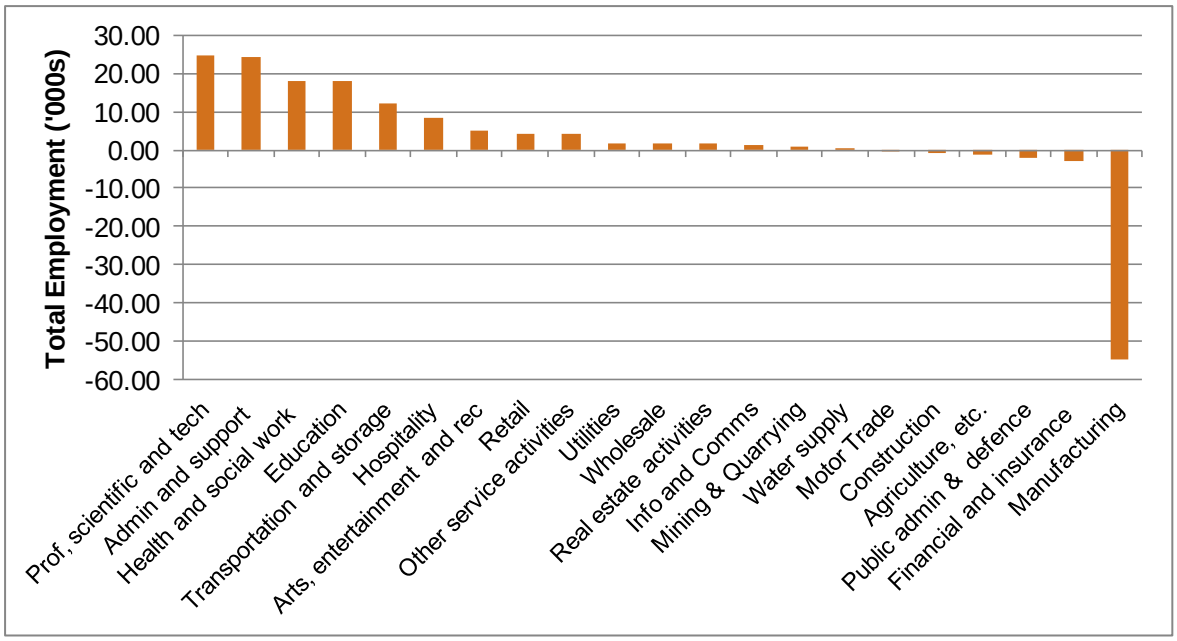


Source: Oxford Economics

Sectoral Employment Growth

3.13 Employment growth over the 1991 to 2015 period has been concentrated in the professional, scientific and technical (PST, +24,700) and administrative and support sectors (+24,300). The next largest growth in employment has been in the public sector education and human health and social work sectors.

Figure 15: **Employment Growth (1991-2015)**



Source: Oxford Economics

3.14 Blaby (+7,100 jobs) has seen the largest absolute growth in the PST sector, but in relative terms the largest growth by some distance has been in Harborough. Hinckley and Bosworth and North West Leicestershire also saw relatively strong growth.

3.15 The administrative and support sector saw the largest absolute growth in Leicester (+7,100 jobs) and also notable increases in Hinckley and Bosworth and North West Leicestershire. The latter two also saw the largest relative growth.

3.16 However much of the growth has been offset by significant declines in Manufacturing employment historically (-55,000 jobs), despite GVA growth. This reflects productivity improvements. The largest decline in manufacturing employment in absolute terms were in Leicester (-25,000) and Charnwood (-11,000), however, in relative terms Oadby and Wigston saw the largest proportional contraction (-67%) While over the longer period there has been significant decline in manufacturing employment, the shorter term trends in some local authorities suggest that the sector is making a partial recovery or at least the rate of decline in employment is slowing.

Local Authority Analysis of Employment Structure

Leicester

3.17 Leicester's strengths are in education, manufacturing, healthcare and retail. It also has relative strength in energy. The manufacturing sector, was for a long period, the driving force in the City's

economy. However, as with the national trend, employment in this sector has been in long term decline. The impact in Leicester has however been more pronounced than in the wider East Midlands and England and Wales, although there has been some recent recovery.

3.18 Employment in the manufacturing sector peaked in 1991 when 44,600 worked in the sector. Since that time an almost continuous decline has resulted in it becoming only the 4th largest sector in the City with less than half the workforce it once had (19,400 jobs). In particular, there has been a notable decline in textile manufacturing since 1991 including clothing and footwear although the sector is experiencing a partial renaissance linked to "fast-fashion." By 2011, the manufacturing sector had become a smaller employer than healthcare and social work, wholesale and retail and education.

Blaby

3.19 Since 1991 Blaby has seen strong relative employment growth, although this has largely been concentrated in two particular time periods; 2002-2005 and 2011-2015. Overall employment in 2015 is almost 20,000 higher than it was in 1991.

3.20 This growth was largely driven by the professional, scientific and technical sector; and to a lesser extent finance and insurance, construction, wholesale and retail. The last of these would include the expansion of Fosse Park.

3.21 The District's strengths are in the retail, finance and insurance, and professional, scientific and technical services sectors. It also has relative strength in energy and public admin and defence.

Charnwood

3.22 Charnwood has the second largest economy in the FEMA, with a GVA of £3.5bn and has seen growth of 4,500 jobs between 1991 and 2015. However, Charnwood has also seen significant decline in employment within the manufacturing sector, which lost over 11,000 jobs. This has been offset by growth in education, healthcare and professional, scientific and technical services employment.

3.23 The administrative and support sector is one of significant strength within Charnwood, given the Loughborough University, College, and Science and Enterprise Park. The District's other relative strengths are in manufacturing and education. It also has relative strength in mining and quarrying, arts and recreation and other service activities.

Harborough

3.24 Harborough has experienced the second largest absolute employment growth within Leicestershire, but by far the highest relative growth over the period 1991 to 2015. The growth has primarily been

in the transportation and storage and administrative and support sectors. The large growth in transportation and storage reflects growth at Magna Park in Lutterworth.

3.25 Compared to the other local authorities in Leicestershire, Harborough is a relatively wealthy part of Leicestershire. However, the value of the local economy (GVA) in both absolute and relative terms (GVA per head) is poor in comparison to these other areas.

3.26 The District's strengths are in the transportation and storage, professional, technical and scientific services and hospitality sectors. It also has relative strength in agriculture and mining and utilities.

Hinckley and Bosworth

3.27 Employment in Hinckley and Bosworth between 1991 and 2015 increased by around 9,000 jobs. In population terms Hinckley and Bosworth is the third largest population in Leicestershire, although only the 5th largest in terms of both employment and GVA.

3.28 There were two notable sectoral changes in this period: the first was a growth in the administrative and support sector and the second a major long-term decline in manufacturing employment, although there has been some recent recovery.. There have also been other sectors of growth including employment in transportation and storage, human health and social work, arts, entertainment and recreation and professional, scientific and technical sectors although the last of these is still under represented.

3.29 The Borough also has a specific strength in business administration and support services (65% growth in employment between 2010 and 2014) but sectors such as professional scientific and technical have a weaker representation than the national or regional level; although this may change as the MIRA Technology Park is built-out.

Melton

3.30 Melton has the smallest population of all the local authorities; In terms of employment numbers, Melton is only the second smallest employment location in the county, ahead of Oadby and Wigston.

3.31 The Borough has the second lowest overall GVA and GVA per employee (behind Leicester). This reflects the low value GVA per job associated with food manufacturing and agricultural activities.

3.32 Historically employment growth in the Borough has been modest. Between 1991 and 2015 approximately 4,000 jobs were added to the Borough. This was largely driven by growth in the "other service" sectors, IT and communications, construction and education sectors.

3.33 Both the administrative and support and public admin and defence sectors modestly fell over the same period; although there has been a fall in manufacturing this has been more modest than elsewhere in Leicester and Leicestershire; and this is a potential growth sector moving forwards.

3.34 More detailed analysis shows that there was considerable employment growth in manufacturing prepared meals (Samworth Bros). The reduction in public admin and defence can be attributed to defence activities (which lost around 500 jobs).

3.35 The Borough's strengths are in agriculture and manufacturing, particularly food manufacturing, and construction. It also has a relative strength in the arts and recreation and other service activities sectors.

North West Leicestershire

3.36 North West Leicestershire has seen the strongest employment growth relative to its size historically in Leicester and Leicestershire. Between 1991 and 2015 an additional 20,500 jobs have been added. The District is also a reasonably valuable location in terms of its GVA (£2.6bn).

3.37 The drivers of employment growth have been the professional, scientific and technical, wholesale, retail, transportation and storage and Administrative and support sectors. As with the national trend there was a decline in manufacturing employment.

3.38 The area has a strong representation of mining and quarrying employment although in absolute terms numbers are fairly minor. The transportation and storage and to a lesser extent wholesale and retail and utilities are also sectors of strength,

3.39 Transportation and storage employment is influenced by East Midlands Airport which is the second largest cargo airport in the UK. DHL, UPS and TNT all have major distribution facilities around the airport. It is also a reflection of the strength of the logistics/ distribution sector.

3.40 The historic period of growth also coincided with the growth in low cost airlines and increases in internet shopping which will have translated into increased freight distribution.

Oadby and Wigston

3.41 Oadby and Wigston has the smallest economy in the FEMA in terms of employment levels and GVA. This largely reflects the function of the area which is a largely residential location on the edge of Leicester.

3.42 As of 2015, around 20,300 jobs were located within Oadby and Wigston this is down from around 23,000 in 1991. This reflects falls in the manufacturing sector (and to a lesser extent financial

services) which have been partly offset by growth in public sector employment, particularly education and healthcare and also growth in the arts and recreation sector.

3.43 Despite a historical reduction in employment numbers, the manufacturing industry still has a strong representation within the Borough as does the education, arts and recreation and wholesale sectors. The area has a relatively weak representation in the national growth sectors of professional, scientific and technical and administrative and support. This influences future economic growth potential.

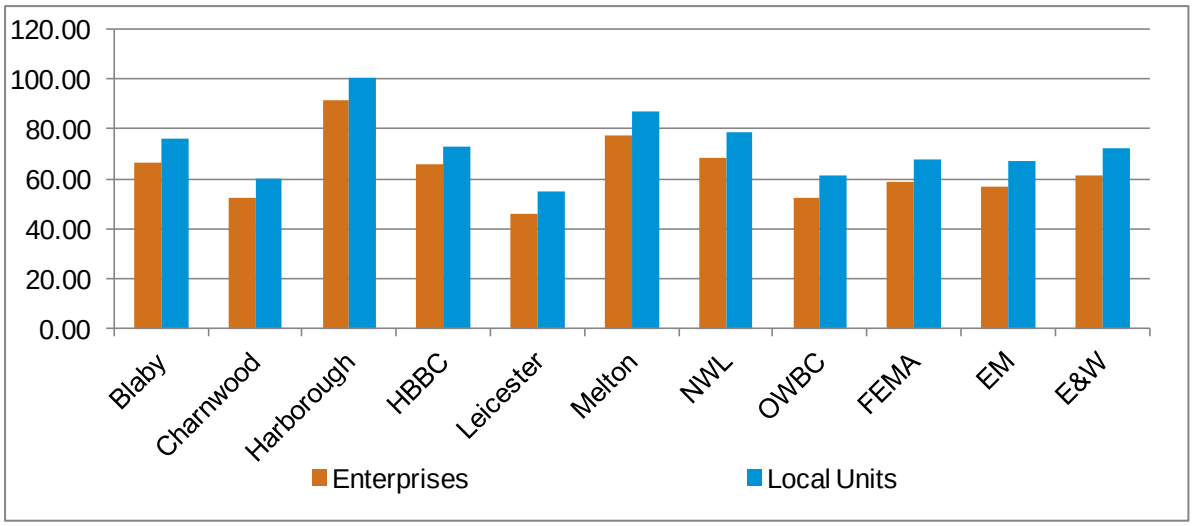
Business Base

3.44 The UK business counts data, which draws from the Inter-Departmental Business Register (IDBR), indicates that there were 37,855 enterprises or 43,640 local units operating in the FEMA in 2015 (Enterprises are classified as an overall business, made up of all the individual sites or workplaces while local units are individual sites that belong to an Enterprise).

3.45 The IDBR is based on a range of data sources including VAT and PAYE data from HM Revenue and Customs, together with Companies House data on businesses in an area and Department for Environment, Food and Rural Affairs (DEFRA) records on farms. It is likely to capture most businesses, but may not capture all - such as some small businesses with turnover below the VAT threshold.

3.46 Leicester and Leicestershire has an average of 58.73 businesses per 1,000 working age population (16-64); while the regional equivalent is 56.88 and the national is 61.26. This indicates the relative buoyancy of the area compared to the region. Figure 16 presents the business density by local authority area. Harborough has the highest business density, followed by Melton and then North West Leicestershire and Blaby

Figure 16: **Enterprises and Local units per 1,000 population aged 16-64**

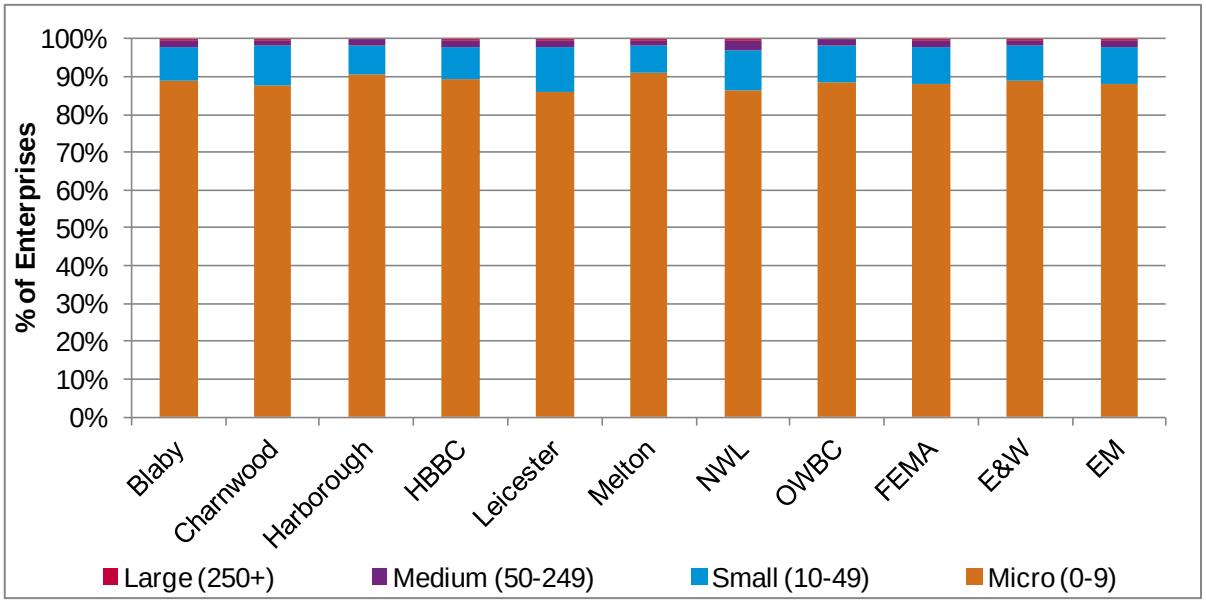


Source: *IDBR/ONS Mid-2015 population estimates*

Business Size

3.47 The vast majority (88%) of the enterprises based in Leicester and Leicestershire are micro businesses that employ less than 10 people. This is similar to the national and regional comparators, along with the relatively low proportion of medium and large enterprises (Figure 17).

Figure 17: **Enterprises by Size, 2015**



Source: *UK Business Counts 2015*

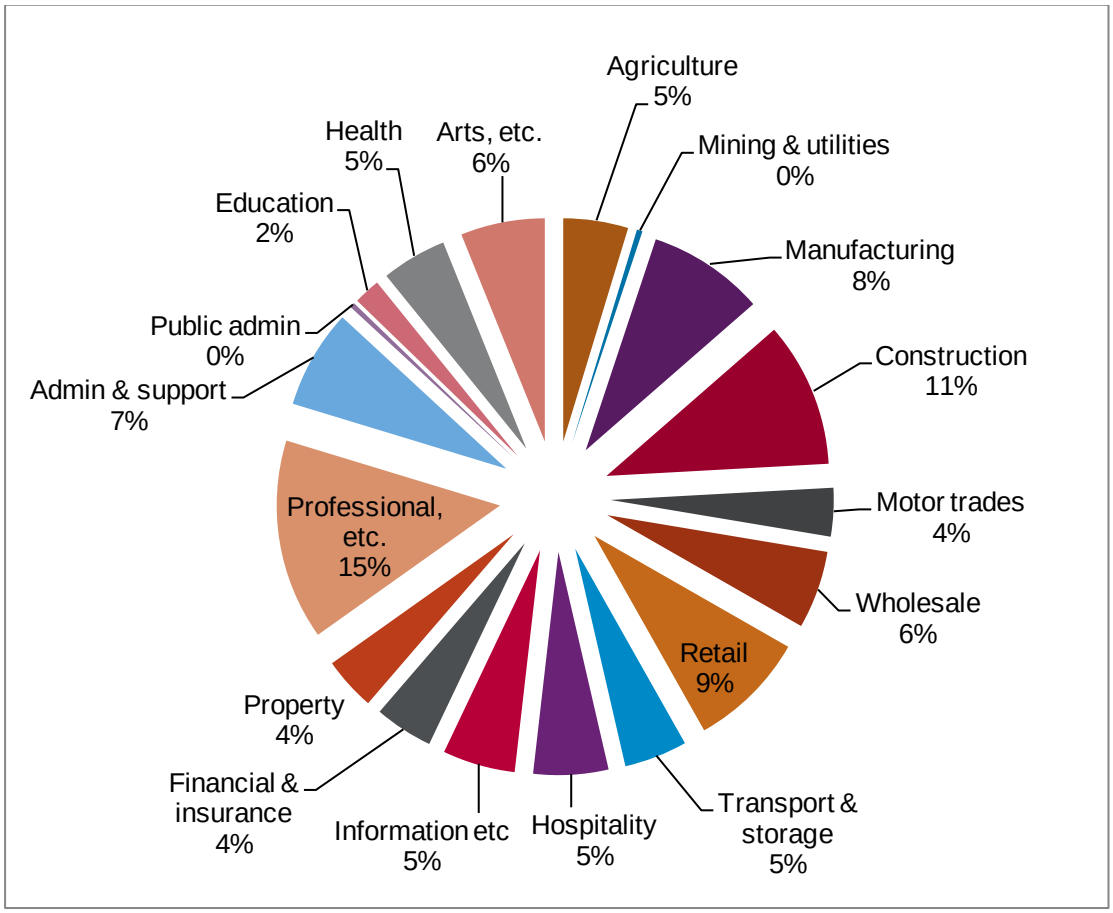
3.48 Figure 17 shows the enterprises broken down by size within Leicester and Leicestershire. In general the majority of enterprises have less than 9 employees (88%), followed by "small" (10-49 employees) enterprises (10%), "medium" (50-249 employees - 1.7%) and "Large" (250+ employees - 0.3%).

3.49 North West Leicestershire (2.25%) and Leicester (1.8%) have the highest percentages of medium size enterprises. With regards to the large enterprises (250+ employees), North West Leicestershire (0.6%) and Blaby (0.5%) have the highest concentrations in the study area.

Business by Sector

3.50 There are over 5,500 (15%) professional, scientific and technical enterprises in the FEMA area. Other high business representation is found in the construction (approx. 4,000 businesses – 11%), retail (3,250 – 9%), manufacturing (3,200- 8%) and administration and support (2,700 – 7%) sectors. Figure 18 illustrates the sectoral breakdown of enterprises in Leicester and Leicestershire. Some of these sectors would include self-employed and cottage industries thus they have a higher representation of business but do not necessarily have a higher percentage of overall employment.

Figure 18: **Major Sectors by Enterprise in FEMA, 2015**



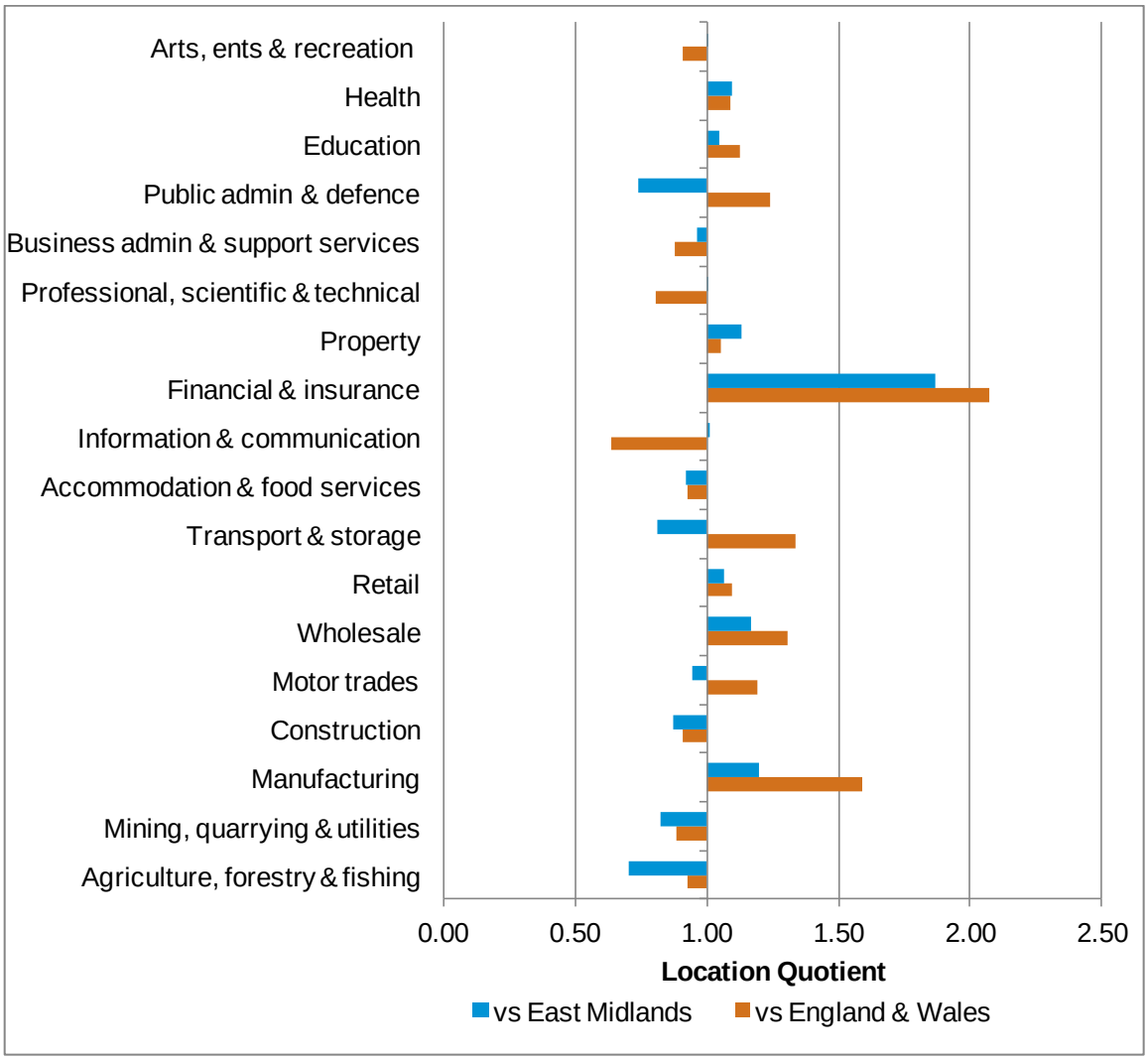
Source: *UK Business Counts 2015 (% of all enterprises)*

3.51 One of the key industries in the FEMA is that related to logistics and distribution. For clarity this sits across both Transportation and Storage and the Wholesale sectors. In some cases it may also include employment/ businesses classified as within the retail sector.

3.52 The structure of the business base in Leicester and Leicestershire has also been analysed against the wider comparators using location quotients, and this analysis is illustrated in Figure 19. This uses location quotients to compare the proportion of employment by sector in the FEMA to that across the East Midlands and national benchmarks.

3.53 The analysis indicates that the FEMA has a high percentage of financial and insurance services, manufacturing, wholesale, property, retail, health and education enterprises compared to the wider comparators. These are relative strengths.

Figure 19: **Location Quotient of Major Sectors by Enterprises in FEMA, 2015**



Source: UK Business Counts 2015

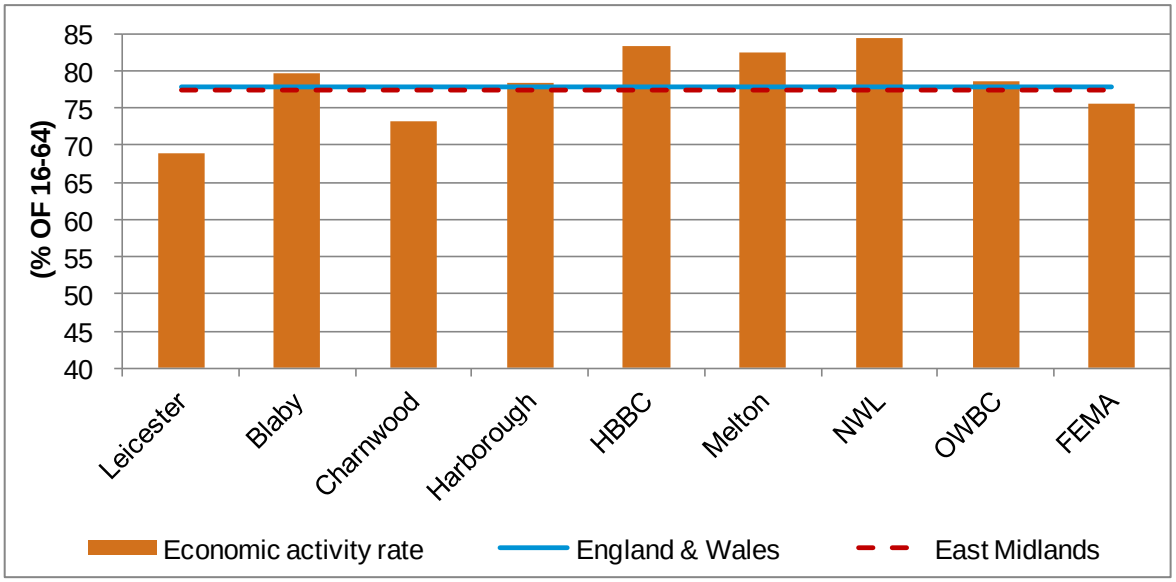
Labour Market Characteristics

Economic Participation

3.54 The economic activity rate describes the percentage of working-age population (16-64 years old) who, were either working or looking for work. As illustrated in Figure 20 the FEMA average is 75.5%, which is below the rate for both England and Wales (77.8%) and the East Midlands (77.5%).

3.55 Perhaps reflecting the location of the universities in the study area, Leicester and Charnwood present notably lower economic activity rates than the other local authorities as those of a working age are studying full-time, rather than working. The highest economic activity rates are those in North West Leicestershire.

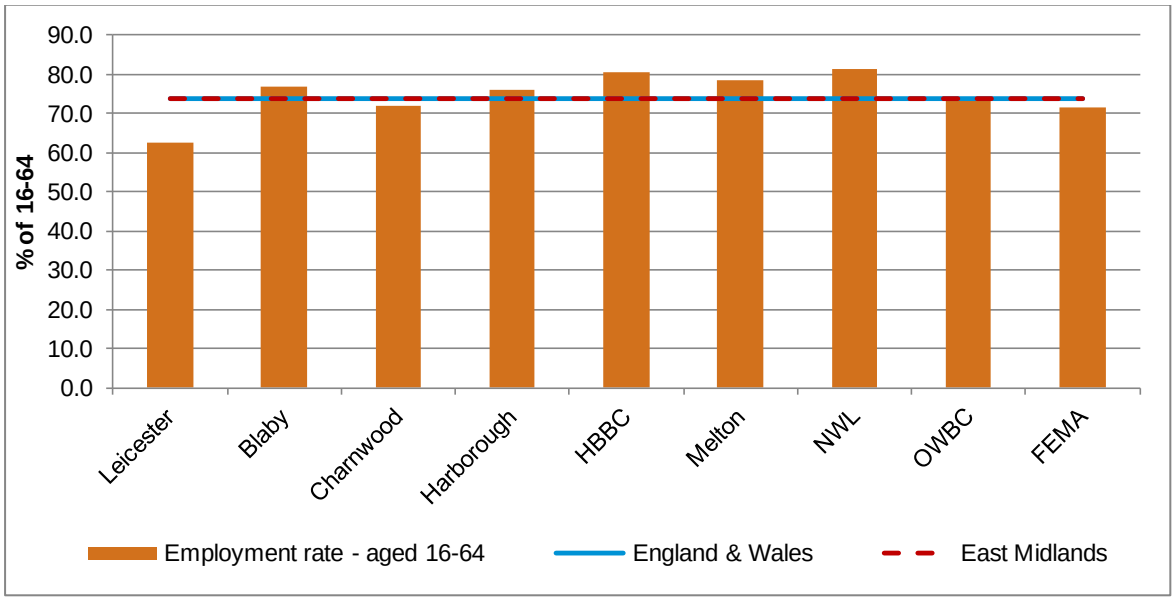
Figure 20: **Economic activity rate 2015, % aged 16-64**



Source: ONS Annual Population Survey January– December 2015

3.56 Figure 21 illustrates the employment rate as a percentage of the economically active population aged 16-64 in work. The rates in all authorities, with the exception of Leicester and Charnwood, are higher than the regional and national comparators. On average the FEMA's employment rate was 71.6% in 2015.

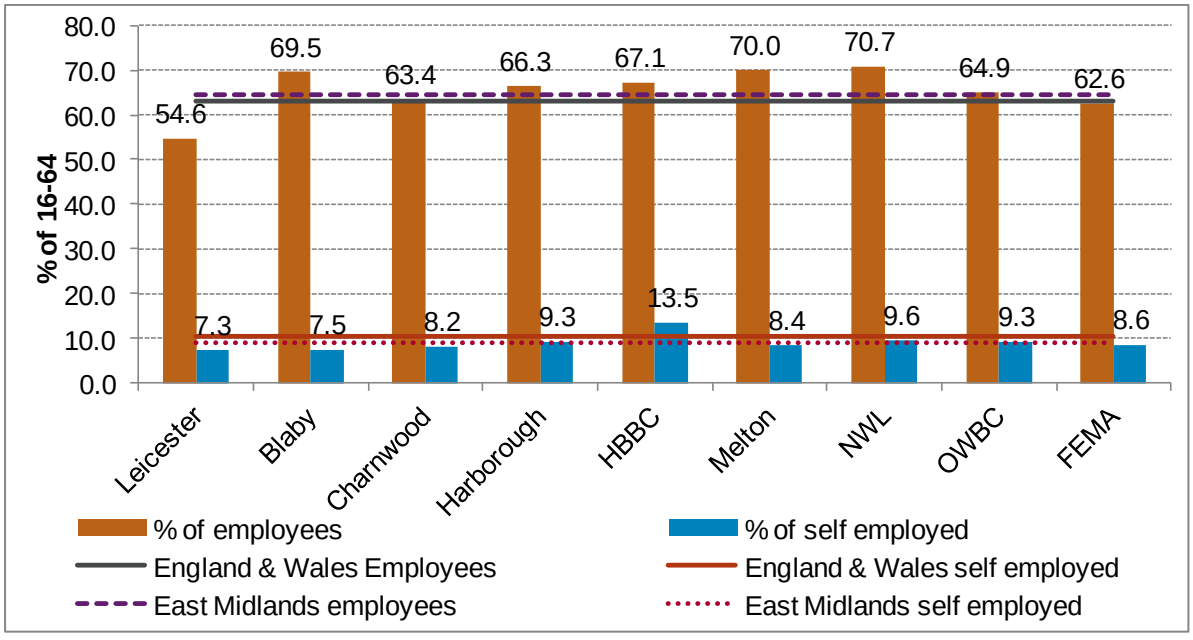
Figure 21: **Employment rate 2015, % aged 16-64**



Source: ONS Annual Population Survey January– December 2015

3.57 The levels of self-employment in the FEMA (8.6%) are lower than the wider comparators (East Midlands 9% and England and Wales 10.4%). Hinckley and Bosworth (13.5%) presents a notably higher percentage of self-employed than the other local authorities and the wider comparators (see Figure 22).

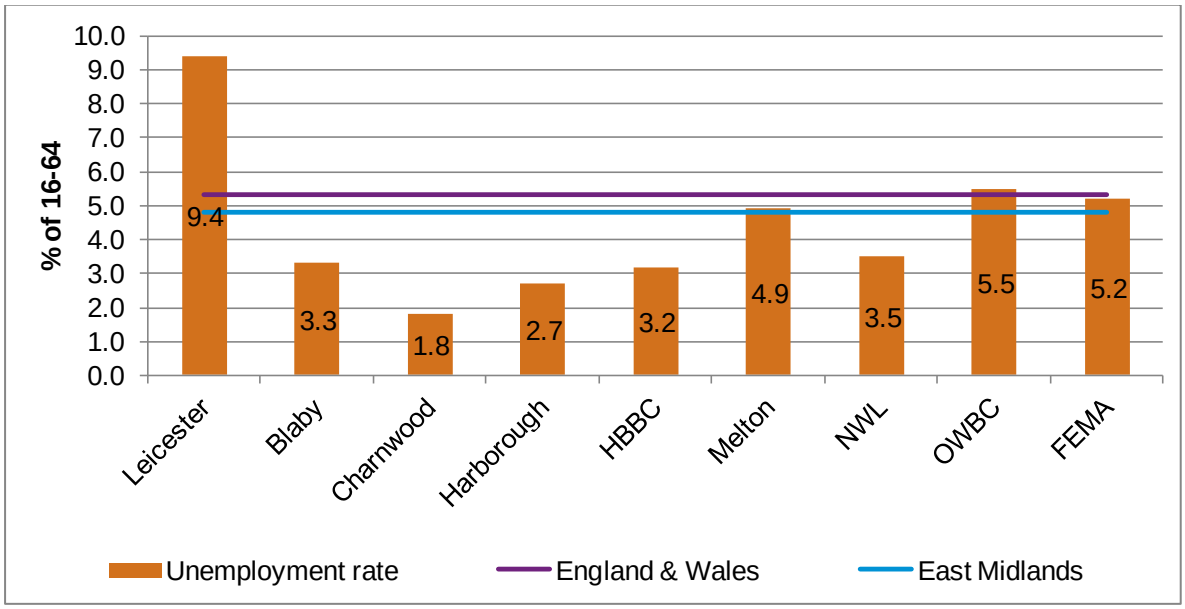
Figure 22: **Employment by type 2015, % aged 16-64**



Source: ONS Annual Population Survey January- December 2015

3.58 The unemployment rate (Figure 23) describes the proportion of the economically active population[10] who are out of work. The average unemployment rate of the FEMA (5.2%), as recorded by the Annual Population Survey in 2015, is slightly below the national average (5.3%) and above the regional comparator (4.8%).

Figure 23: **Unemployment rate, % aged 16-64, 2015**



Source: *ONS Annual Population Survey, January- December 2015*

3.59 Leicester has the highest level of unemployment (9.4%), almost double the regional level. Oadby and Wigston's unemployment rate also marginally exceeds the national and regional comparators. The lowest level of unemployment is in Charnwood, where just 1.8% of the economically active population are unemployed.

3.60 As well as the unemployment rate, another measure is to review the local authority claimant count. Across the HMA around 1.5% of the population (aged 16 plus) are claiming Jobseeker's Allowance (on average during the 2013-16 period). The HMA claimant count is lower than both the regional (1.6%) and national (1.8%) figures. Leicester has the highest number and highest percentage of claimants. Charnwood is the only other local authority which has claimant numbers in four figures, although as a proportion of population claimant volumes are higher in Hinckley and Bosworth, North West Leicestershire and Oadby and Wigston than in Charnwood.

[10] Economic active population: All people who were working in the week before the survey are described as economically active. In addition, the category includes people who were not working but were looking for work and were available to start work within 2 weeks. Full-time students who are economically active are included.

Table 16: Claimant Count (Average 2013-2016)

Area	Average Claimants	+16 Population	% Claimants
Leicester	7,194	265,204	2.7%
Blaby	627	78,070	0.8%
Charnwood	1,241	144,394	0.9%
Harborough	366	71,639	0.5%
Hinckley & Bosworth	907	88,722	1.0%
Melton	387	41,906	0.9%
NWL	874	78,159	1.1%
Oadby & Wigston	524	46,116	1.1%
FEMA	**12,121**	**814,210**	**1.5%**
East Midlands	61,914	3,782,353	1.6%
England and Wales	828,926	46,550,257	1.8%

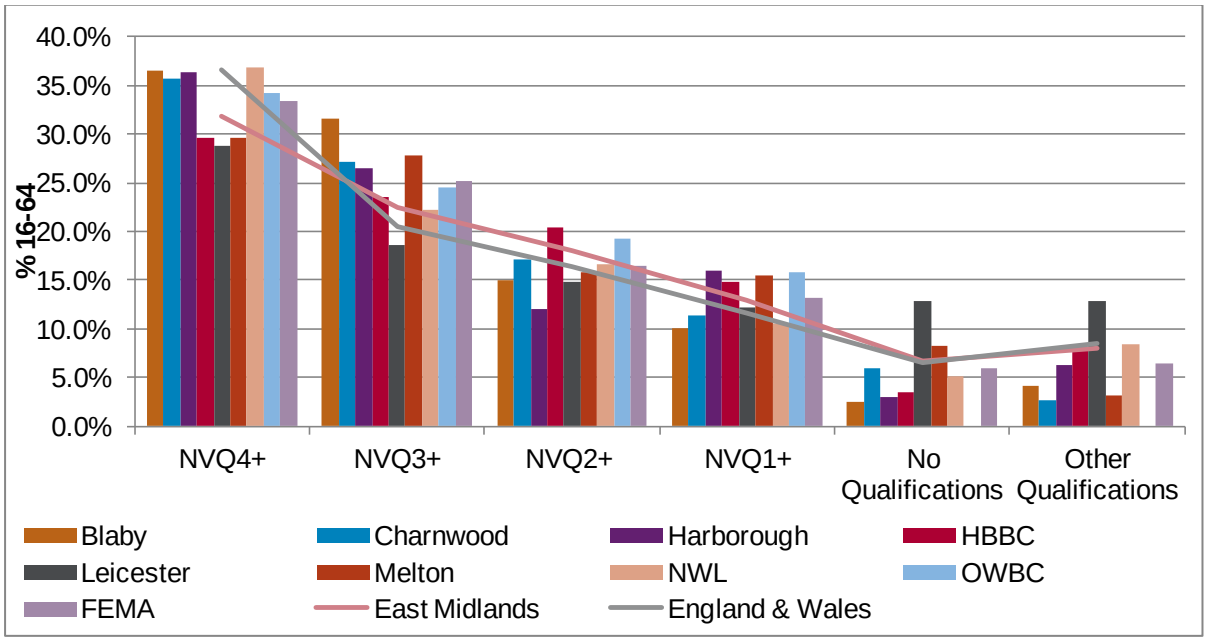
Source: ONS, 2016

Qualifications

3.61 In general, the Leicester and Leicestershire population (aged 16-64) is better qualified than the rest of the East Midlands but below the England figure (see Figure 24). There is also notable variation across the FEMA. Blaby, Charnwood, Harborough, North West Leicestershire and Oadby and Wigston have a higher percentage of the population (34%-37%) educated to at least NVQ level 4 (equivalent to an undergraduate degree). This compares to 32% across the East Midlands and 37% nationally.

3.62 In contrast the percentage of the population in Hinckley and Bosworth, Melton and Leicester, with a Level 4 NVQ, is below 30%. Conversely, Leicester and Melton have notably higher percentages of people with no qualifications at all.

Figure 24: **Highest Qualification Level Achieved (2015)**

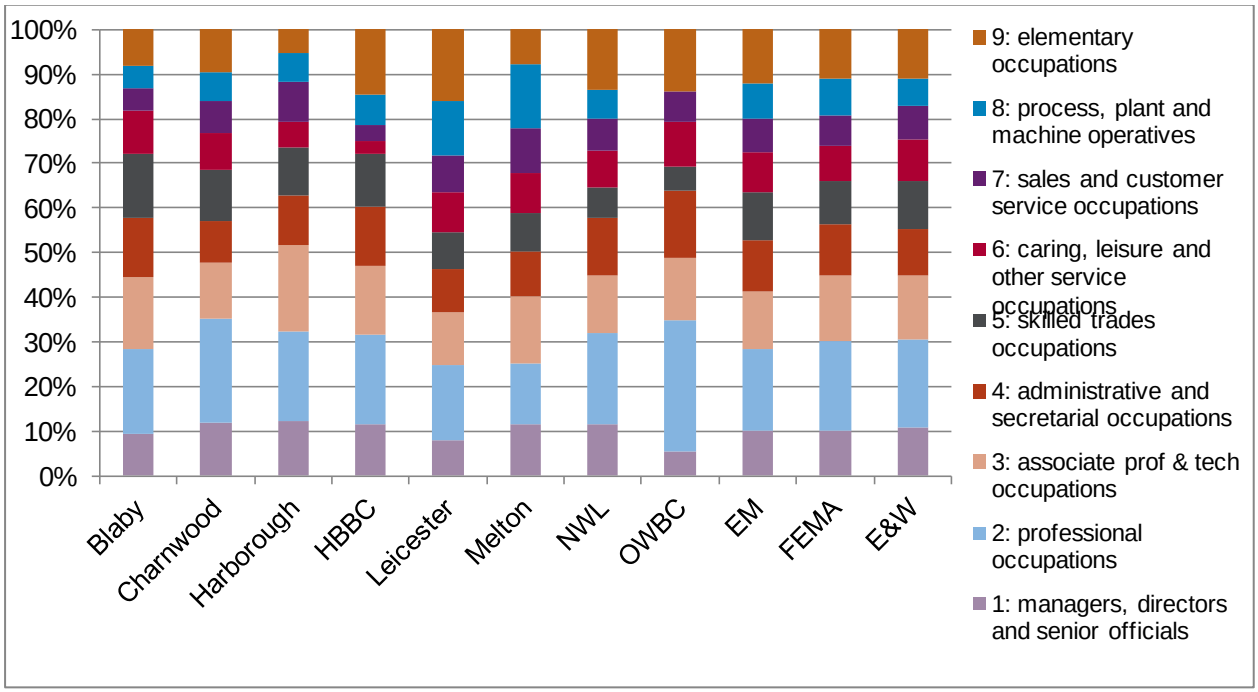


Source: *ONS Annual population survey January- December 2015*

Occupations

3.63 The detailed occupational profile, based on the ONS Annual Population Survey 2015, is presented in Figure 25. It shows that the majority of the population in each local authority in the HMA are within Group 2 and 3 (approximately 35%), followed by groups 4 and 1, the group numbering reflecting the level of skills within the occupation (with 1 being the most skilled and 9 being the least skilled). Harborough and Charnwood have the highest concentration of employment within Group 1 (managers, directors and senior officials). In contrast Leicester and Hinckley and Bosworth present the highest percentages of population employed in Group 9 (elementary occupations).

Figure 25: **Detailed Occupational Profile**

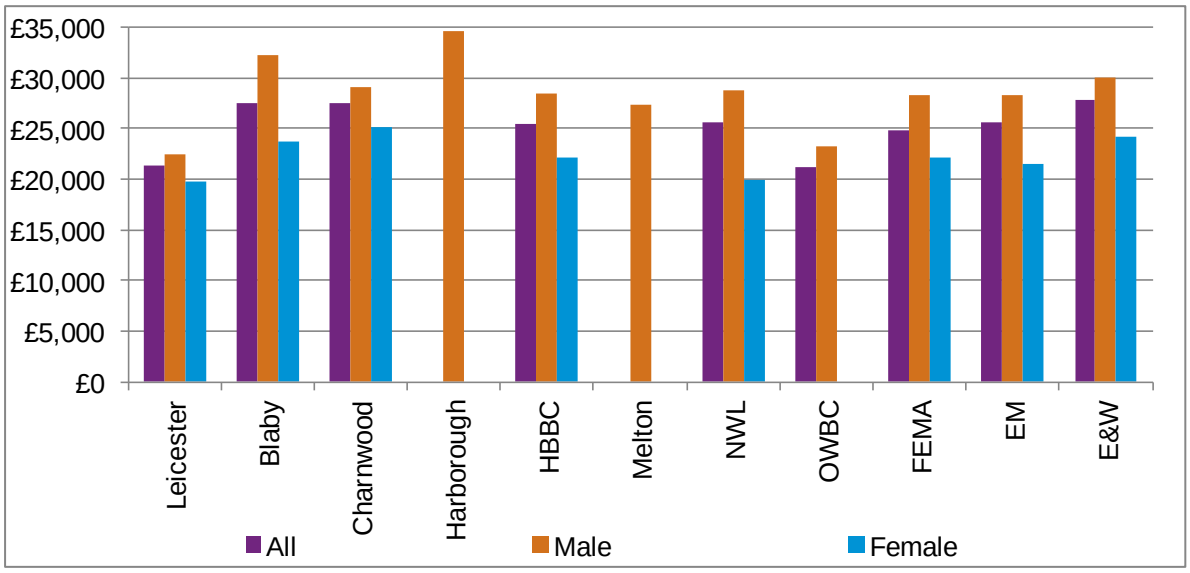


Source: *ONS Annual population survey January– December 2015*

Earnings

3.64 Residents in full-time employment earn on average £24,738 per year across the HMA/ FEMA. This is lower than the regional (-3%) and national (-11%) comparators. Based on the available data (ONS 2015), Harborough and Blaby residents have higher earnings in comparison to the rest of the authorities, while Leicester has the lowest residents' earnings (see Figure 26).

Figure 26: **Earnings by residence – median pay full-time workers 2015**



Source: ONS Annual Population Survey January- December 2015

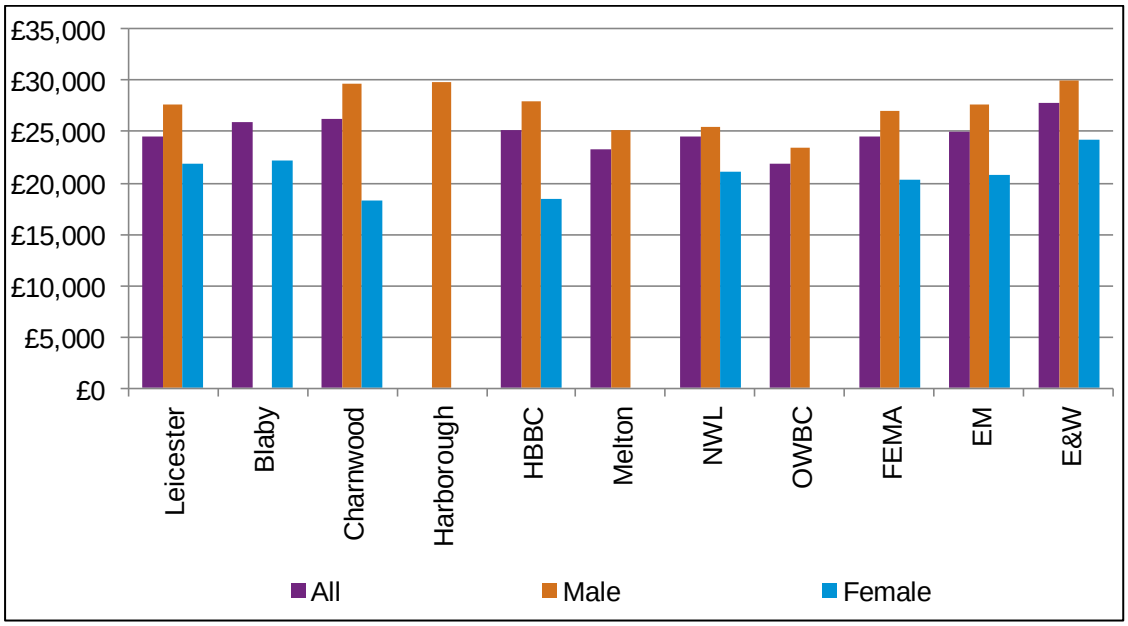
3.65 Although some data on male/ female earnings is suppressed as it is statistically unreliable, the evidence points to a substantial difference between male and female earnings of around 22%, compared to 25% across the East Midlands and 20% nationally. Only in Charnwood do female earnings exceed the national comparator.

3.66 The average gross annual pay of people working full-time in the FEMA (i.e. on a workplace basis) is £24,475 which is again lower than the wider comparators. The consistency between the residents and workplace earnings reflects the high level of self-containment within the study area.

3.67 Those working full-time in the FEMA typically earn 1% less than those living in the area suggesting that there are a number of higher-earning residents across FEMA who commute out of the area to higher paid jobs.

3.68 Leicester shows notably higher workplace earnings than it does residents' earnings. This demonstrates two key characteristics. Firstly it is likely that many of the higher paying jobs in the City are taken up by in-commuters. Leicester has acknowledged that it struggles to retain many of the universities graduates.

Figure 27: **Earnings by workplace – median pay full-time workers 2015**



Source: ONS Annual Population Survey January- December 2015- (missing bars due to data availability)

3.69 Secondly many of the residents are either excluded from these jobs due to the qualifications shown or find work elsewhere in the County. These would include lower paid retail, manufacturing and agricultural jobs. Indeed anecdotal evidence suggests than many of the food production jobs in Melton are taken up by Leicester residents who are bussed into these jobs.

Key Points

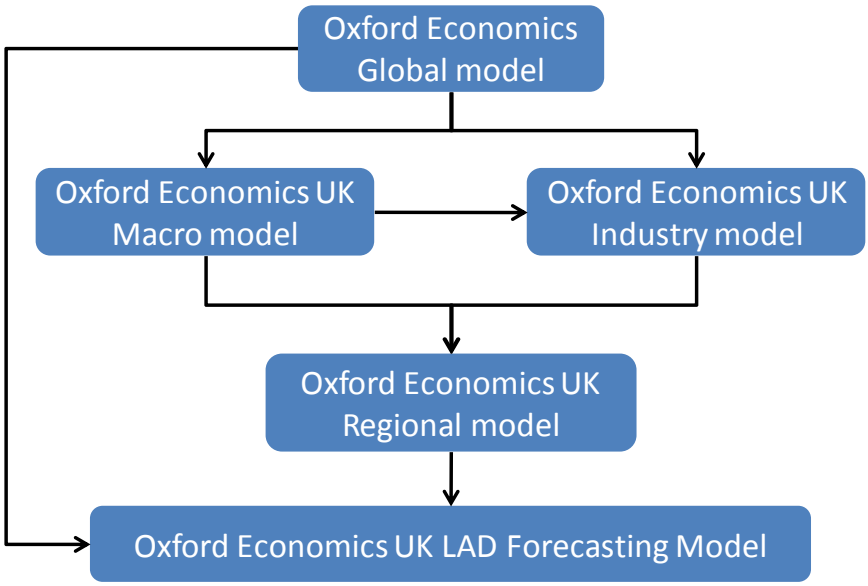
- The economy of the FEMA is worth approximately £22bn per annum and supports over 520,000 jobs.
- There has been a substantial increase in employment in recent years. This is despite significant structural change leading to declines in the manufacturing sector nationally.
- The area has a relatively high business density with strong representation in financial services, manufacturing, wholesale & distribution, retail, property, health and education.
- The unemployment rate across FEMA is similar to the national and marginally above the regional equivalent. Jobseeker claimants' representation is below both national and regional comparators.
- The average gross earn of full-time people reside in FEMA is slightly above the gross annual payment of full-time working population across the area.

4 EMPLOYMENT FORECASTS

4.1 Oxford Economics (OE) was commissioned by GL Hearn to provide baseline demand based forecasts for the FEMA and constituent local authorities in April 2016. The baseline forecasts are consistent with OE's January 2016 national forecasts. The forecasts therefore pre-date the Brexit decision.

4.2 The baseline model is the lowest level of the OE framework of forecasting models. Such a modelling framework ensures that global and national factors (such as developments in the Eurozone and UK Government fiscal policy) have an appropriate impact on the forecasts at local authority level. This framework ensures that the forecasts are much more than just an extrapolation of historical trends. Rather, the trends in the OE global, national and sectoral forecasts have an impact on the local area forecasts alongside the sectoral structure and past sector performance locally.

Figure 28: **Hierarchal structure of Oxford Economics' suite of models**



Source: Oxford Economics, 2016

4.3 The baseline forecasts for the FEMA and its constituent authorities are essentially shaped by three factors:-

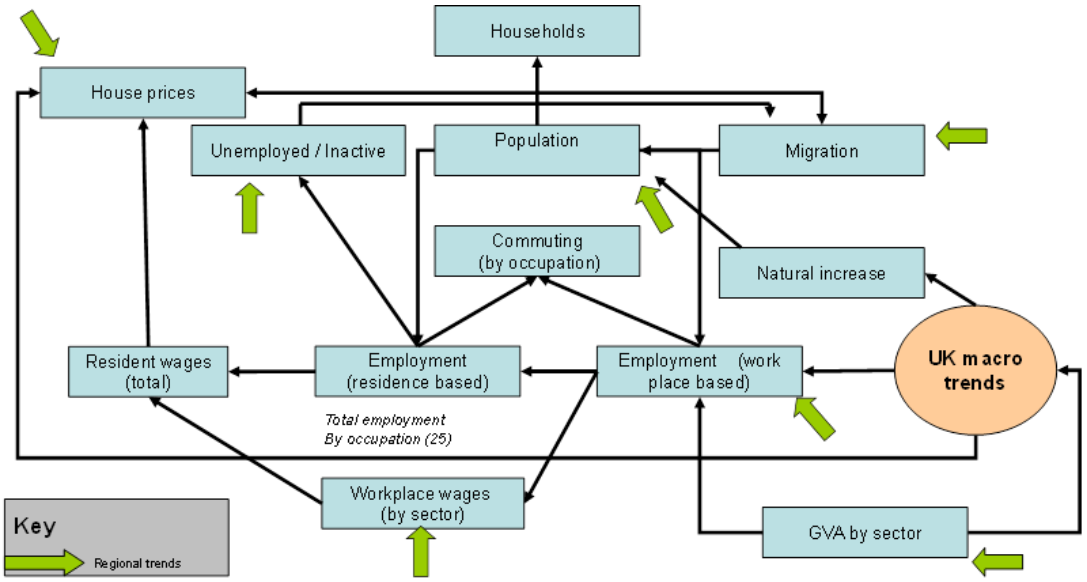
- International, national and regional outlooks - all the local area forecasts produced by OE are fully consistent with broader regional, national and international models and forecasts. This ensures global events that impact on the performance of UK local economies, such as the strength of global trade are fully captured in the forecasts for a local area. So too are national

level growth and policies, whether that be the impact of monetary policy on consumer spending or government spending on locally provided public services;

- Historical trends in an area, which implicitly factor in supply side factors affecting demand, combined with the OE and GLH knowledge of local areas and the patterns of local economic development. This ensures for example, that we recognise and factor in to the forecasts any evidence of particularly high/low levels of competitiveness that local economies have in particular activities. It also means national policy programmes that have a particular local impact and that are very likely to happen; and
- Fundamental economic relationships which interlink the various elements of the outlook. OE's models ensure full consistency between variables in a local area. For example, employment, commuting, migration and population are all affected by one another.

4.4 The forecasts are produced within a fully-integrated system, which makes assumptions about migration, commuting and activity rates when producing employment and population forecasts. Note that these are different assumption from the population assumptions set out earlier in this report and therefore different from the demographic growth assessment. The main internal relationships between variables are summarised in Figure 29.

Figure 29: **Main Relationships**



Source: Oxford Economics, 2016

4.5 The starting point in producing employment forecasts for a local authority is the determination of workplace-based employees in employment in each broad sector. There are two key sources for this – ONS Workforce Jobs (WFJ) and the Business Register and Employment Survey (BRES). The WFJ series is reported on a quarterly basis, providing estimates of employee jobs by sector (based on the 2007 Standard Industrial Classification – SIC 2007) for the UK and its constituent government office regions, over the period 1981 Q3 to 2015 Q4. The BRES Survey is an annual survey of businesses which is used to estimate the employment levels by different sectors. The most recent data set at the time of preparation of the HEDNA is from 2015, although this post-dates the OE forecasts.

4.6 Within the OE model migration is expected to grow or decline in parallel with the employment total. If the employment total within an area is falling too fast, migration also falls as the model assumes that people would not be attracted into this area to live, given that the employment prospects are weak. This ensures that the relationship between the labour market outlook and the population outputs are inter-linked.

Disaggregating Growth

4.7 The Oxford Economic forecasts are based on a global view of growth which is translated to the UK, then the East Midlands region and then each local authority. Within the hierarchy the growth in the lower level in the hierarchy must add up to that of the level above within the baseline forecast.

4.8 How the national level of growth is translated to a regional and local authority level differs from sector to sector. Some of the sectors are driven predominantly by population estimates, others by total employment in the area and the remainder by the sector's performance relative to the regional performance (largely exporting sectors). The methods of sectoral projection are as follows, each of which are forecast based upon recent trends:

- Agriculture - share of the regional employment
- Mining and quarrying - share of the regional employment
- Manufacturing - share of the regional employment
- Electricity, gas, and steam - share of the regional employment
- Water supply; sewerage, waste management - share of the regional employment
- Construction - location quotient (LQ) based upon total employment
- Wholesale and retail trade - LQ based upon consumer spending
- Transportation and storage - LQ based upon consumer spending
- Accommodation and food service activities - LQ based upon consumer spending
- Information and communication - share of the regional employment
- Financial and insurance activities - share of the regional employment
- Real estate activities - LQ based upon total employment
- Professional, scientific and technical activities - LQ based upon total employment
- Administrative and support service activities - LQ based upon total employment
- Public administration and defence - LQ based upon sectoral employment per population
- Education - LQ based upon sectoral employment per population
- Human-health and social-work activities- LQ based upon sectoral employment per population
- Arts, entertainment and recreation - LQ based upon consumer spending
- Other service activities LQ based upon consumer spending

4.9 Because of the way national forecasts are disaggregated the baseline growth in any given local authority largely reflects the relative strength of the sectors expected to grow nationally. In practice this means that local authorities with a particular strength in their professional, scientific and technical sector and/or the administrative and support sectors (as the drivers of growth nationally)

will see notable growth. Oxford Economics see the UK as having a comparative advantage in the professional, scientific and technical sector and given the nature of the sector it is difficult to achieve productivity gains, hence it is expected to continue to expand over the forecast period.

4.10 Looking at the East Midlands as a whole it can be seen over the historic period that the employment share of professional, scientific and technical services sector of the overall economy has risen from 4.5% in 2000 to 7.5% in 2015.

Baseline Forecasts

4.11 In the baseline scenario the economy is expected to grow by 2.3% per annum (GVA growth pa), which is consistent with growth achieved over the previous economic cycle (1993-2010). This is stronger than the growth which Oxford Economics forecasts expected either across the East Midlands (2.0% pa) or nationally (2.2% pa).

4.12 The employment forecasts for the 2011-2036 period show an overall growth in the study area of just over 70,000 jobs. Of this, four local authorities are expected to see job growth of over 10,000 Blaby, Leicester, Charnwood and North West Leicestershire.

Table 17: Baseline Forecasts Per Local Authority (2011-2036)

Future Growth (baseline)	GVA Growth 2011-36 (CAGR)	2011-2036 Job Increase	% Change in Employment, 2011-36	Employment Growth 2011-36 CAGR
Leicester	1.9%	11,700	6.8%	0.3%
Blaby	2.7%	14,500	26.5%	1.2%
Charnwood	2.2%	13,200	19.4%	0.9%
Harborough	2.7%	9,200	21.3%	1.0%
Hinckley and Bosworth	2.7%	8,000	17.3%	0.8%
Melton	1.9%	1,200	4.9%	0.2%
North West Leicestershire	2.4%	10,900	19.6%	0.9%
Oadby and Wigston	1.6%	-500	-2.1%	-0.1%
FEMA	**2.3%**	**70,800**	**14.6%**	**0.5%**

Source: Oxford Economics, 2016 (numbers may not sum due to rounding)

4.13 Employment growth to 2031 is shown below. This shows an overall growth across the FEMA of 68,000, just 2,600 less than the longer period. This reflects the slowing growth expected in the FEMA the further into the future we look. This in itself is influenced by an ageing population.

4.14 North West Leicestershire, Harborough, Blaby and Charnwood have some of the highest levels of growth in either time period. All have a strong location quotient compared to Leicestershire, the East Midlands and England and Wales for the professional, scientific and technical sector and the administrative and support sector

Table 18: Baseline Employment Forecasts Per Local Authority (2011-2031)

Future Growth (baseline)	2011-2031 Job Increase	% Change	CAGR
Leicester	9,300	5.4%	0.2%
Blaby	16,400	29.9%	1.1%
Charnwood	12,900	18.9%	0.7%
Harborough	10,500	24.1%	0.9%
Hinckley and Bosworth	8,500	18.3%	0.7%
Melton	1,200	4.9%	0.2%
North West Leicestershire	12,400	22.3%	0.8%
Oadby and Wigston	-200	-1.1%	0.0%
FEMA	**68,200**	**14.1%**	**0.7%**

Source: Oxford Economics, 2016

4.15 Employment growth in Charnwood for the period 2015-2036 is driven by the professional, scientific and technical sector, and the administrative and support sector. The district has a relatively strong professional, scientific and technical sector but a relatively weak representation of employment in the administrative and support sector.

4.16 Hinckley and Bosworth has a strong location quotient for the administrative and support sector and to a lesser extent the professional, scientific and technical sector. This is the driver for growth for the district.

4.17 Similarly Leicester has a moderately strong representation in the administrative and support sector and is likely to see some growth. However this is offset by a strong representation in public admin and defence sector which, nationally, is expected to see a major contraction. While manufacturing is not over-represented in the City as such, it does have considerable absolute employment levels. The national decline in the sector therefore has a notable impact on overall growth in the City.

4.18 Melton and Oadby and Wigston have a relatively weak representation in the professional, scientific and technical sector and the administrative and support sector and as such do not get a large proportion of the national drivers of growth. Both these districts also have strong representation (as does Hinckley and Bosworth) in the manufacturing sector. The forecast contraction in manufacturing employment therefore has a notable impact on the baseline growth assumed in these locations.

Planned Growth Scenario

4.19 The baseline growth provides a good indication of the direction of growth for each local authority. However, it does not reflect any planned/committed investment, a matter including both bricks and mortar development, nor investment in specific companies which may not require additional floorspace.

4.20 The Planned Growth scenario feeds into the housing need and employment land needs element of this report. While we consider it to be a robust forecast for demand led economic growth, it should not stop local authorities planning for a higher level of employment growth should they aspire to this. However, we would consider any level above that set out in the forecasts to be "policy-on".

4.21 We have spoken to the economic development officers in each of the local authorities as well as the LLEP and the County Council to get a better understanding of these planned developments.

4.22 We have only sought to adjust forecasts on the basis of developments which have planning permission, have funding in place and have a reasonable likelihood of delivery and occupation. Aspirational developments or sites which may have a reasonable chance of delivery but do not yet have planning permission have not been included.

4.23 The list of schemes and investments was provided to OE to translate into job growth. Where no known occupier existed any floorspace growth was translated into job numbers on the basis of a standard job densities (as set out in the HCA Guidance). This was then disaggregated into sectors on the basis of the current sectoral split within the given use class for the local authority in which the development was located.

4.24 The resultant calculation was not simply added wholesale to the baseline forecasts for each sector as OE made three further adjustments before the uplift was applied:

- Firstly, OE reduced the implied growth reflecting the fact that some jobs within these developments will be displaced from elsewhere in the study area or included within the baseline forecasts for the local authority;
- Secondly, OE also looked at the likely impact of these additional jobs and how they may might result in additional indirect employment; and
- Finally, with estimates of the direct and indirect employment effects within the economy, the model then estimated the additional induced employment creation including jobs resulting from further spend within the retail, hospitality and other personal services sectors within the economy.

4.25 We have set out below some of the relevant considerations for the planned growth scenario for each local authority.

- **Leicester** - There are a number of initiatives which may help deliver further growth in the City including investment in food manufacturing (Samworths) and in the finance sector (Matioli Woods, Hastings). While the universities are not planning to increase student numbers significantly, there is likely to be a growth in education employment linked to a widening of faculties and facilities. The City has also seen recent investment in tourism which is likely to impact on the growth of the hospitality industry. The Loughborough and Leicester Enterprise Zone aims to create nearly 21,000 new jobs over the next twenty-five years. However, at present none of the elements within Leicester have planning permission and are not included within these forecasts. The City has seen signifiicant investment in the textile sector as local firms respond to growing demand for fast fashion garments from leading UK "e- tailers".

- **Blaby -** Further growth could also be accommodated in Blaby through the planned development of Castle-Acres, Optimus Point, and Lubbesthorpe. These would largely increase distribution and wholesale employment but would also impact on retail growth, food manufacturing and office occupying sectors.

  Charnwood – The Loughborough and Leicester Enterprise Zone aims to create nearly 21,000 new jobs over the next twenty-five years. We have not included all of this within the Charnwood and Leicester planned growth scenarios just two smaller parts of the wider EZ which have planning permission. The former Astra Zenca site is the focus for scientific and pharmaceuticals uses. There are also a number of other developments in the pipeline including Harrogate Drive, which is an office based development and the Watermead Regeneration Corridor which is expected to be developed in two phases with the first, an office based development and the second, larger, site delivering jobs across a range of uses including B1/B8/C1/A1-A5.
- **Harborough -** No major schemes (+100 jobs) were included as a specific uplift for the planned growth scenario in Harborough. It would however benefit from supply chain growth resulting from investment elsewhere.

- **Hinckley and Bosworth -** Professional, scientific and technical services are expected to increase with the development of MIRA Technology Park Enterprise Zone. Further growth in the distribution and storage sector would result from the planned delivery of Nailstone Colliery.

- **Melton –** No specific sites were included in Melton's planned growth scenario. However, OE recognised that food manufacturing contributes the majority of manufacturing employment in the Borough and that this sub-sector is not expected to decline as much as the wider manufacturing sector and decreased the overall decline in the sector.

- **North West Leicestershire -** Further growth is also expected in North West Leicestershire linked to East Midlands Gateway (the Strategic Rail Freight Interchange) which, as well as being a transformational priority within the LLEP's Strategic Economic Plan 2014, is also a Nationally Significant Infrastructure Project (NSIP) for which consent has been granted. There are also a number of other growth opportunities including the new M&S distribution centre (built in 2011); the Castle Donnington Industrial Area; Bardon Hill; Stephenson and Hermitage Industrial Estates; the Amazon Distribution Centre and Ashby Business Park. These largely resulted in growth in the wholesale and transportation and storage sectors with lesser impact on the professional, scientific and technical and administrative and support sectors.

- **Oadby and Wigston -** No major schemes (+100 jobs) were included as a specific uplift for the planned growth scenario in Oadby and Wigston. It would, however, benefit from supply chain growth resulting from investment elsewhere.

4.26 In the baseline scenario the economy is expected to grow by 2.3% per annum (GVA growth pa), which is consistent with growth achieved over the previous economic cycle (1993-2010). This is stronger than the growth which Oxford Economics forecasts expected either across the East Midlands (2.0% pa) or nationally (2.2% pa).

4.27 The Planned Growth Scenario sees accelerated growth in GVA of 2.5% pa across the HMA, significantly out-performing regional and national benchmarks. Hinckley and Bosworth, North West Leicestershire, Harborough and Blaby all out-perform this, achieving 2.7 – 2.9% pa GVA growth.

4.28 The Planned Growth Scenario sees both enhanced employment growth and productivity improvements relative to the Baseline. Employment growth of 99,200 is expected (2011-36) representing growth of 0.7% pa, matching that expected nationally and exceeding regional performance. This significantly exceeds the historical growth rate of 0.4% pa (1993-2010). This includes considerable uplift in Leicester, North West Leicestershire and Charnwood.

Table 19: Employment Growth Scenarios, 2013-36

	1993-2010	Baseline 2011-36		Planned Growth 2011-36	
	% pa	No.('000s)	% pa	No. ('000s)	% pa
Leicester	-0.3%	9.3	0.2%	20.7	0.5%
Blaby	1.4%	16.4	1.1%	16.5	1.1%
Charnwood	0.0%	12.9	0.7%	18.5	1.0%
Harborough	1.8%	10.5	0.9%	10.8	0.9%
Hinckley and Bosworth	0.5%	8.5	0.7%	11.4	0.9%
Melton	0.9%	1.2	0.2%	2.4	0.4%
North West Leicestershire	1.9%	12.4	0.8%	19.2	1.2%
Oadby and Wigston	-0.3%	-0.2	0.0%	-0.2	0.0%
HMA	0.4%	70.8	0.5%	99.2	0.7%
East Midlands	0.8%		0.5%		0.5%
UK	0.8%		0.7%		0.7%

4.29 In total the planned growth employment projections results in level of jobs growth which is 23,700 jobs higher than the baseline forecasts for the FEMA by 2031 and 28,400 by 2036. The differences between performance to 2031 and 2036 are shown below.

Table 20: Differences Job growth in Baseline and Planned Growth Scenario

	2011-2031			2011-2036		
	Baseline	Planned Growth	Difference	Baseline	Planned Growth	Difference
Leicester	11,700	20,400	8,700	9,300	20,700	11,400
Blaby	14,500	15,100	700	16,400	16,500	100
Charnwood	13,200	17,700	4,400	12,900	18,500	5,600
Harborough	9,200	9,500	300	10,500	10,800	300
Hinckley & Bosworth	8,000	10,800	2,800	8,500	11,400	2,900
Melton	1,200	2,200	1,000	1,200	2,400	1,300
NWL	10,900	16,700	5,800	12,400	19,200	6,800
Oadby & Wigston	-500	-400	100	-200	200	400
FEMA	68,200	91,900	23,700	70,800	99,200	28,400

*Source: Oxford Economics, 2016 * Numbers may not add due to rounding*

4.30 Oadby and Wigston still has a negative employment forecast within the Planned Growth Scenario but has had its employment projections nominally revised upwards. This reflects a relatively high level of manufacturing employment.

Sectoral Analysis of Planned Growth Scenario

4.31 As with the baseline forecasts the professional, scientific and technical and administrative and support sector is still expected to see the largest overall growth, equating to some 30% and 21% respectively of all additional jobs.

4.32 This is also the case in all but two of the local authorities namely Harborough and Leicester. Harborough still has strong growth in the professional, scientific and technical sector relative to the other local authorities but less so for the administrative and support sector. Instead the district is expecting continued strong growth in the transportation and storage sector and relatively strong growth in the arts, entertainment and recreation sector.

4.33 The baseline scenario has strong growth in both the professional, scientific and technical, and administrative and support sectors in Leicester. However, it has stronger absolute growth in both the Education and Healthcare sectors.

4.34 The education sector is also a driver of growth across Leicester and Leicestershire in the planned growth scenario, particularly in Leicester and Charnwood reflecting the universities' aspirations.

Table 21: Sector Changes in Jobs Between Scenarios (2011-2031) – FEMA

FEMA	2011	2031 Baseline	2031 Planned Growth	Baseline Growth	Planned Growth	Difference Between Scenarios
Agriculture etc.	4,100	3,400	3,400	-700	- 700	-
Mining & Quarrying	700	1,100	1,700	400	1,000	600
Manufacturing	60,200	49,600	54,000	-10,500	- 6,200	4,400
Electricity & Gas	7,000	6,200	6,300	-800	- 700	-
Water supply	2,200	1,900	1,900	-300	- 300	-
Construction	30,400	36,700	36,800	6,200	6,300	100
Motor vehicles trade	10,600	12,100	12,200	1,500	1,600	-
Wholesale trade	25,200	24,700	24,800	-500	- 500	100
Retail trade	43,200	47,700	48,000	4,600	4,900	300
Transportation & storage	31,000	34,600	37,200	3,600	6,200	2,500
Accom. and food service	25,200	30,600	32,100	5,500	7,000	1,500
Info and comms.	11,500	14,400	15,900	2,900	4,400	1,500
Financial and insurance	10,700	10,400	11,200	-300	400	700
Real estate activities	4,600	6,100	6,200	1,500	1,600	100
Prof, scientific & tech	31,500	56,800	58,500	25,200	27,000	1,700
Administrative and support	40,800	57,600	60,100	16,800	19,300	2,500
Public admin and defence	21,000	16,400	16,500	-4,500	- 4,500	-
Education	46,800	52,000	55,000	5,200	8,200	3,000
Healthcare and social work	52,000	58,800	58,900	6,800	6,900	200
Arts, entertainment and rec	12,300	15,600	16,100	3,300	3,800	500
Other service activities	14,500	16,900	17,000	2,400	2,500	200
Total	485,500	553,700	577,400	68,200	91,900	23,700

Source: Oxford Econometrics, 2016 (numbers may not sum due to rounding)

4.35 The planned growth scenario paints a more positive picture of the manufacturing sector (although still in decline) and education sectors. The wider drivers of growth include the construction, accommodation and food services, healthcare and social work and the transportation and storage sectors.

4.36 Across the FEMA the public administration and defence sector is also expected to see significant decline (-4,900). This improves slightly within the planned growth scenario (+39) but due to rounding this is not apparent in Table 21 i.e. the change is less than the rounding permits.

Table 22: Sector Changes in Jobs Between Scenarios (2011-2036) – FEMA

FEMA	2011	2036 Baseline	2036 Planned Growth	Total Baseline Growth	Total Planned Growth	Difference Between Scenarios
Agriculture etc.	4,100	3,200	3,300	-800	- 800	-
Mining & Quarrying	700	900	1,600	300	1,000	700
Manufacturing	60,200	46,400	51,600	-13,800	-8,600	5,200
Electricity & Gas	7,000	5,800	5,800	-1,200	-1,200	-
Water supply	2,200	1,800	1,900	-400	- 400	-
Construction	30,400	38,100	38,200	7,600	7,800	100
Motor vehicles trade	10,600	12,200	12,300	1,600	1,700	100
Wholesale trade	25,200	24,600	24,700	-700	- 600	100
Retail trade	43,200	47,400	47,800	4,200	4,600	400
Transportation & storage	31,000	34,900	37,800	3,900	6,800	2,900
Accom. and food service	25,200	30,900	32,800	5,800	7,600	1,900
Info and comms.	11,500	14,800	16,300	3,300	4,800	1,500
Financial and insurance	10,700	10,300	11,200	-500	500	900
Real estate activities	4,600	6,300	6,400	1,600	1,700	100
Prof, scientific & tech	31,500	59,300	61,300	27,800	29,800	2,100
Administrative and support	40,800	59,400	62,200	18,700	21,500	2,800
Public admin and defence	21,000	16,000	16,000	-5,000	-5,000	-
Education	46,800	51,400	55,600	4,600	8,800	4,200
Healthcare and social work	52,000	59,400	59,600	7,400	7,600	200
Arts, entertainment and rec	12,300	16,000	16,700	3,800	4,400	700
Other service activities	14,500	17,000	17,200	2,500	2,700	200
Total	**485,500**	**556,200**	**584,600**	**70,800**	**99,200**	**28,400**

Source: Oxford Econometrics, 2016 (numbers may not sum due to rounding)

4.37 Across the FEMA the public administration and defence sector is also expected to see significant decline (-4,900). This improves slightly within the planned growth scenario (+49) but due to rounding this is not apparent in Table 22 i.e. the change is less than the rounding permits.

Comparing the Forecasts

4.38 Looking at the baseline and planned growth scenarios in the context of historical growth we can see a variety of impacts for different local authorities (see Table 23 and Figure 30). The data presented is the Compound Annual Growth Rate (CAGR) and the historic data is based on the last full national business cycle (1993-2010).

Table 23: GVA Growth per Annum (2012 Prices)

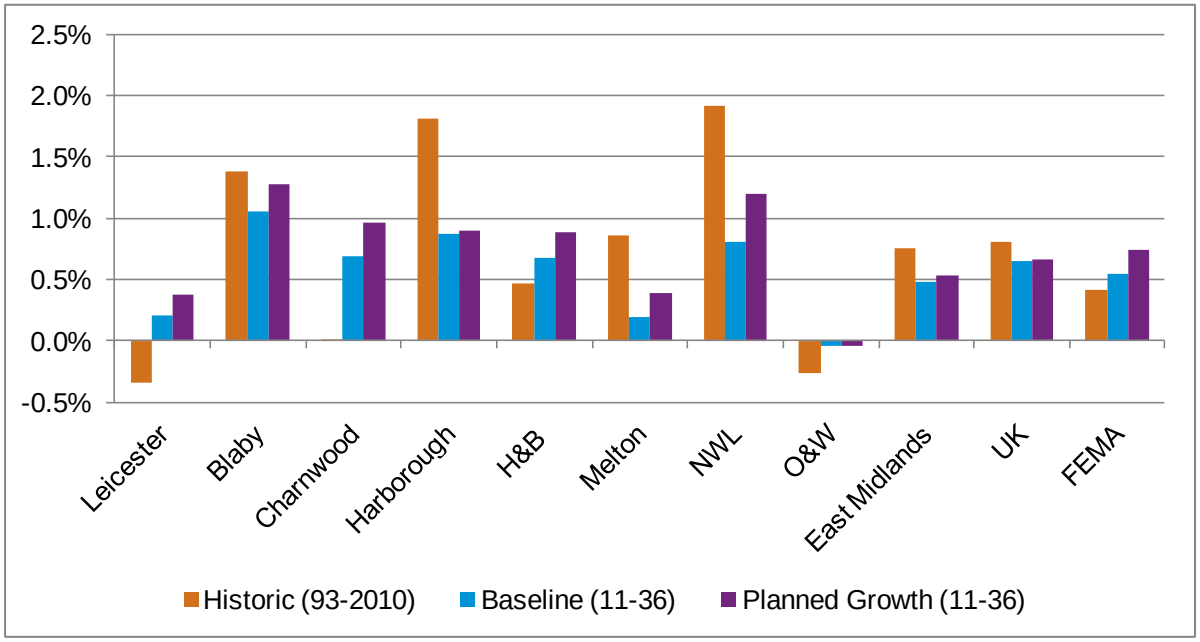
	1993-2010	2011-36 Baseline	2011-36 Planned Growth
Leicester	1.4%	1.9%	2.2%
Blaby	2.9%	2.7%	2.7%
Charnwood	1.5%	2.2%	2.5%
Harborough	3.4%	2.7%	2.7%
Hinckley and Bosworth	3.3%	2.7%	2.9%
Melton	2.8%	1.9%	2.1%
North West Leicestershire	3.8%	2.4%	2.8%
Oadby and Wigston	1.9%	1.6%	1.6%
HMA	**2.3%**	**2.3%**	**2.5%**
East Midlands	2.5%	2.0%	2.1%
UK	2.7%	2.2%	2.2%

4.39 GVA growth is particularly driven by growth in professional, scientific and technical activities, together with a strong contribution from the manufacturing sector. The forecasts see the manufacturing sector perform strongly, posting GVA growth of 1.8% pa between 2011-36 in the Planned Growth Scenario, three times the growth rate seen historically (0.6% pa 1994-2015). This is expected to be achieved in part through adoption of new technologies and increased productivity, rather than higher employment.

4.39.1 Manufacturing employment in Leicester & Leicestershire has fallen by -2.8% pa over the last 20 years, reducing by almost 50,000 jobs. The outlook moving forward is significantly more positive, with much stronger output growth and a modest contraction in employment of -0.6% pa in the Planned Growth Scenario to 2036 (compared to -0.9% pa forecast nationally). Within this it is reasonable to expect job growth in some manufacturing sub-sectors, offset by reduced employment in others.

4.40 Between 1993 and 2010 (used because this is the full Business Cycle) both Leicester and Oadby and Wigston experienced employment decline whereas Charnwood had roughly the same employment level in 2010 in comparison with what it had in 1993. In going forward Oadby and Wigston continues to decline but at a slower rate. Both Leicester and Charnwood are expected to see considerable increases from historic employment growth rates. Given planned growth in these areas this seems to be a reasonable assumption to make.

Figure 30: **Comparison of CAGR for Different Scenarios**



Source: Oxford Economics, 2016

4.41 Hinckley and Bosworth is also expected to see a higher employment growth rate going forward than it has seen historically (although modestly lower GVA growth). For the baseline scenario, the increase in employment is less clear although the area is expected to arrest the decline in manufacturing compared to that seen historically. The planned growth scenario reflects the increased job opportunities at Bardon Hill, Nailstone Quarry and MIRA Technology Park which justify the higher rate of growth going forward.

4.42 Blaby, Harborough, Melton and North West Leicestershire are all expected to see a slower rate of employment growth going forward than that seen historically. With the exception of Melton this really reflects the slowing of growth from very high levels of growth in these areas as set out below. This also reflects in part the national trends for slower rates of growth in these areas dominant sectors reflecting factors such as the slowing Chinese market, austerity and EU uncertainties.

4.43 Harborough (1.8% pa) and North West Leicestershire (1.9% pa) have both seen significant growth in the past, more than double the national rate of growth (0.8% pa). For Harborough this can be attributed to Magna Park and for North West Leicestershire, East Midlands Airport and wider growth in the distribution market more generally. Historic growth in North West Leicestershire also reflects major efforts to create employment to offset decline in jobs in the mining industry from mid- to late-1980s.

4.44 It is reasonable to expect a slower rate of growth moving forwards. This is particularly the case in North West Leicestershire which, during the historic period, attracted almost all of the major courier companies to the area with major operations. It also coincided with the growth of low cost air travel, including becoming a Ryanair hub. Neither of these circumstances are likely to be repeated. That said, both Harborough and North West Leicestershire are still expected to have stronger growth than wider comparators.

4.45 The fall in employment growth is less stark for Blaby, particularly in comparison with the planned growth scenario. The District has seen major growth historically including major expansions to Fosse Park which established itself as one of the largest out of town retail locations in the UK. While some additional growth could be expected this is unlikely to be at the same rate. Through Santander, Blaby has historically seen significant growth in the finance and insurance sector. Given ongoing uncertainties around the sector as a whole, however, and competition for investment from Leicester, it is unlikely that this scale of historic growth could be repeated.

4.46 Melton also has a slowing rate of employment growth. This is linked to historic growth in manufacturing (unlike any of the other local authorities) with an outlook moving forwards where manufacturing GVA is expected to grow, but employment (particularly in the lower value parts of the sector) anticipated to contract slightly. This is partially rectified in the planned growth forecasts linked to growth in food manufacturing. The Borough has also seen a large growth in "other service activities" which is again expected to see slower growth.

4.47 There is some potential that growth in this sector within Melton is reported in error i.e. it was previously under-reported and rectification of this took place during the 1993 to 2010 period and thus has over-estimated growth. Unfortunately there is no way to know for sure if this is the case but a major jump in employment within the sector (+900 jobs) between 1995 and 1996 and continuation of the larger figure would make this appear so.

Plan Period

4.48 In order to align with the development of various plan periods, the HEDNA presents findings for the 2011 to 2031 period and 2011 to 2036. However for the period 2011-2015 there is published data for many of the factors as well as total population growth. We have therefore used the known data for that period within the following chapter.

Table 24: Planned Growth Scenario by Different Time Periods (jobs)

	2011-2015	2015-2031	2015-2036
Leicester	11,800	8,500	8,800
Blaby	6,400	8,700	10,100
Charnwood	9,600	8,100	8,900
Harborough	3,100	6,400	7,600
Hinckley & Bosworth	4,000	6,900	7,400
Melton	300	1,900	2,200
North West Leicestershire	3,700	13,000	15,500
Oadby & Wigston	-1,200	800	1,000
FEMA	37,600	54,300	61,500

Source: Oxford Economics, 2016

4.49 As illustrated in Table 24, in many of the local authorities a large percentage of the growth has already taken place. In Leicester, for example 57% of the growth for the 2011-36 period took place between 2011 and 2015, whereas Oadby and Wigston has seen a decline in the interim period. To avoid any conflict between modelled data and known data we have where possible used the latter.

4.50 The pattern of growth (i.e. early delivery of employment growth) reflects recent data, the area's sectoral structure and our underlying assumptions on key drivers of growth. There are three key reasons underpinning the differences in the outlook between the different periods:

- OE do not expect any job growth within manufacturing or mining and quarrying due to productivity improvements, but this has occurred in the 2011 to 2015 period.
- OE do not expect the consumer to continue to be a key driver of growth as interest rates and inflation rise over the forecast. Thus they expect more modest growth within the wholesale, retail and accommodation and food service sectors.
- Public services growth is also likely to be weaker in the 2015 to 2036 period due to government spending constraints, thus the outlook for public admin, education and health is more subdued.

4.51 Furthermore OE expect growth to slow over the forecast period in the UK due to lower migration. This is linked to an expectation of accelerated growth in the European and global economies and thus reducing the incentive for people to leave their country and migrate elsewhere.

City of Leicester Growth

4.52 Prior to this study (although running concurrently with the HEDNA) Leicester City Council also commissioned PACEC to look at the economic growth potential within the City and the Principal Urban Area (PUA). Overall this identifies a similar growth in employment across the PUA but the distribution of growth differs from that within this report.

4.53 The NPPF advises that in drawing up Local Plans, local planning authorities should set out a clear economic vision and strategy for their area which positively and proactively encourages sustainable

economic growth. As a first step to informing the emerging new Leicester Local Plan, the Leicester Economic Action Plan 2016 – 2020, entitled, 'Leicester: Great City' sets out the City Council's new ambitions for job creation, inward investment and business support. The plan, which includes an investment programme to bring forward 50,000 sq ft of workspaces at Pioneer Park, 300,000 sq ft of Grade A city centre offices and 45ha of new employment land has been endorsed by a recent consultation.

4.54 In considering forecasts for Leicester and its neighbouring districts, it is necessary to consider the impact of past and emerging planning policies on the location of jobs, between the administrative areas in Leicester's PUA. Of particular note is the shift of employment from Blaby to the City within the PACEC report.

4.55 PACEC justify this on the basis of a shift in demand from out of town office locations to City Centre locations. The growing preference of office occupiers for City Centre locations is being reflected in Leicester with recent high profile investment decisions by Hastings Direct, Mattioli Woods and IBM and 15,000 sq m of unmet requirements from existing occupiers for Grade A offices. This is factored into the planned growth scenario.

4.56 This HEDNA report notes that in recent years, employment growth has been weak in Leicester and strong in Blaby following development of employment sites in Blaby located within Leicester's PUA. Reflecting continuation of these trends, the OE forecast for 2011 – 31 allocates 17,200 jobs to Leicester and 35,400 jobs to Blaby, Charnwood and Oadby and Wigston.

4.57 Much of Blaby's employment land capacity will be developed for strategic warehousing and not for the growth in office based development anticipated. Therefore the anticipated growth in office related employment for Blaby may have to be delivered elsewhere including in Leicester where there is capacity for such development.

4.58 Unlike the PACEC study the HEDNA does not review economic development site capacity. It is therefore not appropriate for the report to comment on each local authority's ability to deliver this growth or to shift the direction of growth on this basis.

4.59 The lack of this analysis in the HEDNA therefore leads to a significantly different pattern of growth, as well as the resultant type and scale of employment land needs. This is further explained by the PACEC study review of replacement demand which identifies a largely ageing stock in the City (as well as Melton) which requires replacement. Hence the resultant economic development land need within the PACEC report is significantly higher.

Key Points

- OE produced the baseline forecasts across FEMA. These have been augmented with information provided to us by the Councils economic development officers and the LEP.
- The baseline level of growth puts the FEMA growth akin to that expected across the East Midlands Region.
- The planned growth forecast calculates a growth of 91,200 jobs for the period 2011-31 and 99,200 jobs for the period 2011 -2036. This level of growth at a FEMA level exceeds that seen historically.

5 ECONOMIC LED HOUSING NEEDS

5.1 PPG sets out that consideration should be given to future economic performance in drawing conclusions on the overall need for housing. Specifically, the Guidance[11] outlines that:

> *"Plan makers should make an assessment of the likely change in job numbers based on past trends and/or economic forecasts as appropriate and also having regard to the growth of the working age population in the housing market area. Any cross-boundary migration assumptions, particularly where one area decides to assume a lower internal migration figure than the housing market area figures suggest, will need to be agreed with the other relevant local planning authority under the duty to cooperate. Failure to do so will mean that there would be an increase in unmet housing need.*
>
> *Where the supply of working age population that is economically active (labour force supply) is less than the projected job growth, this could result in unsustainable commuting patterns (depending on public transport accessibility or other sustainable options such as walking or cycling) and could reduce the resilience of local businesses. In such circumstances, plan makers will need to consider how the location of new housing or infrastructure development could help address these problems."*

5.2 It is clear that understanding the link between potential growth in jobs and population/ housing is an important part of looking at the OAN, however the PPG is clear that this issue is one in relation to the location of housing rather than necessarily overall housing need *per se*. Indeed, the wording of the PPG shows a notable departure from the wording in the draft PPG (of August 2013) where it was stated that *'in such circumstances [a shortfall in labour supply], plan makers will need to consider increasing their housing numbers to address these problems'*. This is a clear, conscious and logical change to the PPG between draft and final version.

5.3 Clearly it would be illogical for an area to increase population growth above the levels shown in trend-based demographic projections (and hence increase housing need) through increased in-migration without consideration of the impact this would have on other locations (where an increase in out-migration might be expected). Economic evidence therefore needs to be treated with a degree of caution, and a recognition that ultimately economic factors are a potential influence on the distribution of development in particular.

5.4 There are however some circumstances where an individual authority might consider a higher OAN to support employment growth, such as:

a) In an area with low future population growth and potentially a minimal change in the economically active population (due to an ageing population). In such circumstances it may be

[11] ID 2a-018-20140306

sensible to suggest an above trend level of housing delivery to encourage a slightly younger age structure and to support economic growth.

b) In an area with a known 'shock' to the employment base such as a major new employment site which will generate many more jobs above a baseline forecast position. In such a case it may be reasonable to consider that more homes will be needed to accommodate the growing workforce (although recognising commuting patterns and the 'draw' of workers will also be important along with an understanding of the displacement impacts of sizeable development).

Approach to Calculating Economic Led Housing Need

5.5 The interaction between population growth/ housing need and employment growth is invariably complex and requires assumptions to be made regarding:

- The relationship between jobs and people, as some people have more than one job;
- Commuting patterns, which relate to differences between where people live and work;
- Employment rates, in terms of the proportion of people in work.

5.6 Each of the above factors is dynamic and can change over time. Any modelling exercise needs to make assumptions about these factors. The HEDNA approach firstly takes the economic growth forecasts (in this case the planned growth forecasts) and calculates the required change in residents in employment to service this growth. To do so, we take into account that some people have more than one job (double jobbing), as well as commuting patterns, which influence the spatial relationship between where people live and work. Once we have the change in residents in employment, we consider age specific economic participation rates and we calculate the change in overall population.

5.7 Broadly the change in employment rates (the proportion of people in work) takes into account a number of key considerations including; changes to the pensionable age, the propensity for people to work longer, particularly woman and the changing age structure. Age and sex specific assumptions are applied in the modelling.

5.8 The housing need model then adjusts the demographic modelling, and in particular the migration assumptions (both internal and international), to support the expected growth in residents in employment.

5.9 The Oxford Economic forecasts are integrated forecasts in that they have their own assumptions and outputs relating to population, commuting and economic activity rate changes. As a sensitivity within this chapter we have also provided the housing need outputs resulting from the OE modelled outputs themselves.

Impact of Time Periods

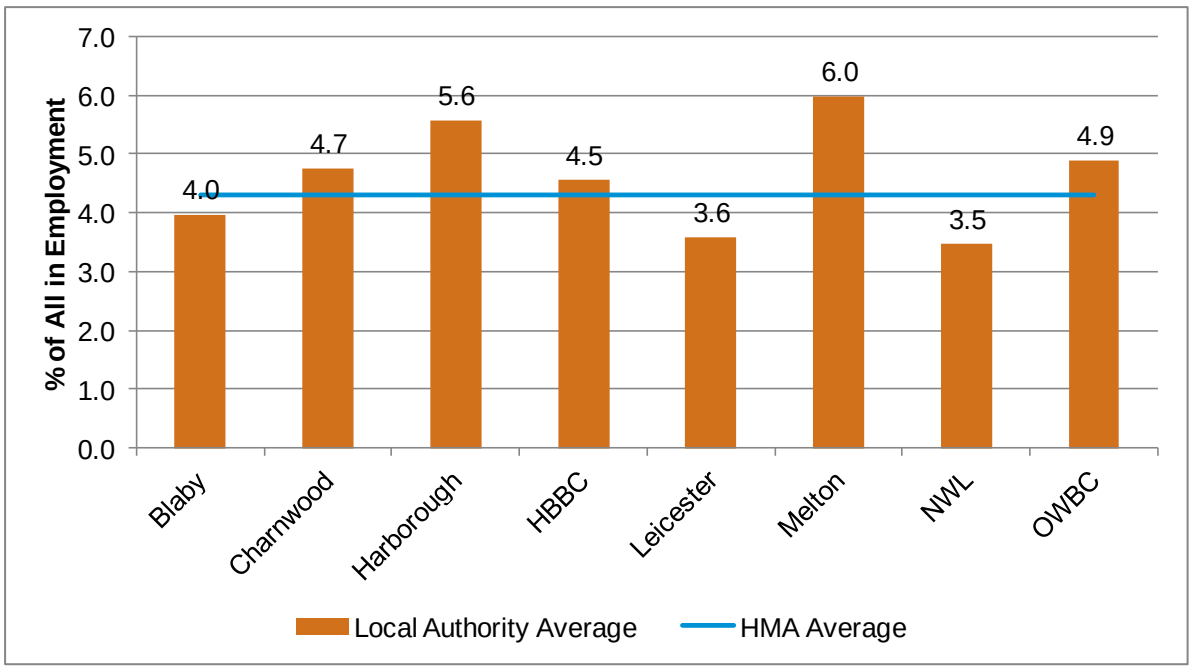
5.10 The HEDNA looks at housing and employment land needs in the period from 2011 to 2031/36. An issue with this when looking at economic forecasts is that some of the job growth will have already occurred (in the 2011-15 period, with 2015 being the base date of the forecasts). These differences were set out in the previous chapter. As we have robust data on population growth to 2015, and on employment growth, we do not need to model how these have changed between 2011-15. The HEDNA modelling therefore uses a 2015 base point, and considers projections from this point forwards. Results are however presented showing housing need over the relevant 2011-31 and 2011-36 time periods for consistency with other elements of the HEDNA analysis.

Double Jobbing

5.11 Double jobbing is the percentage of people with more than one job. We have used the Annual Population Survey which provides an indication of the percentage of all in employment who have a second job. As this is survey based, the data is quite changeable on a year on year basis. We have therefore sought to use a longer term average (2005 – 2016) and the result of this is set out in Figure 31 below.

5.12 At a FEMA level there is similarity between the output of the OE model for 2011 (4.5) and the long term average taken from the Annual Population Survey (4.3). We have however used the number from the Annual Population Survey (at a local authority basis) for our assumptions going forward.

Figure 31: **Average Double Jobbing (2005-2016)**



Source: Annual Population Survey, 2016

Commuting Patterns

5.13 The FEMA has a high level of workforce and job self-containment. There are however significant differences at a local authority level. As employment grows in different locations at different scales it is wholly unreasonable to think that all those jobs will be taken up by local people living within the same local authority. Inevitably there will be some cross-boundary commuting. OE's model therefore uses a commuting matrix, drawn from 2011 Census data. This matrix tells them where employed residents of an area work. Using this information each available job is allocated to a resident of a given authority. This method assumes the commuting interactions do not change over time but the numbers do, influenced by relative economic growth in different areas.

5.14 The table below sets out the matrix for how each new job is allocated to a resident in a given location. For the benefit of doubt it is assumed that the percentage working from home or who have no fixed workplace are allocated to the host local authority.

Table 25: Commuting Matrix

	Residence								
Place of work	City	Blaby	C'wood	Harboro	H&B	Melton	NW L	O&W	Rest UK
Leicester	70.0%	28.5%	19.2%	14.4%	11.6%	6.8%	5.0%	37.4%	0.04%
Blaby	8.3%	42.4%	4.3%	6.6%	7.2%	2.1%	2.8%	9.3%	0.02%
Charnwood	4.0%	2.9%	56.5%	1.4%	2.7%	5.5%	7.8%	2.6%	0.03%
Harborough	2.7%	5.0%	1.0%	51.6%	3.8%	0.9%	0.6%	4.2%	0.03%
H&B	1.4%	4.8%	1.4%	1.9%	50.1%	0.7%	3.2%	1.5%	0.03%
Melton	0.7%	0.3%	1.3%	0.4%	0.4%	61.2%	0.5%	0.3%	0.01%
NW Leics	1.2%	1.5%	4.1%	0.7%	3.5%	1.0%	58.6%	1.0%	0.06%
O&W	4.0%	4.4%	1.0%	3.7%	0.8%	0.4%	0.3%	35.4%	0.00%
Rest of UK	7.4%	10.0%	11.0%	19.0%	19.7%	21.1%	20.9%	8.1%	99.39%
Other	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.3%	0.2%	0.39%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: Census 2011

5.15 Between 2011 and 2015 there was also a notable reported change in commuting pattern. In particular Oadby and Wigston and Charnwood exported a larger number of residents to work elsewhere. Conversely North West Leicestershire and to a lesser extent Blaby and Hinckley and Bosworth saw a notable increase in people coming to work in their locality. This is based on published data on jobs and population growth.

Table 26: Change in Net Commuting (2011-2015)

	2011	2015	Change
Leicester	25,746	26,280	535
Blaby	3,696	5,594	1,898
Charnwood	-11,709	-14,657	-2,947
Harborough	- 1,895	- 922	973
Hinckley & Bosworth	- 11,256	- 9,317	1,938
Melton	-4,075	-3,476	599
NWL	7,425	11,550	4,125
Oadby & Wigston	-5,272	-8,347	-3,075

Source: Oxford Economics, 2016

5.16 It is worth pointing out that separate to this study Justin Gardner Consulting has undertaken a separate study for North West Leicestershire. The JGC Study looked at job growth in the 2011-31 period rather than 2015-31 in this assessment. Overall, the JGC Study modelled a higher annual growth in residents in employment within NWL than the HEDNA. The HEDNA has examined potential job growth in more detail. Whilst the JGC study suggested annual job growth of 841, leading to a growth in residents in employment of 575; the HEDNA puts these figures at a slightly lower 812 jobs growth and 514 growth in residents in employment per annum.

Change to Residents in Employment

5.17 The above methodology has been used to calculate expected changes in residents in employment. This is shown in Tables 27 and 28 below.

Table 27: Jobs growth and change in resident workforce (2011-31)

	Job growth (2015-31)	Net change in residence-based employment	Double jobbing	Change in residents in employment
Leicester	8,529	10,648	0.96	10,269
Blaby	8,713	5,916	0.96	5,693
Charnwood	8,090	8,744	0.96	8,355
Harborough	6,406	5,663	0.95	5,376
H&B	6,854	7,153	0.96	6,853
Melton	1,897	2,424	0.94	2,282
NWL	12,995	8,495	0.97	8,217
O&W	819	1,830	0.96	1,751
FEMA	54,302	50,872	-	48,797

Source: CE, NOMIS and 2011 Census

Table 28: Jobs growth and change in resident workforce (2011-36)

	Job growth (2015-36)	Net change in residence-based employment	Double jobbing	Change in residents in employment
Leicester	8,835	11,725	0.96	11,308
Blaby	10,073	6,755	0.96	6,501
Charnwood	8,868	9,788	0.96	9,353
Harborough	7,644	6,693	0.95	6,353
H&B	7,381	7,936	0.96	7,604
Melton	2,163	2,804	0.94	2,640
NWL	15,548	10,002	0.97	9,675
O&W	1,032	2,135	0.96	2,043
FEMA	61,545	57,839		55,478

Source: CE, NOMIS and 2011 Census

Employment Rates

5.18 There are a number of alternative views/ projections on economic activity rates including those produced by Cambridge Econometrics (CE), Experian and the Office of Budget Responsibility (OBR). Our team has reviewed each.

5.19 It is noted that the level of job growth (growth in residents in employment) estimated by OBR is significantly lower than those of the main forecasting houses (a growth in residents in employment of about 2,500,000 from 2014-35 compared with a figure in excess of 4,000,000 in the most recent Experian; and even higher using the Oxford Economics forecasts for the United Kingdom based on their assumptions on changes to economic participation).

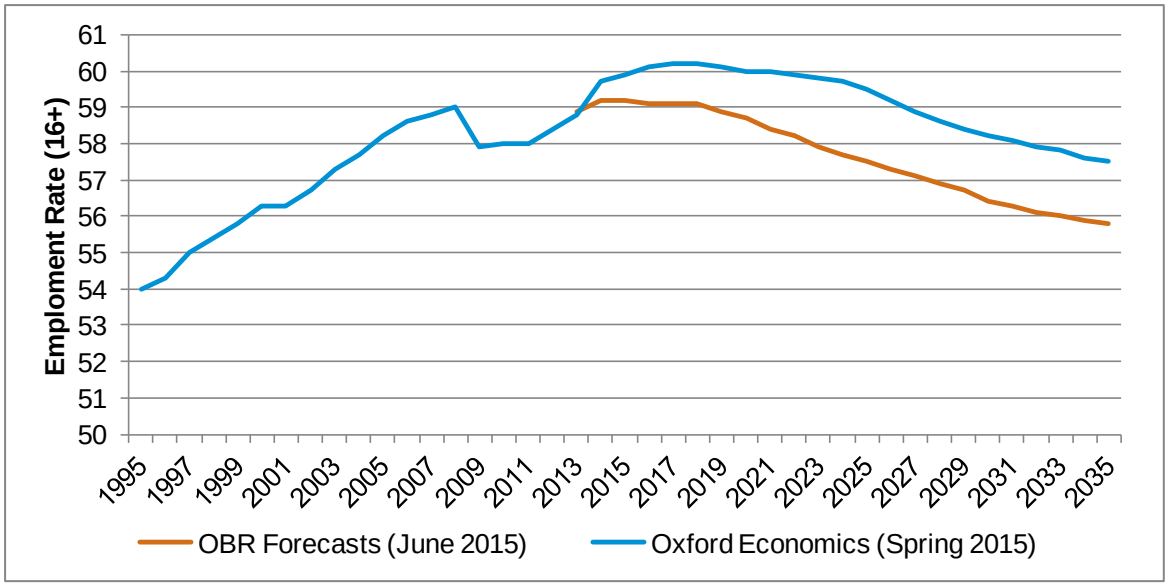
5.20 The OBR Fiscal Sustainability Report describes its methodology as follows:

> *"We project long-run changes in the proportion of the population in employment using historic labour market participation profiles for different cohorts (by gender and birth). This allows us to model the participation rate of current cohorts through the projection period." [OBR Fiscal Sustainability Report, Para 3.25]*

5.21 Participation rates are then adjusted for changes to State Pension Age. The OBR Report shows various scenarios for how the employment rate is expected to change – considering different scenarios for migration (high/low) and age structure changes (older/younger). It suggests that their age and gender cohort effects influence future changes. Ultimately this results in an expected reduction in employment rates for key working age groups (within the 20s-50s); in contrast to trends whereby economic participation rates have been increasing, particularly amongst women; and in which there is no evident decline for men. This doesn't seem particularly realistic, and is at best a very cautious approach. In contrast each of the main economic forecasting houses expects stronger improvements in economic participation.

5.22 To provide an illustration of this, comparing the relevant assumptions on employment rate changes OE make at a national level to those in the OBR Fiscal Sustainability Report, the employment rate assumed in 2020 is 2.2 percentage points higher in the OE modelling, as Figure 32 below shows. The Figure clearly indicates that OE assumes employment rates will rise in the short-term and, across the period to 2035, will sit notably above those assumed in the OBR Report.

Figure 32: **Comparing OBR and OE Employment Rate Assumptions – Population 16+**



Source: OBR and OE

5.23 To provide a further illustration of alternative potential assumptions adopted within economic models, we have drawn on a report from Experian (February 2016) which provides a comparison between the participation rates in their forecasts and those in the OBR Fiscal Sustainability Report.

5.24 As Experian set out, their projections have a different purpose to those in the OBR's Fiscal Sustainability Report (FSR): *"Experian's projections are intended to produce a realistic forecast for the labour market"* whereas the FSR paper is intended to "*assess the long-term sustainability of public finances."* Their forecasts assume that participation rates for those aged 16-64 reach 80% by 2035; whereas the FSR figures settle at 76.5%. For those aged 65+, Experian expect participation rates nationally to rise to 16.7% as against 13.7% in the FSR figures.

5.25 The Experian Note goes on to identify differences in their approach. This is based on behaviour of the age-gender group today, whereas the FSR use a cohort approach – the result of which is an expectation that the 16-64 participation rate declines in the FSR modelling from 77.2% to 76.6% between 2015 and 2025. Experian in contrast expects this will rise to 78.3%. Set against trends of increasing participation rates, Experian's conclusions seem robust i.e. that it is likely that 16-64 participation rates will increase; and that stronger growth for rates in the 65+ growth than shown by

OBR is likely. This however still results in an overall decline in the employment rate 16+ reflecting a shifting age structure and the balance between those of a working age and those of a retirement age.

5.26 Because of the factors set out above the OBR employment/activity rate figures cannot realistically be used when testing job growth levels from alternative forecasts, as they relate to a completely different set of national assumptions.

5.27 The Experian Economic Activity Rates seem like a reasonable and robust set of conclusions on how economic activity might change – and sit in the middle of the range shown by the OBR and various forecasters. They are more cautious than Oxford Economics' own assumptions. They are also the most detailed set available to GL Hearn. They reflect the changing age profile across the HMA and how changes in the older population's economic participation is likely to impact on the overall economic activity rate. We have therefore relied on these for modelling purposes.

5.28 The assumptions on changes in economic activity rates nationally from Experian have been translated into local rates on an incremental basis consistent with the national forecast changes. The output of these assumptions on local economic activity rates for those aged 16 and over are set out in Table 29 below.

Table 29: Local Economic Activity Rates (Aged 16+)

	2011	2031	Change (11-31)	2036	Change (11-36)
Leicester	60.2%	59.9%	-0.4%	59.6%	-0.6%
Blaby	66.6%	66.6%	0.0%	66.7%	0.1%
Charnwood	61.6%	60.9%	-0.7%	60.7%	-0.9%
Harborough	66.7%	64.1%	-2.6%	63.7%	-3.0%
Hinckley & Bosworth	65.6%	64.2%	-1.4%	64.0%	-1.6%
Melton	66.9%	63.8%	-3.1%	63.5%	-3.4%
NWL	64.8%	64.1%	-0.8%	64.0%	-0.9%
Oadby & Wigston	61.0%	59.7%	-1.3%	59.5%	-1.5%

Source: Experian and GL Hearn, 2016

5.29 The figures below provides a comparison between the employment/economic activity rate assumptions by Oxford Economics and those assumed by GL Hearn for the Leicester and Leicestershire authorities in the HEDNA.

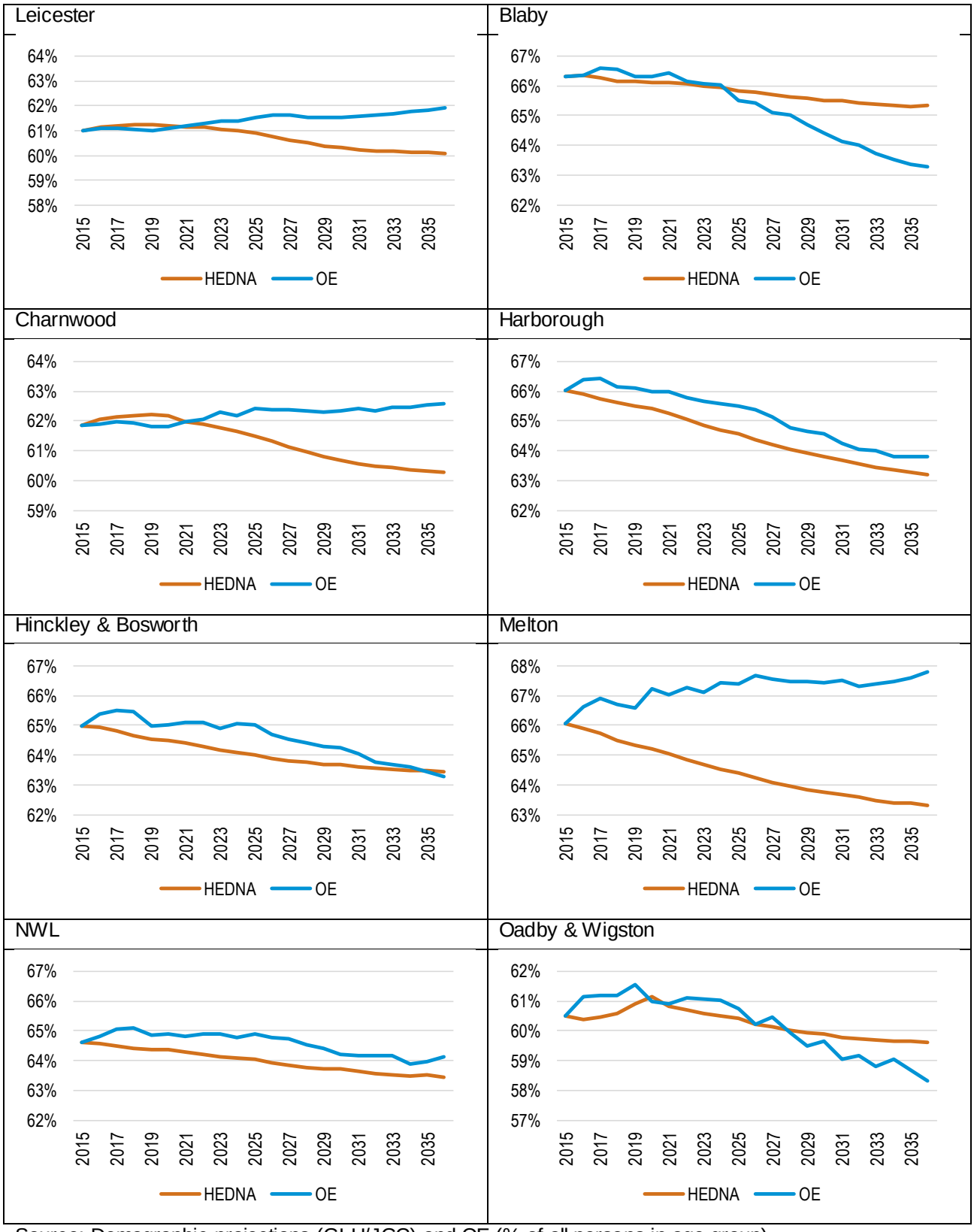
5.30 Although the OE work was commissioned for the HEDNA not all of their assumptions have been taken forward for example OE make their own assumptions on employment rate changes which differ from GL Hearn's assumed for the HEDNA which are based on Experian Rates. The HEDNA

rates have given further detailed consideration to employment rate changes at a finer granularity for example considering potential changes in employment rates for different age groups for men and women. To provide a comparison of the assumptions within the Oxford Economics model and those used by GL Hearn (HEDNA), we have set out side by side comparisons for economic activity rates and population estimates below. For clarity the GL Hearn assumptions are marked as HEDNA.

5.31 In the first figure, the data shows that, overall, the changes to economic activity rates in this report are more cautious (in terms of improvements) than the figures integrated within the OE forecast. The figures presented are all a proportion of the population aged 16+.

5.32 It should be noted that the figures from OE have been rebased to match the levels in this HEDNA as of 2015, with incremental changes made moving forward. A modest difference in the figures results from the HEDNA assumptions using an economic activity rate and OE using an employment rate. However, because the HEDNA does not build in any further changes to unemployment post-2015 the comparison is reasonable. In all areas apart from Blaby and Oadby and Wigston, the HEDNA economic activity rates are notably below those from the integrated OE model. In Hinckley and Bosworth, the rate is also lower by 2036, but the difference is minor.

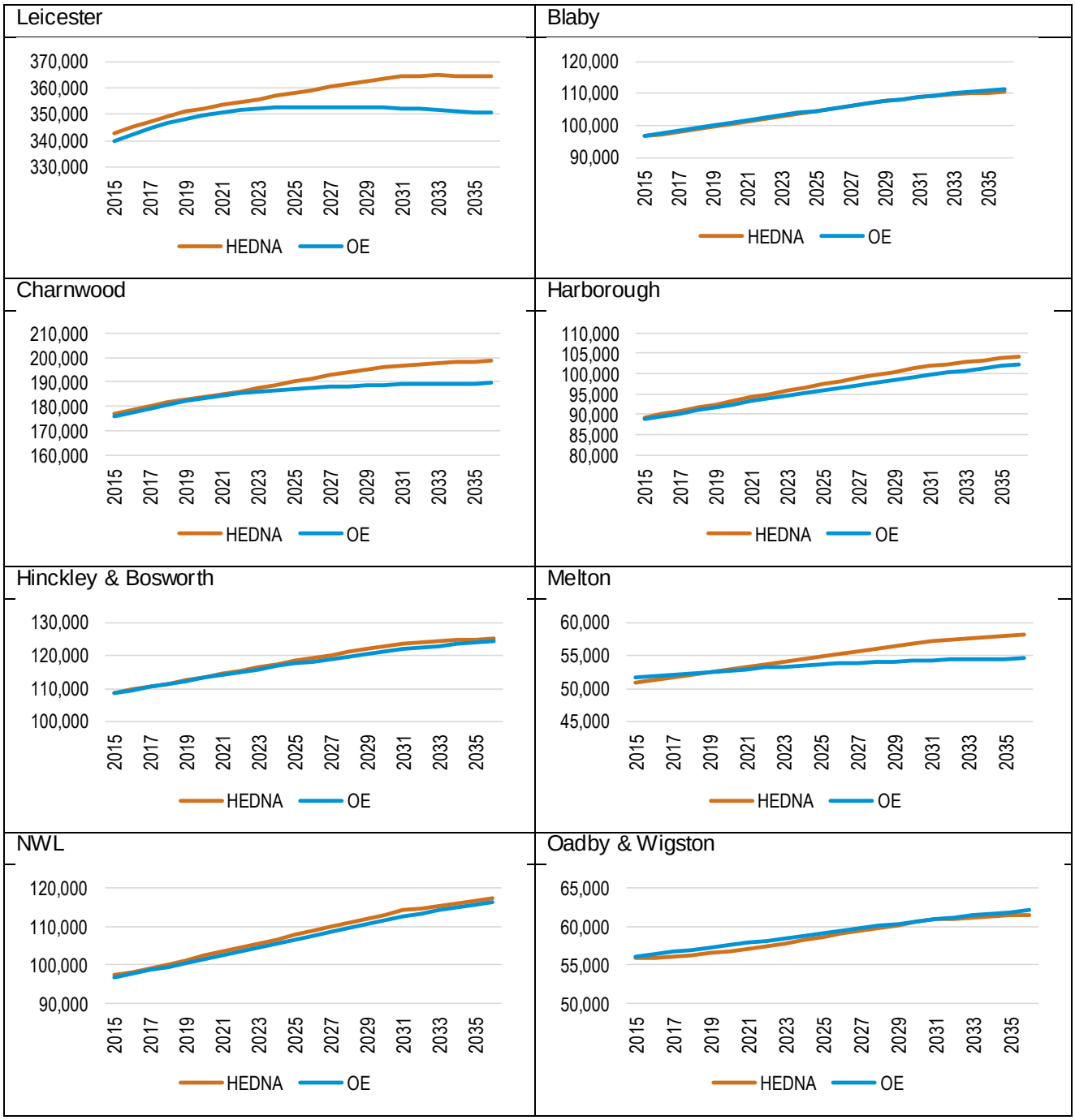
Figure 33: **Changes to employment/economic activity rates (2015-36) – rebased to 2015**



Source: Demographic projections (GLH/JGC) and OE (% of all persons in age group)

5.33 When looking at population, it can be seen that the HEDNA assumptions project higher population growth in all areas apart from Blaby and Oadby and Wigston (where the differences are relatively minor). If the population data is translated into a need for housing then it is clear that OE would, based on its integrated modelling, show a lower level of need. This highlights that the HEDNA is making more cautious assumptions on changes to economic participation.

Figure 34: **Changes to population (2015-36) – comparing OE and HEDNA estimates**



Source: Demographic projections (GLH/JGC) and OE forecasts

Housing Need to Support Economic Growth

5.34 Taking the calculated change in economically active population, we can calculate the resultant housing need. This step takes the demographic forecasts and adjusts the migration assumptions (upwards or downwards) until the population growth provides the required increase in the resident workforce. The changes to migration have been applied on a proportionate basis; the methodology assumes that the age/sex profile of both in- and out-migrants is the same as that which underpins the SNPP with adjustments being consistently applied to both internal (domestic) and international migration. Adjustments are made to both in- and out-migration (e.g. if in-migration is increased by 1% then out-migration is reduced by 1%).

5.35 Once the level of economically active population matches the job growth forecast, the population (and its age structure) is modelled against 2014-based CLG headship rates to see what level of housing provision that might imply. This again allows for a level of vacancy within the housing stock.

5.36 The table below shows estimates of housing need set against the planned growth scenario. The analysis shows a housing need of 3,963 dwellings per annum across the HMA for the 2011-2031 period.

Table 30: Economic Led Housing Need (2011-2031)

	Households 2011	Households 2031	Change in households	Change in households Per annum	Dwellings per annum
Leicester	123,029	144,274	21,245	1,062	1,099
Blaby	38,771	45,279	6,507	325	334
Charnwood	66,449	82,027	15,578	779	812
Harborough	35,077	43,893	8,816	441	456
Hinckley & Bosworth	45,502	54,542	9,039	452	467
Melton	21,560	25,154	3,594	180	186
NWL	39,234	48,535	9,302	465	481
Oadby & Wigston	21,288	23,728	2,440	122	129
HMA/FEMA	390,910	467,431	76,521	3,826	3,963

Source: GL Hearn, 2016

Economic Led Housing Need 2011-2036

5.37 The table below shows estimates of housing need set against the planned growth scenario for the longer 2011-36 period. The analysis shows a housing need of 3,608 dwellings per annum. Although across a longer period the figures presented are lower only on a per annum basis.

Table 31: Economic Led Housing Need (2011-2036)

	Households 2011	Households 2036	Change in households	Change in households Per annum	Dwellings per annum
Leicester	123,029	147,013	23,984	959	993
Blaby	38,771	46,074	7,302	292	300
Charnwood	66,449	84,090	17,640	706	735
Harborough	35,077	45,308	10,230	409	423
H&B	45,502	55,511	10,008	400	414
Melton	21,560	25,679	4,119	165	170
NW Leics	39,234	50,051	10,818	433	448
Oadby & Wigston	21,288	24,270	2,983	119	126
HMA/FEMA	390,910	477,996	87,086	3,483	3,608

Source: GL Hearn, 2016

5.38 It should be borne in mind that where the economic-led housing need is lower than the demographic need, this does not necessarily imply a lower overall need for housing; but could simply result in lesser improvements in economic participation.

Key Points

- The analysis in this section considers the level of housing need required to support the Planned Growth Economic Scenario. In translating this to housing need we have assumed commuting inter-relationships between authorities are held constant. We have also assumed that double jobbing will remain constant going forward. The modelling assumes changes to economic activity rates based on Experian national forecasts.

- The modelling shows a need for 3,963 dpa for the 2011-31 period and 3,608 dpa for the 2011-36 period. This level of need is some way below the demographic need. There is therefore no need to uplift the overall housing need at a HMA level on this basis. Lesser improvements in economic participation can be assumed.

- However, at a local authority level the evidence indicates that the economy can be expected to drive above-trend economic migration to Melton and North West Leicestershire. This can be expected to influence the housing need in these areas.

- In a plan-making context, upward adjustments to housing provision to meet unmet needs from other areas will support workforce growth within the recipient local authority. In this context, and with a view to avoiding double counting, the higher economic-driven need in Melton and North West Leicestershire could potentially be met through agreeing an alternative distribution of housing provision through the Duty to Cooperate. Against this context the need for above trend in-migration to support economic growth in Melton and North West Leicestershire does not imply a higher housing need at an HMA level.

6 MARKET SIGNALS

6.1 The NPPF is clear that plans should take account of market signals, such as land prices and housing affordability (Paragraphs 17 and 158). The Planning Practice Guidance (PPG) clarifies this setting out that:

> *"The housing need number suggested by household projections (the starting point) should be adjusted to reflect appropriate market signals, as well as other market indicators of the balance between the demand for and supply of dwellings. Prices or rents rising faster than the national/local average may well indicate particular market undersupply relative to demand."*

6.2 The PPG identifies key market signals[12] – including house price and rents trends, affordability and overcrowding - and sets out that appropriate comparisons should be made (in terms of absolute levels and rates of change) with trends in the HMA, similar areas and nationally. It sets out that:

> *"A worsening trend in any of these indicators will require upward adjustment to planned housing numbers compared to ones based solely on household projections."*

6.3 In this section we consider the market signals which are set out in the Planning Practice Guidance, together with sales trends which provide an indication of effective demand for market housing. The analysis should be read alongside a benchmarking of market signals in the HMA authorities against comparable areas, which is included in Appendix 3; and findings from engagement with estate and letting agents, which is set out in Appendix 9.

6.4 As the Objectively Assessed Need for housing is defined at a local authority level, and reflecting the strategic nature of the HEDNA, the analysis focuses on considering and benchmarking trends for local authorities within the HMA. Evidently there will be areas of higher and lower housing costs within individual local authorities.

6.5 It should be borne in mind that there is a clear correlation between the affordability of market housing and the need for affordable housing (as this is influenced by housing costs), and therefore in considering adjustments, where appropriate, to improve affordability there is a strong logic to considering both the market signals and affordable housing needs evidence.

6.6 The findings of analysis of market signals in this section are brought together with the affordable housing needs evidence (presented in Section 7) in drawing conclusions on OAN in the report's conclusions (Section 12).

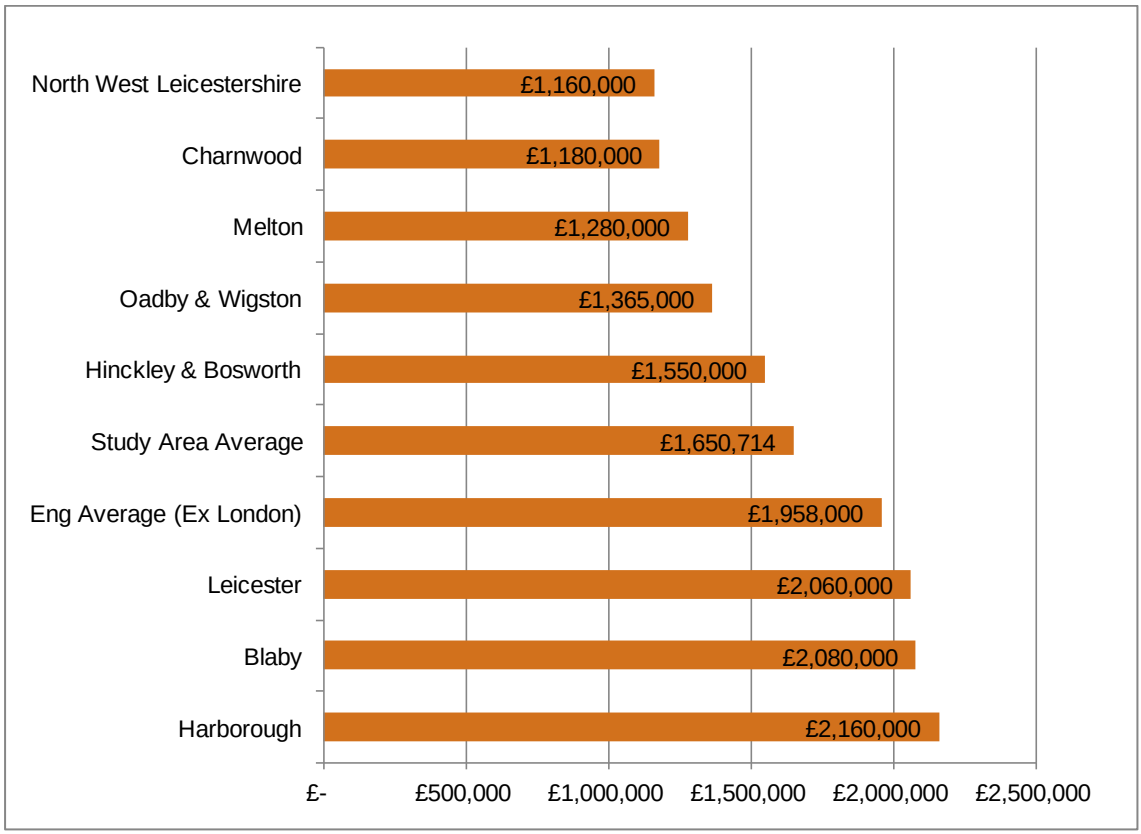
[12] Reference ID: 2a-019-20140306

Land Values

6.7 Comparable data on residential land values is published by DCLG, with the latest data relating to December 2015.[13] This provides data on post-permission residential land values per hectare (based on a residual valuation methodology).[14]

6.8 The average residential land value per hectare for the local authorities in the HMA (£1,650,714) is below the national values excluding London (£1,958,000). The highest residential land values across HMA are found in Harborough (see Figure 33).

Figure 35: **Land Prices (£ per Hectare)**



Source: CLG Dec 2015

House Prices

6.9 We have analysed house price trends over different market cycles. Figure 36 shows the growth in median house prices over the pre-recession period (2000 – 2007). Over that period, Leicester saw the greatest growth in median house prices, which rose from £40,000 to £125,000 (+178%), albeit

[13] DCLG (Dec 2015) *Land value estimates for policy appraisal*

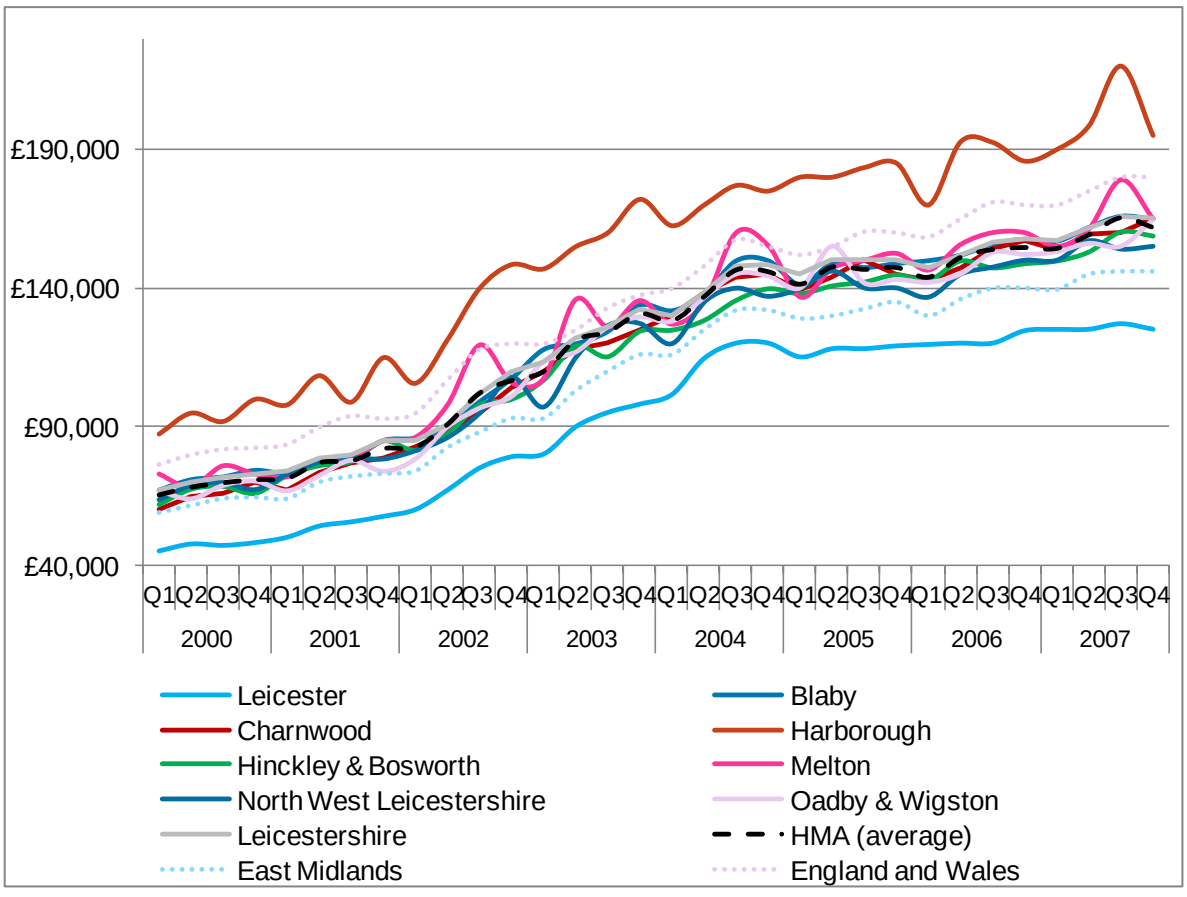
[14] These estimates are based on valuing the proposed development and deducting the development costs, including allowances for base build cost, developer's profit, marketing costs, fees, and finance to leave a "residual" site value. The values also assume nil affordable housing provision.

from a lower base. This was followed by Charnwood where prices rose from £60,000 to £165,000 (175%).

6.10 Indeed all the authorities saw a significant growth over the same period. House prices increased by £97,750 (145%) in Blaby, £107,550 (123%) in Harborough, £97,048 (157%) in Hinckley and Bosworth, £91,950 (126%) in Melton, £91,150 (143%) in North West Leicestershire and £97,525 (146%) in Oadby and Wigston. Median house prices provide a better indicator of market dynamics than average prices which are more susceptible to skewing from for example a small number of high value sales.

6.11 There are differences in house prices at a more local level *within* individual local authorities, as the mapping in Appendix 1 shows.

Figure 36: **Median House Price change (2000- 2007)**

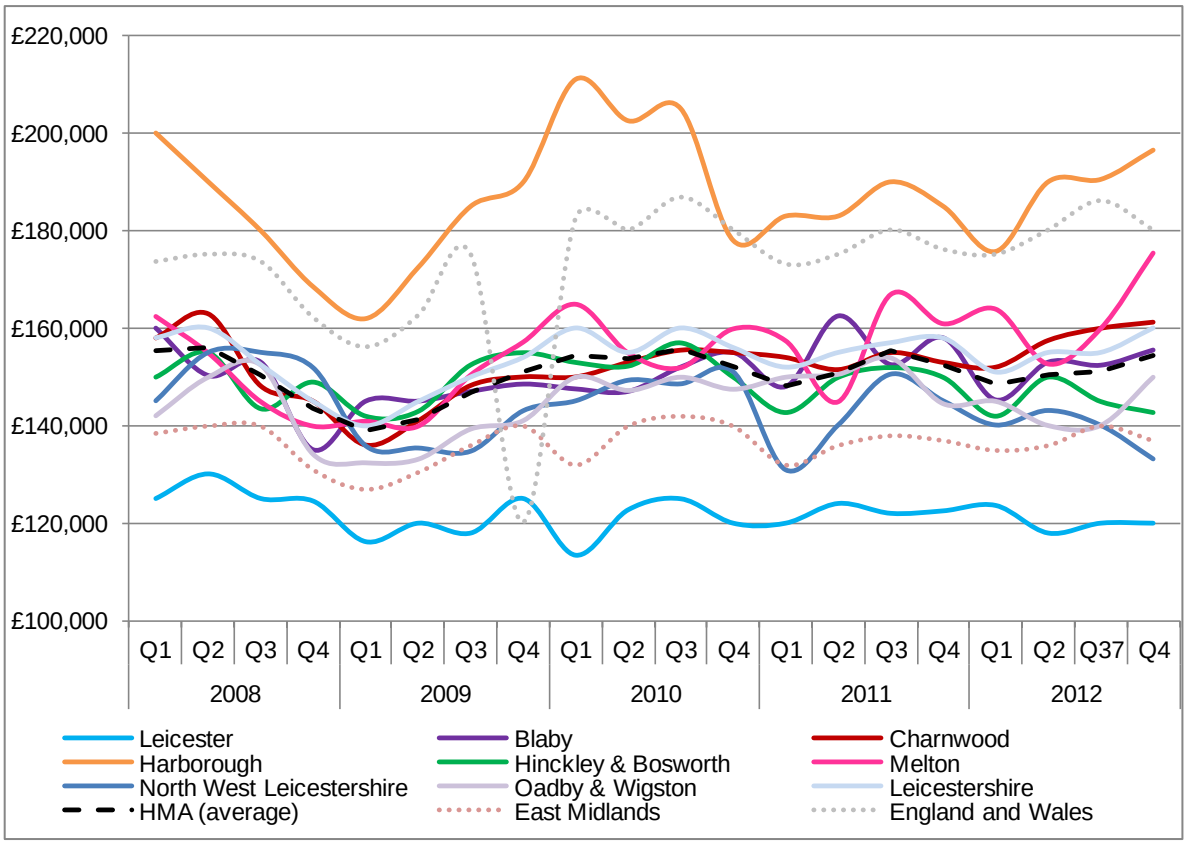


Source: DCLG Live Tables: Land Registry Data

6.12 Following the credit crunch, house price dynamics were notably different between 2008-12 (see Figure 37). Over this period there was 1% decrease in median house prices across the HMA. This was similar to trends across the East Midlands (-1%), whilst nationally prices grew by 4%. In real terms (taking account of inflation), the value of housing fell more substantially.

6.13 Within the HMA, the greatest decrease was observed in North West Leicestershire (-8%), followed by Hinckley and Bosworth (-5%), Leicester (-4%), Blaby (-3%) and Harborough (-2%). In contrast values in Melton grew by 8%, by 6% in Oadby and Wigston and 2% in Charnwood. This however was influenced in part by short-term fluctuations, as Figure 37 shows.

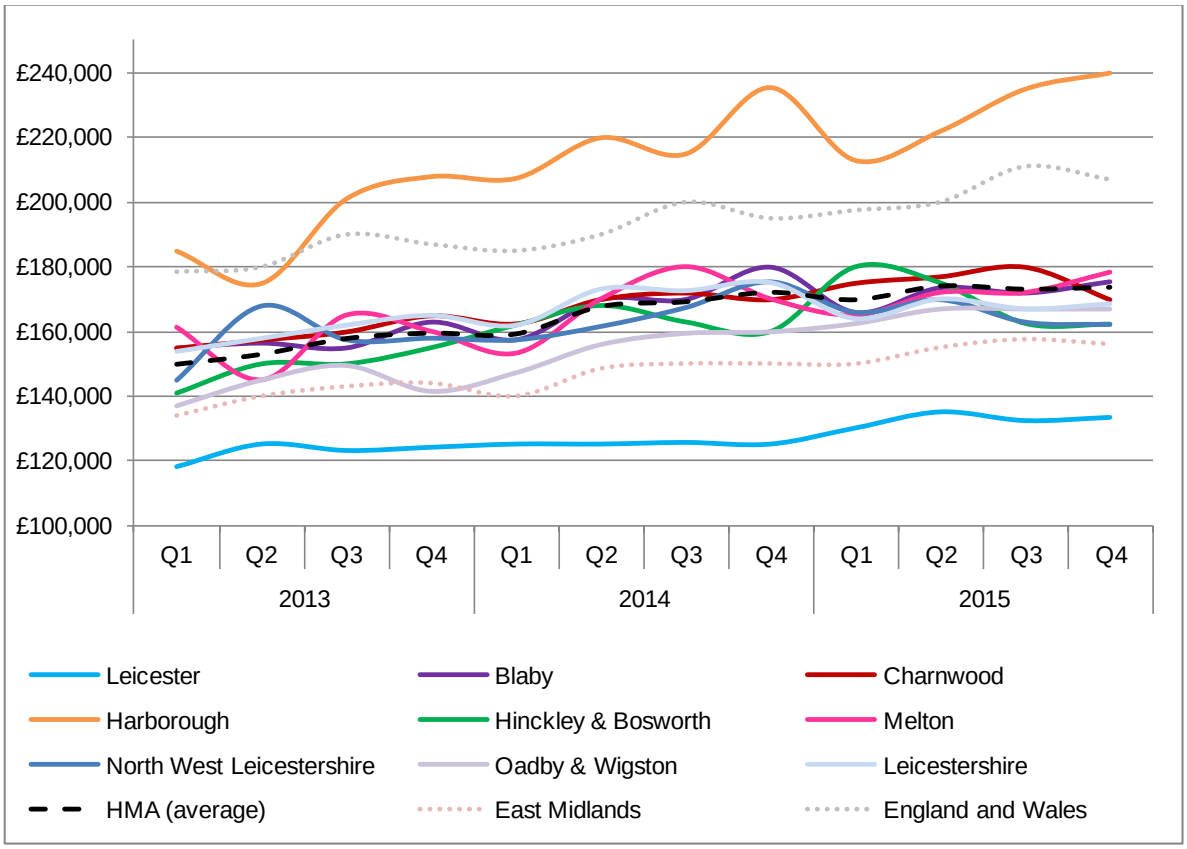
Figure 37: **Median House Price Change, 2008- 2012**



Source: GLH Analysis of HMLR Price Paid Data

6.14 Housing market activity and pricing began to increase from 2013, in part influenced by Government measures to support the housing market such as the Help-to-Buy Scheme. Figure 38 presents the change in median house prices across the HMA and its main comparators between 2013 and 2015. The HMA average saw 16% growth in this period which means that the median house prices for the HMA now exceed those at the peak of the last market cycle (late 2007).

Figure 38: **Median House Price Change (2013-2015)**

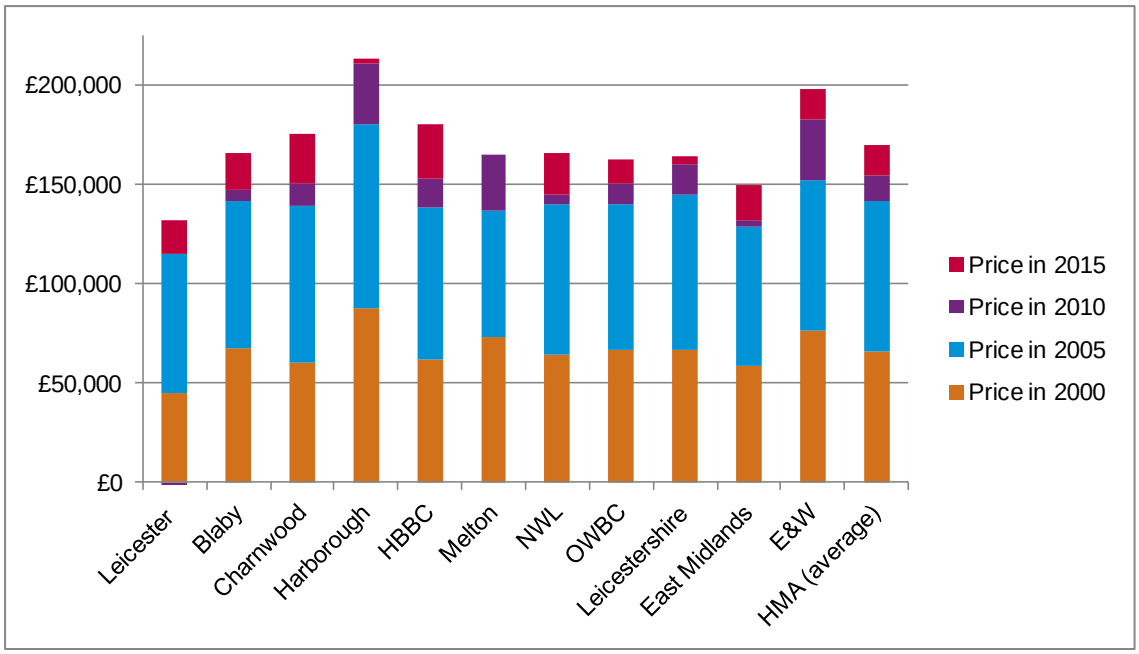


Source: *GLH Analysis of HMLR Price Paid Data*

6.16 Figure 39 presents the absolute house price change in each local authority from 2000 to 2015. Harborough has seen the highest absolute house price growth, however over the last five year the increase in Harborough has been moderate (+£2,000). Melton has seen no change in prices between 2010-15 (based on Q1 prices in each year).

6.17 The median house price for the HMA in 2015 Q1 was £169,680, an increase of 158% on 2000, 20% since 2005 and 10% since 2010. Much of the long-term growth seen was prior to 2007. House prices in Leicester and Leicestershire have remained below the national, but above the regional average over this period.

Figure 39: **Median House Price (2000-2015)**



Source: GLH Analysis of HMLR Price Paid Data

6.18 Table 32 compares the percentage change in house prices over the last five, ten and fifteen years in the HMA and wider comparators. Over the past 15 years, house price increase in Leicester (189%) was higher than the regional (154%) and national (158%) rates of growth. The highest rate of growth across the HMA was observed in Charnwood (192%) while the lowest was in Melton (126%). During the last five years (2010-15) Hinckley and Bosworth saw the highest increase among the HMA (18%) followed by Charnwood (17%) while Melton's house prices did not change.

Table 32: Benchmarking Median House Price Inflation in HMA (2000Q1 to 2015Q1)

	5 Year Change	10 Year Change	15 Year Change
Leicester	15%	13%	189%
Blaby	13%	18%	147%
Charnwood	17%	25%	192%
Harborough	1%	18%	144%
Hinckley & Bosworth	18%	30%	190%
Melton	0%	21%	126%
NWL	14%	19%	160%
Oadby & Wigston	8%	16%	143%
East Midlands	14%	16%	154%
England and Wales	8%	30%	158%
HMA Average	10%	20%	158%

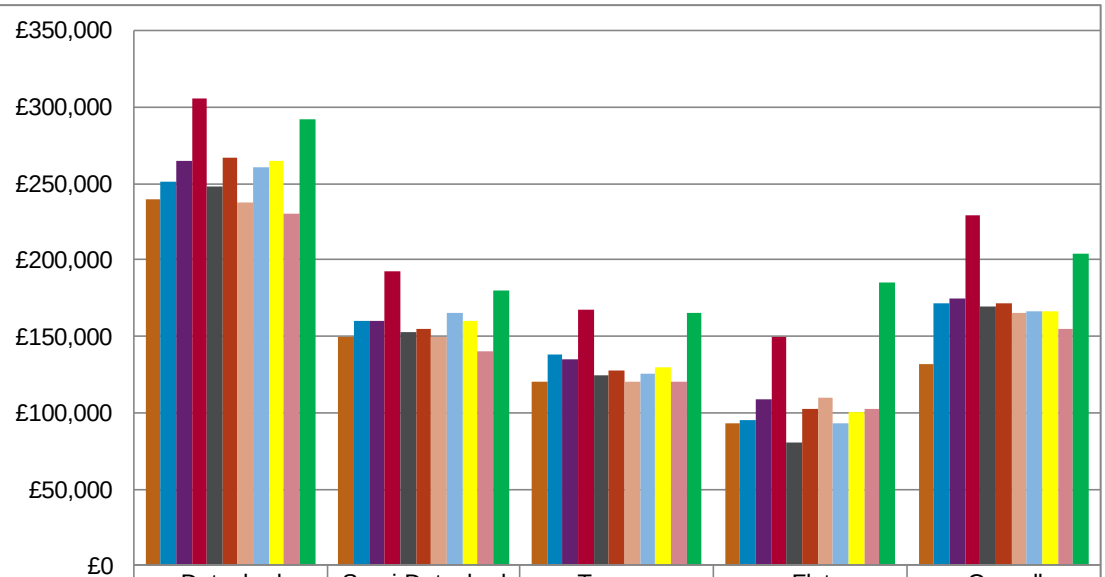
Source: GLH Analysis: Land registry Price Paid Data

House Prices by Type

6.19 Average house prices in an area will be influenced by the mix of properties sold (and therefore by the mix of homes in an area). It is important in comparing average house prices to therefore take account of the stock mix. GL Hearn has therefore analysed median house prices in 2015 by dwelling type (Figure 40).

6.20 Prices for all types of properties in Harborough, apart from flats, are above the national and HMA average. Leicester has the lowest cost semi-detached and terraced homes; with Hinckley and Bosworth have the lowest cost flats; and North West Leicestershire has the lowest cost detached properties. What Figure 40 particularly highlights is that once mix is considered, Harborough particularly stands out as having a price premium relative to the other authorities.

Figure 40: **Median House Prices by Type, 2015**



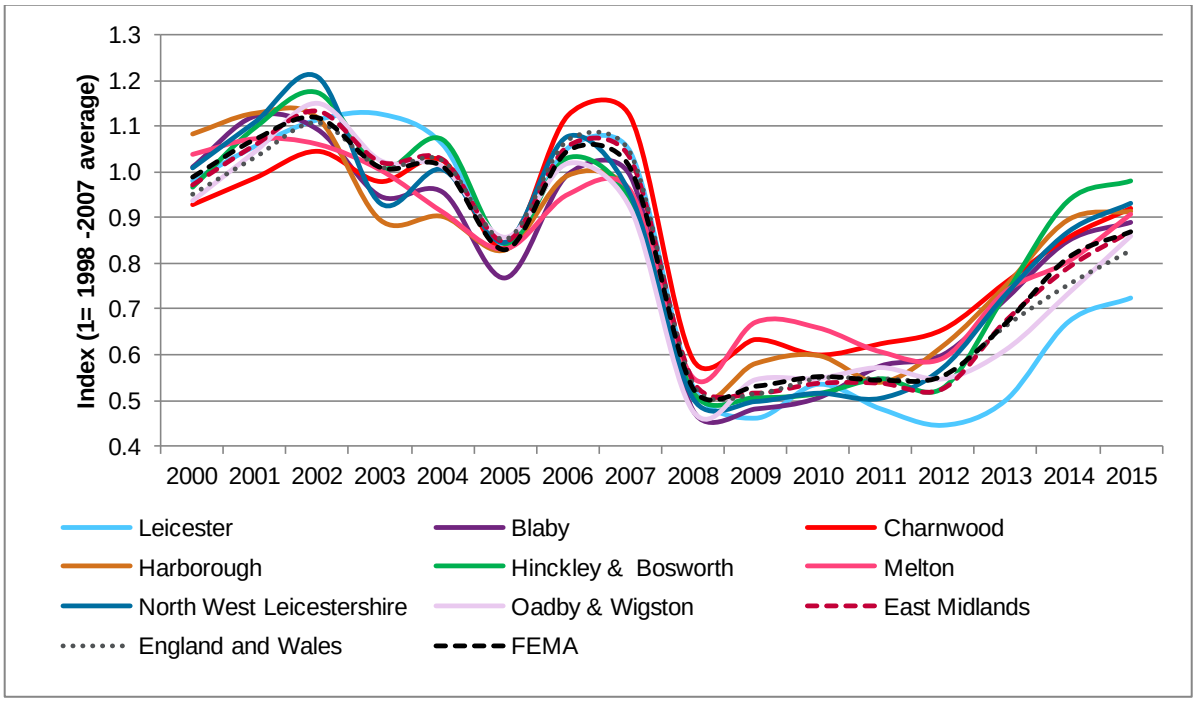
	Detached	Semi-Detached	Terrace	Flat	Overall
Leicester	£240,000	£150,000	£120,000	£93,000	£132,000
Blaby	£251,500	£160,000	£138,000	£95,000	£171,500
Charnwood	£265,000	£160,000	£134,975	£109,000	£175,000
Harborough	£306,000	£192,500	£166,995	£149,950	£228,995
H&B	£247,750	£152,500	£125,000	£81,027	£169,995
Melton	£267,000	£155,000	£128,000	£103,000	£172,000
NWL	£237,995	£150,000	£120,000	£110,000	£165,000
O&W	£260,000	£164,950	£125,750	£93,500	£166,000
HMA	£265,000	£160,000	£130,000	£100,000	£166,500
East Midlands	£229,950	£140,000	£120,000	£102,000	£155,000
E&W	£292,000	£180,000	£165,000	£185,000	£203,500

Source: GLH Analysis: Land Registry Price Paid Data

Sales Volumes and Effective Demand

6.21 Sales are an important indicator of effective demand for the housing market. Figure 41 present the benchmarked annual sales across each authority in the HMA, the region and England and Wales between 2000 and 2015. The index shows how sales volumes have changed relative to the 1998 – 2007 (i.e. pre-recession) average.

Figure 41: **Sales Trends 2000- 2007 (Indexed to Sales Average 1997-2015)**



Source: DCLG and Land Registry Price Paid Data

6.22 Figure 41 indicates that there was a sharp drop in sales/ market activity between 2007-8, driven by the credit crunch and housing market downturn. Sales remained at historically low levels (45% down on the pre-recession average across the HMA) between 2008-12. Whilst there has been a relatively strong recovery since, the market has still not fully recovered with sales in 2015 still 13% below the pre-recession average across the HMA.

6.23 Leicester has seen the weakest recovery, with sales in 2015 27% below the pre-recession average. The strongest recovery since 2012 has been in Hinckley and Bosworth which has recovered to 98% of the pre-recession average.

6.24 Leicester has the slowest recovery rate while Hinckley and Bosworth has recovered to 91% and Harborough to 90% of the pre-recession levels. At regional level the market has recovered to 75% of its pre-recession level and nationally the figure is 70%.

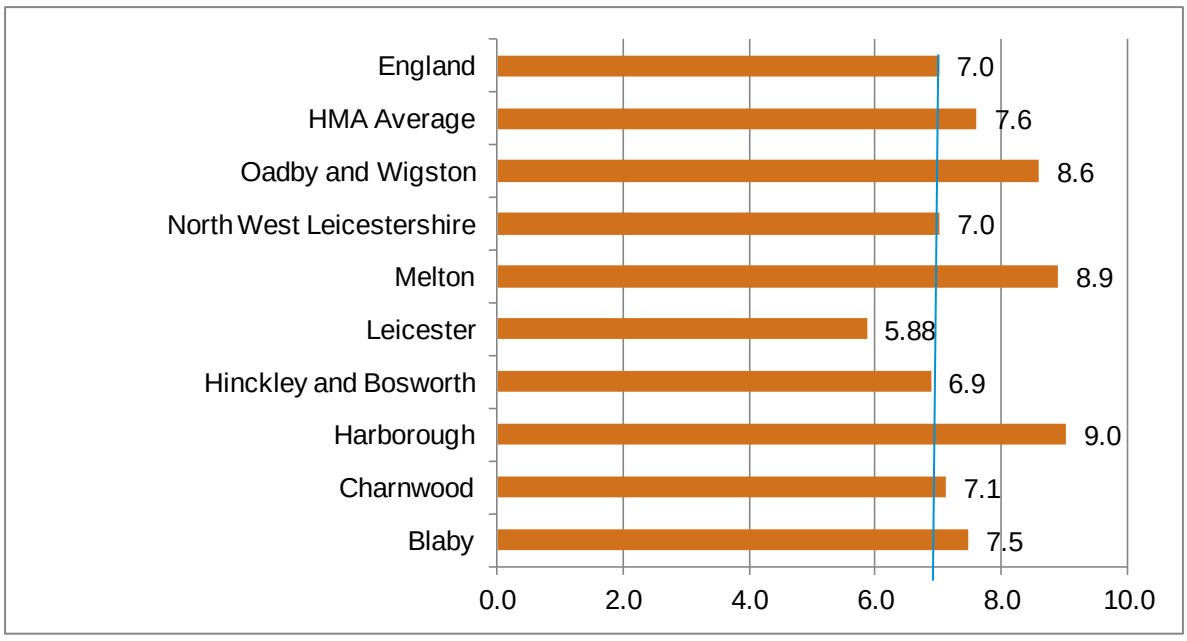
House Price to Income Affordability Ratio

6.25 The PPG sets out that the ratio of lower quartile house prices to lower quartile (LQ) earnings can be used to assess the affordability of housing. This measure influences the ability of younger households to purchase entry-level properties.

6.26 At a national level, data from DCLG indicates that in 2015 the lower quartile house price was 7.0 times earnings across England. A number of the HMA authorities see levels which are very similar to this, including North West Leicestershire, Hinckley and Bosworth, Charnwood and Blaby. Leicester is notably more affordable.

6.27 Three authorities – Oadby and Wigston, Melton and Harborough - however have lower quartile house prices which are some way above the HMA average indicating potentially greater difficulties for younger households to get on the housing ladder.

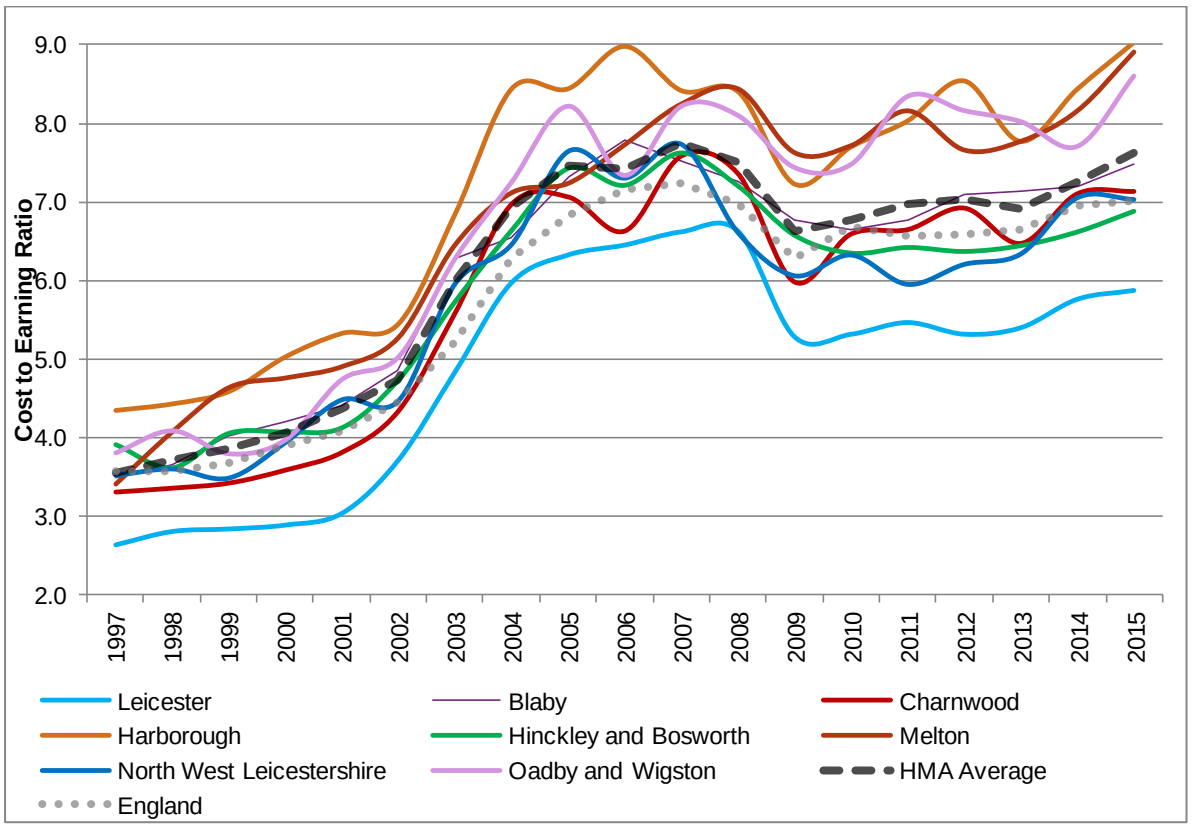
Figure 42: **Lower Quartile House Price to Income Ratio, 2015**



Source: CLG Housing Statistics

6.28 Figure 43 illustrates how the ratio has changed since 1997. Since that time Leicester has seen an increase of 122% in its LQ affordability ratio. The highest increase has been in Melton (162%), with the lowest in Hinckley and Bosworth (76%). The ratio has been increased by 108%-126% for the other local authorities in the HMA.

Figure 43: **Lower Quartile Affordability Trend (1997- 2015)**



Source: DCLG and Land Registry Price Paid Data DCLG

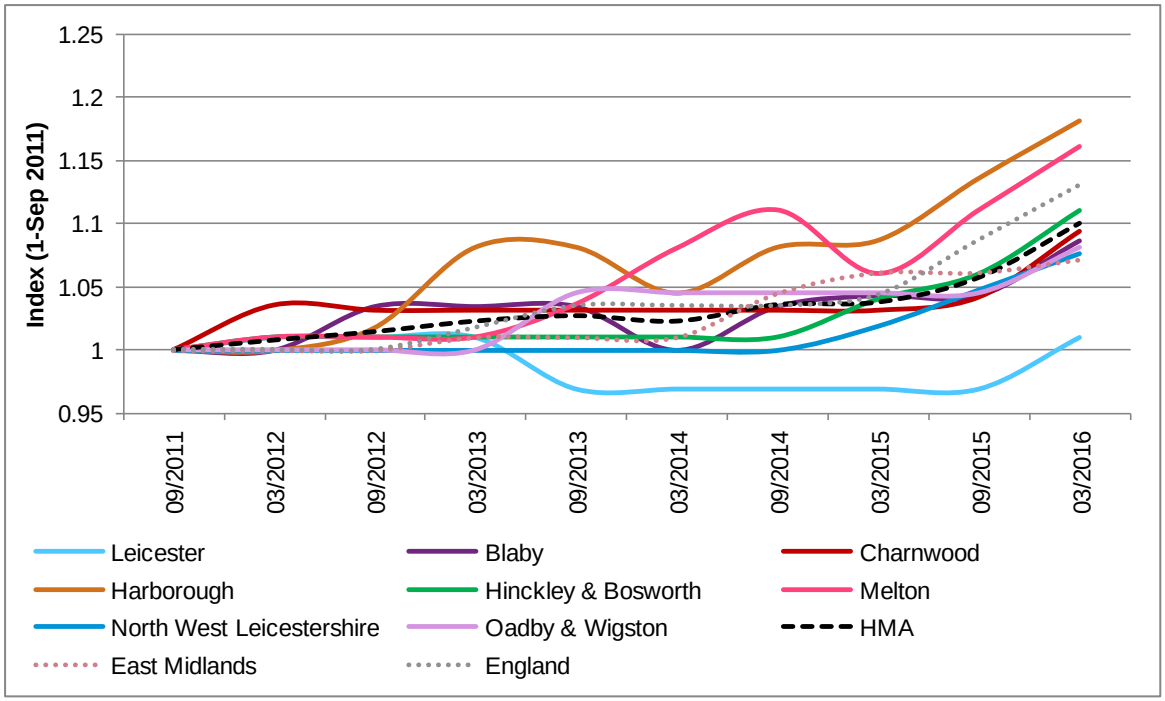
Rental Costs

6.29 The most recent Valuation Office Agency (VOA) private rental market data covering the year to March 2016 shows that the median rental price across the HMA was £572 per calendar month (pcm). This is above the regional (£530 pcm) and below the national (£650 pcm) values.

6.30 Figure 44 outlines the changes in median rental values benchmarked to September 2011 values (this being the longest time series published by the VOA). A modest increase of only 1% has occurred in Leicester since 2011 which is the slowest growth rate across the HMA. In contrast, rental values increased by 18% in Harborough, 16% in Melton, 11% in Hinckley and Bosworth; as well as 9% in both Blaby and Charnwood. More modest increases occurred in North West Leicestershire and Oadby and Wigston, where rental values increased by 8%. During the same period there was a 7% increase at regional and 13% at national level.

6.31 Only in Harborough and Melton did median rental costs increase by a greater degree than seen nationally. These authorities saw rental growth notably above the HMA average.

Figure 44: **Index Median Private Rental Values (Sep 2011- March 2016)**



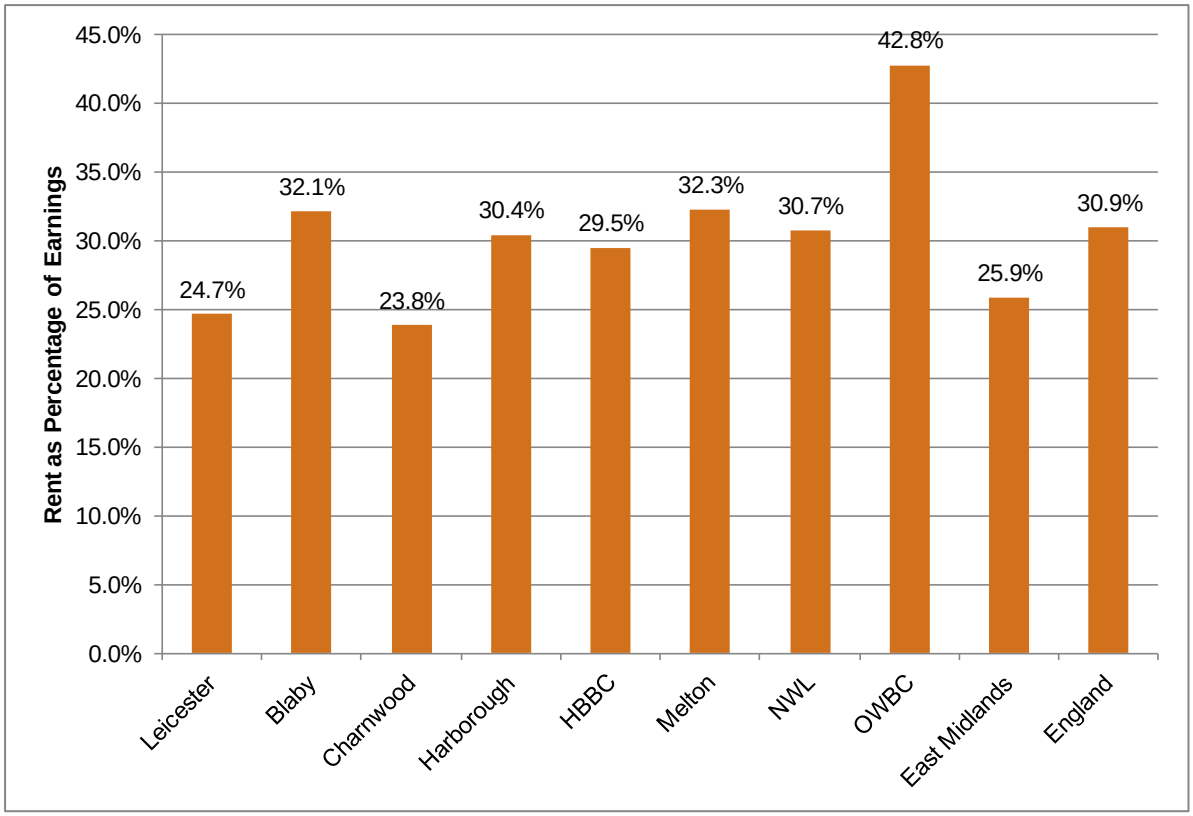
Source: VOA Private Rental Statistics March 2016

Rental Affordability Ratio

6.32 The rental affordability ratio (RAR) describes the ratio of average annual rents to the annual earnings. In the 2013-2015 period[15] the RAR of local authorities in the HMA was 31.2%, significantly less than the national ratio. The local authority ratio varies from 22.5% in Leicester to 40.7% in Oadby and Wigston. Oadby and Wigston was the only local authority to have a RAR above the national figure.

[15] A three year period is used given the volatility of data at a local authority level

Figure 45: **Rental Affordability Ratio (average 2013-2015)**



Source: Valuation Office Agency (VOA) data

Overcrowding, Concealed and Shared Households

6.33 As set out in the PPG indicators on overcrowding, concealed and shared households, homelessness and the numbers in temporary accommodation should also be considered as part of the market signals analysis.

6.34 **Overcrowding and Under-occupancy**

6.35 The level of overcrowding and under-occupancy in the housing stock is an important indicator of the supply/demand balance, and is also useful as an indicator of the potential mismatch between households and dwelling sizes.

6.36 Overcrowding and under occupancy in this context is calculated using the Census occupancy rating. Over-crowding is defined by the number of households who have one or more rooms less than their household need.

6.37 Table 33 presents the percentage of under-occupancy and overcrowding in the housing stock at a local authority level as well as regionally and nationally for 2011. All authorities, apart from Leicester,

have a high level of under-occupancy compared to the national and regional benchmarks. Conversely, Leicester was the only local authority with a level of overcrowded households above the regional and national figure. Indeed in Leicester overcrowding (15.2%), was almost three times the regional figure (5.5%). The HMA rate reaches 8% but the Leicestershire's figure (excluding the City) is just 4%. Overcrowding in Leicester (and to a lesser extent Charnwood) is influenced in part by its student population.

Table 33: Overcrowding and Under-occupancy 2011

	Under Occupied Households		Over- Crowded Households	
	#	%	#	%
Blaby	33,278	86.0%	1,177	3.0%
Charnwood	52,919	79.6%	3,305	5.0%
Harborough	30,244	86.7%	1,068	3.1%
Hinckley & Bosworth	38,688	85.3%	1,463	3.2%
Leicester	75,618	61.4%	18,756	15.2%
Melton	18,440	85.8%	727	3.4%
NWL	33,449	85.5%	1,140	2.9%
Oadby & Wigston	17,739	83.1%	911	4.3%
HMA	**300,375**	**84.3%**	**28,547**	**8.0%**
East Midlands	1,507,028	79.5%	104,764	5.5%
England and Wales	17,070,912	73.1%	1,995,860	8.5%

Source: Census 2011

6.38 Between 2001 and 2011 there was increase of almost 60% in the level of over-occupied households in Leicester, almost double the national growth. The rest of the local authorities across the HMA presented a lower rate of growth in overcrowded households (see Table 34) than the national and regional rate, although Harborough is broadly similar to the regional level. Across the HMA the overcrowding in households increased by 42% between 2001-11.

Table 34: Overcrowding and Under-occupancy Change 2001-2011

	Under Occupied Households		Over- Crowded Households	
	Change	%	Change	#
Blaby	2,377	7.7%	128	12.2%
Charnwood	4,422	9.1%	589	21.7%
Harborough	3,194	11.8%	277	35.0%
Hinckley & Bosworth	4,039	11.7%	151	11.5%
Leicester	357	0.5%	6,949	58.9%
Melton	1,571	9.3%	83	12.9%
NWL	3,040	10.0%	165	16.9%
Oadby & Wigston	-575	-3.1%	96	11.8%
HMA	**18,425**	**6.5%**	**8,438**	**42.0%**
East Midlands	109,649	7.8%	27,618	35.8%
England and Wales	816,092	5.0%	485,438	32.1%

Source: Census 2011 & 2001

6.39 Oadby and Wigston is the only local authority to see a decrease in under-occupancy since 2011. However, the area has still seen an increase in overcrowding (11.8%) over the same period.

6.40 The stronger relative growth in overcrowded households in Leicester (and to a lesser extent Charnwood) is likely to have been influenced in part by a growth in the student population in these authorities between 2001-11.

Concealed Families and Shared Households

6.41 Concealed and shared households provide a potential indication of un-met housing requirements for an area, although shared households in particular can be a lifestyle choice, reflect cultural factors or reflect student households.

6.42 A concealed family is defined as one living in a multi-family household in addition to the primary family, such as a young couple living with parents. A shared household is defined as a household consisting of more than one family, members of which do not include dependent children and are not all full-time students or not all aged 65 and over.

6.43 Similar to the occupancy rates data presented above, Leicester is the only authority across the HMA that has a higher rate of concealed and shared households than the regional and national comparators. The rest of the local authorities show low levels relative to both regional and national comparators.

Table 35: Concealed Households (2001-2011)

	2001		2011		Change
	#	%	#	%	#
Blaby	261	1.0%	440	1.5%	179
Charnwood	459	1.1%	740	1.6%	281
Harborough	175	0.8%	295	1.1%	120
Hinckley & Bosworth	267	0.9%	358	1.1%	91
Leicester	2,084	2.9%	3,734	4.5%	1,650
Melton	93	0.6%	161	1.0%	68
NW Leicestershire	185	0.7%	334	1.2%	149
Oadby & Wigston	313	1.9%	473	3.0%	160
HMA	**3,837**	**1.5%**	**6,535**	**2.4%**	**2,698**
East Midlands	11,708	1.0%	20,403	1.6%	8,695
England and Wales	169,765	1.2%	289,295	1.8%	119,530

Source: Census 2011 & 2001

6.44 In 2011 there were around 2,700 concealed households across the HMA, with 2.4% of households containing a concealed family. This was a slight increase on the 2001 level of 1.5%. The greatest absolute growth in concealed households in the HMA was in Leicester; followed by Charnwood, Blaby and Oadby & Wigston.

6.45 The percentage of shared households in the HMA was 3.8% in 2011, an increase of 70% from the 2001 equivalent. Table 36 presents the local authority shared household figures for both 2001 and 2011 as well as the change during that decade.

6.46 Leicester is again the only authority with a higher percentage of shared households (6.2%) than the regional (3.5%) and national comparators (4.4%). In addition the increase in Leicester was twice the national change. The second highest change was in Charnwood but the percentage of shared households was still relatively low (3.3%).

Table 36: Shared Households

	2001		2011		Change
		%		%	
Blaby	754	2.1%	1,001	2.6%	247
Charnwood	1559	2.6%	2,187	3.3%	628
Harborough	632	2.0%	831	2.4%	199
H & B	904	2.2%	1,124	2.5%	220
Leicester	4764	4.3%	7,620	6.2%	2,856
Melton	483	2.5%	592	2.8%	109
NWL	750	2.1%	982	2.5%	232
O&W	504	2.3%	686	3.2%	182
HMA	**10,350**	**2.9%**	**15,023**	**3.8%**	**4,673**
East Midlands	47,089	2.7%	66,068	3.5%	18,979
England and Wales	784,745	3.6%	1,038,993	4.4%	254,248

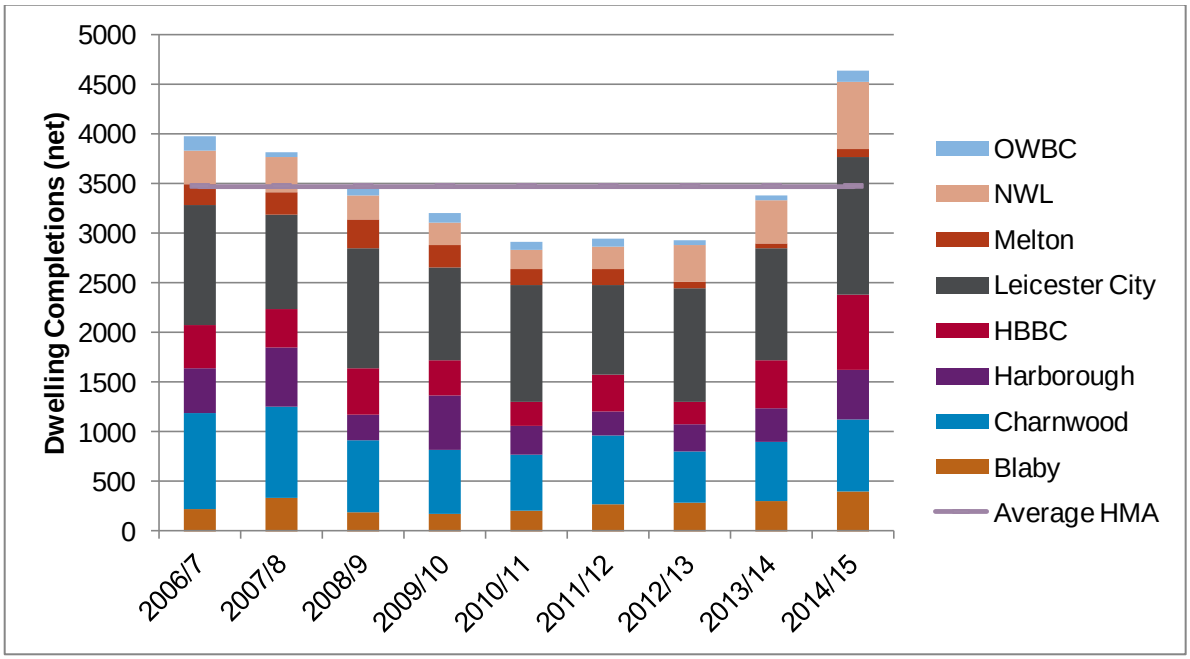
Source: Census 2011 & 2001

Housing Delivery

6.47 Figure 46 assesses housing delivery over the period since 2006/7. It shows that – common to the position seen nationally – housing delivery fell between the onset of the credit crunch in 2007/8, falling by 23% by 2012/13. It has however recovered relatively strongly since, achieving completions of 4,643 dwellings in 2014/15.

6.48 Influenced by the recession, there was an under-delivery of housing in the HMA over the period shown (2006-15) relative to both the housing targets set out in the now revoked Regional Spatial Strategy (4,020 dpa 2006-26); and the need shown in the 2014 SHMA (3775 – 4215 dpa, 2011-31).

Figure 46: **Housing Completions Trend (2006- 2015)**



Source: LA Annual Monitoring Reports

Local Authority Summary and Key Points

- The HEDNA has assessed market signals to consider, in line with the PPG, where there is evidence of affordability constraints and a comparative worsening of affordability. It considers residential land values; trends and levels of house prices and rents, overall and relative to incomes; housing delivery performance; as well as evidence of real impacts of declining affordability, including in terms of increasing numbers of overcrowded households and younger people living in shared households or with parents. It considers dynamics in each local authority which are summarised below.

- Harborough has the highest median house prices in the HMA, the highest land values and the highest lower quartile house price-to-income ratio (9.0 in 2015). The median house price increased by £126,000 between 2000-15, the highest absolute increase, but below the average in proportional terms (144%). Harborough District, together with Blaby, has the highest average rents in the HMA, albeit that these are equal to the national average overall and relative to incomes. Levels of overcrowded, concealed and shared households have increased (2001-11) but are below wider benchmarks.

- In Melton, whilst house prices were slightly below the HMA average, as were land values, and longer-term price growth has been relatively modest (a £92,000 increase between 2000-15); relative to incomes, house prices are notably above average (with lower quartile prices 8.9 times incomes in 2015). Whilst rental costs are close to the HMA and national average, they are again above wider benchmarks relative to incomes. Rents have grown strongly since 2011.

- In Blaby, whilst house prices are slightly above the HMA average, price growth has fallen slightly below average. However land values are the second highest in the HMA pointing to a shortage of residential land. Lower quartile house prices were 7.5 times incomes in 2015. Rental costs are higher than most other parts of the HMA and the national average relative to incomes, albeit growth since 2011 has been similar to the HMA average.

- Oadby & Wigston shows median house prices and land values, and has seen price growth (2000-15) which are slightly below the HMA average. Rental costs are slightly above the HMA but below the national average, and have seen similar growth since 2011 to that across wider geographies. Housing costs vary within the Borough. However relative to incomes, lower quartile housing costs are above average at 8.6; with rents of 43% of annual earnings – significantly higher than in other parts of the HMA. Levels of overcrowding, concealed and shared households are above levels in the other Leicestershire authorities (although less than in the City); although the HEDNA recognises that this is likely to be influenced in part by the Borough's demographics and its student population.

- North West Leicestershire has the lowest land values. Median house prices are marginally below the HMA average (as are rents), and have grown broadly in line with the HMA average between 2000-15 (in absolute and percentage terms). Lower quartile prices are 7.0 times earnings, which is marginally below the HMA average; with a similar relative position in terms of rental affordability.

- In Hinckley and Bosworth, house prices are marginally above the HMA average, but house price growth between 2000-2015 has been above average in absolute and relative terms. Rental costs are however marginally below average, as are lower quartile house prices relative to earnings (6.9 times earnings, 2015). Rental affordability is marginally below the HMA average, with rental growth since 2011 similar to wider trends.

- Leicester has a higher stock of lower value housing than in other parts of the HMA and has seen the lowest absolute increase in house prices between 2000-2015. Lower quartile house prices relative to earnings at 5.9 are notably lower than in other areas; with the City also having the lowest rental affordability ratio (5.8). However the City sees notably higher levels of overcrowded, concealed and shared households, in absolute and relative terms, albeit that this is in part influenced by its ethnic diversity and its student population.

- Charnwood has house prices which are above the HMA and regional, but below the national average, but has seen comparatively stronger house price growth in absolute and relative terms (with median prices growing by £115,000 between 2000-2015). However lower quartile prices at 7.1 relative to earnings are marginally below average; whilst rents relative to earnings are the lowest in the HMA at 24%. Land values are also towards the lower end of the range of the HMA authorities.

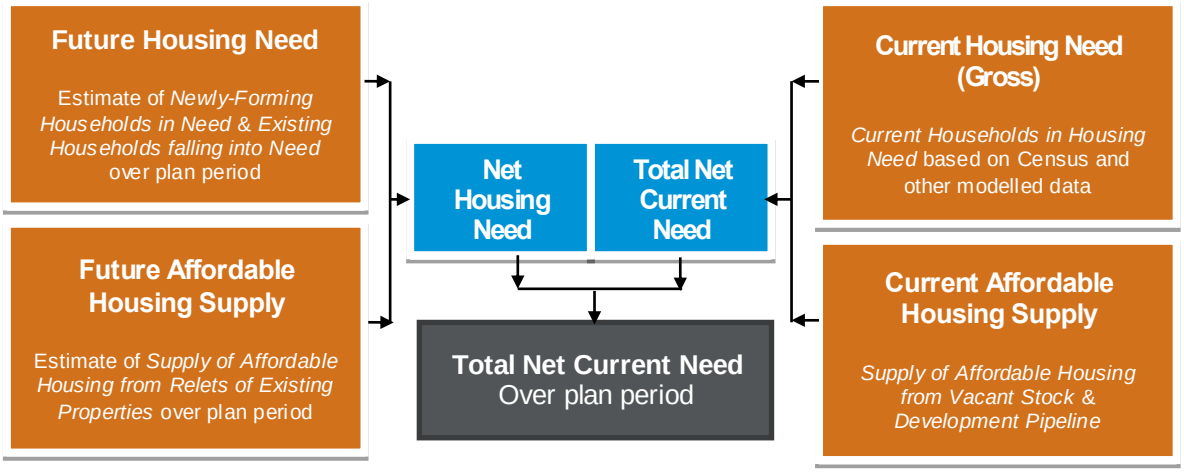
- Levels of overcrowded, concealed and shared households have increased between 2001-11 in all parts of the HMA – with the evidence pointing to some real impacts, particularly for younger people – albeit that actual levels remain below wider benchmarks in Leicestershire (but higher in the City).

7 AFFORDABLE HOUSING NEED

7.1 In this section we discuss levels of affordable housing need in the HMA. Affordable housing need is defined in the NPPF as *'social rented, affordable rented and intermediate housing, provided to eligible households whose needs are not met by the market'*.[16]

7.2 The PPG sets out a model for assessing affordable housing need which is used herein.[17] This is summarised in Figure 47 below.

Figure 47: **Overview of Affordable Housing Needs Assessment Model**



7.3 The affordable housing needs model is based largely on housing market conditions (and particularly the relationship of housing costs and incomes) at a particular point in time – the time of the assessment – as well as the existing supply of affordable housing (through relets of current stock) which can be used to meet affordable housing need. Much of the data used (such as on incomes and housing costs) has a mid-2015 base data. However, for the purposes of consistency with the demographic projections, and to allow comparison with them, data is presented as per annum data for the period 2011-36.

7.4 The analysis of affordable housing need – consistent with advice in the PPG[18] – uses secondary data sources. It draws on a range of data including 2011 Census data, demographic projections, house prices/rents and income information.

[16] CLG (2012) *National Planning Policy Framework, Annex 2*

[17] This model largely replicates the model set out in previous SHMA guidance (of 2007). The 2007 guide contained more detail about specific aspects of the analysis and so is referred to in this section as appropriate.

[18] ID: 2a-014-20140306

7.5 The detailed step-by-step modelling of affordable housing need, the input data on entry level housing costs and modelling assumptions are outlined in Appendix 4.

7.6 Table 37 below shows our overall calculation of affordable housing need. This excludes supply arising from sites with planning permission (the 'development pipeline') and has been based on meeting affordable housing need over the 25-year period from 2011 to 2036 and 20-year period 2011-2031, to allow for a comparison with the demographic projections set out in the report. Whilst most of the data in the model are annual figures, the current need has been divided by 25 or 20 to make an equivalent annual figure.

7.7 As the table sets out the analysis calculates an overall need for affordable housing of 55,900 units over the 25-years to 2036 (2,238 per annum) across the HMA and 46,500 to 2031. The net need is calculated as follows:

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

Table 37: Estimated level of Affordable Housing Need– HMA

	Per annum (2011-2031)	Total 2011-2031	Per annum (2011-36)	Total 2011-36
Current need	422	8,433	337	8,433
Newly forming households	3,410	68,200	3,410	85,245
Existing households falling into need	1,862	37,240	1,862	46,540
Total Gross Need	5,693	113,873	5,609	140,218
Supply from existing stock	3,371	67,420	3,371	84,271
Net Need	2,322	46,453	2,238	55,947

Source: Census (2011)/CoRe/Projection Modelling and affordability analysis. (numbers may not add up due to rounding)

7.8 Table 38 below shows the annualised information for each local authority. The analysis shows a need for additional affordable housing in all areas. This increases slightly across the HMA when the need is examined across a shorter time period.

Table 38: Estimated level of Net Affordable Housing Need per annum – by HMA and local authority - (2011-36)

	Current need	Newly forming households	Existing households falling into need	Total Need	Supply from existing stock	Net Need
Leicester	207	1,330	971	2,508	1,774	734
Blaby	19	321	113	452	184	268
Charnwood	33	576	240	848	464	384
Harborough	14	250	80	343	141	202
H&B	20	342	163	525	278	247
Melton	11	139	81	231	160	70
NWL	19	298	174	491	297	194
Oadby & Wigston	16	155	40	210	71	139
HMA	337	3,410	1,862	5,609	3,371	2,238

Source: 2011 Census/CoRe/Projection Modelling and affordability analysis (numbers may not add up due to rounding)

Table 39: Estimated level of Affordable Housing Need per annum – by HMA and local authority - (2011-31)

	Current need	Newly forming households	Existing households falling into need	Total Need	Supply from existing stock	Net Need
Leicester	259	1,330	971	2,560	1,774	786
Blaby	23	321	113	457	184	273
Charnwood	41	576	240	857	464	392
Harborough	18	250	80	347	141	206
H&B	24	342	163	530	278	251
Melton	14	139	81	234	160	73
NWL	24	298	174	496	297	199
Oadby & Wigston	19	155	40	214	71	143
HMA	422	3,410	1,862	5,693	3,371	2,322

Source: 2011 Census/CoRe/Projection Modelling and affordability analysis (numbers may not add up due to rounding)

Relating Affordable Need and OAN – Legal Judgements

7.9 The affordable housing analysis above clearly indicates a need for affordable housing across the HMA and in the individual local authorities. The PPG[19] sets out that:

> *"The total affordable housing need should 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*

[19] ID 2a-029-20140306

developments. An increase in the total housing figures included in the local plan should be considered where it could help deliver the required number of affordable homes."

7.10 There has however been some debate over the last few years regarding the response to affordable housing need, specifically whether affordable housing need is a component of the OAN or if it is a separate requirement. We have set out below the relevant legal decisions which deal with this specific issue.

Satnam Millennium Limited v Warrington Borough Council (February 2015)

7.11 In this case, a challenge to the adoption of the Warrington Local Plan Core Strategy succeeded, resulting in the quashing of the Plan's housing provision policies. With regard to affordable housing the judge found that the assessment of full, objectively assessed needs for housing had not taken account of the (substantial) need for affordable housing. The decision found that the proper exercise as described in the PPG had not been undertaken, concluding that the *'the Local Plan should then meet the OAN for affordable housing, subject only to the constraints referred to in the NPPF, paragraphs 14 and 47'*.

7.12 This case establishes that the OAN has to include an assessment of full affordable housing need.

Oadby and Wigston v Bloor Homes (July 2015)

7.13 Perhaps most relevant to this study was the challenge by Oadby and Wigston Borough Council to the granting of planning permission through a Section 78 inquiry. The key issue in front of the Judge was whether or not the original inspector's adoption of a figure of 147 dwellings per annum as the full objectively assessed need for housing (FOAN) was sound.

7.14 In essence the Council's position was that the need was in the range of 80-100 dwellings per annum and that this was a policy-off figure based on the most up-to-date population and household projections. The appellant suggested a need in the range of 147-161 based on long-term migration trends and the needs of the local economy (in terms of matching job growth and housing need).

7.15 The Judge's initial conclusion was that he considered the SHMA position (of 80-100 dwellings per annum) to be policy-on. He based this on a recognition that other analysis in the SHMA had indicated a need for 173 dpa to meet economic growth and a slightly lower figure (of 160 per annum) as the affordable housing need.

7.16 The uncertainty in this decision was whether or not the OAN must include all of the affordable housing need. Some of the wording of the judgment would suggest that this was the case with Justice Hickinbottom stating that the assessment of need *'becomes policy on as soon as the Council takes a course of not providing sufficient affordable housing to satisfy the FOAN'*.

7.17 This case has subsequently been considered by the Court of Appeal which considers in particular whether in the context of a s.78 appeal it was appropriate to focus on the local planning authority, rather than the housing market area. It found this in this context to be appropriate. The Court of Appeal dismissed the Council's appeal against the High Court decision.

7.18 The conclusions in the Oadby & Wigston BC v Bloor Homes regarding housing have however subsequently been considered in a further case in Kings Lynn (below) where Justice Dove "*respectfully disagree(d)"* with Judge Hickinbottom in respect of the treatment of affordable housing need.

Kings Lynn v Elm Park Holdings (July 2015)

7.19 The final case of reference is Kings Lynn and West Norfolk Council vs. SSCLG and Elm Park Holdings. The case involved the Council's challenge to an inspector's granting of permission for 40 dwellings in a village. Although much of the case was about the approach to take with regards to vacant and second homes, the issue of affordable housing was also a key part of the final judgment.

7.20 Focussing on affordable housing, Justice Dove considered the "ingredients" involved in making a FOAN and noted that the FOAN is the product of the Strategic Housing Market Assessment (SHMA) required by paragraph 159 of the NPPF. It is noted that the SHMA must identify the scale and mix of housing to meet household and population projections, taking account of migration and demographic change, and then address the need for all housing types, including affordable homes.

7.21 He continued by noting that the scale and mix of housing is *'a statistical exercise involving a range of relevant data for which there is no one set methodology, but which will involve elements of judgement'*. Crucially, in paragraph 35 of the judgment he says that the

> *'Framework makes clear that these needs [affordable housing needs] should be addressed in determining the FOAN, but neither the Framework nor the PPG suggest that they have to be met in full when determining that FOAN. This is no doubt because in practice very often the calculation of unmet affordable housing need will produce a figure which the planning authority has little or no prospect of delivering in practice'. This is an important point, given the previous judgements in Satnam and Oadby and Wigston. And indeed in relation to Oadby and Wigston he notes that 'Insofar as Hickinbottom J in the case of Oadby and Wigston Borough Council v Secretary of State [2015] EWHC 1879 might be taken in paragraph 34(ii) of his judgment to be suggesting that in determining the FOAN, the total need for affordable housing must be met in full by its inclusion in the FOAN I would respectfully disagree. Such a suggestion is not warranted by the Framework or the PPG'.*

7.22 This clearly establishes that an assessment of affordable housing need should be carried out, but that the level of affordable need shown by analysis does not have to be met in full within the assessment of the FOAN. But should still be a material consideration *in determining the FOAN.*

7.23 It sets out that the PPG process should be followed and an increase in the OAN considered, concluding that:

> *"This consideration of an increase to help deliver the required number of affordable homes, rather than an instruction that the requirement be met in total, is consistent with the policy in paragraph 159 of the Framework requiring that the SHMA "addressed" these [affordable] needs in determining the FOAN. They should have an important influence increasing the derived FOAN since they are significant factor in providing for the needs within an area."*

7.24 The approach in Kings Lynn is also similar to that taken by the Inspector in the Cornwall Local Plan Examination. The Inspector's preliminary findings in June 2015 noted in paragraph 3.20 that *'National guidance requires consideration of an uplift; it does not automatically require a mechanistic increase in the overall housing requirement to achieve all affordable housing needs based on the proportions required from market sites.'* A number of similar conclusions have been drawn at other local plan examinations.

Housing Provision Needed to Meet Affordable Housing Need

7.25 As outlined above, the PPG sets out how it expects the affordable housing need to be considered as part of the plan-making process. It outlines in Paragraph 29 that:

> *"The total affordable housing need should 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 local plan should be considered where it could help deliver the required number of affordable homes."*

7.26 Calculating the 'probable percentage of affordable housing to be delivered by market housing-led developments' is not straightforward. It is influenced by policies (which can vary for different areas and sizes of development scheme), the mix of schemes of different sizes, and degree to which schemes are able to viably support policy-compliant levels of affordable housing provision. Some schemes will fall below policy thresholds (in particular sites of 10 units or less[20]) or have viability challenges.

7.27 In considering future affordable housing delivery through mixed tenure development schemes, the HEDNA has therefore made some broad-brush assumptions on future delivery, taking account of current policy requirements, for the purposes of considering whether an uplift to overall housing provision should be considered.[21] This should not be seen as determining policies for future affordable housing provision which will be influenced by residential development viability evidence. The resultant notional need to meet the affordable housing need in full is shown in Table 40 below.

[20] NPPG para 031 ref ID 23B/031/20160519

[21] The assumptions made on affordable housing delivery take account of current policy requirements, which can vary by area within individual local authorities. GL Hearn has sought to consider in these circumstances the potential distribution of development by area and how this might influence future delivery at a local-authority wide level. The assumptions on delivery are indicative only.

Table 40: Notional Housing Need to deliver the Affordable Housing Need (per annum, 2011-36)

	Demographic-led Housing Need pa	Net Need for Affordable Housing pa (AHN)	Potential Delivery (% Total Dwellings)	Notional Housing Provision Required to Deliver AHN
Leicester	1,516	734	20%	3670
Blaby	301	268	25%	1072
Charnwood	947	384	30%	1280
Harborough	447	202	31%	652
Hinckley & Bosworth	413	247	25%	988
Melton	134	70	25%	280
North West Leicestershire	378	194	27%	719
Oadby & Wigston	129	139	22%	632
HMA	4,265	2,238		9,293

7.28 For individual authorities, Table 40 indicates that an uplift in housing provision of between 35% in Charnwood and 46% in Harborough; through to 256% in Blaby and 390% in Oadby & Wigston would be required to meet the full affordable housing need. The evidence points to a particular need to increase delivery in the latter two authorities.

7.29 At an HMA level, to deliver the affordable housing need of 2,238 homes pa with an average delivery of affordable housing of 24% would require 9,293 homes per annum. This is over twice the need shown in the demographic analysis, and a level of provision which GL Hearn considers completely unrealistic and would not be deliverable. However the evidence clearly justifies consideration of upward adjustments to boost affordable housing delivery in all of the local authorities in the HMA.

7.30 In considering what adjustments should feasibly be applied to boost delivery of affordable housing in drawing conclusions on OAN for housing, there are a number of wider factors which warrant consideration.

7.31 Firstly it should be noted that there are additional mechanisms for delivery of affordable housing beyond provision through planning obligations on mixed-tenure development schemes. This includes:

- National Affordable Housing Programme – this is administered by the Homes and Communities Agency and provides funding to support Registered Providers in delivering new housing including on sites owned by RPs;
- Building Council Homes – following reform of the HRA funding system, Councils can bring forward affordable housing themselves.
- Empty Homes Programmes – where local authorities can bring properties back into use as affordable housing. These are existing properties, and thus represent a change in tenure within the current housing stock;
- Rural Exception Site Development – where the emphasis is on delivering affordable housing to meet local needs.

7.32 Funding for specialist forms of affordable housing, such as extra care provision, may also be available from other sources whilst other niche agents, such as Community Land Trusts, may deliver new affordable housing. Affordable housing can be met by changes in the ownership of existing housing stock, not just by new-build development.

7.33 The HMA authorities engage in a range of these activities, together with initiatives which seek to prevent households from falling into need. Details of the range of current active initiatives are included in Appendix 4.

7.34 Furthermore, in interpreting the relationship between affordable need and total housing provision, it is important to understand the basis of the affordable housing needs model. As set out, the calculation of affordable need involves *"adding together the current unmet housing need and the projected future housing need and then subtracting this from the current supply of affordable stock."* The affordable housing need does not therefore represent an assessment of what proportion of additional households might require affordable housing. Instead the model considers:

- What need can be expected to arise from both existing and newly-forming household who require financial support to access suitable housing;
- This is then compared with the projected supply of affordable housing expected to arise from the turnover of existing stock.

7.35 The affordable housing model thus includes supply-side factors. The net need figures derived are influenced by the current stock of affordable housing and turnover of this. This has been influenced by past policies and investment decisions (at both the national and local levels). Funding mechanisms for affordable housing have influenced past delivery, which in turn influence the need today.

7.36 The Private Rented Sector has in effect taken on an increasing role in providing housing for households who require financial support in meeting their housing needs, supported by Local

Housing Allowance. Whilst the Private Rented Sector (PRS) does not fall within the definition of "affordable housing," it has evidently 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.

7.37 It is also worth reflecting on the NPPF (Annex 2) definition of affordable housing. This says: *'Affordable housing: Social rented, affordable rented and intermediate housing, provided to eligible households whose needs are not met by the market'* [emphasis added]. Clearly where a household is able to access suitable housing in the private rented sector (with or without Local Housing Allowance/ Housing Benefit) it is the case that these needs are being met by the market (as within the NPPF definition). This does not mean that such households do not have a 'need' but it reflects the solutions potentially available. As such the role played by the private rented sector should be recognised – it is evidently part of the functioning of housing markets, but it does not form part of our affordable housing needs calculation and we place no reliance on the Private Rented Sector in drawing conclusions on the OAN.

7.38 Data from the Department of Work and Pensions (DWP) has been used to look at the number of LHA-supported private rented homes. As of May 2016 it is estimated that there were some 18,862 benefit claimants in the Private Rented Sector across the HMA. This serves to illustrate that there is some flexibility within the wider housing market.

7.39 However, national planning policy does not specifically seek to meet the needs identified through the Basic Needs Assessment Model through the Private Rented Sector and this is reflected in our calculations. Government's benefit caps may reduce the contribution which this sector plays in providing a housing supply which meets the needs of households identified in the affordable housing needs model herein. In particular future growth in households living within the PRS and claiming LHA cannot be guaranteed.

7.40 Secondly, and perhaps more critically, it is important to recognise that the model includes needs arising from both new households and existing households. Part of the needs included are from households who might require an additional home, such as:

- Newly-forming households;
- Those in temporary accommodation;
- Concealed households; and
- Homeless households.

7.41 However, the figures also include needs arising from households who will require a different form of home, but who – by moving to another property – would release an existing property for another

household. These households do not necessarily generate a need for more dwellings overall (subject to there being housing within the existing dwelling stock that is sufficient to meet their housing requirements). They include households who need to move as they are:

- Overcrowded;
- Coming to the end of a tenancy;
- Living in unsuitable housing; and
- Cannot afford to remain in their current home.

7.42 Such households do not necessarily generate a net need for additional homes, as by moving they would release a home for other households. On this basis, these elements of the affordable housing need are not directly relevant to considering overall housing need and housing targets (which are typically measured in terms of net dwellings).

7.43 In considering the overall need for housing, only those who are concealed or homeless would be likely to result in an additional need for housing overall. The numbers of newly-forming households in the modelling are established specifically from the demographic projections (therefore any suggestion that the needs of these households result in an additional need for housing over and above demographic projections would introduce double counting). However, GL Hearn recognise that increasing delivery of affordable housing will nonetheless support provision of suitable housing for different households in need.

7.44 The HEDNA has considered the market signals and affordable housing evidence together, recognising the inter-relationships between housing affordability and affordable housing need (with housing costs, overcrowding and concealed households for instance being an input to the calculation of the affordable housing need); and recognition that increasing market housing delivery which improves affordability would impact (and reduce) the scale of affordable housing need.

7.45 The analysis identifies these issues to a greater or lesser extent across the HMA; and concludes that an upward adjustment is warranted relative to the demographic need in all authorities in the HMA in order to improve affordability. The extent of the upward adjustment which might be appropriate to boost delivery of market and affordable housing in drawing conclusions on the OAN is set out in Section 12.

Affordable Housing Mix

Need for Different Types of Affordable Housing

7.46 The report next estimates the proportion of affordable housing need that should be met through provision of different housing products. We use the income information presented earlier in this chapter to estimate the proportion of households who are likely to be able to afford intermediate

housing and the number for whom only social or affordable rented housing will be affordable. There are three main types of affordable housing that can be studied in this analysis:

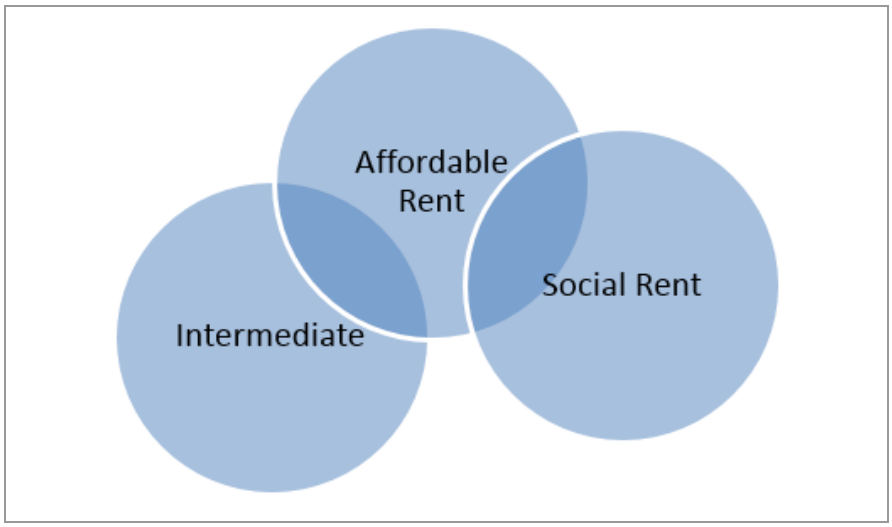
- Intermediate
- Affordable rent
- Social rent

7.47 Whilst the process of separating households into different income bands for analytical purposes is quite straightforward, this does not necessarily tell us what sort of affordable housing they might be able to afford or occupy. For example, a household with an income close to being able to afford market housing might be able to afford intermediate or affordable rent but may be prevented from accessing certain intermediate products (such as shared ownership) as they have an insufficient savings to cover a deposit. Such a household might therefore be allocated to affordable rented or intermediate rented housing as the most suitable solution.

7.48 The distinction between social and affordable rented housing is also complex. Whilst rents for affordable rented housing would be expected to be higher than social rents, this does not necessarily mean that such a product would be reserved for households with a higher income. In reality, as long as the rent to be paid falls at or below LHA limits then it will be accessible to a range of households (many of whom will need to claim housing benefit). Local authorities' tenancy strategies might set policies regarding the types of households which might be allocated affordable rented homes; and many authorities will seek to avoid where possible households having to claim higher levels of housing benefit. This however needs to be set against other factors, including viability and the availability of grant funding. Over the spending period to 2021, grant funding is primarily available to support delivery of shared ownership. A significant level of affordable housing delivery is however through developer contributions (Section 106 Agreements).

7.49 For these reasons it is difficult to precisely identify what proportion of additional affordable homes should be provided through different affordable tenure categories. In effect there is a degree of overlap between different affordable housing tenures, as Figure 48 below shows.

Figure 48: **Overlap between Affordable Housing Tenures**



7.50 Given this overlap and in line with the affordable rent definition, for analytical purposes we have defined the following categories:

- Households who can afford 80% or more of market rent levels ;
- Households who would potentially be able to afford more than existing social rent levels but could not afford 80% of market rents;
- Households who can afford no more than existing social rent levels (or would require housing benefit or an increased level of housing benefit to do so).

7.51 The first of these categories would include equity-based intermediate products such as shared ownership and shared equity homes. Both affordable rented and social rented housing is likely to be targeted at the same group of households, many of whom will be claiming Housing Benefit. For this reason, the last two categories are considered together for the purposes of drawing conclusions.

7.52 Detailed information on households' savings is not readily available. For the purposes of the analysis of affordability it has been assumed that all households with an income which would allow them to afford 80% or more of market rents would represent the potential market for equity-based intermediate products such as shared ownership and shared equity homes with the remainder needing a rented product. This does not factor in savings, debts, deposits etc. as no robust data or information regarding this is available.

7.53 The table below sets out the assumed income level required to acquire an intermediate home. It is not possible to provide an indication of what percentage of purchase and rent is assumed to enable a property to be genuinely affordable as this will largely depend on the cost of the individual property.

Table 41: Income required to Access Intermediate Properties

	Required Income
Leicester	£16,800
Blaby	£22,232
Charnwood	£18,114
Harborough	£22,232
Hinckley & Bosworth	£19,636
Melton	£20,304
NWL	£20,828
Oadby & Wigston	£20,958

Source: Affordable Housing Needs Analysis

7.54 When working the above assumptions through the affordability models developed in the affordable needs analysis, it is estimated that around a fifth of households in need would be able to afford a product priced at 80% of the market cost.

Table 42: Gross need for Intermediate and affordable/social rented housing

Component of need (all households per annum)	Intermediate housing	Social/Affordable rented	Total
Current need	63	275	337
Newly forming households	809	2,601	3,410
Existing households falling into need	262	1,599	1,862
Total	1,134	4,475	5,609
Percentage of total	20%	80%	100%

Source: Affordable Housing Needs Analysis

7.55 However, the figures in Table 43 above should not be directly taken to be the proportion of housing that should be provided as intermediate. There are two factors which need to be considered and these are described below:

- Savings and or access to a deposit – as noted, there is no information about household savings and their ability to afford an equity-based intermediate product. In reality, many households with a modest income may not be able to afford intermediate housing due to this factor. For this reason, the figures presented in the table above are arguably too high;
- Supply of intermediate housing – however, the current supply of affordable housing also needs to be considered. As previous analysis has shown, the vast majority of the affordable housing stock and relets is in the social/affordable rented category with only a modest supply of intermediate housing. Therefore, it is arguable that a higher proportion of intermediate housing would be needed due to this imbalance.

7.56 As can be seen these two factors suggest that the need is either higher or lower than presented in Table 42 above. Given this, it is suggested that a prudent response would be to consider the figures in the table as being broadly reflective of the need for intermediate products. Given the range of figures the following is suggested as a reasonable tenure mix for affordable housing across the HMA:

- 20% - intermediate housing
- 80% - social and affordable rented housing

7.57 Table 43 below shows a summary of the same information for each local authority. This shows relatively little difference between location, with all areas suggesting that around a fifth of housing should be intermediate and the remaining 80% some form of rented product.

Table 43: Gross need for Intermediate and affordable/social rented housing – by local authority

	Intermediate housing	Social/Affordable rented
Leicester	19%	81%
Blaby	20%	80%
Charnwood	23%	77%
Harborough	23%	77%
Hinckley & Bosworth	21%	79%
Melton	20%	80%
NWL	20%	80%
Oadby & Wigston	21%	79%
HMA	20%	80%

Source: Affordable Housing Needs Analysis

7.58 In determining policies for affordable housing provision on individual sites, the analysis in Table 43 above should be brought together with other local evidence such as that from the Housing Register. Consideration could also be given to areas with high concentrations of social rented housing where additional intermediate housing might be desirable to improve the housing mix and to create 'housing pathways'.

Housing and Planning Act

7.59 The Housing and Planning Act achieved royal assent in May 2016. The Act sets out a number of government initiatives which are likely to directly influence the supply and demand for housing and affordable housing. This includes a statutory requirement for local authorities to promote the supply of "starter homes" in England. Starter homes will also fall under the definition of an affordable home. The impact of starter homes is considered in more detail in the following section.

7.60 Other proposed changes to the NPPF[22] include widening the definition of affordable homes to include "a fuller range of products that can support people to access home ownership. This would include products that are analogous to low cost market housing or intermediate rent, such as discount market sales or innovative rent to buy housing." It was also suggested that some of these housing typologies will be no longer subject to "in perpetuity" restrictions to remain "affordable".

[22] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/488276/151207_Consultation_document.pdf

7.61 There have also been a number of other initiatives which may impact on the supply and demand for general and affordable homes. These include:

- **A requirement for social rents to be reduced by 1% for four years from April 2016.** The likely impact of this will be to reduce income for both the local authorities (which have housing stock) and housing associations. This in turn may reduce the LA or RP reinvestment funding and may subsequently reduce the development of new affordable homes or the affordable housing mix within them. The government have exempted supported housing schemes from the rent decrease for one year to allow more time for an impact analysis to be undertaken.

- **The extension of the Right to Buy to RP tenants**. Although voluntary this could reduce affordable housing stock and reduce thus the number of re-lets. Research by Joseph Rowntree Foundation[23] predicts that nationally 8.3% of housing association tenants will be eligible for and could afford the RTB, and that 71% of those will purchase their home over the first five years.

- **Local authorities to sell high value social housing stock as it becomes vacant**. Whilst the detail of this legislation is to be confirmed, it is likely that Councils will be required to either sell off high value stock or pay an equivalent tariff to government. This will be used to fund the discount on housing association right to buy properties. The JRF report estimates that social rented re-lets could reduce by 22% through a combined impact of the extension of the right to buy to housing associations and the sale of high value local authority housing stock.

- **Increasing rent to market rates for social housing tenants earning over £31,000**. This "pay to stay" initiative will ensure those who can afford to pay market rates will do so. However, it may mean that people are more likely to exercise their right to buy thus reducing the stock level of affordable housing.

- **Capping social housing rents at Local Housing Allowance.** For some Registered Providers this will limit their income to a multiple of the Local Housing Allowance. In the long term likely to influence the type of homes they build with more, smaller homes being likely. The proposal will see any single claimants under 35 only being eligible for the LHA Shared Accommodation Rate which at present is much lower than the LHA for one bedroom flats. This could result in reduced demand for RP properties with a shift toward the PRS.

- **The introduction of 3% higher stamp duty on buy to let properties and second homes.** This may result in the number of Buy-to-let landlords through sales of their existing properties and new landlords seeing it as unviable. The Bank of England expressed their concerns that the proliferation of Buy-to-let landlords could result in a housing crash if they flood the market with their unwanted property. While the introduction of the new rules may not result in a flood of sales it may well reduce the supply of PRS properties.

7.62 It is too early to fully quantify the impact these changes will have on the supply and demand for affordable homes, but this will be important to monitor.

[23] Understanding the likely poverty impacts of the extension of Right to buy on housing association tenants. JRF 21st November 2015.

Key Points

- An assessment of affordable housing need has been undertaken which is compliant with Government guidance to identify whether there is a shortfall or surplus of affordable housing in Leicester and Leicestershire. Overall, in the period from 2011 to 2036 a net need for 2,238 affordable homes per annum is identified (or 2,322 affordable homes per annum for the 2011 to 2031 period). This provides a clear justification for seeking to secure additional affordable housing in new development schemes.

- The scale of affordable housing need is significant. If an average of 24% of new homes were delivered as affordable housing, provision of 9,293 homes per annum would be required. This is completely unrealistic and would not be deliverable. However the evidence clearly justifies consideration of upwards adjustments to boost affordable housing delivery in all of the local authorities in the HMA.

- Affordable housing need as a component of the overall need for housing has to be properly understood. It is important to bear in mind that the affordable housing needs model includes existing households who require a different size or tenure of accommodation rather than new accommodation per se. Additionally, the modelling includes newly forming households, who are already part of the demographic projections (i.e. they are already included within the need).

- The analysis undertaken identifies that around 20% of housing should be of an intermediate tenure (e.g. shared ownership) and the remainder being social or affordable rented housing. The analysis identified a particular need for social rented housing; although it is recognised that with the inclusion of housing benefit, many of these households would potentially be able to access an affordable rented product.

- A number of proposals were introduced in the Housing and Planning Act which may impact on the future supply of and demand for affordable housing. The impact of these proposals should be monitored by the local authorities.

The Role of Starter Homes

7.63 The Housing and Planning Act 2016 introduces a statutory requirement for local authorities to promote the supply of Starter Homes in England. Starter Homes are defined as:

- a new dwelling;
- available for purchase by qualifying first-time buyers only;
    - First Time Buyer, aged 23 or over and under 40,
- is to be sold at a discount of at least 20% of the market value;
- is to be sold for less than the price cap;
    - £250,000 outside London, and
- is subject to any restrictions on sale or letting specified in regulations made by the Secretary of State.

7.64 The Act includes powers to allow the Secretary of State to make regulations which prevent the granting of planning permission unless a minimum number of Starter Homes are included (or a financial contribution paid). In March 2016, the Government published its proposed approach to the Starter Homes regulations, however these as yet have not been finalised.

7.65 The 'need' for Starter Homes has been considered using a methodology which is similar for that for affordable housing need. The detailed modelling is set out in Appendices 5 and 6.

7.66 The evidence shows that between 2001-11 the number of households under 35 who were home owners fell by 16,450 (-39%), whilst those living in the private rented sector increased by 14,300 across the HMA. If tenure patterns had stayed constant, there would have been around 16,300 more homeowners under 40. There is evidently a potential market from 'would-be' home owners for Starter Homes. In addition, year-on-year an additional 5,779 households are expected to form of which 1,077 could potentially be interested in a Starter Home product.

7.67 The analysis indicates that on average across the HMA, a household would require a gross income of around £31,500 to be able to afford a Starter Home with a 20% discount, 10% deposit and 4 times income mortgage multiple. The basis of this is set out below.

Table 44: Income Required to Purchase Starter Home – HMA

Open Market Value	£175,000
With discount	£140,000
Minus deposit (amount of mortgage)	£126,000
Income required	£31,500

Source: Derived from Land Registry data

7.68 This is above the income of £16,800 - £22,800 which the affordable housing modelling indicates is a threshold for access to Private Rented Accommodation, indicating that Starter Homes would not

constitute an affordable housing product as currently defined, but would potentially increase volumes support younger households into home ownership.

7.69 Comparing the likely level of income required to access a Starter Home against modelled estimates of the income distribution for households aged between 23-40 indicates that about 20% of households aged 23-24 would be expected to be able to afford a Starter Home; with this figure rising to 45% when considering the 35-39 age group. This would suggest that only the best off minority of households age under 40 will be able to afford Starter Homes in the HMA. The analysis has been based on a 20% discount to Open Market Value (OMV). A higher discount on OMV might make Starter Homes more affordable; but would likely impact on development viability, and thus potentially reduce the level of social/ affordable rented provision that could be delivered through residential development schemes for which a clear need is identified.

Table 45: Affordability of Starter Homes by Age Band

Age group	% able to afford Starter Home
23-24	20.2%
25-29	32.9%
30-34	41.1%
35-39	44.9%

7.70 These figures essentially include anyone with an income above the thresholds derived and analysis based on these figures should be considered as indicative; for example, some of the higher earners in this category would have the choice between Starter Homes and other owner-occupied products and may not choose the discounted new build option.

7.71 The analysis indicates an estimated current need from 6,129 households. Annualised, this represents 292 homes per annum over the period to 2036 and 383 over the shorter period to 2031. In addition it shows a potential need for around 362 Starter Homes each year arising from newly-forming households. The resultant overall need is shown below. The 2015-2020 figure is set out to align with the Government's strategy to build 2,000,000 starter homes by 2020.

Table 46: Total Need for Starter Homes – HMA

Time Period	Current need (pa)	Future need (pa)	Total need (pa)
2015-36	292	362	654
2015-31	383	362	745
2015-20	1,226	362	1,588

7.72 On balance, this analysis would suggest that there is likely to be sufficient demand for 20% of all housing to be provided as Starter Homes (particularly over the short term) although issues about the affordability of such a product remain. The need in individual local authorities is shown in Table 47 below.

Table 47: Total annual need for Starter Homes by Local Authority

	2015-2031	2015-36	2015-20
Leicester	294	253	668
Blaby	79	71	154
Charnwood	96	84	210
Harborough	60	54	118
Hinckley & Bosworth	83	74	167
Melton	38	33	77
North West Leicestershire	62	55	128
Oadby & Wigston	33	29	66
HMA	745	654	1,588

7.73 Local Planning Authorities in England are under a general duty to promote the supply of such accommodation (although in the absence of regulations, it is unclear exactly what form of housing this might take). Depending on future guidance/ regulations from Government, there may be policy choices regarding how different forms of affordable housing (and starter homes) are prioritised, taking account of both need and viability evidence.

Key Points

- Analysis of the 'need' for Starter Homes from both current and newly forming households identifies a potential need for 654 homes to be provided each year to 2036 and 745 to 2031. This figure represents about 15% of the total demographic need for housing across the HMA identified by the analysis (a need for 4, 265 dwellings each year based on 10-year migration trends). This proportion could increase (to 36%) if the current 'need' is assessed over a shorter time frame.

- Evidently not all households who could potentially afford a Starter Home will choose to buy one – some may choose to continue renting whilst others may choose to purchase properties within the second hand market. It seems likely that in a number of instances there will be properties available at a comparable price in the second hand market to levels at a 20% discount to new-build values. Including a cap on income levels in modelling would reduce the potential need for Starter Homes.

- Additionally, it should be noted that the need for Starter Homes derived in this assessment should not be seen as a need for additional homes over and above the numbers suggested in the main analysis of objectively assessed need. As can clearly be seen from the analysis, the provision of Starter Homes will enable some households in the private rented sector to move into owner-occupation. In doing so a dwelling would be released for use by another household and hence there is no net additional need for housing as a result of including Starter Homes within the mix of housing to be delivered.

- Overall, it is concluded that a 'target' for up to 20% of new homes to be Starter Homes is realistic and that these should be provided at a 20% discount to OMV. Questions do remain about the extent to which such housing is genuinely affordable as the income levels required to access such housing are above those typically required to access market housing as currently available (in the private rented sector). If there is flexibility of the proportion of homes to be provided as Starter Homes, then the Councils will need to consider the balance between Starter Homes and other forms of affordable housing carefully (particularly noting that those able to afford a Starter Home will already be able to afford market housing within the private rented sector).

8 SIZES OF HOMES NEEDED

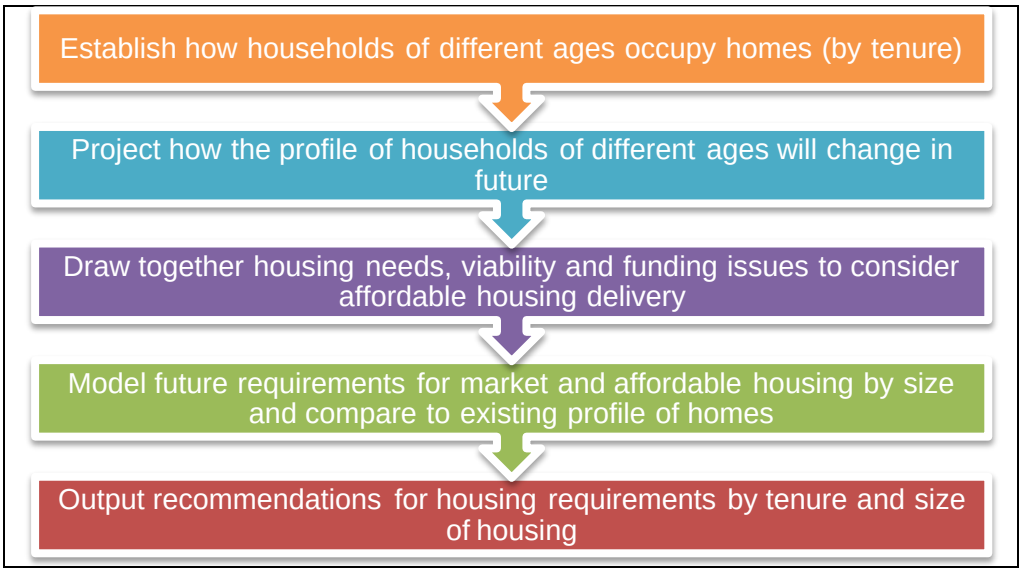
8.1 There are a range of factors which influence housing demand; these factors play out at different spatial scales and influence both the level of housing demand (in terms of aggregate household growth) and the nature of demand for different types, tenures and sizes of homes. It is important to understand that the housing market is influenced by macro-economic factors, as well as the housing market conditions at a regional and local level.

8.2 The analysis in this section seeks to use the information available about the size and structure of the population and household structures; and consider what impact this may have on the sizes of housing required in the future. This projection indicates household growth of about 100,000 across the HMA between 2011 and 2036 and 82,000 in the shorter period to 2031. The analysis assumes population and household growth in line with the "starting point" demographic projection linked to the 2014-based household projections with an adjustment for MYE data (2014-based SNPP (+MYE). Whilst this projection will not necessarily be translated into policy nor is it the OAN, but it has been used to indicate the likely need for different sizes of homes moving forward. Were a projection with a different housing figure used (such as the OAN) then the outputs would be expected to be broadly similar.

Methodology

8.3 Figure 49 below describes the broad methodology employed in the housing market model which is used to consider the need for different sizes of market and affordable homes. Data is drawn from a range of sources including the 2011 Census and demographic projections.

Figure 49: **Stages in the Housing Market Model**



Understanding How Households Occupy Homes

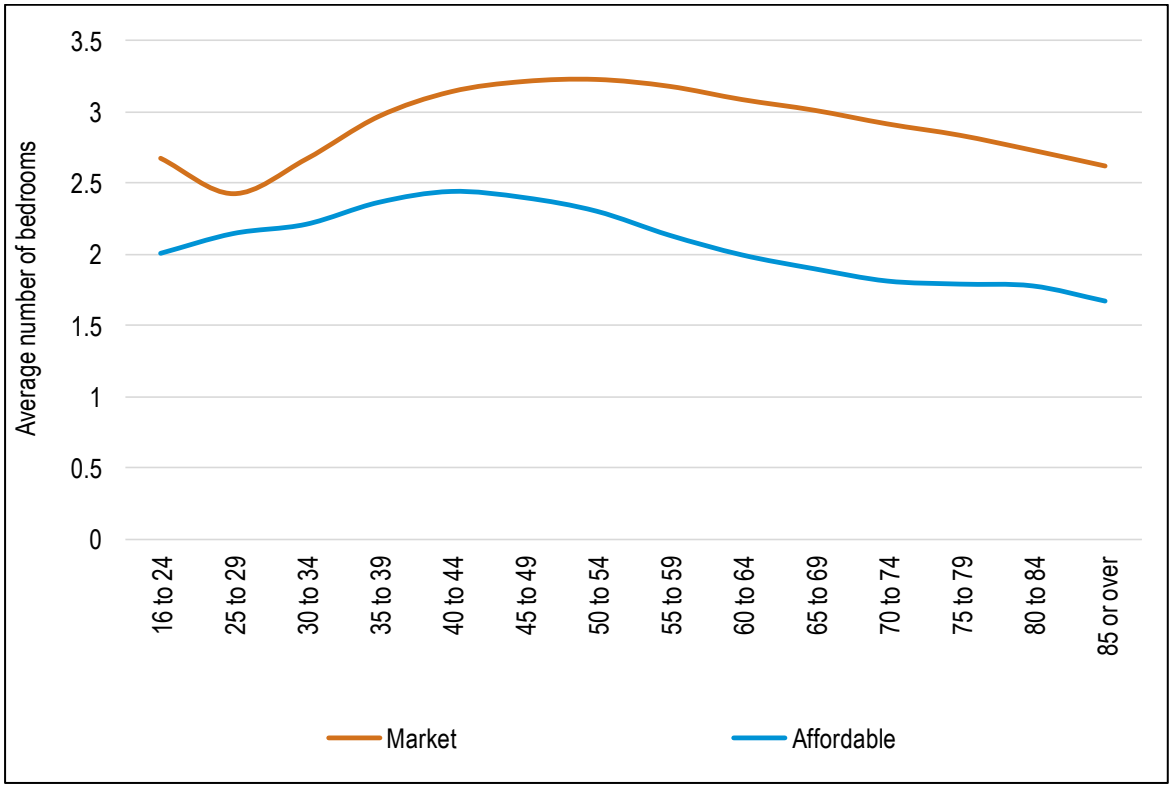
8.4 Whilst the demographic projections provide a good indication of how the population and household structure will develop, it is not a simple task to convert the net increase in the number of households into a suggested profile for additional housing to be provided. The main reason for this is that 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 demanded (rather than needed) or that need to be provided. The size of housing which households occupy in the market sector in particular relates more to their wealth and age than the number of people which they contain. This issue is less relevant in the affordable sector (particularly since the introduction of the social sector size criteria) 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 continue to under-occupy their current homes.

8.5 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).

8.6 Figure 50 below shows an estimate of how the average number of bedrooms varies by different ages of HRP and broad tenure group. In the market sector the average size of accommodation rises over time to typically reach a peak around the age of 50. In the affordable sector this peak appears earlier. After this peak the average dwelling size decreases – as typically some households

downsize as they get older. It is also notable that the average size for affordable housing dwellings is lower than that for market housing for all age groups.

Figure 50: **Average Bedrooms by Age and Tenure – HMA**



Source: Derived from ONS Commissioned Table CT0621

Establishing a Baseline Position

8.7 As of 2011 it is estimated that there were 390,900 households in the HMA. Analysis of Census data linked to the demographic baseline provides an estimate of the profile of the housing stock in 2011, as shown in Table 48 below. This shows that an estimated 15% of households live in affordable housing with 85% being in the market sector (including shared ownership due to the way ONS provide this data). The size of the affordable sector has been fixed by reference to an estimate of the number of occupied social rented homes in the 2011 Census. The data also suggests that homes in the market sector are generally have more bedrooms than in the affordable sector with 71% having three or more bedrooms compared to 37% for affordable housing.

8.8 These figures are for households rather than dwellings as information about the sizes of vacant homes across the whole stock (i.e. market and affordable) is not readily available. For the purposes of analysis this will not make any notable difference to the outcomes. The Local authority level data is set out in Appendix 7.

Table 48: Estimated Profile of Dwellings in 2011 by Size and Tenure – HMA

Size of housing	Market		Affordable		Total	
	Number	%	Number	%	Number	%
1 bedroom	17,512	5.3%	19,049	32.1%	36,561	9.4%
2 bedrooms	77,136	23.3%	18,066	30.5%	95,202	24.4%
3 bedrooms	157,040	47.4%	19,749	33.3%	176,789	45.2%
4+ bedrooms	79,939	24.1%	2,419	4.1%	82,358	21.1%
Total	331,627	100.0%	59,283	100.0%	390,910	100.0%
% in tenure	84.8%		15.2%		100.0%	

Source: Derived from 2011 Census

Tenure Assumptions

8.9 The housing market model has been used to estimate the future need for different sizes of property over the 25-year period from 2011 to 2036. The model works by looking at the types and sizes of accommodation occupied by different ages of residents, and attaching projected changes in the population to this to project need and demand for different sizes of homes. However, the way households of different ages occupy homes differs between the market and affordable sectors (as shown earlier). Thus it is necessary to consider what the mix of future housing will be in the market and affordable sectors.

8.10 It is necessary on this basis to make some judgement for modelling purposes on what proportion of net completions might be of market and affordable housing. For the purposes of considering the mix of different sizes of homes, the analysis makes an assumption for modelling purposes only that on average around 25% of homes will be delivered as affordable housing. This should not be misinterpreted as either a policy target or estimate of likely delivery of affordable housing for individual local authorities: it is a broad-brush assumption for modelling purposes only.

8.11 The analysis of affordable housing need by size and tenure provides the Council's with a series of choices. The analysis clearly identifies a need for affordable housing based on the current NPPF definition, as well as a potential role for Starter Homes (although it is recognised that this may not meet affordable 'needs' as currently defined). The analysis also identifies a particular need for social rented affordable housing.

8.12 The delivery of affordable housing will be limited by the finance available to provide such housing and residential development viability. These factors will need to be balanced against the need for different types of affordable accommodation. For example, the analysis clearly shows the majority of affordable housing need to be for social rented homes, however, such accommodation is typically less viable than say affordable rented housing or shared ownership – therefore fewer social rented homes would be provided than homes of other tenures within any given development.

In determining policies for affordable housing mix, the needs analysis herein therefore needs to be brought together with viability testing evidence.

8.13 Furthermore in understanding the need for different affordable housing products it must be understood that there are significant overlaps between the demand for different types of property. For example the market for Starter Homes will significantly overlap with that for lower cost market homes and intermediate products. Starter Homes may not meet the current NPPF definitions of affordable housing, however all planning authorities in England are under a general duty to promote the supply of such accommodation (although in the absence of regulations, it is unclear exactly what form of housing this might take). There will have to be therefore policy choices regarding the provision of Starter Homes. In making these choices consideration of issues such as the discount on OMV should be given.

8.14 There are also further considerations when looking at the tenure mix of affordable homes in developing policy. This includes the cost to the public purse of Housing Benefit, and also the extent to which households might get caught in a benefit trap if rent levels are too high (which could act as a disincentive to seek employment).

8.15 Differences in the pricing and availability of housing in rural areas will also be a consideration when deciding what mix of housing is most appropriate (e.g. rural housing is more expensive, and these areas typically have a lower proportion of social rented homes currently).

8.16 Overall, whilst the HEDNA provides an evidence base about the need for affordable housing and the different types of housing to meet this need. Local authorities will need to recognise that there are a series of choices to be made with regard to the provision of new homes; essentially a trade-off between the affordability of accommodation, provision of infrastructure and the number and type of homes that can viably be provided.

Key Findings: Market Housing

8.17 On the basis of the modelling assumptions, an increase of 75,100 additional households is modelled for the 2011-36 period and 61,600 for the 2011-31 period. The majority of these need two- and three-bed homes. The data suggests that housing need can be expected to reinforce around the existing profile with small changes. This includes a slight shift towards a requirement for more, smaller dwellings relative to the distribution of existing housing (particularly a greater need for 2-bedroom homes). This is understandable given the fact that household sizes are expected to fall slightly in the future – particularly as a result of a growing older population living in smaller households. This typically also sees demand for step-free homes although we have not reviewed need by housing type.

Table 49: Estimated Size of Dwellings Needed 2011 to 2036 – Market Housing – HMA

Size	2011	2036	Additional households 2011-2036	% of additional households
1 bedroom	17,512	21,855	4,343	5.8%
2 bedrooms	77,136	99,275	22,140	29.5%
3 bedrooms	157,040	194,694	37,653	50.1%
4+ bedrooms	79,939	90,890	10,951	14.6%
Total	331,627	406,715	75,088	100.0%

Source: Housing Market Model

Table 50: Estimated Size of Dwellings Needed 2011 to 2031 – Market Housing – HMA

Size	2011	2031	Additional households 2011-2036	% of additional households
1 bedroom	17,512	20,953	3,441	5.6%
2 bedrooms	77,136	95,175	18,039	29.3%
3 bedrooms	157,040	188,254	31,214	50.6%
4+ bedrooms	79,939	88,907	8,968	14.5%
Total	331,627	393,289	61,662	100.0%

Source: Housing Market Model

8.18 The statistics are based upon the modelling of demographic trends. As has been identified, it should be recognised that a range of factors including affordability pressures and market signals will continue to be important in understanding market demand. This may include an increased demand in the private rented sector for rooms in a shared house due to changes in housing benefit for single people. In determining policies for housing mix, policy aspirations are also relevant.

8.19 At the strategic level, a local authority in considering which sites to allocate, can consider what type of development would likely be delivered on these sites. It can also provide guidance on housing mix implicitly through policies on development densities.

Key Findings: Affordable Housing

8.20 Table 51 below shows estimates of the need for different sizes of affordable homes based on the analysis of demographic trends. The data suggests in the period between 2011 and 2036 that the main need is for homes with one- or two-bedrooms across the HMA with a need for just over a quarter of homes to be larger, three or more bedroom dwellings.

8.21 This analysis provides a longer-term view of the need for different sizes of affordable housing and does not reflect any specific priorities such as for family households in need rather than single people. In addition, it should be noted that smaller properties (i.e. one bedroom homes) typically offer limited flexibility in accommodating the changing needs of households, whilst delivery of larger

properties can help to meet the needs of households in high priority and to manage the housing stock by releasing supply of smaller properties. That said, there may in the short-term be an increased requirement for smaller homes as a result of welfare reforms limiting the amount of housing benefit being paid to some working-age households.

Table 51: Estimated Size of Dwellings Needed 2011 to 2036 – Affordable Housing – HMA

Size	2011	2036	Additional households 2011-2036	% of additional households
1 bedroom	19,049	29,935	10,886	43.5%
2 bedrooms	18,066	25,230	7,164	28.6%
3 bedrooms	19,749	26,080	6,331	25.3%
4+ bedrooms	2,419	3,068	649	2.6%
Total	59,283	84,312	25,029	100.0%

Source: Housing Market Model

Table 52: Estimated Size of Dwellings Needed 2011 to 2031 – Affordable Housing – HMA

Size	2011	2031	Additional households 2011-2036	% of additional households
1 bedroom	19,049	27,890	8,841	43.0%
2 bedrooms	18,066	23,992	5,926	28.8%
3 bedrooms	19,749	24,992	5,243	25.5%
4+ bedrooms	2,419	2,963	544	2.6%
Total	59,283	79,837	20,554	100.0%

Source: Housing Market Model

8.22 As with market housing, the data again shows that relative to the current profile there is a slight move towards a greater proportion of smaller homes being needed (again related to the ageing population and the observation that older person households are more likely to occupy smaller dwellings).

Intermediate Housing and Starter Homes

8.23 The analysis above has considered needs in each of the market and affordable sectors. In the affordable sector, the data is largely based on households within or projected to need rented accommodation (social/affordable rented housing). It is therefore useful to also consider what profile of dwellings might be appropriate in the intermediate sector; for the purposes of this analysis it is assumed that the size need for Starter Homes will be broadly the same as for Intermediate Housing (e.g. shared ownership products).

8.24 Unfortunately, similar data about occupancy patterns in the intermediate sector is not readily available and so it is not possible to undertake the same sort of analysis as for market and

affordable housing. In addition, with the intermediate sector in the HMA being relatively small (less than 1% of households were living in shared ownership accommodation as of the 2011 Census) it is difficult to provide robust local data.

8.25 Hence, in terms of the approach to looking at potential size requirements in the intermediate sector, an analysis has been carried out to look at the size of shared ownership homes sold over the past three years at a national level. It is assumed that the profile of sales will be broadly consistent with the need for such accommodation at a local level. This analysis draws on data from CoRe and shows that the majority of sales are of two-bedroom homes (over half) with virtually all of the remaining sales being of 1- and 3-bedroom homes. At a local level, there could be a different demand for intermediate housing in terms of the size profile; however the evidence base used in this report does not readily allow for smaller areas (i.e. local authorities) to be robustly analysed. When making decisions locally, Councils could however draw on other sources (such as the Orbit Homebuy database or in discussion with Registered Providers generally).

8.26 There will also be potential differences in demand between urban and more rural areas. The profile suggested in this report should therefore be seen as indicative, although it is considered to show a reasonable mix of dwelling sizes given the typical target group for intermediate housing (younger, smaller households).

Table 53: Profile of Shared Ownership Sales (England)

	2012/13	2013/14	2014/15	Average
1-bedroom	19.5%	17.0%	17.5%	18.0%
2-bedrooms	54.2%	52.5%	52.4%	53.0%
3-bedrooms	24.4%	28.4%	28.4%	27.0%
4+ bedrooms	2.0%	2.1%	1.7%	1.9%
TOTAL	100.0%	100.0%	100.0%	100.0%

Source: CoRe

Indicative Targets by Dwelling Size

8.27 Whilst the output of the modelling provides estimates of the proportion of homes of different sizes that are needed, there are a range of factors which should be taken into account in setting policies for provision. This is particularly the case in the affordable sector where there are typically issues around the demand for and turnover of one bedroom homes (as well as allocations to older person households) – e.g. one bedroom homes provide limited flexibility for households (e.g. a couple household expecting to start a family) and as a result can see relatively high levels of turnover – therefore, it may not be appropriate to provide as much one-bedroom stock as is suggested by the modelling exercise. At the other end of the scale, conclusions also need to consider that the stock of four-bedroom affordable housing is very limited and tends to have a very low turnover. As a

result, whilst the number of households coming forward for four or more bedroom homes is typically quite small the ability for these needs to be met is even more limited.

8.28 For these reasons it is suggested, in converting the long-term modelled outputs into a profile of housing to be provided (in the affordable sector), that the proportion of one bedroom homes required is reduced slightly from these outputs with a commensurate increase in four or more bedroom homes also being appropriate. This again relates to the turnover of larger stock or lack of.

8.29 There are thus a range of factors which are relevant in considering policies for the mix of affordable housing sought through development schemes. At a HMA-wide level, the analysis would support policies for the mix of affordable housing of:

- 1-bed properties: 35-40%
- 2-bed properties: 25-30%
- 3-bed properties: 25-30%
- 4-bed properties: 5-10%

8.30 The strategic conclusions recognise the role which delivery of larger family homes can play in releasing supply of smaller properties for other households; together with the limited flexibility which one-bed properties offer to changing household circumstances which feed through into higher turnover and management issues.

8.31 The need for affordable housing of different sizes will vary by area (at a more localised level) and over time. In considering the mix of homes to be provided within specific development schemes, therefore, the information herein should be brought together with details of households currently on the Housing Register in the local area and the stock and turnover of existing properties.

8.32 In the market sector a profile of housing that closely matches the outputs of the modelling is suggested. The recommendations take some account of the time period used for the modelling and the fact that the full impact of the ageing population will not be experienced in the short-term.

8.33 On the basis of these factors it is considered that the provision of market housing should be more explicitly focused on delivering smaller family housing for younger households. We have presented later in this chapter the mix at a local authority level however on the basis of the above the following mix of market housing is suggested for the HMA:

- 1-bed properties: 0-10%
- 2-bed properties: 25-35%
- 3-bed properties: 45-55%
- 4-bed properties: 10-20%

8.34 The figures are the output of modelling, which to some extent reflects the current profile of housing in each area. Across the HMA generally (and particularly outside of the City) there are very few one-bedroom homes in the market sector. It is therefore arguable that the lack of such homes plays out in the modelling. However, it is the case that contact with agents undertaken as part of this project did not highlight any particular need for market one-bedroom homes (two- and three-bedroom homes were most commonly cited as being the main need, particularly for local households). That said, there may be a demand for one-bedroom homes from an ageing population (the needs of older people is discussed later in this document) – however, in the market sector, our experience across the Country (where we have been specifically asked to look at older person's need) is that there is a clear preference for homes with at least one spare bedroom; this is mainly to allow relatives to stay, but also to allow the flexibility for a care-giver in older age.

8.35 On balance, it is not considered that the evidence supports any significant need for 1-bedroom homes in the market, however, there is a clear need for two-bedroom accommodation and this seems to be reflected in both the modelling undertaken and also our discussions with local agents.

8.36 The conclusions on the mix of market housing needed are strategic conclusions which could be used for monitoring purposes. Care should be taken in applying these prescriptively to individual development sites, where consideration should be given to the mix of housing locally, the setting of the site and character of the area, and local demand evidence. This recognises that logically there will be sites more suitable for development of different densities. Larger housing sites should be expected to provide market housing of a range of sizes.

Modelling Outputs at Local Authority Level

8.37 Tables 54 and 55 below show the outputs of the modelling for each local authority area (split between market and affordable housing) for the period 2011—2036. Although the period to 2031 shows only minimal modelled changes this does not impact on the suggested mix. The approach to this is the same as that set out above for the HMA but using local data. Leicester has a notably higher level of one-bedroom properties. This largely reflects the age structure in the City. In contrast, Harborough has notable requirement for large 4+ bedroom homes.

8.38 The focus in the market mix is on two and three bedroom properties. This is weighted to meet the need for younger families but also to allow for older persons occupying larger stock the opportunity to downsize.

Table 54: Local Authority Modelling Outputs – Market Housing

	1-bedroom	2-bedrooms	3-bedrooms	4+ bedrooms
Leicester	8%	24%	53%	15%
Blaby	3%	32%	57%	7%
Charnwood	5%	29%	47%	19%
Harborough	5%	33%	40%	21%
Hinckley & Bosworth	4%	39%	48%	9%
Melton	4%	32%	55%	9%
NWL	3%	35%	52%	10%
Oadby & Wigston	5%	37%	52%	7%
HMA	6%	29%	50%	15%

Source: Housing Market Model

8.39 The suggested mix of market housing is set out in Table 55 below. On the basis of the factors set out in the section relating to the HMA it is considered that the provision of market housing should be more explicitly focused on delivering smaller family housing for younger households.

Table 55: Suggested Mix– Market Housing

	1-bedroom	2-bedrooms	3-bedrooms	4+ bedrooms
Leicester	0-10%	20-30%	45-55%	10-20%
Blaby	0-10%	25-35%	50-60%	5-15%
Charnwood	0-10%	25-35%	45-55%	10-20%
Harborough	0-10%	25-35%	35-45%	15-25%
Hinckley & Bosworth	0-10%	35-45%	45-55%	5-15%
Melton	0-10%	25-35%	45-55%	5-15%
NWL	0-10%	30-40%	45-55%	10-20%
Oadby & Wigston	0-10%	30-40%	45-55%	5-15%

8.40 The affordable housing mix (in Table 56 below) shows a notably higher need for smaller one bedroom properties across the HMA but particularly in Blaby and Melton. This reflects the closer link between need and demand within the affordable housing stock. Conversely North West Leicestershire, Leicester and Charnwood have a higher requirement for 4-bed market properties reflecting the lack of turnover in this stock but also the larger household sizes in these areas. Similarly Harborough has a relatively high level of need for larger homes reflecting the existing stock.

8.41 The figures are based on the outputs of modelling and are specific to the demographic projection used to underpin the data. Generally, if a projection is used with a higher level of population and household growth, then the profile of dwellings needed will be skewed towards larger homes. This is because migration is particularly focussed on people of working-age (and their associated children). Hence, if an authority were to plan for a higher level of provision, then the profile of accommodation needed would change towards a need for more, larger homes (and vice versa if a lower level of provision is planned).

Table 56: Local Authority Modelling Outputs – Affordable Housing

	1-bedroom	2-bedrooms	3-bedrooms	4+ bedrooms
Leicester	42%	26%	28%	4%
Blaby	50%	36%	13%	1%
Charnwood	49%	21%	28%	3%
Harborough	43%	35%	21%	2%
Hinckley & Bosworth	36%	38%	24%	1%
Melton	51%	34%	14%	1%
NWL	36%	36%	26%	2%
Oadby & Wigston	44%	27%	28%	2%
HMA	43%	29%	25%	3%

Source: Housing Market Model

8.42 The suggested mix of affordable housing is set out in Table 57 below. This takes into account the strategic considerations described in drawing conclusions on the balance of provision at an HMA level.

Table 57: Suggested Mix– Affordable Housing

	1-bedroom	2-bedrooms	3-bedrooms	4+ bedrooms
Leicester	35-40%	25-30%	25-30%	5-10%
Blaby	45-50%	35-40%	10-15%	5-10%
Charnwood	40-45%	20-25%	25-30%	5-10%
Harborough	35-40%	30-35%	25-25%	5-10%
Hinckley & Bosworth	30-35%	35-40%	20-25%	5-10%
Melton	45-50%	30-35%	10-15%	5-10%
NWL	30-35%	35-40%	25-30%	5-10%
Oadby & Wigston	35-40%	25-30%	25-30%	5-10%

Source: Housing Market Model

8.43 The analysis also includes households downsizing, at the rate at which this currently occurs. Clearly if downsizing were to increase above current trends then the profile of need would change, however, given the ageing population it seems reasonable to assume that rates of downsizing will continue, but to note that in number terms this will be seen as an increase (as the pool of households who might downsize is increased).

Key Points

- 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 the official demographic (with Mid-year estimates) and concludes that the following represents an appropriate mix of affordable and market homes:

	1-bed	2-bed	3-bed	4+ bed
Market	0-10%	25-35%	45-55%	10-20%
Social/Affordable Rented	35-40%	25-30%	25-30%	5-10%
Intermediate/Starter Homes	15-20%	50-55%	25-30%	0-5%

- The strategic conclusions in the affordable sector recognise the role which delivery of larger family homes can play in releasing supply of smaller properties for other households; together with the limited flexibility which one-bed properties offer to changing household circumstances which feed through into higher turnover and management issues.

- The mix identified above should inform strategic policies. In applying these to individual development sites regard should be had to the nature of the development 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.

- Based on the evidence, it is expected that the focus of new market housing demand will be on two- and three-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 retain flexibility for friends and family to come and stay.

- The analysis of an appropriate mix of dwellings should also inform the 'portfolio' of sites which are considered by each local authority through its local plan process. Equally it will be of relevance to housing mix and affordable housing negotiations.

9 NEEDS OF SPECIFIC GROUPS

Older Persons Housing Need

9.1 As well as looking at the overall need for housing and specific segments within this (such as affordable housing and Starter Homes) it is important to look at the needs of particular groups of the population. In Leicester and Leicestershire, as in many areas, a growing older person population is likely to have some impact on the future need and demand for homes. The PPG[24] recognises the need to provide housing for older people as part of achieving a good mix of housing.

9.2 A key driver of change in the housing market over the next few years is expected to be the growth in the population of older persons. Indeed, as population projections show, the number of older people is expected to increase significantly over the next few years. Many older households are equity rich and able to exercise housing choice. However with people living longer, there is expected to be an increasing need for specialist housing. There is an increasing diversity of products available; whilst in many areas policy is seeking to move away from care home provision to provide care and support which are tailored to individual's needs including through adaptations of property, visiting support and housing models where care can be tailored to individual's needs.

Demographic Trends

9.3 Table 58 below provides baseline population data about older persons. Compared with both the region and England, the HMA has a similar proportion of older persons (slightly lower than the regional average). In 2015 it is estimated that 17% of the population of the HMA was aged 65 or over.

[24] ID 2a-021-20150326

Table 58: Older Person Population (2015)

		Under 65	65-74	75-84	85+	Total	Total 65+
Leicester	Popn	302,573	21,145	13,136	5,773	342,627	40,054
	% of popn	88.3%	6.2%	3.8%	1.7%	100.0%	11.7%
Blaby	Popn	77,162	10,707	6,239	2,436	96,544	19,382
	%of popn	79.9%	11.1%	6.5%	2.5%	100.0%	20.1%
Charnwood	Popn	145,500	17,196	9,892	4,132	176,720	31,220
	% of popn	82.3%	9.7%	5.6%	2.3%	100.0%	17.7%
Harborough	Popn	70,734	10,324	5,847	2,379	89,284	18,550
	% of popn	79.2%	11.6%	6.5%	2.7%	100.0%	20.8%
Hinckley & Bosworth	Popn	85,953	13,135	6,905	2,776	108,769	22,816
	% of popn	79.0%	12.1%	6.3%	2.6%	100.0%	21.0%
Melton	Popn	40,224	6,031	3,342	1,315	50,912	10,688
	% of popn	79.0%	11.8%	6.6%	2.6%	100.0%	21.0%
NWL	Popn	78,298	11,097	5,593	2,259	97,247	18,949
	% of popn	80.5%	11.4%	5.8%	2.3%	100.0%	19.5%
Oadby & Wigston	Popn	44,005	5,832	4,200	1,796	55,833	11,828
	% of popn	78.8%	10.4%	7.5%	3.2%	100.0%	21.2%
HMA	Popn	844,449	95,467	55,154	22,866	1,017,936	173,487
	% of popn	83.0%	9.4%	5.4%	2.2%	100.0%	17.0%
E. Midlands	% of popn	81.2%	10.5%	5.9%	2.4%	100.0%	18.8%
England	% of popn	82.3%	9.6%	5.7%	2.4%	100.0%	17.7%

Source: ONS 2015 Mid-Year Population Estimates

9.4 The 2014-based SNPP shows a notable increase in the older person population with the total number of people aged 65 and over expected to increase by 75% over the 25-years to 2036 and 60% to 2031. This compares with overall population growth of 20% and a modest increase in the Under 65 population. The projected growth in the population aged 65 and over is slightly higher than that projected for other areas, although differences are not significant – the higher increase is likely to some extent to be related to the higher overall population growth projected for the HMA.

Table 59: Projected Change in Population of Older Persons (2011 to 2036)

	Under 65	65-74	75-84	85+	Total	Total 65+
Leicester	15.0%	62.9%	66.1%	97.1%	21.1%	69.0%
Blaby	5.0%	42.6%	66.8%	166.5%	16.1%	66.1%
Charnwood	18.0%	58.8%	76.3%	157.6%	28.0%	78.0%
Harborough	3.0%	65.9%	99.6%	199.9%	19.9%	94.8%
H&B	2.8%	52.8%	83.0%	172.2%	16.7%	77.9%
Melton	-2.3%	59.8%	86.0%	162.1%	13.3%	82.3%
NWL	1.5%	56.0%	86.5%	158.5%	15.1%	78.8%
O&W	-2.4%	37.8%	43.4%	143.8%	8.8%	55.0%
HMA	9.2%	56.2%	74.8%	148.1%	19.5%	74.9%
East Midlands	4.5%	52.6%	72.3%	151.1%	16.2%	72.2%
England	7.5%	52.3%	64.8%	138.2%	17.5%	68.3%

Source: ONS (2014-based projections)

Table 60: Projected Change in Population of Older Persons (2011 to 2031)

	Under 65	65-74	75-84	85+	Total	Total 65+
Leicester	12.8%	58.7%	49.9%	52.2%	17.6%	54.7%
Blaby	4.2%	36.1%	60.9%	111.3%	13.1%	53.8%
Charnwood	16.3%	48.1%	69.1%	98.9%	23.9%	62.1%
Harborough	3.0%	53.3%	91.9%	131.5%	16.5%	76.2%
H&B	2.5%	43.3%	82.6%	106.4%	13.9%	64.2%
Melton	-1.9%	49.5%	83.3%	99.5%	10.9%	67.3%
NWL	1.7%	44.2%	81.7%	100.1%	12.5%	63.2%
O&W	-2.4%	35.0%	35.3%	94.7%	6.6%	43.6%
HMA	8.1%	47.9%	66.7%	92.0%	16.3%	60.2%
East Midlands	4.3%	43.8%	65.4%	95.9%	13.5%	57.8%
England	6.8%	43.5%	56.8%	88.3%	14.6%	54.1%

Source: ONS (2014-based projections)

Health Related Population Projections

9.5 The HEDNA has also sought to consider the likely impact of population growth on the number of people with specific illnesses or disabilities. For this, data from the Projecting Older People Information System (POPPI) website has been used[25]: this provides prevalence rates for different disabilities by age and sex. For the purposes of the HEDNA, analysis has focussed on estimates of the number of people (65+) with dementia and mobility problems as these are the types of health related problems which would typically require the greatest amount of housing support/adaptions.

9.6 Table 61 below shows that both of the illnesses/disabilities are expected to increase significantly, driven by a growing older population. In particular, there is projected to be a large rise in the number of people with dementia (up 107%) along with a 91% increase in the number with mobility problems.

[25] The figures from POPPI are based on prevalence rates from a range of different sources and whilst these might change in the future (e.g. as general health of the older person population improves) the estimates are likely to be of the right order.

Table 61: Estimated Population Change for Range of Health Issues (2011 to 2036)

	Type of illness/disability	2011	2036	Change	% increase
Leicester	Dementia	2,755	4,970	2,215	80%
	Mobility problems	7,117	12,297	5,181	73%
Blaby	Dementia	1,149	2,396	1,248	109%
	Mobility problems	3,063	5,762	2,699	88%
Charnwood	Dementia	1,954	4,107	2,153	110%
	Mobility problems	5,087	9,893	4,806	94%
Harborough	Dementia	1,089	2,661	1,572	144%
	Mobility problems	2,864	6,316	3,452	121%
Hinckley & Bosworth	Dementia	1,327	2,903	1,577	119%
	Mobility problems	3,515	7,038	3,523	100%
Melton	Dementia	649	1,421	772	119%
	Mobility problems	1,708	3,424	1,716	100%
NWL	Dementia	1,108	2,395	1,287	116%
	Mobility problems	2,948	5,830	2,883	98%
Oadby & Wigston	Dementia	812	1,555	743	91%
	Mobility problems	2,086	3,629	1,542	74%
LLHMA	Dementia	10,843	22,409	11,566	107%
	Mobility problems	28,387	54,189	25,802	91%

Source: Data from POPPI and demographic projections

Table 62: Estimated Population Change for Range of Health Issues (2011 to 2031)

	Type of illness/disability	2011	2031	Change	% increase
Leicester	Dementia	2,755	4,221	1,466	53%
	Mobility problems	7,117	10,740	3,623	51%
Blaby	Dementia	1,149	2,098	949	83%
	Mobility problems	3,063	5,144	2,081	68%
Charnwood	Dementia	1,954	3,526	1,572	80%
	Mobility problems	5,087	8,674	3,587	71%
Harborough	Dementia	1,089	2,270	1,181	108%
	Mobility problems	2,864	5,504	2,640	92%
Hinckley & Bosworth	Dementia	1,327	2,516	1,189	90%
	Mobility problems	3,515	6,228	2,713	77%
Melton	Dementia	649	1,224	575	89%
	Mobility problems	1,708	3,010	1,302	76%
NWL	Dementia	1,108	2,060	953	86%
	Mobility problems	2,948	5,135	2,187	74%
Oadby & Wigston	Dementia	812	1,355	543	67%
	Mobility problems	2,086	3,225	1,138	55%
LLHMA	Dementia	10,843	19,270	8,427	78%
	Mobility problems	28,387	47,660	19,273	68%

Source: Data from POPPI and demographic projections

Indicative Need for Specialist Housing

9.7 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.

9.8 Table 63 below shows the current supply (stock) of specialist housing for older people. The categories of specialist housing are generally defined as:

- *Sheltered housing:* Schemes/properties are included where some form of scheme manager (warden) service is provided on site on a regular basis but where no registered personal care is provided. A regularly visiting scheme manager service may qualify as long as s/he is available to all residents when on site. An on-call-only service does not qualify a scheme to be included in sheltered statistics. In most cases schemes will also include traditional shared facilities - a residents' lounge and possibly laundry and garden.
- *Enhanced sheltered housing.* Schemes/properties are included where service provision is higher than for sheltered housing but below extra care level. Typically, there may be 24/7 staffing cover, at least one daily meal will be provided and there may be additional shared facilities.
- *Extra care housing:* Schemes/properties are included where care (registered personal care) is available on site 24/7.

9.9 At present it is estimated that there are just under 6,700 units of specialist accommodation across the HMA. This is equivalent to 92 units per 1,000 people aged 75 and over. The analysis shows a significantly higher proportion of the stock is in the affordable than the market sector (76% vs. 24%).

Table 63: Current Supply (Stock) of Specialist Housing for Older People

Type of housing	Market	Affordable	Total	Supply per 1,000 aged 75+
Sheltered	1,424	4,705	6,129	85
Extra-Care	167	360	527	7
Total	1,591	5,065	6,656	92

Source: Housing LIN

9.10 A toolkit has been developed by Housing Learning and Information Network (LIN), in association with the Elderly Accommodation Council and endorsed by the Department of Health, to identify potential demand for different types of specialist housing for older people and model future range of housing and care provision. It suggests that there should be around 170 units of specialised accommodation (other than registered care home places) per thousand people aged over 75 years.

9.11 Table 64 below shows the change in the population aged 75 and over and what this would mean in terms of provision at 170 units per 1,000 population. The analysis shows a potential need for 11,800 units – 473 per annum in the 2011-36 period (365 for the 2011-31 period).

Table 64: Projected need for Specialist Housing for Older People (2011-36)

	Population aged 75+ (2011)	Population aged 75+ (2036)	Change in population aged 75+	Specialist housing need (@ 170 units per 1,000)	Per annum need (2011-36)
Leicester	18,429	32,296	13,867	2,357	94
Blaby	7,800	15,118	7,318	1,244	50
Charnwood	13,045	26,017	12,972	2,205	88
Harborough	7,200	16,501	9,301	1,581	63
H&B	8,846	18,409	9,563	1,626	65
Melton	4,302	8,974	4,672	794	32
NWL	7,293	15,126	7,833	1,332	53
O&W	5,584	9,574	3,990	678	27
HMA	72,499	142,014	69,515	11,818	473

Source: Derived from demographic projections and Housing LIN

Table 65: Projected need for Specialist Housing for Older People (2011-31)

	Population aged 75+ (2011)	Population aged 75+ (2031)	Change in population aged 75+	Specialist housing need (@ 170 units per 1,000)	Per annum need (2011-31)
Leicester	18,429	27,745	9,316	1,584	63
Blaby	7,800	13,618	5,818	989	40
Charnwood	13,045	23,162	10,117	1,720	69
Harborough	7,200	14,655	7,455	1,267	51
H&B	8,846	16,745	7,899	1,343	54
Melton	4,302	8,092	3,790	644	26
NWL	7,293	13,640	6,347	1,079	43
O&W	5,584	8,481	2,897	493	20
HMA	72,499	126,139	53,640	9,119	365

Source: Derived from demographic projections and Housing LIN

Types and Tenures of Specialist Housing

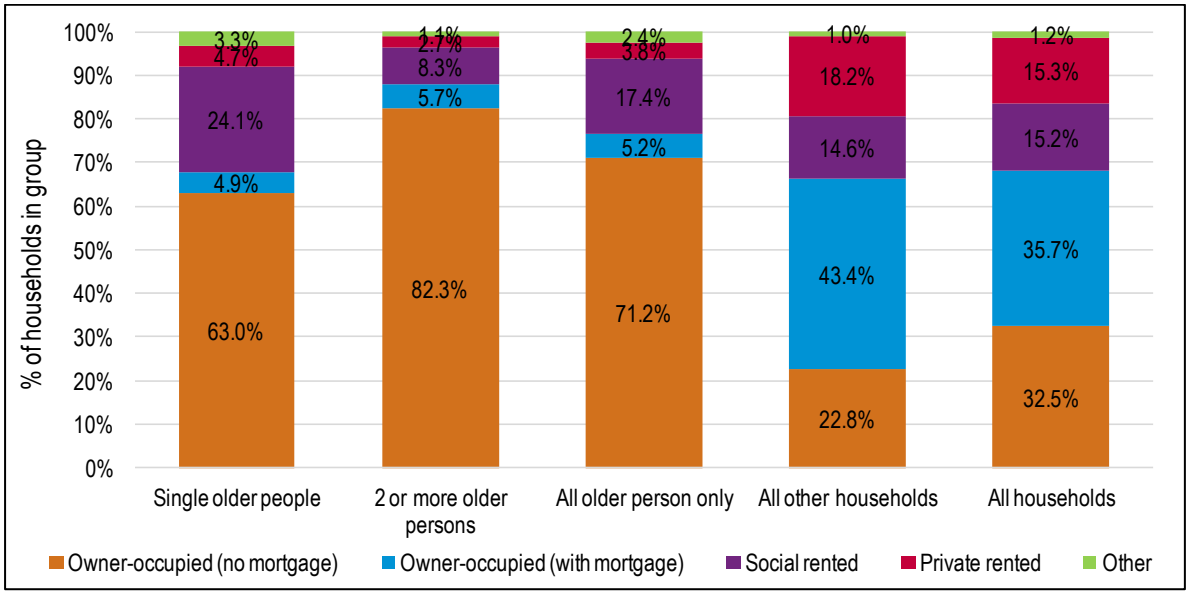
9.12 Figure 51 below shows the tenure of older person households. The data shows that older person households are relatively likely to live in outright owned accommodation (71%) and are also slightly more likely than other households to be in the social rented sector. The proportion of older person households living in the private rented sector is relatively low (4% compared with 15% of all households in the HMA).

9.13 There are however 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.

9.14 Given that the number of older people is expected to increase in the future, and that the number of single person households is expected to increase, this would suggest (if occupancy patterns remain the same) that there will be a notable demand for affordable housing from the ageing population.

That said, the proportion of older person households who are outright owners (with significant equity) may mean that market solutions will also be required to meet their needs.

Figure 51: **Tenure of Older Person Households – HMA (2011)**



Source: 2011 Census

9.15 The analysis therefore shows that the current profile of older person households is significantly biased towards outright ownership, with the current supply having a notably higher proportion of affordable homes. Moving forward we would suggest that additional specialist housing should be split roughly 50:50 between the market and affordable sectors. This reflects the likely 'market' for specialist housing products as well as the current tenure profile of older person households (including the likely increase in the number of single person older households where levels of home ownership are slightly lower).

9.16 The analysis is not specific about the types of specialist housing that might be required. GL Hearn would consider that decisions about mix should be taken at a local level taking account of specific needs and the current supply of different types of units available (for example noting that at present the dominant type of housing is traditional sheltered accommodation). There may also be the opportunity moving forward for different types of provision to be developed as well as the more traditional sheltered and Extra-Care housing.

9.17 Within the different models and assumptions made regarding the future need for specialist retirement housing (normally defined as a form of congregate housing designed exclusively for older people which usually offers some form of communal space, community alarm service and access to support and care if required), there may for example be an option to substitute some of this specialist provision with a mix of one and two bedroom housing aimed to attract 'early retired'

older people which could be designated as age specific or not. Such housing could be part of the general mix of one and two bedroom homes but built to standards set out in Planning Practice Guidance on Optional Technical Housing Standards, in order to attract retired older people looking to 'down size' but perhaps not wanting to live in specialist retirement housing.

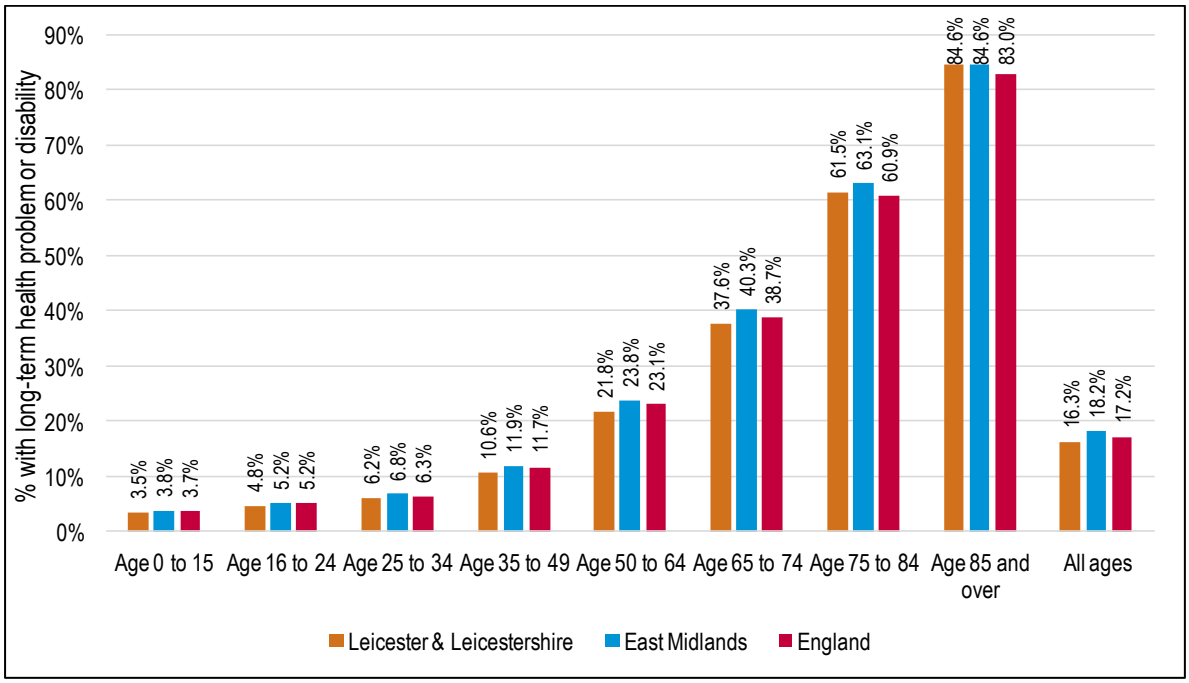
9.18 Our experience when carrying out stakeholder work as part of other similar commissions typically identifies a demand for bungalows (and/or less typically step free homes). Where developments including bungalows are found, it is clear that these are very popular to older people downsizing. It should be acknowledged that providing significant numbers of bungalows involves cost implications for the developer given the typical plot size compared to floor space; however providing an element of bungalows should be given strong consideration on appropriate sites, allowing older households to downsize while freeing up family accommodation for younger households.

Housing Needs of People with Disabilities

9.19 It is important to consider the needs of people with disabilities who might need specialist housing, including wheelchair-accessible properties or adaptations to homes.

9.20 It is likely that the age profile of the area will impact upon the numbers of people with a Long Term Limiting Health Problem or Disability (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 – for example some 85% of people aged 85 and over have a LTHPD.

Figure 52: **Population with Long-Term Health Problem or Disability in each Age Band**



Source: 2011 Census

9.21 A growing older population is therefore expected to increase the numbers of people with disabilities. Table 66 below shows the proportion of people with a long-term health problem or disability (LTHPD) and the proportion of households where at least one person has a LTHPD. The data suggests that across the HMA some 25% of households contain someone with a LTHPD.

Table 66: Households and people with Long-Term Health Problem or Disability (2011)

	Households containing someone with health problem		Population with health problem	
	Number	%	Number	%
HMA	96,060	24.6%	162,560	16.6%
East Midlands	560,211	25.9%	949,720	18.3%
England	5,659,606	25.7%	9,352,586	17.6%

Source: 2011 Census

9.22 Age specific prevalence rates (as shown above) can be applied to the demographic data to estimate the likely increase over time of the number of people with a LTHPD. Applying these to the demographic projections (the 2014-based SNPP) it is estimated that the number of people with a LTHPD will increase by around 73,500 (a 46% increase) to 2036 and 58,300 (36%) by 2031.Across the HMA, the vast majority of this increase (91%) is expected to be in age groups aged 65 and over.

Table 67: Estimated change in population with LTHPD (2011-2036)

	Population with LTHPD 2011	Population with LTHPD 2036	Change (2011-36)	% change from 2011
Leicester	56,610	77,339	20,729	36.6%
Blaby	14,661	21,243	6,581	44.9%
Charnwood	25,642	39,551	13,909	54.2%
Harborough	12,247	20,275	8,029	65.6%
Hinckley & Bosworth	17,769	26,604	8,835	49.7%
Melton	7,779	11,823	4,044	52.0%
NWL	16,898	24,845	7,948	47.0%
Oadby & Wigston	9,650	13,113	3,462	35.9%
HMA	161,256	234,794	73,538	45.6%

Source: Derived from demographic modelling and Census (2011)

Table 68: Estimated change in population with LTHPD (2011-2031)

	Population with LTHPD 2011	Population with LTHPD 2031	Change (2011-31)	% change from 2011
Leicester	56,610	72,768	16,158	28.5%
Blaby	14,661	19,917	5,256	35.8%
Charnwood	25,642	36,644	11,001	42.9%
Harborough	12,247	18,646	6,399	52.3%
Hinckley & Bosworth	17,769	24,932	7,162	40.3%
Melton	7,779	11,013	3,235	41.6%
NWL	16,898	23,337	6,439	38.1%
Oadby & Wigston	9,650	12,259	2,609	27.0%
HMA	161,256	219,515	58,259	36.1%

Source: Derived from demographic modelling and Census (2011)

9.23 It should be noted that through the implementation of the emerging Adult Social Care Strategy, there is also an ambition to increase the number of working age adults with disabilities accessing supported living accommodation rather than residential care. Supported living is generally viewed as offering a greater level of independence for an individual with disabilities, and a more cost effective option for the local authorities.

Wheelchair Adapted Housing

9.24 Information about the need for housing for wheelchair users is difficult to obtain (particularly at a local level) and so some brief analysis has been carried out based on national data within a research report by Habinteg Housing Association and London South Bank University.[26] This report provides information at a national and regional level although there are some doubts about the validity even of the regional figures; hence we have focused on national data. The report identifies that around 84% of homes in England do not allow someone using a wheelchair to get to and through the front door without difficulty and that, once inside, it gets even more restrictive. Furthermore, it is estimated (based on English House Condition Survey data) that just 0.5% of

[26] Habinteg Housing Association and London South Bank University (Supported by the Homes and Communities Agency) - *Mind the Step: An estimation of housing need among wheelchair users in England*.

homes meet criteria for 'accessible and adaptable' homes, while 3.4% are 'visitable' by someone with mobility problems.

9.25 Overall, the report estimates that there is an unmet need for wheelchair adapted dwellings equivalent to 3.5 per 1,000 households. In the HMA, as of 2011, this would represent a need for about 1,368 wheelchair adapted dwellings. Moving forward, the report estimates a wheelchair accessibility need from around 3% of households. If 3% is applied to the household growth in the 2014-based Household Projections (2011-36) then there would be an additional need for around 2,954 adapted homes. If this figure is brought together with the estimated 1,368 current need then the total wheelchair adapted need would be for around 4,322 homes (2011-36). The equivalent figure for the 2011-31 period would be 3923 wheelchair adapted homes.

C2 Registered Care Provision

9.26 Registered care housing is defined in two categories as set out below:

- *Residential care:* Where a care homes is registered to provide residential (personal) care only, all beds are allocated to residential care.
- *Nursing care:* Where a care home is registered to provide nursing care all beds are allocated to nursing care, although in practice not all residents might be in need of or receiving nursing care.

9.27 At present (according to Housing LIN) there are around 6,400 spaces in nursing and residential care homes in the HMA.

9.28 As with the analysis of potential need for specialist accommodation, the analysis below considers changes to the number of people aged 75 and over who are expected to be living in some form of institutional housing. This is a direct output of the demographic modelling which indicates an increase of 4,542 people living in institutions over the 2011-36 period (182 per annum). This figure is important to note if the Councils intend to include C2 class uses in their assessment of 5-year housing land supply as it will be necessary to include figures on both the need and supply side of the equation.

Table 69: Potential Need for Residential Care Housing

	Institutional population aged 75+ (2011)	Institutional population aged 75+ (2036)	Change in institutional population aged 75+	Per annum 'need' (2011-36)
HMA	4,584	9,126	4,542	182

Source: Derived from demographic projections

9.29 Given new models of provision - including Extra-care housing as an alternative to residential care - it may be the case that an increase in this number would not be required. There will however need

to be a recognition that there may be some additional need for particular groups such as those requiring specialist nursing or for people with dementia.

Leicestershire Accommodation Strategy for Older People

9.30 It is also worth briefly reflecting on work recently undertaken by the County Council with regard to older persons' housing needs. Two key documents have been published: the first is the *Accommodation Strategy for Older People 2016 – 2026* and the second the *Extra Care Annual Review* (published in draft in June 2016).

9.31 The Accommodation Strategy is a 'high level' strategy which seeks to prevent, reduce and delay need as well as meeting the need for health and social care services. It recognises the ageing population of the County and the gaps in supply for the older population. The Strategy recognises the important role of housing in ensuring the health and well-being of the population and particularly focuses on the need for an integrated approach between the housing sector, health partners and the voluntary sector. It seeks to provide 'improved outcomes' for older people – this includes enabling people to live in the home of their choice, with greater independence and an improved quality of life in older age.

9.32 The evidence in the report suggests that extra care housing can reduce need for health and social care services and that similar benefits can potentially be achieved through enhanced retirement/sheltered housing schemes. It is recognised that schemes should allow people to maintain close links with local communities. It is also noted that future schemes (whether sheltered or extra care housing developments) should be mixed tenure to meet the diverse needs and financial resources of our ageing population. The Strategy recognises that the current provision of specialist older persons' housing is below the anticipated demand to meet the needs of the increasing number of older people and that accommodation for older people is given a high priority in housing strategies.

9.33 The strategy does in general seem to be consistent with the analysis within this report. In particular, it is noted that there is a clear need for additional specialist provision to be provided and that this should be mixed tenure.

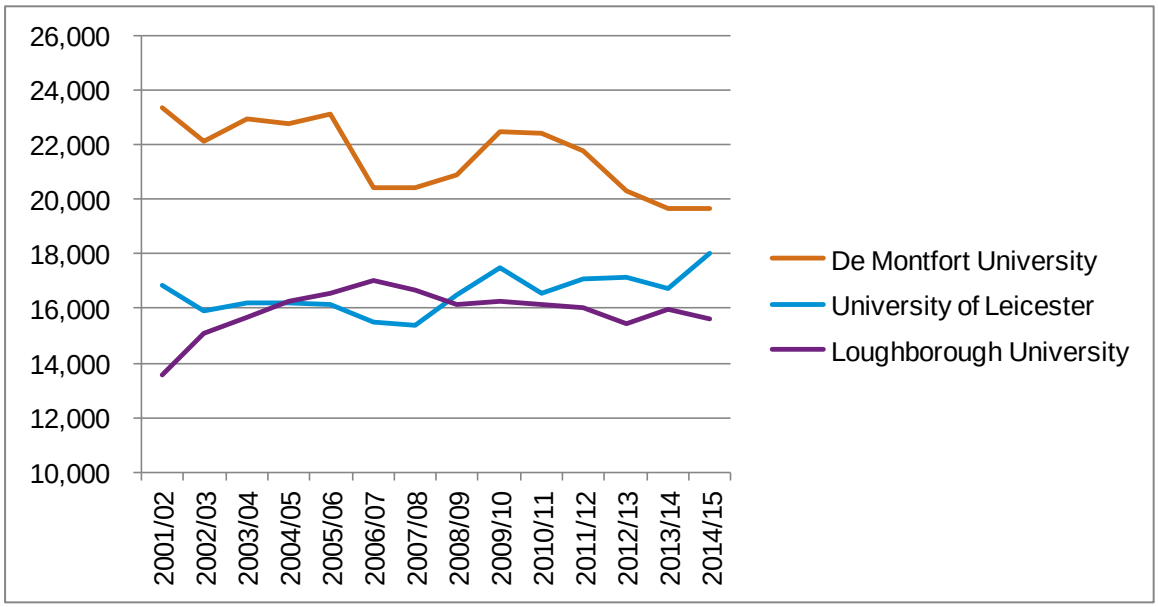
9.34 The review concludes that there is a need to ensure existing schemes are working and that there is a need for 'further expansion'. The review concludes that extra-care housing provides an accommodation choice which allows for greater independent living and a move away from the main options for older people being residential care or remaining at home and being dependent on services coming in. The analysis in this report would support this position.

Student Housing

9.35 Leicester has two Universities - the University of Leicester and De Montfort University - while the University of Loughborough is located in Charnwood. Combined these Universities offer higher education across a range of topics to more than 53,000 students.[27] While there are a number of other higher and further education providers, none are of the scale of which are expected to materially impact on the local housing market.

9.36 Trends in student numbers can be gleaned from Higher Education Statistics Agency (HESA) data. Over the period since 2001, student numbers within the HMA have remained fairly stable (falling slightly from 53,800 in 2001/2 to 53,200) as Figure 53 shows. Total student numbers at DeMontfort have fallen by 3,700 over this period; whilst numbers are Leicester and Loughborough have increased modestly (by 1,100 and 2,000 students respectively).

Figure 53: **Trends in Total Student Numbers, 2001-15**



Source: HESA Data

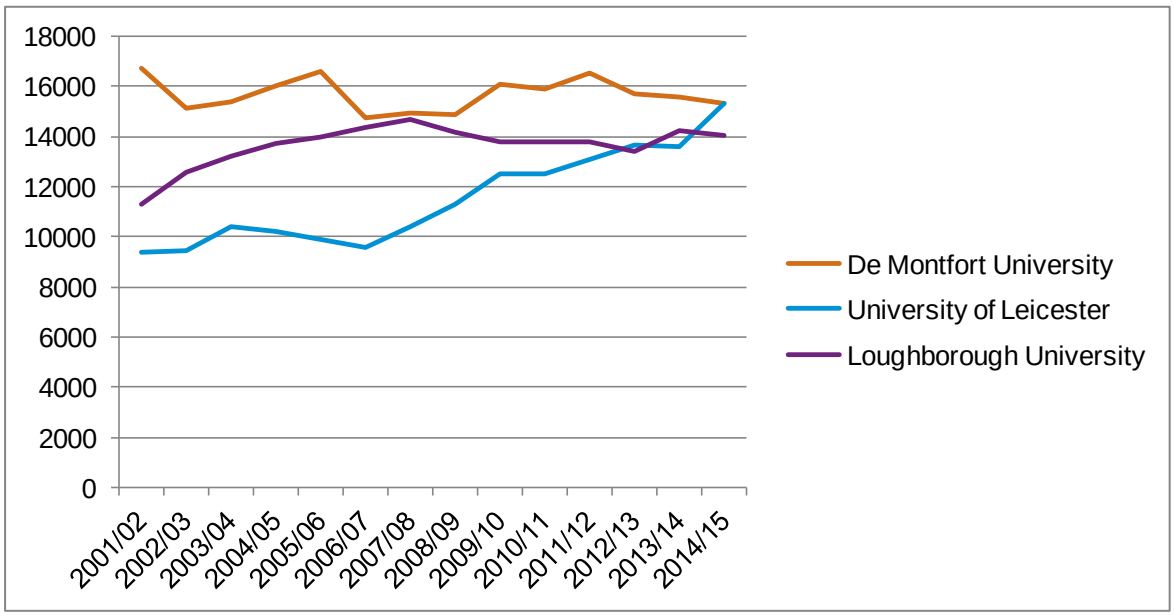
9.37 For the purposes of considering housing need, it is however more useful to consider trends in full-time students, as it is these which will require accommodation, although due to data availability it is not always possible to make that distinction.

9.38 As Figure 54 shows, student numbers have increased by 5,900 (3.8% pa) at Leicester University over the 2001-15 period; by 2,750 at Loughborough (+1.7% pa) but fallen by 5,900 (-0.7% pa) at De

[27] 2014/15 Higher Education Statistics Agency figures

Montfort. The long-term trend is thus for growth in student numbers in both Leicester and Loughborough. However in the shorter-term over the last 5-6 years, it has only been at Leicester University where full-time student numbers have seen any significant growth.

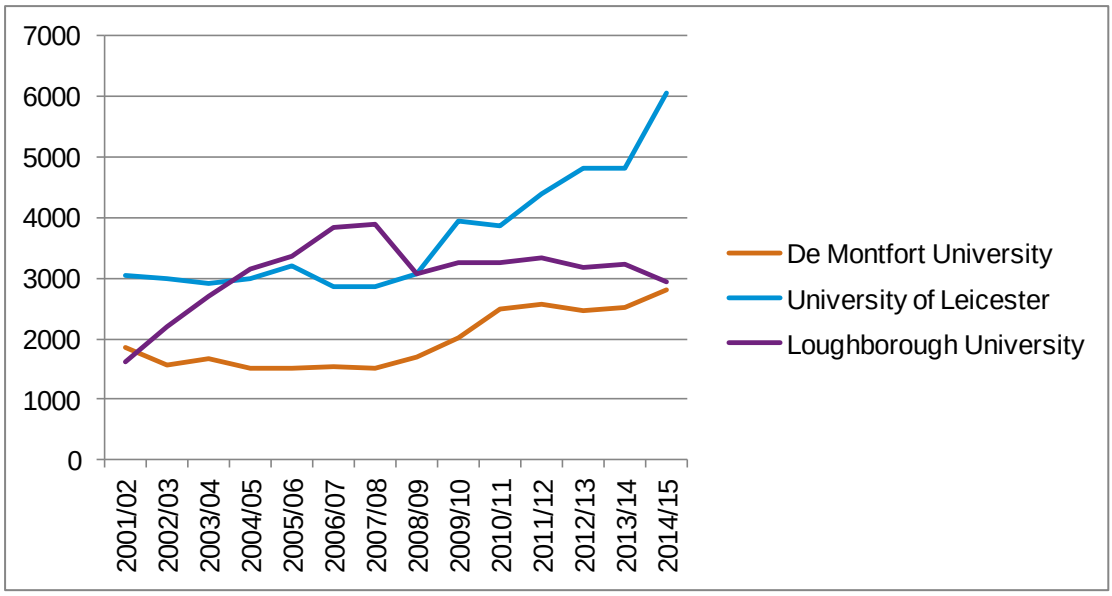
Figure 54: **Trends in Full-Time Student Numbers, 2001-15**



Source: HESA Data

9.39 Within the overall trend in student numbers, numbers of international students have increased - particularly at the Leicester-based Universities in recent years. Migration of international students feeds into the overall international migration statistics. The significant recent increase in international students at Leicester University is particularly notable.

Figure 55: **Trend in All Overseas Students, 2001-15**



Source: HESA Data

9.40 Numbers of domestic UK students have fallen, particularly over the period since 2009/10 at Loughborough and at the two universities in Leicester, as Table 70 demonstrates.

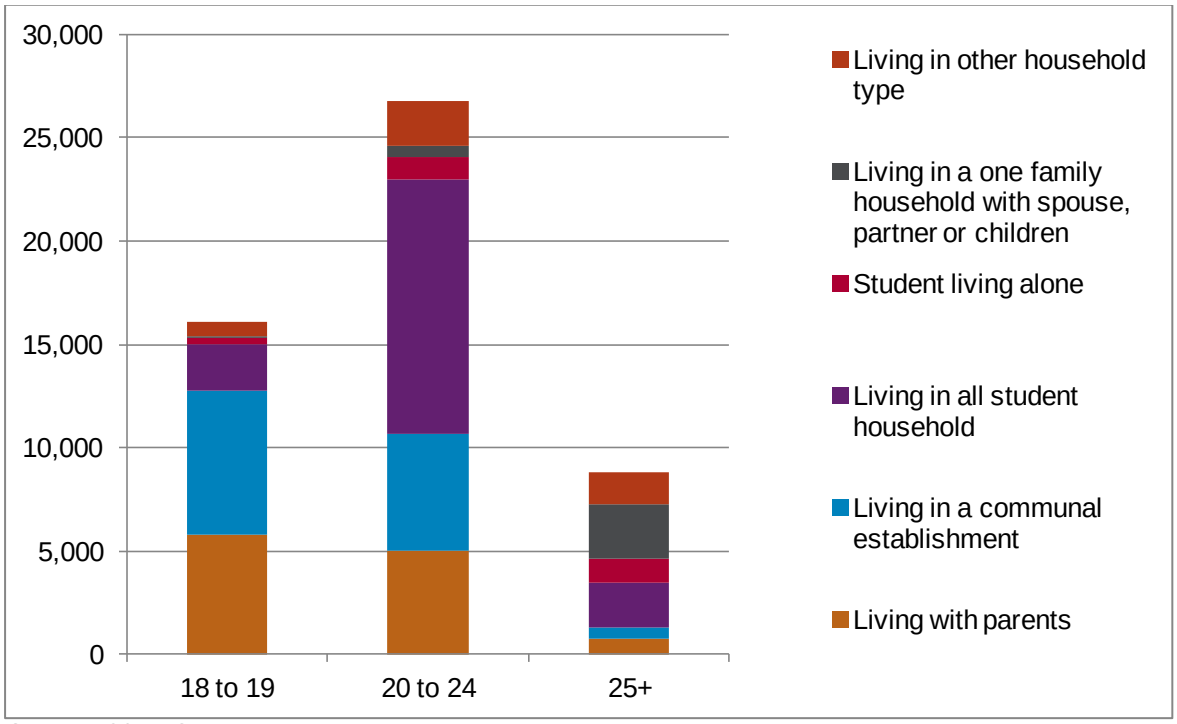
Table 70: Trends in All UK Students 2001-15

	2001/2 - 2014/15	2009/10 - 2014/15
De Montfort University	-4,650	-3,595
University of Leicester	-1,905	-1,590
Loughborough University	710	-365
Total Change	-5,845	-5,550

Source: HESA Data

9.41 Students principally live in student accommodation (either university-managed or private), in the private rented sector or at home. The chart below profiles the types of households which all students (FT and PT) were living in by age in 2011 (for the 'student authorities' of Leicester, Charnwood and Oadby & Wigston). Although there is no university in Oadby & Wigston, a number of the University of Leicester's Halls of Residence are located there.

Figure 56: **Profile of All Students by Age and Household Type in student authorities, 2011**



Source: 2011 Census

9.42 Table 71 presents the changes in students' accommodation structure between the 2001 and 2011 Census. The number of students (aged 18+ both FT and PT) increased by 18,458 students (55.5%) between 2001 and 2011. Of those, 3,162 additional students (31.5%) were living in halls or other communal establishments and 10,095 additional students (65.4%) were living in all student households. The number of students living alone increased by 61.8% reaching 2,563 people. Finally students living in all the other type of households almost doubled.

Table 71: Changes in All Students by Different Accommodation Types, 2001-11

Students 18+ by Household Type	2001	2011	Change	
			No.	%
Total Students	33,249	51,707	18,458	55.5%
Living with parents	7,514	11,533	4,019	53.5%
Living in a communal establishment	10,023	13,185	3,162	31.5%
Living in all student household	10,095	16,695	6,600	65.4%
Student living alone	1,584	2,563	979	61.8%
All other household types	4,033	7,731	3,698	91.7%

Source: 2011 Census

9.43 There were 4,297 all student households across HMA in 2011. All student household refers to accommodation within the private sector. The number of student households has increased by 62.2% between 2001-11 which is higher than both national (54%) and regional (44.6%) equivalents.

9.44 Across the three student authorities there was a total 38,224 growth in Household Reference Persons over the decade, with just 3,808 (10%) headed by someone who is a student. Therefore, around 10% of the growth in households during 2001-2011 was related to households headed by someone who is a student.

Table 72: Changes in Household Reference Persons who are Full-Time Students, 2001-11

	2001 #	2001%	2011 #	2001 %	Change #	Change %
All Household Reference Persons	172,736		210,960		38,224	23.8%
HRPs who are FT Students	5,475	3.17%	9,283	4.40%	3,808	69.6%
… of which One Person Households	1,582	0.92%	2,563	1.21%	981	62.0%
… of which Family Households	993	0.57%	1,227	0.58%	234	23.6%
… of which Other Households	2,900	1.68%	4,666	2.21%	1,766	60.9%

Source: ONS Census 2001 and 2011

Future Growth in Student Numbers

The University of Leicester

9.45 In September 2015, the University of Leicester launched their new Strategic Plan. Amongst other priorities, the University aims to be *"A Great Place to live".* The Oadby Student Village and City Living accommodation provide accommodation for mainly 1st year students. The university aims to enhance their focus on residential support and well-being. Alongside a continuing programme of refurbishing and modernising existing student living spaces, they suggest that "*We will focus our City Living accommodation onto an integrated site to provide a vibrant student community, including learning space, close to our academic campus."* GL Hearn's correspondence suggests that it intends to further increase student numbers over the next few years, focusing principally on recruitment of domestic students. The University does not however have current plans to increase its student accommodation. The private market in Leicester has however been quite active for the last five years providing around 3,000 bedspaces in the City.

De Montfort University

9.46 The De Montfort University Strategy 2015-20 aims, amongst other things, to strengthen the University's global reach and influence and to increase international enrolments. In particular, the Strategic Framework states: *"Our strategy to transform the cultural competence of our students means increasing substantially the number of students we have from outside the UK. Our partnerships will help to enable the step-change in the size of our global community that we seek by*

2020. We will also actively develop new relationships with, and engage further with existing, European partners to increase our proportion of students from the EU."

9.47 The University has indicated to GL Hearn that it expects student volumes to grow by a maximum of 2,000 over the period to 2020.

9.48 De Montfort University owns around 2,800 bed spaces. A large number of students also live in privately run halls of residence. The University reserves around 2,500 beds annually at private halls of residence, which generally operate at capacity. Since 2014 no additional halls have been added to the portfolio of halls owned or leased by the University or subject to nomination agreements. The University has no current proposals to increase further the University's student accommodation provision. Growth in student numbers can therefore be expected to be accommodated principally within the private sector.

Loughborough University

9.49 Loughborough University expects to continue to invest and expand the amenities available in its campus. It has a £130m programme of investment for facilities over the next three years, and they have recently submitted a planning application for new student accommodation.

9.50 The University expect student numbers to increase by 400 over the period to 2020/1 (from 15,200 in 2016/17 to 15,600 in 2020/21).

9.51 There are currently around 5,600 beds within Halls of Residence, either operated by the University or by third-party suppliers. These are currently operating at capacity. The University is currently evaluating future demand for on-campus student accommodation.

New Student Accommodation and Housing Need

9.52 The demographic modelling in the HEDNA (based on 10 year trends) expects the population aged between 18-23 to increase by 7,100 (17.4%) in Leicester; 5,200 (25.6%) in Charnwood; but to decline by around 130 persons (-2.4%) in Oadby & Wigston.

9.53 The demographic projections in the HEDNA (consistent with the CLG Methodology) hold constant the institutional population aged under 75. They are therefore assuming that there is no growth in the population in purpose-build student accommodation.

9.54 On this basis it is appropriate to count development of new student accommodation towards the OAN for C3 dwellings, on the basis of the level of C3 dwellings which it potentially releases. The

PPG[28] outlines the supply of student housing "may provide low cost housing that takes pressure off the private rented sector and increases the overall housing stock".

Self and Custom Build

9.55 The HEDNA next considers the potential contribution that self-build and custom-build development could makes toward housing supply. *Laying the Foundations – a Housing Strategy for England 2010* sets out that only one in 10 new homes in Britain was self-built in 2010 – a lower level than in other parts of Europe. It identifies barriers to self or custom-build development as including:

- A lack of land;
- Limited finance and mortgage products;
- Restrictive regulation; and
- A lack of impartial information for potential custom home builders.

9.56 Government aspires to make self-build a 'mainstream housing option' by making funding available to support self-builders and by asking local authorities to champion the sector. Up to £30m of funding has been made available via the Custom Build programme administered by the HCA to provide short-term project finance to help unlock group custom build or self-build schemes. The fund can be used to cover eligible costs such as land acquisition, site preparation, infrastructure, S106 planning obligations etc. The Housing and Planning Act 2016 requires local authorities to establish a Self-Build Register, collating details of those interested in self/ custom-build development. As these registers are fairly new, at this stage the demand information shown by them should be treated with some caution.

9.57 Buildstore, who own and manage the largest national database relating to the demand and supply for self and custom build properties in the UK, has provided the following information on interest in self/ custom-build development in the HMA authorities:

- 147 people are registered as looking to build in Leicester on the Custom Build Register with a further 356 subscribers to the Plotsearch service.
- 78 people are registered as looking to build in Blaby on the Custom Build Register with a further 547 subscribers to the Plotsearch service.
- 165 people are registered as looking to build in Charnwood on the Custom Build Register with a further 509 subscribers to the Plotsearch service.
- 158 people are registered as looking to build in Harborough on the Custom Build Register with a further 664 subscribers to the Plotsearch service.
- 157 people are registered as looking to build in Hinckley and Bosworth on the Custom Build Register with a further 673 subscribers to the Plotsearch service.
- 137 people are registered as looking to build in Melton on the Custom Build Register with a further 295 subscribers to the Plotsearch service.

[28] ID: 2a-021-20160401

- 136 people are registered as looking to build in North West Leicestershire on the Custom Build Register with a further 686 subscribers to the Plotsearch service.
- 130 people are registered as looking to build in Oadby and Wigston on the Custom Build Register with a further 130 subscribers to the Plotsearch service.

9.58 From a development point of view, key issues with this market are associated with skills and risk: whilst there may be notable number of people with an 'interest' in self-build, there is in some circumstances a significant financial outlay, risk and time-cost associated with self-build.

9.59 We would expect most new delivery to be on small windfall sites; although there is some potential through policy to encourage developers of larger schemes to designate parts of these as plots available for custom build. However, it is likely to be difficult to demonstrate concrete evidence of demand at a local level, albeit those local authorities are required to maintain registers of those with an interest in doing so.

Gypsies and Travellers

9.60 The partner authorities (with the exception of Hinckley and Bosworth Borough Council) have commissioned a new Gypsy & Traveller Accommodation Needs Assessment to gain an up-to-date understanding of the accommodation needs of Gypsy and Traveller families within Leicester & Leicestershire. This study will replace the previous 2013 Gypsy and Traveller Accommodation Needs Assessment and will take into account the changes to the planning definition of 'Traveller' contained within Planning Policy for Traveller Sites (2015).

9.61 Separately Hinckley and Bosworth Borough Council has undertaken an assessment of needs for Gypsies, Travellers and Travelling Showpeople in the Borough. This November 2016 Study identifies no need for additional pitches from any of these groups, based on the planning definitions of these groups.

Key Points

- Within the overall need for housing there will potentially be a need to provide some specialist (supported) housing. This is particularly in response to an ageing population and the higher levels of disability experienced by older persons.

- At present the population of older people in the HMA is relatively low when compared with other areas – some 17% of people were aged 65 and over in 2015. This particularly reflects the influence of the City's population structure. Over the 2011-36 period the number of people aged 65 and over is projected to increase by 75% with a higher (148%) increase in the number of people aged 85 and over. Over the 2011-31 period the number of people aged 65 and over is projected to increase by 60% with a higher (92%) increase in the number of people aged 85 and over.

- This demographic change would be likely to see an increase in the number of people with specific disabilities (e.g. dementia and mobility problems) as well as a general increase in the numbers with a long-term health problem or disability.

- The analysis identifies over the 2011-36 period that there will be a need for 473 specialist units of accommodation for older people (generally considered to be sheltered or extra-care housing) per annum and 365 specialist units of accommodation for the 2011-31 period. Such provision would be within a C3 use class and would therefore be part of the objective assessment of need.

- Additionally, the analysis highlights a potential need for an additional 182 registered care bed spaces per annum for older people (aged 75 and over) in the 2011-36 period. As these would be in use class C2, and in the modelling this need is calculated as part of the institutional (rather than household) population, they would be in addition to the estimates of housing need from demographic modelling (and OAN conclusions).

- More than 53,000 students are enrolled in the HMA's three Universities, namely University of Leicester, De Montfort University and Loughborough University. According to the analysis of the student demand, the demographic analysis and Universities' current planned student growth, and growth in purpose-build student housing; there is no evidence suggesting additional pressure for housing across HMA to accommodate the student population.

- Around 1,110 people have registered in the councils' self-built registers providing an indication of a level of demand for self- and custom-build development.

10 COMMERCIAL PROPERTY MARKET

10.1 This section provides an assessment of the office and industrial property market in Leicester and Leicestershire. This assessment has been undertaken using a variety of sources including take-up and availability data from the Estates Gazette Interactive (EGi) database and the Focus CoStar commercial property database, a review of the latest commercial property literature and stakeholder/property agents' consultation.

National Economic Conditions

10.2 The Office for Budget Responsibility (OBR) published its Economic and Fiscal Outlook in March 2016. In the short time since the November 2015 forecast, economic development has been disappointing and the outlook for the economy and the public finances (as at March 2016) looked materially weaker, even prior to the Brexit vote in June. The UK economy has performed relatively well over the third quarter of 2016, supported by continued consumer spending, but the short-term economic outlook has deteriorated substantially, not least because of the uncertainty regarding the UK's future trade relationships. Uncertainty has particularly impacted on investment decisions.

10.3 The most significant change OBR made to the domestic forecast (in March 2016 relative to the previous November) was to revise down their estimates of potential productivity growth. This in turn reduces the sustainable level of GDP and the forecast for GDP growth over the following five years. The outlook for productivity growth is both one of the most important and the most uncertain judgements in most economic forecasts.

Office Market Review

10.4 At national level, the office market performed strongly in 2015. According to Knight Frank, the total take-up for the top ten cities[29] in the country at the end of October accounted for 460,000 sq m, which is the highest total figure since 2010.

10.5 Savills' Regional Office Market Spotlight in February 2016 forecast continued expected strong performance of the office market into 2016, and expected the main regional cities, including Leicester, to exceed their long-term average office take-up.

10.6 The Cushman & Wakefield Office Market Snapshot for the first quarter of 2016 suggested that despite the uncertainty surrounding the EU Referendum, solid economic growth should be anticipated for 2016 as a whole. A number of factors supported this outlook, including increased consumer spending, improvements to income levels and further expansion in the labour market. In the event, office market sentiment has weakened since Q1 2016 as a result of increasing economic uncertainty linked to the UK's referendum decision to leave the European Union.

[29] Leicester is not within the top ten in Knight Frank's list

Leicester and Leicestershire's Office Market

10.7 This section provides an assessment of the office market across the FEMA. The quantitative analysis of past take-up has been based on transactions recorded on EGi and CoStar.[30] This has been augmented through engagement with commercial agents.

10.8 Across the FEMA there was 1,227,000 sq.m of office floorspace in 2012, equating to 25% of the total across the East Midlands. The distribution between individual authorities is shown in Table 73 below. This shows that the largest office market was in Leicester, which accommodated 39% of the FEMA's office floorspace; followed by Blaby at 17%. The smallest proportions were in Oadby and Wigston and Melton.

Table 73: Office Floorspace by Local Authority, 2012

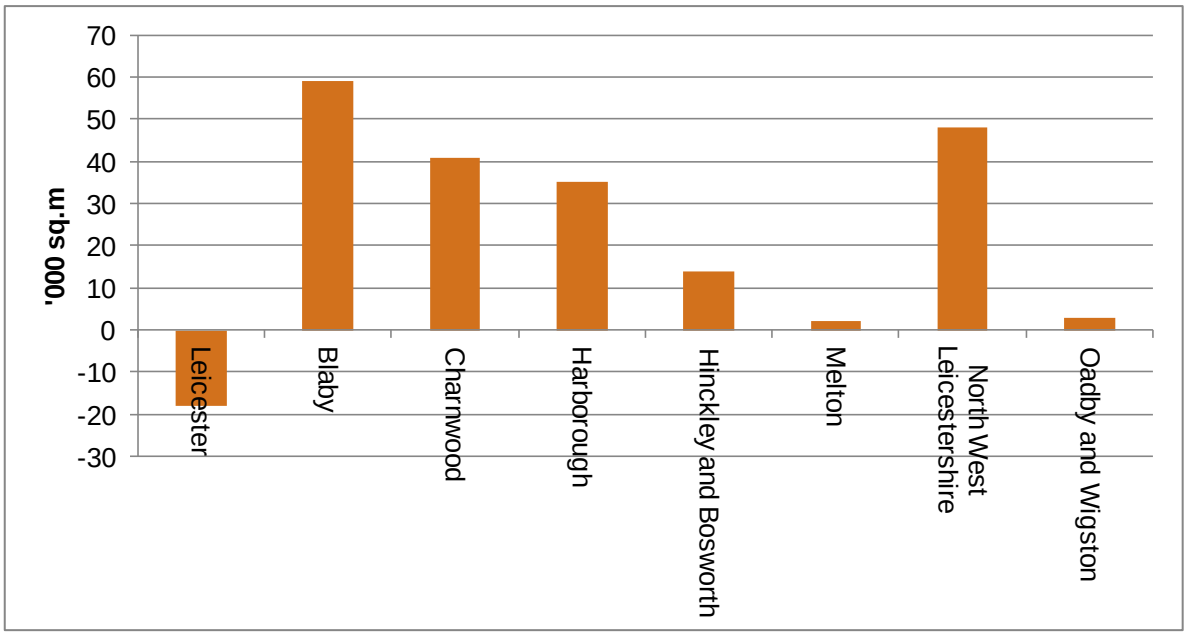
	Office Floorspace ('000 sq.m)	% FEMA Total
Leicester	482	39%
Blaby	208	17%
Charnwood	140	11%
Harborough	86	7%
Hinckley and Bosworth	83	7%
Melton	48	4%
North West Leicestershire	149	12%
Oadby and Wigston	31	3%
FEMA	1,227	100%

Source: VOA Business Floorspace Statistics

10.9 Over the 2000-12 period, office floorspace has increased by 18% across the FEMA (1.4% pa growth). However the spatial distribution of office floorspace has changed, with a net reduction of 18,000 sq.m seen in Leicester, and growth in the Leicestershire authorities; with the strongest net growth in stock in absolute terms being in Blaby (59,000 sq.m) and North West Leicestershire (48,000 sq.m). Within the Leicester Principal Urban Area net growth has effectively been seen, but outside of the City's boundaries in locations such as Carlton Park and Grove Park, Blaby.

[30] Although these are the most comprehensive lists available, not all transactions are included. In some cases transactions or availability is applied to the nearest postal town which may be in a different local authority to the transaction. GL Hearn have used Geographic Information System (GIS) to accurately present the analysis at a local authority level.

Figure 57: **Net Change in Office Floorspace by Local Authority, 2000-12**

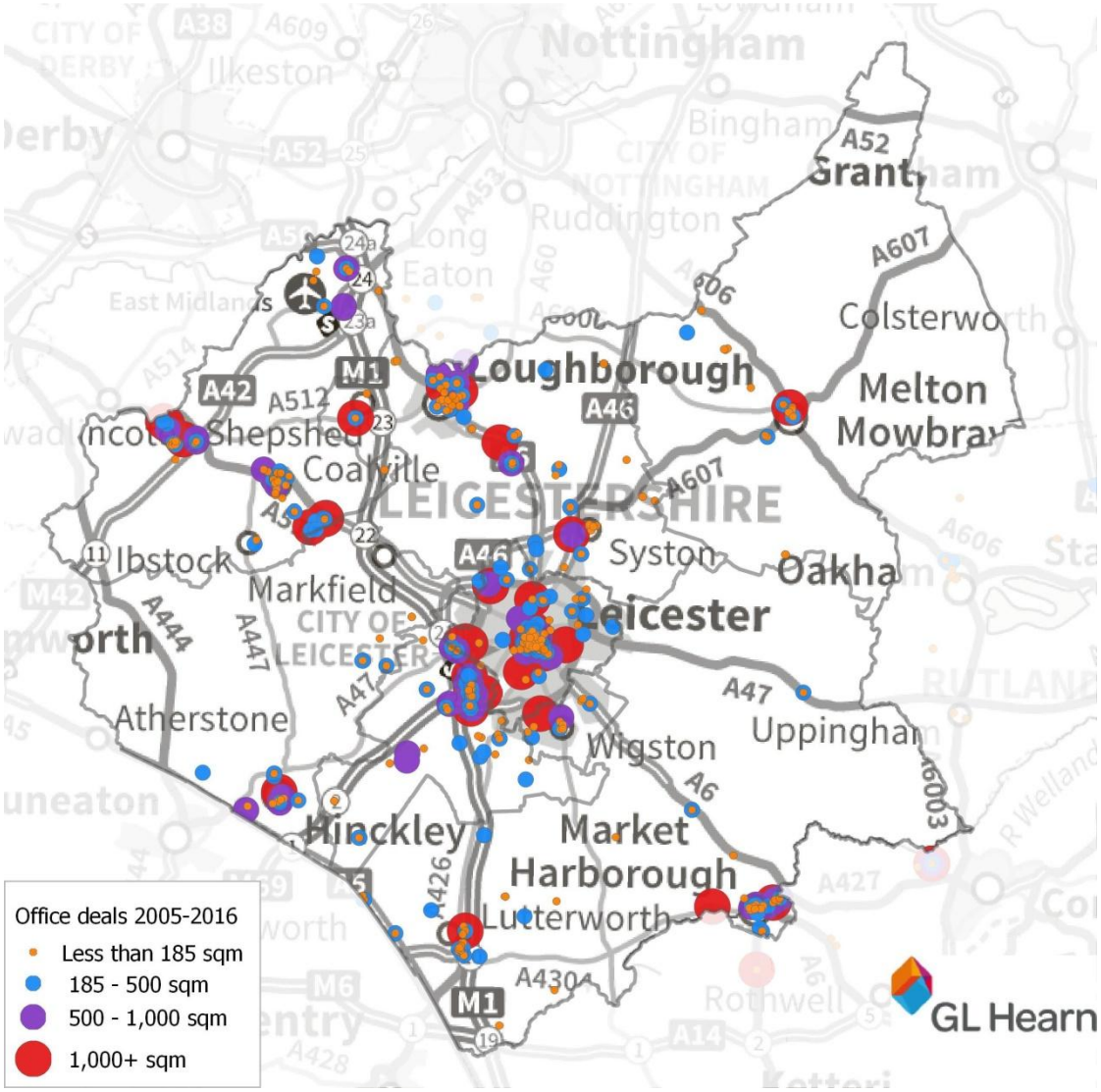


Source: VOA Business Floorspace Statistics

10.10 Figure 58 provides an overview of the location of take-up activity over the period 2005-2016. In total 1,070 office floorspace deals were listed across the FEMA covering a known floorspace of 294,200 sq m. Transactions volumes over this period were highest in Leicester (214) followed by Harborough District (210).

10.11 Over the 2005 – 2016 period, the highest level of office floorspace transacted was in Leicester (100.700 sq.m) followed by Blaby (56,900 sq.m) consistent with the profile of stock. The evidence clearly points to the Leicester Principal Urban Area being the largest office market in the FEMA.

Figure 58: **Office Floorspace Take-Up, 2005-2016**

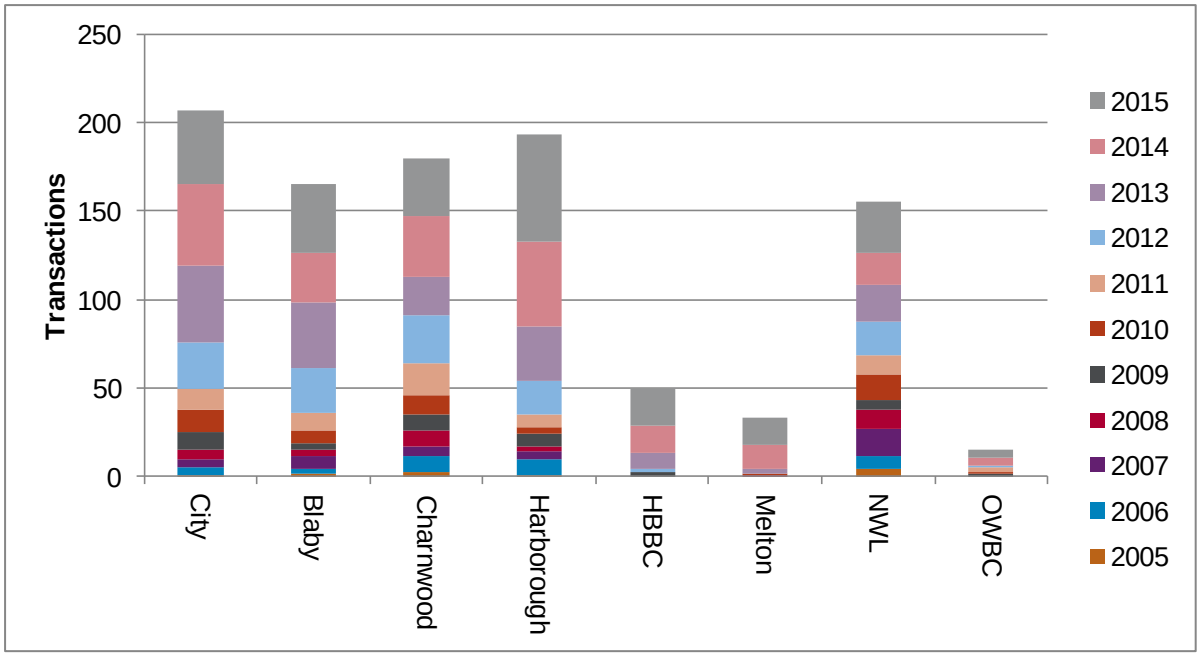


Source: GL Hearn Analysis of EGi and CoStar Data

10.13 Figure 59 illustrates the number of deals in each authority over the 11 year period to 2015[31]. In total 998 deals for office floorspace have been recorded. The highest volume of transactions, was in Leicester (207 transactions) followed by Harborough (193) and Charnwood (180). In contrast just 15 transactions have been recorded in Oadby & Wigston. This is influenced by both the level of stock in each authority together with relative demand.

[31] Full-year data for 2016 is not currently available

Figure 59: **Office Transactions by Year and Local Authority, 2005-2015**

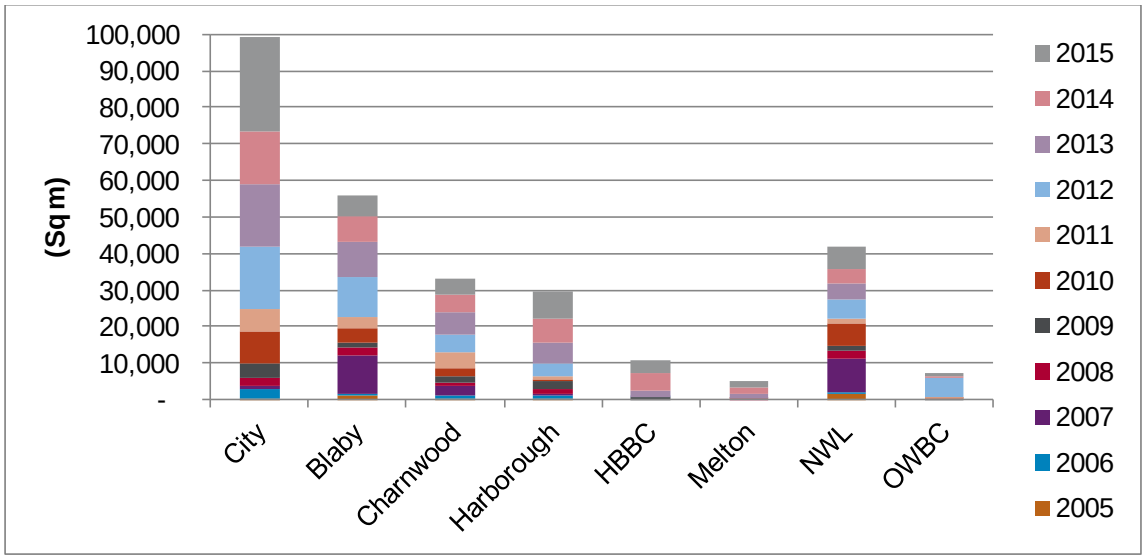


Source: GL Hearn Analysis of EGi and CoStar Data

10.14 Between 2005 and 2015 more than 280,000sq m of office floorspace was transacted. Figure 60 provides a detailed breakdown floorspace take-up in each local authority. This includes lettings and sales of both new-build and existing office stock. The highest volume of office floorspace traded during that period was in Leicester (99,100 sq m), followed by Blaby (56,100 sq m) and North West Leicestershire (41,800 sq m). The smallest volumes of floorspace transacted was in Melton (5,000 sq m) and Oadby and Wigston (7,200 sq m). This correlates with the geography of available stock.

10.15 On average over the 2005-2015 period the average annual floorspace take-up was around 26,700 sq m (including new-build and second hand stock). The highest volume of transactions in a single year was recorded in 2015 with 55,200 sq m transacted across the FEMA.

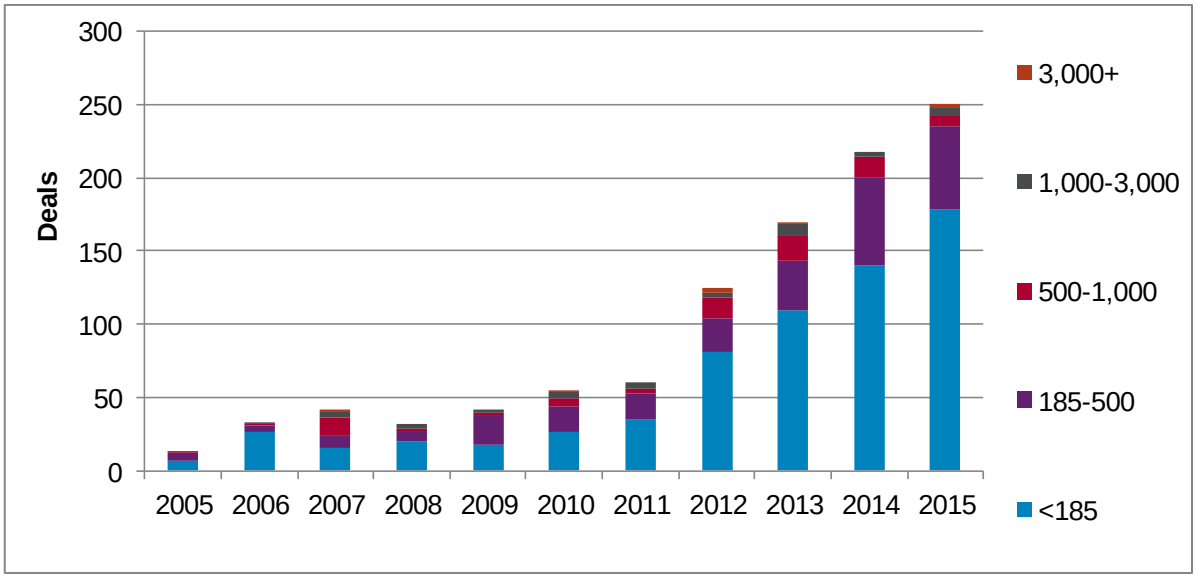
Figure 60: **Office Floorspace Take-Up by Location, 2005-15**



Source: GL Hearn Analysis of EGi and CoStar Data

10.16 The majority of transactions involved units of under 185 sq.m. Since 2012 there has however been an increase in the number of larger transactions recorded on EGi/CoStar, likely reflecting in part improvements to data; together with a recovery in the office market.

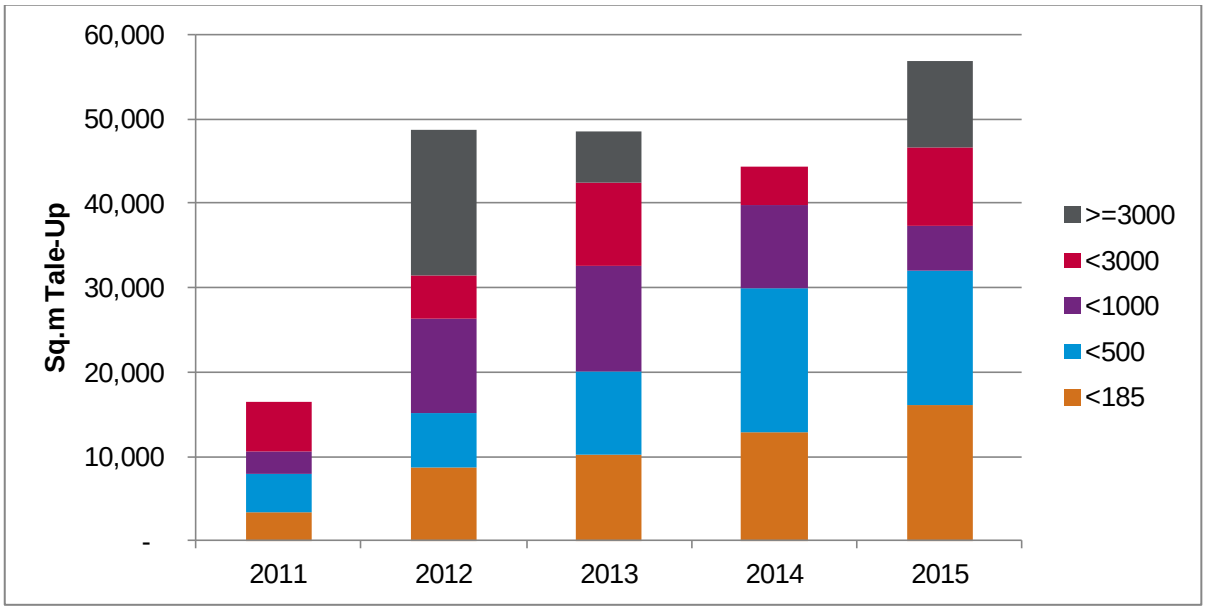
Figure 61: **Profile of Office Deals by Size (sq.m), 2005-2015**



Source: *GL Hearn Analysis of EGi and CoStar Data*

10.17 Figure 62 profiles take-up over time and by floorspace in each size band over the last five years. This illustrates the strong activity in the office market over the last 4 years and growth in take-up across a number of size bands.

Figure 62: **Office Floorspace Take- Up by Size (sq m), 2011-2015**



Source: GL Hearn Analysis of EGi and CoStar Data

Office Availability

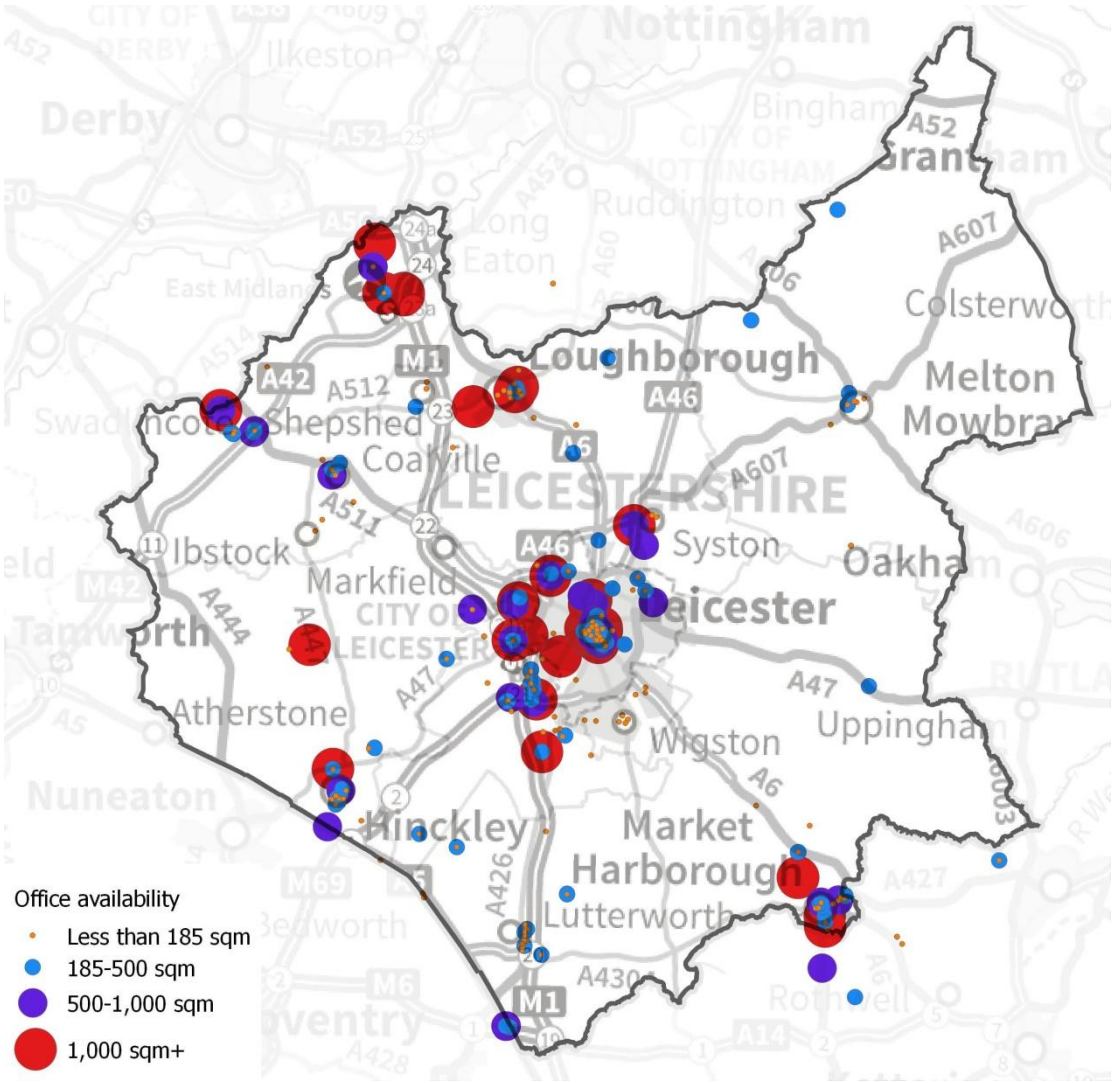
10.18 Figure 63 illustrates the location of available office space across the FEMA as recorded in EGi and CoStar databases in July 2016. This includes existing, new-build and refurbished floorspace, office floorspace under construction, and space advertised on a design and build basis. As at July 2016 there was total available space of 212,120 sq.m of office floorspace across the FEMA, This would equate to a notional supply of around 4.9 years' based on average take-up over the last five years (2011-15)[32].

10.19 Figure 63 shows all the geography of available office floorspace across the FEMA as recorded in July 2016. The highest level of available office space can be found in Leicester (78,600 sq m), followed by Blaby (37,700sq m) and Charnwood (34,500 sq m). Only 1,200 sq.m of the total available floorspace is located in Oadby and Wigston.

10.20 Two thirds of the available space in Leicester comprises units larger than 1,000 sq m. In Blaby the majority of the available floorspace is in units larger than 3,000 sq m. This is illustrated by Figure 64 which reveals the largest available offices are located in central Leicester and along the M1 in Blaby. This correlates with the demand analysis. Other large offices are located in Loughborough and around East Midlands Airport.

[32] This period relates to the period when the quality of data from this source improves. A longer term average may show a different position but GL Hearn have concerns regarding the robustness of the more historical data. .

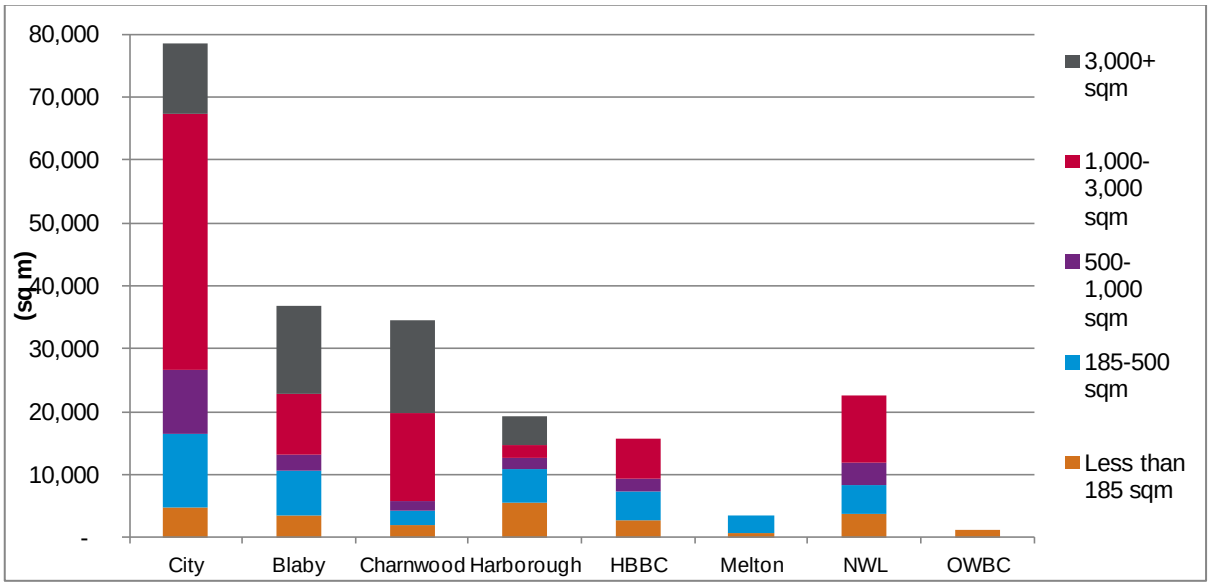
Figure 63: **Office Availability – July 2016**



Source: GL Hearn Analysis of EGi and CoStar Data

10.21 The largest office floorspace opportunity being marketed relates to the potential for design and build of 13,935 sq.m at the Grove Park Commercial Centre in Blaby.

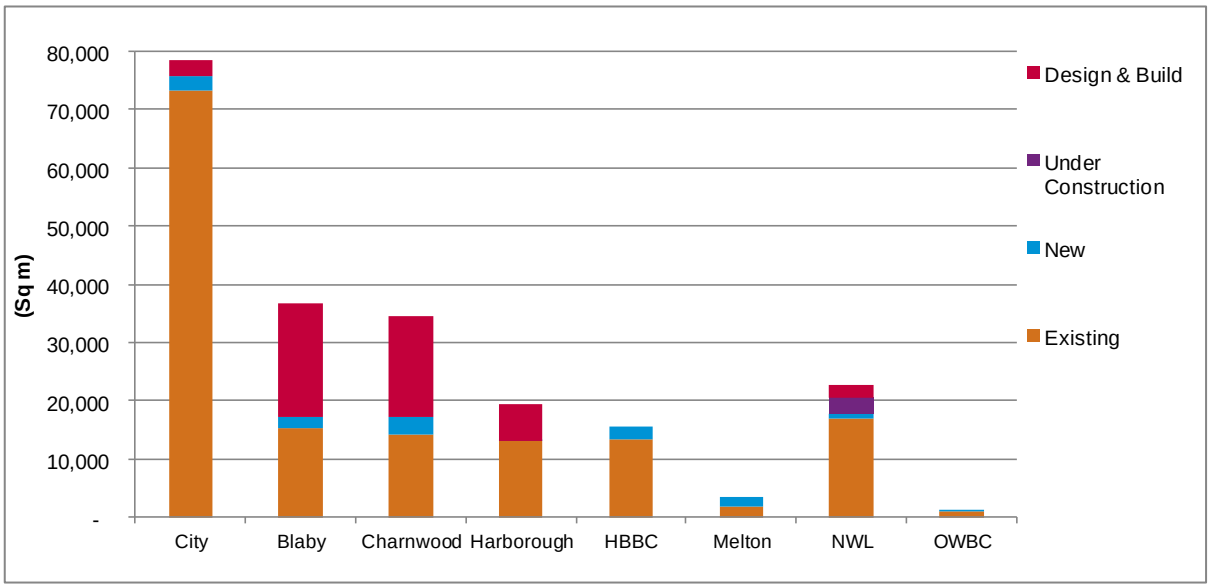
Figure 64: **Office Availability (July 2016)**



Source: *GL Hearn Analysis of EGi and CoStar Data*

10.22 As Figure 65 indicates, the majority (70%) of available space is existing 'second hand' stock which has become available for relet/ purchase. Opportunities to bring forward new Grade A space in the short-term through design and build opportunities are principally in Charnwood, Blaby and Harborough. In Charnwood this availability relates to five new buildings that are part of the Loughborough Science and Enterprise Park.

Figure 65: **Office Availability by Location and Status (July 2016)**

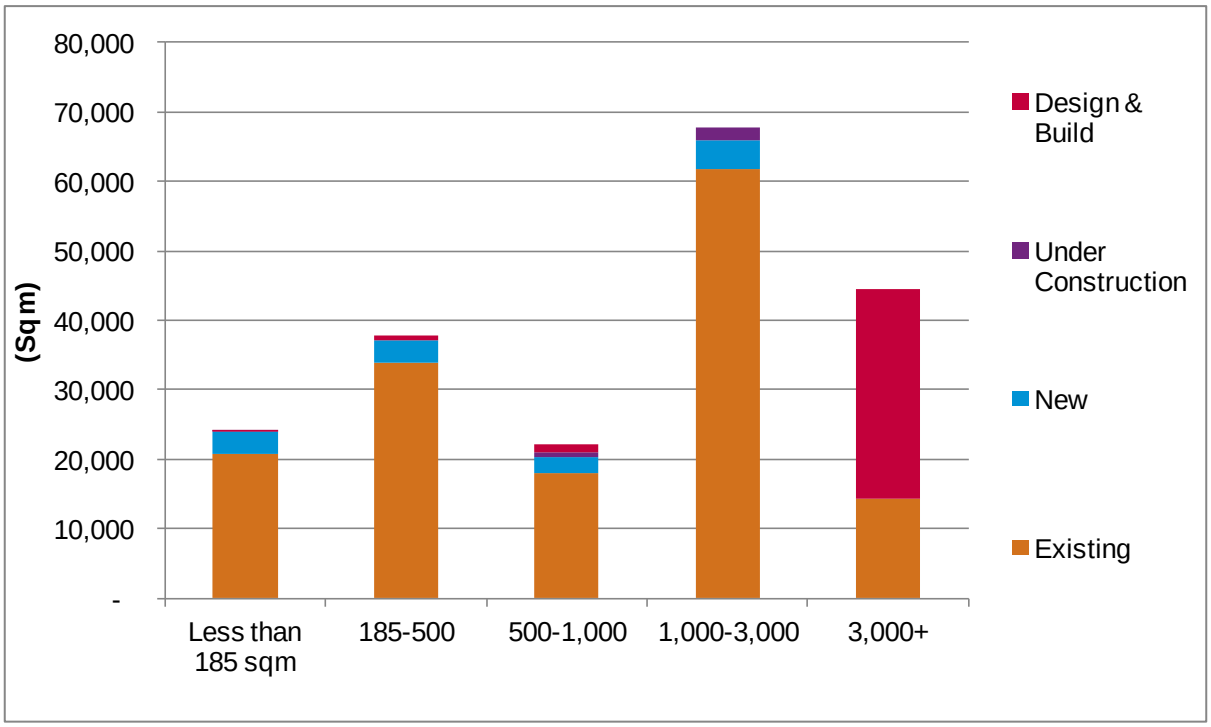


Source: GL Hearn Analysis of EGi and CoStar Data

10.23 In terms of built new-build/ refurbished floorspace, the largest quantum of available space is in Charnwood and Hinckley and Bosworth. Melton has the highest percentage of its available office floorspace (46%) held in new-build which includes the Melton Fields Business Park and the newly refurbished Phoenix House.

10.24 Figure 66 shows the availability of office floorspace categorised by size and status. The majority of the available volume (34%) is in medium/large units between 1,000 and 3,000 sq.m, followed by very large units above 3,000 sq.m (23%). Small units below 185 sq.m represent only 12% of the total available office floorspace.

Figure 66: **Floorspace Availability by Status (July 2016)**



Source: GL Hearn Analysis of EGi and CoStar Data

Industrial Market Review

10.25 Our analysis of industrial floorspace includes both industrial (B2) and warehouse/ distribution (B8) use classes.

10.26 Nationally, the industrial market continues to perform well with year-on-year increases in the take-up of floorspace. The industrial sector continues to be dominated by warehouse and distribution units. There is a growing demand for large scale logistics/distribution warehouses nationally. This is, in part, driven by the continuing growth of the on-line retail sector and increasing customer expectations for same- or next-day delivery. Leicestershire is an attractive location for such

development situated centrally within England, well served by the national motorway network, and with many of the larger population centres within the country located within a 4.5 hour drivetime. Leicestershire also has a strong manufacturing sector which influences demand for industrial floorspace.

10.27 At a national level, JLL statistics for the big box logistics sector indicated an aggregate take-up of Grade A space across the UK of 7.7sq.ft sq m in the first half of 2015 of which 5.7m sq.ft were in units of a size 90 to 9,000 sq m. The composition of demand by sector for the 1st half of the year (nationally) was:

- Retailers: 49%
- Logistics Companies: 28%
- Manufacturers: 12%
- Other: 11%

10.28 Nationally take-up of Grade A increased to 8.6 million sq.ft in the second half of 2015, and 10.2 million sq.ft in the first half of 2016.

10.29 At the national level, JLL's research points to an available supply of 15 million sq.ft of Grade A floorspace at the end of 2015 together with 5.8 million sq.ft of good quality second-hand space – a low level equivalent to just under a year's worth of stock compared to take-up levels. This is partly a reflection of a lack of development over recent years, related to the wider economic conditions.

Leicester and Leicestershire Industrial Market

10.30 The FEMA contained 9,081,000 sq.m of industrial floorspace in 2012. This includes warehouse/ distribution floorspace. The greatest proportion of space was in Leicester (29%), followed by North West Leicestershire, Charnwood and Harborough, as Table 74 shows.

10.31 Over the period from 2000-12, total industrial floorspace grew modestly by 129,000 sq.m (an average of 0.1% pa). However the spatial distribution of floorspace changed, with growth in NW Leicestershire and Harborough – including in part by new B8 floorspace development - as well as in Melton; set against reductions in Leicester, Charnwood, and Hinckley and Bosworth in particular.

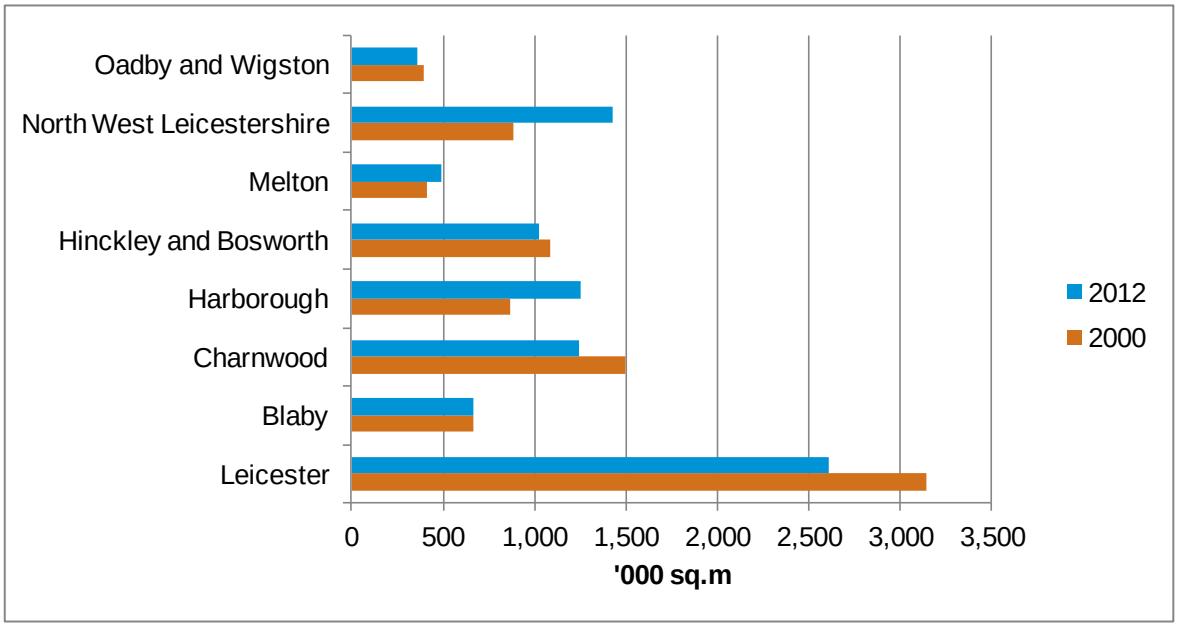
Table 74: Industrial Floorspace Trends, 2000-12

	2012 Floorspace ('000 Sq.m)	% FEMA Total	Growth 2000-12 ('000 sq.m)
Leicester	2,608	29%	-536
Blaby	670	7%	2
Charnwood	1,245	14%	-255
Harborough	1,248	14%	378
Hinckley and Bosworth	1,026	11%	-56
Melton	494	5%	85
North West Leicestershire	1,429	16%	548
Oadby and Wigston	361	4%	-37
FEMA	9,081	100%	129

Source: VOA Business Floorspace Statistics

10.32 The chart below profiles the change in floorspace over this period

Figure 67: **Change in Industrial Floorspace, 2000-15**



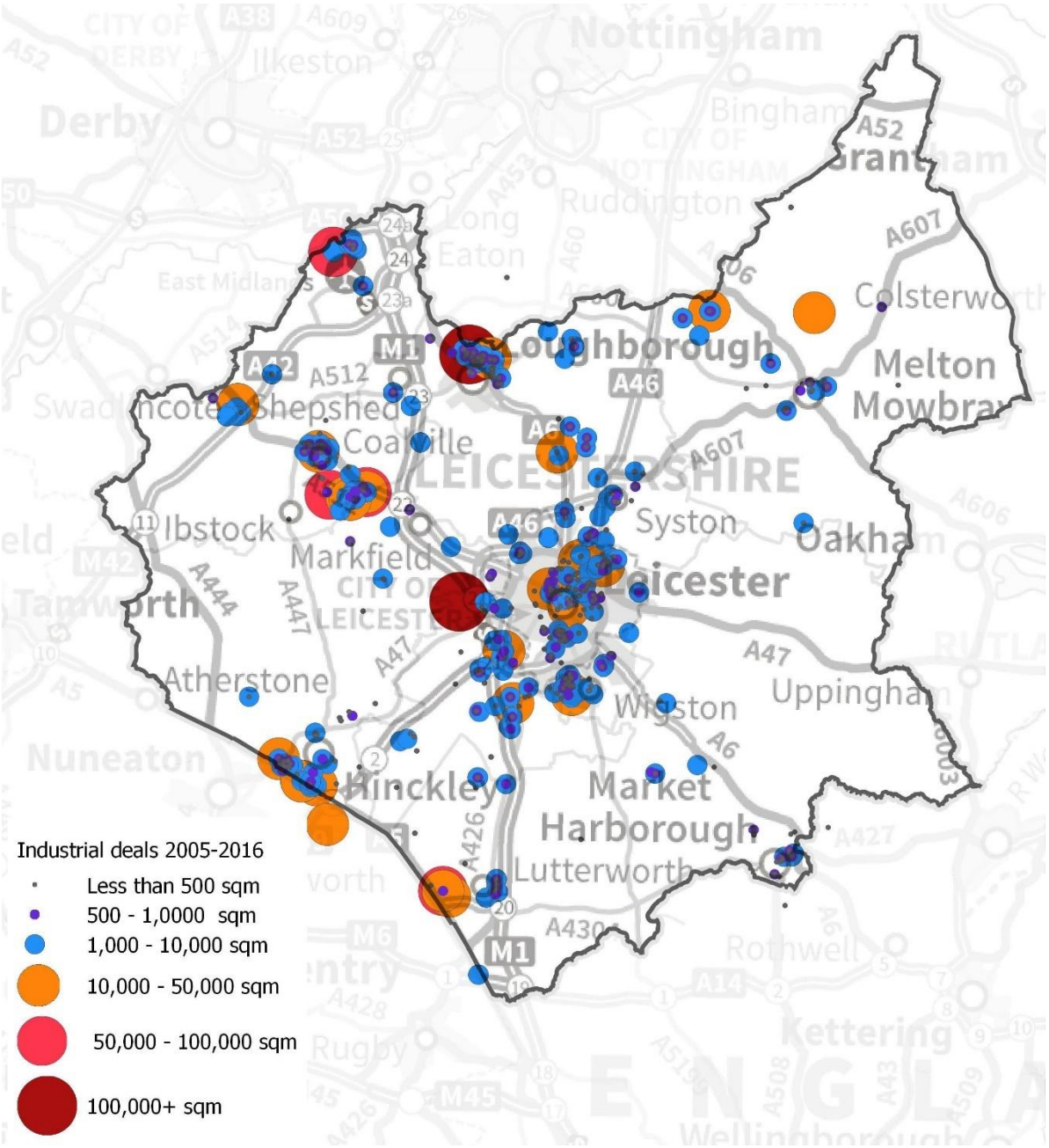
Source: VOA Business Floorspace Statistics

10.33 Figure 68 profiles the spatial distribution of the industrial transactions across the FEMA since 2005. For the period 2005-2016 there have been 1,911 recorded industrial deals for the FEMA relating to 3.4 million sq.m of floorspace.

10.34 The highest concentration of industrial transactions were recorded in Charnwood (460 deals) followed by Leicester (349). The largest amount of floorspace was transacted in North West

Leicestershire: this totalled 767,000 sq m. This was followed by Charnwood (743,000 sq m) and Harborough (640,000 sq m).

Figure 68: **Industrial transactions in FEMA since 2005**

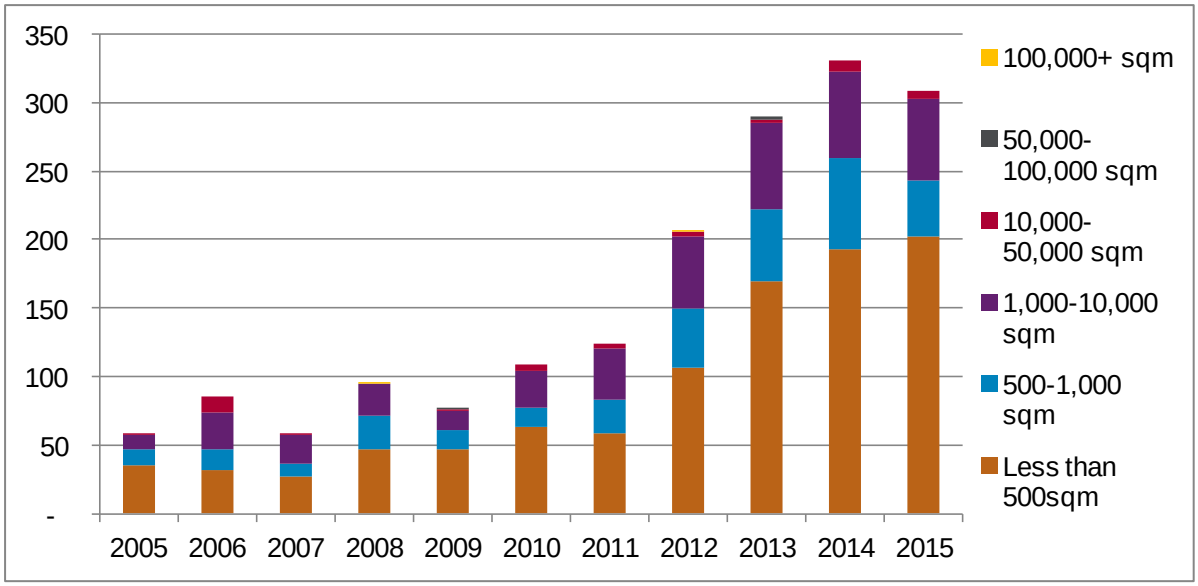


Source: *GL Hearn Analysis of EGi and CoStar Data*

10.35 Figure 69 presents the number of industrial deals by size and year. On average 159 deals were recorded per annum in the FEMA. With 331 deals the highest number of transactions was recorded in 2014. In total 53% of all the deals related to stock smaller than 500 sq m. In contrast, 17% of all

the deals related to commercial units between 500 and 1,000sq m and 22% in units between 1,000 and 10,000 sq m. Deals for units larger than 10,000 sq m equated to only 3% of the total; two of these were larger than 100,000 sq m. Size details for 95 transactions (5%) were not disclosed.

Figure 69: **Industrial deals in FEMA by size and year, 2005-15**

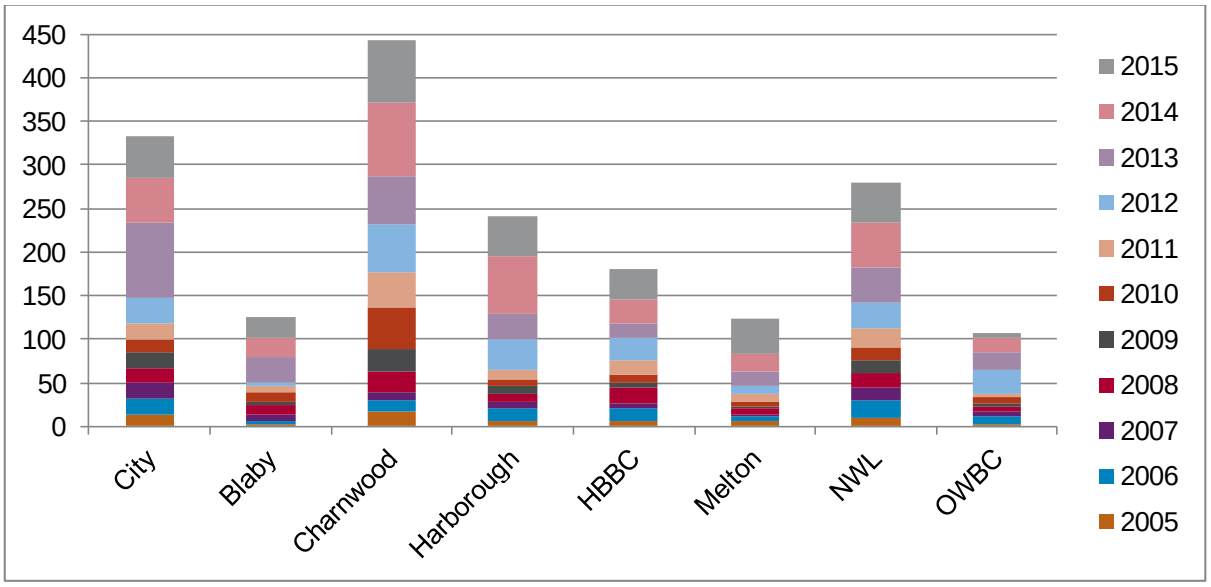


Source: GL Hearn Analysis of EGi and CoStar Data

10.36 The two very large transactions of over 100,000 sq m related to the former Astra Zeneca laboratories (Charnwood) and the other was the sale at Desford Lane, Kirby (Blaby) to Crown Crest Cash and Carry.

10.37 Figure 70 presents the number of deals broken down by year and local authority for the 2005 to 2015 period. The largest number of transactions where located in Charnwood (24%), followed by Leicester (18%). The fewest transactions were recorded in Oadby and Wigston (6%), followed by Blaby and Melton (7%).

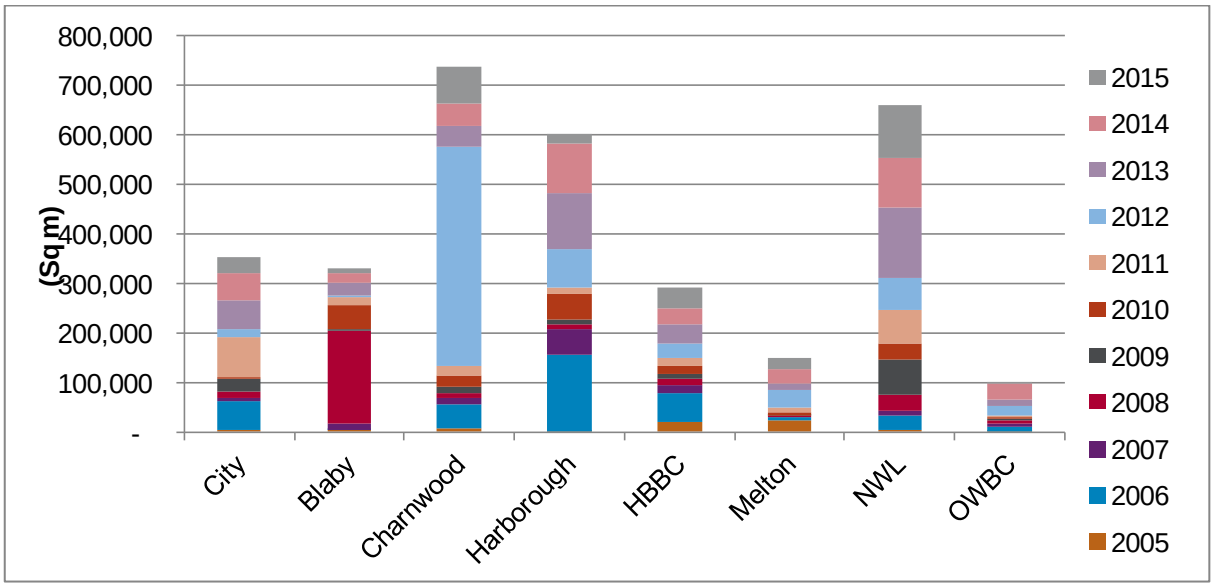
Figure 70: **Industrial deals in FEMA by year and local authority, 2005-15**



Source: GL Hearn Analysis of EGi and CoStar Data

10.38 Figure 71 presents the spatial distribution of the industrial floorspace take-up. The highest volume of industrial floorspace transacted was in Charnwood (23%), followed by North West Leicestershire (20%) and Harborough (19%). The smallest amount of industrial floorspace was purchased in Oadby and Wigston (3%).

Figure 71: **Industrial floorspace by year and local authority, 2005-15**

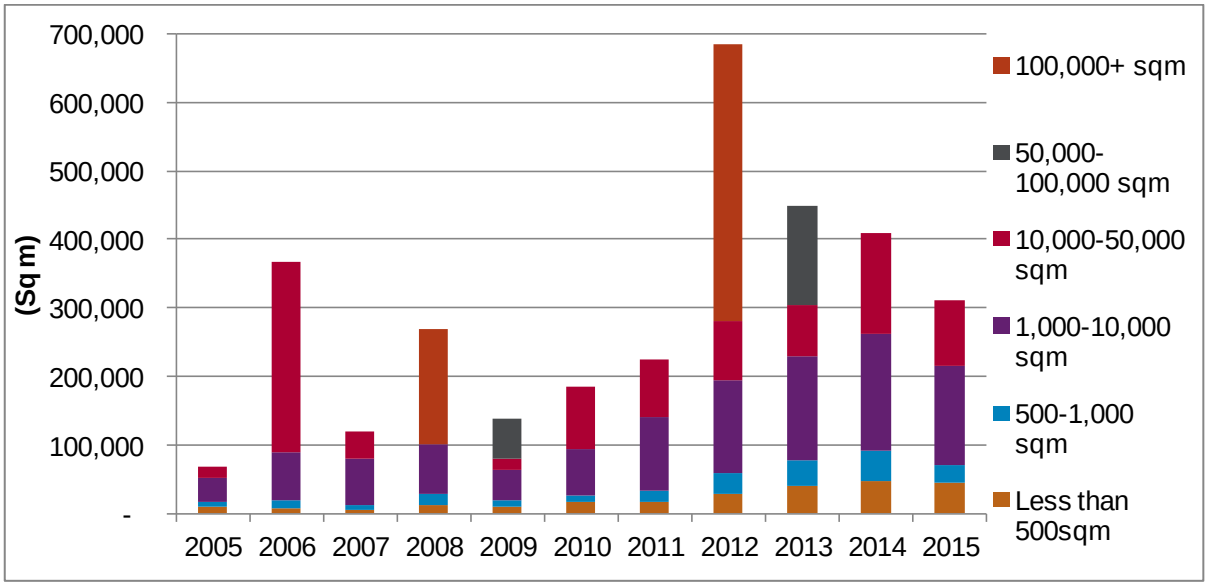


Source: GL Hearn Analysis of EGi and CoStar Data

10.39 Figure 72 presents the industrial floorspace take-up by size band. In total 33% of floorspace transacted over the last decade related to units of 1,000 and 10,000 sq m in size. This was followed

by 29% of floorspace transactions in units between 10,000 and 50,000 sq m and 18% in units above 100,000 sq m. The highest volume of industrial take-up was in 2012 at over 685,000 sq m (21%).

Figure 72: **Industrial floorspace by year and size, 2005-15**

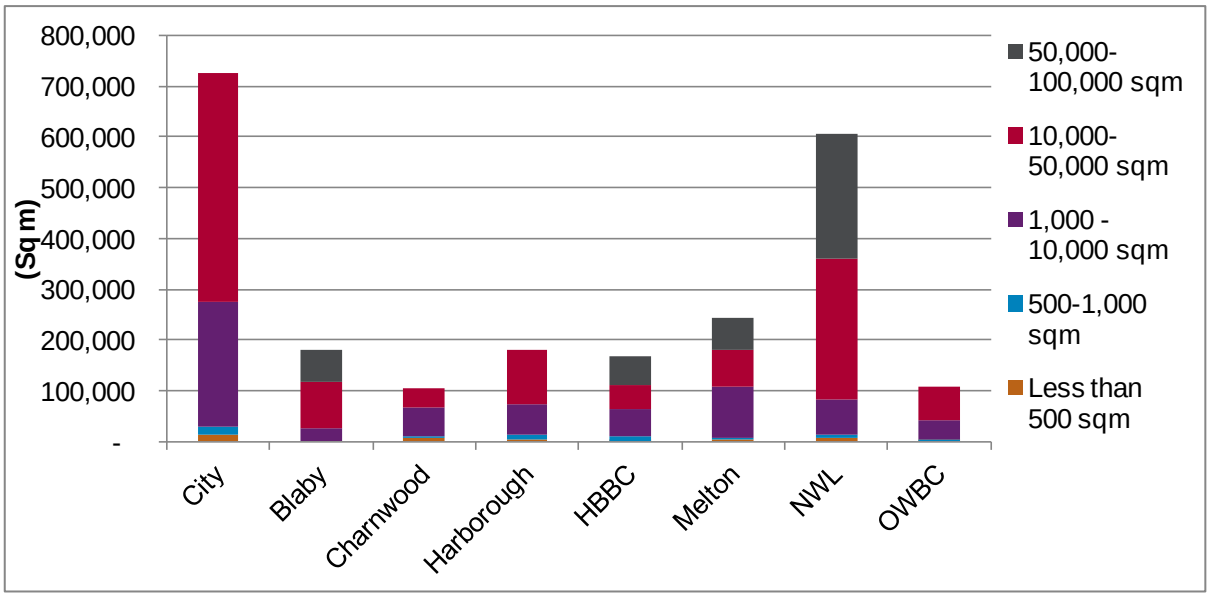


Source: GL Hearn Analysis of EGi and CoStar Data

10.40 As of July 2016, there was 7.4 million sq.m of industrial floorspace available at 477 locations. Around 69% of the advertised floorspace was in industrial units larger than 100,000 sq m. 16% was in units of between 10,000 and 50,000 sq m. Less than 40,000 sq m of the available floorspace relates to units smaller than 500 sq m.

10.41 Figures 71 and 72 show the spatial distribution of the available industrial floorspace / development opportunities across the FEMA as registered on EGi and CoStar databases in July 2016. The highest concentration of available industrial floorspace can be observed around North West Leicestershire (3.2m sq m), Hinckley and Bosworth (1.17msq m) and Leicester (1.08m sq m). The figures include capacity on sites for design and build development.

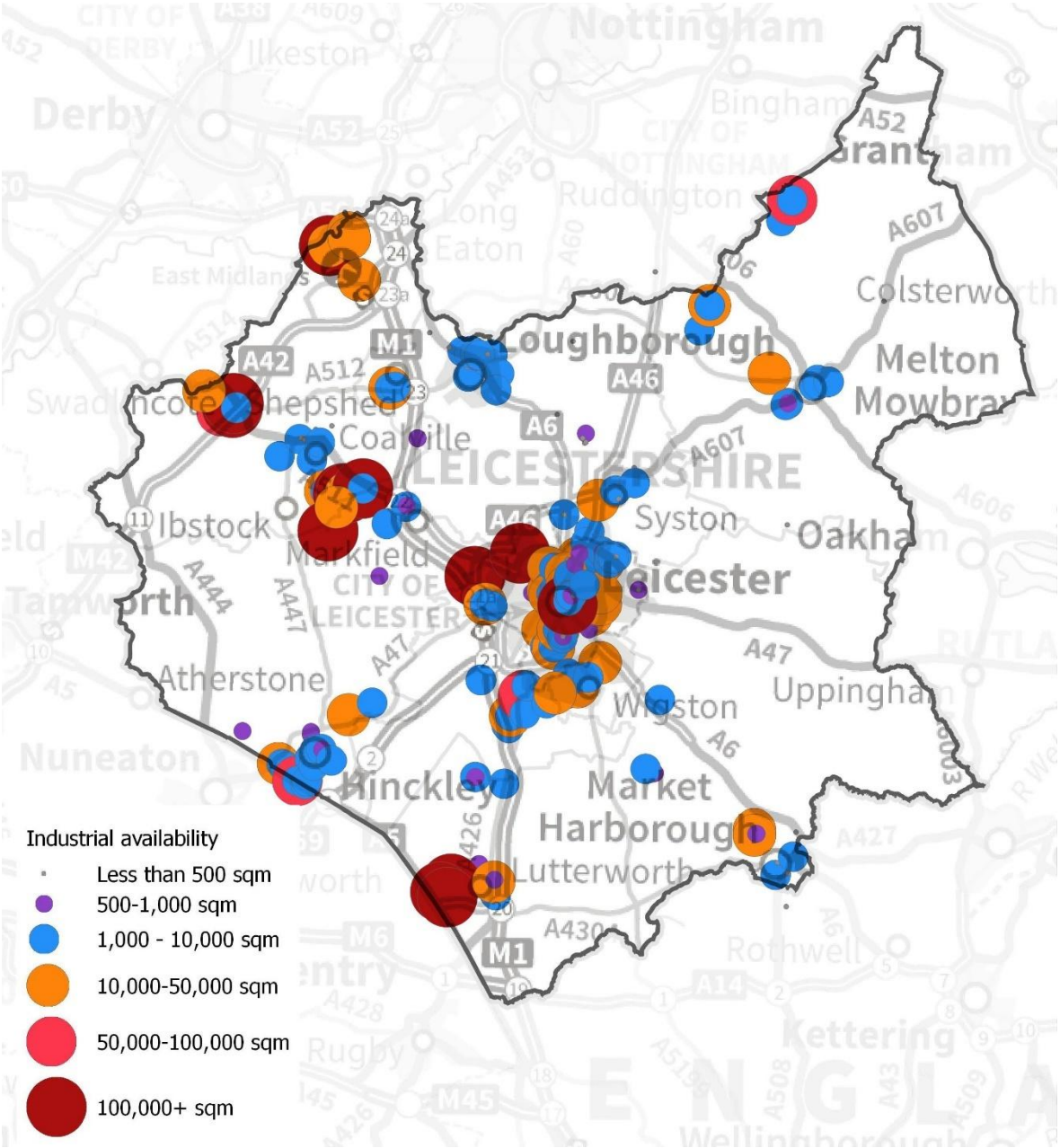
Figure 73: **Industrial floorspace across FEMA, July 2016**



Source: GL Hearn Analysis of EGi and CoStar Data

10.42 The largest existing units which are being marketed as available are the 230,000 sq m unit at Magna Park in Lutterworth (Harborough) and a 225,000 sq m unit at Bardon Hill near Coalville, North West Leicestershire.

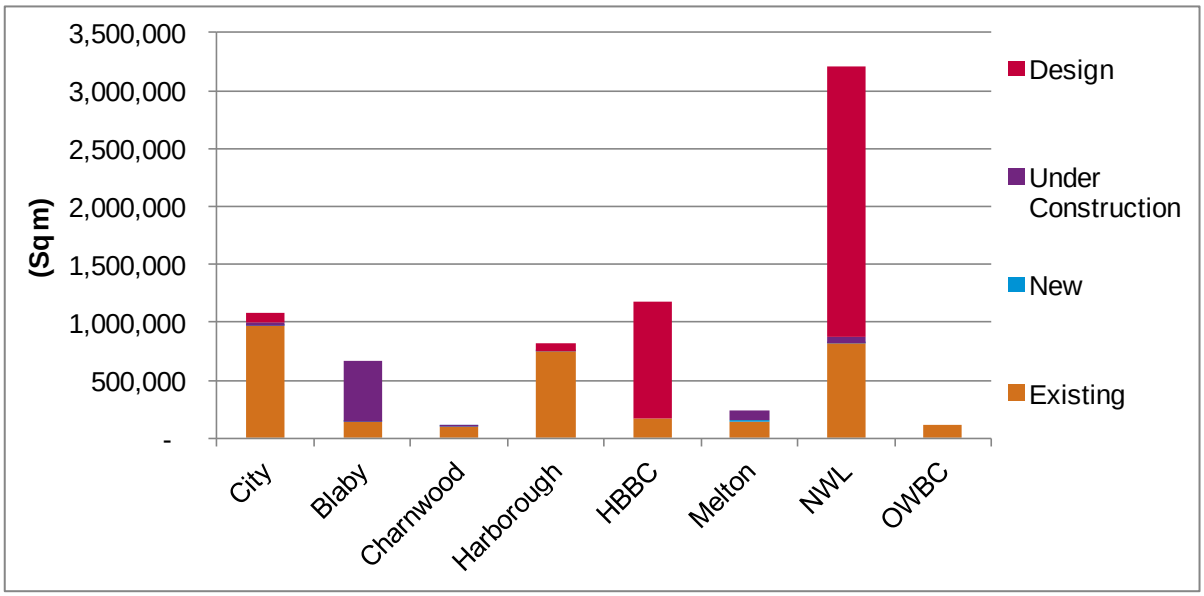
Figure 74: **Industrial availability in FEMA, July 2016**



Source: GL Hearn Analysis of EGi and CoStar Data

10.43 Figure 75 presents the available industrial floorspace by type and local authority. In July 2016, 47% (3.5mil sq m) of the available stock comprised design and build opportunities, with 43% (3.2mil sq m) existing stock. 9% (approx. 700,000sq m of floorspace) was under construction with only 1% (19,000 sq m) comprising new-build development available for occupation.

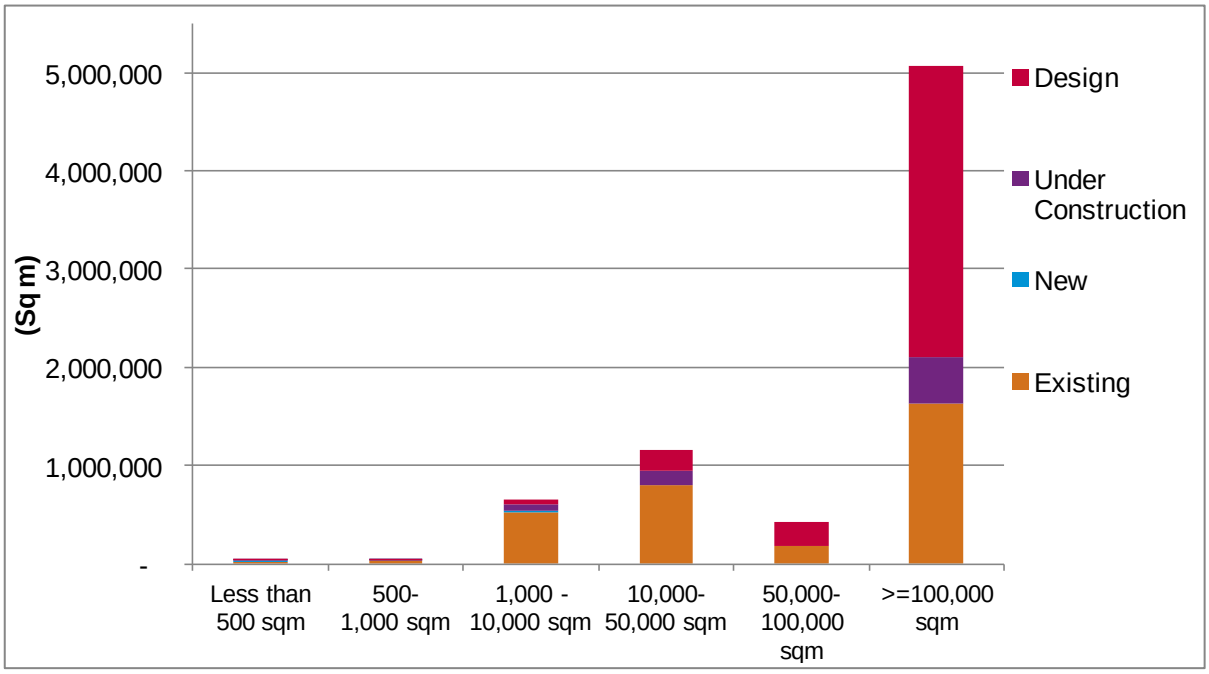
Figure 75: **Industrial Floorspace Availability by Status (July 2016)**



Source: GL Hearn Analysis of EGi and CoStar Data

10.44 Figure 76 shows the available industrial floorspace by size and status. The majority of the supply (69%) is held in units (existing or otherwise) larger than 100,000 sq m.

Figure 76: **Industrial availability by unit size and status (July 2016)**



Source: GL Hearn Analysis of EGi and CoStar Data

Agents Perspective

10.45 As part of the commercial property market assessment, GL Hearn contacted commercial property agents active in the FEMA. Key findings from the consultation is summarised below.

Office Market

10.46 A significant proportion of the available office stock within the FEMA, and particularly in the City[33] is old, and does not meet modern occupier requirements. Office rents in Leicester varies between £10 and £20 psf for Grade A stock, while for Grade B (second-hand) office space, rents are between £5 and £10 psf. With regards to the sale of new office floorspace this typically achieves around £1,600/sq m (£155 psf), while second-hand stock achieves around £1,200/sq m (£110 psf). However, the cost achieved varies based on the exact location and site context.

10.47 Agents suggested that there is demand for new office units across a range of sizes in the FEMA but the current stock is either inappropriate and/or unattractive. There is occupier demand for new-build stock. In Leicester there is demand for units of all sizes including larger commercial offices from financial and business service occupiers; while across the other main settlements of the FEMA there is particular need for smaller office units.

10.48 The supply of grade A office space remains tight in Leicester. However, the creation and sale of a development plateau (on the site of former Council offices at Welford Place) for development of 5,667 sq m Grade A office building for Matiolli Woods, off Welford Road will reinforce the area as a central focus for the professional office district. Development is likely to be completed in the next few years. There is also demand for out-of-centre office accommodation. Phase 2 of Watermead Business Park has already been advertised and is expected to be launched shortly with new build opportunities which will relieve some of the pent up demand (3,223 sq m Grade A offices, Marlborough Court, Watermead Business Park, (speculative development).

10.49 However availability remains limited even with the healthy level of activity in Grove Park, Business Park and other business parks close to Junction 21 of M1. Demand is still unmet and has been worsened by the development for the logistic sector of some of the key remaining employment sites out of the City's Centre (including Sunningdale Road in Leicester and Optimus Point, Glenfield, Blaby) within the Leicester Principal Urban Area.

Industrial and Warehouse Market

10.50 The FEMA has seen a significant level of demand for strategic warehousing units of 50,000+sq m or larger. Demand is strongest for sites located in the "Golden Triangle" and close to main Junctions.

[33] In this section the reference to either Leicester or City relates to the Leicester PUA.

10.51 The "Golden Triangle" geographically lies between the M1, M6 and M69 motorways expanding to include the M42 which defines the wider triangle. The FEMA covers around half of the core 'Golden Triangle'. The area is highly sought after in logistics terms as operators can reach 80%- 90% of UK market in a return journey within a HGV driver's regulated hours.

10.52 The key site characteristics that logistic companies are seeking for their location are summarised below.

- High accessibility, with sites near to the strategic road network, in particular motorways and key junctions as well as proximity to rail freight facilities. There is a general preference for locations that are equidistant between the goods production and their destination. This is the main reason that the Golden Triangle, and the Midlands in general, is such a popular destination for distribution companies. Good links decrease the transport costs and allow large freight amounts (full loaded tracks) to reach their market in optimal times.
- Plot size and specifications vary based on the nature of the company. However there are some general characteristics that make the site much more efficient and consequently profitable for the logistic companies. There is demand for big units with high ceilings in order to take advantage of the new technology and digitalisation in the production/operation process. In addition there is demand for ancillary space associated to the distribution uses that can add extra value to the products for example final customisation, call-centres and even occasionally production. Large yards that enable easy loading/unloading, circulation and temporary storage of HGVs are also sought after.
- Logistics companies also benefit from locating near each other than if they were in an isolated location. In particular clustering provides access to specialised workforce; allows exchange of knowledge and services; encourages co-operation that can consequently reduce supply chain costs; encourages innovation derived from the synergies among the cluster's occupiers and usually has well-maintained infrastructure on the site.
- Adequate supply of suitable workforce is also an important factor in the choice of location. The requirements are changing while technology is evolving and higher skilled labour is more than ever occupied in the logistics' sector.

10.53 The supply of very large units of 50,000+sq m is limited in the FEMA, which further increases demand on the existing stock. Retail suppliers and distributors like Amazon represent a significant proportion of demand for large-scale warehouse accommodation in the FEMA. In addition there is a range of companies across different types and scales that are seeking to move because either they need to expand or their current stock is not adequate as its specifications and standards are not high enough.

10.54 On average the life cycle of a warehouse lasts thirty years. New stock tends to be larger with higher ceilings to enable robotic operation as well as large yards to ease loading of big vehicles, which are important factors for occupiers. Given the nature of the supply chain, logistic operators follow the location and strategies of their customers including large retailers and manufacturers. Thus additional pressure is created by logistics operators seeking to locate close to Leicestershire's well-established manufacturing base.

10.55 Agents have suggested that, such is the demand, that speculative new-build development has become viable across all scales within the FEMA, particularly in the western parts of the county. There is a particular emphasis on larger warehouses in optimal locations close to the motorway network.

Key Points

Offices

- The market analysis shows that Leicester and Blaby have the largest office stock and markets within the FEMA, and are attractive to a range of office occupiers. At other locations within the FEMA, demand is focused more towards smaller units catering for SMEs.
- There has been an increase in the office market activity since 2012 following the post-recession downturn. The upturn in demand has been mainly by small (below 185 sq m floorspace) and medium (185-500 sq m) unit transactions. Agents report a tight supply in particular of Grade A / new-build premises.

Industry/Warehousing

- There is a strong market for industrial and particularly warehouse activity in the FEMA. Since 2012 the market has been more active, overcoming the 2008 recession. Leicester and North West Leicestershire see the highest quantities of industrial floorspace. Growth since 2000 has been focused in North West Leicestershire and Harborough. Floorspace has also increased in Melton; whilst it has declined in other areas, particularly in the City.
- The level of available stock, particularly for strategic warehouse development, is falling to relatively low levels and will require replenishment in the medium-term. Market demand is supported by a well-performing manufacturing sector and logistics/ distribution creating demand at a range of locations across the FEMA. The strong market is supporting new speculative development.

11 EMPLOYMENT LAND NEEDS

11.1 In this section we consider need for employment land and floorspace. The section considers need for employment land in the B1, B2 and B8 use classes. Different forecast methodologies are used and contrasted to consider needs for these uses.

11.2 The focus of the assessment is on considering needs, and the HEDNA does not include an assessment of the supply or quality of existing employment land and premises within the FEMA or its constituent authorities. The findings should be interpreted in this context. What this means is that in planning for future employment land provision, local authorities will need to bring together the HEDNA findings on future needs with the qualitative assessment of their existing portfolio of sites and premises, and consider whether additional or replacement provision is needed to address specific local gaps in supply, or to cater for replacement demand arising from displacement of businesses on sites which might be more suitable for (or expected to be converted to) other uses.

11.3 In considering future needs for employment floorspace, the PPG outlines that consideration can be given to scenarios based on labour demand, labour supply and past take-up. GL Hearn considers that labour supply should not constrain a 'policy off' assessment of employment floorspace/ land needs.

11.4 There are different forecasting methodologies that are arguably more relevant for different market segments, and these are taken into account in the HEDNA:

- For office (B1a office and B1b R&D) floorspace, the HEDNA considers scenarios based on the "Planned Growth" labour demand forecasts together with past completions, which provide a market-based view on demand.
- For industrial (B1c and B2) floorspace, the HEDNA considers scenarios based on the labour demand modelling and past completions, but considers that greater weight should be given to the past completions data in drawing conclusions, noting in particular that the economic forecasts show strong performance and growth in manufacturing GVA, but a reduction in employment. This suggests that the sector itself is not contracting within the FEMA, but that through investment and productivity improvements employment across the sector as a whole may fall (albeit not in all manufacturing sub-sectors). Overall it points to a potentially weak relationship between jobs and floorspace;
- For B8 warehouse/ distribution floorspace, a distinction is made between small-scale B8 floorspace, where demand is assessed based on past completions trends. For larger strategic distribution (units of 9000+ sq.m), demand drivers for new-build development include replacement provision for older warehouse space, together with growth in traffic / trade. Because of the replacement provision, there is a weak relationship between total demand and net jobs growth.

11.5 The strategic warehouse/distribution floorspace (Use Class B8) calculations set out thus draw directly from the land use forecasts in the MDS Transmodal Strategic Distribution Study (Nov 2014). These are based on a cargo growth demand forecast and estimate of requirements arising from renewal of the stock 2013–31 and 2036. Because of the sub-regional nature of the strategic

distribution market we have provided demand estimations across the FEMA rather than for individual local authorities. This recognises that the distribution of growth in strategic distribution floorspace between different local authorities within the HMA will be influenced by the availability of commercially attractive sites.

Labour Demand Scenario

11.6 The labour demand scenario is based on econometric forecasts, and takes its lead from the conclusions presented in Chapter 5. The Planned Growth Scenario forecasts set out a growth of between 92,000 jobs (to 2031) and 99,000 jobs (to 2036). In order to understand the floorspace needs this must first be translated into full-time equivalent (FTE) jobs. This has been undertaken through interrogation of the detailed split between full and part-time work using BRES data at 2-digit SIC level.

11.7 GLH has considered the proportion of employment in each of these sectors which is likely to take place in office (Use Class B1a), R&D floorspace (Use Class B1b), light industrial floorspace (Use Class B1c), general industrial floorspace (Use Class B2).We have calibrated our standard model which relates sectors and use classes for the Leicester and Leicestershire economy (and for each local authority) through interrogation of the composition of employment in key sectors[34]. This is used to derive the following forecasts of net growth in FTE employment by use class. The resultant FTE jobs growth by use class is shown below.

Table 75: Full-Time Equivalent Jobs by Use Class ('000s)

	B1a/b		B1c/B2		B8		Non-B	
	2011-31	2011-36	2011-31	2011-36	2011-31	2011-36	2011-31	2011-36
Leicester	8.4	9.2	-2.2	-2.9	-0.1	-0.3	10.2	10.5
Blaby	8.5	9.2	0.4	0.2	0.8	0.9	3.6	4.2
Charnwood	6.9	7.4	0.3	0.1	0.5	0.5	7.2	7.5
Harborough	4.4	5.0	-0.4	-0.5	1.7	1.8	2.4	2.8
H&B	5.6	6.1	0.0	-0.4	1.0	0.9	2.8	3.0
Melton	1.2	1.3	0.0	0.0	-0.2	-0.2	0.6	0.7
NW Leics	8.1	9.2	-0.9	-1.2	2.4	2.9	5.3	6.2
O&W	0.7	0.9	-1.5	-1.6	-0.4	-0.4	0.5	0.6
L&L	43.7	48.4	-4.4	-6.2	5.8	6.1	32.7	35.6

11.8 To these figures we have applied standard employment densities taking account of the HCA Employment Densities Guide: 3rd Edition (2015). We have converted figures to provide employment densities for gross external floor areas on the following basis:

- General Offices (B1a): The 2015 Employment Densities Guide provides a range of plot ratios for B1a uses – broken down by sub-sector. The sub-sectors are Corporate; Professional

[34] This analysis is undertaken at 2-digit SIC level

Services; Public Sector; Technology, Media, and Telecoms; Financial and Insurance; and Call Centres. These have employment ratios ranging from 10-13 sq.m (NIA) per FTE employee. We have assumed that the gross external area of buildings is on average 20% higher than the net internal area;

- Research and Development Offices (B1b): The 2015 Employment Densities Guide includes employment densities for Research and Development (B1b) uses (unlike the 2010 guide). The guide sets out that the sector can be considered to be split into two key directions; an innovation and science focussed direction which is associated with the knowledge economy and life sciences activity, and a more traditional industrial focussed direction which fits alongside manufacturing. A mid-point of 60 sq.m GEA per FTE employee has been assumed, assuming that the gross external area of buildings is on average 20% higher than the net internal area;
- Light Industrial (B1c): an average of 49.4 sq.m GEA per employee has been used this includes a 5% increase to translate the gross internal area to the gross external area of buildings;
- General Industrial and Manufacturing (B2): an average of 37.8 sq.m GEA per employee has been used and again this assumes that the gross external area of buildings is on average 5% higher than the gross internal area;

11.9 Applying these employment densities to the forecasts of net growth in jobs in B-class activities, we can derive forecasts for net changes in employment floorspace.

11.10 Applying this methodology to the Planned Growth forecast identifies a net requirement for an additional 730,100 sq.m of office floorspace to 2036. It however shows a reduction in the net quantity of industrial floorspace (260,800 sq.m to 2036). The breakdown by district and use class is shown in Table 76. Because of the similarities and interchangeable nature between the use classes we have grouped B1a with B1b; and B1c with B2.

Table 76: Net Floorspace Requirement per B-Use Class (Sq m)[35] – Labour Demand Model

	2011-31		2011-36	
	B1a/b	**B1c/B2**	**B1a/b**	**B1c/B2**
Leicester	116,460	- 93,228	125,840	- 120,493
Blaby	125,216	15,931	134,013	6,245
Charnwood	118,576	11,094	128,155	4,784
Harborough	62,558	- 18,059	71,086	- 22,951
H&B	102,221	- 1,087	110,090	- 14,581
Melton	17,463	965	19,656	1,251
NWL	120,130	- 38,574	136,797	- 49,759
O&W	3,019	- 62,192	4,466	- 66,297
FEMA	**665,643**	**- 185,151**	**730,102**	**- 261,802**

Source: GL Hearn, OE and CLG

11.11 These are net changes and do not take account of frictional vacancy or replacement demand, such as from existing companies requiring upgraded floorspace.

[35] Note: the figures in Table may not sum exactly due to rounding errors

11.12 To calculate the land requirements to support these net changes, we have applied the following plot ratios. This is the ratio of gross floorspace to site area and is based on our judgement of typical plot ratios for these use classes in urban, suburban and rural area:

- 2.0 for B1a/b offices in Leicester and 0.35 for B1a/b offices elsewhere in the study area; and
- 0.42 for B1c and B2 industrial uses

11.13 This generates the following requirement for net additional land to support jobs growth:

Table 77: Forecast Net Land Requirements (Hectares) – Labour Demand Model

	2011-31		2011-36	
	B1a/b	B1c/B2	B1a/b	B1c/B2
Leicester	5.8	-22.2	6.3	-28.7
Blaby	35.8	2.4	38.3	1.5
Charnwood	33.9	2.6	36.6	1.1
Harborough	17.9	-4.3	20.3	-5.5
H&B	29.2	-0.3	31.5	-3.5
Melton	5.0	0.2	5.6	0.3
NWL	34.3	-9.2	39.1	-11.8
O&W	0.9	-14.8	1.3	-15.8
FEMA	**162.7**	**-45.5**	**178.9**	**-62.3**

Source: GL Hearn, 2016

11.14 In identifying how much land to allocate for development, we consider that it would be prudent to include a 'margin' to provide for some flexibility, recognising:

- Typically, there is some level of vacant floor space within functioning markets;
- The potential error margin associated with the forecasting process;
- To provide a choice of sites to facilitate competition in the property market;
- To provide flexibility to allow for any delays in individual sites coming forward.

11.15 We consider that it would be appropriate to make provision for a 5-year 'margin' based on past employment land delivery. We consider that it would be appropriate to use long-term trends to calculate this, given that recent take-up may have been influenced by supply-side constraints or recessionary factors. Because of the availability of data we have used the longest available period. However, this time period varies for each local authority.

11.16 On average around 6.2 Ha per annum of B1a office space has been developed across the HMA, 0.89 Ha per annum of B1b (R&D space) and 6.6 Ha of B1c/B2 industrial spaces. The result of multiplying this out by 5 years is set out in Table 78 below.[36]

[36] The data included mixed use development in Leicester and Hinckley and Bosworth which had to be appointed to a single use. They did however tend to be factories with office space or manufacturing with distribution uses. So the industrial plot ratio was applied.

Table 78: 5-Year Margin (Hectares)

5 Year Average	B1a/b	B1c/B2	Total
Leicester	0.5	9.00	9.5
Blaby	9.4	3.70	13.1
Charnwood	3.4	5.13	8.6
Harborough	3.4	5.61	9.0
Hinckley & Bosworth	2.7	3.39	6.1
Melton	4.5	5.27	9.8
North West Leicestershire	11.2	0.83	12.0
Oadby & Wigston	0.3	0.00	0.3
HMA	35.5	32.93	68.4

11.17 In total the margin applied to the FEMA is around 68 Ha of employment land with the largest margin in Blaby and North West Leicestershire. The data used to calculate the B1c/B2 margin in Harborough included an element of small B8 uses. We have taken 50% of this figure as a proxy for the B1C/B2 elements.

11.18 Adding the margin on to the net forecast demand (Table 77) results in an overall gross need for around 215 ha of land for office development across the FEMA to 2036. It indicates a negative requirement for B1c/B2 industrial land of around 30 ha.

Table 79: Forecast Gross Land Requirements in Labour Demand Model with Margin (Hectares) – B1 and B2 Uses

	2011-31		2011-36	
	B1a/b	**B1c/B2**	**B1a/b**	**B1c/B2**
Leicester	6.3	-13.20	6.8	-19.70
Blaby	45.2	6.10	47.7	5.20
Charnwood	37.3	7.73	40.0	6.23
Harborough	21.3	1.31	23.7	0.11
H&B	31.9	3.09	34.2	-0.11
Melton	9.5	5.47	10.1	5.57
NWL	45.5	-8.38	50.3	-10.98
O&W	1.2	-14.80	1.6	-15.80
FEMA	**198.3**	**-12.7**	**214.5**	**-29.5**

Source: GL Hearn, 2016

Past Completions Trend Scenario

11.19 Alongside the labour demand modelling we have considered past completions trend, and projected these forwards. The Councils have provided GL Hearn with monitoring data indicating employment floorspace completions.

11.20 We have annualised past completions data[37] and projected this forward over the 20 and 25-year plan periods. Table 80 shows the findings for office and industrial use classes. Projecting forward past completions results in a need for 177 ha of land for office development and 165 ha of land for industrial development between 2011-36.

Table 80: Projected Need for Employment Land based on past Completions (Ha)

	2011-31		2011-36	
	B1a/b	**B1c/B2**	**B1a/b**	**B1c/B2**
Leicester	2.1	36.0	2.6	45.0
Blaby	37.4	14.8	46.8	18.5
Charnwood	13.8	20.5	17.2	25.6
Harborough	13.7	22.4	17.1	28.0
H&B	10.7	13.6	13.3	17.0
Melton	18.1	21.1	22.6	26.3
NWL	44.7	3.3	55.9	4.1
O&W	1.4	0.0	1.7	0.0
FEMA	**141.8**	**131.7**	**177.3**	**164.6**

Source: GL Hearn and Local Authority Data, 2016

Need for Strategic B8 Development

11.21 MDS Transmodal were appointed by Harborough District Council in 2016 to refresh elements of the 2014 Strategic Distribution Study (MDS Transmodal and Savills)[38], and to provide additional clarification of a number of the conclusions and recommendations. This has included assessing whether the demand forecasts for strategic B8 development in the 2014 Study remain appropriate.

11.22 The MDS analysis considers the need for strategic distribution development across Leicester and Leicestershire. Its conclusions identify the following minimum need figure for employment land capable of accommodating strategic B8 developments of 9000+ sq.m / 100,000+ sq.ft.

11.23 The total gross strategic warehouse need which can be expected up to 2036 across the FEMA was calculated at 1.9 million square metres. This was translated into a need for at least 472 Ha of gross

[37] Using the longest available trend period which the data for different authorities supports
[38] http://www.harborough.gov.uk/directory_record/726/leicester_and_leicestershire_strategic_distribution_sector_study_-_november_2014

employment land need by 2036 and 361 Ha to 2031. This includes supply to replenish ageing stock but also to address the growth in the market.

Table 81: Gross Need for Strategic Distribution Land in Leicestershire

Year	to 2031	to 2036
Replacement build ('000 sq m)	1,260	1,643
Growth Build ('000 sq m)	185	244
Total ('000 sq m)	1,445	1,886
Land required (ha)	**361**	**472**

Source: MDS Transmodal, 2016

11.24 While development land monitoring often consider 'net change' in floorspace (new floor space – floor space demolished), for warehousing the gross new-build rate is the more important figure as, in many cases, new capacity will need to be accommodated on new sites. The land requirement figure is not an estimate of the quantum of new land that needs to be brought forward by 2036; it is simply an estimate of the land required to accommodate the floorspace forecasts on the basis that a warehouse occupies 40% of a plot footprint. The HEDNA calculations do not take into account expected losses nor do they consider supply-side elements of the calculations i.e. completions or commitments.

11.25 The replacement build element in MDS forecast is the largest part of the overall demand calculation. It is however likely that this will be accommodated on new sites (for various reasons explained in SDSS), and could influence the distribution of distribution employment within the FEMA. However, to fully understand the impact of this we would need to fully consider local supply and quality in the existing stock.

11.26 Because there is no disaggregation of this data to local authority level, the housing need related to strategic distribution development has been distributed on the basis of the OE forecasts for warehouse and distribution. Recognising that there could be some redistribution once the supply of strategic B8 land is established we have firstly ensured that the OE forecast reflect the level of employment growth which is compatible with the MDS floorspace growth. This will also ensure the level of housing associated with this across the HMA is included within the OAN.

Strategic B8 Housing Considerations

11.27 The MDS analysis identifies a need for 244,000 sq m of additional floorspace to respond to the growth in demand for strategic B8 warehousing. This is the "growth build" element in the MDS forecasting. The HCA Employment Densities Guide: 3rd Edition (2015) sets out an employment density for National Distribution Centres at 95 sq m per employee and 77 sq m per employee for Regional Distribution Centres. On this basis, 244,000 sq m would require between 2,568 and 3,168

employees to service it. The MDS study also quantifies this at 3,050 direct jobs which equates to an average employment density of 80 sq m per employee.

11.28 By comparison the OE forecast growth in FTE B8 jobs of 6,200 (2031) to 6,800 (2036). This would include people in smaller distribution units as well as the strategic distribution units. We can therefore assume that half of these jobs could be redistributed on the basis of delivery of strategic B8 floorspace.

11.29 The HEDNA has not sought to prejudge future policy choices regarding the location of strategic B8 warehousing development, recognising the sub-regional nature of the market and the degree to which the spatial distribution of future growth will be influenced by land availability/ releases. On this basis at this stage, the jobs distribution between HMA authorities is based on the forecast growth (see Table 75). This is likely to focus growth in North West Leicestershire and Harborough.

11.30 Once policy decisions have been made regarding future allocations of employment land capable of accommodating strategic B8 development, it may be necessary to 'iterate' the conclusions on housing need to ensure an alignment between homes and jobs. It is expected that this can be taken forward through joint working in producing the Strategic Growth Plan. This however is simply an issue of the distribution of development within the HMA.

Smaller Scale B8 Warehouse/ Distribution

11.31 There will also be a requirement for local authorities to meet the needs for smaller scale distribution uses. To calculate this we have examined B8 completion trends for units of less than 9,000 sq m.

11.32 Monitoring data shows that on average 18,700 sq m of smaller distribution space is delivered each year across the HMA. North West Leicestershire, Hinckley and Bosworth and Leicester all average delivery of just over 3,000 sq m each per annum.

11.33 Using this as a benchmark, and multiplying it over the plan period, results in a total need for 466,000 sq m for smaller distribution uses is being identified over the 2011-36 period (373,000 sq m to 2031). This is in addition to the 1.9million sq m for large scale B8 identified above. This is the equivalent of around 20% of total B8 need.

Table 82: Smaller Distribution Need

	Average Sq m	2011-31	2011-36	Average Ha	2011-31	2011-36
Leicester	3,044	60,872	76,090	0.8	15.2	19.0
Blaby	1,987	39,749	49,687	0.5	9.9	12.4
Charnwood	2,111	42,220	52,775	0.5	10.6	13.2
Harborough	1,505	30,102	37,628	0.4	7.5	9.4
H&B	3,167	63,343	79,178	0.8	15.8	19.8
Melton	2,740	54,794	68,493	0.7	13.7	17.1
NWL	3,354	67,071	83,839	0.8	16.8	21.0
O&W	761	15,212	19,015	0.2	3.8	4.8
FEMA	**18,668**	**373,364**	**466,705**	**4.7**	**93**	**117**

Source: GL Hearn and Local Authority Data, 2016

11.34 This level of floorspace translates into a need for 117 Ha of small B8 employment land for the period 2011-2036. As these small B8 calculations are trend based, there is not the need to add a margin on to this figure as there is for the labour demand modelling.

Conclusions on Employment Land Need

11.35 The following summary table draws together the various locally specific need for employment land. In addition to that set out in the table below the local authorities will also have to seek to meet the need from strategic B8 uses.

Table 83: Employment Land Needs (Ha)

	2011-2031			2011-2036		
	B1a/b	B1c/B2	Small B8	B1a/b	B1c/B2	Small B8
Leicester	2-6	36	15	3-7	45	19
Blaby	37-45	15	10	47-48	19	12
Charnwood	14-37	21	11	17-40	26	13
Harborough	14-21	22	8	17-24	28	9
H&B	11-32	14	16	13-34	17	20
Melton	10-18	21	14	10-23	26	17
NWL	45-46	3	17	50-56	4	21
O&W	1	0	4	2	0	5
FEMA	**142-198**	**132**	**93**	**177-215**	**165**	**117**

Source: GL Hearn, 2016

11.36 Please note that in Table 83 the range for the FEMA B1a/b need does not sum to the cumulative minimum and maximum range for each local authority. This is because the source of the minimum and maximum figures for each local authority varies depending on the outcome of the labour demand scenario and completions trends (see Tables 79 and 80). Whereas the range shown for the FEMA reflects the total for each scenario. Numbers may also not add up due to rounding.

Employment Land Needs – Key Points

- The forecasting analysis shows a need for between 177 – 215 ha (to 2036) of land for office development (use classes B1a and B1b). For office floorspace, the labour demand and completion trend scenarios should be considered together as providing an appropriate range for future provision. The scale of need in Leicester is particularly influenced by the assumed plot ratio of 2.0, and a higher level of provision could be required should lower density development (with greater car parking provision) be delivered.

- For industrial floorspace (B1c/B2), there tends to be a poor correlation between past employment and floorspace trends, whereby job numbers have fallen but floorspace numbers have not necessarily (influenced by capital investment and productivity improvements). The Planned Growth Scenario envisages that manufacturing GVA grows strongly (1.7% pa GVA growth 2015-36) and on this basis it is appropriate to plan for additional manufacturing floorspace. The HEDNA concludes that greater weight should therefore be given to the completions trend for B1c/B2 floorspace. This shows a need for 165 ha of land 2011-36.

- For strategic B8 development (units of over 9,000 sq.m), taking account of growth in traffic/ trade and replacement of out-dated supply, a minimum need for 472 ha of land is shown. Where this is met will be influenced by the availability of land at commercially attractive locations and policy choices. In addition the analysis identifies a need for 117 ha of land to accommodate small-scale B8 development.

- These above should be regarded as minimum figures. The quantitative analysis, except for strategic B8, does not take account of the potential 'replacement' demand for employment floorspace arising from the loss (planned or otherwise) or poorer quality existing employment floorspace, including through residential or mixed-use redevelopment/ conversions. The potential need for replacement provision for occupied premises which are expected to be lost through redevelopment should be considered taking account of local employment land evidence which considers the quality of existing sites and floorspace provision.

- The Planned Growth Scenario does not specifically take into account proposed major distribution schemes in Harborough District which are being considered through the planning process albeit that at a housing market area level growth in logistics/ distribution employment of over 6,000 is forecast. This compares to potential growth in distribution employment of around 3,100 jobs which might arise from the 'Growth Build' element of the MDS Transmodal forecasts for strategic B8 development. Taking into account some potential additional jobs growth in smaller warehouse facilities, the HEDNA analysis shows that at an HMA level, major potential schemes such as those proposed in Harborough District are not expected to result in employment growth over that already considered in the Planned Growth Scenario forecasts.

- However future decisions on locations for new strategic distribution development may require some reconsideration of the distribution of housing need/ provision by the Leicester and Leicestershire local authorities through the Duty to Cooperate. It may therefore be worthwhile monitoring strategic B8 applications/ allocations and reviewing in due course the potential distribution of employment growth and housing provision to take this into account.

12 CONCLUSIONS

12.1 The purpose of this Housing and Economic Development Needs Assessment (HEDNA) has been to assess future housing needs, the scale of future economic growth and the quantity of land and floorspace required for B-class economic development uses[39] between 2011 and 2031/36. The HEDNA identifies Leicester and Leicestershire as the relevant Housing Market Area (HMA) and Functional Economic Market Area (FEMA) for plan-making purposes and considers needs for this area, and the local authorities within it.

Overall Need for Housing

12.2 The HEDNA provides a consistent, objective (policy-off) assessment of need for housing (OAN) following the approach prescribed by Government in Planning Practice Guidance on *Housing & Economic Development Needs Assessments* ('the PPG').[40] This requires that housing need is assessed across the relevant Housing Market Area leaving aside factors related to land availability, infrastructure and capacity; and that an approach is followed where projections based on past population and demographic trends are considered first, with adjustments made (where necessary) for higher migration to support economic growth, and/or to address affordability issues, responding to analysis of market signals and evidence of the need for affordable housing.

Trend-based Demographic Projections

12.3 Planning Practice Guidance sets out that the starting point for assessing housing need should be the latest official household projections. The 2014-based SNPP (as published) projected population growth of 191,600 persons (19.5%) across the HMA between 2011-36, representing population growth of 0.7% per annum (pa). The CLG Household Projections anticipated household growth of 20.7% over this period. These starting point projections indicated a need for 4,081 dwellings per annum (dpa) across the HMA (2011-36).

12.4 Net migration over the input period to the ONS 2014-based SNPP has been 10% stronger across the HMA than over the period feeding into the 2012-based projections. However at an individual local authority level, the picture is very mixed with significantly higher net migration to Blaby (+74%) and North West Leicestershire (+127%), and lower net migration in particular to Oadby & Wigston (-45%) in the 2014-based Projections. These significant differences highlight the short-term variability of migration trends. The 2014-based SNPP assume stronger international migration, resulting in stronger population growth in particular in Leicester and Charnwood where this is a more significant driver than elsewhere. This also results in increased out migration from Leicester to other authorities in the HMA as a result of higher population growth in the City.

[39] These comprise Office, industrial and warehouse/ distribution space
[40] http://planningguidance.communities.gov.uk/blog/guidance/housing-and-economic-development-needs-assessments/

12.5 The period from which the 2014-based SNPP projections are derived (2008/9-2014) included a severe economic recession and housing market downturn. This impacted on overall sales of homes (new-build and existing) and thus movement between areas. The Planning Advisory Service's technical advice[41] is that other factors being equal, projections based on longer-term migration trends should provide more robust and stable projections. The HEDNA therefore provides projections based on adjusting migration to reflect 10 year migration trends (2005-15)[42] and draws conclusions on the demographic need on this basis. This results in population growth of 201,000 over the 2011-36 period (20.5%) across the HMA, again representing population growth of 0.7% pa and modestly above that in the 2014 SNPP.

12.6 Whilst there are some uncertainties associated with historical migration data (as shown by evidence of Unattributable Population Change), the HEDNA has considered this through sensitivity analysis, and concludes that this is anticipated to have the greater impact in the earlier part of the 2001-11 decade and thus not unduly affect the data during the base period from which the demographic based need is projected.

12.7 The HEDNA conclusions on the demographic-based need for housing are therefore as below based on projecting forward 10 year migration trends. It establishes a demographic need for 106,625 dwellings 2011-36 (4,265 dpa) across the HMA. The projections show population growth ranging from 10.4% in Melton and Oadby and Wigston, through to 23.4% growth in Harborough and 28.0% in Charnwood.

Table 84: Conclusions on Demographic Need based on 10 Year Migration Trends, 2011-36

	Population Growth		Housing Need
	No.	%	dpa
Leicester	68,613	20.8%	1516
Blaby	16,584	17.6%	301
Charnwood	46,379	28.0%	947
Harborough	20,032	23.4%	447
Hinckley & Bosworth	19,907	18.9%	413
Melton	5,231	10.4%	134
North West Leicestershire	18,873	20.1%	378
Oadby & Wigston	5,806	10.4%	129
HMA	**201,423**	**20.5%**	**4,265**

[41] PBA (July 2015) *Objectively Assessed Needs and Housing Targets: Technical Advice Note, 2nd Edition.*

[42] The modelling is based on adjustments based on considering differences in migration between the input period to the 2014 SNPP and trends over the 10 year period 2005-15, in order to capture impacts of changes in the size and age structure of the population in an area and areas from which people move to it, and how this can be expected to influence future migration flows (both in and out).

Economic Dynamics and Growth Potential

12.8 The HEDNA has included detailed work to interrogate future economic growth potential in Leicester and Leicestershire. The forecasts prepared in the HEDNA are demand-based. Whilst consideration has been given to existing land allocations and development projects, the forecasts do not prejudge future policy decisions regarding employment land supply.

12.9 In the baseline scenario the economy is expected to grow by 2.3% per annum (GVA growth pa), which is consistent with growth achieved over the previous economic cycle (1993-2010). This is stronger than the growth which Oxford Economics forecasts expected either across the East Midlands (2.0% pa) or nationally (2.2% pa).

12.10 The Planned Growth scenario takes account of planned investment and pipeline development projects. The scenario sees accelerated growth in GVA of 2.5% pa across the HMA, significantly out-performing regional and national benchmarks. Hinckley and Bosworth, North West Leicestershire, Harborough and Blaby all out-perform this, achieving 2.7 – 2.9% pa GVA growth.

12.11 The Planned Growth Scenario sees both enhanced employment growth and productivity improvements relative to the Baseline. Employment growth of 99,200 is expected (2011-36) representing growth of 0.7% pa, matching that expected nationally and exceeding regional performance. This significantly exceeds the historical growth rate of 0.4% pa (1993-2010). It is this which feeds into the HEDNA's findings on housing and employment land needs.

Table 85: GVA Growth per Annum (2012 Prices)

	1993-2010	2011-36 Baseline	2011-36 Planned Growth
Leicester	1.4%	1.9%	2.2%
Blaby	2.9%	2.7%	2.7%
Charnwood	1.5%	2.2%	2.5%
Harborough	3.4%	2.7%	2.7%
Hinckley and Bosworth	3.3%	2.7%	2.9%
Melton	2.8%	1.9%	2.1%
North West Leicestershire	3.8%	2.4%	2.8%
Oadby and Wigston	1.9%	1.6%	1.6%
HMA	**2.3%**	**2.3%**	**2.5%**
East Midlands	2.5%	2.0%	2.1%
UK	2.7%	2.2%	2.2%

Balancing Homes and Jobs

12.12 The interaction between economic growth and housing need is complex. Planning Practice Guidance however requires consideration of how economic growth may influence housing need.

12.13 At an HMA level, the analysis points to a need for at least 3,608 dpa to support economic growth (2011-36). This is 15% below the demographic need, and highlights that at an HMA level, the scale of economic growth can be met by through the demographic growth taking into account expected improvements to economic participation. The evidence therefore indicates that at an HMA level there is not a need to adjust upwards the level of housing provision to support economic growth.

12.14 However taking account of changes in the age structure of the population over the period to 2036 (including people moving into retirement), economic growth in Melton and North West Leicestershire can be expected to support a higher level of housing need and above-trend in-migration relative to that shown by the 10 year trend-based demographic projections.

Table 86: Comparing Economic- and Demographic-led Projections on Housing Need – Dwellings per Annum, 2011-36

	Demographic Need	Economic Need	Differential
Leicester	1516	993	-34%
Blaby	301	300	0%
Charnwood	947	735	-22%
Harborough	447	423	-5%
Hinckley & Bosworth	413	414	0%
Melton	134	170	27%
North West Leicestershire	378	448	19%
Oadby & Wigston	129	126	-2%
HMA	**4,265**	**3,608**	**-15%**

12.15 In a plan-making context, upward adjustments to housing provision to meet unmet needs from other areas will support workforce growth within the recipient local authority. In this context, and with a view to avoiding double counting, the higher economic-driven need in Melton and North West Leicestershire could potentially be met through agreeing an alternative distribution of housing provision through the Duty to Cooperate. Against this context the need for above trend in-migration to support economic growth in Melton and North West Leicestershire does not imply a higher housing need at an HMA level.

Market Signals and Affordable Housing Need

12.16 The HEDNA assesses the extent of households who require financial support to meet their housing needs and thus would be eligible for affordable housing, identifying an annual net need from 2,238 such households across the HMA (2011-36).

12.17 Planning Practice Guidance sets out that the total affordable housing need should be considered in the context of its likely delivery as a proportion of mixed market and affordable housing developments; and an increase in the total housing figures included in the local plan should be considered where it could help to deliver the required number of affordable homes. Table 87 provides a notional housing provision calculation that would be required to deliver the affordable

housing need if this were to be delivered at existing policy levels. This however is only a very indicative calculation and does not represent the housing need.

Table 87: Notional Housing Need to deliver the Affordable Housing Need (per annum, 2011-36)

	Demographic-led Housing Need pa	Net Need for Affordable Housing pa (AHN)	Potential Delivery % Total Dwellings)	Notional Housing Provision Required to Deliver AHN
Leicester	1,516	734	20%	3670
Blaby	301	268	25%	1072
Charnwood	947	384	30%	1280
Harborough	447	202	31%	652
Hinckley & Bosworth	413	247	25%	988
Melton	134	70	25%	280
North West Leicestershire	378	194	27%	719
Oadby & Wigston	129	139	22%	632
HMA	4,265	2,238		9,293

12.18 At an HMA level, to deliver the affordable housing need of 2,238 homes pa with an average delivery of affordable housing of 24% would require 9,293 homes per annum. This is over twice the need shown the demographic analysis. In individual authorities, an uplift in housing provision of between 35% in Charnwood and 46% in Harborough; through to 256% in Blaby and 390% in Oadby & Wigston would be required to meet the full affordable housing need. Uplifts of this scale are unrealistic and would not be deliverable.

12.19 However the evidence clearly justifies consideration of upward adjustments to increase affordable housing delivery in all of the local authorities in the HMA. Case law[43] has however established that affordable housing is a consideration in this context in drawing conclusions on the OAN for housing and that the affordable housing need should have an influence increasing the derived OAN since they are factors in providing for housing needs within an area.

12.20 It is important to understand the context to the affordable housing need. The affordable housing calculations include supply-side factors and are influenced by the current stock of affordable housing in different areas and the turnover of this. They include needs arising from both new households and existing households, some of which (newly-forming households) are already counted within the demographic modelling. Other households identified as in affordable housing need will not necessarily generate a net need for additional homes, as they would release a home for other households by moving. Additional homes may however be required for homeless and concealed households, and those in temporary accommodation. Reflecting these issues, care needs to be taken in comparing the affordable housing need with demographic projections.

[43] Kings Lynn & West Norfolk v SSCLG & Elm Park Holdings [2015] EWHC 2464 (Admin)

12.21 The HEDNA has also assessed market signals to consider, in line with the PPG, where there is evidence of affordability constraints and a comparative worsening of affordability.

12.22 Harborough has the highest median house prices in the HMA, the highest land values and the highest lower quartile house price-to-income ratio (9.0 in 2015). The median house price increased by £126,000 between 2000-15, the highest absolute increase, but below the average in proportional terms (144%). Harborough District, together with Blaby, has the highest average rents in the HMA, albeit that these are equal to the national average overall and relative to incomes. Levels of overcrowded, concealed and shared households have increased (2001-11) but are below wider benchmarks.

12.23 In Melton, whilst house prices were slightly below the HMA average, as were land values, and longer-term price growth has been relatively modest (a £92,000 increase between 2000-15); relative to incomes, house prices are notably above average (with lower quartile prices 8.9 times incomes in 2015). Whilst rental costs are close to the HMA and national average, they are again above wider benchmarks relative to incomes. Rents have grown strongly since 2011.

12.24 In Blaby, whilst house prices are slightly above the HMA average, price growth has fallen slightly below average. However land values are the second highest in the HMA pointing to a shortage of residential land. Lower quartile house prices were 7.5 times incomes in 2015. Rental costs are (with Harborough) higher than in other parts of the HMA and the national average, overall and relative to incomes, albeit growth since 2011 has been similar to the HMA average.

12.25 Oadby & Wigston has median house prices and land values, and has seen price growth (2000-15) which is slightly below the HMA average. Rental costs are slightly above the HMA average but below the national average, and have seen similar growth since 2011 to that across wider geographies. There is a wide range of housing costs within the Borough. However relative to incomes, lower quartile housing costs are above average at 8.6; with rents of 43% of annual earnings –higher than in other parts of the HMA. Levels of overcrowding, concealed and shared households are above levels in the other Leicestershire authorities (although less than in the City); although the HEDNA recognises that this is likely to be influenced in part by the Borough's demographics and its student population.

12.26 North West Leicestershire has the lowest land values. Median house prices are marginally below the HMA average (as are rents), and have grown broadly in line with the HMA average between 2000-15 (in absolute and percentage terms). Lower quartile prices are 7.0 times earnings, which is marginally below the HMA average; with a similar relative position in terms of rental affordability.

12.27 In Hinckley and Bosworth, house prices are marginally above the HMA average, but house price growth between 2000-2015 has been above average in absolute and relative terms. Rental costs are however marginally below average, as are lower quartile house prices relative to earnings (6.9 times earnings, 2015). Rental affordability is marginally below the HMA average, with rental growth since 2011 similar to wider trends.

12.28 Leicester has a higher stock of lower value housing than in other parts of the HMA and has seen the lowest absolute increase in house prices between 2000-2015. Lower quartile house prices relative to earnings at 5.9 are notably lower than in other areas; with the City also having the lowest rental affordability ratio (5.8). However the City sees notably higher levels of overcrowded, concealed and shared households, in absolute and relative terms, albeit that this in part influences by ethnic diversity and its student population.

12.29 Charnwood has house prices which are above the HMA and regional, but below the national average, but has seen comparatively stronger house price growth in absolute and relative terms (with median prices growing by £115,000 between 2000-2015). However lower quartile prices at 7.1 relative to earnings are marginally below average; whilst rents relative to earnings are the lowest in the HMA at 24%. Land values are also towards the lower end of the range of the HMA authorities.

12.30 Levels of overcrowded, concealed and shared households have increased between 2001-11 in all parts of the HMA – with the evidence pointing to some real impacts, particularly for younger people – albeit that actual levels remain below wider benchmarks in Leicestershire (but higher in the City).

12.31 The HEDNA has considered the market signals and affordable housing evidence together, recognising the inter-relationships between housing affordability and affordable housing need (with housing costs, overcrowding and concealed households for instance being an input to the calculation of the affordable housing need). It identifies that an upward adjustment is warranted relative to the demographic need in all authorities in the HMA in order to improve affordability, and concludes that the following adjustments are appropriate:

- A 5% adjustment in Charnwood is justified recognising that whilst house prices in the Borough are similar to the HMA average, overall and relative to incomes, rental affordability is better and stronger comparative household growth is already envisaged in the demographic-led projections (34.2% 2011-36 compared to 26.3%) across the HMA). The lower relative adjustment thus reflects the combination of the market signals analysis, and the higher relative housing growth which is envisaged in the Borough, in a context where Charnwood does not have the very young and ethnically diverse population that Leicester City has;
- A 10% adjustment is justified in Leicester, Hinckley and Bosworth, and North West Leicestershire on the basis that while there is a clear case for adjustments to improve affordable housing delivery, the market signals evidence presents these areas as being the more affordable parts of the HMA;

- A 15% adjustment is justified in Harborough and Melton on the basis that there is both a clear case for adjustments to improve affordable housing delivery and the market signals evidence presents these areas as being the more expensive parts of the HMA;
- A 20% adjustment is justified in Oadby and Wigston and Blaby on the basis that a number of the market signals point to pressures (such as high land values in Blaby and high rental and lower quartile housing costs relative to incomes in Oadby and Wigston) but in particular a need for a higher upward adjustment to the demographically driven OAN with the aim of increasing affordable housing delivery.
-

12.32 These adjustments are modelled from a baseline provided by the conclusions on the demographic need. The approach used recognises that upwards adjustments to housing provision can be expected to support delivery of additional market and affordable housing, and the potential for upwards adjustments made to support additional workforce growth.

Conclusions on Objectively-Assessed Housing Need (OAN)

12.33 The HEDNA brings this analysis together and draws conclusions on overall objectively-assessed housing need (OAN) at both an HMA level and for individual authorities. In a plan-making context greater weight should be given to the HMA-level conclusions.

12.34 The conclusions on OAN across the HMA as a whole are based on taking the conclusions on the need based on past demographic trends (over the last 10 years), which indicate a need for 4,265 dpa and overlaying the conclusions based on the market signals and affordable housing needs evidence of the adjustments necessary to improve affordability, warranting overall an adjustment of 11%. The evidence indicates that sufficient workforce growth can be expected to support the economy in both the Baseline and Planned Growth Scenarios at the HMA level, and therefore no upward adjustment to support economic growth is warranted. On this basis **the HEDNA identifies an objectively assessed need for 117,900 dwellings between 2011-36 across Leicester and Leicestershire (4,716 dpa)**.

12.35 A consistent approach has been used in deriving adjustments in calculating the needs of individual local authorities. The starting point has been to consider the demographic need based on 10 year trends. Adjustments to improve affordability (between 5% – 20% depending on the authority) have been overlaid on this. This has then been compared with the economic-driven scenarios for housing need, with additional upward adjustments made in Melton and North West Leicestershire to ensure sufficient workforce is available to support economic growth in these areas. For the period to 2036, the economic adjustments result in an additional 16 dpa in Melton and 32 dpa in North West Leicestershire over and above the adjustments made to improve affordability. For the period to 2031 the economic adjustments are 25 dpa in Melton and 56 dpa in North West Leicestershire.

12.36 The resultant objectively-assessed need for individual authorities is as shown below.

Table 88: Objectively-Assessed Housing Need, Dwellings per annum, 2011-36

	Demographic Need (10 Year Migration Trends)	Affordability Adjustment	Supporting Economic Growth	Objectively-Assessed Need
Leicester	1516	152		1668
Blaby	301	60		361
Charnwood	947	47		994
Harborough	447	67		514
Hinckley & Bosworth	413	41		454
Melton	134	20	16	170
NW Leicestershire	378	38	32	448
Oadby & Wigston	129	26		155
HMA	4265	451		4716*

**Note the HMA total does not match the sum of its LA parts.*

Table 89: Objectively-Assessed Housing Need, Dwellings per annum, 2011-31

	Demographic Need (10 Year Migration Trends)	Affordability Adjustment	Supporting Economic Growth	Objectively-Assessed Need
Leicester	1,538	154		1,692
Blaby	308	62		370
Charnwood	982	49		1,031
Harborough	463	69		532
Hinckley & Bosworth	428	43		471
Melton	140	21	25	186
NW Leicestershire	386	39	56	481
Oadby & Wigston	123	25		148
HMA	4,368	461		4829*

* *Note the HMA total does not match the sum of its LA parts.*

12.37 The conclusions recognise that there is no need to adjust upwards the assessed need to support economic growth when the demographic and economic-led projections are compared with one another at the HMA level, and that economic growth in individual authorities could therefore be supported by agreeing an alternative distribution of housing provision through the Duty to Cooperate. On this basis, the HMA conclusions do not sum to the total of the figures for individual authorities in the right hand column in Tables 88 and 89 above, as there is no need for an upward adjustment to support economic growth at the HMA level.

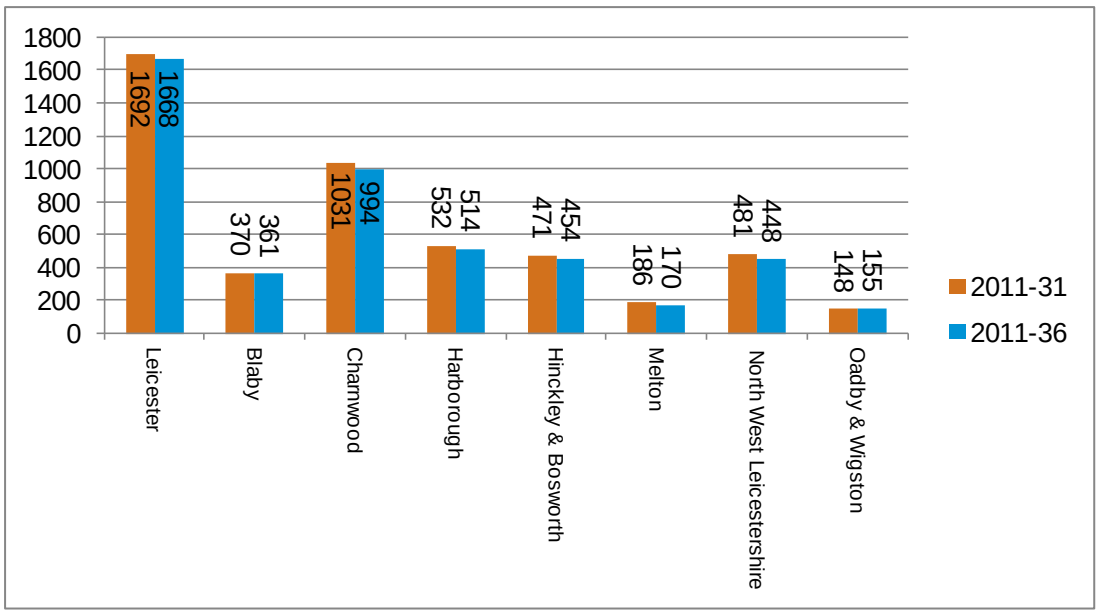
12.38 GL Hearn considers that where an authority is meeting the unmet needs from another, this will support population and workforce growth within the receiving authority's area. On this basis it is important not to double count unmet needs and provision to meet economic growth.

12.39 In the context of considering five year land supply in a development management context (rather than plan-making) in advance of the adoption of local plans, it would be appropriate to take account of adjustments to economic growth in Melton and North West Leicestershire in drawing conclusions on the full OAN for housing within these local authorities.

12.40 In a plan-making context, the higher economic-driven need in Melton and North West Leicestershire could potentially be met through agreeing an alternative distribution of housing provision through the Duty to Cooperate. Against this context the need for above trend in-migration to support economic growth in Melton and North West Leicestershire does not imply a higher housing need at an HMA level and can be addressed by the local authorities working collaboratively to agree an alternative distribution of housing provision through the Duty to Cooperate. Any unmet housing need should be calculated based on the demographic need plus affordability adjustment as shown in Figure 77.

12.41 Considering the two time period (2011 to 2031 and 2036), the conclusions on the objectively assessed housing need for individual authorities over this period are as follows:

Figure 77: **Objectively-Assessed Need over Different Plan Periods**



Considerations in Assessing Housing Distribution

12.42 OAN figures do not represent plan targets. They represent a starting point for considering housing provision within local plans. It is for the plan-making process to overlay issues related to land availability, development constraints and infrastructure; and to consider other policy factors. The figures set out however provide an important starting point for plan-making, following national policy and guidance.

12.43 It is for the local authorities to consider the 'policy on' distribution of housing provision within the HMA, taking account of wider factors including available land supply, environmental, infrastructure and other development constraints. The Councils will need to collaborate with one another through the Duty to Cooperate to consider the distribution of housing provision.

12.44 In the event that one or more local authorities are unable to meet their housing needs in full, the contribution that other authorities in the HMA might make to the unmet housing need would need to be clearly agreed through the Duty to Cooperate. Considerations in agreeing the distribution of housing provision between local authorities within the HMA include supply-side factors, infrastructure provision and appraisal of alternative spatial options which are beyond the scope of this report. The evidence herein suggests that a revised distribution of housing provision across the HMA could help to support employment growth in Melton and North West Leicestershire, and thus contribute positively to economic growth for the HMA/ LEP area as a whole.

Need for Different Types of Homes

12.45 The HEDNA identifies a range of factors which influence the need for different types of homes. This includes demographic trends, and in particular a growing older population; market dynamics and affordability; Government's ambitions and initiatives to boost home-ownership and self/custom-build development; as well as growth in student numbers and accommodation.

Need for Different Types and Sizes of Homes

12.46 Taking account of demographic trends and how households of different ages occupy homes, the potential for some older households to downsize and issues related to the management of affordable housing stock, the HEDNA identifies that the appropriate mix of homes of different sizes needed in the market and affordable sectors as follows:

Table 90: Recommended Mix of Market Housing of Different Sizes

	1-bedroom	2-bedrooms	3-bedrooms	4+ bedrooms
Leicester	0-10%	20-30%	45-55%	10-20%
Blaby	0-10%	25-35%	50-60%	5-15%
Charnwood	0-10%	25-35%	45-55%	10-20%
Harborough	0-10%	25-35%	35-45%	15-25%
Hinckley & Bosworth	0-10%	35-45%	45-55%	5-15%
Melton	0-10%	25-35%	45-55%	5-15%
North West Leics	0-10%	30-40%	45-55%	10-20%
Oadby & Wigston	0-10%	30-40%	45-55%	5-15%
HMA	**0-10%**	**25-35%**	**45-55%**	**10-20%**

Table 91: Recommended Mix of Affordable Housing of Different Sizes

	1-bedroom	2-bedrooms	3-bedrooms	4+ bedrooms
Leicester	35-40%	25-30%	25-30%	5-10%
Blaby	45-50%	35-40%	10-15%	5-10%
Charnwood	40-45%	20-25%	25-30%	5-10%
Harborough	35-40%	30-35%	25-25%	5-10%
Hinckley & Bosworth	30-35%	35-40%	20-25%	5-10%
Melton	45-50%	30-35%	10-15%	5-10%
North West Leics	30-35%	35-40%	25-30%	5-10%
Oadby & Wigston	35-40%	25-30%	25-30%	5-10%
HMA	**35-40%**	**25-30%**	**25-30%**	**5-10%**

12.47 The HEDNA assesses the need for different affordable housing products taking into account both what households can afford, and the existing supply. It identifies that across the HMA, 20% of the affordable housing need is for intermediate affordable housing (such as shared ownership or equity homes, or low cost market housing) and 80% for social or affordable rented homes.

Table 92: Need for Different Types of Affordable Housing

	Intermediate housing	Social/ Affordable rented
Leicester	19%	81%
Blaby	20%	80%
Charnwood	23%	77%
Harborough	23%	77%
Hinckley & Bosworth	21%	79%
Melton	20%	80%
NWL	20%	80%
Oadby & Wigston	21%	79%
HMA	**20%**	**80%**

12.48 The analysis identified a particular need for social rented housing; although it is recognised that with the inclusion of housing benefit, many of these households would potentially be able to access an affordable rented product.

12.49 The mix identified above should inform strategic policies. In applying these to individual development sites regard should be had to the nature of the development 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.

12.50 The analysis of an appropriate mix of dwellings should also inform the 'portfolio' of sites which are considered through the Local Plan process, including: site allocations, neighbourhood plans and other planning documents. Equally it will be of relevance to housing mix negotiations.

Intermediate Housing and Starter Homes

12.51 Starter Homes are a new housing product introduced by the Housing and Planning Act 2016. They relate to new dwellings available for purchase by eligible first-time buyers (under 40 years old) at a discount of at least 20% of the market value and less than the price cap of £250,000 outside London.[44] The HEDNA identifies that typically an annual income of around £31,500 would be required to access starter homes priced 20% below current housing costs. It identifies a current potential target market of around 6,100 households across Leicester and Leicestershire, many of whom currently rent privately, with a newly-arising need from around 362 households per annum moving forwards. Expressed over the period to 2036, the potential need for Starter Homes is as follows:

Table 93: Need for Starter Homes, per annum 2015-36

	Need for Starter Homes – Per Annum
Leicester	253
Blaby	71
Charnwood	84
Harborough	54
Hinckley & Bosworth	74
Melton	33
North West Leicestershire	55
Oadby & Wigston	29
HMA	**654**

12.52 GL Hearn concludes that the proposed national 'target' for up to 20% of new homes to be Starter Homes is realistic in an HMA context and that Starter Homes should be provided at a discount of at least 20% to Open Market Value (OMV). However questions do remain about the extent to which such housing is genuinely affordable as the income levels required to access such housing are above those typically required to access market housing as currently available (in the private rented sector). If Government provides flexibility of the proportion of homes to be provided as Starter Homes, then the Councils will need to consider the balance between Starter Homes and other

[44] As currently defined.

forms of affordable housing carefully (particularly noting that those able to afford a Starter Home will already be able to afford market housing within the private rented sector).

12.53 The HEDNA also identifies some overlap between the households who might occupy Starter Homes and existing intermediate housing products, such as shared ownership or shared equity housing. It concludes that for intermediate and Starter Homes, the greatest need is likely to be for 2-bed properties, as shown below.

Table 94: Need for Different Sizes of Stater Homes and Intermediate Housing – Leicester & Leicestershire HMA

	1-bed	2-bed	3-bed	4+ bed
Intermediate/Starter Homes	**15-20%**	**50-55%**	**25-30%**	**0-5%**

Older Persons Housing Needs

12.54 The HEDNA indicates that the number of residents aged over 65 across the HMA is projected to increase by 75% over the period to 2036. As a result of a growing older population and increasing life expectancy, the analysis projects an increase in people with mobility problems of around 25,000 by 2036 and an increase of over 11,600 persons with dementia. Some of these households will require adaptations to properties to meet their changing needs whilst others may require more specialist accommodation or support. There is clear evidence of need for properties which are capable of accommodating people's changing needs.

12.55 Based principally on the expected growth in population of older persons, the report estimates a need for an additional 11,818 specialist C3 dwellings for older persons in Leicester and Leicestershire over the 2011-36 period. This forms part of the HEDNA's conclusions on the objectively assessed housing need (OAN). The need in different local authorities is shown below. Equal provision (a 50:50 split) between market and affordable housing provision is expected.

Table 95: Need for Specialist Housing for Older People, 2011-36

	Change in population aged 75+	Specialist housing need (@ 170 units per 1,000)	Per annum need (2011-36)
Leicester	13,867	2,357	94
Blaby	7,318	1,244	50
Charnwood	12,972	2,205	88
Harborough	9,301	1,581	63
Hinckley & Bosworth	9,563	1,626	65
Melton	4,672	794	32
North West Leicestershire	7,833	1,332	53
Oadby & Wigston	3,990	678	27
HMA	**69,515**	**11,818**	**473**

12.56 The needs evidence supports the conclusions of the *Leicestershire County Council's Accommodation Strategy for Older People 2016-26*, and *Extra Care Annual Review*, which highlight a need for additional extra care housing provision.

12.57 A need is identified for around 4,322 wheelchair adapted homes (2011-36), equivalent to around 4% of new housing provision.

12.58 Decisions about the appropriate mix of specialist housing should take account of the current stock, other local needs evidence as appropriate, and policies regarding accommodation and care for older persons. The Leicestershire local authorities should liaise with the County Council as appropriate in this respect.

12.59 GL Hearn recommends that councils should give consideration to how best to deliver the identified specialist housing need, including, for instance, the potential to identify sites in accessible locations for specialist housing or to require provision of specialist housing for older people as part of larger strategic development schemes.

Need for Registered Care Provision

12.60 Registered care provision falls within a C2 use class, with households who live in care homes counted as part of the institutional rather than the household population. As such provision of residential care is treated in the analysis of housing need separately in the HEDNA from that for C3 dwellings (and is separate to the C3 housing OAN).

12.61 The official population projections indicate a net need for 4,542 C2 bed spaces for older persons in the HMA over the 2011-36 period (182 per annum). The assessment, however, should be treated

as indicative, and does not seek to set policies for how older persons with care needs should be accommodated.

Student Housing

12.62 All three universities within the HMA – Leicester, De Montfort, and Loughborough – propose to increase overall student numbers in the short-term, although GL Hearn note that there is a level of uncertainty in part related to the potential impact which a changed relationship with the EU and national immigration policies could have.

12.63 The demographic modelling in the HEDNA (based on 10 year trends) expects the population aged between 18-23 to increase by 7,100 (17.4%) in Leicester; 5,200 (25.6%) in Charnwood; but to decline by around 130 persons (-2.4%) in Oadby & Wigston.

12.64 Future population growth within this age cohort is assumed by the HEDNA to occur within the 'household population,' consistent to the national household projection methodology, and is thus included within the calculation of overall housing need (OAN). On this basis it would be reasonable to count development of additional student accommodation against the OAN (or housing requirement figures based on this).

Employment Land Needs

12.65 The HEDNA considers the need for B-class employment land across the Functional Economic Market Area.

Office and Industrial Uses

12.66 The assessment models the need for B1 and B2 floorspace on the basis of full-time equivalent employment growth arising from the Planned Growth Scenario. This is based on modelling which relates the 21 sectors in the economic forecasts to use classes and takes an average employment density (sq.m floorspace per job) to estimate net growth in floorspace. It then makes assumptions on plot ratios and includes a 'margin' (equivalent to 5 years' past take-up) to take account of potential error margins in the modelling, provide a choice of sites and flexibility of supply. Set alongside this the assessment runs need projections based on past gross completions of B1 and B2 floorspace, and small scale B8 floorspace (< 9,000 sq.m).

12.67 These scenarios show a need for between 177 – 215 ha of land for office development (use classes B1a and B1b). For office floorspace, the labour demand and completion trend scenarios should be considered together as providing an appropriate range for future provision. The scale of need in Leicester is particularly influenced by the assumed plot ratio of 2.0, and a higher level of provision could be required should lower density development (with greater car parking provision) be delivered.

12.68 For industrial floorspace, there tends to be a poor correlation between past employment and floorspace trends, whereby job numbers have fallen but floorspace numbers have not necessarily fallen (influenced by capital investment and productivity improvements). The Planned Growth Scenario envisages that manufacturing GVA grows strongly (1.7% pa GVA growth 2015-36) and on this basis it is appropriate to plan for additional manufacturing floorspace. GL Hearn concludes that greater weight should therefore be given to the completions trend for B1c/B2 floorspace.

Table 96: Gross Forecasts (Hectares) for B1 Office and B2 Industrial Uses, 2011-36

	B1a/b		B1c/B2	
	Labour Demand Scenario	Completions Trend	Labour Demand Scenario	Completions Trend
Leicester	6.8	2.6	-19.7	45.0
Blaby	47.7	46.8	5.2	18.5
Charnwood	40	17.2	6.23	25.6
Harborough	23.7	17.1	0.11	28.0
Hinckley & Bosworth	34.3	13.1	-0.11	17.0
Melton	10.1	22.6	5.57	26.3
NW Leicestershire	50.3	55.9	-10.98	4.1
Oadby & Wigston	1.6	1.7	-15.8	0.0
FEMA	**214.5**	**177.0**	**-29.5**	**164.5**

Table 97: Gross Forecasts (Hectares) for B1 Office and B2 Industrial Uses, 2011-31

	B1a/b		B1c/B2	
	Labour Demand Scenario	Completions Trend	Labour Demand Scenario	Completions Trend
Leicester	6.3	2.1	-13.2	36.0
Blaby	45.2	37.4	6.1	14.8
Charnwood	37.3	13.8	7.7	20.5
Harborough	21.3	13.7	1.3	22.4
Hinckley & Bosworth	31.9	10.7	3.1	13.6
Melton	9.5	18.1	5.5	21.1
NW Leicestershire	45.5	44.7	-8.4	3.3
Oadby & Wigston	1.2	1.4	-14.8	0.0
FEMA	**198.3**	**141.8**	**-12.7**	**131.7**

12.69 These should be regarded as minimum figures. The quantitative analysis does not take account of the potential 'replacement' demand for employment floorspace arising from the loss (planned or otherwise) of poorer quality existing employment floorspace, including through residential or mixed-use redevelopment/ conversions. The potential need for replacement provision for occupied premises which are expected to be lost through redevelopment should be considered taking account of local employment land evidence which considers the quality of existing sites and floorspace provision.

Need for B8 Warehouse/ Distribution Floorspace

12.70 The Leicester and Leicestershire authorities are strategically located at the centre of the UK and see strong demand for logistics/ distribution floorspace. The HEDNA shows strong market demand for additional development. Traditional forecasting approaches used in employment land studies are ill-suited to modelling needs for large-scale B8 development (defined as units of over 9,000 sq.m/ 100,000 sq.ft) for a range of reasons including as employment densities can vary significantly and that there is a weak correlation between net growth in jobs and floorspace/ land requirements.

12.71 A more appropriate approach to forecasting demand for this sector is to consider requirements for replacement provision (given that warehouses typically have a 25-35 year lifespan, and a shift towards increasing scale of facilities which provide economies of scale) together with provision associated with expected growth in traffic volumes. Demand forecasting has been provided by MDS Transmodal in the 2014 Leicester & Leicestershire Strategic Distribution Sector Study. This has recently been reviewed and the forecasts confirmed as remaining reasonable. These show the following forecast minimum gross land requirements for strategic B8 development to 2036:

Table 98: Need for Strategic B8 Distribution Development, 2011-36

Year	to 2031	to 2036
Replacement build ('000 sq m floorspace)	1,260	1,643
Growth Build ('000 sq m floorspace)	185	244
Total ('000 sq m floorspace)	**1,445**	**1,886**
Land required (ha)	**361**	**472**

Source: MDS Transmodal

12.72 Alongside the strategic warehouse/ distribution forecasts, the HEDNA has sought to quantify land requirements for smaller warehouse/distribution activities (units of less than 9,000 sq.m), based on projecting forward past trends in completions. This results in a need for 446,000 sq.m of additional B8 floorspace, and a requirement for a further 117 ha of land to 2036.

Table 99: Need for Floorspace and Land for Distribution Units of under 9,000 sq.m

	Floorspace (sq.m)		Land (Ha)	
	2011-31	**2011-36**	**2011-31**	**2011-36**
Leicester	60,872	76,090	15.2	19.0
Blaby	39,749	49,687	9.9	12.4
Charnwood	42,220	52,775	10.6	13.2
Harborough	30,102	37,628	7.5	9.4
Hinckley & Bosworth	63,343	79,178	15.8	19.8
Melton	54,794	68,493	13.7	17.1
NW Leicestershire	67,071	83,839	16.8	21.0
Oadby & Wigston	15,212	19,015	3.8	4.8
FEMA	**373,364**	**466,705**	**93**	**117**

12.73 The Planned Growth Scenario does not specifically take into account proposed major distribution schemes in Harborough District which are being considered through the planning process albeit that at a housing market area level growth in logistics/ distribution employment of 6,200 (2031) to 6,800 (2036) is forecast. This compares to potential growth in distribution employment of around 3,100 jobs which might arise from the 'Growth Build' element of the MDS Transmodal forecasts for strategic B8 development. Taking into account some potential additional jobs growth in smaller warehouse facilities, the HEDNA analysis shows that at a HMA level, major potential schemes such as those proposed in Harborough District are not expected to result in employment growth over that already considered in the Planned Growth Scenario forecasts.

12.74 However future decisions on locations for new strategic distribution development may require some reconsideration of the distribution of housing need/ provision by the Leicester and Leicestershire local authorities through the Duty to Cooperate.